



Investors: This TSX Stock Crashed 40% — Why Right Now Is the Time to Buy!

Description

Don't look now, but [Spin Master](#) ([TSX:TOY](#)) stock crashed 40% in a single trading session following the report of a quarterly loss and a warning that gross product sales are poised to decline on the year.

Spin's supply chain is also lousy shape due to the impact of the dreaded coronavirus (COVID-19), just months after management made "poor judgement" with the decision to consolidate its distribution centres going into a period of seasonal strength.

A quarterly loss of $-\$0.12$ per share was expected by analysts on Bay Street and Spin managed to beat with a narrower loss of $-\$0.08$. The real concern lies in the supply chain, which is just a mess right now. Add a lack of proven operational leadership, trade war woes lingering in the background, and softer demand for Spin's products into the equation and you've got a formula for a crashing stock.

While the 40% single-day drop was undoubtedly excessive, don't say you weren't warned.

In two [prior pieces](#), I urged investors to sell the stock, citing broader industry headwinds, and "self-inflicted wounds" (most notably supply chain issues that would bleed into early 2020), that would likely bleed into the new year that would likely wreak havoc on a stock that at the time wasn't necessarily cheap given the mounting risks.

"Unfortunately, management has fumbled the ball once again, heading into peak season, with its complex plan to consolidate its distribution centres in the third quarter." I said in a prior piece.

"It seems as though Spin lacks operational leadership. Logistics has its complexities, and although the co-founders are excellent innovators, their operating track record leaves a lot to be desired, and I think it could prevent them from taking Spin to the next level."

As a former shareholder, I stated my reasons for selling the stock in January. Although I'm still concerned with the state of the supply chain after becoming the latest victim of COVID-19, I find the 40% single-day drop to be overblown beyond proportion.

I thought Spin deserved to correct, perhaps harshly, albeit not 40% in a single day.

After the implosion, Spin trades at just 14.8 times trailing earnings, which more than reflects the uncertainties that have been plaguing the stock. There are massive headwinds up ahead. It's going to be tough for the company to navigate its supply chain woes following the departure of its COO and CIO just last month.

From an operations perspective, I view Spin as a ship without a captain. After the 40% drop, you may think the ship has sunk, but that's far from the truth. The company has impeccable assets and a pristine balance sheet that could pave the way for growth via acquisitions, potentially at bargain-basement prices amid the turmoil in the toy industry.

In any case, 2020 is looking like a write-off for Spin. That said, if you've got an investment horizon that spans years and not months, Spin is looking like a deep value investment that could reward your patience.

The stock is currently sitting around its 2015 IPO price, which makes no sense given that Spin is a far more robust company today than it was back then.

While management may not be the best in the world, the valuation looks just too good to pass on at this juncture. I may consider getting back into the stock over the coming weeks should shares continue on their tailspin.

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