



## BRP (TSX:DOO) Stock Readies for More Upside After Soaring 300% Since April

### Description

Interestingly, some of the pockets in the economy are showing faster recoveries than once expected. Consumer discretionary spending, which was expected to improve slower amid the pandemic, has shown some visible growth in the last few months. The powersports vehicle manufacturer **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) reported fiscal second-quarter earnings, which surprisingly saw higher demand for its recreational vehicles.

### BRP stock: A new high on the cards?

BRP stock, which has been already on a massive uptrend for the last few months, might see the momentum continuing. It was among the biggest losers in the pandemic's market crash and lost 75% in just two weeks. However, fast forward to now and BRP stock has [recovered](#) almost entirely, gaining nearly 300% since mid-March.

BRP reported total revenues of \$1.23 billion for the quarter ended on July 31, 2020 — a fall of almost 16% year over year. Revenues [declined](#) mainly due to a lower volume of seasonal products and year-round products driven by production suspension.

It reported a net income of \$126.1 million in the fiscal second quarter, an increase of 35% compared to the same quarter last year. Retail growth in the powersports vehicles, which includes snowmobiles, watercraft, and all-terrain vehicles, saw significant demand growth during the quarter.

Interestingly, the virus outbreak and travel restrictions were expected to negatively affect the demand for these products. However, a relatively faster demand recovery paints a rosy picture for companies like BRP.

### A faster demand recovery

The management has given earnings guidance of \$3.80 per share for its fiscal 2021, which is close to its last fiscal's EPS and doesn't look as bad as anticipated.

BRP announced a dividend suspension in March 2020, driven by the pandemic-related uncertainties. If the demand continues to improve, it might be in a position to resume its payouts in a couple of quarters.

BRP is a \$5.5 billion company and operates in more than 120 countries. It earns 54% of its revenues from the U.S., while 30% comes from global operations, and the rest comes from Canada.

It has a controlling market share in watercraft and snowmobiles. BRP has constantly outperformed the North American Powersports retail growth in the last four years.

Since 2016, BRP stock has returned more than 260%, including dividends.

## Compelling valuation

Investors should note that BRP stock might see its rally continuing after its better than expected quarterly earnings. Notably, the management's earnings guidance will be a relief for investors and, thus, could open up a new upside for the stock.

As per the guidance, BRP stock is currently trading 19 times its fiscal 2021 earnings, which is far lower than its average historical valuation and looks attractive given the long-term growth potential.

As the economies are gradually re-opening, BRP could see even higher demand in the second half of the year. Its dominance in the niche market and attractive valuation at the moment make it a solid bet for long-term investors.

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