



# Analyst Day

2023

Ryan Burkart  
Investor Relations



# Safe Harbor Statement

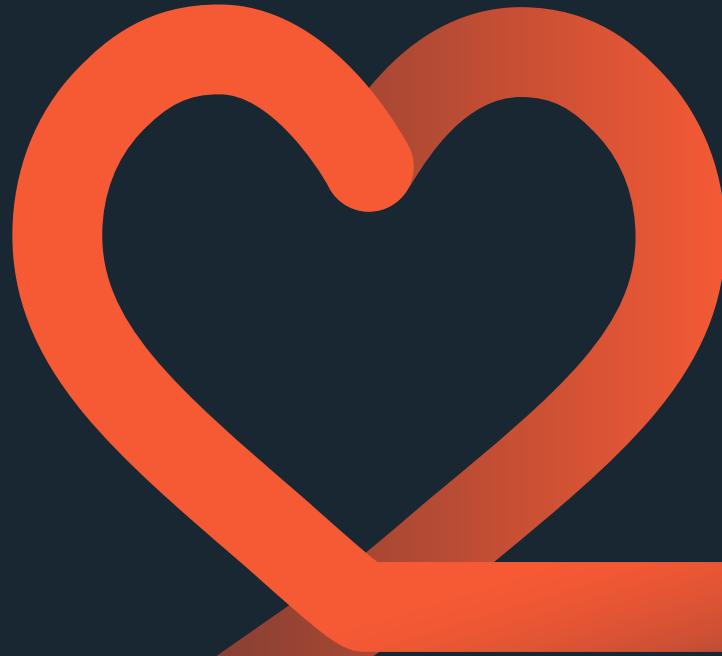
This presentation includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management’s expectations for future financial and operational performance and operating expenditures, expected growth, and business outlook, including our long-term financial framework; our focus on profitable growth; cash flow and margin improvement expectations; our product plans, strategies, and trends; our ability to expand our total addressable market; our position to execute on our growth strategy and related growth drivers; our opportunities in international markets; and our ability to expand our leadership position and market opportunity for our CRM platform. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, risks associated with our history of losses; our ability to retain existing customers and add new customers; the continued growth of the market for a CRM platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock; the impact of geopolitical conflicts, inflation, macroeconomic instability, and the COVID-19 pandemic on our business, the broader economy, our workforce and operations, and our ability to forecast our future financial performance; and other risks set forth under the caption “Risk Factors” in our SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

# Today's Agenda

Wednesday, Sep 6, 2023

9:40 a.m.	Welcome and Safe Harbor Ryan Burkart   Investor Relations
10:00 a.m.	<b>INBOUND Spotlight</b>
11:30 a.m.	Short Break
12:00 p.m.	HubSpot's Vision for Durable and Efficient Growth Yamini Rangan
12:50 p.m.	Customer Platform Value Kipp Bodnar   Chief Marketing Officer
1:20 p.m.	Lunch Break
	Executing Durable and Efficient Growth Kate Bueker   Chief Financial Officer
	Short Break
	Executive Q&A

# Thank You





# HubSpot's Vision

for Durable and Efficient Growth





Mission  
and market

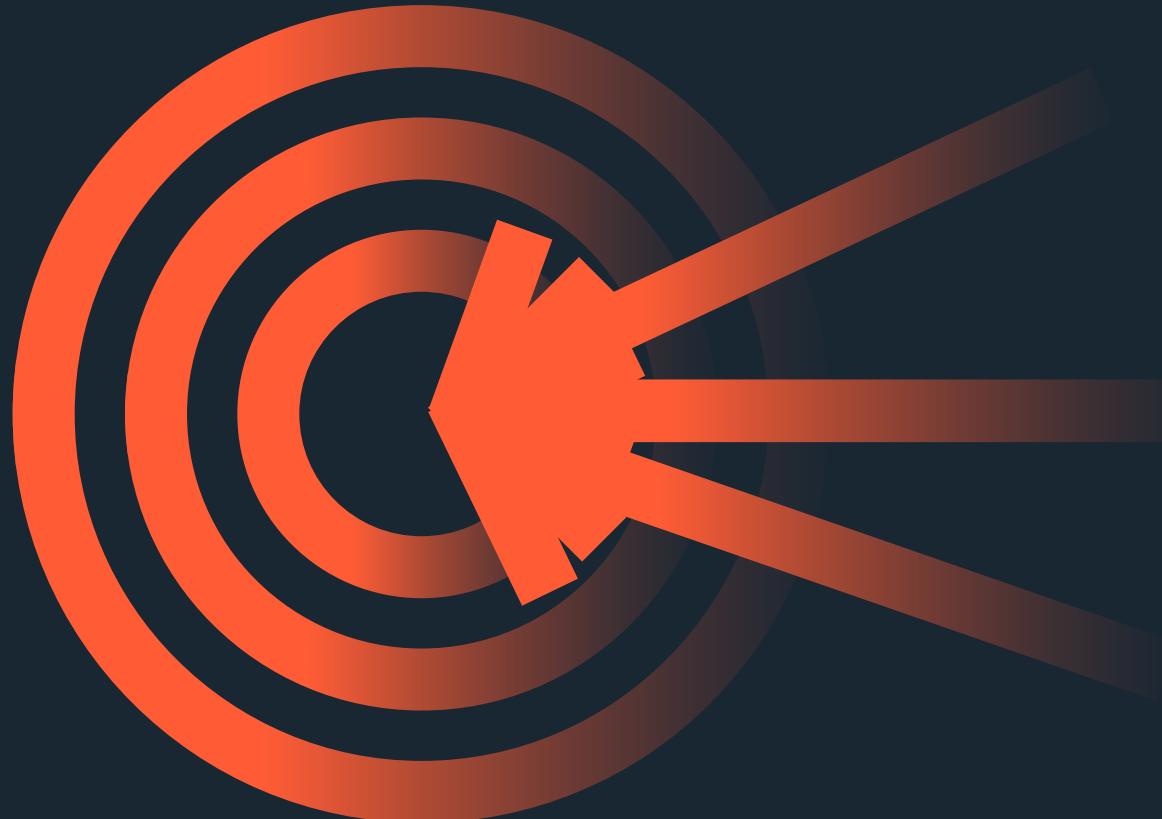


Product and  
growth strategy



Balancing growth, efficiency  
and culture

# Our Mission



## Why

Help millions of organizations  
grow better

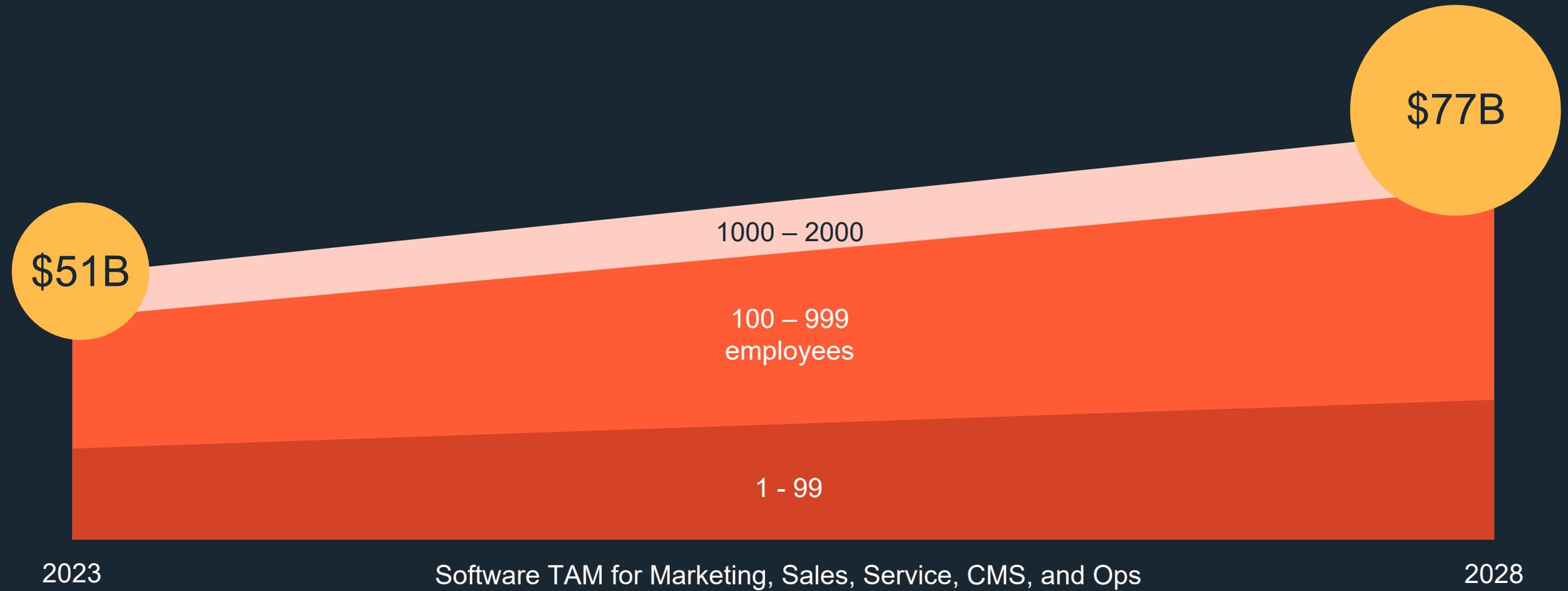
## How

Become the #1 Customer Platform for  
scaling companies

## What

- Engagement Hubs
- Smart CRM
- Connected Ecosystem

# We are in massive markets



# What matters to our customers?

Acquire  
customers

“

Quality rather  
than quantity.

Sr. CRM Manager,  
Cambridge  
University Press  
(EE: 2000+)

Make  
data-driven  
decisions

“

Being smarter  
with our data.

Marketing Manager,  
Safe Contractors  
(EE 101-500)

Improve  
customer  
experience

“

Winning where  
winning matters.

COO,  
Owl Cyber Defence  
(EE 101-500)

Increase  
efficiency

“

Don't scale  
chaos.

Director Client Success,  
Sandler EAM Consulting  
(EE: 1-10)

Thrive with AI

“

We want to show  
up like people, not  
bots.

CIO,  
IDEO  
(EE 101-500)

# why we win



Easy to use



Easy to grow



Easy to run



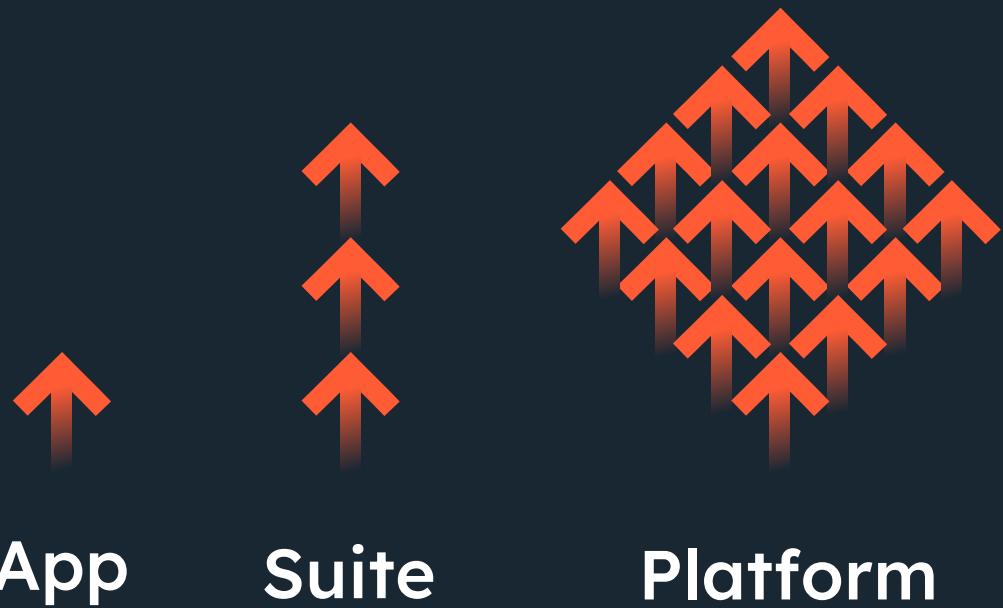
## Our foundational choices

- Focus on SMB
- Move from app to suite to platform
- Build products organically
- Deliver value before you monetize

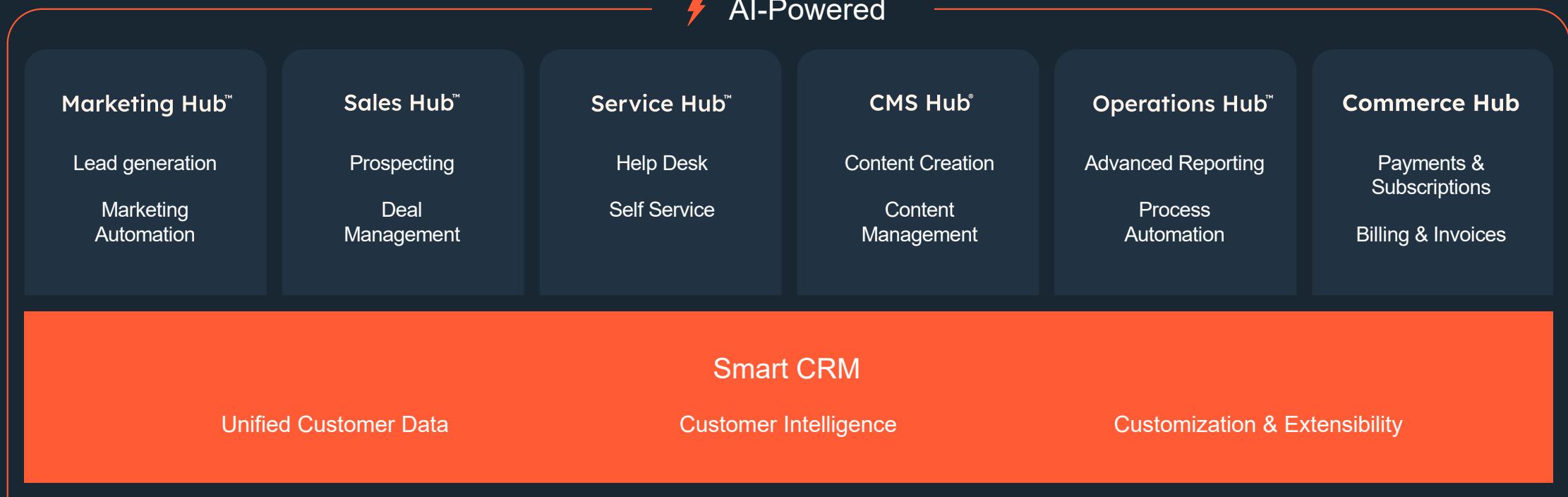
TWO MAJOR  
**TRANSFORMATIONS**



# We are in the early stages of major transformations



# Aspiration: #1 Customer Platform for Scaling Companies



2014

Every organization  
deserves a great **CRM**

2023

Every organization  
deserves an **AI-powered**  
**Customer Platform**

# HubSpot AI: Powering all Hubs and Platform

## AI Assistants

- AI Assistant in Text Editors
- AI Content Recommendations
- AI Powered Image Generation
- Content remix to ads + social
- Generate campaign + social copy
- Generate marketing + sales emails
- AI Assisted Report Creation
- AI Powered Content Ideas
- AI Knowledgebase Article Editing

## AI Agents

- AI Chatbot (Available in Service Hub)  
AI-driven chatbots that respond to incoming support inquiries.

