BRP Reports Fiscal Year 2017 Second-Quarter Results

September 9, 2016

Highlights:

- Revenues of $856 million for the second quarter of FY2017, a 5% increase compared to the same period last year;
- Gross profit of $172 million representing 20% of revenues, an increase of $3 million compared to the same period last year;
- Normalized EBITDA[1] of $44 million, a 16% decrease compared to the same period last year;
- Normalized net income[1] of $1 million resulting in a normalized diluted earnings per share[1] of $0.01, a decrease of $0.02 per share compared to the same period last year;
- Net loss of $69 million, a decrease of $0.5 million, which resulted in a diluted loss per share of $0.61, a decrease of $0.03 per share compared to the same period last year; and
- Successfull refinancing of the US$792 million term facility and $350 million revolving credit facility resulting in an amended and restated US$700 million term facility and $425 million revolving credit facility.

As part of a series of patent infringement lawsuits involving the Company and one of its competitors, a decision was rendered by the trial judge to award additional damages in one of these lawsuits. Consequently, the Company recorded an additional $43 million expense during the quarter. The Company filed an appeal on August 23, 2016.

VALCOURT, QC, Sept. 9, 2016 /CNW Telbec/ - BRP Inc. (TSX: DOO) today reported its financial results for the three- and six-month periods ended July 31, 2016. All financial information is in Canadian dollars unless otherwise noted. The complete financial results are available at www.sedar.com.

"I am pleased with the second quarter of fiscal 2017 that has registered strong retail sales worldwide, particularly for Sea-Doo PWC and Can-Am off-road vehicles," said José Boisjoli, president and CEO. "We have good momentum with the Can-Am Defender models, introduced last September, and with the positive reception of the most recent product launches, such as the Evinrude E-TEC G2 engines or the Can-Am Maverick X3 vehicle."

"The rigorous focus on our strategic plan and our team's solid execution, around the world and across all functions, are paying off," Boisjoli added. "Our manufacturing operations are progressing as planned, allowing us to accelerate the pace of product introductions as promised. We are aligned on our strategic priorities and I am confident that we will reach our objectives."

Highlights for the Three- and Six-Month Periods Ended July 31, 2016

Revenues increased by $44.0 million, or 5.4%, to $856.1 million for the **three-month period** ended July 31, 2016, compared with $812.1 million for the corresponding period ended July 31, 2015. The revenue increase was mainly due to higher wholesale in Year-Round Products and to a favourable foreign exchange rate variation of $20 million related largely to the strengthening of the U.S. dollar and the euro against the Canadian dollar.

Gross profit increased by $2.6 million, or 1.5%, to $172.0 million for the **three-month period** ended July 31, 2016, compared with $169.4 million for the corresponding period ended July 31, 2015. The gross profit increase includes an unfavourable foreign exchange rate variation of $3 million. Gross profit margin percentage decreased by 80 basis points to 20.1% from 20.9% for the three-month period ended July 31, 2015. The decrease in gross profit margin percentage was primarily due to higher production costs and an unfavourable foreign exchange variation, partially offset by a favourable product mix in Year-Round Products and lower sales programs costs.

Revenues increased by $75.8 million, or 4.4%, to $1,786.0 million for the **six-month period** ended July 31, 2016, compared with $1,710.2 million for the corresponding period ended July 31, 2015. The revenue increase was primarily attributable to a favourable foreign exchange rate variation of $60 million mainly due to the strengthening of the U.S. dollar and the euro against the Canadian dollar and to higher wholesale of Seasonal Products.

Gross profit decreased by $16.2 million, or 4.2%, to $366.1 million for the **six-month period** ended July 31, 2016, compared with $382.3 million for the corresponding period ended July 31, 2015. The gross profit decrease includes an unfavourable foreign exchange rate variation of $13 million. Gross profit margin percentage decreased by 190 basis points to 20.5% from 22.4% for the six-month period ended July 31, 2015. The decrease in gross profit margin percentage was primarily due to an unfavourable foreign exchange variation and higher sales program costs, partially offset by a favourable product mix in Year-Round Products and PWC, as well as a general price increase.

