



## Can This Hot Canadian Growth Stock Keep on Winning?

### Description

It's been quite the past few years for top Canadian growth stocks, especially those in the booming tech sector. There's no question that the **TSX Index** has a huge problem of being underweight in tech and growth.

While financials, energy, and materials still overwhelmingly dominate the broader Canadian index, I think it's a mistake to conclude that there's zero in terms of growth to be found. As a passive investor in the TSX, then, sure, you're out of luck when it comes to high-growth Canadian companies. But if you're a self-guided stock picker, as many Foolish readers are, then you can look to the growthier areas of the market in Canada's tech scene, which could arguably give Silicon Valley a better run for its money over the next decade.

### On the hunt for the next Shopify

Undoubtedly, **Shopify** put Canada's technology scene on the map. But if I had to guess, it won't be the last multi-bagger tech darling to emerge. In this piece, we'll have a look at two other likely growth candidates to consider buying on the way up. There's a considerable amount of momentum behind them, and their valuations have soared hand in hand with their share prices. But are their respective growth stories attractive enough to justify such hefty multiples?

That's the million-dollar question. If a firm can't grow into its valuation moving forward, Mr. Market will have to "correct" his overvaluation (or overpricing) to the downside eventually. On the flip side, if a firm is more than capable of outgrowing its multiple, Mr. Market could reward such a Canadian growth stock with an even richer multiple.

In this market, where investors are all about [growth](#), even at jaw-dropping (or cringe-worthy if you're a [value](#) investor) valuations, there's no telling how much higher growth, especially early-stage, hyper-growth, names have to the upside.

**Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)) is a Canadian growth stock that has profoundly rewarded early investors who'd held on during the extreme volatility earlier last year. The name has been

clocking in magnificent growth numbers.

The main question that should be on investors' minds is whether Mr. Market is still undervaluing the firm's growth prospects. If he is, further gains could be in the cards. And the TSX winner could keep on winning, potentially for years on end, just like Shopify, which couldn't be kept down in its glorious multi-year ascent to the top of the Canadian stock market.

## Docebo: A Canadian growth stock that's hard to ignore

Docebo is capturing a growing chunk of a niche market that few heard of back in 2019. The Learning Management System (LMS) software market has been in high demand amid the pandemic-induced move to working from home. Over the past two years, Docebo has won over a good number of very high-profile clients, including **Amazon.com's** AWS (Amazon Web Services).

The company may be small, but it has an innovative offering that pays for itself over the long run through cost savings and enhancements in productivity. Why did Amazon opt to use a mid-cap (defined as \$1-\$5 billion) company's solution rather than creating its own? Docebo has a unique offering and a moat in the form of its innovative abilities. The company leverages AI (artificial intelligence), which is not at all easy for competitors to replicate. The stock is expensive at 35.2 times revenue. But for a cloud prince with such unbelievable momentum, I think investors should look beyond their initial sticker shock.

Docebo is one of few growth companies that I think deserves a 30-40 times sales multiple. With a market cap still on the lower end (just below \$4 billion), I think shares have way more room to run. That said, the odd 30-40% pullback should be expected in the event of a broader market correction. If you can handle such volatility, I'm not against owning the name for the next +20 years if you seek next-level growth and a good shot at a potential long-term multi-bagger.

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### TICKERS GLOBAL

1. NASDAQ:DCBO (Docebo Inc.)
2. TSX:DCBO (Docebo Inc.)

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## Author

joefrenette

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