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DOO.TO - BRP Inc. - Special Call

EVENT DATE/TIME: SEPTEMBER 10, 2018 / 4:30PM GMT



CORPORATE PARTICIPANTS

Anne-Marie LaBerge *BRP Inc. - SVP of Global Brands, Marketing & Communications*

Bertrand Thiébaud *BRP Inc. - President of Powersports Group*

José Boisjoli *BRP Inc. - President, CEO & Director*

Josee Perreault *BRP Inc. - SVP of Can-Am Spyder*

Philippe Deschenese

Sandy Scullion *BRP Inc. - Senior VP and GM of Global Retail & Services*

Tracy Jerry Crocker *BRP Inc. - Senior VP & GM of Evinrude*

CONFERENCE CALL PARTICIPANTS

Benoit Poirier *Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst*

Craig R. Kennison *Robert W. Baird & Co. Incorporated, Research Division - Director of Research Operations and Senior Research Analyst*

PRESENTATION

Philippe Deschenese

Thank you, everyone for joining us today, and then welcome to the BRP Club 2019. Today, we'll have management presentation from a few of our members of our management team. Before we get into the presentation, I just want to reiterate that there may be some forward-looking statements in the presentation. You may refer to our MD&A for the risk and uncertainties.

So with that, I'll go over to José.

José Boisjoli - *BRP Inc. - President, CEO & Director*

Good morning, everyone. How was Ryker? I would like to introduce to you a few people in the room. First, Louis Laporte and Laurent Beaudoin from the Board. Welcome. And a few people from the management team that's Tracy Crocker, Sandy Scullion, Bertrand Thiebaud, that you all know, you saw them on stage last night. Leslie Quinton, VP at Communications; and (inaudible) Manager of Strategic Planning for Powersport; Anne-Marie LaBerge senior VP, Global Marketing and Communication; Josee Perreault, who's a bit famous now. And Denys Lapointe, Senior VP, Design and Innovation. (inaudible) Senior Advisor for Communication. That's the management team. And I also would like to highlight that Robert that is properly wearing the Ryker shirt.

Then this morning my presentation, I want to go back -- I want to do a scorecard of why we introduce to you the 2020 Challenge. And we do that once a year at BRP between ourselves and I just want to flash for you what we consider really great achievement and some areas that need improvement. But I wanted to give you at least the perspective of the management team. Then as you remember, in Austria, in the spring 2015, we introduced to you the 2020 Challenge and our focus on growth, agility and lean enterprise. And we're targeting by the end of 2020 or fiscal year '21 to deliver \$6 billion in sales and \$3.50 of EPS. And this is the result of our fiscal year '19 first half, then our revenues 17% up, normalized EBITDA 47%, EPS 103% and North America Powersport retail 15%. Then obviously, we had a very good momentum. And like some of you wrote in their report after the quarterly results that we're firing on all cylinder and we're very happy.

One thing that is very important and Anne-Marie joined us 2 years ago, and when I sat with Anne-Marie LaBerge I said to her, "We need to bring our brands to the next level. We need to talk about more and more and we need to be focused." And Anne-Marie, joined 2 years ago, said to me, "We need to define our brand framework to make sure that when we do think, we're all aligned." And we never talked to you about this. And Anne-Marie will present later on this morning. But basically, she teach me that we needed to define our purpose, our positioning, our point of reference, our character and tone of our communication and marketing, our value related to the HR, and also our brand promise. And typically,



Anne-Marie told me that the company will take 18 to 24 months to do it. I gave her 12. We're just doing it in 14. But for us this brand framework is very important to make sure that we're all aligned in term of marketing material, communication and the way we present ourselves to the consumer. And Anne-Marie will tell you more about the industry in a minute. And for me, green checkmark.

Also, the dealer network development, when we came out in public 5 years ago, we set the objective to sign 250 to 300 dealers. We achieved 289. There is some attrition on the yearly basis plus or minus 20, but basically the dealer network is quite stable. We improved our U.S. coverage by 20%, 25%. And our side-by-side coverage by 50%, and we've delivered our dealer network evolution and we have the best value proposition in the industry. That's for me, checkmark green. Very well done by the dealer network team.

The other one, we've talked a lot because the industry data is easy to get in North America. But North America grew 27% in the last 3 years. But when you look at the performance in other region, EMEA 17%, was pulled down by Russia. But overall, good growth despite the Russia slowdown. Asia Pacific 51%, and Latin America 35%. And as you can see, we're growing on all product line, we're growing in every single country of the world. And we're very, very pleased about that. Checkmark green.

The other one, I'm super proud of the performance we have in our matured -- the 2 mature products. I mean, snowmobile, since we introduced the G4 platform, we have great momentum. Today, we have 50%-plus market share. Watercraft 55%-plus market share worldwide. And what I'm very proud of right now those market share is the highest in the history of both brands. I'm extremely proud of what we had accomplished. And I will say, the best is to come. We have more things to come to continue to fuel the growth into those 2 product lines and the Sea-Doo FISH PRO that you saw last night, we believe will have a lot of traction, then for us green checkmark.

The side-by-side business plan. Introducing when -- in September 2015, we commented on stage to introduce a new side-by-side every 6 months for the next 4 years. The purpose was to say to the rest of the world that we're serious about the side-by-side and to attract the best dealer. And we succeeded that, and so far we have delivered 7 new platform, in the last 3.5 years, one more to come next spring. And don't be worry as per that Phase 1 there will be others product news. But at least we'll have done 8 in 4 years. Super impressed with the delivery of the Juárez 2 facility. Building the building in 1 year, ramp up production and now we've been increasing capacity. Phase 1 is done, Phase 2 is ongoing. And doing all this, that sequence of new product on top of increasing capacity, when you're producing product everyday, the team have been able to do that with incredible quality. This is quite an achievement. And since we introduced the Defender in September '15, our volume of side-by-side has doubled. I'm very, very happy about the plan and the way we're delivering the plan, green checkmark.

Overall, BRP we're focused on growth, agility and lean and with delivering. And I'm super proud of the way we execute our plan. I just want you to realize that in the last 3 years the Juárez 2 was built, Querétaro have been under a significant improvement -- enlargement. And also, GunsKirchen in Austria the new business and Valcourt were totally remodeled. And we never missed a beat in production. On top of that, we have our process for product development, and we're delivering on the plan. And we're doing all this -- and today, we have the reputation of outpacing the industry for innovation, and we're doing all this keeping our quality, our cost of quality below 1%, which is, we believe, a benchmark into the industry. And we never talk about it, but we measure on a yearly basis the employee engagement. And obviously, success generate success, but last year -- the last report, our employee engagement at BRP was 87%. And when you score above 75%, you're state-of-the-art. Then we're very, very happy about the execution overall at BRP. For us, green checkmark.

Now the three-wheel vehicle business, I've put it in yellow, might surprise you, but we're happy, but not satisfied. First, we've depleted the inventory in the last 2 years, cost us more than what we had anticipated. This year, because of the very bad April, we decided to advance our noncurrent program by a month and that's why I rated it yellow, but I'm super happy about the program that the Josee Perreault's team has put together. And this morning, you will hear more about the numbers behind the school program, the Ryker, the RT, F3 repricing, the leasing program, and also reinventing the business model 3 SKUs, 75,000 ways of customizing. And for me, and the plan and you will see the number of Josee and we have the data to back our goal. But our objective with the Spyder business or the three-wheel vehicle business is to triple the business in the next 5 year. We will be disappointed, if we would be not doubling the business. Then that's the goal that we have fixed for the three-wheel vehicle business with the plan that Josee Perreault put together.

The Marine business. First, we're not -- it's not easy for Evinrude because the industry is against us. We're very, very -- a lot of our sales is repowering, putting a new engine behind an existing boat and this market is shrinking. And also, the new boat, a new engine package boat is growing. We are



behind our plan for G1 to G2 transition. Right now, the G2 above 150 is out. Below 150, we're behind. We will correct that in the next 18 months. But despite that, it's difficult for the Evinrude market situation and the G1 transition. We're super confident about the marine strategy. And Tracy will go a bit more -- give you a bit more color about the buy-and-build-and-transform strategy to fully unlock the full potential of Evinrude. We don't think there will be significant impacts on our result in the short term in 1 to 2 years. And we'll talk about it. We already told you \$0.10 for next year. But when you will hear the plan that Tracy is putting together, you will see that it's a diversification and a growing factor -- vector for the business. I'm happy about the marine plan.

We cannot not be happy about the DOO share price evolution, but above and above the share price that have grown quite a lot in the last 2 years. The management team with the board have worked to do NCIB, SIB, dividend and we returned \$900 million of cash to the investors. I'm happy to be able to return a good return for the shareholder and return cash to shareholders.

Now the creation of the 2 new group. BRP is growing, there is a lot more product. We have a lot of opportunity globally, worldwide. And I felt that it was fine to have more focus with 2 groups. Then we created the Powersport Group, which include Ski-Doo, Lynx, snowmobile, Sea-Doo watercraft, Can-Am offroad, Can-Am Spyder under Josee still report to me, and the Rotax brand. In the Marine group, we have Evinrude right now, Alumacraft and Manitou and more to come. Like we've said on the call 2 weeks ago, we are right now exploring maybe other acquisition in the boat industry. We'll see if it fits our guideline of what we're looking for. We might conclude that we see more to come. And the goal of creating those 2 group is to make sure that the team continue to focus, improve efficiency, continue the growth and the diversification. Then that's in a nutshell, the story of and why it was fine to create those 2 group to make sure that we bring BRP to the next level.

Then a word on the next step on the 2020 Challenge. Then in spring '15 we've launched it. We are halfway there, 2.5 years have passed. We have 2.5 years to go. But some investor and some of you are saying, "When you will restate the 2020 Challenge?" Because the \$3.50 is coming fast. Then the plan that we have is, we're working right now on the next plan, probably it will be a year from now. We already gave you that we're targeting -- or we're confident to deliver at least \$3.50 for fiscal year '20, 1 year in advance. And we will probably meet together by the end of 2019 to define, to restate what's next. Then we wanted at least to give you a guideline that when the next challenge, call it, the 2025 for the time being will happen, but probably in a year from now we'll be able to give you a perspective on the long-term plan or the long-term objective of the company.

