

Harley-Davidson: no US sales hit from offshoring dustup

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Harley-Davidson found itself under attack from US President Donald Trump after the company decided to move some manufacturing overseas, but executives say they've seen no impact on their US sales so far

Harley-Davidson executives said Tuesday they had seen no US sales hit

so far over its decision to relocate some American manufacturing overseas as it navigates amid trade conflicts.

"We've actually done quite a lot of consumer research...and we see no discernible shift in the sales patterns" or to brand favorability, chief executive Matt Levatich said on an analyst conference call.

The motorcycle company found itself in the firing line of President Donald Trump, who repeatedly attacked the company on Twitter after Harley announced the move on June 26 in response to European Union tariffs on US-made bikes.

Trump's attacks on Harley for being the first to "wave the White Flag" had raised fears among investors that the company's sales could be impacted given the president's popularity in areas of the United States where Harleys sell well.

But Harley executives said direct consumer research, as well as sales, showed no evidence of a hit due to the uproar.

"We'll continue to be sure we monitor it...and correct errors in interpretation that seem to pop up from time to time," he said. "We're on it."

Trump's name did not come up during a 60-minute earnings conference call, although Levatich did say at one point that the company was working with US administration officials and other governments to "get these tariffs removed."

Shares of Harley-Davidson jumped after it reported a second-quarter dip of six percent in profits to \$242.3 million. But the results topped analyst expectations in terms of earnings-per-share and revenues.

Harley-Davidson suffered another fall in US motorcycle sales, this time by 6.4 percent from the year-ago period to 46,490.

Executives characterized the drop as part of a longterm challenge as it steps up marketing campaigns to lure in young consumers that have so far shown lackluster interest in motorcycles.

Harley signaled it expects lasting business impacts from the EU tariffs, which targeted Harley and other brands from politically consequential regions of the United States and were taken in response to US tariffs on imported steel and aluminum.

Harley is based in Wisconsin, home to House Republican leader Paul Ryan.

The EU tariffs add \$90 to \$100 million in annual costs to EU sales. Executives said they hope to mitigate those effects in 2019 through corporate efficiencies and by shifting production from the US to an overseas plant.

Harley-Davidson has not reached a decision whether the EU-market bikes will be manufactured at existing overseas plants in Brazil or India or at a new plant being built in Thailand.

The company trimmed its 2019 profit margin to a range of 9 to 10 percent from the prior 9.5 to the 10.5 percent. Trade actions will subtract \$45 to \$55 million in 2018, with \$30 to \$35 million due to the EU tariffs and the rest coming from US tariffs on steel and aluminum.

"We never contemplated moving our European volume out of the United States," Levatich said.

Shares jumped nine percent to \$45.16 in late- morning trading.

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