



POLARIS

Fourth Quarter & Full Year 2022 Earnings Presentation

January 31, 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; 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 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 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 historical 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.



Exceeded EPS Guidance

Delivered record sales and earnings
Executed **\$505M** of share repurchases

Navigated Macroeconomic Challenges

Grew shipments despite greater supply chain challenges
Offset higher inflation and FX

Advanced our 5-Year Strategy

Enhanced Rider-Driven Innovation with **RZR Pro R & Turbo R** and 2023 product launches
Continued our investment in **electric and connected** vehicles
Renewed powersports focus with TAP divestiture

Continued to Prioritize Customer Safety

Invested in our **safety and quality** processes
Recalled vehicles due to legacy designs and supplier issues

Best Team in Powersports Executed Well in a Challenging Environment

Fourth Quarter and Full Year 2022 Overview



Total Company Results*

	<u>Q4'22</u>	<u>Y/Y Change</u>	<u>FY'22</u>	<u>Y/Y Change</u>
Sales	\$2,404M	↑ 21%	\$8,589M	↑ 15%
Adjusted Gross Profit Margin	23.8%	↑ 358 bps	22.8%	↓ 83 bps
Adjusted EBITDA Margin	14.0%	↑ 272 bps	12.5%	↓ 33 bps
Adjusted EPS	\$3.46	↑ 57%	\$10.40	↑ 15%

Drivers

- **Record Sales and EPS**
 - Exceeded FY EPS guidance
- **Demand story is mixed with N.A. powersports retail down ~6% in Q4****
 - ORV mixed
 - Indian Motorcycle strong
- **Supply chain was challenged but saw improvement as we exited the year**
- **Adjusted gross profit and adjusted EBITDA margins improved in Q4 due to volume and positive pricing**
- **Results offset headwinds of increased warranty costs, interest expense and FX**

Record Performance Despite a Difficult Environment



N.A. ORV Retail Trends

- Polaris ORV Q4 retail down 4% y/y and down 1% sequentially
- Utility demand indicators are healthy
- Recreation retail is soft
- Polaris ORV pre-solds continue to trend down with improved dealer inventory
- Strong interest in premium models and RIDE COMMAND+ enabled vehicles



Customer Trends and Insights

- Accessory attachment rates are healthy
- Both long- and short-term owner repurchase rates remain near historical norms
- Consumers continue to demonstrate a healthy financial position
- Organic web search for ORV is down from peak, but up ~30% vs 2019



