



**A Leading Cloud-Based Marketing Automation Platform**

---

**Investor Presentation**

March 2019

SharpSpring, Inc. | [investors.sharpspring.com](https://investors.sharpspring.com) | NASDAQ: SHSP

# Safe Harbor Statement

The information provided in this presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by use of the words "may," "will," "should," "plans," "explores," "expects," "anticipates," "continues," "estimates," "projects," "intends," and similar expressions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. These risks and uncertainties include, but are not limited to, general economic and business conditions, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing new customer offerings, changes in customer order patterns, changes in customer offering mix, continued success in technological advances and delivering technological innovations, delays due to issues with outsourced service providers, and various other factors beyond the control of SharpSpring, Inc. (the "Company").

This presentation includes statistical and other industry and market data that the Company obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While the Company believes that these industry publications and third-party research, surveys and studies are reliable, the Company has not independently verified such data and the Company does not make any representation as to the accuracy of the information.

Adjusted EBITDA is a non-GAAP financial measure. See the Appendix for the definition and reconciliation of Adjusted EBITDA.

A green rectangular box with a thin border, featuring a small green clip icon at the top center.

Global  
SaaS  
marketing  
automation  
solution

A green rectangular box with a thin border, featuring a small green clip icon at the top center.

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

A green rectangular box with a thin border, featuring a small green clip icon at the top center.

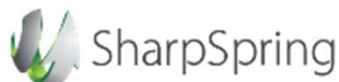
7,000+  
businesses  
utilize  
SharpSpring to  
improve  
communications  
and accelerate  
sales

# SharpSpring at a Glance

## Corporate Overview

• Ticker	NASDAQ: SHSP
• Market Cap (3/15/19)	\$141 M
• Shares Outstanding <sup>(2)</sup>	9.4 M
• Q4-18 Total Revenue	\$5.1 M
• Core Product Growth Rate	41% <sup>(1)</sup>
• Q4-18 Gross Margin %	72%
• Q4-18 Adj. EBITDA	(\$1.6 M)
• Cash (12/31/18) <sup>(2)</sup>	\$18.6 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 business against larger competitors such as HubSpot, Act-On and Salesforce/Pardot
- Unified brand, focus and resources around key growth driver

## SharpSpring Flagship Product Revenue Growth

\$ in millions



## Customer Mix



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

(1) Represents growth of SharpSpring Marketing Automation product revenue comparing Q4-18 to Q4-17

(2) Represents 10-K amount for year ended 12/31/18, plus estimated adjusted amount due to March 2018 stock offering per SEC filings (excludes overallotment)

# 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<sup>(1)</sup>

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

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

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

(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)

