

HubSpot

Channel checks suggest macro pressure easing, though still lingering

Reiterate Rating: BUY | PO: 650.00 USD | Price: 590.97 USD

Improving tone on deal activity since Q3; Pipelines Solid

We spoke to multiple HubSpot agency partners and the commentary suggests that deal activity improved in Q4 from a softer Q3. While macroeconomic pressure still lingers, it appears to have eased somewhat. We noted a healthy mix of partners exceeding or meeting expectations versus commentary for mostly in line results in Q3. We are encouraged by positive early interest in AI (artificial intelligence) features (copilots, bots, predictive analytics to be launched early this year), which is likely to drive incremental subscription/ASP growth as we move through FY24.

Expect healthy 20% Q4 cc billings growth in upside case

Finally, while we noted little push back on the November price increase for Sales Hub Enterprise, a couple of partners cited a bit more competitive pressure from Zoho in the more price sensitive small business segment. In summary, given the improving channel tone, we expect healthy Q4 subscription revenue and total billings growth of 23% y/y (20% cc) in an upside case, nicely exceeding our base case for 19% (17% cc) (see bottom-up base and upside case assumptions in Exhibit 6 and Exhibit 8). We assume a three-point FX tailwind versus expectations for 2% points in October.

FY24 growth outlook likely to be consistent with Q4 guide

We expect the outlook for FY24 cc revenue growth to be largely in line with the Q4 guide for 17% cc, given lingering (though improving) macro pressure. Given a still prudent stance on hiring and operational efficiency, we are comfortable with our FY24 estimate of 100bps of margin expansion, consistent with HubSpot's long-term target of 20% to 25%, (versus FY23e of 14.8%).

PO to \$650 for expected billings upside

The shares have rallied 40% since Q3 earnings on sentiment for reaccelerating growth heading into a better macro environment. However, at 10x CY25e sales, the stock is still trading in line with the large cap software group. Guidance for 17% revenue growth FY24 would not likely represent a material catalyst for the shares. The catalyst is likely to be gradual reacceleration toward mid 20s from easing macro pressure, as we move though FY24 (in an upside case). More importantly, we believe HubSpot is the early stages consolidating a large SMB front office market (\$86 billion TAM) with the leading cloud offering. We reiterate our Buy/top pick and raise our PO to \$650 from \$600 for expected Q4 billings upside.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.82	2.73	5.67	6.83	8.55
GAAP EPS	(1.66)	(2.35)	(3.46)	(2.22)	(4.03)
EPS Change (YoY)	31.9%	50.0%	107.7%	20.5%	25.2%
Consensus EPS (Bloomberg)			5.68	6.67	8.39
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	324.7x	216.5x	104.2x	86.5x	69.1x
EV / EBITDA*	260.4x	180.9x	96.2x	76.6x	58.0x
Free Cash Flow Yield*	0.6%	0.9%	1.1%	1.7%	2.2%

* For full definitions of *IQmethod*SM measures, see page 15.

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Timestamp: 24 January 2024 05:00AM EST

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	600.00	650.00
2024E Rev (m)	2,512.4	2,516.9
2025E Rev (m)	3,060.8	3,071.9
2024E EPS	6.82	6.83
2025E EPS	8.53	8.55

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Stock Data

Price	590.97 USD
Price Objective	650.00 USD
Date Established	23-Jan-2024
Investment Opinion	C-1-9
52-Week Range	329.23 USD - 598.00 USD
Mkt Val (mn) / Shares Out (mn)	30,433 USD / 51.5
Free Float	95.9%
Average Daily Value (mn)	224.23 USD
BofA Ticker / Exchange	HUBS / NYS
Bloomberg / Reuters	HUBS US / HUBS.N
ROE (2023E)	25.9%
Net Dbt to Eqty (Dec-2022A)	-1.5%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Abbreviations:

SMB = small and medium-sized business

ASP = average selling price

FO = front office

iQprofileSM HubSpot

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.9%	9.9%	17.5%	18.3%	19.1%
Return on Equity	11.3%	15.0%	25.9%	24.0%	23.0%
Operating Margin	9.0%	9.8%	14.8%	15.9%	17.2%
Free Cash Flow	177	273	342	527	662

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.6x	2.0x	1.3x	1.6x	1.6x
Asset Replacement Ratio	1.4x	0x	0.5x	0.5x	0.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-10.7%	-1.5%	-26.3%	-45.1%	-58.8%
Interest Cover	13.5x	26.2x	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,301	1,731	2,146	2,517	3,072
% Change	47.3%	33.1%	24.0%	17.3%	22.1%
Gross Profit	1,052	1,431	1,814	2,127	2,597
% Change	45.1%	36.0%	26.8%	17.2%	22.1%
EBITDA	117	169	318	399	527
% Change	56.8%	44.0%	87.9%	25.6%	32.0%
Net Interest & Other Income	3	2	52	62	62
Net Income (Adjusted)	92	140	296	364	466
% Change	37.8%	51.0%	112.0%	23.2%	27.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(78)	(113)	(176)	(115)	(218)
Depreciation & Amortization	45	58	74	93	113
Change in Working Capital	110	58	6	31	56
Deferred Taxation Charge	(2)	(2)	0	0	0
Other Adjustments, Net	163	271	475	567	771
Capital Expenditure	(62)	0	(36)	(49)	(60)
Free Cash Flow	177	273	342	527	662
% Change	488.8%	54.5%	25.3%	54.0%	25.8%
Share / Issue Repurchase	47	0	38	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	377	331	642	1,088	1,653
Trade Receivables	157	227	269	354	439
Other Current Assets	919	1,197	1,240	1,314	1,399
Property, Plant & Equipment	96	105	103	97	89
Other Non-Current Assets	625	685	745	788	840
Total Assets	2,175	2,545	3,000	3,641	4,420
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	598	762	914	1,102	1,326
Long-Term Debt	284	316	302	302	302
Other Non-Current Liabilities	400	475	491	493	495
Total Liabilities	1,281	1,553	1,707	1,897	2,123
Total Equity	874	992	1,292	1,744	2,297
Total Equity & Liabilities	2,155	2,545	3,000	3,641	4,420

* For full definitions of iQmethodSM measures, see page 15.

Company Sector

Server & Enterprise Software

Company Description

HubSpot, Inc. is a cloud based provider of inbound marketing tools such as website content management, blogging tools, email campaign, search engine optimization, social media monitoring and management, CRM and others for small businesses and mid sized companies. The company's tools provide a single console for marketing professionals to generate new customer leads, convert leads to customers and customers to repeat customers.

Investment Rationale

We believe HubSpot possesses a number of compelling competitive advantages likely to drive solid share gains in the \$86+ billion SMB sales/marketing/service automation market, including: 1) innovative inbound marketing approach, 2) breadth of offering (website, blogging, email, SEO and social media), and 3) large and growing channel of over 6,000 digital marketing partners. We estimate strong 20%+ revenue growth sustaining over the coming years driven by solid SMB adoption and share gains.

Stock Data

Average Daily Volume 379,431

Quarterly Earnings Estimates

	2022	2023
Q1	0.54A	1.20A
Q2	0.44A	1.34A
Q3	0.64A	1.59A
Q4	1.11A	1.54E

Preview summary table

Exhibit 1: BofA estimates vs. consensus estimates

In an upside case, we think HubSpot could report revenue of \$578.5mn (+23% y/y)

