



# POLARIS

## Fourth Quarter & Full Year 2023 Earnings Presentation

January 30, 2024







Except for historical information contained herein, the matters set forth in this presentation, including 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 implement its manufacturing operations strategy and supply chain initiatives; 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, including as a result of supply chain disruptions; 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; product offerings, promotional activities and pricing strategies by competitors that may 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; 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 on the Company's supply chain, manufacturing operations and consumer demand; 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 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 except as otherwise may be required by law.

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 change. Retail sales references to total Company retail sales includes only ORV, snowmobiles, On Road and Marine in North America and International 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, and 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 presentation. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.



## Category-Defining Innovation Taking Share

Off Road: Polaris XPEDITION, RANGER XD 1500, RZR XP and Lock & Ride Max

On Road: Sport Chief, Indian Challenger Elite, Indian Pursuit Elite

Marine: Bennington S and SV

Celebrated race victories at DAKAR, Baja 1000, San Felipe 250 and with Flat Trak racing

## Managing Dealer Inventory

Supply chain normalized

Improved product availability

Delivered category-defining innovation

## Executed Capital Deployment Strategies

Returned \$326 million to shareholders via dividends and share repurchases

First public senior notes offering, received investment grade rating

Adjusted\* free cash flow \$507 million

Ended year at 1.6x leverage

## Unfavorable Financials

Persistent plant inefficiencies

Elevated warranty and operating expense

Foreign exchange and finance interest headwinds

## Share Gains Across the Business Despite Difficult Financial Performance

# Fourth Quarter and Full Year 2023 Overview



## Total Company Results\*

	<u>Q4'23</u>	<u>Y/Y Change</u>	<u>FY'23</u>	<u>Y/Y Change</u>
<b>Sales</b>	<b>\$2,289M</b>	<b>↓ 5%</b>	<b>\$8,934M</b>	<b>↑ 4%</b>
<b>Adjusted Gross Profit Margin</b>	<b>21.0%</b>	<b>↓ 287 bps</b>	<b>22.0%</b>	<b>↓ 85 bps</b>
<b>Adjusted EBITDA Margin</b>	<b>10.3%</b>	<b>↓ 377 bps</b>	<b>11.4%</b>	<b>↓ 110 bps</b>
<b>Adjusted EPS</b>	<b>\$1.98</b>	<b>↓ 43%</b>	<b>\$9.16</b>	<b>↓ 12%</b>

## Fourth Quarter Drivers

- **North America retail up 7%**
  - Utility up, Recreation down
  - Positive contribution from Snow
  - On Road and Marine soft
- **Share gains in Off Road**
- **Reduced shipments given lower retail trends earlier in the quarter**
- **Adjusted gross profit was negatively impacted by net pricing, finance interest and warranty expense**
- **Adjusted EBITDA was negatively impacted by higher product liability costs**

## Polaris Products Winning at Dealerships | Unfavorable Warranty and Operating Expenses



## • Retail Trends

- Premium and Utility continue to grow
- Recreation down for five quarters in a row
- Elevated promotions in Q4'23 expected to continue in Q1'24
- Expect Q1'24 retail to be down due to difficult Snow comparison

