



## **PRESS RELEASE**

For immediate distribution

### **BRP REPORTS FISCAL YEAR 2018 THIRD-QUARTER RESULTS**



BRP's Can-Am Maverick Trail vehicle, whose narrow width allows access to an extensive trail network, provides one of the best trail-riding experiences.

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#### **Highlights for the quarter vs Q3 FY17:**

- Revenues of \$1,241 million, a 15% increase and a record for a third quarter;
- Gross profit of \$329 million representing 26.6% of revenues, an increase of 7%;
- Normalized EBITDA<sup>[1]</sup> of \$199 million, a 1% increase;
- Net income of \$78 million resulting in a diluted earnings per share of \$0.75, an increase of \$0.05 per share;
- Normalized net income<sup>[1]</sup> of \$109 million resulting in a record normalized diluted earnings per share<sup>[1]</sup> of \$1.05, an increase of \$0.12 per share;
- Amendment to the Company's term facility, reducing the cost of borrowing by 0.50% and increasing the amount of borrowing by US\$100 million; and
- Entry into the trail SSV segment with the Can-Am Maverick Trail model.

In addition, the Company announced yesterday the expansion of the Can-Am Maverick X3 family to include entry-level and mud-racing models.

**Valcourt, Québec, December 1, 2017** – BRP Inc. (TSX:DOO) today reported its financial results for the three- and nine-month periods ended October 31, 2017. All financial information is in Canadian dollars unless otherwise noted. The complete financial results are available at [www.sedar.com](http://www.sedar.com), as well as in the [Quarterly Reports](#) section of BRP's website.

[1] See the reconciliation table in "Non-IFRS Measures" section.

“I am proud of our retail momentum and the strong execution of our team worldwide; our third-quarter results are on target, and they represent a record in BRP history,” said José Boisjoli, President and CEO. “We had an excellent reaction to our latest products at our dealer event in Dallas. We entered a new segment with the launch of the Can-Am Maverick Trail vehicle, introduced a new Sea-Doo watercraft platform and announced an entry-level Spyder family starting at under US\$10,000 for next Fall.”

“We are also announcing today a second phase of investment to increase SSV and powertrain production capacity, that should be completed in fiscal year 2020,” Boisjoli added. “This decision is testament to the strong growth we see with our Can-Am side-by-side business and our commitment to further developing it.”

“Overall, considering industry trends, the competitive landscape and the global economy, I am pleased by our strong results,” Boisjoli concluded. “I am confident that we will deliver on our full-year guidance including growth in normalized earnings per share of 15% to 20%.”

### **Highlights for the Three- and Nine-Month Periods Ended October 31, 2017**

**Revenues** increased by \$160.3 million, or 14.8%, to \$1,240.5 million for the **three-month** period ended October 31, 2017, compared with \$1,080.2 million for the corresponding period ended October 31, 2016. The revenue increase was mainly due to higher wholesale in Year-Round Products and Seasonal Products. The increase was partially offset by an unfavourable foreign exchange rate variation of \$29 million.

**Gross profit** increased by \$22.2 million, or 7.2%, to \$329.4 million for the **three-month** period ended October 31, 2017, compared with \$307.2 million for the corresponding period ended October 31, 2016. The gross profit increase includes an unfavourable foreign exchange rate variation of \$15 million. Gross profit margin percentage decreased by 180 basis points to 26.6% from 28.4% for the three-month period ended October 31, 2016. The decrease was primarily due to higher sales program costs driven by the increase in retail sales, higher production costs and an unfavourable foreign exchange rate variation, partially offset by a higher volume of SSV and snowmobiles sold and general price increases.

**Revenues** increased by \$357.5 million, or 12.5%, to \$3,223.7 million for the **nine-month** period ended October 31, 2017, compared with \$2,866.2 million for the corresponding period ended October 31, 2016. The revenue increase was primarily attributable to higher wholesale of Year-Round Products and Seasonal Products. The increase was partially offset by an unfavourable foreign exchange rate variation of \$22 million.

**Gross profit** increased by \$77.0 million, or 11.4%, to \$750.3 million for the **nine-month** period ended October 31, 2017, compared with \$673.3 million for the corresponding period ended October 31, 2016. The gross profit increase includes an unfavourable foreign exchange rate variation of \$10 million. Gross profit margin percentage decreased by 20 basis points to 23.3% from 23.5% for the nine-month period ended October 31, 2016. The decrease was primarily due to higher production costs and higher sales program costs driven by the increase in retail sales, partially offset by a favourable product mix, a higher volume in SSV as well as general price increases.

