



Investor Presentation

Q3 2019

Important Information

This presentation includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management's expectations for future financial and operational performance and operating expenditures, expected growth, and business outlook, including our long-term financial framework; our focus on profitable growth; cash flow and margin improvement expectations; our product plans, strategies, and trends; our ability to expand our total addressable market; our position to execute on our growth strategy and related growth drivers; our opportunities in international markets; and our ability to expand our leadership position and market opportunity for our inbound platform. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, our history of losses, our ability to retain existing customers and add new customers, the continued growth of the market for an inbound platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our agency partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock, and other risks set forth under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed on November 5, 2019 and our other SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

HubSpot Overview

We provide a growth platform with award-winning software, services, and support to transform the way organizations attract, engage, and delight customers.



68,800+
Total Customers



100+
Countries



9
Office Locations
Worldwide

HubSpot Snapshot

- Recurring SaaS revenue model
- Growth platform for SMBs
- Large, growing TAM
- Balancing fast growth with profitability
- Strong underlying unit economics
- Experienced team





HubSpot's Journey



HubSpot's mission is to help
millions of organizations
grow better.



What does it mean to **grow better**?



Where others annoy,
you attract.



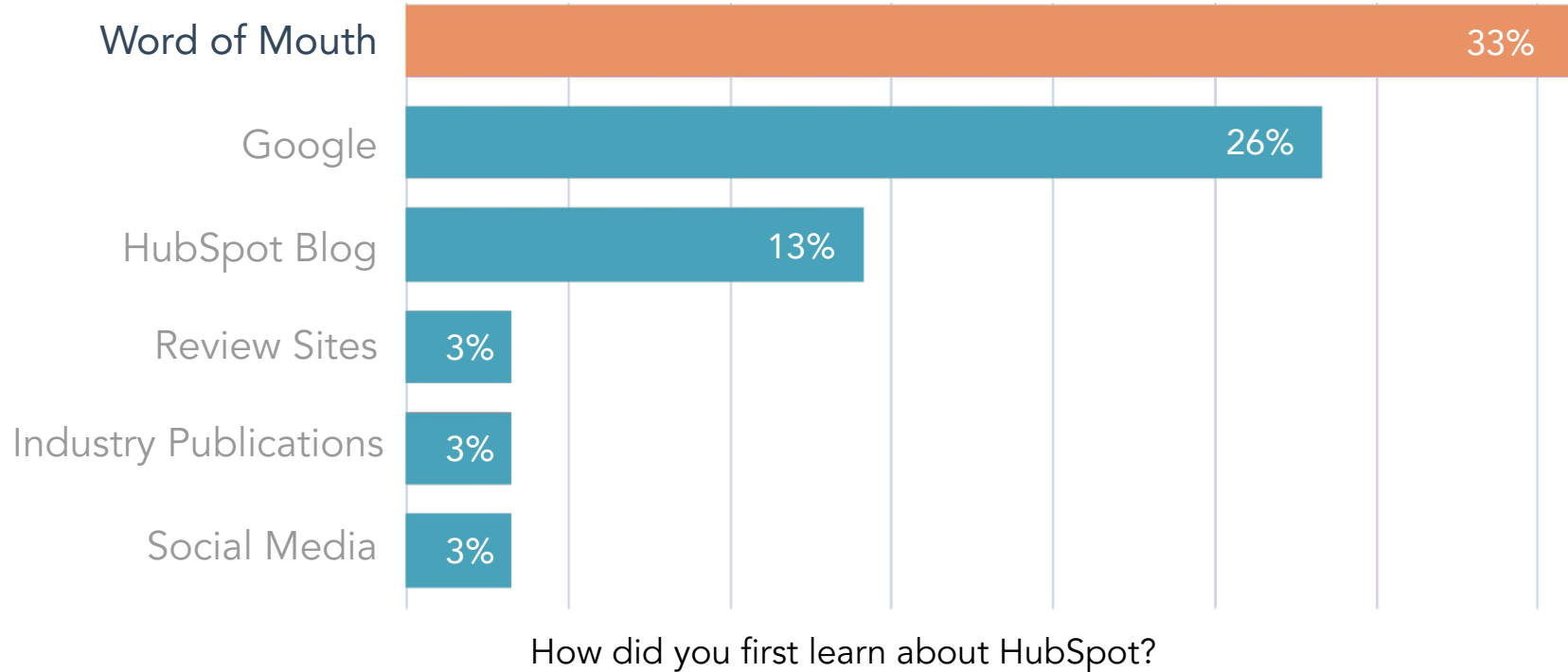
Where others harass,
you help.



Where others ignore,
you enable.

Where others may sacrifice the customer experience to grow,
you find ways to grow better.

More than a kind sentiment, it's a key strategy



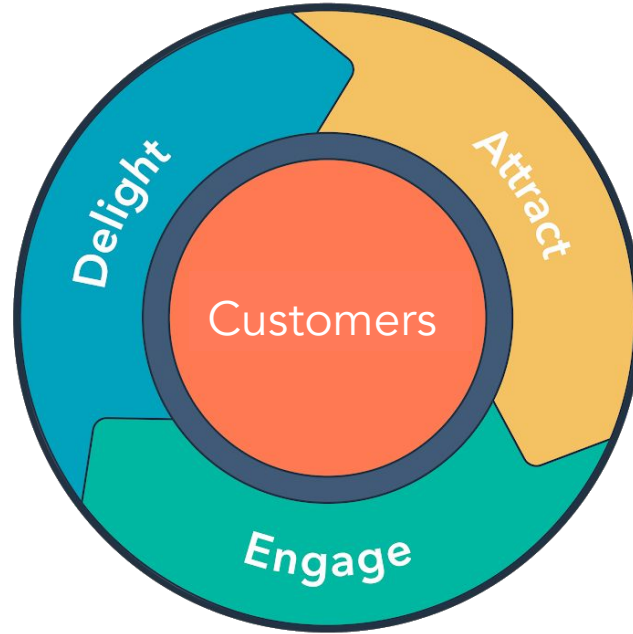
Customers Accelerate Growth
But many companies view
them as an afterthought.



We've transformed our business around a new model of growth

Promoters
Added & Lost

Traffic
Added & Lost



Customers
Added & Lost

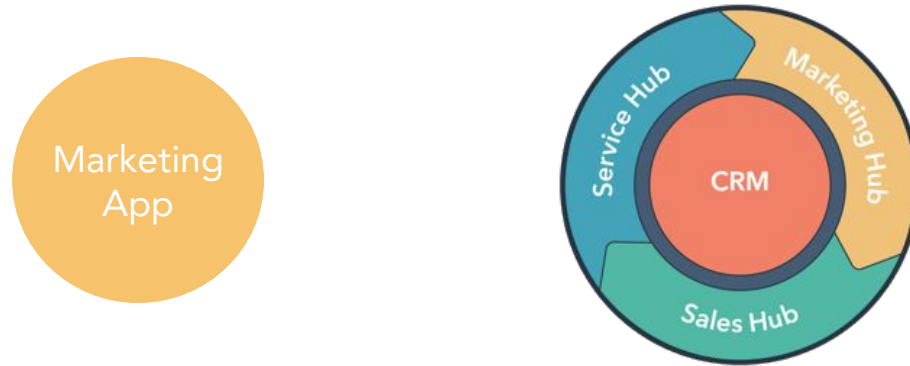
Free Users
Added & Lost

The Flywheel

Each time we reduce friction for our customers, we fuel our own flywheel. And we're working to enable millions of organizations to do the same.

