

HubSpot

Channel Downticks; Expect Skinnier Q3 Beat and Raise; Softness Temporary

Reiterate Rating: BUY | PO: 520.00 USD | Price: 411.69 USD

No change to competitive dynamics or healthy renewals

We spoke with nearly a dozen ad agency partners to gauge Q3 deal activity and pipeline builds. Commentary suggests new customer signings down ticked a bit, starting in August, as a result of the still sluggish macro environment. Most partners did not miss expectations, though no partner was exceeding expectations, which is typically the case in the HubSpot channel. We did not note any change in the competitive environment versus Salesforce (despite the new Starter Suite offering) or others. 2024 pipelines remain healthy, with partner optimism that AI could provide a catalyst next year.

Softness hasn't improved and expected to impact outlook

Recall that on the Q2 earnings call, management cited incremental pressure on subscription and billings growth. The outlook for a 7% point revenue growth deceleration (on a 2% point easier comparison) already reflects a higher degree of conservatism. We don't expect the company to miss Q3 subscription guidance or implied billings, though we expect less Q3 upside. We expect Q3 subscription revenue and total billings growth of 22% y/y (21% cc) for both, modestly ahead of our base case for 20% (19%) (see bottom-up base and upside case assumptions in Exhibits 3 and 4). We assume 1pt of FX headwind, the low end of expectations for 1-2% in July.

Likely to see better margin during deceleration

Given partner commentary that weaker deal activity is unchanged since August, we expect a more muted Q4 raise. We expect the Q4 revenue growth outlook to be one point higher than our current estimate for +18% y/y cc growth. We expect HubSpot to take a prudent stance on operating expense in the current environment, which is likely to drive upside to our estimates for Q3 and Q4 margin of 13% and 15%, respectively.

Lower PO to \$520, LT view unchanged, reiterate Buy

Given our expectation for a muted demand environment, we are lowering our PO to \$520 (8.1x C25E revenue) from \$650 (10.2x). However, with shares -12% since early Sept, NT downside associated with a skinnier beat looks largely priced in. We reiterate our Buy rating. The next catalyst for the shares is likely to be reaccelerating growth in FY24 (toward high 20s), driven by AI contribution and potentially better macro later in the year. AI bots and copilots are expected to launch in H1CY24, and likely included in premium offerings, which would provide a real catalyst for ASP growth in H2CY24.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.82	2.73	5.26	6.56	8.73
GAAP EPS	(1.66)	(2.35)	(5.62)	(6.62)	(8.75)
EPS Change (YoY)	31.9%	50.0%	92.7%	24.7%	33.1%
Consensus EPS (Bloomberg)			5.28	6.46	8.69
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	226.2x	150.8x	78.3x	62.8x	47.2x
EV / EBITDA*	182.2x	126.5x	72.5x	54.5x	38.7x
Free Cash Flow Yield*	0.8%	1.3%	1.5%	2.4%	3.2%

* For full definitions of *IQmethod*SM measures, see page 14.

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Timestamp: 26 October 2023 05:00AM EDT

26 October 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	650.00	520.00

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Stock Data

Price	411.69 USD
Price Objective	520.00 USD
Date Established	26-Oct-2023
Investment Opinion	C-1-9
52-Week Range	249.99 USD - 581.40 USD
Mkrt Val (mn) / Shares Out (mn)	21,201 USD / 51.5
Average Daily Value (mn)	237.62 USD
BofA Ticker / Exchange	HUBS / NYS
Bloomberg / Reuters	HUBS US / HUBS.N
ROE (2023E)	24.7%
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"](#).

SMB = small and medium-sized business

ASP = average selling price

FO = front office

TAM = total addressable market

LT = long term

HSD = high single digits

DR = deferred revenue

iQprofileSM HubSpot

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.9%	9.9%	16.3%	18.1%	20.6%
Return on Equity	11.3%	15.0%	24.7%	24.8%	25.8%
Operating Margin	9.0%	9.8%	13.9%	15.2%	17.1%
Free Cash Flow	177	273	325	509	668

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.6x	2.0x	1.3x	1.6x	1.5x
Asset Replacement Ratio	1.4x	0x	0.5x	0.7x	0.7x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-10.7%	-1.5%	-23.8%	-45.1%	-61.5%
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	2,122	2,585	3,231
% Change	47.3%	33.1%	22.6%	21.8%	25.0%
Gross Profit	1,052	1,431	1,789	2,181	2,728
% Change	45.1%	36.0%	25.0%	21.9%	25.0%
EBITDA	117	169	295	393	552
% Change	56.8%	44.0%	74.5%	33.2%	40.6%
Net Interest & Other Income	3	2	49	53	53
Net Income (Adjusted)	92	140	275	352	479
% Change	37.8%	51.0%	97.2%	27.9%	35.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(78)	(113)	(294)	(361)	(496)
Depreciation & Amortization	45	58	67	80	100
Change in Working Capital	110	58	38	114	140
Deferred Taxation Charge	(2)	(2)	0	0	0
Other Adjustments, Net	163	271	551	729	991
Capital Expenditure	(62)	0	(37)	(53)	(66)
Free Cash Flow	177	273	325	509	668
% Change	488.8%	54.5%	19.0%	56.7%	31.2%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	377	331	608	1,037	1,604
Trade Receivables	157	227	269	334	418
Other Current Assets	919	1,197	1,242	1,283	1,336
Property, Plant & Equipment	96	105	106	111	118
Other Non-Current Assets	625	685	737	786	846
Total Assets	2,175	2,545	2,963	3,551	4,322
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	598	762	924	1,142	1,417
Long-Term Debt	284	316	314	314	314
Other Non-Current Liabilities	400	475	488	490	492
Total Liabilities	1,281	1,553	1,726	1,946	2,223
Total Equity	874	992	1,237	1,605	2,099
Total Equity & Liabilities	2,155	2,545	2,963	3,551	4,322

* For full definitions of iQmethodSM measures, see page 14.

