

06-Aug-2025

HubSpot, Inc. (HUBS)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to the HubSpot's Q2 2025 Earnings Call. My name is Gigi, and I'll be your operator today. At this time, all participant lines are in a listen-only mode, and there will be an opportunity for questions-and-answers after management's prepared remarks. [Operator Instructions]

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

Charles MacGlashing

Senior Vice President-Corporate Development, Investor Relations & Treasury, HubSpot, Inc.

Thanks, operator. Good afternoon, and welcome to HubSpot Second quarter 2025 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 Yamini Rangan, our Chief Executive officer; Dharmesh Shah, our Co-Founder and CTO; 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, FX movement and business outlook, including our financial guidance for the third fiscal quarter and full year 2025. 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 and our form 10-Q, which will be filed with the SEC this afternoon for discussion of the risks and uncertainties that could cause actual results to differ materially from expectations.

During the course of today's call, we'll refer to certain 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 such measures can be found within our second quarter 2025 earnings press release in the Investor Relations section of our website.

Now, it's my pleasure to turn over the call to HubSpot's Chief Executive Officer, Yamini Rangan. Yamini?

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

Thank you, Chuck, and welcome everyone. Today I'll share our Q2 2025 results and the key trends driving our momentum. Then I'll talk about the shifts in marketing and how that's opening up a big opportunity for HubSpot and our customers. I'll close with our progress in AI and the momentum we're building.

Q2 was a solid quarter for HubSpot, with revenue growing 18% year-over-year in constant currency, accelerating nearly a point from Q1. We delivered strong operating leverage with a 17% operating margin. Total customers

grew to 268,000 customers globally, with over 9,700 net customer additions in the quarter. I'm pleased with our consistent execution and the momentum we're building as the customer platform of choice for scaling companies.

Three themes stand out in our Q2 results. Platform strength, up-market momentum, and down-market velocity. First, our platform continues to be a major driver of our success. It's simple. New and existing customers are consolidating their go-to-market stacks on HubSpot to lower costs, get a unified view of their customers and drive AI innovation. 61% of new Pro+ customers now land with multiple hubs, up four points from last year. More notably, 42% of our install base by ARR now use all three core hubs. Marketing, sales and service also up four points. This is a clear sign that our platform-first approach is working.

Sales Hub and Service Hub are cranking. We've innovated rapidly with AI and made it easy for customers to buy feeds and grow when they see value. Sales Hub seat upgrades are up 71% year-over-year, with strong adoption of AI features like deal intelligence for prioritizing deals, guided actions to recommend next steps, and AI meeting assistance to streamline prep and follow up. Service Hub seat upgrades are up 110% year-over-year, fueled by growing use of AI.

Another important part of our platform story is the growing impact of the core seat. We launched core seats in March 2024 for customers who need edit access to smart CRM, the brains of our customer platform. Since then, we have layered in more value with advanced reporting workflows and admin capabilities. That's driving upgrades. 25% of Pro+ customers on the seats model have added more core seats. Smart CRM is where the full power of our platform comes together, and it's great to see customer adoption.

Second, our upmarket momentum continues to accelerate. Our focus has been clear, build powerful features upmarket customers need while keeping the ease of use that drives adoption, work closely with our partner ecosystem to help customers see value fast and show tangible success to increase awareness. That focus is delivering results. Large deals are up and product innovation is resonating. Our partner motion is fueling growth, with co-selling with our sales team up 29% year-over-year. Brand awareness is at an all-time high, supporting growth. HubSpot is becoming the platform more upmarket companies choose to grow with.

Third, we continue to see velocity in the down-market segment. Our focus here has been to make the starter tier more valuable and easier to buy. Free to Starter conversions are up driven by faster time to value and smarter AI-powered onboarding. The pricing changes we rolled out in 2024, lowering the entry price and removing seat minimums, are delivering results. Last year, we took half a step back to take several steps forward, and now we're seeing the payoff. More customers coming in, upgrading when they see value, and forming a stronger, healthier, customer base.

Okay, let's shift gears and talk about what's happening in search. Marketing is going through its biggest shift in decades and that opens up big opportunities for HubSpot and our customers. Two massive trends are unfolding. First, organic search traffic is declining globally, AI overviews are giving answers and fewer people are clicking through to websites. Second, AI search is rising. More people are turning to LLM for answers instead of searching for information, and that means the way companies get found is changing rapidly. We saw these shifts coming and moved early to adapt and lead. First, we diversify channels to reach customers where they are. Just 10% of our leads come from blog traffic. The rest comes from a broader growing mix across channels.

We've built 10 YouTube channels with 1.8 million subscribers, and Q2 was our best quarter ever for YouTube leads, up 96% year-over-year. On social, we have grown to over 2 million followers on LinkedIn and 600,000 on Instagram. In newsletters, leads grew 50% year-over-year, powered by The Hustle we acquired in 2021 and

Mindstream we acquired in 2024, and our podcast reached 5.2 million listeners in Q2 alone. The investments we made in diversifying channels is delivering results.

