

# HUFFY

Ticker Symbol: **HUF**

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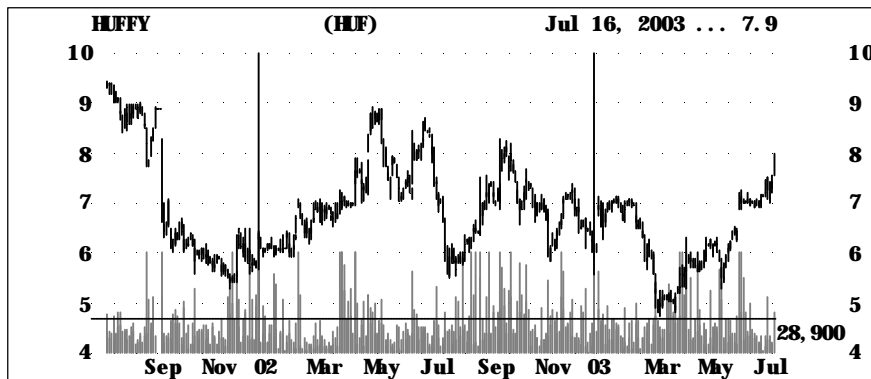
## HUF On Track to Post FY03 EPS of \$0.55

### Current Data

Current Price	\$7.90
52-Week Range	8.28-4.75
Shares Out (Mill)	14.7
Ave Vol. LTM (Act)	31,871
Market Cap (Mill)	\$116.24
LTD/Tot Cap	18.0%
Institutional Holdings	35.1%
Insider Buys-Sells	0.0
Book Value	\$4.81

### Valuation

<b>Current</b>	
P/E (2003e)	14.32
P/B	1.64
Price/Sales	0.23



### Operating Data

<b>This Qtr</b>	
Sales Growth	25.8%
EBITDA Margin	4.2%
Net Inc. Growth	42%

### EPS

2002	\$ (0.12)
2003e	\$ 0.55
2004e	\$ 0.68

### Annual Results-FYE Dec

(\$Million)	1999	2000	2001	2002	6/02	6/03
<b>Sales</b>	\$561.0	\$575.0	331.0	373.0	93.4	117.5
<b>Gr Margin</b>	13.0%	9.5%	16.7%	12.1%	18.2%	21.6%
<b>EBITDA</b>	\$26.6	-\$9.8	\$33.3	-\$3.0	\$4.1	\$5.0
<b>EPS</b>	<b>(\$3.69)</b>	<b>\$1.03</b>	<b>(\$0.82)</b>	<b>(\$0.12)</b>	<b>\$ 0.12</b>	<b>\$ 0.18</b>
<b>LTD/Cap.</b>	58.1%	-	-	0.4%	0.0%	16.4%
<b>Times Int*</b>	-	3	-	6.2	12.9	0.0

\* 2002 Times Interest Earned is our estimate.

### 2Q03 Results

Results from continuing operations were as expected and HUF remains on track to post EPS of \$0.55 this year, up from a net loss per share of \$0.12 in 2002. In 2Q03, HUF posted GAAP EPS of \$0.18 versus \$0.12 in 1Q02, with the additional \$0.06 coming from a reversal of a litigation charge related to a divested operation (for more information on the Washington Inventory Service charge, see our report dated January 14, 2003).

### Results of Continuing Operations

Here is a summary of key points:

- EPS was \$0.12, even with 2Q02 and a net loss per share of \$0.09 for 1Q03.
- Sales increased 26% due to Gen-X sales and new Huffly Service First ("HSF") customers, offset by some weakness in Bikes and Sporting Goods.
- New products and Golf equipment continue to do well.
- The gross margin improved to 21.6% from 18.2% due to the increase in Gen-X products in the mix.
- Pre-tax margins declined to 1.9% from 2.3% due to increased marketing and interest expenses (both largely the result of Gen-X which changed HUF's seasonality and leverage).
- Asset utilization ratios were relatively constant with the variation due to a combination of the Gen-X acquisition and a soft retail environment.

### Outlook

We reiterate our forecast for EPS of \$0.55 from continuing operations. While the GAAP EPS will likely be \$0.06 higher, we will base our valuation off continuing operations.

We will provide more information after we have reviewed the 10-Q.

--Rick Wayman, CFA  
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Please read the important disclosures at the end of this report.

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**Company Description:** Huffy Corp manufactures, designs and sells bicycles and sports products. Subsidiary Huffy Bicycle Company makes Huffy and Royce Union branded wheeled products, including bicycles, scooters and tricycles. The Huffy Sports division supplies basketball backboards, poles, goals and related products as well as basketballs, footballs and soccer balls for use at home. Huffy Service First, a wholly-owned subsidiary, serves the needs of major retailers in 50 states, Puerto Rico, Guam and the Virgin Islands by providing in-store and in-home assembly and repair, and in-store display services for a variety of products including bicycles, barbecue grills, lawn mowers, fitness equipment and furniture. GenX (acquired in September 2002) added golf (Tommy Armour, RAM, Zebra and Tear Drop brands), snowboards (LTD and Lamar brands), hockey (Hespeler), skis (Volant), and in-line skates (Ultrawheels and Rage).