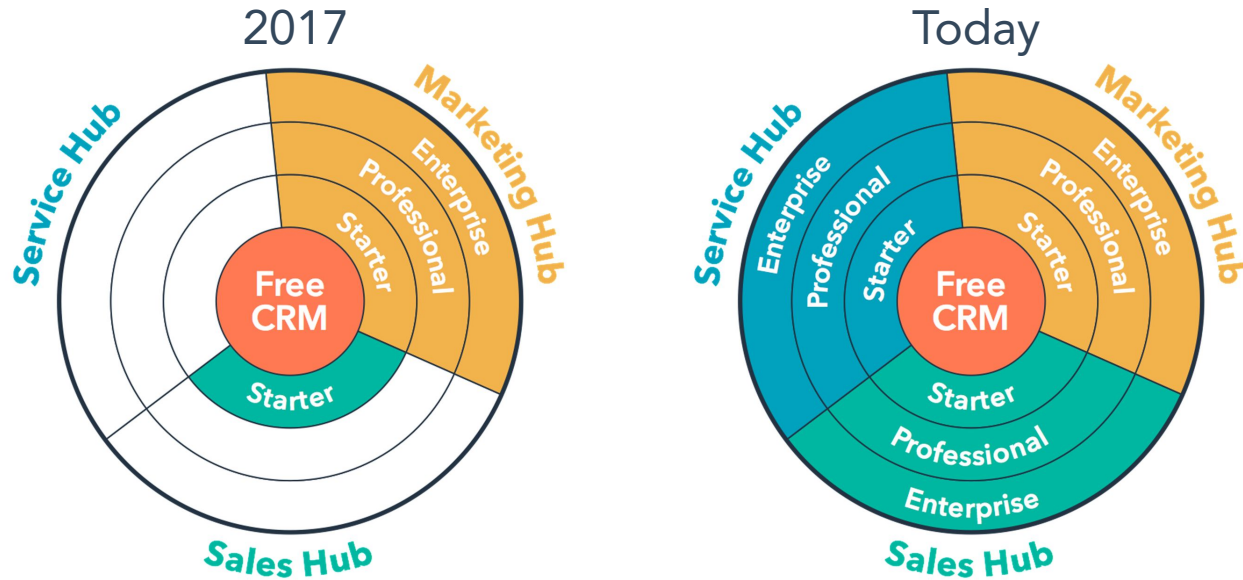


To do so, we evolved from an app to a suite



because the customer experience
should be seamless.

We dramatically expanded our offering

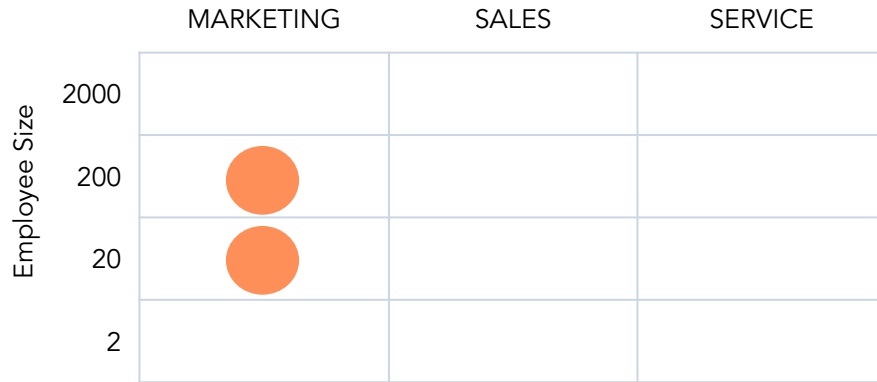


because every company should be able to grow better,
and no company should have to outgrow it.

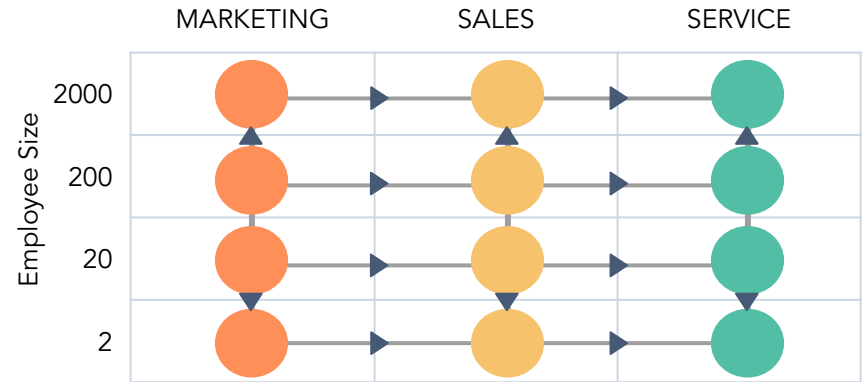
We expanded TAM through product development

Since IPO we've expanded our TAM by adding Sales and Service Hubs
and by adding new Enterprise and Starter tiers

