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HubSpot, Inc. (HUBS)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to HubSpot's First Quarter 2026 Earnings Call. My name is Liz, and I will be your operator today. At this time, all participant lines are in 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 Director of Investor Relations, Chuck MacGlashing. Please go ahead.

Charles MacGlashing

SVP Treasury, Corporate Development and Investor Relations, HubSpot

Good afternoon and welcome to HubSpot's First quarter 2026 earnings conference Call. Today, we'll be discussing the results announced in the press release that we issued this afternoon. 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 forward-looking statements within the meaning of the Federal Securities Laws, including statements regarding our financial guidance for the second fiscal quarter and full year 2026, future financial performance, business outlook and strategy. These statements reflect our views only as of today and except as required by law, we undertake no obligation to update or revise them. Please refer to the cautionary language in today's press release, our Form 10-Q and other SEC filings for discussions of 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. Reconciliations to the most directly comparable GAAP measures can be found in today's press release.

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

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

Thank you, Chuck, and welcome to everyone joining us today. I'll start with our Q1 2026 results and share what's driving our performance. Then I'll walk through our strategy and the progress we made with our Spring Spotlight product updates, and how they're delivering real outcomes for our customers. I'll close with how we are balancing growth and profitability as we transform as an AI first company.

Let's dive in. Q1 was a solid quarter for HubSpot, with revenue growing 18.2% year-over-year in constant currency. We delivered four points of non-GAAP operating margin expansion year-over-year, bringing our operating margin to 17.8%. Q1 marked a meaningful milestone for HubSpot as our total customer count reached nearly 300,000 globally, driven by 10,800 net customer additions in the quarter. I'm pleased with how our AI strategy is translating into measurable growth outcomes for our customers. We came into this year with clear levers to drive growth, and they're working. Our core growth levers of upmarket multi-hub and platform consolidation and pricing tailwind remains solid. At the same time, our emerging AI monetization levers of core seats and credits are gaining traction.

Let me walk you through each one and how they drove Q1 performance. Upmarket momentum continues to be strong. Larger customers are consolidating on HubSpot to drive AI innovation and reduce total cost of ownership. In Q1, deals over 60,000 annual recurring revenue grew 37% year-over-year and deals over 120,000 ARR grew

64% year-over-year. Our partner ecosystem remains a core competitive moat, with partners sourcing and co-selling many of our largest deals. AI adoption in B2B starts with clean data and unified context. That is what is driving our multi-hub and platform momentum.

Customers who bring together marketing, sales, and service on HubSpot get a single connected view of their customers and unified growth context that AI can act on. That value proposition is resonating. In Q1, 63% of new Pro+ customers landed with multiple hubs, up 3 points year-over-year, and 42% of our Pro+ install base by ARR now owns four or more hubs, up 6 points year-over-year. Bottom line is this, customers are choosing HubSpot as the data and AI foundation for their go-to-market.

In addition, our pricing model changes from 2024 continues to benefit overall growth. We lowered the price to get started and removed seat minimums to give customers a frictionless path to upgrade as they see value. That shift is largely complete. About 90% of our install base customers have migrated to the new pricing model, and more than 50% of our ARR has gone through their first renewal. We expect this pricing tailwind to continue as remaining customers come up for renewal, and new customers upgrade based on the value we deliver. Now, beyond our proven core levers, our AI monetization with core seats and credits is picking up pace.

In 2025, we added significant AI data and platform value to the core seats. Breeze Assistant, Smart Starts, projects and company enrichment data are all now included. We also unbundled the Smart CRM so customers can start with just a core seat. Our vision is to make Core Seat an essential foundation for every go-to-market employee, and the momentum backs up that strategy. Active Core Seat users grew 90% year-over-year, and over 25% of Pro+ customers have now purchased additional Core Seats, up over 12 points year-over-year.

Credit consumption is accelerating. Total credits consumed grew 67% quarter-over-quarter. The top use cases in Q1 were Customer Agent at 53% of credits consumed, Prospecting Agent at 17%, Data Agent at 16%, and intent monitoring at 12%. Customer Agent has found clear product market fit and now Prospecting Agent and Data Agent are gaining momentum, broadening the base of how customers get value. Customers are not just trying AI, they're building it into how they work. Core seats and credits are becoming real growth levers, and as more use cases mature, we expect both to compound.

Now, let me shift to the momentum from Spring Spotlight and the progress on our strategy. Our AI strategy is simple. Make AI work for growth companies. We've always won by deeply understanding the customer segment we serve and democratizing sophisticated technology for them. And that is exactly what we are doing with AI. Today, companies are not struggling to find new AI tools. They're struggling to drive real growth outcomes. The difference comes down to context.

AI without the right context, produces output. AI with the right context produces outcomes. And that is the gap HubSpot is built to close. The foundation of our platform is growth context, the specific knowledge that makes AI useful for go to market teams. It knows who the best customers are and why they buy, it knows how the best reps work and how deals close. It knows what progress pipeline looks like and where deals get stuck. HubSpot captures all of this, business, team, process, customer context across nearly 300,000 businesses in every industry. This becomes the shared foundation for agents to do real work and drive growth outcomes.

