

# Q1 2021 BUSINESS UPDATE

April 20, 2021

HARLEY-DAVIDSON

# Business Update Conference Call

## 2021 Financial Results & Strategic Plan Review

*This presentation supports the audio call. The audio playback for today's call will be available at Harley-Davidson.com, or call (855) 859-2056 or (404) 537-3406 until May 4th, 2021. ID 8872368.*

### CALL PARTICIPANTS

- Jochen Zeitz, Chairman, President and CEO
- Gina Goetter, Chief Financial Officer
- Edel O'Sullivan, Chief Commercial Officer
- Shannon Burns, Manager, Investor Relations

*This presentation includes forward-looking statements that are subject to risks that could cause actual results to be materially different. Those risks include, among others, matters we have noted in our latest earnings presentation and filings with the SEC. Harley-Davidson disclaims any obligation to update information in this presentation. Additional information and risk factors are included at the end of this presentation.*

# Q1 2021 Results vs. Prior Year

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| | Total HDI | Motorcycles Segment | Financial Svcs Segment |
|---|---|---|---|
| **Revenue** | **$1,423M** | **$1,232M** | **$190M** |
| % vs. PY | 10% | 12% | (4%) |
| **Operating Income** | **$346M** | **$228M** | **$119M** |
| % vs. PY | 222% | 169% | 417% |
| **Net Income** | **$259M** | | |
| **Diluted EPS** | **$1.68** | | |
| **Adjusted EPS** | **$1.68** | | |
| **Q1 2021 Restructuring Exp.* | *($0.4M)* | *($0.6M)* | *$0.2M* |

# Worldwide Retail Sales and Inventory

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## RETAIL SALES

### H-D NEW RETAIL MOTORCYCLE SALES

*vs. Prior Year*

| | Q1 |
|---|---|
| **Worldwide Retail Sales** | **9%** |
| **North America** | **30%** |
| **EMEA** | **(36%)** |
| **Asia Pacific** | **1%** |
| **Latin America** | **(59%)** |

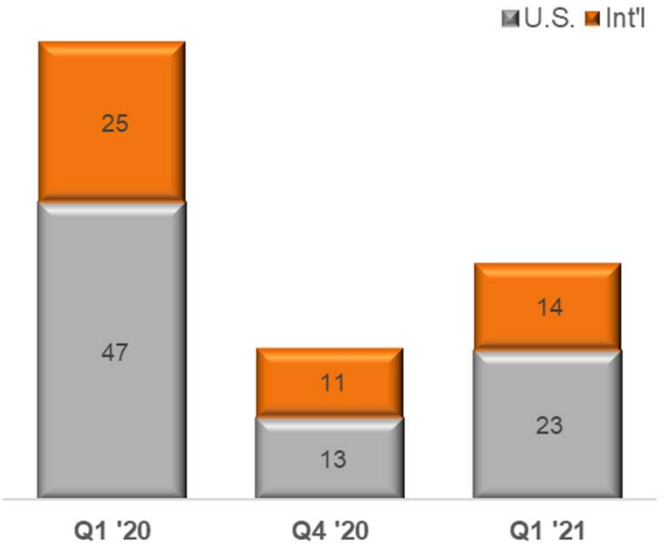
## SHARE

### NEW 601+CC[1] MARKET SHARE *(VS. PRIOR YEAR)*

| | Q1 |
|---|---|
| **H-D U.S. Market Share[2]** | **48.3% (-0.6%)** |
| **H-D EU Market Share[3]** | **3.9% (-3.6%)** |

## INVENTORY UNITS

### WORLDWIDE H-D NEW RETAIL MOTORCYCLE DEALER QUARTER END INVENTORY *(thousands)*




[1] Includes electric motorcycles with kilowatt peak power equivalent of 601+cc. [2] Source: Motorcycle Industry Council (MIC).
[3] Source: Management Services Helwig Schmitt GmbH.

