1 Top Canadian Growth Stock to Buy Now With $500

Description

When it comes to creating long-term wealth, investing in quality growth stocks is a solid option. These stocks have the potential to generate exponential returns over time and may even accelerate your retirement plans.

For example, **TSX** stocks such as **Shopify** and **WELL Health** have returned 5,600% and 8,700%, respectively since their Initial Public Offerings (IPOs). Growth stocks command a premium valuation, making them vulnerable in a market sell-off. Alternatively, they also crush market returns in a bull run.

Here, we take a look at another Canadian growth stock on the TSX that you can look to buy right now.

Docebo increases sales by 61% in Q1

One of the hottest growth stocks on the TSX is **Docebo** (TSX:DCBO)(NYSE:DCBO) which provides a cloud-based learning management system to train internal and external workforces, partners, and customers in North America and other international markets.

The company's platforms enable customers to centralize learning materials from peer enterprises into a single learning management system which in turn helps to expedite the learning process and increase productivity.

Docebo initially launched as an open-source model and transitioned toward a SaaS (software-as-a-service) platform in 2012. It was one of the first companies to introduce artificial intelligence into the e-learning market providing Docebo with a durable competitive advantage.

Docebo managed to increase sales from US$17 million in 2017 to US$63 million in 2020. This allowed the e-learning giant to narrow its operating loss from US$8 million in 2018 to less than US$5.5 million last year.

Docebo ended the March quarter with $217 million in cash, providing it with enough runway to improve profit margins going forward.

In the first quarter of 2021, Docebo sales rose by 61% year over year to US$21.7 million. Comparatively, subscription sales rose 62% to US$19.8 million, accounting for 91% of total revenue in Q1. Docebo's annual recurring revenue rose 60% year over year to US$83.4 million.

Its EBITDA loss stood at US$2.5 million, or 11% of total sales compared to US$2.4 million or 18% of revenue in the year-ago period. Its negative free cash flow also improved from US$2.7 million to US$2.4 million in this period.

What next for investors?

Docebo ended the March quarter with a customer base of 2,333. Its average contract value per active customer also rose from US$28,454 to US$35,739. The company signed a new customer agreement with Lightspeed POS to launch a multi-audience learning use case including the latter's employees and customers.

Analysts tracking DCBO stock expects sales to rise by 53.8% year over year to US$96.8 million in 2021 and by 36% to US$131.34 million in 2022. Docebo is also forecast to narrow its loss from US$0.26 per share in 2020 to US$0.11 per share in 2022.

Docebo is valued at a market cap of $1.98 billion, which suggests it's trading at a forward price to 2022 sales multiple of 18.3. That's steep for a company still posting an adjusted loss.

However, the company is forecast to post a net profit of US$2 million in 2023 and is a good stock to buy in 2021 and beyond.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:DCBO (Docebo Inc.)

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