1 Stock Adrenaline Junkies Would Love

Description

In the world of investing, it is always exciting to take a look at a few "fun" investments — the companies that appeal to the thrill-seeker inside everyone. As a conservative long-term investor, managing the risk/reward relationship can be difficult, and "letting one's hair down" is often a recipe for disaster, or an ulcer, or both. That said, taking a look at growth companies such as **BRP Inc.** (TSX:DOO) can be an interesting exercise in understanding the consumer discretionary industry.

Let's dive deeper into the company's numbers to see if a company like BRP can find a place inside a more risk-averse portfolio with a long time horizon.

BRP is a manufacturer of power sports vehicles and propulsion systems, most famous for its all-terrain vehicles and Ski-Doo/Sea-Doo snowmobiles and personal watercrafts. Once a part of larger parent company **Bombardier, Inc.**, BRP (short for Bombardier Recreational Products) was spun off in 2003 by the Bombardier and Beaudoin family, with Bain Capital and the Bombardier/Beaudoin families taking the company private to separate the transportation business from the company's recreational products.

In 2013, Bain and the founding Bombardier families decided to take the company public in part as a way to take money off the table from the investment made a decade earlier. The recently announced dividend and $350 million share-buyback program has been speculated to be at the behest of Bain Capital, which may be looking to accelerate the rate at which the firm will be able to repatriate value from BRP.

As an outside investor looking at a business in which approximately two-thirds of the shares are held by two parties which are looking to reduce their positions, it is reasonable to be skeptical of the long-term prospects of the underlying business. After all, the Bombardier/Beaudoin families and Bain Capital would certainly be much happier keeping their money invested in a growing business, avoiding taxes, and watching their money snowball over time inside BRP, unless they felt that the equity locked inside BRP could be more effectively used elsewhere.

Another factor to consider with BRP is the company's valuation multiples relative to its competitors and the consumer discretionary sector in general. The company's price-to-earnings, price-to-book, and price-to-cash flow valuation multiples of 33.3, 27.2, and 8.4, respectively, do not make the business a screaming bargain by any means.

Bottom line

BRP may be too exhilarating for an investor interested in much more boring, but stable investments. While the business has continued to perform well over the past three years and made significant improvement on a number of fundamental metrics, the fact remains that BRP is operating in a highly cyclical discretionary segment of the economy that can be hit hardest by any sort of recession that may or may not be looming.

Stay Foolish, my friends.

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