



# POLARIS

## Second Quarter 2022 Earnings Presentation

July 26, 2022





Except for historical information contained herein, the matters set forth in this press release 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; economic conditions that impact consumer spending, including recessionary conditions; the severity and duration of the COVID-19 pandemic and the 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 claims; 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 and 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 before taxes, net income, EBITDA, net income per diluted share 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 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.



- On July 1, 2022, Polaris Inc. completed the sale of the Company's Transamerican Auto Parts (TAP) business. Starting with the second quarter of 2022, historical results of this business are now reported as discontinued operations. Figures and guidance statements for all periods in this presentation incorporate this change and reflect continuing operations only, unless otherwise noted.
- TAP was historically included within the Company's Aftermarket segment; however, as a result of the transaction, the Company began management of its portfolio of businesses under a new basis as of June 30, 2022. The Aftermarket segment was eliminated, and the results of the Company's remaining powersports aftermarket businesses historically included within the Aftermarket segment were reclassified to the Off-Road and On-Road segments (see Appendix for reclassified segment data).
- Parts, Garments and Accessories (PG&A) now includes the remaining powersports aftermarket businesses.



## Total Company Results\*

	<u>Q2'22</u>	<u>YoY Change</u>
<b>Sales</b>	<b>\$2,063M</b>	<b>↑ 8%</b>
<b>Adjusted Gross Profit Margin</b>	<b>23.0%</b>	<b>↓ 312 bps</b>
<b>Adjusted EBITDA Margin</b>	<b>12.4%</b>	<b>↓ 182 bps</b>
<b>Adjusted EPS</b>	<b>\$2.42</b>	<b>↓ 7%</b>

## Drivers

- **Demand remains stable**
  - Closely monitoring demand indicators
- **Supply chain getting better with trends improving throughout the quarter**
  - Continues to dictate performance
- **Dealer inventory levels remain low**
  - Restock tailwind likely in 2023
- **Total retail down 23% YoY mainly due to supply chain challenges**
  - North America ORV retail up 13% sequentially
- **Stronger pricing offset higher inflation, but negatively impacted margin**

**Focused on Managing the Supply Chain to Drive Higher Shipments; Stable Demand**



**Expanded Polaris Adventures Select nationwide**

**Celebrated a record year of patent awards**

**Strong engagement with International Female Ride Day and National Get Outdoors Day**

**Launched our 2021 Geared for Good ESG report**

**Continue to Lead From the Front**



## Geared For Good Vision

Driven by innovation, integrity, and accountability, we continually tune to be good stewards for the industry, our employees, riders, communities, and the outdoors.

## Recognition



## 2021 Framework



## 2022 To-Date

- New 2021 Report
- ISS Improvement
- Materiality Assessment

## 2021 Report Highlights

- Achieved record low safety recordable incident rates across many of our facilities
- Began a 5-year, \$5 million partnership with the National Forest Foundation
  - Will provide grants and project funding to support outdoor recreation and conservation work
- Continued our R.I.D.E. Together initiative
  - Progress to build a diverse, inclusive and welcoming work environment
- Introduced the RANGER XP Kinetic
  - First electric vehicle from our Zero Motorcycles partnership
- Expanded the scope of our employee engagement survey
  - Revealed several key strengths and areas of opportunities

Making Strides in Our Geared For Good Journey



## North America ORV Trends

- **Retail up 13% sequentially from Q1 2022**
- **Pre-solds as % of retail remains elevated near ~60%**
  - Shipments improved by ~10,000 units sequentially, depleting some pre-sold backlog
  - Sequentially, new pre-solds modestly down offset by a pick-up in retail at dealers
- **Dealer inventory remains at all time lows, modest improvement in lower-end models**
- **Limiting pre-solds on high-end models due to high demand to manage customer wait times driven by supply chain constraints**
- **Days to retail 1/5 of pre-pandemic levels and remain consistent with 2021**

## Repurchase Rates and Cancellations

- **Short-term repurchase rates near high-end of historic range**
- **Long-term repurchase rates remain stable versus historic range**
- **ORV and Indian Motorcycle pre-sold order cancellation rates remained low**

## Powersports PG&A

- **Accessory attachment rates remain above 2021 and 2020**
  - Total retail per unit remains elevated
- **Total brand website revenue up strong double digits**
- **Low inventory levels negatively impacting PG&A sales**

## Customer Insights

- **Good mix of new customers with ~2/3 of retail coming from people new to Polaris**
- **Quality web traffic (builds, inventory and dealer search) well above 2019 levels**
- **Organic search for ORV is down from peak, but remains well ahead of 2019**

