

# MOTORCYCLE HOLDINGS



Financial Results June 2016

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# Disclaimer

## Disclaimer and Important Information



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# Results Highlights



- 1** Highly successful IPO completed April 2016
- 2** Financial Results for 12 months to June exceeded prospectus forecasts
- 3** Strong growth in motorcycle sales achieved
- 4** Newly acquired dealerships generating strong revenues
- 5** Continued growth planned via acquisition and existing network
- 6** Outlook continues to be favourable

# Market leader in motorcycle retailing



1

Australia's largest motorcycle dealership operator with 27 year history, 34 franchises across 24 dealerships

2

Proven business model with strong OEM relationships and diversified revenue streams

3

Substantial growth opportunities through organic initiatives and acquisitions

4

Experienced senior management led by CEO and 22% shareholder David Ahmet.

5

Consistent earnings growth, operating cash flow and conservative gearing

6

Centralised business process with head office driving dealership performance



**David Foster**

Chairman

- Highly experienced finance executive and company director. Former CEO Suncorp Bank
- Joined MTO board in April 2016



**David Ahmet**

Founder, CEO and Managing Director

- 27 years' experience in motorcycle dealerships
- Founded company in 1989 with one dealership
- Largest shareholder with 22%



**Bob Donovan**

Chief Financial Officer

- Joined MTO in 2002 . CFO since 2010
- Formerly Financial Controller for motor vehicle dealership group, Leo Muller Group for 15 years

# Highly successful IPO completed April 2016



- 23.1 million shares sold at \$2 per share to raise \$46.2 million

- 1500 shareholders. Institutions holding approximately 40%

- CEO holding 22%. Other Directors and Management ~ 9%

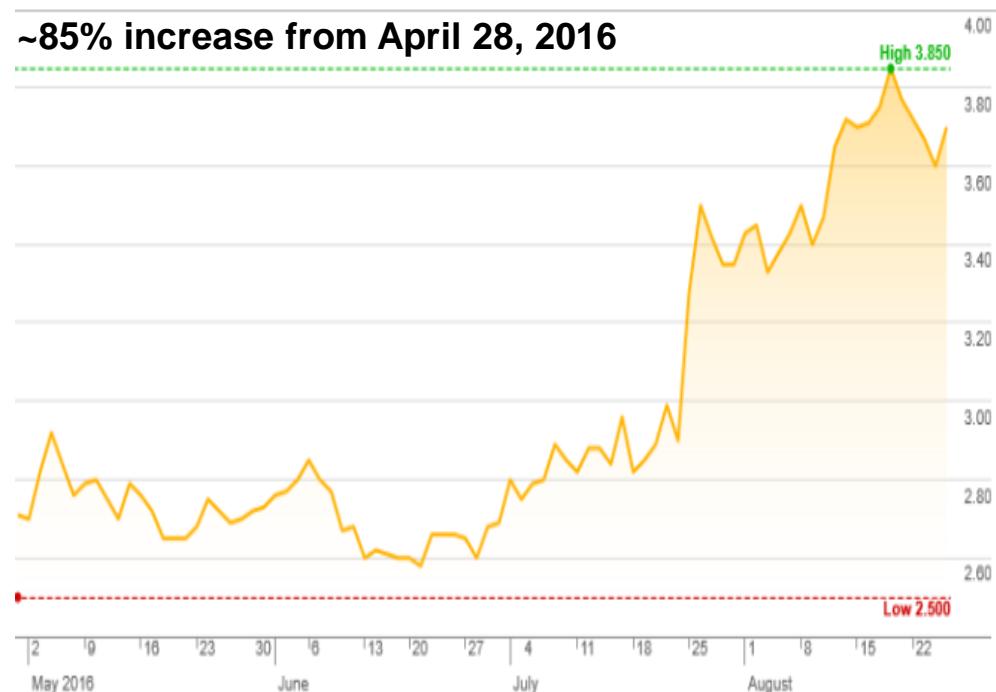
- Archer Growth Fund holding reduced from 61% to 10%. Shares escrowed

