Financial Analyst Day
Chuck MacGlashing
Vice President, Investor Relations
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 for future financial and operational performance and operating expenditures, expected growth, and business outlook, including our long-term financial framework; our focus on profitable growth; cash flow and margin improvement expectations; our product plans, strategies, and trends; our ability to expand our total addressable market; our position to execute on our growth strategy and related growth drivers; our opportunities in international markets; and our ability to expand our leadership position and market opportunity for our CRM platform. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, risks associated with the announced leadership changes, impact of COVID-19 on our business, the broader economy, and our ability to forecast our future financial performance as a result of COVID-19; our history of losses, our ability to retain existing customers and add new customers, the continued growth of the market for an inbound platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock, and other risks set forth under the caption “Risk Factors” in our Quarterly Report on Form 10-Q filed on August 4, 2021 and our other 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

**Tuesday, October 12, 2021**

<table>
<thead>
<tr>
<th>Time (ET)</th>
<th>Subject</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10:25a - 10:30a</strong></td>
<td>Welcome</td>
<td>Chuck MacGlashing</td>
</tr>
<tr>
<td><strong>10:30a - 11:30a</strong></td>
<td>Thought Leadership Piece</td>
<td>Dharmesh Shah</td>
</tr>
<tr>
<td></td>
<td>Product + Customers</td>
<td>HubSpot Product Leadership Team</td>
</tr>
<tr>
<td></td>
<td>HubSpot Spotlight</td>
<td>Yamini Rangan</td>
</tr>
<tr>
<td>Short Break</td>
<td>Short Break</td>
<td></td>
</tr>
<tr>
<td><strong>11:40a - 12:05p</strong></td>
<td>CEO Overview</td>
<td>Yamini Rangan</td>
</tr>
<tr>
<td><strong>12:05p - 12:30p</strong></td>
<td>Finance Overview</td>
<td>Kate Bueker</td>
</tr>
<tr>
<td>Short Break</td>
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<td></td>
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<tr>
<td><strong>12:40p - 1:15p</strong></td>
<td>Executive Q&amp;A</td>
<td>Yamini Rangan, Brian Halligan, Dharmesh Shah, Kate Bueker</td>
</tr>
</tbody>
</table>

_Moderator: Chuck MacGlashing_
Housekeeping

Two short breaks between sessions

Submit questions starting now using Q&A field below

Non-GAAP reconciliations for financials we discuss posted on ir.hubspot.com
Thank you
Helping Companies Win in the Age of the Connected Customer

Yamini Rangan
CEO
Agenda

Year in Review

Key Customer Trends Driving Modern CRM

HubSpot’s Strategic Pillars
HubSpot: Year in Review

Strong Financial Performance

FY'21*
$1.27B Revenue

$108M Operating Profit

121K+ Customer Count

Y/Y Growth
+44%

Powerful Platform; Thriving Ecosystem

5 Powerful & Easy Hubs

900+ App Integrations

47%+ Solutions Partner ARR Growth**

World-Class Talent

~5,000 Employees

13 Global Offices

* Revenue and operating profit represents current mid-point of FY'21 guidance. Customer count is as of Q2'21

** Solutions Partner YoY growth as of Q2'21
We are in the **age of the customer**

- Manufacturing
- Distribution
- Information
- Customer

**NOW**
Winning in the age of the connected customer
How companies win in the age of the customer

- Bring consumer-like buying process into B2B
- Connect teams and insights
- Be able to pivot and adapt
How companies win in the age of the customer

- Bring consumer-like buying process into B2B
- Connect teams and insights
- Be able to pivot and adapt

77% of B2B buyers said latest purchase was difficult

Source: Gartner research
How companies win in the age of the customer

- Bring consumer-like buying process into B2B
- Connect teams and insights
- Be able to pivot and adapt

50 SaaS apps
Average size of our target customers’ technology stack

Source: Blissfully research
How companies **win** in the age of the customer

- Bring consumer-like buying process into B2B
- Connect teams and insights
- Be able to pivot and adapt

72% of companies with effective response to COVID-19 experimented with new tech

Source: McKinsey research
From building fitness centers to enabling fitness anywhere.
Now more than ever, companies need a modern CRM platform to win.
## Modern CRM is...

