

28-Oct-2025

Polaris Inc. (PII)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

J.C. Weigelt

Vice President-Investor Relations, Polaris Inc.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

OTHER PARTICIPANTS

Noah Zatzkin

Analyst, KeyBanc Capital Markets, Inc.

Craig Kennison

Analyst, Robert W. Baird & Co., Inc.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Sean Wagner

Analyst, Citigroup Global Markets, Inc.

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Joseph Nolan

Analyst, Longbow Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Polaris third quarter 2025 earnings call and webcast. All participants will be in a listen-only mode. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to J.C. Weigelt. Please go ahead.

J.C. Weigelt

Vice President-Investor Relations, Polaris Inc.

Thank you, Chuck, and good morning or afternoon, everyone. I am J.C. Weigelt, Vice President of Investor Relations at Polaris. Thank you for joining us for our 2025 third quarter earnings call. We will reference a slide presentation today, which is accessible on our website at ir.polaris.com. Joining me on the call today are Mike Speetzen, our Chief Executive Officer, and Bob Mack, our Chief Financial Officer. Both have prepared remarks summarizing our 2025 third quarter as well as our expectations for 2025. Then, we'll take your questions.

During the call, we will be discussing various topics which should be considered forward-looking for the purpose of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projections in the forward-looking statements. You can refer to our 2024 Form 10-K and other filings with the SEC for additional details regarding risks and uncertainties. All references to 2025 third quarter actual results and future period guidance are for our continuing operations and our reporting on an adjusted non-GAAP basis, unless otherwise noted. Please refer to our Reg G reconciliation schedules at the end of the presentation for the GAAP to non-GAAP adjustments.

Now, I will turn it over to Mike Speetzen. Go ahead, Mike.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Thanks, J.C. Good morning, everyone, and thank you for joining us today. As we previewed a couple of weeks ago, we delivered strong third quarter results. Sales in the quarter were \$1.8 billion, driven by stronger than anticipated shipments to meet improved retail and a solid mix of Off Road vehicles, especially RANGER side-by-sides. Equally important, we made a significant strategic move with the announced sale of a majority stake in Indian Motorcycle. This move allows us to sharpen our focus on our core business, where we see the greatest potential for profitable growth across our portfolio.

For more efficient plant operations to healthy dealer inventory and improved working capital, the Polaris team is delivering results in the areas we can control. This gives me great confidence that we will move through the stage of the current economic environment, Polaris is positioned to deliver strong earnings and higher returns for shareholders.

Sales were up 7%, driven by a richer mix of shipments in the Off Road segment and higher shipments in Marine, partially offset by increased promotions. Shipment volume in ORV were up approximately 5%, excluding youth product. North American retail rose 9%, led by strong Off Road performance, resulting in approximately 3 points of market share gain in ORV. We led the industry by making a commitment over a year ago to reduce dealer inventory, and this last quarter marked a turning point. Dealer inventory is now down 21% year-over-year, flooring expenses or materially lower for dealers, down over 50% in some cases. And day sales outstanding for Polaris inventory is as low as I can remember, excluding the pandemic era.

Not only is our dealer inventory substantially lower, but it is also healthier with age units and dealer inventory down approximately 60% relative to six months ago. This gives us confidence that dealers and Polaris are in a great spot to capitalize on growth and margin expansion when the market normalizes and improves. Adjusted EBITDA margin was under pressure compared to last year, driven by increased tariffs and normalized incentive comp. We continue to manage costs carefully and drive lean and operational efficiencies across our business to exceed our goal of \$40 million in structural operational efficiencies this year.

Some examples of these efficiencies include lower labor costs, driven by lean activities that have increased efficiency and improved material flow in all areas of the plant; and lower raw materials and the elimination of a warehouse in Mexico, driven by improved forecasting and demand planning as we see improved material flow. These are just a couple of examples of the many improvements we've seen throughout our plant network. We're still in the early stages of lean deployment, which gives me great confidence in the efficiencies we have in front of us. Adjusted EPS came in at \$0.41, driven by strong mix and operational efficiencies, partially offset by tariffs and normalizing incentive compensation.

As we look ahead to the remainder of the year, we're reintroducing full year 2025 guidance. We're closely monitoring consumer health indicators like unemployment, confidence, debt, and discretionary spending as well as developing supply chain constraints resulting from global trade tension. Our Q4 expectations are for sales to grow sequentially, however, mix and operating expenses are expected to negatively impact sequential EPS, as is increasing tariff costs. Bob will walk you through the details shortly.

Looking at the details from this last quarter, retail was up 9%, led by strong growth in Polaris RANGER and crossover vehicles. As expected, youth experienced headwinds due to our shift in production out of China. We anticipate youth will continue to be a challenge early in Q4, as we begin to build inventory throughout the quarter and into the holiday season. This summer, we reintroduced the Polaris Factory Authorized Clearance program for the first time since 2019.