- 10.1 million new shares issued. Funds raised used to repay debt and s/h loans

- Trading commenced April 29 at \$2.50 per share. Peak of \$3.85 on Aug 16, 2016. Market cap ~\$150 million

## MTO share price performance from listing

~85% increase from April 28, 2016

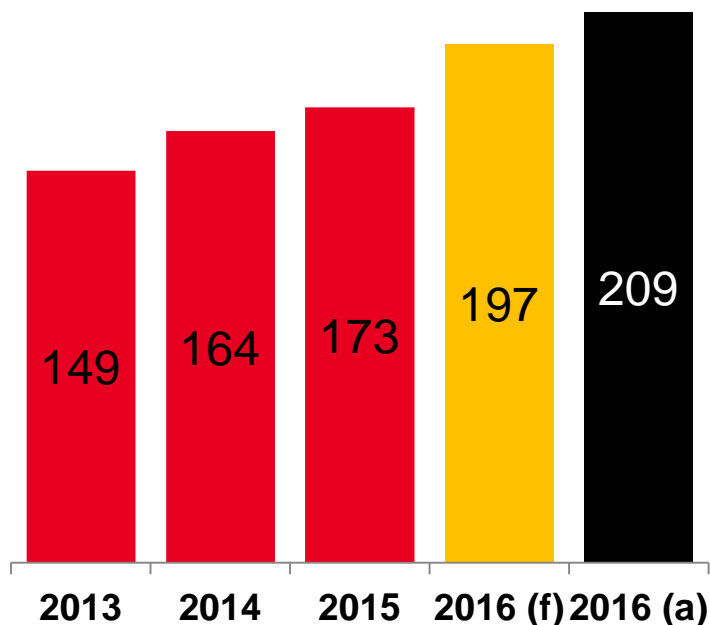


# Results exceed prospectus forecasts

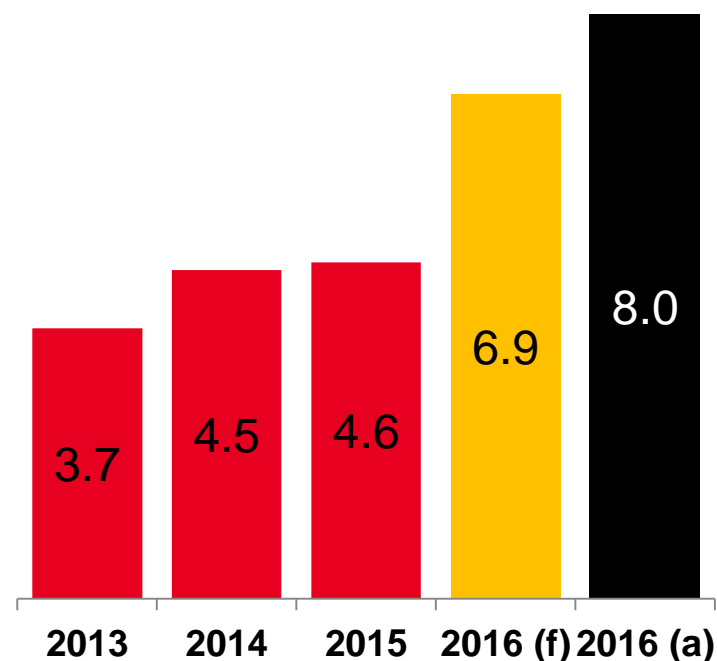


(Pro forma, \$million)\*

## Group Revenue



## Group NPAT

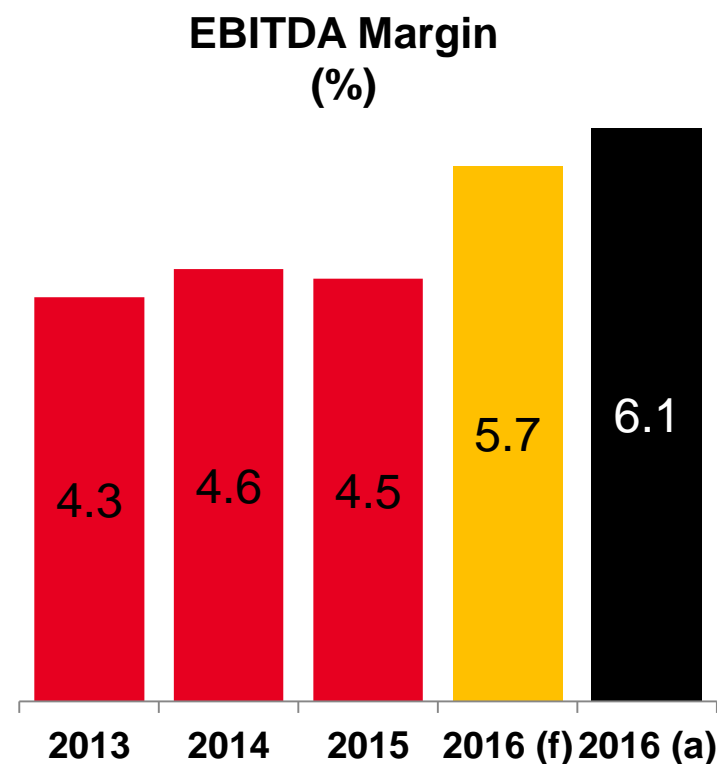
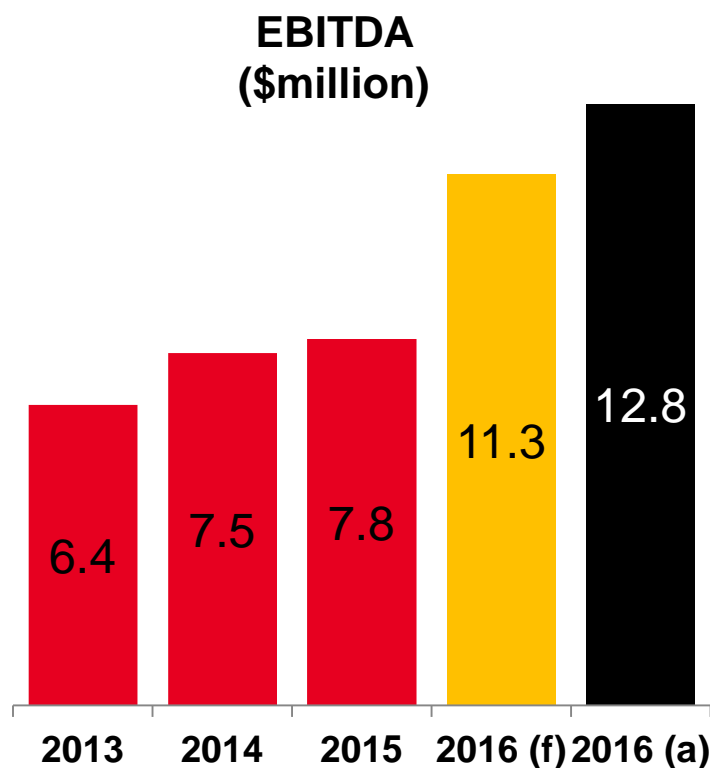


