

# Welcome & Safe Harbor

Chuck MacGlashing

VP of Investor Relations,  
Corporate Treasury



# 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; the anticipated benefits of our product and feature launches and plans and timelines for developing and expanding those offerings; the anticipated benefits of our investments on our revenue growth, profitability and cash flow; our product plans, strategies, and trends; our ability to expand our ecosystem and total addressable market; our position to execute on our growth strategy and related growth drivers; our evolution to a platform model; our opportunities in international markets; and our ability to expand our leadership position and market opportunity for our inbound platform. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, our history of losses, our ability to retain existing customers and add new customers, the continued growth of the market for an inbound platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our agency partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock, and other risks set forth under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed on August 5, 2020 and our other SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.



# Agenda

September 22, 2020 | 10:00 a.m. - 1:00 p.m. ET

TIME	SUBJECT	PRESENTER(S)
10:00a - 10:05a	Welcome & Safe Harbor	Chuck MacGlashing   VP of IR, Corporate Treasury
10:05a - 10:25a	Introduction & Go-To-Market Update	Yamini Rangan   Chief Customer Officer
		SHORT BREAK
10:30a - 11:20a	Founders & Product Spotlight	Brian Halligan   Co-Founder & Chief Executive Officer Dharmesh Shah   Co-Founder & Chief Technology Officer Christopher O'Donnell   Chief Product Officer
		SHORT BREAK
11:25a - 12:00p	Product GM Panel	Ying Chen   GM, Service Hub Nicholas Holland   GM, Marketing Hub & CMS Hub Lou Orfanos   GM, Sales Hub Nancy Riley   GM, Ecosystem <i>Moderator: Meghan Anderson   VP of Marketing</i>
12:00p - 12:20p	Financial Overview	Kate Bueker   Chief Financial Officer
		SHORT BREAK
12:30p - 1:00p	Q&A	HubSpot Executive Team



# Housekeeping



Three short breaks  
between sessions



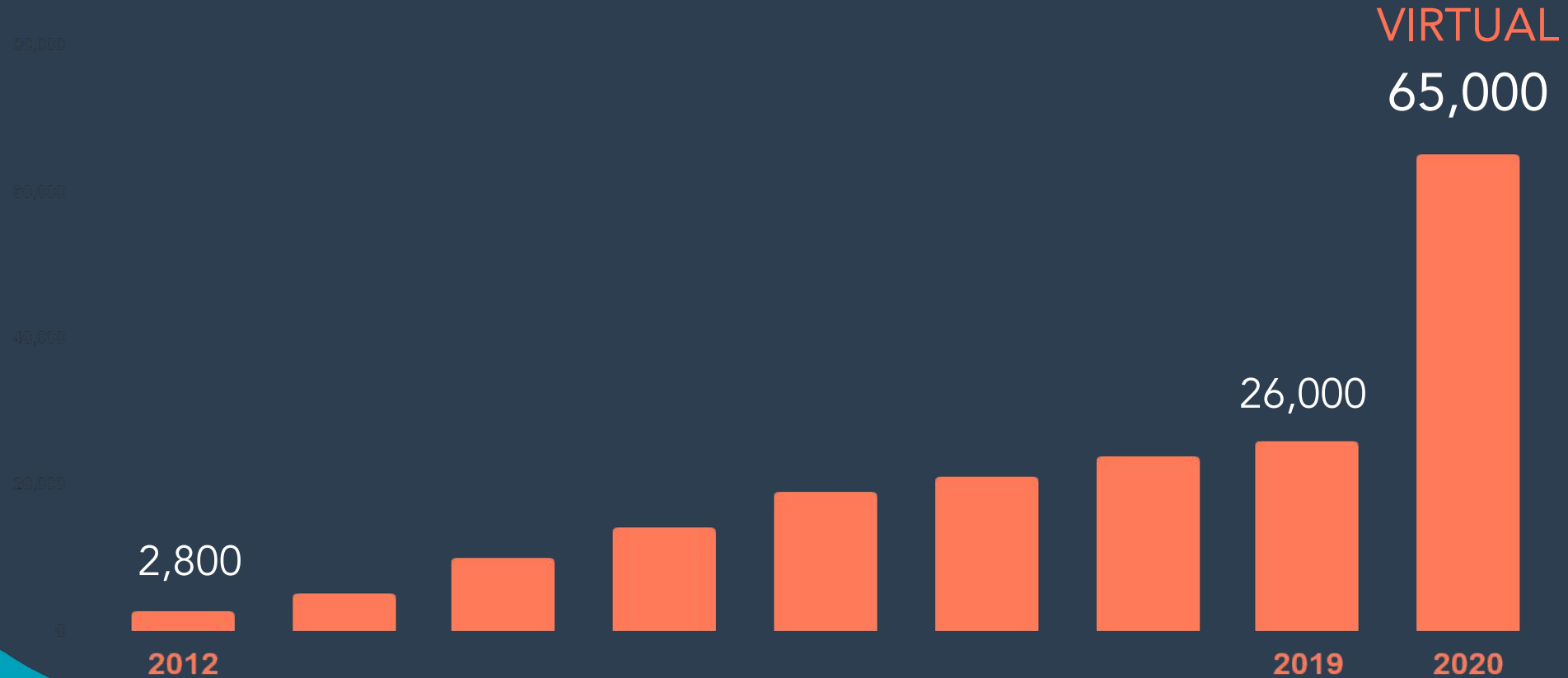
Submit questions starting  
at 12:00 p.m. Eastern  
using Q&A field below



Non-GAAP  
reconciliations for  
financials we  
discuss posted on  
[ir.hubspot.com](https://ir.hubspot.com)



# INBOUND'20 Registered Attendees



# Thank you



# Introduction & GTM Update

Yamini Rangan

Chief Customer Officer



# My journey to HubSpot



Engineer by trade  
and GTM  
professional by  
practice



A decade in  
on-premise B2B  
and a decade in  
cloud B2B



Experience across  
enterprise and  
freemium playbooks



Passionate  
about customer  
experience







1

How do we drive resilient growth?



2

Who do we serve and how do they grow better with HubSpot?



3

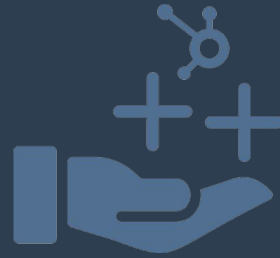
Where are we investing in the next 3 years?





1

How do we drive  
resilient growth?



2

Who do we serve and  
how do they grow  
better with HubSpot?



3

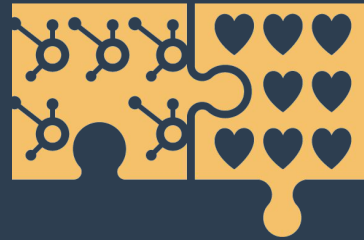
Where are we  
investing in the  
next 3 years?



# Driving resilient growth



Solve for the  
customer



Invest in two products:  
Platform and Culture



Support digital  
transformation  
acceleration



# HubSpot's opportunity ahead





1

How do we drive  
resilient growth?



2

Who do we serve and  
how do they grow  
better with HubSpot?



3

Where are we  
investing in the  
next 3 years?