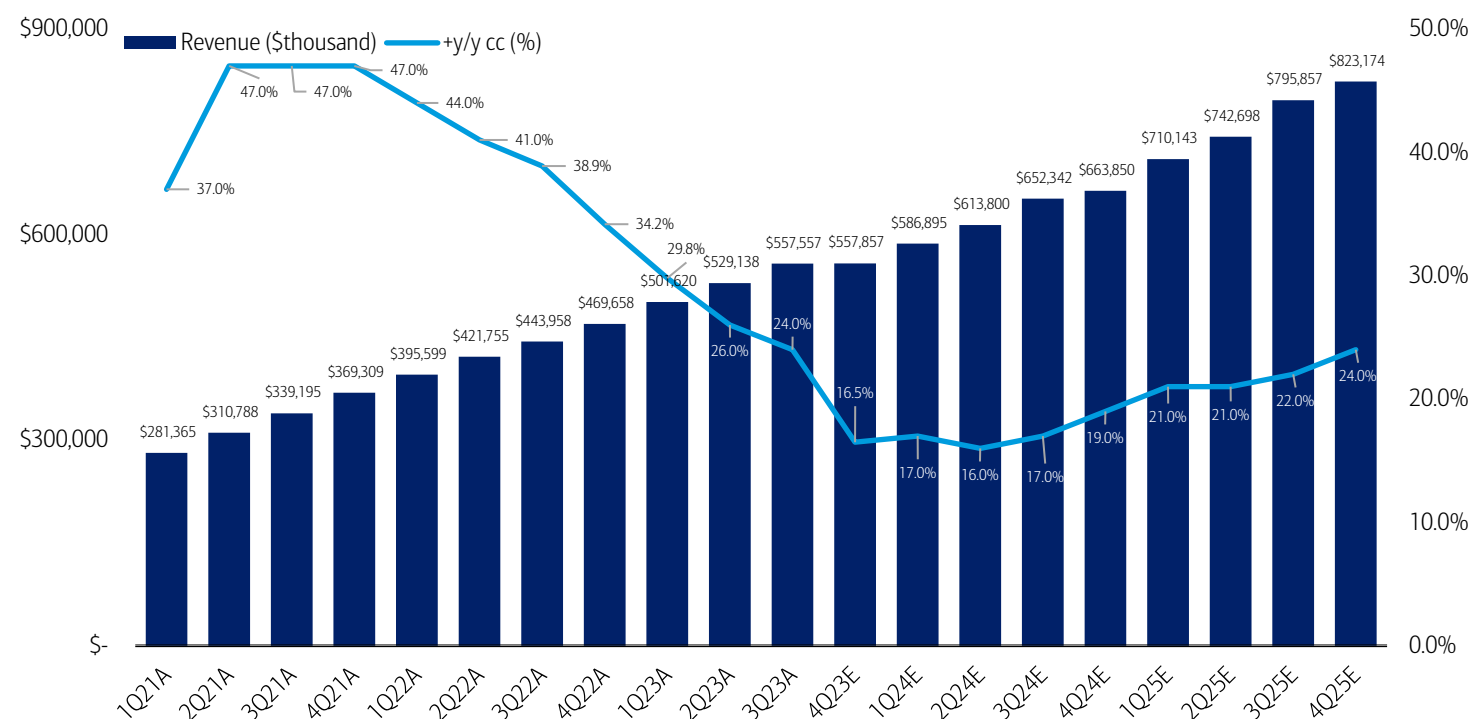
	4Q23E			1Q24E		2024E	
	Consensus Estimate	BofA (Base) Estimate	BofA (Upside) Estimate	Consensus Estimate	BofA (Base) Estimate	Consensus Estimate	BofA (Base) Estimate
Total Revenue	\$558.5	\$557.9	\$578.5	\$586.1	\$586.9	\$2,526.8	\$2,516.9
y/y	18.9%	18.8%	23.2%	16.8%	17.0%	17.7%	17.3%
y/y cc	16.9%	16.5%	20.2%	17.4%	17.0%	18.2%	17.3%
Billings	\$630.7	\$646.5	\$667.0	\$618.0	\$625.6	\$2,660.5	\$2,671.0
y/y	16.4%	19.3%	23.1%	15.9%	17.4%	17.9%	17.6%
y/y cc	15.8%	17.3%	20.1%	15.9%	N/A	17.6%	N/A
PF operating margin	15.4%	15.4%		14.8%	14.5%	15.6%	15.9%
y/y delta	1.8%	1.7%		1.3%	1.0%	0.8%	1.1%
PF EPS	\$1.54	\$1.54		\$1.49	\$1.50	\$6.61	\$6.83
y/y	38.7%	38.0%		24.4%	25.3%	16.4%	20.5%
FCF	\$87.4	\$102.9		\$92.3	\$101.3	\$373.9	\$446.9
y/y	23.2%	45.0%		47.3%	61.7%	38.7%	62.4%
FCF margin	15.6%	18.4%		15.7%	17.3%	14.8%	17.8%

Source: BofA Global Research estimates, company report, Visible Alpha

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Exhibit 2: Revenue base-case

We believe HubSpot can reach mid-20s revenue growth by 4Q25 in our base-case (refer to exhibits 6 & 7 for more detail on base-case).

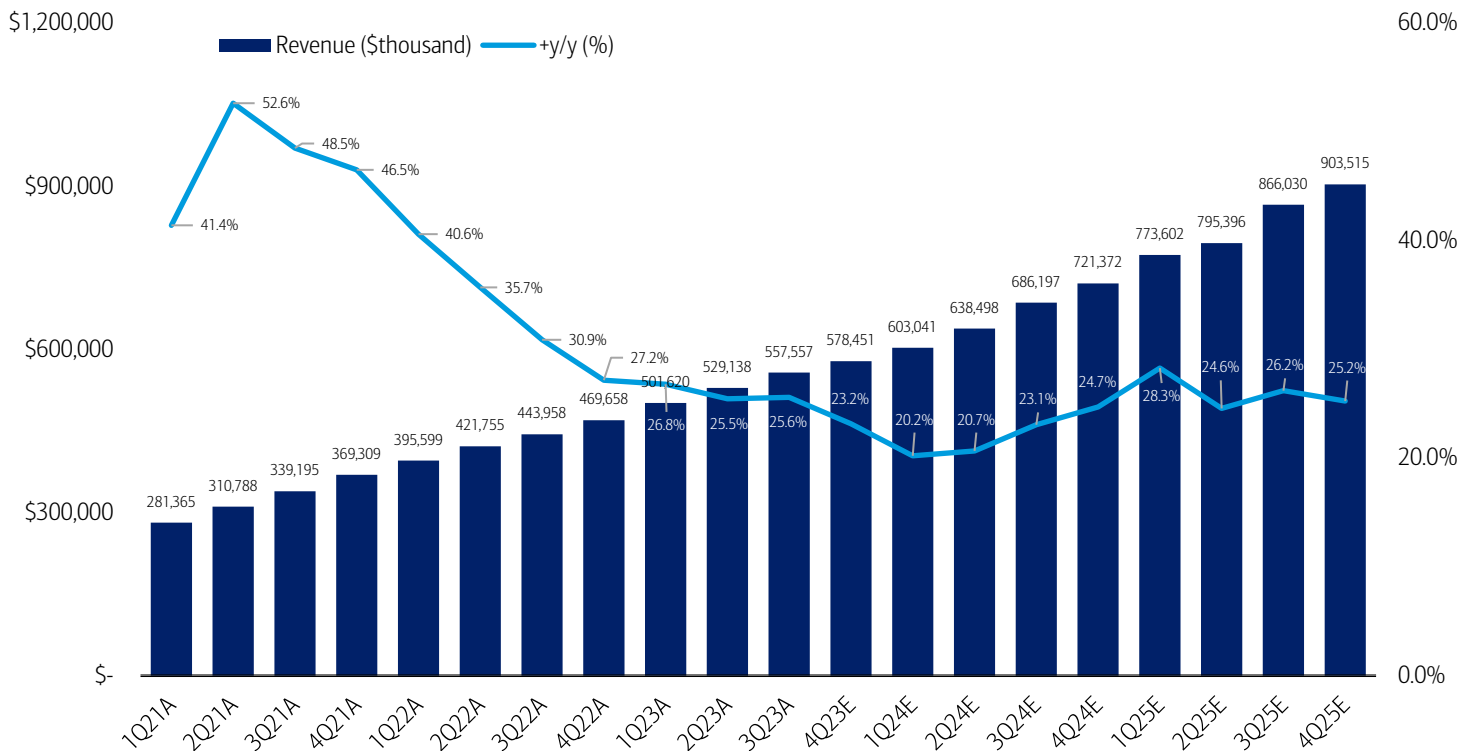


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 3: Revenue upside-case

We believe HubSpot can reach mid-20s revenue growth by 4Q24 in an upside-case (refer to exhibits 8 & 9 for more detail on upside-case).

