



Largo (TSX:LGO) Stock Is Down 16% in 2022: Should You Buy the Dip?

Description

Largo ([TSX:LGO](#)) is a Toronto-based company that is engaged in the development and sale of vanadium-based utility scale electrical energy storage systems. Investors on the hunt for exposure to clean energy equities have another reason to target Largo right now. Vanadium is a malleable transition metal that effectively resists corrosion. That makes the element ideal for use as a steel additive. This stock has hit a rough patch in the year-over-year period. Today, I want to discuss what is behind this recent plunge. Moreover, we'll determine whether it is worth buying Largo stock on the dip.

Why Largo has plunged to start 2022

Shares of Largo have climbed 7.7% in the week-over-week period as of late-morning trading on January 28. However, the stock is still [down 16% so far in 2022 and 41% year over year](#). Largo has succumbed to [broader volatility](#) that has impacted North American stocks in January. However, that pullback may be temporarily stemmed after the Bank of Canada (BoC) and the United States Federal Reserve elected to stand pat on interest rates for a few more weeks.

How has this company performed in recent quarters?

This company is set to unveil its fourth-quarter and full-year 2021 earnings on March 16, 2022. It released its third-quarter 2021 results on November 10, 2021. Overall, it was another very solid performance.

Total revenues increased 96% year over year to \$53.9 million. Meanwhile, net income climbed 261% from the previous year to \$9.2 million. Largo benefited from higher vanadium prices in the third quarter. Operating costs have increased along with sales compared to the third quarter of 2020.

Largo has made some promising strides on the business side in recent quarters. It has substantially completed Phase I of its Massachusetts manufacturing facility. Moreover, production at its Maracas Menchen Mine increased 5% from the previous year. This represented the second-best quarterly production since operations began.

The company stated that Vanadium sales had been negatively impacted by global logistical delays. That has led to a dip in sales to 2,685 tonnes in the third quarter of 2021. Regardless, Largo is still projecting solid production to close out the 2021 fiscal year.

Should you buy the dip in Largo stock?

In late 2021, I'd looked at top Canadian stocks that were [worth holding onto](#) for the long haul. Largo is one Canadian stock that is worth adding to that stable. It recently achieved profitability and it is poised for further earnings growth in the quarters ahead.

Shares of this Canadian stock last had a price-to-earnings ratio of 19. That puts Largo in favourable value territory as of early afternoon trading on January 28. It is currently trading at the low end of its 52-week range. Indeed, this Canadian stock last had an RSI of 35. That puts it just outside technically oversold territory at the time of this writing. I'm looking to snatch up this stock on the dip as we approach the end of January.

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