



Why I'm Rooting for Spin Master Stock Ahead of the Holidays

Description

It's a turbulent time to be a [young](#) investor, but there's no better time to get your "market legs" than when we're in the midst of a choppy bear market. Undoubtedly, everybody on the Street has a bit of anxiety over rate hikes and the possibility of a recession. Recessions mean earnings downgrades, and that could mean significant multiple compression and pain for nearsighted investors.

Though the bear market has been a nasty one, it's also becoming a bit long in the tooth. It's now more than 10 months old, with the S&P 500 dipping 25% at its lowest point. Though 2022 has been a stinker for shareholders, it's vital not to give up on the game. It's about staying invested through tough times, and, if you can help it, topping up your positions if you've got the courage to brave the volatility.

With a strong start to October, questions linger as to whether the September lows mark the new bottom. Nobody can tell until after the fact. While things could go either way from here, I still see pockets of deep value across the board. And in this piece, we'll have a closer look at one intriguing value stock that has a timely catalyst that could kick in by year's end. Whether or not Mr. Market sparks a relief rally by the time Santa Claus comes to town is a giant question mark. Regardless, oversold conditions and potential discounted positives make me a huge fan of discretionary firms with durable competitive edges.

A toymaker to give a spin ahead of the holidays

Enter Canadian toymaker **Spin Master** ([TSX:TOY](#)), which caught a bid higher on Tuesday, jumping 2.4%. Over the past year, TOY stock has been quite flat (that's good when the rest of the market has been tumbling quickly). Despite being "[stuck](#)" in a wide \$40-50 consolidation channel, the firm has continued to clock in some pretty decent numbers.

The company has smashed away earnings estimates for four consecutive quarters. The latest (Q2 2022) results saw earnings per share (EPS) of \$0.68 versus the \$0.48 consensus on \$506 million in revenue (up from \$424 million a quarter prior). Indeed, analysts keep underestimating the firm's abilities amid macro headwinds. Going into the holiday season, I think Spin could deliver its best beat in recent memory.

With a recession and inflation weighing heavily on sentiment (and estimates), Spin Master has a chance to prove it can step in on the turf of its much larger U.S. competitors in the toy market. I think it can because of its innovative ability and its refreshed managers, who've done a great job of bringing out the best in its brands in the digital realm.

Bottom line

While the 2022 holiday season may be muted, it's all about expectations when it comes to Spin. Analysts currently expect fourth-quarter 2022 EPS to drop to \$0.31. With a strong brand lineup and just a sliver (around 2%) of the global to market, expect Spin to step up to the plate and do its best to knock one out of the park.

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