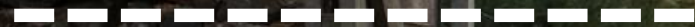




# ACQUISITION OF MOJO MOTORCYCLES PTY LTD and MOJO ELECTRIC VEHICLES PTY LTD



INVESTOR PRESENTATION  
September 2022





# DISCLAIMER

This presentation may contain certain unaudited financial information in relation to MotorCycle Holdings Limited (MTO, 'the Company'). As such, it has not been subject to an audit or an audit process or otherwise independently verified.

This presentation may contain certain forward looking statements. Such statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. MTO gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

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Nothing contained in this presentation constitutes investment, legal, tax or other advice.

This presentation includes non-IFRS information such as EBITDA which MTO considers useful for users of this presentation as these measures reflect the underlying performance of the business. Non-IFRS information has not been subject to audit or review in accordance with Australian Auditing Standards.

No person is authorised to give any information or make any representation in connection with the acquisition of Mojo Motorcycles Pty Ltd and Mojo Electric Vehicles Pty Ltd (MOJO) which is not contained in this presentation. To the maximum extent permitted by law, MTO, MOJO and its respective extended parties disclaim all responsibility and liability (including, without limitation, for any liability arising from fault, negligence or negligent misstatement) for any direct, indirect, consequential or contingent loss or damage whatsoever arising from the issue or use of, or reliance on, anything contained in or omitted from this presentation or otherwise arising in connection with them.

MTO undertook a due diligence process in respect of the acquisition, which relied in part on the review of financial and other information provided by MOJO. Despite making

reasonable efforts, MTO has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it. If any such information provided to, and relied upon by, MTO in its due diligence and in its preparation of this presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of MOJO may be materially different to the expectations reflected in this presentation.

There is also no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the acquisition have been identified and avoided or managed appropriately. Therefore, there is a risk that issues and risks may arise which will also have a material impact on MTO (for example, MTO may later discover liabilities or defects which were not identified through due diligence or for which there is no contractual protection for MTO). This could adversely affect the operations, financial performance or position of MTO.

Statements made in this presentation are made only as at the date of this presentation. The information in the presentation remains subject to change without notice.

# EXECUTIVE SUMMARY

## Securing motorcycle market diversity

**1** Acquisition of Mojo Motorcycles Pty Ltd and Mojo Electric Vehicles Pty Ltd (MOJO), one of Australia's largest importers and wholesalers of motorcycles, genuine spare parts and accessories with \$124.2 million in FY22 turnover<sup>1</sup> and FY22 NPBT of \$14.5 million

**4** Acquisition price of up to \$60 million<sup>3,4,6</sup> on cash free, debt free basis represents an earnings multiple of 4.1 times MOJO's FY22 NPBT and, on a proforma FY22 consolidated proforma basis, results in an increase in MTO FY22 EPS by 18% before synergies, integration costs and PPA<sup>5</sup> related amortisation<sup>2</sup>

**2** Diversifies MTO into a new market, motorcycle importing and distribution, and gives increased exposure to the scooter, ATV and electric motorcycle segments

**5** Attractive earnings growth of combined group expected to be enhanced via synergies and revenue opportunities across each organisation's distribution network

**3** Lifts FY22 MTO revenues by more than 27% to approximately \$580 million. NPBT increases by 41% to \$46 million on a proforma consolidated basis<sup>2</sup>

**6** MOJO CEO Michael Poynton to join MTO board. MOJO owners will emerge as 16% shareholders of MTO, receiving approximately 50% of the sale consideration<sup>5</sup> as MTO shares (escrowed for 2 years)

1. Based on MOJO FY22 unaudited accounts

2. Based on MTO FY22 audited accounts and MOJO FY22 unaudited accounts

3. On a cash free, debt free basis

4. Comprised of cash of \$20m and 11,539,000 shares payable on completion and earn out of up to \$10m.

5. Purchase price allocation

6. Assumes shares are valued at agreed issue price of \$2.60.

# TRANSACTION SUMMARY

## Acquisition of MOJO

- Binding conditional agreement to acquire MOJO for up to \$60 million<sup>6</sup>, implying a 4.1x MOJO FY22 NPBT<sup>7</sup>
- MOJO is a wholesaler of motorcycles, scooters, ATVs, electric motorcycles, genuine spare parts and accessories

