



# POLARIS

## Third Quarter 2021 Earnings Presentation

October 26, 2021



# Safe Harbor & Non-GAAP Measures



Except for historical information contained herein, the matters set forth in this presentation and discussed in the corresponding earnings call 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 severity and duration of the COVID-19 pandemic and the resulting impact on the Company's business, supply chain, and the global economy; the Company's ability to successfully implement its manufacturing operations expansion and supply chain initiatives; the Company's ability to successfully source necessary parts and materials and the ability of the Company to manufacture and deliver products to dealers to meet increasing demand and to bring dealer inventory levels back to optimal levels; the continuation of the increasing consumer demand for the Company's products; product offerings, promotional activities and pricing strategies by competitors; economic conditions that impact consumer spending; disruptions in manufacturing facilities; acquisition integration costs; 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 claims; uncertainty in the retail and wholesale credit markets; performance of affiliate partners; changes in tax policy; relationships with dealers and suppliers; and the general overall 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 compiled by the Company or Company estimates and other industry data sources. The Company must rely on information that its dealers 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 before taxes, net income and net income per diluted share 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 measures to adjusted non-GAAP measures are included in the financial schedules contained in this presentation. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.



# POLARIS

**Mike Sleetzen**  
**Chief Executive Officer**

**Third Quarter 2021 Earnings Results**

**October 26, 2021**

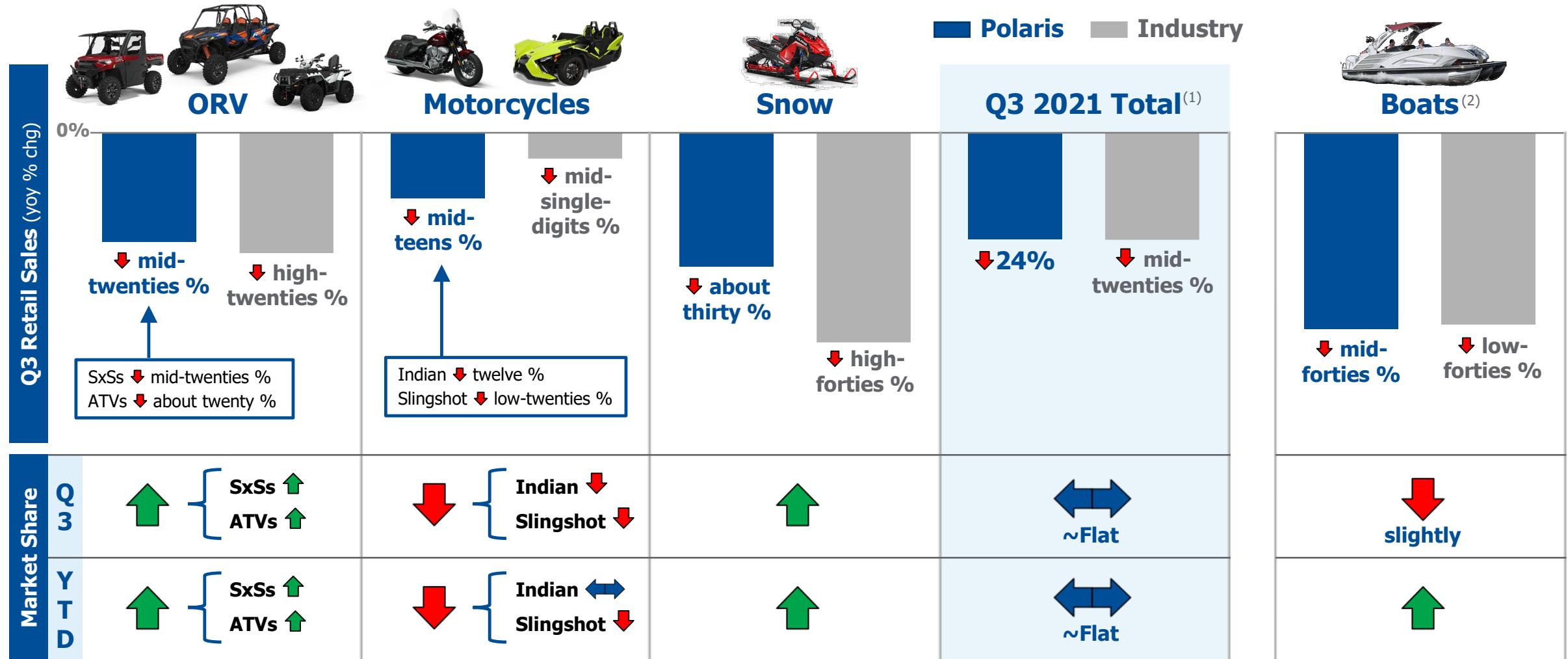




- Polaris met earnings expectations for the quarter on lower top line sales
- Record year-to-date sales and earnings with significant growth vs. prior year
- Retail demand remained strong, customer pre-orders are at all-time highs
- Market share gains continued in ORV
- PG&A and International grew significantly during the quarter
- New model year 2022 vehicle launches well received
- Supply chain challenges intensified impacting ability to ship products
- Adjusting full year guidance given supply chain challenges

**Continued Strong Performance Despite Supply Chain Challenges**

# Q3 2021 North American Powersports Retail Sales



<sup>(1)</sup>Pontoons not included in Total Company retail sales or Powersports Industry

