Build to a Billion: 1 Tech Stock Could Grow Five-Fold in 2022

Description

TSX's energy sector was the runaway winner in 2021, and outperformed technology (79.97% versus 16.39%). Still, technology stocks could make a grand comeback and be the hottest buys this year. While some market analysts predict strong headwinds in the sector, a few tech firms are well-positioned for double-digit growth.

Tech phenomenon **Shopify** (+17.43%) didn't finish strong, while potential superstars **Nuvei** (+7.29%) and **Lightspeed Commerce** (-42.71%) lost steam due to issues with a short seller and negative publicity. However, **Dye & Durham** (TSX:DND) could be the next multi-bagger due to a planned transformational acquisition.

A major step to $1 billion adjusted EBITDA

On December 21, 2021, the $3.08 billion Canadian cloud-based software provider announced an agreement to purchase Link Administration Holdings Limited. The acquisition target is a technology-driven market leader in Australia. Only a few months ago, Dye & Durham's directors rejected a management-led buyout proposal following a strategic review.

Dye & Durham CEO Matthew Proud said, "This is a transformational acquisition for Dye & Durham and represents a major step forward in our 'Build to a Billion' strategy to achieve C$1 billion of adjusted EBITDA." Proud adds that the products of Dye & Durham and Link Group share the same attributes.

Quintuple annual revenue base

Proud is confident the transaction will enable Dye & Durham to expand its proven model into adjacent markets. The digital infrastructure-like assets provide essential services to clients and generate stable, sustainable cash flows. Link Group provides mission critical software and caters to over 6,000 clients worldwide in the financial services and corporate business segments.

Link's stakeholder base includes more than 40 million individual shareholders, representing around 10

million superannuation account holders. The acquisition will instantly expand Dye & Durham's global scale. As of mid-year 2021, Link reported AUD$1.2 billion in revenue and AUD$257 million in EBITDA. Management expects to realize approximately CAD$125 million of cost synergies in post-closing.

Proud adds, "One of the core attributes that attracted us to Link Group is its commitment to innovation." He said Link Group made significant investment in AI and analytics, factors that fueled its market growth to build new products and services.

Dye & Durham sees the growing importance of data and automation. With broader reach and strengthened offerings, it can meet the ever-increasing demand for technology-led solutions. Over the long term, the company can deliver even greater value to its customers. Based on estimates, the acquisition will quintuple Dye & Durham's annual revenue base.

The deal is subject to customary conditions, including the approvals of Australian antitrust and foreign investment and Link shareholders. However, the Link board has unanimously recommended to Link shareholders that they vote in favour of the Dye & Durham proposal.

Record of outperformance

Dye & Durham boasts a record of outperformance. Its cloud-based software and technology solutions improve the efficiency and increase the productivity of legal and business professionals. In Q1 fiscal 2022 (quarter ended September 30, 2021), total revenue increased by a whopping 414% to $112.6 million versus Q1 fiscal 2021.

Proud said the quarterly results demonstrate the scale and the pace of growth that Dye & Durham has established. Market analysts forecast the share price of $44.88 to appreciate 43.49% to $64.40 in 12 months.

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