

MOTORCYCLE HOLDINGS LIMITED



Interim Financial Results – December 2018



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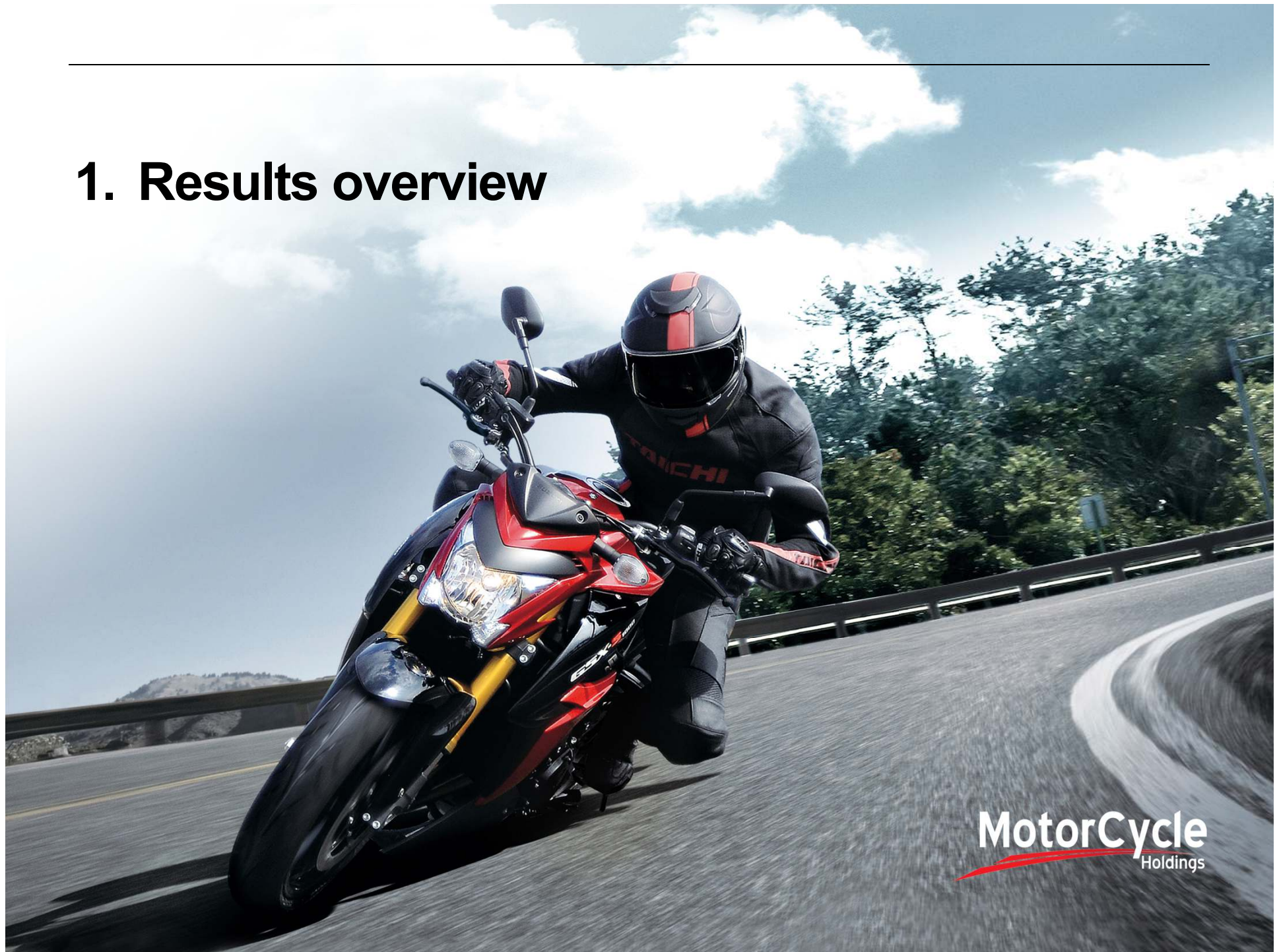
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Agenda



