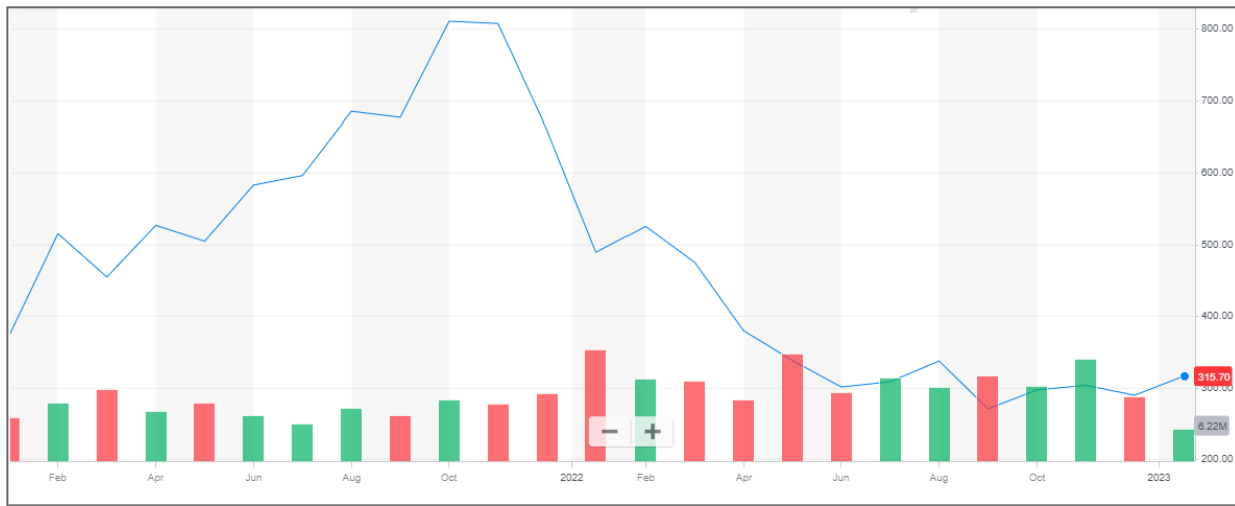


Strong Q3 FY22 & Multiple Catalysts Ahead

Stock Performance: As of Jan 13, 2023 at 4PM EST, HubSpot Inc. (HUBS) stock price closed at \$315.70 with a market cap of 14.9Bn, placing the company in the 91st percentile of software companies. Twelve-month price forecasts for HUBS targets a low to high estimate of \$320 to \$475 with a median target of \$376, representing a 19.1% upside potential. The stock's five-year monthly beta has risen to 1.56, consistent with comparable competitors in the market experiencing risk profile ranges at or above 1.0. Historic quarterly earnings per share have consistently exceeded analyst projections with previous Q3 FY 2022 EPS of 0.69 upending expectations by 35.22%. Due to interim negative earnings from the last twelve trailing months, P/E multiples are not meaningful to view. HubSpot's enterprise value-to-EBITDA (EV/EBITDA) of -330.25 does not exceed median metrics of comparable public companies, but is expected to fall in-line with bullish historic levels of 13.4K from Q1 FY 2022.

HubSpot, Inc. (HUBS) Price Performance - 1 Year



Source: HubSpot, Inc. (HUBS) Stock Price Performance (January 2022-2023). Copyright 2023 by Yahoo Finance.

Q3 FY 22 Results: Hubspot reported its latest Q3 FY22 earnings on November 2, 2022, reflecting a strong quarter for the CRM platform company with total revenue up 31% year-over-year (YOY) to \$443.9 million and a 35% CAGR (2017-2022). With the addition of 8,040 new customers this quarter, subscription revenue saw an impressive 32% quarter-over-quarter (QOQ) growth of \$435 million while professional services and other revenue declined 13% QOQ growth relative to Q3 FY21 of \$8.9 million. GAAP net loss was down \$31.4 million, down by \$13.7 million from the same period last year. Free cash flow has slightly declined (by 7.01% YOY) but remained positive at \$35.5 million attributing to a solid \$198.8 million cash flow for the year.

Catalysts: From the latest news from Yamini, Hubspot is continuing to **1) expand into new product categories** such as payments and commerce, **2) launch new Private Data features** for end-users including payment schedules and native invoicing, and **3) innovate 80 new Inbound products** to further drive mid market growth.

Competitive Landscape: Hubspot's major competitive advantage against notable players (e.g. Active Campaign, Adobe etc.) in the marketing automation software market includes having the largest market share of 38.52%, a long-standing reputable brand and a large customer base of 158K+ companies. The company also provides a freemium pricing model which enables new SMBs to leverage free versions of their platform's offerings before committing to a subscription tier plan. The HubSpot developer ecosystem is another distinct advantage that serves as a centralized hub for programmers to create custom application integrations for their business's needs with over 500+ applications.

The company has sustained positive growth retention rates despite experiencing various macro environment challenges relating to longer deal cycles from tighter consumer discretionary decision-making and upholding an ever-growing competitive edge in their value proposition to customers. In this current economic downturn environment, inflationary pressure and uncertain financial conditions may create increasing difficulty for SMB customers to maintain their businesses. For HubSpot, expectations for slower customer growth rates, lower conversions of prospective customers to subscriptions, and higher churn rates could be expected for

existing customers looking to find cheaper alternatives. From a forward-looking perspective, the company's dependency on customer renewals and subscription sales in a mature market would warrant price competitive leveling rates relative to incumbents and require subscription pricing revisions to sustain their market position and/or cancel renewals for existing customer agreements.

Consensus: HubSpot's forecasted earnings in Q4 FY 2022 indicate total revenue to be up 20% YOY at \$446 million with 2023-2024 projections to reach annual revenue growth of 27.78%, exceeding US software market rates of 15.49%. The company is well positioned financially in the market to hedge prospective risks facing the broader economy with preparations to scale their product and innovation offerings. I believe the stock trading price of \$315.70 is fairly justifiable with near-term price hike expectations. I recommend **buying** HubSpot, Inc. stock as it is undervalued by 20-50%, and its price could increase significantly in the next 6-12 months.