



# POLARIS

## Third Quarter 2023 Earnings Presentation

October 24, 2023







Except for historical information contained herein, the matters set forth in this presentation are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those forward-looking statements. Potential risks and uncertainties include such factors as the Company's ability to successfully source necessary parts and materials on a timely basis; the ability of the Company to manufacture and deliver products to dealers to meet demand; the Company's ability to identify and meet optimal dealer inventory levels; the Company's ability to accurately forecast and sustain consumer demand; the Company's ability to mitigate increasing input costs through pricing or other measures; the Company's ability to successfully implement its manufacturing operations strategy and supply chain initiatives; product offerings, promotional activities and pricing strategies by competitors that make our products less attractive to consumers; the Company's ability to strategically invest in innovation and new products, including as compared to our competitors; economic conditions that impact consumer spending or consumer credit, including recessionary conditions and changes in interest rates; the severity and duration of the global pandemics and resulting impact on the Company's business, supply chain, and the global economy; disruptions in manufacturing facilities; product recalls and/or warranty expenses; product rework costs; impact of changes in Polaris stock price on incentive compensation plan costs; foreign currency exchange rate fluctuations; environmental and product safety regulatory activity; effects of weather; commodity costs; freight and tariff costs (tariff relief or ability to mitigate tariffs); changes to international trade policies and agreements; uninsured product liability and class action claims (including claims seeking punitive damages) and other litigation expenses incurred due to the nature of the Company's business; uncertainty in the consumer retail and wholesale credit markets; performance of affiliate partners; changes in tax policy; relationships with dealers and suppliers; and the general overall global economic, social and political environment. Investors are also directed to consider other risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission. The Company does not undertake any duty to any person to provide updates to its forward-looking statements.

The data source for retail sales figures included in this presentation is registration information provided by Polaris dealers in North America and Europe compiled by the Company or Company estimates and other industry data sources. The Company relies on information that its dealers or other third parties supply concerning retail sales, and other retail sales data sources related to Polaris and the powersports industry, and this information is subject to revision. Retail sales references to total Company retail sales includes only ORV, snowmobiles and motorcycles in North America unless otherwise noted.

This presentation contains certain non-GAAP financial measures, consisting of "adjusted" sales, gross profit, income from continuing operations before income taxes, net income from continuing operations attributed to Polaris Inc., diluted EPS from continuing operations attributed to Polaris Inc., EPS from continuing operations attributed to Polaris Inc., EBITDA, EBITDA Margin, and free cash flow as measures of our operating performance. Management believes these measures may be useful in performing meaningful comparisons of past and present operating results, to understand the performance of its ongoing operations and how management views the business. Reconciliations of reported GAAP historic measures to adjusted non-GAAP measures are included in the financial schedules contained in this press release. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.

# Third Quarter 2023 Overview



## Total Company Results\*

	<u>Q3'23</u>	<u>Y/Y Change</u>
<b>Sales</b>	<b>\$2,249M</b>	<b>↓ 4%</b>
<b>Adjusted Gross Profit Margin</b>	<b>22.6%</b>	<b>↓ 127 bps</b>
<b>Adjusted EBITDA Margin</b>	<b>12.6%</b>	<b>↓ 110 bps</b>
<b>Adjusted EPS</b>	<b>\$2.71</b>	<b>↓ 17%</b>

## Drivers

- **Share gains across all three businesses**
- **N.A. retail up 5% y/y**
  - Utility ORV up double digits y/y; gained multiple share points
  - Recreational ORV down mid-single digits y/y; but gained share
  - Indian Motorcycle down low-teens; gained modest share
  - Marine continued to see softness
- **Continue to see elevated manufacturing costs**
- **Adjusted gross profit and adjusted EBITDA margins down versus prior year**
  - Unfavorable FX, mix and higher finance interest (floorplan costs)
- **Lowering full-year guidance due to elevated manufacturing costs, unfavorable shipment mix and lower retail trends**

**Share Gains in All 3 Segments | Lower Volume and Elevated Costs**



## N.A. ORV Retail Trends

- Polaris ORV YTD retail up 4% y/y, down 8% versus 2019
- Cautious on Utility demand
- Recreation demand remains soft
- Elevated promotions, although still below 2019 levels
- Strong interest in new vehicles and premium products
- Retail trends have weakened



