



A Leading Cloud-Based Marketing Automation Platform

Investor Presentation

November 2019

SharpSpring, Inc. | 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.



Global
SaaS
marketing
automation
solution



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



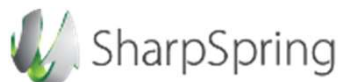
8,000+
businesses
utilize
SharpSpring to
improve
communications
and accelerate
sales

SharpSpring at a Glance

Corporate Overview

• Ticker	NASDAQ: SHSP
• Market Cap (Q3-19)	\$106 M
• Shares Outstanding	10.9 M
• 2015 – 2019 CAGR	52%
• Q3-19 Total Revenue	\$5.7 M
• Q3-19 YTD Gross Margin %	70%
• Q3-19 Adj. EBITDA	(\$2.0 M)
• Cash (9/30/19)	\$13.8 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 Q3-19 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

Marketing Automation

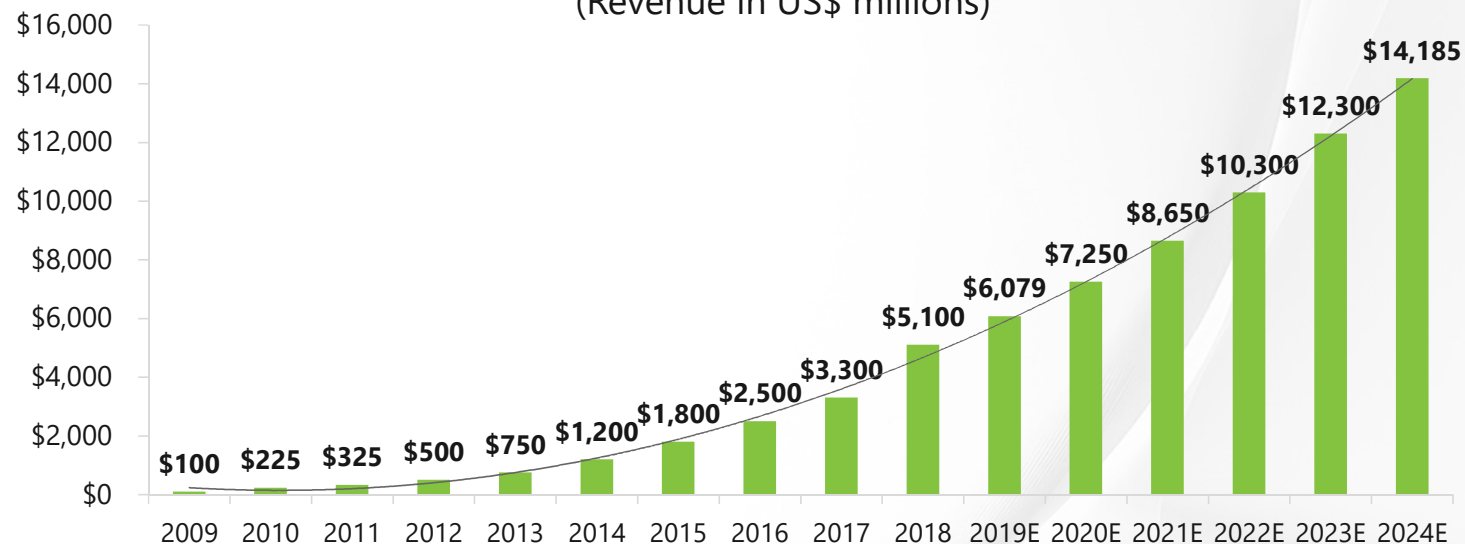


A Rapidly Growing Market

- A \$5.1B market in 2018 growing 20%+ annually ⁽¹⁾
- In a recent survey, 65% of respondents were not yet utilizing a marketing automation solution ⁽²⁾
- Strong M&A activity

B2B Marketing Automation Systems Market ⁽¹⁾

(Revenue in US\$ millions)