<sup>(2)</sup>Pontoons only; Preliminary SSI data, subject to change

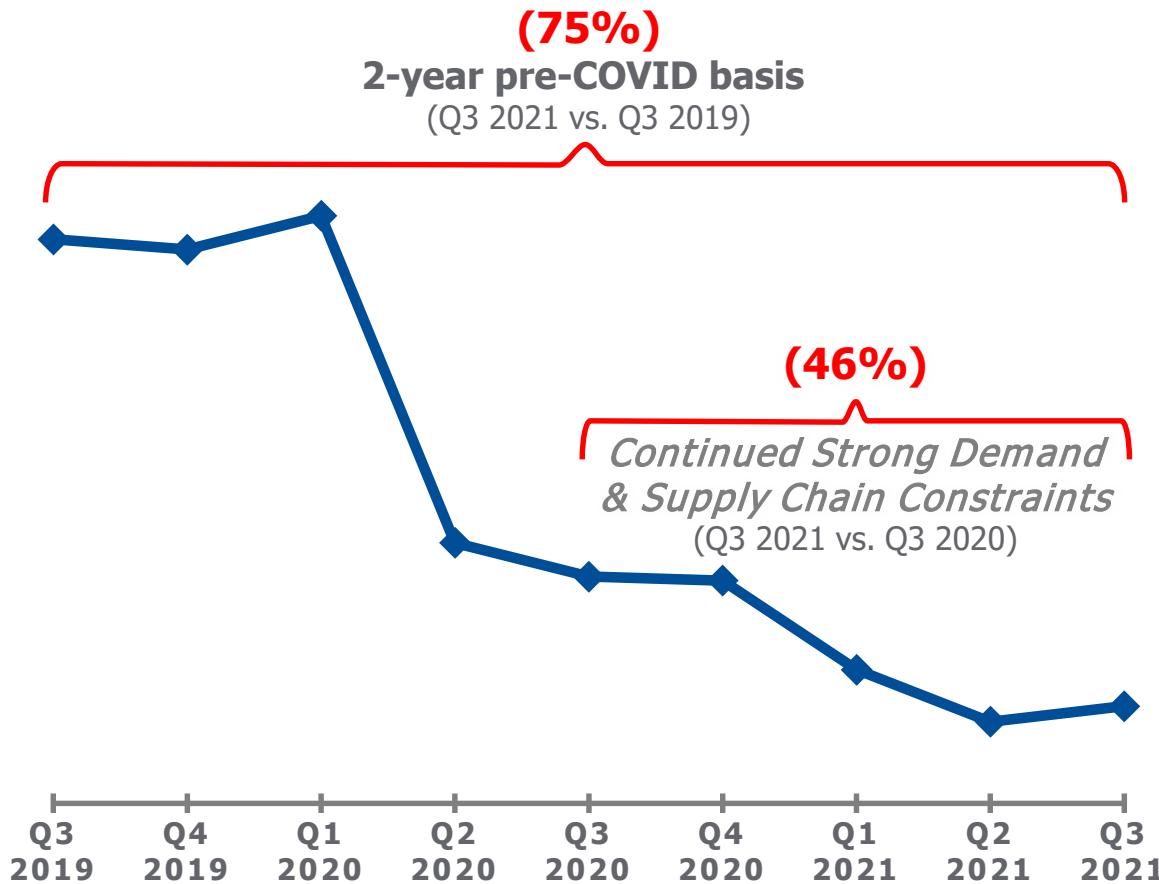
**Retail Sales Dependent Upon Availability of Component Supply**

# North American Dealer Inventory

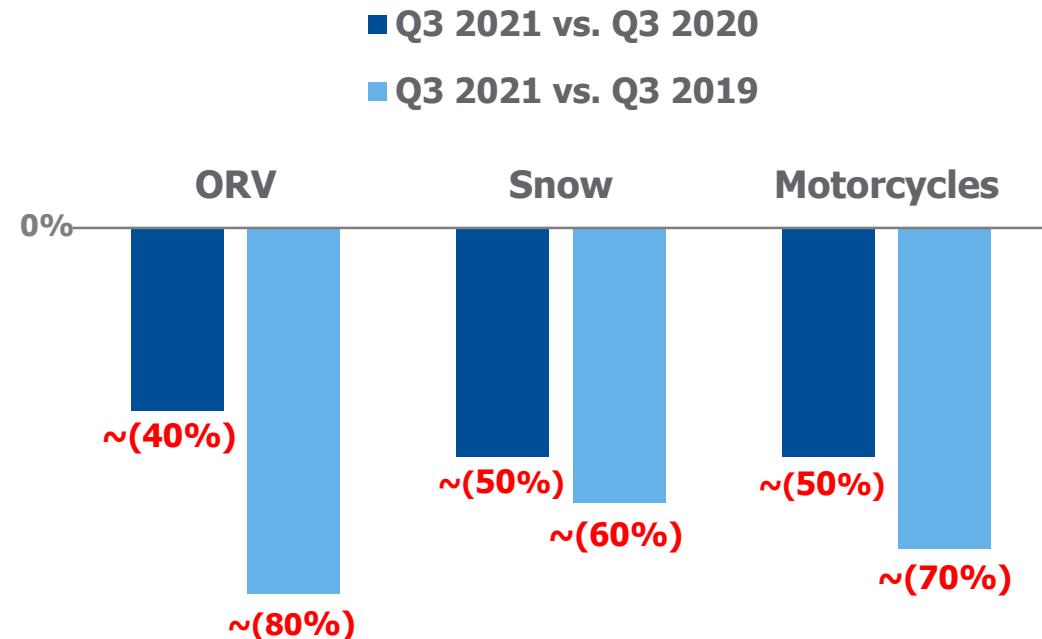


## Total N.A. Dealer Inventory

(in units) Note: Excludes Boats



## N.A. Dealer Inventory by Business



Dealer Inventory Remains at Unprecedented Low Levels



## ORV Open Pre-Sold Orders

*Dealer pre-sold orders remain at elevated levels*



## Adjustments to Dealer Pre-Sold Order Program

1. Adjusting shipment dates on limited number of orders
2. Improving communication related to order tracking
3. New Polaris Off-Road Reservations – premium products
4. Continue RFM process for remaining line-up – taking pre-orders

## Polaris Off-Road Reservations – Select Premium Models



## New! On-line Consumer Order Tracking System

### Order Details

2022 RZR Pro XP  
Model Number: 168904987  
Order Placed: 10/01/2021



Scheduling Build  
January 01, 2022 - February 12, 2022  
Your vehicle is scheduled to be built.

