

# MORE ROADS TO HARLEY-DAVIDSON

## ACCELERATED STRATEGY

INVESTOR COMMUNICATION

JULY 30, 2018



*“We are enhancing and accelerating our strategy for growth to drive results and value more quickly and doing so in a way that is reinforcing all that we stand for as a brand and company.”*

- HARLEY-DAVIDSON, INC. APRIL 24, 2018



# FORWARD-LOOKING STATEMENTS AND SOURCES

## Forward-Looking Statements

This presentation relates to the company's "More Roads to Harley-Davidson" plan. The company intends that all statements in this presentation concerning the company's plan, including without limitation, its plans, objectives and expectations, future financial and other results it seeks to attain, the new product introductions it contemplates, and its views of market opportunities and benefits and other matters resulting from the company's strategy 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 are subject to certain risks and uncertainties that are likely to 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, and others are listed in the company's July 24, 2018 earnings press release. Shareholders, potential investors, and other readers should consider these factors in evaluating, and not place undue reliance on, the forward-looking statements. The forward-looking statements in this presentation are made as of the date of this presentation, and the company disclaims any obligation to update such forward-looking statements to reflect subsequent events or circumstances.

The company's ability to meet the objectives, outlooks, targets, and goals noted in this presentation depends upon, among other factors, the company's ability to: (i) execute its business plans and strategies, including the elements of its More Roads to Harley-Davidson plan, and strengthen its existing business while enabling growth, (ii) realize expectations concerning market demand for electric models, which may depend in part on the building of necessary infrastructure, (iii) develop and introduce products on a timely basis that the market accepts, that enable the company to generate desired sales levels and that provide the desired financial returns, (iv) successfully carry out its global manufacturing and assembly operations, (v) negotiate and successfully implement a strategic alliance relationship with a local partner in Asia, (vi) manage risks that arise through expanding international manufacturing, operations and sales, (vii) effectively implement changes relating to its dealers and distribution methods, (viii) accurately analyze, predict and react to changing market conditions, (ix) perform in a manner that enables the company to benefit from market opportunities while competing against existing and new competitors, and (x) reduce other costs to offset costs of the More Roads to Harley-Davidson plan and redirect capital without adversely affecting its existing business.

### In particular:

- **The statements in this presentation relating to the company's More Roads to Harley-Davidson plan generally represent only the company's goals, aims and objectives regarding the plan and potential results from the plan.**
- **While many statements use language that might imply a level of certainty about the likelihood that the company will attain these goals, aims and objectives, it is possible that the company will not attain them in the timeframe noted or at all.**
- **By their nature, the risk and uncertainty associated with these goals, aims, and objectives are greater than that associated with near-term guidance, and should not be construed as guidance.**

**Therefore, investors should construe these statements regarding the More Roads to Harley-Davidson plan only as goals, aims and objectives rather than promises of future performance or absolute statements.**

### Sources of information:

This presentation includes a significant amount of estimates, information and data about markets, industry information and similar subjects. **Please see slide 45 for important information regarding these estimates, information and data. Among other things, the estimates, information or data that we present may not be reliable, and investors should not place undue reliance on them.**



# EXPECTED RESULTS

By 2022...

Our **More Roads to Harley-Davidson** plan will strengthen our existing business and enable sustainable growth. Growth opportunities will be funded internally while maintaining our current investment/return profile and capital allocation through 2022

**Harley-Davidson will build the next generation of riders by delivering:**

**NEW PRODUCTS** – keep current riders engaged and inspire new riders by extending heavyweight leadership and unlocking new markets and segments

**BROADER ACCESS** – meet customers where they are and how they want to engage with a multi-channel retail experience

**STRONGER DEALERS** – drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience

**INCREMENTAL REVENUE AND EARNINGS** – generate accelerated growth and expanded operating margins for the Motorcycles and Related Product segment in 2022 compared to 2017:

**\$1.0B to  
\$1.5B**

revenue

**\$200M to  
\$250M**

operating profit

**0.75pts.  
to 1.25pts.**

operating margin %



# ACCELERATING THE STRATEGY

**Accelerating our strategy to build the next generation of H-D riders globally**

## WHAT

### **More Roads to Harley-Davidson – Harley-Davidson’s strategic growth plan through 2022**

- Leverage core business, the brand and our strengths more fully; strengthen the company, brand and sport
- Invest in new growth opportunities
- Advance our long-term objectives and build the next generation of Harley-Davidson riders globally

## WHY

### **To drive results and value more quickly**

- *Given:*
  - Significant international potential
  - Strong opportunity in certain global high-growth product spaces
  - Prolonged softness in the U.S. industry
  - Demographic trends in the U.S. that will pressure participation rates

## HOW

### **In a way that reinforces all we stand for as a brand & company**

- Grounded in our 5 long-term objectives to build the next generation of H-D riders globally
- Better leverage our substantial capabilities and competitive advantages
- Invest in opportunities that deliver cash flow, profitability, top quartile ROIC and value to our shareholders



# NEXT PHASE OF BUILDING RIDERS

Committed to our long-term objectives...

## BUILDING THE NEXT GENERATION OF H-D RIDERS GLOBALLY

Our 2027 Objectives



Progress made during 1<sup>st</sup> year of execution, moving into next phase...

### 2017 SHIFT

- Rider vs. motorcycle
- Embrace used motorcycles
- Gain insights

### 2018-2022 ACCELERATE

- Amplify our efforts to build new riders and retain existing riders
- Leverage our competitive advantages in new areas
- Transform the company by expanding our product leadership and changing how we operate in pursuit of our objectives
- Invest to grow
- Realize revenue growth and operating margin expansion

### 2023-2027 MOMENTUM

- Ridership growth momentum
- Accelerated revenue growth and operating margin expansion
- Robust international growth
- U.S. growth behind reinvigorated industry
- Objectives met by 2027



# STRENGTH TO GROW

**Rooted in our long-term objective to build the next generation of H-D riders, the acceleration of our plan will drive sustainable growth**

## STABILITY & STRENGTH

- Stabilize and grow the business
- Invest significantly in product development and marketing focused on building riders
- Serve today's riders and build new riders
- Increase profitability, maximize cash generation

## GROWTH

- Invest to reinvigorate the U.S. business and accelerate the pace of international growth
- Accelerate ridership growth and keep existing riders engaged
- Ignite sustainable growth through investments in:

**New  
Products**

**Broader  
Access**

**Stronger  
Dealers**



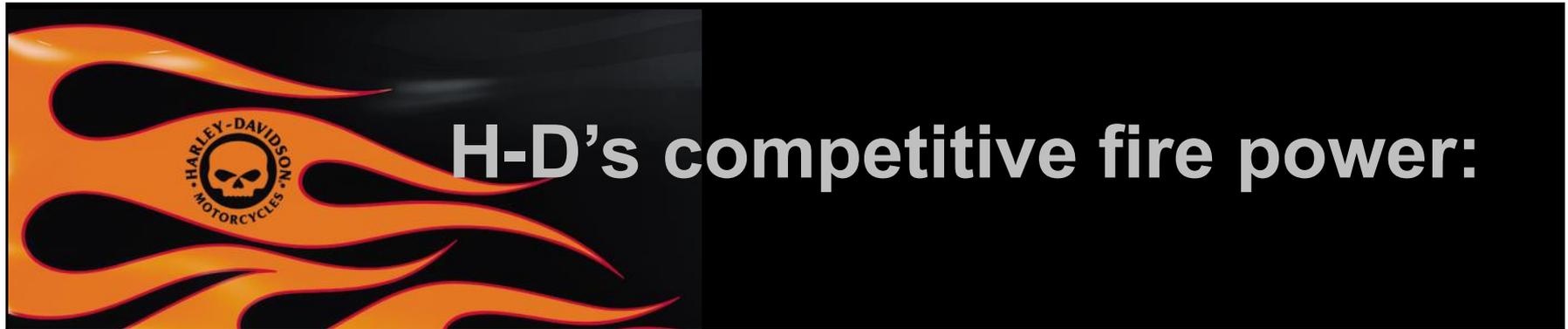
# OPPORTUNITIES





# POSITION OF STRENGTH

Leverage substantial assets and advantages to compete and lead



- World's most **iconic motorcycle brand** able to command a price premium globally
- **Dedicated retail network** capable of delivering a great customer experience to existing and new customers
- Exceptional **design capabilities and customer enthusiasm** to expand beyond traditional product spaces
- Best-in-class motorcycle **financial services**
- **Strong manufacturing capabilities** including a global manufacturing footprint
- **Strong cash flow** generation and returns to shareholders



