

Analyst Day

September 18, 2024



Safe harbor statement

This presentation includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management’s expectations of future financial and operational performance and operational expenditures, expected growth, foreign currency movement, and business outlook, including our financial guidance for the full year 2024 and our long-term financial framework; statements regarding our positioning for future growth and market leadership; statements regarding the economic environment; and statements regarding expected market trends, future priorities, and related investments, and market opportunities (including with respect to our expanding Total Addressable Market). These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, risks associated with our history of losses; our ability to retain existing customers and add new customers; the continued growth of the market for a CRM platform; our ability to develop new products and technologies and to differentiate our platform from competing products and technologies, including artificial intelligence and machine learning technologies; our ability to manage our growth effectively over the long-term to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; the impact of general economic conditions on the spending patterns of our customers and potential customers; the impact of our pricing and partnership referral strategies on our ability to attract new customers; the price volatility of our common stock; the impact of geopolitical conflicts, inflation, foreign currency movement, and macroeconomic instability on our business, the broader economy, our workforce and operations, the markets in which we and our partners and customers operate, and our ability to forecast our future financial performance; regulatory and legislative developments on the use of artificial intelligence and machine learning; and other risks set forth under the caption “Risk Factors” in our SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

Agenda

Time	Subject	Presenters
11:30 a.m.	Vision for Durable and Efficient Growth	 Yamini Rangan, Chief Executive Officer
11:55 a.m.	Executing Durable and Efficient Growth	 Kate Bueker, Chief Financial Officer
12:20 p.m.	Executive Q&A Session	 Yamini Rangan
	Moderator: Ryan Burkart, IR	 Dharmesh Shah, Co-Founder & Chief Technology Officer
		 Andy Pitre, EVP, Product
		 Kate Bueker

HubSpot's Vision for Durable and Efficient Growth

Yamini Rangan, CEO, HubSpot



The Headlines

1

We are positioned to win in a large and growing market

2

We are a platform company and have strong momentum

3

Our go to market strategy across digital, partner and sales-driven is scaling

4

We are balancing growth, efficiency and culture to build an enduring company

Mission and Market Opportunity





Our mission

Help millions of
organizations
grow better



To fulfill our mission

We zigged when
others zagged



Zig 1

Serve small and medium
businesses



Zig 2

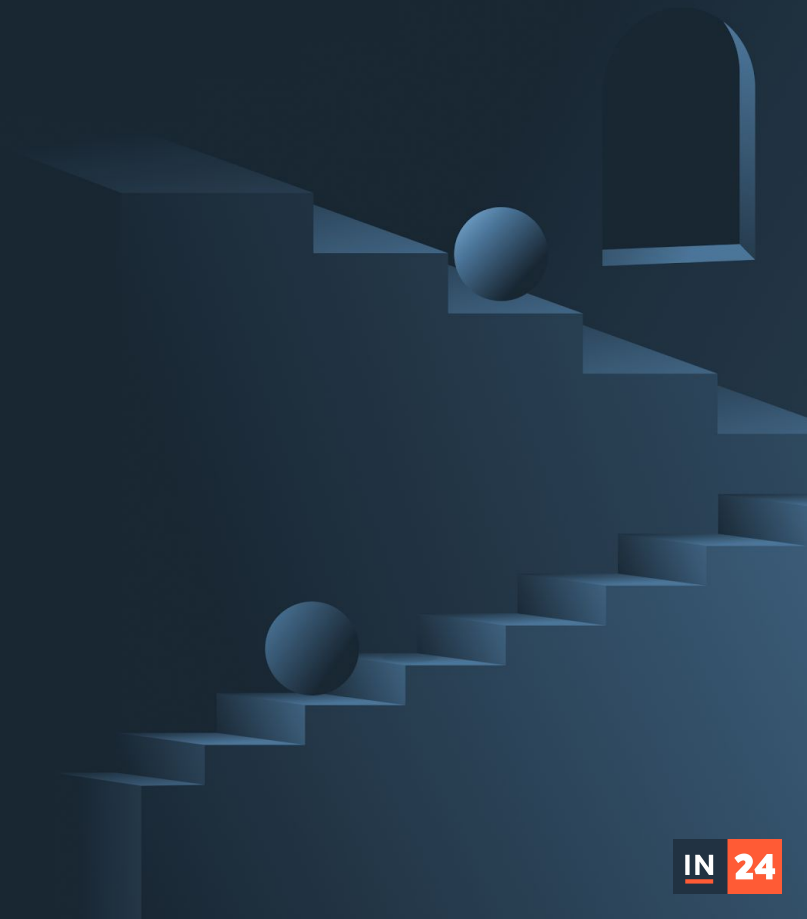
Move from app to suite
to platform



Zig 3

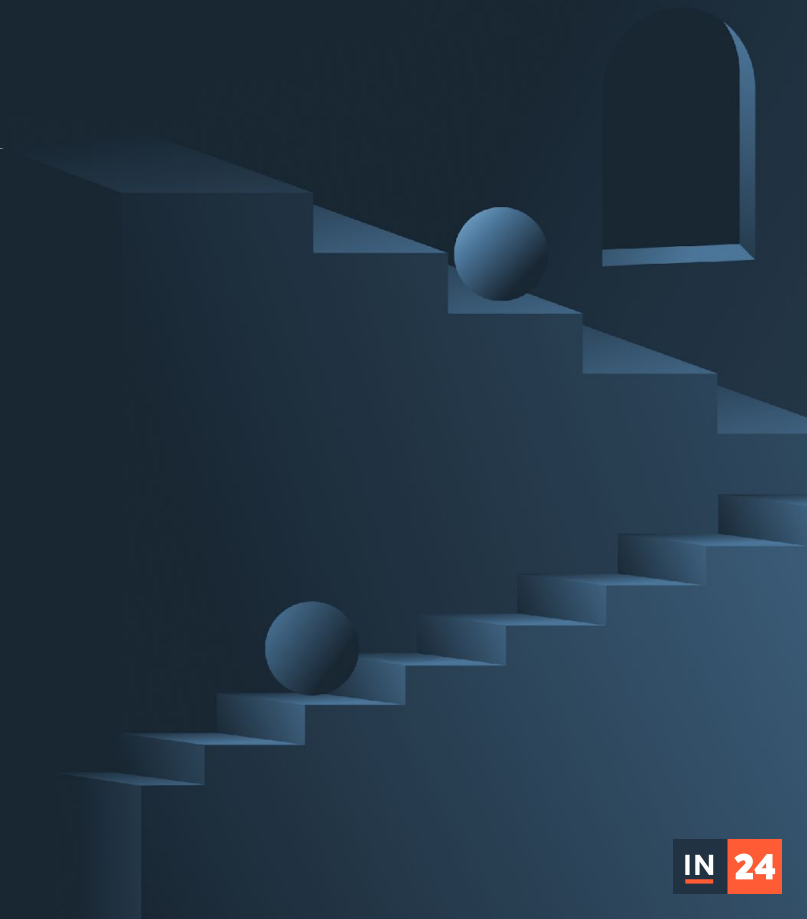
Organically craft
our platform

Why do something
nobody else was
doing?



Why do something
nobody else was
doing?

Precisely, because nobody
was doing it.



Our Customer is
a Growth Leader



● easy  fast ●● unified

 **easy**

to use

 **fast**

time to value

 **unified**

data

 **What it means**

Intuitive and efficient

 **Why it matters**

Shortens the learning curve
and painless to use

 **What it means**

Immediate impact

 **Why it matters**

Drives greater adoption
and value in weeks, not
months

 **What it means**

All your data in one place

 **Why it matters**

Makes HubSpot more
accurate and insightful

We have the right
to win in a large
and growing market

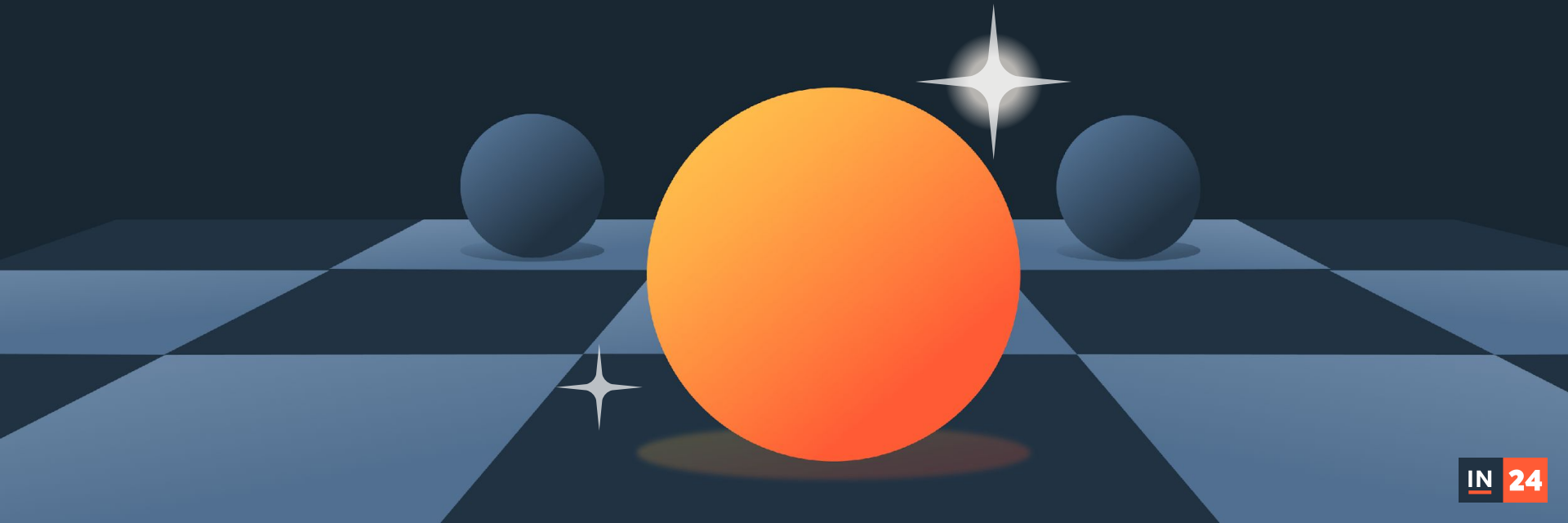
\$76B
2024

\$128B
2029

Source: IDC and HubSpot estimates

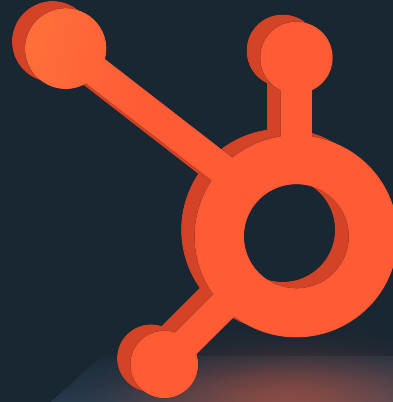
*Note: Includes <2,000 EE for Marketing, Sales, Service,
Content, Operations, Commerce, and AI markets.*