1	Results Overview
2	Financial Results
3	Trading Conditions
4	Operational Review
5	FY2019 Outlook

1. Results overview



1. Results Highlights



- Underlying EBITDA increased to \$10.4m, up 19.5% (2018: \$8.7m)
- Underlying EBITDA margin of 6.0% slightly down (2018: 6.2%)
- Sales revenue of \$172.8m, up 24.1% (2018: \$139.3m)
Comparable sales declined by 9.1%, in line with market
- Growth in total motorcycles sales to 9,855 units, up 11.1% (2018: 8,867)
 - New bike sales units of 5,153 is 4.2% up (2018: 4,944 units)
 - New bike market share increased to 10.9% (2018: 9.3%)
 - Pressure on margins
 - Used bike sales units of 4,702 is up 19.9% (2018: 3,923)
- Cassons and MCA maintaining profitability despite market contraction
- Excess inventory of \$3.6m has been cleared, freeing cash flow
- Lower warranty income of \$400k due to implementation of AASB15

1. Divisional Performance Summary

New Motorcycles



- Revenue up 3%
- Gross profit down 13%

Used Motorcycles



- Revenue up 25%
- Gross profit up 25%



Retail accessories and parts



- Revenue up 45%
- Gross profit up 48%



Servicing and repair



- Revenue up 10%
- Gross profit up 9%



Finance, insurance and warranty



- Income down 11.1%

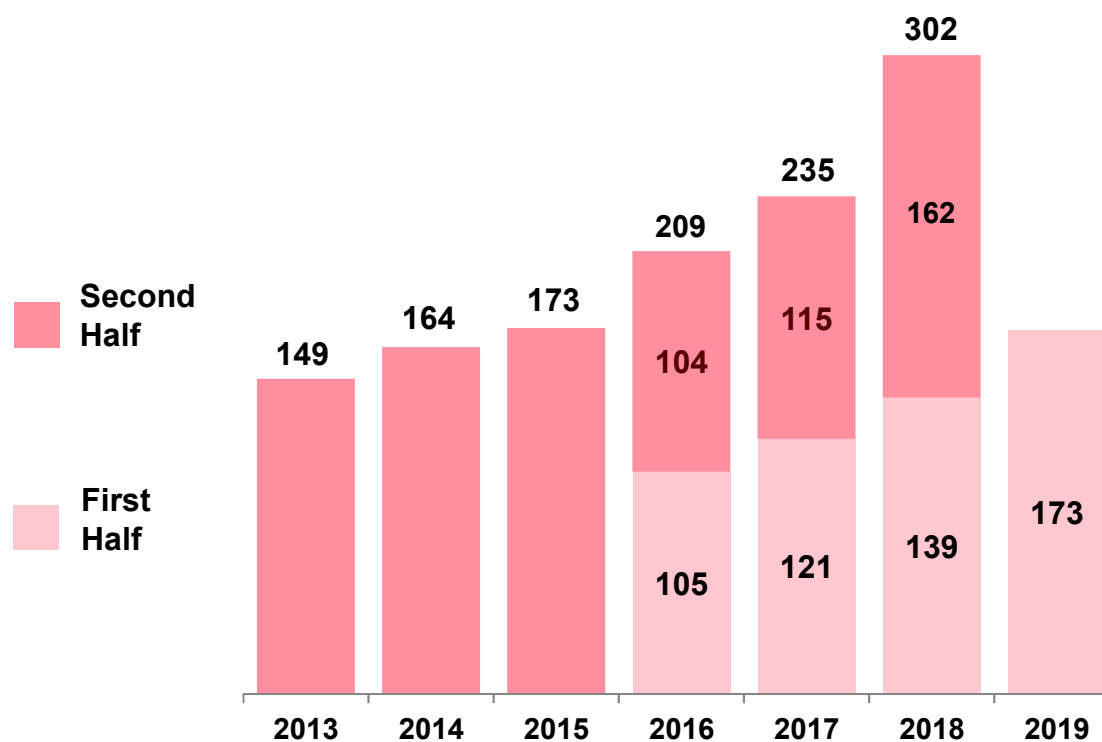


2. Financial Results



2. Record revenue of \$172.8m due to Cassons/MCA

H1 Group Revenue up 24.1% (\$M)



