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HubSpot, Inc. (HUBS)

Q4 2020 Earnings Call

CORPORATE PARTICIPANTS

Charles Tupper MacGlashing

Vice President Treasury & Investor Relations, HubSpot, Inc.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

OTHER PARTICIPANTS

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Samad Samana

Analyst, Jefferies LLC

Stan Zlotsky

Analyst, Morgan Stanley & Co. LLC

Nick Negulic

Analyst, Truist Securities, Inc.

Arjun Bhatia

Analyst, William Blair & Co. LLC

David Hynes

Analyst, Canaccord Genuity LLC

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Drew Foster

Analyst, Citigroup Global Markets, Inc.

Christopher Merwin

Analyst, Goldman Sachs & Co. LLC

Ken Wong

Analyst, Guggenheim Securities LLC

Michael Turits

Analyst, KeyBanc Capital Markets

Alex Narum

Analyst, Needham & Co. LLC

Jennifer Swanson Lowe

Analyst, UBS Securities LLC

Keith Bachman

Analyst, BMO Capital Markets Corp.

Kirk Materne

Analyst, Evercore ISI

Siti Panigrahi

Analyst, Mizuho Securities USA LLC

J. Derrick Wood

Analyst, Cowen & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the HubSpot Q4 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised, that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Chuck MacGlashing, Head of Investor Relations. Thank you. Please go ahead.

Charles Tupper MacGlashing

Vice President Treasury & Investor Relations, HubSpot, Inc.

Good afternoon, and welcome to HubSpot's Fourth Quarter and Full Year 2020 Earnings Conference Call. Today, we'll be discussing the results announced in the press release that was issued after the market closed. With me on the call this afternoon is Brian Halligan, our Chief Executive Officer and Chairman; and Kate Bueker, our Chief Financial Officer.

Before we start, I'd like to draw your attention to the Safe Harbor Statement included in today's press release. During this call, we'll make statements related to our business that may be considered forward-looking within the meaning of Section 27A of the Securities Exchange Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended.

All statements other than statements of historical fact are forward-looking statements, including those regarding management's expectations of future financial and operational performance and operational expenditures, expected growth, and business outlook including our financial guidance for the first fiscal quarter and full-year 2021.

Forward-looking statements reflect our views only as of today and except as required by law, we undertake no obligation to update or revise these forward-looking statements. Please refer to the cautionary language in today's press release in our Form 10-Q, which was filed with the SEC on November 5, 2020 for a discussion of the risks and uncertainties that could cause actual results to differ materially from expectations.

During the course of today's call or further certain non-GAAP financial measures is 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 such measures can be found within our fourth quarter and full year 2020 earnings press release in the Investor section of our website.

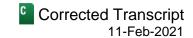
Now, it's my pleasure to turn over the call to HubSpot's CEO and Chairman, Brian Halligan.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Thanks, Chuck. Good afternoon, folks. Thank you for joining us today to review HubSpot's fourth quarter and full year 2020 earnings results. I'm exceptionally proud of how HubSpot team closed out the year.

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In Q4, we saw a nice reacceleration in revenue growth of 35% year-over-year. During the quarter, we surpassed 100,000 customers. And in December, we crossed \$1 billion in ARR, two terrific milestones on which to end the year. So what's behind this reacceleration in growth? Well, this unusual year opened up everyone's eyes to just how early we still are in the digital transformation of the economy. This is the trend we've been seeing for 14 years and was sped up for obvious reasons this year.

New start-ups we work with, while they're born digital, older scaleups we work with who may have only been partially online in the past have begun to fully digitize their end-to-end experience. HubSpot has the ideal platform to enable all these companies to build delightful modern experiences for their customers.

Another trend, we've seen is a shift in the market's expectations for B2B software. People now expect it to work like the consumer software they use in their personal lives. Traditional enterprise CRMs are cobbled together through lots of acquisitions, and the resulting user experience, well, it's pretty rough.

Our CRM, it's crafted internally with a consumer-like UI matched with a scalable enterprise backend. This approach is resonating very well in the marketplace. All of our products in all of our geographies performed well in Q4. In particular, we saw strong growth in our Enterprise tier. This year, we did launches of our Marketing Hub Enterprise product, our CMS Hub Enterprise product and our Sales Hub Enterprise products. These all did well individually in the market, but the thing that really stood out was the number of companies buying two or more of our hubs, taking advantage of having their entire go-to-market on one platform with one data model, one representation of their customer and one user interface.

We're super pleased that our unique approach was recognized just the other day when HubSpot was named the number two Best Global Software Seller according to user reviews on G2 Crowd. We were wedged right between Microsoft and Zoom. So much has changed about the relationship between companies and their customers this year, and so much opportunity still lies ahead.

After a strong finish to the year, the team is more motivated than ever to help our customers create remarkable end-to-end customer experiences and grow better in 2021.

With that, I'll hand it over to Kate.

Kate Bueker

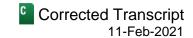
Chief Financial Officer, HubSpot, Inc.

Thanks, Brian. Let's turn to our fourth quarter and full-year financial results and our guidance for the first quarter and full-year of 2021. Fourth quarter revenue growth reaccelerated to 32% year-over-year in constant currency and 35% as reported.

Q4 subscription revenue grew 36% year-over-year, while services revenue increased 9% year-over-year on an as-reported basis. Full year 2020 revenue grew 30% in constant currency and 31% as reported. Full year subscription revenue grew 32%, while services revenue grew 5%, again both as reported. We saw strong demand across all of our hubs in Q4, resulting in a reacceleration in new business growth, along with record customer dollar and net revenue retention rates.

In Q4, we added 8,400 net customers, ending 2020 with nearly 104,000 total customers, up 42% year-over-year. Average subscription revenue per customer of nearly \$9,800 was up slightly sequentially, but down a few points year-over-year.

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Domestic revenue grew 27% in Q4, while international revenue growth was 40% year-over-year in constant currency and 47% as reported. International revenue represented 44% of total revenue in Q4, up 3 points year-over-year.

