

WESTPEAK RESEARCH ASSOCIATION

BRP Inc (TSX: DOO)

Consumer Discretionary – Powersports Manufacturer

Riding Waves of Innovation

March 5, 2024

BRP Inc (“BRP” or the “Company”) is a Canadian Powersports manufacturer operating under the brands Sea-Doo, Can-Am, Ski-Doo, Rotax, Lynx, Alumacraft, Manitou, and Quintrex. The company sells its products through its loyal network of nearly 3000 dealers in over 130 countries and is a market leader in innovation and product performance.

Thesis

Despite the impact of short-term macroeconomic trends on the Powersports industry and the recent Q3 earnings miss, we expect that BRP Inc., guided by a visionary management team, will continue to grow through innovation. By doubling down on new product development in current and new addressable markets, BRP is best positioned to capture industry tailwinds in the EVs and Low-voltage Human-assisted (LVHA) markets and grow its market share in the powersports industry.

Drivers

Consumer trends towards EVs and BRP’s strong position on the electrification front equip the company to lead this new industry and capture market share from competitors. Furthermore, opportunities in the LVHA markets valued at over \$70B, coupled with BRP’s natural ability to innovate, guarantee strong revenue growth through this segment. Additionally, BRP’s higher emphasis on catering to the rapidly growing premium segment promises to drive margin expansion and foster sustained profitability.

Valuation

Our target share price of CAD 125.03, with a total return of 43.4%, was derived from a 70% weighting to the DCF analysis through perpetuity growth model (75%) and terminal EV/EBITDA multiple (25%) and a 30% weighting to the comparable company analysis through EV/EBITDA and P/E multiples implied price. We initiate a **BUY** rating on BRP Inc.

Analyst: Gustavo Gongora, BCom. '26
contact@westpeakresearch.com

Equity Research CAN

Price Target	CAD\$ 125.00
Rating	Buy
Share Price (Mar. 5 Close)	CAD\$ 87.18
Total Return	43.4%

Key Statistics

52 Week H/L	\$122.41/\$77.42
Market Capitalization	\$6.72B
Average Daily Trading Volume	\$227.06K
Net Debt	\$2.81B
Enterprise Value	\$9.55B
Net Debt/EBITDA	1.7x
Diluted Shares Outstanding	\$77.8M
Free Float	42.85%
Dividend Yield	0.83%

WestPeak’s Forecast

	2024E	2025E	2026E
Revenue	\$10.4B	\$10.2B	\$12.7B
EBITDA	\$1.53B	\$1.43B	\$2.20B
Net Income	\$715.3M	\$686.1M	\$1.18B
EPS	\$9.07	\$8.82	\$15.13
P/E	9.6x	9.9x	5.76x
EV/EBITDA	6.2x	6.6x	4.32x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

BRP Inc., officially launched in 2003 and headquartered in Quebec, Canada, is one of the world's leading Powersport vehicle manufacturers. Despite becoming a stand-alone company just 20 years ago, BRP brings over 80 years of expertise in innovation and industry-leading performance, operating under the larger Bombardier company, which initially focused its efforts on the manufacturing of breakthrough recreational vehicles, developing the industry-first Ski-Doo snowmobile in 1959. BRP is the brand of choice for Powersport and outdoor enthusiasts, with close to 23,000 employees worldwide and an extensive global network of close to 3,000 dealers to manufacture and distribute products that create value for customers in over 130 countries. At the heart of BRP's value is its focus on innovation, constantly reinventing itself to lead the industry in advancing Powersport vehicle technology and performance. This culture of innovation has shown BRP to continuously outperform the industry in all key markets and establish eight iconic brands: Ski-Doo, Lynx, Sea-Doo, Can-am, Rotax, Alumacraft, Manitou, and Quintrex.

Revenue Segmentation & Exclusive Brands

The BRP brand encompasses a diverse portfolio of brands that provide its customers access to varied outdoor experiences and settings. The company segments its revenue across four main product categories: Powersport Year-Round Products, Powersport Seasonal Products, Parts, Accessories and Apparel (PA&A), Original Equipment Manufacturer (OEM) Engines, and Marine Products.

Year-Round Products

The Year-Round segment of BRP's portfolio consists of powersport vehicles sold under the Can-am brand that can be used in all four seasons of the year and most geographies and climates. During fiscal year 2023, this product line was responsible for 48.1% of BRP's sales. Despite these products being designed initially for recreational purposes, there is a growing demand for utility applications, like agriculture and construction, which BRP has met through innovative new models tailored towards this segment of customers. BRP is a market leader in non-traditional three-wheel vehicles (3WV), offering 12 models of this innovative product. For Side-by-side vehicles (SSV), BRP achieves a number two market share position, offering 78 models across its recreational and strong utility sub-categories. There is currently a growing interest in higher-end products, driving the potential for margin expansion. The last product type within this category is the All-Terrain-Vehicle (ATV), of which BRP sells 77 different models of its sport, recreational-sport, recreational-utility, and youth sub-categories. Management estimates indicate a market demand for 372,000 units in 2022, of which BRP counted with a number three market share position.

Seasonal Products

Within its seasonal products category, BRP offers snowmobiles and personal watercrafts (PWC), which are sold predominantly during winter and summer. BRP is the world leader in Snowmobile sales, offering 145 models under its brands Ski-Doo (sold in North America) and Lynx (sold in Europe). The world demand for snowmobiles is estimated at 126,000, of which North America accounts for 83%. Simultaneously, BRP is a market share leader in the PWC segment,

offering 38 models under the Sea-Doo brand and recently introducing a new innovative pontoon boat design under the brand name. In total, seasonal products represent 34.3% of BRP's FY23 revenue streams.

PA&A and Rotax engines

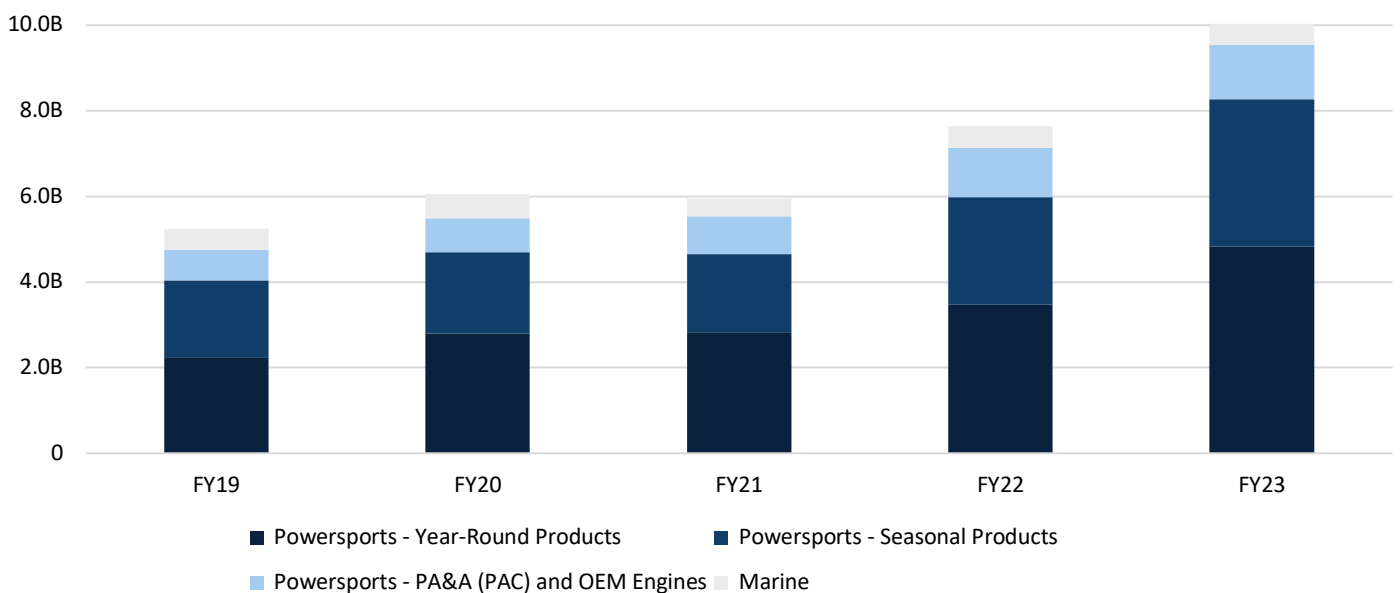
This product category functions as a complementary product line consisting of consumables (lubricants, oils, cleaning supplies), wearable components (including sportswear apparel), and replacement parts. Additionally, this product segment amplifies brand exposure and provides consumers with a more immersive experience that reinforces the outdoors lifestyle. Perhaps even more critical is the Rotax engines, a vital component of this product category. These engines power most other BRP Powersports vehicles, playing a key role in BRP's performance. At the same time, BRP sells Rotax engines to non-direct competitors, mostly for the manufacturing of go-karts and small recreational aircraft. This segment is responsible for 12.7% of BRP's FY23 revenues.