Product Strategy

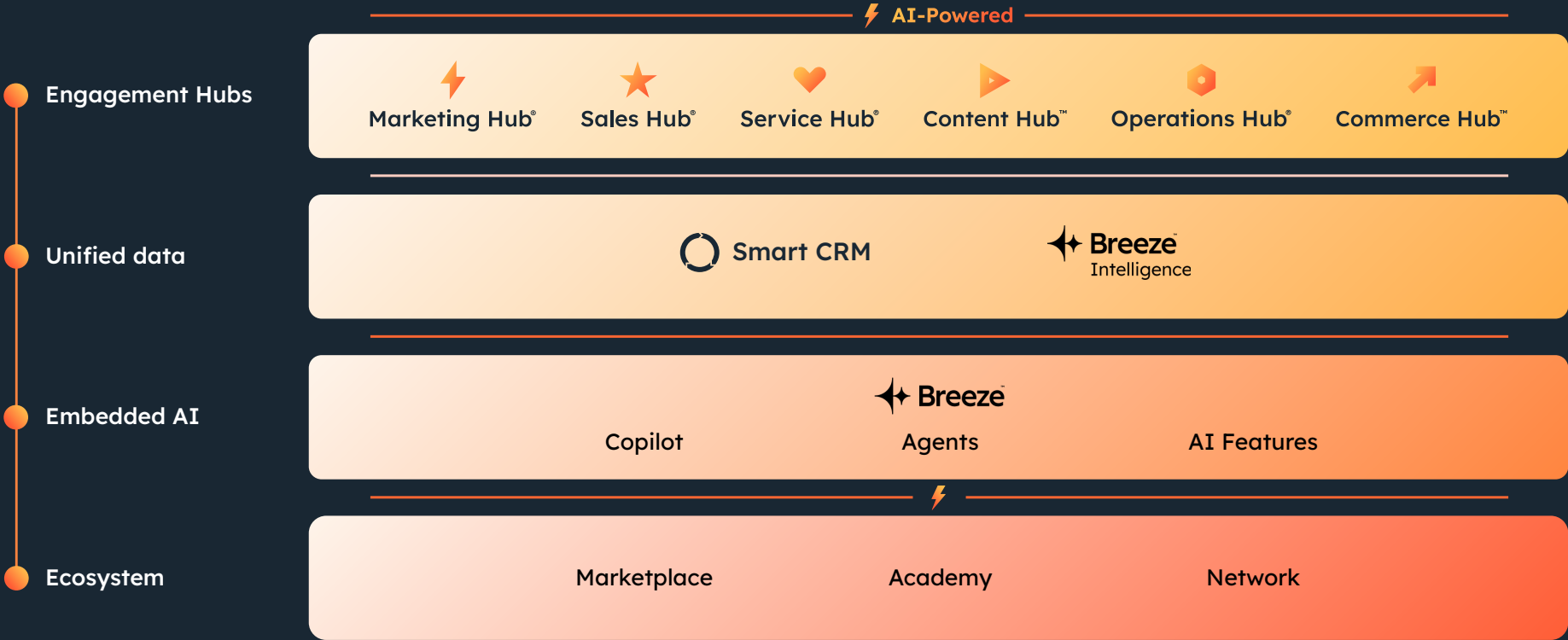


Our Aspiration

Be the #1 AI-powered
customer platform
for scaling companies



Fueling growth with the Customer Platform





1

Embedded AI



2

Unified Data



3

Engagement Hubs



4

Ecosystem

Our AI Strategy

Embed AI into every
hub and across our
entire platform



AI usage is increasing



Marketing usage with AI

176k

Blogs created

633k

Emails created

120k

Landing pages published

200k

Social posts published



Service usage with AI

180k

Call summaries

100k

Conversation summaries

700k

Help desk conversations

AI value is increasing

 Content Hub

91%

Users say content created with AI performs better

 Sales Hub

76%

Users say AI helps them spend more time selling

 Service Hub

84%

Users say AI helps them respond faster to customers

Launching **Breeze!**

AI powers the entire Customer Platform



- CRM record summaries
- Company research
- Image generation
- Content creation (email, landing pages, blogs, etc)
- Brand voice
- Call analysis
- Search summaries
- Browser extension
- Mobile app



- Social Agent
- Content Agent
- Prospecting Agent
- Customer Agent



- Campaigns analyze tab
- AI image & clip creator
- Engagement scoring
- AI-assisted reporting & automation
- Data quality
- Data entry suggestions
- Translation for email
- Context-driven AI
- Call sentiment

● GA by end of '24

● Beta by end of '24



Value > Monetization

Our strategy is working

Higher attach rates for hubs

Higher upgrade rates with Pro and Ent tiers

More adoption of Core seats

Higher customer additions





Unified Data

Launching **Breeze Intelligence!**

Breeze Intelligence Strategy

Provide our customers the best possible data about their customers

Breeze Intelligence Core Use Cases



Company and Contact Enrichment

Enriches over 200M data points within the CRM



Buyer Intent

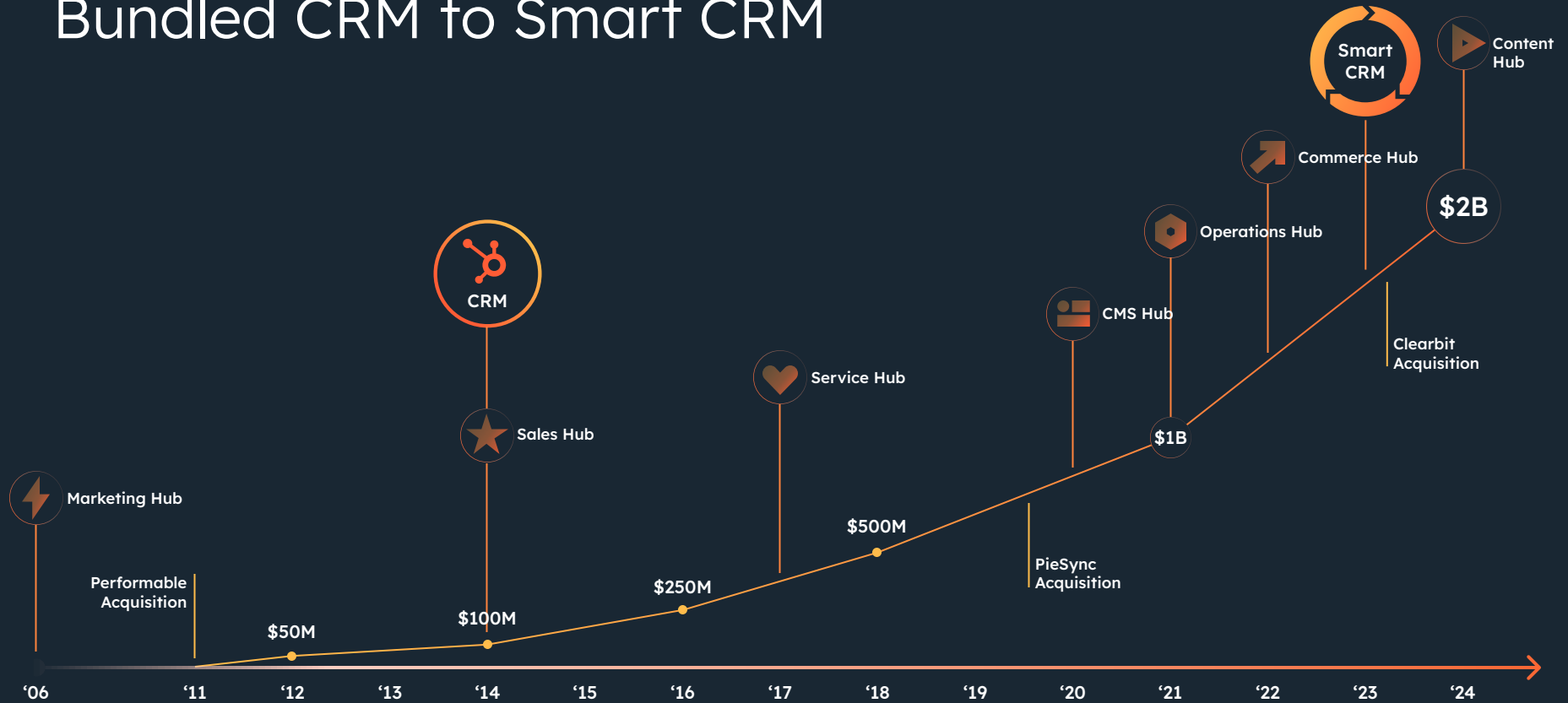
Audience and intent data to identify and prioritize prospects



Form Shortening

Increase conversion rates to connect with the right prospects

Bundled CRM to Smart CRM



• Revenue

Smart CRM

Unifies data, your team
and tech stack.



Flexible Custom
objects



Sensitive data



Smart features



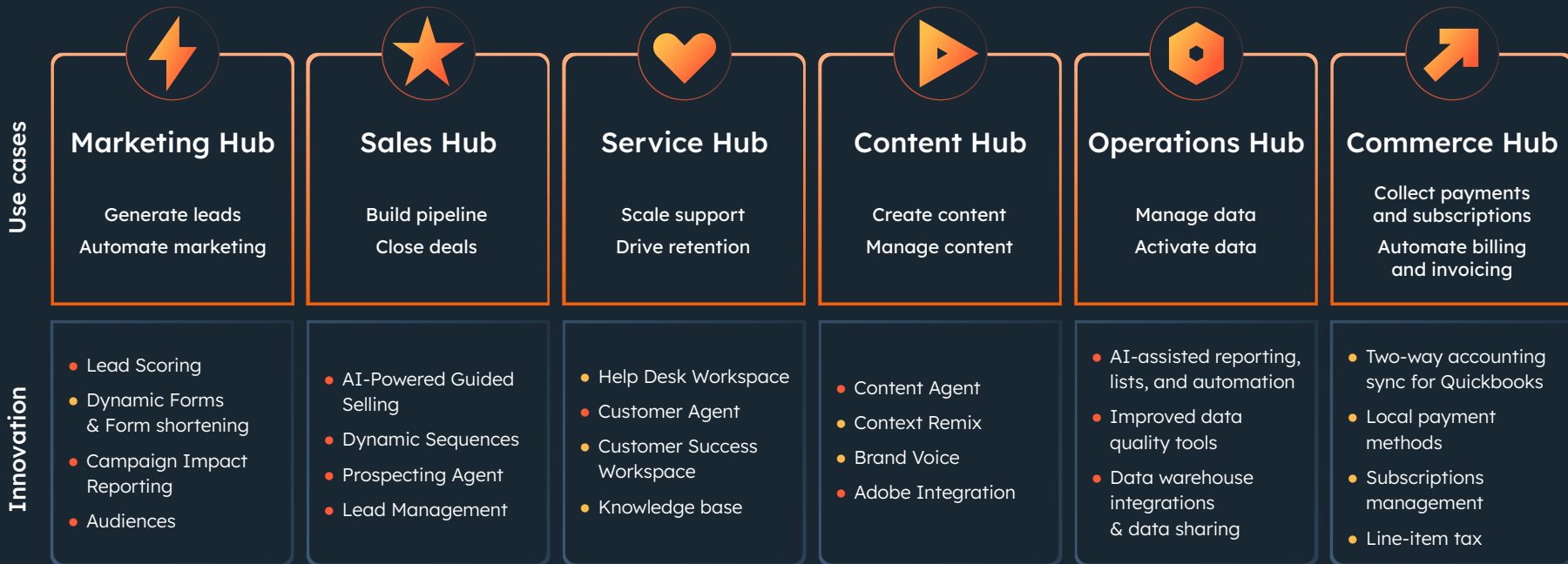
Engagement Hubs

Our Hub Strategy

Build a system of engagement for the entire front-office



Momentum in Engagement Hubs



• GA by end of '24

• Beta by end of '24



Our focus

Usage with use
cases

Our focus

Usage with use
cases

Value with multi-hub



Ecosystem

Our ecosystem strategy

Build a trusted network
of partners that can
extend our reach





1700+

over 10x in last 5 years

Proof that we are a platform

Pro+ customers use 8+ active integrations!



