








The SaaS Metrics That Matter Most from 1 – 5 M ARR

Feb 2023

After today, you'll be able to:

-  Identify the **main objective** for your stage
-  Define and calculate the **key SaaS metrics**
-  Explain **why** they're important
-  Identify what **great** looks like
-  List credible SaaS metrics **resources**

Download the full report

<https://saascan.ca/the-saas-metrics-that-matter-most-in-2022/>



About saascan for startups

- **Why:** Help startups avoid costly mistakes and be ready for fundraising/ borrowing
- **What:** Research + enablement
- **Who:**



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About the research

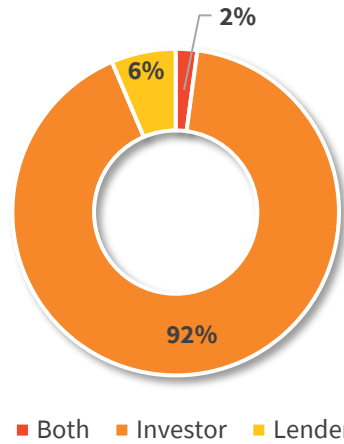
Method

Survey of Can and US SaaS investors and lenders in October 2022.

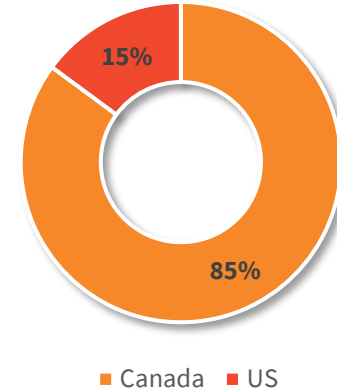
Respondents

Total 47. Mostly Canadian investors active in Canadian SaaS in the last 2 years, who invested in companies < 5M ARR.

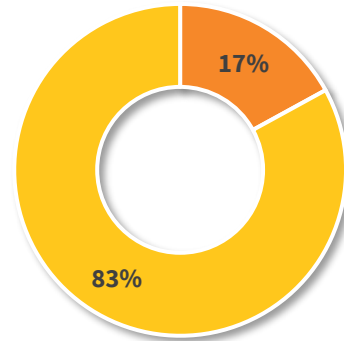
Investor or Lender



Country of Residence

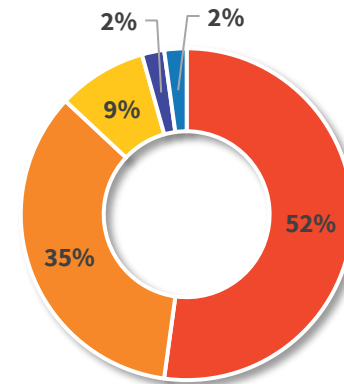


Active in Canadian SaaS Last 2 Years



n=47 ■ No ■ Yes

Size of SaaS Company Focus



■ < 1M ARR ■ 1 - 5M ARR ■ 5 - 20M ARR ■ 20 - 50M ARR ■ > 50M ARR

Objectives



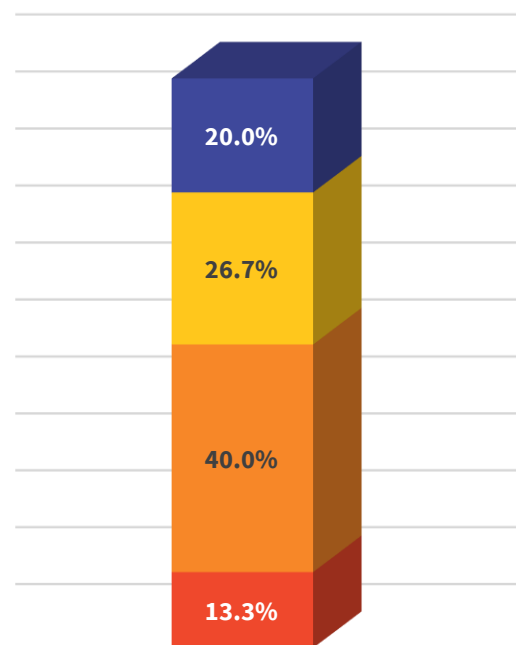
For SaaS companies 1 – 5 M ARR

What do you think?

- Based on the latest SaaSCan research, what do you think SaaS investors and lenders said was the #1 objective SaaS companies should focus on between 1 and 5 M ARR?
 - Product Market Fit
 - Growth
 - Capital Efficiency
 - Growth & Capital Efficiency Together
 - Moat

The #1 Objective from 1-5M ARR

Main Objective by ARR Range



1 - 5M

n=16

■ Product-market fit ■ Growth & capital efficiency together ■ Growth ■ Capital efficiency ■ Moat

The objective is **Growth with a Capital ‘G’ and Capital Efficiency.**

- How quickly are we adding new customers?
- How quickly is revenue growing?
- How are we balancing sales & marketing costs with what customers are paying us?

