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HubSpot, Inc. (HUBS)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to HubSpot's Q3 2025 Earnings Call. My name is Gigi, and I'll be your operator today. At this time, all participant lines are in a listen-only mode, and there will be an opportunity for questions-and-answers after management's prepared remarks. [Operator Instructions]

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

Charles MacGlashing

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

Thanks, operator. Good afternoon, and welcome to HubSpot's third quarter 2025 earnings conference call. Today, we'll be discussing the results announced in the press release that was issued after the market closed. With me on the call this afternoon is Yamini Rangan, our Chief Executive Officer; Dharmesh Shah, our Co-Founder and CTO, and Kate Bueker, our Chief Financial Officer.

Before we start, I'd like to draw your attention to the Safe Harbor statement included in today's press release. During this call, we'll make statements related to our business that may be considered forward-looking within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact are forward-looking statements, including those regarding management's expectations of future financial and operational performance and operational expenditures, expected growth, FX movement and business outlook, including our financial guidance for the fourth fiscal quarter and full year 2025. Forward-looking statements reflect our views only as of today and except as required by law, we undertake no obligation to update or revise these forward-looking statements.

Please refer to the cautionary language in today's press release in our Form 10-Q, which will be filed with the SEC this afternoon for a discussion of the risks and uncertainties that could cause actual results to differ materially from expectations. During the course of today's call, we'll refer to certain non-GAAP financial measures as defined by Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between such measures can be found within our third quarter 2025 earnings press release in the Investor Relations section of our website.

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

Yamini Rangan

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

Thank you, Chuck and welcome everyone. Today I'll share our Q3 2025 results and the key trends driving our performance. I'll then dive into what we launched at INBOUND, where we are seeing AI momentum and how we are reimagining marketing for the AI era. I'll wrap with our growth formula, and how both our current and emerging levers create a durable path to growth.

Let's dive in. Q3 was another strong quarter for HubSpot. Revenue grew 18.4% year-over-year in constant currency, reaching \$810 million. We delivered solid operating leverage with an operating margin of 20%, reflecting

our ability to balance growth and profitability. Total customers increased by 10,900 in the quarter, bringing our global customer base to nearly 279,000.

Our results were powered by three drivers that continue to show up quarter-after-quarter, platform consolidation, multi-hub adoption and upmarket momentum. These teams are consistent, compounding and reinforce the strength of HubSpot as we scale. HubSpot is winning as a truly unified customer platform. Companies are consolidating their go-to-market stacks on HubSpot to reduce total cost of ownership, gain a unified view of their customers, and accelerate AI innovation.

Multi-hub adoptions have become the norm across both new and existing customers. 43% of Pro+ install base by ARR, now subscribe to our three core hubs, up 4 points year-over-year and 39% on four or more hubs, up 6 points. This expansion shows the value customers see in growing with HubSpot, and it is clear proof that our platform first strategy is working.

Our upmarket segment is humming. Larger companies are choosing HubSpot for its power, sophistication, and speed to value. Deals over \$5,000 monthly recurring revenue grew 35% year-over-year, reflecting the payoff from years of product investment, strong partner alignment, and rising brand awareness amongst upmarket decision makers. A great example is QS, a global education services company with over 1,000 employees. They replaced a 20-year-old legacy CRM and chose HubSpot to power their AI first transformation, citing our AI strategy, approach to agents and pace of product innovation as key reasons for signing a multiyear multi-hub agreement.

AI innovation took center stage this quarter. The highlight was, of course, our Annual INBOUND Conference. It was great to bring together 13,000 people in person and another 550,000 online from across our ecosystem. We launched more than 200 new updates and products that were well-received by our customers and partners. The energy and feedback from INBOUND reinforced that our AI strategy is resonating, and customers see HubSpot as the platform to help them grow and win with AI. Our strategy is simple: embed AI into hubs our customers use every day, build agents that do work and create Breeze assistant and connectors that turn data into insights.

At INBOUND, we launched new features in every hub from AEO strategy tools in Content Hub to AI powered email in Marketing Hub and AI meeting assistant in Sales Hub. We introduced Data Hub which helps customers bring their data together in one place to get more value from AI. We enhanced our featured agents, Customer Agent and Prospecting Agent, launched a new Data Agent and opened up Breeze Studio so customers can build and customize their own agents. And we became the first CRM to connect directly with the three leading LLMs, ChatGPT, Claude, and Gemini. These innovations are delivering real results for customers. Customers who use our embedded AI features in Marketing Hub get better results, higher click-through rates, and over 50% higher lead conversion. Similarly, customers who use AI features in Sales Hub are winning almost 10% more deals. Our agents are also gaining strong adoption.

Customer Agent now has over 6,200 customers, up 48% from last quarter with an average resolution rate in the 60s. Prospecting Agent has been activated by 6,400 customers, up 94% from last quarter, and customers have used it to engage over 1 million prospects. Data Agent is new but already has 1,700 customers who have activated it. Breeze assistant is the digital assistant for every go-to-market employee and we have seen weekly active usage increase by 56% in the past 6 months as customers use it to summarize records and uncover insights that drive performance.