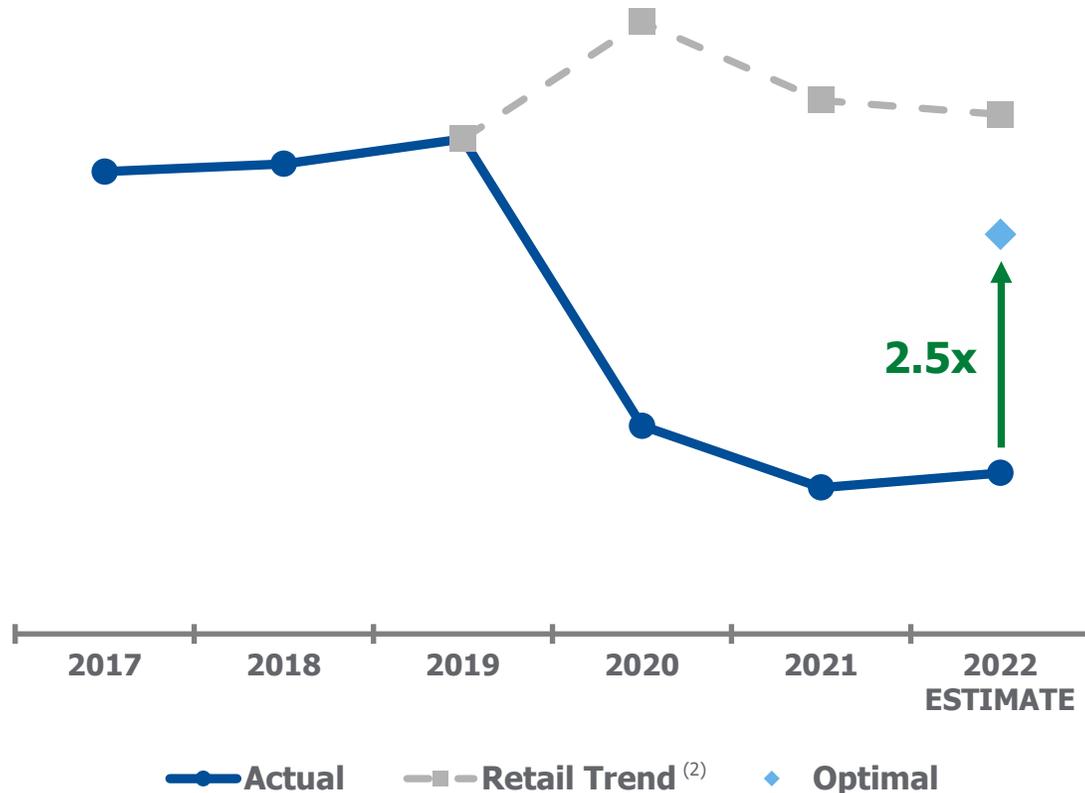
**Demand Indicators Remain Stable**

# North American Dealer Inventory Remains at Historic Lows



## Total N.A. Dealer Inventory<sup>(1)</sup>

(in units)



## PII Call-outs

- **Dealer inventory remains at historic low levels**
  - Q2 2022 dealer inventory is down ~70% versus Q2 2019
  - FY 2022 dealer inventory is also expected to be down ~70% compared to 2019
- **2022 estimated 3-year retail CAGR is ~2%**
- **Optimal dealer inventory level is 2.5x higher than 2022 estimate**
- **Optimal level represents a \$750 million revenue opportunity to refill channel inventory**
- **Timing of this opportunity is dependent on future supply and demand trends**

## Restocking Tailwind is Expected to be Sizeable



## Progress at Ports

### Polaris Containers at U.S. Ports

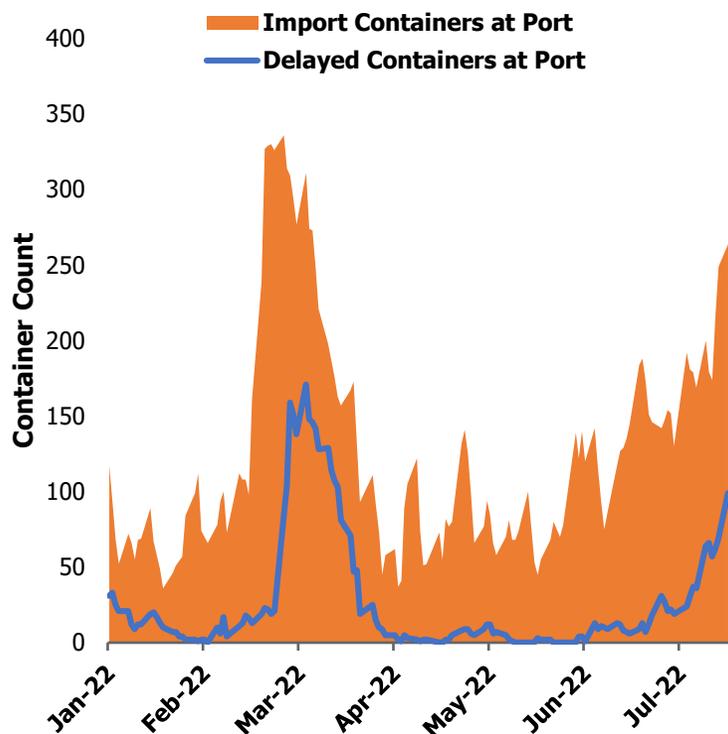
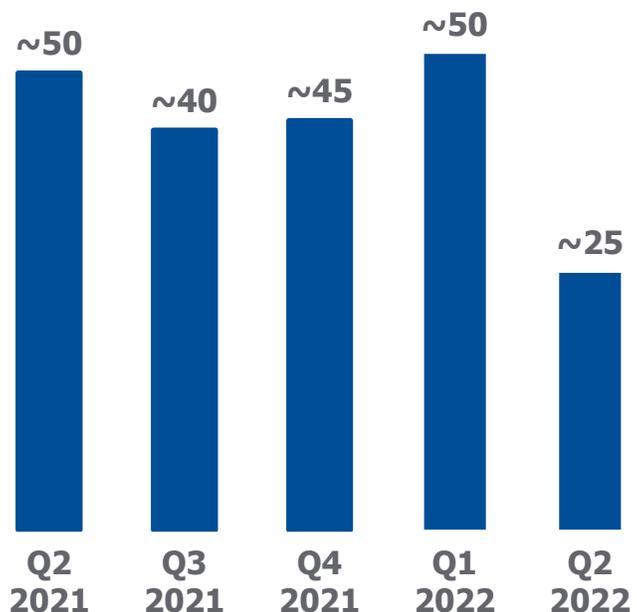


