



Polaris Inc.

“FY21 revenue reaches record of USD8.2 bn”

Bloomberg: PII:US | Reuters: PII.N | NYSE: PII

Valuation / Recommendation

We are maintaining our target price of USD158.71 per share, which values Polaris at a PE of 17.6x FY22 forecast EPS of USD9.02. We think that a forward PE of 17.6x is fair considering Polaris’ decent growth prospects and its strong stable of brands which provides pricing power. Our price target represents a potential upside of 47.5% from the current price.

Investment Highlights

FY21 revenue rose by 16.7% to reach a record of USD8.2 bn. Sales increased across all operating segments and regions on the back of higher pricing and increased shipments compared to 2020 when Polaris temporarily suspended select plant operations.

FY21 EPS of USD8.06 slightly exceeded our estimates for EPS of USD7.94. Polaris’ FY21 EPS of USD8.06 represents a 299.0% increase over FY20 EPS of USD2.02. The increase in EPS was due to higher revenue and the absence of goodwill & other intangible asset impairments in FY21 compared to USD 379.2m in FY20.

Raising our FY22 EPS estimate to USD9.02 from USD7.78 previously; expecting FY23 EPS of USD9.42. We are increasing our FY22 EPS forecast due to our expectations for higher revenue of USD9.3 bn compared to our previous forecast of USD7.8 bn.

Risk factors. Demand for Polaris’ products may be weaker than expected if economic growth slows in its markets. Polaris may not be able to effectively offset cost increases through price hikes in future. Shipments may be negatively affected by increased strain on the global supply chain as China locks down cities to combat COVID-19.

Share Information	Top 3 Shareholders (%)		
Market Cap (USD bn)	6.6	Vanguard Group Inc	10.4
Issued Shares (m)	61.3	BlackRock Inc	8.1
52W High (USD)	147.73	State Street Corp	6.1
52W Low (USD)	100.52		
Estimated Free Float (%)	94.0		
Beta vs S&P 500	1.4		
65-Day Average Vol. (‘000)	758		

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS FY Dec	FY19	FY20	FY21	FY22F	FY23F
Revenue (USD m)	6,782.5	7,027.9	8,198.2	9,300.0	9,811.5
PATMI (USD m)	324.0	124.8	493.9	553.2	577.7
EPS (USD)	5.27	2.02	8.06	9.02	9.42
EPS Growth (%)	(1.7)	(61.7)	299.0	12.0	4.4
PE (x) ¹	18.3	46.0	13.4	11.9	11.4
Gross Dividend Yield (%) ¹	2.5	2.7	2.3	2.4	2.4
Net Gearing (x) ²	1.4	0.7	1.0	0.4	0.2
ROAA (%)	7.6	2.8	10.2	10.5	10.1
ROAE (%)	32.8	11.1	41.7	39.6	32.9

Sources: Mercury Securities, Company

¹PE and gross dividend yield for FY19-20 are based on the closing share price on the last trading day of 2019 and 2020

²Net gearing is calculated as: (total debt - cash and equivalents)/shareholder’s equity

NYSE
CONSUMER DISCRETIONARY
BUY
TP: USD158.71
Price: USD107.63

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Business Overview

Polaris Inc. is engaged in the manufacturing of powersports vehicles namely snowmobiles, off-road vehicles (ORV), motorcycles, boats, and parts, garments & accessories. The Group’s portfolio of brands include Polaris Snowmobiles, Indian Motorcycle, RZR off-road vehicles, and Bennington boats.

Polaris’ products are sold through a network of approximately 2,300 independent dealers in North America, approximately 1,400 independent international dealers through over 30 subsidiaries, and approximately 90 independent distributors in over 120 countries outside of North America.

Stock Return Information

S&P 500 (pts)	4,575.5
Expected Share Return (%)	47.5
Expected Gross Dividend Yield (%)	2.4
Expected Total Return (%)	49.8

Price Performance	1M	3M	12M
Absolute (%)	(11.4)	(0.1)	(17.9)
Relative to Index (%)	(16.0)	4.3	(33.0)



Sources: Mercury Securities, Bloomberg, Company

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