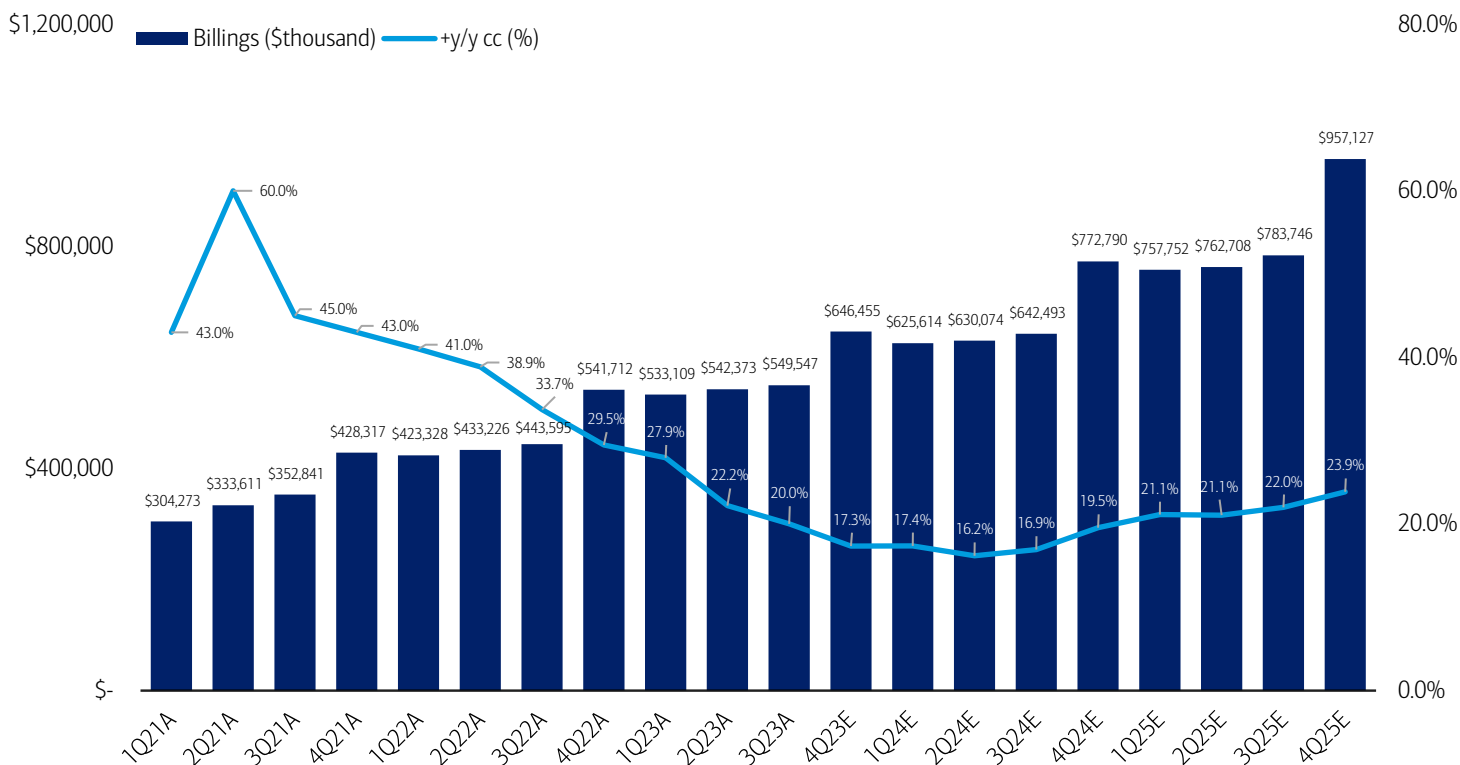


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 4: Billings base-case

We believe HubSpot can reach mid-20s billings growth by 4Q25 in our base-case (refer to exhibits 6 & 7 for more detail on the base case)

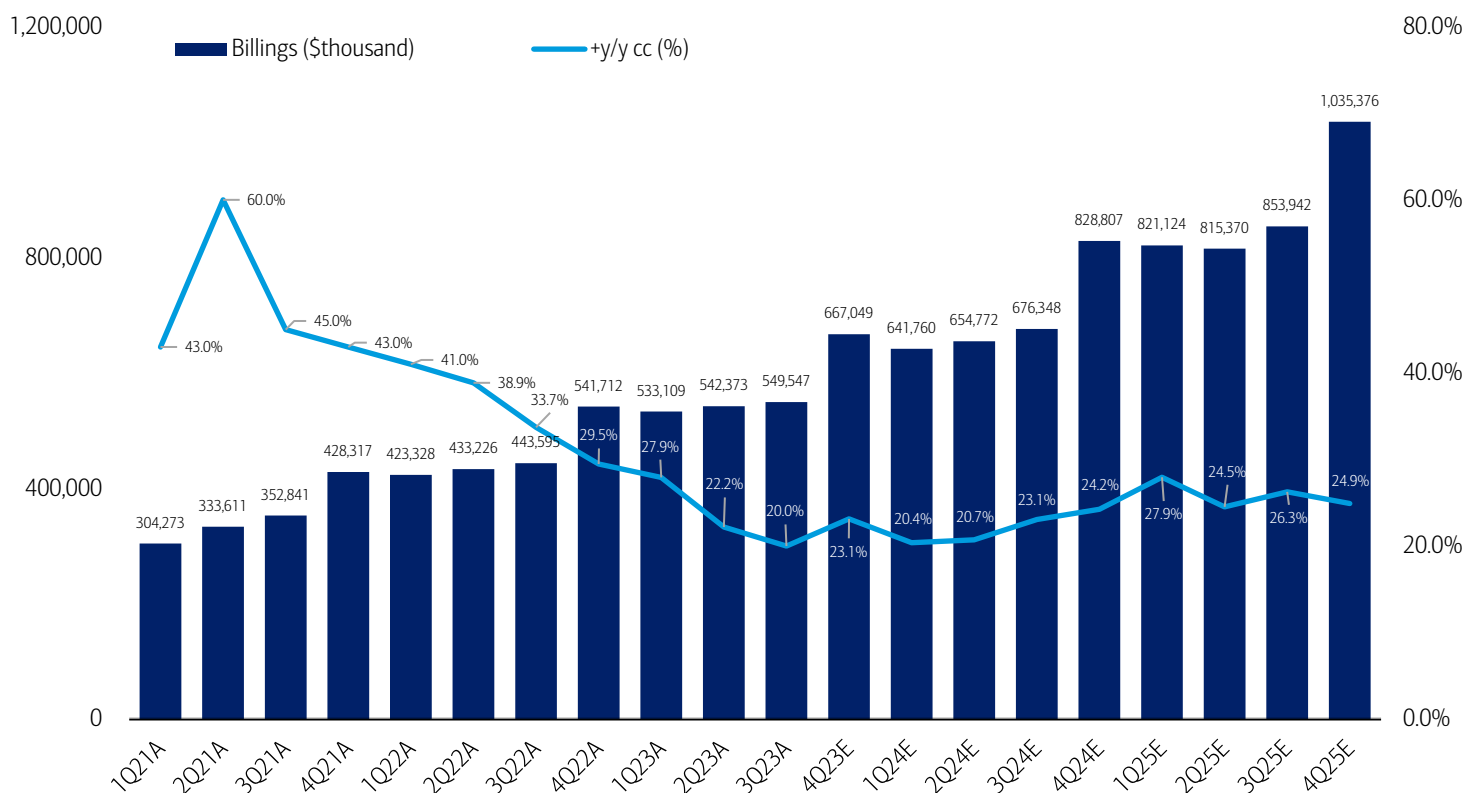


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 5: Billings upside-case

We believe HubSpot can reach mid-20s billings growth by 4Q24 in an upside-case (refer to exhibits 8 & 9 for more detail on the base case)



Source: BofA Global Research estimates, company report

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Partner Commentary

“Demand in Q4 was strong and accelerated from Q3. November fell below expectations, but other months and the overall quarter was line. The macro environment has eased from the middle of 2023 but there is still uncertainty, many teams are being asked to do more with less and we have not seen budgets return to levels that they once were. There is a lot of strength in the pipeline currently, we just had our best week in company history. Looking from Q4 until now, Marketing and Sales Hub have had the highest demand, and we are expecting a lot of sales of for Service Hub in Q2 given our current pipeline. HubSpot has been making upgrades to Service Hub to make it lower-enterprise grade. Sales cycles were shortened in Q4 and the mix between new customer vs. customer expansion was about 60/40 respectively. People used to use more industry specific technology for their CRM stack, but in the beginning of Q4 when we held our conference, it seemed like many more people were aware of HubSpot; brand awareness has improved. Furthermore, HubSpot has been very diligent in making improvements to the platform to ensure its scalable for larger businesses, focused on making it more mid-market to lower enterprise grade. There is a lot of growing interest in the potential gen AI capabilities of HubSpot, but I don't think this will yield value for HubSpot until 2025.”

– **Agency Partner, North America**

“Demand in Q4 was excellent and was above our expectations. It seemed like there was a reluctance across the board for companies to spend budgets in the first half of 2023, but we saw that ease particularly with HubSpot. This is likely attributed to an easing macro environment, however, there seems to still be hesitancy amongst some customers. The pipeline is accelerating, and we have already closed quite a few deals to start 2024 and have booked 7 quality sales calls this week. Growth in Q4 was driven mostly by new customers, with about a 70/30 mix of new customers vs. customer expansion respectively. HubSpot's brand image has been growing which has made sales much easier; we have also received much more inbound leads in Q4 vs. the same time last year. Existing customers of HubSpot have been impressed by the current AI features of HubSpot which has helped closed some deals, and I believe will help position HubSpot as an essential software platform in the future.” – **Agency Partner, North America**

“Demand in Q4 was good and fell in line with our expectations. We found that customers in Q3 were more hesitant to make spending decisions, which I think was attributed to the macro environment (increased rates). But now the overarching theme seems to be that customers are used to the environment and are returning to regular business activities. We focus on IT and cybersecurity companies, and adoption of HubSpot amongst cybersecurity companies in Q4 has been particularly high which indicates to use the strength and usefulness of HubSpot. In terms of net new customers, the trend has been like past quarters where there is robust growth, and it seems this trend will continue moving forward in 2024. Our pipeline is looking healthy in that respect. I believe we will see more smaller businesses this year adopt the Sales Hub because of HubSpot's change in the pricing model. However, a challenge for mid-sized businesses is that now you must pay per user, and you throw Marketing Hub on top of that, some of mid-sized businesses might start looking at a competitor like Zoho. Sales cycles were a bit slower in December most likely because of the holiday season, but the rest of the quarter was at a normal pace.” – **Agency Partner, APAC**

“Demand in Q4 fell a bit below our expectations, it neither decelerated nor accelerated from Q3. There still seems to be uncertainty around the macro and as a result, demand has been relatively stagnant. Throughout 2023, we adjusted our numbers and did not have as robust of a growth year as we hoped. The mix of new customers vs. customer expansion in Q4 was roughly 60/40 respectively. There is a lot of growing interest in the AI features of HubSpot and this is sparking a lot of conversations for us. Pipelines moving forward seem healthy now, we expect a better year this year than last year (~15% growth). Sales cycles in Q4 were the same as usual. Sales Hub had the highest demand throughout 2023, we saw pretty good growth in the Service Hub too. We are

seeing some SMID businesses pull back their potential deals with HubSpot right now.” –

