

Q3 2021 BUSINESS UPDATE

October 27, 2021

Q3 Performance Headlines



- Delivered strong financial results
- Managed spend to offset supply chain headwinds
- Provided execution proof points for The Hardwire
- Fighting against EU tariffs

Business Update Conference Call

Q3 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 November 10, 2021. ID 9497968.

CALL PARTICIPANTS

- Jochen Zeitz, Chairman, President and CEO
- Gina Goetter, Chief Financial Officer
- Edel O'Sullivan, Chief Commercial Officer
- Shawn Collins, Director 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.

Q3 2021 Results

	Total HDI	Motorcycles Segment [2]	Financial Svcs Segment
Revenue	**$1,365M**	**$1,161M**	**$205M**
% vs. PY	17%	20%	2%
Operating Income	**$204M**	**$98M**	**$107M**
% vs. PY	48%	109%	17%
Net Income	**$163M**		
Diluted GAAP EPS	**$1.05**		
Adjusted Diluted EPS [1]	**$1.18**		
**Q3 2021 Restructuring Exp.*	*$0.6M*	*$0.5M*	*$0.1M*

[1] *Adjusted diluted EPS is adjusted for restructuring plan costs and EU tariffs and is defined on the non-GAAP measures slides.*

[2] *Motorcycles and Related Products Segment*

Year-to-Date 2021 Results

	Total HDI	Motorcycles Segment	Financial Svcs Segment
Revenue	**$4,320M**	**$3,724M**	**$596M**
% vs. PY	30%	36%	0%
Operating Income	**$831M**	**$511M**	**$320M**
% vs. PY	543%	4870%	169%
Net Income	**$628M**		
Diluted GAAP EPS	**$4.06**		
Adjusted Diluted EPS [1]	**$4.29**		
**YTD 2021 Restructuring Exp.*	*$1.2M*	*$0.7M*	*$0.4M*

[1] *Adjusted diluted EPS is adjusted for restructuring plan costs and EU tariffs and is defined on the non-GAAP measures slides.*

Worldwide Retail Sales and Inventory

RETAIL SALES

H-D NEW RETAIL MOTORCYCLE SALES

vs. Prior Year

	Q3	YTD
Worldwide Retail Sales	**(6%)**	**9%**
North America	2%	25%
EMEA	(16%)	(18%)
Asia Pacific	(15%)	(10%)
Latin America	(41%)	(45%)

SHARE

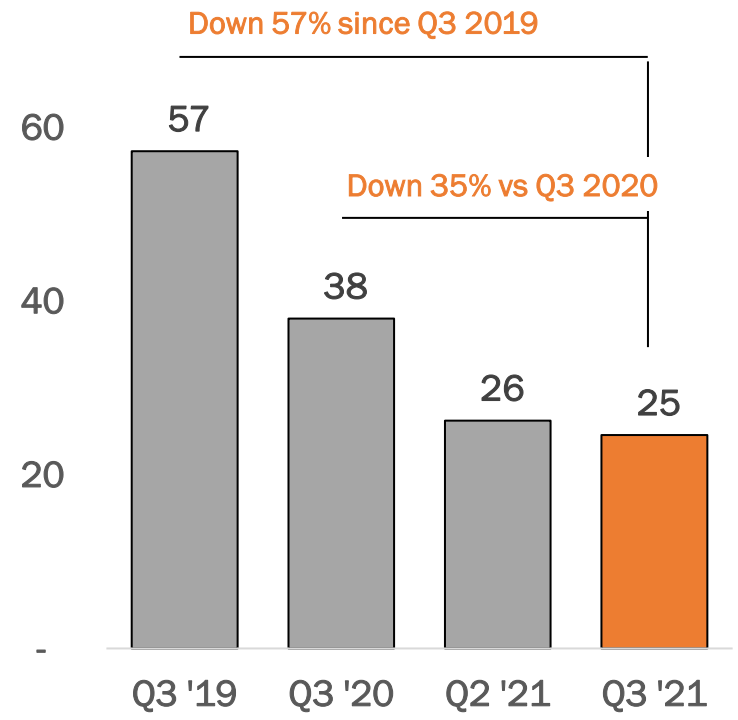
NEW 601+cc[1] MARKET SHARE *(VS. PRIOR YEAR)*

	Q3	YTD
H-D U.S. Market Share[2]	44% (+3%)	45% (+3%)
H-D Europe Market Share[3]	7% (Flat)	6% (-2%)

