



Is Now the Time to Buy This Top Cyclical Stock?

Description

As far as top [cyclical growth plays](#) go, **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) has been a go-to investment for many Canadians. Indeed, this maker of recreational sports equipment has surged following the pandemic. From pandemic lows, this top cyclical stock has been better than a [five-bagger](#) for investors.

Of course, cyclical stocks carry higher risk. That said, in a hyper-bull market, such as the one we appear to be in, these stocks outperform. Companies like BRP continue to provide impressive upside for aggressive investors bullish on the future.

That said, being a defensive investor myself, perhaps these levels are unsustainable. Let's dive into what could drive this stock higher, and what some of the risks may be.

BRP has a proven track record of innovation in the powersports industry

Since last year, BRP has lost market share in the crucial off-road vehicles market. This factor has worried some investors, as it appears this sector was over-indexing to nascent purchasers having high lifetime values. That said, the Valcourt-based company managed to increase its market share in the second quarter this year. Indeed, the potential for BRP to continue to achieve high lifetime value for its customer base could be strong moving forward.

Of course, a lot of this depends on how the economy looks a year or two down the road. Additionally, BRP consumers will want to see continued innovation in the company's product set.

In this regard, BRP has excelled.

Recently, the company revealed that it would be introducing Maverick X3, the first-ever side-by-side vehicle that can produce more than 200 HP. Other product upgrades and new releases are expected in the coming quarters. For power-sports enthusiasts, this is a very good thing.

For investors in this cyclical stock, market share growth and the potential for higher earnings over time is a key reason to stick with this growth play.

Bottom line

As mentioned, the quality of BRP's earnings remain the key question for investors. Whether these are sustainable should the economy take a hit remains to be seen.

However, this cyclical stock appears to be well positioned to ride the momentum forward. Of course, investors considering BRP at these levels ought to be careful not to dive in too quickly. There could be better buying opportunities ahead. However, those bullish on the economic outlook for the coming quarters and years may want to dollar cost average into a position. Such a strategy has proven fruitful for those buying into the weakness 2020 provided.

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