



## **Results for Announcement to the Market**

### **Motorcycle Holdings Limited ("Company")**

**ABN 29 150 386 995**

### **APPENDIX 4E PRELIMINARY FINAL REPORT *for the year ended 30 June 2016***

## 1 Details of the reporting period

**Current Period:** 1 July 2015 – 30 June 2016

**Previous Corresponding Period (pcp):** 1 July 2014 – 30 June 2015

### Results for announcement to the market

Comparison to previous corresponding period		Increase/Decrease	Change %	To A\$'000
1.1	Revenue from ordinary operations	Increase	21.4%	209,289
1.2	Statutory profit from ordinary activities after tax attributable to members <sup>1</sup>	Increase	49.0%	5,571
1.3	Net profit attributable to members	Increase	49.0%	5,571

<sup>1</sup> In FY16, one off costs associated with the IPO and capital restructure were incurred. Excluding the impact of these one off costs, profit from ordinary activities after tax attributed to members was up 74% to \$8 million. Appendix one contains a reconciliation of pro forma to preliminary statutory results

## 1.4 Final dividend

No dividend will be paid for the period to June 2016.

## 1.5 Results Overview

**Table 1: Pro forma profit results**

	2013	2014	2015	2016 Prospectus forecast	2016	2016 vs 2015 (%)
Motorcycle sales (units)	11351	12370	12303	13434	13931	13
Revenue (\$M)*	148.6	163.6	173.3	196.9	209.3	21
EBITDA (\$M)	6.4	7.5	7.8	11.3	12.8	64
EBITDA margin (%)*	4.3	4.6	4.5	5.7	6.1	36
NPAT (\$M)	3.7	4.5	4.6	6.9	8.0	74

These pro forma results for historical periods and profit forecasts for 2016 were prepared as part of the Initial Public Offering (IPO) and listing of the company on the Australian Securities Exchange in April 2016. Adjustments were made to statutory results to reflect the revised capital structure of the company after listing, and after excluding certain non-recurring costs such as IPO expenses.

\* Prospectus revenue numbers were restated in an ASX announcement released on 4 August 2016, and prior historical numbers have been restated in this table.

In its maiden financial results as a listed company, MotorCycle Holdings Limited (ASX:MTO) has recorded a pro-forma net profit of \$8.0 million for the 12 months to June 2016, up 74% from the 2015 pro-forma profit of \$4.6 million.

Profits for the year to June 2016 were substantially higher than the forecasts included in prospectus for the initial public offering (IPO) of the Company, completed in April 2016.

The strong profit result was driven by solid growth in motorcycle sales, which increased by 13% to 13,931 units for the year, exceeding the prospectus forecast by almost 500 units.

New motorcycle sales increased 17.5% to 7538 units, which was well above market growth of approximately 1.8%. Used motorcycle sales grew by 8.5% to 6393 units, which again exceeded market growth, estimated to be about 1.4% in our main market in Queensland.

Revenue for the year totaled \$209.3 million, which was up 21% from \$173.3 million in 2015, and well above the revised pro forma prospectus forecast of \$196.9 million.

The better than expected sales were due to a number of factors, including:

- benign weather conditions in the first three months of the year, which were favourable to motorcycle sales;
- increased focus on used motorcycle sales across the Company's 24 dealerships;
- and in particular, a strong performance by two new dealerships in Canberra and Campbelltown acquired in the second half of FY2015. These two dealerships together increased sales by \$26.6 million in 2016, while organic growth at our pre-existing 22 dealerships delivered \$9.4 million in increased sales.

After operating costs of \$196.5 million, which exceeded prospectus forecasts due to higher sales and stock turnover, earnings before interest and tax (EBITDA) was \$12.8 million, which was up 64% from 2015, and equivalent to a healthy EBITDA margin of 6.1%.

After tax of \$3.6 million, the bottom line result was a profit of \$8 million.