Then that's in a nutshell what I wanted to give you as an update. This is what we're planning for this morning. Then Anne-Marie LaBerge, who is Senior VP Global Marketing and Communication. Anne-Marie been with us for 2 years. She came from TELUS, the big telecommunication company in Canada. And Anne-Marie will talk to you about humanizing the BRP brands. Followed by Tracy, Tracy has been with the company 1 year, about 1 year now. Is leading Evinrude and now the Marine Group, then Tracy will give you an update on why we enter the Marine business. We've done the acquisition and the buy-and-build strategy. Bertrand. Bertrand have been with us for 6 months, 2 months on the road visiting all the sites, many, many regions then even 4 months in the office beside me. Bertrand will give you his perspective on the Powersport Group. Sandy, that you all know, Senior VP of Global Sales and Services. I think you met Sandy a few times now. Sandy will give you an update on the retail trend, the global retail trend and the product news. And Josee Perreault, we kept the best for the last. Josee Perreault will talk about the Can-Am three-wheel vehicle plan. Josee Perreault has been with us for 2 years. She comes from Oakley, the glass company. And she have been working a bit behind the scene to put together the plan that we've launched last night with the dealer, and she will give you more detail about the three-wheel vehicle plan.

We're planning about 15 minutes by presenter, and I would ask you to keep the questions for the end, and we're planning a 15-minute presentation max, 5 to 10 minutes question at the end, and we believe we can pack all of this within 2 hours. All right. Thank you. Anne-Marie?

Anne-Marie LaBerge - BRP Inc. - SVP of Global Brands, Marketing & Communications

I am so hurt, the best for last? Welcome, everybody. I'm very, very excited to be here. I have been at BRP, like José said, for I would say, 22 months, 7 days, 6 hours. And I'll say -- but it's been a little less than that -- than 2 years and it's been quite the ride and the education. When I first joined BRP, I thought that HD stand for high-definition and I said, "Why do they talk about high-definition so much at BRP?" But it's been an incredible ride. And I would have to start by saying that for a brand professional to be able to be the shepherd of these 6 iconic brands is the most exciting thing that could happen in your career. So I joined for these brands, and I joined, of course, after meeting with José, but no one could resist coming to work for him, it's evaluation time. So I'm just doing my role, but I think that the whole strategy, and I will tell you in one line what the marketing strategy moving forward at BRP is going to be. We have 6 incredible iconic brands. We have brand worshipers. I have spent my career in the

telecommunication industry trying to having people stop hating us and trying to move nonbelievers to believers. When I was interviewing with José, I said, "Oh my God, like people are just in love, like, visiting YouTube and what's being said on social, we don't have -- you don't have brand ambassadors, you have brand worshipers". So can you imagine the power of unleashing these iconic brands and brand worshiper to be able to turn and yield a positive business return. And that was what we've been focusing on for the past 2 years and we're going to be focusing on in the next year.

As you know, doing the presentations to the analyst community on marketing is a little touchy. I wish I could bring you in the kitchen because we've been doing some exciting things, but they won't let me. I'm here to share some of the stuff. I'm going to try to bring it as real as possible, so you don't think and left here thinking that we have great theory, but no we real action, okay. So I'm going to try to do this. The first thing is, every year, we do a brand benchmark survey. So we've been doing this now for a few years. And what this does is it actually helps you understand what each brand is at within the path of purchase. So as you know, there is not one way to looking at engaging with consumers. It is absolutely critical that we understand, are the brands known? Secondly, do people understand what the brand stand for? And then thirdly, do people want to buy me? Historically, brands have a tendency of hanging out in the low funnel, buy me, buy me, buy me. This is where companies are comfortable. They're pushed by a tiny trolley and that are saying, "If I give you a marketing dollar, yield me \$1 in sale. And I'm like, "Wait a second here. I won't be able to sell, if people don't know why they should buy me." And furthermore, maybe they will buy, but what happens is you need a discount. That's why you need to do \$2,000, \$3,000, because I go straight to buy me, consumers don't really know why, so they need an incentive. And we have seen that when investing in the upper funnel, brand equity, we spend less in promotion and we have real case that proofs that. So what we did is and we said, okay, Sea-Doo Ski-Doo, awareness is super high, there's no surprise there. Conversion is not as high as it should be. And the reason for this is that we stopped telling people why you do buy a Ski-Doo. We love these products. We know we're the best, and honestly, usually our hero brands have a tendency of doing this. So we need to start again and talking to consumers about why Ski-Doo is the best product out there and why Sea-Doo is the best product out there. Immediately once you pull up conversion, you'll see sales go up. On Can-Am off and On-Road, I'll start with off-road, really the opportunity is awareness and conversion. I will share with you a specific case with what happens when you invest in those 2 and the results in sales.

Josee might be José Boisjoli's favorite, Josee Perreault, but you have the greatest challenge. And that challenge is that not only does she have to bring up awareness in 3 wheels, but in the core of her products, Ryker and Spyder, but she has to bring invest in awareness in the three-wheel category. So it's not like people don't know the product, they don't know the category. And so that requires more marketing dollars. So if we would share, which we're not. But if we would share our promotional dollars on revenue, definitely here we would spend more on three-wheel category, because we need to invest in having people aware of the entire category.

So now I'm going to share with you 2 pillars that -- to that strategy on increasing our sales for each one of our brands. We're going to be investing in brand equity and digital transformation. Brand equity is really go get to the share of mind and wallets, consumers by investing into our brands consideration. So the why that I've just talked to you about. Digitization historically powers for business, very poor in digitization. So there needed to be a massive investment. You cannot build consumer intimacy and humanizing our brand without the power of digital. So I will share with your a bit what BRP has been doing on that front.

So if we start with brand equity. I wanted to start by, as you know, today, consumers -- there's a whole marketing revolution, where consumers have kicked out brands from the driver seat, they pushed us in the backseat and now, they have the control. And with this, there is a global social movement, where now consumers buy experience, they don't buy product. So 20 years ago, consumers would buy product, product became a commodity then it was all about service, service, service. I remember when I was in telecommunication in 2009, we had the big epiphany that we were not a telco, but a service company. Everybody was talking about service. Today, people buy experiences. And so if people buy experiences, we're not competing with Powersports organization anymore, we're competing with any organization that is fighting for discretionary dollars. So that could be Walt Disney World. And it could be Samsung home theater. And you would say to me, "Okay. Well, what is that changing your strategy?" Well, here's what it changes. For example, when we buy keywords on Google instead of buying snowmobile, we're going to buy winter fun. So that is really a drastic and important change in the way that we see that this is absolutely key and essential in our strategy. If you don't believe me, which I'm sure that you do, but Watermark is a research firm, a consulting group that is out in Connecticut. They did a whole survey in 2014 that demonstrated that organization outperformed broader share market by more than 25%, when focusing on experience. So we are -- we make the best product. We do believe that we made the best product in Powersports in the world. We believe that. But we don't need to sell just



a product, we need to talk about the experience. And this is what consumers are already doing. So this is a transformation that is happening. So they talk to you about this. And it may seem fluffy, but having a brand framework is actually the north star in our organization.

As you know, BRP is a teenager with an old soul. We are 15 years old, we're going to be celebrating in December. So very young organization with old brand. It was time for us, if we're going to building brand equity, we first need to solidify who we are and what do we stand for. What is BRP? And the importance of the purpose is that it will inspire everything that we do. How we behave as an organization. How our employees behave, and even inspire our organic and nonorganic growth opportunity. So if this take us 14 months to develop this whole thing, but as you can see it, it actually defines the DNA. Our purpose is, we exist to create new ways to move people, so that experiences are measured in emotion rather than distance. We reimagine the way you assess your world and this is inspirational to where BRP might want to go in the future, but it's also very representative today.

I won't read the rest but I want to talk about one thing. I do believe that a brand is actually confidence inspired from what's happening within. I use the term "enclosed from within," but I think it's a bad French translation. But without having all of them employee carrying this purpose, there's absolutely no point of having all. So very rare, it's actually the first time in my career and I've been at it for a while that an organization has the courage to revisit its values to ensure that we can deliver on the brand and we did that at BRP. So now we have 4 values that will entice the right behavior for our employees to be able to deliver.

Finally the brand promise, I'm going to share with you a little video. So a brand promise is basically our commitment to consumers. And we'll just run a quick video.

(presentation)

Anne-Marie LaBerge - BRP Inc. - SVP of Global Brands, Marketing & Communications

So what does adventure by design mean? Is that whatever the product or whatever purpose you ride it, BRP will be obsessed in delivering the best experience and best stuff. So what we did is that brand framework that I showed you, we redid it for our 6 product brands. As you can imagine, the perception of what Can-Am would spend for across the organization was very different. You could interview and ask people, "Oh, you know what, it's all about money. No, it's all about [rock]. No, it's all about speed." And so it's very important that if we're going to build equity, we absolutely needed to define what these brands were. So we did that from the 6 product brands. And then we can actually behave and as that brand framework represent. So the tone and the voice of each one of these -- each one of these brands. It was really important for us as well to humanize, to be able to humanize our brands. What I mean by that is that if consumers are in the driver seat, consumers do not want to connect with the corporate entity. They want to connect with a human organization. And the language for this is very important. So I called the language to the -- the last was an old ad, I called it R2-D2. I'm a Star Trek fan, but it's very kind of product defined and oriented, where we are moving now to a much more human. So Can-Am's tone, it's all about gutsy, but it's about real and it's about human. And so you will see that all of our assets, if you were there yesterday. We're built for this means that I'm a mother and I'm built for that, but my machine is (inaudible) and same thing with the farmer. The farmer is built for farming, but the product is actually built, as you know, we always say that we build our product right or down. So if you look at the language, it's where our work ethic. This whole campaign was specifically targeting farmers. What we did is obsessed in visiting farmers, looking at farmers, the language, we use real farmers in our ads now. So we do about talk the product in a lot of the place. We specifically talk about the technical elements, but when connecting on the brand equity and on the brand awareness front, we want it to connect with your heart. So when I talk about connecting with hearts and minds, this is the heart portion.

