HUBSPOT INC
Form S-1/A
March 13, 2015
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As filed with the Securities and Exchange Commission on March 13, 2015.

Registration No. 333-202535

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

HubSpot, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**7372**	**20-2632791**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

25 First Street, 2nd Floor

Cambridge, Massachusetts 02141

(888) 482-7768

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Brian Halligan

Chief Executive Officer

HubSpot, Inc.

25 First Street, 2nd Floor

Cambridge, Massachusetts 02141

(888) 482-7768

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mark T. Bettencourt, Esq.	**John P. Kelleher, Esq.**	**Mark G. Borden, Esq.**
Joseph C. Theis, Jr., Esq.	**General Counsel**	**David A. Westenberg, Esq.**
Goodwin Procter LLP	**HubSpot, Inc.**	**Wilmer Cutler Pickering Hale and Dorr LLP**
Exchange Place	**25 First Street, 2nd Floor**	**60 State Street**
53 State Street	**Cambridge, Massachusetts 02141**	**Boston, Massachusetts 02109**
Boston, Massachusetts 02109	**(888) 482-7768**	**(617) 526-6000**
(617) 570-1000		

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee(3)**
Common Stock, $0.001 par value per share	4,731,658	$39.04	$184,723,928	$21,465

(1) Includes additional shares that the underwriters have the option to purchase.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the high and low trading prices as reported by the New York Stock Exchange on March 11, 2015.
(3) The Registrant previously paid $20,050 in connection with the original filing of this Registration Statement on March 5, 2015.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders nor any of the underwriters have authorized anyone to provide any information or make any representations other than those contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock. Our business, financial condition, results of operations and prospects may have changed since such date.

For investors outside of the United States: Neither we, the selling stockholders, nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections titled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms HubSpot the Company, we, and our in this prospectus refer to HubSpot, Inc. and its consolidated subsidiary.

HUBSPOT, INC.

Overview

We provide a cloud-based marketing and sales software platform that enables businesses to deliver an inbound experience. An inbound marketing and sales experience attracts, engages and delights customers by being more relevant, more helpful, more personalized and less interruptive than traditional marketing and sales tactics. Our software platform features integrated applications to help businesses attract visitors to their websites, convert visitors into leads, close leads into customers and delight customers, so that they become promoters of those businesses. These integrated applications include social media, search engine optimization, blogging, website content management, marketing automation, email, CRM, analytics and reporting.

People have transformed how they consume information, research products and services, make purchasing decisions and share their views and experiences. Today, customers are blocking out the tactics from the traditional marketing and sales playbook, such as cold calls, unsolicited emails and disruptive advertisements. Customers are taking more control of the purchasing process by using technology, including search engines and social media, to research products and services. Despite this transformation, most businesses are using an outdated marketing and sales playbook that is essentially the same today as it was 10 years ago. To compete effectively, we believe businesses need to deliver an inbound experience by adopting new strategies and technologies to attract, engage and delight customers.

We designed our all-in-one platform from the ground up to enable businesses to provide an inbound experience to their prospects and customers. At the core of our platform is a single inbound database for each business that captures its customer activity throughout the customer lifecycle. Our platform uses our centralized inbound database to empower businesses to create more personalized interactions with customers, such as personalized social media alerts, personalized websites, personalized emails and targeted alerts for sales people. We provide a comprehensive set of integrated applications on our platform, which offers businesses ease of use, power and simplicity. We designed and built our platform to serve a large number of customers of any size and with demanding use cases.

While our platform can scale to the enterprise, we focus on selling to mid-market businesses, which we define as businesses that have between 10 and 2,000 employees, because we believe we have significant competitive advantages attracting and serving them. We efficiently reach these businesses at scale through our proven inbound go-to-market approach and more than 2,200 marketing agency partners worldwide. Our platform is particularly suited to serving the needs of mid-market business-to-business (B2B) companies. Mid-market businesses seek an integrated, easy to implement and easy to use solution to reach customers and compete with organizations that have larger marketing and sales budgets. As of December 31, 2014, we had 13,607 customers of varying sizes in more than 90 countries, representing almost every industry.

We have a leading brand in the cloud-based inbound marketing and sales software industry. Our brand recognition comes from our thought leadership, including our blog, which attracts more than 1.5 million visits

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each month, and our commitment to innovation. Our founders, Brian Halligan and Dharmesh Shah, wrote the best-selling marketing book *Inbound Marketing: Get Found Using Google, Social Media and Blogs*. We also have one of the largest social media followings in our industry, and our INBOUND conference is one of the largest inbound industry events, with over 10,000 registered attendees in 2014.

We sell our platform on a subscription basis. Our total revenue increased from $51.6 million in 2012, to $77.6 million in 2013 and to $115.9 million in 2014, representing year-over-year increases of 50% in 2013 and 49% in 2014. We had net losses of $18.8 million in 2012, $34.3 million in 2013 and $48.2 million in 2014.

Industry Background and Our Market Opportunity

Traditionally, most businesses have followed the same marketing and sales playbook to generate leads, close sales and provide support to their customers as they did 10 years ago. Businesses need a more effective way to attract, engage and delight customers who have access to an abundance of information and an ability to block traditional marketing and sales tactics. Businesses need to deliver an inbound experience, which enables them to be more helpful, more relevant and less interruptive to their customers.

To deliver an inbound experience, businesses need to transform how they market, sell and serve customers.

- *Marketing:* Businesses need to attract potential customers by maximizing search engine rankings, having an engaging social media presence and creating and distributing useful and relevant content. Businesses need to personalize their customer interactions on websites, in social media and in emails to engage customers.

- *Sales:* Businesses need to build relationships with potential customers and become their trusted advisors. They must learn about and react to the signals being sent by customers through websites, social media and emails, to provide personalized and helpful responses.

- *Service:* Businesses need to delight their customers and inspire them to become vocal promoters by exceeding their expectations. Every customer has a stronger, more public voice today through blogs and social media, underscoring the importance of positive reviews and referrals in building a quality brand.

We believe there is a large market opportunity created by the fundamental transformation in marketing and sales. Businesses of nearly all sizes and in nearly all industries can benefit from delivering an inbound experience to attract, engage and delight their customers. We focus on selling our platform to mid-market businesses. As of December 31, 2014, we had 13,607 customers, and in the fourth quarter of 2014, our average subscription revenue per customer (on an annualized basis) was $9,530. According to AMI Partners, in 2014, there were 1.6 million of these mid-market businesses with a website presence in the United States and Canada and 1.4 million in Europe. According to a January 2014 study by Mintigo of 186,500 U.S.-based B2B companies of varying sizes, only 3% of those companies had implemented any of the most common marketing automation applications.

Existing Applications are Not Adequate for an Integrated Inbound Experience

Not Designed for an Inbound Experience. Traditional marketing applications rely on advertising and cold calling for lead generation instead of inbound methods. These applications are not designed to personalize and optimize every interaction with customers on websites, in social media and by email across devices, and do not typically allow sales and service teams to see the signals their prospects are sending in real time.

No Centralized Inbound Database of Customer Interactions. Businesses typically need to use one point application for website content management, a different point application for blogging, another point application for social media management, another point application for email and marketing automation, another point application for content personalization, another point application for analytics, another point application for sales management and CRM and yet another point application to alert salespeople of key customer signals in real time. This disparate collection of point applications makes it difficult to develop a 360-degree view of a customer s interactions.

Difficult and Expensive to Implement and Use. Using a collection of disparate point applications means a separate implementation process for each, resulting in significant additional costs. Often businesses will need to use outside consultants or hire new employees with specific technical expertise to implement and use these different applications. This collection of applications also requires businesses to use a variety of different log-ins, user interfaces and support centers.

Hard to Measure Results. Because all the customer touchpoints through the marketing, sales and service processes are typically stored in different disconnected point applications, it is very difficult to get a 360-degree view of a customer s interactions and measure the effectiveness of marketing and sales programs.

Advantages of Our Solution

Designed for an Inbound Experience. Our platform was architected from the ground up to enable businesses to transform their marketing and sales playbook to meet today s demands of their customers. Our platform includes integrated applications to help businesses efficiently attract more customers through search engine optimization, social media, blogging and other useful content while personalizing and optimizing interactions with their customers across customer touchpoints.

Ease of Use of All-In-One Platform. We provide a set of integrated applications on a common platform, which offers businesses ease of use and simplicity. Our platform has one login, one user interface, one inbound database and one number to call for support, and is designed to be used by people without technical training.

Power of All-In-One Platform. At the core of our platform is a single inbound database for each business that captures its customer activity throughout the customer lifecycle, which makes it easy for businesses to use customer data to empower more personalized interactions with customers.

Clear ROI for Customers. Our platform delivers proven and measurable results for our customers. Our customers often experience significant increases in the volume of traffic to their websites, the volume of inbound leads and the rate of converting leads into customers.

Scalability. Our platform was designed and built to serve a large number of customers of any size and with demanding use cases. Our scalability gives us flexibility for future growth and enables us to service a large variety of businesses of different sizes across different industries.

Our Competitive Strengths

Leading Platform. We have designed and built a world-class, inbound marketing and sales software platform. We believe our customers choose our platform over others because of its powerful, integrated and easy to use applications. As of December 31, 2014, on G2Crowd (an independent business software and services review website), the features and functions of our platform were ranked #1 in customer satisfaction in the following categories: marketing automation, social media management, email marketing and search marketing.

Market Leadership and Strong Brand. We are a recognized thought leader in the marketing industry with a leading brand. Our founders, Brian Halligan and Dharmesh Shah, are best-selling marketing book authors. We also have over

1.2 million followers and fans among Twitter, Facebook and LinkedIn as of December 31, 2014.

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Large and Growing Agency Partner Program. More than 2,200 marketing agency partners worldwide help us to promote the vision of the inbound experience, efficiently reach new mid-market businesses at scale and provide our mutual customers with more diverse and higher-touch services.

Mid-Market Focus. We believe we have significant competitive advantages reaching mid-market businesses and reach this market at scale as a result of our proven inbound go-to-market approach and our agency partner channel.

Powerful Network Effects. We have built a large and growing ecosystem around our platform and company. We have built what we believe is the largest engaged audience in our industry. As our engaged audience grows, more agencies partner with us, more third-party developers integrate their applications with our platform and more professionals complete our certification programs, all of which drive more businesses to adopt our platform.

Our Growth Strategy

Grow Our U.S. Customer Base. The market for our platform is large and underserved. We will continue to leverage our inbound go-to-market approach and our network of marketing agency partners to keep growing our domestic business.

Increase Revenue from Existing Customers. With 13,607 customers in more than 90 countries spanning many industries, we believe we have a significant opportunity to increase revenue from our existing customers. We plan to do this by expanding their use of our platform, selling to other parts of their organizations and upselling additional offerings and features.

Keep Expanding Internationally. There is a significant opportunity for our inbound platform outside of the United States. As of December 31, 2014, approximately 22% of our customers were located outside of the United States and these customers generated approximately 21% of our total revenue for the year ended December 31, 2014. We intend to grow our presence in international markets through additional investments in local sales, marketing and professional service capabilities, as well as by leveraging our agency partner network.

Continue to Innovate and Expand Our Platform. Mid-market businesses are increasingly realizing the value of having an integrated marketing, sales and service platform. We believe we are well positioned to capitalize on this opportunity by introducing new products and applications to extend the functionality of our platform.

Selectively Pursue Acquisitions. We plan to selectively pursue acquisitions of complementary businesses, technologies and teams that would allow us to add new features and functionalities to our platform and accelerate the pace of our innovation.

Risks Related to Our Business and Industry

Our business, financial condition, results of operations and prospects are subject to numerous risks. These risks include:

We have a history of losses and may not achieve profitability in the future.

We are dependent upon customer renewals, the addition of new customers and the continued growth of the market for an inbound platform.

If subscription renewal rates decrease, or we do not accurately predict subscription renewal rates, our future revenue and operating results may be harmed.

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We face significant competition from both established and new companies offering marketing software and other related applications, as well as internally developed software, which may harm our ability to add new customers, retain existing customers and grow our business.

We have experienced rapid growth and organizational change in recent periods and expect continued future growth. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success and our business may be harmed.

If we fail to maintain our inbound thought leadership position, our business may suffer.

We rely on our management team and other key employees, and the loss of one or more key employees could harm our business.

Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The concentration of our capital stock ownership with insiders following this offering is 53.4%, and will likely limit your ability to influence corporate matters including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Corporate Information

We were formed under the laws of the State of Delaware in 2005. Our principal executive offices are located at 25 First Street, 2nd Floor, Cambridge, Massachusetts 02141. Our telephone number is (888) 482-7768. We maintain a website at www.hubspot.com. The reference to our website is intended to be an inactive textual reference only. The information contained on, or that can be accessed through, our website is not a part of this prospectus.

HubSpot, Social Inbox, the HubSpot sprocket design logo and certain other marks are our registered trademarks in the United States and several other jurisdictions. This prospectus contains additional trade names, trademarks, and service marks of other companies, and such tradenames, trademarks and service marks are the property of their respective owners. We do not intend our use or display of other companies trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

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THE OFFERING

Common stock offered by us	850,000 shares
Common stock offered by the selling stockholders	3,264,486 shares
Common stock to be outstanding after this offering	32,280,769 shares
Option to purchase additional shares from us	127,508 shares
Option to purchase additional shares from the selling stockholders	489,664 shares
Use of proceeds	We estimate that the net proceeds from the sale of shares of our common stock that we are selling in this offering will be approximately \$31.1 million (or approximately \$35.8 million if the underwriters option to purchase additional shares in this offering is exercised in full), based upon an assumed public offering price of \$39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We currently intend to use the net proceeds of this offering for working capital and other general corporate purposes. We may also use a portion of the net proceeds for acquisitions of complementary businesses, technologies or other assets, although we do not currently have any agreements, commitments or understandings with respect to any such acquisitions. See Use of Proceeds for additional information. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.
Risk factors	See Risk Factors for a discussion of factors you should carefully consider before deciding to invest in our common stock.

