

EQUITY RESEARCH

November 9, 2023

Flash Research

DOCEBO INC.

Q3/23 First Look: Solid Quarter With Strong EBITDA Margins

Our Conclusion

Docebo's Q3 revenue was 1% above the Street, while adjusted EBITDA margins were 210 bps above as the company continues to focus on profitability. Subscription growth of 27% was in line with expectations and the company added 88 net customers in the quarter, including a Big 5 U.S. tech company that was announced with last quarter's results, as well as Enterprise Holdings, manager of Enterprise Rent-A-Car. Docebo also announced the expansion of its AWS relationship, with the company working with the Amazon Small Business division and Amazon Global Engineering Services, in addition to AWS. Average contract value (ACV) was up 10.8% Y/Y to \$49,416k as the company continues to focus on larger enterprise customers and execute on its land-and-expand strategy. The Q4 revenue guide of \$48.3MM-\$48.5MM came in slightly above consensus of \$48.2MM, with the adjusted EBITDA margin 50 bps above. We expect that the company's expanded AI offerings and an update on the sales cycle will be the focus on the call at 8:00 a.m. ET (dial-in: 416-764-8624).

Key Highlights

Q3/23 Takeaways: Docebo reported revenue of \$46.5MM, ~1% above the Street (\$46.0MM) and our estimate (\$46.1MM) and up 26% Y/Y. Adjusted EBITDA of \$4.5MM was above consensus and our estimate of \$3.5MM, while EBITDA margin of 9.7% was 210 bps better than consensus (7.5%). Gross margin in the quarter was 81.1%, coming in above consensus but below our estimate (80.4%/82.5%).

Demand Environment: Docebo reported annual recurring revenues of \$181.8MM, up 25.7% Y/Y, in line with consensus, but below our \$193MM estimate. Total customer count increased from 3,591 in Q2 to 3,679 in the quarter, and was up 13.4% Y/Y. ACV of \$49,416 was up 10.8% Y/Y as the company continues to upsell within its existing customer base and increases its mix of enterprise customers. Subscription revenue of \$43.6MM was in line with consensus of \$43.4MM and up 27% Y/Y.

Profitability: Gross margin in the quarter was 81.1%, 70 bps above consensus (80.4%) and 140 bps below our estimate (82.5%), up 40 bps Y/Y. Adjusted EBITDA was \$4.5MM in the quarter, ahead of both consensus and our estimate of \$3.5MM and up 800 bps Y/Y.

Q4/23 Guidance: Docebo is guiding to total revenue of \$48.3MM-\$48.5MM (consensus \$48.2MM), with a gross profit margin of 80.5%-81.5% (consensus 80.5%) and an adjusted EBITDA margin of 10.0%-10.5% (consensus 9.8%).

Free Cash Flow: Docebo generated positive cash flow from operations in the second quarter, resulting in free cash flow of \$8.4MM, above consensus of \$1.2MM.

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Outperformer

DCBO-TSX, Sector: Information Technology

Current Price (11/8/23): C\$59.46

Price Target (12-18 mos.): C\$65.00

All figures in US dollars unless otherwise stated (C\$1.380: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 - Q3/23 Financial Summary

	Q3-F2023			Q3-F2022	Y/Y%	Q2-F2023	Q/Q%
	Actual	CIBCe	Cons.				
Consolidated							
Revenue (\$MM)	46.5	46.1	46.0	37.0	26%	43.6	7%
Subscription	43.6	43.4	43.4	34.3	27%	40.8	7%
Professional Services	2.9	2.7	2.6	2.7	9%	2.7	6%
Adjusted EBITDA (\$MM)	4.5	3.5	3.5	0.6	-616%	3.1	48%
EBITDA Margin	9.7%	7.5%	7.6%	1.7%	-469%	7.0%	38%
Gross Margin	81.1%	82.5%	80.4%	80.7%	0.5%	80.7%	1%

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

Price Target Calculation

Our price target is based on a 6x EV/S multiple applied to 2024E 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

Key risks to our price target include: 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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