

EQUITY RESEARCH

August 11, 2022

Flash Research

DOCEBO INC.

Q2/22 First Look: Profitability Ahead Of Expectations, FCF Positive

Conclusion: Docebo's Q2 revenue was slightly below consensus (-1%), while EBITDA was well above expectations and the company was FCF positive. The results highlight Docebo's ability to scale to profitability. Despite macro pressures, ARR growth was solid at 48% Y/Y. The company added 621 net customer in the quarter, including a contract to replace Chipotle's LMS system. Average contract value was up 18% Y/Y to \$44.5k as the company continues to expand ARR within its existing customer base. Docebo continues to scale its relationship with AWS, launching two new offerings. We will be looking for an update on the hiring outlook, profitability targets and new contract wins on the call at 8:00 a.m. ET.

Key Highlights:

Q2/22 Takeaways: Docebo reported revenue of \$34.9MM that was roughly in line with CIBCe (\$35.1MM) and slightly below consensus (\$35.4MM). The company reported a ~4.5% FX headwind to revenue given the appreciating USD. Adjusted EBITDA of (-\$0.9MM) was above consensus and CIBCe (\$-1.4MM/ -\$2.1 MM), while EBITDA margin of (-0.9%) was 310 bps better than consensus and above CIBCe (-4%/ -6%). Gross margins in the quarter were 80.2%, slightly below consensus and CIBCe at (80.8%/81.0%).

Demand Environment Remains Solid - ARR Growth Continues: Docebo reported annual recurring revenues of \$138.2MM, up 48% Y/Y, but slightly below our \$139.6MM estimate. Total customer count increased from 2,485 to 3,106, up 25% Y/Y. Average Contract Value was up 18% Y/Y, growing from \$37,569 to \$44,495 as the company continues to upsell within its existing customer base. Revenue of \$34.9MM represented 36% Y/Y growth, driven by new customer wins and ACV growth. Subscription revenue of \$31.9MM came in slightly below consensus of \$32.9MM and up 35% Y/Y.

Profitability: Gross margins in the quarter were 80.2%, 60 bps below consensus (80.8%) and 80 bps below CIBCe (81%). Gross margins were up 40 bps Y/Y. EBITDA margins were (-0.9%) in the quarter vs. consensus (-4.0%) at and CIBCe at (-6.0%). Adjusted EBITDA margins showed significant improvement from (-22%) in the year-ago quarter as the company aims for profitability exiting 2022.

Free Cash Flow: Docebo generated \$1.1MM in positive cash flow from operations. Free cash flow was also positive (\$0.9MM) in the quarter, well above \$-2.3MM in the prior year and ahead of management's target of FCF profitability by the end of 2022.

Conference Call Details: Management will host a conference call to discuss results on Thursday, Aug 11, at 8:00 a.m. ET. Dial-in: 1-888-390-0546

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Outperformer

DCBO-TSX, Sector: Information Technology

Current Price (8/10/22): C\$45.68

Price Target (12-18 mos.): C\$54.00

All figures in US dollars unless otherwise stated (C\$1.276:US\$1.00).

Please see "Price Target Calculation and Key Risks to Price Target" information on page 2. For required regulatory disclosures please refer to "Important Disclosures" beginning on page 3.

Exhibit 1: DCBO – First Look, Q2/22

	Q2-F2022			Q2-F2021	Y/Y %	Q1-F2022	Q/Q%
	Actual	CIBCe	Consensus				
Consolidated							
Revenue (\$MM)	34.9	35.1	35.4	25.6	36%	32.1	9%
Subscription	31.9	32.8	32.9	23.6	35%	29.1	10%
Professional Services	3.0	2.3	2.7	2.0	51%	2.9	2%
Adjusted EBITDA (\$MM)	(0.3)	(2.1)	(1.4)	(5.7)	95%	(1.8)	83%
EBITDA Margin	-0.9%	-6.0%	-4.0%	-22.3%	96%	-5.6%	85%
Gross Margin	80.2%	81.0%	80.8%	79.9%	0.4%	79.6%	1%

Source: Company reports, FactSet and CIBC World Markets Inc.

Price Target Calculation

Our price target is based on a 6.0x EV/S multiple applied to 2023E sales and based on the current capital structure. Our target multiple is in line with SaaS peers with similar Rule-Of-40 scores.

Key Risks To Price Target

1) slower LMS cloud adoption, 2) lackluster product development, 3) competitive marketplace and 4) limited customer expansion.

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CIBC World Markets Inc. Price Chart

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