



## **PRESS RELEASE**

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### **BRP REPORTS FY2018 Q1 RESULTS WITH ITS FIRST QUARTERLY DIVIDEND AND LAUNCHES A SUBSTANTIAL ISSUER BID**



The model year 2018 Can-Am off-road line-up goes live today. © BRP 2017

#### **Highlights:**

##### **Results for Q1 FY2018 vs Q1 FY2017:**

- Record revenues of \$956 million, a 3% increase;
- Gross profit of \$207 million representing 21.7% of revenues, an increase of 7% and 80 basis points respectively;
- Normalized EBITDA<sup>[1]</sup> of \$81 million, a 41% increase;
- Normalized net income<sup>[1]</sup> of \$28 million resulting in a normalized diluted earnings per share<sup>[1]</sup> of \$0.25, an increase of \$0.21 per share;
- Net loss of \$19 million, a decrease of \$129 million primarily due to an unfavourable non-cash foreign exchange rate variation impact on the U.S.-denominated long-term debt, which resulted in a diluted loss per share of \$0.17, a decrease of \$1.13 per share; and
- FY2018 guidance increased to reflect higher demand for BRP products.

##### **Shareholder return:**

- Approval by the Board of Directors of a quarterly dividend of \$0.08 per share, a first in the Company's history; and
- Announcement of a substantial issuer bid to purchase for cancellation up to \$350 million of the Company's shares.

**Valcourt, Québec, June 1, 2017** – BRP Inc. (TSX:DOO) today reported its financial results for the three-month period ended April 30, 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.

"I am very pleased with BRP's performance in the start of this new fiscal year, with excellent first quarter revenues and profitability. Our side-by-side business continues on its positive trend with great demand for the Can-Am Defender and Maverick X3 vehicles (SSV)," said José Boisjoli, president and CEO. "Even though the Sea-Doo season is only just starting, we can see a good momentum in the watercraft business. Our Parts, Accessories and Clothing business has also

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

performed very well this quarter, due to good end-of-season snowmobile parts sales and to strong interest in our new SSV accessories.”

“I consider that we are in an excellent position to reach our strategic objectives as the entire team remains aligned towards their realisation. We are introducing today our new Can-Am off-road line-up with several innovations, and I am sure it will be well received by the market,” said Boisjoli. “What’s more, snowmobile spring orders from dealers were higher than planned. All this, combined with the excellent results from the first quarter, have led us to increase our guidance.”

In closing, Boisjoli added: “The Board of Directors approved yesterday the declaration of a quarterly dividend and the launch of a substantial issuer bid. These decisions reflect our solid financial position, strong ongoing cashflow generation ability and confidence in BRP’s fundamental value. We are proud to be in a position to return capital to all shareholders while maintaining our ability to pursue our growth opportunities.”

### **Highlights for the Three-Month Period Ended April 30, 2017**

**Revenues** increased by \$26.3 million, or 2.8%, to \$956.2 million for the three-month period ended April 30, 2017, compared with \$929.9 million for the corresponding period ended April 30, 2016. The revenue increase was primarily attributable to higher wholesale of Seasonal Products and PAC. The increase includes an unfavourable foreign exchange rate variation of \$1 million.

**Gross profit** increased by \$13.1 million, or 6.7%, to \$207.2 million for the three-month period ended April 30, 2017, compared with \$194.1 million for the corresponding period ended April 30, 2016. The gross profit increase includes a favourable foreign exchange rate variation of \$9 million. Gross profit margin percentage increased by 80 basis points to 21.7% from 20.9% for the three-month period ended April 30, 2016. The increase in gross profit margin percentage was primarily due to a favourable product mix in SSV and a favourable foreign exchange rate variation, partially offset by a lower volume of Spyder vehicles and higher production costs.