New York Stock Exchange trading symbol HUBS

The number of shares of common stock to be outstanding after this offering is based on 31,430,769 shares of common stock outstanding as of December 31, 2014 and excludes:

- 4,587,872 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2014 with a weighted-average exercise price of $9.64 per share;

- 1,375,526 shares of common stock subject to restricted stock units, or RSUs, outstanding as of December 31, 2014;

- 13,158 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2014 with an exercise price of $5.70 per share; and

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- 1,857,327 shares of common stock reserved for future issuance under our 2014 Stock Option and Incentive Plan, or the 2014 Plan, and 394,710 shares of common stock reserved for issuance under our 2014 Employee Stock Purchase Plan, or the ESPP, each of which contains provisions that automatically increase its respective shares reserved each year, as more fully described in Executive Compensation Employee Benefit Plans.

Except as otherwise indicated, the information in this prospectus reflects or assumes the following:

- no exercise of options or warrants outstanding as of December 31, 2014; and

- no exercise by the underwriters of their option to purchase up to an additional 617,172 shares of our common stock in this offering.

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SUMMARY FINANCIAL DATA

We have derived the summary consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014, and the consolidated balance sheet data as of December 31, 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the year ended December 31, 2011 from our audited consolidated financial statements not included in this prospectus. We have derived the summary consolidated statements of operations data for the year ended December 31, 2010 from our unaudited consolidated financial statements not included in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. The following summary consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue:					
Subscription	$ 13,636	$ 25,702	$ 45,870	$ 70,819	$ 106,319
Professional services and other	1,751	2,851	5,734	6,815	9.557
Total revenue	15,387	28,553	51,604	77,634	115,876
Cost of revenue:					
Subscription[(1)]	2,903	5,712	10,834	20,280	25,655
Professional services and other[(1)]	4,091	6,368	6,004	8,759	11,425
Total cost of revenue	6,994	12,080	16,838	29,039	37,080
Total gross profit	8,393	16,473	34,766	48,595	78,796
Operating expenses:					
Research and development[(1)]	4,382	10,031	10,585	15,018	25,638
Sales and marketing[(1)]	14,075	24,088	34,949	53,158	78,809
General and administrative[(1)]	2,500	6,769	7,972	14,669	22,958
Total operating expenses	20,957	40,888	53,506	82,845	127,405
Loss from operations	(12,564)	(24,415)	(18,740)	(34,250)	(48,609)
Other income (expense)					
Interest income	3	36	26	34	46
Interest expense	(12)	(30)	(63)	(20)	(322)
Other expense		(2)	(1)	(38)	564
Total other income (expense)	(9)	4	(38)	(24)	288

Loss before benefit from income taxes	(12,573)	(24,411)	(18,778)	(34,274)	(48,321)
Income tax benefit					92
Net loss	(12,573)	(24,411)	(18,778)	(34,274)	(48,229)
Preferred stock accretion	123	87	81	54	331
Deemed dividend to investors		973			
Net loss attributable to common stockholders	$ (12,696)	$ (25,471)	$ (18,859)	$ (34,328)	$ (48,560)
Net loss per common share, basic and diluted[(2)]	$ (3.53)	$ (6.19)	$ (4.01)	$ (6.71)	$ (4.20)
Weighted average common shares used in computing basic and diluted net loss per common share[(2)]	3,601	4,115	4,699	5,113	11,562

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(1) Stock-based compensation included in the consolidated statements of operations data above was as follows:

	Year Ended December 31, 2010	2011	2012	2013	2014
	(in thousands)				
Cost of revenue:					
Subscription	$ 4	$ 16	$ 27	$ 50	$ 128
Professional services and other	36	131	100	211	498
Research and development	105	2,341	739	691	6,190
Sales and marketing	67	647	691	1,194	5,596
General and administrative	75	1,484	958	1,318	3,946
Total stock-based compensation	$ 287	$ 4,619	$ 2,515	$ 3,464	$ 16,358

(2) See Note 2 to our consolidated financial statements for further details on the calculation of basic and diluted net loss per share attributable to common stockholders.

Our consolidated balance sheet as of December 31, 2014 is presented on:

actual basis;

an as adjusted basis, giving effect to the sale of 850,000 shares of common stock by us in this offering, based on an assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual public offering expenses paid by us.

	As of December 31, 2014 Actual	As Adjusted(1)
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 123,721	154,762
Working capital, excluding deferred revenue	130,886	161,927
Total assets	174,858	205,899
Deferred revenue	41,305	41,305
Total liabilities	64,159	64,159
Total stockholders equity	110,699	141,740

(1) Each $1.00 increase (decrease) in the assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, would increase (decrease) our cash and cash equivalents, working capital (excluding deferred revenue), total assets and total stockholders equity by approximately $812,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 100,000 in the number of shares of common stock offered by us would increase (decrease) our cash and cash equivalents, working capital (excluding deferred revenue), total assets and total stockholders equity by approximately $3.7 million, assuming the assumed public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase shares of our common stock. If any of the following risks is realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Strategy

We have a history of losses and may not achieve profitability in the future.

We generated net losses of $18.8 million in 2012, $34.3 million in 2013 and $48.2 million in 2014. As of December 31, 2014, we had an accumulated deficit of $154.3 million. We will need to generate and sustain increased revenue levels in future periods to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to grow our marketing and sales operations, develop and enhance our inbound platform, scale our data center infrastructure and services capabilities and expand into new markets. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the market price of our common stock may significantly decrease.

We are dependent upon customer renewals, the addition of new customers and the continued growth of the market for an inbound platform.

We derive, and expect to continue to derive, a substantial portion of our revenue from the sale of subscriptions to our inbound marketing platform. The market for inbound marketing and sales products is still evolving, and competitive dynamics may cause pricing levels to change as the market matures and as existing and new market participants introduce new types of point applications and different approaches to enable businesses to address their respective needs. As a result, we may be forced to reduce the prices we charge for our platform and may be unable to renew existing customer agreements or enter into new customer agreements at the same prices and upon the same terms that we have historically.

Our subscription renewal rates may decrease, and any decrease could harm our future revenue and operating results.

Our customers have no obligation to renew their subscriptions for our platform after the expiration of their subscription periods, substantially all of which are one year or less. In addition, our customers may seek to renew for lower subscription amounts or for shorter contract lengths. Also, customers may choose not to renew their subscriptions for a variety of reasons, including an inability or failure on the part of a customer to create blogging, social media and other content necessary to realize the benefits of our platform. Our renewal rates may decline or fluctuate as a result of a number of factors, including limited customer resources, pricing changes, adoption and utilization of our platform and add-on applications by our customers, adoption of our new products (such as our CRM and Sidekick products launched in September 2014), customer satisfaction with our platform, the acquisition of our customers by other companies and deteriorating general economic conditions. If our customers do not renew their subscriptions for our platform or decrease the amount they spend with us, our revenue will decline and our business will suffer.

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We face significant competition from both established and new companies offering marketing and sales software and other related applications, as well as internally developed software, which may harm our ability to add new customers, retain existing customers and grow our business.

The marketing and sales software market is evolving, highly competitive and significantly fragmented. With the introduction of new technologies and the potential entry of new competitors into the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales, maintain or increase renewals and maintain our prices.

We face intense competition from other software companies that develop marketing and sales software and from marketing services companies that provide interactive marketing services. Competition could significantly impede our ability to sell subscriptions to our inbound marketing and sales platform on terms favorable to us. Our current and potential competitors may develop and market new technologies that render our existing or future products less competitive, or obsolete. In addition, if these competitors develop products with similar or superior functionality to our platform, we may need to decrease the prices or accept less favorable terms for our platform subscriptions in order to remain competitive. If we are unable to maintain our pricing due to competitive pressures, our margins will be reduced and our operating results will be negatively affected.

Our competitors include:

- cloud-based marketing automation providers;
- email marketing software vendors;
- sales force automation and CRM software vendors; and
- large-scale enterprise suites.

In addition, instead of using our platform, some prospective customers may elect to combine disparate point applications, such as content management, marketing automation, CRM, analytics and social media management. We expect that new competitors, such as enterprise software vendors that have traditionally focused on enterprise resource planning or other applications supporting back office functions, will develop and introduce applications serving customer-facing and other front office functions. This development could have an adverse effect on our business, operating results and financial condition. In addition, sales force automation and CRM system vendors could acquire or develop applications that compete with our marketing software offerings. Some of these companies have acquired social media marketing and other marketing software providers to integrate with their broader offerings.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, may have more extensive customer bases and broader customer relationships than we have, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may respond faster to new technologies and undertake more extensive marketing campaigns for their products. In a few cases, these vendors may also be able to offer marketing and sales software at little or no additional cost by bundling it with their existing suite of applications. To the extent any of our competitors has existing relationships with potential customers for either marketing software or other applications, those customers may be unwilling to purchase our platform because of their existing relationships with our competitor. If we are unable to compete with such companies, the demand for our inbound platform could substantially decline.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, our ability to compete effectively could be adversely affected. Our competitors may also establish or strengthen cooperative relationships with our current or future strategic distribution and technology partners or other parties with whom we have relationships, thereby limiting our ability to promote and implement our platform. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our business, operating results and financial condition.

We have experienced rapid growth and organizational change in recent periods and expect continued future growth. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Our head count and operations have grown substantially. For example, we had 785 full-time employees as of December 31, 2014, as compared with 668 as of December 31, 2013. We opened our first international office in Dublin, Ireland in January 2013, and a second international office in Sydney, Australia in August 2014. This growth has placed, and will continue to place, a significant strain on our management, administrative, operational and financial infrastructure. We anticipate further growth will be required to address increases in our product offerings and continued expansion. Our success will depend in part upon our ability to recruit, hire, train, manage and integrate a significant number of qualified managers, technical personnel and employees in specialized roles within our company, including in technology, sales and marketing. If our new employees perform poorly, or if we are unsuccessful in recruiting, hiring, training, managing and integrating these new employees, or retaining these or our existing employees, our business may suffer.

In addition, to manage the expected continued growth of our head count, operations and geographic expansion, we will need to continue to improve our information technology infrastructure, operational, financial and management systems and procedures. Our anticipated additional head count and capital investments will increase our costs, which will make it more difficult for us to address any future revenue shortfalls by reducing expenses in the short term. If we fail to successfully manage our growth, we will be unable to successfully execute our business plan, which could have a negative impact on our business, results of operations or financial condition.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

To increase total customers and achieve broader market acceptance of our inbound platform, we will need to expand our marketing and sales operations, including our sales force and third-party channel partners. We will continue to dedicate significant resources to inbound sales and marketing programs. The effectiveness of our inbound sales and marketing and third-party channel partners has varied over time and may vary in the future and depends on our ability to maintain and improve our inbound platform. All of these efforts will require us to invest significant financial and other resources. Our business will be seriously harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.

The rate of growth of our business depends on the continued participation and level of service of our marketing agency partners.

We rely on our marketing agency partners to provide certain services to our customers, as well as pursue sales of our inbound platform to customers. Marketing agency partners and customers referred to us by our marketing agency partners represented approximately 44% of our customers as of December 31, 2014, and 34% of our revenue for the year ended December 31, 2014. To the extent we do not attract new marketing agency partners, or existing or new marketing agency partners do not refer a growing number of customers to us, our revenue and operating results would be harmed. In addition, if our marketing agency partners do not continue to provide services to our customers, we would be required to provide such services ourselves either by expanding our internal team or engaging other third-party providers, which would increase our operating costs.

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success and our business may be harmed.

We believe that a critical component to our success has been our company culture, which is based on transparency and personal autonomy. We have invested substantial time and resources in building our team within this company culture. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. As we grow as and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our company culture. If we fail to maintain our company culture, our business may be adversely impacted.

If we fail to maintain our inbound thought leadership position, our business may suffer.

We believe that maintaining our thought leadership position in inbound marketing, sales and services is an important element in attracting new customers. We devote significant resources to develop and maintain our thought leadership position, with a focus on identifying and interpreting emerging trends in the inbound experience, shaping and guiding industry dialog and creating and sharing the best inbound practices. Our activities related to developing and maintaining our thought leadership may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in such effort. We rely upon the continued services of our management and employees with domain expertise with inbound marketing, sales and services, and the loss of any key employees in this area could harm our competitive position and reputation. If we fail to successfully grow and maintain our thought leadership position, we may not attract enough new customers or retain our existing customers, and our business could suffer.

If we fail to further enhance our brand and maintain our existing strong brand awareness, our ability to expand our customer base will be impaired and our financial condition may suffer.

We believe that our development of the HubSpot brand is critical to achieving widespread awareness of our existing and future inbound experience solutions, and, as a result, is important to attracting new customers and maintaining existing customers. In the past, our efforts to build our brand have involved significant expenses, and we believe that this investment has resulted in strong brand recognition in the business-to-business, or B2B, market. Successful promotion and maintenance of our brands will depend largely on the effectiveness of our marketing efforts and on our ability to provide a reliable and useful inbound platform at competitive prices. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, our business could suffer.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, our inbound platform may become less competitive.

