
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 4, 2021

HUBSPOT, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36680
(Commission File Number)

20-2632791
(IRS Employer
Identification No.)

25 First Street,
Cambridge, Massachusetts
(Address of Principal Executive Offices)

02141
(Zip Code)

Registrant's Telephone Number, Including Area Code: (888) 482-7768

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.001 per share	HUBS	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 4, 2021, HubSpot, Inc. (the “Company”) issued a press release announcing its financial results and other information for the quarter ended June 30, 2021. The full text of the press release is furnished as Exhibit 99.1 hereto and incorporated herein by reference.

The information under this Item 2.02, including Exhibit 99.1 attached hereto, is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors, Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 4, 2021, the Company announced that, effective September 7, 2021, Brian Halligan will transition from his role as Chief Executive Officer and President of the Company and will become Executive Chairman of the Company’s Board of Directors. As Executive Chairman, Mr. Halligan will continue to play a meaningful role in driving the Company’s long-term strategy, including partner and product strategy. Mr. Halligan will continue to receive an annual base salary of \$1 and will continue to forego any annual cash incentive compensation. His existing equity awards will continue to vest in accordance with their terms and he will not be granted any additional equity awards in connection with the transition.

On the same date, the Company announced that Yamini Rangan, currently the Company’s Chief Customer Officer, has been appointed by the Board of Directors to serve as the Company’s Chief Executive Officer and President, effective September 7, 2021 and upon Mr. Halligan’s transition from his current executive positions at the Company. In connection with her appointment as Chief Executive Officer and President, Ms. Rangan will replace Mr. Halligan as the Company’s principal executive officer.

The Board of Directors also approved an increase in the size of the Board of Directors to ten members and in the size of Class III from three to four, and the appointment of Ms. Rangan as a Class III director, in each case effective September 7, 2021. Ms. Rangan will serve as a Class III director of the Company until the Company’s 2023 annual meeting of stockholders. The Board of Directors believes Ms. Rangan is qualified to serve as a member of the Board of Directors because of her extensive experience scaling high-growth companies, her operational background, and her deep understanding of the Company’s business and customer strategy. No arrangement or understanding exists between Ms. Rangan and any other person pursuant to which Ms. Rangan was selected as a director of the Company.

As Chief Executive Officer and President, Ms. Rangan will voluntarily receive an annual base salary of \$1 and forego any annual cash incentive compensation, effective September 7, 2021. Ms. Rangan will remain eligible to participate in the Company’s Senior Executive Cash Incentive Bonus Plan in accordance with the terms of that bonus plan on a prorated basis for the period between January 1, 2021 and September 6, 2021 at an annual target percentage of 60% of her current base salary of \$487,500. In connection with her appointment, Ms. Rangan will be granted equity awards with an aggregate value of \$3,500,000, of which 75% will be restricted stock units and 25% will be stock options, which will in each case vest ratably over sixteen calendar quarters beginning September 1, 2021. Ms. Rangan’s existing equity awards will continue to vest in accordance with their terms. Biographical information regarding Ms. Rangan is set forth in the Company’s proxy statement for its 2021 annual meeting of stockholders, as filed with the U.S. Securities and Exchange Commission on April 23, 2021, and such information is incorporated by reference herein. No arrangement or understanding exists between Ms. Rangan and any other person pursuant to which Ms. Rangan was selected to serve as Chief Executive Officer and President of the Company.

There have been no related party transactions between the Company or any of its subsidiaries and Ms. Rangan reportable under Item 404(a) of Regulation S-K. Ms. Rangan has no family relationships with any of our directors or executive officers.

Item 7.01. Regulation FD Disclosure.

A copy of the Company’s press release announcing the foregoing is attached to this Current Report on Form 8-K as Exhibit 99.1. Additionally, a copy of a blog post made by the Company in connection with the executive leadership transitions is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The information in this Item 7.01 and in Exhibits 99.1 and 99.2 attached hereto is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference to such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release of HubSpot, Inc. dated August 4, 2021 furnished herewith
99.2	Blog Post of HubSpot, Inc. on August 4, 2021, furnished herewith
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 4, 2021

HubSpot, Inc.

By: /s/ Kate Bueker

Name: Kate Bueker

Title: Chief Financial Officer



HubSpot Reports Q2 2021 Results

Brian Halligan to step into Executive Chairman role effective September 7, 2021; HubSpot executive Yamini Rangan to be named next CEO

CAMBRIDGE, MA (August 4, 2021) — HubSpot, Inc. (NYSE: HUBS), the customer relationship management (CRM) platform for scaling companies, today announced financial results for the second quarter ended June 30, 2021. The company also announced that Brian Halligan will step into the role of Executive Chairman of HubSpot's Board of Directors as of September 7, 2021. The Board has appointed Yamini Rangan, HubSpot's current Chief Customer Officer, to succeed him.

Financial Highlights:

Revenue

- Total revenue was \$310.8 million, up 53% compared to Q2'20.
 - Subscription revenue was \$300.4 million, up 53% compared to Q2'20.
 - Professional services and other revenue was \$10.4 million, up 44% compared to Q2'20.