## Customer Trends and Insights

- Website build and quote leads up year-over-year
- Accessory retail dollars/unit up modestly year-over-year
- Lending metrics pressured on some product lines
- Mixed short and long-term repurchase rates
- Healthy customer mix with ~70% new customers
- Recent industry retail trends also weak for On Road



**Closely Watching Softer Retail Trends**





## 2024 Polaris XPEDITION

- All-new, category defining, industry-first Adventure model for new customer type
- Largest ever accessory portfolio at launch (100+), including the all-new customizable Lock & Ride MAX cargo system
- Longest fuel range of 200+ miles with 114 HP engine
- Available in 2-seat and 5-seat models
- Currently shipping to dealers



## 2024 Polaris RANGER XD

- First new category Extreme Duty Utility SxS
- Strongest, most capable and most comfortable RANGER
- Industry-first SteelDrive transmission with all-new Pro-Star 1500cc engine with 110 hp and 105 lb-ft of torque
- Massive 1,500 lb box capacity & 3,500 lb towing capacity
- Full line of over 70 new accessories featuring Lock & Ride MAX integration
- Expected to ship in November



**Rider-Driven Innovation at a New Level**

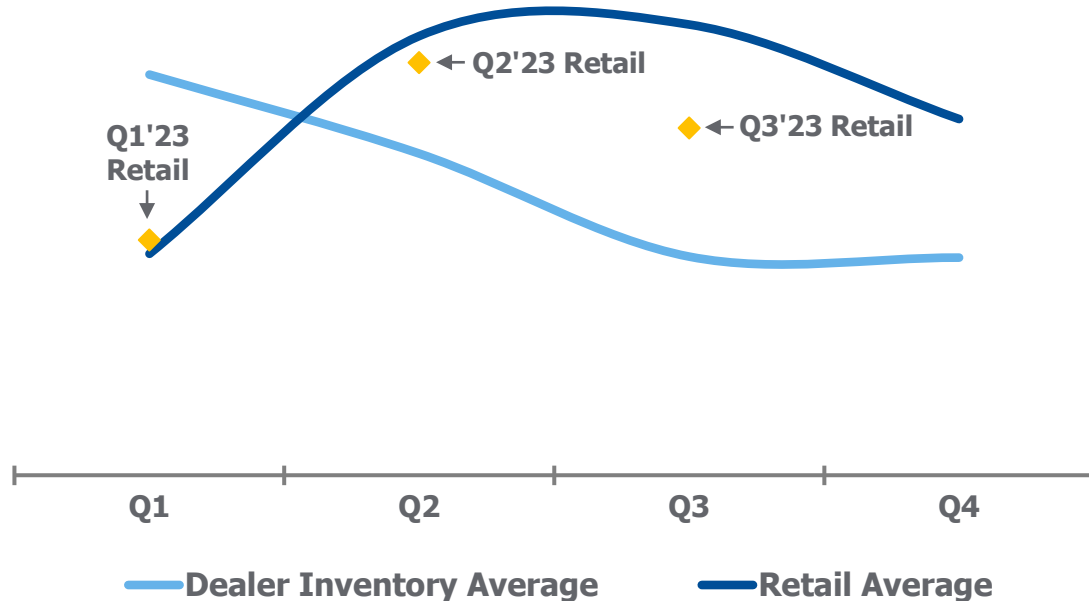
# North American Dealer Inventory and Seasonality



## N.A. ORV Historical Seasonality

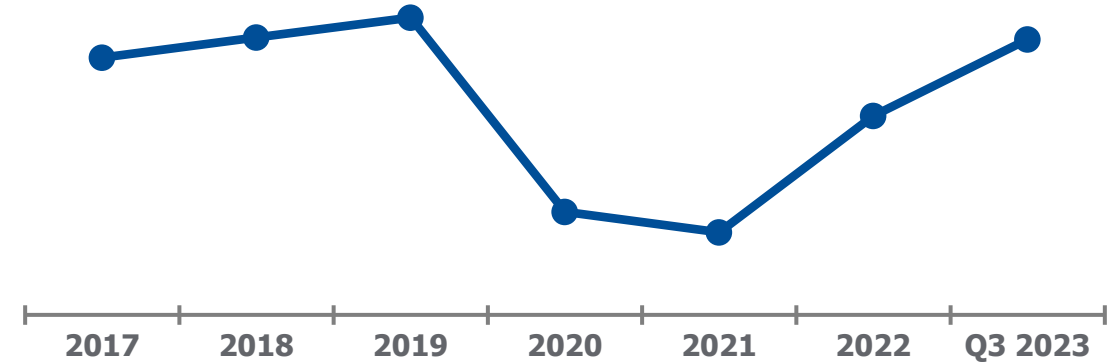
(in units)

