



1 Undervalued Canadian Stock to Buy

Description

Opportunities to pay a dime to get a dollar don't come around often. And Canadian investors shouldn't sit on excessive sums of cash waiting around for such rare bargains to appear.

While it's always a good idea to some cash sitting on the sidelines, investors must realize that they'll also feel the pressure from inflation. It can be viewed as a modest penalty on the cash spending too much time sitting on the sidelines.

Cash hoarders should be mindful of inflation

With Canadian inflation now above the 3% mark, the opportunity costs of hoarding cash haven't been high in quite some time. Many beginners find it difficult to fathom the truly insidious effects that higher inflation can have on the dollar's purchasing power.

That's why it's a good idea to put some capital to work in mildly undervalued Canadian stocks, as it could take years for the "perfect" buying opportunity such as the 2020 market crash to happen. Many years of holding cash at a +3% rate of inflation can really sting.

As the great Warren Buffett once put it, it's far better to buy shares of a [wonderful business at a fair price](#) than a fair business at a wonderful price. Of course, it'd be great to snag a wonderful business at a wonderful price, but such opportunities are few and far between unless there's a market-wide panic.

As the world heals from the COVID-19 crisis, though, I do think there is one undervalued Canadian stock that Mr. Market may be sleeping on.

A wonderful business at a wonderful price?

Enter **Spin Master** ([TSX:TOY](#)) is a modest Canadian toymaker with a growthy digital games business that many investors are likely to overlook. The company is best known for its blockbuster hit Hatchimals and the sensation that is Paw Patrol. With a portfolio of solid brands, the company has

carved out a pretty nice niche for itself in the toy space. It's not the largest player in the space by any means, but it has done quite well thanks to the firm's willingness to take risks by innovating.

Sure, the toy market is big into leveraging the full power of big-name brands like **Disney** and Marvel. That said, one must not discount a firm's abilities to innovate. I've referred to Spin in numerous prior pieces as a standout innovator or a tech company that just so happens to make toys. The incredible triple-digit percentage growth in its digital games business is a testament to the firm's abilities to adapt to the new age of children's entertainment.

While Spin Master may not be comparable to the likes of a pure-play digital games company like **Roblox**, I wouldn't at all be surprised if Spin's digital business grew to compose a larger share of the revenue pie over the next five years. I think Spin is a widely-misunderstood company and would urge investors to accumulate shares while they're trading at a very modest 2.1 times sales.

I think it's absolutely [ridiculous](#) that the stock is trading at these depths.

Clearly, the market appears to be discounting the firm's digital successes amid the pandemic. In due time, I suspect the market will correct its mistakes by rewarding the stock with a much higher multiple. For now, Spin Master stock is an under-the-radar mid-cap that's likely to continue trending higher on the back of a post-pandemic spending boom.

Foolish takeaway

Don't underestimate the strength of Spin Master's brands or its innovative capabilities. Sure, there was a bit of a management shuffle. But once the company gets operational leadership, there's really no telling how high TOY stock can fly.

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