



Dye & Durham (TSX:DND) Stock Soars 256%: Will the Rally Sustain Post Q2?

Description

Despite the heightened volatility, 2020 has turned out to be one of the most profitable years for equity investors, especially for those who invested in the shares of tech companies. The pandemic accelerated the demand for the products and services of these tech giants, in turn, drove their stocks higher. While most of the **TSX**-listed tech stocks delivered strong returns, **Dye & Durham** ([TSX:DND](#)), in particular, caught my eye.

Dye & Durham stock has surged 256% since listing on the **Toronto Stock Exchange** in July last year. Meanwhile, the company continues to deliver strong financial and operating performance, which provides a strong underpinning for growth in the coming years.

Q2 performance signals further upside

Dye & Durham delivered [stellar Q2](#) performance. The momentum in its business continued as it reported revenues of \$33.7 million, reflecting year-over-year growth of a whopping 96%. Thanks to its strong revenues, the software company delivered adjusted EBITDA of \$17.1 million, which also recorded an increase of 96%.

The astounding growth in Dye & Durham's revenues and adjusted EBITDA is backed by the strength in its base business. Further, its strategic acquisitions significantly boosted its top-line, in turn, its EBITDA.

The company expects the benefits from its recent acquisitions to continue to fuel growth in its adjusted EBITDA in FY21. It said, "Integration from recent acquisitions is ahead of plan, resulting in the realization of certain synergies in the current quarter. This is expected to result in Adjusted EBITDA of more than \$30 million for the third quarter of the current fiscal year." Notably, the Q3 projection reflects year-over-year growth of about 75% in its adjusted EBITDA.

The rally in Dye & Durham stock could sustain

The rally in Dye & Durham stock is fuelled by the continued strength in its base business and its appetite for accretive acquisitions. The company provides cloud-based software and technology solutions for legal and business professionals and has over 25,000 active customers, with no single

customer accounting for more than 2% of its total revenues.

Its highly diversified customer base, long-term contracts with top blue-chip customers, and high retention rate help it deliver robust revenues and cash flows. Meanwhile, its accretive acquisitions accelerate its growth by driving its customer base, expanding its global footprints, and growing its market share.

Notably, Dye & Durham has completed 19 acquisitions in the last seven years. Meanwhile, it has recently announced the acquisition of GlobalX Information Pty Ltd to bolster its competitive positioning further in the Australian market. The \$166 million GlobalX acquisition is expected to close in Q4.

Thanks to the continued momentum in its underlying business and recent acquisitions, Dye & Durham expects its adjusted EBITDA to more than double in FY21. Further, it projects adjusted EBITDA of \$200 million in FY22, reflecting year-over-year growth of about 150%.

Final thoughts

I expect the [rally in Dye & Durham](#) stock to sustain in 2021 and beyond, thanks to its robust M&A pipeline. Its revenue and EBITDA could continue to grow at a breakneck pace and support the rally in its stock.

CATEGORY

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