



A Leading Provider of Marketing Automation Solutions

Investor Presentation

August 2018

SharpSpring, Inc. | investors.sharpspring.com | NASDAQ: SHSP

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SharpSpring



Global
SaaS
marketing
automation
solution



Platform that
caters to the
needs of digital
marketing
agencies and
SMB customers



7,000
businesses rely
on SharpSpring
to improve
communications
and accelerate
sales

SharpSpring at a Glance

Corporate Overview

• Ticker	NASDAQ: SHSP
• Market Cap (8/3/18)	\$88 M
• Shares Outstanding	8.5 M
• Q2-18 Total Revenue	\$4.4 M
• Flagship Product Growth Rate	40% ⁽¹⁾
• Q2-18 Gross Margin %	66%
• Q2-18 Adj. EBITDA	(\$1.5 M)
• Cash (6/30/18)	\$12.5 M

Marketing Automation



- Sophisticated, affordable marketing automation
- Improves effectiveness of marketing programs to win new business
- Designed for digital marketing agencies and small and mid-sized businesses
- Winning considerable business against larger competitors such as HubSpot, Act-On and Pardot
- Unified brand, focus and resources around key growth driver

SharpSpring Flagship Product Revenue Growth



Customer Mix

✓ Diverse group of customers with a focus on digital marketing agencies

(1) Represents growth of SharpSpring premium product revenue comparing Q2-18 to Q2-17
 (2) Represents Q2-18 x 4

Marketing Automation Overview

What Marketing Automation Does:



① **Drives
More Leads to
Your Business**



② **Converts
More Leads to
Sales**



③ **Measures
Marketing
ROI**

Key Marketing Automation Functionality:

- **Behavior-based triggers**
- **Automated individualized responses**
- **Deep analytics on customer interactions**
- **Lead nurturing and scoring**
- **Marketing campaign management**

Marketing Automation is Becoming Critical for Growth:

91% of the most successful users agree that marketing automation is “very important” to the overall success of their marketing across channels⁽¹⁾

80% of marketing automation users saw their number of leads increase, and **77%** saw the number of conversions increase⁽²⁾

Marketers say that the biggest benefits of marketing automation are saving time (**74%**), increased customer engagement (**68%**), and more timely communications (**58%**)⁽³⁾

Best-in-Class companies are **67%** more likely to use a marketing automation platform⁽⁴⁾

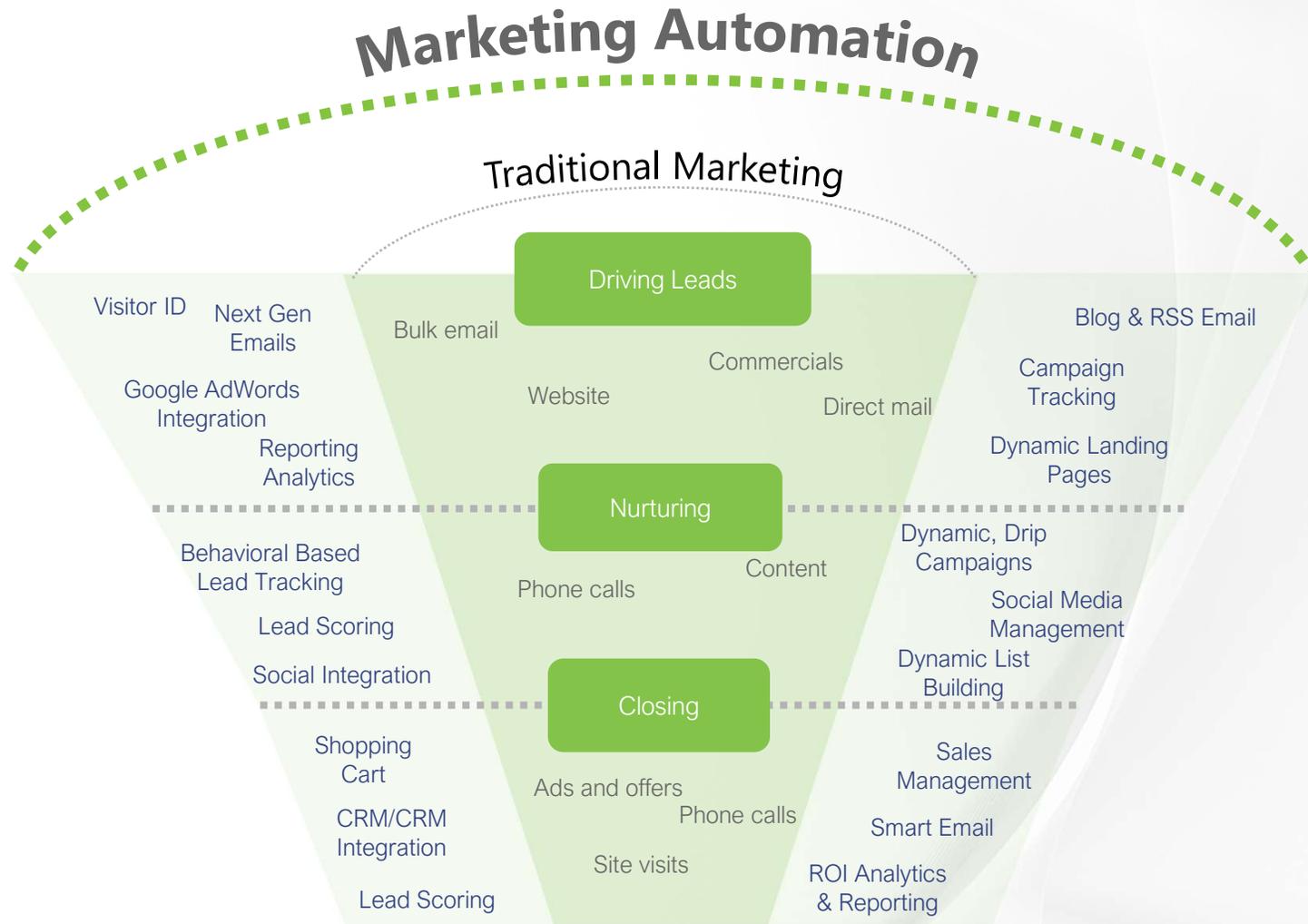
(1) Ascend2 “Marketing Automation Strategies for Sustaining Success” (2015)