On objectives

“A year or two ago, would have said main objective is growth. Now saying **growth + capital efficiency together.**”

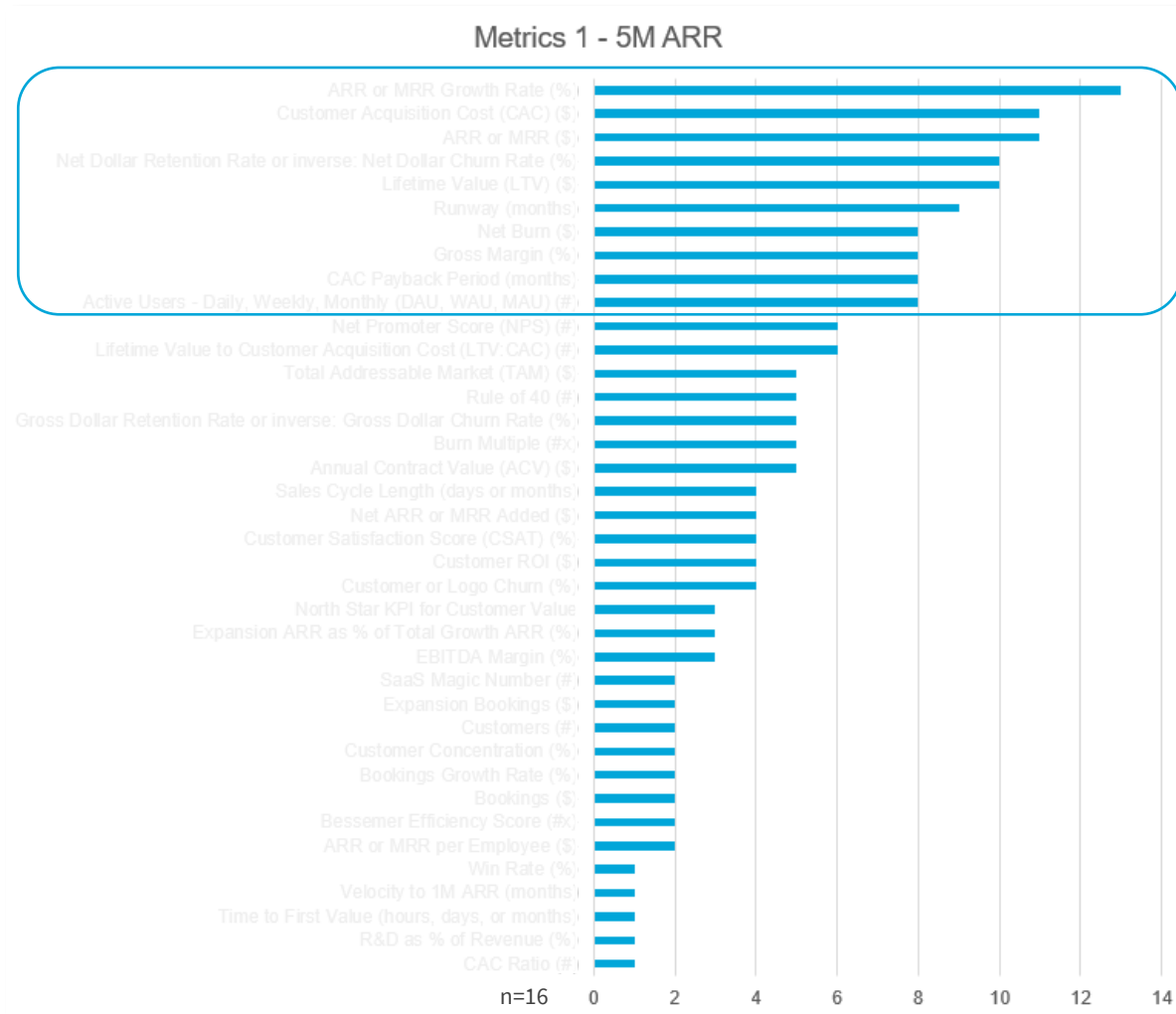
- Investor 1 - 5M ARR

Metrics



For SaaS companies 1 – 5M ARR

Investors and lenders called out 38 unique metrics



On metrics

“List of metrics hasn't changed, but the weighting has. **Weighting sustainable unit economics** has increased vs weighting on growth. **Growth is still big component.**”

