



# INVESTOR PRESENTATION

Q4 2017 RESULTS

# Important Information

This presentation includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning our cash flow and margin improvement expectations, our position to execute on our growth strategy in the mid-market, and our ability to expand our leadership position and market opportunity for our inbound platform. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, our history of losses, our ability to retain existing customers and add new customers, the continued growth of the market for an inbound platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our marketing agency partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock, and other risks set forth under the caption “Risk Factors” in our Annual Report on Form 10-K filed on February 13, 2018 and our other SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.



A leading CRM, marketing, sales, and customer experience platform



**41,000+**

Total Customers



**90+**

Countries



**7**

Office Locations Worldwide

Why does HubSpot exist?

2006

## Humans are changing



94%  
skip TV ads



94%  
unsubscribe  
from email



27%  
direct mail  
isn't opened



50%  
are on do not  
call lists

2018

Humans are changing

Google



YOU'VE GOT TO MATCH THE WAY YOU

*sell + market*



TO THE WAY HUMANS

*shop + buy*

# How does Inbound work?

## Outbound



Aggressively **pushes** content at innocent bystanders, interrupting their life

Cold Calling | Spam | Interruptive Ads



## Inbound



Pulls in prospects by offering helpful content and experience when they need it

SEO | Blogs | Social



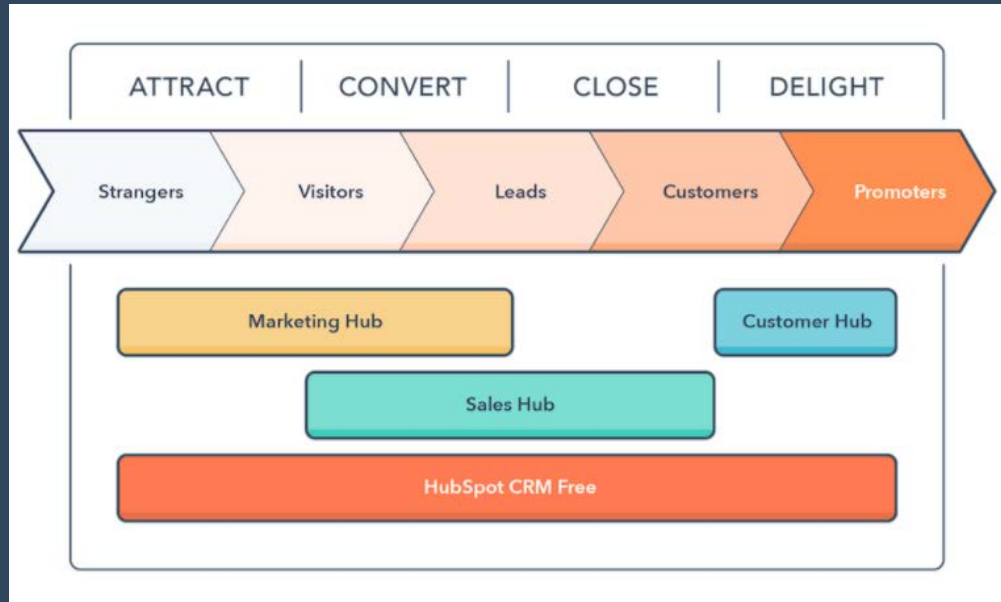
Inbound is about the **size of your brain**,  
not the width of your wallet