Deferred revenue as of the end of December was \$317 million, a 35% increase year-over-year. Calculated billings was \$309 million in Q4, growing 38% year-over-year in constant currency and 43% as reported. This reacceleration in constant currency billings growth was driven by strong revenue performance and a positive mix shift toward Professional and Enterprise subscriptions in the quarter.

The remainder of my comments will refer to non-GAAP measures. Fourth quarter and full year gross margins were 82%, flat year-over-year. Subscription gross margin was 85%. Well services gross margin was negative 20%. Fourth quarter operating margin was 10%, up slightly compared to the same period a year ago as a result of our strong revenue performance in the quarter. Full year operating margin was 8% flat year-over-year.

We invested aggressively in our business over the last year to meet the significant demand for our products and drive innovation to fuel long-term growth. We plan to continue this investment approach in 2021.

At the end of the fourth quarter, we had 4,225 employees, up 25% year-over-year. Net income in the fourth quarter was \$20 million or \$0.40 per diluted share. Net income for the full year was \$64 million or \$1.32 per diluted share. CapEx, including capitalized software development costs, was \$15 million or 6% of revenue for the fourth quarter and \$59 million or 7% of revenue for the full year. Free cash flow in the fourth quarter was \$46 million or 18% of revenue and \$79 million or 9% of revenue for the full year. Finally, our cash and marketable securities totaled \$1.3 billion at the end of December.

And with that, let's dive into guidance for the first quarter and full year of 2021. For the first quarter, total revenue is expected to be in the range of \$260 million to \$265 million, up 32% year-over-year at the midpoint. Non-GAAP operating income is expected to be between \$17 million and \$19 million. Non-GAAP diluted net income per share is expected to be between \$0.28 and \$0.30. This assumes 50.3 million fully diluted shares outstanding. And for the full year of 2021, total revenue is expected to be in the range of \$1.16 billion to \$1.17 billion, up 32% year-over-year.

Non-GAAP operating income is expected to be between \$98 million and \$102 million. Non-GAAP diluted net income per share is expected to be between \$1.51 and \$1.59. This assumes 50.7 million fully diluted shares outstanding. As you adjust your models, keep in mind the following. At current spot rates, we're forecasting an FX tailwind to as-reported revenue of 4 points in Q1 and 3 points for the full year. As many of you are aware, we will have some unusual year-over-year growth comparisons in 2021. With that in mind, I thought it would be helpful to provide some additional color on how we're thinking about the cadence of growth throughout 2021.

We anticipate revenue growth of 35% in the first half of the year, followed by revenue growth of 30% in the second half of the year as comparisons become more difficult. Our 2021 guidance assumes flat operating margin year-over-year. Embedded in that guidance, we have assumed a healthy level of investment across the business to meet the market demand we're seeing, more normal levels of T&E expense in the back half of the year and continued strong investment in R&D. Lastly, we expect CapEx as a percentage of revenue to be about 5% in 2021 and free cash flow to be about \$130 million, with seasonally stronger free cash flow in Q1 and Q4.

And with that, I'll hand the call back over to Brian for his closing comments.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Thanks, Kate. Those numbers reflect how nicely our customer flywheel is spinning. Well, our employee flywheel is spinning nicely, too. We were just recognized as the fourth Best Place to Work in 2021 by Glassdoor. Last month, Comparably also highlighted HubSpot as being the number one Best Workplace for Women and a Top Place to Work for parents. We endeavored not just to talk the talk on diversity inclusion but walk the walk. We have a variety of initiatives underway, but 2 new ones I'm particularly proud of our \$20 million commitment to social impact investing in a new partnership with Howard University, which established a new Center for Digital Business on their campus.

The difficult years are always the ones that define you, and I'm grateful to every HubSpotter in our partner community for the way we all pulled together to end the year strong and start 2021 with momentum. And I'm super grateful to the 100,000 customers who put their trust in us. Thank you for your time. Operator, let's open up the call for a few questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Mark Murphy from JPMorgan.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Thank you, and congrats on a great finish to the year. So Brian, I have noticed what you pointed out that G2 Crowd had ranked Microsoft, HubSpot and Zoom as the top three software companies for 2021. I thought that was pretty amazing. I'm wondering when we see that kind of prioritization that you're getting, should we assume that marketing budgets are going to shift pretty quickly to digital and to inbound this year? Is that embedded in your assumption? Or do you see those signs? Or is it more to do with the surge you've had in the starter cohorts? And maybe we're going to see that converting this year.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Hey, Mark, thanks for your question. I was super pleased to see that sort of sandwiched between two terrific software companies, Zoom and Microsoft. And I think it's just a reflection of a lot of the bets we've made over the last couple of years, products just gotten way better. Our customers are way happier, and they're given us really good reviews there on G2. So, really happy about it.

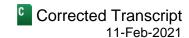
In terms of kind of the second part of your question, I mean, things are good. I mean we're seeing nice momentum kind of across all three tiers of the product, the Enterprise, the Pro and the Starter and across kind of all the geographies. So, feeling good. Things are going well. Thanks for your question.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

And I had a quick follow-up for Kate. I was just wondering if you see much of a structural change for your real estate cost and your T&E levels in the post-pandemic world. I think you said in the second half that T&E will normalize a bit. But if you have more people working a bit more remotely, is it possible that there's an extra point or two of margin coming out the other side of this? Or do you kind of prefer to reinvest that?

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Kate Bueker

Chief Financial Officer, HubSpot, Inc.

I think the theme that you will hear over and over from us is that we believe there's a ton of opportunity ahead and that we're going to continue to reinvest in the business. And so that's the comment that I would make generally. We are, as you pointed out, assuming that we are largely remote, at least for the first half of the year. There are some modest assumptions that we get back to travel at some point over the course of 2021, but it doesn't have a dramatic impact on our operating margins for the year.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Thank you.

Operator: Your next question comes from Samad Samana from Jefferies.