## • Dealer Sentiment

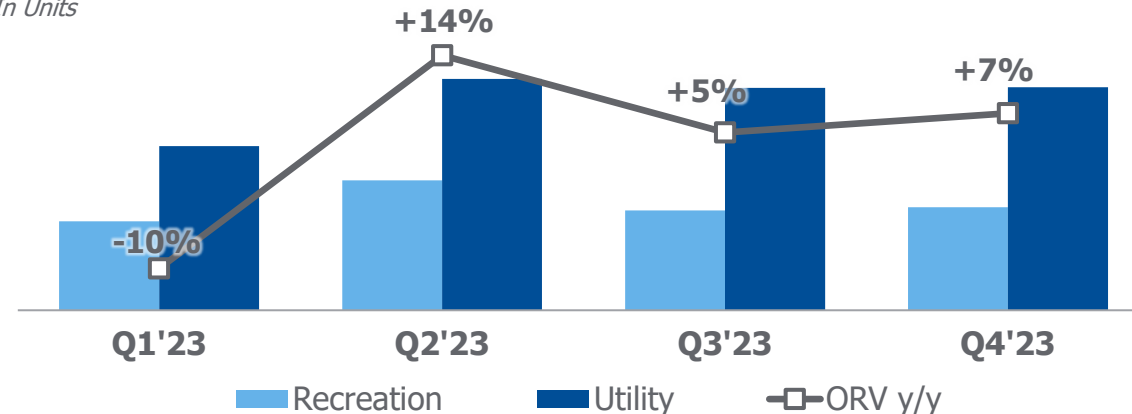
- Worried about economy and demand, counting on promotions to help drive demand
- Frustration over interrelated issues of margins, flooring interest, inventory and retail
- Dealers feel inventory pressure

## • Inventory Backdrop

- Q4'23 Polaris dealer inventory is up 56% versus last year and up 5% vs. 2019
  - Driven by new categories
  - Utility and recreation are higher vs. 2019
- Continued discipline around dealer inventory

