HubSpot Q4 2024 Results

Wednesday, 12th February 2025

Introduction

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Welcome

Good afternoon, and welcome to HubSpot's Fourth Quarter and Fiscal Year 2024 Earnings Conference Call. Today, we will be discussing the results announced in the press release that was issued after the market closed. With me on the call this afternoon is Yamini Rangan, our Chief Executive officer; Dharmesh Shah, our Co-Founder and CTO; and Kate Bueker, our Chief Financial officer.

Disclaimer

Before we start, I would like to draw your attention to the Safe Habor Statement included in today's press release. During this call, we will make statements related to our business that may be considered forward-looking within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

All statements, other than statements of historical fact are forward-looking statements, including those regarding management's expectations of future, financial and operational performance and operational expenditures, expected growth, FX movement and business outlook, including our financial guidance for the fourth fiscal quarter and full year 2024.

Forward-looking statements reflect our views only as of today, and except as required by law, we undertake no obligation to update or revise these forward-looking statements. Please refer to the cautionary language in today's press release and our form 10-K, which will be filed with the SEC this afternoon for a discussion of the risks and uncertainties that could cause actual results to differ materially from expectations.

During the course of today's call, we will refer to certain non-GAAP financial measures, such as defined by Regulation G, the GAAP financial measure, most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between such measures can be found within our fourth quarter and fiscal year 2024 earnings press release in the Investor Relations section of our website.

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

Overview

Yamini Rangan

CEO, HubSpot

Agenda

Thank you, Ryan, and welcome everyone to the call. I will begin with our Q4 and 2024 results and the consistent themes driving those results. Then I want to switch gears and highlight our strong momentum in AI, how we are positioned to lead and win with AI, and the multiple growth levers we are activating to drive long-term Success. Let us dive in.

Highlights

We had a solid finish to 2024, highlighting our leadership as a platform company. Q4 revenue grew 20% year-over-year in constant currency, and full year 2024 revenue grew 21% in constant currency. We delivered another quarter of standout operating profit growth, with operating margin of 19% in Q4 and 17.5% for the full year, up 200 basis points year-over-year.

We are consistently balancing growth and profitability as we scale. Our customer base expanded to 248,000 customers globally, with over 9,800 net customer additions in the quarter. These results underscore the trust our customers have in our platform, as they consolidate on HubSpot and rely on our innovation to scale in any environment.

Beyond the results, what truly excites me are the consistent themes driving our performance. Our momentum in 2024 was driven by growing multi-hub adoption, strong upmarket and down-market success, improvements in retention and product innovation. 2024 was a defining year, one that cemented our position as a leading customer platform for scaling companies and marked a transformative leap in our evolution as an AI-first platform.

We made significant strides as a unified customer platform, with multi-hub adoption reaching new heights. Over 35% of our Pro+ customers by ARR, now use four or more hubs, up 7% year-over-year, clear proof of the value of our unified customer view.

In the upmarket segment, momentum was driven by product innovation, growing awareness of HubSpot as a platform and strong execution with partners in our ecosystem. Large deals grew 21% year-over-year, driven by key product advancements like sensitive data support, UI extensions, and CRM development tools for deeper customizations and enterprise grade service hub capabilities that resonate with larger teams.

Awareness of HubSpot as a customer platform improved by 7 points globally, and our partner ecosystem is driving success, with co-selling increasing by 68% year-over-year. In the down market segment, the pricing model change we introduced, combined with AI innovation, laid a strong foundation for growth.

By lowering initial prices and removing seat minimums, we made it easier for teams to start and grow with HubSpot accelerating customer acquisition and driving seat upgrades. We also improved the overall experience for starter customers with better onboarding and ever boarding.

Finally, retention was a consistent theme in 2024. Our focused efforts across product and customer success teams led to increased usage, fewer downgrades, and reduced churn. It is really exciting to see customers finding lasting value with HubSpot and the consistent themes driving our results demonstrates our momentum as a platform.

Fueling Growth for Scaling Businesses with HubSpot's AI-Powered Customer Platform

Okay, let us switch gears and talk about AI. 2024 was a transformative year for HubSpot as we reimagine our product, our platform and company with AI. We are committed to becoming the AI-first customer platform by embedding AI into every hub and across the entire platform.

To deliver on this vision, we launched a Copilot that gives every customer facing employee a digital assistant to work with, AI agents that handle context sensitive tasks out of the box, and 80-plus AI features embedded within our hubs.

Content Hub and AI-first hub, launched in early 2024, was the fastest growing hub of the year. Its attach rate to Marketing Hub increased from 13% at the start of the year to 54% in December, driven by the success of Content Remix, our most popular AI feature.