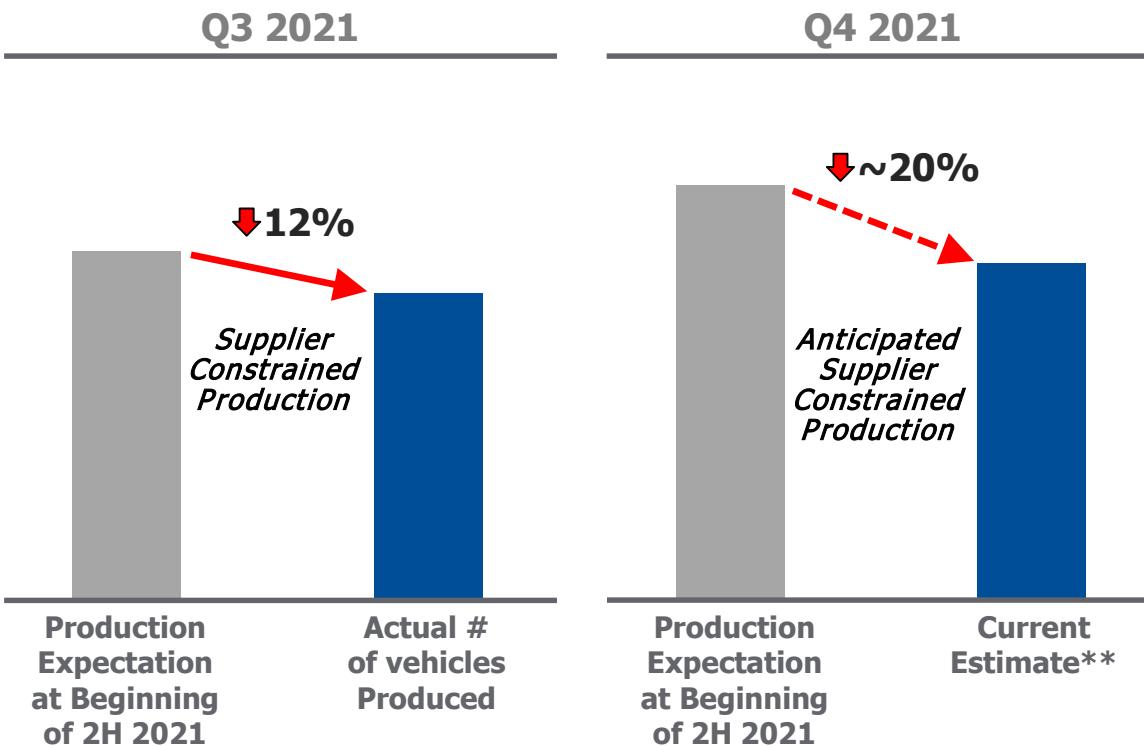
- Confirmed
- Scheduling
- Built
- In Transit
- Complete

**Launch Targeted for mid-November**

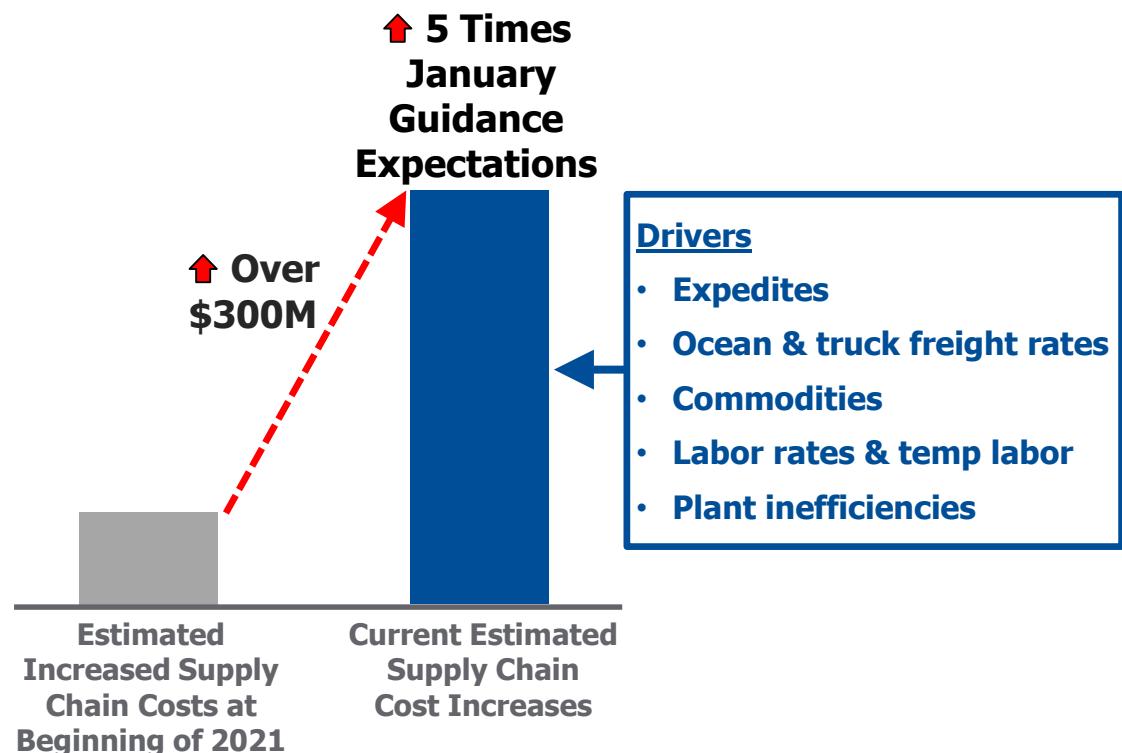
**Adjustments Designed to Improve Visibility and Predictability of Pre-Solds for Dealers & Consumers**



## Manufacturing Utilization\*



## FY 2021 Supply Chain Input Cost Pressures



**Supply Chain Challenges Causing Significant Cost Pressures While Limiting Production**

# New Model Year 2022 ORV Products



## RANGER



### RANGER SP 570 line-up

Largest Cargo Bay  
Narrow 56" width  
Ride Command  
Available upgrades: HVAC, Seats, Pro Armor Tires



### RANGER SP 570 Crew & Special Editions

## RZR



### RZR Pro XP

Full doors; New accessory options



### RZR 200 EFI Youth

Helmet Aware  
Ride Command



*Launching Nov. 9<sup>th</sup>*  
RZR Turbo R & Pro R

## GENERAL



### GENERAL XP 1000 Trailhead Edition

Ride Command  
Lock & Ride Adventure bed rack  
Rockford Fosgate® audio  
Bumper mounted light bar



### GENERAL XP 1000 Troy Lee Edition

## SPORTSMAN



### Sportsman 570 & XP 1000 Ride Command Edition



**First ever ATV with built-in GPS navigation**

# All-New Electric Ranger



New Electric Powertrain Will Elevate the Ranger Platform to Higher Level of Capability, Durability & Performance