Samad Samana

Analyst, Jefferies LLC

Hi. Good evening. Congrats on this very strong finish to the year. Kate, maybe one for you and then one for Brian. But first, Brian mentioned crossing the \$1 billion ARR mark. And that implies a pretty significant acceleration, I think, in back half bookings, especially in the fourth quarter. Can you help us maybe understand how net retention looked and how that impacted it versus new customer bookings?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yes. I think the good news is that we had great things to say about both of those pieces. In terms of retention, I obviously shared in the prepared remarks that we had a record quarter for retention and what I like about that is, actually, there's just a lot of components that are all complementary in driving the retention in a positive direction. It starts with the fact that we had record customer dollar retention. And then our upgrade rates are also hitting new and record levels. In particular, we're seeing some strength in that addition upgrade motion.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

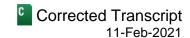
Yeah. I'll just add to that, like some of the investments we made are really paying off in – is a leading indicator but NPS, our Net Promoter Score is something we've been obsessed about for a couple of years. In this past year, it went way up, like the investment we made are really paying off. And then graduation rates, typically, somebody is like a 300 person company has been with us since they were 30 and heading to the 3,000, a lot of times to graduate there. I just think the power we've added to the platform is really paying off, and people are sticking around longer and enjoying the new sophisticated [indiscernible] (00:16:44).

Samad Samana

Analyst, Jefferies LLC

Brian, so that brings me to a good follow-up question. And the ones I had for you was crossing the \$1 billion market is obviously incredibly impressive. But as you think looking forward to going from one to two and the flywheel that you have today, are there any changes we should anticipate that you think that need to be made? Or as it's currently constructive, can it get you – construct to kind of get you to that \$1.52 billion level, just as we think about investments in 2021 positioning you for that?

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Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Well, when I think of HubSpot, Samad, it's like the bottom of the second inning in our baseball game. It still feels early. There is a giant market out there for CRM. We're kind of mid-transition from moving as a company from being a marketing app to try and become the number one CRM for scaling companies. So you're going to see us continue to improve the product, improve the go-to-market, improve the way we execute. We are sort of tireless in our desire to get better and to deliver more value to our customers. So continue – it's not – this isn't a steady state kind of company, a lot more investment coming, a lot more innovation, more products, existing products getting better. It still feels early in my head, my friend.

Samad Samana

Analyst, Jefferies LLC

Groot Well, we wish you engoing success and it's great to see everything.

Great. Well, we wish you ongoing success and it's great to see everything paying off. Thanks, again.

Brian Patrick Halligan
Chief Executive Officer and Co-Founder, HubSpot, Inc.

Yeah.

Operator: Your next question comes from Stan Zlotsky from Morgan Stanley.

Stan Zlotsky

Analyst, Morgan Stanley & Co. LLC

Perfect. Thank you so much. And congratulations also on a very, very strong end to 2020. Maybe just a couple of questions from my end, on the macro, right, what are you guys seeing across the world? And how are you baking that into the growth acceleration that you provided for 2021 on the top line?

Brian Patrick Halligan /

Want me to take that? Do you want to take that, Kate?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

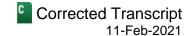
You want to start, and then I can talk about how we included that in guidance?

Brian Patrick Halligan
Chief Executive Officer and Co-Founder, HubSpot, Inc.

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Sure. I'll just sort of reiterate what I kind of talked about earlier, Stan, where there's a couple of drivers going on here. I mean, COVID just sort of accelerated people's digitization moves. Like I think everybody knew they need to completely digitize their go-to-market, and this just sort of accelerated it. And so the demand has been strong. I don't see that demand going back. I feel like people are going to lean into the future going forward. So the demand's strong. Our target market – so the whole market is growing, and then our target market is also expanding.

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If you think about it, like we're moving from a marketing app to a CRM platform, that CRM market is much bigger than the marketing app market. And we're doing – we're starting to do really well and making a lot of progress on there. And so the market is large and growing, and so we're just kind of really well positioned to lean into it.

I also would just say, Stan, like our competitive positioning is super unique and super compelling for prospects and customers. So our win rates are going up, and our retention rates are going up. Like things are really good. Some of those bets we've been making over the last couple of years we've been talking about, they're really starting to pay off for us over the last year.

Stan Zlotsky

Analyst, Morgan Stanley & Co. LLC

Okay. Perfect. And now just a quick follow-up. The Starter package promotion, which was a very smart strategic decision to make through the year and the promotional pricing there, how are you guys thinking about that as you get into 2021 and some of those – the promotional pricing is going to start rolling off? What kind of retention and conversion rates are you guys thinking about?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yes. Thanks for the question. We obviously are paying a ton of attention. I would say, just like stepping back on that one, what we tried to do in making the changes on the pricing and packaging side there was to just simplify things. And by bringing it together as a suite, putting forward like a \$50 price point, it just really simplifies the buying process at the low end. And the learning that we have there is that it was really – making it easy is super compelling. And so we think that was a great choice to make.

We have been watching the upgrade rates closely. We have been watching the usage rates closely, and we're feeling good about both of those metrics. So overall, we're feeling great about that Starter Growth Suite play. We do have operational plans underway to try to maximize success on the renewal of those big cohorts, and so we will continue to share that as appropriate.

Stan Zlotsky

Analyst, Morgan Stanley & Co. LLC

Perfect. Thank you so much. And congratulations on a very strong guarter.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Thank you.

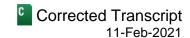
Operator: Your next question comes from Terry Tillman from Truist Securities.

Nick Negulic

Analyst, Truist Securities, Inc.

Hi. This is actually Nick on for Terry. Thanks for taking our question. I just wanted to touch on International a little bit. So it seems like International revenue growth has actually [ph] tame (00:22:09) to outpace domestic growth in recent quarters. I was just wondering if you guys could talk about how you're investing in that area to continue to drive strong growth. Then where international could potentially move to as a percentage of revenue longer-term? Thanks.

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Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Sure. This is Brian, Nick. I can take that. Really happy with – frankly, we're really happy with both the international growth and the domestic growth. Domestic growth really picked up nicely. I think it's a testament, the market is quite big, and I think it's growing. Now when you look at the market, US versus international, really, all our segments are doing well.

Like across the geography, small business, the mid-market and the enterprise segment are doing well. And then both our channels seem to be doing well, our direct channel and our indirect channel. Our partner channel seem to be doing well. I think it's just a reflection that the product has gotten better, the value prop is getting better, our flywheel's spinning really nicely. Maybe Kate has got something to add to that.