# Q1 Revenue Growth

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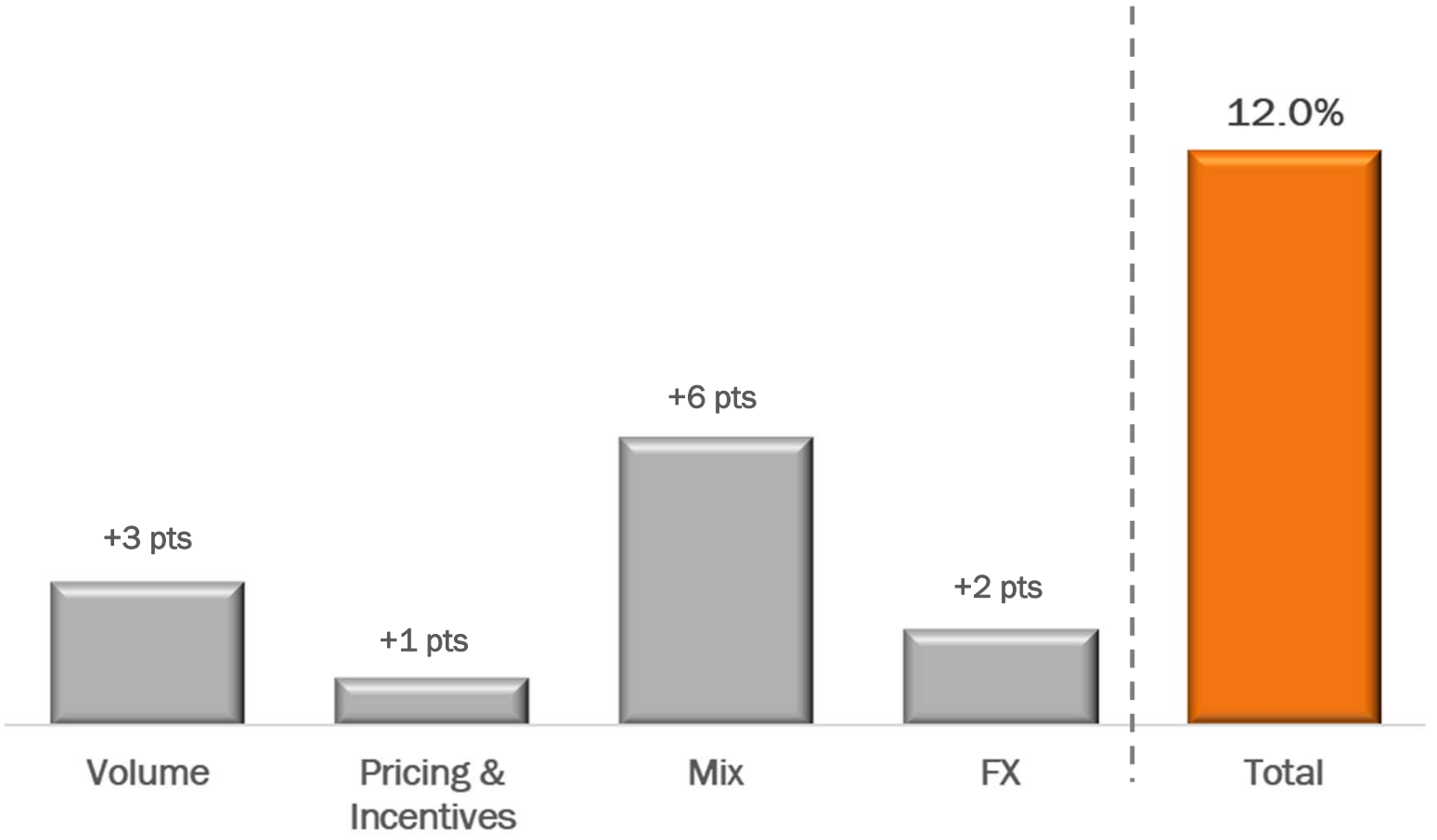
## Total Motorcycles Segment Revenue Growth



# Q1 Motorcycles Segment Margins

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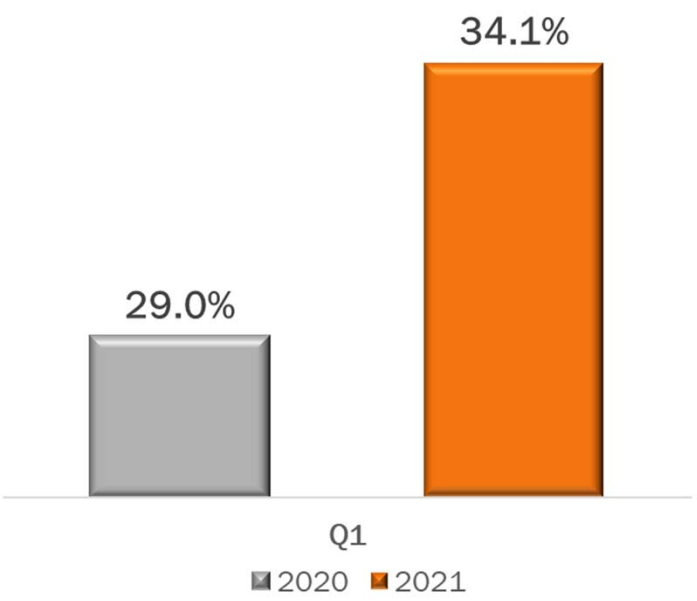
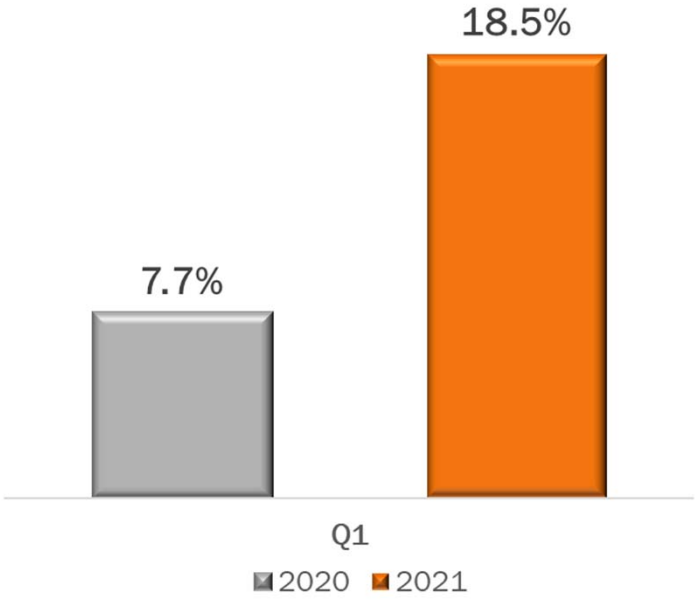
## Gross Margin as % of Revenue