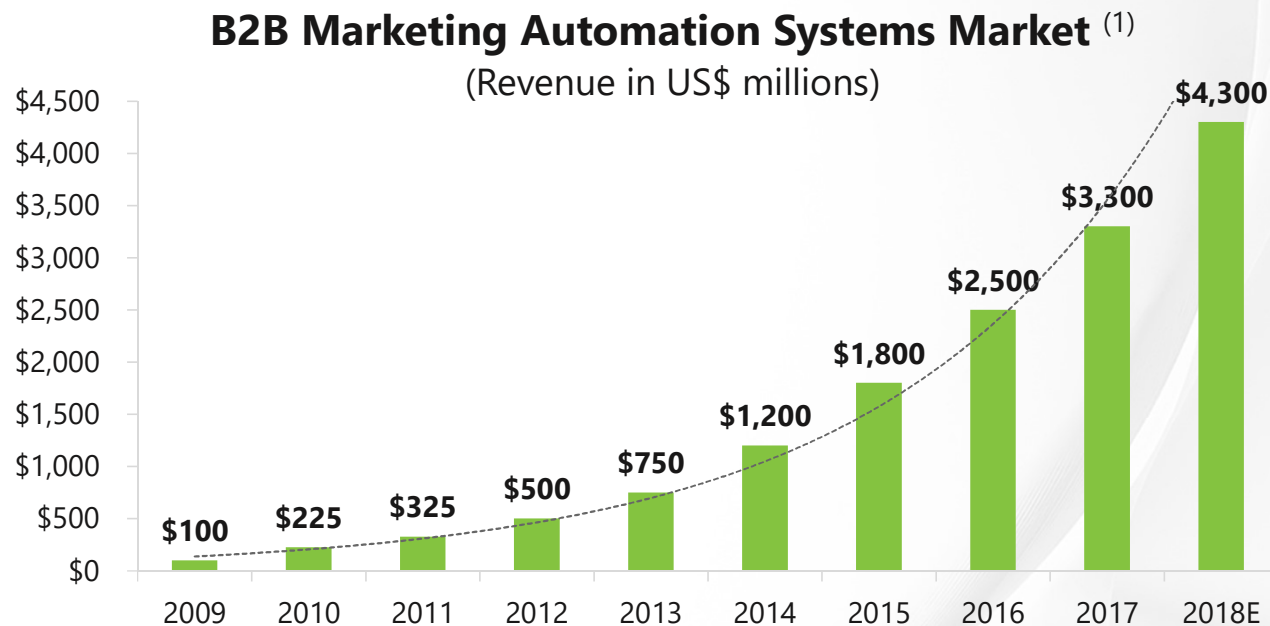
# Improving the Marketing Funnel

## Marketing Automation



# A Rapidly Growing Market

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



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

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

# \$11+ Billion in M&A Activity Since 2010

Notable recent acquisitions:



---

Recent 2018 Adobe acquisition of Marketo at 12x Revenues

---

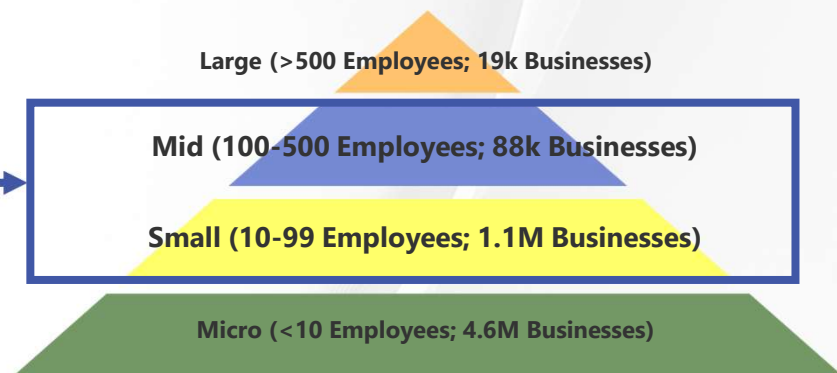


# SharpSpring Target Market

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 lower pricing and competitive features allow it to 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

## Domestic Market Segments



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

*Raab Associates*

# Primary Target Customer: Digital Marketing 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



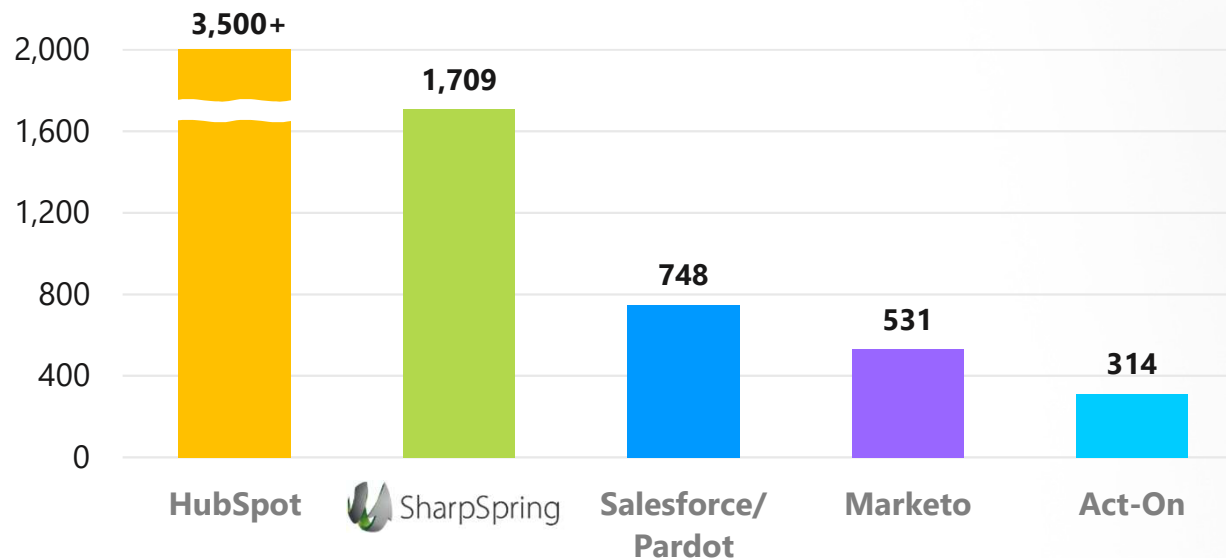
**Agencies are regarded as the thought leaders in the digital industry**



