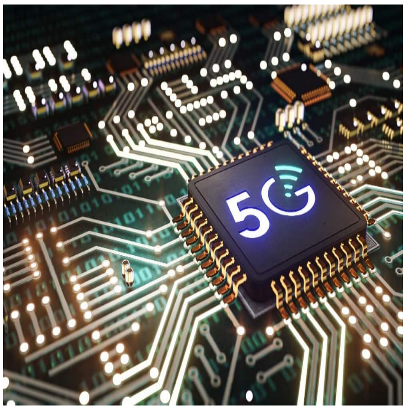

Docebo and Shopify: Why These 2 Stocks Are a Buy

Description

Docebo (TSX:DCBO)(NASDAQ:DCBO) and **Shopify** (TSX:SHOP)(NYSE:SHOP) are two of the most popular growth stocks on the **TSX**. Since their respective initial public offerings (IPOs), both stocks have seen tremendous success on the public markets. Both Docebo and Shopify are operating in industries that should continue to see massive growth in the coming years. For that reason, I believe investors would do well to buy shares of these two companies today.

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These companies lead important industries

As mentioned earlier, Docebo and Shopify operate in crucial industries. The former provides enterprises with a cloud-based, AI-powered eLearning platform. Using its software, training managers can assign, monitor, and modify training programs more easily. This has become essential for large businesses as the COVID-19 pandemic forced them to operate remotely.

On the other hand, Shopify is a leading enabler of the rapidly growing e-commerce industry. Over the past few years, online retail has steadily increased its penetration of the larger retail industry, globally. However, over the past year, e-commerce has seen a similar spike in adoption due to the COVID-19 pandemic. It's estimated that the e-commerce industry will continue to grow at a compound annual growth rate (CAGR) of 14.7% from 2020 to 2027. If that happens, then companies that help consumers make the shift toward online retail, like Shopify, should see major growth.

Both companies have subscription-based businesses

When it comes to growth stocks, one of the most important aspects to consider is a company's revenue. Personally, I'd like to see a company grow its revenue year over year without issue. Companies can help ensure this growth by adopting a subscription-based business model. Generally, customers are more willing to make smaller payments on a continuous basis rather than a large one-time payment. Recurring payments also provide stability to a company's revenue over time.

In the case of Docebo, 92% of the company's revenue in 2020 came from recurring payments.

Notably, Docebo's recurring revenue has grown at a CAGR of 65% from 2016 to 2020. Finally, its annual recurring revenue as of June 30, 2021, was reported as US$93 million. It's clear that Docebo faces no issues in growing its revenue.

On the other hand, Shopify's monthly recurring revenue has increased at a CAGR of 45% from Q2 2016 to Q2 2021. Most of this recurring revenue comes from small- and medium-sized businesses (SMBs). Since Q2 2019, SMBs have accounted for about 60% of Shopify's recurring revenue. Shopify Plus and miscellaneous fees (themes, domains, etc.) account for about 20% of its recurring revenue, respectively, as of Q2 2021. This suggests that the company's revenue is diversified in terms of its source, which should be seen as a positive sign by investors.

Foolish takeaway

There are many other reasons why Docebo and Shopify should be considered buys today. For example, both companies have management teams with large ownership stakes. Both Docebo and Shopify also have major customers which will continue to bring steady business to each company.

However, in this article, I focused on the fact that both companies not only operate but are also leaders in very important industries. Docebo and Shopify also receive much of their revenue as recurring payments. For those reasons, I believe these two stocks are buys today.

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2. NYSE:SHOP (Shopify Inc.)
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4. TSX:SHOP (Shopify Inc.)

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