

Q2 2023 Results

Thursday, July 27, 2023



Q2 2023 RESULTS – EARNINGS CALL

Call Participants

- Jochen Zeitz, Chairman, President and CEO
- Jonathan Root, Chief Financial Officer
- Edel O’Sullivan, Chief Commercial Officer
- Karim Donnez, CEO – LiveWire (NYSE: ‘LVWR’)
- Shawn Collins, Director Investor Relations



Q2 2023 RESULTS – PERFORMANCE HEADLINES

- Strategy remains grounded in desirability and profitability
- 120th Anniversary events in Budapest and Milwaukee reinforced overall brand strength
- Introduced two new CVO motorcycles, as well as new models in the Enthusiast and Icons collections
- HDMC Gross Margin 34.8%, an increase of 400 basis points
- HDMC Revenue declined 4% behind a 10% decrease in wholesale shipments related to an unplanned production suspension
- HDFS Revenue increased 19% on higher interest income and increased investment income
- Repurchased $73 million of shares (2.1 million shares) on a discretionary basis



HARDWIRE STAGE II PILLARS

1. Profit Focus
2. Selective Expansion & Redefinition
3. Lead in Electric
4. Growth Beyond Bikes
5. Integrated Customer Experience
6. Inclusive Stakeholder Management

CONSOLIDATED – Q2 2023 RESULTS

Q2 2023 Results[1] ($ millions, except earnings per share)	HDMC	HDFS	LiveWire	Total HDI
Revenue	**$1,198**	**$240**	**$7**	**$1,446**
% vs PY	-4%	+19%	-44%	-2%
Operating Income (Loss)	**$194**	**$59**	**($32)**	**$221**
Margin %	16.2%	24.5%	NM	15.3%
% vs PY	-8%	-31%	NM	-20%
Net Income Attributable to HDI				**$178**
Margin %				12.3%
Diluted EPS				**$1.22**
% vs PY				-16%

[1] "NM" means non-meaningful

CONSOLIDATED – YTD 2023 RESULTS

Q2 2023 Results[1] ($ millions, except earnings per share)	HDMC	HDFS	LiveWire	Total HDI
Revenue	**$2,756**	**$463**	**$15**	**$3,234**
% vs PY	+8%	+17%	-35%	+9%
Operating Income (Loss)	**$530**	**$117**	**($57)**	**$591**
Margin %	19.2%	25.3%	NM	18.3%
% vs PY	+23%	-32%	NM	+4%
Net Income Attributable to HDI				**$482**
Margin %				14.9%
Diluted EPS				**$3.27**
% vs PY				+12%

[1] "NM" means non-meaningful

WORLDWIDE RETAIL SALES AND INVENTORY

Excludes LiveWire Units

Retail Sales

Retail Motorcycle Sales of H-D Motorcycles (vs. PY)

	Q2	YTD 2023
North America	+1%	-7%
EMEA	-6%	-6%
Asia Pacific	+24%	+13%
Latin America	+4%	-11%
Worldwide	+3%	-4%