INVENTORY UNITS

WORLDWIDE H-D NEW RETAIL MOTORCYCLE DEALER QUARTER END INVENTORY

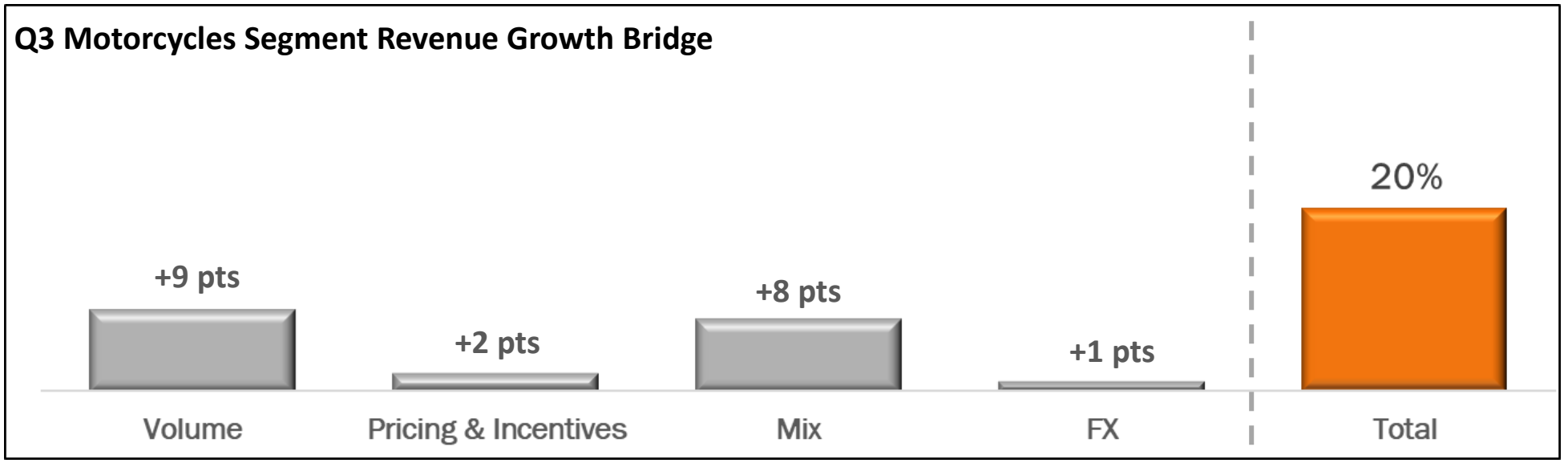
(thousands)

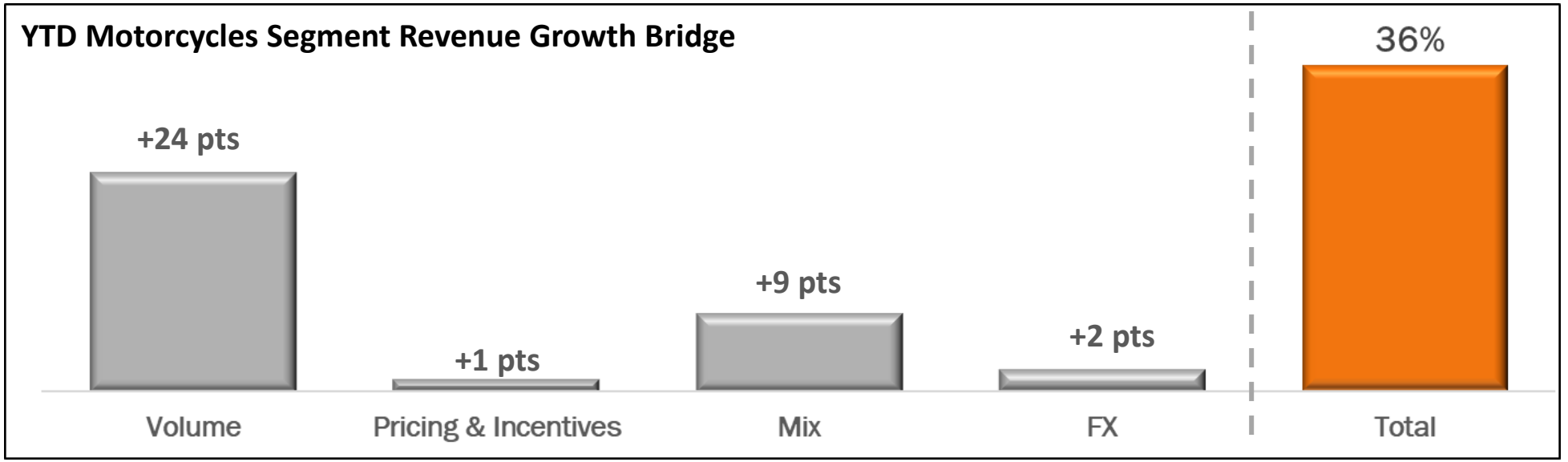


[1] *Includes electric motorcycles with kilowatt peak power equivalent of 601+cc.* [2] *Source: Motorcycle Industry Council (MIC).*
[3] *Source: Management Services Helwig Schmitt GmbH.*

