

POLARIS

POLARIS INC.

THIRD QUARTER 2019 EARNINGS RESULTS

October 22, 2019

POLARIS 65TH ANNIVERSARY 1954 2019

SAFE HARBOR & NON-GAAP MEASURES

Except for historical information contained herein, the matters set forth in this presentation, including management's expectations regarding 2019 and 2020 future sales, shipments, net income, and net income per share, future cash flows and capital requirements, operational initiatives, tariffs, currency fluctuations, interest rates, and commodity costs, 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 expansion and supply chain initiatives, product offerings, promotional activities and pricing strategies by competitors; economic conditions that impact consumer spending; disruptions in manufacturing facilities; acquisition integration costs; product recalls, warranty expenses; impact of changes in Polaris stock price on incentive compensation plan costs; foreign currency exchange rate fluctuations; environmental and product safety regulatory activity; effects of weather; commodity costs; freight and tariff costs (tariff relief or ability to mitigate tariffs); changes to international trade policies and agreements; uninsured product liability claims; uncertainty in the retail and wholesale credit markets; performance of affiliate partners; changes in tax policy; relationships with dealers and suppliers; and the general overall economic and political environment. Investors are also directed to consider other risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission. The Company does not undertake any duty to any person to provide updates to its forward-looking statements.

The data source for retail sales figures included in this presentation is registration information provided by Polaris dealers in North America compiled by the Company or Company estimates and other industry data sources. The Company must rely on information that its dealers supply concerning retail sales, and other retail sales data sources related to Polaris and the powersports industry, and this information is subject to revision. Retail sales references to total Company retail sales includes only ORV, snowmobiles and motorcycles in North America unless otherwise noted.

This presentation contains certain non-GAAP financial measures, consisting of "adjusted" sales, gross profit, income before taxes, net income and net income per diluted share as measures of our operating performance. Management believes these measures may be useful in performing meaningful comparisons of past and present operating results, to understand the performance of its ongoing operations and how management views the business. Reconciliations of reported GAAP measures to adjusted non-GAAP measures are included in the financial schedules contained in this presentation. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.



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THIRD QUARTER 2019 EARNINGS RESULTS

SCOTT W. WINE
CHAIRMAN & CEO

October 22, 2019

THIRD QUARTER 2019 SUMMARY

Q3 operating results solid; ongoing tariff mitigation/operating leverage

Side-by-side retail sales up low-single digits despite numerous competitive introductions

Model Year 2020 – Biggest product news in past 5 years – strong early response

Strategic sourcing initiative – initial wave 1 savings realized during the quarter

China 301 tariff exemption requests under review – positive progress

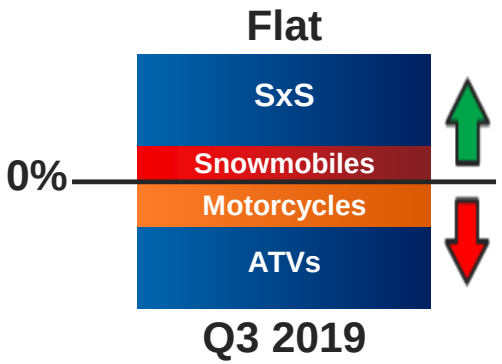
International/PG&A operating results continued 1H positive momentum

Third Quarter Performance Strong Despite External Pressures

NORTH AMERICAN POWERSPORTS RETAIL SALES

Polaris Retail Sales

Year-Over-Year Retail % Change (units)*



Polaris N.A. retail flat

- Side-by-sides up driven by all brands: RANGER, General and RZR
- Polaris promotional expense remains elevated YoY given competitive dynamics

North American Powersports* Industry retail up in Q3

- ORV up mid-single digits; motorcycles down low-single digits, snowmobiles up high-teens %

Polaris Boats SSI**

- Boats industry retail up high-single digits %
- Bennington retail up more than industry, gained share

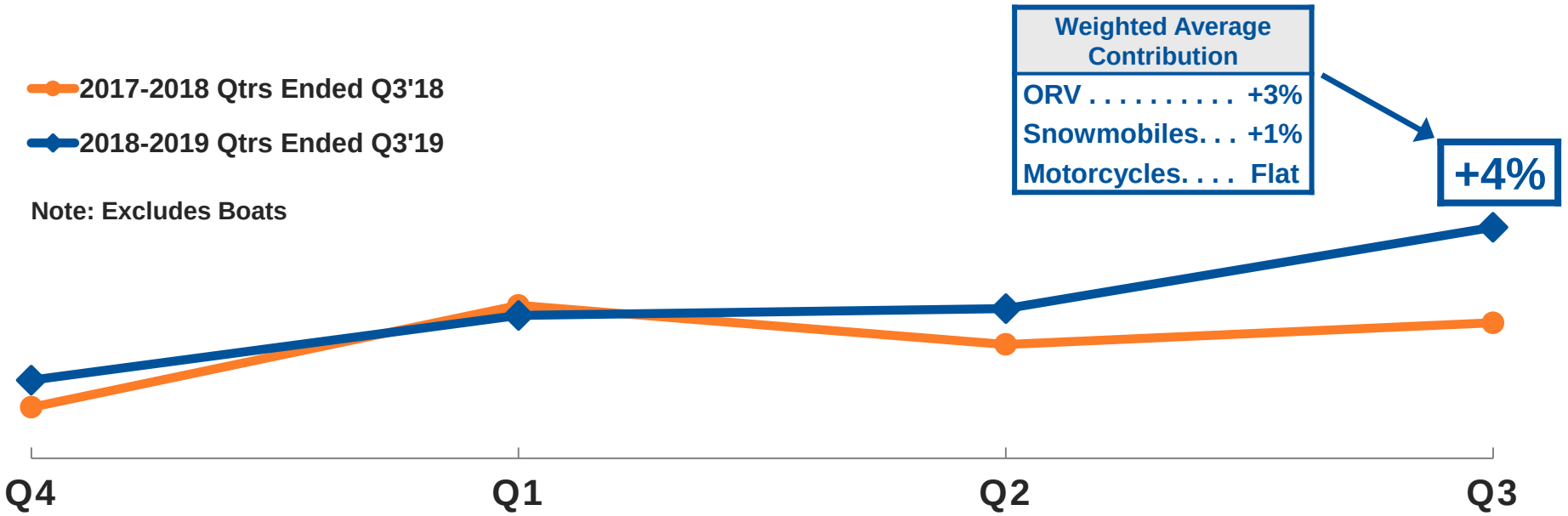
Q3'19 Retail Sales by Business

	Polaris Retail	Comments
Off-Road Vehicles Side-by-Sides ATVs	**~Flat** low-single digits % mid-single digits %	*SxS continues solid growth: RANGER/ GENERAL & RZR*
Motorcycles Indian Slingshot	**low-double digits %** mid-teens % low-single digits %	*Weak market; heavy competitive pressure*
Snowmobiles (season-end Mar'20)	**mid-thirties %**	*Pre-ordered snowmobiles retailing*
Boats*	**high-single digits %**	*Bennington outperforming industry*

** Boats not included in Total Company retail sales or Powersports Industry*
***Preliminary SSI data, pontoons only, subject to change*