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 577,180

Quarterly Earnings Estimates

	2022	2023
Q1	0.54A	1.20A
Q2	0.44A	1.34A
Q3	0.64A	1.24E
Q4	1.11A	1.48E

Preview summary table

Exhibit 1: BofA estimates vs. consensus estimates

In an upside case, we think HubSpot could report revenue of \$542.5mn (+22.2% y/y)

	3Q23E			4Q23E		2023E	
	Consensus Estimate	BofA (Base) Estimate	BofA (Upside) Estimate	Consensus Estimate	BofA (Base) Estimate	Consensus Estimate	BofA (Base) Estimate
Total Revenue	\$534.2	\$533.0	\$542.5	\$556.5	\$557.9	\$2,121.5	\$2,121.6
y/y	20.3%	20.1%	22.2%	18.5%	18.8%	22.6%	22.6%
y/y cc	19.4%	18.6%	21.2%	16.4%	17.8%	22.3%	22.1%
Billings	\$539.3	\$532.6	\$542.1	\$635.5	\$647.6	\$2,250.1	\$2,255.7
y/y	21.6%	20.1%	22.2%	17.3%	19.5%	22.2%	22.5%
y/y cc	18.9%	20.1%	21.2%	15.8%	18.5%	20.4%	22.5%
PF operating margin	12.9%	12.8%		15.5%	15.3%	14.0%	13.9%
y/y delta	3.7%	3.6%		1.8%	1.6%	4.2%	4.1%
PF EPS	\$1.24	\$1.24		\$1.51	\$1.48	\$5.29	\$5.26
y/y	80.9%	92.2%		35.4%	33.4%	90.7%	92.7%
FCF	\$48.0	\$48.0		\$88.8	\$99.8	\$254.8	\$259.6
y/y	35.0%	35.0%		25.2%	40.7%	33.1%	35.6%
FCF margin	9.0%	9.0%		16.0%	17.9%	12.0%	12.2%

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

BofA GLOBAL RESEARCH

Partner Commentary

“Q3 demand is overall strong, but getting deals across the finish line has been complicated and difficult. I see deals get 98% of the way through the sales cycle and then they get stuck. There is some kind of underlying risk and confusion within the customer base currently. We saw some confidence back at the start of Q3, but this subsided and we saw more talks of recession coming back toward the end of it. Money is not in motion right now. From Q2 to today, we saw a continued lengthening of sales cycle time. I have not seen sales cycles like this before. It’s probably a 30-40% increase in sales cycles year-to-date. We aren’t really seeing downgrades though – I think those happen more from HubSpot being mis-sold or incorrectly implemented. Our installed base is actually +40% y/y. This has not stopped either, so they could get longer from here on out. We are seeing win rates drop a bit but not by much. With win rates dropping it is due to inaction though, not because they lost to a competing solution. We’ve seen some deals push into Q4. A lot of this is actually more US-specific. Europe never got as manic as the US from a demand perspective and it’s been more stable. AI is icing on the cake – it does make a difference, HubSpot has a great story and narrative for it, but I don’t think AI is moving the needle yet. Net/net though, it will absolutely be a plus. HubSpot is a mature marketing automation tool now, having smart content would be great.” – **Agency Partner, North America**

“I expected Q3 to be our ‘best quarter ever’ with some indication that early-stage demand was coming back and that we would therefore get back to a more ‘normal’ environment. That did not happen. The environment feels more cautious now – in a given sale the number of meetings and re-visiting of things has gone up. The underlying performance has not changed that much though. On existing customers seat utilization remains strong. We’re seeing consistent seat growth still, especially with Sales Hub. We expect seat growth to continue through Q1. We are not hearing of seats being unused, downgrades to tiers, or fewer contacts within our customer base. Looking ahead, we expect 2024 to be very strong. Still cautious of course but not feeling negative about 2024.” – **Agency Partner, North America**

“Q3 fell in line with expectations. The macro environment impacted sales as demand slowed in August but picked back up in the last two months. We have seen inbound leads go down, and as a result, we have been emphasizing our outbound leads. HubSpot has put into place programs that help small business afford its offerings, such as end of month and end of quarter incentives, and discounts for non-profits and startups. Sales Hub demand has been exploding in 2023 and other offerings have been trending normally. Growth this quarter was a good mix between new customers and customer expansion. Sales cycles have increased from about 2 weeks to a month, but implementation has sped up from about 2-3 months to 6 weeks. Manufacturing is a vertical that has been performing particularly well recently given its late entry into digital transformation. Conversely, private equity and investment firm customers have been pulling back.” – **Agency Partner, North America**

“In Q3, demand fell a little below expectations but is still relatively healthy. We are seeing customers becoming more pragmatic with their spending when it comes to adopting new technologies compared to, for example, during the pandemic. Therefore, sales cycles this quarter have also taken a bit longer. Growth this quarter was about a 50/50 mix from new customers and customer expansions. We have not seen much customer churn. Sales Hub growth has been great this year, and other products are trending normally. We saw more technology-based companies adopt HubSpot this quarter (e.g., Web3 companies). I did not see any other trends in other verticals worth calling out. AI is already being used in some HubSpot tools, and we believe that in the future. The continuing advancement of AI will make HubSpot much more efficient. HubSpot is all in on AI.” – **Agency Partner, North America**

“This year has been rough in terms of demand for the entire ecosystem, including HubSpot. Coming into Q4 however, we have seen a slight uptick in the last few weeks

and people are a bit more hopeful than compared to Q3 and H1. We've been told that a lot of HubSpot partners are down 40-50% down this year so far. In terms of product trends, no Hub has been standing out. Most of the business in Q3 were existing customers expanding their usage of HubSpot as opposed to new customers as companies are not really spending money in the current ecosystem. Customer expansions remains robust because HubSpot continuously comes out with new tools that serve as useful additions to the customer's current suite of HubSpot products. Operations Hub is one of HubSpot's most powerful tools and allows for customization. We do a good number of integrations with NetSuite, some proprietary systems used internally, data warehouses, Shopify, and Stripe Payments. HubSpot still has payment systems but is still quite limited in functionality." – **Agency Partner, North America**

"Demand has been steady in Q3. There is always seasonality with sales, and HubSpot has been successful in bringing in vendors to their tools and employing agencies that help with onboarding customers on HubSpot. The sentiment around HubSpot is that it is positioned as a junior version of Salesforce, as it has a lot of the same functions, but a very approachable function for SMBs. Its different Hubs can be approached individually, and the platform is overall user friendly. It is a powerful tool because it is positioned as a marketing automation software, CRM, sales pipeline function, and ticketing support desk. Marketing Hub has always been the bread-and-butter product. HubSpot sales cycles take about 1-2 weeks on average." – **Agency Partner, North America**