It was a success with dealers and customers, driving growth without significantly increasing promotional spend. FAC was a powerful marketing tool that successfully reengaged customers and drove increased dealership visits, which resulted in a significant drawdown in our non-current dealer inventory. On Road was down mid-single digits as we lapped a strong comp with the launch of the new Indian Scout motorcycle in 2024. Within Marine, pontoon retail in the quarter was down low double digits compared to last year.

We gained share across Off Road and On Road in the quarter. Within our Off Road utility segment, our family of RANGER side-by-sides continue to grow and take share with the broadest offering of vehicles in the utility side-by-side category. From the all new Polaris RANGER 500 to the Extreme Duty Polaris RANGER 1500 XD, we've continued to create and redefine the category that remains unmatched by our competitors. Despite recent product launches from our competitors, the Polaris 1500 XD continues to be the highest performing utility side-by-side in the market. Why does this matter? Because our leadership and product allows us to take over 5 points of market share this quarter in the utility side-by-side segment, which is the largest category of vehicles in the ORV industry.

Remember, last quarter, when I talked about the Polaris XPEDITION and how this product has helped shape the largest share capture story in ORV over the past five years, well, we continue to write new chapters as we gained an estimated 10 points of share in the quarter within the crossover category. Again, despite recent product launches from our competitors, the Polaris XPEDITION continues to be the only product of its kind in the market.

As the industry leader, Polaris sets the bar and we continue to play offense, bringing innovation that is winning at dealerships. In addition to inspiring current customers to return to dealerships, innovation also brings new customers to the industry. An excellent example of this is the recent launch of the RANGER 500, our new entry level utility side-by-side that launched in July. To date, over 80% of the customers who bought the RANGER 500 were new to Polaris. This tells us that this is the right vehicle, at the right price to get customers into the dealership and into Polaris vehicle.

As you know, I regularly carve out time to get into the field and visit dealers and take part in dealer council meetings. The feedback we received during these meetings is instrumental in helping us keep a pulse on dealer sentiment across the industry. They share what's working, what's not, and what they're hearing from customers. Inventory levels have been a regular topic over the last two years. My recent takeaways are that dealers are more comfortable with their inventory positions in ORV and are embracing our NorthStar reward program in record numbers.

Given these conversations with dealers and the data we have on dealer inventory, we believe we have reached a point where production, ship and retail should be aligned. While there is still work to do in snow, which we believe will normalize this quarter, this is a big win for Polaris and our dealers. We continue to have an intense focus on winning at the dealerships with unmatched offerings across vehicles, PG&A, service and financing.

We are the global leader in powersports and take that responsibility seriously as we continue to push the industry forward while expanding the addressable market. One way to show leadership is through proven race performance. Recently, Polaris RZR Factory Racing solidified its dominance in desert racing, with a third straight victory at the Baja 400, sweeping the UTV overall podium in a commanding performance. This dominance redefines what is possible in racing, as we continue to raise the bar, even when our largest competitor races their latest top end performance vehicle.

Another way to prove leadership is innovation. Our innovation pipeline is showing no signs of slowing, with last week's second wave of 2026 ORV product launches. Leading the charge is the all-new RZR XPS, it is Polaris'

most capable trail machine yet, engineered for riders who want to conquer wide open terrain with confidence and style. With a bold 72-inch stance, 25 inches of usable suspension travel and a rugged RZR Pro S inspired drive line, it is built to dominate the toughest terrains while delivering a smooth, responsive ride. We also introduced the largest display in the industry with a 10.4 inch screen for RIDE COMMAND on the RZR Pro R. On the utility side, we launched several limited edition Polaris RANGER XD 1500s with the NorthStar Texas and the NorthStar Mountaineer editions, tailored to meet the specific needs of customers in key regions.

In snowmobiles, we have a robust product pipeline of innovation that we will bring to market in the coming years. And in Marine, we just launched a full redesign of our flagship QX, Bennington Pontoon. The QX lineup blends timeless design with intuitive technology and thoughtful innovation, again, setting a new standard in the Pontoon industry. Another example, and one that my family and I will be attending, is the upcoming annual Camp RZR event in Glamis. It is one of my favorite weekends of the year and an incredible opportunity to witness our customers' passion for riding and what the Polaris brand stands for.

The energy and enthusiasm at Camp RZR is a powerful reminder of the deep connection our community has with our products and it continues to inspire our team as we innovate for the future. One leaves Glamis feeling confident in who the true leader in powersports is and what a company's impact on the industry can mean. It's an honor to be part of such an amazing company that as the global leader in powersports continues to support the long-term health of the industry with the largest and best new dealer network, a team that delivers rider driven innovation providing great customer experience and a strategy built to generate shareholder value.

Let's shift to the Indian Motorcycle transaction. We announced a definitive agreement to sell a majority stake in Indian Motorcycle to Carolwood, with the deal expected to close in Q1 2026, Indian Motorcycle will become a standalone business and we will hold a small equity stake in the company. This move is expected to unlock the full potential for both Polaris and Indian Motorcycle. Carolwood brings strong capital backing and a commitment to investing for the long-term. And they brought an experienced leadership with their selection of Mike Kennedy as CEO. They are poised to take Indian to the next level.

