



This Amazing Growth Story Is Just Getting Started

Description

In the face of troubles experienced by toy retailer, Toys “R” Us, it’s fascinating to see toy maker **Spin Master Corp.** ([TSX:TOY](#)) posting strong numbers. The stock popped +7% yesterday after releasing its first-quarter results.

Notably, Spin Master’s first-quarter earnings per share declined 10% compared to the same period last year due partly to the bad debt expense related to the Toys “R” Us U.S. bankruptcy. However, on an adjusted basis, Spin Master did very well.

Spin Master’s Q1 results

Spin Master posted record revenue and profitability in the first quarter. Ronnen Harary, Spin Master’s chairman and co-CEO commented, “Our entertainment properties continue to be major drivers of growth and we have some exciting new themes, formats and content to introduce in 2018 and 2019.”

Here are some key metrics compared to the same period in 2017:

	Q1 2017	Q1 2018	Change
Revenue	US\$227.7 million	US\$285.7 million	25.5%
Gross product sales	US\$229.1 million	US\$288 million	25.7%
Gross profit	US\$113.3 million	US\$148.8 million	31.3%
Gross profit margin	49.8%	52.1%	2.3%
Adjusted net income	US\$13.6 million	US\$22 million	61.8%
Adjusted net income per share	US\$0.13	US\$0.22	69.2%
Adjusted EBITDA	US\$30.8 million	US\$43.3 million	40.6%

Notably, 2% of revenue growth was helped by favourable currency exchange. As well, Spin Master’s gross product sales experienced double-digit growth in the various geographies it reports in; it experienced 19.5% growth in North America, 33.4% in Europe, and 49.8% in the rest of the world.



Recent developments

In early March, Spin Master acquired GUND, which is one of the leading plush toy manufacturers in the world. GUND is also recognized by the American Brand Council as one of the most trusted toy brands in the United States. So, this is another strong brand that's added to Spin Master's diversified portfolio. Harary said, "[We] are looking forward to driving Gund's global growth potential as well as leveraging its plush expertise in Spin Master's business."

High returns

Although Spin Master has a short trading history, it has shown an extraordinary ability to turn assets and investments into strong profitability. Spin Master's returns on assets in 2016 and 2017 were 17.4% and 19%, respectively, while its returns on invested capital were 29.4% and 33.2%.

Is there any upside left?

A company that has outperformed tends to continue doing so — as long as investors pay at least a fair multiple on the stock. Right now, the consensus 12-month target from **Thomson Reuters Corp.** on Spin Master is US\$48.30 per share, or CAD\$61.82 (based on the current exchange rate of US\$1 to CAD\$1.28), which represents ~15% near-term upside potential.

Investor takeaway

After the +7% pop, Spin Master stock looks fully valued. However, investors with a long investment horizon of at least three to five years might still consider scaling in to [a position for long-term growth](#). Investors looking for a bigger margin of safety should [buy on meaningful dips](#).

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/27

Date Created

2018/05/10

Author

kayng

default watermark

default watermark