Our future success depends on our ability to adapt and innovate our inbound platform. To attract new customers and increase revenue from existing customers, we need to continue to enhance and improve our offerings to meet customer needs at prices that our customers are willing to pay. Such efforts will require adding new functionality and responding to technological advancements, which will increase our research and development costs. If we are unable to develop new applications that address our customers needs, or to enhance and improve our platform in a timely manner, we may not be able to maintain or increase market acceptance of our platform. Our ability to grow is also subject to the risk of future disruptive technologies. Access and use of our inbound platform is provided via the cloud, which, itself, was disruptive to the previous enterprise software model. If new technologies emerge that are able to deliver inbound marketing software and related applications at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect our ability to compete.

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We rely on our management team and other key employees, and the loss of one or more key employees could harm our business.

Our success and future growth depend upon the continued services of our management team, including our co-founders, Brian Halligan and Dharmesh Shah, and other key employees in the areas of research and development, marketing, sales, services and general and administrative functions. From time to time, there may be changes in our management team resulting from the hiring or departure of executives, which could disrupt our business. We also are dependent on the continued service of our existing software engineers and information technology personnel because of the complexity of our platform, technologies and infrastructure. We may terminate any employee s employment at any time, with or without cause, and any employee may resign at any time, with or without cause. We do not have employment agreements with any of our key personnel. The loss of one or more of our key employees could harm our business.

The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing and managing cloud-based software, as well as for skilled information technology, marketing, sales and operations professionals, and we may not be successful in attracting and retaining the professionals we need. Also, inbound sales, marketing and services domain experts are very important to our success and are difficult to replace. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and difficulty in retaining highly skilled employees with appropriate qualifications. In particular, we have experienced a competitive hiring environment in the Greater Boston area, where we are headquartered. Many of the companies with which we compete for experienced personnel have greater resources than we do. In addition, in making employment decisions, particularly in the software industry, job candidates often consider the value of the stock options or other equity incentives they are to receive in connection with their employment. If the price of our stock declines, or experiences significant volatility, our ability to attract or retain key employees will be adversely affected. If we fail to attract new personnel or fail to retain and motivate our current personnel, our growth prospects could be severely harmed.

If we fail to offer high-quality customer support, our business and reputation may suffer.

High-quality education, training and customer support are important for the successful marketing, sale and use of our inbound platform and for the renewal of existing customers. Providing this education, training and support requires that our personnel who manage our online training resource, HubSpot Academy, or provide customer support have specific inbound experience domain knowledge and expertise, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers. If we do not help our customers use multiple applications within our inbound platform and provide effective ongoing support, our ability to sell additional functionality and services to, or to retain, existing customers may suffer and our reputation with existing or potential customers may be harmed.

We may not be able to scale our business quickly enough to meet our customers growing needs and if we are not able to grow efficiently, our operating results could be harmed.

As usage of our inbound platform grows and as customers use our platform for additional inbound applications, such as sales and services, we will need to devote additional resources to improving our application architecture, integrating with third-party systems and maintaining infrastructure performance. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base, particularly as our customer demographics change over time. Any failure of or delay in these efforts could cause impaired system performance and reduced customer satisfaction. These issues could reduce the attractiveness of our inbound

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platform to customers, resulting in decreased sales to new customers, lower renewal rates by existing customers, the issuance of service credits, or requested refunds, which could impede our revenue growth and harm our reputation. Even if we are able to upgrade our systems and expand our staff, any such expansion will be expensive and complex, requiring management s time and attention. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely affect our financial results.

Our ability to introduce new products and features is dependent on adequate research and development resources. If we do not adequately fund our research and development efforts, we may not be able to compete effectively and our business and operating results may be harmed.

To remain competitive, we must continue to develop new product offerings, applications, features and enhancements to our existing inbound platform. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we are unable to develop our platform internally due to certain constraints, such as high employee turnover, lack of management ability or a lack of other research and development resources, we may miss market opportunities. Further, many of our competitors expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors research and development programs. Our failure to maintain adequate research and development resources or to compete effectively with the research and development programs of our competitors could materially adversely affect our business.

Changes in the sizes or types of businesses that purchase our platform or in the applications within our inbound platform purchased or used by our customers could negatively affect our operating results.

Our strategy is to sell subscriptions to our inbound platform to mid-sized businesses, but we have sold and will continue to sell to organizations ranging from small businesses to enterprises. Our gross margins can vary depending on numerous factors related to the implementation and use of our inbound platform, including the sophistication and intensity of our customers use of our platform and the level of professional services and support required by a customer. Sales to enterprise customers may entail longer sales cycles and more significant selling efforts. Selling to small businesses may involve greater credit risk and uncertainty. If there are changes in the mix of businesses that purchase our platform or the mix of the product plans purchased by our customers, our gross margins could decrease and our operating results could be adversely affected.

We have in the past completed acquisitions and may acquire or invest in other companies or technologies in the future, which could divert management s attention, fail to meet our expectations, result in additional dilution to our stockholders, increase expenses, disrupt our operations or harm our operating results.

We have in the past acquired, and we may in the future acquire or invest in, businesses, products or technologies that we believe could complement or expand our platform, enhance our technical capabilities or otherwise offer growth opportunities. For example, in June 2011, we acquired Performable, a marketing automation provider. We may not be able to fully realize the anticipated benefits of these or any future acquisitions. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses related to identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

There are inherent risks in integrating and managing acquisitions. If we acquire additional businesses, we may not be able to assimilate or integrate the acquired personnel, operations and technologies successfully or effectively manage the combined business following the acquisition and our management may be distracted from operating our business. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including: unanticipated costs or liabilities associated with the acquisition; incurrence of acquisition-related costs, which would be recognized as a current period expense; inability to generate sufficient revenue to offset acquisition or investment costs; the inability to maintain relationships with customers and partners of the acquired business; the difficulty of incorporating acquired technology and rights into our platform and of maintaining quality and security standards consistent with our brand; delays in customer purchases due to uncertainty related to any acquisition; the need to integrate or implement additional controls, procedures and policies; challenges caused by distance, language and cultural differences; harm to our existing business relationships with business partners and customers as a result of the acquisition; the potential loss of key employees; use of resources that are needed in other parts of our business and diversion of management and employee resources; the inability to recognize acquired deferred revenue in accordance with our revenue recognition policies; and use of substantial portions of our available cash or the incurrence of debt to consummate the acquisition. Acquisitions also increase the risk of unforeseen legal liability, including for potential violations of applicable law or industry rules and regulations, arising from prior or ongoing acts or omissions by the acquired businesses which are not discovered by due diligence during the acquisition process. Generally, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our business, results of operations or financial condition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not ultimately yield expected returns, we may be required to take charges to our operating results based on our impairment assessment process, which could harm our results of operations.

Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. As of December 31, 2014, approximately 22% of our customers were located outside of the United States and these customers generated approximately 21% of our total revenue for the year ended December 31, 2014. We opened our first international office in Dublin, Ireland in January 2013 and we opened our second international office in Sydney, Australia in August 2014. These international offices focus primarily on sales, professional services and support. For information regarding the percentage of our revenues generated by our Ireland and Australia offices, see Note 7 of our consolidated financial statements. Our current international operations and future initiatives will involve a variety of risks, including:

- difficulties in maintaining our company culture with a dispersed and distant workforce;
- more stringent regulations relating to data security and the unauthorized use of, or access to, commercial and personal information, particularly in the European Union;
- unexpected changes in regulatory requirements, taxes or trade laws;
- differing labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime

regulations in these locations;

challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;

difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;

currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;

- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international export control and sanctions regulations, which likelihood may increase with an increase of sales or operations in foreign jurisdictions and operations in certain industries; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer. We continue to implement policies and procedures to facilitate our compliance with U.S. laws and regulations applicable to or arising from our international business. Inadequacies in our past or current compliance practices may increase the risk of inadvertent violations of such laws and regulations, which could lead to financial and other penalties that could damage our reputation and impose costs on us.

Interruptions or delays in service from our third-party data center providers could impair our ability to deliver our platform to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.

We currently serve the majority of our platform functions from third-party data center hosting facilities operated by Amazon Web Services and located in northern Virginia. In addition, we serve ancillary functions for our customers from third-party data center hosting facilities operated by Rackspace located in Dallas, Texas, with a backup facility in Chicago, Illinois. Our operations depend, in part, on our third-party facility providers abilities to protect these facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. In the event that any of our third-party facilities arrangements is terminated, or if there is a lapse of service or damage to a facility, we could experience interruptions in our platform as well as delays and additional expenses in arranging new facilities and services.

Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our platform. Despite precautions taken at our data centers, the occurrence of spikes in usage volume, a natural disaster, an act of terrorism, vandalism or sabotage, a decision to close a facility without adequate notice, or other unanticipated problems at a facility could result in lengthy interruptions in the availability of our on-demand software. Even with current and planned disaster recovery arrangements, our business could be harmed. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could materially adversely affect our business.

We are dependent on the continued availability of third-party data hosting and transmission services.

A significant portion of our operating cost is from our third-party data hosting and transmission services. If the costs for such services increase due to vendor consolidation, regulation, contract renegotiation, or otherwise, we may not be able to increase the fees for our inbound platform or services to cover the changes. As a result, our operating results may be significantly worse than forecasted.

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If we do not or cannot maintain the compatibility of our inbound platform with third-party applications that our customers use in their businesses, our revenue will decline.

A significant percentage of our customers choose to integrate our platform with certain capabilities provided by third-party software platform and application providers using application programming interfaces, or APIs, published by these providers, either as publicly available no-fee licenses or through fee-based partnership arrangements. The functionality and popularity of our inbound platform depends, in part, on our ability to integrate our platform with third-party applications and platforms, including CRM, CMS, e-commerce, call center, analytics and social media sites that our customers use and from which they obtain data. Third-party providers of applications and APIs may change the features of their applications and platforms, restrict our access to their applications and platforms, terminate or elect not to renew our partnership agreements or otherwise alter the terms governing use of their applications and APIs and access to those applications and platforms in an adverse manner. Such changes could functionally limit or terminate our ability to use these third-party applications and platforms in conjunction with our platform, which could negatively impact our offerings and harm our business. If we fail to integrate our platform with new third-party applications and platforms that our customers use for marketing, sales or services purposes, we may not be able to offer the functionality that our customers need, which would negatively impact our ability to generate revenue and adversely impact our business.

We rely on data provided by third parties, the loss of which could limit the functionality of our platform and disrupt our business.

Select functionality of our inbound platform depends on our ability to deliver data, including search engine results and social media updates, provided by unaffiliated third parties, such as Facebook, Google, LinkedIn and Twitter. Some of this data is provided to us pursuant to third-party data sharing policies and terms of use, under data sharing agreements by third-party providers or by customer consent. In the future, any of these third parties could change its data sharing policies, including making them more restrictive, or alter its algorithms that determine the placement, display, and accessibility of search results and social media updates, any of which could result in the loss of, or significant impairment to, our ability to collect and provide useful data to our customers. These third parties could also interpret our, or our service providers , data collection policies or practices as being inconsistent with their policies, which could result in the loss of our ability to collect this data for our customers. Any such changes could impair our ability to deliver data to our customers and could adversely impact select functionality of our platform, impairing the return on investment that our customers derive from using our solution, as well as adversely affecting our business and our ability to generate revenue.

Privacy concerns and end users acceptance of Internet behavior tracking may limit the applicability, use and adoption of our inbound platform.

Privacy concerns may cause end users to resist providing the personal data necessary to allow our customers to use our platform effectively. We have implemented various features intended to enable our customers to better protect end user privacy, but these measures may not alleviate all potential privacy concerns and threats. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our platform, especially in certain industries that rely on sensitive personal information. Privacy advocacy groups and the technology and other industries are considering various new, additional or different self-regulatory standards that may place additional burdens on us. The costs of compliance with, and other burdens imposed by these groups policies and actions may limit the use and adoption of our inbound platform and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance or loss of any such action.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.

Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission, or FTC, and various state, local and foreign agencies. We collect personally identifiable information and other data from our customers and leads. We also handle personally identifiable information about our customers customers. We use this information to provide services to our customers, to support, expand and improve our business. We may also share customers personally identifiable information with third parties as authorized by the customer or as described in our privacy policy.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of personal information of individuals. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws as imposing standards for the online collection, use and dissemination of data. However, these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. Any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of personally identifiable information or other customer data may result in governmental enforcement actions, litigation, fines and penalties and/or adverse publicity, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Some proposed laws or regulations concerning privacy, data protection and information security are in their early stages, and we cannot yet determine the impact these laws and regulations, if implemented, may have on our business. Such laws and regulations may require companies to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals consent to use personal information for certain purposes. In addition, a foreign government could require that any personal information collected in a country not be disseminated outside of that country, and we are not currently equipped to comply with such a requirement. Other proposed legislation could, if enacted, impose additional requirements and prohibit the use of certain technologies that track individuals activities on web pages or that record when individuals click through to an internet address contained in an email message. Such laws and regulations could require us to change features of our platform or restrict our customers ability to collect and use email addresses, page viewing data and personal information, which may reduce demand for our platform. Our failure to comply with federal, state and international data privacy laws and regulators could harm our ability to successfully operation our business and pursue our business goals.

In addition, several foreign countries and governmental bodies, including the European Union and Canada, have regulations dealing with the collection and use of personal information obtained from their residents, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information that identifies or may be used to identify an individual, such as names, email addresses and in some jurisdictions, Internet Protocol, or IP, addresses. Such regulations and laws may be modified and new laws may be enacted in the future. Within the European Union, legislators are currently considering a revision to the 1995 European Union Data Protection Directive that would include more stringent operational requirements for processors and controllers of personal information and that would impose significant penalties for non-compliance. If our privacy or data security measures fail to comply with current or future laws and regulations, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws and regulations limit our subscribers ability to use and share personal information or our ability to store, process and share personal information, demand for our solutions could decrease, our costs could increase, and our business, results of operations and financial condition could be harmed.

