28-Apr-2026

Polaris Inc. (PII)

Q1 2026 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

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

James Hardiman
Analyst, Citigroup Global Markets, Inc.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

David S. MacGregor
Analyst, Longbow Research LLC

Tristan M. Thomas-Martin
Analyst, BMO Capital Markets

Gerrick L. Johnson
Analyst, Seaport Global Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Polaris First Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to J.C. Weigelt, Vice President, Investor Relations. Please go ahead.

J.C. Weigelt

Vice President-Investor Relations, Polaris Inc.

Thank you, Gary, and good morning or afternoon, everyone. I'm J.C. Weigelt, Vice President of Investor Relations at Polaris. Thank you for joining us for our 2026 first 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 2026 first quarter results as well as our expectations for the remainder of 2026. 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 2025 10-K and our other filings with the SEC for additional details regarding risks and uncertainties.

All references to 2026 first quarter actual results and future period guidance are for our continuing operations and are reported 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.

Before I turn the call over to Mike, I'd like to recognize the upcoming retirement of Peggy James on May 1. Peggy has been an integral part of the Polaris Investor Relations team for more than 20 years, and her contributions over that time have been tremendous. We will miss her experience and steady presence on the team and wish her all the best in retirement, likely spending more time with her grandchildren, more time on the golf course and enjoying more snowmobiling.

Now, I'll turn the call 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 your interest in Polaris. We delivered a strong start to the year with our first quarter results reflecting strong fundamental performance across the business. I'm proud to say our team did an excellent job focusing on what we could control, executing commercially, driving operational efficiencies, advancing our tariff mitigation plans, and optimizing our portfolio.

Results exceeded our expectations during the quarter, with reported sales up 8% or up 14% organically, excluding Indian Motorcycle and its related impacts. And we delivered adjusted EPS of $0.13, which was well above our expectations. And EPS excluding Indian would have been $0.26.

First quarter sales were driven by double-digit growth in our Powersports segment, led by our utility RANGER line, our fast-growing commercial business, and snowmobiles. PG&A also had another great quarter, bolstered by strong performance in utility and 14% growth in snowmobile accessories, parts and apparel, as ridership remained strong.

Across our portfolio, North American retail grew 1%, with ORV up 3%. Both measures exclude youth vehicles. We ended the quarter with share gains in both ORV and snow as well as with Godfrey pontoons. Dealer inventory levels remain healthy, reflecting strong operational alignment across our manufacturing plants, shipment plans, and retail channels.

Our margins, even with 240 basis points of headwind from tariffs, we're able to improve gross margins by 389 basis points. This was higher than our initial expectations due to a better mix within ORV and Marine, more favorable net pricing, as well as improved operational efficiencies.

Adjusted EBITDA margins increased 277 basis points, with strong operational performance, partially offset by the timing of certain operating expenses moving into the first quarter. This resulted in adjusted EPS of $0.13, well above our original expectations.

Overall, it was a strong start to the year. And we believe the actions we have taken to refocus Polaris are creating a stronger foundation for the future, advancing our focus on leadership in Powersports, localizing and strengthening our operating footprint, and positioning Polaris to deliver higher earnings power and stronger returns over time.

Digging deeper into retail, North American ORV retail was up 3% and we gained share for the fourth consecutive quarter. While retail within the recreational category continues to be challenged, down high-single digits this quarter, we are seeing strong growth in our utility business, which speaks to the strength and diversification of our product portfolio.

Utility ORV, which now makes up 70% of ORV revenue, grew at a high-single digit rate as the industry continues to grow. While the growth in utility remains broad-based across our product portfolio, we did see an uptick in demand for vehicles used to move equipment and people across large data center construction projects that can span hundreds or even thousands of acres. As these build-outs continue to expand, we see this as a secular tailwind for the business and believe we are well-positioned to continue gaining share and supporting that demand.

The monthly cadence of retail performance in the quarter started out strong in January and February, given a constructive consumer backdrop. However, this was followed by a decline starting in mid-March, which correlated with increased geopolitical tensions and rising oil prices. Interestingly, we are now seeing retail performance return to growth in April, with positive metrics across all categories, excluding youth, where we continue to build back inventory.

For snowmobiles, the 2025-2026 season delivered retail growth of 25%, driven by early season snowfall in the flatlands. Conditions varied later in the season, but many mountain areas experienced lower snowfall, with some seeing close to low snowfall levels on record. Despite this, we gained multiple points of share due to our strategic promotional activity to help dealers move non-current inventory and innovation in the widetrack and sport utility segment.

Turning to Marine. First quarter retail was down low-double digits according to the latest SSI report, which is not a complete dataset, with important states yet to report. The first quarter represents about 10% of annual retail and, therefore, we don't extrapolate these results to the rest of the year. Importantly, boat show activity was up year-over-year for both brands, and there remains strong excitement around our premium offerings at both Bennington and Godfrey.

Before moving on, I want to touch on our product portfolio, something that can be hard to fully appreciate through a 10 or 20-dealer survey. Simply put, this is the strongest portfolio I've seen in my nearly 11 years at Polaris. Our broad ORV lineup delivers on distinct customer needs, whether it be for a work vehicle to find their next adventure, or to have an unmatched day on the dunes.

Our category-defining utility vehicle, the RANGER XD 1500, sets the bar for capability, while the Polaris XPEDITION offers the industry's only adventure vehicle. And for customers looking for uncompromised performance in the wide open category, the RZR Pro R has continued to define what's possible, with victories at Dakar, King of the Hammers desert race, and our recent wins at the San Felipe 250, demonstrating the vehicle's leadership.