## Net Income Data

	Three-month periods ended	
	April 30, 2017	April 30, 2016
(in millions of Canadian dollars)		
<b>Revenues by category</b>		
Year-Round Products	\$ 390.4	\$ 400.2
Seasonal Products	306.5	286.8
Propulsion Systems	105.6	111.1
PAC	153.7	131.8
<b>Total Revenues</b>	<b>956.2</b>	<b>929.9</b>
Cost of sales	749.0	735.8
<b>Gross profit</b>	<b>207.2</b>	<b>194.1</b>
As a percentage of revenues	21.7%	20.9%
<b>Operating expenses</b>		
Selling and marketing	70.5	77.4
Research and development	50.1	48.5
General and administrative	43.5	40.7
Other operating expenses	2.6	21.0
<b>Total operating expenses</b>	<b>166.7</b>	<b>187.6</b>
<b>Operating income</b>	<b>40.5</b>	<b>6.5</b>
Net financing costs	13.1	15.1
Foreign exchange (gain) loss on long-term debt	42.9	(119.2)
<b>Income (loss) before income taxes</b>	<b>(15.5)</b>	<b>110.6</b>
Income taxes expense (recovery)	3.0	(0.1)
<b>Net income (loss)</b>	<b>\$ (18.5)</b>	<b>\$ 110.7</b>
Attributable to shareholders	\$ (18.7)	\$ 110.8
Attributable to non-controlling interest	0.2	(0.1)
<b>Normalized EBITDA <sup>[1]</sup></b>	<b>\$ 80.7</b>	<b>\$ 57.1</b>
<b>Normalized net income <sup>[1]</sup></b>	<b>28.3</b>	<b>4.8</b>
Earnings (loss) per share – basic	\$ (0.17)	\$ 0.96
Earnings (loss) per share – diluted	(0.17)	0.96
Normalized earnings per share – basic <sup>[1]</sup>	0.25	0.04
Normalized earnings per share – diluted <sup>[1]</sup>	0.25	0.04

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

## QUARTERLY REVIEW BY CATEGORIES

### Year-Round Products

Revenues from Year-Round Products decreased by \$9.8 million, or 2.4%, to \$390.4 million for the three-month period ended April 30, 2017, compared with \$400.2 million for the corresponding period ended April 30, 2016. The decrease was primarily attributable to a lower wholesale in Spyder vehicles, partially offset by a higher wholesale and a favourable product mix in SSV due to the introduction of the Can-Am Maverick X3.

### **Seasonal Products**

Revenues from Seasonal Products increased by \$19.7 million, or 6.9%, to \$306.5 million for the three-month period ended April 30, 2017, compared with \$286.8 million for the corresponding period ended April 30, 2016. The increase resulted primarily from a higher volume and a favourable mix of PWC sold.

### **Propulsion Systems**

Revenues from Propulsion Systems decreased by \$5.5 million, or 5.0%, to \$105.6 million for the three-month period ended April 30, 2017, compared with \$111.1 million for the corresponding period ended April 30, 2016. The decrease in revenues was primarily attributable to a lower volume of aircraft engines sold.

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

Revenues from PAC increased by \$21.9 million, or 16.6%, to \$153.7 million for the three-month period ended April 30, 2017, compared with \$131.8 million for the corresponding period ended April 30, 2016. The increase was mainly attributable to a higher volume of SSV PAC sold following the introduction of the Can-Am Maverick X3 and to a higher volume of snowmobile PAC sold.

**Operating expenses** decreased by \$20.9 million, or 11.1%, to \$166.7 million for the three-month period ended April 30, 2017, compared with \$187.6 million for the three-month period ended April 30, 2016. This decrease was mainly attributable to the specific expense recorded last year following the unfavourable litigation decision described below and a favourable foreign exchange rate variation of \$5 million.

The Company is involved in multiple lawsuits with one of its competitors whereby each party is claiming damages for the alleged infringement of some of its patents. On June 1, 2016, a verdict was rendered in one of those lawsuits against the Company for an amount of U.S. \$15.5 million (\$19.5 million) in compensatory damages, which was recorded during the three-month period ended April 30, 2016. On June 13, 2016, the trial judge formalized the verdict rendered on June 1, 2016 and awarded additional damages in favour of the plaintiff. Subsequently, the trial judge also established a royalty payable upon the sale of any future contravening vehicles. As a result, for the three-month period ended April 30, 2017, the Company recorded an expense of \$4.8 million. Management believes that the verdict and subsequent decisions are unfounded and unsupported by either law or evidence and filed an appeal on August 23, 2016.

### **Declaration of first dividend**

BRP announced today that its Board of Directors approved a quarterly dividend of \$0.08 per subordinate voting share and multiple voting share. BRP's first dividend will be paid on July 13, 2017 to shareholders of record as at the close of business on June 30, 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.

