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We Might See A Profit From DUG Technology Ltd (ASX:DUG) Soon

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We feel now is a pretty good time to analyse **DUG Technology Ltd's (ASX:DUG)** business as it appears the company may be on the cusp of a considerable accomplishment. Dug Technology Ltd, a technology company, provides hardware and software solutions for the technology and resource sectors in Australia, Malaysia, the United States, and the United Kingdom. On 30 June 2020, the AU$111m market-cap company posted a loss of US$8.3m for its most recent financial year. Many investors are wondering about the rate at which DUG Technology will turn a profit, with the big question being “when will the company breakeven?” In this article, we will touch on the expectations for the company's growth and when analysts expect it to become profitable.

See our latest analysis for DUG Technology

According to some industry analysts covering DUG Technology, breakeven is near. They anticipate the company to incur a final loss in 2020, before generating positive profits of US $500k in 2021. The company is therefore projected to breakeven around a year from now or less! At what rate will the company have to grow in order to realise the consensus estimates forecasting breakeven in under 12 months?Using a line of best fit, we calculated an average annual growth rate of 108%, which is extremely buoyant. If this rate turns out to be too aggressive, the company may become profitable much later than analysts predict.

earnings-per-share-growth

We're not going to go through company-specific developments for DUG Technology given that this is a high-level summary, though, keep in mind that typically a high forecast growth rate is not unusual for a company that is currently undergoing an investment period.

One thing we would like to bring into light with DUG Technology is its debt-to-equity ratio of over 2x. Generally, the rule of thumb is debt shouldn’t exceed 40% of your equity, which in this case, the company has significantly overshot. A higher level of debt requires more stringent capital management which increases the risk around investing in the loss-making company.

Next Steps:

This article is not intended to be a comprehensive analysis on DUG Technology, so if you are interested in understanding the company at a deeper level, take a look at DUG Technology's company page on Simply Wall St. We've also put together a list of pertinent aspects you should further examine:

1. **Historical Track Record**: What has DUG Technology's performance been like over the past? Go into more detail in the past track record analysis and take a look at the free visual representations of our analysis for more clarity.
2. **Management Team**: An experienced management team on the helm increases our confidence in the business – take a look at who sits on DUG Technology's board and the CEO’s background.
3. **Other High-Performing Stocks**: Are there other stocks that provide better prospects with proven track records? Explore our free list of these great stocks here.

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