Side-by-side Winning in Most Profitable Segments Against Strong Competitive Actions

NORTH AMERICAN DEALER INVENTORY



Polaris Q3 2019 N.A. dealer inventory up 4%

ORV up mid-single digits primarily driven by side-by-sides

ORV up due to MY '20 shipments and additional Factory Choice models

Motorcycles up low-single digits with Indian up, Slingshot down significantly

Indian up from FTR shipments

Dealer inventory, in aggregate, at acceptable levels

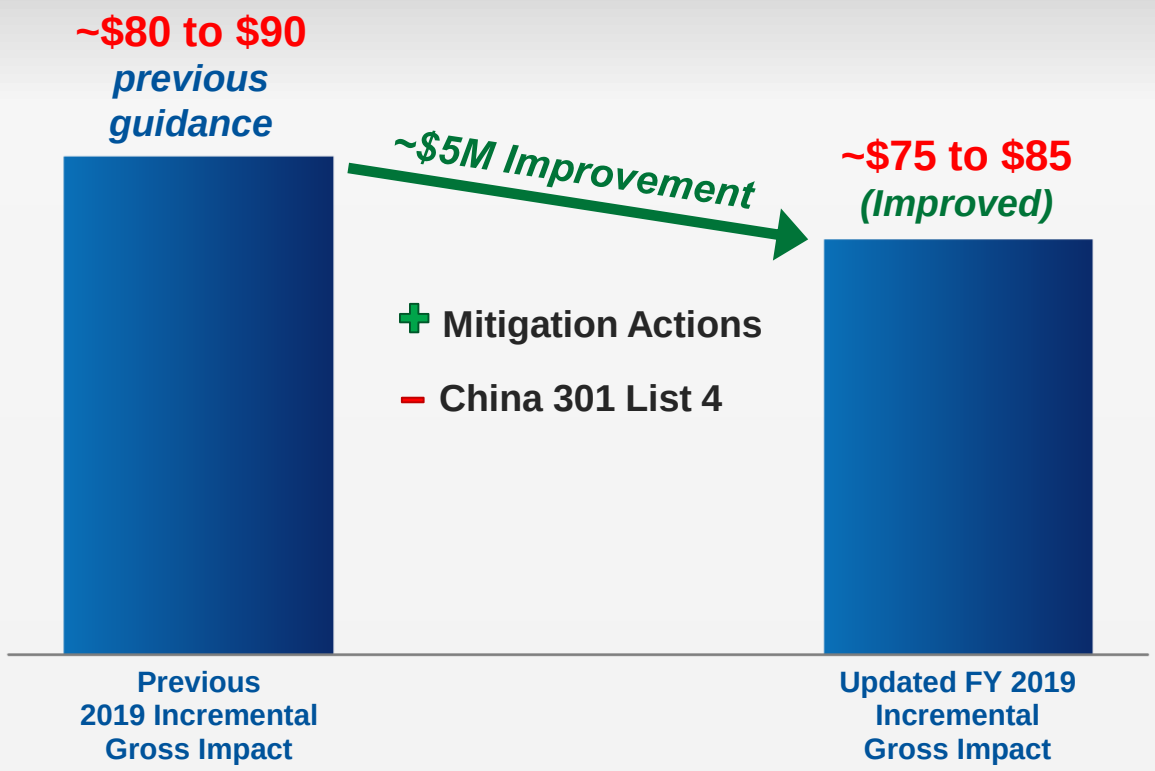
RFM process managing inventory based on retail sales

RFM Process Calibrating Dealer Inventory Based on Retail Velocity

TARIFFS / TRADE UPDATE

Tariffs / Trade Costs

($ in millions)



Estimates based on effective dates and items included in lists as the Company understands them today.

Update Comments

Further progress on supply chain mitigation

- Supplier negotiations
- New suppliers outside China
- Existing suppliers moved production

301 exclusion requests under review

Monitoring US/China trade negotiations

- Possible permanent relief if deal struck

Tariffs Remains a Fluid Topic – Aggressively Attacking

NEW MODEL YEAR 2020 PRODUCT INTRODUCTIONS

OFF-ROAD VEHICLES



RZR PRO XP



RANGER 1000



RZR PRO XP4



SPORTSMAN XP 1000 S

BOATS



Bennington Bowrider



Bennington Center Console Fishing



Sanpan



Hurricane (6 new models)

MOTORCYCLES



***FTR 1200** (shipping began late-Q2)*



Scout 100th Anniversary Edition



Indian Challenger
-launch pending-



New Slingshot (Automatic)
-launch pending-

FACTORY CHOICE PACKAGES



Back Country Package



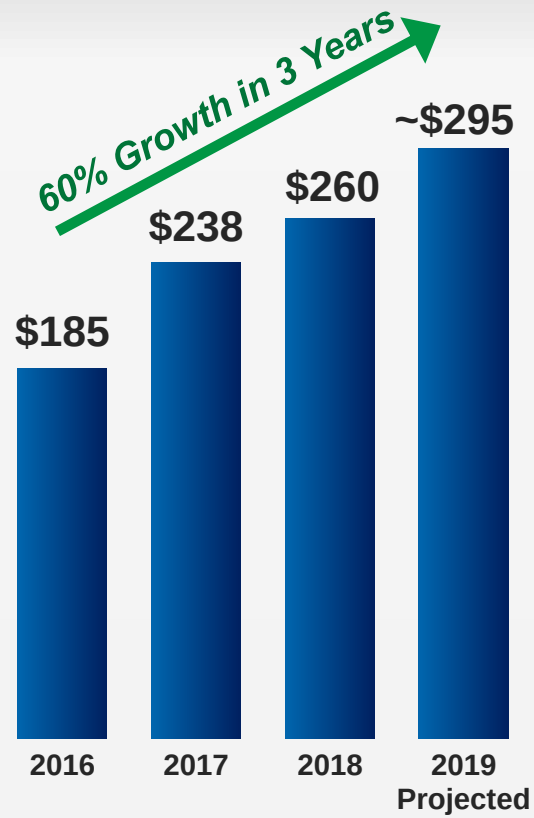
Winter Prep Package



New Ride Command Features

RESEARCH & DEVELOPMENT

($ in millions)



