

EQUITY RESEARCH

August 11, 2022

Earnings Update

DOCEBO INC.

Balancing Growth And Profitability

Our Conclusion

Docebo is balancing growth and profitability, with ARR growth of 48% Y/Y in Q2 and positive FCF. We expect both EBITDA and FCF to incrementally improve from here and see DCBO as well positioned to continue to profitably grow the business. While enterprise sale cycles have elongated somewhat, the efficiency and productivity improvements that Docebo's solutions provide should resonate in an uncertain macro-economic environment. We continue to see an attractive market opportunity, with 70% of sales in the greenfield external or hybrid learning space. We retain our Outperformer rating and our price target of \$54.00.

Key Points

Q2 Results: Docebo reported revenue of \$34.9MM, roughly in line with CIBCe (\$35.1MM) and consensus (\$35.4MM). Adjusted EBITDA of -\$0.3MM was above consensus and CIBCe (-\$1.4MM/-\$2.1MM), while EBITDA margin of -0.9% was above consensus and CIBCe (-4%/-6%). Gross margins were 80%, below consensus and CIBCe at (80.8%/81.0%).

Expanding TAM: Docebo added \$8.9MM to ARR in Q2/22, with average contract value reaching \$44.5k. While net dollar retention was not disclosed for the quarter, management noted it is tracking above the previously reported 113% at the end of 2021. As the use cases continue to expand, 80% of Docebo's customers are using the company for two or more use cases (i.e., onboarding, partner training, customer training, etc.). Newly launched offerings to support enterprise clients (e.g., analytics) are also adding to the total addressable market, giving the company more runway to acquire new customers.

Increasing Base Of Enterprise Customers: Docebo added 159 net new customers in Q2, with more than 60% of those customers in mid-market and enterprise. As the company grows its enterprise base, it has been adding vertical specializations, with Chipotle (announced with Q2) the fifteenth quick service restaurant win for the company. While the enterprise sales cycle has elongated somewhat given the macro-economic environment, we see the market as offering numerous upsell and cross-sell opportunities and driving ACV growth, which increased 21% Y/Y in constant currency in Q2.

Investing In Profitable Growth: Docebo continues to invest in its headcount with strategic hiring to drive revenue growth. Notable recent hires include Ryan Brock who will lead the CMO function and Aaron Pratt who will lead the OEM technology practice. We expect Docebo to continue to invest in the lead generation and sales teams as the company drives pipeline creation and positions itself for its next phase of growth. Given the company's scale, we expect EBITDA and FCF to incrementally improve from here and are expecting the company to be both EBITDA and FCF positive exiting Q4/22.

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Outperformer

DCBO-TSX, Sector: Information Technology

Current Price (8/11/22): C\$46.80

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

CIBC Estimates and Valuation

(Dec. 31)	2020	2021	2022	2023
Revenue(mln)	62.92A	104.24A	144.98E	195.53E
Prior			145.88E	197.48E
Adj. EBITDA(mln)	(2.6)A	(5.7)A	(2.5)E	0.2E
Prior			(4.6)E	

Revenue(mln)	Q1	Q2	Q3	Q4
2023	43.96E	47.30E	50.45E	53.82E
Prior	44.40E	47.77E	50.95E	54.36E
2022	32.06A	34.94A	35.83E	42.16E
Prior		35.07E	36.18E	42.57E

Adj. EBITDA(mln)	Q1	Q2	Q3	Q4
2023	(0.9)E	0.0E	0.5E	0.5E
Prior				
2022	(1.3)A	(0.3)A	(0.1)E	0.0E
Prior		(2.1)E	(0.7)E	

Valuation	2020	2021	2022	2023
P/Sales	16.6x	10.0x	7.2x	5.3x

Stock Performance and Key Indicators

Avg. Dly. Vol.:	87K	Shares O/S:	28.5M
Market Cap.:	C\$1,333M	Float:	13.2M
52-wk Range:	C\$32.57 - C\$117.10	Div. / Yield:	NIL/NIL

TSX Composite Index vs. DCBO-TSX



(Source: FactSet)

All figures in US dollars unless otherwise stated (C\$1.275:US\$1.00).

Please see "Price Target Calculation and Key Risks to Price Target" information on page 5.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 6.

