



WATERLOO EDC

A company proposal and comparative analysis

Inventing the future!

Waterloo Region offers “an ecosystem that inspires innovation and connectivity” and is “an extraordinary hub of innovation at the cutting edge of the global economy.”

- Prime Minister Justin Trudeau



King Street West in Downtown Kitchener

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Co-founders and CEO Dharmesh Shah and Brian Halligan



BACKGROUND

Company in Brief

HubSpot is an award-winning cloud-based, inbound marketing and sales software-as-a-service (SaaS) company founded by Brian Halligan and Dharmesh Shah as MIT

HubSpot’s all-in-one platform includes tools to attract customers, convert website visitors into leads, close deals, and delight customers.

graduate students in 2006. HubSpot experienced net losses in 2014, 2015 and 2016 but still opened a new international location every year since 2013 in Ireland, Australia, Singapore, Japan, and Germany for Fall 2017.

HubSpot Academy

HubSpot positioned itself as the new industry standard for marketing and sales, reinforcing it by educating professionals and reaching out to business students. HubSpot has an Education Partner Program that introduces students to HubSpot Academy and become certified on using their platform. As of March 2017, more than 130 schools representing 10,000 students have already partnered with HubSpot as an educator.

Why HubSpot Expands

HubSpot expanded internationally for the sole purpose of expanding customer reach and increasing market share. In all their locations, HubSpot staffed sales, marketing,

service and support teams to assist in acquiring new customers and developing existing ones.

HubSpot does single out Japan as having one of the strongest and fastest-growing social media markets in Asia as a tremendous reservoir of potential customers.

Growth Strategy

HubSpot believes the growth of their business depends on their ability to expand customer base, increasing adoption rate within existing customers, development of new products and applications to extend the functionality of the platform, and providing high levels of customer service.

HubSpot plans to keep expanding internationally since the revenue received from international operations are not representative of

customer size in 2016. Plans to grow internationally includes investing in local sales, marketing, and professional services, and leveraging their agency partner network.

HubSpot will also continue to innovate and expand their platform by adding more functionalities to capitalize on the increasing realization of the value of an integrated marketing, sales and service platform.

HubSpot also plans to pursue acquisitions to add new technologies and talents to accelerate the pace of innovation.

Risks and Concerns

Aside from the typical risks of operating in a foreign country, HubSpot recognizes that the highly competitive and fragmented marketing and sales software market will threaten profits and growth. Further, without the ability to attract and retain qualified personnel, HubSpot cannot rapidly adopt changing technology and industry standards to remain competitive and better fulfill customer needs and requirements.

EXPANSION PROPOSAL

R&D IN WATERLOO REGION

Considering HubSpot’s growth strategy and risks, HubSpot should open research and development facilities in the Waterloo Region to complement their existing product development operations in their headquarters in Massachusetts.

HubSpot repeatedly emphasized that their success will depend in part on their ability to recruit, hire, and train individuals in technology, sales and marketing. HubSpot recognizes that the company faces fierce hiring competition in the Greater Boston

Area against companies with much greater resources than HubSpot.

Fortunately, HubSpot is already familiar with Toronto. HubSpot acquired Chime, a Google Chrome extension developed by senior engineering students at University of Toronto in March 2013. As with all other acquisitions, HubSpot immediately absorbed the Chime team into their own for further product development and innovation.

Together with a talented labour pool, lower costs of living and operating a business, the Region of Waterloo makes for an ideal place to expand.



HubSpot Cambridge Office



HUBSPOT PRODUCTS AND SERVICES

Package of award-winning inbound marketing tools

Subscription to HubSpot's three types of products — marketing, CRM, and sales — make up 94% of HubSpot's total revenue. HubSpot Marketing includes email automation, social media monitoring, and website publishing, performance and analytics. HubSpot CRM can manage contacts, automate salesforce, and assist with pipeline reporting. HubSpot Sales provides email engagement notification and sequencing, meeting planning and calling, CRM tracking and contact insights with new lead alerts. HubSpot uses a freemium pricing model with the most basic version offered free of charge, then price increases to match the size of client company.

THEIR COMPETITIVE ADVANTAGE

Perks of an all-in-one platform

Keeping everything in one application with one login, one user interface, and one support number makes it incredibly easy to use. It also provides a clear return on investment because the direct and indirect impact of activities recorded across various mediums are centrally managed and presented. HubSpot also has a powerful network effect millions of followers and readers discuss industry trends, leading to greater adoption rate among professionals.