- Investor 1 - 5M ARR

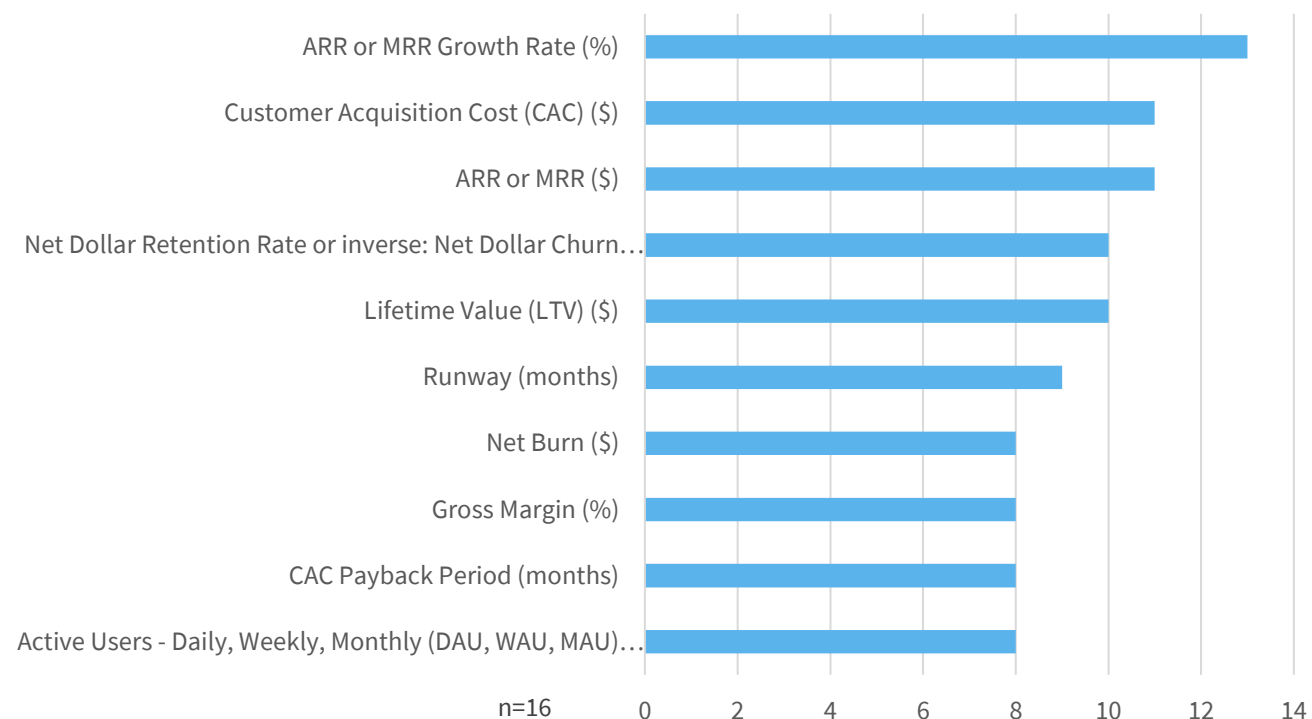
Top 10 metrics by mention 1 - 5M ARR

Objective is **Growth with a Capital 'G' and Capital Efficiency**.

We use metrics to:

1. Shift your focus to growth rate as most important metric (**ARR/MRR Growth Rate**, **ARR/MRR**).
2. Track the trend of your customer acquisition cost and seek efficiencies (**CAC**, **CAC Payback Period**).
3. Continue to retain and expand customers, ideally increasing the amount each customer pays you over their lifetime with you (**NDR**, **LTV**). This fuels efficient growth!
4. Continue to make sure you don't run out of cash (**Runway**) and start to focus on capital efficiency (**Net Burn**) and profitability (**Gross Margin %**).
5. Ensure customers are still active (**DAU**, **WAU**, **MAU**) as an early warning sign of potential churn.

Top 10 Metrics 1 - 5M ARR



What are you measuring?

- How many of the top 10 metrics called out by investors and lenders as key at this stage are you measuring today? Select all that apply.
 - ARR / MRR Growth Rate
 - Customer Acquisition Cost (CAC)
 - ARR or MRR
 - Net Dollar Retention Rate
 - Customer Lifetime Value
 - Runway in months
 - Net Burn
 - Gross Margin
 - Customer Acquisition Cost (CAC) Payback period
 - Active Users – Daily, Weekly, Monthly

ARR / MRR Growth Rate

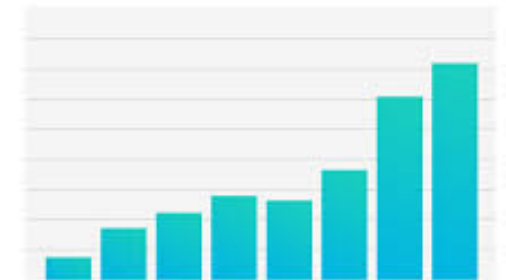
- **What:** Measures how fast your recurring revenue is growing over time
- **Why:** Impacts valuation, capture market share faster, gain investment, fund operations from revenue
- **Pro tip:** You may hear it expressed as monthly %, annual %, multi year %, multiple #X.
 - A 10% monthly growth rate is about the same as a 200% annual growth rate or a 3x growth multiple.
 - Make sure you know which one, and compare apples to apples
 - You may hear T2D3 – after 2M ARR, triple revenue in first 2 years then double for next 3 to get to 100M ARR
- **Formula:** $(\text{ARR this year} - \text{ARR last year}) / \text{ARR last year}$ (or MRR and month)
- **Example:** $(300\text{K} - 200\text{K}) / 200\text{K} = 50\%$ year over year growth rate

For more info:

<https://saascan.ca/top-10-metrics-for-saas-startups-under-1m-in-annual-recurring-revenue/>

