Jeffrey Stacey

Founding Partner, Stacey Muirhead Capital Management





Common Pitfalls of Wide-Moat Investing

- Misjudging the size and durability of a moat
- Paying too much for a moat
- Ignoring the importance of qualitative judgements





Identifying Wide-Moat Investment Opportunities

Does it possess outstanding business economics?



Does it have honest and capable management?



Can it be purchased at an attractive price?



GREAT BUSINESS

GREAT PEOPLE

GREAT PRICE





Does it Possess Outstanding Business Economics?

- High returns on shareholders' equity
- A strong balance sheet with minimal or no debt
- Attractive operating and profit margins
- Significant brand recognition
- Pricing power for its products
- Growing revenue and earnings over time
- Consistent free cash flow generation





Does it have honest and capable management?

- "Skin in the game"
- Reasonable compensation practices
- Measurable pay for performance
- Demonstrated integrity
- Capital allocation record
- Unique corporate culture





Can it be purchased at an attractive price?

"Your goal as an investor should be simply to purchase at a rational price a part interest in an easily understood business whose earnings are virtually certain to be materially higher, five, ten or twenty years from now."

Warren Buffett







Off Road Vehicles (ORV)





Motorcycles





















Snowmobiles













Global Adjacent Markets













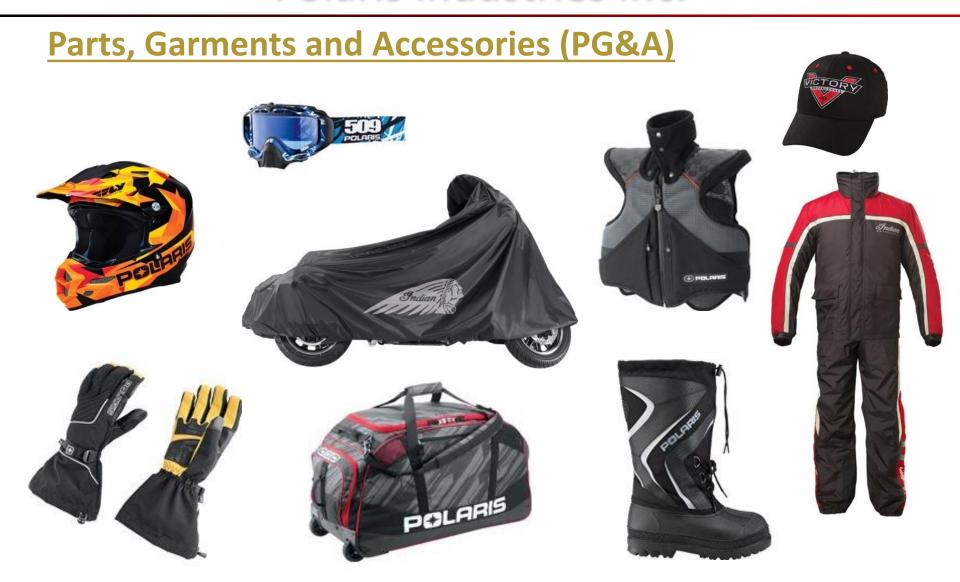
















Corporate Overview

- Founded in 1954
- > 8,100 employees worldwide
- 16 manufacturing locations and 5 R&D centres
- > 3,500 dealers worldwide
- Over 390,000 units shipped in 2015
- Products sold in over 100 countries





Market Data

Current Share Price \$85.02 (05/31/16)

Shares Outstanding 64,626,088 (Latest 10-Q)

Market Capitalization \$5.5 B



Does it possess superior business economics?