## Acquisition terms

- Acquisition of 100% of shares in MOJO from the founders
- Purchase price of up to A\$60 million, funded 33% cash (\$20 million) and 50% (11,539,000 shares at \$2.60 – \$30 million) in MTO shares (escrowed for 2 years) and up to an A\$10 million earnout dependent on performance in the first 12 months following completion of the acquisition
- Cash portion funded by increased debt facility of \$30 million, bringing total facility to \$50 million
- MOJO principals (Michael Poynton and Josh Carter) will take up senior executive positions in MTO and Michael Poynton will also become an MTO director
- Conditions to completion include shareholder approval for the issue of MTO shares to the sellers, MTO securing sufficient debt funding (credit approved term sheet in place) and material contract and third party consents

## Expected financial impact

- Based on a proforma FY22 consolidated basis, the acquisition will lift EPS by 18% before synergies, integration costs and PPA<sup>8</sup> related amortisation: net debt/FY22 EBITDA is 0.6x.
- Preserves balance sheet strength and capacity to pursue further growth opportunities
- A working capital adjustment will be determined at completion. If actual working capital is more than target working capital, MTO will pay the difference as an incremental increase to the purchase price. This potential payment would be funded from debt facilities
- Significant growth over last 2 years showing signs of continuing in FY23
- Taking advantage of market conditions including competitors in ATV market withdrawing their products, new models, and strong supply

6. Comprised of cash of \$20m and 11,539,000 shares payable on completion and earn out of up to \$10m. Assumes shares are valued at agreed issue price of \$2.60. On a cash free, debt free basis.

7. Based on MOJO FY22 unaudited accounts

8. Purchase price allocation

# OVERVIEW OF MOJO GROUP

**MOJO commenced as a wholesaler in 2006 and imports and distributes motorcycles, scooters, ATVs and electric motorcycles, as well as genuine spare parts and accessories direct to retailers.**



19

YEAR  
HISTORY

2

WAREHOUSES

6

RETAIL BRANDS  
Australia and  
New Zealand

~35

EMPLOYEES

## OUR BRANDS





# INCREASE SCALE AND DIVERSIFICATION

## SUBSTANTIAL INCREASE IN THE SCALE OF THE BUSINESS<sup>9</sup>

- Revenue increase from \$457 million to \$580 million
- EBITDA increase from \$49 million to \$64 million

## INCREASED GEOGRAPHIC FOOTPRINT AND DIVERSIFICATION

- MOJO is a national wholesaler and distributor
- Diversification to motorcycle importation and distribution
- Greater opportunities as electric vehicles come to market
- Increased exposure to agricultural and scooter markets