Agency Partner, North America

“Demand in Q4 was robust, it exceeded our expectations. It seems like the impact of the macro environment has fell off from previous quarters and that business is returning to normal. Demand for Operations Hub was quite high in Q4; when adapting HubSpot to a particular business model, feedback from customers suggests the Operations Hub is very valuable. Service Hub has not been moving forward the way you would expect recently. There are no current trends across any specific verticals, we see them being served in the same mix as usual. In Q4, our mix between new customers vs. customer expansion was 50/50. We had 8 new customers in Q4. The pipeline looking forward is promising, we have lots of business that has come in already this year with existing customers expanding.” – **Agency Partner, EMEA**

Q4 demand slowed down a bit with the holiday season which was what we expected. Nevertheless, interest in HubSpot is as good as it has ever been, the only challenge right now is that customers are more measured and cautious about their capital expenditure which is largely attributed to the current economic environment. Demand in Q4 2023 was lower than Q4 2022, and 2022 overall was a better year than 2023. People are unsure of what the Fed is going to do from here; when the Fed announced they were ready to cut rates in Q4, this gave a small jolt to demand across the general HubSpot partnership ecosystem. Sales cycles took a bit longer in Q4, especially for companies who wanted to do a full CRM switch. Sales cycles have returned to normal to start 2024, and we see pipelines accelerating. Although it has only been 2 weeks into the year, we have had many conversations with prospective customers. Our growth in Q4 was mostly attributed to customer expansion as opposed to new customers. We are doing well now, but it isn't without struggle. Overall, the flow of conversations has been good and there seems to be reserved optimism about an easing economic environment.” – **Agency Partner, North America**

Demand in Q4 was very strong and accelerated from Q3. I think this is due to a combination of HubSpot continuously improving their offerings and a turnaround from covid. We are seeing existing customer budgets are growing and new businesses reaching out more frequently than before, which is macro related. Customers are loving the AI functionalities of HubSpot so far and interest has grown steadily. Marketing and Sales Hub have been the most popular Hubs in 2023. We deal with a lot of startups and the feedback has been great because they don't have the budget to afford a marketing team. Pipelines are healthy going into 2024; it seems like our customers have had a huge influx in their yearly budgets. Compared to this time last year, we are already seeing more deals coming up.” – **Agency Partner, North America**

“Q4 demand fell short of what we expected going into the quarter. Customers are taking more time and wanting to spend less, sales cycles were a bit longer in Q4. It seems many customers are not looking to commit to long term contracts right now and would rather try out HubSpot for a short period of time. Nevertheless, the Sales license has been picking up a lot of traction and has been picking up more middle market customers than usual. Price increases are coming up for a lot of the professional licenses because of the improvements in the platform, including AI capabilities. Feedback on AI within HubSpot has been nothing but positive so far, there is a lot of interest from customers and potential customers. In Q4, we had about 60% UK sales and 40% US sales, which is a little bit of a pushback from previous quarters in terms of UK sales. Pipelines are neutral now, we expect a good quarter coming up, but not great. We are seeing that some businesses are looking for cheaper solutions like Zoho now, especially after pricing changes.” – **Agency Partner, North America**

“Demand in Q4 was great and fell above expectations. I think concerns around budgets and a tricky macro is starting to ease. Sales cycles were a bit slower in the start of Q4 as customers were very thorough in their vetting processes but returned to normal in late November and December. We saw particular strength in the Sales and Marketing

Hub throughout 2023, and the Operations Hub has been picking up recently. Heading into 2024, we have healthy pipelines and are in a lot of conversations with potential customers, more than in January of 2023. The mix between new customers vs. customers expansion in Q4 was well balanced. There is a lot of talk about Gen AI at the moment, but it's still too early to tell when this will add true value to HubSpot's platform. With that being said, there is a lot of interest, and I think HubSpot as a company will do a good job in transitioning to this new age of Gen AI in software." –

Agency Partner, North America

"Demand in Q4 fell in line with expectations. For us, 2022 was stronger than 2023 but it seems that deals started to pick back in in H2 of 2023. This is because of two reasons, 1) it seems budgets are returning back to normal and 2) HubSpot's has continuously improved on their value offerings for customers. On average, sales cycles were a bit slower in Q4 but this because some of our customers did entire CRM switches to HubSpot which took a while to complete because of messy data needed to be cleaned up. Contribution from new customers versus customer expansion was 70/30 respectively. Sales and Marketing Hub are the core selling products for HubSpot. We noticed that in 2023 compared to prior years, especially in Q3 and Q4, a larger mix of our deals came from inbound leads which speaks to HubSpot's improving brand image in the industry. Looking forward, pipelines are holding and we expect an uptick in revenue for Q1. There are no particular verticals outperforming at the moment." –

Agency Partner, North America

"From a revenue perspective, Q4 was disappointing but it was better than Q2 and Q3. There was a macro headwind that impacted the broader software industry in Q3 of 2022, but we did not see it take place until Q2 of 2023. Q1 of 2023 was one of our best quarters, and we don't expect to beat that this Q1. Right now, we are seeing an overall lengthening of sales cycle. Early/mid stage demand is good, but there have been a lot of deals that have been paused once it's almost been completed. This is mostly attributed to the macro, where a lot of customers don't seem as confident as usual. Nevertheless, I'm very confident because HubSpot's demand drivers are very real, companies at a fundamental level need CRM. Our pipeline looking forward is more robust than it's ever been by a distance. Towards the end of December, we saw a slight uptick in deal volume." –

