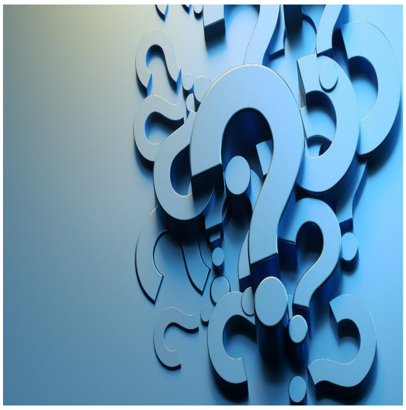

Could Docebo (TSX:DCBO) Be Canada's Next Great Multi-Bagger?

Description

The Canadian tech scene is capable of producing Canada's next great multi-bagger. Undoubtedly, the success story that is **Shopify** has paved the way for Canada's tech scene, putting it on the map of U.S. investors, many of whom have previously paid all their attention to the up-and-coming firms in Silicon Valley.

Following the latest tech-driven market crash, I think now is as good a time as any for younger, risk-tolerant investors to punch their ticket to white-hot Canadian cloud stocks before their next leg up.

Docebo (TSX:DCBO) is a compelling Canadian cloud king that's built a nice moat for itself around the niche Learning Management System (LMS) market. Such easy-to-use e-learning platforms have been in high demand amid the COVID-19 pandemic. As it worsens, I find it increasingly likely that Docebo will become a household name alongside the likes of Shopify.

Docebo is experiencing the full force of pandemic tailwinds

As you'd imagine, e-learning tech plays like Docebo are benefiting greatly from the pandemic-driven work-from-home (WFH) shift. While shares of Docebo have appreciated profoundly (shares have more than quadrupled since March) over the last few months, I still think young investors should at least seek to get a bit of skin in the game today, as Docebo's growth profile, I believe, is worth paying up for.

Docebo remains a lesser-known mid-cap tech play with a $1.4 billion market cap. Still, the company boasts an incredible roster of clients, including the likes of **Amazon.com** Web Services. With Amazon's stamp of approval, many firms that are looking to bolster their WFH infrastructure have likely taken notice of the LMS software developer that few have heard of before the novel coronavirus hit the world.

Growth that's worth paying up for

Back in May, I'd pounded the table on shares of Docebo, even though the valuation was suspect (DCBO stock traded at 12.2 times revenues at the time), noting that the growth accelerant was likely to cause an unfathomable magnitude of sales multiple compression for through the pandemic. At the time, Docebo had more than doubled, but if you didn't fear the momentum and bought shares anyway, you'd be sitting on an 85% gain today, even with the latest September pullback factored in.

I also noted that Docebo looked like a prime acquisition target amid this crisis for a larger cloud player: "With a moaty platform and an embedding option with **Salesforce.com** in place, I certainly wouldn't be surprised if Docebo ends up being scooped up by the cloud behemoth (or another big-league cloud king) at a later date — perhaps when Salesforce is finished digesting its lofty Tableau acquisition?"

If this current sell-off worsens, I wouldn't be surprised to witness a takeover deal, but I'd urge investors not to attempt to play "acquisition roulette" with the name by not putting in their due diligence with the firm. The tailwinds are profound, and there are many reasons to believe that even better days could be ahead, as more firms warm up to the idea of subscribing to an LMS platform to help make the WFH transition as painless as possible.

What about the valuation of Docebo stock?

Today, shares of DCBO trade at 20.4 times revenues, which is pretty much in line with that of other pandemic-resilient cloud players. Given Docebo's greater growth runway, though, I'd be inclined to prefer the Canadian LMS play over its frothier peers, many of which have hogged the limelight in recent months.

Could Docebo be Canada’s next big multi-bagger? Given the acceleration in the firm’s client wins, continued pandemic tailwinds, its ever-improving offering, and the high growth ceiling for the relatively small firm, I certainly wouldn’t rule out further multi-bagger gains for Docebo over the next three years.

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