

ASX ANNOUNCEMENT

(ASX: MTO)



27 February 2024

MTO 1H24: MODEST REVENUE GROWTH AND MARKET SHARE GAINS IN CHALLENGING MARKET

MotorCycle Holdings Limited (ASX:MTO) (MTO, the Company) today announced its financial result for the half-year ended 31 December 2023. The Company delivered a result in line with earlier guidance¹, despite the impacts of increases in cost of living and interest rates on discretionary spending, particularly in November and December.

Key Points

- Revenue increased 6% to \$293.4 million (1H23: \$276.3 million) on a reported basis with contribution from recent acquisitions and a decrease of 7% on a like for like (LFL²) basis.
- Gross profit increased 2% to \$76.4 million (1H23: \$75.2 million).
- Gross margin reduced to 25.9% (1H23: 27.1%).
- Underlying EBITDA decreased 12% to \$21.8 million (1H23: \$24.8 million).
- Net profit after tax decreased 37% to \$6.6 million (1H23: \$10.5 million).
- Interim dividend of 3 cents per share, fully franked.

Managing Director David Ahmet said: "I am pleased to report revenue growth and market share gains in a subdued market, which demonstrates the strength of our business model and the successful integration of Mojo Group.

"The overall business performed broadly in line with budget in the first four months of the reporting period, before increases in cost of living and interest rates weakened demand through November and December.

"Motorcycle sales in the Mojo business performed in line with acquisition forecasts, although ATV sales have been significantly affected by the impacts of rising interest rates and predicted El Niño weather conditions in the agricultural industry.

"We also continue to concentrate on opportunities to diversify our business and capture incremental performance improvements across the network," Mr Ahmet said.

Dividend and Capital Position

The Board has declared an interim dividend of 3 cents per share, fully franked (1H23: 8 cents).

Cash at hand as at 31 December 2023 was \$6.6 million with net bank debt of \$43.4 million.

¹ Underlying EBITDA guidance of \$14 to \$16 million for the interim period announced to ASX on 21 December 2023 included ~\$7.6 million of interest on lease liabilities and depreciation of right-of-use assets.

² LFL figures exclude from 1H23 and 1H22: TeamMoto Townsville, TeamMoto CFMOTO Springwood, and Mojo Group.

Financial Result Summary

The table below summarises the financial results for the 6 months ending 31 December 2023 (1H24) and the corresponding 6 months ending 31 December 2022 (1H23).

Overview of Results (\$'000)	1H24	1H23	Reported Change %	Like-for-like (LFL ¹) Change %
Total income	294,562	277,511	6%	(7%)
Gross profit	76,360	75,191	2%	(11%)
Gross profit margin (%)	25.9%	27.1%	(4%)	(5%)
Underlying EBITDA	21,827	24,793	(12%)	(30%)
Underlying EBITDA margin (%)	7.4%	8.9%	(17%)	(25%)
Depreciation and amortisation	(9,409)	(7,262)	30%	9%
Net bank interest	(1,455)	(675)	116%	(22%)
Net profit before tax	9,586	14,846	(35%)	(55%)
Net profit after tax	6,585	10,466	(37%)	

¹ LFL figures exclude from 1H23 and 1H22: TeamMoto Townsville, TeamMoto CFMOTO Springwood, and Mojo Group.

The financial result for 1H24 reflects:

- Total income increased 6% to \$294.6 million (1H23: \$277.5 million) including a full 6-month contribution from the recently acquired Mojo Group, compared with 2 months' contribution in the prior corresponding period.
- Cost of sales increased 8% to \$218.2 million (1H23: \$202.3 million) and decreased 5% on a like for like basis.
- Operating expenses increased 8% to \$54.5 million (1H23: \$50.4 million) as a result of increased occupancy and expenses relating to the increased scale of the business after the Mojo acquisition, and rental increases linked to CPI. On a like for like basis, operating expenses reduced 2%.
- Finance costs increased with the Group's debt facilities drawn to fund the Mojo acquisition and increased interest rates. Net bank interest increased 116% to \$1.5 million (1H23: \$0.7 million).
- Non-cash depreciation and amortisation expense increased 30% to \$9.4 million (1H23: \$7.3 million).

Sales benefited from the standalone Mojo site which was opened at Springwood in Queensland during the second half of FY2023, as well as the introduction of Mojo products into 3 existing dealerships at Ipswich and Townsville in Queensland and Keilor in Victoria.

Sales of ATVs declined as a result of forecast El Niño weather conditions and rising interest rates, which have reduced spending in the agricultural industry.

While scooters remain a small proportion of the overall product mix, sales grew strongly, reflecting shifting consumer preferences with new riders seeking to reduce commute times and travel costs.

MTO will introduce a range of new CFMOTO road motorcycle models over the next 12 months and anticipates sales growth from the broadened product range will offset the decline in ATV sales.

The Group has continued its proactive and disciplined approach to managing expenses in response to challenging market conditions.

We are also committed to expanding our scale and reach in Australia and New Zealand, and identifying incremental productivity improvements across the business, to cement our position as industry leader in spite of challenging market conditions.

Market Conditions

MTO gained market share during the half, outperforming industry new motorcycle unit sales volumes. Federal Chamber of Automotive Industries (FCAI) industry data for July to December 2023 indicated a 0.4% decline in new motorcycle retail unit sales, compared to an 8% increase for MTO to 7,652 units (1H23: 7,097). This represents market share for MTO of 15% (FY23: 14%), reflecting the strength of the Group's business model and the benefits of the recent Mojo acquisition.

Outlook

MTO is focused on disciplined execution of the Group's strategy to mitigate the impacts of prevailing difficult market conditions on the business.

We also continue to expand and strengthen the Group's market position in Australia and New Zealand, with increased market presence and a broadened product range.

MTO completed the acquisition of a new Sydney dealership, Frasers Harley-Davidson in January 2024, creating an increased presence in this important market. The acquired business was re-located to our existing Auburn dealership and is expected to commence trading in mid-March as Morgan & Wacker Harley-Davidson Sydney.

The Company's New-Zealand operations are presently relocating to a new, larger warehouse in Auckland. The move is expected to be completed by 31 March and will facilitate increased brand penetration into the New Zealand market.

The Cassons wholesale business invested in the implementation of upgraded operating systems across the business during the reporting period, which are expected to support improved performance from the second half of the financial 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 9.00am AEST on Wednesday 28 February 2024.

Full details of the conference call:

Date: Wednesday 28 February 2024

Start Time: 9.00am AEST

Dial In Details: Investors can register for the call at:

[Conference Registration \(vevent.com\)](https://vevent.com)

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.

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This announcement was authorised for release by the Board. For further information, please contact:

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