1 Canadian Growth Stock That's Too Cheap to Ignore

Description

The broader markets started off September with four straight days of meagre performance. Combine this with various investment banks downgrading their guide for the S&P 500, with some pointing to a correction some point soon. It definitely feels foolish (that's a lower-case *f*) to jump into the markets right now with any excess cash sitting on the sidelines.

September is a seasonally weak month to deploy capital into the equity markets. October is no better. While things do gradually get better in November ahead of the much-anticipated Santa Claus rally, investors attempting to get in and out of the markets over the span of the last quarter may actually be at risk of hurting their returns.

Seasonally weak or seasonally strong, taking action based on something as arbitrary as the month is timing the markets. And while you could get lucky, I'd argue that the best course of action is staying the course! The markets may be long overdue for a pullback, but there are names out there that don't necessarily have to fall by the same magnitude of the market once that selloff does hit.

There are still many risks out there, and they may very well trigger the next downturn. At the same time, many risks, including the potential for a fourth or fifth wave of COVID-19 cases are already baked in. And should the Delta variant peak sometime soon, we could be dealt with a 10% melt-up, even as many strategists predict a meltdown of a familiar magnitude.

Market strategists are very smart people. But not even geniuses can predict the market's next course of action. That's why it's vital to resist the urge to avoid the next correction and react accordingly by buying more shares of companies you love at lower prices.

Without further ado, consider the following TSX stock that seems underrated and undervalued, even as the market shows signs of fragility going into the ominous September-October season.

Spin Master

Spin Master (TSX:TOY) is a $4.6 billion mid-cap toy company that looks dirt cheap, given the positive macro backdrop. The Roaring 2020s, as they're called, could fuel an epic rally in discretionary retailers such as Spin. Undoubtedly, such a spending boom could be amplified by a broader economic reopening from COVID-19, as more jabs are put in arms, and vaccine passports make the public feel safer about returning to shopping malls.

Brick-and-mortar locations are vital for toy retailers. When Toys "R" Us faltered a few years ago, Spin went into a tailspin. Undoubtedly, kids can learn to shop online, but there's nothing quite like being in an actual toy store or at least the toy section of the local retailer.

It's not just toys or a cyclical upswing that has me bullish on Spin Master. The incredible momentum in its digital games business, I believe, warrants a higher multiple. If digital games continue to grow at this pace, Spin stock could find itself back at new highs in a hurry.

For now, the stock seems expensive at over 30 times trailing earnings. But it really isn't. Not given its growth and the potential for surging toy sales on the other side of this pandemic.

Bottom line

The transition from summer to fall and back-to-school season is typically dreaded by many, stock investors included. But it's still unwise to bet against the market, despite questionable valuations.

Despite surging nearly 300% off its March lows, Spin stock still looks cheap. The company has a lot going for it and is a great buy for those seeking value in the present.

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Date
2025/08/24
Date Created
2021/09/10
Author
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