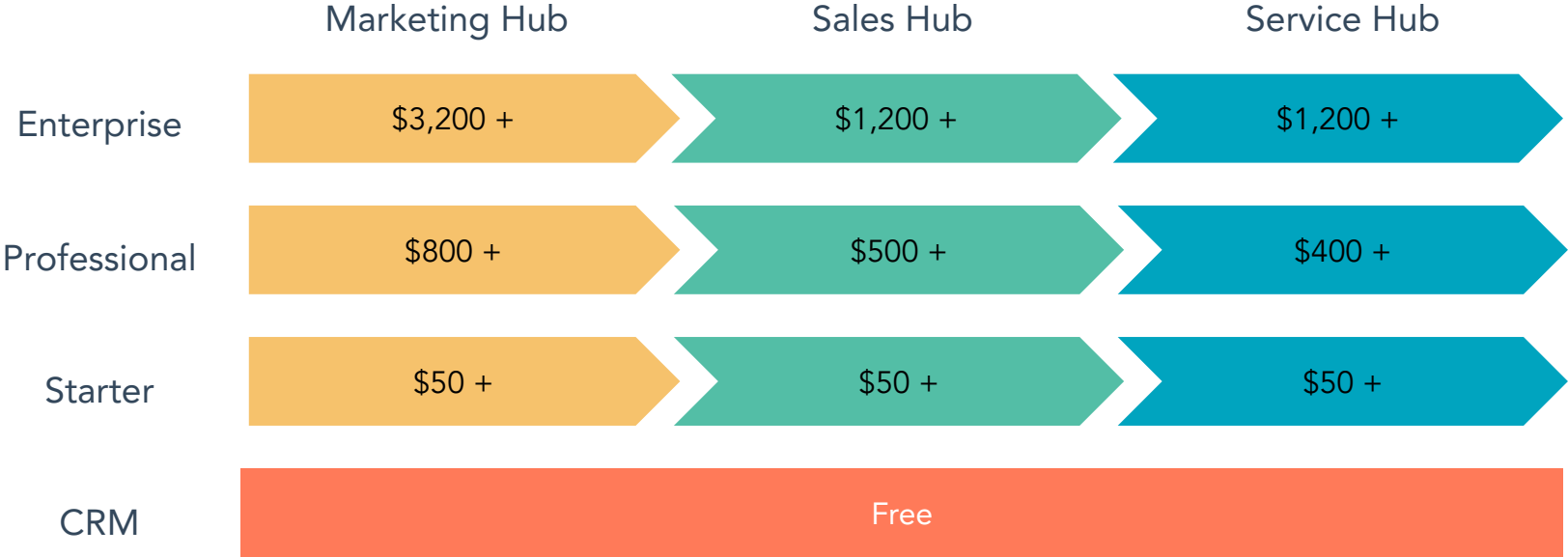
HubSpot at IPO



HubSpot today



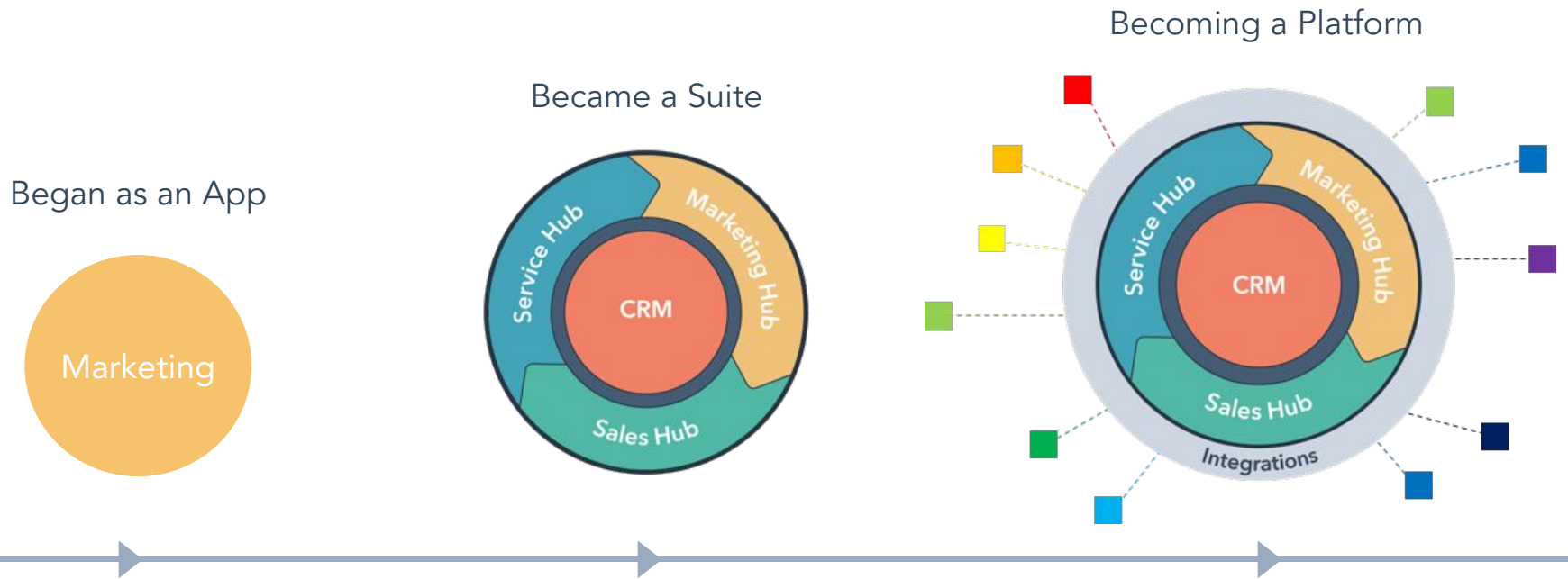
Our Product Pricing



[Growth Suite Bundle: 25% Off When Purchasing All Three Hubs At Any Pricing Tier]

Note: All prices are monthly subscription prices. "+" indicates additional cost for Contacts for Marketing Hub customers and additional cost for Users for Sales Hub customers. E.g. Marketing Hub professional subscription comes with 1,000 contacts and Sales Hub professional comes with 5 users. Customers must pay for additional contacts and users above these levels.

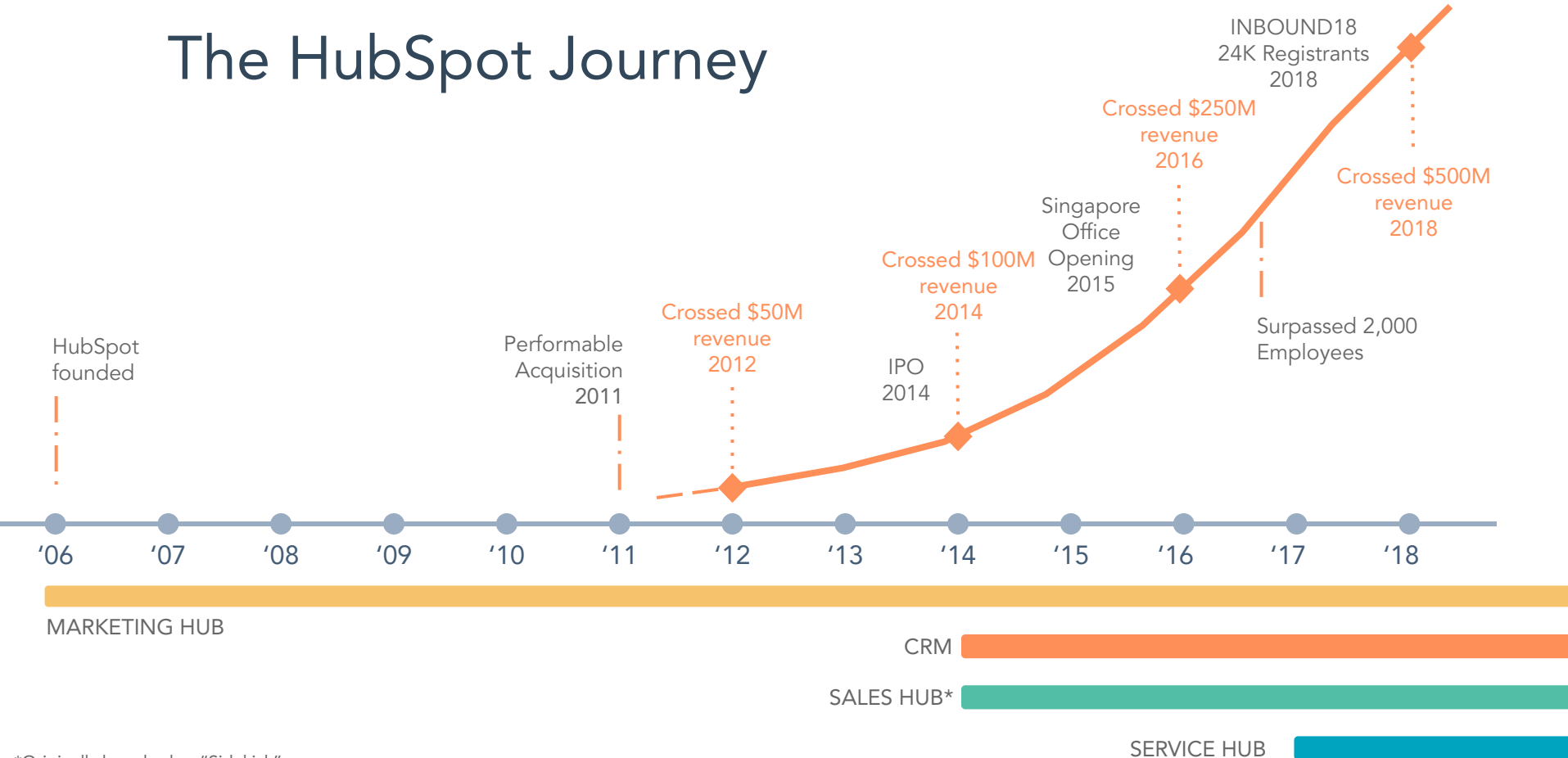
All of that is just the beginning...



We're focused on helping companies grow better in ever expanding ways.