<table>
<thead>
<tr>
<th>Feature</th>
<th>Seller Aspect</th>
<th>Buyer Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer-centric</td>
<td>Built for sellers</td>
<td>Built for buyers</td>
</tr>
<tr>
<td>Connected</td>
<td>Cobbled</td>
<td>Crafted</td>
</tr>
<tr>
<td>Customizable</td>
<td>Adds complexity</td>
<td>Powers innovation</td>
</tr>
</tbody>
</table>
HubSpot’s modern CRM is right for scaling businesses

- **Payments**: First step in enabling B2B companies to deliver consumer-grade buying
- **Operations Hub Enterprise**: Connects teams to each other and to the customer experience
- **Sandboxes + Admin Features**: Enables companies to stay agile and continually innovate

**Customer-centric**

**Connected**

**Customizable**
Agenda

Year in Review

Key Customer Trends driving Modern CRM

HubSpot’s Strategic Pillars
Our Path to Becoming #1 CRM Platform for Scaling Companies

1. Deliver a World-Class Front-Office Platform
2. Strengthen Segmentation Approach
3. Invest in B2B Commerce and Payments
4. Continue to Scale HubSpot
The path to **world-class front-office platform** is clear.
Our strategy is simple

Invest in Platform
1. For Users
2. For Ops
3. For Developers

Invest in Hubs
1. Continue Investing in Anchor Hubs
2. Accelerate Emerging Hubs
3. Launch New Hubs
Strengthen Segmentation Approach
Segmentation approach drives product innovation

High-end, Enterprise features to Starter and Freemium

Human-friendly product and purchasing experience to Enterprise and Pro
Product + Pricing + Go-to-Market are **aligned**

- **Corporate**
  - Inside sales and partner led growth
  - High ASP

- **Mid-market**
  - Product led growth
  - High velocity and high volume sales

- **Small business**
  - Starter
  - Free
Where we plan to invest

Driving Volume
- Optimize touchless buying, onboarding and activation experience
- Scale product led and lightweight selling motion

Driving Value
- Continue to build CRM for upmarket
- Invest in team selling and driving sales productivity
Invest in B2B Commerce and Payments
The rep-assisted sale (Quote to Cash) is a **Cobbled mess**

The touchless sale (B2B Commerce) **isn’t happening**
Commerce has been orphaned.

FRONT OFFICE
- Quoting
- Contracts

BACK OFFICE
- Billing
- Payments
- bill.com
- Chargebee
- stripe

The diagram illustrates the separation of commerce processes between the front and back office, highlighting the disconnect in the system.
Commerce-enabled CRM

- Ability to sell online
- Better rep-assisted experience
- Complete customer journey
Continue to Scale HubSpot
Our priorities to scale sustainably are clear

<table>
<thead>
<tr>
<th>Build a diverse and inclusive culture</th>
<th>15.4% increase in BIPOC employee representation at HubSpot in the U.S. since 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in climate action</td>
<td>Offset ~80,000 Mt from 2006-2020 making HubSpot carbon neutral</td>
</tr>
<tr>
<td>Double down on customer trust</td>
<td>Doubled our investment in teams dedicated to Trust since 2020</td>
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</table>
In the age of the customer, delightful customer experience wins.

New buyer expectations are defining modern CRM.

HubSpot’s modern CRM is right for scaling businesses.

We have the right strategy, the right investments, and the right team to win.
Finance Overview

Kate Bueker
Chief Financial Officer
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1. Strong and Durable Business
2. Strategic Pillars for Growth
3. Long-Term Financial Model
Agenda

1. Strong and Durable Business
2. Strategic Pillars for Growth
3. Long-Term Financial Model
15 Years of Continuous Growth

2006: Founding
2014: IPO
2021: Today
Strong Customer + Revenue Growth

Customers

- 2017: 42k
- Q2'21: 121k+

36% CAGR

Revenue

- 2017: $376m
- 2021e: $1,270m

36% CAGR

2021e: Represents current mid-point of FY’21 guidance.
Dotted box: We expect to continue to add net new customers in 2H’21. The dotted lines are an estimated illustration of these additional customers and is not to scale.
See definition of Total Customers in appendix.
Strong Profitability, FCF + Balance Sheet