A key part of our AI strategy is our LLM connector approach and the momentum we're seeing here is impressive. Our ChatGPT Connector has been activated by more than 47,000 customers with 55% of them being Pro+

customers and our Claude Connector is already being used by over 6,000 customers. We believe that LLMs and HubSpot are powerful together and complement each other. Why? Well, there are three reasons.

First, LLMs create insights. HubSpot provides the context that makes insights possible for go-to-market teams. LLMs are great at generating ideas from public data or a user prompt, but HubSpot is where the full go-to-market context lives: every interaction, sales conversation, support ticket, marketing campaign; that context is necessary to turn generic AI output into insights that are accurate, relevant, and actionable.

Second, LLMs generate ideas. HubSpot turns them into action within a business context. On their own, LLMs can tell you what to do. With HubSpot, you can actually do it. HubSpot is where companies build sophisticated workflows, launch multi-channel campaigns, and take actions to drive growth.

And third, LLMs are great at single player tasks. And HubSpot is built for multiplayer teams. HubSpot remembers each user, their role, preferences, team, what they have permissions to access, and where they can take action.

Now, stepping back, HubSpot houses AI and is the customer platform where intelligence and context are applied, acted on and shared across teams. Platforms were sticky pre-AI, they will be even stickier in the AI era.

Okay, let's talk about how we are reimagining marketing for the AI era and the opportunity it creates for HubSpot. The marketing landscape is changing fast. Search traffic is declining globally. As AI overviews provide answers, customers are spreading their attention across channels and visiting fewer websites. At the same time, AI is creating entirely new opportunities via LLMs like answer engine optimization or AEO. At HubSpot, we saw these shifts coming early. We've been diversifying marketing channels and experimenting with AEO, and that strategy is working. At INBOUND, we introduced the Loop, our new playbook for growth in the AI era. It gives customers clear step-by-step guidance on how to drive growth by combining human creativity with AI efficiency.

And the response has been incredibly strong with 270 million impressions on Loop content and over 100,000 views of the Loop Playbook experience. We also launched new products to help customers put the Loop into action, including Data Hub, which makes it easy to build ideal customer profiles, and Marketing Studio, which helps marketers personalize content based on buyer intent. A key part of the Loop is helping customers show up in AI generated answers. Our AEO grader and AEO strategy tools launched at INBOUND make it easy for businesses to come up with a strategy and improve their visibility in LLMs.

And last week, we announced an agreement to acquire XFunnel, one of the first and most complete platforms for tracking and improving how brands appear across LLMs. XFunnel shows when and how often your brand is mentioned in AI generated answers and provides clear guidance on how to strengthen that presence. We'll natively build XFunnel into HubSpot, giving our customers even more ways to understand, improve, and grow their brand visibility in the AI era.

Now, let's talk about our growth formula and how we are unlocking new levers for HubSpot. Our core growth levers continue to perform: platform consolidation, multi-hub adoption, and up market traction. At the same time, emerging levers are gaining momentum, including seats pricing change, Core Seats and Credits. We introduced the Core Seat last year to give customers edit access to the Smart CRM, the unified record that powers our platform. And that strategy is working.

At INBOUND, we made the Core Seat even more valuable by adding AI and data capabilities like Breeze Assistant, smart starts, projects, and enrichment data. And by unbundling the Smart CRM so customers can start right there. Our vision is to make the Core Seat essential with AI and data value for every go-to-market employee.

Credits are another powerful emerging lever. They are our universal usage-based pricing system covering AI agent actions and Data Hub syncs and soon will extend across the entire platform. Credits tie our growth directly to customer value. And as customers use more data, use more AI and automation inside HubSpot, they'll grow with us. Together, Core Seats and Credits expand how HubSpot captures value, building on our durable foundation and creating a long runway for growth.

As I wrap up, I want to share our conviction that HubSpot is positioned to lead in the AI era and drive durable long-term growth. We are innovating rapidly, transforming into an agentic customer platform and operating efficiently at AI speed. We have durable differentiators and growth levers and we deeply understand our segment and what small and medium businesses need to grow with AI. We are uncovering new ways to drive efficiency and finding signals to show our customers what's possible with AI.

I'm more confident than ever in our strategy and our ability to deliver value for customers in this new era. Thank you to all our customers, partners, and shareholders for your continued support. And a huge thank you to all HubSpotters around the world for staying focused on solving for our customers every single day.

With that, I'll turn the call over to Kate to take you through our Q3 financial results in more detail. Kate?

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

Thanks, Yamini. Let's turn to our third quarter 2025 financial results. Q3 revenue grew 18% year-over-year in constant currency and 21% on an as-reported basis. Subscription revenue grew 21% year-over-year while services and other revenue increased 19% on an as-reported basis. Q3 domestic revenue grew 17% year-over-year. International revenue growth was 20% in constant currency and 25% as reported, representing 49% of total revenue. We added 10,900 net new customers in Q3, bringing our total customer count to 279,000, growing 17% year-over-year.

