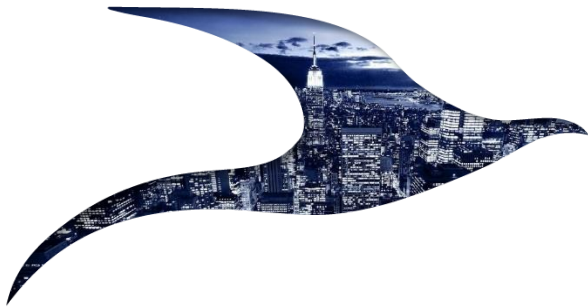
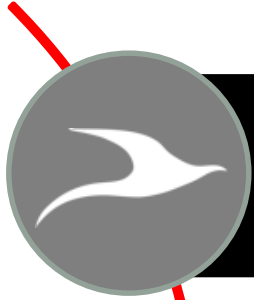




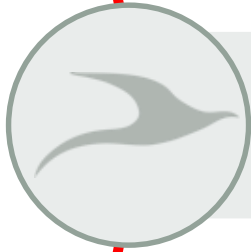
Harley Davidson Motorcycles (HOG)

Presented by Steven Gorelik
Firebird U.S. Value Fund, L.P.

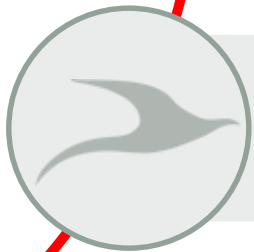




1. Firebird U.S. Value Fund Investment Approach



2. Harley Davidson - Quality



3. Harley Davidson - Value



Firebird U.S. Value Investment Approach

Quality

We invest in companies with strong moats

- What is the source of competitive advantage?
- What is the value proposition to all stakeholders?

Value

Cash flow focus

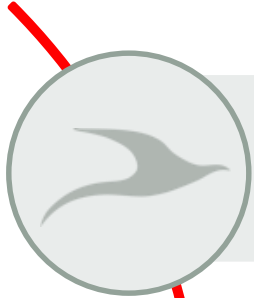
- Look at how the company generates and uses its cash
- Consider value derived from actual returns to investors (dividends + buybacks)

Macro

Macroeconomic analysis helps avoid value traps

- 20+ years of emerging market investing experience
- We don't simply "put-up with macro economics"

