

CHANNEL CHATTER: DOO-TSE & PII

DOO PII: POWERSPORT WINTER CONTINUES – DEALER FEEDBACK SUGGESTS MODEST DECLINES

Incremental Insight

With the Spring selling season right around the corner, we recently checked in with ORV dealers to assess the state of demand, as well as to get a look into the promotional environment and inventory dynamics. We call out the following takeaways from our work: (1) retail sales down low-single digits in January and February, with utility volumes outperforming, (2) dealer outlook for 2025 that has held in since December, expecting retail units in 2025 to be slightly down to flat, (versus low-single digit declines in previous channel work) (3) an increase in promotional intensity from Polaris sequentially, but a step down y/y, and no major changes in promotions from BRP, and (4) an improved aged inventory environment from both Polaris and BRP against a year ago according to our work, but dealer feedback is mixed on absolute inventory levels.

When checking in with dealers, retail sales continue to be slower y/y, with dealers on average reporting trends down low single digits on a quarter-to-date basis, with January slightly outperforming February. Surprisingly, Midwest and Northeast dealers describe healthy snowmobile unit growth given improved snowfall trends and extremely soft comps. OEM production of Snow products was light given slower winters in 2022-2023 and 2023-2024, contributing to elevated dealer snow inventory, so we estimate a substantial portion of snowmobile retail sales were non-current inventory from past production and shipments. Looking to dealer outlook for the year, contacts expect unit sales on average to be slightly down to flat y/y, an improvement from down low single digits when asked in December. When asked about factors driving the improved outlook, dealers quoted a stabilizing to improving interest rate environment as well as healthy demand for premium utility units, with top-selling models currently being Polaris Northstar and Can-Am Defender Limited units.

Looking into the promotional environment from Polaris, we highlight an increase in promotional intensity compared to the previous promotional period, specifically for model year 2025 units. We note that in the January/February period, there were 23 different models/trims receiving dollar rebates, led by MY25 Ranger and Sportsman units. For the March period, there are now 46 different models/trims receiving absolute dollar rebates. Specifically, we highlight the introduction of rebates onto select 2025 General units, with nine different models receiving some level of dollar rebate. MY25 Ranger and RZR lines also saw an uptick in trims receiving rebates, while Sportsman rebates did not change sequentially. Looking at special financing rates, rates for MY25 General and Sportsman units decreased from 6.99% to 3.99% m/m, while rates on MY25 RZR and Ranger units ticked higher from 2.99% to 3.99% m/m. We note this compares to BRP's current promotional landscape (unchanged sequentially), which features special financing rates of 2.99% on all MY25 units, while also offering \$1,000 rebates on select 2025 Can-Am Defender units.

As part of our ORV channel work, we analyze dealer inventory levels along with age-mix, both of which we believe on aggregate is moving in the right direction. In analyzing the broader industry, we estimate 62% of new inventory is MY25, with Polaris and BRP both pacing ahead of the industry at 70% and 68%, respectively. Rightsizing inventories to match the current level of demand has been a major focal point of both companies over the last year, and Polaris and BRP have both made progress on that end, with inventories down 18% and 15% y/y respectively, compared to industry declines of 11%. That said, dealer feedback on inventories was mixed, with 35% of dealers reporting "deteriorating" inventory health in January and February, while 65% described inventory health as "stable" or "improving." This compares to our December survey which saw 80% of dealers reporting "stable" to "improving" inventory and just 20% of dealers describing inventory health as "deteriorating."

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