Average subscription revenue per customer was \$11,600 in Q3, up 1 point year-over-year in constant currency and up 3 points on an as-reported basis. While we're happy with the strong net adds in Q3, we continue to expect net additions to be in the range of 9,000 to 10,000 in Q4. And for ASRPC growth in constant currency to be up roughly 1 point. Customer dollar retention remained in the high 80s in Q3 and net revenue retention was flat sequentially at 103% as expected. As I shared last quarter, we expect to see a step up in net revenue retention in Q4, resulting in a couple point improvement in net revenue retention for the full year of 2025.

Calculated billings were \$804 million in Q3, growing 19% year-over-year in constant currency and 18% on an as-reported basis. The remainder of my comments will refer to non-GAAP measures. Q3 operating margin was 20%, up 1 point compared to the year ago period and 3 points sequentially.

Net income was \$140 million in Q3 or \$2.66 per fully diluted share. Free cash flow was \$147 million or 18% of revenue in Q3. Our cash and marketable securities totaled \$1.7 billion at the end of September. In Q3, we repurchased 780,000 shares of common stock under our share repurchase program, representing \$375 million.

With that, let's dive into our guidance for the fourth quarter and full year of 2025. For the fourth quarter, total as-reported revenue is expected to be in the range of \$828 million to \$830 million, up 16% year-over-year in constant currency and 18% on an as-reported basis. Non-GAAP operating profit is expected to be between \$183 million and \$184 million, representing a 22% operating profit margin. Non-GAAP diluted net income per share is expected to be between \$2.97 and \$2.99. This assumes 52.7 million fully diluted shares outstanding.

And for the full year of 2025, total as-reported revenue is now expected to be in the range of \$3.113 billion to \$3.115 billion, up 18% year-over-year in constant currency and 19% on an as-reported basis. Non-GAAP operating profit is now expected to be in the range of \$574 million to \$575 million representing an 18% operating profit margin. Non-GAAP diluted net income per share is now expected to be between \$9.60 and \$9.62. This assumes 53.2 million fully diluted shares outstanding.

As you adjust your models, please keep in mind the following. We now expect CapEx as a percentage of revenue to be 6% for the full year of 2025, driven by higher capitalized software expenses. And we still expect free cash flow to be about \$580 million for the full year of 2025.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] One moment for our first question. First question comes from the line of Samad Samana from Jefferies.

Samad Samana

Analyst, Jefferies LLC

Q

Hi, good evening and thanks for taking my question. So, Yamini, my question is for you. I think a core focus of investors is HubSpot getting back to 20% growth? And I think investors were pretty excited and myself included seeing that accelerating ARR slide at the analyst day. We might have gotten ahead of ourselves, but how do you think about the path to get back to 20% growth? Can the current focus on that [ph] 2,000 (00:20:45) and below segment support that level of growth or do you think that hitting the gaps on enterprise is necessary? Maybe just help us think through that. And again, as always, I appreciate you taking my question.

Yamini Rangan

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

A

Yeah, thanks a lot Samad. I appreciate it. Look, we believe we can grow faster than where we are today and we are focused on doing it in a durable, disciplined way. The thing I would point out is that net new ARR is the leading indicator that we shared with you and revenue is the lagging indicator [ph] with both (00:21:15) flow through.

Now, if I step back and look at the foundation, our core growth drivers are strong and they are proven. We have a playbook that works which is platform consolidation, moving up market and multi-hub momentum. And you can see that in our customer retention numbers, the seat upgrades that are consistent and the large deal momentum that are compounding quarter after quarter. And we're going to continue to expand our sales capacity as well as the productivity across all of our segments to capture that opportunity. Then we have a set of emerging growth drivers that strengthen that outlook further and put us on a path of durable growth and we shared that at analyst day but I'll kind of walk through it.

The pricing changes that we drove last year is a tailwind. We are seeing seat upgrades pick up and as the change rolls through our install base this year and next year, we'll continue to see growth from that and AI is a multi-year tailwind. We are in the very early stages of this whole innovation cycle playing out and we are acting with urgency

to cement a leadership position and set ourselves up for long-term growth. And specifically with AI, we see the opportunity to monetize both through seats as well as credits.

Now core seats, which we talked about at Analyst Day, is becoming more valuable and it is embedded with AI data platform value and that opens up a large opportunity. Credits gives us a new way to monetize usage for customers as they consume more AI and agent-driven optimum actions. So look, we are very excited about the emerging drivers, the strength that we see within the emerging drivers and we're really excited about the upmarket momentum. We think we have plenty of time to be able to drive and grow faster than where we are. Most importantly, we have a track record of consistent execution and helping our customers grow. And that gives us confidence that HubSpot can be a durable growth business for years to come.