**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 September 30, 2018

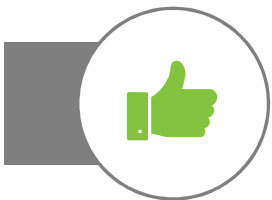


## Strategic value:

- 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



# TrustRadius Award

SharpSpring Recognized as “Top Rated Marketing Automation Software for 2019” by TrustRadius



- Customer-driven, voice of the market award
- Second consecutive year
- Recognized from over 100 platforms
- Appear alongside HubSpot, Marketo, and Oracle Eloqua

26  
Feb

**GAINESVILLE, FL – February 26, 2019** **SharpSpring, Inc. (NASDAQ: SHSP)**, a leading cloud-based marketing automation platform, today announced it has been recognized as a **Top Rated Marketing Automation Software for 2019** on TrustRadius, the widely-respected B2B software technology review platform.

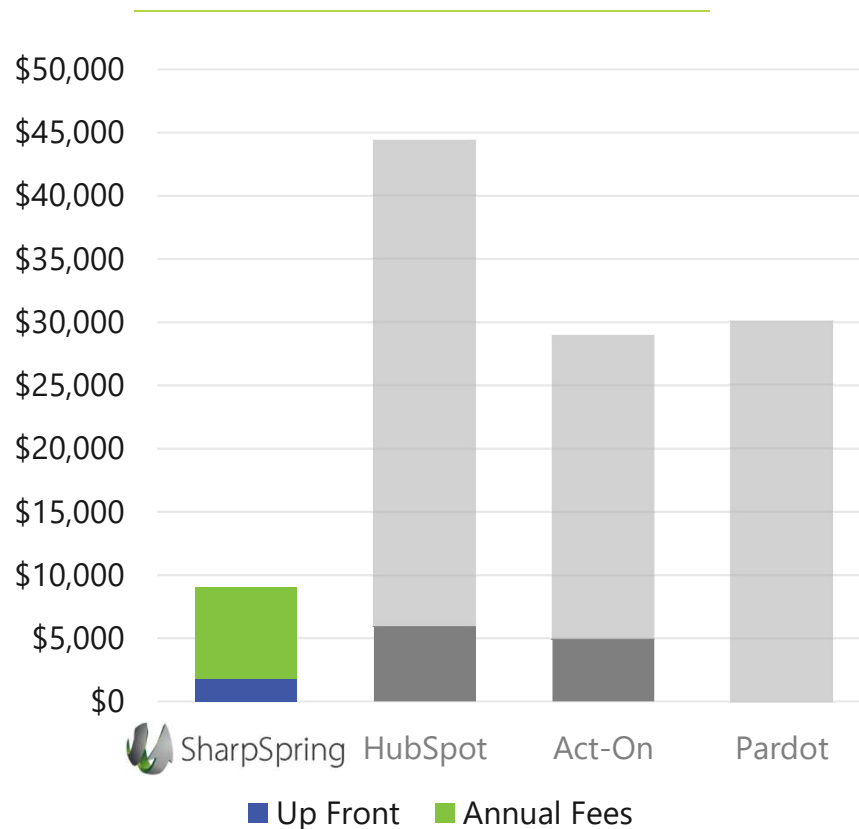
“SharpSpring was given its Top Rated award based directly on end-user feedback,” said Megan Headley, VP of Research at TrustRadius. “Reviewers highlight the product’s email tracking capabilities and the positive onboarding experiences they’ve had as two benefits of using SharpSpring.”

This marks the second year in a row that SharpSpring has been honored as a top choice for marketing automation by customers through the TrustRadius Top Rated awards. Not influenced by analyst opinion or by the vendor’s company size, popularity, or status as a TrustRadius customer, Top Rated awards are the voice of the market.