"We help businesses install, optimize, and leverage HubSpot. Q3 demand from our side has been robust and is stronger than the first half of the year. Macro-economically, talks of the recession are beginning to lift and we believe pipelines will remain healthy going into 2024. Some moves HubSpot makes in terms of pricing and modularity helps their business. Majority of the growth this quarter are existing customers expanding usage of HubSpot as opposed to new customers. There has been strong deal flow specifically in the Operations Hub this quarter. Personally, I don't think AI will have a huge impact on HubSpot's performance." – **Agency Partner, North America**

"Q3 demand was strong and there was more expansion than expected. We doubled our forecasted quota driven primarily by new hubs. HubSpot is unique because everything is coded in the same codebase. For SMID cap companies, it can cover all their needs and drive cost efficiencies by reducing reliance on multiple software companies. Marketing Hub is historically the most popular Hub, customers usually start with the Marketing Hub and expand their usage from there. Following are the CMS and CRM Hub in that order. In Q3, we have seen more customers gravitating towards the CMS hub than usual and I think it is because it's easy to get involved in. We saw more customer expansion than net new customers this quarter, however, we believe Q4 will be more net new (seeing lift in October). Sales Hub price increase in November will also contribute to the lift as well as discounts and incentives HubSpot offers near the end of the year. Sales cycles are taking longer than usual, but that is because we've grown and are selling to people like the CTO. Finally, HubSpot has not charged extra for new AI tools such as ChatSpot because HubSpot's core values are driving customer value which can create customer loyalty." – **Agency Partner, North America**

"2023 has been a slower year in general, and Q3 was similar to Q1 and Q2. We believe this is because of the economic tightening and general macro environment, as compared to 2021 for example. Pipeline has begun shaping up in the last one to two weeks however, and Q4 is shaping up to look stronger. Our clients are primarily small businesses, we have seen more general interest in terms of CRM Hub and marketing automation this quarter. HubSpot has a great user interface, it is organized very simply, and has strong features and tools. In Q3, we have seen more customer expansions than new customers. Over the past year, we've had many clients asking about HubSpot's new features and capabilities. We are still quite skeptical about whether AI will fully transform HubSpot in terms of the marketing side of things." – **Agency Partner, North America**



“Q3 demand has been strong and fell in line with expectations. We've seen many sales opportunities develop in Q3 and pipelines are looking strong going into Q4 with several deals in the works. We are hoping to finish the year off strong. In Q3, we have seen a good mix of net new customers and customer expansions. On the customer expansion side of things, our clients are having a need for more complicated implementation of HubSpot. In terms of net new customers, HubSpot now has strong brand recognition which has actually led us to have much more inbound leads in terms of generating sales as compared to a year ago. Sales cycles in Q3 have been a little bit slower than usual. HubSpot has evolved into an operational tool and integrates with other tools very well. Since 2012, companies have taken many different paths in order to start using HubSpot whether it starts with sales, marketing, ecommerce, etc., and we see demand today is still coming from all different levels. We have seen a buzz from our clients about the addition of AI and how that may continue to impact HubSpot's offerings in the future.” –

Agency Partner, North America

“Q3 demand has definitely slowed, and we are not sure if it's HubSpot itself or the general economic climate. The number of calls we've had with company CEO's have remained consistent however, so there is still a lot of general interest. Companies are just more hesitant in closing deals due to budget cuts and have been holding off deals. We have half a million dollars of deals just sitting on the side currently. Sales cycles are definitely taking longer in Q3. Pipelines going into Q4 not looking great at the moment, and if anything, will be a slowdown from Q3. Service Hub was revamped a little over year ago, and we have seen more conversions there as for product trends. Nevertheless, Marketing Hub and Sales Hub are still the main drivers of HubSpot. Typically, clients would come in wanting to use HubSpot for a specific functionality and over time they realize the other capabilities of HubSpot and begin to expand their usage. We have seen an 80/20% ratio of growth this quarter from customer expansion and net new customers respectively. In H1 we had 4 or 5 new implementations and in the last 2 months we've had none. We believe 2024 will be a much better year as budgets will likely be loosened.”

– Agency Partner, North America

Q3 has been a good quarter for us, we had many deals that were ready to be closed. The last few weeks have been pretty quiet, but we believe things will pick up again in November as that is when clients begin "testing" new software offerings. Sales cycles for existing clients have been taking longer because of skepticism around whether or not additional functionality from HubSpot will be necessary, however because of likely price increases, some new clients want to implement HubSpot sooner which have made sales cycles a bit faster on that end. Pipelines going into Q1 of 2024 are looking healthy as they usually are. We have been seeing Commerce Hub increase in popularity and there is pent up demand for functions like payment links, which are not available to countries like the UK yet but there is definitely interest. CMS hub has been growing too and we've had some big deals come from this. From the perspective of growing businesses with different branding and products, there is massive value add from the CMS hub that we don't think clients fully understand yet.” –

Agency Partner, North America

“We use the Sales and Marketing hub for sorting lists, emails, and much more. HubSpot is very useful and is one of our preferred vendors in comparison to the overall software suite that we use. We like that HubSpot provides constant updates and fixes to make the platform better. We wish the user-interface was a better, for example, pop-ups for new features get in the way and would prefer that to be in a newsletter form. Given current conditions of business and the economy, we are not looking to expand our usage of HubSpot anytime soon. It took our company approximately 6 months to implement HubSpot from the from the initial lead.” –

