Fourth Quarter & Full Year 2019 Earnings Results



January 28, 2020

POLARIS

SAFE HARBOR & NON-GAAP MEASURES

Except for historical information contained herein, the matters set forth in this news release, including management's expectations regarding 2020 and 2022 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 costs; the impact of tariffs and the ability of the Company to obtain expected tariff mitigation through its supply chain initiatives or expected tariff relief through the USTR exclusion process; 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.

Scott W. Wine
Chairman & CEO

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Fourth Quarter & Full Year 2019 Summary

Full year GAAP and adjusted* sales up 12%

All segments reported positive sales growth in 2019

Continued operational improvement despite headwinds

Gross margins up year-over-year, excluding tariffs/FX

Strategic sourcing initiative realizing initial savings

R&D and strategic investments beginning to produce results

Strong PG&A sales; exceeded $1 billion in sales

PG&A plus powersports aftermarket brands

Tariff expectations improving

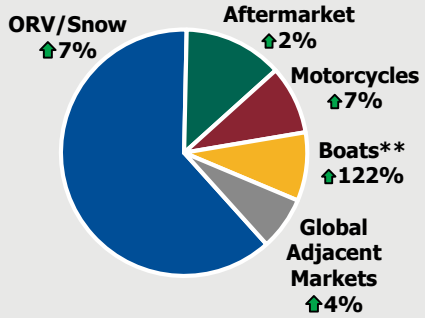
Exemptions coming through; mitigation working

Indian Motorcycles gained share in Q4 & FY in down N.A. market

Full Year 2019 Sales

$6.78B

+12%* *YOY Growth



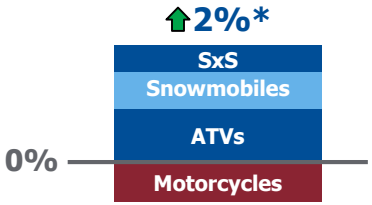
**See GAAP/Non-GAAP Reconciliation in Appendix*

***Acquired July 2018*

Strong Q4 and FY Results, Excluding Tariffs, Driven Primarily by Operational Efficiencies

Q4 2019 North American Powersports Retail Sales

Polaris Retail Sales



Polaris N.A. retail sales up 2%

Side-by-sides up driven by RANGER/General
ATVs up due to strong full-size retail
Indian Motorcycles up driven primarily by Challenger/FTR; Slingshot down

North American Powersports* Industry retail up low-single digits % in Q4

Snowmobiles and ORV up mid-single digits %, respectively
Motorcycles down mid-single digits %

