



Is BRP Inc. the Best Stock You've Never Heard Of?

Description

BRP Inc. ([TSX: DOO](#)), also known as Bombardier Recreational Products, is a one of the world's leading designers and retailers of powersports vehicles and propulsion systems, but its stock has posted one of the most disappointing performances in 2014, falling more than 20% compared to the TSX Composite Index's return of over 7.5%.

Even after its very weak performance in 2014, I think BRP's stock is poised to rebound in 2015 and possibly be one of the market's top performers, so with this idea in mind, let's take a look at three reasons why you should consider initiating a long-term position today.

1. A portfolio of industry-leading brands

BRP has one of the most impressive brand portfolios in the industry, including Ski-Doo and Lynx snowmobiles, Sea-Doo personal watercrafts, Can-Am off-road vehicles and roadsters, and Rotax propulsion systems for motorcycles, boats, and recreational and small aircrafts. All of these brands hold significant market shares in their respective categories, and this has led the company to open eight manufacturing facilities in North America and Europe, in order to distribute its products in 105 countries worldwide.

2. Strong revenue growth that will support a higher share price

Over the last several quarters, BRP has experienced very strong revenue growth, which can be attributed to the growing demand for its products and the recent launch of its 2015 product line. However, it has also been negatively impacted by the declining value of the Russian ruble versus the Euro.

BRP released third-quarter earnings on December 12 and its stock has reacted by falling over 5.5% in the weeks since. Here's a summary of what the company accomplished during the quarter compared to the year-ago period:

- Net income increased 21.9% to \$71.9 million.
- Earnings per share increased 20% to \$0.60.

- Revenue increased 6% to \$918 million.
- Gross profit increased 7% to \$239.6 million.
- The gross margin expanded 20 basis points to 26.1%.
- Operating profit increased 3.9% to \$98.7 million.
- The operating margin contracted 20 basis points to 10.8%.

In the first nine months of fiscal 2015, BRP's revenue increased 7.2% to \$2.46 billion, putting it on pace to surpass the record \$3.19 billion it reported in fiscal 2014.

3. Inexpensive current and forward valuations

At current levels, BRP's stock trades at 15.8 times fiscal 2015's estimated earnings per share of \$1.52 and 13.7 times fiscal 2016's estimated earnings per share of \$1.75, both of which are very inexpensive given the company's long-term growth rate and its outlook on the market going forward.

I think BRP's stock could consistently trade at a fair multiple of around 20, which would place shares upwards of \$30 by the conclusion of fiscal 2015 and \$35 by the conclusion of fiscal 2016, representing growth of more than 25% and 46%, respectively, from today's share price.

Should you buy shares of BRP Inc. today?

BRP Inc. has been one of the market's most disappointing stocks in 2014, falling more than 20%, but I think it is poised to erase all of these losses and then some in 2015, because it has a portfolio of industry leading brands, it has the support of very strong revenue growth, and because its stock trades at inexpensive current and forward valuations. With these three factors in mind, I think long-term investors should consider BRP to be one of the best investment opportunities in the market today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOO (BRP Inc.)

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