## AI Insights

- AI Conversation Summaries
- AI Sales Email Summaries
- AI Driven Call Summaries
- Automation Cleanup
- AI Sales Forecasts
- AI Sales Talking Points
- Action Item Identification
- Automatic CRM Associations
- Call Speaker Identification

## ChatSpot

- Accelerated Sales Prospecting
- Integrated Content Generation
- Deep Company Insights
- SEO Analysis
- HubSpot CRM Integration



AI-powered Smart CRM

● GA by end of '23

● Beta by end of '23

# Approach to AI Monetization

→ We plan to communicate pricing when features hit GA by early 2024

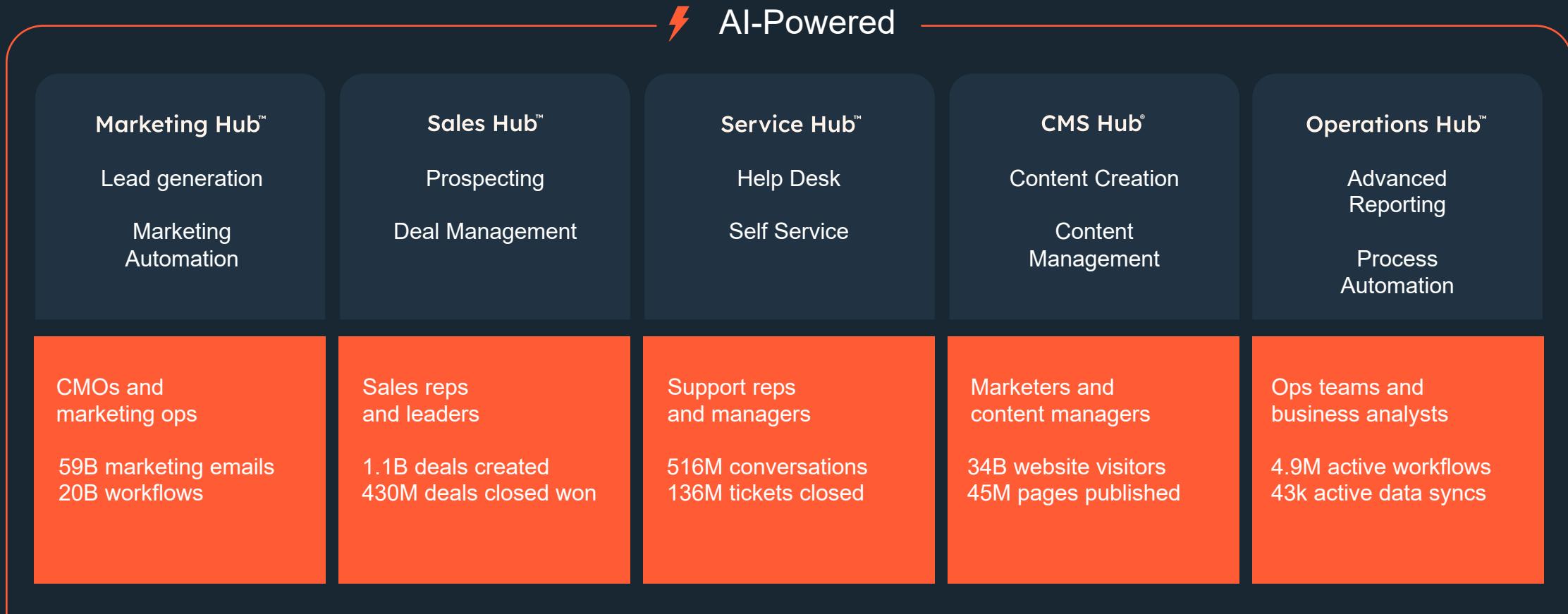


Increase market share across all tiers

Drive value with Pro and Enterprise tiers

Expand with add-ons

# Engagement Hub strategy: Become the AI-powered system of engagement



# The power of connected Hubs



**Business  
Solutions**

powered by **e-on**



**LEGARTIS**

## Multi-hub journey

- MH, SH, SvH, CMS
- Consolidated from 5 tools to 1
- 10% increase in website visits, leads, conversion

## Land and expand journey

- MH, SH, SvH, CMS, Ops, Full CRM
- Decreased Cost Per Lead by 75%
- Boosted conversions by 200%



## Commerce Strategy:

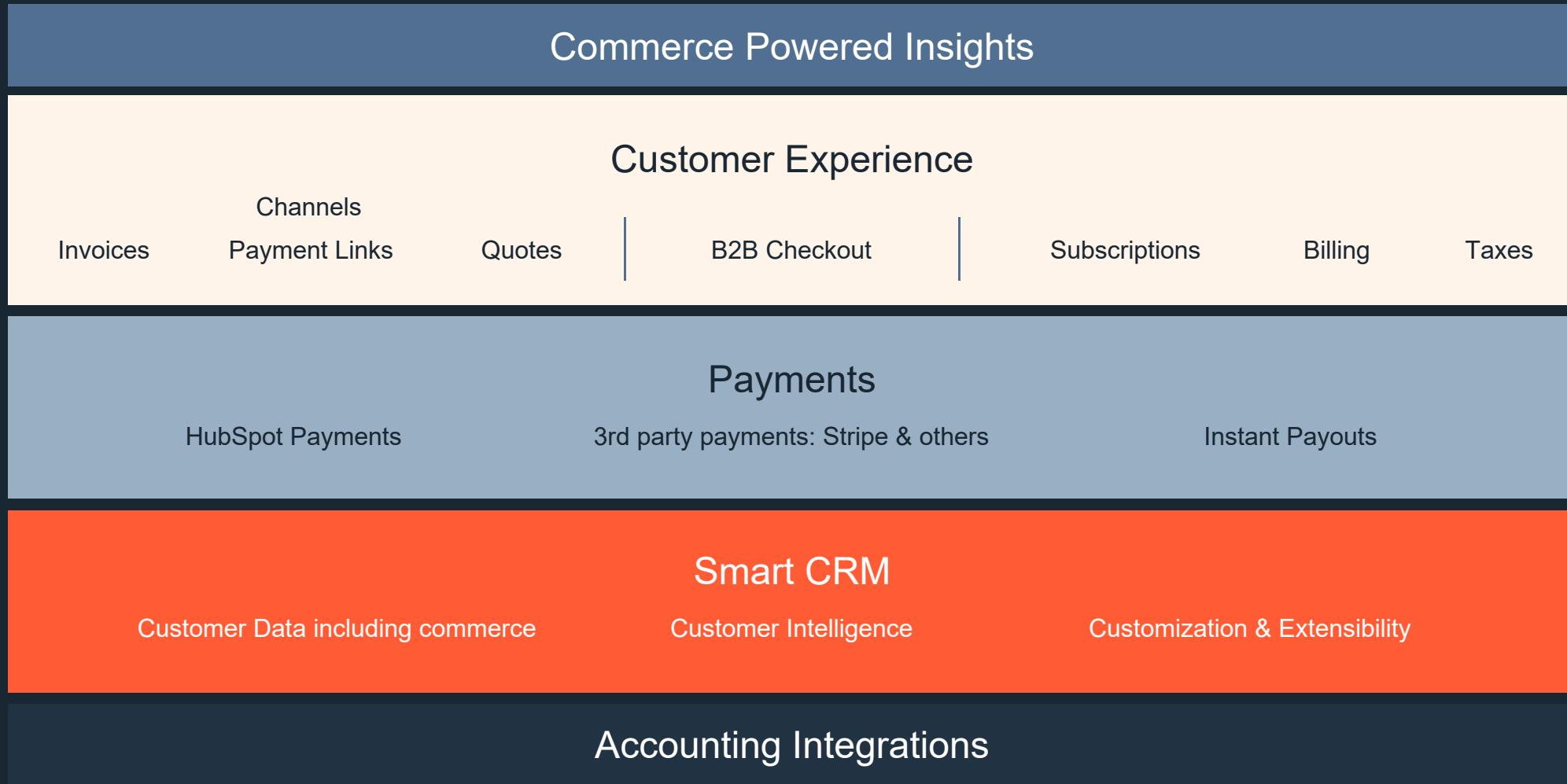
Build the single source of truth for commerce and CRM



## Customer Need:

- Convert closed opportunities to revenue quickly
- Unify commerce and customer data to drive growth

# Commerce Hub + Smart CRM = Connected Experience



# Commerce Hub: Clear momentum across key metrics

Are we adding  
customers?



activation growth  
YoY

Are customers  
returning?



growth in transactions/  
merchants/month YoY

Is transaction  
volume growing?



GPV growth YoY

# Smart CRM Strategy: Become the AI-powered system of record

## Smart CRM



Unified  
Customer Data



Customer  
Intelligence



Customization  
& Extensibility

# HubSpot Customer Platform

⚡ AI-Powered

## Marketing Hub™

Lead generation

Marketing Automation

## Sales Hub™

Prospecting

Deal Management

## Service Hub™

Help Desk

Self Service

## CMS Hub®

Content Creation

Content Management

## Operations Hub™

Advanced Reporting

Process Automation

## Commerce Hub

Payments & Subscriptions

Billing & Invoices

## Smart CRM

Unified Customer Data

Customer Intelligence

Customization & Extensibility

## Marketplace

Find integrations, templates & services

## Academy

Learn new skills, gain credentials

## Network

Join our community, grow your craft

# Our bi-modal strategy is working



Drive value

Drive volume

Lower end:

- Acquire customers early
- Make the product easy to use
- Build a competitive moat

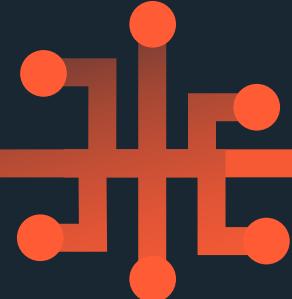
Upmarket:

- Scale multi-hub and full suite
- Drive Pro and Enterprise adoption
- Be the #1 platform for the mid-market

