

POLARIS®

POLARIS INDUSTRIES INC.

Fourth Quarter & Full Year 2015 Earnings Results

January 26, 2016

Safe Harbor

Except for historical information contained herein, the matters set forth in this document, including but not limited to management's expectations regarding 2016 sales, shipments, margins, currencies, net income and cash flow, the opportunities for expansion and diversification of the Company's business and the Company's guidance on earnings per share 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 product offerings, promotional activities and pricing strategies by competitors; manufacturing operation expansion initiatives; acquisition integration costs; warranty expenses; foreign currency exchange rate fluctuations; environmental and product safety regulatory activity; effects of weather; commodity costs; uninsured product liability claims; uncertainty in the retail and wholesale credit markets; performance of affiliate partners; changes in tax policy and overall economic conditions, including inflation, consumer confidence and spending and relationships with dealers and suppliers. Investors are also directed to consider other risks and uncertainties discussed in our 2014 annual report and Form 10-K 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 compiled by the Company or Company estimates. The Company must rely on information that its dealers supply concerning retail sales, and other retail sales data sources and this information is subject to revision.

Scott W. Wine
Chairman & CEO

POLARIS INDUSTRIES INC.

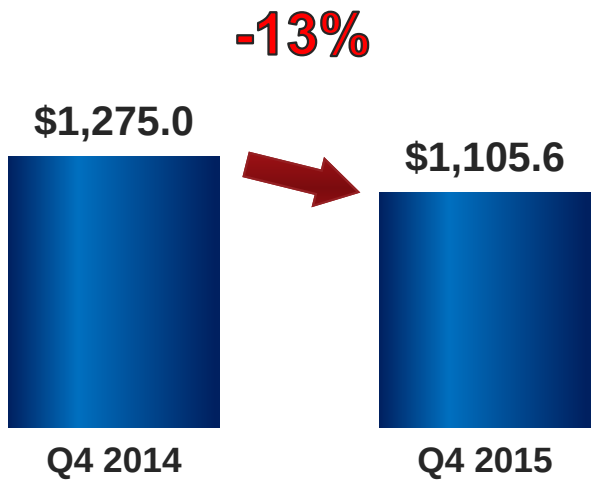
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Q4 2015 Sales and Income

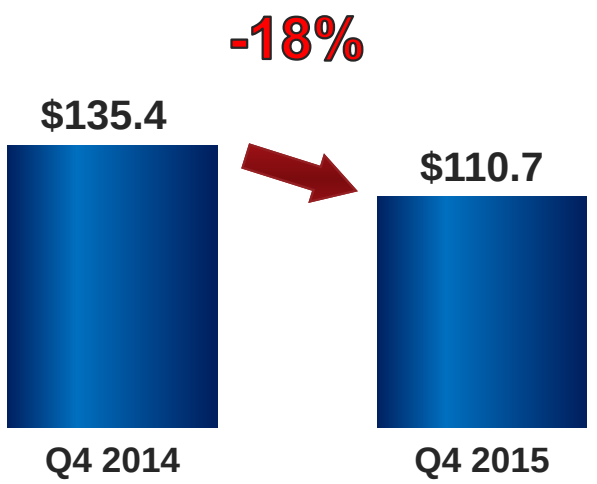
Q4 Sales

($ millions)



Q4 Net Income

($ millions)



Lower Q4 sales, operating income and net income

- ORV/Snowmobile sales down 18%; Motorcycles up 33%; Global Adjacent Markets down 20%
- Oil/Ag and low snowfall pressured sales
- Sales in EMEA down 13%, mostly currency; Latin America up 26%; Asia Pacific up 3%

Earnings per share decreased 16% to $1.66

- Gross profit margin down 77 bps from negative currency and reduced shipments

N.A. dealer inventory levels up 5%, in line with expectations

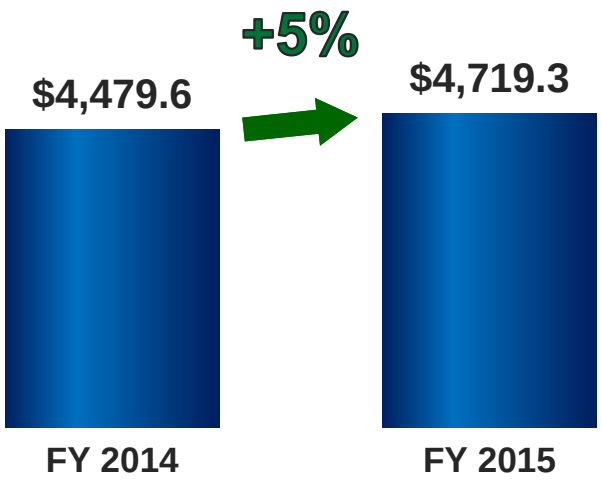
- ORV down mid-single digits, below implied guidance

Difficult Retail Environment Impacted Results

2015 Sales and Net Income

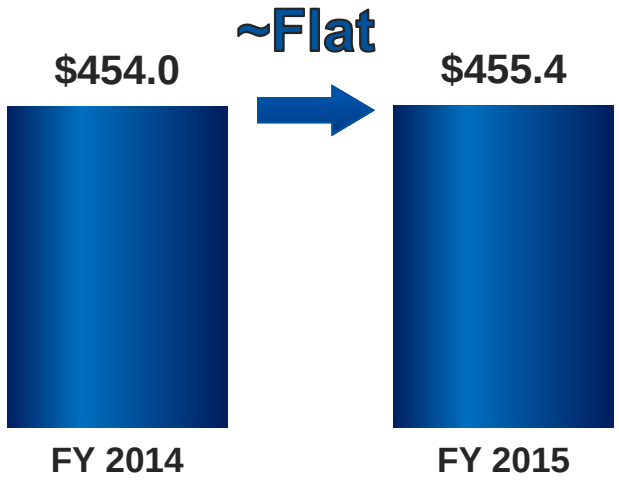
Total Company Sales

($ millions)