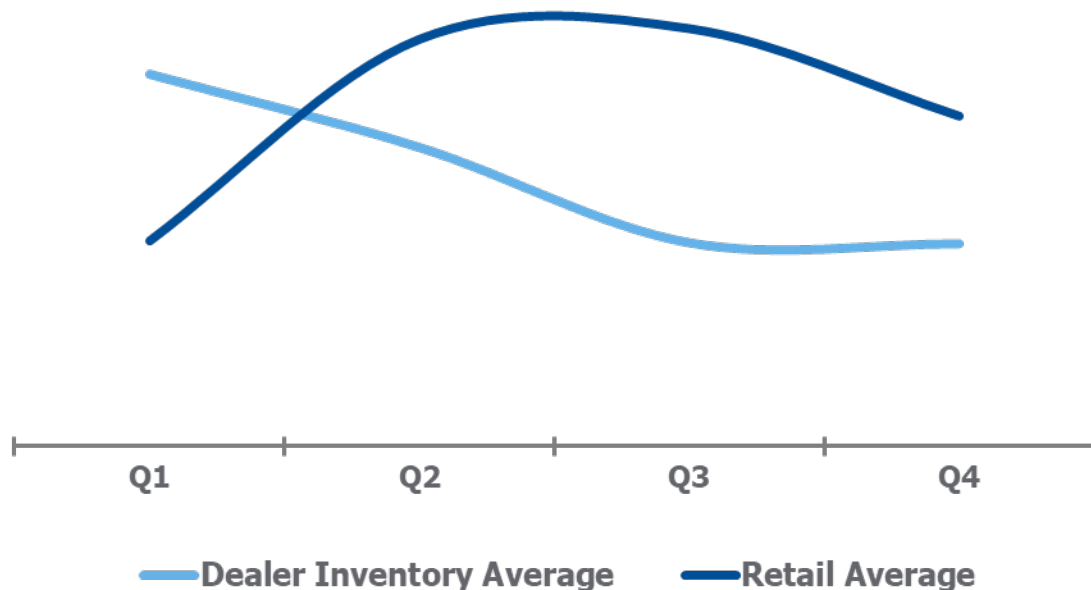
Demand Indicators Remain Mixed



N.A. ORV Historical Seasonality

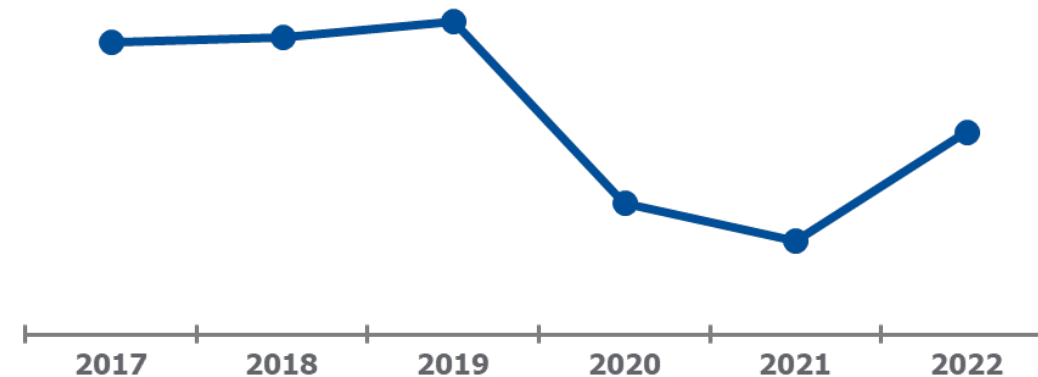
(in units)

2016 - 2019 AVERAGE RETAIL & DEALER INVENTORY



Total N.A. Dealer Inventory⁽¹⁾

(in units)



PII Call-outs

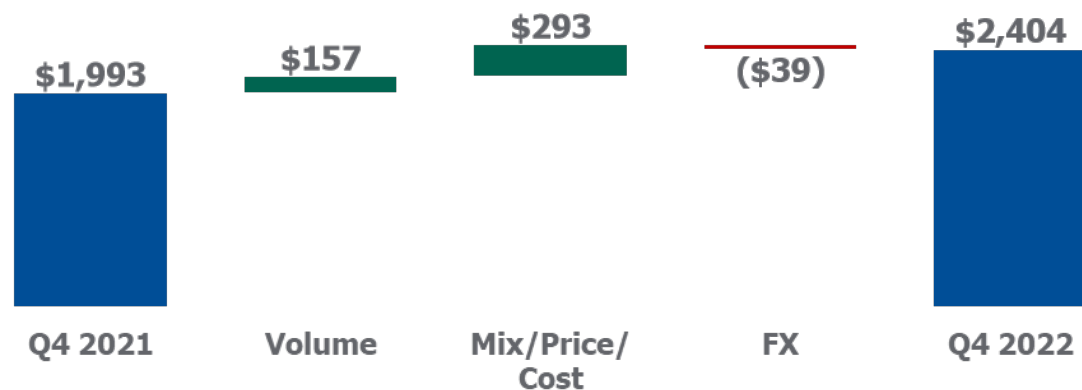
- 2022 dealer inventory was down 35% vs 2019 and up 116% vs 2021
- Dealer inventory was building in Q4 and is expected to reach optimal levels in first half 2023
- Optimal level represents ~\$150 million revenue opportunity to refill dealer inventory
 - RZR, ATV and Indian Motorcycle are near optimal levels
 - RANGER remains below optimal levels

Expect to Approach Normal Seasonality; Restocking Largely Realized Except for RANGER

