Investor Presentation

Q3 2018

HubSpot

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; the anticipated benefits of our product launches and plans and timelines for developing and expanding those offerings; the anticipated benefits of our investments on our revenue growth, profitability and cash flow; 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 7, 2018 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.

52,000+
Total Customers

100+
Countries

8
Office Locations
Worldwide

HubSpot Snapshot

- Growth platform for SMBs
- Large, growing TAM
- Recurring SaaS revenue model
- 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?

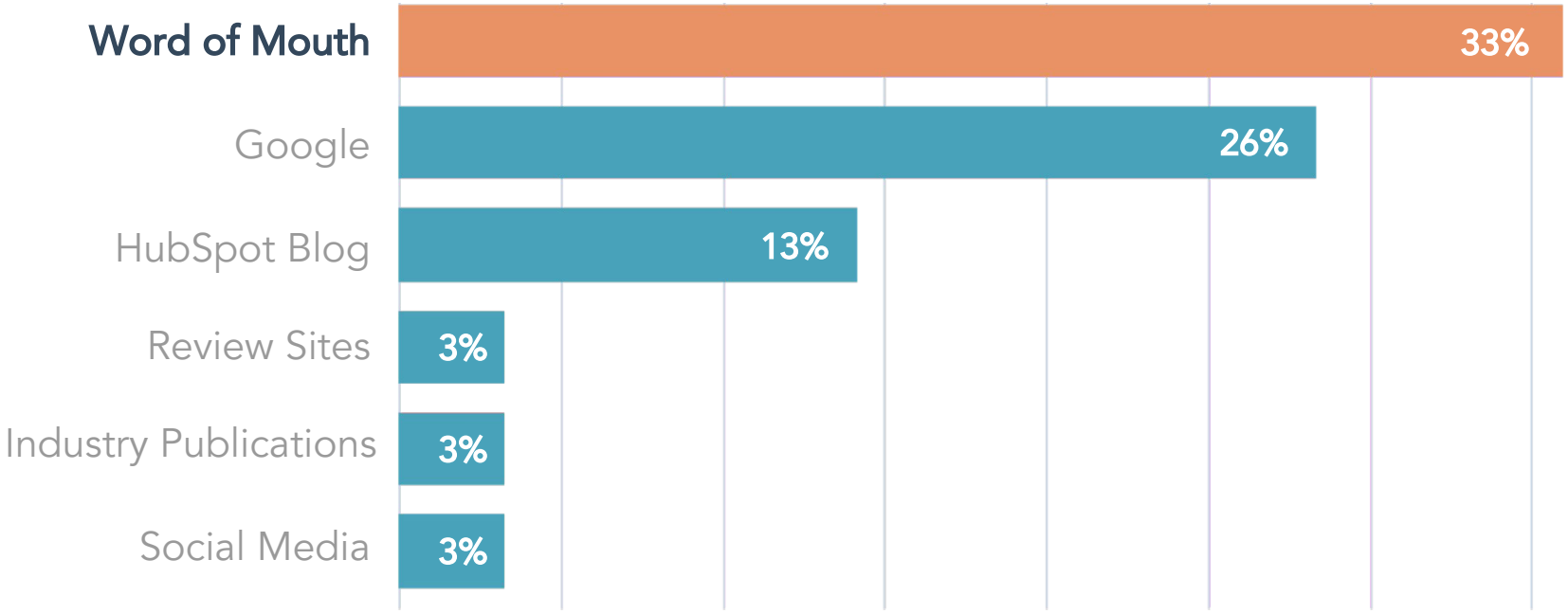
Where others annoy,
you attract.

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



How did you first learn about HubSpot?

Source: HubSpot Customer Research June - 2018

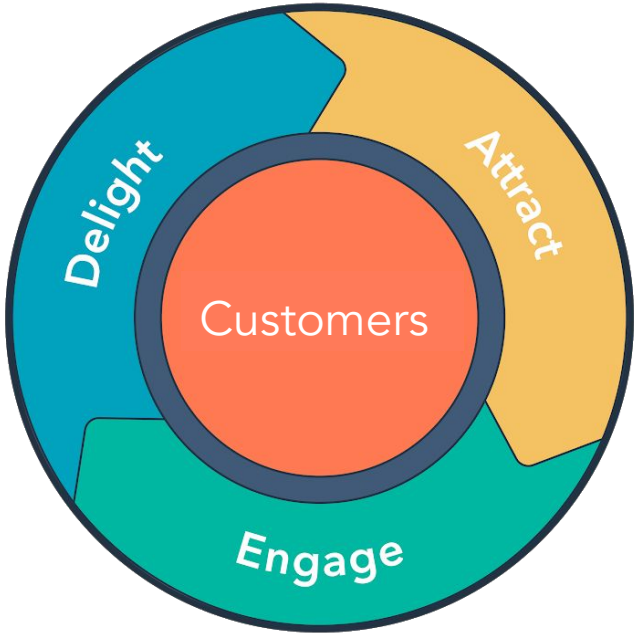
Customers Accelerate Growth

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

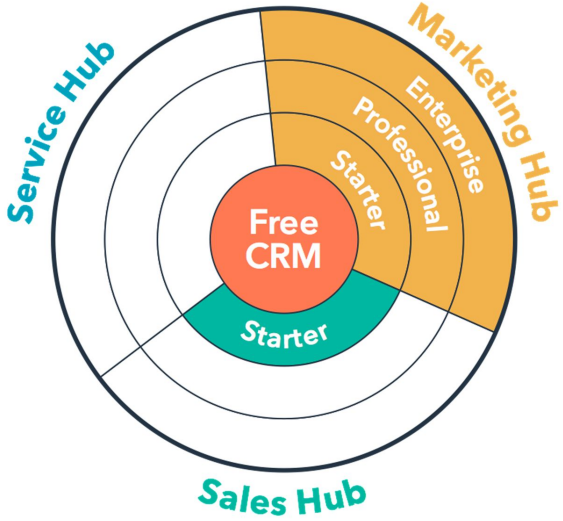
Each time we reduce friction for our customers, we fuel our own flywheel. And we're working to enable millions of organizations to do the same.

