## The SaaS Academy



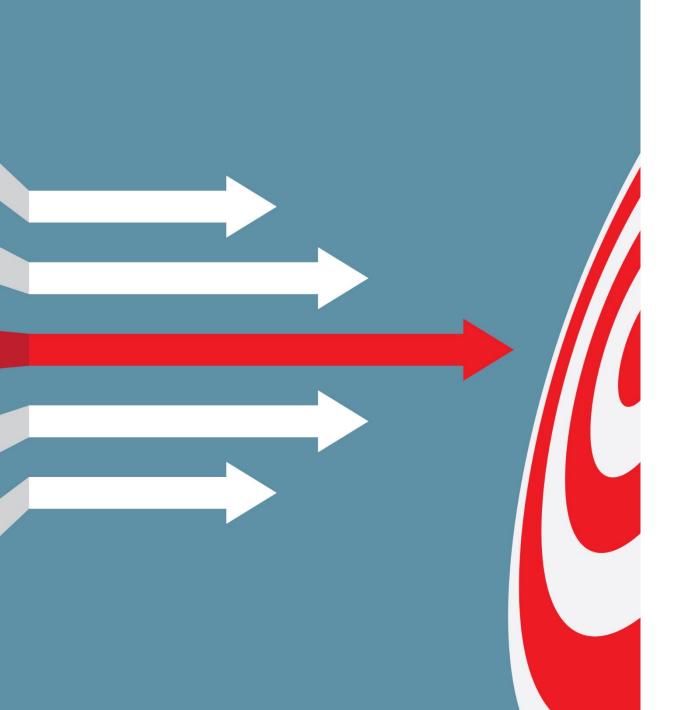
### BEN MURRAY THE SAAS CFO ben@thesaascfo.com

### **MY STORY**

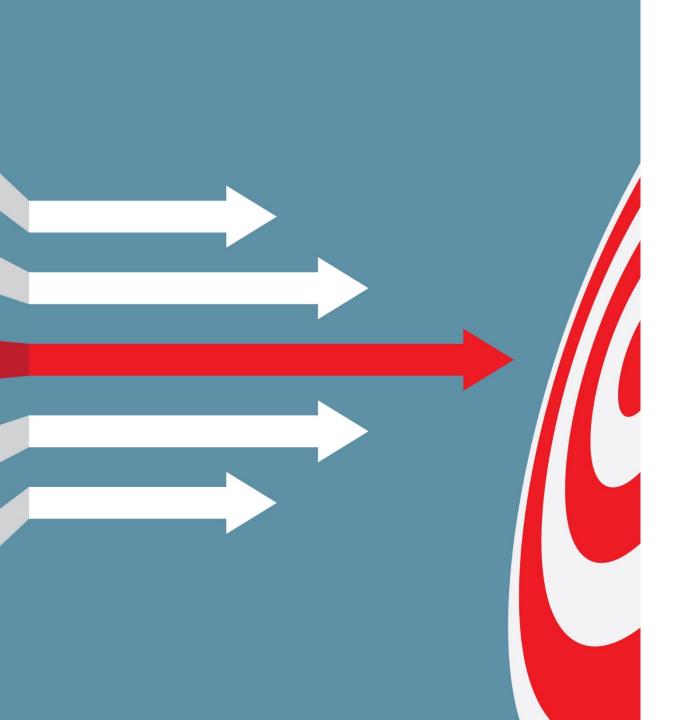
- 25+ years in finance & accounting
- Airlines and software
- MBA and CPA (TN)
- 9+ years as a SaaS CFO
- Founding member, SaaS Metrics Standards Board
- Blogging 7+ years on SaaS at TheSaaSCFO.com
- Courses at TheSaaSAcademy.com



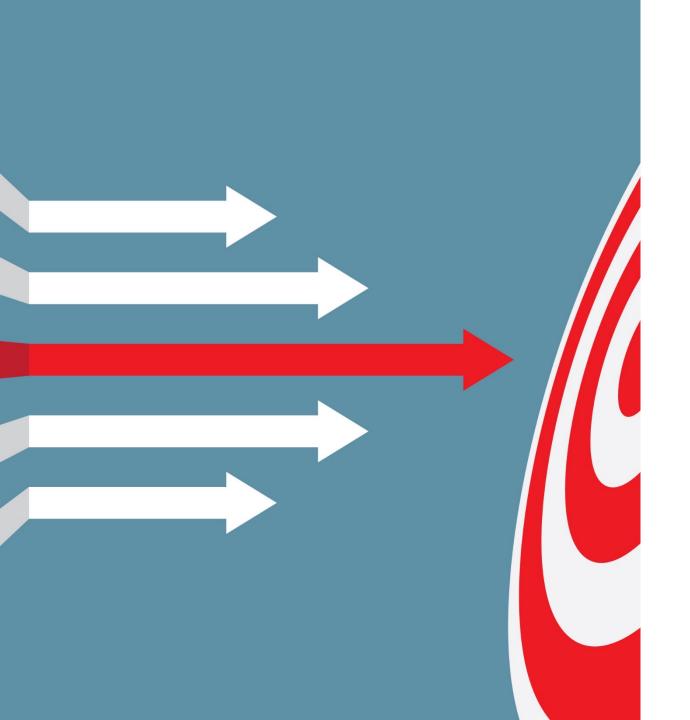
## The SaaS Metrics Playbook to Improve SaaS Valuations