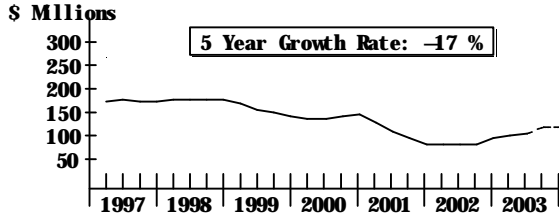
Comparative Price Performance			1 Mo	6 Mos	YTD	12 Mos.
HUFFY	HUF	\$7.90	12.1	16.3	32.3	15.8
	Peer group	\$9.15	10.4	22.0	18.0	11.5
S&P SMALLCAP VAL.	SMLVA	\$170.84	3.3	14.4	17.4	8.6
S&P 500	SPX	\$994.00	-1.7	6.7	13.0	10.3
	Leisure Industry		3.9	17.9	19.6	29.6
	Golf	\$7.95	3.6	9.4	11.1	15.2
	<b>Peer Group</b>					
ALDILA	ALDA	\$1.75	5.1	16.9	15.4	30.9
CALLAWAY GOLF	ELY	\$14.15	2.0	1.9	6.8	-0.6
VARIFLEX	VFLX	\$5.80	8.4	65.7	45.0	36.2
ESCALADE	ESCA	\$17.02	6.2	-3.0	-14.9	-24.4
HEAD NV ADR	HED	\$2.14	7.0	6.5	6.5	-26.2
K2	KTO	\$14.01	33.4	43.8	49.0	53.1

Source: Baseline

Operating Data-LTM		Sales	Gross	EBITDA	\$ Flow	LT Dbt/		
Company	Symbol	Sales	Growth	Margin	Margin	/Share	Ttl Cap	ROE
HUFFY	HUF	\$421.2	29.0%	19.8%	2.4	\$ 0.50	18.0	5.1
Peer Group Avg		\$664.1	11.4%	43.8%	18.7	\$ 2.05	13.5	22.5
Big Cap Peers		\$1,640.6	10.0%	64.4%	33.0	\$ 2.32	14.4	20.0
<b>Peer Group</b>								
CALLAWAY GOLF	ELY	\$806.4	-1.0%	55.5%	24.2	\$ 1.80	0.0	17.3
ESCALADE	ESCA	\$167.1	13.0%	32.2%	13.2	\$ 2.29	27.0	27.6
Valuation Data		Price	CY P/E			\$ Flow	Price/	
Company	Symbol	Price	2002	2003e	2004e	\$ Flow	Sales	Book
HUFFY	HUF	\$7.90	-68.67	14.3	11.1	15.8	0.3	1.6
Peer Group Avg		\$9.15	17.3	20.5	14.9	43.7	0.6	1.2
S&P SMALLCAP VALUE	SMLVA	170.84	20.7	18.4	15.3	8.4	0.6	1.4
S&P 500	SPX	994.00	20.7	19.1	17.6	11.3	1.5	3.0
Leisure Industry			28.6	19.5	21.7	17.8	1.3	2.8
<b>Peer Group</b>								
ALDILA	ALDA	\$1.75	-	-	-	212.9	0.2	0.3
CALLAWAY GOLF	ELY	\$14.15	12.7	15.4	13.9	7.9	1.3	1.8
VARIFLEX	VFLX	\$5.80	26.4	-	-	11.1	0.5	0.8
ESCALADE	ESCA	\$17.02	10.0	-	-	7.4	0.7	2.4
HEAD NV ADR	HED	\$2.14	-	-	-	12.0	0.2	0.4
K2	KTO	\$14.01	20.0	25.5	15.9	10.9	0.6	1.2

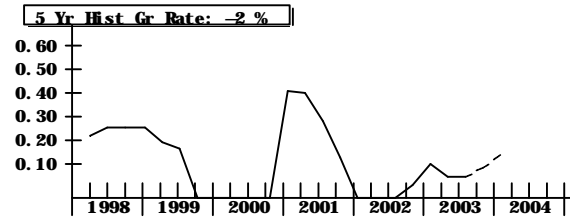
### HUFFY(HUF)

#### Revenues - 4 Quarter Moving Average



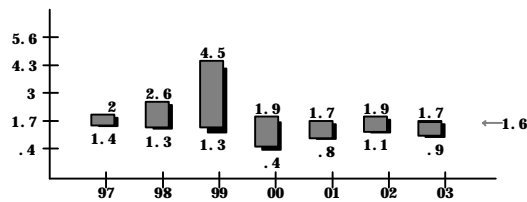
### HUFFY(HUF)

#### Earnings - 4 Quarter Moving Average



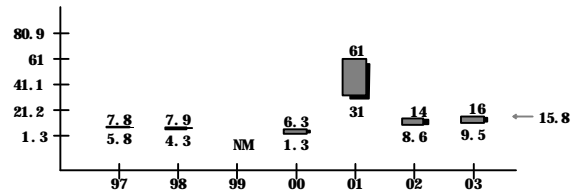
### HUFFY(HUF)

#### Price to Book



### HUFFY(HUF)

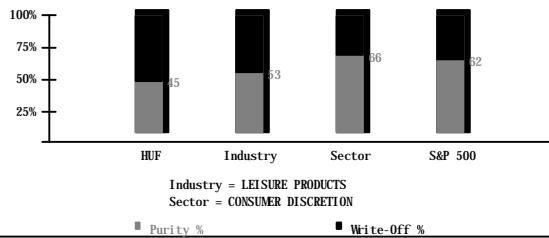
#### Price to Cash Flow



### HUFFY(HUF)

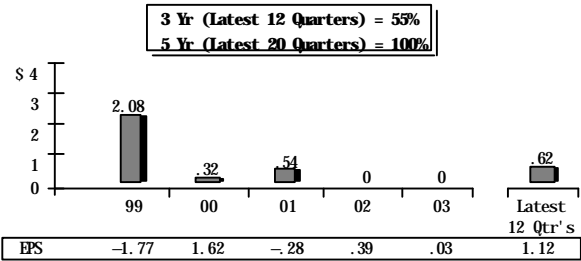
#### Earnings Purity®

The % of EPS (latest 12 Quarters) that does not include Write-Offs



### HUFFY(HUF)

#### Excluded Write-Offs



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