Operating Income (Loss)

- GAAP operating margin was (5.3%), compared to (6.7%) in Q2'20.
- Non-GAAP operating margin was 8.9%, compared to 9.4% in Q2'20.
- GAAP operating loss was (\$16.6) million, compared to (\$13.6) million in Q2'20.
- Non-GAAP operating income was \$27.5 million, compared to \$19.2 million in Q2'20.

Net Income (Loss)

- GAAP net loss was (\$24.6) million, or (\$0.53) per basic and diluted share, compared to (\$29.4) million, or (\$0.67) per basic and diluted share in Q2'20.
- Non-GAAP net income was \$21.6 million, or \$0.46 per basic and \$0.43 per diluted share, compared to \$16.7 million, or \$0.38 per basic and \$0.34 per diluted share in Q2'20.
- Weighted average basic and diluted shares outstanding for GAAP net loss per share was 46.8 million, compared to 44.1 million basic and diluted shares in Q2'20.
- Weighted average basic and diluted shares outstanding for non-GAAP net income per share was 46.8 million and 50.6 million respectively, compared to 44.1 million and 48.4 million, respectively in Q2'20.

Balance Sheet and Cash Flow

- The company's cash, cash equivalents, and short-term and long-term investments balance was \$1,297 million as of June 30, 2021.
- During the second quarter, the company generated \$41.4 million of operating cash flow, excluding the \$3.2 million used for the repayment of our convertible notes, compared to \$15.0 million during Q2'20, which excluded the \$48.7 million used for the repayment of our convertible notes.
- During the second quarter, the company generated \$25.6 million of free cash flow, compared to \$0.8 million during Q2'20.

Additional Recent Business Highlights

- Grew total customers to 121,048 at June 30, 2021, up 40% from June 30, 2020.
- Total average subscription revenue per customer was \$10,198 during the second quarter of 2021, up 8% compared to the second quarter of 2020.

“We finished out the first half of the year with yet another quarter of strong performance across the business,” said Yamini Rangan, Chief Customer Officer at HubSpot. “With the launch of CMS Hub Starter and recent improvements to CMS Hub Professional and Enterprise, we’re well-positioned to continue to support our customers through the ongoing trend of digital transformation as more companies have to adapt to doing business online.”

Business Outlook

Based on information available as of August 4, 2021, HubSpot is issuing guidance for the third quarter of 2021 and full year 2021 as indicated below.

Third Quarter 2021:

- Total revenue is expected to be in the range of \$325 million to \$327 million.
- Non-GAAP operating income is expected to be in the range of \$27 million to \$29 million.
- Non-GAAP net income per common share is expected to be in the range of \$0.42 to \$0.44. This assumes approximately 50.6 million weighted average diluted shares outstanding.

Full Year 2021:

- Total revenue is expected to be in the range of \$1,268 million to \$1,272 million.
- Non-GAAP operating income is expected to be in the range of \$107 million to \$109 million.
- Non-GAAP net income per common share is expected to be in the range of \$1.67 to \$1.69. This assumes approximately 50.5 million weighted average diluted shares outstanding.

Yamini Rangan to Take Reins September 7, 2021

Brian Halligan will step into the role of Executive Chairman of HubSpot’s Board of Directors as of September 7, 2021. Yamini Rangan will succeed Halligan and will step into the CEO role effective September 7, 2021. Rangan will also join HubSpot’s Board of Directors at that time. Halligan will work closely with Rangan to ensure a smooth transition.

“As Dharmesh and I have thought about what the next 15 years and beyond look like for HubSpot, it’s become clear to us that we have an opportunity to make some important changes now that will set us up for long term success,” said Brian Halligan, co-founder and CEO of HubSpot. “I’ve also been thinking a lot about how I can have the most impact on HubSpot moving forward, and moving to the Executive Chairman role feels like a natural fit. That transition wouldn’t be possible if I weren’t incredibly confident in Yamini’s ability to lead HubSpot.”

“Since the day she arrived, Yamini has made HubSpot better,” continued Dharmesh Shah, co-founder and CTO of HubSpot. “From reducing friction for our customers, to leading the company with clarity and empathy, Yamini has proven she is ready to take on the role of CEO to help both HubSpot and our customers grow better. I know I speak for both Brian and I when I say that we’re thrilled to have her take on this role and can’t wait to work together to lead the company.”

“I’m deeply humbled, grateful and excited to take on this new opportunity in partnership with Brian, Dharmesh, and the entire HubSpot team,” said Rangan. “It was Brian and Dharmesh’s visionary leadership as founders that got us here today, and that leadership will continue to be invaluable as HubSpot grows. I’m excited to continue working together to build innovative products, create a remarkable culture for our employees, and ultimately make HubSpot the #1 CRM platform for scaling companies.”