---



# Segment Overview

## Small Business

1-25 employees

- Typically product-led sale
- High velocity and high volume
- Balance between Starter + Professional tiers



## Mid Market

26-200 employees

- Rep-driven sale
- Medium velocity and medium ASP
- Skews toward Professional + Enterprise tiers



## Corporate

201-2,000 employees

- Rep-driven sale
- Low velocity and high ASP
- Skews toward Professional and Enterprise tiers



# Small Business deep dive



## Company

### CORE CHALLENGES

Subpar digital presence

### WHAT HUBSPOT REPLACES

Manual or lightweight system of record

### USE CASE

Growing online presence



## Buyer

### PERSONA

Owner/CEO or first employee in Marketing or Sales

### HOW THEY FIND HUBSPOT

Review sites and word of mouth

### HOW THEY BUY

Starts on free product, upgrades to paid product



# Case Study: GetAccept

## Startup to Scaleup with HubSpot

### WHY HUBSPOT?

- First front-office system
- Growing online presence
- Lead management

### HOW THEY USE HUBSPOT

- Marketing, Sales, CRM, Reporting Add-On
- 40+ integrations
- Lead scoring and nurturing
- Content planning
- Reporting/dashboards

### HOW THEY GROW BETTER

- Scaling on HubSpot ▲
- 25X employee growth ▲
- +4 new offices ▲
- 50X increase in MRR ▲





# Mid Market deep dive



## Company

### CORE CHALLENGES

Need to optimize to grow

### WHAT HUBSPOT REPLACES

Front office platform OR point solutions

### USE CASE

Visibility across customer-facing activities



## Buyer

### PERSONA

Department lead looking to improve efficiency

### HOW THEY FIND HUBSPOT

Review sites and referrals

### HOW THEY BUY

Rep-driven purchase with multiple decision makers



# Case Study: Cloud Technology Solutions

## Consolidating Systems on HubSpot

### WHY HUBSPOT?

- Consolidated system for growth
- Improve Marketing and Sales automation
- Ease of use and quick time to value

### HOW THEY USE HUBSPOT

- Marketing, Sales, CRM, Reporting Add-On
- 16 integrations
- HubSpot Academy
- Assigning ROI to marketing activities

### HOW THEY GROW BETTER

- Conversion rate 10%+ ▲
- Leads 30%+ ▲
- Traffic 80%+ ▲
- MRR 100% ▲

Cloud Technology Solutions



# Corporate Segment deep dive



## Company

### CORE CHALLENGE

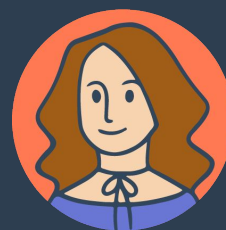
Complex, friction-filled customer experience

### WHAT HUBSPOT REPLACES

Custom system or enterprise CRM

### USE CASE

Need a system of record and engagement to unify go to market



## Buyer

### PERSONA

C-Suite; multiple departmental leaders

### HOW THEY FIND HUBSPOT

External market research

### HOW THEY BUY

Rep-driven purchase assisted by internal champions



# Case Study: Casio UK

## Reducing Complexity with HubSpot Growth Suite

### WHY HUBSPOT?

- Reduce complexity
- Join disparate systems
- Unify B2B and B2C sales motions

### HOW THEY USE HUBSPOT

- Marketing, Sales, CMS, Reporting Add-On
- 18 integrations
- Gain visibility across entire customer journey

### HOW THEY GROW BETTER

- Traffic 10%+ ▲
- Leads 450%+ ▲
- MRR 55%+ ▲

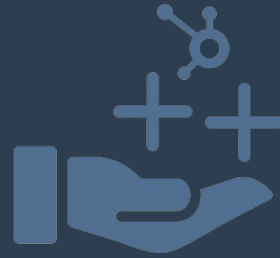
**CASIO®**





1

How do we drive  
resilient growth?



2

Who do we serve and  
how do they grow  
better with HubSpot?



3

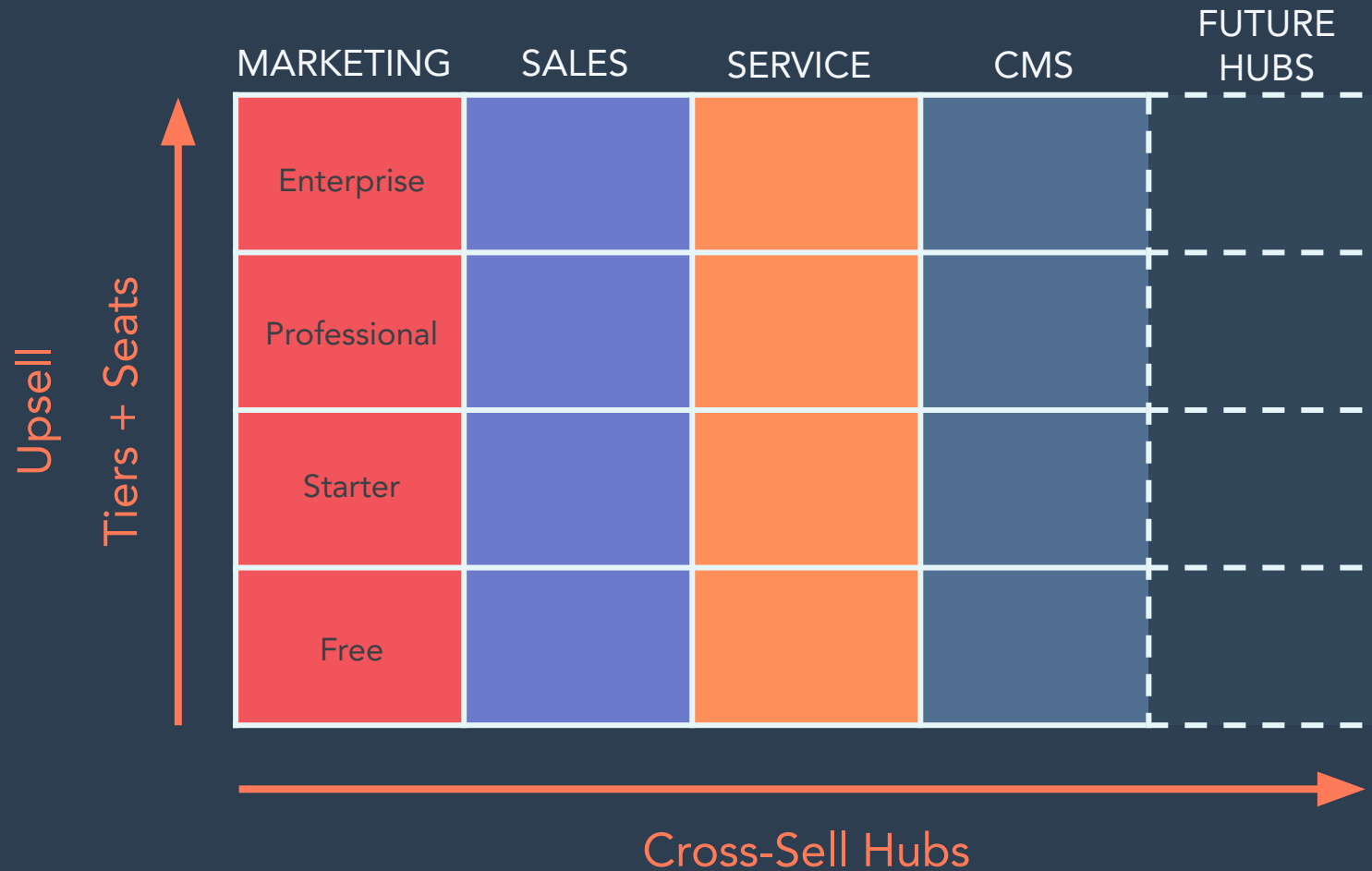
Where are we  
investing in the  
next 3 years?



