

# MOTORCYCLE HOLDINGS

MotorCycle  
Holdings

Interim Financial Results December 2017

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# Results Highlights



**1** Record sales revenue of \$140.1 million, up 16% from Dec 2016

**2** Underlying EBITDA up 5% to \$9.0 million.

**3** Cassons acquisition completed October. Acquisition proceeding broadly to plan.

**4** Dealership network expanded to 28 dealership locations. Confirms MTO as biggest motorcycle sales group in Australia

**5** 3.6% growth in total motorcycle sales. Market shares lifted to 9.3% of new bike market

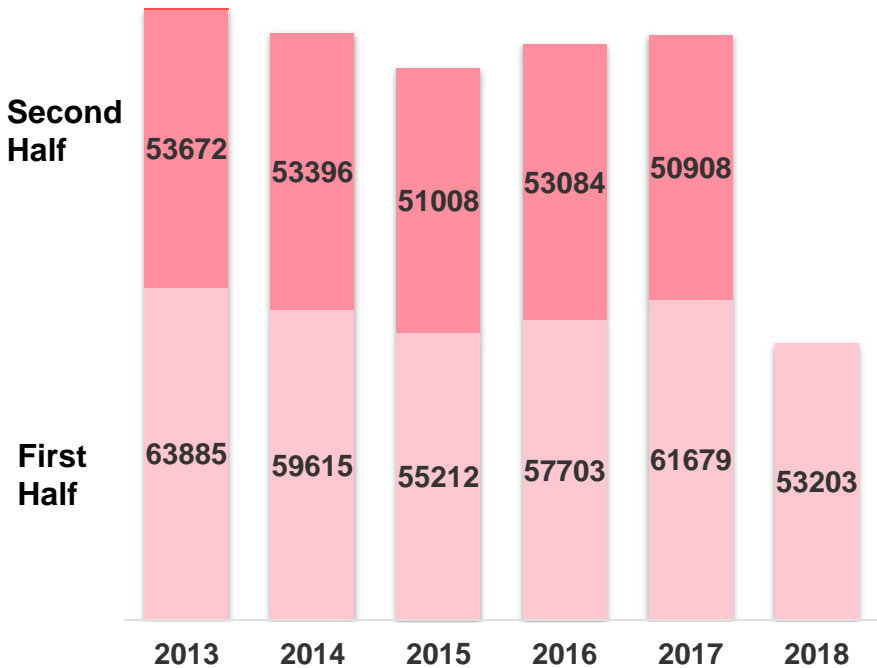
**6** Interim dividend of 5.5 cents per share, fully franked. Above dividend policy based on lower NPAT due to one off acquisition costs