## MORE RESILIENT BUSINESS MIX

- More than 28% of NPAT<sup>9</sup> will come from importing vehicles

## SYNERGIES

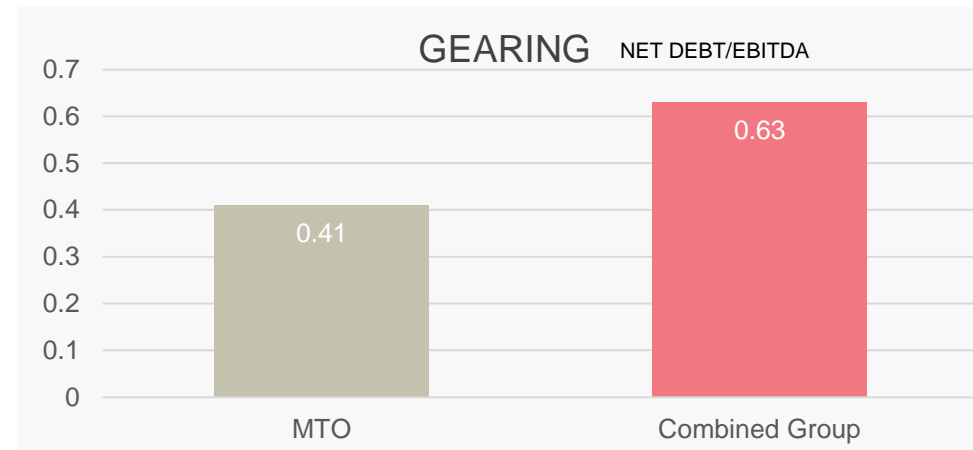
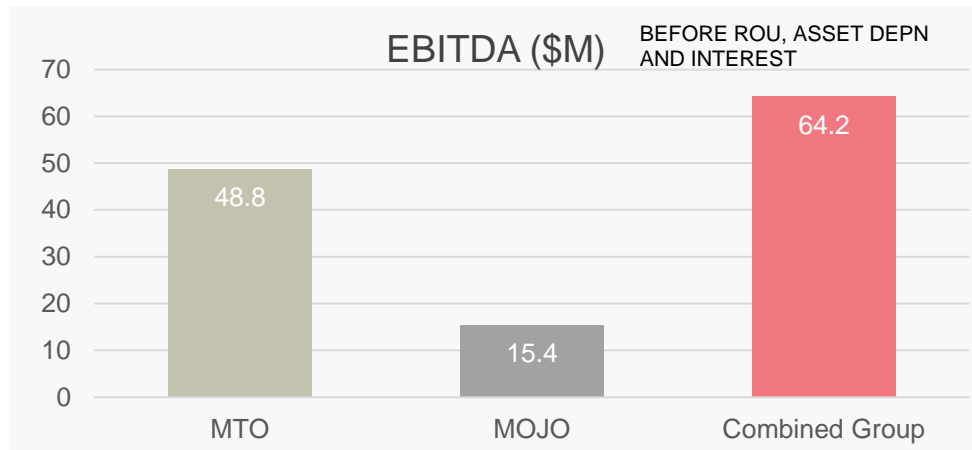
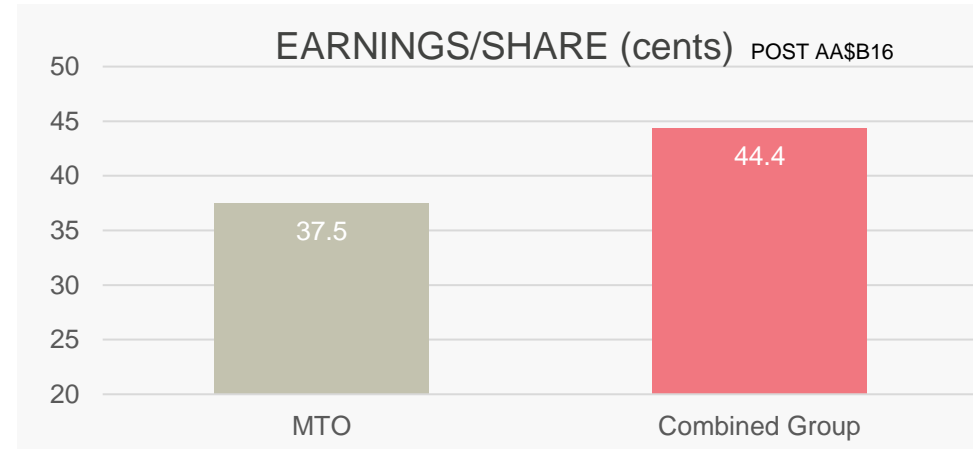
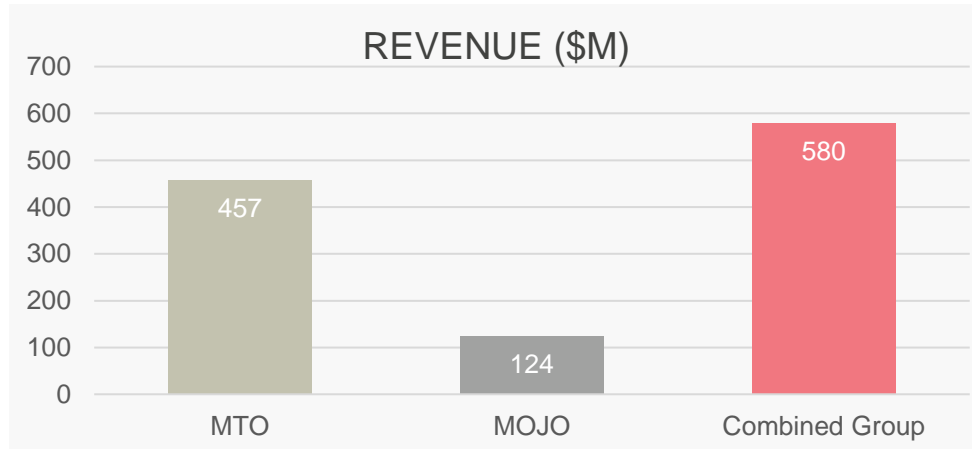
- Opportunity to source new products to distribute for MOJO due to scale and access to capital in MTO
- Opportunity to retail electric motorcycles through MTO network as they are brought to market

