



Is This Stock Worth Taking for a Ride?

Description

It's starting to get cold outside in the frozen north. For many individuals that means long night time cruises on the winter recreational vehicle of choice: a snowmobile. Canadian outdoor lovers spend hours of fun cruising across the snowy terrains of the Canadian wilderness. How fitting that the maker of these winter crafts is Canadian **BRP Inc.** ([TSX:DOO](#))

BRP Inc. ([TSX:DOO](#)), a company that was spun out from **Bombardier Inc.** ([TSX:BBD.B](#)) a few years ago, is dedicated to the development and sale of recreational vehicles around the world. Two of BRP's better-known products are the winter [Ski-Doo](#) and the Sea-Doo, a summer watercraft. But these aren't its only products. The company has its hand in a number of recreational product brands like the Evinrude boat motors, Manitou pontoon boats, and Can-Am on and off-road vehicles.

But although its vehicles are well known to outdoor recreational vehicle enthusiasts, that doesn't mean that the company is an investable business. The company does appear to be fairly attractive, however, trading at a reasonable price to earnings multiple of 15.43 at writing.

BRP struggled in the latter half of 2018, but now appears to be making a comeback. The company's financial house is in order, with more than enough cash to meet all of its short-term debt obligations. Revenues in the third quarter of 2018 were also quite strong, growing 13.7% over the same quarter of 2017. Gross profit increased 11.5%, indicating a continuing demand for its products.

The company generates strong free cash flow that it should be able to put to work for dividends and share buybacks. BRP currently does pay a small dividend, which it increased by 12% last year. At less than 1%, the dividend isn't large, but the company does have a very low payout ratio, which could indicate further dividend growth in the future.

The biggest risk to the stock is that it focuses solely on the recreational vehicle market. During good times, people are willing to spend money on expensive toys like the company's snowmobiles, boats, and other vehicles for play. But if the economy enters a downturn, it could have a negative impact on BRP's profitability, at least in the short term.

In addition to its strong balance sheet, however, other aspects of this company might help it weather an economic storm. BRP has vehicles for any season, which does smooth out revenues somewhat as compared to other companies, which focus on a particular season. It also has a variety of brands that

could appeal to enthusiasts of different types, giving it some product diversification.

Other interesting factors are its balance sheet strength and positive free [cash generation](#) and a number of strong brands. It pays a dividend that will quite likely grow over time, and the company has been reducing its share count.

I'm not sure I would make this stock a core position, especially if you're a relatively conservative dividend investor. But if you're looking for what appears to be a solid, smaller company with growth prospects, it might be worth taking a stab at BRP.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOO (BRP Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/01

Date Created

2019/01/20

Author

krisknutson

default watermark

default watermark