2. Profit and Loss



\$ Million	1H FY 19	1H FY18	% Change
Sales	172.8	139.3	24.1%
Cost of sales	-122.2	-101.0	
Gross Profit	50.7	38.3	32.4%
Gross Profit margin	29.3%	27.5%	
CODB	40.3	29.6	
CODB %	23.3%	21.2%	2.1%
EBITDA	10.4	8.7	19.5%
EBITDA margin	6.0%	6.2%	
Depreciation and Amortisation	-1.8	-0.9	
Underlying EBIT	8.6	7.8	
Underlying EBIT margin	5.0%	5.6%	-11.5%
Net Operating Cash Flow	11.6	1.2	

Summary

- Total sales of \$172.8 million, up 24.1%
- Gross profit margin of 29.3%
- Cost of Doing Business \$40.3 million, up 36.1% on 2018 due to full half impact of Cassons
- EBITDA of \$10.4 million, up 19.5%
- Net operating cash flow of \$11.6 million

2. Balance Sheet and Dividends



\$ Million	1H FY 19	1H FY18
Cash and Cash Equivalents	5.1	2.5
Trade and Other Receivables	7.0	6.8
Inventories	83.8	87.4
Plant and Equipment	11.9	11.2
Goodwill and Intangibles	120.7	124.5
Investments	3.9	1.2
Other Assets	3.4	0.1
Total Assets	235.7	233.7
Trade and Other Payables	9.8	11.9
Borrowings	78.8	76.3
Provisions	14.6	13.2
Deferred Tax Liabilities	0.0	0.9
Total Liabilities	103.1	102.3
Net Assets	132.6	131.4

Capital Structure

Cash at bank \$5.1 million

- Inventory decrease of \$3.6 million reflects better stock management
- Net leverage ratio covenant increased to 2.95, allowing plenty of headroom
- Goodwill reduced by \$3.8 million, due to \$1.0 million amortisation and tax adjustment associated with Cassons acquisition PPA
- Goodwill impairment discount rate reduced by 1.0% to reflect greater certainty of cash flows post Cassons acquisition.

Dividends

- No interim dividend declared to retain cash for acquisition/growth opportunities and reduce net gearing