# Increase efficiency in Small Business and Mid Market



# Drive seat and suite penetration in Mid Market and Corporate



# Tilting the Partner Services ecosystem



## Solution Partner Program Investments

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- Partner Enablement
- Certifications
- Training





# Key Takeaways

- 1 Convergence of 3 big opportunities
- 2 Alignment of Product and GTM strategy
- 3 Multi-year investments to grow better



Thank you



# Financial Overview

Kate Bueker

Chief Financial Officer



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# What We'll Cover Today

- 1 HubSpot's strong and durable business
- 2 2020 deep dive
- 3 Future opportunity

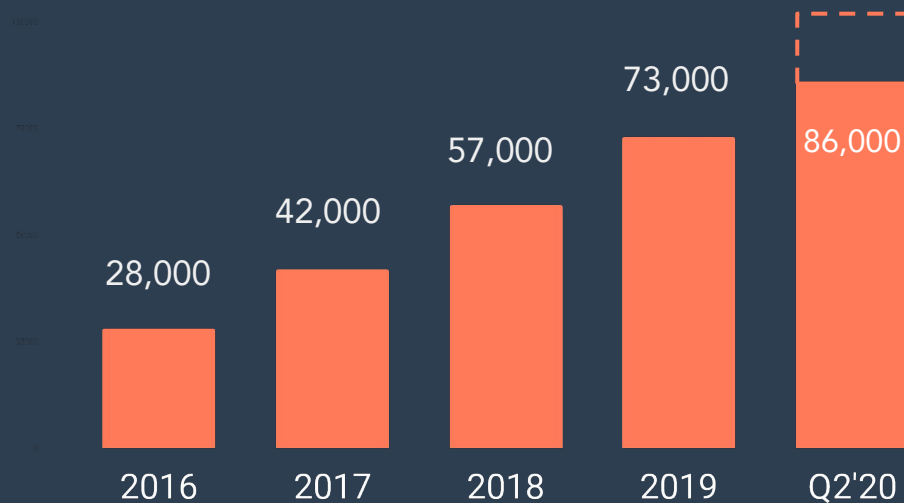


# Business Review



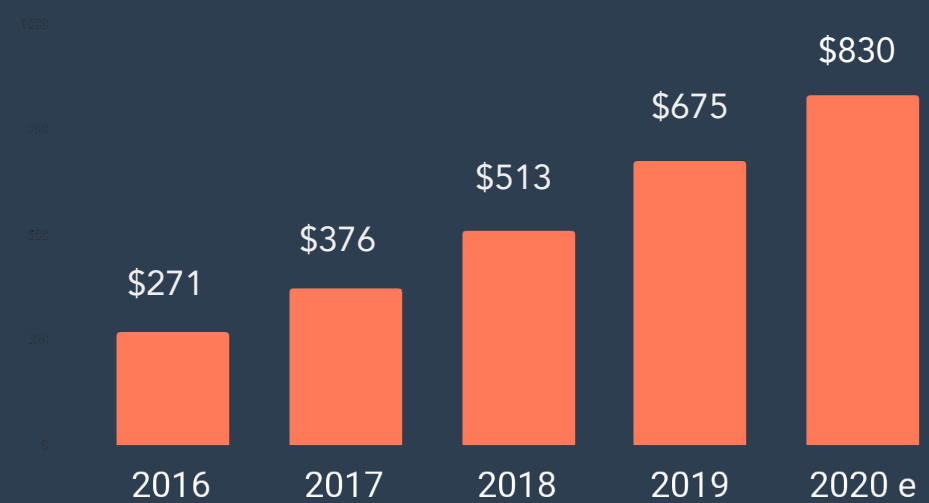
# Strong Customer and Revenue Growth

## Customers



38% CAGR | 2016 → 2020

## Revenue (\$m)



32% CAGR | 2016 → 2020

2020e: Represents current mid-point of FY'20 guidance.

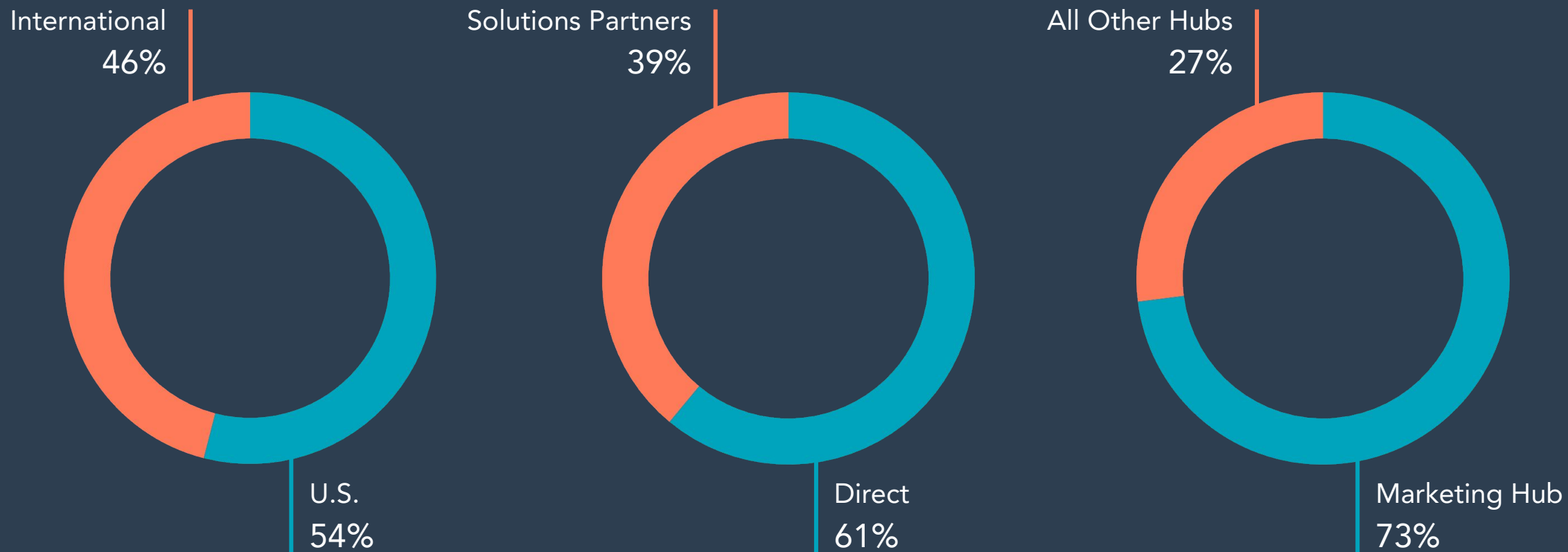
CAGR: compound annual growth rate. CAGR based off of Q2 2016 to Q2 2020.

Dotted box: We expect to continue to add net new customers in 2H'20. The dotted lines are an estimated illustration of these additional customers and is not to scale.

See definition of Customers in appendix.



# Diverse Growth Drivers



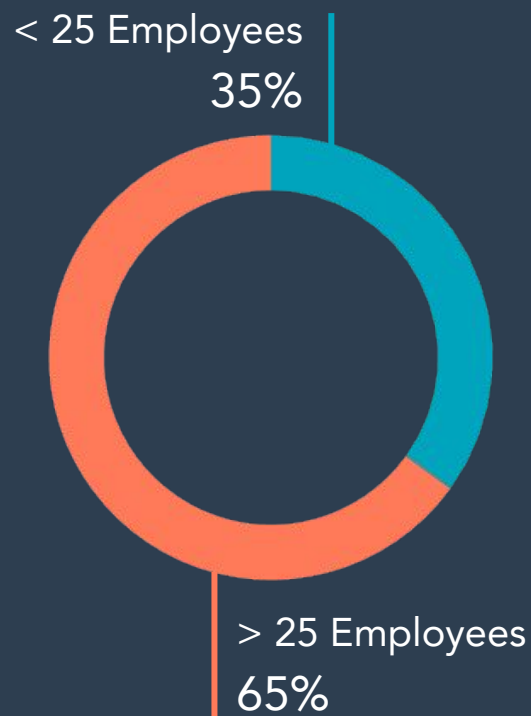
U.S. vs. International; Direct vs. Solutions Partners; and Marketing vs. Sales, Service and CMS Hub are calculated based on a % of Install Base as of the end of Q2'20. See definition of Install Base in appendix.