(2) VB Insight 2015

(3) “Marketer vs Machine” (2015)

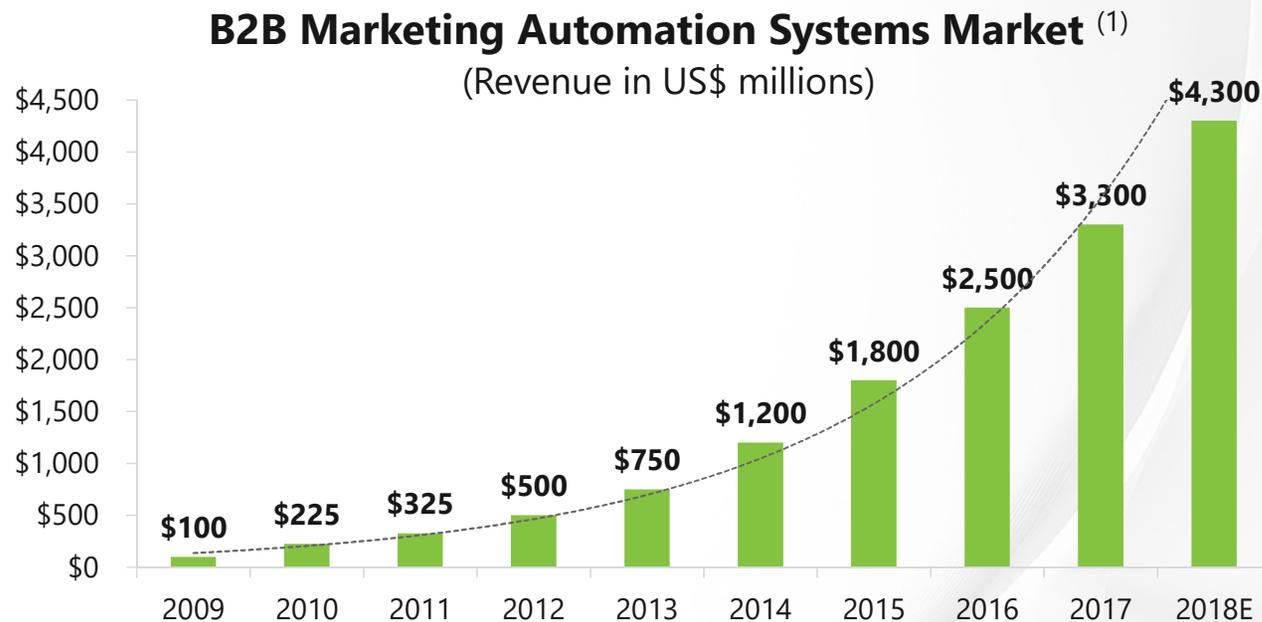
(4) Aberdeen Group “State of Marketing Automation 2014: Processes that Produce” (2014)

