



## HubSpot Reports Q4 and Full Year 2022 Results

February 16, 2023

**CAMBRIDGE, MA (February 16, 2023)** —HubSpot, Inc. (NYSE: HUBS), the customer relationship management (CRM) platform for scaling companies, today announced financial results for the fourth quarter and full year ended December 31, 2022.

### Financial Highlights:

#### Revenue

##### *Fourth Quarter 2022:*

- Total revenue was \$469.7 million, up 27% compared to Q4'21.
- Subscription revenue was \$458.2 million, up 28% compared to Q4'21.
- Professional services and other revenue was \$11.5 million, up 8% compared to Q4'21.

##### *Full Year 2022:*

- Total revenue was \$1.731 billion, up 33% compared to 2021.
- Subscription revenue was \$1.691 billion, up 34% compared to 2021.
- Professional services and other revenue was \$40.4 million, down 5% compared to 2021.

#### Operating Income (Loss)

##### *Fourth Quarter 2022:*

- GAAP operating margin was (2.9%), compared to (2.2%) in Q4'21.
- Non-GAAP operating margin was 13.6%, compared to 10.3% in Q4'21.
- GAAP operating loss was (\$13.5) million, compared to (\$8.2) million in Q4'21.
- Non-GAAP operating income was \$64.0 million, compared to \$38.2 million in Q4'21.

##### *Full Year 2022:*

- GAAP operating margin was (6.3%), compared to (4.2%) in 2021.
- Non-GAAP operating margin was 9.8%, compared to 9.0% in 2021.
- GAAP operating loss was (\$109.1) million, compared to (\$54.8) million in 2021.
- Non-GAAP operating income was \$169.1 million, compared to \$117.6 million in 2021.

#### Net Income (Loss)

##### *Fourth Quarter 2022:*

- GAAP net loss was (\$15.6) million, or (\$0.32) per basic and diluted share, compared to (\$16.4) million, or (\$0.35) per basic and diluted share in Q4'21.
- Non-GAAP net income was \$56.8 million, or \$1.17 per basic and \$1.11 per diluted share, compared to \$29.6 million, or \$0.63 per basic and \$0.58 per diluted share in Q4'21.
- Weighted average basic and diluted shares outstanding for GAAP net loss per share was 48.8 million, compared to 47.3 million basic and diluted shares in Q4'21.
- Weighted average basic and diluted shares outstanding for non-GAAP net income per share was 48.8 million and 51.1 million respectively, compared to 47.3 million and 50.9 million, respectively in Q4'21.

##### *Full Year 2022:*

- GAAP net loss was (\$112.7) million, or (\$2.35) per basic and diluted share, compared to (\$77.8) million, or (\$1.66) per basic and diluted share in 2021.

- Non-GAAP net income was \$141.8 million, or \$2.95 per basic and \$2.78 per diluted share, compared to \$92.5 million, or \$1.97 per basic and \$1.82 per diluted share in 2021.
- Weighted average basic and diluted shares outstanding for GAAP net loss per share was 48.1 million, compared to 46.9 million basic and diluted shares in 2021.
- Weighted average basic and diluted shares outstanding for non-GAAP net income per share was 48.1 million and 51.1 million respectively, compared to 46.9 million and 50.7 million, respectively in 2021.

## **Balance Sheet and Cash Flow**

- The company's cash, cash equivalents, and short-term and long-term investments balance was \$1.5 billion as of December 31, 2022.
- During the fourth quarter, the company generated \$90.0 million of cash from operating activities and operating cash flow, compared to \$95.2 million of cash from operating activities and \$97.2 million of operating cash flow, which excluded the \$2.0 million used for the repayment of its convertible notes, during Q4'21.
- During the fourth quarter, the company generated \$70.9 million of free cash flow, compared to \$78.3 million during Q4'21.
- During 2022, the company generated \$273.2 million of cash from operating activities and operating cash flow, compared to \$238.7 million of cash from operating activities and \$265.2 million of operating cash flow, which excluded the \$26.4 million used for the repayment of its convertible notes, during 2021.
- The company generated \$191.4 million of free cash flow during 2022, compared to \$203.3 million during 2021.

## **Additional Recent Business Highlights**

- Grew Customers to 167,386 at December 31, 2022, up 24% from December 31, 2021.
- Average Subscription Revenue Per Customer was \$11,231 during the fourth quarter of 2022, up 3% compared to the fourth quarter of 2021.

"I'm proud of the way our team stepped up to the challenging macroeconomic conditions that emerged in 2022. We executed well and helped our customers navigate choppy waters," said Yamini Rangan, Chief Executive Officer at HubSpot. "We focused on product innovation and showing the value HubSpot can deliver. As a result, we increasingly see HubSpot becoming the platform of choice for SMBs. Looking ahead, we have a tremendous opportunity in 2023 to help our customers grow and make progress on our vision of becoming the #1 CRM platform for scaling companies. We've taken the hard but necessary steps to restructure our business so we're better positioned to navigate the current environment and emerge stronger long-term. Our mission of helping millions of organizations grow better is as exciting as ever."

## **Business Outlook**

Based on information available as of February 16, 2023, HubSpot is issuing guidance for the first quarter of 2023 and full year 2023 as indicated below.