\*Prospectus numbers restated as per ASX announcement of August 4, 2016

# Results exceed prospectus forecasts



(Proforma)\*



\*Prospectus numbers restated as per ASX announcement of August 4, 2016

# Results exceed pro-forma forecast



## Profit and loss (\$m) <sup>6</sup>

\$m	Notes	Pro forma historical <sup>1</sup>			Pro forma forecast <sup>2</sup>	Pro forma actual
		FY13	FY14	FY15	FY16	FY16
<b>Revenue</b>	2	<b>148.6</b>	<b>163.6</b>	<b>173.3</b>	<b>196.9</b>	<b>209.3</b>
Materials purchased and change in inventories		(109.5)	(120.4)	(128.4)	(144.98)	(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)
<b>Operating expenses</b>		<b>(142.2)</b>	<b>(156.1)</b>	<b>(165.5)</b>	<b>(185.6)</b>	<b>(196.5)</b>
<b>EBITDA</b>		<b>6.4</b>	<b>7.5</b>	<b>7.8</b>	<b>11.3</b>	<b>12.8</b>
<b>EBITDA margins</b>		<b>4.3%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>5.7%</b>	<b>6.1%</b>
Depreciation and amortisation		(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
<b>EBIT</b>		<b>5.8</b>	<b>6.9</b>	<b>7.1</b>	<b>10.5</b>	<b>12.0</b>
Net interest (excluding bailment finance facilities)		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Profit Before Tax</b>		<b>5.4</b>	<b>6.5</b>	<b>6.6</b>	<b>10.1</b>	<b>11.6</b>
Tax expense	5	(1.7)	(2.0)	(2.1)	(3.1)	(3.6)
<b>Net Profit After Tax</b>		<b>3.7</b>	<b>4.5</b>	<b>4.6</b>	<b>6.9</b>	<b>8.0</b>

### 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 the 4E results released to the ASX on August 31, 2016
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.
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
6. Prospectus numbers restated as per ASX announcement of August 4, 2016