As many of you saw at our investor webinar last month, we're not building AI features on top of CRM. We're building an agentic customer platform where growth context is the engine. Agents can run on HubSpot and agents can run HubSpot. Running on HubSpot means any agent, ours or anyone else's, can plug into HubSpot data, context, and capabilities as a building block. Running HubSpot means agents can operate the platform end-

to-end through our APIs, MCP server, and whatever access methods come next. This openness is a strategic choice.

The more agents that run on HubSpot, the more valuable our context becomes, and the more valuable our context, the stronger our platform gets. At Spring Spotlight, we launched key innovations to help customers drive outcomes with AI. Let me share the momentum we are seeing with our top agents. Prospecting Agent handles the full prospecting lifecycle, monitoring buying signals, identifying high intent prospects, and crafting personalized outreach. Nearly 14,000 customers have activated it, up 33% quarter-over-quarter. Jotform, an online form builder used by over 35 million people worldwide, trained Prospecting Agent on their brand positioning and messaging and moved to a fully automated setup, purchasing 625,000 credits per month to power it.

In a direct test at Jotform, Prospecting Agent qualified leads on par with human reps, freeing the team to focus on customer meetings and closing deals. Next, smart deal progression brings to life our vision of self-updating CRM. It listens to conversations, suggests CRM updates, drafts follow up emails, and recommends next steps so sales reps can focus on closing deals, not updating records. Customers are seeing a 10x improvement in CRM update accuracy, and we are seeing 75% repeat weekly usage data.

Data Agent, which we launched last fall and updated at Spring Spotlight, is gaining significant traction. It enriches customer records, surfaces buying intent signals and prioritizes best fit accounts, giving marketing a better foundation for campaigns and sales a clearer view of prospects. We're seeing significant growth in adoption. Over 9,000 customers have activated Data Agent, up 122% since last quarter, and weekly usage is also up. We also enhanced Customer Agent and expanded it to email to help customers scale support with AI.

We now have over 9000 customers and the average resolution rate has climbed to 70%, up 5 points from last quarter, with some customers exceeding 90% resolution rates. Now, at the same time, we are reimagining marketing for the AI era. We launched HubSpot AEO at Spring Spotlight to help marketers see how their brand appears in AI tools like ChatGPT, Gemini, and Perplexity and take actions to improve it. Early momentum is strong across paid, earned, and owned, with campaign activities earning millions of impressions. This is beginning to drive trials and purchases of both standalone AEO and Marketing Hub Pro. Customer outcomes across all of our updates this year speak for themselves. Limelight is booking meetings with Prospecting Agent at the same rate as their SDRs. Synergent is resolving 85% of support conversations autonomously, and Sandler grew leads 160% with our new AEO tools.

Across sales, service, and marketing, our agents are doing real work and driving outcomes, exactly what we want to see. The confidence we have in our product strategy is also reflected in how we are evolving pricing. We believe AI value should be measured on outcomes, so we recently updated our pricing for agents to match. Customer Agent has moved to consuming credits based on resolved tickets and Prospecting Agent has moved to qualified leads recommended for outreach. Both agents now come with free 28-day trial, so customers can see the value before they commit. This is outcome-based pricing in its simplest form. Customers pay when the agent works. We expect both our product updates at Spring Spotlight and pricing changes to accelerate adoption, because when value is easy to observe, the decision to expand is easy to make.

Let me close with how we are balancing growth and profitability as we transform as an AI-first company. We are transforming how we build, how we grow, and how we operate. And that transformation is showing up in our results on how we build. 100% of our engineers now use AI tools, and we have seen a 73% increase in lines of code updated per engineer. We are shipping better products faster because we built the shared platform underneath our agents. Every new capability or skill we add makes the whole platform more powerful, and our advantage compounds.

On how we grow, we now have an agent first go-to-market motion from demand generation to prospecting to customer success, and it is working. On how we operate, we are moving from individual productivity to team level transformation to what we call institutional productivity, where the context and processes of the company are encoded and available to everyone when they need it. We are investing aggressively in AI innovation while expanding operating margins at the same time. We not only beat our Q1 operating margin targets, but also expect to deliver 2 points of operating margin expansion in 2026. That is a meaningful step up, and it reflects the operating leverage we are building as an AI first company.

In closing, our core growth drivers up market momentum, multi-hub adoption and pricing remain strong and durable. AI is adding two incremental levers, Core Seat and credit monetization. Together, they give us confidence in our ability to deliver durable growth while expanding profitability.

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

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

Thanks, Yamini. Let's turn to our first quarter 2026 financial results. Q1 revenue grew 23% year-over-year as reported and 18% in constant currency. Q1 subscription revenue grew 23% year-over-year, while services and other revenue increased by 22%, both on an as-reported basis. Domestic revenue grew 18% year-over-year in Q1. International revenue growth was 29% as reported and 18% in constant currency, representing 49% of total revenue. As Yamini mentioned, Q1 marked a major milestone for HubSpot as our total customer count climbed to nearly 300,000, a 16% year-over-year increase.

