



## This Stock Is up 431% Since the Pandemic: Is the Boom Over?

### Description

Nearly two years into this crisis, we're now getting closer to the end. Several countries, including Britain and Denmark, have dropped all pandemic-related restrictions. Canadian provinces are slowly opening up too, while the U.S. has lived without severe restrictions for months.

The reopening is likely to spur growth stocks in the leisure and entertainment sectors. Consumers could be willing to "revenge spend" on travel, hotels, restaurants, and movies. However, one segment of the leisure sector was already booming: adventure sports. Here's a closer look at one stock that seems to be benefitting from this [relentless boom](#).

### Adventure sports boom

With excess savings and limited options for entertainment, consumers turned to skiing and water sports throughout the pandemic. This trend was clearly reflected in the top line of adventure sports equipment maker **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)). BRP's snowmobiles, all-terrain vehicles, motorcycles, and personal watercraft flew off the shelves in 2020 and 2021.

Since April 2020, the stock is up a whopping 431%. Last year, the stock outperformed the rest of the **TSX Index**. However, the stock has come under some pressure in 2022 due to supply chain issues.

### Supply chain issues

The impressive performance over the past two years stems from the fact that BRP's brands are the most recognizable in the industry. With a market cap of about \$9 billion, it operates in more than 130 countries, backed by an expanded product line that comprises all-terrain vehicles, watercraft fishing boats, and snowmobiles.

Due to supply chain issues, BRP revenues fell 5%, and net income dropped 35% in the third quarter. The drop came at the back of the company posting four consecutive quarters of solid financial results. With management reiterating that it is on top of the issues, solid financial results should be expected in

2022.

## Positive outlook

A better product mix and supply chain issues coming under control could be the catalyst to see the company bouncing back to solid financial results. Management has already reiterated it expects earnings per share of between \$9 and \$9.75 for the full year, representing a 67-81% growth.

Currently, BRP is trading at a discount with a price-to-earnings multiple of 10. With the company generating a tonne of free cash flow, it remains well positioned to maintain its dividend program and steady reinvestment plan.

BRP's fundamentals have improved even faster than its share price. Growth in sales and net income have outpaced the company's market value, which is why the stock still trades at a price-to-earnings ratio of 10.

In 2022, the rebound in consumer spending and leisure activity could keep the trend going.

## Bottom line

BRP's stock boomed during the pandemic but has recently come under pressure due to supply chain issues. In 2022, these issues could be gradually resolved. Meanwhile, a boom in consumer spending and leisure activity should help the company meet its growth targets. Keep an eye on this growth stock.

### CATEGORY

1. Investing

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