# POLARIS

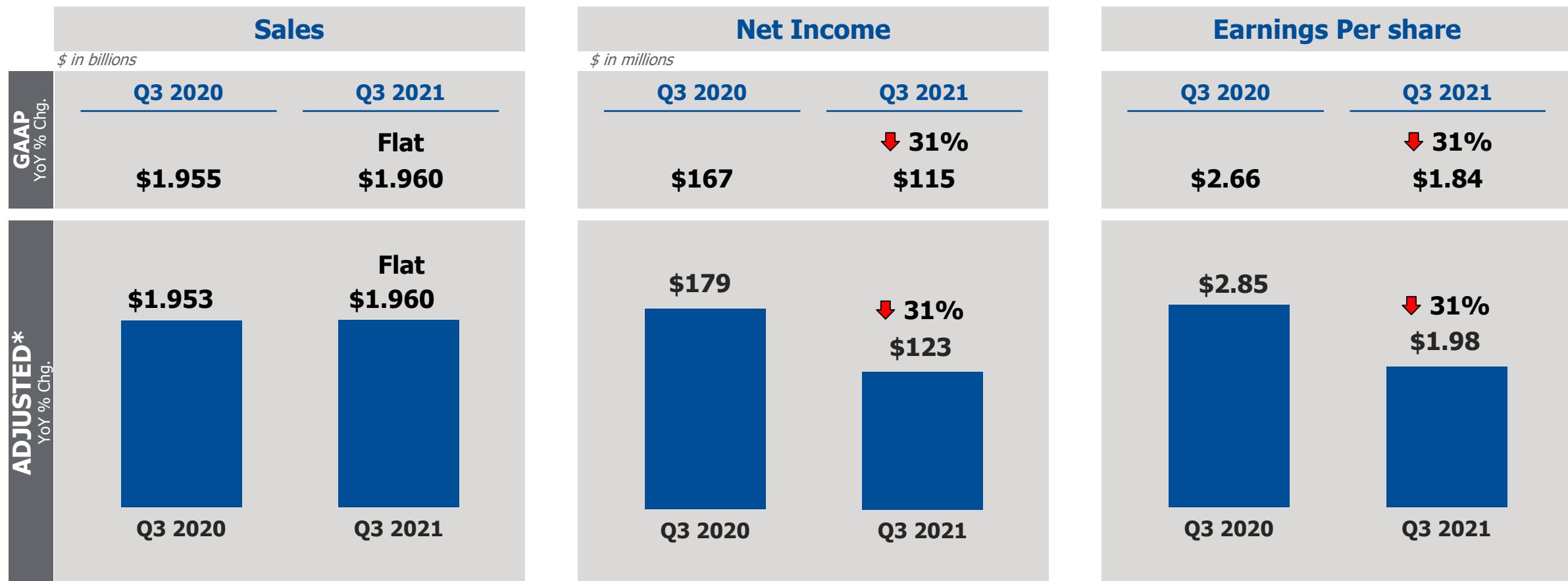
**Bob Mack**  
**Chief Financial Officer**

Third Quarter 2021 Earnings Results

October 26, 2021



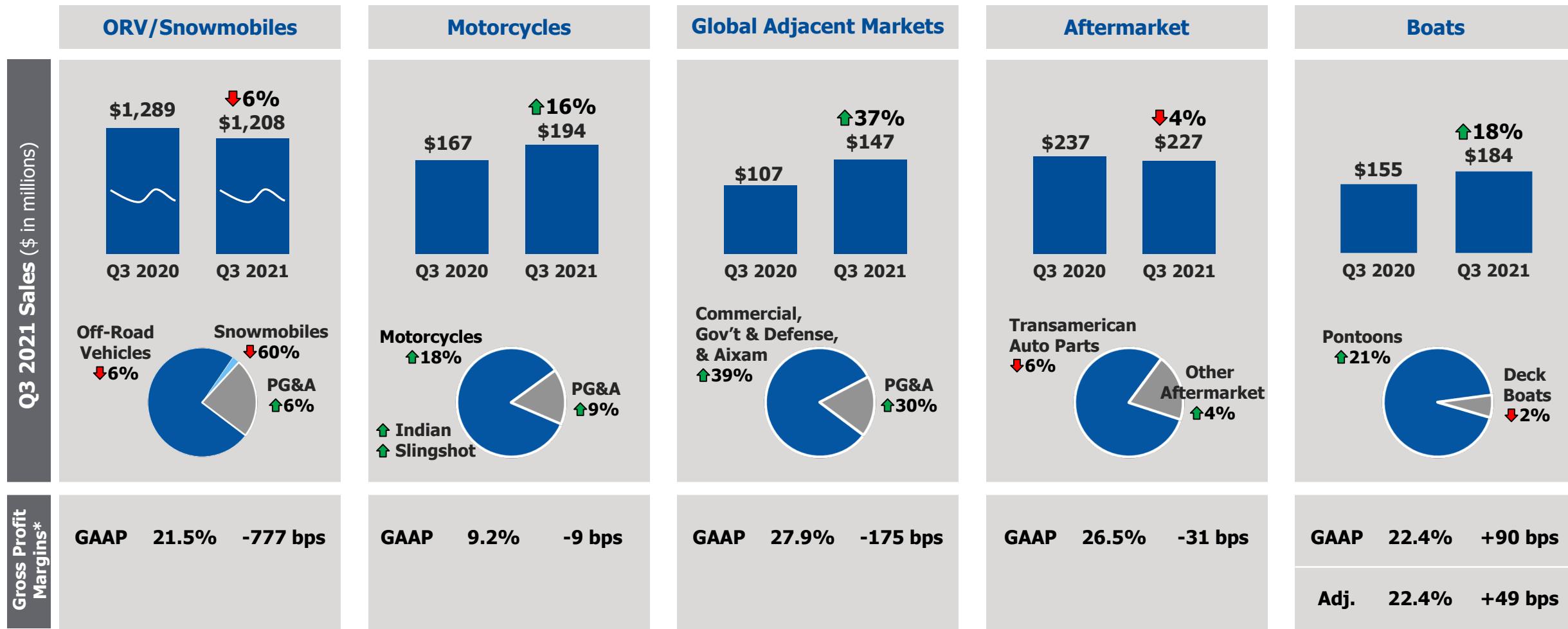
# Q3 2021 Financial Results



\*See GAAP/Non-GAAP Reconciliation in Appendix

**Results Driven by Supply Chain Constraints, Offset by Operating Expense Leverage & Pricing Actions**

# Q3 2021 Segment Sales & Gross Profit Margins



\*see GAAP/Non-GAAP Reconciliation in Appendix

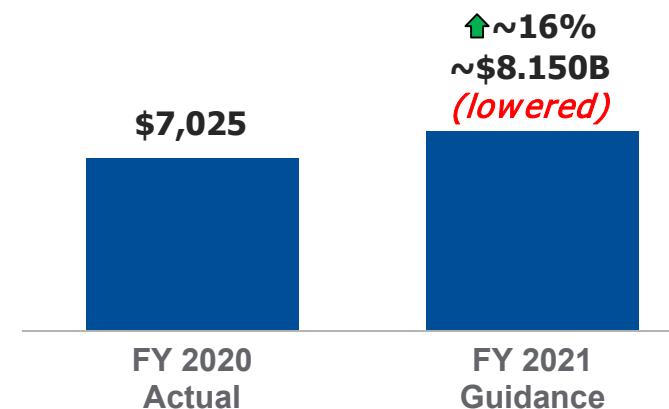
**Boats, GAM & Motorcycles Experienced Sales Growth During the Quarter**

