Why Shares of HubSpot Fell 24.1% in September

Description

What happened

Shares of small and medium business marketing software company **HubSpot** (NYSE: HUBS) plunged 24.1% in September, according to data from S&P Global Market Intelligence. The plunge marked a big reversal from the stock's impressive 11.7% gain in August after its positive second-quarter earnings report. What caused such a sell-off?

So what

There was actually no material bad news to come out of the company in September. The sell-off can most likely be attributed to a big rotation out of expensive growth stocks and more into lower-priced value stocks on the part of large institutions. The rotation affected not only HubSpot, but also a variety of software stocks that are posting high revenue growth but little in the way of profits.

Interestingly, the sectorwide sell-off occurred just after the company's Inbound event, in which HubSpot announced a slew of innovations that actually prompted a big analyst upgrade thereafter. But these positive news items couldn't stop the larger technical forces of big institutions selling growth software stocks en masse.

Now what

HubSpot stock has fallen all the way to around $158 per share today, down from its high of $207.98 in August. While the company isn't cheap by any means, with little in the way of earnings and a price-to-sales ratio still over 11, it's far cheaper than it was just a couple of months ago. Analysts are also fairly bullish on the company, with all of them giving higher price targets than the current share price, in a range of $165 to $231. Since the stock is 50 points cheaper on no material company news, investors may wish to give this software leader a look.

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1. NYSE:HUBS (HubSpot)

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