

# MOTORCYCLE HOLDINGS



ACQUISITION OF CASSONS PTY LTD

UNDERWRITTEN ENTITLEMENT OFFER TO RAISE A\$67 million

OCTOBER 2017

INVESTOR PRESENTATION



# Important Notice and disclaimer



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This investor presentation has been prepared by MotorCycle Holdings Limited ACN 150 386 995 (**MTO** or **Company**).

This presentation has been prepared in relation to the acquisition (**Acquisition**) of Cassons Pty Ltd (**Cassons**) and a fully underwritten renounceable entitlement offer of new fully paid ordinary shares in the Company (**New Shares**) to partially fund the Acquisition, to be made under section 708AA of the *Corporations Act 2001* (Cth) as modified by Australian Securities and Investments Commission (**ASIC**) Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (together, the **Offer**).

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Unless otherwise stated, the information in this presentation is based on the Company's own information and estimates and has not been subject to review or audit.

All amounts are presented in Australian dollars unless otherwise stated. A number of figures in this presentation have been rounded.

## In summary:

# Securing Motorcycle market leadership



**1**

**Acquisition of Cassons, a leading, successful wholesaler and retailer of motorcycle accessories with FY17 \$76.5 million in annual turnover (FY16 \$74.0 million) and pro forma FY17 EBITDA of \$16.7 million (FY16 \$16.6 million)**

**2**

**Adds scale to MTO's retail accessory business, lifts margins and expands distribution network**

**3**

**Lifts MTO revenues by more than 30% to approximately \$310 million. EBITDA doubles to \$30 million\***

**4**

**Acquisition price of \$123.2\*\* million represents an earnings multiple of 7.4 times Cassons' pro forma FY17 EBITDA and will increase MTO EPS by 26% on a proforma basis, before synergies and amortisation\***

**5**

**Attractive earnings growth of combined group to be enhanced via synergies and revenue opportunities across each organisation's distribution network**

**6**

**Casson CEO Rob Cassen to join MTO board. The Cassen family will emerge as a 10% shareholder of MTO, receiving 20% of the sale consideration as MTO shares (escrowed for 2 years)**

Note: \*Based on FY17 Proforma consolidated. \*\*\$2m is being paid to Rob and John Cassen in consideration for their 5 year restraint.

# Transaction **summary**



## Acquisition of Cassons

- Binding conditional agreement to acquire Cassons Pty Ltd for \$123.2\* million, implying an earnings multiple of 7.4 times pro forma FY17 EBITDA
- Cassons is a wholesaler and retailer of motorcycle accessories
- Cassons operates across two business lines that are highly complementary to MTO's existing business structure:
  - CPL – wholesale importer and distributor of accessories and parts to retailers including MTO
  - MotorCycle Accessories Supermarket – established in 1973, retails motorcycle accessories and parts through five stores in New South Wales and three\*\* in Victoria
- Accessories include helmets, jackets, boots, electrical and mechanical parts, lubricants and fashion accessories

## Strategic rationale

- Fits MTO stated strategy to expand accessories business
- Highly complementary fit in terms of geography, customer and wholesale/retail mix
- Opportunities to realise further revenue growth by cross sales of products through expanded distribution network

## Acquisition terms

- Acquisition of 100% of shares in Cassons from the Cassen family
- Purchase price of A\$123.2\* million, funded 80% cash (\$98.7 million) and 20% (\$24.5 million) in MTO shares (escrowed for 2 years)
- Cash portion funded by debt of \$35 million and an equity raise of \$67 million (of which \$63.7 million will support funding the acquisition and \$3.3 million will support funding underwriting and transaction costs)
- Cassons principals (John and Rob Cassen) will take up senior executive positions in MTO and Rob Cassen will also become an MTO director
- Conditions to complete include forming the view that key suppliers will continue to trade with Cassons, securing sufficient funding, obtaining landlord consents and key contract consents and no material adverse changes

Notes: \*\$2m is being paid to Rob and John Cassen in consideration for their 5 year restraint. \*\*Keilor, VIC is under construction and expected to open end of calendar year 2017

# Transaction **summary**



## Equity Funding

- The equity raising will be through:
  - A\$67 million renounceable Entitlement Offer at \$3.85 per share, fully underwritten by Morgans, with retail rights trading
  - MTO Managing Director and Founder David Ahmet will participate in the entitlement issue to the extent possible
  - All other directors will take up their entitlements in full
  - Cassen family to receive a placement of \$24.5 million in shares at an issue price of \$3.85 per share

## Expected financial impact

- The combined group will generate estimated consolidated sales of \$310m and EBITDA of \$30m before synergies
- Based on a proforma FY17 consolidated basis, the acquisition will lift EPS 26% before synergies and amortisation
- Pro-forma net debt / FY17 EBITDA is 1.4x post acquisition. Preserves balance sheet strength and capacity to pursue further growth opportunities
- A working capital adjustment will be determined at completion. If actual working capital is more than target working capital, MTO will pay the difference as an incremental increase to the purchase price. This potential payment is capped at \$3.5m and would be funded from debt facilities

## Other

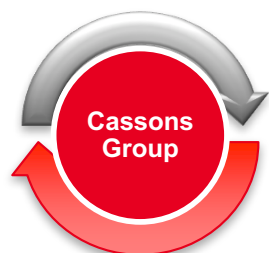
- The MTO shares that the Cassen family receives as part of their consideration will be escrowed for 2 years
- The acquisition is expected to complete on 31 October 2017



# Overview of Cassons Group



CPL - Wholesale



**30** Year history



**49** Retail brands distributed in Australia

**8\*** Retail stores

**6** House brands

**43** Distributed brands

**~221**

Employees  
(64 CPL, 157 MCA)

MCA - Retail

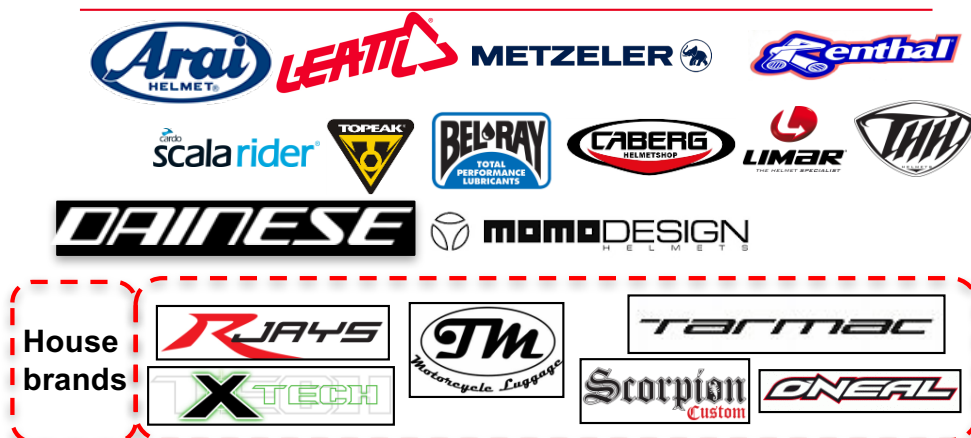
**CASSONS**

- CPL commenced as a wholesaler in 1988 and imports and distributes motorcycle, bicycle and kart products, apparel and accessories direct to retailers
- Products include helmets, jackets, pants, gloves, boots, mechanical and electrical parts, lubricants and fashion accessories
- CPL also distributes a range of bicycle accessories



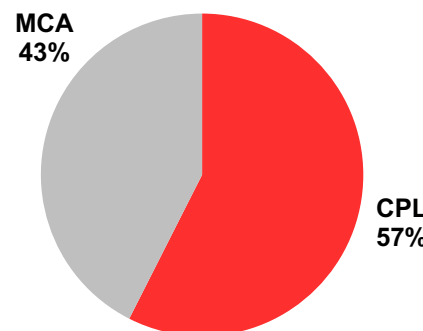
- MCA was established in 1973, and is a retailer selling primarily motorcycle related product, apparel and accessories and customised services direct to end consumers via a retail footprint and an online presence
- MCA currently operates 8\* retail stores, five in New South Wales and three in Victoria (Keilor opening end of CY17)

## Exclusive Cassons Brands

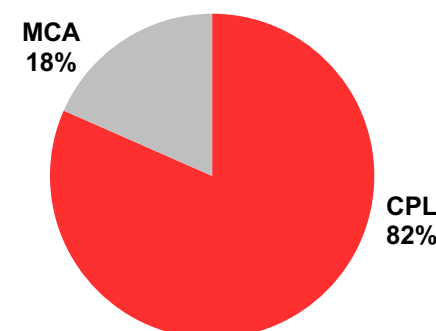


## Operational segments

FY17 Revenue  
Non-consolidated



FY17 EBITDA



Notes: \*Keilor, VIC is under construction and expected to open end of calendar year 2017

