

Docebo Inc.

Second Quarter 2020 Results

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PRESENTATION

Operator

Good morning, everyone, and welcome to the Docebo Inc. Second Quarter 2020 Earnings Call. All participants are currently in listen-only mode. Following the presentation, we will open the line for a question-and-answer session for analysts. Instructions will be provided at that time for research analysts to ask questions.

I would now like to turn the call over to Docebo's Investor Relations, Dennis Fong. Please go ahead, Dennis.

Dennis Fong — Investor Relations, Docebo Inc.

Thank you, operator. Before we begin, Docebo would like to remind listeners that certain information discussed today may be forward-looking in nature. Such forward-looking information reflects the Company's current views with respect to future events. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially from those projected in the forward-looking statements. For more information on the risks, uncertainties, and assumptions relating to forward-looking statements, please refer to the Docebo's public filings, which are available on SEDAR.

During the call we will reference certain non-IFRS financial measures. Although we believe these measures provide useful supplemental information about our financial performance, they're not recognized measures and do not have standardized meanings under IFRS. Please see our MD&A for additional information regarding our non-IFRS financial measures, including for reconciliations to the

nearest IFRS measures. Please note that unless otherwise stated, all references to any financial figures are in US dollars.

Now I'd now like to turn the call over to Docebo's CEO, Claudio Erba.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Thank you, Dennis, and good morning. I hope everyone is keeping safe and well. Thank you for taking the time to listen to our second quarter earnings call. Joining me on today's call is Ian Kidson, our Chief Financial Officer, and Alessio Artuffo, our Chief Revenue Officer.

Before we begin discussing the quarter, I want to take a moment to acknowledge the challenging times we are facing as a society and voice our dedication and support for social justice and racial equality. As an organization founded and built on the principles of learning and personal growth and development, we believe collaboration and innovation should never be stifled by inequality and hatred. We are committed to championing an anti-racism plan and to encourage awareness and action be taken throughout our offices.

This past quarter we instituted an employee donation program to the ACLU with a matching program at the corporate level. We will also observe Juneteenth as a corporate holiday and are reviewing our list of holidays to create a more balanced cultural context. These are some of the initiatives we have taken to date and we will endeavor, as an organization, to constantly improve and create a safe and inclusive environment.

This was our first full quarter under a COVID impacted economy and I am pleased to report a continuation in the strong growth momentum we have seen since becoming a public company last fall. This demonstrates the resilience of our business even in this new normal environment.

Our ARR grew to \$57 million at the end of the quarter or 54% as compared to the second quarter of 2019. This was supported by our year-over-year subscription revenue growth of 55% and total revenue growth of 46%.

We now have over 2,040 customers and our average contract value increased both quarter over quarter and year over year to nearly \$28,000. For new customers added in the second quarter, our average contract value was approximately \$37,000, reflecting the ongoing shift in our customer base to mid-sized enterprises and departments within large organizations that we consider to be our sweet spot within the LMS marketplace.

Overall, these growth metrics show that our business is tracking right in line with our growth over the past three quarters since our IPO. As expected, we did see more revenue churn in the second quarter, primarily from smaller companies and those operating in industries directly impacted by the COVID virus; however, this was more than offset by strong customer momentum as we also realized our highest quarterly new logo sales and up-sell performance in our Company history.

We are seeing demand for our products across a number of fronts, from use cases requiring external training for customers and partners where we have always been strong, to companies having to move from classroom-led in-person training programs to virtual training, and across those industry verticals where we are increasing our sales focus, and I will highlight a few examples.

One example of a new logo in the second quarter that is evolving the way they train is LEGO Education. LEGO Education chose Docebo for a very exciting new learning project, expanding their in-person teacher learning program to the virtual world. LEGO Education will use the Docebo platform to deliver online professional development supporting teacher success in the classroom. We were happy to sign LEGO Education in the UK and then added an implementation in France, making this a nice up-sell win for us as well.

We are focusing our go-to-market efforts in some key industry verticals and in the second quarter added several customers in the financial services sector. These include TD Ameritrade and BPER Banca. The financial services sector is a good target vertical for us, with large and dispersed internal and external workforces that are required to meet compliance training obligations and are also consistently up-skilling.