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yes. I think that as we look at international, it has consistently been stepping up as a larger share of the overall revenue of the company. And we would expect that, that would continue over the next few years.

Operator: Your next question comes from Arjun Bhatia from William Blair.

Arjun Bhatia

Analyst, William Blair & Co. LLC

Hey. Thank you. And I'll add my congrats on a strong quarter. Brian, maybe one for you. You've touched on kind of this evolution from an app to a platform. I'd just love to hear what you're seeing from your new customers in terms of product adoption? Are you seeing them actually buy the whole platform upfront, meaning the Growth Suite, get all three solutions regardless of the addition that they're starting on? Do you see more platform adoption from these new customers that are coming on board?

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Yeah. Arjun, great question. The transition has gone real well. And when I think about HubSpot, I can't help but think about the [ph] five bill rule (00:24:10). I'm not sure if you're familiar with that. But like if you have one client sale that can pull 1,000 pounds. And then you add a second client sale that can pull 1,000 pounds, the really interesting thing that happens is that combined client sales can pull 4,000 pounds of stuff. That's HubSpot.

We have our Marketing Hub. We have our Sales Hub, our Service Hub, our CMS Hub. They're all built on this set of shared services underneath. The UI is the same. It's a single data model. It's a beautiful consumer-like front end and a powerful enterprise back-end. And so we're seeing nice adoption of that, a nice pickup from new customers who are buying the whole suite, particularly the Starter suite, and lots of existing customers who are Marketing Hub or Sales Hub, buying the other hubs. So getting really good traction on, particularly with new customers, but also the installed base.

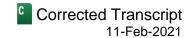
Arjun Bhatia

Analyst, William Blair & Co. LLC

Perfect. Thank you. And one follow-up, if I can, for Kate. I think you mentioned really high record net retention rates. As we look forward, I think this has fluctuated in the past. Do you get the fact that we're in a place now with



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the expansion motion that this can consistently stay above 100%? Or should we expect a little bit more fluctuation there going forward?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yeah. I mean that's a question we spend a lot of time talking about internally as well. I think you just kind of turned clock back a little bit, at the time of the IPO, we had sort of a net retention in the mid-90s%. Over the last couple of years, that has stepped up, and we've been saying in and around 100%. Look, we've reached a new gear here in the last couple of quarters, and we're not calling a new normal, but the performance over the last couple of quarters, certainly gives me a lot of confidence that we'll be able to keep retention at or above 100%.

Arjun Bhatia

Analyst, William Blair & Co. LLC

Perfect. Thank you very much, and congrats, again.

Operator: Your next question comes from DJ Hynes from Canaccord Genuity.

David Hynes

Analyst, Canaccord Genuity LLC

Hey, thanks, congrats on all the accolades and momentum. Really impressive stuff here. Brian, I got a product question for you. So if you think about HubSpot in the context of a CDP, right, collecting the data across the various customer touch points, my sense is that you guys are really good at aggregating the data that happens inside of HubSpot. Where are you in terms of pulling in data that's generated in other systems? Is that something that customers ask for? Is it important to the growth of the platform? Any color there would be helpful.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Excellent question, DJ. Excellent question. I do think of HubSpot as a CDP, where we do a fantastic job of collecting all kinds of data about all the touch points you have with your prospects and customers, whether that's visits to your website or they fill out a form or they're chatting with you in the website or they have a call in your sales rep, whether [ph] they don't fill (00:27:11) on a ticket, whatever it would be, and then we combine them together and have this one unified view of the customer, that makes it incredibly valuable for the whole organization.

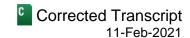
Where you'll see us go over time, it's getting better and better, not just collecting that data that it is managed by HubSpot, but with all of your front-office applications and pulling all that together and making sense for our prospects with it. So that's an area we're investing in. Super excited about our customers who want it. And keep your eyes on that channel.

David Hynes

Analyst, Canaccord Genuity LLC

Okay. Awesome. And then one follow-up for Kate, if I can. So really, really strong net adds the last few quarters, but I think equally impressive is that ASRPC has been going up sequentially, right? So do you think we've seen a bottom in that metric? And is it possible that we see subscription revenue per customer actually grow in 2021?

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Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yes. Again, we're hitting it on all the really hard ones here. Yes, we were obviously very excited about the incremental net adds in Q4. I think the thing that I liked about it, which seems like we're aligned on, is that the customer growth was very balanced across the Starter and the Professional, Enterprise. And so it translated also into a quarter-over-quarter increase in ASRPC.

Honestly, you're going to see some quarters where you have less customer adds, and they're going to be at the high end, and you're going to see bigger increases in ASRPC. You're going to see other quarters where you have a concentration of the customer additions at the low end and a little bit more pressure in ASRPC. The good news is that when we look at the Starter and we look at Professional and Enterprise, each of those is expanding, and so we feel good.

David Hynes

Analyst, Canaccord Genuity LLC

Yeah. Yeah. Okay. Great. Thanks for the color, guys. Congrats.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Thanks.

Operator: Your next question comes from Brian Peterson from Raymond James.

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Thanks for taking the question. And I'll echo my congratulations. So Brian, maybe just one for you. If I think specifically about Sales Hub, in some of my partner conversations, I've heard that the ability to kind of work with larger and larger teams is something that's kind of a common theme. What are some of your largest deployments for Sales Hub? And how large do you think they can ultimately be over the next three to five years?

Brian Patrick Halligan

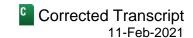
Chief Executive Officer and Co-Founder, HubSpot, Inc.

Brian, thanks for the question. Sales Hub has a ton of potential. We re-released Sales Hub Enterprise at INBOUND last year, and we've had very strong demand for it over the last few months. And we have a whole bunch of good stuff keyed up for Sales Hub Enterprise this year and next. So that product is going to get very, very legit. Very, very bullish on the future of that product.

In terms of the size, we're definitely closing bigger deals. We closed a couple of whoppers in Q4 with many hundreds of seats. So I think – and we just see a lot more deals in our pipeline with larger seat volumes. So the strategy and the investments are starting to pay off there on Sales Hub where the deal sizes are getting big.