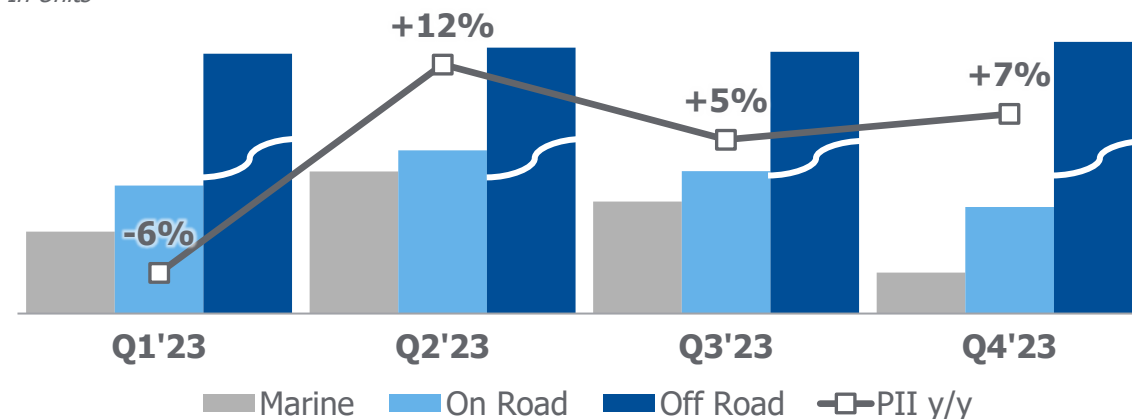
### ORV Recreation and Utility Retail

In Units



### Segment Retail Performance

In Units

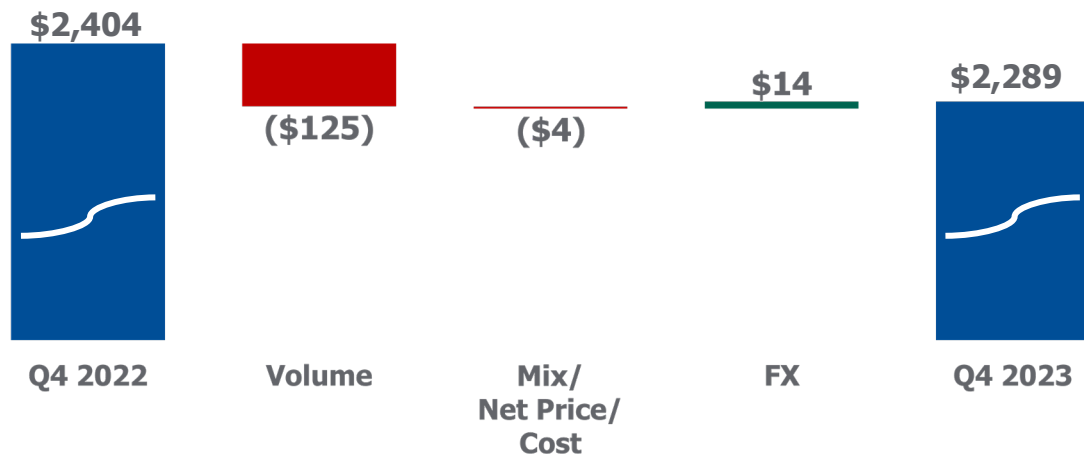


**Disciplined Approach to Dealer Inventory Given Current Levels and Trends**

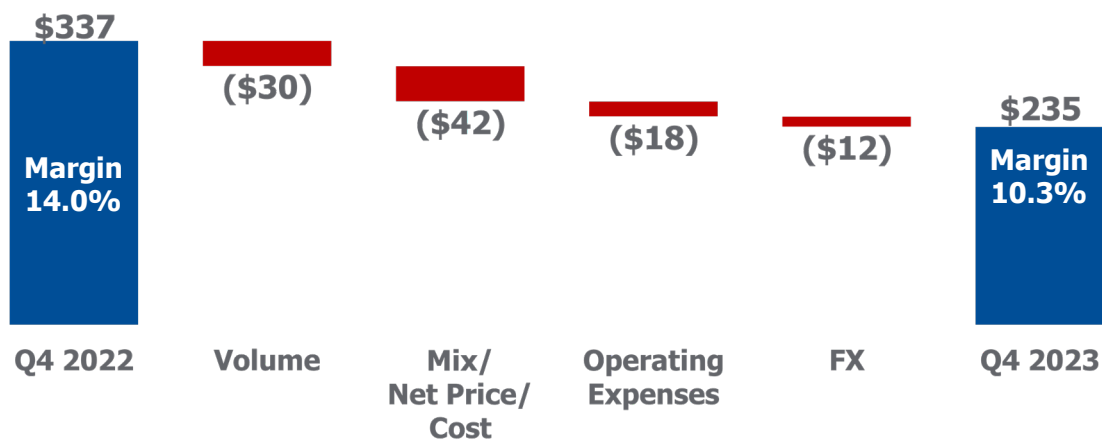
# Q4 2023 Financial Results



## Sales



## Adjusted\* EBITDA



## Financial Highlights (Y/Y)

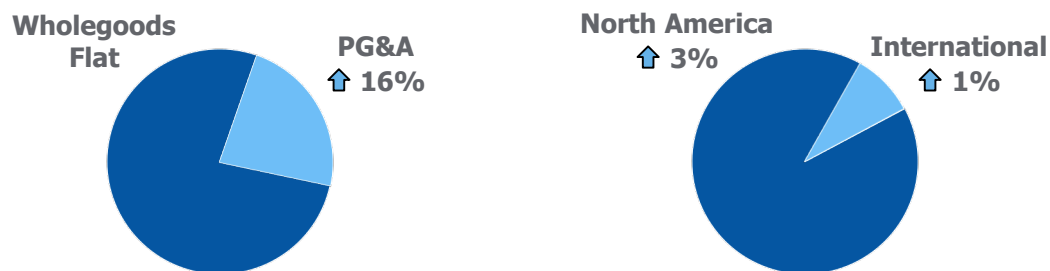
- **Quarterly sales of \$2.3B, down 5%**
  - Lower than expected shipment volumes and higher finance interest
  - International sales down 1%
    - EMEA contribution offset by Latin America and Asia Pacific
  - PG&A sales up 14%
- **Adjusted\* EBITDA margin down 377 bps**
  - Unfavorable FX and net price
  - Higher finance interest
  - Higher warranty and product liability expenses
- **Adjusted\* EPS of \$1.98, down 43%**
- **Other items:**
  - Effective tax rate of 14.4%
  - Net interest expense of \$33M
  - Average outstanding diluted shares ~57M, down 2% Y/Y