Agency Partner, North America

Model

Exhibit 6: HubSpot base case bottoms-up model

We estimate \$2.146 billion of revenue in FY23E

	YEAR FY18A	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23E	YEAR FY23E	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E	YEAR FY27E	YEAR FY28E
Total combined customer metrics																			
# customers	56,628	73,483	103,994	135,442	167,386	177,298	184,924	194,098	200,576	200,576	207,294	214,047	220,837	227,664	227,664	256,070	285,722	316,549	348,479
Net additions	15,035	16,855	30,511	31,448	31,944	9,912	7,626	9,174	6,478	33,190	6,718	6,753	6,790	6,827	27,088	28,406	29,652	30,826	31,930
y/y growth	36.1%	29.8%	41.5%	30.2%	23.6%	23.4%	22.6%	22.1%	19.8%	19.8%	16.9%	15.7%	13.8%	13.5%	13.5%	12.5%	11.6%	10.8%	10.1%
q/q growth						5.9%	4.3%	5.0%	3.3%		3.3%	3.3%	3.2%	3.1%					
Average # customers	48,650	64,877	87,455	120,709	151,218	172,342	181,111	189,511	197,337	185,075	203,935	210,670	217,442	224,250	214,074	241,822	270,852	301,092	332,471
y/y growth	41.3%	33.4%	34.8%	38.0%	25.3%	23.5%	23.0%	22.4%	21.0%	22.4%	18.3%	16.3%	14.7%	13.6%	15.7%	13.0%	12.0%	11.2%	10.4%
ASP	10,020	9,961	9,754	10,424	11,179	11,365	11,432	11,520	11,051	11,338	11,239	11,402	11,748	11,573	11,496	12,421	13,862	15,587	17,645
q/q growth						1.2%	0.6%	0.8%	-4.1%		-59.1%	1.4%	3.0%	-1.5%					
y/y growth	-3.3%	-0.6%	-2.1%	6.9%	7.2%	3.0%	2.1%	2.6%	-1.6%	1.4%	-1.1%	-0.3%	2.0%	4.7%	1.4%	8.0%	11.6%	12.4%	13.2%
y/y growth - constant currency	-2.3%	1.2%				6.0%	3.0%	1.0%											
5-Year CAGR															2.3%	3.7%	6.0%	6.9%	7.9%
Subscription revenue																			
y/y growth	487,450	646,266	853,025	1,258,318	1,690,539	489,743	517,678	545,832	545,201	2,098,454	572,999	600,506	638,623	648,789	2,460,918	3,003,561	3,754,451	4,693,064	5,866,330
y/y growth - constant currency	36.6%	32.6%	32.0%	47.5%	34.3%	27.2%	25.5%	25.5%	19.0%	24.1%	17.0%	16.0%	17.0%	19.0%	17.3%	22.1%	25.0%	25.0%	25.0%
Subscription revenue as % of total revenue	35.3%	34.0%						33.5%											
	95.0%	95.8%	96.6%	96.7%	97.7%	97.6%	97.8%	97.9%	97.7%	97.8%	97.6%	97.8%	97.9%	97.7%	97.8%	97.8%	97.8%	97.8%	97.8%
Professional services and other																			
Pro services revenue	25,530	28,594	30,001	42,339	40,431	11,877	11,460	11,725	12,657	47,719	13,896	13,294	13,718	15,061	55,969	68,312	85,390	106,737	133,422
y/y growth	25,530	28,594	30,001	42,339	32,270	8,526	7,528	7,139	7,444	30,638	7,774	6,973	6,414	7,531	28,692	30,581	35,392	42,564	53,081
q/q growth		12.0%	4.9%	41.1%	-23.8%	-8.2%	-0.6%	6.9%	-14.8%	-5.1%	-8.8%	-7.4%	-10.2%	1.2%	-6.3%	6.6%	15.7%	20.3%	24.7%
Payments revenue					8,161	3,351	3,932	4,586	5,212	17,081	6,122	6,321	7,304	7,530	27,277	37,730	49,998	64,173	80,341
y/y growth							17.3%	16.6%	88.3%	109.3%	82.7%	60.8%	59.3%	44.5%	59.7%	38.3%	32.5%	28.4%	25.2%
q/q growth									13.7%		17.4%	3.3%	15.6%	3.1%					
Total Revenue																			
5-year CAGR%	512,980	674,860	883,026	1,300,657	1,730,970	501,620	529,138	557,557	557,857	2,146,172	586,895	613,800	652,342	663,850	2,516,888	3,071,873	3,839,841	4,799,801	5,999,752
Customers/ASP by Product																			
Marketing Hub model																			
Marketing Hub Customers	35,879	42,234	58,766	73,897	87,050	90,050	93,050	96,050	99,050	99,050	102,300	105,550	108,800	112,050	112,050	126,050	141,050	157,050	174,050
Net additions	5,734	6,355	16,532	15,131	13,153	3,000	3,000	3,000	3,000	12,000	3,250	3,250	3,250	3,250	13,000	14,000	15,000	16,000	17,000
y/y growth	19.0%	17.7%	39.1%	25.7%	17.8%	15.4%	14.8%	14.3%	13.8%	13.8%	13.6%	13.4%	13.3%	13.1%	13.1%	12.5%	11.9%	11.3%	10.8%
Average marketing customers	33,114	39,441	49,432	67,238	80,905	88,550	91,550	94,550	97,550	93,050	100,675	103,925	107,175	110,425	105,550	119,050	133,550	149,050	165,550
y/y growth	24.8%	19.1%	25.3%	36.0%	20.3%	16.6%	15.1%			15.0%					13.4%	12.8%	12.2%	11.6%	11.1%
ASP	12,830	13,203	12,711	12,384	12,857	13,228	13,365	13,604	12,604	13,194	12,756	12,850	13,317	12,728	12,914	13,860	15,871	18,300	21,362
q/q growth						1.9%	1.0%	1.8%	-7.4%		1.2%	0.7%	3.6%	-4.4%					
y/y growth	1.3%	2.9%	-3.7%	-2.6%	3.8%	4.3%	4.2%	5.2%	-2.9%	2.6%	-3.6%	-3.9%	-2.1%	1.0%	-2.1%	7.3%	14.5%	15.3%	16.7%
5-year CAGR															-0.4%	1.7%	5.1%	7.3%	10.1%
Subscription revenue																			
y/y growth	424,837	520,716	628,307	832,690	1,040,214	292,840	305,880	321,566	307,371	1,227,657	321,042	333,846	356,807	351,360	1,363,055	1,650,064	2,119,622	2,727,614	3,536,523
Subscription mix	26.5%	22.6%	20.7%	32.5%	24.9%	21.6%	19.9%	20.5%	10.8%	18.0%	9.6%	9.1%	11.0%	14.3%	11.0%	21.1%	28.5%	28.7%	29.7%
	87.2%	80.6%	73.7%	66.2%	61.5%	59.8%	59.1%	58.9%	56.4%	58.5%	56.0%	55.6%	55.9%	54.2%	55.4%	54.9%	56.5%	58.1%	60.3%
Sales Hub Model																			
Growth stack customer count (sales and marketing)	19,500	30,000	41,000	54,350	66,333	69,683	72,469	75,286	78,133	78,133	81,208	84,316	87,456	90,628	90,628	104,473	119,726	136,449	154,700
% of total customers	54.3%	71.0%	69.8%	73.5%	76.2%	77.4%	77.9%	78.4%	78.9%	78.9%	79.4%	79.9%	80.4%	80.9%	80.9%	82.9%	84.9%	86.9%	88.9%
Net additions	9,700	10,500	11,000	13,350	11,981	3,350	2,786	2,816	2,846	11,797	3,075	3,107	3,139	3,172	12,493	13,842	15,250	16,719	18,248
Sales Hub only customer count	20,749	31,249	45,228	61,545	76,188	80,282	83,687	87,129	90,607	90,607	94,074	97,578	101,118	104,694	104,694	119,101	133,753	148,579	163,510
Net additions	9,700	10,500	13,979	16,317	14,643	4,094	3,405	3,441	3,478	14,419	3,468	3,503	3,540	3,577	14,088	14,406	14,652	14,826	14,930
% of total additions	50%	50%	56%	55%	55%	55%	55%	55%	55%	55%	53%	53%	53%	53%	53%	51%	49%	47%	45%
Sales Hub customer count	40,249	61,249	86,228	115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,282	181,893	188,573	195,323	195,323	223,574	253,479	285,028	318,209
y/y growth	89.4%	52.2%	40.8%	34.4%	23.0%	21.6%	19.6%	19.0%	18.4%	18.4%	16.9%	16.5%	16.1%	15.8%	15.8%	14.5%	13.4%	12.4%	11.6%
Average customers	29,774	49,624	73,023	101,214	129,904	146,243	153,061	159,285	165,577	156,041	172,011	178,588	185,233	191,948	181,945	209,359	238,435	269,160	301,522
Monthly User ASP	53	57	55	56	59	61	61	61	61	61	61	61	61	61	61	61	61	61	61
X Average # users	3.0	3.2	3.6	4.5	4.8	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
ASP - Monthly	159	185	197	252	283	299	305	305	305	304	305	305	305	305	305	305	305	305	305
ASP - Annual	1,912	2,222	2,365	3,027	3,401	3,587	3,660	3,660	3,660	3,643	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660
	25.4%	16.2%	6.4%	28.0%	12.3%	7.4%	7.7%	7.7%	5.9%	7.1%	2.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Sales Hub Subscription revenue																			
y/y growth	56,940	110,267	172,692	306,386	441,753	131,136	140,051	145,746	151,503	568,435	157,390	163,408	169,488	175,632	665,919	766,255	872,672	985,124	1,103,572
Subscription mix	172.9%	93.7%	56.6%	77.4%	44.2%	31.3%	29.8%	28.5%	25.7%	28.7%	20.0%	16.7%	16.3%	15.9%	17.1%	15.1%	13.9%	12.9%	12.0%
	11.7%	17.1%	20.2%	24.3%	26.1%	26.8%	27.1%	26.7%	27.8%	27.1%	27.5%	27.2%	26.5%	27.1%	27.1%	25.5%	23.2%	21.0%	18.8%