# Full Year 2021 Sales & EPS Guidance\*



## Total Company Adjusted\* Sales Guidance

\$ in millions



## Adjusted\* Earnings Per Share Guidance

\$7.74

FY 2020  
Actual

↑~16%  
~\$9.00  
(lowered)

FY 2021  
Guidance

- Full-year powersports market expected down double digits % (lowered)
- Polaris retail sales dependent on efficiency of supply chain
- Supplemental:
  - PG&A sales expected up high-teens % (unchanged)
  - International sales expected up low-thirties % (unchanged)

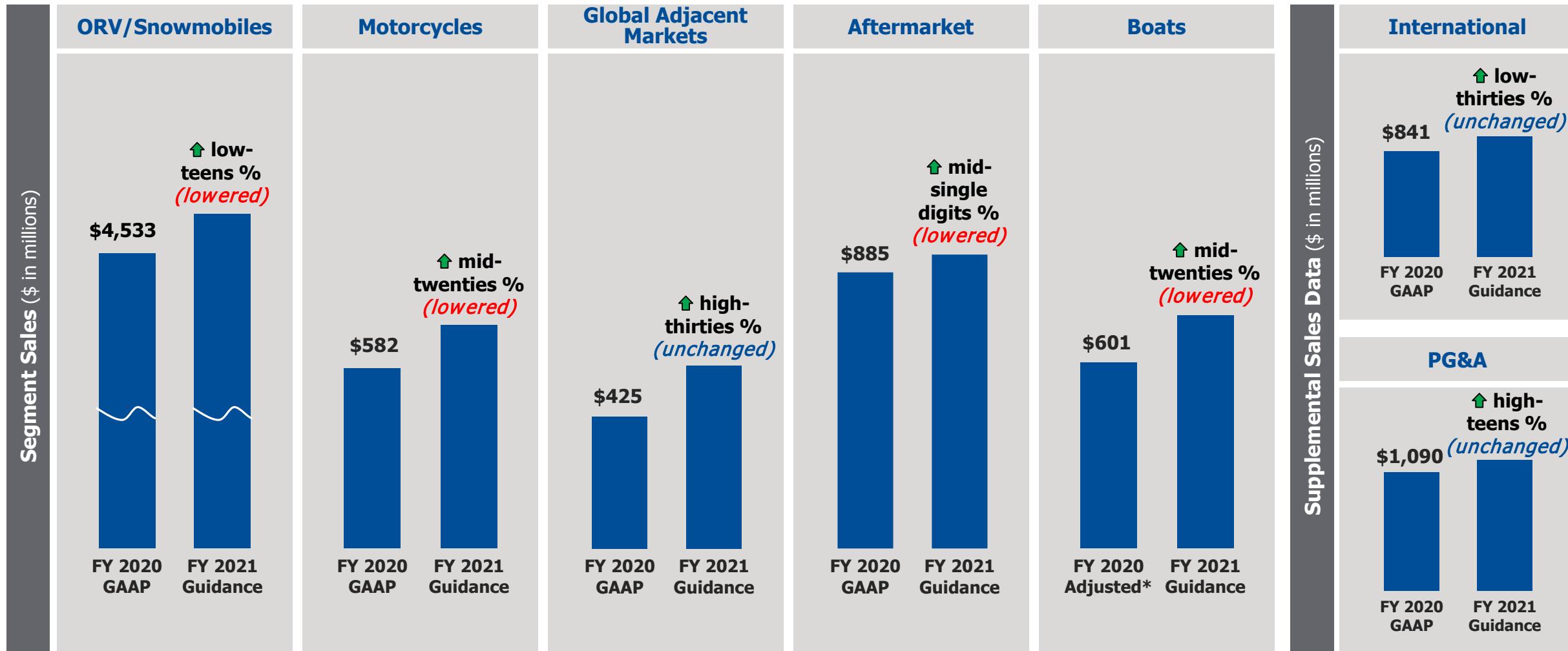
### Change from FY 2020

Gross Margins	Down ~70 bps (lower end of previous range)
Operating Expense	Down ~90 bps as % of Sales (lower end of previous range)
Financial Services	Down low-thirties% (lowered)
Interest Expense	Down low-thirties% (unchanged)
Tax Rate	22.0% to 22.5% (improved)
Diluted Share	Up ~ 1% (unchanged)
F/X Impact	Positive (unchanged)
Tariffs	Higher due to expiration of exemptions/refunds (unchanged)

\*See GAAP/Non-GAAP Reconciliation in Appendix; see Appendix for discussion regarding non-GAAP adjustments excluded from 2021 guidance

Lowering Sales and EPS Guidance on Intensified Supply Chain Challenges

# Full Year 2021 Sales Guidance by Segment



\*See GAAP/Non-GAAP Reconciliation in Appendix

Supply Chain Constraints Weigh on 2021 Sales Guidance

# Polaris Manufacturing Capacity Investments



## Monterrey, Mexico Expansion



Over 400,000 square foot expansion

+~35% additional capacity at Monterrey by Year-end 2022



## Boats Capacity Expansions



### Bennington Facility - Elkhart, IN

55,000 square foot addition

+~10% additional capacity



### Hurricane Production - Syracuse, IN

Restarted Syracuse, Indiana 120,000 square foot facility

+~30% additional capacity

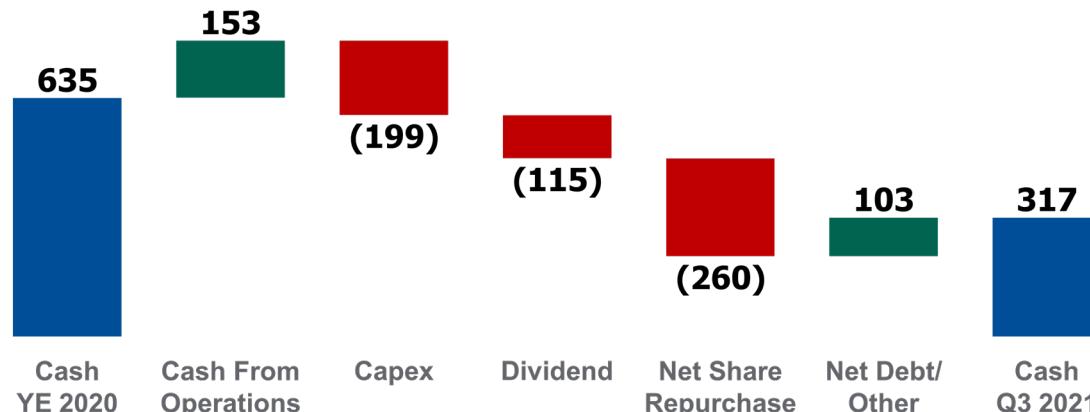
Over \$100 Million Invested in Capacity Adds in Preparation for Ongoing Strong Demand & New Product Launches