Second, we're figuring out how to show up in AI answers. When people ask questions in LLMs, they want specifics, data, quotes, real insights. That's what gets cited. Our marketing team is testing, innovating and leading here. We're now cited in LLMs more than any other CRM, and we are driving conversions from this emerging channel. This is a major shift in how companies get discovered. And we're not just adapting, we're helping our customers lead through it. INBOUND was all about bringing together our playbook, products and ecosystem to deliver real value to customers. Now, we're applying that same approach to help our customers grow in the AI era. We'll share more on our playbook, our vision for the future of marketing and the opportunity ahead at INBOUND.

Okay, let's talk about AI innovation and the momentum we're seeing there. Our strategy is to be the best at applying AI to help small and medium businesses grow. To deliver that, we've evolved HubSpot into an AI-powered customer platform. AI is embedded across the entire platform, so customers get value from day one, using the tools they already know. We deliver hubs that help customers do work, agents that do work for them, and a Smart CRM that powers it all with unified context and data. That combination is what sets HubSpot apart. And we're now turning AI into business results for our customers.

Customer Agent is gaining traction with over 4,000 customers having adopted it. Resolution rates are now averaging 55%, up more than 5 points in just one quarter. A great example is Youth on Course, which cuts response times by 17% and improved CSAT even as ticket volume rose. Just as every company once needed a website, today, every company needs a Customer Agent that can handle questions across marketing, sales, and support with full context. And that is exactly what we are enabling for our customers.

Prospecting Agent is seeing strong early demand, with over 3,700 customers using it and 17,000 on the waitlist. This agent watches for intense signals, researches prospects and sends personalized outreach, saving time for reps. One of our customers, Scrums.com, shared what used to take 10 BDRs now takes 3. And more importantly, we're reaching people who knew of us but never engaged with us before. And finally, Content Agent has helped 12,000-plus customers create content over the last year, with some generating the majority of their content through AI. All of this points to real momentum in AI adoption.

Our strategy to embed AI across all our hubs is delivering real results as well. Content Hub, our AI-first hub, continues to show strong momentum, especially as part of the broader Marketing Hub motion. In Q2, the attach rate to Marketing Hub was 48%, up 5 points year-over-year. That reflects a clear need. Marketeers want to create content across more channels and formats faster, and our AI features help them do that. AI adoption in Service Hub is also strong, with more than 40% using AI features.

In Q2, we launched AI feedback summaries and AI ticket sentiment to help service teams move faster and respond more intelligently. And we are continuing to innovate at speed.

Also in Q2, we became the first CRM to launch connectors with both ChatGPT and Claude. Over 20,000 customers have already used it to access insights across 23 million CRM records. Customers are already in LLMs asking questions, and these connectors give them fast, direct answers from HubSpot. And HubSpot remains the platform where the data lives, where teams collaborate, and where actions to drive growth get taken. Together, it's a powerful combination. Adoption has been strong among Pro+ customers, especially for sales pipeline insights and executive decision making. Overall, we're pleased with the traction and value AI is delivering across the platform, and we're just getting started.

Now we're not just building AI into our platform, we're becoming an AI-first company. AI is transforming how we work, how we serve customers, and how we grow. Across the business, we're using AI to drive real innovation, from booking meetings to handling support, and it's working. In Q2 alone, AI handled nearly half of our support chats and booked thousands of meetings for our sales team. We're also seeing a big impact on engineering productivity. Over 90% of our engineers use AI every week to move faster and focus on higher impact innovation. As we make this turn, we're making sure every HubSpotter is ready for the AI era. From companywide innovation days to hands on pilots and hackathons, teams are learning, testing and pushing what's possible.

To close, we have a differentiated platform approach and we are executing with clarity and momentum. I'm confident in our strategy, proud of our pace of innovation, and excited for what's ahead. I look forward to seeing many of you at our Analyst Day in September.

With that, I'll hand it over to our CFO, Kate Bueker, to walk through our financial and operating results. Kate?

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

Thanks, Yamini. Let's turn to our second quarter 2025 financial results. Q2 revenue grew 18% year-over-year in constant currency and 19% on an as reported basis. The quarter-over-quarter increase in our revenue growth was driven by improving core business performance over the last 12 months, and also benefited from the leap year headwind that impacted Q1.

Subscription revenue grew 19% year-over-year, while services and other revenue increased 21% on an as reported basis. Q2 domestic revenue grew 18% year-over-year. International revenue growth was 19% in constant currency and 21% as reported, representing 48% of total revenue. We added over 9,700 net new customers in Q2, ending the quarter with 268,000 customers, growing 18% year-over-year.

Average subscription revenue per customer was \$11,300 in Q2, flat year-over-year in constant currency and up a point on an as reported basis. We expect net additions for Q3 and Q4 to be at the high end of our 9,000 to 10,000 range, and ASRPC growth in constant currency to be up about a point. Customer dollar retention remained in the high-80s in Q2. Net revenue retention was 103%, up roughly a point sequentially, primarily driven by faster seat upgrades.

For the full year of 2025, we expect net revenue retention to be up a couple of points year-over-year, again due to the impact of the seats change. Calculated billings were \$814 million in Q2, growing 20% year-over-year in constant currency and 26% on an as-reported basis. The strengthening of the US dollar at the end of the quarter, and its impact on deferred revenue, resulted in an overall six point FX tailwind to as-reported billings growth. The remainder of my comments will refer to non-GAAP measures.