We built something incredible. The number two motorcycle brand in the US, the number one brand in customer satisfaction, over 600 dealers, over 900 dedicated and talented employees and a strong lineup of motorcycles exemplified by being the market share leader in the midsize category. Now, it's time for Indian Motorcycle next chapter and Carolwood is the right partner. For Polaris, the decision allows us to focus on our most promising high margin growth opportunities. Innovation is key, and we're doubling down, accelerating investment and devoting resources to critical priorities and initiatives, which is very exciting given the product pipeline we have in ORV, Snow, Marine and Slingshot.

The focus continues to be on enhancing the customer experience with rider driven innovation. Shareholders should be excited as well. Post-separation we expect the transaction to be accretive to adjusted EBITDA by approximately \$50 million and to adjusted EPS by approximately \$1. It's a win-win. Right now, teams are focused on standing up Indian Motorcycle to operate independently from Polaris and we are committed to making this a smooth transition for Indian Motorcycle dealers and customers.

I want to shift gears and talk about what we're seeing related to trade policy as it continues to evolve. Our gross tariff impacts for the year rose by \$10 million since July, driven by international retaliatory policies and increased commodity exposure. Despite this, given deferrals and mitigating actions, we don't expect a material change to our 2025 P&L outlook and now expect the impact from new tariffs to be approximately \$90 million.

We're executing our mitigation strategies effectively with an urgent focus on our China spend, with a long-term plan to drastically reduce our spend on all China parts and components. These efforts take time to find suppliers, tool production and validate parts. By the end of 2027, we expect our actual China spend to be down by approximately 80% relative to 2024, which equates to less than 5% of our cost of goods sold coming from China. It's an aggressive strategy that will take time to show up in the financials, but I can assure you that we have a very capable team focused on these efforts and ultimately, believe that we will have a more resilient and efficient supply chain because of the moves.

I'm going to turn it over to Bob to provide you with more details on the financials. Bob?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

Thanks, Mike, and good morning or good afternoon to everyone joining us today. Let's start with the third quarter financial results. Adjusted sales for the quarter were up 7%. This was stronger than our expectations, driven by higher shipments and a richer mix of Off Road vehicles. Net pricing was neutral with price increases offsetting elevated promotions. International sales grew 2%, led by strength in Europe. PG&A sales were up 20% with record performance in parts, especially oil, which is a great indicator that our customers are actively using their vehicles. Gross profit margin benefited from mix and operational efficiencies as compared to last year, but that was more than offset by \$35 million in new tariffs, volume declines and higher incentive compensation relative to last year's depressed level.

Accordingly, adjusted EBITDA margin contracted year-over-year, as expected, due to the previously noted issues impacting gross profit along with the year-over-year incremental incentive compensation impact in OpEx. As you may recall, we made temporary cuts to incentive compensation in the second half of 2024 due to challenging market conditions. It is important to note this year-over-year headwind in incentive compensation includes cash and stock-based compensation and is mainly recorded at the corporate level.

Despite these pressures, we generated \$159 million in operating cash flow this quarter, reflecting strong earnings, quality and improved working capital management. Year-to-date, we've delivered over \$560 million in operating cash flow and approximately \$485 million in free cash flow, which is a testament to our strong execution and our low working capital business model. Off Road sales rose 8%, supported by a richer mix of ORV vehicles, strong commercial volume and PG&A growth. Dealer inventory continues to improve across the industry. As Mike mentioned, we've turned the corner in our core ORV business and now plan to ship in line with retail demand.

There are a couple exceptions to note. For used vehicles, we recently moved production out of China, which may cause some volatility in retail estimates and dealer inventory as we rebuild stock. Snowmobiles are another exception, we reduced ship this year to help manage dealer inventory following two seasons of low snowfall in the flatlands. Overall, we expect dealer inventory across the portfolio to be well-positioned relative to demand as we head into 2026.

We gained about 3 points of market share in ORV this quarter, led by Polaris RANGER and Polaris XPEDITION. Importantly, our successful FAC program didn't require heavier promotional spending than what we incurred in the second quarter. Gross profit margin improved by 104 basis points despite tariff headwinds. Key drivers included operational efficiencies, a better mix of vehicles and positive contributions from warranty and dealer floor plan financing.

Moving to On Road, sales during the quarter were down 3%, driven by ongoing softness in the broader motorcycle market and within our Slingshot business. Adjusted gross profit was down 23 basis points, impacted

by negative mix and tariffs. This was partially offset by a stronger performance at Aixam. Marine sales were up 20% against the low comparable last year when we took action to rightsize dealer inventories coming out of the prior selling season. The increase in sales was driven by positive shipments of new boats, including the new entry level Bennington pontoon.

The September SSI data shows that market share held steady for our pontoon business in the third quarter. However, the broader Marine industry continues to face pressure from elevated interest rates and macroeconomic uncertainty. We continue to actively manage dealer inventory, which is down 17% relative to the third quarter of 2024. Gross margin declined due to mix, though this was partially offset by positive net pricing.

