

SaaS METRICS PALOOZA

Rule of 40+:The Operators' Guide To Efficient Growth



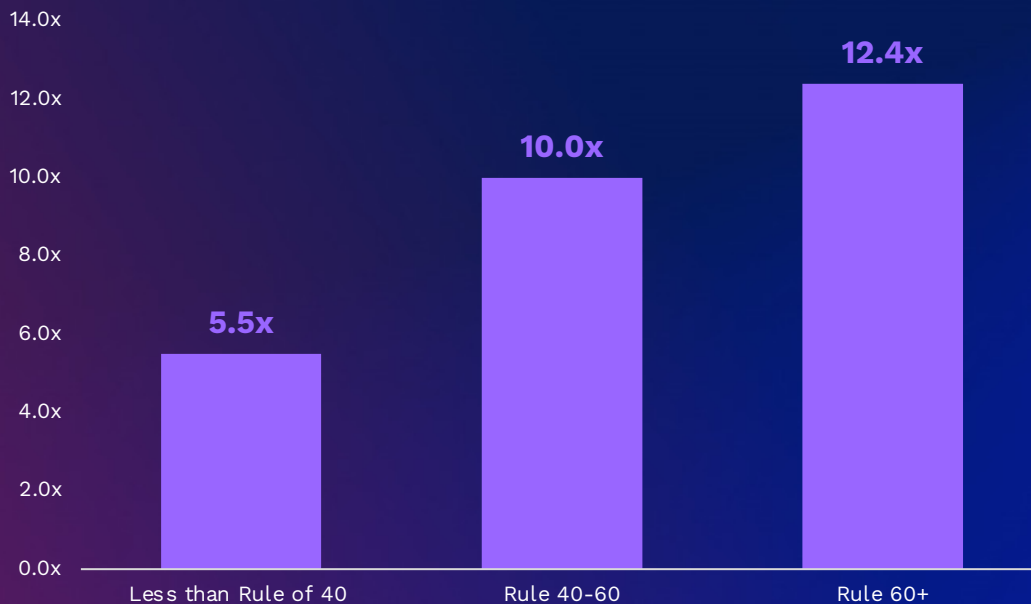
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Efficient Growth Isn't Easy, But It's Worth It

Avg. EV/ NTM Revenue
for BVP Cloud Index Companies



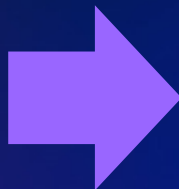
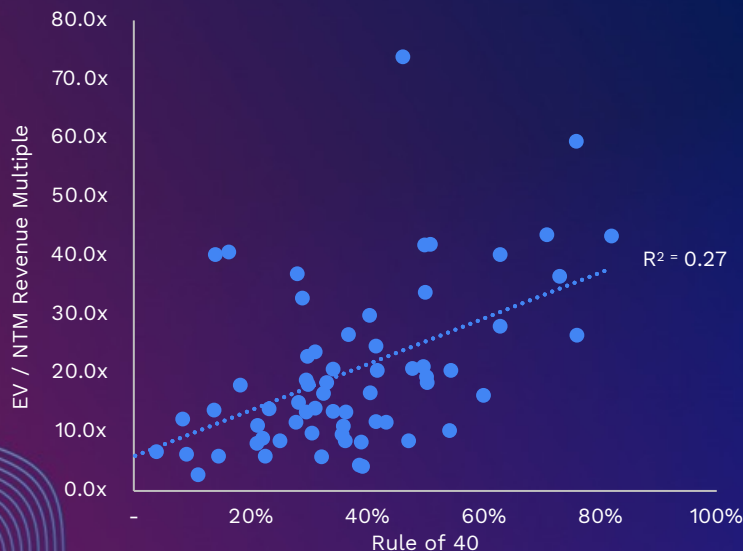
Public Cloud Companies
With Rule Of 40+
(Revenue Growth + FCF Margin)
Receive Premium Valuations

Source: [BVP Emerging Cloud Index](#)

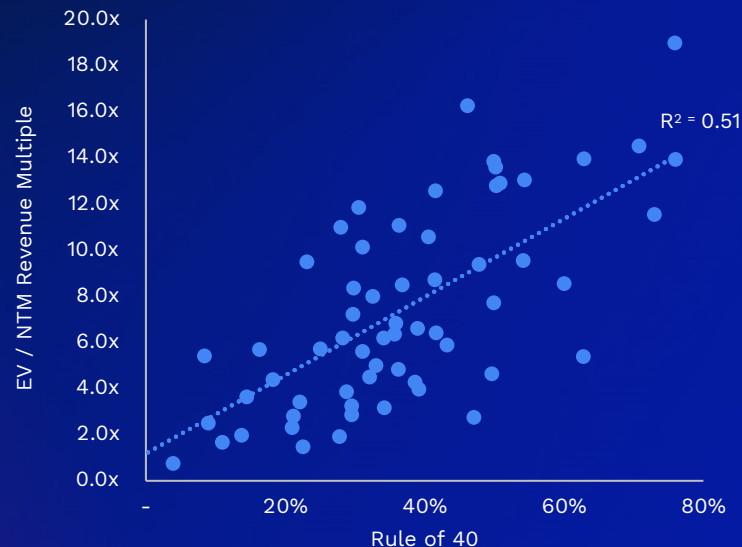
Rule of 40 Composition Matters

The importance of each component of the Rule of 40 has changed for investors, shifting from growth as the key driver of value to growth AND profitability today

