



Here's a Canadian-Grown Innovator That Could Double Over the Next Three Years

Description

Marijuana stocks aside, **Spin Master Corp.** ([TSX:TOY](#)) has been one of Canada's hottest up-and-coming growth stories. The innovative company behind the popular children's brands in Hatchimals and PAW Patrol has developed a reputation for under promising and over delivering, the perfect formula for a surging stock. In recent weeks, though, the stock has plunged into bear market territory, falling ~22% from peak-to-trough over concerns raised over the recent Toys "R" Us bankruptcy.

"Buy the dip" has been a very profitable strategy with Spin Master!

Spin Master's brief existence as a publicly listed entity has resulted in many large dips thanks to exaggerated and overblown moves in response to developments that aren't detrimental to the company's long-term growth story. Such dips have proven in hindsight to be fantastic buying opportunities if you were able to adopt a contrarian mindset and focus on the long-term fundamentals instead of getting caught up in the heat of the moment over near-term developments.

Traders love to buy and sell this stock on a whim because given the company's outstanding growth potential, it's one of the best ways to make a quick buck. Between 2013 and 2017, the company has clocked in 30.2% in gross product sales CAGR, 53.2% in adjusted EBITDA CAGR, and 66% in net income CAGR. That's outstanding growth, but if you really want to make a profound amount of profit, I believe you should own the stock and not trade it.

Fears over Toys "R" Us bankruptcy are overblown

Although the Toys "R" Us bankruptcy is a clear negative for the entire toy industry, the "dent" to the company's top-line is not expected to be long-lasting or as severe as the recent +20% plunge in shares would suggest.

Management has innovation in its veins, so if any toy company is going to thrive in an era without Toys "R" Us, it will be Spin Master. The company has a huge portfolio of IP and it's always adding to it, whether it's through the next big hit coming out of its R&D pipeline or through the expansion of [acquired IPs](#)

. The company's focus on innovation, I believe, will allow the company's products to be at the top of the charts of digital retailers.

Further, given Spin Master's pristine balance sheet, there's plenty of room to capitalize on M&A opportunities at a vast discount to the value of its underlying assets. Many traditional toy brands are also being negatively impacted by the Toys "R" Us bankruptcy, and as a result, many holding companies probably want to sell some of their own instead of adapting to a more challenging post Toys "R" Us era.

Growth will continue with or without Toys "R" Us

Toys "R" Us accounted for just ~12% of Spin Master's sales in 2017. Even if Toys "R" Us were to remain operational, Spin Master's reliance on the retailer [would have dropped substantially anyway](#) such that total sales would probably have fallen to the single digits thanks in part to rapid international growth efforts and the continued rise of e-commerce.

The stock trades at 19.3 times forward earnings, which is ridiculous when you consider the catalysts that will fuel high double-digit percentage growth over the next three to five years and beyond.

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