### 2016 - 2019 AVERAGE RETAIL & DEALER INVENTORY



## N.A. ORV Dealer Inventory

(in units)



## Total Polaris Call-outs

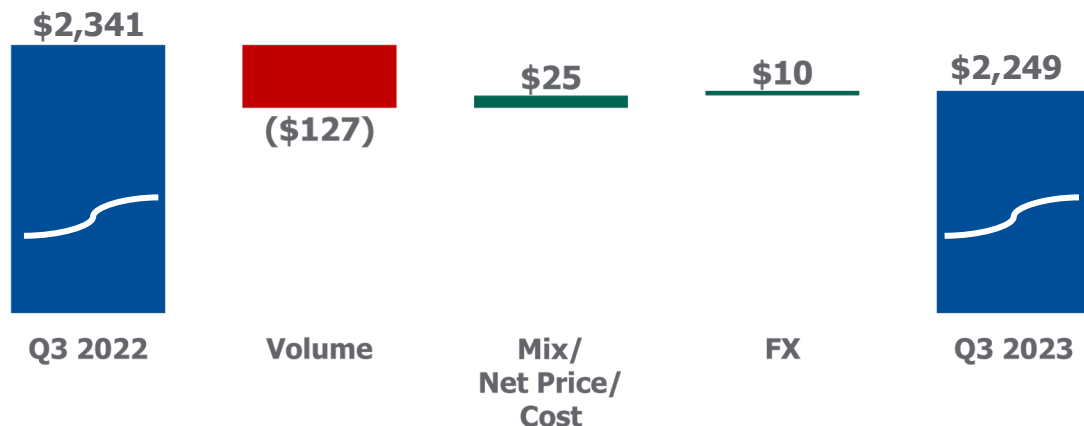
- Q3 2023 dealer inventory was down ~10% vs 2019 and up ~85% vs 2022
- Dealer inventory remains at target levels
- Flattish year-over-year shipment volume expected in Q4
- Q4 retail is expected to be up year-over-year driven by Snow
- Retail seasonality is returning but is not reflected in year-over-year comparisons