Use of Non-GAAP Financial Measures

In our earnings press releases, conference calls, slide presentations, and webcasts, we may use or discuss non-GAAP financial measures, as defined by Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, are included in this press release after the consolidated financial

statements. Our earnings press releases containing such non-GAAP reconciliations can be found in the Investors section of our website ir.hubspot.com.

Conference Call Information

HubSpot will host a conference call on Wednesday August 4, 2021 at 4:30 p.m. Eastern Time (ET) to discuss the company's first quarter financial results and its business outlook. To register for this conference call, please use this dial in registration link or visit HubSpot's Investor Relations website at ir.hubspot.com. After registering, a confirmation email will be sent, including dial-in details and a unique code for entry. Participants who wish to register for the conference call webcast please use this link.

Following the conference call, a replay will be available at (800) 585-8367 (domestic) or (416) 621-4642 (international). The replay passcode is 6587506. An archived webcast of this conference call will also be available on HubSpot's Investor Relations website at ir.hubspot.com.

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

About HubSpot

HubSpot is a leading CRM platform that provides software and support to help companies grow better. The platform includes marketing, sales, service, operations, and website management products that start free and scale to meet our customers' needs at any stage of growth. Today, over 121,000 customers across more than 120 countries use HubSpot's powerful and easy-to-use tools and integrations to attract, engage, and delight customers. Learn more at www.hubspot.com.

Cautionary Language Concerning Forward-Looking Statements

This press release includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management's expectations of future financial and operational performance and operational expenditures, expected growth, and business outlook, including our financial guidance for the third fiscal quarter of and full year 2021; and statements regarding our positioning for future growth and market leadership; statements regarding the announced leadership transitions; statements regarding expected market trends, future investments, and opportunities. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, risks associated with the impact of COVID-19 on our business, the broader economy, our workforce and operations, and our ability to forecast our future financial performance as a result of COVID-19; our history of losses; our ability to retain existing customers and add new customers; the continued growth of the market for a CRM platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock; and other risks set forth under the caption "Risk Factors" in our SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

Consolidated Balance Sheets

(in thousands)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 338,336	\$ 378,123
Short-term investments	875,395	873,073
Accounts receivable	117,030	126,433
Deferred commission expense	52,941	44,576
Prepaid expenses and other current assets	42,626	34,716
Total current assets	1,426,328	1,456,921
Long-term investments	83,762	30,697
Property and equipment, net	97,885	101,123
Capitalized software development costs, net	33,513	24,943
Right-of-use assets	257,323	275,893
Deferred commission expense, net of current portion	35,211	28,296
Other assets	25,157	13,893
Intangible assets, net	11,644	10,282
Goodwill	47,789	31,318
Total assets	\$ 2,018,612	\$ 1,973,366
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,178	\$ 13,540
Accrued compensation costs	51,986	44,054
Accrued expenses and other current liabilities	44,744	37,184
Convertible senior notes	64,762	7,837
Operating lease liabilities	31,410	30,020
Deferred revenue	358,830	312,866
Total current liabilities	563,910	445,501
Operating lease liabilities, net of current portion	259,696	279,664
Deferred revenue, net of current portion	3,403	3,636
Other long-term liabilities	12,056	10,811
Convertible senior notes, net of current portion	373,863	471,099
Total liabilities	1,212,928	1,210,711
Stockholders' equity:		
Common stock	47	46
Additional paid-in capital	1,334,301	1,241,167
Accumulated other comprehensive income	2,228	4,603
Accumulated deficit	(530,892)	(483,161)
Total stockholders' equity	805,684	762,655
Total liabilities and stockholders' equity	\$ 2,018,612	\$ 1,973,366

Consolidated Statements of Operations

(in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Subscription	\$ 300,423	\$ 196,415	\$ 570,686	\$ 387,643
Professional services and other	10,365	7,193	21,467	14,932
Total revenue	<u>310,788</u>	<u>203,608</u>	<u>592,153</u>	<u>402,575</u>
Cost of revenues:				
Subscription	51,134	30,400	94,986	60,135
Professional services and other	11,743	8,377	22,625	16,926
Total cost of revenues	<u>62,877</u>	<u>38,777</u>	<u>117,611</u>	<u>77,061</u>
Gross profit	<u>247,911</u>	<u>164,831</u>	<u>474,542</u>	<u>325,514</u>
Operating expenses:				
Research and development	72,104	49,372	140,500	95,573
Sales and marketing	157,799	102,600	298,817	204,928
General and administrative	34,610	26,484	66,860	52,741
Total operating expenses	<u>264,513</u>	<u>178,456</u>	<u>506,177</u>	<u>353,242</u>
Loss from operations	<u>(16,602)</u>	<u>(13,625)</u>	<u>(31,635)</u>	<u>(27,728)</u>
Other expense:				
Interest income	341	2,135	816	6,192
Interest expense	(7,179)	(16,809)	(16,578)	(22,761)
Other income (expense)	528	(91)	1,188	(1,143)
Total other expense	<u>(6,310)</u>	<u>(14,765)</u>	<u>(14,574)</u>	<u>(17,712)</u>
Loss before income tax expense	<u>(22,912)</u>	<u>(28,390)</u>	<u>(46,209)</u>	<u>(45,440)</u>
Income tax benefit (expense)	<u>(1,660)</u>	<u>(1,011)</u>	<u>(1,522)</u>	<u>(1,677)</u>
Net loss	<u>\$ (24,572)</u>	<u>\$ (29,401)</u>	<u>\$ (47,731)</u>	<u>\$ (47,117)</u>
Net loss per share, basic and diluted	\$ (0.53)	\$ (0.67)	\$ (1.02)	\$ (1.08)
Weighted average common shares used in computing basic and diluted net loss per share:	46,777	44,130	46,603	43,703