Polaris Boats Q4 SSI**

Boats industry retail up mid-single digits %
Bennington gained share FY '19

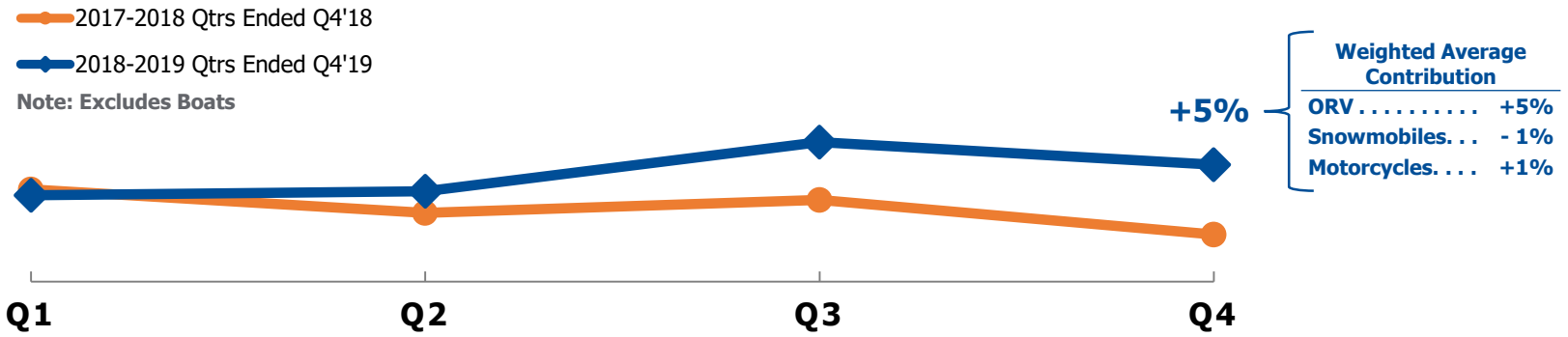
Retail Sales by Business

	Polaris Retail	Comments
Off-Road Vehicles	↑ **low-single digits %**	*SxS retail driven by full size premium/standard; ATVs driven by new full size*
Side-by-Sides	↑ low-single digits %	
ATVs	↑ mid-single digits %	
Motorcycles	↓ **low-single digits %**	*Positive Challenger launch in weak market*
Indian	↑ low-single digits %	
Slingshot	↓ high-twenties %	
Snowmobiles (season-end Mar'20)	↑ **low-single digits %**	*Early snow / cold weather*
Boats*	↑ **mid-single digits %**	*Bennington performance slightly below industry in small retail quarter (only ~5% of FY industry retail)*

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

Ranger Side-by-Sides, ATVs and Snow Continued Positive YoY Retail Trends Driven by Innovation

North American Dealer Inventory



Polaris Q4 2019 N.A. dealer inventory up 5%

- ORV up high-single digits % due to MY '20 shipments plus Factory Choice models
- Snowmobiles down mid-single digits due to strong retail trends

Motorcycles up mid-teens %

- Indian up from Challenger/FTR shipments
- Slingshot down in preparation of new model launch

Dealer Inventory Reasonable, In Aggregate, Targeted Profile Mix Adjustments Ongoing

Leadership Changes



Steve Menneto
President – Off-Road Vehicles

Joined Polaris 1997

23+ years powersports experience

Previous:

President – Motorcycles



Mike Dougherty
President – Motorcycles and International

Joined Polaris 1998

22 years powersports experience

Previous:

President – International

VP & General Manager of the ATV division



Chris Musso
Senior Vice President – Electrification Strategy

Joined Polaris 2017

20 years consulting experience

Previous:

President – Off-Road Vehicles

Senior Partner at McKinsey & Co.



Victor Koelsch
Chief Digital Officer

Joined Polaris January 2020

30 Years of digital and technology experience

Previous:

President & CEO of Exide Technologies

Chief Digital Officer at Michelin Groupe

Proven Operators In Place to Accelerate Profitable Growth

POLARIS

Think Outside



Vehicle Customization
FACTORY CHOICE



Vehicle to Vehicle Communication
RIDE COMMAND GROUP RIDE



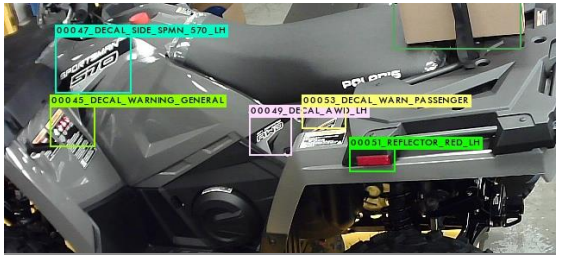
Enhanced Delivery / Speed
PG&A/TAP DISTRIBUTION CENTER



Customer Appreciation
2019 CAMP RZR



New Customer Experiences
POLARIS ADVENTURES



Improved Manufacturing Quality
AUTOMATED ERROR DETECTION SYSTEM

Becoming a Customer Centric, Highly Efficient Growth Company Taking Shape

Recent Motorcycle Product Introductions



ALL-NEW AUTODRIVE TRANSMISSION | SIGNATURE LED LIGHTING | FULLY RE-DESIGNED INTERIOR | 2.0L PROSTAR ENGINE UP TO 203 HP



ALL-NEW LIQUID COOLED 108ci ENGINE | 122 HORSE POWER BEST-IN-CLASS | SMART LEAN TECHNOLOGY | 7" SCREEN RIDE COMMAND WITH WEATHER/MAP OVERLAY

Aggressively Attacking Markets with Innovative Products

POLARIS

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.

