

# ASX Announcement

## (ASX: MTO)



27 February 2023

## MOTORCYCLE HOLDINGS DELIVERS A STRONG HALF YEAR RESULT IN A CHALLENGING ENVIRONMENT

### KEY HIGHLIGHTS INCLUDED:

- Revenue increased 17% to \$277.5 million (1H22 \$237 million) on a reported basis with contribution from recent acquisitions and 1% on a like for like (LFL\*) basis.
- Gross profit increased 13% to \$75.2 million (1H22 \$66.6 million).
- Gross margin at 27% (1H22 28%) despite increasingly volatile macro-economic environment.
- Underlying EBITDA decreased 9% to \$18.1 million (1H22 \$19.8 million).
- Net profit after tax decreased 17% to \$10.5 million (1H22 \$12.6 million).
- Successful acquisition of the Mojo Group which has performed ahead of expectations.
- Interim dividend of 8 cents per share, fully franked.

The table below summarises the financial results for the six months ended 31 December 2022 (1H23) and the corresponding six months ended 31 December 2021 (1H22).

Overview of Results (\$'000)	31 December 22	31 December 21	Reported Change %	Like for like (LFL*)
Total income	277,511	236,986	17%	1%
<b>Gross profit</b>	<b>75,190</b>	<b>66,582</b>	<b>13%</b>	-
Gross profit margin (%)	27%	28%	(4%)	-
<b>Underlying EBITDA</b>	<b>18,039</b>	<b>19,800</b>	<b>(9%)</b>	(30%)
Underlying EBITDA margin (%)	6.5%	8.4%		
Acquisition expenses	(964)	(86)		
Depreciation and amortisation	(1,554)	(1,855)	(16%)	(21%)
Net bank interest	(675)	(56)	1,105%	
<b>Net profit before tax</b>	<b>14,846</b>	<b>17,803</b>	<b>(17%)</b>	<b>(35%)</b>
<b>Net profit after tax</b>	<b>10,466</b>	<b>12,558</b>	<b>(17%)</b>	

\*Like for Like numbers exclude recent acquisitions: Mojo Group, TeamMoto Townsville, Forbes and Davies NZ and TeamMoto Wide Bay from current and PCP figures.

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Through disciplined execution of our growth strategy, we have delivered strong results, despite the prevailing macro-economic headwinds including rising interest rates and higher cost-of-living pressures which have started to dampen consumer spending.

Compared to the 25% industry decline in new motorcycle sales over the half, based on Federal Chamber of Automotive Industries (FCAI) industry data, MotorCycle Holdings again outperformed the industry.

The strong topline performance was underpinned by the contribution of the Group's recent acquisitions including the Mojo Group.

The increase in revenue did not translate to an increase at underlying EBITDA or NPAT levels due to a number of key factors including:

- The acquisition of the Mojo Group led to increased business costs due to the larger scale of the business
- Investment to support future growth including a \$3.4 million increase in employee costs.
- Higher freight and transport costs, up \$0.5 million as a result of supply chain disruptions.
- A unrealised foreign exchange hedging loss of \$0.9 million, given the current volatile foreign exchange environment.
- Acquisition-related expenses of approximately \$1 million.
- Increased interest charges of approximately \$0.6 million including an increase related to funding for the Mojo Group acquisition.

Commenting on the first-half performance, Group Managing Director and Chief Executive Officer David Ahmet said:

*"We delivered a creditable result for the first half of the year, despite the challenging macro-economic environment.*

*While the industry reported a significant contraction (according to Federal Chamber of Automotive Industries data), the Group maintained organic sales against strong prior half comparables.*

*The successful execution of our strategic growth initiatives, and a disciplined pricing strategy, supply chain and inventory management, were central to the result.*

*While business improvements were made during the half, these were offset by increases to the cost of doing business including wages, and transport and logistics costs. Cost control will be a focus for the second half.*

*The result highlights the strength of our operating model, and our geographic and brand diversity, which is expected to support the business should market conditions deteriorate further.*

*The acquisition of the Mojo Group was a major milestone in the development and diversification of MotorCycle Holdings. We are pleased with the performance and successful integration of the business, which is performing better than expectations.*

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*It provides significant growth opportunities via an increased geographic footprint, and introduction, importation and distribution of new motorcycle, ATV and scooter brands (including electric models). It also diversifies the company away from discretionary spending into the agricultural sector.*

*Despite the current economic challenges, the Group has continued to invest for future growth including our people and digital capability, our dealer network, and our warehouse and supply chain management systems.*

*We are confident that the business improvements and capabilities we are investing in will strengthen our competitive position and generate long-term value for shareholders.”*

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## 1H23 RESULTS OVERVIEW

The following table summarises the topline trading performance by division.

