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B2B SaaS METRICS BENCHMARK 2023 REPORT

Research by Benchmarkit - formerly RevOps Squared

Summary

This report is a summary of the 2022 benchmarks gathered and calculated in the first half of 2023

Interactive Benchmarks:

bit.ly/SaaSBenchmarksReport2023

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Special Thanks to our 2023 B2B SaaS Metrics Benchmark Partners

mosaic

sage Intacct

MAXIO

Klipfolio

discern

saascan

subscript

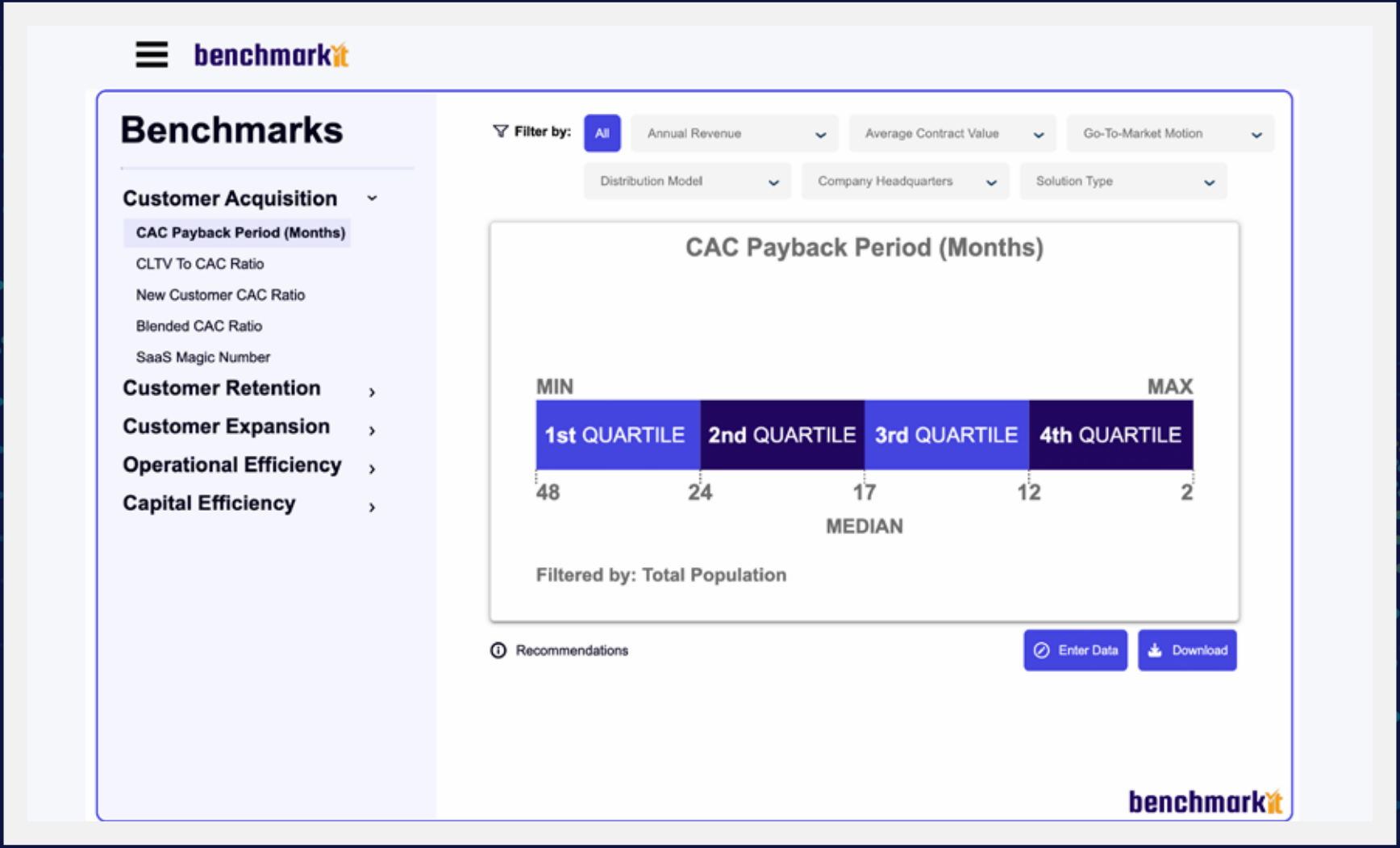
THE SAAS CFO

Mostly metrics

SaaSletter
A SAAS NEWSLETTER

How to use bit.ly/SaaSBenchmarksReport2023

Overlay your internal SaaS Metrics on each benchmark chart



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2023 BENCHMARK RESEARCH SUMMARY

During March – May 2023, RevOps Squared, now doing business as Benchmarkit™, in partnership with multiple partners spanning B2B SaaS vendors, Venture Capital, M&A Advisory firms, B2B SaaS Advisory Service companies, CFO outsourcing companies and global B2B SaaS communities collected data, in aggregate from 1,880 B2B SaaS companies.

Our goal was to include "only" those submissions that were of the highest integrity, and within two standard deviations from the mean whenever possible. As a result, some participant's metrics were not included, and occasionally this resulted in collapsing company size and/or average contract values into a consolidate segment to eliminate data sparsity.

B2B SaaS and Cloud Key Performance Indicators collected include 17 B2B SaaS metrics grouped into 5 categories including: 1) Capital Efficiency; 2) Operational Efficiency; 3) Customer Acquisition; 4) Customer Expansion and; 5) Customer Retention.

All data is segmented into cohorts by using the following company segmentation attributes:
1) Company Size; 2) Average Annual Contract Value; 3) Distribution Model; 4) Target Customer Market; 5) Solution Type; 6) Go-To-Market Motion; 7) Primary Financing Source; and 8) Company HQ location.

All data collected is anonymized, aggregated and normalized to exclude any outliers that are greater than two standard deviations from the mean.
For context, we have provided some historical benchmarks for 2019, 2020, and 2021
For illustration purposes, we have also provided select elements of the more granular, broader and context-based benchmarks that are available in an interactive session at:
bit.ly/SaaSBenchmarksReport2023

Before Benchmarkit, B2B SaaS benchmarks were collected and published annually, in an executive report format only. This traditional approach was valuable for annual planning, and for a single dimensional review.

Benchmarkit™ enables you to evaluate how your enterprise value creating performance metrics measure up to "like" company cohorts is an evolution of B2B SaaS benchmarks. Cohort based external benchmarks represent a combination of factors that best reflect the benchmarks relevant to an individual company which is critical to: 1) Prepare for a financing event; 2) Present company performance to investors and board members; 3) Establish measurable goals and KPI Performance that serves to align the executive team.

We appreciate our partners that helped make the benchmarks available, and a special thanks to all the participating companies and executives who invested their time to make this executive report and the benchmarks available by cohort at **bit.ly/SaaSBenchmarksReport2023 - go to menu, select benchmarks - embedded SaaS Performance CY-23**

Any questions on the benchmarks, data capture process or data analysis can be directed to **ray@benchmarket.ai**

BENCHMARK SUMMARY

Growth rates decreased in 2022

Growth rates in 2022 decreased to a median of 30% for the entire population. Growth rates decreased in the 2H-22 due to decreased win rates, longer sales cycles and the increasingly cautious capital environment

Rule of 40 experienced a reduction in 2022

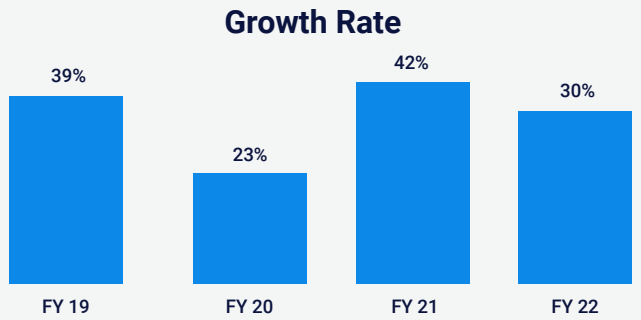
After experiencing a strong increase in 2021, the Rule of 40 decreased reflecting the reduced growth rates in 2022 and the delayed, meaningful decrease in operating expenses until 1H-23

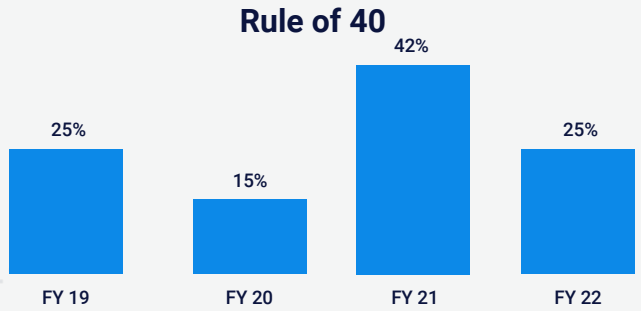
CAC Payback Period saw a slight increase due to reduced close rates in 2H-22 and lower new ARR

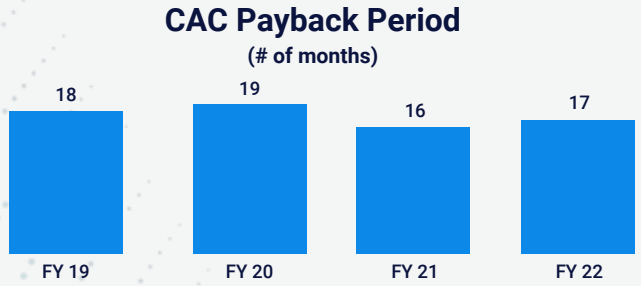
CAC Payback Period is directly impacted by the velocity of new ARR which experienced a reduction in 2H22 and operating expense reductions did not keep pace until late Q422 and Q123

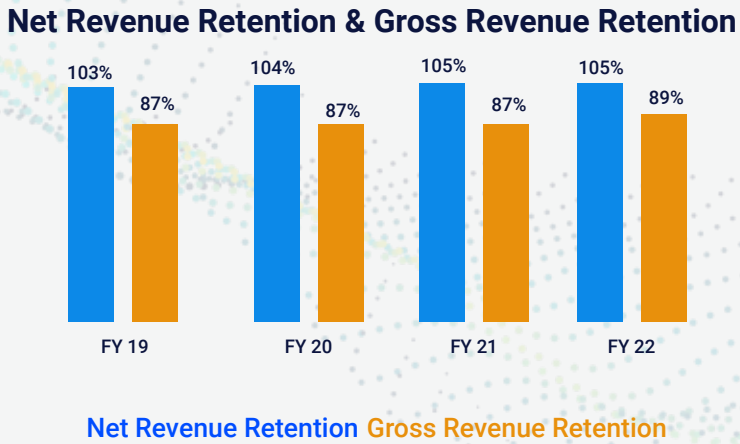
Net Revenue Retention was level to 2022, while Gross Revenue Retention experienced a slight increase

Net Revenue Retention Rates continued to be a top priority in 2022, though it appears that expansion ARR experienced the same reduced velocity and win rates in 2H22 that impacted New ARR









RULE OF 40
GROWTH RATE + EBITDA

RULE OF 40 INSIGHTS

Rule of 40 benchmarks for the entire population decreased in 2022 across the majority of cohorts

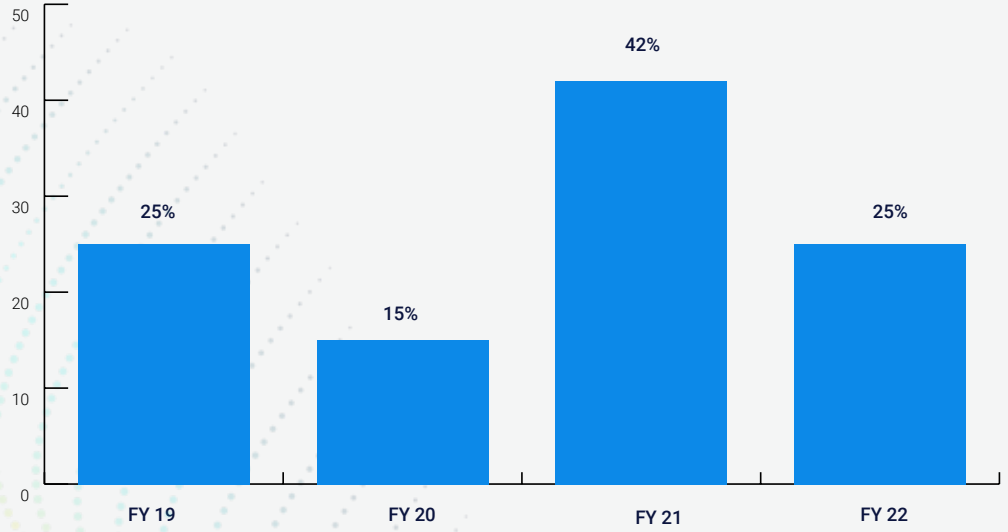
Rule of 40 was driven by a decrease in growth rates versus 2021, and also by decreased EBITDA across the total population of participants

EBITDA pressures increased in the scaling stages of companies ($5M - $100M), and increased significantly in the > $100M ARR cohort

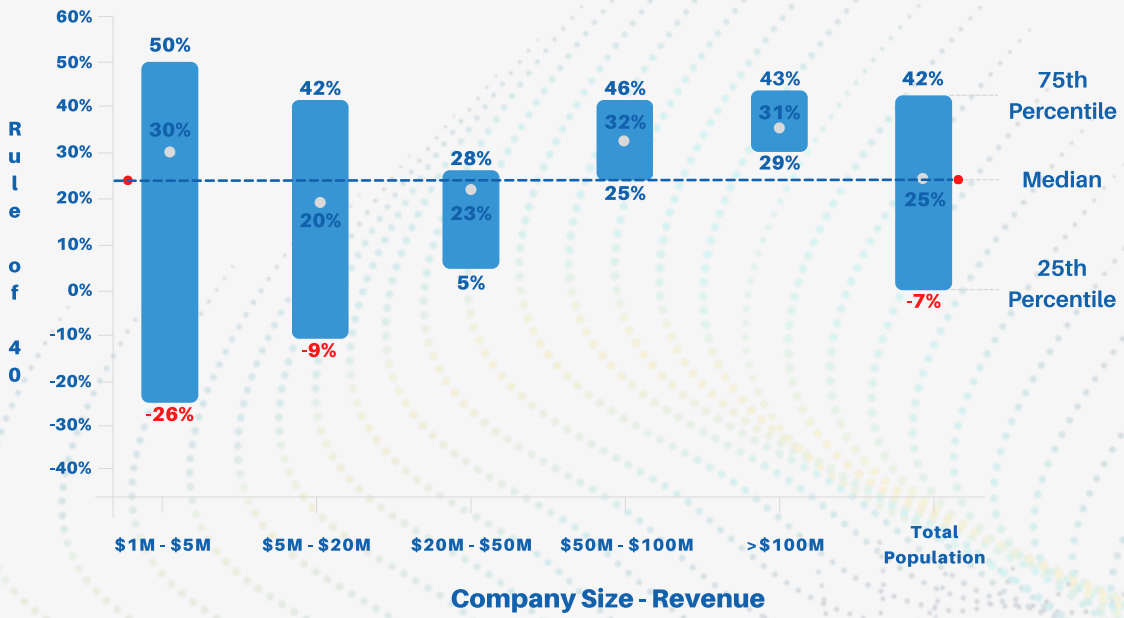
In contrast, between January 2022 and June 2023 the Rule of 40 correlation to public B2B SaaS companies Enterprise Value:NTM Revenue multiples has experienced large swings as measured by R-Squared:

Rule of 40 R^2 in January, 2022 = .14
Rule of 40 R^2 in July, 2022 = .38
Rule of 40 R^2 in January, 2023 = .44
Rule of 40 R^2 in June, 2023 = .17

Rule of 40
(2019-2022)



Rule of 40
by Revenue (2022)



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N = 569

RULE OF 40 INSIGHTS

Rule of 40 is often artificially elevated by the higher growth rates found in the < $5M ARR cohort. As such Rule of 40 is not an instructive metric for this cohort. Product market fit, is the priority in this cohort, with an initial focus on customer acquisition repeatability and then revenue growth efficiency as companies scale from $5M to $10 and above

Rule of 40 is pressured in the "scale stage" of growth which is reflected by the lower results in the $5M - $50M ARR cohorts

Rule of 40 results in the $5M - $20M have the largest variance between 25th percentile and 75th percentile which highlights the increasing differences in those companies which find the balance between product market fit, repeatable growth and thus growth efficiency.