Moving to our financial position, we generated approximately \$159 million in operating cash flow this quarter, translating into \$142 million of free cash flow. Working capital has been one of the ancillary benefits from our ongoing efforts to re-implement lean in our plants. Through the improvements we have seen in our retail forecasting and clean build rates, we have been able to better align our supply chain and manufacturing processes, reducing inventory across the board. This, along with our efforts to optimize payables and receivables, should continue to drive attractive cash generation metrics over time. We expect 2025 ending working capital as a percentage of sales to be in line with pre-pandemic levels with opportunity improved from there as we continue the lean work in our plants and further localize our supply chain.

We remain committed to maintaining investment grade credit metrics and ended the third quarter well below our covenant thresholds given strong year-to-date cash generation. With our strong performance on cash generation and ongoing tariff mitigation efforts, we are moving to a more balanced split between investments for growth and debt paydown. While we will continue to focus on reducing our debt levels, we will also invest in high return opportunities to widen our competitive moat in an industry where we already have a strong position with the most innovative portfolio of vehicles. We also continue to remain committed to the dividend in our Aristocrat status.

Clearly, the global trade and tariff environment remains dynamic, but we are seeing more consistency in customer demand, given that we are reintroducing full year guidance. While this only covers one quarter, we believe it helps reduced uncertainty from an investor standpoint and build confidence in our outlook. Although, the evolving trade environment required us to withdraw our full year guidance earlier this year, we are pleased that excluding added tariff costs, our full year guidance results remain aligned with the expectations we initially set in January. We expect full year adjusted sales between \$6.9 billion and \$7.1 billion, with growth in Marine and PG&A offset by declines in On Road.

Off Road sales are expected to be flat. Industry retail is projected to be flat, but we anticipate gaining share, thanks to our strong product portfolio. Adjusted gross profit margin is expected to be around 19%, with tariffs representing a 1 point headwind. Other margin pressures include negative net pricing and incentive compensation, partially offset by lower warranty costs and operational efficiencies. For the fourth quarter, there are a few sequential headwinds contributing to our expectations that fourth quarter adjusted EPS will be lower than our third quarter adjusted EPS.

Within the gross profit line, tariffs are expected to be \$5 million higher and mix is tracking negatively with the timing of seasonal products such as youth, Snow and Marine. Within OpEx, the timing of certain costs in engineering and legal are sequentially higher. All in, we expect fourth quarter adjusted EPS of approximately \$0.05. This assumes no new tariffs that would have an immediate impact on raw material and component costs and that supply chains are not significantly disrupted by trade disputes and other government actions. For the year, we expect adjusted EPS to be a loss of approximately \$0.05. Excluding new tariffs, we would expect adjusted EPS to be close to our original estimate of \$1.10.

In summary, we delivered strong Q3 results in a challenging environment. We have momentum to finish the year strong, with a positive outlook on operations, dealer inventory and innovation. The expected sale of majority stake in Indian Motorcycle will free up resources that we plan to fully dedicate to higher growth and higher margin opportunities. We remain focused on what we can control and believe this disciplined execution will drive higher margins, stronger cash flow, and improved returns on invested capital, ultimately increasing shareholder value.

With that, I will turn it back over to Mike to wrap up the call. Go ahead, Mike.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Thanks, Bob. I'm proud of our team's performance this quarter. This continues to be a challenging environment and the Polaris team remains focused on closing out 2025 strong. Let me wrap up with a few final comments. We believe dealer inventories are at a healthy levels, given our demand outlook. Therefore, outside of a few smaller product lines, we believe build, ship and retail should be aligned going forward.

Our team continues to execute against our strategy to improve operations within our plan and we are on track to exceed our commitment to deliver \$40 million in operational savings this year, building on the more than \$200 million in savings last year. This cannot be overlooked. We have worked hard over the last two years and while there is still work left to do, we have seen the results and the opportunities ahead of us that should provide a meaningful tailwind to margins when volume returns. The rationale behind our decision to sell majority stake in Indian Motorcycle allows us to put added focus and resources on our most profitable growth opportunities. We're working to close the Indian Motorcycle transaction in Q1 2026 and we believe it's a win for both companies.

Lastly, we remain committed to our long-term strategy to be the global leader in powersports and believe we have established a solid foundation to grow from and increase shareholder value when the industry recovers. Innovation is strong. Dealer inventory is rightsized and we are running more efficiently than before. These are the pieces to build from and we stand ready to deliver on our goal of higher sales growth, greater earnings power and stronger returns. We appreciate your continued support.

And with that, I'll turn it over to Chuck to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question will come from Noah Zatzkin with KeyBanc Capital Markets. Please go ahead.