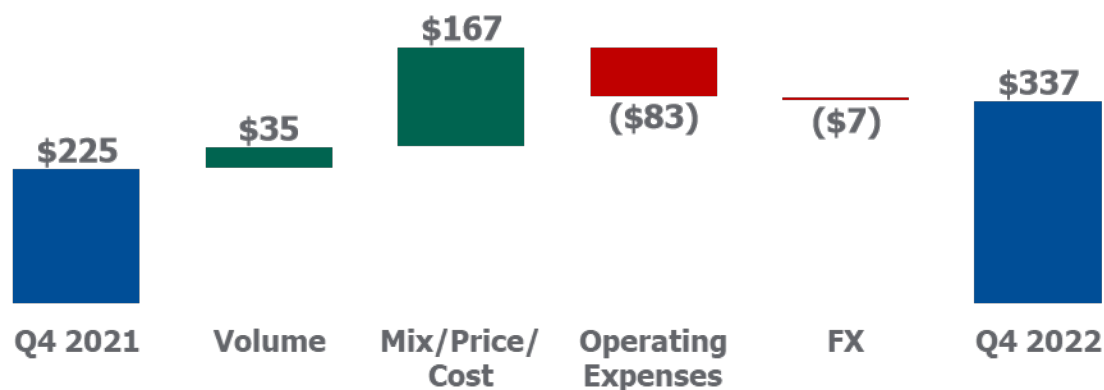
Q4 2022 Financial Results



Sales



Adjusted* EBITDA



Financial Highlights (y/y)

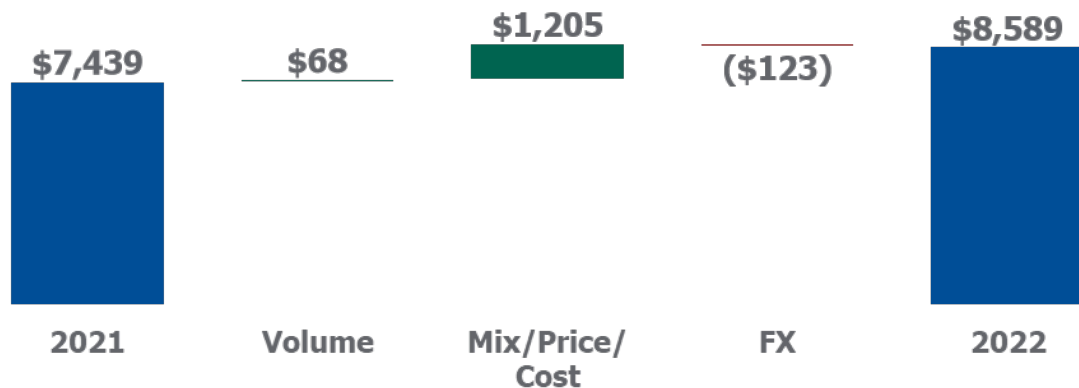
- **Record quarterly sales of \$2.4B, up 21%**
 - Strong contribution from volume, price and mix more than offset FX headwinds
 - International sales were up 7%
 - PG&A sales were up 7%
- **Adjusted* EBITDA margin up 272 bps**
 - Strong pricing and volume helped offset increased costs and FX headwinds
- **Adjusted* EPS of \$3.46, up 57%**
- **Other items:**
 - Effective tax rate of 20.3%
 - Net interest expense of \$25M
 - Average outstanding diluted shares ~58M

