



Dye & Durham (TSX:DND) Q3 Earnings Recap

Description

This week was a big one for the **Toronto Stock Exchange**. Many high-flying stocks reported earnings, including one of Canada's most exciting growth companies. On Tuesday, **Dye & Durham** ([TSX:DND](#)) reported the company's second-ever earnings report. It was filled with many interesting developments. Read on to find out whether you should start a position in this company.

What does Dye & Durham do?

Dye & Durham provides a cloud-based platform that helps increase workflow efficiency for financial service companies, governmental agencies, and law firms. By using Dye & Durham's platform, companies can automate the due diligence, document preparation, and electronic filing processes. It has several high-profile companies listed as customers. These include the likes of Bennett Jones and **Bank of Nova Scotia**.

The company operates in a large and growing industry. Dye & Durham lists Canada, the United States, the United Kingdom, and Australia as being its current addressable market. In 2018, the global legal industry grew to \$12.6 billion. This compares to the industry's estimated \$9.2 valuation in the previous year. If Dye & Durham is able to grow its market share in the countries listed above, it could be enough to turn the company into a notable international challenger.

Dye & Durham's earnings report was very eventful

The [company's earnings report](#) first notes a year-over-year increase of \$5 million in quarterly revenue. This translates to an increase of 29% when comparing Dye & Durham's Q1 revenue in fiscal year 2021 (the company's fiscal year starts in July) to the previous year. Although the company reported an increase in losses, it did show that its margins were improving. Dye & Durham reported that its adjusted EBITDA margin had increased to 57% compared to 53% in the previous year.

As I've noted in my previous articles covering this company, one of Dye & Durham's main growth drivers will come in the form of mergers and acquisitions. In this earnings report, the company reported

that it had acquired R-Squared Bidco for \$54.5 million. This company provides firms in the United Kingdom with a best-in-class real estate due diligence platform. The acquisition is further evidence of Dye & Durham's plans to gain significant market share in that region.

The earnings report also indicated that Dye & Durham's board had approved the company's first dividend distribution. The dividend is valued at \$0.01875 per share and will be payable to shareholders of record at December 7, 2020. The establishment of a dividend by the company reflects the confidence of the board in Dye & Durham's business.

Dye & Durham's report ends with its projected guidance for next quarter. The company expects to see quarterly revenues between \$27 million and \$29 million. If correct, this would translate in a year-over-year growth of 64% in the company's H1 revenue.

Foolish takeaway

I believe the company [has the potential](#) to be one of Canada's big stock market winners. Dye & Durham posted a solid earnings report. It showed a continued increase in revenue and margins, a successful acquisition, and declared its first dividend. With the company guiding for a stronger H1 than the previous year, investors should be pleased with the company's performance thus far. Dye & Durham is certainly a company to watch moving forward.

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jedlloren

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