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HUFFY CORP.

NYSE-HUF- $4.25
(www.huffy.com)

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Integration Issues and Weak Consumer Demand Result in Net Loss

4Q03 Results
EPS were way below our forecast due to a weak retail market, loss from the Volant sale, and charges taken to adjust reserves to "more conservative levels." HUF also announced a restructuring program that is expected to result in annual operating savings of $7-9 million. Here are the key points:

- Net loss per share from continuing operations of $0.67 vs. EPS of $0.05.
- Sales down 2% due to weakness in basketball backboard, In-line and Action sports products.
- Gross margin declined to 11.0% from 16.7% as consumer demand shifted to lower-price points.
- Operating margin was -7.4% vs. 0.3% due to the above and unspecified reserves, which I think, taken to prepare for potential write down of inventory and receivables.
- Restructuring includes reorganizing along product lines (Sporting Goods and Retail Services), consolidation of resources in Dayton, Ohio, and reduction in force of about 100 employees. Savings are expected to be realized during the second half of 2004.

FY03
- Sales increased 18% due largely to the impact of the GenX acquisition (which occurred near the end of 2002).
- Gross margin was relatively stable at 17.9% (vs. 17.7%) as strength in earlier in the year offset the pain of the 4Q.
- Operating margins fell to -0.4% from 2.2% as the 4Q results weighed heavy on the quarter.

Financial Condition
HUF's lending group agreed to amend the financial covenants for 2004 to effectively waive the impact of the charge offs. While it is good news that the lenders are working with HUF, it is evidence that performance is significantly worse than the parties expected. Please read Investment Risks (below) for more information.

Outlook
Management stated that they expect 2004 sales to be in the 450 – 460 million range and EPS to be between $0.22 to $0.27. No quarterly guidance was provided.

We withdrew our 2004 forecast pending review of the SEC filings.

Risk Considerations

In addition to normal investment risk, investors need to consider the following when evaluating an investment in the shares of this stock:

The need to seek amendment from creditors indicates that operations are significantly underperforming. Investors should closely monitor operating cash flows to see if there is any improvement during the next year. Anything less than a stabilization could be a red flag.

Increased financial advantage and declining operating cash flow increas3es investment risk. The acquisition of Gen-X required the use of debt and significantly changed HUF's seasonality and cash flow cycle. On its own, this should not cause concern but there has also apparently been "issues" that significantly reduced cash flows and increased SG&A expenses. The restructuring announced in February 2004 is expected to improve results but investors should closely monitor asset utilization ratios (day's sales outstanding, inventory turnover) and times interest earned to monitor progress.

Loss of a Service First customer could have an adverse impact on 2004 sales if volume is not replaced. In the 2Q03 10-Q HUF disclosed that its "bid to retain a portion of its current business with a retailer in the home improvement segment was not accepted." While we do not expect this to impact 2003 sales, it could affect 2004 sales if the business is not replaced. The extent of a worst case (no replacement is found) scenario is difficult to quantify because no addition data was provided. It appears that the potential loss is material enough that Management felt it should be disclosed, but not material (or not yet quantifiable) enough to be more specific. With the pressure on retailers to cut costs, it is possible that HUF could replace the lost business.

The shares are thinly traded and could experience significant volatility.

The Company is not widely followed by Wall Street analysts. Consequently, any improvement in operations may not reflect in the share price as quickly as it might if the Company was widely followed.

The EPA issue regarding groundwater contamination at a former HUF site appears to have been resolved, with the superfund settlement, which was announced on May 10, 2002. The Company has reserved the estimated amount needed ($6.93 million), and the costs will have no impact on earnings. The Company continues to seek contribution from other non-signatory potentially responsible parties, although no payback of funds is included in any of our estimates.

The introduction of Schwinn bicycles into the mass marketing retail segment is expected to create strong competition with HUF not only for sales but also for floor space at various retailers.

FULL FRONTAL DISCLOSURE (In plain English)

- We have not been compensated in anyway for this report.
- The opinions expressed in this report are the true opinions of the analyst.
- Any "forward looking statements" are our estimates and are based upon information that is publicly available and that we believe to be correct, but we have not independently verified its truthfulness.
- Our forecasts may turn out to be wrong.
- The analyst does not own any shares of the subject company.
- We do not make a market in the shares of the subject company.

- We have not done any investment banking business with the subject company.

(Legalese)
This report contains "forward looking" statements within the meaning of U.S. federal securities laws. Forward-looking statements regarding the Company's performance inherently involves risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence upon third party vendors; and other risks discussed in the Company's periodic report filings, including interim reports, with the Securities and Exchange Commission, By making these forward looking statements, researchstock.com, Inc. undertakes no obligation to update these statements for revisions or changes after the date of this report.

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