



HARLEY DAVIDSON

Enjoy the Ride

Fia Consulting

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Agenda



Executive Summary



Enjoy the Ride

Market Analysis

Competitors

- “Indian” brand growth 17%, but Harley decreased 8,5% in revenue in 2017;
- In India, Honda & Hero represent 74% of market share;
- Royal Enfield decrease 5% in models over 350cc & increase 26% in models up 350cc.

Laws & Government

- Trade war between US and several different countries;
- Incentive in taxes for EV and environmental friendly products increase across the world
- Most of the important cities has explicit plans to reduce or ban combustion engines in the following decades.

Customer is changing

35 year consumer and up can not sustain our projected growth;

New generation have to be “captured” much earlier than never;

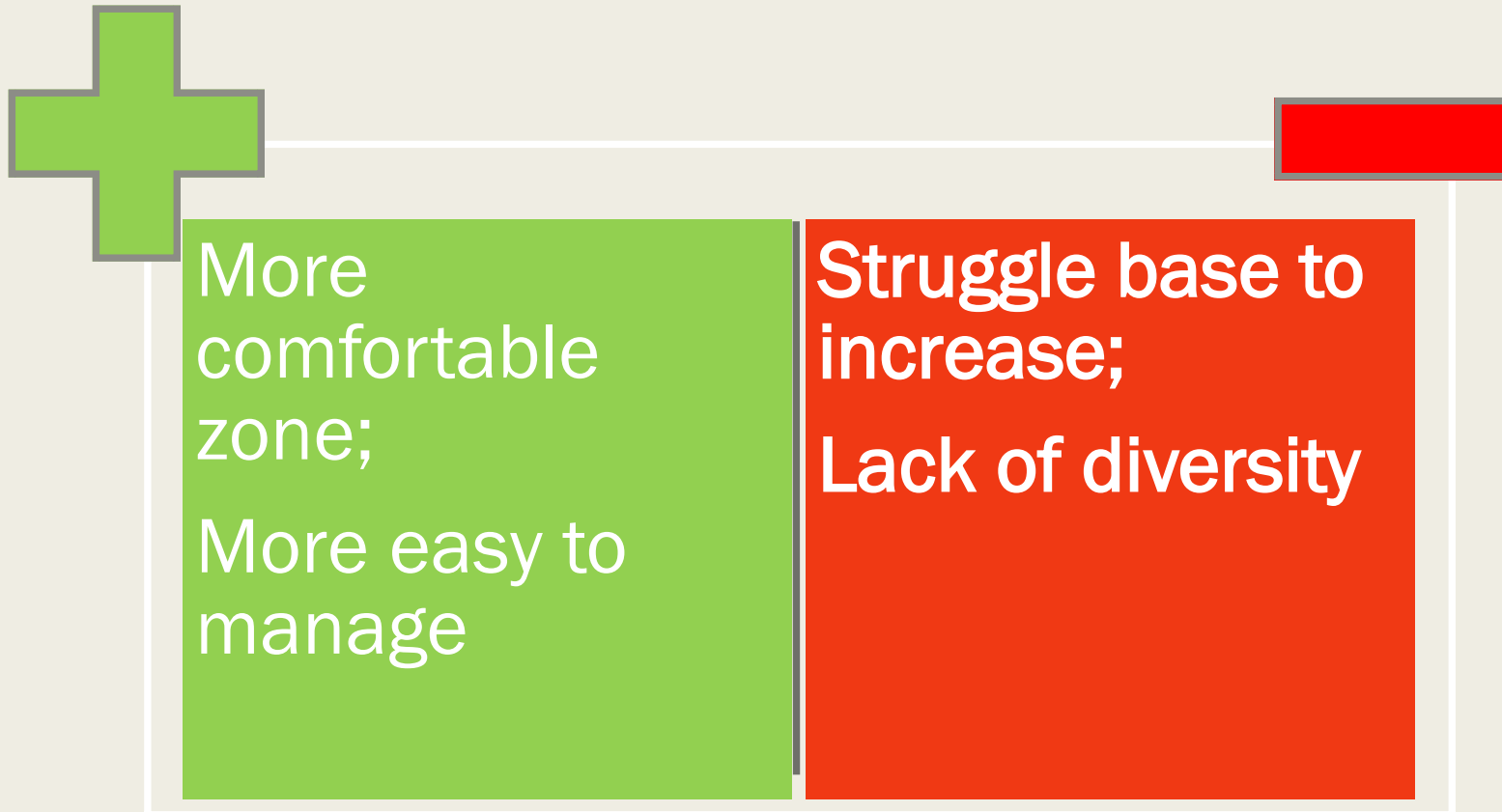
Women have a huge importance in any market and continue growth;