Improving the Marketing Funnel



A Rapidly Growing Market

- A \$4.3B market in 2018 growing 30%+ annually ⁽¹⁾
- In a recent survey, 65% of respondents were not yet utilizing a marketing automation solution ⁽²⁾
- Strong M&A activity

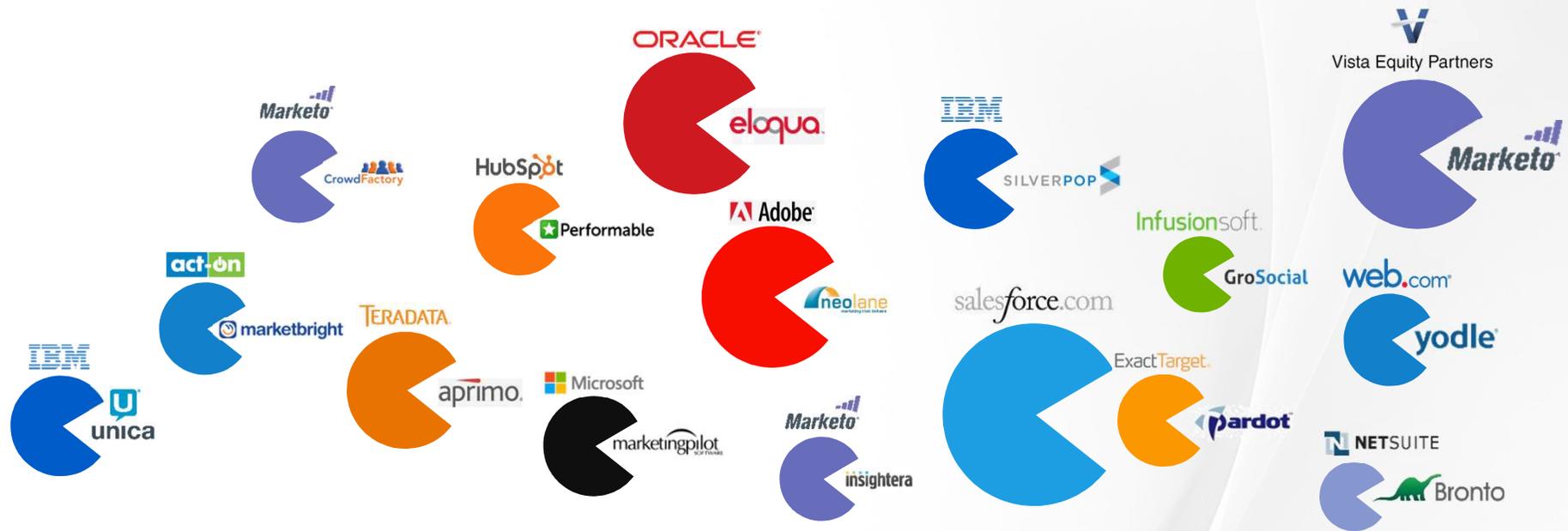


(1) Raab Associates 2015 VEST; 2016-2018 represents SharpSpring estimates

(2) "The Benefits of Marketing Automation" (Liana, 2017)

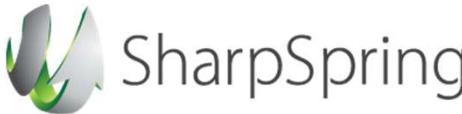
\$6+ Billion in M&A Activity Since 2010

Notable recent acquisitions:

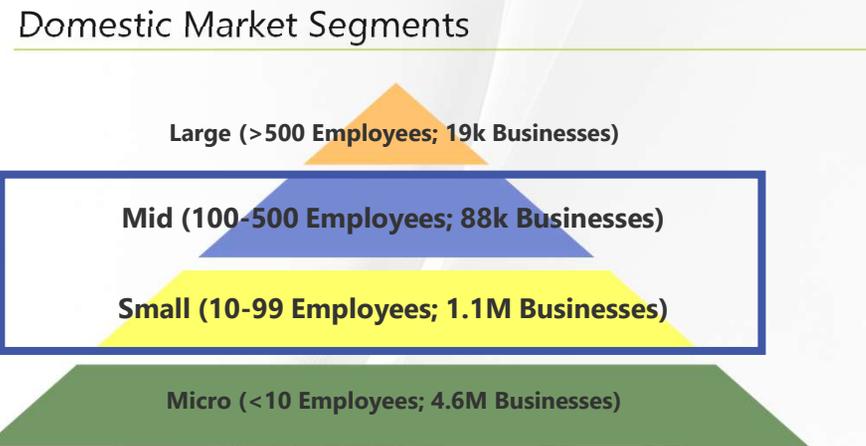


2016 Marketo acquisition at ~6x Revenues

SharpSpring Target Market

True Enterprise Marketing Automation	Small and Mid-Market for Marketing Automation	Small Business Email Marketing
  <i>Requires Enterprise Sales Force</i>	   	  <i>Lack full feature set</i>

- SharpSpring's low pricing and competitive features allow it to directly and successfully target existing HubSpot and Act-On customers
- SharpSpring's broad functionality can attract interest from agencies, and its low price point makes it more attractive to small businesses



"SharpSpring ranks as a leader in the small business segment based on both product and vendor strength."
Raab Associates

Primary Target Customer: Digital Agencies

- Typically 5-20 employees
- Managing numerous clients simultaneously (usually between 10-100)
- Combination of retainer and project-based clients, with strong preference for retainer-based relationships
- Responsible for generating leads and helping move leads through the sales funnel
- Provide creative services and deliver campaigns including PPC, SEO, email and social
- Need to show the impact of their services in the form of calculated ROI



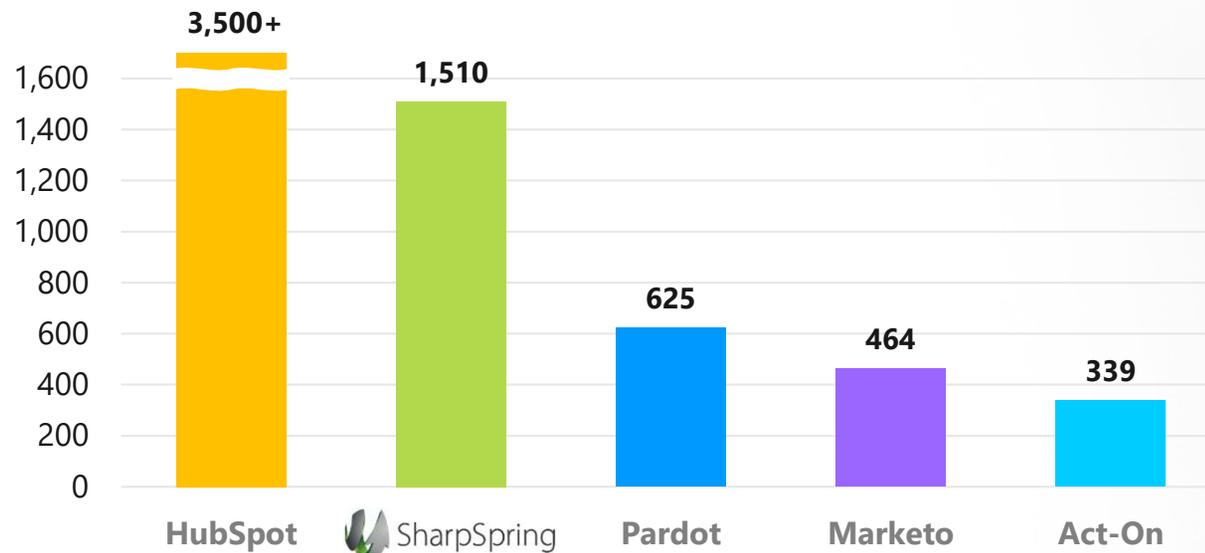
Agencies are regarded as the thought leaders in the digital industry



More than 300,000 businesses turn to digital agencies to address complex needs

We Quickly Became #2 in the Agency Vertical

Agency Customers as of June 30, 2018



Strategic value:

- As technology complexity increases, more firms turn to agencies
- We estimate there are 50,000+ digital marketing agencies in the USA alone
- Agencies provide a cost-effective path to end-users of various products & services