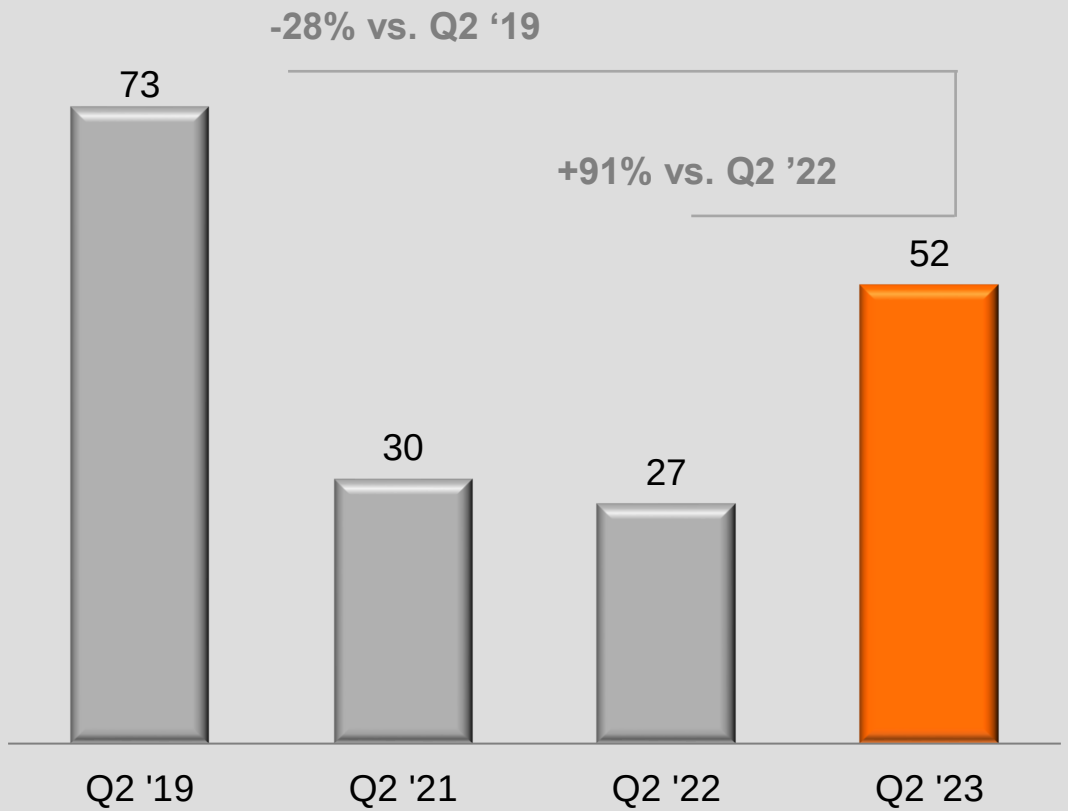
Market Share

New 601+CC Market Share

	Q2	YTD 2023
H-D U.S. Share[1]	35%	37%
- H-D U.S. Touring	67%	69%
- H-D U.S. Large Cruiser	77%	78%
H-D Europe Share[1]	4%	5%

Average Dealer Inventory Units

Worldwide Harley-Davidson Dealer Inventory Units
(Thousands)[2]

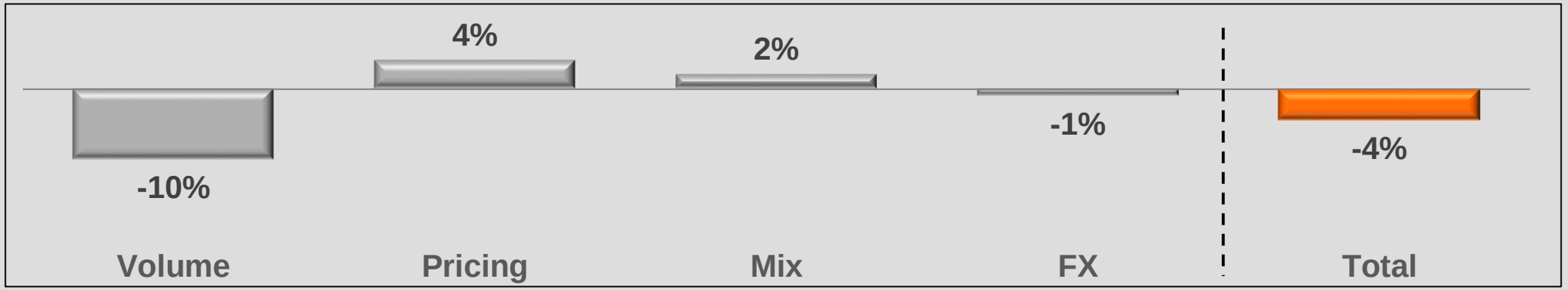


[1] Source: Motorcycle Industry Council (MIC) for U.S. share and Management Services Helwig Schmitt GmbH for Europe share.
[2] Dealer inventory units – using 4-point average for each quarter – at Day 1, 30, 60, 90 of each quarter divided by 4-points.

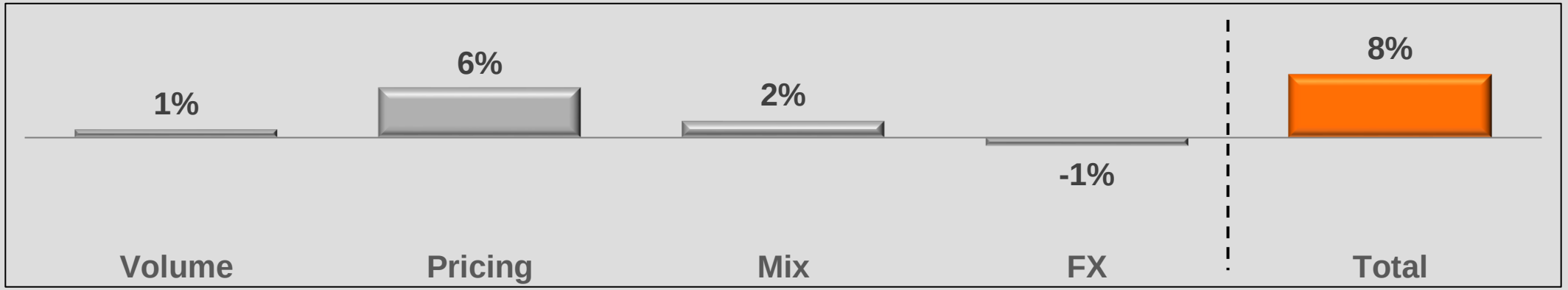
HDMC REVENUE BRIDGE

Excludes LiveWire Results

Q2 HDMC Revenue Bridge[1]



YTD HDMC Revenue Bridge[1]



[1] Q2 HDMC Revenue Bridge compares Q2 2023 results to Q2 2022 results on a year-over-year basis; YTD HDMC Revenue Bridge compares 1H 2023 results to 1H 2022 results on a year-over-year basis.

