

WESTPEAK RESEARCH ASSOCIATION

Harley-Davidson, Inc (HOG)

Consumer Discretionary – Motorcycle Manufacturer

This Engine is Revving

May 1, 2023

Harley-Davidson, Inc. is engaged in the manufacturing and sale of motorcycles as well as motorcycle parts, accessories, general merchandise, and related services. The company has a financial services segment which provides financing at both the consumer and dealership level. The company was founded in 1903 and is headquartered in Milwaukee, Wisconsin.

Thesis

We see above expected growth resulting from the company's five-year strategic plan, The Hardwire. The company's focus on profitability, electric motorcycles, and growth beyond bikes is promising. Additionally, recently appointed CEO Jochen Zeitz has a strong track-record in successfully executing business turnarounds which will serve as an asset as Harley-Davidson faces an aging customer base. To summarize, we believe the company's Hardwire strategy will drive long-term growth, and subsequently, share price appreciation.

Drivers

The Company's key revenues driver are motorcycles and parts and accessories sold from its HDMC segment. As the company continues to execute on its Hardwire strategic plan, other revenue segments such as apparel are becoming key segments as well. In addition, the company's EV spin off, LiveWire, is poised to generate substantial long-term revenue.

Valuation

We used a discounted cash flow and comparable company analysis – weighted at 50% each – to determine a target share price of \$52.79. We assign a **BUY** rating on Harley-Davidson with an implied upside of 42.3%

Analyst: Omar Al-Hmoud, BCom. '25
contact@westpeakresearch.com

Equity Research Canada/US

Price Target	USD\$ 52.79
Rating	Buy
Share Price (Jan. 13 Close)	USD\$ 37.10
Total Return	42.3%

Key Statistics

52 Week H/L	\$48.72/\$29.80
Market Capitalization	\$6,651M
Average Daily Trading Volume	1.43M
Net Debt	\$6,284M
Enterprise Value	\$12,902M
Net Debt/EBITDA	5.7x
Diluted Shares Outstanding	146.2M
Free Float	90.8%
Dividend Yield	1.4%

WestPeak's Forecast

	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenue	\$5,336M	\$5,441M	\$5,601M
EBITDA	\$988.6M	\$1,311M	\$1,120M
Net Income	\$650M	\$797M	\$676M
EPS	\$4.19	\$5.35	\$4.59
P/E	10.8x	8.5x	9.9x
EV/EBITDA	12.2x	9.2x	10.8x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

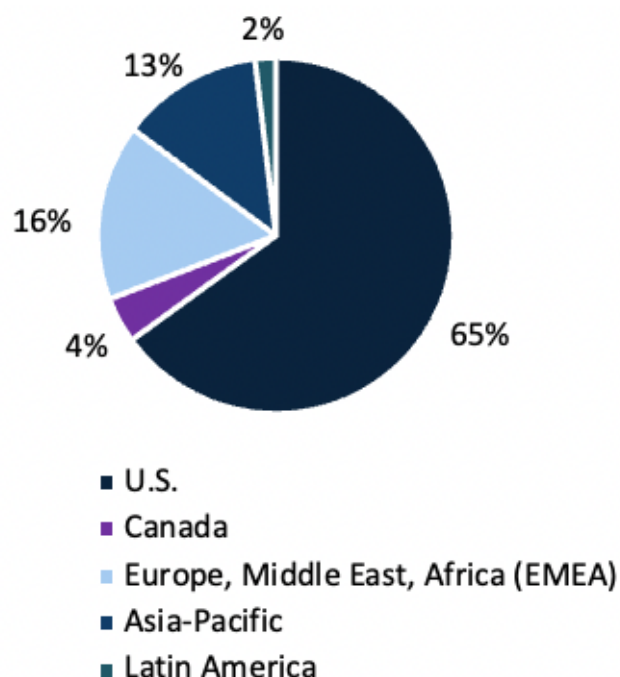
Harley-Davidson Inc, founded in 1903, is a manufacturer of premium motorcycles. Headquartered in Milwaukee, Wisconsin, the Company designs, assembles and markets motorcycles and motorcycle parts and accessories. The Company also provides wholesale and retail financing to its dealers and customers across the US and Canada. Harley-Davidson Inc. is the parent company of the group of companies referred to as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). Furthermore, these two strategic business units are separately managed.

Segment #1: Motorcycles and Related Products

The Motorcycles segment reflects the activities of Harley-Davidson Motor Company (HDMC), which designs, manufactures, and sells motorcycles. In addition, this segment also sells motorcycle parts, accessories, and licenses its trademarks. It is important to note that this segment serves as the largest and most important revenue driver for Harley-Davidson, generating 85% of total revenue in 2021. The Company's products are sold through a network of independent dealers across the world, with sales in the United States, Canada, Europe/Middle East/Africa (EMEA), Asia Pacific, and Latin America. In 2021, the Company owned its first Company-owned retail dealership in the U.S. which is exclusively dedicated to the sale of LiveWire electric motorcycles.

