

The HubSpot logo is centered on a solid orange background. It features the word "HubSpot" in a white, sans-serif font. The "Spot" portion of the logo is stylized, with the two 'o's connected by a network-like graphic consisting of three dots and two intersecting lines. In the upper left corner, there are two faint, light-orange circular elements: a large circle with a smaller solid circle inside it, and a set of three concentric circles. In the lower right corner, a large, faint, light-orange arc is visible, suggesting a larger circle.



# Introduction & Agenda

**Chuck MacGlashing**

Senior Director of IR, Corporate Treasurer

# 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 August 1, 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.

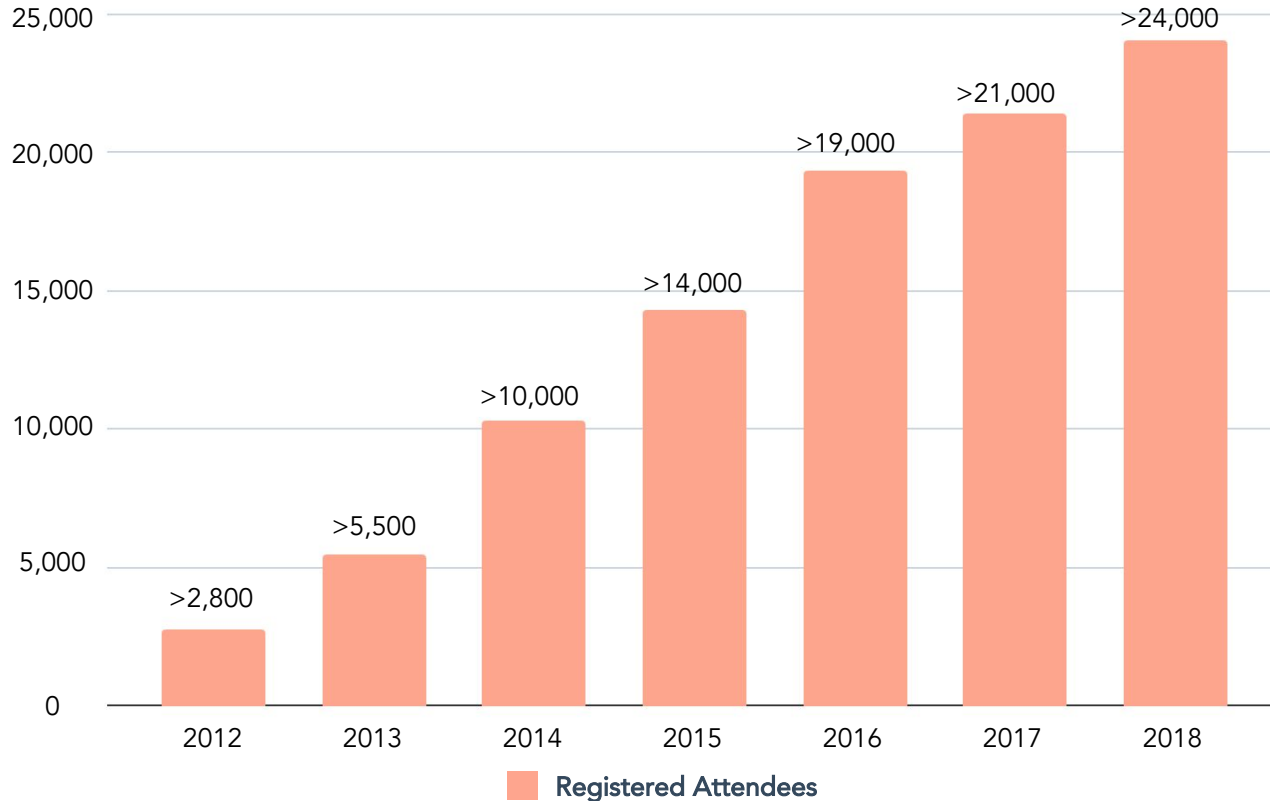


# Agenda

Time	Event	Presenter	Location
1:30p - 1:35p	Welcome & Introduction	Charles MacGlashing, Director of IR	Room 259
1:35p - 2:00p	Operations Overview	JD Sherman, President and COO	Room 259
15 minute break			
2:15p - 3:45p	Keynote	Brian Halligan, CEO and Co-Founder Dharmesh Shah, CTO and Co-Founder	Main Stage
30 minute break			
4:15p - 5:00p	Product Spotlight	Christopher O'Donnell, VP Product	Main Stage
25 minute break including dinner buffet			
5:25p - 5:50p	Financial Overview	Kate Bueker, CFO	Room 259
5 minute break			
5:55p - 6:30p	Analyst Q&A	HubSpot Executive Team	Room 259



# INBOUND 2018: Registered Attendees





**Thank you**



# Operations Overview

JD Sherman

President, Chief Operating Officer





2012



# The Funnel



Opportunity = Get Found

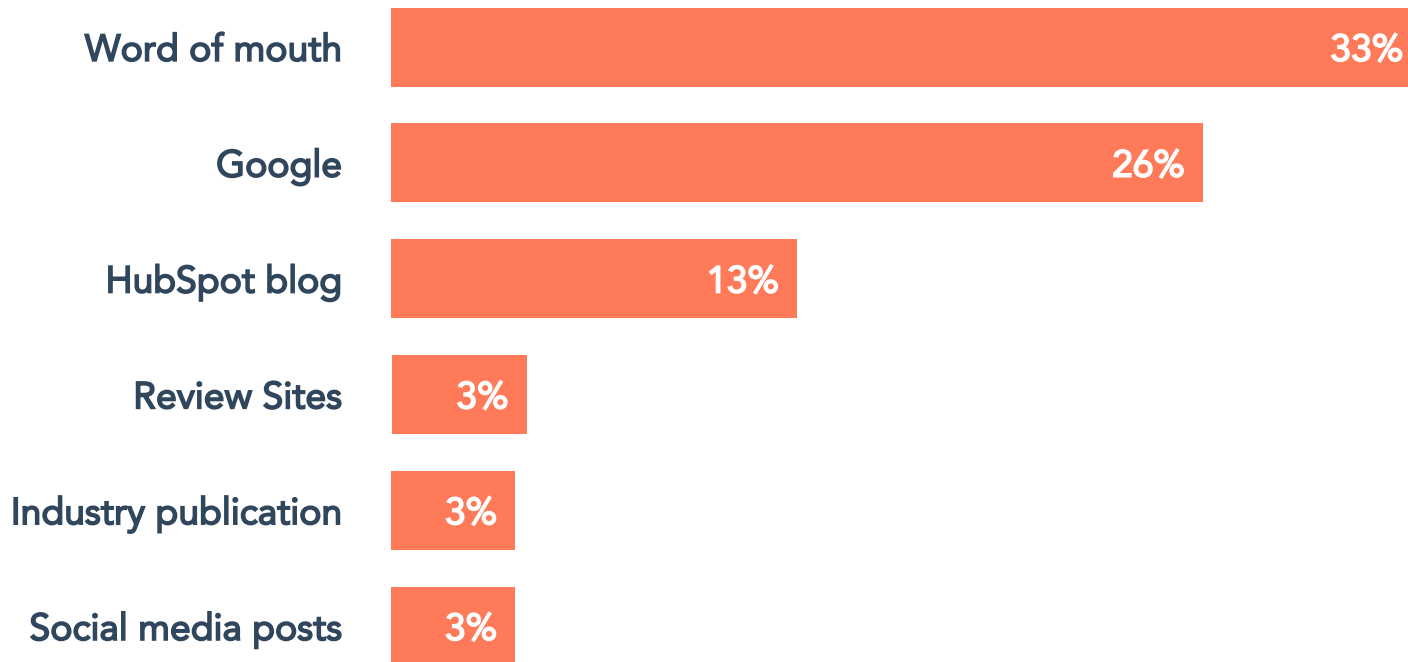
Asset = Inbound Marketing

Optimize = Steps

**Customers = Outcome**



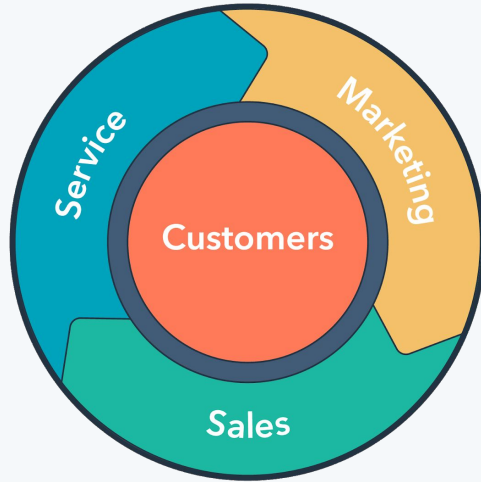
# How did you first hear about HubSpot?