Net Income

($ millions)



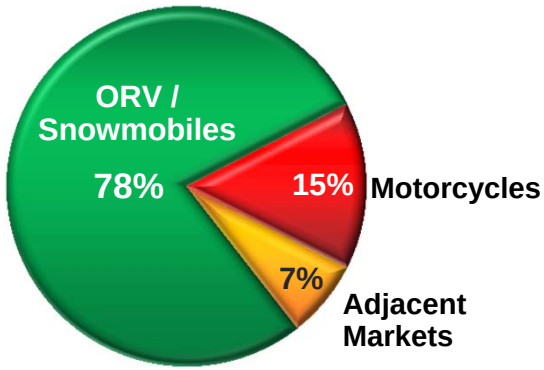
Grew Full Year Sales 5%; Net income flat

- All businesses gained market share in 2015
- International sales down 5% (up 10% excluding currency)
  - *Constant Currency: EMEA +2%; Latin America +66%; Asia Pacific +21%;*
- Pretax Income included ~$70 million of negative currency

Earnings per share up 2% to $6.75

- Repurchased 2.2 million shares for $294 million
- Net income margin down 49 bps from 2014

FY 2015 Sales by Reporting Segments
(includes respective PG&A)



Grew Market Share in All Businesses Despite Tough Economic Headwinds

Polaris Strategic Objectives

Vision & Strategy

VISION

Fuel the passion of riders, workers and outdoor enthusiasts around the world by delivering innovative, high quality vehicles, products, services and experiences that enrich their lives.

STRATEGY

Polaris will be a highly profitable, customer centric, $8B global enterprise by 2020. We will make the best off-road and on-road vehicles and products for recreation, transportation and work supporting consumer, commercial and military applications. Our winning advantage is our innovative culture, operational speed and flexibility, and passion to make quality products that deliver value to our customers.

Guiding Principles

Best People, Best Team

Safety & Ethics Always

Customer Loyalty

Strategic Objectives

Best in Powersports PLUS
5-8% annual organic growth

Global Market Leadership
>33% of Polaris revenue

Strong Financial Performance
Sustainable, profitable growth
Net Income Margin >10%

Growth Through Adjacencies
>$2B from acquisitions & new markets

LEAN Enterprise is Competitive Advantage
Significant Quality, Delivery & Cost Improvement

Performance Priorities

Growth

Margin Expansion

Product & Quality Leadership

LEAN Enterprise

GROW SALES >$8 Billion by 2020 | 12% CAGR **INCREASE NET INCOME** >10% of Sales by 2020 | 13% CAGR

2020 Strategic Objectives Remain Acheivable

Organizational Changes

Strategic Objectives

Best in Powersports PLUS
5-8% annual organic growth

Global Market Leadership
>33% of Polaris revenue

Strong Financial Performance
Sustainable, profitable growth
Net Income Margin >10%

Growth through Adjacencies
>$2B from acquisitions & new markets

LEAN Enterprise is Competitive Advantage
Significant Quality,
Delivery & Cost Improvement

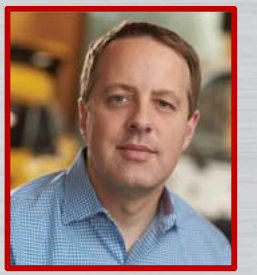
Performance Priorities

Growth

Margin Expansion

Product & Quality Leadership

LEAN Enterprise



MATT HOMAN
President – Off-Road Vehicles

(January 2016)

Side-by-Side and ATV Off-Road Vehicles: *RANGER*®, *RZR*®, Polaris GENERAL®, Polaris ACE®, *and* Sportsman®

13+ years with Polaris
Most recently President – Global Adjacent Markets
Formerly V.P. – ORV from 2008 to 2011



DAVID LONGREN
S.V.P. – Enterprise Cost

(January 2016)

Accelerate Lean Transformation
Align Engineering, Operations and functional groups for cost-down

