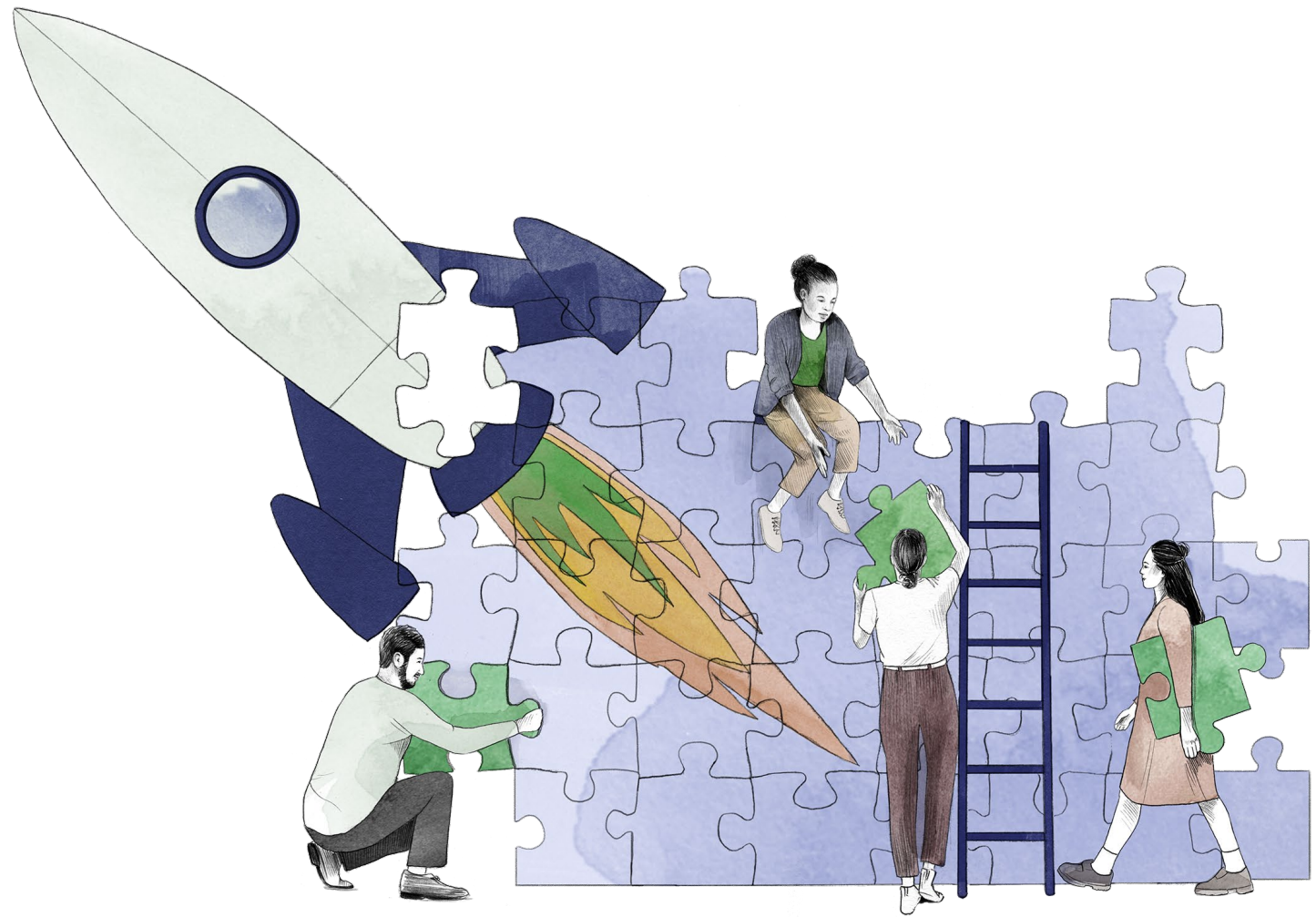# ICONIQ | Growth

Product-Led Growth in 2023

Topline Growth and Operational Efficiency

August 2023

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1

Introduction
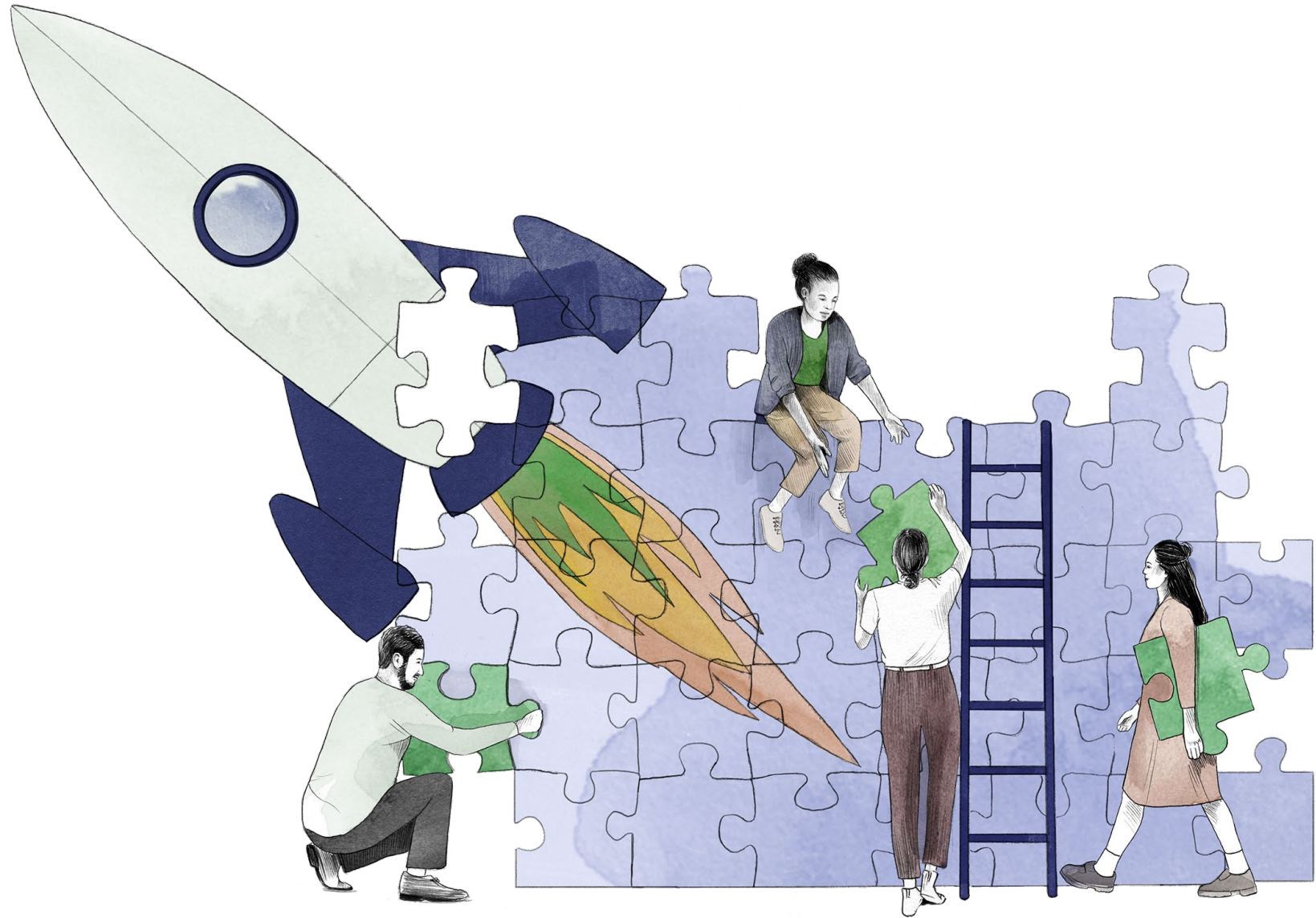
About the
Research

Every year, the ICONIQ Growth Analytics team analyzes the **financial and operating metrics from ICONIQ Growth's portfolio and a selection of public companies** to understand the data behind scaling B2B SaaS companies.

In addition to our core study, we are also excited to introduce three brand new companion reports this year that focus on niche areas of the SaaS ecosystem

- The Rise of Vertical SaaS
- Product-Led Growth in 2023
- Scaling from $0 to $50M

If you're not on our mailing list and are interested in receiving these studies directly, please let us know here.

Focus of this report

Companion Reports	Vertical SaaS	Product-Led Growth	Early-Stage

Tools & Reference Materials	Board Reporting Template	The SaaS Glossary	Interactive Dashboard *Portfolio Only*

Scorecard Overviews	The Enterprise Five	The Resiliency Rubric

The Authors

ICONIQ Growth

Analytics & Insights

Seeking to empower our portfolio with proprietary analytics and insights across business operations and strategy

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Portfolio Analytics

Claire Davis

Portfolio Analytics

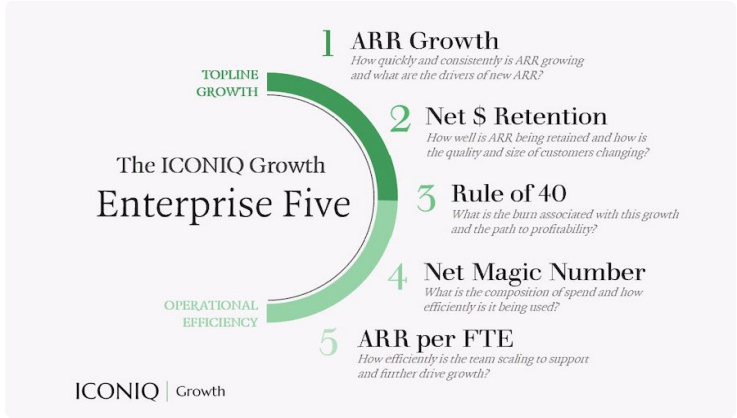**Sam O'Neill**

Portfolio Data Manager

Follow our research

ICONIQ Growth
Go-to-Market Series

Engineering in a Hybrid World

The data behind high-functioning engineering organizations

Topline Growth & Operational Efficiency

The data behind scaling a B2B SaaS business

The ICONIQ Growth
Enterprise Five

TOPLINE GROWTH

1 ARR Growth
How quickly and consistently is ARR growing and what are the drivers of new ARR?

2 Net $ Retention
How well is ARR being retained and how is the quality and size of customers changing?

3 Rule of 40
What is the burn associated with this growth and the path to profitability?