### **First Quarter 2023:**

- Total revenue is expected to be in the range of \$473.0 million to \$475.0 million.
  - Unfavorable foreign exchange rates are expected to be a 4 point headwind to first quarter 2023 revenue growth(1).
- Non-GAAP operating income is expected to be in the range of \$45.0 million to \$47.0 million(2).
- Non-GAAP net income per common share is expected to be in the range of \$0.82 to \$0.84(2). This assumes approximately 51.5 million weighted average diluted shares outstanding.

### **Full Year 2023:**

- Total revenue is expected to be in the range of \$2.050 billion to \$2.060 billion.

- Unfavorable foreign exchange rates are expected to be a one point headwind to full year 2023 revenue growth(1).
- Non-GAAP operating income is expected to be in the range of \$248.0 million to \$252.0 million(2).
- Non-GAAP net income per common share is expected to be in the range of \$4.24 to \$4.32(2). This assumes approximately 52.2 million weighted average diluted shares outstanding.

(1) Foreign exchange rates impact on revenue is calculated by comparing current period rates with prior period average rates.

(2) The impact of restructuring charges, which include employee severance and lease consolidation costs, are excluded from our non-GAAP operating income and non-GAAP net income per common share business outlook.

## **Use of Non-GAAP Financial Measures**

In our earnings press releases, conference calls, slide presentations, and webcasts, we may use or discuss non-GAAP financial measures, as defined by Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, are included in this press release after the consolidated financial statements. Our earnings press releases containing such non-GAAP reconciliations can be found in the Investors section of our website [ir.hubspot.com](https://ir.hubspot.com).

## **Conference Call Information**

HubSpot will host a conference call on Thursday February 16, 2023 at 4:30 p.m. Eastern Time (ET) to discuss the company's fourth quarter and full year 2022 financial results and its business outlook. To register for this conference call, please use [this dial in registration link](#) or visit HubSpot's Investor Relations website at [ir.hubspot.com](https://ir.hubspot.com). After registering, a confirmation email will be sent, including dial-in details and a unique code for entry. Participants who wish to register for the conference call webcast please use [this link](#).

Following the conference call, a replay will be available at (866) 813-9403 (domestic) or +44 204-525-0658 (international). The replay passcode is 434716. An archived webcast of this conference call will also be available on HubSpot's Investor Relations website at [ir.hubspot.com](https://ir.hubspot.com).

The company has used, and intends to continue to use, the investor relations portion of its website as a means of disclosing material non-public information and for complying with disclosure obligations under Regulation FD.

## **About HubSpot**

HubSpot is a leading CRM platform that provides software and support to help companies grow better. The platform includes marketing, sales, service, operations, and website management products that start free and scale to meet our customers' needs at any stage of growth. Today, over 167,000 customers across more than 120 countries use HubSpot's powerful and easy-to-use tools and integrations to attract, engage, and delight customers. Learn more at [www.hubspot.com](https://www.hubspot.com).

## **Cautionary Language Concerning Forward-Looking Statements**

This press release includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management's expectations of future financial and operational performance and operational expenditures, expected growth, foreign currency movement, and business outlook, including our financial guidance for the first fiscal quarter of and full year 2023; statements regarding our positioning for future growth and market leadership; statements regarding the economic environment; and statements regarding expected market trends, future priorities and related investments, and market opportunities. 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 recent reduction in force, including risks that the related costs and charges may be greater than anticipated and that the restructuring efforts may not generate their intended benefits, may adversely affect the Company's internal programs and the Company's ability to recruit and retain skilled and motivated personnel, and may be distracting to employees and management; 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 over the long-term to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; the price volatility of our common stock; the impact of geopolitical conflicts, inflation, foreign currency movement, macroeconomic instability, and the COVID-19 pandemic on our business, the broader economy, our workforce and operations, the markets in which we and our partners and customers operate, 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.

#### Consolidated Balance Sheets

(in thousands)

|                                                     | December<br>31,<br>2022 | December<br>31,<br>2021 |
|-----------------------------------------------------|-------------------------|-------------------------|
| <b>Assets</b>                                       |                         |                         |
| Current assets:                                     |                         |                         |
| Cash and cash equivalents                           | \$ 331,022              | \$ 377,013              |
| Short-term investments                              | 1,081,662               | 820,962                 |
| Accounts receivable                                 | 226,849                 | 157,362                 |
| Deferred commission expense                         | 70,992                  | 59,849                  |
| Prepaid expenses and other current assets           | 44,074                  | 38,388                  |
| Total current assets                                | 1,754,599               | 1,453,574               |
| Long-term investments                               | 112,791                 | 174,895                 |
| Property and equipment, net                         | 105,227                 | 96,134                  |
| Capitalized software development costs, net         | 63,790                  | 39,858                  |
| Right-of-use assets                                 | 319,304                 | 280,828                 |
| Deferred commission expense, net of current portion | 66,559                  | 42,681                  |
| Other assets                                        | 58,795                  | 29,244                  |
| Intangible assets, net                              | 17,446                  | 10,565                  |
| Goodwill                                            | 46,227                  | 47,075                  |
| <b>Total assets</b>                                 | <b>\$ 2,544,738</b>     | <b>\$ 2,174,854</b>     |
| <b>Liabilities and stockholders' equity</b>         |                         |                         |
| Current liabilities:                                |                         |                         |
| Accounts payable                                    | \$ 20,883               | \$ 2,773                |
| Accrued compensation costs                          | 62,846                  | 63,836                  |
| Accrued expenses and other current liabilities      | 102,122                 | 74,457                  |
| Convertible senior notes                            | —                       | 19,630                  |
| Operating lease liabilities                         | 35,928                  | 26,364                  |
| Deferred revenue                                    | 539,874                 | 430,414                 |
| Total current liabilities                           | 761,653                 | 617,474                 |
| Operating lease liabilities, net of current portion | 316,184                 | 283,873                 |
| Deferred revenue, net of current portion            | 5,904                   | 4,473                   |