THE COMPETITION

Replacing single-functionalities such as Hootsuite and Salesforce

HubSpot's competitors are all-in-one softwares, rather than applications that fulfill a single task like Hootsuite or Google Analytics. Infusionsoft received more in equity funding and is more affordable than HubSpot but lacks a content management system. Marketo is more for B2B and is slightly more expensive than HubSpot. Pardot is more focused in middle-of-the-funnel activities while HubSpot is top-of-the-funnel. And lastly, Eloqua delivers a more sophisticated email marketing automation but falls short in every other aspect.

Investments and Acquisitions



The financing and acquisition history can provide a solid snapshot of the direction the company is taking. HubSpot sustained extremely high growth every year since inception and attracted countless well-known venture capital investment firms. HubSpot also began acquiring businesses while it was only seven months old.

All the acquisitions offered unique approaches to solving problems not necessarily directly related to marketing and sales. HubSpot sought companies and startups that created new technologies or streamlined processes for greater convenience and a better experience.

General Catalyst is a venture capital that makes early-stage and transformational investments. Notable investments are Airbnb, Snapchat, and Stripe. GC also helps incubate companies such as KAYAK and Naturebox.

Matrix Partners is US-based venture capital that invests in early-stage technology companies in enterprise hardware and software, communication, internet, semiconductors, clean technology, data storage, and wireless sectors. MP invests in

companies in US, China and India. MP was an early-stage investor of Apple Inc.

Scale Venture Partners is a venture capital partnership located in Silicon Valley that invests in startup to expansion stage technology companies namely in cloud computing and software as a service (SaaS). SVP partners with entrepreneurs to help scale their business from the first customer to becoming industry leaders.

Google Ventures is a venture capital investment branch of Alphabet Inc. invests in companies across industries including: consumer internet, software, hardware, clean technology, biotechnology, and health care. GV focuses more on companies in North America

Salesforce Ventures is the corporate investment group from Salesforce that invests the enterprise cloud CRM technology. Companies that receive funding also gains access to the world's largest ecosystem and Salesforce's guidance. Well-known companies in their portfolio are box, Dropbox, and Twilio.

Sequoia Capital is an American venture capital firm that

partners with companies across all industries—with a focus on technology—and stages of growth. SC partners with founders to build their company, examples are Evernote, GitHub, Electronic Arts, EventBrite, and Google.

Altimeter Capital is an alternative asset management company that invests in research with a focus on technology and travel.

Cross Creek Advisors is a venture capital firm located in Salt Lake City, Utah, that invests in late-stage companies and venture capital funds. CCA invests in companies within the information technology, internet, consumer and healthcare sectors.

CRV is a venture capital for early-stage technology companies focused in enterprise, consumer, and deep insight bioengineer, backing nearly 400 startups including Twitter, Zendesk, Amgen, and EqualLogic. Half of the companies backed by CRV have gone public or been acquired.

Tenaya Capital is a venture capital firm founded in 1995 as Lehman Brothers Venture Partners and became independent in 2009. TC invests in mid-to-late stage venture-backed technology

companies, mainly consumer, internet, semiconductors, software, cleantech and communications.

GroupSharp developed a web-based tool that combines the ease of use of spreadsheets with the power of a database. GroupSharp helps small businesses be "found" by potential customers on internet search engines.

Performable is a software company that automates marketing, analyzes and optimizes sales performance across email, web, social media and mobile wireless. HubSpot acquired Performable's product features to help HubSpot users turn more visitors into leads and customers.

OneForty was a mobile application for Twitter that created a comprehensive marketplace where third-party developed can sell their apps on Twitter. OneForty found its niche, to help business users manage their social media, how to best invest a budget, and what the strategies of peer companies are like. Data collected from the app can be found in HubSpot's GitHub.

Prepwork was a personal research

assistant designed to brief users on their appointments prior to their next meeting.

Chime was a Google Chrome Plug-In software application developed by engineers from University of Toronto to aggregate notifications across the web, from Facebook, Reddit, Gmail, Twitter, LinkedIn, etc.