Consolidated Statements of Cash Flows

(in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating Activities:				
Net loss	(24,572)	\$ (29,401)	\$ (47,731)	\$ (47,117)
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities				
Depreciation and amortization	10,528	8,972	21,736	17,683
Stock-based compensation	43,433	31,374	75,856	58,837
Loss on early extinguishment of 2022 Convertible Notes	682	10,493	3,088	10,493
Repayment of 2022 Convertible Notes attributable to the debt discount	(3,223)	(48,675)	(13,028)	(48,675)
Gain on strategic investments	(1,022)	—	(1,022)	—
Benefit from deferred income taxes	(114)	(165)	(1,120)	(422)
Amortization of debt discount and issuance costs	6,019	5,959	12,512	11,662
Amortization (accretion) of bond discount	1,155	(1,336)	1,670	(3,490)
Unrealized currency translation	329	(597)	280	184
Changes in assets and liabilities				
Accounts receivable	(7,531)	(3,850)	8,944	5,930
Prepaid expenses and other assets	(10,409)	(5,313)	(7,694)	(20,420)
Deferred commission expense	(10,097)	(4,314)	(16,402)	(5,837)
Right-of-use assets	8,193	7,675	18,547	13,398
Accounts payable	(5,867)	342	(1,269)	1,837
Accrued expenses and other liabilities	17,962	5,883	15,533	444
Operating lease liabilities	(9,102)	(7,033)	(18,374)	(12,314)
Deferred revenue	21,827	(3,704)	49,365	7,128
Net cash and cash equivalents provided by (used in) operating activities	<u>38,191</u>	<u>(33,690)</u>	<u>100,891</u>	<u>(10,679)</u>
Investing Activities:				
Purchases of investments	(291,775)	(527,139)	(654,063)	(967,028)
Maturities of investments	219,684	327,127	596,602	710,002
Sale of investments	—	10,932	—	10,932
Equity method investment	(792)	—	(3,100)	—
Acquisition of a business, net of cash acquired	—	—	(16,810)	—
Purchases of property and equipment	(6,779)	(8,799)	(10,746)	(19,897)
Capitalization of software development costs	(9,080)	(5,394)	(16,421)	(10,163)
Purchases of strategic investments	(4,352)	(1,000)	(6,202)	(1,000)
Net cash and cash equivalents used in investing activities	<u>(93,094)</u>	<u>(204,273)</u>	<u>(110,740)</u>	<u>(277,154)</u>
Financing Activities:				
Proceeds from issuance of 2025 Convertible Notes, net of issuance costs paid of \$9.4 million	—	450,614	—	450,614
Proceeds from settlement of Convertible Note Hedges related to the 2022 Convertible Notes	2	362,492	725	362,492
Payments for settlement of Warrants related to the 2022 Convertible Notes	—	(327,543)	—	(327,543)
Repayment of 2022 Convertible Notes attributable to the principal	(9,509)	(234,366)	(45,409)	(234,366)
Payments for Capped Call Options related to the 2025 Convertible Notes	—	(50,600)	—	(50,600)
Employee taxes paid related to the net share settlement of stock-based awards	(3,949)	(1,259)	(6,913)	(2,200)
Proceeds related to the issuance of common stock under stock plans	8,529	8,354	24,868	15,208
Repayments of finance lease obligations	—	2	—	(28)
Net cash and cash equivalents (used in) provided by financing activities	<u>(4,927)</u>	<u>207,694</u>	<u>(26,729)</u>	<u>213,577</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>668</u>	<u>1,670</u>	<u>(3,209)</u>	<u>(144)</u>
Net increase in cash, cash equivalents and restricted cash	<u>(59,162)</u>	<u>(28,599)</u>	<u>(39,787)</u>	<u>(74,400)</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>400,527</u>	<u>232,714</u>	<u>381,152</u>	<u>278,515</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 341,365</u>	<u>\$ 204,115</u>	<u>\$ 341,365</u>	<u>\$ 204,115</u>

