



## Dye & Durham (TSX:DND) Fell 15% Last Week: Should You Buy?

### Description

**Dye & Durham** ([TSX:DND](#)) services legal and business professionals through its proprietary platforms. Since going public in July 2020, the company's stock price rose around 500% by the end of 2021. However, the company's stock has been under pressure this year, correcting 34.3%. In the last week alone, the company lost over 15% of its stock value. Let's look at the reasons behind the fall and whether the steep pullback has provided buying opportunities.

### Dye & Durham's second-quarter performance

Last week, Dye & Durham [reported](#) a solid performance in the second quarter, which ended on December 31. Its revenue came in at \$109.6 million, representing an increase of 225.2% from \$33.7 million in the corresponding quarter of the previous year. The contribution from the acquisitions over the last 12 months and the revenue synergies realized from those acquisitions drove the company's revenue.

Meanwhile, the company's adjusted EBITDA grew 267% on a year-over-year basis to \$62.6 million. Also, its net losses contracted significantly from \$21.5 million in the previous year's quarter to \$4 million, representing a loss per share of \$0.06. The strong revenue growth and improvement in operational efficiencies trimmed its net losses.

### A decline in Dye & Durham's stock price

Although Dye & Durham had reported a significant increase in its quarterly performance, it failed to meet analysts' expectations. Its revenue and loss per share fell short of analysts' expectations of \$113.3 million and \$0.04, respectively. Investors are worried about the recent price hikes. Last month, the company had raised the price of its Unity Software from \$199 per transaction to \$249, marking a 900% increase over the previous 12 months.

Meanwhile, the company's management supported the price hike by stating that it had made significant product enhancements and product investments, which could increase its clients' efficiency.

Meanwhile, investors appear to be worried that the price hike could increase the churn rate, thus affecting its growth.

A Toronto-based law firm had filed a class-action lawsuit against Dye & Durham, alleging a violation of federal competition laws by going back on a promise it made last year to freeze price hikes for the next three years. Amid these concerns, the company's stock price was under pressure last week.

Let's look at its growth prospects and whether the steep correction has provided a buying opportunity.

## Dye & Durham's growth prospects

Dye & Durham has been growing its top line at a healthier rate over the last few years, thanks to its strategic acquisition, customer base expansion, and average revenue per customer growth. In December, it had acquired **TELUS's** financial solutions business, which provides digital infrastructure and technology solutions to financial services entities across Canada, for \$500 million.

Dye & Durham has agreed to acquire Link Group, which provides software solutions and services to over 6,000 financial services and corporate businesses globally, for \$3.2 billion. The acquisition could increase the company's revenue and adjusted EBITDA by \$1.1 billion and \$232 million, respectively. The company's management expects to close the deal by the end of the third quarter. Its higher recurring revenue and high-margin business augur well with its growth. So, I believe the company's [growth prospects look healthy](#).

## Bottom line

Despite the near-term volatility, I am bullish on Dye & Durham and expect it to deliver superior returns over the next three years. So, investors with three years of timeframe should utilize the steep pullback to accumulate the stock to earn superior returns. Notably, analysts also look bullish on the stock, with four of the five analysts' issuing a "buy" rating. Their consensus price target represents a significant upside for the stock from its current levels.

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