This was fueled by the nearly 10,800 net new customers we added during the quarter, with a particular strength in starter customer additions. Average subscription revenue per customer was \$11,700 in Q1, up 6 points year-over-year as reported and 2 points in constant currency. We continue to expect quarterly net additions in the 9,000 to 10,000 range, along with low- to mid-single digit ASRPC growth in constant currency, with growth ramping throughout 2026. Customer dollar retention remained healthy in the high-80s, while net revenue retention was 103%, down sequentially as expected, but up over 0.5 point year-over-year.

As a reminder, we typically see a seasonal step down in net revenue retention in Q1 following peak upgrade activity in Q4. For the full-year 2026, we continue to expect net revenue retention to expand by 1 to 2 points year-over-year, driven by a combination of seat expansion and increasing consumption of credits. Q1 calculated billings were \$912 million, growing 19% year-over-year as reported, and 17% in constant currency. Non-GAAP operating margin was 18%, up 4 points compared to the year-ago period. This expansion reflects our disciplined approach to hiring and the benefit from FX movements and our partner commissions program change, partially offset by strategic investments in AI initiatives to drive both customer value and internal operating efficiencies. GAAP operating margin was 3% in Q1, compared to a negative operating margin of 4% in the year-ago period.

This 7 points of expansion reflects our non-GAAP operating income expansion and a 3 point reduction in stock-based compensation expense as a percentage of revenue. Non-GAAP net income was \$143 million, and non-GAAP net income per diluted share was \$2.72, up 49% and 53% year-over-year, respectively. GAAP net income was \$33 million in Q1, and GAAP net income per diluted share was \$0.62. In the first quarter, the company generated \$154 million of free cash flow, or 17% of revenue. Our cash and marketable securities totaled \$1.8 billion at the end of March.

During the quarter, we bought back \$211 million of stock under our current \$1 billion share repurchase program. Our continued strong cash position provides us with the flexibility to return capital to shareholders, while maintaining our focus on investing in organic innovation and opportunistic M&A, underscoring our conviction in our long-term opportunity. Before turning to guidance, I want to share a bit more color on a couple of shifts we're seeing in our business.

First, as we continue to move upmarket, we've seen a shift in linearity in our quarters to a more back end loaded bookings cadence. We saw this dynamic again in Q1 and expect it will continue. Second, AI is transforming our selling motion. Customers want pricing more directly tied to outcomes, and they are increasingly looking for proof of value earlier in the sales process. In April, we made several pricing and packaging changes that are aligned with these customer expectations. We believe these are the right actions to drive adoption and usage of our platform and ultimately long-term growth. These include lowering the price of customer agents, moving to outcome-based pricing for customer and prospecting agents, and introducing 28 day free trials for our agents and HubSpot AEO.

In the near term, these changes may extend sales cycles as customers evaluate our agents and AEO as part of broader purchases. In addition, we made a deliberate investment in April to train our sales reps on the Spring Spotlight innovations and the shift to credits, which reduced sales capacity during the month. As a result, Q2 got off to a slow start and we've reflected these dynamics in our guidance. We are confident that we have the right product and pricing strategy to drive durable growth and margin expansion over time as we transform as an AI-first company.

With that, let's dive into guidance for the second quarter and full year of 2026. For the second quarter, total as-reported revenue is expected to be in the range of \$897 million to \$898 million, up 18% year-over-year on an as-reported basis and 16% in constant currency. Non-GAAP operating income is expected to be between \$173 million and \$174 million, representing a 19% margin. Non-GAAP diluted net income per share is expected to be between \$3 and \$3.02. This assumes 51.2 million fully diluted shares outstanding. And for the full year of 2026, total as-reported revenue is now expected to be in the range of \$3.7 billion to \$3.708 billion, up 18% year-over-year on an as-reported basis and 17% in constant currency, up 40 basis points from our previous guide. Non-GAAP operating income is now expected to be in the range of \$762 million to \$766 million, representing a 21% margin.

Non-GAAP diluted net income per share is now expected to be between \$13.04 and \$13.12. This assumes 51.8 million fully diluted shares outstanding. Before we turn to some modeling notes, I'd like to provide context on our margin expansion trajectory. As Yamini shared, we are balancing growth and profitability as we transform as an AI-first company. We are transforming how we build, grow and operate, and this creates the opportunity for more meaningful margin expansion going forward. This is reflected in our updated 2026 guidance, which now places us firmly within our 20% to 22% non-GAAP operating margin range, reaching our 2027 targets a year ahead of schedule. This progress gives us even greater conviction in our ability to meet or exceed the targets we laid out at Analyst Day at an even faster pace.