New interpretations of existing laws, regulations or standards could require us to incur additional costs and restrict our business operations, and any failure by us to comply with applicable requirements may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity, which could have an adverse effect on our reputation and business.

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If our or our customers security measures are compromised or unauthorized access to data of our customers or their customers is otherwise obtained, our inbound platform may be perceived as not being secure, our customers may be harmed and may curtail or cease their use of our platform, our reputation may be damaged and we may incur significant liabilities.

Our operations involve the storage and transmission of data of our customers and their customers, including personally identifiable information. Our storage is typically the sole source of record for portions of our customers businesses and end user data, such as initial contact information and online interactions. Security incidents could result in unauthorized access to, loss of or unauthorized disclosure of this information, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair our sales and harm our customers and our business. Cyber-attacks and other malicious Internet-based activity continue to increase generally, and cloud-based platform providers of marketing services have been targeted. If our security measures are compromised as a result of third-party action, employee or customer error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation could be damaged, our business may be harmed and we could incur significant liability. If third parties with whom we work, such as vendors or developers, violate applicable laws or our security policies, such violations may also put our customers information at risk and could in turn have an adverse effect on our business. In addition, if the security measures of our customers are compromised, even without any actual compromise of our own systems, we may face negative publicity or reputational harm if our customers or anyone else incorrectly attributes the blame for such security breaches to us or our systems. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and generally are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, we may become more of a target for third parties seeking to compromise our security systems or gain unauthorized access to our customers data. Additionally, we provide extensive access to our database, which stores our customer data, to our development team to facilitate our rapid pace of product development. If such access or our own operations cause the loss, damage or destruction of our customers business data, their sales, lead generation, support and other business operations may be permanently harmed. As a result, our customers may bring claims against us for lost profits and other damages.

Many governments have enacted laws requiring companies to notify individuals of data security incidents or unauthorized transfers involving certain types of personal data. In addition, some of our customers contractually require notification of any data security compromise. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry or our systems, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, lead to government investigations, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results.

There can be no assurance that any limitations of liability provisions in our contracts for a security breach would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and operating results.

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If our inbound platform fails due to defects or similar problems, and if we fail to correct any defect or other software problems, we could lose customers, become subject to service performance or warranty claims or incur significant costs.

Our platform and its underlying infrastructure are inherently complex and may contain material defects or errors. We release modifications, updates, bug fixes and other changes to our software several times per day, without traditional human-performed quality control reviews for each release. We have from time to time found defects in our software and may discover additional defects in the future. We may not be able to detect and correct defects or errors before customers begin to use our platform or its applications. Consequently, we or our customers may discover defects or errors after our platform has been implemented. These defects or errors could also cause inaccuracies in the data we collect and process for our customers, or even the loss, damage or inadvertent release of such confidential data. We implement bug fixes and upgrades as part of our regular system maintenance, which may lead to system downtime. Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of defects or inaccuracies in the data we collect for our customers, or the loss, damage or inadvertent release of confidential data could cause our reputation to be harmed, and customers may elect not to purchase or renew their agreements with us and subject us to service performance credits, warranty claims or increased insurance costs. The costs associated with any material defects or errors in our platform or other performance problems may be substantial and could materially adversely affect our operating results.

Risks Related to Intellectual Property

Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual and proprietary rights. Companies in the software industry, including those in marketing software, are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Many of our competitors and other industry participants have been issued patents and/or have filed patent applications and may assert patent or other intellectual property rights within the industry. Moreover, in recent years, individuals and groups that are non-practicing entities, commonly referred to as patent trolls, have purchased patents and other intellectual property assets for the purpose of making claims of infringement in order to extract settlements. From time to time, we may receive threatening letters or notices or may be the subject of claims that our services and/or platform and underlying technology infringe or violate the intellectual property rights of others. For example, as described further under Business Legal Proceedings, on September 23, 2014, InsideSales.com, Inc. sent us a communication alleging, among other things, that an email tracking feature in our Sidekick product infringes upon certain of InsideSales.com s patents. Responding to the InsideSales.com claim or other such claims, regardless of their merit, can be time consuming, costly to defend in litigation, divert management s attention and resources, damage our reputation and brand and cause us to incur significant expenses. Our technologies may not be able to withstand any third-party claims or rights against their use. Claims of intellectual property infringement might require us to redesign our application, delay releases, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling our platform. If we cannot or do not license the infringed technology on reasonable terms or at all, or substitute similar technology from another source, our revenue and operating results could be adversely impacted. Additionally, our customers may not purchase our inbound platform if they are concerned that they may infringe third-party intellectual property rights. The occurrence of any of these events may have a material adverse effect on our business.

In our subscription agreements with our customers, we generally do not agree to indemnify our customers against any losses or costs incurred in connection with claims by a third party alleging that a customer s use of our services or platform infringes the intellectual property rights of the third party. There can be no assurance, however, that customers will not assert a common law indemnity claim or that any existing limitations of liability provisions in our contracts would be enforceable or adequate, or would otherwise protect us from any such liabilities or damages with respect to any particular claim. Our customers who are accused of intellectual property infringement may in the future seek indemnification from us under common law or other legal theories. If such claims are successful, or if we are required to indemnify or defend our customers from these or other claims, these matters could be disruptive to our business and management and have a material adverse effect on our business, operating results and financial condition.

If we fail to adequately protect our proprietary rights, in the United States and abroad, our competitive position could be impaired and we may lose valuable assets, experience reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights in our products and services. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Any of our trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our technology and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our offerings may be unenforceable under the laws of certain jurisdictions and foreign countries. In addition, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying and use of our technology and proprietary information may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our platform and offerings.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation, could delay further sales or the implementation of our platform and offerings, impair the functionality of our platform and offerings, delay introductions of new features or enhancements, result in our substituting inferior or more costly technologies into our platform and offerings, or injure our reputation.

Our use of open source software could negatively affect our ability to offer our platform and subject us to possible litigation.

A substantial portion of our cloud-based platform incorporates so-called open source software, and we may incorporate additional open source software in the future. Open source software is generally freely accessible, usable and modifiable. Certain open source licenses may, in certain circumstances, require us to offer the components of our platform that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third party that distributes open source software we use were to allege that we had

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not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, including being enjoined from the offering of the components of our platform that contained the open source software and being required to comply with the foregoing conditions, which could disrupt our ability to offer the affected software. We could also be subject to suits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition and require us to devote additional research and development resources to change our products.

Risks Related to Government Regulation and Taxation

We could face liability, or our reputation might be harmed, as a result of the activities of our customers, the content of their websites or the data they store on our servers.

As a provider of a cloud-based inbound marketing and sales software platform, we may be subject to potential liability for the activities of our customers on or in connection with the data they store on our servers. Although our customer terms of use prohibit illegal use of our services by our customers and permit us to take down websites or take other appropriate actions for illegal use, customers may nonetheless engage in prohibited activities or upload or store content with us in violation of applicable law or the customer s own policies, which could subject us to liability or harm our reputation.

Several U.S. federal statutes may apply to us with respect to various customer activities:

- The Digital Millennium Copyright Act of 1998, or DMCA, provides recourse for owners of copyrighted material who believe that their rights under U.S. copyright law have been infringed on the Internet. Under the DMCA, based on our current business activity as an Internet service provider that does not own or control website content posted by our customers, we generally are not liable for infringing content posted by our customers or other third parties, provided that we follow the procedures for handling copyright infringement claims set forth in the DMCA. Generally, if we receive a proper notice from, or on behalf, of a copyright owner alleging infringement of copyrighted material located on websites we host, and we fail to expeditiously remove or disable access to the allegedly infringing material or otherwise fail to meet the requirements of the safe harbor provided by the DMCA, the copyright owner may seek to impose liability on us. Technical mistakes in complying with the detailed DMCA take-down procedures could subject us to liability for copyright infringement.

- The Communications Decency Act of 1996, or CDA, generally protects online service providers, such as us, from liability for certain activities of their customers, such as the posting of defamatory or obscene content, unless the online service provider is participating in the unlawful conduct. Under the CDA, we are generally not responsible for the customer-created content hosted on our servers. Consequently, we do not monitor hosted websites or prescreen the content placed by our customers on their sites. However, the CDA does not apply in foreign jurisdictions and we may nonetheless be brought into disputes between our customers and third parties which would require us to devote management time and resources to resolve such matters and any publicity from such matters could also have an adverse effect on our reputation and therefore our business.

In addition to the CDA, the Securing the Protection of our Enduring and Established Constitutional Heritage Act, or the SPEECH Act, provides a statutory exception to the enforcement by a U.S. court of a foreign judgment for defamation under certain circumstances. Generally, the exception applies if the defamation law applied in the foreign court did not provide at least as much protection for freedom of speech and press as would be provided by the First Amendment of the U.S. Constitution or by the constitution and law of the state in which the U.S. court is located, or if no finding of defamation would be supported under the First Amendment of the U.S. Constitution or under the constitution and law of the state in which the U.S. court is located. Although the SPEECH Act may protect us from the enforcement of foreign judgments in the United States, it does not affect the enforceability of the

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judgment in the foreign country that issued the judgment. Given our international presence, we may therefore, nonetheless, have to defend against or comply with any foreign judgments made against us, which could take up substantial management time and resources and damage our reputation.

Although these statutes and case law in the United States have generally shielded us from liability for customer activities to date, court rulings in pending or future litigation may narrow the scope of protection afforded us under these laws. In addition, laws governing these activities are unsettled in many international jurisdictions, or may prove difficult or impossible for us to comply with in some international jurisdictions. Also, notwithstanding the exculpatory language of these bodies of law, we may become involved in complaints and lawsuits which, even if ultimately resolved in our favor, add cost to our doing business and may divert management s time and attention. Finally, other existing bodies of law, including the criminal laws of various states, may be deemed to apply or new statutes or regulations may be adopted in the future, any of which could expose us to further liability and increase our costs of doing business.

We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales, which could harm our business.

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of such taxes to our inbound platform in various jurisdictions is unclear. Further, these jurisdictions rules regarding tax nexus are complex and vary significantly. As a result, we could face the possibility of tax assessments and audits, and our liability for these taxes and associated penalties could exceed our original estimates. A successful assertion that we should be collecting additional sales, use, value added or other taxes in those jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales, discourage customers from purchasing our application or otherwise harm our business and operating results.

Changes in tax laws or regulations that are applied adversely to us or our customers could increase the costs of our inbound platform and adversely impact our business.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Any new taxes could adversely affect our domestic and international business operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. These events could require us or our customers to pay additional tax amounts on a prospective or retroactive basis, as well as require us or our customers to pay fines and/or penalties and interest for past amounts deemed to be due. If we raise our prices to offset the costs of these changes, existing and potential future customers may elect not to continue or purchase our inbound platform in the future. Additionally, new, changed, modified or newly interpreted or applied tax laws could increase our customers and our compliance, operating and other costs, as well as the costs of our platform. Any or all of these events could adversely impact our business and financial performance.

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and operating results. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could have a material impact on us and the results of our operations.

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Failure to comply with laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions.

We may not be able to utilize a significant portion of our net operating loss carryforwards, which could adversely affect our profitability.

As of December 31, 2014, we had federal and state net operating loss carryforwards due to prior period losses, which, if not utilized, will begin to expire in 2027 for federal purposes and 2014 for state purposes. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could adversely affect our profitability. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be further limited if we experience an ownership change. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. This offering or future issuances of our stock could cause an ownership change. It is possible that an ownership change in connection with this offering, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

The standards that private entities use to regulate the use of email have in the past interfered with, and may in the future interfere with, the effectiveness of our inbound platform and our ability to conduct business.

Our customers rely on email to communicate with their existing or prospective customers. Various private entities attempt to regulate the use of email for commercial solicitation. These entities often advocate standards of conduct or practice that significantly exceed current legal requirements and classify certain email solicitations that comply with current legal requirements as spam. Some of these entities maintain blacklists of companies and individuals, and the websites, internet service providers and internet protocol addresses associated with those entities or individuals that do not adhere to those standards of conduct or practices for commercial email solicitations that the blacklisting entity believes are appropriate. If a company s internet protocol addresses are listed by a blacklisting entity, emails sent from those addresses may be blocked if they are sent to any internet domain or internet address that subscribes to the blacklisting entity s service or purchases its blacklist.

From time to time, some of our internet protocol addresses may become listed with one or more blacklisting entities due to the messaging practices of our customers. There can be no guarantee that we will be able to successfully remove ourselves from those lists. Blacklisting of this type could interfere with our ability to market our inbound platform and services and communicate with our customers and, because we fulfill email delivery on behalf of our customers, could undermine the effectiveness of our customers email marketing campaigns, all of which could have a material negative impact on our business and results of operations.

Existing federal, state and foreign laws regulate Internet tracking software, the senders of commercial emails and text messages, website owners and other activities, and could impact the use of our inbound platform and

potentially subject us to regulatory enforcement or private litigation.

