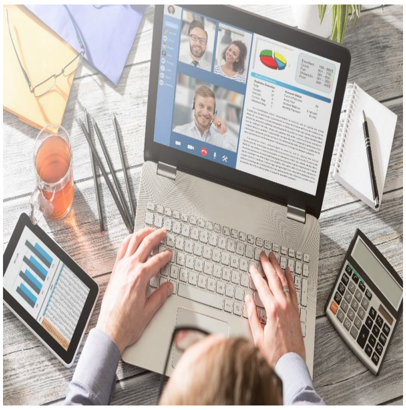

Hotter Than Shopify (TSX:SHOP): A TSX Tech Stock to Buy Now

Description

Every once in a while, there's a company that explodes onto the scene such that even our neighbours south of the border begin to take notice. **Shopify** (TSX:SHOP)(NYSE:SHOP) is a Canadian success story that's enriched many Canadian investors who've stood by it through the good times and the bad (when the shorts were on the name).

With Shopify recently pulling the curtain on some blowout results that saw revenues almost double, shares slipped on muted forward-looking expectations. The bar was raised ridiculously high for Shopify, and with its 60 times sales (that's sales, not earnings) multiple going into the quarter, many investors ran the risk of overpaying for many years' worth of growth right off the bat. Shopify has been under the public spotlight for quite some time, and if its best growth days are behind it, the name could be due for a severe pullback.

Fortunately, Canadian investors have many options in the **TSX Index**, which has enjoyed numerous tech IPOs in recent years. Could one of them become the next coming of Shopify? It's possible, especially with certain cloud stocks that already hold dominant shares in their niche markets. Like Shopify, up-and-coming TSX tech stocks are looking to make clients within their target markets offers they simply can't refuse. How? By offering a value-creating platform that prospective customers can't afford *not* to have.

Enter Docebo

Shopify's platform was a lifeline for many affected small- and medium-sized businesses (SMBs) amid the COVID crisis. But Shopify wasn't the only tech firm that's been riding high on pandemic tailwinds. Consider shares of **Docebo** (TSX:DCBO), a lesser-known mid-cap cloud play in the niche Learning Management System (LMS) market. The company has been leveraging AI technologies to build a platform that's become quite "moaty" despite its small size.

Many small- or mid-cap cloud stocks are difficult for many traditional investors to evaluate. Through innovative R&D and creative thinking, such small firms can form pretty sizeable wide moats around their offerings. Such wide-moat platforms can stand alongside the likes of those offered by the behemoths. And in many instances, such behemoths, which supposedly have the advantage, are better served by joining forces or acquiring their smaller competitors, rather than spending more money on a product that may still be inferior with high customer acquisition costs.

Docebo is one of the firms that I'd put in the "if you can't beat 'em, join 'em" category. The LMS sensation is experiencing record adoption of its platform amid this pandemic, winning the likes of **Amazon.com** Web Services, among many other well-established clients that view Docebo's offering as vital in the "new normal" where employees expect to be able to work from anywhere.

Now, Docebo is an expensive stock at 23 times sales. With a drastically worsening pandemic, I think the stock could become much more expensive, perhaps trading at nosebleed level valuations alongside the likes of a Shopify. Having demonstrated resilience amid the latest September-October correction, I'd be inclined to get skin in the game of Docebo today in case it continues to defy the laws of gravity, as Shopify stock has been doing for the past several years.

Foolish takeaway

With a mere $1.5 billion market cap, I also think Docebo is an attractive takeover target for a cloud behemoth that's looking to spread its wings into new niche tech sub-industries. I'm not a huge fan of takeover speculation, but I think the long-term risk/reward is ridiculously attractive and think investors should punch their ticket to the name before it has a chance to become a household name alongside the likes of other work-from-home plays.

CATEGORY

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