



Results for Announcement to the Market

Motorcycle Holdings Limited ("Company")

ABN 29 150 386 995

APPENDIX 4E PRELIMINARY FINAL REPORT *for the year ended 30 June 2019*

1 Details of the reporting period

Current Period: 1 July 2018 – 30 June 2019

Previous Corresponding Period (pcp): 1 July 2017 – 30 June 2018

Results for announcement to the market

Comparison to previous corresponding period		Increase/Decrease	Change	To A\$'000
1.1	Revenue from ordinary operations	Increase	9.3%	329,887
1.2	Statutory profit from ordinary activities after tax attributable to members	Decrease	-2.3%	8,345
1.3	Net profit attributable to members	Decrease	-2.3%	8,345

1.4 Final dividend

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Record date for determining entitlement to the final dividend		n/a
Date the final dividend is payable		n/a

1.5 Results Overview

Table 1: Results Summary

	FY19	FY18 ¹	FY19 vs FY18 (%)
Motorcycle sales (units)	18,536	17,754	4.4%
Revenue (\$M)	329.9	301.8	9.3%
EBITDA (\$M)	18.0	16.7	7.8%
EBITDA margin (%)	5.5%	5.5%	-
NPAT (\$M)	8.3	8.5	-2.4%

¹ The company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

The company has applied the full retrospective transition method and as such comparative information has been restated.

MotorCycle Holdings Limited maintained its steady performance in the year to 30 June 2019 despite the continuing challenging market conditions.

Net profit after tax (NPAT) decreased 2% to \$8.3M (2018: \$8.5M), with earnings before interest, tax and depreciation (EBITDA) increasing 8% to \$18.0M (2018: \$16.7M). Earnings per share decreased 14% to 13.5 cents per share.

These results were achieved on revenue increasing 9% to \$330M (2018: \$302M).

It was decided not to declare a final dividend as the company continued to implement a program of lowering the business' cost structure and reducing debt to enable it to take advantage of any acquisition opportunities that may arise in the current trading environment.

Motorcycle sales, including both new and used motorcycles, increased 4% to 18,536 units for the year ended 30 June 2019 (2018: 17,754 units).

New motorcycle sales decreased 1% to 9,468 units (2018: 9,575 units), compared with a national market decline in new motorcycle sales of approximately 11%. Like for like new motorcycle sales were down 9%.

The company grew its market share by securing approximately 11% of national new bike sales during the financial year, compared with 10% in the prior year.

Used motorcycles sales increased 11% to 9,068 units (2018: 8,179 units). Retail Accessories and Parts revenue increased 15% and Servicing and Repair revenue increased 8%. Finance, Insurance and Warranty revenue decreased 9%.

Finance, Insurance and Warranty revenue decreased 9% as a consequence of general insurance companies changing their premiums and commission rates after the ASIC review and the adoption of the new accounting standard AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

Cassons and MCA stores maintained profitability despite the market contraction and pressure on margins.

The new joint venture with motorcycle industry finance company Allied Credit is performing to expectations. We expect this business to contribute to profit results in this forthcoming financial year.

Despite trading conditions continuing to be challenging during the year the company has been able to achieve steady revenue and increased EBITDA results, and continues to grow its market share.

The company's strategy of growth through acquisitions has diversified our revenue streams and strengthened the resilience of the company, which has been a crucial factor enabling it to withstand these ongoing challenging trading conditions.

The company has responded quickly to these market conditions by focusing on lowering its cost base, expanding its offering to drive sales throughout the dealer network and continuing to grow wholesale sales to the dealer network.

Further benefits of this cost reduction program are expected to flow through to this current financial year's performance.

The company will continue to focus on improving its dealerships' performance and productivity and drive used bike sales; add further brands and suppliers to the wholesale distribution business; improve its online sales presence and enhance its in-house brands through product range renewal and redesign.

The company will also investigate additional acquisition opportunities that may become available due to the current challenging market conditions and which will strengthen the business further.

Table 2: Operational metrics

	FY19	FY18	Change
Dealership locations at period end	30	30	-
Number of new motorcycles sold	9,468	9,575	-1.1%
New motorcycles sold growth	-1.1%	5.3%	-120.9%
Number of used motorcycles sold	9,068	8,179	10.9%
Used motorcycles sold growth %	10.9%	13.3%	-18.1%

2 Statutory Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the Year Ended 30 June 2019

	Consolidated	
	30.06.2019	Restated¹ 30.06.2018
	\$'000	\$'000
Sales Revenue	315,054	285,079
Other Income	14,833	16,728
Changes in inventories of finished goods and work in progress	3,026	(14,851)
Raw materials and consumable used	(236,511)	(199,979)
Employee benefits expense	(51,661)	(46,394)
Finance costs	(2,890)	(2,216)
Depreciation and amortisation expense	(3,790)	(2,734)
Occupancy costs	(12,339)	(10,132)
Other Expenses	(13,675)	(12,930)
Profit before income tax	12,047	12,571
Income tax expense	(3,702)	(4,032)
Profit after income tax expense	8,345	8,539
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>	(290)	-
Total comprehensive income	8,055	8,539
Profit for the year is attributable to:		
Owners of MotorCycle Holdings Limited	8,055	8,539
	8,055	8,539
Total comprehensive income for the year is attributable to:		
Owners of MotorCycle Holdings Limited	8,055	8,539
	8,055	8,539
Earnings per share:		
Basic earnings per share (cents)	13.5 ¹	15.6 ¹
Diluted earnings per share (cents)	13.5	15.6

¹ The company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The company has applied the full retrospective transition method and as such comparative information has been restated.