STRATEGIC PURPOSE

Polaris is committed to being a customer centric, highly efficient growth company. We relentlessly pursue product superiority, safety and value improvement in all that we do. We enhance the lives of customers around the world by providing the best off-road and on-road vehicles and related offerings for recreation, transportation and work. Our winning advantages are our innovative culture and dedicated team, operational speed and flexibility, and passion to create quality products and experiences.

Guiding Principles

Best People, Best Team

Safety & Ethics Always

Customer Loyalty

Strategic Objectives

BEST IN POWERSPORTS PLUS
Industry leading organic growth

GROWTH THROUGH ADJACENCIES
Strategic acquisitions and new market expansion

ACCELERATING GLOBAL GROWTH
Profitably increase International revenue %

SAFETY & QUALITY AS A COMPETITIVE ADVANTAGE
Continuously drive customer and dealer satisfaction

PRODUCTIVITY POWERHOUSE
Consistently improve earnings leverage and asset utilization

Performance Priorities

Growth

Margin Expansion

Product & Quality Leadership

LEAN Enterprise

SALES CAGR >5% | NET INCOME CAGR >15% through 2022

Mike Speetzen
EVP & CFO

Fourth Quarter & Full Year 2019 Earnings Results

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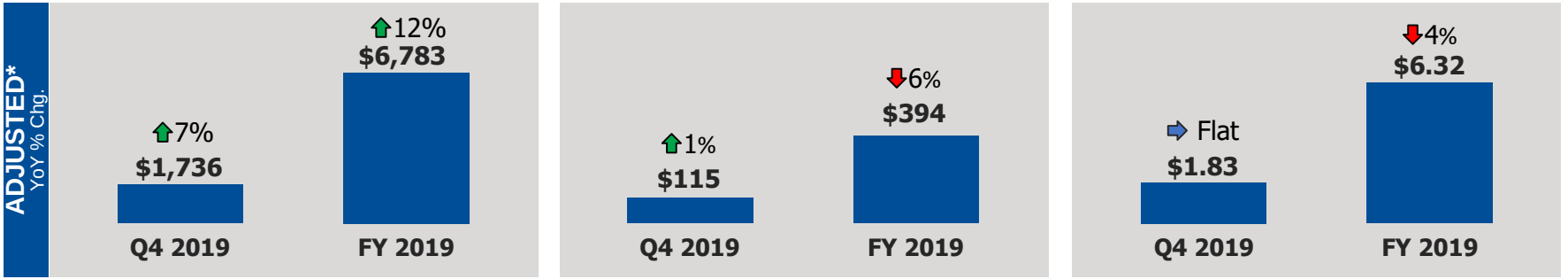
Q4 & FY 2019 Financial Results

$ in millions, except EPS

	SALES		NET INCOME		EPS	
GAAP YoY % Chg.	Q4'19	FY'19	Q4'19	FY'19	Q4'19	FY'19
	↑7%	↑12%	↑8%	↓3%	↑7%	↓1%
	$1,736	**$6,783**	**$99**	**$324**	**$1.58**	**$5.20**



Organic sales ↑9% for Q4 & ↑7% for FY

ASP, excl. boats, ↑8% for Q4 & ↑7% for FY

GAAP gross profit margin ↑40 bps for Q4; ↓40 bps for FY

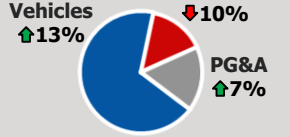
Adjusted* gross profit margin ↑40 bps for Q4 & ↓40 bps for FY