We are a Customer
Platform company



We are a Customer Platform company

- + Embedded AI
 - + Breeze Intelligence
 - + Strengthened Smart CRM
 - + Best-in-class Engagement Hubs
 - + Thriving and expanding ecosystem
- = **Momentum as Customer Platform**

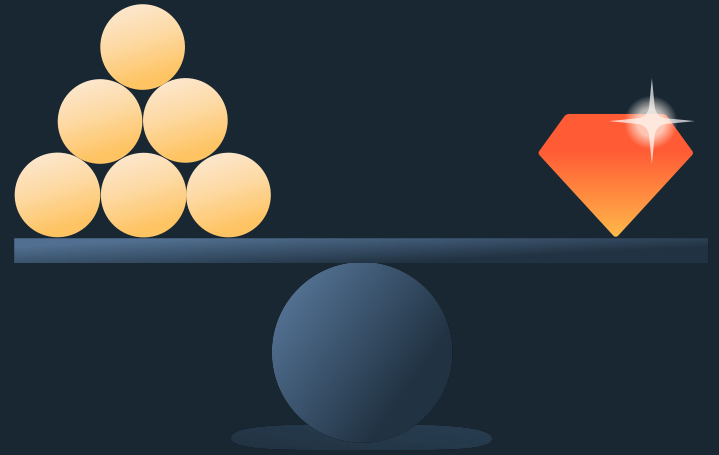


Go To Market Strategy



GTM Strategy

Be world-class at driving volume at the low-end and value at the high-end



Scaling Distribution



Digital-driven



Partner-driven



Sales-driven

Digital-driven motion is scaling



Partner-driven motion is gaining momentum

Acquiring and activating
more partners



of customers onboarded
by partners

Scaling with
partners



growth in co-selling

Driving more value
with partners



higher ASPs

Sales-driven motion is scaling effectively

Enhanced Sales
and Partner Training

Streamlined Sales
Execution

38%

of Pro+ customers
are 3+ hubs

28%

of new ARR
from larger deals



Driving efficiency at scale



HubSpot runs on HubSpot
and we are a testing ground
for AI



Leveraging AI to scale go-to-market



Marketing

80%

Website chat answered by AI and automation

40%

Pipeline increase due to better routing

70-100%

Email conversation improvement with AI personalization



Sales

30%

Less time in discovery with intent scoring and personalization

20%

Faster response with deal and call summaries



Service

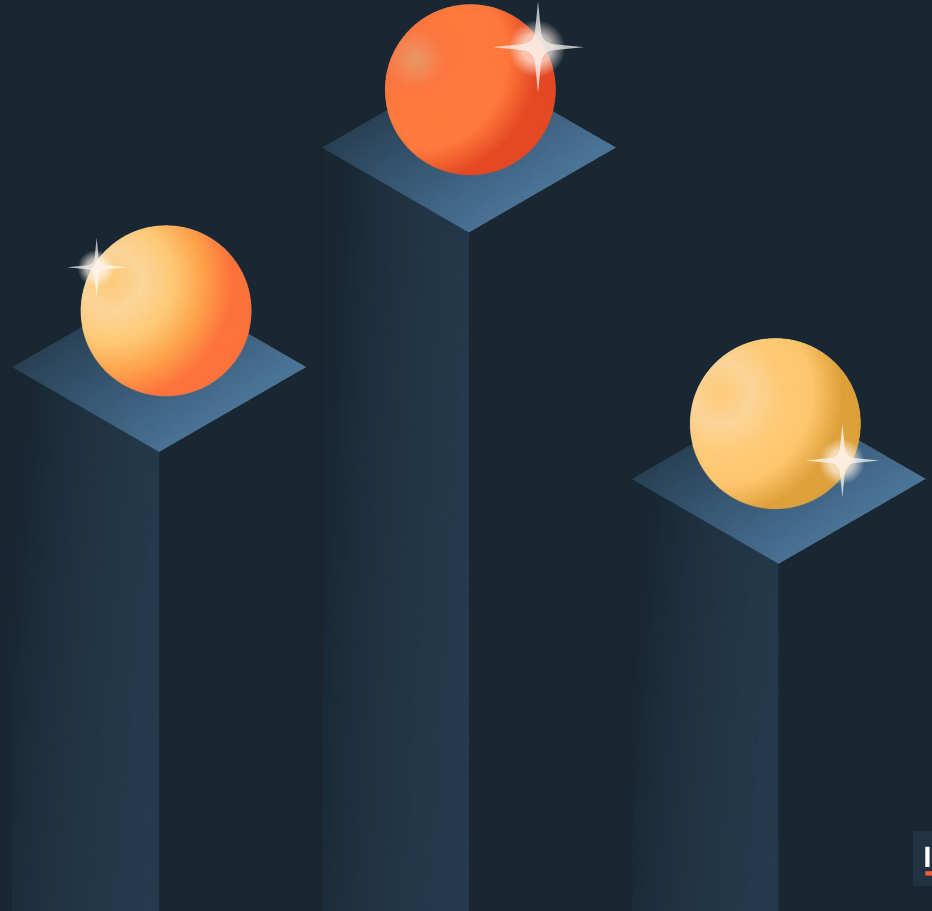
30%

Digital resolution of tickets

500k

Emails / month: analyzed to drive better retention

Balancing growth,
efficiency and culture



We are building two products



One for our customers.



One for our employees.

*Culture is the product we build
for ourselves.*

We are a company of Grow Getters

A customer first culture

Learn-it-alls > Know-it-alls

Expect accountability, ownership and urgency

Love being masters of our craft



We are positioned for long-term durable growth



Right to win in a large and expanding market



Strong momentum as a platform with fast
pace of innovation



Scaling distribution and building moats



Balancing growth, efficiency and culture
with a customer focused and resilient team

Executing Durable and Efficient Growth

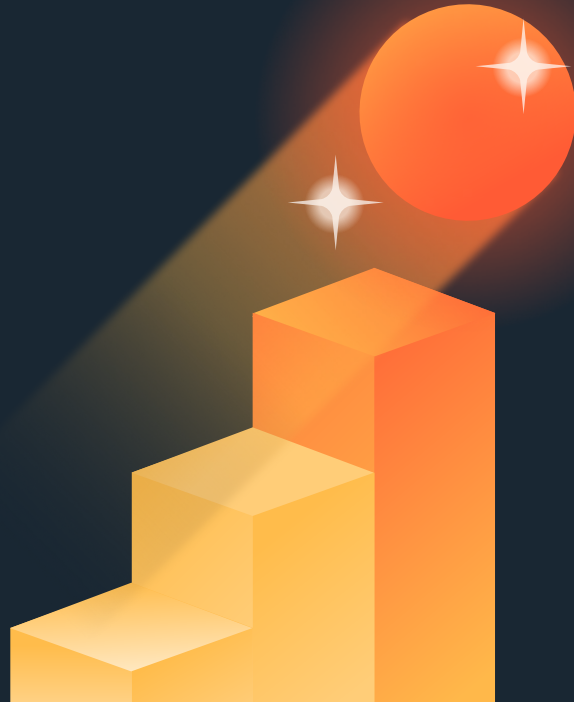
Kate Bueker, CFO, HubSpot



Agenda

- 1 Track record of growth and profitability
- 2 Platform enables durable growth
- 3 Business delivering consistent leverage

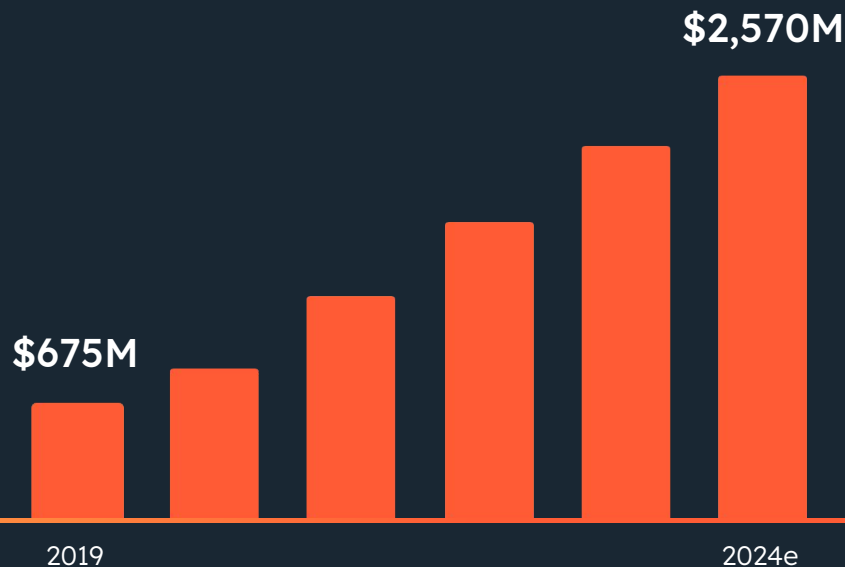
Track Record of Strong Revenue Growth and Profitability



Strong revenue growth

31% CAGR

2019 → 2024e

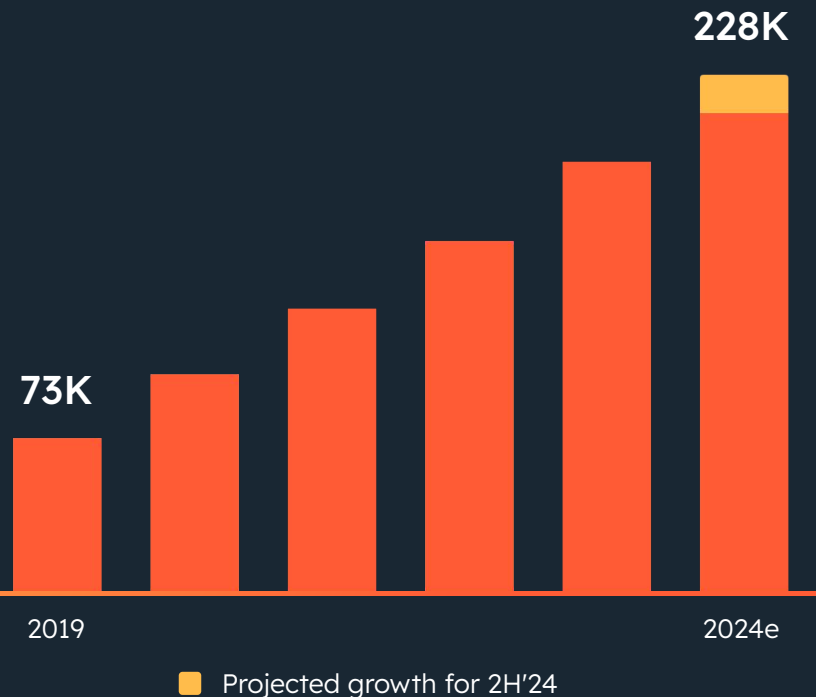


2024e represents the mid-point of FY '24 guidance on an as-reported basis as of August 7, 2024.
CAGR = Compound Annual Growth Rate.

Strong customer growth

29% CAGR

2019 → 1H'24

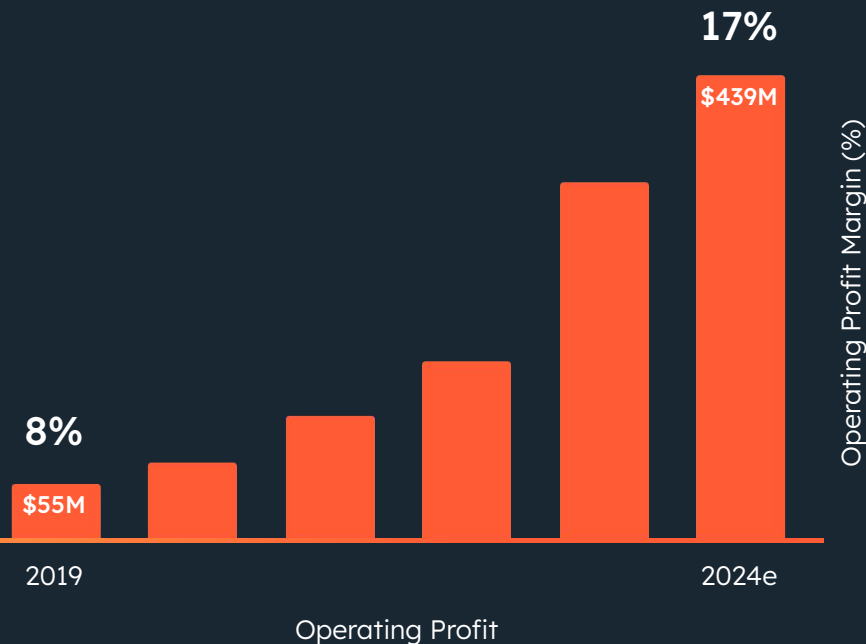


228K represents HubSpot's total customer count through 1H'24.
Projected growth for 2H'24 is an estimated illustration of the net new customers we expect to add in the second half of 2024 and is not to scale.