Marine Products

Marine Products represented 4.9% of BRP's revenues in 2023. This segment consists of the Alumacraft, Quintrex, and Manitou brands and was recently re-oriented in 2020 by focusing on the growth of its three boat brands through new product development while discontinuing the production of certain outboard engine products and repurposing their associated production facilities. BRP's smallest segment comprises recreational fishing boats, aluminum-made pontoons, leisure boats, and bowriders. This segment is influential in the regions of North America and Australia. Additionally, BRP offers outboard and inboard engines to independent boat builders and distributors as part of this product category.

Industry Revenue by Segment

FY19 – FY23



Business Strategy

Focus on Innovation

For nearly a century, BRP's business model and success have been derived from its competitive advantage: a culture of innovation and a passionate drive to reinvent itself to improve and set new trends constantly. During the 2023 FY, the company spent a sum equivalent to 3.7% of its revenues (CAD\$367.7 million) in R&D, which aided its state-of-the-art R&D facilities in continuing to produce outstanding innovations. BRP's team of designers and engineers is known for challenging the status quo and setting forth innovations that change the industry's competitive landscape, as demonstrated by its 1,870 issued patents (and pending applications) and its over 135 industry awards for groundbreaking innovations. All these efforts have resulted in the discovery of new segments, design features, and engine technologies that provide a competitive edge to BRP relative to its competitors, allowing the company to provide its customers with product upgrades, new product launches, new types of usage, new price points, and expanded offerings into new segments continuously.

This organic growth strategy through innovation and new product launches is currently being directed towards BRP's global electrification plan. Since 2021, BRP has been committed to spending CAD\$300 million in 5 years towards the electrification of all its business segments. Since then, it has been launching more electrified recreational vehicles that target a consumer demographic that is more sensitive to the environmental impact of Powersport vehicles, therefore addressing a whole new market segment. Notably, BRP's innovation efforts are also focused on creating its new business unit, LVHA, which aims to explore a new addressable market valued at over CAD\$70 billion.

Inorganic Growth

It has been a standard at BRP to aid such organic growth with acquisitions of well-established customer brands that make a valuable addition to its product portfolio and R&D and tech companies that BRP could leverage to achieve its performance and technology targets, such as the electrification of its products. For instance, just in the last six years, BRP has made essential acquisitions of relevant Powersport competitor brands such as Alumacraft Boat Co. (CAD\$80.9mm, 2018), Triton Industries Inc (Manitou) (CAD\$97.4mm, 2018), and Telwater Pty, Ltd (CAD\$113.2mm, 2019) which has strengthened its marine sector offerings. Simultaneously, in that same time range, the company has made a series of strategic acquisitions of businesses with expertise in targeted areas of technological advancement, such as the acquisitions of Great Wall Motor Austria, Pinion, and Shawinigan Operations of Kongsberg (2022) aimed at acquiring a competitive edge with this businesses' expertise in EVs and human-assisted EVs.

Mission 2025

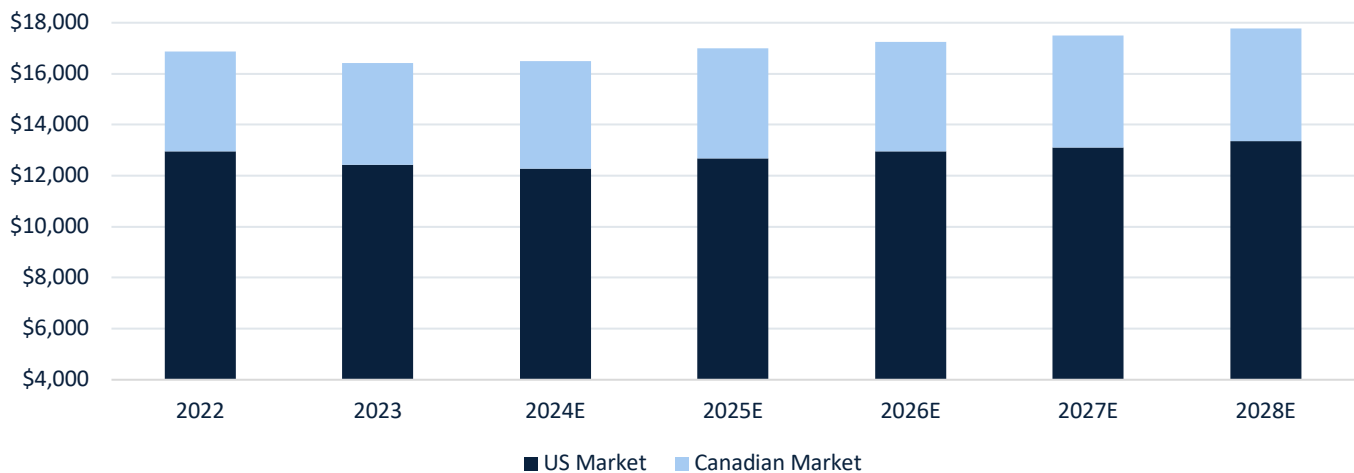
Lastly, BRP's current strategic priority is Mission 2025, a 5-year plan announced during 2020 to "set the course for BRP 2.0". Its target is to deliver revenue growth of 10% to CAD\$9.5 billion and EPS growth of 15% to CAD\$7.5 by fiscal year 2025. As part of the mission, it aims to improve its lean enterprise model, emphasizing efficiency and integration. Simultaneously, it seeks to build on its pillars of customer and employee experience, recognizing the importance of employee morale and top-tier human resources on innovation and aiming to increase its customer lifetime value and Net Promoter Score.

Industry Analysis

BRP Inc. operates in the global powersports market, which was valued at CAD\$48.24B as of 2022 and is expected to grow to CAD\$72.51B by 2030 at a CAGR of 5.31% (Fortune Business Insights). Nonetheless, BRP's main revenue segments geographically are the US and Canada, which account for over 75% of its total revenues in FY 2023. Both the American and Canadian ATV, Golf Cart, & Snowmobile manufacturing industries (which feature all BRP's powersport product lines, except for 3WVs) have significantly lower growth projections than the global Powersport market, having estimated CAGRs until 2028 of 1.4% and 1.9%, respectively (IBISWorld).

Industry Revenue

FY22 – FY28



Competition

The Powersports industry is highly competitive, and major players compete on various factors at both the manufacturing and dealer/distributor levels. Major players compete on product features, price, ergonomics, design, performance, and perhaps most importantly, innovation. This industry is characterized by innovators whose business model is to develop new technologies, products, and features that could differentiate them from the rest of the market and provide them with a competitive advantage. Thus, to a great extent, the competition in this industry is based on R&D and the ability of each company to reinvent itself and keep up with the technological advancements of the market. Another critical competition factor is having a solid and extensive network of dealers and distributors globally. Understanding that many dealers do not distribute each manufacturer's products exclusively and instead simultaneously sell competitor's products, manufacturers compete at the dealer/distributor level through marketing and sales programs such as dealer inventory financing programs, performance bonuses, and retail sales promotions.

The American and Canadian industries collectively have over 400 businesses. However, a relatively small number of major players, mainly from North America and Asia, shape the US and Canadian industries. Namely, Polaris, Yamaha Motor Co,

Kawasaki Heavy Industries, Honda, CF Moto, Suzuki, Textron, and John Deere are BRP's main competitors in these industries.

There are moderate to high barriers to entry in the powersports industry:

1. Manufacturing powersport vehicles require substantial start-up capital investments, as manufacturing facilities and equipment are specialized and expensive.
2. Complex supply chain networks represent a significant barrier to entry, as new entrants would have to source a variety of parts, components, and raw materials to manufacture their products. This is especially complex for a new firm in the current economy characterized by continuous supply chain challenges.
3. The current industry leaders have already established strong brands that consumers are loyal to or at least easily recognize, so dealers may be reluctant to buy from new brands with poor brand recognition and loyalty.
4. The nature of the innovative vehicles produced in these industries brings legal challenges, as new products must pass through extensive certifications and safety standards that may detract potential new entrants.

Macroeconomic Conditions

The industry is characterized by having incredibly high supplier power, and historically, it has suffered from supply chain disruptions and challenges. Upstream suppliers include the metal ore mining industry and the complex metal and engine manufacturing industry, which are dominated by few players and have little to no substitutes, thus granting them substantial power over Powersport manufacturers. In fact, many companies in the industry often count on only one or a select number of suppliers for a specific raw material, which exacerbates supply chain risks and challenges. For instance, in the 2023 FY (mostly 2022), global supply chain issues caused a 19% decrease in ATV supply, 20% in the SSV market, 21% in the 3WV market, 5% in the snowmobile market, and 17% in the PWC market.

Many of the required supplies for manufacturing are raw materials; hence, companies in this industry have significant commodity price exposure. Some of the most relevant raw materials powersport manufacturing companies use are aluminum, steel, plastic, copper, rubber, resins, and other rare earth metals. Thus, this industry's margins are substantially impacted by fluctuations in commodity prices, especially fuel and mining products. For this reason, major players in the industry have started to vertically integrate with their suppliers, as was recently the case with John Deere and Polaris, as a measure to circumvent future supply chain challenges and hedge commodity price exposure.