Inventory Within Target Range

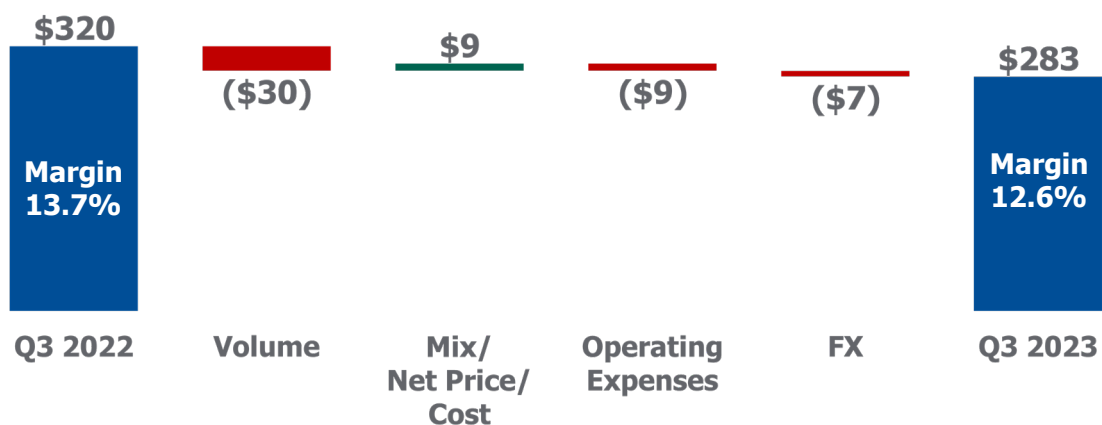
# Q3 2023 Financial Results



## Sales



## Adjusted\* EBITDA



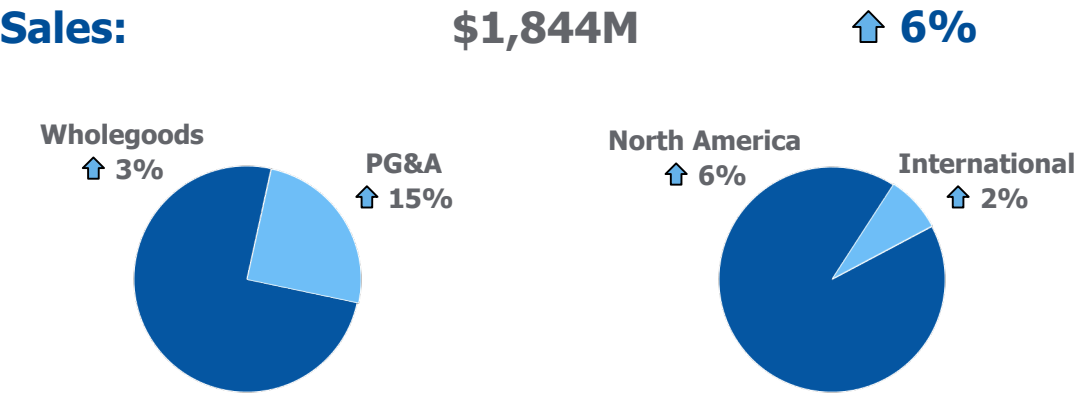
## Financial Highlights (Y/Y)

- **Quarterly sales of \$2.2B, down 4%**
  - Lower shipment volumes and higher finance interest
  - International sales were down 3%
    - Latin America contribution offset by EMEA and Asia Pacific
  - PG&A sales were up 12%
- **Adjusted\* EBITDA margin down 110 bps**
  - Unfavorable FX and mix
  - Higher finance interest
- **Adjusted\* EPS of \$2.71, down 17%**
- **Other items:**
  - Effective tax rate of 16.6%
    - Favorable R&D tax credits
  - Net interest expense of \$33M
  - Average outstanding diluted shares ~58M
    - Down 4% year-over-year

**Margin Pressure Impacted by Lower Shipments and Unfavorable Finance Interest**



## Q3 Results & Y/Y Change



**Gross Profit Margin:** **23.1%** **↓ 265 bps**

**Market Share:**  
(N.A.) **↑ Off-Road Vehicles**

## PII Call-outs

- Demand metrics remained healthy for new and premium products
- Gained share in ORV during the quarter
- N.A. ORV retail up 5%, down 20% vs 2019
- Margin pressured by FX, finance interest and mix
- Manufacturing costs remain elevated
- 12-month rolling average N.A. ORV market share up 1 point

## Retail Sales

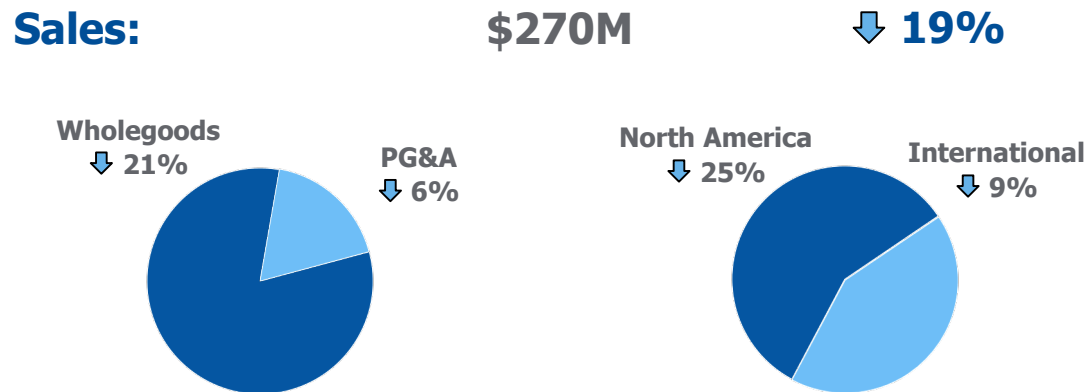
	North America		International <sup>(1)</sup>	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
ORV	↑ 5%	↑ LOW-SINGLE DIGITS %	↓ MID-TEENS %	↓ HIGH-SINGLE DIGITS %
SxS	↑ MID-SINGLE DIGITS %			
ATV	↑ MID-SINGLE DIGITS %			
Snowmobiles	SEASON RAMPING			