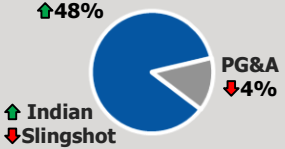
**See GAAP/Non-GAAP Reconciliation in Appendix*

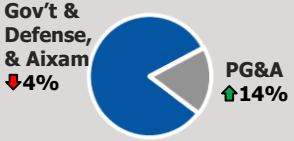
Q4 and Full Year Results In-line with Company Expectations

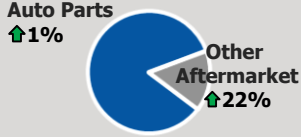
Q4 2019 Sales & Gross Profit Margins by Segment

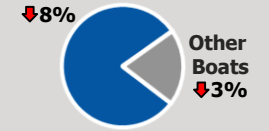
	ORV/Snowmobiles	Motorcycles	Global Adjacent Markets	Aftermarket	Boats
Q4 2019 Sales	$1,140 ⇧7% Q4 2019 GAAP $1,140 ⇧7% Q4 2019 Adjusted*	$119 ⇧37% Q4 2019 GAAP $119 ⇧38% Q4 2019 Adjusted*	$120 ⇩1% Q4 2019 GAAP	$221 ⇧4% Q4 2019 GAAP	$135 ⇩7% Q4 2019 GAAP *(FY Sales down 2% on a proforma basis)*
Gross Profit Margins	GAAP 27.7% +103 bps Adj.* 27.7% +100 bps	GAAP -1.4% -392 bps Adj.* -1.8% -395 bps	GAAP 29.1 +197 bps Adj.* 29.1 +196 bps	GAAP 22.3% -226 bps	GAAP 19.0% +110 bps











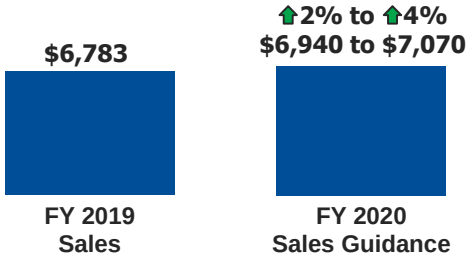
See GAAP/Non-GAAP Reconciliation in Appendix. Note: Pie charts based on adjusted sales.*

ORV/Snow, Motorcycles & Aftermarket Drove Q4 Sales Growth

Full Year 2020 Sales & EPS Guidance

Full Year Total Company Sales Guidance

($ in millions)



Powersports market expected up low-single digits %

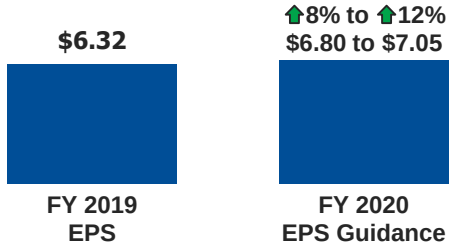
All segment sales expected to increase in 2020; Boats flat

Supplemental:

International sales down low-single digits %

PG&A sales up high-single digits %

Full Year Adjusted* EPS Guidance**



Gross profit margins up 40-70 bps

Adjusted operating expenses down 10 to 20 bps as a % of sales

Income from financial services about flat

Interest expense down; debt reduction

Tax rate approximately 22.0% of pretax income

Diluted shares outstanding up approximately 2% to 3%

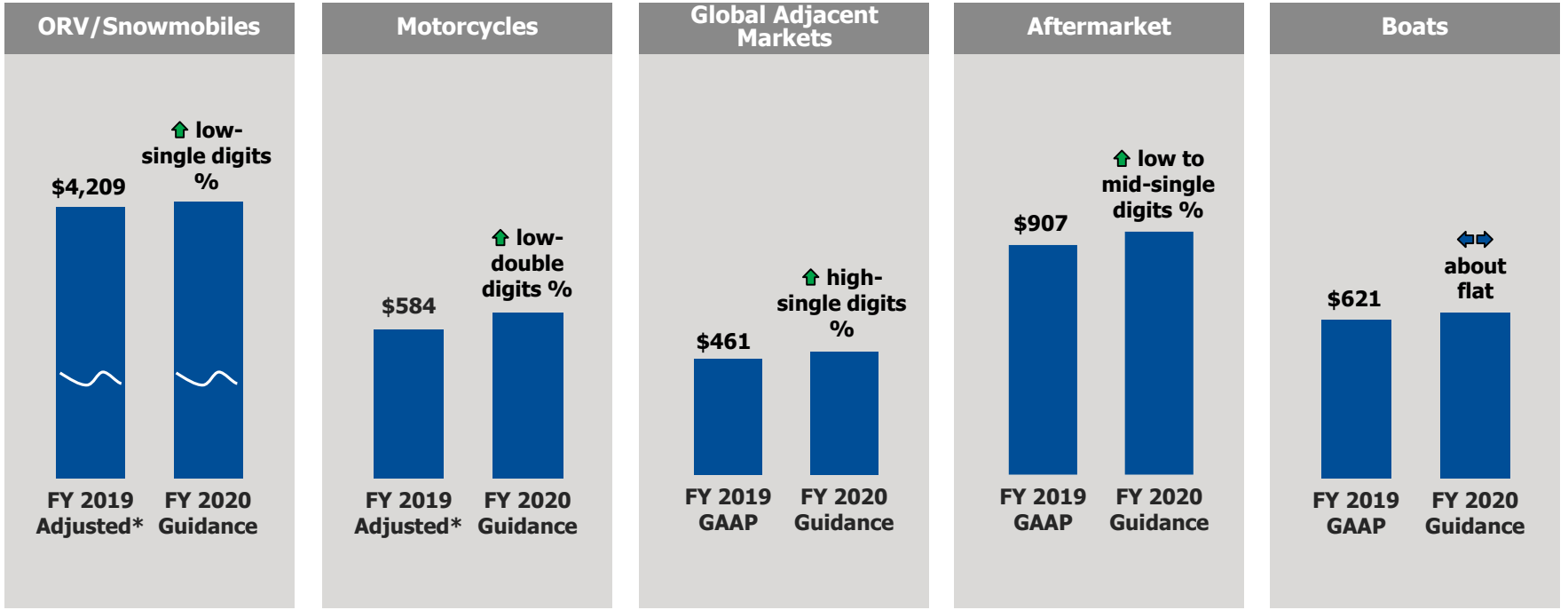
F/X expected to have ~$8 million negative impact to pre-tax profit

Operating Efficiency Driving EPS Growth

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

***See Appendix for discussion regarding non-GAAP adjustments excluded from 2020 guidance*

Full Year 2020 Sales Guidance – Segments



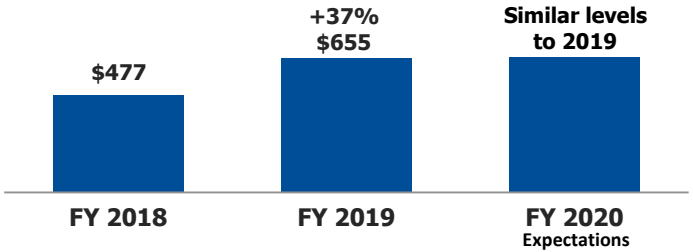
*See GAAP/Non-GAAP Reconciliation in Appendix

Majority of Segments Expected to Grow in 2020

Financial Position / Capital Deployment

Operating Cash Flow

($ millions)



Capital Summary December 2019

($ millions)

	Dec. 2019	Variance to Dec. 2018
Cash	$ 157	-3%
Debt /Capital Lease Obligations	$ 1,694	-14%
Shareholders' Equity	$ 1,108	+28%
Total Capital	$ 2,802	-1%
Debt to Total Capital	*60%*	*-9 pts*
Adjusted ROIC (Industry-leading)*	*16%*	*-300 bps*