So the results. So we -- another thing that we did so the brand attitude is absolutely critical, I talked to you about focusing on the path to purchase. Am I at a point now with this brand where I need to talk about awareness or consideration or am I at the point of sale? The other thing that we did is we realized that it's impossible for us to attack the world with each one of our brand. We'd be spending millions and millions and millions in marketing. What we're doing now, working with Sandy very closely is we focus on opportunity. And we're so good at it. And we go in and we laser in. And we understand that market, what is the need? Who are we talking to? Where in the path to purchase are the consumers? And we basically go in with a full-on marketing strategy. This specific campaign is for North America, and it was for SSV and ATV. And the results of this campaign were from 2018 in the spring, I can't say 2018 in the spring, to the campaign that ended in the fall of 2017. And I don't know how much you know

about marketing, but to yield a 7% increase in unaided awareness in that time frame is extraordinary, but you know what's more extraordinary? Is we spent \$1 million less.

So on brand equity, the why Can-Am? So you know what we did is we call this putting buds and seeds. Today, you went riding this morning, isn't there a better marketing tool than actually riding the product? I don't believe that. We truly believe that if somebody sits in one of our product they will buy it. And we have a proof of that. So we're spending a lot of dollars less in advertising at that level and way more in experiential. We bought trucks and machines. And we go and we drop products at our customers. So this yielded 2.2% of market share increase in that time, and an incredible 18% in retail sales and you know what? Spending millions of dollars less in promotion dollars.

I could bring you, share you the same example -- give you same example -- I could give you, but Seb didn't want to give me the time to do that. But I think, this brings the message home.

Now let's talk about digital.

I will bore you to getting too technical on this, but this is the path to purchase that I've talked earlier. So digital is absolutely critical to be able to connect with consumer's hearts and minds throughout the entire path to purchase.

There is moments of truth, as you know, from "I don't know you exist" to "Oh my God, I want to buy again or I'll buy -- I want to buy more product." We are now setting up platforms, CRM platforms and marketing automation platforms at BRP that will allow us to actually speak to you at the right time, at the right place, talking to about the right product. So this is really what we're trying to do.

I don't need to tell you guys the fact that digital is the single most important marketing tool today, not just in Powersports or automotive -- this is in automotive, but overall. So it was absolutely critical that BRP brought speed into the digital world.

There's 4 pillars to our strategy in digitizing BRP. Automation, this is recent scale, how can we talk to more people, like we are a global company, we are in hundreds of countries. And again, it is -- it would be completely inappropriate for us to start deploying a full-on marketing strategy for all these countries, but digital will allow us to be able to connect with more people. The tailor messages to personalization, contextualization. Talk to me at the right place, at the right time. There is a great travel site that I won't name. Every time that I use it to book a trip, when I come back, they try to sell me ad about the same place I just came back from. They would need my team's help. So this is all about contextualization. And innovation, this is all about using AI and machine learning and to ensuring that I'm more and more pertinent.

I wanted to bring you some results again to demonstrate that things are real and they're happening and they're moving. So on speed, site performance. So do you know that 75% of the people will never revisit a site if it takes more than 15 seconds or 10 seconds to load, fully load, okay? So getting our site speed better, improving it was absolute critical. In 1 year, we improved it 327%. Build-your-own is a single most important marketing tool to drive people from building your machines to going into the dealership and buying it. We have increased 106% the amount of people that did -- that filled out build-your-own on our site. SEO SEM, I'll quickly explain in case you don't know what it is. Search engine optimization, search engine marketing. This is when you go in Google and you type in a word, and the first thing, optimization is organic. So the first thing that comes that don't say, AV next to it. I bet this is unpaid. And then this is paid, search engine marketing. You want search engine optimization to be at its best, because this is free entry into your website. We have doubled the amount of people that came into our website from organic search in a year, which is incredible because we don't pay for that. And that was specifically, I'm reading this on this D2 front, but we're doing same kind of performance on every one of our products. I don't know if you knew that on search engine marketing, when you go into Google, the word that you type in, there's an option -- something -- option for it, try to change all the time. So you need expert, we brought in incredible people that are experts into search engine optimization and marketing that helped us add -- and one example here is, we decreased 40% of the cost of the work that we paid for. But yet, we are more efficient than ever. So increasing the amount of people that come in from SEM into our website.

I'm going to -- at the end of my presentation, but I wanted to be very transparent with you guys. This is a Deloitte paper that we found and basically what it says is that, there is a path to digitization. This curve to me should be hockey stick if it was fully representative. I'll call Deloitte to tell them. But what it is, is that, you start from being -- from exploring digital to truly being digital. And I believe today, BRP is in between doing and becoming digital. What happens is that, once you start really becoming digital, you've won, things goes superfast, because you have the right tools. More



importantly for an organization to become digital is the people. And we have built the best-in-class team at BRP now that I am so thrilled to have. And we are seeing things, the speed into which we're moving is getting faster and faster.

The last point I want to leave you on is the future. Where are we going in marketing? I like to say that, I'd like to work myself out of a job within 5 year, and the reason for this is if we do our job very well, what we should focus on today, what -- not what we should, what we are focusing on today is building a megaphone, that's exactly this whole digital thing is we're just building a megaphone to give the voice to our brand worshipers and ambassadors. And all BRP should be doing is actually becoming an air traffic controller to all these things. Because after all, how many companies can claim that their customers have given them real estate. Like people tattoo our brand on their body. And so this -- can you imagine if we let these people speak on behalf of us that would be absolutely incredible. So the future is exciting, it's happening fast and that's it for me. Thank you very much.

José Boisjoli - BRP Inc. - President, CEO & Director

Are there any questions? We maybe have time for one. Go ahead.

QUESTIONS AND ANSWERS

Unidentified Participant

So as you changed the marketing experience, are you getting into different demographics (inaudible) top of the funnel?

Anne-Marie LaBerge - BRP Inc. - SVP of Global Brands, Marketing & Communications

Yes, absolutely. So what we're doing -- I'm talking about experience is we are opening accessibility. And we are seeing a different demographic. I can think right now specifically on 2 of our products because then and you'll see even on Ski-Doo we're doing some things right now that are really opening, because people that ride snowmobile are more like kind of a tight group. And we're working on opening this tight group and reaching out to a much broader part. So yes.

José Boisjoli - BRP Inc. - President, CEO & Director

Thank you, Anne-Marie. Tracy?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Thank you. Let me start by saying, it's no fun working at BRP, when you're a yellow checkmark surrounded by green checkmarks. But we're going to do something about that and it's going to start with this new BRP green strategy. So a little bit about myself, you can see my background there. Very exciting to be here. Leading BRP Marine and operationalizing the strategy that we'll walk you through a little bit later on here this morning. To do that today I'll break it into 2 parts. But first, I'll just give you kind of a quick snapshot of why BRP Marine and why getting into the boating industry? And then I'll follow that with unpacking the buy-build-and-transform strategy that José alluded to a little bit earlier. Okay?

So it starts with the size of the sandbox, or maybe I think we should -- the size of the swimming pool. Now where you've got in U.S. alone \$185 million -- sorry, \$185 billion being spent on recreational vehicle gear and accessory. That's a huge number. And watersport, fishing and watersport by itself is \$41 billion of that \$185 billion. Almost twice as big as off-road motorcycle and snow combined. So the starting point and this is not new to us, but this is a big market.



Equally as important, it's a growing market. You look at the bar chart here, and you can see that since the recession, it has been a very impressive recovery, in fact, it's predicted at the end of 2018 we will have recovered to pre-recession levels, driven by new boat sales versus preowned, growing about 2:1 rate that helps drive this growth.

We're also seeing and José alluded to it at the package business is a trend that's driving this growth package where you get both engine and trailer in one. Now 3 out of every 4 boats are part of a package versus repower. And as part of that you're seeing the horsepower go up, which is driving great margin and good for the industry, not as good for Evinrude. So it gives you an insight as to where and why we need to unlock this to really see, unlock all of Evinrude's potential in this area.

Last and certainly not least, it ties into a lot of what Anne-Marie was saying is, we know these consumers and these consumers know us. They don't not only know us, they love us. 27% owned an ATV, 34% the snowmobile, 44% PWC and you could immediately start thinking about the cross promotional opportunities as we leverage the growth and momentum that we have in our Powersport business into our boating business.

So there's more to that in terms of what built and our focus on the strategy, but the starting point, big, growing opportunity to cross promote. And that led us to really, a 3-phase strategy. The first phase, buy, we're thinking of this in kind of a 12- to 24-month timeframe followed by build. Build is more of your 2 to 3 years' time frame. And then finally, transform, and think about that in 3 to 4 years. Obviously, these are all working concurrently with each other, but in terms of ultimately delivering the objective for each, those are the time frames that we've outlined.

So let's start with buy, and it begins with getting a critical mass. Critical mass really means finding the right boating segments and then the right brands within those segments that we can bring our core competencies and competitive advantages to help them grow. So to give an example of that, I'll break this slide down, there's a lot going on here. But you've got the gray is international, the yellow is North America and this looks at total boats sold globally in thousands, and you got it broken down by the segments here. And what pops out immediately is the size of all-around fishing and pontoon.

In the U.S. alone, half of all the boats sold in the industry fall in just those 2 categories, okay? So a great place to start.

Same look, looking at gray international, yellow North America and a different way of looking at it, aluminum/fiberglass. And here, you have that all over, same strength in all around fishing and pontoon for North America, representing over 80% of all of the boats sold. And as a company that knows how to design and manufacturing aluminum that gives us a really great focus and certainly, why not better place to start than buying a company that actually has aluminum into its name. And we did that with the acquisition that we made in late June with Alumacraft.

Now, Alumacraft is a great business, headquartered out of St. Peter, Minnesota. It's been around for 75 years. They've got market share in the mid-teens and compete against Lund and Crestliner, and we love how they're positioned. They have a great, what we think is a revolutionary technology, twin-plated TXB -- 2XB I should say, hulls that -- and these are riveted versus welded boats. And it really gives it a performance profile like no other boat in the aluminum fishing in terms of noise vibration without compromising any of these (inaudible). So a good first acquisition. We love the way this brand is positioned. We followed that up 30 days later by acquiring a pontoon company, Manitou. Manitou is again, a brand that's been around for a while, 1988, over 150 dealers, but they are in the low single-digit in terms of their market share. But again, they are a premium pontoon boat, both in terms of the design, the look of the pontoon as well as the fit and finish. But what we really love about this, similar to Alumacraft, is they have some patented technology, Tri-Toon Technology, that's the third toon that they have integrated into the design of the boat that gives it a great performance relative to any other pontoon in the industry. Now 5 years ago, you would never have used performance and pontoon in the same sentence, but with a Manitou Pontoon, you can do that. And part of that is really, we have benefited from that, we have almost 40% of all the engines sold by Manitou because of the technology that we have. High-performance engines on a high-performance pontoon has really created a great synergy between both of our companies. So like Alumacraft, we love the positioning of this brand and this market. So a good place to start in terms of the buy part of our strategy. And with that as a cornerstone, if you will, we'll move into the second phase, which is driving growth and efficiency.

