



Today's blog post was written by Patrick Bisson a talented summer intern at CIBC Private Wealth Management. Patrick is a bilingual economics major at McGill University who interned in 2020 at Fiera Capital Corporation. Previously, Patrick has written for the McGill Business Review as an executive writer. You can find more of his work [here](#).

Company Spotlight: BRP Incorporated (TSE: DOO)

When building a portfolio of assets, investors hold several criteria in mind that guide their investment choices. Company Spotlight aims to dive deeper into the qualities that guide our team's investment decisions. Today, we turn our attention to BRP Inc., the Quebec-based manufacturer of recreational products - a promising recent addition to the Ballard Mudge Financial Group's Canadian Focused Equity portfolio. To elaborate on the value we see in this firm, these characteristics and the potential value-added they bring to our portfolio and clients will be broken down throughout this analysis.

Numerous dimensions come to play in analyzing BRP's standing as a valuable corporate stake to own. The first and most obvious one remains its recent sales performance. In the company's [2020 annual review](#), the firm noted a healthy 10% annual revenue growth as well as a 15% annual profit growth - explained partly by what they called "smart initiatives and game-changing innovations" but, most importantly, by extremely favourable market conditions. Indeed, the COVID-19 pandemic and the subsequent closure of international travel has had a profound impact on the sale of recreational products across the industry. Consumers, now forced to stay at home with a surplus of disposable income, have turned to increasing their spending in recreation. BRP, as a well-established player with products tailored to every season, has been a notable beneficiary of this change in consumer behaviour. Additionally, with [trillions of dollars in excess savings](#) that have yet to be released in the economy, increases in consumer spending are bound to be sustained in the upcoming quarters.

Secondly, BRP has recently laid out its future ambitions, based on upcoming innovative products and the electrification of its recreational vehicles. In March of this year, the company announced that it is set to [invest \\$300 million](#) over the next 5 years to introduce electric models for each of its product lines by the end of 2026. With the market for electric recreational products in the process of emerging, BRP is positioning itself as a leader in the R&D of this technology in hopes of maintaining its commanding stance in the sphere of recreational products.

Finally, the company, through its favourable management policies for stakeholders, represents an asset for any portfolio to hold. Most notably, the number of shares the company has and the direction in which it is evolving reveals a lot about the value being generated for its shareholders. While notable increases in the number of shares may point to a company's [management benefiting from stock options](#), buybacks are a sign that the interests of stakeholders remain at the core of its decision-making process. In the case of BRP, its [shares outstanding](#) have been steadily decreasing for years now, from over 112.00M in 2016 to under 84M at the time of writing. For that same period, share buybacks have resulted in approximately \$1.5 billion being returned to BRP stakeholders. Far from being an artificial earnings trickery, share buybacks are, in the words of [Warren Buffett](#), "an effective way for executives to invest in their businesses and reward long-term holders of stock". Seasoned investors also know that buybacks remain the most tax-efficient way to return money to stakeholders as opposed to dividends - an important element that shouldn't be overlooked.

For all these reasons, stakeholders in DOO should rest assured that their investment in the firm is a sound one. At a current price of \$98.47 and a dividend yield of 0.53%, First Call rates DOO as a buy, with its earnings estimate forecasted to grow from now through 2024. After thorough considerations of these factors, BRP was integrated into the Canadian Focused Equity portfolio of the Ballard Mudge Financial group in the first half of 2021 and is set to contribute greatly to the success of our portfolio and clients for quarters to come.

Sincerely,

CIBC Wood Gundy

Patrick Bisson

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