Revenue by Region

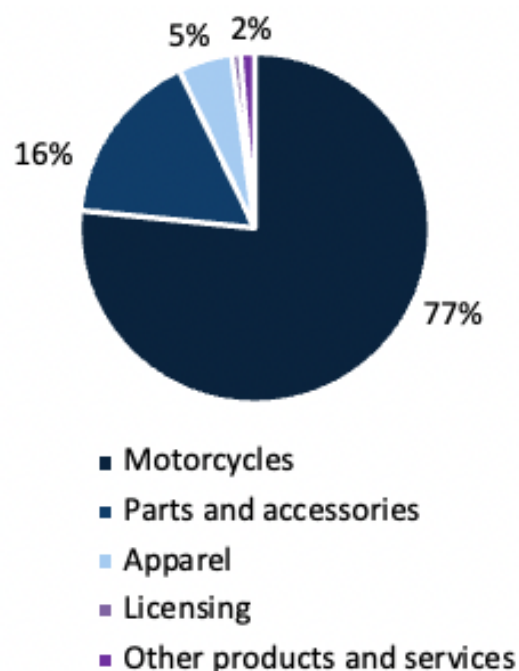
FY 2021



Source: [Company Filings](#)

Revenue by Segment

FY 2021



Source: [Company Filings](#)

Segment #2: Financial Services

The Financial Services segment reflects the activities of Harley-Davidson Financial Services (HDFS) which primarily consist of financing and servicing wholesale inventory receivables and retail consumer loans, mainly for the purchase of Harley-Davidson motorcycles. This segment was responsible for 15% of total revenue in 2021. In regard to their wholesale financial services, HDFS provides wholesale financial services to the Company's U.S. and Canadian independent dealers which include floorplan and open account financing of motorcycles and parts and accessories. Their retail financial services on the other hand, provide retail financing to consumers in the form of installment lending for the purchase of new and used Harley-Davidson motorcycles. The company believes its ability to offer wholesale and retail financing services in the U.S. and Canada to be one of their core competitive advantages.

Products

The Company offers gas powered motorcycles under the Harley-Davidson brand, and electric powered motorcycles under the LiveWire brand. Harley-Davidson has six categories of motorcycles that attend to different consumer needs and preferences. These product categories include the following: Grand American Touring, Trike, Adventure Touring, Cruiser, Sport and Electric. The various categories can be described as follows:

Touring - This includes the Company's Grand American Touring and Trike models. This category of motorcycles emphasizes rider comfort, load capacity, and incorporates features such as luggage compartments ideal for long rides. In 2021, this category made up 49.8% of the Company's wholesale motorcycle shipments.

Dual - This includes the Company's Adventure Touring models. This category is designed with the capability for use on-road as well as for some off-road recreational use. In 2021, this category made up only 5.3% of the Company's wholesale motorcycle shipments.

Cruiser - This includes the Company's Cruiser, Sport, and Electric models. This category emphasizes styling, customization, and casual riding. In 2021, Cruiser and Electric models made up 31.6% of the Company's wholesale motorcycle shipments. In addition, the Sport/Street model made up 13.3% of wholesale shipments.



Grand American Touring



Trike



Adventure Touring



Cruiser



Sport



LiveWire One

Company Strategy

The Hardwire, introduced on February 2nd, 2021, focuses on the Company's ambition of enhancing its position as the most desirable motorcycle brand in the world. The Company strongly believes that their brand is associated with igniting desirability, and that desirability remains as the heart of their mission, legacy, and future. More specifically, The Hardwire 2021-2025 strategic plan released six priorities it will address and are as follows (note: these priorities were announced in the Company's **2021** annual report):

Profit focus: Harley-Davidson plans to invest resources into growing its leadership positions in its most profitable motorcycle product segments: Grand American Touring, large Cruiser and Trike. The Company is increasing unit profitability through increased pricing and cost-cutting, particularly in the domain of employee expenses. Moreover, we see that the company is following through on this initiative as gross margins were particularly attractive in Q3 2022.

Selective expansion and redefinition: The Company plans on selectively expanding into and within motorcycle segments, focusing on product segments that are profitable such as Adventure Touring and middleweight Cruiser. The Company will also continue to test avenues for long-term growth such as premium low-displacement motorcycles. Harley-Davidson also plans to focus on approximately 50 global markets to fuel further growth. This includes the following markets: US, Germany, Austria, Switzerland, Japan, China, Canada, France, United Kingdom, Italy, Australia, and New Zealand.

Lead in Electric: Harley-Davidson is committed to leading the electric motorcycle market. It plans to focus on its technology development, with an approach to product and go-to-market actions that deliver on the expectations of their targeted customer. Again, we see that management is executing in this domain. On September 16, 2022, a business combination which created LiveWire (LVWR) was approved, which marks the first and only EV motorcycle company in the U.S. to list on the NYSE. This is key in Harley-Davidson's inevitable transition to electric powered motorcycles.

