



## Could the Toys “R” Us Collapse Hurt Spin Master Corp.’s Holiday Numbers?

### Description

Toy stocks have been taking a hit on the chin of late following the collapse of Toys “R” Us, which has been the go-to retailer of choice for many of the world’s top toy companies, including **Spin Master Corp.** ([TSX:TOY](#)).

For parents, Toys “R” Us was the one-stop-shop for gift shopping for children. Although Toys “R” Us has been a retailer that’s been around for decades, the company ultimately fell victim to the rise of e-commerce. Buying toys and games online has become popular in recent years, and, unfortunately for Toys “R” Us, it failed to adapt to the technological changes the entire retail industry has been facing.

Toys “R” Us filed for Chapter 11 bankruptcy in Canada and the U.S., which has many toy investors worried about how the upcoming holiday results could be negatively impacted.

Shares of **Hasbro Inc.** ([NASDAQ:HAS](#)), **Mattel Inc.** (NYSE:MAT), and Spin Master all plunged by 8.6%, 3.19%, and 1.93%, respectively, following news that the collapse of Toys “R” Us is expected to hurt sales for the holiday season, which is usually the strongest time of the year for toy companies.

Hasbro is now expected to see sales growth between 4% and 7% for Q4 2017, substantially lower than original expectations calling for 11% in sales growth. Similar downgrades may be in the cards for other toy makers; however, I do not believe Spin Master shareholders should be worried, despite having Toys “R” Us account for ~15% of its annual gross sales.

While Spin Master isn’t immune to a likely reduction in sales for the holiday season, I believe the company’s strong toy lineup for the year will cause many consumers to potentially go out of their way to get their hands on hot toys such as Hatchimals, PAW Patrol, and Luvabella, most of which are on the top of many children’s Christmas lists. These are the toys that kids want, regardless of what’s going on at Toys “R” Us.

*Morningstar* analyst Jaime Katz believes that fears over the Toys “R”Us bankruptcy have been “overblown” and that toy makers will have a lot more time to seek alternative distribution channels. I believe Spin Master will be the least affected by the Toys “R” Us bust compared to many of its peers with less innovative products for the upcoming holiday season.

### **Bottom line**

The bankruptcy of Toys “R” Us is a huge negative for the toy industry, but not all toy makers will be hurt equally. I believe Spin Master is still well positioned to deliver another exceptional quarter for the record books, as it continues on its explosive growth trajectory. Although sales are expected to slip, I do not believe it'll stop shares from surging upon the release of its Q4 2017 results.

Any weakness in shares of TOY before the holidays arrive should be treated as nothing more than a long-term buying opportunity.

Stay smart. Stay hungry. Stay Foolish.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:MAT (Mattel, Inc.)
2. TSX:TOY (Spin Master)

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1. Investing

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