Share Gains Across Portfolio | Unfavorable Mix and Higher Finance Interest





## Q3 Results & Y/Y Change



**Gross Profit Margin:** **21.3%** **↑ 335 bps**

**Market Share:** **↑ Indian Motorcycle**  
(N.A.)

## PII Call-outs

- **N.A. Indian Motorcycle gained share**
- **Indian Motorcycle N.A. retail was down low-teens % year-over-year**
  - Market share is ~13%, N.A. #1 in Midsize
- **Strongest motorcycle portfolio in our history**
- **Increased promotions from competition**
- **Gross profit margin expansion continued**
- **12-month rolling average N.A. market share +1.5 points**

## Retail Sales

Indian Motorcycle	North America		International <sup>(1)</sup>	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
	↓ LOW-TEENS %	↓ MID-TEENS %	↓ HIGH-SINGLE DIGITS %	↓ LOW-DOUBLE DIGITS %

**Share Gains and Margin Expansion Continue**



## Q3 Results & Y/Y Change

**Sales:** \$134M ↓ 48%

**Gross Profit Margin:** 18.1% ↓ 338 bps

**Market Share:** (N.A.) ↑ Marine<sup>(1)</sup>



## PII Call-outs

- Year-to-date pontoon industry is down high-single digits percent
- Dealers seeing soft retail due to higher interest rates for consumers
- Dealers cautious on adding new inventory
- Bennington and Hurricane gained share
- Actively managing variable costs to protect margin
- 12-month rolling average pontoon market share flat<sup>(1)</sup>

## Retail Sales<sup>(1)</sup>

### North America

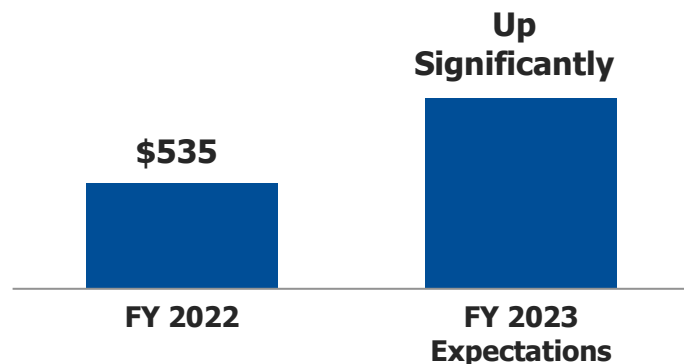
	<u>POLARIS</u>	<u>INDUSTRY</u>
<b>Pontoons</b>	↑ LOW-SINGLE DIGITS %	↓ LOW-SINGLE DIGITS %
<b>Deck Boats</b>	↓ LOW-TWENTIES %	↓ MID-TWENTIES %

## Share Gains Despite a Soft Marine Industry



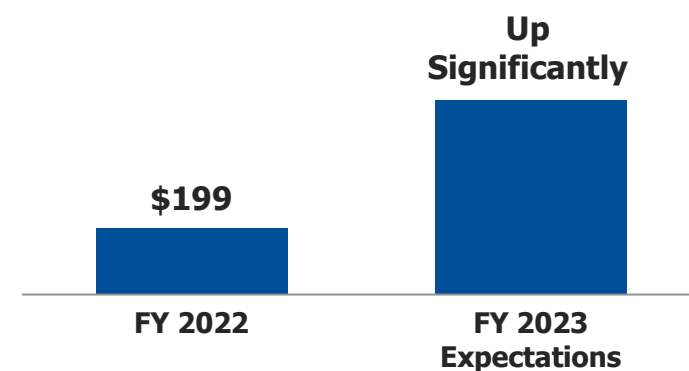
## Operating Cash Flow

\$ in millions



## Adjusted\* Free Cash Flow

\$ in millions



## 2023 Capital Deployment Priorities

### #1 Priority – Organic Investment

~\$400 million capital expenditures; 4% of sales on R&D

### #2 Priority – Dividends

Dividend Aristocrat – 28 consecutive years of raising dividend

### #3 Priority – Share Repurchase

Repurchased 1.4 million shares for \$159 million YTD

Repurchased 2.6 million shares for \$286 million over the last 12 months

~\$204 million remaining on share repurchase authorization

## Key Financial Metrics

\$ in millions

Cash	\$295
Capex (YTD)	\$312
Total Debt	\$2,210
Dividends (YTD)	\$111
Share Repurchases (YTD)	\$159
Net Leverage Ratio	1.7x