The HubSpot Journey

9 Offices Globally
Most Recent in Paris



*Originally launched as "Sidekick"

HubSpot  Grow Better

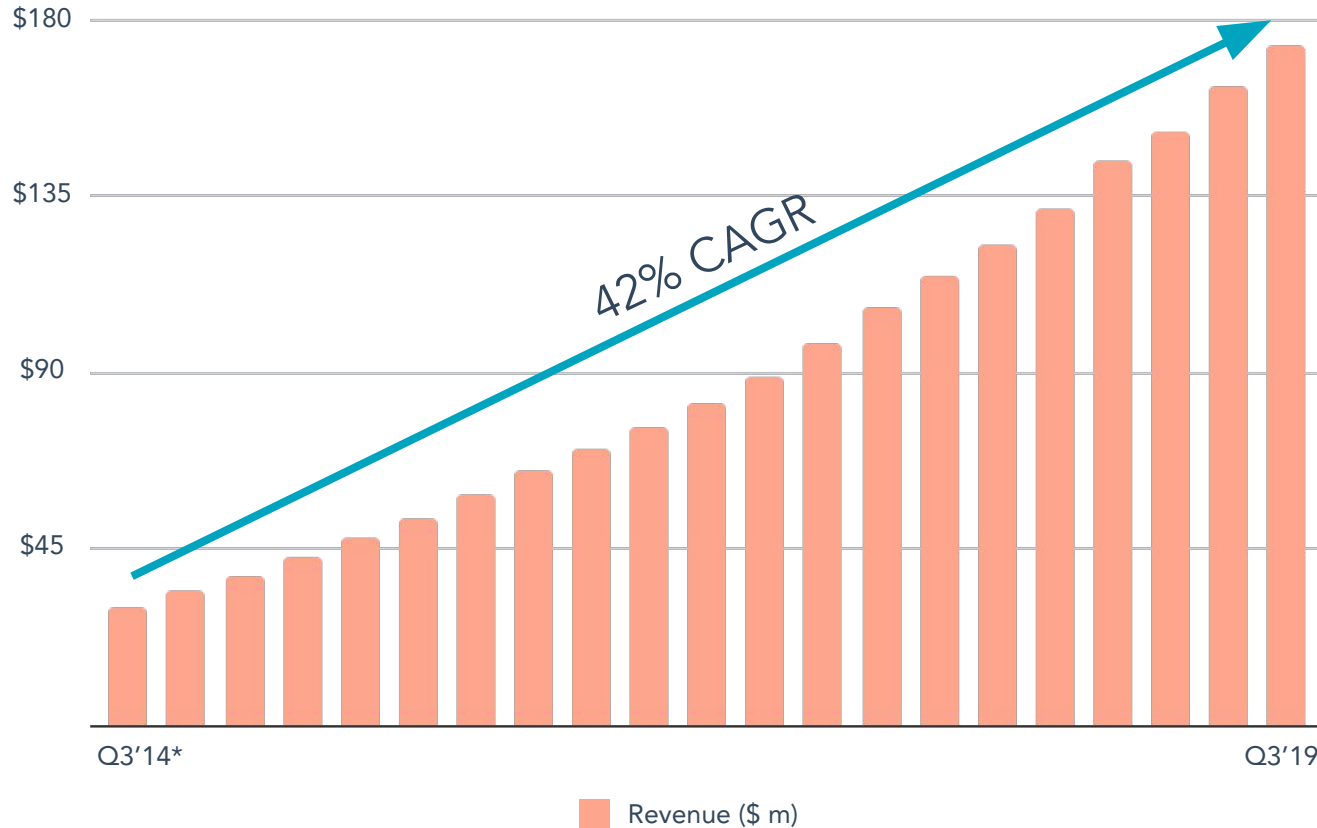


Financial Review

Q3 2019



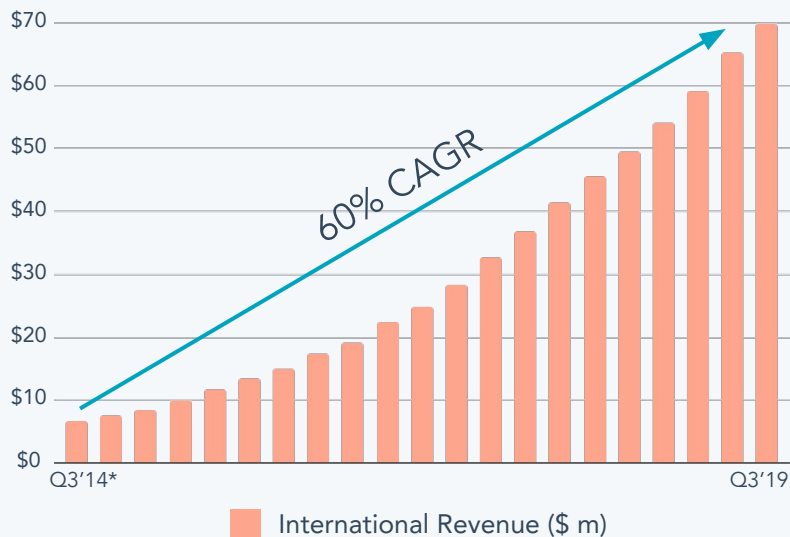
Revenue growth is strong



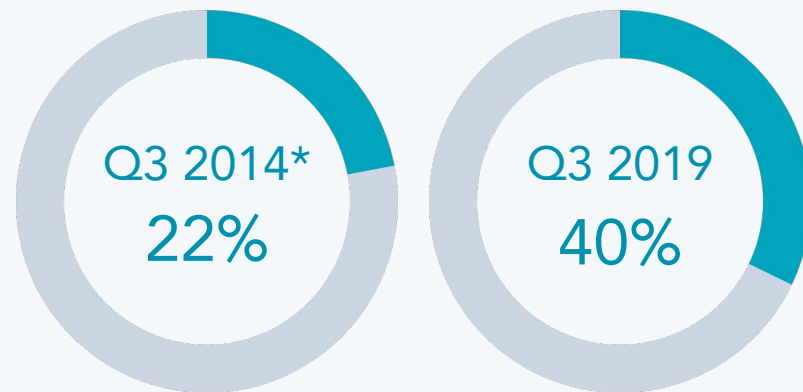
*IPO

International Growth is Strong

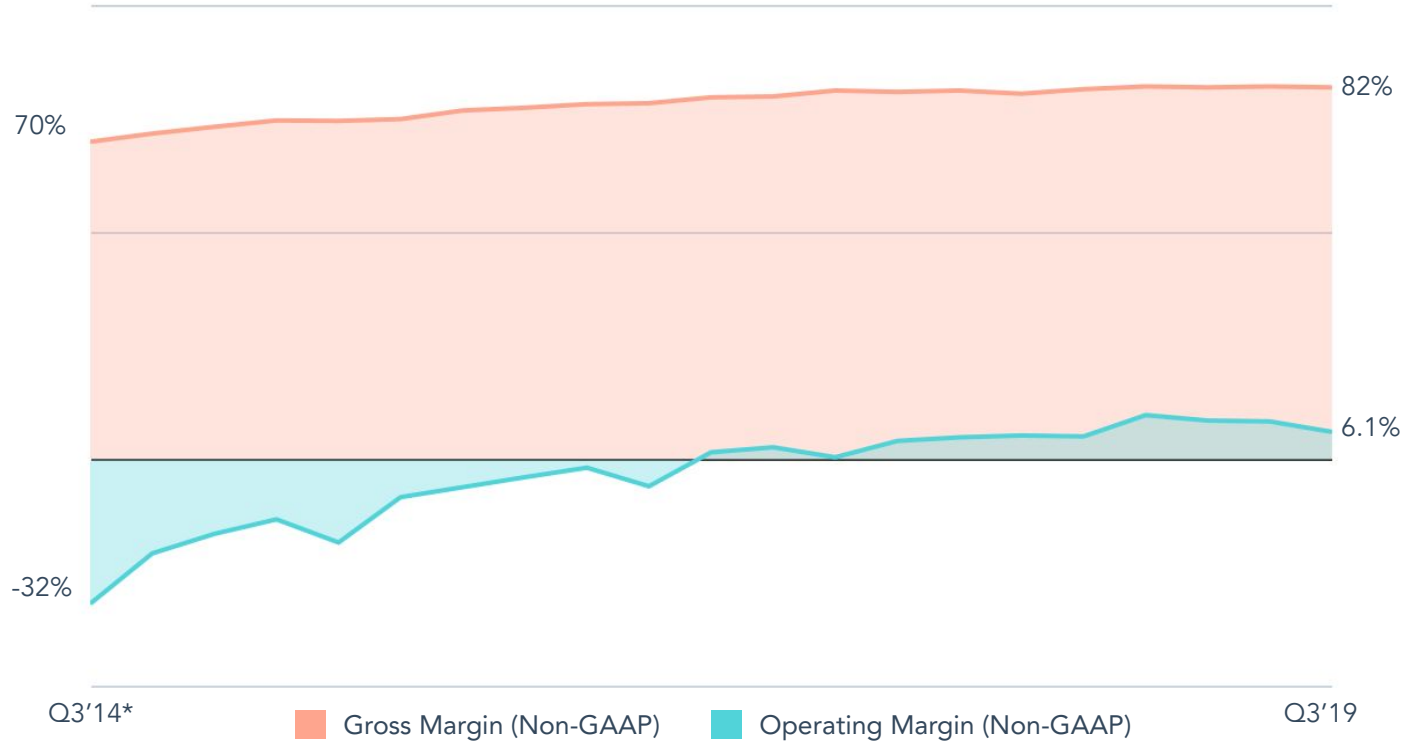
Growing Fast



Increasing % of Revenue

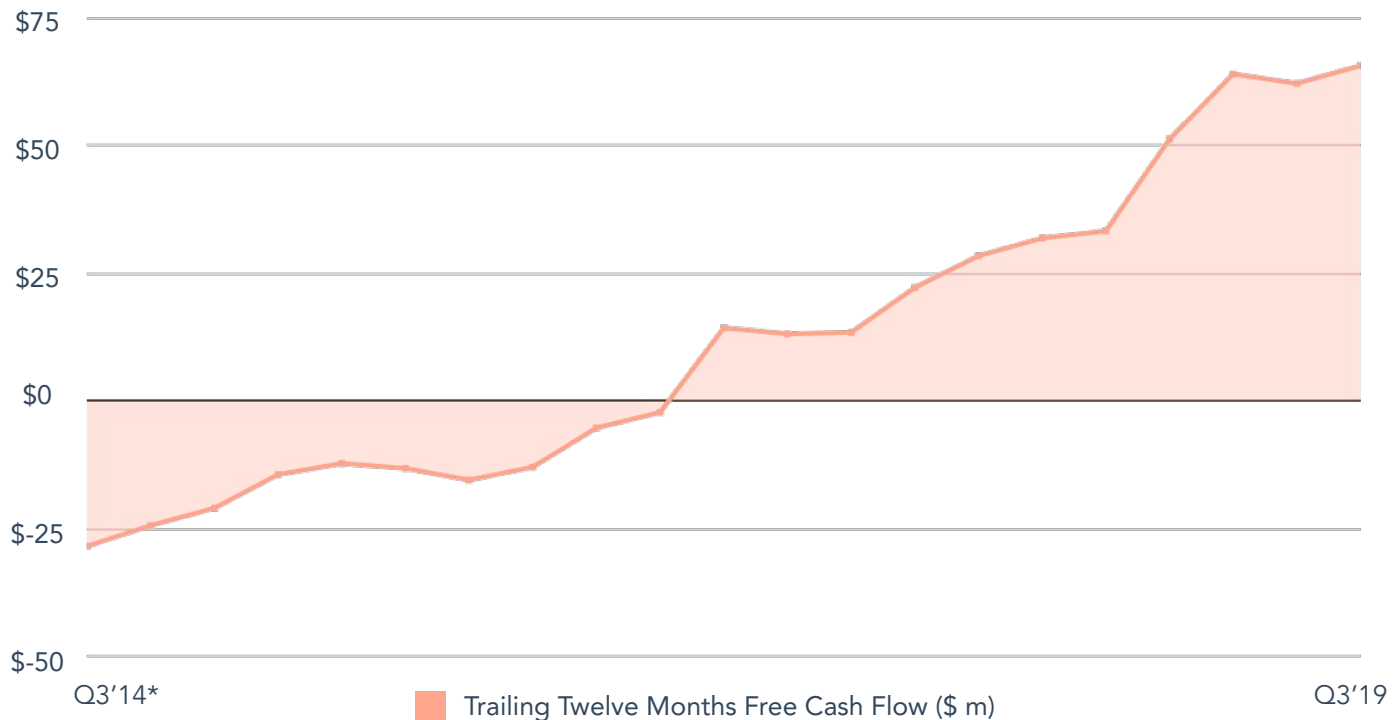


Realizing Leverage in Profitability



All percentages for historical periods are non-GAAP and exclude expenses associated with stock based compensation, amortization of acquired intangible assets and acquisition related expenses. Please refer to the end of this presentation for a reconciliation of GAAP to non-GAAP figures. *IPO

Generating Positive Free Cash Flow



All amounts are non-GAAP. Free cash flow is defined as cash and cash equivalents provided by (used in) operating activities less purchases of property and equipment and capitalization of software development costs. Please refer to the end of this presentation for a reconciliation of GAAP to non-GAAP figures. *IPO



Financial framework focused on profitable growth

	High Growth	Growth	Moderate Growth
Revenue Growth	>30%	≈30%	<30%
Operating Margin %*	1% - 2% increase per year	2% - 3% increase per year	3% - 4% increase per year
Operating Cash Flow	≈Revenue Growth		

*Theoretical operating margin % is non-GAAP and excludes expenses associated with stock based compensation, amortization of acquired intangible assets and acquisition related expenses.

Long Term Target

	2016	2017	2018	Q1'19	Q2'19	Q3'19	Long Term Target
Gross Margin	78%	81%	82%	82%	82%	82%	81% - 83%
R&D % of revenue	14%	15%	18%	18%	18%	18%	16% - 18%
S&M % of revenue	55%	52%	46%	44%	45%	47%	30% - 35%
G&A % of revenue	14%	12%	11%	11%	11%	10%	10%
Operating Margin	-4%	2%	6%	9%	8%	6%	20% - 25%

Note: These estimates reflect our current operating plan as of 11/05/2019 and are subject to change as future events and opportunities arise.
 All percentages are non-GAAP and exclude expenses associated with stock based compensation, amortization of acquired intangible assets and acquisition related expenses.
 Please refer to the end of this presentation for a reconciliation of GAAP to non-GAAP figures.