Reconciliation of non-GAAP operating income and operating margin

(in thousands, except percentages)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
GAAP operating loss	\$ (16,602)	\$ (13,625)	\$ (31,635)	\$ (27,728)
Stock-based compensation	43,433	31,374	75,856	58,837
Amortization of acquired intangible assets	337	899	682	1,798
Acquisition related expenses	372	518	1,567	851
Non-GAAP operating income	<u>\$ 27,540</u>	<u>\$ 19,166</u>	<u>\$ 46,470</u>	<u>\$ 33,758</u>
GAAP operating margin	(5.3%)	(6.7%)	(5.3%)	(6.9%)
Non-GAAP operating margin	8.9%	9.4%	7.8%	8.4%

Reconciliation of non-GAAP net income

(in thousands, except per share amounts)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
GAAP net loss	\$ (24,572)	(29,401)	\$ (47,731)	\$ (47,117)
Stock-based compensation	43,433	31,374	75,856	58,837
Amortization of acquired intangibles assets	337	899	682	1,798
Acquisition related expenses	372	518	1,567	851
Non-cash interest expense for amortization of debt discount and debt issuance costs	6,019	5,959	12,512	11,662
(Gain on) impairment of strategic investments	(1,022)	—	(1,022)	250
Loss on early extinguishment of 2022 Convertible Notes	682	10,493	3,088	10,493
Loss on equity method investment	83	—	83	—
Income tax effects of non-GAAP items	(3,738)	(3,160)	(7,789)	(6,013)
Non-GAAP net income	<u>\$ 21,594</u>	<u>16,682</u>	<u>\$ 37,246</u>	<u>\$ 30,761</u>
Non-GAAP net income per share:				
Basic	\$ 0.46	\$ 0.38	\$ 0.80	\$ 0.70
Diluted	\$ 0.43	\$ 0.34	\$ 0.74	\$ 0.64
Shares used in non-GAAP per share calculations				
Basic	46,777	44,130	46,603	43,703
Diluted	50,637	48,367	50,537	47,988

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

(in thousands, except percentages)

	Three Months Ended June 30,									
	2021					2020				
	COS, Sub- cription	COS, Prof. services & other	R&D	S&M	G&A	COS, Sub- cription	COS, Prof. services & other	R&D	S&M	G&A
GAAP expense	\$ 51,134	\$ 11,743	\$ 72,104	\$ 157,799	\$ 34,610	\$ 30,400	\$ 8,377	\$ 49,372	\$ 102,600	\$ 26,484
Stock -based compensation	(1,582)	(826)	(15,080)	(18,971)	(6,974)	(1,075)	(628)	(10,111)	(12,868)	(6,692)
Amortization of acquired intangible assets	(236)	—	—	(101)	—	(879)	—	—	(20)	—
Acquisition related expenses	—	—	(340)	—	(32)	—	—	(327)	—	(191)
Non-GAAP expense	<u>\$ 49,316</u>	<u>\$ 10,917</u>	<u>\$ 56,684</u>	<u>\$ 138,727</u>	<u>\$ 27,604</u>	<u>\$ 28,446</u>	<u>\$ 7,749</u>	<u>\$ 38,934</u>	<u>\$ 89,712</u>	<u>\$ 19,601</u>
GAAP expense as a percentage of revenue	16.5%	3.8%	23.2%	50.8%	11.1%	14.9%	4.1%	24.2%	50.4%	13.0%
Non-GAAP expense as a percentage of revenue	15.9%	3.5%	18.2%	44.6%	8.9%	14.0%	3.8%	19.1%	44.1%	9.6%

	Six Months Ended June 30,									
	2021					2020				
	COS, Sub- cription	COS, Prof. services & other	R&D	S&M	G&A	COS, Sub- cription	COS, Prof. services & other	R&D	S&M	G&A
GAAP expense	\$ 94,986	\$ 22,625	\$ 140,500	\$ 298,817	\$ 66,860	\$ 60,135	\$ 16,926	\$ 95,573	\$ 204,928	\$ 52,741
Stock -based compensation	(2,892)	(1,523)	(26,565)	(32,600)	(12,276)	(1,974)	(1,234)	(18,819)	(23,684)	(13,126)
Amortization of acquired intangible assets	(475)	—	—	(207)	—	(1,759)	—	—	(39)	—
Acquisition related expenses	—	—	(684)	(367)	(516)	—	—	(657)	—	(194)
Non-GAAP expense	<u>\$ 91,619</u>	<u>\$ 21,102</u>	<u>\$ 113,251</u>	<u>\$ 265,643</u>	<u>\$ 54,068</u>	<u>\$ 56,402</u>	<u>\$ 15,692</u>	<u>\$ 76,097</u>	<u>\$ 181,205</u>	<u>\$ 39,421</u>
GAAP expense as a percentage of revenue	16.0%	3.8%	23.7%	50.5%	11.3%	14.9%	4.2%	23.7%	50.9%	13.1%
Non-GAAP expense as a percentage of revenue	15.5%	3.6%	19.1%	44.9%	9.1%	14.0%	3.9%	18.9%	45.0%	9.8%