2018



# The Flywheel



Opportunity = Customer Delight

Asset = Happy Customers

Liability = Unhappy Customers

Optimize = Seams

**Customers = Central**

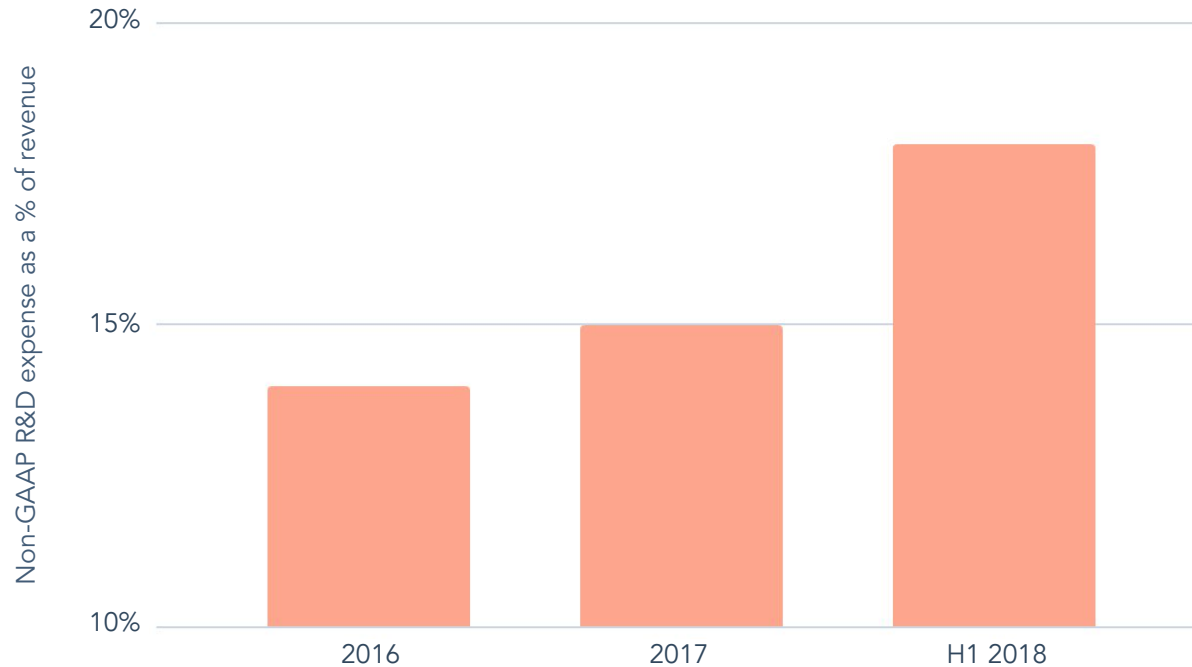




# Product Strategy Funnel to Flywheel



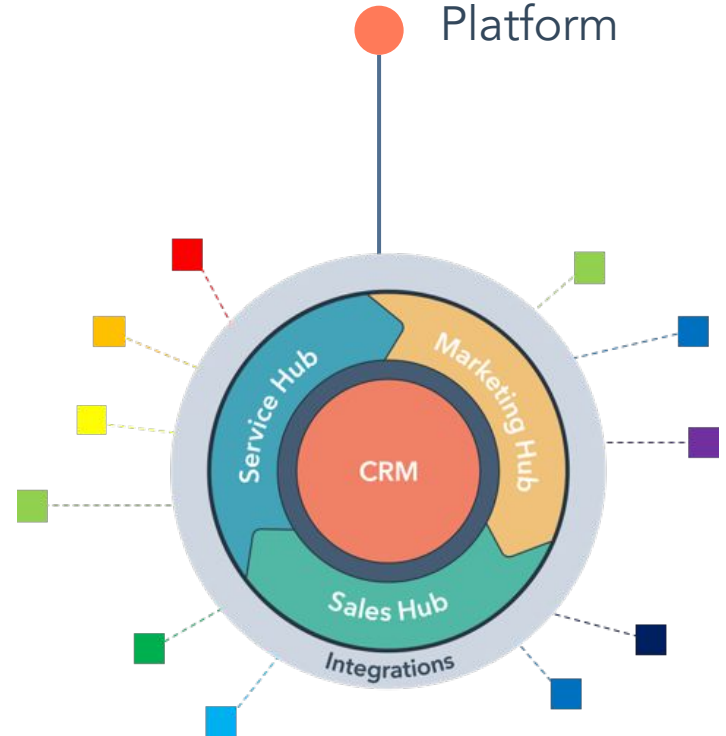
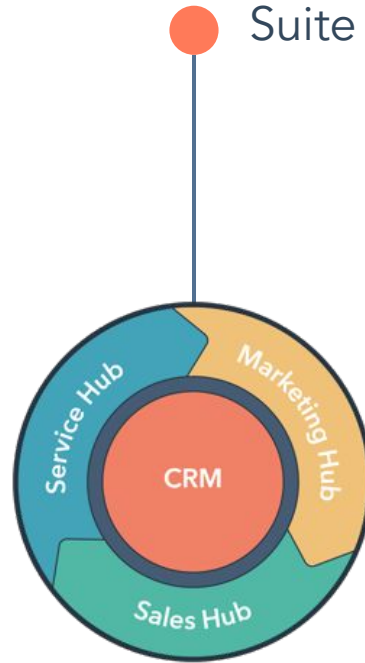
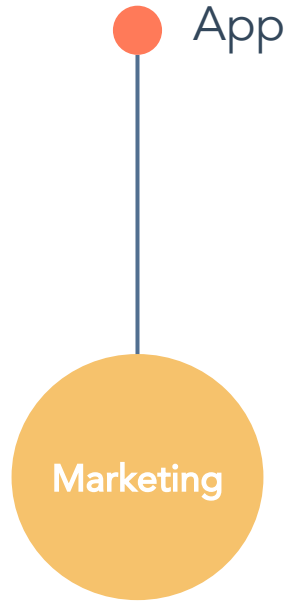
# Research & Development Investment