13+ years with Polaris
Most recently President – Off-Road Vehicles

Leadership to Meet Demands of an Evolving Market

Bennett Morgan
President & COO

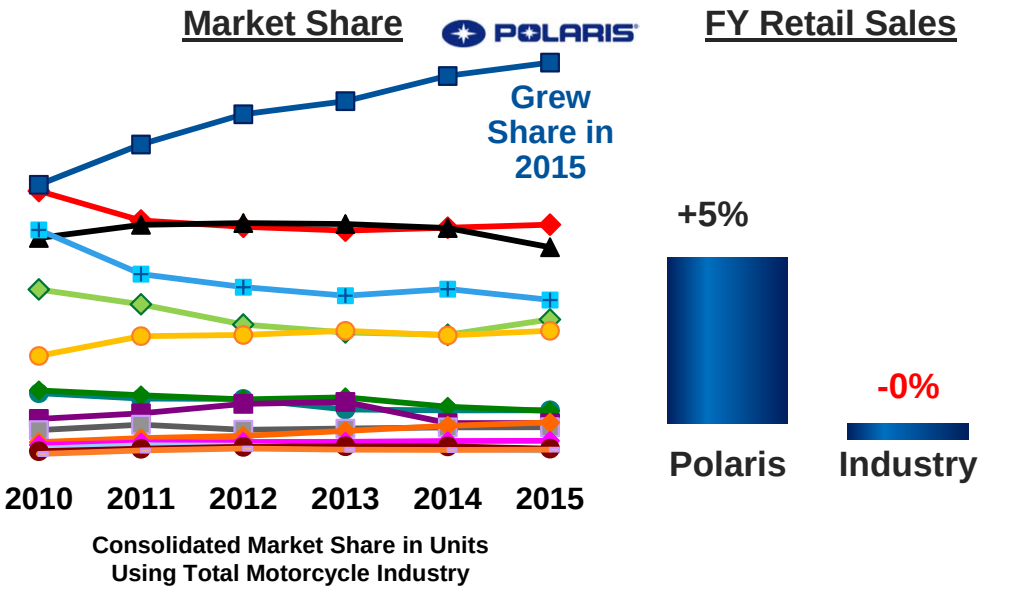
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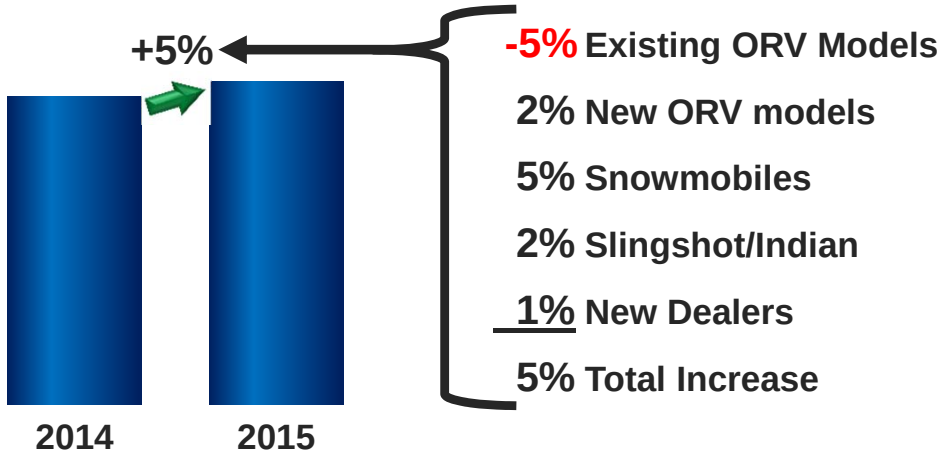
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N.A. Retail Sales & Dealer Inventory – FY 2015

N.A. Powersports Market Share & Retail Sales



N.A. Dealer Inventory



Polaris N.A. retail ↓ 6% for Q4 and ↑ 5% FY 2015 vs. 2014

Gained powersports share in Q4 and 2015 – #1 share leader for 6 consecutive years

Polaris year-end 2015 N.A. dealer inventory ↑ 5% vs. 2014

ORV ↓ mid-single digits %, motorcycle ↑ over 50%, snowmobiles ↑ over 25%, Global Adjacent Markets ↓

ATV RFM working well – SxS transitions to RFM in 2H 2016

Market Share Growth Continues; Achieved Dealer Inventory Targets

Off-Road Vehicles (ORV)

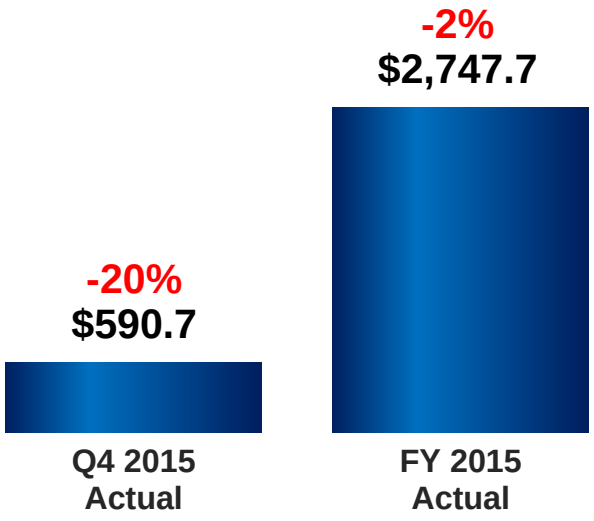






Polaris ORV Vehicle Sales

($ millions)



Summary

Every ORV product line grew retail sales in 2015

Polaris ORV Q4 2015 retail sales were ↓ low-single digits

- SxS ↓ mid-single digits %
- ATV and ACE® ↓ low-single digits %

Oil region retail ↓ 10% in 2015; ↓ upper-teens % in Q4

ORV remains #1 and gaining market share

- MY‘16 products successful against aggressive competition
- Recently entered rec/utility category with the new Polaris GENERAL™

Promotions and competitive pressures ongoing

Maintain #1 Market Share Position

Snowmobiles

RMK | INDY | RUSH | SWITCHBACK | TIMBERSLED

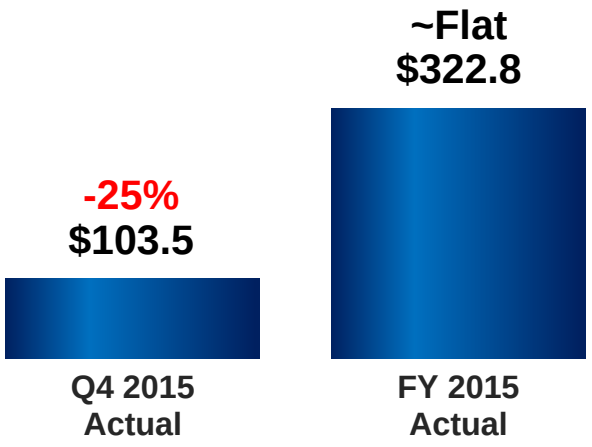






Polaris Snowmobile Vehicle Sales

($ millions)



Summary

- **N.A. Industry season-to-date (STD) retail ⬇ over 20% – poor snow conditions**
- **Polaris N.A. retail ⬇ STD mid-teens % - largest share gainer STD**
- **N.A. Dealer inventory for Polaris and Industry ⬆ about 25%**
- **New MY'16 RMK® sleds with AXYS® chassis selling well**
  - #1 STD in mountains
- **Early Q1 2016 snow conditions have improved**

Gaining Share Season-to-Date in Down Market

Motorcycles

"Modern American Muscle"



"Legendary"

