

Motorcycle Holdings Limited

FY2019
Full Year
Results



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Agenda

- 1** | RESULTS OVERVIEW
- 2** | FINANCIAL RESULTS
- 3** | TRADING CONDITIONS
- 4** | OPERATIONAL OVERVIEW
- 5** | FY2020 OUTLOOK

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Results overview

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Results Overview

- 1 | Sales revenue of \$330 million, up 9%
- 2 | Underlying EBITDA* decreased to \$18.0 million, down 4%
- 3 | 4% growth in total motorcycles sales to 18,536 units
- 4 | Used bike units up 11%
- 5 | New bike units down 1%, like for like down 9%
- 6 | Market share increased from 9.5% to 10.6%

* Underlying EBITDA excludes acquisition expenses

Results Overview

- 7 | Total industry units down 11%, following 10% drop in 2017/18
Road bike market down 16%
- 8 | Used bikes sold in 5 MCA stores
- 9 | AASB15 adoption resulted in restatement downwards of FY2018 NPBT by \$0.8M
and reduced 2019 results by \$0.7M
- 10 | Maintained profitability despite challenging market conditions
- 11 | Focused on cost control and operational efficiency in very tough trading conditions
- 12 | No final dividend declared. Cash preserved to fund recently announced acquisitions

Dealership divisional summary

New Motorcycles



- Revenue down 4%
- Gross profit down 16%



Used Motorcycles



- Revenue up 15%
- Gross profit up 17%



Retail accessories and parts



- Revenue up 15%
- Gross profit up 13%



Servicing and repair



- Revenue up 8%
- Gross profit up 7%



Finance, insurance and warranty



- Income down 9%



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Financial results

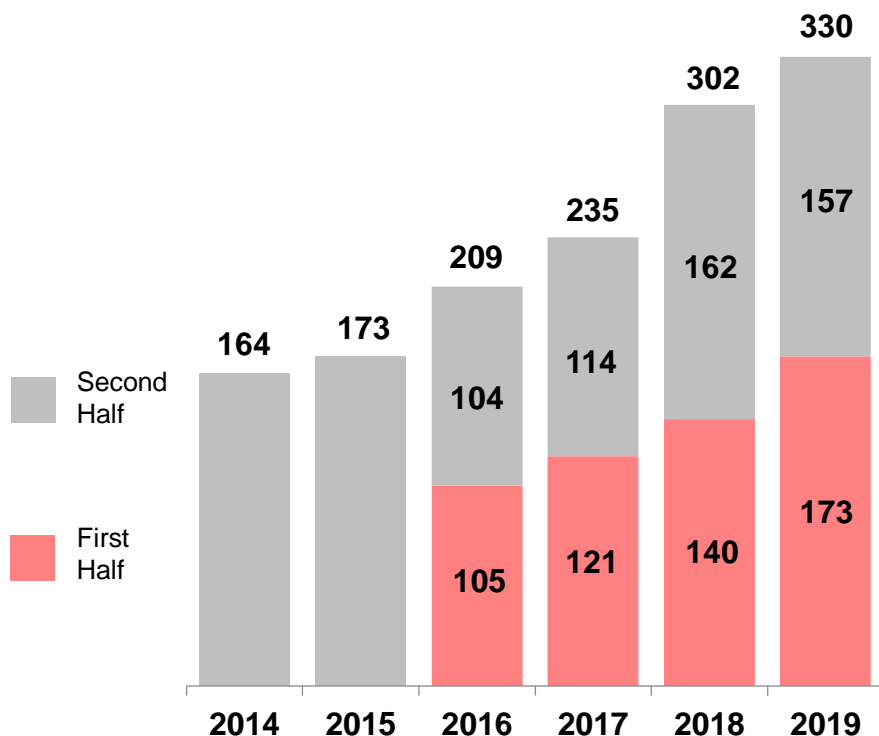
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Revenue growth of 9%