Research & Development Investments Beginning to Pay Dividends

POLARIS BRAND TRANFORMATION

POLARIS

Think Outside

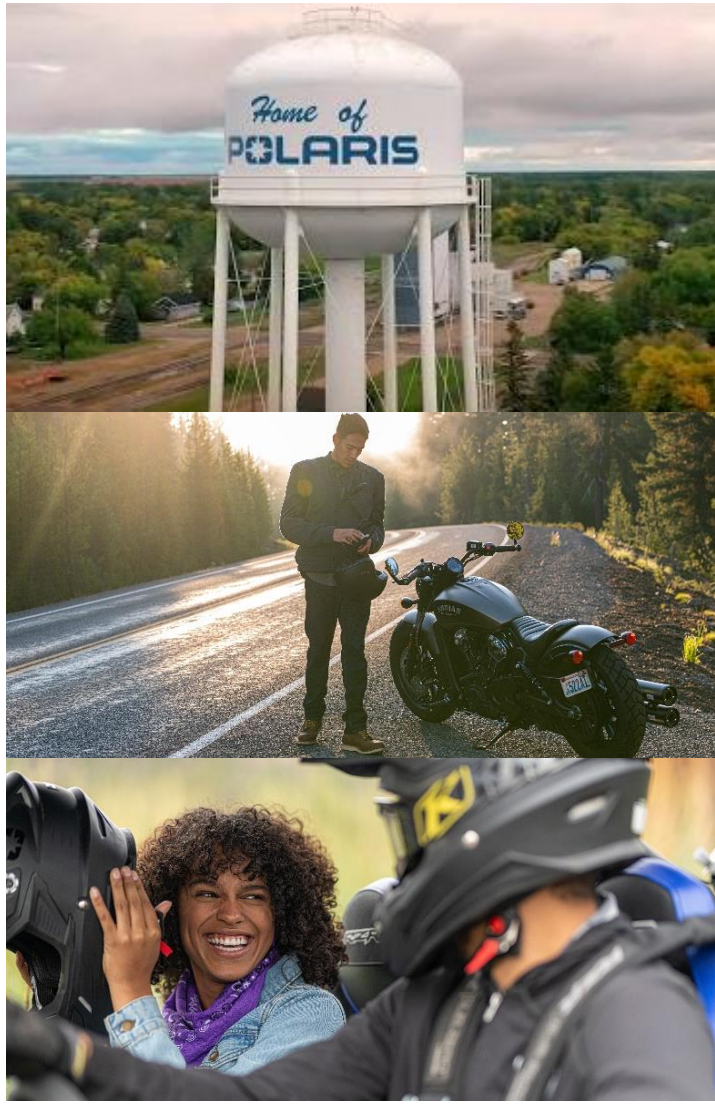
Our call for people to experience the outdoors and discover new possibilities.

Think Outside

Our defining quality of inventing and improving work and play experiences.

We believe what's outside should challenge what's inside us.

We exist to take you there.



REFINED – MODERNIZED – BROADENED

CUSTOMER CENTRIC APPROACH TO GROWTH

Polaris Adventures

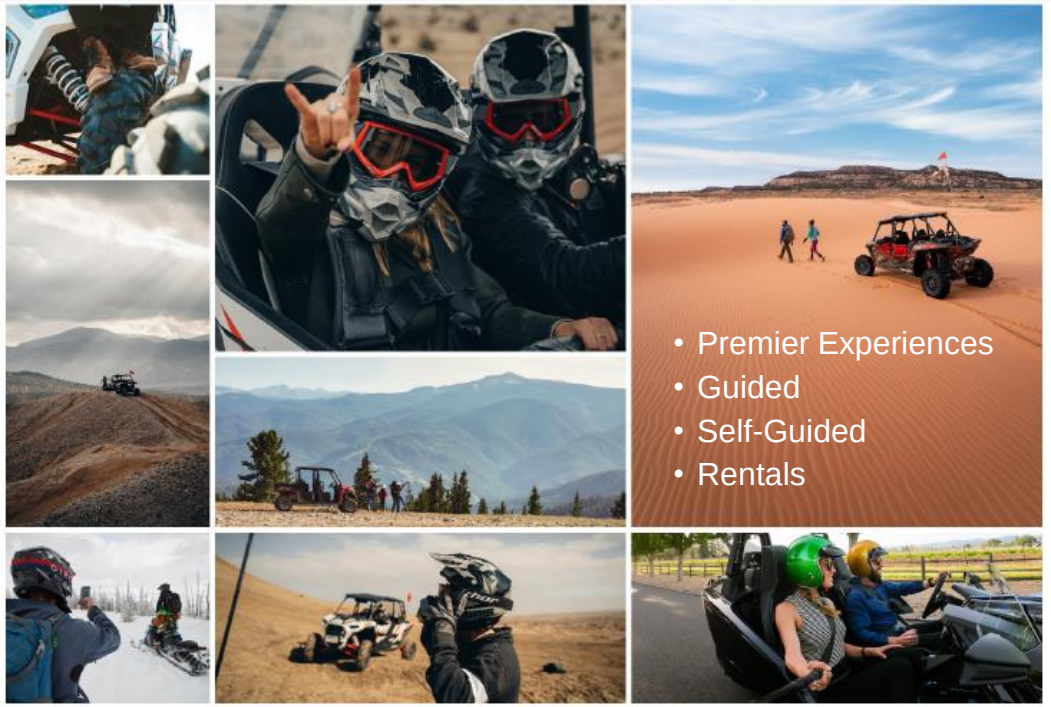
"Creating an ever expanding lifestyle surrounding our products."

POLARIS ADVENTURES

125+ Locations

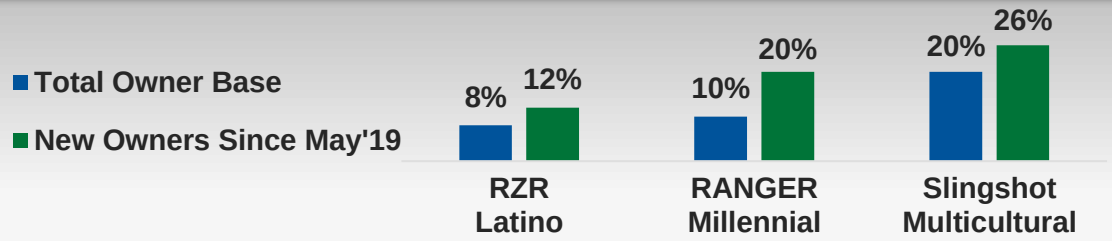
100,000+ Consumer Rides YTD

90+% New Customers to Polaris



Approachable Experiences for Everyone

Customer Engagement & Growth





Building Awareness and Relevance

Actively Cultivating New Customers to Powersports



POLARIS

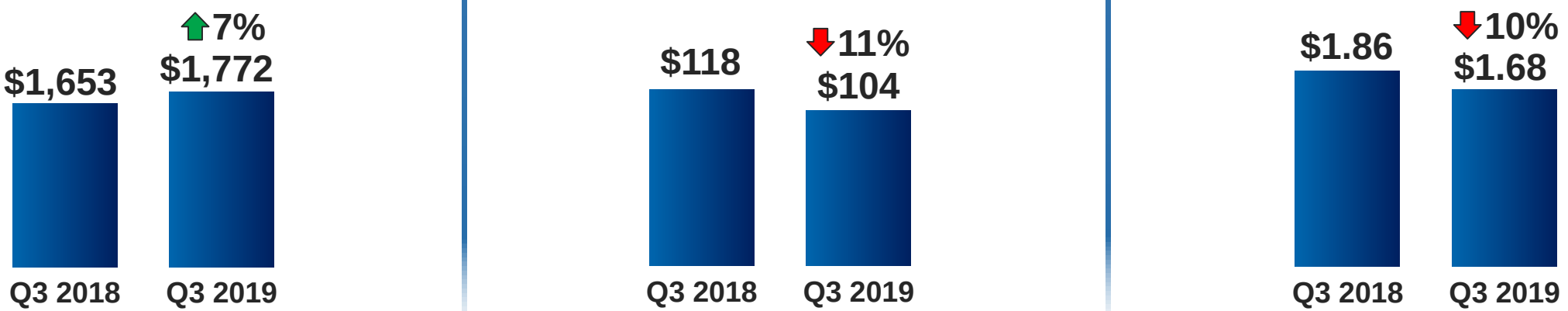
THIRD QUARTER 2019 EARNINGS RESULTS

MIKE SPEETZEN
EVP FINANCE & CFO

October 22, 2019

Q3 2019 FINANCIAL RESULTS

	Sales	Net Income	Earnings Per Share
GAAP	($ in millions) **$1,772 million** ▲7% y/y	($ in millions) **$88 million** ▼7% y/y	**$1.42** ▼5% y/y
ADJUSTED*	$1,653 → ▲7% $1,772 Q3 2018 / Q3 2019	$118 → ▼11% $104 Q3 2018 / Q3 2019	$1.86 → ▼10% $1.68 Q3 2018 / Q3 2019