Noah Zatzkin

Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thanks for taking my questions. Maybe first on ORV retail strength and kind of the magnitude of outperformance versus the industry in the quarter, up [ph] 9% (00:24:38) versus up low-single digits, particularly on the utility side. Wondering if you could share any thoughts around what drove the share gains in the quarter, as well as thoughts around industry, retail and kind of the share gain opportunity looking ahead? Thanks.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. Thanks, Noah. I think there's a lot at play. I think we've obviously rightsized our inventory. So, we've got the right product at the right dealers, at the right price, so that's an important starting point. I think when you look at the RANGER lineup and I talked about it in my prepared remarks, we've got a breadth that many of our competitors just can't cover. You start with the RANGER 500, as I talked about, brought a lot of new customers, 80% new to Polaris into the fold, up to the XD 1500, which at this point is unmatched in the industry and remains a very popular vehicle.

And you couple that with the massive improvements we've made in quality, it shows up in much lower warranty costs. We are now hearing dealers play back to us that quality is not something that they have to try and explain. It's something that is a strength and getting associated with our brand. And then as we track customer, we know that the short-term repurchase rates have started to creep up, which says people are out using the vehicles. We can see that with the repair order activity we track, tire consumption, oil consumption.

And we know ultimately that people are out using the product. And so, they get to a replenishment cycle, given a lot of the innovation that we've put out into the marketplace. I talked a little bit about the NorthStar rewards program in my prepared remarks. We have the highest level of what we call 4- and 5-star, which is the highest two levels of our dealer program. And that isn't just important from the perspective of dealers earning more hold back. It reflects the fact that the dealer network is performing at a higher level.

And I mentioned that because it provides a better customer experience. And that's really important when you get customers in, given the tremendous amount of innovation we have. That can fall apart if a dealer isn't performing on their end. And we see a tremendous amount of retail coming out of these 4- and 5-star dealers. You couple that with the tremendous innovation we've got in the marketplace with the broadest portfolio in that utility segment and it's not a surprise that we outperform the industry.

Noah Zatzkin

Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you. Very helpful. And maybe just one more. Hoping you could share any early thoughts on fiscal 2026, either from an industry perspective or Polaris specifically. Obviously, as it relates to Polaris, there are some puts and takes next year that the deal I think is expected to be \$1 of EPS benefit. And on the tariff front, it seems like

maybe mitigation this year is a bit better than expected. So, just any high level thoughts around 2026 would be helpful. Thanks.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. I'd kind of look at it in this order. I mean, clearly, the Indian deal was probably going to have the largest impact. It obviously takes about \$450 million of revenue away. But it is going to add roughly \$50 million in EBITDA and \$1 of EPS. So, that single event is going to be pretty significantly. I mentioned in my prepared remarks that build will equal ship will equal retail. We're not prepared to make a call on where we think the industry is. But if you think about a flat industry and having ship equal retail, you're talking about several hundreds of millions of dollars of uplift just from being able to ship into the channel, which obviously will provide improved absorption at our plants and additional fall through.

We look at the promo environment. From a competitive standpoint, our largest competitor is pretty much in the same region we are from a dealer inventory standpoint, which is very helpful. We've seen significant improvements amongst the Japanese competitors. They're not perfect yet, but we've seen some of the dramatic things that were being done with rebates and incentives essentially cease, which is good. So, we think promo is going to be kind of net neutral as we get into 2026.

And then as you indicated, from a tariff standpoint, it's going to be additional cost, because we're going to be lapping 2025. And if you remember, we barely had any tariff impact in Q1 and Q2. And as we said, we think tariffs are going to be about a \$90 million incremental hit 2025. As we move into 2026, we think tariffs are going to be just north of \$200 million. That's all-in, that's inclusive of the Section 301 tariffs that have been in the business since back in 2018. The team's working hard on that.

Obviously, we're watching the negotiations that are underway with China right now, but we're not going to wait. We're moving aggressively. As I talked about in my prepared remarks, we're making a dramatic reduction in the amount that we're sourcing out of China by 2027. And we think we're going to be south of 5% of our cost of goods sold by the time we get into 2027. And that will be a pretty massive reduction and certainly a benefit to the business.

Noah Zatzkin

Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: Your next question will come from Craig Kennison with Baird. Please go ahead.

Craig Kennison

Analyst, Robert W. Baird & Co., Inc.

Q

Hey. Good morning. Thanks for taking my question. I wanted to start with a follow up on RANGER 500. I know it's early, but what can you tell us about the consumer profile of that product line? Are they new to powersports overall, younger, are they first time buyers just looking for a profile?

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. I mean, you kind of hit on all of it, Craig and they are prospective customers that have wanted to have a Polaris product, but they really couldn't find the right entry point. Until we introduced this product, you really

couldn't get into a Polaris vehicle for under realistically \$14,000, \$15,000. And this vehicle is perfectly suited for someone who has an acre or two, who wants to use the vehicle to drag trash cans down to the curb and go get the mail.

And so, that's really what we see is, these are either new to Polaris, meaning they might have bought a brand that we don't even talk about as a competitive set that are sold through some of the big box retailers or there are people that would have used a golf cart or something like that and now see an opportunity to own the number one powersports brand. We think that's great because we view that as an opportunity to continue to evolve them up, the product family down the road.

Craig Kennison

Analyst, Robert W. Baird & Co., Inc.

