Agenda

- Challenge
- Key Issues & Objectives
- Recommendation
- Analysis
- Alternatives
- Implementation Plan
- Financials
- Risks & Mitigations
- What Success Looks Like

Delia
Chelsey
Allison
Jennifer
Delia
Challenge

How can Harley Davidson achieve its goals in response to industry disruption?
Key Issues

- Decreasing ridership & relevance
- Emergence of electronic and autonomous vehicles
- Disruptive economic policies
- Changing customer demographics
- Increased competition
Key Objectives

- Increase ridership
- Innovation and new product offerings
- Grow international business
- Improve return on invested capital
- Greater emphasis on sustainability and the environment
Recommendation

Acquire Zero Motorcycle to establish DavidsonElectric and tighten focus on Harley Davidson Heritage Brand
Analysis
DELIA WARREN
External Industry Analysis

**THREATS:**
- Disruption from EVs and AVs
- Disruptive economic policies and political landscape (tariffs, trade wars)
- Shifting population demographics
- Global anti-American sentiments
- Climate change: changing regulations

**OPPORTUNITIES:**
- Motorcycle/moped ridership strong in growing economies
- EV motorcycle/moped market fragmented (startups)
- Demand for EV motorcycles/mopeds increasing ($10B increase by 2025)

Be ahead of the curve in anticipating future trends and regulations

New target market: stylish, convenience-seeking, young professionals
Harley Davidson Motor Company

STRENGTHS:
- Extremely strong branding (loyalty, culture)
- Maintaining US market share in heavyweight category (33% overall)
- Excellence in engineering and style
- Strategic partnerships and locations worldwide
- America-first mentality growing (MAGA) among base

WEAKNESSES:
- Experiencing decreasing sales
- Shifting demographics in US market
- Extremely strong branding
- EVs new to business

Core business not enough – can’t miss the boat on new trends

Shift in focus risks alienating loyal base
## 10-Year Plan

<table>
<thead>
<tr>
<th>Stated Goal</th>
<th>Critique</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Increase Ridership</td>
<td>Currently not doing enough</td>
</tr>
<tr>
<td>2) 100 new high-impact motorcycles</td>
<td>Need to tighten focus: drop to 50 and shift focus to EV</td>
</tr>
<tr>
<td>3) Grow internationally by 50%</td>
<td>Absolutely! Maybe more!</td>
</tr>
<tr>
<td>4) Improving ROI</td>
<td>Currently not doing enough</td>
</tr>
<tr>
<td>5) Grow sustainability focus</td>
<td>Currently not doing enough</td>
</tr>
</tbody>
</table>
Competitive Landscape

Honda
- Leading brand globally
- Taking cautious line on EVs

Royal Enfield
- Similar offering to Harley Davidson heritage line
- Focusing on heritage and customization

Large scale, first-mover advantage
Beat them on heritage
Financial Snapshot

JENNIFER BUTTON
Financial Snapshot

Harley Davidson Revenue
$6.22 Billion (2017)

11%

89%

Motorcycle Sales
Financial Services Entity
Financial Snapshot

- Growth in Both Motorcycle & Moped Market AS WELL as Electric Motorcycles
### Financial Snapshot

<table>
<thead>
<tr>
<th>Motorcycle Units by Region</th>
<th>2017</th>
<th>Percentage</th>
<th>Vehicle Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>147,972</td>
<td>61%</td>
<td>160,000</td>
<td>50%</td>
</tr>
<tr>
<td>Total International Sales</td>
<td>94,816</td>
<td>39%</td>
<td>157,000</td>
<td>50%</td>
</tr>
<tr>
<td>Total Sales Units</td>
<td>242,788</td>
<td>100%</td>
<td>317,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

- Goal to Increase Ridership to 2 M Riders by 2027
- Goal to Increase International Business to 50% Harley's Annual Volume
Alternatives

CHELSEY KING
Alternatives

1. Premium Gas Powered Player
2. Reposition as EV Player
3. Establish Electric-Focused Subsidiary
Alternative 1: Premium Gas Powered Player

Advantages

• Remain true to brand heritage
• History of experience and success

Disadvantages

• Limited market opportunity
• Risk of irrelevancy
• Increasing EV competition
• Environmental uncertainty
Alternative 2: Reposition as EV Player

**Advantages**

- Appeals to new customers
- Opportunity to grow internationally

**Disadvantages**

- Alienates existing customer
- Lack of in-house EV experience
- Brand recognition as a gas powered player
- Increasing competition
Alternative 3: Establish Electric-Focused Subsidiary

Advantages

• Preserves Harley Davidson brand heritage while ‘leaning in’ to EV
• Opportunity to expand internationally
• Capture new ridership
• Leverages existing marketing and financial competencies

Disadvantages

• Capital investment
# Decision Matrix

<table>
<thead>
<tr>
<th>Key Objectives</th>
<th>Gas Player</th>
<th>EV Player</th>
<th>Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase ridership</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Innovate</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Grow internationally</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Return on Investment</td>
<td></td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Emphasis sustainability</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
Recommendation