# Strategic rationale

The transaction will accelerate MTO's strategy to grow accessories division

**Acquisition  
supports plan to  
grow accessories  
division**

- Strengthens MTO's reach into retail channels via additional stores and online distribution
- MTO becomes vertically integrated within accessories with improved margins

**Increases  
scale,  
margins,  
earnings**

- Growth in sales and earnings
- Complementary store footprint across NSW, VIC, QLD
- Enhanced online retail capability/offering
- Acquisition is 26% EPS accretive on a proforma basis before synergies and amortisation

**Synergy  
opportunities**

- Opportunity to source and supply greater volume of Cassons product through MTO retail network
- Opportunity for MTO to introduce used motorcycles and other services into Cassons growing MCA retail network

**MTO has a long track record of successful acquisitions**



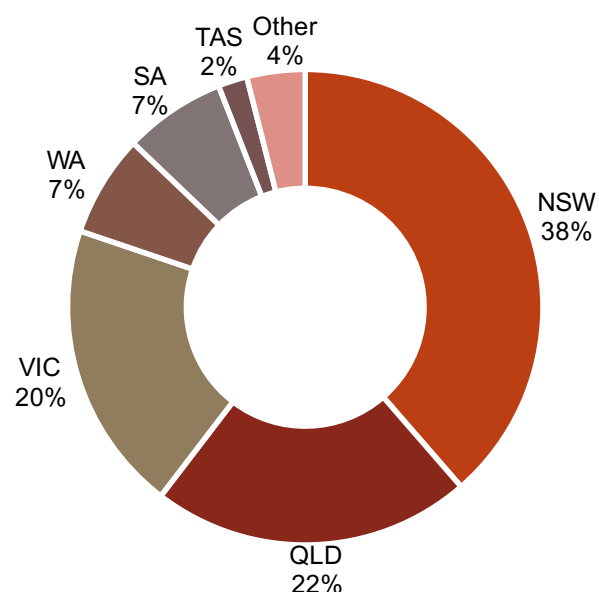
# Cassons - CPL



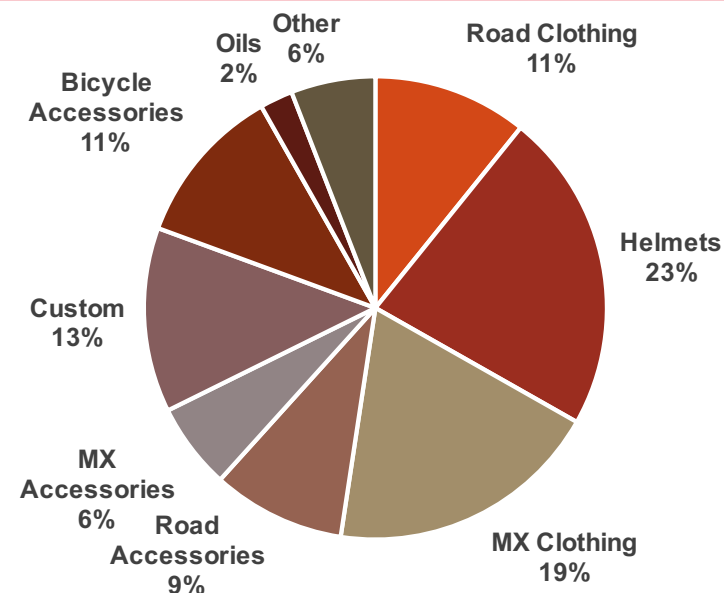
CPL is a wholesale business that distributes more than 49 brands to a diverse customer base

- Operated for 30 years with a wholesale store in western Sydney
- Growth driven by increased market penetration of house and 3<sup>rd</sup> party brands, and roll-out of additional retail stores
- Has consistently generated strong gross margins on its owned brands such as O'Neal, RJays, X Tech, Tarmac, TM and Scorpion
- Currently sells products to more than 1500 accessories and parts retailers nationally across Australia
- Experienced management team - average tenure of management team is more than 14 years (excl. founders)
- Diverse revenue mix from a wide range of on-road and off-road products

## Geographical spread (FY17)



## Revenue mix (FY17)

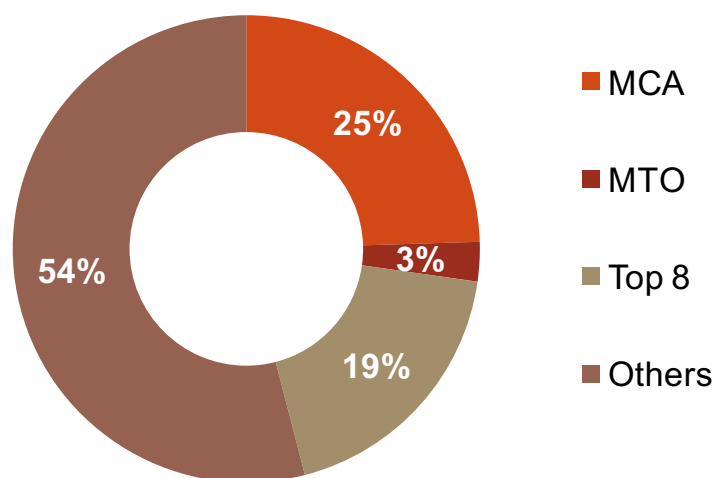


# Long term customer & supplier relationships

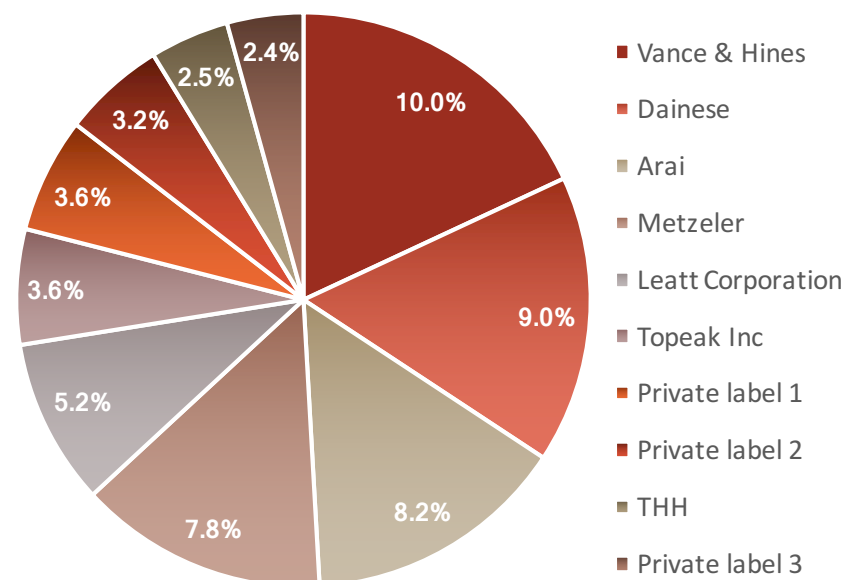


- Key supplier relationships built over many years
- CPL's top ten customers make up ~46% of FY17 revenue
- CPL's top ten suppliers comprise ~59% of FY17 purchases
- Vertical integration - Six key house retail brands are owned by CPL (O'Neal, RJays, X Tech, Tarmac, TM and Scorpion)
- Long term distribution relationships with 49 high quality brands
- CPL have distributed 28 brands for more than 5 years. Of those 28 brands:
  - 7 brands have been distributed for more than 20 years;
  - 7 brands for more than 15 years and less than 20 years; and
  - 14 brands for more than 5 years and less than 15 years

**Key customers - % of FY17 revenue**



**Key suppliers - % of FY17 purchases**



Notes: \*House brands

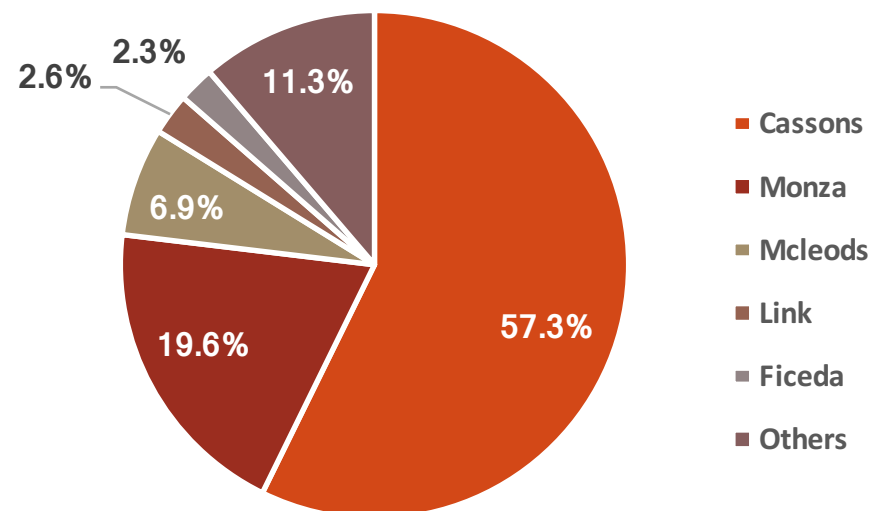
# MCA – growing retail and online presence