We'll have more to share on our margin expansion expectations at our Analyst Day this fall. We're also focused on driving GAAP operating margin expansion over time as we drive stock-based compensation as a percentage of revenue, down. In 2026, we expect SBC as a percentage of revenue to decline approximately 3 points to 14%. And we see the opportunity to bring this down further over time. As you adjust your models, please keep in mind the following. We continue to expect our legacy Clearbit business to be a 40 basis point headwind to full year 2026 revenue growth. And finally, we continue to expect CapEx as a percentage of revenue to be 5% to 6% for the full year of 2026, and now expect free cash flow to be about \$750 million.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And limit yourself to one question per person. First question today is from Samad Samana with Jefferies.

Samad Samana

Analyst, Jefferies LLC

Q

Hi, good evening and thanks for taking my questions. Yamini, I wanted to pull on the thread around the pricing model change for AI credits that you guys did in April, completely makes sense. Driving better ROI for customers. I was wondering, I know at the Spring Spotlight you hosted the webinar that gave some usage statistics, but if you tie it to the change, how has the pricing change impacted customer adoption and utilization? And then maybe I'll incorporate a component to the question as well, where customer feedback suggests there's some meaningful spend growth coming from those that are consuming credits already. Any color that you can share on what the NRR for that cohort of customers looks like as well? Just as we think about how the model evolves over time. Thank you so much.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah, thanks a lot Samad for that question. You're absolutely right Spring Spotlight, we launched a number of product innovations that showcase the agent capabilities, as well as how growth context is driving the outcome for our customers. And look, the way we think about it is pricing is one of the clearest signals that we can send about how much we believe in our products. And with all of the announcements, agent quality improved, growth contexts improved, outcomes are clear and we have high confidence. And so, we did two things coming into the quarter in terms of driving agent adoption. The first thing is that customers want proof of value earlier in the process before turning on agents.

And that's understandable because we're no longer just providing applications that can drive adoption, that can then drive growth. We're actually delivering work outcomes. So, we added a 28-day trial for key use cases like AEO, prospecting and customer Agent. And then second, as you mentioned, customers really want to see pricing that is clearly tied to the outcomes and they want predictability of that spend. So, as we came to the quarter, we dropped the price of Customer Agent and we moved it to per resolved conversation. So that when customers say it's actually based on what we have delivered as an outcome. And similarly for Prospecting Agent, we really are tying it to the qualified leads that we're delivering.

Now, both of these are really in response to customer feedback, both in terms of proving value as well, in terms of understanding how that is tied to the pricing. They are the right decisions that we have intentionally made and will have a clear impact in terms of adoption. The feedback is very early days because it's only been three weeks, but it has been very clearly positive. And look, what we are doing is methodically removing every blocker in terms of AI adoption so that our customers have confidence in terms of adopting AI and driving outcomes. Kate, maybe you want to answer the NRR question?

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, sure thing. Samad, we're not going to talk about cohortized net revenue retention. But what I would share is that we continue to believe that we can expand net revenue retention 1 to 2 points in 2026. And if you think about the drivers of that expansion, they are very much tied to our emerging growth levers of Core Seats and credit. And so we are looking at the credit adoption as a key driver of net revenue retention, especially in the back half of 2026.

Operator: Next question comes from Mark Murphy with JPMorgan.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Thank you so much. Yamini, I'm wondering how commonly are you seeing a scenario which a customer would elect to use the Customer Agent, rather than having to go out and hire more people? And where the credit consumption for that Customer Agent ends up meaningfully above what the Service Hub subscription would have cost, say \$1000 or \$2000 type of level. I'm just trying to get at, is it clear to you, how often you're going to net out quite positively by selling an agent rather than that traditional subscription?

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah. Mark, thank you so much for that question. Look, our thesis and what we are seeing in early adoption is clearly that it's not only that we are delivering great software that humans can use to drive productivity within go-to-market, but agents can deliver work. And I'll take the question on Customer Agent. We are seeing two or three common use cases. The first use case for customer agent is that customers use it for after hours, for weekend, at augmenting to their support teams. The second is they are using it for Tier 1 support tickets so that their teams can now spend it on much more complex customer resolution and leave the Tier 1 support to our Customer Agent.

And I gave a couple of examples at the investor webinar. In one case, the customer turned on Customer Agent, used up the included 5,000 credits pretty quickly in the first couple of days, and then turned it on for more of the augmentation use case, and then are now in the path of going from 100,000 credits to 300,000 credits on a monthly basis. That is clearly what we get above and beyond what we would have gotten from a Service Hub seat, and those are obviously initial patterns. We are now seeing it over and over again, where customers are going beyond included credit and using it to resolve tickets that then increases our TAM, and that is what we are leaning into.

And that is exactly why we're making the set of changes in terms of the pricing, because we're so confident in terms of the resolution of tickets that we're ready to put our product strategy to work right there. And that increases our ability to drive adoption of these agents as customers get comfortable with it.

Dharmesh Shah

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

A

And just one quick add to Yamini's comments is around, this is one of those examples where as the frontier model, companies make the models better and better. Customer Agent and other AI features within HubSpot get better and better as well. So, we will see as the models get better going from just kind of Tier 1 support to higher level support, we'll see increased resolution rates as the models get better. So, this is one of those examples

where as the kind of tide lifts on what the frontier models are capable of HubSpot gets increased leverage and our customers get increased value. We're super excited about that.