Building a System of Engagement for the Entire Front-Office

We have continued to innovate with new capabilities like multi-input remix, podcast and case study remix, enabling customers to create impactful content faster than ever. Service Hub is seeing strong upmarket growth, driven by AI-powered enterprise features. New Service Hub Enterprise portals grew 100% quarter-over-quarter in Q4, and customers with 100-plus seats increased 54% year-over-year.

Sitting On Top of a Unified and Enriched Data Layer

New help desk and customer success workspaces with AI features like call summaries, ticket summaries, and reply recommendations are seeing strong adoption and delivering value to larger teams.

AI Powering the Entire Customer Platform

Breeze copilot is beginning to crack. We now have over 75,000 weekly active users on Copilot. Our customers are adopting Copilot because it is easy to use and in the flow of their work, unique advantages with HubSpot. Breeze agents are beginning to deliver value for customers, especially customer agent and content agent.

Our customer agent is now available to all Service Hub Pro+ customers, with over 1,340 customers using it to achieve an average resolution rate of 42%. While it is still early days, customers are beginning to see value. And as one customer transcribers shared, implementing the customer agent has been transformative. What used to be manual, time-intensive process is now streamlined and efficient.

Content agent is also gaining traction with some of our most active users leveraging it to publish over 80% of their blogs. This is helping businesses optimise workflows and produce more effective content with less effort.

Growing a Trusted Ecosystem of Partners to Extend our Reach

While it is still early days for Breeze Copilot, agents and our embedded AI features, the momentum we built in 2024 is exciting. What is equally exciting is how you are using AI to transform the way we work internally at HubSpot.

HubSpot's Platform Journey: Marketing App to AI-powered Smart CRM

By experimenting boldly with AI, we are showing our customers what is possible with AI. Our AI support bot now handles over 35% of support tickets, while maintaining high customer satisfaction, and we are working to get this to over 50% in 2025. This has enabled us to grow our customer base without adding more support staff, freeing our team to focus on solving more complex issues.

Similarly, our AI sales bot is resolving over 80% of website chat inquiries, making our chat teams more efficient while delivering great customer experiences. We are transforming sales prospecting. AI-powered and automated communications generated over 10,000 meetings for our sales team in Q4 alone. AI is helping us work smarter, serve customers better and lead by example. This is just the beginning of an exciting journey of transformation with AI.

Single Digit Penetration Across All Products in $100b+ TAM Opportunity

Okay. Our AI efforts are gaining momentum. But the bigger question is, how will HubSpot lead and win in an AI-first future? The answer is clear. We will win for three key reasons. First, we unify structured and unstructured data. Second, we provide complete context across the entire customer journey. And three, we have the industry's most active AI agent ecosystem connecting AI builders and users.

First, agents rely on great data to succeed and HubSpot is uniquely positioned here. The need for structured data, customer, company, contact records and the need for access and reporting on that data does not go away. This is where HubSpot already excels. But agents also need unstructured data, the 80% of data in calls, e-mails and transcripts, which reveal deeper insights into customer needs.

For example, imagine an agent creating a list of sales calls that made reference to a specific competitor. That is using unstructured data. Now you can filter that list and only include the deals that were won. That is using structured data. Now you can use the transcripts and summarize the key points that seem to be most effective in winning against that competitor. The combination of structured and unstructured data is a game-changer and our acquisition of frame.ai takes this to a whole new level by doing this in real time.

Second, AI agents need more than just data. They need context. Siloed agents that solve task specific problems will fall short just like siloed point applications did. Now HubSpot's all-in-one approach unifying a system of record with data, a system of engagement with hubs, and a system of action with AI-powered execution ensures that agents have the context they need across the entire customer journey.

Finally, we have been investing in creating a vibrant agent ecosystem. We think the future is about hybrid team, consisting of both people and AI agents working together. To realise this vision, we have been incubating agent.ai, a project to create a network of AI agents. We have grown the user base of agent.ai over 10x in six months, from 50,000 users at INBOUND to over 500,000 users, and empowered over 5,000 builders to create agents with our low-code tool.

By combining the best structured and unstructured data, providing complete context about the customer and following an ecosystem-centric approach, we are helping our customers seamlessly shift to the age of AI.

We are positioned for long-term durable growth

Okay. Let me wrap up by highlighting our strategy and the levers for growth that will drive long-term success.

We are entering this year with more clarity on strategy, more alignment on outcomes, and more urgency in execution than ever before. We will double down on our customer focus and make our products easy, fast, unified and AI-first.

