

4 October 2017

Acquisition of Cassons and Capital Raising

- **Binding agreement to acquire 100% of the shares in Cassons, a leading, successful wholesaler and retailer of motorcycle accessories and parts.**
- **Fully Underwritten 11 for 24 renounceable entitlement offer to raise \$67 million at \$3.85 per share.**
- **Based on pro forma FY17 consolidated financials, the transaction is expected to be 26% earnings per share accretive, before synergies and amortisation.**

MotorCycle Holdings Limited (ASX:MTO), one of Australia's largest motorcycle dealership operators, is to acquire Cassons Pty Ltd, a leading, successful wholesaler and retailer of motorcycle accessories and parts.

MTO will acquire the business from the Cassen family for a total of \$123.2 million, with consideration of \$98.7 million paid in cash and \$24.5 million in MTO shares (escrowed for two years).

MTO will fund the cash component of the consideration through debt \$35m and a fully underwritten renounceable Entitlement Offer to raise \$67million at \$3.85 per share.

The acquisition is expected to increase MTO's annual revenues by approximately 30% to \$310 million, with EBITDA doubling to approximately \$30 million, before synergies.

In FY17, Cassons generated revenue of \$76.5million (FY16 \$74.0 million) and a pro forma EBITDA of \$16.7million (FY16 \$16.6 million). The acquisition price of \$123.2million therefore represents an earnings multiple of 7.4 times FY17 pro forma EBITDA, and the transaction is expected to be 26% earnings per share accretive on a FY17 pro forma basis before synergies and amortisation.

The principals of Cassons (Rob and John Cassen) will take up senior executive positions with MTO and Rob Cassen will also join the MTO board.

Cassons operates two core business divisions:

- Wholesale, which imports and distributes motorcycle parts and accessories to retailers including motorcycle dealerships such as MTO; and
- Retail, which trades as "Motorcycle Accessories Supermarket" and is a retailer of motorcycle parts and accessories through 8¹ retail outlets in New South Wales, Victoria and online distribution.

Cassons commenced as a wholesaler in 1988 and sells many of the leading brands in motorcycle accessories and parts including Arai, Dainese, Metzeler and Vance & Hines as well as a portfolio of company owned brands (including O'Neal and RJays). Accessories and parts include helmets, jackets, boots, mechanical and electrical parts, lubricants, and fashion accessories.

¹ Keilor, VIC is under construction and expected to open end of calendar year 2017.

MTO Managing Director and founder, David Ahmet, said the acquisition of Cassons made strategic sense.

“It increases the scale of MTO’s existing retail accessory business, expands our distribution network and provides opportunities to improve margin by sourcing additional Casson product for retailing through the MTO dealer network. We believe that the combination of the two businesses will also present significant growth opportunities, by introducing used motorcycles and other services into the growing Cassons retail network,” he said.

“In addition, MTO continues to explore other motorcycle franchise acquisition opportunities to increase its market share and geographic coverage in Australia.”

Entitlement Offer

Under the Entitlement Offer eligible shareholders will be able to subscribe for 11 fully paid ordinary shares (New Shares) for every 24 MTO shares they hold as at 7:00pm (AEST) on 9 October 2017 (Record Date) at the issue price of \$3.85 per New Share.

The Issue Price of \$3.85 represents:

- A 6.3% discount to the theoretical ex-rights price (“TERP”); and
- A 9.0% discount to the last traded price of MTO shares prior to this announcement.

The Entitlement Offer is fully underwritten by Morgans Corporate Limited (“Underwriter”).

Managing Director, Dave Ahmet will participate in the Entitlement Offer to the extent possible. All Non-Executive Directors of MTO eligible to participate intend to take up their full entitlements.

All entitlements under the Entitlement Offer are renounceable and shareholders will be able to trade these rights on the ASX for 5 business days during the Entitlement Offer period. The entitlements will be quoted on the ASX under the ticker code MTOR during this trading period.

The Entitlement Offer will be made to all eligible shareholders, being all shareholders who have a registered address in Australia and New Zealand.

MTO will notify shareholders who are on the register at the Record Date as to whether they are eligible to participate in the Entitlement Offer. Eligible shareholders will receive an information booklet, including personalised entitlement and acceptance form, which will provide further details of how to participate in the Entitlement Offer. A nominee has been appointed to sell the entitlements of ineligible shareholders and the proceeds of the sale of these entitlements will be remitted to these shareholders.

Approximately 17.4 million New Shares will be issued as part of the Entitlement Offer. The New Shares will rank equally with existing shares of MTO.

Key Dates

Activity	Date
Announcement of the Entitlement Offer	4 October 2017
Investor Presentation and Information Booklet released to the ASX	4 October 2017
Despatch of letters to Shareholders regarding eligibility	5 October 2017
Entitlements trading commences	6 October 2017
Record Date for Entitlement Offer (7.00pm AEST)	9 October 2017
Information booklet and Entitlement and Acceptance Form despatched	11 October 2017
Entitlement Offer opens	11 October 2017
Entitlement trading ends (4.00pm AEST)	13 October 2017
Closing date or acceptances under the Entitlement Offer (5.00pm AEST)	20 October 2017
Announcement of result of Entitlement Offer and under-subscriptions	24 October 2017
Allotment of New Shares issued under the Entitlement Offer	27 October 2017
Despatch of holding statements for New Shares issued under the Entitlement Offer	30 October 2017
Normal ASX trading for New Shares issued under the Entitlement Offer commences	30 October 2017

Investor conference call

The Company will be conducting an investor conference call at 10:30am (Sydney time) today, 4 October 2017 in regards to this announcement.

Dial in number

Australia: 1800 041 303 (toll free) or
International: +61 2 9001 2114 (toll)

Participant pin code

313604#

Investors will be asked to provide name and Company.

ENDS

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