**Announcement of substantial issuer bid**

The Company announced today that the Board of Directors has authorized the launch of a substantial issuer bid pursuant to which the Company will offer to purchase for cancellation up to \$350 million of its shares. The Company anticipates that the proposed issuer bid will commence during the next two weeks and will be completed before the end of July 2017.

Under the proposed issuer bid, shareholders wishing to accept the proposed bid will have the opportunity to tender their shares through a Dutch auction tender at a specified price within a range to be proposed by the Company, or through a proportionate tender at a price determined by the Dutch auction tenders and that will result in them maintaining their proportionate equity ownership. The maximum and minimum prices to be proposed under the Dutch auction tender will be determined in the context of the market price of the Company's subordinate voting shares at the time of commencement of the proposed issuer bid. The offer will not be conditional upon any minimum number of shares being tendered and will be subject to conditions customary for transactions of this nature.

Holders of multiple voting shares will be entitled to participate in the proposed bid. Multiple voting shares taken up by the Company will be converted into subordinate voting shares on a one-for-one basis immediately prior to the take up. Beaudier Inc., 4338618 Canada Inc. and Bain Capital Luxembourg Investments S.à r.l., which collectively hold approximately 65.3% of the Company's shares, have advised the Company that they intend to make proportionate tenders in connection with the bid in order to maintain their proportionate equity ownership following the completion of the bid. As of June 1, 2017, the Company had 32,800,865 subordinate voting shares and 79,023,344 multiple voting shares issued and outstanding. All shares purchased under the bid will be cancelled.

This press release is for informational purposes only and does not constitute an offer to buy or the solicitation of an offer to sell the Company's shares. The solicitation and the offer to buy the shares will only be made pursuant to a separate issuer bid circular, which will contain full details of the bid and will be filed with the securities regulatory authorities and mailed to the Company's shareholders.

## Fiscal Year 2018 Guidance

BRP's financial guidance targets as presented on March 24, 2017 are adjusted upward as follows:

Financial Metric	FY18 Guidance vs FY17 Results
Revenues	
<b>Year-Round Products</b>	<b>Up 8% to 12%</b> (increased from up 6% to 10%)
<b>Seasonal Products</b>	<b>Down 1% to Up 3%</b> (increased from down 4% to Flat)
Propulsion Systems	Flat to up 5%
<b>PAC</b>	<b>Up 5% to 9%</b> (increased from up 4% to 8%)
<b>Total Company Revenues</b>	<b>Up 4% to 8%</b> (increased from up 2% to 6%)
<b>Normalized EBITDA<sup>[1]</sup></b>	<b>Up 10% to 13%</b> (increased from up 7% to 10%)
Effective Tax Rate <sup>[2]</sup>	28% - 29% (vs 28.6% in FY17)
<b>Normalized Net Income<sup>[1][3]</sup></b>	<b>Up 10% to 16%</b> (increased from up 7% to 13%)
<b>Normalized Earnings per Share – Diluted<sup>[1][3]</sup></b>	<b>Up 12% to 18%</b> to a range of \$2.20 to \$2.32 (increased from up 10% to 16%)
<b>Capital Expenditures</b>	<b>\$240M to \$255M</b> (increased from \$215M to \$230M)

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

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

[3] Assuming ~\$155M Depreciation Expense (increased from ~\$150M) compared to \$133M in FY17, ~\$59M Net Financing Costs (increased from ~\$55M) and a share count of ~110.5M to 111.0M shares (after accounting for shares repurchased under the "Normal Course Issuer Bid" but excluding any impact from the "Substantial Issuer Bid").

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 May 31, 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 first-quarter results released this morning. The call will be hosted by José Boisjoli, president and CEO, and Sébastien Martel, CFO. To listen to the English-only conference call by phone (event number 4265481), please dial 514-861-1681 or 800-766-6630 (toll-free in North America). [Click for international dial-in numbers.](#)

The Company's first-quarter FY2018 MD&A, financial statements and webcast presentation are posted in the [Quarterly Reports](#) section of BRP's website. To listen to an instant replay of the call, please dial 514-861-2272 or 800-408-3053, and enter the pass code 3553312.

## 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 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.*

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