Growth beyond bikes: The Company intends on expanding and further engaging its complementary businesses beyond bikes. Harley-Davidson's complementary businesses include parts and accessories (P&A), apparel and licensing, and Financial Services. The Company hopes to grow the profitability of these businesses through refreshed product and program offerings, stronger execution, and both digital and in-dealership purchases. We believe management is executing on this

priority as apparel revenue for Q3 2022 was up 41% year-over-year. It is important to note that P&A and Financial Services revenue was down in Q3, but this is largely attributed to supply-chain and macroeconomic effects.

Customer experience: Harley-Davidson believes customers are the focal point of The Hardwire and will work towards growing their connection with riders and non-riders. The Company is using integrated data to create touchpoints tailored to the different needs of its customers, with the goal of creating personalized experiences for its customers.

Inclusive Stakeholder Management: The Company intends on providing long-term value to all its stakeholders, prioritizing people, planet, and profit. Harley-Davidson believes Inclusive Stakeholder Management will drive additional shareholder value for its investors.

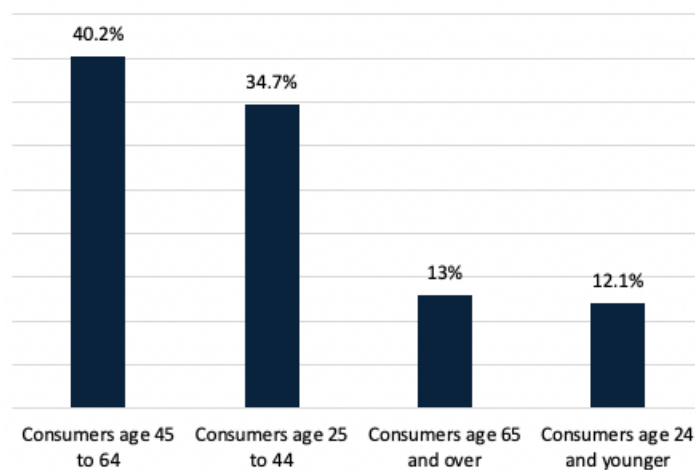
Industry Analysis

Harley-Davidson operates within the motorcycle, bike & parts industry. This industry consists of businesses that manufacture motorcycles, mopeds, scooters, and bicycles. Also, businesses that manufacture equipment and parts for these vehicles are included in this industry. The major products in this industry are on-highway motorcycles, off-highway motorcycles, dual motorcycles, bicycles, and parts. As of 2021, the global motorcycle market was valued at USD \$119.33B. The industry foresees a CAGR of 1.7% from the period 2023-2028. Moving forward, we expect a focus on new demographics and reduced demand due to macroeconomic effects.

Focus on new demographics

For over a decade, the baby-boomer generation, or people over the age of 45, have dominated the motorcycle industry as the largest consumer group. Demand from this aging population is expected to continue but decrease over the next five years. Moreover, individuals within this customer group are less likely to ride motorcycles due to safety risks and lifestyle changes. As demand decreases for this group, businesses are expected to shift focus onto younger demographics to broaden their customer base. Consequently, marketing budgets in the industry are expected to increase as businesses craft advertising campaigns targeting a younger demographic. In terms of appealing to this younger demographic, businesses have already begun developing electric powered motorcycles to align themselves with younger generations who tend to be more environmentally conscious. In addition, businesses are focusing on building cheaper motorcycles as younger demographics also tend to be more price conscious than their baby boomer counterparts.

Major Market Segmentation by Age
2022



Source: [IBISWorld](#)

Macroeconomic effects on demand

Considering motorcycles fit into the larger consumer discretionary sector, levels of disposable income and demand for motorcycles are positively correlated. With persistent inflation and rising interest rates, per capita disposable income is expected to continue decreasing which poses a threat to the industry. In addition, access to credit is becoming more expensive due to rising interest rates implemented by the US Federal Reserve. Consumers benefit from financing options, particularly with expensive motorcycles. Moreover, limited and expensive financing puts pressure on consumers which may result in difficulties affording monthly payments. As a result, players such as Harley-Davidson are beginning to incur larger provisions for credit losses. Overall, the effects of inflation and rising interest rates reduce disposable income and make financing more expensive, which may reduce industry demand going forward.

Competitive landscape

This industry has a medium level of concentration, with top players such as Harley-Davidson, Yamaha, and Suzuki, accounting for more than half of industry revenue. The leading player within the industry is Harley-Davidson, primarily due to their positive brand awareness, long history and dedicated following. In 2022, Harley-Davidson's market share in the US dropped from 44.4% to 41.2%. For reference, the Company's US market share was 53.3% in 2014 which implies a sub-optimal trend in market share capture. The market share concentration within the motorcycle market can be largely attributed to the complex operations required for the manufacturing process. For instance, Polaris Inc., another significant player, recently moved some of its motorcycle manufacturing capability to Mexico. Key players in the industry have also looked to acquire smaller companies to increase product offerings and gain new technology. To remain competitive in the motorcycle market, players must comply with regulations, invest in R&D, seek out highly skilled labour, broaden product offerings, and keep up with technological advances within the industry.

