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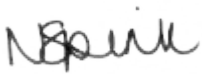
Dear Sir/Madam

Half Year Results Presentation

MotorCycle Holdings Limited (ASX: MTO) is pleased to provide its Results Presentation for the half year ended 31 December 2019.

This announcement was authorised for release by MotorCycle Holdings' Board of Directors.

Regards,
MotorCycle Holdings Limited



Nicole Spink FCPA FCG(CS)
Company Secretary

Motorcycle Holdings Limited

Interim Results
December 2019

MotorCycle
Holdings



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- 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.
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- This presentation includes non-IFRS information such as Underlying EBITDA which MotorCycle Holdings considers useful for users of this presentation as these measures reflect the underlying performance of the business. Non-IFRS information has not been subject to audit or review in accordance with Australian Auditing Standards.

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1

Results
overview

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Results Overview

1

Sales revenue of \$178.2m, up 3.1% (2019: \$172.8m). Like for like sales increased by 0.4%

2

Underlying EBITDA decreased to \$9.9m, down 4.8% (2019: \$10.4m). Underlying EBITDA margin of 5.6% slightly down (2019: 6.0%)

3

Expenses increased overall reflecting \$800K savings in dealerships, offset by extra investment in new stores, MCA stores to retail used bikes, and in Cassons.

4

Growth in new bike sales units to 5,206, up 1.0% (2019: 5,153 units)

5

Growth in used bike sales units to 4,992, up 6.2% (2019: 4,702)

Results Overview

6

New bike market share increased to 11.1% (2019: 10.9%)

7

Cassons' sales up 4.3% but margin pressure impacted gross profit

8

MTO Harley Davidson unit sales up 15.2% for the half, 11.2% like for like

9

No interim dividend declared to allow continued investment and acquisitions as opportunities arise

