

# PRESS RELEASE

For immediate distribution

## **BRP REPORTS FISCAL YEAR 2019 FIRST-QUARTER RESULTS**



BRP introduced the 2019 Maverick Sport model last April. © BRP 2018

## Highlights for the quarter vs Q1 FY18:

- Revenues of \$1,136.7 million, an increase of \$159.8 million or 16.4%;
- Gross profit of \$281.6 million representing 24.8% of revenues, an increase of \$54.5 million or 160 basis points;
- Normalized EBITDA [1] of \$126.6 million representing 11.1% of revenues, an increase of \$26.0 million;
- Net income of \$13.4 million, an increase of \$18.3 million, which resulted in a diluted earnings per share of \$0.13, an increase of \$0.18 per share;
- Normalized net income [1] of \$53.5 million, an increase of \$10.7 million, which resulted in a normalized diluted earnings per share [1] of \$0.52, an increase of \$0.14 per share.
- Announcement of a direct distribution model in Russia, during summer 2018, to support its growth strategy and increase its presence in the country.
- Expansion of the SSV lineup with the addition of two *Can-Am Maverick Sport* packages with a 60-inch wide wheel base.
- FY2019 guidance increased to reflect higher demand for BRP products.

**Valcourt, Quebec, May 31, 2018** – BRP Inc. (TSX:DOO) today reported its financial results for the three-month period ended April 30, 2018. All financial information is in Canadian dollars unless otherwise noted. The complete financial results are available at <a href="www.sedar.com">www.sedar.com</a>, as well as in the <a href="Quarterly Reports">Quarterly Reports</a> section of BRP's website.

"Business is off to a very strong start. Record results for the first quarter are setting the stage for a solid year," said José Boisjoli, President and CEO. "Our momentum continues with strong gains and we are outperforming in all product lines."

"Our steady growth is largely attributable to the dedication and excellent execution of our teams globally. We are also encouraged by the global economic landscape. Even with the possible

<sup>[1]</sup> See "Non-IFRS Measures" section.

impact of commodities and transport costs, we are confident to be able to deliver our increased guidance," Boisjoli concluded.

### Highlights for the Three-Month Period Ended April 30, 2018

**Revenues** increased by \$159.8 million, or 16.4%, to \$1,136.7 million for the **three-month period** ended April 30, 2018, compared with \$976.9 million for the corresponding period ended April 30, 2017. The revenue increase was primarily attributable to higher wholesale of Year-Round Products, partially offset by an unfavourable foreign exchange rate variation of \$13 million.

BRP's North American retail sales for powersports vehicles and outboard engines increased by 9% for the three-month period ended April 30, 2018 compared with the three-month period ended April 30, 2017, mainly due to an increase in SSV.

As at April 30, 2018, North American dealer inventories for powersports vehicles and outboard engines increased by 9% compared to April 30, 2017, driven mainly by PWC.

#### Net Income data

	Three-month	Three-month periods ended	
(in millions of Canadian dollars)	April 30, 2018	April 30, 2017	
		Restated [1]	
Revenues by category			
Year-Round Products	\$526.6	\$396.1	
Seasonal Products	350.4	324.3	
Propulsion Systems	91.1	101.9	
PAC	168.6	154.6	
Total Revenues	1,136.7	976.9	
Cost of sales	855.1	749.8	
Gross profit	281.6	227.1	
As a percentage of revenues	24.8%	23.2%	
Operating expenses			
Selling and marketing	83.0	70.5	
Research and development	55.6	50.1	
General and administrative	48.7	43.5	
Other operating expenses	8.1	2.6	
Total operating expenses	195.4	166.7	
Operating income	86.2	60.4	
Net financing costs	11.5	11.8	
Foreign exchange loss on long-term debt	41.5	44.2	
Income before income taxes	33.2	4.4	
Income tax expense	19.8	9.3	
Net income (loss)	\$13.4	\$(4.9)	
Attributable to shareholders	\$13.3	\$(5.1)	
Attributable to non-controlling interest	\$0.1	\$0.2	
Normalized EBITDA [2]	\$126.6	\$100.6	
Normalized net income [2]	\$53.5	\$42.8	

<sup>&</sup>lt;sup>[1]</sup> Restated to reflect the adoption of *IFRS 15 "Revenue from contracts with customers"* and *IFRS 9 "Financial instruments"* standards as explained in Note 15 of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2018.