The innovation at the top carries down across the lineup. We've talked about the success of the RANGER 500, which delivers exceptional value to customers and continues turning at dealers at unprecedented levels; and the recent launch of the new RANGER 1000 CAB and RANGER XP 1000 CAB, which strengthens our offering in the latest and fastest-growing full cab utility category. In fact, we are seeing strong double-digit utility side-by-side retail growth in April on the heels of this launch.

In our seasonal business, we launched our model year 2027 snowmobile lineup in February, which featured the expansion of our rec utility sleds and the new 9R VR1 DYNAMIX. Originally launched on our RZR lineup, DYNAMIX technology was later introduced on our snow portfolio in 2025, and it remains the industry's only snow system with full four-shock control. This year, a third of SnowChecked orders included DYNAMIX.

In Marine, we continue to set the standard for innovation and quality with the newly redesigned Bennington QX and the Godfrey Sanpan, which was named Boating Magazine's Pontoon of the Year. And the Hurricane SunDeck 3200 won the Innovation Award at the Miami Boat Show.

It's easy to focus on individual products, but what truly differentiates Polaris is the strength of our entire portfolio. We're the global leader in powersports and we operate like it, living the riding experience and constantly working to make it better. And while it's still early, I'll say this: I have not been this excited about what we have yet to come.

Dealer inventory continues to be in a good place as we've taken a thoughtful approach in pacing our shipments in line with current demand. Our dealer inventory levels are healthy across our major categories. With some help from Mother Nature this last season, we made significant progress on snowmobile inventory and it ended the quarter down over 50% from a year ago. We exit the snowmobile season with dealer inventory healthier than it's been in many years.

So, whether you look at our inventory on a day sales basis, which remains near 100 days, or on a current to non-current mix, which skews positively to more currents, our inventory at dealers is in a good spot. We remain committed to the alignment of build, ship, and retail as we partner with dealers to provide them with the right mix and quantity of vehicles to succeed.

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

Robert P. Mack

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

Thanks, Mike. We delivered a strong first quarter with results that exceeded our expectations coming into the year. Before turning to the quarter, I want to note that we are now reporting our business in three new segments: Polaris Powersports, Marine, and Aixam & Goupil. Going forward, we will discuss our performance through this new segment structure, which I'll touch on in more detail in a moment.

Sales were up 8% or approximately 14% organically when excluding Indian Motorcycle. Growth was led by strong powersports performance in ORV, commercial, and seasonal, and we also benefited from positive net price, reflecting higher year-over-year selling prices and lower promotional activity. Internationally, our Powersports segment was up 7%, which includes ORV and seasonal products sold outside of North America.

Adjusted EBITDA margin improved by approximately 280 basis points, primarily due to favorable mix in all segments. Net price also flowed through to benefit margins and we continued to see gains from operational efficiencies. These improvements were partially offset by higher operating expenses, largely related to the timing of certain costs moving earlier in the year than originally planned. Tariffs also posed a 240 basis point headwind in the quarter, but were in line with expectations. Keep in mind that the significant new tariffs were first imposed in April 2025. Altogether, this strong operating performance drove adjusted EPS of $0.13 above what we expected back in January.

Now, turning to our new segment structure, which we introduced during the quarter. The reportable segments are Polaris Powersports, Marine, and Aixam & Goupil. We designed this structure around our customers, who they are, what they buy, and where they buy it, which better aligns the organization with our dealer channels and how we go to market.

Polaris Powersports is almost 90% of total sales and includes all products from the former off-road segment with the addition of Slingshot. Marine remains the same. And carved out of the former on-road segment is Aixam & Goupil, which are two small vehicle businesses in Europe. Aixam manufactures smaller license-free passenger cars one would typically see in city centers and rural towns in Europe, while Goupil focuses on light-duty electric utility vehicles sold to municipalities and transportation companies. Both businesses are based in France.

Now, moving to our segments. Sales in Polaris Powersports were up 14% year-over-year. RANGER and commercial shipments far outpaced last year's levels as utility demand continues to grow across a variety of categories. PG&A was up 14%, driven by parts and continued oil sales, which are a strong indicator of an active and engaged rider base. Gross margin in the quarter was up 422 basis points, overcoming the anticipated significant headwind from tariffs due to strong mix, positive net price, and operational efficiencies.

Sales in Marine were driven by a richer mix of pontoons given the recent launch of the Bennington QX and Godfrey Sanpan lineups, which have generated significant excitement with dealers and customers. Both of these are premium lines for each brand. There was also a modest benefit from net pricing. Gross margin improved 64 basis points year-over-year, again driven by the mix benefit in the quarter, which we expect to continue throughout the selling season, as well as higher net price.

Aixam & Goupil sales were up 9%, driven by higher shipments for Goupil and higher year-over-year pricing within Aixam. Gross margin improved 294 basis points, driven by a higher mix within this segment.

With our renewed focus on our core business lines following the completion of the separation of Indian, our top capital priority in 2026 remains investing in higher margin, profitable growth, while maintaining a disciplined and balanced approach to returns and leverage. Second, we continue our long-standing commitment to returning capital to shareholders through dividends, marking our 31st consecutive year of dividend growth. Third, we remain focused on debt reduction, following more than $530 million in debt reduction during 2025, which supports our ongoing improvement in our leverage profile.

From a working capital perspective, our lean initiatives are driving meaningful efficiency gains. We continue to target a negative working capital position, supported by better alignment across demand planning, procurement, and production, continued supply chain localization, and ongoing optimization of payables.