In the second quarter, Docebo brought on TD Ameritrade as a new customer. The company will be using Docebo to improve the education experience it provides for independent registered investment advisors on their platform, enhancing their professional development, increasing their knowledge of TD Ameritrade services, and enabling advisors to leverage learning opportunities that can help keep their teams sharp and engaged.

Closer to my home is BPER Banca, one of the largest Italian banking groups, who selected Docebo to re-launch its training and communication project for all of the company's employees. BPER plans to use Docebo to improve the learning experience for more than 10,000 learners. Mobile learning and social learning will allow end users to be even more engaged and have a higher level of adoption. Strong UX and

AI capabilities will guide users through all training and internal communication activities. The Docebo Learning Platform will also be used by BPER to facilitate internal content creation.

In addition to new logos, we are very focused on expanding our business within our existing customer base. After Walmart's selection of Docebo in the first quarter to enhance its walmart.com training program, in the second quarter Walmart Media Group chose Docebo to help with their internal and professional development needs. Walmart Media Group will also be looking to use Docebo to extend their training to external audiences, including advertisers and agencies that work with Walmart Media. This is a great proof point as our up-sell and cross-selling team has been ramping, demonstrating the flexibility of the Docebo platform and the large opportunity we have to address many different learning use cases across departments in a large organization.

I am also pleased to report that we hit an important milestone in the second quarter, as our main OEM partner became our largest customer with respect to our ARR. OEM partnerships are a strategic area of growth for Docebo and we have learned a lot in the past two years in working with this partner. Today, we have a streamlined process for cultivating and on-boarding new OEM relationships that we intend to leverage and expand.

In our last quarterly earnings call we announced that we had added our second OEM partnership with Phenom People and last month we added our third OEM partner, MHR International. MHR is a very exciting partner for us as a leader in HCM software in Europe that supports the management, development, and payment of just over 10% of the UK workforce. MHR will offer Docebo's best-of-breed

workforce learning and development tools alongside their market-leading iTrent integrated HR and payroll platform.

When we reported our first quarter 2020 results, we also spoke to the accelerated hiring we completed prior to the broader COVID lockdowns. We indicated at the time that we had put on hold any additional hiring until we had better visibility into how the COVID situation was playing out. Based on the demand we have seen in the second quarter and our current pipeline, we feel comfortable cautiously resuming our growth investments in the second half of this year, albeit at a reduced rate as compared to original plans. This means we will begin to resume our expansion programs in sales, marketing, and support, as well as R&D, as we look to position the Company for growth in 2021 and beyond.

Ian will provide some additional colour on our expenses this quarter and outlook, but we believe that the current market environment for Docebo is supportive for our continued investments into growth. As always though, we will be taking a responsible approach in how we deploy capital with our investments to strike the proper balance between revenues and expense growth.

Lastly, I want to acknowledge the work of our development teams that have done an incredible job in keeping on pace with our planned deliverables and product updates through the months of COVID lockdowns, setting the foundation for our continued success and growth. During the second quarter we have introduced new custom reporting tools that help admins better measure the impact of their training programs and, at the same time, we are helping them do it faster, which is critical.

We also redesigned the front-end of our learning platform to conform as closely as possible to WCAG guidelines to provide learners with a more accessible user experience to people with disabilities.

Docebo will be accessible for learners to navigate with a screen reader or keyboard to complete formal training without extra configuration needed, helping to bridge the gap in delivering a meaningful and functional learning experience for all users that may be subject to a disability.

You've heard us talking about our focus on our land-and-expand or up-sell strategy and about our innovation and investments in R&D. With this in mind, I want to update you on some of the exciting new products releases we currently have in Beta: The first is Shape, which is a groundbreaking product in its category and in our industry that works to solve the problem of automating the process of creating training content at scale. Shape is the first full AI-based Training Video Builder allowing companies to create video pills, in a matter of seconds and in just a few clicks, and then apply curation to the assets that are created. Our plan for Shape is to become a new standard in the AI-based self content creation space.