Q2 operating margin was 17%, flat compared to the year ago period and up three points sequentially. Net income was \$117 million in Q2, or \$2.19 per diluted share. Free cash flow was \$116 million, or 15% of revenue, in Q2. Our cash and marketable securities totaled \$1.9 billion at the end of June, including the impact of our convertible debt settlement and Q2 share repurchases. We bought back approximately 446,000 shares in Q2 and Q3 as part of our new share repurchase program, and have \$250 million of authorized purchases remaining under the program.

With that, let's dive into our guidance for the third quarter and full year of 2025. The macro environment remains uncertain, and our expectation is that these volatile conditions will continue for the remainder of the year. But we have a proven playbook that works in an environment like this.

For the third quarter, total as-reported revenue is expected to be in the range of \$785 million to \$787 million, up 16% year-over-year in constant currency and 17% on an as-reported basis. Non-GAAP operating profit is expected to be between \$156 million and \$157 million, representing a 20% operating profit margin.

Non-GAAP diluted net income per share is expected to be between \$2.56 and \$2.58. This assumes 53 million fully diluted shares outstanding. And for the full year of 2025. Total as-reported, revenue is now expected to be in the range of \$3.08 billion to \$3.088 billion, up 17% year-over-year in both constant currency and on an as-reported basis. We expect roughly a half-point currency tailwind to as-reported revenue growth in 2025.

Non-GAAP operating profit is now expected to be between \$568 million to \$572 million, representing an 18% operating profit margin. Non-GAAP diluted net income per share is now expected to be between \$9.47 and \$9.53. This assumes 53.4 million fully diluted shares outstanding. As you adjust your models, please keep in mind the following.

We now expect CapEx as a percentage of revenue to be 5% to 6% for the full year of 2025, driven by higher capitalized software expenses. We now expect free cash flow to be about \$580 million for the full year of 2025, with seasonally stronger free cash flow in Q4.

Before we open the call for questions, I want to invite you to join us for our annual Analyst Day at INBOUND, taking place on September 3rd in San Francisco. We look forward to seeing you there.

With that, I will turn the call back over to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Samad Samana from Jefferies.

Samad Samana

Analyst, Jefferies LLC

Q

Hi. Good evening and congrats on a nice 2Q. Yamini, I wanted to pull on the thread where you were talking about maybe the changing nature of INBOUND. So, it's good to hear about the traction of agents like customer and prospecting and the value they're adding for clients. But if I zoom out, now that you see how customers are deploying agents, is it changing how INBOUND itself is being done? I ask because there's a big investor debate on INBOUND in an agentic AI world. And as even humans change their workflows or starting points for search, I'd love to know how hubs which essentially created INBOUND, is pushing the agenda for this next phase shift as well?

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Hey, Samad, thank you so much for that question. Yes, there are major shifts that's happening in the top of the funnel, partly because of AI, but partly because of how buyer behavior is changing. Organic search is getting disrupted and people are clicking fewer blue links because AI overviews are providing the answers. And then the second big shift that's happening is that people are now asking questions of LLMs, rather than even searching for information.

So, those are two big changes, and when you put that together, SEO, which is kind of what we said with INBOUND is no longer working as it well was. So, we moved very early to adapt to the strategy and I explained this in the earnings, and we have a big opportunity to help our customers navigate a lot of these changes.

Let me start with what we did internally and start with a few facts. A lot has been said about HubSpot's blog traffic, and I want to share that 10% of HubSpot's leads comes from blog traffic. The other 90% comes from a diversified source of channels that are all growing. We recognized back in 2022 that over-dependence on organic search was not sustainable, and we started diversifying our demand engines across multiple channels. And as I mentioned in the prepared remarks, we diversified to social channels, YouTube, LinkedIn, Insta, that has paid off significantly. We grew our business podcast network, and that network today reaches millions of audiences via podcasts every month. And our investments in newsletters, email newsletters are paying off, and we're seeing the leads coming from that source grow 50% year-over-year.

So all of this has helped us continue to grow demand even when blog-driven traffic has declined. So the net here is that blog traffic is coming down, but 90% diversified traffic is growing. And that is a playbook that we are helping our customers execute as they navigate all of these changes.

At the same time, another change is happening because of AI, which is people are asking questions and therefore we are leaning into what's next, which is AI engine optimization or the industry calls it, or AEO or GEO. And it's pretty simple. As people start to ask questions of LLMs, there is a new place where companies need to show up, which is, answers on these LLMs, and that is what we are experimenting, leaning, and it's beginning to work. And we are seeing that clicks from LLMs convert much better than organic search, because buyers are deep in the research, they are asking specific questions, and when you give an answer, they're ready to act. And

so, even though it's early stages, we are seeing conversion rate go up, and this is a new nascent emerging channel. So, both of these shifts presents a huge opportunity for HubSpot and for us to help our customers navigate all of these changes.

You mentioned INBOUND. Look, HubSpot wrote the playbook on INBOUND, helping businesses grow through content. The importance of that content has not changed. What has changed is where people connect with that content. And as AI is reshaping the market, we're writing the next chapter. We're showing our customers how to thrive in that world beyond search, and I'm so excited about this opportunity.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Elizabeth Porter from Morgan Stanley.