Reconciliation of non-GAAP subscription margin

(in thousands, except percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
GAAP subscription margin	\$	249,289	\$	166,015	\$	475,700	\$	327,508
Stock -based compensation		1,582		1,075		2,892		1,974
Amortization of acquired intangible assets		236		879		475		1,759
Non-GAAP subscription margin	<u>\$</u>	<u>251,107</u>	<u>\$</u>	<u>167,969</u>	<u>\$</u>	<u>479,067</u>	<u>\$</u>	<u>331,241</u>
GAAP subscription margin percentage		83.0%		84.5%		83.4%		84.5%
Non-GAAP subscription margin percentage		83.6%		85.5%		83.9%		85.5%

Reconciliation of free cash flow

(in thousands)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
GAAP net cash and cash equivalents provided by (used in) operating activities	\$ 38,191	\$ (33,690)	\$ 100,891	\$ (10,679)
Purchases of property and equipment	(6,779)	(8,799)	(10,746)	(19,897)
Capitalization of software development costs	(9,080)	(5,394)	(16,421)	(10,163)
Repayment of 2022 Convertible Notes attributable to the debt discount	3,223	48,675	13,028	48,674
Free cash flow	<u>\$ 25,555</u>	<u>\$ 792</u>	<u>\$ 86,752</u>	<u>\$ 7,935</u>

Reconciliation of operating cash flow

(in thousands)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
GAAP net cash and cash equivalents provided by (used in) operating activities	\$ 38,191	\$ (33,690)	\$ 100,891	\$ (10,679)
Repayment of 2022 Convertible Notes attributable to the debt discount	3,223	48,675	13,028	48,674
Operating cash flow, excluding repayment of convertible debt	<u>\$ 41,414</u>	<u>\$ 14,985</u>	<u>\$ 113,919</u>	<u>\$ 37,995</u>

Reconciliation of forecasted non-GAAP operating income

(in thousands, except percentages)

	<u>Three Months Ended September</u>	<u>Year Ended</u>
	<u>30, 2021</u>	<u>December 31, 2021</u>
GAAP operating income range	(\$13,401)-(\$11,401)	(\$54,066)-(\$52,066)
Stock-based compensation	39,740	157,720
Amortization of acquired intangible assets	325	1,330
Acquisition related expenses	336	2,016
Non-GAAP operating income range	<u>\$27,000-\$29,000</u>	<u>\$107,000-\$109,000</u>

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

(in thousands, except per share amounts)

	Three Months Ended September 30, 2021	Year Ended December 31, 2021
GAAP net loss range	(\$20,790)-(\$19,540)	(\$84,157)-(\$82,907)
Stock-based compensation	39,740	157,720
Amortization of acquired intangible assets	325	1,330
Acquisition related expenses	336	2,016
Non-cash interest expense for amortization of debt discount and debt issuance costs	5,970	24,605
Income tax effects of non-GAAP items	(4,081)-(4,331)	(16,914)-(17,164)
Non-GAAP net income range	<u>\$21,500-\$22,500</u>	<u>\$84,600-\$85,600</u>
GAAP net income per basic and diluted share	(\$0.44)-(\$0.42)	(\$1.80)-(\$1.77)
Non-GAAP net income per diluted share	\$0.42-\$0.44	\$1.67-\$1.69

Weighted average common shares used in computing GAAP basic and diluted net loss per share:	46,992	46,856
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Weighted average common shares used in computing non-GAAP diluted net loss per share:	50,607	50,516
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HubSpot's estimates of stock-based compensation, amortization of acquired intangible assets, acquisition-related expenses, non-cash interest expense for amortization of debt discount and debt issuance costs, gain on strategic investment, loss on equity method investment, loss on early extinguishment of 2022 Convertible Notes, and income tax effects of non-GAAP items assume, among other things, the occurrence of no additional acquisitions, investments or restructurings, and no further revisions to stock-based compensation and related expenses.

Non-GAAP Financial Measures

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

Management believes that these non-GAAP financial measures provide additional means of evaluating period-over-period operating performance. Specifically, these non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by eliminating certain non-cash expenses and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors. However, these non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial

measures prepared in accordance with GAAP. In addition, it should be noted that these non-GAAP financial measures may be different from non-GAAP measures used by other companies. We intend to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. Management may, however, utilize other measures to illustrate performance in the future. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included above in this press release.