**7** Focus on improving network performance and leveraging recent acquisitions

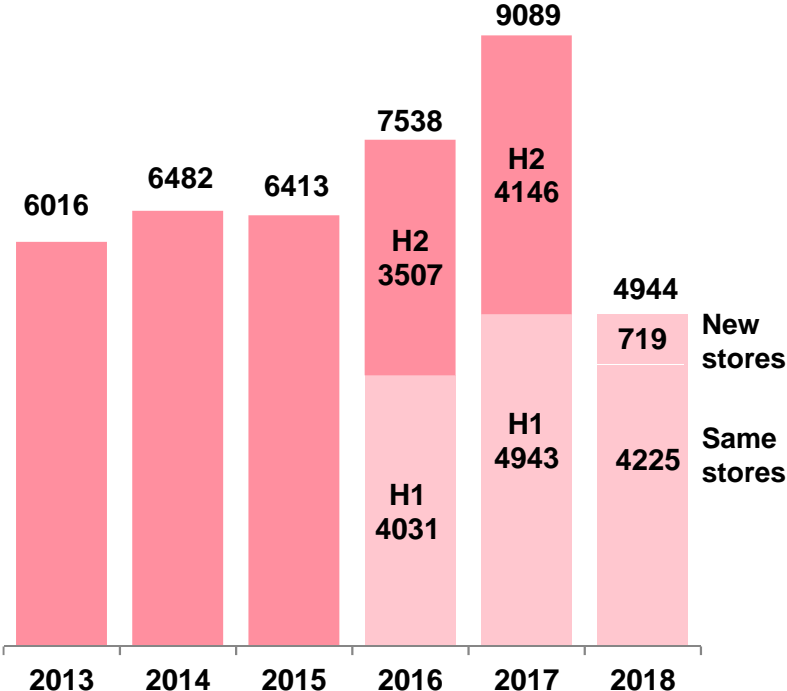
# MTO lifts new motorcycle market share



**Industry new motorcycle sales down 13.7% vs Dec 16**



**MTO new motorcycles sales steady**

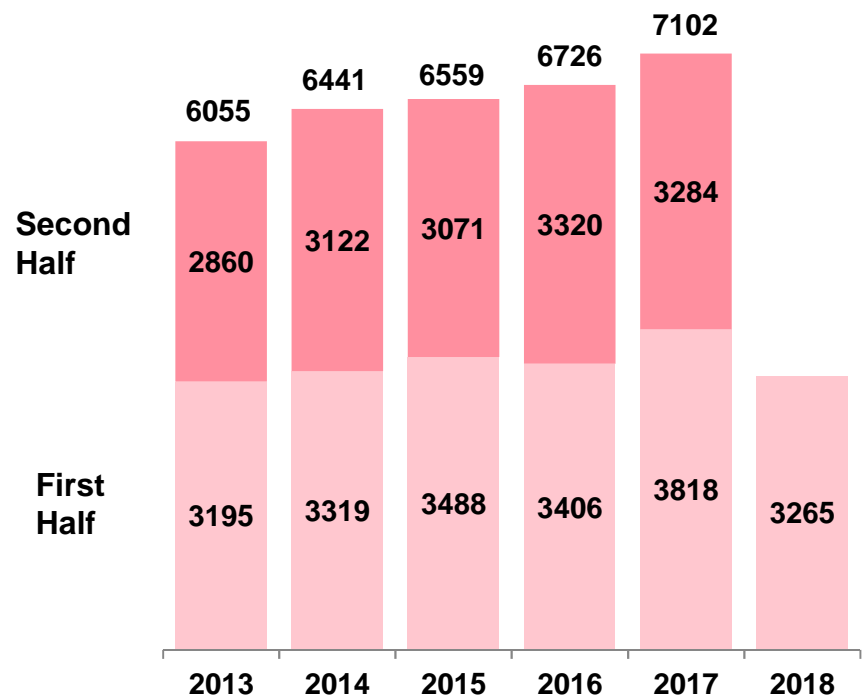


\*New motorcycle sales includes registered and un-registered

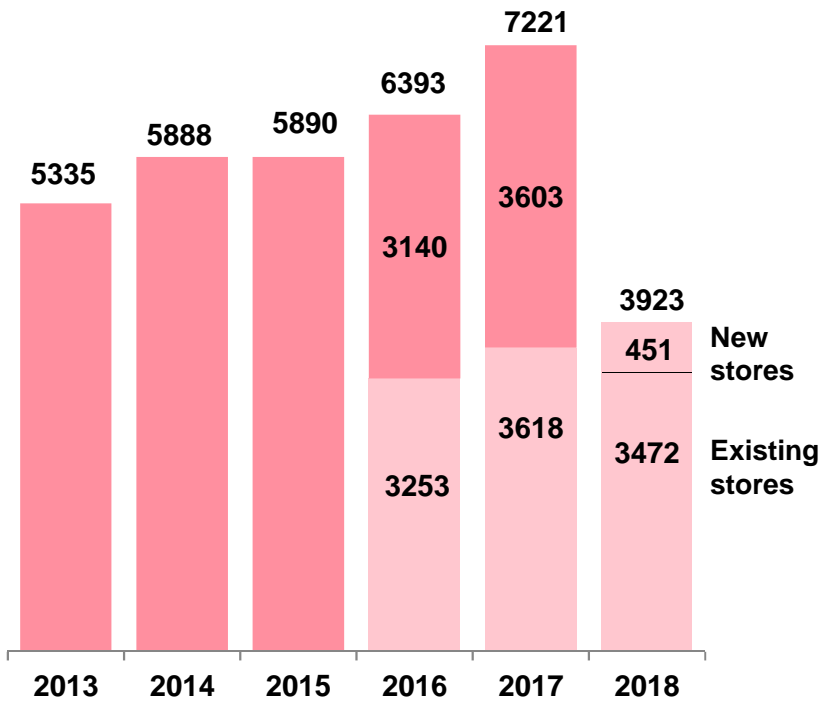
# MTO used motorcycle sales rise in subdued market



