



Earnings Alert! BRP Stock Is a Screaming Buy After its Q2 Earnings Event

Description

Shares of **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) popped by 9.1% on Wednesday to \$97.60 per share. This rally came after the company announced its stronger-than-expected second-quarter (Q2) results. With this, DOO stock now trades with 23.2% quarter-to-date gains. Before I tell you why I find BRP's stock undervalued and worth buying after its latest quarterly earnings event, let's take a closer look at some key highlights from its latest earnings report.

BRP's Q2 2023 earnings report

If you don't know it already, BRP is a Valcourt-based manufacturer of power sports vehicles, and marine products. It currently has a [market cap](#) of about \$7.7 billion, as its stock trades at \$97.60 per share. While the stock has risen sharply in the ongoing quarter, it still trades with nearly 12% year-to-date losses.

In the second quarter of its fiscal year 2023 (ended in July), BRP [posted](#) a record quarterly revenue of \$2.4 billion, reflecting a YoY (year-over-year) increase of around 28.1%. With this, the company also exceeded analysts' revenue estimates, as the demand for its side-by-side and three-wheeled vehicles grew significantly. Although limited product availability in its dealer network affected its retail sales growth in the last quarter, the company's management is confident that the situation is likely to improve in the second half of the year, as it strives to ship more products.

Despite facing supply chain challenges and inflationary pressures, BRP's bottom line grew positively in the last quarter. The company reported adjusted earnings of \$2.94 in the July quarter — up 1.7% YoY and more than 12% higher than Street's estimate of \$2.62 per share.

Fiscal 2023 guidance raised

In its second-quarter earnings report, BRP clearly highlighted that it continues to experience strong consumer demand, including a strong influx of new entrants. The company also noted that online searches for its different brands are continuing to trend significantly higher than the pre-COVID levels.

Given this strong demand and solid financial performance in the first half, BRP raised its fiscal year 2023 guidance. The powersports vehicle maker now expects its total revenue in the ongoing fiscal year to rise between a range of 26% to 31% YoY. Similarly, it expects its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) in fiscal 2023 to grow by 14-17% from a year ago.

Why DOO stock is worth buying right now

BRP was one of a few businesses that continued to post strong earnings growth, even during the pandemic phase. In its fiscal year 2021 (ended in January 2021), the company reported 40.7% YoY growth in its adjusted earnings. Its earnings-growth rate accelerated further to 84% YoY in the fiscal year 2022.

Most companies that posted strong financial growth during the COVID restrictions phase aren't able to maintain the pace of growth in the post-pandemic era. But BRP is expected to register solid double-digit earnings growth in the ongoing fiscal year, thanks to continued strong demand for its products. Given these positive factors, I find DOO stock undervalued when it's down more than 10% in 2022, making it worth buying now for the long term.

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