**Net Income data**

(in millions of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
<b>Revenues by category</b>				
Year-Round Products	\$ 460.9	\$ 383.9	\$ 1,290.7	\$ 1,110.4
Seasonal Products	491.7	417.1	1,116.8	984.4
Propulsion Systems	93.5	94.2	304.5	305.2
PAC	194.4	185.0	511.7	466.2
<b>Total Revenues</b>	<b>1,240.5</b>	1,080.2	<b>3,223.7</b>	2,866.2
Cost of sales	911.1	773.0	2,473.4	2,192.9
<b>Gross profit</b>	<b>329.4</b>	307.2	<b>750.3</b>	673.3
<i>As a percentage of revenues</i>	<b>26.6%</b>	28.4%	<b>23.3%</b>	23.5%
<b>Operating expenses</b>				
Selling and marketing	77.3	63.3	219.8	214.5
Research and development	47.4	44.0	146.0	137.4
General and administrative	38.4	38.6	126.0	118.7
Other operating expenses (income)	4.3	(1.7)	11.1	63.8
<b>Total operating expenses</b>	<b>167.4</b>	144.2	<b>502.9</b>	534.4
<b>Operating income</b>	<b>162.0</b>	163.0	<b>247.4</b>	138.9
Net financing costs	14.6	15.9	41.9	47.4
Foreign exchange (gain) loss on long-term debt	30.9	24.5	(5.7)	(56.7)
<b>Income before income taxes</b>	<b>116.5</b>	122.6	<b>211.2</b>	148.2
Income tax expense	38.7	43.9	51.8	27.6
<b>Net income</b>	<b>\$ 77.8</b>	\$ 78.7	<b>\$ 159.4</b>	\$ 120.6
Attributable to shareholders	\$ 77.7	\$ 78.7	\$ 159.0	\$ 120.6
Attributable to non-controlling interest	\$ 0.1	\$ —	\$ 0.4	\$ —
<b>Normalized EBITDA<sup>[1]</sup></b>	<b>\$ 199.2</b>	\$ 196.9	<b>\$ 361.4</b>	\$ 298.4
<b>Normalized net income<sup>[1]</sup></b>	<b>\$ 109.3</b>	\$ 104.4	<b>\$ 158.2</b>	\$ 110.2
Earnings per share - basic	\$ 0.75	\$ 0.70	\$ 1.46	\$ 1.06
Earnings per share - diluted	0.75	0.70	1.45	1.06
Normalized earnings per share – basic <sup>[1]</sup>	1.06	0.93	1.45	0.97
Normalized earnings per share – diluted <sup>[1]</sup>	1.05	0.93	1.44	0.97

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

**QUARTERLY REVIEW BY CATEGORIES****Year-Round Products**

Revenues from Year-Round Products increased by \$77.0 million, or 20.1%, to \$460.9 million for the three-month period ended October 31, 2017, compared with \$383.9 million for the corresponding period ended October 31, 2016. The increase resulted from a higher volume of SSV sold due mainly to the Can-Am Maverick X3 and the Can-Am Maverick Trail. The increase was partially offset by lower wholesale in Spyder vehicles and an unfavourable foreign exchange rate variation of \$11 million.

**Seasonal Products**

Revenues from Seasonal Products increased by \$74.6 million, or 17.9%, to \$491.7 million for the three-month period ended October 31, 2017, compared with \$417.1 million for the corresponding period ended October 31, 2016. The increase resulted primarily from snowmobile due to a higher volume mainly attributable to earlier shipments than last year and to a favourable product mix. The increase was partially offset by an unfavourable foreign exchange rate variation of \$12 million.

**Propulsion Systems**

Revenues from Propulsion Systems decreased by \$0.7 million, or 0.7%, to \$93.5 million for the three-month period ended October 31, 2017, compared with \$94.2 million for the corresponding period ended October 31, 2016. The decrease includes an unfavourable foreign exchange rate variation of \$2 million.

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

Revenues from PAC increased by \$9.4 million, or 5.1%, to \$194.4 million for the three-month period ended October 31, 2017, compared with \$185.0 million for the corresponding period ended October 31, 2016. The increase was mainly attributable to a higher volume of SSV accessories and snowmobile parts sold. The increase was partially offset by an unfavourable foreign exchange rate variation of \$4 million.

**Operating expenses** increased by \$23.2 million, or 16.1%, to \$167.4 million for the three-month period ended October 31, 2017, compared with \$144.2 million for the three-month period ended October 31, 2016. This increase was mainly attributable to higher selling and marketing expenses for continued product investments.

**Declaration of dividend**

The Board of Directors approved a quarterly dividend of \$0.08 per subordinate and multiple voting share that will be paid on January 12, 2018 to shareholders of record as at the close of business on December 29, 2017. The payment of each quarterly dividend will remain subject to declaration of that dividend by the Board of Directors. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date, is subject to the discretion of the Board of Directors.