**Margin Pressure from Lower Shipments and Higher Finance Interest, Warranty and Opex**



## Q4 Results & Y/Y Change

**Sales:** **\$1,917M** **↑ 3%**



**Gross Profit Margin:** **21.3%** **↓ 350 bps**

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

## PII Call-outs

- Utility demand remained positive, recreation remained soft
- Gained share in ORV and Snow during the quarter
- Reduced shipments due to poor demand trends in October
- N.A. ORV retail up 7%, down 3% vs 2019
- Operations have stabilized and clean build improving
- Margin pressured by net pricing, finance interest and mix
- Finished the year with higher share in Off Road versus 2022

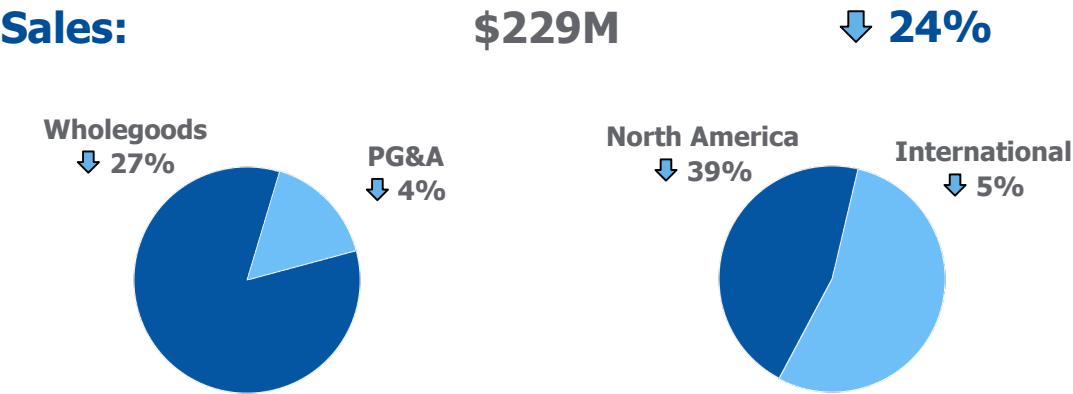
## Retail Sales

	North America		International <sup>(1)</sup>	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
<b>ORV</b>	↑ 7%	↑ MID-SINGLE DIGITS %	↓ LOW-DOUBLE DIGITS %	↓ MID-SINGLE DIGITS %
<i>SxS</i>	↑ LOW-DOUBLE DIGITS %			
<i>ATV</i>	↓ LOW-SINGLE DIGITS %			
<b>Snowmobiles</b> <i>(season-to-date)</i>	↑ LOW-TEENS %	↑ LOW-DOUBLE DIGITS %		

## Positive Retail Performance | Margin Pressure



## Q4 Results & Y/Y Change



**Gross Profit Margin:** **13.8%** **↓ 323 bps**

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

## PII Call-outs

- **N.A. Indian Motorcycle lost modest share overall: gained share in mid-size and lost share in heavy-weight**
  - Market share is ~11%
- **Indian Motorcycle N.A. retail was down high-teens % year-over-year**
- **Increased promotions from competition**
- **Gross profit margin declined due to higher Goupil warranty costs**
- **Indian Motorcycle gross profit margin improved nearly 600bps driven by positive mix**
- **Finished the year with higher share in Indian Motorcycle versus 2022**

## Retail Sales

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

**Indian Motorcycles Gained Share in 2023 and Poised to Grow Share and Expand Margins in 2024**





## Q4 Results & Y/Y Change

**Sales:** \$143M ↓ 41%

**Gross Profit Margin:** 17.9% ↓ 395 bps

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



## PII Call-outs

- Pontoon industry down 7% in 2023
- Dealers cautious on adding new inventory in off-season
- Early boat show season retail has been flat to modestly down year-over-year
- Positive feedback on new Bennington S and SV line
- Bennington, Godfrey and Hurricane gained share in 2023<sup>(1)</sup>
- Actively managing variable costs to protect margin

