HARLEY-DAVIDSON: BACK TO THE BRICKS, DOWN TO BREAKEVEN · PART 2 OF 4

THE SALE.

In 2025 the motor company lost money and the subsidiary lost more. The year was profitable because the finance company sold its loan book.

HARLEY-DAVIDSON: BACK TO THE BRICKS, DOWN TO BREAKEVEN · THE ROUTE

THE SALE

What Harley-Davidson's own filings say about the plan, the subsidiary, and 2027.

PART I

THE ARITHMETIC

Add up the guidance: about zero. The subsidiary's loss exceeds the motor company's profit.

PART II

THE SALE

2025's profit was the finance company, sold. $180M a year traded for $1.25B once.

PART III

THE SUBSIDIARY

$422M consolidated. A third of the profit drag from 0.6% of revenue. Cash to May 2027.

PART IV

THE PLAN

Five pillars, six targets. The 2027 number is a 5% margin, below 2019.

PART V

THE BET

$1.6B of buybacks, and one motorcycle carrying the growth target: the 883.

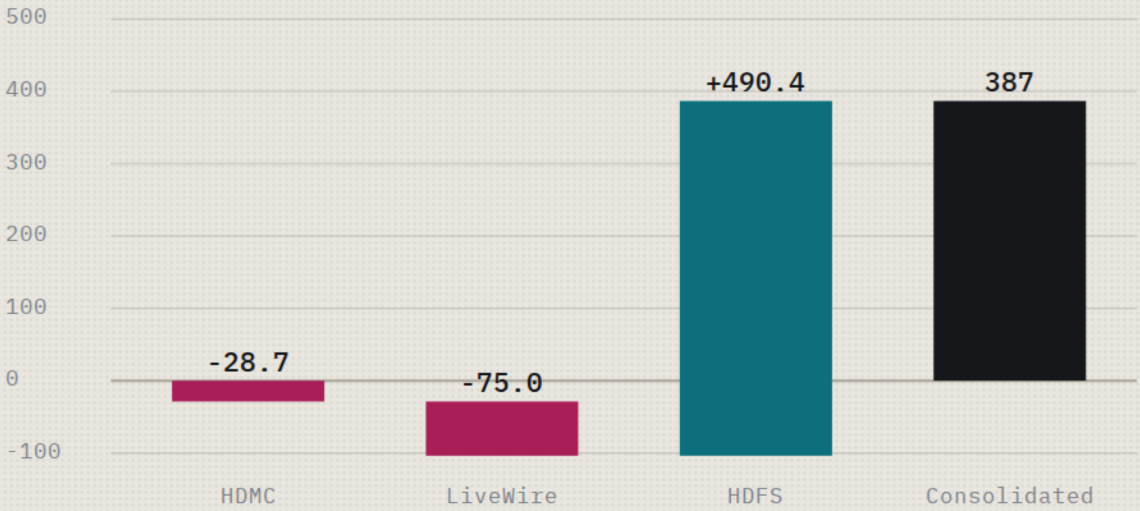
PART VI

THE FINAL WORD

LiveWire didn't break Harley. It is what the new Harley can't afford.

2025 OPERATING INCOME BY SEGMENT · $ MILLIONS

TWO SEGMENTS LOST MONEY. THE THIRD WAS SOLD.



HDFS: "record-high earnings, driven by the HDFS transaction." The motorcycle company and its subsidiary lost $103.7M together; the finance company covered it four times over, once.