# Our focus is on driving broad and efficient distribution



# We are scaling GTM motions for long-term durable growth



## Digital-driven

Scaling from acquisition  
to activation and retention

**85%**

of Starter customers  
purchase online



## Partner-driven

Expanding and moving upmarket

**~50%**

of services are delivered  
by partners



## Sales-driven

Focusing on consistent  
execution

**32%**

of new ARR in Pro &  
Ent is from 3+ Hubs

Build a company  
future generations  
will be proud of



# We are balancing growth, profitability and culture



Drive diverse  
levers for growth

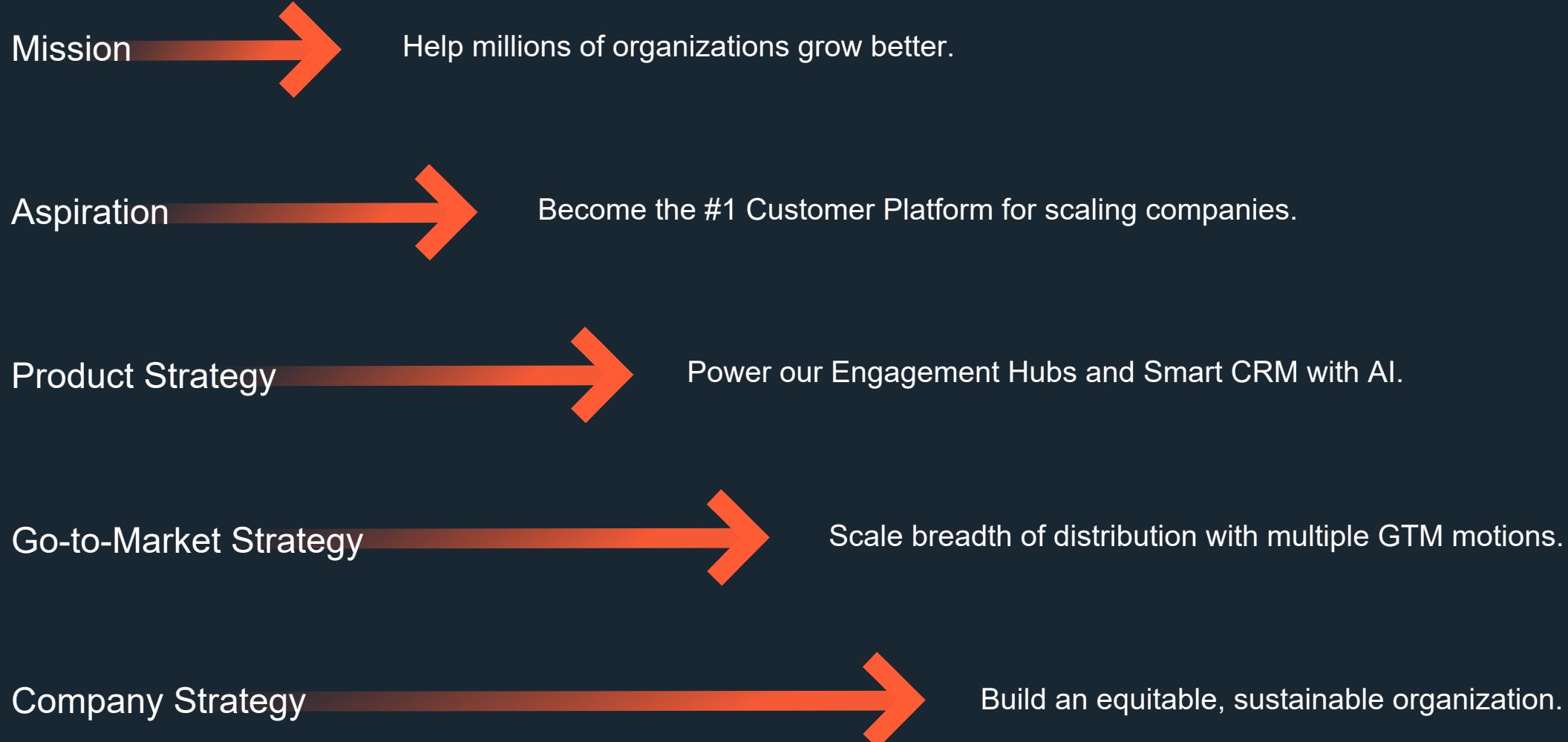


Focus on multi-year  
efficiency initiatives



Scale a diverse and  
sustainable culture

# HubSpot is positioned for long-term, durable growth



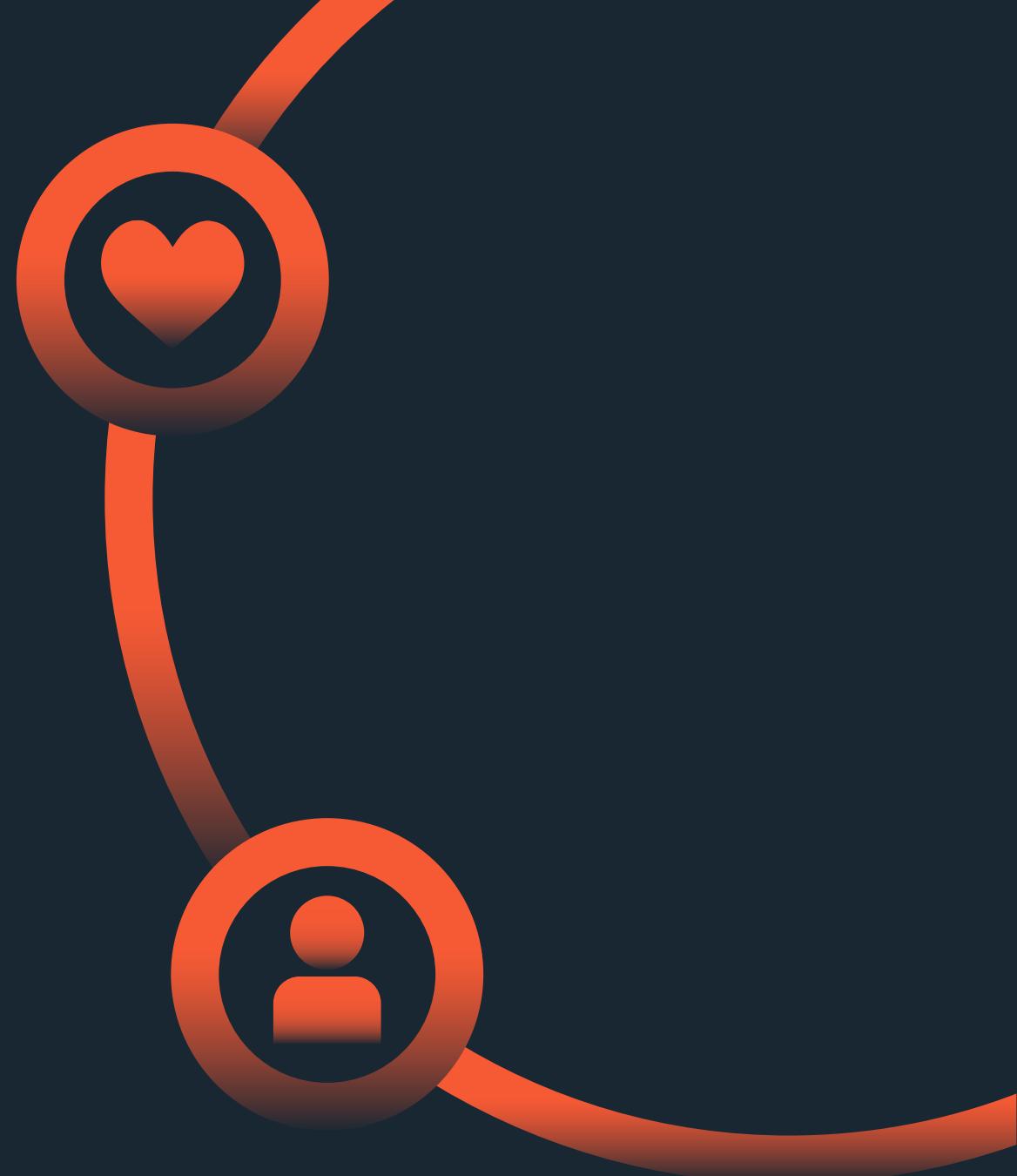
Thank You





# Customer Platform Value

Kipp Bodnar, CMO



# Today's Agenda

1

Why CRM is not enough:  
Customer Platform

2

Value of  
Smart CRM

3

Value of  
Engagement Hubs

4

Value of a Connected  
Ecosystem



Why Customer Platform?

# Why CRM is Not Enough



## How it started...

CRM for Sellers: A simple system of record for sellers to track customer relationships

CRM with multiple duplicate records and outdated versions of customer data

## How it's going...

We are at a breaking point

# **HubSpot:** The Customer Platform That Helps Your Business Connect and Grow Better

## **Engagement Hubs**

that connect your front office with customers across the entire journey

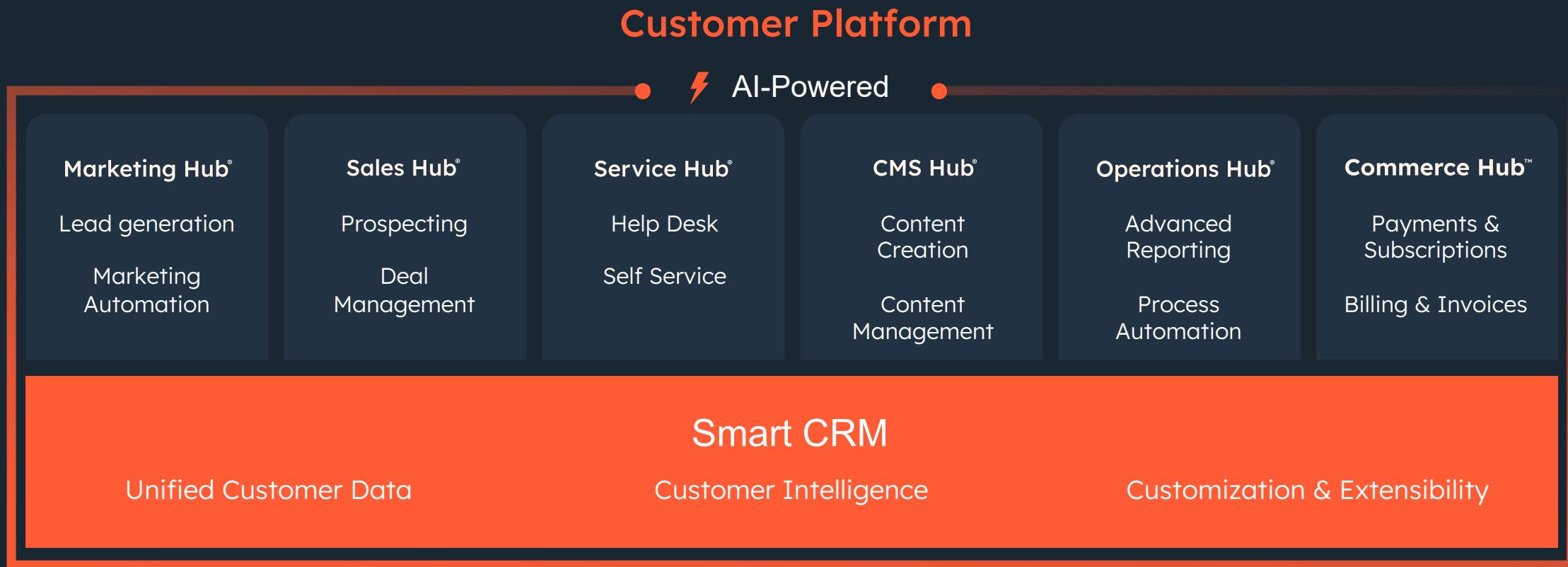
## **Smart CRM**

that combines customer data with artificial intelligence to power the entire platform

## **Ecosystem**

that extends the customer platform with an app marketplace, educational content, and community network

# HubSpot: The Customer Platform That Helps Your Business Connect and Grow Better



## Marketplace

Find integrations,  
templates, & services

## Academy

Learn new skills,  
gain credentials

## Network

Join our community,  
grow your craft



What is the value  
of HubSpot's Customer  
Platform?

## Smart CRM = Data + AI

Legacy CRM is unified by force



Smart CRM is unified by default

Legacy CRM is hard to configure



Smart CRM is easy to customize

Legacy CRM gives you information



Smart CRM gives you intelligence

# Custom Objects Specific to Your Business

The screenshot shows the HubSpot CRM interface with a dark theme. The top navigation bar includes links for Contacts, Conversations, Marketing, Sales, Service, Automation, Reporting, and CRM Development, along with a search bar and user profile information for 'INBOUND 2023 Demos'.

The main content area is titled 'Select an object: Applications' and features a 'Create Custom Object' button. Below this, there are tabs for Setup, Associations, Pipelines, and Record Customization, with 'Setup' being the active tab. A note says 'Choose what information you collect about your Reviews and how you keep your records updated.' with an 'Actions' dropdown menu.

The left sidebar under 'Data Management' lists various objects: Properties, Objects (with 'Contacts' selected), Companies, Leads, Deals, Tickets, Products, Quotes, Invoices, Forecast, Activities, Campaigns, Custom Objects, Import & Export, Audit Logs (marked as NEW), Tools, Meetings, Calling, Inbox (with 'Marketing' expanded), and Marketing.

Below the main content, there's a section for 'Creating Reviews' with a 'Customize the 'Create Review' form' link and a note about adding, removing, or editing fields on the form.

# CRM Customization to Extend Your Data

The screenshot displays a CRM application interface with a dark theme. At the top, a navigation bar includes links for Contacts, Conversations, Marketing, Sales, Service, Automation, and Reports, along with a search icon, a home icon, a gear icon, a bell icon, and a user profile picture.

The main content area shows a deal record for "Hub Spa - New Deal". The deal details are as follows:

- Amount: \$12,999.50
- Close Date: 09/05/2023
- Stage: Qualified to Buy

On the left sidebar, there are quick action buttons for Email, Call, Log postal..., Task, and More. Below these are sections for "About this company" and "Contact owner".

The deal record itself has tabs for Overview, Activities, and Operations. The Overview tab displays the following information:

Pipeline	Forecast category	Next step	Amount
Sales Pipeline	Most likely	Schedule follow-up	\$12,999.50

Below the deal record, there is a section for the company "Hub Spa" with the following details:

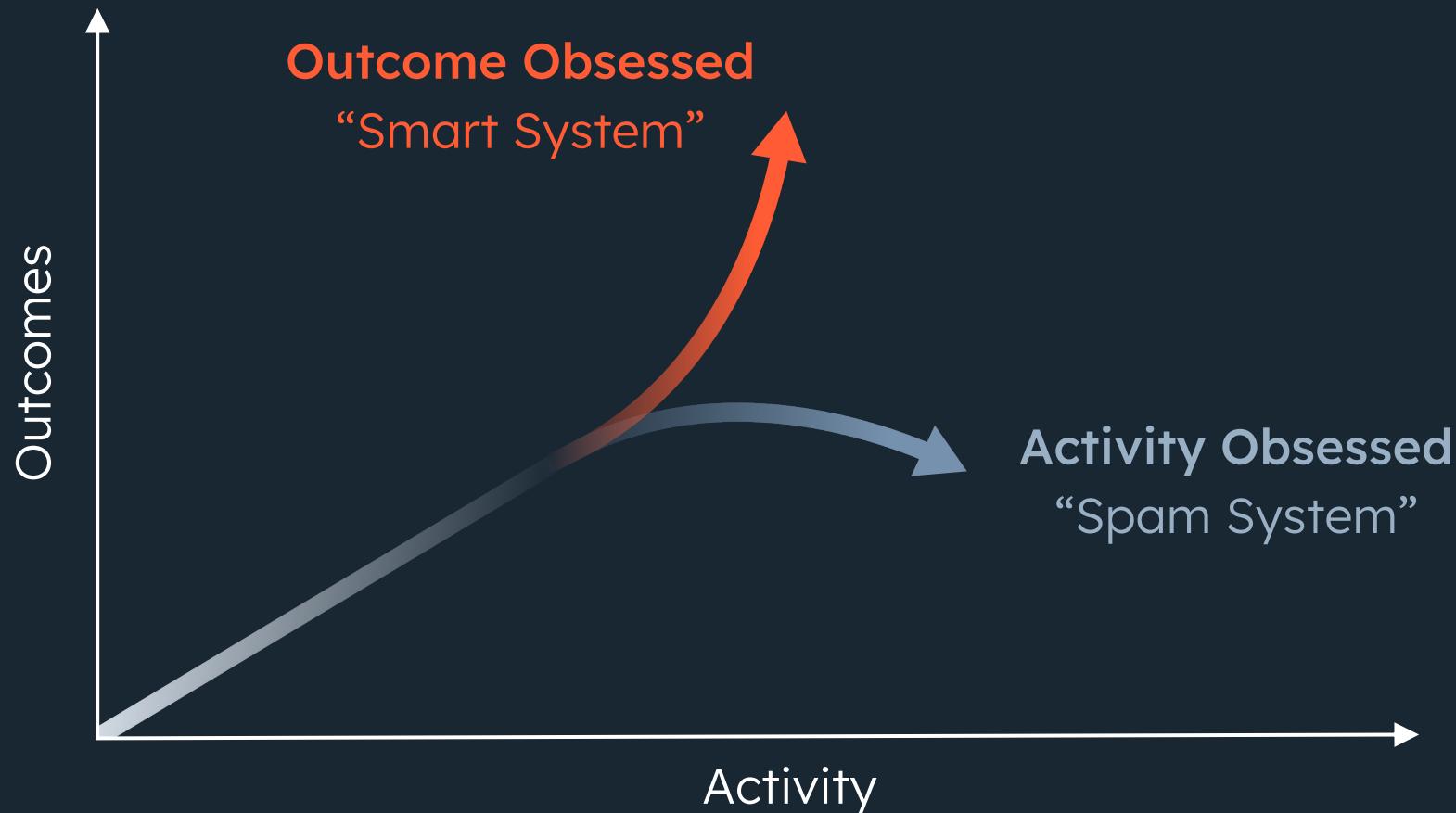
Company Domain Name	Number of employees	City	State/Region
hubspa.com	1,062	Cambridge	MA

At the bottom, there is a "Contacts" section with a search bar labeled "Search associated contacts".



# Value of Engagement Hubs

# Activity Armageddon



# Engagement is Core to a Great Customer Platform

## Engagement Pre-AI



Data was a nice to have across several systems



Email was king



Human activity drove connection

## Engagement Post-AI Era



Data is a must have in one place



Omni-channel rules



Agents + Humans drive personal connection

# Workflows to Automate Email Outreach

Back to workflows

Campaign: Form to Meeting Scheduled

Workflow is OFF Review and publish

Actions Settings Goals Changes Clean up Test More

+ - 100% Show minimap panel

Contact enrollment trigger Actions

Choose the triggers that decide how a contact enters this workflow.