Products offered by the powersports industry have a high income elasticity of demand, and the current state of the economy is also widely relevant to this industry. The products offered in this industry are discretionary durable goods; hence, consumers' disposable income and the economy's state are vital factors determining industry revenues. Firstly, due to the high purchase price of these products, financing alternatives are often essential for consumers; thus, currently, high interest rates have represented a pain point for consumers and hence halted industry growth and sales. Future monetary policy and changes in interest rates will play a fundamental role in financing and, by extension, sales. Secondly, it is forecasted that consumers will soon finish running down their COVID-19 pandemic savings and that in the face of a potential economic slowdown, their discretionary spending, especially on durable goods, will diminish (Deloitte). This, of course,

coupled with fluctuating consumer confidence because of turbulent economic times, represents an industry-wide risk for the continuation of revenue growth.

Industry Trends

Electrification

For the past few years, the industry has had a clear direction: electrification. The industry and its products have historically operated on conventional fuel sources and counted with highly polluting engines that contributed to significant emissions. There are several factors leading the industry into this untapped product category at a breakneck pace. Firstly, the social acceptability of products has increasingly become an essential factor in consumer purchase decisions; consumers are becoming increasingly more environmentally conscious and addressing the market segment of environmentally conscious consumers could bring substantial revenue for manufacturers that innovate toward EVs. Secondly, Powersport vehicles use substantial amounts of fuel; thus, the consistently high oil prices have led consumers to search for more long-term economic alternatives. Thirdly, regulations are also headed towards favouring electric vehicles, so to avoid legal challenges, companies are being forced to innovate towards more environmentally friendly electric alternatives. Nonetheless, it is essential to point out that right now, the environmental friendliness of EVs depends on grid composition (on how green the supply for electricity is), which varies tremendously in the US. Due to infrastructure improvements aimed at improving grid composition, electric vehicles will soon more certainly achieve their purpose of being more environmentally friendly.

Other Industries

BRP's Marine product line operates in the Recreational Boating industry; however, this business line represents a negligible percentage of total revenues (under 5% - FY2023). This industry counts with similar conditions to the powersports industry previously analyzed, the discretionary nature of the goods, comparable raw materials used, and electrification trends are all applicable to this industry as well. The company's main competitors in their business within this industry include Bass Pro Shops, Brunswick, and Polaris.

As mentioned, the 3WVs product line was the only product not included in the ATV, Golf Carts & Snowmobiles industry analysis. The 3WV product line is part of the Motorcycle, Bike & Parts manufacturing industry, which has a CAGR estimated until 2028 of 2.4%. Despite this just representing one of the multiple product lines of BRP, further research into this industry could be beneficial, considering the company's plans to address the Low Voltage & Human Assisted Group industry, including two-wheel motorcycles.

Catalysts

Potential Regulatory Tailwinds for EV Powersports Vehicles¹

Increased climate awareness and the public's views on the need for stronger regulations to lessen climate risks would significantly affect BRP. According to a United States Environmental Protection Agency report, recreational vehicles and

¹ There are currently no government regulations for electrified powersports vehicles, according to BRP Inc's CEO, José Boisjoli

other non-road engines “account for 13 percent of national mobile-source hydrocarbon (HC) emissions, 6 percent of mobile-source carbon monoxide (CO) emissions...”. An increased level of climate awareness and public sentiment against climate-change-causing activities could bring governments to place regulations that favour powersports EVs, such as extending (or first-time implementing, depending on the country) rebates, subsidies, and tax credits from regular cars and motorcycles to powersport vehicles.

The potential implementation of such regulations would surely bring industry tailwinds to the EV powersports sector. Given the price-elastic nature of powersports vehicles, such regulations that lower the price for final consumers would bring heightened demand for electric powersports vehicles. These regulations would significantly benefit BRP relative to its competitors, as given its superior positioning in the electrification front, it will likely be able to capture market share away from competitors lagging on electrification. This would be done by adopting customers who previously purchased from those brands and are now looking for cheaper electric options and new customers to the powersports market, who, due to environmental concerns or budget restrictions, had not previously purchased.

Solidification of Electrification and LVHA Growth Strategies

For the foreseeable future, BRP’s strategy will be centred around its introduction to and success within the powersports EV and Low-Voltage Human-Assisted markets. We believe that any event, announcement, or factor that materializes their strategy and thus solidifies their potential success in these markets will positively drive BRP’s stock price. We believe this could happen in two ways: through the announcement of strategic acquisitions of companies developing electrification and LVHA-related technology and new product launches within the electric powersports and LVHA categories.

Over the last two years, particularly in 2022, BRP has made 3 strategic acquisitions to help them advance their electrification efforts and expand into the LVHA markets. On July 7th, 2022, BRP announced it would acquire the Austrian subsidiary of the Chinese “Electric R&D Powerhouse” The Great Wall Motor, adopting its 53 experienced engineers to “continue reinforcing our EV expertise required to deploy our ambitious strategy.” That same day, BRP’s stock rose by 6.12%. Similarly, when BRP announced it would enter a definitive agreement to acquire The Shawinigan Operations of Kongsberg Inc. and its 300 highly experienced employees on electrification technology on August 9th, 2022, its stock price rose by 5.8%. BRP has a history of growing through inorganic growth; in the last 6 years, it has made 7 different acquisitions. Given BRP’s propensity to grow inorganically and make strategic acquisitions, additional acquisitions of electrification engineering companies to further solidify their leadership position in the electrification front are likely and would positively drive BRP’s stock price.

Similarly, new product launches and announcements that ratify BRP’s leadership position in powersports EVs or position it as a disruptive innovator of the LVHA markets will positively drive its stock price. For instance, when BRP announced on March 22nd, 2022, that it would launch its first electric motorcycle models in late 2024 under its brand Can-am, its stock price went up by over 15% within the following week. From now until 2026, BRP plans to introduce one electric model per product category; similar industry-first product announcements and launches that materialize its ambitious organic growth strategy should positively drive its stock price.

Management Team

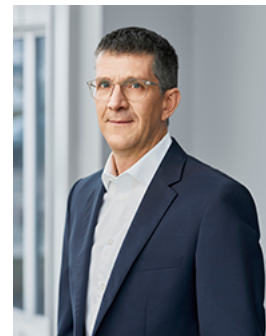
José Boisjoli – Chair of the Board of Directors, President, and CEO

After eight years working in the road safety equipment and pharmaceutical industries, Jose joined Bombardier in 1989. After nearly a decade of working for BRP Inc.'s old parent company, Mr. Boisjoli was appointed President of the Snowmobile and PWC divisions and later of the ATV division. Upon BRP becoming a standalone company after its sale in 2003, Boisjoli was named President and CEO. Since then, under his management and guided by his unerring long-term vision, BRP has diversified the company's product mix to incorporate world-renowned brands, increased by eight times BRP's market capitalization, and achieved revenues that rival those of their old parent company, Bombardier. Critical reasons for his successful management are his true passion for the industry and his background as an engineer. Boisjoli has obtained several distinctions for his success in managing BRP Inc., including Executive of the Year (Powersports Magazine), Entrepreneur of the Year – Quebec (EY), and most recently, Global Visionary of the Year (The Globe and Mail). With a 1.328% ownership of BRP, José Boisjoli is incentivized to make decisions that favour BRP's shareholders.



Sébastien Martel – Chief Financial Officer

Sébastien Martel joined BRP in 2004, and soon after, it became a standalone firm. Since then, Martel has played several key senior executive roles within the firm, aiding its growth and development, including Director of Financial Information and Vice-President of Strategic Planning Business Development. He was later appointed CFO and has led the company in several key milestones, including its 2013 IPO and the introduction of BRP Inc. into the NASDAQ stock exchange in the U.S. (previously exclusively traded on the Toronto Stock Exchange). With over 63% of his compensation being option-based awards and annual incentive plans, Sébastien Martel has a great incentive to align his efforts and actions with creating value for shareholders.



Sandy Scullion, President, Powersports Group

Sandy Scullion joined BRP Inc. in 1994 and has since held several senior management roles within the company, being a critical human talent in BRP's transformation, brand differentiation, and success. Mr. Scullion oversees the manufacturing operations of the powersports segment, which comprises operations in Canada, Mexico, and Finland. In addition to being the President of the Powersports Group, Scullion will continue to hold his responsibilities as senior vice president of global retail and services, which will permit him to continue to leverage his experience in product development, marketing, distribution, and network management, which he gained to a great extent through his role as General Manager for Western Europe, Middle East, and Africa.



