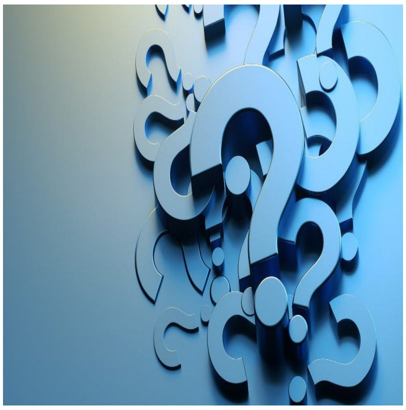

Is the Former High-Flying Stock Set to Soar?

Description

Every now and then I like to go poking around into stocks I haven't checked in on in a while. One such company is **Spin Master Corp.** (TSX:TOY), a maker of children's toys. I was shocked when I looked at the stock price, which is still down more than 50% from its highs. Along with many stocks in the consumer discretionary sector, it still remains very depressed.

So is this previously high-flyer worth taking a look at these levels? I remember writing about this stock a long time with the suggestion that it would be better to wait for a pullback than to get in at that previously high level.

Well, now that the pullback has arrived, is it time to pull the trigger, or should you put this one back on the shelf?

The positives

This company, previously known for its Hatchimals toys, has so many brands it is quite astounding. Many of these brands, like Tech Deck, Air Hogs, and Etch-A-Sketch are well-known classics from yesteryear.

Its more modern brands, such as Owleez and Candylocks are new toys meant to appeal to the next generation. The company has also been expanding its digital offerings to appeal to the modern child.

The company also has a solid balance sheet, with no debt on its books for the past couple of years. The company also doesn't have a dividend, which is positive for a stock of this nature at the moment.

The dividend can't be cut if it's not there, after all. It also had solid growth in the past, a situation that might return with a recovering economy.

The downside

In the recent past, Spin Master was growing quite rapidly. At the moment, the current pandemic has hit its earnings and revenue. In Q1 2020, revenue was down 4.9% year over year.

As a result, gross profit also decreased by a fair amount, 15.7%. These poor numbers in the first quarter hit the stock price quite hard, resulting in its current standing.

The biggest unknown is the length of the recession. If the recession stretches out and job losses become a real problem, people might need to stop spending. In that case, one of the first cuts that people make is toys, which of course wouldn't be good for Spin Master.

The bottom line

I was considering this stock if it pulled back from previously high levels a while ago. Well, it has certainly pulled back, so I'm taking a look. I have to admit, the well-known brands, solid balance sheet, and the overdone pullback make this stock quite tempting.

I'm not overly concerned with the short-term earnings at the moment, however. This shock is presenting an opportunity to get into the name.

Nevertheless, I don't think I'll pull the trigger on this stock. Despite the positive attributes, there are simply too many other companies I would rather invest in for long-term growth and dividends.

It might be a while before the economy recovers following this recession. If it gets really bad, toys will most likely be the last thing on peoples' minds.

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
2025/08/18
Date Created
2020/06/12

Author
krisknutson