4 Net Magic Number
What is the composition of spend and how efficiently is it being used?

OPERATIONAL EFFICIENCY

5 ARR per FTE
How efficiently is the team scaling to support and further drive growth?

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ICONIQ Growth
SaaS Glossary

A guide to understanding and tracking key SaaS metrics

Hiring Your Next Head of Finance

Table of Contents

Companies Included

This analysis is a companion report to our Topline Growth & Efficiency research which summarizes quarterly operating and financial data from 96 B2B SaaS companies.

All ICONIQ Growth portfolio companies were included where data was available, and an additional 13 select public companies were included based on our IPO performance criteria.[1]

Specific pages in this study related to *product-led growth* include data from 20 ICONIQ Growth product-led growth companies shown here.

ICONIQ Growth Portfolio Companies[3]

Private

1Password, conexiom, highradius, ninjaOne, sendbird
Airtable, cyber GRX, HIGHSPOT, notable, ServiceTitan
APPRENTICE, dataiku, hightouch, orca security, shopmonkey
APTTUS, dbt, INTERCOM, panther, side
articulate, dexcare, inVISION, people.ai, skuid
aurora, komodo HEALTH, SMARTLING
AXONIUS, dialpad, Pigment, SQUIRE
bambooHR, DRATA, loom, Pinecone, truckstop.com
Benchling, #FloQast, Lucid, QGenda, turbonomic
BetterUp, Fireblocks, miro, recharge, Twistlock
Calendly, Fivetran, MONTE CARLO, Relativity, Unit21
CaptivateIQ, FREEWILL, Moveworks, Reprise, UNITE US
causaly, Gem, Nayya, Restaurant365, vic.ai
Collibra, GUILD, netskope, SANITY, virtru

Public or Acquired[2]

adyen, enfusion
alteryx, fastly
braze, GitLab
Bill.com, HashiCorp
BLACKLINE, MARQETA
coupa, PLURALSIGHT
CROWDSTRIKE, PROCORE
DATADOG, snowflake
DocuSign, sprinklr

Select Public Companies[1]

ATLASSIAN, CLOUDFLARE, CONFLUENT, HubSpot, monday.com, okta, paycom
samsara, SentinelOne, shopify, UiPath, Veeva, zscaler

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What is product-led growth?