Revenue result by division (\$'000)	31 December 22	31 December 21	Change %	Like for like (LFL) Change (%)
New vehicles	97,987	97,356	1%	(4%)
New Vehicles Wholesale	25,682			
Used vehicles	68,714	60,842	13%	10%
Parts and accessories - retail	43,949	38,339	15%	11%
Parts and accessories - wholesale (external)	23,353	22,825	2%	(21%)
Service	8,308	7,780	7%	-
Finance and insurance Income	8,075	7,255	11%	9%
Other	917	1,965	(53%)	(46%)
Income from equity accounted investees	526	624	(16%)	(16%)
<b>Total income</b>	<b>277,511</b>	<b>236,986</b>	<b>17%</b>	<b>1%</b>

Throughout the pandemic, motorcycles have been in high demand and there have been ongoing supply chain challenges.

Despite a resilient performance during 1H23, signs of softening demand have emerged due to the prevailing macro-economic conditions.

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Key department highlights included:

- New retail motorcycle sales increased 1% to \$98.0 million by value and declined 8% on volume, supported by recent acquisitions. (LFL new motorcycle sales decreased by 4% to \$93.4 million by value and decreased 12% by volume).
- National market declined 25% in sales volume for the six months based on FCAI reported data (the national road bike market, which is a key market for the Group, was only down 10%).
- The Group continued to increase its market share with a national share of approximately 13.9%.
- Achieved wholesale motorcycle sales of \$25.7 million.
- Used motorcycle sales increased 13% to \$68.7 million and increased 2% on volume.
- Retail accessories and parts revenue increased 15% to \$43.9 million.
- Wholesale accessory external sales increased 3% to \$23.4 million benefitting strongly from the Group's recent acquisition strategy (LFL sales decreased by 21%. This is similar to the industry new motorcycle volume decrease).
- Servicing and repair revenue increased 6% to \$8.3 million.
- The retail finance, insurance and mechanical protection plan income increased 11% to \$8.1 million.
- The Finance joint venture delivered NPAT of \$526,000 — representing a 16% decrease. The decline in NPAT was related to increased cost of funds, which placed pressure on margins.

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## 1H23 OPERATIONAL REVIEW

A key feature of 1H23 was the integration of the Group's latest acquisitions including the Mojo Group and TeamMoto Townsville which contributed to the last two months of the period.

The Mojo Group imports and distributes motorcycles, scooters, ATVs, electric motorcycles and genuine spare parts and accessories in Australia and New Zealand through a network of 150 dealers.

The company has a purpose-built, 5,000sqm distribution centre in Altona North and a 2,000sqm facility in Yatala on the Gold Coast which gives it total warehousing capacity of 2,500 vehicles.

The acquisition also provides diversification opportunities, including motorcycle importing and distribution, and gives increased exposure to the scooter, ATV and electric motorcycle segments.

During the half, there was also an ongoing focus on operating efficiencies and technology improvements.

The Group is working to improve the way it engages with its customers and is continuing to invest in enhancing its digital capabilities, including its website. This will support customer lead generation and help ensure the ongoing strength of our order book.

We also focused on recruiting new talent to support our growth strategy during the half.

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## OUTLOOK

MotorCycle Holdings is preparing for more challenging macro-economic conditions, with rising interest rates and cost-of-living pressures expected to further impact demand.

The Group will continue to focus on cost control, including reducing store costs across the network while maximising Cost of Goods efficiencies.

While the focus will be on business improvement and cost control, it is expected that the increased cost of doing business will remain a feature of the current half due to inflationary pressures.

In FY23, Forbes and Davies and Wide Bay Motorcycles will contribute their first full year of earnings to the Group. We will also see an increased contribution from our acquisitions of the Mojo Group and TeamMoto Townsville in the second half.

Our growth strategy, which includes growing our geographic footprint and greater product diversification, is expected to help insulate the Group from any further deterioration of the macro-economic environment.

The Group continues to explore other motorcycle franchise acquisition opportunities to increase our market share and geographic coverage in Australia.

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## HALF YEAR RESULTS PRESENTATION

MotorCycle Holdings invites investors to participate, via teleconference, in a half year results presentation by Managing Director David Ahmet and Chief Financial Officer Bob Donovan at 10.30 AM AEST on 28<sup>th</sup> February 2023, after which they will take questions on the results.

Full details of the teleconference are below:

<b>Date</b>	28 Feb 2023
<b>Time</b>	10.30am AEDT
<b>Dial in details</b>	Investors can register for the call at <a href="https://register.vevent.com/register/Ble2ce519c7478448988c757a235eb155d">https://register.vevent.com/register/Ble2ce519c7478448988c757a235eb155d</a>  Dial in and instruction will be in the confirmation email participant will receive upon registering.

The presentation is available for download from the ASX announcements platform and the company's website [www.mcholdings.com.au](http://www.mcholdings.com.au)

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

For further information please contact:

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