



BRP REPORTS FISCAL YEAR 2018 SECOND-QUARTER RESULTS

September 1, 2017

VALCOURT, QUÉBEC--(Marketwired - Sept. 1, 2017) - BRP Inc. (TSX:DOO)

Note to editors: There is a photo associated with this press release.

Highlights for the quarter vs Q2 FY17:

- Revenues of \$1,027 million, a 20% increase and a record for a second quarter;
- Gross profit of \$214 million representing 20.8% of revenues, an increase of 24% and 70 basis points respectively;
- Normalized EBITDA^[1] of \$82 million, a 84% increase;
- Net income of \$100 million, an increase of \$169 million resulting in a diluted earnings per share of \$0.89, an increase of \$1.50 per share;
- Normalized net income^[1] of \$21 million resulting in a normalized diluted earnings per share^[1] of \$0.18, an increase of \$0.17 per share;
- Declaration of a quarterly dividend of \$0.08 per share;
- Completion of the Company's substantial issuer bid (SIB) launched in June 2017 with the repurchase of 8,599,508 subordinate voting shares for a total consideration of \$350.0 million; and
- Introduction of the most powerful factory-built SSV on the market, the 172 hp Can-Am Maverick X3 Turbo R model.

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

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

"Our team's execution has once again been excellent this quarter, leading to very positive financial results," said José Boisjoli, president and CEO. "We are clearly seeing the effect of our product innovation strategy that responds to consumer needs as our side-by-side business, particularly the new Maverick X3 and Defender vehicles, is performing well in all regions, and our all-terrain and watercraft products are providing better than expected results in many countries around the world."

"BRP continues to outpace the off-road industry, due in part to the excellent momentum in our dealer network, which is an important factor in our success. The continued growth of our off-road business provided a solid first half and helped balance yearly profitability," Boisjoli continued. "For the back end of FY2018, I am confident that our retail momentum will continue as planned, leading to the successful delivery of our guidance, which was adjusted to reflect the impact of our recent SIB."

Highlights for the Three- and Six-Month Periods Ended July 31, 2017

Revenues increased by \$170.9 million, or 20.0%, to \$1,027.0 million for the **three-month** period ended July 31, 2017, compared with \$856.1 million for the corresponding period ended July 31, 2016. The revenue increase was mainly due to higher wholesale in Year-Round Products and Seasonal Products. The increase includes a favourable foreign exchange rate variation of \$8 million.

Gross profit increased by \$41.7 million, or 24.2%, to \$213.7 million for the **three-month** period ended July 31, 2017, compared with \$172.0 million for the corresponding period ended July 31, 2016. The gross profit increase includes an unfavourable foreign exchange rate variation of \$4 million. Gross profit margin percentage increased by 70 basis points to 20.8% from 20.1% for the three-month period ended July 31, 2016. The increase in gross profit margin percentage was primarily due to a favourable product mix in SSV and a higher volume of SSV and PWC sold, partially offset by higher sales program costs driven by the increase in retail sales and higher production costs.

Revenues increased by \$197.2 million, or 11.0%, to \$1,983.2 million for the **six-month** period ended July 31, 2017, compared with \$1,786.0 million for the corresponding period ended July 31, 2016. The revenue increase was primarily attributable to higher wholesale of Year-Round Products and Seasonal Products. The increase includes a favourable foreign exchange rate variation of \$7 million.

Gross profit increased by \$54.8 million, or 15.0%, to \$420.9 million for the **six-month** period ended July 31, 2017, compared with \$366.1 million for the corresponding period ended July 31, 2016. The gross profit increase includes a favourable foreign exchange rate variation of \$5 million. Gross profit margin percentage increased by 70 basis points to 21.2% from 20.5% for the six-month period ended July 31, 2016. The increase in gross profit margin percentage was primarily due to a favourable product mix in SSV, partially offset by higher production costs and higher sales program costs driven by the increase in retail sales.

Net Income data

	Three-month periods ended		Six-month periods ended	
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
(in millions of Canadian dollars)				

Revenues by category

Year-Round Products	\$	439.4	\$	326.3	\$	829.8	\$	726.5
Seasonal Products		318.6		280.5		625.1		567.3
Propulsion Systems		105.4		99.9		211.0		211.0
PAC		163.6		149.4		317.3		281.2
Total Revenues		1,027.0		856.1		1,983.2		1,786.0
Cost of sales		813.3		684.1		1,562.3		1,419.9
Gross profit		213.7		172.0		420.9		366.1
<i>As a percentage of revenues</i>		20.8 %		20.1 %		21.2 %		20.5 %
Operating expenses								
Selling and marketing		72.0		73.8		142.5		151.2
Research and development		48.5		44.9		98.6		93.4
General and administrative		44.1		39.4		87.6		80.1
Other operating expenses		4.2		44.5		6.8		65.5
Total operating expenses		168.8		202.6		335.5		390.2
Operating income (loss)		44.9		(30.6)		85.4		(24.1)
Net financing costs		14.2		16.4		27.3		31.5
Foreign exchange (gain) loss on long-term debt		(79.5)		38.0		(36.6)		(81.2)
Income (loss) before income taxes		110.2		(85.0)		94.7		25.6
Income taxes expense (recovery)		10.1		(16.2)		13.1		(16.3)
Net income (loss)	\$	100.1	\$	(68.8)	\$	81.6	\$	41.9
Attributable to shareholders	\$	100.0	\$	(68.9)	\$	81.3	\$	41.9
Attributable to non-controlling interest	\$	0.1	\$	0.1	\$	0.3	\$	-
Normalized EBITDA [1]	\$	81.5	\$	44.4	\$	162.2	\$	101.5
Normalized net income [1]	\$	20.6	\$	1.0	\$	48.9	\$	5.8
Earnings (loss) per share - basic	\$	0.90	\$	(0.61)	\$	0.73	\$	0.37
Earnings (loss) per share - diluted		0.89		(0.61)		0.73		0.37
Normalized earnings per share - basic ^[1]		0.18		0.01		0.44		0.05
Normalized earnings per share - diluted ^[1]		0.18		0.01		0.43		0.05