Positive Price Drove Record Quarterly Results

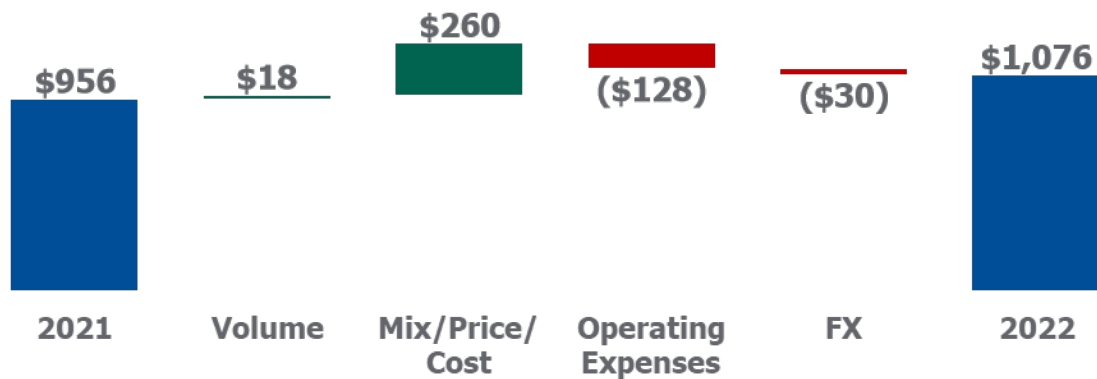
FY 2022 Financial Results



Sales



Adjusted* EBITDA



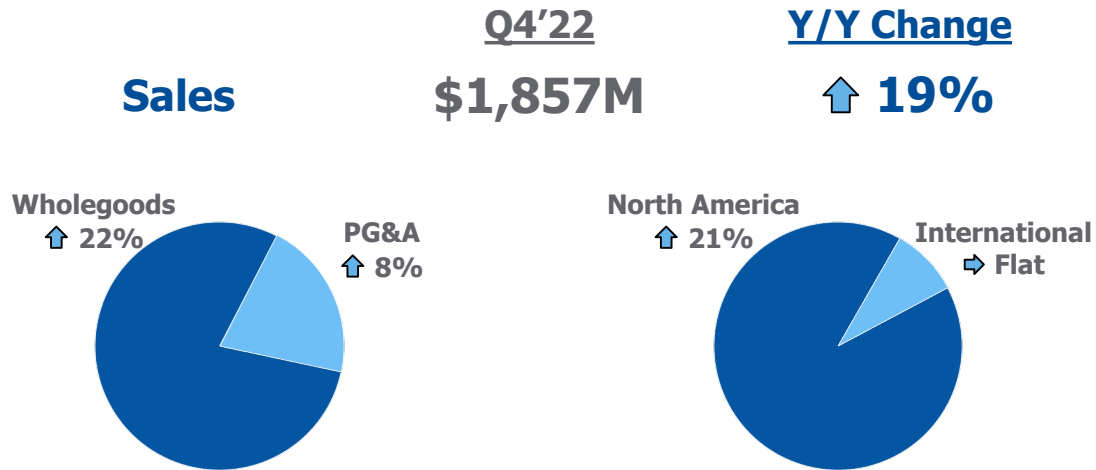
Financial Highlights (y/y)

- **Record sales of \$8.6B, up 15%**
 - Price and mix contribution more than offset FX headwinds
 - Mix favorable due to premium product demand
 - International sales were up 4%
 - PG&A sales were up 8%
- **Adjusted* EBITDA margin down 33 bps**
 - Increased costs, promotions and FX were somewhat offset by price and mix
- **Adjusted* EPS of \$10.40, up 15%**
 - Exceeded FY guidance
- **Other items:**
 - Effective tax rate of 20.7%
 - Net interest expense of \$72M
 - Average outstanding diluted shares 60M
 - 4.4 million shares repurchased for \$505M

Strong Full Year Results Despite a Challenging Year



Performance



Gross Profit Margin **24.8%** **↑ 503 bps**

N.A. Market Share **↓ Off-Road Vehicles**
↓ Snowmobiles

PII Call-outs

- **Demand metrics were mixed**
 - Utility stable
 - Recreation down
- **Gained share in ATV and SxS sequentially**
- **ORV N.A. retail was down 4%**
 - ORV N.A. retail was down 9% vs 2019 and down 1% sequentially
- **PG&A attachment rates are strong**
- **12-month rolling average N.A. ORV market share down 3.5 points to industry**