**Qld Dealer Used Motorcycle Sales  
down 14% vs Dec 2016**



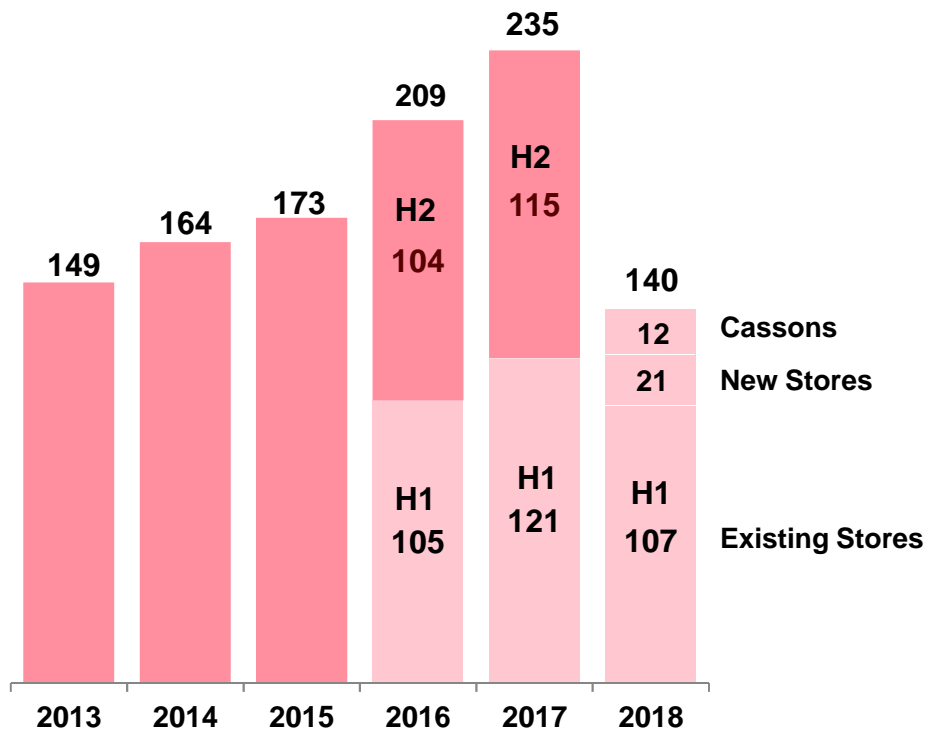
**MTO Used Motorcycle Sales  
increased 8.4%**



