



This Canadian Toy Company's Latest Acquisition Deserves a Round of Applause

Description

Spin Master Corp. ([TSX:TOY](#)) keeps knocking it out of the ballpark in the [earnings-growth department](#). It's really remarkable, especially considering the fact that it's in an incredibly cyclical and seasonal toy industry. The small-cap stock is an absolute steal right now at 23.4 times forward earnings, not just because of incredible global growth opportunities that exist today with the existing portfolio of brands, but because the management team has the ability to pull the trigger on deals that stand to generate gigantic long-term value for its shareholders.

Most recently, Spin Master acquired the Gund stuffed-toy brand from Enesco LLC (Balmoral Funds) in a deal worth US\$79.1 million, which works out to be just north of \$100 million. For those unfamiliar with the brand, it's a firm that's over a century old and is an absolute staple when it comes to plushies. The deal is being financed by cash on hand and an existing credit facility.

"Gund's iconic portfolio of toys has won the hearts — and hugs — of children around the world for more than a century," said Anton Rabie, Spin Master co-CEO. "We are thrilled to welcome Gund former owner and industry veteran, Bruce Raiffe, into the Spin Master family as our values closely align. We are focused on preserving Gund's excellent reputation rooted in quality product and cherished memories that last a lifetime."

The Gund acquisition gives Spin Master a front-row seat to the plush toy space, which grew ~6% in 2017. When combined with the company's global distribution platform, there's no question that the deal will pay huge dividends as time goes on. The \$79.1 million price tag for Gund is on the pricey side, but over the long haul, it's a fair deal that creates huge long-term value, as Spin Master beefs up its infant-friendly toy offerings.

Spin Master has a remarkably high double-digit ROE, and a major reason for this is due to the firm's ability to spot tremendous opportunities and scoop them up when they arise. The company is by no means just a roll-up of other toy firms or startups with intriguing ideas. The company has an R&D team that keeps delivering award-winning products on a consistent basis, while simultaneously keeping an eye open for inorganic growth opportunities that may arise to further bolster its rapidly growing portfolio of brands. The brand portfolio keeps getting stronger, and it serves as a very wide moat that's filled

with water and alligators!

Spin Master may have paid up for its acquisition of Gund, but when you consider the grander scheme of things, it's yet another [solid acquisition](#) that complements Spin Master's already strong lineup of brands. Going forward, expect more acquisitions just like this one, all while the next Hatchimals is being created by the incredibly innovative R&D team.

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