1 Growth Stock That's a Steal After a 10% Pullback

Description

The **S&P/TSX Composite** is up about 28% as of writing in the last year. It's finally climbing back to the all-time highs after a recent market pullback due to a variety of factors. Unfortunately, there are a few stocks that remained down during the pullback — some for no good reason. And while that's unfortunate for the company, it's great for Motley Fool investors seeking an entry point.

One such company is **Spin Master** (TSX:TOY). The toy company is down about 10% in the last month, thanks to the market pullback. However, based on its past performance and future outlook, this has created a prime entry point. So let's take a look at this growth stock and why investors might consider it for their portfolio.

Recent performance

Shares of Spin Master reached all-time highs back in March 2018. Since the crash, shares have been inching up towards those highs. That is, until the recent market pullback. However, analysts believe the company is a strong buy. It's a cheap growth stock with plenty of growth ahead. This was witnessed during its more recent earnings report.

Spin Master made several strong announcements during the report. It saw total revenue increase by 39% year over year, with gross product sales increasing 27% in the United States, and 58.2% in the rest of the world. Digital games were a significant source of revenue, along with its *Paw Patrol* movie. Gross profit reached US$209.9 million in the quarter, representing 53.7% of total revenue.

But further growth is expected. The growth stock announced it would acquire education-app developer Originator, on top of its other three acquisitions for 2021. So the question is, why are investors concerned?

That supply chain thing again

It seems that investors — Motley Fool investors included — might be concerned about supply chain issues when it comes to Spin Master's performance. This is especially concerning with the holiday season coming up. However, analysts stated that these worries seem to be "overblown." Management remains confident it definitely has enough to stock shelves for the holidays, which makes today's downturn a strong entry point.

Spin Master is a growth stock up 54% in 2021 alone. However, it continues to trade with a valuable EV/EBITDA of 13.8. What's more, analysts believe the stock could be on track to hit its highest annual EBITDA to date in 2021, the previous reached in 2018. The company should meet or exceed its annual guidance, thanks to planning and its digital games and entertainment revenue streams. And the best part? Neither of these massive revenue makers is affected by supply chain issues. So this in fact means investors should look forward to growth during the holiday season, rather than worry about it.

Foolish takeaway

If you're a Motley Fool investor looking for a growth stock to buy for cheap, Spin Master's a catch. Shares won't remain down for long, especially with earnings in the near future. With a further potential upside of about 18% on average, this is a strong buy recommendation by most analysts I would consider on the **TSX** today. One that investors can hold for years, even decades, to come.

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