Second, we know how complex it is to build an enterprise-grade learning program and how difficult it is to measure its effectiveness and ROI. Learning and development leaders want to be able to manage learning investments and performance and correlate them to an ROI. To accomplish this we built Learning Analytics, a learning Intelligence product that blends the principles of business intelligence but designed with the L&D buyer in mind. Shape is expected to have a phased launch as early as the first quarter of 2021 and analytics later in the year and we are currently in testing with some of our existing customers. The initial feedback from our test customers has been great. Both have the potential to significantly expand our addressable market with new and existing customers, helping to increase our ACV over time.

In summary, the second quarter was not without its challenges, but we have been able to execute effectively as an organization, maintain our growth trajectory, and I'm excited and optimistic about the

opportunity we see both in the near and long term. We will still have to keep a close eye on how broader market economies perform as COVID restrictions lift, but the interest in our platform and pipeline has never been stronger.

With that, I will now pass the call to Ian to speak to the financials.

Ian Kidson — Chief Financial Officer, Docebo Inc.

Thank you, Claudio, and hello, everyone.

Before I start, I'd like to remind folks that you can find a detailed breakdown of our financial results for the three and six months ended June 30, 2020 in our press release, MD&A, and financial statements, which are now available on our website and on SEDAR. This quarter we've also introduced a slide deck to accompany our earnings call discussion that is available on our Investor Relations website. For those who want to follow along, I'm starting my remarks on slide four.

As Claudio indicated, the second quarter presented certain challenges for us, no different than it did for most other companies. Overall though, we are very pleased with our results. Total revenue grew to \$14.5 million, an increase of 46% from the prior year period. Subscription revenues grew 55% from the prior year and were \$13.4 million or nearly 92% of total revenue for the quarter. Professional services revenue in the second quarter was \$1.1 million, actually down 12% from both the prior year as well as the first quarter in 2020.

Professional services revenues are generally associated with new logo signings and, more specifically, the new logos signed in the preceding quarter. That is why we often have higher than trendline

professional services revenues in the first quarter of a year related to the busy fourth quarter of the preceding year. In addition, the amount of professional services associated with a particular contract can fluctuate significantly, so this variation is not unexpected and will happen from time to time in the future.

Our ARR at the end of the second quarter was \$57.0 million, an increase of 54% from the \$36.9 million at the end of the second quarter of 2019. Although ARR is not an accounting measure, it is the key metric that we use to evaluate our progress, as it is the best predictor of future revenue. Consistent with past quarters, the significant growth in ARR was driven by new customers, resulting in our number of customers increasing to 2,046 at the end of the second quarter of 2020, up from 1,651 at the end of the second quarter of 2019. The disproportionate growth in ARR as compared to the increase in the number of customers reflects our jump in ACV over the same period.

We added \$4.8 million in net ARR in the second quarter, which is similar to the net ARR we added in the first quarter of 2020 as we continue to see strong sales momentum. As Claudio noted earlier, we were very pleased with our new logo additions and up-sell performance in the second quarter, which was a record for us.

Average contract values, or ACV, increased to approximately \$28,000 at the end of the second quarter of 2020, up 25% from \$22,000 at the end of the second quarter last year and is up from \$27,000 at the end of the first quarter of 2020.

Slide five shows gross profit for the second quarter, which was \$11.7 million and compares to \$7.8 million in the prior year period, an increase of 49%. As a percentage of revenue, gross profit margin was 80.4% of sales, up from 78.9% of sales in the prior year period. The improvement in gross margin was due

to lower professional services as a percentage of our overall revenue partially offset by higher AWS costs associated with higher utilization of our platform.

On slide six you can see that total operating expenses for the second quarter increased to \$14.9 million and compared to \$9.6 million for the prior year period, up by 55%. Included in our Q2 results is a foreign exchange loss of \$1.7 million that relates primarily to the cash held on our balance sheet and, therefore, is for the most part unrealized. Operating costs excluding this loss were \$13.3 million, and were generally in line with the \$13.7 million in operating costs, also excluding foreign exchange impact, that we reported in the first quarter of 2020.

