HARLEY DAVIDSON

Enjoy the Ride

Fia Consulting

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Executive Summary

USD $2Mi Harley Riders by 2027

100 High impact to market by 2027

Growth by 50% in the international market

Growth conscious, sustainable and environmental friendly

Improve the return on the invested capital

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”

- More comfortable zone;
- More easy to manage

- Struggle base to increase;
- Lack of diversity
Alternatives

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

Immediate access into new customer base.

High Investment;
Can difficult more your solution
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

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Space to Growth</th>
<th>Sustainable</th>
<th>Future Aligned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow the Wind</td>
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<tr>
<td>M&amp;A</td>
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<tr>
<td>Embrace the Future</td>
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</table>

- **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
# Implementation Plan

<table>
<thead>
<tr>
<th>MKT Strategy for Harley Davidson</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
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<tr>
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<td>MKT Strategy for LiveWire</td>
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<td>Intensify Lobby with USA</td>
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<td>Globally Capacity Increase</td>
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<td><strong>Total Investment</strong></td>
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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 though position

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

-22%
But we will change the scenario selling more due to our aggressive plan.

![Units sold (k)](chart)

- **Average Price**
  - **US**: 15.8k
  - **International**: 14.0k

**+45%**
Boosting our top line growth

Revenue ($ Bi)

- 2017: 5.6
- 2018: 5.7
- 2019: 5.9
- 2020: 6.2
- 2021: 6.4
- 2022: 6.7
- 2023: 6.8
- 2024: 7.0
- 2025: 7.1
- 2026: 7.2
- 2027: 7.4
- 2028: 7.6

+2 Bi
Even if new operating expenses, S&M investments and financial expenses we will deliver strong growth

Net Income ($ Bi)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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<tr>
<td>Income</td>
<td>0.52</td>
<td>0.55</td>
<td>0.52</td>
<td>0.55</td>
<td>0.78</td>
<td>0.91</td>
<td>0.94</td>
<td>1.17</td>
<td>1.19</td>
<td>1.24</td>
<td>1.27</td>
<td>1.31</td>
</tr>
</tbody>
</table>

+2.5 X
We need to invest $300 Mio in CAPEX

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.

- **2018**: P/E ratio 8x
- **2028**: P/E ratio 11x
- **Current P/E ratio** 25.5
- **Future P/E ratio** 83.5
Conclusion

Consolidated Brand

Enlarge your vision

Market of the future

2.5X Profitable
MERCI / THANK YOU