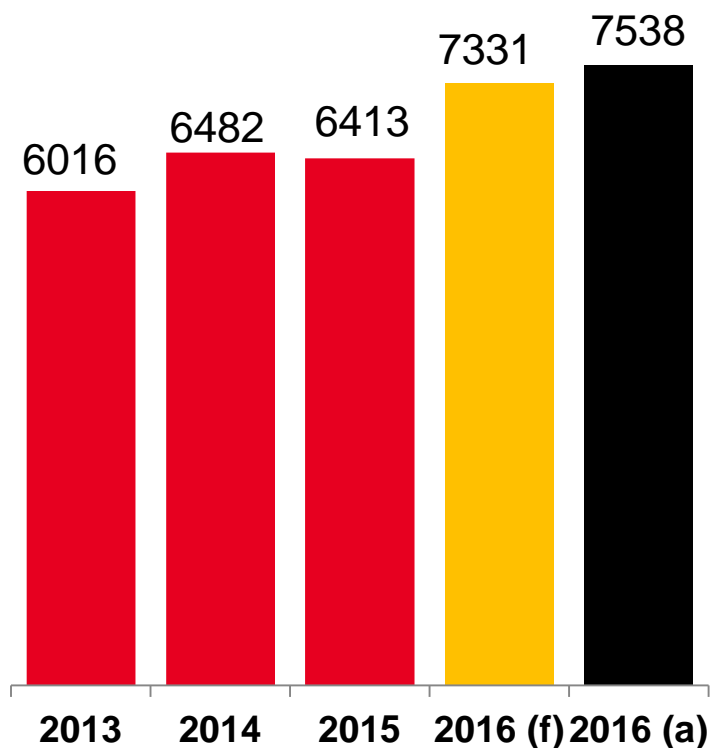


# Sales exceed prospectus forecasts

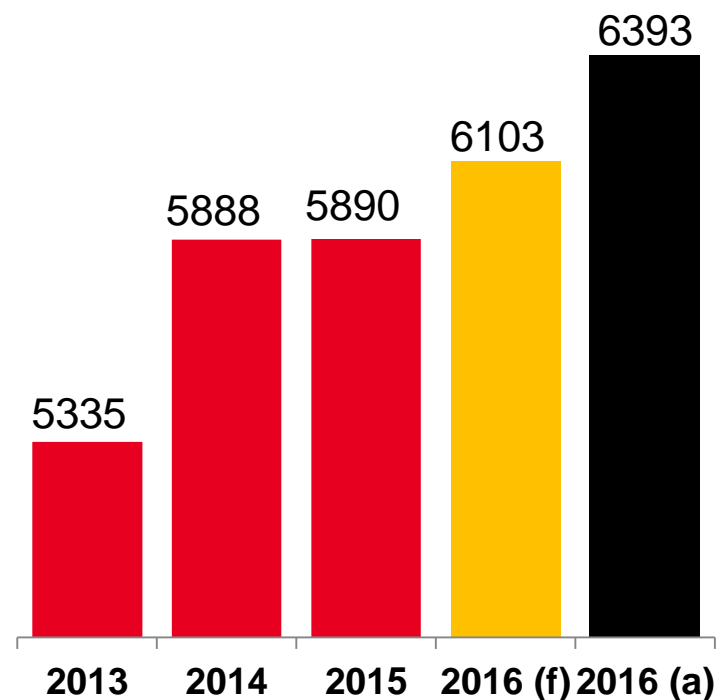


(Unit sales)

## New Motorcycles



## Used Motorcycles



# MotorCycle Holdings divisions



## Accessories and parts



- Motorcycle accessories sold within dealerships include helmets, boots, gloves, jackets and tyres.
- Parts are typically sourced from motorcycle manufacturers and are also retailed at the dealerships
- This business grew profit by 23% in total, including 5.6% organically during the year, despite increasing competition from on-line retailers. Our accessory super store at Springwood in Brisbane achieved particularly strong sales growth, demonstrating many consumers prefer to shop in person.
- Online presence being upgraded to maximise sales opportunities.

## Servicing and repair



- Customers return to the dealership for servicing of the motorcycle as part of a new and extended warranty, used motorcycle warranty or general service and maintenance
- MCH operates its own centrally located repair business, Advanced Motorcycle Spraypainting and Decals, which undertakes repair work for major insurers and consumers
- The performance of the Service Departments improved significantly during the year, due to strengthened management and greater responsiveness. On a like for like basis the Service Departments improved gross profit by 9.7% and, including new dealerships, the increase was 23%.

## Finance, insurance and warranty

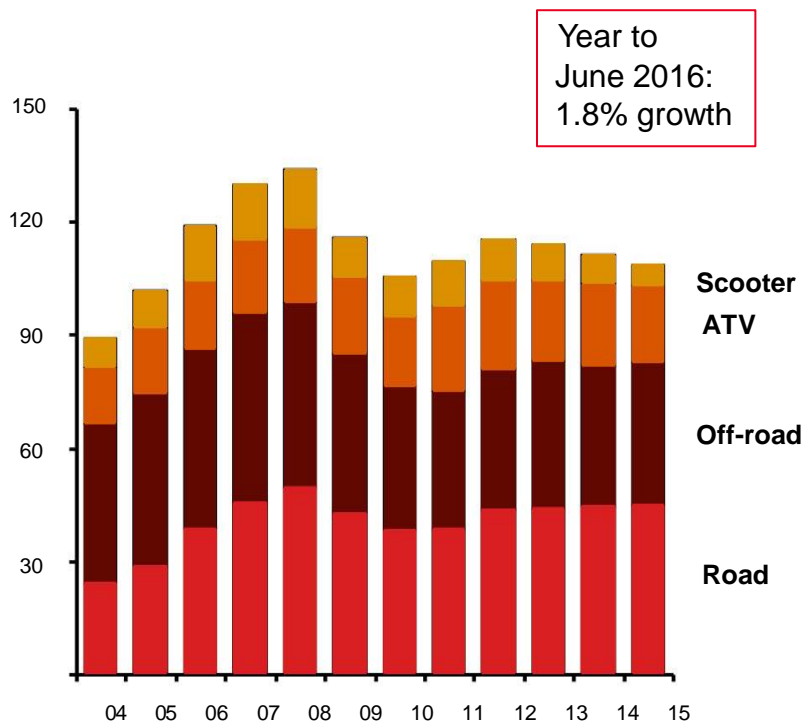


- MCH offers a range of finance and insurance products within each dealership
- Extended warranties on new motorcycles or warranties for used motorcycles are also offered
- Finance and insurance commissions lifted by 23% for the year, again driven by improved recruitment and training, as well as the contribution from new dealerships, which responded rapidly to new management initiatives.