And this, we've broken off into 2 areas. The first one is really building out the dealer network. It starts with dealer optimization, being able to take Alumacraft dealers and match them up with Manitou dealers then match those up with Evinrude dealers. We'll have lots of conversion opportunity

when we start that process, shared opportunity between the brands. And then the second part of that is bringing our manufacturing capabilities and our ability to increase their capacity as we sort of set them up for future growth.

Here is an example of how we're going to optimize these networks, and you could see the Evinrude dealer network on the left, over 1,000 dealers spread across most of all in North America. The Alumacraft dealer base, still more of an upper Midwest. And then the Manitou dealer base, again, not as spread out as Alumacraft. And so, the combination of that really sort of gives you a good visual of how we'll be able to optimize this dealer network. At the same time, we've got lots of expansion, lots of white space that we can bring all 3 brands into a single value proposition and really grow the network, underscored by the fact that there's only 14 dealers that sell both Alumacraft and Manitou boats. Great way to start, lots of opportunity.

In addition, we've got a lot of the Evinrude dealers that are out there that are not putting Evinrudes on Manitous and Alumacrafts. So we've got a lot of, what we think, low-hanging fruit in the short term. We're also -- and we've been able to time up these acquisitions with their dealer meeting, which allowed us to get out ahead and kind of control the narrative. And as a result, we're pleasantly surprised by how many dealers have raised their hand -- non-Evinrude dealers have raised their hand to be -- and are considering Evinrude far exceeded our expectations this early in the game. So that's going to be a nice part of what we focus on here over the build phase. In addition, we've talked about aluminum as being an important part of this strategy, and there's 2 parts to this. Certainly, we've got lots of technology, lots of know-how, whether that's computer-aided, design to assembly, welding and riveting technology, that these companies and really, the industry has not seen yet. And you combine that with our know-how and resources to be able to increase their capacity. We think we'll set this up for the third phase and I would say, the most exciting phase, which is really to transform the industry. And that transform the industry really harkens back to a lot of what Anne-Marie was just saying, is we want to change the boating experience. The experience you have before you're on the boat, the experience as you get to the marina and get to your boat, the experience that you have when you're out on the boat and the experience after you're on -- after you leave the boat. And our ability to do that will really hinge on us taking an industry that as a boater, I can say, hasn't seen a lot of innovation. That experience hasn't really changed much in the last 30 years. And you think other than maybe pontoons adding upholstery and nicer furniture, we haven't seen a lot of innovation. And we think we have the ability to begin bringing that level of innovation to the industry.

And while I think this is a very basic diagram, I think one of the things that we will be able to do is address that experience through propulsion. And we have technology, technology that is unique to Evinrude, combined with its expertise that we have on the Sea-Doo side to be able to take that outboard engine and put it under the transom. So we're not going to necessarily go into all of what that technology is here today, but we've already gone through the proof-of-concept. And as you think about what that does to the boat and what a consumer is looking for, they don't want to see it, that is an outboard engine; they don't want to hear it; they don't want to smell it; they don't want to fear it, meaning as somebody is swimming or doing tow sports on the back; and they certainly don't want it to intrude with their overall experience, whether they're tubing on the back or fishing. And what we've been able to -- what we will be able to do with this transformation is do what every boat builder ultimately wants to do, is to find more usable space on that boat. So, clearly very excited about the potential of this. We have negotiated it into our new product development plans, and this will be a big -- this is just one of several initiatives that we have that will be part of this overall industry transformation.

So with that, I'll pause. Open it up for questions. Yes sir?

Unidentified Analyst

Yes. I'm looking at the boating market, obviously aluminum is a key part of it, but there's also this fiberglass. So could you talk about your intention to come back into the fiberglass market eventually?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Well, we're looking at all of the segments. And as important as the segment is, what is the brand within the segment? Such as, what does it -- does it have a competitive point of difference? But knowing what we can bring to aluminum, we're going to focus there first.



Unidentified Analyst

You talked about dealer optimization, and you have like 1,000 dealers for Evinrude, 150 for Manitou and 275 for Alumacraft. What would be the best -- what would be the optimal dealer size you're aiming in the U.S.?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

We're currently in the process of evaluating that, building out what we call the right dealers and the right markets. So we don't have that number exact today. We know it's probably -- it's certainly more than 250. 150 in the case of Alumacraft and Manitou. But it's really finding, like I said, it's less about the number and it's more about finding the right dealer and the right market.

José Boisjoli - BRP Inc. - President, CEO & Director

Does each boat brand have its dealership? So when you look at Evinrude, we're not thinking about 1 dealership network, we're thinking about 3 dealership networks with the Evinrude brand, with the boat brands as well. So if there's synergies that would happen, so let's take some Manitou to Alumacraft dealers, et cetera, but we're still very focused on optimizing dealer integration.

Unidentified Analyst

So you're saying this integration would be obviously different from now or they're also different from an inboard-outboard or (inaudible)?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Yes, good question. This is an outboard engine. This has all of the attributes of an outboard engine because it will be an outboard engine. So just the technology that we have will enable us to put it underneath the transom, put it out of sight, no noise, no smell and obviously, create a more usable space on the boat. But so when I say all the attributes of an operation, that means you'll be able to bore it, service it, sits onto the table pattern, but we also then have the added advantage of working with our boat companies to integrate it into the boat.

Unidentified Analyst

(inaudible)?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Yes, balance the...

Bertrand Thiébaud - BRP Inc. - President of Powersports Group

Maybe you can say why we're showing that today, but for us, it's a bit like the commitment on side by side. We want to say to the boating industry that we're serious about this and we're committed about this. And it's created -- it's creating obviously, a goal for the team in the Marine group. But at the same time, now we can talk to dealers who are not sure if they want to work with Alumacraft and us or whatever, and have something that's coming. And for competitive reasons, we don't intend to say more than that for the time being.

Unidentified Analyst

My understanding is that the boating industry is a low CapEx business, but also thinner margins. I would be curious if you thought to make huge CapEx over the next 5, 10 years in comparison to the rest of the boating industry. Do you expect margins to expand the profitability in making the regional (inaudible) of all that business (inaudible) the parts (inaudible) essentially.

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Well, I wouldn't say we have to make huge CapEx. The nice thing about both of the boat companies we bought thus far is that they've got the kind of geographical footprint that we can expand with reasonable CapEx. I think over time, yes, we would think our expertise, our synergy, our leverage is going to help expand margins.

José Boisjoli - BRP Inc. - President, CEO & Director

Yes, to think, Manuel, when you look at the Project Ghost, there is a lot of value in this. When you give that real estate in the back of the boat, there is a lot of value. Now it's too early to -- but we believe we can improve the margin there in time.

Craig R. Kennison - Robert W. Baird & Co. Incorporated, Research Division - Director of Research Operations and Senior Research Analyst

Within strategy, in some ways you're telling your current engine suppliers that you're not part of a future, just part of the risk of going from A to B. How have they received this message? Is there a transition period when you actually could view the volumes dip or if they recover in this scenario?

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Yes, so this is about within the boat companies, the engine companies we do business with?

Craig R. Kennison - Robert W. Baird & Co. Incorporated, Research Division - Director of Research Operations and Senior Research Analyst

Right.

Tracy Jerry Crocker - BRP Inc. - Senior VP & GM of Evinrude

Yes, so we have not shared this yet, so this is not out there. But in terms of the as the announcement has been made, we have said to the dealers is that we are here to help our new boat company to sell boats. And we believe that's part of offering consumers a choice, and we want to work with all outboard engine companies. There have been a couple that don't look like they're going to want to do that and so, there could be a short-term impact of that as we go through this transition. We are pleasantly surprised, however, how many -- and again, this is very early on, how many have raised their hand, how many we're having productive conversations with, this gives us some confidence that this transition period won't be long.

José Boisjoli - BRP Inc. - President, CEO & Director

The other thing, Craig, even if that new, let's call it the Ghost platform, that do not eliminate the G2. The G2 will be still out there, and some boat that -- the traditional boat could stay there. Then that's not totally eliminating what we're doing today.

José Boisjoli - BRP Inc. - President, CEO & Director

Next up is Bertrand for our Powersports Group update.

Bertrand Thiébaud - BRP Inc. - President of Powersports Group

Hello, everyone. So I'm the new one. I'm very pleased to meet you. I heard that some of you wanted to know what I've done before. So I would like to try to summarize, but it's quite busy. I've spent pretty much my time in the automotive world, mostly with Ford Motor Company with different brands. You can see Ford (inaudible) so I was deeply involved at some of those luxury brands. And then I moved to distribution, I was involved in 2012, one called CFAO which is mostly in Europe and emerging markets and this is based in (inaudible) with (inaudible) with one of the largest facility which is the world's largest, selling 350,000 units mostly in Europe. And I was lucky to live not so far from here in Detroit, U.S.A. for some years before working a lot around this idea of integrating the office and the finance company as well based in Europe and Middle East, and I began visiting in Asia as well, nearly 8 years. 4 years in Bangkok and the rest in Tokyo. So I would say I have some global geographical experience and now, Canada is my new home.

The presentation I'm going to make, I should say, I'm here only for 6 months and we been dealing with the business on a daily basis for 12 months. We'd be sharing with you what I'm considering as one very -- is successful today. And maybe I can give you a hint of what could be the growth pillars for the future of the Powersports business. So summary is very simple, so Jose put it in a very simple way and I'm a lucky guy with a great month. So this (inaudible) for us is simple. We are clearly leading in 2 key pillars, which is the snow and watercraft. And we are becoming a strong contenders on the 2 others and doing tremendous progress on the -- in the side-by-side boat. So we're a fast-growing challenger in this area.