Q2 2023: HDMC OPERATING INCOME MARGIN

Excludes LiveWire Results for 2021-2023[1,2]

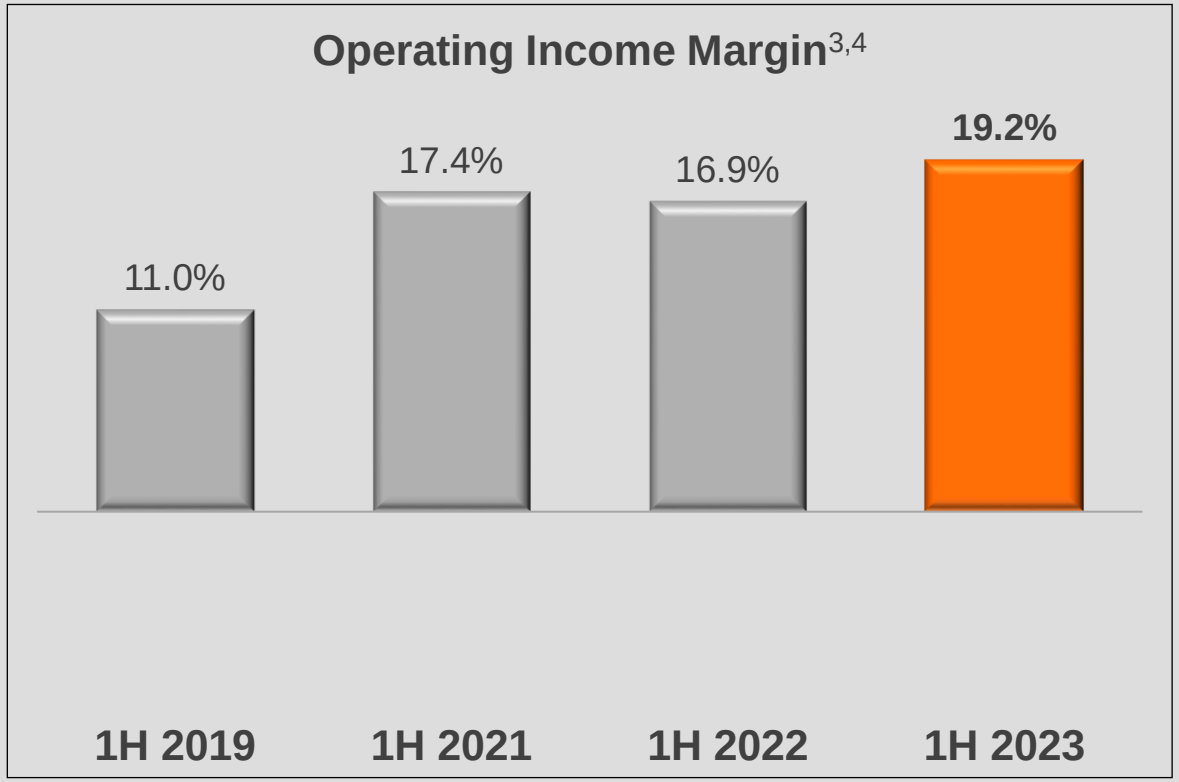


Q2 2022 Op Income Margin	16.8%	$211M
Volume	-1.9 Pts	($43M)
FX	-0.9 Pts	($13M)
Motorcycle Mix	+0.8 Pts	$14M
Pricing	+3.6 Pts	$51M
Supply Chain Costs	+1.7 Pts	$21M
Operating Expenses	-3.9 Pts	($47M)
Q2 2023 Op Income Margin	**16.2%**	**$194M**

[1] LiveWire results were previously included in the former Motorcycles and Related Products (now referred to as HDMC) segment.
[2] HDMC historical results have been updated retrospectively to exclude LiveWire results with the exception of Q2 '19 above, for accounting purposes. Q2 '19 above includes LiveWire results.
[3] In Q2 '19 and Q2 '21, Harley-Davidson paid $29M and $16M in additional EU tariffs, respectively. Q2 '19 includes $10M of restructuring.
[4] Q2 '20 results were omitted due to COVID-19 impact where Q2 '20 Op Inc Margin was -18.1%, including $41M of restructuring. Q2 '20 includes LiveWire results, for accounting purposes.

YTD 2023: HDMC OPERATING INCOME MARGIN

Excludes LiveWire Results for 2021-2023[1,2]



YTD 2022 Op Income Margin	16.9%	$430M
Volume	-0.1 Pts	$1M
FX	-1.0 Pts	($35M)
Motorcycle Mix	+1.2 Pts	$42M
Pricing	+4.5 Pts	$154M
Supply Chain Costs	+0.6 Pts	$18M
Operating Expenses	-2.9 Pts	($80M)
YTD 2023 Op Income Margin	**19.2%**	**$530M**

[1] LiveWire results were previously included in the former Motorcycles and Related Products (also referred to as HDMC) segment.
[2] HDMC historical results have been updated retrospectively to exclude LiveWire results with the exception of 1H'19 above; for accounting purposes, 1H'19 above includes LiveWire results
[3] In 1H 2020 and 1H 2021, Harley-Davidson paid $16 million and $19 million in additional EU tariffs, respectively. 1H'19 includes $24M of restructuring.
[4] 1H '20 results were omitted due to COVID-19 impact where 1H '20 Op Inc Margin was -2.1%, including $41M of restructuring and $16M of additional EU tariffs. Q2 '20 includes LiveWire results, for accounting purposes.

