1 Beaten-Down Growth Stock to Snatch Up Right Now

Description

The **S&P/TSX Composite Index** declined by 6.73% between April 28 and May 12, 2022. The downturn in the Canadian benchmark index came with several high-quality stocks trading for significant discounts. The index is up by 4.39% from its May 12, 2022, bottom but remains volatile.

Investing in growth stocks might not seem like the most attractive option for risk-averse investors right now. However, those willing to assume some risk could consider taking a better look at a growth stock that has regained some ground in recent weeks.

I will discuss **Dye & Durham** (TSX:DND) stock today to help you determine whether it could be a growth stock worth investing in right now.

The massive downturn

Dye & Durham is a $1.51 billion market capitalization tech company that provides cloud-based software and tech solutions to help businesses and companies in the legal industry improve efficiency and increase productivity. The company has a massive customer base that includes law firms, financial service institutions, and government organizations in Canada and the U.K.

Rising inflation has impacted companies in all sectors of the economy this year. Accordingly, DND felt compelled to introduce a significant hike in the prices for the services it provides. The company's customers did not like the price hike, despite the move being necessary to minimize losses and generate more revenue.

The decision to increase its prices did help DND improve its revenue, but it fell considerably short of estimates, resulting in a substantial downturn in its share prices on the **TSX**. The company's second quarter for fiscal 2022 saw it report a 78% increase in its revenue, primarily due to acquisitions and revenue synergies.

Despite a surge in revenue, DND reported a $7 million loss in its net income. The improvement of its operating income by $3.6 million helped its adjusted EBITDA achieve a 78% improvement after hitting

$66.8 million.

A sliver of hope

The silver lining in its quarterly earnings report showing improvements restored some investor confidence in the company. Analysts also gave it a “buy” rating at its heavily discounted share prices and increased target prices for Dye & Durham stock.

Rising inflation and issues in the real estate sector continue to be a problem for Dye & Durham. However, analysts believe that the company’s management made the right decisions to deal with the situation as well as it has. The company maintains a $350 million guidance for its full-year EBITDA in 2023.

The company has the potential to continue generating long-term revenue through reliable income streams. It enjoys geographical diversification and has a strong free cash flow profile.

Foolish takeaway

Dye & Durham stock trades for $21.80 per share at writing. It is up by 65.40% from its May 11, 2022, bottom. However, it is still down by almost 50% year to date at current levels. Analysts have a consensus price target of $47.50 for its shares. Picking up its shares at current levels could more than double your investment if it achieves its target price.

A fair warning for investors interested in the growth stock. Stock market investing is inherently risky, and growth stocks tend to entail more substantial capital risk. If you are willing to assume the risk and have a long investment horizon, Dye & Durham stock could be a worthwhile investment for you to consider.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date
2025/09/10
Date Created
2022/06/14
Author
adamothman