



IPO: Dye & Durham (TSX:DND) Could Be Canada's Next Big Winner!

Description

It's been a while since Canada has had an IPO to get really excited about. **Shopify's** glorious multi-year run has shown the world that Canada's tech scene is capable of giving Silicon Valley a good run for its money. **Dye & Durham** ([TSX:DND](#)) of one of the more recent tech IPOs to hit the TSX Index, and it's a largely unknown name that you should add to your radar, as it could have the potential to pop over the next few years.

A severely undervalued IPO?

Mat Litalien, my colleague here at the Motley Fool Canada, did a top-notch job covering the Dye & Durham IPO, which came roaring out of the gate. While there was massive demand for shares of the Canadian cloud stock, shares of DND still aren't nearly as expensive as most other stocks that don't have as compelling a [growth story](#) as Dye & Durham.

Mat thinks Dye & Durham is a cheap stock, with shares trading just north of five times sales, and I think he's right on the money, given most other cloud companies with long growth runways are trading at valuation multiples that are multitudes higher on a price-to-revenue basis.

"As an example, peers such as **Lightspeed POS** and **Docebo** are trading at a P/S ratios of 26.41 and 24.09, respectively. In fact, one need only look at both these companies to understand Dye and Durham's potential." wrote Mat in his [piece](#).

While it's tough to gauge Dye's intrinsic value at this juncture given the limited publicly available financial information, it's apparent that the company looks to be trading a considerable discount on a relative basis. So, if you're looking for a potentially high-upside bet, I'm not at all against loading up on DND stock here, despite my reluctance to chase hot IPOs.

Shopify, for example, sports a P/S ratio well north of the 60 mark. So, in terms of relative value, Dye & Durham looks nothing short of compelling through the eyes of both value and growth investors.

What does Dye & Durham even do? And what's the growth story about?

Dye & Durham provides value-adding tech solutions for legal and business professionals. Its platform aims to increase productivity and efficiency through a wide range of services.

Dye's invaluable service can help its clientele save time and money. In essence, clients may find that the service can pay for itself and then some.

Over the years, we've seen many cloud-harnessing Software-as-a-Service (SaaS) firms coming onto the scene, offering suites of efficiency- and productivity-enhancing services that aim to make the lives of firms operating within target markets that much easier. It's been hard to keep such SaaS stocks depressed over a prolonged period, as they've exploded just months after landing on the TSX thanks to massive client growth and multiple expansion.

Will a "post-IPO surge" happen for Dye & Durham, too?

I wouldn't rule it out. There could be a multitude of upside, as more investors find out about the company that's already made a big name for itself in the niche market it serves. At around five times sales, I'd look to scale into a position, as long as you're not a stranger to volatility.

As I've mentioned previously, IPO investing can be a dangerous game. But given the ridiculously depressed valuation, I'm willing to make an exception with Dye & Durham. The company is capable of very high double-digit revenue growth, so I find it absurd that the stock doesn't trade at over 20 times sales like many other Canadian SaaS companies like Lightspeed POS, Docebo, or even Shopify.

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