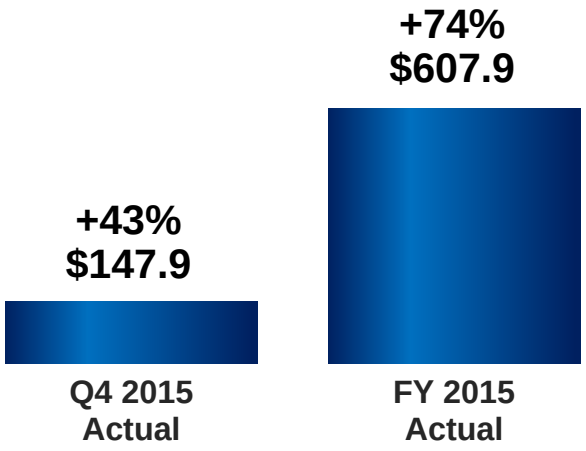


"Building an Icon"



Polaris Motorcycle Vehicle Sales

($ millions)



Summary

Polaris N.A. motorcycle Q4 retail sales ⬆ low-single digits %, tough comps

- Indian® ⬆; retail, share, and dealer expansion
- Victory® ⬇; low product availability
- Mid to heavyweight Industry ⬇ upper-single digits %
- Slingshot® ⬆ over difficult Q4'14 comps

Scout Sixty™ introduced, the 2nd mid-sized Indian®

- Appealing entry price point at $8,999

Aggressive 1H 2016 investment planned for Slingshot®

Motorcycle Growth Continues; Product Availability Improving

Global Adjacent Markets (GAM)

POLARIS WORK & TRANSPORTATION





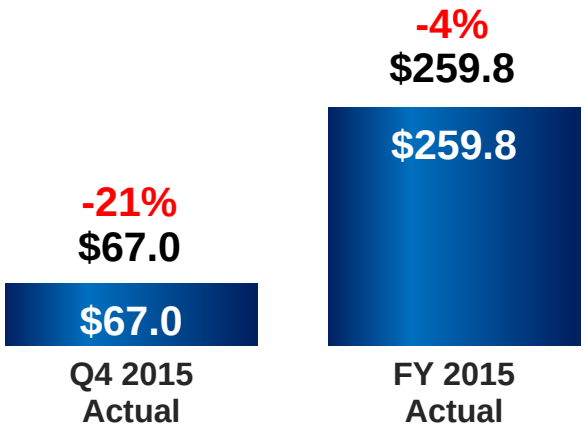


POLARIS DEFENSE



Global Adjacent Markets Vehicle Sales

($ millions)



Summary

Axiam® sales ⬆ in Q4 and 2015

- #1 - gained share for 2015

National Accounts sales ⬆

Launched completely redesigned GEM®

- Better ergonomics, lower costs, refreshed style

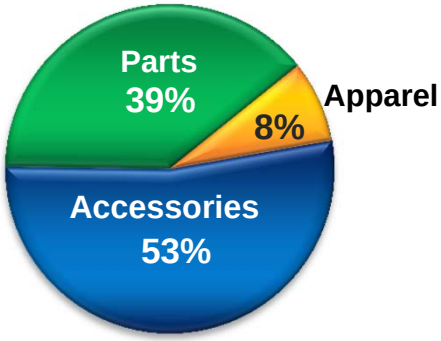
Military ⬇ due to government spending delays

Growing Market Share & Continuous Quality Improvement

Parts, Garments & Accessories (PG&A)

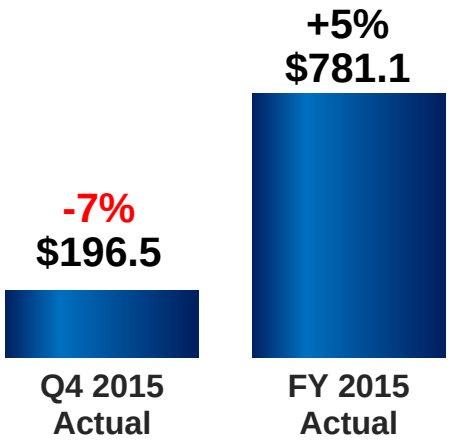


FY 2015 Sales by Category

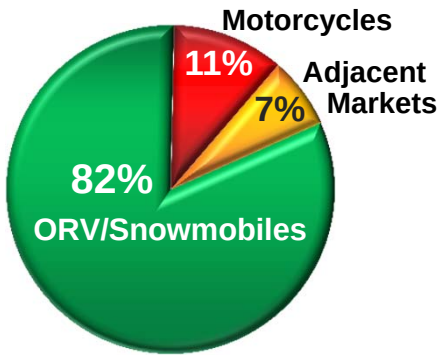


PG&A Sales – All Businesses

($ millions)