First quarter free cash flow is typically our weakest quarter of cash generation in the year due to seasonal payments. While a net outflow, our first quarter cash flow was better than we had planned. Overall, we are very confident in our financial position. Our capital deployment is disciplined, our cash generation remains strong, and we continue to strengthen balance sheet flexibility.

We are reaffirming the guidance we updated on March 3 when we raised our outlook following the earlier-than-expected closure of the Indian Motorcycle separation. While we remain pleased – we remain pleased with the operational performance of the business, which drove much of the first quarter over-performance. Importantly, we believe this performance is grounded in operational discipline, execution, and factors that are within our control.

We continue to manage the business anticipating a relatively flat retail environment with build, ship, and retail closely aligned. This approach helps maintain healthy dealer inventory and reduces the need for excess promotional activity, which benefited results in the first quarter.

Given our first quarter performance, strong underlying fundamentals and the positive retail trends in April, the business demonstrated the capability to support a higher outlook. However, given the current level of uncertainty, we have decided to take a prudent and disciplined approach to the outlook given factors outside of our control, including uncertainty around the consumer, driven by higher energy prices and ongoing geopolitical conflicts, as well as the evolving tariff environment.

This year, we are expecting our financial results to return to historic seasonal patterns, with the second and third quarters being our highest revenue and EPS quarters. Specifically, for the second quarter, we expect sales to grow year-over-year in the range of 5% to 7%, driven by utility and our plan to ship in line with retail. Adjusted EPS is expected to be between $0.70 and $0.80. While this assumes no change in current tariff policy, we expect a negative year-over-year impact from tariffs to be between $30 million and $35 million.

We still expect the Indian Motorcycle separation to be accretive by approximately $50 million to adjusted EBITDA, which is more weighted to the back half of the year and into January 2027 due to motorcycle sales seasonality.

Looking ahead, we remain on track with our tariff mitigation strategy to reduce China-sourced material cost of goods sold from 14% last year to below 5% by the end of 2027. Based on current policy, we continue to expect total tariff costs of approximately $215 million this year, excluding potential refunds related to IEEPA tariffs paid in 2025 and into 2026. As a reminder, we paid approximately $125 million in IEEPA tariffs, and we intend to seek refunds for the full amount.

The work we've done to realign the portfolio and implement lean across our plants is already driving operational gains, and we expect that momentum to continue. Combined with the strength of our product lineup, this positions Polaris in a renewed way, one that emphasizes dealer partnership, rider-driven innovation, profitability, and returns. We are more aligned, more focused, and more disciplined than we have been in many years, and we are confident in the path ahead.

With that, I'll turn the call back over to Mike. Go ahead, Mike.

Michael Todd Speetzen

Chief Executive Officer & Director, Polaris Inc.

Thanks, Bob. Let me spend a moment on our clear vision to win, because this really anchors how we're operating Polaris today. At the highest level, our ambition is unchanged: to be the global leader in powersports. That starts with a solid foundation built on our brands, our people, and our culture, and a disciplined focus on execution.

There are a lot of distractions in the world right now, which makes it even more important to stay focused on what we can control and execute relentlessly against those priorities. Operationally, we're seeing steady improvement inside our manufacturing facilities. The actions we've taken over the past several years around lean are increasingly showing up in cost performance, quality, and delivery. And as volumes increase, we expect these efforts to continue to pay dividends.

On innovation, I'd put our product portfolio up against any of our competitors. We continue to invest in new products that expand our reach, strengthen our premium position, and drive differentiation across our portfolio. From a working capital standpoint, we remain focused on driving efficiencies and executing the fundamentals to improve cash generation. We generated over $600 million of free cash flow last year, and continuing to deliver strong cash generation remains a top priority.

Dealer health is also critical. We continue to partner closely with our dealers to ensure they have the right product mix and the right inventory levels to meet customer demand. This balanced approach remains a clear strategic advantage at the dealership level. All this supports a very clear vision to win. We are here to deliver for our customers by providing the best innovation, quality, and experience in the industry.

In leaning into our innovation, we are strengthening and advancing our number one market share position in powersports. And finally, we believe we're positioning Polaris for long-term financial growth with a model built on consistent cash generation, attractive returns, and sustained value creation. The consistency of this strategy and the discipline of our execution gives us confidence in how we're navigating today's environment and building Polaris for the future.

Our priorities for 2026 are unchanged from what I outlined three months ago. We continue to expect a relatively flat retail environment, which is consistent with what we've seen so far this year. Utility remains the stronger growth component of the portfolio relative to recreation. We'll continue to operate our facilities so that production, shipments, and retail remain aligned. And if demand shifts based on dealer feedback or data, we are prepared to flex production accordingly.

We closed the Indian Motorcycle separation earlier than expected, and thus far, the separation has gone smoothly. Our lean journey continues with additional lean lines coming online later this year. In total, we've achieved over $240 million in structural savings through this journey.

We remain committed to executing our tariff mitigation strategy. We expect tariff policies to continue to change, including potential changes from the review of the USMCA trade agreement. While the ultimate outcome remains uncertain, our goal is clear. We remain committed to the US with the largest powersports manufacturing footprint in the industry, supporting US workers and suppliers. We are also well underway with our goal to reduce China-sourced components to under 5% of material cost of goods sold by the end of 2027. We have a dedicated team in place, we're on track, and I'm confident we can achieve this goal.