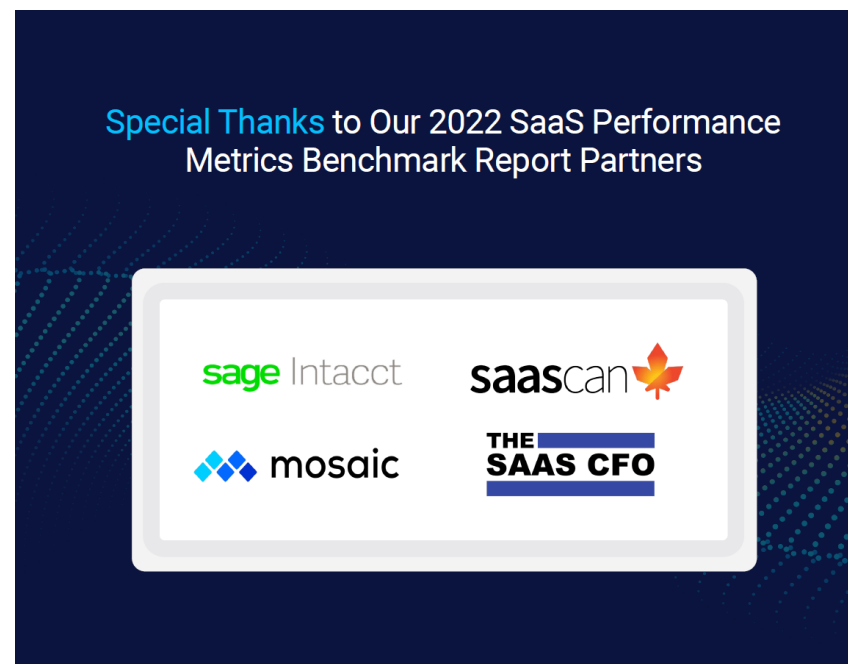
<https://www.klipfolio.com/metrics/saas/arr-growth-rate>

<https://blog.fusebill.com/t2d3-path-to-saas-growth-1b-valuation>

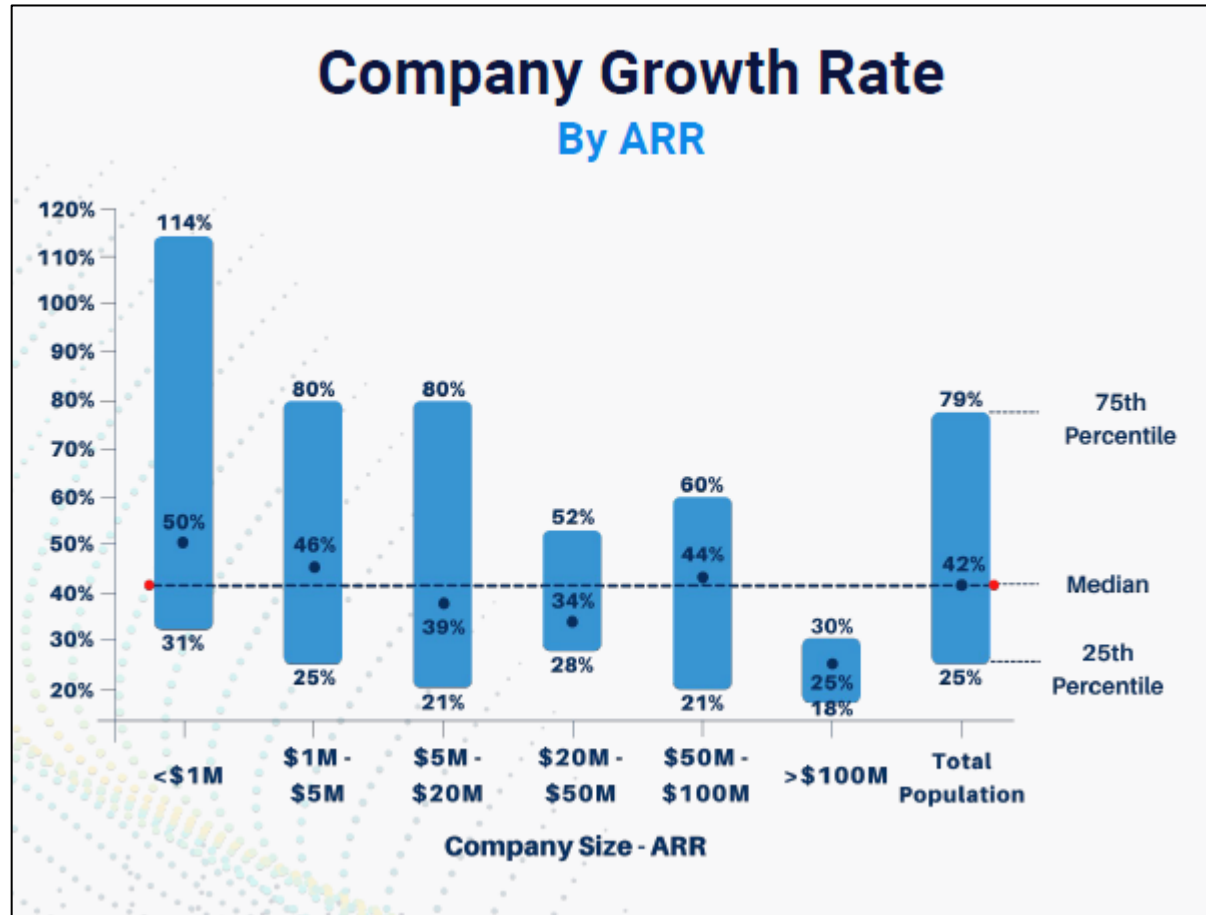


What does great look like per industry benchmarks?