Significant Brand Recognition

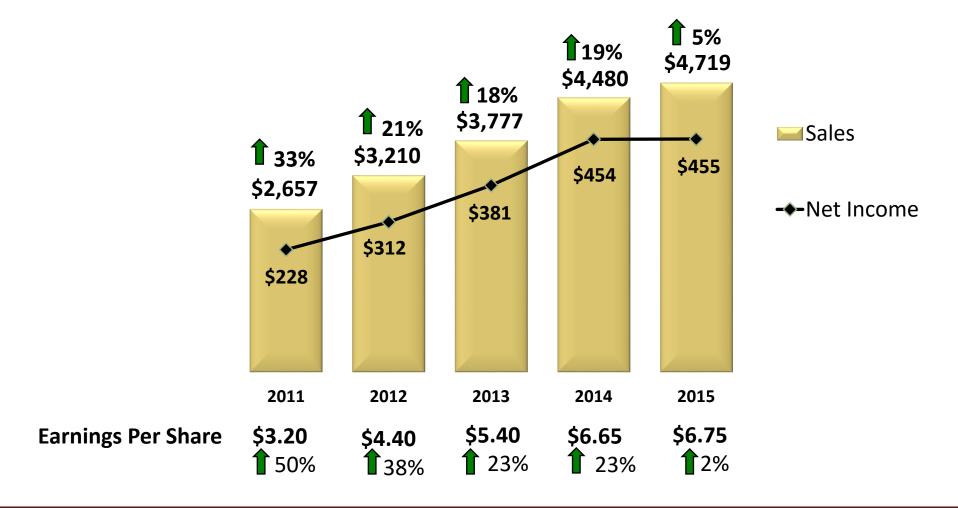
North American Market Share – 2015

- #1 ATV's
- #1 Side-by-Sides
- #2 Motorcycles
- #2 Snowmobiles





Growing Revenue and Earnings

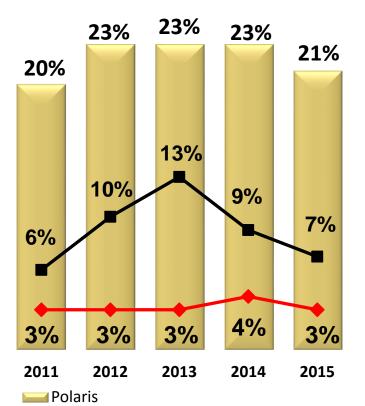




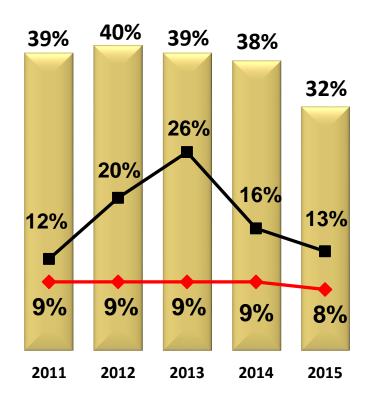


Industry Leading Returns

Return on Assets



Return on Invested Capital



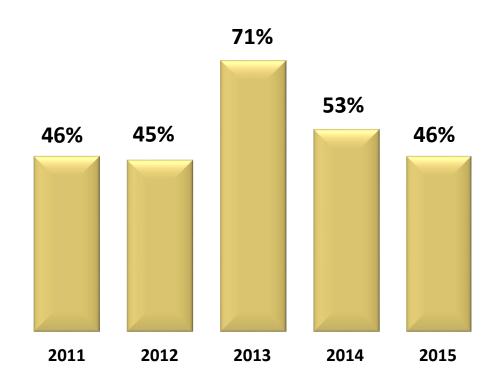
→S&P 500 Average

Peer Average (Arctic Cat, Brunswick, Deere, Bombardier Recreational Products, Harley-Davidson, Winnebago, Toro)





High Returns on Shareholder Equity







Solid Financial Position

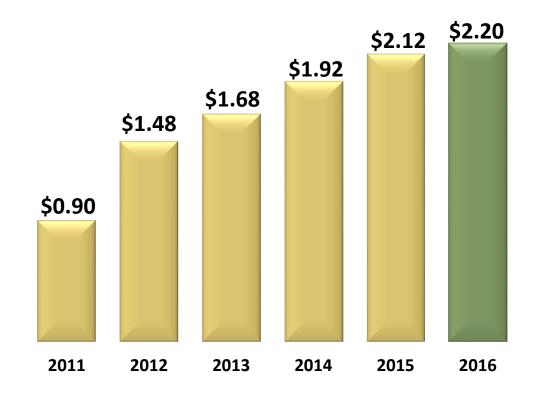
As of 03/31/2016

Cash	<u>\$ 145.8</u>
Debt/Capital Lease Obligations Shareholders' Equity Total Capital	\$ 532.4 \$ 930.9 \$ 1,463.3
Debt to Total Capital Net Debt to Total Capital	36% 26%





Increasing Dividends Per Share







Consistent and Opportunistic Share Repurchases

Shares Outstanding (in millions)

64.6

2000	94.2
2005	83.4
2010	68.5
2015	65.7

Share count is down by 29.6 million (31.4%) since 2000

2016 - Q1





Does it Possess Superior Business Economics?

Significant Brand Recognition

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Growing Revenues and Earnings



Industry Leading Returns



High Returns on Shareholder Equity



Solid Financial Position



Increasing Dividends Per Share



Consistent and Opportunistic Share Repurchases







Does it have honest and capable management?





- Directors and officers own 2,215,378 shares representing 3.4%
- Polaris ESOP owns 3,847,081 shares representing 5.9%
- Scott Wine has been CEO since 2008
- Solid, shareholder oriented board
- Great capital allocation record





Guiding Principles

- Best People/Best Team
- Safety and Ethics Always
- Customer Loyalty



Performance Objectives

- Grow Sales to \$8 Billion by 2020 (12% CAGR)
- Increase Net Income to more than 10% of sales by 2020 (13% CAGR)

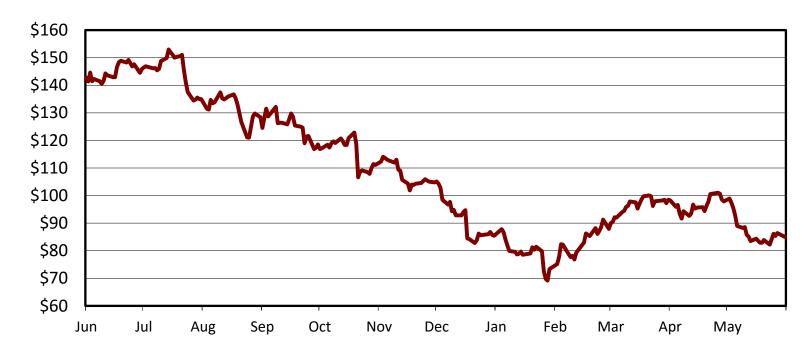


Can it be purchased at an attractive price?





Price Chart - 06/01/15 to 05/31/16



52 Week High Price: \$156.35 (July 15, 2015)

52 Week Low Price: \$67.80 (January 28, 2016)

Change:







What created this opportunity?

- Currency exchange fluctuations
- Dealer inventory concerns
- Paint capacity issues





Valuation

Current Share Price	\$85.02
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P/E – 2015 Earnings	12.6 x
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Dividend Yield	2.6%
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Return on Sha	areholo	ler Equity	46%
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Net Debt / Net Total Capita	al 26%
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What price "could" Polaris trade at?

Assumptions:

Sales in 2020 \$8 Billion

Net Margin 11.0 %

Net Income \$880 Million

Shares Outstanding 55.5 Million





What price "could" Polaris trade at?

Current Market Price	\$85.02
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Earnings Per Share – 2020	\$15.85
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Annual Compounded Rate of Return

18.6%





Summary

Great Business

Great People

Great Price







Question and Answer Period

