

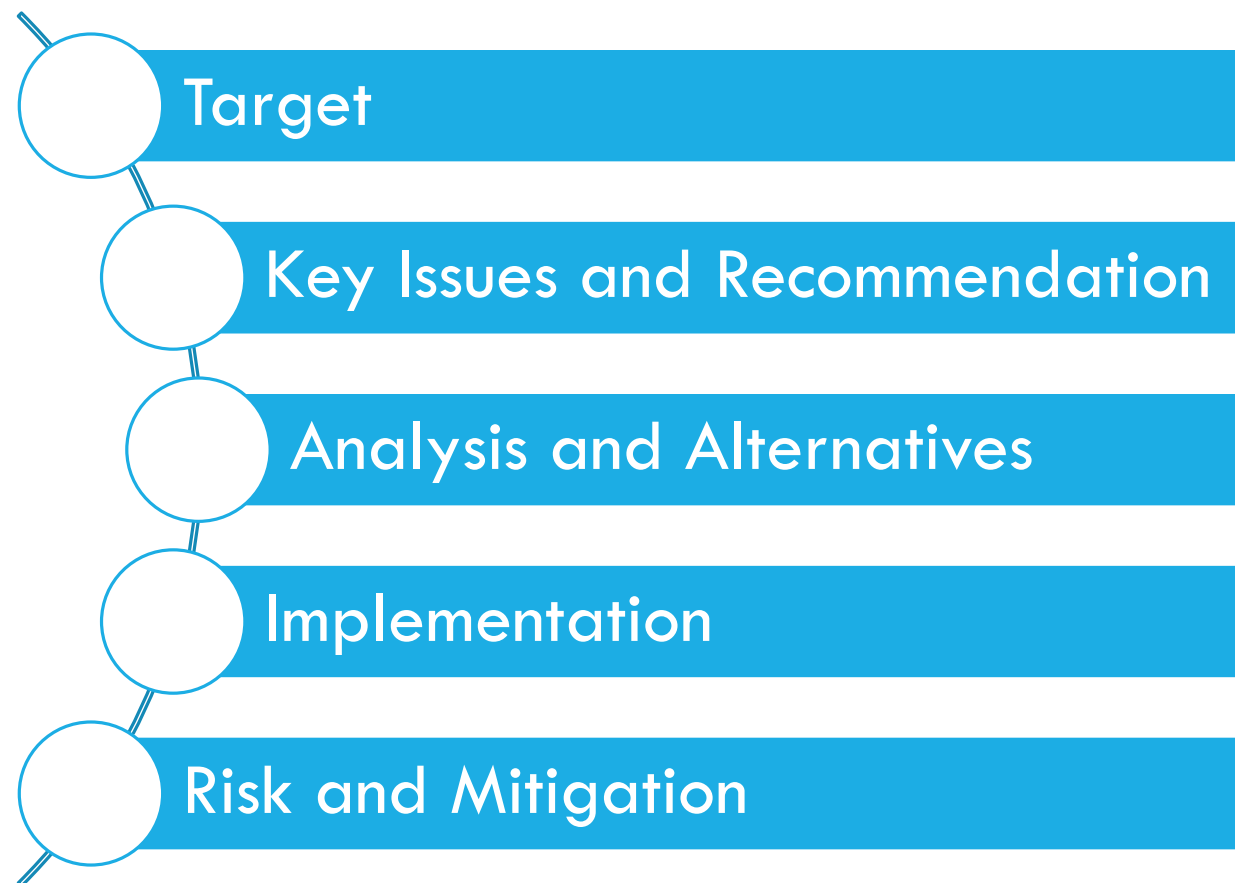


**EMBRACE THE CHANGE , EMBRACE DISRUPTION TO
OUT PERFORM 2027 STRATEGY
PROPOSAL TO MEMBERS OF BOARD, HARLEY DAVIDSON**

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AGENDA

HARLEY DAVIDSON



TARGET

We are going to achieve!

Disruption-Oriented Strategy to Outperform 2027
Strategy with an Increase of \$3B of incremental REV.

KEY ISSUES

Embracing or Defending against the Disruption?

- **Disrupted Tech**
- **Disrupted Policy(Tax/O-Emission)**
- **Disrupted Consumers**

RECOMMENDATION

Embracing the Disruption!