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you so much. I wanted to follow-up on the comment about 25% of Pro+ customers adding more core seats. I was curious as to who were some of the types of personas that are getting access. And it may be a bit of a longer-term view, but as you expand kind of personas across the platform, how do you think about the opportunity to build any solutions or specific workflows for those personas that may interact with HubSpot today, but may not be that core customer?

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Elizabeth, I love this question. I think you're keying into one of our biggest growth levers for the future, which is the core seat. And maybe just to explain, the core seat is what customers buy to get the full value of our Smart CRM, and think of the Smart CRM as the brains of our platform. This is where the unified customer record sits. This is where you get the full visibility of the customer, and it provides customers the most value. And we've been investing heavily on this layer of our platform and adding powerful capabilities for admins, powerful capabilities for extending our platform.

And last year, in March 2024, we launched the core seat. That value of that core seat is resonating within our customers. I shared that stat, which is 25% of our Pro+ customers are upgrading and buying more core seats, and they're doing this for a couple of reasons, because they get powerful edit capabilities, they get ability to provide more automation, and that does expand our core personas.

You're right to point that out in the question. The core persona that we have for sales is Sales Hub feeds, for service, it's Service Hub feeds. But then, core seat expands it beyond all of those to admins, to ops, to finance folks, and that expands our opportunity.

As we think about the future, we're going to add a ton of value into that core platform layer. This will have AI capabilities, it will have smart properties. And I think that we're going to be able to drive that as sustained growth going forward. Pretty exciting opportunity for HubSpot.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Brad Sills from Bank of America.

Brad Sills

Analyst, BofA Securities, Inc.

Q

Wonderful. Thank you so much. And it's great to see some of the early traction with agents. I did want to ask a question about that. Is there any data that you're looking at that can illustrate for us [Technical Difficulty] (00:28:35) your engagement with those customers that are running agents? In other words, how often are they hitting the agent button coming back into HubSpot interactions? I know it's early, but for some of those customers that might have been on for a couple of quarters here, what are you seeing with regards to that level of engagement for those customers running agents? Thank you.

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

I'll start with the agents, and then Dharmesh, feel free to add to it. So far, we have multiple featured agents that HubSpot has built, Customer Agent and Prospecting Agent, Content Agent, those are the ones that are our featured agents. And I'm really pleased with the momentum that we are seeing with all of these agents. I talked about Customer Agent, which has got 4,000 customers. We're seeing really good weekly usage and resolution rates there, that are consistently about 50%. Many of the Customer Agent customers are seeing 70% to 80% resolution rates. And we've seen more than 6x increase in resolutions since January and surpassed over 1 million ticket deflections.

Now, if I step back and think about agent usage, our customers know that with agents they can actually get help in doing work and that is a big shift. It's not just about delivering software to help people get productivity, but it's actually delivering work. And so, the use cases that we're seeing traction are deflecting support tickets, setting up meetings in terms of prospecting, writing content that shows up in variety of channels. Those are all the early use cases that we're seeing traction, and I'm pretty excited about the momentum overall.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Jackson Ader from KeyBanc Capital Markets.

Jackson Ader

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Good evening, guys. Thanks for taking our question. Yamini, I'd like to follow up on the core seats, the 25% of customers that have come back and purchased more core seats. I'm just curious on two things. Number one, is it – are you putting so much featured like other the core seats, so feature rich that you might be cannibalizing a little bit of people coming and buying full seats for Sales or Service Hub, number one?

And number two, in the future or if there is a future, say, where do you think you'll delineate between -these are the things that we're going to build into core seats versus these are the things that we are going to live – or leave to those full seats for Sales Hub, Service Hub and the like? Thank you.

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Those are great questions, and I'll take the first part of the question, what goes into the persona seats and what goes into the core seats. It's really clear. The use cases are super distinct. For Sales, it is how do you drive the deals, how do you forecast, how do you manage that entire process, that's what goes into the Sales Hub persona

seats. And then similarly for Service, it's everything to do with your customer success workspace or your helpdesk workspace. And so, it's very, very distinct in terms of what goes into personas seats.

Let me take your direct question on are we cannibalizing core seats, we don't think so. We've always had this approach for pricing where we add a lot of value and then we monetize value. And I think the core seat value is resonating and we plan to continue to add value there.

The second part of the question you asked is, what goes into core seat and what maybe gets into AI and so on. And here's our early thinking on it. Everything that goes into the daily flow like a personal AI use case. So, if it's a Copilot, it's going to belong to that core seat. Anything that is in the daily flow of work that helps someone in the go-to-market organization do better work, that will be either in the persona seat or in the core seat. If AI is actually doing work for you, as in the case of Customer Agent resolving a support ticket, or a Prospecting Agent setting up a meeting, that will belong in agents and will be monetized through credits.

And so to step back, core seat is a platform opportunity. Persona seats are functional opportunities, and AI credits will help us monetize the work that we get done. And all of that provides durable ways for us to grow.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Mark Murphy from JPMorgan.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Kate, when we look at the billings growth of 20% constant currency and that is outpacing revenue growth by a couple of points, do you think it's fair to conclude that the worm has turned here? In other words, the leading indicators of your net new bookings are outperforming the lagging indicator of revenue. Just wondering if you think it's fair to consider that that equation maybe has inverted a little from where it was four to six quarters ago?