Docebo Inc. (DCBO-TSX) — Outperformer

Price (8/11/22) C\$46.80 12-18 mo. Price Target C\$54.00

Sector: Information Technology

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Peer Comparison	2020	2021	2022E	2023E
EV/Sales - SaaS Peers	-	0.0x	0.0x	0.0x
EV/Sales - Docebo	-	4.6x	3.4x	2.7x
Key Financial Metrics	2020	2021	2022E	2023E
Sales Growth	51.8%	65.7%	39.1%	34.9%
Per Share Data	2020	2021	2022E	2023E
Diluted EPS	(0.26)	(0.41)	(0.28)	(0.20)
Wgt Avg # of Shares	28,934.7	32,867.8	33,167.4	33,567.4
FD Number of Shares	28,934.7	32,867.8	33,167.4	33,567.4
Income Statement	2020	2021	2022E	2023E
Revenue	63	104	145	196
Gross Profit	51	83	118	161
Gross Margin %	81.66%	80.06%	81.28%	82.53%
Tot Operating Exp	54	92	120	161
EBITDA	(3)	(9)	(3)	0
EBITDA Margin	(4.20%)	(8.34%)	(1.75%)	0.08%
Adj. EBITDA	(3)	(6)	(3)	0
D&A	1	2	2	1
Net Interest Income	0	0	(0)	0
Pretax profit	(7)	(13)	(9)	(7)
Tax Expense	0	0	0	0
Net Income	(8)	(14)	(9)	(7)
Net Margin	(12.2%)	(13.0%)	(6.3%)	(3.5%)
Cash Flow Statement	2020	2021	2022E	2023E
Net CFO	5	(3)	(11)	9
Capex	(1)	(1)	(1)	(1)
Free Cash Flow	4	(4)	(12)	8
Balance Sheet	2020	2021	2022E	2023E
Cash & ST Investment	220	215	202	210
Accounts Receivable	16	28	40	47
Total Assets	255	268	274	293
Deferred Revenue	28	45	50	67
Total Liabilities	54	77	91	117
Shareholders' Equity	201	191	183	176

Source: FactSet, Company Reports & CIBC World Markets Inc.

Company Profile

Docebo, Inc. provides cloud based learning management systems (LMS). Its cloud platform consists of three modules: Docebo Learn, Docebo Coach & Share and Docebo Extended Enterprise.

Investment Thesis

1) Large and growing total addressable market 2) We expect 60% subscription revenue growth 3) Capital-efficient growth

Price Target (Base Case): C\$54.00

We calculate our price target based on 35% subscription revenue growth in 2023E and an 6.0x EV/Sales multiple

Upside Scenario: C\$73.00

Our upside scenario is based on 40% total growth in 2023E and a 7.5x EV/Sales Multiple

Downside Scenario: C\$26.00

Our downside scenario is based on 30% total growth in 2023E and a 2.5x EV/Sales Multiple



Financial Summary

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 (ACV) was up 18% Y/Y, growing from \$37,569 to \$44,495 as the company continues to upsell within its existing customer base.

Revenue Growth: 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 80.0%, 80 bps below consensus (80.8%) and 100 bps below CIBCe (81%). Gross margins were up 40 bps Y/Y. EBITDA margins were -0.9% in the quarter vs. consensus at -4.0% 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.

Exhibit 1: DCBO – Financial Summary, 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	52%	2.9	3%
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%	84%
Gross Margin	80.0%	81.0%	80.8%	79.9%	0.2%	79.6%	1%

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

Changes To Our Model: We have adjusted our model to reflect recent results and the current outlook. Our revenue assumption for H2/22 has been reduced slightly to reflect the impact of the appreciating USD, while our EBITDA has been adjusted to reflect the FX benefit of the company's European R&D operations and the company's operating leverage.

