

Grand Forks Herald

After negative financial results, new Arctic Cat CEO aims for growth

By [John Hageman](#) on Oct 4, 2015 at 6:00 a.m.



Christopher Metz took over as president and CEO of Arctic Cat Inc. nearly a year ago. photo by Eric Hylden/Grand Forks Herald

THIEF RIVER FALLS -- The past 18 months have have included a mix of headlines for Arctic Cat.

There was the news in June 2014 that its Chairman and CEO Claude Jordan would step down after disappointing financial results. More recently, the snowmobile and all-terrain vehicle manufacturer reported in July a \$1.1 million loss for the first quarter of fiscal year 2016.

But there was positive news as well. Arctic Cat announced an expansion to its Thief River Falls plant in May. And it said last month it would move its headquarters from Plymouth, Minn., to Minneapolis, quintupling its corporate office space to 55,000 square feet.

“In order to get growth, you can’t just hope,” said Arctic Cat President CEO Christopher Metz, who was hired in November to lead the company. “You’ve got to invest. And I think we’ve been a little under-invested over the years.”

Metz faces several challenges in growing the company, including competition from neighbors like Polaris, which posted record sales last year, and a lagging Canadian dollar. But he has lofty goals in mind, namely to grow sales by more than 50 percent to \$1.15 billion by fiscal year 2020.

“We haven’t grown as fast as the industry and as fast as some of our key competitors,” Metz said in an interview with the Herald last month. “So part of my remit and findings over the past eight to nine months has been to try to determine what we need to do to get us back on a vibrant growth path for the future.”

Local role

A sea of vehicles -- not the off-road kind -- sat in the parking lot outside the Arctic Cat manufacturing plant in Thief River Falls last week. The facility employs around 1,250 in the town of 8,700.

A snowmobile and an ATV flanked the plant’s front doors, and the company’s strategic plan hung in its lobby.

The assembly floor hummed with activity as workers attached parts to new vehicles. In some areas, they were aided by robotic equipment.

Arctic Cat is Minnesota’s 38th largest public company, according to the Minneapolis/St. Paul Business Journal’s analysis. It employed about 1,670 as of March, the weekly publication said, including 359 salaried and 1,311 hourly and production personnel.

“They’re a stable company and they’re important to our community,” said Christine Anderson, Pennington County economic development director. “They’ll be around here for a long time.”

Its corporate office move to Minneapolis next year will involve some positions from Thief River Falls being relocated there. Metz told the Herald he was “not in a position” to elaborate on those moves, but Anderson doesn’t expect it to be a large number of employees. A news release says

the company “anticipates that overall employment levels” at St. Cloud, Minn., and Thief River Falls plants won’t be affected.

“It makes sense if a few people moved from here and St. Cloud down there to be closer to the upper management,” Anderson said.

Positioning for growth

Arctic Cat reported net earnings of \$4.9 million in fiscal year 2015 on sales of \$698.8 million. Both were down from fiscal 2014, which saw net earnings of \$39.4 million and sales of \$730.5 million.

Still, Metz was upbeat in a financial release, saying the company made “significant progress ... during a transitional period.” He said the company was focused on reducing non-current inventory.

“We are committed to positioning the company for long-term, profitable growth,” he added.

Among Metz’s strategies are lining up new products to introduce over the next five years, helping dealers sell products at a faster pace, improving underperforming dealers and partnering with companies like Yamaha, which is helping Arctic Cat develop engines.

Arctic Cat has also identified new markets in “dirt territories,” Metz said. The company projects ATVs and side-by-sides will make up 47 percent of its sales in fiscal year 2020, up from 41 percent in fiscal year 2015. Snowmobiles are expected to make up 37 percent of its sales in 2020, down from 43 percent in 2015.

Parts, garments and accessories are expected to contribute to 16 percent of its sales in both years.

“Our snow business is going to grow, but the dirt business is just so large and we have such a small market share that we have to grow in that area if we’re going to grow as a company,” Metz said.

The company got into legal trouble over its side-by-side ATVs recently. Competitor Polaris, which has a plant in Roseau, Minn., sued Arctic Cat for alleged patent infringement in late 2013, and that dispute remains ongoing.

“We don’t believe that their patents in question are valid or that we infringe,” Arctic Cat Spokeswoman Shawn Brumbaugh wrote in an email.

Investments

Arctic Cat announced in May it would spend almost \$26 million for a new paint line and other facility improvements at its Thief River Falls plant, as well as \$400,000 for expanded assembly capacity in St. Cloud. Combined, the projects are expected to create about 50 jobs.

In Thief River Falls, the company sought and received tax abatements from the local governments. It was also awarded \$950,000 in state aid that will be paid after jobs are created, said Minnesota Department of Employment and Economic Development Spokeswoman Madeline Koch said.

Arctic Cat has added new positions as well, including a chief marketing officer and a head of dealer development.

“You can sit back and say, ‘Well jeez, how can you make these investments?’ And I think a better question is, ‘How can you not make these investments if you really want to grow?’” Metz said.

Gary Gustafson, a power sports industry consultant based in Minnesota, said the company needs to keep investing in new products and technology going forward.

“Arctic Cat needs to take some calculated risks while learning from both the successes and the unsuccessful efforts of other (original equipment manufacturers) in the past,” he said. “I’m sure they are working very diligently ... to keep pace with the industry.”