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 our history of losses; our ability to retain existing customers and add new customers; the continued growth of the market for a CRM platform; our ability to differentiate our platform from competing products and technologies; our ability to manage our growth effectively to maintain our high level of service; our ability to maintain and expand relationships with our solutions partners; our ability to successfully recruit and retain highly-qualified personnel; the price volatility of our common stock; the impact of geopolitical conflicts, inflation, macroeconomic instability, and the COVID-19 pandemic on our business, the broader economy, our workforce and operations, and our ability to forecast our future financial performance; 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.
Today’s Agenda
Wednesday, Sep 7, 2022

9:45 a.m. | Safe Harbor
Chuck MacGlashing | Investor Relations

9:50 a.m. | Fireside Chat | Moderator: Chuck MacGlashing
Brian Halligan | Co-Founder & Executive Chairman

Short Break

10:30 a.m. | INBOUND Spotlight
Yamini Rangan | Chief Executive Officer
Dharmesh Shah | Co-Founder & Chief Technology Officer
Stephanie Cuthbertson | Chief Product Officer

Lunch Break

12:25 p.m. | Strategy for Durable, Profitable Growth
Yamini Rangan

12:50 p.m. | Short-Term Resilient, Long-Term Durable
Kate Bueker | Chief Financial Officer

Short Break

1:20 p.m. | Executive Q&A | Moderator: Chuck MacGlashing
Yamini Rangan
Brian Halligan
Dharmesh Shah
Kate Bueker
Thank You
Strategy for Durable, Profitable Growth

Yamini Rangan
Chief Executive Officer
Our discussion today

1. HubSpot Momentum
2. Expanding Market Opportunity
3. Strategy for Durable Growth
HubSpot: Clear momentum at scale

$1.69B revenue
36% YoY growth

$200M free cash flow
12% margin

150K+ customers
25% YoY growth

7K+ employees
41% YoY growth

Revenue and free cash flow represent the current midpoint of HubSpot’s FY’22 guidance on an as-reported basis. YoY Revenue growth rate based on mid-point of 2022 guidance, adjusted for the impact of foreign currency. Customer and employee count as of the end of Q2’22. Free cash flow is a non-GAAP metric.
“Rule of 40” defined as 2022e revenue growth based on the mid-point of HubSpot’s guidance plus 2022e FCF margin, both provided with Q2 2022 guidance.
What’s behind our results

- Solving for the customer
- Pace of innovation
- Breadth of distribution
Our growth has exceeded market growth by 3X.

35% Hubs Revenue Growth

11% Market Growth

1. Based on HubSpot’s expected revenue CAGR of 35% from 2018 through the midpoint of HubSpot’s 2022 revenue guidance provided with Q2 2022 earnings. “Market” defined as addressable IDC technology segments for Marketing Hub, Sales Hub, and Service Hub. 11% Market growth is a CAGR from 2018 - 2022 and based on historical IDC Data and IDC estimates for Market Growth in 2022.
Our TAM is large and expanding

1. Includes Total Addressable Market for software in HubSpot's core product groups including Marketing Hub, Sales Hub, Service Hub, Operations Hub and CMS Hub. Does not include Commerce and Payments TAM. Source: IDC and HubSpot estimates.
The SMB market is underserved

Disconnected point solutions

Cobbled enterprise solutions
The SMB market is underserved

Disconnected point solutions
- Websites
- Marketing Automation
- Data Sync
- Service Ticketing
- Reporting
- Sales Productivity

Cobbled enterprise Solutions
- Data Acquisition
- Analytics Acquisition
- Messaging Acquisition
- Reporting Acquisition
- Service Acquisition
- Marketing Automation Acquisition
We help customers scale across all stages of their digital journey.