Thomas Uhr, Chief Technology Officer

Thomas Uhr comes from a rich background in the automotive industry, leading technological innovation for major companies in the industry for over 25 years. Most notably, he led several engineering teams at Mercedes-Benz AG and was the founding General Manager of Mercedes and Mitsubishi's joint venture, MDC Power. Uhr started in BRP in 2014, simultaneously occupying the roles of Vice-President, Powertrain at BRP Rotax and Vice-President of R&D/Operations in Austria and Finland. In 2022, Mr. Uhr started holding the newly created position of Chief Technology Officer and will be responsible for leading all manufacturing and new product technologies for all of BRP, being the critical talent in BRP's electrification strategy.



Shareholder Base, Liquidity, Market Depth

Shareholder Base

BRP Inc. currently has 77.8 million shares outstanding and a free float of 33.34 million shares, which is equivalent to a 42.85% free float. 57.45% of its equity is owned by its four largest shareholders, showing a highly concentrated shareholder base.

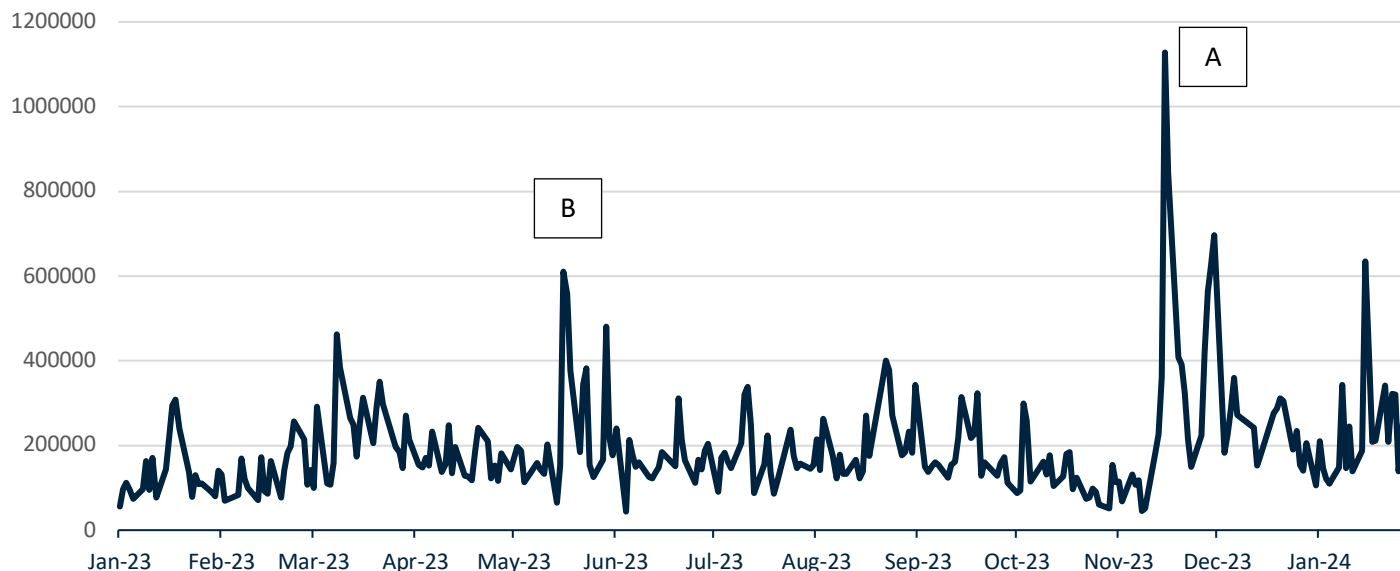
Holder	Position	% Of Outstanding	Market value (CAD in mm)	Insider (Y/N)
Bain Capital, LP	15796615	20.98%	\$1,398.30	N
Beaudier Inc.	13000000	17.26%	\$1,150.80	N
4338618 Canada Inc	8709901	11.57%	\$771.00	N
Caisse de dépôt et placement du Québec	5789828	7.69%	\$512.50	N
Beutel Goodman & Company Ltd.	3800872	5.05%	\$336.50	N
The Vanguard Group, Inc.	1282737	1.70%	\$113.50	N
Westfield Capital Management Company, L.P.	1094083	1.45%	\$96.80	N
Boisjoli, Jose (President, CEO & Chairman)	1000350	1.33%	\$88.60	Y
Invesco Ltd. (NYSE:IVZ)	919901	1.22%	\$81.40	N
BMO Asset Management Corp.	863516	1.15%	\$76.40	N
Top 10 shareholders	52257803	69.40%	\$4,625.80	

Liquidity

From January 16th, 2022, to January 16th, 2023, the average daily trading volume of BRP Inc. on the Toronto Stock Exchange was 195,655.7. It is important to note that BRP Inc trades in two different exchanges, in the NASDAQ as DOOO and the TSX as DOO. The highest daily trading volume was 1,127,800, and the lowest was 43,800. These metrics show a relatively low trading volume for a company with over 77 million diluted shares outstanding, which indicates low liquidity, a looser bid-ask spread, and higher price volatility. This low liquidity could be primarily due to the highly concentrated shareholder base, in which the four main investors hold over 57% of the company's shares, and the vast majority of the company's shares are held by institutional investors.

1 Year Trading Volume

FY23-FY24



Point A is November 30th, 2023. The main reason for the high trading volume was an underwhelming Q3 earnings call coupled with the announcement of an Equity Buyback of 9.65% of its issued share capital. Point B is June 1st, 2023. The high trading volume this day was due to investors' reactions to the company's earnings results for the first quarter of FY24, along with management's guidance of the expected earnings for this fiscal year.

Valuation

Discounted Cashflow (DCF) Assumptions

Revenue Forecasts

Q4 FY24: Guided by management's estimates, historical performance, and market trends, we expect a total revenue decline of 10% in the following quarter (Q4 FY24). Macroeconomic conditions are affecting revenue growth for year-round products; however, this segment has historically never been negative (excluding the last quarter), and the trend in utility use for SSVs will mitigate the macro impact. Furthermore, softening demand for marine segment products will further contribute to the company's revenue decline this quarter.

FY25: Consumer sentiment of BRP's Can-Am Off-Road falling behind Polaris and macro trends of lower consumer spending in discretionary goods will push down revenue growth for year-round products for the first three quarters, partially mitigated by the growing use of SSV's for utility purposes. However, with the expected renormalization of the macroeconomic landscape, lower interest rates, and most notably, the launch of Can-Am's electric motorcycles, we expect an 18% growth in the last quarter of FY25 in the year-round segment. The other segments will experience similar revenue growth, experiencing a decline in the first three quarters and returning to average growth in the last quarter, caused by

fluctuations in the macro conditions, particularly loss of confidence in the retail environment by dealers (order less inventory), lowered consumer confidence, and decreasing consumer spending in discretionary products. Such a decline would impact the seasonal products segment, experiencing an average of 20% revenue decline in the first three quarters, being partially mitigated by the introduction of new innovative products like SeaDoo's eFoil. In total, we expect a decrease in company revenues of 2.3%.

FY26: Pushed by lower interest rates, higher consumer confidence, and increased spending, we project above-average revenue growth of 24.7%, which isn't uncommon after an economic downturn, as seen in FY22 after the year due to the COVID-19 recession.

FY27: The industry (excluding motorcycles) is expected to grow at a CAGR of 1.6% in the US and Canada (on average), but BRP has consistently been about 15% above the US/CA market blend (80% weight to the US and 20% to CA based on their 60% US, 15% CA and 25% international sales) during times of average and positive industry growth, which is expected here forward. This would yield a growth of 16.6%; however, adding the 5.31% CAGR for international powersports markets and the introduction of the whole like of electrified powersports vehicles this year (industry growing at 18% CAGR), we expect the company's revenues to grow 18.8%, which is 2.2 percentage points above the historical average of the last decade.

FY28: We anticipate 21.7% growth this year, which will be largely due to the increase in year-round segment revenues due to the anticipated introduction of the first products from the newly created Low-Voltage Human-Assist segment.

FY29: We expect the company to return to normal growth after the introduction of its first EV models and LVHA product lines, yielding 17.2% revenue growth, slightly above the 16.6% average, as it takes into account the new higher CAGR segments of EVs and LVHA and the further expansion into international markets.

Cost of Goods Sold (COGS)

We expect above-average COGS and, to be more specific, a below-average gross profit margin for the following few quarters. Firstly, extensive sales programs, discounts, rebates, and other initiatives will be implemented in the following quarters due to a slow retail environment, decreasing the company's gross profit margin. Furthermore, specific commodity prices, namely aluminum, are expected to increase, reducing their margins even further. Moreover, the company has an extensive fixed cost base, which, during economic downturns, negatively impacts its gross profit margins.

After the expected decrease in the gross profit margin for the following quarters, we expect initially favourable gross profit margins and a return to historical averages when the macro environment renormalizes.

Selling, General, and Administrative Expenses (SG&A) and R&D

We expect SG&A expenses to remain around historical averages, with the exception of the following couple of quarters in which we expect that to conserve long-term growth, the company won't engage in drastic reductions of these expenses (through mass employee dismissals, for example). We also expect R&D expenses to remain around the historical 4%, going slightly up some years prior to new segment realises, as we anticipate will be the case with EVs and LVHA.

