

# Investor Presentation

Q1 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; 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 May 7, 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.



**60,000+**  
**Total Customers**



**100+**  
**Countries**



**8**  
**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.



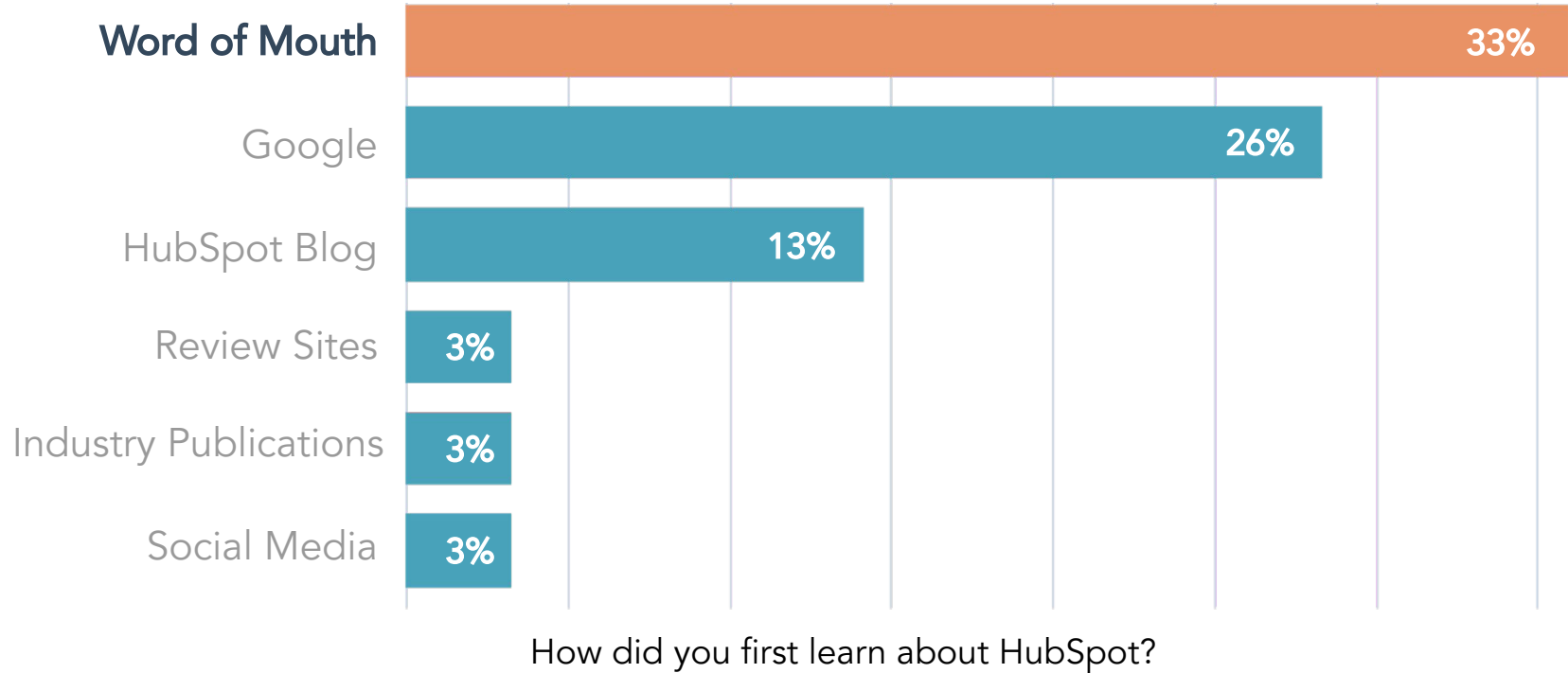
Where others harass,  
you help.



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.



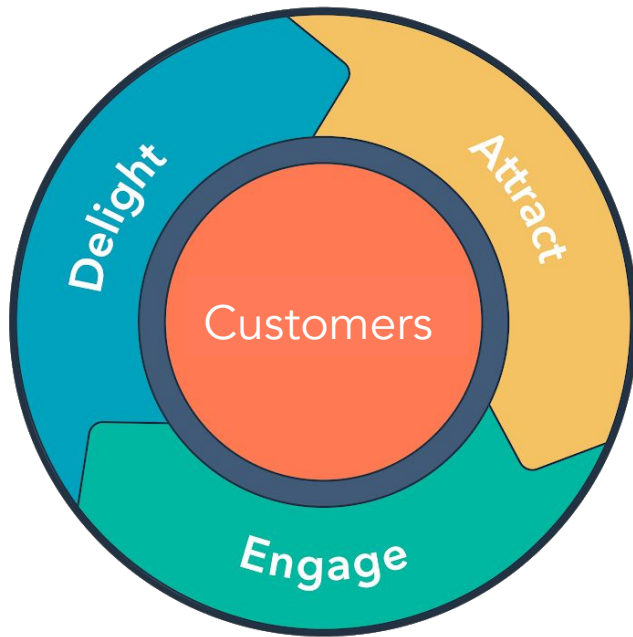
# We've transformed our business around a new model of growth