**Newer to digital**
- Viessmann
- Industrials
- Marketing Hub
- 15% increase in revenue
- 57% conversion rate increase
- 16% increase in new leads

**Early to digital**
- PayPlug
- Software
- Marketing, Sales, CMS Hubs
- 30% increase in leads
- 5x increase in blog traffic
- 15% increase to web traffic

**Digitally Mature**
- WyreStorm
- Electronics Manufacturing
- Marketing, Sales, Service Hubs
- 75% cost savings
- 5 tools eliminated
- 95% user adoption rate
Our customers are challenged by a crisis of disconnection

Disconnected systems
Disconnected people
Disconnected customers

Disconnected point solutions are not the solution
People need more than software to thrive and crave community
Old GTM strategies will NOT work in this new world
Market share leader for scaling companies
Marketing Hub Innovation

**Scale**

- 48B emails delivered
- 50B website sessions
- $8B ad spend managed

**Focus**

- Omni-channel
- Behavioral analytics
- Privacy first

Time period for all metrics is last twelve months. Ad Spend with third party vendors from HubSpot connected accounts.
Sales Hub
Innovation

Momentum

$450M in IB ARR

100% growth > 100 seat customers

12M meetings scheduled by customers

Focus

Enterprise grade

Sales rep effectiveness

Growth in larger than 100 seat customers is year over year as of 6/30/22. Meetings scheduled metric is over last twelve months. Install Base ARR as of Q2 2022. See definition for ARR in appendix.
Service Hub Innovation

Momentum

Crossed $100M in ARR
Over 400M conversations
Active users up 80% YoY

Focus

Modern, easy-to-use help desk
Omni-channel support
Service rep productivity

Conversations defined as the number of customer conversations over messaging or emails sent out of the HubSpot Conversations inbox over the last 12 months as of 6/30/22. Active users metric is as of 6/30/22. Install Base ARR as of August 2022. See definition for ARR in appendix.
Deliver a world-class flexible and extensible CRM platform
For Customers:
- Continuous improvement
- Consolidated data
- Easy adoption

For HubSpot:
- Fast pace of innovation
We’re sowing seeds for future growth with commerce.
## Commerce momentum since launch

<table>
<thead>
<tr>
<th>Q1’22</th>
<th>Q2’22</th>
<th>Q3’22</th>
<th>2023+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment links</td>
<td>Recurring ACH</td>
<td>Embedded payments: forms, meetings, CMS, marketing email</td>
<td>Invoicing</td>
</tr>
<tr>
<td>Payments on Quotes</td>
<td>Payments CRM object</td>
<td>Payment schedules (beta)</td>
<td>Payment Scheduling</td>
</tr>
<tr>
<td>Recurring payments</td>
<td>QBO integration</td>
<td>Open amounts</td>
<td>Tax Integrations</td>
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<tr>
<td>Checkout optimizations</td>
<td>Customizable quantities</td>
<td>Failed payments automation</td>
<td>Additional CRM Objects</td>
</tr>
<tr>
<td>Line-item discounts</td>
<td>Custom quote templates</td>
<td>Onboarding improvements</td>
<td>Consumer-grade onboarding</td>
</tr>
<tr>
<td>Payment link descriptions</td>
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</table>
**Commerce vision**

**Simple commerce**

**Customer problem:** Want to sell touchlessly online  
**Solution:** Payments as a primary color

**Complex commerce**

**Customer problem:** Want to streamline quote to cash  
**Solution:** Crafted QTC solution in the CRM

**Commerce-powered CRM**

**Customer problem:** Want a single source of customer and commerce data  
**Solution:** Commerce data embedded in the CRM
Become the leading community for growth professionals to connect.
Transforming to a connected platform

Single App

To Connected Platform

- Marketing Hub
- Sales Hub
- Service Hub
- CMS Hub
- Operations Hub

Commerce-Powered CRM
- Data
- Reporting
- Automation
- Content
- Messaging
- Payments

- Network
- Marketplace
- Academy
Breadth of distribution

Product led

Partner led

Direct led
Diverse levers for durable growth

Land

Expand

New Product Categories
Winning combination for growth

- Large, expanding TAM
- Pace of innovation + Breadth of distribution
- Strong culture & team
Thank You
 Analyst Day

Short-Term Resilient, Long-Term Durable

Kate Bueker  
Chief Financial Officer
Agenda

1. Strong Business Performance
2. Diverse Levers for Durable Growth
3. Balancing Growth and Profitability
Agenda

1. Strong Business Performance
2. Diverse Levers for Durable Growth
3. Balancing Growth and Profitability
Strong Revenue Growth

2018: $513m
2022e: $1,693m

35% CAGR
2018 → 2022e

2022e: based on midpoint of 2022 full year revenue guidance of $1.6925 billion. CAGR: compound annual growth rate; based on as-reported revenue from 2018 to 2022e.
Strong Profitability, FCF + Cash

2022e: based on midpoint of 2022 full year operating profit and free cash flow guidance of $143.5 million and $200 million, respectively. See definitions and reconciliations of non-GAAP operating income and free cash flow in appendix. CAGR: compound annual growth rate; based on operating profit from 2018 to 2022e.