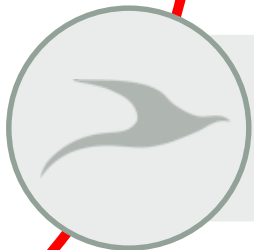




1. Firebird U.S. Value Fund Investment Approach



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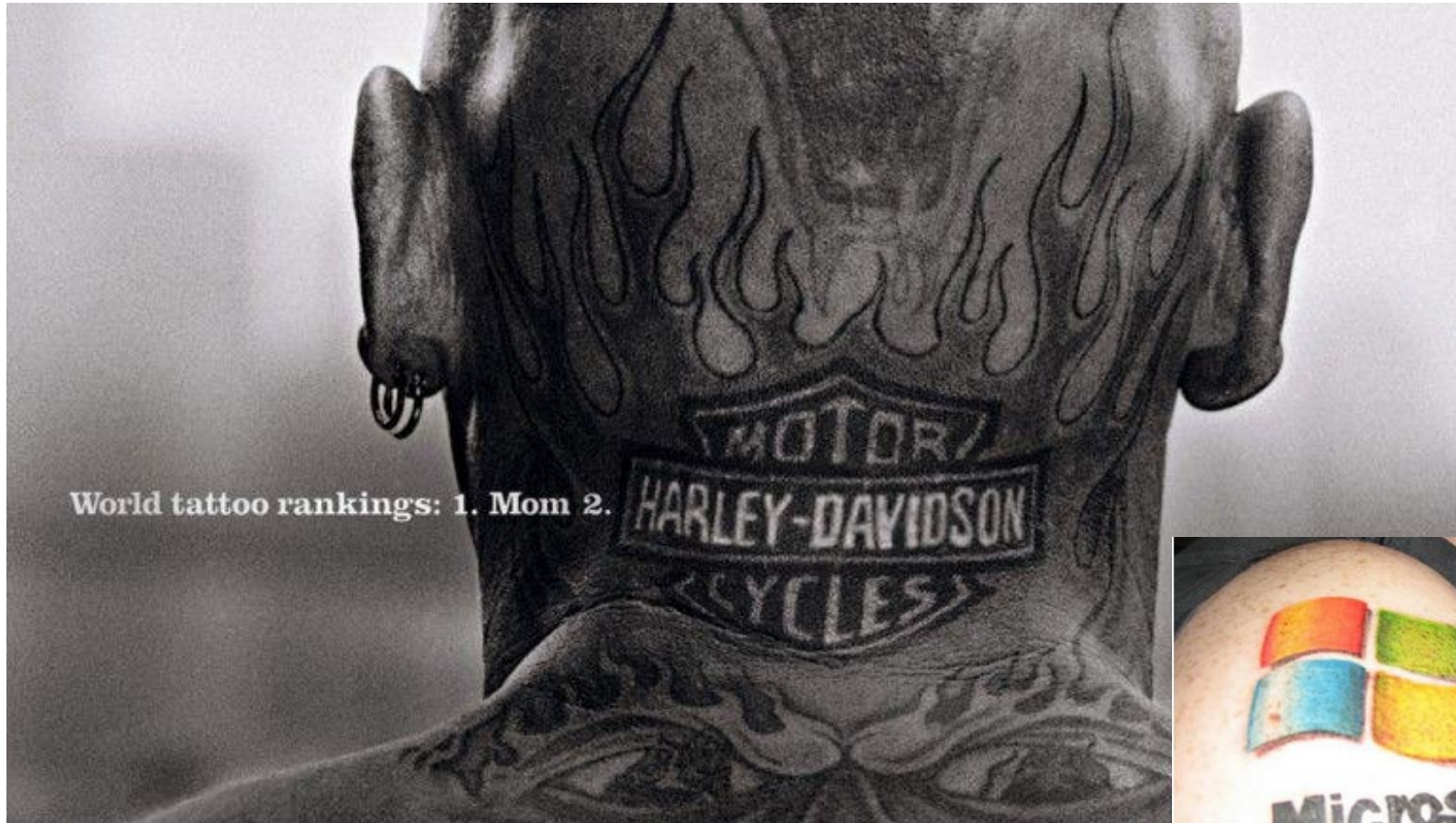
Harley Davidson

- Founded in 1903
- Name synonymous with America, motorcycles and open road
- One of the most recognizable global brands
- ~50% market share in North American large (601cc+) motorcycles
- Two great businesses wrapped into one:
 - HDFS - Finance arm with 19% ROE
 - Motorcycle manufacturing and sales - ~100% ROIC
- Most of the free cash flow is returned to shareholders
 - Over \$4B in dividends in Buybacks since 2011 – 50% of current market cap



Harley Davidson Brand Recognition

- One of the few brands that people are willing to tattoo on themselves



Harley Davidson Brand Recognition (cont'd)

- Customers buy lifestyle, not a bike
 - Harley's sell for 30% more than Japanese equivalents
 - Brand Value is constantly reinforced through licensing and cross-branding

Significant floor space in each dealership is devoted to apparel



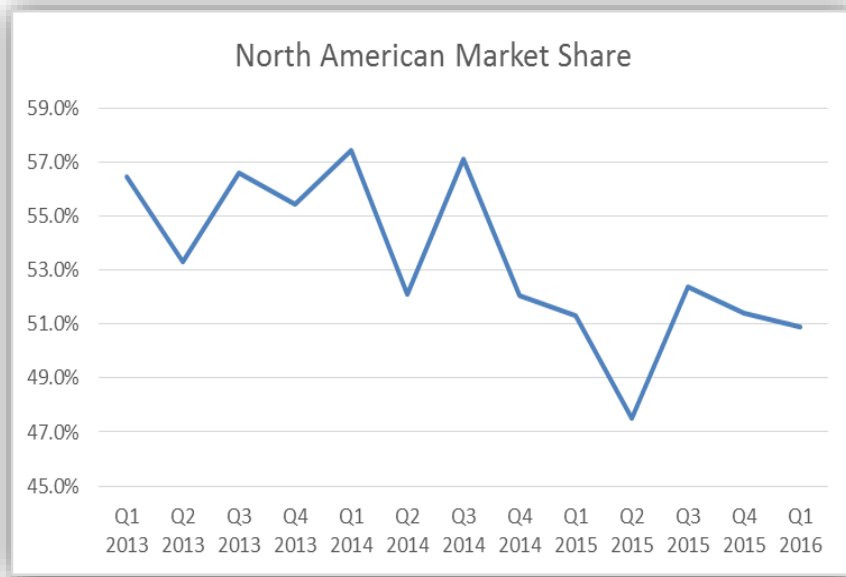
TV Shows/ Movies such as Sons of Anarchy reinforce brand appeal