Customer, North America

Model

Exhibit 1: HubSpot base case bottom-up model

We estimate \$2.122bn of revenue in FY23E

	YEAR FY18A	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23E	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	191,365	197,844	197,844	204,561	211,315	218,104	224,931	224,931	253,338	282,990	313,816	345,747
Net additions	15,035	16,855	30,511	31,448	31,944	9,912	7,626	6,441	6,478	30,458	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%	20.4%	18.2%	18.2%	15.4%	14.3%	14.0%	13.7%	13.7%	12.6%	11.7%	10.9%	10.2%
q/q growth						5.9%	4.3%	3.5%	3.4%		3.4%	3.3%	3.2%	3.1%					
Average #customers	48,660	64,877	87,455	120,709	151,218	172,342	181,111	188,145	194,604	184,051	201,202	207,938	214,710	221,518	211,342	239,089	268,119	298,359	329,738
y/y growth	41.3%	33.4%	34.8%	38.0%	25.3%	23.5%	23.0%	21.5%	19.3%	21.7%	16.7%	14.8%	14.1%	13.8%	14.8%	13.1%	12.1%	11.3%	10.5%
ASP	10,020	9,961	9,754	10,424	11,179	11,365	11,432	11,099	11,206	11,272	11,586	12,050	11,962	12,208	11,959	13,213	14,728	16,545	18,713
q/q growth						1.2%	0.6%	-2.9%	1.0%		-5.8%	4.0%	-0.7%	2.1%					
y/y growth	-3.3%	-0.6%	-2.1%	6.9%	7.2%	3.0%	2.1%	-1.2%	-0.2%	0.8%	1.9%	5.4%	7.8%	8.9%	6.1%	10.5%	11.5%	12.3%	13.1%
y/y growth - constant currency	-2.3%	1.2%				6.0%	3.0%												
Subscription revenue	487,450	646,266	853,025	1,258,318	1,690,539	489,743	517,678	522,036	545,201	2,074,658	582,794	626,390	642,104	676,049	2,527,338	3,159,172	3,948,966	4,936,207	6,170,259
y/y growth	36.6%	32.6%	32.0%	47.5%	34.3%	27.2%	25.5%	20.0%	19.0%	22.7%	19.0%	21.0%	23.0%	24.0%	21.8%	25.0%	25.0%	25.0%	25.0%
y/y growth - constant currency	35.3%	34.0%																	
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%	97.8%	97.9%	97.7%	97.8%	97.8%	97.8%	97.8%	97.8%
Professional services and other	25,530	28,594	30,001	42,339	40,431	11,877	11,460	10,981	12,657	46,975	14,134	13,867	13,507	15,694	57,202	71,502	89,377	111,722	139,652
Proservices revenue	25,530	28,594	30,001	42,339	40,431	32,270	8,526	7,528	6,460	30,030	8,093	7,626	6,293	8,255	30,267	34,191	39,876	48,123	59,964
y/y growth		12.0%	4.9%	41.1%	-23.8%	-8.2%	-0.6%	-3.2%	-14.0%	-6.9%	-5.1%	1.3%	-2.6%	9.8%	0.8%	13.0%	16.6%	20.7%	24.6%
q/q growth						-2.4%	-11.7%	-14.2%	16.3%		7.7%	-5.8%	-17.5%	31.2%					
Payments revenue					8,161	3,351	3,932	4,521	5,141	16,945	6,041	6,240	7,214	7,440	26,935	37,311	49,501	63,599	79,689
y/y growth							17.3%	15.0%	13.7%	107.6%	80.3%	58.7%	59.6%	44.7%	59.0%	38.5%			
q/q growth											17.5%	3.3%	15.6%	3.1%					
Total Revenue	512,980	674,860	883,026	1,300,657	1,730,970	501,620	529,138	533,017	557,857	2,121,633	596,928	640,257	655,611	691,743	2,584,540	3,230,674	4,038,343	5,047,929	6,309,911
5-year CAGR															30.8%	29.6%	25.4%	23.9%	24.4%
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	95,050	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%	13.0%	12.6%	12.2%	12.8%	13.4%	12.8%	12.2%	11.6%	11.1%
ASP	12,800	13,203	12,711	12,384	12,857	13,228	13,365	12,997	12,604	12,938	13,145	13,846	13,447	13,715	13,543	15,167	17,328	19,931	23,198
q/q growth						1.9%	1.0%	-5.7%	0.0%		4.3%	5.3%	-2.9%	2.0%					
y/y growth	1.3%	2.9%	-3.7%	-2.6%	3.8%	4.3%	4.2%	-2.6%	-2.9%	0.6%	-0.6%	3.6%	6.7%	8.8%	4.7%	12.0%	14.2%	15.0%	16.4%
5-year CAGR															0.5%	3.6%	6.9%	9.2%	12.4%
Subscription revenue	424,837	520,716	628,307	832,690	1,040,214	292,840	305,880	297,770	307,371	1,203,861	330,837	359,730	360,288	378,620	1,429,475	1,805,675	2,314,136	2,970,756	3,840,452
y/y growth	26.5%	22.6%	20.7%	32.5%	24.9%	21.6%	19.9%	11.6%	10.8%	15.7%	13.0%	17.6%	21.0%	23.2%	18.7%	26.3%	28.2%	28.4%	29.3%
Subscription mix	87.2%	80.6%	73.7%	66.2%	61.5%	59.8%	59.1%	57.0%	56.4%	58.0%	56.8%	57.4%	56.1%	56.0%	56.6%	57.2%	58.6%	60.2%	62.2%
Sales Hub Model																			
Sales Hub only customer count	20,749	31,249	45,238	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	13,939	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%	50%	59%	59%	59%	59%	59%	59%	59%	53%	53%	53%	53%	53%	53%	49%	47%	46%
Sales Hub customer count	40,249	61,249	86,238	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	88.4%	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	268,160	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 # uses	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
y/y growth	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	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
q/q growth						8.8%	6.8%	4.1%	3.9%		3.9%	3.8%	3.7%	3.6%					
y/y growth	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%
Subscription mix	11.7%	17.1%	20.2%	24.3%	26.1%	26.8%	27.1%	27.9%	27.8%	27.4%	27.0%	26.1%	26.4%	26.0%	26.3%	24.3%	22.1%	20.0%	17.9%