**Continue to See Strong Cash Generation and Healthy Financial Position**



# Full Year 2023 Guidance & Expectations



## Total Company Sales

\$ in Millions

Narrowed

↑ 3% to ↑ 5%

\$8.8B to \$9.0B

Relative to 2022 at \$8.6B

## Segment Sales

Off Road

↑ HIGH-SINGLE  
DIGITS %  
Unchanged

On Road

FLAT  
Lowered

Marine

↓ MID-TWENTIES%  
Lowered

## Q4 Outlook Assumptions

- Volume flattish year-over-year
- Retail growth driven by snowmobile shipments
- Higher finance interest and negative net price
- Year-over-year FX headwind to adjusted EBITDA of \$15M to \$20M
- Interest expense headwind of ~\$5M
- Changes in assumption versus July call:
  - Unfavorable mix
  - Manufacturing costs remain elevated
  - Lower retail outlook

## Adjusted\* EPS

Lowered

↓ 8% to ↓ 4%

\$9.60 to \$10.00

Relative to 2022 at \$10.40

## Adjusted\* Margins

% of Sales

Gross Profit  
Margin

Lowered

↓ 40 to 70 bps

Relative to 2022  
at 22.8%

EBITDA  
Margin

Lowered

↓ 40 to 60 bps

Relative to 2022  
at 12.5%

## Key Metrics

Key Metric	July Call FY 2023 Expectations	Updated FY 2023 Expectations
Operating Expense	Up 30 bps to 50 bps	Up ~50 bps
Interest Expense	~\$125 million	Unchanged
Tax Rate	22.0% to 22.5%	19.5% to 20.0%
Diluted Shares	58 million	Unchanged
Depreciation	Up ~15%	Unchanged
Fin. Services Income	Up ~50%	Unchanged
Operating & Adj. FCF	Up significantly	Unchanged
Capex	~\$400 million	Unchanged

## Updated Full-Year Guidance Factors in Current Results and Q4 Trends



- **Economic factors pressuring consumers resulting in continued retail softness**
- **Manage the business to align to consumer demand trends**
- **Positive contribution from Polaris XPEDITION and RANGER XD as well as continued innovation**
- **Dealer inventory at target levels**
- **Teams focusing on manufacturing efficiencies**
- **Margins improving**
- **Prioritize cash generation from lower working capital**

**Focused on Share Gains and Driving Agile and Efficient Operations**

# Closing Comments



- Share gains across all three businesses; Strong demand for new premium products
- Retail trends weakened across the business in the third quarter
- Expect industry full-year N.A. powersports retail to be flat relative to 2022
- Focused on improving production inefficiencies
- Committed to winning in a competitive environment by delivering high quality and innovative products while remaining agile and efficient
- Lowered full-year adjusted EPS guidance due to elevated manufacturing costs, unfavorable shipment mix and lower retail trends



**Powering Passion and Pioneering New Possibilities for All Those Who Play, Work and Think Outside**





# Q & A







- **Non-GAAP Reconciliations – Total Company**
- **Non-GAAP Reconciliations – Net Income to Adjusted EBITDA**
- **Non-GAAP Reconciliations – Segments / Cash Flow**
- **2023 Guidance Adjustments**