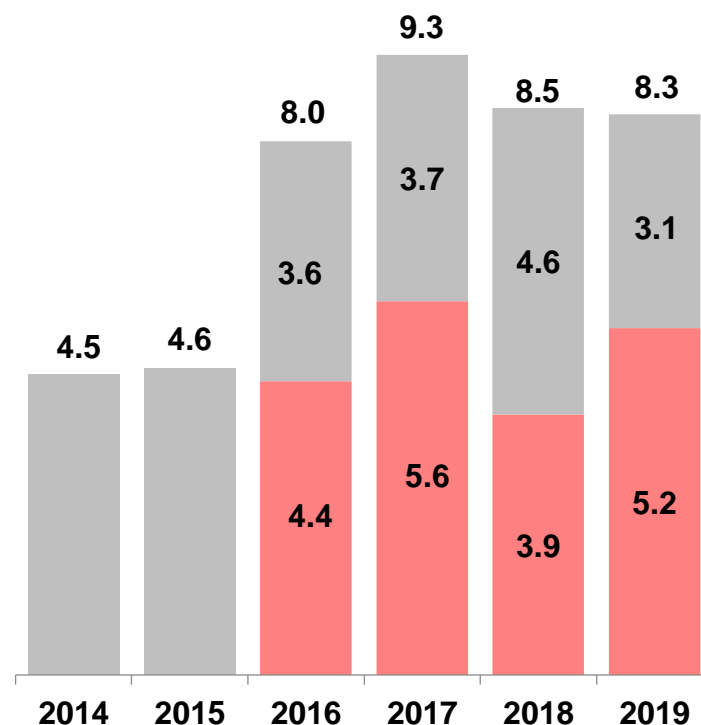
(\$million)*

Revenue up 9%



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

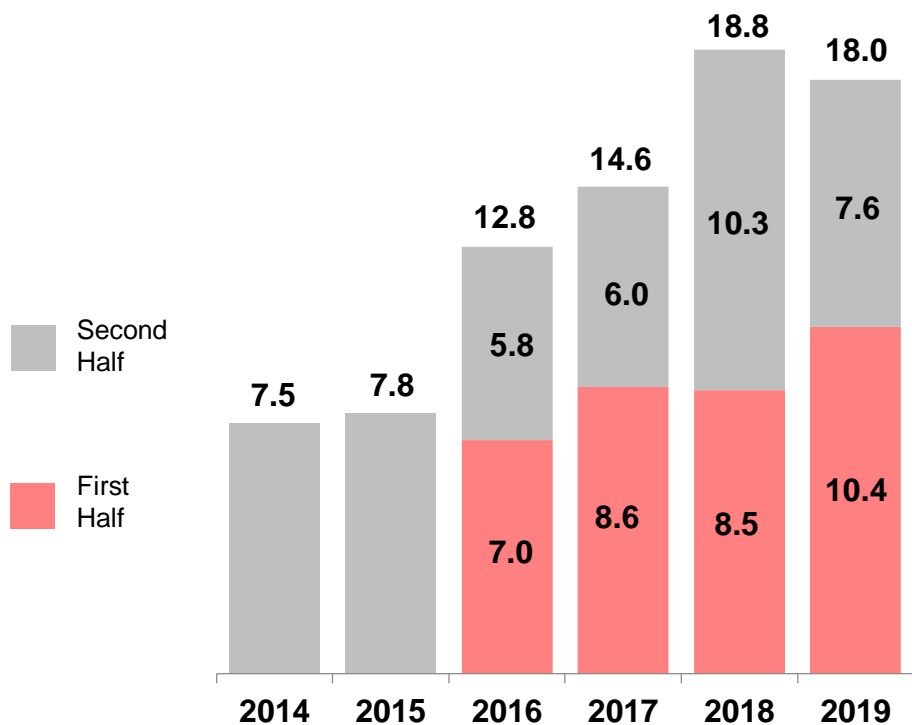
NPAT down 2%*



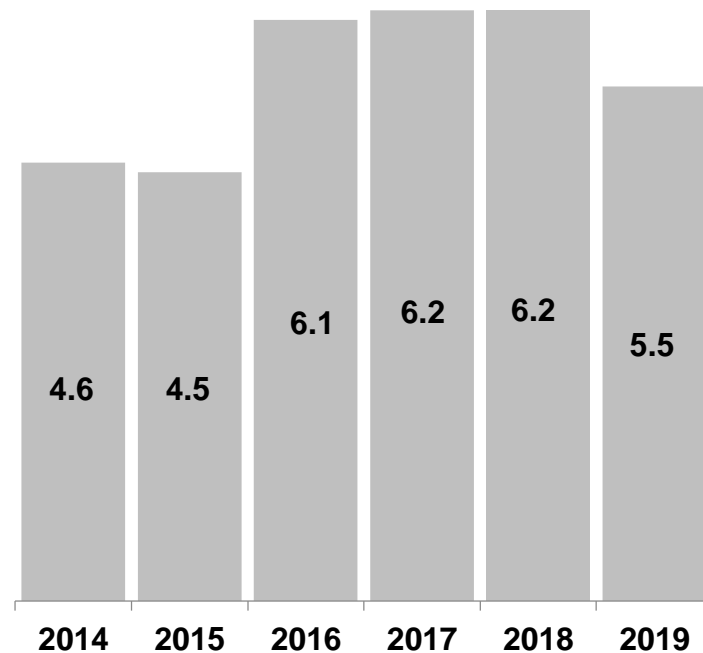
*2018 numbers are restated for AASB15

Underlying EBITDA* and margin growth

EBITDA down 5%
(\$million)



EBITDA Margin at 5.5%



- Underlying EBITDA excludes acquisition costs
- FY18 figures restated due to adoption of AASB15

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

Profit Results

\$m	FY 19	FY18*	% Change
Revenue	329.9	301.8	9.3%
Cost of sales	(233.5)	(214.8)	8.7%
Gross Profit	96.4	87.0	10.8%
Gross Profit Margin (%)	29.2%	28.8%	
Employee benefits expense	(51.7)	(46.4)	11.4%
Occupancy expenses	(12.3)	(10.1)	21.8%
Other expenses	(13.6)	(11.0)	23.6%
Bailment interest	(0.8)	(0.7)	14.3%
Operating expenses	(78.5)	(68.2)	15.1%
Underlying EBITDA	18.0	18.8	(4.3%)
Underlying EBITDA Margin (%)	5.5%	6.2%	
Acquisition expenses		(2.1)	
EBITDA	18.0	16.7	7.7%
EBITDA Margin (%)	5.5%	5.5%	
Depreciation and amortisation	(3.8)	(2.7)	40.7%
EBIT	14.1	14.0	0.7%
Net interest (excluding bailment finance facilities)	(2.1)	(1.5)	40.0%