Source: BofA Global Research estimates, company report

Exhibit 2: HubSpot base case bottom-up model

Additional details for other Hubs

	YEAR	YEAR	YEAR	YEAR	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	YEAR	YEAR	YEAR	YEAR
	FY18A	FY19A	FY20A	FY21A	FY22A	1Q23A	2Q23A	3Q23E	4Q23E	FY23E	1Q24E	2Q24E	3Q24E	4Q24E	FY24E	FY25E	FY26E	FY27E	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	181,883	188,573	195,323	195,323	223,574	253,479	285,028	318,209
<u>Subscription</u>	20%	13.0%	18.0%	23.2%	27.2%	28.2%	27.2%	26.2%	25.2%	24.2%	22.2%	21.2%	20.2%	19.2%	18.2%	16.2%	15.2%	14.2%	13.2%
# 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	109,933	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	109,933	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%		7.3%	7.1%	6.9%	6.7%					
y/y growth		169.4%	98.9%	102.0%	60.5%	4.9%	40.1%	37.8%	36.4%	39.1%	34.6%	32.9%	31.9%	31.0%	32.9%	28.9%	26.1%	23.8%	21.9%
Subscription mix	1.2%	2.4%	3.6%	4.9%	5.8%	6.2%	6.4%	6.8%	7.0%	6.6%	7.0%	7.0%	7.3%	7.4%	7.2%	7.4%	7.5%	7.4%	7.2%
OMS 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
<u>Subscription</u>			14.4%	18.8%	21.6%	21.6%	22.1%	22.1%	22.1%	22.1%	21.1%	20.1%	19.1%	18.1%	17.1%	15.1%	14.1%	13.1%	12.1%
# OMS Customers			8,462	13,893	18,759	19,631	20,517	21,403	22,289	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	2,982	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%	0.0%
OMS 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%	10.9%	10.2%	9.7%					
y/y growth						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			2.9%	3.9%	4.2%	4.2%	4.2%	4.5%	4.8%	4.4%	5.0%	5.2%	5.6%	5.8%	5.4%	6.2%	6.7%	7.0%	7.2%
Operations Hub Model																			
Sales Hub Customers				115,895	142,520	149,965	156,156	162,415	168,739	168,739	175,282	181,883	188,573	195,323	195,323	223,574	253,479	285,028	318,209
<u>Subscription</u>				11.8%	20.2%	22.8%	25.2%	27.2%	29.2%	29.2%	31.2%	33.2%	35.2%	37.2%	37.2%	41.2%	47.2%	51.2%	55.2%
# 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	20,595	31,489	36,773	41,844	46,807	39,228	52,066	57,628	63,476	69,615	60,696	84,436	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%	10.7%	10.1%	9.7%					
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%	3.8%	4.0%	3.5%	4.2%	4.3%	4.6%	4.8%	4.5%	5.0%	5.1%	5.4%	5.5%
Commerce Hub Model																			
Total Customers					167,386	177,298	184,924	191,365	197,844	197,844	204,561	211,315	218,104	224,931	224,931	253,338	282,990	313,816	345,747
<u>Subscription</u>					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	19,137	21,763	21,763	25,570	26,414	30,535	31,490	31,490	43,067	56,598	72,178	89,894
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	6,697,790	7,616,976	25,104,217	8,949,557	9,245,012	10,667,120	11,021,622	39,903,312	55,275,352	73,335,018	94,220,265	118,057,387
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					362,602	148,930	174,753	200,934	228,509	753,127	268,487	277,350	300,614	330,649	1,197,099	1,698,261	2,200,051	2,826,608	3,541,722
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	4,521	5,141	16,945	6,041	6,240	7,214	7,440	26,935	37,311	49,501	63,599	79,689
q/q growth						21.1%	17.3%	15.0%	13.7%	107.6%	17.5%	3.3%	15.6%	3.1%					
y/y growth						146.8%	120.6%	100.7%	85.7%		80.3%	58.7%	59.6%	44.7%	59.0%	38.5%	32.7%	28.5%	25.3%