Capital Expenditures (CapEx)

We expect capital expenditures to remain relatively constant at around 32%. However, prior to starting production of anticipated new segments, like the EVs or LVHA, we expect the opening of new manufacturing plants, which will increase such CapEx, as with FY26, to 38%.

Weighted Average Cost of Capital (WACC)

We calculated BRP's WACC by finding the weighted average of the company's cost of equity and cost of debt. We calculated the cost of debt by using a 3.95% pre-tax cost of debt, adjusting it by its adjustment factor of 1.38, and reducing it by BRP's effective tax rate of 22.1% to arrive at the cost of debt of 4.2%. We calculated the cost of equity by using a risk-free rate of 3.9% from the US 5-year Treasury Bill yield, a market return of 12.3% and an equity beta of 1.16. This calculation yielded a cost of equity of 13.6%. By calculating a weighted average of the costs of debt and equity, we arrived at a WACC of 10.9%.

Perpetuity Growth Rate

We assumed a 2% perpetuity growth rate because we believe this accurately reflects the average growth of the US economy, from which BRP receives over 60% of its revenue. The company's large and growing market share in its industry and strong international brand position reinforce the reasonableness of this long-term estimate.

Terminal Multiple

We estimated a Terminal EV/EBITDA multiple of 6.3X. This was done by finding the average multiple across BRP's closest comparable companies, Yamaha Motor Co and Polaris, and introducing the company's own multiple in calculating the average. Other comparable companies, like Kawasaki Heavy Industries, operate in several different industries, which we believe don't accurately reflect a reasonable terminal EV/EBITDA multiple, and therefore, we decided to take them out of the calculation.

Comparable Companies Analysis

For our comparable company analysis, we included several publicly traded companies that compete in the Powersports market. The Powersport market is dominated by a few large companies based in different countries with a robust international presence. Despite most of them not being pure plays, we tried to include companies with similar business models and sizes.

Polaris Inc. (NYSE: PII)

Polaris Inc. is a powersports vehicle manufacturer founded in 1945 and headquartered in Medina, Minnesota. In terms of market share, Polaris is one of the leading companies in the powersports market, providing its products through its network of dealers and e-commerce. The company's offerings can be divided into off-road, on-road, and Marine vehicles. These segments include products like ATVs, SSVs, snowmobiles, motorcycles, boats, pontoons, and more. In addition, the company sells complementary parts and accessories for its vehicle line-up.

Yamaha Motor Co (TYO: 7272)

Yamaha Motor Co was incorporated in 1918 and is headquartered in Iwata, Japan. The Japanese corporation operates in several industries, with a particular focus on manufacturing motorcycles. In addition to its main product line (motorcycles), within its Land Mobility segment, Yamaha manufactures several types of powersports vehicles, including ATVs, snowmobiles, recreational off-highway vehicles, and more. Additionally, Yamaha has a strong presence in the LVHA markets, manufacturing electric bicycles, electric wheelchairs, and more. As part of its Land Mobility segment, it also manufactures automobile engines and other components. Within its Marine Products segment, it offers PWCs, boats, and outboard motors, to name a few. In addition to vehicle manufacturing, Yamaha operates in the Robotics industry, providing industrial robots, semiconductor manufacturing equipment, surface mounters, and more.

Kawasaki Heavy Industries (TYO: 7012)

Kawasaki Heavy Industries, headquartered in Tokyo, Japan, is a global company that mainly operates in the industrial machinery and supplies and components industry but also in the aerospace systems, precision machinery and robot, marine engineering, and motorcycle industries. Notably, it manufactures aircraft for the Ministry of Defense in Japan and helicopters and jet engines for commercial aircraft. In addition, it produces certain Powersport vehicles, including PWCs, off-road vehicles, and motorcycles.

Brunswick Corporation (NYSE: BC)

Founded in 1845 and headquartered in Illinois, Brunswick Corporation manufactures marine leisure products. The company segments its offerings into three different areas: boats, PA&A, and Propulsion. In the propulsion segment, the company develops several types of inboard and outboard engines for independent boat manufacturers. In the boat segment, it offers cruisers, fishing boats, utility boats, pontoons, and many more through the multiple brands under its name. Lastly, it complements these offerings with its parts and accessories segment.

Harley-Davidson Inc (NYSE: HOG)

Harley Davidson specializes in manufacturing and selling motorcycles in North America and internationally. Through its Harley-Davidson Motor Company segment, the company sells various types and models of motorcycles, including cruisers, touring, trikes, sport bikes, and duals. Simultaneously, the company operates in the electric motorcycle industry through its LiveWire segment. These segments include parts and accessories product lines as a complement and are supported by a third financing segment. Harley Davidson sells its products through its network of dealers both locally and internationally and also has an e-commerce presence.

Recommendation – Buy

We believe that BRP Inc. is currently undervalued by the market, largely due to the recent adverse industry/macroeconomic conditions and to a short-term thinking overreaction to the Q3 earnings miss. The Q3 earnings miss was significant, and it is undeniable that a softening of the economy has been and will continue to affect BRP's bottom line in the next few quarters. However, we are confident that despite these short-term headwinds, BRP continues to be notably undervalued

by the market, as we believe investors are not fully accounting for its superior positioning to capture industry tailwinds in current and new addressable markets.

After careful analysis, we yielded an implied share price of \$125.03, with an expected return of 43.4%. This implied price was achieved through a 70% weighting on the DCF analysis and a 30% weighting on the comparable company analysis. Despite both methods yielding similar implied price results, we believe a reduced weighting on the comparable companies analysis is necessary due to two factors. First, the participation of many of its comparable companies in widely different industries, as is the case of Kawasaki Heavy Industries, which manufactures (to a lesser extent) other industrial machinery and widely different products like satellites as part of its product mix or Yamaha Motor Co, which main focus is producing day-to-day utility motorcycles rather than powersports motorcycles. Secondly, its closest and only pure-play comparable, Polaris, trades at a market premium due to its intrinsic factors, making the P/E multiple widely distorted and inappropriate for BRP. Furthermore, within the 70% weighting of the DCF, we gave a 75% weighting to the perpetuity growth model and a 25% weighting to the EV/EBITDA multiple since, as mentioned, the comparable companies from which the multiple was derived are not very appropriate comparables, and we opted for a more conservative approach with the perpetuity growth model. It would be important to note that in our average P/E multiple calculations for FY2024, we excluded Kawasaki Heavy Industries, as recent idiosyncratic events to the company shifted the multiple from 17.2x to an unreasonable 46.9x, not appropriate for BRP.

Investment Thesis

BRP Inc. prides itself on being an industry leader in innovation, and its human talent is, to a great extent, the main contributor to such achievement. José Boisjoli, the company's CEO, was recently awarded The Globe and Mail's "Global Visionary of the Year" Award for its visionary strategy in the powersports industry, being able to lead BRP in anticipating trends and providing world-class innovations to powersports enthusiasts.

We believe that such visionary management, human talent, and culture of innovation will drive the company's growth and value in 3 different areas: EVs, catering to niche and higher-margin segments, and entering the LVHA markets.

Thesis 1: Superior Positioning to Capture Industry Tailwinds of Electrification

There is a clear customer trend towards more environmentally friendly and sustainable automobiles and motorcycles. According to a recent McKinsey and Company survey, "46 percent of respondents have already switched to more sustainable brands or products, and another 16 percent plan to make considerable changes to promote sustainability." These customer trends have been matched by government regulations promoting the use of EVs and limiting fuel-based vehicles. Powersports enthusiasts have not ignored this trend, and there is a true customer demand for more sustainable forms of powersports vehicles and a tangible potential for the introduction of future government regulation.

With its 5-year electrification plan that aims to offer an EV model in each of its product lines by 2026, led by the visionary Chief Technology Officer Thomas Uhr, we believe that BRP is strongly positioned to lead in the electric powersports market and capture market share from competitors lagging on the electrification front. As of right now, BRP and Polaris have the most solid electrification strategies; despite Polaris having a similar plan for 2025, BRP is ahead in certain product categories, being the only major player with an electrified snowmobile among their lines right now and the first and only major player

to give their first concept of an electric PWC. These two major players are head-to-head and fighting to get the lion's share of these new product categories, and there is a market sentiment that they are vastly outperforming competitors like Yamaha and Kawasaki on this front. We believe that BRP's current strong position in the Powersports EV market and clear consumer and market trends will make its electrification strategy a true driver of growth for the company that the market is likely undervaluing.

Thesis 2: Strong Projected Growth in Low-Voltage-Human-Assisted Markets

The future of micromobility is bright, and we believe that BRP's planned introduction into this segment, coupled with its known natural ability to innovate and incorporate novel features into the market, will be a crucial driver of growth for the years to come. Guided by Minh Thanh Tran, Executive VP of LVHA Group, BRP is planning to enter new markets collectively valued at \$70B, all focused on low voltage and human-assisted product offerings (of which we anticipate products like e-bikes, scooters, and more).