Third quarter 2019 adjusted* results slightly better than Company expectations; tariff mitigation

GAAP gross profit up; net income margins lower

Adjusted* gross profit margins up due to mix

**See GAAP/Non-GAAP Reconciliation in Appendix*

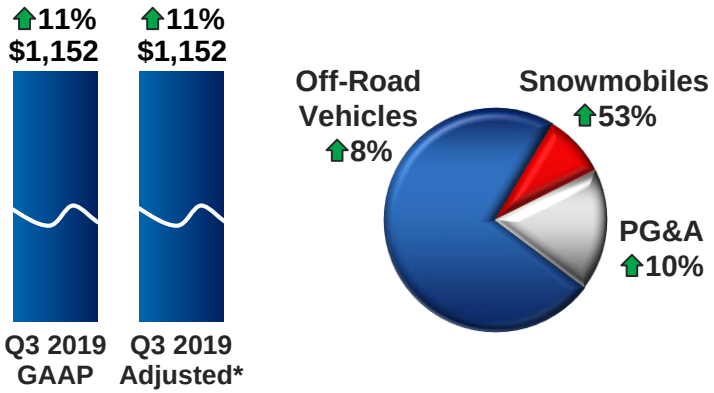
Q3 Results Slightly Ahead of Company Expectations

Q3 2019 SALES & GROSS PROFIT MARGINS BY SEGMENT

$ in millions

ORV / Snowmobiles

SALES

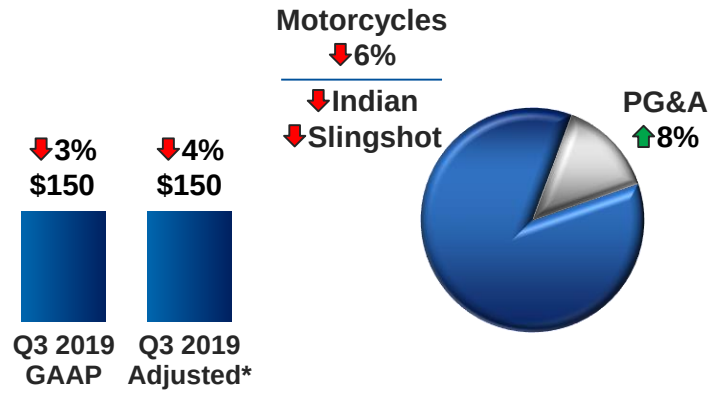


GROSS PROFIT MARGIN



Motorcycles

SALES

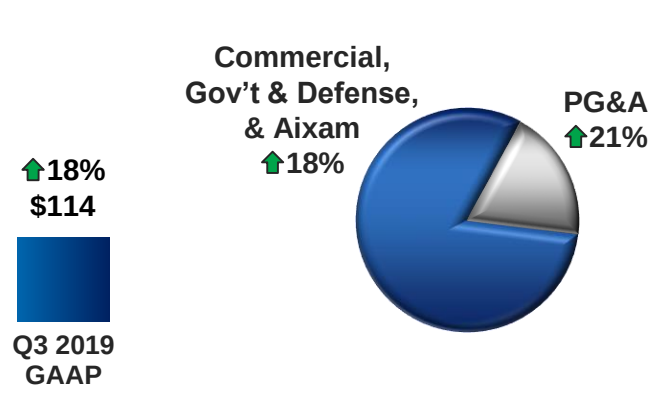


GROSS PROFIT MARGIN

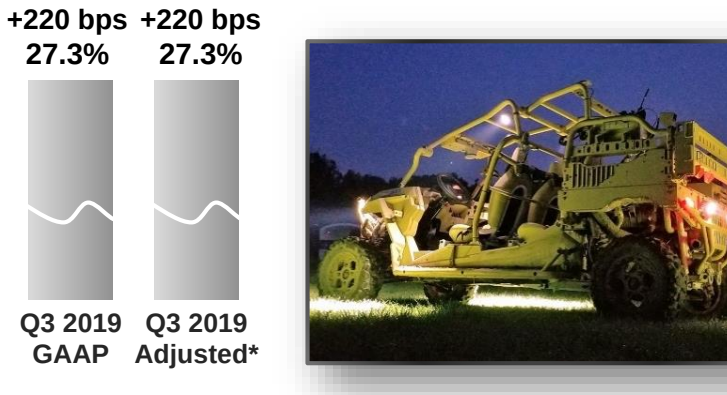


Global Adjacent Markets

SALES



GROSS PROFIT MARGIN



Note: Pie charts based on adjusted sales. *See GAAP/Non-GAAP Reconciliation in Appendix.*

ORV / Global Adjacent Markets Experienced Strong Growth in Q3

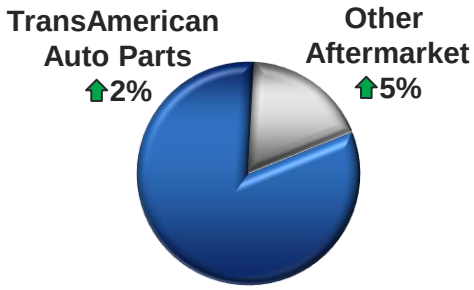
Q3 2019 SALES & GROSS PROFIT MARGINS BY SEGMENT con't.

