Docebo (TSX:DCBO) Just Soared 300% — Should You Buy Now?

Description

With shares now up over 300% since March, **Docebo** (TSX:DCBO) is one of the highest-flying stocks on the **TSX Index**. The little-known provider of Learning Management System (LMS) solutions has seen demand for its offering soar amid the pandemic.

In many prior pieces, I urged young investors to load up on shares, noting that the niche Software-as-a-Service (SaaS) company looked severely undervalued on a relative basis despite its seemingly lofty double-digit price-to-sales (P/S) multiple at the time.

"Docebo stock trades at 12.2 times sales, which is a pretty low price of admission for the type of growth that you're getting from the name." I wrote back in May when DCBO shares were in the mid-20s.

"Docebo averaged nearly 62% in top-line growth over the last three years, and gross margins have been on the rise, swelling past the 80% mark last year.

With such a strong balance sheet and an innovative value-adding platform that continues to gain traction amid the crisis, Docebo looks to be a compelling growth hedge for investors seeking to limit damage from the coronavirus recession."

Even after a 300% jump, Docebo stock still isn't the most expensive SaaS stock

Fast-forward to today, just two months later, and the stock finds itself up over 70%. While shares of the white-hot cloud e-learning cloud stock are even more expensive now, I still think it's undervalued relative to most other cloud-harnessing SaaS plays out there that are riding high on pandemic tailwinds.

Whether the surge in demand for Docebo's offering is just a "pull-forward" or a sustained acceleration to subscriber growth remains to be seen. But at just over 19 times sales, I'd say that even the former scenario warrants for today's seemingly unsustainable pie-in-the-sky multiple.

Moreover, as a $1.2 billion company, Docebo looks to have a heck of a lot more room to run in its niche market than the likes of a Shopify whose shares currently trade at a valuation that's multitudes higher (SHOP stock trades at around 60x sales at the time of writing).

Investors now recognize the magnitude of the moat surrounding Shopify's e-commerce business, but Docebo's AI-based solution, I believe, may still be misunderstood by a majority of investors.

Why?

The LMS tech sub-industry still looks to be in its infancy compared to "sexy" e-commerce space.

While Docebo already boasts an impressive client base, I think it will take several more years before the tech-unsavvy firms hop aboard the LMS bandwagon once they recognize the value that an LMS platform like that of Docebo's can provide.

Foolish takeaway

If you're in the belief that the work-from-home (WFH) shift will remain well after this pandemic is over, Docebo still looks like a solid bet, even at these heights.

If you're like me and are reluctant to chase one of the hottest stocks on the TSX Index after it quadrupled, though, you may wish to nibble your way into a full position over time. The momentum could easily reverse in the tech space, and if that happens, you could be left holding the bag without a moment's notice with a name like Docebo.

I'd get some skin in the game now, but please, don't initiate a full position unless you're willing to risk taking on the full force of a potential correction.

CATEGORY

1. Coronavirus
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus

2. Tech Stocks

Date
2025/08/02
Date Created
2020/08/03
Author
joefrenette