On the product side, you can expect to see us make meaningful progress with Breeze copilots, agents and the AI platform layer that will power all AI offerings. We will continue to build deeper upmarket functionality while making onboarding and ever boarding easier within our product. We are excited to unveil a host of new capabilities at our Spring Spotlight in April and later at INBOUND in September.

Now in terms of growth, we will focus on four key levers: rep-driven growth, with targeted headcount investments that match the opportunity; improved retention and downgrades, driven by more product usage, building on the progress we made in 2024; migration to new pricing, creating tailwinds from seat upgrades and renewal price lifts post migration; and ongoing product innovation with AI, which will be another tailwind for customer acquisition and expansion. Together, these levers provide a clear and sustainable path for long-term growth.

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

Financial Overview

Kate Bueker

CFO, HubSpot

Q4 2024 Financial Summary

Thanks, Yamini. Let us turn to our fourth quarter and full year 2024 financial results. Full year 2024 revenue grew 21% year-over-year in both constant currency and as reported. Full year subscription revenue grew 21% year-over-year, while Services and Other revenue increased 24%, both on an as reported basis.

Q4 revenue grew 20% year-over-year in constant currency and 21% on an as reported basis. Subscription revenue grew 21% year-over-year, while Services and Other revenue increased 36% on an as reported basis.

Q4 domestic revenue grew 19% year-over-year. International revenue growth was 20% in constant currency and 23% as reported, representing 47% of total revenue. We added over 9,800 net new customers in Q4, ending the year with a total of nearly 248,000 customers growing 21% year-over-year.

Average subscription revenue per customer was $11,300 in Q4, down 1% year-over-year in constant currency and roughly flat on an as reported basis. Q4 customer dollar retention remained healthy in the high 80s, and net revenue retention increased 2 points sequentially to 104%, reflecting the continued momentum in seat expansion from customers on the new seat-based pricing model.

While we are encouraged by the improvements we saw in Q4, we expect to see a seasonal downtick in net revenue retention in Q1. For the full year 2025, we expect net revenue retention to be up a couple of points year-over-year, largely from the pricing model change we made in early 2024.

Calculated billings were $768 million in Q4, growing 21% year-over-year in constant currency and 16% on as reported basis. The significant strengthening of the US dollar at the end of the quarter and its impact on deferred revenue, resulted in an overall 5 point FX headwind to as reported billings growth. The remainder of my comments will refer to non-GAAP measures.

Q4 operating margin was 19% and full year operating margin was 17.5%, both up 2 points compared to the year ago period. This reflects our continued progress in optimizing our product infrastructure, focused hiring, and the impact from the changes to our partner commission structure.

Net income was $125 million in Q4, or $2.32 per fully diluted share. Free cash flow was $163 million, or 23% of revenue in Q4 and $488 million, or 19% of revenue for the full year.

Finally, our cash and marketable securities totaled $2.2 billion at the end of December.

Before I dive into guidance, I wanted to highlight several key inputs to our 2025 growth profile. First, we expect a continued strong foundation of product usage and customer retention. Our seat space pricing model will benefit 2025 growth as customers come up for their first renewal post-migration and we will continue to invest in go-to-market capacity.

Second, while we have seen small business sentiment improve, we continue to see value-driven purchase behaviour, and we assume that this will be the case throughout the year.

Finally, the US dollar has strengthened meaningfully since we reported Q3 results in November. As a result, at current spot rates, we expect foreign exchange to be in approximately 200 basis point headwind to 2025 revenue growth and a 50 basis point headwind to operating profit margin.

Q1 & FY 2025 Guidance Summary

With that, let us dive into our guidance for the full year and first quarter of 2025. For the full year of 2025, total as reported revenue is expected to be in the range of $2.985 billion to $2.995 billion, up 16% year-over-year in constant currency and 14% on an as reported basis.

Non-GAAP operating profit is expected to be between $543 million and $547 million, representing an 18% operating profit margin. Non-GAAP diluted net income per share is expected to be between $9.11 and $9.19. This assumes $53.9 million fully diluted shares outstanding.

For the first quarter, total as reported revenue is expected to be in the range of $697 million to $699 million, up 15% year-over-year in constant currency and 13% on an as reported basis. Non-GAAP operating profit is expected to be between $98 million and $99 million, representing a 14% operating profit margin. We expect a little over 1 point headwind to operating profit margin in Q1, due to an increase in the company match rate of our 401(k) contributions.

Non-GAAP diluted net income per share is expected to be between $1.74 and $1.76. This assumes 54.1 million fully diluted shares outstanding.