# What's Your Number?



### 3x ARR?



### **10x ARR?**



# Valuation is Art and Science



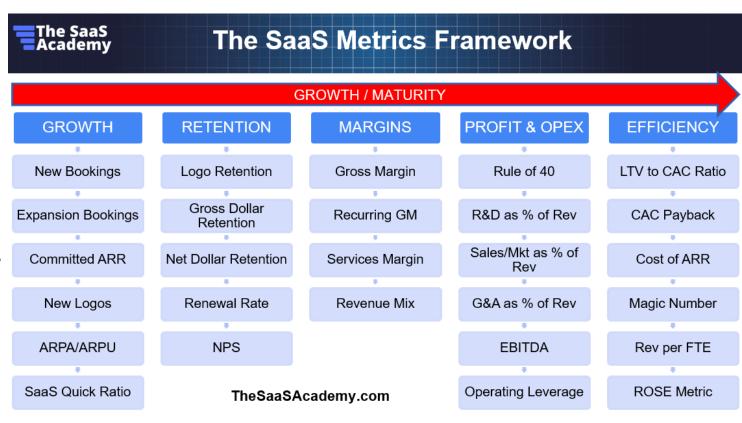


## But we can put tools in place to support our valuation

### My 5 Pillar SaaS Metrics Framework

### Your roadmap to financial transparency

- Right metrics for the right stage
- Calculate historical and forecasted metrics
- Benchmark against your similar peers
- Measure, monitor, and improve
- Support your valuation







## Operate Our Business Prepare for Due Diligence



## **This Framework** Acts as Our Roadmap to **Systematic** Reporting

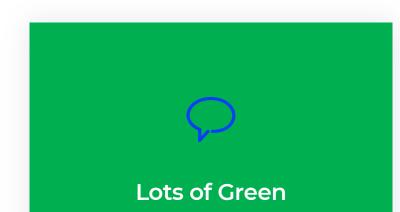


# No More Fire Drills to Hurriedly Calculate Our Metrics



13

### Assess →→ What's working? What's not working?



More green, better valuation.



### Some Yellow

Some yellow is okay but you need to understand it and how to improve it.

