



Spin Master Is Not Toying With You

Description

Just last week, I wrote that **Spin Master** ([TSX:TOY](#)) was one of [two growth stocks](#) millennial investors can stash in their portfolios, and I said that it was an opportune time to buy shares in Spin Master at the time. The stock ended up giving a nice pop of about 17% as of writing.

It turned out that Spin Master's second-quarter results, which it reported yesterday, gave the stock a big push.

A quote from Ronnen Harary, Spin Master's chairman and co-CEO, from the press release sums it up nicely: "Our second-quarter results demonstrated the strength, diversity and depth of our innovative product portfolio with positive momentum for many of our key brands, including Bakugan, PAW Patrol, DreamWorks Dragons and Monster Jam. Looking forward, we remain confident in our proven track record of innovation and in our global platform. We continue to demonstrate our ability to produce compelling entertainment content, magical toy experiences and to be a great partner for licensors."



New toy line coming soon

Early this week, Spin Master announced a new partnership with DreamWorks Animation. DreamWorks will be debuting its new preschool series, *Gabby's Dollhouse*, on **Netflix** next year, while Spin Master will be launching the toy line for the series, including playsets, figures, plush, games and puzzles, in

2020.

“This partnership further strengthens our preschool portfolio of both owned and licensed IP, leveraging our expertise and scale in the category,” said Ben Gadbois, Spin Master’s Global president and COO.

This partnership stemmed from Spin Master’s already successful and long-time partnership with the company.

Getting back to the Q2 results...

Revenue increased 3% to US\$321 million compared to the same quarter in 2018. On a constant-currency basis, revenue increased 4.2%.

Gross product sales increased 6.9% to US\$316.8 million, even though there was a negative foreign exchange impact of 1.1%. The Easter holiday that was in Q2 2019 versus Q1 in 2018 also helped boost results.

The +200% growth in the Boys Action and High-Tech Construction segment more than offset the decline in the other segments, although the Pre-School and Girls segment also helped with 10% growth.

The strong growth in the Boys Action segment was primarily driven by sales of DreamWorks Dragons, Bakugan and Monster Jam products, partially offset by decreases in Star Wars-licensed merchandise, Flush Force, and Boxer.

Notably, gross product sales rose 42.8% in Europe, while they grew 1.2% in North America and declined 1.7% in the rest of the world.

Ultimately, the results translated to adjusted net income growth of 12% to US\$19.8 million, or US\$0.19 on a per-share basis. To highlight, adjusted EBITDA, a cash flow proxy, rose 21% to US\$55.1 million, thanks partly to the adjusted EBITDA Margin rising 260 basis points to 17.2%.

Foolish takeaway

[Spin Master](#) is a good growth stock; it has the innovation, partnerships, intellectual properties, and the global platform for growth. Whenever it dips meaningfully and becomes attractively priced, investors should consider picking up some shares.

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