As you adjust your models, please keep in mind the following. While we are excited with the recent launch and multiyear growth opportunity of our Breeze Intelligence product, we expect a bit less than 1 point headwind to 2025 revenue growth from the wind down of the legacy Clearbit business.

We expect CAPEX as a percent of revenue to be roughly 5% for the full year of 2025, driven primarily by capitalisation of software development.

Lastly, we expect free cash flow to be about $560 million for the full year of 2025, with seasonally stronger free cash flow in Q1 and Q4.

As we close out 2024, I want to take a moment to recognize all HubSpoters for their contributions to our mission of helping customers grow better. A big thank you to our customers, partners, and investors for the ongoing support.

With that, operator, let us please open up the call for questions.

Q&A

Samad Samana (Jefferies): Maybe let us talk about AI a little bit further, given all the puts and takes there. I want to dig in on what some other software companies have said, especially in the context of what you are doing around AI. Some other leading software companies have discussed a change in the monetisation plans for AI in the last couple of months as their products have spent more time in the market. I am curious how your customer conversations have evolved on pricing and measuring ROI now that customers have had Breeze in their hands, and if you see the path to monetization shifting?

Maybe related to that, Kate, I know your comment on a fair bit wind down on 1 point headwind? How are you thinking about the impact of AI modernisation in the 2025 revenue forecast, if any at all?

Yamini Rangan: Thanks a lot, Samad. Thanks for hanging in with us. I am so glad that you heard it loud and clear that we are gaining momentum from an AI perspective. Let me take that question on monetization.

Look, the way we think about AI is that there should be one product, an AI-first product. We do not believe that there should be a separate hub or a separate add-on for AI. That has been our strategy from the beginning. That is why our vision has been to embed AI across every hub and across the entire platform. Therefore, our monetization strategy is really about how we drive customer acquisition and expansion across the entire platform with AI and how we lead and win with AI across the platform.

As I mentioned in my prepared remarks, the success of Content Hub in the last year was AI driven. We improved the attached rate to Marketing Hub by 3x. The traction in Service Hub, especially upmarket, is AI driven. We are going to continue to drive that type of innovation. That strategy is working for us, and we have even more conviction as we talk to customers who are in our pipeline and who are in our install base, and we are going to keep doing that.

Now, having said that, I do think that the future of pricing for AI will be hybrid. That is we will have both seat-based and usage-based pricing. Right now, we are focused on delivering value with our agents. As more customers get consistent value with AI, we will introduce usage-based pricing. Our pricing model will be a combination of usage and seats based pricing.

But what is really important is that we will consistently focus on delivering value first before adding on to our seats based model and then monetizing based on usage. That approach has worked for us and will continue to work for us in that approach. The focus for us remains very clear, embedding AI across the entire platform, delivering repeat value and consistently driving innovation, that is having really good impact in terms of our pipeline conversations and customer conversations.

Kate Bueker: Samad, just to answer the specific question on what is assumed for AI in guidance. We are going to provide specific assumptions there, but I will share a few things.

The first is that we have not assumed any direct agent monetization in our 2025 guidance. That said, we are glad you heard that we are focused on AI. You heard from Yamini that customers are seeing value from AI that adoption is growing quickly. You see the strong momentum and hear about the strong momentum in Content Hub, in Sales Hub, in Service Hub that is directly related to the AI features and functionality that we are adding.

We are seeing customers increasingly consider AI in their decision-making. The assumption is that, that is all going to continue through 2025, and that is what is baked into guidance.

Mark Murphy (JP Morgan): I would appreciate hearing your perspective on DeepSeek and the ability for LLMs to drive a breakthrough on the cost side or the efficiency side. I am curious whether it is Dharmesh or Yamini or Kate, what crossed your minds? Can you run the Breeze agents with a lower inference cost profile, if you use one of these very efficient models? Do you think you can unleash more power for customers? Does it alter what you think on the volume of AI, you can provide, maybe volume goes up and cost goes down? Any perspective would be great.

Dharmesh Shah: Sure. This is Dharmesh. Hi Mark. Thanks for the question. A couple of things. One on the COGS side. There was already a dramatic reduction in COGS even before DeepSeek showed up on the scene. That has now been like a spectacular reduction, simply because of increased competition, the fact that DeepSeek is an open source and open waves model. It has driven costs down even further. Yes, absolutely, there will be a really positive impact on lowering inference costs across the board because everyone, as we have already started seeing, are going to reduce their cost for inference.