So to wrap up, we're encouraged by the way the year has started. Our teams are executing incredibly well in a dynamic environment. Our product portfolio is strong, our dealers are healthy, and our strategy is working. While there are factors outside of our control, we remain sharply focused on what we can control.

We believe the actions we've taken to refocus Polaris are creating a strong foundation for the future by advancing our focus and leadership in powersports, localizing and strengthening our operating footprint, and positioning Polaris to deliver higher earnings power and stronger returns over time. We believe this positions Polaris well to navigate the near term and to create long-term shareholder value for stakeholders.

We appreciate your continued support. With that, I'll turn it over to Gary to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question today is 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. First, I just want to say to Peggy, it's been a pleasure working with you and you will certainly be missed. But my tariff question is fairly multifaceted, so if you'll give me a second to ask it. Could you help us unpack your tariff exposure in guidance after the IEEPA ruling and including recent Section 232 changes? And to that end, I think regarding IEEPA, if I'm right, you have a $30 million tailwind in 2026 relative to 2025, and that is not in guidance. And then, regarding Section 232 changes, could you help us what is expected as an impact in 2026 and break that down into the growth and the mitigated impact? Thanks for indulging the long question.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Well, I mean, it certainly is a complex topic, Craig. So I'm going to kind of take you through a few different aspects and then provide you a little bit more color around Section 232, because we've clearly gotten a lot of questions. As Bob mentioned, our tariff impact has stayed consistent with what we talked about at around $215 million. The math works this way. With the Supreme Court ruling that pulled the IEEPA tariffs off, but then the administration immediately put the Section 122 tariff in place at 10%, not the 15% that they talked about, those changes yielded about a $40 million benefit to us. Unfortunately, when the Section 232 changes were made, that effectively offset that. So to dispel some of the commentary that's been out there, we are not unaffected by Section 232. We are definitely affected by it. So number one.

Number two, the rules around Section 232 are pretty complex, and I'm not going to try and go through and pull all that apart. But safe to say, we do have a different product portfolio as well as a very different manufacturing footprint. We're not manufacturing everything down in Mexico. And obviously, as you know, we have manufacturing in Minnesota as well as in Alabama.

And then, the third component, I'd say around Section 232 is we are a significant consumer of US steel. And as you know from the regulations, there are different tariff rates based on US versus non-US steel components. So in a nutshell, that's essentially where we're at.

There's been some questions around, hey, how does this start to annualize into 2027? Obviously, tough to predict what's going to happen with tariff policy, but assuming the tariff regime that's in place at this moment and assuming the same volumes that we would have, we would not expect tariffs to be greater than what we're experiencing this year. And in fact, we're working hard, as I indicated in my prepared remarks, to pull down the amount of China-sourced content that's coming into the US that we're paying tariffs on, with the goal of getting below the 5% of material cost of goods sold next year. And obviously, there's some timing differences with how things flow out of inventory. But we think, if anything, that gives us the opportunity to get in there and further mitigate that.

The last thing I would say is that, that excludes any funds from the refund. As Bob indicated, it's about $125 million. We are in the process of either going through or understanding the refund process that's unfolding, and we'll be working hard to get that money that's rightfully ours to get back.

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

Q

That's really helpful, Mike. So are you saying that the incremental impact of the Section 232 changes for 2026 should be around $40 million, which offsets the benefit you had from other issues?

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Correct.

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

A

Yes. And as you stated in your question, Craig, we originally thought it was $30 million back in March. As we've done the math, that's about $40 million. And we hadn't changed our guidance to reflect that, and we're also not changing our guidance to reflect the Section 232 since they kind of net out.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

And I'm sure the question's going to come up around guidance, but I do think that's a prime example. I mean, when we were at a conference in March, the question was, hey, with IEEPA coming off, there's an inherent benefit, why are you not taking guidance up? And it was for this very reason. I mean, we knew that the Section 232, we also know that Section 301 is under review. There's a comment period coming up in May. USMCA is under review. That's going to start in July. There's been a comment period leading up to that. I mean, there's just a tremendous amount of uncertainty around this. And so, we're obviously being conservative in the way we're approaching things, but we think that's prudent given this environment.

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

A

The other thing I – there's been a lot of discussion about inventory, and so let me talk a little bit about how these different tariffs work. So when the IEEPA tariffs went away and the Section 122s came in, right, there's about a quarter lag on when we see that impact, because we're bringing parts in about a quarter ahead of production. And so, by the time it gets into a product and rolls through cost of goods sold, there's at least a quarter lag or more, whereas the Section 232s were announced, I think, on a Friday and went into effect effectively on Monday.

And there's been some things written and talked about that, hey, we've got 100 days of dealer inventory, and so we're not seeing an impact for 100 days. That's not how it works. The 100 days of dealer inventory has already been recognized into revenue. We've sold that to the dealers, and it's being replenished every day.

And certainly, like a lot of companies, we paused shipments for a short period of time as we dug in to understand the new rules and adjust our systems to be able to process all that. But we started shipping relatively quickly after they were announced. So, we're feeling the Section 232 impact almost immediately. So, there's not a 100-day deferral because of the dealer inventory on Section 232.

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

Q

Thank you.

Operator: The next question is from James Hardiman with Citi. Please go ahead.

James Hardiman
Analyst, Citigroup Global Markets, Inc.