Certain aspects of how our customers utilize our platform are subject to regulations in the United States, European Union and elsewhere. In recent years, U.S. and European lawmakers and regulators have expressed

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concern over the use of third-party cookies or web beacons for online behavioral advertising, and legislation adopted recently in the European Union requires informed consent for the placement of a cookie on a user s device. Regulation of cookies and web beacons may lead to restrictions on our activities, such as efforts to understand users Internet usage. New and expanding Do Not Track regulations have recently been enacted or proposed that protect users right to choose whether or not to be tracked online. These regulations seek, among other things, to allow end users to have greater control over the use of private information collected online, to forbid the collection or use of online information, to demand a business to comply with their choice to opt out of such collection or use, and to place limits upon the disclosure of information to third party websites. These policies could have a significant impact on the operation of our inbound platform and could impair our attractiveness to customers, which would harm our business.

Many of our customers and potential customers in the healthcare, financial services and other industries are subject to substantial regulation regarding their collection, use and protection of data and may be the subject of further regulation in the future. Accordingly, these laws or significant new laws or regulations or changes in, or repeals of, existing laws, regulations or governmental policy may change the way these customers do business and may require us to implement additional features or offer additional contractual terms to satisfy customer and regulatory requirements, or could cause the demand for and sales of our inbound platform to decrease and adversely impact our financial results.

In addition, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. The CAN-SPAM Act, among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future commercial emails from the sender. The ability of our customers message recipients to opt out of receiving commercial emails may minimize the effectiveness of the email components of our inbound platform. In addition, certain states and foreign jurisdictions, such as Australia, Canada and the European Union, have enacted laws that regulate sending email, and some of these laws are more restrictive than U.S. laws. For example, some foreign laws prohibit sending unsolicited email unless the recipient has provided the sender advance consent to receipt of such email, or in other words has opted-in to receiving it. A requirement that recipients opt into, or the ability of recipients to opt out of, receiving commercial emails may minimize the effectiveness of our platform.

While these laws and regulations generally govern our customers use of our platform, we may be subject to certain laws as a data processor on behalf of, or as a business associate of, our customers. For example, laws and regulations governing the collection, use and disclosure of personal information include, in the United States, rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, the Gramm-Leach-Bliley Act of 1999 and state breach notification laws, and internationally, the Data Protection Directive in the European Union and the Federal Data Protection Act in Germany. If we were found to be in violation of any of these laws or regulations as a result of government enforcement or private litigation, we could be subjected to civil and criminal sanctions, including both monetary fines and injunctive action that could force us to change our business practices, all of which could adversely affect our financial performance and significantly harm our reputation and our business.

We are subject to governmental export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department s Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department s Office of Foreign Assets Control. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties and reputational harm. Obtaining the necessary authorizations, including any required license,

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for a particular transaction may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions laws prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities. Although we take precautions to prevent transactions with U.S. sanction targets, the possibility exists that we could inadvertently provide our solutions to persons prohibited by U.S. sanctions. This could result in negative consequences to us, including government investigations, penalties and reputational harm.

Risks Related to Our Operating Results and Financial Condition

We may experience quarterly fluctuations in our operating results due to a number of factors, which makes our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our quarterly operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance, and comparing our operating results on a period-to-period basis may not be meaningful. In addition to the other risks described in this prospectus, factors that may affect our quarterly operating results include the following:

- changes in spending on marketing and sales software by our current or prospective customers;
- pricing our inbound platform subscriptions effectively so that we are able to attract and retain customers without compromising our profitability;
- attracting new customers for both our marketing and sales software, increasing our existing customers use of our platform and providing our customers with excellent customer support;
- customer renewal rates and the amounts for which agreements are renewed;
- global awareness of our thought leadership and brand;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers and the introduction of new products or product enhancements;
- changes to the commission plans, quotas and other compensation-related metrics for our sales representatives;
- the amount and timing of payment for operating expenses, particularly research and development, sales and marketing expenses and employee benefit expenses;

- the amount and timing of costs associated with recruiting, training and integrating new employees while maintaining our company culture;

- our ability to manage our existing business and future growth, including increases in the number of customers on our platform and the introduction and adoption of our inbound platform in new markets outside of the United States;

- unforeseen costs and expenses related to the expansion of our business, operations and infrastructure, including disruptions in our hosting network infrastructure and privacy and data security;

- foreign currency exchange rate fluctuations; and

- general economic and political conditions in our domestic and international markets.

We may not be able to accurately forecast the amount and mix of future subscriptions, revenue and expenses and, as a result, our operating results may fall below our estimates or the expectations of public market analysts and investors. If our revenue or operating results fall below the expectations of investors or securities analysts, or below any guidance we may provide, the price of our common stock could decline.

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If we do not accurately predict subscription renewal rates or otherwise fail to forecast our revenue accurately, or if we fail to match our expenditures with corresponding revenue, our operating results could be adversely affected.

Because our recent growth has resulted in the rapid expansion of our business, we do not have a long history upon which to base forecasts of renewal rates with customers or future operating revenue. As a result, our operating results in future reporting periods may be significantly below the expectations of the public market, equity research analysts or investors, which could harm the price of our common stock.

Because we generally recognize revenue from subscriptions ratably over the term of the agreement, near term changes in sales may not be reflected immediately in our operating results.

We offer our inbound platform primarily through a mix of monthly, quarterly and single-year subscription agreements and generally recognize revenue ratably over the related subscription period. As a result, much of the revenue we report in each quarter is derived from agreements entered into during prior months, quarters or years. In addition, we do not record deferred revenue beyond amounts invoiced as a liability on our balance sheet. A decline in new or renewed subscriptions or marketing solutions agreements in any one quarter is not likely to be reflected immediately in our revenue results for that quarter. Such declines, however, would negatively affect our revenue and deferred revenue balances in future periods, and the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our total revenue and deferred revenue balance through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

We are exposed to fluctuations in currency exchange rates.

We face exposure to movements in currency exchange rates, which may cause our revenue and operating results to differ materially from expectations. Our operating results could be negatively affected depending on the amount of expense denominated in foreign currencies, primarily the Euro. As exchange rates vary, revenue, cost of revenue, operating expenses and other operating results, when re-measured, may differ materially from expectations. In addition, our operating results are subject to fluctuation if our mix of U.S. and foreign currency denominated transactions and expenses changes in the future. Although we may apply certain strategies to mitigate foreign currency risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications. Additionally, as we anticipate growing our business further outside of the United States, the effects of movements in currency exchange rates will increase as our transaction volume outside of the United States increases.

Risks Related to Our Common Stock and this Offering

Our stock price has been and will likely continue to be volatile, and you may be unable to sell your shares at or above the offering price, if at all.

The trading prices of the securities of technology companies, including providers of software via the cloud-based model, have been highly volatile. Since shares of our common stock were sold in our initial public offering in October 2014 at a price of $25.00 per share, our stock price has ranged from $25.79 to $44.34, through March 11, 2015. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

actual or anticipated fluctuations in our revenue and other operating results, including as a result of the addition or loss of any number of customers;

announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;

- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;

- failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;

- changes in operating performance and stock market valuations of cloud-based software or other technology companies, or those in our industry in particular;

- price and volume fluctuations in the trading of our common stock and in the overall stock market, including as a result of trends in the economy as a whole;

- new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry, including data privacy and data security;

- lawsuits threatened or filed against us;

- changes in key personnel; and

- other events or factors, including changes in general economic, industry and market conditions and trends.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. If the market price of our common stock after this offering does not exceed the offering price, you may not realize any return on your investment and may lose some or all of your investment.

In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

The concentration of our capital stock ownership with insiders will likely limit your ability to influence corporate matters including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

We anticipate that our executive officers, directors, current five percent or greater stockholders and affiliated entities will together beneficially own 53.4% of our common stock outstanding after this offering. As a result, these stockholders, acting together, will continue to have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders, including those who purchase shares in this offering, oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

We are an emerging growth company and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced financial disclosure obligations, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. As an emerging growth company under the JOBS Act, we are permitted to delay the adoption of new or revised accounting pronouncements applicable to public

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companies until such pronouncements are made applicable to private companies. However, we have elected not to take advantage of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to not take advantage of the extended transition period for complying with new or revised accounting standards is irrevocable.

We may take advantage of these provisions until we are no longer an emerging growth company . We would cease to be an emerging growth company upon the earliest to occur of: the last day of the fiscal year in which we have more than $1.0 billion in annual revenue; the date we qualify as a large accelerated filer, with at least $700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than $1.0 billion in non-convertible debt securities; and the last day of the fiscal year ending after the fifth anniversary of our initial public offering. If we take advantage of any of these reduced reporting burdens in future filings, the information that we provide our security holders may be different than you might get from other public companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, particularly after we are no longer an emerging growth company, which could adversely affect our business, operating results and financial condition.

As a public company, and particularly after we cease to be an emerging growth company, we will continue to incur significant legal, accounting and other expenses. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and the rules and regulations of the New York Stock Exchange, or NYSE. These requirements have increased and will continue to increase our legal, accounting and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to maintain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, beginning in 2015, Section 404 of the Sarbanes-Oxley Act, or Section 404, will require us to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting. We have identified certain internal control deficiencies surrounding our systems and closing process. We have and will continue to remediate these deficiencies by investing in our financial systems and adding additional personnel, including outside consultants. As an emerging growth company, we are availing ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. However, we may no longer avail ourselves of this exemption when we cease to be an emerging growth company. When our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if deficiencies are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these requirements effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on our internal controls from our independent registered public accounting firm.

After we are no longer an emerging growth company, or sooner if we choose not to take advantage of certain exemptions set forth in the JOBS Act, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. In that regard, we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to invest in future growth opportunities. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could seriously harm our business and operating results. If we incur debt, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration or waiver of the lock-up agreements described in the Underwriters section of this prospectus. If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline significantly.

Upon completion of this offering, based on the number of shares outstanding as of December 31, 2014, we will have outstanding 32,280,769 shares of common stock, assuming no exercise of outstanding options or warrants. Of these shares, the 4,114,486 shares sold in this offering will be immediately freely tradable, approximately 3,800,780 additional shares of common stock will be available for sale in the public market beginning on April 8, 2015 following the expiration of the lock-up agreements entered into in connection with our initial public offering, and approximately 18,615,503 additional shares of common stock will be available for sale in the public market beginning 75 days after the date of this prospectus following the expiration of the lock-up agreements entered into in connection with this offering. The representatives of the underwriters may release these stockholders from their lock-up agreements with the underwriters at any time and without notice, which would allow for earlier sales of shares in the public market.

As of December 31, 2014, an aggregate of 1,857,327 shares of our common stock are reserved for future issuance under our 2014 Plan, and 394,710 shares of our common stock are reserved for future issuance under our ESPP. Shares registered under our registration statements on Form S-8, including the shares reserved for future issuance under our 2014 Plan and ESPP as described in the previous sentence, are available for sale in the public market subject to vesting arrangements and exercise of options, the lock-up agreements described above and the restrictions of Securities Act Rule 144 in the case of our affiliates.

Additionally, the holders of an aggregate of 16,935,959 shares of our common stock have rights, subject to some conditions, to require us to file one or more registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If we were to register these shares for resale, they could be freely sold in the public market. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution in the pro forma net tangible book value per share after giving effect to this offering, based on an assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the public offering price when they purchased their shares of our capital stock. You will experience additional dilution upon exercise of any warrant, upon exercise of options to purchase common stock under our equity incentive plans, vesting of restricted stock units issued to our employees, if we further issue restricted stock to our employees under our equity incentive plans or if we otherwise issue additional shares of our common stock. For a further description of the dilution that you will experience immediately after this offering, see Dilution .

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds we receive from this offering and, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply the net proceeds that we receive from this offering in ways that increase the value of your investment. We intend to use the net proceeds we receive for working capital and other general corporate purposes. We may use a portion of the net proceeds to us to expand our current business through acquisitions of other businesses, products and technologies. Until we use the net proceeds that we receive from this offering, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply the net proceeds we receive from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Anti-takeover provisions in our charter documents and Delaware law may delay or prevent an acquisition of our company.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our amended and restated certificate of incorporation and bylaws include provisions that:

authorize blank check preferred stock, which could be issued by the board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;

provide for a classified board of directors whose members serve staggered three-year terms;

specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of the board, the chief executive officer or the president;

prohibit stockholder action by written consent;

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- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;

- provide that our directors may be removed only for cause;

- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;

- specify that no stockholder is permitted to cumulate votes at any election of directors;

- authorize our board of directors to modify, alter or repeal our amended and restated bylaws; and

- require supermajority votes of the holders of our common stock to amend specified provisions of our charter documents.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us in certain circumstances.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and these statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as may, should, expects, plans, anticipates, could intends, target, projects, contemplates, believes, estimates, predicts, potential or continue or the nega words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross margin and operating expenses;
- maintaining and expanding our customer base and increasing our average subscription revenue per customer;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and expectations regarding our ability to manage our future growth;
- our predictions about industry and market trends;
- our ability to anticipate and address the evolution of technology and the technological needs of our customers, to roll-out upgrades to our existing software platform and to develop new and enhanced applications to meet the needs of our customers;
- our ability to maintain our brand and inbound thought leadership position;
- the impact of our corporate culture and our ability to attract, hire and retain necessary qualified employees to expand our operations;
- the anticipated effect on our business of litigation to which we are or may become a party;
- our ability to successfully acquire and integrate companies and assets;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally; and

- our application of the net proceeds that we receive from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in Risk Factors and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

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MARKET, INDUSTRY AND OTHER DATA

This prospectus contains estimates and other statistical data, including those relating to our industry and the market in which we operate, that we have obtained or derived from industry publications and reports, including reports from AMI Partners, Corporate Executive Board (CEB), Dimensional Research, International Data Corporation (IDC), Mintigo, Nielsen and NM Incite. These industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates, as there is no assurance that any of them will be reached. Based on our industry experience, we believe that the publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled Risk Factors. These and other factors could cause our actual results to differ materially from those expressed in the industry publications and reports.