What is actually even more exciting to me, not that we should be excited about reduction in COGS, is that these reasoning models, both DeepSeek and OpenAI's o3 model really expand the use cases in terms of what agents can take on, what types of goals and what kind of customer problems can we solve. Because the reasoning models, although they sound similar because they are a large language model, they are very different in terms of the kinds of things they can do.

They have chain of thought, they can actually take on much more nuanced and sophisticated goals than we were able to do before. So that is super exciting. Thank you.

Brad Sills (Bank of America): Really exciting to see all the progress here with copilots and agents. I wanted to ask a question around the upselling motion and activity during the quarter. I think that has been the one area where in the current environment, you have not really seen that unlock yet. You have been pretty clear that downgrades and churn has stabilised here. But curious what your observation was through the quarter? Are you seeing any improvement there in this tone you described is still in value-oriented mode amongst SMBs?

Kate Bueker: Yes, Brad, thank you so much for the question. Net revenue retention, as you know, was up 2 points sequentially to 104. But as I shared in the prepared remarks, the biggest driver of that improvement in net revenue retention was from the impact of seat upgrades, largely associated with the new seat-based pricing model that we launched earlier in the year.

Other than the seats based pricing model, you are right, what flows into net revenue retention is net upgrades and downgrades. What you heard from us over the last couple of quarters is that we had seen a stabilisation and easing of the downgrade motion, and that was very consistent with what we saw in the fourth quarter.

The remaining headwind is other upgrades. That we saw again in Q4. We have seen some improvements in the sentiment externally, but people are still value-driven. I think it is really going to take a big change in the external environment for that other upgrade motion to really move.

Arjun Bhatia (William Blair): Congrats on a strong Q4 here. Kate, one thing on the margin side. You mentioned the partner behaviour change might impact margins here. Can you just elaborate a little bit on how partner behaviour is adjusted after you changed the compensation model? I think that was a couple of years back now. But what are you seeing there? Is it acceleration of revenue, better cost structure on your sales and marketing side? That would be very helpful.

Yamini Rangan: Hi Arjun. This is Yamini. I am going to take the partner question and walk you through where we are in the process. Look, as you mentioned, we made some changes to the partner commissions in 2023. We are very confident that those changes we made will increase the value of our customers get from working with partners.

Specifically, in 2023, we announced that new deals will have a three-year commissions, and existing deals will retire multiyear commissions, lifetime commissions starting in 2025. And so the gist of the changes, if you are in an existing deal and you are actively engaged with customers, you continue to preserve the commission. But if you are not engaged with the customers, you lose the commissions. That comes into effect in April for existing deals.

Now we prepared the ecosystem. We have been communicating with the ecosystem. We have really held hands with the ecosystem and all of the changes, and that changes will come to effect in April, and that shows up in terms of our numbers.

Now in parallel, the thing that I would mention is a couple fold. We have been investing pretty heavily in partners who are driving growth. We have been providing growth funds, marketing development funds, increasing the level of enablement efforts, and all of that has resulted in much better engagement between partners and our sales teams. You can see that in our co-selling with partners. As I just mentioned, co-selling grew 68% year-over-year. That is really beginning to work.

Kirk Materne (Evercore ISI): Kate, could you just provide maybe a little colour on how we should be thinking about the guide as it relates to new customer acquisitions over the year relative to ARPC growth? Just given some of the commentary around Service Hub and some of the upmarket momentum, I am just wondering if there is potentially any change in the way we should be thinking about those metrics?

Kate Bueker: Yes, Kirk, thanks for the question. Overall, we were really happy with the net adds coming in at 9,800. It is really at the upper end of the 9,000 to 10,000 range that we discussed. We have seen variability quarter-over-quarter in net additions, but I think this is the right zone at least for the next couple of quarters for your expectations.

The one thing that I would say is that over the last couple of quarters, what we have seen is more of a balanced mix of the new customer profile across the starter tier and the professional and enterprise tier. This is something that we expected post the seats model introduction because we eliminated the minimum seats on professional and enterprise. So the balance that we are seeing is primarily a result of that.

Net adds. As we look at 2025, net adds in that 9,000 to 10,000 range is probably right, a higher mix of professional enterprise. I would assume that that keeps happening. Then what will result is that ASRPC should stabilize in the near term and then we would expect something that looks more like a low single-digit growth in ASRPC as we move into the back half of the year.

DJ Hynes (Canaccord Genuity): Maybe one for Dharmesh. Dharmesh, one of the questions we have been getting more in an agentic world is who becomes the control tower for all these agents if every app in the stack is bringing their own version, right? Maybe that is more of an enterprise issue, but I assume the need still exists in SMB, even if HubSpot owns a majority of that app estate. How do you think about that need? And how is HubSpot positioned to be that control tower?