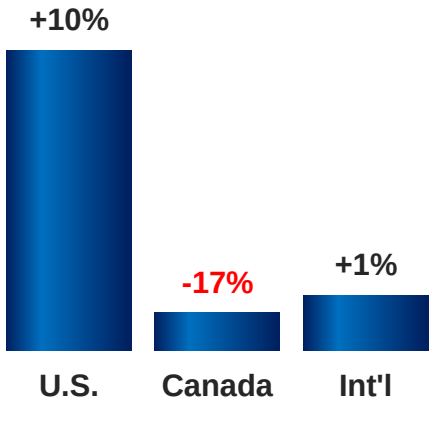


FY 2015 by Reporting Segments

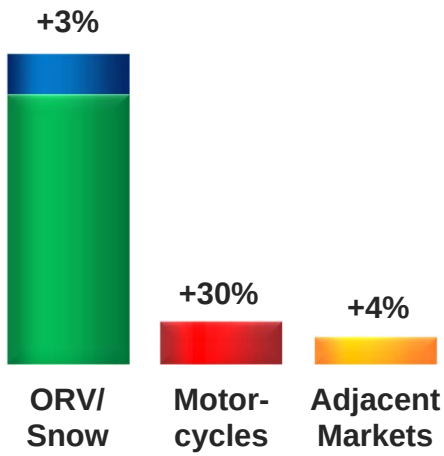


FY 2015 Sales by Geography & Segment

Geography



Reporting Segments



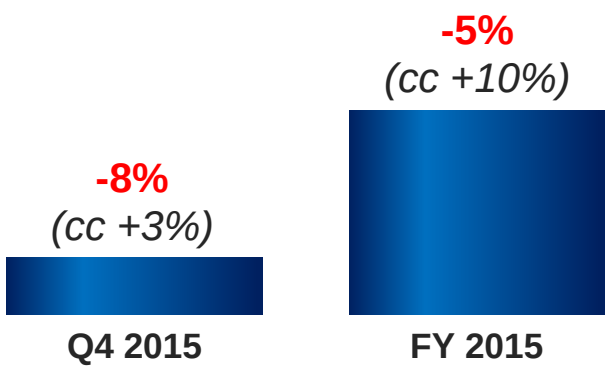
Beginning in 2016, PG&A sales guidance is included within each reporting segment

Favorable U.S. Results Offset by Canada & Int'l Due to Currency

International

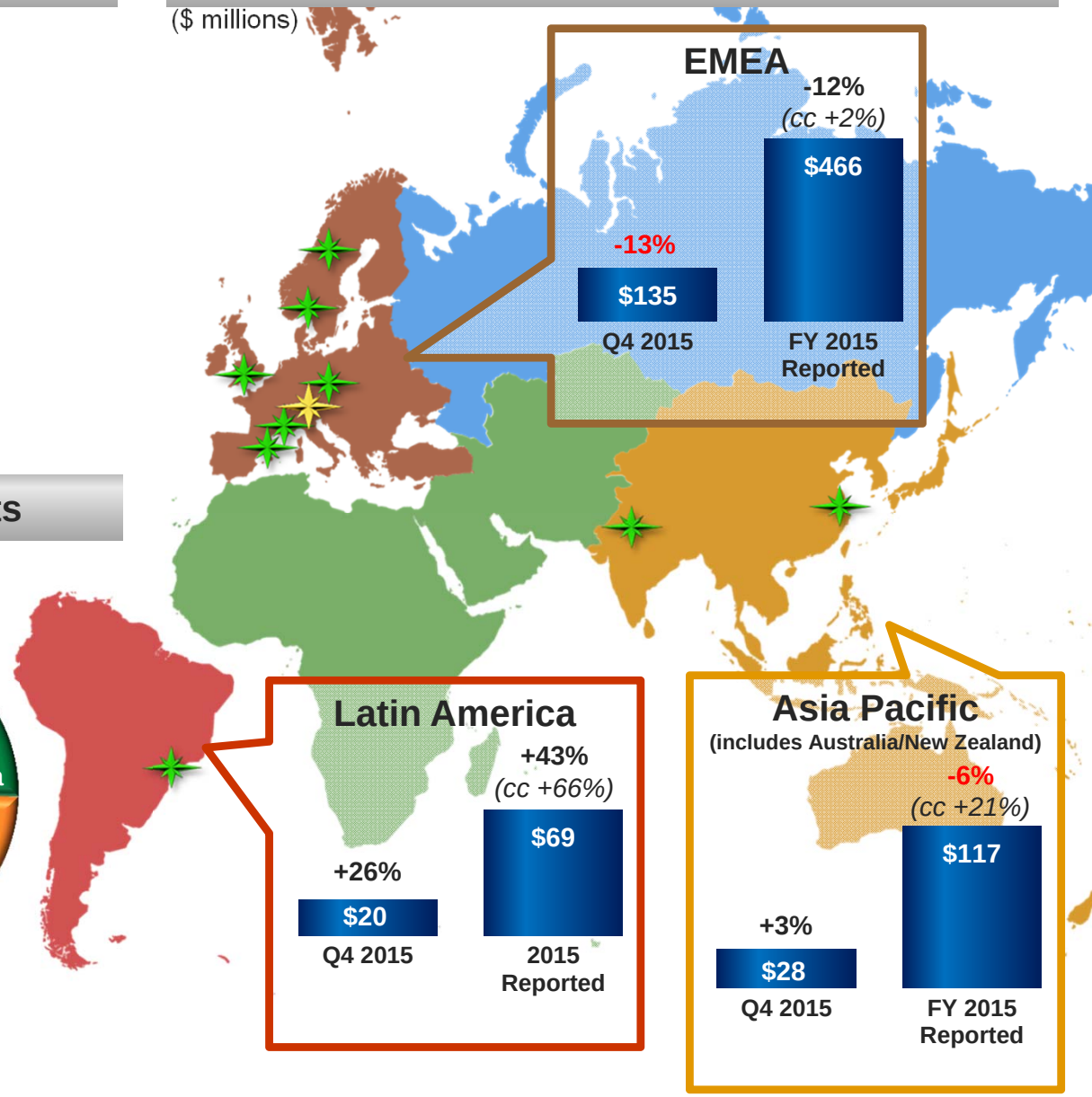
Total International Sales

($ millions)



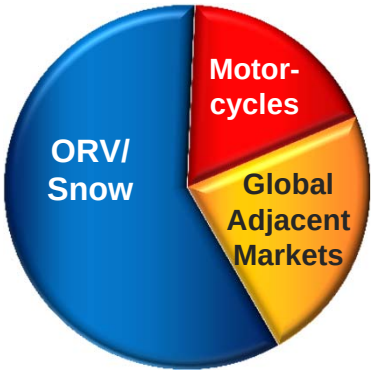
Sales by Region

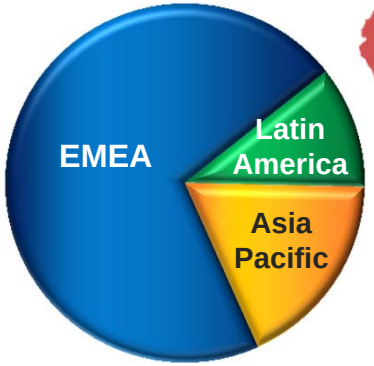
($ millions)



2015 Int'l Sales by Geography/Products

(Includes PG&A)





Ken Pucel
E.V.P. Operations, Engineering & Lean

POLARIS INDUSTRIES INC.