Q

Thanks, Mike. And then, I guess, with respect to that particular customer profile, we have seen some cracks emerge in the subprime auto space. And I'm just wondering, with respect to your consumer, if you're seeing any changes in credit availability among that particular credit tier?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. We really [ph] have it (00:32:08). At least in Q3, credit metrics were good. Through-the-door FICOs were only – they were down 2 points relative to 2024. Actually, 12-month losses in the portfolio actually improved versus last year. So, we feel like that's peaked from a credit quality standpoint. We're starting to trend back in a positive direction and pen rates and things like that have stayed pretty consistent. Availability of subprime has been decent. We're not seeing a fallout from the lenders, so we're not experiencing that, I think, to the degree auto is right now.

Craig Kennison

Analyst, Robert W. Baird & Co., Inc.

Q

Thanks, Bob.

Operator: Your next question will come from Joe Altobello with Raymond James. Please go ahead.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Thanks. Hey, guys. Good morning. I guess first question on retail, obviously, the FAC was very successful. Any sense or concern that that might have pulled demand forward? I'm curious what you're seeing in October. I know the FAC, I think is still ongoing, but it's probably waning in terms of the impact. So, I'm just curious if you're concerned there and what you're seeing here in Q4?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. I mean, FAC was, as I talked about in my prepared remarks, it really didn't drive incremental spend. We viewed it as just a way to generate a little bit of excitement, get people kind of re-engaged in coming into the dealership. I mean, at the end of the day, door swings and foot traffic are what drive retail and ultimately, it worked. We didn't add a bunch of cost. The good news is, we were able to move, as I talked about, we've drawn down our greater than 180-day old inventory, we've drawn that down 60%. And a lot of what moved in the third quarter was that non-current inventory.

As we're looking at October, results are pretty good. We continue to see strength in areas like RANGER XD, XPEDITION, ATV [indiscernible] (00:34:14) as we indicated, is going to be a headwind for probably the next month or two as we ramp up production down in Mexico, heading into the holiday season. And we think retail, excluding youth and ORV in the fourth quarter, is going to be up low single digits. And certainly in October, we're seeing trends that support that performance.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Okay. Got it. Perfect. And then just moving on to tariffs, I think, Mike, you mentioned that you expect next year to be all-in just north of \$200 million, which is only slightly higher, I think, than what you're expecting this year to include the Section 301. So, maybe what's the incremental net impact next year and what do you think a good incremental margin is for 2026?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. I mean, we're not ready to start giving guidance for 2026 yet. I would say that the incremental is over \$100 million versus 2025. And as we really got to start to see, get a little closer to the end of the year, see what inventories look like, work through our – the amount of moves we have coming out of China and timing of those moves to really get a good incremental number related to 2025. So, kind of \$200 million plus all-in for 2026 is sort of where we see it right now. We'll have more detail when we talk again in January.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

And Joe, remember, that also includes pulling Indian Motorcycle out. So, there's a number of puts and takes. And as Bob indicated, when we get to January, we'll have a little bit better walk for everyone.

Joseph Altobello

Analyst, Raymond James & Associates, Inc.

Q

Got it. Okay. Thank you.

Operator: The next question will come from James Hardiman with Citigroup. Please go ahead.

Sean Wagner

Analyst, Citigroup Global Markets, Inc.

Q

Hey. This is Sean Wagner on for James Hardiman. I guess, first, I think initially fourth quarter was expected to be maybe a lot better than third quarter or is there any shift in earnings power between the two?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. A few things and we alluded to some of it in the prepared remarks. I mean, if you look at Q4, I would say sort of 25% of the impact really is in GP and that's some incremental tariffs. Tariffs would be the highest for the year in Q4. That's just as they build into inventory and start to flow through the P&L. Vol/mix, volume is okay, in the quarter, but mix is negative. Mike talked about youth and it's negative sequentially for the quarters and year-over-year. Last year, we had a big fourth quarter in youth and that's partly because we had had vehicles on hold in 2023. And so, we had really good retail performance in 2024.

We're kind of back to that a little bit this year where we'll be shipping really in Q4. We didn't ship any in Q3. Normally a lot of the youth stuff would have showed up in Q3, but with the move to Mexico, that that's been delayed a little bit. So, that has probably the most pronounced impact. And then Q4 is always a bit tough from a mix standpoint, because we ship a lot of Snow and we ship Marine coming off their dealer meetings and those are just structurally lower GPs than ORV, whereas in Q3 was heavy ORV.

[ph] Client (00:37:31) performance is a little better, so that helps offset it. The real story is in OpEx and it's a couple of things. I mean, it's the highest quarter as it relates to the incentive compensation issue on a kind of year-over-year basis and then the timing of some engineering legal and IT spend that is higher in Q4 than it is in Q3. So, those are the big pieces as it relates to the why Q4's earnings look the way they do.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Sean, maybe I misheard you, but I thought in your question you had said that it sounded like it was worse than we were expecting. We did not guide fourth quarter. I mean, we had pulled our guidance. If you go back to some of the prepared remarks that Bob had, you pull impact of the tariffs out, we are largely executing against what we had conveyed at the beginning of the year when we provided guidance before all the tariff noise came into the environment. So, I think some of this is that there are numbers out on the street that were not necessarily based on things that we had said. And as we look at the buildup of our financials and where we knew we were going to be delivering snowmobiles and things like that, I wouldn't say that anything in the fourth quarter is a big surprise from our standpoint.

