

Ski-doo maker BRP launches its most expensive off-road vehicle ever

NICOLAS VAN PRAET >

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The all-new Can-Am Maverick R boasts unrivaled power, suspension performance and dual-clutch transmission gearbox.

MARKO ZITZER/BRP INC.

Sea-Doo and Ski-Doo maker BRP Inc.

[DOO-T \(/investing/markets/stocks/DOO-T/\)](/investing/markets/stocks/DOO-T/) +0.08% ▲ has launched its most expensive off-road vehicle ever: a 240-horsepower four-wheeler that will reignite the battle at the high end of the motorsports market, as die-hard enthusiasts snap up increasingly pricier machines.

At its annual dealers' meeting last week, the Valcourt, Que.-based company showed its retailers a new side-by-side vehicle called the Can-Am Maverick R, which will sell in Canada starting at \$43,999 and top out at \$54,799 depending on the options chosen. The vehicle, which has a dual-clutch transmission gearbox and one-litre engine, is an all-new design that builds on the company's Maverick X3 model.

This is among BRP's biggest bets in years, and the company is counting on the Maverick R to deliver sales growth and help juice profits. Although BRP has manufactured boats retailing at higher price-points, it has never built an off-road vehicle this expensive. As the company's new flagship model, the Maverick R lands squarely in the same price territory as luxury automobiles such as Toyota's Lexus and BMW's iconic 3-Series sedan.

"There is a clear shift in the last few years toward premium products, and the Maverick R is definitely answering that trend," BRP chief executive José Boisjoli said in an interview. "Basically, the product is becoming a more sophisticated sports car for off-road."

Powersports vehicles largely remain a discretionary purchase. And BRP's falling share price over the past month reflects investor worry that signs of an economic slowdown in the United States and Europe will bring to an end its recent sales and profit momentum. BRP has increased normalized earnings before interest, taxes, depreciation and amortization every year since 2018 and saw business explode during the pandemic.

Still, the company is gaining share in many segments. And analysts say the introduction of the Maverick R and other products will provide a tailwind that will help it compete with Polaris Inc. and other rivals even if industry sales soften.

"It's already a war" for that top end of the off-road market, said Gary Gustafson of industry consultancy G-Force in Clear Lake, Minn., adding that the Maverick R competes most directly with the Polaris RZR Pro R Ultimate (MSRP: \$58,669). "These two companies compete fiercely for brand and product dominance. The availability of the product – ie supply chain management – will be crucial as demand is high."



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BRP INC.

BRP will also have to prove that the new Maverick can hold up to the harsh treatment the vehicle receives over time, said Mr. Gustafson, something Polaris has had difficulty with over the years with several product recalls for fire hazards.

“Putting more and more power into something can create a whole new set of problems.”

For a little more than a decade, sales momentum in the off-road industry has swung dramatically toward vehicles offering a more collective experience. Lone or double-rider ATV sales are in decline. Side-by-sides, which can seat as many as six people, are on the rise. The new thrill-craft models are increasingly carlike, with features such as adaptive suspensions, turbo charging and supercar-inspired paddle shifters on the steering wheel.

Polaris was out of the gate early with side-by-sides in 1998, producing models such as the RZR and General. BRP, selling under its off-road Can-Am brand, entered the game in 2010 with its Commander model, and is now enjoying success with its Defender and Maverick models. Side-by-sides account for almost half of BRP’s revenue growth from fiscal 2010 to 2018.

As prices of side-by-side vehicles climb (list prices in the higher-performing sports segment have increased at a compound annual growth rate of about 6 per cent since 2008, according to Desjardins Securities data), so, too, have their capability and popularity. Today, there are organized side-by-side events for off-road dune bashing, mudding and rock crawling, in addition to more standard trail riding.

Racing also brings validation for off-road vehicle customers, and positive results in major professional events of late have helped Can-Am cement its notoriety as the brand turns 50. In the most recent Dakar Rally in January, Can-Am teams driving Maverick models won the first two places in the T3 lightweight prototype vehicle class and swept the podium in the T4 modified production vehicle class.

Mr. Boisjoli is setting his sights high in terms of what he wants to achieve for the business line. He says BRP currently has a global market share topping 50 per cent in snowmobiles and more than 60 per cent in watercraft. But its share of the side-by-side market remains at less than 30 per cent.

The CEO says there’s a big opportunity to improve on that, as he aims to increase Can-Am brand revenue to \$7-billion by fiscal 2025. Can-Am sales also include the

company's all-terrain vehicles and three-wheel motorcycles. Two electric motorcycle models are expected to be rolled out by the end of next year.

Benoit Poirier, an analyst at Desjardins Securities, says the new Maverick R will help BRP gain share over Polaris in the high end of the side-by-side market, particularly as Polaris is currently experiencing quality problems. He estimates BRP could capture 40 per cent of the side-by-side market, which would generate \$1-billion a year in incremental revenue.

“While investors are concerned about a potential recession, one of the recurring themes across many industries is that more affluent consumers are not slowing their spending,” Mr. Poirier said in a recent note. “The Maverick R announcement shows that BRP is well-positioned to benefit from this trend.”

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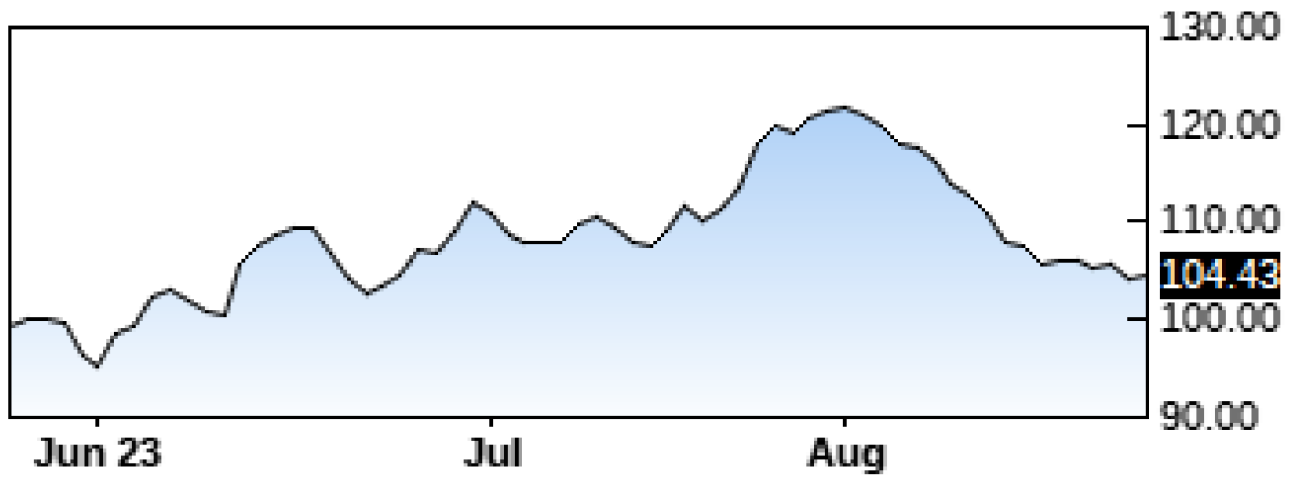
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