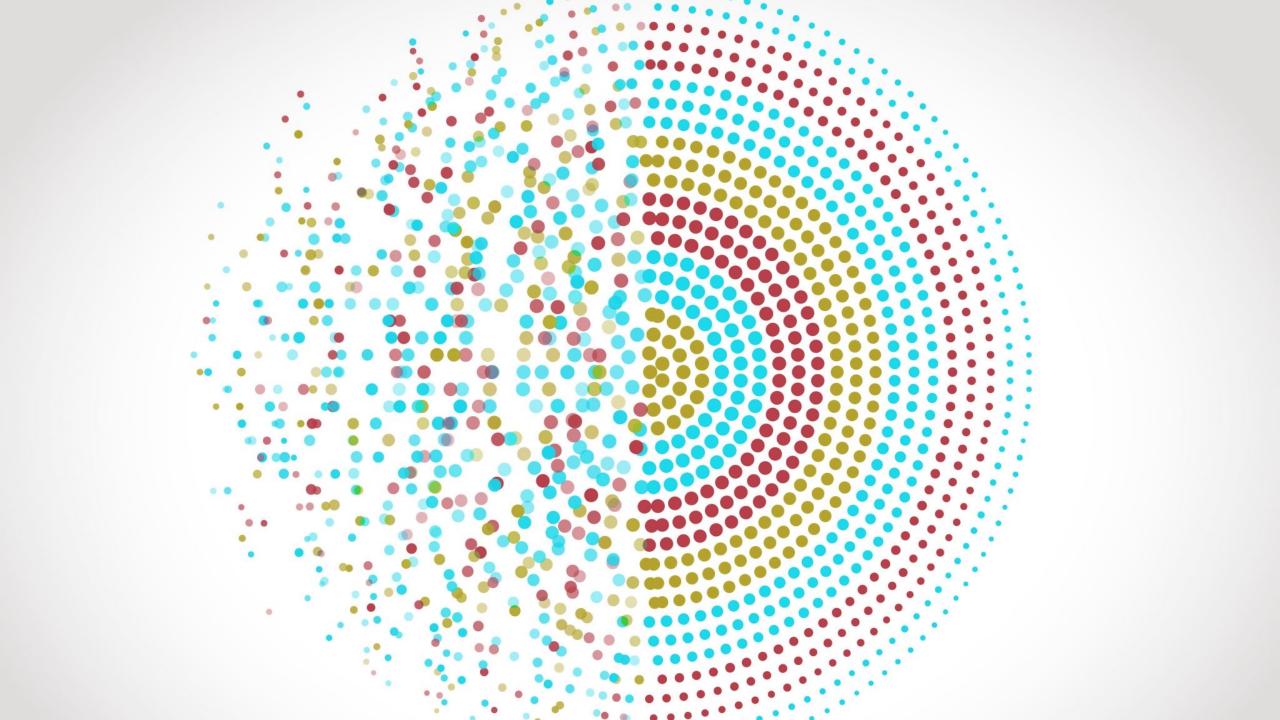


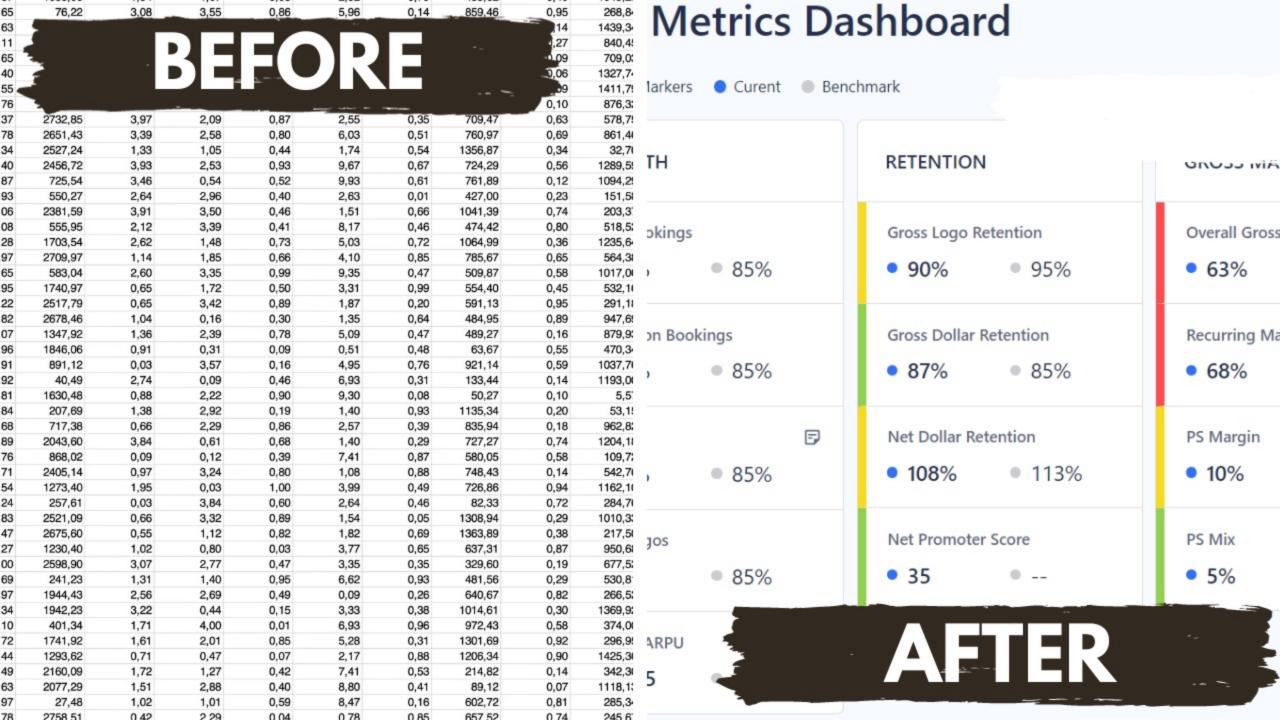
### No Red

Difficult to achieve 10x when you have metrics scoring as red.

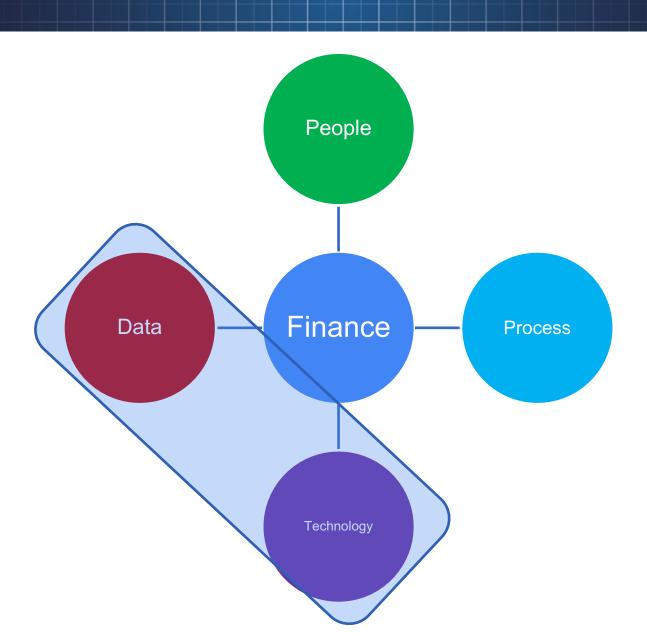


Confider

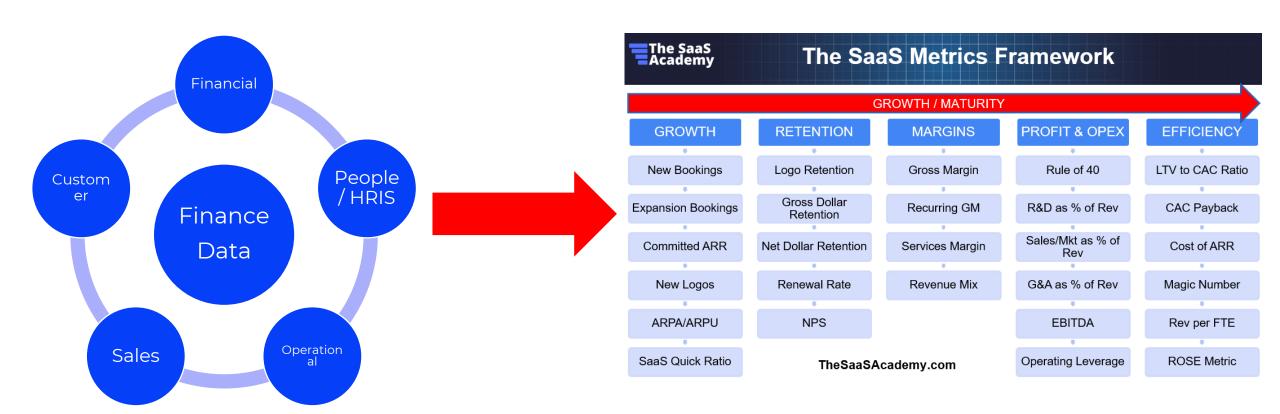




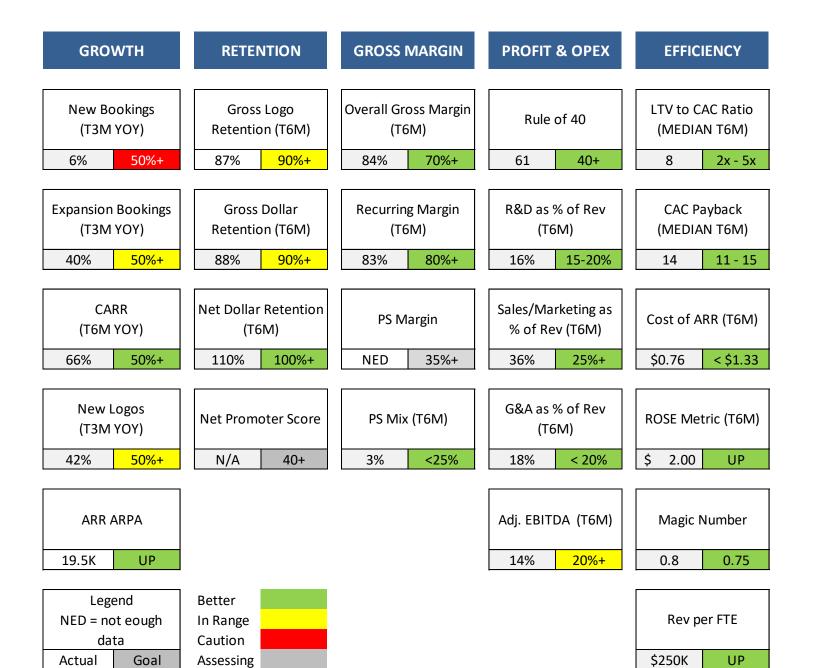
### Ben's 4 Pillars to SaaS Finance



### Due Diligence is Data Intensive







### Visibility Into:

3<sub>X</sub>

(Limited Scale)