# Financial Position & Liquidity Profile



## Capital Summary YTD Sep 2021

\$ in millions



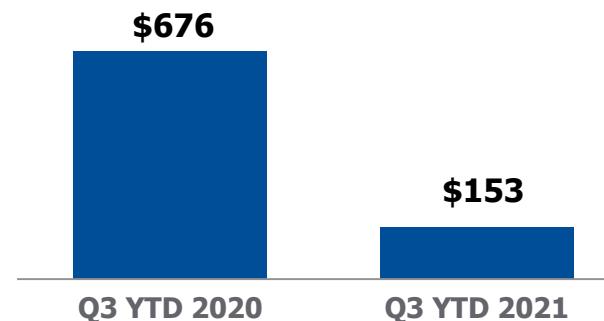
## Liquidity Profile

\$ in millions, except dividends

	Sep 2021	Variance to Sep 2020
Cash	\$317	-61%
Debt / Finance Lease Obligations	\$1,523	-18%
Shareholders' Equity	\$1,212	+28%
<b>Total Capital</b>	<b>\$2,735</b>	<b>-3%</b>
Credit Revolver – Capacity	\$1,000	+43%
Credit Revolver Availability	\$782	+12%
Debt Interest Rate at Sep 30	2.48%	-51 bps
Net Factory Inventory	\$1,774	+46%
Net Share Repurchase (YTD)	\$260	N/M
Dividend (YTD, per share)	\$1.89	+2%
<i>Debt to Total Capital Leverage Ratio</i>	<i>56%</i> <i>~1.12x</i>	<i>-10 pts</i> <i>-133 pts</i>

## Operating Cash Flow

\$ in millions



NM = Not Meaningful

Financial Position Remains Strong



# POLARIS

**Mike Sleetzen**  
**Chief Executive Officer**

**Third Quarter 2021 Earnings Results**

**October 26, 2021**





- **Supply chain challenges expected to continue into 2022**
  - New pricing actions launched in Q4 2021
  - Inventories expected to reset to lower than pre-pandemic levels
- **Consumer demand expected to remain healthy**
  - New products and pent-up demand will drive growth
- **Ample plant capacity when supply bottleneck eases**
  - 400,000 sq ft addition in Monterrey near completion; other capacity adds at Boats, distribution & Aftermarket
- **Evaluation of Polaris portfolio ongoing**
  - GEM/Taylor-Dunn sale expected to close by year-end
- **Minimal tariff relief**
  - Exclusion process limited

**Supply Chain Driven Volatility Expected to Continue; Maintaining Leadership Position & Improving Profitability Top Priority**



# Questions?



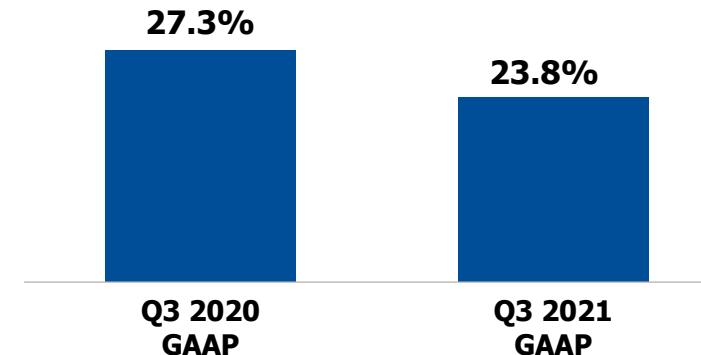


- **Q3 2021 Gross Profit Margin – Actual by Segment**
- **Q3 2021 Supplemental Sales**
- **Q3 2021 Financial Services Income**
- **Q3 2021 Non-GAAP Reconciliations**
- **Q3 2021 Non-GAAP Reconciliations – Segments**
- **2021 Guidance Adjustments**

