



Down 23% From Record Highs, Is Docebo (TSX:DCBO) Stock a Buy?

Description

Growth stocks continue to excite investors due to their ability to generate market-beating returns. These companies grow at a far higher pace compared to the average company listed on the index. If you can identify winning bets among growth companies, you can increase your wealth multi-fold in the long term.

For example, a \$1,000 investment in **Shopify's** IPO would have ballooned to a massive \$55,000 today. The tech sector is a haven for growth companies, and one such stock on the TSX is **Docebo** ([TSX:DCBO](#)).

Docebo is an enterprise-facing e-learning solutions company that was founded in 2005. It went public at \$16 per share [in October 2019](#) and has since gained 183% in less than a year. Docebo stock, in fact, touched a record high of \$58.83 last month before losing 23% to trade at its current price of \$45.3.

So, does the recent pullback mean you need to invest in the stock right now?

Docebo has multiple revenue drivers

Docebo is optimistic about the corporate training and e-learning space that will allow it to grow sales at a rapid pace in the upcoming decade. The [company transitioned](#) to a cloud-based SaaS (software-as-a-service) platform in 2012, which means it will generate a stable stream of revenue across economic cycles.

The company said, "We generate revenue primarily from the sale of our platform, which is typically sold on the basis of an annual subscription fee and prepaid on an annual basis. We offer our customers the flexibility to choose annual or multiyear contract terms, with the majority of our enterprise customers choosing between one to three years. This results in a relatively smooth revenue curve with good visibility into near-term revenue growth."

In the second quarter, Docebo's subscription sales were up 55% while annual recurring sales rose 54.5% year over year. Its total sales were up 46.5% at US\$14.5 million and subscription sales

accounted for 92% of total revenue at US\$13.4 million.

Docebo ended Q2 with 2,046 customers, up from 1,651 customers in the prior-year period. It also reported strong growth in average contract value that rose from US\$22,350 to US\$27,859 in this period.

The stock is trading at a premium

Docebo is still unprofitable and reported an operating loss of \$3.24 million compared with a loss of \$1.79 million in the prior-year period. Analysts tracking the stock expect Docebo to report sales of US\$62.2 million in 2020, up 50% year over year. This indicates a price-to-sales multiple of 16.6, which is expensive.

However, we also know that growth stocks trade at a premium, and every major correction should be viewed as a buying opportunity.

Docebo aims to drive adoption of its SaaS platform by scaling its portfolio of solutions to meet customer requirements. It has significant potential to increase penetration of its total addressable market and attract new customers.

Docebo generates a majority of sales from North America and can gain traction in other international geographies by investing in marketing strategies and attracting new businesses to its platform.

CATEGORY

1. Investing
2. Tech Stocks

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