**Promoters**

Added & Lost

**Traffic**

Added & Lost



**Customers**

Added & Lost

**Free Users**

Added & Lost

The Flywheel

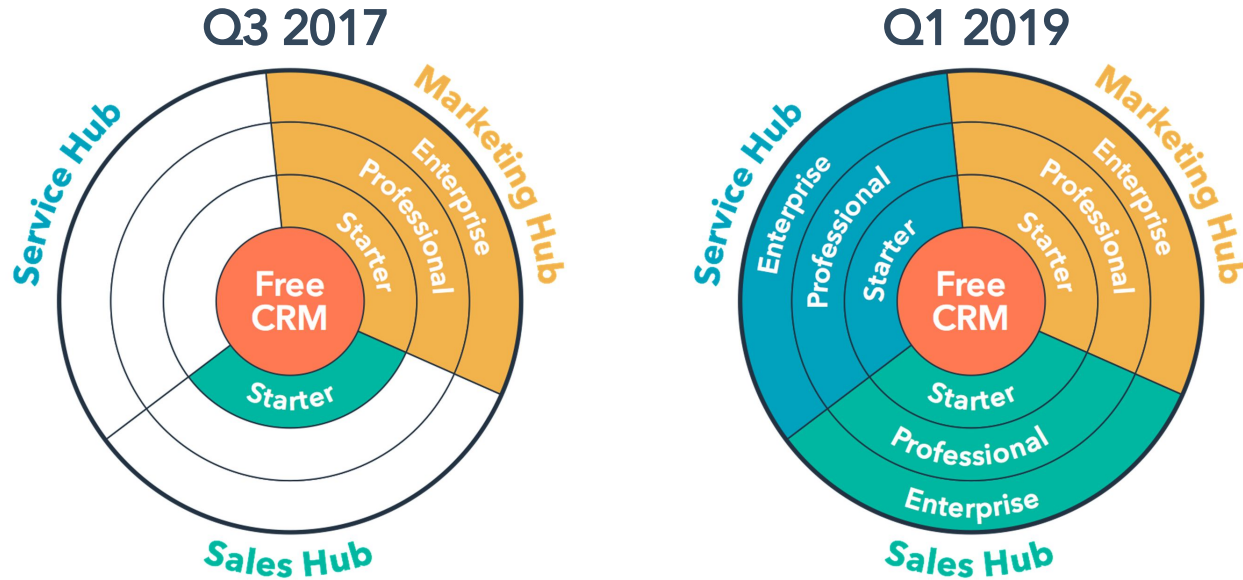
Each time we reduce friction for our customers, we fuel our own flywheel. And we're working to enable millions of organizations to do the same.

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



because the customer experience  
should be seamless.

# We dramatically expanded our offering

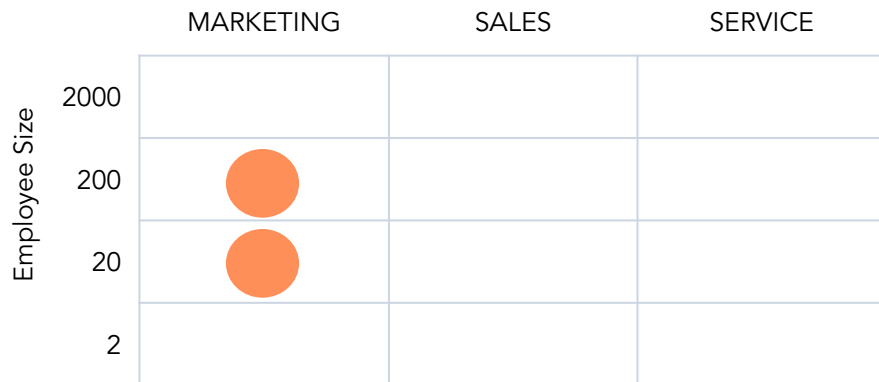


because every company should be able to grow better,  
and no company should have to outgrow it.

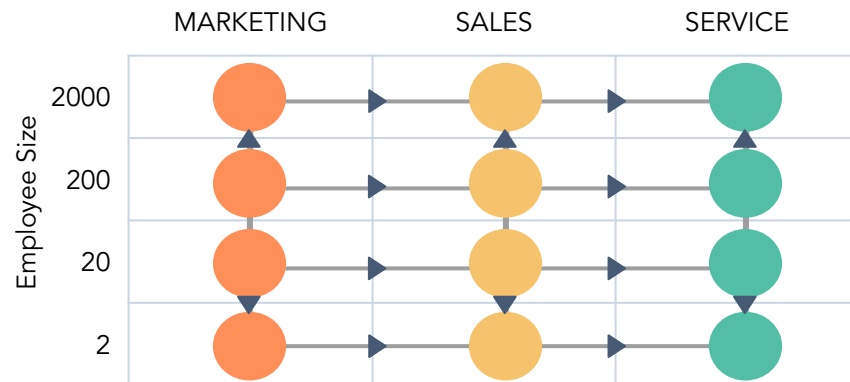
# We expanded TAM through product development

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

	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.

