

## Expert weighs in on Harley buyout chatter

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Van Conway, president and senior managing director of Michigan-based Conway MacKenzie Inc., offered some insight into the Internet chatter Tuesday of a possible takeover bid of Harley-Davidson by Kohlberg Kravis Roberts & Co.

Nationally recognized in the fields of mergers and acquisitions, Conway MacKenzie specializes in assessing troubled companies with the goal of turning those firms around.

Here's what Van Conway had to say about the talk of a possible takeover bid aimed at Harley:

Q: What is a leveraged buyout?

A: A leveraged buyout is when a company uses borrowed finances to buy another company. In this case, Kohlberg Kravis Roberts & Co. would use the assets or cash flow of Harley to raise the money needed to buy the shares of the motorcycle manufacturer. "For example, if I buy a house, I would use the value of the house to get a mortgage." In the case of a leveraged buyout, the purchase price has to be greater than that of the traded shares. "After that, the deal would go before the Harley-Davidson board directors to be approved or turned down."

Q: Would Harley ever become a private company?

A: "It could go private. Usually, in these deals where one firm takes over a publicly traded company, that company would go private. They are trying to make money. Down the road, they could take it public again and make a profit on the shares."

Q: What does a company like Kohlberg Kravis Roberts & Co. see in Harley?

A: "What they see is that there is a depressed value in the stock, and they see an opportunity to buy a long-term player at an undervalued price." Eventually, Kohlberg Kravis Roberts & Co. could elect to sell Harley at a profit in a better market.

Q: Could this possible leveraged buyout simply be a ploy to boost Harley's stock value?

A: "I don't think so. It's illegal to manipulate a stock price. Talk of deals like this just leak out. It's not supposed to, but they do."

Q: Would a leveraged buyout affect jobs?

A: "Typically a deal like this will be good for jobs. This is a financial buyer, so it's very unlikely that there would be any job losses. They will not mess with the core product."

Q: What would a leveraged buyout mean for customers?

A: "Nothing. It would be seamless."

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