Q

Hey. Good morning. So, that was a lot to digest on the tariff front. If that weren't complicated enough, and it's probably too early to have a great feel for this, but maybe initial thoughts on the competitive environment that that now creates for 2026 and, I don't know, 2027 is probably too far out to really get your arms around. But I think as we sit here today, you guys should now be benefiting on the cost side, relative to, I think your competitor up north, right, the Canadian competitor and then, presumably, your major Chinese competitor who also imports from Mexico. I think the Japanese are generally in a good place from this, but maybe walk us through how you're thinking about that, if that impacts sort of your ability to price or your ability to gain share. Any initial thoughts on that front would be great.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yeah. Thanks, James. And yes, there's a lot there because there's a lot there. And this organization unfortunately has had to spend a tremendous amount of time on it. I'm proud of the work they've done and the team we've got on top of it. Look, I don't want to get into commentary about our competitors and what they're dealing with from a cost perspective. What I can tell you, though, is that there's not a tremendous amount of price elasticity in this market. I'll remind you that there was significant price taken coming out of COVID when the supply chains and the massive amount of inflation that this country went through. And so, the pricing had already been somewhat elevated through that process. And the consumer backdrop isn't incredibly strong.

I mean, the utility segment, which obviously makes up the majority of our ORV business, has remained strong, but that doesn't mean there's an infinite level of price elasticity there. The rec side, whether that be the Marine, or the RZR portion of our business, is incredibly sensitive to everything that's going on. As I mentioned in my prepared remarks, when we saw oil prices spike and that combined with what's going on overseas, we saw those customers pull back. Utility remained strong during that time period, which was encouraging. But I just don't think there's a tremendous amount of elasticity in the marketplace. I mean, we'll obviously continue to look for that.

And quite frankly, our focus from a competitive standpoint is exactly what I went through in my script. It's the products. We have the best innovation in the market. We're moving fast. We're regaining our foothold. We've gained share for four quarters in a row in ORV. And that's really going to be the focus that we have inside the organization and continue to be the push. I'm really excited about products that we're going to be launching this year and then the visibility we have out – for the next several years. And regardless of the cost positioning, I think we're going to be in an incredible spot to continue to win.

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

A

Yeah. One thing I would say, James, is everybody needs to keep in mind, with tariffs, it's not that we're not impacted. I mean, we've been dealing with this since 2018. And as Mike stated when he started the answer to that question, we have a team that meets every day, is highly focused on this. We've been executing our plans to mitigate tariffs. And so, as we came into the Section 232 announcements, we're well-versed in what our steel and aluminum content is by part and by product. And so, we were able to get on top of that fairly quickly.

It is incredibly complicated, and it's tough to figure out where it's going to go. But I don't think it's going to dramatically change the overall competitive dynamic, given all the things Mike said about elasticity in the market.

James Hardiman
Analyst, Citigroup Global Markets, Inc.

Q

Got it. That's really helpful. And then, to the guidance, by my math, you beat – once we sort of factor in the earlier Indian close, you beat the first quarter by almost $0.50. Obviously, not flowing it through to the full year, in the prepared remarks you called out, I think two items: one, just uncertainty around the consumer; and two, the evolving tariff environment. I guess, as I sit here and listen to your other comments about how things sort of slowed down and then reaccelerated in April, that seems like maybe we're coming out of the other end in a better place.

And then, the tariff conversation, I guess, maybe let me ask the question this way. Like, if we don't see some sort of unforeseen downturn in the consumer from here, right, after April's gotten a little bit better, and if we don't see some incremental new tariffs beyond Section 232 that we're not even really thinking about at this point, does that scenario equate to upside relative to what you've laid out today? Or am I not thinking about that the right way?

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

No, I think you are. I mean, I think Bob and I tried to be pretty blunt in our comments that we were playing this conservative, prudent, whatever the words are that you want to choose. But I think, look, if the consumer backdrop continues playing out like it has and if tariff policy, fingers crossed, were to just stay where it is today, we would have certainly been looking at taking guidance up. And I think what I'd reinforce is the business is performing better than it ever has. When you step back and you think about the fact that we've got dealer inventory aligned in an environment where things are fairly static, we actually grew revenue on an organic basis 14%.

I talked about our gross profit coming in at 20.5%, that's up year-over-year despite the tariff headwind. And if you pulled tariffs out, which I wish we could, we'd be at 23%. I mean, that is a significant improvement and, I think, reflective of the improvements we've made in our operational efficiencies, warranty, utilization of the factories, gaining share for four quarters in a row in ORV, cash flow performance despite the headwinds of the tariffs, strong safety performance in the business, alignment with our dealers. We've right-sized this portfolio to really get focused on the most profitable.

I mean, James, we have this business in a really good spot. And I think the first quarter results really reflected that. I would really like to see us get past the uncertainty on the tariffs, because it's not just uncertainty for us to predict financially, but it is uncertainty from a consumer standpoint. I mean, inflation is a big deal right now. And certainly, the conflict overseas is generating inflation from an energy perspective. But even outside of that, the consumer hasn't necessarily demonstrated significant strength.

And so, I think getting some certainty around tariff policy would certainly alleviate that pressure and I think start to put the consumer in a better spot, both in terms of future interest rate expectations and things like that. So, I think the message for everyone is this business is performing better than it has in years. We're excited about that. And with some stability, we would certainly see this generating even more upside than we saw in the first quarter.

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

A

Yeah. I mean, if you look at the incrementals in the first quarter, with tariffs factored in, it was above 40%. If you accounted for the tariff headwind, it'd been over 70%. So, just really, really solid performance. And obviously, we benefited. We had really good strong mix in the quarter. We continue to see strength at the high end and the low end of the market with the middle kind of being the weakest part. But that high-end mix served us well in the quarter. And obviously, we had some carryover price from price increases, normal price increases we took up in last year.