Source: BofA Global Research estimates, company report

Exhibit 7: HubSpot base case bottoms-up model

Additional details for other Hubs

	YEAR FY18E	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23E	YEAR FY23E	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E	YEAR FY27E	YEAR FY28E
Service Hub Model																			
Sales Hub customers	40,249	61,249	86,228	115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,282	181,893	188,573	195,323	195,323	223,574	253,479	285,028	318,209
% penetration	9.0%	13.0%	18.0%	23.2%	27.2%	28.2%	29.2%	30.2%	31.2%	31.2%	32.2%	33.2%	34.2%	35.2%	35.2%	39.2%	43.2%	47.2%	51.2%
# Service Hub customers	3,622	7,962	15,521	26,888	38,766	42,290	45,598	49,049	52,647	52,647	56,441	60,389	64,492	68,754	68,754	87,641	109,503	134,533	162,923
Net additions	3,622	8,765	15,521	26,888	11,878	3,525	3,308	3,452	3,597	13,881	56,441	3,948	4,104	4,261	68,754	87,641	109,503	134,533	162,923
Average # customers	2,801	5,660	11,256	21,393	32,835	40,528	43,944	47,323	50,848	45,661	54,544	58,415	62,440	66,623	60,505	77,988	98,347	121,778	148,473
ASP	2,700	2,700	2,700	2,869	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
q/q growth						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
y/y growth		0.0%	0.0%	6.3%	4.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Service Hub Subscription revenue	5,672	15,283	30,391	61,385	98,506	30,396	32,958	35,493	38,136	136,982	40,908	43,811	46,830	49,967	181,516	233,963	295,042	365,335	445,420
q/q growth						8.8%	8.4%	7.7%	7.4%	39.1%	7.3%	7.1%	6.9%	6.7%	32.5%	28.9%	26.1%	23.8%	21.9%
y/y growth		169.4%	98.9%	102.0%	60.5%	42.9%	40.1%	37.8%	36.4%	39.1%	34.6%	32.9%	31.9%	31.0%	32.5%	28.9%	26.1%	23.8%	21.9%
Subscription mix	1.2%	2.4%	3.6%	4.9%	5.8%	6.2%	6.4%	6.5%	7.0%	6.5%	7.1%	7.3%	7.3%	7.7%	7.4%	7.8%	7.9%	7.8%	7.6%
CMS Hub Model																			
Marketing Hub Customers			58,766	73,897	87,050	90,050	93,050	96,050	99,050	99,050	102,300	105,550	108,800	112,050	112,050	126,050	141,050	157,050	174,050
% penetration			14.4%	18.8%	21.6%	21.8%	22.1%	24.1%	26.1%	26.1%	28.1%	30.1%	32.1%	34.1%	34.1%	42.1%	50.1%	58.1%	66.1%
# CMS customers			8,462	13,893	18,759	19,631	20,517	23,100	25,802	25,802	28,695	31,718	34,870	38,153	38,153	53,004	70,595	91,167	114,960
Net additions			8,462	13,893	18,759	19,631	887	2,582	2,702	25,802	28,695	3,023	3,153	3,283	38,153	53,004	70,595	91,167	114,960
Average # customers			6,708	11,287	16,635	19,195	20,074	21,809	24,451	21,382	27,249	30,206	33,294	36,512	31,815	45,403	61,612	80,681	102,851
ASP			4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
q/q growth						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
y/y growth				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CMS Subscription revenue			21,635	48,534	71,531	20,635	21,580	23,444	26,285	91,944	29,292	32,472	35,791	39,250	136,805	195,234	264,932	346,929	442,259
q/q growth						4.7%	4.6%	8.6%	12.1%	11.4%	11.4%	10.9%	10.2%	9.7%	48.8%	42.7%	35.7%	31.0%	27.5%
y/y growth				124.3%	47.4%	30.8%	24.3%	25.5%	33.4%	28.5%	42.0%	50.5%	52.7%	49.3%	48.8%	42.7%	35.7%	31.0%	27.5%
Subscription Mix			2.5%	3.9%	4.2%	4.2%	4.2%	4.3%	4.8%	4.4%	5.1%	5.4%	5.6%	6.0%	5.6%	6.5%	7.1%	7.4%	7.5%
Operations Hub Model																			
Sales Hub Customers				115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,282	181,893	188,573	195,323	195,323	223,574	253,479	285,028	318,209
% penetration				11.8%	20.3%	22.8%	25.3%	27.3%	29.3%	29.3%	31.3%	33.3%	35.3%	37.3%	37.3%	43.3%	47.3%	51.3%	55.3%
# Operations customers				13,618	28,860	34,117	39,429	44,258	49,356	49,356	54,776	60,480	66,472	72,758	72,758	96,696	119,769	146,077	175,811
Net additions				13,618	15,243	5,257	5,312	4,828	5,098	20,496	5,419	5,704	5,993	6,286	23,401	23,938	23,073	26,308	29,734
Average # customers				5,676	20,585	31,489	36,773	41,844	46,807	39,228	52,066	57,628	63,476	69,615	60,696	84,426	108,004	132,679	160,685
ASP				1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	2,017	2,107
q/q growth						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.7%	4.5%
y/y growth				0.0%															
Operations Subscription revenue				10,626	38,535	14,737	17,210	19,583	21,906	73,435	24,367	26,970	29,707	32,580	113,623	158,045	202,183	268,061	338,556
q/q growth						18.6%	16.8%	13.8%	11.9%	11.2%	11.2%	10.7%	10.1%	9.7%	54.7%	39.1%	27.9%	32.6%	26.3%
y/y growth					262.6%	106.0%	99.5%	89.6%	76.3%	90.6%	65.3%	56.7%	51.7%	48.7%	54.7%	39.1%	27.9%	32.6%	26.3%
Subscription Mix				0.8%	2.3%	3.0%	3.3%	3.6%	4.0%	3.5%	4.3%	4.5%	4.7%	5.0%	4.6%	5.3%	5.4%	5.7%	5.8%
Commerce Hub Model																			
Total Customers					167,386	177,298	184,924	194,098	200,576	200,576	207,294	214,047	220,837	227,664	227,664	256,070	285,722	316,549	348,479
% penetration					7.0%	8.0%	9.0%	10.0%	11.0%	11.0%	12.5%	12.5%	14.0%	14.0%	14.0%	17.0%	20.0%	23.0%	26.0%
# Customers using Payments					11,717	14,184	16,643	19,410	22,063	22,063	25,912	26,756	30,917	31,873	31,873	43,532	57,144	72,806	90,605
GMV per customer assumption					1,400	350	350	350	350	1,400	350	350	350	350	1,400	1,400	1,400	1,400	1,400
GMV					12,089,746	4,964,344	5,825,106	6,793,430	7,722,180	25,305,060	9,069,106	9,364,562	10,821,016	11,155,518	40,410,202	55,897,010	74,071,444	95,071,458	119,023,347
TPV %					3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
TPV					362,692	148,930	174,753	203,803	231,665	759,152	272,073	280,937	324,630	334,666	1,212,306	1,676,910	2,222,143	2,852,144	3,570,700
Take rate					2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Payments Transactional revenue					8,161	3,351	3,932	4,586	5,212	17,081	6,122	6,321	7,304	7,530	27,277	37,730	49,998	64,173	80,341
q/q growth						21.1%	17.3%	16.6%	13.7%	109.3%	17.4%	3.3%	15.6%	3.1%	59.7%	38.3%	32.5%	28.4%	25.2%
y/y growth					146.8%	120.6%	103.6%	88.3%		109.3%	82.7%	60.8%	59.3%	44.5%	59.7%	38.3%	32.5%	28.4%	25.2%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 8: HubSpot upside case bottoms-up model