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

Mark R. Murphy

Analyst, JPMorgan Securities LLC



Thank you. Yamini, several of your partners have said that they're pretty encouraged about their own growth potential moving into 2026. I'm curious if you see any signs that Google's AI overviews are actually driving an extra wave of interest for HubSpot to try to use your Loop concept and your answer engine optimization tools, so that they can gain – they can gain their own kind of visibility in AI generated answers. Is there anything tangible there that you can speak to?

Yamini Rangan

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



Mark, thanks a lot for the question and thanks always for talking to our partners to uncover the underlying trends. Look, I would say marketing and the trends that we are seeing within marketing is an big opportunity for our customers and for HubSpot to grow and specifically you talked about what is happening within marketing, but really we see it as a couple of things. One AI overviews are providing answers which means website visits are declining and that means there is a need for a new playbook to diversify the channels that you're present in including AEO.

And that is exactly what we launched at INBOUND. At INBOUND we launched the playbook which you referenced, which is the Loop. And I would say that the response from customers and partners have exceeded our expectation across every metric. In terms of impressions, we had 270 million impressions, playbook impressions, number of conversations it's generating. And specifically, there are three parts of this playbook that are resonating with customers as well as partners.

The first one is diversifying channels. And the number one thing that you can do to counter SEO volume decline is to diversify your channels into YouTube and Insta and podcasts and newsletters. And that is resonating. The second is how do you actually use AI for deeper segmentation and personalization? Look, there's just a lot of talk about AI driving disruption, but the bigger story is how AI can be helpful in using intent data to drive better conversion and that is resonating. And then of course building visibility in LLMs through answer engine optimization that you mentioned and all of that is resonating and we're seeing lots of conversations within AEO.

AEO is early. We got in earlier and we have an AEO grader out in the market that has been used by 70,000 customers already. Our AEO strategy tools are getting used in order to look at this nascent channel. And last week we announced XFunnel, which completes our platform of providing visibility to customers, on which LLMs

they're showing up and how to improve their presence within that. And so look, if I step back, SEO is a big disruption, but this is also one of the biggest opportunities for our customers to figure out how to grow and it is one of the biggest opportunities for HubSpot, which is why we have the playbook, we have products and we have the whole partner ecosystem activated to deliver on that and we're super excited about the opportunity.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Parker Lane from Stifel.

Jeffrey Parker Lane

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Hi, good afternoon. Thanks for taking the question. Yamini, you continue to point to platform consolidation as one of the key drivers of the business. Traditionally cost savings were one of the things that that drove people towards that consolidation. How often are you seeing with the launch of Breeze and these new agents you brought to the platform that a desire to really embrace agents and have a unified data source is the reason for consolidation versus just traditional cost savings?

Yamini Rangan

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

A

Yeah, that is a – that's a fantastic question. I think equal parts I would say three reasons why customers talk to us about consolidating on a platform. The first one, as you said, is total cost of ownership and remember we've come from a period of people buying a lot of point solutions and tools and TCO kind of like bloating up and that continues to be the number one reason.

The second reason is actually getting all of the customer data and context into a unified platform. Whether they're leveraging AI or they're just getting their whole digitization journey going, you need data and you need customer context across the whole journey. And if you have a lot of point solutions and a lot of point agents, you just do not have the visibility to drive insights.

And then I would say the third reason is really AI and wanting to adopt AI. And while AI is not always the primary driver, it is a clear pull in terms of the conversations and what we hear from prospects, from customers, is that they want one platform that has all of the data and they want to be able to have a clear roadmap, so that they can futureproof their investments and they like what we are doing with our AI strategy which is embedding AI across all of the hubs and making it easier for our customers to build on that roadmap. So, I see all three reasons probably kind of split equally.

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

Alex Zukin

Analyst, Wolfe Research LLC

Q

Hey guys, thanks for taking the question. I guess, Yamini, I'll be a little bit direct. If I look at the magnitude of the beat this quarter, it was a little bit lower than I think some people were thinking about, but at the same time the raise for Q4 is I think the strongest raise on a constant currency basis that you guys have ever done. So is there any moving pieces that you can comment on. And billings I think was a little bit of a decel. But then net new ARR as you showed us that slide at the Analyst Day was really really strong in the first half and seemingly in Q2. So, any commentary on a forward-looking metric basis around how net new ARR performed in 3Q, maybe to disentangle some of the in-quarter versus guide confidence dimensions.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, Alex, this is Kate. Maybe I'll take this and if Yamini has more to add, she's welcome to do at the end. We did outperform in Q3. We executed really well. And the outperformance was driven by all the things you heard Yamini talk about, continued strength upmarket, continued strength with multi-hub and continued strong seat expansion.

We also saw some incremental FX tailwind versus what we expected when we guided last quarter and we've fully flowed that through our revised 2025 guidance. I think you heard from Yamini and I've talked about it in the past as well as at Analyst Day like it will take some time for our strong net new ARR growth to translate into like an inflection in revenue growth just given the scale and size of our install base. But we've seen stability here over the last few quarters. All that said, our approach to guidance was consistent this quarter.

