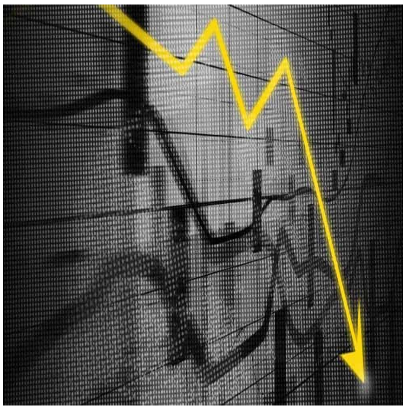

Why Dye & Durham Stock Crashed 42% in Q1

Description

What happened?

Dye & Durham (TSX:DND) tanked by nearly 42% to $25.69 per share in the first quarter — making it the second worst-performing stock on the **TSX Composite Index**. While **Shopify** stock was the biggest loser on the benchmark with 52% losses last quarter, the main TSX index rose by 3.1%. Before we take a look at what lies next for DND stock, let's quickly review what could be responsible for its recent big losses.

So what?

Dye & Durham is a Toronto-based tech company that focuses on providing cloud-based software services to illegal and business professionals, which helps them improve efficiency and increase productivity. At the end of 2021, it had a market cap of about $3.1 billion, which has now shrunk to about $1.8 billion after the recent crash in DND stock.

If you have been following the Canadian tech industry lately, you must be aware of the recent tech meltdown. As surging inflation and expectations of tightening monetary policy triggered a massive selloff in tech stocks, DND stock started 2022 on a bearish note by losing 18% of its value in January.

In the first week of February, Dye & Durham stock tanked by another 15.4% after announcing its December quarter results on February 1. In the second quarter of its fiscal year 2022, the company's revenue stood at $110 million, missing analysts' estimates by a narrow margin. To add pessimism, it reported an adjusted net loss of around $0.06 per share for the quarter — about 50% worse than Street's expectations. Its worse-than-expected financial results and the tech sector-wide selloff could be blamed for DND stock's over 40% value erosion in Q1.

Now what?

In December, Dye & Durham acquired **TELUS's** financial solutions business in a deal worth $500 million, which should help it expand its customer base in the financial community across Canada in the coming years.

While the Canadian software company's latest quarterly results might have failed to meet analysts' expectations, its overall financial growth trend still looks impressive. In the latest reported quarter, its revenue rose by 225% on a year-over-year basis with the help of the realization of revenue synergies from recent acquisitions. This factor also helped the software company post a solid 267% increase in its adjusted EBITDA from a year ago. Given all these positive factors, I find DND stock undervalued. It will likely witness a handsome recovery in the coming months.

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