Key Takeaways

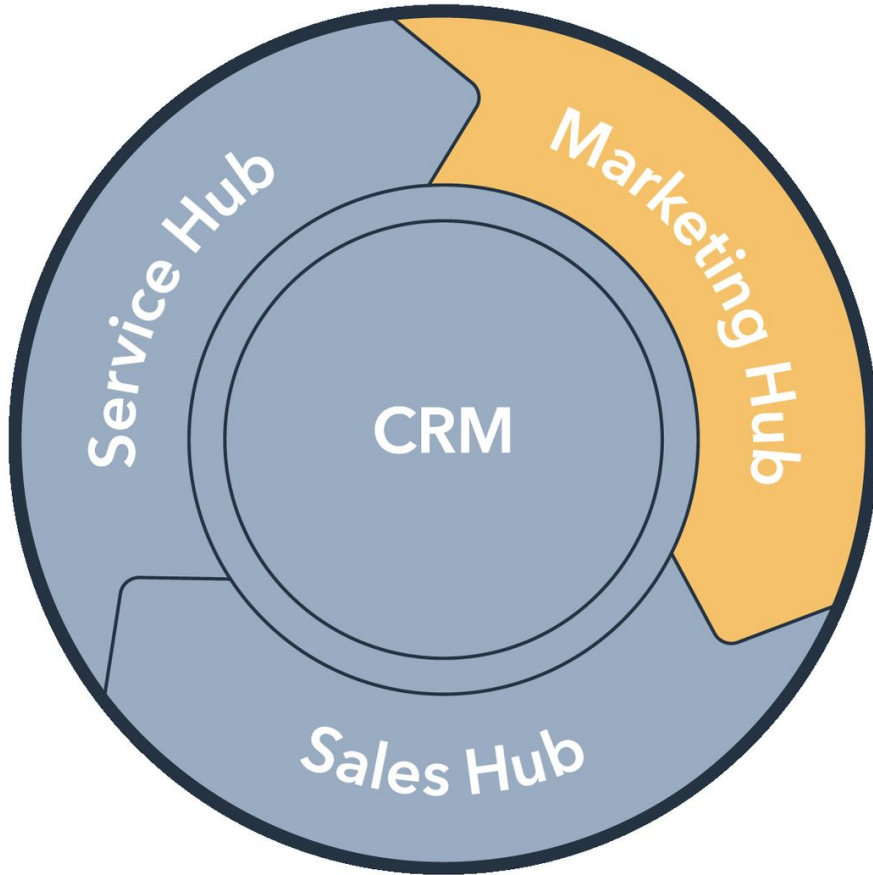
Business momentum is strong

Financial model focused on growth and operating leverage

Expanding TAM opportunity in all directions



Appendix



Marketing Tools

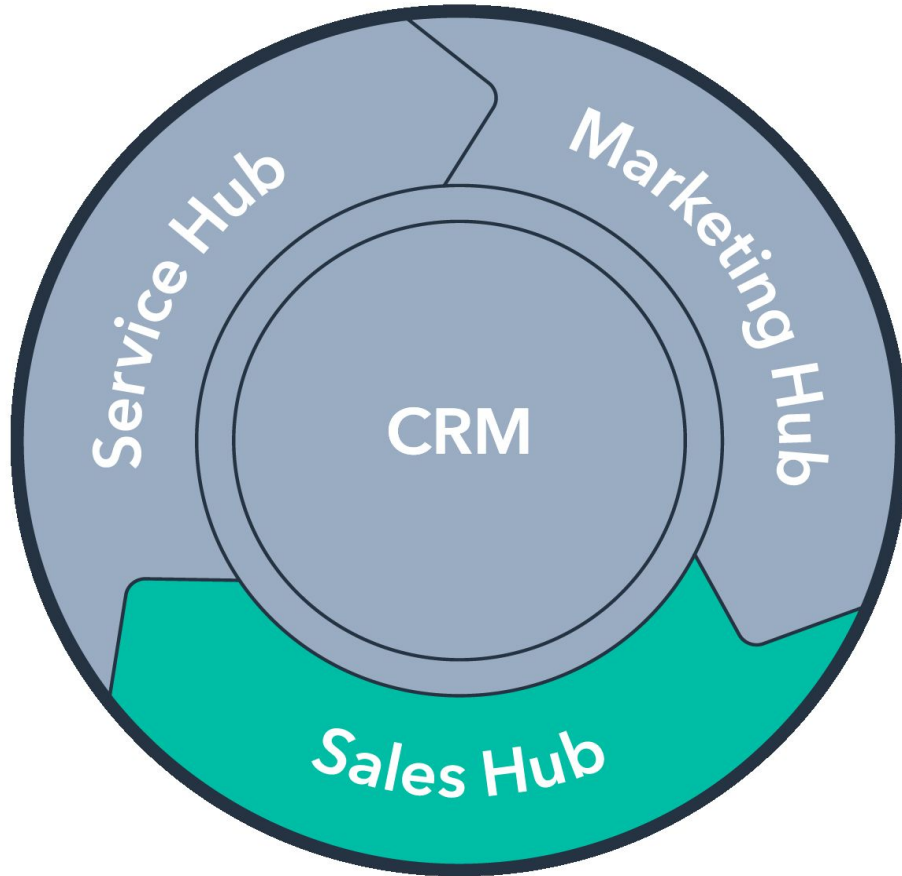
Video

Social media

Content tools

Email marketing

Marketing automation



Sales Tools

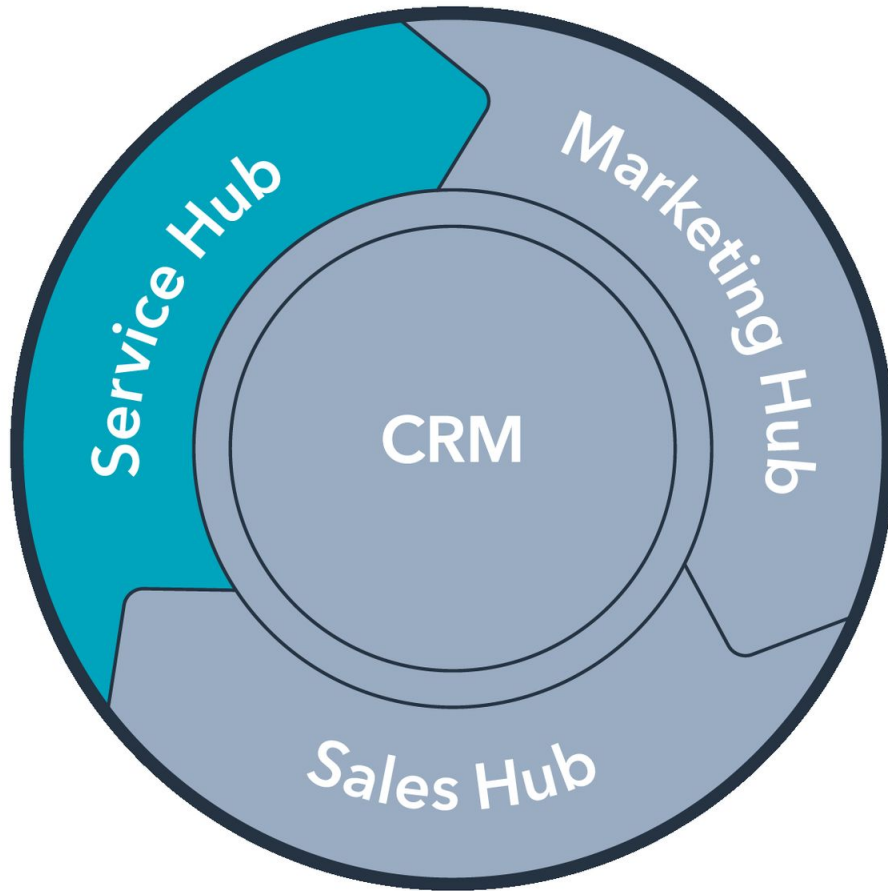
Calling

Documents

Email sequences

Sales automation

Meeting scheduling



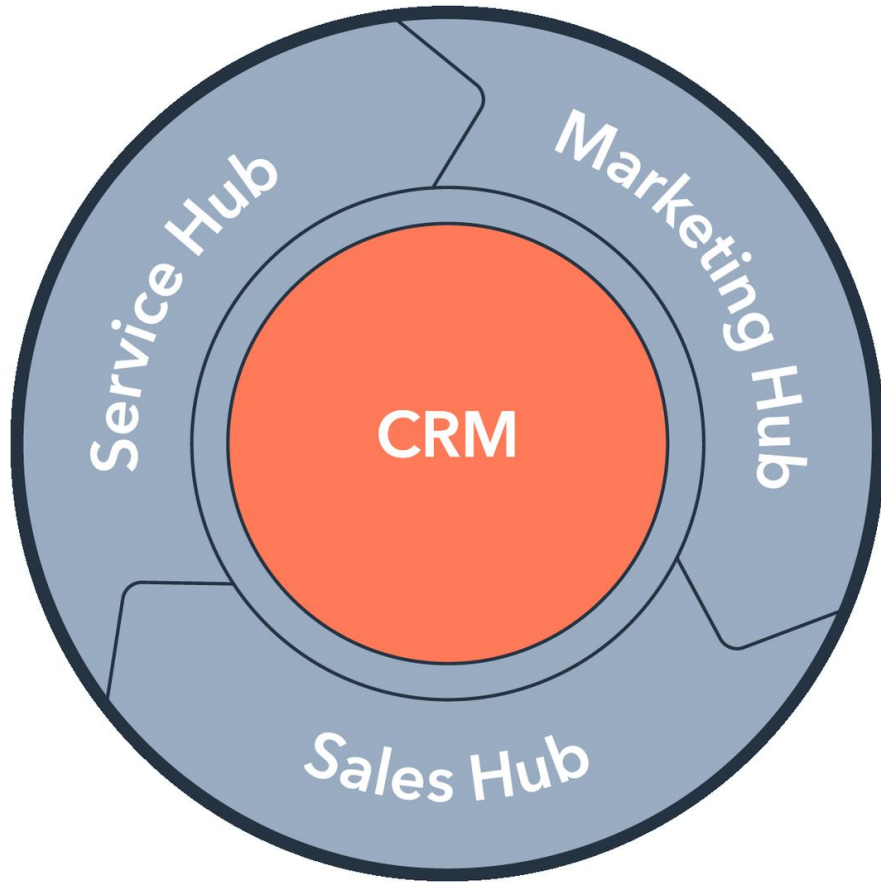
Service Tools

Ticketing

Help desk

Knowledge base

Customer feedback



CRM Tools

Meetings

Lead flows

Conversations

Lead analytics

Content management

GAAP to Non-GAAP Reconciliation

	2016		2017		2018		Three Months Ended March 31, 2019		Three Months Ended June 30, 2019		Three Months Ended September 30, 2019	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
Cost of Revenue												
Subscription	41,182	15%	51,563	14%	69,718	14%	21,301	14%	23,578	14%	25,671	15%
Stock-based compensation	(512)	0%	(658)	0%	(1,476)	0%	(614)	0%	(822)	-1%	(854)	0%
Amortization of acquired intangibles	(57)	0%	(96)	0%	(1,394)	0%	(800)	-1%	(800)	0%	(762)	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP subscription	<u>40,613</u>	15%	<u>50,809</u>	14%	<u>66,848</u>	13%	<u>19,887</u>	13%	<u>21,956</u>	13%	<u>24,055</u>	14%
Professional services and other	20,683	8%	24,166	6%	30,639	6%	8,277	5%	7,564	5%	7,592	4%
Stock-based compensation	(1,640)	-1%	(2,327)	-1%	(2,924)	-1%	(1,019)	-1%	(666)	0%	(614)	0%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP professional services and other	<u>19,043</u>	7%	<u>21,839</u>	6%	<u>27,715</u>	5%	<u>7,258</u>	5%	<u>6,898</u>	4%	<u>6,978</u>	4%
Gross Margin												
Gross margin	209,102	77%	299,883	80%	412,623	80%	122,220	81%	132,113	81%	140,358	81%
Stock-based compensation	2,152	1%	2,985	1%	4,400	1%	1,633	1%	1,488	1%	1,468	1%