- Operating since 1973 and trades as Motorcycle Accessories Supermarket (MCA)
- 8\* retail stores (Auburn, Caringbah, Dandenong, Penrith, Campbelltown, Ringwood, Sydney, Keilor) and online distribution
- Store footprint ranges between 545sqm – 3,300sqm
- MCA employees 157 employees (full-time and casuals)
- Consistent growth in earnings driven by sales growth and new store openings
- Dandenong store opened in FY16. Ringwood VIC store acquired early FY18. New superstore in Keilor VIC to open at the end of calendar year 2017
- Further retail store expansion planned



**MCA suppliers - % of FY17 purchases**



Notes: \*Keilor, VIC is under construction and expected to open end of calendar year 2017

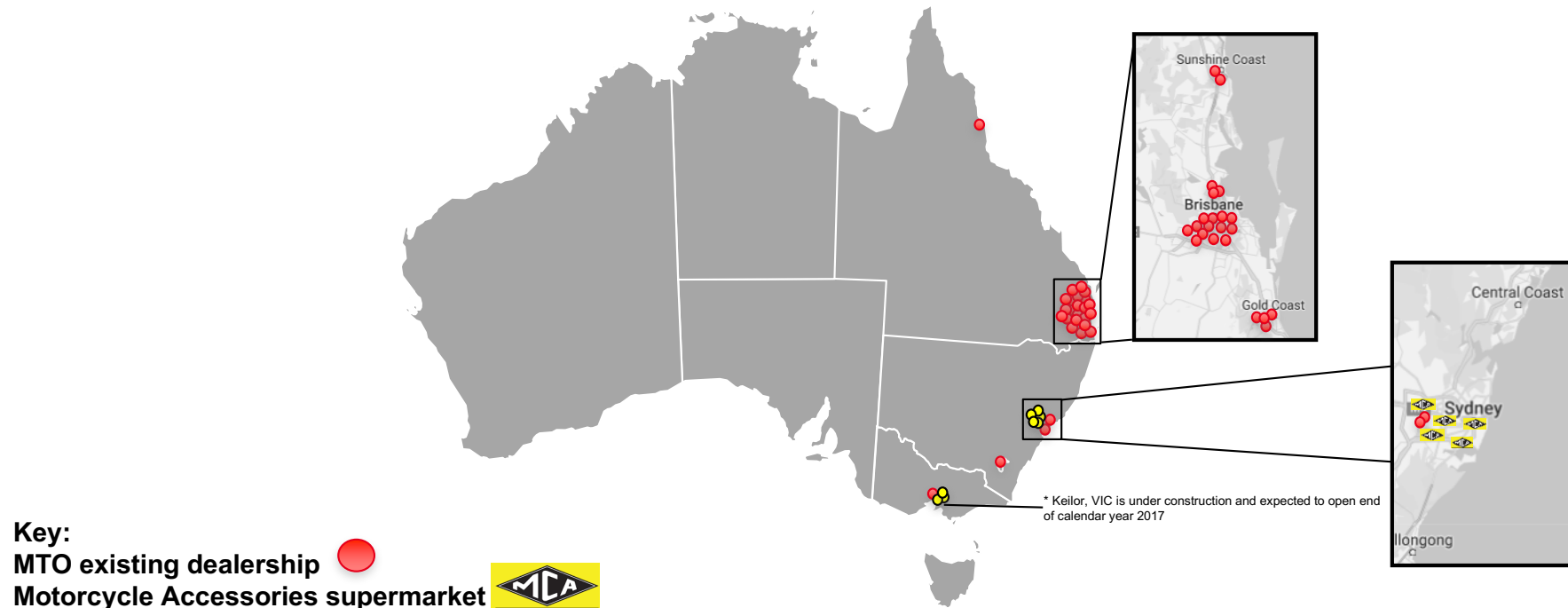
# Opportunity to realise synergies

## Combination benefits

- ✓ Increased resources and focus on accessories market – higher margin business
- ✓ Board and Management skills enhanced
- ✓ Improved retail online platform and customer base
- ✓ Accessories business to be vertically integrated
- ✓ Potential volume benefits

## Scale benefits

- ✓ Large, successful accessories importer and distributor adds product lines, diversifies revenues
- ✓ Centralised accessories procurement drives efficiencies
- ✓ Leverage distribution networks
- ✓ Potential upside to supplier terms, arrangements and relationships



# Increase **scale and diversification**



## **Substantial increase in the scale of the business**

- Revenue increase from \$235 million to \$310 million
- EBITDA increase from \$15 million to \$30 million



## **Increased geographic footprint and diversification**

- Increased retail store footprint from 27 to 35 locations
- Cassons is a national wholesaler and distributor
- From QLD centric to east coast footprint and established online presence



## **More resilient business mix**

- More than 50% of EBITDA will come from accessories and parts



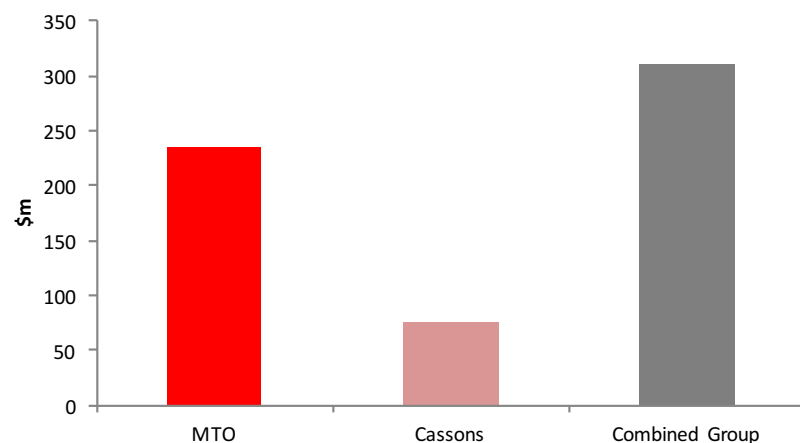
## **Synergies**

- Margin improvement through sourcing more products through Cassons – MTO purchased \$1.5 million of product from Cassons during FY17
- Potential to introduce MTO products e.g. used motorcycles and services, into Cassons' MCA stores

