



DCBO's Stock Price Surged 25% This Year: Find Out Why!

Description

Shares of Canadian growth stock **Docebo** ([TSX:DCBO](#))([NASDAQ:DCBO](#)) have gained 25% year to date, outpacing broader market returns in the process. DCBO stock has, in fact, gained a stellar 661% in cumulative returns since its IPO in October 2019. Let's see what's driving the stock higher and if it remains a top bet for [growth investors](#) right now.

Docebo is growing at a rapid pace

Founded in 2005, Docebo is an enterprise-facing e-learning platform. It first launched an open-source model that could be installed on enterprise servers. In 2012, the company transitioned towards a cloud-based SaaS (software-as-a-service) business model.

It claims to be the first company to leverage artificial intelligence (AI) and transform corporate e-learning into a competitive advantage for clients who can access data-driven insights and enhance user experience.

Docebo has managed to increase sales from US\$17 million in 2017 to US\$61.9 million in 2020. In the last 12 months, sales have touched US\$82.2 million and are forecast to reach US\$103 million in 2021 and US\$140.6 million in 2022.

Despite a gross margin of over 80%, DCBO remains unprofitable, as it continues to focus on top-line expansion. However, its operating loss has narrowed to US\$5.49 million in 2020 from US\$8.88 million in 2019. Analysts expect its loss per share to improve from \$0.26 in 2020 to \$0.11 in 2022.

Multiple drivers will positively impact DCBO stock

The shift towards remote work has gained pace amid COVID-19. Around 75% of employees are comfortable working from home, and this trend will benefit DCBO stock in the upcoming decade. A company's employee base can account for over 50% of the total expenses, which means they are an important asset to a business.

While businesses continue to invest heavily in employee development, human resource experts believe organizations will reconsider their approach towards employee training in a post-COVID world.

Docebo's wide portfolio of e-learning solutions allows companies to create content using AI as well as handle course enrollment and lesson delivery. It provides cloud-based software that can be easily accessed and implemented.

At the end of Q2, Docebo had a customer base of 2,300, including **Amazon** Web Services, **Thomson Reuters**, and **Hewlett Packard Enterprises**. Docebo also [outlined a case study](#) where a customer created more than 3,000 courses in 11 different languages for its employees located in 26 countries.

A high customer-retention rate has allowed DCBO to increase recurring sales by 65% annually between 2016 and 2020. In the first half of 2020, recurring sales were up over 60% year over year, indicating that top-line growth remains robust compared to historical figures.

DCBO has also been efficient in its cash burn. For example, the company burnt just US\$9 million in cash while its recurring sales rose to US\$74 million in 2020, up from US\$11 million in 2016. In 2020, the company was also able to report a positive cash flow for the first time ever.

Last year, Docebo spent close to 40% of revenue on sales and marketing. While it's still reporting a loss, Docebo managed to triple average contract value in the last five years.

DCBO stock is valued at a market cap of \$3.6 billion, which means its forward price-to-2022-sales multiple is sky high at 20.5. However, the LMS market might touch US\$30 billion by 2025, giving Docebo enough room to expand its top line.

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