Or

10x

(Scalable Model)



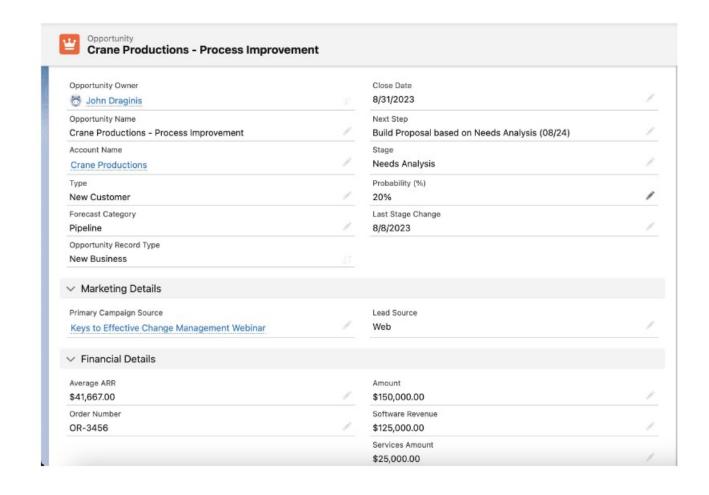
Confidential





# Pillar 1 SaaS Data Mistake

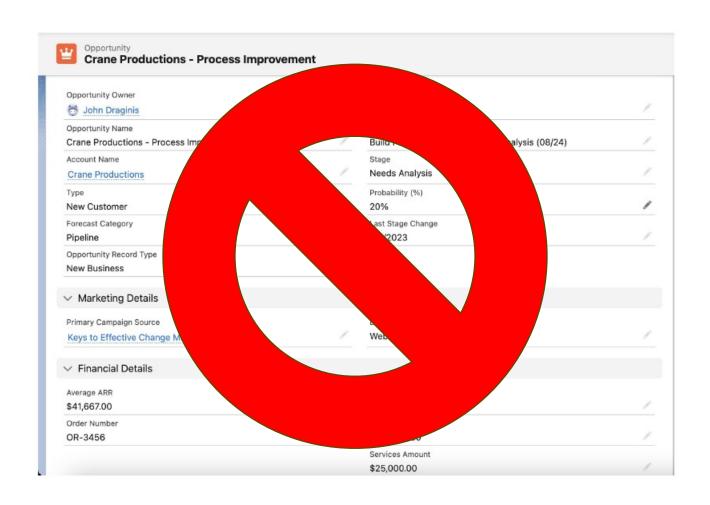




# Bookings Data!



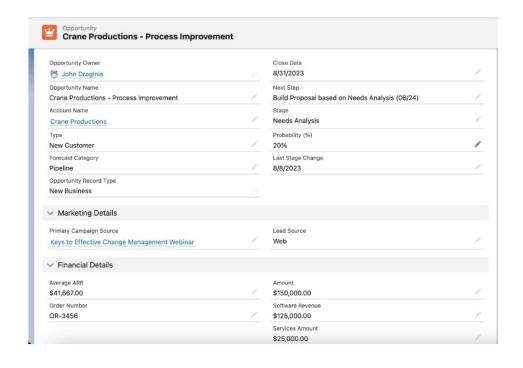
### No or Poor Data!





### **Key Elements of Bookings Data**

### Edit All Products **Line Description Billing Type** \*Product \*Quantity \*Sales Price Date CMS - Essentials Package 3.00 \$25,000.00 9/1/2023 CMS Essentials - 3 Years Recurring - Annual ò ô New Business Implementation ... 1.00 \$10,000.00 9/1/2023 Essentials Implementation Pack... Time & Materials 2 ô 1.00 9/1/2023 Fixed Price 3 CRM Integration \$5,000.00 Salesforce Integration Support



- New vs. Expansion vs. Contraction
- By Revenue Stream
- ARR and TCV
- Metadata



### **Expansion**

Make sure you track expansion on a net basis! "Gross" tracking will skew your metrics and performance tracking.

59%



### **Bookings Date?**



When do you record a software booking in your bookings report?

You can see how people vote. Learn more

Contract execution date

Subscription start date 33%

First invoice date 5%

Other: please explain below 3%

253 votes • Poll closed



### Warning!

Watch out for any timing misalignment between bookings date and CAC expenses.



### Metadata

Pricing Plans
Invoicing Terms
Firmographics



## But wait! I don't speak the bookings language.

Lower price point, high volume businesses.

The concept is still applicable!

We still need to measure growth via payment/invoice transactions.





# Pillar 2 SaaS Data Mistake



# Treat This Data Like Gold!

### MRR SCHEDULE



49	REVENUE	385,522	423,505	438,408	446,092	492,372	527,893	572,482	580,892
50	Customer 1	2,795	2,795	2,795	2,795	2,795	2,858	2,858	2,858
51	Customer 2	500	500	500	500	500	500	500	500
52	Customer 3	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245
53	Customer 4	-	-	-	-	-	589	3,083	3,595
54	Customer 5	748	748	748	748	748	748	748	748
55	Customer 6	625	-	-	-	-	-	-	-
56	Customer 7	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748
57	Customer 8	748	748	748	748	748	748	748	748
58	Customer 9	748	748	748	748	748	748	748	748
59	Customer 10	3,683	3,683	3,683	3,683	3,683	3,683	3,683	3,683
60	Customer 11	2,535	2,535	2,535	2,535	2,535	2,535	2,535	2,535
61	Customer 12	500	500	500	500	500	500	500	500
62	Customer 13	500	500	500	500	500	500	500	500
63	Customer 14	1,875	1,938	1,875	1,875	1,875	1,875	1,875	1,875
64	Customer 15	500	500	500	500	500	500	500	500
65	Customer 16	748	748	748	748	748	748	748	748