HDFS SEGMENT: Q2 2023 RESULTS

Summary Financials ($ millions)	**Q2 2023**	+ / - PY	% vs. PY
Revenue	**$240**	+$38	+19%
Interest Expense	$86	+$38	+80%
Provision for Credit Losses	$57	+$28	+97%
Operating Expense	$38	($1)	-5%
Total Expenses	$181	+$65	+55%
Operating Income	**$59**	($27)	-31%
Margin %	**24.5%**		

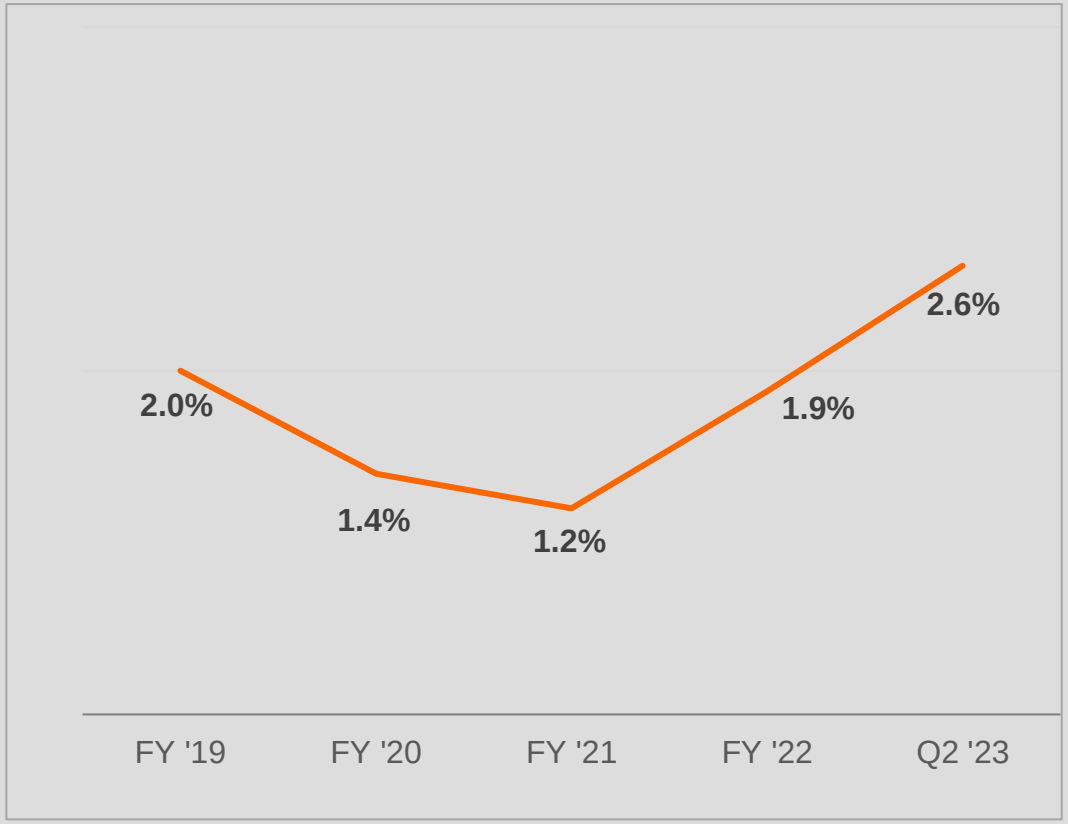
HDFS SEGMENT: YTD 2023 RESULTS

Summary Financials ($ millions)	**YTD 2023**	+ / - PY	% vs. PY
Revenue	**$463**	+$69	+17%
Interest Expense	$160	+$70	+78%
Provision for Credit Losses	$110	+$52	+89%
Operating Expense	$76	+$2	+3%
Total Expenses	$346	+$124	+56%
Operating Income	**$117**	($55)	-32%
Margin %	**25.3%**		