## Operating Margin as % of Revenue




*Q1 gross and operating margins were up versus prior year driven by stronger volume, improved mix, lapping of heavier promotional spending and lower operating expense.*

# Financial Services Segment

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## OPERATING INCOME

**FINANCIAL SERVICES SEGMENT** ($ millions)

| | Q1 |
|---|---|
| **2020 Operating Income** | **$23** |
| Net Interest Income | ($13) |
| Provision for Loan Losses (retail & wholesale) | $102 |
| Operating Expenses[1] | $5 |
| All Other | $2 |
| **2021 Operating Income** | **$119** |
| **% Change vs. 2020** | **+417%** |

[1] *Includes the impact of Q1 2021 restructuring of $0.2M.*

# Financial Services Segment

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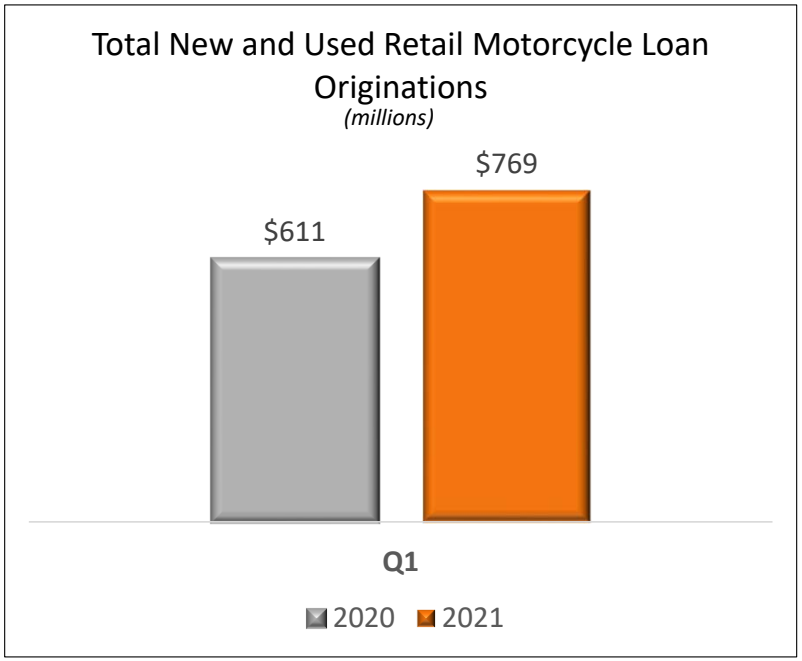


