

MOTORCYCLE HOLDINGS LIMITED



Morgans Investor Conference



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Update

- 1** Market continues to slow with Harley-Davidson the major challenge
- 2** Used Bike performance maintained in steady market, and growing with more outlets
- 3** Cassons maintaining profitability despite market contraction
- 4** Excess inventory identified in Cassons – cash flow benefit going forward
- 5** Warranty income recognition change, partially offset by strong Finance JV potential

2018/19 Focus

1

Leverage the Current Network

- Improve dealership performance

2

Grow

- Continue MCA store roll-out
- Increase used motorcycle sales through MCA stores
- Continue to develop wholesale distribution to dealer network

3

Consolidate

- Continue Cassons integration
- Strengthen management team
- Improve systems, processes and reporting to establish platform for future growth

New Bike market continues to slow

- New Bike market down 7% for September 18 quarter
- Road bikes down 13% for September 18 quarter



FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

Harley-Davidson presenting challenges

- Harley sales down 25.1% for September 18 quarter nationally
- *MTO* same store outperformed the market but still down
- 2019 models have been released



Used Bikes maintaining sales from same stores but growing overall

- Increased resources for Used Bike department
- Used Bikes now being sold from 2 MCA accessory stores, with 4 more to follow soon



Motorcycle Accessories Supermarket

SEARCH BY BUDGET


FINANCE CALCULATOR

VALUE MY TRADE-IN

HELP ME FIND A BIKE

Price (High to Low)

2014 Harley-Davidson Breakout



Type

Engine

Kilometres

Used

1700 CC

8,910 Kms

Colour

Body Type

Stock No.


Black

Cruiser

MA00181

VIEW DETAILS

2014 Harley-Davidson Breakout



Type

Body Type

Stock No.

Used

Cruiser

MA00178

Engine


Kilometres

1700 CC

5,139 Kms

VIEW DETAILS

2014 Harley-Davidson FXSB Softail Breakout



Type

Engine

Kilometres

Used

1700 CC

1 Kms

Colour

Body Type

Stock No.

Grey

Cruiser

MA00174

VIEW DETAILS

Ex. Govt. Charges²

\$24,990

per week^A

\$117

Ex. Govt. Charges²

\$24,990

per week^A

\$117

Ex. Govt. Charges²

\$23,990

per week^A

\$112

Acquisitions will contribute for 12 months in FY19

- Cassons and MCA first full year contribution
- 3 dealerships acquired during FY18 to contribute



team moto | TeamMoto Yamaha Sunshine Coast



Acquisitions will continue in future



- Current efforts are concentrating on integrating new acquisitions and improving current businesses
- Recently added Polaris franchise to Accessory store in Springwood
- Used bikes being included in existing MCA stores
- MCA stores will be rolled out in selected locations
- New MCA stores will be designed to retail Used Bikes from opening
- Dealerships are readily available for purchase

Cassons opportunities



- More aggressive approach to Cassons position within the market will drive dealer wholesale sales
- Management being strengthened – National Sales Manager and Stock Planner being employed
- Multiple new brands have been added to portfolio
- Inventory is too high, and will be reduced through better stock management practices
- Some aged stock challenges, but adequate provision for obsolescence in place
- MCA roll out and future dealership acquisitions will strengthen Cassons wholesale sales

Finance JV



- Up to \$4M per month of retail finance contracts being placed with Motorcycle Finance Pty Ltd (MCF), which we own half of in a JV
- Volume running at close to double initial plans with all KPI's in the expected range



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- Allied Credit provide the credit licence, and all administration, approval, and collection functions. Allied are major industry players in motorcycle finance
 - MTO enjoys the same commission rates with MCF as with other leading finance providers
 - Profits shared equally, and will increase significantly for the first 5 years as the portfolio matures



Mechanical Protection Plan (MPP) profit recognition

- IFRS 15 comes into force from 1/7/18.
- Revenue from MPP contracts to be recognized over the period of the contract, which can be up to five years (2 years Manufacturer Warranty, then 3 years MPP)
- Previously income was recognized upon sale and expected claims were provided for on the balance sheet.
- The same total profit is recognized over time
- IFRS 15 allows for full retrospective accounting so in a stable world the profit would not change
- Our rapid growth means that an increasing amount will be deferred to future years, reducing profit called this year from what we would have done under old accounting rules.

Cash flow opportunities

- Full year of new acquisitions will produce record profits
- Pause on acquisitions will reduce requirement for cash
- Inventory in Cassons to be reduced over time
- This will leave cash available for investment in used bike stock, our next acquisition phase and for roll out of MCA stores.



MotorCycle
Holdings