Product-led growth is a GTM strategy where the product itself acts as the primary driver of acquisition, retention, and expansion

Focus of this report

	Sales-led Growth (SLG)		Product-led Growth (PLG)
	Top-down SLG	**Bottom-up SLG**	**Product-led Growth (PLG)**
Awareness	Marketing **targets potential buyers** (typically executive-level budget owners) and makes them aware of the product	Marketing **targets potential users** and makes them aware of the product	Marketing **targets potential users** and makes them aware of the product
Consideration	Sales and company executives **educate the buyer** on the product to identify need and use cases	**User educates themselves** on the product to understand need and use cases	**User educates themselves** on the product to understand need and use cases
Purchase	Sales and company executives drive the **purchase** decision	**User signs up** for the product without human-touch	**User signs up** for the product without human-touch
Retention & Expansion	Sales or other GTM employee drives **adoption**, retention and expansion	Sales or other GTM employee drives **adoption**, retention and expansion	**User onboards without human touch** and the product drives adoption, retention, and expansion
Advocacy	CS and/or account managers drive user, **engagement** and advocacy via support, community forums, etc.	CS and/or account managers drive user, **engagement** and advocacy via support, community forums, etc.	The product drives user engagement and advocacy, and users are enabled to create communities and forums

"
Bottom-up motions can be "product-led", wherein the end-user can sign up for a freemium product with a touchless onboarding. However, if the product doesn't drive expansion and a go-to-market employee still needs to be involved, this is not product-led growth.[2]

Revenue Leader
Collaboration & Workflow, PLG
Late-stage ($250M+ ARR)

Sales | Marketing | CS / AM | End-user

METHODOLOGY
Overview & Data Sources[1]

This analysis summarizes quarterly operating and financial data from the included SaaS companies. All views are aggregated or anonymized to protect the data privacy of individual companies.

Using this proprietary dataset, we seek to answer key questions on how SaaS companies can scale quickly and efficiently and explore what we believe to be early indicators and drivers of long-term success.

Unless otherwise indicated, references to "SaaS companies" only reflect trends observed with the companies included in the dataset.

N-sizes

Each datapoint (n) represents a single fiscal quarter of data per company. A given company's quarterly datapoints can be included multiple times in aggregated views (for example, by ARR Scale) where we have more historical data:

Quarters of Data per Company
Average by ARR Scale

The "Post-IPO" stage includes data from within 2 years after IPO[2]

6	4	3	4	6	5	4
<$10M	$10-$25M	$25-$50M	$50-$100M	$100-$200M	$200M to IPO	Post-IPO
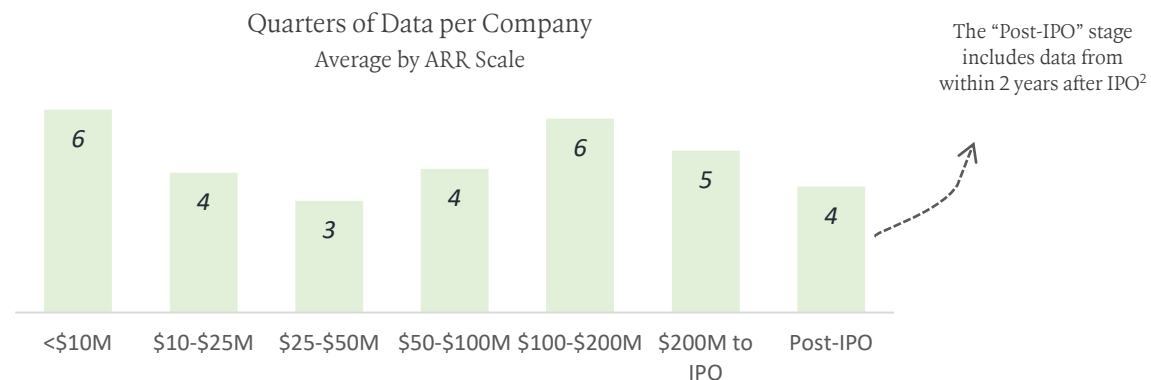
Public Companies

The dataset includes 13 public companies that are not (and have not previously been) ICONIQ Growth portfolio companies. All data was collected from public filings information. Top IPO performers are top quartile in two or more of the following:

1. Indication of Success of IPO: *Forward Revenue Multiple at IPO*
2. Indication of Success Post-IPO: *Current Forward Revenue Multiple*
3. Indication of Value Creation: *Ratio of Change in Stock Price Since Day 1 Close vs. Market (S&P)*

2

Executive Summary

Benchmarking SaaS Performance in 2023

About This Year's Report[1]

We believe the **last few years of unprecedented growth and favorable tailwinds have been anomalous for SaaS businesses.** Rather than relying on benchmarks exclusively based on 2023 or even the last few years, we believe that the leadership teams of SaaS businesses should be utilizing **aggregate metrics over a longer historical period** to calibrate to realistic standards of performance.

We are proud to have compiled over **a decade's worth of quarterly financial and operating data from private and public SaaS companies** in this year's research, which we believe can serve as an objective way to measure "best in class" performance and to identify drivers of operational success.

We recognize, however, that **today's reality means targets are much harder to achieve than in previous years.** Based on how 1H 2023 has trended, we expect software businesses will continue to face challenges this year. In the following pages, we have provided commentary on the nuances we expect to see in 2023 and beyond, as well as guidance on how companies can pursue growth both more efficiently and resiliently, especially in an era of efficient growth.

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Executive Summary

Drivers of Growth

- **PLG SaaS companies with top performance in ARR growth scale more quickly than their SLG counterparts**, growing 200%+ YoY for the first two years after reaching $10M ARR

  - **Expansion starts to contribute more than 50% of gross new ARR as early as ~$50M ARR for PLG companies**

  - **Logo churn makes up ~75% of gross churn** for PLG companies with >$100M ARR

- PLG companies tend to see both **higher and more volatile net dollar retention,** with top quartile PLG companies achieving **120-140% net dollar retention and 85%+ gross dollar retention**

Page 16

Page 19
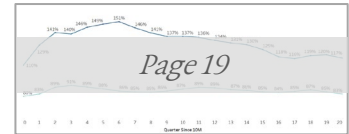
Efficiency

- PLG companies typically have **gross margins as high as ~80% due to the low costs of customer onboarding and support inherent in PLG models**

- Usually also requiring less S&M investment than sales-led companies, PLG companies have **higher sales efficiency metrics** with top quartile net magic number close to 2x

- PLG SaaS companies typically see a LTV/CAC ratio of 3-9x depending on scale and a **median CAC payback period of <10 months after reaching >$200M ARR**

- Top quartile PLG companies generally achieve profitability faster than sales-led companies, usually **within 3-5 years after reaching $10M ARR**

- As PLG companies mature and invest in GTM to drive revenue growth, R&D starts to make up an increasingly smaller proportion of total operating spend and headcount, while **S&M makes up an increasingly larger proportion of spend and headcount**

- **Marketing spend comprises ~55-70% of total GTM spend but only ~25-35% of total GTM headcount** for PLG companies