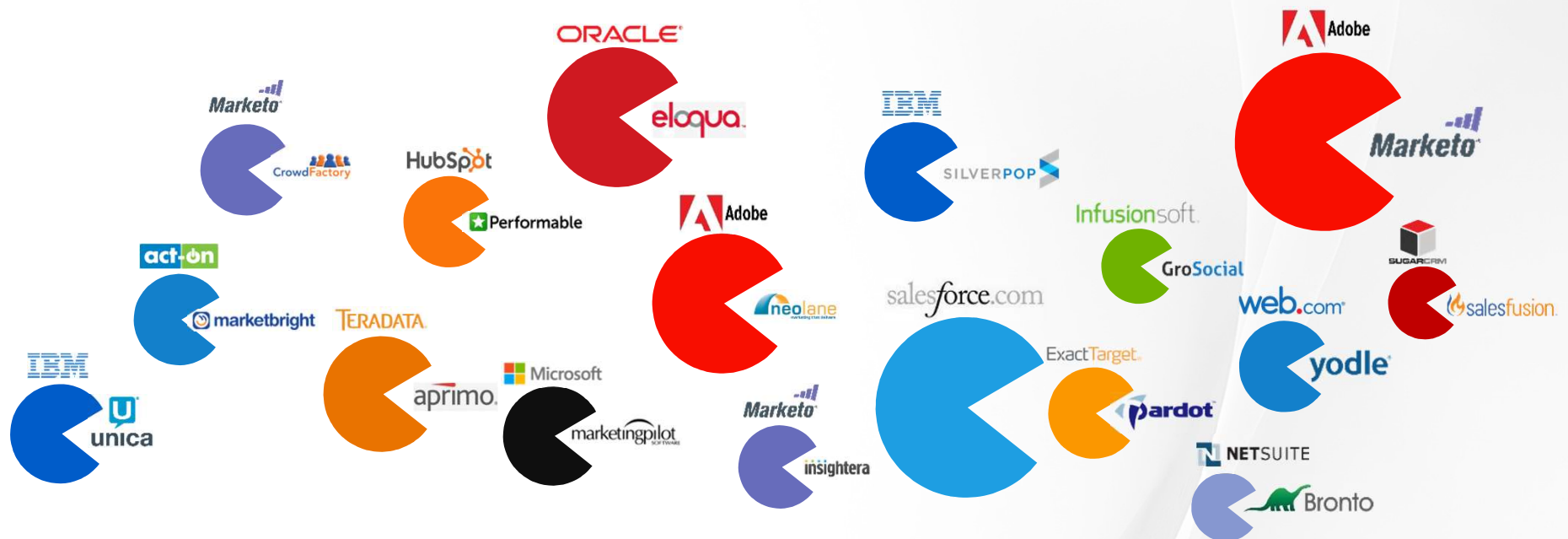


(1) Raab Associates 2015 VEST; 2016-2017 represents SharpSpring estimates; Market Reports World 2018-2024

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

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

Notable recent acquisitions:



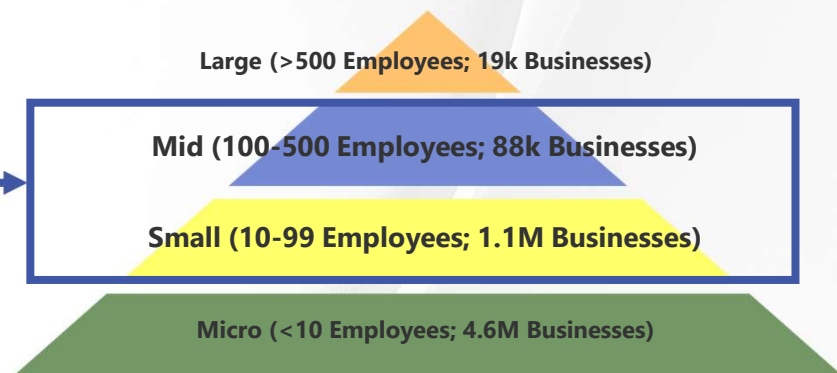
2018 Adobe acquisition of Marketo at 12x Revenues