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

because the customer experience should be seamless.

We dramatically expanded our offering

Q3 2017



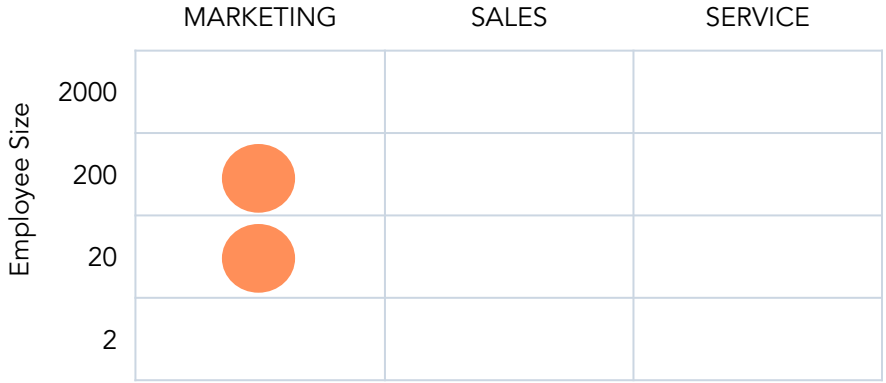
Q3 2018

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

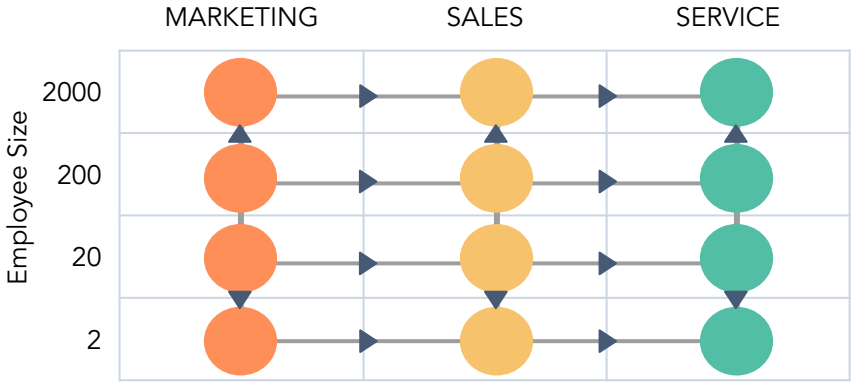
We expanded TAM through product development

Since IPO we've expanded our TAM by adding Sales and Service Hubs ("East-West"expansion) and by adding new Enterprise and Starter tiers ("North - South" expansion)

HubSpot at IPO



HubSpot today



Our Product Pricing

	Marketing Hub	Sales Hub	Service Hub
Enterprise	$3,200 +	$1,200 +	$1,200 +
Professional	$800 +	$400 +	$400 +
Starter	$50 +	$50 +	$50 +
CRM	Free		

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

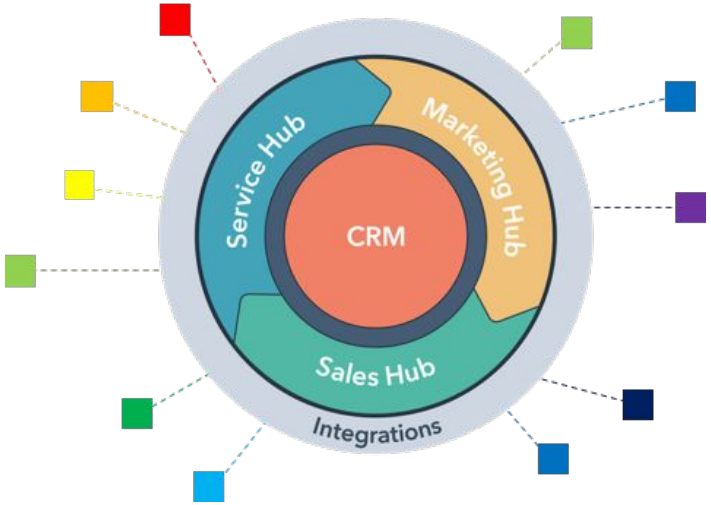
Note: All prices are monthly subscription prices. "+" indicates additional cost for Contacts for Marketing Hub customers and additional cost for Users for Sales Hub customers. E.g. Marketing Hub professional subscription comes with 1,000 contacts and Sales Hub professional comes with 5 users. Customers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

All of that is just the beginning...