Millenniums has a strong demand for new and innovative experiences

Emerging markets has different needs, driving to a small motorcycle due to infrastructure and income per capita

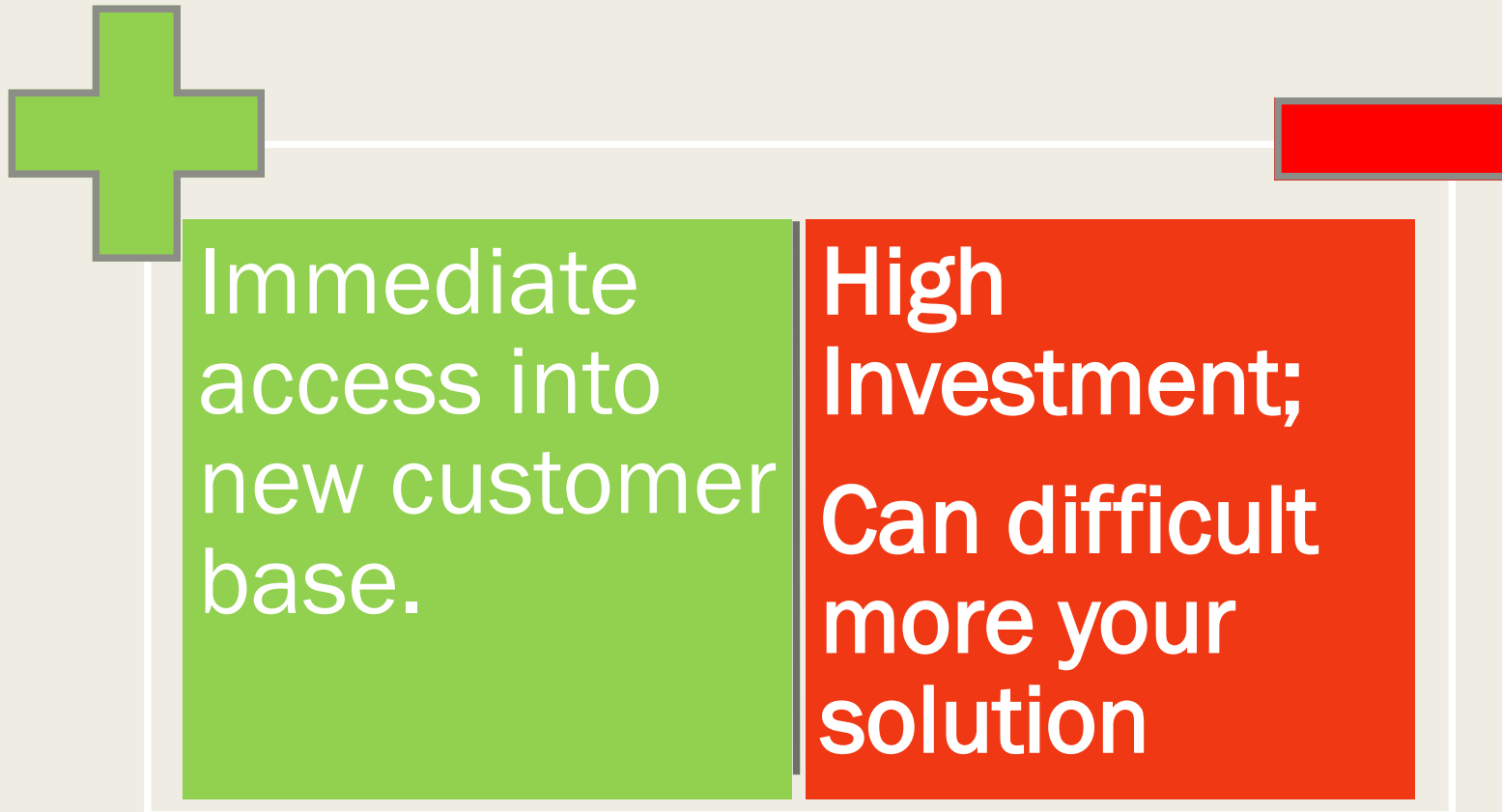
Alternatives

1 – Focus on current strategy of markets and customers “following the wind”