Ended Q2’21 with $1+ billion in cash and investments

2021e: Represents current mid-point of FY’21 guidance.
See definition and reconciliation of non-GAAP operating income and free cash flow in appendix.
Diverse Growth Drivers

- **49%** International
- **39%** Solutions Partners
- **32%** Other Hubs

- **51%** U.S.
- **61%** Direct
- **68%** Marketing Hub

U.S. vs. International; Direct vs. Solutions Partners; and Marketing vs. Sales, Service, CMS and Operations Hub are calculated based on a % of Install Base as of the end of Q2'21. See definition of Install Base in appendix.
Agenda

1. Strong and Durable Business
2. Strategic Pillars for Growth
3. Long-Term Financial Model
Strategic Pillars

1. Deliver a World-Class Front-Office Platform
2. Strengthen Segmentation Approach
3. Invest in B2B Commerce and Payments
4. Continue to Scale HubSpot
Strategic Pillar 1

Deliver a World-Class Front-Office Platform
HubSpot’s Platform Evolution

Began as an **App**

Became a **Suite**

Becoming a **Platform**
**World-Class Front-Office Suite**

<table>
<thead>
<tr>
<th>Marketing Hub</th>
<th>Sales Hub</th>
</tr>
</thead>
<tbody>
<tr>
<td>$840m ARR Install Base</td>
<td>$290m ARR Install Base</td>
</tr>
<tr>
<td><strong>Mid-to-high 30s%</strong> YoY Growth</td>
<td><strong>70+%</strong> YoY Growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Hub</th>
<th>CMS Hub</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60m ARR Install Base</td>
<td>$45m ARR Install Base</td>
</tr>
<tr>
<td><strong>80+%</strong> YoY Growth</td>
<td><strong>55+%</strong> YoY Growth</td>
</tr>
</tbody>
</table>

ARR Install Base and year-over-year growth rate as of Q2 2021. See definition for ARR in appendix.
Operations Hub

ARR

$8m
Install Base
Growing... fast

Recent Milestones
- Launched Operations Hub Enterprise
- Data sync is in top three most-used free features
- 60+ integrations since launch

Future Opportunity
- Rise of RevOps persona
- Increase new sales through improvements to reporting, automation and integrations
- ASP improvements with suite expansion

ARR Install Base as of Q3 2021. See definition for ARR in appendix.
Increasing Adoption of HubSpot as Platform

Customer Adoption

- 3+ Hubs
- 2 Hubs
- Single Hub

2017
- 6% 3+ Hubs
- 28% 2 Hubs
- 66% Single Hub

H1’21
- 30% 3+ Hubs
- 27% 2 Hubs
- 42% Single Hub

<35% Multi Hub → 57% Multi Hub

Customer First Purchase

- Starter Growth/CRM Suite
- Other Multi-Hub
- Sales Only*
- Marketing Only

2017
- 18% Starter Growth/CRM Suite
- 50% Other Multi-Hub
- 32% Sales Only*
- 27% Marketing Only

H1’21
- 26% Starter Growth/CRM Suite
- 24% Other Multi-Hub
- 24% Sales Only*
- 27% Marketing Only

<20% Multi Hub → 50% Multi Hub

Multi-product customers are customers who have subscriptions to any product on two or more distinct product hubs. (Marketing, Sales, Service, CMS, Operations). Data as of 6/30/21.
Strong Customer Retention Improvements

100% → 110%+

Customer Dollar Retention Improvements
- Deeper customer usage
- Higher product NPS
- Longer contract commitments

Net Revenue Retention Drivers
- Starter → Professional upgrades
- Professional → Enterprise upgrades
- Sales seat expansion
- Multi-Hub adoption

Dotted lines are illustrative and not to scale.
See definition for Customer Dollar Retention and Net Revenue Retention in appendix.
Strengthen Segmentation Approach
Segmentation strategy expands opportunity across our customer base

- High ASRPC
- Strong retention
- Land and expand across product lines and tiers
- High velocity and lower cost of acquisition
- Opportunity for upgrades
- Protective moat against disruption
High Velocity Starter Segment

Starter Customer Acquisition builds moat & creates growing pool for upgrade opportunities