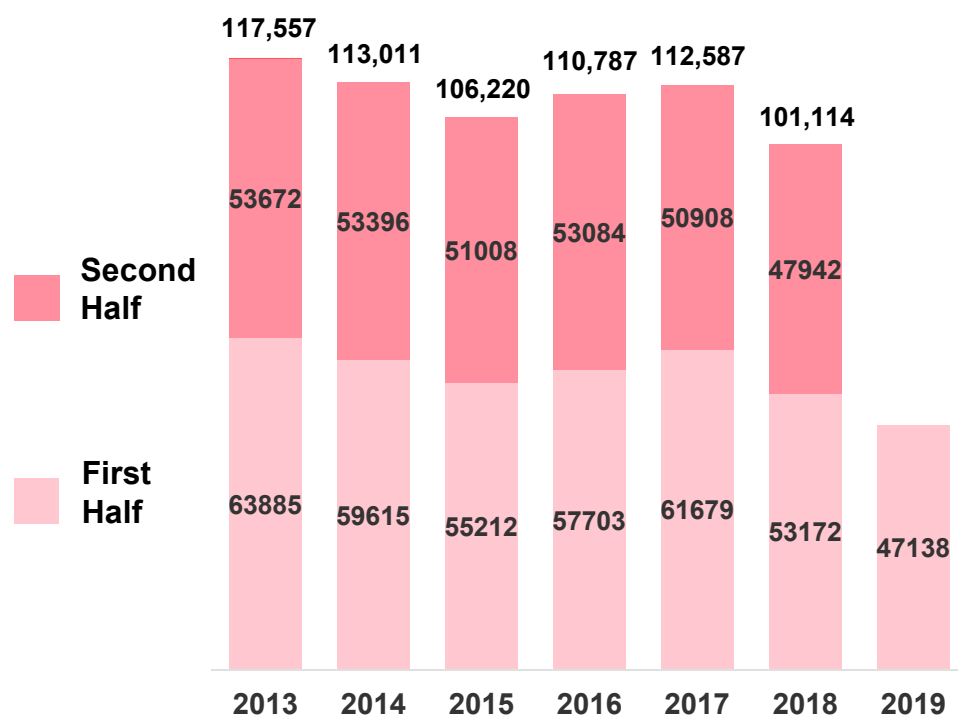
3. Trading conditions



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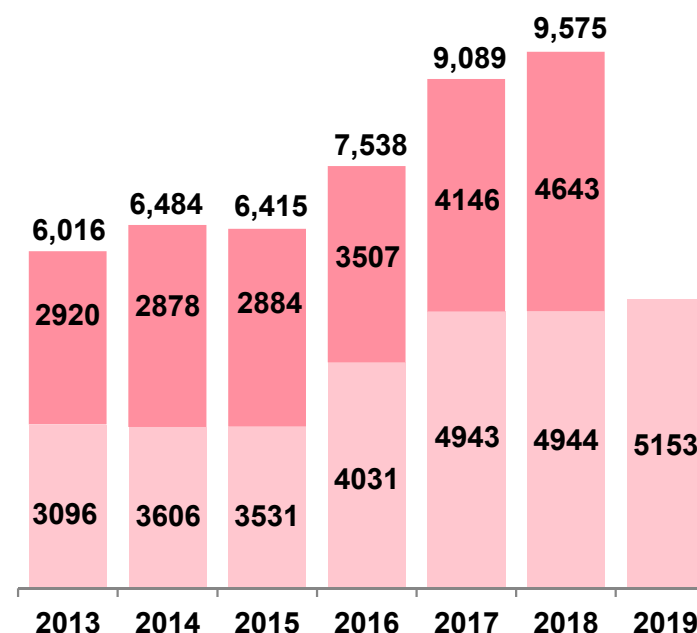
3. Cyclical downturn impacts new motorcycle unit sales

**Industry new motorcycle sales
down 11.3%**



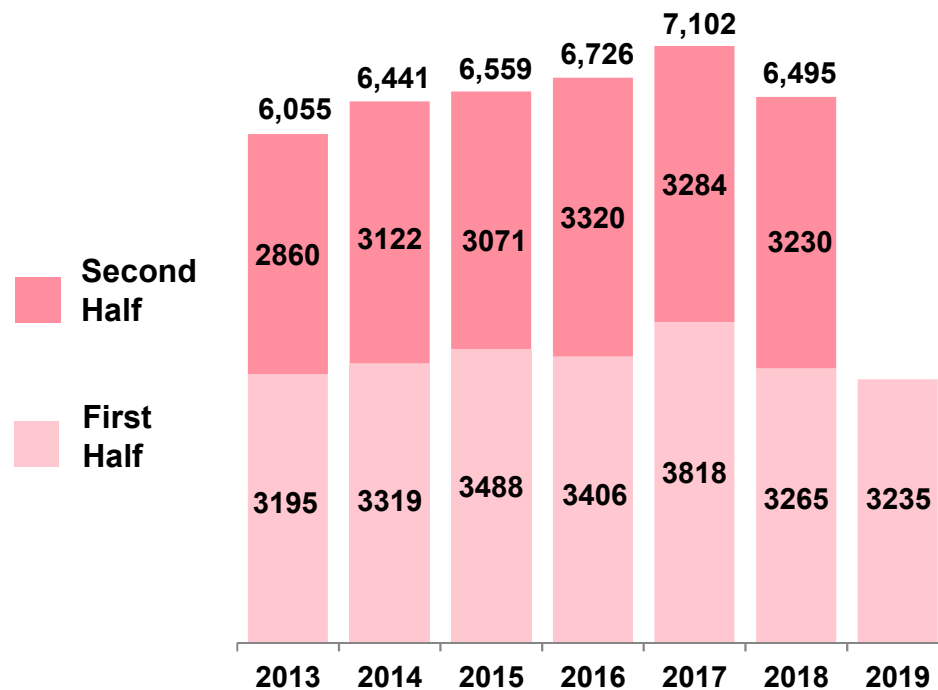
*New motorcycle sales includes registered and un-registered