Barriers to entry

Barriers to entry in the industry are medium and steady. Existing companies such as Harley-Davidson have built strong brand loyalty and can employ aggressive marketing to maintain brand awareness. As a result, the difficulty associated with gaining market share may act as a deterrent to new entrants. In addition, players in the industry can already produce and distribute vehicles at lower costs than new entrants. In terms of fixed costs, investing in the plant, equipment, and technology required to operate in this industry is high, which may also deter new entrants. Also, businesses within this industry are required to comply with several government regulations regarding emissions, noise, and safety. The costs of compliance associated with these regulations may further act as a deterrent.

Catalysts

Growing consumer willingness to pay for motorcycles

Over the past couple years, Harley-Davidson has implemented price increases on its motorcycles without losing sales. The reasons for the price increases can largely be attributed to supply chain issues and shortages caused by the pandemic, for instance with semi-conductors, and the Company's recent investment in EV motorcycles through LiveWire which continue to require significant capital expenditures. Furthermore, the Company's ability to hike prices while maintaining sales can

be explained by Harley-Davidson's superior brand positioning which has increased its products perceived value. Overall, this suggests that consumer willingness to pay for motorcycles is growing.

Live-Wire is ramping up

LiveWire (NYSE:LVWR), Harley-Davidson's EV motorcycle division spin off, is vital to company's long-term business turnaround and revenue growth. As the first and only EV motorcycle company in the U.S. to list on the NYSE, LiveWire has given the Company a headstart on the industry's inevitable transition to electric powered motorcycles. More importantly, the Company is using LiveWire to transform everyday riding into an urban experience, and ultimately address a new demographic. Moreover, in spring of 2023, LiveWire is launching the S2 Del Mar which is low-cost, low-range EV bike which the Company refers to as the "mark of urban riding." This, along with future product rollouts, will act as catalysts in generating future revenue, as annual revenues of almost \$900M are expected by 2025.

Thesis

Better unit-profitability will drive bottom line growth

An increased focus on profit is key to the Company's Hardwire strategic plan, and we are beginning to see execution on this front. In Q3 2022 the company was able to substantially increase its unit-profitability to levels not seen since 2015. Harley-Davidson improved profitability through price increases that exceeded inflation and through the implementation of a leaner cost structure. Moreover, HDMC operating income was up 9.5% versus last year. Moving forward, price increases, lower expected costs as supply chain issues resolve, and further cuts to SG&A, will allow the Company to capture more operating income even if there is not significant revenue growth. Increases in operating income will be essential in generating a higher return on equity for shareholders, and we can see this taking place as ROE was up 9.3% in Q3 2022 versus the prior year. Overall, we anticipate that the company's ability to drive bottom line growth without massive increases in sales volume will contribute to share price appreciation.

CEO Jochen Zeitz is an expert in business turnarounds

Jochen Zeitz has a respected track-record of transforming companies facing financial difficulties. More notably, Zeitz is known for his turnaround of Puma. When Zeitz joined Puma in 1994, it was struggling financially and had a reputation for producing outdated and unfashionable products. Under his leadership, he transformed Puma into a major player in the global athletic footwear and apparel market, making it a serious competitor to rivals such as Nike and Adidas. Although better product innovation was certainly important in this transformation, it was Zeitz's ability to market Puma as a lifestyle brand that represented individuality and self-expression which really established the brand as a major player. In regard to Harley-Davidson, it appears to be in a very similar situation. Moreover, the Company's existing consumer base is slowly, but surely, aging and will eventually cease purchase of Harley-Davidson bikes. This implies that the Company's ability to appeal to younger demographics is vital to sustainable, long-term growth, particularly through LiveWire. We believe CEO Jochen Zeitz will successfully lead this important transformation as he continues to reinvigorate the brand while also staying true to Harley-Davidson's heritage.

Management Team

Chief Executive Officer – Jochen Zeitz



Mr. Jochen Zeitz has been the Chairman of Harley-Davidson, Inc. since February 2020 and has been its Director since August 6, 2007. He has been the President and Chief Executive Officer of Harley-Davidson, Inc. since May 20, 2020. Mr. Zeitz previously served as the chairman and CEO of Puma for 18 years and was responsible for transforming the company from near bankruptcy to a leading sports brand. In addition, he served as board member of luxury goods company Kering. In 2004, he was declared one of the 25 Young Leaders set to change the face of business in Europe by the Financial Times. In September of 2004, 2005, 2006, he was presented with the Strategist of the Year award by the Financial Times Germany.