One of the things we've just been working on, like if I think of HubSpot, I step back and think about it, we're really strong in that – in the very middle of the market, like 20 to 200 employees. And I give us like an A+ on our product market fit, our go-to-market market fit there. Where we're working hard on is that 200 to 2,000, what we call the Enterprise, and then the two to 20. Lots of investments going in last year and this year in those areas, and we think we're going to make a lot of progress there.

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Brian Peterson

Analyst, Raymond James & Associates, Inc.

Good to hear. Thanks, Brian.

Operator: Your next question comes from Michael Turrin from Wells Fargo Securities.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Hey, there. Thank you and good afternoon. Look, the initial guide on top line for the upcoming year really stands out. You've laid out a bunch of reasons for it, but anything else you can add? If I'm looking at this right, you have initially guided to 30-plus percent revenue growth in four years now. So anything you'd call out that's just structurally different heading into this year versus prior years?

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

I hear Bezos talk about this. But like in a given quarter, the stuff that's happening now, [ph] stuff that (00:31:47) best we've made really over the last couple of years. So like what happens this month doesn't really impact Q1 that much. So I'm not shocked that we're seeing such good results and we have such good guidance and we've reaccelerated. Like, we've made some – in a couple of cases, we're really done like the two steps back so we could take four steps forward. And we're just getting the return on some of those bets.

And then our market is bigger. We moved from a marketing app market, which is the gold market and not small and growing, to your whole darn front office. The CRM market is much, much bigger and it's just a lot – everyone needs one. It's not an optional thing. And whether you're a start-up buying your first one or you're a scaleup and you're not happy with what you've got, we're just a great fit these days, and we've become a better fit over the last couple of years. Our competitive advantages have increased. It's a little bit boring and a little old school. But our value prop has just gotten better. We win more deals, and we retain customers longer. We delight our customers. It's a little bit of very old-fashioned, but it works.

Michael Turrin

Analyst, Wells Fargo Securities LLC

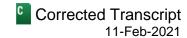
Long-term vision is neither boring nor old fashioned. It's refreshing to hear. I mean, the other question we've just been getting a lot is around new customer trends and how to think about the sustainability of these elevated levels. Has the Starter Growth Suite unlocked something new you feel you can continue to tap into here? Or anything else you can provide just to help us think through comparing the net adds you've seen this year versus prior historical periods?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yeah. I mean, it definitely feels like we've sort of hit a new level. You've seen now three quarters where you have broken away from that, what we had been at that, call it, 3,000, 4,000 customer adds per quarter. And we feel good about our ability to continue to operate at that new level. Now doesn't mean that, I would translate it in to 8,000 to 9,000 a quarter. I do think, as I was talking about a little bit earlier, there'll be some variability from one quarter to the next based on whether we're seeing some strength at the low end or strength at the high end.

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Michael Turrin

Analyst, Wells Fargo Securities LLC

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Thank you. Congrats on the results here. It's truly impressive.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

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Thank you.

Operator: Your next question comes from Drew Foster from Citi.

Drew Foster

Analyst, Citigroup Global Markets, Inc.

Hey, guys. Thanks for taking the question. Brian, you've been talking a lot about the growth and evolution of your portfolio to more of a front-office platform. And I'm just curious what you're seeing as sort of the biggest changes in that market more broadly in the context of how that changes your view of different areas that look like attractive adjacencies for your portfolio?

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Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Yeah. That's a good question. If I sort of back up and think about it like – I've been in this world of CRM since – literally since 1990 when I graduated college. And many times over my career, I was in the position of either buying and implementing, or using a CRM. And there's the tried-and-true playbook for how you do this, and it's been around for a long time, where someone built an SFA application. And then they buy a whole bunch of stuff and cobbled together this giant Franken CRM.

And we're seeing there's several of them in the market today. And it's a good way to build a business. We decided to kind of zag when everyone else was zigging on that playbook. And we decided instead of coupling this thing together, let's crack it sort of Apple style and make it a beautiful application.

Our development team, our product designers, our user research people are really good. The tools that we use and the platform we use internally is so powerful. And so we've decided to build it. And we think it's unique and differentiated and it really matters to the end users and the ops people to implement this stuff.

Now given that, underneath HubSpot, we have this set of shared services and we've exposed them through four hubs today. But we aren't done. It's still pretty early innings for HubSpot. There's a lot more stuff in our heads than on our drawing boards, that we can expose through additional hubs down the road. I'm not going to show my hand at when those hubs are coming? And what they are? But we're not done. There's more opportunity out there for HubSpot, still early innings.

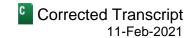
Drew Foster

Analyst, Citigroup Global Markets, Inc.

your

Got it. Okay. And now that your newer hubs have been out in the while for a few quarters, especially some of your Enterprise releases. Just wondering if you could give some anecdotes about sort of the role they're playing as new front doors to your business as you've talked about in the past, whether you're attracting new types of customers. Just given how strong that customer number is the last couple of quarters here? Just any color would be helpful. Thank you.

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Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Yes. Thanks for the question, Drew. I kind of think of HubSpot as – we have Marketing Hub, which is the OG hub going really well, growing fast at scale, big market. We're going to continue to grow. We got Sales Hub, good-sized business now. Wow, is it growing fast, lots of opportunity there. And then you got CMS Hub and Service Hub. Those hubs to me look a lot like the Sales Hub looked two, three years into that evolution.

And so hopefully, three years from now, we have Marketing Hub and Sales Hub both at scale and then these two hubs are cranking or big businesses. And then there's new hubs kind of coming along. So it's sort of like Horizon theory. Horizon theories 1 – Horizon 1 bets, Horizon 2 bets, Horizon 3 bets. We have sort of bets along those horizons and the maturing and new bets that will come online. The new hubs are doing well. CMS Hub and Service Hub doing well. Remind me a lot of Sales Hub. I think they'll be big businesses. The combination – the [ph] client sales (00:37:48) combination of these things is going to be really, really powerful over time.

