



1 High-Growth Canadian Stock That's Taking Off

Description

Don't look now, but shares of Canadian toymaker **Spin Master** ([TSX:TOY](#)) are red hot, up 15% over this past week and 82% since its February lows. The Canadian toymaker has endured a bumpy, albeit prosperous road to recovery. With the tail at its back, I find many reasons to buy the stock on recent [strength](#), as it looks to test its 2018 all-time highs just shy of \$60.

What's behind the recent action in Spin Master stock?

Spin Master stock is sustaining a rally following some pretty [stellar](#) first-quarter earnings results that saw continued strength in its digital games segment. Moreover, investors seem bullish on the great reopening and what could be a brighter and hopefully lockdown-free holiday season.

The major bright spot in Spin's last quarter was undoubtedly the explosive triple-digit growth in its digital games segment. Such growth is poised to wind down as things reopen in the post-pandemic environment, but I think Spin can build upon strength in the segment that had soared through 2020. I view Spin Master as an innovator, not just your run-of-the-mill toymaker. As such, I think that digital could grow in a way such that it challenges the dominance of the likes of a **Roblox**.

Could the great reopening propel Spin Master stock to all-time highs by year's end?

The macro picture seems to be pointing to a post-pandemic boom in discretionary spending. That means pent-up demand for toys is likely to be met, as COVID-19 restrictions are lifted, and more people head back to the shopping malls. Sure, one can buy toys online, but there's really nothing like discovering intriguing, innovative, new toys in person at the local Toys "R" Us.

Undoubtedly, Spin stands to be one of the bigger retail winners, as the economy reopens for summer. Should a fourth wave be avoided going into the holiday season, Spin could be in a spot to post one of its most impressive quarters in recent memory.

Could the Hatchimals holiday quarterly beat from a few years ago be challenged?

I certainly wouldn't rule it out, as digital games' strength coincides with a pick-up in physical toy sales. For Spin, it's about time that the tides have turned in their favour, and I don't think it's a stretch to see the firm continue on its incredible growth rate over the next five years, as it looks to double down on digital.

In any case, I think that the odds that Spin stock hits an all-time high going into the holiday season is high. The recent momentum is remarkable, but the stock remains modestly valued compared to some of its peers south of the border.

At the time of writing, shares of TOY trade at 2.3 times sales and 4.4 times, both lower than that of industry averages. If you believe that Spin Master can continue growing its digital games segment, Spin could be in for some massive multiple expansion. Just how much remains to be seen. Regardless, investors should take the stock for a spin today while it's still cheap.

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