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

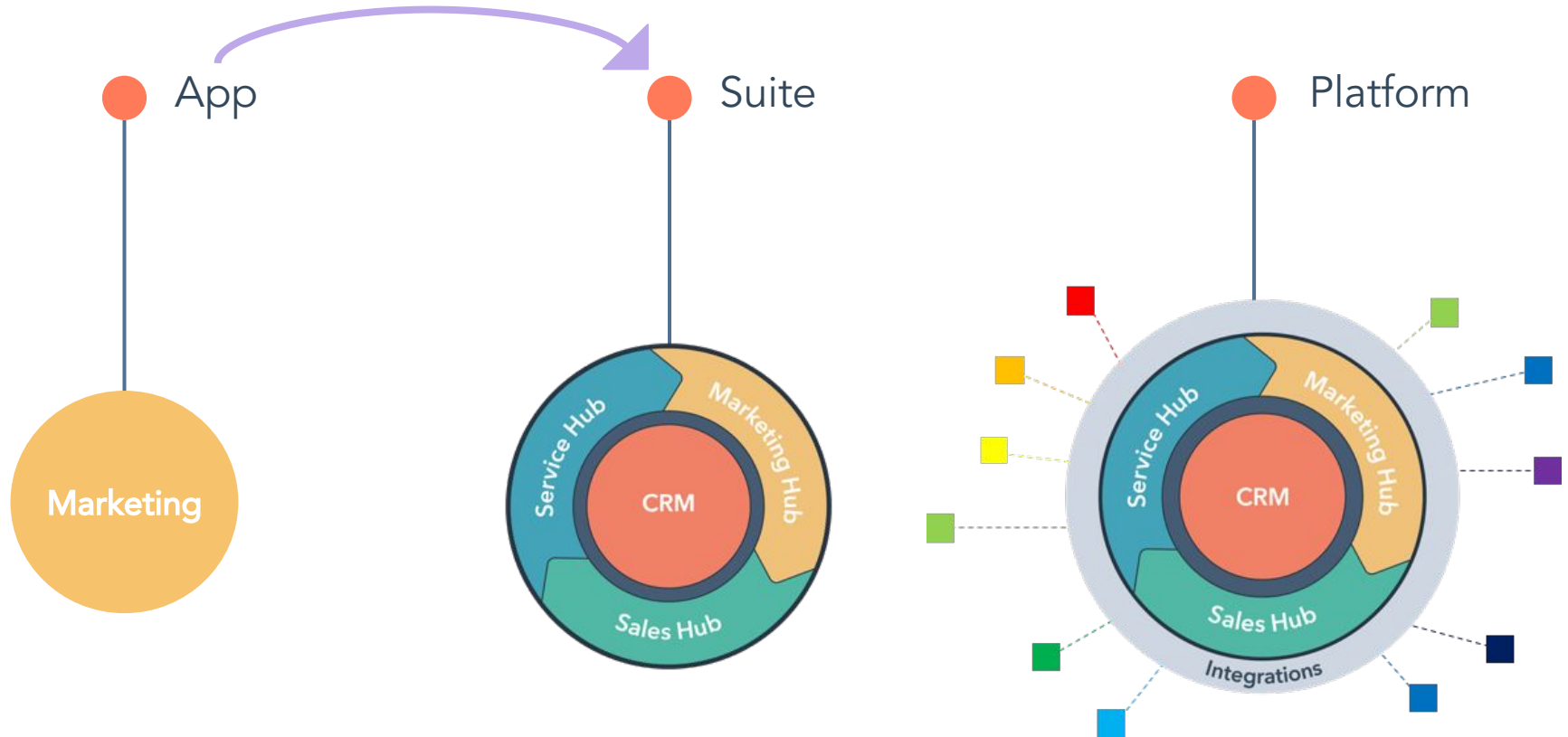


# The HubSpot Journey

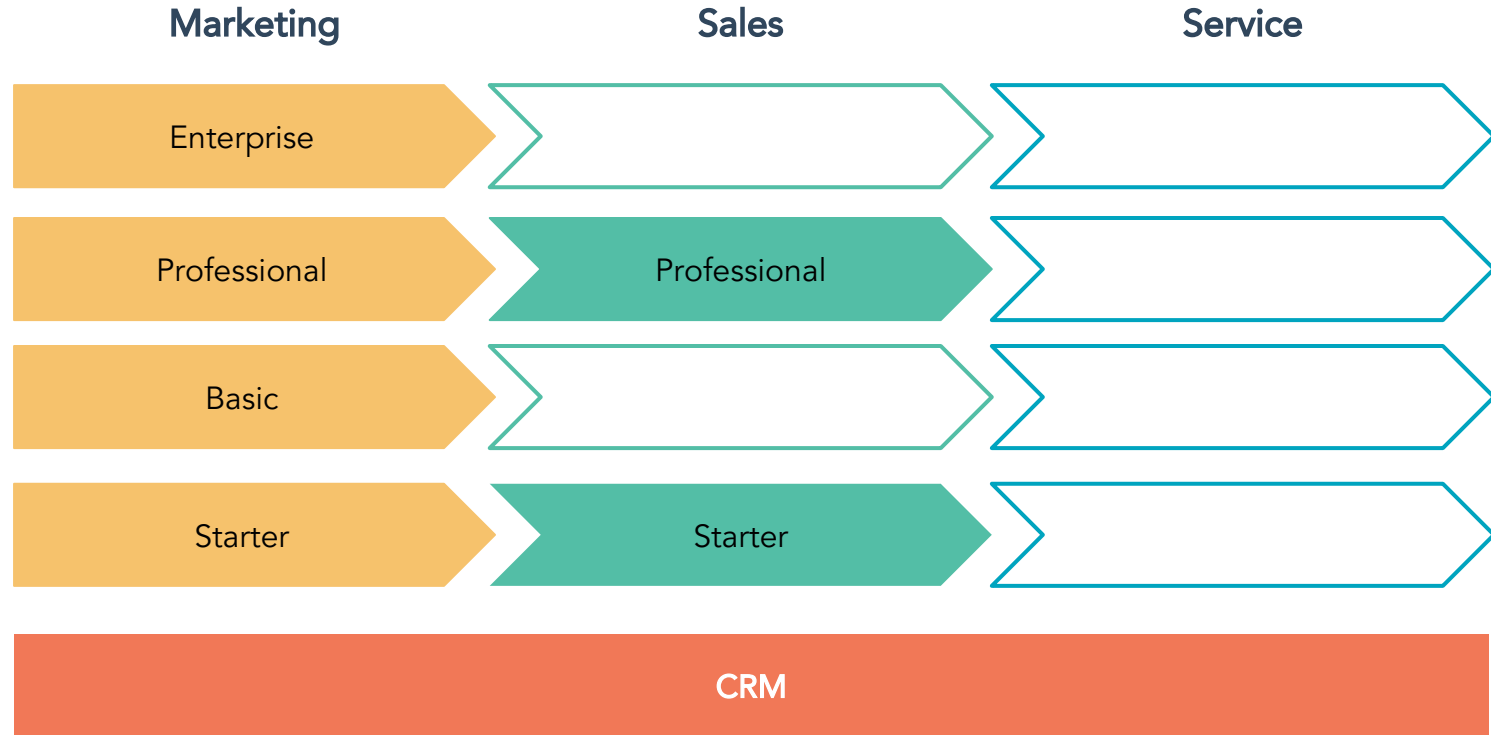




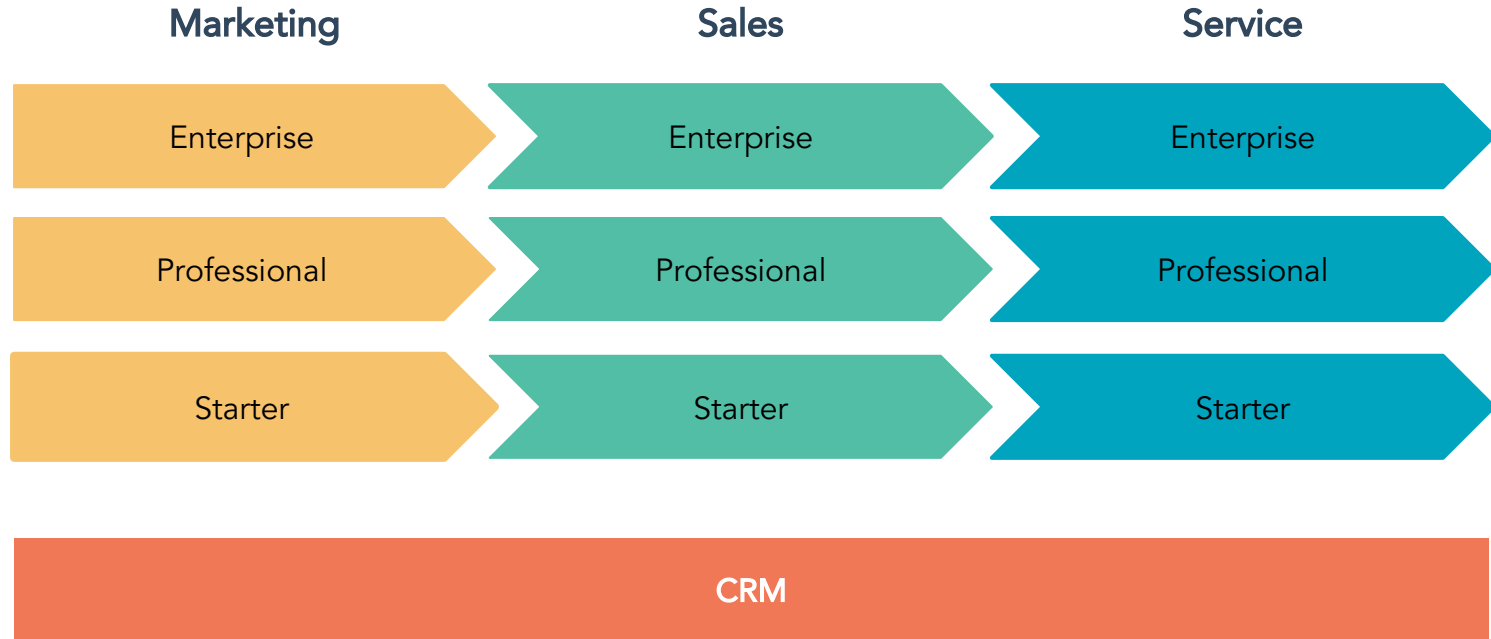
# The HubSpot Journey



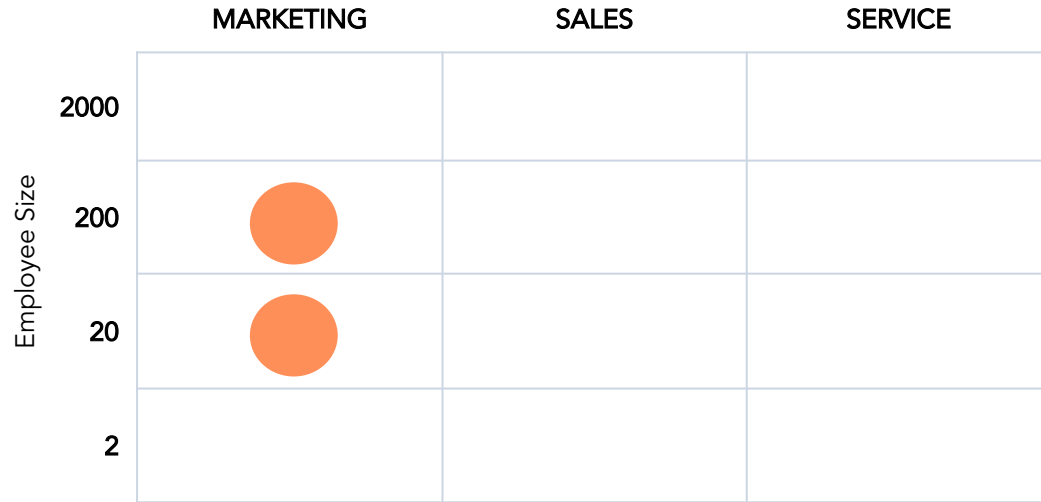
# Product Suite in January 2018



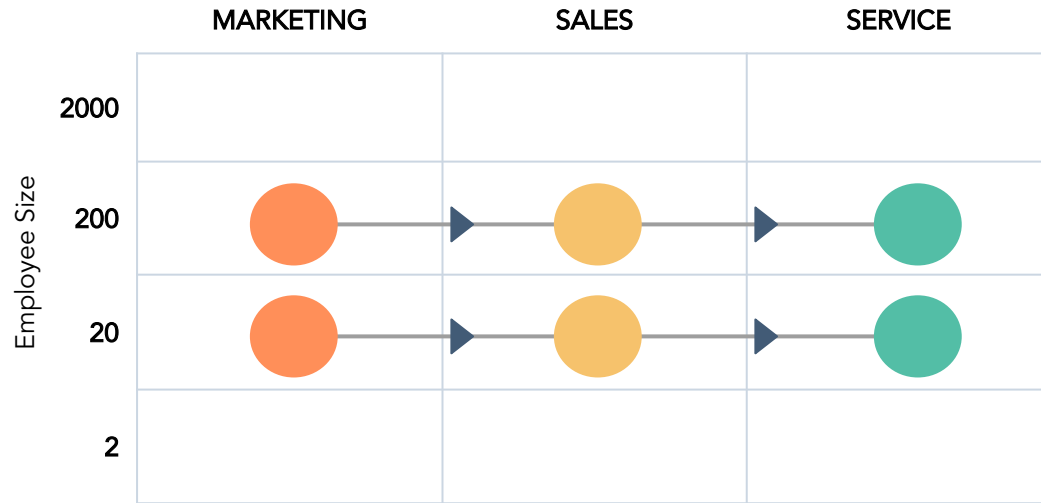
# Product Suite in September 2018



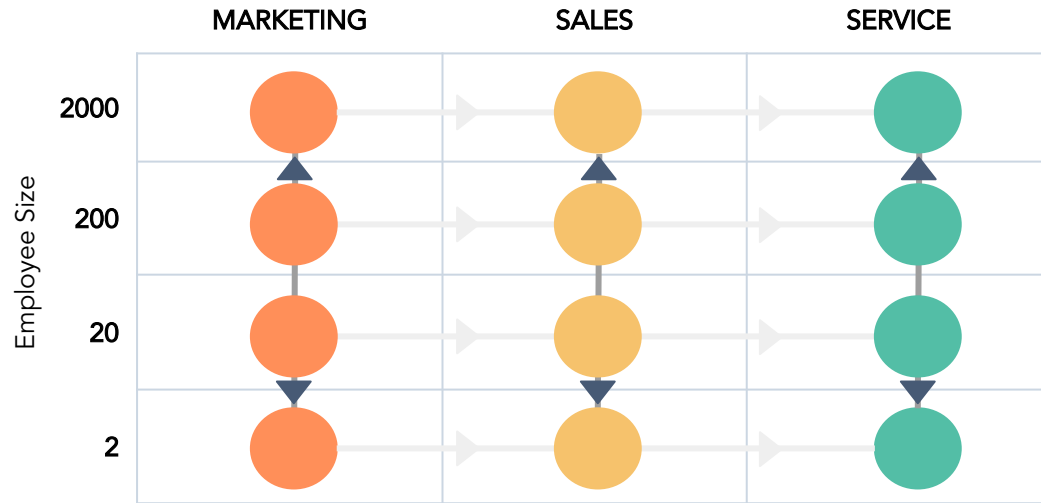
# Capturing the Market: HubSpot at IPO



# Capturing the Market with new Hubs



# Capturing the Market with Starter and Enterprise



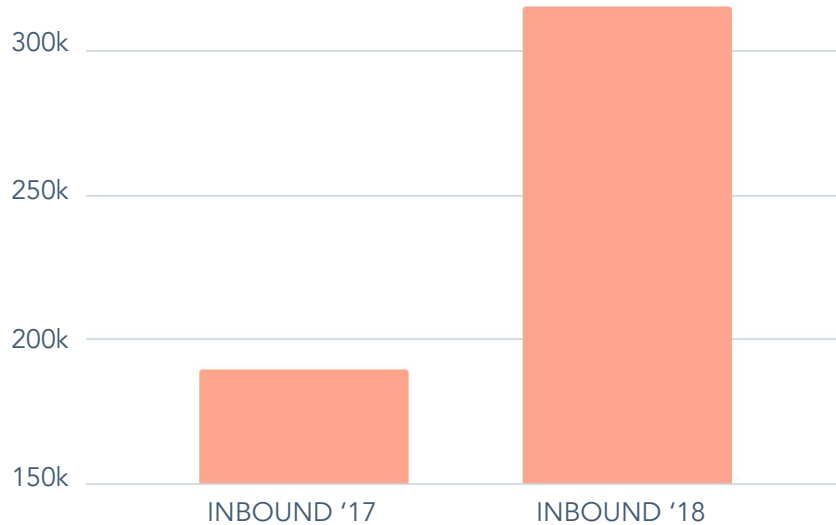


# Evolving GTM

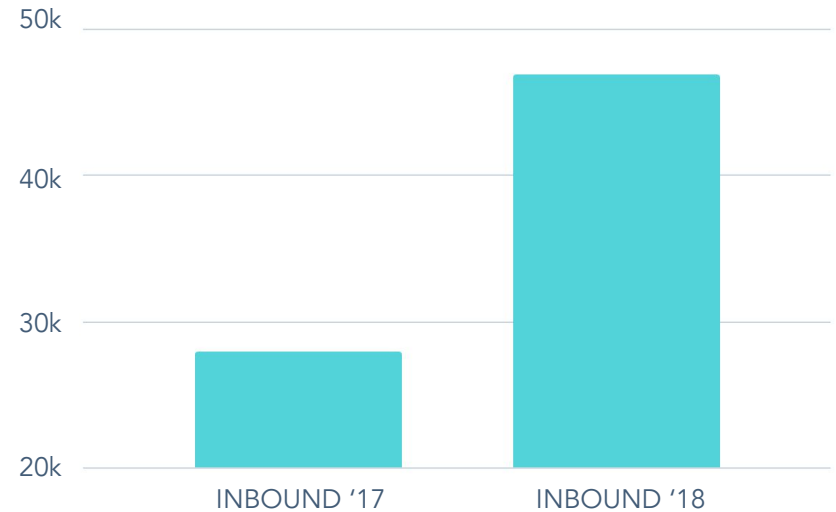


# Free CRM user base is growing

CRM Weekly Active Users



CRM Weekly Active Teams



Weekly Active User is a user who takes one or more actions in the CRM, such as viewing a contact record or adding a deal, during a seven day period.

