



## Harley Davidson Puts Accumulate on Business Woes

**Ticker/Price:** HOG (\$21.10)

### Analysis:

**Harley Davidson (HOG)** shares rallied 12% on Friday in a short-squeeze tape and the May \$20 puts active all day with more than 4000X bought, the May \$17 puts with 2700X bought, and late day November \$21 puts were bought 500X. HOG shares have been in a downtrend for years as business conditions have been poor and is not in a position of strength into a recessionary environment. Shares could easily make a move back to 2009 levels below \$10. HOG is trading 15.6X FY19 EV/EBITDA and 7.1X trailing earnings with an 8% dividend yield that may need to be suspended or lowered. HOG's debt obligations is the major concern, a Debt/EBITDA ratio of 9.5X, Operating Cash Flow Coverage ratio of 0.26X, and \$1.45B obligations due in 2020. HOG has been trying to build the next generation of riders but its efforts to this point have fallen short as delivery numbers have been weak. Analysts have an average target of \$30 and short interest has fallen back to 9% of the float. Argus downgraded shares to Hold on 4/6 with the company closing stores and stopping production, an update on liquidity expected on 4/28 with earnings. HOG is also in the middle of a CEO change and the COO announced departure on 3/30. RBC cut to Underperform on 3/16 with a \$17 target, down from \$36, seeing uncertain demand exacerbating the company's structural challenges. Hedge Fund ownership rose 7% in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** HOG is a complete mess and think trading it short versus \$23 stop gives a nice reward/risk with downside to \$9.

**Confidence Ranking:** \$\$