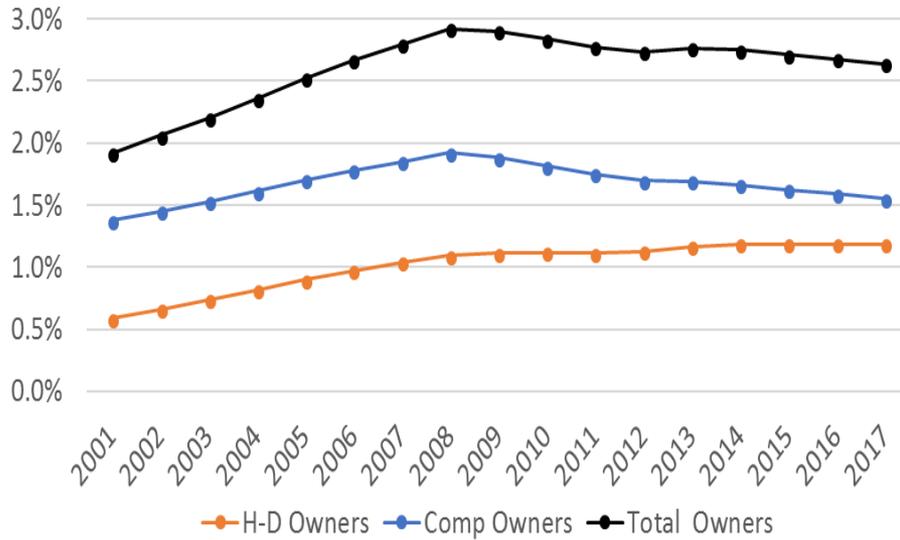
# SHIFTING U.S. INDUSTRY

## Urgency to change trajectory and address challenges driven by a shifting U.S. industry

U.S. Industry participation is flat. H-D ridership is growing, but growth is slowing

### PARTICIPATION

% of 18+ Year Old U.S. Population Who Own at Least One On-Highway Motorcycle  
(All cc+, On-Road/Dual Only, Unique People)



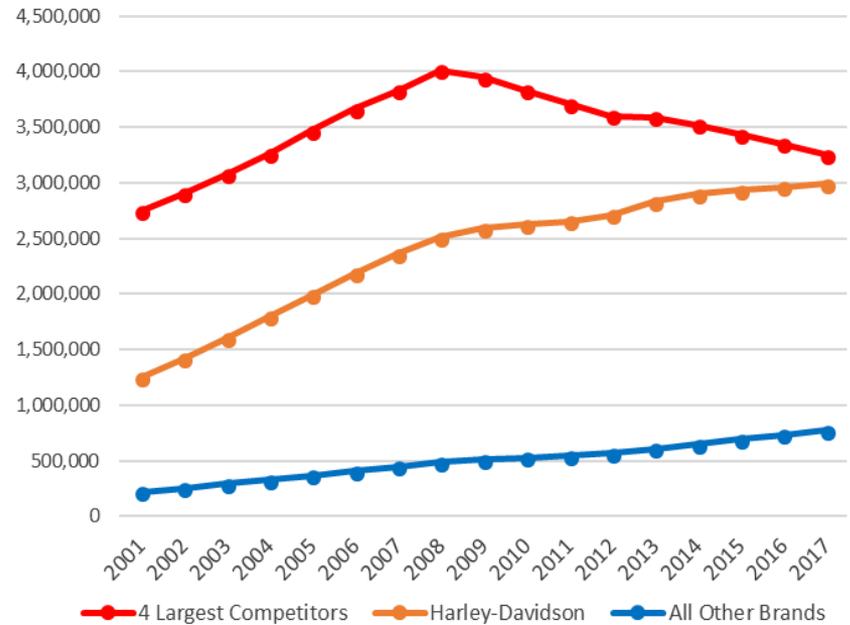
Since the recession:

- H-D participation up and at all-time highs; relatively flat last 4 years
- Competitive participation down
- Industry participation down since 2008

Data and analysis based on annual volumes for US motorcycles in operation (all CC's, on highway and dual motorcycles), and for owners that are 18+ years old. Snapshot based on data as Dec. 31 of the year shown, according to IHS Markit. Population Data Source: US Census Bureau and IHS Markit Macroeconomic Advisors.

### OWNERSHIP

U.S. Motorcycle Owners – Number of Unique People with Registered Motorcycles  
(All cc+, On-Road/Dual Only)



- H-D ownership has grown every year
- H-D ownership is currently more than 2X the nearest competitor
- Ownership among 4 largest competitors has declined every year since 2008

Data and analysis based on annual volumes for US motorcycles in operation (all CC's, on highway and dual motorcycles), and for owners that are 18+ years old. Snapshot based on data as Dec. 31 of the year shown, according to IHS Markit.



# CHANGING CONSUMER

## Urgency to address challenges driven by a shifting global consumer

### Rider expectations are changing

- Consumers are fully embracing online and expecting an all-access retail experience; ~70% of consumers shop online regularly
- Frontline customer interaction evolving - mobile, digital and direct
- Shift to constant connectivity - a connected lifestyle



### The global pace of change is accelerating, and competition is increasingly fierce

- Strong competitive pressure for consumer time and spend from outside of Powersports
- New mobility models emerging
- The pace of investments and innovation in the motorcycle industry is increasing



### Robust international growth opportunities exist

- Consumer spending on discretionary, premium products is reaching critical mass in China, India and Southeast Asia
- China motorcycle volumes expected to grow rapidly; India's 250-500cc motorcycle segment expected to grow ~25%/yr. through 2021
- European motorcycle sales are growing; Adventure Touring segment is large and growing



### Urbanization and sustainability trends are creating opportunity for new technology and products

- Urban population of the world has grown rapidly from 751 million in 1950 to 4.2 billion in 2018; +2.5 billion more expected by 2050
- EVs now considered by 30-40% of U.S. and German car buyers; increasingly favored in government policy



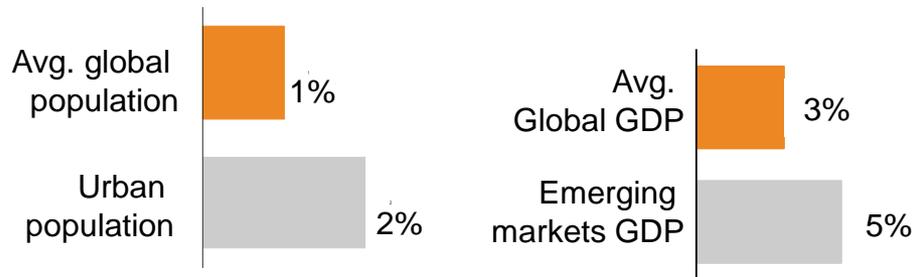


# OPPORTUNITIES

**Harley-Davidson will re-position to compete in the substantial opportunities that we believe exist in the global motorcycle industry**

