

MOTORCYCLE HOLDINGS LIMITED



FY2018 Full Year Results



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Results Highlights



1 Underlying EBITDA increased to \$19.8 million, up 36%

2 Sales revenue of \$302.4 million, up 29%

3 Final dividend of 6.5 cents per share, totalling 12 cents per share for the year, fully franked.

4 9% growth in total motorcycles sales of 17,754 units

5 Network expanded through acquisitions and organic growth creating resilient business with diversified revenue streams

6 Focus on consolidating recent acquisitions and leveraging network performance

7 Outlook cautiously positive in a challenging market

Market leader in Motorcycle retailing



1

Australia's largest motorcycle dealership group - 30 dealerships

2

Resilient business model with strong OEM relationships and diversified revenue streams

3

Expanded operating footprint across business units and geographically

4

Substantial growth opportunities through organic initiatives and acquisitions in fragmented industry

5

Consistent earnings growth and operating cash flow

6

Experienced senior management team being strengthened

Profit results

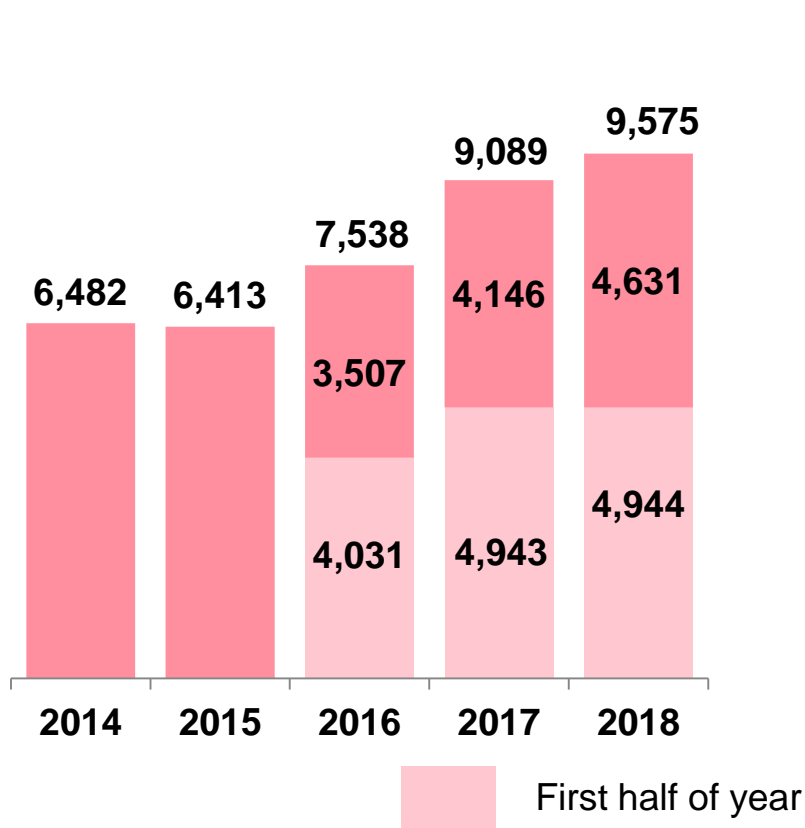


\$m	FY 17	FY18	% Change
Revenue	235.3	302.4	28.5%
Cost of sales	(173.0)	(214.7)	24.1%
Gross Profit	62.3	87.8	40.8%
Gross Profit Margin (%)	26.5%	28.8%	
Employee benefits expense	(34.7)	(46.4)	33.7%
Occupancy expenses	(5.8)	(10.1)	75.5%
Other expenses	(7.0)	(10.8)	55.0%
Bailment interest	(0.4)	(0.7)	86.8%
Operating expenses	(47.8)	(68.0)	42.3%
Underlying EBITDA	14.6	19.8	36.0%
Underlying EBITDA Margin (%)	6.2%	6.5%	
Acquisition expenses		(2.1)	
EBITDA	14.6	17.7	21.3%
EBITDA Margin (%)	6.2%	5.8%	
Depreciation and amortisation	(0.8)	(2.7)	223.2%
EBIT	13.7	14.9	8.9%
Net interest (excluding bailment finance facilities)	(0.4)	(1.5)	271.1%
Profit Before Tax	13.3	13.4	0.6%
Tax expense	(4.0)	(4.3)	2.0%
Net Profit After Tax	9.3	9.1	