Dharmesh Shah: Yes. Thanks for that question. What we see happening as the agent platforms evolve, is composability becomes a super important factor that these agents need to collaborate, discover each other and work with each other in order to accomplish higher order goals. So that is what we have been doing with agent.ai is we want to capture that mind share and have builders build on the HubSpot agent.ai network.

Just by the way, Yamini shared the opening comments and said we had gotten some 50,000 to 500,000 users. I am excited to share as of last night, that number crossed 900,000. We are seeing some really great uptake. We have enabled 7,000 people to build their own agents on the platform. The way we see this evolving is similar to how we saw with the original cloud computing that there will be some dominant platforms where all the builders want to aggregate and they are going to want to aggregate where the users are, where the customers are.

We can take our existing customer base, all the contextual data, unified data that we have and make that available to these agent builders along with a low code tool and the distribution mechanism to reach hundreds of thousands of people. So we think that is a winning strategy. We are super excited. Thanks for the question.

Jackson Ader (KeyBanc Capital Markets): It sounds like you guys are internally adopting a lot of AI. Yamini, you went through a bunch of different use cases on marketing and sales. Would we expect or do you expect that to meaningfully impact HubSpot's expense growth, obviously, for the better? Then if it does allow you to save some money, where might you redeploy those savings?

Kate Bueker: Yes, thanks for the question. I think that Yamini can talk a bit about how we are envisioning the transformation of our go-to-market. We are broadly adopting AI internally. What you will see in terms of areas for reinvestment is very consistent with the areas where we have driven outsized investment over the last three years. The first is really into R&D to continue to drive that innovation engine and fuel growth for the long term.

The second is in the capacity and go-to-market. We obviously want to invest against the opportunity we see, and we feel like this is a year where adding capacity to our sales force will pay off well.

Yamini Rangan: Yes, I will talk about how we are reimagining our own go-to-market internally. As soon as we saw this big generative AI moment and we pivoted our product, we did the same thing internally. We have been reimagining our go-to-market for the better part of the last couple of years. You heard me talk about support, that use case is very, very clear.

We have not only improved the resolution rate with AI. We have also been able to take support agents and really leverage them in more complex issues. So I think we will continue on that path.

Marketing, huge benefits. We are reimagining our entire marketing strategy with AI. I talked about leveraging it for setting up meetings. We are at the early stages. Even with 10,000 new meetings set up by AI, we are at the very early stages of that. I think we can continue to scale that, but not just in the prospecting use case, but really leveraging AI for personalization and through the entire content marketing process.

If you look at Kipp, our CMO, he is at the forefront of AI and he is doing this not just to reimagine our own marketing, but he is also doing this to educate our customer base on the right ways to apply AI and to get value from AI. The same thing with sales. I mean we are in the early stages of what we can do. We are already leveraging it for discovery, better research, follow-throughs, follow-ups or chat and the list goes on.

As much as we are innovating with our product, we are reimagining it for our go-to-market, and that is going to have mid-term to long-term impacts on our own level of innovation, but also efficiency.

Gabriela Borges (Goldman Sachs): Yamini, this idea of driving value for customers and productivity increases for customers and then realizing pricing at a later date, that is not a new concept for HubSpot. Maybe just remind us of your framework, what are some of the things you could be looking for to turn on that consumption piece of the pricing model for agents and AI? How do you think about mapping some of these statistics on productivity to pricing increases further down the line?

Yamini Rangan: Gabriela, that is a great question, one that we think about all the time. You are right, like our pricing approach should be no surprise to anybody. Consistently, our pricing philosophy has been to innovate extensively, introduce innovation to customers, make sure that they are getting consistent value and then drive monetization.

Over the years when we have increased prices for Marketing Hub, Sales Hub, Service Hub, we have never gotten pushback because by the time we do that, we have delivered significant value.

In terms of AI, our approach has been twofold. First off, we want our entire platform to have AI features. So embedding AI, not actually creating friction at the point of purchase and making it super easy, visible within the product to adopt AI has been the first like step. Last year, I talked a lot about awareness. I have to say that towards the end of the year, the awareness of AI within HubSpot was significantly higher compared to the beginning of the year. That is number one. We feel like we have made a lot of progress.

The second is adoption. One of the things that we did with Breeze and the reason we launched Breeze is, one, we want it to be easy. But two, we want it to be recognizable within product. Now if you are going within HubSpot, you can just see the sparkle buttons, which are AI features and customers click on it, use it and begin to like get value from it. Those are all the examples that I shared.

