Harley Owners Go on a Wild Ride

Last Friday, shares in **Harley Davidson** (NYSE:HOG) surged 20%, apparently on the back of a rumor that private equity firm KKR was looking to acquire the company. This is the second time in the last six months that Harley has been the subject of buyout rumors. Nothing happened the first time, and I'm not holding my breath this time either.

As often happens with these kinds of market shenanigans, the effect has been short lived. Over the last two trading days, the stock price has reversed much of its Friday gain, so traders too have lost interest. Would it be a good outcome for shareholders?

Predatory, opportunistic acquisitions often transfer value from the patient public equity investor to the buyer. Owners of the stock, often tired after a few years of underperformance, get shafted when a private equity firm comes in with a low ball bid at a time when the stock is trading poorly. The PE firm can be patient and wait for a more receptive market to sell the company back into. Long-term investors like us would prefer to remain shareholders through that period and receive the increased value ourselves.

The reported rumor suggested that KKR is looking to make a $62 per share offer. While this would be a reasonably fair offer in today's environment and with a strong US dollar impacting the business's competitiveness, we would be missing out on the potential value that would be realised once Harley's business improves.

If an offer does land on the table, I hope management won't make any hasty decisions anchored by the current stock price. The leadership team has been fiscally astute over the last year and are perfectly capable of doing everything a private equity firm would do to extricate value from Harley, we don't need to be giving one of the world's great brands away.