- Data source is the RevOps Squared 2022 SaaS Benchmarks Report.
- SaaSCan is partner in gathering survey data
- 878 North American B2B SaaS companies, survey in 1H of 2022
- This data powers the Benchmarking Engine on SaaSCan's website



What does great look like?



Customer Acquisition Cost (CAC) Payback Period

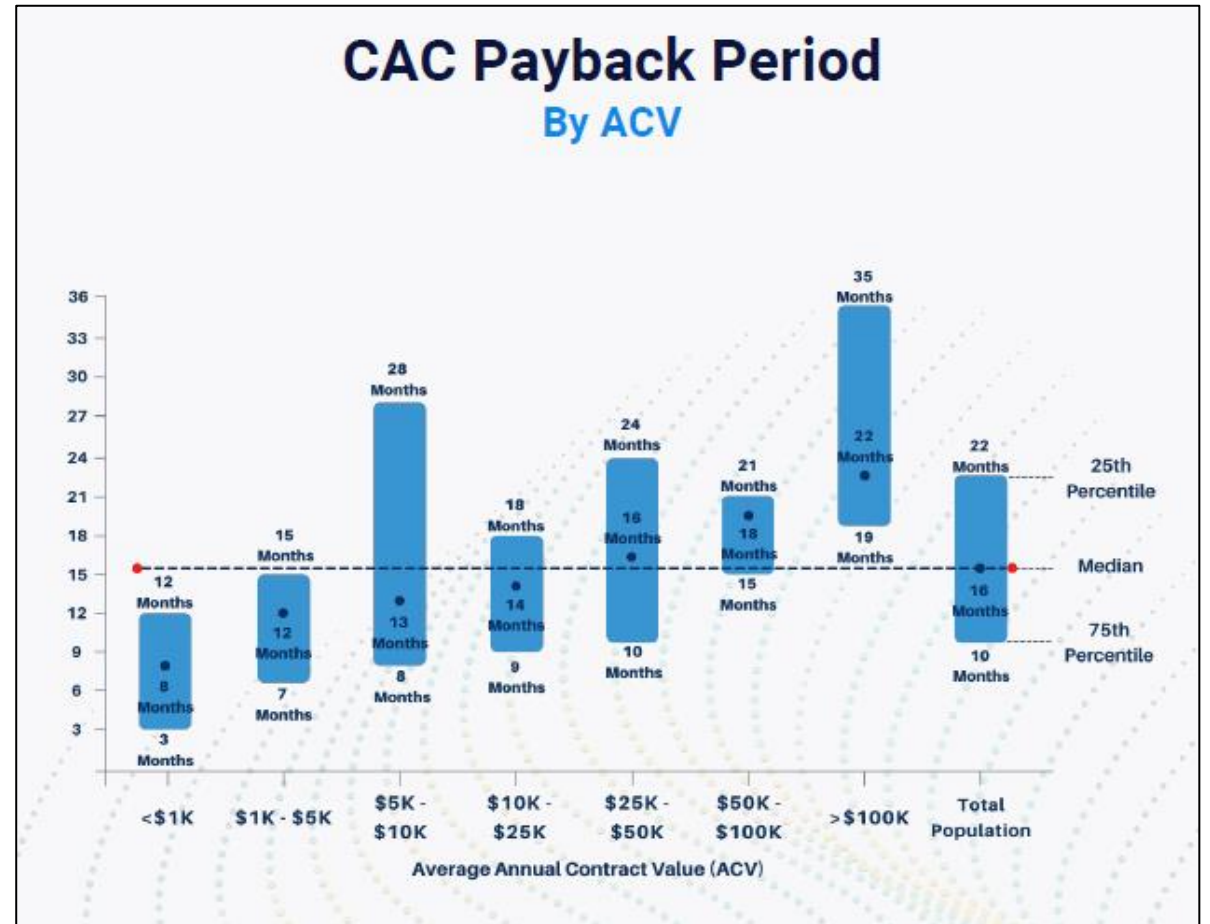
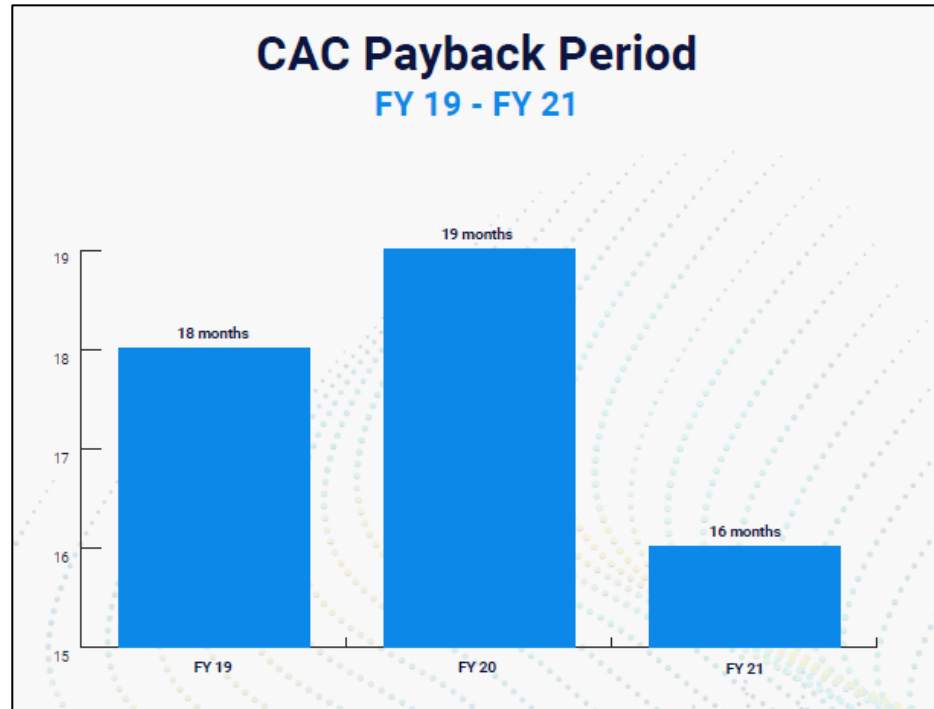
- **What:** Measures how efficient your sales and marketing engine is at generating new recurring revenue
- **Why:** Length of time it takes to recoup your customer acquisition costs can make or break your company
- **Pro tip:** Be sure to include fully loaded sales & marketing expenses + gross margin in your calculation
- **Formula:** Sales & Marketing Expenses in Period / (Net New MRR Acquired in Period * Gross Margin)
- **Example:** (500K / 100K * 80% gross margin). CAC Payback Period = 6.25 months