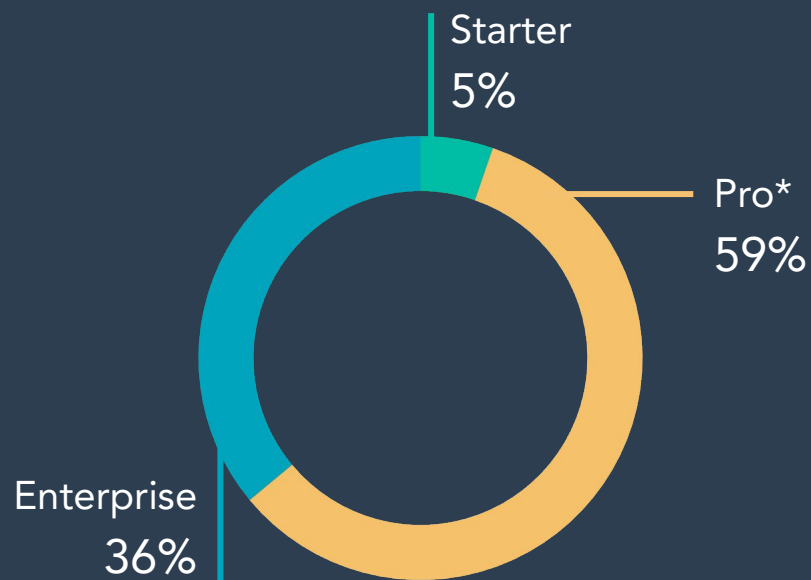


# Framing HubSpot's Customer Base

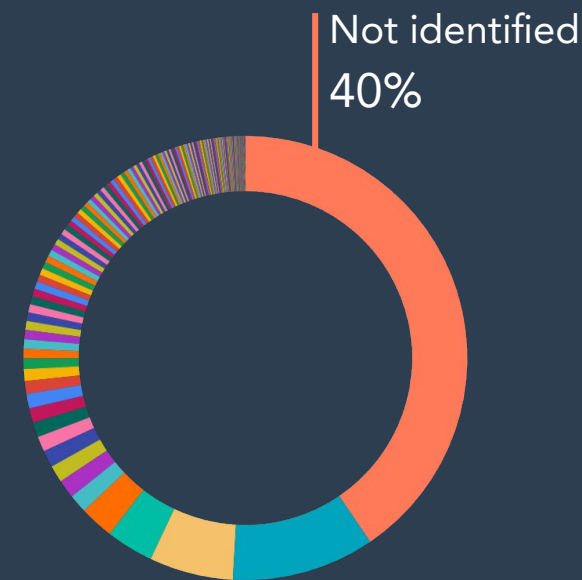
Customer Size | % of IB



Edition Tier | % of IB



Industry | % of IB



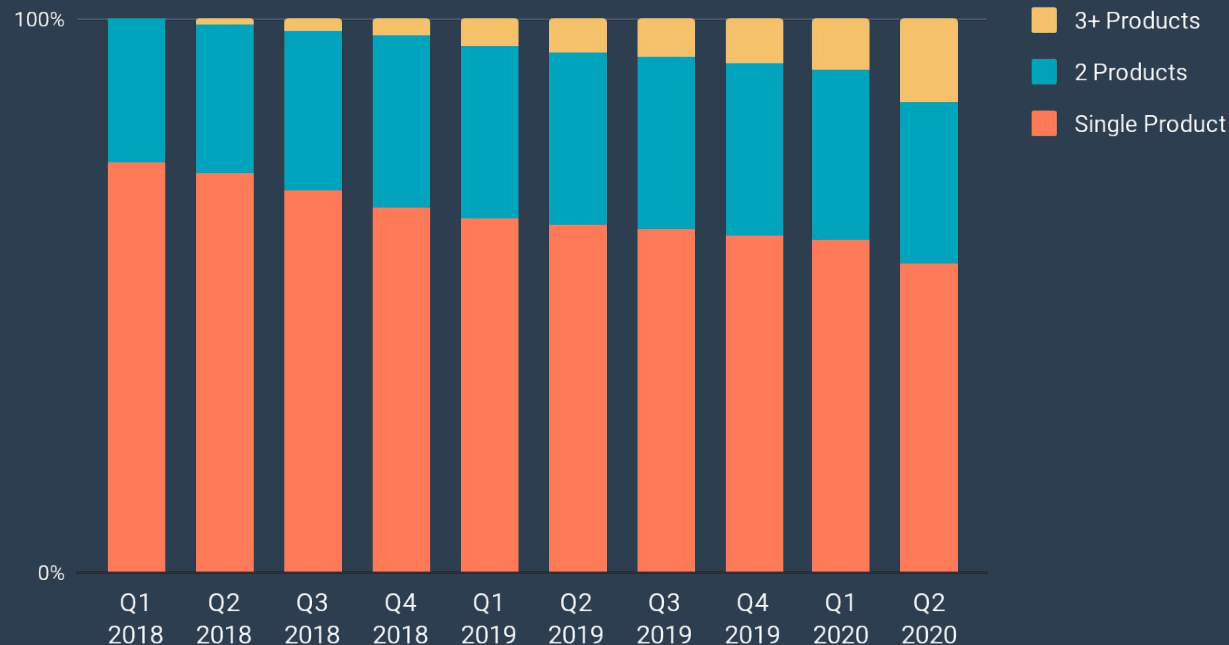
Customer size, Edition tier and Industry are calculated on a % of Install Base as of the end of Q2'20.  
Customer size range is estimated based on data from our internal marketing leads team. Industry is determined using available LinkedIn data.  
\*Pro includes the % of our Install Base that is on a Pro or legacy Basic edition.



# Significant Adoption of HubSpot as a Platform

## Multi-Product Traction

Customer Breakdown



## App Install Traction

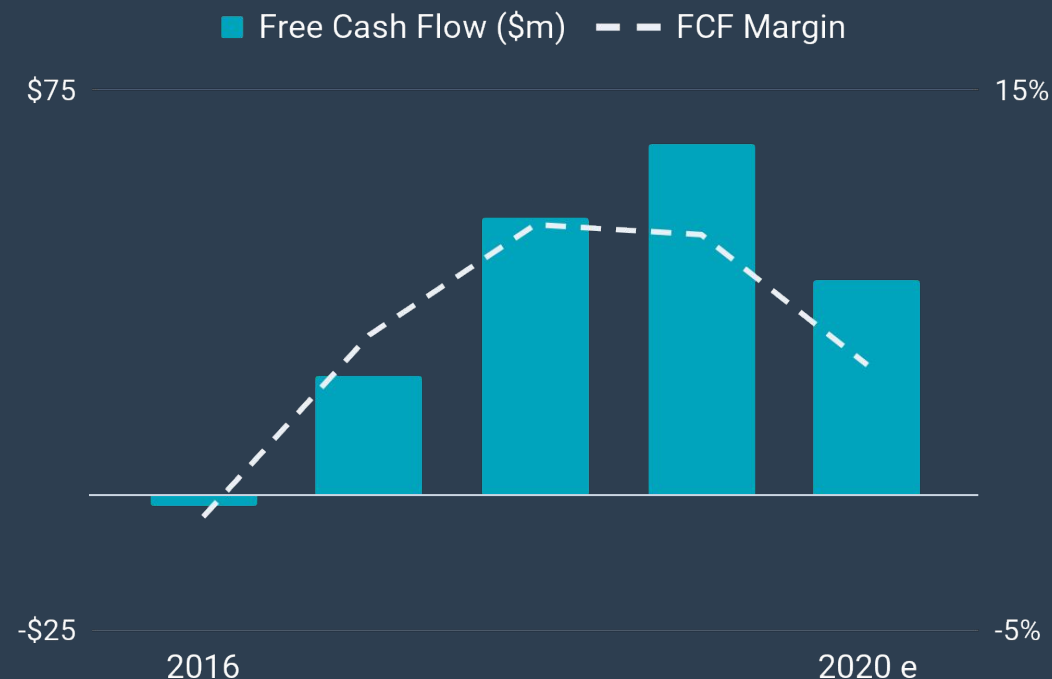
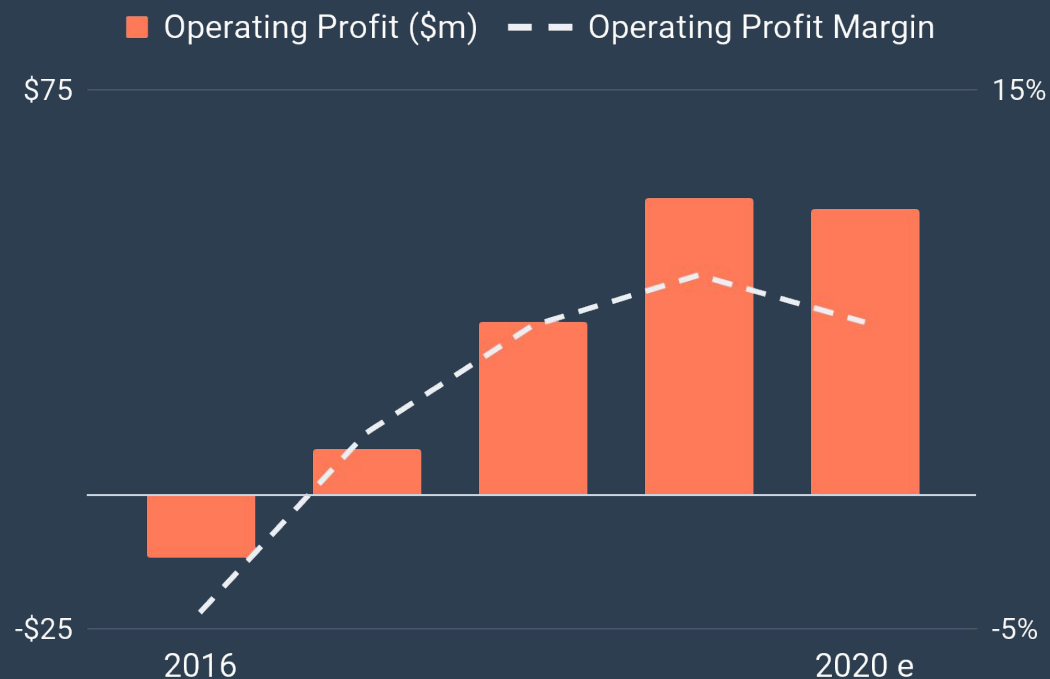
94% of Install Base has at least 1 App Installed