Rule of 40 Formula:

Year over Year Growth Rate (%) + Free Cash Flow* (%)

*EBITDA can be used in place of Free Cash Flow

RULE OF 40 INSIGHTS

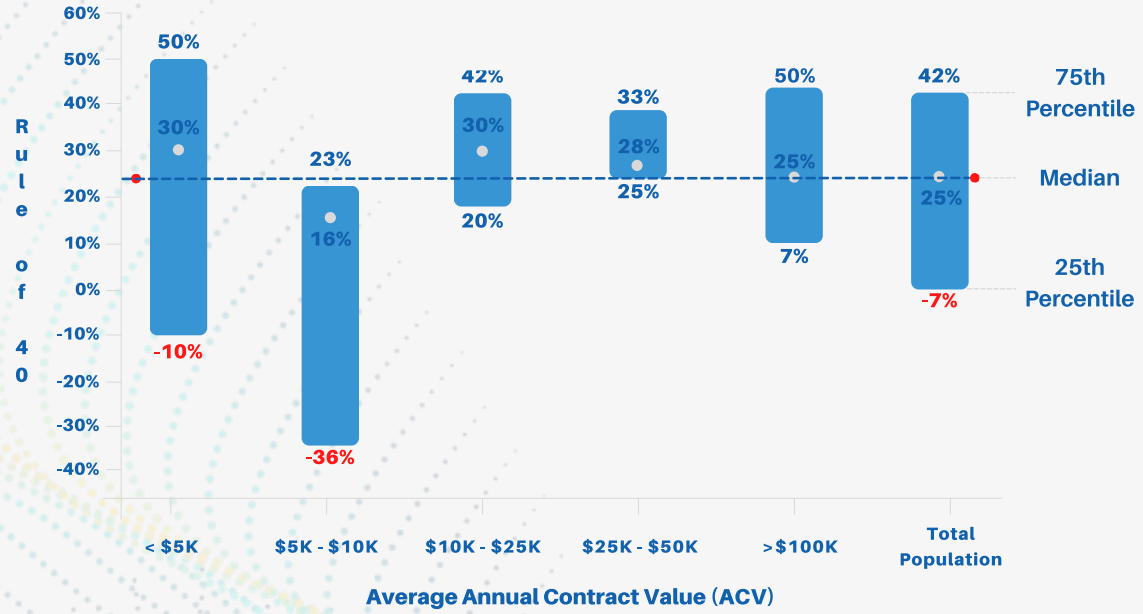
The Rule of 40 is not as correlated to Annual Contract Value (ACV) as it is to company size

The $5K - $10K ACV results were biased by the small number of companies in the cohort, which exhibited a wider larger deviation than in most segments

Based upon an R-Squared analysis, there was not a significant correlation between ACV and Rule of 40

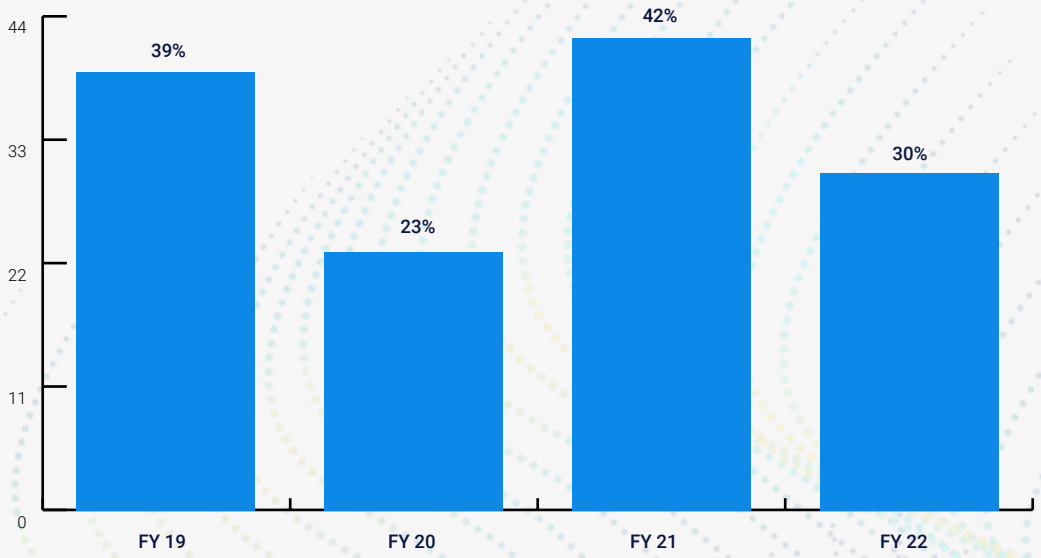
The Rule of 40 is a hallmark of a B2B SaaS company's enterprise value, which has traditionally been based upon a multiple of the next twelve months (NTM) revenue, versus the traditional price to earnings ratio used in more mature industries and markets

Rule of 40 – by ACV (2022)



N = 569

Company Growth Rate
(2019 – 2022)



N = 690

COMPANY GROWTH RATE INSIGHTS

Growth rates fell from the hyper growth levels in 2021 and is closer to the reduced levels of growth experienced in 2020. Growth rates decreased across every company size with a median growth rate of 30% in 2022 versus 42% in 2021

Growth rates were most challenged in the $20M - $50M cohort which represents the segment with the highest growth efficiency metrics across the board

Analyzing the growth rate benchmarks should be done based upon similar like companies that share your company attributes – not just against competitors, rather all companies with a similar size, annual contract value, distribution model and target customers

COMPANY GROWTH RATE INSIGHTS

Company growth rates across all segments faced headwinds, including the pullback in SaaS spending in 2H-22 and continuing into 1H-23

Unlike 2021, in 2022 companies in the $50M - $100M range did not see a re-acceleration of growth when compared to those companies in the $20M - $50M ARR range

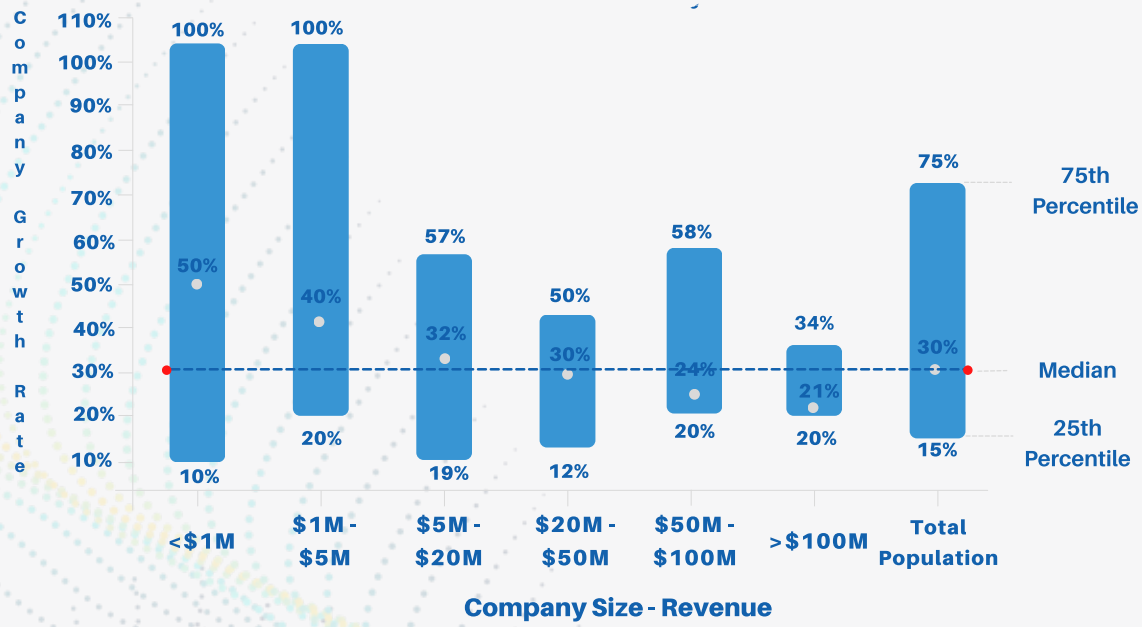
Measuring and optimizing CAC efficiency metrics in combination with an increased focused on expansion ARR as a percentage of total growth ARR is prudent in 2023'

Growth rates returned in Q2-23 to be the top metric impacting enterprise value after losing the top correlation spot to Rule of 40 in Q4-22 as measured by R-Squared

Growth Rate R^2 to Enterprise Value = .41 (Q2-22)
Growth Rate R^2 to Enterprise Value = .31 (Q2-23)

Rule of 40 R^2 to Enterprise Value = .44 (Q4-22)
Rule of 40 R^2 to Enterprise Value = .17 (Q2-23)

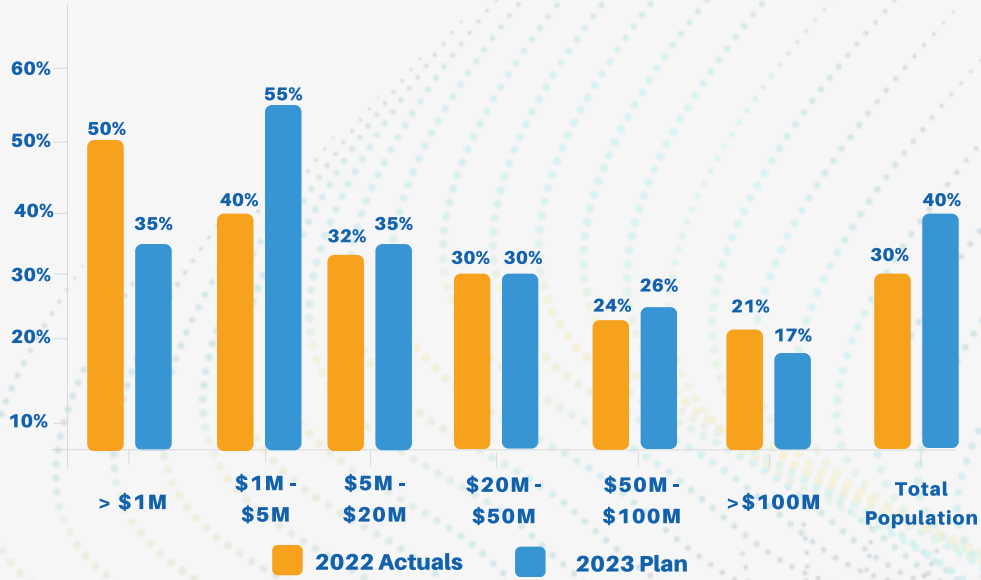
Company Growth Rate - by Revenue (2022)



N = 690

Planned Growth Rate - by Revenue

(2022 actuals vs 2023 plan)



N = 690

PLANNED 2023 GROWTH RATE INSIGHTS

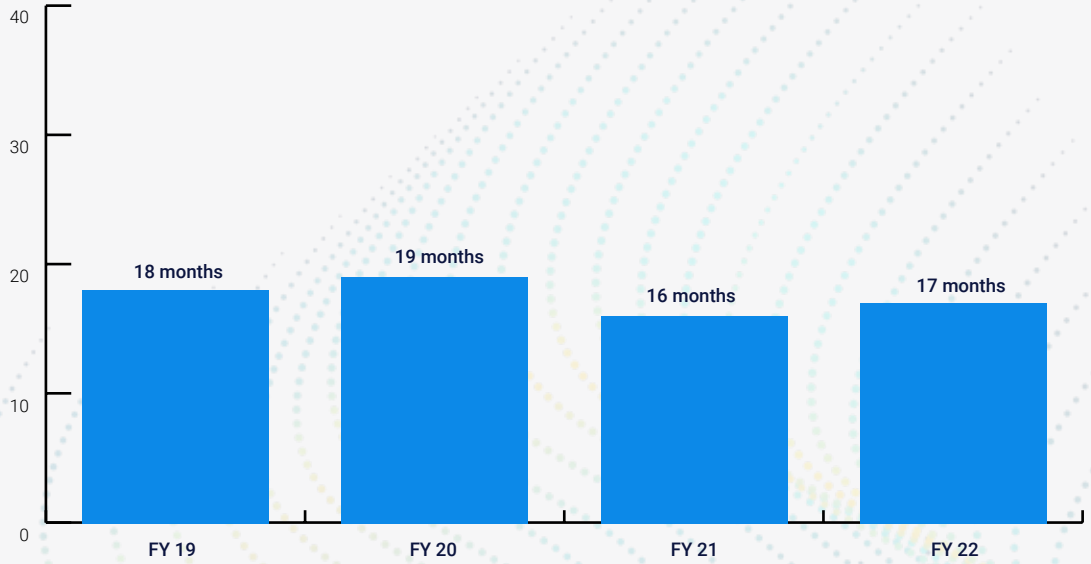
It was widely reported that leading into 2023 companies were aggressively planning for reduced growth rates and reduced operating expenses to extend cash runways

It was interesting to see that even though it was common to see reductions in Marketing and Sales expenses, that every segment except for companies in the < $1M ARR and > $100M ARR segments planned for similar or higher growth rates in 2023

We will be launching a micro survey in July, 2023 to capture 1H-23 actual growth rates – but across 1,880 companies that participated in this year's research – see level or higher growth rates was the most surprising finding

CUSTOMER ACQUISITION BENCHMARKS

CAC Payback Period
(2019 – 2022)



CAC PAYBACK PERIOD INSIGHTS

CAC Payback Period:

$$\frac{\text{Sales and Marketing Expenses}}{\text{New CARR x Gross Margin}} \times 12$$

CAC Payback Period across the entire population increased to 17 months at median representing a one month increase from last year's benchmark

CAC Payback Period is specific to new customer logo acquisition and is not impacted by existing customer expansion ARR

CAC Payback Period is most highly correlated to annual contract value, and Sales and Marketing expenses.

Due to the different mix of companies participating in each year's benchmarking research, it is important to analyze CAC Payback Period by both ACV and company size

CAC PAYBACK PERIOD INSIGHTS

CAC Payback Period should not be viewed as an average or median across the entire population as Annual Contract Value is the attribute that has the highest correlation to the median result

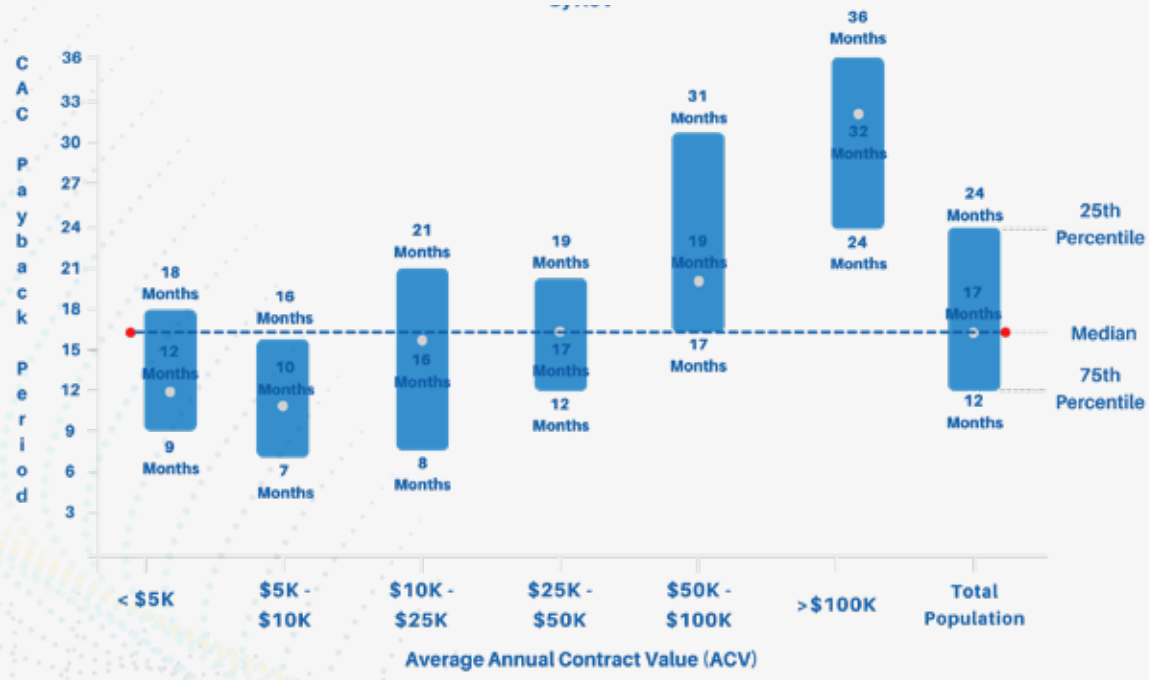
Common wisdom that suggests the target CAC Payback Period is “12-months” is outdated and void of the context that makes this metric valuable

CAC Payback period should be evaluated in combination with the New CAC Ratio, Customer Lifetime Value and Gross Revenue Retention to determine the efficiency of acquiring and then retaining a segment of customers

Segment based analysis of the CAC Payback Period by not only ACV but also customer segment and geographic region will shed additional insights into a company’s customer acquisition and associated retention efficacy

CAC Payback Period

By ACV (2022)



