



Why Spin Master (TSX:TOY) Stock Could Be a Top Pick for Your TFSA

Description

Shares of the children's entertainment company **Spin Master** ([TSX:TOY](#)) saw a fresh breakout this week. The stock jumped 16% so far this week, taking its 12-month gain to 80%. While its recently reported quarterly performance is largely behind its gain, the stock could see more surge in the future based on valuation.

This could be an attractive pick for Tax-Free Saving Account (TFSA) investors. Spin Master could see enormous wealth creation in the long term, given its foray into high-growth areas. Investing in the stock via a TFSA will allow tax-free accumulation of capital gains. So, let's see why Spin Master could see superior growth going forward.

Spin Master stock for the long term

Spin Master is a \$5 billion company that makes digital games, entertainment franchises, and innovative toys. It has a diversified product portfolio catering to a huge addressable market.

Spin Master [reported](#) total revenues of \$2.04 billion in 2021, representing a decent 30% hike year-over-year. Its digital games segment saw a steep 128% jump in topline last year relative to 2020.

Spin Master announced its preliminary quarterly and 2021 full-year earnings on February 1. It will report audited results and conduct an earnings call later this month.

Notably, the toymaker has seen substantial traction in the digital games segment since last year. In addition, Spin Master announced last year that its *Bakugan* franchise will extend its adventure into the metaverse. This could be the key growth driver for the company in the future.

Spin Master debuted with its first feature movie *Paw Patrol* in Q3 2021, which was well received by the target audience. It is doubling down on this increasingly popular entertainment franchise with a spin-off series and a theatrical sequel.

Its Toca Life World platform has been another growth driver for digital games. It had around 47 million

monthly active users at the end of Q3 2021. How it brings financial growth will be interesting to watch.

TOY stock: Valuation

Spin Master stock has almost trebled since the pandemic crash in March 2020. Of course, many high-growth stocks have seen such a steep growth since then. However, what's important to note here is that TOY stock's current valuation.

It is currently trading 23 times its 2023 earnings, which looks relatively cheap. Growth stocks in a similar industry trade at a far higher [valuation](#). So, if you are thinking of avoiding this name, as it has already moved up significantly, I think there is still steam left.

Spin Master looks well placed to capitalize on the growth opportunities with the diverse product offering and expanding geographical presence. Its net income has soared by approximately 12% CAGR since 2016, effectively rewarding its shareholders.

TOY stock returned 130% in this period, beating broader Canadian markets. Also, the stock could see more interest from momentum investors after its recent breakout and also from value investors on the back of solid quarterly numbers.

The contribution room for the TFSA this year is \$6,000, while the cumulative limit stands at \$81,500. It would not be prudent to invest the entire amount in one stock, so consider diversifying. Here are some of the [top TSX stocks](#) for the long term.

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vinitkularni20

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