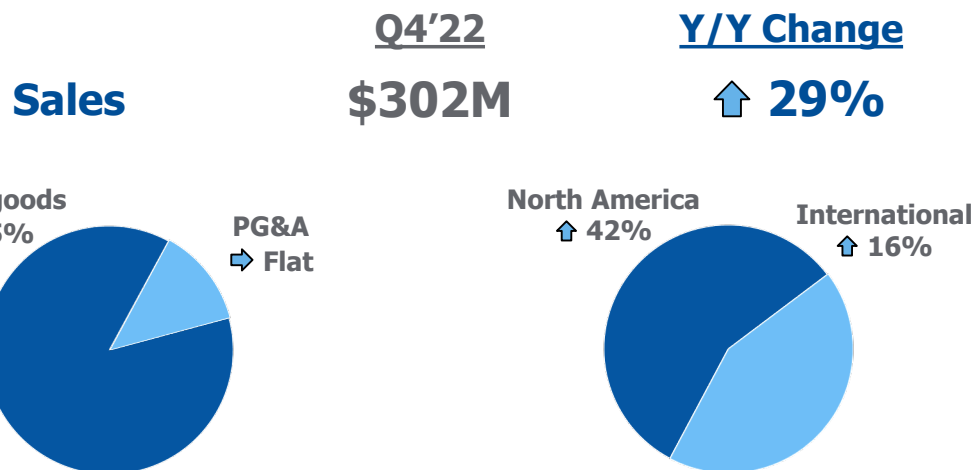
Retail Sales

	North America		International ⁽¹⁾	
	<u>POLARIS</u>	<u>INDUSTRY</u>	<u>POLARIS</u>	<u>INDUSTRY</u>
ORV	↓ 4%	↓ LOW-SINGLE DIGITS %	↑ LOW-DOUBLE DIGITS %	↓ LOW-SINGLE DIGITS %
SxS	↓ HIGH-SINGLE DIGITS %			
ATV	↑ LOW-SINGLE DIGITS %			
Snowmobiles (Season-to-Date)	↓ MID-SINGLE DIGITS %	↑ LOW-SINGLE DIGITS %	↓ MID-TEENS%	↑ HIGH-TWENTIES %

Softer Recreation Demand and Recall-Driven Product Holds Pulled Down Retail



Performance



Gross Profit Margin **17.1%** **↑ 358 bps**

N.A. Market Share **↑ Indian Motorcycle**

PII Call-outs

- N.A. Indian Motorcycle continued to gain share in the quarter, driven by heavyweight
- Consumer interest remains high measured by lead volume
- Healthiest dealer inventory position all year
- 12-month rolling average N.A. market share down 1 point to industry
- Indian Motorcycle N.A. retail was up 16% vs 2019

Retail Sales

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

N.A. Indian Motorcycle Continued to Gain Share and Expand Margins

Marine Q4 Summary



Performance

	<u>Q4'22</u>	<u>Y/Y Change</u>
Sales	\$245M	↑ 36%
Gross Profit Margin	21.9%	↑ 209 bps

N.A. Market Share ↓ **Pontoons⁽¹⁾**



PII Call-outs

- Sales growth was driven by volume, price and mix
- Healthy inventory at mid-level, remains light in entry and high-end
- Gross profit margin benefitted from mix somewhat offset by promotions
- 12-month rolling average pontoon market share down 4.4 points to industry
- Pontoon retail down 5% vs 2019

Retail Sales

	North America	
	<u>POLARIS</u>	<u>INDUSTRY</u>
Pontoons⁽¹⁾	↓ LOW-THIRTIES%	↓ MID-TEENS%

Supply Chain Improvements Key to Increasing Output

FY 2022 Segment Summary



	Off Road		On Road		Marine	
	<u>FY'22</u>	<u>Y/Y Change</u>	<u>FY'22</u>	<u>Y/Y Change</u>	<u>FY'22</u>	<u>Y/Y Change</u>
Sales	\$6,436M	↑ 15%	\$1,163M	↑ 13%	\$989M	↑ 30%
Gross Profit Margin	23.7%	↓ 18 bps	17.7%	↑ 215 bps	22.5%	↑ 4 bps
N.A. Market Share	↓ Off-Road Vehicles ↓ Snowmobiles (season-to-date)		↓ Indian Motorcycle		↓ Pontoons ⁽¹⁾	



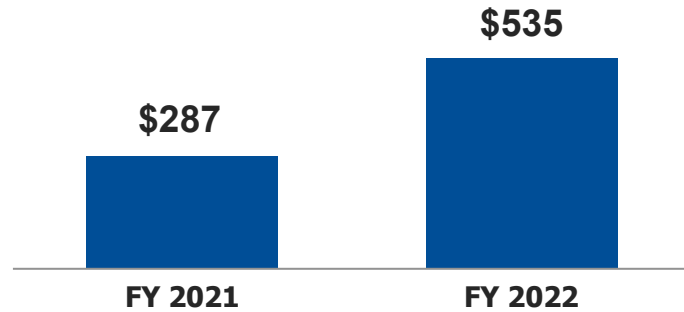
Pricing Helped Offset a Difficult Macro Environment