According to research by the McKinsey Center of Future Mobility, 30% of people "plan to increase their use of micro-mobility over the next decade," several countries like Germany, Norway, the UK, and the United States are heavily spending on bike lanes and other alternative transportation infrastructure, the US implementing the 2022 Bipartisan Infrastructure Law, incorporating a 1.44B fund to invest on alternative (pedestrian and bicycle) transportation infrastructure. The current micro-mobility market, valued at \$180B today, is expected to grow to \$440B by the end of the decade (McKinsey). This provides an unparalleled opportunity for BRP to leverage its recent acquisitions of German electric bike gearbox manufacturer Pinion GmbH and the Shawinigan operations of Kongsberg Inc. to enter new addressable markets that will certainly drive growth and value for the company.

Thesis 3: Catering to Premium and Higher-Margin Segments

BRP's premium segment has experienced the fastest growth in the past few years aided by the evolution of BRP's customer profile, which, over the last few years, has continuously leaned more towards high-end segments. The company has been emphasizing innovating through creative and sophisticated product features to incorporate into their higher-end models that cater to more premium customer segments. This was the case with the \$24,000 SeaDoo Explorer, a PWC incorporating an industry-first windshield feature for riders seeking longer adventures. Similarly, the company introduced its premium Manitou Explore, a pontoon valued at over \$160,000, and incorporated Apple Car Play touch screens into its 3WV models. We believe the continued emphasis on catering to more premium and sophisticated market segments (in addition to regular consumers) will expand BRP's margins and drive market share growth and value over the coming years. Furthermore, the growth of its higher-end customer segment guarantees a higher degree of insulation against market fluctuations, ensuring a higher degree of resilience during volatile times.

Risks

Commodity Price Fluctuations

The manufacturing of powersports and marine vehicles is highly dependent on several raw materials, including aluminium, steel, plastic, copper, rubber, resins, and other rare earth metals. Furthermore, the company is highly sensitive to changes in its gross profit margin. Hence, commodity price fluctuations represent a real risk for BRP's profitability. In addition, fuel prices are highly relevant for end consumers, and fluctuations in this commodity could have relevant impacts on the company's sales.

High Vulnerability to Supply Chain Disruptions

BRP Inc. counts on complex supply chains from where it sources its materials for manufacturing powersports and marine vehicles. Geopolitical events and macroeconomic circumstances like pandemics or armed conflicts present a risk to the stability of the company's supply chains and, therefore, a risk to the company's ability to hold adequate inventory levels and meet customer demand. This risk has materialized in the past, recently in 2022, when the whole industry suffered supply chain issues that caused 19% and 17% reductions in the ATV and PWC markets, respectively.

The company has a very concentrated supplier network, often counting on only one supplier for specific critical components used in their manufacturing process. Its suppliers are mainly from the metal ore mining and complex metal manufacturing industries, which count with few substitutes. This highly concentrated supplier base and the high reliance on external entities further worsen the risk of supply chain issues. Other competitors like Polaris and John Deere have started to vertically integrate their operations through acquisitions of suppliers to reduce this risk, but BRP has not followed the same strategy yet.

Patented Innovations by Competing Firms

The company performs in a highly competitive industry where innovation is the key determinant of competitive advantage. It is not unlikely that competing firms could outpace BRP in R&D and release innovations before the company, thus capturing market share away from the company. Furthermore, if this is a relevant innovation worth patenting (and defending), it might be more challenging for the company to react and copy that innovation, thus leaving the company behind in product development and product quality.

Fluctuations in Foreign Currencies

BRP sells its products in over 130 countries, receiving less than 16% of its revenues from its domestic industry (Canada). Significant changes in foreign exchange rates represent a clear risk for BRP's sales and profitability. Firstly, if foreign currencies depreciate relative to the Canadian dollar (the currency in which the company files its statements), then sales coming from countries with those currencies will represent lower revenues when converted to Canadian Dollars. Second, such depreciation in exchange rates could make the prices of BRP's products less accessible, and if coupled with favourable

exchange rates for other manufacturers with different currencies (American or Japanese), it may put the company behind in terms of price competition, making it either lose market share or adjust price and sacrifice margins.

Saturation of the North American Market

The United States comprises over 60% of BRP's market and including Canada, the whole North American market accounts for over 75% of the company's revenue. Over the past four years, international markets have grown, but at a lower pace than the North American market; thus, global markets have represented a smaller share of the company's revenue consistently every year for the past four years, going from nearly 30% in FY2020 to under 25% in FY2024. That is, there is a great level of dependence on the North American market, which has a natural saturation point and threatens BRP's ability to continue growing in the long term.