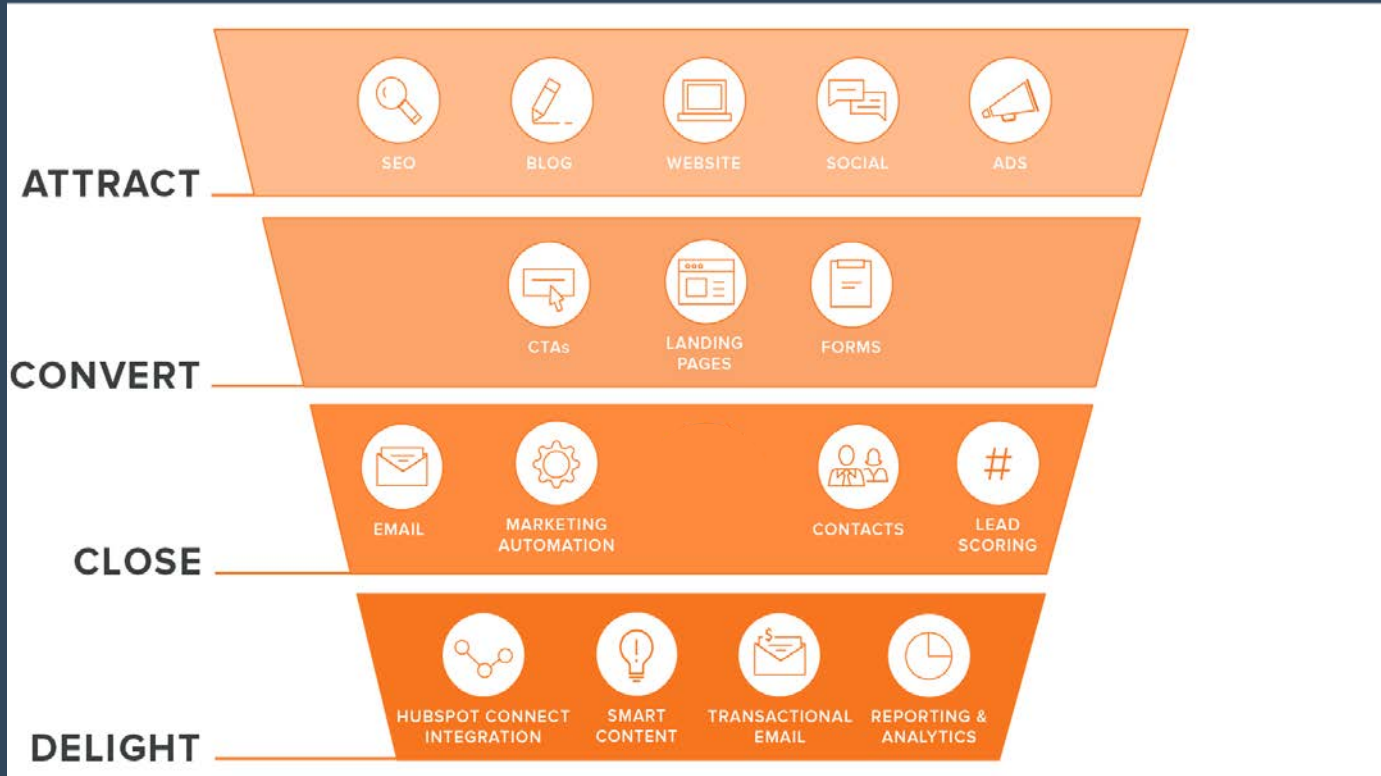
Information  
Asymmetry

# The Inbound Methodology

The best way to turn strangers into customers and promoters of your business



# Inbound funnel tools



*2018*

Mid-market companies are asking for



# Our all-in-one solution



**HubSpot**  
MARKETING

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Content Creation,  
SEO, Social Media,  
Marketing  
Automation



**HubSpot**  
SALES

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Email Templates,  
Meetings,  
Notifications,  
Sequences