Began as an App

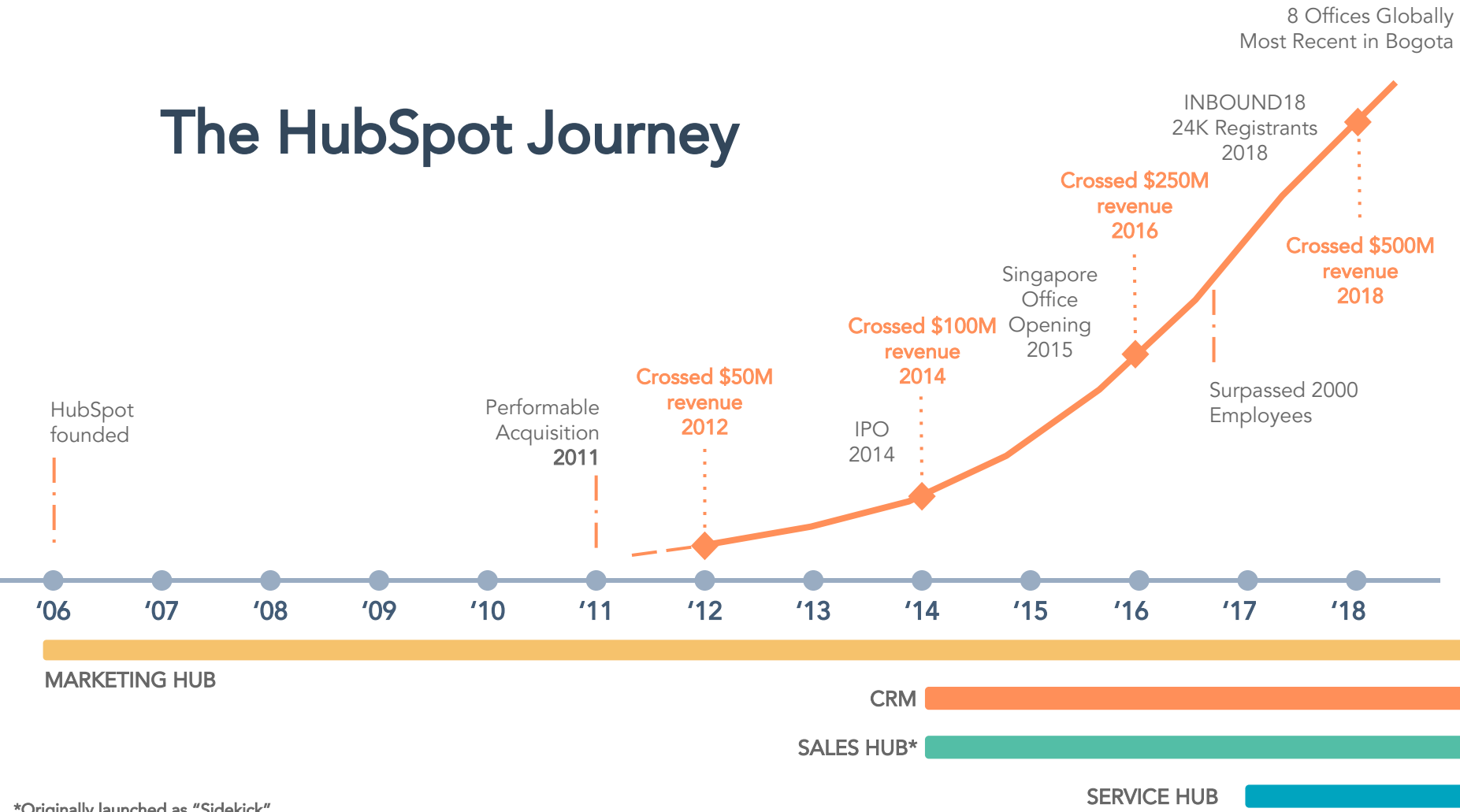
Became a Suite

Becoming a Platform



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

The HubSpot Journey

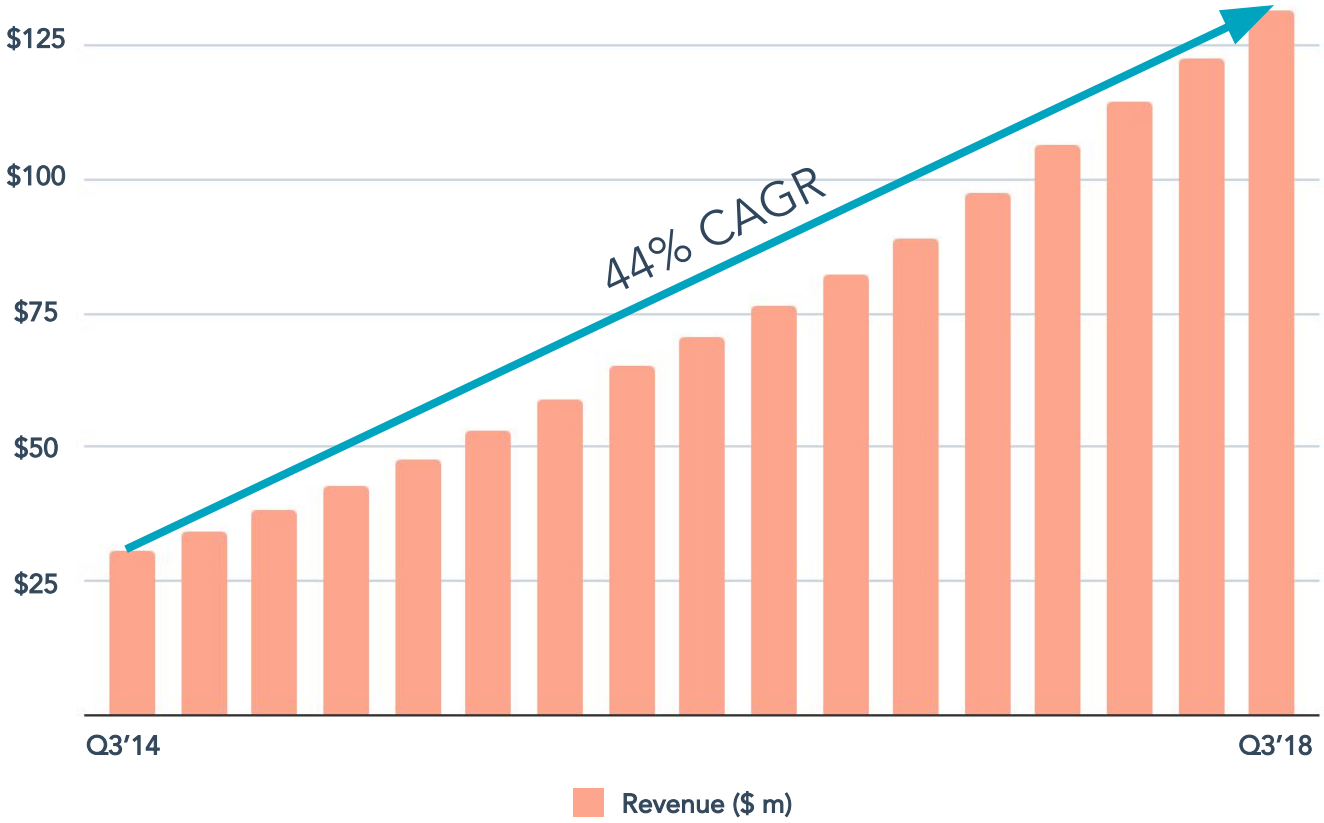


*Originally launched as "Sidekick"