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

Keith Bachman

Analyst, BMO Capital Markets Corp.

Q

Yes, thank you very much. Actually, it's a good segue from Alex. I wanted to ask a similar question, but I'll phrase it differently in that, billings growth is one metric. But the constant currency billings growth has generally in the last six quarters been in a range of the highs 21%, the lows 19%. So, in that range for six straight quarters, and so, a, you've talked about a lot of goodness that's coming through the model, but what's the offset? What's been constraining and particularly this quarter with 19%, which was a little bit lower beat than you've had in the past quarters. What's not going as well that's constraining it?

And then also Kate, per your last comment, you've mentioned that net new ARR has been strong, but it takes a while. But maybe you could put a little more context around that in that the stock's down pretty materially here in the after-hours. How should investors think about when will the net new be fulfilling enough, if you will, to then translate or show up into the revenue growth? Any timing expectations that we should put in consideration? Thank you very much.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, maybe I'll start with the billings question because I want to make sure that we are sort of aligned with the metric and our expectations for billings. My baseline expectation is that constant currency revenue growth and constant currency billings growth are going to track each other really closely. And that's because more than 90% of our billings come from revenue in period. Billings as you know is a bit noisier. It shows impacts of FX. It shows impacts of the mix of net new ARR and it shows duration pretty acutely.

And when you kind of look at what's happening in these factors, this quarter versus last quarter, like we had a bit of a mix shift towards install base selling which has lower months upfront. And we saw less of a benefit of expanding durations versus what we saw in Q2. And so as a result, what you're seeing in billings growth is something that is still above revenue growth and constant currency but just a little bit closer than what we saw in Q2. And for Q4, there's always going to be some variability here. But I would expect that constant currency billings and revenue are going to track each other.

Operator: Thank you.

Yamini Rangan

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

And Kate, do you want to address the net new ARR question as well?

A

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

Yeah. I mean I think that what we have said and you said it yourself is like net new ARR is the leading metric. Revenue is the lagging metric. And it will take repeating quarters of net new ARR growth above revenue for revenue to inflect. Net new ARR hit its low point in the first half of 2023. We saw a steady increase throughout 2024 and since the back half of 2024 through the first half of 2025, as we shared in Analyst Day, it has been above revenue growth. And so what we have seen is that our install base ARR has started to inflect and then revenue will follow the inflection of the core install base. It just will take time to get there.

A

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

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Great. Thank you very much. I wanted to follow-up on some of the emerging drivers. You called out the customer adoption of HubSpot agents has been strong and credits are going to be a lever for growth in the future. So, although some of the subscription plans currently include some usage credits. Among your early adopters, what are – are customers using up those credits and kind of where are we on the path for customers to purchase additional ones? Just overall some of the trends you're seeing in credit consumption or usage intensity that can give confidence for that lever to become a larger impact in the near- to medium-term. Thank you.

Q

Yamini Rangan

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

Hey Elizabeth, thank you. Thank you for that question. We launched HubSpot Credits and as everybody knows that is our universal usage-based pricing system. Today, it includes agent actions for any agent that is out in general availability and it also includes Data Hub syncs. Those are the two things. And as we go into the future, we'll add more and more usage-based features into that system.

A

Now we have a clear framework for how we monetize credits. We focus on product and feature activation. Then we drive repeat usage, then consistent customer value, and from then on we monetize. And having this disciplined structured approach ensures that when customers start paying for usage with credits, it's because they are getting clear value and repeatable value.

Now, in terms of the patterns that we're seeing for credits monetization, it's been just about a quarter, but Customer Agent is the strong growth driver of credits. It's delivering value. It's highly retentive. So when customers adopt Customer Agent, they continue to use it. We're seeing positive signals on credit growth, which is they start with the included credits and they continue to grow beyond the included credits with Customer Agent.

The second one is Data Hub syncs. This is where when you bring in data and when you use that data, then it consumes credits. That's the second area where we're beginning to see credit consumption. And then the third is Prospecting Agent. This is one where our customers use it to research accounts and scale their outreach

campaigns and we're beginning to see clear trends. And I shared some of the adoption trends and metrics, which is also driving credit adoption.

Look, it's early days, but we are very pleased with the progress so far in terms of credit consumption. The one thing that I will point out and it's an important point is that credits are just one way for us to monetize AI. Broadly, if you step back and think about it, credits monetization does not equal AI monetization at HubSpot. And that's because we have embedded AI. And when that embedded AI drives value, then we see it in attach rates as well as seat upgrades, which we have been seeing now for a few quarters.

We're also driving AI value within core seats and we will see the monetization there as we shared in Analyst Day and we'll continue to monetize usage-based components with credits. So overall we feel very good about our AI strategy and the monetization strategy and this is a solid foundation for credits to emerge as a lever for growth.

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

Tyler Radke

Analyst, Citigroup Global Markets, Inc.