<sup>[2]</sup> See "Non-IFRS Measures" section.

#### **QUARTERLY REVIEW BY CATEGORIES**

### **Year-Round Products**

Revenues from Year-Round Products increased by \$130.5 million, or 32.9%, to \$526.6 million for the three-month period ended April 30, 2018, compared with \$396.1 million for the corresponding period ended April 30, 2017. The increase was primarily attributable to a higher volume of SSV and 3WV sold, partially offset by an unfavourable foreign exchange rate variation of \$8 million.

### **Seasonal Products**

Revenues from Seasonal Products increased by \$26.1 million, or 8.0%, to \$350.4 million for the three-month period ended April 30, 2018, compared with \$324.3 million for the corresponding period ended April 30, 2017. The increase resulted primarily from a higher volume of PWC sold, partially offset by an unfavourable foreign exchange rate variation of \$5 million.

## **Propulsion Systems**

Revenues from Propulsion Systems decreased by \$10.8 million, or 10.6%, to \$91.1 million for the three-month period ended April 30, 2018, compared with \$101.9 million for the corresponding period ended April 30, 2017. The decrease was mainly attributable to a lower volume of motorcycle engines sold.

### PAC (Parts, Accessories, Clothing and other services)

Revenues from PAC increased by \$14.0 million, or 9.1%, to \$168.6 million for the three-month period ended April 30, 2018, compared with \$154.6 million for the corresponding period ended April 30, 2017. The increase was mainly attributable to a higher volume of SSV and PWC accessories.

**Operating expenses** increased by \$28.7 million, or 17.2%, to \$195.4 million for the three-month period ended April 30, 2018, compared with \$166.7 million for the three-month period ended April 30, 2017. The increase was mainly attributable to higher selling and marketing expenses for continued product investments and to an unfavourable foreign exchange rate variation of \$10 million.

### **Declaration of dividend**

The Board of Directors approved a quarterly dividend of \$0.09 per share for holders of its multiple voting shares and subordinate voting shares. The dividend will be paid on July 13, 2018 to shareholders of record at the close of business on June 29, 2018. The payment of each quarterly dividend remains subject to the declaration of that dividend by the Board of Directors. The actual amount, the declaration date, the record date and the payment date of each quarterly dividend are subject to the discretion of the Board of Directors.

### Fiscal Year 2019 Guidance

The table below sets forth BRP's financial guidance for Fiscal Year 2019 when compared to actual results for Fiscal Year 2018, as revised to reflect the adoption of new IFRS 9 Financial

instruments (IFRS 9) and IFRS 15 Revenue from contracts with customers (IFRS 15) standards effective as of February 1, 2018.

Financial Metric	FY18 Results (based on new IFRS standards) <sup>[1]</sup>	FY19 Guidance vs FY18 Restated (based on new IFRS standards)[1]
Revenues		
Year-Round Products	\$1,810.0	Up 12% to 15% (previously up 11% to 14%)
Seasonal Products	\$1,553.9	Up 5% to 10% (previously up 2% to 5%)
Propulsion Systems	\$385.9	Down 8% to 4%
PAC	\$702.7	Up 3% to 7% (previously up 1% to 5%)
Total Company Revenues	\$4,452.5	<b>Up 6% to 10%</b> (previously up 5% to 8%)
Normalized EBITDA <sup>[2]</sup>	\$536.2	<b>Up 17% to 19%</b> (previously up 16% to 18%)
Effective Tax Rate <sup>[3]</sup>	26.9%	26.5% - 27.5%
Normalized Earnings per Share – Diluted <sup>[2]</sup>	\$2.27	<b>Up 24% to 30%</b> (\$2.82 to \$2.94) (previously up 20% to 25%)

#### Other guidance:

- Expecting ~\$175M of Depreciation Expense (decreased from ~\$180M) compared to \$149M in FY18, ~\$62M of Normalized Net Financing Costs (decreased from ~\$65M) and ~100.5M shares (decreased from ~101.5M)
- Expecting Capital Expenditures of ~\$315M to \$330M in FY19 compared to \$230M in FY18

[1] "Restated to reflect the adoption of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" standards as explained in Note 15 of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2018. FY18 figures have not been audited.
[2] See "Non-IFRS Measures" section