Q3 & YTD Revenue Growth

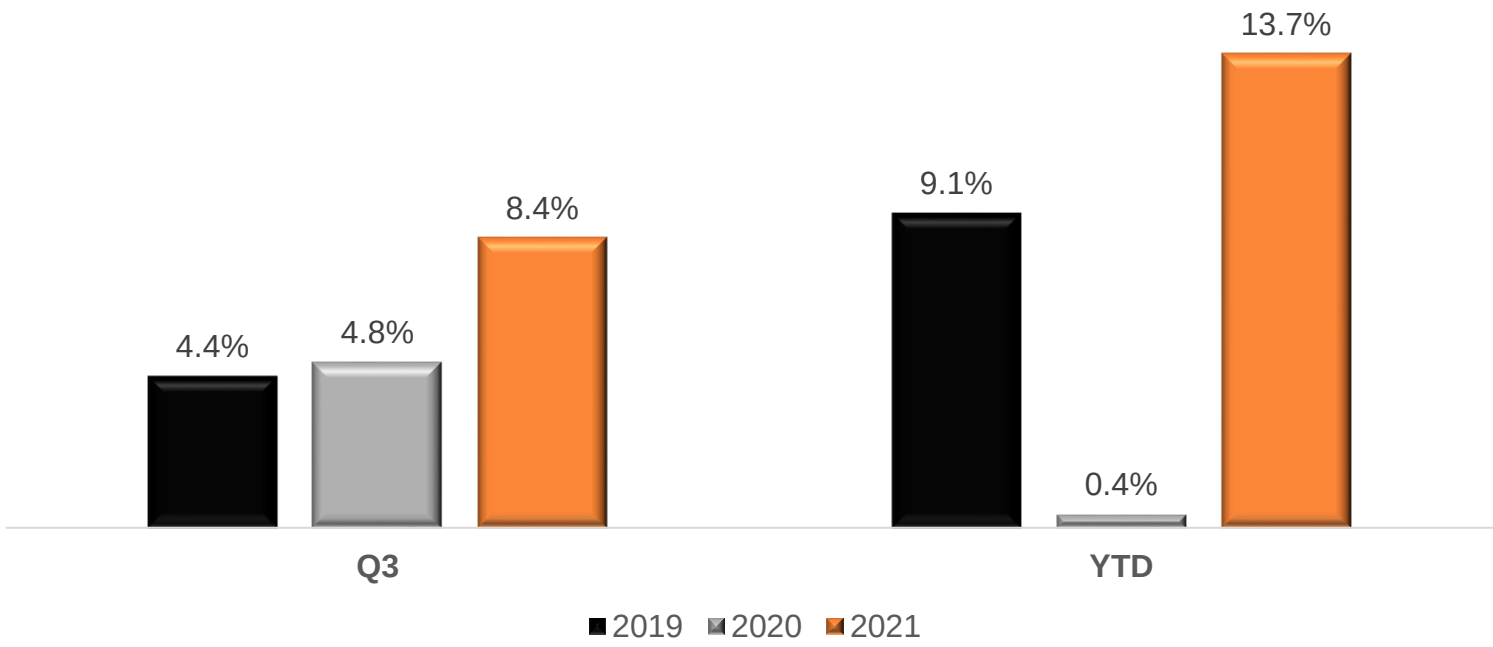
Total Motorcycles Segment Revenue Growth





Q3 & YTD Motorcycles Segment Margins

Operating Margin as % of Revenue



	Q3			YTD		
Gross Margin %	**29.9%**	**29.8%**	**26.7%**	**30.3%**	**26.1%**	**30.6%**

Q3 Operating Margin improvement driven by benefits from volume, mix , pricing and reduced restructuring expense offsetting the inflation across logistics and raw materials, and the impact of EU tariffs.