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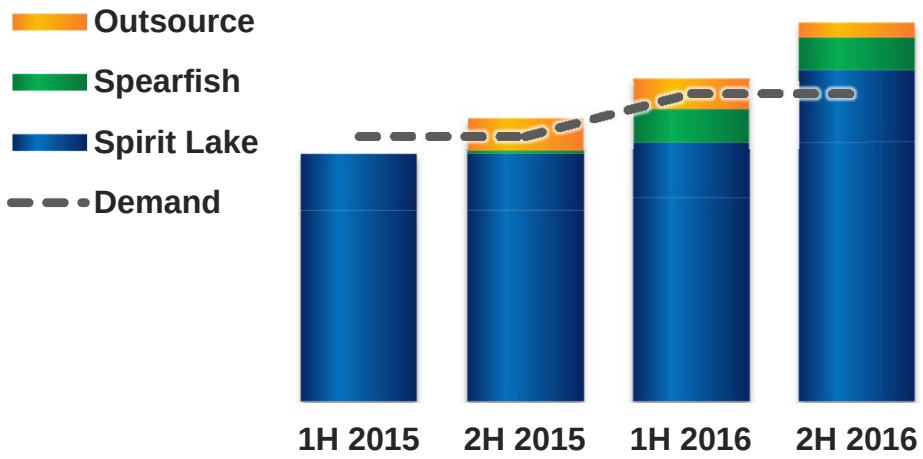
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Motorcycle – Spirit Lake Paint Update

Spirit Lake Paint Facility Upgrades



Motorcycle Paint Capacity Meets Demand



Spearfish Paint Facility On-Line



2016 Capacity Actions

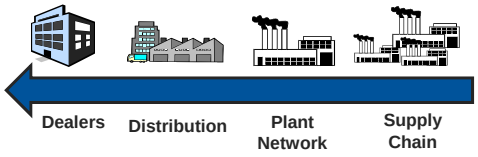
- Upgrades to Spirit Lake Paint Systems
- Spearfish and outsourcing to optimize mix
- Organizational upgrades in Spirit Lake
- Capacity planning and MES upgrades
- Slingshot MY’17 moving to Huntsville

Paint Capacity Recovered and Ramping for 2016

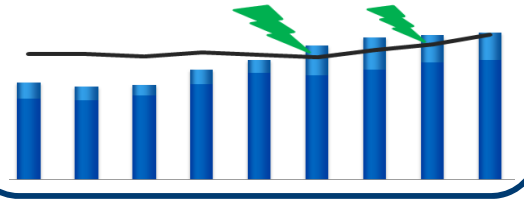
Huntsville Enables Lean and Facilitates Growth

Retail Flow Management

Improved Service Levels to Dealers

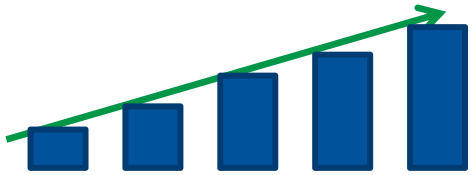


Required Surge Capacity



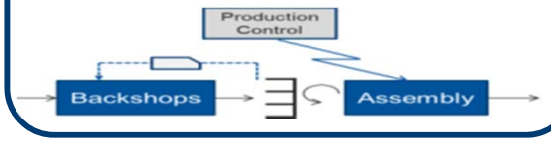
Huntsville

Gross Profit Improvement



Accelerates Lean Progress

reduced complexity in Plant network



Slingshot in Huntsville

Enables Slingshot & Motorcycles growth



Closer to our Customers



Advanced Technologies





Huntsville Important Strategic Enabler in Plant Network

Mike Speetzen
E.V.P. Finance & CFO

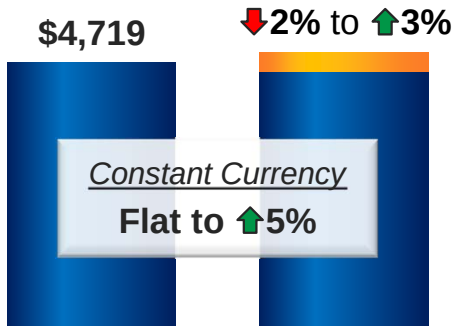
POLARIS INDUSTRIES INC.

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January 26, 2016

2016 Full Year Guidance

Total Company Sales



Assumptions

Maintain/grow market share

Dealer inventory about flat

Segment Expectations

ORV/Snowmobiles

Flat to ↓ mid-single digits %

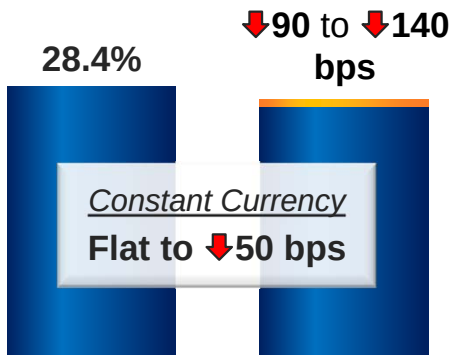
Motorcycles

↑ high-teens %

Global Adjacent Markets

↑ mid-single digits %

Gross Profit Margin



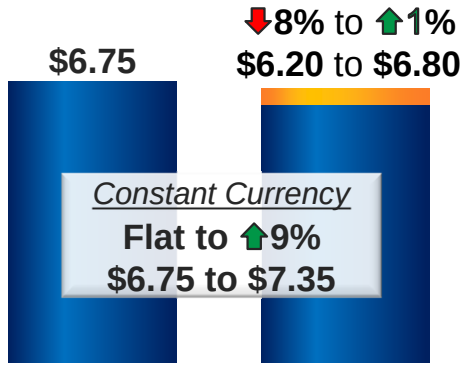
Assumptions

F/X = minus ~90 bps

Huntsville start-up Q2'16

Commodities positive

Earnings Per Share (diluted)