# Non-GAAP Reconciliations – Total Company



## Reconciliation of GAAP "Reported" Results to Non-GAAP "Adjusted" Results (In Millions, Except Per Share Data; Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Full Year
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
<b>Gross profit</b>	<b>508.8</b>	<b>559.2</b>	<b>1,483.0</b>	<b>1,386.5</b>	<b>1,959.5</b>
Restructuring & realignment <sup>(3)</sup>	—	—	—	0.2	0.2
<b>Adjusted gross profit</b>	<b>508.8</b>	<b>559.2</b>	<b>1,483.0</b>	<b>1,386.7</b>	<b>1,959.7</b>
<b>Income from continuing operations before income taxes</b>	<b>181.7</b>	<b>241.6</b>	<b>499.6</b>	<b>514.7</b>	<b>761.4</b>
Distributions from other affiliates <sup>(1)</sup>	—	(0.7)	—	(0.7)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.7	—	0.7	—	—
Restructuring & realignment <sup>(3)</sup>	0.9	1.2	1.4	5.5	6.2
Intangible amortization <sup>(4)</sup>	4.4	4.5	13.3	14.3	18.8
Class action litigation expenses <sup>(5)</sup>	0.4	1.4	5.4	2.5	4.5
<b>Adjusted income from continuing operations before income taxes</b>	<b>188.1</b>	<b>248.0</b>	<b>520.4</b>	<b>536.3</b>	<b>790.2</b>
<b>Net income from continuing operations attributable to Polaris Inc.</b>	<b>151.7</b>	<b>190.4</b>	<b>399.4</b>	<b>406.3</b>	<b>602.9</b>
Distributions from other affiliates <sup>(1)</sup>	—	(0.7)	—	(0.7)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.5	—	0.5	—	—
Restructuring & realignment <sup>(3)</sup>	0.7	0.9	1.1	4.2	4.7
Intangible amortization <sup>(4)</sup>	3.4	3.5	10.1	10.9	14.3
Class action litigation expenses <sup>(5)</sup>	0.3	1.0	4.1	1.9	3.6
<b>Adjusted net income from continuing operations attributable to Polaris Inc. <sup>(6)</sup></b>	<b>\$ 156.6</b>	<b>\$ 195.1</b>	<b>\$ 415.2</b>	<b>\$ 422.6</b>	<b>\$ 624.8</b>
<b>Diluted EPS from continuing operations attributable to Polaris Inc.</b>	<b>\$ 2.62</b>	<b>\$ 3.17</b>	<b>\$ 6.90</b>	<b>\$ 6.71</b>	<b>\$ 10.04</b>
Distributions from other affiliates <sup>(1)</sup>	—	(0.01)	—	(0.01)	(0.01)
Acquisition-related costs <sup>(2)</sup>	0.01	—	0.01	—	—
Restructuring & realignment <sup>(3)</sup>	0.01	0.01	0.02	0.07	0.08
Intangible amortization <sup>(4)</sup>	0.06	0.06	0.17	0.18	0.24
Class action litigation expenses <sup>(5)</sup>	0.01	0.02	0.07	0.03	0.05
<b>Adjusted EPS from continuing operations attributable to Polaris Inc. <sup>(6)</sup></b>	<b>\$ 2.71</b>	<b>\$ 3.25</b>	<b>\$ 7.17</b>	<b>\$ 6.98</b>	<b>\$ 10.40</b>

### Adjustments:

(1) Represents distributions received related to an impaired investment held by the Company

(2) Represents adjustments for integration and acquisition-related expenses

(3) Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation costs

(4) Represents amortization expense for acquisition-related intangible assets

(5) Represents adjustments for certain class action litigation-related expenses

(6) The Company used its estimated statutory tax rate of 23.8% for the non-GAAP adjustments in 2023 and 2022, except for non-deductible items



# Non-GAAP Reconciliations – Net Income to Adjusted EBITDA



## Reconciliation of Net Income to Adjusted EBITDA (In Millions, Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Full Year
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
<b>Sales</b>	<b>2,248.9</b>	<b>2,340.6</b>	<b>6,645.2</b>	<b>6,184.9</b>	<b>8,589.0</b>
<b>Net income from continuing operations</b>	<b>151.5</b>	<b>190.7</b>	<b>399.4</b>	<b>406.8</b>	<b>603.4</b>
Provision for income taxes	30.2	50.9	100.2	107.9	158.0
Interest expense	32.5	20.1	92.2	46.8	71.7
Depreciation	62.0	51.7	173.6	155.6	214.0
Intangible amortization <sup>(4)</sup>	4.4	4.5	13.3	14.3	18.8
Distributions from other affiliates <sup>(1)</sup>	—	(0.7)	—	(0.7)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.7	—	0.7	—	—
Restructuring & realignment <sup>(3)</sup>	0.9	1.2	1.4	5.5	6.2
Class action litigation expenses <sup>(5)</sup>	0.4	1.4	5.4	2.5	4.5
<b>Adjusted EBITDA</b>	<b>\$ 282.6</b>	<b>\$ 319.8</b>	<b>\$ 786.2</b>	<b>\$ 738.7</b>	<b>\$ 1,075.9</b>
<b>Adjusted EBITDA Margin</b>	<b>12.6 %</b>	<b>13.7 %</b>	<b>11.8 %</b>	<b>11.9 %</b>	<b>12.5 %</b>