Capital Deployment

($ millions)	FY 2018	FY 2019	2019 Summary	2020 Expectations
Capital Expenditures	$225	$251	Ongoing investments in product development / plant efficiency	Cap Ex higher, similar to 2019; new product tooling
Dividends	$149	$149	24 consecutive years of increases	Will become a Dividend Aristocrat (25 consecutive years of dividend increases)
Acquisitions	$760	Immaterial	None	Debt reduction continues a high priority
Share Repurchase	$349	$8	On growth/efficiency improvement and increasing shareholder returns	Debt reduction continues a high priority

Capital Deployment Focused on Increasing Shareholder Returns

*See GAAP/Non-GAAP Reconciliation in Appendix

Scott W. Wine
Chairman & CEO

Fourth Quarter & Full Year 2019 Earnings Results

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POLARIS

2020 Business Outlook

Economic outlook remains positive

Political landscape infuses increased volatility

Powersports Industry growth ongoing – side-by-sides remains key driver

Polaris more aggressive competitively; product, services, heightened execution

Supply chain initiative benefits accelerate two-years in

Operating leverage continues at gross and operating margin levels

Strengthen global foundation for long-term growth

Tariffs, trade resolution outcome becomes clearer

Remains significant headwind, but no year-over-year financial impact

Customer centricity, digital/strategic investments continue; green shoots materializing

Improved Execution, New Product & Operational Leverage will Drive Record Sales & Earnings

Questions?

Fourth Quarter & Full Year 2019 Earnings Results

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Appendix

Gross Profit Margin – FY 2019 Actual & FY 2020 Guidance

Q4 2019 Supplemental Sales & FY 2020 Guidance – International & PG&A

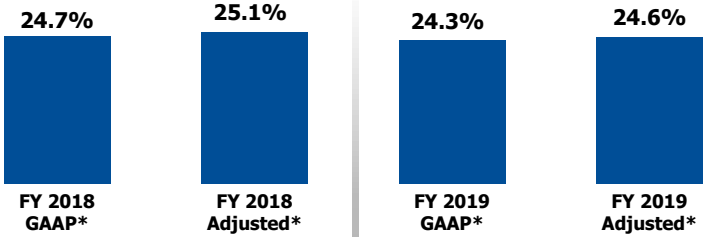
Non-GAAP Reconciliations – Total Company

Non-GAAP Reconciliations – Segments

2020 Reg G Items Excluded from Guidance

Gross Profit Margin – 2019 Actual & 2020 Guidance

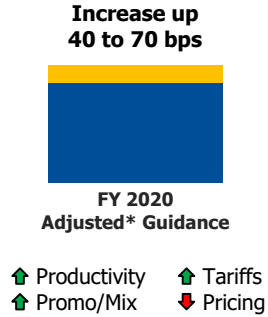
Full Year 2019 Gross Profit Margin



Segments	FY 2018 GAAP	FY 2018 Adjusted*
ORV/Snow	28.4%	28.5%
Motorcycles	11.6%	11.8%
Adj. Markets	26.2%	26.3%
Aftermarket	26.4%	26.4%
Boats	16.5%	17.7%

FY 2019 GAAP	FY 2019 Adjusted*
28.6%	28.6%
7.5%	7.5%
28.2%	28.2%
24.6%	24.6%
20.1%	20.1%

2020 Gross Profit Margin Guidance**



Segments	2020 Adjusted Expectations
ORV/Snow	↑
Motorcycles	↑
Global Adjacent Markets	↑
Aftermarket	↑
Boats	↑

KEY:
↑ Improvement
↓ Headwind
→ Neutral

Continued Operational Improvements Generating Increased Gross Profit Margins

*See GAAP/Non-GAAP Reconciliation in Appendix
**See Appendix for discussion regarding non-GAAP adjustments excluded from 2020 guidance