This prospectus also contains information regarding the average increase in inbound leads experienced by our customers. We analyzed monthly user data analytics from 2012 and 2013 for 3,067 of our customers with between 10 and 2,000 employees, and compared data beginning in a customer s third month using our platform against data in a customer s twelfth month using our platform, to measure increases in the volume of inbound leads. Leads are defined as website visitors whose information and activities are captured by our platform s lead tracking tool. Data was excluded for any months where the increase was greater than 500% and for customers that generated 10 or fewer leads. We believe these results are representative of the results experienced by our customers with between 10 and 2,000 employees.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our common stock that we are selling in this offering will be approximately $31.0 million, based upon an assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters option to purchase additional shares from us is exercised in full, we estimate that our net proceeds would be approximately $35.8 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed public offering price of $39.04 per share would increase or decrease the net proceeds that we receive from this offering by approximately $812,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 100,000 in the number of shares of common stock offered by us would increase or decrease the net proceeds that we receive from this offering by approximately $3.7 million, assuming the assumed public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

The principal reasons for this offering are to increase our cash position, facilitate an orderly distribution of shares for the selling stockholders in the offering and increase our public float. We anticipate that we will use the net proceeds we receive from this offering, including any net proceeds we receive from the exercise of the underwriters option to acquire additional shares of common stock in this offering, for general corporate purposes, including investing further in our sales and marketing and research and development efforts and payment of anticipated general and administrative expenses. We also intend to use proceeds we receive from this offering to fund our growth strategies described elsewhere in this prospectus. We may use a portion of the net proceeds we receive for the acquisition of businesses, technologies or other assets that we believe are complementary to our own, although we have no agreements, commitments or understandings with respect to any such transaction.

The amount of what, and timing of when, we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in the section of this prospectus captioned Risk Factors. Accordingly, our management will have broad discretion in applying a portion of the net proceeds we receive from this offering. Pending these uses, we intend to invest the remaining net proceeds in high quality, investment-grade instruments.

We will not receive any proceeds from the sale of shares of common stock by any selling stockholders. The selling stockholders identified in this prospectus will pay any underwriting discounts and commissions and transfer taxes incurred by the selling stockholders in disposing of the shares of common stock. We will pay all other costs, fees and expenses incurred in effecting the registration of the shares of common stock covered by this prospectus, including, without limitation, all registration and filing fees, fees and expenses of our counsel and accountants and fees and expenses of the selling stockholders counsel.

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MARKET PRICE OF OUR COMMON STOCK

Our common stock has been listed on the New York Stock Exchange under the symbol HUBS since October 9, 2014. Prior to that date, there was no public trading market for our common stock. Our initial public offering was priced at $25.00 per share on October 8, 2014. The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the New York Stock Exchange:

	High	Low
Fourth Quarter (from October 9, 2014 to December 31, 2014)	$ 38.60	$ 25.79
First Quarter (from January 1, 2015 to March 11, 2015)	$ 44.34	$ 31.77

On March 11, 2015, the last reported sale price of our common stock on the New York Stock Exchange was $39.04 per share. As of December 31, 2014, we had 455 holders of record of our common stock. The actual number of shareholders is greater than this number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust by other entities.

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DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock or any other securities. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions, the provision of then-existing debt instruments and other factors that our board of directors may deem relevant. In addition, our credit facility prohibits, and future debt instruments may materially restrict, us from declaring or paying cash dividends on our capital stock.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2014:

- on an actual basis; and

- on an as adjusted basis to reflect our receipt of the net proceeds from our sale of 850,000 shares of common stock in this offering at an assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	December 31, 2014	
	Actual	As Adjusted(1)
	(unaudited) (in thousands, except share and per share amounts)	
Cash and cash equivalents	$ 123,721	154,762
Stockholders equity		
Common stock, $0.001 par value: 500,000,000 shares authorized, 31,430,769 shares issued and outstanding, actual; 500,000,000 shares authorized, 32,280,769 shares issued and outstanding, as adjusted	32	32
Additional paid-in capital	265,113	296,154
Accumulated other comprehensive loss	(145)	(145)
Accumulated deficit	(154,301)	(154,301)
Total stockholders equity	110,699	141,740
Total capitalization	$ 110,699	141,740

(1) A $1.00 increase (decrease) in the assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, would increase (decrease) cash and cash equivalents, total stockholders equity and total capitalization by $812,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase of 100,000 shares in the number of shares offered by us, assuming that the assumed public offering price remains the same, would increase cash, total stockholders equity and total capitalization by $3.7 million. Similarly, each decrease of

100,000 shares in the number of shares offered by us, assuming that the assumed public offering price remains the same, would decrease cash and cash equivalents, total stockholders equity and total capitalization by $3.7 million.

The number of shares of common stock to be outstanding after this offering is based on 31,430,769 shares of common stock outstanding as of December 31, 2014 and excludes:

- 4,587,872 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2014 with a weighted-average exercise price of $9.64 per share;
- 1,375,526 shares of common stock subject to RSUs outstanding as of December 31, 2014;
- 13,158 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2014 with an exercise price of $5.70 per share;
- 1,857,327 shares of common stock reserved for future issuance under our 2014 Plan and 394,710 shares of common stock reserved for issuance under our ESPP, each of which contains provisions that will automatically increase its respective shares reserved each year, as more fully described in Executive Compensation Employee Benefit Plans.

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DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the as adjusted net tangible book value per share of common stock immediately after completion of this offering.

Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of common stock outstanding. Our historical net tangible book value as of December 31, 2014 was $90.9 million, or $2.89 per share.

After giving effect to the sale by us of 850,000 shares of common stock in this offering at an assumed public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2014 would have been $121.9 million, or $3.78 per share. This represents an immediate increase in as adjusted net tangible book value of $0.89 per share to our existing stockholders and immediate dilution of $35.26 per share to investors purchasing shares of common stock in this offering at the public offering price. The following table illustrates this dilution:

Assumed public offering price per share		$ 39.04
Historical net tangible book value per share as of December 31, 2014	$ 2.89	
Increase in net tangible book value per share attributable to new investors in this offering	0.89	
As adjusted net tangible book value per share after this offering	3.78	
Dilution per share to new investors		$ 35.26

Each $1.00 increase or decrease in the assumed initial public offering price of $39.04 per share, the last reported sale price of our common stock on the New York Stock Exchange on March 11, 2015, would increase or decrease, as applicable, our as adjusted net tangible book value per share by $812,000, and would increase or decrease, as applicable, dilution per share to new investors in this offering by $0.02, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 100,000 in the number of shares of common stock offered by us would increase or decrease, as applicable, our as adjusted net tangible book value per share by $0.10, and would increase or decrease, as applicable, dilution per share to new investors in this offering by $0.10, assuming that the assumed public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us. If the underwriters exercise their option to purchase additional shares in full, the as adjusted net tangible book value per share of our common stock immediately after this offering would be $3.91 per share, and the dilution in net tangible book value per share to new investors in this offering would be $35.13 per share.

The number of shares of common stock to be outstanding after this offering is based on 31,430,769 shares of common stock outstanding as of December 31, 2014 and excludes:

4,587,872 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2014 with a weighted-average exercise price of $9.64 per share;

1,357,526 shares of common stock subject to RSUs outstanding as of December 31, 2014;

13,158 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2014 with an exercise price of $5.70 per share; and

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- 1,857,327 shares of common stock reserved for future issuance under our 2014 Plan, and 394,710 shares of common stock reserved for issuance under our 2014 ESPP, each of which contains provisions that will automatically increase its respective shares reserved each year, as more fully described in Executive Compensation Employee Benefit Plans.

To the extent that outstanding options or warrants are exercised and RSUs are settled, you will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities may result in further dilution to our stockholders.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated financial data below in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements, related notes and other financial information included elsewhere in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

The following selected consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014, and the consolidated balance sheet data as of December 31, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the year ended December 31, 2011 and the consolidated balance sheet data as of December 31, 2012 have been derived from our audited consolidated financial statements not included in this prospectus. The consolidated statements of operations data for the year ended December 31, 2010 and the consolidated balance sheet data as of December 31, 2010 and 2011 has been derived from our unaudited consolidated financial statements not included in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,				
	2010	**2011**	**2012**	**2013**	**2014**
Consolidated Statements of Operations Data:					
Revenue:					
Subscription	$ 13,636	$ 25,702	$ 45,870	$ 70,819	106,319
Professional services and other	1,751	2,851	5,734	6,815	9,557
Total revenue	15,387	28,553	51,604	77,634	115,876
Cost of revenue:					
Subscription(1)	2,903	5,712	10,834	20,280	26,655
Professional services and other(1)	4,091	6,368	6,004	8,759	11,425
Total cost of revenue	6,994	12,080	16,838	29,039	37,080
Total gross profit	8,393	16,473	34,766	48,595	78,796
Operating expenses:					
Research and development(1)	4,382	10,031	10,585	15,018	25,638
Sales and marketing(1)	14,075	24,088	34,949	53,158	78,809
General and administrative(1)	2,500	6,769	7,972	14,669	22,958
Total operating expenses	20,957	40,888	53,506	82,845	127,405
Loss from operations	(12,564)	(24,415)	(18,740)	(34,250)	(48,609)
Other income (expense)					
Interest income	3	36	26	34	46
Interest expense	(12)	(30)	(63)	(20)	(322)

Other expense		(2)	(1)	(38)	564
Total other income (expense)	(9)	4	(38)	(24)	288
Loss before benefit from income taxes	(12,573)	(24,411)	(18,778)	(34,274)	(48,321)
Income tax benefit					92
Net loss	(12,573)	(24,411)	(18,778)	(34,274)	(48,229)
Preferred stock accretion	123	87	81	54	331
Deemed dividends to investors		973			
Net loss attributable to common stockholders	$ (12,696)	$ (25,471)	$ (18,859)	$ (34,328)	$ (48,560)

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	Year Ended December 31,				
	2010	2011	2012	2013	2014
Net loss per common share, basic and diluted[(2)]	$ (3.53)	$ (6.19)	$ (4.01)	$ (6.71)	$ (4.20)
Weighted average common shares used in computing basic and diluted net loss per common share[(2)]	3,601	4,115	4,699	5,113	11,562

(1) Stock-based compensation included in the consolidated statements of operations data above was as follows:

	Year Ended December 31,				
	2010	2011	2012	2013	2014
Cost of revenue Subscription	$ 4	$ 16	$ 27	$ 50	$ 128
Professional services and other	36	131	100	211	498
Research and development	105	2,341	739	691	6,190
Sales and marketing	67	647	691	1,194	5,596
General and administrative	75	1,484	958	1,318	3,946
Total stock-based compensation	$ 287	$ 4,619	$ 2,515	$ 3,464	$ 16,358

(2) See Note 2 to our consolidated financial statements for further details on the calculation of basic and diluted net loss per share attributable to common stockholders.

	As of December 31,				
	2010	2011	2012	2013	2014
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 6,955	$ 13,972	$ 41,097	$ 12,643	$ 123,721
Working capital, excluding deferred revenue	7,831	12,875	39,934	13,803	130,886
Total assets	14,505	35,411	65,651	50,559	174,858
Deferred revenue	4,270	8,179	16,017	24,906	41,305
Total liabilities	8,728	17,053	27,621	42,514	64,159
Total redeemable convertible preferred stock	33,786	66,062	101,239	101,293	
Total stockholders (deficit) equity	$ (28,007)	$ (47,702)	$ (63,209)	$ (93,248)	$ 110,669

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in Risk Factors and elsewhere in this prospectus.

Company Overview

We provide a cloud-based marketing and sales software platform that enables businesses to deliver an inbound experience. An inbound marketing and sales experience attracts, engages and delights customers by being more relevant, more helpful, more personalized and less interruptive than traditional marketing and sales tactics. Our software platform features integrated applications to help businesses attract visitors to their websites, convert visitors into leads, close leads into customers and delight customers so that they become promoters of those businesses. These integrated applications include social media, search engine optimization, blogging, website content management, marketing automation, email, CRM, analytics and reporting.

We designed our all-in-one platform from the ground up to enable businesses to provide an inbound experience to their prospects and customers. At the core of our platform is a single inbound database for each business that captures its customer activity throughout the customer lifestyle. Our platform uses our centralized inbound database to empower businesses to create more personalized interactions with customers, such as personalized emails, personalized social media alerts, personalized websites and targeted alerts for sales people. We provide a comprehensive set of integrated applications on our platform, which offers businesses ease of use, power and simplicity. We designed and built our platform to serve a large numbers of customers of any size with demanding use cases.

While our platform can scale to the enterprise, we focus on selling to mid-market businesses because we believe we have significant competitive advantages attracting and serving them. We efficiently reach these businesses at scale through our proven inbound go-to-market approach and more than 2,200 marketing agency partners worldwide. Our platform is particularly suited to serving the needs of mid-market business-to-business companies. These mid-market businesses seek an integrated, easy to implement and easy to use solution to reach customers and compete with organizations that have larger marketing and sales budgets. As of December 31, 2014, we had 13,607 customers of varying sizes in more than 90 countries, representing almost every industry.

Our platform is a multi-tenant, single code-based and globally available software-as-a-service, or SaaS, product delivered through web browsers or mobile applications. We sell our platform on a subscription basis and generated revenue of $51.6 million in 2012, $77.6 million in 2013, and $115.9 million in 2014, representing year-over-year increases of 50% in 2013 and 49% in 2014. We had net losses of $18.8 million in 2012, $34.3 million in 2013 and $48.2 million in 2014 primarily due to increased investments in our growth.

