

Harley-Davidson On The Block

The price of independence.

• Harley-Davidson, the sole surviving motorcycle manufacturer in America, is apparently about to be sold. Members of top management at H-D have signed a letter of intent with AMF, the current and 13-year owner of Harley, for the purchase of the 78-year-old company. The management group includes John Davidson, Vaughn Beals, Charles Thompson and many others presently a part of the Harley-Davidson division at AMF. The letter of intent means that both AMF and the management group have agreed, in principle, to the sales transaction. The final outcome, however, is undoubtedly many months away, due to the complexity of such dealings.

Capitalization of this large transaction is likely to involve sophisticated, leveraged financing. There are a number of options typically used in similar cases. The buyers could develop an equity base by placing common or preferred stocks (with various voting and redemption rights) with groups and institutions such as insurance companies or investment trusts. Stocks might

also be sold to suppliers to H-D, or even to AMF itself. Capital could be generated through term loans from banks, insurance companies or pension plans which could be secured by the physical assets (buildings, machinery, etc.) of Harley-Davidson. More capital might come from the sale and

lease-back of some of the H-D facilities.

In spite of the staggering logistics of the sale, spokesmen at Harley insist that everything will be "business as usual" since the same key people will continue to manage the company. Bill Dutcher, public relations contact at H-D, also said that the design philosophy, distribution and dealer network for Harley will all be preserved. Perhaps the new Harley status symbol will become a post-AMF machine.



High costs involved in takeover could restrict the scope of future projects

Could the oft-rumored Porsche-design Harley die on the drawing board?