$ in millions

Aftermarket

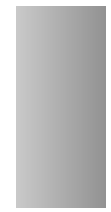
SALES





Pie chart based on adjusted sales*

GROSS PROFIT MARGIN

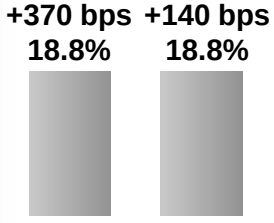




Boats



BENNINGTON
GODFREY
Hurricane
RINKER
LARSON
STRIPER

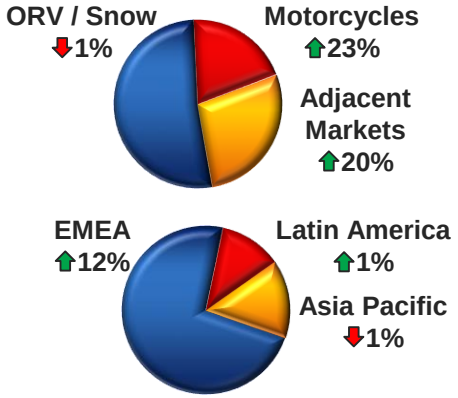




SUPPLEMENTAL SALES DATA

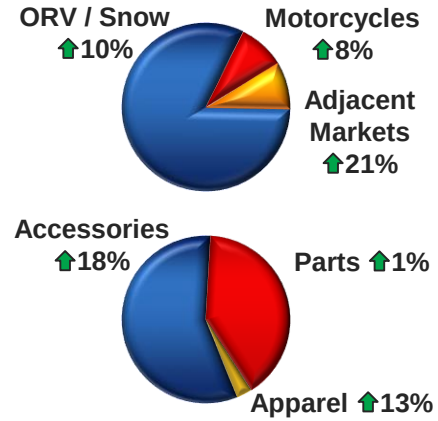
International





PG&A





Pie charts based on GAAP

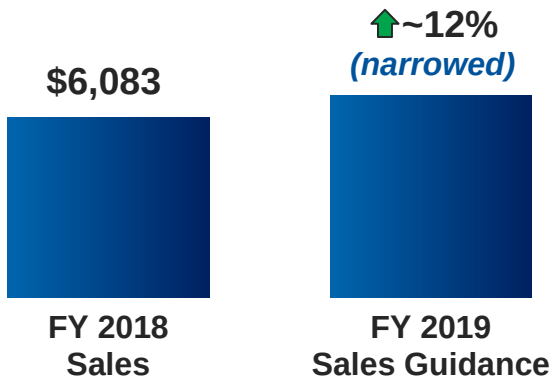
*See GAAP/Non-GAAP Reconciliation in Appendix

PG&A and International Continued Solid Growth Trend in Q3

2019 FULL YEAR SALES & EPS GUIDANCE

Full Year Total Company Adjusted* Sales Guidance

($ in millions)

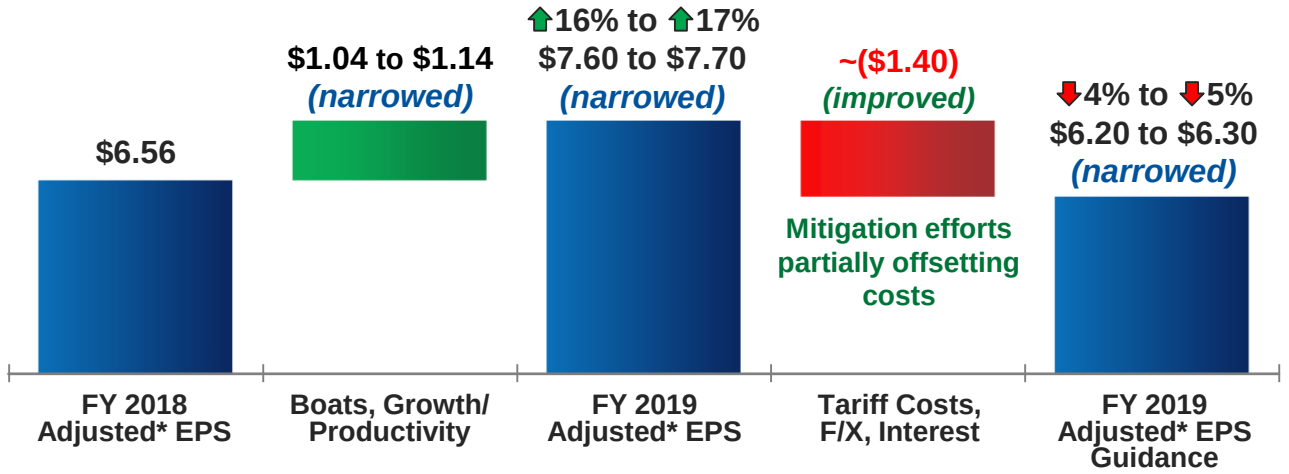


Powersports Industry remains positive *(unchanged)*

Motorcycles / Boats expectations *(lowered)*

F/X expected to be negative to sales ~1% *(unchanged)*

Full Year Adjusted* EPS Guidance**



Gross profit margins down 40-60 bps, up 105-125 bps excl. tariffs/FX *(improved)*

Adjusted operating expenses increase mid-teens % *(unchanged)*

- FY Boats / strategic investments / 65th anniversary celebration
- Up about 40 bps, as a % of sales, due to revised YoY sales guidance ***(increased)***

Financial services down high-single digits % *(unchanged)*

- Q3 2019 penetration rates at 32%; approval rates at 66% – both in-line with expectations

Interest expense up high-thirty %; acquisition funding *(unchanged)*

Tax rate approximately 22.5% of pretax income *(unchanged)*

Diluted shares outstanding down approximately 1% *(unchanged)*

F/X expected to have negative impact to pre-tax profit *(unchanged)*

**See GAAP/Non-GAAP Reconciliation in Appendix*

***See Appendix for discussion regarding non-GAAP adjustments excluded from 2019 guidance*

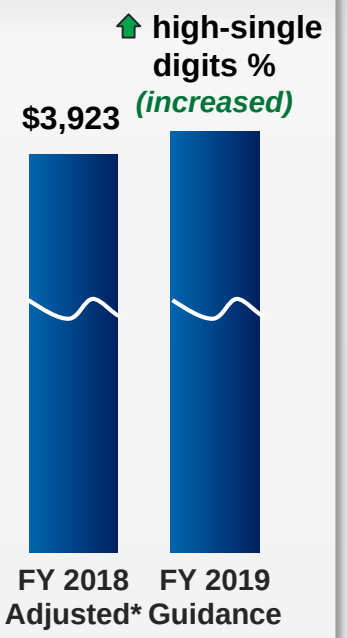
Raising Lower End of EPS Range Given YTD Performance; Holding Upper End of Range