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

QUARTERLY REVIEW BY CATEGORIES

Year-Round Products

Revenues from Year-Round Products increased by \$113.1 million, or 34.7%, to \$439.4 million for the three-month period ended July 31, 2017, compared with \$326.3 million for the corresponding period ended July 31, 2016. The increase resulted from a higher volume and a favourable product mix of SSV sold due mainly to the introduction of the Can-Am Maverick X3.

Seasonal Products

Revenues from Seasonal Products increased by \$38.1 million, or 13.6%, to \$318.6 million for the three-month period ended July 31, 2017, compared with \$280.5 million for the corresponding period ended July 31, 2016. The increase resulted primarily from a higher volume of PWC sold.

Propulsion Systems

Revenues from Propulsion Systems increased by \$5.5 million, or 5.5%, to \$105.4 million for the three-month period ended July 31, 2017, compared with \$99.9 million for the corresponding period ended July 31, 2016. The increase in revenues was mainly attributable to a higher volume and a favourable product mix of outboard engines sold, partially offset by a lower volume of motorcycle engines sold.

PAC (Parts, Accessories, Clothing and other services)

Revenues from PAC increased by \$14.2 million, or 9.5%, to \$163.6 million for the three-month period ended July 31, 2017, compared with \$149.4 million for the corresponding period ended July 31, 2016. The increase was mainly attributable to a higher volume of SSV accessories sold.

Operating expenses decreased by \$33.8 million, or 16.7%, to \$168.8 million for the three-month period ended July 31, 2017, compared with \$202.6 million for the three-month period ended July 31, 2016. This decrease was mainly attributable to the specific expense recorded last year following the unfavourable litigation decision described below, partially offset by an unfavourable foreign exchange impact of \$4 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. For the three-month periods ended July 31, 2017 and 2016, the Company recorded expenses of respectively \$0.9 million and \$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.

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 October 13, 2017 to shareholders of record as at the close of business on September 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 June 1, 2017 are adjusted to reflect the completion of the SIB as follows:

Financial Metric	FY18 Guidance vs FY17 Results
Revenues	
Year-Round Products	Up 8% to 12%
Seasonal Products	Down 1% to Up 3%
Propulsion Systems	Flat to up 5%
PAC	Up 5% to 9%
Total Company Revenues	Up 4% to 8%
Normalized EBITDA ^[1]	Up 10% to 13%
Effective Tax Rate ^[2]	28% - 29% (vs 28.6% in FY17)
Normalized Net Income ^{[1][3]}	Up 10% to 16%
Normalized Earnings per Share - Diluted ^{[1][3]}	Up 14% to 20% to a range of \$2.23 to \$2.35 (increased from up 12-18% or \$2.20 - \$2.32)
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** (reduced from a range of 110.5M to 111.0M following the repurchase of 8.6M shares under BRP's 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 August 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 second-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 4270254), please dial 514-392-0235 or 800-564-3880 (toll-free in North America). [Click for international dial-in numbers.](#)

The Company's second-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.

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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		Six-month periods ended	
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
Net income (loss)	\$ 100.1	\$ (68.8)	\$ 81.6	\$ 41.9
Normalized elements				
Foreign exchange (gain) loss on long-term debt	(79.5)	38.0	(36.6)	(81.2)
Restructuring costs (reversal) ^[1]	-	0.1	-	(0.4)
Loss on litigation ^[2]	0.9	43.1	5.7	62.6
Other elements	-	1.6	-	1.6
Income taxes adjustment	(0.9)	(13.0)	(1.8)	(18.7)
Normalized net income	20.6	1.0	48.9	5.8
Normalized income taxes expense (recovery)	11.0	(3.2)	14.9	2.4
Financing costs adjusted	14.9	15.6	28.7	31.4
Financing income adjusted	(0.7)	(0.8)	(1.4)	(1.5)
Depreciation expense	35.7	31.8	71.1	63.4
Normalized EBITDA	\$ 81.5	\$ 44.4	\$ 162.2	\$ 101.5

[1] 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.

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

To view the photo associated with this press release, please visit the following link: <http://media3.marketwire.com/docs/BRP.png>

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