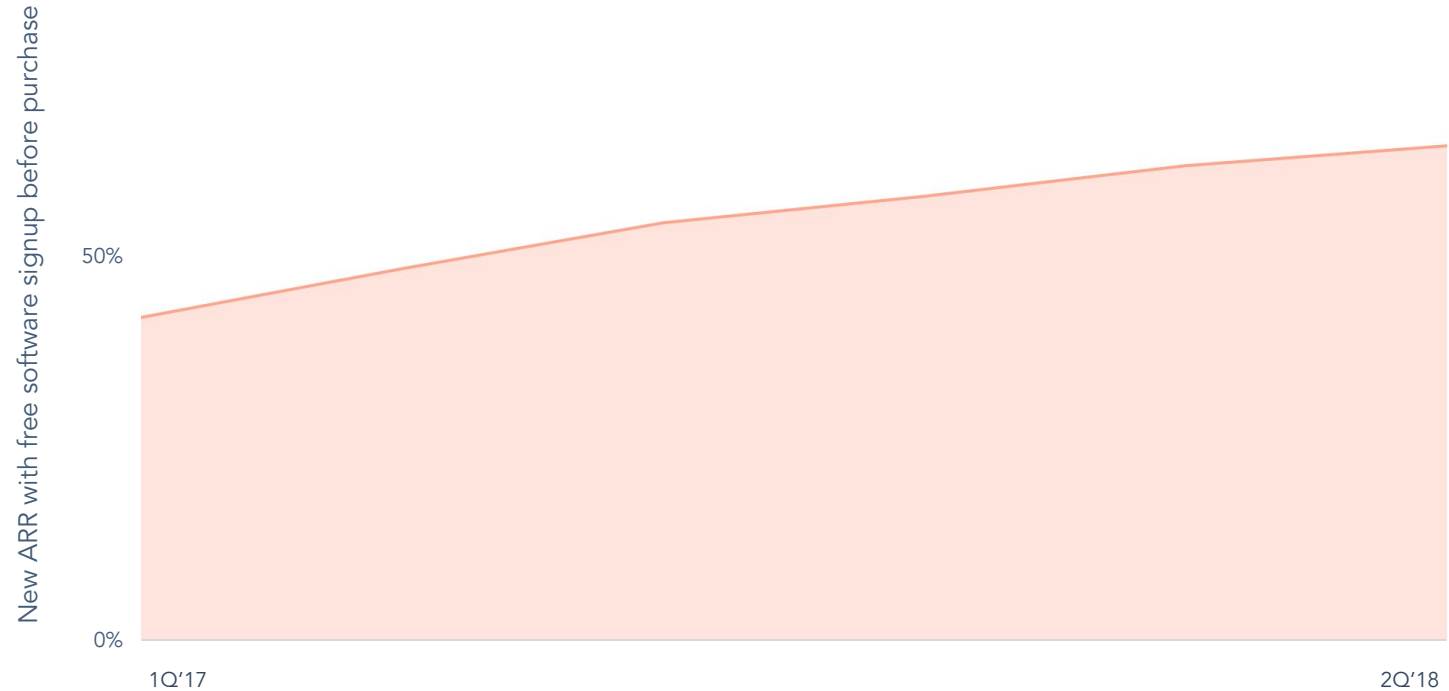
Weekly Active Team is two or more users from the same portal who each take one or more actions in the CRM in the same week, such as viewing a contact record or adding a deal, during a seven day period.

INBOUND '17 9/26/17, INBOUND '18 9/5/18.

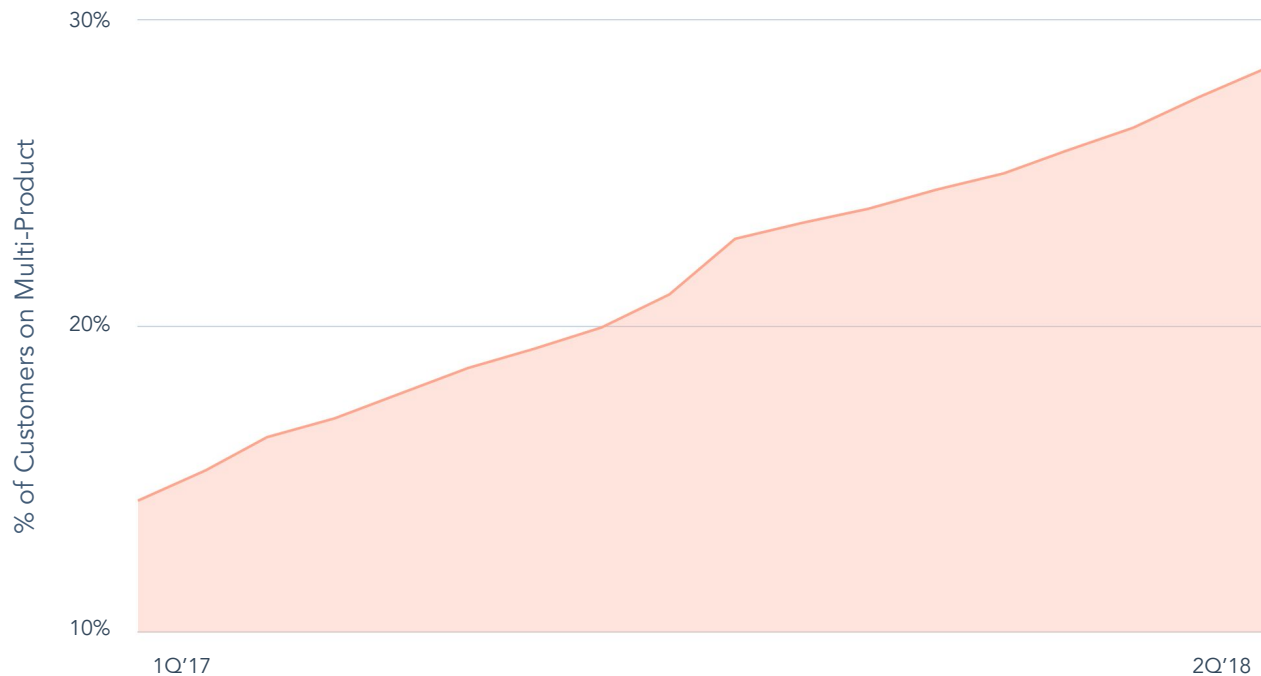




# More paid customers are starting with free



# More customers are adopting the suite



Multi-product customer is any of our Total Customers using two or more paid Marketing Hub, Sales Hub, or Service Hub products.

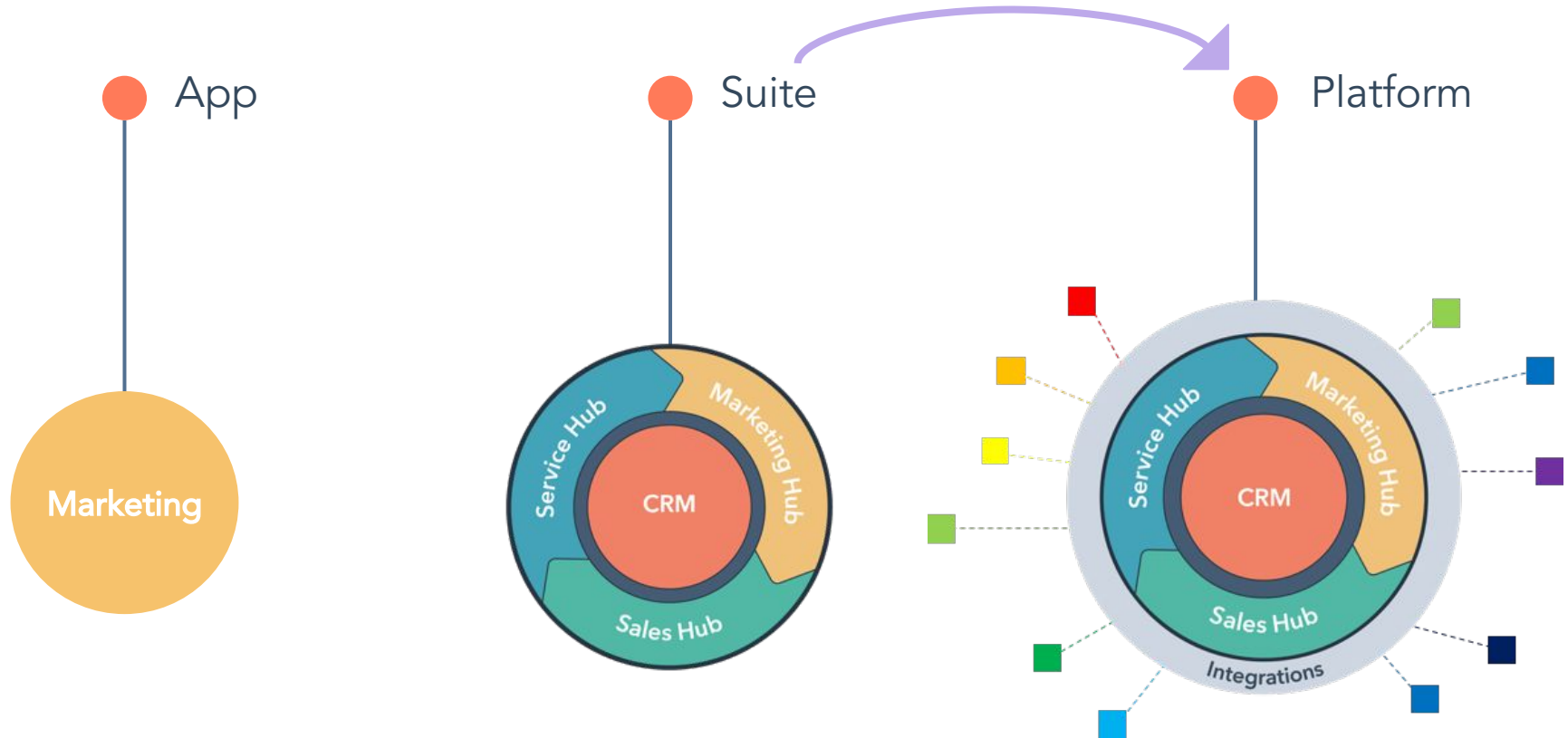




# Evolving Platform

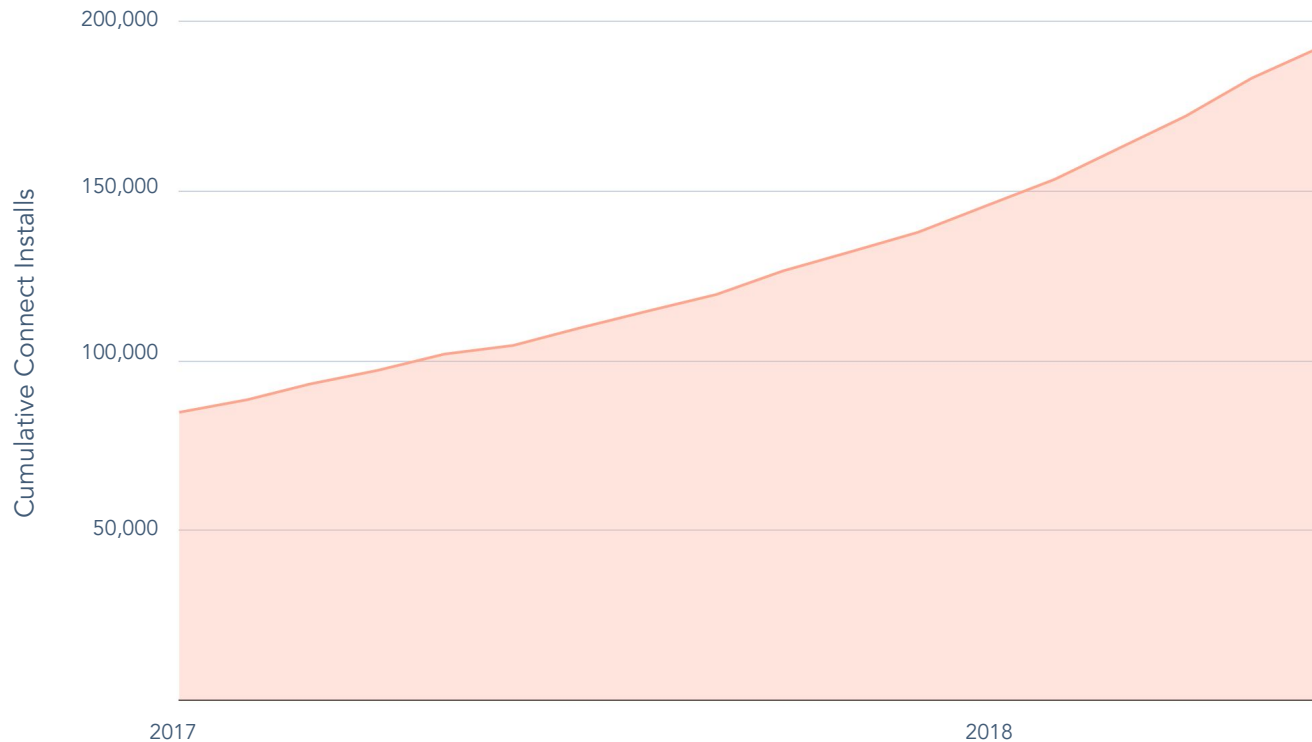


# The HubSpot Journey





# More customers are using integrations



Data 1/1/2017 through 6/12/2018.