“Customer-driven awards, like the Trust Radius’s Top Rated Marketing Automation Software Award, are incredibly important to everyone at our company,” SharpSpring CEO Rick Carlson said. “Our entire business revolves around maximizing customers’ ability to grow their businesses with a truly affordable software platform that is a tiny fraction of the cost of competing

# 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

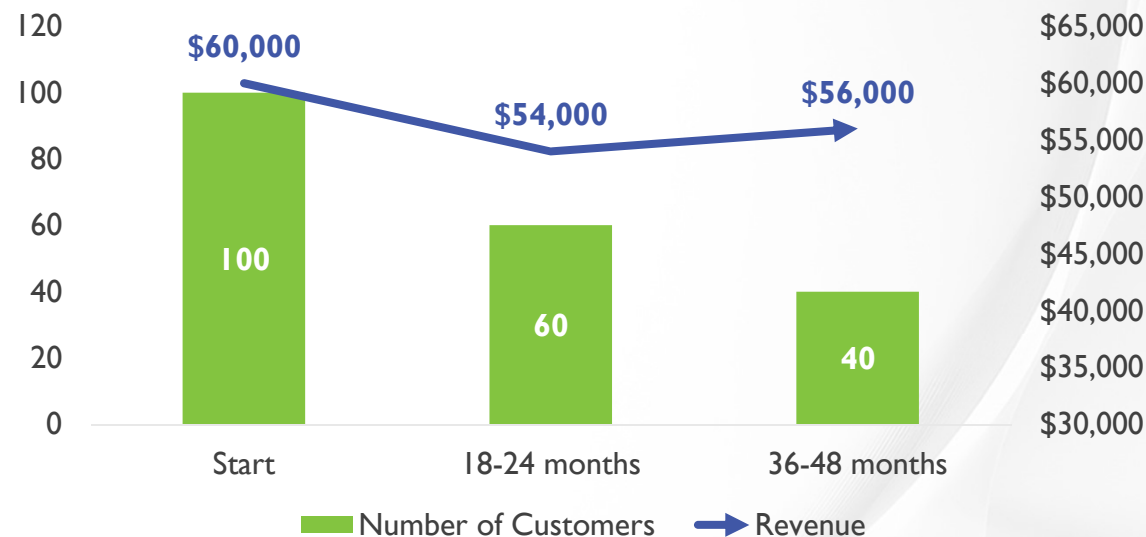
## Standard Direct Customer Pricing

- 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: **\$600/mo.** ➔ **\$900/mo.** ➔ **\$1,400/mo.**

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

# SharpSpring's Financial Model

## Compelling CAC / LTV Metrics

- ✓ Average Customer Acquisition Costs = **\$6,900** <sup>(1)</sup>
  - 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

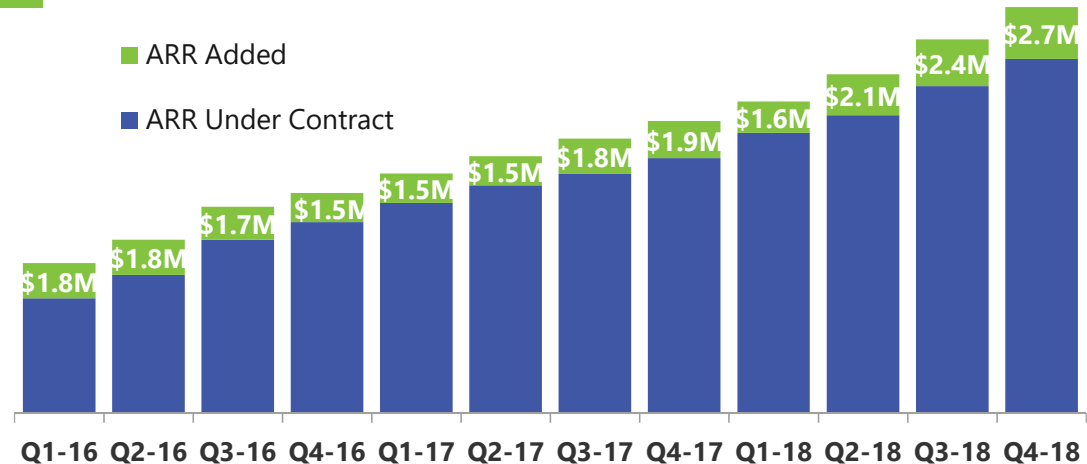
Agency LTV  
to CAC Ratio:

**7.2x**

## Continued New Customer Wins

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

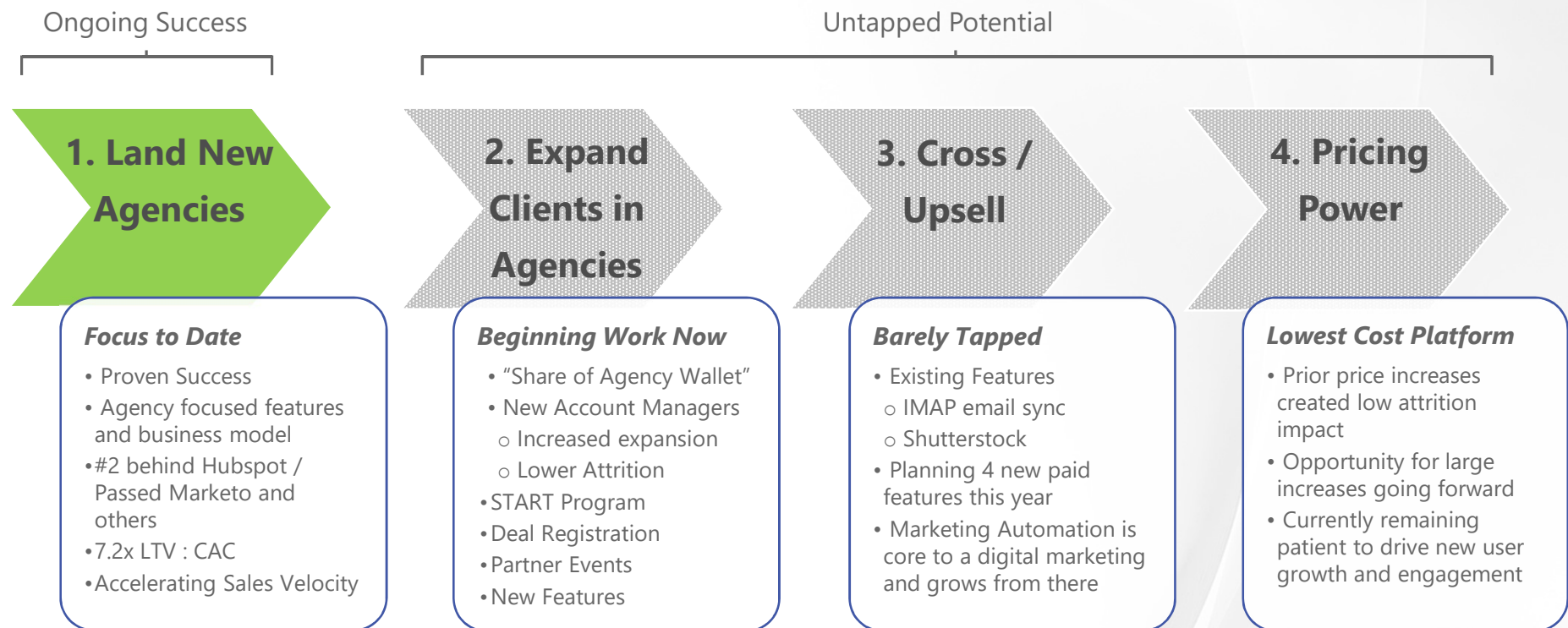
Q4-18 New Wins: **379** Customers with ARR of **\$2.7M**



(1) Represents Q4-18 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.



# Revenue Model



We have several growth pillars upon which to build incremental revenue:

- Continue to add new agencies
- Expand clients within agencies (increased focus in 2019)
- Cross/Upsell existing and new features (increased focus for 2019 and beyond)
- Future pricing power



# Our Long-Term Sustainable Market Position

## Incumbents

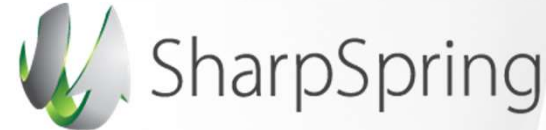
- Cannibalization risk
- High cost structures



Incumbents cannot come down to compete

## SharpSpring

- Full feature platform
- Disruptively priced at 1/10<sup>th</sup> of competitors



High barriers to entry protect us from new entrants

## New Entrants

- High Technical Barriers to Entry
- Constantly Evolving Market

Tracking



Security



Integrations



Scalability



Email



Automation



Analytics



Landing Pages



Social



# Growth Drivers

- New customer growth from accelerated marketing tactics & growing industry adoption
- 7.2:1 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

