



## ALERT: A Hyper-Growth Stock I'm Holding Through 2020

### Description

**Spin Master** ([TSX:TOY](#)) has been [a tough stock to own](#) over the past year. The mid-cap toy company has fallen at the hands of some hideous industry conditions.

### Moving through the headwinds

The industry's top retailer in Toys "R" Us went down (it's now making a comeback!), and the void left a significant dent in Spin's top line. The U.S.-China trade spat continues to unfold in the background, and a sluggish global economy has some analysts calling for lower (a 2% year-over-year decline) toy sales in the U.S. market.

Toy inventories are building up, and although the return of Toys "R" Us should relieve some of the pressure, it's definitely not going to happen overnight.

With the stock down 33% from its all-time highs reached last year, Spin looks like a dead-money stock that'll continue letting down investors that have come to expect high double-digit growth from the \$4 billion toy maker.

### Potentially underestimated with the potential to surprise in 2020

Most of the negativity has already been baked into Spin stock. The toy industry has been rough in 2019, but going into the holiday season, Spin has a chance to outshine its peers, as the broader industry looks to get back into high gear.

While U.S. toy sales are projected to decline slightly this year, I think Spin is in a position to take share away from some of its less-innovative bigger brothers. Moreover, **Bank of Montreal** Economics sees healthy, albeit slower U.S. consumer spending this holiday season, and that bodes well for Spin, which now has low expectations.

Spin took home seven Toy of the Year awards this year. And with [a solid holiday lineup](#), Spin could

correct to the upside in early 2020 upon release of quarterly results that include the holidays.

BMO named its top 10 toys for the 2019 holidays, with Juno My Baby Elephant (a Spin Master toy) making number four on the list. While number four isn't that impressive considering the success of Hatchimals, it's noteworthy that Juno was the only toy with a retail price of north of \$50.

Juno is a tech-packed toy that's going for \$100, while seven of the other toys that made the top 10 were priced between \$10 and \$15. Juno is a big-ticket item that could really give revenues a boost, and with most other investors discounting the potential of the holiday season, I'd say that now is the time to pick up Spin stock before any preliminary sales figures have the chance to be revealed.

It's not just Juno and the holidays that Spin shareholders should be excited about. Spin has ample dry powder to spend on acquisition opportunities. At a time of unfavourable industry conditions, I'd say the odds of getting a cheap deal are much improved for Spin. When the industry is at a low is when the most long-term value is created through M&A activities.

## Foolish takeaway

There are headwinds, but there's also a lot to be encouraged about, namely Spin's toy lineup for the holiday season and the firm's potential to pull the trigger on acquisitions that are rich with synergies.

Stay hungry. Stay Foolish.

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