And if you look at the geographical footprint, we're growing fast pretty much everywhere. We have very strong progress in our home base, which is the U.S. and Canada area. But even the other markets, they are growing at fast pace. So there's a pretty good balance between the different geographical footprints.

The 4 elements behind this growth, if you would like to summarize it, and that's more in perspective but I would like to share with you today, what I would call diversification and I'll come back to this in one minute. Innovation is certainly in our DNA. Strong distribution network and manufacturing facilities. So if you take the first one and I'm sure you compare it with some of our competitors. We're pretty lucky because we have a pretty well-balance. We have a balanced portfolio between products which are able to be sold year round and ones which are seasonal. As well as we're growing in the fast area with a lot of accessories, so that's making us quite well-balanced in those different area. We have a geographical footprint where the international business is growing. So of course, we're enjoying a very good economy right now, but the reality is if anything happens to the North American economy, we still -- we have a strong footprint in international and we won't (inaudible). And the last down is from the manufacturing facilities. We have a combination of very mature and very technologically advanced manufacturing footprints, which are our historical footprints in Canada and of course, in Australia. And we have a second area where we're currently developing our future growth, which here is Mexico, where we are developing and producing much more. And of course, the cost base is much lower.

Now if we look at the product innovation and I think there is 3 areas I'd like to cover. We have been investing in very consistent ways across the years, and that's giving us a fantastic situation in term of product innovation. And the benefits are extremely simple. The first benefit is we are being able to create subsegments. I would say the best example is the Spark TRIXX. Nobody was thinking about using a watercraft when the waves are down. And nowadays, it's becoming one of the bestselling machines in the industry in this area. The second element is the pace of the introduction is very fast because we have a lean and flexible production system. And the combination of those 2 things create a situation where we're extremely connected to the customer and we are able, at the end of the day, you have less discount and a better premium. So from a profit perspective, it's very obvious.

And the last element which is extremely important for us and many in the room, we have an extremely strong design and it's not us telling it, it's pretty much all the big awards around the world. We're not talking about 1 or 2, I'm talking about 18, so we are very well recognized for the quality of the design and the innovation.



The third element, I'm talking about dealers. I'm sure you have been facing some of our friends and competitors saying we have a very good dealer value position. I don't want to make again, a beauty contest here. I'm going to say very simply that if you look at the situation, we are able to attract tier 1 dealers, and to do it in a very good way around the globe. If you look at places like U.S.A., we have been growing by 21% from a distribution network perspective with very strong company. Same in China, where we are clearly leading the markets of Powersports in this country, and you know the size of China with 1.3 billion people. In Brazil, same situation. And I think the last element, which is showing how strong we are from a value proposition, and Sandy will cover it in a lot of details, we have decided because it's a substantial future big market for us to go direct in Russia. And in this exercise, both the dealer came on board and we lost no one. They were extremely happy to sign with us.

Manufacturing footprints. Again, why is our core education, which is the engine is so important to us. They are the technological hub and heart of our company, but we need to keep those hubs for the future because they are really the place where we can develop not only the technique itself but the people who are going to run the company somewhere else in the world. If Mexico had been such a success for us, it's because we have those 2 hubs where we have been able to take people and trust business know-how and to teach and train the people locally. And now, we have this well-balanced organization where we have those hubs. Even with higher labor costs, we continue to develop those hubs by 2020 is the last example, where we're building the latest technology, and we can basically support the growth here.

The second element with those 3 Mexican sites is we have a lot of flexibility and we need it because you saw the growth. And I heard the question if you have the capability to grow without the CapEx. We are in a situation today where in Mexico, just to show you, we have been growing by 30% for the year we are within. And for next year, we're assuming that we can still be growing by 50% without massive investments. Because the site has been designed by the people who did it and what is true for the side-by-side business in a way that we can expand it without having to build and create the new plant. A new plant is, of course, a lot of money. So the site is flexible enough and you have a feature of the weight, what design. Originally, we add pieces but we still have room for this growth. And that's extremely important for us, keeping up with the momentum.

Now going forward, I will not give you the cost budget because I don't think it's finished yet. But I will just highlight 3 elements. The first one is, side-by-side linked to the 3 wheel we have just seen with Josee Perreault. The second one I just mentioned it, but how we are going to go further with international markets and further diversification. And the third one and some of the elements just presented by Anne-Marie were showing why it's so important for us and Sandy will cover the other points.

So I'm coming back to those 3 points. The first one is side-by-side, it's extremely simple. We have been growing between '18 -- I'm sorry, '15 to '18 by 66%, so it's the fastest growth in the industry. But in reality, if you look at our performance, it's very simple. We're the yellow line here. Especially in this area in utility, we still have a runway ahead of us. And with the quality of the product we're bringing, there is no reason why we cannot grow to a bigger number. So I'm not going to give you any number today, but you can imagine that we're not going to be shy.

The second one in terms of international diversification, there is we believe, 3 markets which are important for our growth. All are important, of course, but those 3 are extremely important, Russia, China and Brazil. And the Russian market is probably the only big snow market where today, we considered volume is not where it could be. So that's why we're going direct and there is clearly an ATV business as well there. So we are definitely going direct in Russia to expand these markets. The second one, we're already a market leader and we're very happy with that, we have done a very good job. But again, we're still in small numbers in a 1.3 billion people market, so we really need to adapt the way we're making business to be compatible with this territory, which is in many ways, very unique but we are definitely going to focus our energy on this. In Brazil, Brazil is recovering, even if it's still fragile. And it's a business for snow -- for sea, sorry and we are growing and growing extremely fast.

The third element and that's probably the combination of the 3 elements I was mentioning before. We want to be effective in keeping our customers, because attracting new customers without being able to retain them is extremely expensive. And Anne-Marie with the -- her digital frame was showing that very well.

The first one, product and accessories. We are in a situation where today, I think we're hitting the mark in a good way, and we want to continue to do it, really being able to tailor products to the right direction. The second one is how we are going to treat basically deal with the people visiting our dealerships. What's the customer experience when you visit one of our dealers? And not only for the sales experience, but the service experience. We used to sell small product, we are now selling things which are nearly as big as cars. When you look at the Maverick X3 MAX, it's a huge product. So we clearly need to adapt our organization today. And the third one, I think was very well covered with Anne-Marie is how we are going to create



the relationship from a digital perspective with a customer to be first, more connected to the people but having a more cost-effective approach with them. So I think, she showed that in a very good way, so I'm not going to come back on this one.

So summary, and again, you have to forgive me, it's only a few months. I think we have a very strong momentum based on very strong foundation. We have further opportunities. And the last point I'd like to make and it's probably a little bit more personal, great company and great growth are built not only on assets but they are built on people. And if I compare the people inside BRP from the company I'm coming from, especially the big auto makers, I can't see any big difference in terms of talent pool. And we really have the talent pool to be able to grow and to go further, because it's nearly everywhere, not only in the engineering side. You have a huge bunch of young people. I believe I have seen some of those people on stage last night. So that's what I wanted to share with you today.

José Boisjoli - BRP Inc. - President, CEO & Director

Any questions?

Unidentified Analyst

The Powersports industry can get competitive in discounts and especially it's the category growth and other industries. How do you intend to manage that, if you're taking share from competitors who don't know if you'll get that out?

Bertrand Thiébaud - BRP Inc. - President of Powersports Group

I think there's 2 questions. And, first, you're right. This thing will definitely increase and if we take side-by-side as an example, where we definitely want to challenges, so we know where we'll become more aggressive as well as integrated action. I don't think our position is essentially shy from those kind of initiatives. So there is a risk that we will enforce more aggressively but aggressive doesn't mean always discount. There is different ways to be aggressive. I think the best answer is the fact that we believe we are able to create more targeted and more segmented products, so they are more relevant to our customer, and we see that already. The second thing is the strategy from a digital perspective Anne-Marie is putting in place below us to basically on a permanent basis, be more cost-effective. So that will give us more runway to be aggressive. But of course, if we enter lower segments from a percentage perspective, margin-wise, we have a risk to make it a bit lower but it's still very high margin. So I don't think it would be (inaudible) to us.

José Boisjoli - BRP Inc. - President, CEO & Director

Any other questions?

Bertrand Thiébaud - BRP Inc. - President of Powersports Group

Thank you.

José Boisjoli - BRP Inc. - President, CEO & Director

Thank you, Bertrand. Next up is Sandy.

Sandy Scullion - BRP Inc. - Senior VP and GM of Global Retail & Services

Good morning, everyone. I think I have the easiest portion. As you look at the results so far, it's very solid results everywhere. Most of the regions are double-digits. North America being the biggest pie obviously, this is where the focus is but looking at Latin America and Asia Pacific at 27%



and 17%, respectively, is pretty strong. This is largely driven by side-by-side, but also the watercraft season has been phenomenal so far. So this is for H1. Obviously for EMEA, what's not fair is that we actually ran out of snowmobiles at the end of the season only because the winter was also great in Scandinavia. If you put that back into EMEA, it's probably double-digits as well, so phenomenal momentum as we speak.

If we zoom into North America, this is not only about solid economics in North America. Clearly, there's a contrast between our performance and what's happening with our competitors, so -- and as you look -- when you look at side-by-side, mid-single digit growth for the competitors, mid-30s for BRP tells a lot. I'll go back side-by-side in a couple of slides, showing you the opportunity in a little bit more detail.

ATV in a slowing down industry, we are actually gaining momentum, so gaining market share there as well. We're still the leaders in the top-cc segment, and we're fast growing in the mid-cc segment for ATV. We've actually been growing in the past 4 years significantly in that entry-level segment. For watercraft, it's largely driven by the new platform we launched last year, but TRIXX has been surprising us all the way, so huge increases there as well. So the watercraft, especially with a combination of mother nature cooperating pretty much everywhere on the planet, some of our dealers actually ran out of products in June from the last one, so it tells you about the attractiveness of our product lineup for watercraft.

For snowmobile, obviously right now, we're in off-season, but the foundation for this fall and this winter are solid. We finished with relatively low-level of inventories compared to the year before. We also had a phenomenal spring break so I think the bases are pretty solid for snowmobile going forward for the next couple of quarters.

