2 Tech Stocks That Are Top Long-Term Picks

Description

One of the strategies for equity investors is to focus on dollar-cost averaging. You'll allocate a small portion of capital periodically and increase exposure to the stock market to benefit from compounded gains over time.

Generally, quality growth stocks have the potential to create massive wealth over the long term. But these gains may be volatile when market sentiment turns bearish.

The process of finding winning investments is not difficult. You need to identify companies with robust business models and the ability to generate cash flows across business cycles.

Here, we'll look at two such growth stocks that Canadians should buy right now.

Docebo

A company that provides enterprise-facing e-learning solutions, **Docebo** (TSX:DCBO)(NASDAQ:DCBO) sales rose by 66% year over year to US$104.2 million in 2021. DCBO stock is currently trading 48% from all-time highs, valuing the company at US$1.6 billion by market cap.

Docebo explained it experienced strong momentum in 2021 allowing it to deliver record sales in Q4. It continued to add new logo sales and ended Q4 of 2021 with US$14.2 million in net annual recurring revenue.

Further, total sales in the quarter rose by 59% year over year to US$29.8 million while subscription sales stood at US$27.5 million, accounting for 92% of total revenue. Its gross profit was up 50% at US$23.5 million, indicating a profit margin of 80%.

Docebo's annual recurring sales in Q4 stood at US$117.7 million — an increase of 59% year over year. It ended the quarter with an adjusted EBITDA loss of US$1.5 million compared to a profit of US$0.1 million in the year-ago period.

The company increased its customer base to 2,805 compared to 2,179 customers at the end of 2020. The strong growth in average contract value increased to US$41,971, from US$33,955, which indicated an increase in customer spending.

Analysts tracking DCBO stock expect sales to increase by 42% to US$185.4 million in 2022 and by 35% to US$250 million in 2023. Comparatively, its bottom line is forecast to improve from a loss per share of US$0.51 in 2020 to earnings of US$0.09 in 2022.

Bay Street also expects DCBO stock to rise by 50% in the next 12 months, given consensus price target estimates.

Adobe

Another tech stock that generates a significant portion of sales via subscriptions is **Adobe** (NASDAQ:ADBE). It has multiple cloud-based offerings across verticals, allowing the company to increase sales from US$9.03 billion in fiscal 2018 to US$15.78 billion in fiscal 2021 (which ended in November).

Its subscription revenue accounted for 92% of total sales in fiscal 2021, up from 86% in 2019. Comparatively, operating income rose to $5.8 billion from $3.3 billion in this period.

In Q1 of fiscal 2022, Adobe’s sales were up 9% at US$4.3 billion and operating income grew to US$1.6 billion. Its free cash flow stood at US$1.67 billion, similar to the prior-year period.

Adobe has forecast its total addressable market at US$205 billion, allowing the company to grow sales at a rapid pace in 2022 and beyond.

Wall Street expects ADBE stock to touch US$568 in the next 12 months, which suggests upside potential of more than 30%.

CATEGORY

1. Investing
2. Tech Stocks

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