N = 544

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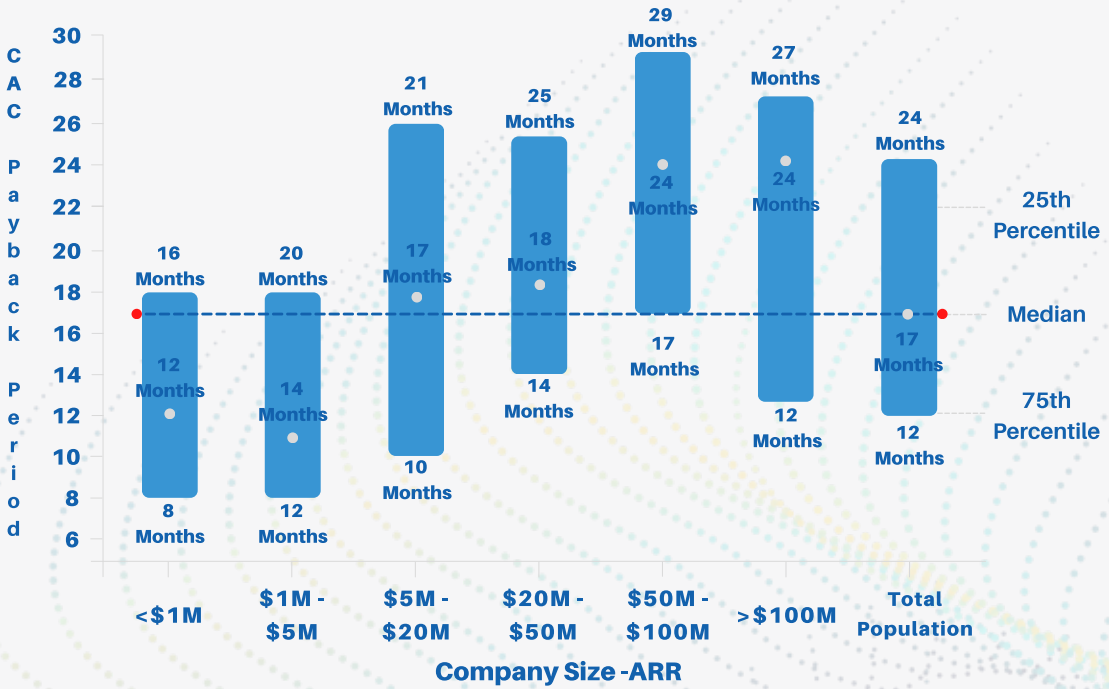
CAC Payback Period

By Revenue (2022)



CAC PAYBACK PERIOD INSIGHTS

CAC Payback Period exhibits some level of correlation to company size which is reflected in the CAC Ratios segmented by company size

CAC Payback Period should always be calculated on a Gross Margin adjusted basis

CAC Payback Period can fluctuate month over month in enterprise and commercial markets if one month or one quarter includes a few deals that are well outside of normal ACV ranges, such as an elephant deal that is 2x – 3x the average ACV

CAC Payback Period is best measured over a rolling three, six and twelve month time frame to normalize any single month or quarter's exceptions

CLTV: CAC RATIO INSIGHTS

Customer Lifetime Value:CAC Ratio

$$\frac{\text{(ARPA x Gross Margin)/Churn Rate}}{\text{Customer Acquisition Cost}}$$

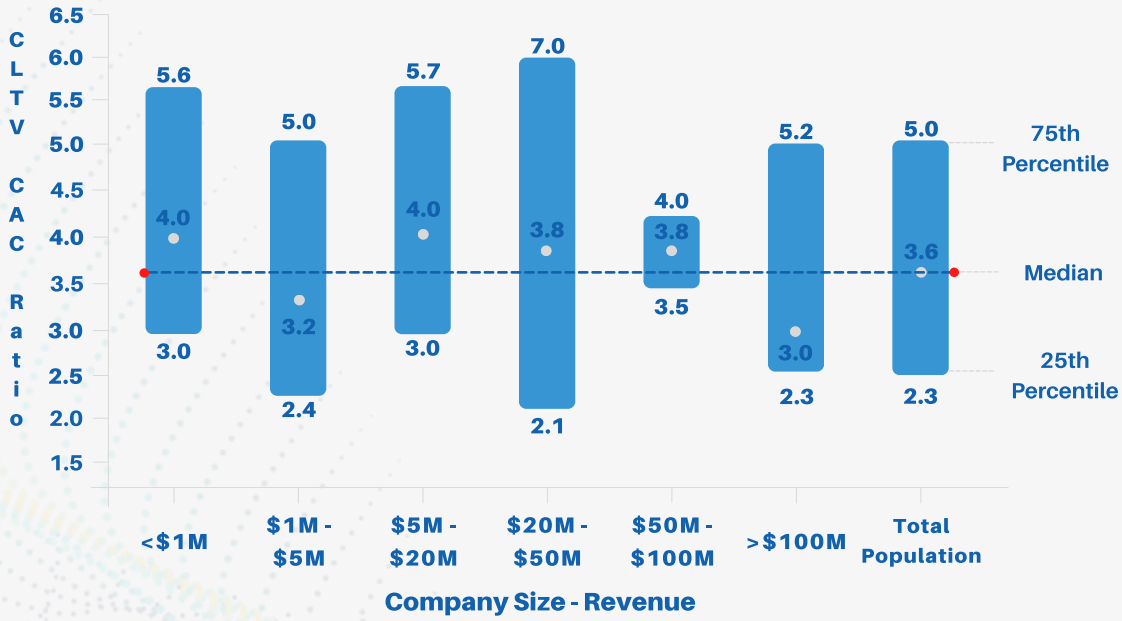
Common wisdom developed five – ten years ago suggested that a 3X result is a target CLTV:CAC Ratio

Over the past three years, the benchmark across the total population has ranged between 3.6x – 4.2x

Company Size (ARR) nor Annual Contract Value (ACV) has a material impact on this metric

A key to this metric is that at least 1 - 2 agreement renewal cycles should have past to establish a more reliable churn rate across renewal periods

CLTV: CAC Ratio
by Revenue (2022)



N = 452

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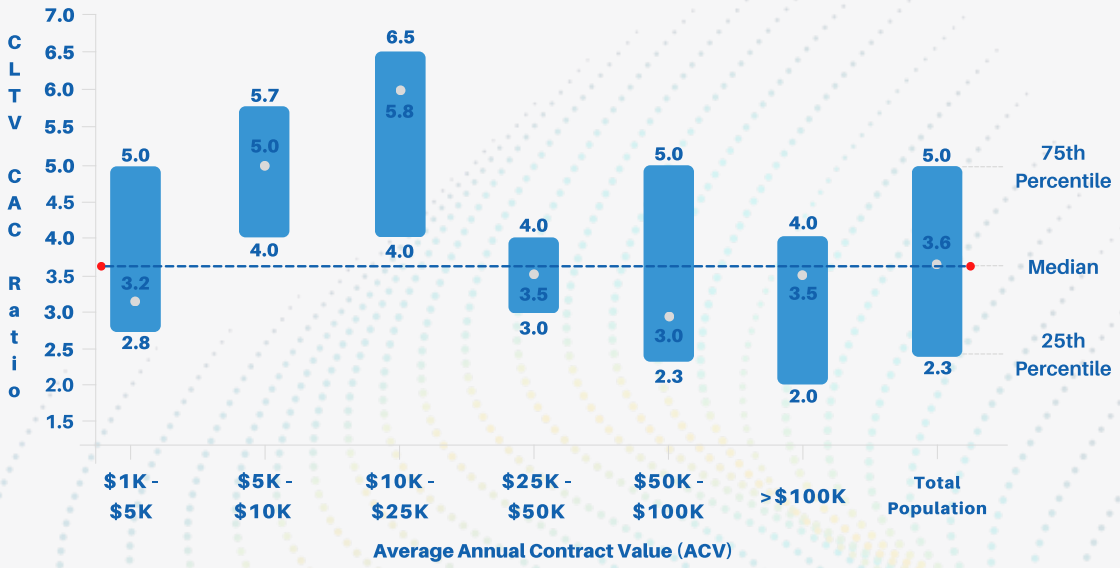
CLTV: CAC Ratio

By ACV (2022)



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N = 452

CLTV: CAC RATIO INSIGHTS

Customer Lifetime Value (CLTV) to Customer Acquisition Cost (CAC) ratio is widely varied based upon ACV in this year's benchmark reports

Customer Lifetime Value is a multi-variable metric that requires a granular understanding of Average Revenue Per Account (ARPA), Average Customer Acquisition Cost, churn rate and gross margin. This multi-variable structure makes the CLTV:CAC Ratio a favorite of investors due to its inclusion of acquisition, retention, expansion and product delivery efficacy metrics

Understanding the 2-3 leading indicators that directly impact the lagging indicators included in this metric is critical to increasing a company's CLTV:CAC Ratio

CAC RATIO DEFINITION

CAC Ratio measures the efficiency of:
- Acquiring new customer ARR
- Expanding existing customer ARR
- Growing ARR excluding down-sells and churn

The two CAC Ratios included in this report are:

Blended CAC Ratio

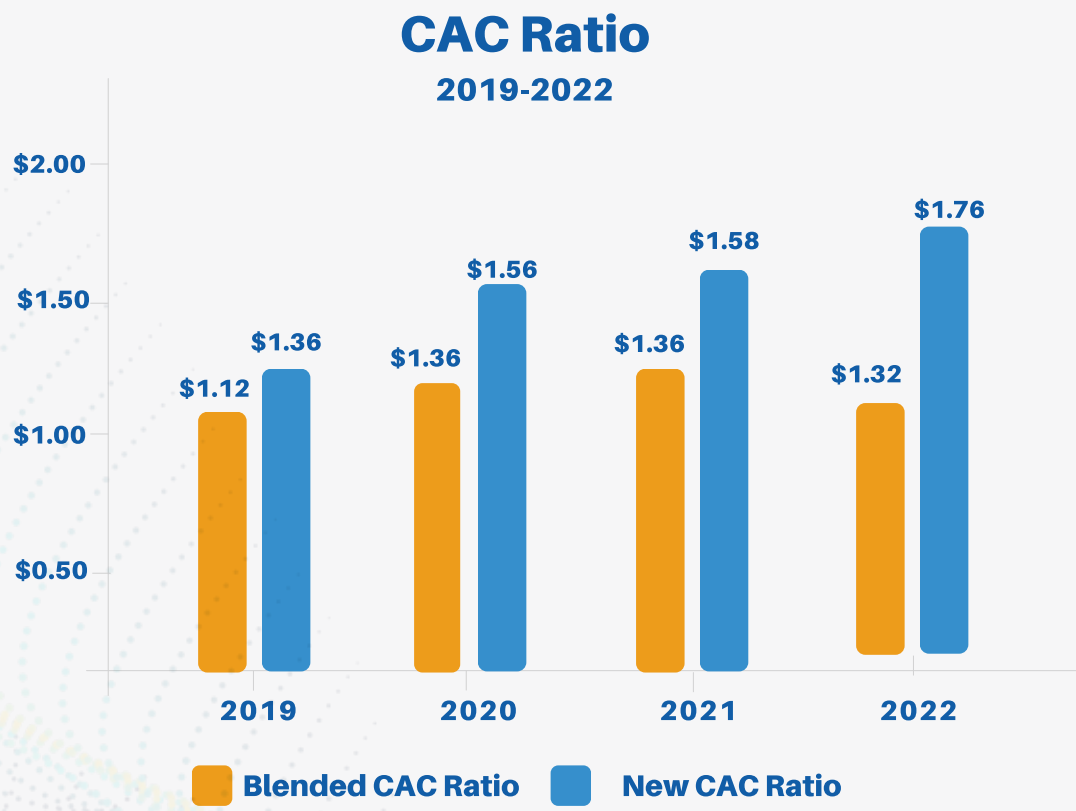
$$\frac{\text{Sales and Marketing Expenses}}{\text{New Customer ARR + Expansion ARR}}$$

New CAC Ratio

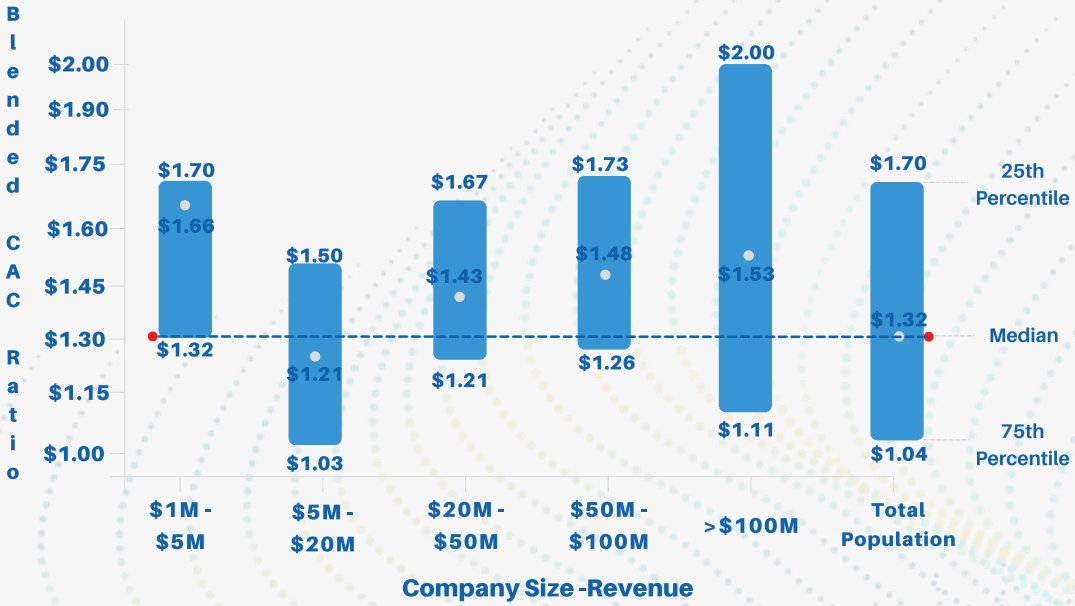
$$\frac{\text{Sales and Marketing Expenses}}{\text{New Customer ARR}}$$

CAC Ratio is an alternative revenue efficiency metric to the SaaS Magic number as it provides a more granular and segmented perspective on the efficiency of New customer ARR vs Existing customer expansion ARR

It is interesting to note that “Blended CAC Ratio” slightly decreased while “New CAC Ratio” increased which reflects the findings in the Expansion ARR vs New ARR as a percentage of total growth ARR – where expansion ARR was a higher contributor in 2022 at a lower cost



Blended CAC Ratio
By Revenue (2022)



BLENDED CAC RATIO INSIGHTS

Blended CAC Ratio is the inverse of the SaaS Magic Number, and only includes the expenses required to acquire one dollar of new ARR from a new customer and a dollar of ARR growth from an existing customer – thus not including the impact of down-sells or churn

The Blended CAC Ratio provides an easy to understand metric that tells you "how much Sales and Marketing expense" is required to add $1 ARR from the combination of new customer acquisition and existing customer expansion

Blended CAC Ratio is traditionally the highest as companies traverse the growth phase of $20M - $50M ARR, often in correlation to the need to expand into new customer segments, geographic markets and/or introduce new products

Due to the higher CAC Ratios experienced when first entering new markets, calculating CAC Ratio on a segment by segment basis, such as Enterprise vs SMB is required to understand the efficiency of each market segment

BLENDED CAC RATIO INSIGHTS

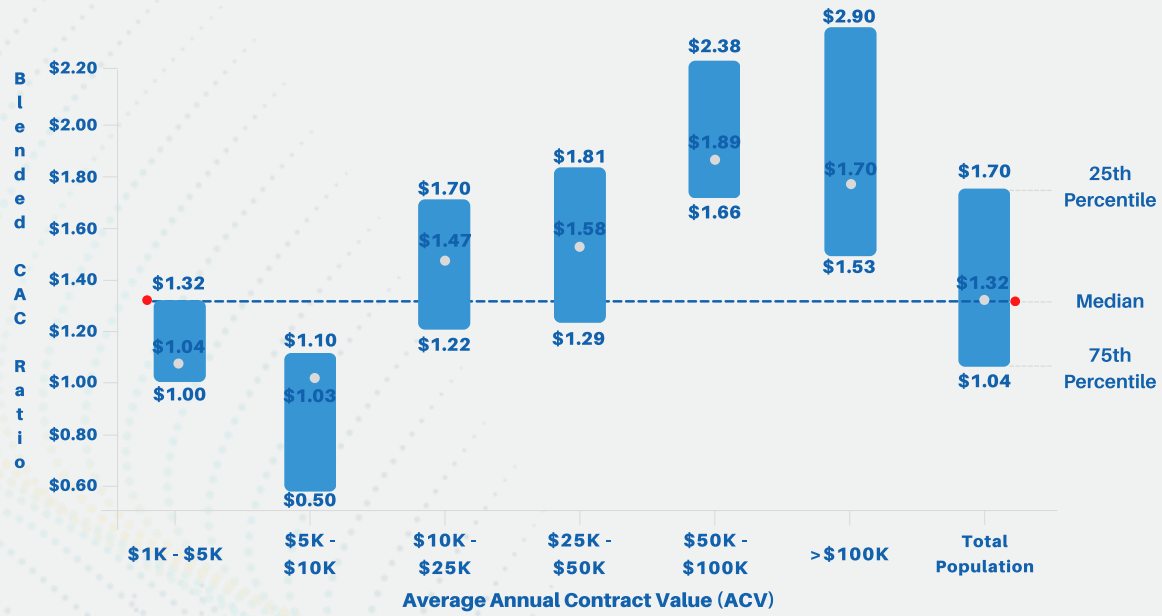
Blended CAC Ratio is traditionally higher when the Average Annual Contract Value (ACV) increases – which is reflected in this year's benchmarking research