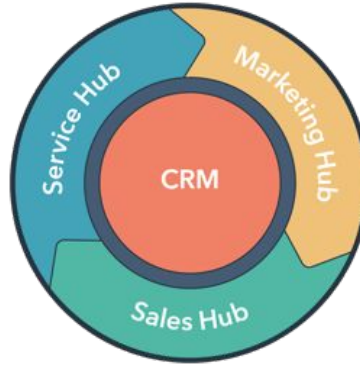


# All of that is just the beginning...

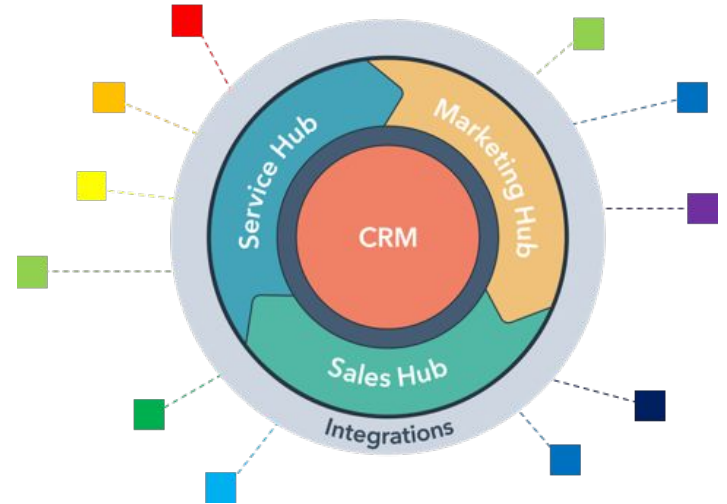
Began as an App



Became a Suite



Becoming a Platform

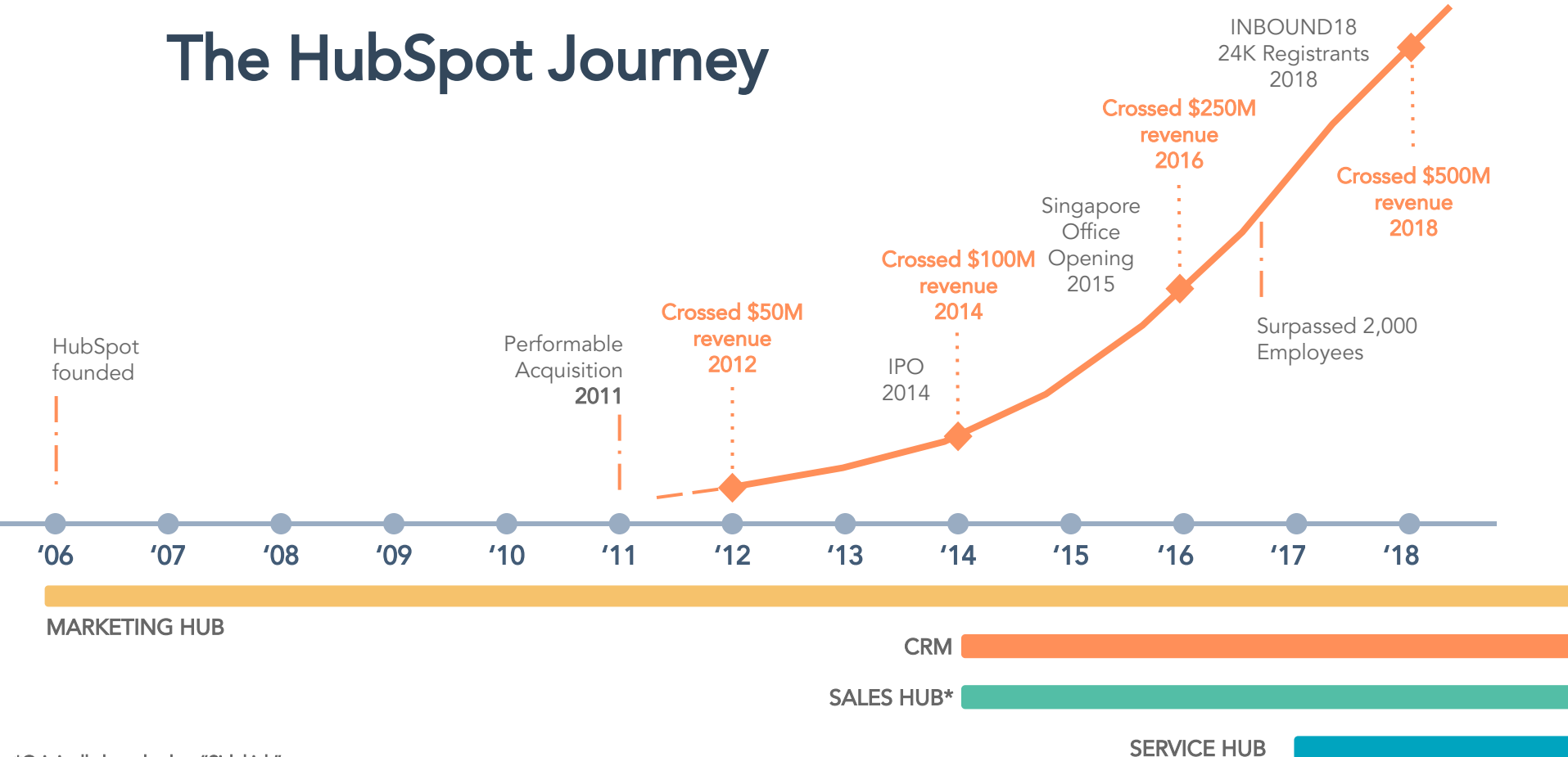


We're focused on helping companies grow better in ever expanding ways.



8 Offices Globally  
Most Recent in Bogota

# The HubSpot Journey



\*Originally launched as "Sidekick"