## 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-FOURTIES %	↓ MID-THIRTIES %

**All Three Brands Gained Share in 2023 | Actively Managing Costs**

# FY 2023 Segment Summary



	Off Road		On Road		Marine	
	<u>FY'23</u>	<u>Y/Y Change</u>	<u>FY'23</u>	<u>Y/Y Change</u>	<u>FY'23</u>	<u>Y/Y Change</u>
<b>Sales</b>	<b>\$6,984M</b>	<b>↑ 9%</b>	<b>\$1,185M</b>	<b>↑ 2%</b>	<b>\$765M</b>	<b>↓ 23%</b>
<b>Gross Profit Margin</b>	<b>21.9%</b>	<b>↓ 174 bps</b>	<b>20.3%</b>	<b>↑ 257 bps</b>	<b>22.1%</b>	<b>↓ 42 bps</b>
<b>N.A. Market Share</b>	<b>↑ Off-Road Vehicles</b> <b>↑ Snowmobiles</b> (season-to-date)		<b>↑ Indian Motorcycle</b>		<b>↑ Pontoons<sup>(1)</sup></b>	

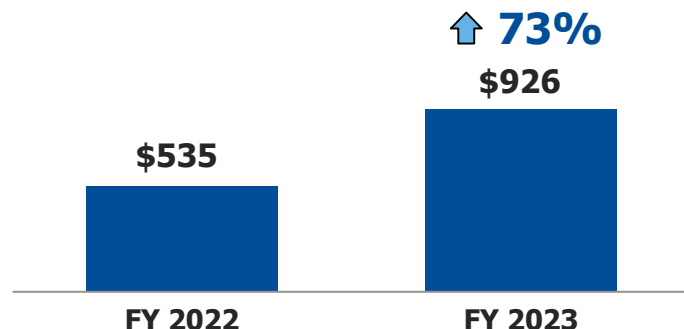


**Gained Share in All Segments | More Challenges Than Expected Operationally**



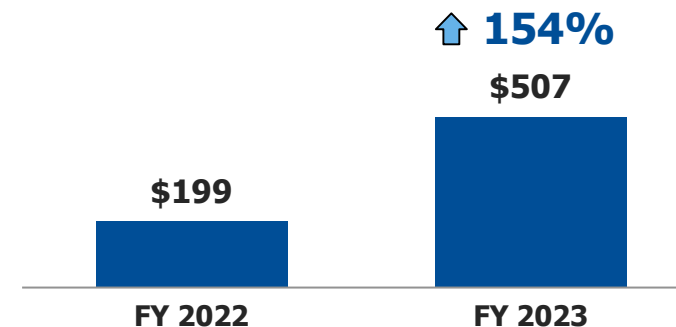
## Operating Cash Flow

\$ in millions



## Adjusted\* Free Cash Flow

\$ in millions



## 2023 Capital Deployment Priorities

### #1 Priority – Organic Investment

~\$413 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 1.6 million shares for \$179 million in 2023

Repurchased 4.4 million shares for \$505 million in 2022

~\$1.2 billion remaining on share repurchase authorization

## Key Financial Metrics

\$ in millions

Cash	\$368
Capex (Full Year)	\$413
Total Debt	\$1,908
Dividends (Full Year)	\$147
Share Repurchases (Full Year)	\$179
Net Leverage Ratio	1.6x

**Concluded the Year with Strong Cash Generation and Healthy Financial Position**

# Full Year 2024 Guidance & Expectations



## Total Company Sales

\$ in Millions

↓ 7% to ↓ 5%

**\$8.3B to \$8.5B**

*Relative to 2023 at \$8.9B*

## Segment Sales

Off Road      ↓ MID-SINGLE DIGITS %

On Road      FLAT

Marine      ↓ MID-TEENS %

## Initial 2024 Outlook Assumptions

- Ship volume lower due to retail outlook, 2023 Snow and channel refill
- New products expected to drive retail outperformance vs. Industry
- Headwinds from net pricing and finance interest
- Targeting over \$150 million in operational savings
- Year-over-year FX headwind to adjusted EBITDA of ~\$20M
- Q1 down materially:
  - Q1-23 channel fill not repeating
  - Return to normal snow seasonality