9. On a proforma consolidation basis derived from MTO FY22 audited accounts and MOJO FY22 unaudited accounts



# ILLUSTRATIVE FINANCIAL IMPACT

MTO AUDITED FY22, MOJO PROFORMA UNAUDITED FY22, CONSOLIDATED PROFORMA FY22<sup>10</sup>



10. Before synergies, integration costs and purchase price allocation related amortisation



# GROWTH OPPORTUNITIES

- Addition of further brands/ suppliers to the wholesale distribution business of MOJO Motorcycles
- Potential to retail MOJO product in MTO dealerships
- Shared warehousing for MOJO and MOJO in NSW, VIC, and QLD
- New warehousing opportunities in NZ and WA.



# PROFORMA HISTORICAL EARNINGS SUMMARY

YEAR ENDED 30 JUNE 2022

CURRENCY (A\$M) – PF PL	MTO CONSOL FS	MOJO	ELIMINATIONS AND INTEREST	CONSOLIDATED PROFORMA	CHANGE
	FY22A	FY22A	FY22PF	FY22PF	
Total revenue	457.3	124.2	(1.8)	579.7	27%
Cost of sales	(330.2)	(105.4)	1.8	(433.8)	31%
<b>Gross profit</b>	<b>127.1</b>	<b>18.8</b>	<b>–</b>	<b>146.0</b>	<b>15%</b>
Other income	4.0	0.2	–	4.2	6%
Share of profit from equity accounted investee, net of tax	1.3	–	–	1.3	0%
Employee benefits expense	(62.1)	(1.9)	–	(63.9)	3%
Occupancy costs	(2.9)	(0.1)	–	(3.0)	3%
Other expenses	(18.5)	(1.8)	–	(20.3)	10%
Total expenses	(83.6)	(3.7)	–	(87.3)	4%
<b>EBITDA (post AASB16)</b>	<b>48.8</b>	<b>15.4</b>	<b>–</b>	<b>64.2</b>	<b>31%</b>
Finance costs	(2.0)	(0.3)	(1.0)	(3.3)	61%
Depreciation and amortisation expense	(14.1)	(0.6)	-	(14.7)	4%
<b>PBT</b>	<b>32.7</b>	<b>14.5</b>	<b>(1.0)</b>	<b>46.2</b>	<b>41%</b>
Income tax expense	(9.6)	(4.3)	0.3	(13.7)	42%
<b>NET PROFIT</b>	<b>23.1</b>	<b>10.1</b>	<b>(0.7)</b>	<b>32.6</b>	<b>41%</b>
Shares	61,706,710			73,245,710	
EPS – cents	37.5			44.4	