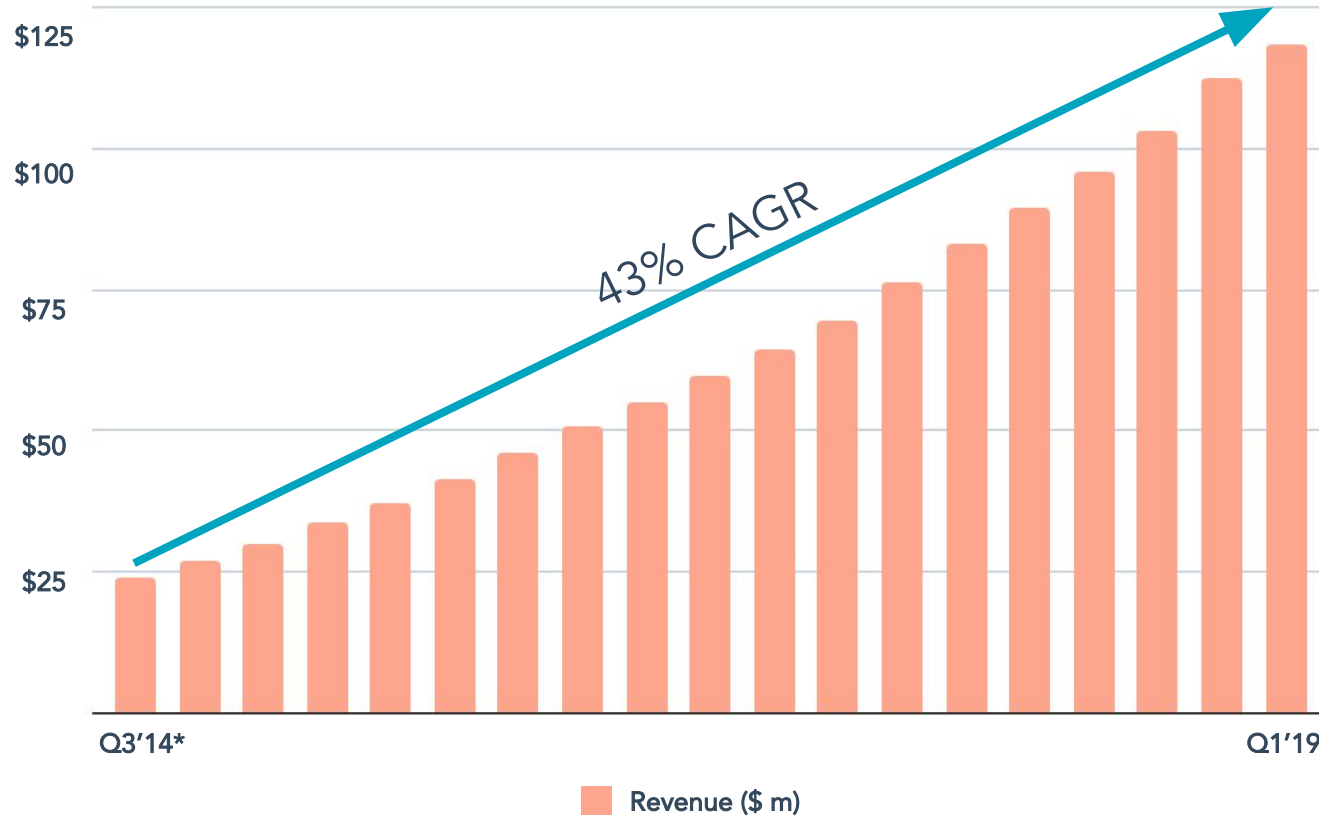


# Financial Review

## Q1 2019



# Revenue growth is strong



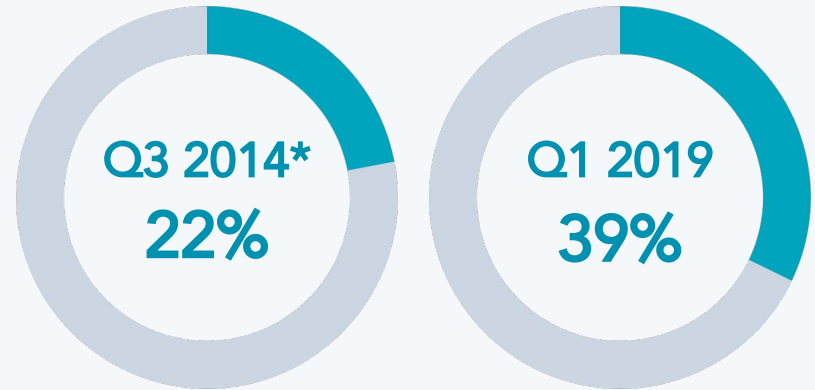
\*IPO

# International Growth is Strong

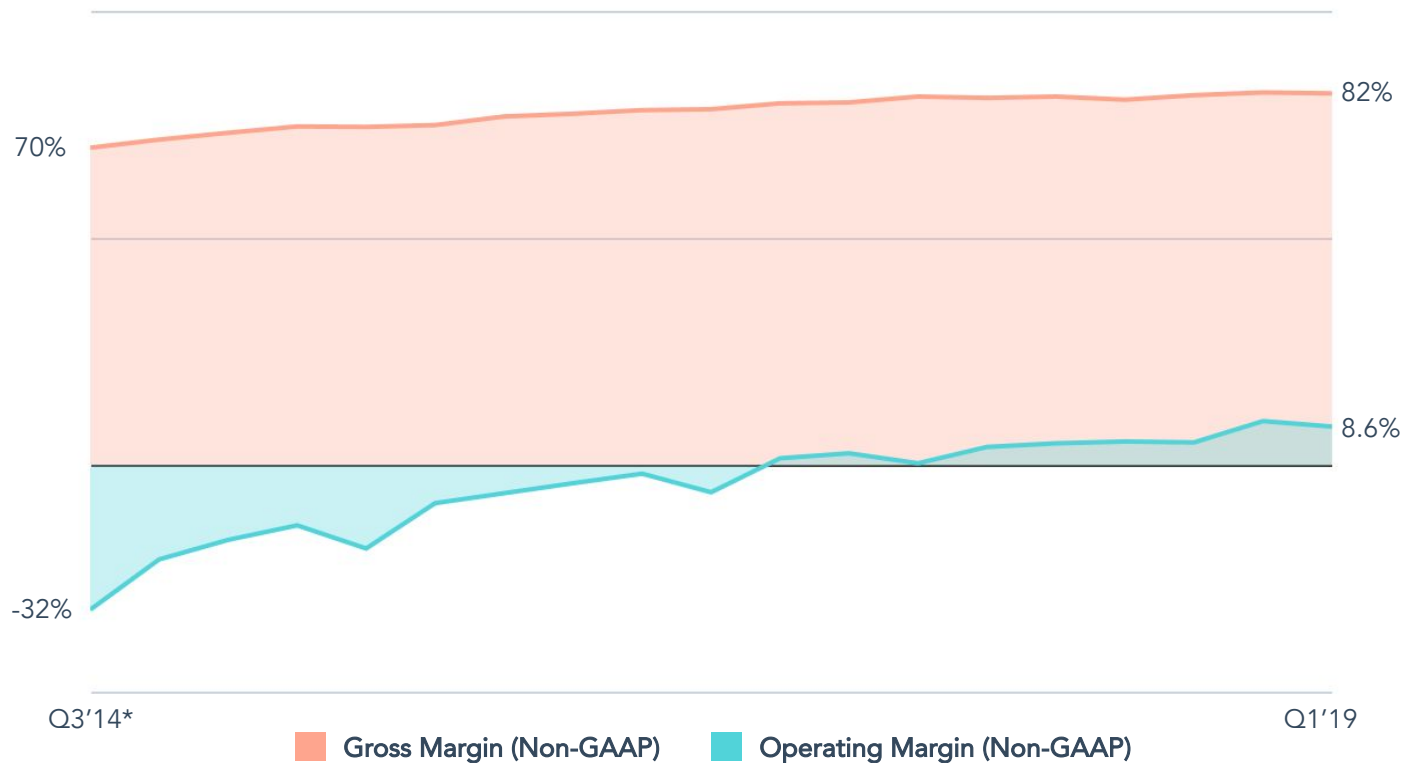
## Growing Fast



## Increasing % of Revenue

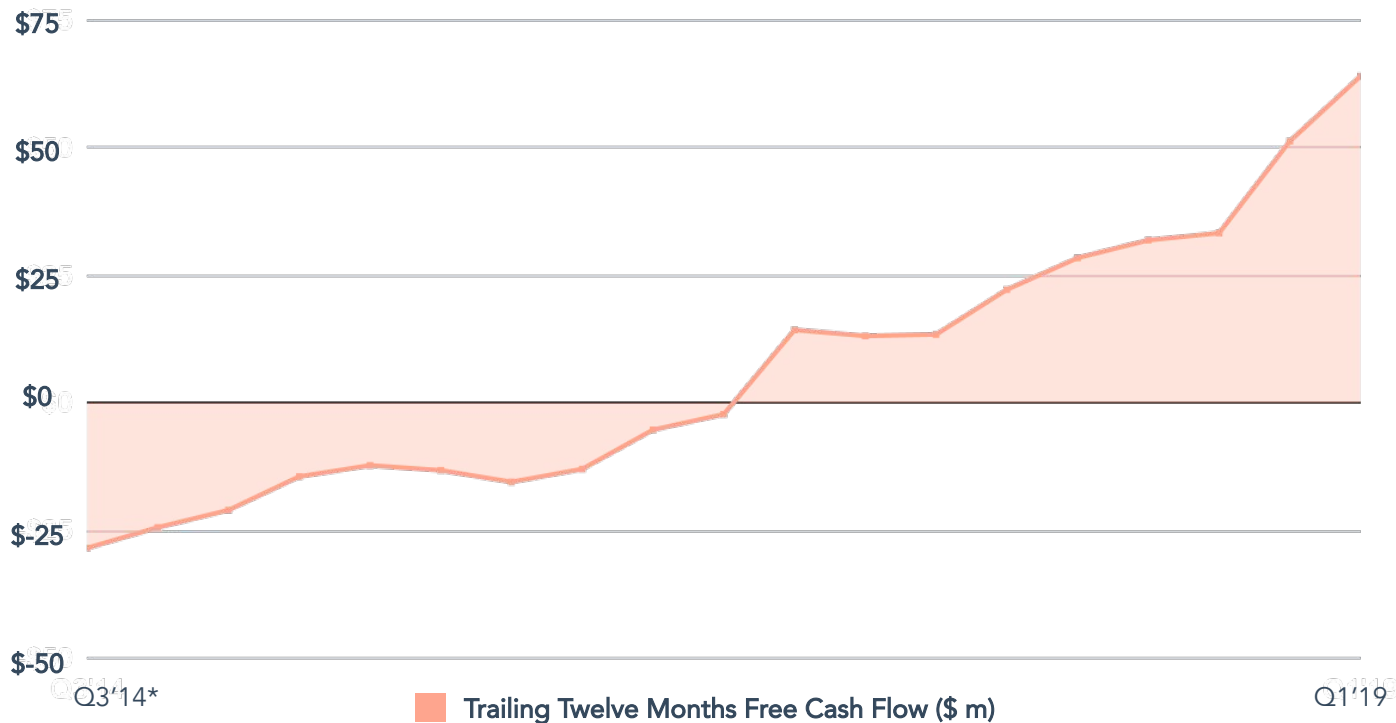


# Realizing Leverage in Profitability



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 2019	Long Term Target
Gross Margin	78%	81%	82%	82%	81% - 83%
R&D % of revenue	14%	15%	18%	18%	16% - 18%
S&M % of revenue	55%	52%	46%	44%	30% - 35%
G&A % of revenue	14%	12%	11%	11%	10%
Operating Margin	-4%	2%	6%	9%	20% - 25%

Note: These estimates reflect our current operating plan as of 05/07/2019 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

