



Why Dorel Industries Stock Fell 10% on Friday

Description

Dorel Industries ([TSX:DII.B](#)) saw shares fall by 10% on Friday after the company reported fourth-quarter earnings that were hurt by supply chain disruptions.

What happened?

Dorel stock reported earnings that fell below estimates as management explained lack of supply and higher costs hurt company performance. Inflation continues to rise, and yet the stock continues to lag behind demand for product.

“The fourth quarter was a difficult one, as continuing global supply chain constraints and related higher costs for products, services and commodities pressured margins, reducing earnings at both Dorel Home and Dorel Juvenile,” stated Chief Executive Officer and President Martin Schwartz. “Demand was strong at many of our divisions; however, frustratingly, like many companies, we were unable to secure the necessary goods or parts to fully satisfy consumer requirements.”

So what?

The main issue is that Dorel stock doesn't see this ending any time soon. Or at least, it has no idea when it might end. That's because these problems remain out of company hands. Demand is strong, but supply is low. And no one can foresee just how far inflation might rise before levelling out, even with increases interest rates.

The one bright sign is the company's use of the net proceeds from selling off Dorel Sports. The company remains in a “strong financial position” thanks to the sale. Therefore, it can still navigate through these headwinds and hopes to come out the other end relatively unscathed.

Now what?

The fourth-quarter revenue came in at US\$435.3 million, down 0.9% from the year before. Its net loss came in at US\$29.6 million, or US\$0.91 per diluted share, an increase of 122% from the year before. While revenue increased for the full year by 2.4%, net loss for the year also increase to US\$111.8 million.

Because it's unknown when these inflation and supply [problems](#) will subside, investors will have to hope Dorel stock is right in its sale of Dorel Sports holding the company strong. If not, losses could continue to pile up for at least the near-term future.

Shares of Dorel stock were down 9.56% as of writing and 56% year to date.

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