# Down Over 10% This Month, DH Corp. Could Be a Screaming Buy

## Description

For the second time this month, **DH Corp.** (TSX:DH) is facing attacks from a short seller. Shares have sunk over 10% in the past 30 days following a report speculating that the company's stock could be over 100% overvalued.



Recent fears, however, may allow opportunistic investors to buy cheaply into a long-term turnaround story. As we'll see, DH Corp. has been able reposition its business into a significantly more attractive space.

**A new company with a new vision**

Through acquisitions, DH Corp. has slowly transitioned into a financial technology company. It aims to provide mission-critical banking technology solutions to its 5,400 U.S. financial institution customers.

While the company is known for its cheque-processing services, it has recently been broadening its base into more modern technology-based services. Because there are numerous legal and financial compliance rules, very few companies can compete in the space. This allows a handful of companies, including DH Corp., to control the market.

The biggest acquisition this year, a $1.25 billion acquisition of Fundtech, is a perfect example of the company's evolution. It will allow DH Corp. to capitalize on the increasing desire for real-time payments globally, providing it with a market-leading software platform that has established scale in payment technology.

Acquisitions like this are making DH Corp. more attractive to global financial institutions and large U.S. banks, who are key customers for the future of financial technologies.

**Is the selling overdone?**

Graham Ryding of TD Securities believes shares are very attractive given its current valuation. "The market reaction to short-seller concerns is misplaced," the analyst told clients. Recently, he raised his rating on DH Corp. to a strong buy from buy. While maintaining his $47 price target, Ryding reaffirmed his conviction in the company’s growth outlook and noted that the fundamentals are still intact.

The stock is showing volatility right now because investors are debating whether or not DH Corp. is capable of completing the transition to its new business model. With thousands of existing relationships with big banks and dozens of acquisitions over the past decade to bolster its offerings, DH Corp.’s management team appears to be confident that it can be successful.

**Future dividend opportunities**

Currently, DH Corp. shares yield 3.7%, a bit above its historic average. With the company pouring a significant amount of capital into building its new businesses, investors shouldn’t expect too much dividend growth in the near future.

However, should DH Corp. reinvigorate earnings growth over the long term, a healthy dividend boost shouldn’t be ruled out, especially for a company that has shown a consistent discipline in paying out earnings.

For now, a 3.7% yield pays investors to wait for DH Corp.’s strategy to gain traction. With the recent stock price hit, shares look interesting for patient investors.



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