Assumptions

F/X = minus ~55¢ per share

Share count down 1% to 2% *(2.9M share repurchase authorization remaining)*

Net income $ down 1% to 10%

Other 2016 Expectations

Operating expenses: Slight improvement as a % of sales

Income from financial services: In-line with total company sales

Income taxes: Approx. 35% of pre-tax income

International sales: ↑ low to mid-single digits %

PG&A sales: ↑ Grow faster than overall company

2016 Guidance Range Wider Signaling Currency/End-Markets Risk

2016 Sales Guidance by Reporting Segments

($ millions)

ORV / Snowmobiles

-1%
$3,708.9



2015
(Reclassified)

Flat to down mid-single digits %



2016
Guidance

Motorcycles

+67%
$698.3



2015
(Reclassified)

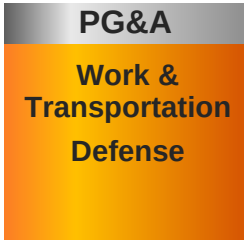
Up
High-teens %



2016
Guidance

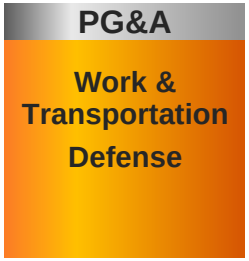
Global Adjacent Markets

-3%
$312.1



2015
(Reclassified)

Up mid-single digits %



2016
Guidance

Remain Optimistic for Modest Sales Growth & Market Share Gains

2016 Gross Profit Margin Guidance

By Component	Q4 2015 Actual	FY 2015 Actual	FY 2016 Guidance
Prior period	28.8%	29.4%	28.4%
Production volume/capacity	↓	↓	↔ to ↓
Product cost reduction efforts	↑	↑	↑
Commodity costs	↑	↑	↑
Currency rates	↓	↓	↓
Higher selling prices	↑	↑	↑
Product mix	↓	↓	↔
Motorcycle Production Constraints	↓	↓	↑
New plant start-up costs	↓	↓	↓
Warranty costs	↓	↓	↔
Depreciation/Tooling amortization	↓	↓	↓
Sales promotional costs	↓	↓	↓
Current period	28.1%	28.4%	27.0% to 27.5%
Change	*-77 bps*	*-108 bps*	*Down 90 to 140 bps*

By Reporting Segments	Q4 2015 Actual	FY 2015 Actual	FY 2016 Guidance
ORV/Snowmobiles	30.5%	32.1%	↓
Motorcycles	14.8%	13.9%	↑
Global Adjacent Markets	27.5%	27.0%	↔
Gross Profit Margin	28.1%	28.4%	↓

↑ Improvement to gross profit margin % ↓ Headwind to gross profit margin % ↔ Neutral to gross profit margin %

Foreign Currency Exposures for Polaris

F/X Impacts vs. Prior Year ($ in millions)	Actual Q4 2015	Actual FY 2015	FY 2016 Expectations*
Sales	**($35)**	**($160)**	**($80)**
Gross Profit	**($23)**	**($106)**	**($80)**
Pretax Income	**($12)**	**($70)**	**($55)**

**Assumes exchange rates remain at approximately the rate at the end of 2015 and exchange rates remain unchanged at both upper and lower ends of guidance range.*

Open 2016 F/X Hedging Contracts as of December 31, 2015

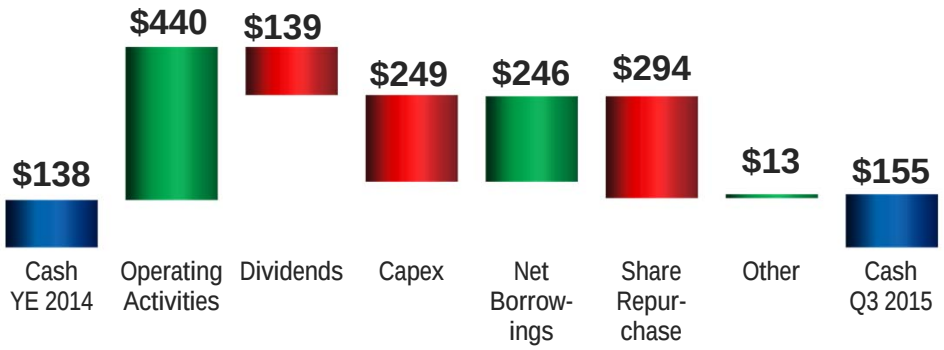
	Foreign Currency	Currency Position	Cash Flow Exposure Hedged	Foreign Currency Hedging Contracts: Notional Amounts (US $ in Millions)	Foreign Currency Hedging Contracts: Avg. Exchange Rate of Open Contracts	Currency Impact on Net Income Compared to Prior Year Period: FY 2016 (Expectation)
	Canadian Dollar (CAD)	Long	35%	$82	$0.71 to 1 CAD	Negative
	Australian Dollar (AUD)	Long	60%	$20	$0.77 to 1 AUD	Negative
	Euro (EUR)	Long	0%	-	-	Negative
	Japanese Yen (JPY)	Short	40%	$10	120 Yen to $1	Positive
	Mexican Peso (MXN)	Short	80%	$33	16 Peso to $1	Positive

Significant Impact in Q4 & Full Year 2015, Expected to Persist into 2016

Polaris Financial Position

Cash Drivers

($ millions)