Sean Wagner

Analyst, Citigroup Global Markets, Inc.

Q

Okay, fair enough. I guess, piggybacking off of that from a high level, now that you've round trip, the 2025 guide excluding tariffs, is there anything outside of tariffs that has fundamentally changed this year or any big lessons that you guys have taken away from here?

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. I mean I think if we sort of step back and look at the year in total, I mean, excluding tariffs promo was heavier than we expected it to be for the year. Mix was probably a little – was better, as we continue to really outperform in our – as Mike talked about, at the high end of these categories the XD 1500, the XPEDITION, we don't – the competition doesn't really have anything to go against us there. So, those vehicles continue to sell really well. That customer base is really strong. And then, the plants really outperformed where we had pegged it. We were at \$40 million for the year. We're on track to meet or exceed that and just good, solid performance out of the plants in a challenging environment. I would say those are the three big things that stick out.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. And I just want to add to the last one Bob mentioned, Sean. When I think about going back two or three years ago, operational execution was not our strong suit. We realized we were not as lean or as good as we thought we were. And when I look at this year and I look at the fact that our operational teams have not only met what they originally laid out, but they've exceeded it. They've done that in an environment where we've had to make some interplant product transitions as a result of the tariffs, as well as contending with the tariffs and the mitigation work.

We didn't bring on extra people to do that. We've got our supply chain and operational people working those plans. And the fact that the Polaris organization was able to step up to the challenge and not let the operational improvements waver and in fact accelerate them and put us in a position to exceed, I think is pretty impressive. And I think gives me a lot of excitement about the future and where we think we can take the company and how much opportunity we have in front of a proven execution.

Sean Wagner

Analyst, Citigroup Global Markets, Inc.

All right. Thanks a lot, guys. Appreciate it.

Q

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Thank you.

A

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

Sure.

A

Operator: The next question will come from Tristan Thomas-Martin with BMO Capital Markets. Please go ahead.

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Hey. Good morning.

Q

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Good morning.

A

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

Hey, Tristan.

A

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Hey. One kind of qualification question. Your comment, plan to ship in line with retail, is that just Off Road or is that consolidated Polaris?

Q

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

I think as it relates to Q4, it's really Off Road. You mean, as we – the comments I made around moving forward, build equal ships equals retail?

A

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Yeah, correct.

Q

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Yeah. I think you can take it broadly. I mean, the reality is that we have timing differences given the seasonality of our businesses within that. But when we start looking at the macro picture around the business, Bob hit on some of the stats. You look at how much we've pulled down the Marine inventory and where we're at from a Motorcycle inventory, obviously, that'll be moved of the business as well as then ORV and Snow. We feel really good about where we're at and when you look at it on a full year basis, those the build equal ship equals retail should hold.

A

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

Yeah. As it pertains to the fourth quarter, which as I said in my comments, it's really ORV comment. Motorcycles, obviously, ships more in the first part of the year as they get into their seasonality. Snow ships more in the fourth quarter and Marine ships kind of more fourth quarter, first quarter as they look at their season. But on a full year basis, to Mike's point in 2026, that's an across the board comment when you look at the full year.

A

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Okay. Thank you. And then just one more. It kind of sounds like everyone's coalescing around a little more of a conservative industry outlook for next year, but also everyone's expecting to take share. You talked a lot about products that are kind of outside of that. What other levers do you have to kind of protect the share you gained in the last two quarters? Thanks.

Q

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Innovation. I think it starts with product and you can see the results of that. And I think in many instances our competitors are going to have to catch up in a couple of categories. I think after that comes the strength of the dealer network. We have spent a lot of time, not just tactical things like getting the inventory rightsized, but spending time with our dealers, understanding what works well, what doesn't, what do we need to change. I think our NorthStar program is the best program in the market. We can see it in terms of the dealer engagement, and that starts with somebody walking through the door to look at a new product, somebody coming in to the service bay, to somebody coming in to buy parts or accessories for their vehicle or shopping online, getting financed, getting an extended warranty agreement. And I think you have those two things together. It's a pretty powerful equation. And I think it'll work well for us as we head into 2026 and beyond.

A

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

Yeah. I think there's a lot of – to Mike's point, a lot of maturity in the management of the dealer network right now, a lot of focus on dealer profitability. We're not out trying to add dealers. We're trying to optimize the structure we have, work with those dealers. As people want to get out of the industry, working with the strongest dealers out there to take over those points and then looking at how do you have more kind of multi dealer structures that allow the dealer to optimize how they run their business and how we deliver to their business. So, I feel like all of

A

those things are going to help us and I think we're the farthest along in terms of how we work with the dealer network.

Tristan M. Thomas-Martin

Analyst, BMO Capital Markets Corp.

