



Top Pick: 1 Growth Stock Grew Net Income by 8,733%

Description

I wrote last month about the two companies for kids with [high-value potential](#). One of them reported out-of-this world quarterly earnings growth. On February 28, 2022, **Spin Master** ([TSX:TOY](#)) presented record financial results for Q4 and full-year 2021. The other company, **Corus Entertainment**, is holding steady in 2022. However, it has yet to report its results for the same periods.

Impressive growth

Max Rangel, Spin Master's global president and CEO, said, "We delivered very impressive growth in 2021 across all our three creative centers and furthered our commitment to creating magical play experiences for children and their families through innovative toys, engaging entertainment and creative digital games."

Rangel adds, "We have built a solid foundation for continued long-term growth and as we enter 2022, we are focused on further developing the full potential of Toys, Entertainment and Digital Games."

This year, however, could be more challenging for the toy industry in general due to [geopolitical tensions](#). Nevertheless, [growth investors](#) should keep TOY in their watchlists, given the company's superb business performance amid the supply chain issues of 2021.

Financial highlights

The \$4.8 billion global children's entertainment company creates exceptional play experiences. In Q4 2021, Spin Master's net income grew 8,733.3% to US\$26.5 million versus Q4 2020. For the full-year, the year-over-year growth was 336.5%.

Mark Segal, Spin Master's CFO said, "In the fourth quarter, we maintained the positive momentum we built throughout the year, combining organizational discipline, financial focus and operational efficiency to exceed our expectations." The company also achieved several milestones in 2021.

Segal said the 30% increase in total revenue helped Spin Master exceed US\$2 billion for the first time. Besides the over-20% growth in product sales, the adjusted EBITDA margin rose above 20%, another first. Because of management's intensive focus on working capital, the company had more than US\$1 billion in available liquidity at year-end 2021.

Spin Master's distribution network in over 100 countries is a competitive advantage. Its award-winning brands include PAW Patrol, Bakugan, Kinetic Sand, Air Hogs, and Hatchimals, among others. The company is also the global toy licensee for other popular properties.

Business outlook

Spin Master will continue to bank on its portfolio of innovative products and brands. According to Rangel, its multi-platform entertainment franchises and open-ended digital games also lessen reliance on physical items. He adds the positive mix effect of digital games and entertainment enabled Spin Master to offset toy margin pressure amid supply chain disruptions.

Furthermore, management is confident the launching of Spin Master Ventures (SMV) will help accelerate growth in each of its three creative centres. Management will capitalize on the rapidly changing kids' entertainment space. SMV will make strategic minority investments in startups with an eye to entrepreneurial game changers with promising ideas.

Partnership generator

Spin Master desires to widen relationships, networks, and knowledge to become the ultimate partnership generator. SMV should bolster its leadership position in the kids' entertainment space. At \$46.96 per share, the trailing one-year price return is \$61.60. If you invest today, market analysts' 12-month average price target is \$58.11, a 23.7% return potential.

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