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



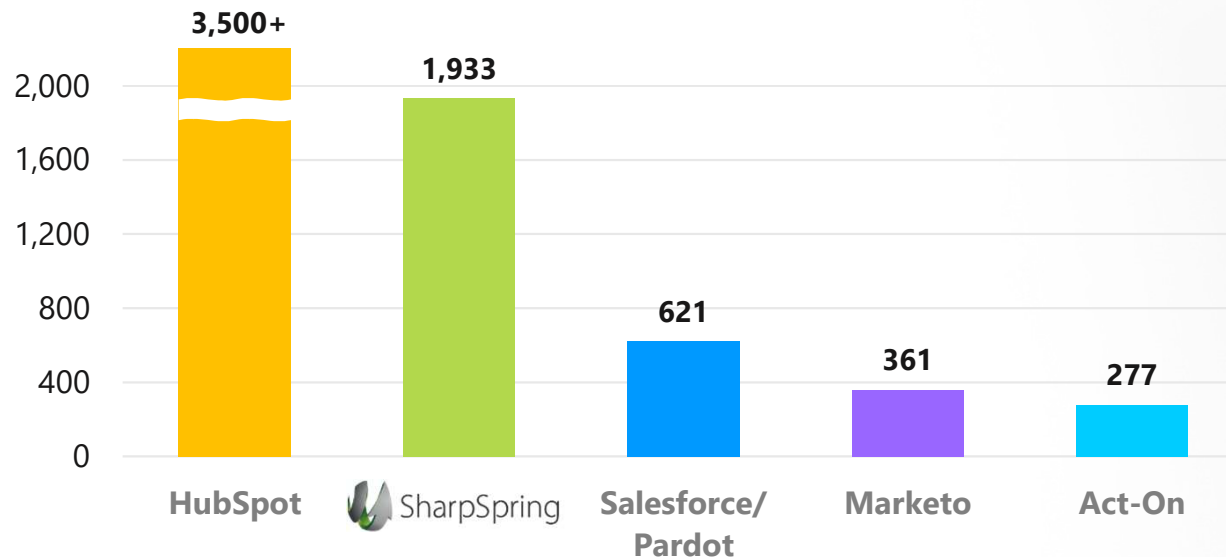
Agencies are regarded as the thought leaders in the digital industry



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, 2019

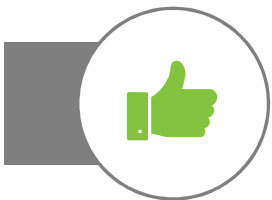


Strategic value:

- 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



Award-Winning Platform



- Three Awards in One Month
- Most revolutionary Software
- Top Marketing Resource Management
- Top Rated All-in-one Marketing Tool
- Appear alongside HubSpot, Marketo, and Oracle Eloqua

SharpSpring Recognized with Three Major Industry Awards in Less than One Month

08
Jul

GAINESVILLE, FL – July 8, 2019 – SharpSpring, Inc. (NASDAQ: SHSP), a leading cloud-based marketing automation platform, today announced it has been recognized with its third industry award in as many weeks. These awards include: a TrustRadius Top Rated All-in-One Marketing Tool for 2019, Top Marketing Resource Management Software by G2 Crowd and, most recently, a [TrustRadius 2019 Most Revolutionary Software Award](#).

TrustRadius considered every review on its site to-date, a collection of more than 50,000 B2B software reviews across hundreds of product categories, to determine the most 'revolutionary' products for 2019.