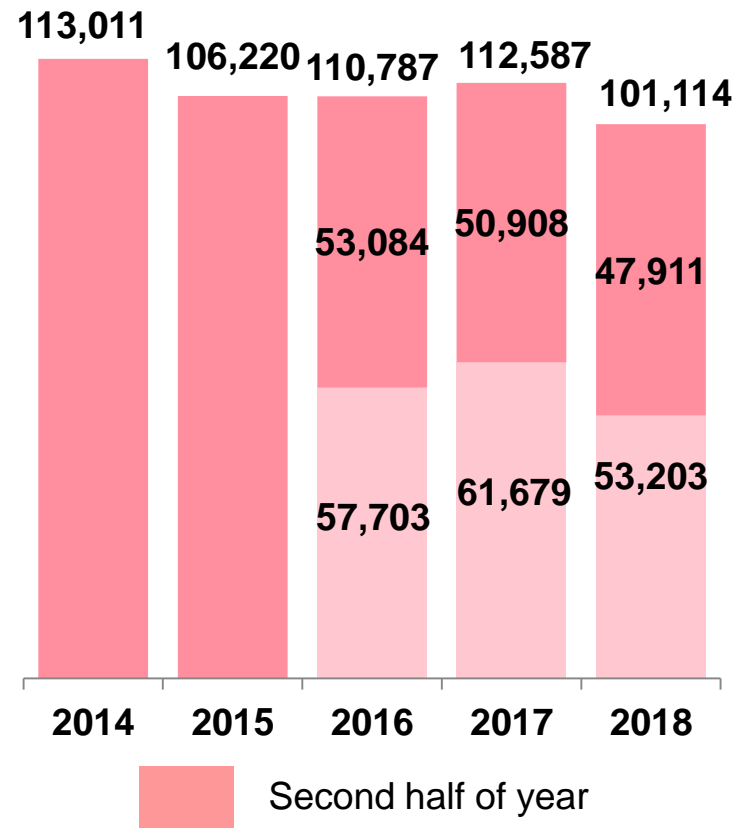
New Motorcycle unit sales up 5%

(Unit sales)

New Motorcycles sales up 5%



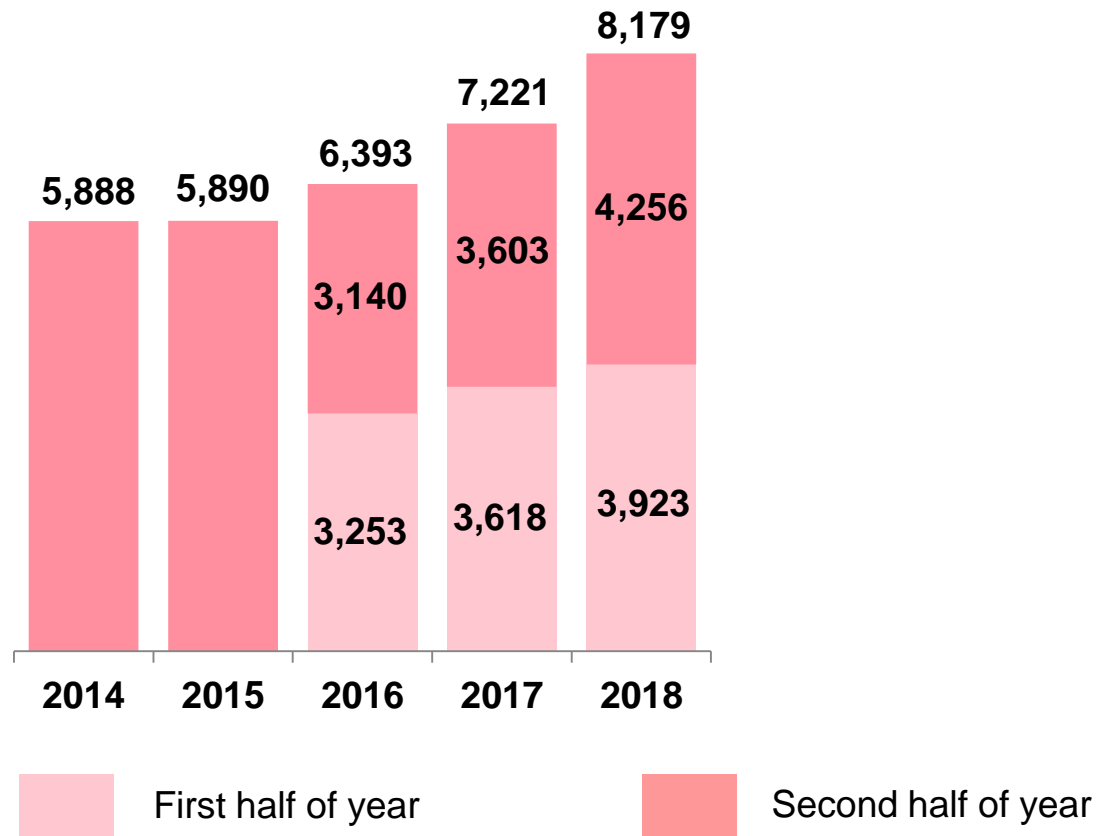
New Motorcycles total industry sales down 10%