Drew Foster Analyst, Citigroup Global Markets, Inc.	C
Awesome. Thank you.	
Operator: Your next question comes from Christopher Merwin for	rom Goldman Sachs.
Christopher Merwin Analyst, Goldman Sachs & Co. LLC	C

Hey. Thanks a lot for taking my question. I wanted to ask about the service space. We're hearing more and more about messaging and chatbots being central and engaging with current and prospective customers. So can you talk a bit about what you're doing in that area and how you're capturing that data and helping reps close more deals?

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

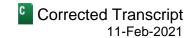
Yes. We're super interested and we're investing heavily in that. If you take a step back, you think about most of the communication that happens was asynchronous and e-mail. And then just increasingly, people want to do synchronous messaging types of communication, and that comes to likely lots and lots of different ways in these days, lots of way to message.

The one you're talking about sort of chat on the website and building bots that automate that chat, that's an area we've invested a lot in. And we have a great offering in the market today that our customers are buying. It works on your website, if you've got an app, it'll work inside your app.

All of that gets pulled into a central place, and people can respond to those in real-time. That's an area we're super excited about. That's an area of growth for HubSpot. That's an area where human behavior is changing. And I think HubSpot is quite good at staying on top of these changes in helping people deal with them. So it's a great question. We're really excited about that space.

Christopher Merwin
Analyst, Goldman Sachs & Co. LLC

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Great. Thank you. And maybe just a quick follow-up. Obviously, I think you talked about it a little bit before, but accelerating growth next year. Not going to see that pass through to margin, but you're investing a lot in the long-term here. I mean is it possible to get a bit more granular on some of those key areas, specifically within go-to-market and R&D? Thanks.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

A

Sure. We've been investing relatively heavily in R&D over the last several years, and we're going to continue to do it. We feel like we're getting nice returns on it, showing up in a retention rate, Net Promoter Score, revenue growth like – the leading indicators look good. The lagging indicators look good, too. So we're going to keep investing there. We're going to invest in our existing products. So you saw we have a playbook where we can go into an existing product, the hub and kind of relaunch it, really go after it again, and that works really well for us.

And then we'll build some new hubs and new capabilities. Our R&D team is kind of on fire these days. So we're going to see [indiscernible] (00:40:16). Kate, do you want to add anything to that?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

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No. No, I think on the go-to-market side, we continue to invest to be able to service the demand that we're seeing in the market. And we talked about the fact that we're investing where we feel like [indiscernible] (00:40:32) on the go-to-market and product in the middle and that we're investing both upmarket and also in tech touch at the low end.

Christopher Merwin

Analyst, Goldman Sachs & Co. LLC



Great. Thank you very much.

Operator: Your next question comes from Ken Wong from Guggenheim Partners.

Ken Wong

Analyst, Guggenheim Securities LLC



Great. Thanks for taking my question. Brian, you mentioned earlier, CMS and Service looks like were 2, 3 years into what you saw with Sales. As we think about the kind of the maturity of those products, is it just a matter of time you think before we get to a run rate like Sales? Or is there some incremental watering, seeding, loving that you guys have to give to Service Hub from a product, go-to-market perspective before we maybe see those kind of results?

Brian Patrick Halligan

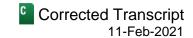


Chief Executive Officer and Co-Founder, HubSpot, Inc.

No. Lots of watering, lots of fertilizing, lots of work we have to do. Let's just pick up Service Hub. The product is terrific, let's say, if you're a 50, 75-person company. If you're a 500- or 750-person company, there's some stuff that's still missing. And it kind of reminds me of Sales Hub a couple of years ago. If you're a 500-, 750- person company like, you're closed guys, but there's a couple of gaps. It's very, very similar. We know what the gaps are.

And in our own way, leveraging the primary colors, we're filling those gaps. There's plenty of water, plenty fertilizers left to do. And I would say that also for the Marketing Hub product. Like we've had that product out there

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for 14, 14.5 years. There's still plenty of low-hanging fruit on that Marketing Hub product. It's a terrific product. But even this year, it's going to get a lot better. And so yes, we don't see HubSpot as sort of the fix thing, like there's going to be a lot of innovation across new and existing hubs over time.

Ken Wong Analyst, Guggenheim Securities LLC Got it. Great. And Kate, just on the margins. So second year in a row that we've had flat margins, and I fully recognize it's a fantastic time to step on the gas given what we're seeing. I guess, as we think going ahead, should we think that you guys are more focused on the growth side versus the margin side in terms of how we should kind of adjust our models? Kate Bueker Chief Financial Officer, HubSpot, Inc. Yeah. I think that the message that you should hear from us is that the priority is on continuing to invest in the business to drive long-term growth. That said, we have a framework. And over the long term, we will continue to follow that framework. But in the near term, I think you shouldn't expect a linear movement. Ken Wong Analyst, Guggenheim Securities LLC Got it. Perfect. Thanks a lot. **Operator:** Your next question comes from Michael Turits from KeyBanc Capital Markets. Michael Turits Analyst, KeyBanc Capital Markets Hey, guys. Thanks for taking the question. So a strong quarter, both on the net expansion of existing customers and it sounds like new customers came in at a high price level, too. Which was the bigger factor in both of those? Was it the addition upsell and higher level of additions? Or what was it more attached at multiple ops? Kate Bueker Chief Financial Officer, HubSpot, Inc. It's relatively balanced. We - across those factors, there's a bunch of stuff that plays into it. Brian Patrick Halligan Chief Executive Officer and Co-Founder, HubSpot, Inc. Yes. I would just say new and cross-sell both performed well.

Michael Turits

Analyst, KeyBanc Capital Markets

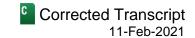
And then, Kate, you made – in the last quarter, you made a comment about billings in terms of duration and there was a duration headwind. This quarter, strong billings quarter, was there a duration tailwind in any sense this quarter?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.



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Yes, there was. And I think as many people who listen to these calls would probably know, billings is not my favorite metric out there. There's just a lot of stuff that happens with billings that can confuse people.

