



Here's Why I Just Bought Spin Master Stock

Description

Spin Master ([TSX:TOY](#)) is a Toronto-based children's entertainment company that is engaged in the creation, design, manufacture, licensing, and marketing of various toys, entertainment franchises, and digital games in North America and around the world. Today, I want to discuss why I scooped up shares of this company in November. Let's jump in.

Why this stock has been throttled in recent weeks

Shares of Spin Master have plunged 20% week over week as of close on November 8. The stock is now [down 30%](#) in the year-to-date period. Its shares have plunged 31% compared to the same period in 2021.

This stock suffered its big plunge after its recent earnings release. Unsurprisingly, the company failed to meet expectations in an already uncertain economic environment. We will dive more deeply into these earnings further into this piece.

Where is this industry headed broadly?

Canadian investors should be interested in seeking exposure to the children's toy and entertainment markets. Despite low birthrates in the developed world, consumer spending on children has remained robust.

Fortune Business Insights released a report on the state of the toys market back in August 2022. In this report, Fortune Business Insights estimated that this market was worth US\$129 billion in 2020. The market researcher projects that the global toys market will reach US\$230 billion by 2028. That would represent a strong compound annual growth rate of 7.3% over the forecast period.

Meanwhile, children's entertainment media has also achieved robust growth over the past decade. This is good news for Spin Master, as the company owns entertainment brands like *PAW Patrol* and *Abby Hatcher*.

Should you be encouraged by Spin Master's earnings?

This company unveiled its third-quarter fiscal 2022 earnings on November 2. Spin Master delivered revenue growth of 12% to \$624 million. It suffered revenue declines in Toys, Entertainment, and Digital Games segments. Meanwhile, adjusted operating income was reported at \$151 million — down from \$175 million in the prior year. Moreover, adjusted diluted earnings per share fell to \$1.08 compared to \$1.26 per share in the third quarter of fiscal 2021.

EBITDA stands for earnings before interest, taxes, depreciation, and amortization. This provides investors with a more accurate picture of a company's profitability. Adjusted EBITDA was reported at \$167 million, which was down from \$217 million in the previous year.

In the first nine months of fiscal 2022, revenue increased 9.3% year over year to \$1.55 billion. Meanwhile, adjusted operating income rose to \$326 million compared to \$246 million for the same period in fiscal 2021. Moreover, it reported adjusted EBITDA of \$377 million — up from \$335 million in the prior year-to-date period.

Spin Master: Here's why I'm buying right now

Spin Master broadened its reach with the acquisition of Nordlight back in August 2022. This will allow the company to strengthen its position in the lucrative and fast-growing casual gaming space.

Shares of Spin Master currently possess a very favourable [price-to-earnings ratio of 8.6](#). The Relative Strength Index (RSI) is a technical indicator that measures the price momentum of a given security. This stock last had an RSI of 17, which puts Spin Master deep in [technically oversold territory](#). Moreover, it offers a quarterly dividend of \$0.06 per share. That represents a modest 0.7% yield. This company is still on track for [strong revenue and earnings growth](#) going forward.

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