



## Why MEGA Brands Shares Plunged

### Description

*Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.*

**What:** Shares of toy company **MEGA Brands** (TSX: MB) were down by more than 10% earlier today after its quarterly results and outlook disappointed Bay Street.

**So what:** The stock has soared in 2013 on a string of better-than-expected quarters, but today's Q3 results — EPS jumped 25% but sales of \$140.9 million were flat over the year-ago period — are forcing Mr. Market to quickly sober up. In fact, year-over-year gross margins slipped about 150 basis points to 38.5%, raising a bit of uncertainty among investors over MEGA's competitive position going forward.

**Now what:** Management remains positive over the long term. "With our solid Preschool & Girls offering and recent traction in Boys & Collectors construction toys, including the launch of Call of Duty Collector Construction Sets, we continue to focus on sustaining our positive sales momentum through the balance of 2013," [said](#) CEO Marc Bertrand. "In addition, we are continuing to move forward with initiatives to improve our balance sheet, global manufacturing position and brand portfolio." With MEGA shares still up healthy 60% year-to-date, however, I'd wait for an even wider margin of safety before buying into that bullishness.

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*Many Americans have turned to "indexing" when managing their portfolios. But even though it works for our neighbors to the south, Canadians may walk into a trap by relying on indexes. You see, unlike the TSX, American indexes are effectively diversified ... making them safer bets.*

So what does this mean for savvy Canadian investors? The Motley Fool has prepared a Special **FREE** Report that can help you work around the pressure to invest in indexes. It's called "**5 Companies That Will Help With a Flawed Piece of Advice**," and you can receive a copy at no charge by simply [downloading it here!](#)

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*Fool contributor Brian Pacampara does not own shares of any companies mentioned. The Motley Fool has no positions in the stocks mentioned above at this time.*

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