



IPO Alert: Dye & Durham (TSX:DND) Can Triple in Price

Description

Last month, Canada's **Dye & Durham** ([TSX:DND](#)) filed for an IPO (initial public offer). This cloud-based software and technology solutions provider issued 1.7 million [common shares at a price of](#) \$7.5 and raised \$150 million in gross proceeds.

Dye & Durham stock is currently trading at \$16.5, which means it has already returned 120% in less than a month. The stock is also up 43% from its opening price of \$11.5. Here's why I think the stock has plenty of upside for long-term investors.

Dye & Durham has a robust business model

Dye & Durham aims to improve efficiency and increase productivity for legal and business professions. It provides clients with critical information, services, and workflows that help them manage their processes and regulatory requirements. Its customer base includes blue-chip law firms, financial corporations, and governments.

Dye & Durham's platform automates the process of due diligence searches, document creation, and electronic record filings for commercial and real estate transactions. This cloud-based model has helped the company drive significant revenue growth over the years.

It has successfully managed to add services and transactions to its platform without a significant increase in incremental costs, which leads to improved unit economics. Dye & Durham has also driven top-line growth via acquisitions and effective integration of legal technology business onto its platform.

These acquired businesses operate a transaction-oriented, flow-through disbursement model and have high recurring sales and a large market share in their respective industries. DND has acquired 14 companies since 2013.

Dye & Durham said it focuses on "acquiring businesses with growth potential, managing them well and then improving them has allowed it to generate strong cash flows and revenue growth since 2013."

DND has increased sales at an annual rate of 71% between fiscal 2016 and fiscal 2019. The company's sales rose from \$8.8 million in 2016 to \$43.8 million in 2019. Comparatively, its adjusted EBITDA is up at an annual rate of 136% from \$2 million to \$26.4 million in this period. It ended fiscal 2019 with an EBITDA margin of 55%.

Dye & Durham has a diversified client base with over 25,000 active clients. It counts the top 20 Canadian law firms as its clients and does not generate more than 2% of sales from a single customer.

A high-growth IPO

Dye & Durham stock [is a top bet](#) for multiple reasons. We have seen how the company has grown revenue and earnings at a staggering pace in the last few years. It is a high-growth tech company that is profitable with a market cap of \$680 million. This means its trading at a trailing price-to-sales multiple of 15, which is reasonable for a growth stock.

Other Canadian tech stocks such as **Shopify**, **Lightspeed**, and **Kinaxis** have trailing price-to-sales multiple of 73.6, 30.4, and 27, respectively. DND has already reported sales of \$60 million in the first nine months of fiscal 2020.

Investing in IPOs carries considerable risks, especially in the initial months when stock prices are volatile. However, DND is well poised to increase investor wealth multi-fold given its high profit margins, strong revenue growth, expanding suite of software applications, and focus on acquisitions.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:DND (Dye & Durham Limited)
3. TSX:KXS (Kinaxis Inc.)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

2. Tech Stocks

Date

2025/08/26

Date Created

2020/08/12

Author

araghunath

default watermark

default watermark