Page 21

Page 23

Page 26

Page 28

THE ICONIQ GROWTH
Enterprise Five

ICONIQ Growth standards across five key metrics we believe are highly representative of a PLG SaaS company's overall growth and efficiency:

Product-Led Growth
Median & Top Quartile Performance by ARR Scale[1]
Median Top Quartile

		<$25M	$25-$50M	$50-$100M	$100-$200M	$200M to IPO
1	**YoY ARR Growth** *(EOP ARR – prior year EOP ARR) /prior year EOP ARR*	270% ▲ 480%	135% ▲ 195%	65% ▽ 110%	50% ● 85%	45% △ 90%
2	**Net $ Retention** *(BOP ARR + expansion ARR - gross churn ARR) / BOP ARR*	105% ● 120%	120% ▲ 140%	110% ● 125%	110% ● 120%	110% ● 115%
3	**Rule of 40** *YoY ARR growth + FCF margin[2]*	*Less Relevant*	*Less Relevant*	*Low N-Size*	35% ▲ 70%	50% ▲ 90%
4	**Net Magic Number** *Current Q net new ARR / prior Q S&M OpEx[3]*	2.3x ▲ 3.5x	1.0x ▲ 2.9x	0.9x ● 1.8x	0.9x ▲ 1.9x	0.7x ▲ 1.8x
5	**ARR per FTE** *EOP ARR / EOP FTEs*	$75K ▼ $95K	$130K ▽ $170K	$160K ▼ $210K	$235K ▲ $315K	$260K ▲ $275K

Given the current environment, we expect that **median benchmarks shown here will be more realistic for PLG companies to target in 2023,** but have included top quartile as reference for "best in class" performance regardless of time period[1]. Arrows indicate PLG Benchmarks relative to all SaaS companies – more detail can be found in our Topline Growth & Operational Efficiency report.

ICONIQ | Growth

Drivers of Growth

Top quartile PLG SaaS companies scale more quickly than their SLG counterparts, growing 200%+ YoY for the first two years after reaching $10M ARR

Top Quartile ARR Growth from $10M to IPO[1]

Rolling Top Quartile EOP ARR and Net New ARR By Quarter after $10M ARR; PLG Companies

YoY ARR Growth values by year group:
- ~2.6x
- ~2.1x
- ~1.6x
- ~1.5x
- ~1.6x

Typical IPO Range

Ending ARR line values (by quarter): $13M, $15M, $21M, $27M, $34M, $43M, $51M, $60M, $70M, $81M, $91M, $101M, $113M, $128M, $141M, $157M, $165M, $183M, $197M, $228M, $262M, $318M, $392M, $470M, $524M, $542M

Net New ARR bar values (by quarter): $4M, $4M, $5M, $6M, $7M, $9M, $10M, $11M, $12M, $14M, $14M, $15M, $16M, $20M, $21M, $23M, $25M, $27M, $29M, $31M, $33M, $33M, $43M, $58M, $76M, $82M

Quarters After $10M ARR: 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25

N-size: 6, 6, 6, 6, 6, 6, 6, 6, 7, 8, 10, 11, 11, 11, 11, 12, 12, 13, 13, 12, 11, 11, 10, 9, 9, 8

1 Quarterly operating and financial data from the PLG companies included

New logos are the primary driver of ARR growth until PLG companies reach ~$50M ARR, at which point expansion starts to contribute more than 50% of gross new ARR

Average Gross New ARR Distribution[1]
Average % of Gross New ARR by Type and ARR Scale
PLG Companies

	Expansion	New Logo
<$25M	36%	64%
$25-$50M	42%	58%
$50-$100M	51%	49%
$100-$200M	55%	45%
>$200M	75%	25%

ARR Scale
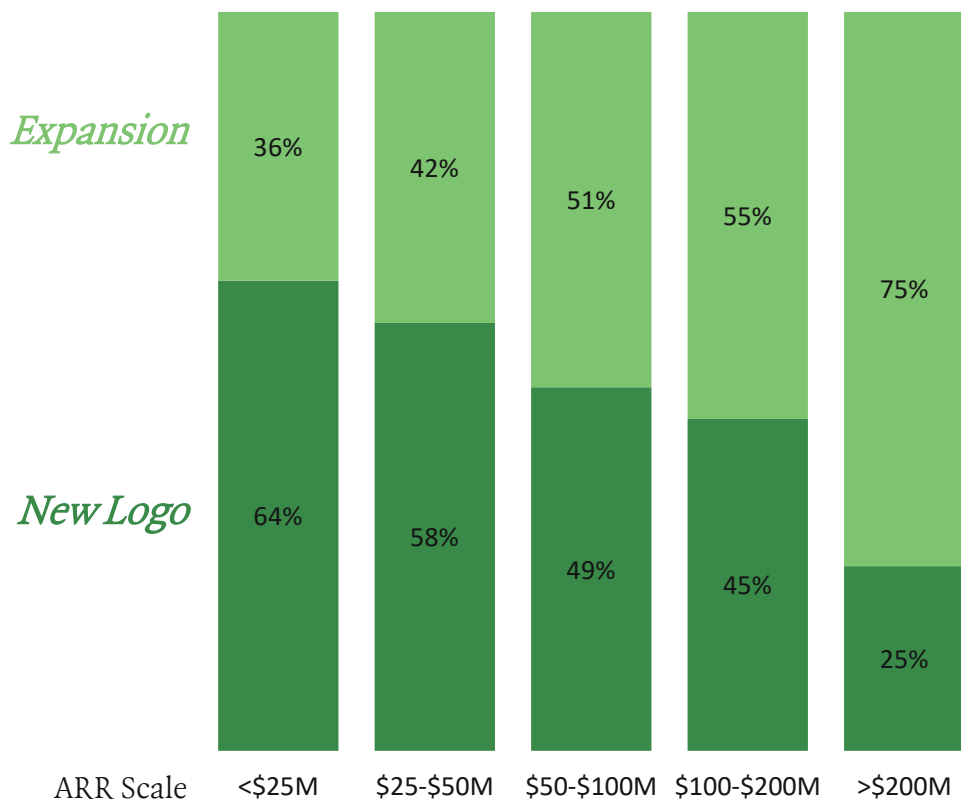
Product-led growth products onboard users without human touch and **the product itself drives adoption, retention, and expansion.** As PLG companies scale past $200M ARR, expansion makes up 75% of gross new ARR, compared to ~60% for sales-led growth companies.

