

## Spin Master Corp: Still Not Turning My Crank

### Description

For investors looking for excellent investment opportunities, shares of **Spin Master Corp.** ([TSX:TOY](#)) have probably been of interest at some point in the recent past. Over the past 52-weeks, shares have increased by more than 40%.

Although long-term investors have done very well, many traders moving in and out of the stock may not have been as fortunate. Shares, which traded at less than \$25 one year ago, are currently near the \$35 mark, but they're still trading at a significant discount to the 52-week high of \$43.06.

The challenge faced by investors is the breakdown of revenues and profits throughout the year. For a company which obtained over 40% of fiscal 2016's total revenues in the third quarter alone, the question remains if this is the kind of investment which is worth the risk given the potential for reward.

Currently trading at a price-to-earnings multiple (P/E) of 26 times, shares are by no means inexpensive. While the opportunity exists for Spin Master to make the next "it" toy, let's not forget that the odds are not in the company's favour as it operates in a very competitive industry. Long-term investors are aware that things don't always turn out as expected.

This past Christmas, Spin Master released Hatchimals, which became a highly desirable toy that almost all children wanted under the tree. This was fantastic news for the company, but a conundrum came about a few days after Christmas.

The product did not function as expected, and many children were disappointed. Parents were furious, and investors ran for the exits. Although shares have been resilient and have recovered since Christmas, shares are trading at almost the same price they were prior to the debacle.

For investors, the higher risk a company carries, then the higher the reward should be. At a current price near \$35 per share, investors are potentially taking on more risk than is justified given the low potential for a large payoff. Let's not forget, the company had the toy of the year this past Christmas. It will be difficult to replicate this success if many parents remember the negative experience next year.

Currently not paying a dividend, the company has yet to conduct a share buyback since becoming a publicly traded company in the summer of 2015. Investors need to worry about where the profits are being reinvested and they will be rewarded.

With shares having increased close to 95% since the opening day almost two years ago, investors may need to set proper expectations in regards to just how much growth in revenues and profits are to be expected in the future.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:TOY (Spin Master)

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1. Investing

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