|                                                   |                     |                     |
|---------------------------------------------------|---------------------|---------------------|
| Other long-term liabilities                       | 14,546              | 12,134              |
| Convertible senior notes, net of current portion  | 454,227             | 383,101             |
| <b>Total liabilities</b>                          | <b>1,552,514</b>    | <b>1,301,055</b>    |
| <b>Stockholders' equity:</b>                      |                     |                     |
| Common stock                                      | 49                  | 47                  |
| Additional paid-in capital                        | 1,647,446           | 1,436,089           |
| Accumulated other comprehensive loss              | (12,890)            | (1,339)             |
| Accumulated deficit                               | (642,381)           | (560,998)           |
| <b>Total stockholders' equity</b>                 | <b>992,224</b>      | <b>873,799</b>      |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 2,544,738</b> | <b>\$ 2,174,854</b> |

### Consolidated Statements of Operations

(in thousands, except per share data)

|                                                                                        | For the Three Months Ended<br>December 31, |                    | For the Year Ended<br>December 31, |                    |
|----------------------------------------------------------------------------------------|--------------------------------------------|--------------------|------------------------------------|--------------------|
|                                                                                        | 2022                                       | 2021               | 2022                               | 2021               |
| <b>Revenues:</b>                                                                       |                                            |                    |                                    |                    |
| Subscription                                                                           | \$ 458,152                                 | \$ 358,657         | \$ 1,690,538                       | \$ 1,258,319       |
| Professional services and other                                                        | 11,506                                     | 10,652             | 40,431                             | 42,339             |
| <b>Total revenue</b>                                                                   | <b>469,658</b>                             | <b>369,309</b>     | <b>1,730,969</b>                   | <b>1,300,658</b>   |
| <b>Cost of revenues:</b>                                                               |                                            |                    |                                    |                    |
| Subscription                                                                           | 66,051                                     | 58,599             | 257,513                            | 211,132            |
| Professional services and other                                                        | 14,214                                     | 13,040             | 56,746                             | 47,725             |
| <b>Total cost of revenues</b>                                                          | <b>80,265</b>                              | <b>71,639</b>      | <b>314,259</b>                     | <b>258,857</b>     |
| <b>Gross profit</b>                                                                    | <b>389,393</b>                             | <b>297,670</b>     | <b>1,416,710</b>                   | <b>1,041,801</b>   |
| <b>Operating expenses:</b>                                                             |                                            |                    |                                    |                    |
| Research and development                                                               | 116,334                                    | 82,997             | 442,022                            | 301,970            |
| Sales and marketing                                                                    | 235,132                                    | 180,845            | 886,069                            | 649,681            |
| General and administrative                                                             | 51,413                                     | 42,065             | 197,720                            | 144,949            |
| <b>Total operating expenses</b>                                                        | <b>402,879</b>                             | <b>305,907</b>     | <b>1,525,811</b>                   | <b>1,096,600</b>   |
| <b>Loss from operations</b>                                                            | <b>(13,486)</b>                            | <b>(8,237)</b>     | <b>(109,101)</b>                   | <b>(54,799)</b>    |
| <b>Other expense:</b>                                                                  |                                            |                    |                                    |                    |
| Interest income                                                                        | 7,777                                      | 126                | 15,000                             | 1,173              |
| Interest expense                                                                       | (941)                                      | (5,905)            | (3,762)                            | (30,282)           |
| Other (expense) income                                                                 | (6,244)                                    | (974)              | (6,829)                            | 10,090             |
| <b>Total other income (expense)</b>                                                    | <b>592</b>                                 | <b>(6,753)</b>     | <b>4,409</b>                       | <b>(19,019)</b>    |
| <b>Loss before income tax expense</b>                                                  | <b>(12,894)</b>                            | <b>(14,990)</b>    | <b>(104,692)</b>                   | <b>(73,818)</b>    |
| Income tax expense                                                                     | (2,744)                                    | (1,380)            | (8,057)                            | (4,019)            |
| <b>Net loss</b>                                                                        | <b>\$ (15,638)</b>                         | <b>\$ (16,370)</b> | <b>\$ (112,749)</b>                | <b>\$ (77,837)</b> |
| <b>Net loss per share, basic and diluted</b>                                           | <b>\$ (0.32)</b>                           | <b>\$ (0.35)</b>   | <b>\$ (2.35)</b>                   | <b>\$ (1.66)</b>   |
| Weighted average common shares used in computing basic and diluted net loss per share: | 48,787                                     | 47,304             | 48,065                             | 46,891             |