² Earnings per share calculation is based on the weighted average number of shares (2018: 61,706,710; 2018: 54,788,099) issued to shareholders of MotorCycle Holdings Limited.

3 Consolidated Statement of Financial Position

As at 30 June 2019

	Consolidated	
	30.06.2019	Restated ¹
	\$'000	30.06.2018
		\$'000
Cash and cash equivalents	9,175	2,469
Trade and other receivables	8,179	6,783
Inventories	84,396	87,421
Current tax receivables	2,095	-
Other	12	39
Current assets	103,857	96,712
Property, plant and equipment	11,546	11,211
Deferred tax assets	653	-
Goodwill and other intangible assets	119,684	124,496
Interest in equity accounted investees	3,539	1,156
Other	117	100
Non-current assets	135,539	139,963
Total assets	239,396	233,675
Trade and other payables	12,457	11,889
Short term borrowings	30,550	26,044
Current tax liabilities	-	367
Provisions	5,692	5,658
Contract liabilities	2,988	2,564
Current liabilities	51,687	46,522
Borrowings	46,815	50,290
Redeemable preference shares	-	816
Provisions	1,448	999
Contract liabilities	4,209	3,944
Non-current Liabilities	52,472	56,049
Total liabilities	104,159	102,571
Net assets	135,237	131,104
Contributed equity	120,081	120,081
Share-based payment reserve	177	88
Retained earnings	14,979	10,935
Equity attributable to the owners of MotorCycle Holdings Limited	135,237	131,104
Total equity	135,237	131,104

¹ The company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The company has applied the full retrospective transition method and as such comparative information has been restated.

4 Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2019

	Issued Capital \$'000	Restated ¹ Retained earnings \$'000	Share-Based Payment Reserve \$'000	Total \$'000
Balance at 1 July 2017	30,141	8,636	-	38,777
Profit for the year	-	8,539	-	8,539
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	8,539	-	8,539
Transactions with owners in their capacity as owners:				
Dividends paid	-	(6,240)	-	(6,240)
Equity settled share-based payment	-	-	88	88
Issue of shares	66,963	-	-	66,963
Issue of shares related to business combinations	24,500	-	-	24,500
Transaction costs (net of tax)	(1,523)	-	-	(1,523)
Balance at 30 June 2018	120,081	10,935	88	131,104
Profit for the year	-	8,345	-	8,345
Other comprehensive income	-	(290)	-	(290)
Total comprehensive income for the year	-	8,055	-	8,055
Transaction with owners in their capacity as owners:				
Dividends paid	-	(4,011)	-	(4,011)
Equity settled share-based payments	-	-	89	89
Balance at 30 June 2019	120,081	14,979	177	135,237

¹ The company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The company has applied the full retrospective transition method and as such comparative information has been restated.

5 Consolidated Statement of Cash Flows
For the Year Ended 30 June 2019

	Consolidated	
	30.06.2019	30.06.2018
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	362,228	336,071
Payments to suppliers and employees (inclusive of GST)	(335,460)	(325,376)
Interest and other costs of finance paid	(2,890)	(2,847)
Income tax paid	(4,888)	(6,322)
Interest received	11	56
CASH PROVIDED BY OPERATING ACTIVITIES	19,001	1,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of businesses	-	(100,594)
Payments for investments in equity accounted investees	(2,750)	(1,150)
Purchase of property, plant and equipment	(2,185)	(2,039)
Proceeds from sale of property, plant, and equipment	126	48
CASH USED IN INVESTING ACTIVITIES	(4,809)	(103,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and other securities	-	66,963
Costs of issue of ordinary shares	-	(2,205)
Proceeds from/(repayment of) borrowings	(3,475)	41,588
Dividends paid	(4,011)	(6,240)
CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(7,486)	100,106
NET INCREASE / (DECREASE) IN CASH	6,706	(2,047)
CASH AT BEGINNING OF YEAR	2,469	4,516
CASH AT YEAR END	9,175	2,469

6 Dividend Payment Information

The Company did not pay an interim dividend. It is not proposed for the Company to pay a final dividend.

7 Dividend/distribution reinvestment plan

The Board has not adopted a Dividend Re-investment Plan (DRP).

8 Net tangible assets per ordinary share

	30 Jun 2019	30 Jun 2018 ¹
Net tangible assets per ordinary share (cents)	24	12

9 Details of entities over which control has been gained or lost during the period

The Company was incorporated on 12 April 2011, and converted to a public company on 16 March 2016.

The Company only acts as a holding company of the MotorCycle Holdings group. The operating business companies are MotorCycle Holdings Operations Pty Ltd and its wholly owned subsidiaries.

10 Details of associates and joint venture entities

MotorCycle Finance Pty Ltd (MCF) is a joint venture in which the Group has joint control and a 50% ownership interest. The joint venture was established to provide secured loans to customers directly for the purchase of motorcycles.

MCF is structured as a separate vehicle and the Group has a residual interest in the net assets of MCF. Accordingly, the Group has classified its interest in MCF as a joint venture. In accordance with the agreement under which MCF is established, the Group and the other investor in the joint venture have agreed to make additional contributions to their interest to make up any losses, if required.

11 Other significant information

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

There are no other significant events or information not otherwise disclosed in these reports needed by an investor to make an informed assessment of the entity's financial performance and financial position.

12 Accountings standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4E.

13 Auditing Status

This report is based on accounts which have been audited.

14 Audit disputes or qualifications

Nil.

¹ The company has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The company has applied the full retrospective transition method and as such comparative information has been restated.