FY 2019 SALES GUIDANCE BY SEGMENT

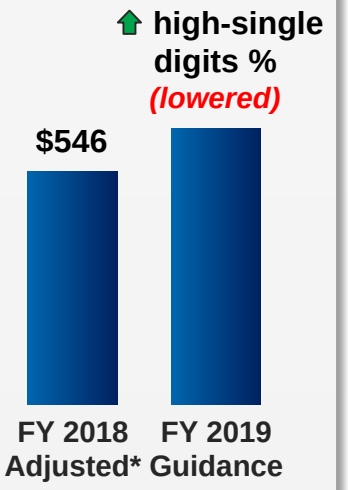
$ in millions

Segment Sales

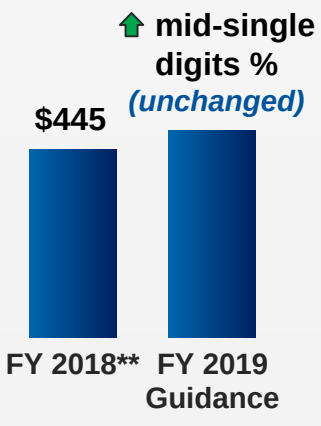
ORV/Snowmobiles



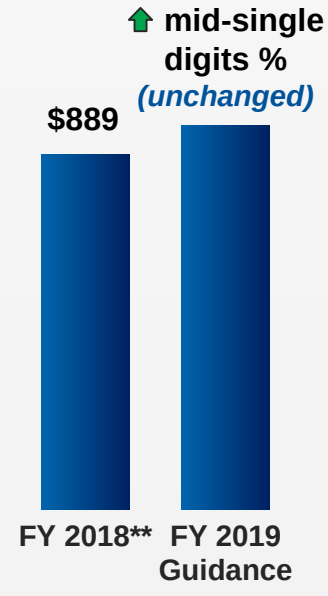
Motorcycles



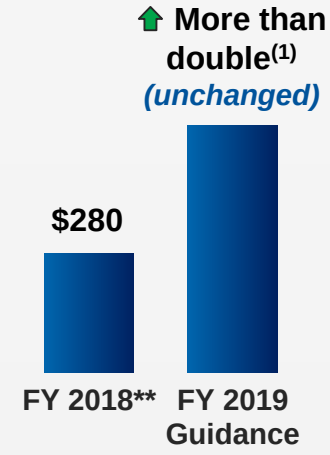
Adjacent Markets



Aftermarket



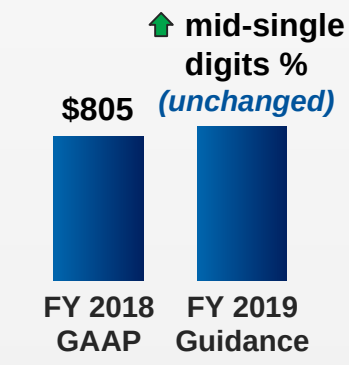
Boats



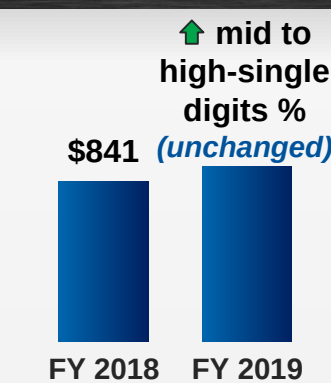
(1)*down low-single digits % on a FY proforma basis* ***(lowered)***

Supplemental Sales Data

International



PG&A



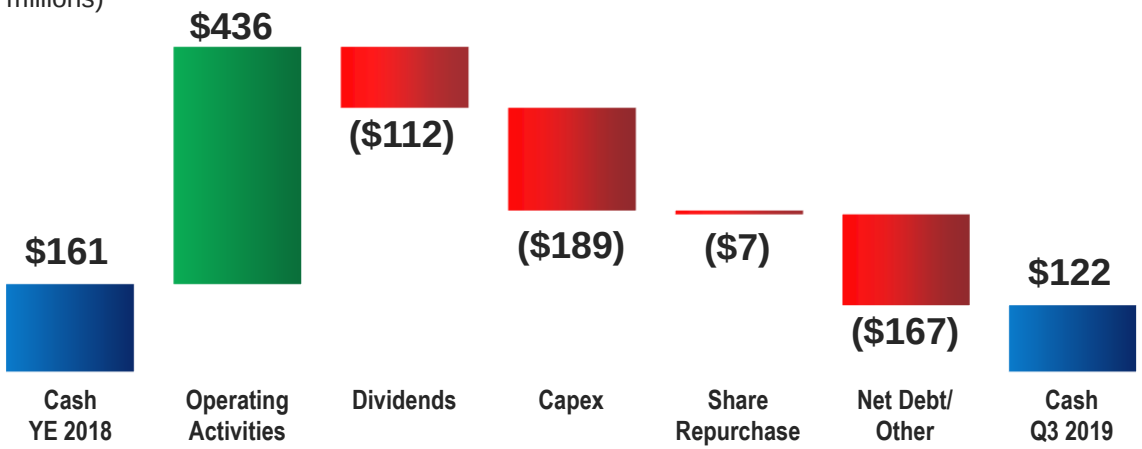
**See GAAP/Non-GAAP Reconciliation in Appendix. **No non-GAAP adjustments made to reported GAAP numbers.*

Positive Product Mix Driving ORV / Snowmobile Sales Growth Improvement

Q3 2019 FINANCIAL POSITION & 2019 EXPECTATIONS

Capital Summary September 2019

($ millions)

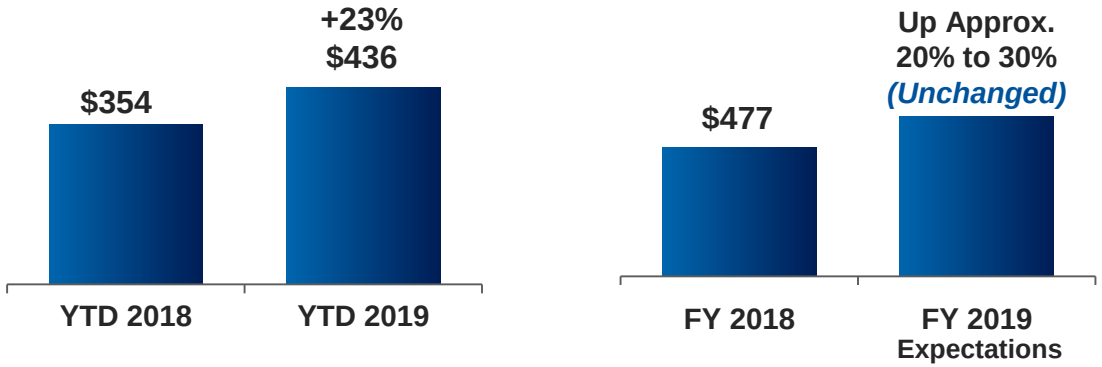


Cash Drivers

($ millions)	Sept 2019	Variance to Sept 2018
Cash	$ 122	-33%
Debt /Capital Lease Obligations	$ 1,784	-4%
Shareholders' Equity	$ 1,013	+13%
Total Capital	$ 2,797	+1%
Debt to Total Capital	*64%*	*-3 pts*
*Leverage Ratio**	*~2.4*	*flat*
*ROIC***	*15.8%*	*-230 bps*

Operating Cash Flow

($ millions)



Q3 Summary

Operating cash flow up as expected

Factory inventory up; new products, tariff costs

Leverage ratio improving sequentially as cash flow improves

FY 2019 Expectations

Cash Flow expectations tracking expectations

Cap Ex up over 2018; new product tooling / distribution center

Debt reduction continues to be main priority

** Based on bank leverage ratio calculation*

***Calculated using trailing twelve months adjusted net income*

Company Financial Position Remains Strong



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THIRD QUARTER 2019 EARNINGS RESULTS

SCOTT W. WINE
CHAIRMAN & CEO

October 22, 2019

2020 INITIAL THOUGHTS

Economy slowing, but consumer confidence and low unemployment remains positive

Trade resolution / election unknown

Powersports industry remains positive driven by product introductions

Industry side-by-sides up; ATV's and motorcycles remain challenged

Polaris retail expected positive driven by accelerated new product cadence

Supply chain initiative continues to gain traction; executing Wave 1 & 2, initiating Wave 3

Customer-centric drive becomes more evident

Innovative products / Factory Choice / Ride Command / Dealer Capabilities / RFM 2.0

Strategic & Product Investments, Geared to Maintain Polaris' Leadership Position in Powersports









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THIRD QUARTER 2019 EARNINGS RESULTS

QUESTIONS?