### Consolidated Statements of Cash Flows

(in thousands)

|                                                                                                     | For the Three Months Ended<br>December 31, |             | For the Year Ended<br>December 31, |             |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------|-------------|------------------------------------|-------------|
|                                                                                                     | 2022                                       | 2021        | 2022                               | 2021        |
| <b>Operating Activities:</b>                                                                        |                                            |             |                                    |             |
| Net loss                                                                                            | \$ (15,638)                                | \$ (16,370) | \$ (112,749)                       | \$ (77,837) |
| Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities |                                            |             |                                    |             |

|                                                                                           |           |           |             |             |
|-------------------------------------------------------------------------------------------|-----------|-----------|-------------|-------------|
| Depreciation and amortization                                                             | 15,525    | 11,970    | 58,150      | 45,159      |
| Stock-based compensation                                                                  | 76,768    | 45,914    | 275,849     | 166,761     |
| Loss on early extinguishment of 2022 Convertible Notes                                    | —         | 68        | —           | 4,892       |
| Repayment of 2022 Convertible Notes attributable to the debt discount                     | —         | (1,971)   | —           | (26,428)    |
| Gain on strategic investments                                                             | —         | (2)       | (4,201)     | (11,741)    |
| Impairment of strategic investments                                                       | 5,863     | —         | 5,863       | —           |
| Gain on termination of operating leases                                                   | —         | —         | —           | (4,276)     |
| Loss on disposal of fixed assets                                                          | —         | —         | —           | 6,468       |
| Benefit from deferred income taxes                                                        | (1,533)   | (1,548)   | (2,122)     | (2,869)     |
| Amortization of debt discount and issuance costs                                          | 504       | 5,393     | 2,013       | 23,507      |
| (Accretion) amortization of bond discount                                                 | (5,851)   | 1,332     | (9,118)     | 4,275       |
| Unrealized currency translation                                                           | 530       | 701       | 1,010       | 1,304       |
| Changes in assets and liabilities                                                         |           |           |             | -           |
| Accounts receivable                                                                       | (53,850)  | (31,859)  | (73,985)    | (34,107)    |
| Prepaid expenses and other assets                                                         | 2,878     | 6,072     | (5,987)     | (1,077)     |
| Deferred commission expense                                                               | (15,373)  | (8,189)   | (37,583)    | (32,560)    |
| Right-of-use assets                                                                       | 9,909     | 4,470     | 29,531      | 31,418      |
| Accounts payable                                                                          | 7,617     | 1,343     | 18,277      | (10,608)    |
| Accrued expenses and other liabilities                                                    | 15,920    | 20,025    | 32,375      | 58,209      |
| Operating lease liabilities                                                               | (6,529)   | (3,056)   | (21,118)    | (29,478)    |
| Deferred revenue                                                                          | 53,226    | 60,891    | 116,969     | 127,716     |
| Net cash and cash equivalents provided by operating activities                            | 89,966    | 95,184    | 273,174     | 238,728     |
| <b>Investing Activities:</b>                                                              |           |           |             |             |
| Purchases of investments                                                                  | (248,951) | (447,431) | (1,507,870) | (1,484,762) |
| Maturities of investments                                                                 | 167,200   | 446,722   | 1,184,506   | 1,387,498   |
| Sale of investments                                                                       | —         | —         | 124,998     | —           |
| Purchases of property and equipment                                                       | (6,042)   | (11,327)  | (37,426)    | (28,726)    |
| Purchases of intangible assets                                                            | —         | —         | (10,000)    | —           |
| Acquisition of a business, net of cash acquired                                           | —         | —         | —           | (16,810)    |
| Purchases of strategic investments                                                        | (6,499)   | (2,887)   | (26,371)    | (13,089)    |
| Proceeds from sale of strategic investments                                               | —         | 12,620    | —           | 12,620      |
| Payments for equity method investments                                                    | (1,250)   | —         | (3,150)     | (3,100)     |
| Capitalization of software development costs                                              | (12,995)  | (7,501)   | (44,345)    | (33,139)    |
| Net cash and cash equivalents used in investing activities                                | (108,537) | (9,804)   | (319,658)   | (179,508)   |
| <b>Financing Activities:</b>                                                              |           |           |             |             |
| Proceeds from settlement of Convertible Note Hedges related to the 2022 Convertible Notes | —         | 8,256     | 60,483      | 8,985       |
| Payments for settlement of Warrants related to the 2022 Convertible Notes                 | (34)      | —         | (34)        | —           |
| Payment for settlement of 2022 Convertible Notes                                          | —         | (9,097)   | (79,807)    | (89,525)    |
| Repayment of 2025 Convertible Notes attributable to the principal                         | —         | —         | (1,619)     | —           |
| Employee taxes paid related to the net share settlement of stock-based awards             | (1,572)   | (5,711)   | (11,526)    | (17,439)    |
| Proceeds related to the issuance of common stock under stock plans                        | 10,213    | 12,386    | 39,931      | 46,510      |
| Net cash and cash equivalents provided by (used in) financing activities                  | 8,607     | 5,834     | 7,428       | (51,469)    |

|                                                                               |            |            |            |            |
|-------------------------------------------------------------------------------|------------|------------|------------|------------|
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 9,451      | (2,535)    | (6,811)    | (8,861)    |
| Net (decrease) increase in cash, cash equivalents and restricted cash         | (513)      | 88,679     | (45,867)   | (1,110)    |
| Cash, cash equivalents and restricted cash, beginning of period               | 334,688    | 291,363    | 380,042    | 381,152    |
| Cash, cash equivalents and restricted cash, end of period                     | \$ 334,175 | \$ 380,042 | \$ 334,175 | \$ 380,042 |