Average Gross New ARR ($)[1]
Average Annual Gross New ARR by Type and ARR Scale
PLG Companies
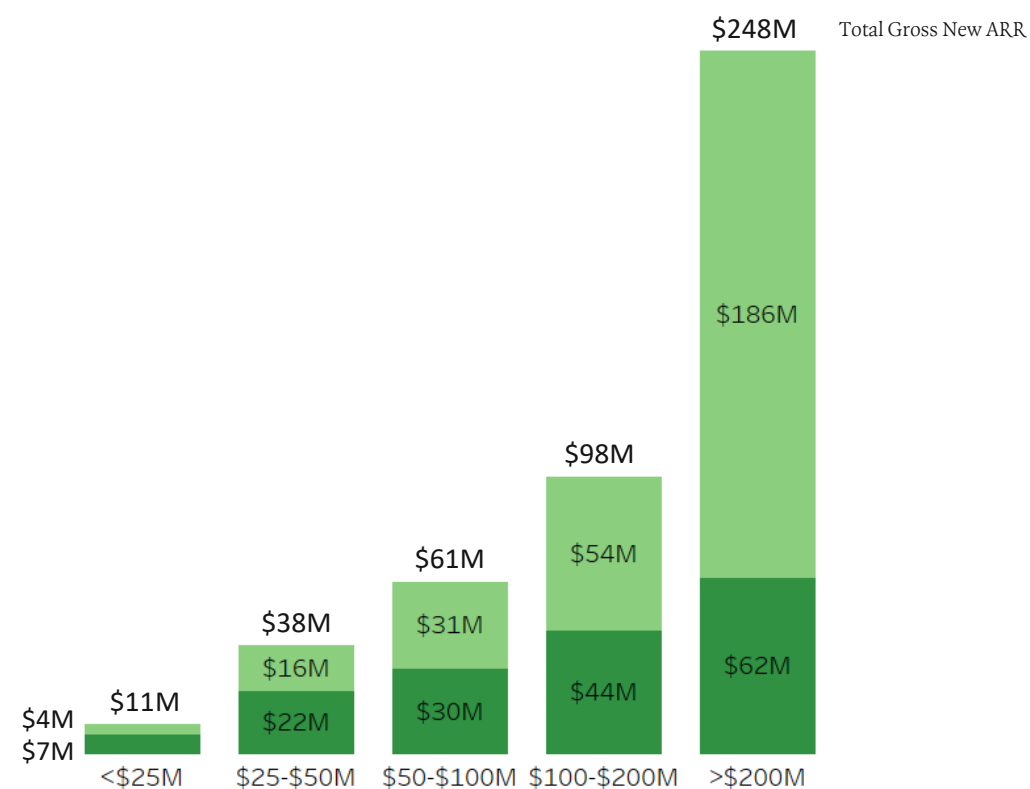
Total Gross New ARR

ARR Scale	Total	Expansion	New Logo
<$25M	$11M	$4M	$7M
$25-$50M	$38M	$16M	$22M
$50-$100M	$61M	$31M	$30M
$100-$200M	$98M	$54M	$44M
>$200M	$248M	$186M	$62M

N-size	9	10	13	13	12		9	10	13	13	12

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For PLG companies, logo churn is the biggest driver of gross churn, likely driven by the sales motions' focus on land-and-expand and self-serve

Average Gross Churn Distribution[1]
Average % of Gross Churn by Type and ARR Scale
PLG Companies

Downsell

| | 33% | 33% | 39% | 26% | 24% |

Logo Churn

| | 67% | 67% | 61% | 74% | 76% |

| ARR Scale | <$25M | $25-$50M | $50-$100M | $100-$200M | >$200M |

| N-size | 9 | 10 | 13 | 13 | 12 |
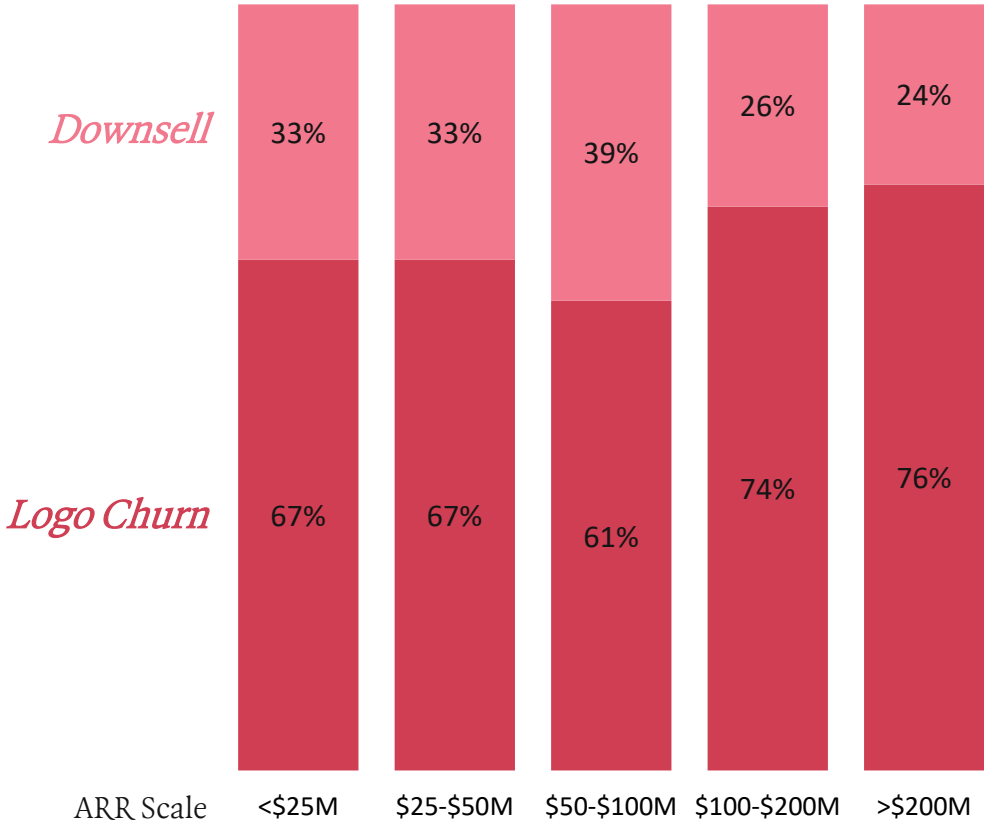
Average Annualized Gross Churn ($)[1]
Average Annual Gross Churn by Type and ARR Scale
PLG Companies
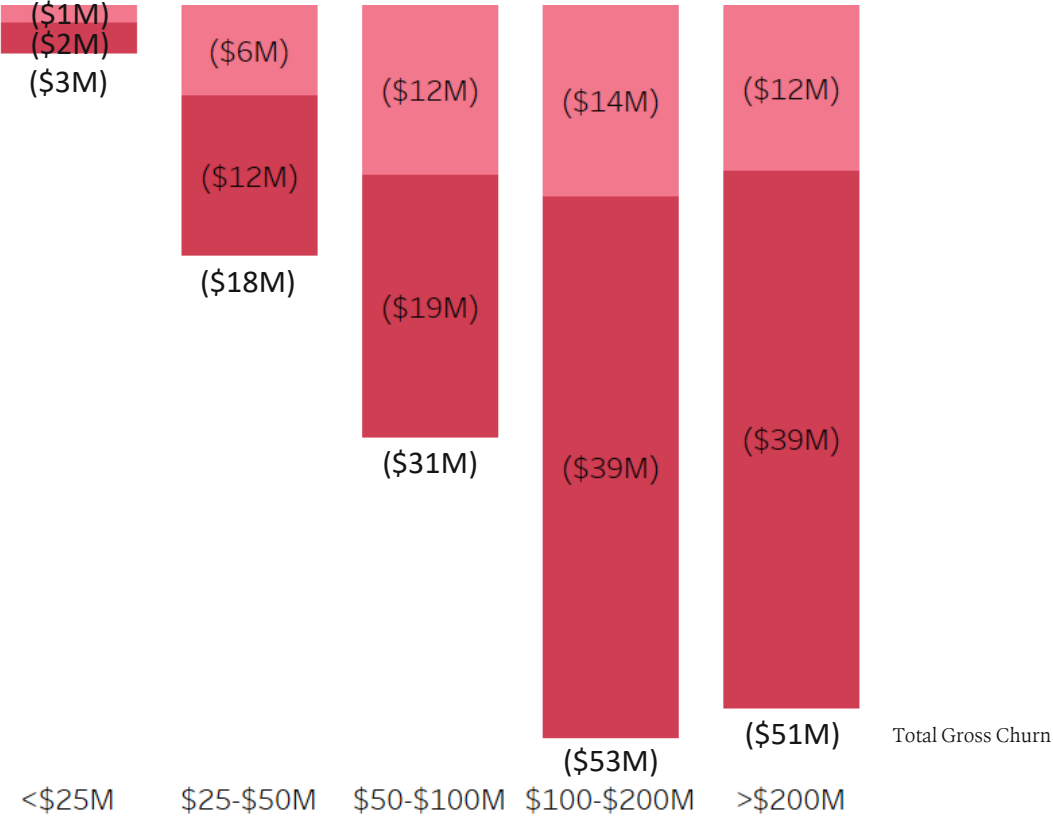
($1M)				
($2M)	($6M)	($12M)	($14M)	($12M)
($3M)	($12M)	($19M)	($39M)	($39M)
	($18M)	($31M)	($53M)	($51M)