Disrupted Tech	Disrupted Policy(Tax/O-Emission)	Disrupted Consumers
<ul style="list-style-type: none"> • New Product • EV • Bike 	<ul style="list-style-type: none"> • New Centers • New factory 	<ul style="list-style-type: none"> • Region Reposition

TARGET AT ASIAN MARKET WITH INNOVATIVE PRODUCT

Target

Key Issues

Recommendation

Analysis

Alternatives

Implementation

Risk and Mitigation

ANALYSIS

Technology Landscape

Brands	Power system	Smart Control Panel	Motorcycle Weight	Mechanically responsive	Self-balance	Coming
Harley	Combustion Engineer	NA	Heavy	NA	NA	Electrics
Asian Brands	<ul style="list-style-type: none"> ○ Mix ○ Electrics 	<ul style="list-style-type: none"> ○ Android system ○ Led Screen 	<ul style="list-style-type: none"> ○ Medium ○ Light 	(Bio-Tech):Voice and Gesture recognizing	Additional part	<ul style="list-style-type: none"> ○ Navigation system ○ Entertainment system(Music Player)
Euro Brands	<ul style="list-style-type: none"> ○ Eclectics 	NA	<ul style="list-style-type: none"> ○ Medium ○ Light 	NA	NA	...

Harley is hitting by the big wave of technology

Development cost in Asia Pacific is far lower than US

Updating frequency is fast in Asia Pacific (Especially in China and India)

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ANALYSIS

World Trends Landscape Changes

	BEFORE	CURRENT
Technology	Traditional	New clean power
Environment Policy	NA	Emission control
Customer Image	35 and up	Whole range
Promotion Strategy	Traditional	New Channel Communication

