

MotorCycle Holdings Limited

Interim Results

December 2020



Disclaimer and important information

- ▶ 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.
- ▶ Neither the company nor any of its Directors or any other party associated with the preparation of this Presentation guarantee that any specific objective of the company will be achieved or that any particular performance of the company or of its shares will be achieved.
- ▶ The information in this presentation does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this presentation constitutes investment, legal, tax or other advice.
- ▶ This presentation includes non-IFRS information such as Underlying EBITDA which MTO 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.

Contents

1> Summary highlights

2> Financial results

3> Operational performance

4> Focus & Outlook



1>

Summary highlights

MotorCycle
Holdings



Growth strategy delivering sustainable results

1>

- ▶ Growth strategy of additional and new product ranges without increasing cost base is delivering sustainable growth and profit

2>

- ▶ Strong result underpinned by permanent operational improvements implemented across the group over the past 18 months

3>

- ▶ Significant reduction in overheads and disciplined approach to expenses contributing to increased margin growth

4>

- ▶ Two acquisitions in late 2019 contributing for the half

5>

- ▶ Motorcycle Holdings continues to outperform the market which is also experiencing significant growth

Financial highlights

1>

- ▶ Revenue increased 23% to \$218.4 million

2>

- ▶ NPAT increased 258% to \$17.2 million

3>

- ▶ Gross profit margin of 29.6%

4>

- ▶ Debt reduced to zero, and \$7.4 million cash in bank

5>

- ▶ Interim dividend of 10 cents per share declared

6>

- ▶ Underlying EBITDA of \$26.8 million, up 168%

Operational highlights

1>

- ▶ Demand remains strong in all areas of the business

2>

- ▶ Used bike stock supply tight resulting in significantly improved margins

3>

- ▶ Harley-Davidson dealerships performing above expectations

4>

- ▶ Indian Motorcycles and Polaris added to existing stores contributing strongly

5>

- ▶ Improved exchange rate will benefit wholesale accessories

6>

- ▶ Investment in improving online sales platform and digital marketing helping to deliver 75% increase in online sales

2>

Financial results

MotorCycle
Holdings



Profit results

	1H FY 21 (\$m)	1H FY 20 (\$m)	Change (%)
Revenue excluding JobKeeper payment	218.4	178.2	22.6%
Cost of sales	(153.7)	(126.8)	21.2%
Gross Profit excluding JobKeeper payment	64.7	51.4	25.9%
Gross Profit Margin (%)	29.6%	28.8%	2.8%
JobKeeper Payment	5.8	-	
Gross Profit including JobKeeper payment	70.5	51.4	37.2%
Employee benefits expense	(29.6)	(27.1)	9.2%
Occupancy expense	(1.3)	(1.3)	-
Other expenses	(7.2)	(7.3)	(1.4%)
Bailment interest	(0.1)	(0.5)	(80.0%)
Depreciation and interest on ROU assets	(5.5)	(5.2)	5.8%
Operating expenses	(43.7)	(41.4)	5.6%
Underlying EBITDA	26.8	10.0	168.0%
Underlying EBITDA Margin (%)	12.3%	5.6%	119.6%
Acquisition expenses	-	(0.4)	(100.0%)
Depreciation and amortisation	(1.9)	(1.9)	0.0%
Net bank interest	(0.4)	(0.8)	(50.0%)
Net Profit before tax before impairment	24.5	6.9	255.1%
Income tax expense	(7.3)	(2.1)	247.6%
Net Profit after Tax	17.2	4.8	258.3%

Summary

- Total sales of \$218.4 million, up 22.6%
- Gross profit margin of 29.6%
- Underlying EBITDA of \$26.8 million, up 168%

Balance sheet & dividends

\$ Million	1H FY21	1H FY20
Cash and Cash Equivalents	7.4	9.6
Trade and Other Receivables	8.8	7.8
Inventories	71.5	91.3
Plant and Equipment	11.7	11.6
Lease right of use assets	37.7	31.8
Goodwill and Intangibles	93.5	120.1
Investments	3.9	3.6
Other Assets	2.3	1.7
Total Assets	236.8	277.5
Trade and Other Payables	18.4	12.3
Borrowings	18.9	77.2
Lease liabilities	40.0	34.5
Provisions	14.6	14.8
Tax Liabilities	5.9	-
Total Liabilities	97.8	138.8
Net Assets	139.0	138.7

