Forget Shopify: DND Stock Is a Better Buy

Description

Investors should always be careful when considering investing in new IPOs. As the market starts to digest the potential of these new public companies, their stocks can be quite volatile. **Dye & Durham** (TSX:DND) was founded in 1874. It went public on July 17, 2020. DND stock has the potential to deliver outstanding returns as the world becomes more digital.

A cloud-based platform to increase efficiency and productivity

Dye & Durham provides a cloud-based platform that is designed to increase the efficiency and productivity of legal and business professionals. The platform automates the processes of due diligence research, document creation, and electronic filing of records.

The main method of growth for the company has been through acquisitions. It tries to acquire companies with strong recurring revenues and a significant market share in their respective sectors.

Dye & Durham has several tailwinds working in its favour that will help the company's growth moving forward. The global legal industry continues to grow at a fast rate. In 2018, the addressable market targeted by the company is estimated to have grown by 37% over the previous year.

At that time, Dye & Durham's total addressable market was estimated at $12.6 billion, up from $9.2 billion from the previous year. This market includes Canada, the United States, the United Kingdom, and Australia. The company has explosive growth potential, as it seeks to capture a slice of its niche market.

What also plays in the company's favour is the fragmentation in terms of geography and product lines within its industry. As Dye & Durham prioritizes acquisitions, it can consolidate the products of leading companies in different countries. This could lead the company to become a giant in global legal services.

In recent years, there has been a sharp increase in regulatory and compliance standards around the world. This will force more companies and businesses to turn to companies like Dye & Durham in the future. Many potential customers should quickly understand over the years that Dye & Durham's product is capable of saving them considerable amounts of money. Sooner or later, the platform could become essential for players in the markets served by Dye & Durham.

DND stock is cheaper than Shopify

Since hitting a bottom in July, DND stock has nearly doubled. Its valuation looks way too cheap compared to its Software-as-a-Service (SaaS) peers. Its forward P/E is 67, while **Shopify's** forward P/E is 400. Dye & Durham is expected to post a loss of $0.39 per share for the current fiscal year but should post a profit of $0.34 next year. That would represent a 187% year-over-year growth.

Dye & Durham could be the next great Canadian growth stock

Dye & Durham has what it takes to be the next great Canadian growth story, even if investing in it comes with certain risks.

The tech company is still a brand-new IPO. For this reason, expect DND stock to remain volatile for a while. The company also has a lot of debt on its balance sheet and doesn't currently have the cash flow to fully cover it. This will be an additional challenge for the company, especially given the current economic conditions.

While investors should keep an eye out for business developments before taking the plunge, DND stock is certainly an exciting business to consider for your portfolio.

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1. Editor's Choice

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