High Velocity Acquisition

- Ending customer count
- Pro/Enterprise & Starter

Land and Expand

- Cohorts only include customers with initial purchase of Starter, track ARR over time

<table>
<thead>
<tr>
<th>Year</th>
<th>Customers</th>
<th>ARR (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>H1'21</td>
<td>125,000</td>
<td>150M</td>
</tr>
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</table>

High Velocity Acquisition: Ending customer count
Land and Expand: Cohorts only include customers with initial purchase of Starter, track ARR over time
Strong Growth in Upmarket Segment

- ASRPC expansion in Pro/Enterprise as we continue to invest upmarket
- Land & Expand creates upsell opportunity
- Platform adoption through cross-sell increases multi-hub customer base
- 4x increase in $3K+ ASP deals over same period of time

See definition of ASRPC in appendix.
ASP is based on the monthly value of our customer subscription contracts as of the specified point in time excluding any commissions owed to our partners. See definition of ASP in appendix.
Product Mix Influencing KPIs

**Customer Breakdown**

- 2017: 100% Ex-Starter
- 2018: 90% Ex-Starter, 10% Starter
- 2019: 80% Ex-Starter, 20% Starter
- H1'21: 70% Ex-Starter, 30% Starter

**Install Base ASP**

- 2017: $8k
- H1'21: $16k

See definition of Install Base ASP in appendix.
Invest in B2B Commerce and Payments
B2B Commerce: Launching with Native Payments

Featuring:
- Payment Links
- Payments on Quotes
- Credit Card & ACH
- Recurring Payments

Financial Impact:
- Monetize via per-transaction fee
- Lower gross margins

Initial Target Customers
33%
Opportunity Expands as Payment Offering Grows

- Native Payments, basic QTC, recurring payments
- Businesses with more complex billing needs
- International expansion
- Other financial services
Agenda

1. Strong and Durable Business
2. Strategic Pillars for Growth
3. Long-Term Financial Model
Our Philosophy on Profit and Growth

Drive durable growth at scale

Drive efficiencies and expand margins consistent with long-term financial framework
Balancing Growth and Profitability

Revenue Growth:
- 2% in 2017
- 39% in 2018
- 44% in 2021e

Op Margin:
- 2% in 2017
- 9% in 2021e
Long Term Financial Targets

Long Term Target Model: These estimates reflect our current operating plan as of 10/12/2021 and are subject to change as future events and opportunities arise. All percentages are non-GAAP and exclude expenses associated with stock based compensation, amortization of acquired intangibles and acquisition related expenses. Please refer to appendix for a reconciliation of GAAP to non-GAAP figures.

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<th>1H’21</th>
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<tbody>
<tr>
<td>Gross Margin</td>
<td>81%</td>
<td>81%</td>
<td>81% - 83%</td>
</tr>
<tr>
<td>R&amp;D % of revenue</td>
<td>15%</td>
<td>19%</td>
<td>18% - 20%</td>
</tr>
<tr>
<td>S&amp;M % of revenue</td>
<td>52%</td>
<td>45%</td>
<td>30% - 35%</td>
</tr>
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<td>G&amp;A % of revenue</td>
<td>12%</td>
<td>9%</td>
<td>8% - 9%</td>
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<td>Operating Margin</td>
<td>2%</td>
<td>8%</td>
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Long-term operating margin unchanged
## Long Term Financial Targets

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- Stable since 2017
- Payments product creates downward pressure on gross margin

**Long term operating margin unchanged**

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**Long Term Financial Targets Remain Unchanged**

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Continue to invest aggressively in product development

Long-term operating margin unchanged

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Continue to invest into strong demand and unit economics

Long-term operating margin unchanged

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### Long Term Financial Targets Remain Unchanged

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- **Consistent leverage, within range**
- **Long-term operating margin unchanged**
Key Takeaways