Exhibit 2: DCBO – Changes To Our Model, 2021A - 2023E

	Revenues (\$MM)	EBITDA (MM)	Gross Margin	CFO (\$MM)
2021A	104.2	-5.7	80.1%	-3.3
2022E				
CIBC est. – new	145.0	-2.5	81.3%	-11.4
CIBC est. – prior	145.9	-4.6	81.5%	-13.7
Consensus	147.5	-2.5	80.9%	-4.3
2023E				
CIBC est. – new	195.5	0.2	82.5%	8.7
CIBC est. – prior	197.5	0.2	82.5%	10.7
Consensus	200.0	9.3	82.6%	13.4

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

Environmental, Social and Governance (ESG) Metrics for DCBO-TSX

CIBC ESG Metrics

Governance Metrics	2017	2018	2019	2020	2021
Insider Ownership	NA	NA	79.8%	59.6%	48%
Board Gender Diversity	NA	NA	16.7%	29%	29%
Separation of Chair & CEO	NA	NA	YES	YES	YES
Dual-class Ownership?	NA	NA	NO	NO	NO
Disclose ESG Data?	NA	NA	NO	NO	NO
Social Metrics	2017	2018	2019	2020	2021
CEO Comp./Mkt Cap*	NA	NA	\$1.3	\$0.3	\$0.6
Diversity Targets	NA	NA	NO	NO	NO
Women Managers	NA	NA	29%	29%	29%
Environmental Metrics	2017	2018	2019	2020	2021
Emissions Intensity**	NA	NA	NA	NA	0
Net-zero Targets?	NA	NA	NO	NO	YES

*CEO Compensation is shown as per thousand dollars of market capitalization

**Emissions Intensity calculated as total emitted CO₂e divided by million \$ of CAD revenue

Sustainalytics ESG Risk Rating

20.4

Medium Risk

Updated on
Apr 1, 2022

Momentum



Sustainalytics ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	3760/14443	27th
Software & Services INDUSTRY	277/979	29th
Enterprise and Infrastructure Software SUBINDUSTRY	114/411	28th

Sustainalytics Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Report

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Corporate Governance	9.0 High	50.7 Average	4.4 Medium	21.7%
Human Capital	8.4 High	18.9 Weak	6.9 High	33.8%
Product Governance	2.2 Low	10.0 Weak	2.0 Negligible	9.7%
Business Ethics	3.2 Low	32.5 Average	2.2 Low	10.7%
Data Privacy and Security	8.8 High	55.0 Strong	4.9 Medium	24.1%
Overall	31.6 Low	38.1 Average	20.4 Medium	100%

CIBC Quantitative Scorecard

Within Sector			Within S&P/TSX Comp.		
Style	Rank	Delta	Style	Rank	Delta
Value	14	0	Value	221	-4
Momentum	15	-5	Momentum	238	-31
Quality	14	0	Quality	197	-1
Market	15	0	Market	230	0
Low Volatility	15	0	Low Volatility	232	0
Growth	14	+1	Growth	197	+5

Note: Ranking out of 16 stocks

Note: Ranking out of 239 stocks

General Notes Behind the Quantitative Scorecard

Delta refers to the change in the ranking over the past month. Number of stocks "Within Sector" is defined by the number within the GICS. In the "Within S&P/TSX" category, we use all stocks in the S&P/TSX Composite. For detail on the Quant Factors included in each style above, please contact the CIBC Portfolio Strategy Team.

The table above is based upon quantitative, statistical, and mathematical analysis and is not intended to serve as a fundamental recommendation.

CIBC Technical Scorecard

Factor	TSM Score	Factor	TSM Score
TSM	NA	Momentum	D
Beta	1.73	MACD	A
Volatility	↔	Alpha (Sector)	D
Trend	↔	Alpha (Index)	D
RSI	Neutral		

General Notes Behind the Technical Scorecard

TSM: The Trendspotting Matrix uses technical factors to score uptrend durability.

Momentum and alpha metrics compare performance over one-month, one-quarter and one-year timeframes, outputting a rating from A to D.

Trend/Volatility metrics measure price deviations relative to underlying moving averages.

RSI is an oscillator that provides mean-reversion estimations.

MACD is a momentum indicator rated from A to D based off the strength of its signal.

The table above is based upon a technical methodology that examines the past trading patterns and trades and is not intended to serve as a fundamental recommendation.

Price Target Calculation

Our price target is based on a 6.0x EV/S multiple applied to 2023E sales and 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

Risks include: 1) Slower LMS cloud adoption, 2) lackluster product development, 3) competitive marketplace and 4) limited customer expansion.

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Neutral	NT	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
Underperformer	UN	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
Tender	TR	Shareholders are advised to tender shares to a specific offer as we do not believe a superior offer will materialize.
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Note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.

CIBC World Markets Inc. Price Chart

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