Used Motorcycle unit sales up 13%

(Unit sales)

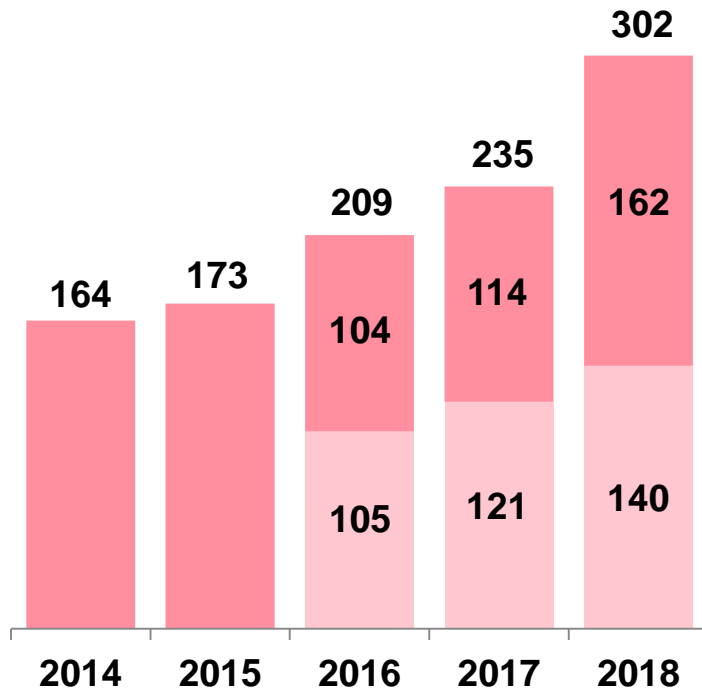
Used Motorcycles sales up 13%



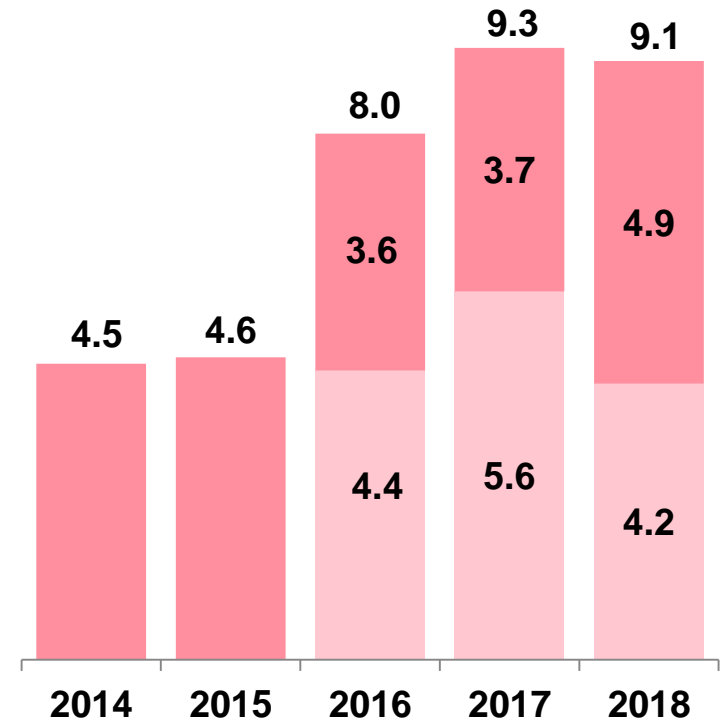
Revenue growth of 29%

(\$million)*

Revenue up 29%



NPAT down 2%*



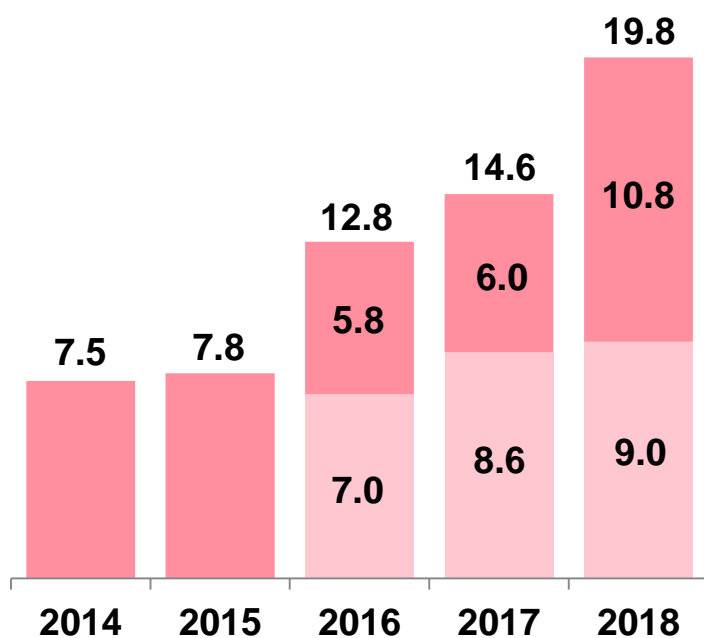
*2017 numbers are actual statutory. Prior years are proforma.