## Adjusted\* EPS

↓ 15% to ↓ 10%

**\$7.75 to \$8.25**

*Relative to 2023 at \$9.16*

## Adjusted\* Margins

% of Sales

**Gross Profit Margin**

↑ 70 to 100 bps

*Relative to 2023 at 22.0%*

**EBITDA Margin**

↑ 40 to 70 bps

*Relative to 2023 at 11.4%*

## Key Metrics

Key Metric	FY 2024 Expectations
Operating Expense	Up 1% to 2%
Interest Expense	~\$130 million
Tax Rate	21.5% to 22.5%
Diluted Shares	58 million, flat y/y
Depreciation	Up ~15%
Fin. Services Income	Flat y/y
Operating & Adj. FCF	Flattish dollars
Capex	~\$325 million

**Strong Competitive Position | Focused on Targeted Operational Savings**





- Share gains in 2023 across our business coupled with financial setbacks
- New innovation expected in all three segments during 2024 leading to continued share gains
- Continued discipline around dealer inventory
- Focused on executing identified operational savings
- Consistent capital deployment strategy with strong cash flow generation from working capital initiatives



**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**
- **2024 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 December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
<b>Gross profit</b>	<b>476.9</b>	<b>573.0</b>	<b>1,959.9</b>	<b>1,959.5</b>
Restructuring & realignment <sup>(3)</sup>	3.0	—	3.0	0.2
<b>Adjusted gross profit</b>	<b>479.9</b>	<b>573.0</b>	<b>1,962.9</b>	<b>1,959.7</b>
<b>Income from continuing operations before income taxes</b>	<b>120.8</b>	<b>246.7</b>	<b>620.4</b>	<b>761.4</b>
Distributions from other affiliates <sup>(1)</sup>	(1.4)	—	(1.4)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.6	—	1.3	—
Restructuring & realignment <sup>(3)</sup>	6.8	0.7	8.2	6.2
Intangible amortization <sup>(4)</sup>	4.4	4.5	17.7	18.8
Class action litigation expenses <sup>(5)</sup>	3.1	2.0	8.5	4.5
<b>Adjusted income from continuing operations before income taxes</b>	<b>134.3</b>	<b>253.9</b>	<b>654.7</b>	<b>790.2</b>
<b>Net income from continuing operations attributable to Polaris Inc.</b>	<b>103.4</b>	<b>196.6</b>	<b>502.8</b>	<b>602.9</b>
Distributions from other affiliates <sup>(1)</sup>	(1.4)	—	(1.4)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.5	—	1.0	—
Restructuring & realignment <sup>(3)</sup>	5.2	0.5	6.3	4.7
Intangible amortization <sup>(4)</sup>	3.4	3.4	13.5	14.3
Class action litigation expenses <sup>(5)</sup>	2.3	1.7	6.4	3.6
<b>Adjusted net income from continuing operations attributable to Polaris Inc.<sup>(6)</sup></b>	<b>\$ 113.4</b>	<b>\$ 202.2</b>	<b>\$ 528.6</b>	<b>\$ 624.8</b>
<b>Diluted EPS from continuing operations attributable to Polaris Inc.</b>	<b>\$ 1.81</b>	<b>\$ 3.36</b>	<b>\$ 8.71</b>	<b>\$ 10.04</b>
Distributions from other affiliates <sup>(1)</sup>	(0.02)	—	(0.02)	(0.01)
Acquisition-related costs <sup>(2)</sup>	0.01	—	0.02	—
Restructuring & realignment <sup>(3)</sup>	0.09	0.01	0.11	0.08
Intangible amortization <sup>(4)</sup>	0.05	0.06	0.23	0.24
Class action litigation expenses <sup>(5)</sup>	0.04	0.03	0.11	0.05
