



This TSX Dog Could Howl in 2020

Description

Ever since Toys “R” Us shuttered its U.S.-based locations, the toy industry has been enduring a world of pain. To this day, **Spin Master** ([TSX:TOY](#)), Canada’s top toymaker, has been stuck in the doghouse, with shares now down 33% from their June 2018 all-time highs.

So, I guess you could say the huge void in the toy retail scene has caused Spin Master has fallen into a tailspin!

Year to date, the stock has been fluctuating like a sine wave between \$35 and \$45 (shares are currently caught in the middle of the range), providing an opportunity for investors to make a quick buck by trading the bottom of the range and ditching near the top. But for those with a longer-term time horizon, is there any point in placing a bet in the former mid-cap growth darling? Or is the company behind some of the most cherished kid’s brands destined to become a perennial underperformer?

I think Spin is still a fantastic company that could bounce back as soon as next year, as industry headwinds gradually subside.

Spin may have an impressive lineup of toys for the 2019 holiday season, with a new line of Hatchimals and Juno the baby elephant ([number 3 of the top 10 toys for 2019](#), according to **Bank of Montreal**), but with U.S. toy sales expected to remain muted for the year, it seems as though most investors have prematurely thrown in the towel on a name that could be in for a massive upside surprise come the release of its holiday-including quarter.

The bar is set relatively low for Spin. The Hatchimals hype has died down. And there’s potential for the industry to sport better-than-expected toy sales, as holiday shoppers become that much more generous because of the market’s recent rally and diminished fears of a [looming recession](#) — a peachier outlook overall.

For now, Spin continues to rack up the toy awards, and as the smaller firms within the toy industry continue feeling the pressure, I see a scenario where Spin can make several accretive acquisitions at below intrinsic value given Spin’s balance sheet is swimming with cash.

Spin still has plenty of medium-term growth catalysts, and once the economy can return to high gear, I

see the company making an abrupt return to the high-growth track as soon as next year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TOY (Spin Master)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/07/05

Date Created

2019/12/23

Author

joefrenette

default watermark

default watermark