57% of Install Base has > 5 Apps Installed, a number which has been steadily increasing over time

Customer Dollar Retention is higher for customers with > 5 Apps Installed



# Strong Profitability, FCF and Balance Sheet

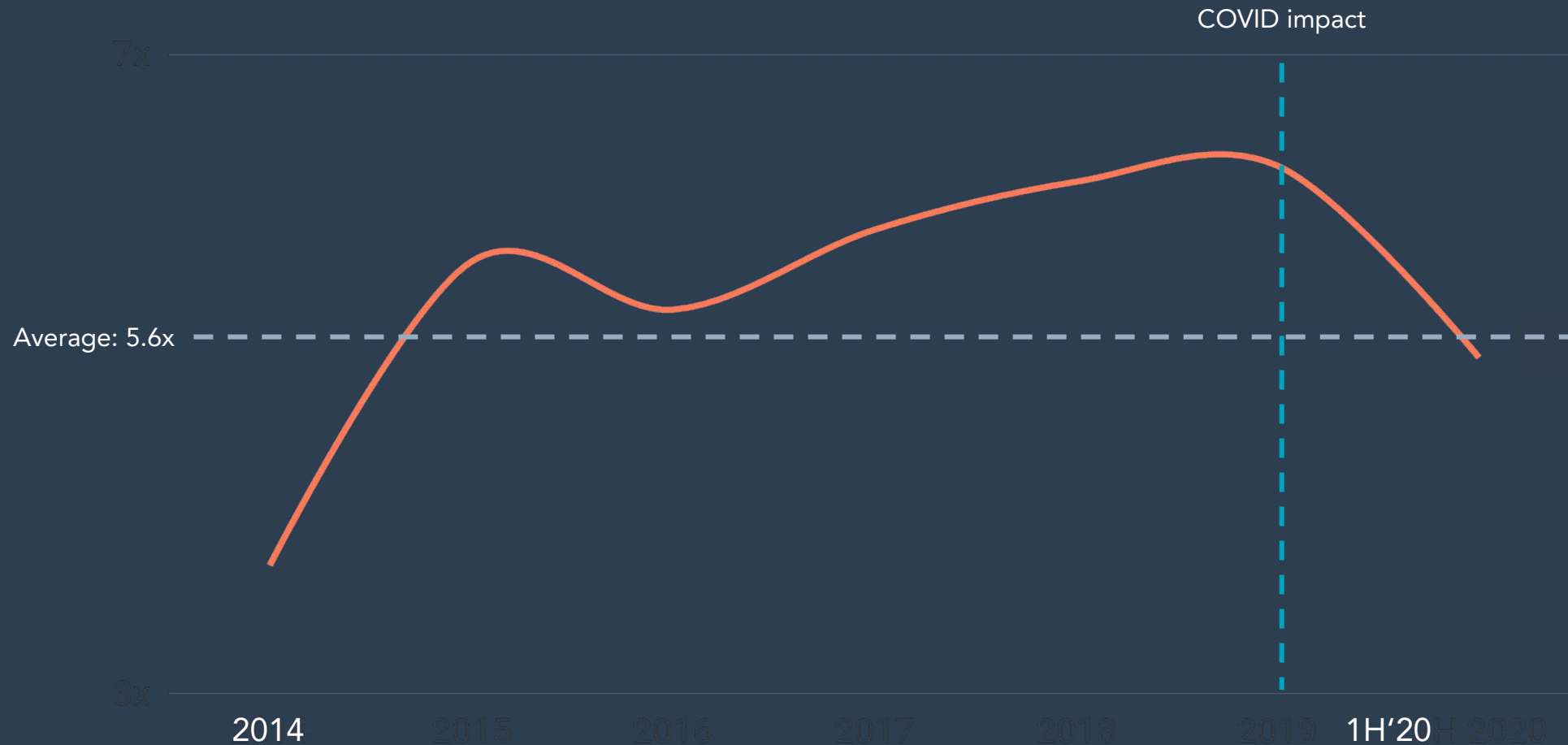


Ended Q2'20 with \$1+ billion in cash and investments

2020e: Represents current mid-point of FY'20 guidance.  
See definition and reconciliation of non-GAAP operating income and free cash flow in appendix.



# LTV: CAC unit economics continue to be strong



See definition of LTV:CAC in appendix.  
Average is calculated arithmetically by quarter from Q1'14 through Q2'20.



# 2020 Focus



# COVID Response Plays

## Customers

- ✓ Enabled contract flexibility for most impacted customers.
- ✓ Moved select paid features to free tier.
- ✓ Reduced cost of our Starter Growth Suite.

## Solutions Partners

- ✓ Expedited Q1 commissions for all solutions partners.
- ✓ Offered commissions advance to top-tiered partners.
- ✓ Donated to World Health Organization COVID response fund in the name of partners.

## Employees

- ✓ Remote was already our third largest office, so we adapted quickly.
- ✓ Added support for parents and those affected by the crisis.
- ✓ Using employee choice as first principle for return-to-work plans.



