# MOTORCYCLE HOLDINGS LIMITED



Morgans Investor Conference



### **Disclaimer**

# MotorCycle

#### **Disclaimer and Important Information**

- This presentation may contain certain unaudited financial information in relation to MotorCycle Holdings Limited (MTO). As such, it has not been subject to an audit or an audit process or otherwise independently verified.
- This presentation may contain certain forward looking statements. Such statements are inherently
  subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables
  and other factors which could cause actual values or results, performance or achievements to differ
  materially from anticipated results, implied values, performance or achievements expressed, projected
  or implied in the statements. MTO gives no assurance that the anticipated results, performance or
  achievements expressed or implied in those forward-looking statements will be achieved.
- Neither the company nor any of its Directors or any other party associated with the preparation of this
  Presentation guarantee that any specific objective of the company will be achieved or that any particular
  performance of the company or of its shares will be achieved.
- The information in this presentation does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this presentation constitutes investment, legal, tax or other advice.

## **Update**



- 1 Market continues to slow with Harley-Davidson the major challenge
- Used Bike performance maintained in steady market, and growing with more outlets

Cassons maintaining profitability despite market contraction

Excess inventory identified in Cassons – cash flow benefit going forward

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



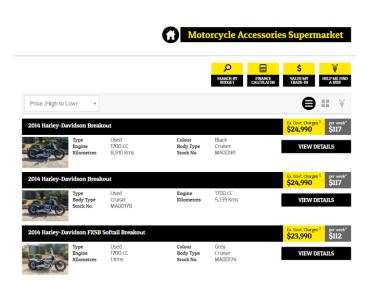
- Harley sales down 25.1% for September 18 quarter nationally
- MTO same store outperformed the market but still down
- 2019 models have been released



# 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





# Acquisitions will contribute for 12 months in FY19



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









## **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



- 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.