Total Gross Churn

| | <$25M | $25-$50M | $50-$100M | $100-$200M | >$200M |

| N-size | 9 | 10 | 13 | 13 | 12 |

1 Quarterly operating and financial data from the PLG companies included

ICONIQ | Growth

PLG companies tend to see both higher and more volatile net dollar retention, with top quartile PLG companies achieving 120-140% net dollar retention and 85%+ gross dollar retention as they scale past $10M ARR
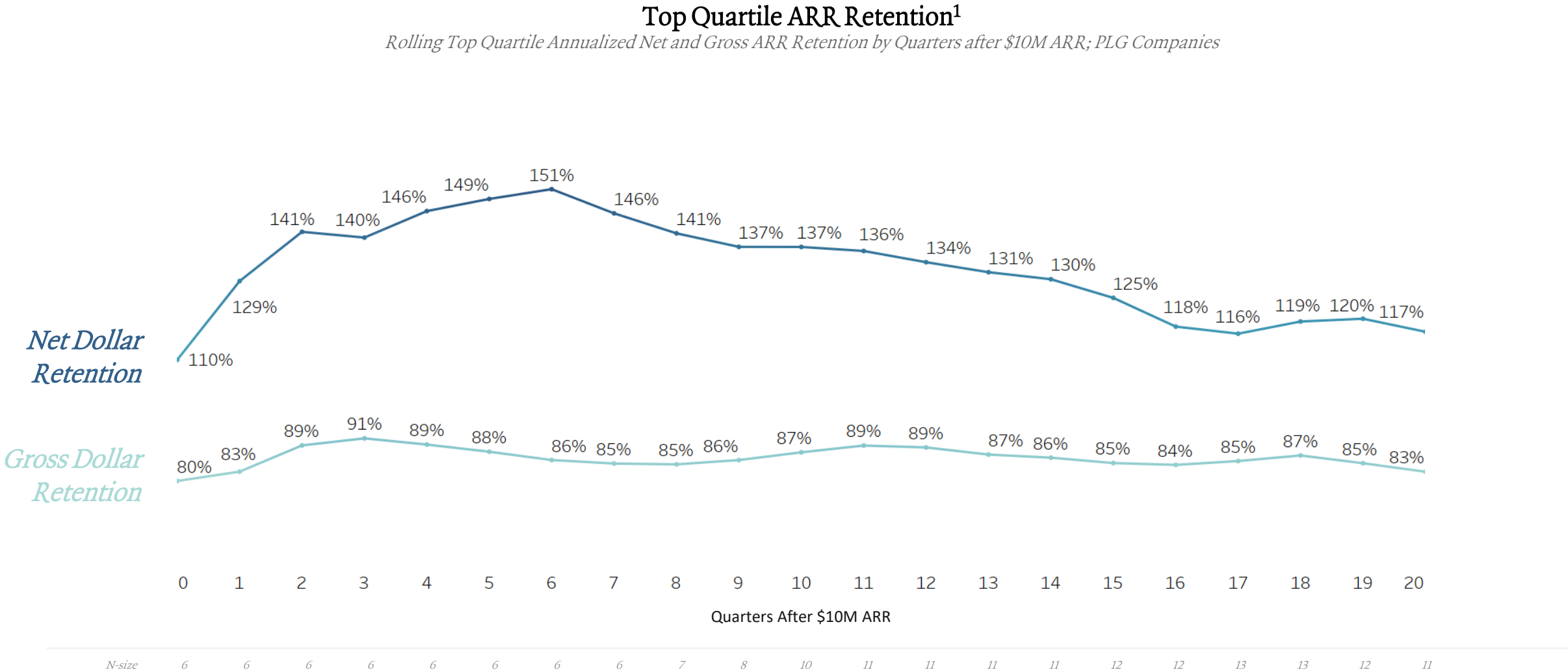
Top Quartile ARR Retention[1]

