



Looking for More Cyclical Exposure? Buy This Top Canadian Stock Today

Description

The past year has been very good to investors in cyclical areas of the market. Indeed, while many stocks seem to be running out of gas, many cyclical stocks continue to outperform.

In this market, [cyclical players](#) like **Bombardier Recreational Products** ([TSX:DOO](#))([NASDAQ:DOOO](#)) could do very well in this strong post-pandemic recovery. This stock is one that trades more than 25% below its recent 52-week high and could be poised to make new highs on the horizon if investors jump back into cyclical plays during the latter half of this year.

BRP's growth is only limited by how much consumers will be willing to spend on discretionary items. For those seeking top growth plays, BRP could be a great choice in this environment.

Here's why investors may want to consider BRP stock right now.

Excellent earnings make BRP a top cyclical pick

BRP has recently shown its cyclical upside during the company's recent quarterly earnings. BRP blew away Q1 analyst expectations but provided somewhat lackluster forward guidance. Accordingly, shares of DOO stock dropped nearly 5% following the earnings release.

It appears that investors are concerned with the forward-looking demand from recreational sports vehicles. Some investors seem to think the pandemic-driven sales boost may be a one-time event.

However, the company's plans to revolutionize its dealership inventory, along with introducing new products, could continue to boost sales through 2023. Right now, it's unclear as to whether the company's recent performance is indicative of a longer-term trend or a one-time event. Hence, this is the dilemma investors are battling right now.

The company's balance sheet looks better than it has in some time, with a net debt/EBITDA ratio of one, the lowest since BRP began publicly trading. Accordingly, this lower debt ratio provides the company with flexibility in returning value to shareholders or reinvesting in its core business. Either

way, investors win.

Furthermore, BRP's cash flows came in much stronger this past quarter. The company generated \$300 million in free cash flow this past quarter. Accordingly, some analysts have upgraded their rating on BRP from a hold to a buy on this news.

Bottom line

BRP's recent performance is indicative of what a highly-cyclical stock can provide in times like these. For investors who believe good times are likely to continue to roll, buying DOO stock at these levels may make sense.

That said, all cyclical plays are subject to downside potential, should the economy turn sour. This is a stock that's likely to remain volatile for some time. Accordingly, investors should incorporate proper risk management protocols with such an investment today.

CATEGORY

1. Investing

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