Set up triggers

+

END

```
graph TD; Start((Start)) -- "+" --> Trigger[Contact enrollment trigger]; Trigger -- "Set up triggers" --> End(END);
```

# Prospecting Workspace to Easily Engage with Leads

The screenshot displays the HubSpot Prospecting workspace interface. At the top, a navigation bar includes links for Contacts, Conversations, Marketing, Sales, Service, Automation, Reports, and user-specific icons for search, filters, settings, notifications, and profile.

The main area is titled "Prospecting" and features a tab bar with "Summary" (selected), "Leads", "Schedule", and "Feed".

**Beth Dutton** (Yellowstone Ranch) is the current contact being viewed. The "Task progress" section shows the following completion rates:

- To dos: 0 of 42 completed
- Emails: 0 of 15 completed
- Calls: 3 of 21 completed
- LinkedIn: 25 of 25 completed

A summary box indicates 77 tasks due today (42 to dos, 15 emails, 20 calls, 0 LinkedIn tasks). A scheduled task for 9:00am is listed as "Beth > John".

**Total tasks (128)**

- Tasks due today (78)**
  - To-dos**: 42 to-do tasks
  - Emails**: 15 email tasks
  - Calls**: 18 call tasks
- LinkedIn**: You're all caught up on LinkedIn tasks

**Start all 78 tasks due today**

**Overdue tasks (50)**

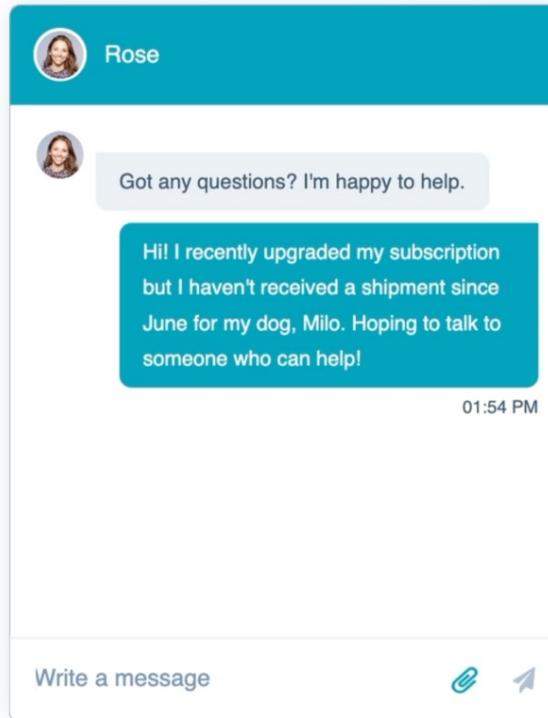
- To dos**: 33 to do tasks
- Emails**: 15 email tasks
- Calls**: 21 call tasks

**LinkedIn**: 0 LinkedIn tasks

**Sequences (4)**

- Warm lead**: 23 contacts currently enrolled
- Prospecting – Call heavy (23)**: 31 contacts currently enrolled

# HelpDesk to Quickly Reach Your Customers





# Value of a Connected Ecosystem

# Philosophy on a Connected Ecosystem



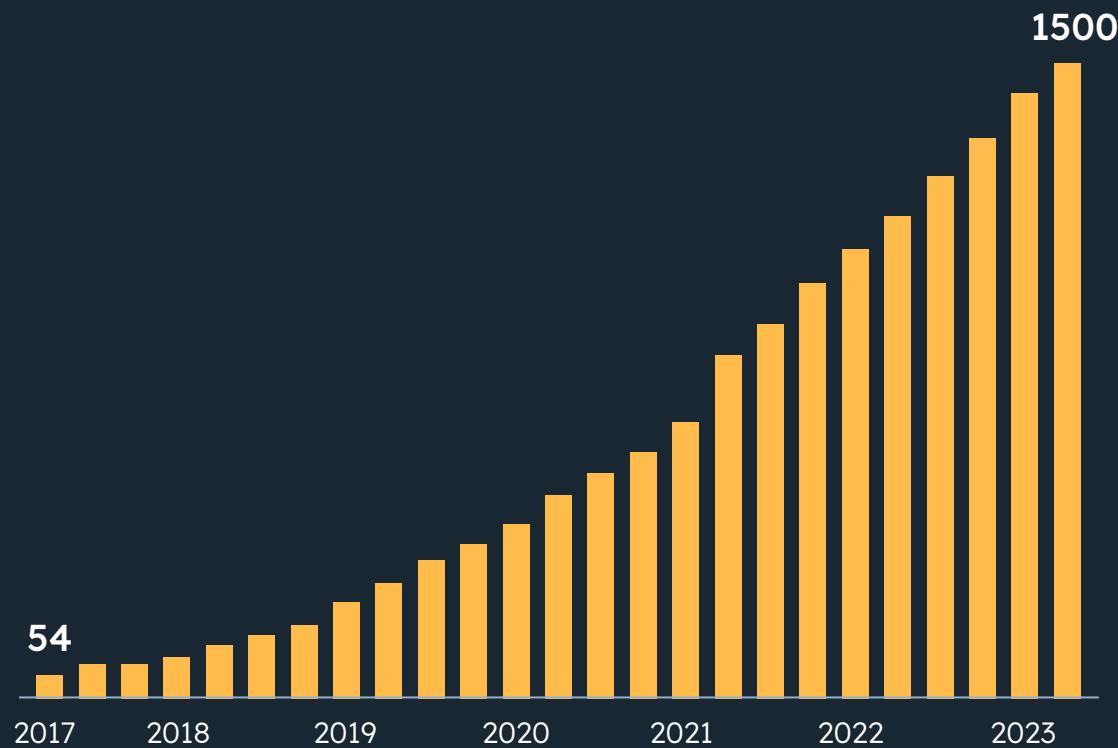
**Invest in  
platform customization**



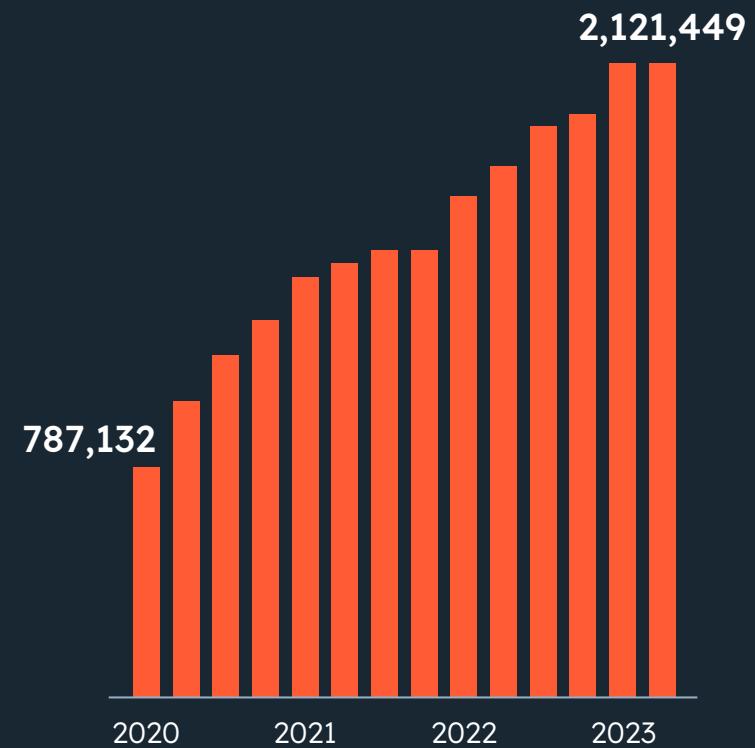
**Build for  
our marketplace**

# State of the app ecosystem

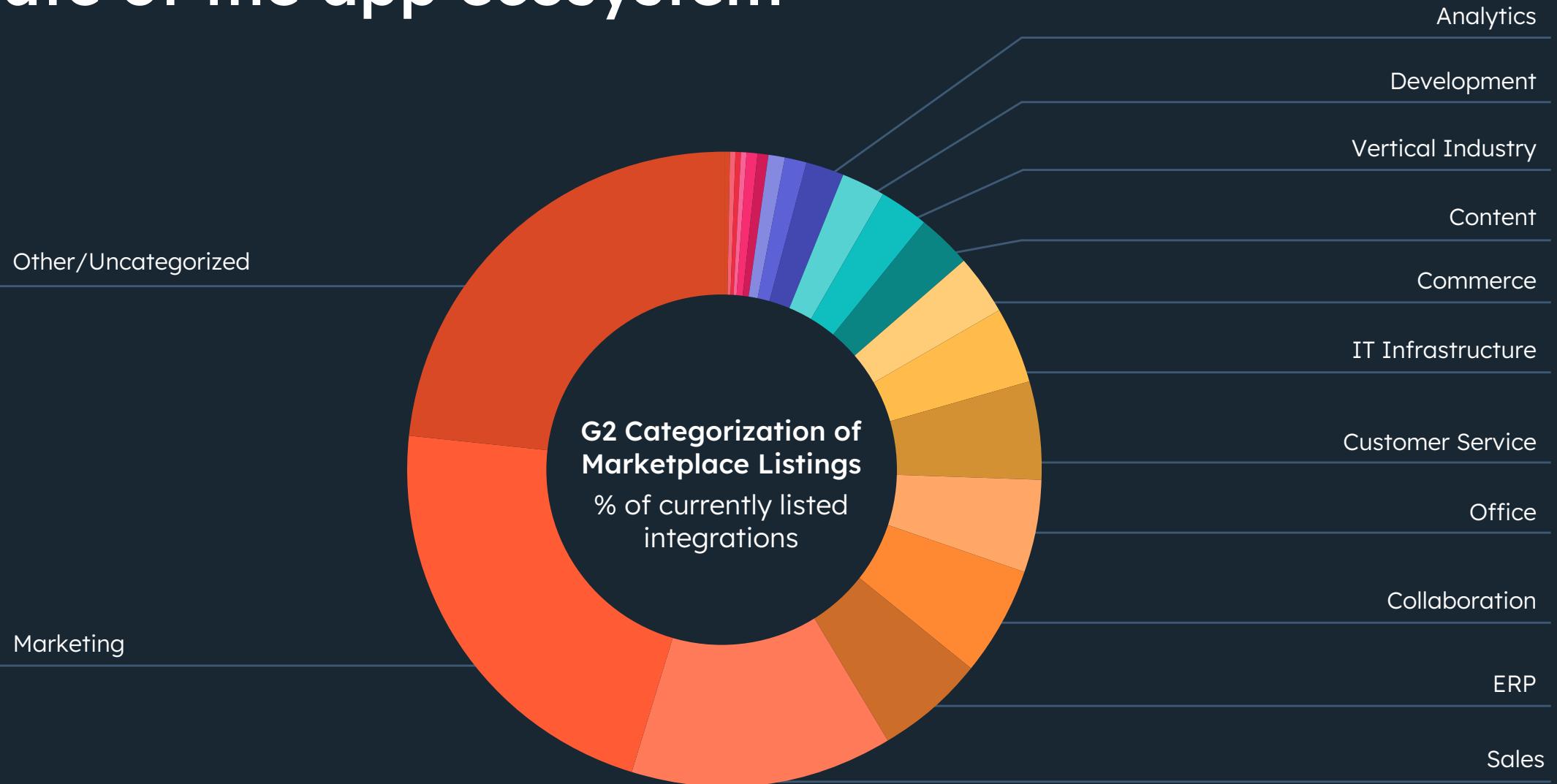
Number of Marketplace Integrations



Number of Active Marketplace Installs



# State of the app ecosystem



# LinkedIn CRM Sync to Save Time and Craft Better Conversations

The screenshot shows the LinkedIn Sales Navigator Settings interface. On the left, a sidebar lists various settings categories: Dashboard, Your Preferences, Account Setup, Data Management, and a section for Integrations, Marketplace Downloads, Tracking & Analytics, Privacy & Consent, Sandboxes, and Security. The main content area is titled "LinkedIn SMSC" and "Back to connected apps". It displays the "Sync overview" tab, which shows the status of four object syncs: Company sync, Contact sync, Deal sync, and Owner sync. The Company sync is listed as "On | Listening for changes" with 389 records in sync, 0 failing, and 0 excluded. The Contact sync is listed as "On | Listening for changes" with 1879 records in sync, 34 failing, and 103 excluded. The Deal sync is listed as "On | Scanning 2 HubSpot records" with 356 records in sync, 5 failing, and 3 excluded. The Owner sync is listed as "On | Listening for changes" with 7 records in sync, 0 failing, and 0 excluded. A "Sync now" button is located at the top right of the sync summary. A "Data Quality" and "Account actions" dropdown menu is also visible. A "Support resources" link is present in the top right corner. A "Help" button is located in the bottom right corner of the main content area.

Object Sync	In Sync	Failing	Excluded	Action
Company sync	389	0	0	Actions
Contact sync	1879	34	103	Actions
Deal sync	356	5	3	Actions
Owner sync	7	0	0	Actions

## Ecosystem is more Than Apps: **Academy Expansion**



**Today, we have:**

**100+** courses

**6** languages

**38%** of our install base  
consumes that  
content monthly



**How one of HubSpot's biggest customers  
customizes the customer platform**

# Chatbots Built with OpenAI to Augment Human Support

The screenshot shows the HubSpot homepage. At the top, there's a navigation bar with links for English, High Contrast, Contact Sales, Log in, Customer Support, About, and a search icon. Below the navigation is a header with the HubSpot logo, Software, Pricing, Resources, and two buttons: "Get a demo" and "Get started free".

The main section features a large orange banner with the heading "Grow better with HubSpot". Below it, a sub-headline reads: "Software that's powerful, not overpowering. Seamlessly connect your data, teams, and customers on one CRM platform that grows with your business." Two buttons, "Get a demo" and "Get started free", are positioned below this text.

To the right of the banner, there are three small cards: "Your Weekly Activity" (showing 17 emails, 25 calls, 15 meetings), "Services Breakdown" (a pie chart), and a contact card for "Aisha Saah".

Below the banner, a statement says: "184,000+ customers in over 120 countries grow their business with HubSpot". A cursor points to this statement. Below this are logos for Trello, reddit, eventbrite, DOORDASH, and HOWARD UNIVERSITY, with arrows indicating a scrollable list.

At the bottom left, there's a testimonial box with the text: "HubSpot CRM makes growing your business a joy for everyone". At the bottom right, a section titled "What is HubSpot?" describes it as a CRM platform for marketing, sales, content management, and customer service, enabling faster growth by focusing on customers. It also includes a "Get a demo" button and a "Get started free" button.