We estimate \$2.167bn of revenue in FY23E in an upside case

	YEAR FY18A	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23E	YEAR FY23E	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E	YEAR FY27E	YEAR FY28E
Total combined customer metrics																			
# customers	56,628	73,483	103,994	135,442	163,237	177,298	184,924	194,098	200,576	200,576	207,510	214,407	221,268	228,095	228,095	260,642	293,364	328,825	365,579
Net additions	15,035	16,855	30,511	31,448	27,795	9,912	7,626	9,174	6,478	37,339	6,933	6,897	6,862	6,827	27,519	32,547	32,723	35,460	36,754
y/y growth	36.1%	29.8%	41.5%	30.2%	20.5%	23.4%	22.6%	22.1%	19.8%	22.9%	17.0%	15.9%	14.0%	13.7%	13.7%	14.3%	12.6%	12.1%	11.2%
q/q growth	0.0%	0.0%	0.0%			5.9%	4.3%	5.0%	3.3%		3.5%	3.3%	3.2%	3.1%					
Average # customers	48,650	64,877	87,455	120,709	151,218	172,342	181,111	189,511	197,337	185,075	204,043	210,958	217,837	224,682	214,380	244,873	277,055	311,150	347,260
y/y growth	41.3%	33.4%	34.8%	38.0%	25.3%	23.5%	23.0%	22.4%	21.0%	22.4%	18.4%	16.5%	14.9%	13.9%	15.8%	14.2%	13.1%	12.3%	11.6%
ASP	10,020	9,961	9,754	10,875	11,231	11,365	11,432	11,520	11,459	11,459	11,542	11,784	12,272	12,423	12,423	13,475	15,251	17,510	20,334
q/q growth						1.2%	0.6%	0.8%	-0.5%		0.7%	2.1%	4.1%	1.2%					
y/y growth	-3.3%	-0.6%	-2.1%	11.5%	3.3%	3.0%	2.1%	2.6%	2.0%	2.0%	1.6%	3.1%	6.5%	8.4%	8.4%	8.5%	13.2%	14.8%	16.1%
y/y growth - constant currency	-2.3%	1.2%	0.0%			6.0%	3.0%	1.0%	19.5%										
						9.0%	18.8%	12.6%											
Subscription revenue	487,450	646,266	853,025	1,258,318	1,690,539	489,743	517,678	545,832	565,327	2,118,580	588,762	621,477	668,336	697,792	2,576,368	3,215,549	4,067,539	5,235,324	6,746,947
y/y growth	36.6%	32.6%	32.0%	47.5%	34.3%	27.2%	25.5%	25.5%	23.4%	25.3%	20.2%	20.1%	22.4%	23.4%	21.6%	24.8%	26.5%	28.7%	28.9%
y/y growth - constant currency	35.3%	34.0%	0.0%			0.0%	0.0%	33.5%	20.4%										
Subscription revenue as % of total revenue	95.0%	95.8%	96.6%	96.7%	97.7%	97.6%	97.8%	97.9%	97.7%	97.8%	97.6%	97.3%	97.4%	96.7%	97.8%	97.8%	97.8%	97.8%	97.8%
Professional services & other revenue	25,530	28,594	30,001	42,339	40,431	11,877	11,460	11,725	13,124	48,186	14,278	17,021	17,861	23,580	72,741	122,993	217,278	279,663	360,467
Pro services revenue					32,270	8,526	7,528	7,139	7,793	30,986	6,108	7,735	4,793	8,986	27,620	23,259	32,583	30,051	35,051
y/y						-10.8%	-4.0%	-2.7%	-10.8%		-28.4%	2.7%	-32.9%	15.3%	-10.9%	-15.8%	-7.8%	-7.8%	-7.8%
q/q						9.2%	-21.6%	26.6%	9.2%		-21.6%	26.6%	-38.0%	87.5%					
Payment revenue					8,161	3,351	3,932	4,586	5,331	17,199	8,171	9,286	13,069	14,595	45,120	99,734	184,695	249,611	325,416
y/y						92.6%	16.3%		16.3%	110.8%	143.8%	136.2%	185.0%	173.8%	162.3%	121.0%	85.2%	35.1%	30.4%
q/q											53.3%	13.7%	40.7%	11.7%					
Total revenue	512,980	674,860	883,026	1,300,657	1,730,970	501,620	529,138	557,557	578,451	2,166,757	603,041	638,498	686,197	721,372	2,634,963	3,288,682	4,160,050	5,354,394	6,900,397
y/y growth	36.6%	31.6%	30.8%	47.3%	33.1%	26.8%	25.5%	25.6%	23.2%	25.2%	20.2%	20.7%	23.1%	24.7%	21.6%	24.8%	26.5%	28.7%	28.9%
5-year CAGR																			
Customers/ASP by Product Marketing Hub model																			
Customers	35,879	42,234	58,766	73,897	87,050	90,050	93,050	96,050	99,050	99,050	102,300	105,550	108,800	112,050	112,050	127,450	143,950	162,350	181,900
Net additions	5,734	6,355	16,532	15,131	13,153	3,000	3,000	3,000	3,000	12,000	3,250	3,250	3,250	3,250	13,000	15,400	16,500	18,400	19,550
y/y growth	19.0%	17.7%	39.1%	25.7%	17.8%	15.4%	14.8%	14.3%	13.8%	13.8%	13.6%	13.4%	13.3%	13.1%	13.1%	13.7%	12.9%	12.8%	12.0%
Average marketing customers	33,114	39,441	49,432	67,238	80,905	88,550	91,550	94,550	97,550	93,050	100,675	103,925	107,175	110,425	105,550	119,750	135,700	153,150	172,125
y/y growth	24.8%	19.1%	25.3%	36.0%	20.3%	16.6%	15.1%	0.0%	14.0%	15.0%	13.7%	13.5%	13.4%	13.2%	13.4%	13.5%	13.3%	12.9%	12.4%
ASP	12,830	13,203	12,711	12,384	12,857	13,228	13,365	13,604	12,863	13,262	12,756	12,850	13,317	12,990	12,982	13,999	16,095	18,880	22,417
q/q growth						1.9%	1.0%	1.8%	-3.8%		-0.8%	-3.1%	4.4%	1.1%					
y/y growth	1.3%	2.9%	-3.7%	-2.6%	3.8%	4.3%	4.2%	5.2%	-0.9%	3.1%	-3.6%	-3.9%	-2.1%	1.0%	-2.1%	7.8%	15.0%	17.3%	18.7%
5-year CAGR															-0.3%	1.9%	5.4%	8.0%	11.1%
Subscription revenue	424,837	520,716	628,307	832,690	1,040,214	292,840	305,880	321,566	313,701	1,233,987	321,042	333,846	356,807	358,595	1,370,290	1,676,334	2,184,070	2,891,497	3,858,487
y/y growth	26.5%	22.6%	20.7%	32.5%	24.9%	21.6%	19.9%	20.5%	13.0%	18.6%	9.6%	9.1%	11.0%	14.3%	11.0%	22.3%	30.3%	32.4%	33.4%
Subscription mix	87.2%	80.6%	73.7%	35.0%	27.4%	59.8%	59.1%	58.9%	55.5%	21.1%	54.5%	53.7%	53.4%	51.4%	13.5%	24.8%	32.8%	34.9%	35.9%
Sales Hub Model																			
Sales Hub only customer count	20,749	31,249	45,228	61,545	76,188	80,282	83,687	87,129	90,607	90,607	94,290	97,937	101,549	105,125	105,125	122,272	138,495	155,555	172,759
Net additions	9,700	10,500	13,979	16,317	14,643	4,094	3,405	3,441	3,478	14,419	3,683	3,647	3,612	3,577	14,519	17,147	16,223	17,060	17,204
% of total additions	50%	50%	56%		55%	55%	55%	55%	55%	55%	55%	54%	54%	53%	54%	51%	49%	47%	45%
Sales customer count	40,249	61,249	86,228	115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,498	182,253	189,005	195,754	195,754	229,180	262,122	298,232	336,255
y/y growth	89.4%	52.2%	40.8%	34.4%	23.0%	21.6%	19.6%	19.0%	18.4%	18.4%	17.0%	16.7%	16.4%	16.0%	16.0%	17.1%	14.4%	13.8%	12.7%
Average customers	29,774	49,624	73,023	101,214	129,904	146,243	153,061	159,285	165,577	156,041	172,119	178,875	185,629	192,379	182,250	213,344	245,652	280,176	317,241
Monthly User ASP	53	57	55	56	59	61	61	61	63	62	63	63	63	63	63	63	63	63	63
X Average # users	3.0	3.2	3.6	4.5	4.8	4.9	5.0	5.0	5.2	5.0	5.2	5.3	5.5	5.7	5.4	5.6	5.7	6.1	6.6
ASP - Monthly	159	185	197	252	283	299	305	305	328	310	328	334	347	359	342	351	358	383	414
ASP - Annual	1,912	2,222	2,365	3,027	3,401	3,587	3,660	3,660	3,931	3,715	3,931	4,007	4,158	4,309	4,107	4,206	4,299	4,602	4,963
y/y	25.4%	16.2%	6.4%	28.0%	12.3%	7.4%	7.7%	7.7%	13.8%	9.2%	9.6%	9.5%	13.6%	9.6%	10.6%	2.4%	2.2%	7.0%	7.8%
Sales Hub subscription revenue	56,940	110,267	172,692	306,386	441,753	131,136	140,051	145,746	162,729	579,662	169,158	179,179	192,961	207,250	748,549	897,377	1,056,159	1,289,283	1,574,329
q/q growth						8.8%	6.8%	4.1%	11.7%		4.0%	5.9%	7.7%	7.4%					
y/y growth	172.9%	93.7%	56.6%	77.4%	44.2%	31.3%	29.8%	28.5%	35.0%	31.2%	29.0%	27.9%	32.4%	27.4%	29.1%	19.9%	17.7%	22.1%	22.1%
Subscription mix	11.7%	17.1%	20.2%	24.3%	26.1%	26.8%	27.1%	26.7%	28.8%	27.4%	28.7%	28.8%	28.9%	29.7%	29.1%	27.9%	26.0%	24.6%	23.3%
Subscription mix	11.7%	17.1%	20.2%	24.3%	26.1%	26.8%	27.1%	26.7%	28.8%	27.4%	28.7%	28.8%	28.9%	29.7%	29.1%	27.9%	26.0%	24.6%	23.3%