# Customer Relief Requests

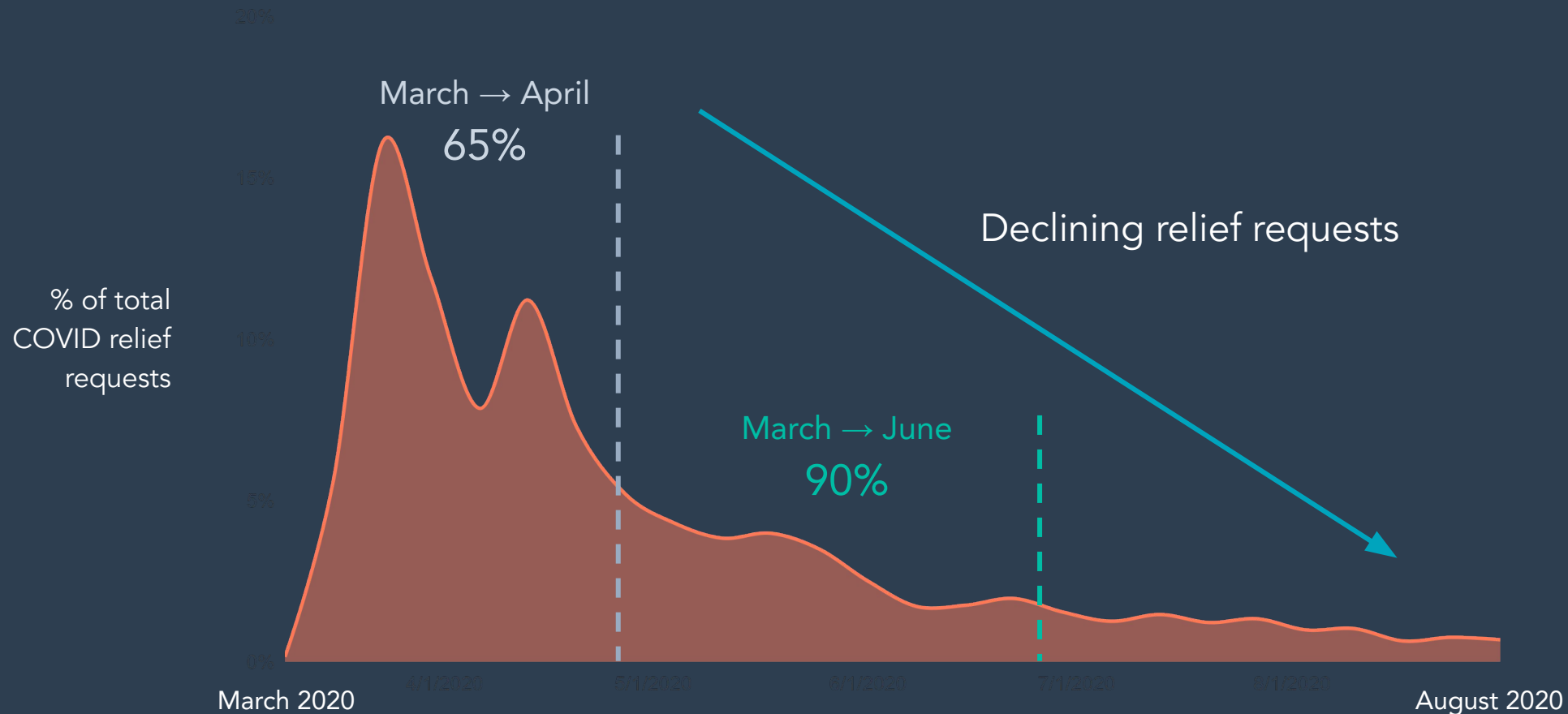
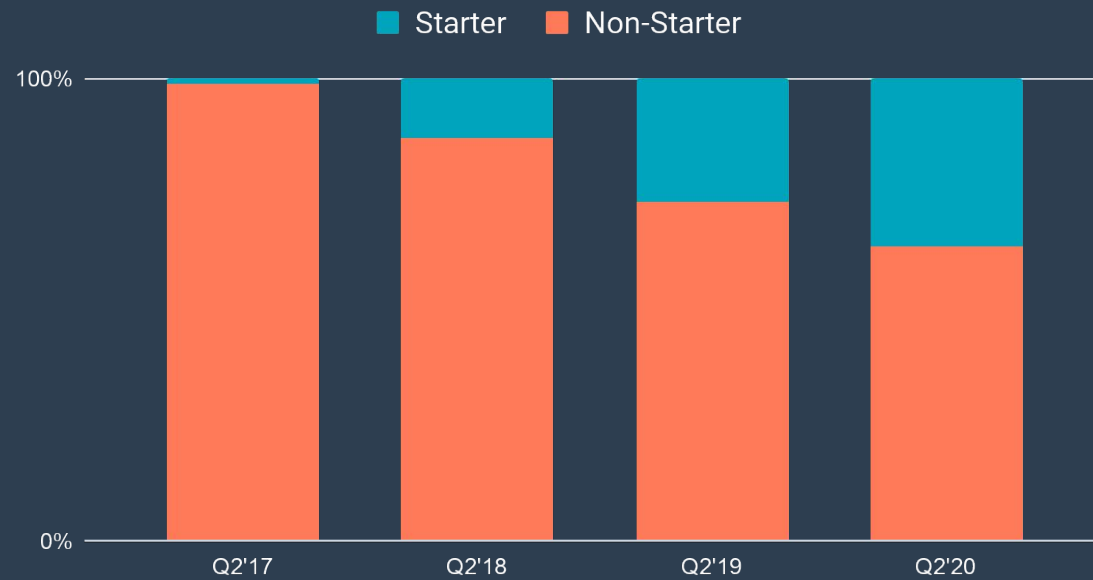


Chart represents the % of total customer relief requests received.  
Total customer relief requests are based on number of customers requesting relief from March - August of 2020.