For more info:

- [OpenView Article](#)
- [RevOps Squared 2022 SaaS Benchmark Report pg 14](#)



What does great look like?



RevOps Squared 2022 SaaS Benchmarks | n= 878
ACV = Annual Contract Value

Net Dollar Retention (NDR)

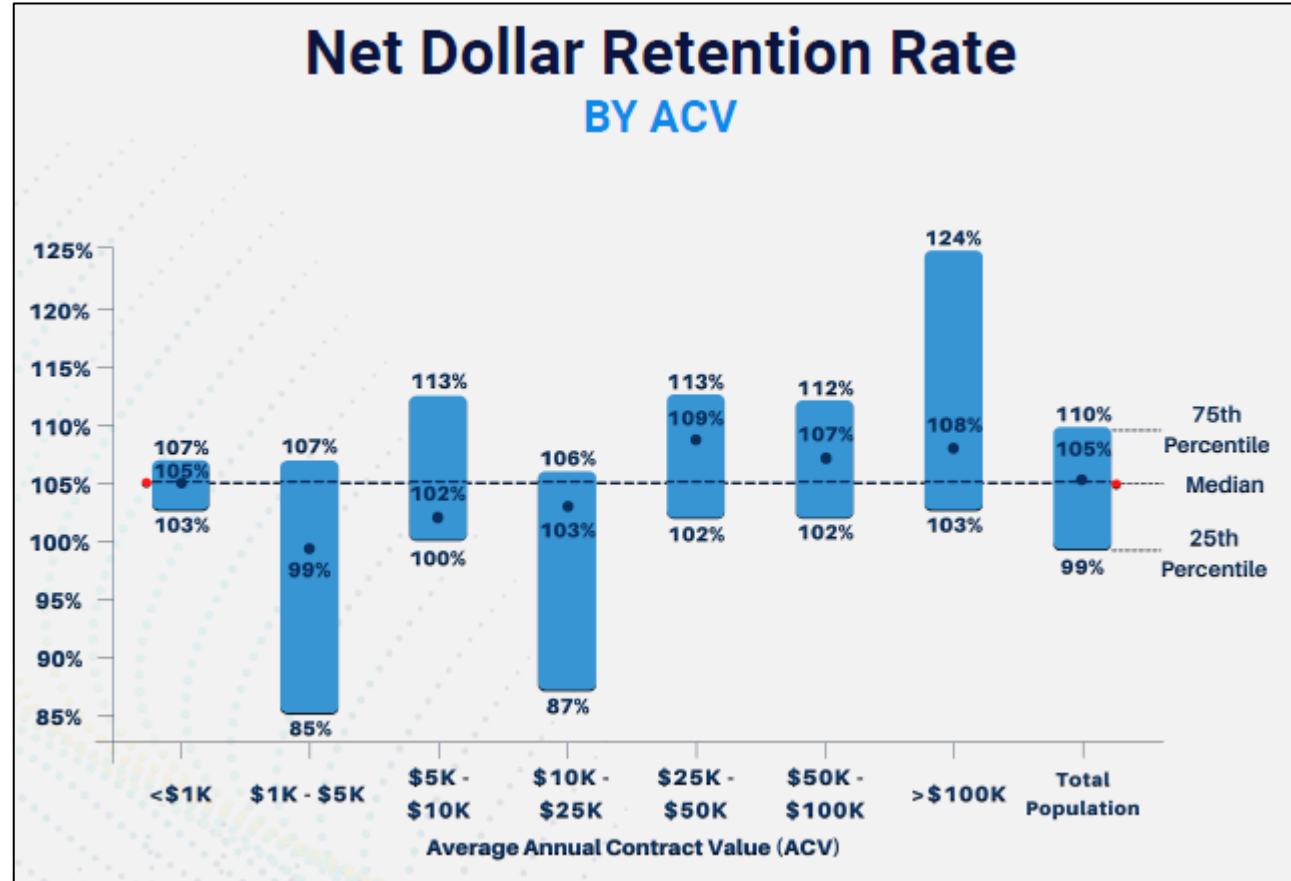
Also called Net Revenue Retention (NRR)