MTO new motorcycles sales up 4.2%

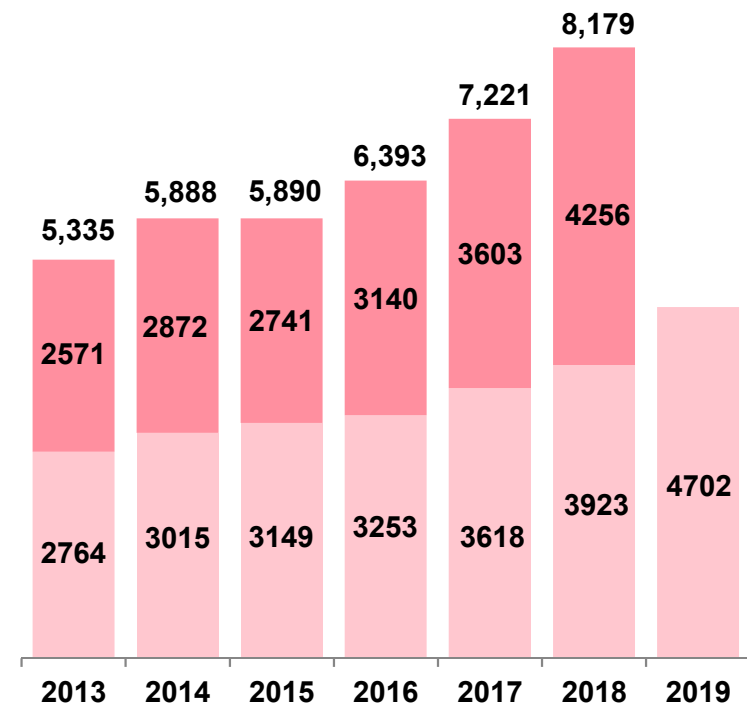


3. Used motorcycle unit sales rise in flat market

**QLD Dealer used motorcycle sales
decreased 1.0%**



**MTO used motorcycle sales
increased 19.9%**



3. Harley Davidson continues to struggle



- Harley unit sales down 24% vs total Australian Road Bike market decline of 13.8%
 - MTO comparative sales down 11.5% for the half, gaining market share
- Harley is the biggest profit contributor to business
- Rebate targets have been lowered
- Disproportionate profit impact due to significant MTO exposure to Harley

4. Operational review



4. Cassons



- Cassons trading in line with expectations
- More aggressive approach to driving sales and clearing stock through better pricing impacted margins
- Slight increase in 3rd party sales
- Management strengthened
- Bell helmets added to the portfolio, adding significant extra sales
- Inventory management improved, excess stock being cleared
- ERP upgrade completed successfully

4. MCA



- Used bikes sold through 4 MCA stores with an additional 2 expected to start trading by end of financial year
- Searching for new MCA sites but nothing in pipeline at the moment
- Profit well above last year due to wage savings in stores

4. Dealerships



- Acquisition opportunities in current challenging market
 - Particular focus on NSW and Vic to increase geographic spread
- Cost savings
- Continue to grow used bike sales

4. Finance JV



- Formed finance JV with Allied Credit
- Allied Credit is a major industry player in motorcycle finance
- Business performing according to expectations, however profit below expectations due to changes in revenue recognition
- Syndication expected to be complete by end of March 2019 resulting in less equity requirement

4. Hayne Royal Commission



The Hayne Royal Commission has made a number of recommendations including:

- Removal of POS exemption for dealers to hold Australian Credit Licenses
 - All of our dealerships are already held accountable under legal agreements with our financiers to comply with current legal obligations
 - We may need to obtain an Australian Credit License (ACL)
 - We do not envisage any material impact on the business
- Implementation of a deferred sales model and cap on commissions
 - We have already adjusted our business model as a result of the ASIC review into add-on insurances. Too early to determine impact of Commission recommendations.

5. FY2019 Outlook



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5. FY2019 focus



Improve the Current Network

- Improve profitability of existing dealerships
- Continue to grow used motorbike sales through existing dealerships
- Reduce cost base to reflect current trading conditions

Grow

- Identify new sites for MCA stores
- Increase used motorcycle sales through MCA stores
- Continue to grow Cassons wholesale business
- Use strong cash position to take advantage of additional acquisition and growth opportunities that may arise to grow market share
 - Particular focus on NSW and Vic
- Continue to grow Motorcycle Finance JV to further diversify revenue streams

5. Trading Outlook



- Market continues to be challenging
- Potential for consolidation in current trading environment
- Focussed on productivity, cost reductions and increasing profitability



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