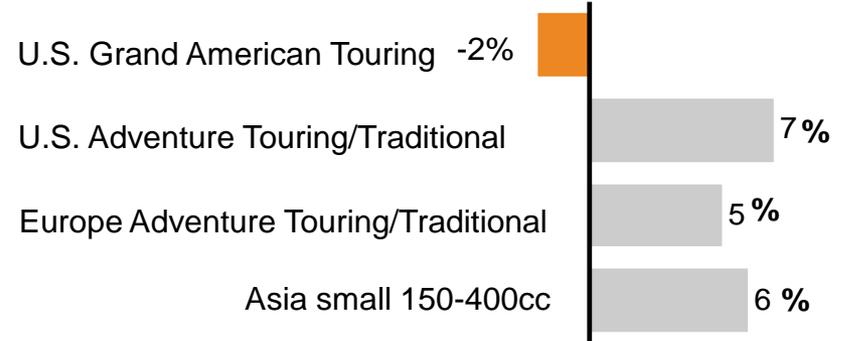


## Tailwinds in Emerging & Urban

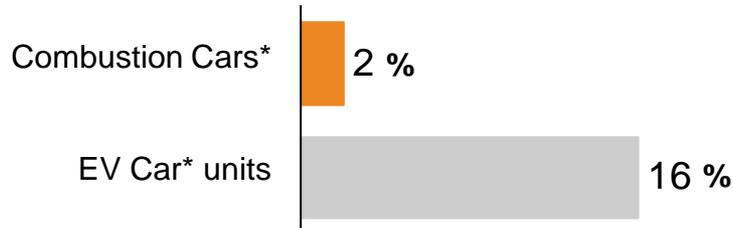


## Tailwinds in Non-Core Segments

*Motorcycle volume growth by segment*



## Tailwinds in Electric

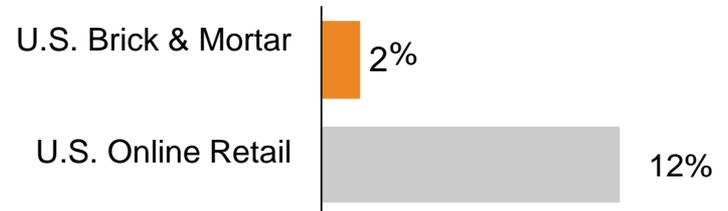


\*Used cars as an indicator for motorcycles



## Tailwinds in E-Commerce

*Total retail revenue \$ growth*



**Forecasted 2017-2022 CAGR:**



H-D's current emphasis



"More Roads" plan focus



# INITIATIVES

**We are building more roads to Harley-Davidson for the next generation of riders through:**

## New Products

Keep current riders engaged and inspire new riders by extending heavyweight leadership and unlocking new markets and segments

## Broader Access

Meet customers where they are and how they want to engage with a multi-channel retail experience

## Stronger Dealers

Drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience

### Key Initiatives

- Innovate Touring and Cruiser products
- Launch middleweight platform
- Lead the electrification of motorcycles
- Launch small displacement motorcycle for emerging markets
- Integrated retail experience
- New retail formats
- Grow China
- Good-to-great dealers
- Expand international dealer network

# **NEW PRODUCT**

## **EXTEND HEAVYWEIGHT LEADERSHIP & UNLOCK NEW MARKETS AND SEGMENTS**

- Innovate Touring and Cruiser products
- Launch middleweight platform
- Lead the electrification of motorcycles
- Launch small displacement motorcycles for emerging markets



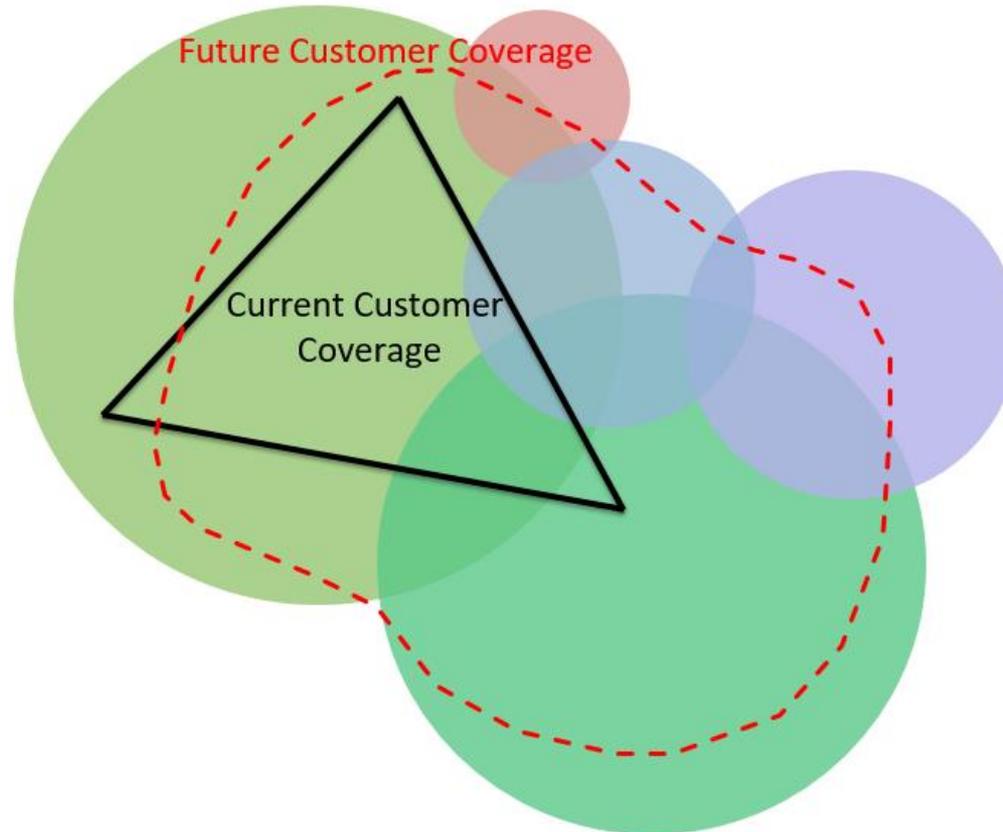


# NEW PRODUCTS

**We are committed to developing and launching high-impact products.  
By 2022, Harley-Davidson will offer our broadest line-up of motorcycles across a spectrum of price points, displacements, riding styles and global markets**

## Motorcycle Product Opportunity Map

*through the eyes of the customer*





# NEW PRODUCT INITIATIVES – CURRENT PRODUCT

**Advance our leadership in heavyweight Touring and Cruiser motorcycles by innovating current product**

## INNOVATE CURRENT PRODUCT

- Extend leadership in Touring and Cruisers in the U.S. and established markets
- Leverage technology to create an unmatched aspirational riding experience
  - Rider confidence & safety
  - Performance
  - Connectivity
  - Infotainment advancement





# NEW PRODUCT OPPORTUNITY: NEW MARKETS/SEGMENTS

**Opportunity exists in large international segments where there are high growth trajectories and a customer enthusiasm for an H-D offering**

	Segment / Displacement	Sales Volume 2017	CAGR 2017-20	Market trends
<b>Europe*</b>	<b>Adventure Touring</b>	163K	<b>8%</b>	<ul style="list-style-type: none"> <li>Europe has strong appreciation of Adventure Touring and Streetfighter segments from young riders, women and new riders</li> </ul>
	<b>Streetfighter</b>	75K		
	<b>Standard</b> (601cc+)	35K		
<b>India*</b>	<b>250-500cc</b>	700K	<b>25%</b>	<ul style="list-style-type: none"> <li>A growing middle class and product introductions by domestic manufacturers providing stimulus in India</li> <li>Competitors have entered into various alliances and partnerships to accelerate the pace of market entry</li> </ul>
	<b>&gt;500cc</b>	8.5K	<b>18-28%</b>	

\* Industry information



# NEW PRODUCT INITIATIVE – MIDDLEWEIGHT PLATFORM

**A new modular platform that spans three distinct product spaces and four displacements with multiple models that align to customer needs outside our current portfolio**

## NEW 500-1250cc PLATFORM

<b>Adventure Touring</b> <i>Capability, functionality, durability</i> <i>Commanding view from taller seat height</i> <i>Versatility</i>	<b>Custom</b> <i>Powerful, muscular, aggressive</i> <i>Strength</i>	<b>Streetfighter / Standard</b> <i>Speed, performance, thrill</i> <i>Naked or partial bodywork</i> <i>Momentum</i>
 <p><b>Pan America™</b> 2020*</p> <p><b>2 models</b> <b>975-1250cc</b> 2020-2021*</p>	 <p><b>Name: TBD</b> 2021*</p> <p><b>5 models</b> <b>500-1250cc</b> 2021-2022*</p>	 <p><b>Name: TBD</b> 2020*</p> <p><b>9 models</b> <b>500-1250cc</b> 2020-2022*</p>

\*Planned launch dates

NOTE: Prototype models shown. Production model features may vary. Not yet available for sale. All future models shown may not be available in all markets.



# NEW PRODUCT OPPORTUNITY: ELECTRIC

Electric motorcycles offer significant, profitable growth potential across multiple segments...

