MotorCycle Holdings Limited

ABN 29 150 386 995

Appendix 4E

Preliminary final report for the year ended 30 June 2020 as required by ASX listing rule 4.3A

Results for announcement to the market

Previous correspondence period: year ended 30 June 2019

Comparison to previous corresponding period		Change	To $m
Revenue from ordinary activities	Increase	12.1%	369.7
Profit/(loss) from ordinary activities after tax attributable to members	Decrease	(209.6%)	(9.1)
Net profit/(loss) for the period attributable to members	Decrease	(214.8%)	(9.3)

Dividends

	Amount per Security	Franked Amount per Security
Final dividend	nil	nil
Record date for determining entitlement to the final dividend		n/a
Date the final dividend is payable		n/a

Due to improved trading conditions Directors have declared a fully franked special dividend of 5 cents per ordinary share, payable on 30 September 2020 with a record date of 9 September 2020.

Overview of results

Period ended ($m)	30 June 2020	30 June 2019	Change
Revenue excluding JobKeeper payment	363.7	329.9	10.2%
Cost of sales	(261.6)	(233.5)	12.0%
Gross profit excluding JobKeeper payment	**102.1**	**96.4**	**5.9%**
Gross profit margin (%)	27.6%	29.2%	(5.5%)
JobKeeper Payment	6.0	-	
Gross profit including JobKeeper payment	**108.1**	**96.4**	**12.1%**
Employee benefits expense	(52.8)	(51.7)	2.1%
Occupancy expense	(2.5)	(12.3)	
Other expenses	(13.8)	(13.6)	1.5%
Bailment interest	(0.8)	(0.8)	-
Depreciation and interest on right of use assets	(10.6)	-	
Operating expenses	**(80.5)**	**(78.4)**	**2.7%**
Underlying EBITDA	**27.6**	**18.0**	**53.3%**
Underlying EBITDA margin (%)	7.6%	5.5%	38.2%
Acquisition expenses	(0.4)	-	
Depreciation and amortisation	(3.8)	(3.8)	-
Net bank interest	(1.5)	(2.1)	(28.6%)
Net profit before tax before impairment	**21.9**	**12.1**	**81.0%**
Income tax expense	(6.7)	(3.7)	81.1%
Net profit after tax before impairment	**15.2**	**8.4**	**81.0%**
Impairment	(24.3)	-	
Net (loss)/profit after tax	**(9.1)**	**8.4**	**(208.3%)**

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Overview of results

MotorCycle Holdings Limited (ASX:MTO) performed strongly during the year in challenging conditions, driven by a solid increase in demand for new and used motorcycles, a lower cost structure, expanded product offering and improved dealer network. Performance in the last quarter exceeded expectations following a resurgence in demand for recreation and leisure products upon the easing of COVID-19 restrictions.

Key features of the company's financial result include sales revenue increasing 10.3% to $363,712,000 (2019: $329,887,000) with underlying EBITDA increasing 53.6% to $27,617,000 (2019: $17,985,000).

The company ended the year with a strong cash position of $39,494,000, up from $9,175,000 in 2019.

Net profit after tax and before impairment increased 81.9% to $15,176,000, up from $8,345,000 for the previous year.

A $24,296,000 non-cash impairment of goodwill which arose on the acquisition of Cassons has been recognised. This impairment charge had no impact on the company's debt facilities or compliance with banking covenants.

The company continued to outperform the market with total motorcycle sales increasing 13.8% to 21,095 units for the year ended 30 June 2020 (2019: 18,536 units).

New motorcycle sales increased 16.3% to 11,013 units (2019: 9,468 units), compared with the national market increase in new motorcycle sales of approximately 11.1%. Like for like new motorcycle sales increased 7.5%.

The company grew its market share by securing approximately 11.1% of national new bike sales during the financial year, compared with 10.6% in the prior year with sales improving across all brands.

Used motorcycles sales increased 11.2% to 10,082 units (2019: 9,068 units).

Retail accessories and parts revenue increased 4.1% and servicing and repair revenue increased 5.9%. Finance, insurance and mechanical protection plan income increased 5.8%.

Cassons maintained profitability in a challenging market. Whilst there was pressure on gross profit margins, Cassons' performance improved in the second half with external sales up 7.4% for the year. Good progress was made in reducing excess inventory, however an additional one-off non-cash stock obsolescence charge of $591,000 has been recognised due to uncertainty caused by the COVID-19 pandemic.

Directors are cautiously optimistic about the forthcoming year however the recent increased sales momentum is expected to temper, particularly if there are further restrictions introduced as a result of the COVID-19 pandemic.

NTA Backing

	30 June 2020	30 June 2019
Net tangible assets per ordinary security	51 cents[1]	21 cents

[1]Net tangible assets include $28.8m of lease right of use assets and $31.3m of lease liabilities recognised in accordance with AASB 16 *Leases*

Other Disclosures

Additional Appendix 4E disclosure requirements and commentary on significant features of operating performance, results of segments, trends in performance and other factors which have affected the results for the period are contained in the 2020 Annual Report and accompanying results announcement and 2020 full year results presentation.

This document should be read in conjunction with the 2020 Annual Report and accompanying results announcement and 2020 full year results presentation.

This report is based on consolidated financial statements contained in the 2020 Annual Report, which have been audited by KPMG.

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