Operator: Next question is from Raimo Lenschow with Barclays.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Q

Thank you, can you talk a little bit about the retraining for the sales organization? Doing that in April seems a little bit off because usually that's what you do, kind of a January February timeframe. And when you have the sales kick off, etc. It does feel like the product kind of got ready later, but can you kind of speak to kind of the timing there and also the impact a little bit more? You mentioned it a little bit, but a bit more detail. Thank you.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah. Raimo. Absolutely. Look, I think that this was really in tying to our Spring Spotlight innovation. And at Spring Spotlight we launched a number of agents, and we've also changed our pricing mechanism as we've just talked about. And so we had the plan time to get the sales team out and be able to get them trained on both the innovation as well as the pricing model change. Now, the thing that I will point out is this, it's, typically, yes, we would do it in the kickoff and the kickoff happened earlier in Q1. But what we're really taking the time to get the whole organization behind is the new selling motion, because we are leaning into helping our customers adopt and transform with AI.

So, specifically, we got the entire sales organization out to drive proof of value earlier within the sales process, because that is what customers need. They want the confidence that our AI capabilities and agents will work in their environment, and that requires our sales teams to be clear, articulate with proof of value earlier in that process. And then second, we want them to establish agentic use cases and set it up for expansion. This is a learning curve as we get our entire organization to land with the right value and set it up for expansion, and that is exactly what we took the time to do, and that is associated with the set of changes that we are driving in being an agent first go-to-market company. Look, we're changing a lot. We have high confidence in our product strategy. It's showing up in early adoption of agents, and we are evolving the pricing and go-to-market model to reflect the feedback that we get from customers. And more importantly, we know that there is a huge opportunity to be a trusted AI partner for our customers, and that's what we're leaning into.

Operator: Next question is from Terry Tillman with Truist.

Terry Tillman

Analyst, Truist Securities, Inc.

Q

Yeah, thanks for taking my question. I wanted to talk about, like, the credit growth and how to think about that. I think Kate talked about potentially it's the second half where it really kind of picks up, but it was 67% Q-over-Q growth in 1Q. That seems strong. But how do we think about the ramp of that growth into 2Q and beyond? And what do you all see as maybe the next big breakout agent beyond just the Customer Agent at 53% attach or adoption rate? Thank you.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah. Thank you so much for the question. We are definitely starting to see real usage beyond included credits. And it is happening because customers are getting clear, measurable value and outcomes. And we were pleased to see total credits consumed up 67% quarter-over-quarter. But more importantly, that consumption is becoming much more balanced across use cases, right? I talked about customer agent, Prospecting Agent, Data Agent. They're all very balanced now. They're kind of really growing, which we like.

And so in terms of the question of what do we expect to see? Now, in the current set of agents that we already have, we're really focused on improving the quality of the outcomes that we deliver. So customer agent, proven use case, here the focus is improve the quality of resolution as well as expand the number of channels. And as we probably noted here, the resolution rate has gone up from 20% last year to 70% now. It's one of the highest resolution rates in the industry. And in some customers we're seeing even higher.

So, all of the work that we're doing now to unblock and even bigger opportunity is to expand the email channel and to increase the volume over a period of time. Similarly, for Prospecting Agent and Data Agent, it is the quality of what these agents deliver and the outcomes that they can drive. Now, beyond this, of course, there are a handful of other agents that will continue to work on, but we have high confidence in the set of agents that we are driving. One word I will say about AEO because that is now also part of Spring Spotlight and will begin consuming credit. Look, AEO is a big opportunity for us and we're leaning very hard into that. If we look at the organic traffic that our customers are seeing, it's down 27% this year.

So, almost every B2B marketer out there is looking for additional sources of leads, and AEO happens to be one of the more effective, nascent but very fast growing one. And we launched AEO at Spring Spotlight. We now have over 15,000 Pro+ customers who activated it in trials. Now, trials are a month, so it will take a little bit of time for those trial volumes to convert. But really great activity. And we just like to see that type of innovation. So we're innovating at an accelerated pace with our first party agents. We're clearly seeing adoption beyond the included credits. And we're delivering even more as an open platform. So, pretty excited about what we're seeing there.

Operator: Next question is from Jack Ader with KeyBanc Capital Markets.

Jackson Ader

Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thanks for taking my questions, guys. The one I had was really about – it sounds like at least or maybe I'm perceiving this message tonight shifting more toward margin delivery and kind of away from topline growth. So I just wanted to focus on that net new. You've talked about net new ARR growing above revenue. I think it was six quarters coming into this quarter. And so I'm curious where that metric fell this quarter. And then, if we still expect to see acceleration in the subscription revenue line this year or are these – like go-to-market and kind of pricing changes or some of these April disruptions may be going to shift some of the growth trajectories out this year? Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. Thanks, Jackson. I guess maybe I'll just start with the high level comment, which is you should not note this as a shift away from a focus on growth to a focus on profitability. We have always been committed to balancing growth and profitability, and we remain committed to balancing growth and profitability. So, I'll just start there. The second thing that I would say in response to your questions around net new ARR, what we shared last quarter was that we expected net new ARR growth to be above constant currency revenue growth for the full year of 2026. And we continue to believe that we have all the ingredients we need to deliver net new ARR in excess of

constant currency revenue growth for 2026. I will say that Q1 net new ARR growth was a bit below constant currency revenue growth. Again, it was against a more difficult comp than what we saw in Q4 and the sales enablement and sales motion changes that I talked about in the script and that you heard from Yamini, do challenge net new ARR growth in the short term, but they're the right things to do to seed and grow those agent use cases.