- Continued strong financial performance
- Significant opportunity ahead to expand product offerings, drive growth through segmentation, and launch new revenue streams
- Strategy will impact P&L but long-term targets remain unchanged
Thank you
Appendix
GAAP to Non-GAAP Reconciliation
## GAAP to Non-GAAP Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>% of Revenues</th>
<th>2018</th>
<th>% of Revenues</th>
<th>2019</th>
<th>% of Revenues</th>
<th>2020</th>
<th>% of Revenues</th>
<th>Six months ended June 30, 2021</th>
<th>% of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Revenue</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Subscription</td>
<td>51,563</td>
<td>14%</td>
<td>69,710</td>
<td>14%</td>
<td>98,510</td>
<td>15%</td>
<td>130,685</td>
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<td>94,987</td>
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<tr>
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<td>(655)</td>
<td>0%</td>
<td>(1,476)</td>
<td>0%</td>
<td>(3,127)</td>
<td>0%</td>
<td>(4,458)</td>
<td>0%</td>
<td>(2,692)</td>
<td>0%</td>
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<tr>
<td>Amortization of acquired intangibles</td>
<td>(96)</td>
<td>0%</td>
<td>(1,269)</td>
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<td>(3,201)</td>
<td>0%</td>
<td>(2,210)</td>
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<td>-</td>
<td>-</td>
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<tr>
<td><strong>Non-GAAP subscription</strong></td>
<td>50,668</td>
<td>14%</td>
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<td>95,383</td>
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<td>128,437</td>
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<td>92,295</td>
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<tr>
<td>Professional services and other</td>
<td>24,166</td>
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<td>30,639</td>
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<td>31,449</td>
<td>5%</td>
<td>36,774</td>
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<td>33,624</td>
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<tr>
<td>Stock-based compensation</td>
<td>(2,327)</td>
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<td>(2,921)</td>
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<td>(2,829)</td>
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<td>(2,556)</td>
<td>0%</td>
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<td>-</td>
<td>-</td>
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<tr>
<td><strong>Non-GAAP professional services and other</strong></td>
<td>21,839</td>
<td>6%</td>
<td>27,718</td>
<td>5%</td>
<td>28,619</td>
<td>4%</td>
<td>34,218</td>
<td>4%</td>
<td>25,191</td>
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<td><strong>Gross Margin</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gross margin</td>
<td>299,883</td>
<td>89%</td>
<td>412,623</td>
<td>89%</td>
<td>544,902</td>
<td>81%</td>
<td>716,087</td>
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<td>474,542</td>
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<tr>
<td>Stock-based compensation</td>
<td>2,065</td>
<td>1%</td>
<td>4,000</td>
<td>1%</td>
<td>5,056</td>
<td>1%</td>
<td>6,944</td>
<td>1%</td>
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<td>1,394</td>
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<tr>
<td><strong>Non-GAAP gross margin</strong></td>
<td>302,604</td>
<td>81%</td>
<td>415,417</td>
<td>82%</td>
<td>554,009</td>
<td>82%</td>
<td>725,051</td>
<td>82%</td>
<td>470,751</td>
<td>81%</td>
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<td><strong>Operating Expenses</strong></td>
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<tr>
<td>Research and development</td>
<td>70,737</td>
<td>19%</td>
<td>117,603</td>
<td>23%</td>
<td>158,237</td>
<td>23%</td>
<td>265,589</td>
<td>23%</td>
<td>140,850</td>
<td>24%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>(12,616)</td>
<td>-3%</td>
<td>(23,720)</td>
<td>-5%</td>
<td>(33,746)</td>
<td>-5%</td>
<td>(39,350)</td>
<td>-4%</td>
<td>(26,564)</td>
<td>-8%</td>
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<td>Amortization of acquired intangible assets</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>Acquisition related expenses</td>
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<td>(7,606)</td>
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<td>(1,307)</td>
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<td><strong>Non-GAAP research and development</strong></td>
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<td>15%</td>
<td>91,977</td>
<td>18%</td>
<td>122,721</td>
<td>18%</td>
<td>164,282</td>
<td>19%</td>
<td>113,523</td>
<td>19%</td>
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<td>Sales and marketing</td>
<td>212,859</td>
<td>57%</td>
<td>267,444</td>
<td>52%</td>
<td>349,688</td>
<td>55%</td>
<td>452,081</td>
<td>51%</td>
<td>288,816</td>
<td>50%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>(19,016)</td>
<td>-5%</td>
<td>(31,090)</td>
<td>-6%</td>
<td>(36,599)</td>
<td>-5%</td>
<td>(50,552)</td>
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<td>Amortization of acquired intangible assets</td>
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<td>0%</td>
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<td>(207)</td>
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<td>-107</td>
