



Why Stelco Stock Jumped 14% on Thursday

Description

Stelco Holdings ([TSX:STLC](#)) saw shares jump as high as 14% in early trading on Thursday. It came after Stelco stock announced the results of its issuer bid.

What happened?

Stelco stock announced its “substantial” issuer bid, resulting in an offer to purchase up to \$250 million in value of outstanding common shares. The company expects to pay \$37 per share for 4.44 million shares, as of Jan. 26, 2022. This takes up 5.7% of total issued and outstanding shares, resulting in a price of about \$164 million.

The deal originally came about on Dec. 21, 2021. Under those details, Stelco stock planned to have an offer of 10.4% of total shares if the purchase was \$31 per share. Or, at \$37 per share, it would take up 8.7% of shares. However, at \$37, it now states that it holds 5.7% of shares.

So what?

It's important to note this major jump in Stelco stock *isn't* due to [news](#) that's making investors buy up the stock. It's the company buying it themselves. Granted, that's definitely a good thing. And, in fact, analysts continue to weigh on the stock, marking it as incredibly undervalued.

As of writing, shares trade right at that \$37-per-share mark. But analysts give Stelco stock a consensus target price of about \$55 per share. That's a potential upside of 49% as of writing. And that's even with the company announcing last month that the fourth-quarter steel shipments will be below prior guidance, thanks to production challenges and the Omicron variant.

Now what?

We still don't have the fourth quarter in for Stelco stock, and last quarter was a banger. The company

reached [record](#) revenue and earnings, and raised its [dividend](#) by 50%. The company reported revenue of \$1.35 million, up 47% quarter over quarter. Further, it brought in \$770 million in operating income, and adjusted EBITDA of \$787 million. The dividend is now up \$0.30 per share to \$0.70 per share per year.

The steel company may be going through a rough patch, but, overall, steel is needed as the world gets back to work. Stelco stock will continue to benefit from a backlog in projects across North America. As one analyst stated, you need to think big picture. Right now is a temporary and “relatively mild” setback. And it looks like management agrees. Now could be the turning point that sees the company and other investors buy up Stelco stock during this market volatility. And that volatility won’t last forever.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:STLC (Stelco Holdings Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolf
2. kduncombe

Category

1. Coronavirus
2. Investing

Date

2025/07/21

Date Created

2022/01/27

Author

alegatewolf

default watermark

default watermark