1 High-Growth TSX Stock to Buy for 2022

Description

This TSX stock jumped from $18 in March, 2020 to $130 last September. That's an astounding 620% ascent in just 18 odd months. Although it has come down from those record levels recently, it remains an attractive buying opportunity for the discerned investor. The stock is popular power sport vehicle maker **BRP Inc** (TSX:DOO)(NASDAQ:DOOO).

BRP: DOO stock for 2022

A $9 billion recreational-vehicle manufacturer, BRP hosts popular brands like Ski-Doo and Sea-Doo. It works in more than 130 countries with a dominating market share in snowmobiles. It has an expanded product range that comprises all-terrain vehicles, snowmobiles, watercraft, and fishing boats. It makes up 55% of its total revenues from the U.S., 16% from Canada, and the rest from global operations.

BRP reported a 5% and 35% decline in revenues and net income ,respectively, in the latest quarter as against last year. A stellar financial recovery, which was seen in the last four consecutive quarters, hit a brick wall on supply chain issues.

However, management expects to solve these issues to some extent in the next quarter and in 2022. Better product mix and mitigating impact of the supply chain issues could accelerate its earnings growth next year. That's why management has given normalized earnings per share guidance of $9 to $9.75 per share for fiscal 2022. That represents approximately 67% to 81% growth compared to fiscal 2021.

Solid financial growth

BRP launched a Sea-Doo Switch pontoon during the quarter which has received an overwhelming response so far. Pontoons are one of the largest and fastest-growing segments and BRP expects Switch to be a game changer in the industry.

BRP saw a remarkable rise in demand driven by the lessening of travel curbs in the last few quarters.

The trend could continue amid full re-openings next year and beyond. To cater to the higher demand, BRP decided to double its Juarez, Mexico facility, which will ramp up production since the first quarter of fiscal 2024.

Also, the company should see higher revenues in the fiscal Q4 because of the retrofit units delivered during the earlier quarters. BRP has excluded revenues of any incomplete units delivered due to supply chain issues in the latest quarter. So, those units will be recorded in the upcoming quarters, giving an upward push to the total topline.

BRP's revenues have increased by 13% CAGR since 2017, while the net profits have jumped by a remarkable 35% CAGR. Thus, the stock has comfortably outperformed TSX stocks at large by gaining 340% in the same period.

DOO: One of the cheap TSX stocks to buy today

Despite the recent fall, BRP stock is currently sitting on a solid gain of 30% for the year. Importantly, the stock is currently trading 11 times its earnings and looks cheap. Its five-year average price-to-earnings multiple comes around 16x. The discounted valuation indicates a large runway for growth next year and beyond.

BRP looks well placed to play the expected higher demand amid re-openings. Its large global presence, leading market share, and undervalued stock should play well to unlock value for its shareholders in the long term.

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