Target

Key Issues

Recommendation



















Analysis

Alternatives

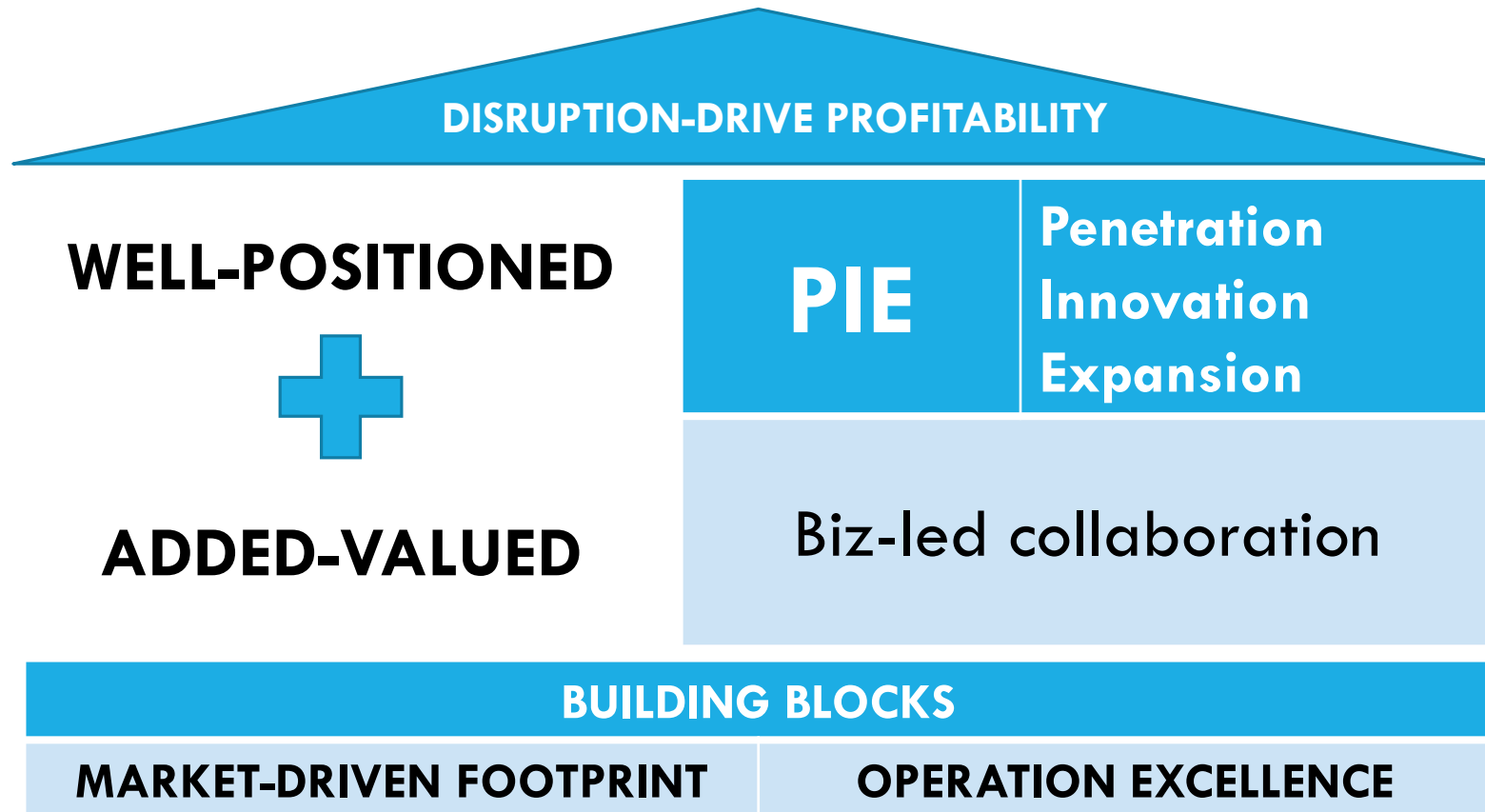
Implementation

Risk and Mitigation

ALTERNATIVES

CRITERIA	Original Plan	Adjusted Plan	M&A
POLICY			
CAPITAL			
BRAND			
GLOBALIZATION			
TECH			
RISK			

IMPLEMENTATION



**\$3B⁺ REV.
BY 2027**

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IMPLEMENTATION

Marketing heatmap

Product Territory	MOTOR 250-500CC	MOTOR 500CC+	BIKE	EV
US	Yellow	Red	Green	Green
EU	Yellow	Red	Green	Green
IN	Green	Yellow	Green	Green
CN	Green	Yellow	Green	Green
OTHERS	Green	Yellow	Green	Green

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4P Footprint

	US	EURO	INDIA	CHINA	OTHERS
PRODUCT	<ul style="list-style-type: none"> Bike EV 	<ul style="list-style-type: none"> Bike EV 	<ul style="list-style-type: none"> EV Scooter 250-500cc 	<ul style="list-style-type: none"> EV Scooter 250-500cc Share mobility 	Traditional motors
PRICE	<ul style="list-style-type: none"> Hight-end Low-end 	<ul style="list-style-type: none"> Hight-end Low-end 	High/Mid/Low end	High/Mid/Low end	Traditional mid/low ends
PLACE	<ul style="list-style-type: none"> End2end Dealer 	<ul style="list-style-type: none"> End2end Dealer 	<ul style="list-style-type: none"> Local Dealer TVS 	<ul style="list-style-type: none"> Local Dealer Da Changjiang 	Conservation way
PROMOTION	<ul style="list-style-type: none"> Nationwide Event 	<ul style="list-style-type: none"> Nationwide Event 	<ul style="list-style-type: none"> Nationwide Event 	<ul style="list-style-type: none"> T1/2 cities for EV/Bike T3/4/5 Cities for Share mobility/Scooter Biz model: online + new urban retails 	Traditional