# Value of Customer Platform



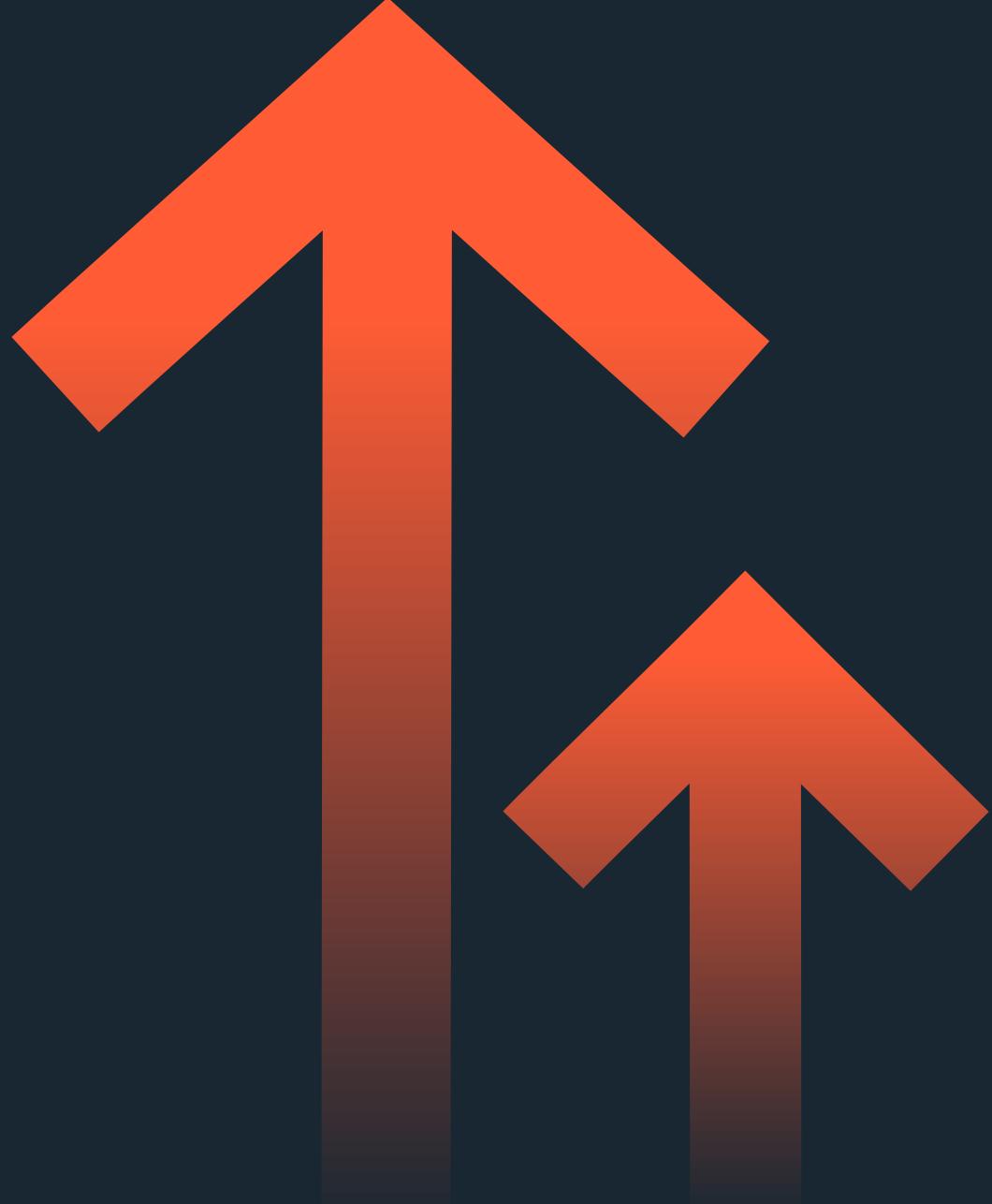
# Thank You





Executing Durable and Efficient  
**Growth**

**Kate Bueker**  
Chief Financial Officer





Durable levers  
for growth



Balancing growth  
and profitability



Long-term  
shareholder value



Durable levers  
for growth



Balancing growth  
and profitability

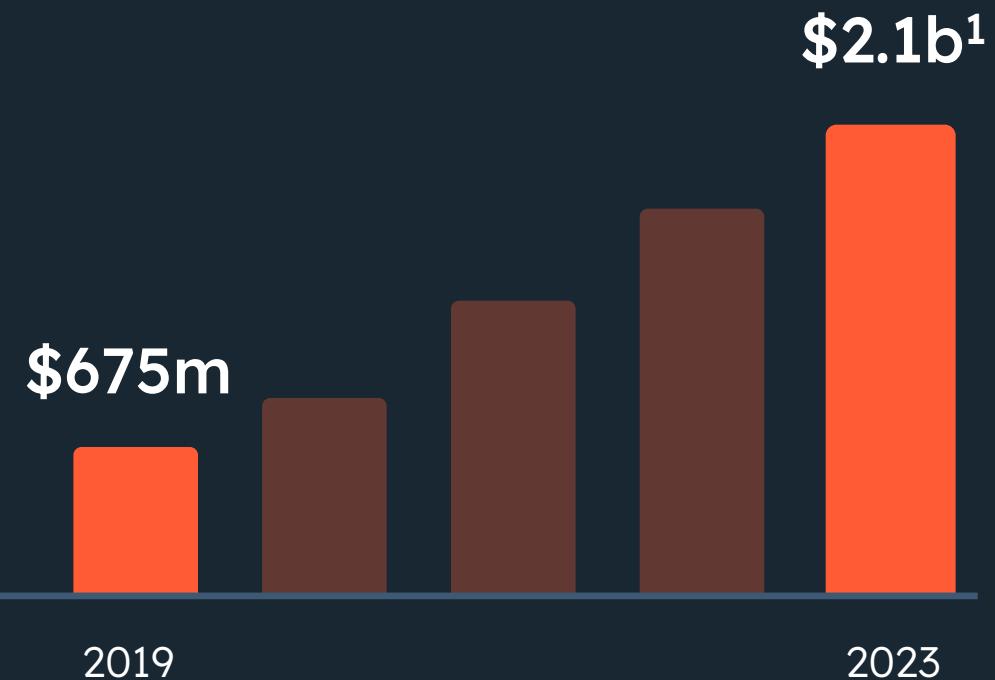


Long-term  
shareholder value

# Strong revenue growth

**33% CAGR**

2019 → 2023

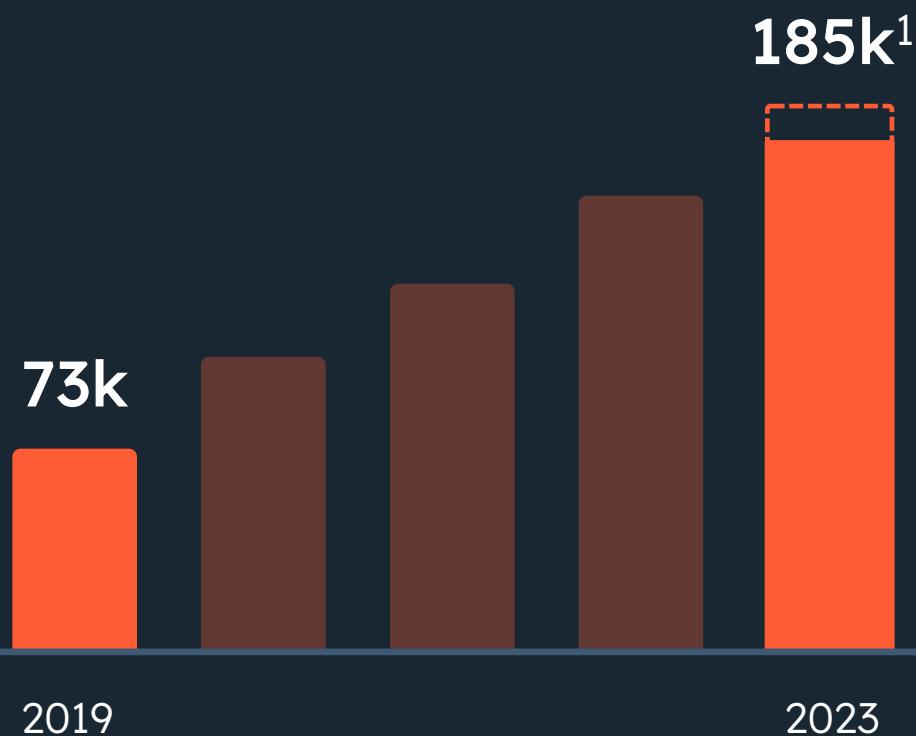


<sup>1</sup> Represents the mid-point of FY '23 guidance on an as-reported basis as of August 2, 2023

# Strong customer growth

**30% CAGR**

2019 → 1H'23



<sup>1</sup> 185K represents customer count through June 30, 2023.

# Early stages of large TAM opportunity



<sup>1</sup> Includes Total Addressable Market for software in HubSpot's core product groups including Marketing Hub, Sales Hub, Service Hub, Operations Hub and CMS Hub. Does not include Commerce Hub. Source: IDC and HubSpot estimates

# Multiple levers for growth



Land



Expand



Innovate

# Multiple levers for growth



Land



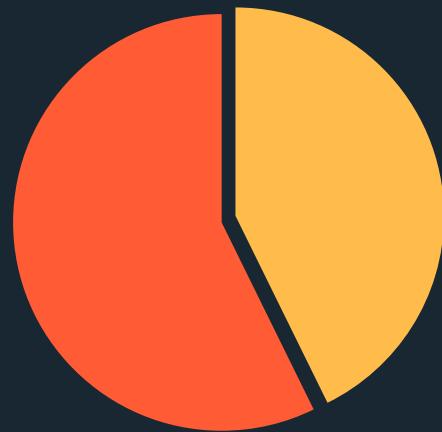
Expand



Innovate

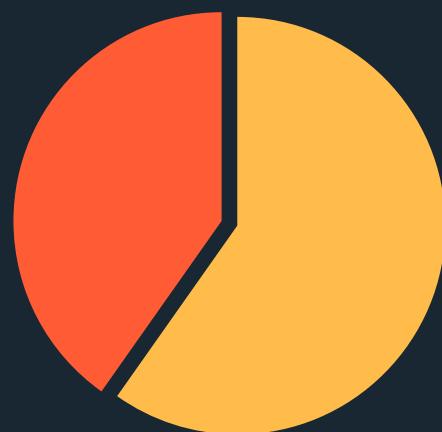
# Balanced growth drivers

**57%**  
International



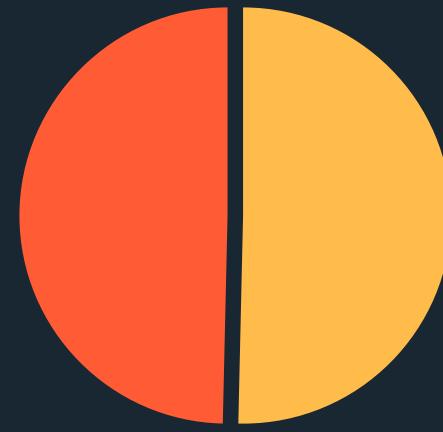
**43%**  
U.S.

**40%**  
Partner



**60%**  
Direct

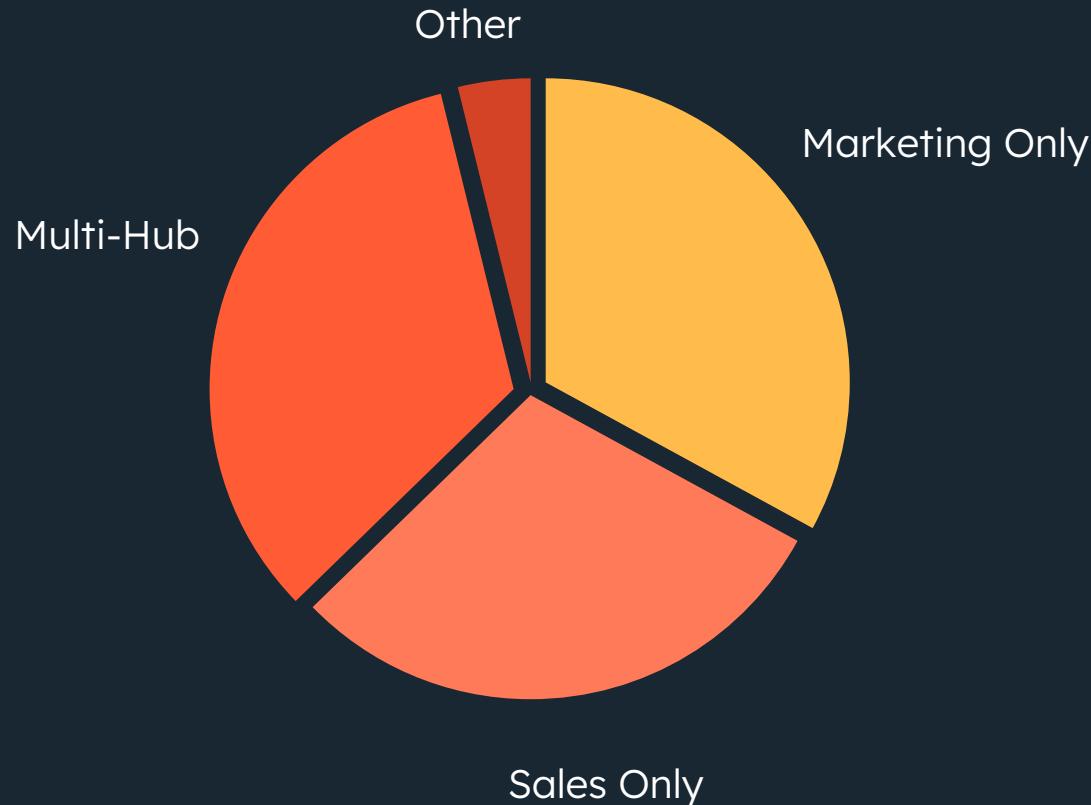
**50%**  
New



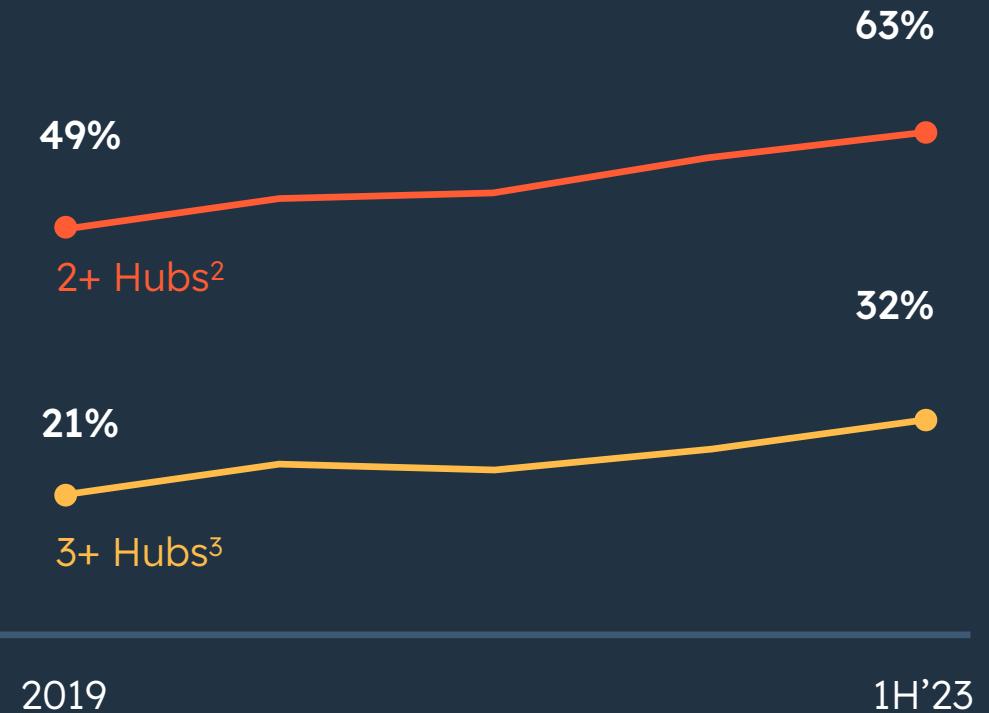
**50%**  
Install base

# Expanding multi-hub lands

Balanced front doors<sup>1</sup>



More multi-hub deals



<sup>1</sup> Professional and Enterprise Tiers only, excludes Starter.