Segment	North America & Europe*			Asia*		
	Sales Volume 2017	Gross Margin Est. Avg.	CAGR 2017-20	Sales Volume 2017	Gross Margin Est. Avg.	CAGR 2017-20
High Power	<1K	~25%	50%	-	-	++%
Mid Power	5-6K	~20%	50%	<1K	~15%	50%
Lightweight Urban	1.8M	20-30%	10-20%	38M	3-5%	2-5%

\* Industry information

## Market trends

- Small, rapidly growing market; increasingly competitive – mostly startups who lack distribution and ability to scale. Currently, small number of brands offering ~18 models
- EV infrastructure is in its infancy
- No high-quality, high-performance models today
- Large, profitable and competitive; no premium offerings

...and have the ability to attract new customers to H-D

### EASY TO RIDE

No-clutch, no shifting, lightweight, easy to maneuver

### URBAN / SUSTAINABLE

Eco-conscious technology

### PURE EXCITEMENT

Quick acceleration, visceral experience

### DESIGN OPPORTUNITY

Category lacks design leadership. H-D design will entice and inspire adoption



# NEW PRODUCT OPPORTUNITY: ELECTRIC

**Electric mobility is being driven by technology, regulation, competitive intensity and consumer preference**



Global energy giants are moving to **acquire EV charging network companies**



Chinese regulators **setting annual target of 2M electric vehicles per year by 2020**



New residential homes and commercial construction **building EV charging infrastructure**



Global auto OEMs announce they are **slashing R&D for combustion engines to shift to EVs 2020-2025**



Electric motorcycles are expected to **achieve cost parity** with internal combustion engine MCs as early as 2030



**30-40% of U.S. and German customers now consider an EV in new car purchases**



**Announced bans on combustion engine new car sales:** Germany and India by 2030; UK, France, Taiwan by 2040

## **Of electric motorcycle intenders surveyed ...**

**43%** Always trying new technology and gadgets before others

**32%** Stay ahead of trends

**45%**



Have interest in owning a Harley-Davidson motorcycle



# NEW PRODUCT INITIATIVE – LEAD ELECTRIC

**Aggressively enter attractive segments with a broad portfolio of electric products and a transformed customer launch approach**

## LEAD ELECTRIC

### LiveWire™



2019\*

### Accessible power & price point



2 models

2021-2022\*

### Lightweight urban



2021-2022\*

### Bring electric products to market in new ways

- Launch with impact to inspire new riders ahead of product availability and seed demand
- Meet customers where they are and how they want to engage
  - Digital information sharing
  - Enhance traditional channels with new urban points

\*Planned launch dates

NOTE: LiveWire prototype and art depicting future product concepts shown. Production model features may vary. Not yet available for sale. All future models shown may not be available in all markets.



# NEW PRODUCT INITIATIVE – SMALL DISPLACEMENT

**We plan to enter the small displacement segment in Asia**

## SMALL DISPLACEMENT FOR EMERGING MARKETS

We intend to enter into a strategic alliance in Asia to:

- Launch a 250-500cc motorcycle within 2 years in India, and into other emerging markets in Asia over time
- Expedite market entry and increase brand access and volume
  - Product/displacement bridge to our larger motorcycles
  - Leverage world-class partner's manufacturing scale and retail footprint
- Enable accessible price point for premium small displacement market entry



# **BROADER ACCESS**

**INNOVATE HOW WE GO-TO-MARKET TO MEET CUSTOMERS  
WHERE THEY ARE AND HOW THEY WANT TO ENGAGE**

- Integrated retail experience
- New retail formats
- Grow China

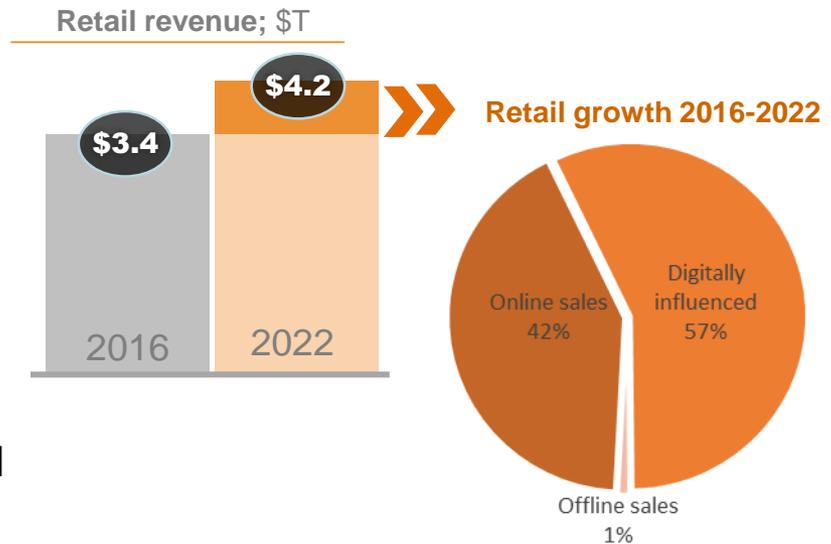




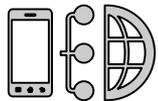
# BROADER ACCESS OPPORTUNITY: INTEGRATED RETAIL

**U.S. customers are embracing online retail and expect integrated, multi-channel retail experiences. To meet changing consumer needs, H-D retail must evolve**

- 99% of consumer retail growth in the next 5 yrs. will come from online or digitally influenced sales



- Forecasted 57% of offline sales will be digitally impacted by 2022



Mobile gateway

**>2x**

growth in number of people who purchase and research through their smartphone or tablets



In-store online research

**1/4**

of these consumers use their mobile devices while shopping in-store, mainly to check the store's website or competitor's website



# BROADER ACCESS INITIATIVE – INTEGRATED RETAIL

**Build on our multi-channel retail experience by enhancing and expanding global online capabilities and integrating with in-store retail**

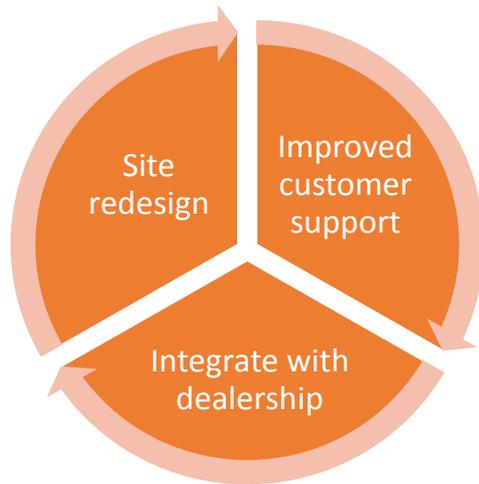
## INTEGRATED RETAIL EXPERIENCE

### Elevate H-D.com

to flagship shopping and purchasing experience, reinforcing the H-D experience

### Create strategic alliance with global

**e-commerce providers.** Expand access to H-D apparel directly to a broader set of mainstream consumers; accelerate apparel sales





# BROADER ACCESS INITIATIVE – NEW RETAIL FORMATS

Expand our reach and access to new customers by adding retail channels that capitalize on high foot traffic areas

## NEW RETAIL FORMATS

Expand international apparel distribution

- Expand G-III alliance model for on-line/offline shopping experience throughout Asia and into other regions



Launch new urban and flexible format storefronts

- Introduce new storefront concepts globally
- Focus on new products and customer needs
- Examples include urban locations and pop-up retail



# BROADER ACCESS INITIATIVE – GROW CHINA

**Invest to grow the China market to drive volume and market share in this rapidly growing market**

## **GROW CHINA**



- Leverage expanded product portfolio
- Leverage Thailand mfg. plant
- Establish China Distribution Center
- Dealer expansion and improvement
- Increase marketing investment

