Why Docebo's Stock Price Fell by 12% in November

Description

Shares of Canadian tech company **Docebo** (TSX:DCBO)(NASDAQ:DCBO) fell close to 12% last month. The decline continued in December as well, and DCBO stock is now down 31% from all-time highs. Docebo comfortably beat Bay Street forecasts in Q3, as it reported earnings per share of US$0.03 compared to consensus estimates of a loss of US$0.11 per share. Its revenue also rose to US$27.1 million, up from US$16.1 million in the year-ago period.

So, does the ongoing pullback provide investors an opportunity to buy a Canadian growth stock at a lower multiple?

The bull case for Docebo

Founded in 2005, Docebo provides enterprise-focused e-learning solutions. The demand for corporate e-learning solutions has gained pace amid the pandemic, which allowed Docebo to increase sales from US$41.4 million in 2019 to US$62.9 million in 2020.

The company initially operated as an open-source model that was installed on customer servers. In 2012, it transitioned towards a cloud-based SaaS (software-as-a-service) business model, allowing Docebo to derive steady cash flows across business cycles.

It was one of the first organizations to leverage artificial intelligence in the e-learning solutions segment providing Docebo with a competitive advantage in this vertical.

The company ended Q3 with 2,600 customers, including Wall Street giants such as **Amazon** and **Walmart**. The average contract value soared 20% year over year to US$39,000, which suggests an increase in customer spending. Further, the average contract value for deals closed in Q3 rose by 33% to US$59,000.

Similar to most other growth companies, Docebo is also sacrificing profitability for top-line growth. Its sales have risen from US$17.1 million in 2017 to US$93.19 million in the trailing 12-month period. Comparatively, its operating loss has widened from US$6.4 million to US$10.8 million in this period. It also reported a negative free cash flow of US$1 million in Q3.

However, its adjusted net income improved to US$0.7 million in the September quarter compared to a net loss of US$1.2 million in the year-ago period.

What's next for DCBO stock?

Docebo is poised for stellar growth in the upcoming decade. The company's management has forecast a total addressable market of US$30 billion by 2025, indicating a compound annual growth rate of 21% in the next four years.

Docebo sales are forecast to more than double to US$133 million in 2021 and increase by 41% to US$187.5 million in 2022. Given a market cap of $2.64 billion, DCBO stock is valued at a forward price-to-2022-sales multiple of less than 11 times, which makes it vulnerable if markets turn bearish.

Legacy e-learning platforms are inefficient, and Docebo has successfully disrupted this space. An enviable combination of customer acquisition and a high retention rate will allow the company to keep growing the top line in 2021 and beyond, making it a top bet for growth investors.

DCBO stock went public in late 2019 and has since returned over 400% to investors. Analysts tracking the stock expect DCBO to touch $120 in the next 12 months, which is 50% above its current trading price.

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araghunath