Sales and marketing expense for the second quarter was \$5.9 million compared to \$3.7 million for the comparable period in 2019. As a percentage of revenue, sales and marketing expense was 40.4% compared to 37.3% last year. When compared to the first quarter of 2020, sales and marketing expense was flat at \$5.9 million with higher payroll from the hiring we completed in the first quarter being offset by lower travel and entertainment charges that we incurred. Our sales and marketing expense remains within the 35% to 40% range that we are currently targeting and we don't expect this to change significantly, even as we begin to hire cautiously over the next two quarters.

General and administrative expenses for the second quarter were \$3.4 million compared to \$3.5 million in the prior year period, a year-over-year decrease of \$100,000. As a percentage of revenue, G&A for the second quarter came in at 23.3% compared to 35.5% that we reported in the second quarter of 2019. It's important to recall that in 2019 we were incurring considerable consulting and professional fees associated with our IPO preparations and we emphasized at the time that they were non-recurring. Our

G&A costs this quarter were also down from what we reported in the first quarter results. This successive quarterly decline was driven by lower travel and entertainment cost as well as lower consulting and legal fees. Going forward, we're comfortable that G&A costs will continue to decline as a percent of revenue with a longer-term target of being in the mid-teens.

R&D expense for the second quarter of 2020 was \$3.3 million and compares to \$2.2 million in the prior year period. As a percent of revenue R&D expense was up slightly to 22.7% as compared to 22.1% for the prior year. Investing in product development remains a priority for Docebo and we are comfortable with our current levels of R&D spending, but we still expect a longer-term target investment rate of 18^ to 20% of sales.

We reported an adjusted EBITDA loss of \$900,000 for the second quarter of 2020 as compared to a loss of \$1.6 million in the prior year. We reported a net loss of \$3.3 million for the second quarter this year and that compares to a \$2.3 million net loss in the prior year period. As noted earlier, the net loss for the second quarter includes a \$1.7 million foreign exchange loss.

An important implication of the reduced EBITDA loss, or EBITDA improvement in our second quarter, was that Docebo generated positive cash flow from operating activities for the second quarter of \$0.2 million and free cash flow was near breakeven at negative \$35,000. Cash at the end of the second quarter on our balance sheet was \$43.0 million and we continue to carry no debt.

As Claudio mentioned, we are going to cautiously resume our hiring in support of our ongoing growth over the next two quarters, so I would expect our operating expense base will increase modestly over the remainder of the year. This decision reflects our confidence in how and where Docebo fits into

the new COVID-impacted world and its related effect on our business. The increase in investment we'll be making will primarily be concentrated in the sales and marketing and R&D groups. From where we sit today, in total, the increase in headcount is not expected to exceed 50 bodies, but we will obviously provide an update in our Q3 reporting.

I'm going to leave my remarks at that. Thanks for listening. Operator, we'd be happy to take some questions from the analysts at this point.

Q & A

Operator

Thank you. We will now take questions from research analysts. If you have a question, please press star followed by one on your touchtone phone. If you would like to withdraw your request, please press star followed by two. In consideration of other callers and time allotted, we ask that you please limit yourself to one question and one follow-up. You may re-queue if you have additional questions.

Your first question comes from Robert Young at Canaccord Genuity. Please go ahead.

Robert Young — Analyst, Canaccord Genuity

Hi. Good morning. Maybe just continuing that line you ended with, Ian, what are the changes in your stance getting more aggressive on spending and the same is expected in G&A? What does that imply on your free cash flow breakeven point? I think you'd said by the end of 2020. Should we think of that still?

Claudio Erba — Chief Executive Officer, Docebo Inc.

Ciao, Rob. Claudio speaking. I hope you are good and safe. So, I'll let this to Ian, but I want to answer that. The fact that we see the demand and the pipeline and, you know, all the positive signals from the markets, makes us optimistic on investing in our growth. That said, for the financial part, I leave this to Ian.

Ian Kidson — Chief Financial Officer, Docebo Inc.