# Motorcycle Sales

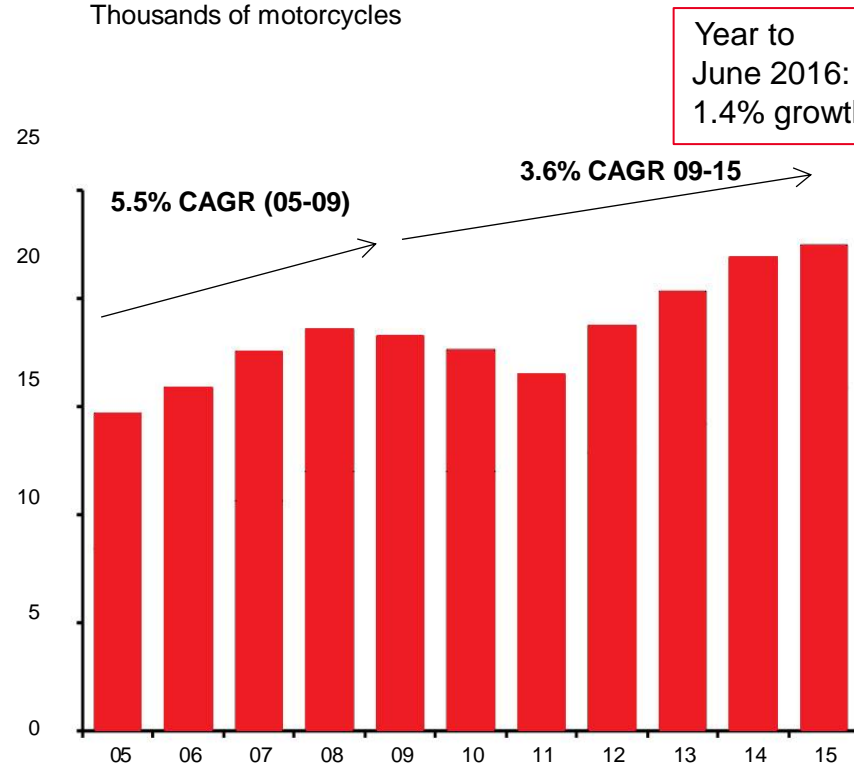
## New motorcycle sales by type (2004-15)\*

Thousands of motorcycles



## QLD used motorcycle sales (2005-15)\*

Thousands of motorcycles



\*Note – New motorcycle sales includes registered and un-registered

\*Note – QLD used motorcycles registered

# Effective business model

## ✓ Diversified revenue streams

- New motorcycles
- Used motorcycles
- Accessories and parts
- Servicing and repair
- Finance, insurance and warranty

## ✓ Centralised management structure drives performance

- Marketing, purchasing, product sourcing, training, finance and insurance, information technology and administration all undertaken centrally
- Sales staff incentivised by commissions

## ✓ Strong relationships with OEMs

- Sells motorcycles manufactured by 8 of the top 10 selling motorcycle manufacturers in Australia which in 2015 represented 84% of new motorcycle volume (the top 10 selling motorcycle manufacturers represented 91% of new motorcycle volume)

## ✓ Scale

- Improved supplier terms and operational performance

### DEALERSHIP OPERATORS BY NUMBER OF LOCATIONS



- Outlook remains positive
- Motorcycle market to maintain modest growth rates
- Opportunities for MTO to grow through acquisition and organically
- Maiden dividend to be paid for the December half, subject to market and trading conditions