### Adjustments:

- (1) Represents distributions received related to an impaired investment held by the Company
- (2) Represents adjustments for integration and acquisition-related expenses
- (3) Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation costs
- (4) Represents amortization expense for acquisition-related intangible assets
- (5) Represents adjustments for certain class action litigation-related expenses

# Non-GAAP Reconciliations – Segments / Cash Flow



## Reconciliation of GAAP Segment Gross Profit to Non-GAAP Segment Gross Profit (In Millions, Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Off Road segment gross profit</b>	<b>\$ 425.5</b>	<b>\$ 449.2</b>	<b>\$ 1,122.6</b>	<b>\$ 1,062.1</b>
No adjustment	—	—	—	—
Adjusted Off Road segment gross profit	425.5	449.2	1,122.6	1,062.1
<b>On Road segment gross profit</b>	<b>57.7</b>	<b>60.1</b>	<b>208.7</b>	<b>154.7</b>
No adjustment	—	—	—	—
Adjusted On Road segment gross profit	57.7	60.1	208.7	154.7
<b>Marine segment gross profit</b>	<b>24.3</b>	<b>55.9</b>	<b>143.3</b>	<b>169.0</b>
No adjustment	—	—	—	—
Adjusted Marine segment gross profit	24.3	55.9	143.3	169.0
<b>Corporate segment gross profit</b>	<b>1.3</b>	<b>(6.0)</b>	<b>8.4</b>	<b>0.7</b>
Restructuring & realignment <sup>(1)</sup>	—	—	—	0.2
Adjusted Corporate segment gross profit	1.3	(6.0)	8.4	0.9
<b>Total gross profit</b>	<b>508.8</b>	<b>559.2</b>	<b>1,483.0</b>	<b>1,386.5</b>
Total adjustments	—	—	—	0.2
Adjusted total gross profit	<u>\$ 508.8</u>	<u>\$ 559.2</u>	<u>\$ 1,483.0</u>	<u>\$ 1,386.7</u>

### Adjustments:

<sup>(1)</sup> Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation

## Reconciliation of GAAP Operating Cash Flow to Non-GAAP Adjusted Free Cash Flow (In Millions, Unaudited)

	Nine months ended September 30,		Full Year
	2023	2022	2022
<b>Net cash provided by operating activities of continuing operations</b>	<b>376.0</b>	<b>139.4</b>	<b>534.5</b>
Purchase of property and equipment	(311.7)	(193.6)	(306.6)
Investment in finance affiliate, net	12.5	(0.8)	(28.7)
<b>Adjusted free cash flow</b>	<b>\$ 76.8</b>	<b>\$ (55.0)</b>	<b>\$ 199.2</b>

**Key Definitions:** This presentation contains certain GAAP financial measures which have been "adjusted" for certain revenues, expenses, gains and losses as described below and include "adjusted" sales, gross profit, income from continuing operations before income taxes, net income from continuing operations attributed to Polaris Inc., diluted EPS from contributing operations attributed to Polaris Inc., EPS from continuing operations attributed to Polaris Inc., EBITDA, EBITDA margin, and free cash flow (non-GAAP measures) as measures of our operating performance. Management believes these measures may be useful in performing meaningful comparisons of past and present operating results, to understand the performance of its ongoing operations and how management views the business. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.



2023 adjusted guidance excludes the pre-tax effect of restructuring, network realignment and acquisition/integration costs of approximately \$7 million, and approximately \$10 million for class action litigation-related expenses. Intangible amortization of approximately \$18 million related to all acquisitions has also been excluded.

The Company has not provided reconciliations of guidance for adjusted diluted net income per share, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to forecast certain items required to develop meaningful comparable GAAP financial measures. These items include restructuring and realignment costs and acquisition integration costs that are difficult to predict in advance in order to include in a GAAP estimate.