Rolling Top Quartile Annualized Net and Gross ARR Retention by Quarters after $10M ARR; PLG Companies

Net Dollar Retention

Net Dollar Retention values: 110%, 129%, 141%, 140%, 146%, 149%, 151%, 146%, 141%, 137%, 137%, 136%, 134%, 131%, 130%, 125%, 118%, 116%, 119%, 120%, 117%

Gross Dollar Retention

Gross Dollar Retention values: 80%, 83%, 89%, 91%, 89%, 88%, 86%, 85%, 85%, 86%, 87%, 89%, 89%, 87%, 86%, 85%, 84%, 85%, 87%, 85%, 83%

X-axis: 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

Quarters After $10M ARR

| N-size | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 8 | 10 | 11 | 11 | 11 | 11 | 12 | 12 | 13 | 13 | 12 | 11 |

1 Quarterly operating and financial data from the PLG companies included

ICONIQ | Growth

Efficiency
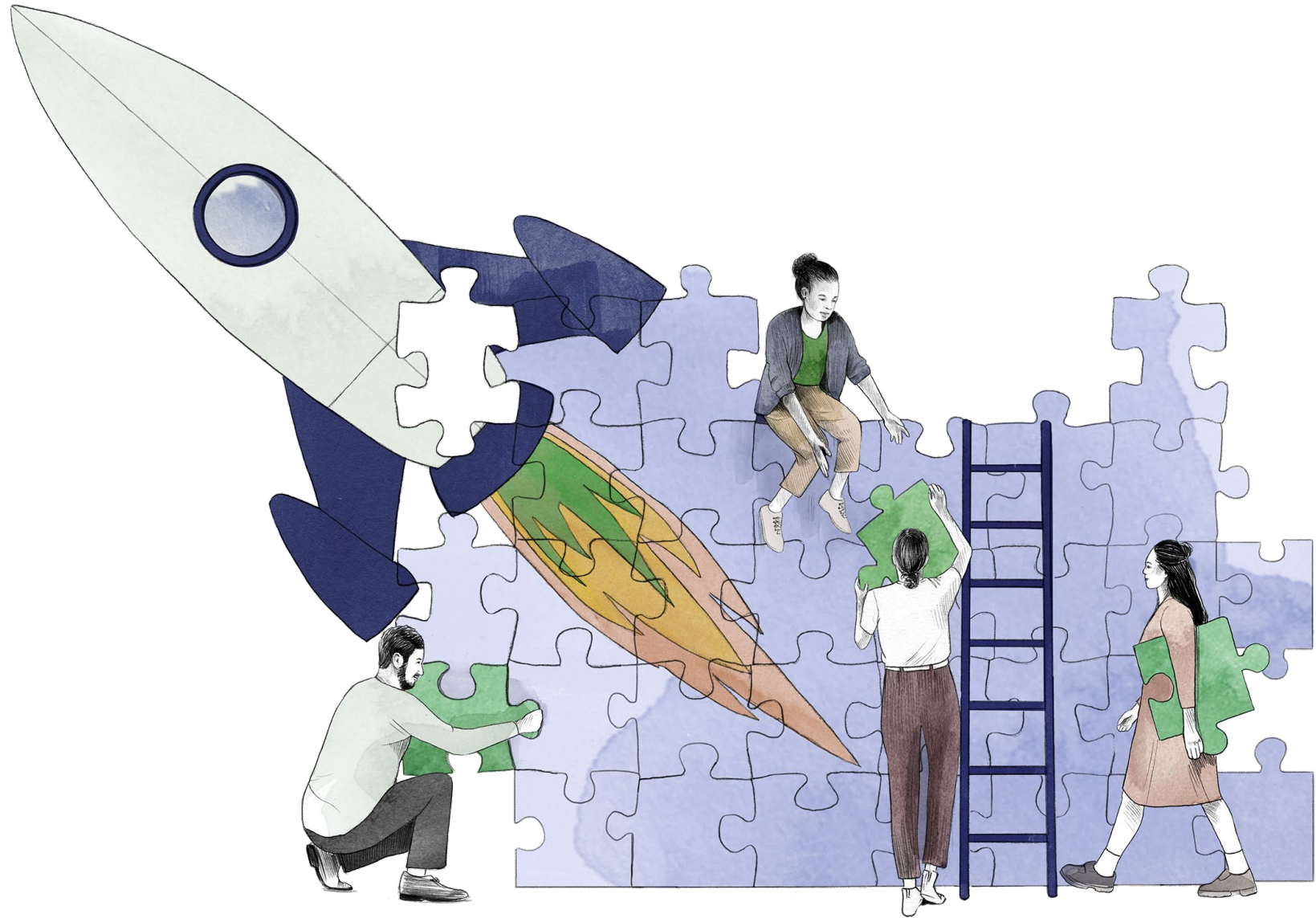
PLG companies typically see higher gross margins compared to sales-led companies, with median gross margins of ~80%+ after reaching ~$50M ARR
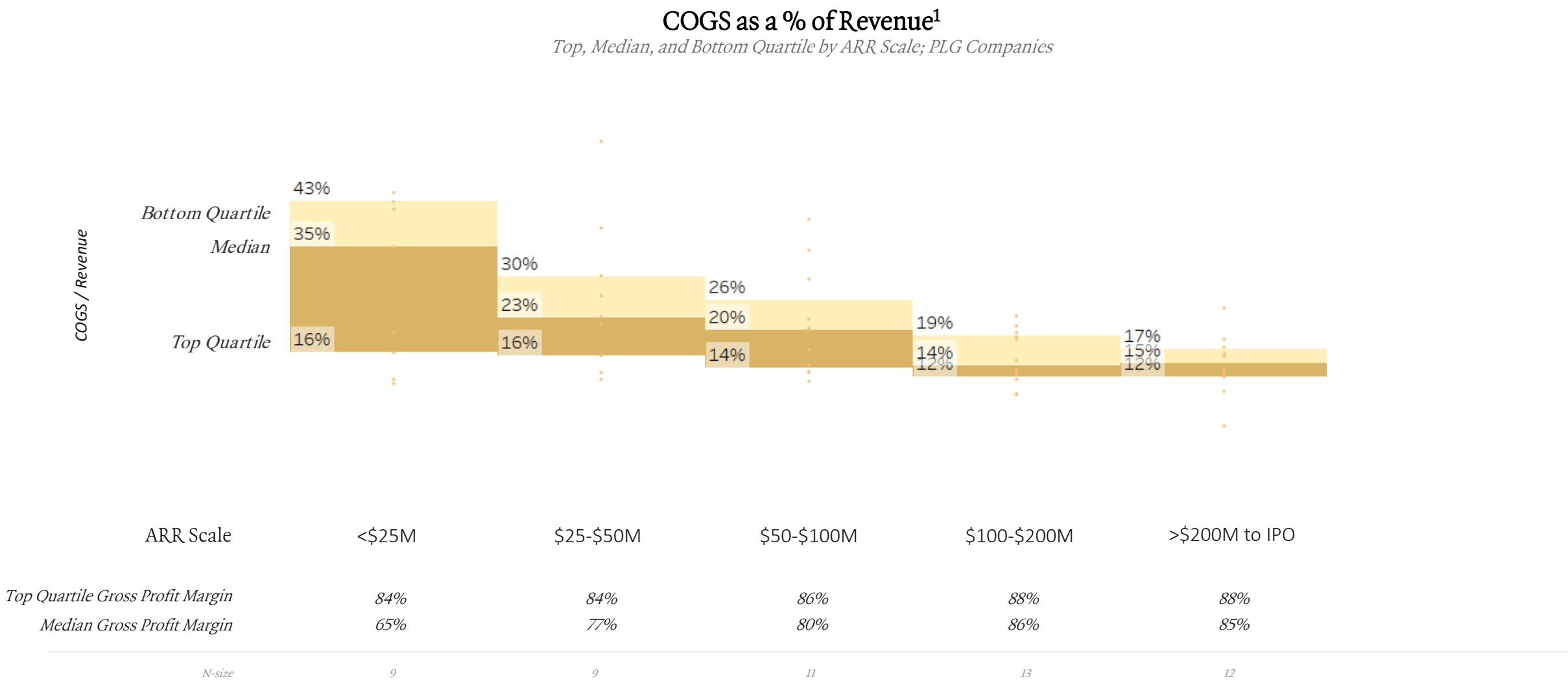
COGS as a % of Revenue[1]
Top, Median, and Bottom Quartile by ARR Scale; PLG Companies

