Report Date:
March 8, 2018

Badger Consultants, LLC
Thomas S. Chanos
(608) 669-0981

TomChanos@BadgerConsultantsLLC.com

Harley-Davidson, Inc.
HOG - $43.70 – NYSE

Recommendation: Cover ½ of short position

Reasons For Closing out ½ of Short Sale Recommendation

HOG has gone below our short term price target of $45. It has hit a new 52 week low. Our original short sell recommendation on HOG was on January 26, 2017 at $60. From our January 26, 2017 report "**We have a short term price target of $54 and a long term price target of $50. With continued deterioration of the business these targets could/will be lowered".**

We lowered our price target in our July 21, 2017 report at $48.77, "Hog has declined below both our short term and long term price targets of $55 and $50 respectively as we predicted. Normally, we take some profit when this occurs. However, virtually every single metric is STILL declining so **we are lowering our short term price target to $45 and our longer term price target to $40.** We believe that this stock will trade at 10x, or $38 on 2018 numbers, which will likely be lowered as we go forward.

Harley-Davidson is the "Oldsmobile" of motorcycles. It is your fathers motorcycle. Younger riders, a). don't ride bikes as much and b). don't buy HOG's as much. What happened to Oldsmobile? Exactly!
Sell".

It is Badger Consultants policy to take some profit, up to ½ of the position, when the stock price hits our short term price target. That way, if the stock price continues to decline great, but if it rallies on some silly news, which happens a lot in a bull market, we can short it again. HOG stock price rallied $10 in two and a half months from November 2017 to January 2018 from $45 to $55. Why? There was absolutely no reason, but it did.

Report Date:
March 8, 2018

Badger Consultants, LLC
Thomas S. Chanos
(608) 669-0981

TomChanos@BadgerConsultantsLLC.com

HOG Recommendations

1st sell short recommendation: January 26, 2017 @ $60.00, **Profit $16.30, +27.17%**

2nd sell short recommendation: February 16, 2017 @ 56.93, **Profit $13.23, +23.24%**

3rd sell short recommendation: May 12, 2017 @ $55.21, **Profit $11.51, +20.85%**

4th sell short recommendation: July 21, 2017 @ $48.77, **Profit $5.07, +10.40%**

5th sell short recommendation: November 1, 2017 @ $50.88, **Profit $7.18, +14.11%**

6th sell short recommendation: February 7, 2018 @ $49.00, **Profit $5.30, +10.82%**

Our holding period ranged from 13 months to one month. The S&P 500 was 2,297 on the day of our first short sell recommendation January 26, 2017, **Since then the S&P 500 is up 19.5% at 2,744. Our short in HOG is up 27%.**

The break below $45 was caused by the possible imposing of tariffs on steel and foreign countries retaliating and putting tariffs on HOG of up to 25%. This could possibly benefit HOG in the very short term, if people in HOG's international market that were thinking of buying a HOG, rush to buy one before tariffs take effect. But this would just pull demand forward on a temporary basis. Longer term this could be an additional headwind to HOG.

HOG is the ultimate ice cube on the table. Slowly melting away, in secular decline. For now, we are keeping our long term price target of $40. It is likely that HOG will hit this target sometime in 2018. It is also likely that we could lower our long term price target yet again in 2018. If the stock were to rally back near $50, we will add to the short position.

Badger Consultants, LLC
Thomas S. Chanos
(608) 669-0981
TomChanos@BadgerConsultantsLLC.com

We are in no hurry to cover this short as we firmly believe that the stock will be below $40 some time in 2018. But as you can see in the above chart, why did the stock rally from $45 to $55? There was absolutely no change in fundamentals, they actually got worse. So, we will take some profit here and short any silly rallies that may occur.