

**Klaviyo, Inc. (KVYO)**

Entry Price: \$29.54

*\*This contains backwards looking information. This pitch was prepared and internally stored on Dec 12th, 2025 and is now being prepared to be publicized as of May 28th, 2026***EXECUTIVE SUMMARY**

Klaviyo is a vertically integrated marketing SaaS platform (email, SMS, push, WhatsApp) that has roughly doubled revenue since its 2023 IPO while its EV/Revenue multiple compressed from the mid-teens to ~7.4x. Shares trade at \$29.54 (7.44x EV/Revenue, \$9.2B market cap, \$8.3B EV) against a 52-week range of \$23.44-\$49.55. Q3 reaffirmed Klaviyo as one of the few >\$1B-revenue SaaS names still compounding above 30% (+32% y/y revenue, ~3% beat, 76% gross margin, 109% NRR, +17% customer growth) while holding Rule of 40 (~47% adj). The market reads management's "at least 21-22%" FY26 floor as decelerating maturity; I read it as a conservative floor a continued beat-and-raise will clear. **I recommend a LONG position with a 12-month price target of \$46 (+56%) on three pillars:**

- 1) International growth is being modeled too conservatively:** Q3 international revenue grew +43% y/y (EMEA +48%) off six consecutive quarters of accelerating non-US growth, yet the Street's ~22% FY26 implies international decelerating to ~34% and domestic to ~15%. With WhatsApp now live and ramping into EMEA/APAC, regional data-center buildout underway, and management calling international TAM "nowhere near saturated", I model 40% international / 15% domestic for ~24% total (roughly 200 bps above consensus).
- 2) Shopify concentration is a moat, not just a risk:** ~78% ARR concentration in Shopify merchants is treated as a single point of failure. I see a near-zero-CAC growth engine protected by Shopify's 11% equity stake and Klaviyo's designation as the only recommended email partner for Shopify Plus. Shopify grew +32% in Q3 (~4.5x global e-commerce), with European GMV +49% and B2B GMV +98%; Klaviyo merchants on Shopify saw a 62% GMV uplift within 12 months. The Street's FY26 implies Shopify momentum fades; inconsistent with Shopify's own +30% FY25 guide and mid-20s FY26 consensus.
- 3) AI monetization is "free optionality" the Street has zeroed out:** AI products are already producing measurable ROI: AI product-recommendation messages drove +71% revenue vs non-AI during BFCM 2025 (\$3.8B+ Klaviyo-attributable, +26% y/y), a health-industry client saw +41% open rates and +24% revenue per campaign, and management says adoption is outpacing SMS at the same stage (SMS is now a 25% y/y growth driver). With pilot pricing launching "within the next few months" and the Bialecki/Fernandez co-CEO split freeing the founder to focus on AI product strategy, I model 25-50 bps of incremental FY26 growth, with the larger unlock falling to FY27.

## EXPANDED THESIS

### 1) INTERNATIONAL DECELERATION IS OVERSTATED

At Q3, international grew +43% y/y. If the Street's ~22% total FY26 is correct, the implied domestic rate is ~17%, suggesting consensus sees domestic falling to ~15% and international decelerating sharply to ~34% (-9% y/y). On a 65/35 domestic/international split, I model 15% domestic (-2% y/y) and 40% international (-3% y/y), arriving at ~24% total; a ~200 bps uplift versus consensus. The variant view rests on three drivers the Street is discounting: WhatsApp, which went live mid-Q3 and showed up first as higher COGS from messaging volume, should convert to international revenue through Q4 and FY26 as it fully ramps in WhatsApp-default markets (EMEA/APAC); Shopify's international expansion (European GMV +49%); and management's explicit commitment to regional data-center and infrastructure investment in Europe and Asia to reduce latency. The Street's deceleration is inconsistent with six straight quarters of acceleration and management's stated outlook.

### 2) SHOPIFY IS A TAILWIND, NOT A SINGLE POINT OF FAILURE

Consensus treats ~78% ARR concentration in Shopify merchants purely as risk. I argue the partnership is a structural moat: Shopify's 11% equity stake aligns incentives and deters competitor entry, and Klaviyo's sole-recommended-partner status for Shopify Plus delivers new merchants at near-zero CAC. Shopify's Q3 (+32% y/y, ~4.5x e-commerce, European GMV +49%, B2B GMV +98%, and new enterprise wins including Starbucks, Canada Goose, and Estée Lauder) feeds directly into Klaviyo's funnel. Klaviyo's 109% NRR shows existing customers expanding ~9%, not churning (evidence the relationships are sticky as new products cross-sell). The Street's FY26 for Klaviyo implies Shopify momentum decelerates meaningfully, which contradicts Shopify's +30% FY25 guide and mid-20s FY26 consensus. If Shopify grows ~25% in FY26 and Klaviyo holds penetration, the tailwind supports both higher growth and multiple expansion.

### 3) AI IS A MONETIZABLE LAYER, NOT FREE OPTIONALITY

The Street excludes AI from FY26 models, labeling it "free optionality." The evidence already points to revenue, not experiment: BFCM 2025 delivered \$3.8B+ in Klaviyo-attributable revenue (+26% y/y) with AI product-recommendation messages generating +71% revenue versus non-AI; a health-industry client running the marketing agent saw +41% open rates and +24% revenue per campaign; and Third Love has generated >\$200,000 in incremental revenue. Management states AI products (Customer Hub, Customer Agent) are penetrating faster than SMS did at the same stage; a useful proxy, given SMS is now a 25% y/y growth driver since its 2021 launch. Pilot pricing is slated to begin "within the next few months," and the appointment of Chano Fernandez as co-CEO to run operations frees Andrew Bialecki to focus on AI ramp. I model 25-50 bps of incremental FY26 growth as pricing inflects in 2H26, with the more material unlocked falling to FY27 as pilots scale to general availability.

## CATALYSTS

- **SHOP Q4 earnings (Feb 10-13, 2026): GMV, international, guidance**
- **KVYO Q4 earnings (Feb 18-19, 2026): top line, FY26 guide, AI/WhatsApp adoption**
- **CES 2026 (Jan 6-9), eTail/EEE Miami (Feb 4-5), Shoptalk Spring (March), e-commerce/AI sentiment**

## KEY RISKS

- **Macroeconomic headwinds:** A pullback in consumer spending or e-commerce growth would pressure both Shopify and Klaviyo and threaten the revenue-beat thesis. **Mitigant:** Klaviyo has been resilient through macro

uncertainty; BFCM 2025 grew y/y despite weak consumer sentiment and tariffs and its products show measurable ROI, making it among the last line items a merchant cuts in a downturn.

- **Shopify concentration:** The partnership is not riskless: the Street worries Shopify could eventually build a competing marketing agent and drop Klaviyo, and Klaviyo has historically carried a ~0.7 stock correlation to Shopify, so a sharp deceleration in Shopify GMV would likely drag Klaviyo with it. **Mitigant:** Klaviyo is diversifying its platform mix (WooCommerce, BigCommerce, Magento partnerships earlier this year, with management flagging "more platform partnerships coming soon"), and Shopify's 11% stake plus Klaviyo's vertically integrated data platform reduce the odds of being displaced. Monitor Shopify earnings as a leading indicator of Klaviyo's FY26 trajectory.