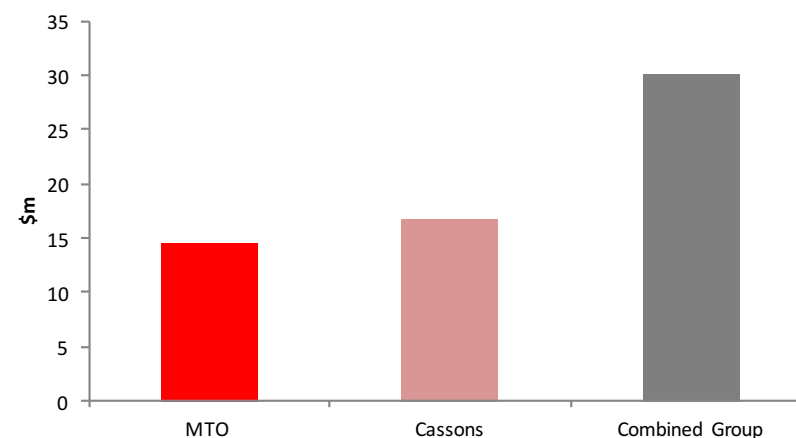
# Illustrative financial impact



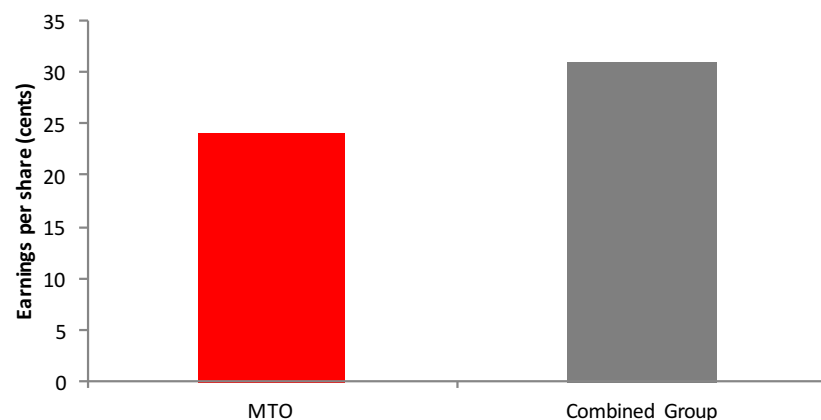
Revenue



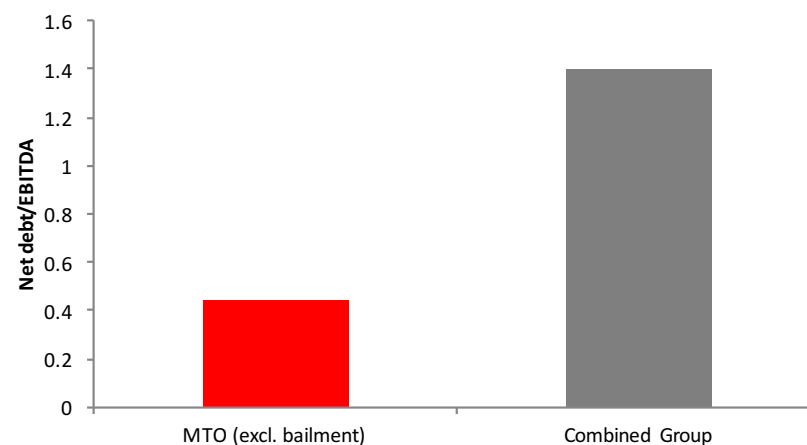
EBITDA



Earnings per share before synergies and amortisation



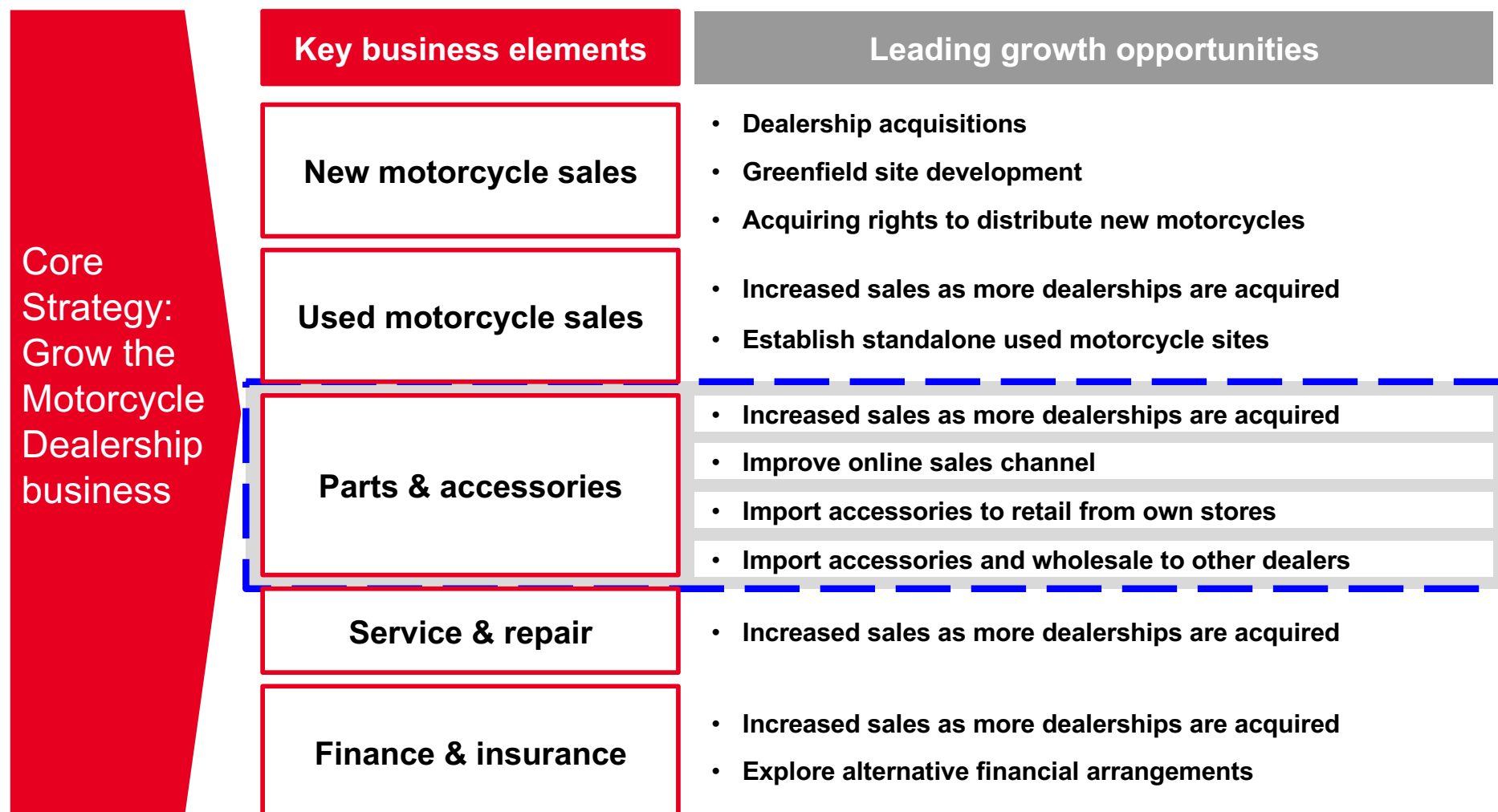
Gearing





# MTO's strategy

The acquisition of Cassons is in line with MTO's stated strategy



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# Growth opportunities



- Continued store roll-out of MCA
- Ability to introduce MTO products e.g. used motorcycles and services through MCA stores
- Addition of further brands/ suppliers to the wholesale distribution business of Cassons. New Metzeler tyre brand sourced in late FY17
- Enhancing online sales offering and presence to grow share of online sales
- Continue to consolidate the Original Equipment Manufacturer (OEM) franchise market through acquisitions
- Continued improvement in existing franchise network and operating practices

# Funding the acquisition



	Entitlement Offer	Vendor Share Placement
<b>Structure and size</b>	<ul style="list-style-type: none"> <li>Fully underwritten 11 for 24 renounceable rights issue to raise \$67.0 million</li> </ul>	<ul style="list-style-type: none"> <li>\$24.5 million share placement to the Cassen family                             <ul style="list-style-type: none"> <li>representing approximately 6.4 million new shares</li> <li>escrowed for 2 years</li> </ul> </li> </ul>
<b>Offer Price</b>	<ul style="list-style-type: none"> <li>Entitlement Offer issue price of \$3.85 per new share                             <ul style="list-style-type: none"> <li>6.3% discount to the TERP of \$4.11 on 3 October 2017</li> <li>9.0% discount to last close of \$4.23 on 3 October 2017</li> </ul> </li> </ul>	
<b>Ranking</b>	<ul style="list-style-type: none"> <li>New shares will rank equally with existing MTO shares</li> </ul>	

Uses of Funds	A\$ million	Sources of funds	A\$ million
Acquisition of Cassons	123.2	Entitlement Offer	67.0
Transaction costs	3.3	Debt facility drawdown	35.0
		Vendor Share Placement	24.5
<b>Total uses</b>	<b>126.5</b>	<b>Total sources</b>	<b>126.5</b>

# Entitlement offer timetable



Event	Date
Announcement of the Entitlement Offer	Wednesday, 4 October 2017
Mailing of the Entitlement Offer details	Thursday, 5 October 2017
Ex-date and Rights trading commences	Friday, 6 October 2017
Record Date for Entitlement Offer (7.00pm AEDT)	Monday, 9 October 2017
Information Booklet and Entitlement & Acceptance Form dispatched	Wednesday, 11 October 2017
Entitlement Offer opens	Wednesday, 11 October 2017
Rights trading ends (4.00pm AEDT)	Friday, 13 October 2017
Closing date for acceptances under Entitlement Offer (5.00pm AEDT)	Friday, 20 October 2017
Company notifies ASX of under subscriptions	Tuesday, 24 October 2017
Allotment of New Shares under the Entitlement Offer	Friday, 27 October 2017
Dispatch of holding statements for New Shares issued under the Entitlement Offer	Monday, 30 October 2017
Normal ASX trading for New Shares issued under the Entitlement Offer commences	Monday, 30 October 2017

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Underwriter, subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares.