Strong margin expansion

52% CAGR

2019 → 2024e



Operating profit and operating profit margin are non-GAAP metrics. Please refer to the appendix for a reconciliation of GAAP to non-GAAP figures. 2024e represents the mid-point of FY'24 guidance as of August 7, 2024.

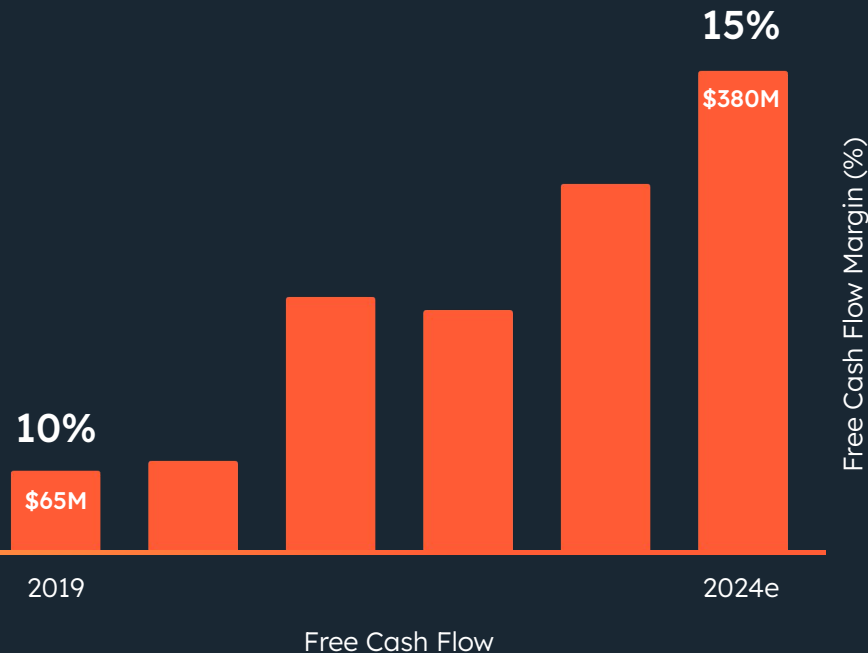
Strong free cash flow and balance sheet

\$1.9b

cash position

51% CAGR

2019 → 2024e



Free cash flow is a non-GAAP metric. Please refer to the appendix for a reconciliation of GAAP to non-GAAP figures.
2024e represents FY'24 guidance as of August 7, 2024.

Early in large and expanding TAM opportunity



Includes Total Addressable Market (TAM) for software in HubSpot's core product groups including Marketing Hub, Sales Hub, Service Hub, Operations Hub, Content Hub, Commerce Hub, and Breeze Intelligence.
Source: IDC and HubSpot estimates

World-class engagement hubs



Marketing Hub

13%

YoY Growth



Sales Hub

24%

YoY Growth



Service Hub

28%

YoY Growth



Content Hub

30%

YoY Growth



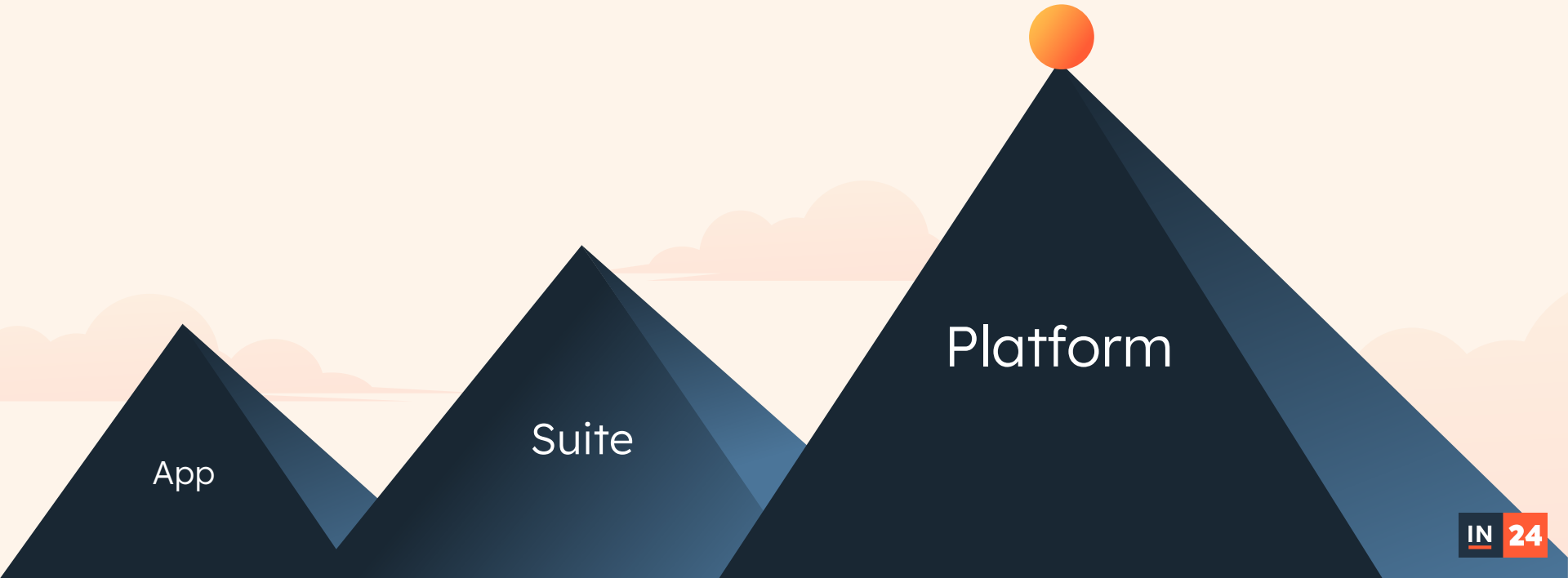
Operations Hub

57%

YoY Growth

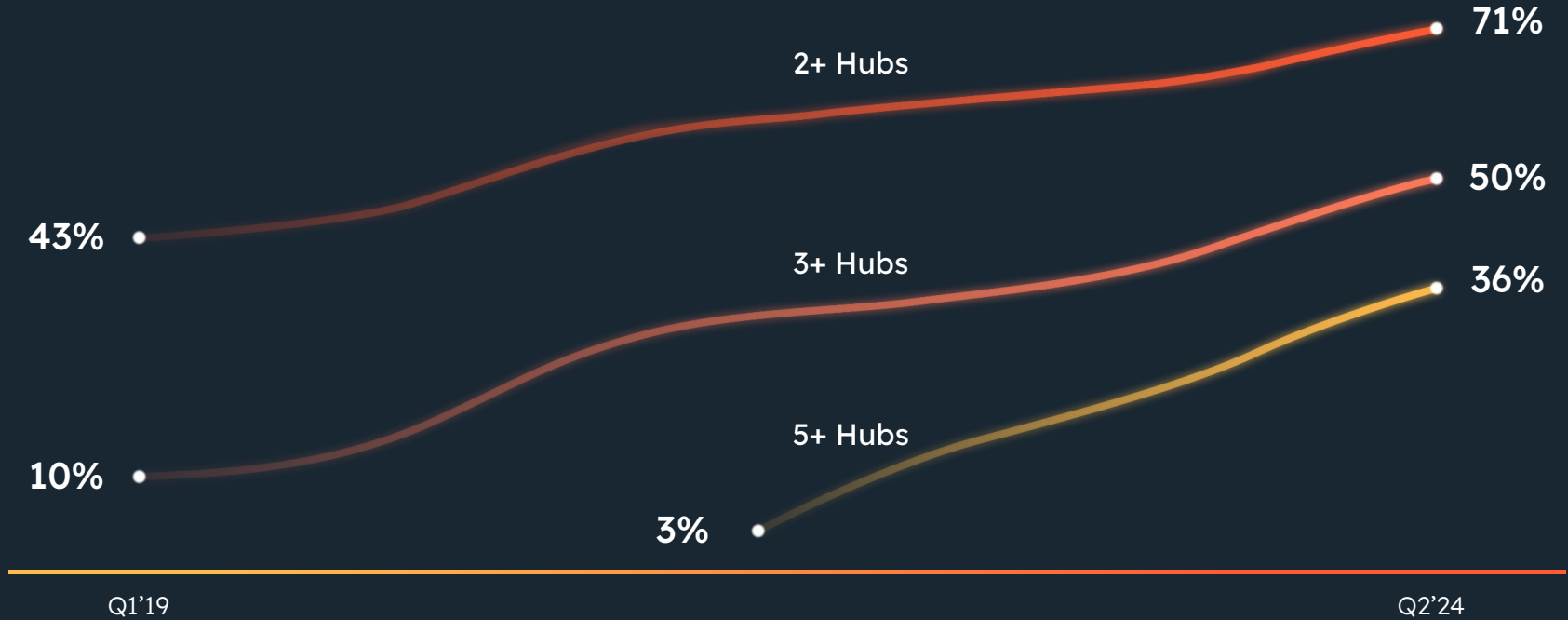
YOY growth represents Install Base ARR and year-over-year growth rates as of Q2'24. Please refer to the appendix for a definition of ARR.

HubSpot's platform journey

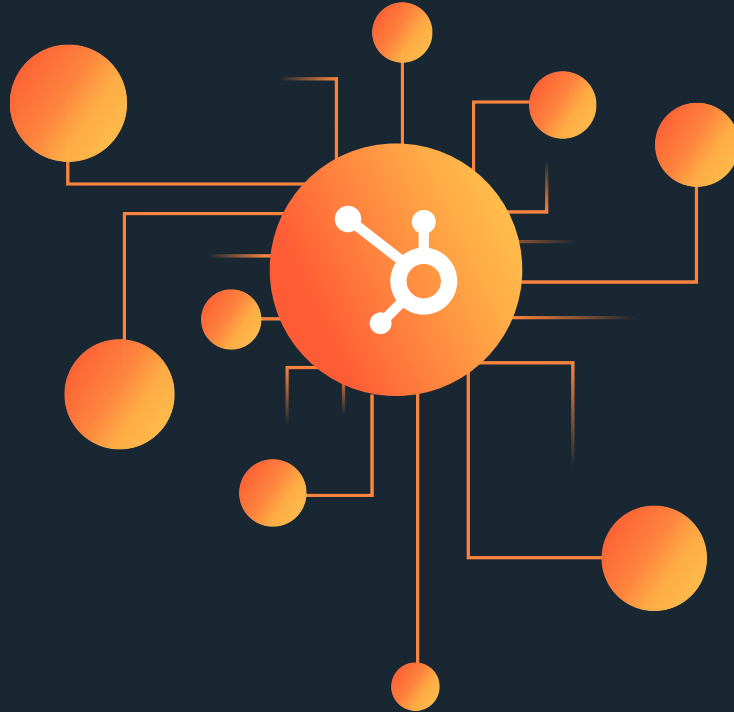


HubSpot is a platform company

% of Total Customers with:



Platform Adoption Increasingly Important Business Driver



Platform enables durable growth



Acquisition



Retention



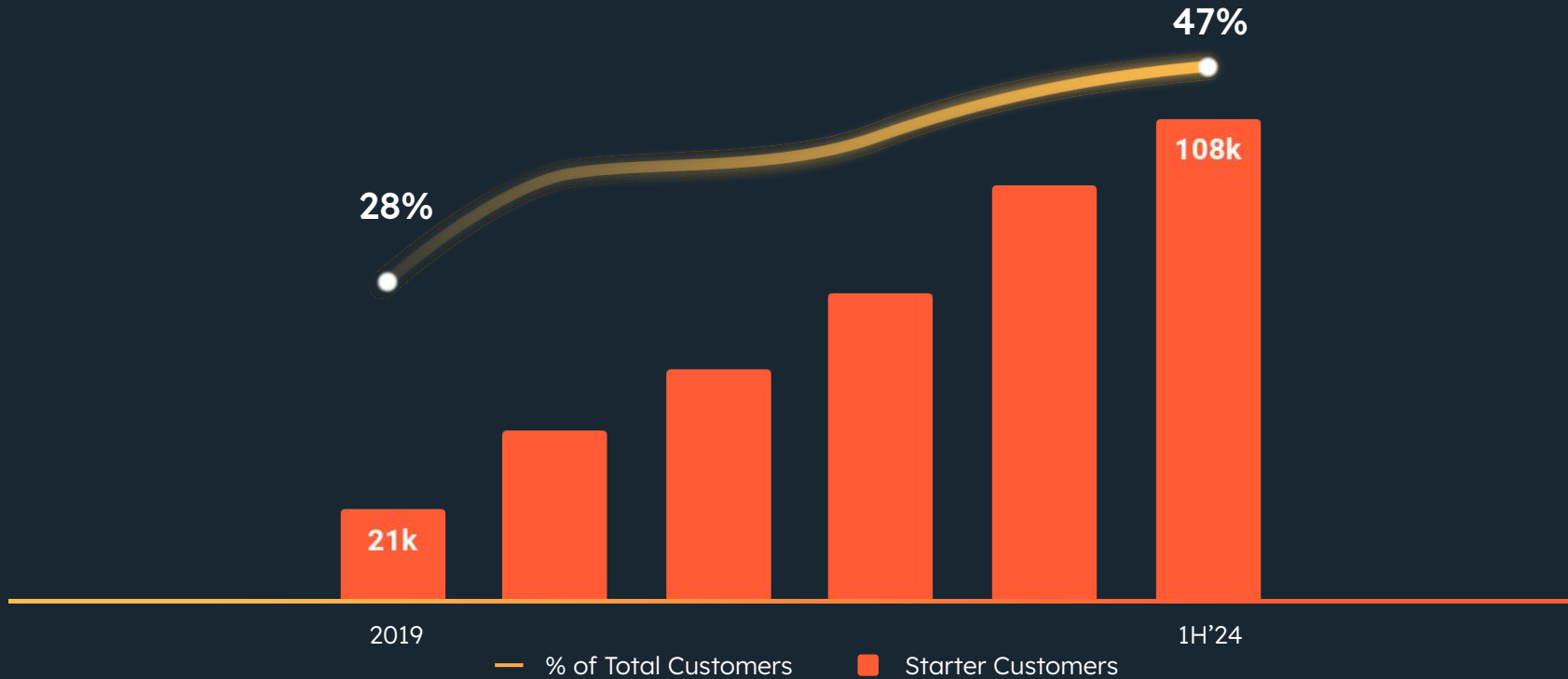
Expansion



Innovation



Acquisition: Volume at the low end



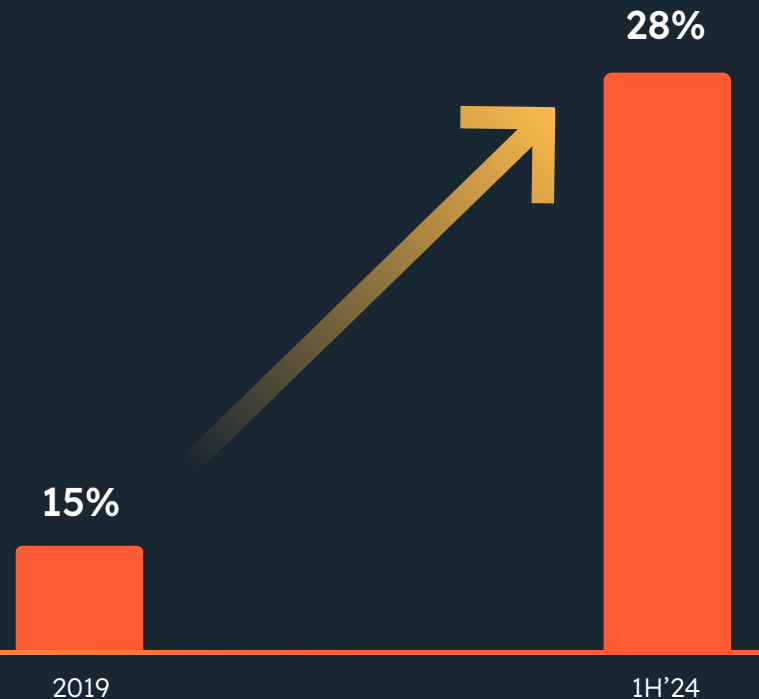


Acquisition: Value at the high end

1.8x

\$3k+ MRR deals % New ARR

2019 → 1H'24

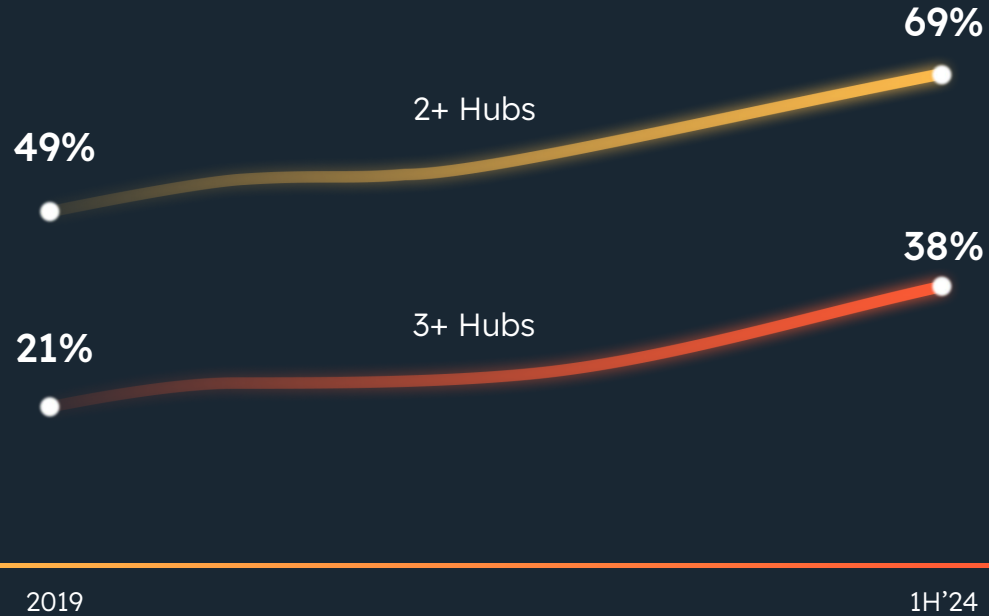


Please refer to the appendix for a definition of ARR.



Acquisition: Value at the high end

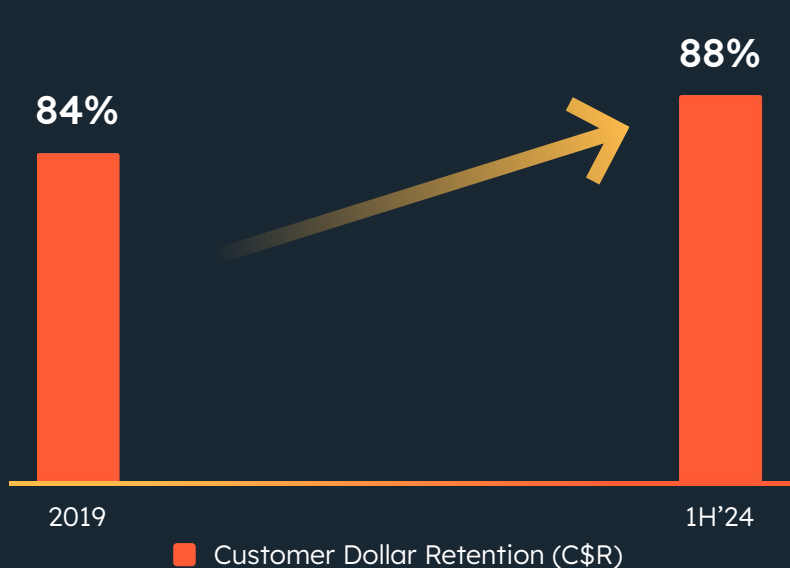
% of New ARR (Pro & Enterprise Only)



Please refer to the appendix for a definition of ARR.



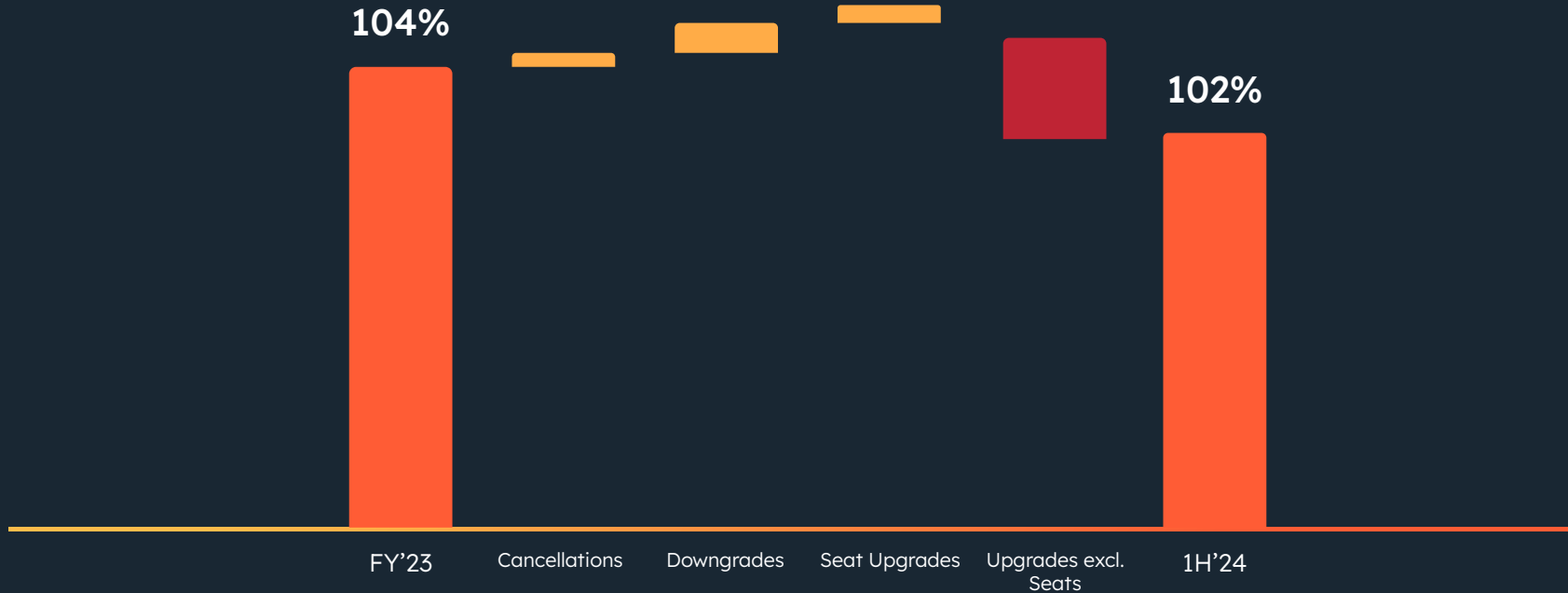
Retention: Platform driving improving C\$R



	Share Gain (2019-1H'24)	C\$R (1H'24)
3+ Hubs	+32%	90%
Enterprise	+9%	93%
5+ Integrations	+26%	93%

Please refer to the appendix for a definition of Customer Dollar Retention (C\$R).