#### Reconciliation of non-GAAP operating income and operating margin

(in thousands, except percentages)

|                                                   | Three Months Ended<br>December 31, |            | For the Year Ended<br>December 31, |             |
|---------------------------------------------------|------------------------------------|------------|------------------------------------|-------------|
|                                                   | 2022                               | 2021       | 2022                               | 2021        |
| GAAP operating loss                               | \$ (13,486)                        | \$ (8,237) | \$ (109,101)                       | \$ (54,799) |
| Stock-based compensation                          | 76,768                             | 45,914     | 275,849                            | 166,761     |
| Amortization of acquired intangible assets        | 729                                | 318        | 2,629                              | 1,326       |
| Acquisition/disposition related expenses (income) | —                                  | 170        | (305)                              | 2,087       |
| Gain on termination of operating leases           | —                                  | —          | —                                  | (4,276)     |
| Loss on disposal of fixed assets                  | —                                  | —          | —                                  | 6,468       |
| Non-GAAP operating income                         | \$ 64,011                          | \$ 38,165  | \$ 169,072                         | \$ 117,567  |
| GAAP operating margin                             | (2.9 %)                            | (2.2 %)    | (6.3 %)                            | (4.2 %)     |
| Non-GAAP operating margin                         | 13.6 %                             | 10.3 %     | 9.8 %                              | 9.0 %       |

#### Reconciliation of non-GAAP net income

(in thousands, except per share amounts)

|                                                                                     | Three Months Ended<br>December 31, |          | For the Year Ended<br>December 31, |             |
|-------------------------------------------------------------------------------------|------------------------------------|----------|------------------------------------|-------------|
|                                                                                     | 2022                               | 2021     | 2022                               | 2021        |
| GAAP net loss                                                                       | \$ (15,638)                        | (16,370) | \$ (112,749)                       | \$ (77,837) |
| Stock-based compensation                                                            | 76,768                             | 45,914   | 275,849                            | 166,761     |
| Amortization of acquired intangibles assets                                         | 729                                | 318      | 2,629                              | 1,326       |
| Acquisition/disposition related expenses (income)                                   | —                                  | 170      | (305)                              | 2,087       |
| Gain on termination of operating leases                                             | —                                  | —        | —                                  | (4,276)     |
| Loss on disposal of fixed assets                                                    | —                                  | —        | —                                  | 6,468       |
| Non-cash interest expense for amortization of debt discount and debt issuance costs | 504                                | 5,393    | 2,013                              | 23,507      |
| Impairment of (gain on) strategic investments                                       | 5,863                              | (2)      | 1,662                              | (11,741)    |
| Loss on early extinguishment of 2022 Convertible Notes                              | —                                  | 68       | —                                  | 4,892       |
| Loss on equity method investment                                                    | 87                                 | 150      | 125                                | 371         |
| Income tax effects of non-GAAP items                                                | (11,467)                           | (6,024)  | (27,399)                           | (19,096)    |
| Non-GAAP net income                                                                 | \$ 56,846                          | 29,617   | \$ 141,825                         | \$ 92,462   |
| Non-GAAP net income per share:                                                      |                                    |          |                                    |             |
| Basic                                                                               | \$ 1.17                            | \$ 0.63  | \$ 2.95                            | \$ 1.97     |
| Diluted                                                                             | \$ 1.11                            | \$ 0.58  | \$ 2.78                            | \$ 1.82     |
| Shares used in non-GAAP per share calculations                                      |                                    |          |                                    |             |
| Basic                                                                               | 48,787                             | 47,304   | 48,065                             | 46,891      |
| Diluted                                                                             | 51,094                             | 50,888   | 51,099                             | 50,694      |

#### Reconciliation of non-GAAP expense and expense as a percentage of revenue

(in thousands, except percentages)

|  | Three Months Ended December 31, |
|--|---------------------------------|
|--|---------------------------------|