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. Hi, Mark, thanks for the question. I'm not sure that I know this warm analogy, but maybe I'll talk a little bit about our constant currency billings growth of 20%. We're pleased with the strength in the billings growth. You are right that billings tends to lead when the business is showing positive momentum, but I would remind you that we called out strength in up market in Q2 specifically, larger deals, more multi-hub deals.

And these deals tend to have higher billing terms, so longer months up front which means an extension of duration. And this helps create a bit of a gap, a positive gap for constant currency billings growth, relative to constant currency revenue growth. If you just think about kind of the next couple of quarters anyway, our expectation is that the revenue and billings growth will track each other, but we will still see this small benefit from duration over the next couple of quarters.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Arjun Bhatia from William Blair.

Arjun Bhatia

Analyst, William Blair & Co. LLC

Q

Perfect. Thank you so much. Yamini, I had one for you going back to agentic AI. I think Brad maybe touched on this a little bit, but I want to follow up. It seems like you're getting great adoption, right, in terms of the pure number

of customers that are adopting HubSpot agents. I'm curious where you are in terms of consumption in the consumption model for your agentic capabilities, are customers kind of still burning through their initial credits. Are you seeing them kind of come back to the well, buy more credits? Where are we in that journey? Or should we expect that to be more of a 2026 plus dynamic? Thank you.

Yamini Rangan*President, Chief Executive Officer & Director, HubSpot, Inc.*

A

Yeah. Thank you for Arjun the question. Look, we have had a clear and consistent philosophy when it comes to monetization, which is we focus on value before monetizing. And the signal that we very specifically look for in terms of monetizing is predictable value for customers, and that is exactly what we're seeing with Customer Agent. We're seeing predictable value, really good resolutions and good adoption by customers, and that's why we added it to our credit space pricing model. And you can assume that we will take a similar approach as the rest of the agents come into GA and continue to deliver value. So, very excited about the progress that we are making in agent adoption and delivering value.

Now, specifically on credits, we launched credit at INBOUND last year and added Customer Agent to credit in June, and it's rolling into our install base of Customer Agent customers this week. So, it's super early and there's not that much in terms of very clear monetization patterns that we can say, but we feel very confident that the usage and value that we are delivering translates into monetization. So, overall, very happy with the progress we're making, it will have impact in 2026, but all of the leading indicators are very positive.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Michael Turrin from Wells Fargo Securities.

Michael Turrin*Analyst, Wells Fargo Securities LLC*

Q

Hey, great. Thanks. Appreciate you taking the question and hitting the search topic head on in the prepared remarks. And also stands out you're one of the few in software calling out growth contribution seats and a few different flavors with the new model. So, I was just wondering if you could expand on whether you're finding the more patient monetization strategy you've taken there, a competitive advantage in this environment. And then, just moving forward, you've touched on it with a few of the answers, but just how you're thinking about AI and the puts and takes of monetizing some of the value you're delivering there early versus waiting, and doing some of the durable growth like you've done with the seat model here. Thank you.

Yamini Rangan*President, Chief Executive Officer & Director, HubSpot, Inc.*

A

Yeah, definitely a lot of puts and takes there in terms of it. And look, we are very disciplined when it comes to pricing and monetization and it does pay off. We really focus on delivering value before monetizing. And you mentioned the seats growth, we've seen it consistently. We've seen it in core seats. We're seeing it in Sales Hub seat upgrades. We're seeing it in Service Hub seat upgrades. And it comes down to how our philosophy is always focused on value.

Last year you know that we lowered the entry price and we removed the friction of customers upgrading to Pro on Service Hub and Sales Hub seats. And the rationale for us doing that was to make it super easy for customers to buy and it's easy for customers to upgrade with HubSpot. And that is exactly what is playing through, and we see it in all of the upgrade motions that you talked about.

Now, in terms of the puts and takes, in terms of the pricing strategy, our pricing strategy is hybrid. We will have seats that monetize us the core value that we deliver for all of the personas that we support, and we have credits that will help us monetize the value that is not tied to seats. And the combination of these two, we think is going to be really useful as the AI kind of adoption wave continues.

Now everybody talks about, PxQ and they talk about quantity going down. But the more important part of it is the quantity goes down only when the value goes up, and we have a very clear mechanism to monetize that value. So, overall, feel very good in terms of the approach that we have taken. Patience pays off, and it is paying off for us.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Brent Bracelin from Piper Sandler.

Brent A. Bracelin

Analyst, Piper Sandler & Co.

Q

Good afternoon. Thanks for taking the question. Yamini, I think you could spend the next four to five minutes talking about core seats, seems super important. I'm sure we'll touch about more on that at the event here next month. But Kate, I wanted to go back to the quarter. The Americas growth accelerated by a point. Even if I back out FX, it looks like Q2 is the highest dollar sequential increase in revenue that we've ever seen. It looks like it's the highest percent sequential increase in over a year.

So, as we just think about the fundamental drivers here of the upside in the quarter, was there any sort of one time anomalies that we should think about outside of FX, or is that just broad-based strength that you're seeing in the business driving that acceleration in Americas? And again, pretty strong sequential increase in overall revenue.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. Thank you so much for the question and appreciate your positive commentary on the performance in the quarter. We were happy with the performance in Q2. It came in largely as we expected, the sequential growth was nice. We beat by \$21 million, had a little bit of help there from FX, probably \$5 million of the \$21 million, but we had a nice solid seat based on core business performance.