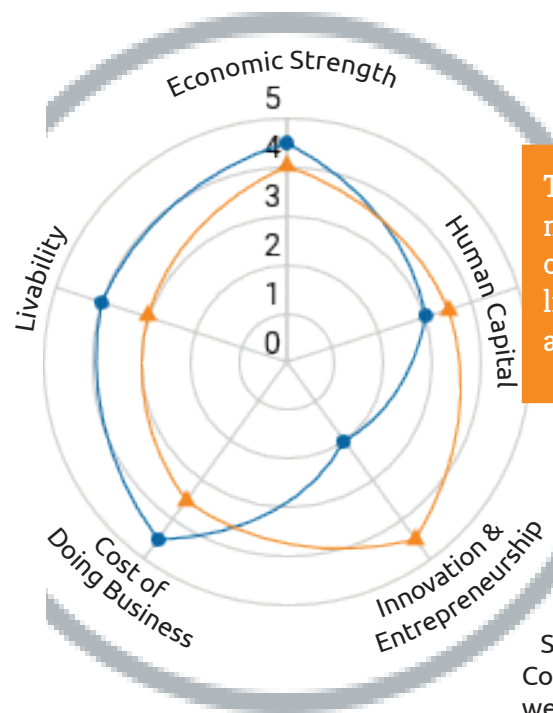
Both Chime and PrepWork were acquired because of their innovative solution to personalize experience by giving users relevant, real-time information and context about their interactions. The acquisitions also brought in the talents from the two companies into HubSpot's product development team.

Rekindle is a mobile application that sends anonymous messages to reconnect with old contacts using a left-or-right swipe function popularized by Tinder and shows how users are connected on various Internet applications and websites.

HubSpot acquired Rekindle because Rekindle evolved to provide data about how people are connected across different Internet ecosystems.

Terminus is an account-based marketing platform that allows B2B marketers to target best-fit accounts and organizing purchasing processes involving more than one individual.

PandaDoc is a Digital Transactions Management (DTM) Chrome Extension software that helps organizations close more deals by automating proposals, contracts, quotes and other financial documents.



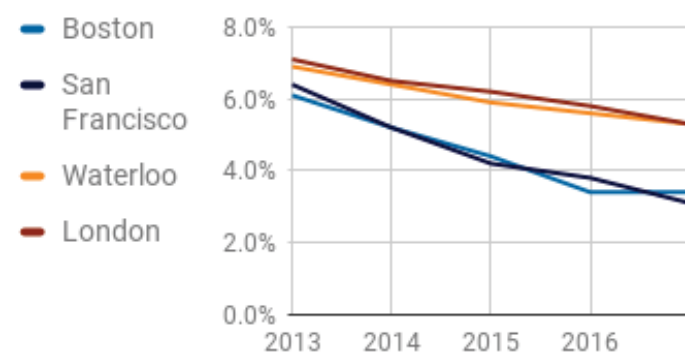
The radar chart shows a relative comparison between the metropolitan area of Boston and Waterloo on the five factors based on the Innovation Index by StatsAmerica: economic strength, livability, cost of doing business, innovation and entrepreneurship, and human capital.

This is a comparison between the metropolitan and city of Boston and the Region of Waterloo. The analysis used various sources including but not limited to Statistics Canada and the American Community Survey. Please note there were data limits in this compare and contrast. There were either data completely missing, statistics that never corroborate between sources, data from the same time periods between cities, metrics or units of measurement, and questionable reliability of data.

Economic Strength

Since Boston's population is 11 times that of Waterloo's, their GDP would naturally be higher Waterloo's GDP. Boston had a GDP 18 times greater than Waterloo in 2013, at \$468.3B and \$24.9B respectively. As well, Boston has a much higher GDP per capita, partially due to a stronger currency. Waterloo's GDP per capita was \$59,047 in 2015 and Boston's GDP per capita was \$99,636. However, Waterloo makes it up with a higher real GDP growth than Boston, citing a 3% in 2016 to Boston's 1.6%. The The unemployment rates are very similar, with Boston faring marginally better at 5.1% to Waterloo's 5.6% in 2017. Inflation is also very close between the two with Waterloo sitting at 2.2% in 2017 and Boston with 2.5%.

Unemployment Rate of Boston and Waterloo



Business Climate

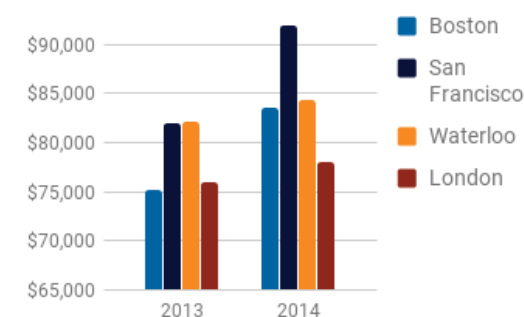
Waterloo's population is 1/10th the size of Boston and the proportion of individuals that attained a university education or higher is smaller than that of Boston. Waterloo's real GDP is only 5 per cent that of Boston. A company should choose to expand to Waterloo to take advantage of Waterloo's higher growth rate and affordability in living and doing business.