Strong Financial Position



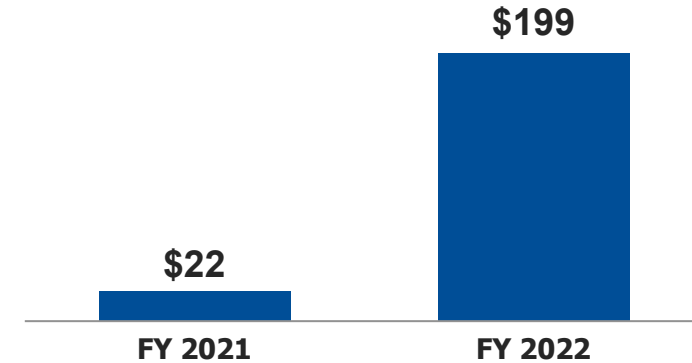
Operating Cash Flow

\$ in millions



Free Cash Flow

\$ in millions



2022 Capital Deployment

#1 Priority – Organic Investment

\$307 million capital expenditures; 4% of sales on R&D

#2 Priority – Dividends

Dividend Aristocrat – 27 consecutive years of raising dividend

#3 Priority – Share Repurchase

4.4 million shares repurchased for \$505 million

Key Financial Metrics

\$ in millions

Cash	\$325
Capex (YTD)	\$307
Total Debt	\$2,058
Dividends (YTD)	\$150
Share Repurchases (YTD)	\$505
Leverage Ratio	1.6x

Positive Cash Generation and Healthy Financial Position

Full Year 2023 Guidance & Expectations



Total Company Sales

\$ in Millions

Flat to ↑ 5%

\$8.6B to \$9.0B

Relative to 2022 at \$8.6B

Segment Sales

Off Road ↑ LOW to MID-SINGLE DIGITS %

On Road ↑ LOW-SINGLE DIGITS %

Marine ➡ ~FLAT

Outlook Assumptions

- Revenue driven by higher shipments and favorable mix
- Expect full-year retail to be close to flat
- Positive price offsetting increased promotions
- Margin expansion from higher volume/mix and lower cost premiums
- Full-year FX headwind to sales of ~\$67M and adjusted EBITDA of ~\$66M
- Interest expense headwind of over \$50M
- Both PG&A & International expected to be up low-teens %

Adjusted* EPS

↓ 3% to ↑ 3%

\$10.10 to \$10.75

Relative to 2022 at \$10.40

Adjusted* Margins

% of Sales

Gross Profit Margin

↑ 10 to 40 bps

Relative to 2022 at 22.8%

EBITDA Margin

↑ 20 to 50 bps

Relative to 2022 at 12.5%

Key Metrics

Key Metric	FY 2023 Expectations
Operating Expense	Flat to up ~30 bps
Interest Expense	~\$125 million
Tax Rate	22.0% to 22.5%
Diluted Shares	Flat to Q4, ~58.5 million
Depreciation	Up ~15%
Financial Services Income	Up ~40%
Operating & Free Cash Flow	Up significantly
Capex	~\$400 million

Teams Focused on Delivering a Strong Year Aligned with 5-Year Targets

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

2023 Closing Comments



- Industry demand signals are mixed
- Expect overall powersports retail to be close to flat relative to 2022
- Accelerating rider-driven innovation with new product launches
- Interest expense and FX headwinds continue
- Committed to winning in a competitive environment by delivering high quality and innovative products while remaining agile and efficient
- Robust cash generation