# STRONGER DEALERS

- Good-to-great dealers
- Expand international dealer network

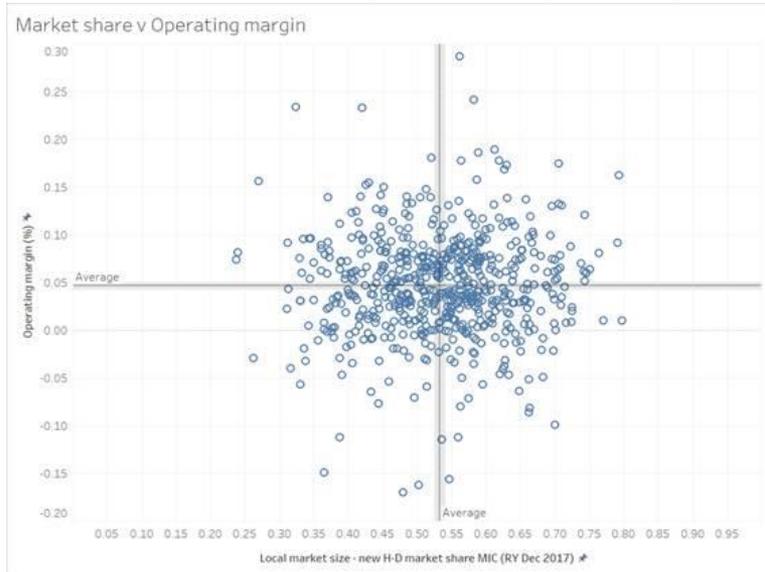




# STRONGER DEALERS OPPORTUNITY

**U.S. dealer performance across Harley-Davidson's network varies widely, with a large number of strong performers and significant improvement potential**

H-D dealer network performance (U.S. data)



## Key Areas of Variation

- Market share & operating margin
- Customer conversion to sales
  - Marketing leads
  - Test rides
  - Riding Academy graduates
- New-to-sport buyers as % of total

We have opportunity to:

- Redefine what “performance” means for the company and dealer network
- Incent dealers to grow and improve the customer experience
- Improve dealer financial strength and profitability (already best-in-class)
- Train dealer staff and provide performance consulting



# STRONGER DEALERS INITIATIVE – GOOD-TO-GREAT

**Work together with the U.S. dealer network to reward improved performance and an exceptional customer experience for a broader H-D customer base**

## GOOD-TO-GREAT DEALERS

- Drive a performance framework to improve dealer financial strength and the Harley-Davidson customer experience
  - Network management
    - Dealer prospecting and succession planning
  - Dealer incentives
    - Performance oriented incentives
    - Facility and methods modernization incentives
    - Bar & Shield program optimization
  - Dealer success
    - General manager & sales training
    - Provide performance consulting
    - Advanced analytics – lead management support
- Deliver an integrated in-store and online experience



# STRONGER DEALERS INITIATIVE – INT’L EXPANSION

Continued expansion of the international dealer network to drive increased access, sales and revenue

## EXPAND INTERNATIONAL DEALER NETWORK

- Plan to open 25-35 new full-line dealer points per year based on market potential through 2022
  - Primarily in emerging markets





# FUNDING & FINANCIALS





# FUNDING & FINANCIALS

**Our plan will strengthen our existing business and enable sustainable growth. We expect to fund growth opportunities while maintaining our current investment/return profile and capital allocation strategy. We will build the next generation of riders by delivering:**

## OUR 2027 OBJECTIVES



## INVESTMENT FOCUS

### Cash Flow

Leverage strong business model and brand to generate industry leading margins and cash flow

### Investment

Invest in strong return projects to drive organic growth (revenue & margin)

- New products
- Broader access
- Stronger dealers
- Operational excellence

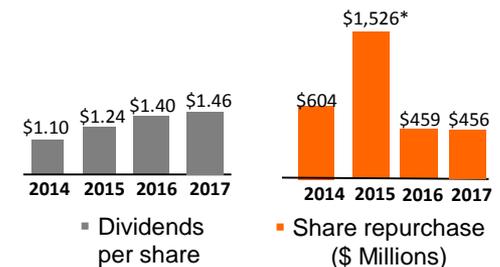
### Returns

Deliver:

- HDMC ROIC top quartile S&P 500
- HDFFS ROE Best-in-class<sup>1</sup>

### Shareholder Distribution

Return all excess cash to shareholders



\*Funded by \$750 million of HDI debt issuance

<sup>(1)</sup> Peer Group includes the following 7 companies with publicly available financial information: American Honda Finance Corporation, Caterpillar Financial Services Corporation, John Deere Capital Corporation, Ford Motor Credit Company LLC, General Motors Financial Company, Inc., Paccar Financial Corp and Toyota Motor Credit Corporation.



# FUNDING & FINANCIALS

**Our plan aims to stabilize and strengthen our existing business while increasing revenue and earnings through 2022**

## H-D's Growth Objectives\*

	<u>2017 vs. 2022</u>
Revenue	<b>+\$1 to \$1.5 billion</b>
	<i>5 Yr. CAGR 3.8 to 5.5%</i>
Operating income	<b>+\$200 to \$250 million</b>
	<i>5 Yr. CAGR 5.9 to 7.1%</i>
Operating margin %	<b>+0.75 to 1.25 points</b>

\*Represents the Motorcycles and Related Products segment. Growth objectives represent incremental business performance to our 2017 actual results.



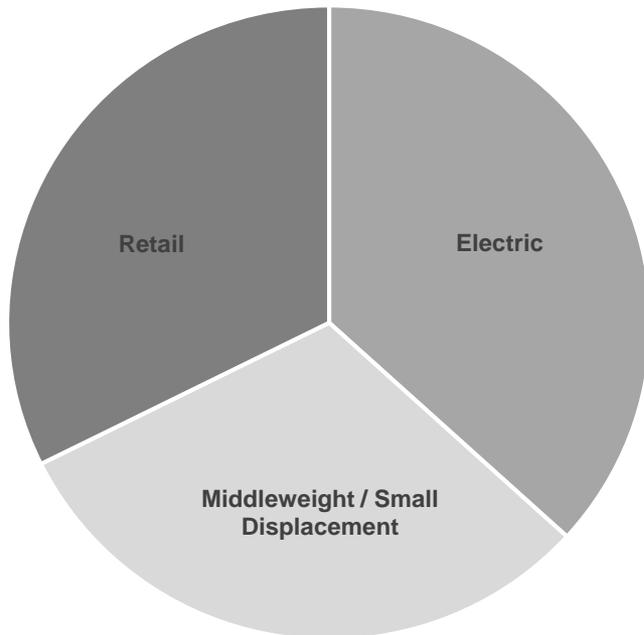
# FUNDING & FINANCIALS

**Our plan requires significant investment to change our trajectory and drive revenue and earnings growth through 2022**

**Cumulative investments expected through 2022**

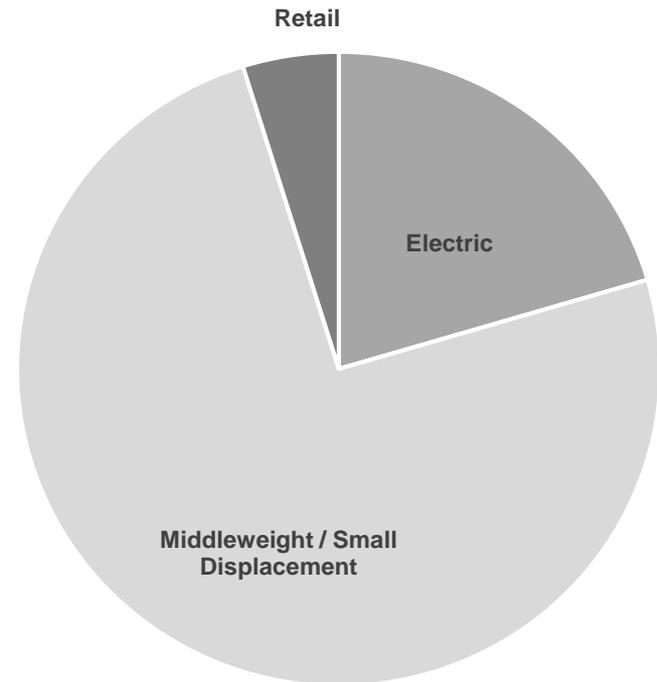
Operating Investment

**\$450-\$550 million**



Capital Investment\*

**\$225-\$275 million**



\*Expect total H-D capital spending to range between \$200 million and \$250 million per year in 2019 through 2022



# FUNDING & FINANCIALS

**We intend to fund the investment required to execute our plan through a comprehensive cost reduction and reallocation program**

## Funding Principles

- Stabilize and strengthen existing business
  - Optimize existing customer base
  - Invest in growing new riders
- Enhance our premium brand
  - Maintain or increase current investment levels in customer-facing marketing and product development
- Drive organizational agility
  - Faster decisions
  - Increased speed to market
  - “Test and roll” market initiatives