Alternatives

2 – M&A Growth under an acquisition or merge with other manufacturer



Recommendation

3 – Embrace the future : Strong focus on emerging markets with a broader view about “who” can be a Harley future customer **FAMILY HARLEY**



Much Stronger
fidelity program;
Early access into
the customer base.

Difficult message
to be delivered;
Out of your current
conform zone



Alternative Analysis

Alternatives	Space to Growth	Sustainable	Future Aligned
Follow the Wind	Yellow	Yellow	Green
M&A	Yellow	Yellow	Yellow
Embrace the Future	Green	Green	Green

Space to Growth: Potential to continue growth in the targets with the line up of products

Sustainable: Can deliver in a long journey profit and stability to our share holders

Future aligned: Conscious, environment friendly, connected

Embrace the Future

Direct marketing actions to address initially:

- Woman: Empowerment, freedom
- Teenager & Millennials: Early Fidelity Option.

Inclusion in the concept Stores and online offers:

- Electric Bicycles
- Electric Skates and Stake Boards
- Online communities
- Harley Academy enhanced program to cover our new target markets

Embrace the future: **FAMILY HARLEY**

Online Store can reach them with our message

Brazil & Latin America is a big hub of expansion for the following years

Finally you will build a strong and a much more loyalty base customer for the **FUTURE**

Execution Plan - Marketing

Harley Davidson Approach

Protect our Value and POWER - Immediately

- New Campaign Launch – **Family Harley!** – From Generation to Generation
- **New Museums** in strong markets in Europe – 3 years plan

Expansion Program - Immediately

- New Campaign Launch: **Harley is also for Women!**
- **Harley Academy!** : Teaching and mentoring programs segmented by Age and Gender

Execution Plan - Marketing

Livewire Approach

Branding Boosting - Immediately

- India with Bollywood celebrities
- Brazil with Soap Opera actors
- Other Asian countries with local influencers
- Environmental, Agility, Transport – **NOT BORING**

Execution Plan - Operations

Governmental Lobby - Immediately

- **Intensify** Lobby in USA
- **Start** Lobby with Emerging Markets

Expansion and Efficiency

- CKD factory **conversion** in Manaus, BR – 3 Years Plan
- Procurement Plan for **Economy of Scale** in Aluminum - 2022
- **Increase Capacity** Globally – 5 Years Plan

Risks

The new message affect our current customer base in a negative way

- Impact: High
- Probability: Moderate
- Mitigation: Strong Message, building the bridge between where we are and where we go

World Economic changes due to political intense, dispute and changes

- Impact: Moderate
- Probability; Moderate
- Mitigation: Act in associations to make part of the lobby in the biggest regions covered by your plan