<sup>2</sup> Designates new ARR associated with 2+ Hub

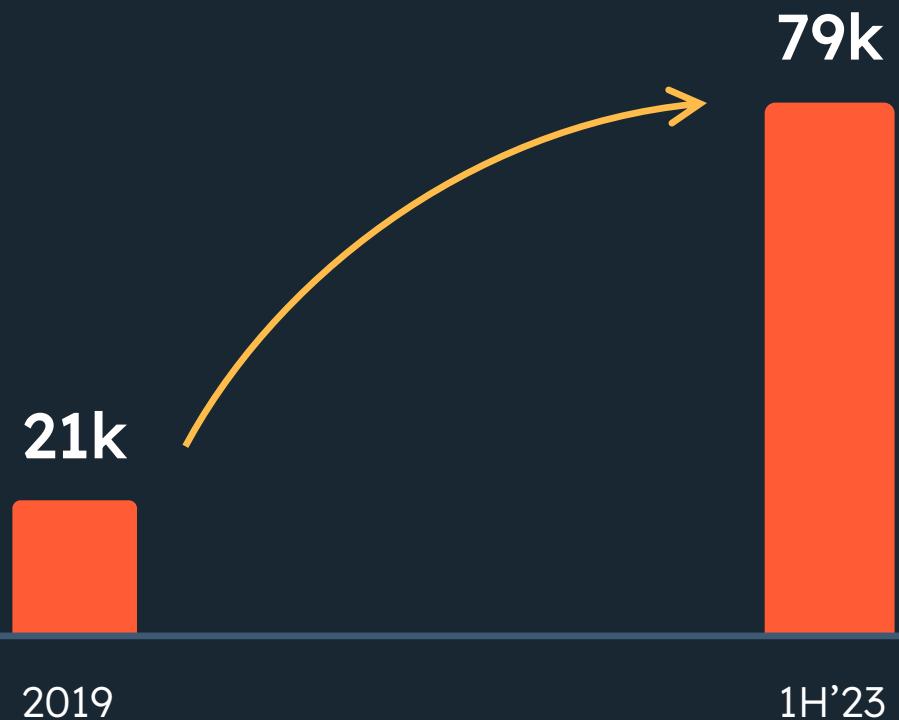
<sup>3</sup> Designates new ARR associated with 3+ Hub

**Driving volume at the low end**

Strong Starter customer growth

**47% CAGR**

2019 → 1H'23



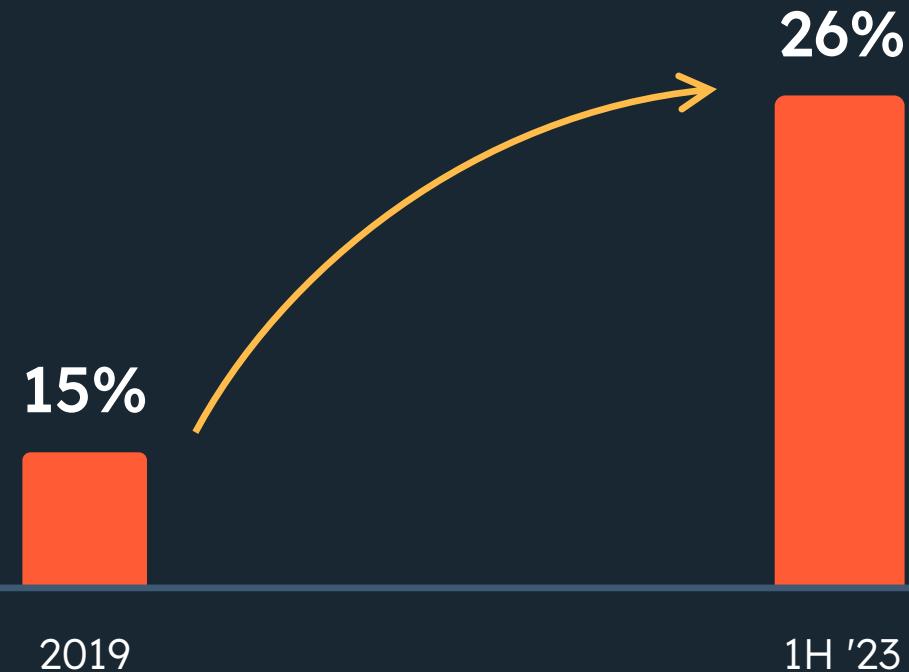
# Driving value at the high end

Growing percentage of large deals

**1.7X**

\$3k+ MRR deals % New ARR

2019 → 1H'23



# Multiple levers for growth



Land

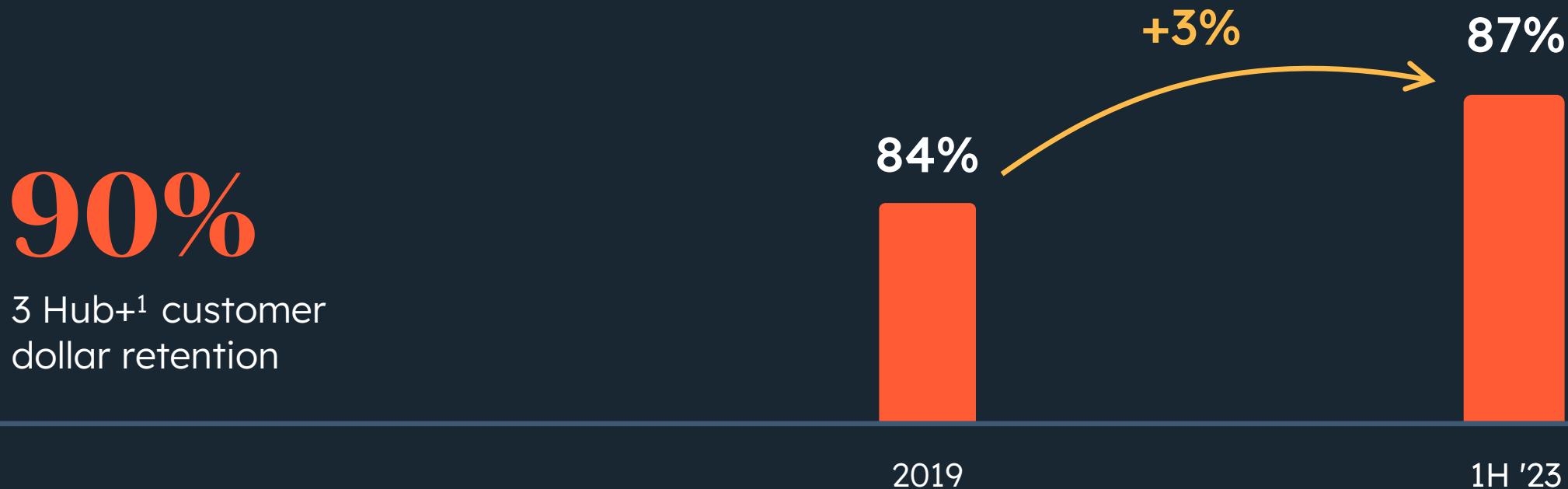


Expand



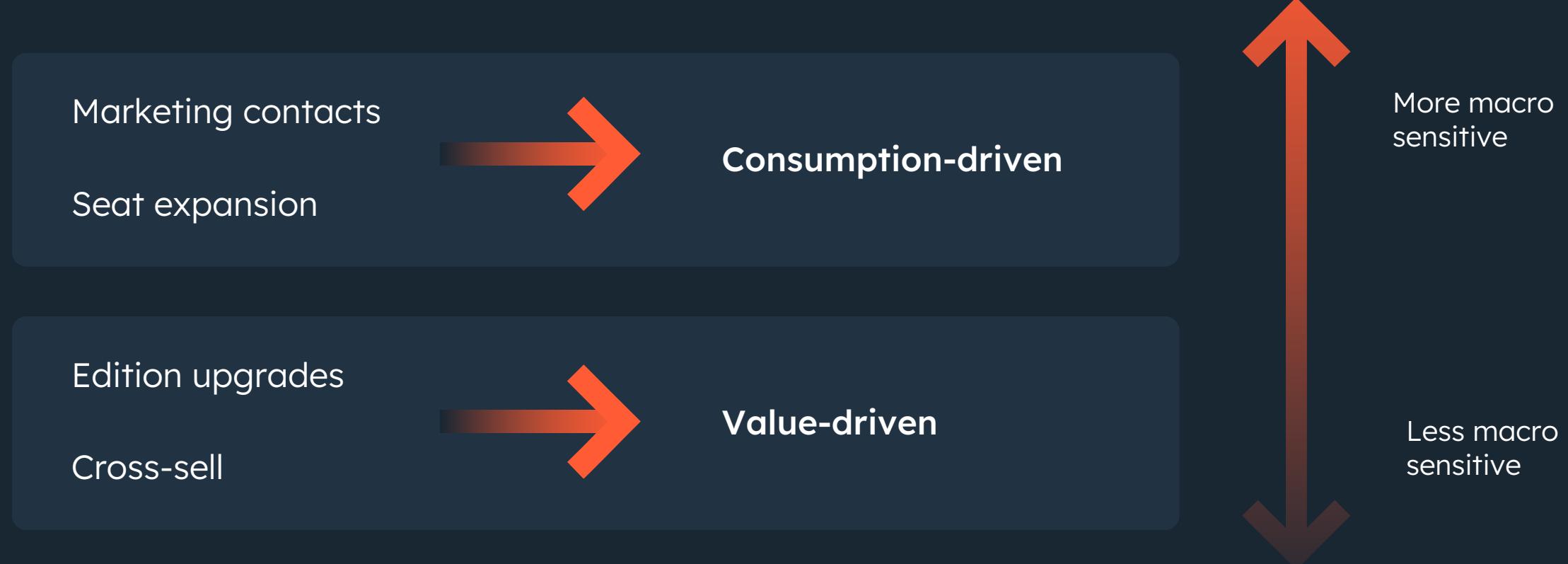
Innovate

# Platform driving increased customer dollar retention



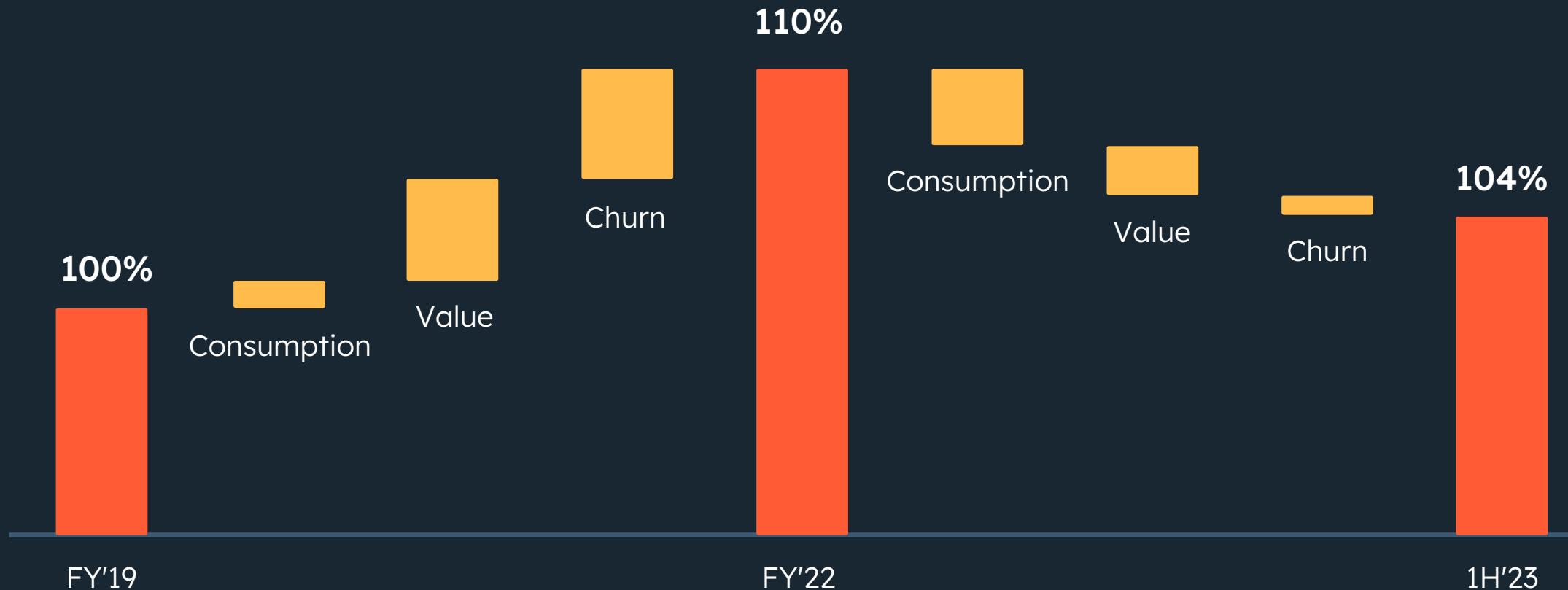
<sup>1</sup>Customers subscribed to three or more Hubs.