In terms of international, the highlight here is simple. China is leading the pack. China has been growing 40% to 50% year-over-year for the last 3 to 4 years, so a great momentum there. As Bertrand said, Brazil is recovering with a vengeance. Our Watercraft business in Brazil has been really good for us. Their capital season market and even the retail units off-season during their winter or our summer. And there's also Mexico, we can't forget Mexico. It is driving a lot of growth with the side-by-side business, and we believe that we present a fair amount of share in Mexico. So that being said, again, side-by-side is most of the driving force, but Watercraft as well throughout the world has been really good.

A word on EMEA, a couple of things are happening at EMEA. The ORV industry is actually softening a little bit and the reasons behind that it has went through the last couple of years, a huge transition in terms of amalgamation. As you may know or may not know in Europe, mainly ATVs and side-by-sides can actually go on-road. And the European authorities in 2016 changed the dynamics, so noise regulation, speed regulation. We actually right now, have the only ATV lineup with ABS that can go over 40 kilometers an hour. So there's been some consolidation from the OEMs in terms of which strategy to choose. We believe we have one of the best strategies in Europe to go forward.

If we look at the lineup and what's relevant for the next wave of growth. Obviously, we've launched the Maverick Sport 60-inch this spring, this was kind of expected from our network that we went to the Max version, so -- and just to give you an idea and in a very short time, we were able to grow our market share significantly in the sport segment. We believe that the aging platform that exists from our competitors allows us to go more rapidly into this segment relative to the other segments. So we're doing extremely good with the Maverick Trail and the Maverick Sport category. This is one of the recipes that we're pretty good at as well is creating some specialty packages, top-of-the-line, great margins for dealer, great margins for us as well. So the continuation of the applying the X rc package in the Maverick Sport segment we launched last night; the XMR as well as the Maverick Sport segment; and not to forget, the Defender Max X mr. This will be a very popular unit in our network. And lastly, to be able to hit the \$10,000-less mark, especially in the U.S., we can have with the 6x6 with DPS and the 450 engine.

Now if you look at a little bit of our history but also in terms of industry volumes, obviously, we're looking at the Rec-Sport 60in and the Rec-Sport 64in Mid HP, those were areas where we had some gaps in the lineup. Talked about what we launched this Spring, with the 60in and now, what you saw yesterday is actually filling some of the hold in these categories. So now, we're better equipped to grow faster and more aggressively within these segments.

And also in terms of the Rec-Sport 64in+ Top HP, we're doing extremely well in the high-end category. And we know we have to go more aggressive in more of these base entry levels of that category. But as you probably know, we've been ramping up production capacity. We've been a little bit behind demand in terms of supply. So the dealers are actually focusing on the high end because they just can't get what they need through the whole lineup. So as we get more capacity starting this November and then in February and then ramp it up faster, we'll be able to fill these holes much rapidly and the dealers will be able to commit on these segments as well, so really interesting dynamics right now.



Now zooming into the utility segment, I just talked about the sport segment that has showed the runway we have in front of us. It's a -- with the momentum we're having right now and the capacity that's going to be able to follow demand, we believe this is going to be a very interesting next at least 1.5 years, 2 years. Look at the 5 top states in the U.S. for utility. Texas by far, the biggest opportunity we have. Minnesota, Wisconsin, Michigan and Florida, just to say that in the last year, we've been focusing on Texas. Anne-Marie talked about laserizing into a market and really mobilizing the dealers and the retail ops team with the marketing teams. And the last year, this is the result of what we were able to do in Texas, plus 65%. So it gives you an idea, we have the recipe in our hands right now. When we want to focus on a market, the results follow automatically. So really happy with what the team has put forward and the momentum we're having, and we can expect more focus in this space in the coming months.

Switching to Watercraft. Obviously, the Fish Pro was in my view, a hidden gem. Even dealers I talked to yesterday are just realizing why -- how come we didn't think of this earlier? This is already a trend in North America, but it's a lifestyle already in some of the countries like South Africa or New Zealand, sorry about that. And so we believe that with what we're seeing from New Zealand specifically, because the volumes are much larger there is if this trend continues within North America, this could be much bigger than a lot of people think. In terms of the accessories is a concern. Last year when we launched in the platform, we included the LinQ system and everything around the new platform, and we've had phenomenal success with that. This is a continuation on the Spark platform and obviously, with the TRIXX. Don't forget, there's about 100,000 units of these in the market right now. This is all retrofittable, so this is quite interesting but also, more focus from our teams on the rental business, which has not been a focus in the past. Now, we have a unit that is purpose-built for the rental business. So we're going to go aggressively on that segment as well.

As I said earlier, in terms of the success we've had in the accessory area in the last 3 years, we've grown the dollars per unit. So that's fleet neutralized dollars per unit by 24%. You add the 3 that's increasing, so it adds up pretty quickly. And this is an example of what we've been able to apply to the Spark platform as we did to the last year's new platform in Watercraft.

Now, none of this would have been possible if it wasn't with the support of our network. José talked about it a little bit earlier, dealer value proposition for us is key. The network is one of our most important assets we have. We have the recipe in place, it's an ecosystem of a lot of elements I won't go into right now. But just to give you proof that, that ecosystem and strategy is paying off big time. When you look at the side-by-side growth in multi-line dealers versus single-line BRP dealers, we're actually growing twice as fast when we have competitors beside us, so this is quite telling. And with all the dealers we've added in the network in the last couple of years, the number of units per dealer actually increased as well, so another proof that we've got our fingers on the dial in terms of the dealer value proposition. And in terms of engagement, we're one of the lowest OEMs in terms of churn, so losing dealers over time. And we just won this year or ranked the #1 UTV mystery shopper survey in terms of customer satisfaction for the BRP brands, so this really, really works.

Unidentified Company Representative

Any questions for Sandy?

Unidentified Participant

Can you talk about the broader [SMB] demand environment (inaudible) the oil patch and then everything including those?

Sandy Scullion - BRP Inc. - Senior VP and GM of Global Retail & Services

As -- obviously, this is -- we see right now a lot of growth from our utility market. For us, this is really important. You need to understand that it's still relatively new for the BRP leaders to focus on the utility market, whether it's utility, whether it's oil and gas and so on. But obviously, we -- a good portion of our network is with -- part of our competitors. So we are making a lot of inroads in there. And the quality of our products is also showing big time when you're competing with the others. So obviously, the perspective we have right now is quite encouraging. The economies are strong, pretty much everywhere. It's our focus in Australia as an example that's purely Defender because you cannot ride with an X3 on public land in Australia. You can ride with the watercrafts and the 4x4 but not with an X3. So it's mostly farmers and utility. So the teams are actually



mobilizing the network to be able to twist their business model to be more focused on that section or that part of the business. And now that we have our lineups in our end, we can grow more aggressively. Did that answer your question?

Unidentified Participant

Not sure if the question is for you or who, but could you just talk about the leasing program that was talked about last night, and what that means, how material change that is, what that means for the dealer economic and also for BRP.

Sandy Scullion - BRP Inc. - Senior VP and GM of Global Retail & Services

I mean, it changes a lot of the dynamics, and it's -- surprisingly, nobody or very few players in the Powersports business actually ever launched this. BMW is certainly one of them, and they applied in Europe very successfully. But in North America, it's basically unheard of. And this is not a leasing program that the dealer is responsible for the repurchase of the unit. So this is what you're used to see in the auto industry. So for us, this is about accelerating the repurchase cycle. This is -- as we've done financing for years and years and the terms go from 48 to 60 months, from 72 to 84 months, we're keeping these people out of the market, with leasing we'll be able to accelerate that repurchase and pump more volume and then also create more volume for the used market. So that's -- for us, this is a big move, and it's really exciting and the dealers see that as well.

Unidentified Company Representative

We have a slide in Josee Perreault presentation about this. The other comment may be all our product, except Spyder or the 3-wheel vehicle, now is off-road. And when you use a product off-road, you can abuse, and it's very difficult to fix a residual value. That's why for us, the 3-wheel vehicle segment or category was the best to start because this is an area where we have scheduled maintenance for the consumer in BRP-certified dealer to make sure that when the customer bring back the vehicle, it's well maintained. But we have a slide which I will show in a few minutes.

Unidentified Participant

Just one quick one. Could you talk about the future of the Commander right now, given the lineup that you've been able to put in place over the next few years?

Sandy Scullion - BRP Inc. - Senior VP and GM of Global Retail & Services

The Commander is actually stabilized in terms of volume. It's actually doing good. Obviously, we won't share anything about the future products. But for now, we're happy with what the Commander is delivering.

Unidentified Participant

(inaudible) the lease period makes sense (inaudible) freehold first, but then what about that contemplated on the Marine side or...

Unidentified Company Representative

I mean, to be honest, we'll have to see. We've been able to define guidelines for maintenance and everything on the on-road product, which is the easiest, and we'll see how it goes. If it goes well and our partner want to continue, we could extend, but let's see what it will give on the on-road first as a beginning.

Unidentified Participant

And will we see that repurchase commitment for these leases to show up anywhere in the balance sheet?

Unidentified Company Representative

It's going to be a -- it's about balance sheet commitment. Disclosed on the financial statement, obviously, if there were any changes to the original value expectation versus initial contract. Then you might have the liability pop up. But for now, it's going to be disclosure requirement.

Unidentified Participant

Do you know what the underlying assumptions might be in terms of 3-year? I'm assuming...

Unidentified Company Representative

Yes, we're looking at residual value in the range of, let's say, 45% to 50%. That's what we're looking at. So that would be the type of commitment. Obviously, we've ran some models as to what could be the take rate on it. Could the liability -- could the contingent liability go as high as \$100 million? Yes. But again, that would mean that we have a very good business on the Spyder side, so that would be positive. And again, the secret is managing those residual values and managing the closing process of the lease when the consumer returns the lease to make sure that there's a proper inspection done and there's proper -- if there are any flaws in the vehicle or damage that was done, that we highlight those and get compensated accordingly.

Unidentified Company Representative

Any more questions? Thank you, Sandy. Next one is Josee Perreault.