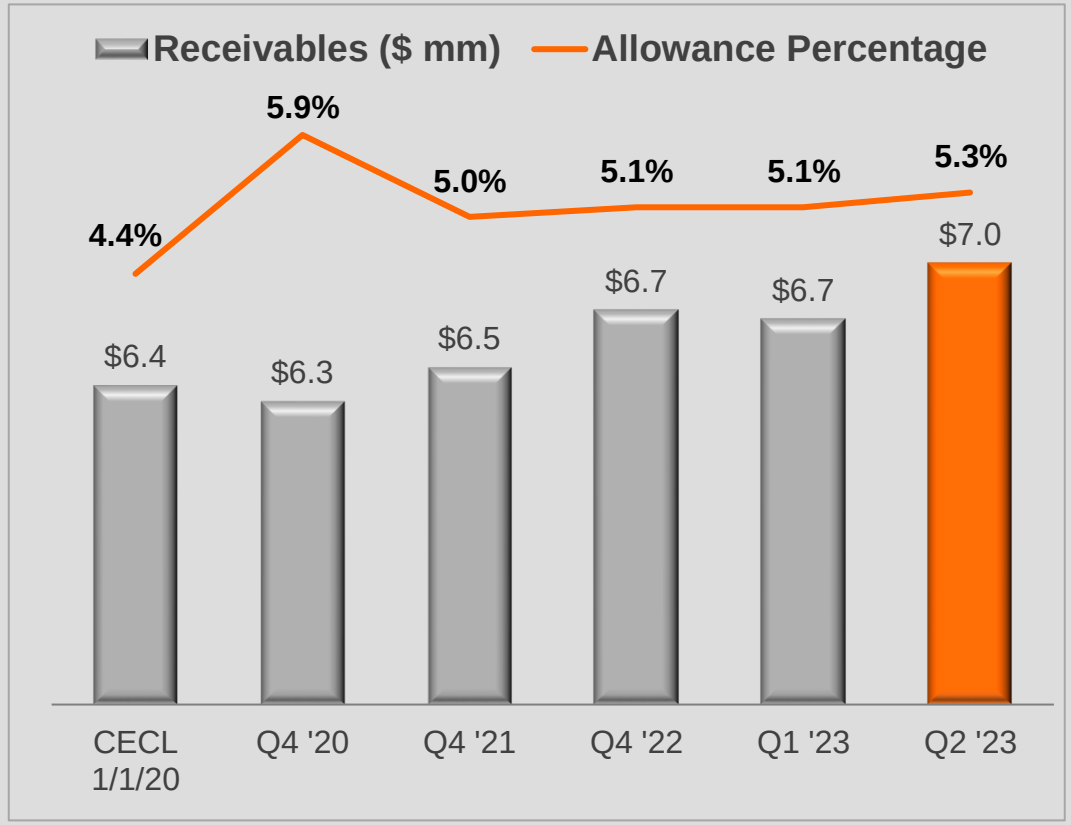
HDFS SEGMENT PERFORMANCE

Realized Retail Credit Losses[1, 2]

Annual (FY) / Annualized (Q)



Retail Finance Receivables & Allowance



[1] 2020 and 2021 results impacted by federal stimulus payments and a high volume of COVID-19 pandemic related retail loan payment due date extensions for qualified customers.
[2] Fiscal Year (FY) periods reflect 12-month periods and the corresponding credit losses in each period; Q2 '23 represents the 6-month period January 1 to June 30, 2023 and the corresponding credit loss in that period, which is then annualized for an appropriate comparison to FY periods.

HDFS FUNDING STATUS

HDFS Funding and Liquidity Position – as of end of Q2 2023

- **Completed three transactions in 2023:**
  - **$550M ABS in February**
  - **$700M 5-year MTN in March**[1]
  - **€700M 3-year MTN in April (or $760M)**
- **HDFS is ahead of its funding plan for 2023**
- **HDFS liquidity of $2.4B above 12-month threshold**

[1] MTN is short for Medium-Term Notes, which are notes that usually mature in three to 10 years.

LIVEWIRE SEGMENT: Q2 2023 RESULTS & HIGHLIGHTS[1]

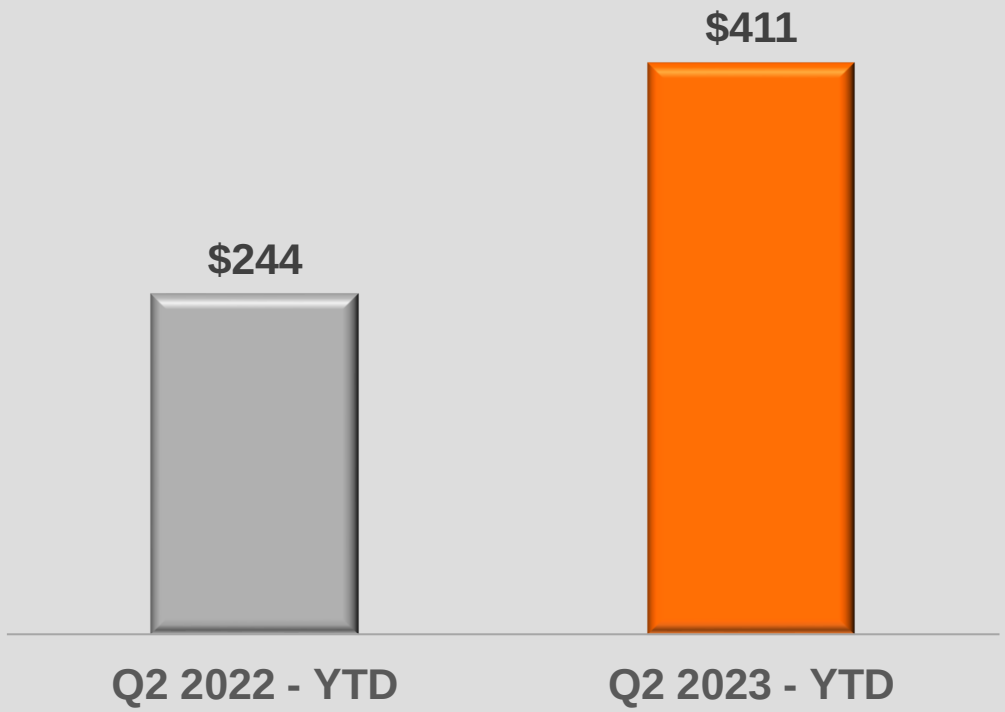
$ millions Actual Units	Q2 2022	Q2 2023	% vs PY
Motorcycle Units	225	**33**	-85%
LiveWire ONE (units) Harley-Davidson LiveWire (units)	204 21	33 0	-84% NM
Revenue	$13	**$7**	-44%
Operating Loss	($19)	**($32)**	NM

- Completing final activities for expected start of production of Del Mar motorcycle in Q3
- Continued product development on third motorcycle in LiveWire family (second on the S2 platform)
- Activated a network of 35 retail partners in France, the UK, Germany, and the Netherlands
- Operating loss resulted from planned development investments to advance EV systems
- Expect sufficient cash and liquidity available to support business plan