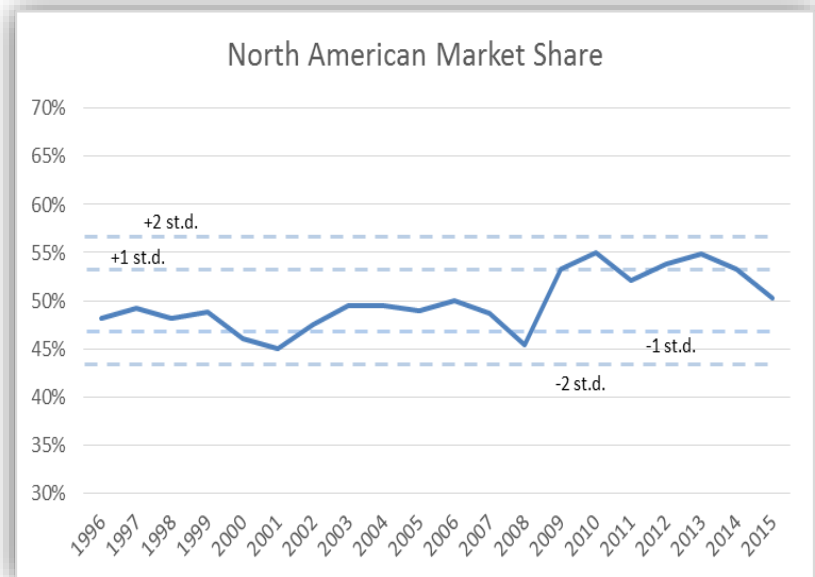
Harley Davidson Market Share

- HD consistently sells 1 out of 2 large bikes in North America
 - Dominant market share drives superior margins and ROIC
 - Analysts focusing on quarterly moves in market share are missing the big picture
 - Current market share moves are less than 1 standard deviation away from historical averages

While quarterly market share movements show signs of deterioration....

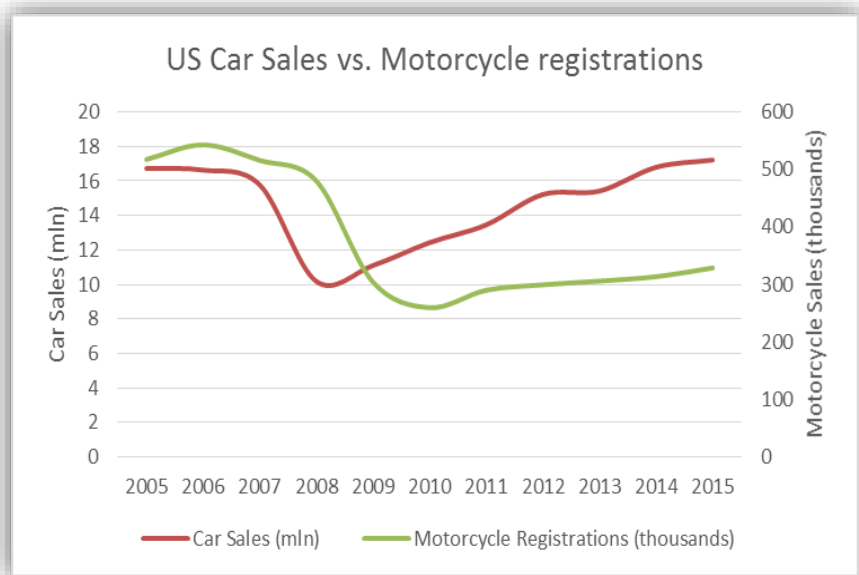


...20-year view shows how stable brand really is



Motorcycle Market

- U.S. Motorcycle Sales are still 40% below 2006 peak
- Growth accelerated in 2015 to 4.8% driven by higher disposable income and lower unemployment
- Fears of generational shift away from motorcycles seem overblown for now
- Harley sells more motorcycles now to “outreach” categories than ever