Operational summary

New Motorcycles



- Revenue up 4%
- Gross profit up 27%

Used Motorcycles



- Revenue up 7%
- Gross profit up 14%

Retail accessories and parts



- Revenue down 1%
- Gross profit down 7%

Servicing and repair



- Revenue down 6%
- Gross profit up 4%

Finance, insurance and warranty



- Income up 5%

Wholesale accessories



- External Revenue up 3%
- Gross profit down 6%

2

Financial
results

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2. Profit and Loss

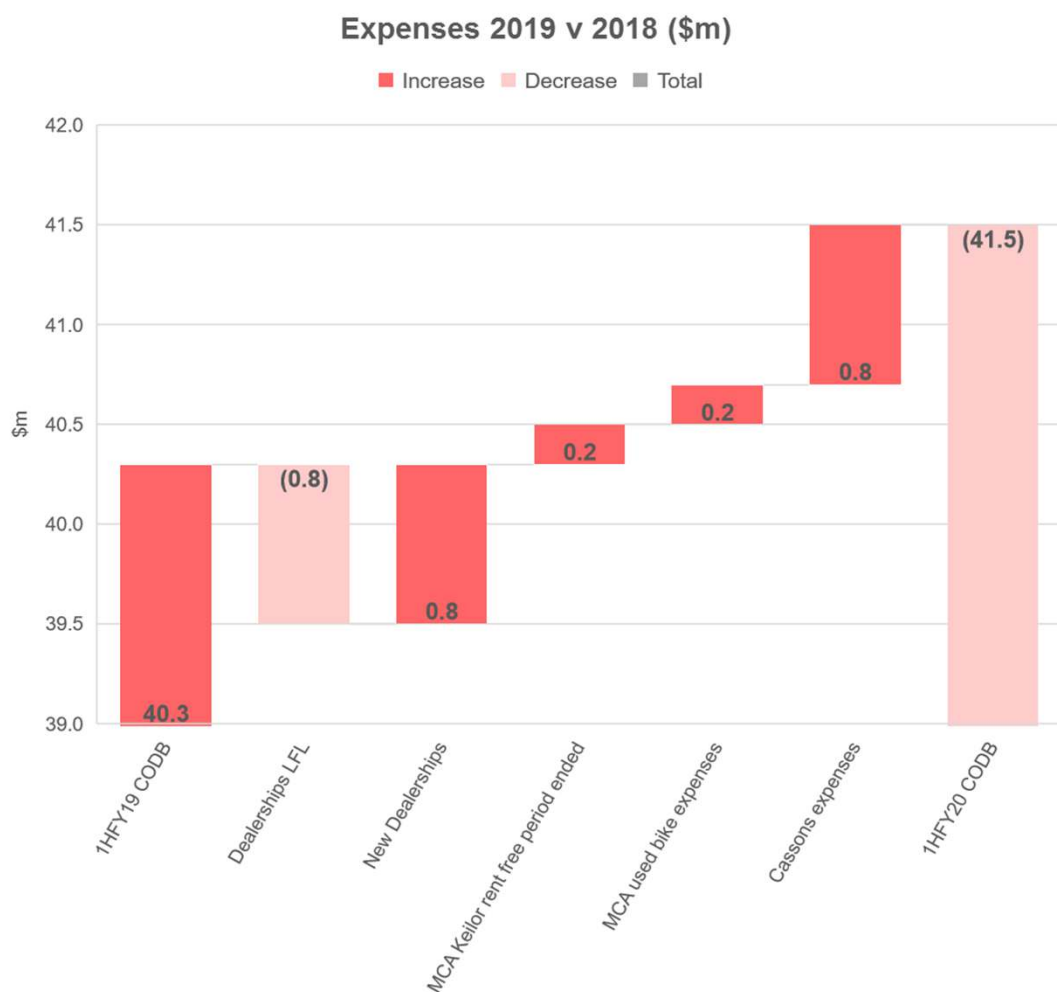
\$ Million	1H FY 20	1H FY 19	% Change
Sales	178.2	172.8	3.1%
Cost of sales	(126.8)	(122.2)	3.8%
Gross Profit	51.4	50.7	1.4%
Gross Profit margin	28.8%	29.3%	
CODB	(36.6)	(40.3)	
EBITDA	14.8	10.4	
Lease and rental payments	(5.3)		
Acquisition expenses	0.4	0.0	
Underlying EBITDA	9.9	10.4	(4.8%)
Underlying EBITDA margin	5.6%	6.0%	
Net Profit after tax	4.8	5.2	(7.7%)
Net Operating Cash Flow	8.9*	11.6	

*For comparison, excluding the changes due to AASB 16, Net operating cash flow would have been \$4.3

Summary

- Total sales of \$178.2 million, up 3.1%
- Gross profit margin of 28.8%
- Underlying EBITDA of \$9.9 million, down 4.8%
- Net operating cash flow decrease due to inventory growth

2. Expenses



Notes

- Cost saving exercise in existing dealerships delivered \$800k savings, offset by 2 additional dealerships for 2 months
- Keilor MCA store was in initial rent free period in 2018
- MCA used bike expenses relate to adding used bike sales staff
- Cassons strategic investment in people, marketing and freight subsidies to underwrite future sales growth

2. Balance sheet & dividends

\$ Million	1H FY20	1H FY 19
Cash and Cash Equivalents	9.6	5.1
Trade and Other Receivables	7.8	7.0
Inventories	91.3	83.8
Plant and Equipment	11.6	11.9
Lease right of use asset	31.8	
Goodwill and Intangibles	120.1	120.7
Investments	3.6	3.9
Other Assets	1.7	3.4
Total Assets	277.5	235.7
Trade and Other Payables	12.3	9.8
Borrowings	77.2	78.8
Lease liability	34.5	
Provisions	14.8	14.6
Deferred Tax Liabilities	0.0	0.0
Total Liabilities	138.8	103.1
Net Assets	138.7	132.6