[1] Represents results of the LiveWire reportable segment as determined in accordance with *ASC 280 Segment Reporting* which may differ from LiveWire Group, Inc. results

CONSOLIDATED – YTD 2023 RESULTS

HDI Operating Cash Flow ($ millions) – YTD ‘23



HDI Financial Metrics – YTD ‘23

- **Capital Investments[1] – $93 million**
- **Dividends Paid – $48 million**
- **Discretionary Shares Repurchased – $156 million (4.1 million shares)**
- **Effective Tax Rate – 24%**
- **Cash & Cash Equivalents[2] – $1.5 billion**
- **Financing Raised for HDFS – $2.0 billion**

[1] Includes capital expenditures as well as $6.1 million of capital implementation costs incurred in connection with cloud computing arrangements that do not include a license to internal-use software as defined by ASU 2018-15
[2] As of June 30, 2023

2023 HARLEY-DAVIDSON, INC. GUIDANCE

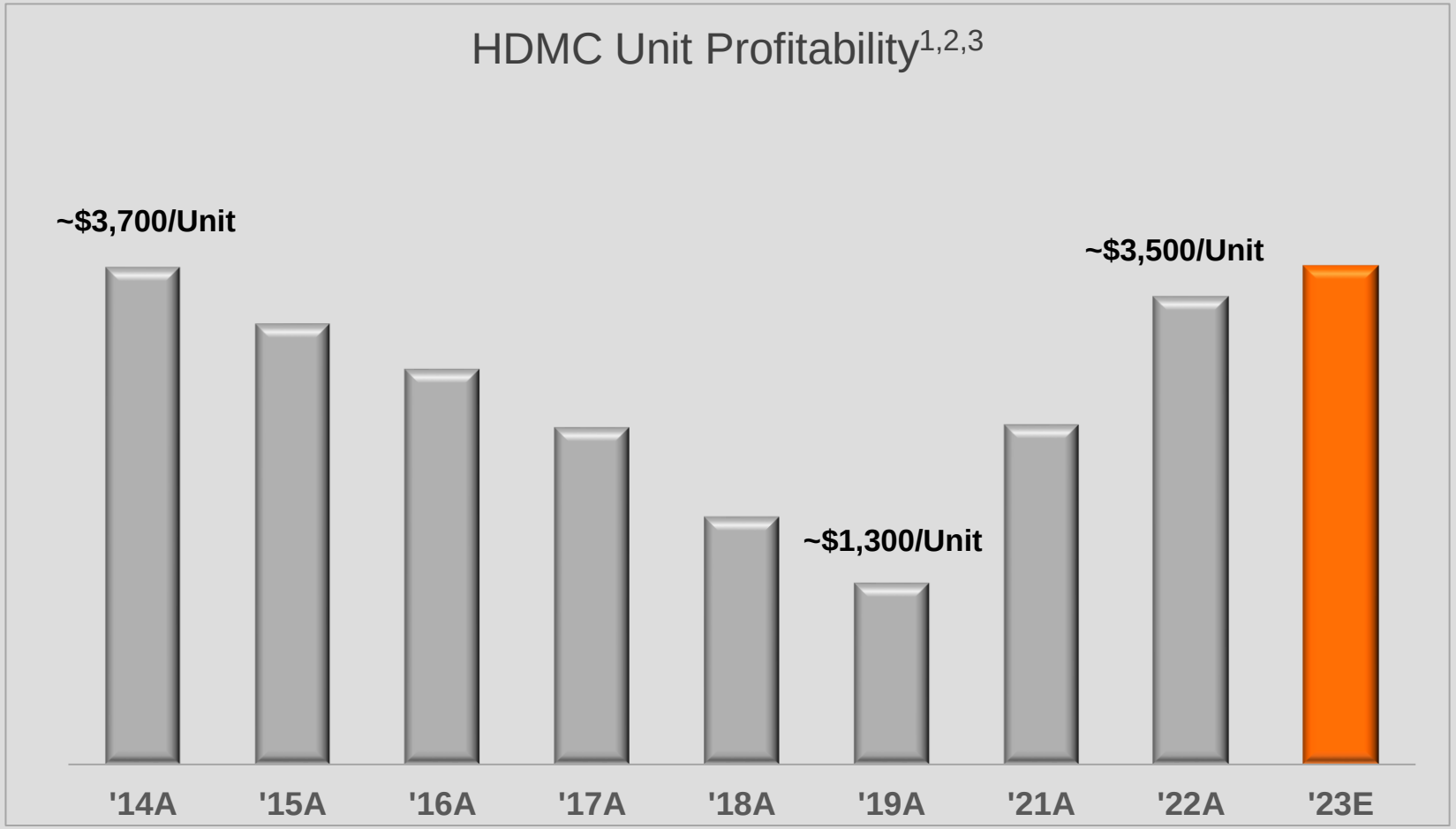
Now Expect:	Continue to Expect:	Now Expect:
HDMC	**HDFS**	**LiveWire**
Revenue Growth **Flat to +3%**	Operating Income Y-o-Y **Down 20 to 25%**	LiveWire Units **600 - 1,000**
Operating Income Margin **+13.9 to 14.3%**		Operating Loss **($115M) to ($125M)**