I think specifically with agents, we launched a set of Agents at INBOUND. It is early stages. We are seeing very good momentum. But when we see repeat value, repeat usage of agents, then we will feel very much at ease to add a component for monetization. We are already monetizing AI with our current model. We will be able to add when we begin to see repeat usage and value from agents, and that is our focus for 2025.

Alex Zukin (Wolfe Research): I have got two different ones. Maybe, Yamini, first for you. Just comments on the demand environment exiting the quarter whether there was a change post-election, just signs or lack thereof of SMB optimism driving either new tailwinds or creating headwinds as you look at the year? Then I have got a quick follow-up for Dharmesh.

Yamini Rangan: Yes. Sure, Alex. Look, I think we have seen some improvements in the demand environment and customers are much more open now to talking about growth initiatives. I probably think it started around September with some of the interest rate changes.

Now, having said that, and like Kate emphasized, a lot of the buying trends remain similar to what we saw last year. The decisions are value-driven. It is committee-based decisions and most of these decisions are made by C-suite and the Board level. We are just going to assume that part of customer buying patterns continue to exist.

Now when I look at the demand environment and when I look at our pipeline, a few trends are very encouraging. First off, when customers are looking at marketing or sales or service, in the mid-market company, we are in consideration. We have a seat at the table. We have emerged as a platform of choice. Our AI first, easy-to-use, fast time to value, value proposition really resonates within the segment.

The second, when customers start with HubSpot, they are now starting multi-hub. They continue to consolidate on HubSpot, both to optimize their costs and to increase the visibility and to drive innovation. We are having more conversations now about AI innovation within our road map. Customers love the fact that it is embedded within AI. There is no friction for them to buy a separate SKU and they begin to use it, they get value out of it. We are seeing all of those as encouraging trends.

Our focus is to drive this pace of AI innovation, to communicate the value of our AI-first platform and to help customers grow in any environment.

Alex Zukin: Then maybe just one, Dharmesh, a longer-form question for you. Basically, if you look at what the foundation model companies continue to do at the edge of what is possible with agents and software development, how do you view that there is this consistent, I would say, anxiety level in the investor community around the evolution of like DIY AI and software agents and agentic versus packaged software? I am referring to specifically, I guess, the sales agent demo from OpenAI recently. Like, how do you think about a world where the centre of gravity stems from having this holistic record plus intelligence plus agentic workflow system that HubSpot embodies versus what a future where maybe that is more in the presence of what the foundation model companies are doing?

Dharmesh Shah: Sure. Thanks for the question. Just a quick high-level thought is that just like we saw with cloud computing, there will always be mega corporations that take a DIY approach that say we want to build our own software, we want to build our own agents, we want to build our own everything. We see the exact opposite happening in SMB. SMBs do not have the appetite to go off and try and build and assemble all these pieces together regardless of how easy it becomes.

My personal belief is that in the SMB world, what is going to be super important is what is always been important is ease of adoption, fast time to value and they want something that is unified and all put together. What we see playing out is that at a platform level, we envision an entire new generation of what used to be agencies and development company, software companies building on top of a common core platform like HubSpot is going to provide, and we think that is the actual answer. SMBs will say, I want one core platform. I want everything done for me. And I would love to see an ecosystem of thousands of possible agents that are tailored for my industry and for my business that when we can piece it all together, all on one platform. That is how we see it shaping up.

Brian Peterson (Raymond James): I wanted to double click on that 68% growth in co-selling that you guys mentioned. That is a pretty impressive stat. Did the mix of channel touch business change over the course of 2024? Is there any commonality that you can share and what drove the strength of channel partners?

Yamini Rangan: Thank you, Brian. I appreciate the question. Yes, we are very thrilled to see the co-selling take off, and we are very happy with the results there. I will say that this has been multiple years in the making. We went to our partner ecosystem and we said, we want you to source co-sell and service our partners as experts within the field. We have really helped them go from way back marketing agencies to CRM implementers.

As we did that, we have really focused those partners on upmarket. A lot of the benefit that we are now seeing is like a multiyear arc that we have been working with our partner ecosystem.

If we look at specifically 2024, we got much better at working upmarket, joint customer pursuits with our partner ecosystem. Our product got better, and we are enabling both our sales teams as well as the partner ecosystem to understand the full benefit of multi-hub adoption. And so they are selling more multi-hub deals and implementing multi-hub deals upmarket with those customers.

We are now talking to them about being an AI-first ecosystem, and they are leaning into it front and centre with us and they see the opportunity of not just being in a customer platform, but being an AI-first ecosystem in an ecosystem like us and they see the huge benefit associated with it. It has been multiyear in the making, and there is an even bigger opportunity as an AI-first ecosystem ahead.