Profit Before Tax	12.0	12.5	(4.0%)
Tax expense	(3.7)	(4.0)	(7.5%)
Net Profit After Tax	8.3	8.5	(2.4%)
Other Comprehensive Income**	(0.2)	-	
Total comprehensive income for the year attributable to owners of the company	8.1	8.5	(4.7%)

• FY18 figures restated due to adoption of AASB15

** This is an accounting outcome from the Finance JV's cash flow hedging activities to manage interest rate risk.

2. Balance sheet & dividends

\$ Million	FY19	FY18
Cash and Cash Equivalents	9.2	2.5
Trade and Other Receivables	8.2	6.8
Inventories	84.4	87.4
Plant and Equipment	11.5	11.2
Goodwill and Intangibles	119.7	124.5
Investments	3.5	1.2
Other Assets	2.9	0.1
Total Assets	239.4	233.7
Trade and Other Payables	12.5	11.9
Borrowings	77.4	76.3
Provisions	14.3	13.2
Deferred Tax Liabilities	-	1.2
Total Liabilities	104.2	102.6
Net Assets	135.2	131.1

Capital Structure

- Cash at bank \$9.2 million
- Bank debt \$48.5 million, down \$3.5 million
- Inventory decrease of \$3.0 million reflects better stock management
- Headroom in debt covenants

Dividends

- No final dividend declared

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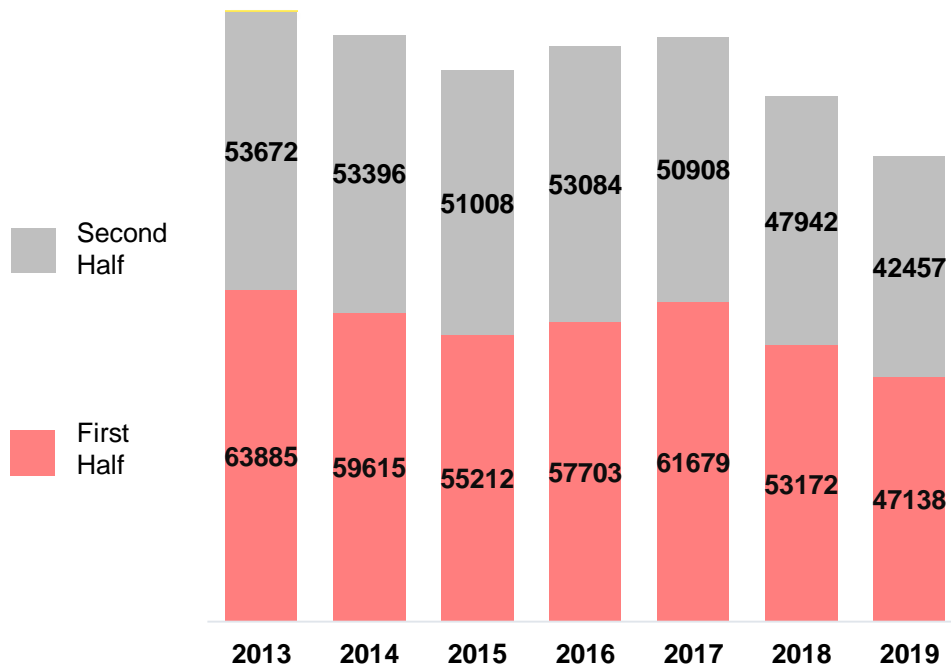
Trading Conditions