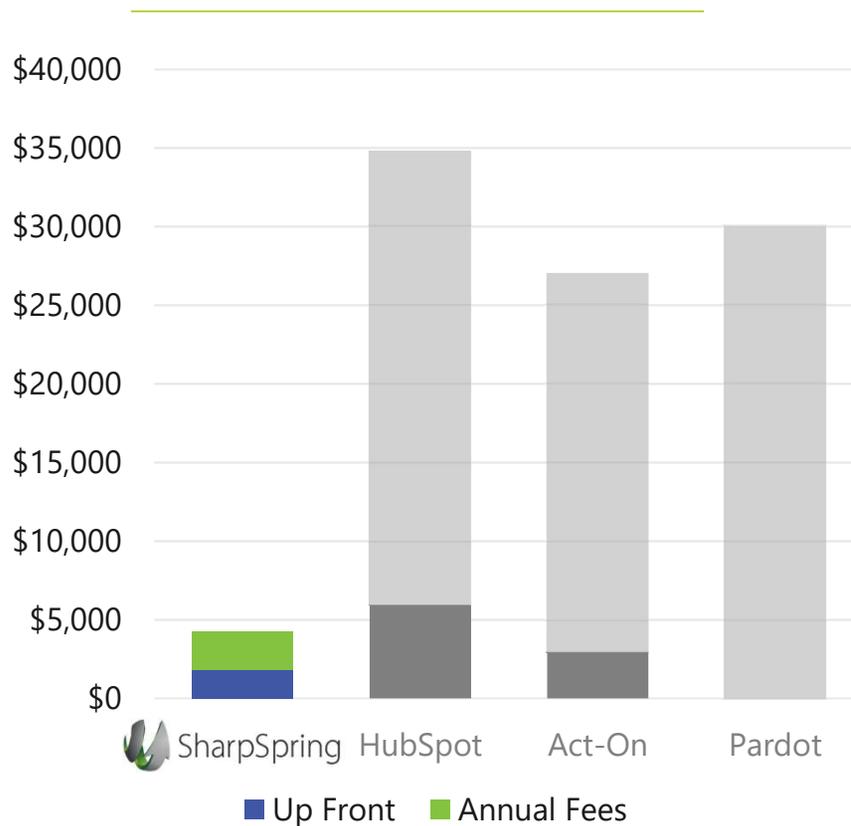
Our best prospect is an agency already using a competitor:

- Our pricing allows them to reach customers they can't with other solutions
- Our features are comparable and our flexibility speeds implementations
- We treat agencies as our customers, whereas competitors treat them as product resellers
- An agency may have 20 customers with 2 on a competitor; we want to win the other 18 accounts



Price Comparison

SharpSpring offers similar functionality at a fraction of the price



Standard Agency Partner Pricing

- \$600/mo. for 3-pack of licenses, plus one license for the agency itself
- \$200/mo. for expansion licenses over the initial 3-pack
- \$1,800 up-front fee
- Volume-based charges apply for usage above limits (mainly emails and contacts in the platform)
- No long-term contracts