That said, on – again, over the long-term, constant currency revenue and constant currency billings are going to track one another. You see quarter-over-quarter some volatility there. By the way, I'm getting like seven packages deliver. So I apologize for the beeping in the background here. I don't know how to shut it off.

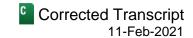
So last quarter, we did see constant currency billings above constant currency revenue. A few points of that is a result of the fact that we're getting some advantage from a duration extension. The Professional and Enterprise additions performed really well, and those tend to have longer billing terms than the lower-end Starter products.

There was another small bit here that was helpful. Some of the customers that we had given short-term plays to in Q2 at the onset of the pandemic were coming off of those sort of discounts or flexible payment terms. And so they build again in Q4. It was a smaller factor. And then the remaining performance of billings was really just strong bookings for the quarter.

Michael Turits Analyst, KeyBanc Capital Markets	Q
Great. Very helpful.	
Brian Patrick Halligan Chief Executive Officer and Co-Founder, HubSpot, Inc.	A
You want to get the doorbell, I'll take the next one.	
Kate Bueker Chief Financial Officer, HubSpot, Inc.	A
Good god. Sorry, I apologize.	
Brian Patrick Halligan Chief Executive Officer and Co-Founder, HubSpot, Inc.	А
I'll get the next one. I'll get the next call.	
Operator: Your next question comes from Ryan MacDonald from Needham.	
Alex Narum Analyst, Needham & Co. LLC	Q
Hey, this is Alex on for Ryan. Could you discuss the strategic rationale for The Hustle acquisition? Content creation and top-of-funnel lead generation has never really been an issue for the business, in my view. So does this enhance the business or HubSpot's ability to acquire new logos?	
Brian Patrick Halligan Chief Executive Officer and Co-Founder, HubSpot, Inc.	A

Great question. Alex, when we started HubSpot, it was on this idea of inbound marketing. And the problem with marketers is they're always renting space on someone else's assets: a radio show; a TV show; a newspaper; and increasingly, more recently, a social network or a search engine. And the idea behind inbound marketing was

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instead of renting space in somebody else's assets, well, just create your own asset, increase the number of those assets and increase the return you're getting on those assets.

What I love about The Hustle folks is they had some unbelievable assets. They had a newsletter asset, very, very, very modern and new, newsletter. Those things are taking off. They have the best one in the business, our opinion. They have a fantastic podcast and very deep research. So it's a little bit of an acquihire to get that terrific talent and all those assets that we plan to invest in and grow over time. So we're super, super excited about The Hustle. We think it's going to [ph] miss an (00:47:15) unfair advantage on the marketing side, for sure.

Operator: Your next question comes from Jennifer Lowe from UBS.

Jennifer Swanson Lowe

Analyst, UBS Securities LLC

Q

Great. Thank you. Maybe Brian, you'd made comments a couple of times about sort of the scale-up versus start-up components of your business. And in particular, given that a lot of those companies that may have been in market longer are now dealing with a selling environment that's very different than how they sold in the past. I'm just curious, if you're seeing any difference? And at the same time, you've matured your own product with the Enterprise and Pro SKUs. Are you seeing a difference in how often you're replacing an existing technology that may not be meeting current needs as opposed to how frequently you're landing in an environment where there just really isn't preexisting technology?

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.



Yes. That's a terrific question, Jennifer. In a start-up, we're typically the first legit system they have in place, like first legit CRM they'll put in place, which is where we want to be and then we want to scale with them. In a scaleup, oftentimes, someone have put in – tried to put in a CRM. It just didn't go well. It's too hard to set up. It was too hard to use and too complicated. And they got it sort of partly set up, and then they just said it's got to be a better way to do this stuff. And they find HubSpot, and they implement us.

And that's starting to happen more and more. We've been talking about that for a while, but we're starting to see more of that in the market. I think it's a testament to our approach. It's a patient person's approach to build all this stuff. But I think that patient is paying off.

I also think our go-to-market, Jennifer, really helps us in that area where, to engage with one of those traditional CRM players, they're into a free trial. It's not premium. You got a deal with a whole bunch of sales reps to get anything done. And we've got a super modern approach the way people do it. And I think people like it. They want to use a free product and give it a run. They want to try it. They want a trial. And yeah, they want to talk to a sales rep, they engage and learn about it and pricing and packaging and negotiating and helping them get set up.

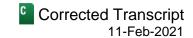
But I think our approach to letting people really use it matches the way they buy. I also think it really highlights our strength that it is easy to use and set up. It's very modern. And I think HubSpot is a little bit like Zoom. Zoom's not only a better product, but their go-to-market is much lighter. It's much easier to buy, like we want to be more like that. I think that's the future of SaaS, it's more like that.

Jennifer Swanson Lowe

Analyst, UBS Securities LLC



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Great. And then just maybe a more specific one. It seems like relative to the headwinds that were happening in Q2 when everything went to shelter-in-place, you've now largely kind of recovered some of the business that was negatively impacted by that. Is that a fair assessment? Or is there still more opportunity to improve on the recapture rate of business that might have been impaired earlier in 2020?

Kate Bueker Chief Financial Officer, HubSpot, Inc.	A
We are largely through the impact of our COVID plays.	
Jennifer Swanson Lowe Analyst, UBS Securities LLC	Q
Thank you.	
Brian Patrick Halligan Chief Executive Officer and Co-Founder, HubSpot, Inc.	A
That's it.	
Operator: Your next question comes from Keith Bachman from Bank of	^f Montreal.
Keith Bachman Analyst, BMO Capital Markets Corp.	Q
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Hi. Thank you, I'll ask two, if I could, and I'll just do it concurrently. One is you talked about net adds, in particular, to follow-on Michael Turits' question, I just want to hear some comments about this calendar year. Is there anything you want to call out, in particular, just trying to understand how you think mix for net adds may have an impact on the model?

And the second question is, in the past, you talked a little bit about commerce could be an opportunity for a market. Just wanted to hear some thoughts - any updated thoughts on commerce. In particular, what the opportunity might be for HubSpot in terms of your differentiated model? Thank you.