So, the company is performing really, really well. And to Mike's point, this is really just not having great visibility into what happens with the consumer, given the ongoing conflicts around the world and then what's going to happen with tariffs. We know the Section 122s have to – they have to expire in July. I don't know that there's a way to extend them. And what we don't know is what, if anything, will come in after that. So, that's the caution.

James Hardiman
Analyst, Citigroup Global Markets, Inc.

Q

That's really helpful color. Thank you, both. And, Peggy, you will be missed. Good luck with the next chapter. Thanks, guys.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Thanks, James.

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

A

Thanks, James.

Operator: The next question is from Joe Altobello with Raymond James. Please go ahead.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.

Q

Thanks. Hey, guys. Good morning. Just want to follow up on the tariff commentary, make sure I understood you right. So if we assume nothing changes, and I know that's a big assumption at this point, it sounds like, at worst, tariffs are neutral and could potentially be a tailwind for 2027?

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yes. The caveat to that is that we are still working the mitigation efforts that we talked about. And so, flowing through the effect of getting our China-based spend down sub-5% and how that stratifies into 2027, obviously, is an unknown, but should be a net benefit. We continue the focus on the lobbying efforts that we've been pursuing to evaluate some sort of relief across the powersports industry. I think that's probably a more difficult task in this current environment with everything that's going on. But we have continued to press forward and we continue to have support from key constituents in places like Minnesota and Alabama.

And then, obviously, there's a lot of caveats to that, right? Aside from tariff policy remaining consistent, it's also volumes and things like that. But I think from an annualization of the impacts and the fact that IEEPA net of

Section 122 favorability was almost essentially perfectly offset by the Section 232 impact coming in, that's effectively where we would be.

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

A

Yeah. I think if you're thinking about next year, the $215 million we guided to this year, plus or minus a little, is probably a good place to start. To Mike's point, we'll have – where we land on mitigations, which involves moving a lot of parts and a lot of timing that we won't know yet. That'll continue to evolve through the year.

But the timing – while the timing was different with the IEEPA stuff happening in February and the Section 232 stuff happening in April, because of the lag, they sort of balance each other out if you think about them on a full year run rate basis. So, we think that's where it'll be, depending on whatever the administration decides to do with new tariffs and, obviously, all the things Mike talked about with volume and other things that we don't have visibility into for 2027 yet.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.

Q

Got it. Very helpful. And just to follow up on that, I think, Bob, you mentioned earlier there's some OpEx spending that got pulled forward into the first quarter. Could you quantify that for us? And secondly, would you expect all of that to reverse in the second quarter, or is it spread out throughout the year?

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

A

So, it was kind of split evenly between profit share or incentive comp. And that's purely because the way we – we had originally had a forecast to lose money in Q1, and now we're – obviously, had the earnings we have. So we had to recognize more profit share in the quarter. And then, the other stuff is really kind of just a myriad of corporate things that got pulled into the quarter. So all of it will turn around, and I think it will turn around relatively evenly through the course of the year.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.

Q

And how much was it in the quarter, sorry, roughly?

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

A

I'm sorry. It was about $30 million in the quarter. And I think – we're still on our guidance for OpEx for the year, so we're not seeing anything that says we're going to spend over what we guided. It's just timing in the quarter. And like I said, it'll turn around over the next three, not all in Q2.

Joseph Altobello
Analyst, Raymond James & Associates, Inc.

Q

Okay. Thank you.

Operator: The next question is from Noah Zatzkin with KeyBanc. Please go ahead.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Thanks for taking my questions. I guess, maybe just one on the ORV gross margin coming in better than expected. Obviously, I think price/mix and ops contributed there. Is there any way to quantify or frame the magnitude of the ops improvement that played a part there? And then, just how should we be thinking about the potential margin benefit of ops improvement looking through this year and then as you move into next year? Thanks.

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

A

Yeah. So if you think about it for the quarter, I would say, the biggest driver was volume and mix. We said we had good mix. Next would be net price. And then, after that would be the plant performance. I think that as you think about the year, the price will continue. We did our normal price increase. Promo, we don't expect radical changes in promo. There'll be some seasonality of promo as we head into peak selling season. Obviously, Q1 is typically a light promo quarter. Plant performance, I think, will continue really kind of on pace. And so, I think that'll be an ongoing benefit.

The margin profile in Q1 was really, really good, and mix played a big piece of that. We had strong mix into sort of high-end utility vehicles. If the consumer demand stays, that mix will continue to look good. If we see a slowdown, obviously, that could change. So a little bit tough to predict right now. But as long as we don't see a drop-off in volume, the factory performance that we saw in Q1 should continue really for the rest of the year.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yeah. Noah, something to keep in mind, we've been under-shipping retail for the last couple of years. And now, that we've got things more in line, the volume recovery going through the factories and our factory utilization's now getting up closer to 70%. Still not at the optimal level, but much better than where it was last year. So when you couple that with the things that Bob talked about with mix, you couple that with the work we've done around lean, I mean it puts us in a really good spot. And that's why when I talk about the future value creation of the company, I mean, we're still in the early days.

We've only effectively got one lean line at each of our factories, and we're in the process of expanding that this year. And this is going to be a multi-year journey. But we're looking at – you sprinkle on a little bit more volume and the amount of efficiency and volume leverage, as Bob mentioned earlier to one of the other questions, it's exciting to see that come through and encouraging in terms of the amount of earnings leverage that we can get moving forward.