Supply Chain: Inflation

Total Cost of ~$3B [1]



	Description	2021 Inflation: Realized & Q4 Estimate (*Comparison vs PY*) Q1	Q2	Q3	Q4 Estimate
Logistics	All freight and warehousing for Motorcycles, P&A and GM	+50%	More than 2.5x	2x	2x
Manufacturing	Production and labor costs across York, Wisconsin, Thailand and Brazil	+2%	+3%	+3%	+3%
Materials & Components	Includes raw materials and purchased components. Includes categories such as, cosmetic parts, steel & aluminum forgings, infotainment, brake systems, lighting, mufflers, etc.	+2 – 3%	+5 – 6%	+6 – 7%	+6 – 7%

[1] *Approximate average of the Motorcycles segment total cost of sales over the last 2 years.*

Financial Services Segment

OPERATING INCOME

FINANCIAL SERVICES SEGMENT ($ millions)

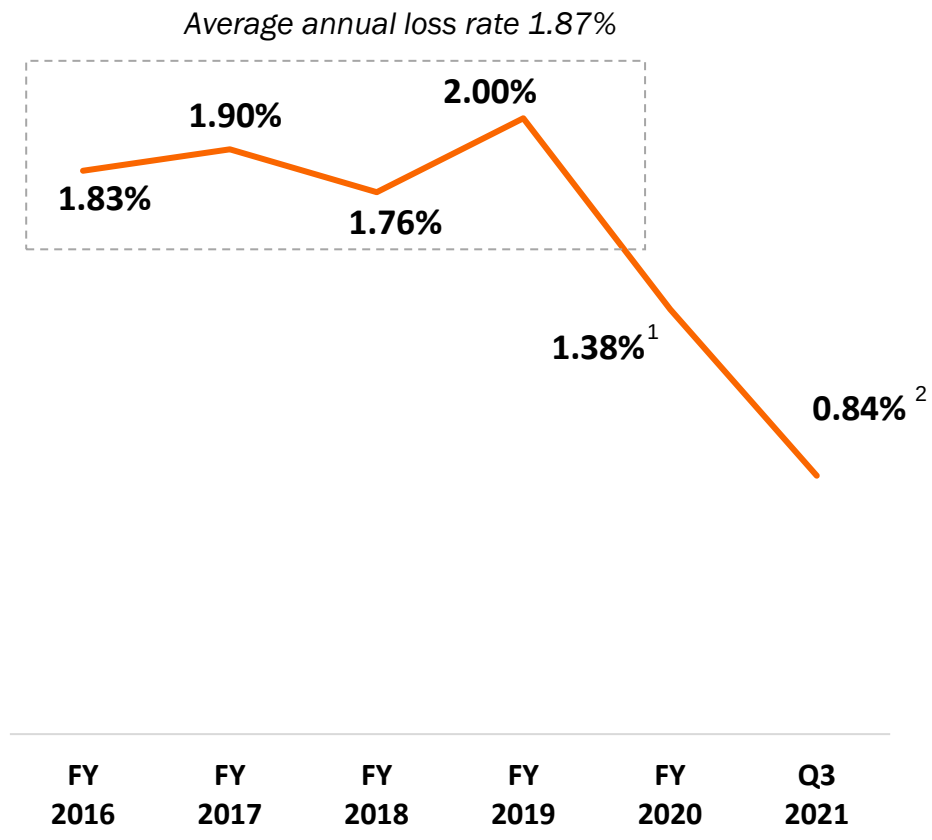
	Q3	+/- PY	% vs. PY	YTD	+/- PY	% vs. PY
Revenue	**$205**	**$3**	**2%**	**$596**	**$0**	**0%**
Interest Expense	$45	($23)		$149	($33)	
Provision for Credit Losses	$11	$3		$5	($173)	
Operating Expense[1]	$42	$7		$121	$5	
Total Operating Expense	**$98**	**($13)**		**$276**	**($201)**	
Operating Income	**$107**	**$15**	**17%**	**$320**	**$201**	**169%**
Op Income %	**52.1%**			**53.7%**		

[1] *Includes Q3 and YTD restructuring favorability of $0.2M and $0.8M respectively.*

