

Why Spin Master Corp. Is up Over 15% Today

Description

Spin Master Corp. ([TSX:TOY](#)), one of the world's largest children's entertainment companies, released its second-quarter earnings results and raised its guidance for 2017 after the market closed yesterday, and its stock has responded by soaring more than 15% in today's trading session. Let's break down the quarterly results and the new guidance to determine if the rally can continue and if we should be long-term buyers today.

A very strong quarter of double-digit growth

Here's a quick breakdown of 10 of the most notable statistics from Spin Master's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Total gross product sales	US\$283.17 million	US\$186.02 million	52.2%
Total gross sales	US\$300.74 million	US\$198.38 million	51.6%
Total revenue	US\$276.65 million	US\$179.36 million	54.2%
Gross profit	US\$141.4 million	US\$91.63 million	54.3%
Gross margin	51.1%	51.1%	unchanged
Adjusted EBITDA	US\$43.72 million	US\$25.39 million	72.2%
Adjusted EBITDA margin	15.8%	14.2%	160 basis points
Adjusted net income	US\$22.22 million	US\$11.7 million	89.9%
Adjusted earnings per share (EPS)	US\$0.22	US\$0.12	83.3%
Free cash flow (cash use)	US\$24.84 million	(US\$11.03 million)	N/A

A bump in its guidance

As a result of its very strong financial performance in the first half of 2017, Spin Master raised its guidance for the full year. Here's a breakdown of its new guidance compared with its previous guidance:

Metric	New Guidance	Previous Guidance
Gross product sales growth (excluding Swimways)	Mid-20% growth range	Mid to high single-digit growth
Gross product sales growth (including Swimways)	Low 30% growth range	Low teens growth range
Adjusted EBITDA margin (including Swimways and Toca Boca)	100 basis points over 2016	In line with 2016

Should you buy Spin Master today?

It was a phenomenal quarter overall for Spin Master, and it capped off an outstanding first half of the year for the company, in which its revenues increased 47.9% year over year to US\$504.4 million, its adjusted net income increased 53.6% year over year to US\$35.77 million, and its adjusted EPS increased 45.8% year over year to US\$0.35.

I think the market has reacted correctly by sending Spin Master's stock soaring today, and I think it could continue higher from here, because investors will continue to pay up for its incredible growth rate. With all of this being said, I think Foolish investors should consider beginning to scale in to long-term positions in Spin Master over the next couple of trading sessions.

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