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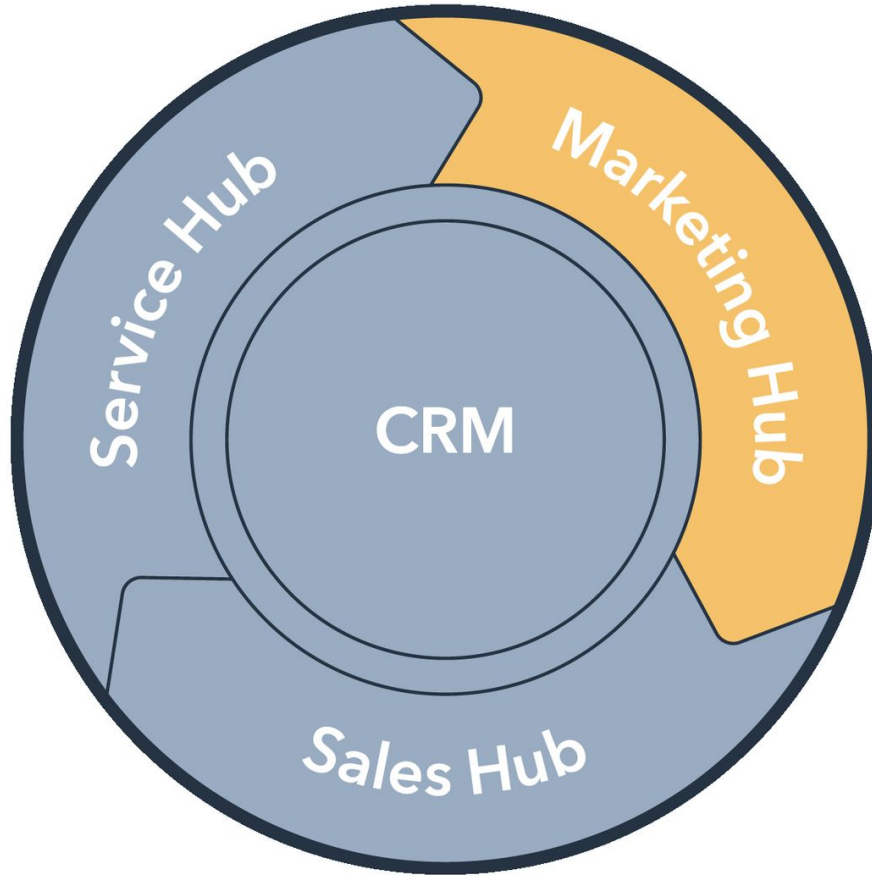
Financial model focused on growth and operating leverage

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Expanding TAM opportunity in all directions



# Appendix



# Marketing Tools

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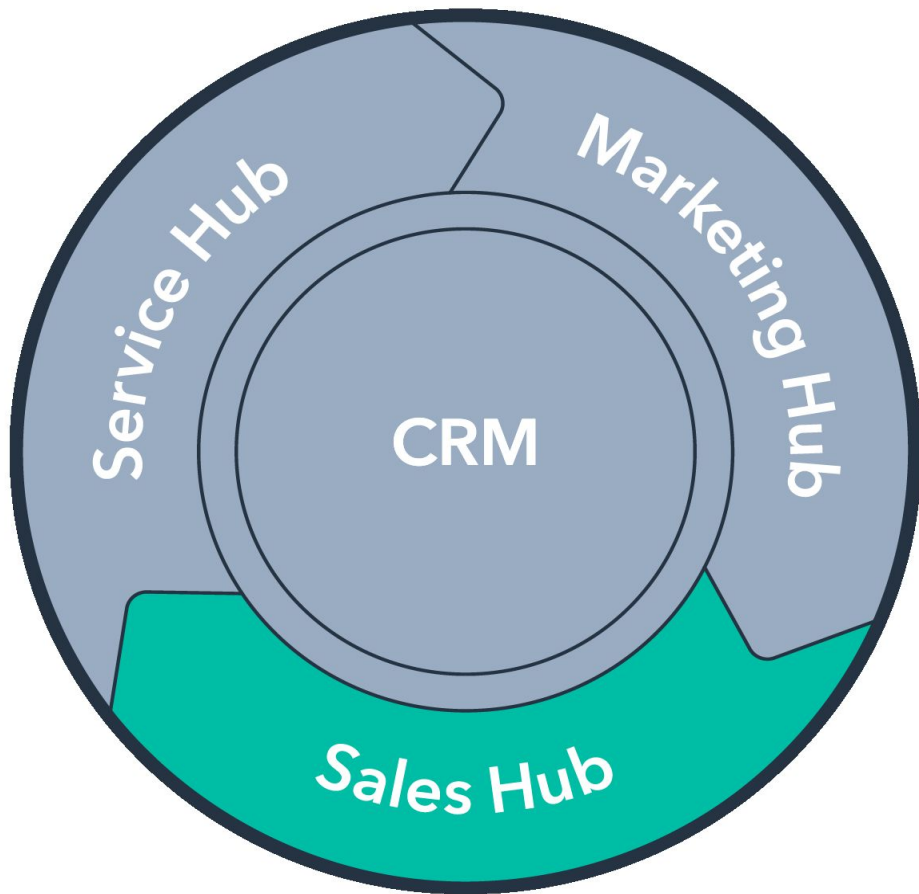
**Video**