### Outlook

The outlook for the business remains positive, with clear opportunity for MotorCycle Holdings to generate continued growth both organically and through acquisition.

The motorcycle market in Australia is growing slowly but steadily, and the Company sees potential to grow market share. MotorCycle Holdings did not make any acquisitions in the year to June 2016, but

Management remains confident that opportunities will be identified in the current year that meet strict acquisition criteria. The Company recently acquired two new franchises in Queensland, being MV Agusta and Royal Enfield, which are growing boutique brands with incremental sales potential.

As was explained in the prospectus for the float, the Company elected not to pay a dividend in 2016, due to the short period between the completion of the offer and the end of the financial year.

However, assuming business conditions remain favourable, and subject to internal targets being achieved, the Company expects to pay a dividend for the period to December 2016, which would be payable in April 2017.

**Table 2: Pro forma Results for the 12 months to June 2016**

\$m	Notes	Pro forma historical			Pro forma forecast <sup>1</sup>	Pro forma actual
		FY13	FY14	FY15	FY16	FY16
Revenue	2	148.6	163.6	173.3	196.9	209.3
Materials purchased and change in inventories		(109.5)	(120.4)	(128.4)	(144.9)	(154.8)
Employee benefits expense		(22.3)	(25.0)	(26.0)	(29.0)	(29.6)
Occupancy expenses		(3.9)	(4.5)	(4.6)	(5.1)	(5.2)
Other expenses	3	(6.0)	(5.8)	(6.0)	(6.0)	(6.5)
Bailment interest	4	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)
Operating expenses		(142.2)	(156.1)	(165.5)	(185.6)	(196.5)
EBITDA		6.4	7.5	7.8	11.3	12.8
EBITDA margins	2	4.3%	4.6%	4.5%	5.7%	6.1%
Depreciation and amortisation		(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
EBIT		5.8	6.9	7.1	10.5	12.0
Net interest (excluding bailment finance facilities)		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Profit Before Tax		5.4	6.5	6.6	10.1	11.6
Tax expense	5	(1.7)	(2.0)	(2.1)	(3.1)	(3.6)
Net Profit After Tax		3.7	4.5	4.6	6.9	8.0

These pro forma results for historical periods and profit forecasts for 2016 were prepared as part of the Initial Public Offering (IPO) and listing of the company on the Australian Securities Exchange in April 2016.

Notes:

1. The pro forma consolidated statement of profit or loss for FY16 is reconciled to the statutory forecast consolidated statement of profit or loss for FY16 in Appendix One on page 12
2. Revenue represents the sales and income from the Company's five business streams: new motorcycle sales, used motorcycle sales, finance, insurance and warranty income, parts and accessories sales and service and repair sales. Prospectus revenue numbers were restated in an ASX announcement released on 4 August 2016.
3. Other expenses notably include motor vehicle fleet and distribution costs and marketing expenses.
4. The Company includes the accrued interest cost associated with its bailment finance facilities within EBITDA as it is considered an integral operating cost of the Company doing business
5. Tax expense reflects the assumption of an effective corporate tax rate of 31.0% applied to the pro forma profit before tax

**Table 3: Pro forma operational and financial metrics**

\$m	Pro forma historical			Pro forma forecast	Actual pro forma
	FY13	FY14	FY15	FY16	FY16
Number of dealership locations at period end	22	22	24	24	24
Number of new motorcycles sold	6,016	6,482	6,413	7,331	7,538
New motorcycles sold growth %	n/a	7.7	(1.1)	14.3	15.3
Number of used motorcycles sold	5,335	5,888	5,890	6,103	6,393
Used motorcycles sold growth %	n/a	10.4	0.0	3.6	8.2
Revenue growth %	n/a	10.1	5.9	13.6	20.8
EBITDA margin %	4.3	4.6	4.5	5.7	6.1
EBIT margin %	3.9	4.2	4.1	5.3	5.7

## 2 Statutory Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the Year Ended 30 June 2016 *(This statement is based on accounts which are in the process of being audited)*