The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

# APPENDIX A



# FY17 Pro forma historical earnings summary



A\$M	MTO (1)	Cassons Pro Forma (2) (4)	Eliminations and Other Costs (3)	Pro Forma Consolidated Pre Amortisation	Amortisation (5)	Pro Forma Consolidated After Amortisation
Revenue	235.3	76.5	-1.5	310.2	-	310.2
EBITDA	14.5	16.7	-1.0	30.2	-	30.2
EBITDA Margin	6.2%	21.8%	67.1%	9.7%	-	9.7%
EBIT	13.7	16.2	-1.0	28.9	-2.2	26.7
PBT	13.3	16.2	-2.3	27.2	-2.2	25.0
NPAT	9.3	11.4	-1.6	19.0	-1.5	17.5
EPS (cents per share)	24.4c			30.8c		28.4c
Shares on issue pre Acquisition/Offer	37,950,000			37,950,000		37,950,000
Shares issued on acquisition/Offer		23,757,386		23,757,386		23,757,386
<b>Total shares on issue</b>	<b>37,950,000</b>			<b>61,707,386</b>		<b>61,707,386</b>

## NOTES:

- 1 The MTO FY17 earnings are derived from the MTO audited financial statements for the year ended 30 June 2017.
- 2 The Cassons Pro Forma earnings are derived using the unaudited management accounts of each of the entities within Cassons for the year ended 30 June 2017, adjusted for one-off, non-recurring expenses as well as the salaries for the Cassons Directors.
- 3 Eliminations and Other Costs represent the following:
  - i. The elimination of \$0.2 million of unrealised profit on inventory for inventory on hand at year end in MTO that has been purchased from Cassons;
  - ii. Ongoing integration, audit and compliance and other costs of \$0.8 million;
  - iii. Interest expense on the acquisition debt facility of \$1.3 million; and
  - iv. The tax impact of the above transactions using the relevant corporate tax rate of Australia (30%).
- 4 The transaction costs associated with the Cassons acquisition as well as the debt raising costs have been excluded on the basis they are non-recurring in nature.
- 5 Represents amortisation of intangible assets identified as a result of the preliminary purchase price allocation exercise, based on useful lives of between 5 and 9 years, depending on the nature of the asset. The tax impact relating to the amortisation expense has been calculated using the relevant corporate tax rate of Australia (30%).

**The financial information is illustrative and is to be read in conjunction with the important note - financial information on page 22**

In accounting for the Cassons Acquisition in the Proforma historical combined balance sheet, MTO has used the 30 June 2017 unaudited financial statements. A preliminary purchase price allocation exercise has been undertaken for the purposes of preparing the Pro Forma Balance Sheet. MTO will undertake a formal fair value assessment of all the assets, liabilities and contingent liabilities of Cassons post-implementation of the acquisition, which may give rise to different values to those used for the purposes of the Proforma financial information set out here and on the following page.



# Pro forma historical Balance Sheet as at 30 June 2017



A\$M	MTO Historical (1)	Cassons Acquisition (2) (3) (4) (5)	Eliminations (8)	Acquisition Debt Funding and Associated Costs (2) (6)	Offer Proceeds and Offer Costs (2) (7)	Pro Forma Historical
<b>Current Assets</b>						
Cash and cash equivalents	4.5	(100.9)	-	34.3	64.7	2.6
Trade and other receivables	2.9	5.2	(0.2)	-	-	7.9
Inventories	45.2	32.3	(0.2)	-	-	77.3
Other	-	0.1	-	-	-	0.1
<b>Total current assets</b>	<b>52.6</b>	<b>(63.3)</b>	<b>(0.4)</b>	<b>34.3</b>	<b>64.7</b>	<b>87.9</b>
<b>Non-current assets</b>						
Property, plant and equipment	7.5	2.2	-	-	-	9.7
Deferred tax assets	1.8	1.4	-	0.1	0.5	3.9
Goodwill / Intangibles	29.4	93.4	-	-	-	122.8
Other	0.1	-	-	-	-	0.1
<b>Total non-current assets</b>	<b>38.8</b>	<b>97.1</b>	<b>-</b>	<b>0.1</b>	<b>0.5</b>	<b>136.5</b>
<b>Total assets</b>	<b>91.4</b>	<b>33.7</b>	<b>(0.4)</b>	<b>34.4</b>	<b>65.3</b>	<b>224.4</b>
<b>Current liabilities</b>						
Trade and other payables	9.0	3.4	(0.2)	-	-	12.1
Short term borrowings	23.1	-	-	-	-	23.1
Provisions	4.4	0.3	-	-	-	4.8
Others	-	0.1	-	-	-	0.1
Current tax liabilities	1.2	(0.2)	(0.1)	(0.1)	(0.1)	0.7
<b>Total current liabilities</b>	<b>37.7</b>	<b>3.6</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>40.8</b>
<b>Non-current liabilities</b>						
Long term borrowings	11.0	-	-	35.0	-	46.0
Deferred tax liabilities	-	7.1	-	-	-	7.1
Provisions	0.5	0.5	-	-	-	1.0
<b>Total non-current liabilities</b>	<b>11.5</b>	<b>7.5</b>	<b>-</b>	<b>35.0</b>	<b>-</b>	<b>54.1</b>
<b>Total liabilities</b>	<b>49.2</b>	<b>11.2</b>	<b>(0.3)</b>	<b>34.9</b>	<b>(0.1)</b>	<b>94.9</b>
<b>Net assets</b>	<b>42.1</b>	<b>22.6</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>65.4</b>	<b>129.5</b>
<b>Equity</b>						
Contributed equity	30.1	24.5	-	-	65.4	120.1
Retained earnings	12.0	(1.9)	(0.1)	(0.5)	-	9.4
<b>Total equity</b>	<b>42.1</b>	<b>22.6</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>65.4</b>	<b>129.5</b>
Net Debt (\$m) (Cash and cash equivalent)	(6.5)					(43.4)
Net Debt/Equity (%)	15.4%					33.5%
Net Debt/EBITDA (x)	0.4x					1.4x

The financial information is illustrative and is to be read in conjunction with the important note - financial information on page 22

## NOTES:

- The MTO balance sheet has been extracted from the MTO audited financial statements for the year ended 30 June 2017.
- The Pro Forma Historical Balance Sheet assumes the acquisition of Cassons, the debt funding and the Offer occurred as at 30 June 2017.
- The Cassons Acquisition balance sheet has been derived using the unaudited management accounts of each of the entities within Cassons for the year ended 30 June 2017, adjusted for the following:
  - Elimination of the investment in the Cassons subsidiary entity and unrealised profit on inventory;
  - Removal of those items not forming part of the acquisition including related party loans and free cash;
  - Adjustment of Cassons' inventory to align it with the aging policies required by MTO;
  - The impact of the preliminary purchase price allocation exercise, reflecting the purchase price of \$123.2 million, goodwill of \$62.7 million and other intangible assets of \$30.7 million (grossed up for the impact of the deferred tax liability);
  - Expensed costs associated with the acquisition of Cassons of \$1.2 million; and
  - Expensed integration costs of \$1.0 million.
- Australian Accounting Standards allow for 12 months from completion to finalise accounting and purchase price allocation exercise. Fair value adjustments will be subject to purchase price allocation exercise after completion.
- The final purchase price will be subject to purchase price adjustments based on Cassons' working capital and net debt at completion.
- Represents debt funding for the acquisition of Cassons of \$35.0 million, net of associated debt raising costs of \$0.7 million.
- Represents total proceeds from the Offer of \$67.0 million, net of Offer costs of \$2.3 million. Of the \$67.0 million Offer proceeds, \$63.7 million will be used to fund the acquisition of Cassons and \$3.3 million will be used to fund acquisition costs and Offer costs. The remaining \$0.2 million of acquisition costs will be funded from MTO cash flow.
- Eliminations relate to amounts payable from MTO to Cassons as well as the elimination of unrealised profit on inventory held in MTO.

# Important note



## Important note – financial information

The financial information contained in this presentation comprises MTO's:

1. Pro forma historical earnings summary, comprising key line items from MTO's income statement and financial information summary for the year ended 30 June 2017 ("FY17") (as per MTO's audited financial statements), adjusted for the full year earnings impact from the acquisition of Cassons assuming that the acquisition occurred on 1 July 2016, as well as one-off expenses incurred in Cassons during FY17 and other ongoing costs ("Pro Forma Historical Earnings Summary"); and
2. Pro forma historical balance sheet as at 30 June 2017, being the balance sheet of MTO as at 30 June 2017 extracted from the MTO FY17 audited financial statements, adjusted to reflect the assumed completion of the acquisition of Cassons, the Offer and the debt raise as if these transactions had occurred as at 30 June 2017 ("Pro Forma Historical Balance Sheet").

The Pro Forma Historical Earnings Summary and Pro Forma Historical Balance Sheet are collectively referred to as "Pro Forma Financial Information". The Pro Forma Financial Information has been included in this presentation in relation to the Offer and should not be used for any other purpose.

The Pro Forma Financial Information is provided for illustrative purposes and does not purport to be prepared in accordance with Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board and has not been subject to audit, review or other verification. Readers should consider the Pro Forma Financial Information in light of the risks outlined on pages 28 to 33, including limitations on reliability of financial information presented. The Pro Forma Financial Information has been derived to provide investors with an illustrative earnings summary and historical balance sheet if the acquisition of Cassons, the Offer and the debt raise are completed. The Pro Forma Financial Information is not intended to reflect the financial performance or financial position that would have actually resulted from the completion of the acquisition of Cassons, the Offer or the debt raise, or the results that may be obtained in the future.

Certain financial information in this presentation is "non IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC. The non-IFRS financial information in this presentation includes EBITDA, EBITDA margin, EBIT, Net Debt, Net Debt/Equity and Net Debt/EBITDA. Although the Directors consider that these measures provide useful information about the financial performance of MTO, they should be considered as supplements to the measures that have been prepared in accordance with all requirements of the AAS and not as a replacement for them. Because these non-IFRS financial measures are not based on the AAS, they do not have standard definitions and the way that MTO calculates these measures may differ from similarly titled measures by other companies. Investors should, therefore, not place undue reliance on these non-IFRS financial measures.