# Record revenues



## H1 Group Revenue up 16% (\$M)

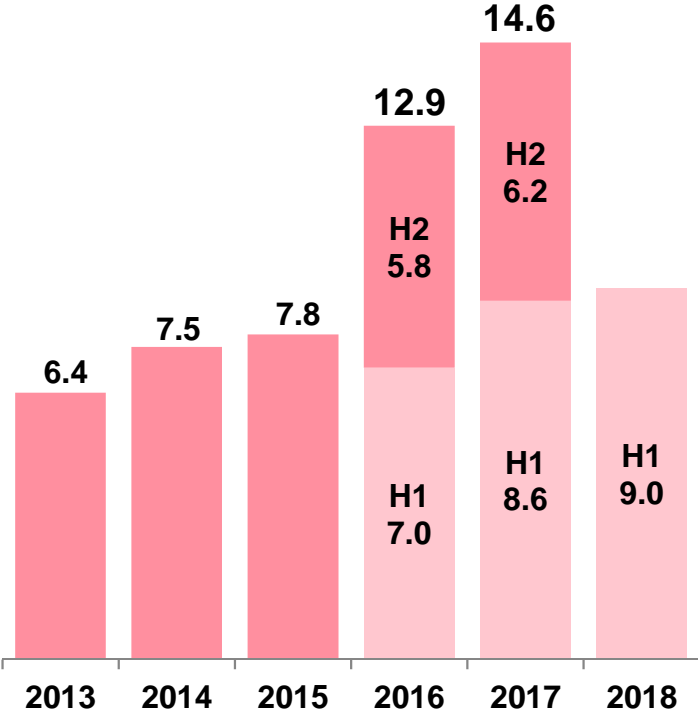


- Record revenues driven by acquisitions
- Four new dealerships added since Dec 2016 contributed \$21 million to revenues in half year
- Cassons acquisition contributed \$12.3 million in two months under MTO ownership
- More growth in the pipeline as new dealerships and Cassons become established

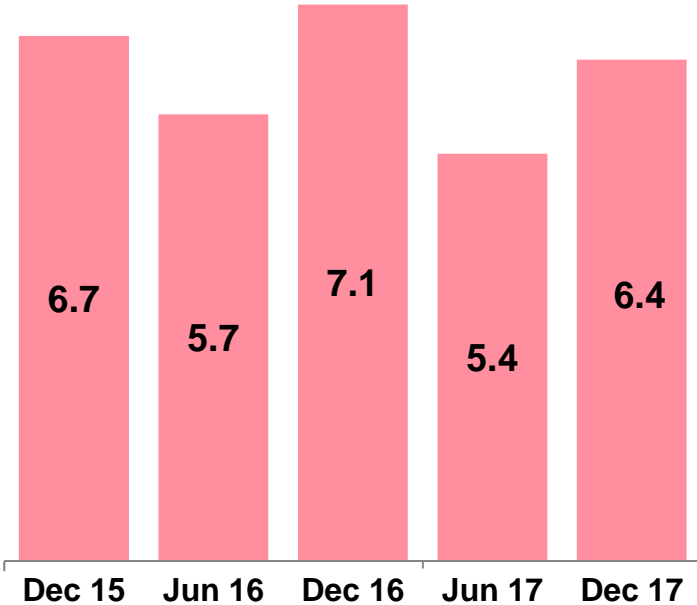
# Challenging market contains profit growth



**Underlying EBITDA up 5% (\$million)**



**Underlying EBITDA Margin remains strong (%)**



\*Underlying EBITDA excludes \$1.6 million in non-recurring costs in Dec half 2017 associated with acquisitions including Cassons.