Chief Financial Officer – Gina Goetter



Ms. Gina M. Goetter has been the Chief Financial Officer of Harley-Davidson Inc since September 30, 2020. She has been a Director of LiveWire Group, Inc. since September 26, 2022. She serves as Director of S. C. Johnson & Son, Inc. since October 2022. Ms. Goetter has experience driving strong financial and operational results and leading transformational change. Most recently, she served as SVP and CFO of prepared foods segment at Tyson Foods, Inc. from 2019 to September 2020. Prior to Tyson Foods, Ms. Goetter held various global leadership positions with General Mills, Inc., including serving as its Vice President, Financial Operations of the Meals & Baking Operating Unit from 2017 to 2019 and Senior Finance Director of the Baking Operating Unit from 2015 to 2016 and CFO of the General Mills Canada segment from 2011 to 2015.

President and Chief Electric Vehicle Officer of LiveWire – Ryan Morrissey



Mr. Ryan Morrissey has been the President of LiveWire Group, Inc. since September 26, 2022. Mr. Morrissey was the Chief Electric Vehicle Officer at Harley-Davidson, Inc. from early 2020 to March 2022. He has experience in disruptive technologies and the development of new business ventures. As he served as a Senior Partner and head of the Automotive & Mobility practice in the Americas at Bain & Company for 17 years. In this role, he led the development of growth, adjacency and M&A strategies for OEMs and retailers specific to the long-range transition to electric vehicles and autonomous fleets. He holds a Bachelor of Science degree in Mechanical Engineering from Lafayette College and an MBA from the MIT Sloan School of Management.

Compensation

In terms of compensation, 70-72% of the pay mix for the CEO and other named executives are performance and equity-based pay. Moreover, Harley-Davidson's CEO compensation is higher than the average compensation for a CEO in the same industry. Expanding further on this, Harley-Davidson's CEO compensation as a percentage of revenue was 0.25%, while competitors such as Suzuki Motor Corp, Yamaha, and Honda, have this metric ranging between 0.04% and 0.09%. Overall, the Company's compensation structure places a significant emphasis on pay-for-performance and aligns the interests of management with shareholders.

Shareholder Base, Liquidity, Market Depth

Ownership breakdown

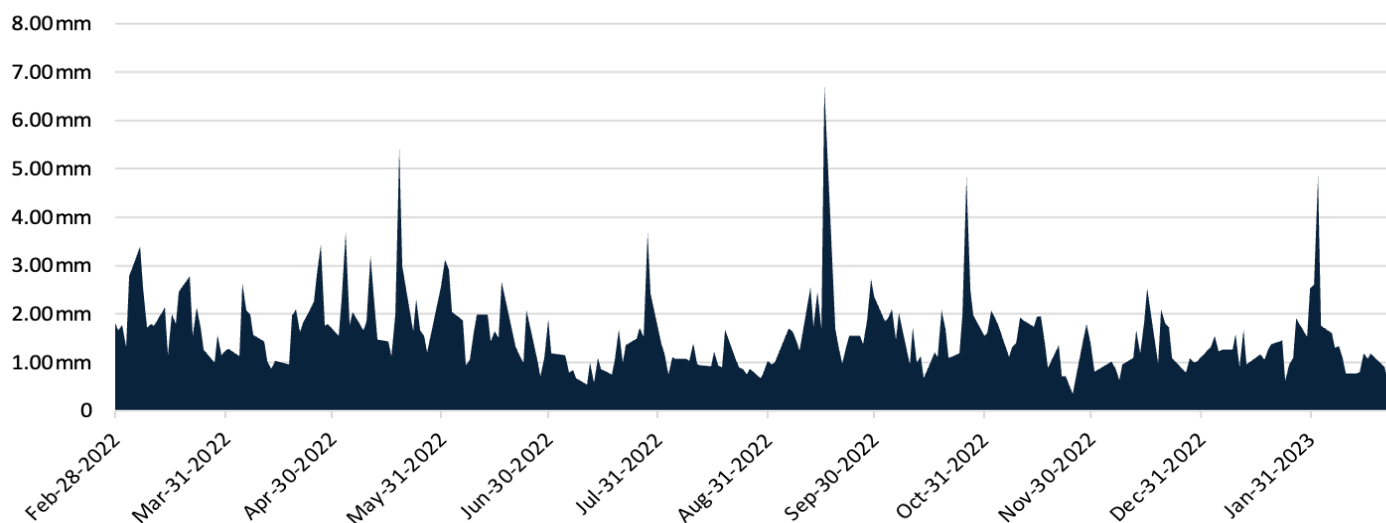
Harley-Davidson has 146.2M shares outstanding with institutions holding a combined 77% ownership. Individuals and insiders hold a negligible 0.5% interest and hedge funds, and public investors hold the remaining 33%. The top 5 shareholders own 37.5% of the Company's outstanding shares.

