



Millennials: This TFSA-Worthy Stock Just Soared 209%, But It's Still Cheap!

Description

Millennials should seek to take on more risks than their Baby Boomer (or Gen X) parents to improve their chances of scoring excess returns with their Tax-Free Savings Account (TFSA) over the long run. Young investors like millennials have decades to make up for potential losses, so they've got a high ability to take risks. All they need is the willingness to bear higher risks and the temperament not to freak out over mostly meaningless near-term fluctuations.

Consider shares of **Spin Master** ([TSX:TOY](#)), an innovative Canadian toymaker that's suffered a massive fall from glory over the years. The company has its share of company-specific issues, industry headwinds, and, most recently, COVID-19 pandemic headwinds.

While it appears that the company is a dud that will be plagued by strong headwinds forever, it would be foolish (that's a lower-case "f") to take a rain check on a stock with incredible longer-term fundamentals and a ridiculously long growth runway.

While the stock may have more than tripled, surging 209% since the depths of March, it remains a country mile (nearly 50%) away from its 2018 all-time highs, making the stock a compelling bargain that I believe is likely to make new all-time highs within the next two years.

Four major reasons to buy Spin Master stock at \$30

First, the company owns some stellar assets, including the likes of Bakugan, Hatchimals, Gund, Etch-a-Sketch, PAW Patrol, Air Hogs, and Zoomer. In addition to its robust roster of brands, the company has an innovative management team that's keeping its pipeline full of potential blockbuster products that could give a lift to the stock going into the holiday season.

The company has the potential to deliver massive upside surprises, but of course, it's not easy to keep delivering blockbuster products out of a pipeline consistently.

Second, Spin Master has a ridiculously strong balance sheet, which will not only allow the company to effectively navigate through industry headwinds, but will also keep the door open to potential accretive

acquisition opportunities. Today, the toy industry is in shambles.

With many distressed toy makers out there, Spin has the financial flexibility to scoop up a bargain and add to its already strong roster of brands at a potentially wide discount.

Third, Spin Master has taken steps to improve upon its shortcomings. In prior pieces, I praised management for their innovative talents but slammed them for their lack of operational leadership. The company has suffered stumbles in the road well before the pandemic (or bankruptcy of Toys “R” Us) decimated the toy industry. Following the management shuffle earlier this year, I’m pretty bullish on the company’s prospects in the future.

Fourth, Spin Master stock is just plain cheap. For a stock that plunged over 80% from peak to trough, you’d think that you’d be looking at a company at high risk of insolvency, with depreciating assets. That’s not the case with Spin Master, however, which is an excellent company with durable assets that’s still in the early chapters of its growth story. While the company had its fair share of baggage, past fumbles will serve as an opportunity for the mid-cap firm to learn and grow.

At the time of writing, Spin Master stock trades at a mere 1.6 times sales and 3.3 times book value. The tailspin is over, and the company is likely to continue its newfound momentum as it looks to recover from the ground lost from the coronavirus crash.

Foolish takeaway

If you’re a risk-taking millennial TFSA investor who’s looking for long-term growth at a reasonable price, it’s tough to find a better risk/reward than that of Spin Master right now. The stock is still dirt-cheap and is a plausible double should the right cards fall into place over the next two years and beyond.

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