Source: BofA Global Research estimates, company report



Exhibit 3: HubSpot upside case bottom-up model

We estimate \$2.150bn of revenue in FY23E in an upside case

	YEAR FY18A	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23E	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	96,628	73,483	103,994	135,442	163,237	177,298	184,934	191,961	198,531	198,531	205,467	212,366	219,229	226,098	226,098	261,623	298,871	337,635	377,822
Net additions	15,035	16,855	30,511	31,448	27,795	9,912	7,625	6,637	6,970	35,294	6,936	6,899	6,864	6,829	27,527	35,565	37,248	38,764	40,187
q/q growth	36.1%	29.8%	41.5%	30.2%	20.9%	23.4%	22.6%	20.6%	18.6%	21.6%	15.9%	14.8%	14.4%	13.9%	13.9%	15.7%	14.2%	13.0%	11.9%
y/y growth	0.0%	0.0%	0.0%			5.9%	4.3%	3.6%	3.6%		3.9%	3.4%	3.2%	3.1%					
Average #customers	46,650	64,877	87,455	120,709	151,218	172,342	181,111	188,243	195,046	184,185	201,999	208,916	215,797	222,644	212,339	244,360	280,325	318,313	357,792
y/q growth	41.3%	33.4%	34.8%	38.0%	25.3%	23.9%	23.0%	21.9%	19.6%	21.8%	17.2%	15.4%	14.6%	14.1%	15.3%	15.1%	14.7%	13.6%	12.4%
ASP	10,020	9,961	9,754	10,875	11,231	11,365	11,402	11,291	11,549	11,549	11,805	12,341	12,581	12,974	12,974	14,789	16,789	19,229	22,230
q/q growth						1.2%	0.6%	-1.2%	2.3%		2.2%	4.5%	1.9%	3.1%					
y/y growth	-3.3%	-0.6%	-2.1%	11.9%	3.3%	3.0%	2.1%	0.9%	2.8%	2.8%	3.9%	8.0%	11.4%	12.3%	12.3%	14.0%	13.4%	14.7%	15.9%
y/y growth - constant currency	-2.9%	1.2%	0.0%			6.0%	3.0%												
						9.0%													
Subscription revenue	487,430	646,266	853,025	1,258,318	1,690,539	489,743	517,678	531,338	563,155	2,101,385	596,151	644,564	678,716	722,137	2,641,568	3,472,443	4,553,400	5,918,808	7,670,378
y/q growth	36.6%	32.6%	32.0%	47.5%	34.3%	27.2%	25.9%	22.1%	22.9%	24.3%	21.7%	24.5%	27.7%	28.2%	25.7%	31.5%	31.1%	30.0%	29.6%
y/y growth - constant currency	35.3%	34.0%	0.0%			0.0%	0.0%												
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	11,178	13,073	47,588	14,458	17,653	17,833	24,403	74,347	132,564	242,711	315,433	408,522
Proservices revenue					32,270	8,526	7,528	6,539	7,680	30,272	6,205	8,288	4,669	9,716	28,879	31,560	53,516	57,609	70,782
y/q growth						-2.0%	-12.1%	-6.2%			-27.2%	10.1%	-28.6%	26.5%	-4.6%				
y/y growth						-19.2%	-13.1%	-17.4%			-19.2%	33.6%	-43.7%	108.1%					
Payment revenue					8,161	3,351	3,932	4,639	5,394	17,315	8,252	9,365	13,164	14,687	45,468	101,004	189,194	257,824	338,041
y/q growth						105.9%	94.9%	18.0%	16.3%	112.2%	146.3%	138.2%	183.8%	172.3%	162.6%	122.1%	87.3%	36.3%	31.1%
y/y growth											53.0%	13.5%	40.6%	11.6%					
Total revenue	512,980	674,860	883,026	1,300,657	1,730,970	501,620	529,138	542,536	576,229	2,149,527	610,608	662,217	696,530	746,540	2,701,355	3,551,005	4,656,457	6,052,769	7,843,982
y/q growth	36.6%	31.6%	30.8%	47.3%	33.1%	26.8%	25.9%	22.2%	22.7%	24.2%	21.7%	25.2%	28.4%	29.6%	25.7%	31.5%	31.1%	30.0%	29.6%
5-year CAGR																			
Customers/ASP by Product Marketing Hub model																			
Customers	35,879	42,234	58,766	73,887	87,050	90,050	98,050	96,150	99,400	99,400	102,650	105,900	109,150	112,400	112,400	129,200	147,950	167,950	188,200
Net additions	5,734	6,335	16,532	15,131	13,153	3,000	3,000	3,100	3,250	12,350	3,250	3,250	3,250	3,250	13,000	16,800	18,750	20,000	21,250
y/q growth	19.0%	17.7%	39.1%	25.7%	17.8%	15.4%	14.8%	14.4%	14.2%	14.2%	14.0%	13.8%	13.5%	13.1%	13.1%	14.9%	14.5%	13.5%	12.7%
Average marketing customers	33,114	39,411	49,432	67,238	80,905	88,550	91,550	90,600	97,775	93,118	101,025	104,275	107,525	110,775	105,900	120,800	138,575	157,950	178,575
y/q growth	24.8%	19.1%	25.3%	36.0%	20.3%	16.6%	15.1%	14.6%	14.3%	15.1%	14.1%	13.9%	13.7%	13.3%	13.7%	14.1%	14.7%	14.0%	13.1%
ASP	12,830	13,203	12,711	12,384	12,857	13,228	13,365	12,856	12,863	13,071	13,145	13,846	13,723	13,997	13,667	15,394	17,658	20,664	24,465
q/q growth						1.9%	1.0%	-2.8%	-3.8%		2.2%	5.9%	4.4%	1.1%					
y/y growth	1.3%	2.9%	-3.7%	-2.6%	3.8%	4.3%	4.2%	0.6%	0.9%	1.7%	0.6%	3.6%	6.7%	8.8%	4.7%	12.5%	14.7%	17.0%	18.4%
5-year CAGR															0.7%	3.9%	7.4%	10.0%	13.4%
Subscription revenue	424,837	520,716	628,307	832,630	1,040,214	292,840	305,880	304,043	314,424	1,217,187	331,987	360,941	368,884	387,641	1,449,454	1,859,391	2,446,994	3,263,911	4,368,762
y/q growth	26.5%	22.6%	20.7%	32.5%	24.9%	21.6%	19.9%	14.0%	13.3%	17.0%	13.4%	18.0%	21.3%	23.3%	19.1%	28.3%	31.6%	33.4%	33.9%
Subscription mix	87.2%	80.6%	73.7%	35.0%	27.4%	59.8%	59.1%	57.2%	55.8%	19.5%	55.7%	56.0%	54.4%	53.7%	21.6%	30.8%	34.1%	35.9%	36.4%
Sales Hub Model																			
Sales Hub only customer count	20,749	31,249	45,228	61,545	76,188	80,282	83,687	87,224	90,944	90,944	94,630	98,279	101,892	105,471	105,471	124,236	142,734	161,498	180,435
Net additions	9,700	10,500	13,979	16,317	14,643	4,094	3,405	3,537	3,720	14,756	3,686	3,649	3,614	3,579	14,527	18,765	18,498	18,764	18,937
% of total additions	50%	50%	50%	50%	59%	59%	59%	59%	59%	59%	59%	54%	54%	54%	54%	52%	50%	48%	46%
Sales customer count	40,249	61,249	86,228	115,895	142,520	149,905	156,156	162,589	169,353	169,353	176,115	182,674	189,620	196,383	196,383	232,611	269,796	309,096	350,493
y/q growth	89.4%	52.2%	40.8%	34.4%	23.0%	21.6%	19.6%	19.1%	18.8%	18.8%	17.4%	17.1%	16.6%	16.0%	16.0%	18.4%	16.0%	14.6%	13.4%
Average customers	29,774	49,624	73,023	101,214	129,904	146,243	153,061	159,373	165,971	156,162	172,734	179,495	186,252	193,006	182,872	215,386	251,203	289,444	329,791
Monthly User ASP	53	57	55	56	59	61	61	61	61	61	61	61	61	61	61	61	61	62	63
X Average # users	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34	34
ASP - Monthly	159	185	197	252	283	299	305	305	317	307	317	323	336	348	331	363	388	419	456
ASP - Annual	1,912	2,222	2,365	3,027	3,401	3,587	3,660	3,660	3,806	3,682	3,806	3,880	4,026	4,172	3,977	4,359	4,652	5,025	5,467
y/y growth	25.4%	16.2%	6.4%	28.0%	12.3%	7.4%	7.7%	7.7%	10.1%	8.3%	6.1%	6.0%	10.0%	9.6%	8.0%	9.6%	6.7%	8.0%	8.8%
Sales Hub subscription revenue	56,940	110,267	172,692	306,386	441,753	131,136	140,051	145,826	157,938	574,950	164,374	174,092	187,462	201,325	727,253	938,898	1,168,494	1,454,504	1,803,016
q/q growth						8.8%	6.8%	4.1%	8.3%		4.1%	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%	31.0%	30.2%	25.3%	24.3%	28.6%	27.5%	26.5%	29.1%	24.5%	24.5%	24.0%
Subscription mix	11.7%	17.1%	20.2%	24.3%	26.1%	26.8%	27.1%	27.4%	28.0%	27.4%	27.6%	27.0%	27.6%	27.9%	27.5%	27.0%	25.7%	24.6%	23.5%