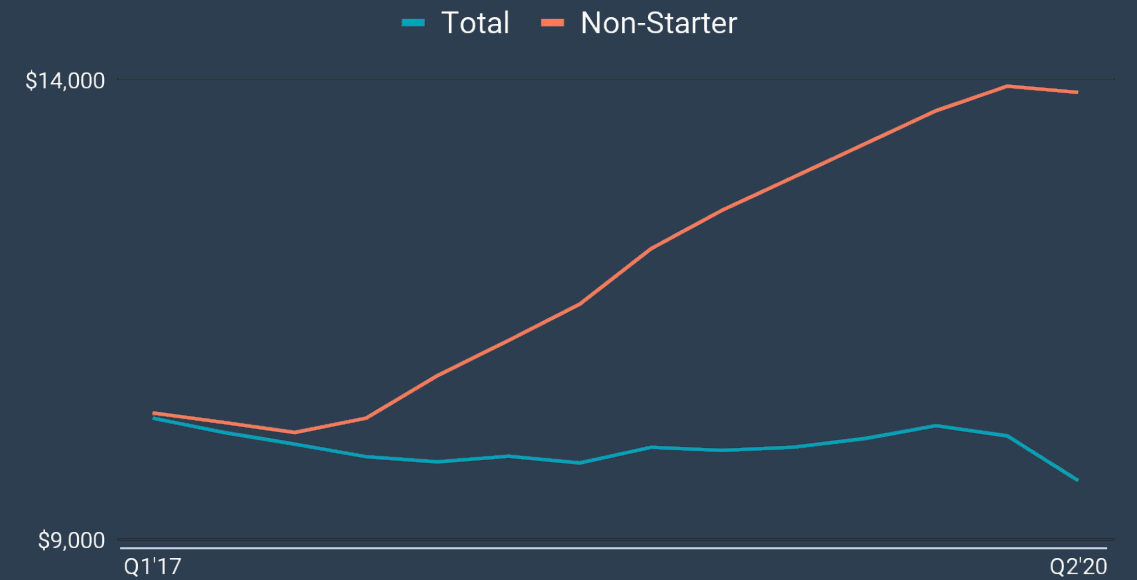


# Customer Mix Impacting KPIs

Customer Breakdown



Install Base ASP

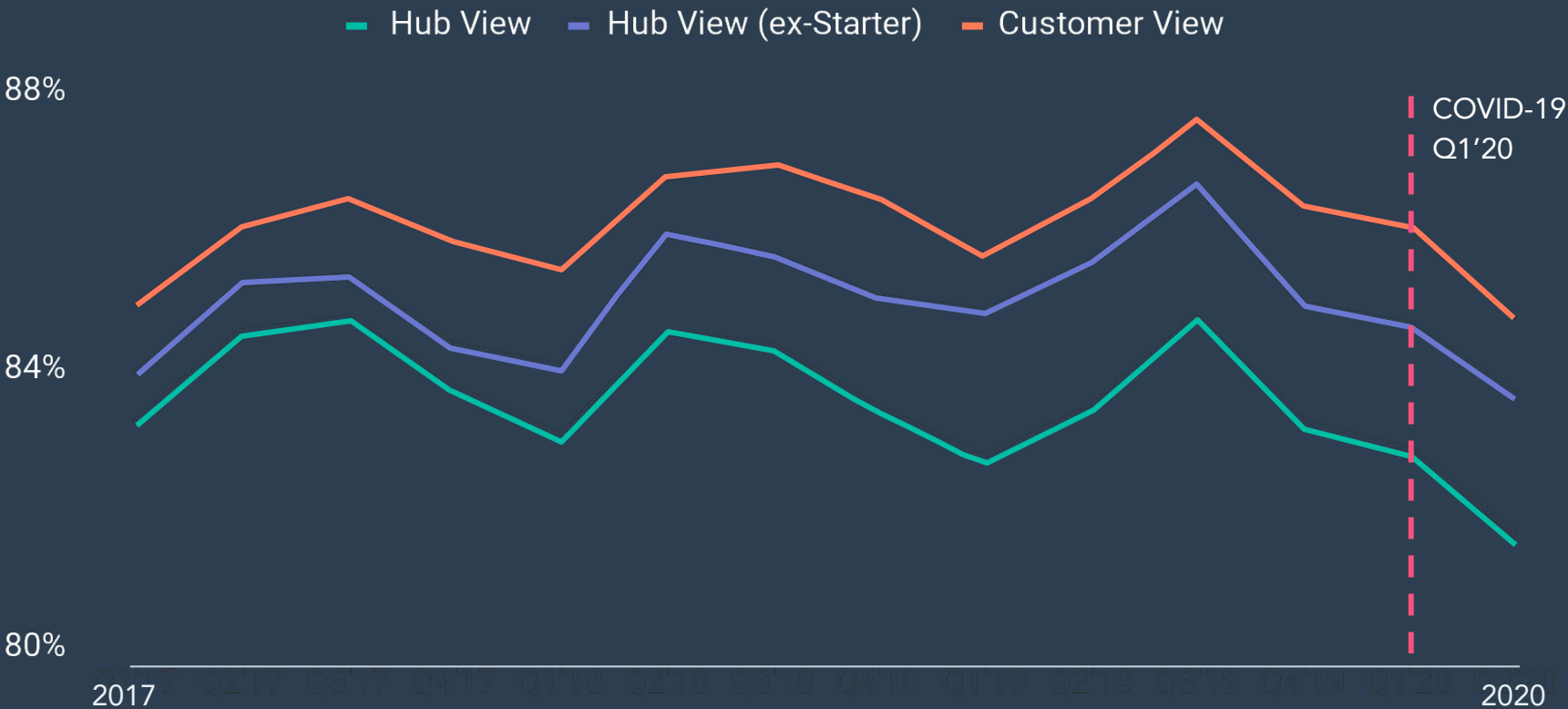


See definition of Install Base ASP in appendix.





# Customer Retention Remains Solid



See definitions for Customer Dollar Retention rate by Hub View, Hub View ex-Starter and Customer View in appendix.





# Looking ahead...



# Aligned to tackle 3 year opportunity



Market  
penetration



Product  
expansion



Upmarket  
growth

## GTM Strategy

- Increase efficiency in Small Business
- Drive seat and suite penetration
- Tilt the Partner Services ecosystem

## Product Strategy

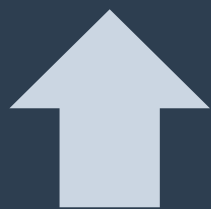
- Create powerful, easy-to-use products
- Leverage shared components
- Build CRM of choice for the mid-market



# Marketing Hub

ARR

>\$600m  
Install Base



~20%  
YoY growth

## Recent Milestones

- Revenue attribution
- Partitioning
- Marketing contacts
- Custom objects
- Advanced automation
- Free landing pages

## Future Opportunity

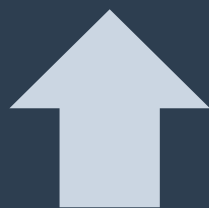
- Digital transformation increasing adoption
- Traction with upmarket customers
- Eliminated key friction point in suite adoption with marketing contacts
- Grow with new Starter cohorts



# Sales Hub

ARR

>\$160m  
Install Base



~60%  
YoY growth

## Recent Milestones

- Enterprise-grade CRM
- AI-powered sales acceleration
- Robust configure, price quote (including Proposal tool and Accounting integrations) tools
- Rich sales reporting, analytics and forecasting
- Account-based marketing (ABM)

## Future Opportunity

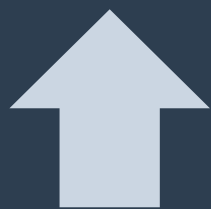
- Unlock upmarket CRM opportunity
- Install base seat expansion
- Digital transformation moving more sales inside and online drives higher adoption



# Service Hub

ARR

>\$30m  
Install Base



~100%  
YoY growth

## Recent Milestones

- In-app chat
- Turnkey automation
- Jira integration
- Multilingual Knowledge Base
- Team management features

## Future Opportunity

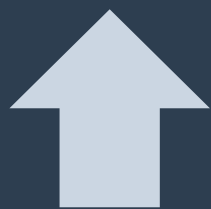
- Address service needs of mid-market organizations
- Focus on agent's experience through intelligent automation
- Grow and upgrade new Starter cohorts



# CMS Hub

ARR

>\$25m  
Install Base



~45%  
YoY growth

## Recent Milestones

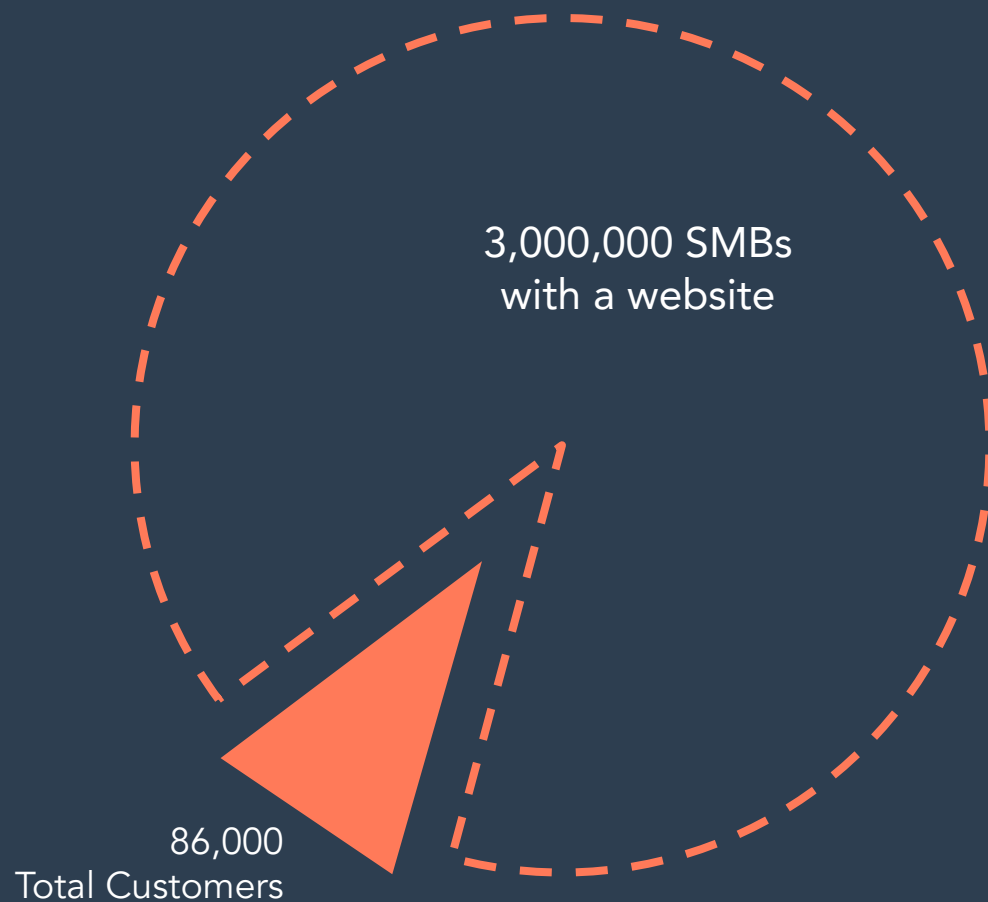
- 24/7 security
- Flexible themes
- Multi-language content creation
- Drag-and-drop editor
- Adaptive testing
- Web applications & memberships

## Future Opportunity

- Digital transformation driving increased adoption
- Address additional use case for core marketing persona
- Strong benefits in combining CMS + CRM



# Big Opportunity with Low Current Penetration



## Levers for Future Growth:

- Increase the value of existing Hubs
- Introduction of new Hubs in Front Office
- Grow Ecosystem around HubSpot platform





# Long Term Financial Target

UPDATED

	2016	2017	2018	2019	1H'20	Long Term Target Model
Gross Margin	78%	81%	82%	82%	82%	81% - 83%
R&D % of revenue	14%	15%	18%	18%	19%	18% - 20%
S&M % of revenue	55%	52%	46%	45%	45%	30% - 35%
G&A % of revenue	14%	12%	11%	11%	10%	8% - 9%
Operating Margin	-4%	2%	6%	8%	8%	20% - 25%

Long Term Target Model: These estimates reflect our current operating plan as of 9/22/2020 and are subject to change as future events and opportunities arise. All percentages are non-GAAP and exclude expenses associated with stock based compensation, amortization of acquired intangibles and acquisition related expenses. Please refer to appendix for a reconciliation of GAAP to non-GAAP figures.