	Consolidated	
	30.06.2016	30.06.2015
	\$'000	\$'000
Revenue	209,289	172,342
Raw materials and inventories	(154,808)	(127,351)
Employee benefits expense	(29,598)	(24,170)
Finance costs	(2,232)	(2,926)
Depreciation and amortisation expense	(823)	(722)
Other Expenses	(13,981)	(11,750)
<b>Profit before income tax</b>	<b>7,847</b>	<b>5,423</b>
Income tax expense	(2,276)	(1,686)
<b>Profit after income tax expense</b>	<b>5,571</b>	<b>3,737</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
<b>Total comprehensive income</b>	<b>5,571</b>	<b>3,737</b>
<b>Profit for the year is attributable to:</b>		
Owners of MotorCycle Holdings Limited	5,571	3,737
	<b>5,571</b>	<b>3,737</b>
<b>Total comprehensive income for the year is attributable to:</b>		
Owners of MotorCycle Holdings Limited	5,571	3,737
	<b>5,571</b>	<b>3,737</b>
<b>Earnings per share:</b>		
Basic earnings per share (cents)	18.7 <sup>1</sup>	13.5 <sup>1</sup>
Diluted earnings per share (cents)	18.7	13.5
Proforma earnings per share (cents) <sup>2</sup>	21.1	n/a

<sup>1</sup> Earnings per share calculation is based on the weighted average number of shares (2016: 29,787,076; 2015: 27,754,269) issued to shareholders of MotorCycle Holdings Limited.

<sup>2</sup> Proforma earnings calculation is based on the actual number of shares post listing. (2016: 37,950,000)

**3 Consolidated Statement of Financial Position****As at 30 June 2016** *(This statement is based on accounts which are in the process of being audited)*

	<b>Consolidated</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4,226	1,930
Trade and other receivables	1,541	2,324
Inventories	37,036	34,826
Current tax receivables	-	5
Other	4	3
<b>Current assets</b>	<b>42,807</b>	<b>39,088</b>
Property, plant and equipment	7,004	7,266
Deferred tax assets	2,562	1,906
Goodwill	25,904	25,904
Other	56	57
<b>Non-current assets</b>	<b>35,526</b>	<b>35,133</b>
<b>Total assets</b>	<b>78,333</b>	<b>74,221</b>
Trade and other payables	6,740	15,823
Short term borrowings	19,243	18,000
Current tax liabilities	784	-
Provisions	3,644	3,169
<b>Current liabilities</b>	<b>30,411</b>	<b>36,992</b>
Borrowings	11,000	10,357
Redeemable preference shares	-	13,941
Deferred tax liabilities	1,168	1,114
Provisions	559	631
<b>Non-current Liabilities</b>	<b>12,727</b>	<b>26,043</b>
<b>Total liabilities</b>	<b>43,138</b>	<b>63,035</b>
<b>Net assets</b>	<b>35,195</b>	<b>11,186</b>
Contributed equity	29,635	11,198
Retained earnings	5,560	(11)
<b>Equity attributable to the owners of MotorCycle Holdings Limited</b>	<b>35,195</b>	<b>11,186</b>
<b>Total equity</b>	<b>35,195</b>	<b>11,186</b>

#### 4 Consolidated Statement of Changes in Equity

**For the Year Ended 30 June 2016** *(This statement is based on accounts which are in the process of being audited)*

	Contributed equity	Retained earnings	Total
	\$'000	\$'000	\$'000
<b>Balance at 30 June 2014</b>	<b>11,148</b>	<b>(3,748)</b>	<b>7,400</b>
Profit for the year	-	3,737	3,737
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,737</b>	<b>3,737</b>
<b>Transaction with owners in their capacity as owners:</b>			
Issue of shares	50	-	50
Dividends paid	-	-	-
<b>Balance at 30 June 2015</b>	<b>11,198</b>	<b>(11)</b>	<b>11,187</b>
Profit for the year	-	5,571	5,571
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,571</b>	<b>5,571</b>
<b>Transaction with owners in their capacity as owners:</b>			
Issue of shares	20,132	-	20,132
IPO costs capitalized (net of tax)	(1,695)	-	(1,695)
Dividends paid	-	-	-
<b>Balance at 30 June 2016</b>	<b>29,635</b>	<b>5,560</b>	<b>35,195</b>