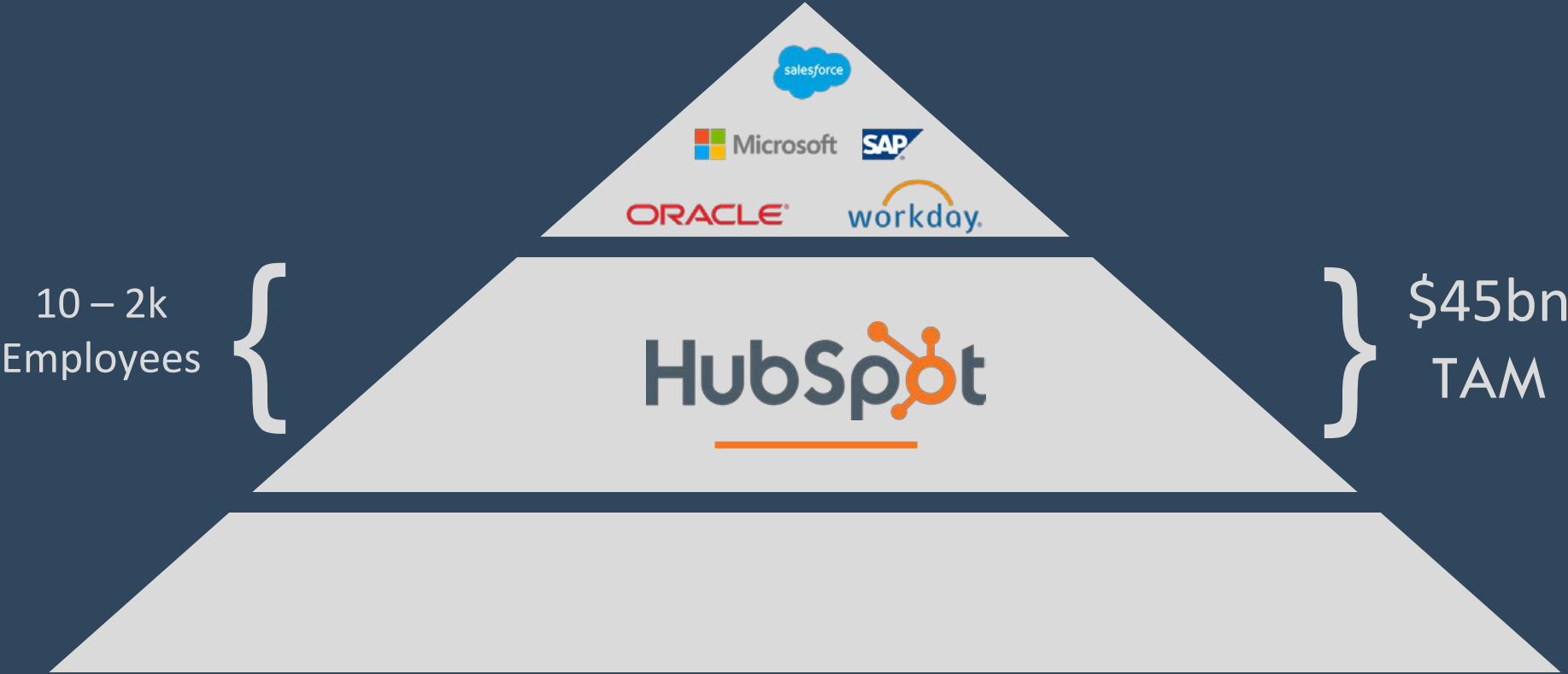


**HubSpot**  
CRM

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Contact Timeline,  
Lead Enrichment,  
Prospects,  
Analytics

# Front Office Platform



# The Inbound Community

## INBOUND

**21,000+ Registered Attendees**

Where the inbound movement grows every year



### Thousands of Partners

HubSpot provides training and support to our marketing agency partners, working together to sell our products.