All that said, we think that the combination of our core growth drivers right up market momentum, multi-hub adoption and pricing in combination with the increasing contribution throughout the year, of course, seats and credits, are the ingredients that we need to deliver net new ARR growth in excess of constant currency revenue growth this year.

Operator: Next question is from Alex Zukin with Wolfe Research.

Alex Zukin

Analyst, Wolfe Research LLC

Q

Hey guys. Thanks for taking the question. Yamini, maybe for you at a high level, you're seeing some of your peers do things around headless and make motions around, kind of becoming an agent-first platform plugging into third party agents that want to get that rich context to accomplish tasks across front-office workflows. What is your evolved thinking there? How is the new pricing model? How does it touch on that type of dynamic? And then Kate, I've got a quick follow up for you.

Dharmesh Shah

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

A

Hi. Thanks for the question. This is Dharmesh. I'll take this one because I'm excited about the platform initiative. So, we're big believers in the idea of headless, not big believers in this notion of humanless. We think the right platform going into go-to-market, for our customer base is going to be a combination of serving humans with a very personalized, modern user experience. I think that's going to continue to be important. And then we supplement that with a really, really good agentic experience opening up APIs, opening up MCP, opening up CLIs. We were the first company to launch MCP last year. First ones to build connectors for ChatGPT and Claude, the major AI apps.

What we're seeing now is that as kind of usage shifts, we see an increased adoption of these kind of agentic based consumer use cases, and the platform will be open. And so we really, I won't say ambivalent, but, we see the shift from the human usage to agentic usage, and it doesn't really matter if it runs on our runtime agents that we've built or if it's third party apps and agents that have been built. We think all of those agents are going to need a common foundation and the growth context that we talk about on this common platform. So, we think this is a massive opportunity for us in the agentic era, because there's going to be a need for an agentic customer platform exactly like what HubSpot is building.

Operator: Next question is from Arjun Bhatia with William Blair.

Arjun Bhatia

Analyst, William Blair & Co. LLC

Q

Thank you so much. Actually, if I can follow up on that question about headless and how sort of credit consumption evolves as HubSpot provides context to maybe third party agents. I'm curious if, you at HubSpot would have a preference of whether, a dollar or a credit consumption is being used for a third party agent versus your own proprietary agents, and does that make a difference at all in terms of sort of the feedback loop back into

HubSpot data and, future improvements in the context that that you can provide, depending on which agent it's you're powering, essentially. Thank you.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Hey, Arjun, I really like that follow up question, and maybe I'll kind of double down on what I said in the prepared remarks, which is that our vision is really simple. Agents run on HubSpot and agents run HubSpot. And for us, any agent, whether it is first party, second party, third party agent can easily plug into HubSpot data and intelligence as a building block. And we welcome that, right? That is our ecosystem strategy, and we're pretty excited about that. Now, specifically this week, we shared our complete API strategy and how we want to be open and think about what our APIs will deliver both to first party agents as well as second and third party agents. And we think about the API as two layers. The first is the data layer.

This has always been there. It's basic right? You can get contacts, companies, deals, activities, and they're open and accessible. And it's already powering thousands of integrations. And as always, we have a very open ecosystem stance, which means that bringing data into HubSpot is free and more importantly, the customer should have full confidence and trust that their data is theirs, right? What is exciting and where we are going with our API strategy is we are adding an intelligence layer in terms of bringing our broad growth context into that intelligence layer. But what does that really mean? I'll give you a super practical example. Today, a sales manager or sales director can go to an LLM and they can say, pull pipeline information from HubSpot and amount and stage and that type of data will go in.

And they can then ask what is the risk? But what that LLM will provide at the time has no sense of what is normal within the last 30 days, what is normal across that industry. If something is changing with the champion and the conversations that the deal has involved. So, that is what the intelligence is that from our growth context and to make it super tangible, you can now make a single API call that can return that pre-computed risk score. And so over a period of time, of course, people can continue to get the data. But we think that more and more, both second and third party agents will pull on this intelligence layer.

And the way we monetize that intelligence layer will be commensurate with the value that we deliver, because it will be amplified value. So, it's a two part API strategy. Continue to take data, but at some point you're going to not find enough intelligence there. Then continue to take the growth context. And that is really the vision. And we're pretty excited about what this means in terms of having a thriving ecosystem around us.

Operator: Next question is from Brian Peterson with Raymond James.