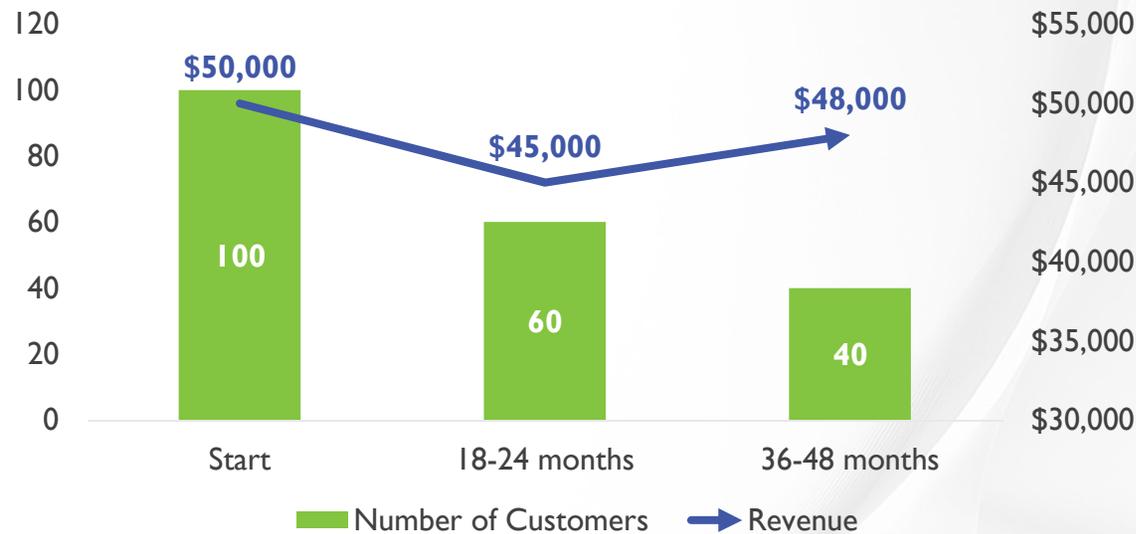
Standard Direct Customer Pricing

- Between \$450-\$875/mo. for a single direct license (based on # of contacts in system)
- \$1,800 up-front fee
- Volume-based charges apply
- No long-term contracts

Agency SaaS Economics

- The first 18-24 months of a customer relationship is comprised of heavier attrition and lower expansion
- After 18-24 months, customers attrite less and begin creating more value by adding more expansion client licenses
- After 3-4 years, the aggregate revenue is growing and attrition is minimal
- Customer groups generate revenues perpetually, leading to high long-term lifetime values

Monthly Revenue Over Time



Average billing per Agency: **\$500/mo.** → **\$750/mo.** → **\$1,200/mo.**

Note: Long-term trends are based on expected values.

SharpSpring's Financial Model

Compelling CAC / LTV metrics

- ✓ Average Customer Acquisition Costs = **\$7,800** ⁽¹⁾
 - Reflects all-in sales and marketing effort to acquire customers
- ✓ Estimated Lifetime Value = **\$40,000-\$50,000**
 - Long-term customer value driven by mature agency customers

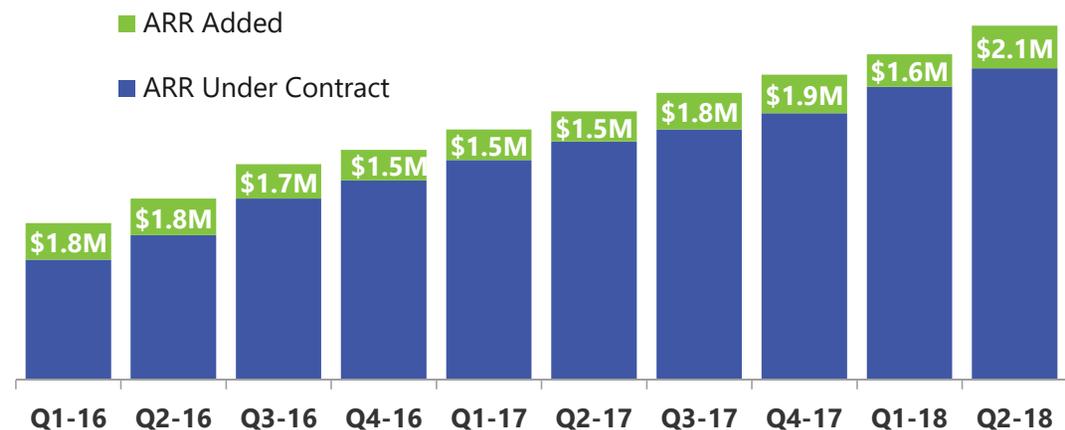
Agency LTV
to CAC Ratio:

6.4x

Continued New Customer Wins

Continued expansion of the flagship product customer base drives higher levels of annual recurring revenue and future predictability

Q2-18 New Wins: **301** Customers with ARR of **\$2.1M**



(1) Represents Q2-18 customer acquisition costs (CAC) based on spend for the prior quarter and the number of new customers acquired in the current quarter to account for sales cycle time lag.