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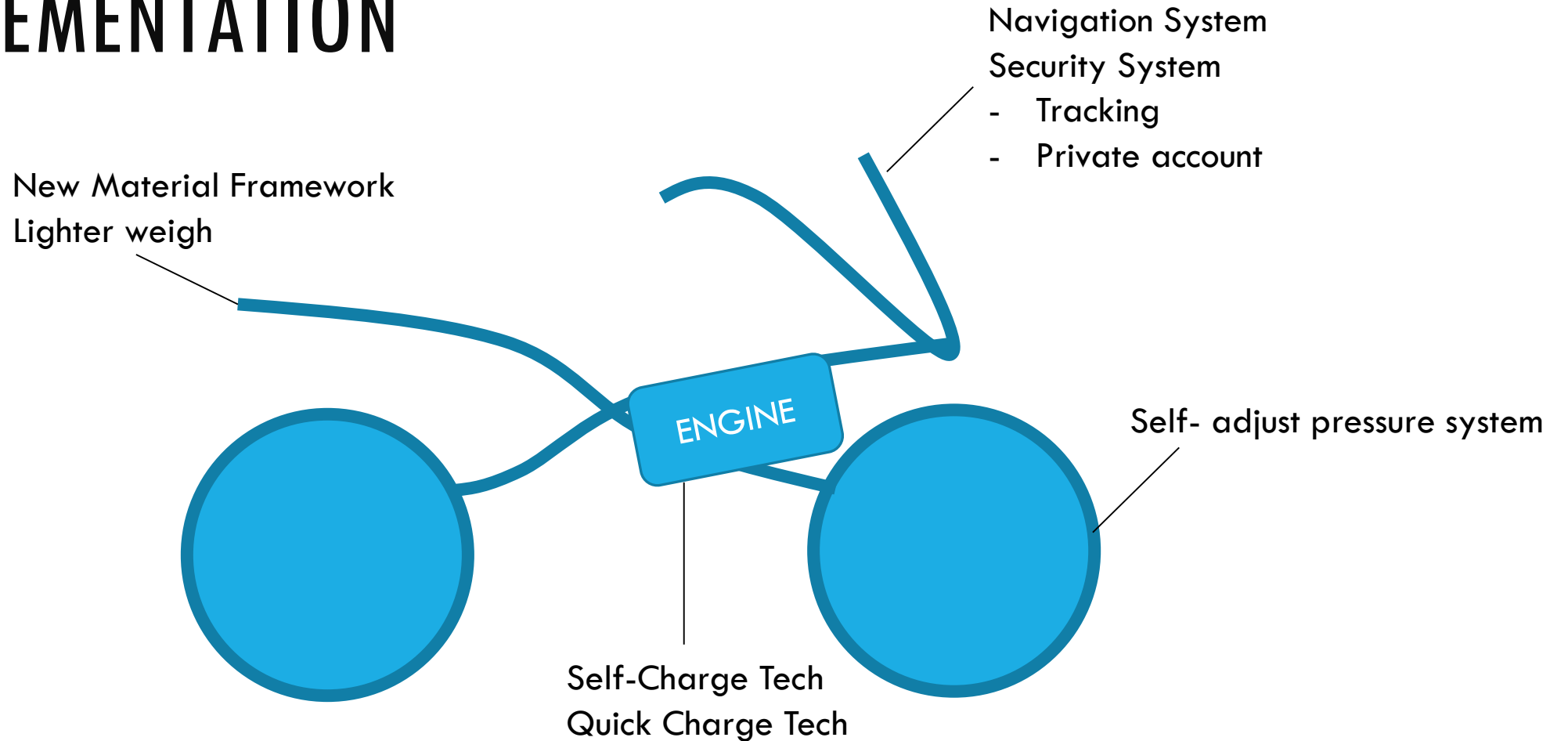
Analysis

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IMPLEMENTATION



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IMPLEMENTATION

E.G. China's Market Landscape	What we can do	Promotion Suggestion
<ul style="list-style-type: none"> • Tier-1 City Forbidden Gas motorcycle(China) • Tier-3/4 City's customers use Electric Motorcycle and Scooter Most Frequently • High Price sensitive in Asia Pacific's rural area • Government policy: 2030 no more gas vehicles 	Focus on High-class people in Tier 1 Cities	<ul style="list-style-type: none"> • Membership Club Policy • Annual Tibet trip(Start from Sichuan Province riding Harley to go across rocking roads and mountains) • Cooperation with Sport shows • Culture Icon Exhibition • Theme TV shows
	To Promote the Concept that they can relax and enjoy their "Men" time with friends in the rural area	
	Sell relative products such like Jacket, boot, glasses in your showroom and be sponsor of the out door racing and motorcycle shows	

IMPLEMENTATION--OPERATION



Target

Key Issues

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IMPLEMENTATION--OPERATION

R&D

- Product
 1. >500cc : Enhance the function to meet the demand of current customer, eg: entertainment, communication system.
 2. 250~500cc : India, China market
 3. <250cc : Especially for women's market
 4. Develop new EV, bike for USA, Euro market
- Set up a R&D center in China

LEAN Production

Procurement

New Plan

Target

Key Issues

Recommendation

Analysis

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Implementation

Risk and Mitigation

IMPLEMENTATION -- C

LEAN
Production

- Update the traditional production line
- Automation, eg: Painting process using Robotics
- Production process optimization, eg: 5S
- Built up quality system.

