



Why Labrador Iron Ore Stock Collapsed 20% on Monday

Description

Editor's note: The frequency of the dividend payout has been corrected. It is quarterly.

Labrador Iron Ore Royalty ([TSX:LIF](#)) shares fell up to 20% on Monday, as the company admitted that, despite strong earnings results, the iron industry remains volatile.

What happened?

Labrador Iron Ore stock fell by 20% and remained down 16% at the time of writing. This came in after earnings that were quite positive, but management admitted they could take a southern turn. Furthermore, the company remains “entirely dependent” on one joint venture.

Revenue for the quarter grew to \$60.1 million from \$54.4 million the year before for Labrador Iron Ore stock. Analysts estimated earnings per share at \$0.93, yet the company beat out estimates reaching net income of \$1.22 per share. This was also a year-over-year [increase](#) from \$1.16 per share the year before.

So what?

That's good news, right? Everything is going up for Labrador Iron Ore stock, and this comes from the highly valued price of iron. However, there has been massive increase in volatility within the iron industry. This comes from two avenues. First, China implemented production constraints, management stated, in the second half of 2021. It now hopes that those will be lifted in 2022 for further growth. Furthermore, the Russia-Ukraine conflict also affects production.

Ferrexpo is the third-largest exporter of iron pellets. Labrador Iron Ore stock stated it “was forced to declare *force majeure* on some contracts as Ukraine's logistics networks continue to experience disruption.” This could also damage sales in the near term at least.

Now what?

It seems there isn't a company on earth that can get away from the Russia-Ukraine conflict these days. That includes the burgeoning iron industry, where Labrador Iron Ore stock continues to do so well. Iron prices are up, and it continues to focus in on iron pellets to meet demand and remain cash strong.

However, clearly investors aren't as convinced. Iron ore prices recovered from lows in November 2021 with the spread of the Omicron variant. The average price of iron pellets averages US\$67, up from US\$60 in 2021 and US\$29 in 2020. So, this is where the company will remain focused until the price of iron, down about 12% from 2021, recovers.

Shares of Labrador Iron Ore stock were down 16% as of writing, with a dividend of 12%. Shares are up 5% in the last year, trading at 7.05 times earnings. The quarterly dividend was also [reaffirmed](#) at \$0.50 per share.

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