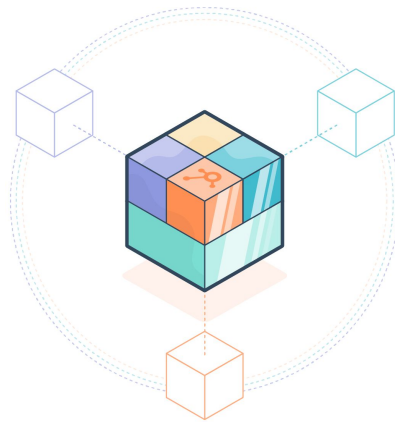


# Optimizing HubSpot's Flywheel



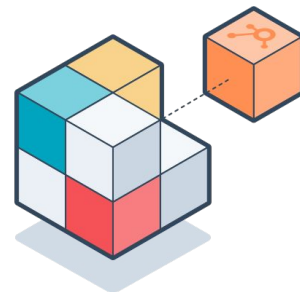
## Go-to-Market

Light touch to match the way customers want to buy



## Growth Suite

Help customers grow better with HubSpot



## Platform

Help customers grow better with partners



The background is a solid orange color. In the top-left corner, there is a large, semi-transparent orange circle with a smaller, solid orange circle inside it. To its right, there are three concentric orange circles of decreasing size. In the bottom-right corner, there is a large, semi-transparent orange circle that is partially cut off by the edge of the frame.

**Thank you**





HubSpot

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# Financial Overview

**Kate Bueker**

Chief Financial Officer

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Grow Better

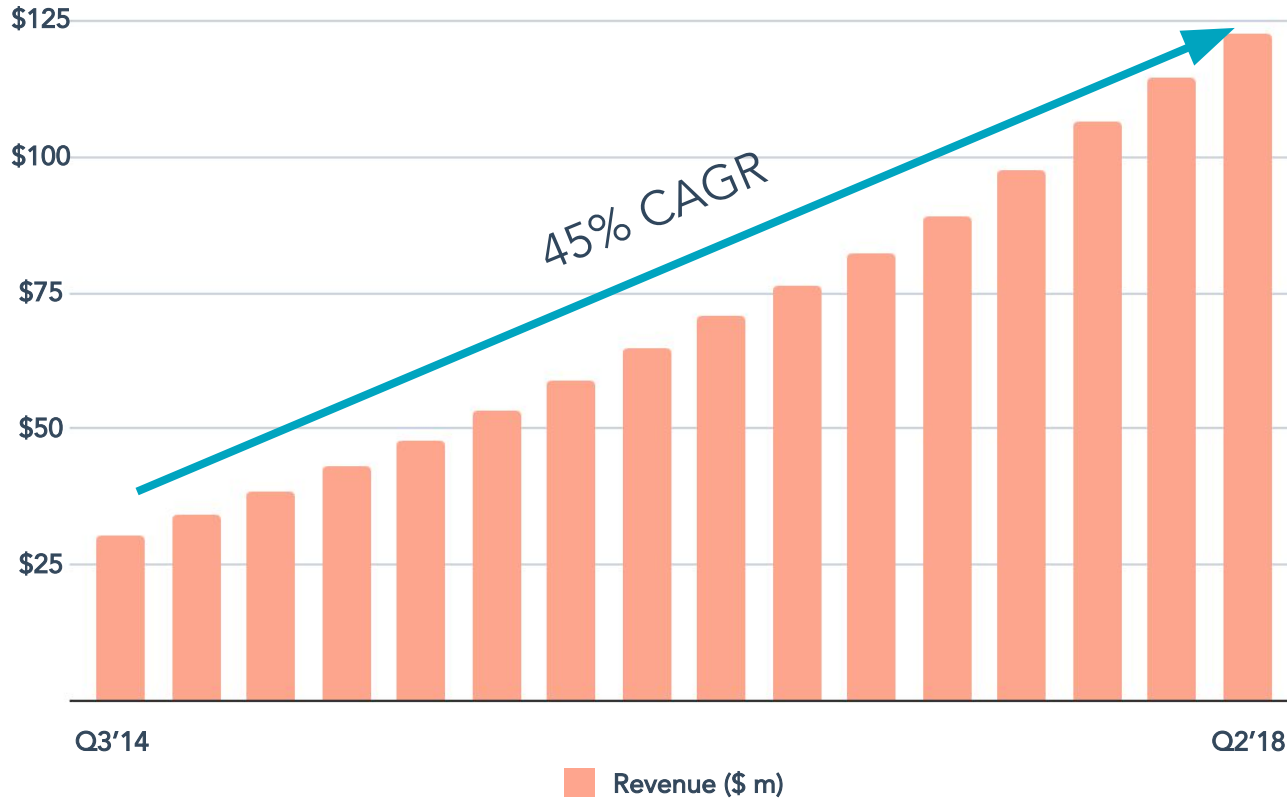
The text "Grow Better" is rendered in a bold, sans-serif font. The letters are filled with a vibrant, multi-colored pattern of abstract shapes, including swirls, dots, and lines in shades of blue, orange, red, green, and yellow. The text is set against a light gray background. Above the "G", there are three small white plus signs. Above the "o", there are three small white plus signs. Above the "w", there are three small white plus signs. Above the "B", there are three small white plus signs. Above the "t", there are three small white plus signs. Above the "t", there are three small white plus signs. Above the "e", there are three small white plus signs. Above the "r", there are three small white plus signs. Below the "G", there are three small white plus signs. Below the "o", there are three small white plus signs. Below the "w", there are three small white plus signs. Below the "B", there are three small white plus signs. Below the "t", there are three small white plus signs. Below the "t", there are three small white plus signs. Below the "e", there are three small white plus signs. Below the "r", there are three small white plus signs.



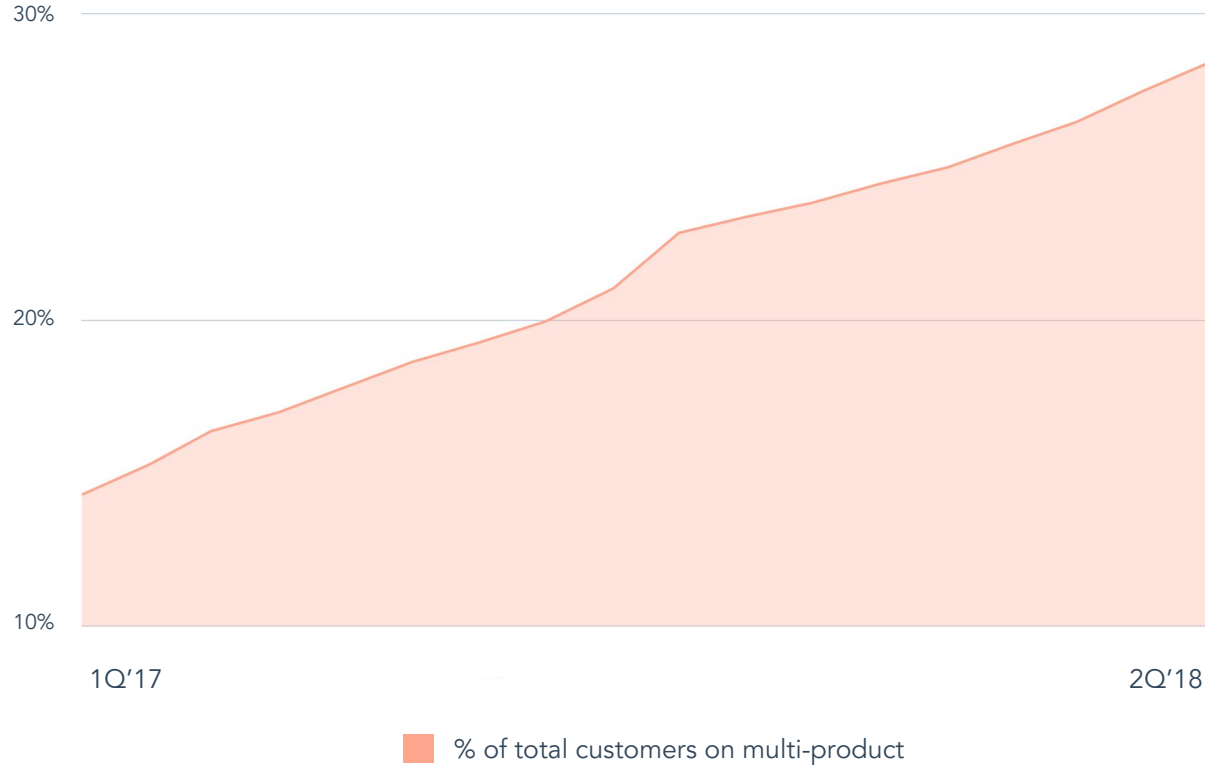
# Business Update



# Revenue growth is strong



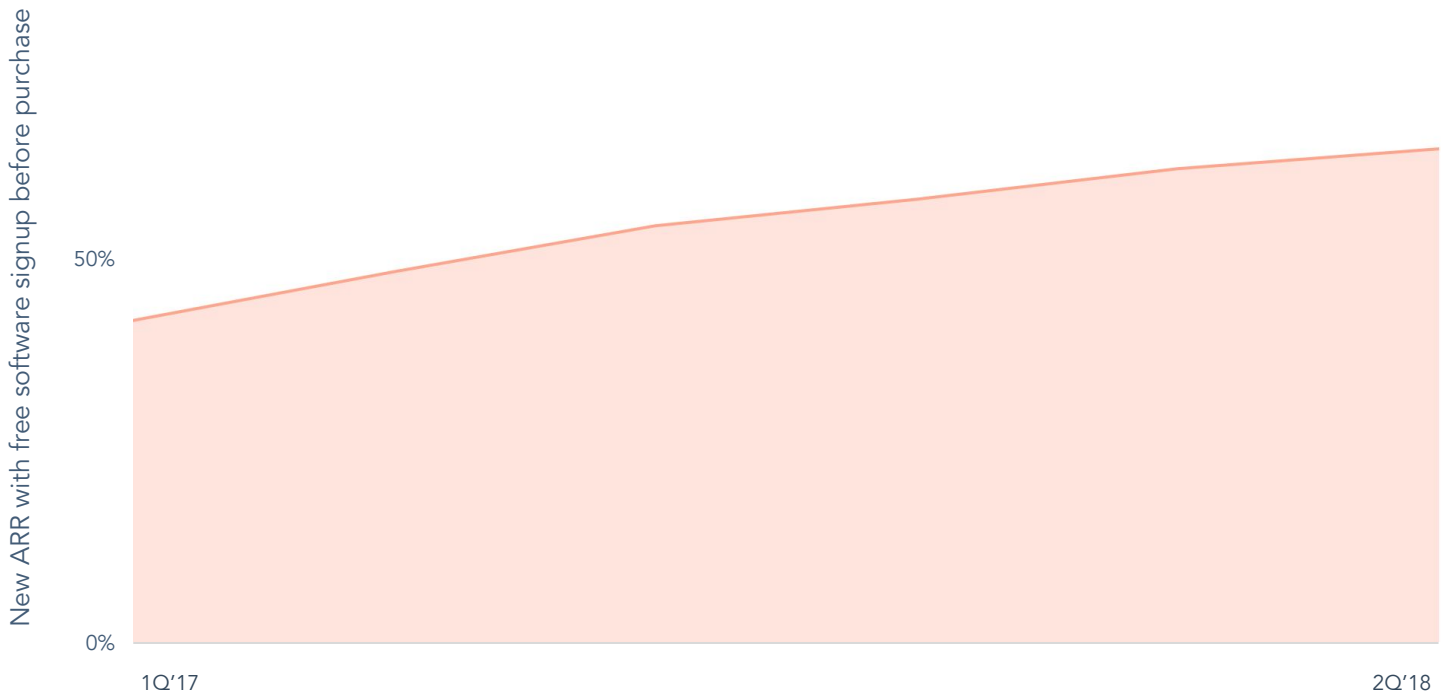
# Significant Growth in Multi-Product Adoption



Multi-product customer is any of our Total Customers paying for two or more paid Marketing Hub, Sales Hub, or Service Hub products.