Capital

- Cash at bank \$7.4 million
- CBA facility reduced to \$20 million, undrawn

Inventory

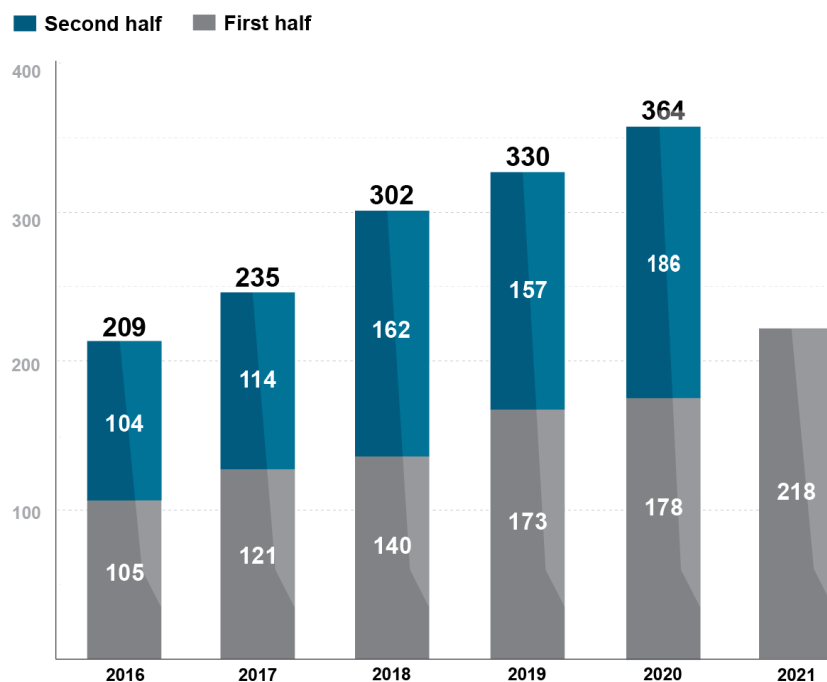
- Supply is above last year levels, but not up to demand
- Expected to return to normal levels by the end of the year

Dividends

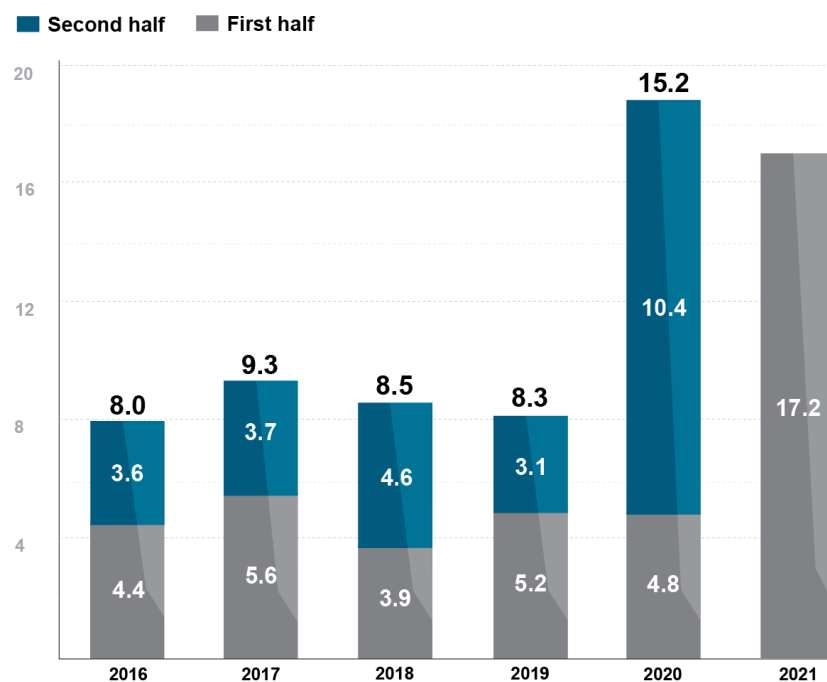
- 10 cents fully franked interim dividend declared

Strong revenue and NPAT results

Revenue up 23% (\$M)



NPAT up 258% (\$M)