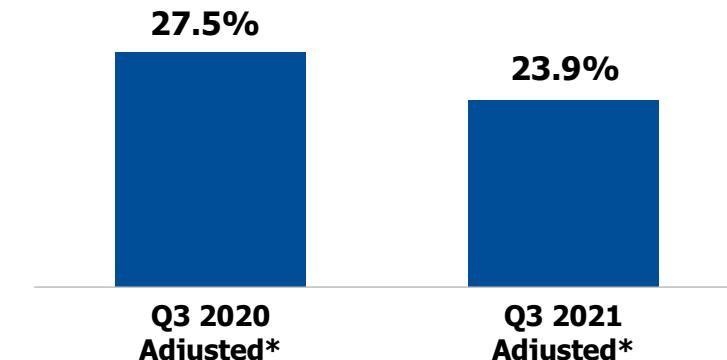
# Q3 2021 Gross Profit Margin



## Q3 2021 Gross Profit Margin – GAAP



## Q3 2021 Gross Profit Margin – Adjusted\*



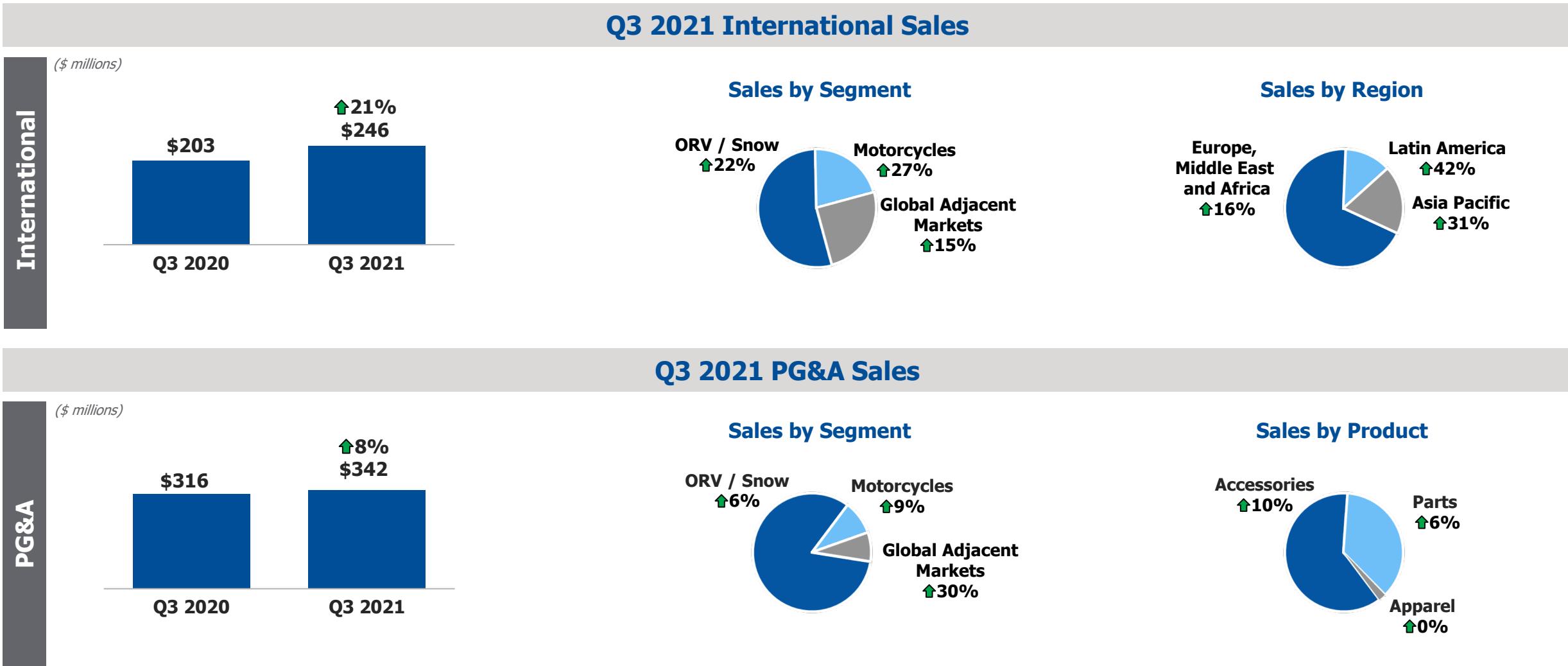
Segments	Q3 2020 GAAP	Q3 2021 GAAP
ORV/Snow	29.3%	21.5%
Motorcycles	9.3%	9.2%
Adj. Markets	29.7%	27.9%
Aftermarket	26.9%	26.5%
Boats	21.5%	22.4%

Segments	Q3 2020 Adjusted*	Q3 2021 Adjusted*
ORV/Snow	29.3%	21.5%
Motorcycles	9.3%	9.2%
Adj. Markets	29.7%	27.9%
Aftermarket	26.9%	26.5%
Boats	21.9%	22.4%

\*See GAAP/Non-GAAP Reconciliation in Appendix

**Supply Chain Constraints Driving Significant Cost Pressures to Margins**

# Q3 2021 Supplemental Sales – International & PG&A

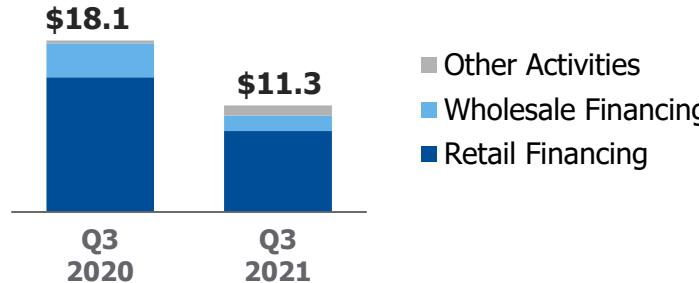


Both International and PG&A Experienced Strong Sales Growth in Q3



## Financial Services Income by Category

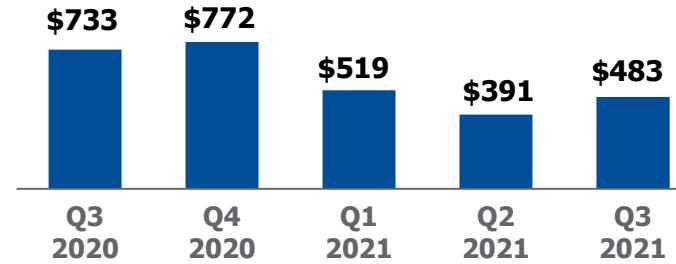
\$ in millions



## Wholesale Credit

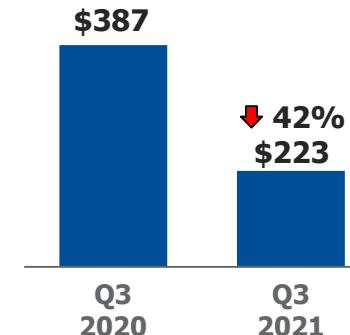
\$ in millions

### Receivable Balance – U.S. Dealers



## Retail Credit Contracts Written

\$ in millions



- **Q3 2021 total income down 38%**
- **Retail credit income down 40%**
- **Wholesale credit down 56%**

- **Polaris Acceptance 50/50 joint venture with Wells Fargo**
- **Down 34% from Q3 2020**
- **Losses remain well less than 1%**

- **Financing options provided to end customers by third parties**
- **No credit or funding risk to Polaris**
- **Penetration rates lower due to more customers paying cash and/or using alternative finance sources as OEM offers less aggressive finance promotions**