Chart data source: internal data

## Part Shortages

### Suppliers with Part Shortages Impacting more than 100 Units



## Highlights

- Suppliers with part shortages impacting more than 100 units down ~50% from Q1
- Suppliers with part shortages impacting 1,000+ units down ~35% from Q1
  - Shortages remain with chips, shocks, and wire harnesses limiting production
- Q2 Port delays improved sequentially
  - Closely watching recent spike in July
- Reduced our costs associated with expediated shipping
- Commodity prices remain well above historical norms with some sequential improvement

**Cautiously Optimistic as Supply Chain Shows Slight Improvements; Costs Remain High**

# POLARIS

## Think Outside

### GLOBAL LEADER IN POWERSPORTS

Powering passion and pioneering new possibilities for all those who play, work and THINK OUTSIDE



**Best Customer Experience**



**Rider-Driven Innovation**



**Best Team, Best Culture**



**Inspirational Brands**



**Agile & Efficient Operations**



**Geared For Good**

## #1 MARKET SHARE IN POWERSPORTS

**SALES GROWTH %: Mid-Single Digits**

**EBITDA %: Mid-to High-Teens**

**ROIC %: Mid-Twenties**

**EPS GROWTH %: Double Digits**

*2022-2026 Targets*

# Change to Reporting Segments



## Old Segments = 4

<u>OFF-ROAD</u>	<u>ON-ROAD</u>	<u>MARINE</u>	<u>AFTERMARKET</u>
ORV	Indian	Bennington	Transamerican Auto Parts
Snowmobiles	Slingshot	Godfrey	<b>Kolpin</b>
Gov't / Defense	Aixam	Hurricane	<b>Pro Armor</b>
Commercial UTV	Goupil		<b>Trail Tech</b>
Adventures	Adventures		<b>Premier</b>
PG&A	PG&A		<b>Klim</b>
			<b>509</b>

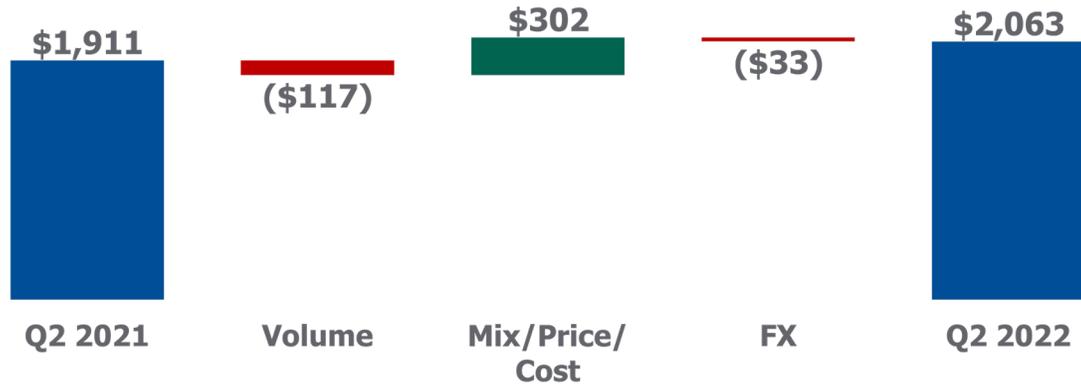
## New Segments = 3

<u>OFF-ROAD</u>	<u>ON-ROAD</u>	<u>MARINE</u>
ORV	Indian	Bennington
Snowmobiles	Slingshot	Godfrey
Gov't / Defense	Aixam	Hurricane
Commercial UTV	Goupil	
Adventures	Adventures	
<b>PG&amp;A (includes relevant Aftermarket)</b>	<b>PG&amp;A (includes relevant Aftermarket)</b>	

**Aftermarket Now Allocated to the Segments**



## Sales



## Financial Highlights (YoY)

- **Sales were up 8%**
  - Strong contribution from mix and price more than offset volume declines
  - International sales were up 1%
  - PG&A sales were flat
- **Supply chain negatively impacted volume and margins**
- **Adjusted\* EBITDA margin down 182 bps**
  - Strong pricing offset increased costs including raw materials, freight and inefficiencies associated with supply chain challenges
  - Operating expense cost containment
- **Adjusted\* EPS of \$2.42**
  - Down 7%
- **Other items:**
  - Effective tax rate of 21.7%
  - Net interest expense of ~\$15M
  - Outstanding diluted shares ~61M

## Adjusted\* EBITDA



## Strong Pricing Offset Lower Shipments and Cost Premiums

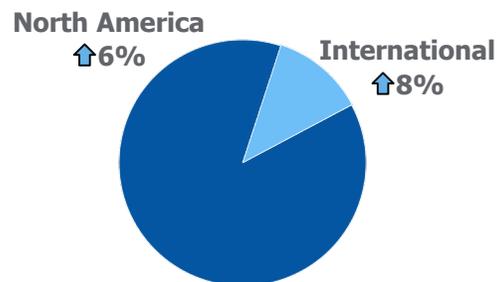
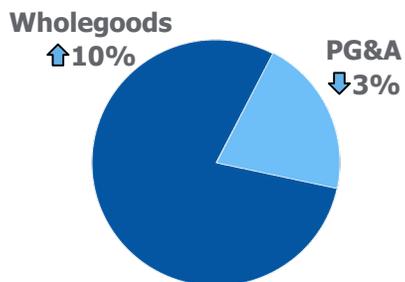


## Performance

**Q2'22**  
**\$1,490M**

**YoY Change**  
**↑7%**

### Sales



**Gross Profit Margin**      **23.8%**      **↓359 bps**

**N.A. Market Share**    **↓ORV**

## PII Call-outs

- Supply chain challenges persist, but seeing modest improvement in component availability and shipments
- Demand metrics remain stable
- Recreation ORV held share in 1H 2022; Lost share in Utility
- ORV N.A. retail was down ~24%
  - ORV N.A. retail was down ~17% vs 2019, but up ~13% sequentially
- Price off-setting cost, but diluting margins
- 12-month rolling average ORV market share down ~2 points to industry