**Social media**

**Content tools**

**Email marketing**

**Marketing automation**



## Sales Tools

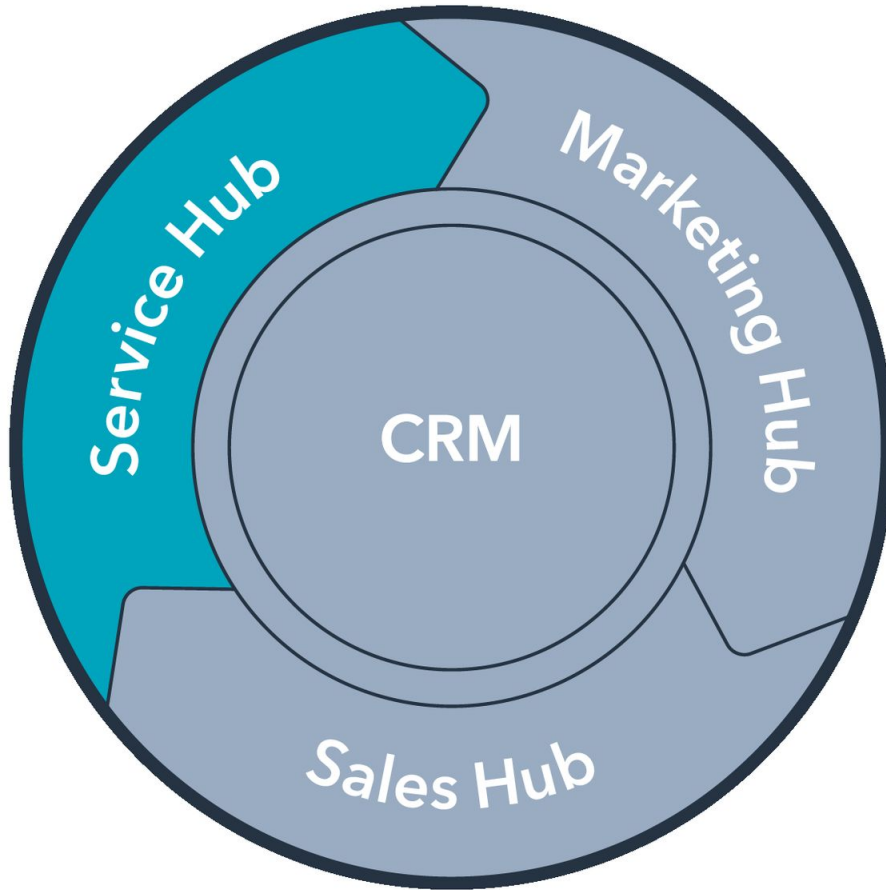
Calling

Documents

Email sequences

Sales automation

Meeting scheduling



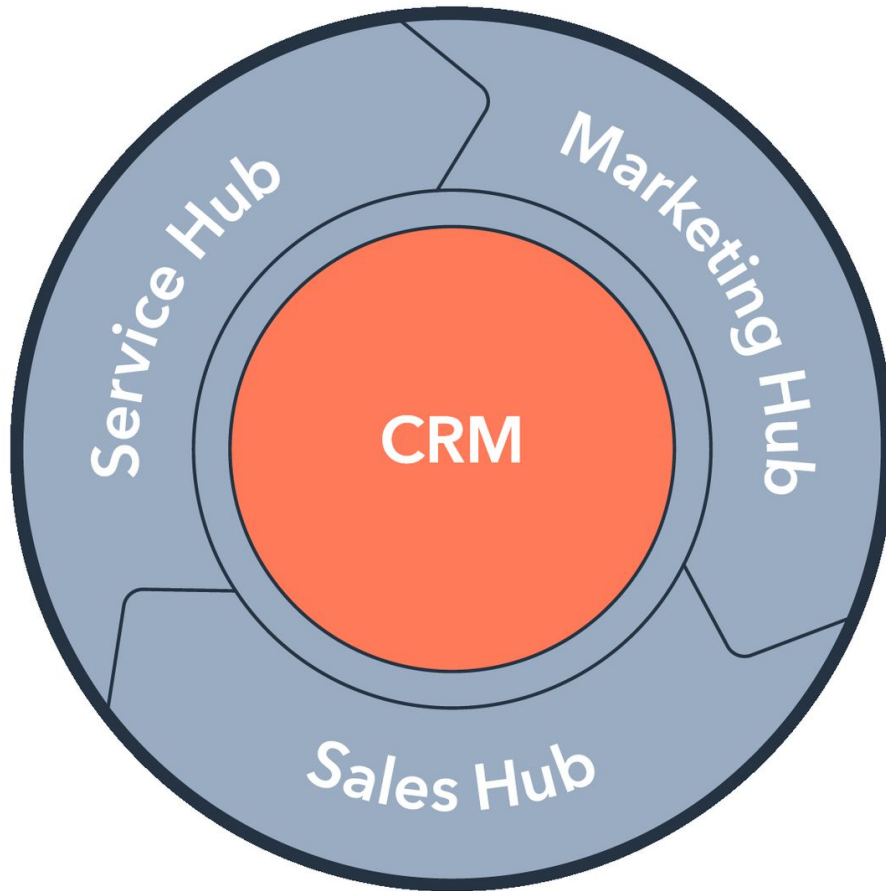
## Service Tools

Ticketing

Help desk

Knowledge base

Customer feedback



## CRM Tools

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**Meetings**

**Lead flows**

**Conversations**

**Lead analytics**

**Content management**

# GAAP to Non-GAAP Reconciliation

	2016		2017		2018		Three Months Ended March 31, 2019	
	\$ '000s	% of Revenue	\$ '000s	% of Revenue	\$ '000s	% of Revenue	\$ '000s	% of Revenue
<b>Cost of Revenue</b>								
Subscription	41,182	15%	51,563	14%	69,718	14%	21,301	14%
Stock-based compensation	(512)	0%	(658)	0%	(1,476)	0%	(614)	0%
Amortization of acquired intangibles	(57)	0%	(96)	0%	(1,394)	0%	(800)	-1%
Acquisition related expenses	-	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%
Professional services and other	20,683	8%	24,166	6%	30,639	6%	8,277	5%
Stock-based compensation	(1,640)	-1%	(2,327)	-1%	(2,324)	-1%	(1,019)	-1%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	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%
<b>Gross Margin</b>								
Gross margin	209,102	77%	299,883	80%	412,623	80%	122,220	81%
Stock-based compensation	2,152	1%	2,985	1%	4,400	1%	1,633	1%
Amortization of acquired intangible assets	57	0%	96	0%	1,394	0%	800	1%
Acquisition related expenses	-	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%
<b>Operating Expenses</b>								
Research and development	45,997	17%	70,373	19%	117,603	23%	35,177	23%
Stock-based compensation	(8,828)	-3%	(12,816)	-3%	(23,328)	-5%	(7,091)	-5%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	(1,266)	0%	(2,696)	-1%	(32)	0%
Non-GAAP research and development	<u>37,169</u>	14%	<u>56,291</u>	16%	<u>91,579</u>	18%	<u>28,054</u>	18%
Sales and marketing	162,647	60%	212,859	57%	267,444	52%	74,905	49%
Stock-based compensation	(13,352)	-5%	(19,016)	-5%	(31,099)	-6%	(7,804)	-5%
Amortization of acquired intangible assets	(27)	0%	(7)	0%	-	0%	-	0%
Acquisition related expenses	-	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%
General and administrative	45,120	17%	56,787	15%	75,834	15%	21,174	14%
Stock-based compensation	(8,343)	-3%	(12,500)	-3%	(17,434)	-3%	(4,677)	-3%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	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%
<b>Loss from Operations</b>								
Loss from operations	(44,662)	-16%	(40,136)	-11%	(48,258)	-9%	(9,036)	-6%
Stock-based compensation	32,675	12%	47,317	13%	76,261	15%	21,205	14%
Amortization of acquired intangible assets	84	0%	103	0%	1,394	0%	800	1%
Acquisition related expenses	-	0%	1,266	0%	2,696	1%	32	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%



