

28 May 2020

Expected non-cash impairment charge and update on response to Coronavirus (COVID-19) global pandemic

Motorcycle Holdings Limited (ASX:MTO) ('the Company') provides an update to shareholders on the trading and financial position of the Company as a result of the continuing impact of the global COVID-19 pandemic.

After first experiencing an impact in March, the Company had reduced turnover in April and as a result, the Company qualified for the JobKeeper program.

While only part way through the month, May trading has improved as restrictions are progressively relaxed and employees whose work hours were reduced are progressively being increased to pre-COVID-19 levels. Rent relief tied to turnover is expected to be minimal in May.

Executive and senior management compensation including the CEO, David Ahmet, the CFO, Bob Donovan, and the non-executive Directors, will return to previous levels from the second half of May.

Liquidity remains sound, with the cash position continuing to improve during the crisis as stock levels are managed, staff and lease expenses are reduced, and all non-essential spending cancelled.

There remains considerable uncertainty around the recovery phase after the pandemic, and the timeframe over which it will occur. As the recovery may take some time, the Company expects to recognise an impairment charge in the range of \$22m to \$28m in its full year accounts for the year ended 30 June 2020 relating to the carrying value of the wholesale segment's intangible assets, principally goodwill. The final amount is subject to audit.

Any impairment will be non-cash in nature and will have no impact on the Company's debt facilities or compliance with banking covenants. The Company intends adding the impairment back for the purposes of calculating underlying EBITDA.

Given subdued trading and slower stock turnover, the Company has decided to book a one-off negative adjustment to stock of \$600,000. The Company has been working diligently to reduce stock at both Cassons and our dealerships and is making good progress in relation to this. Given the uncertain nature of future trading, an increased provision is considered appropriate. The previous provision is still considered adequate for the trading conditions pre-pandemic.

The Company's bank, the Commonwealth Bank, continues to be supportive in this uncertain environment.

The Company intends to provide a further update as trading patterns become more stable after restrictions ease further.

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

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For further information please contact:

Mr David Ahmet, Managing Director
MotorCycle Holdings Limited
Phone: 0403 333 048