Down 64%, Dye & Durham Stock Is a Screaming Buy for the Long Term

Description

The year 2022 is proving to be disastrous for tech investors, as most tech stocks are trading deep in the red. Inflationary pressures, growing geopolitical tensions, and the rising interest rate environment continue taking a big toll on investors' sentiments. While most high-growth stocks on the TSX look undervalued to buy right now, let me highlight one of the best **TSX** tech stocks to buy now for the long term, which has seen over 60% value erosion this year so far.

Dye & Durham stock

Dye & Durham (TSX: DND) is a Toronto-based software company with a market cap of about $1.1 billion. Its stock currently trades at $15.96 per share after losing 64.4% of its value in 2022. Nonetheless, DND stock still trades 113% higher than its July 2020 initial public offering price of $7.50 per share. This tech firm primarily focuses on providing cloud-based technological solutions for legal and business professionals. Its software solutions help these professionals automate workflow to improve efficiency and productivity.

Based on its fiscal year 2021 (ended in June 2021) sales data, Dye & Durham made nearly 61% of its total revenue from Canada, while the remaining 28% and 11% came from the United Kingdom and Australia, respectively.

Analyzing its recent financial growth trends

The recent growth trends in Dye & Durham's financials look impressive. While the company hasn't yet announced its June quarter results, in the third quarter of its fiscal year 2022 (ended in March), the tech firm reported a 78.3% YoY (year-over-year) jump in its total revenue to $122.9 million. Despite tough real estate market conditions, the recent rise in its total revenue was primarily driven due to increased revenue synergies from its quality acquisitions in the last year.

With the help of rising sales, Dye & Durham also registered a solid 77.6% YoY increase in its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) for the March quarter to $66.8

million. More importantly, the Canadian software firm maintained a more than 50% adjusted EBITDA margin as it stood at 54.4% in the last reported quarter.

Why DND stock looks undervalued

Dye & Durham currently has a large customer base of more than 50,000 businesses globally, including government organizations and blue-chip companies from the legal and financial services industry. The company is striving to expand its customer base further by making new acquisitions and retaining its existing customers.

In December 2021, Dye & Durham announced its intention to acquire the Sydney, Australia-based superannuation administration industry-focused firm **Link Administration Holdings** for a cash consideration of AU$5.50 per common share. However, the Canadian company lowered its acquisition price to AU$4.81 per Link Group share in July. Its revised offer was overwhelmingly approved by Link Group's shareholders this month. Dye & Durham expects this deal to enhance its presence in cloud-based workflow software and digital infrastructure space across the globe, which should help accelerate its financial growth in the coming years.

Despite all these positive factors and its strong growth outlook, DND stock's massive year-to-date losses of more than 60% make it look really undervalued at the moment.

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