



## Time to Acquire Some Spin Master Corp. Post-Earnings?

### Description

Shares of Canadian toy-maker **Spin Master Corp.** ([TSX:TOY](#)) have been on a nice run of late, jumping more than 20% after a stellar earnings report in which the toy manufacturer blew away analyst expectations.

With revenue, operating profit, and sales all increasing by more than 50% year over year, those investors waiting on the sidelines for a growth breakout from Spin Master now have the numbers to back up an investment. Indeed, a market valuation of nearly \$5 billion from a valuation of approximately \$2 billion when the company went public two years ago is evidence of how quickly the company has been able to grow relative to expectations set just two years ago.

The innovation and intellectual property (IP) components of Spin Master's business model cannot be understated. How I think about a company such as Spin Master is to compare the business model to another company everyone can understand (one which is more than 30 times larger), **Walt Disney Co.** ([NYSE:DIS](#)). Both companies have thrived on developing intellectual property internally, driving sales organically, and creating a full consumer experience that incorporates this internally developed IP into consumer goods, television shows, and a full media/entertainment experience for consumers that many companies tend to shy away from: children.

There is something special about a company that is able to capture the imagination of those in their youth, and while many skeptics of such companies point to the fact that the products produced one year may turn out to be "fads," noting the difficulty of repeating success year after year, companies like Disney show us that this can be done and repeated year after year. Comparing these two firms may be presumptuous, given lack of a track record from Spin Master compared to Disney; however, the ability of Spin Master to continue to grow at breakneck speed should not be underestimated.

The Hatchimals 2.0 experiment Spin Master is undertaking this year will likely be a testament to the ability of the toy-maker to continue to capitalize on a line-up of toys which has proven to be very profitable.

Every company wishes to be in a position where the market simply demands too much of a given

product, and finding ways to produce these products faster is the only way to move forward. Spin Master fits into this category, and analysts and investors are likely to be watching Spin Master's inventory management and operational execution closely in the coming quarters, as the toy manufacturer works to meet demand for the Christmas season — something it was not entirely able to do last year.

### Bottom line

Spin Master is a unique company on the TSX, providing investors with a growth profile that is unmatched in its category currently. With a valuation of \$5 billion, Spin Master has a significant amount of upward mobility over time for growth investors betting that the company's management team will be able to meet consumer expectations in the medium to long term.

Stay Foolish, my friends.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:DIS (The Walt Disney Company)
2. TSX:TOY (Spin Master)

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### Category

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