Financial Services Segment

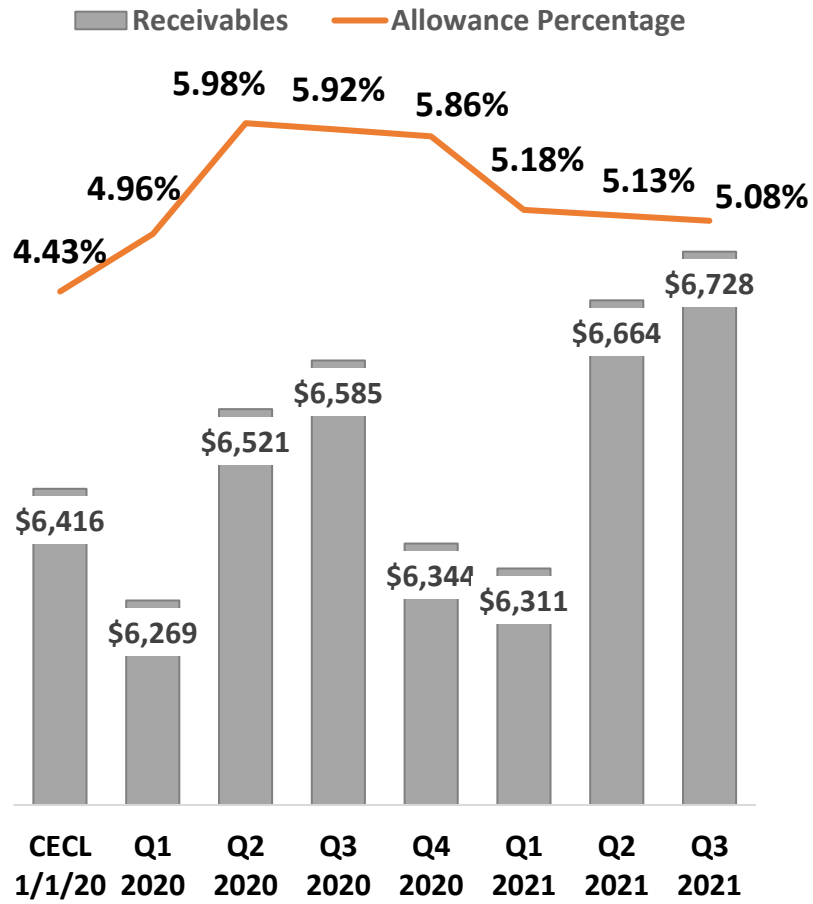
Realized Retail Credit Losses

Annual (FY) / Annualized (Q)



Retail Finance Receivables & Allowance

$s in millions



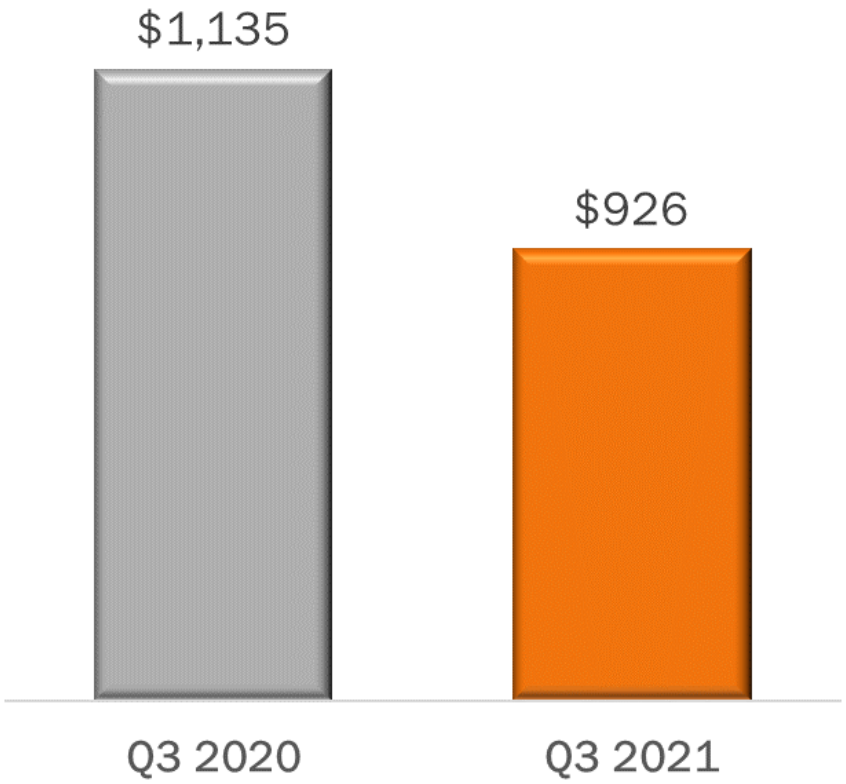
[1] *2020 results impacted by federal stimulus payments and a high volume of COVID-19 related retail loan payment due date extensions for qualified customers*

[2] *2021 results impacted by federal stimulus payments*

Total H-D, Inc.