HubSpot Grow Better

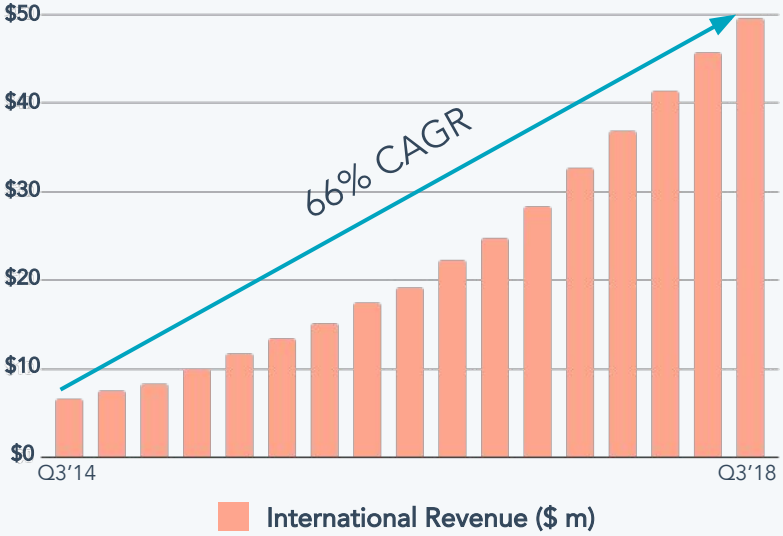
Financial Review
Q3 2018

Revenue growth is strong

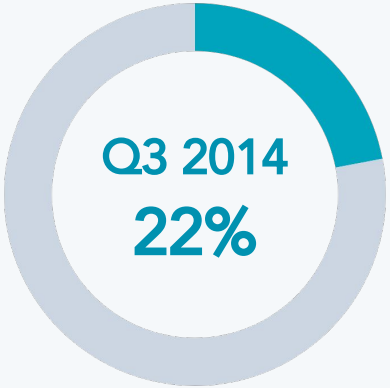


International Growth is Strong

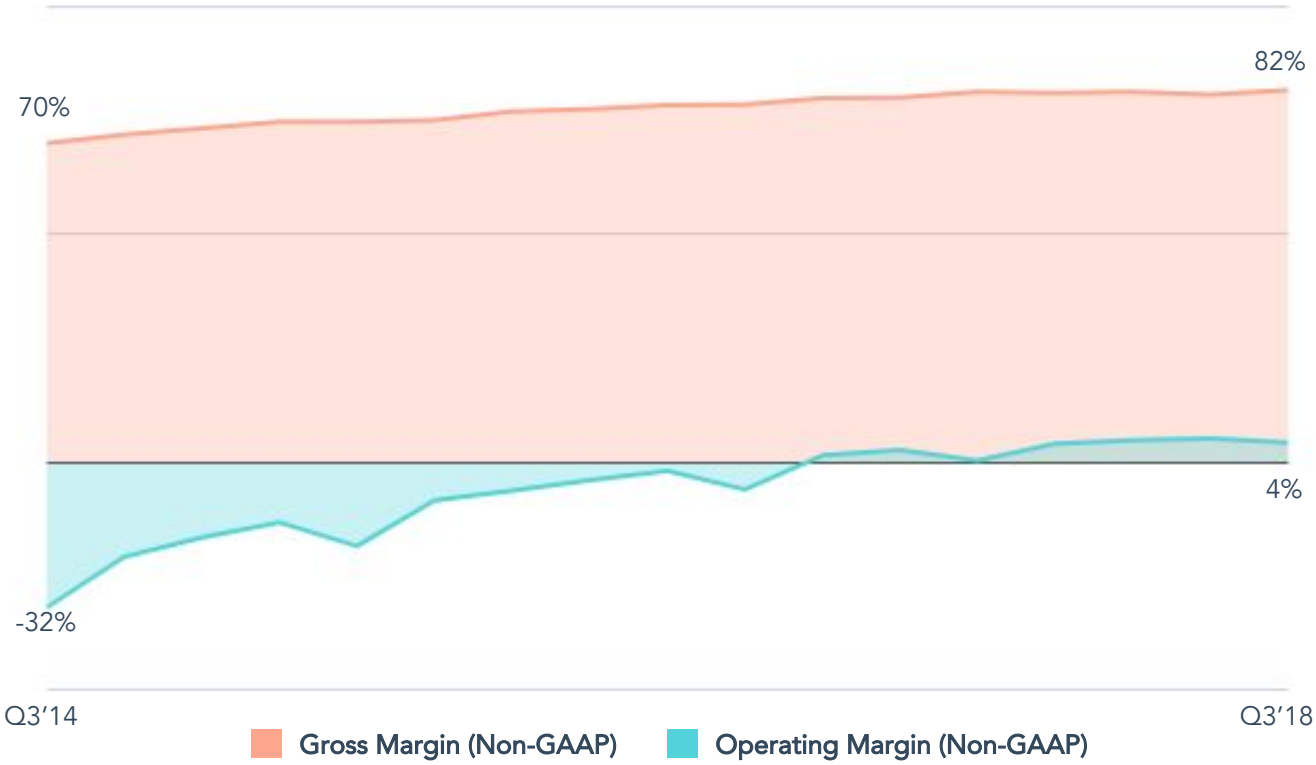