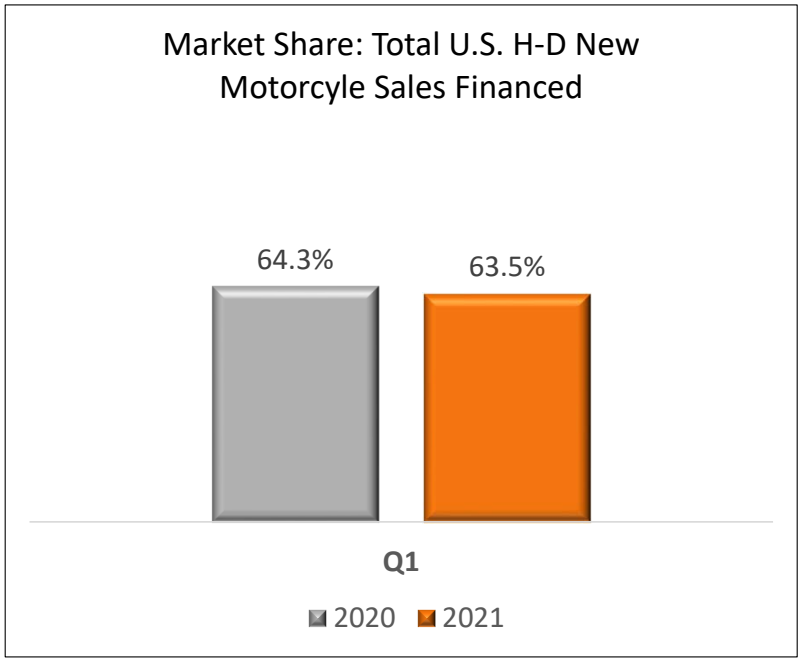

# Financial Services Segment

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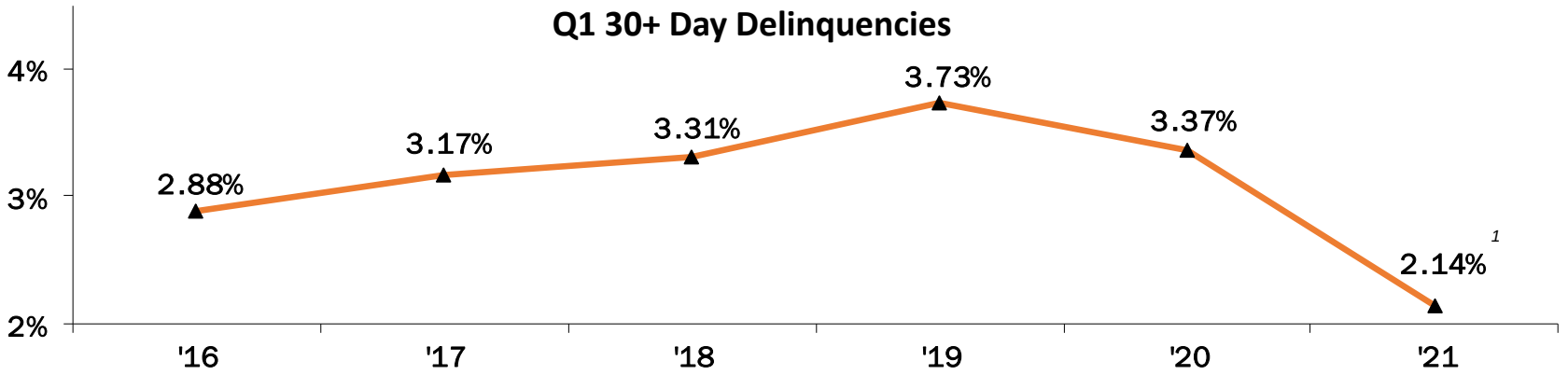
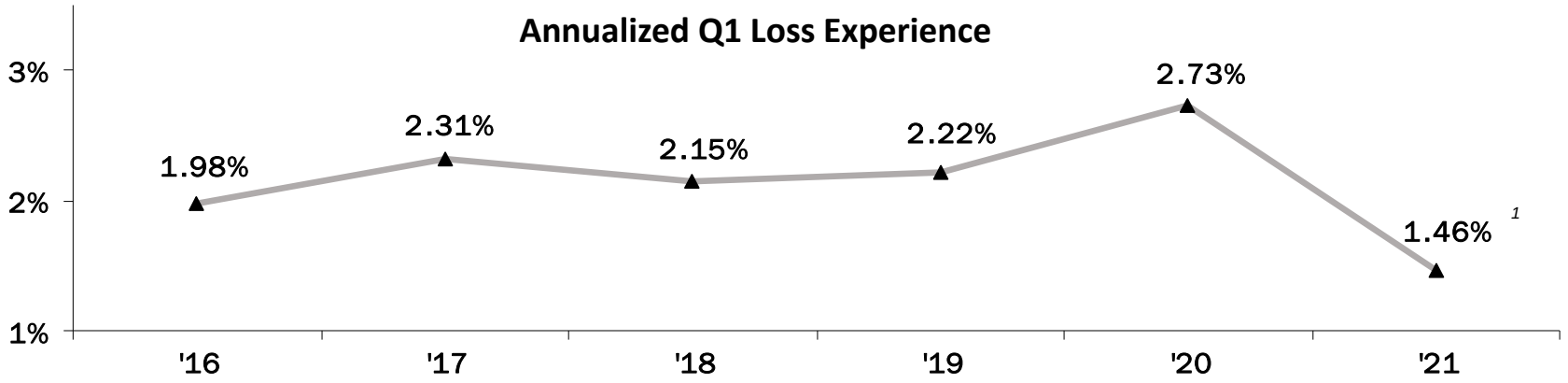
## HDFS RETAIL MOTORCYCLE LOAN PERFORMANCE