We derive most of our revenue from subscriptions to our cloud-based software platform and related professional services, which consist of customer on-boarding and training services. Subscription revenue accounted for 88.9% in 2012, 91.2% in 2013 and 91.8% in 2014. We sell three product plans at different base prices on a subscription basis, each of which includes our core platform and integrated applications to meet the needs of the various customers we serve. Customers pay additional fees if the number of contacts stored and tracked in the customer s database exceeds specified thresholds. We generate additional revenue based on the purchase of additional subscriptions and applications and the number of account users, subdomains and website visits. Substantially all of our customers subscriptions are one year or less in duration. Subscriptions are non-cancelable and are billed in advance on various schedules. Because the mix of billing terms for orders can vary from period to period, the annualized value of the orders we enter into with our customers will not be completely reflected in deferred revenue at any single point in time. Accordingly, we do not believe that change in deferred revenue is an accurate indicator of future revenue for a given period of time.

Professional services and other revenue accounted for 11.1% of our total revenue in 2012, 8.8% in 2013, and 8.2% in 2014. Our software is designed to be ready to use immediately after a new customer subscribes. Most of our customers purchase training services which are designed to help customers enhance their ability to attract, engage and delight their customers using our platform.

Our customer base has grown from 10,111 customers at the end of 2013 to 13,607 customers as of December 31, 2014, which has resulted in rapid revenue growth. As of December 31, 2014, approximately 22% of our customers were located outside of the United States and these customers generated approximately 21% of our total revenue for the year ended December 31, 2014. We opened our first international office in Dublin, Ireland in January 2013, and our second international office in Sydney, Australia in August 2014, as part of our geographic expansion. We plan to further grow our international business and expand to other geographies.

We have focused on rapidly growing our business and plan to continue to make investments to help us address some of the challenges facing us to support this growth, such as demand for our platform by existing and new customers, significant competition from other providers of marketing software and related applications and rapid technological change in our industry. We believe that the growth of our business is dependent on many factors, including our ability to expand our customer base, increase adoption of our platform within existing customers, develop new products and applications to extend the functionality of our platform and provide a high level of customer service. We expect to increase our investment in sales and marketing as we continue to expand our sales teams, increase our marketing activities and grow our international operations. We also expect to increase our investment in research and development as we continue to introduce new products and applications to extend the functionality of our platform. We also intend to invest in maintaining a high level of customer service and support which we consider critical for our continued success. We plan to continue investing in our data center infrastructure and services capabilities in order to support continued future customer growth. We also expect to continue to incur additional general and administrative expenses as a result of both our growth and the infrastructure required to be a public company. We expect to use the proceeds from this offering to fund these growth strategies and do not expect to be profitable in the near term.

We believe that these investments will result in an increase in our subscription revenue base and improvement in the retention of this base. This will result in revenue increasing faster than the increase in sales and marketing, research and development and general and administrative expenses (exclusive of stock-based compensation), as we reach economies of scale. With this increased operating leverage, we expect our gross and operating margins to increase in the long term. However, we will incur losses in the short term. If we are unable to achieve our revenue growth objectives, including a high rate of renewals of our customer agreements, we may not be able to achieve profitability.

Key Business Metrics

We use the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Our key business metrics may be calculated in a manner different than similar key business metrics used by other companies.

	Year Ended December 31,

	2012	2013	2014
Total customers	8,159	10,111	13,607
Average subscription revenue per customer	$ 6,580	$ 7,752	$ 8,926
Subscription dollar retention rate	82.4%	82.9%	92.7%
Customer Acquisition Cost, or CAC	$ 8,279	$ 11,645	$ 11,977

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Total Customers. We believe that our ability to increase our customer base is an indicator of our market penetration and growth of our business as we continue to expand our sales force and invest in marketing efforts. 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 marketing platform, either paid directly or through an agency partner. We do not include in total customers business entities or individuals with one or more paid subscriptions solely for our Sidekick product. More than 300,000 individuals with a free or paid Sidekick account used our Sidekick product during December 2014. A single customer may have separate paid subscriptions for separate websites, but we count these as one customer if the subscriptions are managed by the same business entity or individual. Our total customers were 10,902 as of March 31, 2014, 11,624 as of June 30, 2014 and 12,478 as of September 30, 2014. For more information about our customers, see the section of this prospectus captioned Business Our Customers.

Average Subscription Revenue per Customer. We believe that our ability to increase the average subscription revenue per customer is an indicator of our ability to grow the long-term value of our existing customer relationships. We define average subscription revenue per customer during a particular period as subscription revenue from our total customers during the period divided by the average total customers during the same period. Our average subscription revenue per customer was $8,478 for the three months ended March 31, 2014, $8,823 for the three months ended June 30, 2014, $9,183 for the three months ended September 30, 2014 and $9,530 for the three months ended December 31, 2014. We expect our average subscription revenue per customer to continue to increase over time.

Subscription Dollar Retention Rate. We believe that our ability to retain and expand a customer relationship is an indicator of the stability of our revenue base and the long-term value of our customers. We assess our performance in this area using a metric we refer to as our Subscription Dollar Retention Rate. We compare the aggregate Contractual Monthly Subscription Revenue of our customer base as of the beginning of each month, which we refer to as Retention Base Revenue, to the aggregate Contractual Monthly Subscription Revenue of the same group of customers at the end of that month, which we refer to as Retained Subscription Revenue. We define Contractual Monthly Subscription Revenue as the total amount of subscription fees contractually committed to be paid for a full month under all of our customer agreements, excluding any commissions owed to our partners. We do not include in Contractual Monthly Subscription Revenue any subscription fees contractually committed to be paid by business entities or individuals with subscriptions solely for our Sidekick product. Our Subscription Dollar Retention Rate for a given period is calculated by first dividing Retained Subscription Revenue by Retention Base Revenue for each month in the period, calculating the weighted average of these rates using the Retention Base Revenue for each month in the period, and then annualizing the resulting rates. Our Subscription Dollar Retention Rate was 86.7% for the three months ended March 31, 2014, 90.3% for the three months ended June 30, 2014, 92.9% for the three months ended September 30, 2014 and 99.2% for the three months ended December 31, 2014.

Customer Acquisition Cost. We believe that customer acquisition cost, or CAC, is an indicator of the efficiency of our sales and marketing programs in acquiring new customers. We calculate CAC by dividing our total sales and marketing expenses during a particular period, excluding the stock-based compensation included in sales and marketing expenses, by our total new customers added during the same period. We define our total new customers during a particular period as the number of new business entities or individuals who entered into one or more paid subscriptions to our marketing platform, either paid directly or through an agency partner, during the period. We do not include in total new customers business entities or individuals with one or more paid subscriptions solely for our Sidekick product. A single new customer may have separate paid subscriptions for separate websites, but we count these as one new customer if the subscriptions are managed by the same business entity or individual.

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Key Components of Consolidated Statements of Operations

Revenue

We derive our revenue from two major sources, revenue from subscriptions to our inbound platform and professional services and other revenue consisting mainly of on-boarding and training services fees.

Subscription based revenue is derived from customers using our software platform for their inbound marketing and sales needs. Our software platform includes integrated applications that allow businesses to manage social media, search engine optimization, blogging, website content, marketing automation, email, analytics and reporting. Substantially all of our customers subscriptions are one year or less in duration. Subscriptions are non-cancelable and are billed in advance on various schedules. All subscription fees that are billed in advance of service are recorded in deferred revenue. Subscription based revenue is recognized net of consideration paid to marketing agency partners when the agency partner purchases the subscription directly from us, as in these instances our customer is the partner and our remaining obligations are to the partner.

Professional services and other revenue are derived primarily from customer on-boarding and training services. The on-boarding and training services provided to customers typically involves an implementation specialist. An implementation specialist will typically work with our customers to enhance their understanding of how to attract leads and convert them into customers through search engine optimization, social media, blogging and other content. Training is generally sold in connection with a customer s initial subscription and is billed in advance. The training is also available to be purchased separately following a customer s purchase of its initial subscription and our marketing agency partners routinely provide the same training to customers.

Cost of Revenue and Operating Expenses

Cost of Revenue

Cost of subscription revenue consists primarily of managed hosting providers and other third-party service providers, employee-related costs including payroll, benefits and stock-based compensation expense for our customer support team, amortization of capitalized software development costs and acquired technology, and allocated overhead costs, which we define as rent, facilities and costs related to information technology, or IT.

Cost of professional services and other revenue consists primarily of personnel costs of our professional services organization, including salaries, benefits, bonuses and stock-based compensation, as well as allocated overhead costs.

We expect that cost of subscription and professional services and other revenue will increase in absolute dollars as we continue to invest in growing our business. Over time, we expect to gain benefits of scale associated with our costs of hosting our software platform relative to subscription revenues, resulting in improved subscription gross margin. We expect to continue to generate negative gross margins related to professional services in the near term.

Research and Development

Research and development expenses consist primarily of personnel costs of our development team, including payroll, benefits and stock-based compensation expense and allocated overhead costs. We capitalize certain software development costs that are attributable to developing new products and adding incremental functionality to our software platform and amortize such costs as costs of subscription revenue over the estimated life of the new product or incremental functionality, which is generally two years. We focus our research and development efforts on improving our products and developing new ones, delivering new functionality and enhancing the customer experience. We believe delivering new functionalities for our customers is an integral

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part of our solution and provides our customers with access to a broad array of options and information critical to their marketing efforts. We expect to continue to make investments in and expand our offerings to enhance our customers experience and satisfaction and attract new customers. We expect research and development expenses to increase in absolute dollars as we continue to increase the functionality of our software platform.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including sales commissions and incentives, benefits and stock-based compensation expense, marketing programs, including lead generation, costs of our annual INBOUND conference, and other brand building expenses and allocated overhead costs. We defer certain sales commissions related to acquiring new customers and amortize them ratably over the term of the corresponding subscription agreement. Sales and marketing expenses also include commissions paid to our marketing agency partners when we are the primary obligor for providing the subscription that has been purchased.

We plan to continue to expand sales and marketing to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. We expect sales and marketing expenses will increase as a result of hiring net new quota-carrying sales representatives in the United States and worldwide, adding to the marketing staff and expanding our annual INBOUND conference. Over time, we expect sales and marketing expenses will decline as a percentage of total revenue.

General and Administrative

General and administrative expenses consist of personnel costs and related expenses for executive, finance, legal, human resources, employee-related information technology, administrative personnel, including payroll, benefits and stock-based compensation expense; professional fees for external legal, accounting and other consulting services; and allocated overhead costs. We expect that general and administrative expenses will increase on an absolute dollar basis but decrease as a percentage of total revenue as we focus on processes, systems and controls to enable the our internal support functions to scale with the growth of our business. We also anticipate continuing increases to general and administrative expenses as we incur the costs of compliance associated with being a publicly traded company, including audit and consulting fees.

Other Income (Expense)

Other income (expense) consists primarily of interest expense and foreign currency gains and losses. We have historically had a minimal amount of debt outstanding on which we pay interest. The addition of our Dublin, Ireland office in 2013 and our Sydney, Australia office in 2014 has increased our exposure to foreign currencies, particularly the Euro.

Income Tax Benefit

The income tax benefit consists of current and deferred taxes for U.S. and foreign income taxes. We have historically had a taxable loss in our most significant jurisdictions and full valuation allowance against the majority of our deferred tax assets. We expect this to continue in 2015.

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Results of Operations

The following tables set forth certain consolidated financial data in dollar amounts and as a percentage of total revenue.

	Year Ended December 31, 2012	2013	2014
		(in thousands)	
Revenue:			
Subscription	$ 45,870	$ 70,819	$ 106,319
Professional services and other	5,734	6,815	9,557
Total revenue	51,604	77,634	115,876
Cost of revenue:			
Subscription	10,834	20,280	25,655
Professional services and other	6,004	8,759	11,425
Total cost of revenue	16,838	29,039	37,080
Gross profit	34,766	48,595	78,796
Operating expenses:			
Research and development	10,585	15,018	25,638
Sales and marketing	34,949	53,158	78,809
General and administrative	7,972	14,669	22,958
Total operating expenses	53,506	82,845	127,405
Loss from operations	(18,740)	(34,250)	(48,609)
Other income (expense):			
Interest income	26	34	46
Interest expense	(63)	(20)	(322)
Other expense	(1)	(38)	564
Total other (expense) income	(38)	(24)	288
Loss before benefit from income taxes	(18,778)	(34,274)	(48,321)
Income tax benefit			92
Net loss	$ (18,778)	$ (34,274)	$ (48,229)

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	Year Ended December 31,		
	2012	2013	2014
Revenue:			
Subscription	89%	91%	92%
Professional services and other	11	9	8
Total revenue	100	100	100
Cost of revenue:			
Subscription	21	26	22
Professional services and other	12	11	10
Total cost of revenue	33	37	32
Gross profit	67	63	68
Operating expenses:			
Research and development	21	19	22
Sales and marketing	68	68	68
General and administrative	15	19	20
Total operating expenses	104	107	110
Loss from operations	(37)	(44)	(42)
Total other (expense) income	0	0	0
Loss before benefit from income taxes	(37)	(44)	(42)
Income tax benefit	0	0	0
Net loss	(37)%	(44)%	(42)%

* Percentages are based on actual values. Totals may not sum due to rounding.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2014

Revenue

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Subscription	$ 70,819	$ 106,319	$ 35,500	50%
Professional services and other	6,815	9,557	2,742	40
Total revenue	$ 77,634	$ 115,876	$ 38,242	49%

Subscription revenue increased 50% during 2014 due to an increase throughout the year in total customers, which grew from 10,111 as of December 31, 2013 to 13,607 as of December 31, 2014, and an increase in average subscription revenue per customer, which grew from $7,752 in 2013 to $8,926 in 2014. The growth in total customers was primarily driven by our increased sales representative capacity to meet market demand. The increase in average subscription revenue per customer was driven primarily by existing customers increasing their use of our products, existing customers purchasing additional subscriptions, and new customers purchasing our higher price product plans.