Growing Fast



Increasing % of Revenue

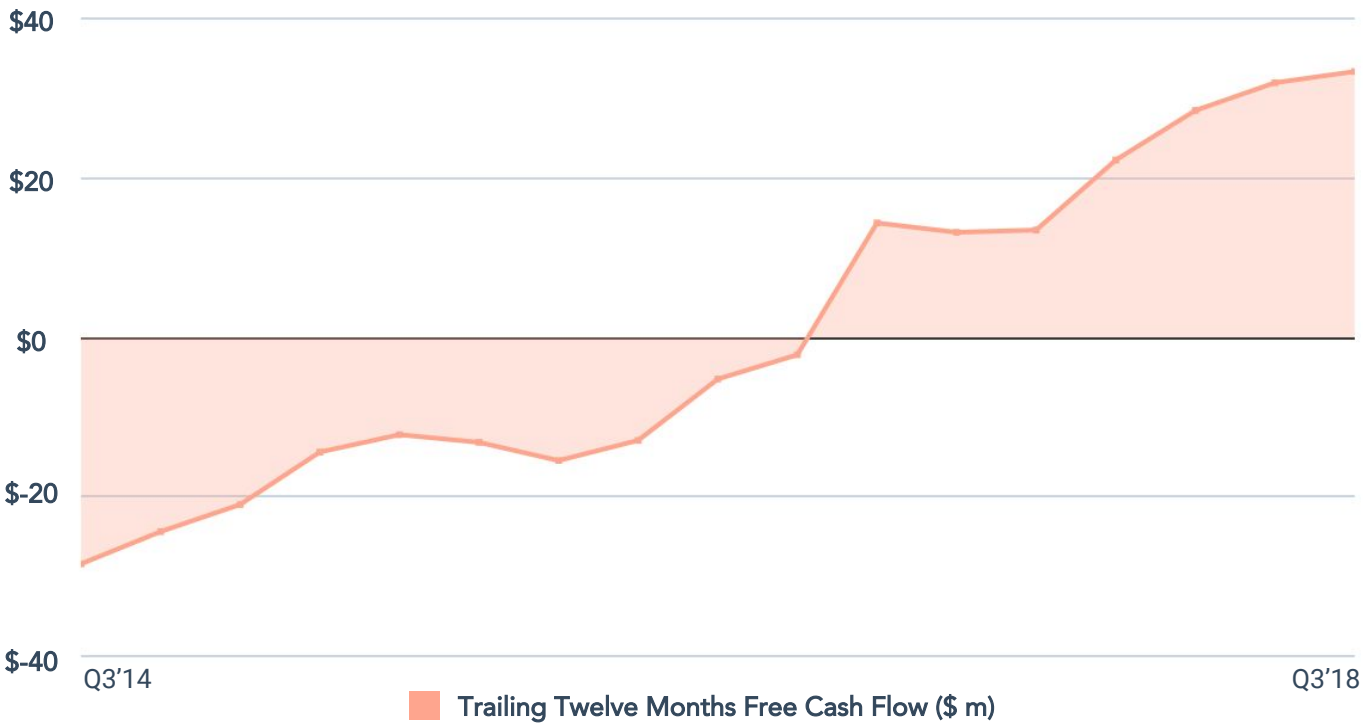


Realizing Leverage in Profitability



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.

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.

