



Canada's Newest Tech Stock Hits the TSX Running

Description

Talk about an IPO hitting the ground running.

Minneapolis-based **Ceridian HCM Holding Inc.** (TSX:CDAY)([NYSE:CDAY](#)) dual-listed its shares April 25 at US\$22 a pop. They opened at US\$28.90 and haven't looked back up 44% on its IPO pricing in just four days of trading.

I'm not a fan of most IPOs, but as I read its prospectus prior to its opening last week, I had a good feeling about Ceridian, an American company run by a Canadian from Toronto that owes much of its newfound success to Dayforce, a cloud-based human capital management software platform that helps companies of all sizes handle their human resources needs.

"I'm usually not a fan of IPOs, but I'm having a hard time poking any holes in this one," I [wrote](#) on April 16. "If you can get a hold of IPO shares, you should."

In my article about Ceridian's IPO, I spoke about all the great [customers](#) it is attracting and how the company is getting closer to making money, but left out a couple of big reasons why I was so convinced that it would be a success.

Live demonstration

My wife works in retail.

One of the companies she used to work for used Dayforce for payroll at its stores. In the five-plus years she worked for this company, she never had a harsh word to say about Dayforce. In fact, she often was very complimentary.

So, when I read Ceridian was looking to go public, I immediately knew that I needed to take a look at the financials because the product itself was the real deal as far as I was concerned.

What I found was that Dayforce is becoming *the* most important part of Ceridian, growing from less than 500 Dayforce customers in 2012, the year it was acquired by Ceridian, to more than 3,000 in 2017.

More important, in the span of three years, Dayforce's cloud revenue has more than doubled to US\$320 million, which is 48% of Ceridian's overall revenue and up from 35% of the company's overall revenue a year earlier.

Soon you might as well rename the company Dayforce Inc., because that's what's driving Ceridian.

The Golden Goose

Ceridian paid somewhere north of US\$100 million for Dayforce in 2012, and, like a horse owner who buys a struggling two-year-old filly that turns out to be a Kentucky Derby winner, I don't think Ceridian's private equity owners knew how good a company Dayforce was.

However, while Ceridian might have underestimated the company, it didn't miss out on the fact that Dayforce's CEO, David Ossip, was an exemplary leader. Ossip, head of the acquired company, became CEO of the acquirer, an unusual move. And the rest, as they say, is history.

"I think you should sit down with every person and understand clearly what their short- and long-term personal objectives are, and as CEO, your success should be measured on how well these people reach their goals," Ossip stated in a December 2017 article about leadership in the *Financial Post*.

With the kind of attitude exhibited by Ossip toward his people in this article, it's not surprising that he was named one of Canada's most admired CEOs in 2017.

What next?

Ossip believes that the gig economy is the next big area for Ceridian to tackle, which is great news for writers such as myself who make a living as independent contractors.

"There are great global opportunities for growth," Ossip said in an interview recently. "There's some functionality that we offer in terms of being able to do continual calculations and same-day pay, which really addresses a lot of opportunity in the gig economy."

You don't have to be an independent contractor to appreciate the growth potential Ceridian's Dayforce product brings to the table.

Ceridian's business wasn't looking so hot before it acquired Dayforce in 2012. For a little more than US\$100 million, it acquired a great company and a great chief executive officer.

Ceridian's become my favourite Canadian tech stock in very short order — and that's a good thing.

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