Look, I think that what you should hear from us in sort of the performance in Q2 and how we set our guidance for the full year is a few things. One is, the business is performing well. Yamini mentioned the strength that we're seeing up market, our continued velocity down market, our overall traction and platform consolidation, like this is driving nice business momentum. And we saw revenue growth in constant currency improve Q1 to Q2.

The team's executing well. We had a strong execution through the first half of the year, even though the external environment does remain a bit choppy. And then, you're right, we saw some favorability in FX between Q1 and Q2, the dollar has weakened that's a tailwind for us. And we included an additional \$20 million of FX tailwind in the back half of the year in the guidance that we put forward.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Tyler Radke from Citi.

Tyler Radke

Analyst, Citigroup Global Markets, Inc.

Q

Thank you for taking the question, Kate, on the improved outlook for new customer adds, and then I believe also ASRPC for the back half. Could you just unpack the key drivers of that? I mean, it sounds like a lot of great momentum as Yamini was alluding to in terms of the non-blog traffic sources, but is this simply a slightly better macro view or are you seeing kind of some incremental kind of organic improvements in lead generation, just given the diversified channel approach you're taking?

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. I mean, I guess I wouldn't overreact to quarter-over-quarter changes to net additions, like we see that move from one quarter to the next. We are happy to see net adds come in above our 9,000 expectation for Q2. We saw nice performance across both the starter tier and also the professional and enterprise tiers. In starter, what we saw was like a nice uplift in the Free to Starter conversion rate, and we saw some positive impact from an annual pricing promotion that we put in place at the beginning of June.

On the professional and enterprise side, it's just really consistent momentum quarter-over-quarter. And so, like our expectation here over the next couple of quarters is that we continue to be in that 9,000 to 10,000 range at the top end of that range. And then as ASRPC expectations is up roughly a point in constant currency in Q3 and Q4.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Keith Bachman from BMO.

Keith Bachman

Analyst, BMO Capital Markets Corp.

Q

Hi. Good evening. Good afternoon. I'd like to invite Dharmesh on, if he's available. And the question is, you've seen a number of trends in your technology career and there is a lot of cross currents associated, and particularly with the Marketing Hub. And as you think about what the Marketing Hub is today, HubSpot is adding agentic capabilities, whether part of that solution as an additional add on. But what does the solution look like in two or three years that customers are buying? Is it still through the Marketing Hub, or are you buying agents that are supported by them? Just trying to understand how you think the actual advent of agentic technology is going to change the construct of what a Marketing Hub is.

And then secondly is, how do you think the and maybe this is for Kate or Yamini, but how do you think the evolution of what customers are paying for may evolve? I know there's been a lot of talk about seats today, which was candidly great to see or hear rather. But how does that evolve? In other words, do you think consumption rose over time as a percentage of revenue? So, thanks very much.

Dharmesh Shah

Co-Founder, Chief Technology Officer & Director, HubSpot, Inc.

A

Yeah, I'll start off. Thanks for the question. In terms of things we're most excited about, we are excited about this kind of emerging new operating system, this AI operating system that's happening now. And so you saw us earlier this year release these connectors for both ChatGPT and Claude. And the idea behind these connectors is that in this kind of new age, users are going to be spending some time in these kind of frontier AI applications.

And the reason we're excited is that now this gives us another point of leverage, which is how can we use the platform that we have and deliver more user and customer value. And as people spend more time there, we think we can take what we've done in the past and say, oh, we'll add APIs, we'll add ways for customers to get benefit from being on the HubSpot customer platform. With this kind of new agentic world, we're going to see more and more use cases emerge on the frontier apps, and we can build these connectors to kind of create more value for our customers.

I'll give you an example. If you're sitting inside ChatGPT, which by the way now has 700 million weekly active users, right, lots and lots of usage there. Someone could type in and say, oh, what was my best performing GEO in Europe last quarter? And I want to send them an email, right? So, now it goes through the connector because ChatGPT knows that there's a native connector for HubSpot, the data comes back from HubSpot that says here were your best performing GEOs. Now these are approved, the email is being sent. So, the interactions happening in ChatGPT, the action to be able to take on that insight that just came back happens inside of HubSpot. Now, this is a very novel use case, because now ChatGPT knows about the world, right, it knows about the web, everything that's on the internet and HubSpot knows about your customers. And we can bring all those three things together to say, oh, I want to bring this data back from HubSpot, intersect it with what we know of the world, and then take this action back within the customer platform and actually do things. I'm really excited about this new operating system, and we're sort of very kind of early to this market. And we believe in this kind of open platform that, says, okay, well, we want to kind of pipe those insights in that data through, and the action continues to happen in HubSpot. So, that's what I'm most excited about.

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

And I think, Keith, there's also a lot of excitement in terms of what we can do within Marketing Hub to help our customers just adapt and navigate to all of the changes. And, one thing I want to make very clear, search is getting disrupted, which means SEO is not as effective as it is before. But here's the key, content matters even more in the new world. The content needs to actually show up in social, it needs to show up in podcasts and newsletters, it needs to show up in LLM answers. And that is exactly what Marketing Hub and Content Hub will do.

