Why Dye & Durham (TSX:DND) Stock Has Soared 86% in 4 Days

Description

What happened?

The shares of **Dye & Durham** (TSX:DND) soared more than 22% yesterday to $24.50 per share — its highest closing level in over six weeks. Interestingly, DND stock has consistently been posting solid double-digit gains for the last four consecutive sessions. During this period, it has soared by 86% against a 3.3% rise in the **TSX Composite Index**.

So what?

Dye & Durham is a Toronto-headquartered tech firm with a market cap of about $1.7 billion. The company primarily focuses on providing cloud-based software solutions to legal and business professionals to improve their efficiency and productivity.

The recent buying spree in DND stock started on May 12 — the day it reported the third quarter of its fiscal year 2022 (ended in March) financial results. During the quarter, the software company's total revenue rose by 78.3% YoY (year over year) to $122.9 million — also slightly higher than analysts' estimates.

Despite a significant drop in the real estate volumes amid industry-wide challenges, Dye & Durham's overall sales growth remained strong due mainly to the realization of revenue synergies from its recent accusations. These factors also boosted its bottom line, as the company's adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) jumped by 78% YoY to around $66.8 million in Q3. These positive growth factors could be one of the key reasons why DND stock has consistently been surging since its third-quarter earnings event last week.

It's important to note, however, that most tech stocks in Canada have also shown a strong recovery in the last four days after witnessing a sharp selloff in the previous few sessions. That's why this tech sector-wide recovery also seemingly boosted Dye & Durham's massive stock price gains since May 12.

Now what?

In one of my recent articles on May 5, I explained why I find Dye & Durham stock more attractive than most of its home market peers, including **Shopify**. To support my argument, I highlighted its solid triple-digit revenue and gross profit growth in recent quarters. While its top-line growth slowed in the March quarter due to the recent real estate market-wide challenges, its focus on quality acquisitions helped the company post a strong 78% YoY revenue growth.

With new acquisitions, Dye & Durham is now focusing on diversifying its revenue mix with international market expansion to become a global leader in the B2B software and services segment. This could be one of the reasons why Street analysts still expect the company to continue reporting solid earnings growth in the next couple of years. Analysts expect it to report a net profit of $34 million in its fiscal year 2022, which is expected to grow exponentially to more than $134 million in 2023.

Despite its outstanding 86% recovery in the last four sessions, DND stock is still down more than 45% on a year-to-date basis, underperforming the broader market by a wide margin. That's why long-term investors might not have yet missed the opportunity to buy this high-growth stock at a bargain.

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