# Key divisions performing well



## New Motorcycles



- Revenue up 5%
- Gross profit up 10%



## Used Motorcycles



- Revenue up 11%
- Gross profit up 11%



## Accessories and parts



- Revenue up 75%
- Gross profit up 89%



## Servicing and repair



- Revenue up 9%
- Gross profit up 1%



## Finance, insurance and warranty



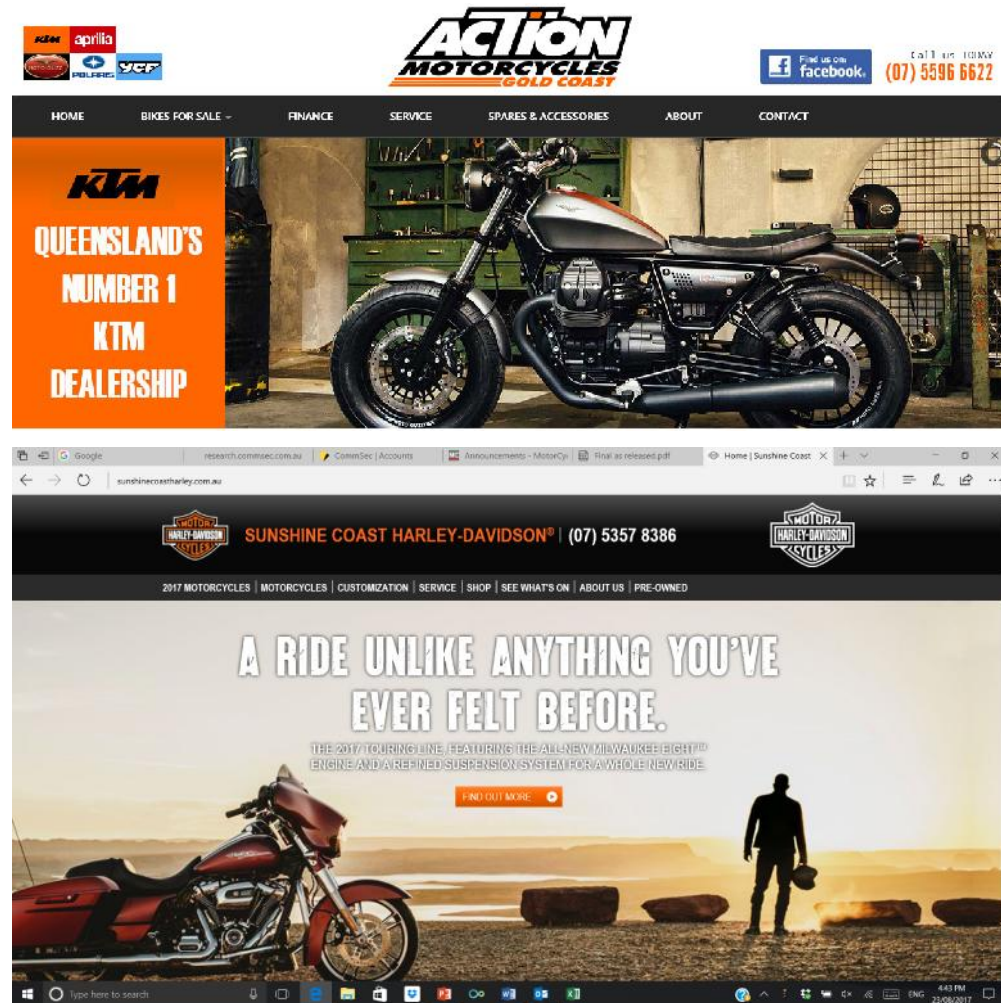
- Income down 10%





# Dealer network expanded

- Evolution Motorcycles Epping, and Action Motorcycles Nerang acquired March 2017
- Sunshine Coast Harley-Davidson Kunda Park acquired May 2017
- TeamMoto Frankston acquired December 2017.
- Confirms MotorCycle Holdings position as Australia's #1 motorcycle dealership sales group with 28 dealerships on the eastern seaboard and seven accessory stores
- Two more dealerships being brought into the network: TeamMoto Yamaha Sunshine Coast Jan 2018, Central Coast Harley-Davidson March 2018.
- Selected MCA stores in NSW granted retail licenses. Will start selling used motorcycles this year.



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# Cassons acquisition

- Cassons acquired October 2017 for \$119.8 million
- Two sections of the Cassons business:
  - Wholesale importer and distributor of accessories and parts to retailers including MTO
  - MotorCycle Accessories Supermarket, retails motorcycle accessories and parts through five stores in New South Wales and two in Victoria
- Acquisition proceeding broadly to plan. Integration well advanced.
- Contributed \$12.3 million to revenue in two months of ownership
- Additional synergies being developed. E.g. MCA superstores to sell used bikes