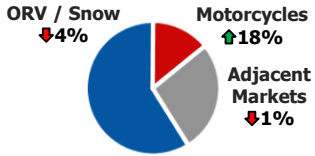
Q4 2019 Supplemental Sales & 2020 Guidance – International & PG&A

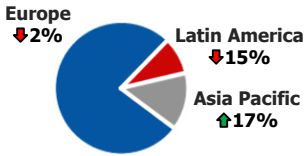
Q4 2019 Sales

International

($ millions)

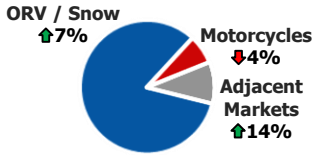


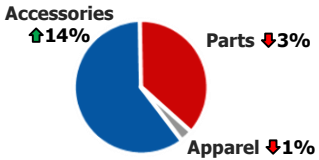




PG&A



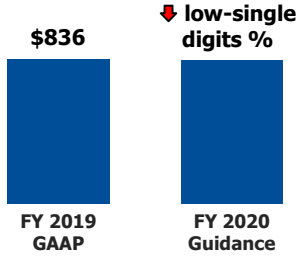


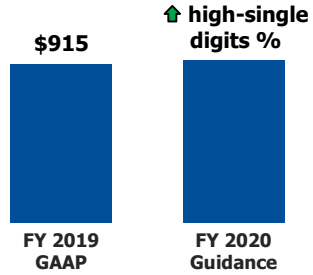


Pie charts based on GAAP

FY 2020 Guidance

($ millions)





Non-GAAP Reconciliations

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

(In Thousands, Except Per Share Data; Unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Sales	$ 1,735,866	$ 1,627,120	$ 6,782,518	$ 6,078,540
Victory wind down [1]	—	(490)	—	823
Restructuring & realignment [3]	—	397	—	3,177
Adjusted sales	1,735,866	1,627,027	6,782,518	6,082,540
Gross profit	423,344	391,273	1,648,782	1,501,200
Victory wind down [1]	—	(377)	—	40
Acquisition-related costs [2]	—	—	—	3,130
Restructuring & realignment [3]	4,693	3,410	22,741	19,375
Adjusted gross profit	428,037	394,306	1,671,523	1,523,745
Income before taxes	120,910	119,650	407,800	429,249
Victory wind down [1]	—	626	—	2,383
Acquisition-related costs [2]	2,447	5,939	7,766	22,737
Restructuring & realignment [3]	5,054	3,448	23,102	26,012
EPPL impairment [5]	—	3,601	—	27,048
Brammo [6]	—	—	—	(13,478)
Intangible amortization [7]	10,206	10,341	41,131	32,932
Other expenses [4]	3,317	2,529	20,016	7,539
Adjusted income before taxes	141,934	146,134	499,815	534,422
Net income attributable to PII	98,931	91,474	323,960	335,257
Victory wind down [1]	—	476	—	1,815
Acquisition-related costs [2]	1,864	4,528	5,918	17,327
Restructuring & realignment [3]	3,851	2,627	17,604	19,819
EPPL impairment [5]	—	2,744	—	25,069
Brammo [6]	—	—	—	(13,113)
Intangible amortization [7]	7,684	7,729	30,967	24,437
Other expenses [4]	2,528	3,850	15,252	8,960
Adjusted net income attributable to PII [8]	$ 114,858	$ 113,428	$ 393,701	$ 419,571
Diluted EPS attributable to PII	$ 1.58	$ 1.47	$ 5.20	$ 5.24
Victory wind down [1]	—	0.01	—	0.03
Acquisition-related costs [2]	0.03	0.07	0.10	0.27
Restructuring & realignment [3]	0.06	0.05	0.28	0.31
EPPL impairment [5]	—	0.05	—	0.39
Brammo [6]	—	—	—	(0.20)
Intangible amortization [7]	0.12	0.12	0.50	0.38
Other expenses [4]	0.04	0.06	0.24	0.14
Adjusted EPS attributable to PII [8]	$ 1.83	$ 1.83	$ 6.32	$ 6.56