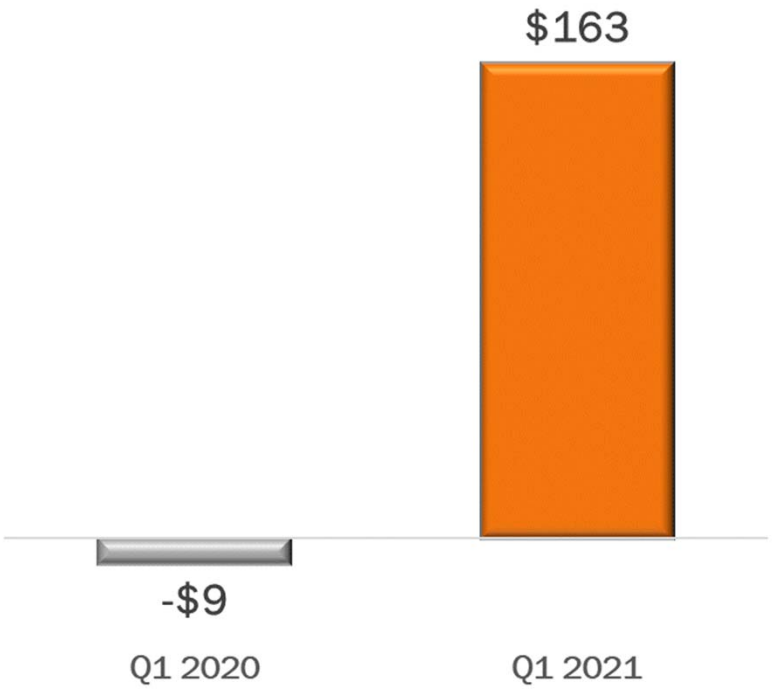




[1] *2021 results impacted by federal stimulus and a high volume of COVID-19 related retail loan payment due date extensions for qualified customers*

# H-D, Inc.

## Q1 Operating Cash Flow

*(millions)*




## Other H-D, Inc. Q1 Financial Metrics

- Capital expenditures - $19M
- Cash & cash equivalents – $2.3B[1]
- Dividends paid - $23M
- Effective tax rate – 24 %

[1] Cash and cash equivalents are as of the end of the first quarter

# 2021 Guidance

**(as of 4/19/21)**

## 2021

### Revenue Growth
*Motorcycles Segment*
**30% - 35%**

### Operating Margin
*Motorcycles Segment*

**7% - 9%**
**Assuming the company is able to mitigate additional EU tariffs**

**5% - 7%**
**Assuming the company is not able to mitigate additional EU tariffs to any extent** [1]

### Operating Income Growth
*Financial Services Segment*
**50% - 60%**

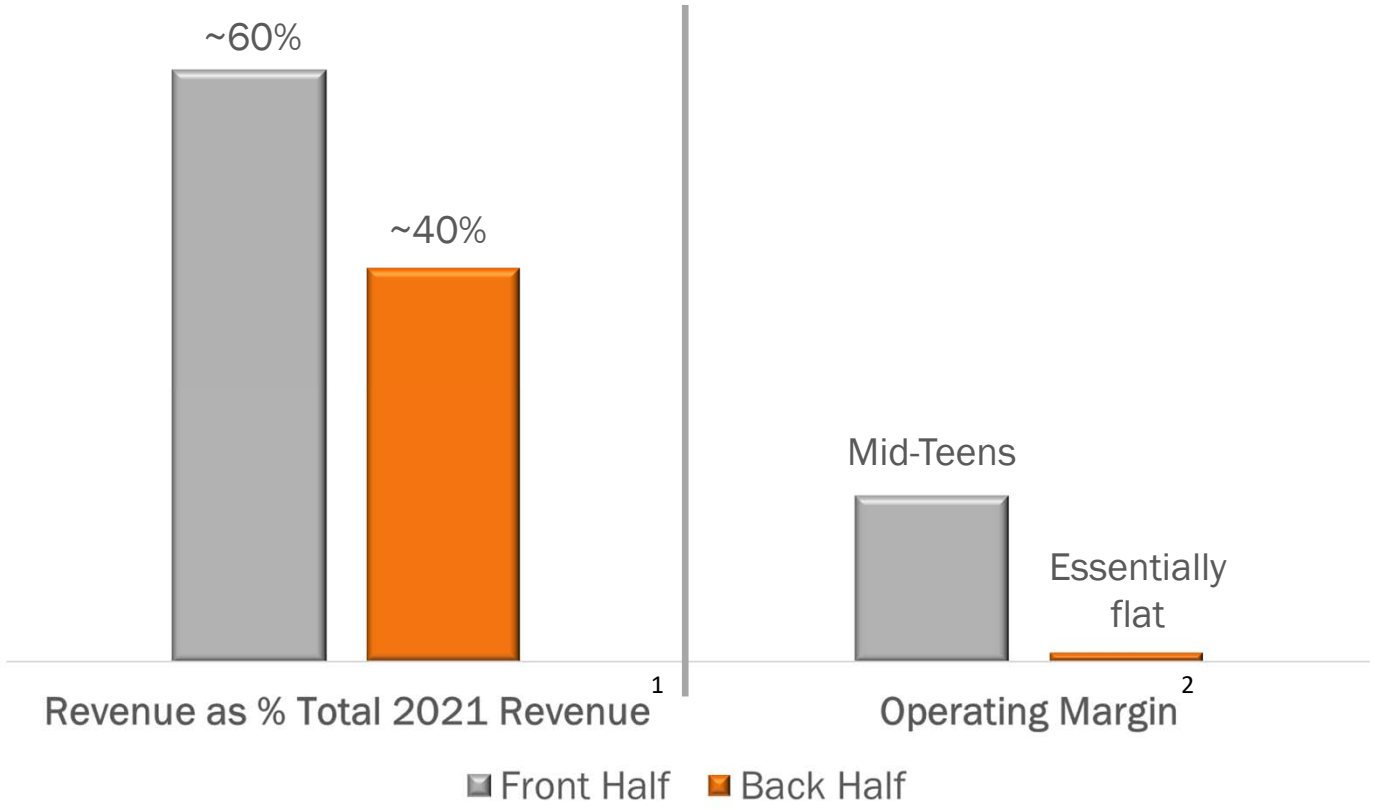
### Capital Expenditures
**$190 – 220M**