Capital

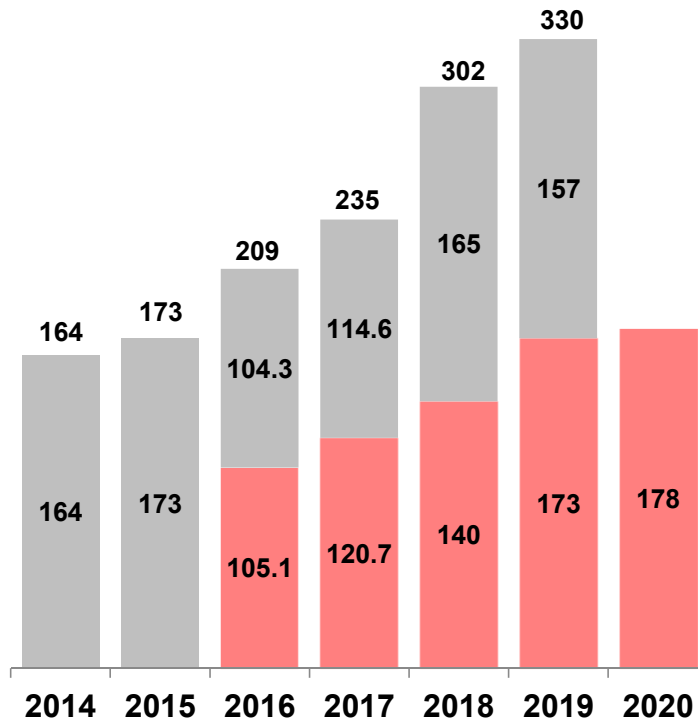
- Cash at bank \$9.6 million
- CBA Facility renewed until Jan 2023 on similar conditions
- Maintaining existing debt covenants
- Increase in Trade and Other Payables due to new dealerships
- Inventory increase of \$7.5 million due to new stores and increased used bike stock.

Dividends

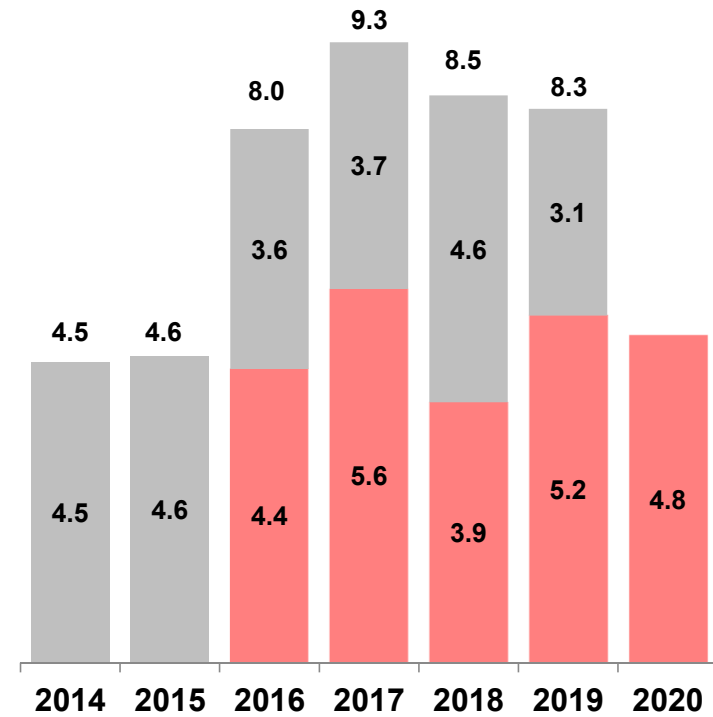
- No interim dividend declared to retain cash for future growth opportunities

2. Revenue and NPAT

Revenue up 3% (\$M)



NPAT down 5% (\$M)



■ First Half
 ■ Second Half

AASB 16 Leases

1

Modified Retrospective approach adopted, which does not restate comparative information.

2

New balance sheet items recognised for

- Lease right of use asset \$31.8M
- Lease liabilities (\$34.5M)

At transition on 1/7/19 the difference was recorded as a reduction to Retained Earnings of \$1.4M, a Deferred Tax Asset of \$0.6M and balance sheet reversal of lease liabilities under the previous method of \$0.7M

3

The profit effect of the new approach is:

- Right of use interest and depreciation \$5.2M
- Actual lease payments made \$5.3M
- Finance costs in P&L includes \$0.6M of Right of use interest