Thanks, Claudio. Rob, the reason I thought it was important to point that out was what I wouldn't be comfortable with if folks simply took our Q2 cost base and rolled it forward and then made a revenue increase assumption and said, "Oh my goodness, this is great, you guys are going to be generating lots of cash" in the immediate future. So I just wanted to raise awareness that because, as I said, because of what we're seeing on the revenue growth side, our expense base is going to start to increase. For two reasons: One, to support where we are today, but we're also starting to think about our budgets for 2021 and how we position the Company going forward, and so we're going to see increase in creep in our cost base to support that view.

Robert Young — Analyst, Canaccord Genuity

Okay. Thank you. Second question would be around—you said that AWS fees are higher, which suggests higher activity, even though the gross margin bounced up, so are you still seeing that high level from earlier on this year continuing?

Ian Kidson — Chief Financial Officer, Docebo Inc.

In terms of usage, we are. In part, our margin increase was mathematical this quarter. If you look at the relative proportions of professional services and subscription revenue, as you know, the margins that we earn on professional services are nowhere near the margins that we earn on subscription revenue and, as a consequence, that helps our margins.

Claudio, did you have something to add?

Claudio Erba — Chief Executive Officer, Docebo Inc.

Yeah. Rob, a couple of points here. First of all, you know that, with the coronavirus, our (inaudible) customer base increased the adoption of the platform. That means that on AWS they are also consuming more resources. It's not material, but it's—it's impact on cost, but it's a great sign on the fact that they are adopting way more the platform, which makes me happy.

On the other side, we are also releasing new features that are slightly increasing the (inaudible) of the AWS. Imagine, every time we roll out a new AI algorithm or a new... We have released our reporting, new reporting system, which increases the performance incredibly. That requires a new technology based on (data lakes). That means we are investing on technology. And the fact that it's slightly increasing our cost base does not scare me, because it means we are innovating, which makes me more happy.

Robert Young — Analyst, Canaccord Genuity

Great. And maybe just a last quick one, just because Alessio is on the phone call, the investments in sales to existing customers, that seems like it's really benefitting, particularly at the larger customer end, if you can talk about the investments and how those are working out, and I'll pass the line.

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Thanks, Rob. Very pleased in the entire supply chain of the sales organization. We're very pleased with the pipeline and sales execution and overall ramp of the resources that we brought on board. You mentioned large customers and I want to remind everybody that our goal is to—we love large customers but we have a tremendous focus on departmental adoption. We love entering in these large organizations, affirming ourselves on a single-use case, creating success and momentum and growing from there, and that is really what they're mastering and operationalizing.

Operator

Ladies and gentlemen, you have any questions, please press star followed by one.

Next question comes from Suthan Sukumar from Eight Capital. Please go ahead.

Unknown Speaker — Analyst, Eight Capital

Thanks, guys. It's actually (inaudible) on for Suthan here. Good morning.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Caio.

Unknown Speaker — Analyst, Eight Capital

So, one of the questions I wanted to ask was the customer wins in the quarter, are they coming from legacy platforms or are they generally net new customers to eLearning? And generally how is that mix kind of evolving?

Claudio Erba — Chief Executive Officer, Docebo Inc.

Yeah, I'll let Alessio handle this answer.

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Fantastic question. So, there is a very good mix across our customer acquisition and I would say there are prevalently two scenarios and two types of customers. One is from the net new logo side, so a company that is using Docebo for the first time, somebody that replaces that existing legacy system. We certainly see certain large vendors losing momentum particularly in the midmarket and enterprise segments.

With regards to important customer acquisition, the other stream that's relevant is to say that our customers in our days that we are cross selling. So the second stream that is really important to us is not only the net new logo that comes from acquisition or their choice of substituting their existing platform, but it's a referral from an entity like Walmart, for example, to another entity in their holding or a sister company.

Those are the two mainstream examples of our new customer acquisition.

Unknown Speaker — Analyst, Eight Capital

Okay. Thank you very much for that. Appreciate it. My second question was just around the OEM opportunity. Obviously three good, two new wins. Do you see, just on the back of those wins, do you see any potential acceleration in that channel? And have you seen any new level of interest or higher level of interest from partners approaching you?

Claudio Erba — Chief Executive Officer, Docebo Inc.