## 5 Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016 *(This statement is based on accounts which are in the process of being audited)*

	<b>Consolidated</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	230,989	202,897
Payments to suppliers and employees (inclusive of GST)	(218,401)	(194,127)
Interest and other costs of finance paid	(2,233)	(4,425)
Income tax paid	(2,086)	(2,343)
Interest received	10	23
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,279</b>	<b>2,025</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for acquisition of businesses	-	(3,737)
Purchase of property, plant and equipment	(604)	(1,431)
Proceeds from sale of property, plant, and equipment	43	19
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(561)</b>	<b>(5,149)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	20,132	50
Costs of issue of ordinary shares	(1,695)	
IPO costs (inclusive of GST) not capitalised	(2,444)	
Repayment of shareholder loans	(8,117)	
Proceeds from borrowings	643	2,900
Repayment of redeemable preference shares	(13,941)	-
<b>CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>(5,422)</b>	<b>2,950</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>2,296</b>	<b>(174)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,930</b>	<b>2,104</b>
<b>CASH AT YEAR END</b>	<b>4,226</b>	<b>1,930</b>

## 6 Dividend Payment Information

As detailed in the prospectus, due to the short time between listing and the 30 June 2016, no dividend will be paid for the current period. It is the intention of the Board to pay dividends of between 50% and 70% of net profit after tax for each half year of 2017 in April and October 2018.

## 7 Dividend/distribution reinvestment plan

The Board has not adopted a Dividend Re-investment Plan (DRP)

## 8 Net tangible assets per ordinary share

	30 Jun 2016	30 Jun 2015
	Cents	Cents
Net tangible assets per ordinary share	21	N/A

## 9 Details of entities over which control has been gained or lost during the period

The Company was incorporated on 12 April 2011, and converted to a public company on 16 March 2016.

The Company only acts as a holding company of the Motorcycle Holdings group. The operating business companies are Motorcycle Holdings Operations Pty Ltd and its wholly owned subsidiaries.

## 10 Details of associates and joint venture entities

N/A

## 11 Other significant information

### Intercompany sales and revenue restatement

In the course of preparing its FY16 financial accounts the Company has, with its auditor, identified certain revenue and operating expense items relating to sales between the Company's operating divisions that should have been eliminated in preparing its accounts historically, but were not. The Company has undertaken the necessary eliminations in its FY16 accounts and, in order to allow for a proper prior year comparison, the relevant items for FY15 also have been restated.

The change above has no impact on the Company's operating cash flows, EBIT, EBITDA or NPAT, but does result in a slight improvement to the Company's reported EBIT margin and EBITDA margin. The change effectively reduces both revenue and certain components of operating expenses (relating to cost of goods sold) by a corresponding amount. For FY15 the impact is a reduction in revenue and operating expense of approximately \$12.4m and for FY16 the same impact is approximately \$15.9m.

Other than the matters noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

There are no other significant events or information not otherwise disclosed in these reports needed by an investor to make an informed assessment of the entity's financial performance and financial position.

## 12 Accountings standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4E.

## 13 Review of operations

In addition to the Explanation of Results set out in section 2.5 above, the Company provides the following information:

MotorCycle Holdings Limited completed its initial public offering (IPO) and subsequent listing on the Australian Securities Exchange in April, 2016. The IPO successfully raised gross proceeds of A\$46,259,950, through the issue of 10,065,769 new shares and sale of 13,064,206 existing shares at a price of A\$2.00 per share. The stock started trading at \$2.50 on April 29, 2016, and has since climbed steadily, reaching a peak of \$3.85 on August 18.

