



Why MEGA Brands Shares Soared Today

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 **MEGA Brands** (TSX:MB) surged 35% today after toy giant **Mattel** ([Nasdaq:MAT](#)) agreed to acquire the Canadian small cap for about \$460 million.

So what: The all-cash deal values MEGA Brands at C\$17.75 per share and represents a juicy premium of 36% to yesterday's close. Mattel is making the move to better compete with build-block king Lego in the fast-growing \$4 billion construction toy market, and judging by its own stock's 1% gain today, Mr. Market is pleased with the price management is paying to do it.

Now what: Mattel expects the deal to close next quarter and should be accretive to its earnings about a year after that. "The construction play pattern is popular, universal and has had one of the fastest growth rates over the past three years," said Mattel Chairman and CEO Bryan Stockton. "We look forward to helping MEGA Brands accelerate its global growth, providing more choices for more children and their families."

While MEGA Brands is likely all popped out at this point, Mattel's newly bolstered growth prospects are certainly worth looking into.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:MAT (Mattel, Inc.)

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