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

A

The other thing to keep in mind, which doesn't jump out, just as you look at the puts and takes in the guidance and it's staying where it is, is commodities. We went into the year thinking commodities were going to be about a $20 million headwind. We think it'll be double that, maybe a little more now, and primarily driven by steel and diesel. And diesel really is a proxy for both diesel in the transportation side and resins in the production side. And we're forecasting to overcome that with our operational efficiencies inside of our guidance. But that will be a little bit of an offset because that's a headwind, I think, across most industries right now.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Thanks. And maybe just one kind of housekeeping question. I think there was a $22.5 million adjustment related to distressed supplier.

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

A

Yeah.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Just kind of any color there would be helpful. Thanks.

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

A

Yeah. So one of our suppliers was part of the First Brands bankruptcy. And so, we made payments during the course of the evolution of the bankruptcy to help get inventory and keep inventory flowing. And then, we partnered with several other customers of the supplier to help facilitate that company being sold and approved by the bankruptcy court to be sold to another industry participant. And so, that $22 million is us taking through period cost, the support payments we made to facilitate that transition.

It would have been a tough supplier to transition, and we would have lost a lot of margin if we had lost supply. And I think that was true for sort of all of the participants in the industry. And so, we all had to step up to sort of rescue this supplier and get it out of the First Brands bankruptcy, which we were able to do. And it's performing well now, and I think we've moved on from it. So just a one quarter impact from that.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Noah, I would say, it just demonstrates the fact that we are the leader in powersports. We saw this supplier struggling well before that bankruptcy. We had been working with them closely. And so, we were able to effectively take charge of the process and guide it to another supplier so that we could ensure continuity not just for us, but many others in the industry. And again, I would just point to this team and the culture that we have, the focus around execution and relentlessly pursuing everything we can to ensure we execute and deliver for the customer. And I think this is a prime example of the team doing that. I'm really proud of what they accomplished.

Noah Zatzkin
Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: The next question is from David MacGregor with Longbow. Please go ahead.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Yes. Hi. Good morning, everyone. Thanks for taking the questions. You mentioned the RANGER 500 performing well. I just wanted to get your thoughts, Mike, on how you're thinking about the opportunity in developing product line extensions in utility and other categories just down into lower price points.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yeah, I mean, look, it's something that we've actually been focused on for quite a while. Obviously, Indian is not part of the portfolio, but it was something that we focused on there in terms of trying to get a sub-$10,000 entry point for the Scout lineup. It's something we're focused on, not just in the RANGER product category. I would say, it's a gap that we have within the ATV lineup. And the reality is we're not going to over-pivot down into the value segment. Buy as the industry evolved over the last decade, decade and a half, so has the price point. The vehicles become larger, more capable, more sophisticated, more options. And I think we and many others kind of rushed to the high end of the category, and we ended up leaving a gap at the lower end.

And when we looked at the price points, we looked at the size of the consumer group, and then we also studied entry points for consumers, whether that's coming in at a value RANGER or coming in on our ATV lineup, we know that a significant portion of those customers end up trading up as well as expanding. So, for example, someone coming into ATVs, eventually, a good portion of those folks are going to go into the side-by-side category. And the nice part about that is they're not just buying side-by-sides, they keep buying ATVs. And so, we've really taken a very customer-centric view.

I wouldn't sit here and tell you that we're going to over-expand into the value segment. We just think it's an important price point to have. I think even what you saw us do with the RANGER 1000 Cab and the RANGER XP CAB, providing lower price points that give people features that they're looking for, but obviously don't dilute what we have at the high end, where you get far more features and higher performing vehicles, but allowing people to experience some of the things that they want to at a price point that's a little bit more attractive than where they'd have to go to today.

And so, I think it's an important aspect of the business and making sure that we have a broad and diverse portfolio. And then, obviously, that complements everything we do to continue to look for extensions outside of the core portfolio like we did with Polaris XPEDITION, where we have significant market share and really don't have any competition in that adventure space, and an area where we can continue to find derivative vehicles and expand.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Great. Great color. Thank you for that. Just as a follow-up, I guess I wanted to focus on the rec segment. And if you think about rec, as you look at the various moving parts in that category, obviously, there's higher rates and weak consumer confidence, and those would certainly be cyclical factors. But what are you seeing that you might characterize as structural change in rec that would impact that business going forward?

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yeah. I think the only structural change is there were a few different dynamics that happened. I think you had a little bit of a pull-forward or acceleration during COVID. People went out and bought a lot of stuff. And then, you went through a brief period, probably a year, year and a half, where people stopped using vehicles. And I think a lot of that was as folks were being called back to the office, there was a rebalancing of what they were doing in their off time.

But for the last couple of years, we've seen strength in vehicle usage. We've talked about it a number of times on the call. We track everything from the number of miles that come in, the repair activity, spare parts volume, tire consumption, oil consumption. Everything that we look at on a monthly basis continues to point to usage of the vehicle. Where we have the ability to track ridership through RIDE COMMAND, we can see that the miles ridden has increased. So, we know people are using the vehicle.

I think what's happened is we've had a bit of a delay in the replenishment/repurchase cycle. What I will tell you is that when we see those brief moments of stability, either encouraging interest rate moves or inflation starting to tick down, we see the rec customers starting to come back in. We're not seeing huge movement, but we're seeing a not negative from a retail standpoint.

And so from my standpoint, I think it's folks are waiting for the moment to come back in. We know that they want to. There's been so much innovation since they last purchased a vehicle and we know they're dealing with extended repurchase intervals. And when you couple that with the fact that they're using the vehicles, they're going to come back in.