- $32m (2018)
- $144m (2022e)
- 45% CAGR

$200 million FCF, 2022e

$1.4+ billion in cash, Q2’22
Strong Customer Growth

32% CAGR
2018 → Q2’22

Dotted box: The dotted lines are an estimated illustration of the net new customers we expect to add in the second half of 2022 and is not to scale. CAGR: compound annual growth rate; based on customer count from 2018 to 2022e. See definition of Customers in appendix.
Balanced Growth Drivers

- **International**
  - 54%

- **Solutions Partners**
  - 43%

- **Direct**
  - 57%

- **New**
  - 50%

- **U.S.**
  - 46%

- **IB**
  - 50%

U.S. vs. International; Direct vs. Solutions Partners; New vs. Install Base are calculated based on a % Net New ARR from end of December 2021 to end of June 2022. See definition of Net New ARR appendix.
## World-Class Connected Apps

### Anchor Hubs

<table>
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<tr>
<th>Hub</th>
<th>Install Base ARR (IB ARR)</th>
<th>YoY Growth</th>
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<tbody>
<tr>
<td>Marketing Hub</td>
<td>$1.1b</td>
<td>30%</td>
</tr>
<tr>
<td>Sales Hub</td>
<td>$450m</td>
<td>mid-50s%</td>
</tr>
<tr>
<td>Service Hub</td>
<td>$95m</td>
<td>high-50s%</td>
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### Emerging Hubs

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<th>Hub</th>
<th>Install Base ARR (IB ARR)</th>
<th>YoY Growth</th>
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<tr>
<td>CMS Hub</td>
<td>$70m</td>
<td>mid-50s%</td>
</tr>
<tr>
<td>Operations Hub</td>
<td>$35m</td>
<td>Growing... fast</td>
</tr>
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</table>

Install Base ARR and year-over-year growth rates as of Q2 2022. See definition for ARR in appendix.
Agenda

1. Strong Business Performance
2. Diverse Levers for Durable Growth
3. Balancing Growth and Profitability
Multiple levers to drive growth

- Land
- Expand
- New Categories
Multiple Paths to Land on HubSpot’s Platform
Early Stages of Significant TAM Opportunity

Land: Adding Value with Free Products

60%+ of Customers Try a Free Product First

Free sign-up before purchase: Customers that signed up on a free product before purchasing a paid version as of June 30, 2022. See definition of Customers in appendix.
25% of Customers First Land with the Starter CRM Suite
Land: Increasing Share of P + E Multi-Hub Customers

50%+ of New Upmarket Customers Land with Two or More Hubs

Marketing Hub Only = New Customers who bought Marketing Hub Professional or Enterprise edition. Sales Hub Only = New Customers who bought Sales Hub Professional or Enterprise edition. 2 Hubs = Customers who bought Professional or Enterprise editions of any 2 Hubs. 3+ Hubs = Customers who bought Professional or Enterprise editions of any 3 or more Hubs. See definition of Customers in appendix.
Innovation Driving Greater Expansion Opportunity
Growing Diversity of Expansion Motions

2015: App

2017: Suite

H1’22: Platform

- Marketing Contacts
- Edition Upgrades
- Cross-Sell
- Seat Upgrades

Percentage of upgrades by category. Calculated for 2015, 2017, and H1’22 (December 31, 2021 - June 30, 2022). Additional URLs are included in the Edition Upgrades category. Excludes “Other” upgrades including: discount changes, list price changes, add ons, and partner margin changes.
Expand: Growing Customers Upgrading to Pro + Ent

Install Base ARR and Customers as of June 30, 2022. See definitions for ARR and Customers in the appendix.
Expand: Value of Multi-Hub Fueling Cross-Sell

Pro + Ent Customers

<table>
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<tr>
<th>H1'22</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3+ Hubs</td>
<td>45%</td>
</tr>
<tr>
<td>2 Hubs</td>
<td>30%</td>
</tr>
<tr>
<td>Single Hub</td>
<td>25%</td>
</tr>
</tbody>
</table>