Retention: Net revenue retention supported by platform value

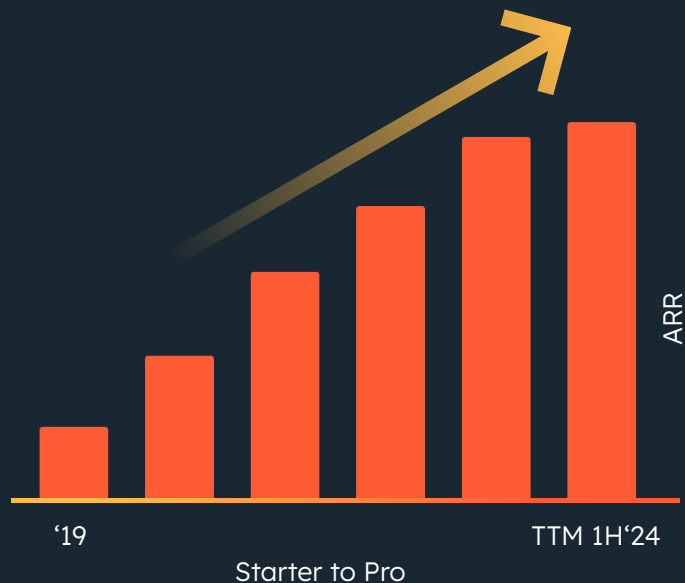


Please refer to the appendix for a definition of Net Revenue Retention (NRR).

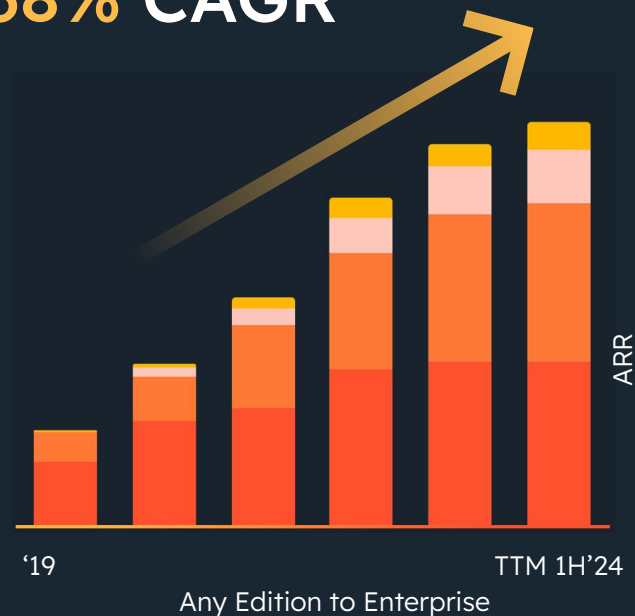


Expansion: Edition upgrade rates remain healthy

43% CAGR



38% CAGR

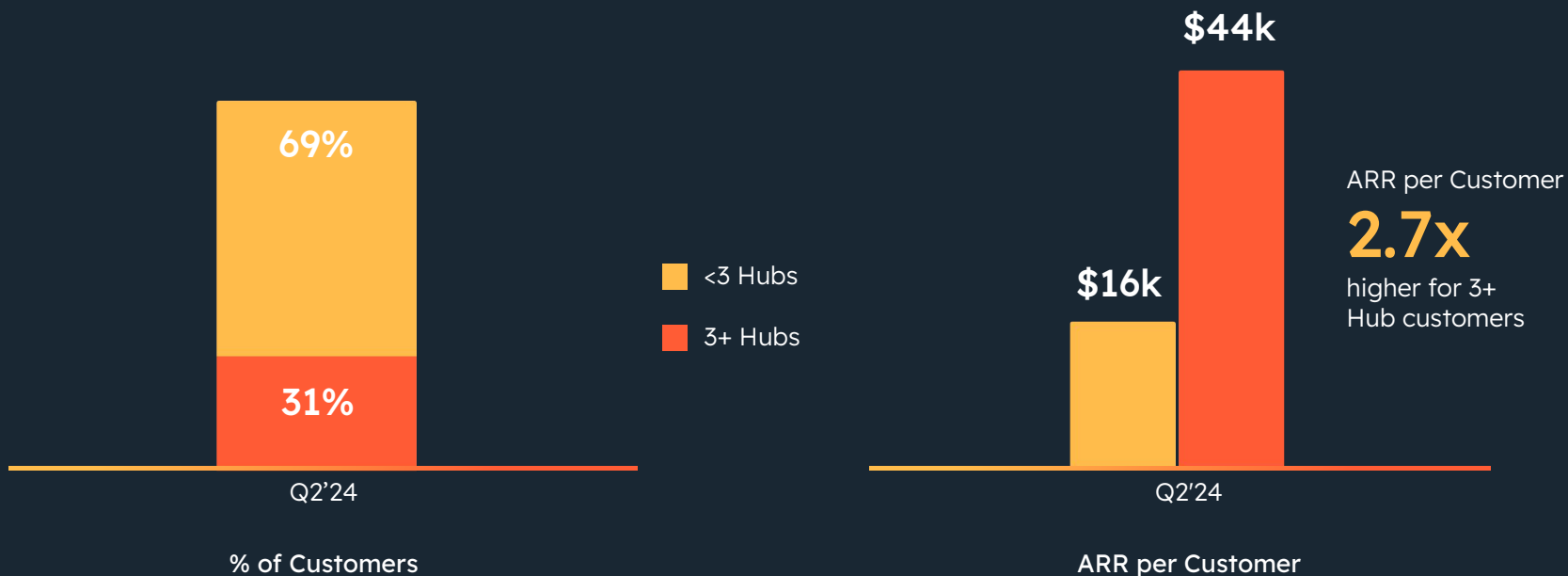


Marketing Sales Other Service

Please refer to the appendix for a definition of ARR.



Expansion: Significant opportunity for multi-hub adoption



Pro and Enterprise Tiers only, excludes Starter. Please refer to the appendix for a definition of ARR.

Expansion: Seats pricing model recap

Seats make it easier to get started & pay as you grow with HubSpot

- 1 Starter is simpler with per-user pricing
- 2 No Seat minimums for Sales & Service Hubs
- 3 Introduced Core Seat to monetize the Smart CRM



Expansion: Seats pricing model impact



More

Customers

Easier to get started

- Simpler Starter pricing
- No Seat minimums



Better

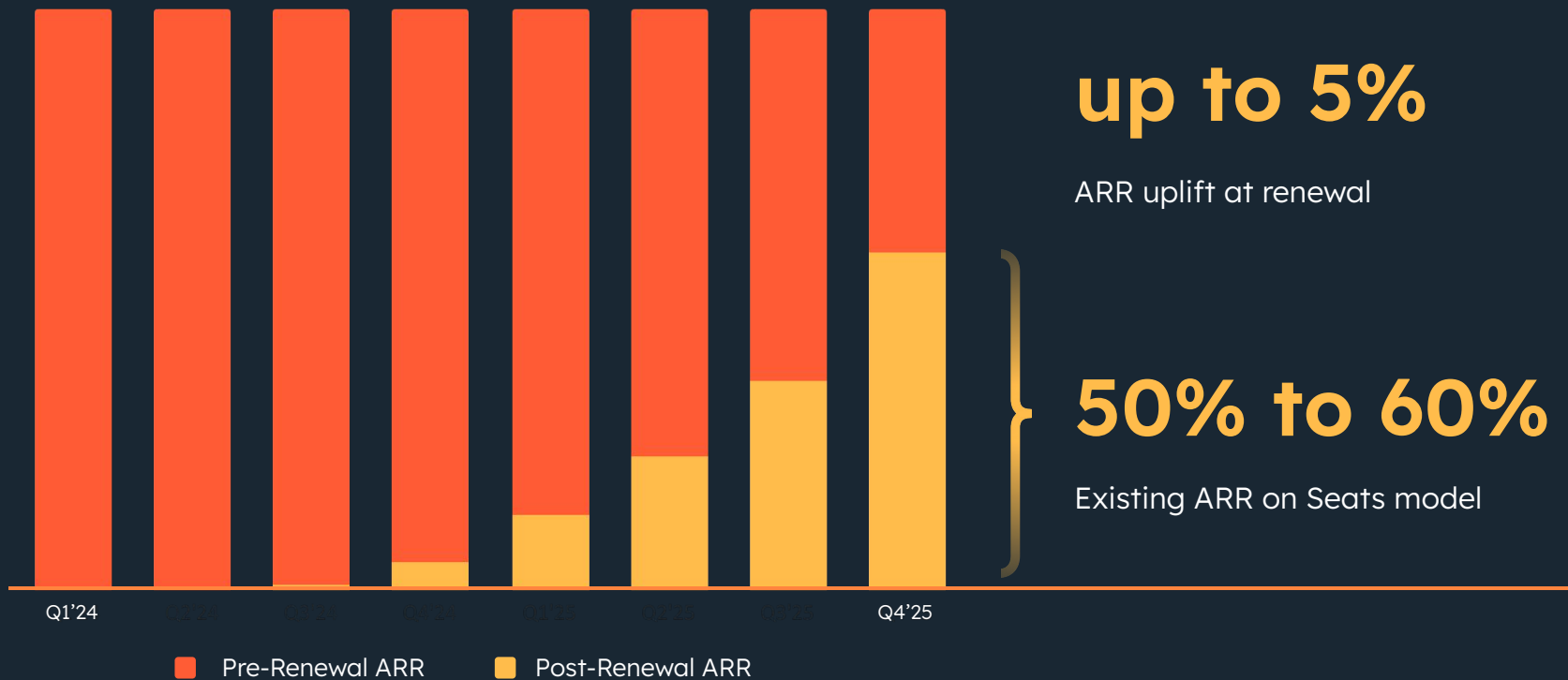
Retention

Buy only what you need

- Healthier customer base
- Faster upgrade rates

New monetization lever via Core Seat

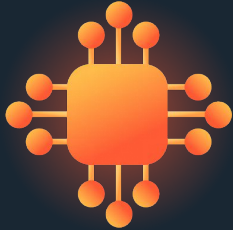
Expansion: Existing customers Seats migration glidepath



The expected amount of existing ARR on the Seats model by Q4'24 is our best estimate as of September 18, 2024. Please refer to the appendix for a definition of ARR.