## Retail Sales

	North America		International <sup>(1)</sup>	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
<b>ORV</b>	↓ MID-20s %	↓ MID-TEENS %	↓ MID-20s %	↓ LOW-DOUBLE DIGITS %
<b>SxS</b>	↓ HIGH-TEENS %			
<b>ATV</b>	↓ LOW-30s %			
<b>Snowmobiles</b>	N/A (OFF-SEASON)			

**Seeing Modest Improvement in Supply Chain: Certain Components Still Negatively Impacting Supply**

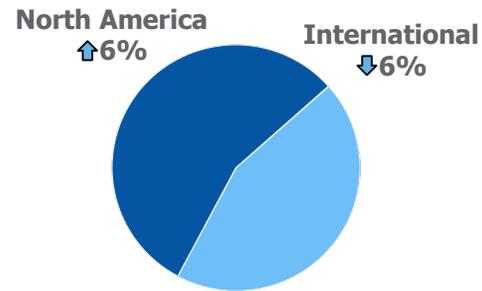
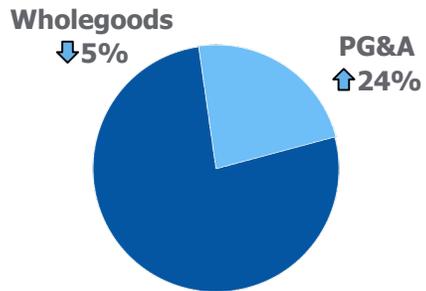


## Performance

**Q2'22**  
**\$299M**

**YoY Change**  
**~Flat**

### Sales



**Gross Profit Margin**

**17.8%**

**↓ 71 bps**

**N.A. Market Share** ↓ Motorcycles

## PII Call-outs

- Supply chain challenges persist, but seeing modest improvement in component availability and shipments
  - Trends improved throughout the quarter
- Demand metrics remain stable
- Dealer inventory near record lows
- 12-month rolling average market share down ~2 points to industry
- N.A. retail was down ~12% vs 2019

## Retail Sales

	North America		International <sup>(1)</sup>	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
<b>Indian Motorcycle</b>	↓ LOW-40s %	↓ MID-20s %	↓ MID-30s %	↓ LOW-DOUBLE DIGITS %

**Continue to See Stable Demand Trends**



## Performance

	<u>Q2'22</u>	<u>YoY Change</u>
<b>Sales</b>	<b>\$273M</b>	<b>↑38%</b>
<b>Gross Profit Margin</b>	<b>24.4%</b>	<b>↑39 bps</b>

**N.A. Market Share** ↓ **Pontoons**



## PII Call-outs

- **Supply chain challenges persist**
- **Shipments up 20% year-over-year**
  - Dealer inventory remains down ~50% versus 2019
- **Positive mix and favorable pricing across all brands**
  - Pricing up high-teens
- **12-month rolling average market share down ~3 points to industry**
- **Pontoon retail down ~7% vs 2019**

## Retail Sales

	<b>North America</b>	
	<u>POLARIS</u>	<u>INDUSTRY</u>
<b>Pontoons<sup>(1)</sup></b>	↓ MID-30s %	↓ MID-TEENS %

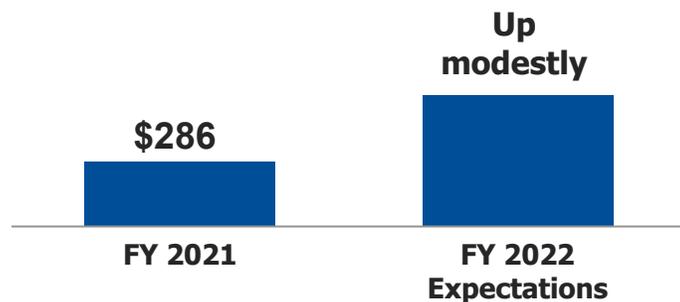
**Positive Production Trends Are Expected to Improve Market Share**

# Strong Financial Position



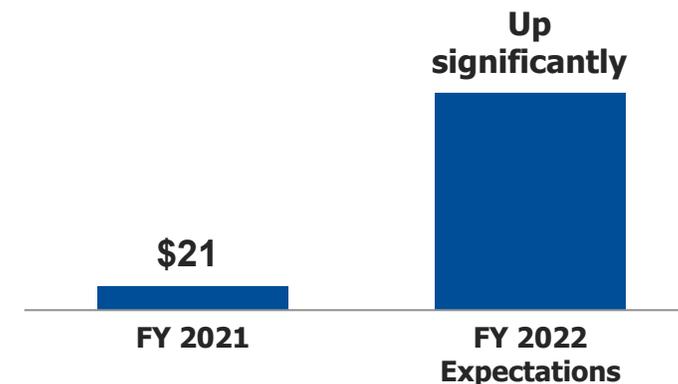
## Operating Cash Flow

\$ in millions



## Free Cash Flow

\$ in millions



## 2022 Capital Deployment Priorities

### #1 Priority – Organic Investment

Enables innovation and generates high returns  
~\$350 million capital expenditures; ~4% of sales on R&D

### #2 Priority – Dividends

Member of S&P 400 Midcap Dividend Aristocrat

### #3 Priority – Share Repurchase / M&A

~\$680 million remaining on share repurchase authorization  
Would consider attractive tuck-in M&A