Appendix 1: Summary Page

Summary Page															
	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29
(Figures in mm CAD)	FY2019	FY2020	FY2021	FY2022	FY2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Income Statement															
Revenue	5,243.8	6,052.7	5,952.9	7,647.9	10,033.4	2,429.4	2,778.0	2,467.8	2,767.8	10,443.0	10,203.7	12,723.7	15,119.9	18,394.0	21,558.3
EBITDA	649.9	838.4	726.4	1,460.6	1,677.5	374.3	474.5	418.3	262.9	1,530.0	1,428.8	2,198.0	2,343.6	2,906.2	3,320.0
Net Income	227.3	370.6	362.9	794.6	865.4	154.5	338.7	63.1	159.0	715.3	686.1	1,177.1	1,209.7	1,551.5	1,790.6
Earnings Per Share	\$ 2.28	\$ 3.95	\$ 4.10	\$ 9.32	\$ 10.69	\$ 1.92	\$ 4.27	\$ 0.81	\$ 2.04	\$ 9.07	\$ 8.82	\$ 15.13	\$ 15.55	\$ 19.94	\$ 23.01
Cash Flow Statement															
Capital Expenditures	(278.1)	(280.7)	(253.3)	(628.9)	(601.0)	(111.2)	(93.7)	(128.2)	(241.5)	(574.6)	(660.3)	(872.2)	(1,018.8)	(1,054.1)	(1,227.6)
Acquisitions	(173.0)	(113.2)	-	-	(208.2)	-	-	-	-	-	-	(160.7)	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(35.3)	(37.2)	(9.6)	(43.1)	(50.8)	(14.2)	(13.9)	(13.8)	(13.8)	(55.7)	(58.2)	(64.3)	(70.4)	(76.5)	(85.7)
Dividend Per Share	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.52	\$ 0.64	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.72	\$ 0.76	\$ 0.84	\$ 0.92	\$ 1.00	\$ 1.12
Dividend Payout to Earnings	15.5%	10.0%	2.6%	5.4%	5.9%	9.2%	4.1%	21.9%	8.7%	7.8%	8.5%	5.5%	5.8%	4.9%	4.8%
Dividend Payout to Core FCF	3.8%	3.3%	0.8%	2.1%	2.2%	2.9%	2.4%	2.5%	2.8%	2.6%	3.3%	2.6%	2.6%	2.4%	2.3%
Dividend Yield	0.2%	0.2%	0.2%	0.5%	0.7%	0.2%	0.2%	0.2%	0.2%	0.7%	0.9%	1.0%	1.1%	1.1%	1.3%
Balance Sheet															
Current Assets	1,485.8	1,672.2	2,862.3	2,668.1	3,380.6	3,548.8	3,498.4	3,653.0	4,492.0	4,492.0	5,255.4	5,382.0	6,517.9	8,176.7	9,945.6
Non-Current Assets	1,591.4	2,094.9	2,023.6	2,362.8	3,084.0	3,162.9	3,158.1	3,236.8	3,378.3	3,378.3	3,599.8	4,215.3	4,704.9	5,140.7	5,670.8
Assets	3,077.2	3,767.1	4,885.9	5,030.9	6,464.6	6,711.7	6,656.5	6,889.8	7,870.2	7,870.2	8,855.1	9,597.3	11,222.8	13,317.5	15,616.5
Current Liabilities	1,678.4	1,884.1	2,192.5	2,619.4	2,483.3	2,652.6	2,504.1	2,617.6	3,452.8	3,452.8	3,809.8	3,439.1	3,925.2	4,545.0	5,139.0
Non-Current Liabilities	1,721.6	2,472.7	3,168.3	2,544.3	3,441.2	3,481.5	3,370.9	3,565.3	3,565.3	3,565.3	3,565.3	3,565.3	3,565.3	3,565.3	3,565.3
Liabilities	3,400.0	4,356.8	5,360.8	5,163.7	5,924.5	6,134.1	5,875.0	6,182.9	7,018.1	7,018.1	7,375.1	7,004.4	7,490.5	8,110.3	8,704.3
Shareholders' Equity	(328.0)	(593.8)	(478.7)	(135.6)	534.9	572.9	776.3	701.6	846.8	846.8	1,474.8	2,587.6	3,727.0	5,201.9	6,906.8
Cash	100.0	42.5	1,325.7	265.8	202.3	213.0	388.5	283.6	1,044.7	1,044.7	1,523.9	1,466.6	1,906.0	2,621.9	3,479.4
Debt	1,215.5	1,886.3	2,649.5	2,187.4	3,016.1	3,060.3	2,950.4	2,888.7	3,103.2	3,103.2	3,103.2	3,103.2	3,103.2	3,103.2	3,103.2
Net Debt	1,115.5	1,843.8	1,323.8	1,921.6	2,813.8	2,847.3	2,561.9	2,605.1	2,058.5	2,058.5	1,579.3	1,636.6	1,197.2	481.3	(376.2)
Minority Interests	5.2	4.1	3.8	2.8	5.2	4.7	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Debt/EBITDA	1.7 x	2.2 x	1.8 x	1.3 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x
Operating Metrics															
Return on Equity (ROE)	-69.3%	-62.4%	-75.8%	-586.0%	161.8%	27.0%	43.6%	9.0%	18.8%	84.5%	46.5%	45.5%	32.5%	29.8%	25.9%
Return on Assets (ROA)	7.4%	9.8%	7.4%	15.8%	13.4%	2.3%	5.1%	0.9%	2.0%	9.1%	7.7%	12.3%	10.8%	11.6%	11.5%
Return on Invested Capital (ROIC)	41.5%	35.4%	41.3%	49.0%	30.3%	6.5%	9.3%	5.3%	4.3%	30.1%	24.5%	31.1%	27.2%	29.7%	29.6%
Valuation Metrics															
Stock Price (High)	\$ 74.67	\$ 67.98	\$ 75.37	\$ 119.68	\$ 111.26	\$ 120.00	\$ 121.31	\$ 121.91	\$ 87.18	\$ 121.91	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18
Stock Price (Low)	\$ 32.36	\$ 35.15	\$ 18.56	\$ 84.35	\$ 73.74	\$ 96.68	\$ 95.13	\$ 78.81	\$ 87.18	\$ 78.81	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18
Stock Price (Average)	\$ 53.52	\$ 51.57	\$ 46.97	\$ 102.02	\$ 92.50	\$ 108.34	\$ 108.22	\$ 100.36	\$ 87.18	\$ 100.36	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18	\$ 87.18
Diluted Shares Outstanding (Average)	99.6	93.8	88.6	85.3	80.9	80.4	79.3	77.8	77.8	77.8	77.8	77.8	77.8	77.8	77.8
Market Capitalization (Average)	5,329.5	4,837.5	4,161.3	8,697.7	7,487.5	8,711.8	8,577.1	7,809.8	6,784.1	7,910.9	6,784.1	6,784.1	6,784.1	6,784.1	6,784.1
Enterprise Value (Average)	6,450.2	6,685.4	5,488.9	10,622.1	10,306.5	11,563.8	11,144.2	10,420.2	8,847.9	9,974.7	8,368.7	8,426.0	7,986.6	7,270.7	6,413.2
P/E	23.4 x	13.1 x	11.5 x	10.9 x	8.7 x	11.1 x	11.1 x	11.1 x	11.1 x	11.1 x	9.9 x	5.8 x	5.6 x	4.4 x	3.8 x
EV/EBITDA	9.9 x	8.0 x	7.6 x	7.3 x	6.1 x	6.5 x	6.5 x	6.5 x	6.5 x	6.5 x	5.9 x	3.8 x	3.4 x	2.5 x	1.9 x
FCF Yield to Market Capitalization	4.7%	5.7%	13.4%	0.4%	1.2%	18.4%	9.2%	5.6%	10.5%	18.4%	9.2%	5.6%	10.5%	15.1%	17.6%
FCF Yield to Enterprise Value	3.9%	4.1%	10.1%	0.3%	0.8%	14.6%	7.4%	4.5%	8.9%	14.6%	7.4%	4.5%	8.9%	14.1%	18.6%
Free Cash Flow															
EBIT	472.6	604.3	465.6	1,187.0	1,367.1	281.9	378.8	317.8	162.9	1,141.4	990.0	1,780.7	1,814.3	2,288.0	2,622.5
Tax Expense	(101.6)	(135.1)	(121.4)	(282.1)	(300.5)	(41.2)	(76.0)	(52.0)	(36.0)	(252.1)	(218.7)	(393.4)	(400.8)	(505.4)	(579.3)
D&A	177.3	234.1	260.8	273.6	310.4	92.4	95.7	100.5	100.1	388.7	438.8	417.3	529.2	618.3	697.5
Capital Expenditures	(278.1)	(280.7)	(253.3)	(628.9)	(601.0)	(111.2)	(93.7)	(128.2)	(241.5)	(574.6)	(660.3)	(872.2)	(1,018.8)	(1,054.1)	(1,227.6)
Changes in NWC	(17.2)	(147.7)	204.2	(518.3)	(689.3)	(9.8)	95.5	(89.2)	757.4	753.9	72.7	(554.6)	(210.4)	(323.2)	(317.3)
Unlevered Free Cash Flow	253.0	274.9	555.9	31.3	86.7	212.1	400.3	148.9	742.8	1,457.2	622.5	377.9	713.6	1,023.5	1,195.8
Valuation Summary															
Current Price	\$ 87.18														
Target Price	\$ 125.03														
Total Return	43.4%														
Recommendation	BUY														
DCF Valuation															
Perpetuity Growth Implied Price	\$ 114.26														
Exit Multiple Implied Price	\$ 167.56														
Comps Valuation															
Comps - EV/EBITDA Implied Price	\$ 144.48														
Comps - P/E Implied Price	\$ 93.67														

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis															
	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29
(Figures in mm CAD)	FY2019	FY2020	FY2021	FY2022	FY2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
WACC Calculations															
Cost of Equity															
Risk-free rate	3.9%														
Expected market return	12.3%														
Market Risk Premium	8.4%														
Beta	1.16														
Cost of Equity	13.6%														
Cost of Debt															
Pre-tax cost of debt	5.5%														
Effective tax rate	22.1%														
Cost of Debt	4.2%														
WACC															
Market value of equity	6,784.1														
Market value of debt	2,888.7														
Total Capitalization	9,672.8														
Cost of equity	13.6%														
Cost of debt	4.2%														
WACC	10.8%														
	10.8														
Free Cash Flow															
EBIT	472.6	604.3	465.6	1,187.0	1,367.1	281.9	378.8	317.8	162.9	1,141.4	990.0	1,760.7	1,814.3	2,288.0	2,622.5
Less: Tax expense	(101.6)	(135.1)	(121.4)	(282.1)	(300.5)	(41.2)	(76.0)	(52.0)	(36.0)	(252.1)	(218.7)	(393.4)	(400.8)	(505.4)	(579.3)
Add: Depreciation and amortization	177.3	234.1	260.8	273.6	310.4	92.4	95.7	100.5	100.1	388.7	438.8	417.3	529.2	618.3	697.5
Less: Capital expenditures	(278.1)	(280.7)	(253.3)	(628.9)	(601.0)	(111.2)	(93.7)	(128.2)	(241.5)	(574.6)	(660.3)	(872.2)	(1,018.8)	(1,054.1)	(1,227.6)
Less: Change in net working capital	(17.2)	(147.7)	204.2	(518.3)	(689.3)	(9.8)	95.5	(89.2)	757.4	753.9	72.7	(554.6)	(210.4)	(323.2)	(317.3)
Unlevered Free Cash Flow	253.0	274.9	555.9	31.3	86.7	212.1	400.3	148.9	742.8	1,457.2	622.5	377.9	713.6	1,023.5	1,195.8
Discount factor						-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow						-	-	-	724.0	724.0	573.3	299.8	510.7	660.9	696.6
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	3,465.2														
Terminal value	8,037.0														
Enterprise Value	11,502.2														
Add: Cash	283.6														
Less: Debt	2,888.7														
Less: Other EV adjustments	5.3														
Equity Value	8,891.8														
Shares outstanding	77.8														
Implied Share Price	\$ 114.26														
Current Price	\$ 87.18														
Implied Price	\$ 114.26														
Total Return	31.1%														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	6.3x														
PV sum of unlevered FCF	3,465.2														
Terminal value	12,184.29														
Enterprise Value	15,649.5														
Add: Cash	283.6														
Less: Debt	2,888.7														
Less: Other EV adjustments	5.3														
Equity Value	13,039.1														
Shares outstanding	77.8														
Implied Share Price	\$ 167.56														
Current Price	\$ 87.18														
Implied Price	\$ 167.56														
Total Return	92.2%														
WACC															
Perpetuity Growth Rate															
										11.87%	11.37%	10.87%	10.37%	9.87%	
1.00%	\$ 89.12	\$ 95.45	\$ 102.43	\$ 110.18	\$ 118.82										
1.50%	\$ 93.35	\$ 100.20	\$ 107.79	\$ 116.26	\$ 125.76										
2.00%	\$ 98.01	\$ 105.45	\$ 113.75	\$ 123.06	\$ 133.58										
2.50%	\$ 103.17	\$ 111.30	\$ 120.43	\$ 130.73	\$ 142.46										
3.00%	\$ 108.91	\$ 117.85	\$ 127.95	\$ 139.44	\$ 152.63										
Terminal EV/EBITDA Multiple															
										11.87%	11.37%	10.87%	10.37%	9.87%	
4.1x	\$ 106.96	\$ 109.80	\$ 112.71	\$ 115.71	\$ 118.79										
5.1x	\$ 130.63	\$ 134.03	\$ 137.53	\$ 141.12	\$ 144.81										
6.1x	\$ 154.31	\$ 158.27	\$ 162.35	\$ 166.54	\$ 170.84										
7.1x	\$ 177.99	\$ 182.51	\$ 187.17	\$ 191.95	\$ 196.87										
8.1x	\$ 201.66	\$ 206.75	\$ 211.99	\$ 217.37	\$ 222.90										