Today we're in a tough position

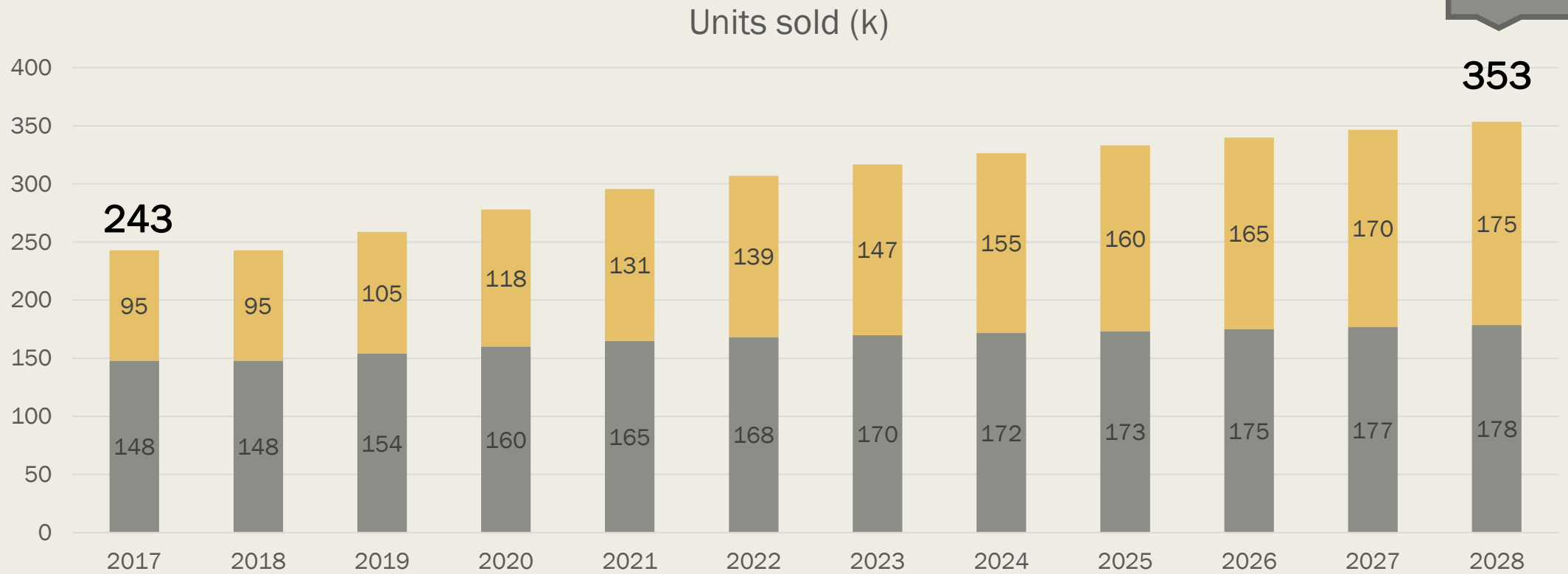
	2014	2018
Revenue	\$6.2 Bi	\$5.6 Bi
Net Income	\$0.8 Bi	\$0.5 Bi
EPS	\$ 3.88	\$ 3.02