CPL - Wholesale



MCA - Retail

**CASSONS**



# Full profit statement



\$m	Notes	Dec-17	Jun-17	Dec-16	Change Dec 17 vs Dec 16
Revenue		140.1	114.6	120.7	16%
Materials purchased and change in inventories		-101.4	-84.5	-88.4	15%
Gross Profit		38.7	30.1	32.3	20%
Gross profit margin		27.6%	26.3%	26.8%	
Employee benefits expense		-20.9	-17.3	-17.4	20%
Occupancy expenses		-4.0	-3.0	-2.8	43%
Other expenses		-4.5	-3.3	-3.4	32%
Bailment interest	1	-0.3	-0.3	-0.1	200%
Operating expenses		-29.7	-23.9	-23.7	25%
Underlying EBITDA	2	9.0	6.2	8.6	5%
Underlying EBITDA margin		6.4%	5.4%	7.1%	
Acquisition costs		-1.6	-0.2		-
EBITDA		7.4	6.0	8.6	-14%
Depreciation and amortisation		-0.9	-0.5	-0.4	125%
Net interest (excluding bailment finance facilities)		-0.5	-0.2	-0.2	150%
Profit Before Tax		6.0	5.3	8.0	-25%
Tax expense	3	-1.8	-1.6	-2.4	-25%
Net Profit After Tax		4.2	3.7	5.6	-25%

1 The Company includes the accrued interest cost associated with its bailment finance facilities within EBITDA as it is considered an integral operating cost of the Company doing business

2 Underlying EBITDA excludes non-recurring costs related to the acquisition of new businesses, including Cassons Pty Ltd in October 2017

3 Tax expense reflects the assumption of an effective corporate tax rate of 30.3% applied to the profit before tax

# Same store profit statement



\$m	Notes	Dec-17	Dec-16	Change Dec 17 vs Dec 16
Revenue		107.1	120.7	-11%
Materials purchased and change in inventories		-78.6	-88.4	-11%
Gross Profit		28.5	32.3	-12%
Gross profit margin		26.6%	26.8%	
Employee benefits expense		-16.1	-17.4	-7%
Occupancy expenses		-2.8	-2.8	0%
Other expenses		-3.5	-3.4	3%
Bailment interest	1	-0.3	-0.1	200%
Operating expenses		-22.7	-23.7	-4%
Underlying EBITDA	2	5.8	8.6	-33%
Underlying EBITDA margin		5.4%	7.1%	
New Motorcycle Industry sales (FCAI)		53,203	61,679	-14%
QLD dealer used motorcycle sales (ex Qld Trpt)		3,265	3,818	-14%

- Revenue result lower (-11%), but ahead of the general level of the market (-14%)
- Revenue decrease includes the effect of lower insurance commissions
- Offset by 4% saving in operating expenses

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2 Underlying EBITDA excludes non-recurring costs related to the acquisition of new businesses, including Cassons Pty Ltd in October 2017

# Strong growth opportunities



<p><b>Core Strategy:</b> New wholesale and retail business to fuel strong second half</p>	Key business elements	Leading growth opportunities
	New motorcycle sales	<ul style="list-style-type: none"> <li>Dealership acquisitions</li> <li>Greenfield site development</li> </ul>
	Used motorcycle sales	<ul style="list-style-type: none"> <li>Leverage new motorcycle dealership growth</li> <li>Co-locate with retail accessory shops</li> </ul>
	Parts & accessories	<ul style="list-style-type: none"> <li>Leverage broader expansion of dealer network</li> <li>Improve online sales channel</li> </ul>
	Service & repair	<ul style="list-style-type: none"> <li>Leverage broader expansion of dealer network</li> <li>Use scale to obtain leading repair technology</li> <li>Develop RTO to enhance training and income</li> </ul>
	Finance & insurance	<ul style="list-style-type: none"> <li>Leverage broader expansion of dealer network</li> <li>Profit share arrangement with finance providers H2 2018</li> </ul>
	Cassons wholesale	<ul style="list-style-type: none"> <li>Redirect existing purchases to Cassons</li> <li>New product lines introduced to broaden sales</li> </ul>
	MCA	<ul style="list-style-type: none"> <li>Add sales of used bikes</li> <li>Reduce expenses</li> </ul>

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# Outlook

- Increased sales from expanded network
- More dealerships and one accessory store being added this half
- Revenue synergies and efficiencies emerging
- Trading conditions subdued, but the company expects growth in revenues and earnings this half as new businesses come on line, with Cassons to provide full period contribution



