



1 Stock That Could Beat the TSX Index in 2022

Description

There are many candidates that could give the **TSX Index** [a good run](#) for its money in the new year. Undoubtedly, picking the dogs of 2021 may improve one's chances, but one must ensure that a firm that's taken a beating through the year isn't holding too much baggage such that it'll weigh down any hopes of a relief rally in 2022. Investors must put in extra due diligence when it comes to such plays that most other investors and sell-side analysts have turned their backs on, as there can be vital details that one may miss — details that could point to a decaying long-term growth story or weakness in the fundamentals.

Remember, a stock isn't necessarily "undervalued" just because its shares price is oversold or cheap. Similarly, high-momentum, overbought stocks at new highs aren't necessarily overvalued because of the price action, as such moves may very well be supported.

In this piece, we'll have a look at one of the best Canadian stocks that may be poised to outrun your average Canadian stock, not just in 2022, but over the next three to five years. Such a [long-term time horizon](#) is needed to get the most out of the following names, as catalysts may or may not appear during a shortened timespan (i.e., 12 to 18 months). So, without further ado, consider shares of toymaker **Spin Master** ([TSX:TOY](#)) as one of my top candidates to top the TSX in 2022, perhaps by a wide margin!

Spin Master

Spin Master isn't just a mid-cap Canadian toymaker that's crumbled at the hands of COVID-induced supply chain issues. While the easing of supply chain constraints in early to mid-2022 will bode well for the firm's sales recovery, I think that many are underestimating the potential of the digital games business. Digital is growing at a jaw-dropping rate. Although it's not a significant earnings needle mover yet, I think that the company has the brands to create a digital metaverse-like ecosystem. The company already has the technological capabilities. With a 2021 App Store award in the bag for its Toca Life game, I think Spin is just getting started.

One day, it may become as much of a digital games company as a physical toy company. In any case, I've described the firm as having innovation in its veins. At 21.2 times earnings, Spin stock may not seem like a bargain, but when you consider the likelihood that it continues building on its digital strengths after COVID end, I think the stock could easily command a multiple well north of 30 times. Going into 2022, I'd look for TOY stock to make a run for new all-time highs past the \$60 mark. Brilliant brands and technological capabilities to help it find profound success in the metaverse are a primary reason to buy and hold the name for years at a time.

The bottom line for Foolish investors

A dirt-cheap valuation, an underrated growth story, reopening upside, and an incredibly healthy balance sheet are all great reasons to get behind TOY stock at this juncture. With such catalysts and tailwinds (or the alleviation of headwinds), I'd look for TOY to put the TSX to shame in the new year!

CATEGORY

1. Investing

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