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

- A. Stock-based compensation is a non-cash expense accounted for in accordance with FASB ASC Topic 718. We believe that the exclusion of stock-based compensation expense allows for financial results that are more indicative of our operational performance and provide for a useful comparison of our operating results to prior periods and to our peer companies because stock-based compensation expense varies from period to period and company to company due to such things as differing valuation methodologies and changes in stock price.
- B. Expense for the amortization of acquired intangible assets, excluding backlog acquired intangible assets amortized as contra revenue, is excluded from non-GAAP expense and income measures as HubSpot views amortization of these assets as arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is a non-cash expense that is not typically affected by operations during any particular period. Valuation and subsequent amortization of intangible assets can also be inconsistent in amount and frequency because they can significantly vary based on the timing and size of acquisitions and the inherently subjective nature of the degree to which a purchase price is allocated to intangible assets. We believe that the exclusion of this amortization expense provides for a useful comparison of our operating results to prior periods, for which we have historically excluded amortization expense, and to our peer companies, which commonly exclude acquired intangible asset amortization. It is important to note that although we exclude amortization of acquired intangible assets from our non-GAAP expense and income measures, revenue generated from such intangibles is included within our non-GAAP income measures. The use of these intangible assets contributed to our revenues earned during the periods presented and will contribute to future periods as well.
- C. Acquisition related expenses, such as transaction costs and retention payments, are expenses that are not necessarily reflective of operational performance during a period. We believe that the exclusion of these expenses provides for a useful comparison of our operating results to prior periods and to our peer companies, which commonly exclude these expenses.
- D. In May 2017, the Company issued \$400 million of convertible notes due in 2022 with a coupon interest rate of 0.25%. In June 2020, the Company issued \$460 million of convertible notes due in 2025 with a coupon interest rate of 0.375%. The imputed interest rates of the convertible senior notes were approximately 6.87% and 5.71%, respectively. This is a result of the debt discount recorded for the conversion feature that is required to be separately accounted for as equity, and debt issuance costs, which reduce the carrying value of the convertible debt instrument. The debt discount is amortized as interest expense together with the issuance costs of the debt. The expense for the amortization of debt discount and debt issuance costs is a non-cash item, and we believe the exclusion of this non-cash interest expense provides for a useful comparison of our operating results to prior periods and to our peer companies.

In the three months ended June 30, 2021, the Company settled \$12.7 million of the principal balance of the 2022 Notes in cash and in the six months ended June 30, 2021, the Company settled \$57.2 million of the principal balance of the 2022 Notes in cash. In connection with these settlements, the Company recorded a \$0.7 million and \$3.1 million loss on early extinguishment of debt in the three and six months ended June 30, 2021. The loss represents the difference between the fair value and carrying value of the debt extinguished. The amount of this charge may be inconsistent in size and varies depending on the timing of the repurchase of debt. In connection with the debt extinguishment, approximately \$3.2 million and \$13.0 million of the repayment of convertible notes that is attributable to debt discount was classified as cash used in operating activities in the three and six months ended June 30, 2021. Throughout the remainder of 2021 and until the maturity of the notes that are due in 2022, the Company has repaid, and will continue to repay early conversions of these notes. These activities are not considered reflective of our recurring core business operating results. As such, we believe the exclusion of these expenses and payments provides for a useful comparison of our operating results to prior periods and to our peer companies.

- E. Strategic investments consist of non-controlling equity investments in privately held companies. The recognition of gains or losses can vary significantly across periods and we do not view them to be indicative of our fundamental operating activities and believe the exclusion of gains or losses provides for a useful comparison of our operating results to prior periods and to our peer companies.
- F. We made a contribution to the Black Economic Development Fund (the “investee”) managed by the Local Initiatives Support Corporation and have commitments to make additional capital contributions. We account for this investment under the equity method of accounting. The proportionate share of our equity method investee's net earnings have been excluded in order to provide a comparable view of our operating results to prior periods and to our peer companies. We believe this activity is not reflective of our recurring core business operating results.
- G. The effects of income taxes on non-GAAP items reflect a fixed long-term projected tax rate of 20% to provide better consistency across reporting periods. To determine this long-term non-GAAP tax rate, we exclude the impact of other non-GAAP adjustments and take into account other factors such as our current operating structure and existing tax positions in various jurisdictions. We will periodically reevaluate this tax rate, as necessary, for significant events such as relevant tax law changes and material changes in our forecasted geographic earnings mix.

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HubSpot's Next Chapter: Yamini Rangan Appointed CEO, Brian Halligan to Step Into Executive Chairman Role

Today, HubSpot announced that our co-founder and current CEO Brian Halligan will step into the role of Executive Chairman and our Chief Customer Officer, Yamini Rangan, will become HubSpot's CEO, effective September 7, 2021. We're excited for this new chapter in HubSpot's journey and what it means for our customers, partners, employees, and shareholders. The combination of our founders' vision and leadership, with Yamini's extensive experience scaling high-growth companies, means HubSpot's future is exceptionally bright.

"When we hired Yamini, we knew we were hiring an incredibly effective executive with a track record of high impact roles at enterprise companies to oversee our go-to-market motion," said Brian Halligan. "Since day one of her arrival, she's made our organization better, and while I was out, she led the company with clarity, empathy, and exceptional results. She's proven she can lead HubSpot, and I'm excited to partner with her for many years to come in my new role as Executive Chairman. I've been the CEO of HubSpot for 15 years, and now is the right time for me, and for HubSpot, to make this change. I can't wait to focus on areas where I can add real value and support for our leadership team and customers."