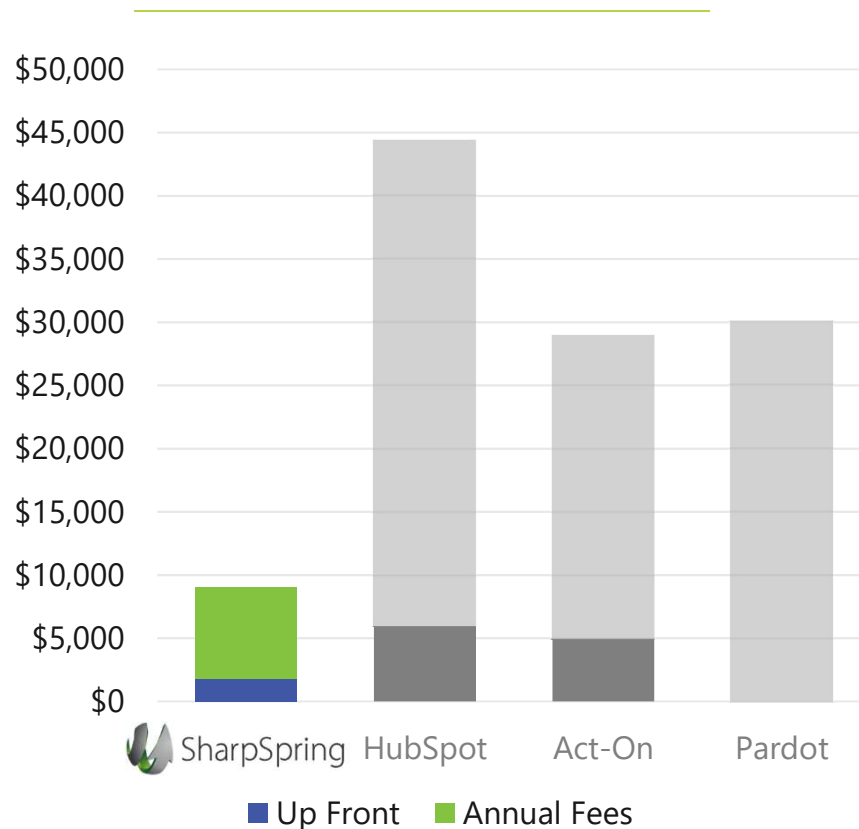
"SharpSpring has won an award for being one of the 10 Most Revolutionary products on TrustRadius," said Megan Headley, VP of Research at TrustRadius. "This unique title is awarded to a select group of products that have been declared revolutionary by their customers. Reviewers on TrustRadius highlight SharpSpring's scalability, workflow automation features, and flexible integration capabilities."

Some of the most 'revolutionary' comments on TrustRadius about SharpSpring include:

"SharpSpring truly is the all-in-one that solves the marketing and sales needs of many businesses like ours. We highly recommend this product... SharpSpring is targeted and focused on agencies who then become experts in the tool and how

