



Spin Master Corp.: Should You Buy on the Dip?

Description

If you have been waiting for an entry point for **Spin Master Corp.** ([TSX:TOY](#)), your patience has paid off. In the last month, the shares slid about 17% from \$42 to below \$35 per share, such that they are reasonably priced at a multiple of about 20.6.

What is Spin Master?

Spin Master is a leading global children's entertainment company with sales of its products in more than 60 countries. It creates, designs, manufactures, licenses, and markets a diversified portfolio of toys, games, products, and entertainment properties.

The company's innovation has led it to win 21 Toy of the Year awards across different product categories (and it's been nominated for 82 awards) since 2005.

So far, Spin Master has produced six television series, including the current hit, *PAW Patrol*, which can be enjoyed by children on TV in more than 160 countries and territories around the world.

Spin Master is a mid-cap stock with strong growth potential.

Spin Master logo unknown

How does Spin Master grow?

Spin Master grows in a number of ways, including increasing its sales in higher-growth developing and emerging markets.

In 2016, the toy maker generated about 32.5% of its sales outside North America. In the medium term, it aims to boost that percentage to 40%.

Additionally, Spin Master grows by maintaining its pipeline of innovation across all its business segments, such as the Pre-School and Girls segment, and the Activities, Games & Puzzles, and Fun Furniture segment.

Spin Master also grows by developing evergreen global entertainment properties and consolidating the fragmented industry via strategic acquisitions.

Profitability and growth

Management has been a great capital allocator. Spin Master's return on assets has been at least 11.6% since 2014, and its return on equity was high at 131% and 41%, respectively, in 2015 and 2016.

In May, Spin Master had a secondary offering at \$40.75 per subordinate voting share for gross proceeds of about \$150 million. That was a good time to raise capital as the stock was trading near its highs.

From 2014 to 2016, Spin Master's sales grew from US\$716 million to US\$1,154 million, equating to a compound annual growth rate of nearly 27% per year.

In the last two years, Spin Master's adjusted earnings per share grew at a double-digit rate. In the next couple years, it's expected to grow its earnings per share at about 13% per year.

Investor takeaway

Now is a great time for total returns investors to buy Spin Master for a long-term investment or look into selling it during the strength of the holiday shopping season when it rolls around.

CATEGORY

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