Docebo (TSX:DCBO) Stock: Should You Invest in This Canadian Growth Stock Today?

Description

The pandemic came along with many surprises for stock market investors. The growth of the tech sector was already happening before the pandemic struck, but investing in technology became a massive trend among investors, as publicly traded companies in the industry saw massive tailwinds due to the pandemic propel them to greater heights.

The growth of the tech sector was the primary driver for the stock market during the downturn last year. While financials, energy, and materials have had a stellar year so far for the broader Canadian market's performance, the tech sector still holds a crucial position in the stock market in terms of offering growth potential for stellar shareholder returns.

Today, I will discuss a Canadian tech sector giant that has been showing rapid growth in the stock market and whether it could be worth adding to your investment portfolio after its most recent surge.

The possibility of another Shopify

Shopify stock came along as the epitome of high-growth Canadian tech stocks when it started trading on the **TSX** in 2015. Up by over 5,200% at writing since its IPO, Shopify stock is the undisputed blue-eyed darling for the Canadian tech sector.

Investing in the company right now will not provide you with similar shareholder returns. It might even be impossible to find another stock that can offer such stellar shareholder returns. However, the Canadian tech sector does provide opportunities that could be worthwhile as a long-term holding for you to enjoy substantial growth.

A high-growth Canadian tech stock

Docebo (TSX:DCBO)(NASDAQ:DCBO) is not a multi-bagger of the likes of Shopify in terms of rapid growth. Founded in 2005, the e-learning platform initially launched an open-source model that could be installed on enterprise servers. Things have become quite different since its shift to a cloud-based Software-as-a-Service (SaaS) model in 2012.

Docebo holds the claim of being the first company to utilize AI to transform corporate e-learning into something that offers its clients a competitive edge in their respective industries through data-driven insights that enhance the user experience. The Learning Management System (LMS) software market has been in high demand due to the pandemic, as most of the workforce continues to work from home.

Docebo has won over several high-profile clients over the last two years, with **Thomson Reuters**, **Hewlett Packard Enterprises**, and **Amazon** Web Services as some of the most significant names. The company's high customer-retention rates have allowed it to increase its recurring sales by 65% every year between 2016 and 2020.

While the company has a significant cash-burn rate as it continues to report losses, it has increased its average contract value threefold in the last five years. Considering that the company managed to report a positive cash flow for the first time ever in 2020, it could be well on its way to greater profitability that reflects its rapidly growing share prices.

Foolish takeaway

The LMS market that Docebo operates in is expected to touch the US$30 billion mark by 2025. At its current valuation, DCBO offers a market capitalization of just $3.44 billion. Considering the rapid growth expected for the company's niche industry, Docebo stock could still be a viable investment, because it can offer plenty more growth to investor capital.

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