Q

Yes, thank you very much for taking the question. One clarification and then sort of a product question. So, just on the clarification, I know there's been a lot of questions just around the net new ARR trends. And I guess the clarification is did the growth rate in net new ARR that you observed in the first half, did that continue or perhaps accelerate or decelerate into Q3? And then Yamini, you talked about a lot of customers, I think 47,000 customers using the ChatGPT Connector. Just curious if you're seeing any interesting usage or expansion trends for customers that are using that versus customers that are not? Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, Tyler, I'll start with the short answer to your question on net new ARR growth. In Q3, net new ARR growth did remain above constant currency revenue growth.

Yamini Rangan

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

A

Yeah. And then on the second part of the question in terms of the LLM connectors and what kinds of use cases and what types of trends we're seeing there. Look, I think we'll start with why we built these connectors. It's because our customers and prospects are spending a ton of time in LLMs. And we want to bring the insights from HubSpot regarding their business and growth opportunities there.

And the more deeper reason is this. LLMs are basically the new AI operating system. And just like you had browser wars and mobile wars, there will be a clear winner in the AI operating system. Now, that has just a lot of implications across the industry. But there's a very specific implication for our customers and our ecosystem, which is that LLMs will be a way in which companies will be found. And that means it will become a AI referral source for companies. We see this in our AEO efforts. We're seeing this in our customers' AEO efforts and that is why we want to be the best platform that enables that growth. And so, that's the reason.

In terms of the traction, I shared some numbers. ChatGPT Connector is our fastest growing app in 5 years, 47,000 installations. And if I look at the patterns, I see a lot of directors and above using it for meeting prep. So,

they're using it to understand pipeline trends before they go into a weekly meeting or a board meeting. They are using it to get insights on what changed week-to-week or month-to-month.

The second pattern that we see is doing deeper research and then being able to take actions within HubSpot. For example, we were talking to a customer [ph] basement (00:42:23) group. They used a prompt from our library to identify the highest converting persona and then they built a nurture campaign in HubSpot and that campaign open rates actually jumped from 8% to 40%. So, huge improvement in terms of conversion rate. So, we're seeing customers ask questions, get insights and then begin to take the action within HubSpot. And that's the pattern that we want to see, get insights and then drive actions to drive growth within HubSpot. And very encouraged by the patterns there.

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

Brad Sills

Analyst, BofA Securities, Inc.



Wonderful. Thank you so much. I wanted to ask a question about ASP growth. It's been kind of bumping along at this kind of flattish level for several quarters. And historically before we entered into some of these macro pressures, it was more in the 12% to 15% range. So my question is what would it take to get ASP growth back to – back in the green and moving up north? What are some of the unlocks there? I think in the past, Kate, you talked about how you're still seeing some pressure on those upgrades. So, maybe an update on that trend as well. Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.



Yeah, thanks, Brad for the question. I think you know that that there are a number of factors that drive ASRPC and it is also a lagging indicator because revenue is the numerator for ASRPC. It's impacted by the volume and mix of our customers, it's impacted by new ASPs and as you rightly point out, upgrades.

We continue to see a number of headwinds and a number of tailwinds around ASRPC growth. The – they're all going to sound very familiar to you. The headwinds are robust starter additions and the lower ASPs associated with new customers post our pricing change in 2024. In terms of tailwinds, we continue to see momentum in large deals, multi-hub adoption, and then increasingly seat upgrades and, credits. We did see a bit of inflection in the third quarter, with constant currency growth of ASRPC up 1%. We expect to see that continue into Q4.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Rishi Jaluria from RBC.

Rishi Jaluria

Analyst, RBC Capital Markets LLC



Oh, wonderful. Thanks. It's Rishi Jaluria from RBC here. Thanks so much for taking my question. I wanted to dive a little bit deeper into kind of the existing traction that you're seeing with your current AI products and agents, right, including the most recent announcements out of INBOUND. Obviously seen some really good traction there.

As we kind of think about new products that you're going to be working on and getting it out to the market. Totally understand it's going to take a while before this turns into direct monetization, whether through credits or any other way, but how are you internally gauging the success of newer AI offerings and working directly with your

customers to not only make sure that it's delivering kind of their value I think they expect out of you, but also that the way they're using it is aligned with future contemplated pricing mechanisms that you have in place. Thanks.

Yamini Rangan

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

A

Hey, Rishi. That's a great question and I think I'll kind of start with our strategy, the momentum and then how we are driving customer adoption because that is the right question to be digging into. If we step back, our strategy for AI has been consistent and clear, which is we want to embed AI into all of our hubs and platform. We want to build agents that deliver work for our customers, and we want to deliver a Breeze assistant and connectors that converts data into insights and the strategy has just been consistent across the board.

So when we look at momentum as well as traction in terms of the strategy we look at all factors there. So the first thing is, is the embedded strategy working? And the answer for us is very clear because embedded features are being used across Marketing Hub, Sales Hub, Service Hub. They are improving the outcomes for our customers. Things like conversion rate that I mentioned before, win rate, an improvement in 10% win rate in sales.