### MRR SCHEDULE



49	REVENUE	385,522	423,505	438,408	446,092	492,372	527,893	572,482	580,892
50	Customer 1	2,795	2,795	2,795	2,795	2,795	2,858	2,858	2,858
51	Customer 2	500	500	500	500	500	500	500	500
52	Customer 3	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245
53	Customer 4	-	-	-	-	-	589	3,083	3,595
54	Customer 5	748	748	748	748	748	748	748	748
55	Customer 6	625	-	-	-	-	-	-	-
56	Customer 7	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748
57	Customer 8	748	748	748	748	748	748	748	748
58	Customer 9	748	748	748	748	748	748	748	748
59	Customer 10	3,683	3,683	3,683	3,683	3,683	3,683	3,683	3,683
60	Customer 11	2,535	2,535	2,535	2,535	2,535	2,535	2,535	2,535
61	Customer 12	500	500	500	500	500	500	500	500
62	Customer 13	500	500	500	500	500	500	500	500
63	Customer 14	1,875	1,938	1,875	1,875	1,875	1,875	1,875	1,875
64	Customer 15	500	500	500	500	500	500	500	500
65	Customer 16	748	748	748	748	748	748	748	748

### Your MRR schedule is like gold! Can you produce this?

### HOLES IN YOUR SCHEDULE?



4	Α	В		С		D		Е		F		G	
1	REVENUE	\$	168,557	\$	183,307	\$	166,540	\$	214,890	\$	199,735	\$	210,070
2	Customer 1	\$	2,495	\$	2,495	\$	2,495	\$	2,495	\$	2,495	\$	2,495
5	Customer 4	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
6	Customer 5	\$	3,588	\$	3,588	\$	-	\$	-	\$	3,588	\$	3,588
7	Customer 6	\$	1,991	\$	1,991	\$	1,991	\$	1,991	\$	1,991	\$	1,991
9	Customer 8	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
10	Customer 9	\$	-	\$	300	\$	-	\$	-	\$	300	\$	-
11	Customer 10	\$	3,095	\$	3,095	\$	3,095	\$	-	\$	3,095	\$	3,095
12	Customer 11	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
13	Customer 12	\$	1,468	\$	1,918	\$	3,043	\$	3,043	\$	3,043	\$	3,043
14	Customer 13	\$	2,195	\$	2,195	\$	2,195	\$	2,195	\$	2,195	\$	2,195
15	Customer 14	\$	1,171	\$	2,199	\$	3,063	\$	7,508	\$	4,689	\$	5,190
16	Customer 15	\$	2,851	\$	2,851	\$	2,851	\$	2,851	\$	2,851	\$	2,851
17	Customer 16	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
18	Customer 17	\$	1,609	\$	1,609	\$	1,609	\$	1,609	\$	1,609	\$	1,609

This wreaks havoc with your retention!



### **Biggest Mistakes!**

Poor invoicing practices
Cash basis
No revenue recognition
Not reconciling your deferred
subledger



### Metadata

Pricing Plans
Product Lines
SKU Level
Invoicing Terms
Firmographics





# Pillar 3 SaaS Data Mistake

Software	334	151	472	100	159	477	51	64	650	408	64	64	77
Total Computer	1,824	2,387	1,604	100	4,818	477	663	84	4,888	378	84	84	8,590
in fras tru cture - De ve lop me nt													
Development Tools	107	57	179	186	57	57	107	107	107	107	107	107	107
Total in frast ruoture - De ve lopm e nt	107	67	179	188	67	67	107	107	107	107	107	107	107
Infrastructure - Office													
Alarm	56	56	56	56	76	56	56	96	76	56	56	56	56
Rent Expense	5,280	5,280	5,280	5,129	5,242	15,975	5,242	5,268	5,418	5,938	520	5,949	5,949
Telephone and Internet Expense	1,289	334	328	2,223	301	2,256	306	4,576	3,663	526	4,351	348	2,368
Total infrastructure - Office	8,825	6,870	5,884	7,408	6,819	18,287	6,804	9,900	9,157	8,520	4,827	8,353	8,370
Infrastructure - Operations													
Adobe Creative Cloud	117	117	225	171	171	171	201	237	282	282	5,741	282	282
Co llabo ration													11
CRM								1,088					
Cross-Browser Testing Software	95	79	79	16	95	95	95	95	95	95	79	111	90
Dunning Software	50	50	50	50	50	50	50	50	50	50	50	50	50
Bm all Hosting	338	340	5	346	320	328	327	334	342	298	295	313	313
e Signature s / eFax			90	90	90	90	90	90	90	90	90	90	90
Meeting/Webinar Software	107	107	107	107	107	107	7	80	29				
Office Supplies	324	638	680	969	326	478	263	87	332	395	131	145	766
Online Storage	40	40	41	103	43	43	300	43	43	43	43	43	4
Postage				6		- 12			1				
Project M an agement Software	117	167	117	117	167	167	117	117	117	117	2,409	117	39
Statu c Page	63	29	29	29	29	29	29	29	29	29	29	29	2
Support Software	281	281	301	326	326	326	341	596	607	641	641	641	64
Time Tracking Software	499	2.01	33.								84	84	84
Total infrastructure - Operation s	2,031	1.848	1,724	1,929	1,724	1.883	1.821	2.848	2.017	2.041	8,692	1,908	2,796
Labor	400.	1,212	1,121	1,122	1,121	,,,,,,	1,021	2,513	2,0	2,511		1,222	2,70
Contract Labor (1099)	362	362	362	362	492	8.258	2.339	712	712	1.456			
Health Benefit's Paid	2695	2.695	3,130	2.350	2.351	2353	2.632	2.417	2.133	2,628			
Inc urance Reim bursement	2,000	2,000	5,130	2,000	2,001	2,000	2,002	2,411	2,100	399			
Payroll - Salary	88,380	92.018	91.601	86.904	88.526	90,309	90,451	93.066	86.804	95,803			
Payroll Processing	1,961	2.014	2.228	2.098	2,212	2212	2,155	2.155	1,928	1,928			
Payrol Taxes	11.000	9,435	8.074	6,973	6,992	7.009	7.083	7.389	6.942	7,439			
PED	11,000	3,433	0,014	0,37.3	170	15	7,000	1,303	0,342	1,633	102,030	97,238	110,990
Worker's Comp Expense	262	279	269	260	262	276	275	291	266	304	102,030	37,230	110,23
Total Labor	104,680	108.803	106,884	98,948	101.008	110,431	104,938	108.029	98.784	109.967	102.030	97.238	110,990
Marketing Expense s	10-4000	100,000	100,004	00,040	101,000	110,401	104,000	100,025	50,104	100,001	102,000	67,200	110,000
Content Service Affiliate													
Commissions	6,991	6,807	5,937	10,137	6,222	8,322	6,102	6,170	5,900	5,930	6,165	2,588	2,58
infrast ruotu re													
A/BTe sting For Advertising	9	9	117										
Form Processing	100	100	100	100	100	100	100	100	100	100	100	100	100
Hosting / Soripts For Mark eting	15	25	15	15	89	20	15	115	318	1,315	37	157	3
Marketing Automation Software								34,577					
Marketing Research		59	99	158	158	158	158	158	268	168	168	168	374
T otal infrastructure	124	193	291	273	347	278	273	34,950	688	1,583	306	425	611
Mis o Mark eting													
Marketing Consultant											3,000	750	3,000
Outsou roed M ark eting Content	500		500				1,920	800		2,653			
Total Miso Mark eting	600	-	600	-	-	-	1,920	800	-	2,863	3,000	760	3,000
Offline Ads													
Print Advertising							50						
Se min ar Sponsorship	800							785				890	
Total Offline Ad s	800	-	-	-		-	60	786	-	-	-	890	
Online Ads													
Adroll / Remarketing	386	393	492	197	197	197	239	389	482	383	382	424	38
Adwords / Pay Per Click	1,000	1,000	1,840	1,500	1,500	2,000	1,500	1,500	1,500	2,000	1,500	1,500	2,000
Facebook Advertising	562	489	428	487	504	371	440			343	315	531	596
	II.												

