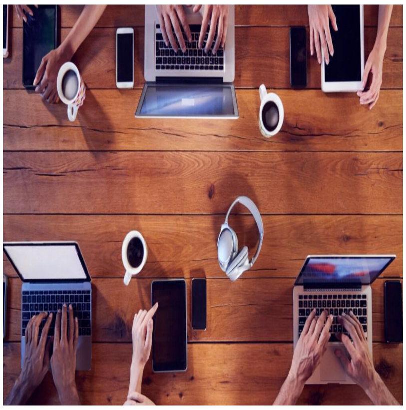

Docebo (TSX:DCBO) Stock: Why it Could Become a Tech Star

Description

Looking for a gem in the Canadian tech scene? Then **Docebo** (TSX:DCBO) stock could be your ticket. Docebo is an under-the-radar tech stock that has the potential to compete with all of the other Canadian tech stars.

Why you should be bullish on Docebo stock

Docebo was founded in 2005. The company's market capitalization is $1.22 billion. Docebo's strong product offering, efficient capital allocation, and expanding partnerships make it a winner.

Toronto-based Docebo offers a cloud-based, artificial intelligence-based e-learning platform for companies to train internal and external staff, partners, and customers.

The company is at the start of a developing growth story with a multi-year track, which has yet to be incorporated in the share price. Docebo is optimistic about the online corporate training and learning space that will allow it to grow sales at a rapid rate over the next decade.

The company switched to a cloud-based SaaS (software as a service) platform in 2012, which means it will generate a stable revenue stream through economic cycles.

A differentiated product offering based on technology and a highly effective sales and marketing model enables Docebo to gain significant market share. The work-from-home trend is an obvious additional boon to the dynamics of the business.

There are many reasons to be bullish on Docebo. Its differentiated platform has been proven to work through major brand wins. Docebo has a history of being a prudent capital allocator that generates 1.3 times of additional revenue for every dollar spent on sales and marketing, which is a significant opportunity for operating leverage as the business grows. Plus, Docebo has been building partnerships with original equipment manufacturers for years.

Docebo is benefiting from its growing OEM relationship with Ceridian, which has become its largest customer. More partnerships are on the way, which will provide an additional engine for growth.

The firm recently completed a new issue and secondary offering on a bought deal basis for total gross proceeds of $75 million, consisting of 1.5 million common shares at $50 per share. Docebo plans to use the net proceeds to strengthen its balance sheet and pursue its growth strategies, which include further acquisitions.

Docebo’s sales are growing fast

In the second quarter, Docebo’s subscription sales grew by 55%, while annual recurring sales were up 54.5% from a year ago. Its total sales increased by 46.5% to $14.5 million. Subscription sales accounted for 92% of total revenue to $13.4 million.

Docebo ended the second quarter with 2,046 clients, compared to 1,651 clients the previous year. It also reported strong growth in the average contract value from US$22,350 to US$27,859 during this period.

Docebo is expected to generate revenue for fiscal 2020 of $62 million, an increase of 49.7% from 2019. Earnings per share are estimated to grow by 53.1% to a loss of $0.23. For fiscal 2021, the company is expected to earn revenue of $90.5 million, which would be an increase of 46% from 2020, while earnings per share are estimated to grow by 60.9% to a loss of $0.09.

Docebo stock is currently up about 150% since the start of the year. Shares are down about 20% this month, but you should view this as an opportunity to buy Docebo on the dip.

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