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## MotorCycle Holdings reports record profit

Leading Australian motorcycle retailing group, MotorCycle Holdings Limited (ASX:MTO), has maintained its strong operating track record in the year to June 2017, again achieving record unit sales, record revenues and record profits.

In its first full year of operations since listing in April 2016, the Company has rewarded shareholders with a final dividend of 7.5 cents per share (fully franked), taking the full year dividend to 15 cents per share.

The Company recorded a net profit of \$9.3 million for the 12 months, up 16% compared with the \$8.0 million pro-forma result for the year to June 2016.

	2016 Pro-forma	2017 Actual	2017 vs 2016 (%)
Motorcycle sales (units)	13,931	16,310	17
Revenue (\$M)*	209.3	235.3	12
EBITDA (\$M)	12.8	14.6	14
EBITDA margin (%)*	6.1	6.2	2
NPAT (\$M)	8.0	9.3	16

The pro forma results for 2016 were prepared by including adjustments to statutory results to reflect the revised capital structure of the company after listing in April 2016, and excluding certain non-recurring costs such as IPO expenses.

Overall motorcycle sales increased by 17% to 16,310 units for the year, with growth more pronounced in the first half.

Growth was strongest in the new motorcycle segment, where sales increased 21% to 9089 units, compared with market growth of approximately 2%. The Company secured approximately 8% of national new bike sales during the 12 months to June, compared with 6.8% in the prior year. Used motorcycle sales grew by 13% to 7221 units, which compared with market growth estimated at 0.2% in our main market in Queensland.

Revenue for the year totaled \$235.3 million, which was up 12% from \$209.3 million in 2016.

The strength in sales was partly due to the acquisition of three new dealerships in the second half of the year, which together contributed approximately \$8.7 million in additional sales. The dealerships were Evolution Motorcycles in Epping, Victoria, and Action Motorcycles on the Gold Coast in Queensland, which were acquired in March, and Sunshine Coast Harley-Davidson, in Kunda Park, Queensland, acquired in May. The acquisitions increased MotorCycle Holdings' dealership network to 27 locations spread across the eastern seaboard.

The increase in motorcycle sales underpinned increases in business across all divisions of the company, with revenues in Parts and Accessories increasing 8.2%, Service revenues up 6.6% and Finance and Insurance revenues 19.9% higher.

Operating costs increased 10% to \$222 million, in line with sales, leaving earnings before interest and tax (EBITDA) at \$14.6 million, which was up 14% from 2016, and equivalent to a slightly increased EBITDA margin of 6.2%.

After tax of \$4 million, the result was a profit of \$9.3 million.

## **Outlook**

Trading conditions within the motorcycle industry have been subdued during the past six months, however the Company's growth rates remain strong due to improved operating performance, its comprehensive product range, excellent service, dedicated staff and improvement in same store sales.

As previously advised, the Company's insurance business partner, Swann Insurance, is withdrawing from selling Motorcycle insurance products through motorcycle dealerships, effective October 2017.

MotorCycle Holdings holds agencies with a number of alternative suppliers, and has made arrangements to ensure there will be no interruption to the sale of insurance products.

The Company is currently negotiating new arrangements with insurance suppliers, however it is likely that premiums and commission structures for various insurance products will be significantly reduced in future as an outcome of a review by ASIC into add-on insurance products. MotorCycle Holdings expects that this will lead to a reduction in after-tax profits in the current year of approximately \$1.4 million.

However, increased sales and profit contributions from the three new dealerships acquired late in the 2017 financial year will largely offset the negative impact of these insurance changes.

In addition, the Company is continuing to identify further expansion and acquisition opportunities to deliver increased sales and profitability.

Company founder and Managing Director, David Ahmet, said the result confirmed the strong momentum in the business.

"The result is pleasing, with our business able to outperform the market and with the completion of three acquisitions demonstrating our capacity to identify and secure additional growth.

"The new dealerships we acquired during 2017 have performed well and the full benefits will be evident in the current year," he said.

Chairman David Foster said the Company was performing well and achieving record profits and sales despite volatile conditions in the market in the second half of the year.

“The Company has an excellent management team and a strong growth culture that is delivering results. The share price has grown by approximately 50% since June 2016, and shareholders also have been rewarded with a full year dividend of 15 cents, fully franked.

“The outlook for the business remains positive, we look forward to reporting continued good results in the current year,” he said.

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