October 22, 2019

APPENDIX

GROSS PROFIT MARGINS – Q3 2019 ACTUAL & FY 2019 GUIDANCE

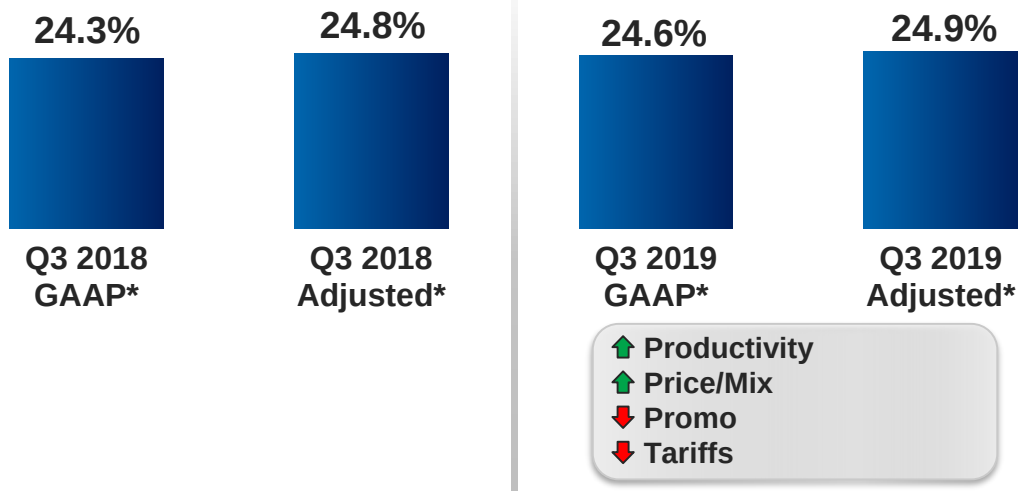
NON-GAAP RECONCILIATIONS

NON-GAAP RECONCILIATIONS - SEGMENTS

2019 GUIDANCE ADJUSTMENTS

GROSS PROFIT MARGINS

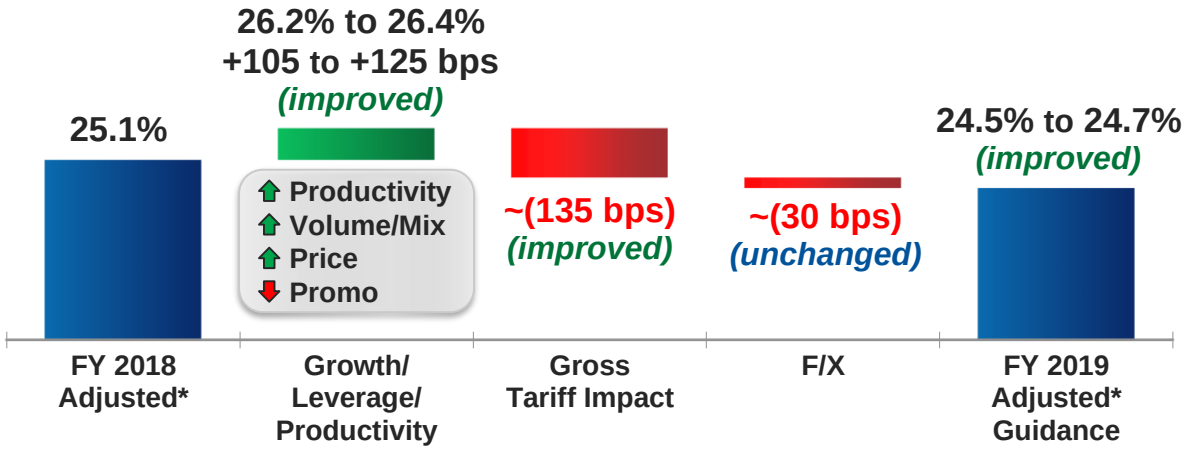
Q3 2019 Gross Profit Margin



Segments	Q3 2018 GAAP	Q3 2018 Adjusted*	Q3 2019 GAAP	Q3 2019 Adjusted*
ORV/Snow	28.1%	28.1%	28.1%	28.1%
Motorcycles	12.6%	13.3%	8.0%	8.0%
Adj. Markets	25.1%	25.1%	27.3%	27.3%
Aftermarket	28.7%	28.7%	26.2%	26.2%
Boats	15.1%	17.4%	18.8%	18.8%

*See GAAP/Non-GAAP Reconciliation in Appendix; N/A = Not Applicable

FY 2019 Adjusted* Gross Profit Margin Guidance**



Segments	2019 Adj. Expectations Including Tariff Impact	2019 Adj. Expectations Excluding Tariff Impact
ORV/Snow	→	↑
Motorcycles	↓	→
Adjacent Markets	↑	↑
Aftermarket	↓	↑
Boats	↑	↑

KEY: ↑ Improvement ↓ Headwind → Neutral

**See Appendix for discussion regarding non-GAAP adjustments excluded from 2019 guidance

Gross Profit Margins Improved Due to Successful Tariff Mitigation

NON-GAAP RECONCILIATIONS

Reconciliation of GAAP "Reported" Results to Non-GAAP "Adjusted" Results

(In Thousands, Except Per Share Data; Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Full Year
	2019	2018	2019	2018	2018
Sales	**$ 1,771,647**	**$ 1,651,415**	**$ 5,046,652**	**$ 4,451,420**	**$ 6,078,540**
Victory wind down [1]	—	1,055	—	1,304	823
Restructuring & realignment [3]	—	660	—	2,789	3,177
Adjusted sales	**1,771,647**	**1,653,130**	**5,046,652**	**4,455,513**	**6,082,540**
Gross profit	**436,542**	**401,270**	**1,225,438**	**1,109,927**	**1,501,200**
Victory wind down [1]	—	1,239	—	417	40
Acquisition-related costs [2]	—	3,130	—	3,130	3,130
Restructuring & realignment [3]	4,765	4,128	18,048	15,965	19,375
Adjusted gross profit	**441,307**	**409,767**	**1,243,486**	**1,129,439**	**1,523,745**
Income before taxes	**108,160**	**123,059**	**286,890**	**309,599**	**429,249**
Victory wind down [1]	—	1,514	—	1,757	2,383
Acquisition-related costs [2]	1,838	8,989	5,319	16,798	22,737
Restructuring & realignment [3]	4,765	4,671	18,048	22,564	26,012
EPPL impairment [5]	—	—	—	23,447	27,048
Brammo [6]	—	—	—	(13,478)	(13,478)
Intangible amortization [7]	10,428	10,403	30,925	22,591	32,932
Other expenses [4]	4,189	3,288	16,699	5,010	7,539
Adjusted income before taxes	**129,380**	**151,924**	**357,881**	**388,288**	**534,422**
Net income attributable to PII	**88,388**	**95,529**	**225,029**	**243,783**	**335,257**
Victory wind down [1]	—	1,154	—	1,339	1,815
Acquisition-related costs [2]	1,401	6,848	4,054	12,799	17,327
Restructuring & realignment [3]	3,632	3,559	13,753	17,192	19,819
EPPL impairment [5]	—	—	—	22,325	25,069
Brammo [6]	—	—	—	(13,113)	(13,113)
Intangible amortization [7]	7,853	7,763	23,283	16,708	24,437
Other expenses [4]	3,192	3,073	12,724	5,110	8,960
Adjusted net income attributable to PII [8]	**$ 104,466**	**$ 117,926**	**$ 278,843**	**$ 306,143**	**$ 419,571**
Diluted EPS attributable to PII	**$ 1.42**	**$ 1.50**	**$ 3.62**	**$ 3.78**	**$ 5.24**
Victory wind down [1]	—	0.02	—	0.02	0.03
Acquisition-related costs [2]	0.02	0.11	0.07	0.20	0.27
Restructuring & realignment [3]	0.06	0.06	0.22	0.26	0.31
EPPL impairment [5]	—	—	—	0.34	0.39
Brammo [6]	—	—	—	(0.20)	(0.20)
Intangible amortization [7]	0.13	0.12	0.37	0.26	0.38
Other expenses [4]	0.05	0.05	0.21	0.08	0.14
Adjusted EPS attributable to PII [8]	**$ 1.68**	**$ 1.86**	**$ 4.49**	**$ 4.74**	**$ 6.56**