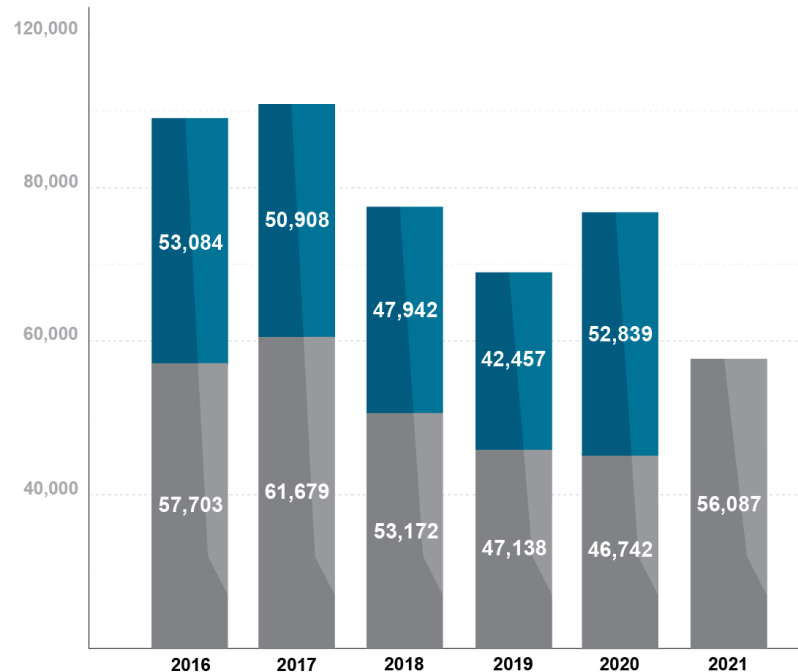
**Operational
performance**



New bike unit sales outperform market

Industry new motorcycle sales up 20%

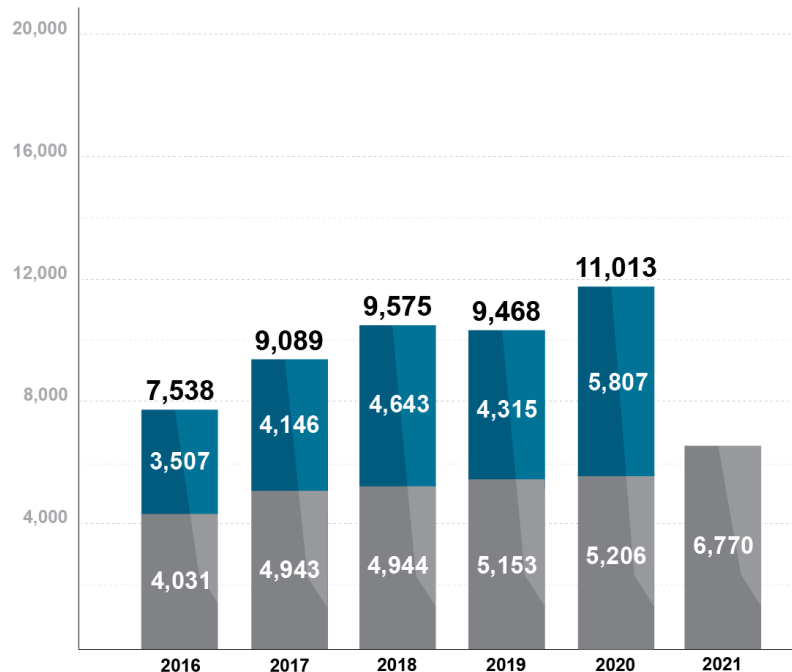
■ Second half ■ First half



*New motorcycle sales includes registered and un-registered

MTO new motorcycle sales up 30%

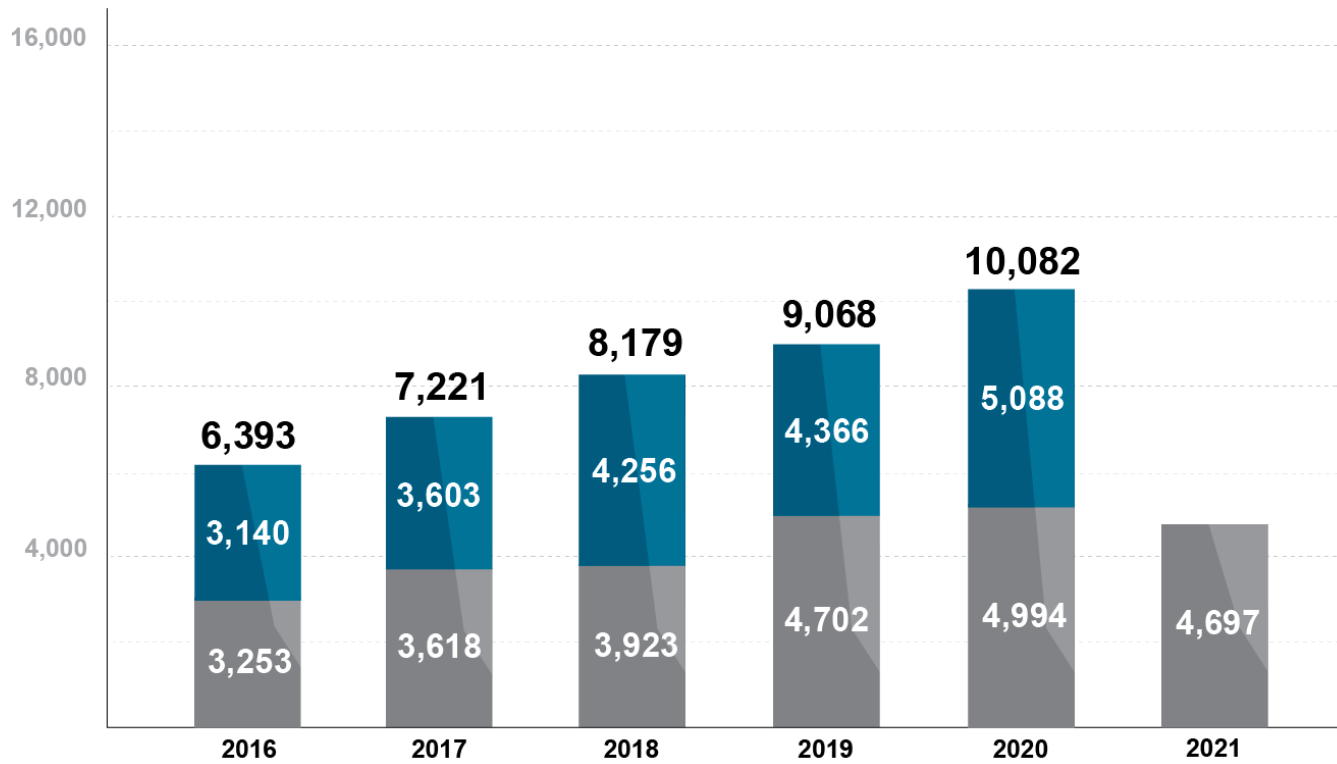
■ Second half ■ First half



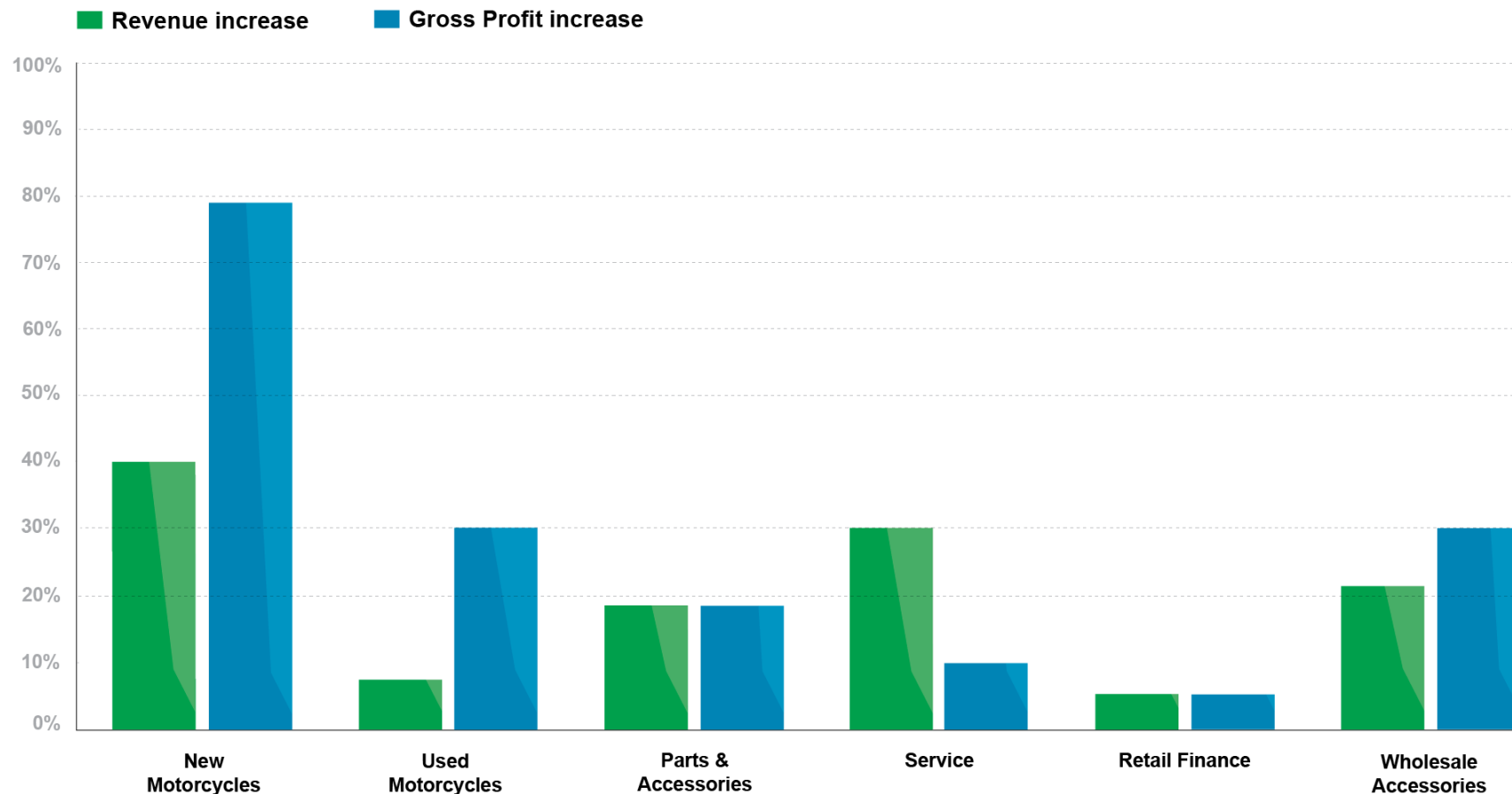
Used bike gross profit up 30%

Used motorcycle unit sales down 6%: Gross profit up 30%

■ Second half ■ First half



Diversified revenue drivers underpin profit growth



Retail

1>

- ▶ New bike industry supply increased 20% for the half, however this was insufficient to meet demand resulting in increased gross margins

2>

- ▶ New bike unit sales increased 30% due to improved market
- ▶ Addition of Indian, Polaris and other brands to existing sites and full six month contribution from dealerships acquired in 2019

3>

- ▶ Used bike sales decreased 6% due to stock levels, but gross profit increased 30% due to high demand

4>

- ▶ Harley-Davidson dealerships continue to produce strong profit results with increased sales and ongoing growth