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 Model

	2016	2017	Q3 2017	Q3 2018	Long Term Target Model
Gross Margin	78%	81%	81%	82%	81% - 83%
R&D % of revenue	14%	15%	16%	18%	16% - 18%
S&M % of revenue	55%	52%	54%	48%	30% - 35%
G&A % of revenue	14%	12%	11%	11%	10%
Operating Margin	-4%	2%	0%	4%	20% - 25%

Note: These estimates reflect our current operating plan as of 11/7/2018 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

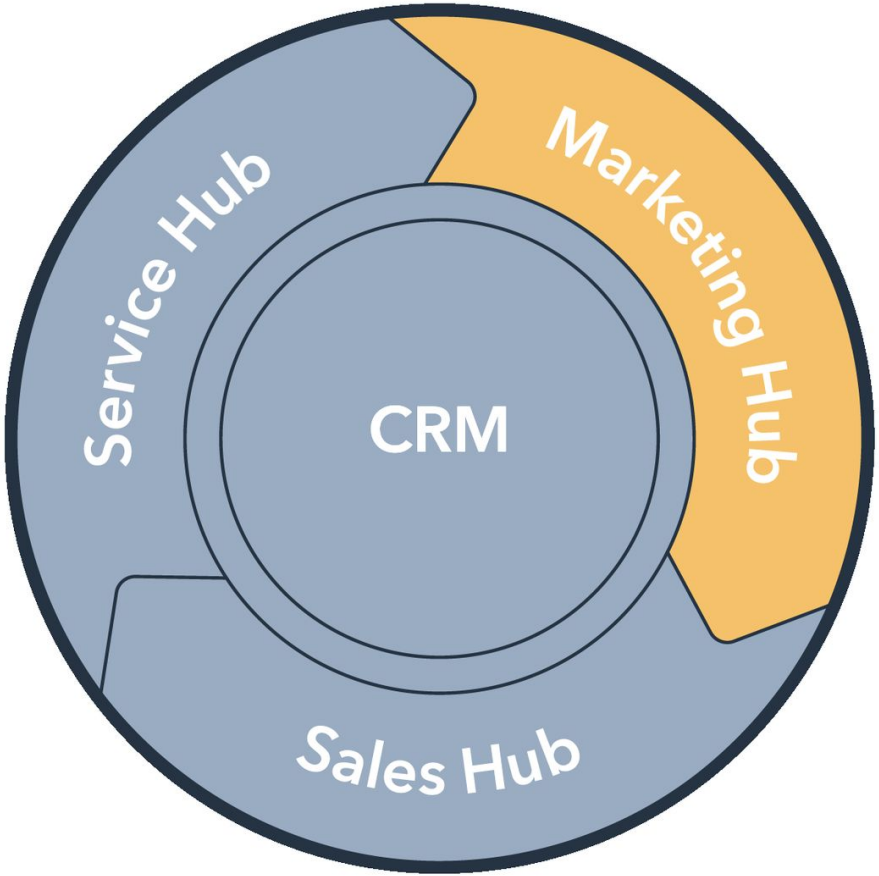
Financial model showing margin leverage

Increased R&D paying off with product launches

Expanding TAM opportunity in all directions

Appendix

HubSpot



Marketing Tools

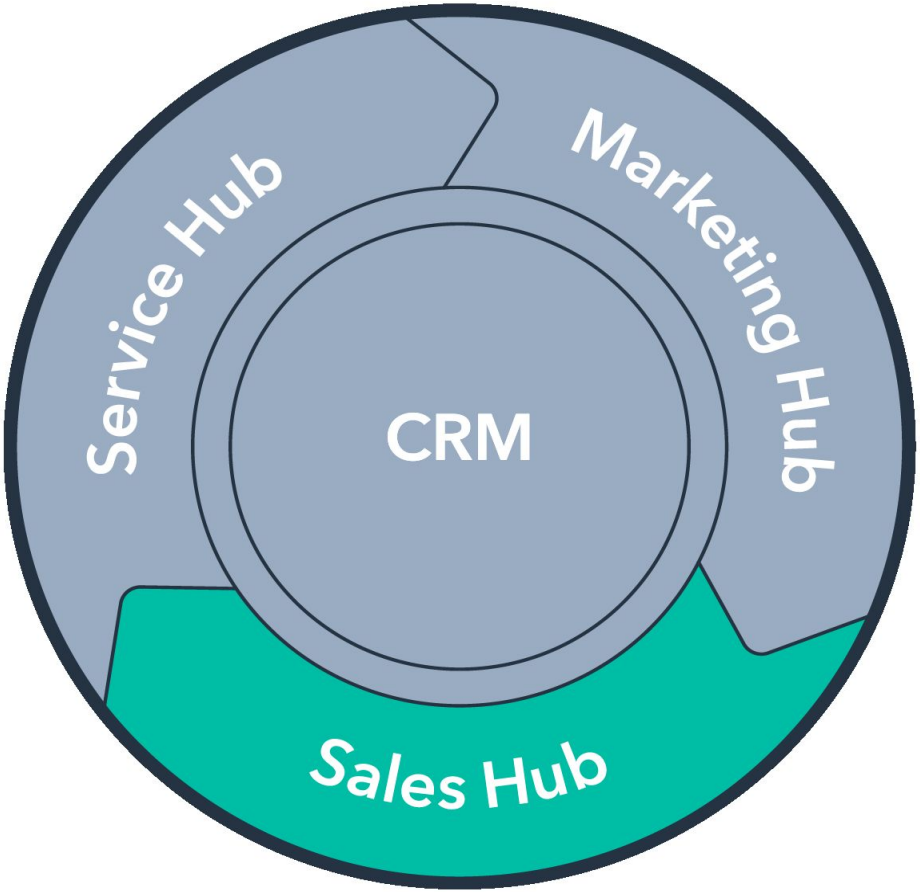
Video

Social media

Content tools

Email marketing

Marketing automation



Sales Tools

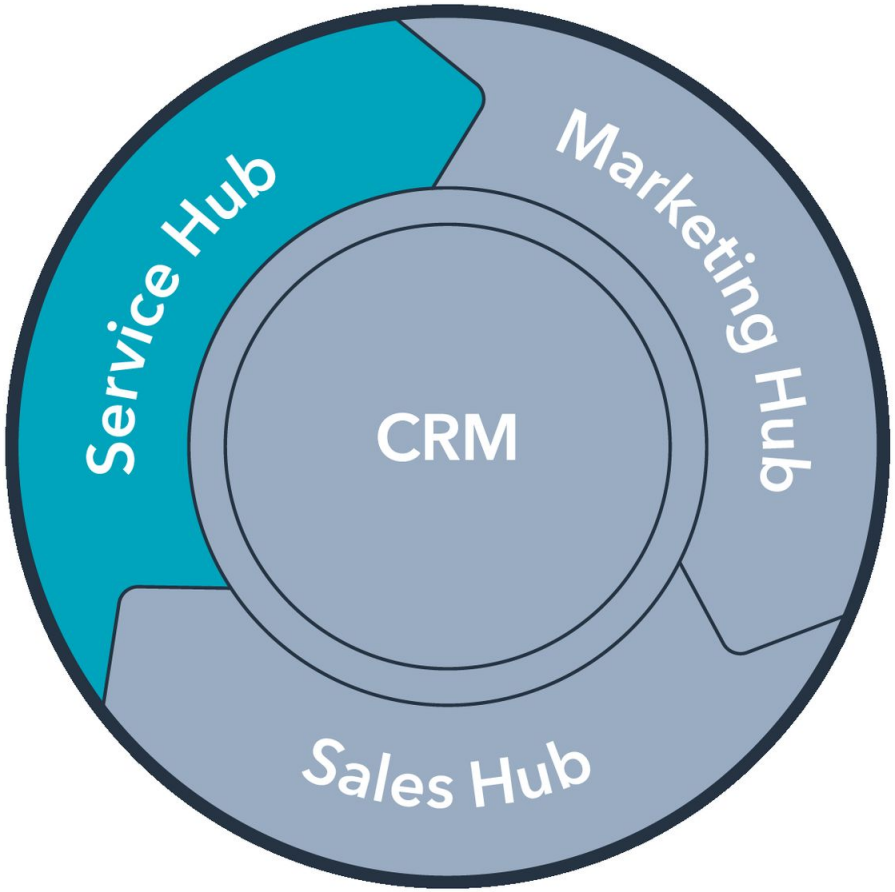
Calling

Documents

Email sequences

Sales automation

Meeting scheduling



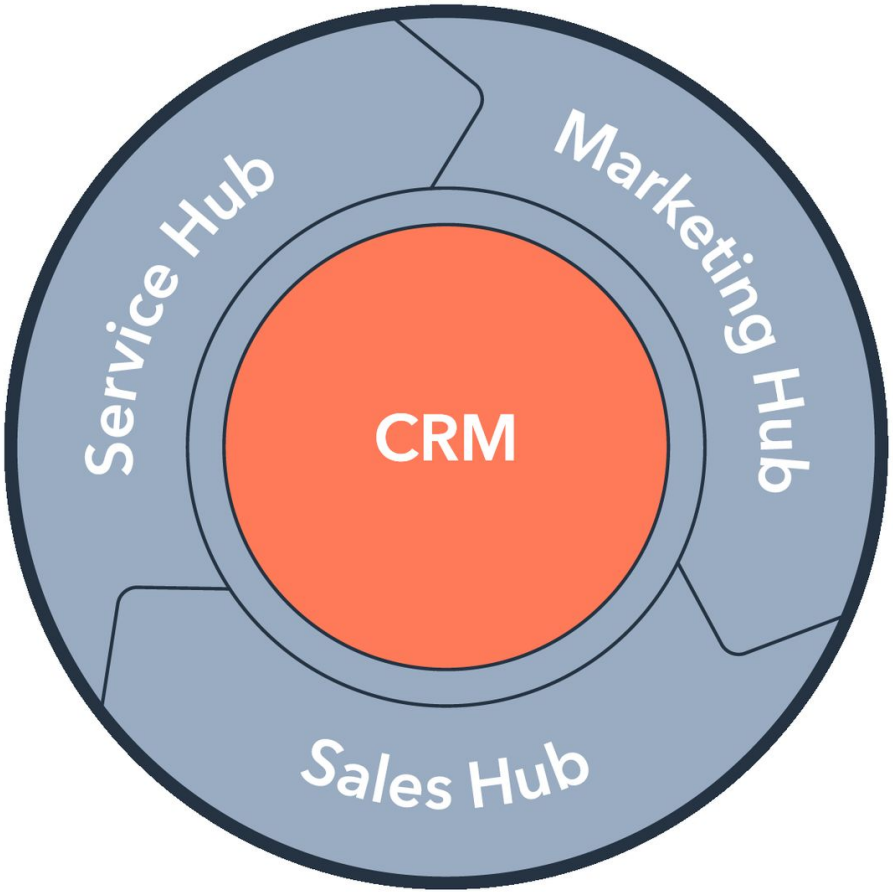
Service Tools

Ticketing

Help desk

Knowledge base

Customer feedback



CRM Tools

Meetings

Lead flows

Conversations

Lead analytics

Content management

GAAP to Non-GAAP Reconciliation

	2016		2017		Three Months Ended September 30, 2017		Three Months Ended September 30, 2018	
	$ '000s	% of Revenues	$ '000s	% of Revenues	$ '000s	% of Revenues	$ '000s	% of Revenues
Gross Margin								
Gross margin	209,102	77%	299,883	80%	78,716	81%	106,061	80%
Stock-based compensation	2,152	1%	2,985	1%	754	1%	1,194	1%
Amortization of acquired intangible assets	57	0%	96	0%	38	0%	494	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	211,311	78%	302,964	81%	79,508	81%	107,749	82%
Operating Expenses								
Research and development	45,997	17%	70,373	19%	18,828	19%	30,761	23%
Stock-based compensation	(8,828)	-3%	(12,816)	-3%	(3,110)	-3%	(5,990)	-5%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	(1,266)	0%	(439)	0%	(802)	-1%
Non-GAAP research and development	37,169	14%	56,291	15%	15,279	16%	23,969	18%
Sales and marketing	162,647	60%	212,859	57%	57,904	59%	71,293	54%