## The is NOT a SaaS P&L

Poor organized
Unclear revenue streams
Incorrect gross margin
No OpEx profile

## The SaaS P&L

- 3 distinct sections
  - Revenue
  - COGS
  - OpEx

#### The Modern SaaS P&L

Clear & distinct revenue streams.





Correct COGS dept's. Dictated by revenue streams.



No creativity need here. Just how it is.

SaaS P&L	Jan-22	Feb-22	Mar-22	
Subscriptions	300	274	321	
Prof. Services	85	90	108	
Variable	40	41	42	
Manages Services	-	-	-	
Hardware	-	-		
Other	4	0	0	
Total Revenue	\$429	\$406	\$471	
Support	12	12	10	
Services	43	37	45	
Transaction	20	21	22	
Customer Success	4	4	5	
Hardware	_	-	-	
Dev Ops	8	7	7	
Total COGS	\$87	\$80	\$88	
Gross Profit	\$342	\$325	\$383	
Margin %	80%	80%	81%	
R&D	59	53	64	
Sales	94	108	73	
Marketing	23	29	31	
G&A	75	79	78	
Total Operating Expenses	\$252	\$269	\$247	

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SAAS P&L

### Tips & Tricks



Clear and distinct revenue streams



Recurring separate from one-time rev



Correct COGS vs. OpEx split



Correct gross profit and by revenue stream



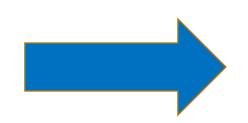
## The Tech





## **Tech Stack Progression**

550,27	2,64	2,96	0,40	2,63	0,01	427,00	0,23
2381,59	3,91	3,50	0,46	1,51	0,66	1041,39	0,74
555,95	2,12	3,39	0,41	8,17	0,46	474,42	0,80
1703,54	2,62	1,48	0,73	5,03	0,72	1064,99	0,36
2709,97	1,14	1,85	0,66	4,10	0,85	785,67	0,65
583,04	2,60	3,35	0,99	9,35	0,47	509,87	0,58
1740,97	0,65	1,72	0,50	3,31	0,99	554,40	0,45
2517,79	0,65	3,42	0,89	1,87	0,20	591,13	0,95
2678,46	1,04	0,16	0,30	1,35	0,64	484,95	0,89
1347,92	1,36	2,39	0,78	5,09	0,47	489,27	0,16
1846,06	0,91	0,31	0,09	0,51	0,48	63,67	0,55
891,12	0,03	3,57	0,16	4,95	0,76	921,14	0,59
40,49	2,74	0,09	0,46	6,93	0,31	133,44	0,14
1630,48	0,88	2,22	0,90	9,30	0,08	50,27	0,10
207,69	1,38	2,92	0,19	1,40	0,93	1135,34	0,20
717,38	0,66	2,29	0,86	2,57	0,39	835,94	0,18
2043,60	3,84	0,61	0,68	1,40	0,29	727,27	0,74
868,02	0,09	0,12	0,39	7,41	0,87	580,05	0,58
2405,14	0,97	3,24	0,80	1,08	0,88	748,43	0,14
1273,40	1,95	0,03	1,00	3,99	0,49	726,86	0,94
257,61	0,03	3,84	0,60	2,64	0,46	82,33	0,72
2521,09	0,66	3,32	0,89	1,54	0,05	1308,94	0,29
2675,60	0,55	1,12	0,82	1,82	0,69	1363,89	0,38
1230,40	1,02	0,80	0,03	3,77	0,65	637,31	0,87
2598,90	3,07	2,77	0,47	3,35	0,35	329,60	0,19
241,23	1,31	1,40	0,95	6,62	0,93	481,56	0,29
1944,43	2,56	2,69	0,49	0,09	0,26	640,67	0,82
1942,23	3.22	0.44	0.15	3,33	0,38	1014,61	0,30