Appendix 4: Operating Model

Operating Model															
	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29
(Figures in mm CAD)	FY2019	FY2020	FY2021	FY2022	FY2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Revenue Analysis - Growth															
Powersports - Year-Round Products revenue growth, %	23.8%	24.6%	1.2%	22.7%	39.3%	42.7%	7.6%	-7.8%	9.0%	10.7%	4.2%	30.0%	22.0%	27.5%	20.0%
Powersports - Seasonal Products revenue growth, %	16.1%	5.4%	-4.0%	38.3%	36.4%	69.3%	29.8%	-14.9%	-30.0%	-1.7%	-13.1%	22.0%	19.0%	15.0%	16.0%
Powersports - PA&A (PAC) and OEM Engines revenue growth, %	7.2%	13.0%	10.4%	29.9%	11.1%	-17.1%	14.3%	5.7%	-5.0%	-1.8%	0.6%	12.0%	7.0%	12.0%	6.0%
Marine revenue growth, %	14.8%	13.7%	-24.8%	21.7%	-4.1%	-2.8%	-5.5%	-6.4%	-5.0%	-4.9%	-5.6%	12.0%	5.0%	5.0%	5.0%
Total Revenue Growth, %	17.8%	15.4%	-1.6%	28.5%	31.2%	34.3%	13.9%	-8.9%	-10.0%	4.1%	-2.3%	24.7%	18.8%	21.7%	17.2%
Revenue Analysis - Segmented Breakdown															
Powersports - Year-Round Products, mm	2,240.6	2,791.7	2,824.2	3,464.5	4,826.1	1,333.3	1,461.6	1,180.6	1,366.6	5,342.1	5,564.8	7,234.2	8,825.8	11,252.9	13,503.4
Powersports - Seasonal Products, mm	1,803.5	1,901.4	1,825.0	2,523.8	3,441.5	691.9	897.5	868.7	924.5	3,382.6	2,939.2	3,585.9	4,267.2	4,907.3	5,692.4
Powersports - PA&A (PAC) and OEM Engines, mm	707.5	799.8	882.8	1,147.2	1,274.2	284.9	294.2	314.5	357.1	1,250.7	1,258.2	1,409.1	1,507.8	1,688.7	1,790.0
Marine, mm	492.2	559.8	420.9	512.4	491.6	119.3	124.7	104.0	119.6	467.6	441.5	494.4	519.2	545.1	572.4
Total Revenue, mm	5,243.8	6,052.7	5,952.9	7,647.9	10,033.4	2,429.4	2,778.0	2,467.8	2,767.8	10,443.0	10,203.7	12,723.7	15,119.9	18,394.0	21,558.3
Schedules - Property and Equipment															
Property and Equipment, beginning		905.1	1,027.4	1,441.9	1,810.4	1,810.4	1,867.7	1,863.2	1,932.3	1,810.4	2,073.8	2,295.3	2,910.8	3,400.4	3,836.2
Add: Capital expenditures		280.7	253.3	628.9	601.0	111.2	93.7	128.2	241.5	574.6	660.3	872.20	1,018.791	1,054.118	1,227.599
Add: Acquisitions		113.2	-	-	208.2	-	-	-	-	-	-	160.7	-	-	-
Less: Divestitures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Depreciation		(234.1)	(260.8)	(273.6)	(310.4)	(92.4)	(95.7)	(100.5)	(100.1)	(388.7)	(438.8)	(417.3)	(529.2)	(618.3)	(697.5)
Less: Other adjustments		(37.5)	44.4	(355.3)	(498.8)	38.5	(2.5)	41.4	77.4	-	-	-	-	-	-
Property and Equipment, ending	905.1	1,027.4	1,064.3	1,441.9	1,810.4	1,867.7	1,863.2	1,932.3	2,073.8	2,073.8	2,295.3	2,910.8	3,400.4	3,836.2	4,366.3
Capex, % of Beginning P&E, %		31.0%	24.7%	43.6%	33.2%	24.6%	20.1%	27.5%	50.0%	31.7%	31.8%	38.0%	35.0%	31.0%	32.0%
Estimated P&E Useful Life, years		3.9	3.9	5.3	5.8	4.9	4.9	4.6	4.8	5.5	4.7	5.5	5.5	5.5	5.5
Schedules - Retained Earnings															
Retained Earnings, beginning	(551.8)	(596.3)	(757.0)	(404.3)	175.5	175.5	263.2	443.6	357.0	175.5	502.2	1,130.2	2,243.0	3,382.4	4,857.3
Add: Net income	227.0	370.6	362.9	794.6	865.4	154.5	338.7	63.1	159.0	715.3	686.1	1,177.1	1,209.7	1,551.5	1,790.6
Less: Dividends paid	(35.3)	(37.2)	(9.6)	(43.1)	(50.8)	(14.2)	(13.9)	(13.8)	(13.8)	(55.7)	(58.2)	(64.3)	(70.4)	(76.5)	(85.7)
Less: Other adjustments	(236.2)	(494.1)	(172.2)	(751.5)	(814.6)	(52.6)	(144.4)	(135.9)	(332.9)	-	-	-	-	-	-
Retained Earnings, ending	(596.3)	(757.0)	(575.9)	(404.3)	175.5	263.2	443.6	357.0	502.2	502.2	1,130.2	2,243.0	3,382.4	4,857.3	6,562.2
Dividend Per Share, \$/share	\$ 0.09	\$ 0.10	\$ 0.11	\$ 0.52	\$ 0.64	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.72	\$ 0.76	\$ 0.84	\$ 0.92	\$ 1.00	\$ 1.12
Margin Analysis															
COGS, % of revenue, %	72.7%	72.1%	70.9%	68.5%	72.0%	70.5%	71.4%	70.5%	75.0%	72.0%	72.5%	69.5%	71.5%	71.7%	71.7%
Gross Profit, % of revenue, %	27.3%	27.9%	29.1%	31.5%	28.0%	29.5%	28.6%	29.5%	25.0%	28.0%	27.5%	30.5%	28.5%	28.3%	28.3%
SG&A, % of revenue, %	10.5%	10.6%	9.5%	8.7%	7.7%	9.3%	7.6%	7.7%	11.0%	8.9%	9.3%	8.6%	8.6%	8.6%	8.6%
R&D, % of revenue, %	4.2%	3.9%	4.1%	3.8%	3.7%	4.2%	3.7%	4.6%	4.5%	4.2%	4.1%	4.5%	4.3%	3.8%	4.2%
OPEX, % of revenue, %	0.1%	-0.5%	0.4%	-0.1%	-0.1%	0.6%	0.2%	0.2%	-	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA, % of revenue, %	12.4%	13.9%	12.2%	19.1%	16.7%	15.4%	17.1%	17.0%	9.5%	14.7%	14.0%	17.3%	15.5%	15.8%	15.4%
Income Tax Rate, % of EBT, %	30.9%	26.7%	25.1%	26.2%	25.8%	21.1%	18.3%	45.2%	23.3%	23.3%	24.3%	26.3%	26.3%	26.3%	26.3%
Working Capital Analysis															
Current Assets															
Accounts receivable, % of revenue, %	7.4%	6.6%	5.2%	6.1%	6.5%	6.0%	4.2%	5.3%	5.5%	5.8%	7.2%	6.3%	6.3%	6.3%	6.3%
Inventories, % of revenue, %	18.0%	19.3%	18.3%	22.1%	22.8%	25.8%	21.2%	26.2%	23.3%	24.7%	26.8%	22.5%	22.5%	22.5%	22.5%
Prepaid expenses, % of COGS, %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Liabilities															
Accounts payable, % of COGS, %	18.0%	17.3%	19.3%	18.4%	13.1%	14.3%	10.6%	13.4%	15.6%	17.3%	19.9%	16.7%	16.7%	16.7%	16.7%
Accrued liabilities, % of revenue, %	6.0%	5.5%	8.1%	8.6%	6.0%	6.4%	4.8%	6.0%	9.6%	10.2%	12.2%	6.8%	6.8%	6.8%	6.8%

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Gustavo Gongora
Analyst

WestPeak Research Association
contact@westpeakresearch.com