I mean previously before AI, I don't think that type of outcome would have been possible with Sales Hub. I think that's a huge improvement for our customers. And similarly, Service Hub customers who are using AI see much better ticket closure as well as much better customer sentiment. So all of that translates into much better attach rates for us, which we have seen with Content Hub, which we've seen with Service Hub, as well as adoption of Sales seats as well as Service Hub seats.

The second part of the strategy which is probably earlier in the journey is the agent journey, right? All of us within the industry we know we're building agents that do work and the adoption is slightly less than the embedded products. And for us the three featured agents that we launched which is Customer Agent, Prospecting Agent and Data Agent, we look at what are the signs in terms of adoption as well as repeat usage.

And Customer Agent is the most mature there. It has been in GA the longest. 6,200 customers with 62%-plus resolution rate and credit consumptions that are really in the pattern that we expect. So really clear trajectory in terms of the agents. And you asked broadly about customer adoption. Part of what is happening is that, when you look at AI, people have roadmaps, but they're on very different portions of the adoption journey. So we work with our partners, we work with our customer success managers and we work with our customers to help them build a roadmap and they like our strategy. They like that they're getting a platform that is future-proofed and all of that leads to traction.

I continue to believe that AI is early and this is going to play out for the next 5 years, 10 years and we are setting ourselves up to be leaders within this and doing it in a way where we focus on small, medium businesses and helping them grow with this new technology. So very confident there.

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

Gabriela Borges

Analyst, Goldman Sachs & Co. LLC

Q

Hi, good afternoon. Thank you. For either Yamini or Dharmesh, I would love to hear you talk a little bit about what you're seeing in terms of customer data states and the quality of those data states. Yamini, you mentioned a handful of times this idea of converting data into insights. How would you describe customer readiness from a

data hygiene standpoint? Is there a period of time where they have to work to clean up their data and or work to standardize on HubSpot? I think you have a really unique position because of how your hubs are organically connected together. So maybe just a little more on what you're seeing in the environment with respect to that. Thank you.

Yamini Rangan

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

A

Yeah, I'll start there Gabriela and I'm sure Dharmesh can add to it. That's a very broad question in terms of the state of data. And I would probably say that it's multiple – the state of data maturity for a customer depends on how mature they are within their stack. And I would maybe talk about – first is, if they already have data, is it high quality, and within our customer base if they have adopted all of our hubs then it tends to be in higher quality versus having point solutions that they're trying to bring together. But partly, we also have Data Hub that we launched at INBOUND that helps with improving data quality. That is exactly what the purpose is for Data Hub.

The second is it's not just about data quality. Can you get data across the customer journey and can you build a context layer on top of that data that enables you to do more with AI. And this is where I have a very strong point of view that platforms that bring together data and helps build a customer context, they're going to be able to get much more done with AI.

And then the third, which you didn't ask in the question, but comes up in all our customer conversations, is unstructured data. You can do a lot more with sales conversations, with service conversations, pulling unstructured data together. And that is exactly where HubSpot shines, our ability to bring better quality data, to bring data across the entire customer journey and to add both structured and unstructured data. Those three things are the foundation to get anything done with AI and that's one of the reasons why we brought Data Hub to the forefront at INBOUND.

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

Taylor McGinnis

Analyst, UBS Securities LLC

Q

Yeah. Hi, thanks so much for taking my question. Kate, maybe I'm for you. I think if I heard you correctly, you reiterated the outlook for NRR to be a couple points higher this year than last year. And if I look at what that potentially implies for 4Q, it looks like it could be closer to 106%. So, one, just wanted to check if I'm doing that math right.

And if that is right, that would be probably the biggest uptick in NRR that you guys have seen over the last several quarters. So, is that an indicator of some of what you're talking about of like seat expansion activity and the new pricing model flow through, like evidence that you're starting to see that materialize into numbers and that alone potentially is a leading indicator or maybe you can just talk about like what are the puts and takes in that number and how to think about it going into next year? Thanks.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yes. I appreciate the question, thank you. And you are right. I did reiterate that we expect net – we continue to expect net revenue retention to be up a couple points this year. And it does imply a nice step up in NRR into Q4. The drivers of net revenue retention are the same as they've been all year. We continue to see healthy customer

dollar retention. We've seen very stable downgrades, which is a nice indicator that customers have right-sized. And then we've seen strong seat upgrades across both Sales and Service seats as well as core seats. And we have also seen a benefit and will continue into Q4 to see the benefit of the pricing increase for customers post their migration onto the new model.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Raimo Lenschow from Barclays.