You know, selling to OEM, it's tough. Not because our product is not mature, but the opposite. I mean our product is so (inaudible) and modular that prototyping and OEM integration takes time. And also rolling out the customer, enabling the customer takes time. But on the other side, what we are seeing is that we are finding new ways to OEM our product and we are releasing in beta early 2021 what we call pervasive learning. That means not an LMS embedded inside, let's say, an HCM platform, but don't forget that we can be embedded inside the talent management, an ERP, you name it.

But modular piece of LMS or training content inside the software itself means that the training is (inaudible) your learners when he is inside another software. Expanding these features will allow to (inaudible) our OEM potential partner more opportunity to train their customer base or to distribute Docebo in different ways. That said, yes, we are talking with other vendors and, yes, this is a strategy to sell globally, because I mean, you know, selling in OEM in Asia is way more easy than opening an office in Asia. That said, it's a long-tail sales. It's a long sales process.

I don't know if Alessio wants to add some flavour or colour on this answer.

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Yeah, look, we love these long-term strategy partnerships but, Claudio, you're absolutely right, these are not three- to six-month sales processes. They involve a go-to-market decision on the company side we're partnering with and the conversation is very deep, very executive level.

With that in mind, you know, I think some flavour that would be appreciated is we're seeing a trend in demand and requests from sectors like HRIS, HCM, talent experience and talent management, sales enablement and performance management, as well as customer success. These vendors are succeeding in their markets but they're realizing day after day that learning is a critical component in offering a solution to their customers and they're wondering should we build it or should we buy it or should we OEM it. And the fact that we have a solution that is so technologically plug-and-play makes that decision for some of them a no-brainer. And so we're very well positioned to capture those opportunities globally, but we need to be cautious about selecting the right ones and partnering with the right people.

Operator

Thank you. The next question is a follow up from Robert Young at Canaccord Genuity. Please go ahead.

Robert, your line is open. You may proceed.

Robert Young — Analyst, Canaccord Genuity

Sorry. Can you hear me now?

Ian Kidson — Chief Financial Officer, Docebo Inc.

Yeah, we got you, Rob.

Robert Young — Analyst, Canaccord Genuity

Okay, great. Sorry. The last couple of quarters you'd said that you were putting more thought into how you qualify the funnel to try and drive better conversion just because of the high level of new interest. Can you talk a little bit about that? Have those steps yielded any benefits? Are they helping you focus on larger customers? Maybe just a little bit there would be helpful.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Yeah, I'll let Alessio answer, because he will be very proud on answering on this.

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Rob, it is great to hear from you and the question. Thanks for that. Look, you know, the inbound traffic and the pipeline overall, they both remain strong and we're very happy with it. And you're right, the reality is March and April particularly presented an all-time high in volume, because the world was just adjusting to working from home. And this reality is normalizing gradually and we're seeing more back to normal in a way from a volume standpoint. But more importantly for us, the inflow of companies that are looking to change their existing solution has remained very solid.

So, look, our job here remains to work extremely diligently on that process of qualification and work. And when we do that, Rob, here's what happens: When we do that with a strong pre-sales

organization, when we couple that with a strong customer experience organization, two things typically happen. One, our win rate increases, because we're working better leads. Two, our sales cycle decreases, because we're working the right leads.

So when you really focus on the right leads, you put on the right lead the right people at the right segment at the right time with the right training, you create that engine that we aspire to have that's kind of unbeatable, right, and it continues to grow. And we've been really focusing on operationalizing this to an extreme level of detail. And I hope that answers your question, Rob.

Robert Young — Analyst, Canaccord Genuity

Yeah, no, that's great. Maybe I'll ask a little bit more about sales process. You had a lot of front-loaded hiring of sales people, I think in January and February, and I think you'd said that six to nine months is how long it takes to get to a level of efficiency. Is that what you're seeing and should we expect that that big influx will pay dividends as we trend towards the end of the year?

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Sure. Yeah, on balance, six to nine months is a fair average when it comes to ramping, and we discussed this in the past earnings call. When you look at ramp, you always need to keep into account the markets that the salespeople operate in. You guys understand really well the difference between a commercial segment sub-500 employees and the midmarket enterprise segment. You understand how deals at sub certain amount of money are three months versus six months and the larger ones, they're six

to twelve months. So, our ability to observe the ramp and the time to first deal and time to second deal is one thing that we're extremely focused on to measure the productivity of the new sellers.