<td>-0%</td>
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<tr>
<td><strong>Non-GAAP sales and marketing</strong></td>
<td>153,743</td>
<td>52%</td>
<td>236,347</td>
<td>46%</td>
<td>304,688</td>
<td>45%</td>
<td>401,450</td>
<td>45%</td>
<td>266,842</td>
<td>45%</td>
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<td>General and administrative</td>
<td>56,765</td>
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<td>75,834</td>
<td>15%</td>
<td>92,971</td>
<td>15%</td>
<td>109,225</td>
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<td>66,669</td>
<td>11%</td>
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<td>Stock-based compensation</td>
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<td>(24,838)</td>
<td>-3%</td>
<td>(12,277)</td>
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<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
<td>-0%</td>
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<tr>
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<td>-0%</td>
<td>-65</td>
<td>-0%</td>
<td>-65</td>
<td>-0%</td>
<td>-65</td>
<td>-0%</td>
<td>-65</td>
<td>0%</td>
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<tr>
<td><strong>Non-GAAP general and administrative</strong></td>
<td>44,267</td>
<td>12%</td>
<td>58,400</td>
<td>11%</td>
<td>70,921</td>
<td>11%</td>
<td>94,924</td>
<td>10%</td>
<td>54,697</td>
<td>9%</td>
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<tr>
<td><strong>Loss from Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Loss from operations</td>
<td>(40,456)</td>
<td>-11%</td>
<td>(48,220)</td>
<td>-9%</td>
<td>(48,991)</td>
<td>-7%</td>
<td>(50,028)</td>
<td>-6%</td>
<td>(31,624)</td>
<td>-5%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>47,317</td>
<td>13%</td>
<td>76,261</td>
<td>15%</td>
<td>97,754</td>
<td>14%</td>
<td>121,488</td>
<td>14%</td>
<td>75,856</td>
<td>13%</td>
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<tr>
<td>Amortization of acquired intangible assets</td>
<td>480</td>
<td>0%</td>
<td>1,564</td>
<td>0%</td>
<td>3,201</td>
<td>0%</td>
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<td>682</td>
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<tr>
<td>Acquisition related expenses</td>
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<td>1%</td>
<td>609</td>
<td>0%</td>
<td>532</td>
<td>0%</td>
<td>157</td>
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<tr>
<td><strong>Non-GAAP (loss) income from operations</strong></td>
<td>8,750</td>
<td>2%</td>
<td>32,092</td>
<td>6%</td>
<td>54,673</td>
<td>8%</td>
<td>74,911</td>
<td>8%</td>
<td>49,471</td>
<td>8%</td>
</tr>
<tr>
<td>Loss from Operations</td>
<td>2017</td>
<td>% of Revenues</td>
<td>2018</td>
<td>% of Revenues</td>
<td>2019</td>
<td>% of Revenues</td>
<td>2020</td>
<td>% of Revenues</td>
<td>2021</td>
<td>% of Revenues</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>---------------</td>
<td>------------</td>
<td>---------------</td>
<td>------------</td>
<td>---------------</td>
<td>------------</td>
<td>---------------</td>
<td>------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(40,138)</td>
<td>-11%</td>
<td>(48,393)</td>
<td>-9%</td>
<td>(49,991)</td>
<td>-7%</td>
<td>(50,926)</td>
<td>-4%</td>
<td>(53,096)</td>
<td>-4%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>47,317</td>
<td>13%</td>
<td>76,281</td>
<td>15%</td>
<td>97,754</td>
<td>14%</td>
<td>121,468</td>
<td>14%</td>
<td>167,720</td>
<td>12%</td>
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<tr>
<td>Amortization of acquired intangible assets</td>
<td>193</td>
<td>0%</td>
<td>1,394</td>
<td>6%</td>
<td>3,291</td>
<td>0%</td>
<td>2,419</td>
<td>0%</td>
<td>1,350</td>
<td>0%</td>
</tr>
<tr>
<td>Acquisition related expenses</td>
<td>1,266</td>
<td>0%</td>
<td>2,896</td>
<td>1%</td>
<td>999</td>
<td>0%</td>
<td>1,322</td>
<td>0%</td>
<td>2,016</td>
<td>0%</td>
</tr>
<tr>
<td>Non-GAAP (loss) income from operations</td>
<td>8,550</td>
<td>2%</td>
<td>37,893</td>
<td>6%</td>
<td>54,873</td>
<td>8%</td>
<td>74,911</td>
<td>8%</td>
<td>168,000</td>
<td>9%</td>
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</table>
### GAAP to Non-GAAP Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>% of Revenues</th>
<th>2018</th>
<th>% of Revenues</th>
<th>2019</th>
<th>% of Revenues</th>
<th>2020</th>
<th>% of Revenues</th>
<th>As of June 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP net cash and cash equivalents provided by operating activities</td>
<td>49,614</td>
<td>13%</td>
<td>84,851</td>
<td>17%</td>
<td>118,973</td>
<td>18%</td>
<td>88,913</td>
<td>16%</td>
<td>100,891</td>
</tr>
<tr>
<td>Purchases of property &amp; equipment and capitalization of software development costs</td>
<td>(27,347)</td>
<td>-7%</td>
<td>(33,473)</td>
<td>-7%</td>
<td>(53,848)</td>
<td>-8%</td>
<td>(58,917)</td>
<td>-7%</td>
<td>(27,167)</td>
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<tr>
<td>Repayment of 2022 Convertible Notes attributable to the debt discount</td>
<td>(5,901)</td>
<td>0%</td>
<td>(0)</td>
<td>0%</td>
<td>(0)</td>
<td>0%</td>
<td>(0)</td>
<td>0%</td>
<td>(0)</td>
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<tr>
<td>Free cash flow</td>
<td>22,267</td>
<td>6%</td>
<td>51,378</td>
<td>10%</td>
<td>65,127</td>
<td>10%</td>
<td>73,044</td>
<td>9%</td>
<td>86,752</td>
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</tbody>
</table>
Definitions