Let you take the first one. I'll take the second one, Kate.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

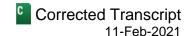
Yes. Sure. In terms of new customer adds, I think what you saw this year, 2020 was that the initial step-up that we saw in Q2 and then into Q3 was very much associated with the Starter Growth Suite pricing and packaging change. And then over the course of Q3 into Q4, what we saw is a much more balanced set of customer additions, which is what sort of leads me to the comments that from one quarter to the next, there's going to be some difference in the kinds of customers we add, as we introduce different functionality and make pricing and

packaging changes. Brian Patrick Halligan

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Chief Executive Officer and Co-Founder, HubSpot, Inc.

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Keith, on your commerce question, we've largely focused on B2B. And I'm kind of thinking like Shopify and HubSpot. They're the B2C side, we're the B2B side. We do think there's opportunity [ph] zone (00:52:06), increasingly on the B2B side, the way people want to buy is changing. And increasingly, they want a very light touch experience. And increasingly, they want parts of their products and maybe all of their products even on the B2B side to be some sort of an e-commerce each transaction. So that's an area we're very interested.

And I'll just leave it at that, very interested and we're investigating and looking at. But B2B commerce is, I think, a nice area of opportunity for start-ups and companies like HubSpot over the next couple of years. B2B buying process inevitably is going to change. And I think it will change for the better for the vendors and the buyers, and we want to be able to help our customers with that over time.

Keith Bachman Analyst, BMO Capital Markets Corp.	
Okay. Great. Many, thanks.	
Operator: Your next question comes from Kirk Mater	ne from Evercore ISI.
Kirk Materne	

Great. Thanks very much for setting me in and congrats on the results. Brian, you touched on this in some of your prior comments, but I was just kind of curious how often the concept of a platform now comes up with both, really new customers, meaning everybody is moving faster from a digital perspective. But as they move faster, are they asking more about sort of I want to make a bet on a platform as my first landing spot versus what you saw maybe a year or two ago? Because I think we can all see the customer adoption that you guys are seeing is accelerating. But I was kind of curious if the conversations you're having around that platform are also changing at maybe the same pace?

Brian Patrick Halligan

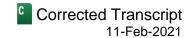
Chief Executive Officer and Co-Founder, HubSpot, Inc.

Yes. I think they are. [ph] Getting (00:53:48) increasingly people are coming to us and buying the whole platform upfront. And then just a lot of people who are Marketing Hub customers who are maybe looking at a new CRM, it just is kind of a no-brainer to buy HubSpot. Like they already know how to use the platform. It's a single view of the customer. I mean it's kind of a no-brainer. So it comes up more and more people wanting to buy the whole solution coming up more and more. Yes, some of the investments we made over the last few years are paying off.

And I would just add Kirk, that we have a ton more work to do on it. Like I look at our platform as we've made tremendous progress over the last couple of years, but there's – when I talk to customers, there's plenty of low-hanging fruit for us on the platform side and plenty of things they still want us to do. And so we got a lot of work left to do on it.

Kirk Materne Analyst, Evercore ISI	Q
Okay. Great. Thanks very much.	
Operator: Your next question comes from Siti Panigrahi from Mizuho.	

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Siti Panigrahi

Analyst, Mizuho Securities USA LLC

Thanks for taking my question, and congratulations. Going back to some earlier question about this, and you talked about positive mix shift to Professional and Enterprises. So last year, after the pandemic broke, you talked about downgrade of subscription. So how much of this mix shift influenced by those customers operating back versus the newer Starter customer that joined last couple of quarters now upgrading into more Enterprise and Professionals? And have you already upgraded most of them would downgrade right after March-April?

Kate Bueker

Chief Financial Officer, HubSpot, Inc.

Yeah. So what I would say – let me parse this into a couple of things. You are absolutely right. We gave a number of concessions – or we gave a set of concessions to customers in Q2 as part of the initial reaction to the pandemic. And most of those took the form of short-term discounts and flexible payments. We are through the majority. We are through most of those. And so there is some impact in Q4. It's not huge. The bigger impact on the duration, it comes from the set of new customers that we're adding, where we're seeing more strength in that Professional and Enterprise tier.

Operator: Your next question comes from Derrick Wood from Cowen.

J. Derrick Wood

Analyst, Cowen & Co. LLC

Great. Thanks for taking my questions and congrats, again, on a strong quarter. I wanted to come back to the notion of shifting from a marketing app to a CRM platform. And clearly, that's gaining momentum. But I wanted to maybe ask about what's going on in the channel? And whether existing partners are kind of evolving towards more of that broader platform approach as well? Or perhaps there's kind of a new kind of cohort coming on board from the partner set? So it would be nice to hear about how you're seeing the channel evolve?

Brian Patrick Halligan

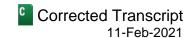
Chief Executive Officer and Co-Founder, HubSpot, Inc.

That's an excellent question. Thank you. The channel is definitely evolving. Like when we first started HubSpot, it was a marketing agency partner channel. I even think we call it the agency partner channel. We call it a solution partner channel now because they are solution partners. And there's two things going on. Some of those marketing agencies just want to do marketing. They're foreign marketers. They just like marketing, [ph] and the work and (00:57:29) Marketing Hub. And they've got a terrific business, and they're not changing.

Some of those marketing agencies, though, are shifting to be much more of a CRM partner for their customers and really shifted the way their business model works and their value prop works. So we're thrilled to see both of those, frankly.

And then if we look at the mix of new partners coming in, we definitely still have marketing agency-style partners coming in, but increasingly, it's CRM implementers. It's a little bit more technical of a partner, doing a little bit of a bigger implementation, more integration, more customization. So it's a little bit of both. Where I think the opportunity is going to be amazing is when people can use our content management system and our CRM system, combine those things together to create awesome experiences for their customers. There's a lot of opportunity for partners there.

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J. Derrick Wood

Analyst, Cowen & Co. LLC

Great. Thanks for the color.

Operator: That was our last question. At this time, I will turn the call over to Brian Halligan, CEO and Chairman, for closing remarks.

Brian Patrick Halligan

Chief Executive Officer and Co-Founder, HubSpot, Inc.

Thanks, everybody, for joining the call today. Thanks a lot. Appreciate it.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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