Source: BofA Global Research estimates, company report

Exhibit 9: HubSpot upside case bottoms-up model

Additional details for other Hubs

	YEAR FY18E	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23E	YEAR FY23E	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E	YEAR FY27E	YEAR FY28E
Service Hub Model																			
Sales Hub customers	40,249	61,249	86,228	115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,498	182,253	189,005	195,754	195,754	229,180	262,122	298,232	336,255
% penetration	9.0%	13.0%	18.0%	23.2%	27.2%	28.2%	29.2%	30.2%	32.2%	32.2%	33.7%	35.2%	36.7%	38.2%	38.2%	40.2%	40.2%	40.2%	40.2%
# Service Hub customers	3,622	7,962	15,521	26,888	38,766	42,290	45,598	49,049	54,334	54,334	59,143	64,153	69,365	74,778	74,778	92,130	105,373	119,889	135,175
Net additions	3,622	8,765	15,521	26,888	11,878	3,525	3,308	3,452	5,285	15,569	59,143	5,010	5,212	5,413	74,778	92,130	105,373	119,889	135,175
Average # customers	2,801	5,660	11,256	21,393	32,835	40,528	43,944	47,323	51,692	45,872	56,738	61,648	66,759	72,071	64,304	84,226	98,752	112,631	127,531
ASP	2,700	2,700	2,700	2,850	3,000	3,000	3,000	3,000	3,150	3,038	3,150	3,150	3,150	3,308	3,189	3,349	3,516	3,692	3,877
q/q growth						0.0%	0.0%	0.0%	5.0%	1.3%	0.0%	0.0%	0.0%	5.0%					
y/y growth		0.0%	0.0%	5.6%	5.3%	0.0%	0.0%	0.0%	5.0%		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Service Hub Subscription revenue	5,672	15,283	30,391	61,385	98,506	30,396	32,958	35,493	40,707	139,554	44,682	48,548	52,573	59,594	205,396	282,322	347,456	416,092	494,674
q/q growth						8.8%	8.4%	7.7%	14.7%	41.7%	9.8%	8.7%	8.3%	13.4%					
y/y growth				102.0%	60.5%				45.6%		47.0%	47.3%	48.1%	46.4%	47.2%	37.5%	23.1%	19.8%	18.9%
Subscription mix	1.2%	2.4%	3.6%	4.9%	5.8%	6.2%	6.4%	6.5%	7.2%	6.6%	7.6%	7.8%	7.9%	8.5%	8.0%	8.8%	8.5%	7.9%	7.3%
CMS Model																			
Marketing Hub Customers			58,766	73,897	87,050	90,050	93,050	96,050	99,050	99,050	102,300	105,550	108,800	112,050	112,050	127,450	143,950	162,350	181,900
% penetration			18.8%	21.6%	21.6%	21.8%	22.1%	24.1%	26.1%	26.1%	28.1%	30.1%	32.1%	34.1%	34.1%	42.1%	50.1%	58.1%	66.1%
# CMS customers			8,462	13,893	18,759	19,631	20,517	23,100	25,802	25,802	28,695	31,718	34,870	38,153	38,153	53,593	72,047	94,244	120,145
Net additions			8,462	13,893	68,974	19,631	20,517	23,100	2,702	65,951	28,695	3,023	3,153	3,283	38,153	53,593	72,047	94,244	120,145
Average # customers			7,145	11,287	16,134	19,195	19,638	21,365	24,451	21,162	27,249	30,206	33,294	36,512	31,815	45,680	62,613	82,915	106,950
ASP			4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
q/q growth				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
y/y growth				0.0%	0.0%				0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CMS Subscription revenue			21,635	48,534	69,376	20,635	21,111	22,968	26,285	90,999	29,292	32,472	35,791	39,250	136,805	196,425	269,238	356,536	459,885
q/q growth						7.8%	2.3%	8.8%	14.4%	31.2%	11.4%	10.9%	10.2%	9.7%					
y/y growth				124.3%	42.9%				37.3%		42.0%	53.8%	55.8%	49.3%	50.3%	43.6%	37.1%	32.4%	29.0%
Subscription mix			2.5%	3.9%	4.1%	4.2%	4.1%	4.2%	4.6%	4.3%	5.0%	5.2%	5.4%	5.6%	5.3%	6.1%	6.6%	6.8%	6.8%
Operations Hub Model																			
Sales Hub Customers				115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,498	182,253	189,005	195,754	195,754	229,180	262,122	298,232	336,255
% penetration				11.8%	20.3%	22.8%	25.3%	27.3%	29.3%	29.3%	31.8%	33.8%	35.8%	37.8%	37.8%	43.8%	47.8%	51.8%	55.8%
# Operations customers				13,618	28,860	34,117	39,429	44,258	49,356	49,356	55,721	61,510	67,569	73,897	73,897	100,266	125,163	154,335	187,462
Net additions				13,618	15,243	5,257	5,312	4,828	5,098	20,496	6,364	5,790	6,059	6,328	24,541	26,369	24,897	29,172	33,127
Average # customers				5,676	20,585	31,489	36,773	41,844	46,807	39,228	52,538	58,615	64,540	70,733	61,607	87,121	112,509	139,523	170,660
ASP				1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	2,017	2,107
q/q growth									0%	0.0%	0%	0%	0%	0%	0.0%	0.0%	0.0%	7.7%	4.5%
y/y growth									0%		0%	0%	0%	0%	0.0%	0.0%	0.0%	7.7%	4.5%
Operations Subscription revenue				10,626	38,535	14,737	17,210	19,583	21,906	73,435	24,588	27,432	30,205	33,103	115,328	163,091	210,617	281,916	359,572
q/q growth									11.9%	90.6%	12.2%	11.6%	10.1%	9.6%					
y/y growth									76.3%	3.5%	66.8%	59.4%	54.2%	51.1%	57.0%	41.4%	29.1%	33.9%	27.5%
Subscription Mix				0.8%	2.3%	3.0%	3.3%	3.6%			6.8%				4.5%	5.1%	5.2%	5.4%	5.3%
Commerce Hub Model																			
Total Customers					163,237	177,298	184,924	194,098	200,576	200,576	207,510	214,407	221,268	228,095	228,095	260,642	293,364	328,825	365,579
% penetration					7.2%	8.0%	9.0%	10.0%	11.3%	11.3%	12.5%	13.8%	15.0%	16.3%	16.3%	16.3%	21.3%	26.3%	31.3%
# Customers using Payments					11,717	14,184	16,643	19,410	22,565	22,565	25,939	29,481	33,190	37,065	37,065	55,386	77,008	102,758	132,522
GMV per customer assumption					1,400	350	350	350	350	1,400	350	350	350	350	1,400	1,400	1,400	1,400	1,400
GMV					12,089,746	4,964,344	5,825,106	6,793,430	7,897,684	25,480,564	9,078,543	10,318,314	11,616,584	12,972,894	43,986,336	67,696,275	96,119,306	129,976,941	169,530,444
TPV %					3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%	4.6%	6.5%	8.5%	8.5%	8.5%
TPV					362,692	148,930	174,753	203,803	236,931	764,417	363,142	412,733	580,829	648,645	2,005,348	4,432,636	8,208,663	11,093,835	14,462,928
Take rate					2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Payments Transactional revenue					8,161	3,351	3,932	4,586	5,331	17,199	8,171	9,286	13,069	14,595	45,120	99,734	184,695	249,611	325,416
q/q growth					195%				16%	223%	53%	14%	41%	12%	209%	227%	238%	243%	246%
y/y growth									93%	17,081	144%	136%	185%	174%	27,277	37,730	49,998	64,173	80,341
% of pro services rev					8,161														
% of total rev																			
Billings Analysis																			
Total Deferred Revenues	185,484	234,088	316,502	434,887	545,778	577,267	590,502	582,492	671,090	671,090	709,809	726,082	716,233	823,668	823,668	1,010,937	1,215,626	1,431,509	1,650,108
% q/q						5.8%	2.3%	-1.4%	15.2%		5.8%	2.3%	-1.4%	15.0%					
Billings	559,307	723,464	965,440	1,419,042	1,841,861	533,109	542,373	549,547	667,049	2,292,078	641,760	654,772	676,348	828,807	2,801,687	3,525,811	4,489,506	5,730,870	7,326,013
% yoy		29%	33%	47%		26%	25%	24%	23%	24%	20%	21%	23%	24%	22%	26%	27%	28%	28%
% yoy constant currency					30%														
Revenue as a % of Billings	92%	93%	91%	92%	94%	94%	98%	101%	87%	95%	94%	98%	101%	87%	94%	93%	93%	93%	94%
DR as a % of Billings	8%	7%	9%	8%	6%	6%	2%	-1%	13%	5%	6%	2%	-1%	13%	6%	7%	7%	7%	6%
Long term as a % of total deferred						1%	1%	1%	1%		1%	1%	1%	1%					

Source: BofA Global Research estimates, company report



Price objective basis & risk

HubSpot (HUBS)

Our PO of \$650 is based on an EV/revenue multiple of 10.8x our CY25 revenue estimate. The 10.8x multiple represents an EV/Rev/Growth multiple of 0.5x based on our C25E revenue growth rate of +22% y/y, a slight discount to the large cap group on a growth-adjusted basis, at 0.6x EV/Rev/G (+16% y/y growth).

Risks to our PO are: 1) higher customer attrition rate (low teens) may limit future growth, particularly as the company grows and the dollar attrition amount grows, 2) HubSpot shares trade at a premium to where the software stocks have historically traded, presenting the risk of a pullback, which could occur in the event of changes to market sentiment stemming from the global macro uncertainty, or potentially disappointing quarterly revenue growth, 3) we believe that HubSpot's business has a high degree of exposure to the macro economic cycle, given the company's focus on selling applications into the SMB market segment. Applications projects are discretionary and can be delayed in the event of a shrinking IT budget, unlike projects involving more mission critical infrastructure or security technologies. Also, SMB mortality increases during cyclical downturns, which could affect HubSpot's renewal rate.

Analyst Certification

I, Brad Sills, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dropbox	DBX	DBX US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
NEUTRAL				
	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
UNDERPERFORM				
	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Everbridge	EVBG	EVBG US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
RSTR				
	Splunk	SPLK	SPLK US	Brad Sills

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

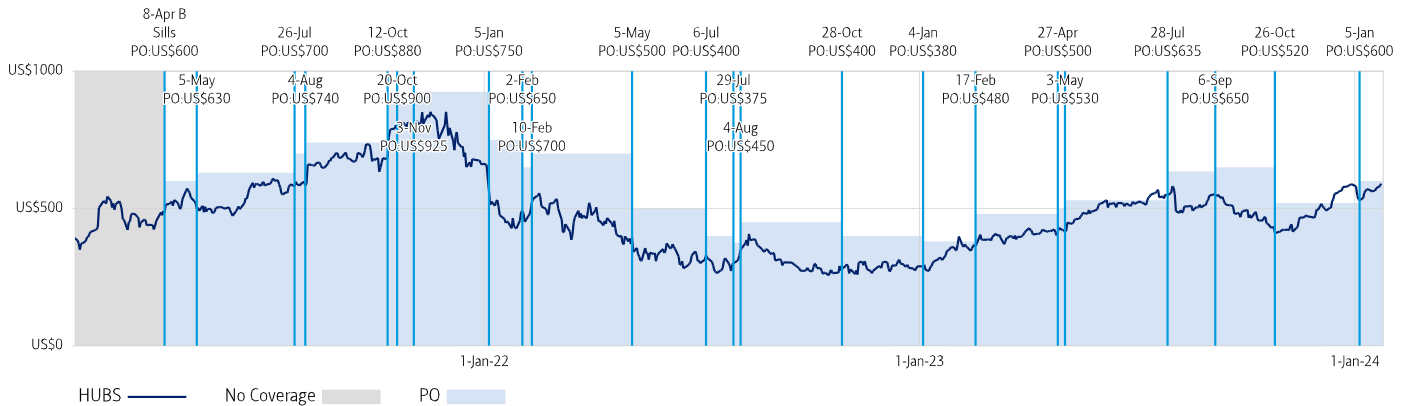
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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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