Acquire Zero Motorcycle to establish DavidsonElectric and tighten focus on Harley Davidson Heritage Brand
Implementation Plan

ALLISON PENTON
Implementation Plan

- Acquisition of Zero Motorcycle
- Re-Branding to DavidsonElectric
- Marketing Strategy
- Increased Focus on Heritage Lines
Timeline

0-24 months

- Purchase Zero Motorcycle
- Rebranding of new subsidiary: DavidsonElectric
- Continue building new Thailand manufacturing plant
- Roll out DavidsonElectric marketing campaign
- Increased focus on heritage lines
Purchase of Zero Motorcycles

Private Company

EV Focus

Sales of $90M

30 Countries

Acquire Technology
Rebranding

DAVIDSON ELECTRIC

HQ in Wisconsin, USA
DAVIDSON ELECTRIC

Style and substance in a changing world.
New Product Focus

- Street Motorcycles
- Sportster Motorcycles
- Touring Motorcycles
- Livewire
- SportsterEV
- Circuit
Dealership Growth

USA
Dual dealerships
Harley Davidson and DavidsonElectric

Asia Pacific
DavidsonElectric dealerships only
Local dealers and marketing professionals
Marketing Campaign

Geo-targeted to coastal USA and Asia Pacific Market
Pricing Strategy

Competitive

Premium Pricing
Talent Management

- Training Programs
- Local Dealership Leaders
- Local Marketing Leads
Focus on Heritage Lines

Target demographic is older with more traditional values.
Marketing Campaign

Traditional Marketing

Print Campaigns

TV Ads
Financials
Risks & Mitigations

JENNIFER BUTTON
Goals

- Return on Invested Capital – Top 25% of S&P 500
- Efficiently Allocate Capital Resources & Maintain Discipline in Future Investments
## How much will this cost?

<table>
<thead>
<tr>
<th>TASKS</th>
<th>Assumptions</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set up Subsidiary - Davidson Electric</td>
<td></td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Buy Zero</td>
<td>Purchase for 2 * Revenue</td>
<td>180</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental Costs for EV Infrastructure</td>
<td>Assume $10M per Year</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Open Manufacturing Facility in China</td>
<td>Operating $450-550 M over 5 years</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Capital $225-275 M over 5 years</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Open Manufacturing Facility in Thailand</td>
<td>Operating $450-550 M over 5 years</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Capital $225-275 M over 5 years</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Open New Dealerships</td>
<td></td>
<td>150</td>
<td>150</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Total Cost</td>
<td></td>
<td>840</td>
<td>660</td>
<td>535</td>
<td>535</td>
<td>535</td>
</tr>
</tbody>
</table>
Davidson-Electric Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Units Sold</th>
<th>Average Price</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>60,000</td>
<td>$10,000</td>
<td>$600,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>70,000</td>
<td>$10,000</td>
<td>$700,000,000</td>
</tr>
<tr>
<td>2020</td>
<td>80,000</td>
<td>$10,000</td>
<td>$800,000,000</td>
</tr>
<tr>
<td>2021</td>
<td>90,000</td>
<td>$10,000</td>
<td>$900,000,000</td>
</tr>
<tr>
<td>2022</td>
<td>100,000</td>
<td>$10,000</td>
<td>$1,000,000,000</td>
</tr>
</tbody>
</table>

- Profitable by Year 3
- Strong Return on Invested Capital
- Disciplined Investment in Asia-Pacific Market
## Risks and Mitigations

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Risk Level</th>
<th>Mitigation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erode brand heritage</td>
<td>Low risk</td>
<td>Creating new subsidiary with own identity</td>
</tr>
<tr>
<td>Competition</td>
<td>Medium risk</td>
<td>Acquisition of Zero’s available competencies and resources</td>
</tr>
<tr>
<td>Continued disruptive economic policies</td>
<td>Medium risk</td>
<td>Diversified geographic portfolio and manufacturing facilities</td>
</tr>
</tbody>
</table>
Conclusion

DELIA WARREN
## What Success Looks Like

<table>
<thead>
<tr>
<th>Objective</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase ridership</td>
<td>EV lightweight focus captures new riders in Asia Pacific</td>
</tr>
<tr>
<td>Innovation and new product offerings</td>
<td>Establish new manufacturing facility to service Asia Pacific</td>
</tr>
<tr>
<td>Grow international business</td>
<td>Acquire Zero Motorcycle to gain EV experience and move towards industry leadership</td>
</tr>
<tr>
<td>Improve return on invested capital</td>
<td>Profitable by Y3</td>
</tr>
<tr>
<td>Emphasis on Sustainability</td>
<td>Remain true to roots while hedging against industry disruption</td>
</tr>
</tbody>
</table>
Questions?

THANK YOU
Financial Assumptions

- Acquisitions are 2x the sales revenues
Contingency Plan

Shift focus to Brazil

- Limited major competition (Honda, Yamaha)
- Above global average ridership of motorcycles compared to mopeds
- Existing manufacturing plant
- Relatively low import tariffs in comparison to some other countries
- Increased customer purchasing power
- Large population of young professionals