Innovation: Planting seeds for durable growth



AI



Commerce



Breeze Intelligence



Innovation: Commerce continues to gain momentum

5k+

Monthly Transacting
Customers

90k+

Transactions
per Month

\$1B+

Payment Volume
in 2024



Innovation: Introducing Breeze Intelligence

Use Cases

Company and Contact
Enrichment

Buyer Intent

Form
Shortening

Opportunity

Top Priority

Low CSAT

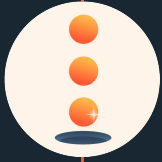
High Spend

Pricing/GTM

Disruptive Pricing

Usage-based

Sales / Digital GTM



Acquisition

- More multi-hub



Retention

- Higher usage drives higher retention



Expansion

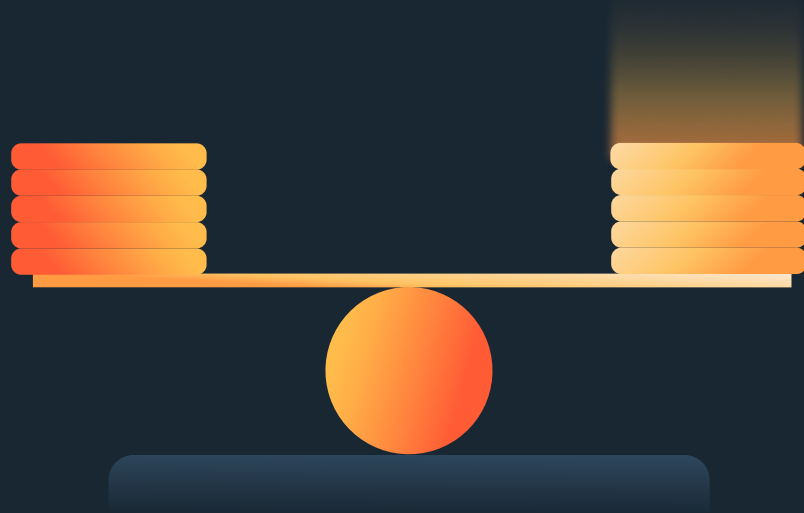
- Multiple paths to grow



Innovation

- New functionality built into existing workflows

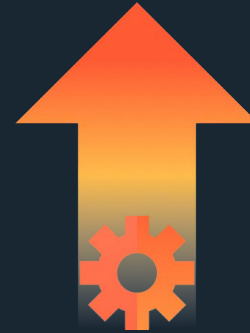
Balancing Growth & Profitability



Philosophy on balancing growth and profitability



Drive durable revenue growth at scale



Generate operating leverage as we scale toward long-term margin targets

Delivering operating leverage

Average margin expansion

2019-2023

180

bps / year

- Infrastructure Optimization
- Support & Services Efficiencies
- Partner Pay for Value

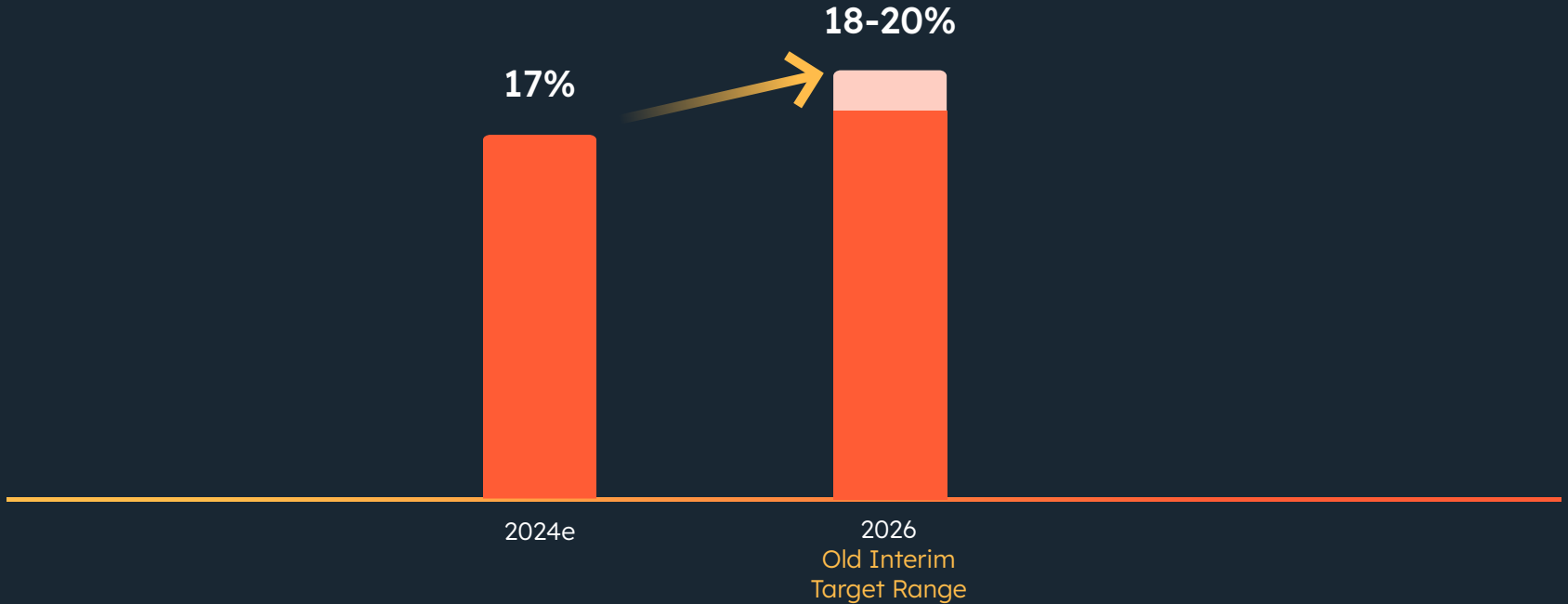
2022-2024e

300

bps / year

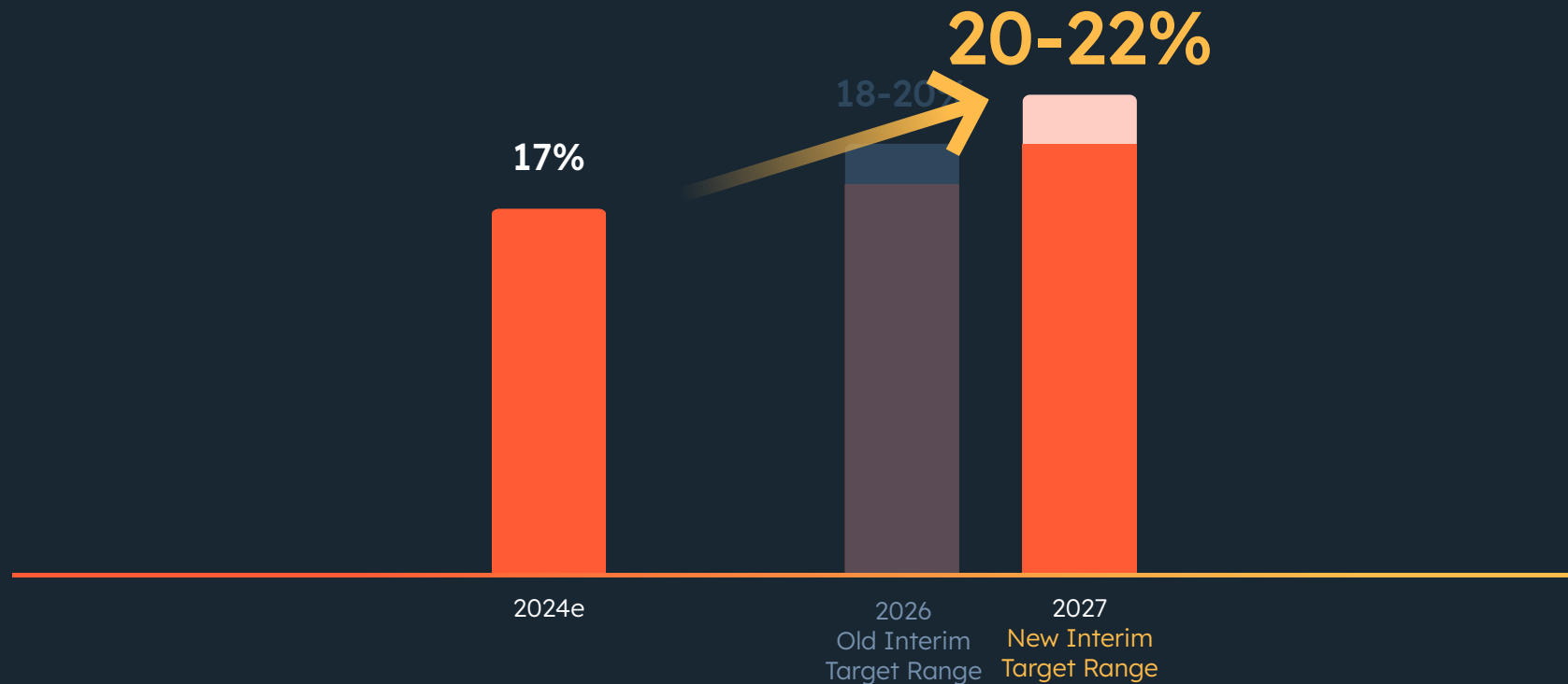
Bps per year represents the non-GAAP operating profit margin leverage for the respective years. Please refer to the appendix for a reconciliation of GAAP to non-GAAP figures. 2024e represents the mid-point of FY'24 guidance as of August 7, 2024.

Tracking ahead of interim margin target



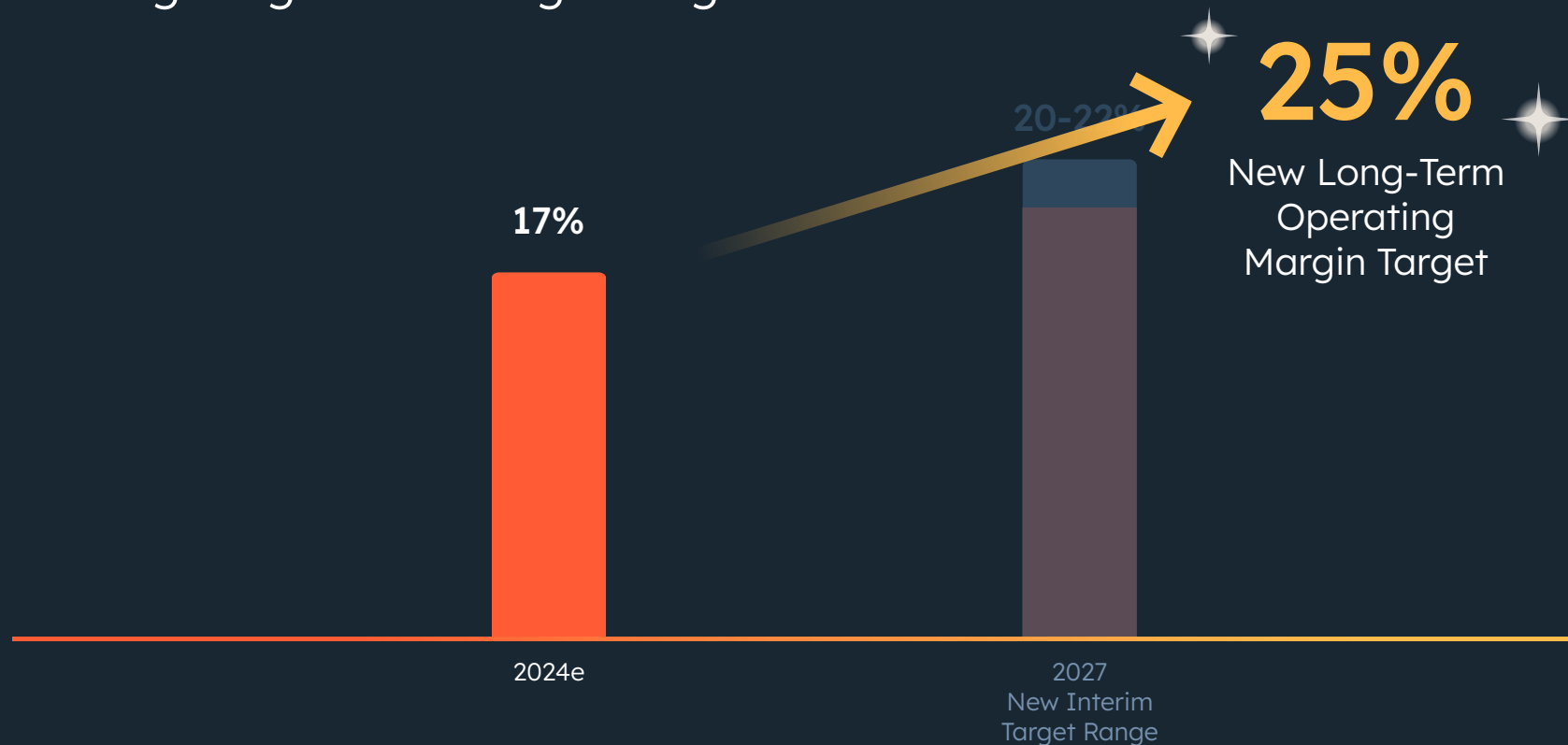
2024e represents the mid-point of FY'24 non-GAAP operating profit margin guidance as of August 7, 2024. Forward-looking targets reflect our current operating plan as of August 7, 2024 and are subject to change as future events and opportunities arise. Please refer to the appendix for a reconciliation of GAAP to non-GAAP figures.