- **What:** Measures how well you're monetizing your existing customer base considering revenue churn, cancellations, up-sells, and cross-sells
- **Why:** Costs less sell to existing customers than to new ones, increases efficiency, fuels higher growth rates
- **Pro tip:** Be sure you are not adding any NEW customers to the calculation, just the cohort you had at the beginning of the period. And definitely include expansion revenue.
- **Formula:** For set cohort of customers (Recurring Revenue or RR at start of period + expansion RR during period - downgraded RR during period - cancelled RR during period) / (RR start of period)
- **Example:** For group of 50 customers we had at start of year, $(2M \text{ ARR} + 500K - 100K - 50K) / 2M = 2.35M / 2M = 117.5\%$ Net Dollar Retention

- For more info:
- [OpenView Article](#)
- [RevOps Squared 2022 SaaS Benchmark Report pg 14](#)



What does great look like?



Net Burn Ratios

What: How much cash do you need to burn to generate \$1 new dollar of annual recurring revenue?

Why: Clear indicator of efficiency, hard to fudge.

Pro tip: This metric has been called out by SaaS metrics gurus, investors, and operators as the single most important metric to measure success. Definitely use it.

Formulas: Pick 1

- Burn Multiple (Craft Ventures)
 - Net Burn / Net New ARR
 - **Example:** Burned 2 Million to generate 1.5 Million of net new ARR. Burn Multiple is 1.33.
- Efficiency Score (Bessemer Ventures)
 - Net New ARR / Net Burn
 - **Example:** Generated 1.5 Million of net new ARR and burned 2 Million to do so. Efficiency Score is 0.75.



What does great look like?

Burn Multiple

Burn Multiple	Efficiency
Under 1x	Amazing
1 - 1.5x	Great
1.5 - 2x	Good
2 - 3x	Suspect
Over 3x	Bad

Net Burn / Net New ARR
Our example: 2M / 1.5M = 1.33

Bessemer Efficiency Score



Net New ARR / Net Burn
Our example: 1.5M / 2M = 0.75

Active Users – Daily/Weekly/Monthly (DAU/WAU/MAU)

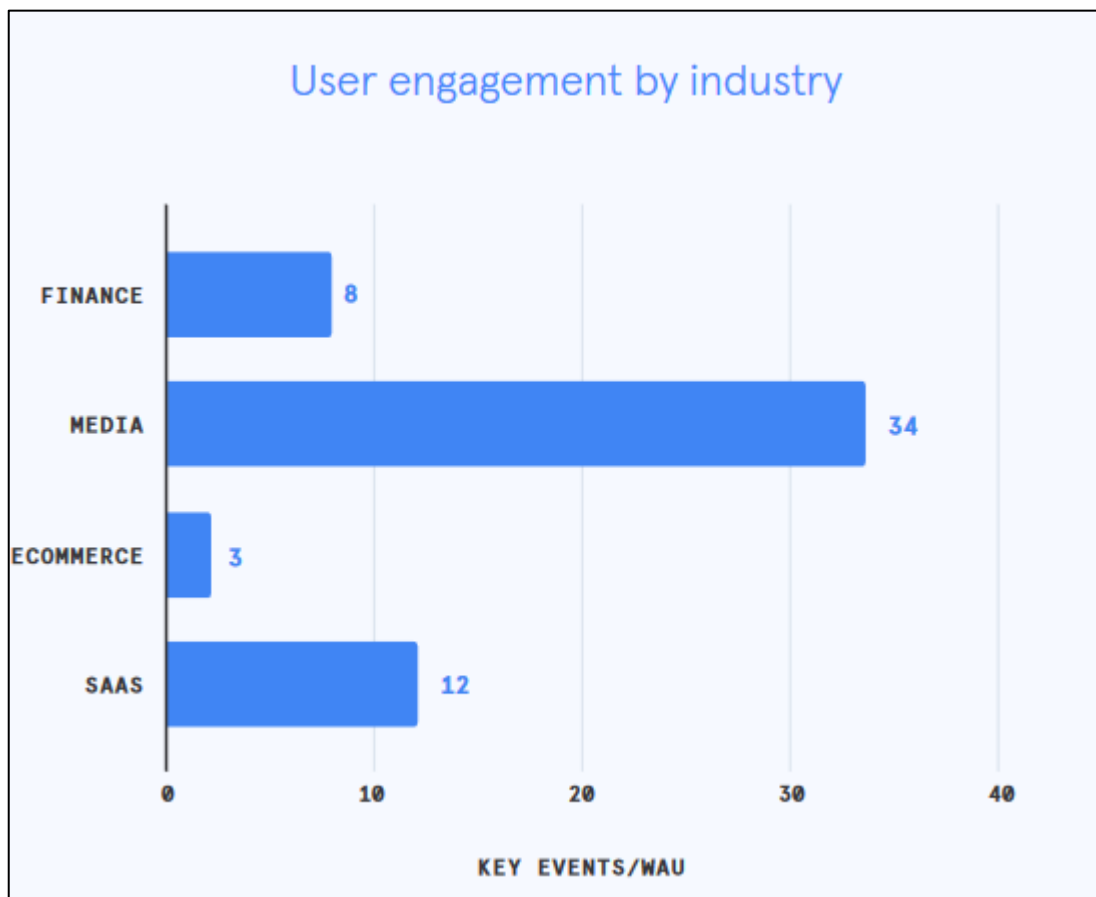
- **What:** The number of users coming back on a regular basis to engage with your SaaS product or platform
- **Why:** For most SaaS products, more usage – especially on high value activities - leads to higher customer renewal and expansion. Usage can flag multitude of issues early with time to course correct.
- **Pro tip:** Segment your customers to see which cohort is most active. Figure out why.
- **Formula:** Count of daily, weekly, or active users. Recommend not cumulative as this masks actual behaviour.
 - USAGE: Can do period over period growth rate.
 - ENGAGEMENT: Can do key events / weekly usage.