Key Definitions: Throughout this presentation, the word "Adjusted" is used to refer to GAAP results excluding: TAP inventory step-up purchase accounting / integration expenses, corporate restructuring, network realignment and supply chain transformation costs, EPPL impairment, gain on Brammo investment, and impacts associated with the Victory Motorcycles® wind down.

Adjustments:

(1) Represents adjustments for the wind down of Victory Motorcycles, including wholegoods, accessories and apparel

(2) Represents adjustments for integration and acquisition-related expenses and purchase accounting adjustments

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

(4) Represents adjustments for class action litigation-related expenses and the impacts of tax reform

(5) Represents adjustments for the impairment of the Company's equity investment in Eicher-Polaris Private Limited (EPPL). This charge is included in Equity in loss of other affiliates (non-operating) on the Consolidated Statements of Income.

(6) Represents a gain on the Company's investment in Brammo, Inc. This gain is included in Other income (non-operating) on the Consolidated Statements of Income.

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

(8) The Company used its estimated statutory tax rate of 23.8% for the non-GAAP adjustments in 2019 and 2018, except for the non-deductible items and the tax reform related changes noted in Item 4

NON-GAAP RECONCILIATIONS - SEGMENTS

In Thousands, Unaudited)	Three months ended September 30,		Nine months ended September 30,		Full Year
	2019	2018	2019	2018	2018
SEGMENT SALES					
ORV/Snow segment sales	$ 1,152,405	$ 1,035,554	$ 3,069,173	$ 2,858,959	$ 3,919,417
Restructuring & realignment [3]	—	660	—	2,789	3,177
Adjusted ORV/Snow segment sales	**1,152,405**	**1,036,214**	**3,069,173**	**2,861,748**	**3,922,594**
Motorcycles segment sales	**149,900**	**155,316**	**464,615**	**458,285**	**545,646**
Victory wind down [1]	—	1,055	—	1,304	823
Adjusted Motorcycles segment sales	**149,900**	**156,371**	**464,615**	**459,589**	**546,469**
Global Adjacent Markets (GAM) segment sales	**114,003**	**96,251**	**340,883**	**322,996**	**444,644**
No adjustment	—	—	—	—	—
Adjusted GAM segment sales	**114,003**	**96,251**	**340,883**	**322,996**	**444,644**
Aftermarket segment sales	**236,261**	**229,973**	**685,668**	**676,859**	**889,177**
No adjustment	—	—	—	—	—
Adjusted Aftermarket sales	**236,261**	**229,973**	**685,668**	**676,859**	**889,177**
Boats segment sales	**119,078**	**134,321**	**486,313**	**134,321**	**279,656**
No adjustment	—	—	—	—	—
Adjusted Boats sales	**119,078**	**134,321**	**486,313**	**134,321**	**279,656**
Total sales	**1,771,647**	**1,651,415**	**5,046,652**	**4,451,420**	**6,078,540**
Total adjustments	—	**1,715**	—	**4,093**	**4,000**
Adjusted total sales	$ 1,771,647	$ 1,653,130	$ 5,046,652	$ 4,455,513	$ 6,082,540

(In Thousands, Unaudited)	Three months ended September 30,		Nine months ended September 30,		Full Year
	2019	2018	2019	2018	2018
SEGMENT GROSS PROFIT					
ORV/Snow segment gross profit	$ 323,940	$ 290,631	888,864	831,413	**1,113,908**
Restructuring & realignment [3]	—	660	—	2,789	3,177
Adjusted ORV/Snow segment gross profit	**323,940**	**291,291**	**888,864**	**834,202**	**1,117,085**
Motorcycles segment gross profit	**11,940**	**19,577**	**45,704**	**60,817**	**63,045**
Victory wind down [1]	—	1,239	—	417	40
Restructuring & realignment [3]	—	—	—	1,185	1,220
Adjusted Motorcycles segment gross profit	**11,940**	**20,816**	**45,704**	**62,419**	**64,305**
Global Adjacent Markets (GAM) segment gross profit	**31,138**	**24,155**	**94,851**	**83,520**	**116,583**
Restructuring & realignment [3]	—	45	—	479	490
Adjusted GAM segment gross profit	**31,138**	**24,200**	**94,851**	**83,999**	**117,073**
Aftermarket segment gross profit	**61,794**	**66,092**	**173,483**	**182,291**	**234,365**
No adjustment	—	—	—	—	—
Adjusted Aftermarket segment gross profit	**61,794**	**66,092**	**173,483**	**182,291**	**234,365**
Boats segment gross profit	**22,335**	**20,253**	**98,976**	**20,253**	**46,252**
Acquisition-related costs [2]	—	3,130	—	3,130	**3,130**
Boats segment gross profit	**22,335**	**23,383**	**98,976**	**23,383**	**49,382**
Corporate segment gross profit	**(14,605)**	**(19,438)**	**(76,440)**	**(68,367)**	**(72,953)**
Restructuring & realignment [3]	4,765	3,423	18,048	11,512	14,488
Adjusted Corporate segment gross profit	**(9,840)**	**(16,015)**	**(58,392)**	**(56,855)**	**(58,465)**
Total gross profit	**436,542**	**401,270**	**1,225,438**	**1,109,927**	**1,501,200**
Total adjustments	4,765	8,497	18,048	19,512	22,545
Adjusted total gross profit	$ 441,307	$ 409,767	1,243,486	1,129,439	**1,523,745**

Adjustments:

[1] Represents adjustments for the wind down of Victory Motorcycles, including wholegoods, accessories and apparel

[2] Represents adjustments for integration and acquisition-related expenses and purchase accounting adjustments

[3] Represents adjustments for corporate restructuring, network realignment costs, and supply chain transformation

2019 GUIDANCE ADJUSTMENTS

2019 guidance excludes the pre-tax effect of acquisition integration costs of approximately $5 million to $10 million, supply chain transformation and network realignment costs of approximately $25 million to $30 million, and approximately $17 million to $20 million for class action litigation-related expenses. Intangible amortization of approximately $40 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.