# Key Terms of **Sale Deed**



## Conditions to Completion

- MTO raising sufficient funds through rights issue and debt financing (credit approved term sheet in place)
- Change of control consents for leases / key contracts
- Buyer forming view that top 7 suppliers will continue trading with the Cassons on same terms following sale
- No material adverse change occurring in Cassons or MTO

## Other key terms

MTO shares issued to Sellers will be escrowed for 2 years

Representations and warranties customary for a transaction of this nature have been provided

As a condition of debt funding, financier to be satisfied with integration plan

## OTHER KEY TERMS:

- Rob and John Cassen guarantee Sellers' obligations under sale deed
- Motorcycle Holdings and Rob and John Cassen will work together to prepare and implement integration and supplier engagement plans before and after completion
- Rob and John Cassen will each sign 5 years restraints

# Board of Directors



The Company has selected a Board that offers depth of experience across a range of successful high growth companies



**David Foster**  
Chairman

- David has over 25 years experience in the financial services industry, with experience spanning across management, distribution, technology and marketing in retail banking
- David is currently Non-Executive director of Genworth Mortgage Insurance Australia Limited, Thom Group Limited, G8 Education Limited and Kina Securities Limited. David was previously CEO of Suncorp Bank
- David has an MBA, a Bachelor of Applied Science and is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors



**Peter Henley**  
Independent Non-Executive Director

- Peter has been a director of Motorcycle Holdings since March 2017 and has also been appointed a member of the Risk Committee and the Nomination and Remuneration Committee
- Peter previously held senior management positions at AGC Limited, Nissan Finance Corp Ltd and GE Money in Australia and in South East Asia
- Since retiring from executive roles, Peter has been an Independent Non-Executive Director of Adtrans Group Ltd, MTA Insurance Ltd, Thom Group Ltd and more recently AP Eagers Ltd
- Peter is a Fellow of the Australian Institute of Management and is a member of the Australian Institute of Company Directors



**Warren Bee**  
Independent Non-Executive Director

- Warren has been a director of Motorcycle Holdings since June 2011 and from 2007 to 2011 chaired the Company's advisory board
- Warren also currently serves on the board of LEP Colour Printers
- Warren has also held CEO and line management roles across a range of industries
- Warren is a Fellow of the Institute of Chartered Accountants Australia and is a member of the Australian Institute of Company Directors



**Rick Dennis**  
Independent Non-Executive Director

- Rick has been a director of Motorcycle Holdings since August 2016 and is Chairman of the Audit and Risk Committee
- Rick is currently non-executive director of listed entity Apiam Animal Health Limited and a non-executive Director of Springfield Land Corporation Pty Ltd, Vesta Living Communities Limited, Gold Coast Private Health Network and a member of the Queensland Advisory Board for Australian Super and EWM Group.
- During Rick's 34 year career with Ernst & Young in Australia and Asia Pacific, he served as Queensland Managing Partner from 2001-2007 and again in 2014. Rick sat on the firm's inaugural Asia-Pacific executive board and a number of EY global boards and committees
- Rick is a Fellow of the Institute of Chartered Accountants Australia and is a member of the Australian Institute of Company Directors



**David Ahmet**  
Founder, CEO and Managing Director

- David is the Founder, CEO and Managing Director of MotorCycle Holdings
- David has successfully led the Company's acquisitions since 1989 growing the group from 1 location to 27 locations operating 45 franchises
- David has 28 years' experience in motorcycle dealerships and is responsible for leading the management team and direction of the business as well as maintaining strong relationships with the manufacturers

# Senior Management



Experienced senior team with a strong track record in the motorcycle and automotive industry and more than 80 years of combined industry experience



**David Ahmet**  
Co-founder, CEO and  
Managing Director

- David has successfully led the Company's acquisitions since 1989 growing the group from 1 location to 27 locations operating 45 franchises
- David has 28 years' experience in motorcycle dealerships and is responsible for leading the management team and direction of the business as well as maintaining strong relationships with the manufacturers



**Bob Donovan**  
Chief Financial Officer

- Bob joined the Company in 2002 as a financial controller. He has been the CFO since 2010
- He is responsible for all financial and administrative aspects of the business including accounting, payroll and information technology
- Bob was formerly Financial Controller for SE QLD motor vehicle dealership group for 15 years
- Bob is a CPA and holds an MBA



**Chris Chenoweth**  
GM and Group Bike Sales

- Chris joined MotorCycle Holdings in 2008 and successfully ran two of the Company's dealerships before taking over responsibility for MotorCycle Holdings' motorcycle sales and dealership performance
- Responsible for dealership network performance and OEM relationships
- Prior to joining MotorCycle Holdings, Chris operated dealerships in South Australia and the UK



**Mike Cooksley**  
Group Finance  
and Insurance

- Has the Business' Finance, Insurance and Extended Warranty function since 2004
- Joined MotorCycle Holdings in 2003 after several years working in the Finance function in the automotive industry
- Recruits, trains, and manages the Group's Business Managers and manages key Finance and Insurance Company relationships



**Russell Lemon**  
Group Service

- Responsible for MCH service departments and Advanced MotorCycle Spray-painting and Decals
- Joined MotorCycle Holdings in 2003 as a motorcycle apprentice and worked in several roles including motorcycle sales and as a service manager
- Previously spent 9 years as service manager for multiple group workshops where his appointment was focused on driving operational improvements below benchmark over short term assignments



**Matt Dowd**  
Group Parts and  
Accessories

- Joined MotorCycle Holdings in 2017. Matt has over 35 year's experience in the Motorcycle industry. He was previously a GM at Ficeda Accessories for 14 years and workshop manager for Brain Collins Motorcycles and Action Motorcycles. He expanded their accessory departments to be one of the largest in Sydney at the time
- Oversees Group's accessories and parts departments including training and driving performance across the function

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# Cassons Group



Rob Cassen and John Cassen will join the MTO team



**Rob Cassen**  
Principal

- 33 years experience in the motorcycle industry
- Successfully built one of Australia's largest motorcycle and bicycle clothing and accessory distribution company
- Developed strong supplier relationships with major international & world leading brands/manufacturers
- Creation of market leading private label brands in Australia
- Manages sales, marketing, admin & logistics teams to ensure smooth supply to the market



**John Cassen**  
Principal

- 35 years experience in the motorcycle industry
- Successfully built one of Australia's largest retailers of motorcycle clothing & accessories
- Successful expansion of MCA superstores & stores across Sydney & Melbourne
- Runs management teams across all stores and the direction of the company
- Leads the social media, marketing and online teams
- Creation of market leading private label brands in Australia



# History of consistent growth



**45 franchises, 27 locations,  
20 acquisitions**

**MTO has delivered strong growth**

**8% market share nationally\***

**2017** KTM Gold Coast and KTM Epping, Harley Davidson Sunshine Coast acquired | **27 locations**

**2015** Canberra Harley Davidson and Sydney's Harley Davidson (Campbelltown) acquired | **24 locations**

**2013** Kawasaki, Suzuki and Yamaha Ipswich, Kawasaki Gold Coast, Yamaha and Kawasaki Springwood (collectively Ultimate Motorcycles) acquired | **22 locations**

**2012** Harley Davidson Brisbane and Harley Davidson Gold Coast (Morgan and Wacker), BMW Brisbane and BMW Gold Coast acquired | **18 locations**

**2011** Honda Virginia established, Archer Growth Funds acquires majority shareholding, MotorCycle Holdings repair and painting business acquired (Advance Motorcycle Spray Painting) | **15 locations**

**2010** Hyosung Springwood established | **14 locations**

**2009** Kawasaki Moorooka established | **13 locations**

**2006** Yamaha and Triumph Blacktown acquired | **12 locations**

**2005** Honda Gold Coast, Yamaha Northside acquired | **11 locations**

**2003** Yamaha Cairns, Yamaha Gold Coast acquired and motorcycle riding school acquired | **9 locations**

**2002** Kawasaki Northcoast acquired | **7 locations**

**2000** Kawasaki Bowen Hills acquired, KTM added to Virginia | **6 locations**

**1998** KTM added to Moorooka | **5 locations**

**1996** Triumph Virginia and Triumph Springwood acquired | **5 locations**

**1993** Suzuki Virginia acquired | **3 locations**

**1992** Honda Springwood acquired | **2 locations**

**1989** David Ahmet becomes a partner in Yamaha Moorooka | **1 location**

\*Note - For new motorcycle sales

# Key risks



There are a number of risks, of a general and specific nature, which may affect the future operating and financial performance of MTO. Many of the circumstances giving rise to these risks are beyond the control of MTO. This section describes certain specific areas that are believed to be the major risks associated with an investment in MTO. Broadly, these risks include:

- a) risks associated with the Transaction;
- b) risks specific to MTO's business and the industry in which MTO operates; and
- c) general risks associated with share price fluctuations, current economic settings and changes in taxation law and accounting and dividend policy.