Ryan MacWilliams (Barclays): Can you just remind us how you expect your install base to receive the pricing increase and how that can layer in through 2025?

Kate Bueker: Sure. Appreciate the question. I think as we covered at the Analyst Day, we have started to migrate our existing customers from the legacy pricing model on to the new seats based pricing model. That has happened for the simplest customers through the back half of 2024 and we will continue to drive the migration of the customer base through 2025. All of our customer base, we intend to have migrated to the new pricing model by the end of this year.

Now that said, the price increase for existing customers happens when they come up for renewal after they are migrated. They are migrated over at a neutral ARR. Then they can receive up to a 5% increase in pricing upon their first renewal. As you can imagine then, earlier on in the sort of renewal motion for customers post migration, we are pretty early there still. The expectation is that between 50% and 60% of our ARR will have gone through that first renewal by the end of this year.

Rishi Jaluria (RBC Capital Markets): I wanted to ask maybe something a little bit more longer-term focus. Great to see this momentum with AI. A lot of times when we are talking AI, it is a focus on greater efficiency, greater productivity. But if we really think about prior technological waves, what really gets these waves exciting is the technological unlock, whether it is the internet, mobile or cloud. If we think about some of the early work you are doing in this, where are you seeing the ability to unlock those net new use cases for HubSpot that you can do things with generative AI that you could not do before? And as we think about what does this mean architecturally down the line, how should we be thinking about your ability to pivot to these new architectures as a result?

Yamini Rangan: Rishi, I like that question a lot, and that is exactly how we are thinking about it. Look, I talked about Frame. It is a recent acquisition, and this is emblematic of the kinds of things that we can now unlock. Frame will allow our customers to get much better insights from unstructured data. But if you really step back and think about it, generative AI made it possible to ask questions of structured data. Things like company, contact, deal status and you get back answers in natural language. That was the first breakthrough.

But there is another bigger breakthrough with unstructured data. 80% of all customer conversations are unstructured. They are in calls. They are in e-mails. They are transcripts. That flows through the company every single day, and it is now possible to ask evergreen questions of that data and to get better insights in real-time and in natural language to convert those insights into action. I think that is a huge unlock by, one, bringing structured and unstructured data together, which is exactly what we are doing.

The second part of the shift is it is not just important to have these two pieces. You need a context layer on top of it. Think of it as a knowledge layer on top of that data. The easiest way to think about this is become an employee within a company. You know the tone of the company, the voice of the company, the ideal customer profile, the value proposition. All of that is context on top of that data. We are building that. We are building that knowledge layer right on top of that data fabric of structured and unstructured data.

The fact that we have 1.8 million weekly active users that are bringing this vast data and collaborating, that gives us a huge benefit from an architecture perspective.

Then the third layer on top of that is just orchestration. How do you get feedback daily? How do you learn from the feedback in terms of what customers are using. We are building that. I do think one of the things that we have not talked about is the UI is going to change. We are going to see a lot more composable UI that sits on top of all of that data in an agentic future, and we are already reimagining all of that.

And so I think the combination of structured and unstructured data, the ability to go broad across the customer journey while going deep in a function, which we have, and the ability to like run at the pace that start-ups are going. We are innovating like a startup. The architecture is changing. We are right there with it, and I am so excited about what this unlocks for our customers.

Michael Turrin (Wells Fargo): I wanted to see if we could hear you maybe compare and contrast both what HubSpot saw Q4 this year versus last year in terms of just end of year decision-making. Then in guidance for Q1, is there any extra conservatism you are embedding, given Q4 to Q1, there was a change last year that many saw that took us all a bit by surprise. Just wondering how you are applying some of the lessons learned there last year and incorporating those into the upcoming guide for the year?

Kate Bueker: Yes. Why do not I take a shot at this. I think what we saw in Q4 last year was a really significant change in the trajectory of buying behaviour. That is not what we saw this year. There is typically a flush of business at the end of the year. We did see that in 2024. But what we saw was more of a continuation of Q3 than something new and different in Q4. That said, I think when you look at the guidance for 2025, the most important thing to remember is that in a SaaS business like HubSpot, the revenue growth is a lagging metric, right?

And so what we are seeing as a trajectory change in buying behaviour throughout the back half of the year, but it is going to take a while for it to flow through to revenue. So yes, we are expecting a step down in our constant currency growth rate in the first quarter. We also expect that our Q1 constant currency revenue growth will be the low point for the year and that our revenue growth rate will accelerate a bit throughout 2025.

[END OF TRANSCRIPT]