Shareholder	Shares Owned	% of Shares Outs.	Insider (Y/N)
The Vanguard Group, Inc.	12,810,673	8.8	N
H Partners Management, LLC	12,700,000	8.7	N
BlackRock, Inc. (NYSE:BLK)	11,255,832	7.7	N
Boston Partners Global Investors, Inc.	10,591,592	7.3	N
Beutel Goodman & Company Ltd.	7,316,927	5.0	N

Liquidity

1-year Trading Volume for HOG

02/28/2022 to 02/28/2023



Valuation

DCF Assumptions

Revenue

For our revenue analysis we broke down Harley-Davidson's revenue by segments such as Motorcycles, Parts & Accessories, and Financial Services. We then attached growth rates to each of the segments, except for motorcycles. We drove revenue for the Motorcycle segment based on the motorcycle sales volume multiplied by the average price of a Harley-Davidson motorcycle. For Q4 2022 estimates, we incorporated growth in-line with management expectations. In regard to 2023 and 2024 motorcycle revenue, we forecasted conservative growth to account for the macroeconomic effects that are likely to put downward pressure on revenue growth industry and sector wide. In years 2025-2027, we anticipate higher revenues from LiveWire to take effect and the macroeconomic environment to ease up, as such, we applied more aggressive revenue growth for that period. To address revenue growth for segments other than motorcycles, we see increased General Merchandise/Apparel revenues as the company aims to increase its presence with non-riders. In addition, we expect Financial Services revenue to see decreased growth in the short-term due to rising interest rates and then for the segment to pick up again starting 2025.

Costs

COGS typically represent 59-61% of Harley-Davidson's total revenue. Moving forward, management expects supply chain issues to ease in the form of lower manufacturing and material costs. As such, we applied a flatlined 59% to account for the reduced pressure in COGS. However, from 2024 onwards, we applied a flatlined 60% to account for the expensive materials and manufacturing required for the ramping up of LiveWire. In terms of SG&A, the company has mentioned how it hopes to cut employee related expenses, however, the industry still experiences a tight labour market. Moreover, we anticipate SG&A to be around 16% of revenue in the foreseeable future which we believe is fair. We see OpEx hovering around 6% as we expect slightly higher overhead costs with the growth of LiveWire.

Working Capital

Overall, forecasts for current assets and current liabilities were consistent with historicals as there is very little variance year-over-year. However, we did forecast accounts receivable to increase during 2023 and 2024 as increases in delinquencies in monthly payments is to be expected with rising interest rates.

Weighted average cost of capital (WACC)

Using Bloomberg data, we found the cost of equity to be 8.8%. This was derived using a risk-free rate of 3.5%, expected market return of 8.6%, and beta of 1.03. For our cost of debt, we determined this to be 4.4%. This was derived using a pre-tax cost of debt of 3.8%, debt adjustment factor of 1.48, and effective tax rate of 21.1%. Then, using the respective weights of debt and equity, we found our WACC to equal 6.3%.

Exit Multiple

In terms of our applied exit multiple method, we applied a 10.5x EV/EBITDA multiple which represents the Company's expected EV/EBITDA multiple for fiscal 2023.

Comparable Company Analysis Set

Polaris Inc.

Polaris Inc. is an American automotive manufacturer of RZR, motorcycles, snowmobiles, all-terrain vehicles, and neighborhood electric vehicles headquartered in Medina, Minnesota, United States.

Yamaha Motor Co.

Yamaha Motor Co., Ltd. is a Japanese multinational manufacturer of motorcycles, marine products such as boats and outboard motors, and other motorized products. The company was established in 1955 upon separation from Yamaha Corporation, and is headquartered in Iwata, Shizuoka, Japan.

Kawasaki Heavy Industries

Kawasaki Heavy Industries Ltd. is a Japanese public multinational corporation manufacturer of motorcycles, engines, heavy equipment, aerospace, and defense equipment, rolling stock and ships, headquartered in Chūō, Kobe and Minato, Tokyo, Japan.

Suzuki Motor Co.

Suzuki Motor Corporation is a Japanese multinational corporation headquartered in Minami-ku, Hamamatsu, Japan. Suzuki manufactures automobiles, motorcycles, all-terrain vehicles, outboard marine engines, wheelchairs and a variety of other small internal combustion engines.

Honda Motor Co.

Honda Motor Co., Ltd. is a Japanese public multinational conglomerate manufacturer of automobiles, motorcycles, and power equipment, headquartered in Minato, Tokyo, Japan.

Recommendation

Based on our research and analysis, we believe Harley-Davidson Inc. is undervalued. After equally weighting our perpetuity growth, exit multiple, EV/EBITDA, and P/E implied price, we believe HOG has an upside of 42.3%. After beating analyst estimates in Q3 2022, it is apparent that the company is successfully executing on its Hardwire strategic plan it set out in 2021. Lead by a highly credible CEO with experience in business turnarounds, we are optimistic in Harley-Davidson's ability to continue executing on the priorities of its strategic plan and remain as the world's most desirable motorcycle brand. More specifically, the company's ability to significantly improve unit profitability and operating income compared to similar revenue years, is extremely attractive. In addition, the company is leading the transformation of the motorcycle industry to electric through LiveWire, which positions the company to capture additional revenue and prepare for full transition to electric once regulations are imposed. In addition, the company's recognition of its declining consumer base and strategy

to shift focus to the urban user is another step in the right direction. Although the stock has recently suffered, much like the rest of the consumer discretionary sector, we still believe Harley-Davidson has strong business fundamentals which will allow it outperform in the long term.