Stock-based compensation	(13,352)	-5%	(19,016)	-5%	(5,015)	-5%	(7,898)	-6%
Amortization of acquired intangible assets	(27)	0%	(7)	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	149,268	55%	193,836	52%	52,889	54%	63,395	48%
General and administrative	45,120	17%	56,787	15%	14,110	14%	19,057	14%
Stock-based compensation	(8,343)	-3%	(12,500)	-3%	(3,231)	-3%	(4,530)	-3%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP general and administrative	36,777	14%	44,287	12%	10,879	11%	14,527	11%
Loss from Operations								
Loss from operations	(44,662)	-16%	(40,136)	-11%	(12,126)	-12%	(15,050)	-11%
Stock-based compensation	32,675	12%	47,317	13%	12,110	12%	19,612	15%
Amortization of acquired intangible assets	84	0%	103	0%	38	0%	494	0%
Acquisition related expenses	-	0%	1,266	0%	439	0%	802	1%
Non-GAAP loss from operations	(11,903)	-4%	8,550	2%	461	0%	5,858	4%

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		Three Months Ended December 31, 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	$ '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%	59,557	78%
Stock-based compensation	108	0%	326	1%	324	1%	439	1%	404	1%	457	1%	418	1%	608	1%	577	1%	551	1%
Amortization of acquired intangible assets	6	0%	6	0%	11	0%	19	0%	20	0%	20	0%	18	0%	13	0%	13	0%	13	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	21,357	70%	24,560	72%	28,036	73%	32,126	75%	35,657	75%	39,896	75%	45,425	77%	50,400	78%	55,367	78%	60,121	79%
Loss from Operations																				
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%	(13,820)	-18%
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%	9,274	12%
Amortization of acquired intangible assets	13	0%	13	0%	17	0%	26	0%	26	0%	26	0%	24	0%	20	0%	20	0%	20	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP loss from operations	(9,678)	-32%	(7,082)	-21%	(6,253)	-16%	(5,654)	-13%	(8,754)	-18%	(4,408)	-8%	(3,606)	-6%	(2,535)	-4%	(1,236)	-2%	(4,526)	-6%

	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