Source: BofA Global Research estimates, company report

Exhibit 4: HubSpot upside case bottom-up model

Additional details for other Hubs

	YEAR	YEAR	YEAR	YEAR	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	YEAR	YEAR	YEAR	YEAR
	FY18A	FY19A	FY20A	FY21A	FY22A	1Q23A	2Q23A	3Q23E	4Q23E	FY23E	1Q24E	2Q24E	3Q24E	4Q24E	FY24E	FY25E	FY26E	FY27E	FY28E					
Service Hub Model																								
Sales Hub customers	40,249	61,249	86,228	115,895	142,520	149,965	156,156	162,589	169,353	169,353	176,115	182,874	189,630	196,383	196,383	232,611	269,796	309,096	350,493					
% penetration	90%	130%	180%	232%	272%	282%	292%	312%	322%	322%	342%	352%	372%	382%	382%	450%	500%	500%	500%	500%				
# Service Hub customers	3,622	7,962	15,521	26,888	38,766	42,290	45,598	51,541	55,378	55,378	60,231	65,286	70,542	76,000	76,000	116,306	134,888	154,548	175,246					
Net additions	3,622	8,765	15,521	26,888	11,878	3,525	3,308	5,943	3,838	16,613	60,231	5,054	5,256	5,458	76,000	116,306	134,888	154,548	175,246					
Average # customers	2,801	5,660	11,256	21,393	32,835	40,528	43,944	48,569	53,460	46,625	57,805	62,759	67,914	73,271	65,437	91,556	125,602	144,722	164,886					
ASP	2,700	2,700	2,700	2,850	3,000	3,000	3,000	3,150	3,150	3,075	3,150	3,150	3,308	3,308	3,229	3,390	3,560	3,738	3,925					
q/q growth						0.0%	0.0%	5.0%	0.0%	3.075	0.0%	0.0%	5.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%					
y/y growth		0.0%	0.0%	5.6%	5.3%	0.0%	0.0%	5.0%	5.0%	2.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%					
Service Hub Subscription revenue																								
revenue	5,672	15,283	30,391	61,385	98,506	30,396	32,958	38,248	42,099	143,701	45,521	49,422	56,156	60,586	211,686	311,089	447,507	541,374	647,639					
q/q growth						8.8%	8.4%	16.1%	10.1%	45.9%	8.1%	8.6%	13.6%	7.9%	47.3%	47.0%	43.9%	21.0%	19.6%					
y/y growth						102.0%	60.9%	48.9%	50.6%	45.9%	49.8%	50.0%	46.8%	43.9%	47.3%	47.0%	43.9%	21.0%	19.6%					
Subscription mix	1.2%	2.4%	3.6%	4.9%	5.8%	6.2%	6.4%	7.2%	7.5%	6.8%	7.6%	7.7%	8.3%	8.4%	8.0%	9.0%	9.8%	9.1%	8.4%					
OMS Model																								
Marketing Hub Customers			58,766	73,897	87,050	90,050	93,050	96,150	99,400	99,400	102,650	105,900	109,150	112,400	112,400	129,200	147,950	167,950	189,200					
% penetration			28%	38%	46%	48%	50%	52%	54%	54%	56%	58%	60%	62%	62%	71%	80%	91%	102%					
# OMS customers			8,462	13,893	18,759	19,631	20,517	21,403	22,124	25,894	28,793	31,823	34,982	38,272	38,272	54,328	74,049	97,495	124,966					
Net additions			8,462	13,893	68,954	19,631	20,517	2,770	2,607	45,524	28,793	3,030	3,160	3,290	38,272	54,328	74,049	97,495	124,966					
Average # customers			7,145	11,287	16,134	19,195	19,688	21,821	24,509	21,291	27,343	30,308	33,403	36,627	31,920	46,090	63,954	85,522	110,965					
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%					
OMS Subscription revenue																								
revenue			21,635	48,534	69,376	20,635	21,111	23,457	26,347	91,550	29,394	32,581	35,908	39,374	137,257	198,188	275,008	367,743	477,149					
q/q growth						7.8%	2.3%	11.1%	12.3%	11.6%	10.8%	10.2%	9.7%	9.7%	49.9%	44.4%	38.8%	33.7%	29.8%					
y/y growth						124.3%	42.9%	30.8%	37.6%	32.0%	42.9%	54.3%	53.1%	49.4%	49.9%	44.4%	38.8%	33.7%	29.8%					
Subscription mix			2.9%	3.9%	4.1%	4.2%	4.1%	4.4%	4.7%	4.4%	4.9%	5.1%	5.3%	5.5%	52.6%	57.6%	60.6%	62.6%	62.6%					
Operations Hub Model																								
Sales Hub Customers				115,895	142,520	149,965	156,156	162,589	169,353	169,353	176,115	182,874	189,630	196,383	196,383	232,611	269,796	309,096	350,493					
% penetration				118%	202%	228%	252%	278%	308%	308%	328%	348%	368%	388%	388%	458%	518%	598%	678%	65.8%				
# Operations customers				13,618	28,860	34,117	39,429	45,118	50,382	50,382	55,917	61,720	67,793	74,134	74,134	101,768	128,828	159,957	195,400					
Net additions				13,618	15,243	5,257	5,312	5,689	5,264	21,522	5,534	5,803	6,073	6,342	23,752	27,633	27,000	31,129	35,442					
Average # customers				5,676	20,595	31,489	36,773	42,274	47,750	39,572	53,150	58,818	64,756	70,963	61,922	87,969	115,065	144,146	177,418					
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	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%					
y/y growth						0%	0%	0%	0%	0.0%	0%	0%	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%					
Operations Subscription revenue																								
revenue				10,626	38,535	14,737	17,210	19,784	22,347	74,078	24,874	27,527	30,306	33,211	115,918	164,678	215,402	291,276	373,812					
q/q growth						15.0%	13.0%	15.0%	13.0%	92.2%	11.3%	10.7%	10.1%	9.6%	56.9%	42.1%	30.8%	35.2%	28.3%					
y/y growth						91.9%	79.9%	91.9%	79.9%	92.2%	68.8%	59.9%	53.2%	48.6%	52.6%	47.6%	47.6%	49.6%	49.6%					
Subscription Mix				0.8%	2.3%	3.0%	3.3%	3.3%	3.9%	3.9%	68.8%	59.9%	53.2%	48.6%	52.6%	47.6%	47.6%	49.6%	49.6%					
Commerce Hub Model																								
Total Customers					163,237	177,298	184,924	191,561	198,531	198,531	205,467	212,366	219,229	226,058	226,058	261,623	298,871	337,635	377,822					
% penetration					72%	80%	84%	88%	91%	91%	93%	95%	97%	99%	99%	105%	118%	133%	150%	15.9%				
# Customers using Payments					11,717	14,184	16,643	19,635	22,831	22,831	26,197	29,731	33,432	37,300	37,300	56,249	79,201	106,355	137,905					
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	6,872,259	7,990,872	25,652,582	9,168,944	10,405,912	11,701,365	13,054,841	44,331,063	68,546,517	98,443,348	134,241,612	176,093,981					
TPV %					3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%	4.6%	6.9%	8.9%	8.9%	8.9%					
TPV					362,692	148,930	174,753	206,168	239,726	769,577	366,758	416,236	585,068	652,742	2,020,805	4,489,051	8,408,629	11,498,859	15,024,023					
Take rate					2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%	2.29%					
Payments Transactional revenue																								
revenue				8,161	3,351	3,932	4,639	5,394	5,394	17,315	8,252	9,365	13,164	14,687	45,468	101,004	189,194	257,824	338,041					
q/q growth						199%		18%	16%	221%	53%	13%	41%	12%	210%	226%	237%	242%	246%					
y/y growth								109%	99%	22%	14%	13%	18%	172%	226%	237%	242%	246%	246%					
% of pro services rev					8.161					16.945					26.935	37.311	49.501	63.999	79.689					
% of total rev																								
Billings Analysis																								
Total Deferred Revenues		185,484	234,088	316,502	494,887	545,778	577,267	590,502	679,797	679,797	719,018	735,503	734,940	845,181	845,181	1,050,801	1,260,296	1,528,052	1,785,728					
% q/q							5.8%	2.3%	15.2%	15.2%	5.8%	2.3%	-0.1%	15.0%	15.0%	19.9%	16.6%	21.3%	16.8%					
Less: deferred revenue, beginning of period							545,778	577,267	590,502	590,502	545,778	577,267	590,502	590,502		679,797	719,018	735,503	734,940					
Billings	559,307	723,466	965,440	1,419,082	1,841,861	533,109	542,373	542,084	665,976	2,283,542	649,830	678,702	695,987	856,781	2,081,299	3,810,626	5,025,605	6,481,998	8,336,876					
% yoy		29%	33%	40%		26%	25%	22%	23%	24%	22%	29%	28%	29%	26%	32%	32%	29%	29%					
% yoy constant currency					30%			22%	23%															
Revenue as a % of Billings	92%	93%	91%	92%	94%	94%	94%	98%	100%	94%	94%	98%	100%	87%	94%	93%	93%	93%	94%					
DR as a % of Billings	8%	7%	9%	8%	6%	6%	6%	2%	0%	6%	6%	2%	0%	13%	6%	7%	7%	7%	6%					
Long term as a % of total deferred						1%	1%	1%	1%		1%	1%	1%	1%										