[3] Effective tax rate based on Normalized Earnings before Normalized Income Tax

The above targets are based on a number of economic and market assumptions the Company has made in preparing its Fiscal Year 2019 financial guidance, including assumptions regarding the performance of the economies in which it operates, foreign exchange currency fluctuations, market competition and tax laws applicable to its operations. The Company cautions that the assumptions used to prepare the forecasts for Fiscal Year 2019, although reasonable at the time they were made, may prove to be incorrect or inaccurate. In addition, the above forecasts do not reflect the potential impact of any non-recurring or other special items or of any new material commercial agreements, dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after May 30, 2018. The financial impact of such transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting

our business. Accordingly, our actual results could differ materially from our expectations as set forth in this news release. The outlook provided constitutes forward-looking statements within the meaning of applicable securities laws and should be read in conjunction with the "Caution Concerning Forward-Looking Statements" section.

#### Conference Call and Webcast Presentation

Today at 9 a.m. ET, BRP will host a <u>conference call and webcast</u> to discuss its FY2019 first-quarter results. The call will be hosted by José Boisjoli, President and CEO, and Sébastien Martel, CFO. To listen to the conference call by phone (event number 4287502), please dial 514-861-1681 or 800-766-6630 (toll-free in North America). <u>Click for international dial-in numbers.</u>

The Company's first-quarter FY2019 MD&A, financial statements and webcast presentation are posted in the <u>Quarterly Reports</u> section of BRP's website, while its Annual Information Form can be found in the <u>Annual Reports</u> section.

#### About BRP

We are a global leader in the world of powersports vehicles and propulsion systems built on over 75 years of ingenuity and intensive consumer focus. Our portfolio of industry-leading and distinctive products includes Ski-Doo and Lynx snowmobiles, Sea-Doo watercraft, Can-Am on- and off-road vehicles, Evinrude and Rotax marine propulsion systems as well as Rotax engines for karts, motorcycles and recreational aircraft. We support our lines of product with a dedicated parts, accessories and clothing business to fully enhance your riding experience. With annual sales of CA\$4.5 billion from over 100 countries, our global workforce is made up of over 10,000 driven, resourceful people.

www.brp.com @BRPNews

Ski-Doo, Lynx, Sea-Doo, Evinrude, Rotax, Can-Am, Spyder, Maverick, REV and the BRP logo are trademarks of Bombardier Recreational Products Inc. or its affiliates. All other trademarks are the property of their respective owners.

### **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain information included in this release, including, but not limited to, statements relating to our Fiscal Year 2019 financial outlook (including revenues, gross profit margin, operating expenses, Normalized EBITDA, Effective Tax Rate, Normalized net income and Normalized earnings per share), statements relating to the declaration and payment of dividends, statements relating to the proposed increase in production capacity of the Company and other statements that are not historical facts, are "forward-looking statements" within the meaning of Canadian securities laws. Forward-looking statements are typically identified by the use of terminology such as "may", "will", "would", "should", "could", "expects", "forecasts", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "outlook", "predicts", "projects", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases. Forward looking statements, by their very nature, involve inherent risks and uncertainties and are based on several assumptions, both general and specific. BRP cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the powersports industry to be materially different from the outlook or any future results or performance implied by such statements. Key assumptions used in determining forward-looking information are set forth below.

#### **KEY ASSUMPTIONS**

The Company made a number of economic and market assumptions in preparing its Fiscal Year 2019 financial guidance, including assumptions regarding the performance of the economies in which it operates, market competition, tax laws applicable to its operations and foreign exchange currency fluctuation. In addition, many factors

could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" of its Annual Information Form: impact of adverse economic conditions on consumer spending; decline in social acceptability of the Company's products; fluctuations in foreign currency exchange rates; high levels of indebtedness; unavailability of additional capital; unfavourable weather conditions; seasonal sales fluctuations; inability to comply with product safety, health, environmental and noise pollution laws; large fixed cost base; inability of dealers and distributors to secure adequate access to capital; supply problems, termination or interruption of supply arrangements or increases in the cost of materials; competition in product lines; inability to successfully execute growth strategy; international sales and operations; failure of information technology systems or security breach; loss of members of management team or employees who possess specialized market knowledge and technical skills; inability to maintain and enhance reputation and brands; significant product liability claim; significant product repair and/or replacement due to product warranty claims or product recalls; reliance on a network of independent dealers and distributors; inability to successfully manage inventory levels; intellectual property infringement and litigation; inability to successfully execute manufacturing strategy; covenants in financing and other material agreements; changes in tax laws and unanticipated tax liabilities; deterioration in relationships with employees; pension plan liabilities; natural disasters; failure to carry proper insurance coverage; volatile market price for BRP's subordinate voting shares; conduct of business through subsidiaries; significant influence by Beaudier Inc. and 4338618 Canada Inc. (together the "Beaudier Group") and Bain Capital Luxembourg Investments S. à r. l. ("Bain Capital"); and future sales of BRP's shares by Beaudier Group, Bain Capital, directors, officers or senior management of the Company. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