Q

Clear. Thank you.

Operator: The next question will come from Robin Farley with UBS. Please go ahead.

Q

Hi, thanks. This is [ph] Arpiné (00:44:58) for Robin. Your margins came in better than expectations. And you, of course, called out sort of favorable mix and positive contribution from warranty expense for the quarter. Could you maybe walk through whether those are recurring benefits to margin as we look into Q4 and more importantly, 2026? I know, you mentioned mix reverses to less favorable in Q4, but just thinking about those drivers for next year? And then I have a quick follow up.

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. Certainly, warranty has been a positive story really for all of 2025. And I think that trend will continue into 2026. The quality of our products continues to improve. We hear that from the dealer base. We see it in the numbers and you all see it in the warranty, as it impacts from a cost standpoint. Plants, obviously, the big step was in 2024, but continued improvement in 2025. And we think will outperform the \$40 million that we had as a target. That work will continue, we're still in the early phases of our reimplementation of lean in the plants and so, there's continued work to do there to drive more profitability out of the plants and we'll see some more benefits of that as volume improves.

And mix, mix is kind of a quarterly thing. I mean, there's inter-business mix in terms of the different parts of the company. And because different businesses have different GP profiles, but in general, mix continues to be a strong story for us, given our outperformance, given our innovation at the high end of the product lines. So, we think mix overall will continue to be a positive as we move forward.

Q

Great. Thank you. And then, just really quickly, any comments you could give us in terms of early reads into retail environment for 2026? So, some of the things that you're looking at that shape your outlook for demand for next year and maybe any initial comments on cadence of new products, intros and where you see opportunity maybe for you to grow above industry growth range for next year?

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. I mean, we're we won't get into specifics, but safe to say, you can look at the cadence of innovation we've had over the past several years and we don't expect that to slow down. So, we think there will be plenty of innovation opportunities for us as we head into 2026. I think it's really more of the same relative to the macro. I think there's a lot of uncertainty around where inflation is headed and resulting interest rate moves. We're not going to pontificate on how many rate cuts and all that type of stuff, but certainly higher interest rates are a

challenge for this category. It's been encouraging to see rate cut direction and we think we're going to need more of that.

And I think that'll come as a result of easing inflation, which will be good for our consumers. I talked about my prepared remarks that we're looking at things like the debt levels and things like that with our customer base, but we also think time plays in our favor. We look at the customer demographics in terms of purchases and repurchase rates. And we're now past – call it, five years past the bubble that was created during the pandemic. And we expect that those customers will start coming back. We know they're using the product. And given the cycles of innovation we've had since those products were purchased as well as time, we fully expect that they'll start to come back into the fold.

So, we think there's a number of different things, but ultimately this is going to be a macro driven phenomenon. I do think people are looking at next year from a cautious perspective. But I think the work we did this year to get dealer inventory rightsized, to put us in a position, quite frankly, if the industry's flat, we still believe we can grow just given the position we are from a dealer inventory as well as the innovation we have in the pipeline.

Q

That's super helpful. Thank you.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Thank you.

Operator: The next question will come from David MacGregor with Longbow Research. Please go ahead.

Joseph Nolan

Analyst, Longbow Research LLC

Q

Hi. Good morning. This is Joe Nolan on for David. You guys had strong success with the Factory Authorized Clearance program. Just wondering if you can give an update on what sort of promotional activity you're seeing from competitors and just how that develops into fourth quarter and 2026? And also, just in past quarters, you've given an update on competitor channel inventories. If you can give an update there as well?

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Yeah. I'll kind of wrap them all together. We, and our next largest competitor, when we look at our DSOs and current, non-current, we look very similar, which is helpful, because the two of us make up a large portion of the industry. The Japanese have been moving in the right direction. We've definitely seen the large promo to move very old product or kind of onetime incentives that were going on in the marketplace. We've seen a lot of that essentially slow down or exit the market.

As we head into fourth quarter and into next year, at this point, we don't see anything that's outsized relative to what has been going on here more recently. And as long as the dealer inventory stays in a good spot or continues to improve with some of our competitors, we expect that promo environmental settle down. We talked about 2026, we're assuming that the promo environment will be kind of flattish year-over-year and we'll see how that continues to evolve, given some of the competitors that are still catching up on their inventory levels.

Robert P. Mack

Chief Financial Officer & Executive Vice President-Finance & Corporate Development, Polaris Inc.

A

Yeah. I would say, there's been some talk of lower promo in the industry, but the behaviors haven't demonstrated that that's going to happen. And so, right now our view is that things will remain sort of flat with where they are right now. Hopefully, if we see the level of interest rate cuts that folks are talking about, that may allow some things to normalize as we get into mid-2026, but it'll take a while for that to play out, so tough to really forecast right now.

Joseph Nolan

Analyst, Longbow Research LLC

Q

Okay, great. Thanks. I'll pass it on.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

A

Thanks.

Operator: This concludes our question-and-answer session as well as our conference call for today. Thank you for your participation and attending today's presentation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.