



## Why Spin Master Stock Rose 14% Last Week

### Description

**Spin Master** ([TSX:TOY](#)) is a Toronto-based children's entertainment company that creates, designs, manufactures, licenses, and markets various toys, entertainment franchises, and digital games in North America and around the world. Today, I want to look at how this stock has performed so far this year. Moreover, we'll determine whether it is worth snatching up ahead of its next earnings release.

### How has Spin Master performed so far in 2022?

Shares of Spin Master have climbed 2.5% in 2022 as of close on July 22. The stock is up 5.2% in the year-over-year period. Spin Master has managed to sidestep broader volatility that has hindered the TSX since the spring season. Indeed, the stock has been on a steady upward trend since being hit hard during the March 2020 market pullback.

Children's entertainment is a booming international market that investors should seek exposure to this decade. The overall toys market is even more promising. Fortune Business Insights recently released a report that estimated the total toys market was valued at US\$129 billion in 2020. It revealed that the toys market managed to deliver robust growth of 22% in the face of extremely challenging conditions in the form of the COVID-19 pandemic. It expects the market to grow from US\$141 billion in 2021 to US\$230 billion by 2028. That would represent a CAGR of 7.3% over the forecast period.

### Should investors be encouraged by its recent earnings?

The company is set to release its second-quarter 2022 results before markets open on July 28. Investors got to see its first-quarter 2022 earnings on May 4.

Spin Master delivered total revenues of \$424 million — up 34% from the previous year. Toy revenue represented 30% of that revenue growth, with Digital Games contributing 5.4% of the total. However, its Entertainment segment suffered a 1.5% decline in revenue from the prior year.

Adjusted operating income surged to \$77.3 million compared to \$13.6 million in the first quarter of

fiscal 2021. Better yet, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) was reported at \$95.7 million — up from \$36.7 million in the previous year. It reported available liquidity of \$1.01 billion.

Toy revenue has been the key driver to kick off fiscal 2022. Gross product sales in the Toy segment increased 34.9% year over year to \$397 million. This was led by growth from *Gabby's Dollhouse*, *DC Comics*, and *Wizarding World*. Meanwhile, the Digital Games segment was bolstered by higher in-app purchases in *Toca Life World*.

## Spin Master: Should you buy this stock today?

For its 2022 outlook, Spin Master stated that it expects toy gross product sales to increase by low double digits in the year-over-year period. Meanwhile, it projects total revenue to also rise by low double digits.

Shares of Spin Master currently possess a price-to-earnings ratio of 16. That puts the stock in [attractive value territory](#) compared to its top competitors. The company is on track for solid earnings growth, and it boasts an immaculate balance sheet. This stock has defied the recent bout of market turbulence, and it looks like it is worth holding for the rest of 2022.

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