

Spin Some Growth into Your Portfolio With Spin Master Corp.

Description

Spin Master Corp. ([TSX:TOY](#)) has performed very well over the last year. Shares of Canada's biggest toy manufacturer increased by more than 40% on strong growth prospects and an excellent portfolio of brands. Investors seeking growth have flocked to companies they believe will be able to provide sustained growth in cash flow and capital appreciation, and Spin Master has seemingly fit that mould given its relatively high valuation compared to the broader industry.

I'm going to discuss some of the catalysts that may take Spin Master's stock even higher and take a look at some of the company's fundamentals to determine a fair valuation for the toy maker.

Hatchimals, Hatchimals, Hatchimals

Spin Master as an entity is most certainly not as well known as the company's core product: Hatchimals. The Hatchimals brand completely took over the retail market during this most recent toy season. Parents everywhere scrambled to secure one of the furry pets — in some cases, paying vast multiples of the retail price of the toy as inventories dwindled quickly.

Management has been hard at work creating a new lineup for this coming holiday season, and analysts and investors will certainly be watching revenue and margin numbers very closely in the coming quarters, as the company continues to build on a solid brand and customer base.

Fundamentals

Looking at Spin Master's fundamentals, it is clear that at current levels, the company would not qualify as a value stock. Trading at 30 times earnings, 11 times book value, and 32 times cash flow is territory reserved for some of the best growth companies on the market, which many analysts argue includes Spin Master.

Compared to its peers, Spin Master has entered the upper-echelon of toy manufacturers. In the U.S. market, Spin Master now ranks number five in terms of revenue among all toy companies, propelling the company to now take up a "Top 10" position as one of the 10 largest toy companies in the world — quite a growth trajectory for the little Canadian company that could.

Spin Master is set to release its most recent set of earnings data at the beginning of August, and all indications are that significant volatility stemming from these results and management's subsequent guidance is likely, given the nature of Spin Master's heavily growth-oriented business model.

Bottom line

Investors looking for growth in today's relatively overvalued market are increasingly finding themselves scraping the bottom of the barrel for the best "unknown" growth names available. I believe that Spin Master fits into this category of growth stocks; it's relatively unknown to the average investor.

The enterprising investor looking for any and all deals in a wide range of industries should try to find some portfolio room for Spin Master.

Stay Foolish, my friends.

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