**Spreadsheets** 

**Technology** 



## **Finance Roadmap**

Accounting

Subscription Mgmt

(invoicing / rev rec)

**CRM** 

**HRIS** 

## **Benchmarks**

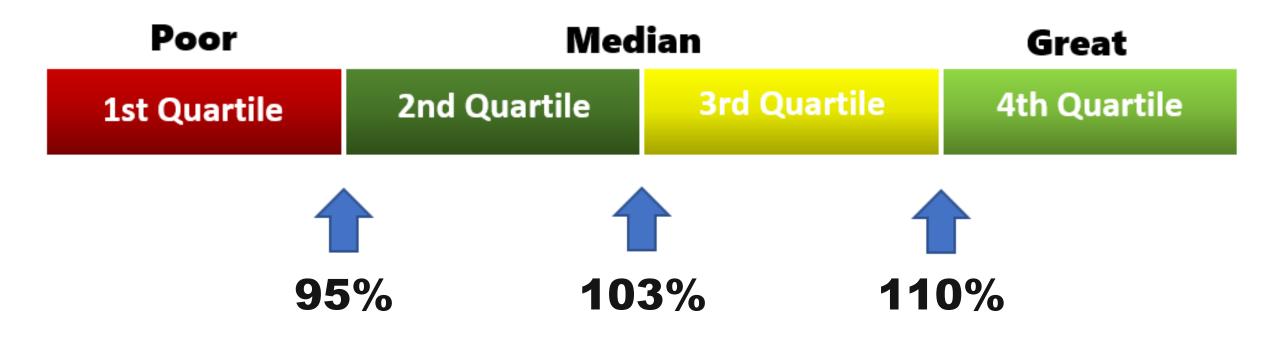


# Aggregate benchmarks are dangerous to your SaaS health!



## **BENCHMARKS Net Dollar Retention**

Source: Benchmarkit.ai FY22 SaaS Survey
Total Population

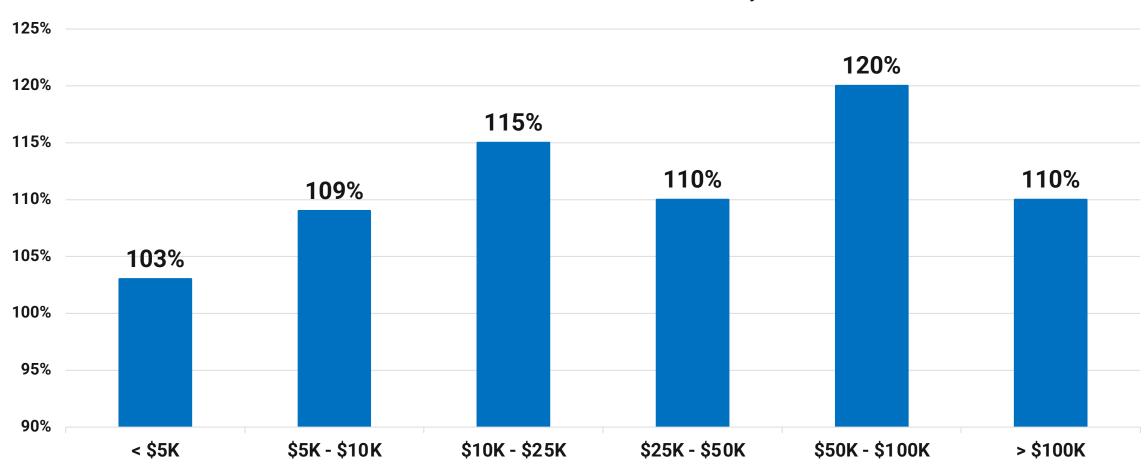




## **BENCHMARKS**

### **Net Dollar Retention By ACV – Top Quartile**

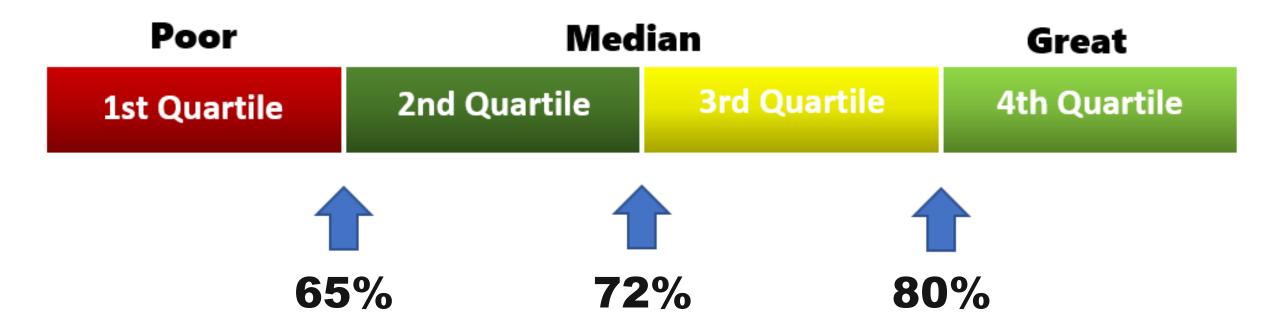
Source: Benchmarkit.ai FY22 SaaS Survey





## BENCHMARKS Gross Margins

Source: Benchmarkit.ai FY22 SaaS Survey
Total Population





Right Metrics for the Right Stage of our Journey



#### **GROWTH / MATURITY**

**GROWTH** 

RETENTION

MARGINS

**EFFICIENCY** 

**New Bookings** 

Logo Retention

**Gross Margin** 

Rule of 40 LTV to CAC Ratio

**Expansion Bookings** 

Gross Dollar Retention

Recurring GM

R&D as % of Rev CAC Payback

Committed ARR

**Net Dollar Retention** 

Services Margin

Sales/Mkt as % of Rev Cost of ARR

**New Logos** 

Bonus

Revenue Mix

G&A as % of Rev Rev per FTE

ARPA/ARPU

NPS / CSAT

EBITDA

**ROSE Metric** 

Bonus

Bonus

PROFIT & OPEX

Bonus

RPO's

**Operating Leverage** 

**RDI Score** 

SaaS Quick Ratio

Magic Number



#### **GROWTH / MATURITY**

#### **GROWTH**

**New Bookings** 

**Expansion Bookings** 

**Committed ARR** 

**New Logos** 

#### RETENTION

Logo Retention

**Gross Dollar** Retention

**Net Dollar Retention** 

**NPS** 

#### **MARGINS**

**Gross Margin** 

Services Margin

Revenue Mix

#### PROFIT & OPEX

Rule of 40

LTV to CAC Ratio

/back

ARR

**EFFICIENCY** 

What metrics are relevant for your company stage?