+10pt improvement in deals closed for MH, SH, SvH + CMS customers
+50% improvement in website traffic for MH + CMS customers
+5pt improvement in tickets closed for SH + SvH customers

vs. single-Hub customers

Professional and Enterprise Customers as of June 30, 2022. See definition of Customers in appendix.
Expand: Growing Opportunity for Seat Expansion

1.2m active users
850k paid seats
100k Sales or Service Hub customers

Active User is defined as any user taking specific actions in a given time period in a portal that has either a Sales Hub or Service Hub subscription. Paid seats is defined as a paid Sales or Service seat.
Strong ASRPC Growth + Retention Performance

Pro + Ent ASRPC Growth

13% CAGR

Long-Term Net Revenue Retention 110%+

CAGR: compound annual growth rate; based on customer growth rate from 2018 to 2022e. See definitions of Net Revenue Retention and ASRPC in appendix.
New Categories

B2B Commerce and Payments
Initial Target Payment Customers

33%

Who’s Using it?

- <100 EEs
  90+% Small Business or Mid Market

- Pro + Ent
  80+% on Pro/Ent Editions

- Multi-Hub
  60+% on 3+ Hubs

User metrics expressed as a percentage of active users as of Q2 2022.
Common Payments Use Cases

- **ACH**: 31%
- **Payments Link**: 46%
- **Recurring**: 22%
- **Credit Card**: 69%
- **Quotes**: 54%
- **Non-Recurring**: 78%

ACH vs. Credit Card, Payments Link vs. Quotes, and Recurring vs. Non-Recurring are all based on a percentage of Gross Payment volume from December 31, 2021 to June 30, 2022.
Payment Links Driving Higher Sales

Simple Commerce
Make it easy for B2B companies to sell touchlessly online

Apps Without Code
- Marketing, Sales and Service Hub Customer
- Previously using cobbled payments solution involving five different vendors
- Consolidated on HubSpot Payments and placed payment links on sales page
- Saw 33% increase in monthly revenue
- Significant time savings from reduction of manual tasks
Quotes Enabling Shorter Payment Cycle

**Web Canopy Studio**
- HubSpot Diamond Partner
- Previously used manual QTC process
- Average time from signing to payment ~2 weeks
- Moved to HubSpot Sales Quotes
- Clients sign and pay directly from quote
- 36% increase in revenue
- Reduced average time to payment from ~2 weeks to ~1 day.

**Complex Commerce**
Streamline quote to cash process for more sophisticated customers
Payments Business Priorities 2023
North Star: Increasing Active merchants

**Discovery**
- Improve discovery points in navigation
- “Getting Started” checklists
- Deeply embed payments across platform

**Activation**
- Create consumer grade onboarding process
- Faster time to transaction for low-risk merchants
- Build simple payment use cases for less sophisticated customers

**Adoption**
- Add invoicing flexibility... discounts, payment schedules
- Enhance subscription functionality
- Expand integrations with accounting and tax
Agenda

1. Strong Business Performance
2. Diverse Levers for Durable Growth
3. Balancing Growth and Profitability
Philosophy on Balancing Growth and Profitability

- Drive durable revenue growth at scale
- Generate operating leverage as we scale toward long-term margin targets
**Track Record of Delivering Growth and Profitability**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2022e</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
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<tr>
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<td>$513m</td>
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<tr>
<td>Revenue Growth*</td>
<td>35%</td>
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<tr>
<td><strong>Operating Profit</strong></td>
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<tr>
<td>Operating Profit</td>
<td>$32m</td>
<td>$144m</td>
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<tr>
<td>Operating Margin</td>
<td>6%</td>
<td>8%</td>
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*Revenue growth rates in 2018 and 2022e are adjusted for the impact of foreign currency. 2022e: represents the current midpoint of HubSpot’s full year 2022 guidance.*
## Long Term Financial Targets Remain Unchanged

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### Driving Long-Term Margin Expansion Via S&M Leverage

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**S&M Leverage**
- Invest in data and systems to improve rep efficiency
- Grow freemium acquisition
- Non-linear growth with Commerce

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## Early thoughts on 2023 Profitability

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<tr>
<td>Gross Margin</td>
<td>Continued investment in platform resilience and efficiency</td>
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<tr>
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**Gross Margin**