-22%

But we will change the scenario selling more due to our aggressive plan

+45%



Average Price

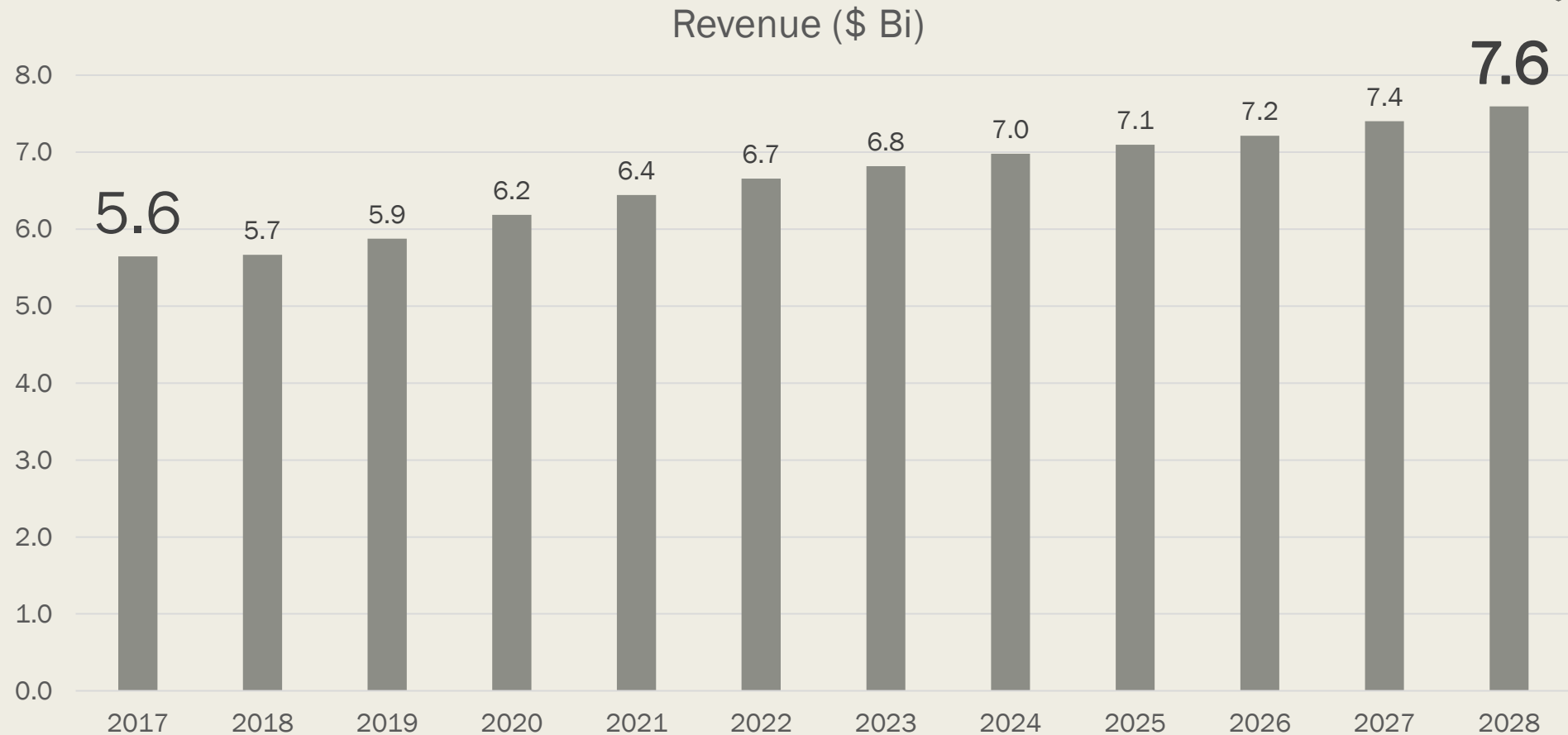
15.8k

■ US ■ International

14.0k

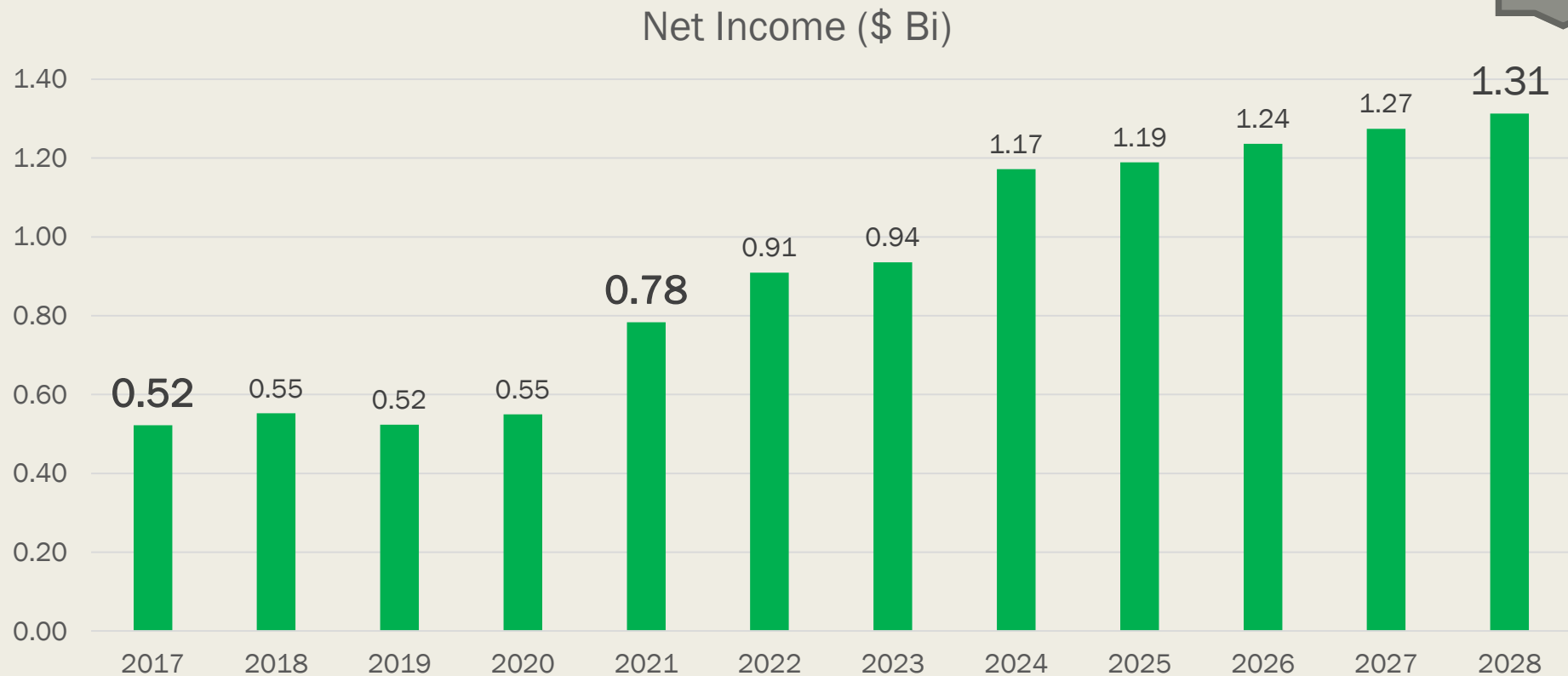
Boosting our top line growth

+2 Bi



Even if new operating expenses, S&M investments and financial expenses we will deliver strong growth

+2.5 X



We need to invest \$300 Mio in CAPEX

Assumption

Current Debt*: \$ 517Mio at 6%

Cash position*: \$400 Mio

Debt/EBIT: 0.58

Safe position

Bonds:

Value: \$300 Mio

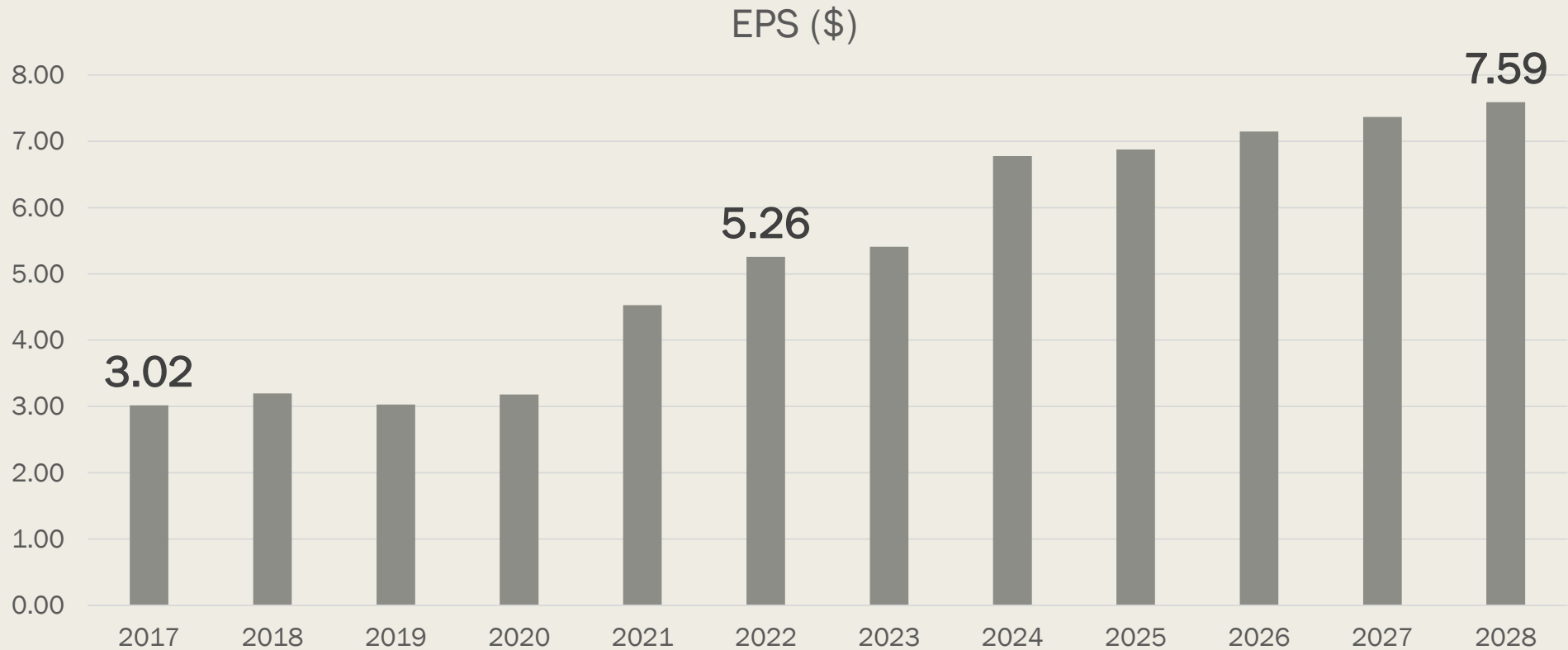
When: 1st Q 2019

Where: US

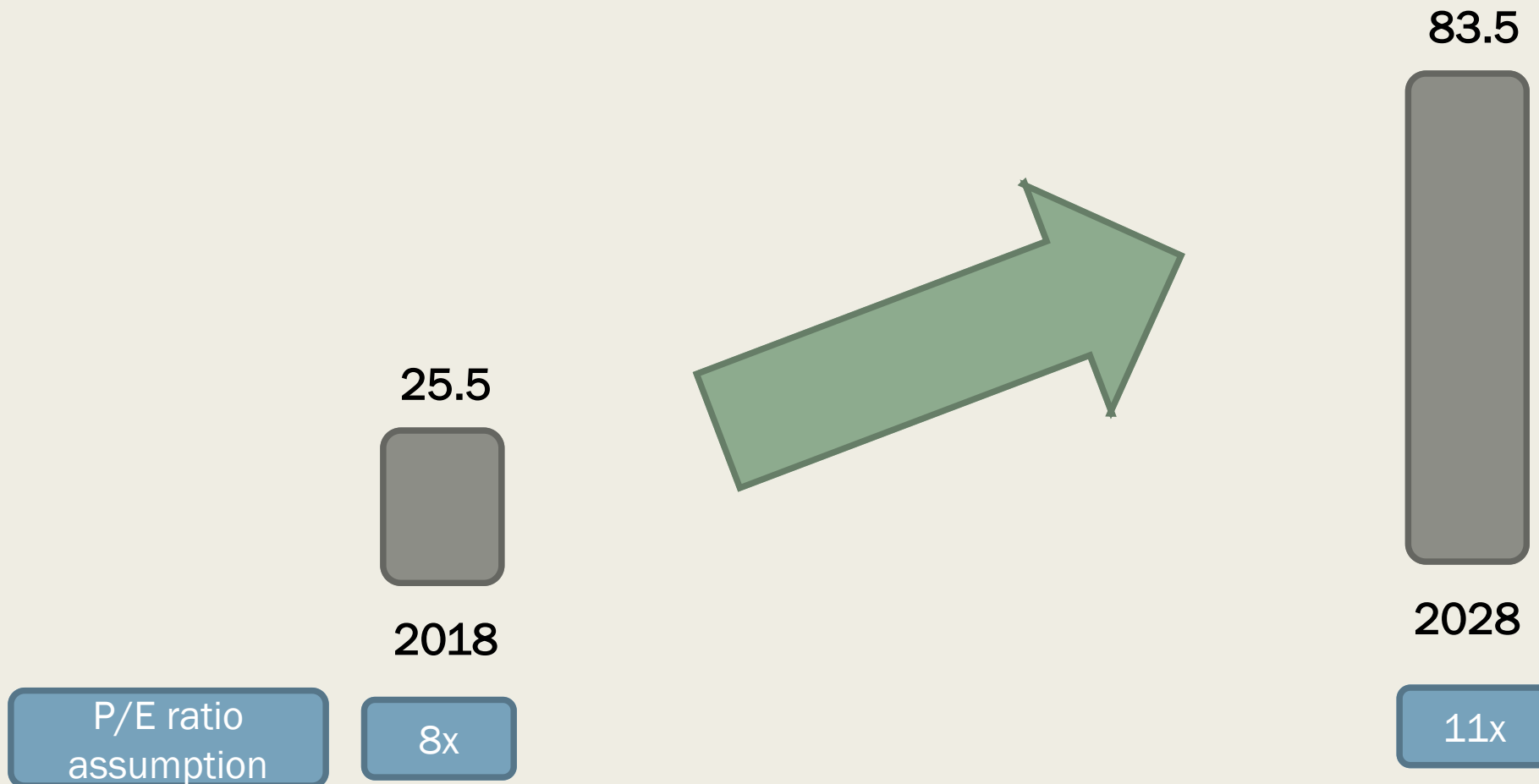
Cost*: 5% (200 bps above 10
year US Treasury note rate)