The expense required to acquire a dollar of ARR in higher ACV segments increases, which is typically off-set by higher Customer Lifetime Value and higher retention rates

Since Blended CAC Ratio is a compound growth efficiency metric, it is important to also calculate the New CAC Ratio and Expansion CAC Ratio

CAC Ratio is not typically calculated on a Gross Margin adjusted basis, but as a company scales to $50M ARR, understanding the contribution for each dollar of growth ARR after accounting for COGS is a next level metric to calculate

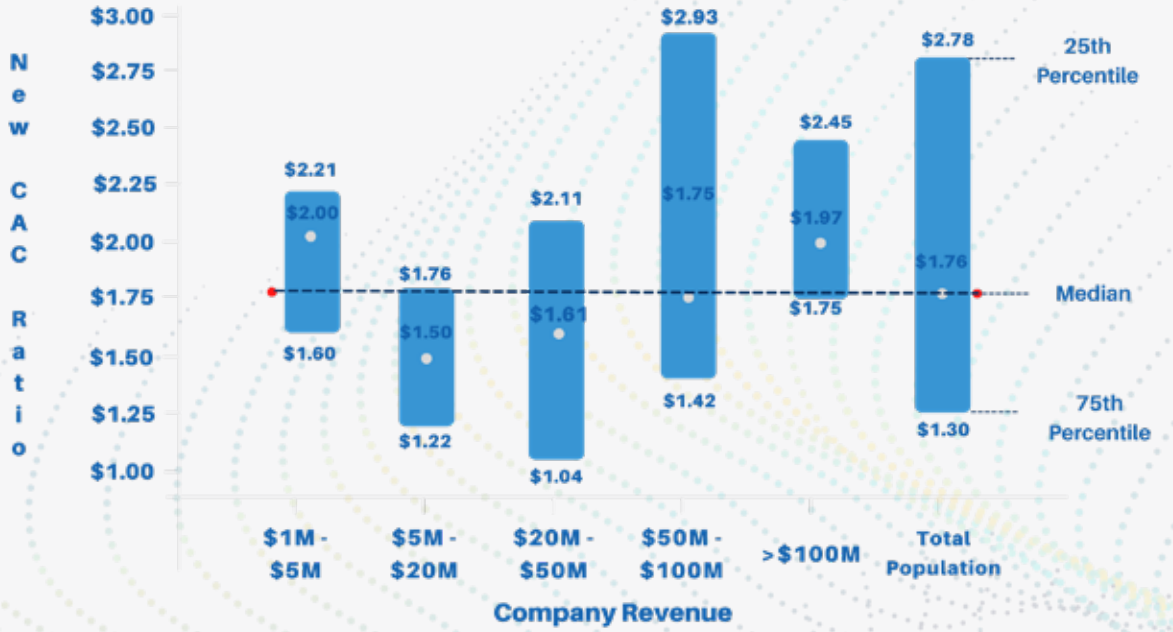
Blended CAC Ratio
BY ACV (2022)



N = 288

New CAC Ratio

By Revenue (2022)



NEW CAC RATIO INSIGHTS

New CAC Ratio tells you how much Sales and Marketing expense is required to add $1 ARR from new name customers

New CAC Ratio increased across the board in 2022, with a median at $1.76, which is an increase of $.16 (10%) over the previous year

New CAC Ratio typically increase as companies cross $20M ARR, often in correlation to the need to expand into new customer segments, geographic markets and/or introduce new products

Due to the higher CAC Ratios when first entering and/or scaling new markets, calculating the New CAC Ratio on a segment-by-segment basis, such as Enterprise vs SMB is highly instructive to understand the efficiency of acquiring new customer ARR in new markets

NEW CAC RATIO INSIGHTS

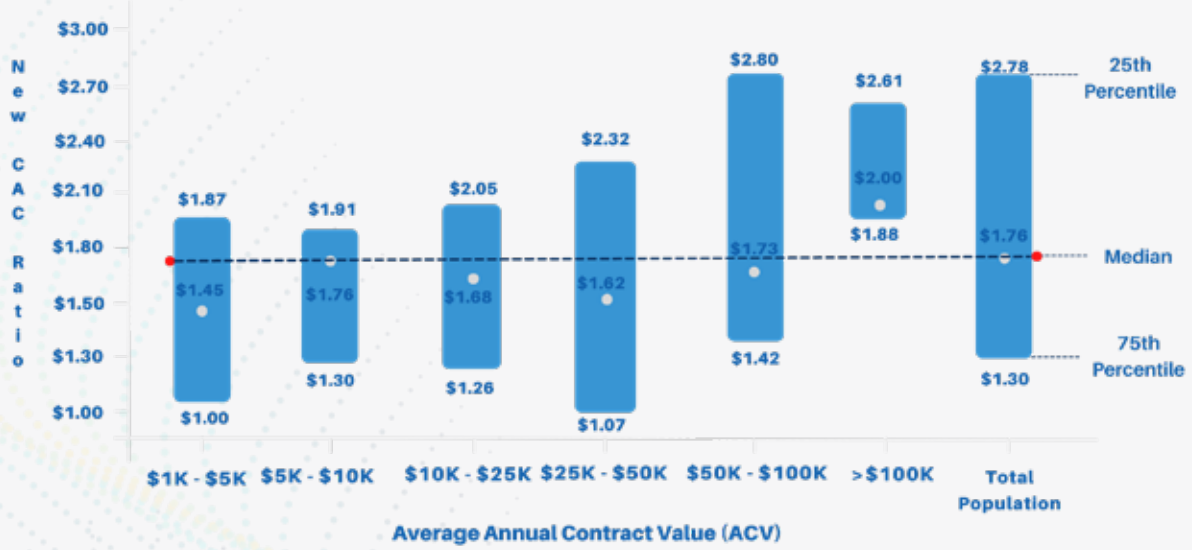
The New CAC Ratio typically trends higher based upon the Average Annual Contract Value (ACV)

This year, the $10K - $50K cohort both have a lower New CAC Ratio than the $5K - $10K ACV segment - which is reflective of the challenges in the $5K -$10K ACV cohort

New CAC Ratio for higher ACV segments should be analyzed in concert with Customer Lifetime Value (CLTV), Gross Revenue Retention, Net Revenue Retention and CLTV:CAC Ratio. This comprehensive approach provides a more rounded picture to determine if increasing investments to acquire higher ACV deals provides increased CLTV returns

Experimenting with lower cost customer acquisition methods, including Product-Led Growth or simply lower cost, inside sales or even full cycle Account Executives instead of the SDR + AE model can result in reducing the New CAC Ratio

New CAC Ratio
BY ACV (2022)



N = 144

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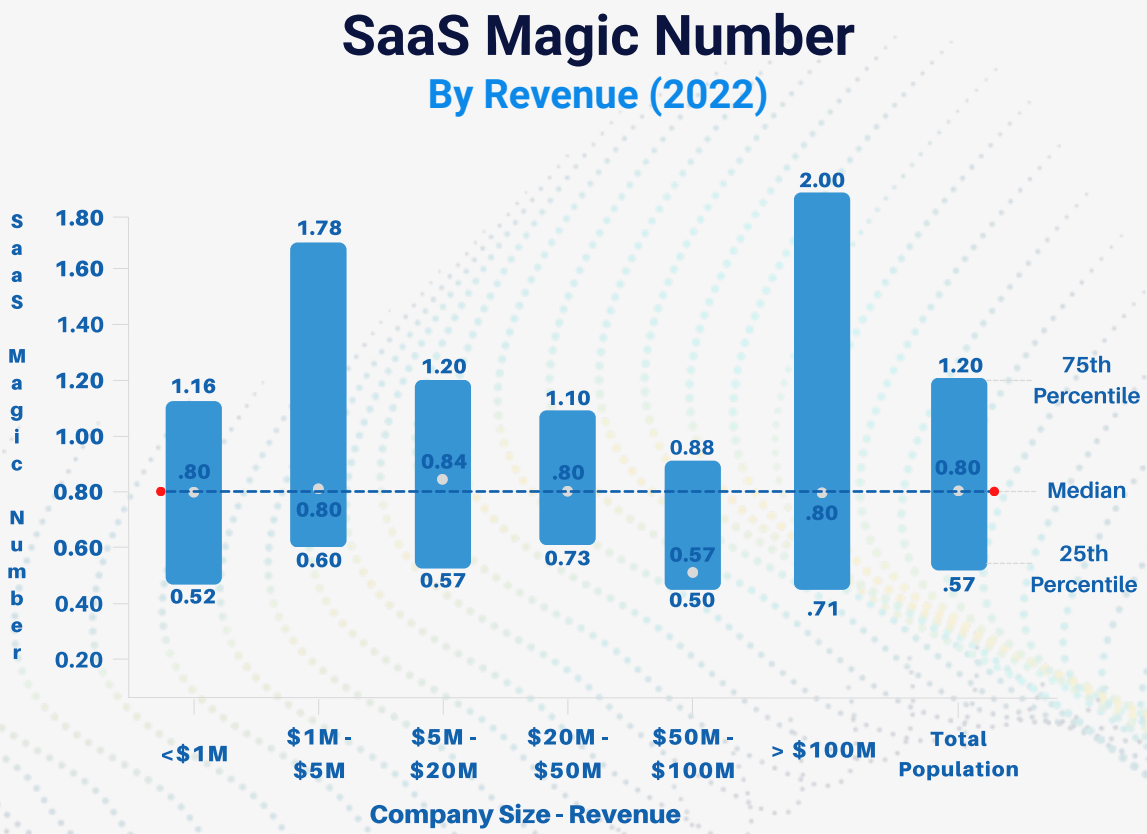

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N = 296

SAAS MAGIC NUMBER INSIGHTS

SaaS Magic Number is a traditional SaaS Performance Metric that measures the overall efficiency of ARR growth

$$\frac{\text{Current Qtr ARR - Previous Qtr ARR}}{\text{Previous Qtr Sales and Marketing Expenses}} = \text{Magic Number}$$

Unlike the Blended CAC Ratio which measures the efficiency of "New Growth" as measured by New Customer ARR Growth and Existing Customer Expansion Growth without including the impact of down-sells or churned ARR, the SaaS Magic Number includes the impact of churned ARR and down-sell ARR

The reason the Blended CAC Ratio is our preferred ARR growth efficiency metric is it best enables executives to understand how much Marketing and Sales investment is required to acquire one dollar of new ARR or expansion ARR

The traditional SaaS Magic Number minimum threshold is .75 – which says that $1.00 of Sales and Marketing investment is required to generate $.75 of ARR growth

SAAS MAGIC NUMBER INSIGHTS

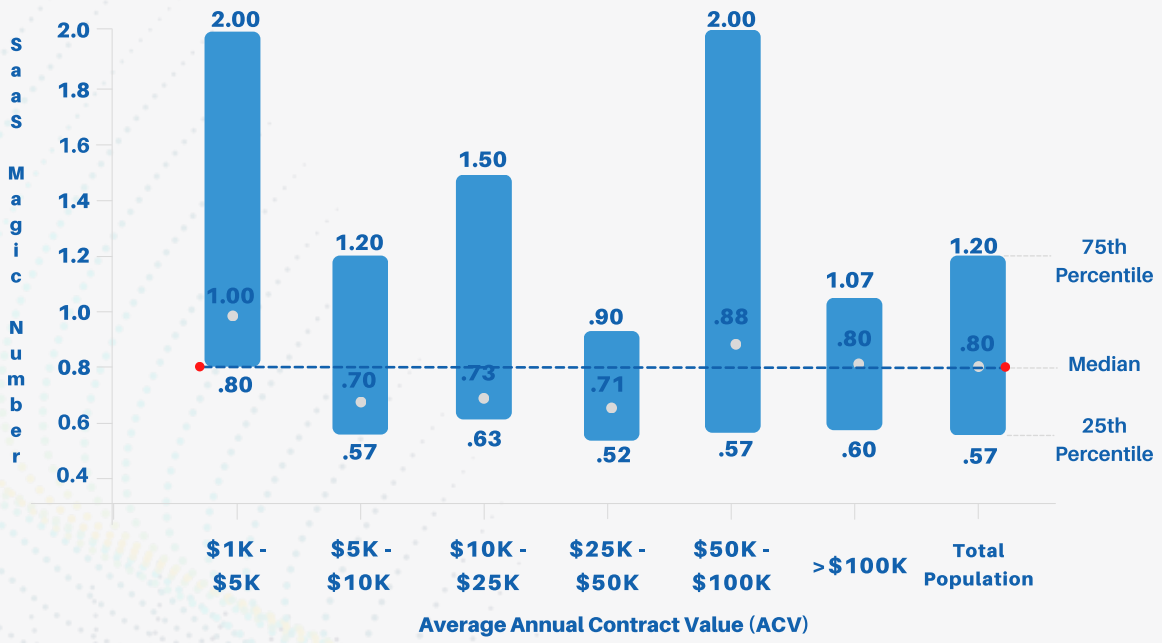
The majority of Customer Acquisition Cost efficiency metrics exhibit a lower efficiency in high value ACV deals, and higher efficiency for lower value ACV deals

In contrast, the SaaS Magic Number is NOT a customer acquisition cost efficiency metric, it is an ARR growth efficiency metric which is impacted by several non CAC related input variables including:

- Churned ARR
- Down-Sell ARR
- Existing Customer ARR

The traditional threshold is that the SaaS Magic Number should be .75 or higher to justify incremental investments in Sales – which essentially says that with $1.00 of Sales and Marketing investment you can generate $.75 of ARR growth

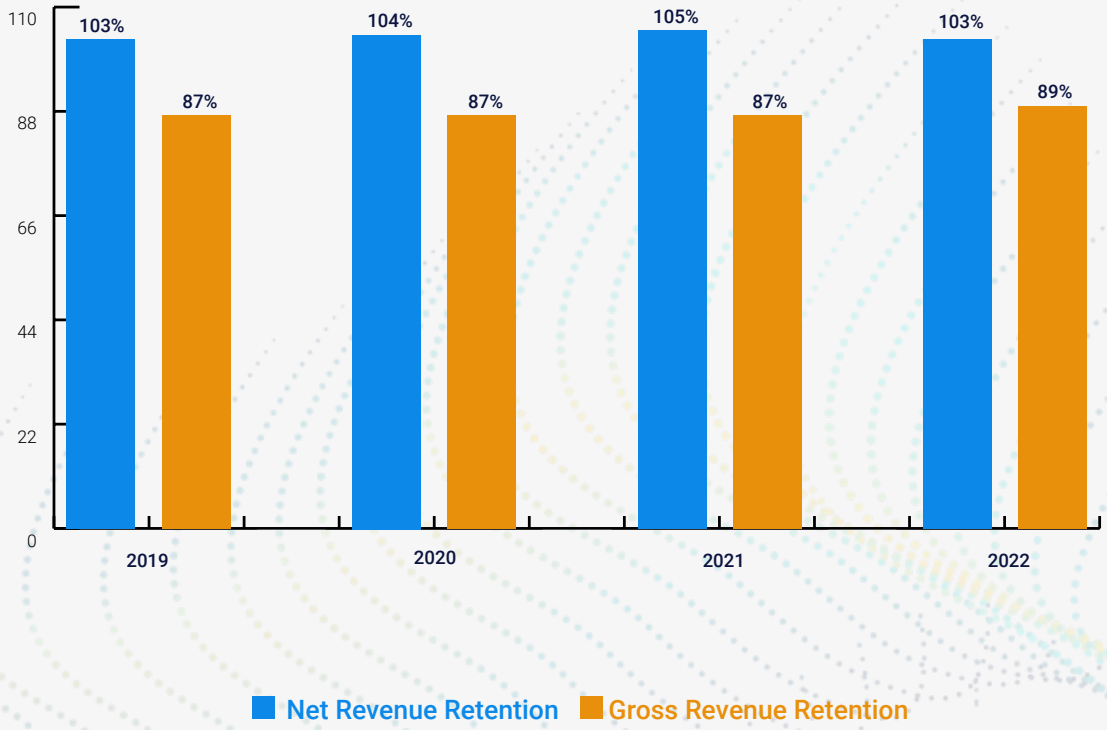
SaaS Magic Number
By ACV



N = 296

CUSTOMER RETENTION BENCHMARKS

Gross & Net Revenue Retention
2019-2022



NET & GROSS REVENUE RETENTION INSIGHTS

Gross Revenue Retention (GRR) had remained stable over the last three years, but experienced a 2% increase this year to 89%