The 40% increase in professional services and other revenue resulted primarily from the delivery of training services for subscriptions sold.

Total Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Total cost of revenue	$ 29,039	$ 37,080	$ 8,041	28%
Gross profit	48,595	78,796	30,201	62%
Gross margin	63%	68%		

Total cost of revenue increased 28% during 2014 primarily due to an increase in subscription and hosting costs, employee-related costs, amortization of developed technology, and allocated overhead expenses. The increase in gross margin was primarily driven by improved leverage of our hosting costs relative to growth in subscription revenue.

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Subscription cost of revenue	$ 20,280	$ 25,655	$ 5,375	27%
Percentage of subscription revenue	29%	24%		

Subscription cost of revenue increased by 27% during 2014 primarily due to an increase in subscription and hosting costs, employee-related costs and amortization expense. Subscription and hosting costs increased $2.4 million due to growth in our customer base from 10,111 customers at December 31, 2013 to 13,607 customers at December 31, 2014. Employee-related costs increased $1.6 million as a result of increased headcount from 74 employees at December 31, 2013 to 86 employees at December 31, 2014 as we continue to grow our customer support organization to support our customer growth and improve service levels and offerings. Amortization of capitalized software development costs increased $1.3 million due to an increase in the number of developers working on our software platform as we continue to develop new products.

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Professional services and other cost of revenue	$ 8,759	$ 11,425	$ 2,666	30%
Percentage of professional services and other revenue	129%	120%		

Professional services and other costs increased 30% during 2014 primarily due to an increase in employee-related costs. Employee-related costs increased $1.4 million as a result of increased headcount from 81 employees at December 31, 2013 to 95 employees at December 31, 2014 as we continue to grow our professional services organization to support our customer growth. Professional fees increased $915 thousand due to increased use of third parties to assist with customer implementations. Allocated overhead expenses increased $337 thousand due to expansion of our leased space and infrastructure as we continue to grow our business and expand headcount.

Research and Development

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Research and development	$ 15,018	$ 25,638	$ 10,620	71%
Percentage of total revenue	19%	22%		

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Research and development expenses increased 71% during 2014 primarily due to increases in employee-related costs, allocated overhead expenses and professional fees. Employee-related costs increased $9.9 million as a result of increased headcount from 110 employees at December 31, 2013 to 132 employees at December 31, 2014 as we continue to grow our engineering organization to develop new products and continue to develop our existing software platform. Employee-related expenses also increased due to a one-time non-cash stock-based compensation expense that occurred as a result of our initial public offering, or IPO. Allocated overhead expenses increased $620 thousand due to expansion of our leased space and infrastructure as we continue to grow our business and expand headcount. Professional fees increased $117 thousand due to increased use of third-party contractors for development activities.

Sales and Marketing

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 53,158	$ 78,809	$ 25,651	48%
Percentage of total revenue	68%	68%		

Sales and marketing expenses increased 48% during 2014 primarily due to increases in employee-related costs, third-party agency partner commissions, marketing programs, and allocated overhead expenses. Employee-related costs increased $19.8 million as a result of increased headcount from 340 employees at December 31, 2013 to 378 employees at December 31, 2014 as we continue to expand our selling and marketing organizations to grow our customer base. Employee-related expenses also increased due to a one-time non-cash stock-based compensation expense that occurred as a result of our IPO. Partner commissions increased $2.4 million as a result of increased revenue generated through our marketing agency partners. Marketing programs increased $2.2 million due to growth in our annual INBOUND conference and overall spending due to growth in the business. Allocated overhead expenses increased $1.3 million due to expanding our leased space and infrastructure as we continue to grow our business and expand headcount.

General and Administrative

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
General and administrative	$ 14,669	$ 22,958	$ 8,289	57%
Percentage of total revenue	19%	20%		

General and administrative expenses increased 57% during 2014 primarily due to increases in employee-related costs, professional fees, allocated overhead expenses, and other general expenses. Employee-related costs increased $6.0 million as a result of increased headcount from 63 employees at December 31, 2013 to 94 employees at December 31, 2014 as we continue to grow our business and require additional personnel to support our expanded operations including infrastructure and controls required for being a public company. Employee-related expenses also increased due to a one-time non-cash stock-based compensation expense that occurred as a result of our IPO. Professional fees increased $623 thousand as a result of increased use of accounting, consulting and legal services related to international expansion, our preparation to become a public company, and costs incurred as a public company after our IPO. Allocated overhead expenses increased $475 thousand due to expanding our leased space and infrastructure. Other expenses increased $1.2 million due to increased expenses related to taxes and insurance, and additional expenses related to our IPO.

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Other Income (Expense)

	Year Ended December 31, 2013	2014	Change Amount	%
	(dollars in thousands)			
Other income (expense)	$ (24)	$ 288	$ 312	*
Percentage of total revenue	*	*		

* not meaningful

Other income (expense) includes interest income and expense and the impact of foreign currency transaction gains and losses. Other income (expense) is not significant for any period presented.

Income Tax Benefit

	Year Ended December 31, 2013	2014	Change Amount	%
	(dollars in thousands)			
Income tax benefit	$	$ 92	$ 92	*
Percentage of total revenue	*	*		

* not meaningful

Income tax benefit consists of current and deferred taxes for U.S. and foreign income taxes. Income tax benefit is not significant for any period presented.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2013

Revenue

	Year Ended December 31, 2012	2013	Change Amount	%
	(dollars in thousands)			
Subscription	$ 45,870	$ 70,819	$ 24,949	54%
Professional services and other	5,734	6,815	1,081	19
Total revenue	$ 51,604	$ 77,634	$ 26,030	50%

Subscription revenue increased 54% during 2013 due to an increase throughout the year in total customers, which grew from 8,159 as of December 31, 2012 to 10,111 as of December 31, 2013, and an increase in average subscription revenue per customer, which grew from $6,580 in 2012 to $7,752 in 2013. The growth in total customers was primarily driven by our increased sales representative capacity to meet market demand. The increase in average subscription revenue per customer was driven primarily by new customers purchasing our higher price product plans, existing customers increasing their use of our products and existing customers purchasing additional subscriptions.

The 19% increase in professional services and other revenue resulted primarily from the delivery of training services for subscriptions sold.

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Total Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Total cost of revenue	$ 16,838	$ 29,039	$ 12,201	72%
Gross profit	34,766	48,595	13,829	40%
Gross margin	67%	63%		

Total cost of revenue increased 72% during 2013 primarily due to an increase in subscription and hosting costs, employee-related costs, amortization of developed and acquired technology and allocated overhead expenses. The decrease in gross margin was primarily driven by our increased investment in subscription and hosting services as well as the amortization of developed and acquired technologies and allocated overhead expenses.

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Subscription cost of revenue	$ 10,834	$ 20,280	$ 9,446	87%
Percentage of subscription revenue	24%	29%		

Subscription and hosting costs increased $5.4 million due to growth in our customer base from 8,159 customers at December 31, 2012 to 10,111 customers at December 31, 2013 along with higher costs associated with maintaining multiple hosting platforms while we migrated to a new version of our software. Employee-related costs increased $2.1 million as a result of increased headcount from 28 employees at December 31, 2012 to 74 employees at December 31, 2013 as we continue to grow our customer support organization to support our customer growth and improve service levels and offerings. Amortization of capitalized software development costs increased $1.1 million due to continued development of our software platform. Allocated overhead expenses increased $0.8 million primarily due to increased rent expense and depreciation of capital equipment as we continue to grow our business and expand headcount as discussed above.

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Professional services and other cost of revenue	$ 6,004	$ 8,759	$ 2,755	46%
Percentage of professional services and other revenue	105%	129%		

Professional services and other costs increased 46% during 2013 primarily due to an increase in employee-related costs. Employee-related costs increased $2.0 million as a result of increased headcount from 53 employees at December 31, 2012 to 81 employees at December 31, 2013 as we continue to grow our professional services organization to support our customer growth and improve service levels and offerings. Allocated overhead expenses increased $0.7 million primarily due to increased rent expense and depreciation of capital equipment as we continue to grow our business and expand headcount as discussed above.

Research and Development

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Research and development	$ 10,585	$ 15,018	$ 4,433	42%
Percentage of total revenue	21%	19%		

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Research and development expenses increased 42% during 2013 primarily due to increases in employee-related costs and allocated overhead costs. Employee-related costs increased $3.6 million as a result of increased headcount of 74 employees at December 31, 2012 compared to 110 employees at December 31, 2013 as we continue to grow our engineering organization to develop new products and continue to develop our existing software platform. Allocated overhead costs increased $0.8 million primarily due to increased rent expense and depreciation of capital equipment as we continue to grow our business and expand headcount as discussed above.

Sales and Marketing

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 34,949	$ 53,158	$ 18,209	52%
Percentage of total revenue	68%	68%		

Sales and marketing expenses increased 52% during 2013 primarily due to increases in employee-related costs, third-party agency partner commissions and allocated overhead costs. Employee-related costs increased $13.7 million as a result of increased headcount from 231 employees at December 31, 2012 to 340 employees at December 31, 2013 as we continue to expand our selling and marketing organizations to grow our customer base. Partner commissions increased $1.2 million as a result of increased revenue generated through our marketing agency partners.

General and Administrative

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
General and administrative	$ 7,972	$ 14,669	$ 6,697	84%
Percentage of total revenue	15%	19%		

General and administrative expenses increased 84% during 2013 primarily due to increases in employee-related costs and professional fees. Employee-related costs increased $5.4 million as a result of increased headcount from 43 employees at December 31, 2012 to 63 employees at December 31, 2013 as we continue to grow our business and require additional personnel to support our expanded operations. Professional fees increased $1.3 million a result of our preparatory and audit work associated with our potential initial public offering and to support our international expansion activities.

Other Income (Expense)

	Year Ended December 31,		Change	
	2012	2013	Amount	%
	(dollars in thousands)			
Other income (expense)	$ (38)	$ (24)	$ 14	*
Percentage of total revenue	*	*		

* not meaningful

Other income (expense) includes interest income and expense and the impact of foreign currency transaction gains and losses. Other income (expense) is not significant for any period presented.

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Quarterly Results of Operations

The following tables set forth our quarterly consolidated statements of operations for each of the quarters in the years ended December 31, 2013 and 2014. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results for any future period.

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands, except per share data)							
Revenue:								
Subscription	$ 15,244	$ 16,585	$ 18,416	$ 20,574	$ 22,285	$ 24,903	$ 27,806	$ 31,325
Professional services and other	1,496	1,751	1,763	1,805	1,889	2,195	2,642	2,832
Total revenue	16,740	18,336	20,179	22,379	24,174	27,098	30,448	34,157
Cost of revenue:								
Subscription(1)	4,630	5,152	5,114	5,384	5,547	6,125	6,736	7,247
Professional services and other(1)	1,810	2,195	2,268	2,486	2,567	2,614	2,969	3,275
Total cost of revenue	6,440	7,347	7,382	7,870	8,114	8,739	9,705	10,522
Total gross profit	10,300	10,989	12,797	14,509	16,060	18,359	20,743	23,635
Operating expenses:								
Research and development(1)	2,870	3,836	4,271	4,041	4,693	4,948	4,858	11,140
Sales and marketing(1)	11,604	12,422	14,739	14,393	15,926	17,094	21,680	24,109
General and administrative(1)	3,405	3,536	3,287	4,441	4,855	4,594	5,162	8,325
Total operating expenses	17,879	19,794	22,297	22,875	25,474	26,636	31,700	43,574
Loss from operations	(7,579)	(8,805)	(9,500)	(8,366)	(9,414)	(8,277)	(10.957)	(19,939)
Other income (expense):								
Interest income	13	9	7	5	2	1		42

Interest expense	(2)	(1)	( )	(17)	(51)	(70)	(138)	(63)
Other expense	32	(6)	(18)	(47	(2	67)	302	171
Total other income (expense)	43	2	(11)	(59)	(51)	(2)	164	150
Loss before benefit from income taxes	(7,536)	(8,803)	(9,511)	(8,425)	(9,465)	(8,279)	(10,793)	(19,789)
Income tax benefit	-							92
Net loss	$ (7,536)	$ (8,803)	$ (9,511)	$ (8,425)	$ (9,465)	$ (8,279)	$ (10,793)	$ (19,697)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.50)	$ (1.73)	$ (1.85)	$ (1.63)	$ (1.73)	$ (1.44)	$ (1.84)	$ (0.69)

(1) Stock-based compensation included in the consolidated statement of operations data was as follows:

Cost of revenue:								
Subscription	8	12	6	24	16	24	24	64
Professional services and other	26	40	56	89	69	83	84	262
Research and development	174	195	189	133	146	153	140	5,755
Sales and marketing	233	255	278	428	412	475	560	4, 149
General and administrative	331	300	292	395	429	441	458	2,614
Total stock-based compensation	$ 772	$ 802	$ 821	$ 1,069	$ 1,072	$ 1,176	$ 1,266	$ 12,844