*Acquisition cost impacts

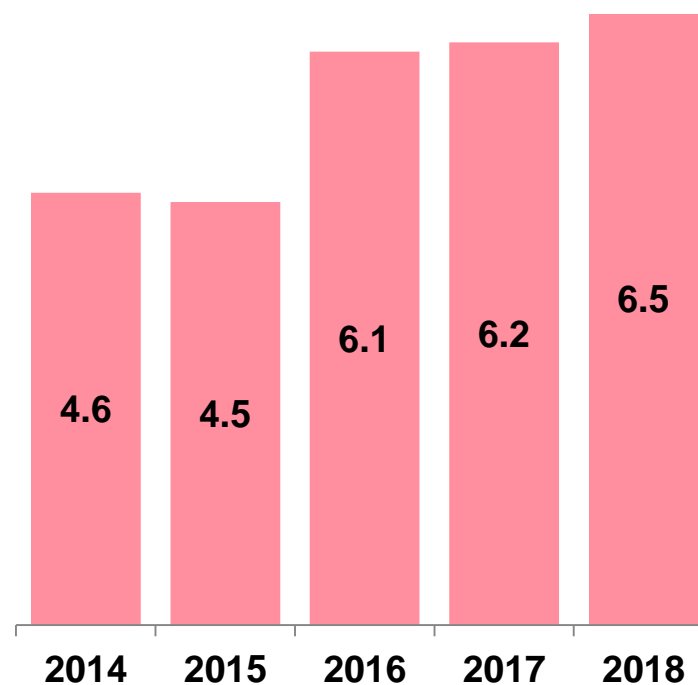
Underlying EBITDA* and Margin growth



**EBITDA up 36%
(\$million)**



EBITDA Margin at 6.5%



* Underlying EBITDA excludes acquisition costs

Note: 2017 numbers are actual statutory. Prior years are pro-forma.