Amortization of acquired intangible assets	57	0%	96	0%	1,394	0%	800	1%	800	0%	762	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>211,311</u>	78%	<u>302,964</u>	81%	<u>418,417</u>	82%	<u>124,653</u>	82%	<u>134,401</u>	82%	<u>142,588</u>	82%
Operating Expenses												
Research and development	45,997	17%	70,373	19%	117,603	23%	35,177	23%	40,456	25%	39,847	23%
Stock-based compensation	(8,828)	-3%	(12,816)	-3%	(23,328)	-5%	(7,091)	-5%	(10,553)	-6%	(8,019)	-5%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	(1,266)	0%	(2,696)	-1%	(32)	0%	(32)	0%	(30)	0%
Non-GAAP research and development	<u>37,169</u>	14%	<u>56,291</u>	15%	<u>91,579</u>	18%	<u>28,054</u>	18%	<u>29,871</u>	18%	<u>31,798</u>	18%
Sales and marketing	162,647	60%	212,859	57%	267,444	52%	74,905	49%	84,079	52%	91,283	53%
Stock-based compensation	(13,352)	-5%	(19,016)	-5%	(31,099)	-6%	(7,804)	-5%	(10,523)	-6%	(8,947)	-5%
Amortization of acquired intangible assets	(27)	0%	(7)	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	<u>149,268</u>	55%	<u>193,836</u>	52%	<u>236,345</u>	46%	<u>67,101</u>	44%	<u>73,556</u>	45%	<u>82,336</u>	47%
General and administrative	45,120	17%	56,787	15%	75,834	15%	21,174	14%	23,303	14%	23,300	13%
Stock-based compensation	(8,343)	-3%	(12,500)	-3%	(17,434)	-3%	(4,677)	-3%	(6,099)	-4%	(5,357)	-3%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP general and administrative	<u>36,777</u>	14%	<u>44,287</u>	12%	<u>58,400</u>	11%	<u>16,497</u>	11%	<u>17,204</u>	11%	<u>17,943</u>	10%
Loss from Operations												
Loss from operations	(44,662)	-16%	(40,136)	-11%	(48,258)	-9%	(9,036)	-6%	(15,725)	-10%	(14,072)	-8%
Stock-based compensation	32,675	12%	47,317	13%	76,261	15%	21,205	14%	28,663	18%	23,791	14%
Amortization of acquired intangible assets	84	0%	103	0%	1,394	0%	800	1%	800	0%	762	0%
Acquisition related expenses	-	0%	1,266	0%	2,696	1%	32	0%	32	0%	30	0%
Non-GAAP loss from operations	<u>(11,903)</u>	-4%	<u>8,550</u>	2%	<u>32,093</u>	6%	<u>13,001</u>	9%	<u>13,770</u>	8%	<u>10,511</u>	6%