3

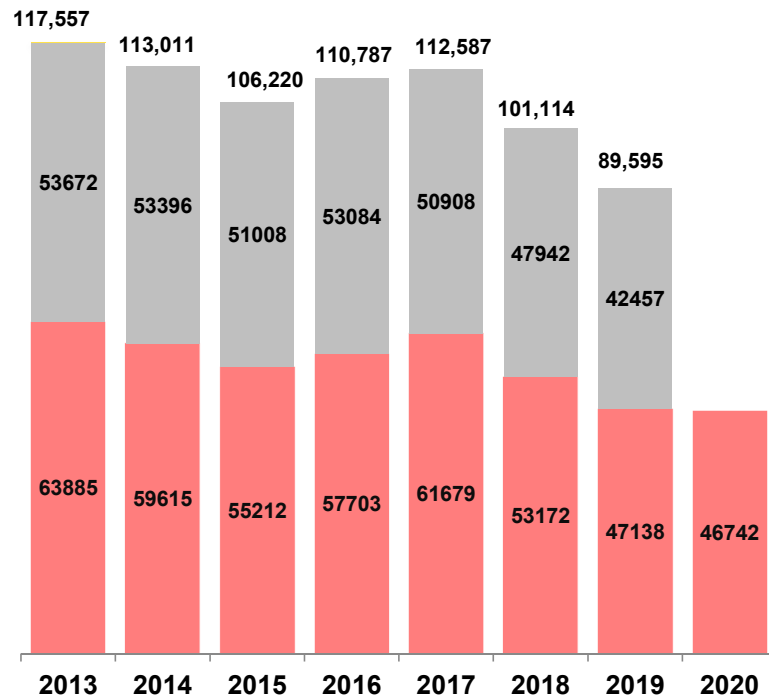
Trading
Conditions

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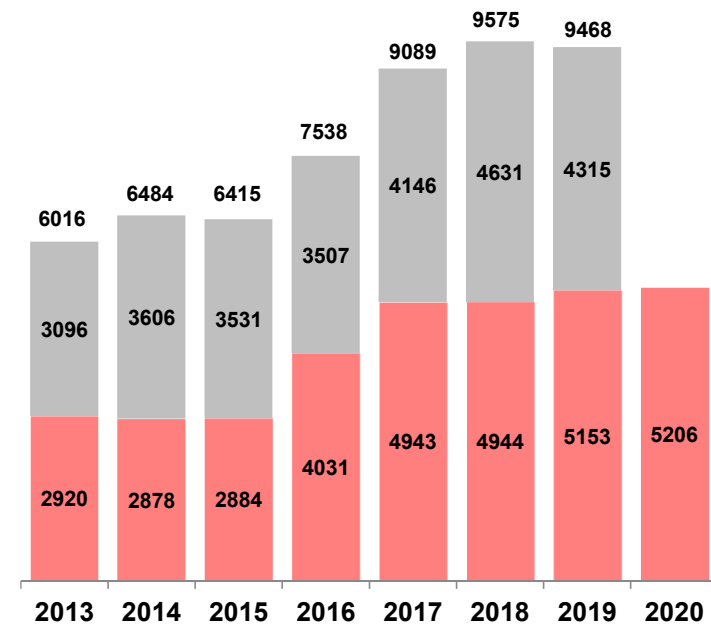