<b>Adjusted EPS from continuing operations attributable to Polaris Inc. <sup>(6)</sup></b>	<b>\$ 1.98</b>	<b>\$ 3.46</b>	<b>\$ 9.16</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 December 31,		Twelve months ended December 31,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Sales</b>	<b>2,289.2</b>	<b>2,404.1</b>	<b>8,934.4</b>	<b>8,589.0</b>
<b>Net income from continuing operations</b>	<b>103.3</b>	<b>196.6</b>	<b>502.7</b>	<b>603.4</b>
Provision for income taxes	17.5	50.1	117.7	158.0
Interest expense	32.8	24.9	125.0	71.7
Depreciation	67.6	58.4	241.2	214.0
Intangible amortization <sup>(4)</sup>	4.4	4.5	17.7	18.8
Distributions from other affiliates <sup>(1)</sup>	(1.4)	—	(1.4)	(0.7)
Acquisition-related costs <sup>(2)</sup>	0.6	—	1.3	—
Restructuring & realignment <sup>(3)</sup>	6.8	0.7	8.2	6.2
Class action litigation expenses <sup>(5)</sup>	3.1	2.0	8.5	4.5
<b>Adjusted EBITDA</b>	<b>\$ 234.7</b>	<b>\$ 337.2</b>	<b>\$ 1,020.9</b>	<b>\$ 1,075.9</b>
<b>Adjusted EBITDA Margin</b>	<b>10.3 %</b>	<b>14.0 %</b>	<b>11.4 %</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 December 31,		Twelve months ended December 31,	
	2023	2022	2023	2022
<b>Off Road segment gross profit</b>	<b>\$ 409.0</b>	<b>\$ 461.3</b>	<b>\$ 1,531.6</b>	<b>\$ 1,523.4</b>
No adjustment	—	—	—	—
Adjusted Off Road segment gross profit	<b>409.0</b>	<b>461.3</b>	<b>1,531.6</b>	<b>1,523.4</b>
 <b>On Road segment gross profit</b>	 <b>31.7</b>	 <b>51.6</b>	 <b>240.4</b>	 <b>206.3</b>
No adjustment	—	—	—	—
Adjusted On Road segment gross profit	<b>31.7</b>	<b>51.6</b>	<b>240.4</b>	<b>206.3</b>
 <b>Marine segment gross profit</b>	 <b>25.7</b>	 <b>53.5</b>	 <b>169.0</b>	 <b>222.5</b>
Restructuring & realignment <sup>(1)</sup>	0.3	—	0.3	—
Adjusted Marine segment gross profit	<b>26.0</b>	<b>53.5</b>	<b>169.3</b>	<b>222.5</b>
 <b>Corporate segment gross profit</b>	 <b>10.5</b>	 <b>6.6</b>	 <b>18.9</b>	 <b>7.3</b>
Restructuring & realignment <sup>(1)</sup>	2.7	—	2.7	0.2
Adjusted Corporate segment gross profit	<b>13.2</b>	<b>6.6</b>	<b>21.6</b>	<b>7.5</b>
 <b>Total gross profit</b>	 <b>476.9</b>	 <b>573.0</b>	 <b>1,959.9</b>	 <b>1,959.5</b>
Total adjustments	3.0	—	3.0	0.2
Adjusted total gross profit	<b>\$ 479.9</b>	<b>\$ 573.0</b>	<b>\$ 1,962.9</b>	<b>\$ 1,959.7</b>

### 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)

	Twelve months ended December 31,	
	2023	2022
<b>Net cash provided by operating activities of continuing operations</b>	<b>925.8</b>	<b>534.5</b>
Purchase of property and equipment	(412.6)	(306.6)
Investment in finance affiliate, net	(6.5)	(28.7)
<b>Adjusted free cash flow</b>	<b>\$ 506.7</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.



2024 adjusted guidance excludes the pre-tax effect of restructuring, network realignment and acquisition/integration costs of approximately \$8 million, and approximately \$20 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 earnings 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.