1 Fired-Up TSX Stock to Buy Today

Description

An offshoot from **Bombardier**, **BRP Inc.** (TSX:DOO)(NASDAQ:DOOO) is a fired-up power sports vehicle manufacturer and Ski-Doo maker that has been reporting stellar financial results in 2019. The stock is on a sustained recovery after rising 88% so far this year.

BRP management recently boosted its financial guidance for the third time this year as sales continue to outperform prior estimates for the luxury goods manufacturer, even during periods of heightened fears of a global recession. Recessions usually lead to softer sales on pure luxury items.

The company's product portfolio delivered strong year-on-year revenue and profitability growth once again during the fiscal third quarter 2020 that closed on October 31 of this year.

Quarterly revenue grew by 18% to $1.64 billion powered by a 24% rise in North American power sports retail sales and a side-by-side vehicle sales growth of 30%.

Quarterly gross margin expanded by 130 basis points to 26.9%, while normalized EBITDA grew 32% and diluted earnings per share increased by 45% to $1.51.

This is indeed amazing given that the company sells luxury goods to consumers in over 120 countries, and there were several news headlines and heightened media calls for a near-term global economic recession when bond yield curves (a respected leading economic indicator) in most major economies including the United States, Germany and Canada inverted or flattened at best.

It would have been normal for the market to expect company total sales to flatten out or even shrink during the recent past quarter if consumers were bracing up for a recession as most investors did during the third quarter of this year, but the opposite is actually happening.

In the latest financial results release on November 27, management increased (for the third time this year) the lower end of its earlier guidance for normalized earnings per share growth of 19% to 23% for the full year, increased its normalized EBITDA growth guidance to 21.5% to 23%, another third boost this year, and the revenue growth guidance was increased again for the third time to between 12% and 14% year-over-year.

Time to buy?

DOO stock is in strong recovery mode after a sharp decline from trading north of $70 a share in early September 2018 to set a 52-week low at $32.26 by December of the same year.

Shares have evidently more than bottomed out. In fact, the share price has soared since September this year as the company's sustained sales growth across key divisions continues to outperform industry peers to solidify the company's earned high growth stock status.

A recent international acquisition of Australian boat manufacturer, in addition to two other acquisitions of Alumacraft and Manitou could add some new growth potential as the acquired aluminum boat builder Telwater is a leader in its home market with a wide dealer network across the country and the new subsidiary fits well into the company's strategy to transform the marine industry.

Fears of a global trade war that threatened to plunge the world market into a recession are abating as the two trade giants, the U.S. and China, seem to be keen on finding common ground in a new trade deal, and BRP could enjoy further revenue growth as consumers continue to open up their purses.

The company recently publicly unveiled six electric vehicle concepts, and it will be interesting to witness how management goes ahead with these innovations for the future which could outdo the competition.

BRP shares could still outperform in 2020.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:DOOO (BRP Inc.)
2. TSX:DOO (BRP Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/30
Date Created
2019/11/29
Author
brianparadza