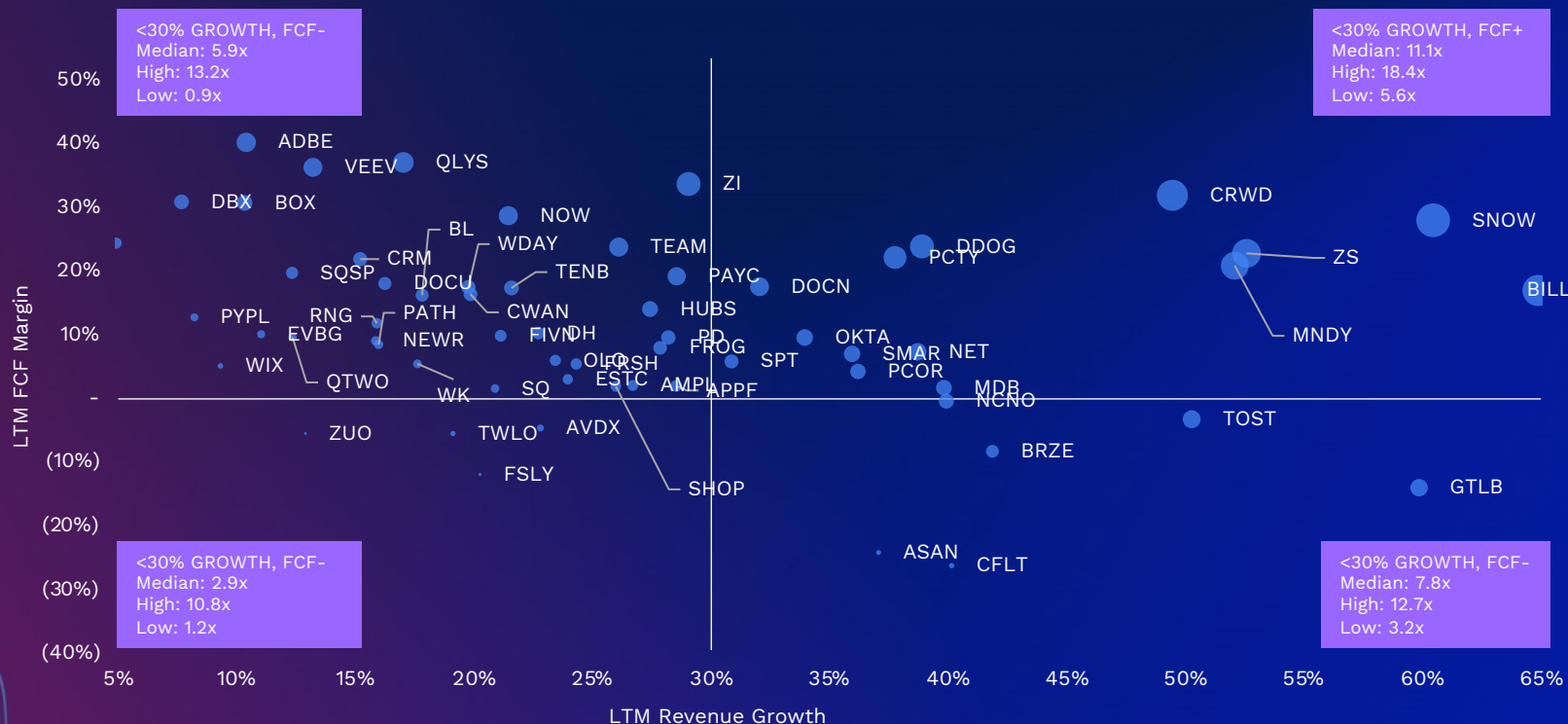
In November '21, a 1% improvement in revenue growth had the same impact on valuation as a ~6% improvement in FCF margin



Today, a ~1% improvement in revenue growth has the same impact as a ~1% improvement in FCF margin



The Essential Growth vs. Profitability Matrix



3 Key Lessons From SendGrid

1. Rigorous culture around hiring is key
2. Efficient growth isn't just the job of the C-Suite; involve the entire org
3. You can't "cut" your way to growth; driving innovation is essential



Efficient Growth Tactics By P&L Line Item

1. Revenue – Invest in a second act, optimize pricing and packaging
2. Gross Margin – Optimize cloud costs, enhance code efficiency, automate implementation
3. S&M – Live by CAC payback metrics, prioritize customer retention over acquisition, quota attainment

CAC PAYBACK BENCHMARKS (MONTHS)

SEGMENT	GOOD	BETTER	BEST
SMB	12	6-12	<6
Mid-Market	18	9-18	<9
Enterprise	24	12-24	<12

Efficient Growth Tactics By P&L Line Item (cont.)

3. R&D – Project prioritization and clearly defined roadmap
4. G&A – Consolidate real estate costs, evaluate vendor expenditure, leverage automation where possible
5. Stock Based Compensation (SBC) – Be diligent about granting SBC - it has real economic cost

North Star “Fundability” Metrics

Rule of 40 doesn’t happen over night – focusing on these metrics is a good way to know you are on the right path and in control of your “fundability”

	GOOD	BETTER	BEST
CAC Payback	12-18 mo.	6-12 mo.	0-6 mo.
Net New ARR / Net Burn	<0.5x	0.5x – 1.5x	1.5x+
Cash Runway	12 mo.	18 mo.	24 mo.
Revenue Growth	75%	100%	125%+
Logo Retention	85%	90%	95%+
Net Retention	100%	110%	120%+



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