Net Revenue Retention across the primary participant cohort in North America remained level at 105%. The total population, which included a higher percentage of global participants this year had a median NRR of 103%

In the following charts on NRR in this report, we use the United States total population NRR of 105%, though the global population highlighted NRR at 103%

Per the above, our analysis did highlight that NRR was level year over year in North America (105%), but was lower in the rest of world which was the primary contributor to the total population NRR of 103%

GROSS REVENUE RETENTION INSIGHTS

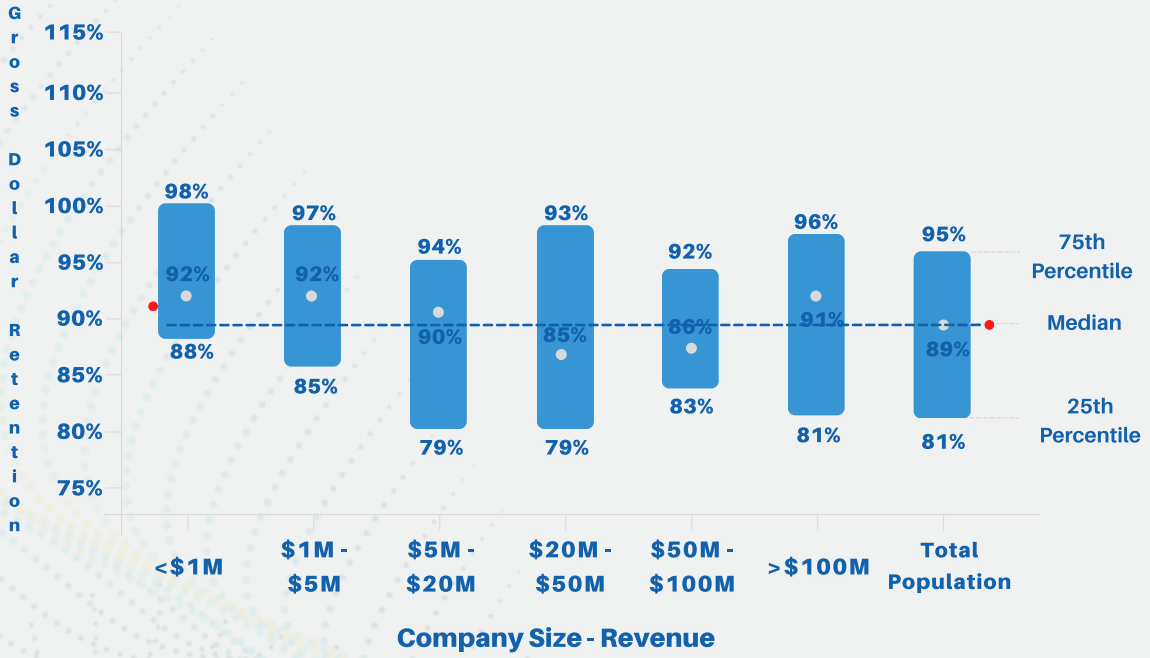
Gross Revenue Retention (GRR), also known as Gross Dollar Retention (GDR) does not traditionally vary materially based upon company size

However, in earlier stage companies (< $2.5M) we often find retention rates are inflated due to the lack of 1-2 renewal cycles being available – as such we suggest that the most reliable GRR benchmarks begin at the $5M and above segments

Measuring retention using a revenue based approach (GRR) versus a logo based approach provides a better picture of customer retention, especially in ACV levels greater than $5K - $10K

Gross Revenue Retention

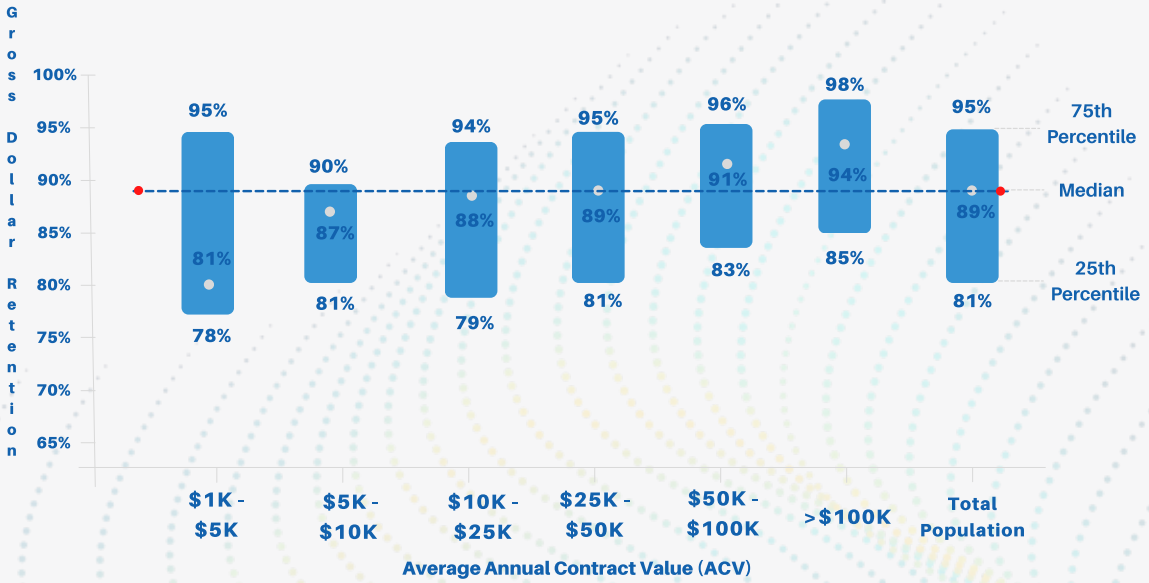
By Revenue (2022)



N = 588

Gross Revenue Retention

By ACV (2022)



GROSS REVENUE RETENTION INSIGHTS

Gross Revenue Retention (GRR) is more correlated to average annual contract value (ACV) than company size

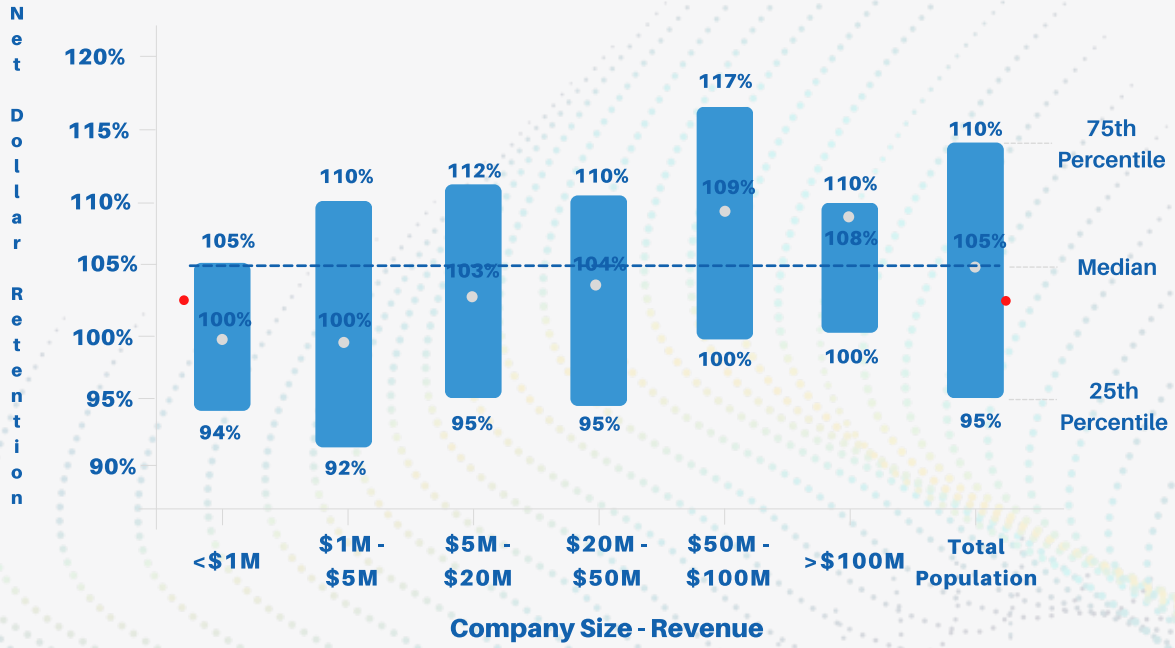
ACV's lower than $5K will typically produce a lower GRR result than higher value solutions. Interestingly, ACVs between $10K - $50K do not see a material difference in GRR

Gross Revenue Retention calculations should be calculated using only those customers that have an agreement available to renew (ATR). Including all agreements and associated ARR that is not available to renew in the period of calculation will produce an artificially inflated GRR calculation

CUSTOMER EXPANSION BENCHMARKS

Net Dollar Retention - U.S.

By Revenue (2022)



NET DOLLAR RETENTION INSIGHTS

Net Revenue Retention (NRR), also known as Net Dollar Retention (NDR) measures how much ARR there is in a cohort of customers at the end of an accounting period versus at the beginning of the accounting period, when their agreement is available to renew (on not) versus their ARR from a previous period

Net Revenue Retention is typically an annualized calculation, and should be calculated on a rolling 3, 6 and 12 month period

NRR is not materially correlated to company size, as it is with other variables including Go-To-Market motion (Product-Led Growth vs Sales-Led Growth) and pricing model (pure subscription versus Usage-Based Pricing)

NRR calculations need to account for the impact of certain variable such as the ramp time in Usage-Based Pricing models, requiring a consistent policy for when new customer ARR ends and existing customer expansion ARR begins

NET DOLLAR RETENTION INSIGHTS

Net Revenue Retention exhibits a higher correlation to Annual Contract Value (ACV) than to company size

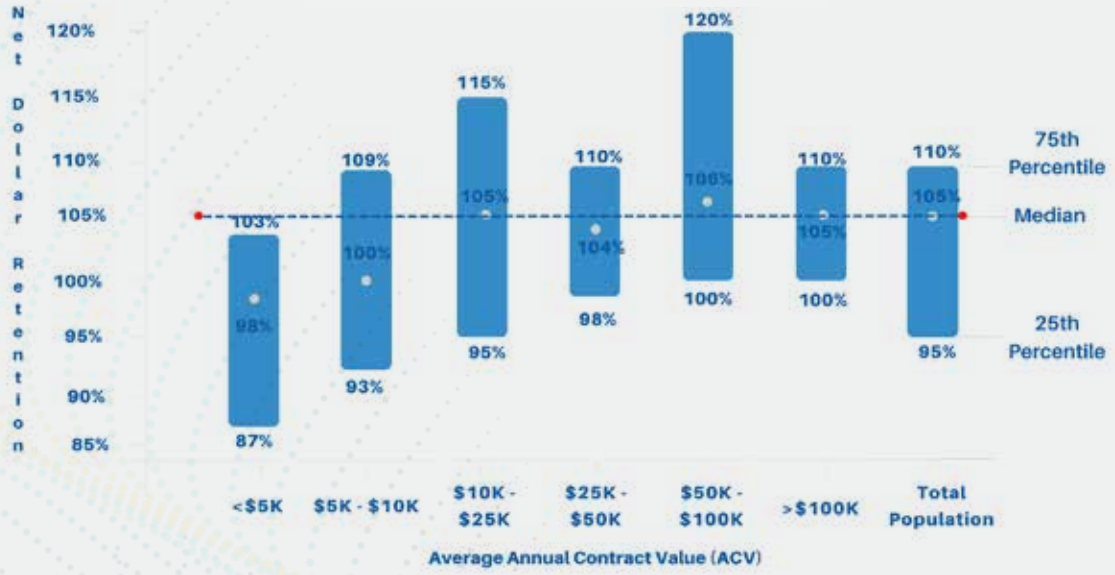
As ACV increases, the opportunity for expansion is more prevalent, though not as correlated as GTM motion and pricing

Another factor in Net Revenue Retention is the breadth of the product portfolio, the pricing has built- in escalators based upon usage or product feature

Net Revenue Retention had increased over the past three years, but remained level in North America in 2022

Net Dollar Retention - U.S.

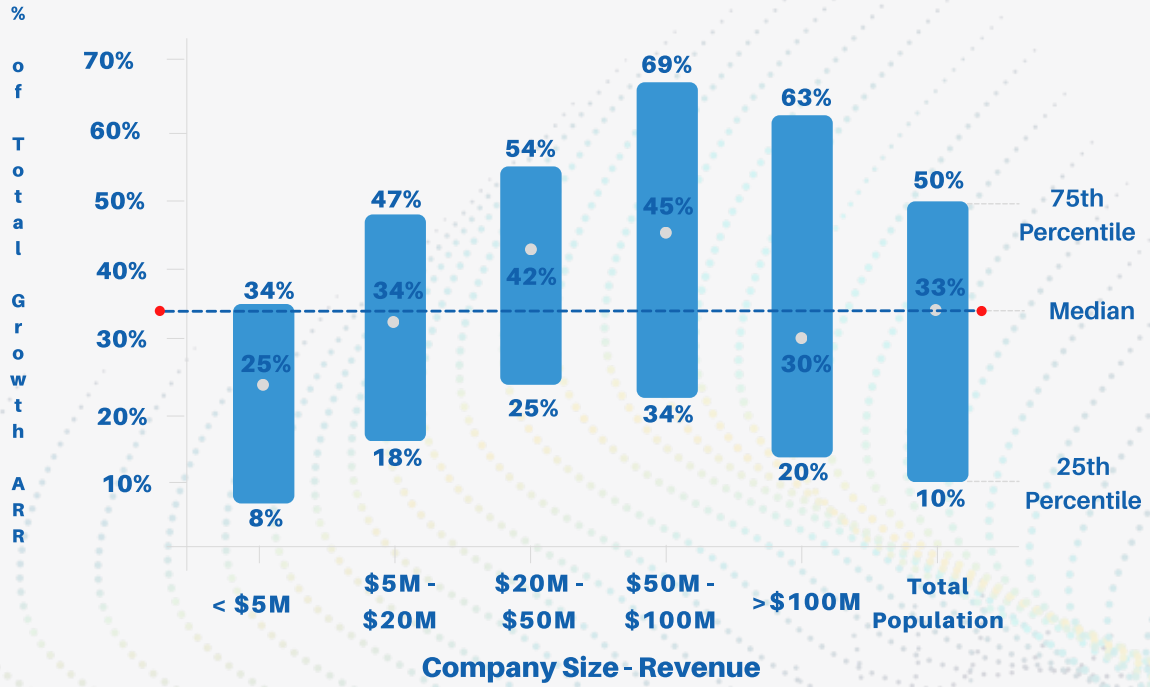
BY ACV (2022)



N = 588

Expansion ARR to Total Growth ARR

By ARR (2022)



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N = 516

EXPANSION ARR TO TOTAL GROWTH ARR INSIGHTS

Expansion ARR as a percentage of Total Growth ARR was a new benchmark last year – so this is only our second year publishing this benchmark

$$\text{Expansion \%} = \frac{\text{Expansion ARR}}{\text{New + Expansion ARR}}$$

In 2021, this benchmark represented the historical benchmark of 30% while this year has increased by 3% to 33% (a 10% YoY increase)

Moreover, we are seeing that larger companies can gain operating leverage and increase NRR with their median contribution of expansion ARR being 42% in the $20M - $50M cohort and 45% in the $50M - $100M cohort

As expansion ARR is often 2x – 3x more efficient to acquire – expansion ARR is a top priority in this period of the increased importance of growth efficiency

OPERATIONAL EFFICIENCY BENCHMARKS

GROSS MARGIN INSIGHTS

Total Gross Margin, which represents the blend of Subscription Gross Margin and Services Gross Margin is a hallmark of the cash generation potential of a SaaS business model