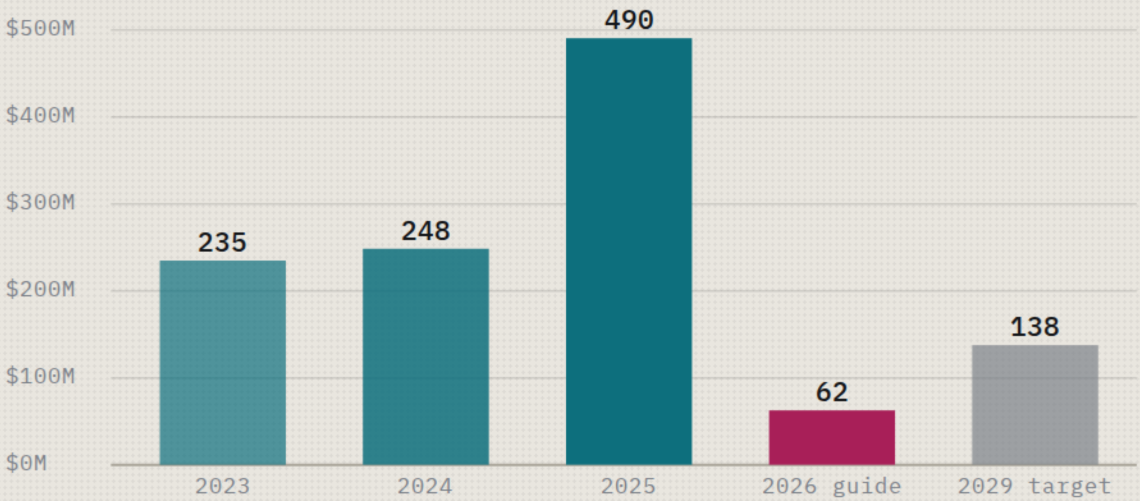
WHAT WAS SOLD · KKR / PIMCO · ANNOUNCED 30 JULY 2025

- About **$6 billion** of existing retail loan receivables, at a premium to par.
- **9.8% of HDFS**: 4.9% each to KKR and PIMCO, at an agreed $1.8B valuation.
- A five-year forward-flow agreement: **two-thirds of future originations,** sold.
- A **$1.0 billion dividend** from HDFS up to the parent in Q4 2025.
- Credit-loss provision swung from a $247M expense to a **$191M credit** as reserves on the sold loans were released.

Announced by the departing CEO, three months before he left.

HDFS OPERATING INCOME · $ MILLIONS · 2026 AND 2029 AT RANGE MIDPOINTS

THE STEADIEST EARNER, CONVERTED TO CASH.



HDFS was **60%** of consolidated operating income in 2024. It is guided to $55–70M for 2026.

THE TRADE

$180M a year

FOREGONE, AT THE 2024 RUN RATE

$1.25B

"DISCRETIONARY CASH," ONCE

Seven years of HDFS earnings, paid up front. Not a bad trade if the cash earns more than HDFS did. So far: a $200M buyback at ~$26.50, and $1.9B sitting on a balance sheet guided to breakeven.

WHAT H-D GOT · WHAT H-D GAVE

GOT	GAVE
~\$1.25B of discretionary cash; \$450M to debt, ~\$500M earmarked for shareholders	~\$180M a year of operating income, rebuilding to perhaps half by 2029
\$1.0B dividend from HDFS	9.8% of HDFS, with a right to buy back a third a year
Debt \$6.96B → \$2.97B; cash \$1.59B → \$3.09B	Two-thirds of future loans, forward-sold for five years
A capital-light HDFS with “significantly higher ROE”	The captive that floored dealers and financed riders when banks would not

The last row is industry context, not a filing. A forward-flow partner has a contract; a captive had a reason.

THIS IS WHY 2025 EPS WAS $2.78 AND NOT SOMETHING NEAR ZERO.

And why the 2026 guidance looks like a cliff. It is not a cliff. **It is the ground.** The $350M HDMC EBITDA target now has to carry the enterprise in a way it never had to before the sale.

PART 3: WHAT LIVEWIRE COSTS THE PARENT, AND THE DATE IT STOPS BEING A LINE ITEM AND BECOMES A DECISION.

Full brief: 16 sections in six parts, every figure linked to its filing, open items and corrections published.
weppner58-moto.github.io/ground-truth/groundtruth/02