Continue to Expect:

Harley Davidson, Inc. Capital Investment **$225M – $250M**

EXPECT HDMC UNIT PROFITABILITY TO RETURN TO HISTORICALLY HEALTHY LEVELS

Excludes LiveWire Results for 2020-2023



Key Drivers Since 2019:

- ~23,000 fewer Wholesale units driven by strategic market exits and model pruning
- Improved profitability through reduced incentives, pricing and cost productivity
- Key drivers for 2023 include continued unit mix shift and step-up in supply chain cost productivity

[1] "HDMC – Unit Profitability is measured as HDMC Operating Income (includes Motorcycles, P&A, Apparel, Licensing, Other) divided by Wholesale Shipment Units for a given time period
[2] HDMC Operating Income excludes LiveWire results for 2020 – 2023. HDMC historical results for 2020 and later have been updated retrospectively to exclude LiveWire results.
[3] 2020A Figure is excluded where HDMC Operating Income was negative in the period as a result of COVID shutdowns and Rewire Actions; in 2020A "HDMC – Unit Profitability" was a loss of ~ $700 per unit

SUPPLY CHAIN OUTLOOK

2021 Cost of Sales $3.2B	2021 – 2023 Cost Inflation: Actual / Realized				
	2021 Actual	2022 Actual	**1H 2023 Actual**	2023 Outlook	**2023 Annual Outlook**
Tariffs, Duties, Other	> +100%	+12%	-4%	Flat to -2%	Declining ocean freight offset by warehouse & labor increases
Logistics	+3%	+5%	+2%	+2-3%	Higher labor cost
Manufacturing	+5%	+3%	+2%	+2-3%	Supplier cost increases driven by labor rates; partially offset by decline in commodity costs.
Materials					

APPENDIX: SUPPLEMENTAL INFORMATION

HARLEY-DAVIDSON FINANCIAL REPORTING: THREE SEGMENTS[1]

New in Q4 Fiscal Year 2022

HDMC	HDFS	LiveWire
Harley-Davidson Motor Company[2]	Harley-Davidson Financial Services[3]	LiveWire Group, Inc.[4]
Harley-Davidson Motorcycles, P&A, Apparel & Licensing	Financing for Both HDMC and LiveWire	LiveWire Motorcycles, STACYC

HARLEY-DAVIDSON, INC. (HOG)

[1] Harley-Davidson, Inc. or HDI is the corporate entity for the overall Company, under which HDMC, HDFS, and LiveWire operate. The Company changed its segments in the fourth quarter of 2022 to establish the LiveWire segment, which had previously been included in the former Motorcycles and Related Products (now referred to as HDMC) segment.
[2] HDMC is accountable for the design, manufacturing, marketing and sales of Harley-Davidson motorcycles and related products
[3] HDFS provides motorcycle and related products financing and insurance products and services for our dealers and retail customers, including LiveWire customers.
[4] LiveWire is accountable for the design, marketing and sales of electric motorcycles and related products, including STACYC electric balance bikes

FORWARD LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

The Company intends that certain matters discussed in this presentation and our associated comments are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the company “believes,” “anticipates,” “expects,” “plans,” “may,” “will,” “estimates,” “targets,” “intends,” “forecasts,” “is on track,” “sees,” “feels,” or words of similar meaning. Similarly, statements that describe or refer to future expectations, future plans, strategies, objectives, outlooks, targets, guidance, commitments, or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially, unfavorably or favorably, from those anticipated as of the date of this presentation. Certain of such risks and uncertainties are described below. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