G&A as % of Rev

Magic Number

**EBITDA** 



## < \$1M ARR

#### **GROWTH / MATURITY**

**GROWTH** 

**New Bookings** 

**Expansion Bookings** 

Committed ARR

New Logos

**RETENTION** 

Logo Retention

Gross Dollar Retention

**Net Dollar Retention** 

**NPS** 

**MARGINS** 

**Gross Margin** 

Recurring GM

Services Margin

Revenue Mix

PROFIT & OPEX

Rule of 40

R&D as % of Rev

Sales/Mkt as % of Rev

G&A as % of Rev

**EBITDA** 

**EFFICIENCY** 

LTV to CAC Ratio

CAC Payback

Cost of ARR

Magic Number



## \$1-3M ARR

#### **GROWTH / MATURITY**





## > \$3M ARR

#### **GROWTH / MATURITY**

**GROWTH** 

**New Bookings** 

**Expansion Bookings** 

Committed ARR

**New Logos** 

RETENTION

Logo Retention

Gross Dollar Retention

**Net Dollar Retention** 

**NPS** 

**MARGINS** 

**Gross Margin** 

Recurring GM

Services Margin

Revenue Mix

PROFIT & OPEX

Rule of 40

R&D as % of Rev

Sales/Mkt as % of Rev

G&A as % of Rev

**EBITDA** 

**EFFICIENCY** 

LTV to CAC Ratio

CAC Payback

Cost of ARR

Magic Number



## > \$10M ARR - Segmentation

#### **GROWTH / MATURITY**

**GROWTH** 

**New Bookings** 

**Expansion Bookings** 

Committed ARR

**New Logos** 

RETENTION

Logo Retention

Gross Dollar Retention

**Net Dollar Retention** 

**NPS** 

**MARGINS** 

**Gross Margin** 

Recurring GM

Services Margin

Revenue Mix

**PROFIT & OPEX** 

Rule of 40

R&D as % of Rev

Sales/Mkt as % of Rev

G&A as % of Rev

**EBITDA** 

**EFFICIENCY** 

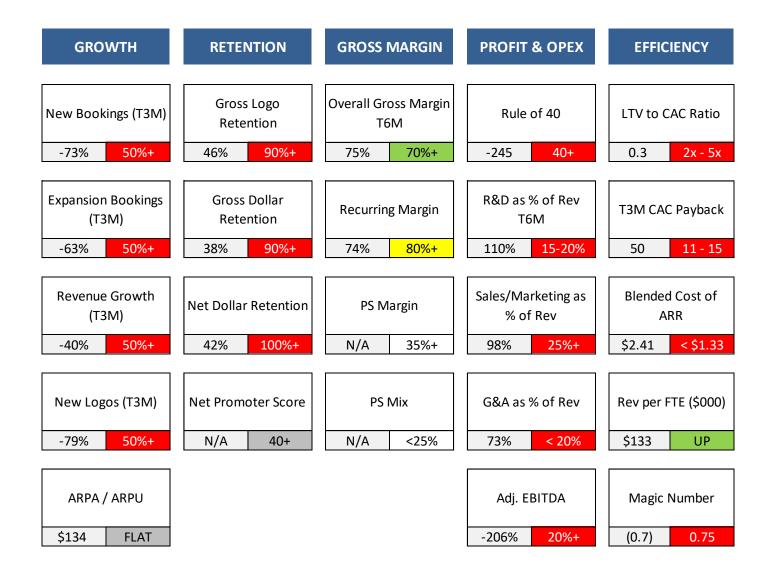
LTV to CAC Ratio

CAC Payback

Cost of ARR

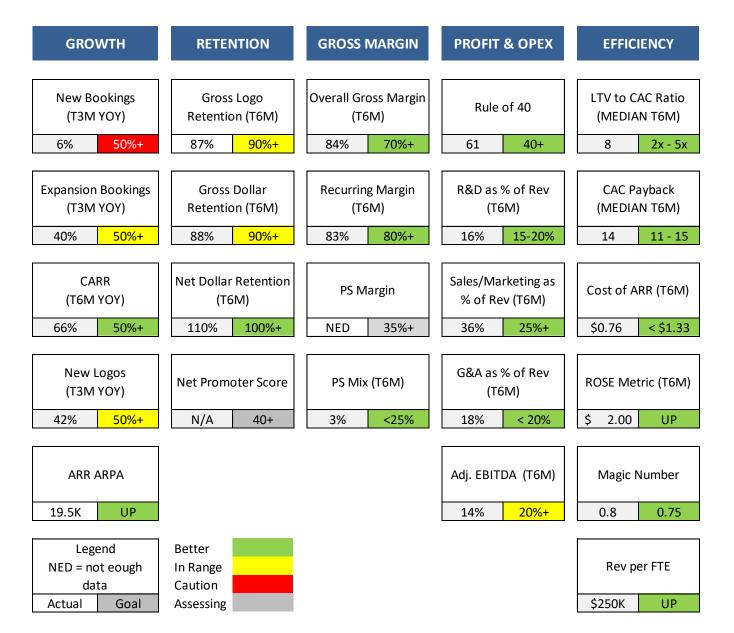
Magic Number

#### This Metrics Profile Won't Work





#### This Metrics Profile Gets Us Closer to 10x







## Resources

**TheSaaSAcademy.com** – free and paid courses on SaaS metrics and finance.

**TheSaaSCFO.com** – in-depth posts and templates on SaaS metrics.

SaaS Community – 3,600+ member SaaS community



## THANK YOU!

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