# PROFORMA HISTORICAL BALANCE SHEET

AS AT 30 JUNE 2022

CURRENCY (A\$M)	MTO CONSOL FS	MOJO CONSOL	TRANSACTIONS ADJUSTMENTS	CONSOLIDATED PRO FORMA	CHANGE
Cash and cash equivalents	3.9	0.7	(1.7)	2.9	-25%
Trade and other receivables	7.1	6.1	(3.6)	9.6	36%
Inventories	107.6	13.5	-	121.0	13%
Right of use assets	45.8	1.5	-	47.4	3%
Property, plant and equipment	11.8	0.2	-	12.0	2%
Goodwill and intangibles	94.8	2.5	47.6	144.8	53%
Investment	6.4	-	-	6.4	0%
Other assets	2.4	0.2	-	2.6	9%
<b>Total Assets</b>	<b>279.8</b>	<b>24.7</b>	<b>42.3</b>	<b>346.8</b>	<b>24%</b>
Trade and other payable	(15.4)	(2.8)	(10.0)	(28.2)	83%
Lease Liabilities	(48.4)	(1.6)	-	(50.0)	3%
Provisions	(9.0)	(0.2)	0.1	(9.0)	1%
Deferred tax liability		-	(3.5)	(3.5)	-100%
Floorplan liabilities/borrowings	(44.9)	(1.3)	1.3	(44.9)	0%
CBA Borrowings			(20.0)	(20.0)	-100%
Other Liabilities	(7.2)	(2.8)	2.8	(7.2)	0%
<b>TOTAL LIABLITES</b>	<b>(124.8)</b>	<b>(8.6)</b>	<b>(29.3)</b>	<b>(162.8)</b>	<b>30%</b>
<b>Net Assets</b>	<b>155.0</b>	<b>16.1</b>	<b>13.0</b>	<b>184.0</b>	<b>19%</b>
<b>Equity</b>	<b>(155.0)</b>	<b>(16.1)</b>	<b>(13.0)</b>	<b>(184.0)</b>	<b>19%</b>



# KEY TERMS OF SALE DEED

## Conditions to Completion

- MTO raising sufficient funds through debt financing (credit approved term sheet in place)
- Change of control consents for leases/ key contracts
- Shareholder approval for issue of shares to Sellers
- Restructure of MOJO's existing bailment finance and associated security arrangements
- Assignment of IP in dealer system to MOJO

## Other key terms

- MTO shares issued to Sellers will be escrowed for 2 years
- Representations and warranties customary for a transaction of this nature have been provided
- Michael Poynton and Josh Carter guarantee Sellers' obligations under sale deed
- Michael Poynton and Josh Carter have agreed 5 years restraints

# Key Risks

There are a number of risks of a general and specific nature, which may affect the future operating and financial performance of MTO and MOJO. Many of the circumstances giving rise to these risks are beyond the control of MTO or MOJO. This section describes certain specific areas that are believed to be the major risks associated with the acquisition of MOJO.