Our Long-Term Sustainable Market Position



Growth Drivers

- New customer growth from accelerated marketing tactics & growing industry adoption
- 6.4:1 LTV to CAC ratio for agencies will generate significant return over time
- Additional license fees related to agency client expansion (sell through)
- Improvements to net revenue attrition
- Potential price increases commensurate with product enhancements
- Long-term increased targeting of end user customers with dramatically larger addressable market





Financial Overview

Summary Financials



Investing in sales & marketing to accelerate future growth



SaaS revenue model



40% growth in flagship product ⁽¹⁾

SharpSpring Flagship Product Revenue Growth



Select Results	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Revenue	\$2,853	\$3,023	\$3,246	\$3,412	\$3,767	\$4,185	\$4,442
Gross Profit (GAAP)	\$1,697	\$1,752	\$1,951	\$2,201	\$2,547	\$2,784	\$2,935
Gross Margin	59%	58%	60%	65%	68%	67%	66%
Adjusted EBITDA	(\$1,226)	(\$1,564)	(\$1,273)	(\$1,248)	(\$1,252)	(\$1,651)	(\$1,530)

All figures in \$000's

Please refer to the appendix or the Company's website for a reconciliation to Adjusted EBITDA.

(1) Represents growth of SharpSpring premium product revenue comparing Q2-18 to Q2-17.

Balance Sheet and Capital Structure

BALANCE SHEET

As of June 30, 2018

Cash	\$12.5M
Total Assets	\$26.8M
Total Liabilities (incl. Conv Notes)	\$10.6M
Shareholders Equity	\$16.2M

SHARES OUTSTANDING

As of June 30, 2018

Basic shares outstanding	8,527,823
Options (<i>weighted avg. exercise price of \$4.95</i>)	1,483,566
Warrants (<i>weighted avg. exercise price of \$7.81</i>)	44,000
Convertible Notes (<i>conversion price of \$7.50</i>)	1,080,573
Fully diluted shares outstanding	11,135,962

- Significant ownership by insiders
- Line of credit provides additional financial flexibility

Investment Highlights

- Growing provider of SaaS marketing technologies
- Compelling SaaS metrics with significant estimated customer lifetime value
- Rapidly achieved meaningful penetration in agency market while winning customers from HubSpot, Act-On & Pardot
- Technology capabilities and agency presence are strategically important in a sector with significant M&A activity



Appendix

Experienced Leadership Team



Rick Carlson

Chief Executive Officer & President

- Proven executive and entrepreneur; founder of SharpSpring
- Over 15 years of executive management experience in the technology sector, holding president, CEO, general manager, and board positions at several successful internet security companies
- Prior to founding SharpSpring, Carlson was President of Panda Security US, an internet security company, and was Managing Director of North America Operations at AVG Technologies, leading the expansion of consumer, SMB and OEM channels in the United States and Canada



Ed Lawton

Chief Financial Officer

- Extensive experience in finance, accounting and acquisitions for publicly traded technology companies
- Former Sr. Director of Finance for Bottomline Technologies (NASDAQ: EPAY) helping to complete over 20 acquisitions globally
- Previously held senior roles with publicly-traded Trico Marine and Cabot Corporation



Travis Whitton

Chief Technology Officer

- Co-founded SharpSpring; responsible for the technical design and development strategy of SharpSpring
- Prior to SharpSpring, Whitton was the primary data storage architect at Grooveshark.com where he implemented solutions to scale the online music streaming service for millions of visitors per day



Jeff Imm

Chief Operating Officer

- Over 20 years of experience building highly functional operations in SMB and enterprise markets
- Successful multi-faceted career spanning sales, marketing, operations, channel and business development
- Former President and COO of When I Work, Inc. and COO/VP of Operations for Time Management Corporation

Our leadership team focuses on accountability and efficiency.
Each of us has long-term equity incentives that are well-aligned with our shareholders.

Reconciliation to Adjusted EBITDA

	Quarter Ended					
	<u>3/31/17</u>	<u>6/30/17</u>	<u>9/30/17</u>	<u>12/31/17</u>	<u>3/31/18</u>	<u>6/30/18</u>
Net loss	\$ (1,379)	\$ (1,273)	\$ (1,582)	\$ (436)	\$ (2,052)	\$ (2,466)
Provision (benefit) for income tax	(499)	(395)	(111)	(1,099)	42	(295)
Other (income) expense, net	(67)	(12)	3	(133)	(69)	338
Change in fair value of embedded derivative features	-	-	-	-	-	453
Depreciation & amortization	197	202	204	205	191	201
Non-cash stock compensation	184	175	200	209	237	239
Acquisition related charges	-	30	38	2	-	-
Adjusted EBITDA	\$ (1,564)	\$ (1,273)	\$ (1,248)	\$ (1,252)	\$ (1,651)	\$ (1,530)