**130,000+ Certifications**

HubSpot's one-stop-shop for free education on all things inbound

## inbound.org

**150,000+ Marketers**

Where the inbound movement grows the other 360 days of the year

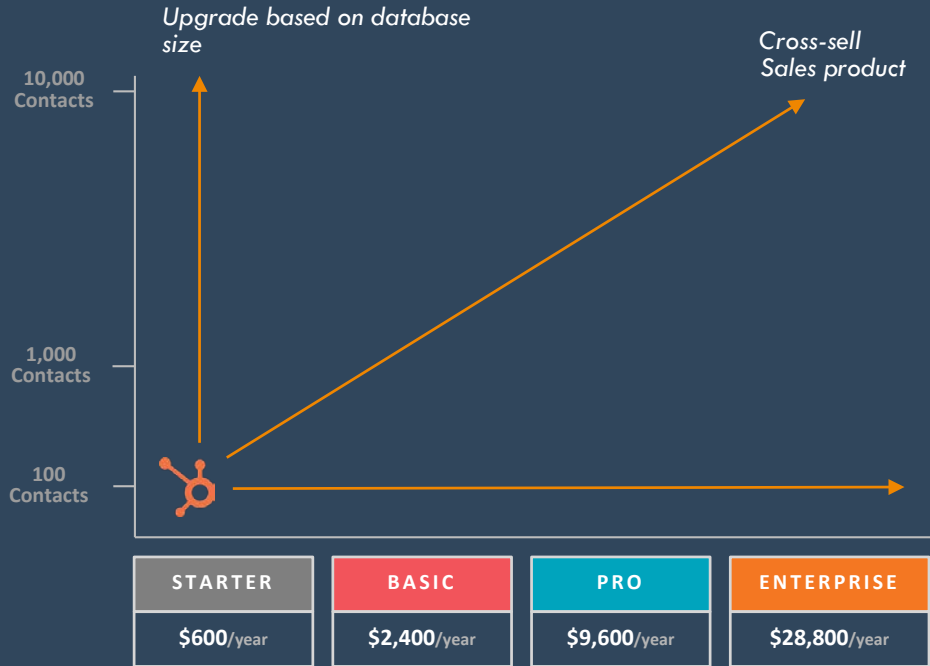


**49,000+**

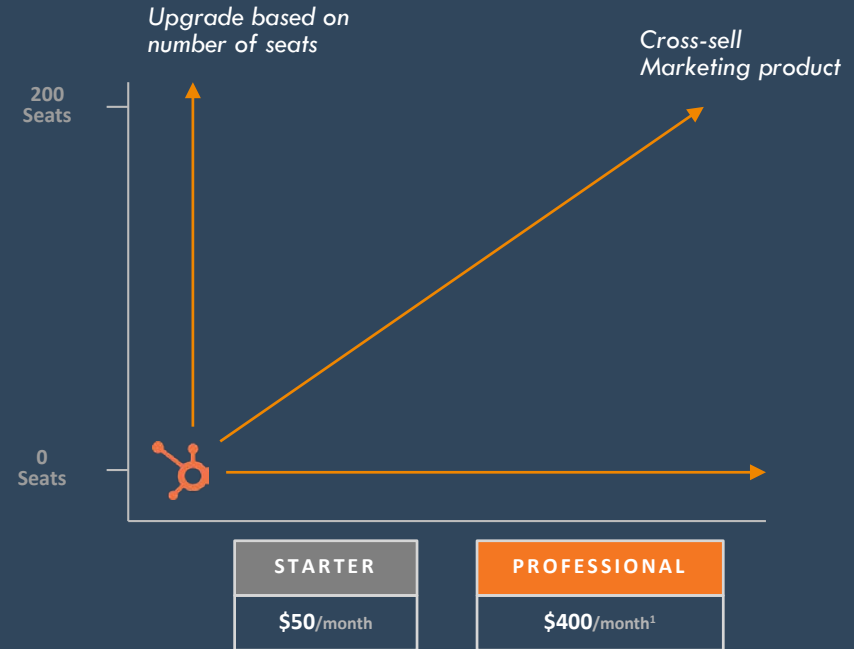
**Linking Domains**

The number of websites linking back to HubSpot, providing us with both authority in search engines and recognition among industry professionals

# Marketing Pricing



# Sales Pricing



1. \$400/month for 5 seats



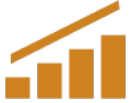
# Why HubSpot?





FINANCIAL REVIEW | FOURTH QUARTER-2017

# Summary



Fast-growing SaaS platform with positive mix-shift towards multi-product offering