[1] Assumes the impact of additional tariffs beginning April 19, 2021 would be approximately $135M. On an annualized basis, the impact would be approximately $200M to 225M.

# Expected Motorcycles Segment Revenue & Op Margin Phasing

Seasonality and model year launch timing impacting phasing of revenue & margin




[1] Expected results

[2] Expected results assuming the company is able to mitigate additional EU tariffs

# Vision, Mission & Culture

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**Our vision**

***Building our legend and leading our industry through innovation, evolution and emotion***

**Our mission**

***More than building machines, we stand for the timeless pursuit of adventure.***
***Freedom for the soul.***

**Our culture**

***H-D#1 - Commitment to a high-performance culture***

# 2020 Rewire Actions

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## RESULTS OF THE REWIRE

**Reduced complexity and increased speed**
- New operating model and organizational structure across every function to provide simplicity, agility and efficiency

**Reset global business**
- Resourcing and prioritizing the markets with the highest potential

**Expanded focus beyond motorcycles**
- Strong commitment to Parts & Accessories and General Merchandise businesses

**Streamlined product portfolio and rebuilt go-to-market efforts for maximum impact**
- Changed approach to supply and inventory management
- Focus on powerful and profitable dealer network

**Executed Rewire actions to reset our cost structure, effectively lowering our cost base**

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# The Hardwire: 2021-2025 Strategic Plan

Enhance our position as the most desirable motorcycle brand in the world

## PROFIT FOCUS

Investing in our strongest motorcycle segments

## SELECTIVE EXPANSION AND REDEFINITION

To win in attractive motorcycle segments

## LEAD IN ELECTRIC

Investing in leading the electric motorcycle market



## GROWTH BEYOND BIKES

Expanding complementary businesses and engaging beyond product

## CUSTOMER EXPERIENCE

Growing our connection with riders and non-riders

## INCLUSIVE STAKEHOLDER MANAGEMENT

Prioritizing people, planet and profit

# Desirability

A motivating **force** driven by emotion – it's in our DNA.

Embedded in our vision, at the heart of our mission, part of our 118-year legacy.



# Our strategic ambition

Harley-Davidson as the most desirable motorcycle brand in the world

- Design, engineer and advance the most desirable motorcycles in the world, reflected in quality, innovation and craftsmanship.
- Build a lifestyle brand, valued for the emotion reflected in every product and experience for riders and non-riders alike.
- Focus on our customers, delivering adventure and freedom the soul.