# 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	
	% of		% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
<b>Gross Margin</b>												
Gross margin	21,243	70%	24,228	71%	27,701	73%	31,668	74%	35,233	74%	39,419	74%
Stock-based compensation	108	0%	326	1%	324	1%	439	1%	404	1%	457	1%
Amortization of acquired intangible assets	6	0%	6	0%	11	0%	19	0%	20	0%	20	0%
Acquisition related expenses	-	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%
<b>Loss from Operations</b>												
Loss from operations	(10,957)	-36%	(19,939)	-58%	(11,412)	-30%	(11,322)	-26%	(13,290)	-28%	(10,449)	-20%
Stock-based compensation	1,266	4%	12,844	38%	5,142	13%	5,642	13%	4,510	9%	6,015	11%
Amortization of acquired intangible assets	13	0%	13	0%	17	0%	26	0%	26	0%	26	0%
Acquisition related expenses	-	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%

# GAAP to Non-GAAP Reconciliation

	Three Months Ended March 31, 2016		Three Months Ended June 30, 2016		Three Months Ended September 30, 2016		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	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Gross Margin</b>																
Gross margin	44,989	76%	49,779	77%	54,777	78%	59,557	78%	65,180	79%	70,502	79%	78,716	81%	85,485	80%
Stock-based compensation	418	1%	608	1%	577	1%	551	1%	564	1%	844	1%	754	1%	823	1%
Amortization of acquired intangible assets	18	0%	13	0%	13	0%	13	0%	9	0%	-	0%	38	0%	50	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	45,425	77%	50,400	78%	55,367	78%	60,121	79%	65,753	80%	71,346	80%	79,508	81%	86,358	81%

<b>Loss from Operations</b>																
Loss from operations	(9,861)	-17%	(11,030)	-17%	(9,951)	-14%	(13,820)	-18%	(8,000)	-10%	(10,577)	-12%	(12,126)	-12%	(9,433)	-9%
Stock-based compensation	6,231	11%	8,475	13%	8,695	12%	9,274	12%	9,303	11%	13,006	15%	12,110	12%	12,898	12%
Amortization of acquired intangible assets	24	0%	20	0%	20	0%	20	0%	16	0%	-	0%	38	0%	50	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	439	0%	827	1%
Non-GAAP loss from operations	(3,606)	-6%	(2,535)	-4%	(1,236)	-2%	(4,526)	-6%	1,319	2%	2,429	3%	461	0%	4,342	4%

	Three Months Ended March 31, 2018		Three Months Ended June 30, 2018		Three Months Ended September 30, 2018		Three Months Ended December 31, 2018		Three Months Ended March 31, 2019	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Gross Margin</b>										
Gross margin	92,179	80%	97,725	80%	106,061	80%	116,658	81%	122,220	81%
Stock-based compensation	967	1%	1,163	1%	1,194	1%	1,076	1%	1,633	1%
Amortization of acquired intangible assets	50	0%	50	0%	494	0%	800	1%	800	1%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	93,196	81%	98,938	81%	107,749	82%	118,534	82%	124,653	82%

<b>Loss from Operations</b>										
Loss from operations	(11,324)	-10%	(14,052)	-11%	(15,050)	-11%	(7,832)	-5%	(9,036)	-6%
Stock-based compensation	16,046	14%	19,675	16%	19,612	15%	20,927	15%	21,205	14%
Amortization of acquired intangible assets	50	0%	50	0%	494	0%	800	1%	800	1%
Acquisition related expenses	802	1%	802	1%	802	1%	289	0%	32	0%
Non-GAAP loss from operations	5,574	5%	6,475	5%	5,858	4%	14,184	10%	13,001	9%

# 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
	\$ '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)
Purchases of property & equipment	(7,042)	(7,266)	(5,811)	(3,525)	(3,556)
Capitalization of software development costs	(4,911)	(4,634)	(4,450)	(4,054)	(3,829)
Free cash flow	(28,417)	(24,364)	(20,964)	(14,386)	(12,200)

	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	Trailing Twelve Months Ended March 31, 2017	Trailing Twelve Months Ended June 30, 2017
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	(423)	3,571	10,635	19,733	19,366	35,279	35,364
Purchases of property & equipment	(8,427)	(14,043)	(18,513)	(19,595)	(15,789)	(14,983)	(15,592)
Capitalization of software development costs	(4,314)	(4,978)	(5,034)	(5,362)	(5,749)	(5,925)	(6,577)
Free cash flow	(13,164)	(15,450)	(12,912)	(5,224)	(2,172)	14,371	13,195

	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	Trailing Twelve Months Ended March 31, 2019
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	37,893	49,614	57,244	62,018	65,734	84,851	95,845
Purchases of property & equipment	(17,528)	(20,276)	(20,680)	(20,514)	(21,875)	(22,305)	(20,331)
Capitalization of software development costs	(6,882)	(7,071)	(8,077)	(9,537)	(10,491)	(11,168)	(11,373)
Free cash flow	13,483	22,267	28,487	31,967	33,368	51,378	64,141