1 of My Favourite TSX Stocks That Could Double Your Money

Description

We started to see the end of the pandemic near, and stocks went crazy this year. Reopening plays have more than doubled or tripled since last year on the hopes of faster recoveries. But do you ever wonder how the “new normal” post-pandemic would look like? Pent-up demand and earnings recoveries could keep driving TSX stocks higher. One stock that will likely benefit as travel and consumer spending normalizes is **BRP** (TSX:DOO)(NASDAQ:DOOO).

TSX stocks: What’s your reopening play?

The powersports vehicle maker BRP operates in more than 120 countries, and iconic brands like Ski-Doo, Sea-Doo, and Lynx fall under its umbrella. It makes up 55% of its total revenues from the U.S., 16% from Canada, and the rest from global operations. BRP has a diversified product range from all-terrain vehicles and snowmobiles to fishing boats and propulsion engines. In addition, it announced it will invest $300 million to make electric vehicles early this year.

Consumer discretionary spending vanished last year amid the pandemic and ensuing restrictions. BRP saw notable weakness on the top line and subsequently on the stock as well. However, as we see the end of the pandemic tunnel, the travel and leisure sectors will see significant growth in the next few quarters. And BRP is very well placed to cater to this higher demand with its diversified geographical presence and niche product portfolio.

Superior financial growth

In the recent quarter, which ended on April 30, 2021, the company saw a 47% revenue increase against the same quarter last year. Its net income surged to $244 million for the same quarter against a loss of $226 million in 2020. It’s not just the last quarter; BRP has grown way superior for the last several years.

Since 2016, its revenues have increased by 12% CAGR while the net income soared by a notable 38% CAGR. Thus, the stock has been quite an outperformer, gaining more than 550% in the last five years.

Driven by the recent higher demand, BRP management increased its earnings guidance for the fiscal year 2022. It expects a 35-40% increase in its year-round products like ATVs in the fiscal year 2022. As a result, it now expects more than 50% normalized earnings growth for the next year, suggesting a per-share earnings range of $7.75 to $8.5 per share.

Valuation

BRP stock has been trading weak and has fallen almost 20% since April. With that earnings guidance, the stock is trading at a price-to-earnings valuation of 12. That's highly discounted for such a high-growth company. Its three-year historical price-to-earnings average comes around 18.

The stock looks like an extremely rewarding bet from the valuation standpoint after the recent correction. It could see significant growth in the next few quarters, driven by higher demand and earnings recovery.

Bottom line

The ongoing weakness could be an excellent opportunity for discerned investors. An attractive valuation, expected superior financial growth, and economic reopenings should unlock significant value for BRP shareholders.

Evidently, investing all your investible surplus in one stock would not be prudent. You can consider top TSX stocks to diversify. However, BRP indeed offers appealing growth prospects for the post-pandemic world.

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