

# ASX Announcement (ASX: MTO)



26 February 2018

## MotorCycle Holdings records solid result

Leading Australian motorcycle retailing group MotorCycle Holdings Limited (ASX:MTO) has achieved record motorcycle sales and revenues in the six months to December 2017, resulting in a 5% increase in underlying earnings to \$9.0 million.

Interim dividend has been declared at 5.5 cents per share on share capital expanded through the \$120 million acquisition of the Cassons motorcycle accessories business completed in October 2017.

| Six months to:           | Dec 2017 | June 2017 | Dec 2016 | Dec 2017 vs Dec 2016 (%) |
|--------------------------|----------|-----------|----------|--------------------------|
| Motorcycle sales (units) | 8,867    | 7,749     | 8,561    | 4                        |
| Revenue (\$M)            | 140.1    | 114.6     | 120.7    | 16                       |
| Underlying EBITDA (\$M)* | 9.0      | 6.2       | 8.6      | 5                        |
| EBITDA (\$M)             | 7.4      | 6.0       | 8.6      | -14                      |
| Statutory NPAT (\$M)     | 4.2      | 3.7       | 5.6      | -25                      |
| Dividend (cents)         | 5.5      | 7.5       | 7.5      | -                        |

\*Underlying EBITDA excludes costs of \$1.6 million associated with acquisitions including dealerships and Cassons Pty Ltd.

The acquisition of Cassons, together with the continued expansion of the Company's motorcycle dealership network, has enabled MotorCycle Holdings to report sales growth and an increase in market share, as well as establishing a firm platform for the future.

Four dealerships were added since December 2016, taking the total network to 28 motorcycle dealership locations, and confirming the Company as the largest motorcycle dealership operator in Australia.

The Cassons acquisition has further enhanced the Company's business footprint, adding wholesale distribution of motorcycle parts and accessories as well as expanding retail sales through the Cassons' network of Motorcycle Accessories Supermarkets (MCA) in New South Wales, Victoria and on-line.

Cassons and MCA contributed approximately \$12.3 million to sales in the two months under Motorcycle Holdings ownership and is expected to boost revenues by more than \$70 million in a full year.

The growth in MotorCycle Holdings' motorcycle sales has been achieved thanks to the expanded dealership network, despite a marked downturn in industry wide sales.

The Company achieved record motorcycle sales of 8,867 units for the six months to December, which was up 3.6% from 8,561 units in the December half of 2016.

In the new motorcycle segment, sales totaled 4,944 units, which was steady compared with December 2016. Across the industry, new motorcycle sales in the six months to December fell by 13.7% to 53,203. The Company has increased its market share of new bike sales to 9.3%, from 8.0% previously.

Used motorcycle sales grew by 8.4% to 3923 units, which again was driven by new dealerships. Sales of used bikes declined by approximately 14% in Queensland, Motorcycle Holdings major market.

The Company's sales performance was driven by the expansion of its dealership network. The dealerships added during the year were Action Motorcycles Gold Coast (March 2017), Evolution Motorcycles Epping (March 2017), Sunshine Coast Harley-Davidson Kunda Park Qld (May 2017) and TeamMoto Frankston (December 2017).

The additional stores contributed approximately \$21 million to revenues during the six months to December 2017, with further growth expected in the current half.

The expansion of the dealership network and the consequent increase in bike sales led to increases in revenues in the Parts and Accessory division, where sales were up 8.8% in motorcycle stores, and 75.3% overall, and Service, where revenues rose 9.3%.

In the Finance division, revenues were negatively affected by changes made by general insurance companies to their premiums and commission rates as a consequence of the ASIC review into add-on insurance. The changes resulted in insurance commissions received by the Company reducing by approximately \$1 million compared with the prior six months to December.

Operating expenses (excluding acquisition costs) increased by 24% to \$29.3 million during the half year, with the increase mainly due to additional occupancy costs and higher employee benefits related to Cassons and the additional stores.

The acquisition of Cassons and new dealerships led to transaction costs of approximately \$1.6 million in the half year. Excluding these costs, the underlying EBITDA for the half year increased 5% to \$9.0 million.

The underlying EBITDA margin remained healthy at 6.4%.

Revenues are forecast to increase in the current half due to a full period contribution from the Cassons business as well as from additional stores, notwithstanding that trading conditions are expected to remain subdued. TeamMoto Yamaha Sunshine Coast was added to the network in January 2018 and Central Coast Harley-Davidson will settle in March 2018. TeamMoto Frankston which was acquired in December 2017 will also contribute. An accessory store, MCA Keilor, will open in April 2018.

MotorCycle Holdings is already making significant progress in bringing its expertise and business practices to effect in the Cassons business, maximizing cross-sell opportunities across the group and increasing efficiencies. The Cassons motorcycle accessory supermarket stores have now been granted a motor dealer license in NSW and will commence retailing used motorcycles in 2018.

Company founder and Managing Director, David Ahmet, said the new stores and the Cassons acquisition were providing significant opportunities to lift sales and reduce costs across the group.

"We are continuing to grow our sales numbers and increase market share despite the adverse conditions in the industry, and that demonstrates the resilience of our business model and the expertise of our team," he said.

Chairman David Foster said the Company had established a solid platform for increased shareholder returns.

"The outlook for the business remains favourable and we look forward to reporting good results in the current year," he said.

## Half Year Results Presentation

MotorCycle Holdings invites investors to participate via teleconference, in a half year results presentation by Managing Director, David Ahmet and Chief Financial Officer, Bob Donovan at 11.00am AEDT and 10.00 am (AEST) on Tuesday 27 February 2018, after which they will take questions on the results.

Full details of the teleconference are below:

|                                    |  |
|------------------------------------|--|
| <b>Day</b>                         | 27 February 2018   |
| <b>Time</b>                        | 11.00 am (AEDT) and 10.00 am (AEST)  |
| <b>Participant Dial in Details</b> | <p>All Participants will be asked for their full name &amp; passcode when joining the Call.</p> <p><b>Participants Passcode:</b> 74286125#</p> <p><b>Participants Dial-in:</b> <b>1800 093 431</b></p> <p>Australia Toll-Free: 1800 093 431</p> <p>Hong Kong: +852 3005 2399</p> <p>Japan Toll-Free: 0120 200 683</p> <p>New Zealand Toll-Free: 0800 452 257</p> <p>New Zealand Toll: +64 9 307 1606</p> <p>Singapore Toll-Free: 800 120 6856</p> <p>UK Toll-Free: 0800 026 1552</p> <p>US Toll-Free: 1 877 788 9032</p> <p>International: +61 2 8047 9393</p> |

The presentation is available for download from the ASX announcements platform and the company's website: [mcholdings.com.au](http://mcholdings.com.au).

For further information, please contact:

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