

# Harley davidson financial and strategic analysis review

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Harley-Davidson, Inc. (Harley-Davidson) is one of the leading manufacturers of heavyweight motorcycles in the world. Harley-Davidson is the parent company of the group of companies including Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The company offers more than 30 models of touring and custom Harleys through a worldwide network of more than 1,600 dealers, spread across six continents. Harley-Davidson provides wholesale and retail financing and insurance programs principally to its dealers and customers.

### SWOT Analysis

#### Share Data

Harley-Davidson, Inc.,		Share Data	
Price (USD)	as on	01-Aug-2012	41.67
EPS (USD)			2.33
Book value per share		(USD)	10.50
Shares Outstanding	(in million)		234.92

Source : GlobalData

#### Performance

#### Chart

Harley-Davidson, Inc., Performance Chart (2007 - 2011)

#### Financial Performance

The company reported revenues of (U. S. Dollars) USD 5,311.71 million during the fiscal year ended December 2011, an increase of 9.31% over 2010. The operating profit of the company was USD 829.97 million during the fiscal year 2011, an increase of 74.59% over 2010. The net profit of the

company was USD 599. 11 million during the fiscal year 2011, an increase of 308. 83% over 2010.

Source : GlobalData

### Harley-Davidson, Inc. - SWOT Analysis

#### SWOT Analysis - Overview

Harley-Davidson, Inc. (Harley-Davidson) designs, manufactures, and sells heavyweight motorcycles. The company markets its products in North America, Europe, Asia/Pacific and Latin America. The company's strong brand image, coupled with its wide range of products, helps it to be a front-runner in the industry. However, dependence on the domestic market and product issues are a few areas of concern to the company. Nonetheless, expansion in global markets, especially Asian markets, and launch of new models could ensure a strong future for the company. New emission standards for two wheelers and the prevailing competition could negatively impact the company's growth.

#### Harley-Davidson, Inc. - Strengths

##### Strength - Strong Brand Image

Harley-Davidson owns one of the strongest brands in the world, which helps it attract and retain a loyal customer base. The company established a strong brand image with its motorcycles achieving iconic status and being ranked among the world's most valuable brands. Harley-Davidson has been continuously ranked among the top 100 global brands in the world. The company holds 55. 7% share in the US heavyweight market; and is ranked

#1 or #2 in the heavyweight motorcycle market share in nine countries across Europe.

Harley-Davidson's motorcycles are known for their traditional styling, design simplicity, durability and quality. The company achieved industry recognition for its high quality, best design, robust performance and unflinching customer confidence, loyalty and trust of its products and services. The Harley-Davidson brand has significantly contributed to the success of the company by building strong market recognition and a loyal customer base.

#### Strength - Broad Product and Service Portfolio

Harley-Davidson offers a broad array of products and services through its two business segments, namely, the Motorcycles & Related Products segment and the Financial Services segment. The company offers a variety of products in the motorcycle segment to cater to the various needs of its customer base. Harley-Davidson designs, manufactures and sells heavyweight touring, custom and performance motorcycles, besides a line of motorcycle parts, accessories, general merchandise and related services.

Harley-Davidson is well known for its unique motorcycles. Its subsidiary, Harley-Davidson Motor Company (HDMC), manufactures five families of motorcycles, namely, Touring, Dyna, Softail, Sportster and V-Rod. These models are distinguished by their frame, engine, suspension, and other characteristics. The company shipped 233, 117 motorcycles in the fiscal year ended December 2011, comprising 39. 5% Touring motorcycle units, 39. 2% Custom motorcycle units, and 21. 3% Sportster motorcycle units.

Through Harley-Davidson Financial Services (HDFS), the company offers a package of wholesale and retail financial services for its products, providing it a competitive edge in the motorcycles business in the US and Canada regions. HDFS financed 51% and 30.4% of the new Harley-Davidson motorcycles retailed by independent dealers in the US and Canada respectively in 2011. HDFS provides wholesale financial services to Harley-Davidson motorcycle dealers, including floor plan and open account financing of motorcycles and motorcycle parts and accessories. These specific services provide a competitive edge to the company in capturing a higher market share and enhancing its bottom line.

#### Strength - Focused Research and Development Activities

Harley-Davidson has a strong research and development unit that facilitates innovation and attracts industry attention. Its Product Development Center (PDC) undertakes the development of new and better quality products. The company spent \$145.4m, \$136.2m, \$143.1m and \$163.5m in the fiscal years ended December 2011, 2010, 2009 and 2008 respectively on research and development activities.

Harley-Davidson's continuous focus on R&D helped the company in launching innovative products such as Softail motorcycles with 1584 cc engine with new features such as new hand controls, a larger odometer, and an anti-lock braking system option. Continuous research and development activity enables the company to maintain a leading position in custom and touring motorcycle market and develop products for the performance

segment. Focused R&D activities enable the company to offer innovative products and improve its operational performance.

Harley-Davidson, Inc. - Weaknesses

Weakness - Product Recalls/Issues

Product recalls/issues not only affects the company's current revenue, but could also affect its long-term performance by reducing customer confidence. In February 2012, Harley-Davidson launched a repair service campaign to fix faulty brakes in about 1, 228 units of 12 models, including the Road King and the Electra Glide Ultra Classic.

In October 2011, the company initiated a world-wide recall affecting over 308, 000 units of its Touring, CVO Touring and Trike motorbikes. The company made this recall owing to a potentially dangerous glitch with their braking systems, where in the problem with a switch on the bikes could cause the brake lights to stop working, or may even cause the rear brakes to fail. Such recalls would hamper Harley-Davidson's brand image and have a significant impact on its product sales.