|                                             | 2022                      |                                      |            |            |           | 2021                      |                                      |           |            |           |
|---------------------------------------------|---------------------------|--------------------------------------|------------|------------|-----------|---------------------------|--------------------------------------|-----------|------------|-----------|
|                                             | COS,<br>Subs-<br>cription | COS,<br>Prof.<br>services<br>& other | R&D        | S&M        | G&A       | COS,<br>Subs-<br>cription | COS,<br>Prof.<br>services<br>& other | R&D       | S&M        | G&A       |
| GAAP expense                                | \$ 66,051                 | \$ 14,214                            | \$ 116,334 | \$ 235,132 | \$ 51,413 | \$ 58,599                 | \$ 13,040                            | \$ 82,997 | \$ 180,845 | \$ 42,065 |
| Stock -based compensation                   | (2,560)                   | (1,113)                              | (30,248)   | (30,557)   | (12,290)  | (1,742)                   | (821)                                | (16,600)  | (17,511)   | (9,240)   |
| Amortization of acquired intangible assets  | (283)                     | —                                    | —          | (446)      | —         | (228)                     | —                                    | —         | (90)       | —         |
| Acquisition/disposition related expense     | —                         | —                                    | —          | —          | —         | —                         | —                                    | (131)     | —          | (39)      |
| Non-GAAP expense                            | \$ 63,208                 | \$ 13,101                            | \$ 86,086  | \$ 204,129 | \$ 39,123 | \$ 56,629                 | \$ 12,219                            | \$ 66,266 | \$ 163,244 | \$ 32,786 |
| GAAP expense as a percentage of revenue     | 14.1 %                    | 3.0 %                                | 24.8 %     | 50.1 %     | 10.9 %    | 15.9 %                    | 3.5 %                                | 22.5 %    | 49.0 %     | 11.4 %    |
| Non-GAAP expense as a percentage of revenue | 13.5 %                    | 2.8 %                                | 18.3 %     | 43.5 %     | 8.3 %     | 15.3 %                    | 3.3 %                                | 17.9 %    | 44.2 %     | 8.9 %     |

| For the Year Ended December 31,                   |                           |                                      |            |            |            |                           |                                      |            |            |            |
|---------------------------------------------------|---------------------------|--------------------------------------|------------|------------|------------|---------------------------|--------------------------------------|------------|------------|------------|
|                                                   | 2022                      |                                      |            |            |            | 2021                      |                                      |            |            |            |
|                                                   | COS,<br>Subs-<br>cription | COS,<br>Prof.<br>services<br>& other | R&D        | S&M        | G&A        | COS,<br>Subs-<br>cription | COS,<br>Prof.<br>services<br>& other | R&D        | S&M        | G&A        |
| GAAP expense                                      | \$ 257,513                | \$ 56,746                            | \$ 442,022 | \$ 886,069 | \$ 197,720 | \$ 211,132                | \$ 47,725                            | \$ 301,970 | \$ 649,681 | \$ 144,949 |
| Stock -based compensation                         | (9,076)                   | (4,393)                              | (107,517)  | (107,640)  | (47,223)   | (6,297)                   | (3,092)                              | (61,614)   | (67,413)   | (28,345)   |
| Amortization of acquired intangible assets        | (1,203)                   | —                                    | —          | (1,426)    | —          | (937)                     | —                                    | —          | (389)      | —          |
| Acquisition/disposition related income (expenses) | —                         | —                                    | 300        | —          | 5          | —                         | —                                    | (1,152)    | (367)      | (568)      |
| Gain on termination of operating leases           | —                         | —                                    | —          | —          | —          | 395                       | 275                                  | 1,346      | 1,839      | 421        |
| Loss on disposal of fixed assets                  | —                         | —                                    | —          | —          | —          | (600)                     | (415)                                | (2,036)    | (2,781)    | (636)      |
| Non-GAAP expense                                  | \$ 247,234                | \$ 52,353                            | \$ 334,805 | \$ 777,003 | \$ 150,502 | \$ 203,693                | \$ 44,493                            | \$ 238,514 | \$ 580,570 | \$ 115,821 |
| GAAP expense as a percentage of revenue           | 14.9 %                    | 3.3 %                                | 25.5 %     | 51.2 %     | 11.4 %     | 16.2 %                    | 3.7 %                                | 23.2 %     | 50.0 %     | 11.1 %     |
| Non-GAAP expense as a percentage of revenue       | 14.3 %                    | 3.0 %                                | 19.3 %     | 44.9 %     | 8.7 %      | 15.7 %                    | 3.4 %                                | 18.3 %     | 44.6 %     | 8.9 %      |

#### Reconciliation of non-GAAP subscription margin

(in thousands, except percentages)

|                                            | Three Months Ended<br>December 31, |            | For the Year Ended<br>December 31, |              |
|--------------------------------------------|------------------------------------|------------|------------------------------------|--------------|
|                                            | 2022                               | 2021       | 2022                               | 2021         |
| GAAP subscription margin                   | \$ 392,101                         | \$ 300,058 | \$ 1,433,025                       | \$ 1,047,187 |
| Stock -based compensation                  | 2,560                              | 1,742      | 9,076                              | 6,297        |
| Amortization of acquired intangible assets | 283                                | 228        | 1,203                              | 937          |
| Gain on termination of operating leases    | —                                  | —          | —                                  | (395)        |
| Loss on disposal of fixed assets           | —                                  | —          | —                                  | 600          |
| Non-GAAP subscription margin               | \$ 394,944                         | \$ 302,028 | \$ 1,443,304                       | \$ 1,054,626 |
| GAAP subscription margin percentage        | 85.6 %                             | 83.7 %     | 84.8 %                             | 83.2 %       |

|                                         |        |        |        |        |
|-----------------------------------------|--------|--------|--------|--------|
| Non-GAAP subscription margin percentage | 86.2 % | 84.2 % | 85.4 % | 83.8 % |
|-----------------------------------------|--------|--------|--------|--------|