For more info

- <https://www.klipfolio.com/metrics/saas/daily-active-users-dau/>
- <https://www.klipfolio.com/metrics/saas/dau-mau-ratio>
- <https://mixpanel.com/blog/mau/>
- <https://discover.mixpanel.com/rs/461-OYV-624/images/2019-Mixpanel-Product-Benchmarks-Report.pdf>



What does great look like?

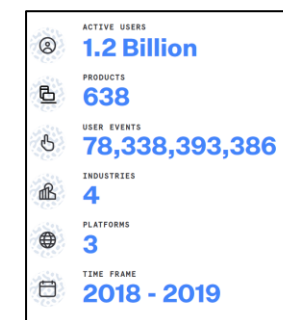


Source: [Mixpanel Product Benchmarks Report 2019](#)

This chart looks at industry medians for key activities by industry vertical.

For SaaS, key activities are things like:

- Subscribe
- View report
- Create account
- Complete application
- Download
- Check out



Sample size behind data

Advice



From investors and lenders who focus on companies 1 – 5 M ARR

”

Traction trumps all

Ensure efficient growth through LTV:CAC

Use dashboards and real time metrics for decision making

Less is more

Know your numbers

Not all metrics will be top quartile. Promote strengths and make plans to improve others.

Bring customers in the front door (Growth) and ensure the back door is locked (CSAT, Retention)

Don't cut corners in how you calculate and present the data. Expect investors to ask you questions and dig into that data.

Resources



Resources

Research & Reference

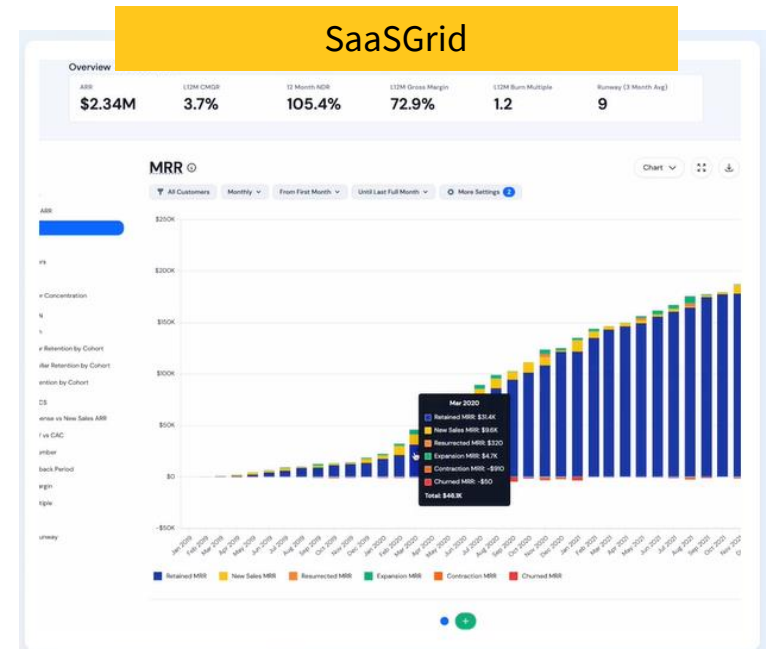
- [SaaSCan Insights](#)
- [MetricHQ online metrics dictionary](#)

SaaS Metrics Platforms & Tools

- [Klipfolio's PowerMetrics](#) – Free + paid versions
 - 1 min video – [Intro to Power Metrics](#)
 - 1 min video – [Add a Metric in a Minute with PowerMetrics](#)
- [Craft Ventures SaaS Grid](#) – Free

SaaS Metrics Benchmarks

- [SaaSCan + RevOps Squared interactive benchmarking engine](#)
- [RevOps Squared 2022 benchmark report](#)
- [OpenView 2022 benchmark report](#)



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