So, I don't know that we see a permanent structural. I think we've just got a lot that happened over the last several years. And then, right now, I think these consumers, because it's a want vehicle, not a need, they're waiting for some stability in the backdrop, whether that's macro, geopolitical, inflation, energy costs, you name it, I think a little bit of stability will go a long way to at least stabilize that market and get it back to a little bit of growth.

David S. MacGregor
Analyst, Longbow Research LLC

Q

Great detail, Mike. Thanks very much. Good luck.

Operator: The next question is from Tristan Thomas-Martin with BMO. Please go ahead.

Tristan M. Thomas-Martin
Analyst, BMO Capital Markets

Q

Hey. Good morning. Just one...

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Hey, Tristan.

Tristan M. Thomas-Martin
Analyst, BMO Capital Markets

Q

...quick tariff qualification question. The $40 million headwind from the change in Section 232s, is that a gross figure or a net figure?

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

It's the figure.

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

A

Yeah. We don't have any mitigations – we're not – they've been in place for two weeks, so there's not net of mitigation.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Yeah. And there's – I mean – and we're not going to get into the detail by product and all that kind of stuff, but I mean, when I make comments like we are a heavy consumer of US steel, I think you can interpret that that means we're probably at the lower tariff rate. But there really isn't a whole lot you can do. I mean, yes, could we shift manufacturing? I tell you, we are not in a stable enough environment from a policy decision that I'm going to go do anything significant.

Pulling something out of Mexico and putting it in the US then subjects it to a different set of tariffs. And we know the Section 301 regime is under review. We know USMCA is under review. So, at this point, we're just focused on broader mitigation efforts, the things I articulated earlier, whether that's the China spend content reduction as well as the lobbying efforts that are underway. And aside from that, we're going to go focus on all the other elements that we can drive efficiencies inside of the company. And I think you saw when we focus what came through in the first quarter.

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

A

Yeah. Just to clarify, Tristan, I couldn't tell if you said $30 million or $40 million. It's $40 million, effectively offset by $40 million from the IEEPA Section 122 switch. And then, the only other thing I would point out, I would never say that we would benefit from the difficult market in recreational products, but as you folks know, as utility has done well, our primary plant for utility is Huntsville, and we also make a bunch of ATVs up in Roseau. So, you know that the mix has certainly benefited us more towards our US footprint.

Tristan M. Thomas-Martin
Analyst, BMO Capital Markets

Q

Okay. That makes sense. And then, just to squeeze a little bit more. Just on – given new segments, anything you wanted to flag in kind of a margin standpoint, whether it's seasonality or incrementals or anything else we should be thinking about? Thank you.

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

A

Yeah. So, I think we pointed out we are returning to normal seasonality here, we think, in 2026. So, you'll see obviously Q1, typically our smallest revenue quarter, to Q2, Q3 will be larger. Q4, you should think that it's going to look fairly similar to Q1. And again, mix is going to play a big part in this. Mix was really strong in Q1. We'll just have to see what retail looks like and how that drives mix in Q2 and Q3. But otherwise, it'll just be normal seasonality.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

And I think the only other thing would be just, as we get through the second quarter, then your tariff year-over-year starts to become far less noise, because it ramped. It was very small in Q1, built in Q2, and then we were kind of at run rate Q3, Q4. So...

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

A

Yeah, we'll still have tariff, pretty good tariff headwind in Q2 relative to 2025, where the tariffs didn't – they started in April, but by the time you sort of got them in and they went through inventory, they didn't really hit until Q3. I think we only had about $10 million of tariff in Q2 last year, so it'll be more similar to Q1 this year.

Tristan M. Thomas-Martin
Analyst, BMO Capital Markets

Q

Great. Thank you.

Operator: The next question is from Gerrick Johnson with Seaport. Please go ahead.

Gerrick L. Johnson
Analyst, Seaport Global Securities LLC

Q

Hey. Good morning. Thank you. Just wanted to talk about TSAs real quick. I know they're neutral to your earnings, but how did they affect the various buckets in the first quarter?

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

A

Yeah. So, it is complicated, but you basically had about $25 million of – that flowed through revenue, and that's us really selling engines and some limited motorcycles that we finished up in Q1 to Indian. That came at a negative GP that was recovered in other income. And then, there's about another $5 million in OpEx, which is also recovered in other income. So, think about it as $25 million in revenue at a little bit of negative GP, $5 million to $6 million in OpEx, that plus a little bit of margin, all recovered in other income. So, not really significant, but a little bit – slightly bit better than breakeven, but just a geography issue.

Gerrick L. Johnson
Analyst, Seaport Global Securities LLC

Q

Okay, great. That's helpful. Thank you. And finally for me, the impact of youth ORV in the quarter, honestly, found it a little odd since youth is mainly sold in the fourth quarter. So, how did that impact your ORV retail and inventory? What would ORV have been without youth or with youth?

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

A

The impact wasn't dramatic. I mean, the issue with youth is we continue – we had to move it out of China. We moved it to Mexico. We're just starting to ship the RANGER 150s. We haven't been shipping those. It wouldn't have changed retail a whole lot in terms of actual percentages, and it certainly wouldn't have impacted margins.

Gerrick L. Johnson
Analyst, Seaport Global Securities LLC

Q

Okay. Great. Thank you.

Michael Todd Speetzen
Chief Executive Officer & Director, Polaris Inc.

A

Thanks, Gerrick.

Operator: This concludes our question-and-answer session, and the conference is also now concluded. Thank you for attending today's presentation. You may now disconnect.