



Why Dye & Durham (TSX:DND) Stock Surged 16%

Description

Dye & Durham ([TSX:DND](#)) stock surged 16% this morning. The cloud services provider has seen its valuation stagnate throughout this year, but the management team has just announced a potential deal to take the company private at \$50.50 per share. If the deal goes through, investors could see another 5.6% upside.

Here's a closer look at the potential deal and whether investors can still expect further upside from this stock.

Dye and Durham stock

Dye and Durham stock has been one of the [best performers on the stock market](#) over the past year. Shareholders have experienced a 447% gain since the stock was listed in July 2020.

The company provides cloud-based software and technology solutions for legal and business professionals. This niche segment of the business-to-business software market has high margins, excellent retention, and long-term contracts. In other words, it's a robust business with plenty of runway for growth.

Much of this growth has been driven by acquisitions. Dye & Durham has completed 19 acquisitions in the last seven years. Recent deals have allowed the company to expand its footprint in Australia and the United Kingdom. Acquiring smaller software platforms helps the company boost its customer base and top line.

In its most recent quarter, the team declared revenues of \$33.7 million, reflecting year-over-year growth of a whopping 96%. Adjusted EBITDA was also up 96% to \$17.1 million.

At the end of the quarter, the company had 25,000 active customers, with no single customer accounting for more than 2% of its total revenues.

Management expects this pace of growth to continue, as it targets further acquisitions. However, this year the team could be focused on a different sort of deal: privatization.

Privatization

In a press release to shareholders this morning, Dye and Durham's management team said a group of investors had approached them to acquire the company for \$50.50 per share. It is implied that this is just one of many offers.

The team said a special committee of its independent directors will undertake a review of strategic alternatives. This means the company could be acquired by a larger firm or taken private at a price that is above or below \$50.5. However, such a deal is far from certain. Investors cannot fully price this news into the stock just yet.

Investors have already pushed the stock price closer to \$50.5, since that seems like an anchor for any potential deal right now. However, *Bloomberg* analysts have a consensus price target of \$57.50 per share. That would represent a further 20% upside from the current market price.

Dye and Durham would certainly be an ideal target for any enterprise software conglomerate. **Constellation Software**, for instance, could certainly pull this off at a market valuation of \$3 billion. Meanwhile, private equity and investment companies could also target the firm in their hunt for free cash flow yield.

Even if the company isn't taken private, investors can expect robust growth in the years ahead.

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