Net Income data

	Three-month periods ended		**Six-month periods ended**	
(in millions of Canadian dollars)	**July 31, 2016**	**July 31, 2015**	**July 31, 2016**	**July 31, 2015**

Revenues by category				
Year-Round Products	**$ 326.3**	$ 298.4	**$ 726.5**	$ 696.5
Seasonal Products	**280.5**	263.4	**567.3**	534.6
Propulsion Systems	**99.9**	95.4	**211.0**	197.9
PAC	**149.4**	154.9	**281.2**	281.2
Total Revenues	**856.1**	812.1	**1,786.0**	1,710.2
Cost of sales	**684.1**	642.7	**1,419.9**	1,327.9
Gross profit	**172.0**	169.4	**366.1**	382.3
As a percentage of revenues	***20.1%***	*20.9%*	***20.5%***	*22.4%*
Operating expenses				
Selling and marketing	**73.8**	63.6	**151.2**	138.4
Research and development	**44.9**	38.8	**93.4**	78.5
General and administrative	**39.4**	37.2	**80.1**	68.0
Other operating expenses	**44.5**	7.5	**65.5**	11.3
Total operating expenses	**202.6**	147.1	**390.2**	296.2
Operating income (loss)	**(30.6)**	22.3	**(24.1)**	86.1
Net financing costs	**16.4**	15.0	**31.5**	28.8
Foreign exchange (gain) loss on long-term debt	**38.0**	71.6	**(81.2)**	25.6
Income (loss) before income taxes	**(85.0)**	(64.3)	**25.6**	31.7
Income taxes expense (recovery)	**(16.2)**	4.0	**(16.3)**	16.9
Net income (loss)	**$ (68.8)**	$ (68.3)	**$ 41.9**	$ 14.8
Attributable to shareholders	**$ (68.9)**	$ (68.3)	**$ 41.9**	$ 14.8
Attributable to non-controlling interest	**0.1**	—	**—**	—
Normalized EBITDA [1]	**$ 44.4**	$ 53.1	**$ 101.5**	$ 144.6
Normalized net income [1]	**1.0**	4.0	**5.8**	41.2
Earnings (loss) per share - basic	$ (0.61)	$ (0.58)	$ 0.37	$ 0.13
Earnings (loss) per share - diluted	(0.61)	(0.58)	0.37	0.12
Normalized earnings per share – basic [1]	0.01	0.03	0.05	0.35

Normalized earnings per share – diluted [1]	0.01	0.03	0.05	0.35

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

QUARTERLY REVIEW BY CATEGORIES

Year-Round Products

Revenues from Year-Round Products increased by $27.9 million, or 9.3%, to $326.3 million for the three-month period ended July 31, 2016, compared with $298.4 million for the corresponding period ended July 31, 2015. The increase resulted from a higher volume of SSV sold following the introduction of the Can-Am Defender model, a higher wholesale in ATV and a favourable foreign exchange rate variation of $7 million. The increase was partially offset by lower wholesale in roadsters.

Seasonal Products

Revenues from Seasonal Products increased by $17.1 million, or 6.5%, to $280.5 million for the three-month period ended July 31, 2016, compared with $263.4 million for the corresponding period ended July 31, 2015. The increase resulted primarily from a higher volume and a favourable mix of PWC sold and from a favourable foreign exchange rate variation of $6 million. The increase was partially offset by a lower volume mainly attributable to earlier shipments last year and an unfavourable mix of snowmobiles sold.

Propulsion Systems

Revenues from Propulsion Systems increased by $4.5 million, or 4.7%, to $99.9 million for the three-month period ended July 31, 2016, compared with $95.4 million for the corresponding period ended July 31, 2015. The increase in revenues was mainly attributable to a favourable foreign exchange rate variation of $3 million.

PAC (Parts, Accessories, Clothing and other services)

Revenues from PAC decreased by $5.5 million, or 3.6%, to $149.4 million for the three-month period ended July 31, 2016, compared with $154.9 million for the corresponding period ended July 31, 2015. The decrease was mainly attributable to a lower volume of snowmobile PAC sold resulting from poor snow conditions in North America last winter and to a lower volume of roadster PAC. The decrease was partially offset by a favourable foreign exchange rate variation of $4 million.