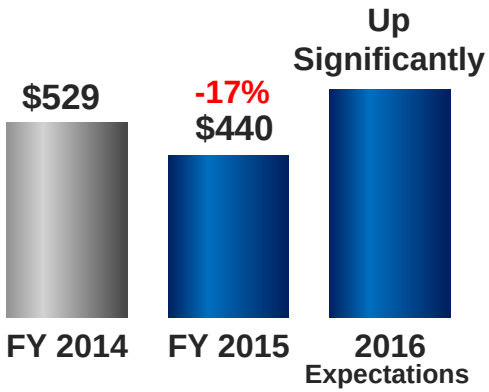
Capital Summary Dec. 2015

($ millions)

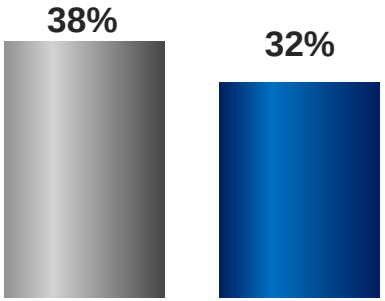
		Fav/(Unfav) Dec. 2015
Cash	**$ 155.3**	**+13%**
Debt /Capital Lease Obligations	**$ 463.3**	**(105%)**
Shareholders' Equity	**$ 981.5**	**14%**
Total Capital	**$1,444.8**	**33%**
Debt to Total Capital	***32%***	***(11%)***

Operating Cash Flow

($ millions)



ROIC*



**Defined as trailing 12 months net income divided by average total assets, minus average current liabilities*

2015 Summary

Operating cash flow ↓ 17%; factory inventory +144M vs. 2014

Increased share repurchases given current stock price

2016 Expectations

Cap Ex expected to be slightly higher than 2015

Reflects Huntsville, Spirit Lake Investments

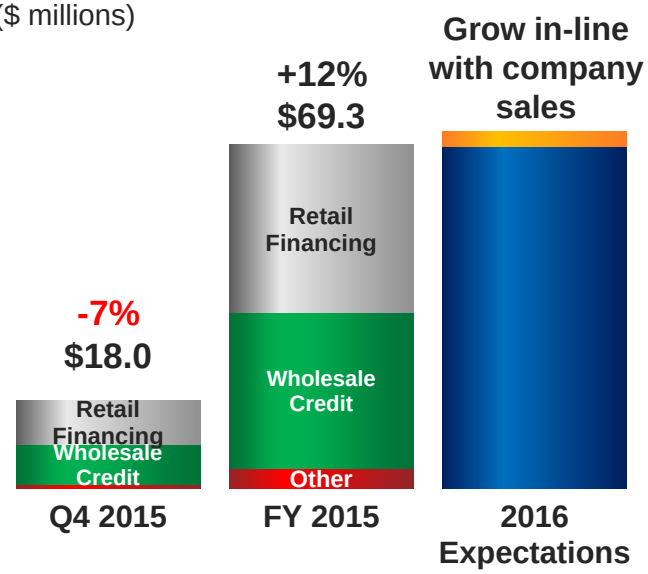
Cash Flow ↑ significantly due to ↓ factory inventory

Strong Balance Sheet and Cash Flow Generation

Income from Financial Services

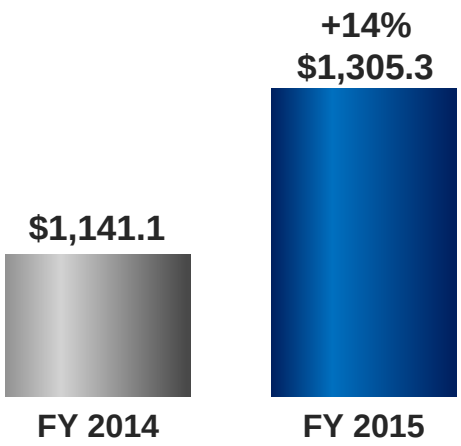
Income from Financial Services

($ millions)

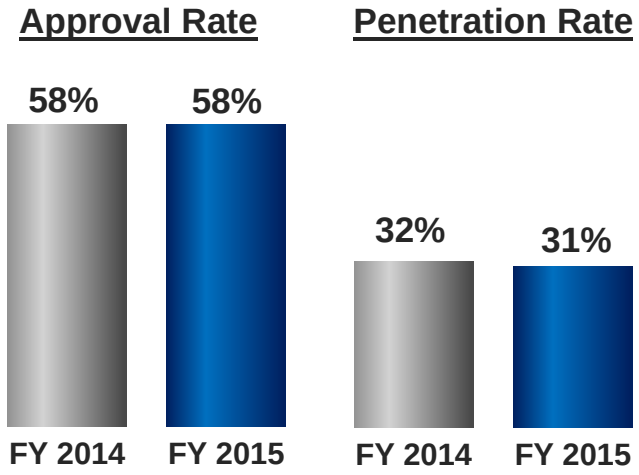


Wholesale Credit PA Receivables

($ millions)



Retail Credit



Full Year income from financial services increased 12%

Higher retail credit income

Extended Polaris Acceptance JV agreement through 2022 – similar terms

GE sale to Wells Fargo expected to close in March

Extended Sheffield and Synchrony agreements to December 2020

Ample Financing Availability at Favorable Rates

Scott W. Wine
Chairman & CEO

POLARIS INDUSTRIES INC.

Fourth Quarter & Full Year 2015 Earnings Results

January 26, 2016

2016 Business Outlook

Anticipate weak US GDP and weakening global markets

Oil/gas and ag/farm economies not improving

Powersports markets flat; remain competitive

Polaris expected to maintain/grow share

Dollar remains strong, currencies again a major headwind

International focus on profitability; expand through M&A/partners

Lean / Value Improvement Projects (VIP) gaining traction

Inventory and lead time reductions major focus

Continuing to fund significant R&D and growth investments

Products, technologies, and services

Positioned to Win in a Tough Market… and Beyond



Thank you

Questions?