- Continued investment in platform resilience and efficiency

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**R&D**

- Sustain investments in product innovation to drive future growth

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<td><strong>G&amp;A</strong> % of revenue</td>
<td>Leverage through automation and scrutinizing discretionary expenses</td>
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**Operating Margin**

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<td>G&amp;A % of revenue</td>
<td>9%</td>
<td>Ensure sales capacity, while driving efficiencies in discretionary areas</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>8%</td>
<td>Flat at 8%</td>
</tr>
</tbody>
</table>

Long-Term Target Model: These estimates reflect our current operating plan as of September 7, 2022 and are subject to change as future events and opportunities arise. 2022e: represents the current midpoint of HubSpot's full year 2022 guidance. All percentages are non-GAAP and exclude expenses associated with stock based compensation, amortization of acquired intangibles and acquisition related expenses. Percentages are based on actual values. Totals may not sum due to rounding. Please refer to appendix for a reconciliation of GAAP to non-GAAP figures.
Key Takeaways

1. Strong foundational business model
2. Still early in massive opportunity
3. Diverse levers for growth
4. Balanced growth and profitability over short and long-term
Thank You
GAAP to Non-GAAP Reconciliations
GAAP to Non-GAAP Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
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<tr>
<td></td>
<td>'000s</td>
<td>'000s</td>
<td>'000s</td>
<td>'000s</td>
<td>'000s</td>
</tr>
<tr>
<td><strong>Cost of Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Subscription</td>
<td>69,718</td>
<td>69,510</td>
<td>130,482</td>
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<td>(1,470)</td>
<td>(3,597)</td>
<td>(4,400)</td>
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<td>(4,200)</td>
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<td>Amortization of acquired intangible assets</td>
<td>(3,364)</td>
<td>(3,201)</td>
<td>(2,340)</td>
<td>(937)</td>
<td>(627)</td>
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<tr>
<td>Gain on termination of operating leases</td>
<td>-</td>
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</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Non-GAAP cost of revenue</td>
<td>66,848</td>
<td>69,912</td>
<td>125,932</td>
<td>202,931</td>
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<td><strong>Professional services and other</strong></td>
<td>10,693</td>
<td>31,448</td>
<td>36,274</td>
<td>47,725</td>
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<td><strong>Stock-based compensation</strong></td>
<td>(2,924)</td>
<td>(2,536)</td>
<td>(2,536)</td>
<td>(3,092)</td>
<td>(2,063)</td>
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<tr>
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<tr>
<td><strong>Loss on disposal of fixed assets</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Non-GAAP professional services and other</td>
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<td>28,819</td>
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<td><strong>Gross Margin</strong></td>
<td>412,623</td>
<td>544,902</td>
<td>716,057</td>
<td>1,041,801</td>
<td>665,487</td>
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<tr>
<td>Gross margin</td>
<td>412,623</td>
<td>544,902</td>
<td>716,057</td>
<td>1,041,801</td>
<td>665,487</td>
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<td>Non-GAAP gross margin</td>
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<td><strong>Operating Expenses</strong></td>
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<td>Research and development</td>
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<td>265,509</td>
<td>301,970</td>
<td>211,650</td>
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<td>(33,746)</td>
<td>(38,366)</td>
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<td>(387)</td>
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<td>(1,152)</td>
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<td>-</td>
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<tr>
<td>Loss on disposal of fixed assets</td>
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<td>(2,935)</td>
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<td>164,906</td>
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<td><strong>Sales and marketing</strong></td>
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<td>Non-GAAP sales and marketing</td>
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<td>264,086</td>
<td>461,465</td>
<td>580,570</td>
<td>265,642</td>
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<td><strong>General and administrative</strong></td>
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<td>92,991</td>
<td>109,225</td>
<td>144,949</td>
<td>95,840</td>
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<td>Stock-based compensation</td>
<td>(17,434)</td>
<td>(21,451)</td>
<td>(24,260)</td>
<td>(28,342)</td>
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<td>Acquisition related expenses</td>