Largely untapped global opportunity for growth

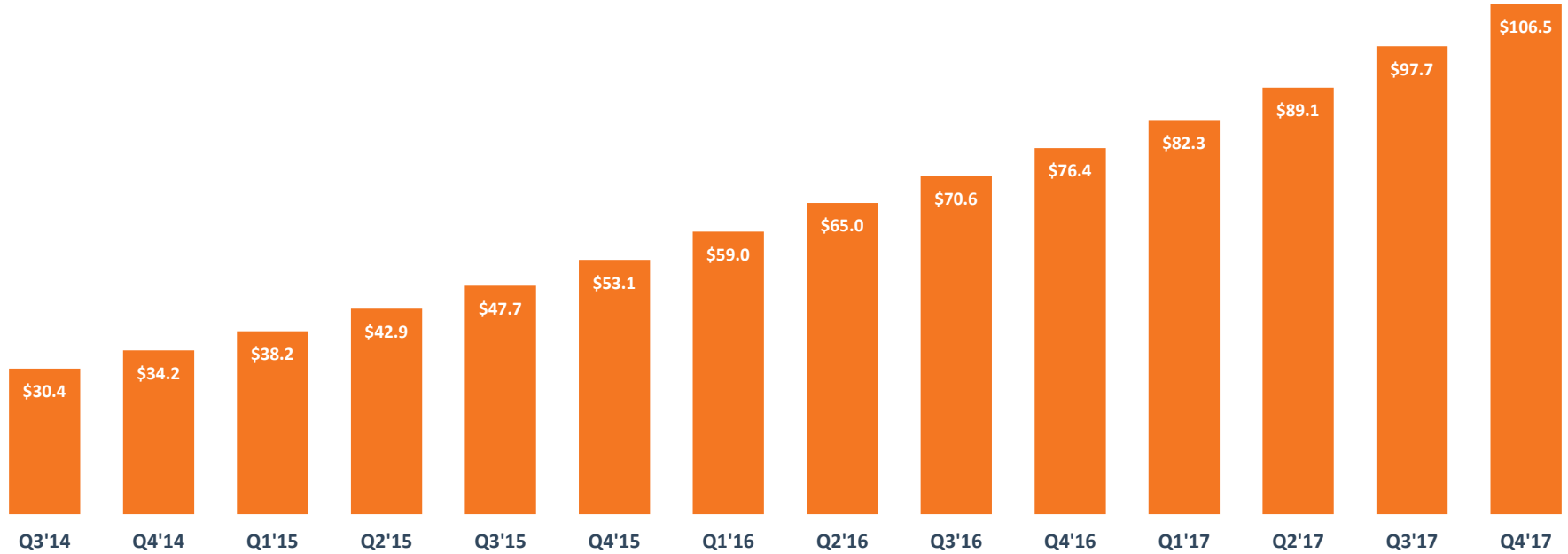


Commitment to balancing top and bottom line growth allows for continued operating leverage



Margin improvement allows for incremental improvements in cash flow

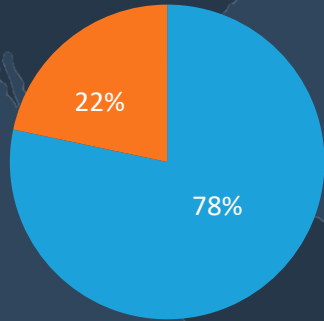
# Revenue Growth Since IPO



*In Millions of USD*

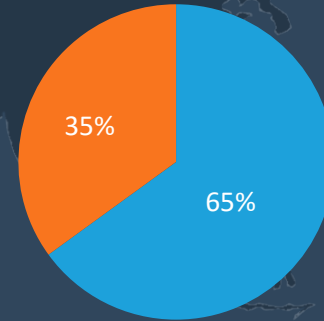
# Increasing International Footprint

Q4'14



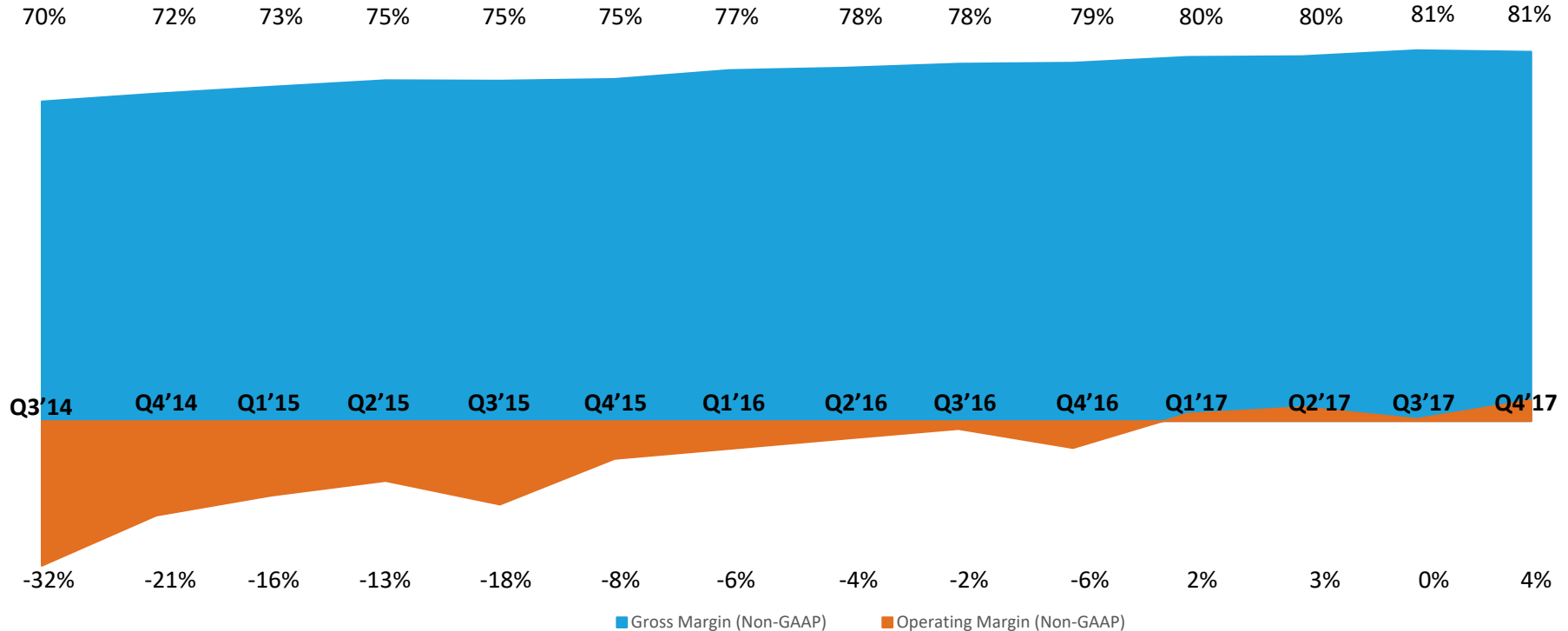
■ Domestic ■ International  
% of Total Revenue