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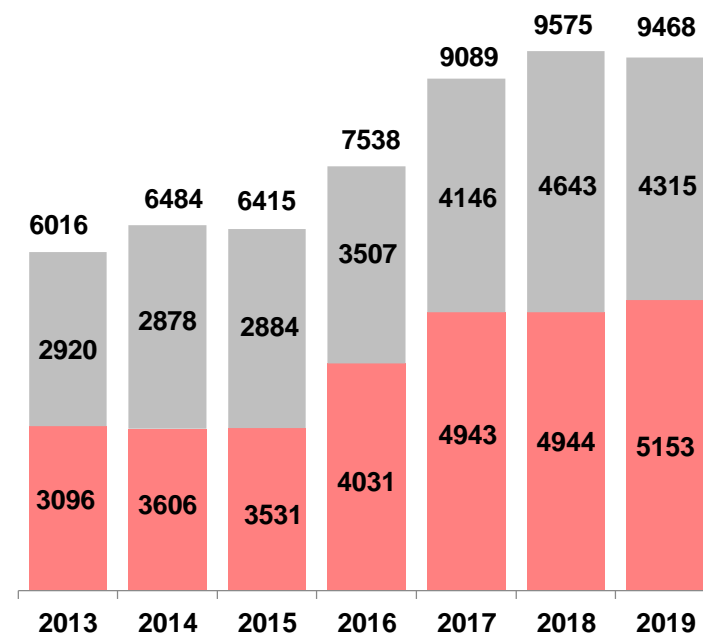
3. Cyclical downturn impacts new motorcycle unit sales

Industry new motorcycle sales down 11.4%



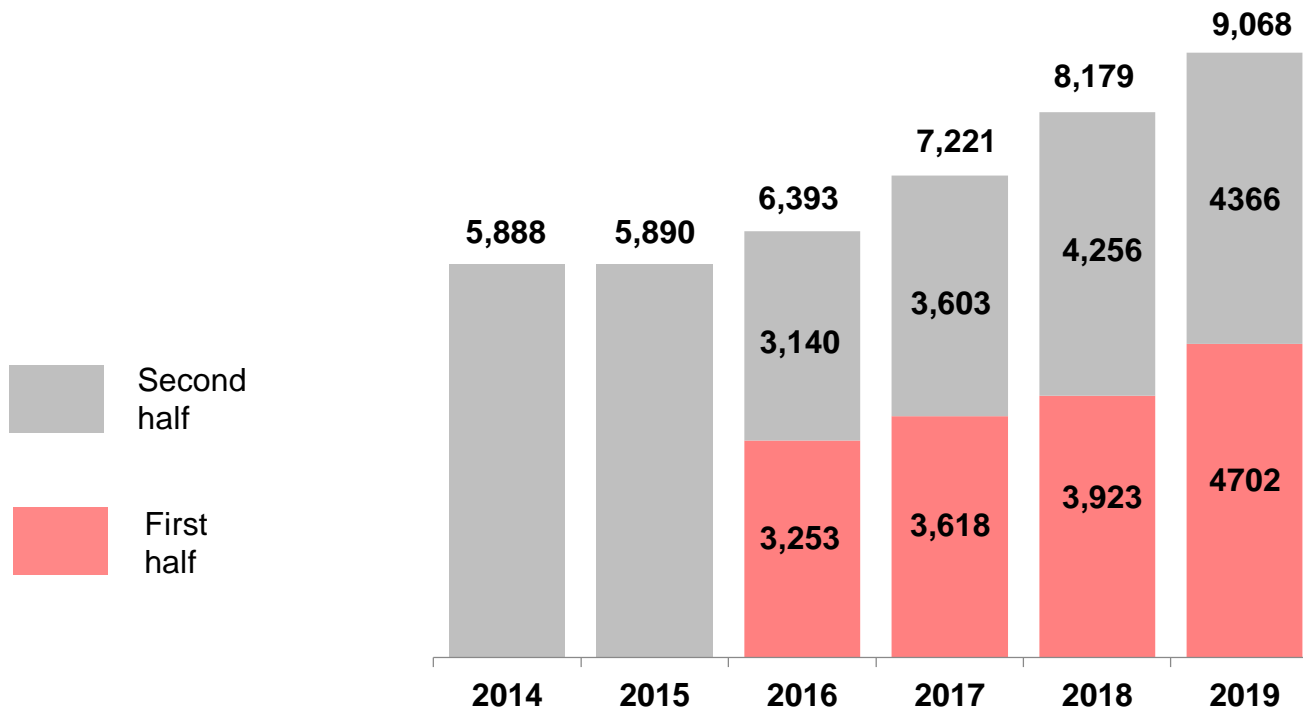
*New motorcycle sales includes registered and un-registered