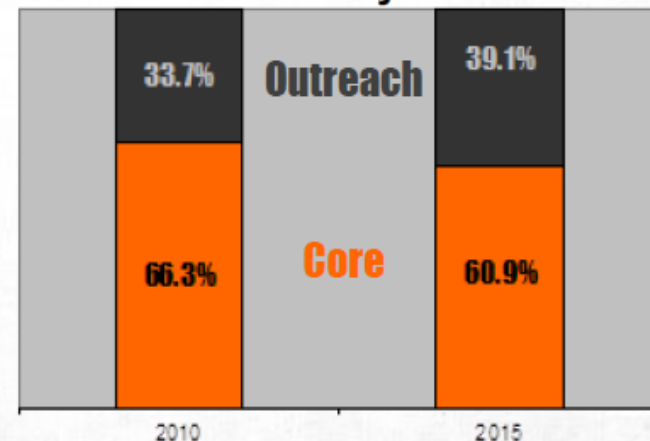
Source: Company Data, Bloomberg



Continue US outreach success

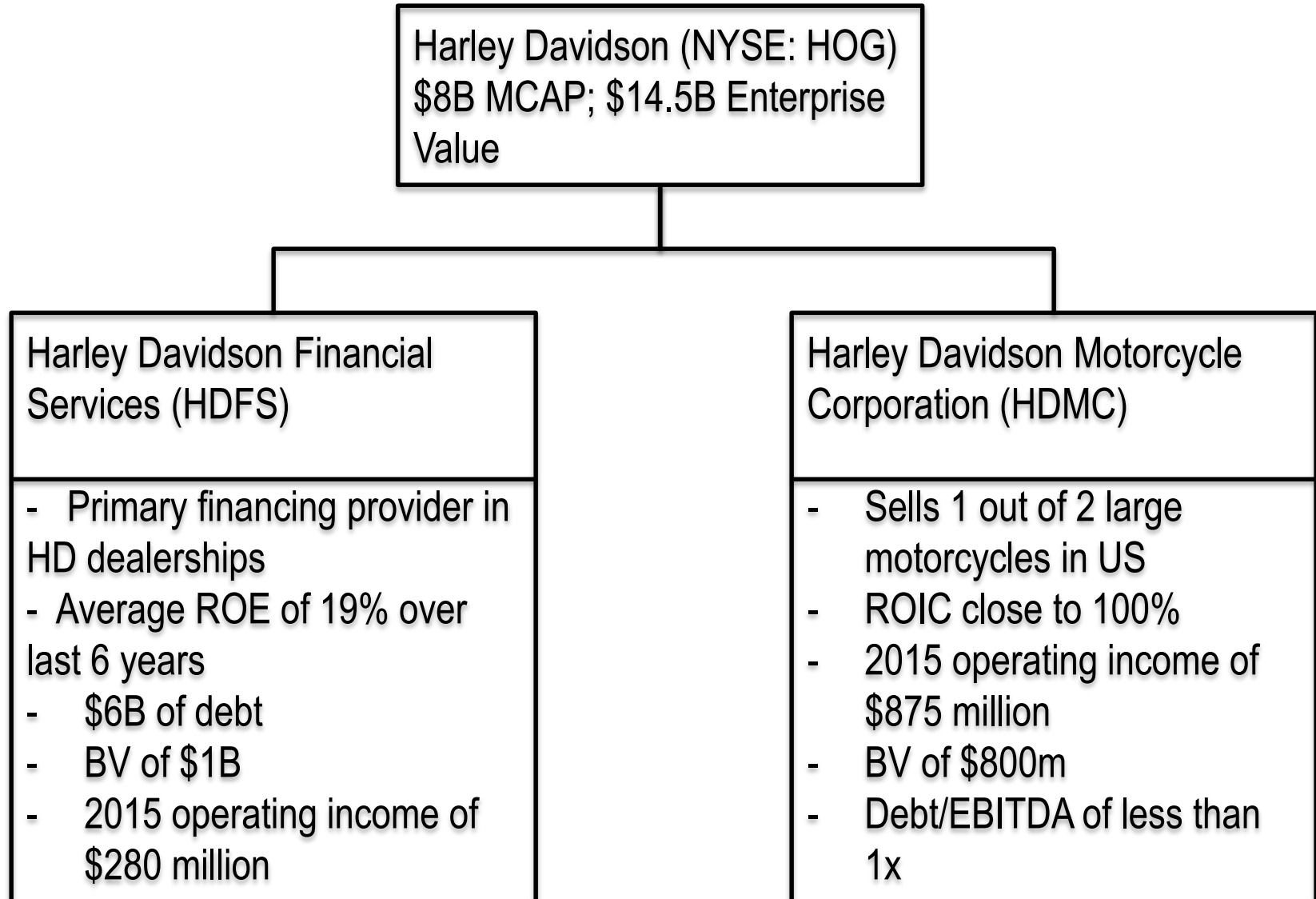
- 7% CAGR to Outreach since 2010
- #1 in sales to young adults, African Americans, Hispanics, women
- More sales to young adults today than to Boomers when they were 18-34