Risk	Description
<b>Supply constraints risk</b>	Both MTO and MOJO are reliant on manufacturers and distributors to supply inventory for sale. Circumstances may arise where the quantity of inventory available for sale is restricted (for example as a result of interruptions relating to COVID-19) or may be limited at the manufacturer's or distributor's discretion. If MTO and MOJO are not able to meet demand for products due to interruption of supply from manufacturers or distributors, financial performance may be adversely affected.
<b>Key supplier risk</b>	A significant component of the value of MOJO resides in the arrangements with a key supplier, which is located in an overseas jurisdiction. Orders placed by MOJO with suppliers, including the key supplier, are not binding unless and until accepted by the supplier. Accordingly, this exposes MOJO to the risk of that suppliers may withdrawn or limit supply. If this risk materialised, this would result in loss of earnings and a deterioration in profits. It may also be difficult for MOJO to enforce contractual rights in either Australia or overseas jurisdictions against suppliers.
<b>Supporting growth</b>	MOJO has experienced significant growth and is reliant on cash to support this growth. If future cash flow is not sufficient to support continued growth, financial performance may be negatively affected.
<b>Increased regulatory risk</b>	<p>MOJO is a wholesale importer and distributor of vehicles. It operates in a different sector to MTO.</p> <p>As a result of the acquisition of MOJO, MTO will become an importer and distributor of vehicles and will be responsible for ensuring the products it imports and distributes comply with Australian regulations, including safety standards. MTO will also be considered a 'manufacturer' of the products it imports and distributes and may be strictly liable to consumers for injury to persons or property damage suffered as a result of defective goods, directly liable to customers for breaches of certain statutory guarantees and may face penalties for non-compliance.</p> <p>MTO will commence conducting a franchise operation in conjunction with the acquisition and will be required to comply with the Franchising Code. This exposes MTO to additional liability and will require on-going compliance with regulatory requirements.</p>
<b>Key employee risk</b>	Both MTO and MOJO's success is dependent to a significant degree upon the efforts of key members of management. MTO and MOJO rely on a high quality management team with significant experience in the motorcycle industry. The loss of the services key members of management of MOJO, or the failure to attract additional key individuals to key management roles, could have a material adverse effect on operations, including its relationships with manufacturers and distributors.
<b>Foreign exchange risk</b>	As an importer of goods, MOJO is exposed to the risk that its financial performance or position will be affected by fluctuations in currencies.
<b>Integration risk</b>	The acquisition of MOJO involves the integration of businesses that were previously operated independently. There is a risk that the integration of MOJO may encounter unexpected challenges or issues which could impact the financial performance of MTO.



# Key Risks cont.

Risk	Description
<b>Reliance on information provided</b>	MTO has undertaken a due diligence process in respect of MOJO, which relied mostly on the review of historical financial and other information provided by MOJO and its management. MTO has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, MTO has prepared (and made assumptions in the preparation of) the financial information relating to MOJO included in this Presentation in reliance on limited financial information and other information provided by MOJO and its management. If any of the data or information provided to and relied upon by MTO in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of MOJO and MTO Group may be materially different to the financial position and performance expected by MTO and reflected in this Presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the proposed acquisition have been identified. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on MTO.
<b>Risk that material issues may not have been identified by due diligence investigations</b>	MTO has undertaken financial, legal, operational, business and other analysis in respect of MOJO in order to determine its attractiveness to MTO and whether to pursue the MOJO acquisition. It is possible that the analysis undertaken by MTO, and the best estimates and assumptions made by MOJO, draws conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology or misinterpretation of economic circumstances). To the extent that the actual results achieved by MOJO are weaker than those indicated by MTO's analysis, there is a risk that there may be an adverse impact on the financial position and performance of MTO.
<b>Acquisition liability risk</b>	If the MOJO acquisition is implemented, MTO may become directly or indirectly liable for any liabilities that MOJO has incurred in the past, which were not identified during its due diligence or which are greater than expected, and for which the market standard protection (in the form of representations and warranties and indemnities) negotiated by MTO prior to its agreement to acquire MOJO turns out to be inadequate in the circumstances. Such liability may adversely affect the financial performance or position of MOJO post-implementation of the acquisition. From completion MTO will be exposed to the risks associated with owning and operating MOJO.
<b>Acquisition accounting risk</b>	In accounting for the MOJO acquisition in the Proforma historical combined balance sheet, MTO has used the 30 June 2022 unaudited financial statements. A preliminary purchase price allocation exercise has been undertaken for the purposes of preparing the Pro Forma Balance Sheet. MTO will undertake a formal fair value assessment of all the assets, liabilities and contingent liabilities of MOJO post-implementation of the acquisition, which may give rise to different values to those used for the purposes of the Proforma financial information set out in this presentation. Such a scenario will result in a reallocation of the fair value of assets and liabilities acquired to or from goodwill and an increase or decrease in depreciation and amortisation charges in MTO's income statement (and a respective increase or decrease in net profit after tax), and may have an adverse impact on the reported financial performance of the combined group.
<b>Retail environment and general economic conditions in Australia may deteriorate</b>	As the products sold by MTO are discretionary items for many customers, the Company is particularly exposed to a deterioration in general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to consumer credit, government fiscal, monetary and regulatory policies and oil prices. A prolonged deterioration in general economic and business conditions could be expected to have an adverse impact on the MTO' financial performance.