Procurement

New Plan

Target

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Recommendation

Analysis

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IMPLEMENTATION--OPERATION

R&D

LEAN
Production

Procurement

New Plan

- In the short run: CKD mode to JV plant
- In the long term: local buy for non-core parts, eg: oil tan, brake, rear glass

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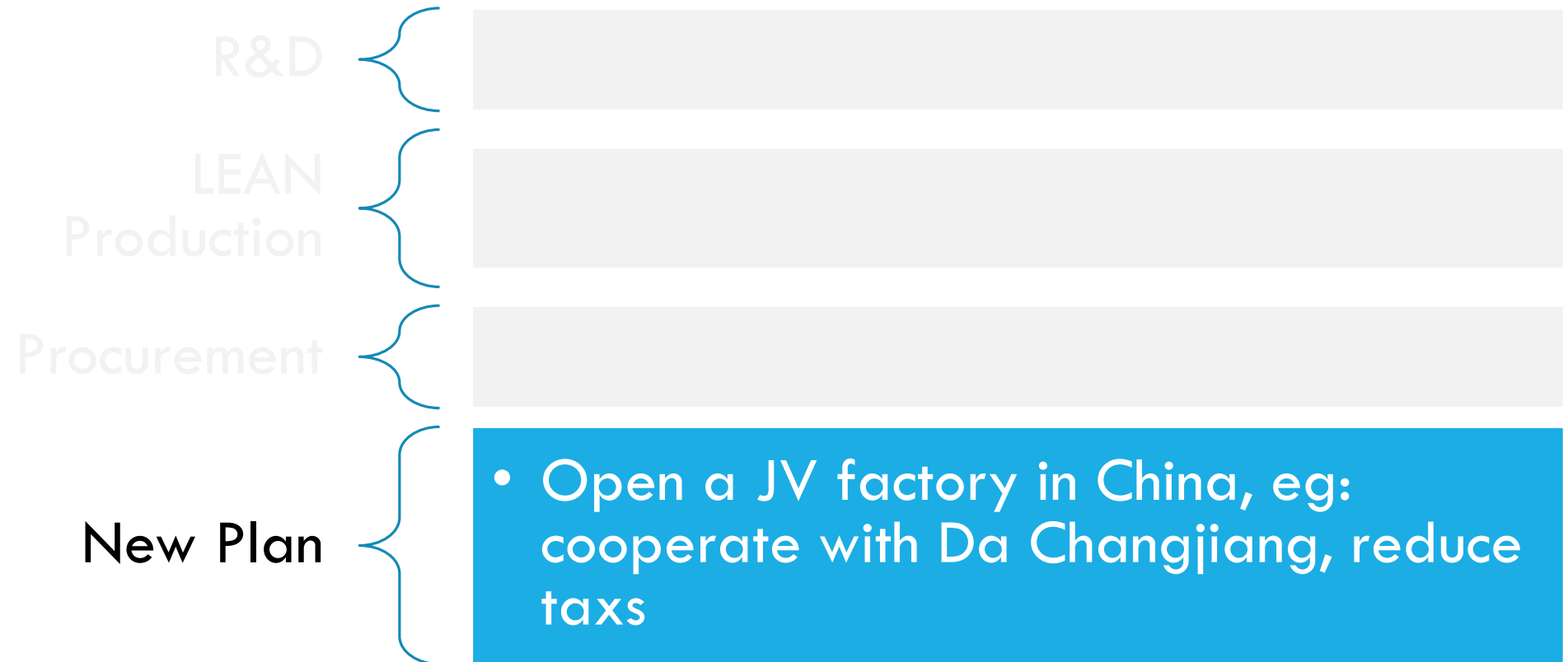
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IMPLEMENTATION--OPERATION



IMPLEMENTATION—FULFILLMENT TIMETABLE

Million in USD	Phase I				Phase II			Phase III			Budget
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Branding											50
Showroom											5
Set up distribution channel											80
On-line platform											30
Off-line events (Travell, Sports, Culture icon)											200
New JV plant											130
Set up a R & D center in China											30
										Total	525