H-D New Motorcycle Purchasers



Source: Company data

HOG – Two Great Business (not one)



Harley Davidson Financial Corporation

- **Exists to generate profit, not subsidize motorcycle business**
- **Primary financing option for new Harley Davidson purchases**
 - Finances 1 out of 2 bikes sold in the dealership; only option for subprime buyers
 - Provides wholesale funding to dealerships
- **HDFS as a bank**
 - Lends at ~7.5%, borrows at 2%
 - Accelerated interest amortization schedule results in ~6% NIM
 - Cost of Risk ~1.5%; 90 day past due provision coverage – 4.5x
 - Cost Income of 20%
- **High ROE, despite relatively low leverage**
 - Average historical ROE of 19%
 - Equity over assets = 17%, compared to less than 10% for a typical bank



Harley Davidson Motorcycle Corporation

➤ **Consistently high operating profitability**

- Customers are not price sensitive; revenues per motorcycle grow about 3% per year
- Brand image reduces need for marketing spend
- Operating Margin of 15%
- ROIC of 100%

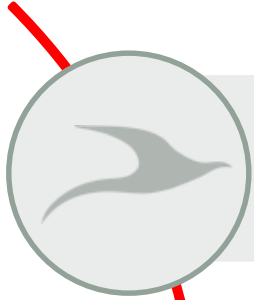
➤ **EBITDA of ~ \$1 billion**

- Requires no capital expenditures beyond maintenance CapX of ~\$250 million per year
- Free cash flows are paid out via dividends and buybacks yielding 10%+ to current market value

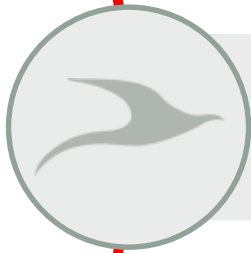
➤ **Market sees much higher multiple due to the consolidation of financial services debt**

- Total debt \$7 billion
- Non-financial debt \$700 million – same as cash





1. Firebird U.S. Value Fund Investment Approach



2. Harley Davidson - Quality



3. Harley Davidson - Value



Harley Davidson Value

- HDFS is worth approximately \$2.5B as a standalone business
 - Market values specialty finance companies at about 1x BV for each 8% of sustainable ROE

HDFC 5yr Average ROE	19%
Assumed P/B	2.4x
Book Value	\$ 1,042.62
Estimated Value	\$ 2,502.28

- Motorcycle business is effectively trading at 5.4x EV/EBITDA

Total Debt	\$ 6,890.39
Financial Debt	\$ 6,143.45
Net Debt	\$ 746.93
Cash	\$ 767.40
Net Debt	\$ (20.47)
Market Cap	\$ 8,371.34
Market Cap (ex- financials)	\$ 5,869.06
EV	\$ 5,848.59
Ebitda (ex-financials)	\$ 1,073.56
EV/EBITDA (ex - financials)	5.4x
<i>ROIC</i>	<i>115%</i>

Market Value as of 6/7/2016; Financials as of 12/31/2015



FCF Generation and Use

- Harley Davidson generated over \$6 billion in operating cash flow since 2010
 - Spent \$1.3B on Maintenance CapX and one small acquisition
 - Remainder was paid out to shareholders