Q4'17



■ Domestic ■ International  
% of Total Revenue

# Steady progress in Gross & Operating Margin Trajectory



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

# Framework For Growth And Profitability

	High Growth	Growth	Moderate Growth
Revenue Growth	>30%	30%	<30%
Operating Margin %	1-2% increase per year	2-3% increase per year	3-4% increase per year
Operating Cash Flow	≈ Revenue Growth		

# Long Term Model

	2014	2015	2016	2017	Long Term Target Model
GROSS MARGIN	70%	75%	78%	81%	80%
R&D % of Revenue	17%	14%	14%	15%	15%
S&M % of Revenue	63%	58%	55%	52%	30 - 35%
G&A % of Revenue	18%	16%	14%	12%	10%
OPERATING MARGIN	(28%)	(14%)	(4%)	2%	20 - 25%

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



# Growth Strategy

1

Large Domestic  
Opportunity

2

Expanding  
International  
Opportunity

3

Upsell Customers

4

New Products

# GAAP to Non-GAAP Reconciliation

HubSpot, Inc.

## GAAP to Non-GAAP Reconciliation

	2014		2015		2016		2017	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Cost of Revenue</b>								
Subscription	23,655	20%	32,271	18%	41,182	15%	51,563	14%
Stock-based compensation	(128)	0%	(341)	0%	(512)	0%	(658)	0%
Amortization of acquired intangibles	(118)	0%	(70)	0%	(57)	0%	(96)	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP subscription	<u>23,409</u>	20%	<u>31,860</u>	18%	<u>40,613</u>	15%	<u>50,809</u>	14%
Professional services and other	11,425	10%	15,652	9%	20,683	8%	24,166	6%
Stock-based compensation	(498)	0%	(1,216)	-1%	(1,640)	-1%	(2,327)	-1%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP professional services and other	<u>10,927</u>	9%	<u>14,436</u>	8%	<u>19,043</u>	7%	<u>21,839</u>	6%
<b>Gross Margin</b>								
Gross margin	80,796	70%	134,020	74%	209,102	77%	299,883	80%
Stock-based compensation	626	1%	1,557	1%	2,152	1%	2,985	1%
Amortization of acquired intangibles	118	0%	70	0%	57	0%	96	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>81,540</u>	70%	<u>135,647</u>	75%	<u>211,311</u>	78%	<u>302,964</u>	81%
<b>Operating Expenses</b>								
Research and development	25,638	22%	32,457	18%	45,997	17%	70,373	19%
Stock-based compensation	(6,190)	-5%	(6,327)	-3%	(8,828)	-3%	(12,816)	-3%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	(1,266)	0%
Non-GAAP research and development	<u>19,448</u>	17%	<u>26,130</u>	14%	<u>37,169</u>	14%	<u>56,291</u>	15%
Sales and marketing	78,809	68%	112,629	62%	162,647	60%	212,859	57%
Stock-based compensation	(5,596)	-5%	(7,658)	-4%	(13,352)	-5%	(19,016)	-5%
Amortization of acquired intangibles	(20)	0%	(26)	0%	(27)	0%	(7)	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	<u>73,193</u>	63%	<u>104,945</u>	58%	<u>149,268</u>	55%	<u>193,836</u>	52%
General and administrative	24,958	22%	35,408	19%	45,120	17%	56,787	15%
Stock-based compensation	(3,946)	-3%	(5,766)	-3%	(8,343)	-3%	(12,500)	-3%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%
Non-GAAP general and administrative	<u>21,012</u>	18%	<u>29,642</u>	16%	<u>36,777</u>	14%	<u>44,287</u>	12%
<b>Loss from Operations</b>								
Loss from operations	(48,609)	-42%	(46,474)	-26%	(44,662)	-16%	(40,136)	-11%
Stock-based compensation	16,358	14%	21,308	12%	32,675	12%	47,317	13%
Amortization of acquired intangibles	138	0%	96	0%	84	0%	103	0%
Acquisition related expenses	-	0%	-	0%	-	0%	1,266	0%
Non-GAAP loss from operations	<u>(32,113)</u>	-28%	<u>(25,070)</u>	-14%	<u>(11,903)</u>	-4%	<u>8,550</u>	2%