You asked a specific question, how does this all look like. I think Marketing Hub and Content Hub we have a huge opportunity to really transform how this content shows up for our customers. And that's exactly what we're building. And Content Agent helps marketers generate high quality content. The work that we've been doing to innovate on Content Hub, which is content remix, podcast, remix, what it does is actually helps our customers diversify. Because SEO is one piece of the broader marketing strategy we support, and what we really support with is how we power our customers' ability to diversify channels across emails, ads, social, journey analytics and so on.

And so, I think that we're pretty excited about the broader opportunity to help our customers with marketing, and as we do that and as we evolve our pricing strategy, we'll have a balance of seats and credits. Where we provide value in a seat to help our customers get productivity, seats will grow. Where we do the work for customers, like Customer Agent, credits will [ph] grow (00:50:26). And I think that opens up a lot of opportunity for us.

Operator: Thank you one moment for our next question. Our next question comes from the line of Alex Zukin from Wolfe Research.

Alex Zukin

Analyst, Wolfe Research LLC

Q

Hey, guys. Thanks for taking my question. You guys both, Yamini and Dharmesh, have given such great thoughtful answers to these kind of higher altitude questions. Maybe kind of in a similar vein, Yamini, given the disruption happening in and around Marketing, are you seeing customers pause and evaluate and sales cycles either take longer or budgetary decisions be a little bit more interspersed, or are you actually seeing this a call to action where, to your point, content is more important than ever, you're seeing more engagement and time in app around putting – broadening the surface area of where people are marketing.

And Dharmesh, for you, if the UX layer – if the OS is now the LLM to some extent in however many years that reality happens, as you move up-market, it feels like the monetization path with some of your competitors is to monetize data access, right, or monetize actions. When you think about monetizing, not at the UX layer, but at this process layer, how does that change vis-à-vis your competitors? And how do you see that evolving?

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Alex, you just sneaked in a multiple-part question there, but I will take the first part, which is on Marketing Hub and what we're seeing. Look, there's a lot shifting within marketing. And marketers are not pausing to evaluate. They're really focused on driving growth, driving leads and diversifying their sources. And that is what we see. I talk to CMOs all the time and we talk about what is working today, what is not working. They're looking to HubSpot, because they trust HubSpot. We've brought playbooks together, we've brought products together that can help them execute on the playbook. And we have a ecosystem of partners that we have activated to help them. And so they're coming to us, and it's actually causing a new CTA within marketing teams to evaluate their playbooks and reimagine what they need to do in the world beyond search. So, that's why I think it's a big opportunity, and I can't wait to share much more about this vision at INBOUND next month. And Dharmesh, I'll...

Dharmesh Shah

Co-Founder, Chief Technology Officer & Director, HubSpot, Inc.

A

Yeah, one thing I'd like to add, I'm going to add on to the marketing, since we've talked a lot about marketing and INBOUND, kind of intersected with agents. One of the new things we've learned recently, I'll kind of catch you guys up. So, we launched a product called Agent.AI at INBOUND last year. We had 47,000 users at that time. We just crossed the 2-million user mark. But one thing that was kind of surprising was this kind of emerging use case that was unexpected, which is people using agents as a lead magnet. So, think of it, agents as a form of content, where before you might have said, oh, I'm going to create this research PDF, or I'm going to create this Excel spreadsheet that I'm going to give away in exchange for someone's email address.

Now, what we see customers doing is creating agents, taking their domain expertise, whatever is embodying it inside of an agent and using as a lead magnet and using Agent.AI as a platform to do that. Now, the really cool thing is that, now you can take that kind of domain expertise that you had and drive kind of value for customers. So, it's a new form of INBOUND, a new form of content that's very, very agentic, and it's exciting now.

And the cool feature in Agent.AI is, if you're using this lead magnet feature and your HubSpot customer which you would need to be, those leads that you generate on Agent.AI go into your HubSpot account. So there's this nice flywheel effect that's happening there that I'm super excited about. I know that's not the question you asked, but that's the question I wanted to answer. So, here we are.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Gabriella Borges from Goldman Sachs.

Gabriela Borges

Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good afternoon. Thanks for taking my question. This one is for Dharmesh as well. Dharmesh, I'd love your perspective from a frontier model standpoint. As we see frontier models, add more agents and agentic applications to their platform layer, how do you think about that being a source of competition longer term, and how important is the domain experience and the workflow experience that you have at HubSpot in that context? Thanks so much.

Dharmesh Shah

Co-Founder, Chief Technology Officer & Director, HubSpot, Inc.

A

Yeah, I think a lot of the and what we're seeing now, and I think we're going to continue to see for a while, is the agent development that's happening within the frontier models is going to be one of two things. They're going to be a very horizontal consumer facing agentic capability, right, that says, oh, we're going to build something for calendaring or something that's kind of very broad-based versus kind of vertical B2B focus thing.

And the other thing they're doing is kind of extending their platforms to allow third parties like HubSpot to be able to build more agentic capabilities with better reasoning models, better tooling, then tool calling. So those are the things that are happening. In terms of, the value of the domain expertise within and I'm biased here, but within industries like CRM and ERP and others, there's just so much embodied in it, not just the data and the data models and things that we're passing back to the LLM.