YTD Operating Cash Flow

(millions)



Other H-D, Inc. Q3 Financial Metrics

- **YTD Capital expenditures – $61M**
- **Cash & cash equivalents – $2.1B[1]**
- **YTD Dividends paid – $69M**
- **YTD Effective tax rate – 23%**

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

2021 Guidance

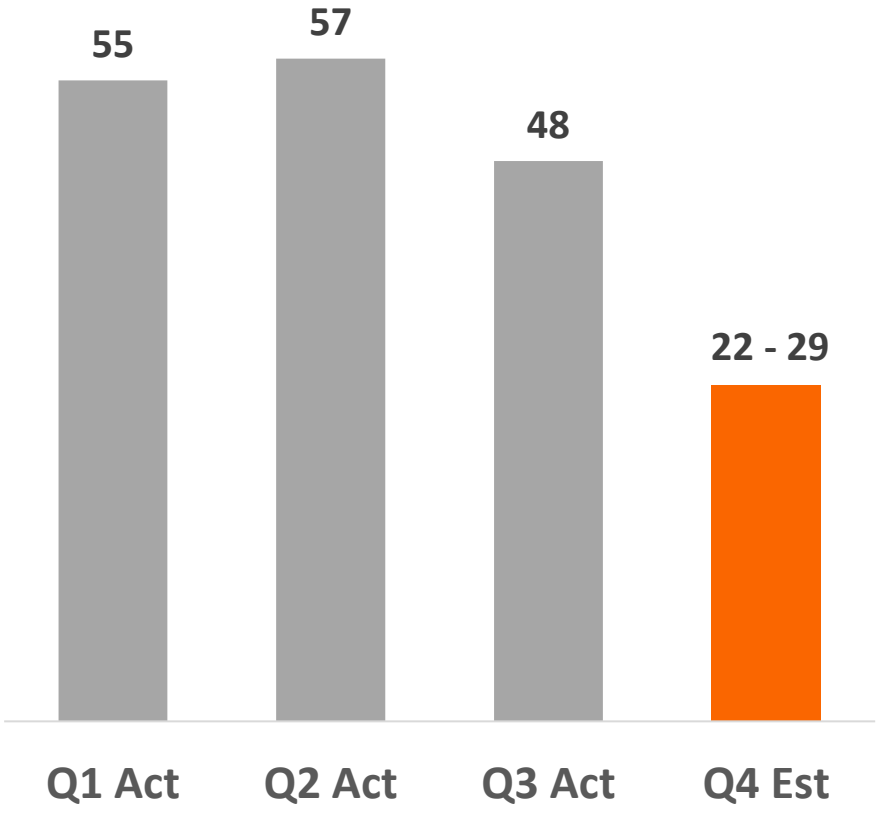
	Prior	Current
Motorcycles Segment Revenue Growth *YOY Growth*	**+30 – 35%**	**+30 – 35%**
Motorcycles Segment Operating Income Margin *% of revenue*	**6 – 8%**[1]	**6 – 8%**[1]
Financial Services Operating Income *YOY Growth*	**+75 – 85%**	**+95 – 105%**
Capital Expenditures *Total Dollars*	**$190 – 220M**	**$135 – 150M**

[1] *Assumes the EU tariffs remain at 31% for October and November, then increases to 56% in December, with a total annual impact of ~$64M.*

Q4 Considerations

Wholesale Shipments

(Total Units in 000's)



Q4 Considerations

- Model year shift to beginning of calendar year
- Capital and expense spending higher in Q4 to support upcoming launches & marketing campaigns
- Forecasting logistics, raw material and supplier inflation at similar levels to Q3

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



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.

Riding Academy









+20%

Riding Academy completion rates up 20% YTD over 2019





Pan America 1250 Special







H-D PAN AMERICA 1250 SPECIAL

#1 Selling Adventure Touring model in the United States!



Sportster S





MOTORCYCLE.COM est. 1994

I think the Revolution Max might not just be my favorite Harley engine, it might be my new favorite motorcycle engine.
- John Burns

EVERYDAY DRIVER

The Sportster S is a blacktop brawler that was unleashed on this planet to put smiles on faces and do nothing else.
- Scott Murdock