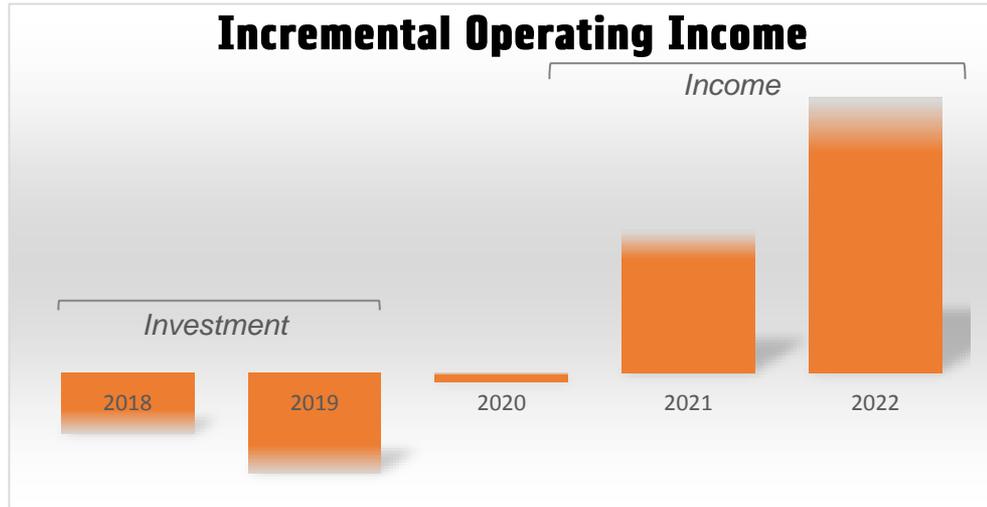
## Funding Strategy

- Improve cost competitiveness
  - Sourcing
  - Design-to-value
- Achieve overhead efficiencies
  - Reduce costs through prioritization, automation, continuous improvement and closing gaps to best-in-class benchmarks
  - Reallocate investment and resources to growth opportunities
- Disciplined capital allocation
  - Reallocation of investment capital
  - Improved working capital

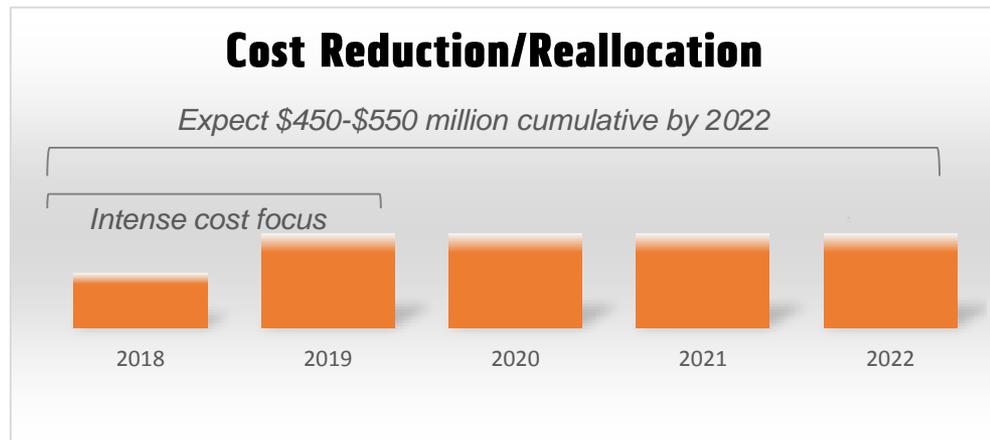


# FUNDING & FINANCIALS

**Investments in these accelerated growth opportunities will result in start-up losses in 2018 and 2019...**



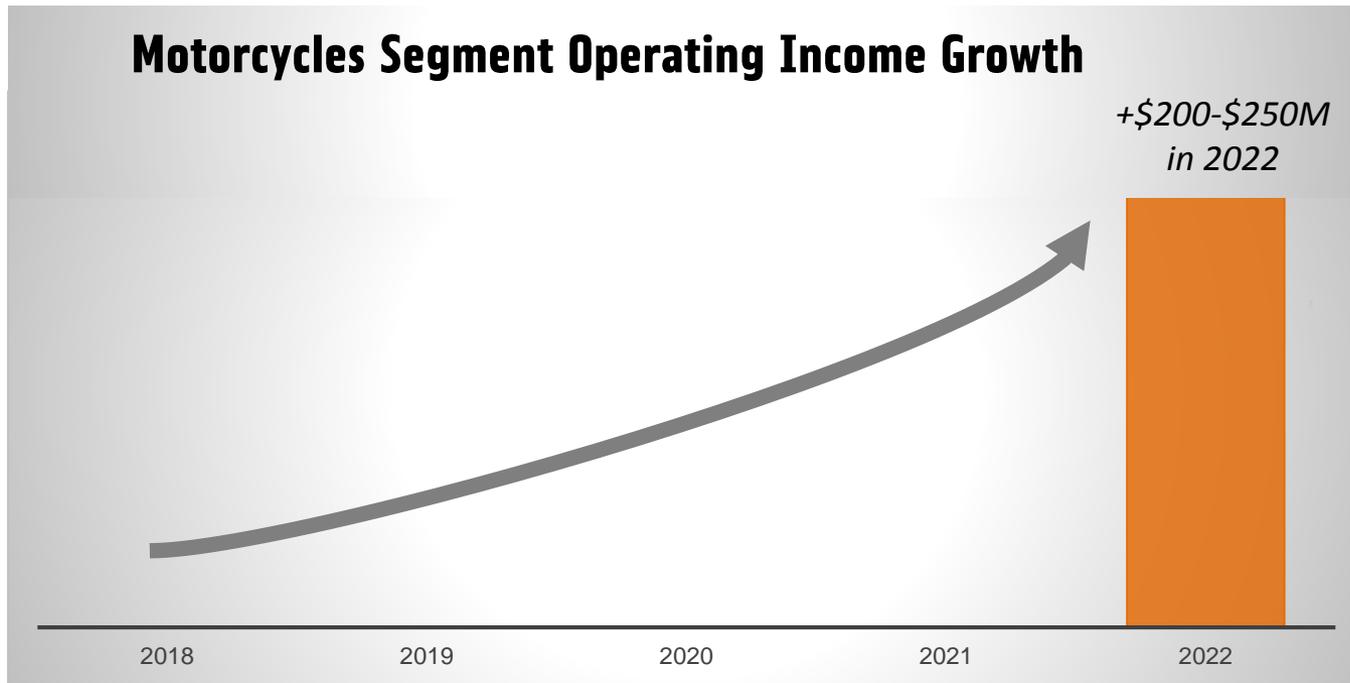
**... which will be entirely funded by a comprehensive cost reduction and reallocation program concentrated in 2018 and 2019**





# FUNDING & FINANCIALS

**These investments aim to accelerate growth in Motorcycles & Related Products segment revenue and operating margin by 2022**





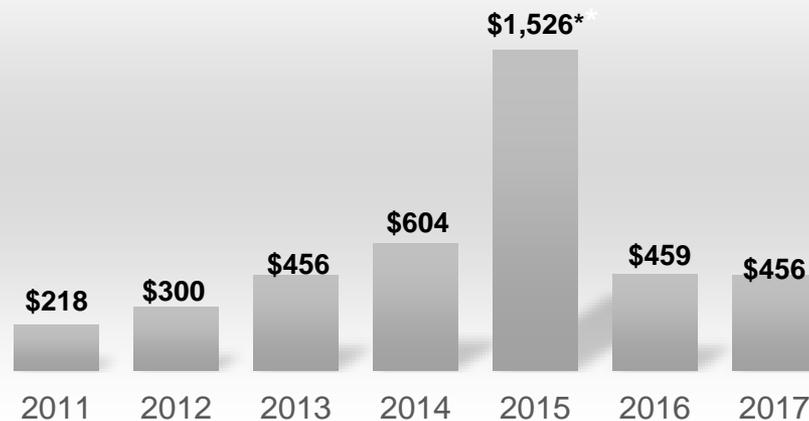
# FUNDING & FINANCIALS

**We also expect to continue to return all excess cash to our shareholders through share repurchases and rising dividends**