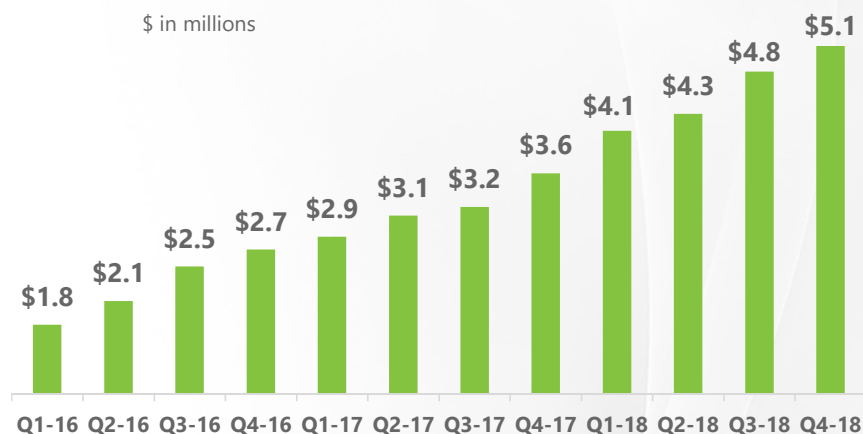


SaaS revenue model



41% growth in flagship product <sup>(1)</sup>

## SharpSpring Flagship Product Revenue Growth



Select Results	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>Revenue</b>	<b>\$2,853</b>	<b>\$3,023</b>	<b>\$3,246</b>	<b>\$3,412</b>	<b>\$3,767</b>	<b>\$4,185</b>	<b>\$4,442</b>	<b>\$4,873</b>	<b>\$5,151</b>
Gross Profit (GAAP)	\$1,697	\$1,752	\$1,951	\$2,201	\$2,547	\$2,784	\$2,935	\$3,401	\$3,733
<b>Gross Margin</b>	<b>59%</b>	<b>58%</b>	<b>60%</b>	<b>65%</b>	<b>68%</b>	<b>67%</b>	<b>66%</b>	<b>70%</b>	<b>72%</b>
Adjusted EBITDA	(\$1,226)	(\$1,564)	(\$1,273)	(\$1,248)	(\$1,252)	(\$1,651)	(\$1,530)	(\$1,504)	(\$1,562)

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 Marketing Automation product revenue comparing Q3-18 to Q3-17.

# Balance Sheet and Capital Structure

As of December 31, 2018

## BALANCE SHEET

Cash <sup>(1)</sup>	\$18.6M
Total Assets <sup>(1)</sup>	\$33.3M
Total Liabilities (incl. Conv Notes)	\$11.2M
Shareholders Equity <sup>(1)</sup>	\$22.1M

## SHARES OUTSTANDING <sup>(1)</sup>

<b>Basic shares outstanding</b>	<b>9,389,139</b>
Options <i>(weighted avg. exercise price of \$6.07)</i>	1,654,522
Warrants <i>(weighted avg. exercise price of \$7.81)</i>	30,000
Convertible Notes <i>(conversion price of \$7.50)</i>	1,107,240
<b>Fully diluted shares outstanding</b>	<b>12,180,901</b>

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

(1) Represents 10-K amount for year ended 12/31/18, plus estimated adjusted amount due to March 2018 stock offering per SEC filings (excludes overallotment)

# 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 Managing Director 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



**Brad Stanczak**

Chief Financial Officer

- Over 14 years of experience in finance and accounting roles, with a focus on growing technology companies
- Prior to SharpSpring, Stanczak was Vice President of Finance and Accounting for Resonate, a VC-backed MarTech SaaS company, where he helped increase SaaS sales from zero to over \$10M of ARR



**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

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>	<u>9/30/18</u>	<u>12/31/18</u>
Net loss	\$ (1,379)	\$ (1,273)	\$ (1,582)	\$ (436)	\$ (2,052)	\$ (2,466)	\$ (2,710)	\$ (2,250)
Provision (benefit) for income tax	(499)	(395)	(111)	(1,099)	42	(295)	5	(84)
Other (expense) income, net	(67)	(12)	3	(133)	(69)	338	244	32
Gain (loss) on embedded derivative	-	-	-	-	-	453	(27)	(26)
Depreciation & amortization	197	202	204	205	191	201	240	260
Non-cash stock compensation	184	175	200	209	237	239	235	254
Acquisition related charges	-	30	38	2	-	-	-	-
Non-employee stock issuance expense	-	-	-	-	-	-	509	-
Restructuring charges	-	-	-	-	-	-	-	252
<b>Adjusted EBITDA</b>	<b>\$ (1,564)</b>	<b>\$ (1,273)</b>	<b>\$ (1,248)</b>	<b>\$ (1,252)</b>	<b>\$ (1,651)</b>	<b>\$ (1,530)</b>	<b>\$ (1,504)</b>	<b>\$ (1,562)</b>

Adjusted EBITDA reflects net income adjusted for, but not limited to, non-cash, non-recurring, or irregular items.