



## Is It Too Late to Buy This Fabulous Growth Stock?

### Description

Warren Buffett said to avoid initial public offerings (IPOs) because newly listed companies have no public history of its performance. Investors won't know if they're buying into a great company or a bad one. However, **Spin Master Corp.** ([TSX:TOY](#)) has been a fantastic investment since its IPO. The stock has delivered about 45% per year since 2015!

The company has proven to be [a winner](#). Spin Master stock popped about 5% after releasing its second-quarter results last week. Is it too late to invest in the toymaker and children's entertainment company? First, let's review its Q2 results.



### Spin Master's Q2 results

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

	Q2 2017	Q2 2018	Change
Revenue	US\$276.7 million	US\$311.5 million	12.6%
Gross product sales	US\$283.2 million	US\$296.2 million	4.6%
Gross profit	US\$141.4 million	US\$153.2 million	8.4%
Net income	US\$22.1 million	US\$26.9 million	21.7%

Net income per share	US\$0.22	US\$0.26	18.2%
Adjusted EBITDA	US\$43.7 million	US\$45.4 million	3.8%

Revenue growth was helped slightly by favourable foreign exchange rates. In constant currency terms, Spin Master's revenue in Q2 2018 would have increased 11.8% compared to Q2 2017.

Spin Master's gross product sales were driven by sales of Hatchimals Colleggtibles, Cardinal (from its Games & Puzzles segment), Gund, Party Popteenies, and Cool Maker-branded products (from its Activities segment).

Spin Master saw modest growth of 3% in its North American gross product sales and a decline of 7.1% in Europe, but incredible growth of 26.6% in the rest of the world.

Spin Master's international gross product sales were 32% of its total gross product sales for the quarter. In the medium term, it aims to increase it to 40%.

Notably, Spin Master's other revenue saw exceptional growth of 88.4% to US\$33.1 million compared to US\$17.6 million. This revenue primarily consists of merchandising royalty and television distribution income from products marketed by third parties using Spin Master's owned intellectual property, as well as app revenue from Toca Boca and Sago Mini, which were successful, strategic acquisitions that Spin Master made in 2016.

### Is it too late to buy Spin Master?

Spin Master has been on a tear since its IPO. However, it's still [growing strongly](#). For example, it has plans to expand further in Europe and will be selling directly to leading retailers in Russia, Switzerland, Austria, and Greece in 2019.

The stock is not cheap, however. At just under \$56 per share at the time of writing, Spin Master trades at a blended price-to-earnings multiple of about 24.4. Investors who have a long-term investment horizon might choose to scale in over time if they're afraid to miss the boat — and hopefully get a lower average cost basis. Cautious investors should look to buy the stock on meaningful dips that ideally reach below \$50 per share in the next six to 12 months.

### CATEGORY

1. Investing

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1. TSX:TOY (Spin Master)

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