Each of the risks described below could, if they eventuate, have a material adverse effect on MTO's operating and financial performance. You should note that the risks in this section are not exhaustive. There may be other risks which MTO is not presently aware of or may arise in the future, which may also have a material impact on MTO's performance. You should consider carefully the risks described in this section, as well as other information in this presentation, and consult your financial or other professional adviser before making an investment decision.

## RISKS ASSOCIATED WITH THE ACQUISITION OF CASSONS

Acquisition Risk	Description
<b>Completion Risk</b>	The proposed acquisition of the shares in Cassons ("Acquisition") is conditional on certain matters, including securing all regulatory and shareholder approvals, completing the equity raising, securing debt funding and obtaining required material contract consents. If any of the conditions are not met, implementation of the Cassons Acquisition may be deferred or not occur. If this occurs, MTO will need to consider alternative uses for, or ways to return the proceeds (net of transaction costs) of any funds raised from MTO shareholders under the Rights Issue. Failure to complete the Acquisition and/or any action required to be taken to return capital may have a material adverse effect on MotorCycle Holding's financial performance, financial position and share price. The Sale and Purchase Deed in respect of the Acquisition may also be terminated if either the Seller or Buyer become insolvent or a material adverse change occurs. In all circumstances Motorcycle Holdings may incur significant costs.
<b>Realisation of synergies</b>	While MTO has undertaken analysis in relation to the synergy benefits of the Acquisition outlined in this Presentation, they remain MTO's estimate of the synergy benefits expected to be achievable as part of the Acquisition, and there is a risk that the actual synergies able to be realised as part of the Acquisition may be less than expected or delayed. These risks include: <ul style="list-style-type: none"> <li>• unforeseen costs relating to the integration of some management information systems and financial and accounting systems of both businesses;</li> <li>• unintended loss of key personnel or expert knowledge or reduced employee productivity due to uncertainty arising as a result of the Acquisition;</li> <li>• unforeseen costs or disruption as a result of the transition from a privately conducted Cassons business to a wholly owned subsidiary of public ASX listed company; and</li> <li>• a failure to maintain key supplier arrangements.</li> </ul>
<b>Loss of key suppliers</b>	A significant component of the value of the Cassons business resides in the arrangements formed with key suppliers of motorcycle accessories and apparel product. This includes the rights to sell the sourced branded products through Casson's wholesale channel. In common with general practices across the relationship orientated motorcycle accessories and apparel industry, many of Casson's supplier arrangements are undocumented. Accordingly, this exposes Cassons to the risk of the immediate loss of a key supplier should the relationship sufficiently deteriorate and lack of clarity of over any rights Cassons may hold in respect of the brands sold. If these risks materialised they could result in significant loss of earnings, difficulties in enforcing intellectual property rights and exposure to trade mark infringement claims.

# Key risks cont.

Acquisition Risk	Description
<b>Continued emergence of online retailer</b>	There is a significant crossover of leading brands distributed by Cassons and those retailed by major online retailers. Continued advancement of technology to improve the online buying experience (including the process of product selection, advice and fitting), improvement in supply chain smarts and very competitive pricing, could lead to online retailers significantly improving their market share, resulting in declining sales and earnings for traditional wholesalers and retailers of motorcycle accessories and apparel through physical channels. Cassons is principally a traditional wholesaler and retailer and, accordingly, if online retailers were to gain significant market share, this would have an adverse impact on Cassons financial performance and prospects. This risk would be heightened following the expected entry of Amazon into Australia towards the end of 2018.
<b>Change of control</b>	The acquisition of Cassons may trigger change of control clauses in some material contracts to which Cassons is a party. Where triggered, the change of control clauses will, in most cases, require MTO to seek the counterparty's consent in relation to the acquisition of Cassons. There is a risk that a counterparty may not provide their consent to the acquisition, which may trigger a termination right in favour of that counterparty. If any of the material contracts containing a change of control clause are terminated by the counterparty or renegotiated on less favourable terms, it may have a negative impact on MTO's financial performance.
<b>Reliance and information provided</b>	MTO has undertaken a due diligence process in respect of Cassons, which relied mostly on the review of historical financial and other information provided by Cassons and its management. MTO has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, MTO has prepared (and made assumptions in the preparation of) the financial information relating to Cassons included in this Presentation in reliance on limited financial information and other information provided by Cassons and its management. If any of the data or information provided to and relied upon by MTO in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Cassons and MTO Group may be materially different to the financial position and performance expected by MTO and reflected in this Presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the proposed acquisition have been identified. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on MTO.
<b>Risk that material issues may not have been identified by due diligence investigations</b>	MTO has undertaken financial, legal, operational, business and other analysis in respect of Cassons in order to determine its attractiveness to MTO and whether to pursue the Cassons Acquisition. It is possible that the analysis undertaken by MTO, and the best estimates and assumptions made by Cassons, draws conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology or misinterpretation of economic circumstances). To the extent that the actual results achieved by Cassons are weaker than those indicated by MTO's analysis, there is a risk that there may be an adverse impact on the financial position and performance of MTO.
<b>Integration risk</b>	The Cassons Acquisition involves the integration of businesses and infrastructure that were previously operated independently. There is a risk that the integration of Cassons may encounter unexpected challenges or issues. These include (but are not limited to) a failure to obtain necessary consents or unexpected delays, challenges, liabilities and costs in relation to, but not limited to, integrating operating and management systems such as IT, information or accounting systems, or that it diverts management attention or does not deliver the expected benefits (including synergy benefits) and this may affect MTO's operating and financial performance.
<b>Cassons acquisition liability risk</b>	If the Cassons Acquisition is implemented, MTO may become directly or indirectly liable for any liabilities that Cassons has incurred in the past, which were not identified during its due diligence or which are greater than expected, and for which the market standard protection (in the form of representations and warranties and indemnities) negotiated by MTO prior to its agreement to acquire Cassons turns out to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of Cassons post-implementation of the Acquisition. From completion MTO will be exposed to the risks associated with owning and operating Cassons.

# Key risks cont.

Acquisition Risk	Description
<b>Debt funding</b>	<p>MTO has entered into a commitment letter under which the Commonwealth Bank (CBA) has agreed to provide a Senior Loan Facility to finance in part the acquisition of the shares in Cassons pursuant to the Acquisition.</p> <p>There are "conditions precedent" to the availability of the funding under the Loan Facility that include customary matters and also the requirement to provide a board approved integration plan for Cassons to the satisfaction of CBA.</p> <p>Termination of the Loan Facility or a failure to satisfy the conditions precedent to a drawing under the Loan Facility would mean funds would not be available under the Loan Facility. In such a case, MTO would have insufficient funding for the Acquisition and would result in completion of the transaction being delayed or potentially terminating the transaction.</p>
<b>Acquisition accounting risk</b>	<p>In accounting for the Cassons Acquisition in the Proforma historical combined balance sheet, MTO has used the 30 June 2017 unaudited financial statements. A preliminary purchase price allocation exercise has been undertaken for the purposes of preparing the Pro Forma Balance Sheet. MTO will undertake a formal fair value assessment of all the assets, liabilities and contingent liabilities of Cassons post-implementation of the acquisition, which may give rise to different values to those used for the purposes of the Proforma financial information set out in this presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and an increase or decrease in depreciation and amortisation charges in MTO's income statement (and a respective increase or decrease in net profit after tax), and may have an adverse impact on the reported financial performance of the combined group.</p>

## Risks relating to the equity raising

Risk	Description
<b>Underwriting risk</b>	<p>MTO has entered into an underwriting agreement under which the Underwriters have agreed to fully underwrite the Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain events occur, the underwriter may terminate the underwriting agreement. Such "termination events" include: MTO not maintaining its listing on the ASX, there is a trading halt without the Underwriter's consent, there is a substantial market fall, proceedings are instigated against MTO, there are delays of more than two business day to the timetable without the Underwriter's consent, a material adverse change occurs, the offer materials are misleading or deceptive, or new adverse information arises.</p> <p>Termination of the underwriting agreement would have an adverse impact on the availability of the proceeds raised under the Entitlement Offer. In such a case, MTO may not have sufficient equity funding for the Acquisition and a defeating condition under the transaction documentation will have been triggered.</p>
<b>Rights trading on ASX</b>	<p>The price at which entitlements to new shares may be sold on ASX during the entitlement trading period may rise and fall. A shareholder who sells entitlements on ASX during the retail entitlement offer period may receive a higher or lower price than a shareholder who sells entitlements at a different time during the retail entitlement trading period. There is no guarantee that there will be a viable market during, or on any particular day in, the entitlement trading period, on which to sell entitlements on ASX. If you are an eligible shareholder and you do not exercise your entitlements to new shares under the Entitlement Offer, there is no guarantee that you will be able to sell your entitlements on ASX.</p>
<b>Dilution</b>	<p>You should also note that if you sell, or do not take up, all or part of your entitlement, then your percentage shareholding in MTO will be diluted by not participating to the full extent in the Entitlement Offer and you will not be exposed to future increases or decreases in MotorCycle Holding's share price in respect of the new shares which would have been issued to you had you taken up all of your entitlement.</p>