Important factors that could affect future results and cause those results to differ materially from those expressed in the forward-looking statements include, among others, the Company's ability to: (a) execute its business plans and strategies, including The Hardwire, each of the pillars, and the evolution of LiveWire as a standalone brand, which includes the risks noted below; (b) manage supply chain and logistics issues, including quality issues, availability of semiconductor chip components and the ability to find alternative sources of those components in a timely manner, unexpected interruptions or price increases caused by supplier volatility, raw material shortages, inflation, war or other hostilities, including the conflict in Ukraine, or natural disasters and longer shipping times and increased logistics costs, including by successfully implementing pricing surcharges; (c) realize the expected business benefits from LiveWire operating as a separate public company, which may be affected by, among other things: (i) the ability of LiveWire to: (1) execute its plans to develop, produce, market and sell its electric vehicles; (2) achieve profitability, which is dependent on the successful development and commercial introduction and acceptance of its electric vehicles, and its services, which may not occur; (3) adequately control the costs of its operations as a new entrant into a new space; (4) develop, maintain and strengthen its brand; (5) execute its plans to develop, produce, market and sell its electric vehicles on expected timelines; and (6) effectively establish and maintain cooperation from its retail partners, largely drawn from the Company's traditional motorcycle dealer network, to be able to effectively establish or maintain relationships with customers for electric vehicles; (ii) competition; and (iii) other risks and uncertainties indicated in documents filed with the SEC by the Company or LiveWire Group, Inc., including those risks and uncertainties noted in “Risk Factors” under Item 1.A of LiveWire Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022; (d) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests; (e) successfully access the capital and/or credit markets on terms that are acceptable to the Company and within its expectations; (f) successfully carry out its global manufacturing and assembly operations; (g) develop and introduce products, services and experiences on a timely basis that the market accepts, that enable the Company to generate desired sales levels and that provide the desired financial returns, including successfully implementing and executing plans to strengthen and grow its leadership position in Grand American Touring, large Cruiser and Trike, and grow its complementary businesses; (h) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors; (i) manage ongoing risks related to the impact of the COVID-19 pandemic, such as supply chain disruptions, its ability to carry out business as usual, and government actions and restrictive measures implemented in response; (j) manage the regulatory compliance matter relating to a third-party supplier’s component part in a manner that avoids additional costs or recall expenses that are material (k) manage the quality issue relating to brake hose assemblies provided by Proterial Cable America (PCA), including (i) the nature and extent of the issue and the ability of the supplier to remedy the potential issue, and (ii) the effects that the production suspension caused by the quality issue relating to the PCA brake hose assemblies may have on its business, including on retail sales of new motorcycles; (l) successfully appeal: (i) the revocation of the Binding Origin Information ("BOI") decisions that allowed the Company to supply its European Union ("EU") market with certain of its motorcycles produced at its Thailand operations at a reduced tariff rate and (ii) the denial of the Company's application for temporary relief from the effect of the revocation of the BOI decisions; (m) manage and predict the impact that new, reinstated or adjusted tariffs may have on the Company's ability to sell products internationally, and the cost of raw materials and components, including the temporary lifting of the Section 232 steel and aluminum tariffs and incremental tariffs on motorcycles imported into the EU from the U.S., between the U.S. and EU, which expires on December 31, 2023; (n) prevent, detect and remediate any issues with its motorcycles or any issues associated with the manufacturing processes to avoid delays in new model launches, recall campaigns, regulatory agency investigations, increased warranty costs or litigation and adverse effects on its reputation and brand strength, and carry out any product programs or recalls within expected costs and timing; (o) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles; (p) successfully manage and reduce costs throughout the business; (q) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, particularly with the recent turmoil in the banking industry, and the changing domestic and international political environments, including as a result of the conflict in Ukraine; (r) continue to develop the capabilities of its distributors and dealers, effectively implement changes relating to its dealers and distribution methods and manage the risks that its dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand; (s) continue to develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner; (t) maintain a productive relationship with Hero MotoCorp as a distributor and licensee of the Harley-Davidson brand name in India; (u) successfully maintain a manner in which to sell motorcycles in China and the Company's Association of Southeast Asian Nations (ASEAN) countries that does not subject its motorcycles to incremental tariffs; (v) manage its Thailand corporate and manufacturing operation in a manner that allows the Company to avail itself of preferential free trade agreements and duty rates, and sufficiently lower prices of its motorcycles in certain markets; (w) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (x) retain and attract talented employees, and eliminate personnel duplication, inefficiencies and complexity throughout the organization; (y) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or Company data and respond to evolving regulatory requirements regarding data security; (z) manage the credit quality, the loan servicing and collection activities, and the recovery rates of Harley-Davidson Financial Services' loan portfolio; (aa) adjust to tax reform, healthcare inflation and reform and pension reform, and successfully estimate the impact of any such reform on the Company’s business; (bb) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles; (cc) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities; (dd) manage changes, prepare for, and respond to evolving requirements in legislative and regulatory environments related to its products, services and operations; (ee) manage its exposure to product liability claims and commercial or contractual disputes; (ff) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness; (gg) achieve anticipated results with respect to the Company's pre-owned motorcycle program, Harley-Davidson Certified, the Company's H-D1 Marketplace, and Apparel and Licensing; (hh) accurately predict the margins of its segments in light of, among other things, tariffs, inflation, foreign currency exchange rates, the cost associated with product development initiatives and the Company's complex global supply chain; (ii) optimize capital allocation in light of the Company's capital allocation priorities; and (jj) manage through the effects increased environmental, safety, emissions or other regulations or other influences may have on the business and its operating results.

FORWARD LOOKING STATEMENTS CONTINUED

The Company's ability to sell its motorcycles and related products and services and to meet its financial expectations also depends on the ability of the Company's dealers to sell its motorcycles and related products and services to retail customers. The Company depends on the capability and financial capacity of its dealers to develop and implement effective retail sales plans to create demand for the motorcycles and related products and services they purchase from the Company. In addition, the Company's dealers and distributors may experience difficulties in operating their businesses and selling Harley-Davidson motorcycles and related products and services as a result of weather, economic conditions, the impact of the COVID-19 pandemic, or other factors.

In recent years, Harley-Davidson Financial Services (HDFS) experienced historically low levels of retail credit losses, but credit losses have been normalizing to higher levels in recent quarters. Further, the Company believes that HDFS's retail credit losses will continue to change over time due to changing consumer credit behavior, macroeconomic conditions including the impact of inflation, and HDFS' efforts to adjust underwriting criteria based on market and economic conditions, as well as actions that the Company has taken and could take that impact motorcycle values.

The Company's operations, demand for its products, and its liquidity could be adversely impacted by work stoppages, facility closures, strikes, natural causes, widespread infectious disease, terrorism, war or other hostilities, including the conflict in Ukraine, or other factors. Refer to "Risk Factors" under Item 1.A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.