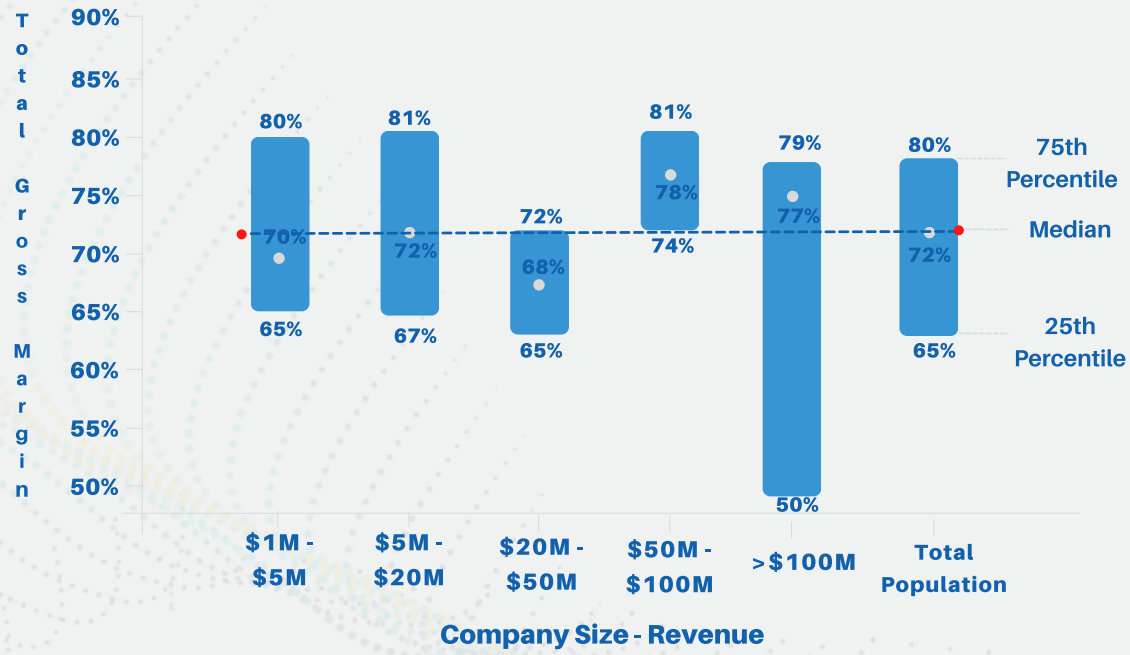
Though services can often stand alone in the value delivered during the initial deployment of a SaaS solution, especially technical integrations, data preparation, training and on-boarding, it is often delivered at lower margin levels to increase the percentage of available budget for ARR

Total Gross Margin is typically lower than Subscription Gross Margin due to the impact of professional services and the mix

We did not collect enough "Professional Services Margin" data this year to publish a separate benchmark, but suffice it to say that Total Gross Margin at 72% was almost 10% lower than Subscription Gross margin highlighting the downward pressure of Professional Services margin

Gross Margin - Total

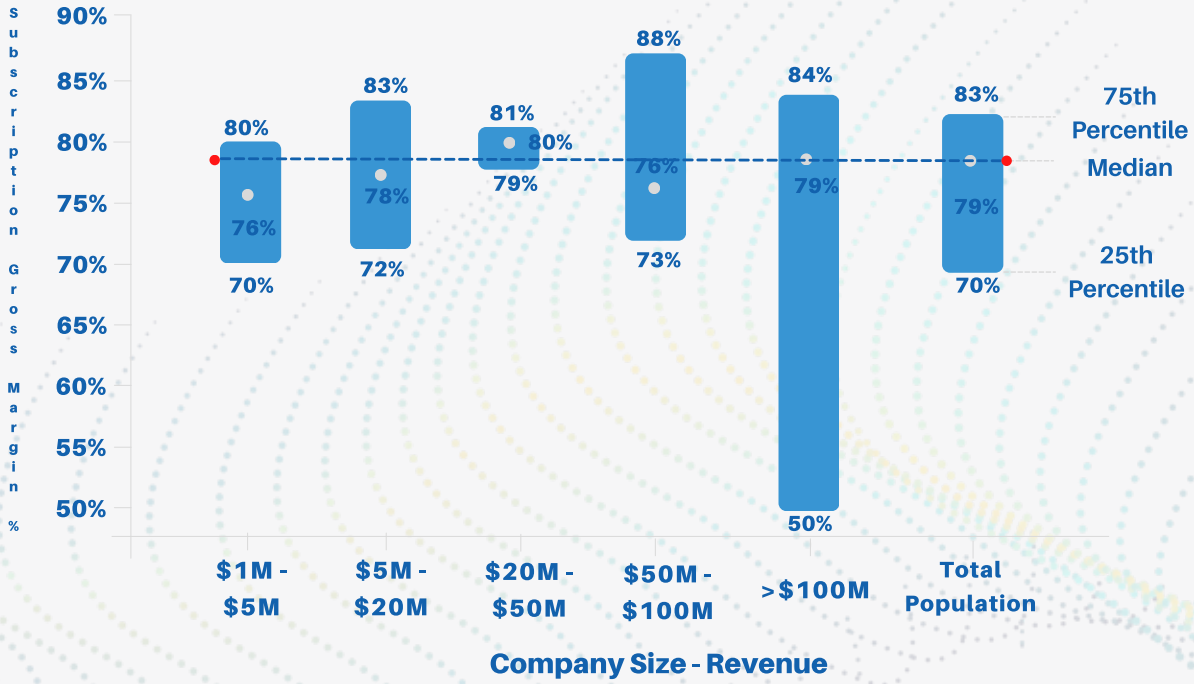
2022



N = 484

Gross Margin - Subscriptions

2022



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N = 448

SUBSCRIPTION GROSS MARGIN INSIGHTS

Subscription gross margin, which is calculated by dividing the Gross Profit specific to subscription revenue by the total subscription GAAP revenue is a hallmark of the potential for cash generation in the SaaS business model

Subscription Gross Margin is traditionally stable across company size, though can be dramatically different based upon the scale of revenue in Usage-Based Pricing model companies with high compute resources. This is often the case in big data, machine learning, and AI centric solutions

SALES AND MARKETING EXPENSES INSIGHTS

Sales and Marketing expenses decreased across the entire population from 36% last year to a median of 34% in this year's benchmarks

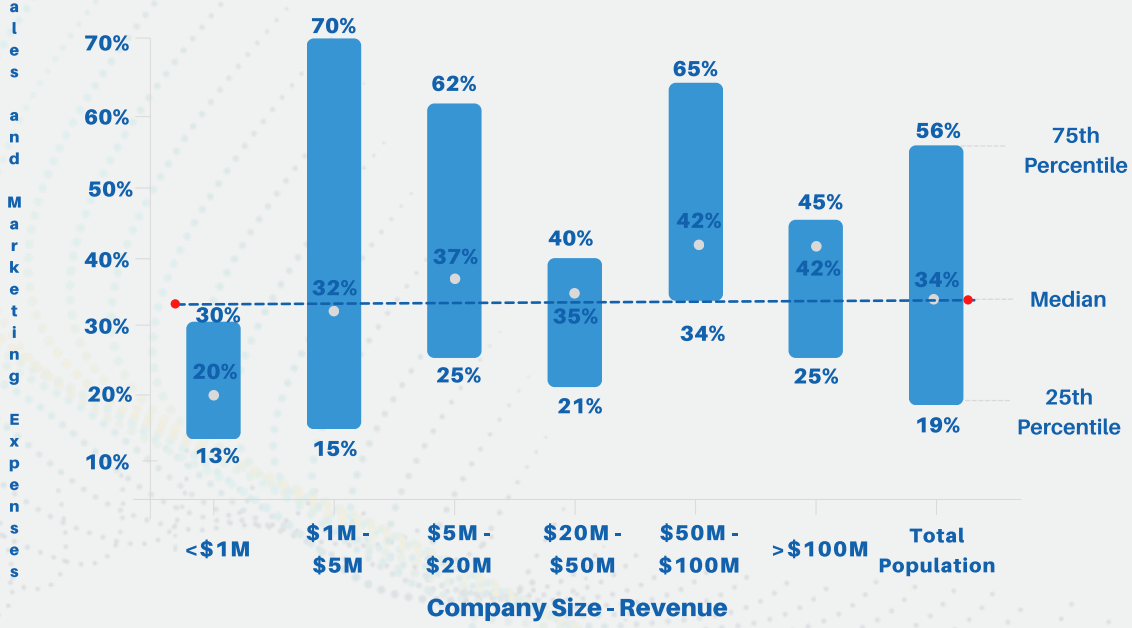
The $20M - $50M ARR segment experienced the greatest reduction from 54% in 2021 to 35% at median – highlighting increased focus on efficiency in 2H-22

In companies that scale above $50M ARR, the Sales and Marketing expenses will typically increase as a % of revenue, but need to be viewed in context of both Growth Rate and the Rule of 40

As such, Sales and Marketing expenses as a percentage of revenue should be viewed in context of Customer Acquisition and Customer Expansion efficiency metrics such as the CAC Ratio, CAC Payback Period and CLTV:CAC Ratio in context of profitable growth as measured by the Rule of 40

Sales and Marketing Expenses % of Revenue

By Revenue (2022)



N = 476

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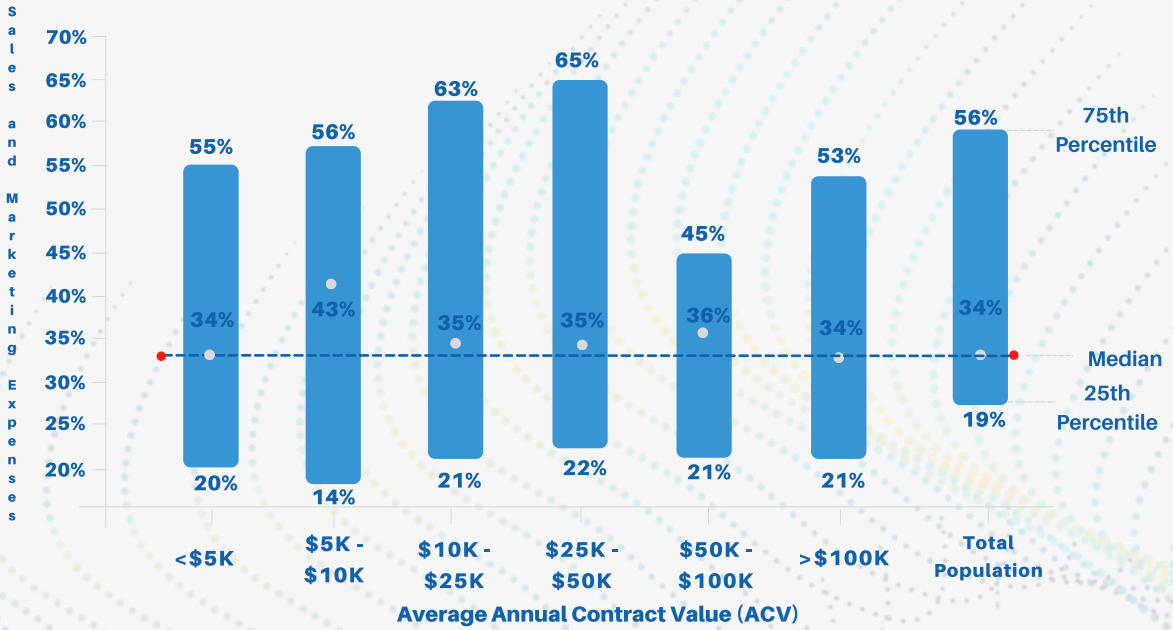
Sales and Marketing Expenses % of Revenue

By ACV (2022)



SALES AND MARKETING EXPENSES INSIGHTS

Sales and Marketing expenses as a percentage of revenue does not have a high correlation to the Average Annual Contract Value (ACV)

A more interesting and granular view of this metric is the mix of Sales expenses versus Marketing expenses based upon ACV, which we did not collect in this research

Lower ACV solutions will typically see a higher percentage of Marketing Expenses, where as in larger ACV solutions, beginning at $10K ACV the percentage of Sales expenses compared to the total Sales + Marketing Expenses will be in the 68% - 74% range

R&D EXPENSES INSIGHTS

Research and Development (R&D), often referred to as the development or engineering department is foundational to any early-stage SaaS company

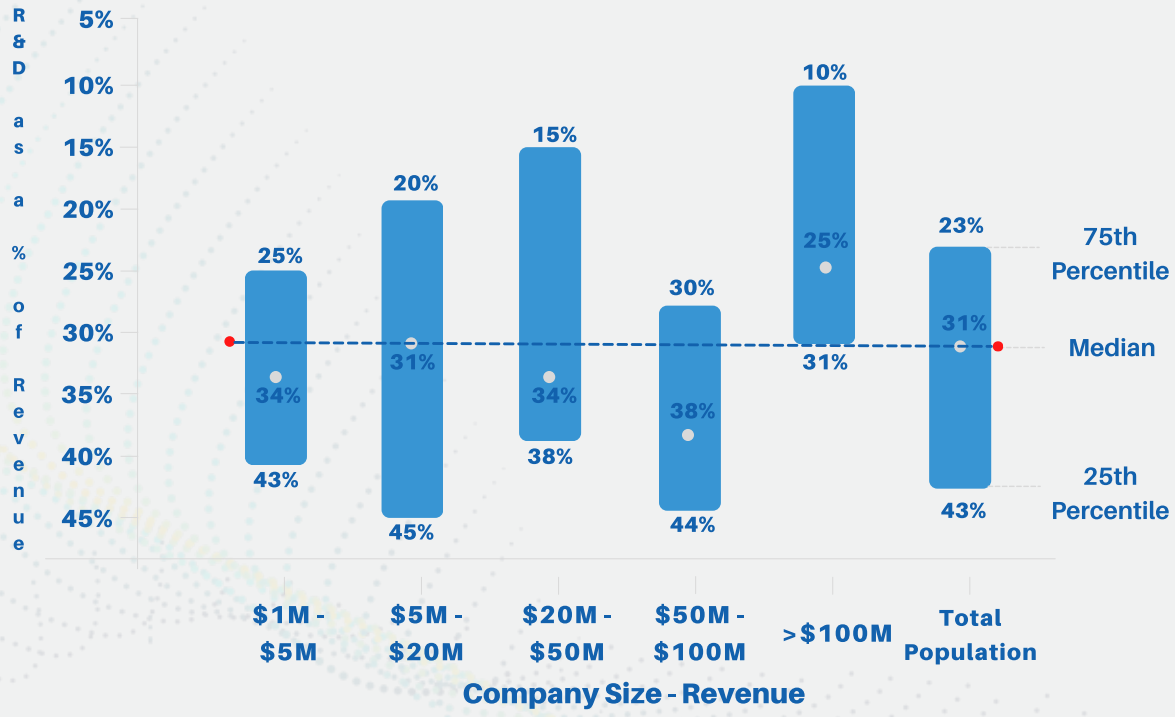
As such, for any company with less than $1M ARR, R&D as a percentage of revenue is not as relevant, especially in technical led founder companies, where their salary can have a significant impact

As companies scale to $50M ARR and above, the R&D investment is normally in the 21% - 30% range – in this year's research that did not happen until > $100M

This year's benchmarks show an overall increase in R&D at median for every segment from $20M - $100M – possibly highlighting the increased investment in Product-Led Growth and/or new products to increase Net Revenue Retention rates

R&D Expenses % of Revenue

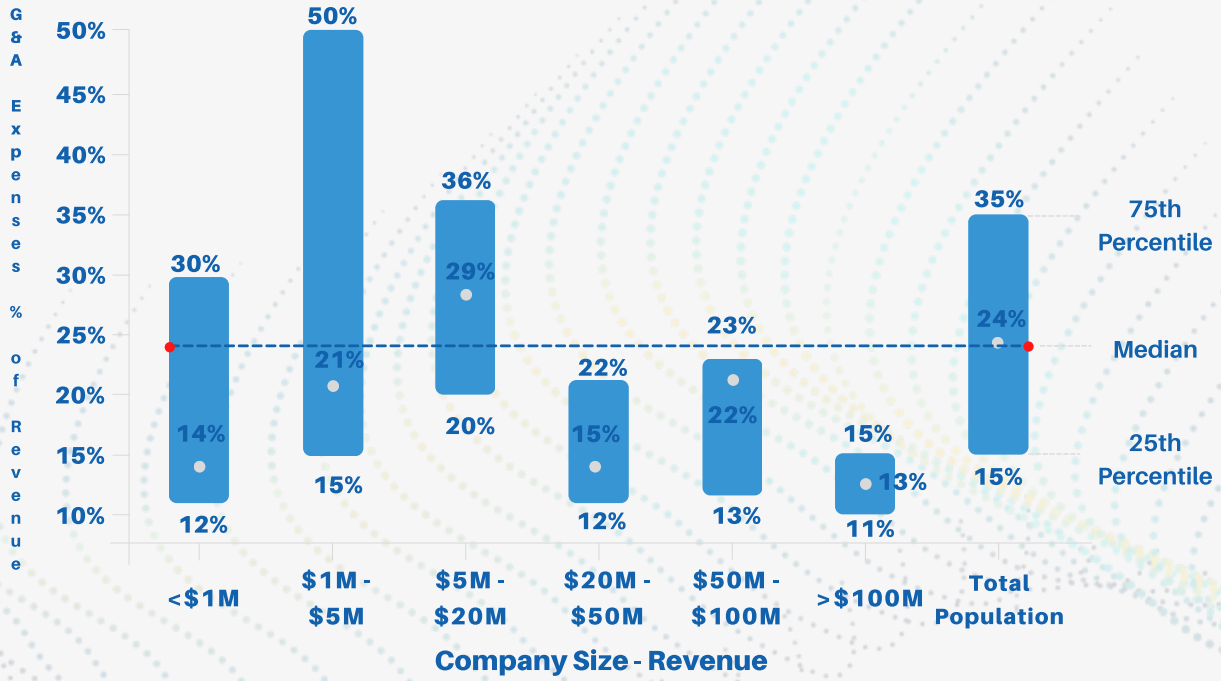
By Revenue (2022)