IMPLEMENTATION--FUNDING

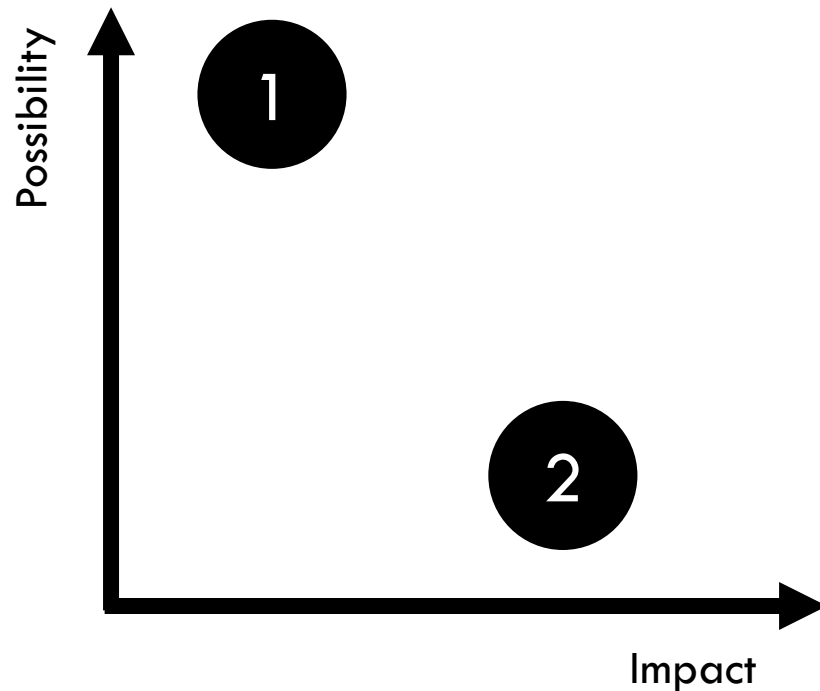
in M\$	2018	2019	2020	2021	2022
Hard cash saving	0	30	50	80	100
Funding	65	50	50	50	50

Funding market: USA, China

IMPLEMENTATION—FINANCIAL PROJECTION

In thousands USD	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue										
Total Revenue	5,929,585	6,226,064	6,537,368	6,864,236	7,207,448	7,567,820	7,946,211	8,343,522	8,760,698	9,198,733
Cost of revenue	3,545,132	3,651,486	3,761,031	3,873,862	3,990,078	4,109,780	4,233,073	4,360,066	4,490,868	4,625,594
Gross profit	2,384,453	2,574,578	2,776,337	2,990,374	3,217,370	3,458,040	3,713,138	3,983,456	4,269,830	4,573,139
Gross profit										
Sales, General and administrative	1,217,090	1,253,603	1,291,211	1,329,947	1,369,846	1,410,941	1,453,269	1,496,867	1,541,773	1,588,027
Restructuring, merger and acquisition	0	0	0	0	0	0	0	0	0	0
Other operating expense	135,093	137,795	140,551	143,362	146,229	149,153	152,137	155,179	158,283	161,448
Total operation expense	1,352,183	1,391,398	1,431,762	1,473,309	1,516,075	1,560,095	1,605,406	1,652,047	1,700,056	1,749,475
Operating income	935,826	982,617	1,031,748	1,083,336	1,137,503	1,194,378	1,254,097	1,316,801	1,382,641	1,451,774
Inteststing Expense	32,554	34,182	35,891	37,686	39,570	41,548	43,626	45,807	48,097	50,502
Other before taxes	3,687	3,798	3,912	4,029	4,150	4,275	4,403	4,535	4,671	4,811
Provision for income taxes	907,031	952,382	1,000,002	1,050,002	1,102,502	1,157,627	1,215,508	1,276,284	1,340,098	1,407,103
Net income from continuing optations	547,847	575,239	604,001	634,201	665,911	699,207	734,167	770,876	809,419	849,890
Net income from discontinuing optations										
Net income	547,847	575,239	604,001	634,201	665,911	699,207	734,167	770,876	809,419	849,890
Earnings per share										
Basic	3.18	3.34	3.51	3.68	3.87	4.06	4.26	4.48	4.70	4.94
Diluted	3.17	3.33	3.50	3.67	3.85	4.05	4.25	4.46	4.69	4.92
Weighted average shares outstanding										
Basice	180,595	189,624	199,106	209,061	219,514	230,490	242,014	254,115	266,821	280,162
Diluted	181,579	190,658	200,190	210,200	220,710	231,745	243,333	255,499	268,274	281,688
EBITDA	1,172,883	1,231,527	1,293,103	1,357,758	1,425,646	1,496,928	1,571,775	1,650,364	1,732,882	1,819,526

RISK AND MITIGATION



Risk	Mitigation
Local protection crash by Asian governments	Building factories locally or JV to avoid the policy restriction
Difficult to import to China in the next coming year	Transfer parts to the 3 rd country and finish assembling there than export to China



THANK YOU |