## Key Financial Metrics

\$ in millions

Cash	\$314
Capex (YTD)	\$119
Total Debt	\$2,017
Dividends (YTD)	\$76
Share Repurchases (YTD)	\$172
Leverage Ratio	2.0x

**Focused on Cash Generation with Increased Sales Growth**

# Full Year 2022 Guidance & Expectations



## Total Company Sales

\$ in Millions

Updated to reflect TAP divestiture

↑ **13% to 16%**

Relative to 2021 at \$7.4B

## Segment Sales

**Off-Road** ↑ LOW TO MID-TEENS %

**On-Road** ↑ MID-TEENS (narrowed)

**Marine** ↑ MID-TWENTIES %

## Outlook Assumptions

- Guidance updated to reflect 2021 continuing operations as baseline
- Supply chain challenges persist, but seeing modest improvements
- Expect full-year retail to be down modestly
- Strong contribution from price
- Factory inventory remains at elevated levels
- Dealer inventory remains at historic lows
- Both PG&A and International expected to be up high-single digits %
- FX operating profit headwind of \$25 to \$30 million

## Adjusted\* EPS

Updated to reflect TAP divestiture

↑ **11% to 14%**

**\$10.10 to \$10.30**

Relative to 2021 at \$9.04

## Adjusted\* Margins

% of Sales

**Gross Profit Margin**

Updated  
↓ **60 to 80 bps**

Relative to 2021 at  
23.6%

**EBITDA Margin**

Updated  
↓ **20 to 30 bps**

Relative to 2021 at  
12.9%

## Key Metrics

Key Metric	April Call FY 2022 Expectations	Updated 2022 Expectations
Operating Expense	Down ~100 to 130 bps	Down ~60 to 80 bps
Interest Expense	~\$65 million	~\$70 million
Tax Rate	22.0% to 22.5%	Unchanged
Diluted Shares	~60 million	Unchanged
Depreciation	Up ~20%	Unchanged
Fin. Services Income	~Flat	Unchanged

**Updated Guidance to Reflect Divestiture of TAP and Greater FX Headwind; Continue to See 2H Ramp**



- Industry demand remains stable; consumers are healthy
- Biggest driver remains the health of the supply chain; saw modest improvement in the second quarter and expect modest improvement in the back half of 2022
- Expect overall powersports retail to be down slightly in 2022
- Focused on delivering high quality and innovative products while creating a more resilient supply chain



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



# Q & A



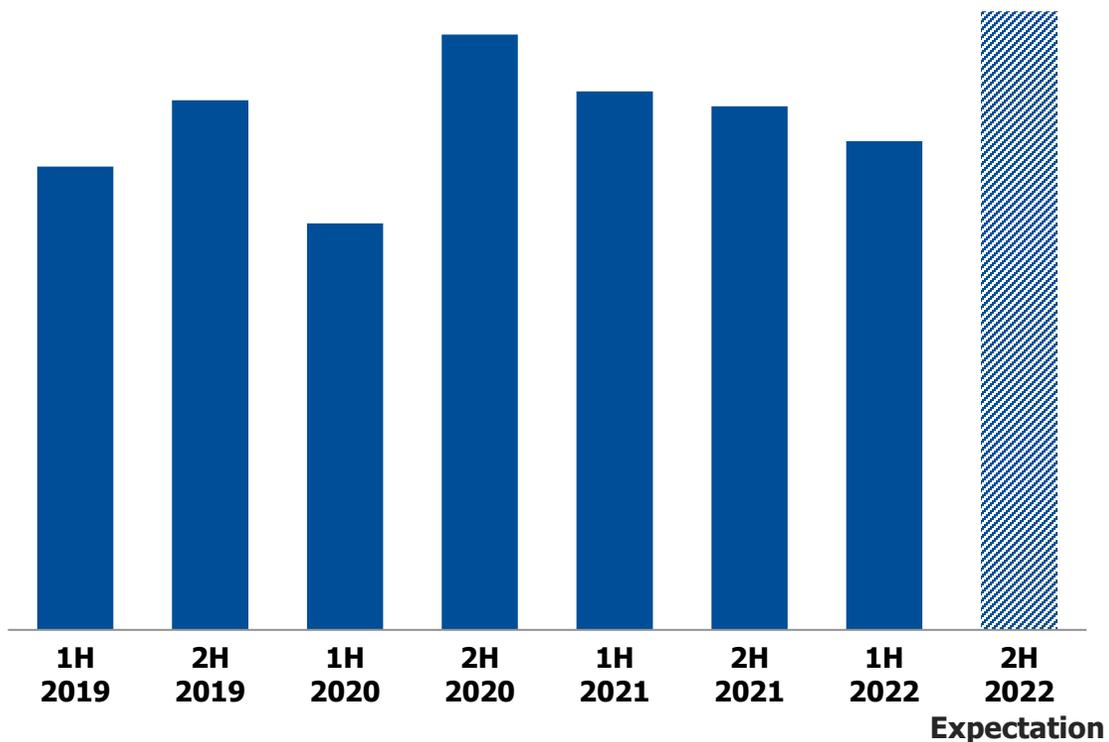


- **Full Year 2022 Financial Assumptions**
- **Non-GAAP Reconciliations – Total Company**
- **Reconciliation of Net Income to Adjusted EBITDA**
- **Non-GAAP Reconciliations – Segments / Cash Flow**
- **Segment and Discontinued Ops Restatement – GAAP**
- **Segment and Discontinued Ops Restatement – Non-GAAP**
- **Historical Non-GAAP Reconciliations – Segments / Discontinued Ops**
- **2022 Guidance Adjustments**

# Full Year 2022 Financial Assumptions



## Worldwide Unit Sales Cadence



## Adjusted\* Gross Profit Margin

(Updated vs Initial Expectations on 1/25/22)