**Financial Services Income Down Due to Lower Retail and Wholesale Financing Income**

# Non-GAAP Reconciliations



## 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,	
	2021	2020	2021	2020
	\$ 1,959.5	\$ 1,954.6	\$ 6,027.8	\$ 4,871.6
<b>Sales</b>				
Restructuring & realignment <sup>(2)</sup>	—	(1.2)	—	(2.9)
<b>Adjusted sales</b>	<b>1,959.5</b>	<b>1,953.4</b>	<b>6,027.8</b>	<b>4,868.7</b>
<b>Gross profit</b>	<b>465.6</b>	<b>534.6</b>	<b>1,497.5</b>	<b>1,160.2</b>
Restructuring & realignment <sup>(2)</sup>	2.1	2.4	6.0	22.5
<b>Adjusted gross profit</b>	<b>467.7</b>	<b>537.0</b>	<b>1,503.5</b>	<b>1,182.7</b>
<b>Income (loss) before taxes</b>	<b>144.4</b>	<b>218.9</b>	<b>526.7</b>	<b>(106.8)</b>
Impairment charges <sup>(1)</sup>	—	—	—	379.2
Restructuring & realignment <sup>(2)</sup>	2.7	2.8	6.6	37.5
Intangible amortization <sup>(3)</sup>	8.5	8.7	25.7	27.4
Class action litigation expenses <sup>(4)</sup>	0.3	4.7	8.7	12.3
<b>Adjusted income before taxes</b>	<b>155.9</b>	<b>235.1</b>	<b>567.7</b>	<b>349.6</b>
<b>Net income (loss) attributable to Polaris Inc.</b>	<b>114.6</b>	<b>166.8</b>	<b>407.1</b>	<b>(74.0)</b>
Impairment charges <sup>(1)</sup>	—	—	—	289.0
Restructuring & realignment <sup>(2)</sup>	2.1	2.0	5.1	28.5
Intangible amortization <sup>(3)</sup>	6.5	6.8	19.6	20.9
Class action litigation expenses <sup>(4)</sup>	0.2	3.6	6.6	9.3
<b>Adjusted net income attributable to Polaris Inc. <sup>(5)</sup></b>	<b>\$ 123.4</b>	<b>\$ 179.2</b>	<b>\$ 438.4</b>	<b>\$ 273.7</b>
<b>Diluted EPS attributable to Polaris Inc.</b>	<b>\$ 1.84</b>	<b>\$ 2.66</b>	<b>\$ 6.48</b>	<b>\$ (1.20)</b>
Weighted average shares outstanding adjustment <sup>(6)</sup>	—	—	—	0.02
Impairment charges <sup>(1)</sup>	—	—	—	4.62
Restructuring & realignment <sup>(2)</sup>	0.03	0.03	0.08	0.46
Intangible amortization <sup>(3)</sup>	0.11	0.10	0.31	0.33
Class action litigation expenses <sup>(4)</sup>	—	0.06	0.10	0.15
<b>Adjusted EPS attributable to Polaris Inc. <sup>(5)</sup></b>	<b>\$ 1.98</b>	<b>\$ 2.85</b>	<b>\$ 6.97</b>	<b>\$ 4.38</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" gross profit, income before taxes, net income and net income per diluted share (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.

### Adjustments:

- (1) Represents impairment charges related to goodwill and other intangible assets associated with the Company's Aftermarket segment
- (2) Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation
- (3) Represents amortization expense for acquisition-related intangible assets
- (4) Represents adjustments for class action litigation-related expenses
- (5) The Company used its estimated statutory tax rate of 23.8% for the non-GAAP adjustments in 2021 and 2020, except for non-deductible items
- (6) For the three months ended September 30, 2020, the Company used 62.8 million weighted average shares outstanding to determine Diluted EPS attributable to Polaris Inc. and Adjusted EPS attributable to Polaris Inc. For the nine months ended September 30, 2020, the Company used 61.8 million and 62.5 million weighted average shares outstanding to determine Diluted EPS attributable to Polaris Inc. and Adjusted EPS attributable to Polaris Inc., respectively. The differences are the result of the exclusion of additional outstanding stock options and certain shares issued under the Omnibus Plan from the Diluted EPS attributable to Polaris Inc. calculation because their effect would have been anti-dilutive as a result of the Company's net loss during the year to date period.

# Non-GAAP Reconciliations – Segments



(In Millions, Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>SEGMENT SALES</b>				
<b>ORV/Snow segment sales</b>	\$ 1,208.3	\$ 1,288.8	\$ 3,754.8	\$ 3,065.4
No adjustment	—	—	—	—
Adjusted ORV/Snow segment sales	1,208.3	1,288.8	3,754.8	3,065.4
<b>Motorcycles segment sales</b>	194.4	166.9	571.7	434.8
No adjustment	—	—	—	—
Adjusted Motorcycles segment sales	194.4	166.9	571.7	434.8
<b>Global Adjacent Markets (GAM) segment sales</b>	146.5	106.6	425.4	282.8
No adjustment	—	—	—	—
Adjusted GAM segment sales	146.5	106.6	425.4	282.8
<b>Aftermarket segment sales</b>	226.7	237.2	696.0	646.8
No adjustment	—	—	—	—
Adjusted Aftermarket sales	226.7	237.2	696.0	646.8
<b>Boats segment sales</b>	183.6	155.1	579.9	441.8
Restructuring & realignment <sup>(1)</sup>	—	(1.2)	—	(2.9)
Adjusted Boats sales	183.6	153.9	579.9	438.9
<b>Total sales</b>	1,959.5	1,954.6	6,027.8	4,871.6
Total adjustments	—	(1.2)	—	(2.9)
Adjusted total sales	\$ 1,959.5	\$ 1,953.4	\$ 6,027.8	\$ 4,868.7

## Adjustments:

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

(In Millions, Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>SEGMENT GROSS PROFIT</b>				
<b>ORV/Snow segment gross profit</b>	\$ 260.3	\$ 377.8	\$ 952.3	\$ 831.2
No adjustment	—	—	—	—
Adjusted ORV/Snow segment gross profit	260.3	377.8	952.3	831.2
<b>Motorcycles segment gross profit</b>	17.8	15.5	49.7	18.9
Restructuring & realignment <sup>(1)</sup>	—	—	—	0.7
Adjusted Motorcycles segment gross profit	17.8	15.5	49.7	19.6
<b>Global Adjacent Markets (GAM) segment gross profit</b>	40.9	31.5	115.5	75.2
No adjustment	—	—	—	—
Adjusted GAM segment gross profit	40.9	31.5	115.5	75.2
<b>Aftermarket segment gross profit</b>	60.1	63.7	184.2	157.6
No adjustment	—	—	—	—
Adjusted Aftermarket segment gross profit	60.1	63.7	184.2	157.6
<b>Boats segment gross profit</b>	41.2	33.3	135.0	81.6
Restructuring & realignment <sup>(1)</sup>	—	0.4	—	11.5
Boats segment gross profit	41.2	33.7	135.0	93.1
<b>Corporate segment gross profit</b>	45.3	12.8	60.8	(4.3)
Restructuring & realignment <sup>(1)</sup>	2.1	2.0	6.0	10.3
Adjusted Corporate segment gross profit	47.4	14.8	66.8	6.0
<b>Total gross profit</b>	465.6	534.6	1,497.5	1,160.2
Total adjustments	2.1	2.4	6.0	22.5
Adjusted total gross profit	\$ 467.7	\$ 537.0	\$ 1,503.5	\$ 1,182.7

## 2021 GUIDANCE ADJUSTMENTS



2021 guidance excludes the pre-tax effect of supply chain transformation, restructuring and network realignment costs of approximately \$10 million, and approximately \$10 million for class action litigation-related expenses. Intangible amortization of approximately \$35 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.