



## This Little-Known TSX Stock Has Huge Potential

### Description

Investors looking to outpace the broader markets should consider buying quality growth stocks trading at a discount. Generally, growth stocks grow their revenue and earnings at a faster pace compared to the overall market, allowing them to trade at a premium.

But the recent selloff in the equity markets has sent the valuations of several stocks spiraling downwards. I'll analyze little-known [TSX tech stock Dye & Durham \(TSX:DND\)](#), which has huge potential in the long term.

### The bull case for Dye & Durham

Dye & Durham provides legal software as well as data and payments technology solutions to improve efficiency and productivity for legal and business professionals. It aims to deliver critical data insights to support corporate transactions and provide a robust payments infrastructure to its base of enterprise clients.

Dye & Durham's customer base includes government organizations and several blue-chip companies part of the legal and financial services industries.

Dye & Durham operates in Canada, Australia, Ireland, and the United Kingdom and enables over 50,000 clients to effectively manage workflow and regulatory requirements. It derives over 60% of its revenue from Canada, 28% from the United Kingdom, and 11% from Australia.

Due to organic growth and several highly accretive acquisitions, Dye & Durham has managed to increase its sales from \$43.84 million in fiscal 2019 to \$208.94 million in fiscal 2021 (ended in June). In the last 12 months, its sales have increased to \$429.53 million.

While its top-line growth is impressive, the company is also profitable, reporting an adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of \$241 million in the last year, indicating a margin of over 50%. In the last three years, DND's EBITDA has increased at an annual rate of 119%.

Dye & Durham has deployed over a billion dollars on acquisitions as a publicly listed company. It is already one of the most profitable technology companies on the TSX, and if Dye & Durham can successfully integrate its target companies into an ever-expanding ecosystem, profit margins should move higher.

## Is DND stock overvalued or undervalued?

At the time of writing, Dye & Durham is valued at [a market cap](#) of \$1 billion. The stock is trading 72% below all-time highs, allowing investors to buy it at a deep discount. Analysts tracking DND stock expect sales to rise by 130.4% to \$481.35 million in fiscal 2022 and by 26.7% to \$610 million in fiscal 2023. Its adjusted earnings per share are forecast to touch \$1.14 in 2023 compared to a loss of \$0.72 per share in 2021.

We can see that DND stock is trading at 1.4 times forward sales and a price-to-2023-earnings multiple of 12.8, which is very reasonable for a growth stock. Several other TSX growth stocks, including **Shopify**, **Lightspeed**, and **Docebo** are trading at much higher multiples and continue to report consistent losses.

Dye & Durham's expanding customer base, enviable profit margins, and stellar growth rates make it a top buy right now. Analysts tracking DND stock expect it to gain around 200% in the next 12 months.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:DND (Dye & Durham Limited)

### PARTNER-FEEDS

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

### PP NOTIFY USER

1. araghunath
2. kduncombe

### Category

---

1. Investing
2. Tech Stocks

**Date**

2025/09/09

**Date Created**

2022/09/04

**Author**

araghunath

default watermark

default watermark