MTO new motorcycles sales down 1.1%



Used Motorcycle unit sales up 11%

Used Motorcycles sales up 11%



4

Operational review

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4. Market leader in motorcycle industry

- 1 | Australia's largest motorcycle dealership group - 30 dealerships and 8 MCA accessory stores
- 2 | Resilient business model with strong OEM relationships sell 13 top motorcycle brands
- 3 | Comprehensive operating footprint across business units and geographically
- 4 | Australia wide wholesale distribution of accessories
- 5 | Substantial growth opportunities through organic initiatives and acquisitions in fragmented industry

4. Market leader in motorcycle industry (continued)

5

Diversified Revenue Streams

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

6

Experienced senior management team

7

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*

4. Dealerships

1

Continue to grow used bike sales across all brands

2

Cost savings program implemented

3

Acquisition opportunities in current challenging market

4. Acquisitions – *under contract*



Canberra Motorcycle Centre

- Turnover \$22 million
- Currently retailing 1376 motorcycles per annum
- Expected completion September 2019



4. Acquisitions – *under contract*



NORTHSIDE HARLEY-DAVIDSON®

- Located in Brunswick, Melbourne
- Expands Harley-Davidson network to Brisbane, Sydney, Canberra, Melbourne
- Turnover \$9 million
- Currently retailing 226 motorcycles per annum
- Expected completion October 2019

4. Cassons

- 1 | Inventory management improved, excess stock being cleared, impacted margins
- 2 | More aggressive approach to driving and maintaining sales in challenging market
- 3 | Management strengthened
- 4 | Broadened customer base

4. MCA

1

| Used bikes now sold through 5 MCA stores

2

| Improved staffing management

3

| Increased profit despite reduction in accessory sales

4. Finance JV – MCF



- 1 Formed finance JV with Allied Credit, a major industry company in motorcycle finance
- 2 Business performing in line with budget and expectations
- 3 Profits forecast for FY20 and increasing in subsequent years
- 4 Provides support and additional profit

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FY 2020
Outlook

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Outlook

- 1 | New motorcycle market remains challenging, and well below recent levels
- 2 | Many dealership acquisition opportunities available at appropriate value
- 3 | Contribution from MCF to commence in FY20 and improve each year
- 4 | Uplift expected from full year of used bike sales in MCA retail stores

2019/20 Focus to address market conditions

1

Leverage the current network

- *Improve dealership performance*
- *MCF to add diversity and future profitability*
- *Increase used bike sales*

2

Grow

- *Take advantage of acquisition opportunities in a weak market*
- *Increase used motorcycle sales through MCA stores*
- *Add further brands/suppliers to the wholesale distribution business of Cassons*
- *Improve online sales offering and presence to grow share of online sales*
- *Enhance inhouse brands through product range renewal and redesign*

2019/20 Focus to address market conditions

3

Consolidate

- *Continue Cassons integration*
- *Continue to consolidate the motorcycle franchise market through acquisitions*



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Thank you

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