### Dividends Per Share



### Discretionary Share Repurchases



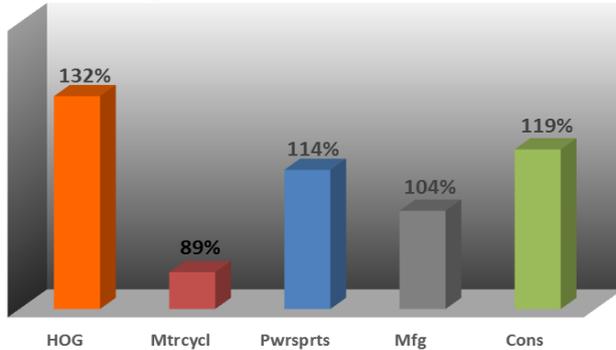
\* Funded by \$750 million HDI debt issuance



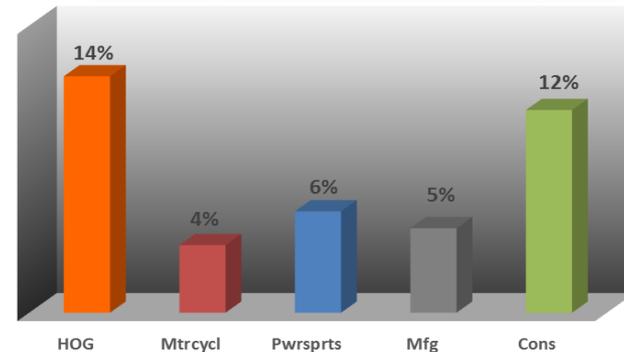
# FUNDING & FINANCIALS

We expect to continue to lead in cash generation and cash flow return metrics

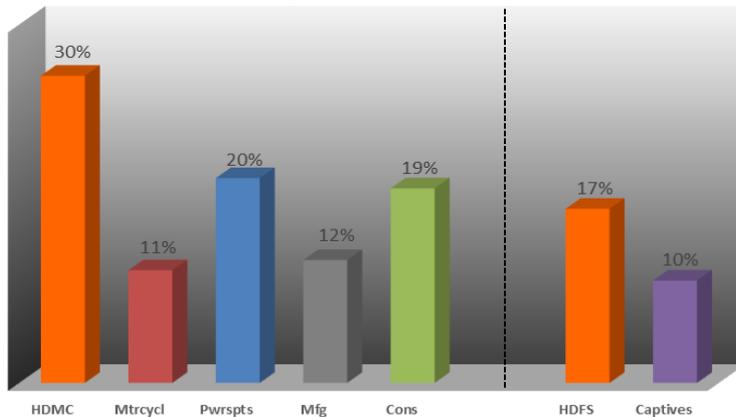
**3-Yr. Avg. Free Cash Flow Conversion<sup>(1)(2)</sup>**



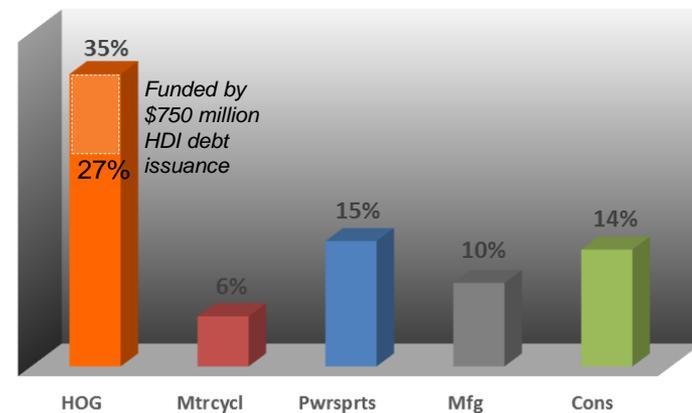
**3-Yr. Avg. Free Cash Flow Margin<sup>(1)(2)</sup>**



**3-Yr. Avg. ROIC and ROE<sup>(1)(3)</sup>**



**3-Yr. Avg. Cumulative Capital Return/Market Capitalization<sup>(1)(4)</sup>**



<sup>(1)</sup>Three year average is based on 2015-2017 calendar year information using the average for key companies in respective industries or segments. Source: Company filings, Bloomberg (benchmark companies' income adjusted as appropriate for comparability). <sup>(2)</sup> Free Cash Flow (FCF) is defined as net cash provided by operating activities less capital expenditures. Free Cash Flow Margin defined FCF divided by revenue. Free Cash Flow Conversion defined as FCF divided by net income. Free Cash Flow is a non-GAAP measure. See slides later in this presentation for information on Non-GAAP measures. <sup>(3)</sup>Return on invested capital (ROIC) is defined as earnings before interest and taxes (EBIT) after tax divided by (debt plus book value of equity). EBIT after tax for HDMC is equivalent to HDMC operating income after tax which is a non-GAAP measure. Return on equity (ROE) is defined as FinCo operating income after tax divided by book value of equity. FinCo operating income after tax is equivalent to HDFS operating income after tax which is a non-GAAP measure. Calculations for all companies assume a tax rate of 35% for comparability. See slides later in this presentation for information on Non-GAAP measures. <sup>(4)</sup> Calculated by adding 2015, 2016 and 2017 dividends plus repurchase, dividing that sum individually by 2015, 2016 and 2017 year-end market capitalizations resulting in three separate quotients, and then averaging the three quotients.

**MEASURING  
SUCCESS  
SUCCESS  
MILESTONES**





# MEASURING SUCCESS – MILESTONES

**Our objective is to drive sustainable growth through 2022  
as we seek to achieve milestones along the way**

2018

2019

2020

2021

2022

## NEW PRODUCTS

### **Innovate Existing Touring & Cruiser**

# of Models

Approximately 2-6 new models per year

Consumer Benefits

Rider Confidence & Safety, Performance, Infotainment

### **New Middleweight Motorcycles Platform**

# of Models

1 Streetfighter/ Std.  
1 Adventure Tour.

6 Streetfighter/ Std.  
1 Adventure Tour.  
4 Custom

2 Streetfighter/Std.  
1 Custom

### **Lead Electric**

# of Models

1 model

2-5 models

### **Small Displacement Motorcycles**

# of Models

1 -2 models

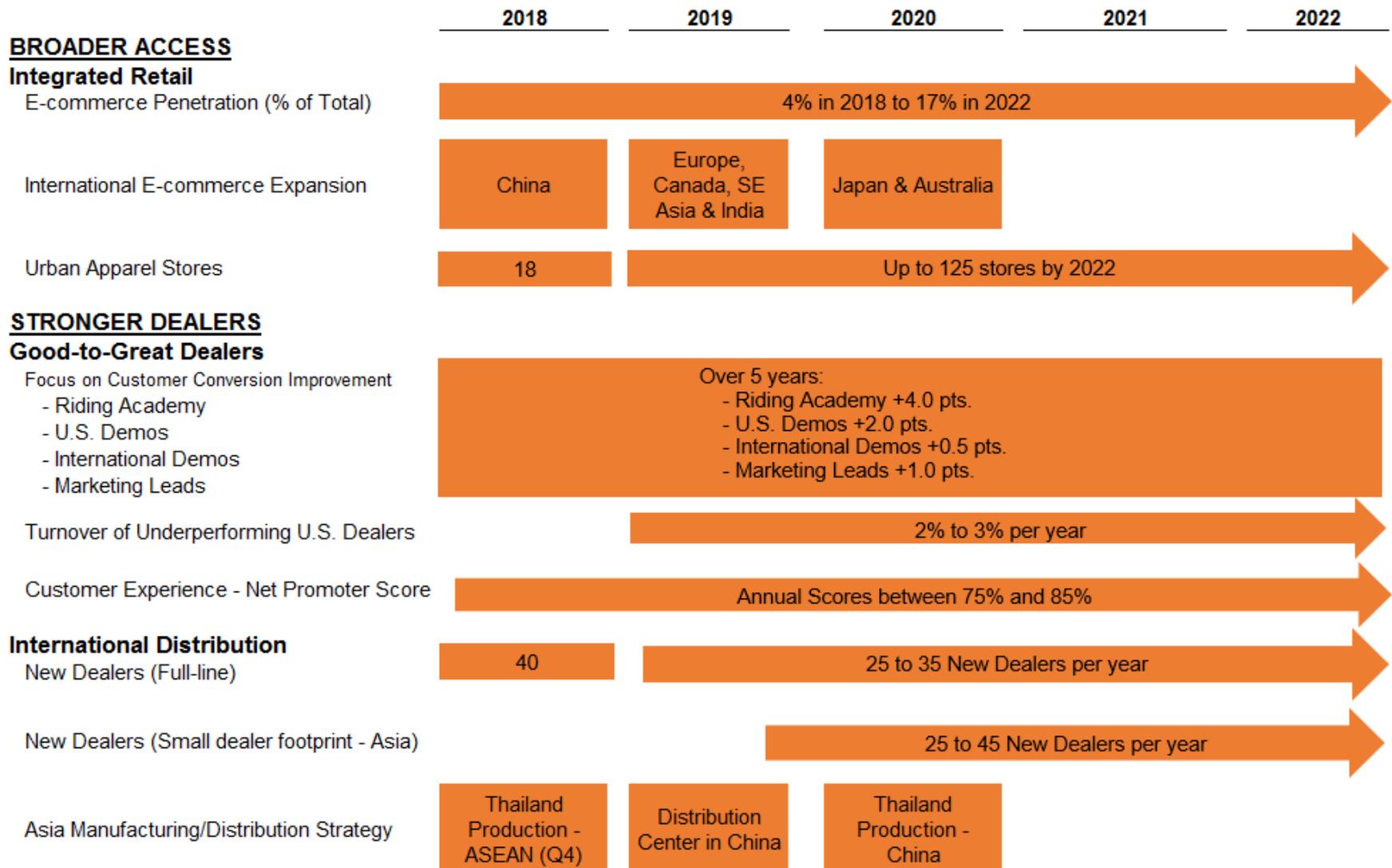
H-D Market Share (India)