Total Customers: We define our Total Customers at the end of a particular period as the number of business entities or individuals with one or more paid subscriptions to our Sales Hub, Marketing Hub, CMS Hub or Service Hub products, either paid directly or through a Solutions Partner. We do not include in Total Customers business entities or individuals 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 for separate websites, sales licenses or seats, or our Sales Hub, Marketing Hub, CMS Hub or Service Hub products, 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 or individual.

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

Customer Dollar Retention (C$R): Is a measure of what percentage of our customers we retain, weighted by ARR dollars. We calculate by summing the total dollars that were canceled in a given period and divide that by the beginning of period ARR Install Base. We then express the calculated churn inversely as retention and then annualize.

Net Revenue Retention: Is a measure of the percentage of recurring revenue retained from customers over a given period of time. We compare the aggregate Total Contractual Monthly Subscription Revenue of our Total Customer base as of the beginning of each month, which we refer to as Total Retention Base Revenue, to the aggregate Total Contractual Monthly Subscription Revenue of the same group of Total Customers at the end of that month, which we refer to as Total Retained Subscription Revenue. We define Total Contractual Monthly Subscription Revenue as the total amount of subscription fees contractually committed to be paid for a full month under all of our Total Customer agreements, excluding any commissions owed to our Solutions Partners. Our Net Revenue Retention for a given period is calculated by first dividing Total Retained Subscription Revenue by Total Retention Base Revenue for each all months in the period, calculating the weighted average of these rates and then annualizing the resulting rates.

Average Subscription Revenue per Customer: We define “ASRPC” during a particular period as subscription revenue, excluding revenue from our legacy Sales Hub ($10) and PieSync products, from our Total Customers during the period divided by the average Total Customers during the same period.

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

Free Cash Flow (FCF): We define 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.

Install Base Average Sales Price (ASP): Total Install Base divided by the total number of paying customers as of the end of a given period (i.e. average ARR per customer). Install Base ASP non-Starter excludes Starter only customers.

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 each Hub, this is the sum of customer ARR for the Starter, Basic, Professional and Enterprise subscriptions, plus applicable Contacts (Marketing Only) 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. ARR can differ from Revenue due to several factors. ARR is converted into USD 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.