



## Why Dorel Industries Soared 19% on Tuesday

### Description

**Dorel Industries** ([TSX:DII.B](#)) shares jumped 19% on Tuesday, after news the juvenile products company sold its remaining bicycle segment.

### What happened?

Dorel announced earlier last year it agreed to sell its Dorel Sports bicycle segment to Pon Holdings B.V. The Dutch mobility group bought the segment for US\$810 million, or about \$1.03 billion. The sale gave immediate proceeds of US\$735 million, which Dorel is using for a “special dividend” of US\$12 per share. It will also be used to reduce debt.

This special dividend will be aimed at returning value to shareholders for a total of US\$390 million. This dividend will be paid to shareholders owning Dorel on Feb. 1, for those who held the stock as of Jan. 18. Furthermore, the company announced a share buyback for cancellation of 1,891,222 shares.

### So what?

All this news is great for Dorel shareholders and those interested in the stock. It puts Dorel in a premium position for a stronger balance sheet, reducing debt in the process. The new shares will be bought back on a regular basis between Jan. 6, 2022, and Jan. 5, 2023. This goes to show that the company is [confident](#) its share price will continue to rise over the next year.

Shares of Dorel stock are already up 62% in the last year, jumping last [October](#) over news of the sale. Shares are up 26% in the last month, and, of course, climbing that 19% on Tuesday alone. Dorel will have the right to purchase up to 25% of its average daily trading volume, which, in its case, is 111,742 shares. That would mean the company could buy back up to 27,931 shares in one trading day, according to **TSX** rules.

## Now what?

Dorel saw a huge reaction in the market, but what should Motley Fool investors [consider](#) now? Well, Dorel remains a strong buy, with analysts believing the stock will outperform the market. After the initial announcement was made, analysts across the board upped their recommendations.

The increase in demand for bicycles in the market made it a prime time to sell and get a deal for a great price. And that's exactly what happened in the case of Dorel. Because while demand is high, supply chains remain a struggle. So, getting out of this segment may have been a golden opportunity that wouldn't come up again.

Furthermore, **TD** Securities analyst Derek Lessard believes the renewed focus on growth opportunities coupled with shareholder value should see the share price skyrocket. He remains on the high end of target pricing at \$46 per share. That would almost double today's share price, even after the jump.

Shares of Dorel are now up 17% to \$24 per share, as of writing.

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