N = 340

G&A Expenses (% of Revenue)

2022



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N = 336

G&A EXPENSES INSIGHTS

General and Administrative expenses as a percentage of revenue are typically higher in the early stage of a SaaS company's evolution, especially when the founder/CEO is taking a salary

G&A at 24% of revenue at median is consistent with last year's benchmarks and reflects the larger percentage of < $20M ARR companies in the population mix

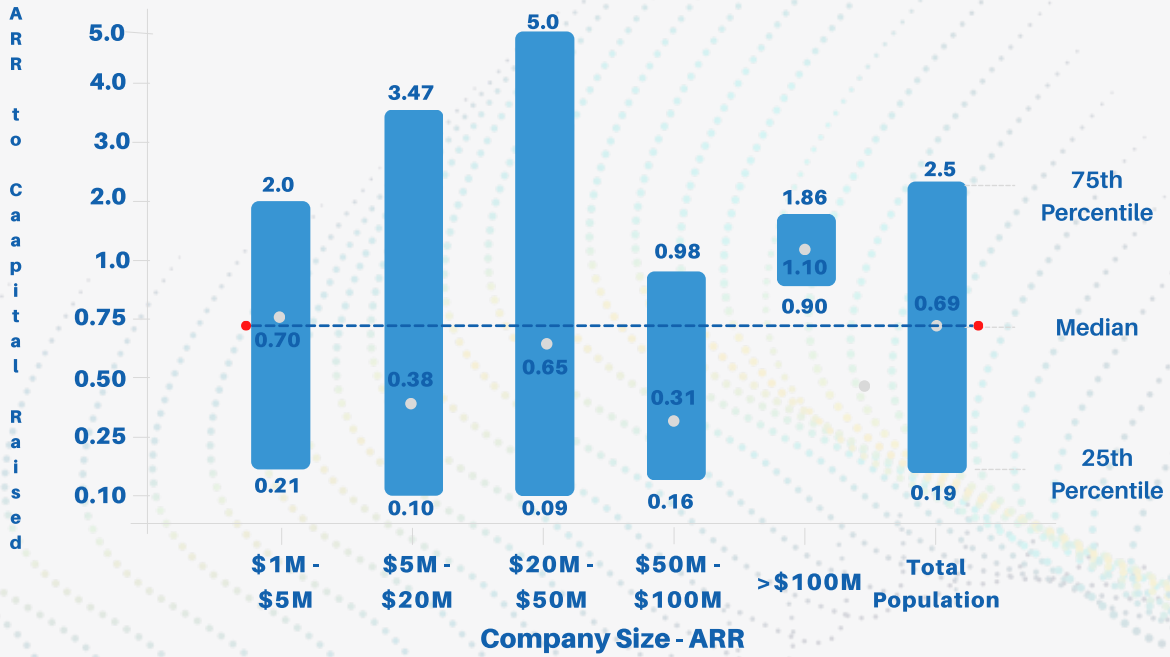
As companies scale to each subsequent levels of ARR, G&A will typically normalize in the 14% - 20% range

One potential impact to G&A as a percentage of revenue is when expenses such as office, travel, and benefits are captured in G&A versus at the department level

CAPITAL EFFICIENCY BENCHMARKS

ARR to Capital Raised Ratio

By Revenue (2022)



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N = 348

ARR TO CAPITAL RAISED INSIGHTS

Annual Recurring Revenue to Capital Raised is an investor centric metric that provides insight into capital efficiency. This metric should be evaluated in context of the stage of growth, and the growth rate

The ultimate goal is to have an ARR to Capital Raised ratio above 1.0 and in a VC backed company this most often is reached at the $50M and above range – depending on growth rates targeted and achieved

In high or hyper growth companies, the return on capital as measured by ARR to Capital Raised will play a secondary role to growth rates and Enterprise Value to Revenue multiples

Though there are fairly stable and predictable benchmarks for ARR to Capital Raised, this is not a metric that operators should invest a lot of time in regards to operating decisions beyond Cash Runway and the Burn Multiple

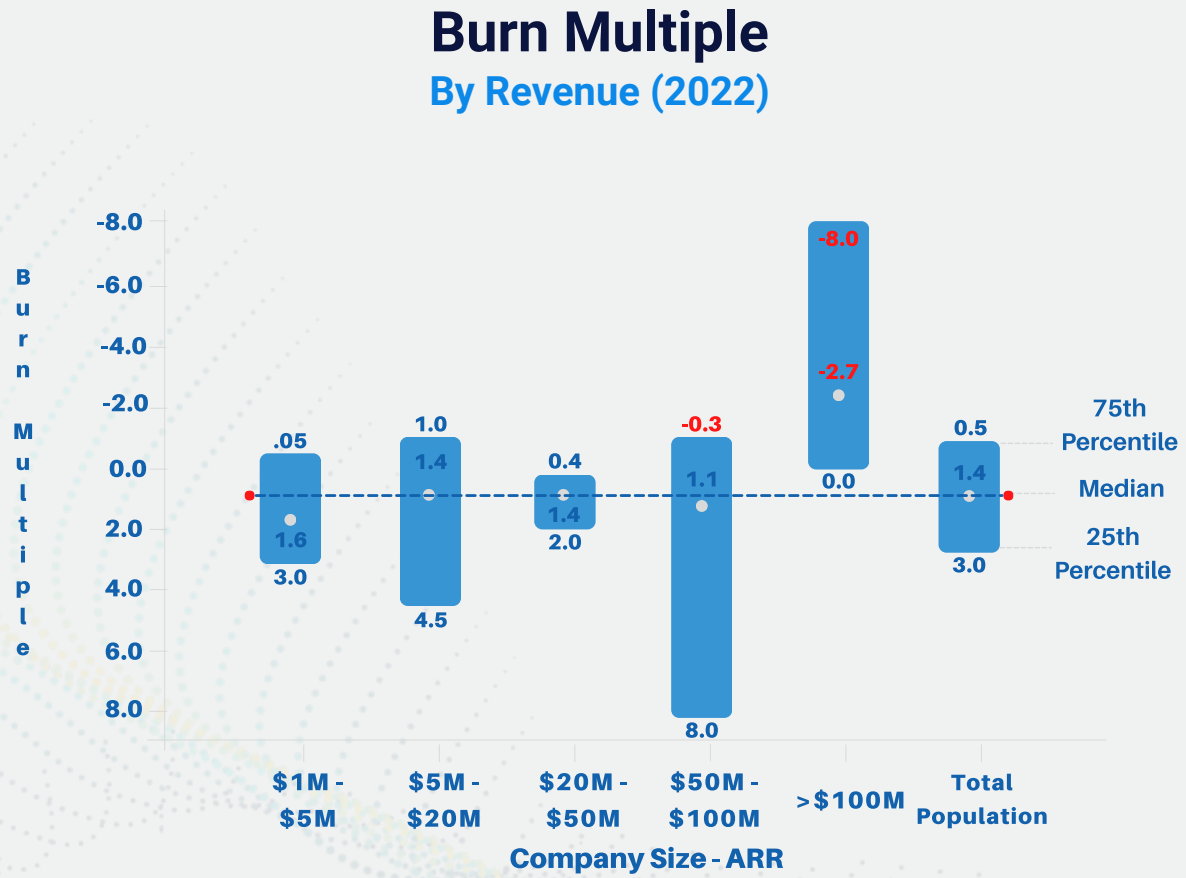
BURN MULTIPLE INSIGHTS

The Burn Multiple – first introduced by David Sacks at Craft Ventures is a capital efficiency metric that measures how much capital is being consumed to grow each dollar of ARR

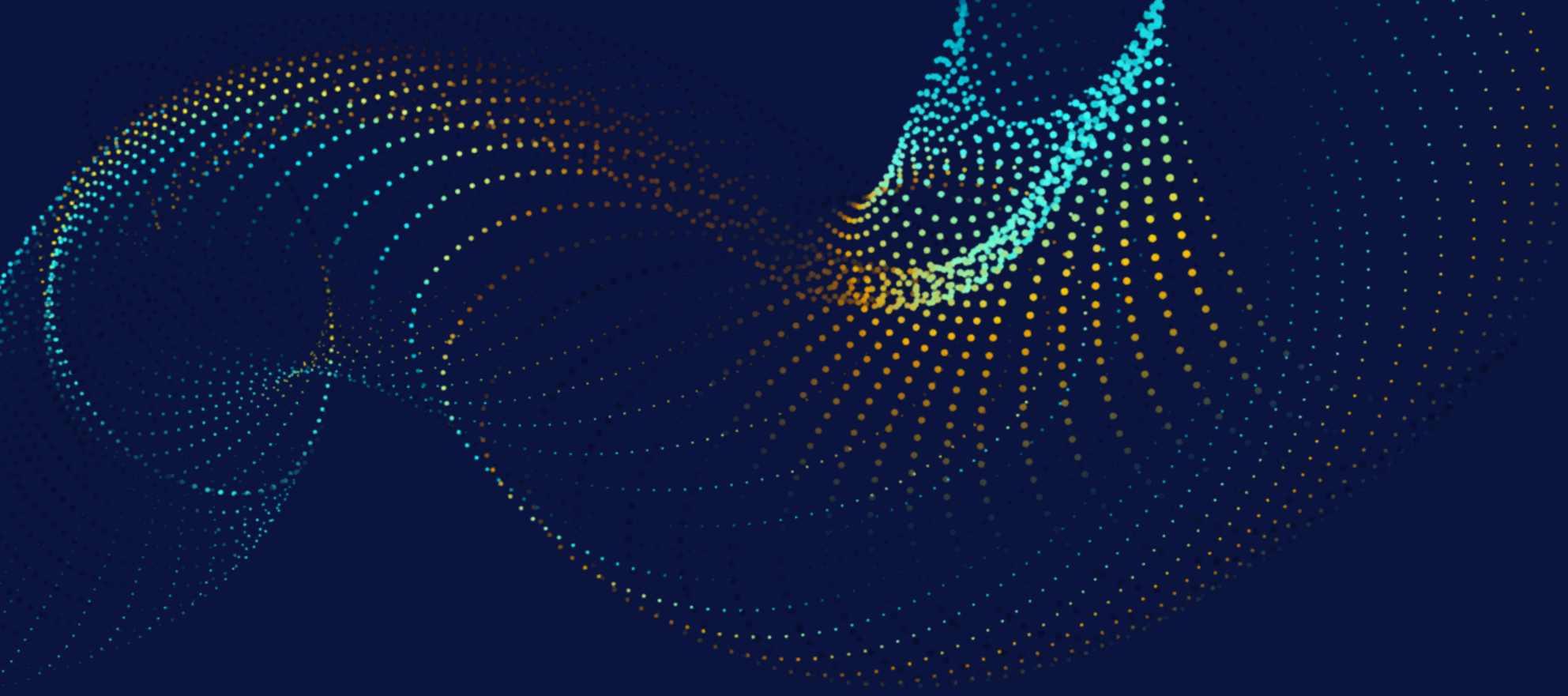
$$\text{Burn Multiple} = \frac{\text{Net Burn}}{\text{Net New ARR}}$$

Companies that have a burn multiple under 1.0x are typically viewed as the most capital efficient growth companies, while those in the 1.0 – 1.5 are still considered good. A burn multiple above 1.5 is a point of caution and above 2 is typically a concern to investors

It is rare to find VC backed companies with a negative burn multiple and when it does, it is in a rare "bootstrapped" company that achieves growth rates and the scale typically found in venture backed B2B SaaS companies



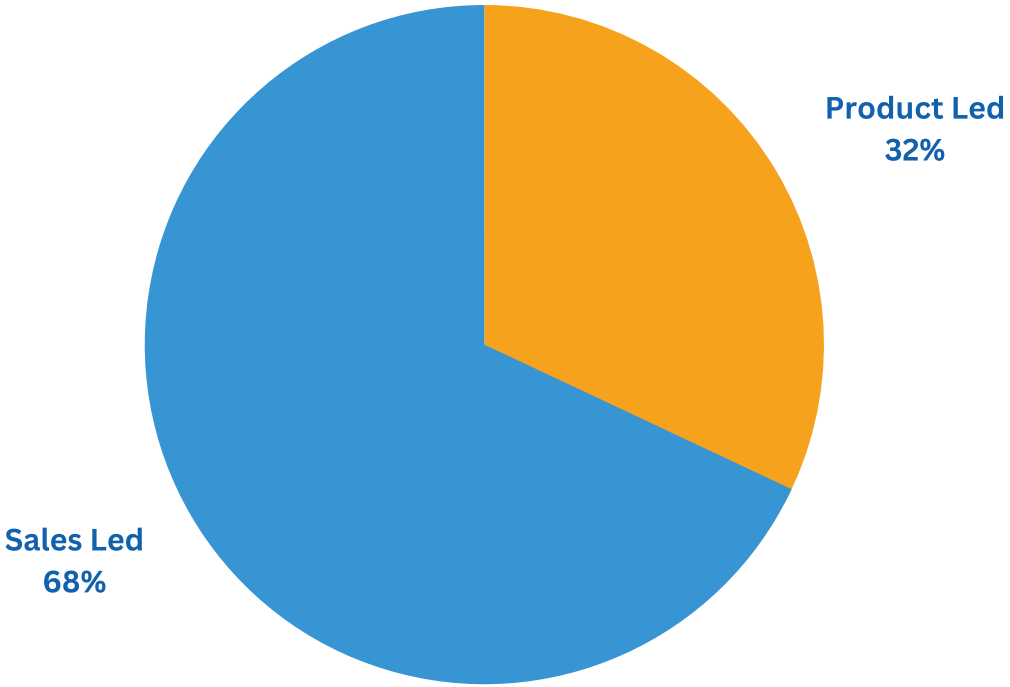
N = 280



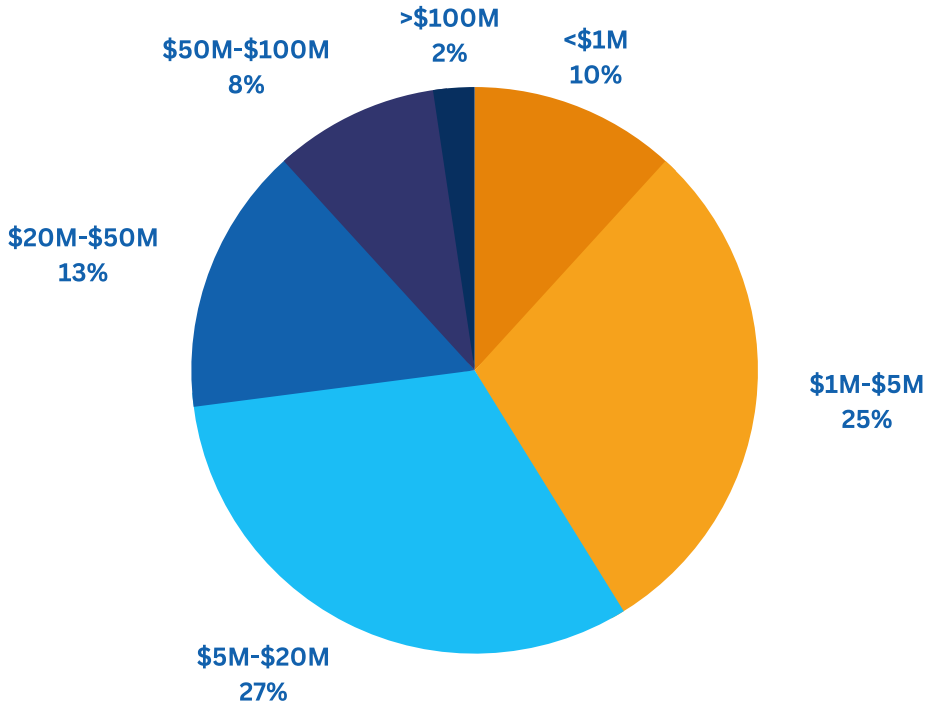
BENCHMARK PARTICIPANT
COMPANY PROFILE

Participant Company Profile

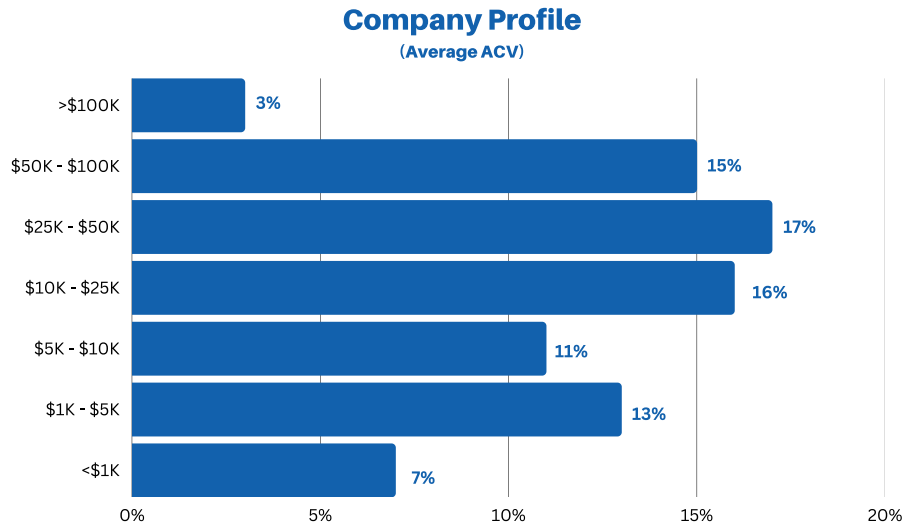
Company Profile
(Primary GTM Motion)