# Key risks – MTO specific risks



## MOTORCYCLE HOLDINGS SPECIFIC RISKS

Risk	Description
<b>Retail environment and general economic conditions in Australia may deteriorate</b>	As the products sold by MTO are discretionary items for many customers, the Company is particularly exposed to a deterioration in general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to consumer credit, government fiscal, monetary and regulatory policies and oil prices. A prolonged deterioration in general economic and business conditions could be expected to have an adverse impact on the MTO's financial performance.
<b>Contractual relationships with manufacturers and distributors</b>	<p>MTO's right to sell new motorcycles, and therefore the Company's ability to conduct its business, derives exclusively from the rights granted to it pursuant to the Franchise Agreements with manufacturers and distributors.</p> <p>The terms of the relationships with manufacturers and distributors under the Franchise Agreements can be restrictive, eg some (but not all) of the Franchise Agreements grant MTO the right to exclusively sell motorcycles manufactured by the relevant manufacturer in a designated area. The failure by MTO to comply with the terms of a Franchise Agreement or the breakdown of a relationship with a manufacturer or distributor, may result in the termination or nonrenewal of one or more Franchise Agreements by the manufacturer or distributor.</p> <p>A small number of Franchise Agreements may be terminated by the manufacturer without cause and certain Franchise Agreements include terms which permit the distributor to terminate the relevant Franchise Agreement where the supply of motorcycles from the manufacturer to the distributor ends.</p> <p>Any failure to renew Franchise Agreements on favourable terms, or breakdown or termination of a manufacturer relationship under a Franchise Agreement, or cessation of supply of new motorcycles, will adversely affect the Company's financial performance, particularly if the associated relationship contributes a material proportion of MTO revenue.</p>
<b>Reliance on key personnel</b>	<p>MTO's success is dependent to a significant degree upon the efforts of key members of management. MTO relies on a high quality management team with significant experience in the motorcycle industry. The loss of the services key members of management, or the failure to attract additional key individuals to key management roles, could have a material adverse effect on the Company's operations, including its relationships with manufacturers.</p> <p>Certain Franchise Agreements include terms that require David Ahmet, MTO's Founder, Managing Director and Chief Executive Officer, to be involved in Motorcycle Holdings' business</p>
<b>Interruption of the supply of motorcycles</b>	<p>MTO is reliant on manufacturers and distributors to supply new motorcycles for sale. In certain circumstances the quantity of inventory of new motorcycles available to MTO for sale is restricted under the franchise agreements or may be limited at the manufacturer's or distributor's discretion. If MTO is not able to meet demand for its products due to interruption of supply from manufacturers or distributors, MTO's financial performance may be adversely affected.</p>
<b>Bailment financing risk</b>	<p>MTO depends on bailment financing arrangements to fund the supply of new motorcycles from manufacturers. Any change in the terms of the bailment financing arrangements may impact MTO's business model. Certain bailment financing arrangements permit the financier to terminate the bailment financing arrangement without cause or to suspend the provision of bailment finance. If a bailment financier stopped providing finance to MTO for any reason, the Company's ability to manage its capital would be adversely affected and may require the Company to seek financing from alternative sources.</p>
<b>Occupational health and safety</b>	<p>MTO employees are at risk of workplace accidents and incidents (particularly in relation to staff in repair centres and staff involved in the movement of motorcycles). In the event that a MTO employee is injured in the course of their employment, MTO may be liable for penalties or damages. Such workplace accidents and incidents have the potential to harm both the reputation and financial performance of MTO.</p>

# Key risks – MTO specific risks cont.

## MOTORCYCLE HOLDINGS SPECIFIC RISKS

Risk	Description
<b>Operations subject to regulation</b>	<p>Legislative or regulatory changes, in particular changes in relation to the sale of consumer finance and consumer insurance, could have an adverse impact on MTO. The financial services industry has been, and is likely to continue to be, the subject of significant changes to the regulatory environment in which it operates.</p> <p>ASIC has proposed restrictions on financiers paying commissions to motor dealers that are funded by the borrower (ie because they form part of the amount of credit provided) or commissions that vary depending on the interest rate payable under the finance contract. Further, following a recent ASIC review into add-on insurance products, premiums and commission structures for various insurance products distributed by MTO will be significantly reduced in the future.</p> <p>Any changes required to be made to the business model of MTO as a result of any legislative or regulatory changes, may result in a material loss of revenue for MTO and to the extent that fixed costs cannot be reduced and/or costs could not be passed on to customers, reduce the profitability of MTO.</p>
<b>Acquisitions and expansion of dealerships</b>	<p>MTO' growth strategy relies in part on increasing the size of its dealership network, which it intends to do partly through acquisitions. If suitable acquisition targets are not able to be identified, or acquisitions are not able to be made on acceptable terms, then this may limit MTO' ability to realise its growth strategy.</p> <p>Further, acquisitions that are made may prove not to be as successful as MTO anticipates, including failure of due diligence to identify issues, negatively impacting MTO' financial performance, its growth strategy and its capacity to pursue further acquisitions.</p> <p>The ability of MTO to expand its existing dealerships by adding additional manufacturers to those dealerships may be restricted because certain Franchise Agreements restrict the ability of MTO to sell products manufactured by multiple manufacturers in a single dealership.</p>
<b>Customer preferences may change</b>	<p>Unforeseen changes in customer preferences including increased demand for fuel efficient motor vehicles or adoption of motor vehicle sharing schemes may reduce demand for motorcycles and may impact MTO' future financial performance,</p>
<b>Impact of competition via the internet</b>	<p>MTO' ability to sell used motorcycles may be disrupted by the increased occurrence of direct private-to-private sales of used motorcycles, facilitated by the internet, impacting the inventory of used motorcycles available for sale and, consequently financial performance.</p> <p>In addition, MTO' ability to sell accessories and parts may be adversely affected by competition from online retailers. If consumers purchase accessories and parts from online retailers instead of from MTO, the financial performance of MTO may be adversely affected.</p>
<b>Information technology systems and infrastructure</b>	<p>MTO relies on third party software products and services for its management information systems and the delivery of point of sale services to customers. Any significant interruptions to these systems could impair the ability of MTO to sell motorcycles and other products to customers and have an adverse effect on MTO' financial performance.</p>
<b>Warranty and extended warranty risk</b>	<p>MTO sells extended warranties covering new motorcycles as well as warranties covering used motorcycles.</p> <p>The sale of warranties covering used motorcycles and extended warranties covering new motorcycles exposes MTO to risks which it would not otherwise be exposed as a retailer. For example, the sale of warranties and extended warranties exposes MTO to risks associated with the performance of the new and used motorcycles to which the warranties and extended warranties relate. In addition, any increase in the number of claims on the extended warranty and warranty products in comparison to the number of claims for which provision is made by MTO may have an adverse effect on the Company's expenses and result in a deterioration in the Company's financial performance.</p>
<b>Exposure to litigation</b>	<p>MTO may in the ordinary course of business be involved in litigation and disputes (for example, as a result of accidents during test rides). Any litigation or dispute could be costly and damaging to MTO's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.</p>



# General risks



Risk	Description
Share price fluctuations	The price MTO shares are traded on ASX could fluctuate due to various factors including recommendations by brokers and analysts, domestic and international economic conditions, general movements in local and international stock markets, exchange rates and interest rates. These risks apply generally to any investment on the stockmarket. In addition, the prices of a listed entity's securities are affected by factors that might be unrelated to its operating performance, such as general market sentiment.
Economic risks	<p>MTO and Casson's operational and financial performance is affected by the Australian and other international economies. General and business conditions, inflation, interest rates, monetary and fiscal policy and political circumstances are all matters which may affect MTO operating and financial performance.</p> <p>Businesses such as MTO that borrow money are potentially exposed to adverse interest rate movements that may affect the cost of borrowing, which in turn would impact on earnings.</p>
Taxation	Future changes in Australian taxation laws, including changes in interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in MTO shares, or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted may impact upon the future tax liabilities of MTO.
Dividends	The payment of future dividends will be at the discretion of the Board and will depend, amongst other things, on the financial performance and other relevant circumstances at the time. There can be no guarantee regarding the likelihood, timing, franking or quantum of future dividends from MTO.
Change in accounting policy	Changes to Australian Accounting Standard could affect MotorCycle Holding's reported earnings and its financial position from time to time.

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# International offer restrictions



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