



Why I'm Not Worried About My Spin Master Corp. Shares

Description

Spin Master Corp. ([TSX:TOY](#)) shares have declined 18% from its 52-week high. In the last two days, shares have fallen as much as 12% due to overwhelming complaints about malfunctions in its popular toy Hatchimals.

This issue came after the supply shortage of Hatchimals during the holiday season as “global demand exceeded [its] most aggressive projections.” This quote came from an overlaying message from Spin Master when I visited its corporate website.

Obviously, it's frustrating for parents to have to scramble to get their hands on these toys. The feeling worsens when the toy won't even function properly.

However, there have been many successes as well. Spin Master revealed that “[t]here have been more than a million successful hatches and we've received thousands of positive stories from consumers.”

Let's be objective here. For any product or service, if nine of 10 customers were happy and one had a bad experience, you'll probably hear the bad experience story. Most people don't give good reviews about products or services, but when they run into problems, they will make sure their complaints are heard. I think this is the case for Hatchimals.

Spin Master has made efforts to help frustrated customers. They've attached a YouTube video to its website that it published on December 1, which showed how to hatch a Hatchimal. Spin Master has also responded to complaints by more than doubling its Customer Care staff to help handle calls, and it aims to answer emails within 72 hours. And if troubleshooting does not work, Spin Master will ship a replacement Hatchimal within two days.

Spin Master PAW Patrol

“PAW Patrol.” Photo: Television Streaming. License:

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Why I'm not worried about my shares

The co-founders and co-CEOs of Spin Master are childhood friends. They have lots of passion for what they do. They started selling their first product 22 years ago.

Spin Master has since grown into a leading global children's entertainment company with a diverse portfolio. Hatchimals is only one of its many products. Some of its best known award-winning brands include Zoomer™ Dino, Bakugan Battle Brawlers™, and Air Hogs®.

Moreover, since 2005 Spin Master has received 82 TIA Toy of The Year nominations and won 18 times across different product categories.

Not only does Spin Master develop and create global entertainment properties, characters, and content, but it also monetizes that content via product creation, sale, and licensing.

So far, Spin Master has produced six television series, including its current hit, *PAW Patrol*, which is broadcasted in over 160 countries and territories.

Conclusion

As usual, when problems arise, investors will sell first and ask questions later. The 12% pullback seems to be overdone as the company's share price began to recover midday on the second-day pullback.

Today's price action will tell whether the shares will continue its recovery path or not. In any case, at \$32, Spin Master trades at a forward multiple of 17.6, which is an attractive valuation to pay for a high-growth company.

I believe the Hatchimals issue is a temporary one, and a year from now, investors will look back and see that the recent dip was actually a buying opportunity.

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