Q

Hey guys, this is [ph] Damian Cogen (00:54:24) on from Raimo Lenschow. Thanks for taking the question. I guess piggybacking off the last question, I know it might be a little early for 2026. Would you able to tell us a little bit about how you're thinking about net retention. With stronger pricing, healthier renewal rates on new seats model multi-product adoption, is there any reason to believe that this metric does not improve? Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

Yeah, I appreciate the question. I'm sure that you're not surprised when I'll start by saying that I'm not going to make any specific comments around 2026. That said, we do think that there's a path for further improvement on net revenue retention over the longer term. We talked about some of the drivers but I'll reiterate them for the sake of completeness here. Like we are very confident that we can continue to support really healthy customer dollar retention. We've talked about the fact that we've seen downgrades stabilize nicely over the last year or so and actually cancellation and downgrades together were a benefit to net revenue retention in 2024.

The pricing model change is resulting in both stronger seat upgrade motions but also we will expect to see a continued tailwind to net revenue retention from the pricing changes on the remaining 50% of our install base that will go through their renewal post the end of 2025. And then finally, Yamini talked a lot about the core seats and credits as emerging drivers and they will begin to contribute in a more meaningful way in 2026. So again, nothing specific on 2026, but I do believe that this is a business that's capable of delivering higher net revenue retention.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Steve Koenig from Macquarie Capital.

Steven Koenig

Analyst, Macquarie Capital (USA), Inc.

Q

Great. Hey, thanks for taking my questions. Some of your peers have also talked about expectation of net new ARR growth, it's higher than revenue but it's more of an anticipation and historically seeing that and predicated on sales capacity expansion as being an important driver.

I'm wondering – you touched upon many of the drivers that you see for potential acceleration but I'm also curious to what extent is your sales capacity or execution tactics aside from the pricing model change, to what extent are you lined up to – for further acceleration or changes to that strategy might be helping you. Thanks for taking my question.

Yamini Rangan

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

A

I really like that question. I think that it's really good to ask us about the sales capacity and how we're teed up. And look, we have been investing in two fronts. One in head count and we've consistently hired sales capacity in regions, in segments where we see clear opportunity and that has continued and that will likely continue into 2026. We see further opportunities for expanding sales capacity.

The second thing which I'm really excited about is all the investments that we have made in terms of AI to transform our own go-to-market has had a clear impact in terms of sales productivity. How we are using intent data to drive our prospecting. How we are using data during the deal process, we call it guided selling. So internally every sales rep knows the insights that they need, they prepare better for meetings, they follow up faster for meetings, they have much better competitive insights during the call and post call and all of that has had measurable impact in terms of sales productivity. So both sales capacity and sales productivity are really humming and we see that continue going into 2026. So we feel pretty good about that.

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

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Q

Thanks for taking the question. So, I'd love to understand from your perspective what you're seeing in terms of demand trends, maybe a little bit more by geography. We saw international was a little bit stronger this quarter. We picked it up in some of our partner checks. But, as we think about the growth opportunity going forward, anything you'd call out in terms of international versus North America in terms of growth expectations? Thanks, guys.

Yamini Rangan

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

A

Yeah, I appreciate the question. Look, we have not seen any material changes in terms of segments or industries or geographies. It continues to be very consistent with prior quarters. Now if I look at our pipeline, we see a handful of trends that is not geo based but generally based on the products that we have launched and the momentum we're seeing. We saw very positive response from INBOUND, specifically customers are excited about the Loop, they are excited about Data Hub and I explained why Data Hub is almost important and critical for value from AI, and I see a lot of our customers and prospects talking to us about Customer Agent, Prospecting Agent, all of that has landed really well.

I continue to see multi-hub adoption as well as upmarket momentum. The large deal momentum this year has been consistent and compounding and we see that both in Q3 as well as entering into the Q4 in terms of the pipeline and that has been consistent driver. So not as much as segment or geo change, but really consistency in what is driving the demand across all of these regions.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.

A

And Brian just one small point to make on the domestic versus international growth. You will just remember that the legacy Clearbit business is about a 0.5 point of headwind to our growth in 2025. All of that business is domestic business and so it's about a 1 point headwind to domestic growth this year.

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

Jackson Ader

Analyst, KeyBanc Capital Markets, Inc.



Oh, great. Thanks for taking our questions, guys. I was just curious to ask on two things as far as the fourth quarter is concerned. Number one is, is there anything kind of seasonally here in the fourth quarter? I know you guys aren't giant deal dependent, but is there anything in terms of the fourth quarter booking that could impact the timing, Kate, of when you expect that net new piece to be kind of large enough to accelerate growth as we head into 2026?

And then also, I think we're getting into the heart of the pricing renewals for some of your larger customers. And so just curious whether the pricing – how those larger customers are handling the pricing increases, whether it's firmer or softer than you expected? Thank you.

Kathryn Bueker

Chief Financial Officer, HubSpot, Inc.



Yeah, thanks for the question. Look, I think that Q4 is always our most important quarter of the year in terms of being the largest net new ARR quarter with November and obviously December being pretty critical. We do see a lot of the migrated customers coming up for renewal at the end of this year and so that will impact Q4 a bit. And so far, they are performing as reported over the last couple of quarters.

Operator: Thank you. This concludes the HubSpot Q3 2025 earnings call. Thank you to everyone who was able to join us today. You may now disconnect your lines.

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