Key Definitions: Throughout this presentation, the word "Adjusted" is used to refer to GAAP results excluding: TAP and Boats 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 December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
SEGMENT SALES				
ORV/Snow segment sales	$ 1,139,890	$ 1,060,458	$ 4,209,063	$ 3,919,417
Restructuring & realignment [3]	—	397	—	3,177
Adjusted ORV/Snow segment sales	**1,139,890**	**1,060,855**	**4,209,063**	**3,922,594**
Motorcycles segment sales	**119,481**	**87,361**	**584,096**	**545,646**
Victory wind down [1]	—	(490)	—	823
Adjusted Motorcycles segment sales	**119,481**	**86,871**	**584,096**	**546,469**
Global Adjacent Markets (GAM) segment sales	**120,372**	**121,648**	**461,255**	**444,644**
No adjustment	—	—	—	—
Adjusted GAM segment sales	**120,372**	**121,648**	**461,255**	**444,644**
Aftermarket segment sales	**221,083**	**212,318**	**906,751**	**889,177**
No adjustment	—	—	—	—
Adjusted Aftermarket sales	**221,083**	**212,318**	**906,751**	**889,177**
Boats segment sales	**135,040**	**145,335**	**621,353**	**279,656**
No adjustment	—	—	—	—
Adjusted Boats sales	**135,040**	**145,335**	**621,353**	**279,656**
Total sales	**1,735,866**	**1,627,120**	**6,782,518**	**6,078,540**
Total adjustments	—	(93)	—	4,000
Adjusted total sales	$ 1,735,866	$ 1,627,027	$ 6,782,518	$ 6,082,540

(In Thousands, Unaudited)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
SEGMENT GROSS PROFIT				
ORV/Snow segment gross profit	$ 315,424	$ 282,495	1,204,288	1,113,908
Restructuring & realignment [3]	—	397	—	3,177
Adjusted ORV/Snow segment gross profit	**315,424**	**282,892**	**1,204,288**	**1,117,085**
Motorcycles segment gross profit	**(1,639)**	**2,228**	**44,065**	**63,045**
Victory wind down [1]	—	(377)	—	40
Restructuring & realignment [3]	(469)	45	(469)	1,220
Adjusted Motorcycles segment gross profit	**(2,108)**	**1,896**	**43,596**	**64,305**
Global Adjacent Markets (GAM) segment gross profit	**35,088**	**33,063**	**129,939**	**116,583**
Restructuring & realignment [3]	—	10	—	490
Adjusted GAM segment gross profit	**35,088**	**33,073**	**129,939**	**117,073**
Aftermarket segment gross profit	**49,229**	**52,074**	**222,712**	**234,365**
No adjustment	—	—	—	—
Adjusted Aftermarket segment gross profit	**49,229**	**52,074**	**222,712**	**234,365**
Boats segment gross profit	**25,637**	**25,999**	**124,613**	**46,252**
Acquisition-related costs [2]	—	—	—	3,130
Boats segment gross profit	**25,637**	**25,999**	**124,613**	**49,382**
Corporate segment gross profit	**(395)**	**(4,586)**	**(76,835)**	**(72,953)**
Restructuring & realignment [3]	5,162	2,958	23,210	14,488
Adjusted Corporate segment gross profit	**4,767**	**(1,628)**	**(53,625)**	**(58,465)**
Total gross profit	**423,344**	**391,273**	**1,648,782**	**1,501,200**
Total adjustments	4,693	3,033	22,741	22,545
Adjusted total gross profit	$ 428,037	$ 394,306	1,671,523	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

2020 GUIDANCE ADJUSTMENTS

2020 guidance excludes the pre-tax effect of supply chain transformation, restructuring and network realignment costs of approximately $25 million to $30 million, and approximately $25 million to $30 million for class action litigation-related expenses. Intangible amortization of approximately $35 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.