1% to 4% of 250-500cc segment



# MEASURING SUCCESS – MILESTONES

**Our objective is to drive sustainable growth through 2022 as we seek to achieve milestones along the way**



# Summary



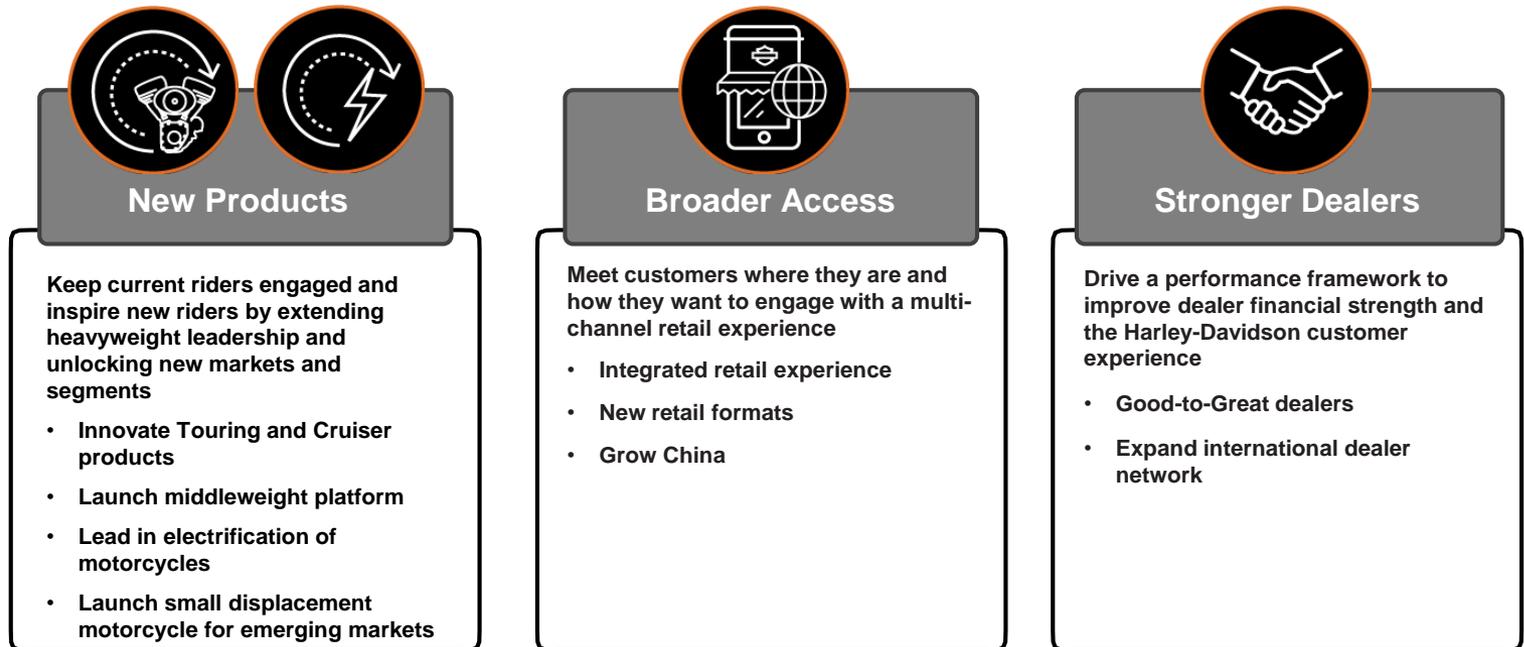
# BUILDING THE NEXT GENERATION OF HARLEY-DAVIDSON RIDERS GLOBALLY

OUR 2027  
OBJECTIVES



## MORE ROADS TO HARLEY-DAVIDSON

ACCELERATING  
OUR STRATEGY



NAIL THE  
FUNDAMENTALS  
TO COMPETE  
AND WIN



# WE FULFILL DREAMS OF PERSONAL FREEDOM



# SOURCES OF INFORMATION

## Sources of Information

This presentation includes a significant amount of estimates, information and data about markets, industry information and similar subjects. The estimates, information or data reflects the company's beliefs based on estimates, information and data available to it. But, we have not independently verified the reliability, accuracy, or completeness of the estimates, information or data that form the basis for the company's beliefs. The estimates, information or data that we present involve a number of assumptions and limitations and may not be reliable, and investors should not place undue reliance on them. Neither the company nor any other person makes any representation or warranty as to the accuracy or completeness of such estimates, information or data. In particular, projections, assumptions and estimates concerning the markets in which the company operates, or intends to operate, are necessarily subject to a high degree of uncertainty and risk.

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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 their 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 following non-GAAP measures are used as inputs into performance measures that allow for a comparison to the performance of industry competitors:

- HDI free cash flow
- HDMC operating income after tax
- HDFS operating income after tax

Refer to the following slide non-GAAP reconciliations.

# RECONCILIATION OF GAAP TO NON-GAAP AMOUNTS

This presentation contains performance measures calculated using non-GAAP amounts as inputs. These performance measures include: "3-yr. Avg. Free Cash Flow Conversion", "3-yr. Avg. Free Cash Flow Margin", "3-Yr. Avg. ROIC and ROE". Reconciliations of non-GAAP amounts to reported GAAP amounts are included below.

	Twelve-months Ended <u>12/31/2017</u>	Twelve-months Ended <u>12/31/2016</u>	Twelve-months Ended <u>12/31/2015</u>
<u>HDI Free cash flow (FCF)</u>			
Net cash provided by operating activities (GAAP)	\$ 1,005,061	\$ 1,174,339	\$ 1,100,118
Less: Capital expenditures (GAAP)	<u>206,294</u>	<u>256,263</u>	<u>259,974</u>
FCF (Non-GAAP)	\$ 798,767	\$ 918,076	\$ 840,144
<u>HDMC operating income after tax</u>			
HDMC operating income (GAAP)	\$ 624,326	\$ 781,625	\$ 884,041
Less: Income taxes <sup>(1)</sup>	<u>218,514</u>	<u>273,569</u>	<u>309,414</u>
HDMC Operating income after tax (Non-GAAP)	\$ 405,812	\$ 508,056	\$ 574,627
<u>HDFS operating income after tax</u>			
HDFS operating income (GAAP)	\$ 267,139	\$ 267,206	\$ 271,654
Less: Income taxes <sup>(1)</sup>	<u>93,499</u>	<u>93,522</u>	<u>95,079</u>
HDFS operating income after tax (Non-GAAP)	\$ 173,640	\$ 173,684	\$ 176,575

<sup>(1)</sup> Income taxes calculated using a 35% rate, to be consistent with assumptions used to determine competitor measures.