Operating expenses increased by $55.5 million, or 37.7%, to $202.6 million for the **three-month period** ended July 31, 2016, compared with $147.1 million for the three-month period ended July 31, 2015. This increase was mainly due to an expense recorded this quarter following an unfavourable litigation decision rendered and, to a lesser extent, higher selling and marketing costs. The increase was partially offset by a favourable foreign exchange impact of $3 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. For the three-month period ended July 31, 2016, the Company recorded as an expense total damages and related costs of $43.1 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.

Normalized net income[1] stood at $1.0 million, a decrease of $3.0 million, which resulted in a normalized diluted earnings per share[1] of $0.01, a decrease of $0.02 per share. The decrease was primarily due to higher operating expenses, partially offset by a decreased income taxes expense.

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

Fiscal Year 2017 Guidance

BRP's financial guidance targets as presented on June 9, 2016 are adjusted as follows:

Financial Metric	**FY17 Guidance vs FY16 Results**
Revenues	
Year-Round Products	**Up 8% to 12%** **(increased from up 6% to 10%)**

Seasonal Products	Flat to up 4%
Propulsion Systems	Up 5% to 10%
PAC	**Up 3% to 8%** **(decreased from up 5% to 10%)**
Total Company Revenues	Up 4% to 8%
Normalized EBITDA[1]	Up 7% to 10%
Effective Tax Rate[2]	27% - 28% (vs 26.6% in FY16)
Normalized Net Income[1][3]	**Up 3% to 9%** **(increased from up 2% to 8%)**
Normalized Earnings per Share – Diluted[1][3]	**$1.82 to $1.92 (up 6% to 12%)** **(increased from $1.79 to $1.89 vs $1.71 in FY16)**
Capital Expenditures	$190M to $205M (vs $211M in FY16)

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

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

[3]Assuming a $145M depreciation expense compared to $126M in FY16, **$60M Net Financing Costs** (down from $62M) and **113.6M shares** (down from 114.7M shares).

The above targets are based on a number of economic and market assumptions the Company has made in preparing its Fiscal Year 2017 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 2017, 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 September 8, 2016. 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. (EDT), BRP Inc. will host a conference call and webcast to discuss BRP's FY2017 second-quarter results released this morning. The call will be hosted by José Boisjoli, president and CEO, and Sébastien Martel, CFO. A slide presentation and link to the audio webcast will be posted in the Event Calendar section.

To listen to the English-only conference call by phone (event number 4249058), please dial 514-861-1681 or 800-766-6630 (toll-free in North America). Click for international dial-in numbers.

A replay of the conference call will be available two hours after the call for 30 days following the original broadcast.

To listen to an instant replay of the call, please dial 514-861-2272 or 800-408-3053, and enter the pass code 4450751.

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 all-terrain and side-by-side vehicles, Can-Am Spyder roadsters, 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 over CA$3.8 billion from over 100 countries, the Company employs approximately 7,900 people worldwide.
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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 2017 financial outlook (including revenues, gross profit margin, operating expenses, Normalized EBITDA, Effective Tax Rate, Normalized net income and Normalized earnings per share), 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 power sports 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 2017 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; the Company's ability to comply with product safety, health, environmental and noise pollution laws; dependence on dealers, distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions; 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; covenants in the Company's financing and other material agreements; competition in product lines; loss of members of management team or employees who possess specialized market knowledge and technical skills; inability to maintain and enhance reputation and brands; adverse determination in any significant product liability claim against the Company; significant product repair and/or replacement due to product warranty claims or product recalls; reliance on a network of independent dealers and distributors to manage the retail distribution of its products; dependence on OEM customers for its outboard engine and Rotax engine business; unsuccessful management of inventory levels; risks associated with international operations; unsuccessful execution of growth strategy; protection of intellectual property; failure of information technology systems; declining prices for used versions of products and oversupply by competitors; unsuccessful execution of manufacturing strategy; changes in tax laws and unanticipated tax liabilities; higher fuel costs; deterioration in relationships with employees; pension plan liabilities; natural disasters; failure to carry proper insurance coverage; volatile market price for Subordinate Voting Shares; no current plans to pay dividends; conduct of business through subsidiaries; significant influence by Beaudier Group and Bain Capital; and future sales of 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 the Company'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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