



TFSA Investors: This Stock Can Make You Rich

Description

BRP ([TSX:DOO](#)) is a global leader in the design, development, manufacturing, distribution and marketing of [powersports vehicles and marine products](#). The company offers three-wheeled vehicles, snowmobiles, personal watercraft, propulsion systems, jet boats, karts, motorcycles, and recreational aircrafts.

BRP also provides parts, accessories, clothing, and [other services](#). The company sells branded products through a network of independent distributors and original equipment manufacturers. BRP was incorporated in 1937 and is headquartered in Valcourt, Canada. The company employs about 13,000 people worldwide and sells products in 120 countries.

The company has total debt of \$2.79 billion and a price-to-earnings ratio of 15.47, dividend yield of 0.48% and market capitalization of \$7.68 billion. BRP has excellent performance metrics with an operating margin of 9.99%. In fiscal 2020, BRP achieved revenues, net income and normalized net income of \$6,052.7 million, \$370.6 million, and \$358.4 million, respectively.

BRP sells a diversified portfolio of brands and products and is a brand of choice for boating enthusiasts. The company's products are recognized by artistic designs, powerful and efficient engines, and the incorporation of advanced technologies that drive industry leading performance. BRP aims to continually enhance the consumer experience through new features such as enhancing rider ergonomics, adding safety features, improving engine performance and reducing environmental impact.

BRP's competition primarily comes from North American and Asian manufacturers. The company competes in the marine engine product category with the Evinrude outboard engines and the Rotax engines for jet boats and in the boat product category with the Manitou, Stacer and Savage boats.

BRP is well positioned to capitalize on demographic trends as millennials participate in boating at higher rates to their parents. The markets for BRP's products are highly competitive based on a number of factors, including performance, price, technology, product features, design and ergonomics, brand loyalty, quality, warranties and distribution.

Consumer demand for powersports vehicles and marine products is influenced by macroeconomic

conditions, product life cycles, the introduction of new features, technologies and products, brand recognition and the maintenance of extensive and engaged distribution networks.

BRP sells powersports and marine products through a network of dealers and distributors. The company has actively engaged in acquisitions to grow the business. In 2018, BRP acquired Alumacraft, a recreational boat manufacturer, for \$80.9 million. BRP also acquired Triton, a manufacturer of pontoon boats, for \$97.4 million. In 2019, BRP acquired 80% of Telwater, a manufacturer of aluminum boats and trailers, for \$113.2 million.

The company has repurchased significant amount of stock over the years when the stock traded below management's estimate of intrinsic value. BRP repurchased for cancellation 3,078,999 (from March 2017 to March 2018), 3,625,271 (from April 2018 to July 2018) and 3,960,855 (from April 2019 to March 2020) of the company's outstanding shares through normal course issuer bids.

As a precautionary measure, BRP recently suspended the company's quarterly cash dividend, drawing on a revolving credit facility, and temporarily slowed down powersports and marine manufacturing operations around the world. COVID-19 is expected to have a significant impact on BRP's business and operations over the short term.

However, temporary measures such as production slowdowns, workforce reduction, and cost control is expected to strengthen BRP's business over the long term.

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Date

2025/07/02

Date Created

2021/01/25

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