



## The 1 Reason to Buy This Leisure Stock on the Dip

### Description

Never catch a falling knife.

I'm sure that's precisely what investors have been thinking as **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) stock's gone on a downward spiral in September, October, and November, dropping from a 52-week high of \$74.67 on August 30 to a 52-week low of \$40.23 on November 27.

Losing 46% of its value over the last three months, BRP is leaking oil worse than one of its vintage snowmobiles.

I've been a big supporter of the company here at the Fool since writing my first [positive comments](#) about its business and stock back in June 2016. I wasn't entirely sold at the time — I recommended users of BRP's equipment consider a small wager — but I was coming around.

### BRP has a strong CEO

BRP CEO Jose Boisjoli has done an excellent job positioning the company to take advantage of the trends in the recreational vehicle marketplace. Yes, the economy has been strong, which is very helpful when selling products generally purchased with discretionary income, but he's also been opportunistic by going where the demand is strongest.

Last November, I [discussed](#) how the company was moving its North American headquarters to Plano, Texas, to get closer to buyers of its side-by-side (SSV) vehicles. It turns out that Texans buy more SSVs than any other U.S. state. In fact, in 2017, it sold twice as many SSVs in Texas compared to the company's second-highest-selling state.

In total, I've [recommended](#) BRP stock at least five times, probably more, over the past two years, most recently giving it the thumbs up September 18, suggesting investors buy on the dip, only to see it drop another 30% before bouncing off its 52-week low at the end of November.

### Why buy on the dip, part two

I hate it when a stock I've recommended hits the skids, but that's the nature of the beast. You make enough calls you're going to get wrong 40% to 50% of the time. The trick is to make sure that the 50% that go up do so at twice the rate of the ones that go down. That's the only way you win the prognostication game.

But I digress.

BRP released its Q3 2019 results November 30. A record quarter regarding the demand for its products, revenues increased 14% year over year to \$1.4 billion, with its year-round products delivering a 21% increase during the quarter, mainly on the back of strong SSV sales.

Although the company's adjusted net income in the quarter fell slightly to \$102.9 million, or \$1.04 a share, it beat the consensus estimate by six cents. More important, through the first nine months of the fiscal year, BRPs adjusted net income has risen by 32% to \$222.8 million.

"The good news is that there is snow in North America already," Boisjoli said about its business. "As long as the unemployment rate is low and the housing market is okay, I would say that we're in good shape."

BRP is taking market share in every area of its business, which has analysts very optimistic about its future. There will come a time when the power-industry industry weakens, but now isn't the time.

### **The bottom line on BRP stock**

Product innovation is driving BRPs growth, something the **General Motors** of the world could take a page from, which is excellent news for BRP stock.

Two to three years from now, a purchase of DOO stock below \$50 is going to appear very cheap. But like all stocks, it's not going to go up in a straight line.

If you can handle the volatility, then now is an excellent time to buy.

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