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Q

Thanks for taking the question. Hey, I appreciate all your comments on sales, capacity margins, but just curious as we think about the rest of the year, any help on unpacking some of the moving parts or assumptions that are underpinning the outlook? Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, I appreciate the question. I want to start by taking you through maybe the math and assumptions that underlie our guidance. Just if you look at Q1, we beat our Q1 guidance by \$18 million, and we raised our full-year guidance by \$9 million. In addition, we anticipate there's about \$4 million of lower benefit from FX versus when we

guided the full year in February. So, all of this implies an organic raise of about \$13 million. So, we pass through roughly two thirds of the beat to our full year revenue guidance.

Overall, Q1 was a solid quarter. We had strong business results that were supported by our consistent core growth drivers, up market, multi-hub pricing, and that's what gives us the confidence to actually raise the full year guide, right? And so you saw us, as a result, raising our constant currency revenue growth by 40 basis points from 16.2 to 16.6. You also heard both Yamini and I talk about the fact that we're seeing early traction from agents in Asia, and we made an intentional choice there to better align our pricing and packaging with customer expectations, and that's going to help us feed and grow those important agent use cases. Those decisions are going to have a near-term impact to net new ARR, but it's going to drive durable growth in the future.

And so what our updated guidance implies is actually a step down in constant currency revenue growth to 16% in Q2 and then a modest acceleration for the remainder of the year. This is a reflection of the momentum we're seeing across our core growth drivers, but it also takes into account the offset from the pricing and packaging dynamics and then the slow start to Q2. All of that said, I think you know by now that we approach guidance very consistently and we want to put forward guidance that we feel good about across a variety of scenarios. And our guidance for 2026 does not mandate that we see a re-acceleration in net new ARR in the back half of the year to hit this.

Operator: Next question is from Keith Bachman with BMO.

Keith Bachman

Analyst, BMO Capital Markets Corp.

Q

Yeah, thanks very much. A good lead-in. And Kate, I wanted to come back to that because you are assuming that the pricing and packaging does contribute in the second half of the year, where it's more modest expectations. So, you're assuming things get better, and yet you've only had a couple of weeks to synthesize data. I think three weeks. And so I'm just wondering what candidly the risk profile is on not being able to meet the improvement and growth rate associated with the second half? And just to follow up, you said you're not assuming net new increases in the second half to meet the targets, but that I just wondered if you could speak to your confidence interval because presumably that would impact the following year there would be consequences to that if you can't meet the net new growing in the second half of the year. So, really two questions related to confidence associated with some of the guidance comments.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah. No, I mean, thank you for the question. I can understand that there is a lot going on here. Maybe I'll start by reiterating that there's a set of core growth drivers that have been delivering consistently over the last six to eight quarters, right? And we've been talking about them every quarter. The strong and consistent momentum that we're seeing up market, it is a consistent trend toward multi hub adoption. And it is the impact that we've seen, the benefit of the pricing change that we made in 2024. We also have an expectation that there will be an increasing impact of seats and credits over time. But that is just one piece of the overall growth equation. And so, when you think about what we are assuming in terms of guidance, we want to put forward guidance that we feel great about hitting across a variety of scenarios. And our guidance does not assume that we have to see net new ARR acceleration from where we are in the back half of the year in order to deliver that 16.6% full year, constant currency revenue guidance.

Operator: Next question is from Tyler Radke with Citi.

Tyler Radke

Analyst, Citigroup Global Markets, Inc.



Hi. Thanks for taking the question. Can you just give us an updated view if the stack ranking of growth drivers has changed this year? And, I guess one of the areas you called out that hasn't been asked as much about is the Core Seat which I think grew over 90% this year or in the quarter. If you could just kind of give some color on how you expect that growth trend to play out in the midst of, a bit of a greater focus on agents as well? Thank you.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.



Yeah, absolutely. Let me kind of like walk through each of the drivers and how we think about the setting us up for durable growth. I'll start with the core drivers. And, the way I stack ranked the core drivers is up market momentum and multi-hub are kind of at the top. We've seen this consistently. The number of customers with 500 or more seats have grown over 450% year-over-year. And that has been a consistent trend that we have seen. And that's because product meets the needs of upmarket customers. Brand awareness is great, ecosystem is tuned in and that also means multi-hub adoption is really solid.

So, those two are at the top of the stack rank, have been performing consistently as I shared in terms of the prepared remarks. And then another core driver that we've now seen in operation for the last couple of years is pricing. We changed pricing, we lowered the pricing, we then really removed the seat minimums. And we've now seen that dynamic play out. And we know how this trends. And so that remains a driver. So, that's the second one I would say.

Now in terms of the emerging growth drivers, as you're rightfully pointing, it's Core Seats and credits, that's how we think about AI monetization. And in Core Seats, we've consistently quarter-over-quarter added a lot of value into Core Seats. Breeze Assistant, which is now consistently rated really high in terms of customer satisfaction and adding all of the company enriched data into that Core Seat. And as you pointed out, we saw nearly 25% plus of Pro Seat customers upgrade to more Core Seats.