	FY 2021*	Initial 2022 Expectations	Updated 2022 Expectations
Off-Road	23.9%	↓	<i>unchanged</i>
On-Road	15.6%	↑	<i>unchanged</i>
Marine	22.5%	→	<i>unchanged</i>
<b>Total Polaris</b>	<b>23.6%</b>		Down 60 to 80 bps

## Performance Drivers

Key Metric	Q3 2022 vs Q3 2021	2H 2022 vs 1H 2022
Volume	↑	↑
Price	↑	↑
Supply Chain Costs	↑	↑
Op Expense Leverage	↑	↑
EPS	↑	↑

# 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 June 30,		Six months ended June 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Sales</b>	\$ 2,062.8	\$ 1,911.1	\$ 3,844.3	\$ 3,668.9
No adjustment	—	—	—	—
<b>Adjusted sales</b>	<b>2,062.8</b>	<b>1,911.1</b>	<b>3,844.3</b>	<b>3,668.9</b>
<b>Gross profit</b>	<b>474.4</b>	<b>497.4</b>	<b>827.3</b>	<b>929.2</b>
Restructuring & realignment <sup>(1)</sup>	—	1.7	0.2	3.9
<b>Adjusted gross profit</b>	<b>474.4</b>	<b>499.1</b>	<b>827.5</b>	<b>933.1</b>
<b>Income from continuing operations before income taxes</b>	<b>181.4</b>	<b>203.0</b>	<b>273.1</b>	<b>376.9</b>
Restructuring & realignment <sup>(1)</sup>	0.5	1.9	4.3	3.9
Intangible amortization <sup>(2)</sup>	4.8	5.5	9.8	11.4
Class action litigation expenses <sup>(3)</sup>	1.0	4.2	1.1	8.4
<b>Adjusted income from continuing operations before income taxes</b>	<b>187.7</b>	<b>214.6</b>	<b>288.3</b>	<b>400.6</b>
<b>Net income from continuing operations attributable to Polaris Inc.</b>	<b>141.8</b>	<b>155.1</b>	<b>215.9</b>	<b>288.1</b>
Restructuring & realignment <sup>(1)</sup>	0.4	1.4	3.3	2.9
Intangible amortization <sup>(2)</sup>	3.6	4.2	7.4	8.7
Class action litigation expenses <sup>(3)</sup>	0.8	3.2	0.9	6.4
<b>Adjusted net income from continuing operations attributable to Polaris Inc.<sup>(4)</sup></b>	<b>\$ 146.6</b>	<b>\$ 163.9</b>	<b>\$ 227.5</b>	<b>\$ 306.1</b>
<b>Diluted EPS from continuing operations attributable to Polaris Inc.</b>	<b>\$ 2.34</b>	<b>\$ 2.47</b>	<b>\$ 3.55</b>	<b>\$ 4.56</b>
Restructuring & realignment <sup>(1)</sup>	0.01	0.02	0.06	0.05
Intangible amortization <sup>(2)</sup>	0.06	0.07	0.12	0.14
Class action litigation expenses <sup>(3)</sup>	0.01	0.05	0.01	0.10
<b>Adjusted EPS from continuing operations attributable to Polaris Inc. <sup>(4)</sup></b>	<b>\$ 2.42</b>	<b>\$ 2.61</b>	<b>\$ 3.74</b>	<b>\$ 4.85</b>

### Adjustments:

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

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

(3) Represents adjustments for class action litigation-related expenses

(4) The Company used its estimated statutory tax rate of 23.8% for the non-GAAP adjustments in 2022 and 2021, except for non-deductible items

# Non-GAAP Reconciliations – Total Company



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

	Three months ended June 30,		Six months ended June 30,		Full Year
	2022	2021	2022	2021	2021
<b>Adjusted Sales</b>	<b>2,062.8</b>	<b>1,911.1</b>	<b>3,844.3</b>	<b>3,668.9</b>	<b>7,439.2</b>
<b>Net income from continuing operations</b>	<b>142.0</b>	<b>155.2</b>	<b>216.1</b>	<b>288.3</b>	<b>496.6</b>
Provision for income taxes	39.4	47.8	57.0	88.6	132.1
Interest expense	14.9	10.7	26.7	22.3	44.2
Depreciation	52.3	45.6	103.9	92.4	193.4
Amortization	4.8	5.5	9.8	11.4	22.9
Other impairment charges <sup>(1)</sup>	—	—	—	—	7.7
Loss on sale of businesses <sup>(2)</sup>	—	—	—	—	36.8
Restructuring & realignment <sup>(3)</sup>	0.5	1.9	4.3	3.9	13.1
Class action litigation expenses <sup>(4)</sup>	1.0	4.2	1.1	8.4	9.4
<b>Adjusted EBITDA</b>	<b>\$ 254.9</b>	<b>\$ 270.9</b>	<b>\$ 418.9</b>	<b>\$ 515.3</b>	<b>\$ 956.2</b>
<b>Adjusted EBITDA Margin</b>	<b>12.4 %</b>	<b>14.2 %</b>	<b>10.9 %</b>	<b>14.0 %</b>	<b>12.9 %</b>

### Adjustments:

- (1) Represents impairment charges related to an investment held by the Company
- (2) Represents the loss associated with the Company's divestiture of the Global Electric Motorcar (GEM) and Taylor-Dunn businesses
- (3) Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation
- (4) Represents adjustments for class action litigation-related expenses

# Non-GAAP Reconciliations – Segments / Cash Flow



## Non-GAAP Reconciliations – Segment Gross Profit

(In Millions, Unaudited)