Price Comparison

SharpSpring offers similar functionality at a fraction of the price



Standard Agency Partner Pricing

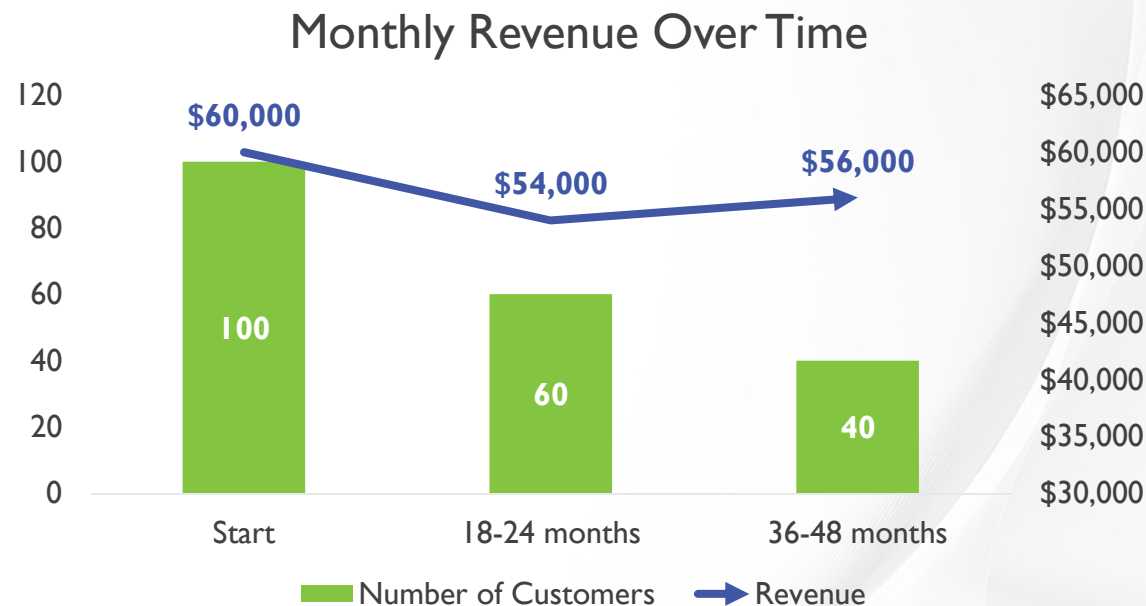
- \$600/mo. for 3-pack of licenses, plus one license for the agency itself
- \$200/mo. for expansion licenses over the initial 3-pack
- \$1,800 up-front fee
- Volume-based charges apply for usage above limits (mainly emails and contacts in the platform)
- No long-term contracts

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
- Annual contract

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



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 = **\$7,400** ⁽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

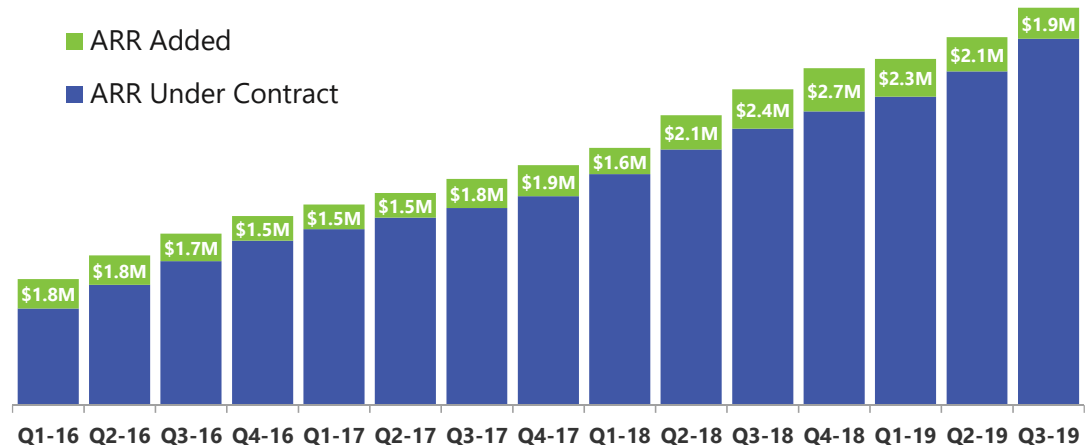
Agency LTV
to CAC Ratio:

6.8x

Continued New Customer Wins

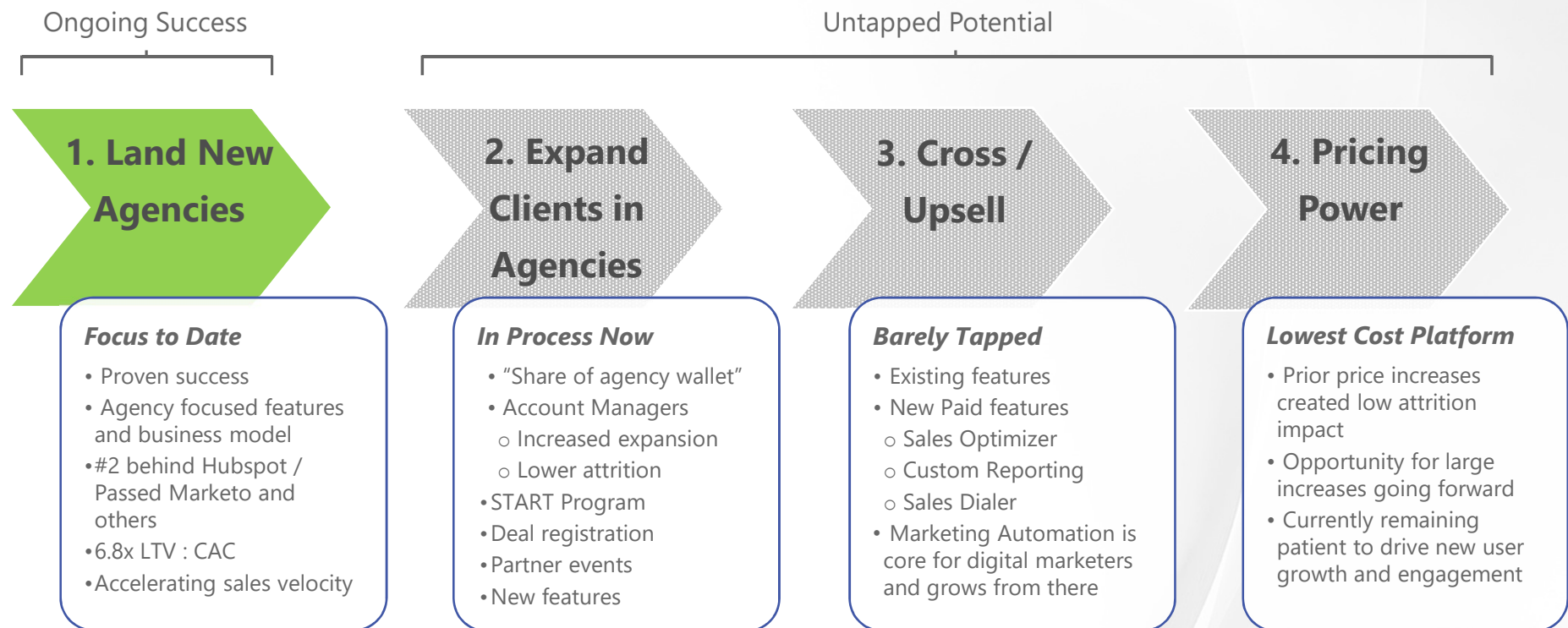
Continued expansion of the flagship product customer base drives higher levels of annual recurring revenue and future predictability

TTM Avg Qtr New Wins: 315
Customers with ARR of **\$2.2M**



(1) Represents customer acquisition costs (CAC) based on spend for the TTM ended 12/31/18 and the number of new customers acquired in the TTM ended 3/31/19 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 2020 and beyond)
- Future pricing power

Our Long-Term Sustainable Market Position

Incumbents

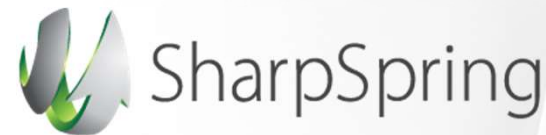
- Cannibalization Risk
- High Cost Structures



Incumbents cannot come down to compete

SharpSpring

- Full Feature Platform
- Disruptively Priced at 1/10th 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
- 6.8:1 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