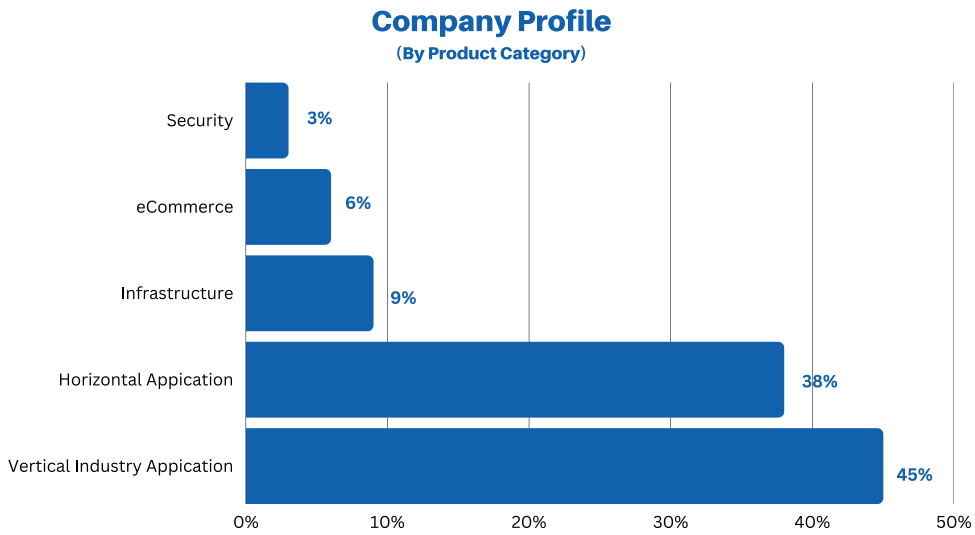


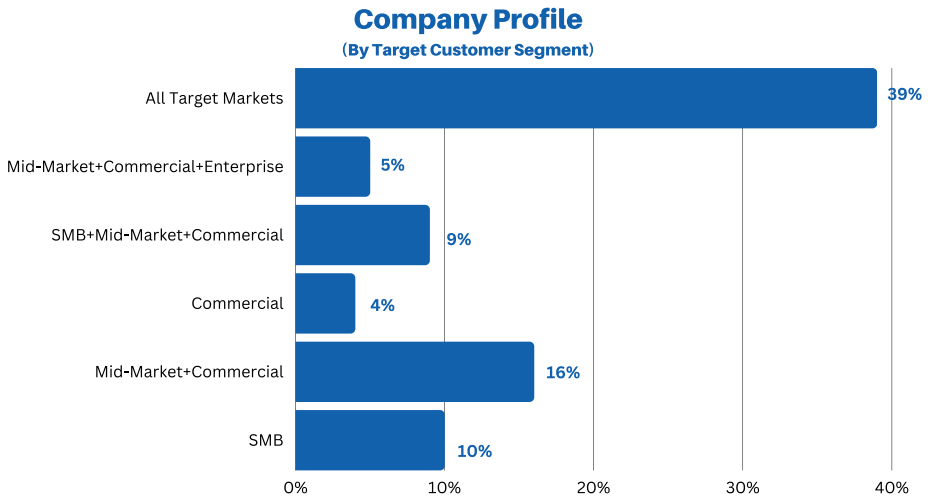
Company Profile
(By Company Revenue)

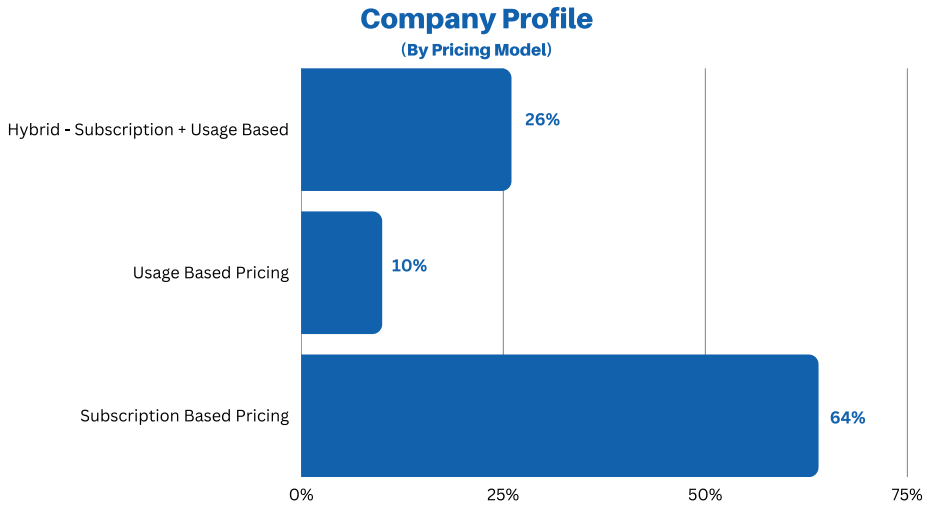


Participant Company Profile





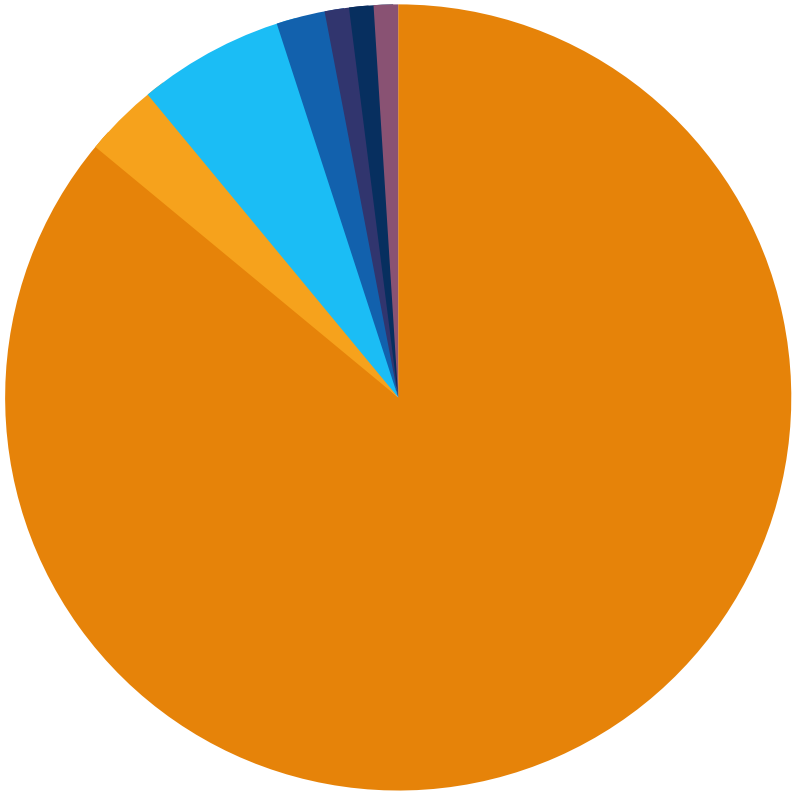




Participant Company Profile

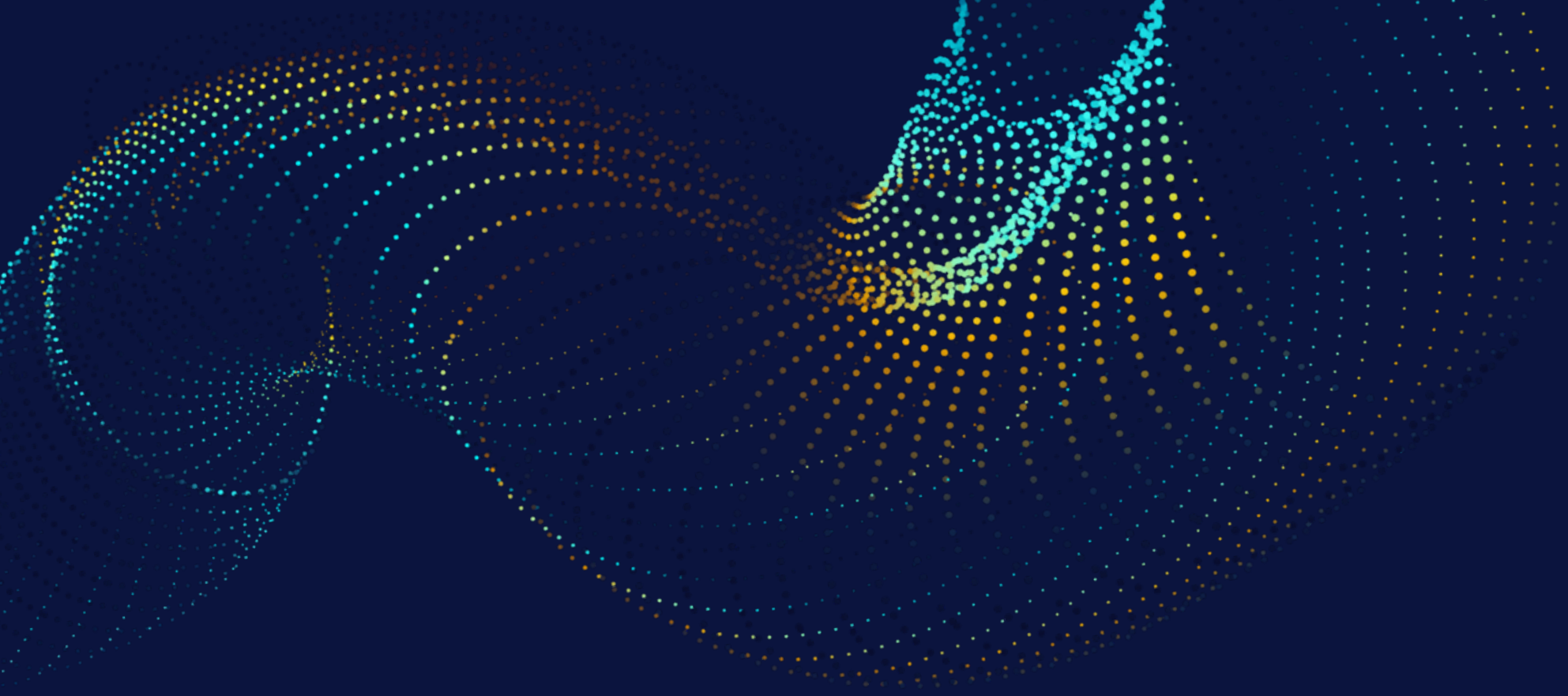
Company Profile

(Region of World)



Company Region

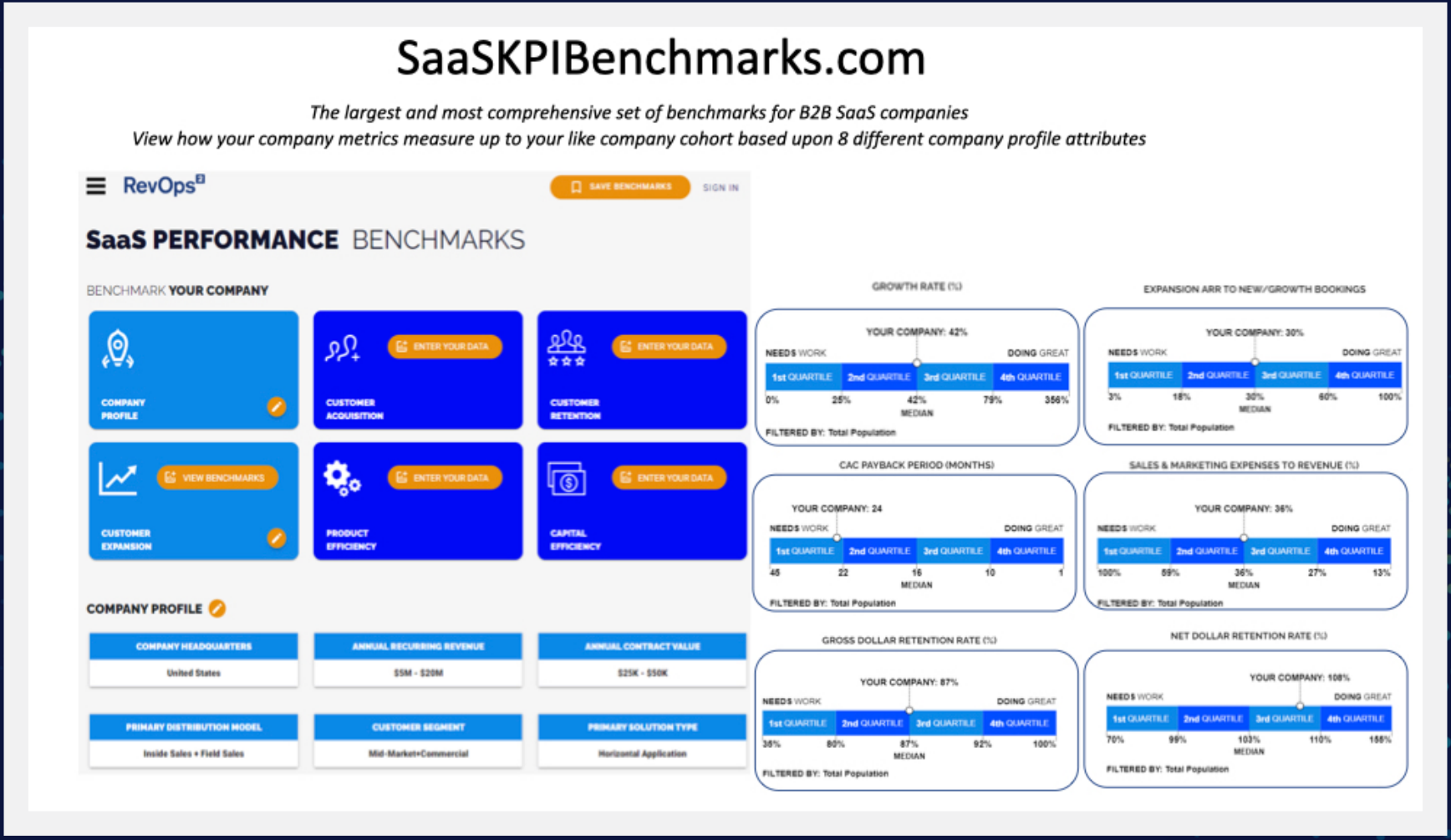
- 86% United States
- 3% Canada
- 6% Europe
- 2% Australia and New Zealand
- 1% Asia
- 1% Latin America
- 1% Middle East



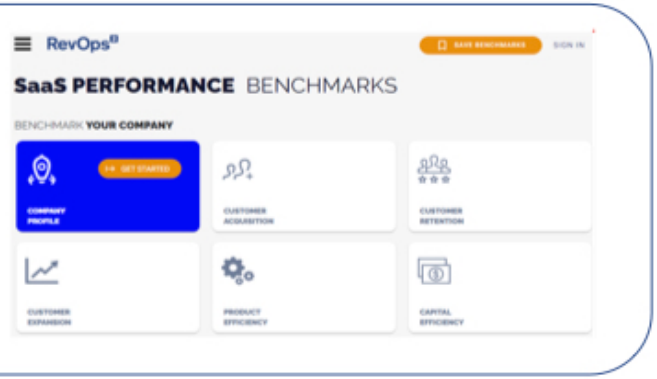
INTERACTIVE BENCHMARKING PLATFORM OVERVIEW

How to use SaaSKPIBenchmarks.com

Four steps to see how your company measures up



Step 1: SaaSKPIBenchmarks.com



Step 2: Provide your company profile attributes[1]

Step 3: View Benchmarks for Like Company Cohort

Step 4: Overlay your metric(s) value on charts

DISCLOSURES

RevOps Squared, now doing business as Benchmarkit™ conducted industry benchmark research on SaaS Performance Metrics with the explicit permission and approval by all survey and research participants.

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