A portion of the capital raised through the IPO was used to strengthen the Company's financial position, refinance debt facilities and repay various loans. The float also allowed the Company's formerly largest shareholder, the Archer Growth Fund, to realise some of the value of its investment, reducing its interest in the Company from 61% to approximately 10%. Approximately 1,500 new investors also were introduced as shareholders.

## 14 Auditing Status

This report is based on accounts which are in the process of being audited.

## 15 Audit disputes or qualifications

This report is based on accounts which are in the process of being audited.

## Appendix One

Reconciliation of pro forma profit to statutory results. The table below sets out the adjustments made to the statutory historical and forecast consolidated statements of profit or loss and other comprehensive income to arrive at the pro forma results.

\$m	Notes	Historical			Forecast	Actual
		FY13	FY14	FY15	FY16	FY16
<b>Statutory revenue</b>		<b>148.6</b>	<b>163.6</b>	<b>172.3</b>	<b>196.9</b>	<b>209.3</b>
Pro forma adjustments						
Reclassification	1	1.0	0.9	1.0	-	-
<b>Pro forma revenue</b>		<b>149.6</b>	<b>164.6</b>	<b>173.3</b>	<b>196.9</b>	<b>209.3</b>
<b>Statutory EBITDA</b>		<b>7.1</b>	<b>8.3</b>	<b>8.5</b>	<b>8.6</b>	<b>10.4</b>
Pro forma adjustments						
Listed public company costs	2	(0.7)	(0.7)	(0.7)	(0.4)	(0.4)
Offer and other business transaction costs	3	-	-	-	3.1	2.8
<b>Pro forma EBITDA</b>		<b>6.4</b>	<b>7.5</b>	<b>7.8</b>	<b>11.3</b>	<b>12.8</b>
<b>Statutory NPAT</b>		<b>2.8</b>	<b>3.6</b>	<b>3.7</b>	<b>4.2</b>	<b>5.6</b>
Pro forma adjustments						
Listed public company costs	2	(0.7)	(0.7)	(0.7)	(0.4)	(0.4)
Offer and other business transaction costs	3	-	-	-	3.1	2.8
Change in capital structure	4	1.9	2.2	2.0	1.3	1.3
Tax effect of adjustments and effective tax rate	5	(0.2)	(0.5)	(0.4)	(1.2)	(1.3)
<b>Pro forma NPAT</b>		<b>3.7</b>	<b>4.5</b>	<b>4.6</b>	<b>6.9</b>	<b>8.0</b>

Notes:

1. Manufacturer marketing and non-volume performance incentive income has historically been presented net of operating expenses.
2. The listed public company costs represent the anticipated incremental costs that the Company will incur as a listed public company. These incremental costs include Directors' remuneration, adjustments to executive management STI, listing and registry fees and audit fees.
3. Offer and business transaction costs reflect the amount recorded in the FY16 statutory consolidated statement of profit or loss. These costs represent an allocation of Offer transaction costs associated with the listing and sale of the shares by the Selling Shareholders. Additional non-recurring business transactions costs have also been recorded in the FY16 statutory forecast consolidated statement of profit or loss.
4. The change in capital structure adjusts the net interest expense reported in the statutory historical and forecast consolidated statements of profit or loss to reflect the New Banking Facilities and indebtedness of the Company from the date of the Offer in the pro forma historical and forecast consolidated statements of profit or loss. The redeemable preference shares, part of the existing capital structure, were redeemed prior to the Offer from the Company's finance facilities and with proceeds from the Offer.
5. The tax effect of adjustments and effective tax rate reflects the net tax effect of the pro forma adjustments as well as adjusting the historical tax expense to reflect the Company's anticipated effective tax rate as a listed public company of 31.0%.

For further information, please refer to the Prospectus for the IPO that was lodged with the ASX.