Gross Margin														
Gross margin	65,180	79%	70,502	79%	78,716	81%	85,485	80%	92,179	80%	97,725	80%	106,061	80%
Stock-based compensation	564	1%	844	1%	754	1%	823	1%	967	1%	1,163	1%	1,194	1%
Amortization of acquired intangible assets	9	0%		0%	38	0%	50	0%	50	0%	50	0%	494	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	65,753	80%	71,346	80%	79,508	81%	86,358	81%	93,196	81%	98,938	81%	107,749	82%
Loss from Operations														
Loss from operations	(8,000)	-10%	(10,577)	-12%	(12,126)	-12%	(9,433)	-9%	(11,324)	-10%	(14,052)	-11%	(15,050)	-11%
Stock-based compensation	9,303	11%	13,006	15%	12,110	12%	12,898	12%	16,046	14%	19,675	16%	19,612	15%
Amortization of acquired intangible assets	16	0%		0%	38	0%	50	0%	50	0%	50	0%	494	0%
Acquisition related expenses	-	0%	-	0%	439	0%	827	1%	802	1%	802	1%	802	1%
Non-GAAP loss from operations	1,319	2%	2,429	3%	461	0%	4,342	4%	5,574	5%	6,475	5%	5,858	4%

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	Trailing Twelve Months Ended December 31, 2016
	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activites	(16,464)	(12,464)	(10,703)	(6,807)	(4,815)	(423)	3,571	10,635	19,733	19,366
Purchases of property & equipment	(7,042)	(7,266)	(5,811)	(3,525)	(3,556)	(8,427)	(14,043)	(18,513)	(19,595)	(15,789)
Capitalization of software development costs	(4,911)	(4,634)	(4,450)	(4,054)	(3,829)	(4,314)	(4,978)	(5,034)	(5,362)	(5,749)
Free cash flow	(28,417)	(24,364)	(20,964)	(14,386)	(12,200)	(13,164)	(15,450)	(12,912)	(5,224)	(2,172)

	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
	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s	$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activites	35,279	35,364	37,893	49,614	57,244	62,018	65,734
Purchases of property & equipment	(14,983)	(15,592)	(17,528)	(20,276)	(20,680)	(20,514)	(21,875)
Capitalization of software development costs	(5,925)	(6,577)	(6,882)	(7,071)	(8,077)	(9,537)	(10,491)
Free cash flow	14,371	13,195	13,483	22,267	28,487	31,967	33,368