Why Dye & Durham (TSX:DND) Is Rallying Despite its Worse-Than-Expected Q4 Earnings

Description

Shares of **Dye & Durham** (TSX:DND) have staged a sharp recovery in the last three sessions, despite the ongoing broader market selloff. On Tuesday alone, DND stock jumped by 17.4% to $15.35 per share, extending its week-to-date gains to over 21%. By comparison, the **TSX Composite Index** has lost nearly 1% of its value in the first couple of days of the week after falling by 4.7% in the previous week. Before we discuss whether or not DND stock is worth buying right now, let's find out what factors could be helping it defy the bear market gravity lately.

Termination of Dye & Durham-Link Group deal

Dye & Durham is a Toronto-based software company with a market cap of $1.1 billion that primarily focuses on providing cloud-based critical workflow solutions and information services to legal and business professionals. A sharp rally in DND stock started on Friday last week after it revealed that the Australian-based software giant **Link Group** has terminated discussions related to Dye & Durham's acquisition bid.

The Canadian tech firm originally announced its intention to acquire Link Group in December 2021 but faced a series of regulatory challenges later on. Nonetheless, Dye & Durham's management plans to continue pursuing new quality acquisitions, as it still claims to have a strong pipeline of merger and acquisition opportunities.

Continued positive revenue and EBITDA growth

Earlier this week, on September 26, Dye & Durham announced results for the fourth quarter of its fiscal year 2022 (ended in June). During the quarter, its total revenue rose by 53.7% YoY (year over year) to $129.7 million. However, the company registered an adjusted net loss of five cents per share against Street's expectation of $0.17 adjusted earnings per share.

On the positive side, the company's adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) for the June quarter rose by about 53% YoY to $75.2 million. Similarly, it maintained an adjusted EBITDA margin of well more than 50%. Interestingly, Dye & Durham's revenue has surged by 625% in the last two fiscal years from $65.5 million in the fiscal year 2020 to $464.8 million in the fiscal year 2022.

Despite its latest earnings miss, a consistent strong double-digit growth in its quarterly revenue and adjusted EBITDA could be the primary reason for driving DND stock higher after its earnings event.

Share-repurchase program

On September 27, Dye & Durham seemingly cheered investors by announcing its share-repurchase program. The Canadian tech firm revealed that it intends to acquire nearly 5% of its total issued and outstanding shares as of September 22. It's important to note that share repurchases tend to strengthen a company's financial position by increasing its equity value.

Is DND stock worth buying right now?

DND stock has consistently been falling for the last three quarters in a row. As a result, it still trades with 66% year-to-date losses, despite a sharp recovery in the last three sessions. Its massive losses in 2022 could be attributed to a tech sector-wide crash due mainly to ongoing macroeconomic concerns. While these macro concerns might keep Dye & Durham's shares highly volatile in the near term, the stock still looks cheap to buy for the long term at the current market price, given its solid financial growth in the last couple of years.

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