Raising interim margin target range



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Raising long-term margin target



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Investing in durable and efficient growth

Current vs. Peers

Strategy

Gross Margin



Best in class



Optimization

R&D



Above average



Innovation

S&M



Above average



Efficiency

G&A



In-line



Scale

Levers for S&M efficiency

Key Initiatives



Digital-Driven

- Expand low CAC freemium funnel
 - Reduce friction in purchase and upgrades
-



Rep-Driven

- AI & systems-driven productivity growth
 - Higher ASP through platform selling
-



Partner-Driven

- Grow upmarket partner sales and service attach
- Aligning partner incentives with customer value

Confident in our ability to deliver more leverage over time

20-22%

2027
Margin Target

25%

Long-Term
Margin Target

Forward-looking non-GAAP operating profit margin targets reflect our current operating plan as of August 7, 2024 and are subject to change as future events and opportunities arise.

Key takeaways

1

Platform of choice in
large and growing TAM

2

Innovation fueling
durable and diverse
growth opportunities

3

Delivering strong
financial results

Thank You



Appendix

GAAP to non-GAAP reconciliations

	2019		2020		2021		2022		2023		Six Months Ended June 30, 2024	
	\$ '000s	% of	\$ '000s	% of	\$ '000s	% of	\$ '000s	% of	\$ '000s	% of	\$ '000s	% of
Cost of Revenue												
Subscription	98,510	15%	130,685	15%	211,132	16%	257,513	15%	290,802	13%	162,545	13%
Stock-based compensation	(3,127)	0%	(4,408)	0%	(6,297)	0%	(9,076)	-1%	(12,652)	-1%	(10,404)	-1%
Amortization of acquired intangibles	(3,201)	0%	(2,340)	0%	(937)	0%	(1,205)	0%	(2,123)	0%	(3,761)	0%
Gain on termination of operating leases	-	0%	-	0%	395	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	(600)	0%	-	0%	-	0%	-	0%
Non-GAAP subscription	92,182	14%	123,957	14%	203,693	16%	247,234	14%	276,027	13%	148,178	12%
Professional services and other	31,448	5%	36,274	4%	47,725	4%	56,746	3%	54,687	3%	28,262	2%
Stock-based compensation	(2,829)	0%	(2,536)	0%	(3,092)	0%	(4,393)	0%	(4,958)	0%	(2,214)	0%
Gain on termination of operating leases	-	0%	-	0%	275	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	(415)	0%	-	0%	-	0%	-	0%
Non-GAAP professional services and other	28,619	4%	33,738	4%	44,908	3%	52,353	3%	49,729	2%	26,048	2%
Gross Margin												
Gross margin	544,902	81%	716,067	81%	1,041,801	80%	1,416,710	82%	1,824,741	84%	1,064,039	85%
Stock-based compensation	5,956	1%	6,944	1%	9,389	1%	13,469	1%	17,610	1%	12,618	1%
Amortization of acquired intangible assets	3,201	0%	2,340	0%	662	0%	1,203	0%	2,123	0%	3,761	0%
Gain on termination of operating leases	-	0%	-	0%	(670)	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	1,015	0%	-	0%	-	0%	-	0%
Non-GAAP gross margin	554,059	82%	725,351	82%	1,052,197	81%	1,431,382	83%	1,844,474	85%	1,080,418	86%
Operating Expenses												
Research and development	158,237	23%	205,589	23%	301,970	23%	442,022	26%	617,745	28%	373,817	30%
Stock-based compensation	(33,748)	-5%	(39,366)	-4%	(61,614)	-5%	(107,517)	-6%	(198,953)	-9%	(115,320)	-9%
Acquisition/disposition related income	(357)	0%	(1,287)	0%	(1,152)	0%	300	0%	(255)	0%	(1,755)	0%
Gain on termination of operating leases	-	0%	-	0%	1,546	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	(2,036)	0%	-	0%	-	0%	-	0%
Non-GAAP research and development	124,132	18%	164,936	19%	238,514	18%	334,805	19%	418,537	19%	256,742	20%
Sales and marketing	340,685	50%	452,081	51%	649,681	50%	886,069	51%	1,068,560	49%	594,076	47%
Stock-based compensation	(36,599)	-5%	(50,552)	-6%	(67,413)	-5%	(107,640)	-6%	(140,362)	-6%	(71,325)	-6%
Amortization of acquired intangible assets	-	0%	(79)	0%	(389)	0%	(1,426)	0%	(3,155)	0%	(714)	0%
Acquisition related expenses	-	0%	-	0%	(367)	0%	-	0%	-	0%	-	0%
Gain on termination of operating leases	-	0%	-	0%	1,839	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	(2,781)	0%	-	0%	-	0%	-	0%
Non-GAAP sales and marketing	304,086	45%	401,450	45%	580,570	45%	777,003	45%	925,045	43%	522,037	42%
General and administrative	92,971	14%	109,225	12%	144,949	11%	197,720	11%	249,649	12%	141,455	11%
Stock-based compensation	(21,451)	-3%	(24,626)	-3%	(28,345)	-2%	(47,225)	-3%	(75,346)	-3%	(40,853)	-3%
Acquisition related expenses	(552)	0%	(545)	0%	(568)	0%	-	0%	(3,661)	0%	(635)	0%
Amortization of acquired intangible assets	-	0%	-	0%	-	0%	-	0%	(55)	0%	(210)	0%
Gain on termination of operating leases	-	0%	-	0%	421	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	(636)	0%	-	0%	-	0%	-	0%
Non-GAAP general and administrative	70,968	11%	84,054	10%	115,821	9%	150,497	9%	170,617	8%	99,757	8%
Restructuring charges	-	0%	-	0%	-	0%	-	0%	96,843	4%	1,859	0%
Loss from Operations												
Loss from operations	(46,991)	-7%	(50,828)	-6%	(54,799)	-4%	(109,101)	-6%	(208,056)	-10%	(47,168)	-4%
Stock-based compensation	97,754	14%	121,488	14%	166,761	13%	275,849	16%	432,271	20%	240,116	19%
Amortization of acquired intangible assets	3,201	0%	2,419	0%	1,326	0%	2,629	0%	5,311	0%	4,685	0%
Acquisition related expenses	909	0%	1,832	0%	2,087	0%	(305)	0%	3,906	0%	2,390	0%
Gain on termination of operating leases	-	0%	-	0%	(4,276)	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	6,468	0%	-	0%	-	0%	-	0%
Restructuring charges	-	0%	-	0%	-	0%	-	0%	96,843	4%	1,859	0%
Non-GAAP loss from operations	54,873	8%	74,911	8%	117,567	9%	169,072	10%	330,275	15%	201,882	16%

	2019		2020		2021		2022		2023		Forecast 2024	
	% of		% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
Loss from Operations												
Loss from operations	(46,991)	-7%	(50,828)	-6%	(54,799)	-4%	(109,101)	-6%	(208,056)	-10%	(94,452)	-4%
Stock-based compensation	97,754	14%	121,488	14%	166,761	13%	275,849	16%	432,271	20%	516,149	20%
Amortization of acquired intangible assets	3,201	0%	2,419	0%	1,326	0%	2,629	0%	5,311	0%	9,403	0%
Acquisition/disposition related income (expenses)	909	0%	1,832	0%	2,087	0%	(305)	0%	3,906	0%	3,800	0%
Gain on termination of operating leases	-	0%	-	0%	(4,276)	0%	-	0%	-	0%	-	0%
Loss on disposal of fixed assets	-	0%	-	0%	6,468	0%	-	0%	-	0%	-	0%
Restructuring charges	-	0%	-	0%	-	0%	-	0%	96,843	4%	4,100	0%
Non-GAAP income from operations	<u>54,873</u>	8%	<u>74,911</u>	8%	<u>117,567</u>	9%	<u>169,072</u>	10%	<u>330,275</u>	15%	<u>439,000</u>	17%

	2019		2020		2021		2022		2023	
	% of		% of		% of		% of		% of	
	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues	\$ '000s	Revenues
GAAP net cash and cash equivalents provided by operating activities	118,973	18%	88,913	10%	238,728	18%	273,174	16%	350,972	16%
Purchases of property & equipment and capitalization of software development costs	(53,846)	-8%	(58,917)	-7%	(61,865)	-5%	(81,771)	-5%	(33,718)	-2%
Repayment of 2022 Convertible Notes attributable to the debt discount	-	0%	49,048	6%	26,428	2%	-	0%	(66,372)	-3%
Payment of restructuring charges	-	0%	-	0%	-	0%	-	0%	(41,572)	-2%
Free cash flow	<u>65,127</u>	10%	<u>79,044</u>	9%	<u>203,291</u>	16%	<u>191,403</u>	11%	<u>209,310</u>	10%

Definitions

Customers: We define our Customers at the end of a particular period as the number of business entities with one or more paid subscriptions to our CRM Platform either purchased directly with us or purchased from a Solutions Partner. We do not include in Customers business entities with one or more paid subscriptions solely for our legacy Sales Hub (\$10) product or any PieSync product. A single Customer may have separate paid subscriptions to our CRM Platform, but we count these as one Customer if certain Customer-provided information such as company name, URL, or email address indicate that these subscriptions are managed by the same business entity.

Install Base: Refer to definition of Annual Recurring Revenue below.

Net Revenue Retention: Net Revenue Retention is a measure of the percentage of recurring revenue retained from Customers over a given period of time. Our Net Revenue Retention for a given period is calculated by first dividing Retained Subscription Revenue by Retention Base Revenue in the given period, calculating the weighted average of these rates using the Retention Base Revenue for the period, and then annualizing the resulting rates. A definition of each of the key terms used to calculate Net Revenue Retention is included below.

Non-GAAP Operating Income: We define as GAAP operating income or loss plus stock-based compensation, amortization of acquired intangible assets, gain on termination of operating leases, loss on disposal of fixed assets, and acquisition-related expenses.

Free Cash Flow: We define “FCF” as cash and cash equivalents provided by or used in operating activities less purchases of property and equipment, capitalization of software development costs, plus repayments of convertible notes attributable to debt discount and payment of restructuring charges.

Annual Recurring Revenue: We define ARR as the annual value of our Customer subscription contracts as of the specified point in time excluding any commissions owed to our partners. For the purposes of this presentation, this excludes payments revenue and Clearbit revenue. For each Hub, this is the sum of Customer ARR for the Starter, Basic, Professional and Enterprise subscriptions, plus applicable contacts (marketing only), Seats, or Add-Ons (e.g., reporting or ads). For multi-product Customers, their ARR would be distributed across based on the value of each SKU/Hub for which they pay. In 2022, we began including our payments revenue run rate, defined as, on an annualized basis, the trailing three months of payments revenue, into the annual value of our Customer subscription contracts. ARR can differ from revenue due to several factors. ARR is converted into U.S. dollars at fixed rates that are held consistent over time and may vary from those used for revenue or deferred revenue. ARR would exclude any impact for bad debt and partner commissions (as noted above) and would also differ from Revenue due to timing of revenue recognition.

Customer Dollar Retention (C\$R): Customer Dollar Retention is a measure of the percentage of the Customers we retain, weighted by ARR dollars. This is calculated by summing the total dollars that were canceled in a given period, divided by the beginning of period ARR Install Base. We then express the calculated churn inversely as retention and annualize it.