(In Millions, Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>SEGMENT GROSS PROFIT</b>				
<b>Off-Road segment gross profit</b>	\$ 354.2	\$ 382.2	\$ 612.9	\$ 727.1
No adjustment	—	—	—	—
Adjusted Off-Road segment gross profit	354.2	382.2	612.9	727.1
<b>On-Road segment gross profit</b>	53.4	55.3	94.6	90.5
No adjustment	—	—	—	—
Adjusted On-Road segment gross profit	53.4	55.3	94.6	90.5
<b>Marine segment gross profit</b>	66.6	47.4	113.1	93.8
No adjustment	—	—	—	—
Adjusted Marine segment gross profit	66.6	47.4	113.1	93.8
<b>Corporate segment gross profit</b>	0.2	12.5	6.7	17.8
Restructuring & realignment <sup>(1)</sup>	—	1.7	0.2	3.9
Adjusted Corporate segment gross profit	0.2	14.2	6.9	21.7
<b>Total gross profit</b>	474.4	497.4	827.3	929.2
Total adjustments	—	1.7	0.2	3.9
Adjusted total gross profit	\$ 474.4	\$ 499.1	\$ 827.5	\$ 933.1

### 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 Free Cash Flow

(In Millions, Unaudited)

	Six months ended June 30,		Full Year
	2022	2021	2021
<b>Net cash provided by (used for) operating activities of continuing operations</b>	(39.9)	154.8	285.6
Purchase of property and equipment	(119.4)	(109.1)	(282.8)
Investment in finance affiliate, net	16.7	34.3	17.8
<b>Free cash flow</b>	\$ (142.6)	\$ 80.0	\$ 20.6

**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 before taxes, net income, EBITDA, 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.

# Segment and Discontinued Ops Restatement



## GAAP

(in millions, except per share data, unaudited)

	FY-20	Q1-21	Q2-21	Q3-21	Q4-21	FY-21	Q1-22
<b>Off-Road</b>							
Sales	\$4,810.0	\$1,301.8	\$1,397.5	\$1,316.2	\$1,559.1	\$5,574.6	\$1,342.1
Gross profit	\$1,302.0	\$344.9	\$382.2	\$293.8	\$308.9	\$1,329.8	\$258.7
<b>On-Road</b>							
Sales	\$806.7	\$242.3	\$298.3	\$257.8	\$233.4	\$1,031.8	\$227.9
Gross profit	\$95.5	\$35.2	\$55.3	\$38.7	\$31.5	\$160.7	\$41.2
<b>Marine</b>							
Sales	\$603.4	\$198.7	\$197.6	\$183.6	\$180.3	\$760.2	\$211.5
Gross profit	\$116.4	\$46.4	\$47.4	\$41.2	\$35.6	\$170.6	\$46.5
<b>Corporate*</b>							
Sales	\$61.3	\$15.0	\$17.7	\$20.1	\$19.8	\$72.6	\$0.0
Gross profit	\$21.8	\$5.3	\$12.5	\$46.3	\$25.7	\$89.8	\$6.5
<b>Total Polaris</b>							
Sales	\$6,281.4	\$1,757.8	\$1,911.1	\$1,777.7	\$1,992.6	\$7,439.2	\$1,781.5
Gross profit	\$1,535.7	\$431.8	\$497.4	\$420.0	\$401.7	\$1,750.9	\$352.9
Income from continuing operations before income taxes	\$450.4	\$173.9	\$203.0	\$147.6	\$104.2	\$628.7	\$91.7
Net income from continuing operations attributable to Polaris Inc.	\$360.4	\$133.0	\$155.1	\$117.0	\$91.1	\$496.2	\$74.1
Diluted EPS from continuing operations attributable to Polaris Inc.	\$5.75	\$2.10	\$2.47	\$1.88	\$1.47	\$7.92	\$1.21

\*Corporate includes divested businesses which did not meet discontinued operations criteria

# Non-GAAP Segment and Discontinued Ops Restatement



## NON-GAAP

(in millions, except per share data, unaudited)

	FY-20	Q1-21	Q2-21	Q3-21	Q4-21	FY-21	Q1-22
<b>Off-Road</b>							
Sales	\$4,810.0	\$1,301.8	\$1,397.5	\$1,316.2	\$1,559.1	\$5,574.6	\$1,342.1
Gross profit	\$1,302.0	\$344.9	\$382.2	\$293.8	\$308.9	\$1,329.8	\$258.7
<b>On-Road</b>							
Sales	\$806.7	\$242.3	\$298.3	\$257.8	\$233.4	\$1,031.8	\$227.9
Gross profit	\$96.2	\$35.2	\$55.3	\$38.7	\$31.5	\$160.7	\$41.2
<b>Marine</b>							
Sales	\$600.5	\$198.7	\$197.6	\$183.6	\$180.3	\$760.2	\$211.5
Gross profit	\$128.2	\$46.4	\$47.4	\$41.2	\$35.6	\$170.6	\$46.5
<b>Corporate*</b>							
Sales	\$61.3	\$15.0	\$17.7	\$20.1	\$19.8	\$72.6	\$0.0
Gross profit	\$34.0	\$7.5	\$14.2	\$48.4	\$27.6	\$97.7	\$6.7
<b>Total Polaris</b>							
Sales	\$6,278.5	\$1,757.8	\$1,911.1	\$1,777.7	\$1,992.6	\$7,439.2	\$1,781.5
Gross profit	\$1,560.4	\$434.0	\$499.1	\$422.1	\$403.6	\$1,758.8	\$353.1
Income from continuing operations before income taxes	\$611.2	\$186.0	\$214.6	\$156.1	\$161.9	\$718.6	\$100.6
Net income from continuing operations attributable to Polaris Inc.	\$482.7	\$142.2	\$163.9	\$123.5	\$136.9	\$566.5	\$80.9
Diluted EPS from continuing operations attributable to Polaris Inc.	\$7.71	\$2.24	\$2.61	\$1.98	\$2.20	\$9.04	\$1.32