BRP undertakes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event that BRP does update any forward-looking statement, no inference should be made that BRP will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

#### **NON-IFRS MEASURES**

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including Normalized EBITDA, Normalized Net Income, Normalized income tax expense, Normalized effective tax rate, Normalized basic earnings per share and Normalized diluted earnings per share.

Normalized EBITDA is provided to assist investors in determining the financial performance of the Company's operating activities on a consistent basis by excluding certain non-cash elements such as depreciation expense, impairment charge and foreign exchange gain or loss on the Company's long-term debt denominated in U.S. dollars. Other elements, such as restructuring costs, may also be excluded from net income in the determination of Normalized EBITDA as they are considered not being reflective of the operational performance of the Company. Normalized Net Income, Normalized income tax expense, Normalized effective tax rate, Normalized basic earnings per share and Normalized diluted earnings per share, in addition to the financial performance of operating activities, take into account the impact of investing activities, financing activities and income taxes on the Company's financial results.

The Company believes non-IFRS measures are important supplemental measures of financial performance because they eliminate items that have less bearing on the Company's financial performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. Management also uses non-IFRS measures in order to facilitate financial performance comparisons from period to period, prepare annual operating budgets, assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements and, also, as a component in the determination of the short-term incentive compensation for the Company's employees. Because other companies may calculate these non-IFRS measures differently than the Company does, these metrics are not comparable to similarly titled measures reported by other companies.

Normalized EBITDA is defined as net income before financing costs, financing income, income tax expense (recovery), depreciation expense and normalized elements. Normalized Net Income is defined as net income before normalized elements adjusted to reflect the tax effect on these elements. Normalized income tax expense is defined as income tax expense adjusted to reflect the tax effect on normalized elements and to normalize specific tax elements. Normalized effective tax rate is based on normalized net income before normalized income tax expense. Normalized earnings per share - basic and normalized earnings per share - diluted are calculated respectively by dividing the normalized net income by the weighted average number of shares - basic and the weighted average number of shares - diluted. The Company refers the reader to the "Selected Consolidated Financial Information" section of BRP's MD&A for the reconciliations of Normalized EBITDA and Normalized Net Income presented by the Company to the most directly comparable IFRS measure.

#### Reconciliation Tables

The following table presents the reconciliation of Net income to Normalized net income [1] and Normalized EBITDA [1].

	Three-month periods ended	
(in millions of Canadian dollars)	April 30, 2018	April 30, 2017
		Restated [2]
Net income (loss)	\$13.4	\$(4.9)
Normalized elements		
Foreign exchange loss on long-term debt	41.5	44.2
Restructuring and related costs [3]	0.2	_
Loss on litigation [4]	0.6	4.8
Other elements	(2.0)	_
Income tax adjustment	(0.2)	(1.3)
Normalized net income [1]	53.5	42.8
Normalized income tax expense [1]	20.0	10.6
Financing costs	14.1	12.5
Financing income adjusted	(0.6)	(0.7)
Depreciation expense	39.6	35.4
Normalized EBITDA [1]	\$126.6	\$100.6

<sup>[1]</sup> See "Non-IFRS Measures" section.

-30-

## For media enquiries:

Magali Valence Manager, External Communications

Tel.: 450.532.6155

magali.valence@brp.com

### For investor relations:

Philippe Deschênes Financial Analyst Tel.: 450.532.6462

philippe.deschenes@brp.com

<sup>&</sup>lt;sup>[2]</sup> Restated to reflect the adoption of *IFRS 15 "Revenue from contracts with customers"* and *IFRS 9 "Financial instruments"* standards as explained in Note 15 of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2018.

<sup>[3]</sup> The Company is involved, from time to time, in restructuring and reorganization activities in order to gain flexibility and improve efficiency. The costs related to these activities are mainly composed of severance costs and retention salaries.

<sup>[4]</sup> The Company is involved in patent infringement litigation cases with one of its competitors.