# Diverse upgrade and downgrade drivers



# Components of Net Revenue Retention

Value and churn more resilient



# World-class Engagement Hubs



Marketing Hub

**20%**

YoY Growth



Sales Hub

**30%**

YoY Growth



Service Hub

**40%**

YoY Growth



CMS Hub

**25%**

YoY Growth

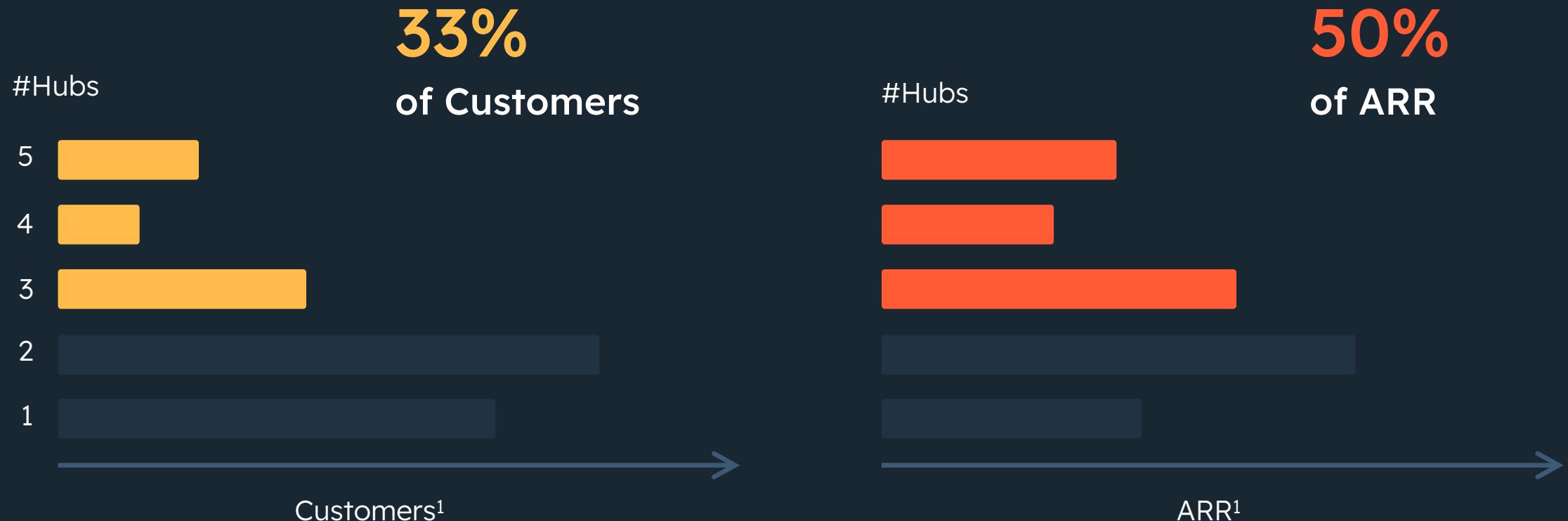


Operations Hub

**100%+**

YoY Growth

# Significant opportunity for multi-hub adoption

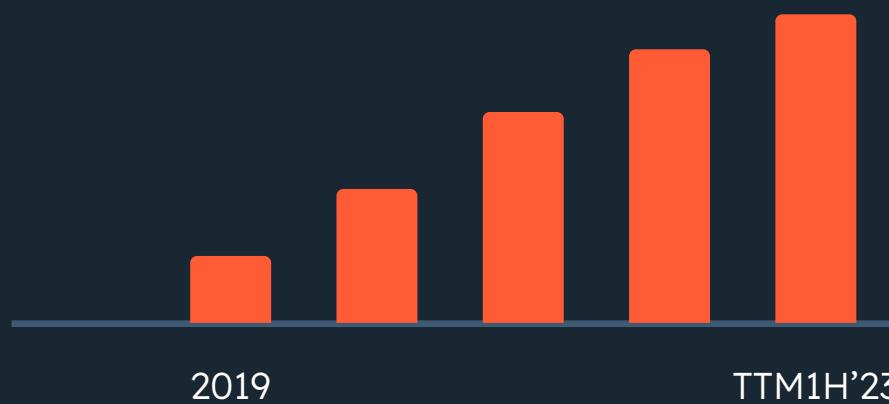


<sup>1</sup> Professional and Enterprise Tiers only, excludes Starter.

# Upgrade motions remain resilient

**53% CAGR**

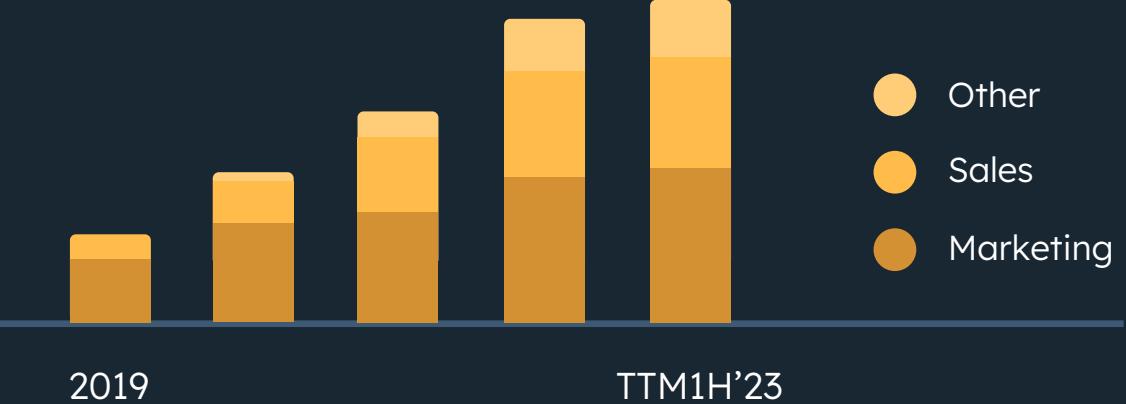
Starter to Professional<sup>1</sup>



**Starter upgrade rate holding steady, driving increased ARR**

**45% CAGR**

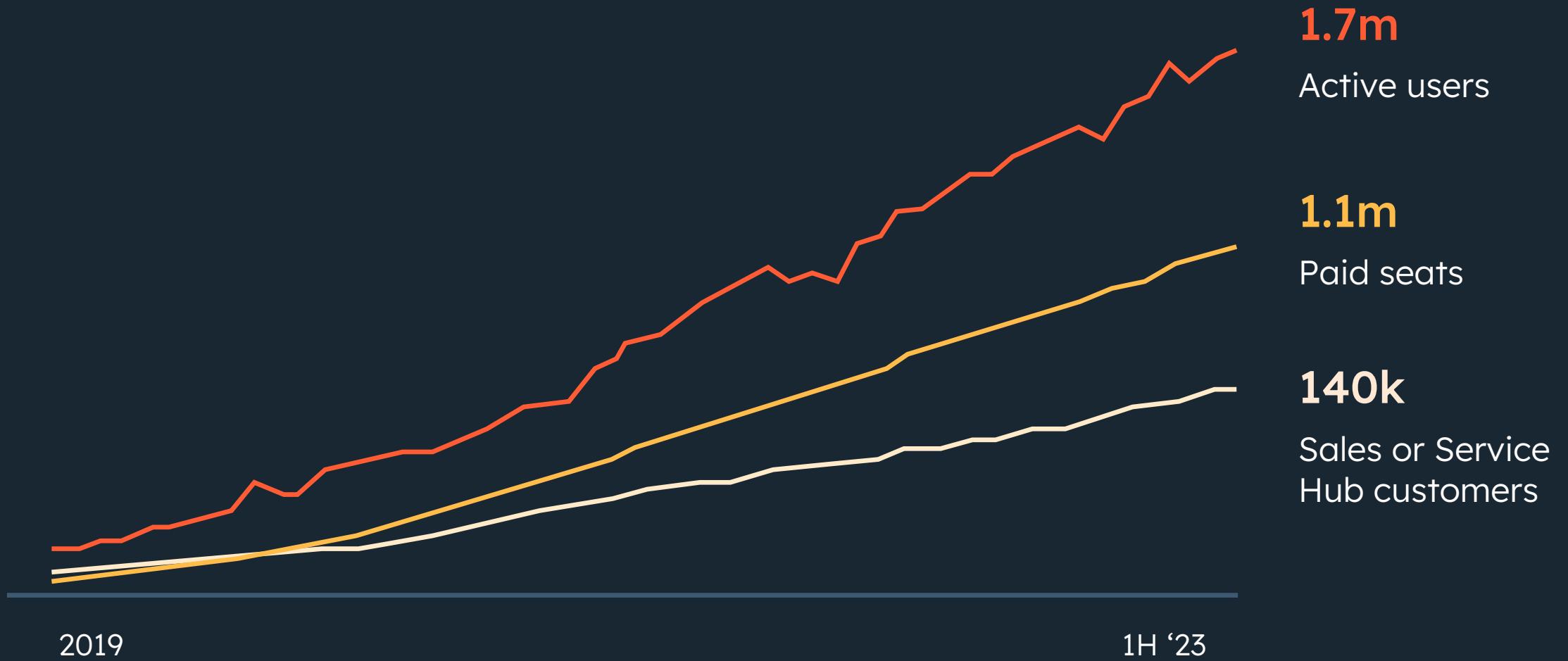
Any edition to Enterprise<sup>1</sup>



**Expanding and diversifying upgrade motions to Enterprise**

<sup>1</sup> ARR from upgrades

# Meaningful opportunity for seat expansion



# Multiple levers for growth



Land



Expand



Innovate

# Driving value in existing Hubs

Add value first before extracting value

## Key value additions

- Custom objects
- Conversation intelligence
- Prospecting
- Crafted data management
- Granular permissions
- Scheduling Handoffs
- Reporting
- Playbooks
- Forecasting
- Pipeline health metrics
- LinkedIn integration
- AI-driven features



## Sales Hub price increase

- \$150 per seat (up from \$120)
- Effective 11/1/23<sup>1</sup>
- New customers
- Incremental seats for existing customers<sup>1</sup>

<sup>1</sup> Existing customers who are yet to purchase more than the 10 seat minimum as of November 1, 2023 will be subject to the price increase when purchasing additional seats. Existing customers who have already expanded beyond the 10 seat minimum as of November 1, 2023 will not be subject to the price increase when purchasing additional seats..

# Planting new seeds

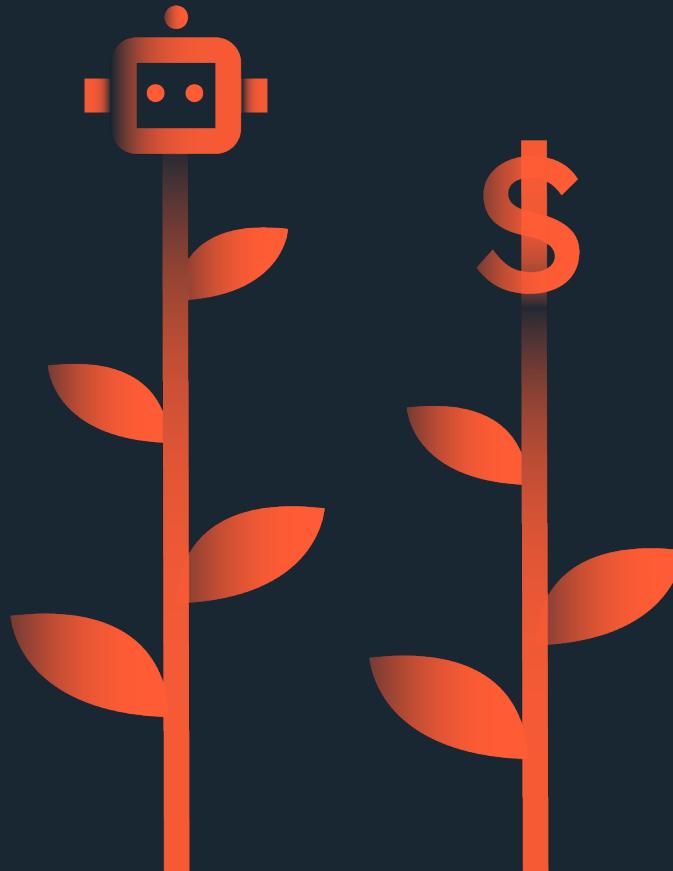
## Generative AI

Robust product pipeline

AI embedded everywhere

Monetization framework

- Driving adoption at the low end
- Differentiated value add features in higher priced tiers



## Commerce

Payments → Commerce Hub

Transaction-based monetization

Multi-billion dollar TAM opportunity



Durable levers  
for growth



Balancing growth  
and profitability



Long-term  
shareholder value

# Philosophy on balancing growth and profitability



Drive durable  
revenue growth  
at scale

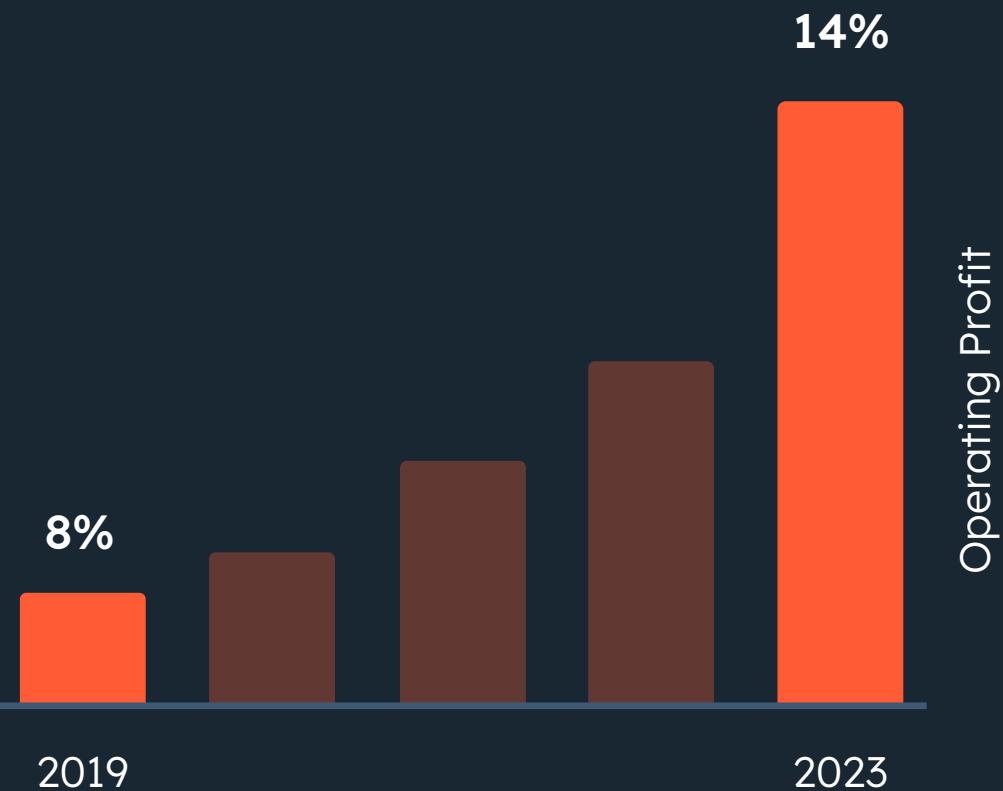
Generate operating  
leverage as we scale  
toward long-term  
margin targets

# Substantial margin expansion over the last five years

**52% CAGR**

OP 2019 → 1H '23

600 bps margin expansion



# Long term financial targets remain unchanged

	2019	2023 <sup>1</sup>	Long Term Target Model
<b>Gross Margin</b>	82%	85%	81% - 83%
<b>R&amp;D % of revenue</b>	18%	20%	20%
<b>S&amp;M % of revenue</b>	45%	43%	30% - 35%
<b>G&amp;A % of revenue</b>	11%	8%	8%
<b>Operating Margin</b>	8%	14%	20% - 25%

<sup>1</sup> Long-Term Target Model: These estimates reflect our current operating plan as of September 6, 2023 and are subject to change as future events and opportunities arise. 2023 represents the current midpoint of HubSpot's full year 2023 guidance. All percentages are non-GAAP and exclude expenses associated with stock-based compensation, amortization of acquired intangibles and acquisition related expenses. Percentages are based on actual values. Totals may not sum due to rounding. Please refer to appendix for a reconciliation of GAAP to non-GAAP figures.