**Profit Focus:**

**Icons Collection**




# LAUNCHING APRIL 2021



## SERIALIZED

**LIMITED EDITION**

# Pan America™ – **our first Adventure Touring motorcycle**



## Selective Expansion:

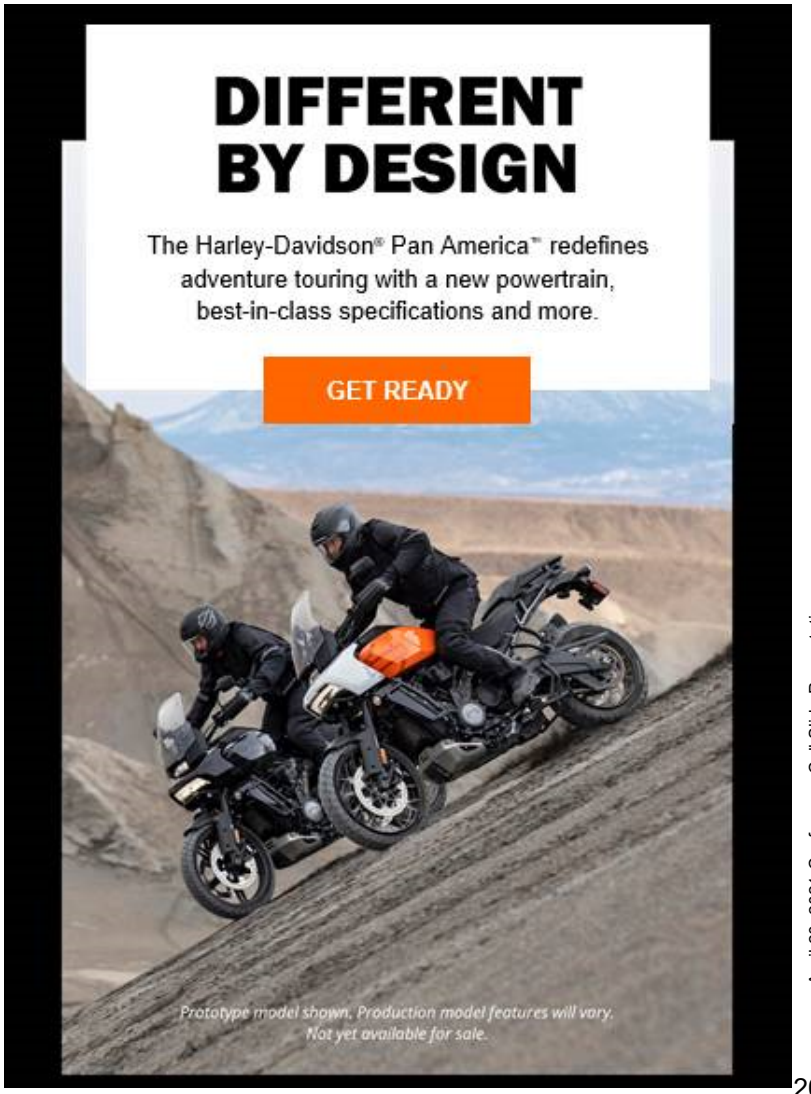
## Pan America™

## Reveal



~ 360,000 VIRTUAL LAUNCH PARTICIPANTS





# Selective Expansion: Pan America™

## Media Highlights




MOTORRAD

Is This Harley the BMW GS Killer?

MCN

The Pan America isn't just one of the most advanced Harleys ever, it's arguably one of the most advanced adventure bikes ever.




MOTO.IT

It is to be expected that in Milwaukee they have done things well, thoroughly analyzing the competition and focusing on an unprecedented platform of engine and chassis.

c|net

Adventure bike enthusiasts should be really excited.



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# Expand within the Cruiser segment




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# **Invest** in Electric Motorcycles

April 20, 2021 Conference Call Slide Presentation

# Growth in **complementary businesses**





## Parts & Accessories

*Inspiring personal expression and engaging customers throughout ownership*




## General Merchandise

*Building brand commitment globally*




## HDFS

*Enabling the pursuit of adventure for all*

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# Each business plays an important role in our overall vision and mission

# Growth Beyond Bikes:

## H-D Certified™




REAL VALUE YOU CAN'T GET ANYWHERE ELSE.

- H-D Certified™ bikes are only available from your H-D® dealer
- 110-point Quality Assurance Inspection
- 12-month/unlimited mileage powertrain warranty
- 12-month H.O.G.® membership with Roadside Assistance
- Special retail financing available from HDFS
- Expanded coverage available with H-D™ Extended Service Plan[1]

TALK TO YOUR DEALER ABOUT THE H-D CERTIFIED™ PROGRAM TODAY.

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# Non-GAAP Measures

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This presentation includes financial measures that have not been calculated in accordance with U.S. generally accepted accounting principles (GAAP) and are therefore referred to as non-GAAP financial measures. The non-GAAP measures listed below are intended to be considered by users as supplemental information to the equivalent GAAP measures, to aid investors in better understanding the company's financial results. The company believes that these non-GAAP measures provide useful perspective on underlying business results and trends, and a means to assess period-over-period results. These non-GAAP measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP measures may not be the same as similarly titled measures used by other companies due to possible differences in method and in items or events being adjusted.

The non-GAAP measures are as follows:

- Net income excluding restructuring plan costs
- Diluted EPS excluding restructuring plan costs

Restructuring plan costs include restructuring expenses as presented in the Consolidated Statements of Operations.

Refer to the reconciliations of GAAP to non-GAAP amounts included in this presentation.