	2010	2011	2012	2013	2014	2015
EBITDA	\$ 979.3	\$ 1,078.4	\$ 1,197.6	\$ 1,320.8	\$ 1,460.3	\$ 1,353.8
Operating Cash Flow	\$ 1,163.4	\$ 885.3	\$ 801.5	\$ 977.1	\$ 1,146.7	\$ 1,100.1
CapX	\$ (170.8)	\$ (189.0)	\$ (189.0)	\$ (208.3)	\$ (232.3)	\$ (260.0)
M&A						\$ (59.9)
FCF after CapX	\$ 992.6	\$ 696.3	\$ 612.5	\$ 768.8	\$ 914.4	\$ 780.2
Dividends	\$ (94.1)	\$ (111.0)	\$ (141.7)	\$ (187.7)	\$ (238.3)	\$ (249.3)
Buybacks	\$ (1.7)	\$ (224.5)	\$ (311.6)	\$ (479.2)	\$ (615.6)	\$ (1,537.0)
Total Cash Returned	\$ (95.9)	\$ (335.6)	\$ (453.3)	\$ (666.9)	\$ (853.9)	\$ (1,786.3)
% of current MCAP	1%	4%	5%	8%	10%	21%

Source: Company Financials; % of current MCAP calculated as of 6/7/2016

- Annual FCF yield is over 8% compared to < 2% for 10 yr treasuries
 - 3% dividend yield
 - Shares outstanding down by 22% since 2011
 - Current buyback authorization for up to 15% of shares outstanding



Valuation and IRR

- Each position in Firebird U.S. Value Fund is considered based on the long-term IRR that includes dividends and share buybacks
- Harley Davidson 5 year IRR is estimated at ~16% once intermediate cash flows are taken into account*

IRR

Date	6/7/2016	5/31/2016	5/31/2017	5/31/2018	5/31/2019	12/31/2019
Purchase Price	(8,699)					
Dividend		260	227	229	224	
Buyback		422	496	529	560	
Exit MCAP @ avg. comps multiple						10,951
Total CFs	(8,699)	682	723	758	784	10,951
IRR	16.6%					

- Current Fair Market Value of HOG is \$65-\$70 per share (40% to 50% upside)

	2016	2017	2018	2019
FCF	726	591	836	786
PV of CF	688	509	655	560
EV/EBITDA	5.x	6.x	7.x	8.x
FV	7,842	9,474	11,106	12,738
PV	5,582	6,743	7,905	9,067
Total Enterprise Value	7,993	9,155	10,316	11,478
Value of Financial Business (@2.4x bv)	2,502	2,502	2,502	2,502
MCAP	10,495	11,657	12,819	13,980
Price per Share	\$ 57.03	\$ 63.34	\$ 69.66	\$ 75.97
Upside from Current	25%	39%	53%	67%



Summary & Contact

- Name synonymous with motorcycles
- Conservative financial business with 19% average ROE
- Perceived problems are temporary or non-existent
- 8% of current price returned via dividends and buybacks
- Leverage of financial business hides how cheap company really is
- Estimated 40% upside from current price
- Estimated 16% IRR for the long term investor



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Appendix: HDFS Selected Historical Financials