3. New motorcycle unit sales steady

Industry new motorcycle sales down 0.8%



MTO new motorcycle sales up 1.0%

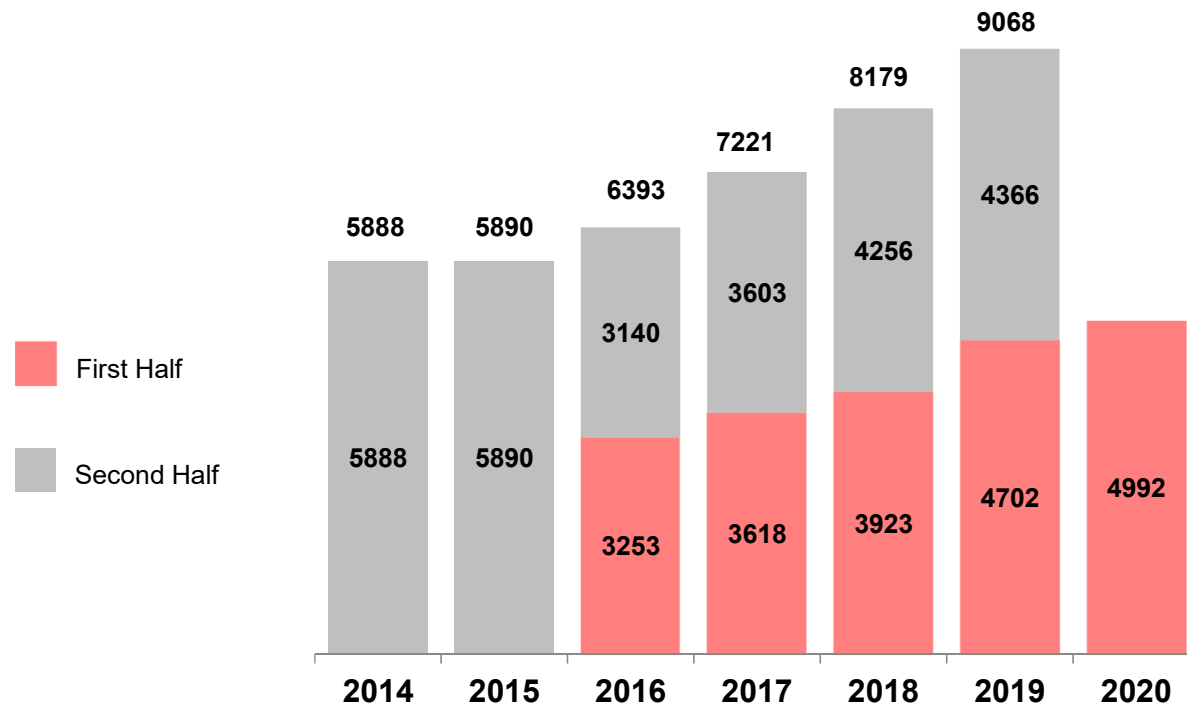


■ First Half ■ Second Half

*New motorcycle sales includes registered and un-registered

3. Used motorcycle unit sales rise in flat market

Used motorcycle unit sales up 6.2%



4

Operational
review

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4. Retail

- 1 | Completed acquisition of Canberra Motorcycles and Brunswick Harley Davidson – both are outperforming expectations
- 2 | Continued to grow used motorcycle sales across all brands, including Harley Davidson
- 3 | Achieved used motorcycle volume growth through full contribution from five MCA stores, with an additional 1 expected to start trading by end of financial year
- 4 | Increased competition and subdued bike sales market conditions have impacted retail accessories sales
- 5 | MCA stores transitioning towards a traditional dealership, through broadened product offering to include new and used bikes and finance
- 6 | Dealership cost savings program implemented – like for like costs down \$800,000

4. Wholesale

1

Cassons sales up 4.3%

2

Gross margin reduced due to aggressive pricing and clearing of aged stock

3

Increased investment in marketing, freight subsidies and people to drive growth and establish a stronger platform for the future

4

Improved stock planning and warehouse management

4. Finance JV – MCF



1

Small profit forecast for FY20 and increasing in subsequent years

2

Strong operational platform and funding lines in place

5

FY 2020
Focus

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5. FY2020 Focus

1

Improve the current network

- Improving productivity, cost reductions and increasing profitability of dealerships and retail stores
- Continue to grow used motorcycle sales through existing dealerships
- Maintain revenue growth and improve margins in wholesale business

2

Grow

- Identify new sites for MCA stores and further develop existing retail stores
- Increase motorcycle sales through MCA stores
- Potential dealership acquisition opportunities will be assessed to determine quality and value
- Continue to grow Motorcycle Finance JV to further diversify revenue streams

5. External factors

1

Coronavirus

- Minimal delay on Cassons shipments from China - situation is being monitored and length of delay subject to change
- Impacts can include delay of wholesale inventory from Chinese factories, or disruption of supply in other countries that use Chinese components

2

AUD changes

- In the Wholesale CGU, the weak AUD v USD may require price increases if current rate does not improve – more than 50% of purchases in USD
- All purchases in Retail CGU are in AUD – bikes, parts, accessories

5. Indian Motorcycles

1

Indian was America's first motorcycle company and remains a strong, iconic brand

2

MTO to be appointed as dealers in 6 of our existing sites in Brisbane, Gold Coast, Sydney and Melbourne

3

Replacing 3 factory owned dealerships, which will be closed

4

Expected growth in sales and gross margin in these dealerships will improve profitability

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Thank you

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