It's in our case, 19 years' worth of domain expertise that's embodied in millions of lines of code that it capture what a salesperson does all day and what a service rep might do all day. And I think that is going to be hard and sort of messy for frontier models to try. And they have bigger fish to fry in my mind, they're going after the kind of trillion dollar opportunities, not the kind of individual vertical opportunities, one at a time, but that that's my thesis.

Gabriela Borges

Analyst, Goldman Sachs & Co. LLC

Q

Thank you for the thought.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Brett Huff from Stephens, Inc.

Brett Huff

Analyst, Stephens, Inc.

Q

Good evening. Congrats on a nice quarter and thanks for squeezing me in, I appreciate it. Mine is a little bit higher level question. Given all the changes going on in AI moving up market, new products, et cetera, can you just remind us if there's been a reshuffle in sort of the stack rank of where you see growth coming? First, most biggest, sort of however you want to sort of rank them for us, which ones you're going after first? Which ones might be bigger? Just to help reframe the debate or reframe sort of the growth pie as you guys think about it going forward with all the dynamics going on. Thank you.

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Absolutely. That's a very good question. Look, we have a current playbook that is working, and you can see it from the consistency of delivery of results from those. This is platform consolidation, moving up market and delivering compelling customer value in all of the seats. And that playbook is working, you see it in strong customer dollar retention. You [ph] see it in (00:57:35) upgrade momentum and the large deal momentum. Those existing growth levers will continue going in the forward. In addition to that, there are a few durable growth drivers. We've always been able to thoughtfully and intentionally add reps in very specific segments and geographies, and we see continuing to do that.

The other lever, which we've talked about a lot in this call and previous calls, is the pricing change that we drove last year. What we did was to lower seat minimums, remove the friction and provide us an opportunity for growth. That's obviously paying through this year, but we'll continue to see that roll through our install base into next year. That will be a durable lever for growth.

And then finally, AI, this is a multiyear tailwind. We are taking a super patient and very strategic approach to AI, which is we are embedding it into the platform and delivering work through agents, and we have the ability to monetize both of those, but first by focusing on the value. So, to net it out, current playbook is working, will continue to drive value through the current playbook. We have rep-driven growth. We have pricing changes that adds to durable lever and AI, which is a multiyear tailwind. You feel very confident about that.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Taylor McGinnis from UBS.

Taylor McGinnis

Analyst, UBS Securities LLC

Q

Yeah. Hi. Thanks for taking my question. So, NRR improved a point in the quarter, and I know you've talked a lot about seeing some nice seat expansion activity. So, is that largely just a function of the pricing model change or are you seeing any unlock or improvement in other expansion motion areas? And then, I know the guide implies an improvement as we move throughout the year, but maybe you could just give a little bit of more color in terms of where you think that could go and what would need to happen to get well into the 105%, 110% type range, range again, thanks.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. Thanks, Taylor, for the question. It was nice to see the sequential improvement in net revenue retention. As we talked about in the prepared remarks, it was about a point increase quarter-over-quarter. When you think about the drivers of the net revenue retention, like they're very much the same as the ones that we've been talking about for a number of quarters now. Like it starts again with the healthy customer dollar retention at the foundation. It's been really stable in the high 80s now for a number of years. You're right, the primary reason for the expansion of net revenue retention is the strong seat upgrade performance. That is a combination of the core seat adoption that Yamini is talking about, as well as increased rates of seat upgrades across Sales and Service. Most of that, I would say, all of that is a result of the seats model pricing change that we rolled out last year.

Outside of seats, we continue to see challenges in the other net upgrade motions. Customers remain very value-focused and we have not seen that unlock. That said, we do still expect that net revenue retention is going to be up a couple of points year-over-year, with call it, flat into Q3 and then a nice step up in Q4 as we start to see more

of the migrated customers come up for renewal. So, again, largely driven by the seat expansion motions, in the pricing change.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Brian Peterson from Raymond James.

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Q

Thanks for taking the question. And congrats on a really strong quarter. Yamini, I wanted to follow-up on your answer to efforts to diversify the sources at the top of the funnel. I'm curious, have you seen any material changes into how you're bringing in leads specifically for enterprise? And I'm also curious, how is your channel influence business trended this year versus your expectations? And what is their role as AI becomes much more important? Thanks.

Yamini Rangan

President, Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah. Great question. Look, I think on the diversification of our lead sources, that has been a play that has been multiple years in the making and it's working, and it's working across our segments. We have our small business, mid-market and core segments, it's working across all of those segments. And so, we're going to continue on that diversification strategy, and we're going to educate our customers to continue on that diversification strategy.

Now, specifically, about our partner channel, partners are influencing about 40% of our ARR, and that has continued. They are co-selling as well as sourcing. And I mentioned this in the earnings prepared remarks that we're seeing partner source more, and they're also co-selling with our reps more. And they are a good way for us to deliver higher win rates, higher ASP deals within the upmarket and more importantly, when they deliver that value, customers stay longer with us and they buy more into the future. So, the partner channel continues to be a good mode for HubSpot and has expanded into co-selling and sourcing. Thank you for that question.

Operator: Thank you. This concludes the HubSpot Q2 2025 Earnings Call. Thank you to everyone who was able to join us today. You may now disconnect your lines.

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