New Debt/EBIT 2019: 0.94

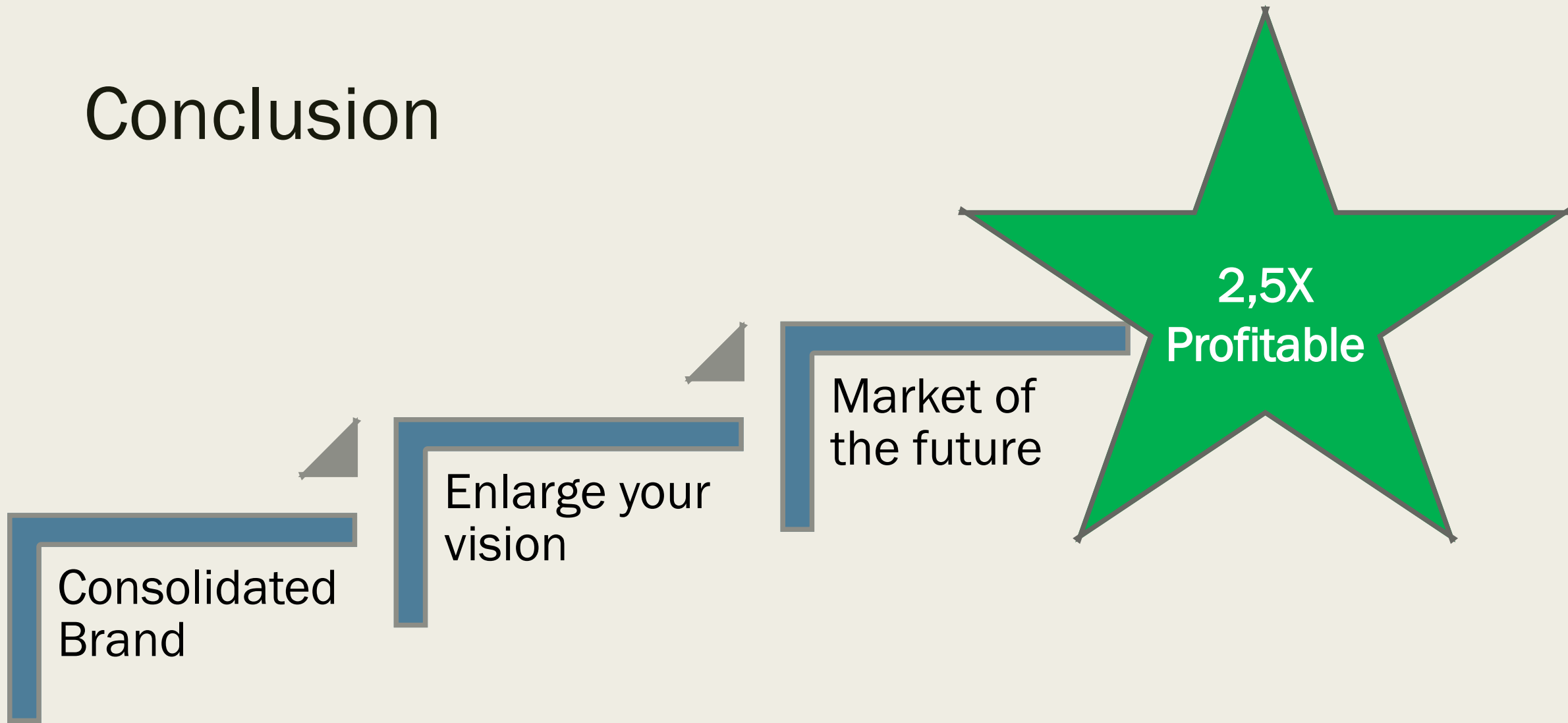
Reaching and EPS of \$7.59 in 2028



We estimate that your stock price can be a rock star in the SP500 index



Conclusion



MERCI / THANK YOU