PRESENTATION

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Good morning. So 10 years ago, we reinvented the 3-wheel business with the launch of Spyder. And today, we're in a position where we're saying we're reimagining it. So to reimagining -- reimagine the 3-wheel business, we need to address 2 key things that will increase the accessibility of new riders to the 3-wheel category. And that's, first of all, the accessibility to get a 3-wheel license; and secondly, address pricing. Pricing is still the #1 barrier, and this time, we decided to address it in all angles.

So we hinted to it last night in the reveal. There's a few things that we're going to address. And this morning, we met with all the dealers during the business meeting. And basically, what we told them is that we are, right now, putting everything on the table. And in the spirit of GSP's visit last night, the gloves are off. And we're really ready to fight with the success of the 3-wheel business.

So there's 4 points that we're going to be addressing in the plan starting now, our season '19, is, first of all, expand the rider education program; reprice RT and F3; introduce the first leasing program; and obviously, the introduction of Ryker. So we'll go over these 4 points during the presentation today.

So rider education, just to put everybody into context, basically, we are taking 2-wheel riding independent schools in the U.S. and implementing a 3-wheel rider education curriculum that will allow consumers or new entrants into that market to get their license to drive, okay? When we started that in Florida about 3.5 years ago, we discovered that there was 1 school in Florida that offers 3-wheel rider education. Then we looked beyond that into 7 key states at the time last year, and still, there was nobody offering them that. So this year, starting in February, we put a dedicated team,



and their only job was to go and open schools that would offer 3-wheel rider education. And we've been very successful. So if you look at the U.S., by the year-end, we'll have 150 schools open. Today, we have about 142. And the coverage of the U.S. in terms of last year when we left at Christmas, we had 7 states. And by year-end this year, we'll have 42 states. In terms of Canada, we know that the benchmark in the golden state or province was Quebec, okay? It started all with Quebec, 119 schools in Quebec, but there was nothing in the rest of Canada. So our goal was to mimic what we did in Canada and the U.S. and start opening in the rest of Canada.

So as we open schools, basically, we are registering and we're giving license to more people. This gives you an idea. About -- since February, about 8,000 people signed up to take the class. And out of those 8,000 people, 5,000 people since then already have their license. So that's 5,000 people more than last year that are capable and legally riding a 3-wheel, okay? Of these 5,000, over 15% have converted to a Spyder, okay?

The profile of the 8,000 people taking the class, there's 2 important nuggets there. First of all, it's the gender split. Over 30% of these people are women. As you compare to the motorcycle industry, this gender split is 15-85. So we believe we have something strong there, okay? Secondly, of the people -- again, the 5,000 people who got their license, 45% are saying that they're really interesting (sic) [interested] in purchasing a 3-wheel, but it was too expensive. Now we have Ryker. So for us, these are very important nuggets that we're going to attack with the launch of Ryker.

Repricing. We have to address 3 things. First of all, over the last 2 years, we were discounting heavily, and that's never good for the brand equity. Secondly, when we introduced our Spyder F3 a few years ago, we realized that we probably priced it too aggressively and we need to address it. Thirdly, as we introduced Ryker, we are now in a position to introduce a good, better, best pricing strategy. And as we looked at the whole pricing ladder between Ryker and RT, it was not very smooth. So we did address the pricing according to better transition in upgrades of pricing. Overall, the price difference on a weighted average price decrease is around \$2,500. We are decreasing the price more on F3 because we had alignment issues with the key (inaudible) product versus RT. And if you look at versus the discount we were giving over the last few years and the price decrease that we've announced today to dealers, it's about \$800 per product, the difference, okay?

Leasing. Very, very important for us. First of all, in the U.S., it's critical that we advertise a monthly payment. It is monthly payment that attracts consumers to the product. And with leasing, it allows us to advertise \$149 a month, which is huge for us and huge for the dealers. Secondly, if you look at the financial term of a Spyder owner right now, it's 69 months. And with leasing, we'll reduce the ownership period either from 24, 36 to 48 months, which like Sandy alluded to, will accelerate the repurchasing cycle. That's the story about leasing. And it's launched in the U.S. As of now, in Canada, we're looking into it, but it's not launched yet.

Ryker. So as we launch Ryker, there's a lot of facts out there that are showing us that the market is ripe for the introduction of Ryker. First of all, if you look at the -- on the 3-wheel side, on the Spyder side, 63% of our total registering sales were used units. And the average price that people were paying for Spyder was \$13,500. Consumers were willing to purchase up -- back up to model year '11 to get a good deal. And then we put the parallel to what happened with Sea-Doo in Spark. When Spark was introduced into Sea-Doo, used units were 66%. And we have the business increase of what Spark did to Sea-Doo, And I think -- I believe José and I have discussed that a lot in the last year or so.

So this is the baby. Hopefully you enjoyed riding Ryker this morning. Ryker is not a Spyder because Ryker is a different ride with a different rider, okay? We are obviously doing 2 parallels with Spark, because, first of all, Spark -- Ryker is for a 3-wheel what Spark was for Sea-Doo. It's the fun product. Like Spark is, Ryker is totally a blast to ride. I believe you'll concur with me. And secondly, Spark did propel the Sea-Doo business, and we know that Ryker should propel the 3-wheel business itself.

If I go back to the features of the -- and the technology behind Ryker, hopefully, you had a chance to witness this, this morning, but it's jam-packed, a cool and high-end technological features that make the product super high-end for the price. It is not a cheap product. You saw it last night, you saw it this morning. It's easy to ride, it's awesome. The 2-engine option of a 600 or an 800, the CVT transmission, highly durable driveshaft like high-end motorcycles, customization, you fit, that's only just to name a few. But we know that for that price of \$8,500, it's loaded of benefits, okay?

Our riders. Our riders are different than our current Spyder riders. You know that the current Spyder riders is, on average, a white male that's 62 years old. There's 2 types of riders for Rykers. We call him connected Carlo. Connected Carlo is between 30 and 46 years old. He is a bit younger, a bit more diverse in terms of ethnicities. Also, connected Carlo is not told to powersport. In his youth, he's probably driven an ATV, he's probably ridden a snowmobile or a Sea-Doo. That's one part of the ridership. Second part is on-the-move Greg and on-the-move Margo. These are a bit

older, okay? It's a couple, they're older, 40 to 50 years old. Greg loves to ride, but most importantly, Margo is used to riding on the bike -- on the back of the bike. Now she wants her own ride, okay? And when we said initially that 30% of our people who signed up for classes are women, this is Margo.

If you look at addressable market and market size, of people having the intent of buying a 3-wheel over \$15,000 in the U.S., it's 4.8 million. If you do that same research for people having the intention to look and buy a 3-wheel below \$15,000, that's 8.6 million. For a total addressable market of 13.4 million, okay? About 2.8x the size of the actual market. So we feel good about the addressable market, and that's why when Jose did that our business in the next 5 years, we hope to triple it. That's one reason why.

So if you look at the go-to-market for Ryker, we are trying to address the shopping trends or the retail trends going on. We all know that it starts with the phone. 83% of people start their shopping experience with their phone. Technology is at the forefront of the retail experience, and AR, augmented reality, is the most engaging technology right now. Product customization is the new norm, 71% of the people who are willing to pay more to customize their product. And lastly, a good retailer is the one who is obsessing on retail experience. So for Ryker, our team has tried to address all 4 points in a comprehensive go-to-market plan. I'm only going to address a few things here, but trust me, we have a bigger plan that we can't cover today.

So it starts with the personalization or customization of Ryker. Like José mentioned yesterday, 1 platform, 3 SKUs and 75,000 ways to customize a product, okay? And that's critical. Our plan is to put, really, customization at the heart of the experience in terms of phone and also in terms of dealership.

So to be at the forefront of where our consumers are shopping, which is in the phone, we're introducing the new Can-Am Ryker app. The Ryker app is based on augmented reality, and allows you to personalize your bike and see it on immersive reality, either in your garage, living room, kitchen. And we hope that, that first touch point with the product will push the consumers into the dealership. Because we talk a lot about online shopping, but we know that 90% of people still finish their shopping journey in our dealership. So for us, what we've done is that we've established a new Ryker design class to allow the consumer to finish that customization process in the dealership. It's also -- there's also (inaudible) in technology there. There's a touchscreen in the middle where people will be able to customize their bike on the touchscreen and then take the panels and design their box (inaudible) section feel of the product

So that's basically what we're doing. Again, I'm saying that we're doing way more. The launch is in 3 phases. Right now at (inaudible), over the next 3, 4 months, we're going to have a heavy PR campaign. We're going to obviously launch the app and also address every people that took the rider education class and did not convert. We call them the low-hanging fruit, and we believe that's the first client we need to address. And lastly, this is in February. It's the time where we're doubling down on marketing investment and we're making a lot of noise.

So we believe that we put everything on the table. Truly, the gloves are off, and we feel very confident on the success of the 3-wheel category. That's it for me.

QUESTIONS AND ANSWERS

Unidentified Participant

Any concern about cannibalization of your existing Spyder lines?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

We believe it's a different rider and a different ride. F3, RT are more long distances rides. If you -- I don't know if you tested it this morning, but it's for really shorter rides. It's like we don't feel that the guy or the girl is going to be on the Ryker is going to riding 500 kilometers a weekend. So that being said, there might be a few cannibalization with the baseline of the F3 but not the F3 or the RT.

Unidentified Company Representative

Maybe if I can. When we've introduced the Spark, it was the same thing. I don't think there was much cannibalization on the new product, but on the used, there will be some adjustment. So it'd be probably a 12 to 18 months transition.

Unidentified Participant

And when do the shipment starts?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

In the first half of December.

Unidentified Participant

Did you change any of the manufacturing process for the Spyders that will offset its lower retail price?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

No.

Unidentified Participant

Well, is it going to be manufactured in Mexico?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

No.

Unidentified Company Representative

No. We'll be reducing the price.

Benoit Poirier - Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst

Just on that 15% conversions (inaudible) you mentioned, (inaudible). Are you seeing -- is there any reason (inaudible) see difference or change (inaudible)?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

This is actually what we're seeing.

Benoit Poirier - Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst

And that's what you're expecting?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

We'll improve that considerably.

Benoit Poirier - Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst

How many dealers do we have selling the Spyder right now? And I'm just wondering what would you expect in terms of the dealership network. Because you'll be asking some dealers to invest, so it will be probably a good catalyst also for -- to develop other Spyder and Ryker dealers (inaudible).