Price objective basis & risk

HubSpot (HUBS)

Our PO of \$520 is based on an EV/revenue multiple of 8.1x our CY25 revenue estimate. The 8.1x multiple represents an EV/Rev/Growth multiple of 0.3x based on our C25E revenue growth rate of +25% y/y, a discount to the large cap group on a growth-adjusted basis, at 0.5x EV/Rev/G (+18% 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
	Alteryx, Inc	AYX	AYX US	Koji Ikeda, CFA
	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
	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
	Confluent	CFLT	CFLT US	Brad Sills
	Copperleaf Technologies, Inc.	YCPLF	CPLF CN	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
	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
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Everbridge	EBVG	EBVG 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
	VMware	VMW	VMW 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 valuations. 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.

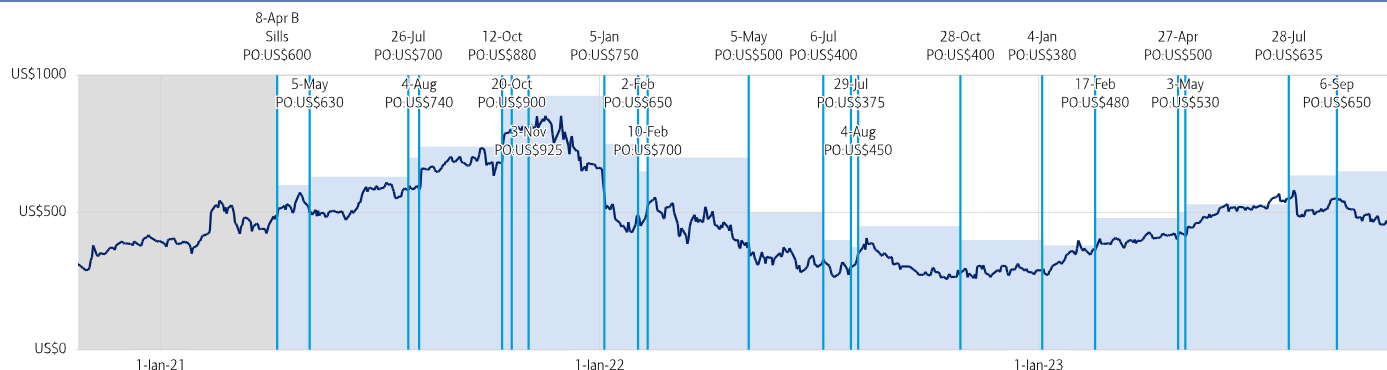
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HubSpot (HUBS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	204	51.52%	Buy	104	50.98%
Hold	95	23.99%	Hold	45	47.37%
Sell	97	24.49%	Sell	27	27.84%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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