5>

- ▶ Online accessory sales increased 75%, with major projects underway to improve e-commerce systems to deliver further growth

Wholesale

1>

- ▶ Sales increased 23% and gross profit increased 30%

2>

- ▶ Margins expected to increase as benefits of lower USD are realised

3>

- ▶ Stock supply has been subdued but is gradually improving

4>

- ▶ Demand expected to remain high in second half

5>

- ▶ Ongoing long-term disciplined approach to cost management with reduced operating expenses supporting strong result and sustainable growth

Wholesale finance JV - MCF

1>

- ▶ \$410,000 NPAT for the half - expected to increase as portfolio matures

2>

- ▶ Special provision for COVID-19 losses is in place, but not been required to date

3>

- ▶ Losses peaked in April last year and have trended down

4>

- ▶ Debt collections improved and conservative lending assisting with low loss ratio

5>

- ▶ Reduced cost of funds underpinning strong margins

4>

Focus & Outlook

MotorCycle
Holdings



FY2021 focus

1>

- ▶ Maintain current strong margins and tight control of overheads

2>

- ▶ Improve operational performance of new dealerships and showrooms

3>

- ▶ Continue to broaden product offering in both retail and wholesale network in second half with GASGAS Motorcycles to be added to two locations and Husqvarna Mowers and Power Equipment added to Ipswich

4>

- ▶ Strategic approach to potential dealership acquisition opportunities in 2021

5>

- ▶ Upgrade IT systems for online sales, B2B ordering and CRM

Strategic outlook

1>

- ▶ Increased market demand & trading conditions remain strong & consistent despite COVID-19 challenges and stock supply delays

2>

- ▶ Supply of new bikes and accessories expected to improve in second half
- ▶ Tight supply of used bikes expected to continue, with current demand and margin levels to remain for some time

3>

- ▶ Heightened sales demand momentum is expected to continue with industry sales still below 2016 and 2017 levels

4>

- ▶ Second half results expected to reflect traditionally lower trading levels than first half

5>

- ▶ Future dividend payments expected to return to policy of 50% to 70% of NPAT

MotorCycle Holdings Limited

Thank you