# Key Takeaways

1

Digital transformation driving increased adoption of cloud-based, front-office solutions

2

Delivering strong financial performance despite macroeconomic downturn

3

Significant future opportunity ahead to increase market penetration, expand product offering and drive upmarket growth



Thank you



# Appendix



# GAAP to Non-GAAP Reconciliation



# GAAP to Non-GAAP Reconciliation

	2016		2017		2018		2019		Six months ended June 30, 2020	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Cost of Revenue</b>										
Subscription	41,182	15%	51,563	14%	69,718	14%	98,510	15%	60,134	15%
Stock-based compensation	(512)	0%	(658)	0%	(1,476)	0%	(3,127)	0%	(1,973)	0%
Amortization of acquired intangibles	(57)	0%	(96)	0%	(1,394)	0%	(3,201)	0%	(1,759)	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP subscription	40,613	15%	50,809	14%	66,848	13%	92,182	14%	56,402	14%
Professional services and other	20,683	8%	24,166	6%	30,639	6%	31,448	5%	16,927	4%
Stock-based compensation	(1,640)	-1%	(2,327)	-1%	(2,924)	-1%	(2,829)	0%	(1,235)	0%
Amortization of acquired intangibles	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP professional services and other	19,043	7%	21,839	6%	27,715	5%	28,619	4%	15,692	4%
<b>Gross Margin</b>										
Gross margin	209,102	77%	299,883	80%	412,623	80%	544,902	81%	325,514	81%
Stock-based compensation	2,152	1%	2,985	1%	4,400	1%	5,956	1%	3,208	1%
Amortization of acquired intangible assets	57	0%	96	0%	1,394	0%	3,201	0%	1,759	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	211,311	78%	302,964	81%	418,417	82%	554,059	82%	330,481	82%
<b>Operating Expenses</b>										
Research and development	45,997	17%	70,373	19%	117,603	23%	158,237	23%	95,573	24%
Stock-based compensation	(8,828)	-3%	(12,816)	-3%	(23,328)	-5%	(33,748)	-5%	(18,819)	-5%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	(1,266)	0%	(2,696)	-1%	(357)	0%	(657)	0%
Non-GAAP research and development	37,169	14%	56,291	15%	91,579	18%	124,132	18%	76,097	19%
Sales and marketing	162,647	60%	212,859	57%	267,444	52%	340,685	50%	204,928	51%
Stock-based compensation	(13,352)	-5%	(19,016)	-5%	(31,099)	-6%	(36,599)	-5%	(23,684)	-6%
Amortization of acquired intangible assets	(27)	0%	(7)	0%	-	0%	-	0%	(39)	0%
Acquisition related expenses	-	0%	-	0%	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	149,268	55%	193,836	52%	236,345	46%	304,086	45%	181,205	45%
General and administrative	45,120	17%	56,787	15%	75,834	15%	92,971	14%	52,741	13%
Stock-based compensation	(8,343)	-3%	(12,500)	-3%	(17,434)	-3%	(21,451)	-3%	(13,126)	-3%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%	-	0%
Acquisition related expenses	-	0%	-	0%	-	0%	(552)	0%	(194)	0%
Non-GAAP general and administrative	36,777	14%	44,287	12%	58,400	11%	70,968	11%	39,421	10%
<b>Loss from Operations</b>										
Loss from operations	(44,662)	-16%	(40,136)	-11%	(48,258)	-9%	(46,991)	-7%	(27,728)	-7%
Stock-based compensation	32,675	12%	47,317	13%	76,261	15%	97,754	14%	58,837	15%
Amortization of acquired intangible assets	84	0%	103	0%	1,394	0%	3,201	0%	1,798	0%
Acquisition related expenses	-	0%	1,266	0%	2,696	1%	909	0%	851	0%
Non-GAAP (loss) income from operations	(11,903)	-4%	8,550	2%	32,093	6%	54,873	8%	33,758	8%



# GAAP to Non-GAAP Reconciliation

	2016		2017		2018		2019		Forecast 2020	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues
<b>Loss from Operations</b>										
Loss from operations	(44,662)	-16%	(40,136)	-11%	(48,258)	-9%	(46,991)	-7%	(69,825)	-17%
Stock-based compensation	32,675	12%	47,317	13%	76,261	15%	97,754	14%	119,100	30%
Amortization of acquired intangible assets	84	0%	103	0%	1,394	0%	3,201	0%	2,405	1%
Acquisition related expenses	-	0%	1,266	0%	2,696	1%	909	0%	1,320	0%
Non-GAAP (loss) income from operations	(11,903)	-4%	8,550	2%	32,093	6%	54,873	8%	53,000	13%



# GAAP to Non-GAAP Reconciliation

	2016		2017		2018		2019		As of June 30, 2020	
	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	% of Revenues	\$ '000s	Revenues	\$ '000s	% of Revenues
GAAP net cash and cash equivalents provided by operating activities	19,366	7%	49,614	13%	84,851	17%	118,973	18%	(10,679)	-3%
Purchases of property & equipment and capitalization of software development costs	(21,538)	-8%	(27,347)	-7%	(33,473)	-7%	(53,846)	-8%	(30,060)	-7%
Repayment of 2022 Convertible Notes attributable to the debt discount	-	0%	-	0%	-	0%	-	0%	48,675	12%
Free cash flow	(2,172)	-1%	22,267	6%	51,378	10%	65,127	10%	7,936	2%

See definition of Free Cash Flow at the end of this presentation





# Definitions

**Total Customers:** We define our Total Customers at the end of a particular period as the number of business entities or individuals with one or more paid subscriptions to our Sales Hub, Marketing Hub, CMS Hub or Service Hub products, either paid directly or through a Solutions Partner. We do not include in Total Customers business entities or individuals 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 for separate websites, sales licenses or seats, or our Sales Hub, Marketing Hub, CMS Hub or Service Hub products, 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 or individual.

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

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

- **Customer Dollar Retention Hub View:** Cancellation dollars are defined as any dollars associated with a Customer for a particular Hub where the Customer is cancelling all subscriptions associated with that Hub on all of their paid portals (whether one or more). Customer may still maintain a subscription to another Hub. Example: Customer cancels Sales Hub but remains a Marketing Customer, the dollars cancelled from the Sales Hub would count in this calculation. The denominator is all of the beginning of period ARR Install Base.
- **Customer Dollar Retention Hub View ex-Starter:** Cancellation dollars calculated the same as above, but exclude any dollars associated with Starter Editions across any Hub.
- **Customer Dollar Retention Customer View:** Cancellation dollars are defined as any dollars associated with a Customer that is cancelling all HubSpot subscriptions. A customer may pay for multiple hubs, but must cancel all hubs for those \$ to count towards this definition of C\$R. The denominator is all of the beginning of period ARR Install Base.

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

**Free Cash Flow (FCF):** We define 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.

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

**Install Base Average Sales Price (ASP):** Total Install Base divided by the total number of paying customers as of the end of a given period (i.e. average ARR per customer). Install Base ASP non-Starter excludes Starter only customers.

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