[Embedded video - see Annex 1 for transcript]

Yamini joined HubSpot in 2020 as Chief Customer Officer, bringing over 25 years of experience in technology across CRM, ERP, and collaboration markets from companies including Dropbox, Workday, and SAP. Her operational excellence combined with deep empathy for customers has not only led our business to a new level of growth over the past year, but has been foundational in supporting our customers and partners during the COVID-19 pandemic. Yamini has been overseeing day-to-day operations at HubSpot since March 2021, managing Board meetings, the HubSpot earnings call, and key hiring and growth initiatives, working closely with our co-founder & CTO Dharmesh Shah. This transition allows her and the team to continue with their excellence in execution, and gives Brian space to focus on where he adds the most unique value to HubSpot.

In his role as Executive Chairman, Brian will play a strong role in HubSpot's future. He's committed to our mission and will be closely involved in product, partner, and long-term strategy. Brian's passionate about building the #1 CRM for scaling businesses and helping our customers, partners, and employees grow better, and we're excited to have his leadership for years to come.

Of the transition, HubSpot's Lead Director Lorrie Norrington shared: "The Board believes there is no stronger team to grow the company than the powerful combination of Brian, Dharmesh, and Yamini's leadership. Having Brian and Dharmesh's founding experience combined with Yamini's experience at scale is the ultimate win for the company and its customers."

Of her new role, Yamini Rangan said, "It's the honor of a lifetime to partner with our founders to write HubSpot's next chapter. My goal is to make our customers, partners, employees, and investors proud -- proud to grow their businesses, careers, and futures with HubSpot. Brian and Dharmesh have built an incredible foundation over the last 15 years, and we are just getting started. Together, we have the opportunity to help millions of organizations grow better and truly

build a once-in-a-generation company. I couldn't be more excited for the future of HubSpot's journey.”

Annex 1: Transcript of video embedded in 'HubSpot's Next Chapter' blog post

Brian Halligan: Hi, I'm Brian Halligan. I'm excited to share two great pieces of news with you today. First, I'm coming back to HubSpot stronger than ever. I want to thank all of the HubSpotters who took such incredible care of our customers and the company while I was out--I couldn't be more proud and grateful. Now while I was out, I've thought a lot about how I can add the most value to HubSpot, its customers, partners, employees, everyone. And so I'm going to be coming back in a new role as Executive Chairman of HubSpot. So, the second thing I get to do today is introduce you to HubSpot's new CEO, Yamini Rangan. Yamini was hired as our Chief Customer Officer and has been running HubSpot in my absence with help from our amazing leadership team. The results she's delivered speak for themselves, but that's not the only reason she's the best pick for this role. Since she arrived, Yamini has made HubSpot better. We want to be the #1 CRM for scaling organizations and Yamini has been living and breathing the CRM space for two decades. She knows the space cold, cares deeply about our customers, and is a seasoned, compassionate executive who has built scale at other terrific companies. Yamini, I'm THRILLED to partner with you to write HubSpot's next chapter.

Yamini Rangan: Thank you so much, Brian, and I know I speak for everyone at HubSpot when I say I'm so glad you're doing well and on the mend. I can't wait to partner with you and Dharmesh to write the next chapter at HubSpot. It's the honor of a lifetime to be HubSpot's CEO, and I'm really excited about the journey ahead. I joined HubSpot with a focus on our customers. We have over 120,000 customers globally and I knew you had built an incredible customer base. Having been in your seat for the past few months, one thing is very clear: our customers depend on us for content, community, and a customer experience they truly love. We have a unique opportunity to help millions of organizations grow better. In addition to customers, our culture is the most important asset. Our customers and partners trust us to build, market, sell, and service a remarkable product, and to do that, HubSpot's culture has to remain a competitive advantage. I look forward to working with you and Dharmesh to ensure HubSpot is a company people truly love, and to scale a culture our employees are proud to be a part of.

Brian Halligan: A few things stick out to me as remarkably special about Yamini as CEO of HubSpot. First, she's been in the CRM space for decades. She built and bolstered enterprise-grade power at organizations like Workday and SAP. She also built amazing consumer-grade experiences at Dropbox. Awesome companies. Yamini is inherently curious, and has a growth mindset--the three of us share a commitment to getting better as we grow and learning from both the successes and failures of others and ourselves. Finally, she's proven without a doubt that she can do this job--our earnings results speak to her exceptional execution, clarity of thinking, and empathetic leadership.

Yamini Rangan: We have a unique opportunity ahead of us--we have incredible customers, a remarkable culture, and an opportunity to do something that few organizations have done really well before. We have the opportunity to build an organization that has massive global impact while maintaining that personal connection with customers. A company that makes long-term strategic bets to win. A company that is a global talent magnet that people thrive and love to be a part of. I am so excited to get started and partner with Brian and Dharmesh to make customers, partners, employees, and investors proud.

Brian Halligan: When Dharmesh and I started HubSpot 15 years ago, our goal was to build a company that future generations would be proud of. We're still in the very early innings of what HubSpot can become, so I'm excited to join forces with Yamini to write the next chapter of HubSpot's success.

Yamini Rangan: To our HubSpot customers, partners, employees, and investors: I am really excited to grow better with all of you, let's do this!