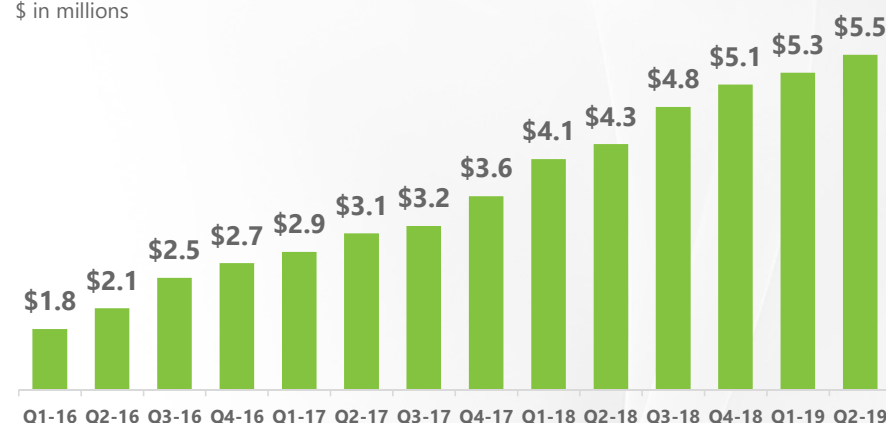
SaaS revenue model



52% flagship product 4-year CAGR ⁽¹⁾

SharpSpring Flagship Product Revenue Growth

\$ in millions



Select Results	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenue	\$3,023	\$3,246	\$3,412	\$3,767	\$4,185	\$4,442	\$4,873	\$5,151	\$5,326	\$5,517	\$5,724
Gross Profit (GAAP)	\$1,752	\$1,951	\$2,201	\$2,547	\$2,784	\$2,935	\$3,401	\$3,733	\$3,778	\$3,892	\$3,883
Gross Margin	58%	60%	65%	68%	67%	66%	70%	72%	71%	71%	68%
Adjusted EBITDA	(\$1,564)	(\$1,273)	(\$1,248)	(\$1,252)	(\$1,651)	(\$1,530)	(\$1,504)	(\$1,562)	(\$1,830)	(\$1,716)	(\$1,973)

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 from 2016 through 2019 run rate of Q3-19.

Balance Sheet and Capital Structure

As of September 30, 2019

BALANCE SHEET ⁽¹⁾

Cash	\$13.8M
Total Assets	\$34.5M
Total Liabilities	\$8.3M
Shareholders Equity	\$26.2M

SHARES OUTSTANDING ⁽²⁾

Basic shares outstanding	10,946,086
Options <i>(weighted avg. exercise price of \$6.79)</i>	1,337,488
Warrants	0
Convertible Notes	0
Fully diluted shares outstanding	12,283,574

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

(1) Represents amounts disclosed in 8-K filed on November 7, 2019

(2) Represents amounts disclosed in 10-Q filed on August 14, 2019, for quarter ended 6/30/19

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>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>	<u>3/31/19</u>	<u>6/30/19</u>	<u>9/30/19</u>
Net loss	\$ (1,582)	\$ (436)	\$ (2,052)	\$ (2,466)	\$ (2,710)	\$ (2,250)	\$ (2,894)	\$ (4,238)	\$ (2,527)
Provision (benefit) for income tax	(111)	(1,099)	42	(295)	5	(84)	2	1	(2)
Other (expense) income, net	3	(133)	(69)	338	244	32	104	42	16
Non-cash gain (loss) on embedded derivative	-	-	-	453	(27)	(26)	(24)	(190)	-
Non-cash gain (loss) on induced conversion	-	-	-	-	-	-	-	2,163	-
Depreciation & amortization	204	205	191	201	240	260	228	244	256
Non-cash stock compensation	200	209	237	239	235	254	304	262	284
Acquisition related charges	38	2	-	-	-	-	-	-	-
Non-employee stock issuance expense	-	-	-	-	509	-	-	-	-
Restructuring charges	-	-	-	-	-	252	133	-	-
Franchise tax settlement	-	-	-	-	-	-	318	-	-
Adjusted EBITDA	\$ (1,248)	\$ (1,252)	\$ (1,651)	\$ (1,530)	\$ (1,504)	\$ (1,562)	\$ (1,829)	\$ (1,716)	\$ (1,973)

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