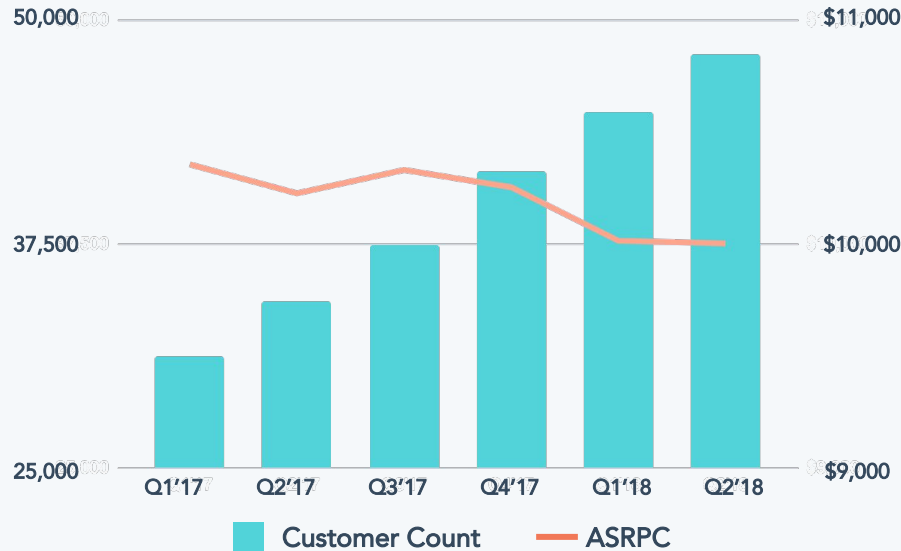
# More paid customers are starting with free



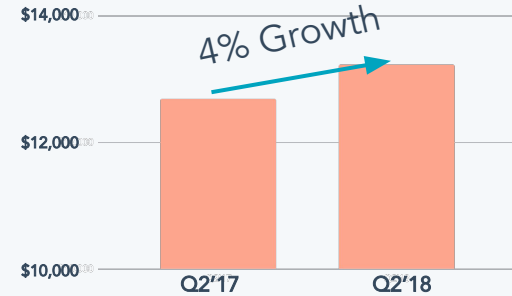


# Traditional Metrics Reflect Product Mix

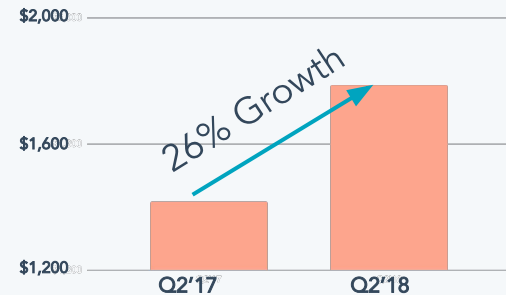
## Total Customer and ASRPC



## Marketing Hub ASRPC (ex Starter)

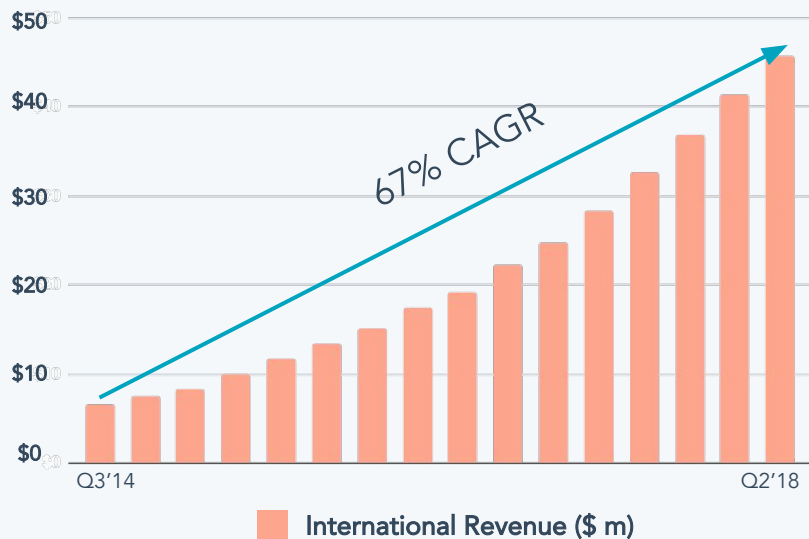


## Sales Hub ASRPC

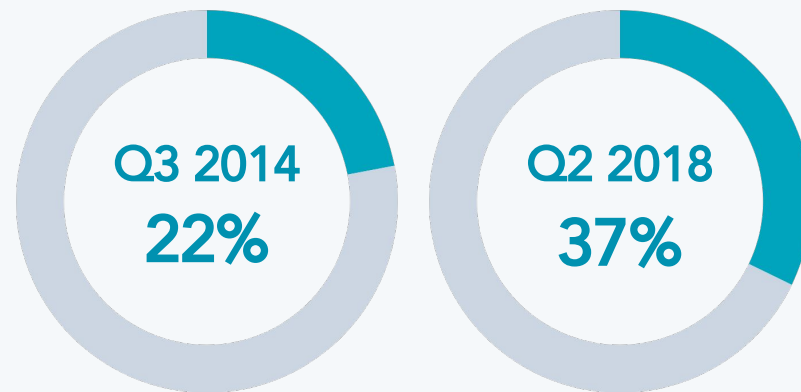


# International Growth is Strong

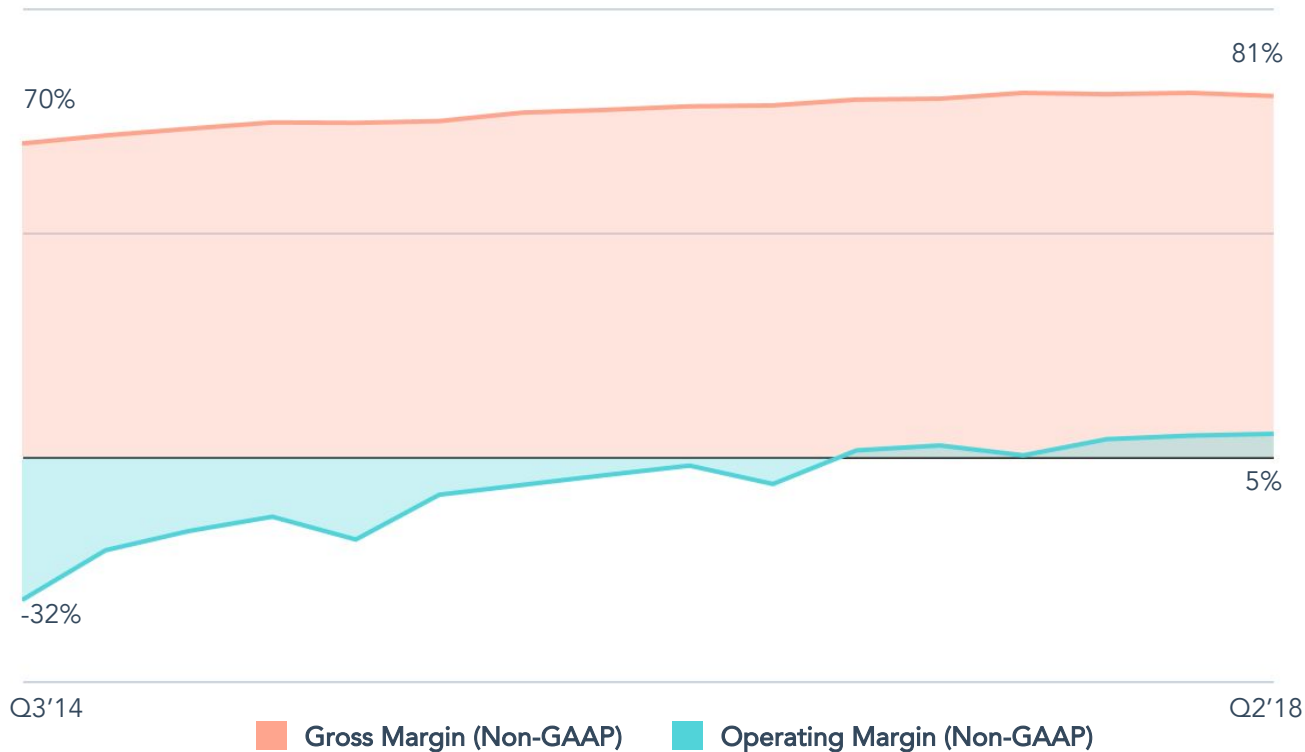
## Growing Fast



## 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 intangibles and acquisitions. 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.