#### Reconciliation of free cash flow

(in thousands)

|                                                                       | Three Months Ended<br>December 31, |           | For the Year Ended<br>December 31, |            |
|-----------------------------------------------------------------------|------------------------------------|-----------|------------------------------------|------------|
|                                                                       | 2022                               | 2021      | 2022                               | 2021       |
| GAAP net cash and cash equivalents provided by operating activities   | \$ 89,966                          | \$ 95,184 | \$ 273,174                         | \$ 238,728 |
| Purchases of property and equipment                                   | (6,042)                            | (11,327)  | (37,426)                           | (28,726)   |
| Capitalization of software development costs                          | (12,995)                           | (7,501)   | (44,345)                           | (33,139)   |
| Repayment of 2022 Convertible Notes attributable to the debt discount | —                                  | 1,971     | —                                  | 26,428     |
| Free cash flow                                                        | \$ 70,929                          | \$ 78,327 | \$ 191,403                         | \$ 203,291 |

#### Reconciliation of operating cash flow

(in thousands)

|                                                                       | Three Months Ended<br>December 31, |           | For the Year Ended<br>December 31, |            |
|-----------------------------------------------------------------------|------------------------------------|-----------|------------------------------------|------------|
|                                                                       | 2022                               | 2021      | 2022                               | 2021       |
| GAAP net cash and cash equivalents provided by operating activities   | \$ 89,966                          | \$ 95,184 | \$ 273,174                         | \$ 238,728 |
| Repayment of 2022 Convertible Notes attributable to the debt discount | —                                  | 1,971     | —                                  | 26,428     |
| Operating cash flow, excluding repayment of convertible debt          | \$ 89,966                          | \$ 97,155 | \$ 273,174                         | \$ 265,156 |

#### Reconciliation of forecasted non-GAAP operating income

(in thousands, except percentages)

|                                            | Three Months Ended<br>March 31, 2023 | Year Ended<br>December 31, 2023 |
|--------------------------------------------|--------------------------------------|---------------------------------|
| GAAP operating income range                | (\$64,045)-(\$110,045)               | (\$287,972)-(\$316,972)         |
| Stock-based compensation                   | 84,199                               | 460,589                         |
| Amortization of acquired intangible assets | 846                                  | 3,383                           |
| Restructuring charges                      | 24,000-72,000                        | 72,000-105,000                  |
| Non-GAAP operating income range            | \$45,000-\$47,000                    | \$248,000-\$252,000             |

#### Reconciliation of forecasted non-GAAP net income and non-GAAP net income per share

(in thousands, except per share amounts)

|                                            | Three Months Ended<br>March 31, 2023 | Year Ended<br>December 31, 2023 |
|--------------------------------------------|--------------------------------------|---------------------------------|
| GAAP net loss range                        | (\$61,846)-(\$108,596)               | (\$275,688)-(\$303,688)         |
| Stock-based compensation                   | 84,199                               | 460,589                         |
| Amortization of acquired intangible assets | 846                                  | 3,383                           |
| Restructuring charges                      | 24,000-72,000                        | 72,000-105,000                  |

|                                                                                             |                   |                     |
|---------------------------------------------------------------------------------------------|-------------------|---------------------|
| Non-cash interest expense for amortization of debt issuance costs                           | 484               | 1,985               |
| Income tax effects of non-GAAP items                                                        | (5,383)-(5,633)   | (40,869)-(41,869)   |
| Non-GAAP net income range                                                                   | \$42,300-\$43,300 | \$221,400-\$225,400 |
| GAAP net income per basic and diluted share                                                 | (\$1.25)-(\$2.20) | (\$5.68)-(\$6.29)   |
| Non-GAAP net income per diluted share                                                       | \$0.82-\$0.84     | \$4.24-\$4.32       |
| Weighted average common shares used in computing GAAP basic and diluted net loss per share: | 49,403            | 50,000              |
| Weighted average common shares used in computing non-GAAP diluted net loss per share:       | 51,507            | 52,199              |

HubSpot's estimates of stock-based compensation, amortization of acquired intangible assets, restructuring charges, non-cash interest expense for amortization of debt issuance costs, and income tax effects of non-GAAP items assume, among other things, the occurrence of no additional acquisitions, and no further revisions to stock-based compensation and related expenses.

### Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States of America, or GAAP. However, management believes that, in order to properly understand our short-term and long-term financial and operational trends, investors may wish to consider the impact of certain non-cash or non-recurring items when used as a supplement to financial performance measures in accordance with GAAP. These items result from facts and circumstances that vary in frequency and impact on continuing operations. In this release, HubSpot's non-GAAP operating income, operating margin, subscription margin, expense, expense as a percentage of revenue, net income, operating and free cash flow are not presented in accordance with GAAP and are not intended to be used in lieu of GAAP presentations of results of operations. Free cash flow is defined as cash and cash equivalents provided by or used in operating activities less purchases of property and equipment and capitalization of software development costs, plus repayments of convertible notes attributable to debt discount. We believe information regarding free cash flow provides useful information to investors in understanding and evaluating the strength of liquidity and available cash and the exclusion of repayments of convertible notes attributable to debt discount from operating cash flow provides a comparable framework for assessing how our business performed when compared to prior periods and also aligns the non-GAAP treatment of our debt discount that is amortized as non-cash interest expense.