GAAP to Non-GAAP Reconciliation

	Three Months Ended September 30, 2014		Three Months Ended December 31, 2014		Three Months Ended March 31, 2015		Three Months Ended June 30, 2015		Three Months Ended September 30, 2015		Three Months Ended December 31, 2015		Three Months Ended March 31, 2016		Three Months Ended June 30, 2016		Three Months Ended September 30, 2016		
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	
Gross Margin																			
Gross margin	21,243	70%	24,228	71%	27,701	73%	31,668	74%	35,233	74%	39,419	74%	44,989	76%	49,779	77%	54,777	78%	
Stock-based compensation	108	0%	326	1%	324	1%	439	1%	404	1%	457	1%	418	1%	608	1%	577	1%	
Amortization of acquired intangible assets	6	0%	6	0%	11	0%	19	0%	20	0%	20	0%	18	0%	13	0%	13	0%	
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	
Non-GAAP gross margin	<u>21,357</u>	70%	<u>24,560</u>	72%	<u>28,036</u>	73%	<u>32,126</u>	75%	<u>35,657</u>	75%	<u>39,896</u>	75%	<u>45,425</u>	77%	<u>50,400</u>	78%	<u>55,367</u>	78%	
Loss from operations	(10,957)	-36%	(19,939)	-58%	(11,412)	-30%	(11,322)	-26%	(13,290)	-28%	(10,449)	-20%	(9,861)	-17%	(11,030)	-17%	(9,951)	-14%	
Stock-based compensation	1,266	4%	12,844	38%	5,142	13%	5,642	13%	4,510	9%	6,015	11%	6,231	11%	8,475	13%	8,695	12%	
Amortization of acquired intangible assets	13	0%	13	0%	17	0%	26	0%	26	0%	26	0%	24	0%	20	0%	20	0%	
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	
Non-GAAP loss from operations	<u>(9,678)</u>	-32%	<u>(7,082)</u>	-21%	<u>(6,253)</u>	-16%	<u>(5,654)</u>	-13%	<u>(8,754)</u>	-18%	<u>(4,408)</u>	-8%	<u>(3,606)</u>	-6%	<u>(2,535)</u>	-4%	<u>(1,236)</u>	-2%	

	Three Months Ended December 31, 2016		Three Months Ended March 31, 2017		Three Months Ended June 30, 2017		Three Months Ended September 30, 2017		Three Months Ended December 31, 2017		Three Months Ended March 31, 2018		Three Months Ended June 30, 2018		Three Months Ended September 30, 2018	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
Gross Margin																
Gross margin	59,557	78%	65,180	79%	70,502	79%	78,716	81%	85,485	80%	92,179	80%	97,725	80%	106,061	80%
Stock-based compensation	551	1%	564	1%	844	1%	754	1%	823	1%	967	1%	1,163	1%	1,194	1%
Amortization of acquired intangible assets	13	0%	9	0%	0%	0%	38	0%	50	0%	50	0%	50	0%	494	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>60,121</u>	79%	<u>65,753</u>	80%	<u>71,346</u>	80%	<u>79,508</u>	81%	<u>86,358</u>	81%	<u>93,196</u>	81%	<u>98,938</u>	81%	<u>107,749</u>	82%
Loss from operations	(13,820)	-18%	(8,000)	-10%	(10,577)	-12%	(12,126)	-12%	(9,433)	-9%	(11,324)	-10%	(14,052)	-11%	(15,050)	-11%
Stock-based compensation	9,274	12%	9,303	11%	13,006	15%	12,110	12%	12,898	12%	16,046	14%	19,675	16%	19,612	15%
Amortization of acquired intangible assets	20	0%	16	0%	0%	0%	38	0%	50	0%	50	0%	50	0%	494	0%
Acquisition related expenses	-	0%	-	0%	-	0%	439	0%	827	1%	802	1%	802	1%	802	1%
Non-GAAP loss from operations	<u>(4,526)</u>	-6%	<u>1,319</u>	2%	<u>2,429</u>	3%	<u>461</u>	0%	<u>4,342</u>	4%	<u>5,574</u>	5%	<u>6,475</u>	5%	<u>5,858</u>	4%



GAAP to Non-GAAP Reconciliation

	<u>Three Months Ended</u> <u>December 31, 2018</u>		<u>Three Months Ended</u> <u>March 31, 2019</u>		<u>Three Months Ended</u> <u>June 30, 2019</u>		<u>Three Months Ended</u> <u>September 30, 2019</u>	
	<u>\$ '000s</u>	<u>% of</u>	<u>\$ '000s</u>	<u>% of</u>	<u>\$ '000s</u>	<u>% of</u>	<u>\$ '000s</u>	<u>Revenu</u>
		<u>Revenues</u>		<u>Revenues</u>		<u>Revenues</u>		<u>es</u>
Gross Margin								
Gross margin	116,658	81%	122,220	81%	132,113	81%	140,358	81%
Stock-based compensation	1,076	1%	1,633	1%	1,488	1%	1,468	1%
Amortization of acquired intangible assets	800	1%	800	1%	800	0%	762	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>118,534</u>	82%	<u>124,653</u>	82%	<u>134,401</u>	82%	<u>142,588</u>	82%
Loss from Operations								
Loss from operations	(7,832)	-5%	(9,036)	-6%	(15,725)	-10%	(14,072)	-8%
Stock-based compensation	20,927	15%	21,205	14%	28,663	18%	23,791	14%
Amortization of acquired intangible assets	800	1%	800	1%	800	0%	762	0%
Acquisition related expenses	289	0%	32	0%	32	0%	30	0%
Non-GAAP loss from operations	<u>14,184</u>	10%	<u>13,001</u>	9%	<u>13,770</u>	8%	<u>10,511</u>	6%

GAAP to Non-GAAP Reconciliation

	Trailing Twelve Months Ended September 30, 2014	Trailing Twelve Months Ended December 31, 2014	Trailing Twelve Months Ended March 31, 2015	Trailing Twelve Months Ended June 30, 2015	Trailing Twelve Months Ended September 30, 2015	Trailing Twelve Months Ended December 31, 2015	Trailing Twelve Months Ended March 31, 2016	Trailing Twelve Months Ended June 30, 2016	Trailing Twelve Months Ended September 30, 2016
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	(16,464)	(12,464)	(10,703)	(6,807)	(4,815)	(423)	3,571	10,635	19,733
Purchases of property & equipment	(7,042)	(7,266)	(5,811)	(3,525)	(3,556)	(8,427)	(14,043)	(18,513)	(19,535)
Capitalization of software development costs	(4,311)	(4,634)	(4,450)	(4,054)	(3,829)	(4,314)	(4,378)	(5,034)	(5,362)
Free cash flow	(28,417)	(24,364)	(20,964)	(14,386)	(12,200)	(13,164)	(15,450)	(12,912)	(5,224)

	Trailing Twelve Months Ended December 31, 2016	Trailing Twelve Months Ended March 31, 2017	Trailing Twelve Months Ended June 30, 2017	Trailing Twelve Months Ended September 30, 2017	Trailing Twelve Months Ended December 31, 2017	Trailing Twelve Months Ended March 31, 2018	Trailing Twelve Months Ended June 30, 2018	Trailing Twelve Months Ended September 30, 2018	Trailing Twelve Months Ended December 31, 2018
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	19,366	35,279	35,364	37,893	49,614	57,244	62,018	65,734	84,851
Purchases of property & equipment	(15,789)	(14,983)	(15,532)	(17,528)	(20,276)	(20,680)	(20,514)	(21,875)	(22,305)
Capitalization of software development costs	(5,749)	(5,325)	(6,577)	(6,882)	(7,071)	(8,077)	(9,537)	(10,491)	(11,168)
Free cash flow	(2,172)	14,371	13,195	13,483	22,267	28,487	31,967	33,368	51,378

	Trailing Twelve Months Ended March 31, 2019	Trailing Twelve Months Ended June 30, 2019	Trailing Twelve Months Ended September 30, 2019
	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	95,845	96,041	104,193
Purchases of property & equipment	(20,331)	(23,051)	(26,814)
Capitalization of software development costs	(11,373)	(10,690)	(11,581)
Free cash flow	64,141	62,300	65,798