## Fiscal Year 2018 Guidance

BRP's financial guidance targets as presented on September 1, 2017 are adjusted as follows:

Financial Metric	FY18 Guidance vs FY17 Results
Revenues	
<b>Year-Round Products</b>	<b>Up 11% to 12%</b> (narrowed from up 8% to 12%)
<b>Seasonal Products</b>	<b>Up 1% to 3%</b> (narrowed from down 1% to up 3%)
<b>Propulsion Systems</b>	<b>Down 2% to Up 1%</b> (lowered from flat to up 5%)
<b>PAC</b>	<b>Up 7% to 9%</b> (narrowed from down 5% to 9%)
<b>Total Company Revenues</b>	<b>Up 6% to 8%</b> (narrowed from up 4% to 8%)
<b>Normalized EBITDA<sup>[1]</sup></b>	Up 10% to 13%
<b>Effective Tax Rate<sup>[2]</sup></b>	<b>27% - 28%</b> (vs 28.6% in FY17) (lowered from a range of 28% to 29%)
<b>Normalized Net Income<sup>[1][3]</sup></b>	<b>Up 11% to 16%</b> (narrowed from up 10% to 16%)
<b>Normalized Earnings per Share – Diluted<sup>[1][3]</sup></b>	<b>Up 15% to 20%</b> to a range of \$2.25 to \$2.35 (narrowed from up 14% to 20% – \$2.23 to \$2.35)
Capital Expenditures	\$240M to \$255M

[1] See "Non-IFRS Measures" section.

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

[3] Assuming **-\$155M Depreciation Expense** compared to \$133M in FY17, **-\$59M Net Financing Costs** and a share count of **-108.5M**.

The above targets are based on a number of economic and market assumptions the Company has made in preparing its Fiscal Year 2018 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 2018, 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 November 30, 2017. 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 Inc. will host a [conference call and webcast](#) to discuss BRP's FY2018 third-quarter results released this morning. 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 4276978), please dial 514-392-0235 or 800-564-3880 (toll-free in North America). [Click for international dial-in numbers.](#)

The Company's third-quarter FY2018 MD&A, financial statements and webcast presentation are posted in the [Quarterly Reports](#) section of BRP's website.

## About BRP

BRP (TSX:DOO) is a global leader in the design, development, manufacturing, distribution and marketing of powersports vehicles and propulsion systems. Its portfolio includes Ski-Doo and Lynx snowmobiles, Sea-Doo watercraft, Can-Am off-road and Spyder vehicles, Evinrude and Rotax marine propulsion systems as well as Rotax engines for karts, motorcycles and recreational aircraft. BRP supports its line of products with a dedicated parts, accessories and clothing business. With annual sales of CA\$4.2 billion from over 100 countries, the Company employs approximately 8,700 people worldwide.

[www.brp.com](http://www.brp.com)  
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## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

*Certain information included in this release, including, but not limited to, statements relating to our Fiscal Year 2018 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 launch and the terms of the proposed substantial issuer bid 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 2018 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 press release 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 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 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 taxes 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 taxes expense is defined as income taxes expense adjusted to reflect the tax effect on normalized elements. Normalized effective tax rate is based on normalized net income before normalized income taxes 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 following table presents the reconciliation of Net income to Normalized net income and Normalized EBITDA.

(in millions of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
<b>Net income</b>	<b>\$ 77.8</b>	\$ 78.7	<b>\$ 159.4</b>	\$ 120.6
Normalized elements				
Foreign exchange (gain) loss on long-term debt	<b>30.9</b>	24.5	<b>(5.7)</b>	(56.7)
Restructuring costs reversal <sup>[1]</sup>	—	(0.4)	—	(0.8)
Loss on litigation <sup>[2]</sup>	—	0.3	<b>5.7</b>	62.9
Other elements	<b>0.5</b>	1.1	<b>0.5</b>	2.7
Income tax adjustment	<b>0.1</b>	0.2	<b>(1.7)</b>	(18.5)
<b>Normalized net income</b>	<b>109.3</b>	104.4	<b>158.2</b>	110.2
Normalized income tax expense	<b>38.6</b>	43.7	<b>53.5</b>	46.1
Financing costs adjusted	<b>15.1</b>	14.8	<b>43.8</b>	46.2
Financing income adjusted	<b>(0.5)</b>	—	<b>(1.9)</b>	(1.5)
Depreciation expense	<b>36.7</b>	34.0	<b>107.8</b>	97.4
<b>Normalized EBITDA</b>	<b>\$ 199.2</b>	\$ 196.9	<b>\$ 361.4</b>	\$ 298.4

<sup>[1]</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>[2]</sup> The Company recorded losses related to alleged patent infringement litigation cases with one of its competitors.

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