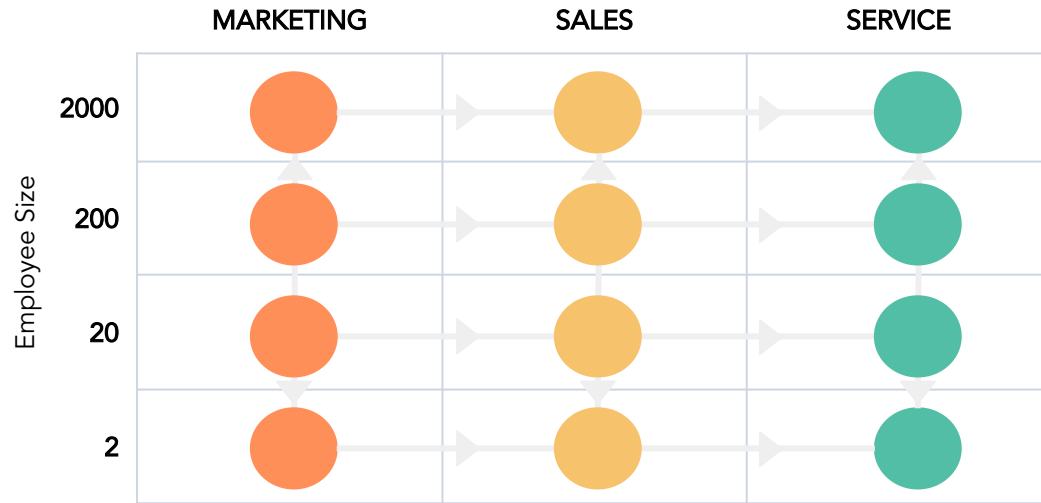




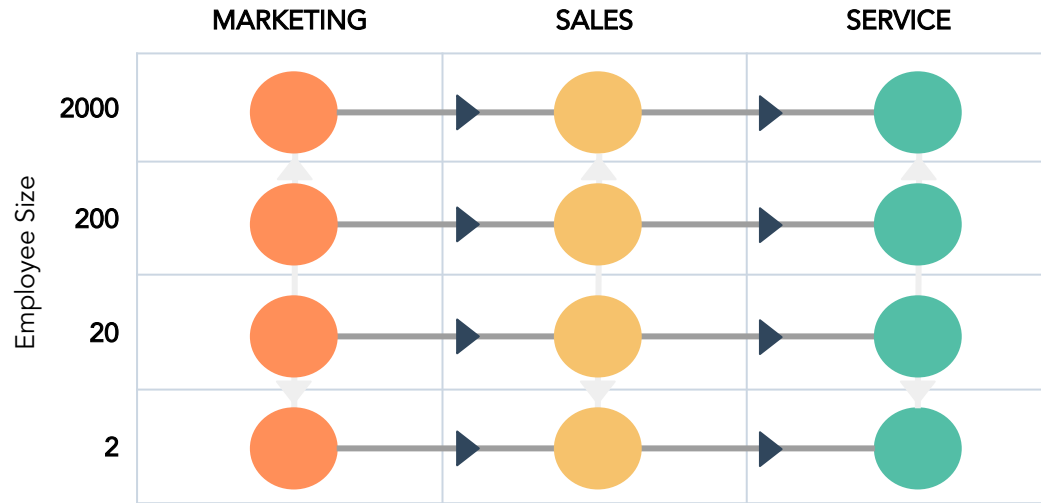
# Looking Ahead



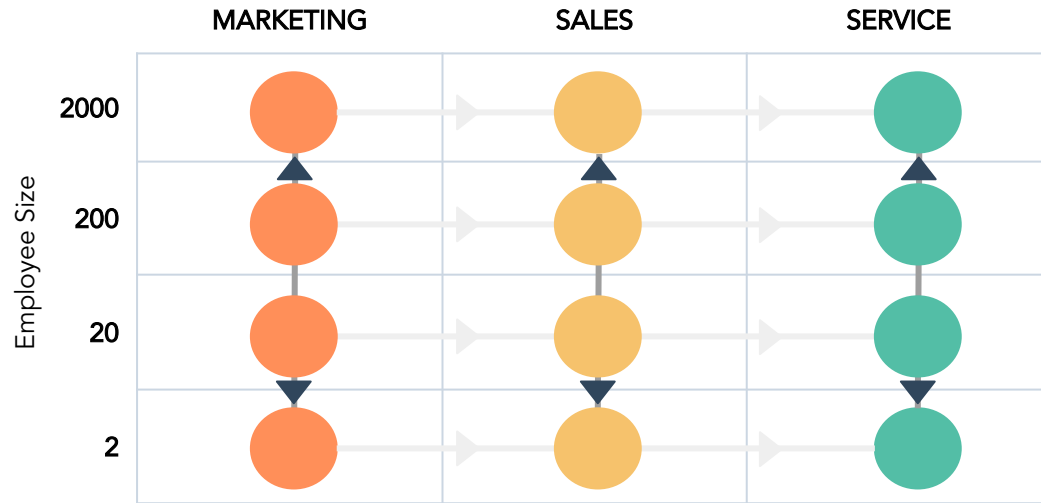
# Capturing more of the market



# Capturing more of the market



# Capturing more of the market





# Product Suite Today

	Marketing	Sales	Service
Enterprise	\$3,200 + Contacts*	\$1,200 + Users	\$1,200 + Users
Professional	\$800 + Contacts	\$400 + Users	\$400 + Users
Starter	\$50 + Contacts	\$50 + Users	\$50 + Users
CRM	Free		

\* \$3,200 list price change on November 1, 2018. Existing customers as of October 31st will be grandfathered.



# Product Suite Today

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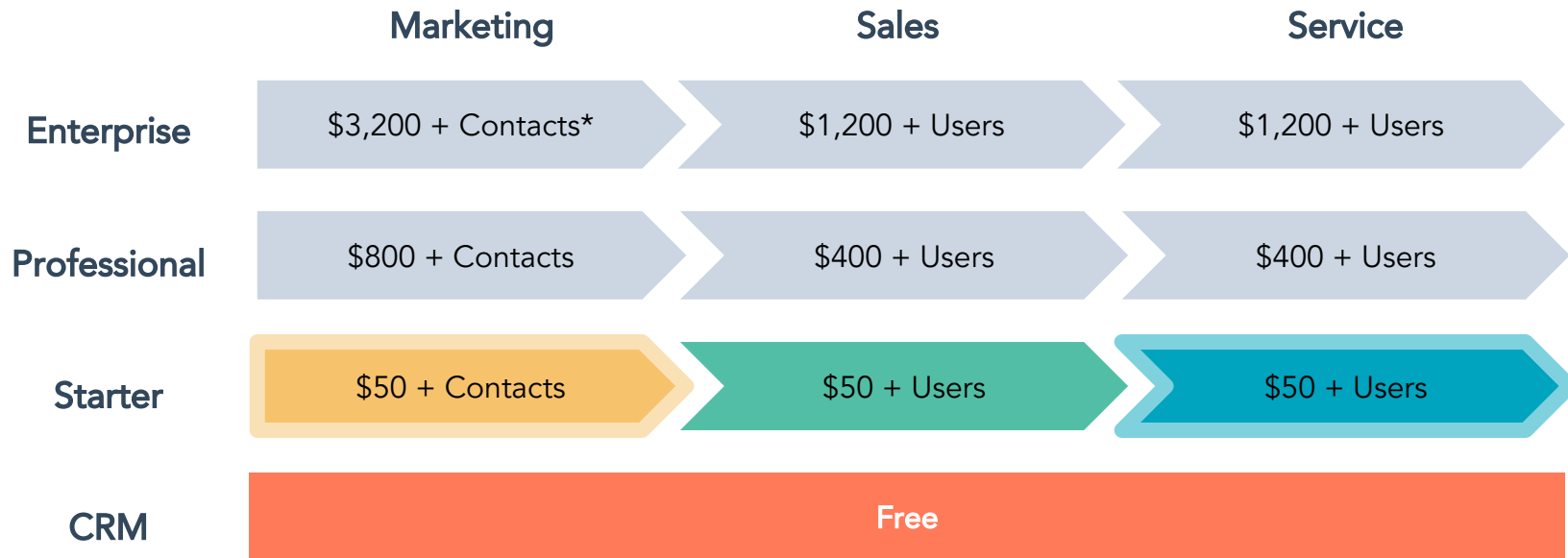
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# Product Suite Today