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	2019	2023 <sup>1</sup>	2026 Target Model	Key Variables
Gross Margin	82%	85%		
R&D % of revenue	18%	20%		
S&M % of revenue	45%	43%		
G&A % of revenue	11%	8%		
Operating Margin	8%	14%	18-20%	

<sup>1</sup> Long-Term Target Model: These estimates reflect our current operating plan as of September 6, 2023 and are subject to change as future events and opportunities arise. 2023 represents the current midpoint of HubSpot's full year 2023 guidance. All percentages are non-GAAP and exclude expenses associated with stock-based compensation, amortization of acquired intangibles and acquisition related expenses. Percentages are based on actual values. Totals may not sum due to rounding. Please refer to appendix for a reconciliation of GAAP to non-GAAP figures.

# Long term financial targets remain unchanged

	2019	2023 <sup>1</sup>	2026 Target Model	Key Variables
<b>Gross Margin</b>	82%	85%	84%	+Infrastructure optimization +Services & support leverage -Reliability, speed, security -Commerce
<b>R&amp;D % of revenue</b>	18%	20%		
<b>S&amp;M % of revenue</b>	45%	43%		
<b>G&amp;A % of revenue</b>	11%	8%		
<b>Operating Margin</b>	8%	14%		

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<b>S&amp;M % of revenue</b>	45%	43%	36% - 38%	Digital and AI-enabled GTM
<b>G&amp;A % of revenue</b>	11%	8%		
<b>Operating Margin</b>	8%	14%		

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# Levers for S&M efficiency



Digital-Driven



Sales-Driven



Partner-Driven

## Today

- Starter acquisition
- Commerce

## Goal

- Grow top of funnel demand
- All customer segments
- Consumption-based expansion
- Commerce Hub

- Primary motion across customer journey

- AI & systems-driven productivity growth
- Higher ASP through platform selling

- 40%+ of deals with partner attached
- Driving tighter alignment

- 90%+ of upmarket deals with partner attached
- 75%+ of customers serviced by partners

# Long term financial targets remain unchanged

	2019	2023 <sup>1</sup>	2026 Target Model	Key Variables
<b>Gross Margin</b>	82%	85%	84%	+Infrastructure optimization +Services & support leverage -Reliability, speed, security -Commerce
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<b>G&amp;A % of revenue</b>	11%	8%	8%	Workforce planning Systems and Automation
<b>Operating Margin</b>	8%	14%		

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Durable levers  
for growth



Balancing growth  
and profitability



Long-term  
shareholder value

# Strong balance sheet and financial discipline

Track record of financial stewardship



\$1.7B

In cash, Q2 '23

\$684m FCF → 1H '23



2-3%

Gross dilution outlook

SBC<sup>2</sup> moderating as a % of revenue

# Strong shareholder value creation



33% Revenue CAGR<sup>1</sup>



600bps Margin Expansion<sup>1</sup>



\$684m FCF<sup>1</sup>



**38%**

Annualized Shareholder Return<sup>1</sup>

>2.5x S&P 500

>2.0x NASDAQ Composite

>2.0x Software Sector<sup>2</sup>

<sup>1</sup> Period from 1/1/2019 - 6/30/2023. Source: HubSpot and Bloomberg

<sup>2</sup> Software sector returns based on returns of iShares Expanded Tech-Software ETF (Ticker: IGV) over the period from 1/1/2019 - 6/30/2019. Source: Bloomberg

# Key takeaways

- 1 Customer Platform driving strong and diverse growth
- 2 Early in a massive opportunity
- 3 On path toward long term financial targets
- 4 Delivering shareholder value



# GAAP to Non-GAAP Reconciliations

**HubSpot, Inc.**  
**GAAP to Non-GAAP Reconciliation**

	2019				2020				2021				2022				Six Months Ended June 30, 2023	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues		
<b>Cost of Revenue</b>																		
Subscription	98,510	15%	130,685	15%	211,132	16%	257,513	15%	142,163	14%								
Stock-based compensation	(3,127)	0%	(4,408)	0%	(6,297)	0%	(9,076)	-1%	(6,261)	-1%								
Amortization of acquired intangibles	(3,201)	0%	(2,340)	0%	(937)	0%	(1,203)	0%	(804)	0%								
Gain on termination of operating leases	-	0%	-	0%	395	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	(600)	0%	-	0%	-	0%								
Non-GAAP subscription	92,182	14%	123,937	14%	203,693	16%	247,234	14%	135,098	13%								
Professional services and other	31,448	5%	36,274	4%	47,725	4%	56,746	3%	27,169	3%								
Stock-based compensation	(2,829)	0%	(2,536)	0%	(3,092)	0%	(4,393)	0%	(2,546)	0%								
Gain on termination of operating leases	-	0%	-	0%	275	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	(415)	0%	-	0%	-	0%								
Non-GAAP professional services and other	28,619	4%	33,738	4%	44,908	3%	52,353	3%	24,623	2%								
<b>Gross Margin</b>																		
Gross margin	544,902	81%	716,067	81%	1,041,801	80%	1,416,710	82%	861,426	84%								
Stock-based compensation	5,956	1%	6,944	1%	9,389	1%	13,469	1%	8,807	1%								
Amortization of acquired intangible assets	3,201	0%	2,340	0%	662	0%	1,203	0%	804	0%								
Gain on termination of operating leases	-	0%	-	0%	(670)	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	1,015	0%	-	0%	-	0%								
Non-GAAP gross margin	554,059	82%	725,351	82%	1,052,197	81%	1,431,382	83%	871,037	85%								
<b>Operating Expenses</b>																		
Research and development	158,237	23%	205,589	23%	301,970	23%	442,022	26%	297,638	29%								
Stock-based compensation	(33,748)	-5%	(39,366)	-4%	(61,614)	-5%	(107,517)	-6%	(97,384)	-9%								
Acquisition/disposition related income (expenses)	(357)	0%	(1,287)	0%	(1,152)	0%	300	0%	-	0%								
Gain on termination of operating leases	-	0%	-	0%	1,346	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	(2,036)	0%	-	0%	-	0%								
Non-GAAP research and development	124,132	18%	164,936	19%	238,514	18%	334,805	19%	200,254	19%								
Sales and marketing	340,685	50%	452,081	51%	649,681	50%	886,069	51%	515,977	50%								
Stock-based compensation	(36,599)	-5%	(50,552)	-6%	(67,413)	-5%	(107,640)	-6%	(68,794)	-7%								
Amortization of acquired intangible assets	-	0%	(79)	0%	(389)	0%	(1,426)	0%	(892)	0%								
Acquisition related expenses	-	0%	-	0%	(367)	0%	-	0%	-	0%								
Gain on termination of operating leases	-	0%	-	0%	1,839	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	(2,781)	0%	-	0%	-	0%								
Non-GAAP sales and marketing	304,086	45%	401,450	45%	580,570	45%	777,003	45%	446,291	43%								
General and administrative	92,971	14%	109,225	12%	144,949	11%	197,720	11%	118,627	12%								
Stock-based compensation	(21,451)	-3%	(24,626)	-3%	(28,345)	-2%	(47,223)	-3%	(36,055)	-3%								
Acquisition related expenses	(552)	0%	(545)	0%	(568)	0%	-	0%	-	0%								
Gain on termination of operating leases	-	0%	-	0%	421	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	(636)	0%	-	0%	-	0%								
Non-GAAP general and administrative	70,968	11%	84,054	10%	115,821	9%	150,497	9%	82,572	8%								
Restructuring charges	-	0%	-	0%	-	0%	-	0%	-	0%								
<b>Loss from Operations</b>																		
Loss from operations	(46,991)	-7%	(50,828)	-6%	(54,799)	-4%	(109,101)	-6%	(163,266)	-16%								
Stock-based compensation	97,754	14%	121,488	14%	166,761	13%	275,849	16%	211,040	20%								
Amortization of acquired intangible assets	3,201	0%	2,419	0%	1,326	0%	2,629	0%	1,696	0%								
Acquisition related expenses	909	0%	1,832	0%	2,087	0%	(305)	0%	-	0%								
Gain on termination of operating leases	-	0%	-	0%	(4,276)	0%	-	0%	-	0%								
Loss on disposal of fixed assets	-	0%	-	0%	6,468	0%	-	0%	-	0%								
Restructuring charges	-	0%	-	0%	-	0%	-	0%	-	0%								
Non-GAAP loss from operations	54,873	8%	74,911	8%	117,567	9%	169,072	10%	141,920	14%								

# GAAP to Non-GAAP Reconciliation

# GAAP to Non-GAAP Reconciliation

HubSpot, Inc.

GAAP to Non-GAAP Reconciliation

	2019		2020		2021		2022		Forecast 2023	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Loss from Operations</b>										
Loss from operations	(46,991)	-7%	(50,828)	-6%	(54,799)	-4%	(109,101)	-6%	(257,045)	-12%
Stock-based compensation	97,754	14%	121,488	14%	166,761	13%	275,849	16%	452,212	21%
Amortization of acquired intangible assets	3,201	0%	2,419	0%	1,326	0%	2,629	0%	3,383	0%
Acquisition/disposition related income (expenses)	909	0%	1,832	0%	2,087	0%	(305)	0%	-	0%
Gain on termination of operating leases	-	0%	-	0%	(4,276)	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	6,468	0%	-	0%	-	0%
Restructuring charges	-	0%	-	-	-	0%	-	0%	96,450	0%
<b>Non-GAAP (loss) income from operations</b>	<b>54,873</b>	<b>8%</b>	<b>74,911</b>	<b>8%</b>	<b>117,567</b>	<b>9%</b>	<b>169,072</b>	<b>10%</b>	<b>295,000</b>	<b>14%</b>

# GAAP to Non-GAAP Reconciliation

	2019		2020		2021		2022	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
GAAP net cash and cash equivalents provided by operating activities	118,973	18%	88,913	10%	238,728	18%	273,174	16%
Purchases of property & equipment and capitalization of software development cost	(53,846)	-8%	(58,917)	-7%	(61,865)	-5%	(81,771)	-5%
Repayment of 2022 Convertible Notes attributable to the debt discount	-	0%	49,048	6%	26,428	2%	-	0%
Free cash flow	<u>65,127</u>	<u>10%</u>	<u>79,044</u>	<u>9%</u>	<u>203,291</u>	<u>16%</u>	<u>191,403</u>	<u>11%</u>

# Definitions

**Customers:** We define our Customers at the end of a particular period as the number of business entities with one or more paid subscriptions to our CRM Platform either purchased directly with us or purchased from a Solutions Partner. We do not include in Customers business entities with one or more paid subscriptions solely for our legacy Sales Hub (\$10) product or any PieSync product. A single customer may have separate paid subscriptions to our CRM Platform, but we count these as one Customer if certain customer-provided information such as company name, URL, or email address indicate that these subscriptions are managed by the same business entity.

**Install Base:** Refer to definition of Annual Recurring Revenue below.

**Net Revenue Retention:** Net Revenue Retention is a measure of the percentage of recurring revenue retained from customers over a given period of time. Our Net Revenue Retention for a given period is calculated by first dividing Retained Subscription Revenue by Retention Base Revenue in the given period, calculating the weighted average of these rates using the Retention Base Revenue for the period, and then annualizing the resulting rates. A definition of each of the key terms used to calculate Net Revenue Retention is included below.

**Average Subscription Revenue per Customer:** We define "ASRPC" during a particular period as subscription revenue, excluding revenue from our legacy Sales Hub (\$10) and PieSync products, from our Total Customers during the period divided by the average Total Customers during the same period.

**Non-GAAP Operating Income:** We define as GAAP operating income or loss plus stock-based compensation, amortization of acquired intangible assets, gain on termination of operating leases, loss on disposal of fixed assets, and acquisition related expenses.

**Free Cash Flow:** We define "FCF" as cash and cash equivalents provided by or used in operating activities less purchases of property and equipment, capitalization of software development costs, plus repayments of convertible notes attributable to debt discount.

**Annual Recurring Revenue:** We define ARR as the annual value of our customer subscription contracts as of the specified point in time excluding any commissions owed to our partners. For the purposes of this presentation, this excludes payments revenue. For each Hub, this is the sum of customer ARR for the Starter, Basic, Professional and Enterprise subscriptions, plus applicable contacts (marketing only), Seats, or Add-Ons (e.g., reporting or ads). For multi-product customers, their ARR would be distributed across based on the value of each SKU/Hub for which they pay. In 2022, we began including our payments revenue run rate, defined as, on an annualized basis, the trailing three months of payments revenue, into the annual value of our customer subscription contracts. ARR can differ from revenue due to several factors. ARR is converted into U.S. dollars at fixed rates that are held consistent over time and may vary from those used for revenue or deferred revenue. ARR would exclude any impact for bad debt and partner commissions (as noted above) and would also differ from Revenue due to timing of revenue recognition.

**Customer Dollar Retention (C\$R):** Customer Dollar Retention is a measure of the percentage of the customers we retain, weighted by ARR dollars. This is calculated by summing the total dollars that were canceled in a given period, divided by the beginning of period ARR Install Base. We then express the calculated churn inversely as retention and annualize it.