



## This TSX Stock Plunged 20% Yesterday: Should You Buy the Dip?

### Description

**Resolute Forest Products** ([TSX:RFP](#))([NYSE:RFP](#)) is a Montreal-based company that operates in the forest products industry in the United States, Canada, Mexico, and around the world. It produces a variety of products including market pulp, tissue, and wood products and papers. The [pace of inflation](#) has had a positive impact on lumber prices over the past year. Today, I want to discuss what is behind the TSX stock's recent bout of turbulence. Is it worth snagging on the dip? Let's jump in.

### Why this TSX stock took a major hit on Thursday

Shares of this TSX stock [plunged 20%](#) on Thursday, February 4. The stock has dropped 21% so far in 2022. Meanwhile, its shares are still up 40% in the year-over-year period.

Softwood lumber prices experienced a spike to open 2022. The price of construction materials experienced a significant rise in 2021, putting pressure on building contractors.

Resolute Forest thrived on the back of these conditions in 2021. However, the stock suffered a sharp drop this week after the release of its fourth-quarter and full-year 2021 results. The company posted a net loss of \$128 million — down further from a \$52 million loss in the fourth quarter of fiscal 2020. This amounted to a loss of \$1.64 per share in Q4 2021.

### Can the company recover in the face of headwinds?

Should investors have faith in this TSX stock rebounded after the post-earnings dip?

The company has fallen victim to ongoing supply chain issues in North America. Resolute Forest said that it was negatively impacted by a jump in manufacturing costs that were fueled by higher energy prices, lower internal power generation and higher fibre costs. Moreover, the company also wrestled with higher freight costs.

For the full year, Resolute reported GAAP net income of \$307 million, or \$3.83 per diluted share. This

was up significantly from net income of \$10 million, or \$0.12 per diluted share, in 2020. Sales increased 31% year over year to \$3.7 billion. Excluding special items, Resolute delivered net income of \$523 million, or \$6.51 per diluted share. Like its peers, the company benefited from a bull market in the lumber space.

It posted adjusted EBITDA of \$921 million for the full year. That empowered Resolute Forest to dramatically reduce its debt, invest in its business, and return cash to its shareholders. The Wood Products segment saw its operating costs increase \$18 million year over year to \$82 million. Meanwhile, Market Pulp and Tissue both recorded declines from the previous year.

## Should you buy this TSX stock today?

This TSX stock is still in a [solid position](#) to benefit from rising prices in this inflationary environment. It is trading in favourable value territory compared to its industry peers. Shares of this TSX stock last had an RSI of 33. That puts Resolute Forest just outside technically oversold territory at the time of this writing. I'm looking to snatch up this stock on the dip in early February.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:RFP (Resolute Forest Products)
2. TSX:RFP (Resolute Forest Products)

### 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. aocallaghan
2. kduncombe

### Category

1. Investing

### Date

2025/08/13

### Date Created

2022/02/04

**Author**  
aocallaghan

default watermark

default watermark