



## This Growth Stock Isn't Spinning Out of Control

### Description

In **Spin Master Corp.'s** ([TSX:TOY](#)) short trading history, there have typically been good entry points to buy the stock on dips. Is this recent ~15% dip also a good time to buy the stock?

First, let's explore why the stock has dipped.

### Why the dip?

The pullback of Spin Master stock has partly to do with the troubles of Toys "R" Us, which closed the last of its stores in the United Kingdom last week and recently sought bankruptcy protection in the United States. It looks like Toys "R" Us's Canadian operations will be [saved](#) by **Fairfax Financial Holdings**, though.

Toys "R" Us will have some impact on Spin Master, but it shouldn't be a big one, because Spin Master has many other avenues to sell its toys. For example, in a press release last month, Spin Master stated that its "PAW Patrol brand recently received the 'Most Popular Store' award from e-commerce giant **JD.com**, one of the largest online retailers in China ... PAW Patrol was one of only two toy brands acknowledged in the winning group of 12, chosen from more than 100,000 brands participating in the selection." PAW Patrol also won the Fast and Furious Award from Tmall, **Alibaba's** online marketplace.



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## **It's not just a toy company**

Spin Master is not just a toy company. It's a children's entertainment company with sales in +60 countries. It has a diversified portfolio of products, brands, and entertainment properties. Furthermore, it innovates across its portfolio of brands and business segments, develops evergreen global entertainment properties, and makes strategic acquisitions for good fits to its portfolio.

Last year, Spin Master's gross product sales were more than US\$1.6 billion, divided among its five business segments: remote control and interactive characters (36% of gross product sales), pre-school and girls (30%), activities, games, puzzles, and fun furniture (22%), boys action and high-tech construction (7%), and outdoor (5%). In the period, its adjusted earnings before interest, taxes, depreciation, and amortization were US\$292 million.

## **Is Spin Master a good buy today?**

Spin Master stock has delivered an annualized return of +40% since it started trading. Despite the dip, the stock looks expensive for the near term. At ~\$48.40 per share, Spin Master trades at a price-to-earnings ratio of about 21, while it's expected to grow ~12% this year. That said, the innovative company has long-term growth potential. So, it can be a reasonable buy at current levels if you're looking to invest for the next three to five years or longer.

## **Investor takeaway**

Investors looking for growth can consider averaging in to Spin Master. The stock has dipped to a reasonable multiple for long-term investment. Should we see any further [dips](#), say, to the low \$40s per share, investors should really seriously consider buying some shares for double-digit growth.

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1. Investing

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