



Stay-at-Home Order Sends This Canadian Stock Soaring

Description

What do Canadians who are forced to stay at home amid the worldwide coronavirus outbreak do to pass the time? The answer, it appears, is put together jigsaw puzzles.

With the majority of the North American population now under stay-at-home mandates, consumers are snapping up old-fashioned indoor games and puzzles. This trend is driving up prices of the products and depleting inventories.

The trend is also sending shares of toy manufacturers soaring. Shares of **Spin Master** ([TSX:TOY](#)) have surged 27% in the past five days alone.

Driving demand for puzzles

German-based game and toy company Ravensburger, has seen its puzzle sales soar 370% year over year in the past two weeks, according to a [report from CNBC](#). The company hasn't seen anything like this before in its 136-year history.

Anne Williams, a puzzle historian and professor emerita of economics at Bates College who was interviewed for the report, isn't surprised by the demand. She said it's comparable to demand during the Great Depression.

Toward the end of the Great Depression in 1933, toy manufacturers were producing 10 million puzzles a week. Williams added that it's not uncommon for people to turn to jigsaw puzzles during times of economic uncertainty. According to Williams, "It's something you can control, whereas they felt that their lives were totally out of control as far as the economy went." She added, "It's also a challenge over which you can prevail."

Unfortunately, there have been some complaints on **Amazon**, the world's biggest e-commerce retailer, that some sellers are gouging customers. Puzzles that typically sell for under \$20 are being sold for three times as much today.

Spin Master stock reverses trend

Prior to the past few days, Spin Master stock was having a very difficult year. The stock was trading at nearly \$40 at the start of 2020 and quickly fell below \$10 by mid-March. The rapid decline was prompted by the company's weak guidance and an unwelcome downgrade.

In the company's latest earnings release for the fourth quarter and year-ended December 31, 2019, Spin Master reported a net loss of US \$17.2 million, or US \$.17 per share, compared to last year's net income of US \$11.4 million, or earnings per share of US \$0.11.

This dramatic loss and the weak outlook prompted D.A. Davidson, one of the 10 analysts covering Spin Master, to downgrade the stock. The analyst downgraded Spin Master to underperform from buy. The analyst cut its price target for the stock to CAD \$15 from CAD \$20.

Despite the poor performance of the company overall, the bright spot was the Games & Puzzles business. This segment, in addition to the Activities, and Plush business segments, continue to provide a [strong and stable platform for Spin Master](#).

The bottom line

This strong performance of the Games & Puzzles business was reported prior to the outbreak of COVID-19 and the stay-at-home instructions. Based on the reports from other game manufacturers, we can assume that this business is booming even more today.

Depending on the length of time Canadians are forced to stay indoors, the pandemic may be creating a massive growth opportunity for Spin Master.

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cdye

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