



Should You Buy BRP Inc. Today?

Description

BRP Inc. ([TSX: DOO](#)), also known as Bombardier Recreational Products, is one of the world's leading designers, manufacturers, and retailers of powersports vehicles, such as snowmobiles, personal watercraft, and all terrain vehicles, and the propulsion systems that power these and other vehicles.

BRP released third-quarter earnings on December 12. The company's stock responded to the release by falling over 8% in the trading session that followed, so let's take a closer look at the results to determine if this decline represents a long-term buying opportunity.

Breaking down the third-quarter results

Here's a summary of BRP's third-quarter earnings for fiscal 2015 compared to what analysts had anticipated and its results in the year-ago period.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.60	\$0.65	\$0.50
Revenue	\$918.0 million	\$952.4 million	\$866.0 million

Source: Financial Times

BRP's earnings per share increased 20% and its revenue increased 6% compared to the third-quarter of fiscal 2014. The company's strong earnings per share growth can be attributed to net income jumping 21.9% to \$71.9 million and its revenue growth can be attributed to sales increasing 18.4% to \$452.9 million in its Seasonal Products category and sales increasing 6.9% to \$154.3 million in its Parts, Accessories, and Clothing category.

For the quarter, BRP's gross profit increased 7% to \$239.6 million and its operating profit increased 3.9% to \$98.7 million, as its gross margin expanded 20 basis points to 26.1% and its operating margin contracted 20 basis points to 10.8%. The company noted that the expansion of its gross margin was attributable to an increase in the volume of snowmobiles sold, which are higher-margin products, while also noting that the contraction of its operating margin was attributable to an unfavorable foreign

exchange impact of \$13 million.

Lastly, as a result of its weaker-than-expected performance in the first nine months of the year, BRP lowered its full-year outlook on fiscal 2015. Here's a summary of what the company now expects to accomplish:

- Revenue growth in the range of 8%-12%, down from its previous outlook of 9%-13% growth.
- Normalized net income growth in the range of 4%-11%, down from its previous outlook of 10%-17% growth.
- Normalized earnings per share in the range of \$1.47-\$1.57, down from its previous outlook of \$1.55-\$1.65.

Should you buy shares of BRP Inc. today?

Increased demand for BRP's snowmobiles led it to a solid third-quarter performance. However, the company's results came in below analysts' expectations and this caused its shares to fall more than 8% in the trading session that followed.

I think the decline in BRP's stock represents a long-term buying opportunity. After the 8% drop, it trades at just 15.1 times this year's earnings per share estimates of \$1.55 and a mere 13 times next year's earnings per share estimates of \$1.79. With these inexpensive valuations in mind, I think long-term investors should consider buying shares of BRP on any further weakness provided by the market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOO (BRP Inc.)

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