Dye & Durham Stock Soars 70%: Time to Buy?

Description

Dye & Durham (TSX:DND) shares have climbed a whopping 70% since the market correction mid-May. However, it's still down about 50% year to date, slowly but surely making up those losses. But is the stock still too volatile on the **TSX** today? Or is it time to buy?

What happened?

Shares of Dye & Durham stock had a huge fall in the beginning of 2022 thanks to rising inflation. The company hiked its software service prices by leaps and bounds, and customers were certainly not impressed.

Yet the company stated in its earnings report that the move was necessary to trim back its losses and create more revenue. And that's exactly what it did, though it continued to fall short of estimates. This happened again during its second quarter earnings as well. The company reported in mid-May revenue increased 78% to $122.9 million. This came primarily from acquisitions closed over the last year and revenue synergies.

Net income still operated at a $7 million loss, yet was an improvement of $3.6 million as operational income increased. This also helped adjusted EBITDA of $66.8 million — a 78% improvement as well.

So what?

The improvement seemed to allow investors to start considering the stock once more, and the same was true for analysts. Dye & Durham target prices continued to climb, with many analysts keeping a "buy" rating at these ultra-low prices.

The challenging real estate and interest rate environment continue for Dye & Durham, but analysts believe the company has been able to meet the challenges well. Even with the challenges, the company's guidance for full-year 2023 of EBITDA over $350 million remains relevant.

What analysts like about the stock is the company continues to create long-term revenue streams, geographic diversification, and a strong free-cash flow profile. After the company finally enjoyed a “drama-free” quarter, analysts seemed to change their mind about this once volatile stock.

Now what?

The free cash flow is growing, as are synergies and opportunities. So, now could be a great time to buy up Dye & Durham stock on the TSX today. That’s especially considering its ultra-low share price of $22.66 as of writing.

Shares have a consensus price target of $47.50 as of writing. That represents a potential upside of about 110%! Shares are down to prices not seen since October of 2021, when they took off. Now, the risk compared to reward is a compelling argument for Motley Fool investors seeking a stellar growth opportunity. In fact, given its stable future of income, this could be a strong long-term hold to consider.

After all, it seems that the major loss came from the company’s increase in software prices. Prices that likely won’t see such an increase any time soon. Now that the initial shock has worn off, and the payments are paying off, it looks like it’s a great time to consider Dye & Durham stock once more.

Bottom line

Dye & Durham shares may be up 70% in the last month, but they’re still down 50% from January 2022. With targets rising all the time, you could easily see your shares outperform on the TSX today by purchasing at these valuable prices. Finally, this tech stock is setting itself up for long-term status as a winner on the TSX. So, I’d definitely add it to your watchlist today.

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