Risks

Inability to attract younger demographics

As mentioned before, the Company has a dominant baby-boomer consumer base which is eroding. Furthermore, the Company is primarily trying to appeal to the younger, urban user through LiveWire. If the Company is unsuccessful in attracting interest from younger demographics, it will suffer decreased future earnings.

LiveWire could be disruptive to business operations

The Company has employed high capital expenditures into LiveWire and expect to continue doing so as they grow. Moreover, if LiveWire cannot execute on its plans of leading the electric motorcycle market, it will not provide the anticipated business benefits management has mentioned. Moreover, the loss of management and financial resources will impact future earnings for the entire Company.

Macroeconomic pressures on credit losses and consumer spending

The recent and potential interest rate hikes may cause Harley-Davidson to experience credit losses arising from customers' failure to meet the requirements of their financing plans. Depending on the severity of macroeconomic effects, the Company's retail and wholesale financial receivables could be jeopardized. In addition, rising interest rates may turn away consumers who benefit from convenient financing plans. Furthermore, if discretionary spending significantly decreases, this could also show up in the form of reduced demand overall.

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Omar Al-Hmoud

Analyst

WestPeak Research Association

contact@westpeakresearch.com

Appendix 1: Financial Model Summary

Summary Page											
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Income Statement											
Revenue	5,647.2	5,716.9	5,361.8	4,054.4	5,336.3	5,755.1	6,167.5	6,462.1	6,818.9	7,411.8	8,128.5
EBITDA	1,104.3	978.4	788.1	195.4	988.6	1,061.2	1,233.5	1,163.2	1,227.4	1,334.1	1,463.1
Net Income	521.8	531.5	423.6	1.3	650.0	739.2	795.6	741.9	787.5	859.3	947.2
Earnings Per Share	\$ 3.02	\$ 3.19	\$ 2.68	\$ 0.01	\$ 4.19	\$ 4.95	\$ 5.33	\$ 4.97	\$ 5.27	\$ 5.75	\$ 6.34
Cash Flow Statement											
Capital Expenditures	(206.3)	(213.5)	(181.4)	(131.1)	(120.2)	(151.7)	(186.0)	(173.0)	(213.3)	(229.9)	(247.8)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(251.9)	(245.8)	(237.2)	(68.1)	(92.4)	(93.2)	(94.7)	(94.7)	(94.7)	(94.7)	(94.7)
Dividend Per Share	\$ 1.46	\$ 1.48	\$ 1.50	\$ 0.44	\$ 0.60	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64
Dividend Payout to Earnings	48.3%	46.3%	56.0%	5245.5%	14.2%	12.6%	11.9%	12.8%	12.0%	11.0%	10.0%
Dividend Payout to Core FCF	19.9%	20.2%	21.4%	6.0%	7.9%	8.6%	8.4%	8.9%	8.2%	7.5%	6.9%
Dividend Yield	2.7%	3.0%	3.9%	1.1%	1.2%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Balance Sheet											
Current Assets	3,884.7	4,484.4	4,202.8	5,845.4	4,550.1	4,750.7	5,402.0	6,114.8	6,811.5	7,614.8	8,522.1
Non-Current Assets	6,087.9	6,181.2	6,325.3	6,165.2	6,501.0	6,741.8	6,743.8	6,763.0	6,818.3	6,877.9	6,942.2
Assets	9,972.7	10,665.7	10,528.2	12,010.6	11,051.1	11,492.5	12,145.8	12,877.8	13,629.8	14,492.7	15,464.2
Current Liabilities	3,158.2	3,597.6	3,196.8	3,982.0	3,342.9	3,533.9	3,522.9	3,607.7	3,666.9	3,765.3	3,884.3
Non-Current Liabilities	4,970.2	5,294.1	5,527.4	6,305.9	5,154.9	5,051.8	5,051.8	5,051.8	5,051.8	5,051.8	5,051.8
Liabilities	8,128.4	8,891.7	8,724.2	10,287.8	8,497.8	8,585.7	8,574.7	8,659.4	8,718.7	8,817.1	8,936.0
Shareholders' Equity	1,844.3	1,773.9	1,804.0	1,722.8	2,553.2	2,906.8	3,571.1	4,218.3	4,911.1	5,675.7	6,528.2
Cash	746.2	1,259.7	905.4	3,409.2	2,025.2	1,579.2	2,175.6	2,789.4	3,411.2	4,090.1	4,846.8
Debt	(746.2)	(1,259.7)	(905.4)	(3,409.2)	(2,025.2)	(1,579.2)	(2,175.6)	(2,789.4)	(3,411.2)	(4,090.1)	(4,846.8)
Net Debt	-	-	-	-	-	-	-	-	-	-	-
Minority Interests	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating Metrics											
Return on Equity (ROE)											
Return on Assets (ROA)											
Return on Invested Capital (ROIC)											
Valuation Metrics											
Stock Price (High)	\$ 54.46	\$ 49.48	\$ 38.20	\$ 40.14	\$ 50.58	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10
Stock Price (Low)						\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10
Stock Price (Average)	\$ 54.46	\$ 49.48	\$ 38.20	\$ 40.14	\$ 50.58	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10	\$ 37.10
Diluted Shares Outstanding (Average)	172.9	166.5	157.8	153.9	155.0	149.4	149.4	149.4	149.4	149.4	149.4
Market Capitalization (Average)	9,417.9	8,238.6	6,028.1	6,177.9	7,838.9	5,540.9	5,540.9	5,540.9	5,540.9	5,540.9	5,540.9
Enterprise Value (Average)	8,671.7	6,978.9	5,122.7	2,768.7	5,813.7	3,961.7	3,365.3	2,751.5	2,129.7	1,450.9	694.1
P/E	18.1 x	15.5 x	14.2 x	4759.5 x	12.1 x	7.5 x	7.0 x	7.5 x	7.0 x	6.4 x	5.8 x
EV/EBITDA	7.9 x	7.1 x	6.5 x	14.2 x	5.9 x	3.7 x	2.7 x	2.4 x	1.7 x	1.1 x	0.5 x
FCF Yield to Market Capitalization	5.3%	9.9%	6.8%	4.3%	8.0%	5.9%	13.6%	13.8%	13.9%	15.0%	16.5%
FCF Yield to Enterprise Value	5.8%	11.7%	8.1%	9.5%	10.8%	8.3%	22.4%	27.7%	36.3%	57.4%	131.6%
Free Cash Flow											
EBIT	882.1	713.5	555.6	9.7	823.4	909.3	1,086.1	1,009.4	1,069.4	1,163.8	1,279.6
Tax Expense	(342.1)	(155.2)	(133.8)	17.0	(169.2)	(192.0)	(229.4)	(213.2)	(225.9)	(245.8)	(270.2)
D&A	222.2	264.9	232.5	185.7	165.2	151.9	147.4	153.7	158.0	170.3	183.6
Capital Expenditures	(206.3)	(213.5)	(181.4)	(131.1)	(120.2)	(151.7)	(186.0)	(173.0)	(213.3)	(229.9)	(247.8)
Changes in NWC	(56.0)	204.5	(60.4)	181.9	(69.2)	(388.4)	(66.0)	(14.1)	(15.7)	(26.1)	(31.5)
Unlevered Free Cash Flow	499.9	814.2	412.6	263.2	630.1	329.1	752.2	762.9	772.5	832.3	913.6
Valuation Summary											
Current Price	\$ 37.10										
Target Price	\$ 52.79										
Total Return	42.3%										
Recommendation	BUY										
DCF Valuation											
Perpetuity Growth Implied Price	\$ 72.02										
Exit Multiple Implied Price	\$ 61.48										
Comps Valuation											
Comps - EV/EBITDA Implied Price	\$ 14.11										
Comps - P/E Implied Price	\$ 63.54										