Divisional Summary

New Motorcycles



- Revenue up 8%
- Gross profit up 2%



Used Motorcycles



- Revenue up 18%
- Gross profit up 17%



Retail accessories and parts



- Revenue up 54%
- Gross profit up 83%



Servicing and repair



- Revenue up 12%
- Gross profit up 8%



Finance, insurance and warranty

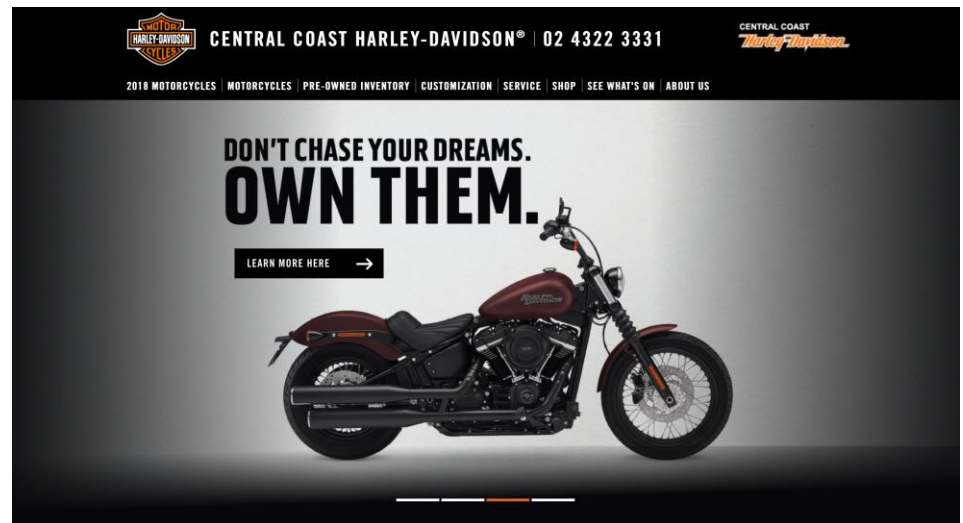


- Income down 11%



Dealer network expanded to 30 dealerships

- TeamMoto Frankston, *acquired December 2017*
- TeamMoto Yamaha Sunshine Coast, *opened January 2018*
- Central Coast Harley-Davidson, *acquired March 2018*
- Seeking approval to sell used bikes in MCA
- Auburn now selling used motorcycles and trading in line with expectations



Acquisitions drive increased scale and diversification

1

Substantial increase in the scale of the business

- Revenue increase from \$235 million to \$302 million
- Underlying EBITDA increase from \$14.6 million to \$19.8 million

2

Increased geographic footprint and diversification

- Increased retail store footprint from 27 to 38 locations
- Cassons is a national wholesaler and distributor
- Two additional business units added to group;
 - 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 three stores in Victoria
- From QLD centric to east coast footprint and established online presence

Effective business model

1

Diversified revenue streams

- New motorcycles
- Used motorcycles
- Accessories and parts
- Servicing and repair
- Finance, insurance and warranty

2

Centralised management structure drives performance

- Marketing, purchasing, product sourcing, training, finance and insurance, information technology and administration all undertaken centrally
- Sales staff incentivised by commissions

3

Strong relationships with OEMs

- Sells motorcycles manufactured by 8 of the top 10 selling motorcycle manufacturers in Australia

4

Scale

- Improved supplier terms and operational performance

Strong growth opportunities

Key business elements	Leading growth opportunities
New motorcycle sales	<ul style="list-style-type: none">▪ Dealership acquisitions▪ Greenfield site development▪ Acquiring rights to distribute new motorcycles
Used motorcycle sales	<ul style="list-style-type: none">▪ Increased sales as more dealerships are acquired▪ Used bike sales through MCA stores
Parts & accessories	<ul style="list-style-type: none">▪ Increased sales as more dealerships are acquired▪ Improve online sales channel▪ Distribute Cassons accessories through own stores▪ Increased sales through wholesale business
Service & repair	<ul style="list-style-type: none">▪ Increased sales as more dealerships are acquired
Finance & insurance	<ul style="list-style-type: none">▪ Increased sales as more dealerships are acquired▪ Contribution from Allied Credit JV

1

Leverage the Current Network

- Improve dealership performance
- Continue to improve existing franchise network and operating practices
- Allied Credit JV to add diversity and future profitability

2

Grow

- Continue MCA store roll-out
- Increase used motorcycle sales through MCA stores
- Add further brands/suppliers to the wholesale distribution business of Cassons
- Enhance online sales offering and presence to grow share of online sales

3

Consolidate

- Continue Cassons integration
- Continue to consolidate the Original Equipment Manufacturer (OEM) franchise market through acquisitions
- Strengthen management team
- Improve systems, processes and reporting to establish platform for future growth

Outlook



- New motorcycle market remains challenging. Focus on used bikes continues to provide good results
- Contribution from Allied Credit JV
- Full year contribution from recent dealership and Cassons acquisitions
- Uplift expected from introduction of used bike sales in MCA retail stores
- Contribution from new Keilor MCA store
- Dividend payout ratio expected to return to 50-70% of NPAT going forward



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