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# Marketing Hub

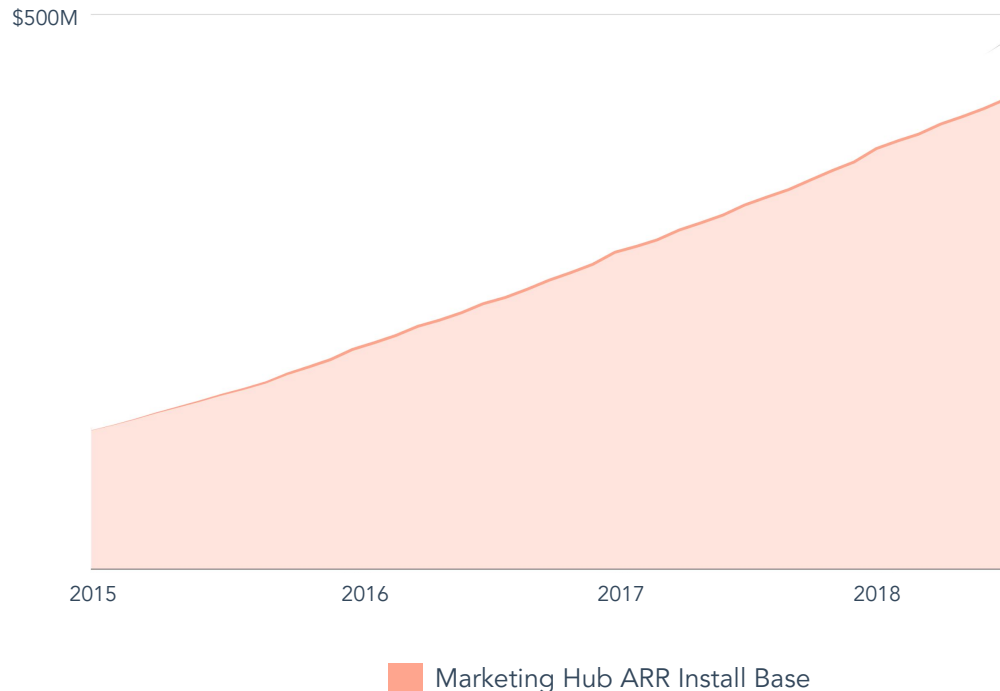
*\$425M ARR Install Base*

*Mid to high 20's % yoy growth<sup>1</sup>*

Step-function improvement in  
Enterprise edition

Upsell potential in core  
Professional customer base

Starter edition relaunch with  
email provides attractive entry  
point



1. See definition for ARR at end of presentation. ARR as of 6/30/18. YoY growth vs. ARR as of 6/30/17.

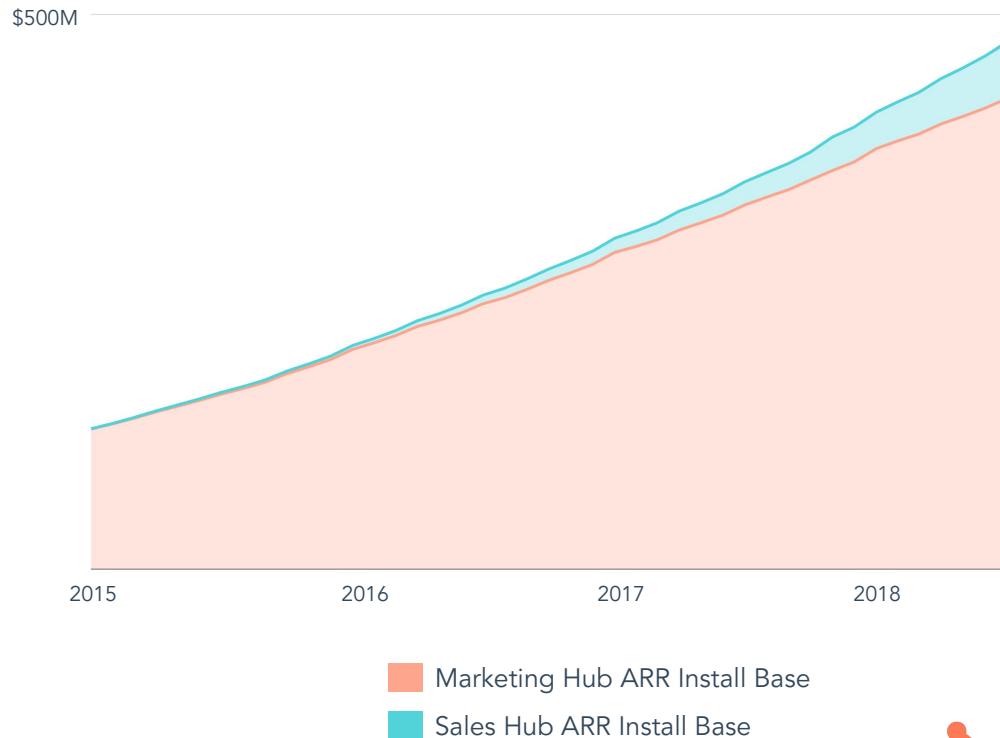


# Sales Hub

*\$50M ARR Install Base*  
*100%+ yoy growth<sup>1</sup>*

New Enterprise edition  
suitable for larger teams

Introduces upgrade  
opportunity for current  
Professional IB



1. See definition for ARR at end of presentation. ARR as of 6/30/18. YoY growth vs. ARR as of 6/30/17.

# Service Hub

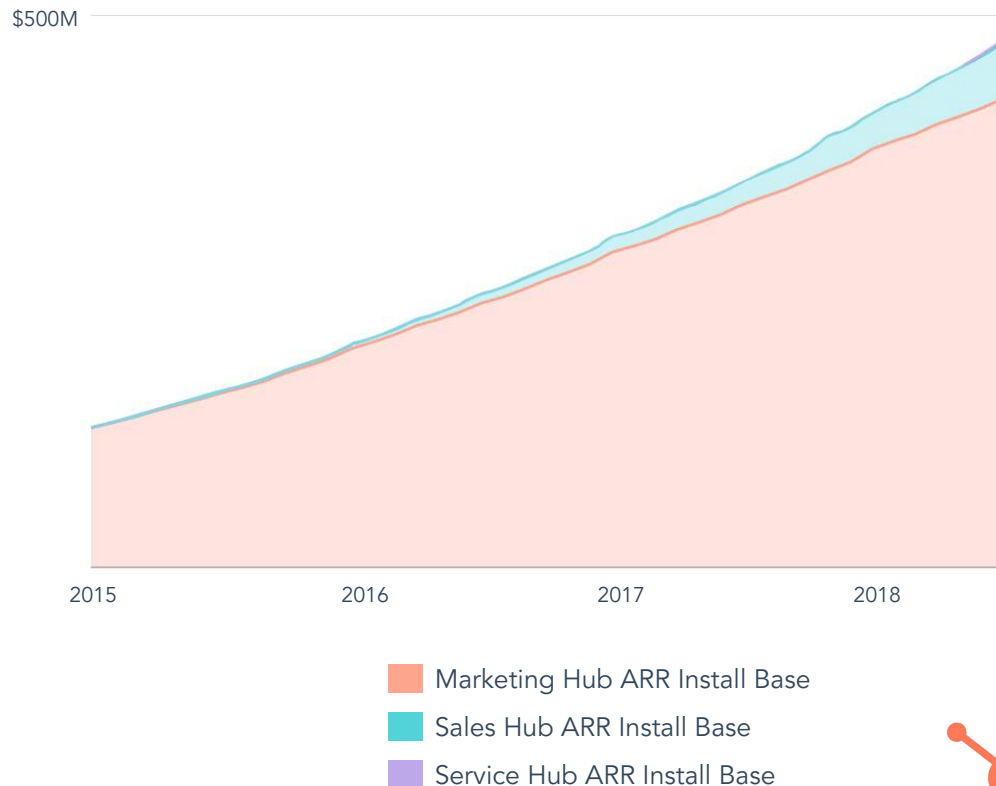
*\$2M+ ARR Install Base<sup>1</sup>*

*Growing...fast*

Enterprise edition adds key features for larger teams

Significant cross-sell opportunity

Starter edition provides low-touch option for customers to get started



1. See definition for ARR at end of presentation. ARR as of 6/30/18.



# Multi-Product

14k Customers

29% of total customers

Growth Suite option for every customer size

Simple to get started with bundled pricing

Multi-product adoption carries retention benefits

## Growth Suite Bundle Pricing







# Long-Term Financial Framework



# Updated Long Term Model

	2016	2017	1H 2018	Long Term Target Model	Updated Long Term Target Model
Gross Margin	78%	81%	81%	80%	81% - 83%
R&D % of revenue	14%	15%	18%	15%	16% - 18%
S&M % of revenue	55%	52%	47%	30% - 35%	30% - 35%
G&A % of revenue	14%	12%	11%	10%	10%
Operating Margin	-4%	2%	5%	20% - 25%	20% - 25%

Note: These estimates reflect our current operating plan as of 9/5/2018 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 intangibles and acquisition related expenses. Please refer to the end of this presentation for a reconciliation of GAAP to non-GAAP figures



# Unit economics continue to be strong



# 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.



# Key Takeaways

Business momentum is strong

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Financial model showing margin leverage

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Increased R&D paying off with product launches

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Expanding TAM opportunity in all directions





**Thank you**

# GAAP to Non-GAAP Reconciliation

	2016		2017		Six Months Ended June 30, 2018	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Gross Margin</b>						
Gross margin	209,102	77%	299,883	80%	189,904	80%
Stock-based compensation	2,152	1%	2,985	1%	2,130	1%
Amortization of acquired intangibles	57	0%	96	0%	100	0%
Acquisition related expenses	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>211,311</u>	78%	<u>302,964</u>	81%	<u>192,134</u>	81%
<b>Operating Expenses</b>						
Research and development	45,997	17%	70,373	19%	54,837	23%
Stock-based compensation	(8,828)	-3%	(12,816)	-3%	(10,875)	-5%
Amortization of acquired intangibles	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	(1,266)	0%	(1,604)	-1%
Non-GAAP research and development	<u>37,169</u>	14%	<u>56,291</u>	15%	<u>42,358</u>	18%
Sales and marketing	162,647	60%	212,859	57%	125,191	53%
Stock-based compensation	(13,352)	-5%	(19,016)	-5%	(14,429)	-6%
Amortization of acquired intangibles	(27)	0%	(7)	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	<u>149,268</u>	55%	<u>193,836</u>	52%	<u>110,762</u>	47%
General and administrative	45,120	17%	56,787	15%	35,252	15%
Stock-based compensation	(8,343)	-3%	(12,500)	-3%	(8,787)	-4%
Amortization of acquired intangibles	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%
Non-GAAP general and administrative	<u>36,777</u>	14%	<u>44,287</u>	12%	<u>26,465</u>	11%
<b>Loss from Operations</b>						
Loss from operations	(44,662)	-16%	(40,136)	-11%	(25,376)	-11%
Stock-based compensation	32,675	12%	47,317	13%	35,721	15%
Amortization of acquired intangibles	84	0%	103	0%	100	0%
Acquisition related expenses	-	0%	1,266	0%	1,604	1%
Non-GAAP loss from operations	<u>(11,903)</u>	-4%	<u>8,550</u>	2%	<u>12,049</u>	5%

# 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	
	% of		% of		% of		% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '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%	44,989	76%	49,779	77%
Stock-based compensation	108	0%	326	1%	324	1%	439	1%	404	1%	457	1%	418	1%	608	1%
Amortization of acquired intangibles	6	0%	6	0%	11	0%	19	0%	20	0%	20	0%	18	0%	13	0%
Acquisition related expenses	-	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%
<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%	(9,861)	-17%	(11,030)	-17%
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%
Amortization of acquired intangibles	13	0%	13	0%	17	0%	26	0%	26	0%	26	0%	24	0%	20	0%
Acquisition related expenses	-	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%

	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		Three Months Ended March 31, 2018		Three Months Ended June 30, 2018	
	% of		% of		% of		% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
<b>Gross Margin</b>																
Gross margin	54,777	78%	59,557	78%	65,180	79%	70,502	79%	78,716	81%	85,485	80%	92,179	80%	97,725	80%
Stock-based compensation	577	1%	551	1%	564	1%	844	1%	754	1%	823	1%	967	1%	1,163	1%
Amortization of acquired intangibles	13	0%	13	0%	9	0%	0%	0%	38	0%	50	0%	50	0%	50	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	55,367	78%	60,121	79%	65,753	80%	71,346	80%	79,508	81%	86,358	81%	93,196	81%	98,938	81%
<b>Loss from Operations</b>																
Loss from operations	(9,951)	-14%	(13,820)	-18%	(8,000)	-10%	(10,577)	-12%	(12,126)	-12%	(9,433)	-9%	(11,324)	-10%	(14,052)	-11%
Stock-based compensation	8,695	12%	9,274	12%	9,303	11%	13,006	15%	12,110	12%	12,898	12%	16,046	14%	19,675	16%
Amortization of acquired intangibles	20	0%	20	0%	16	0%	0%	0%	38	0%	50	0%	50	0%	50	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	439	0%	827	1%	802	1%	802	1%
Non-GAAP loss from operations	(1,236)	-2%	(4,526)	-6%	1,319	2%	2,429	3%	461	0%	4,342	4%	5,574	5%	6,475	5%



# 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
	\$ '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
Purchases of property & equipment	(7,042)	(7,266)	(5,811)	(3,525)	(3,556)	(8,427)	(14,043)
Capitalization of software development costs	(4,911)	(4,634)	(4,450)	(4,054)	(3,829)	(4,314)	(4,978)
Free cash flow	(28,417)	(24,364)	(20,964)	(14,386)	(12,200)	(13,164)	(15,450)

	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	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
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
GAAP net cash and cash equivalents provided by (used in) operating activities	10,635	19,733	19,366	35,279	35,364	37,893	49,614	57,244	62,018
Purchases of property & equipment	(18,513)	(19,595)	(15,789)	(14,983)	(15,592)	(17,528)	(20,276)	(20,680)	(20,514)
Capitalization of software development costs	(5,034)	(5,362)	(5,749)	(5,925)	(6,577)	(6,882)	(7,071)	(8,077)	(9,537)
Free cash flow	(12,912)	(5,224)	(2,172)	14,371	13,195	13,483	22,267	28,487	31,967

# Definitions

**Annual Recurring Revenue\***: We define “ARR” as the annual value of our customer subscription contracts as of the specified point in time excluding any commissions owed to our partners. For each Hub, this is the sum of customer ARR for the Starter, Basic, Professional and Enterprise subscriptions, plus applicable Contacts (Marketing Only) or Add-Ons (e.g. Reporting or Ads). For multi-product customers, their ARR would be distributed across based on the value of each SKU/Hub for which they pay. ARR can differ from Revenue due to several factors. ARR is converted into USD at fixed rates that are held consistent over time and may vary from those used for Revenue or Deferred Revenue. ARR would exclude any impact for Bad Debt and Partner Commissions (as noted above) and would also differ from Revenue due to timing of revenue recognition.

**LTV: CAC\***: *LTV*: Initial ARR from New Customers multiplied by the expected lifetime of our customers, while compounding expected upgrade rates over that lifetime. That "Gross LTV" is net against a margin which represents the ongoing costs of hosting, supporting, retaining and expanding our Customer revenues. All data points are in-period based on ARR Install Base changes, including Expected Lifetime (1/Churn) and Lifetime Upgrade Multiplier. *CAC*: Sum of our Sales, Marketing, and Service costs dedicated to acquiring New Customers divided over the number of New Customers acquired within that period.

\*Calculated using both internal and externally-provided data points.