And you can ask why? Because that's the gateway for all of our AI features. That's almost the foundation that you get started. It has like included credits. And that's the gateway in which customers begin to then turn agents on. From that foundation, we build on agents and specifically just to kind of really bring this back up. What we did is we're listening to customers and we're removing friction points. And we just started, with agent adoption and we're making sure that customers turn it on, get the proof of value, get a trial period for it, and make sure that they can then consume it based on the outcomes it's delivering.

And those two are the emerging drivers. So, the way you should think about this is the growth formula we've been talking about is intact. And the stack rank starts up market and multi-hub followed by pricing then followed by emerging growth levers. And the combination of all of that, plus what we are doing in terms of the products is important right? The product quality as well as the pace of innovation and how quickly we are driving adoption is really the story here, and look we're just getting started with this very big transformative shift with our customers. Customers continue to talk to us about how we can be the data and AI platform for their transformation and the conversations we're having makes us lean into this moment so that we can be the partner of choice for our customers in their AI transformation.

Operator: Next question is from Matt VanVliet with Cantor.

Matt David VanVliet

Analyst, Cantor Fitzgerald & Co.

Q

Yeah. Good afternoon. Thanks for taking my questions. I wanted to dive in a little bit deeper on some of the longer sales cycles that you're talking about. How much of that is a factor of giving customers this longer trial period with agents as sort of one driver? Second being just kind of understanding better the pricing and packaging and maybe what the total cost of ownership is? And then third, being the sales folks that were out of the market, maybe partners that now also have to have a little bit more training and pitched on, on kind of what's changed. Just curious on how short lived this might be as that training happens versus customers continuing to take longer to evaluate, ultimately what the platform brings?

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah, I think that's really good question. It's a combination of, three things. The first one is as customers really look at AI, they do want to see how AI and agents within their environment is going to drive outcomes. And that's what we mean by proof of value. And the best way for us to show proof of value is to turn it on, and give them a period where they can trial it. And that's exactly what we have done with AEO, as well as customer agent and prospecting agent. And we're confident in our product strategy. And when they begin to see value, that timing is going to moderate, right.

I don't see that as something that will be a consistent long-term factor. We are still in the beginning of this transformation period. I think the second thing which is we obviously are, we talked about the sales enablement. The folks are back in seat and they are now fully trained. And I think, we're making this transition. We're moving really fast. And there's a slightly different sales motion. And people will adapt to it. And the set of pricing changes that we have leaned into helps them do that, because it's pretty easy to go and now talk to customers and say, hey, we deliver outcomes and our pricing is now tied to that value.

So look, I think, all of this is reflected in the guidance. We had a solid Q1 and we've obviously made a set of changes that lean into the feedback that we're receiving from customers, and this gives us the confidence that we have the right feed and expand motion for the agentic use cases. And, this is really us leaning into the AI adoption motion.

Operator: Next question is from Billy Fitzsimmons with Piper Sandler. Perfect.

Billy Fitzsimmons

Analyst, Piper Sandler & Co. (Broker)

Q

Thank you for fitting me in. The net customer ads quarter-over-quarter were nicely above the directional range provided last quarter, and obviously net adds is only one measure of success. ARPU and the types of customers you're adding matters, but it was the second best quarter for customer adds in seven quarters. And there's a narrative out there generally in software, not specific to HubSpot that we've entered a harder environment to add net new customers. And there's a variety of reasons for that. So, curious what you're kind of seeing and hearing in real time around kind of the adds, and is this just better execution from HubSpot on that front, or is it more kind of timing of lands and customer adds? Thank you.

Yamini Rangan

Chief Executive Officer & Director, HubSpot, Inc.

A

Yeah, I appreciate the question. And maybe there's two general comments that I would make, which is, we're obviously pleased with the number of net adds that we added in Q1. Q1 tends to be our highest starter add quarter. And so we saw that again in Q1. And the expectation is that we would see that moderate back to that 9,000 to 10,000 range in sort of Q2 and beyond. That said, you're making a really interesting observation, which is, lots of companies are finding it harder to add new customers.

And I think that our ability to consistently add new customers and retain top of funnel has been a result of the fact that we have been investing to diversify our top of funnel for a number of years now. You saw us, starting in 2022 by a company called The Hustle. We bought a company called Mind Stream that has an AI focused newsletter that is driving lots of top of funnel demand for us where we have, YouTube and other media outlets. We bought two incremental acquisitions in Q1, Starter Story and Futurepedia. So, we keep leaning into this notion of diversification of top of funnel that is helping us retain our customer acquisition motion.

The other thing that I would say is we were really early in experimenting with AEO internally, and the team continues to grow. AEO, as a contributor to our top of funnel demand. It's still a relatively smaller part of our overall demand equation but it is a highly effective one. It converts about three times higher than other leads for HubSpot. And so, we continue to just focus on building a durable demand engine as part of the overall HubSpot equation.

Operator: Thank you. This concludes the HubSpot's First Quarter 2026 earnings call. Thank you to everyone who was able to join us today. You may now disconnect your lines.

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