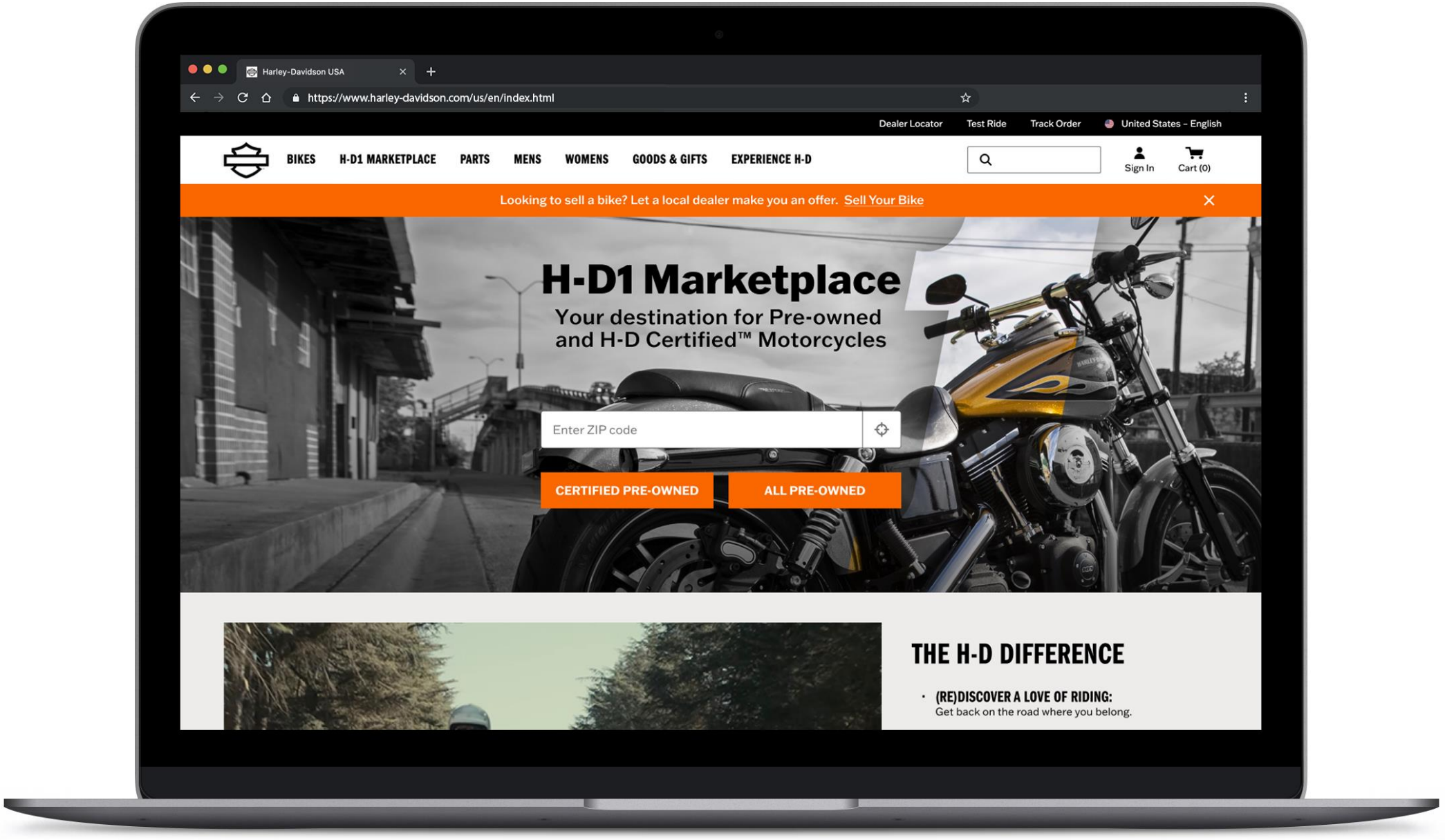
JALOPNIK

The Sportster S proves the Bar and Shield brand remembered how to build a killer Harley. Everything about this screams cool.
- Bradley Brownell

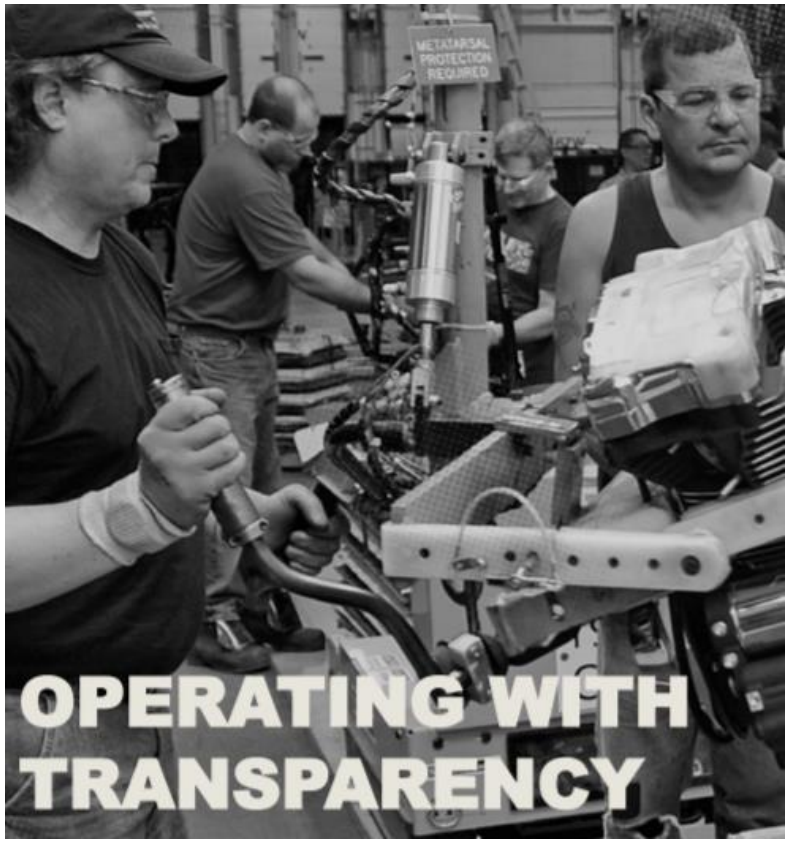


Customer Experience:

H-D1 Marketplace



Inclusive Stakeholder Management





HARLEY-DAVIDSON

INCLUSIVE STAKEHOLDER MANAGEMENT REPORT





The Hardwire: 2021-2025 Strategic Plan

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

PROFIT FOCUS

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Non-GAAP Measures

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 and the impact of EU tariffs
- Diluted EPS excluding restructuring plan costs and the impact of EU tariffs

Restructuring plan costs include restructuring expenses as presented in the Consolidated Statements of Operations. The impact of European Union (EU) tariffs includes incremental EU tariffs imposed beginning in 2018 on the company's products shipped from the U.S. and, beginning in 2021, on the company's products shipped from Thailand.

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

Non-GAAP Measures

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 and the impact of EU tariffs. Reconciliations of GAAP amounts to non-GAAP amounts are included below.

($ thousands, except per share amounts)	Three months ended		Nine months ended	
	9/26/2021	9/27/2020	9/26/2021	9/27/2020
Net income excluding restructuring plan costs and the impact of EU tariffs				
Net income (GAAP)	$ 162,973	$ 120,218	$ 628,457	$ 97,696
Restructuring plan costs	615	43,915	1,167	85,864
Impact of EU tariffs	25,562	1,825	44,281	17,732
Tax effect of adjustments[1]	(5,563)	(4,091)	(10,126)	(19,333)
Adjustments, net of tax	20,614	41,649	35,322	84,263
Adjusted net income (non-GAAP)	$ 183,587	$ 161,867	$ 663,779	$ 181,959
Diluted EPS excluding restructuring plan costs and the impact of EU tariffs				
Diluted EPS (GAAP)	$ 1.05	$ 0.78	$ 4.06	$ 0.64
Adjustments, net of tax per share	0.13	0.27	0.23	0.55
Adjusted diluted EPS (non-GAAP)	$ 1.18	$ 1.05	$ 4.29	$ 1.19

[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 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,” “sees,” 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 and the evolution of LiveWire as a standalone brand, 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) whether the company will be granted temporary relief from the effect of the revocation of the BOI decisions; (3) whether the company will be successful in appealing the revocation of the BOI decisions; (4) uncertainties regarding the size and duration of the EU tariffs; and (5) 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) manage supply chain and logistics issues, including quality issues, unexpected interruptions or price increases caused by supplier volatility, raw material shortages or natural disasters, and longer shipping times and increased logistics costs, including by successfully implementing pricing surcharges; (D) invest in electric vehicle (“EV”) technology required to lead the transformation of motorcycling and leverage its engineering expertise, manufacturing footprint, supply chain infrastructure, and global logistics capabilities in the EV sector (E) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests; (F) successfully access the capital and/or credit markets on terms that are acceptable to the company and within its expectations; (G) successfully carry out its global manufacturing and assembly operations; (H) 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 America Touring, large Cruiser and Trike, and growing its complementary businesses; (I) perform in a manner that enables the company to benefit from market opportunities while competing against existing and new competitors; (J) 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; (K) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles; (L) realize expectations concerning market demand for electric models, which will depend in part on the building of necessary infrastructure; (M) successfully manage and reduce costs throughout the business; (N) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment; (O) 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; (P) continue to develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner; (Q) maintain a productive relationship with Hero MotoCorp as a distributor and licensee of the Harley-Davidson brand name in India; (R) 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; (S) 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; (T) 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; (U) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (V) retain and attract talented employees, and eliminate personnel duplication, inefficiencies and complexity throughout the organization; (W) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or company data and respond to evolving regulatory requirements regarding data security; (X) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio; (Y) 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; (Z) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles; (AA) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities; (BB) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (CC) manage its exposure to product liability claims and commercial or contractual disputes; (DD) continue to manage the relationships and agreements that the company has with its labor unions to help drive long-term competitiveness; (EE) achieve anticipated results with respect to the company’s recently launched pre-owned motorcycle program, Harley-Davidson Certified, and the company’s H-D1 Marketplace; and (FF) 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.

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, HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers and the favorable impact of recent federal stimulus payments, 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.