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 December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Gross profit	573.0	401.7	1,959.5	1,750.9
Restructuring & realignment ⁽³⁾	—	1.9	0.2	7.9
Adjusted gross profit	573.0	403.6	1,959.7	1,758.8
Income from continuing operations before income taxes	246.7	104.2	761.4	628.7
Impairment charges ⁽¹⁾	—	7.7	(0.7)	7.7
Loss on sale of businesses ⁽²⁾	—	36.8	—	36.8
Restructuring & realignment ⁽³⁾	0.7	6.5	6.2	13.1
Intangible amortization ⁽⁴⁾	4.5	6.0	18.8	22.9
Class action litigation expenses ⁽⁵⁾	2.0	0.7	4.5	9.4
Adjusted Income from continuing operations before income taxes	253.9	161.9	790.2	718.6
Net income from continuing operations attributable to Polaris Inc.	196.6	91.1	602.9	496.2
Impairment charges ⁽¹⁾	—	7.7	(0.7)	7.7
Loss on sale of businesses ⁽²⁾	—	28.0	—	28.0
Restructuring & realignment ⁽³⁾	0.5	4.9	4.7	9.9
Intangible amortization ⁽⁴⁾	3.4	4.6	14.3	17.5
Class action litigation expenses ⁽⁵⁾	1.7	0.6	3.6	7.2
Adjusted net income from continuing operations attributable to Polaris Inc.⁽⁶⁾	\$ 202.2	\$ 136.9	\$ 624.8	\$ 566.5
Diluted EPS from continuing operations attributable to Polaris Inc.	\$ 3.36	\$ 1.47	\$ 10.04	\$ 7.92
Impairment charges ⁽¹⁾	—	0.12	(0.01)	0.12
Loss on sale of businesses ⁽²⁾	—	0.45	—	0.45
Restructuring & realignment ⁽³⁾	0.01	0.08	0.08	0.16
Intangible amortization ⁽⁴⁾	0.06	0.07	0.24	0.28
Class action litigation expenses ⁽⁵⁾	0.03	0.01	0.05	0.11
Adjusted EPS from continuing operations attributable to Polaris Inc.⁽⁶⁾	\$ 3.46	\$ 2.20	\$ 10.40	\$ 9.04

Adjustments:

(1) Represents impairment charges and subsequent distributions related to a strategic 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 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 and 2021, 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Sales	2,404.1	1,992.6	8,589.0	7,439.2
Net Income from continuing operations	196.6	91.1	603.4	496.6
Provision for income taxes	50.1	13.1	158.0	132.1
Interest expense	24.9	11.2	71.7	44.2
Depreciation	58.4	52.2	214.0	193.4
Intangible amortization ⁽⁴⁾	4.5	6.0	18.8	22.9
Impairment charges ⁽¹⁾	—	7.7	(0.7)	7.7
Loss on sale of businesses ⁽²⁾	—	36.8	—	36.8
Restructuring & realignment ⁽³⁾	0.7	6.5	6.2	13.1
Class action litigation expenses ⁽⁵⁾	2.0	0.7	4.5	9.4
Adjusted EBITDA	\$ 337.2	\$ 225.3	\$ 1,075.9	\$ 956.2
Adjusted EBITDA Margin	14.0 %	11.3 %	12.5 %	12.9 %

Adjustments:

(1) Represents impairment charges and subsequent distributions related to a strategic investment held by the Company

(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

(5) Represents impairment charges related to an investment held by the Company

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

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,	
	2022	2021	2022	2021
Off Road segment gross profit	\$ 461.3	\$ 308.9	\$ 1,523.4	\$ 1,329.8
No adjustment	—	—	—	—
Adjusted Off Road segment gross profit	461.3	308.9	1,523.4	1,329.8
On Road segment gross profit	51.6	31.5	206.3	160.7
No adjustment	—	—	—	—
Adjusted On Road segment gross profit	51.6	31.5	206.3	160.7
Marine segment gross profit	53.5	35.6	222.5	170.6
No adjustment	—	—	—	—
Adjusted Marine segment gross profit	53.5	35.6	222.5	170.6
Corporate segment gross profit	6.6	25.7	7.3	89.8
Restructuring & realignment ⁽¹⁾	—	1.9	0.2	7.9
Adjusted Corporate segment gross profit	6.6	27.6	7.5	97.7
Total gross profit	573.0	401.7	1,959.5	1,750.9
Total adjustments	—	1.9	0.2	7.9
Adjusted total gross profit	\$ 573.0	\$ 403.6	\$ 1,959.7	\$ 1,758.8

Adjustments:

⁽¹⁾ 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)

	Twelve months ended December 31,	
	2022	2021
Net cash provided by operating activities of continuing operations	534.5	286.8
Purchase of property and equipment	(306.6)	(282.8)
Investment in finance affiliate, net	(28.7)	17.8
Free cash flow	\$ 199.2	\$ 21.8

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.



2023 guidance excludes the pre-tax effect of supply chain transformation, restructuring and network realignment costs of approximately \$5 million, and approximately \$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.