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Interest Income	\$ 278.70	\$ 294.38	\$ 303.52	\$ 420.48	\$ 635.21	\$ 598.68	\$ 583.70	\$ 575.65	\$ 585.19	\$ 605.77	\$ 647.16	\$ 679.52	\$ 713.50	\$ 749.17
% of receivables	9.9%	9.8%	7.7%	8.5%	11.1%	9.9%	9.9%	9.6%	9.2%	8.9%	9%	9%	9%	9%
Other Income	\$ 106.20	\$ 121.82	\$ 73.45	\$ 74.30	\$ 47.50	\$ 50.77	\$ 54.22	\$ 65.93	\$ 75.64	\$ 80.89	\$ 76.08	\$ 79.88	\$ 83.87	\$ 88.07
as % of interest	38%	41%	24%	18%	7%	8%	9%	11%	13%	13%	12%	12%	12%	12%
Financial Services Revenue	\$ 384.90	\$ 416.20	\$ 376.97	\$ 494.78	\$ 682.71	\$ 649.45	\$ 637.92	\$ 641.58	\$ 660.83	\$ 686.66	\$ 723.24	\$ 759.40	\$ 797.37	\$ 837.24
Interest Expense	\$ 59.80	\$ 81.48	\$ 136.76	\$ 283.63	\$ 272.48	\$ 229.49	\$ 195.99	\$ 165.49	\$ 164.48	\$ 161.98	\$ 188.91	\$ 198.36	\$ 208.27	\$ 218.69
% of debt			3.7%	6.6%	5.3%	4.2%	3.8%	3.4%	3.1%	2.8%	3%	3%	3%	3%
<i>NIM</i>			4.0%	1.9%	5.8%	5.7%	6.1%	6.2%	6.1%	6.1%	6.0%	6.0%	6.0%	6.0%
Provisions for credit losses	\$ 5.90	\$ 11.25	\$ 39.56	\$ 169.21	\$ 93.12	\$ 17.03	\$ 22.24	\$ 60.01	\$ 80.95	\$ 101.35	\$ 107.36	\$ 112.73	\$ 118.37	\$ 124.28
as % of average receivables		0.4%	1.0%	3.4%	1.6%	0.3%	0.4%	1.0%	1.3%	1.5%	1.5%	1.5%	1.5%	1.5%
Operating Expenses	\$ 108.50	\$ 111.30	\$ 117.89	\$ 128.22	\$ 135.23	\$ 143.81	\$ 135.01	\$ 132.99	\$ 137.57	\$ 143.13	\$ 151.29	\$ 158.85	\$ 166.79	\$ 175.13
Cost/Income	0.28	0.27	0.31	0.26	0.20	0.22	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21
Operating Income	\$ 210.70	\$ 212.17	\$ 82.77	\$ (86.28)	\$ 181.87	\$ 259.11	\$ 284.69	\$ 283.09	\$ 277.84	\$ 280.21	\$ 275.68	\$ 289.47	\$ 303.94	\$ 319.14
Fully Taxed	\$ 136.96	\$ 137.91	\$ 53.80	\$ (56.08)	\$ 118.22	\$ 168.42	\$ 185.05	\$ 184.01	\$ 180.59	\$ 182.13	\$ 179.19	\$ 188.15	\$ 197.56	\$ 207.44
ROE			5.9%	-6.3%	13.2%	17.5%	19.2%	19.7%	19.0%	18.0%	17.0%	17.4%	17.8%	18.2%
VIE														
Finance Receivables					3,383.4	2,863.6	2,101.6	1,537.3	1,426.4	1,573.7				
% of total		0.0%	0.0%	0.0%	56.2%	49.5%	36.3%	25.6%	22.2%	22.9%				
Debt					2,755.2	2,087.3	1,447.8	1,256.6	1,271.5	1,463.2				
% of total		0.0%	0.0%	0.0%	47.9%	36.5%	28.4%	23.9%	23.1%	21.2%				
Net Receivables	\$ 2,827.3	\$ 3,201.6	\$ 4,679.6	\$ 5,207.2	\$ 6,191.2	\$ 5,912.1	\$ 5,889.5	\$ 6,110.3	\$ 6,560.2	\$ 7,015.3	\$ 7,366.1	\$ 7,734.4	\$ 8,121.1	\$ 8,527.2
Growth		13.2%	46.2%	11.3%	18.9%	-4.5%	-0.4%	3.7%	7.4%	6.9%	5%	5%	5%	5%
Provisions	\$ 27.3	\$ 30.3	\$ 40.1	\$ 150.1	\$ 173.6	\$ 125.4	\$ 107.7	\$ 110.7	\$ 127.4	\$ 147.2				
% of receivables	1.0%	0.9%	0.8%	2.8%	2.7%	2.1%	1.8%	1.8%	1.9%	2.1%				
Receivables more than 90 days past due	\$ 6.5	\$ 8.4	\$ 25.0	\$ 26.8	\$ 35.7	\$ 28.4	\$ 28.0	\$ 24.8	\$ 28.9	\$ 32.8				
% of receivables	0.2%	0.3%	0.5%	0.5%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%				
90 day coverage	4.20	3.63	1.61	5.60	4.86	4.42	3.84	4.46	4.40	4.49				
Liabilities														
Debt			\$ 3,733.29	\$ 4,831.17	\$ 5,449.36	\$ 5,419.62	\$ 4,799.65	\$ 4,956.17	\$ 5,504.63	\$ 6,143.45	\$ 6,450.63	\$ 6,773.16	\$ 7,111.82	\$ 7,467.41
Equity			\$ 912.33	\$ 856.37	\$ 940.21	\$ 986.54	\$ 941.08	\$ 929.22	\$ 975.85	\$ 1,042.62	\$ 1,069.50	\$ 1,097.72	\$ 1,127.35	\$ 1,158.47

Source: Company Data



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