ValueInvestor INSIGHT

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The Leading Authority on Value Investing

Open Road?

Betting on turnarounds is never easy and false starts can be the norm rather than the exception. That has certainly been the case for legendary motorcycle manufacturer Harley-Davidson. Is now finally the time that such a bet can pay off?

If you have a sense that people for some time have been talking about a turnaround at Harley-Davidson, you're right. From 2014 to 2017, three investors in *Value Investor Insight* made the bull case for its stock, arguing that its iconic motorcycle brand was strong enough to see the company through what were thought to be temporary setbacks. It wasn't until 2020 that another investor in *VII* got the call on the stock right ... this time as a short.

The challenges are now well known. Harley's core demographic of American males that so highly valued the renegade ethos of the brand has steadily aged out of their biking years and the company has struggled from a product and marketing standpoint to replace them. In 2008 it sold more than 300,000 motorcycles that generated $5.6 billion in revenues. Last year's unit sales were around 130,000 and revenues came in at $3.6 billion.

Despite following the company "with curiosity" over some 20 years, Third Avenue Management's Matthew Fine had never bought into the latest turnaround story. That changed late last year when a confluence of events led him to believe this time might be different: "There's a time in many companies' lifecycles where things get so bad that all restraints on change fade away and they can make important changes really fast," he says. "We thought that time had come for Harley-Davidson."

Under new CEO Artie Starrs, most recently the CEO of Topgolf International, the changes have been fast and furious. The company restructured its financing business, freeing capital that now leaves the parent with roughly $800 million in net balance-sheet cash. A previous effort to move the product line higher upmarket has been reversed after hurting sales volumes and damaging dealer economics, and lower-price-point bikes – including a revived $10,000 Sportster and the new entry-level Sprint – are on the way. Financial support has been cut off for LiveWire [LVWR], the electric-motorcycle business that trades independently but is still 90% Harley owned, though its accounting con-

INVESTMENT SNAPSHOT

Harley-Davidson
(NYSE: HOG)

Business: Global manufacture, marketing, sale and financing of cruiser and touring motorcycles and related accessories.

Share Information (@5/29/26):

Price	**24.18**
52-Week Range	17.09 – 31.25
Dividend Yield	3.1%
Market Cap	$2.54 billion

Financials (TTM):

Revenue	$4.32 billion
Operating Profit Margin	7.2%
Net Profit Margin	5.3%

Valuation Metrics
(@5/29/26):

	HOG	S&P 500
P/E (TTM)	12.5	25.7
Forward P/E (Est.)	28.1	22.4

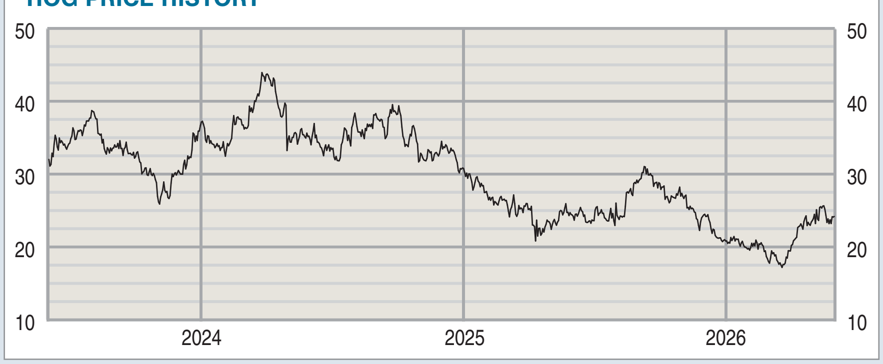
Largest Institutional Owners
(@3/31/26 or latest filing):

Company	% Owned
BlackRock	10.1%
Donald Smith & Co.	9.5%
Dimensional Fund Adv	5.6%

Short Interest (as of 5/15/26):

Shares Short/Float	14.0%

HOG PRICE HISTORY



THE BOTTOM LINE

Much needed changes at the company have been fast and furious, and Matthew Fine believes they should eventually pay off for long-suffering shareholders. On his sum-of-the-parts valuation the market value could more than double in the next three to five years.

Sources: S&P Capital IQ, company reports, other publicly available information solidation remains unflattering to Harley's results. A cost-cutting initiative targeting $150 million in annual savings and a reduced tariff headwind would also have a large positive impact.

While the stock at a recent $24.20 has shown some signs of life, Fine sees plenty of potential upside left in the tank. If the new-product launches succeed even modestly relative to expectations, he thinks the company can again earn the $450 million midpoint of operating earnings it made in years priors to Covid, which at a 6-8x EBIT multiple would value the motorcycle business at around $3 billion. He estimates the reconfigured financing business can earn $150 million in EBIT, which at an 8-10x multiple would translate into another $1.3-1.4 billion in value. Adding in net cash and the overfunded portion of the company's pension liability, he estimates the market value in the next three years or so can be around $5.4 billion, more than twice the current level. VII

Dividend Yield: Ratio that demonstrates a company's annual dividends relative to its shares' market price.

EBITDA: Short for earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income.

Price-to-earnings ratio ("P/E Ratio"): The P/E ratio for valuing a company that measures its current share price relative to its per-share earnings.