Cost of Doing Business

Boston has a significantly higher cost of doing business than Waterloo. An average office rent per square foot was \$12.09 in Waterloo in 2013 whereas Boston was \$53.20 in 2015. The office vacancy rate were the same at 10%.

A lower median household first appears to be a lower purchasing power, alternatively, it can be argued as a lower cost to employing labour in a region. Waterloo's median household income in Canadian dollars in 2014 was \$84,380 while Boston's income was \$100,798 in 2015.

Median Household Incomes in 2013 and

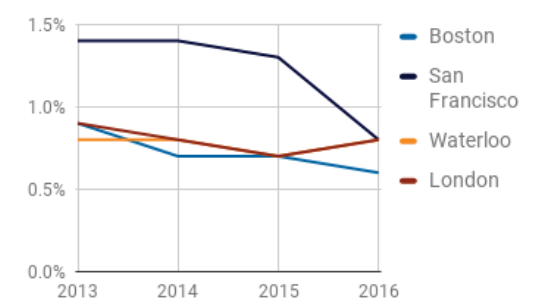


Human Capital

Boston has a denser population and would arguably anticipate a slower population growth. Waterloo's population is expected to notably increase at 5.5% per year whereas Boston's population growth is only at 3.1%. Waterloo's labour participation rate is also slightly better than Boston with 71% in 2016, compared to Boston's 66.5% in 2016.

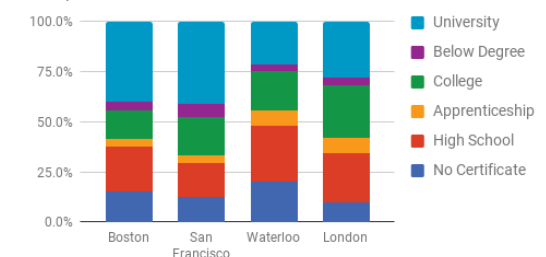
Boston has a much more diverse and educated population. 27.1% of Boston's population in 2014 were immigrants while

Population Growth in Boston, Waterloo, and their Comparable Cities



Waterloo's proportion of immigrants was 4% lower at 23.1% in 2012. Boston had a higher percentage of individuals that obtained a Bachelor's degree or higher than Waterloo, with 46.5% in 2014 and 28.4% in 2011.

Educational Attainment in Boston, Waterloo, and their Comparable Cities



Canada's Tech Triangle

Undisputably the
centre of Canada's
knowledge-based
economy
- Toronto Mayor
John Tory

anything
5.1
and higher
is severely
unaffordable.

Unfortunately both
communities fared terribly
in affordability of housing.
Waterloo-Kitchener was "seriously
unaffordable" with a multiple of 4.1
in 2016 while Boston was "severely
unaffordable" with a 5.4.

Liveability

The liveability
aspect is crucial in
attracting and retaining
workers. The Gini coefficient
is a measure of income inequality
between 0 and 1 with a number
closer to 1 representing greater
inequality where a small number of
people earned a large proportion
of the community's total income.
Waterloo Region had a GINI
coefficient of 0.34 in 2010 while
Boston had 0.49 in 2015.

The housing median multiple is
a housing affordability indicator,
found by dividing the median house
price by the median gross before
tax annual household income. A
multiple of 3.0 or lower means
the community is affordable and

Boston has significantly more crime,
with 6,046 incidents per 100,000
people in 2013 while Waterloo had
24.6% less with 4,279 in 2014. The
average commute to work time is
8.2 minutes lower for Waterloo than
Boston, at 21.7 and 29.9 minutes
respectively.

Innovation and Entrepreneurship

Waterloo boasts a status of being
a highly intelligent community,
recognized internationally in 2006
and 2007. Waterloo residents
received 1.54 patents per 1,000
people, a staggering 11 times the
national average in 2012. Boston
performed better in absolute terms
but not when compared to the rest
of the US. Boston had 4.83 patents

per 1,000 people in 2013 which
was only 2.26 times higher than the
average.

It's no secret the US has more funds
than Canada, but side-by-side, the
difference is striking. Boston's
venture capital spent \$948.58
per capita in 2014 while Waterloo
only spent \$120 in 2013. This
number, however, does not include
contributions by the government
through tax incentives or research
grants.

Sources: CB Insights, Crunch Base, City of Boston,
Boston Redevelopment Authority, Brookfield
Institute, Martin Property Institute, Boston
Indicators, Invest in Canada, American Community
Survey, Executive Office of Labor and Workforce
Development, DataUSA.io, and Statistics Canada.



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