Appendix 2: Discounted Cash Flow Analysis

Appendix 3: Comparable Company Analysis

Comparable Company Analysis									
(Figures in mm USD)									
Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple		
				2021A EV/EBITDA	2022E EV/EBITDA	2023E EV/EBITDA	2021A P/E	2022E P/E	2023E P/E
Polaris Inc.	(NYSE: PII)	6,182.2	8,099.0	8.6 x	7.6 x	7.5 x	13.8 x	10.6 x	10.5 x
Yamaha Motor Co	(TSE: 7272)	8,695.1	11,049.4	6.4 x	5.4 x	5.2 x	7.8 x	7.4 x	7.5 x
Kawasaki Heavy Industries	(TSE: 7012)	3,680.0	9,019.8	21.8 x	11.4 x	8.2 x	(25.5 x)	22.9 x	9.8 x
Suzuki Motor Co	(TSE: 7269)	17,242.4	17,062.4	7.0 x	6.5 x	4.7 x	15.9 x	14.5 x	11.1 x
Honda Motor Co	(TSE: 7267)	44,172.0	76,653.2	5.6 x	4.9 x	7.5 x	9.5 x	8.8 x	8.2 x
Harley-Davidson Inc.	(XCH: HOG)	5,353.5	10,924.3	11.1 x	10.3 x	8.9 x	8.8 x	7.5 x	7.0 x
Median					6.5 x	7.5 x		10.6 x	9.8 x
Mean					7.2 x	6.6 x		12.8 x	9.4 x
High					11.4 x	8.2 x		22.9 x	11.1 x
Low					4.9 x	4.7 x		7.4 x	7.5 x
				EV/EBITDA Implied Price			P/E Implied Price		
Median				\$	9.50	\$	25.37	\$	52.67
Mean				\$	14.11	\$	17.85	\$	63.54
High				\$	45.56	\$	31.42	\$	113.27
Low				-\$	2.64	\$	1.32	\$	36.46