# Non-GAAP Measures

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## RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS

This presentation contains non-GAAP measures related to net income and diluted earnings per share that exclude restructuring plan costs. Reconciliations of GAAP amounts to non-GAAP amounts are included below.

| ($ thousands, except per share amounts) | Three months ended 3/28/2021 | 3/29/2020 |
|---|---|---|
| Net income excluding restructuring plan costs | | |
| Net income (GAAP) | $ 259,144 | $ 69,695 |
| Restructuring plan costs | (366) | - |
| Tax effect of adjustments[(1)] | 87 | - |
| Adjustments, net of tax | (279) | - |
| Adjusted net income (non-GAAP) | $ 258,865 | $ 69,695 |
| Diluted EPS excluding restructuring plan costs | | |
| Diluted EPS (GAAP) | $ 1.68 | $ 0.45 |
| Adjustments, net of tax per share | - | - |
| Adjusted diluted EPS (non-GAAP) | $ 1.68 | $ 0.45 |

[(1)]The income tax effect has been computed using the estimated income tax rate for these adjustments

# Forward-Looking Statements

**Cautionary Note Regarding Forward-Looking Statements**

The company intends that certain matters discussed in this presentation are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Secu

forward-looking statements can generally be identified as such by reference to this footnote or because the context of the statement will include words such as the company "believes," "anticipates," "expects," "plans," "may," "will," "estimates," "targets," "intend," "is on-track" 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. The forward-looking statements included in this presentation are only made as of the date of this presentation, and the company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

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 following: (i) the COVID-19 pandemic, including the length and severity of the pandemic across the globe and the pace of recovery following the pandemic; and (ii) the company's ability to: (A) execute its business plans and strategies, including The Hardwire, successfully execute its remodeled approach to supply and inventory management, and strengthen its existing business while allowing for desirable growth; (B) mitigate the impact of the revocation of the Binding Origin Information ("BOI") decisions that allowed the company to supply its European Union market with certain of its motorcycles produced at its Thailand operations at a reduced tariff rate and favorably resolve risks and uncertainties related to the revocation of the BOI decisions including, among other: (1) uncertainties regarding the quantity and mix of motorcycles that the company imports into the EU; (2) uncertainties regarding the import prices of motorcycles; (3) whether the company will be granted temporary relief from the effect of the revocation of the BOI decisions; (4) whether the company will be successful in appealing the revocation of the BOI decisions; (5) uncertainties regarding the size and duration of the EU tariffs; (6) uncertainties regarding the number of shipments that have commenced but are not physically in the EU at the effective time of revocation; and (7) whether and to what extent the company determines to attempt to pass on the impact of the revocation to dealers and its success in doing so; (C) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests; (D) successfully access the capital and/or credit markets on terms that are acceptable to the company and within its expectations; (E) successfully carry out its global manufacturing and assembly operations; (F) 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 Touring, large Cruiser and Trike, and growing its complementary businesses; (G) perform in a manner that enables the company to benefit from market opportunities while competing against existing and new competitors; (H) 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; (I) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters; (J) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles; (K) realize expectations concerning market demand for electric models, which will depend in part on the building of necessary infrastructure; (L) successfully manage and reduce costs throughout the business; (M) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment; (N) 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 independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand; (O) develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner; (P) develop and maintain a productive relationship with Hero MotoCorp as a distributor and licensee of the Harley-Davidson brand name in India; (Q) manage and predict the impact that new or adjusted tariffs may have on the company's ability to sell products internationally, and the cost of raw materials and components; (R) successfully maintain a manner in which to sell motorcycles in China and the company's ASEAN countries that does not subject its motorcycles to incremental tariffs; (S) 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; (T) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (U) retain and attract talented employees, and eliminate personnel duplication, inefficiencies and complexity throughout the organization; (V) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security; (W) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio; (X) 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; (Y) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles; (Z) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities; (AA) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (BB) manage its exposure to product liability claims and commercial or contractual disputes; (CC) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness; (DD) accurately predict the margins of its Motorcycles and Related Products segment in light of, among other things, tariffs, the cost associated with product development initiatives and the company's complex global supply chain; and (EE) successfully develop and launch the pre-owned motorcycle program, Harley-Davidson Certified.

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, or other factors. Other factors are described in risk factors that the company has disclosed in documents previously filed with the Securities and Exchange Commission. Many of these risk factors are impacted by the current changing capital, credit and retail markets and the company's ability to manage through inconsistent economic conditions.

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 independent dealers to sell its motorcycles and related products and services to retail customers. The company depends on the capability and financial capacity of its independent 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 independent 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 COVID-19, or other factors.

In recent years, HDFS has experienced historically low levels of retail credit losses, but there is no assurance that this will continue. The company believes that HDFS' retail credit losses may increase over time due to changing consumer credit behavior and HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, as well as actions that the company has taken and could take that impact motorcycle values. Refer to "Risk Factors" under Item 1A of the company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 23, 2021 and Part II, Item 1A of any subsequently filed Quarterly Report on Form 10-Q, for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.