



This Canadian Stock Has Been a 5-Bagger This Past Year

Description

The [pandemic](#) has forced investors to play defensively over the past year. However, a sharp recovery is now being priced into stocks. Investors in highly cyclical names are outperforming, as reopening expectations take hold.

For investors seeking highly cyclical options, there's perhaps no better option to consider right now than **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)). This is a pure play on discretionary spending. Accordingly, if you're bullish on consumers spending those stimulus cheques, get in line.

BRP's stock price has [breached triple digits](#) and has risen appreciably in recent months. There's strong belief among analysts that this momentum could continue.

Here's why I think this is an intriguing reopening play right now.

Strong earnings boosting BRP's share price

In its last earnings call, BRP posted a surprisingly impressive positive earnings beat. The company beat the consensus revenue estimate by 3.8%. Additionally, BRP beat on the bottom line, reporting an earnings per share (EPS) of \$1.40 versus a consensus estimate of \$1.26.

For the current full year, BRP is estimated to post \$5.96 billion in revenues, rewarding stockholders with earnings of \$5.97 per share. That amounts to a 49% increase in EPS and 33% revenue growth.

Not bad.

Indeed, it appears investors are pretty optimistic about this company's earnings potential long term. This has certainly driven consensus estimates even higher. Next year, this firm is expected to post year-on-year growth of 7% in both EPS and revenues.

Rotation toward cyclical stocks bullish for BRP

Last year, the trade was defensive stocks. Indeed, the instability of the markets and the uncertainty the pandemic provided drove investors away from cyclical plays like BRP.

How the times have changed.

It appears reopening plays have a level of momentum that is unstoppable right now. Upward revisions to forward earnings continue to propel these stocks higher. Until the stimulus party ends, it appears this trend could continue for some time.

BRP, being player in “toys” like Skidoos and Seadoos, is certainly a highly cyclical play benefiting from this trend. Moving forward, if the economic recovery is indeed sharper than expected in 2021, this stock could outperform in a big way.

However, if the economy reopens slower than expected, that momentum could easily reverse.

Bottom line

Highly cyclical plays like BRP certainly carry a tonne of momentum right now.

That said, as mentioned, this momentum has a way of turning around if sentiment shifts. Right now, the skies look blue for BRP. It's smooth sailing (or Seadoo riding) ahead.

However, as with all highly cyclical stocks, investors should ensure these stocks are interspersed with defensive plays as well. Proper portfolio diversification is important in good times and in bad (but particularly in good times).

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