Management believes that these non-GAAP financial measures provide additional means of evaluating period-over-period operating performance. Specifically, these non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by eliminating certain non-cash expenses and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors. However, these non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial measures prepared in accordance with GAAP. In addition, it should be noted that these non-GAAP financial measures may be different from non-GAAP measures used by other companies. We intend to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. Management may, however, utilize other measures to illustrate performance in the future. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included above in this press release.

These non-GAAP measures exclude stock-based compensation, amortization of acquired intangible assets, acquisition related expenses, disposition related income, non-cash interest expense for the amortization of debt issuance costs, gain on termination of operating leases, loss on disposal of fixed assets, loss on early extinguishment of 2022 Convertible Notes, gain or impairment losses on strategic investments, gain or loss on equity method investment, and account for the income tax effects of the exclusion of these non-GAAP items. We believe investors may want to incorporate the effects of these items in order to compare our financial performance with that of other companies and between time periods:

1. Stock-based compensation is a non-cash expense accounted for in accordance with FASB ASC Topic 718. We believe that the exclusion of stock-based compensation expense allows for financial results that are more indicative of our operational performance and provide for a useful comparison of our operating results to prior periods and to our peer companies because stock-based compensation expense varies from period to period and company to company due to such things as differing valuation methodologies and changes in stock price.
2. Expense for the amortization of acquired intangible assets, excluding backlog acquired intangible assets amortized as contra revenue, is excluded from non-GAAP expense and income measures as HubSpot views amortization of these assets as arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is a non-cash expense that is not typically affected by operations during any particular period. Valuation and subsequent amortization of intangible assets can also be inconsistent in amount and frequency because they can significantly vary based on the timing and size of acquisitions and the inherently subjective nature of the degree to which a purchase price is allocated to intangible assets. We believe that the exclusion of this amortization expense provides for a useful comparison of our operating results to prior periods, for which we have historically excluded amortization expense, and to our peer companies, which commonly exclude acquired intangible asset amortization. It is important to note that although we exclude amortization of acquired intangible assets from our non-GAAP expense and income measures, revenue generated from such intangibles is included within our non-GAAP income measures. The use of these intangible assets contributed to our revenues earned during the periods presented and will contribute to future periods as well.
3. Acquisition related expenses, such as transaction costs and retention payments, and disposition related income, such as proceeds from sale of assets, are transactions that are not necessarily reflective of our operational performance during a period. We believe that the exclusion of these expenses and income provides for a useful comparison of our operating results to prior periods and to our peer companies, which commonly exclude these expenses and income.
4. In June 2020, the Company issued \$460 million of convertible notes due in 2025 with a coupon interest rate of 0.375%. In August 2020, the FASB published ASU 2020-06, which was adopted on January 1, 2022. ASU 2020-06 simplifies the accounting for convertible debt and other equity-linked instruments and eliminates requirements to separately account for liability and equity components of such convertible debt instruments. Consequently, our convertible notes are accounted for as a single liability and the discount created by the recognition of a component of the convertible debt in equity is eliminated. The issuance cost of the debt is amortized as interest expense over the remaining term of the debt. We believe the exclusion of this non-cash interest expense provides for a useful comparison of our operating results to prior periods and to our peer companies.

Prior to January 1, 2022, the difference between the fair value and carrying value of debt conversion settlements was recorded as a loss on early extinguishment of debt within interest expense. Upon the adoption of ASU 2020-06, no loss is recognized.

1. Strategic investments consist of non-controlling equity investments in privately held companies. The recognition of gains or impairment losses can vary significantly across periods and we do not view them to be indicative of our fundamental operating activities and believe the exclusion of gains or impairment losses provides for a useful comparison of our operating results to prior periods and to our

peer companies.

2. We made a contribution to the Black Economic Development Fund (the “investee”) managed by the Local Initiatives Support Corporation and have committed to make additional capital contributions. We account for this investment under the equity method of accounting. The proportionate share of our equity method investee's net earnings have been excluded in order to provide a comparable view of our operating results to prior periods and to our peer companies. We believe this activity is not reflective of our recurring core business operating results.
3. Gain on termination of operating leases results from early lease terminations and related improvement reimbursements from landlords being recorded as income. Loss on fixed assets result from the disposal of property and equipment associated with early lease terminations. As we generally fulfill our obligations for the full lease term and use these assets for their full useful lives, we believe these activities are not considered reflective of our recurring core business operating results. As such, we believe the exclusion of these transactions provides for a useful comparison of our operating results to prior periods and to our peer companies.
4. The effects of income taxes on non-GAAP items reflect a fixed long-term projected tax rate of 20% to provide better consistency across reporting periods. To determine this long-term non-GAAP tax rate, we exclude the impact of other non-GAAP adjustments and take into account other factors such as our current operating structure and existing tax positions in various jurisdictions. We will periodically reevaluate this tax rate, as necessary, for significant events such as relevant tax law changes and material changes in our forecasted geographic earnings mix.

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