With that said, a couple things and, again, flavour that you'll appreciate, in order to continue to not only ramp the new sellers and make them successful but also continue to train and certify the existing ones, we're investing in the right way, although cautiously, but investing in enablement. We don't want to have that behaviour where we hire a lot of salespeople but we don't have the brains to train them. And so we're really creating the culture and the engine of, sure, hiring the right people, but also adding the infrastructure to train them and make them successful when they are first hired and a year in the company. That's a tremendous focus for us.

Hey, we're a learning company, right?

Robert Young — Analyst, Canaccord Genuity

Yeah. And maybe on the churn, you'd said that you were seeing a little bit of churn from smaller customers, I think that's intentional, and then maybe some of the more harder-hit end markets. How should we think about churn going forward? Do you think you're through the worst of that or should we think of that continuing through the year?

Alessio Artuffo — Chief Revenue Officer, Docebo Inc.

Hey, Rob. I'll pass this to Ian.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Yeah, Claudio speaking. Rob, before passing this to Ian, I just want to remind that we are still, we as the world, as a global economy, we are still in the worst global crisis ever and that this situation for Docebo is both headwind and tailwind and the churn can be considered our headwind. That said, the future is not predictable overall, but Ian can give you some more context on the way we are trying to forecast the future of, you know, customer stability, customer adoption, and so on and so on.

Ian Kidson — Chief Financial Officer, Docebo Inc.

Thanks, Claudio. So, Rob, as you know, our contracts renew over the course of the year and our customers pay upfront, so the churn that we experienced logically in one quarter should continue over the next two or three quarters if we remain in the midst of the pandemic. It is our sense that things are improving. There's no question that certainly Europe has undergone a fairly dramatic improvement in the last three months. The US is still having a bit of a tough time and whether they revert back or not has yet to be seen, but I would expect that, when you look at our historical churn levels, we're going to continue to be higher than our historical levels over the next two quarters, for example.

Robert Young — Analyst, Canaccord Genuity

Okay. Maybe last question, just on the Shape product that you're talking about. Impressive that you've been able to maintain the R&D roadmap and the activity there. Has there been any impact at all to the timing of R&D rollout from COVID? That'd be the first thing.

And then on Shape specifically, it's Artificial Intelligence, as you highlighted, but in talking to a couple of customers it seems as though they really liked the administrative benefits from putting some of the content creation on to an automated platform just for different languages, different geos. I was wondering if you could just talk about the administrative benefit and maybe some of the feedback that you've gotten from the customers you're testing with. And then I'll pass the line.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Yes, Rob. First of all, productivity of the roadmap overall surprised me, because we really hit every release that we had planned, for all the product. Not only for the Shape or the other new product, but also for the legacy. We just had two weeks delay only on one small module over the past six months, which, for me, is impressive. And I'm always unhappy on how we develop the product, because I am very picky. On the other side, about Shape, we are ending in the next week the beta program with the customers. That means we are already in the phase where we are getting all the requests of the customers on how they use it, what are the best use cases, what are the use cases that are not covered by Shape, and stuff like that. Overall, a lot of incredible potential.

That said, you know that AI algorithms perform way better in English and in Chinese, just because of volume. You can train—the more you have data, the more you can train algorithms. It's that simple. (Inaudible), identify subtitles and create subtitles dynamically and so on and so on. In the first version of Shape, it was working in English only. Now that the algorithms are maturing, also because of big giants like Facebook make public papers on how to manage multi-language, we are already rolling out the new

language (inaudible) and so on and so on. That means that this AI self-video-creation system, which is Shape, can support more than English and a few other languages, but expanding the language capabilities.

Robert Young — Analyst, Canaccord Genuity

Okay. Thank you very much.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Thank you.

Operator

Thank you. There are no further questions at this time. I will now turn the call back over to Claudio Erba for closing remarks.

Claudio Erba — Chief Executive Officer, Docebo Inc.

Thank you, guys, for everything and let's meet on the next quarter.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines.