<td>-</td>
<td>(652)</td>
<td>(849)</td>
<td>(696)</td>
<td>(10)</td>
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<tr>
<td>Gain on termination of operating leases</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Loss on disposal of fixed assets</td>
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<td>Non-GAAP general and administrative</td>
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<td>45,897</td>
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<td><strong>Loss from Operations</strong></td>
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<td>45,281</td>
<td>55,933</td>
<td>67,005</td>
<td>36,545</td>
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<tr>
<td>Loss from operations</td>
<td>48,258</td>
<td>(59,829)</td>
<td>(54,799)</td>
<td>(53,904)</td>
<td>(5,048)</td>
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<tr>
<td>Stock-based compensation</td>
<td>76,261</td>
<td>97,754</td>
<td>121,468</td>
<td>156,761</td>
<td>128,689</td>
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<tr>
<td>Amortization of acquired intangible assets</td>
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<td>3,261</td>
<td>2,419</td>
<td>1,265</td>
<td>1,162</td>
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<tr>
<td>Acquisition related expenses</td>
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<td>980</td>
<td>1,832</td>
<td>2,087</td>
<td>281</td>
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<tr>
<td>Gain on termination of operating leases</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,276)</td>
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<tr>
<td>Loss on disposal of fixed assets</td>
<td>-</td>
<td>-</td>
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<td>Non-GAAP (loss) income from operations</td>
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<td>6,543</td>
<td>7,981</td>
<td>9,844</td>
<td>8,548</td>
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</table>
## GAAP to Non-GAAP Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>% of Revenues</th>
<th>2019</th>
<th>% of Revenues</th>
<th>2020</th>
<th>% of Revenues</th>
<th>2021</th>
<th>% of Revenues</th>
<th>Forecast 2022</th>
<th>% of Revenues</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$'000s</td>
<td></td>
<td>$'000s</td>
<td></td>
<td>$'000s</td>
<td></td>
<td>$'000s</td>
<td></td>
<td>$'000s</td>
<td></td>
</tr>
<tr>
<td>Loss from Operations</td>
<td>(48,258)</td>
<td>-9%</td>
<td>(46,901)</td>
<td>-7%</td>
<td>(50,828)</td>
<td>-6%</td>
<td>(54,799)</td>
<td>-4%</td>
<td>(136,877)</td>
<td>-8%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>76,261</td>
<td>15%</td>
<td>97,754</td>
<td>14%</td>
<td>121,488</td>
<td>14%</td>
<td>166,761</td>
<td>13%</td>
<td>278,025</td>
<td>16%</td>
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<tr>
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<td>2,419</td>
<td>0%</td>
<td>1,326</td>
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<td>2,640</td>
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<tr>
<td>Acquisition/disposition related income (expenses)</td>
<td>2,696</td>
<td>1%</td>
<td>909</td>
<td>0%</td>
<td>1,832</td>
<td>0%</td>
<td>2,087</td>
<td>0%</td>
<td>(288)</td>
<td>0%</td>
</tr>
<tr>
<td>Gain on termination of operating leases</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>(4,276)</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
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<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>6,468</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
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<tr>
<td>Non-GAAP (loss) income from operations</td>
<td>32,093</td>
<td>6%</td>
<td>54,873</td>
<td>8%</td>
<td>74,911</td>
<td>8%</td>
<td>117,567</td>
<td>9%</td>
<td>143,500</td>
<td>9%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>% of Revenues</th>
<th>2019</th>
<th>% of Revenues</th>
<th>2020</th>
<th>% of Revenues</th>
<th>2021</th>
<th>% of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP net cash and cash equivalents provided by operating activities</td>
<td>$84,851</td>
<td>17%</td>
<td>$118,973</td>
<td>18%</td>
<td>$88,913</td>
<td>10%</td>
<td>$238,728</td>
<td>18%</td>
</tr>
<tr>
<td>Purchases of property &amp; equipment and capitalization of software development costs</td>
<td>$(33,473)</td>
<td>-7%</td>
<td>$(53,846)</td>
<td>-8%</td>
<td>$(58,917)</td>
<td>-7%</td>
<td>$(61,865)</td>
<td>-5%</td>
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<tr>
<td>Repayment of 2022 Convertible Notes attributable to the debt discount</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>$49,048</td>
<td>6%</td>
<td>$26,428</td>
<td>2%</td>
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<tr>
<td>Free cash flow</td>
<td>$51,378</td>
<td>10%</td>
<td>$65,127</td>
<td>10%</td>
<td>$79,044</td>
<td>9%</td>
<td>$203,291</td>
<td>16%</td>
</tr>
</tbody>
</table>
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.

**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, 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.

**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.