# Key Risks cont.

Risk	Description
<b>Contractual relationship with manufacturers</b>	MTO's right to sell new motorcycles, and therefore the Company's ability to conduct its business, derives exclusively from the rights granted to it pursuant to its Franchise Agreements with manufacturers. The terms of the relationships with manufacturers under the Franchise Agreements can be restrictive, eg some (but not all) of the Franchise Agreements grant MTO the right to exclusively sell motorcycles manufactured by the relevant manufacturer in a designated area. The failure by MTO to comply with the terms of a Franchise Agreement or the breakdown of a relationship with a manufacturer, may result in the termination or nonrenewal of one or more Franchise Agreements by the manufacturer. A small number of Franchise Agreements may be terminated by the manufacturer without cause and certain Franchise Agreements include terms which permit the distributor to terminate the relevant Franchise Agreement where the supply of motorcycles from the manufacturer to the distributor ends. Any failure to renew Franchise Agreements on favourable terms, or breakdown or termination of a manufacturer relationship under a Franchise Agreement, or cessation of supply of new motorcycles, will adversely affect the Company's financial performance, particularly if the associated relationship contributes a material proportion of MTO revenue



# IMPORTANT NOTE – FINANCIAL INFORMATION

The financial information contained in this presentation comprises MTO's:

1. Pro forma historical earnings summary, comprising key line items from MTO's income statement and financial information summary for the year ended 30 June 2022 ("FY22") (as per MTO's audited financial statements), adjusted for the full year earnings impact from the acquisition of MOJO Motorcycles assuming that the acquisition occurred on 1 July 2021, as well as one-off expenses incurred in MOJO Motorcycles during FY22 and other ongoing costs ("Pro Forma Historical Earnings Summary"); and
2. Pro forma historical balance sheet as at 30 June 2022, being the balance sheet of MTO as at 30 June 2022 extracted from the MTO FY22 audited financial statements, adjusted to reflect the assumed completion of the acquisition of MOJO Motorcycles and the debt raise as if these transactions had occurred as at 30 June 2022 ("Pro Forma Historical Balance Sheet").

The Pro Forma Historical Earnings Summary and Pro Forma Historical Balance Sheet are collectively referred to as "Pro Forma Financial Information". The Pro Forma Financial Information has been included in this presentation and should not be used for any other purpose.

The Pro Forma Financial Information is provided for illustrative purposes and does not purport to be prepared in accordance with Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board and has not been subject to audit, review or other verification.. The Pro Forma Financial Information has been derived to provide investors with an illustrative earnings summary and historical balance sheet if the acquisition of MOJO is completed. The Pro Forma Financial Information is not intended to reflect the financial performance or financial position that would have actually resulted from the completion of the acquisition of MOJO or the debt raise, or the results that may be obtained in the future.

Certain financial information in this presentation is "non IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC. The non-IFRS financial information in this presentation includes EBITDA, EBIT, Net Debt and Net Debt/Equity. Although the Directors consider that these measures provide useful information about the financial performance of MTO, they should be considered as supplements to the measures that have been prepared in accordance with all requirements of the AAS and not as a replacement for them. Because these non-IFRS financial measures are not based on the AAS, they do not have standard definitions and the way that MTO calculates these measures may differ from similarly titled measures by other companies. Investors should, therefore, not place undue reliance on these non-IFRS financial measures.



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