\*Corporate includes divested businesses which did not meet discontinued operations criteria

# Historical Non-GAAP Reconciliations – Segments / Discontinued Ops



	<u>FY 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>Q1 2022</u>
<b>Sales</b>	\$ 6,281.4	\$ 1,757.8	\$ 1,911.1	\$ 1,777.7	\$ 1,992.6	\$ 7,439.2	\$ 1,781.5
Restructuring & realignment <sup>(3)</sup>	(2.9)	—	—	—	—	—	—
<b>Adjusted sales</b>	<b>6,278.5</b>	<b>1,757.8</b>	<b>1,911.1</b>	<b>1,777.7</b>	<b>1,992.6</b>	<b>7,439.2</b>	<b>1,781.5</b>
<b>Gross profit</b>	<b>1,535.7</b>	<b>431.8</b>	<b>497.4</b>	<b>420.0</b>	<b>401.7</b>	<b>1,750.9</b>	<b>352.9</b>
Restructuring & realignment <sup>(3)</sup>	24.7	2.2	1.7	2.1	1.9	7.9	0.2
<b>Adjusted gross profit</b>	<b>1,560.4</b>	<b>434.0</b>	<b>499.1</b>	<b>422.1</b>	<b>403.6</b>	<b>1,758.8</b>	<b>353.1</b>
<b>Income from continuing operations before income taxes</b>	<b>450.4</b>	<b>173.9</b>	<b>203.0</b>	<b>147.6</b>	<b>104.2</b>	<b>628.7</b>	<b>91.7</b>
Impairment charges <sup>(1)</sup>	81.1	—	—	—	7.7	7.7	—
Loss on sale of businesses <sup>(2)</sup>	—	—	—	—	36.8	36.8	—
Restructuring & realignment <sup>(3)</sup>	38.2	2.0	1.9	2.7	6.5	13.1	3.8
Intangible amortization <sup>(4)</sup>	24.4	5.9	5.5	5.5	6.0	22.9	5.0
Class action litigation expenses <sup>(5)</sup>	17.1	4.2	4.2	0.3	0.7	9.4	0.1
<b>Adjusted income from continuing operations before income taxes</b>	<b>611.2</b>	<b>186.0</b>	<b>214.6</b>	<b>156.1</b>	<b>161.9</b>	<b>718.6</b>	<b>100.6</b>
<b>Net income from continuing operations attributable to Polaris Inc.</b>	<b>360.4</b>	<b>133.0</b>	<b>155.1</b>	<b>117.0</b>	<b>91.1</b>	<b>496.2</b>	<b>74.1</b>
Impairment charges <sup>(1)</sup>	61.8	—	—	—	7.7	7.7	—
Loss on sale of businesses <sup>(2)</sup>	—	—	—	—	28.0	28.0	—
Restructuring & realignment <sup>(3)</sup>	29.0	1.5	1.4	2.1	4.9	9.9	2.9
Intangible amortization <sup>(4)</sup>	18.6	4.5	4.2	4.2	4.6	17.5	3.8
Class action litigation expenses <sup>(5)</sup>	12.9	3.2	3.2	0.2	0.6	7.2	0.1
<b>Adjusted net income from continuing operations attributable to Polaris Inc. <sup>(6)</sup></b>	<b>\$ 482.7</b>	<b>\$ 142.2</b>	<b>\$ 163.9</b>	<b>\$ 123.5</b>	<b>\$ 136.9</b>	<b>\$ 566.5</b>	<b>\$ 80.9</b>
<b>Diluted EPS from continuing operations attributable to Polaris Inc.</b>	<b>\$ 5.75</b>	<b>\$ 2.10</b>	<b>\$ 2.47</b>	<b>\$ 1.88</b>	<b>\$ 1.47</b>	<b>\$ 7.92</b>	<b>\$ 1.21</b>
Impairment charges <sup>(1)</sup>	0.99	—	—	—	0.12	0.12	—
Loss on sale of businesses <sup>(2)</sup>	—	—	—	—	0.45	0.45	—
Restructuring & realignment <sup>(3)</sup>	0.46	0.02	0.02	0.03	0.08	0.16	0.05
Intangible amortization <sup>(4)</sup>	0.30	0.07	0.07	0.07	0.07	0.28	0.06
Class action litigation expenses <sup>(5)</sup>	0.21	0.05	0.05	—	0.01	0.11	—
<b>Adjusted EPS from continuing operations attributable to Polaris Inc. <sup>(6)</sup></b>	<b>\$ 7.71</b>	<b>\$ 2.24</b>	<b>\$ 2.61</b>	<b>\$ 1.98</b>	<b>\$ 2.20</b>	<b>\$ 9.04</b>	<b>\$ 1.32</b>

## Adjustments:

(1) Represents impairment charges related to goodwill associated with the Company's Aftermarket segment in 2020 and impairment charges related to an investment held by the Company in 2021

(2) Represents the loss associated with the Company's divestiture of the Global Electric Motorcar (GEM) and Taylor-Dunn businesses

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

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

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

(6) The Company used its estimated statutory tax rate of 23.8% for the non-GAAP adjustments in 2022, 2021 and 2020, except for non-deductible items



2022 guidance excludes the pre-tax effect of supply chain transformation, restructuring and network realignment costs of approximately \$10 million, and approximately \$5 to \$10 million for class action litigation-related expenses. Intangible amortization of approximately \$20 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.