# GAAP to Non-GAAP Reconciliation

HubSpot, Inc. GAAP to Non-GAAP Reconciliation	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	September 30, 2014		December 31, 2014		March 31, 2015		June 30, 2015		September 30, 2015	
	% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
<b>Gross Margin</b>										
Gross margin	21,243	70%	24,228	71%	27,701	73%	31,668	74%	35,233	74%
Stock-based compensation	108	0%	326	1%	324	1%	439	1%	404	1%
Amortization of acquired intangibles	6	0%	6	0%	11	0%	19	0%	20	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>21,357</u>	70%	<u>24,560</u>	72%	<u>28,036</u>	73%	<u>32,126</u>	75%	<u>35,657</u>	75%
<b>Loss from Operations</b>										
Loss from operations	(10,957)	-36%	(19,939)	-58%	(11,412)	-30%	(11,322)	-26%	(13,290)	-28%
Stock-based compensation	1,266	4%	12,844	38%	5,142	13%	5,642	13%	4,510	9%
Amortization of acquired intangibles	13	0%	13	0%	17	0%	26	0%	26	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP loss from operations	<u>(9,678)</u>	-32%	<u>(7,082)</u>	-21%	<u>(6,253)</u>	-16%	<u>(5,654)</u>	-13%	<u>(8,754)</u>	-18%

HubSpot, Inc. GAAP to Non-GAAP Reconciliation	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	March 31, 2016		June 30, 2016		September 30, 2016		December 31, 2016		March 31, 2017		June 30, 2017		September 30, 2017	
	% of		% of		% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
<b>Gross Margin</b>														
Gross margin	44,989	76%	49,779	77%	54,777	78%	59,557	78%	65,180	79%	70,502	79%	78,716	81%
Stock-based compensation	418	1%	608	1%	577	1%	551	1%	564	1%	844	1%	754	1%
Amortization of acquired intangibles	18	0%	13	0%	13	0%	13	0%	9	0%	0%	0%	38	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	<u>45,425</u>	77%	<u>50,400</u>	78%	<u>55,367</u>	78%	<u>60,121</u>	79%	<u>65,753</u>	80%	<u>71,346</u>	80%	<u>79,508</u>	81%
<b>Loss from Operations</b>														
Loss from operations	(9,861)	-17%	(11,030)	-17%	(9,951)	-14%	(13,820)	-18%	(8,000)	-10%	(10,577)	-12%	(12,126)	-12%
Stock-based compensation	6,231	11%	8,475	13%	8,695	12%	9,274	12%	9,303	11%	13,006	15%	12,110	12%
Amortization of acquired intangibles	24	0%	20	0%	20	0%	20	0%	16	0%	0%	0%	38	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	439	0%
Non-GAAP loss from operations	<u>(3,606)</u>	-6%	<u>(2,535)</u>	-4%	<u>(1,236)</u>	-2%	<u>(4,526)</u>	-6%	<u>1,319</u>	2%	<u>2,429</u>	3%	<u>461</u>	0%