



Is Spin Master Corp. a Buy Following its Strong Q3 Report?

Description

Spin Master Corp. ([TSX:TOY](#)), one of the world's largest children's entertainment companies, announced its third-quarter earnings results after the market closed on Tuesday, and its stock reacted by trading erratically on Wednesday before finishing the day unchanged. Let's break down the quarterly results to determine if we should be long-term buyers today.

Strong consumer demand leads to double-digit growth

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

Metric	Q3 2017	Q3 2016	Change
Total gross product sales	US\$660.91 million	US\$518.57 million	27.4%
Total gross sales	US\$678.59 million	US\$535.84 million	26.6%
Total revenue	US\$606.10 million	US\$475.02 million	27.6%
Gross profit	US\$316.86 million	US\$247.3 million	27.9%
Gross margin	52.3%	52.2%	10 basis points
Adjusted EBITDA	US\$170.31 million	US\$133.26 million	27.8%
Adjusted EBITDA margin	28.1%	28.1%	unchanged
Adjusted net income	US\$111.71 million	US\$87.48 million	27.7%
Adjusted earnings per share (EPS)	US\$1.10	US\$0.86	27.9%
Free cash flow	US\$145.17 million	US\$117.24 million	23.8%

What should you do with the stock now?

It was a fantastic quarter of double-digit growth for Spin Master, which has been an ongoing theme for the company in 2017, as its total revenue increased 36.1% to US\$1.11 billion, its adjusted EBITDA increased 34.1% to US\$244.85 million, and its adjusted net income increased 33.1% to US\$147.49 million in the first nine months of the year compared with the first nine months in 2016.

With the statistics above in mind, I think the market should have reacted by sending Spin Master's stock significantly higher on Wednesday; that being said, I think the lack of movement represents a great entry point for long-term investors, because it's one of the best growth stocks in the toy industry today, and because it trades at very attractive valuations, including less than 22 times fiscal 2017's estimated EPS of US\$2.13 and less than 20 times fiscal 2018's estimated EPS of US\$2.38.

Spin Master's stock has risen more than 46% year to date, more than 55% [since February 21](#), and more than 25% since it released its [second-quarter earnings](#) results on August 1, and I think it still represents a very attractive long-term investment opportunity, so take a closer look and consider adding it to your portfolio today.

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