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Right now, we have -- in North America we have close to 500 dealers currently selling Spyders. Honestly, I don't expect that we're going to have a big drop-off rate in terms of putting a mandatory investment, because just to be clear, we're saying to all our dealers, if you want Ryker, you need to invest in the Ryker design lab, because customization is really at the heart of the product. And if you can't offer the customization in your dealers, you're not offering the proper experience with Ryker. So, look, it's hard -- it's really hard to say, but right now, with what I saw last night, what I heard this morning, there's a lot of excitement, there's a lot of people we've heard that don't even sell Spyder right now and they're asking about it. So maybe it's going to be net-net neutral.

Benoit Poirier - Desjardins Securities Inc., Research Division - VP and Industrials, Transportation, Aerospace, Industrial Products & Special Situation Analyst

And do you know what -- how many dealers (inaudible). (inaudible) [500] but I assume that some will be asking to distribute this product. So...

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Yes. But honestly, I have 0...

Unidentified Company Representative

But to be honest, Benoit, if we lose some, probably we don't want those. It's probably a good thing, and you have opportunity to sign up dealers in the area.

Unidentified Participant

How much sales do you need to do on this platform to earn your return on investment hurdles of the company?

Unidentified Company Representative

The volume is not so high. Yes, it's an important investment, but we're leveraging our R&D engine that was (inaudible) for other platform, so (inaudible) vehicles (inaudible). So the breakeven point is not too significant. We can achieve that breakeven point after 2 years of selling in terms of overall volume.

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Yes?

Unidentified Participant

(inaudible)

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

It's about 200 square feet. And it's just currently in their BRP platform.

Unidentified Participant

What's the dollar investment per dealer?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

It's \$9,000 in the U.S., but we have -- we are offering it with...

Unidentified Company Representative

[PCF].

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

[PCF]. Thank you. And it's \$500 a month for the next 18 months.

Unidentified Participant

It was financed through the floorplan partner we have, so they provided financing.

Unidentified Company Representative

And it's fully serviced. I mean, with the company that...



Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

But turnkey solution, that means they sign up and we show them. And we show at their dealers, and we install everything. And we have the maintenance of the design lab.

Unidentified Participant

What is the average selling price you expect dealers to sell the Ryker? I mean, if we do a parallel of the Spark (inaudible)...

Unidentified Company Representative

You mean the mix?

Unidentified Participant

You list it at \$4,999, but I don't know. I think you were -- the average price was \$2,000 higher involving accessories. So I'm just curious to know what type of accessories you could put on that. And where is the Spark right now since the launch in terms of average sell price?

Unidentified Company Representative

Maybe I'll take the Spark question. Obviously, with the introduction of the TRIXX, we saw margins improve quite a bit on the Spark platform. And we saw -- you saw these 300- to 400-basis-point improvement in margin because of the TRIXX. The TRIXX is 50% of the volume of Spark is TRIXX. And so that brought margins up quite significantly. And the mix that we are forecasting on Ryker...

Unidentified Company Representative

We have bets going on.

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

We have bets going on.

Unidentified Company Representative

Go ahead.

Unidentified Company Representative

High percentage on the 900 cc engine. Lower than 30% is the....

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

The big -- when we look at the mix, the biggest part of the mix was mostly on the 900. But as we are hearing the comments, we're thinking that we probably are going to see a higher proportion on the rally and less around the 600, which is great. But like you said, I have a bet with my boss and I have a bet with my team.



Unidentified Company Representative

You are flexible right, on the same manner as you (inaudible).

Unidentified Company Representative

Minimum. Minimum change.

Unidentified Company Representative

Any other question?

Unidentified Company Representative

And the beauty of the Ryker is the 3 SKUs reduces complexity a lot for the dealer. There's not 15 SKUs you need to order and (inaudible) on making sure you have the right SKU. You only have to determine the mix on 3 SKUs. So that's a big advantage as well (inaudible).

Unidentified Company Representative

The other thing maybe to -- we called -- we said it on stage yesterday. When we say defining a new business model, 3 SKU, 75,000 way of customizing, we can change a lot of accessories in the future but keep the 3 basic SKU at least for a period of time, no change. And it's very simple for the dealers, very simple for us. And if we can be successful with the design lab and everything, there is maybe a new business model there.

Unidentified Participant

The price reduction of selling \$500 that you're taking on average, is it on new shipments or is it on the existing (inaudible)?

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Well, it's going to be on the season '19 products, but we're also going to price protect everything that was in the inventory right now. So as we launch the new units, we're going to have to price protect everything. The inventory back in the dealership, that means that we're going to have to double down on the discount so to make sure that there are -- our dealers are not losing profitability.

Unidentified Company Representative

Oh, in our guideline.

Unidentified Participant

And do you mind if I...

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

In the U.S., it's going to be \$5,000 -- \$500 advertised discount.



Unidentified Company Representative

So that's all factored in our guidance. It's all built into our projections for this year. Obviously, before we launched this repricing, we knew the inventory we had in the field of model year '18, model year '17. We already had important discounts for non-current models, and so that's been all adjusted for in our guidance. But...

Unidentified Company Representative

Just to make sure you get this right then, the average price reduction is \$2,500, but net to us after discount and everything, we estimated \$800 per unit going forward.

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

F3 and RT.

Unidentified Company Representative

And RT.

Unidentified Participant

Just the (inaudible) so the average is \$2,500 is this (inaudible)?

Unidentified Company Representative

No, no, no. When we launched the F3, we made a mistake and we -- you know you do PV, what you compare with the competing product, and we probably priced it too high from the get-go. Then the RT was reduced a bit, but the main reduction came from the F3. And we saw in the last few years that F3, at the minute that the noncurrent at the end of the season program happened, you can see the retail increasing significantly. Then at the end of the day, we said it was better to readjust the pricing. The average readjustment is \$2,500, but net to us, after a discount, it's about \$800. We should have less discount going forward with the readjustment. That's the point.

Unidentified Participant

And can you just give us a relative sense of the profitability by Ryker and the various Spyder products after all this pricing is sorted out?

Unidentified Company Representative

Yes. The -- obviously, it's similar to when we introduced the Spark. Ryker is an entry-level products, and therefore, margins are slightly lower than on the traditional Spyder product line. But when you look at the overall impact on product line, that the Ryker generates, it's obviously favorable. The plan with Ryker, as we had it with Spark, is follow up in their availability to upsell the consumers. So when you come out with models like the Rally, then the Rally gets much closer to traditional Spyder and then with the accessorization. And don't forget, the flexibility with acceleration today is you'll have people buying 2 sets of panels. I'll buy a blue and I'll buy a green, I'll buy the red and white. And so that's another element where it's going to be driving additional margins going forward. Slightly lower when you factor in all the customization and accessory business that you can sell with it. But still very comfortable to us.



Unidentified Company Representative

I would encourage you that you download the apps during the next few days, and you will see how competitive our accessories is priced. We believe some people will change panel every year, just to give it a different flavor.

Unidentified Participant

And just for broader context, how does Spyder compare today to the rest of your...?

Unidentified Company Representative

On the -- I'll split it in 2. On the contribution margin, so we'll take the selling price, net the material cost and labor, Spyder is very competitive versus the other year-round products. Where we are investing more is obviously in marketing and in R&D as the business is not necessarily to the scale that our other year-round product businesses are. So with the target that we gave, Jose, to triple the business, well, obviously, that's going to bring profitability to the comparable level to what we have with (inaudible).

Unidentified Participant

Just a follow-up on that. I guess, what level of sales do you need to get with broader experience, the overall profitability level and (inaudible)

Unidentified Company Representative

Doubling the Spyder business, we're going to be in line with the other year-round product business.

Unidentified Participant

And with respect to the global reveal, the -- if we look at the Ryker, it will be available in the first half of December. Talking to 1 dealer that focused also on [RV] that assumes when they do the global reveal of the product, it's going to be available 6 days after. So again (inaudible). So is it there, the opportunity for BRP to keep momentum and distribute the products more closer after the global reveal. Or is their part of the strategy to make (inaudible)?

Unidentified Company Representative

Each program is different. Obviously, there was a few challenges when we started the development of the Ryker. And the ideal timing would be you announce and you ship the day after. But we did face a few challenges in this program. And we will be starting in December. Then we have a pilot run of about 300 units.

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Yes, the pilot run in the 1st of October. But in the meantime, we're also going to be training. We have to train the whole pipeline of dealers on the new product because there's a lot to it. And on November, we're going to start deploying the retail environment. There is Ryker lab for when they receive the unit, they'll be ready to go.

Unidentified Participant

How will this roll out internationally? (inaudible)

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

So we're launching it in Europe, at the Mondial de la Moto in Paris, October 3 and 4. And then we are launching it in Asia in their motor show, in Australia in end of November and then in Japan in early next year.

Unidentified Participant

Which fiscal quarter should we expect initial Ryker sales to hit your (inaudible)?

Unidentified Company Representative

In Q4. So you'll see sales hitting in Q4, moderate sales. And Q1 is going to be a bigger quarter of next year.

Unidentified Participant

(inaudible) which quarter should be the largest?

Unidentified Company Representative

Q1 should be the largest. Q4, you'll see some probably (inaudible) profit. But the 30% of the -- your volume could happen in Q4 because (inaudible) for the retail season. And then the big chunk is going to be in Q1. A bit like (inaudible)

Josee Perreault - BRP Inc. - SVP of Can-Am Spyder

Thank you.

José Boisjoli - BRP Inc. - President, CEO & Director

Thank you. (inaudible)

Unidentified Company Representative

Maybe just as a closing, (inaudible). As you can see -- I just want to come back on this. We're very proud of the last few years. And we have great momentum worldwide. And we -- you can count on us (inaudible) to continue.

It's a bit funny. Lately, we're meeting investors and they are asking a lot of questions. When you finish your introduction (inaudible) will not (inaudible). (inaudible) BRP product pipeline so interesting and so exciting. You can count on us that we would continue to pursue innovation and the technology.

And again, some of you are asking, "When you will restate?" The plan is probably at this time next year, we'll restate the 2020 Challenge with our long-term plan for probably the next 5 years. And that should help with the message.



Thank you very much for coming. Always a pleasure. We wish you a good trip back.

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