



Spin Master Corp's Record-Setting Q3 Shows Lots of Potential for Growth

Description

Spin Master Corp. ([TSX:TOY](#)) released its third-quarter earnings on Tuesday. The company's top and bottom lines reached all-time highs with sales soaring to \$606 million, up 28% from last year, while profits of \$108 million increased 31%.

Spin Master posted a very successful quarter. Let's have a look at what was behind the strong performance and if the stock is a good buy today.

Segment analysis

The only segment that didn't have an increase in gross sales this quarter was boys action and high-tech construction, which was down 25% from last year, although in terms of dollars, the decline was less than \$15 million.

Remote control and interactive characters, which made up the biggest portion of sales this quarter, rose 78% year over year. The preschool and girls segment also saw revenues rise by 19% for an extra \$34 million to the top line.

Geographical breakdown

North America by and large still makes up most of the company's sales, with two-thirds of gross product sales coming from this region. Although sales in this segment were up 23% from a year ago, the real growth opportunities for Spin Master are in other parts of the world.

In Europe, sales were up 37% year over year, while in the company's smallest geographical segment, the rest of the world, revenues climbed 42%.

Spin Master announced earlier this year it would be expanding some of its big brands like Hatchimals and PAW Patrol into China and would be helped by a stronger partnership with **Alibaba Group Holding Ltd.** Accessing the world's largest economy will certainly pose tremendous opportunities for the company going forward.

Many opportunities for growth

In addition to its expansion into China, Spin Master has also been working on expanding its product offerings. It recently came out with Hatchimals Surprise, which is a second iteration of the company's popular toy.

In addition, the company's acquisitions of Swimways and Aerobie Inc. will help Spin Master grow its outdoor product sales, which currently is the company's smallest segment with sales of just \$8 million in Q3.

Stock has been a strong performer this year

Spin Master has been [one of the best-performing stocks on the TSX](#) this year with returns of over 45% year to date. [It's a good stock to buy on a dip](#) given the growth potential it has and how well the company has been able to grow so far. However, it might be hard to catch it at a low price, especially after this quarter's strong performance.

Should you buy the stock today?

The one risk that Spin Master faces is that nearly half of its sales come from three companies: **Wal-Mart Stores Inc**, **Target Corporation**, and Toys "R" Us. The latter has been in financial trouble and made up 14% of gross product sales in Q3.

It's always a danger when a company is heavily exposed to a select few customers, and this is an excellent example of why.

It's still unclear what will happen with the toy store, and there is the potential it could be bought out. After all, with not many stores devoted exclusively to children's toys, it would certainly create a void in the marketplace that someone would look to fill.

However, regardless what happens with Toys "R" Us, Spin Master has a bright future with many opportunities to grow its business, making it a great long-term investment.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2017/11/08

Author

djagielski

default watermark

default watermark