

POLARIS INDUSTRIES INC/MN

Form 10-Q

October 29, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark
one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 1-11411

POLARIS INDUSTRIES INC.
(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-1790959
(I.R.S. Employer
Identification No.)

2100 Highway 55, Medina MN
(Address of principal executive
offices)

55340
(Zip Code)

(763) 542-0500
(Registrant's telephone number, including area
code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 23, 2013, 69,266,746 shares of Common Stock, \$.01 par value, of the registrant were outstanding.

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 For Quarterly Period Ended September 30, 2013

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Part I FINANCIAL INFORMATION

Item 1 – FINANCIAL STATEMENTS

POLARIS INDUSTRIES INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$387,804	\$417,015
Trade receivables, net	157,015	119,769
Inventories, net	460,592	344,996
Prepaid expenses and other	56,450	34,039
Income taxes receivable	15,657	15,730
Deferred tax assets	84,986	86,292
Total current assets	1,162,504	1,017,841
Property and equipment, net	420,328	253,369
Investment in finance affiliate	58,338	56,988
Investment in other affiliates	16,775	12,817
Deferred tax assets	7,553	22,389
Goodwill and other intangible assets, net	227,889	107,216
Other long-term assets	29,832	15,872
Total assets	\$1,923,219	\$1,486,492
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of capital lease obligations	\$3,318	\$2,887
Accounts payable	280,284	169,036
Accrued expenses:		
Compensation	129,311	139,140
Warranties	48,102	47,723
Sales promotions and incentives	120,004	107,008
Dealer holdback	94,142	86,733
Other	87,810	68,529
Income taxes payable	43,765	4,973
Current liabilities of discontinued operations	10,000	5,000
Total current liabilities	816,736	631,029
Long-term income taxes payable	14,443	7,063
Capital lease obligations	3,904	4,292
Long-term debt	100,000	100,000
Other long-term liabilities	56,454	53,578
Total liabilities	\$991,537	\$795,962
Shareholders' equity:		
Preferred stock \$0.01 par value, 20,000 shares authorized, no shares issued and outstanding	—	—
Common stock \$0.01 par value, 160,000 shares authorized, 69,253 and 68,647 shares issued and outstanding, respectively	\$693	\$686
Additional paid-in capital	353,434	268,515
Retained earnings	560,773	409,091

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Accumulated other comprehensive income, net	16,782	12,238
Total shareholders' equity	931,682	690,530
Total liabilities and shareholders' equity	\$1,923,219	\$1,486,492

The accompanying footnotes are an integral part of these consolidated statements.

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CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Sales	\$1,102,649	\$879,939	\$2,693,358	\$2,309,135
Cost of sales	767,864	620,154	1,889,587	1,637,638
Gross profit	334,785	259,785	803,771	671,497
Operating expenses:				
Selling and marketing	78,810	57,211	195,541	152,899
Research and development	37,010	32,352	103,064	94,034
General and administrative	49,343	36,882	129,597	104,641
Total operating expenses	165,163	126,445	428,202	351,574
Income from financial services	11,671	8,227	33,247	23,625
Operating income	181,293	141,567	408,816	343,548
Non-operating expense (income):				
Interest expense	1,520	1,465	4,364	4,443
Equity in loss of other affiliates	631	—	1,629	—
Other (income), net	(2,576)	(3,989)	(6,274)	(6,356)
Income before income taxes	181,718	144,091	409,097	345,461
Provision for income taxes	64,797	49,746	136,708	121,215
Net income from continuing operations	116,921	94,345	272,389	224,246
Loss from discontinued operations, net of tax	(3,777)	—	(3,777)	—
Net income	\$113,144	\$94,345	\$268,612	\$224,246
Basic net income per share:				
Continuing operations	\$1.69	\$1.37	\$3.95	\$3.26
Loss from discontinued operations	(0.05)	—	(0.05)	—
Basic net income per share	\$1.64	\$1.37	\$3.90	\$3.26
Diluted net income per share:				
Continuing operations	\$1.64	\$1.33	\$3.84	\$3.16
Loss from discontinued operations	(0.05)	—	(0.05)	—
Diluted net income per share	\$1.59	\$1.33	\$3.79	\$3.16
Weighted average shares outstanding:				
Basic	69,179	68,692	68,946	68,761
Diluted	71,186	70,883	70,901	70,956

The accompanying footnotes are an integral part of these consolidated statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	\$ 113,144	\$ 94,345	\$ 268,612	\$ 224,246
Other comprehensive income, net of tax:				
Foreign currency translation adjustments, net of tax benefit (expense) of \$60 and \$281 in 2013 and (\$478) and (\$348) in 2012	8,982	4,997	2,655	2,927
Unrealized gain (loss) on derivative instruments, net of tax benefit (expense) of \$672 and (\$1,124) in 2013 and \$997 and \$2,067 in 2012	(1,131	) (1,750	) 1,889	(3,396
Comprehensive income	\$ 120,995	\$ 97,592	\$ 273,156	\$ 223,777

The accompanying footnotes are an integral part of these consolidated statements.

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POLARIS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2013	2012
Operating Activities:		
Net income	\$268,612	\$224,246
Loss from discontinued operations	3,777	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,364	51,489
Noncash compensation	46,304	26,964
Noncash income from financial services	(3,440	) (2,479
Noncash loss from other affiliates	1,629	—
Deferred income taxes	(10,781	) (5,277
Tax effect of share-based compensation exercises	(22,247	) (17,810
Changes in operating assets and liabilities:		
Trade receivables	(24,711	) (20,272
Inventories	(94,110	) (109,912
Accounts payable	94,097	81,489
Accrued expenses	20,671	(451
Income taxes payable/receivable	62,332	36,185
Prepaid expenses and others, net	(24,690	) (9,684
Cash provided by continuing operations	381,807	254,488
Cash used for discontinued operations	(642) —
Net cash provided by operating activities	381,165	254,488
Investing Activities:		
Purchase of property and equipment	(192,350	) (65,804
Investment in finance affiliate, net	2,091	(2,790
Investment in other affiliates	(6,063	) (7,000
Acquisition of businesses, net of cash acquired	(134,817	) (383
Net cash used for investing activities	(331,139)