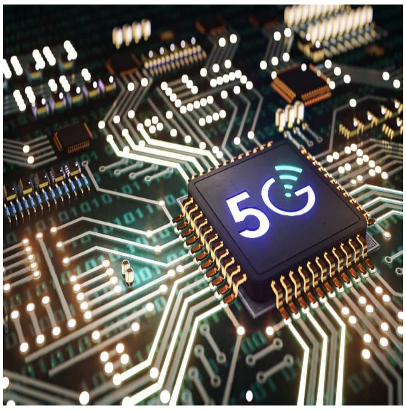

A White-Hot AI Stock You Won't Want to Miss!

Description

When it comes to next-generation technologies like Artificial Intelligence (AI), you don't need to wander as far as Silicon Valley to gain exposure. Canadian investors have a growing number of AI-leveraging tech stocks on this side of the border.

With Canada's tech scene mostly under-the-radar, I also believe growth-oriented **TSX** investors have much to gain by staying local, with valuations that I think are, on average, considerably lower than that of their Silicon Valley counterparts.

One of Canada's hottest AI plays

Without further ado, consider shares of e-learning software developer **Docebo** (TSX:DCBO), which exploded onto the scene during the COVID-19 pandemic. The firm is going after the Learning Management System (LMS) market, and it's doing so with an incredible platform that's won the business of the likes of some pretty well-established behemoths, including the likes of **Amazon.com** Web Services (AWS).

As workforces are forced to operate from home, the demand for Docebo's productivity-enhancing platform has been nothing short of unprecedented. The mid-cap tech stock has an incredible roster of clients, and I suspect its win streak isn't about to end alongside the pandemic.

Under most other companies that may have enjoyed a pull-forward in demand for its products (think toilet paper manufacturers), Docebo has seen a secular acceleration to its business due to the pandemic. Heading into the crisis, Docebo and the niche LMS market were little-known by folks on Main Street. Today, Docebo is now a value-adding staple. Many of Docebo's latest clients are likely discovering what they were missing out on.

If you're in the belief that the work-from-home or work-from-anywhere shift is here to stay, well after it's safe to venture back to the office, Docebo stock is a must-buy, even at these heights. With innovative AI technologies working their magic behind the platform, the nearly $2 billion market cap firm has a wider moat than most would give it credit for.

The strength continues

More recently, the company clocked in an outstanding third-quarter result. Average recurring revenues were incredibly strong, growing at a 55% rate year over year. Docebo continued winning in new clients, with 102 new customers being adding in the quarter, AWS included.

With ample cash on the sidelines, Docebo has the liquidity to take advantage of cheap tuck-in acquisitions to bolster its already strong portfolio further. The company also plans to ramp-up on R&D to take its platform to the next level.

What about valuation?

Docebo's momentum isn't about to slow down as the firm looks to put its foot on the gas. With shares trading at over 25 times sales (that's sales, not earnings), the price of admission is quite high, even for a fast-growing Software-as-a-Service (SaaS) firm.

When you compare Docebo to U.S.-based SaaS firms, though, it becomes more apparent that Docebo is still a relative bargain, as absurd as they may seem for a firm with a price-to-sales (P/S) north of 20x.

While I'd much prefer waiting for a meaningful pullback in shares before getting in, I doubt the AI-leveraging tech stock will give us dip-buyers much of a chance. As such, I'd urge younger risk-taking investors to consider getting some skin in the game now, as they look to scale into a position over the next year.

CATEGORY

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