ARR Scale	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M to IPO
Top Quartile Gross Profit Margin	84%	84%	86%	88%	88%
Median Gross Profit Margin	65%	77%	80%	86%	85%
N-size	9	9	11	13	12

1 Quarterly operating and financial data from the PLG companies included

ICONIQ | Growth

Usually requiring lower S&M investment, PLG companies tend to have higher sales efficiency metrics compared to sales-led growth companies with top quartile net magic number closer to 2x

Top Quartile Net Magic Number[1]
Net New ARR / Prior Quarter S&M OpEx[2] by ARR Scale

	Product-led Growth					Sales-led Growth				
Net Magic Number	3.5x	2.9x	1.8x	1.9x	1.8x	1.3x	1.2x	1.4x	1.1x	0.9x
ARR Scale	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
Gross Magic Number *Gross new ARR / prior quarter S&M OpEx[2]*	3.6x	2.6x	3.0x	1.7x	2.3x	1.5x	1.3x	1.8x	1.4x	0.9x
N-size	7	8	12	13	12	38	35	30	32	21
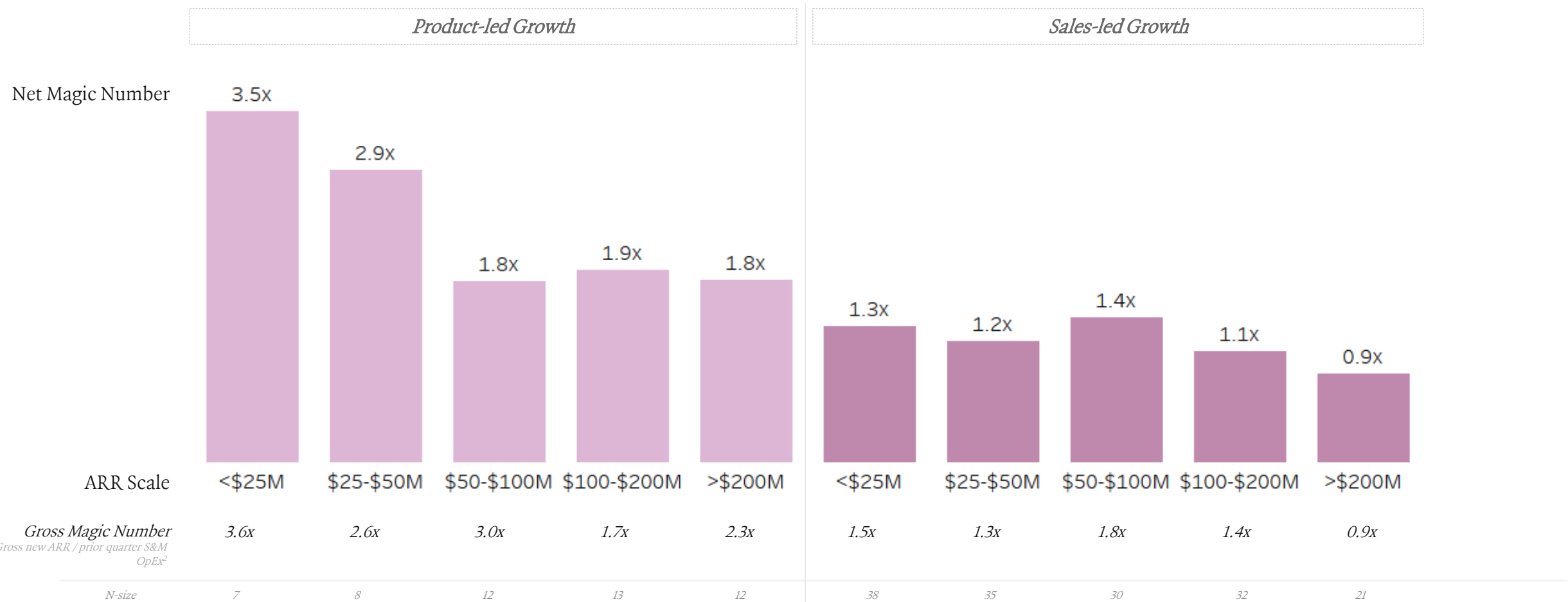
1 Quarterly operating and financial data from the PLG companies included
2 Quarter of S&M OpEx utilized in magic number calculations should depend on a given company's sales cycle

ICONIQ | Growth

PLG SaaS companies typically see a LTV/CAC ratio of 3-9x as they scale to $200M and find significant leverage post $200M with median CAC payback period dropping to less than 10 months

Median LTV/CAC and CAC Payback Period[1,2]
By ARR Scale; PLG Companies

CAC Payback Period
Months

	14	38	37	23	8
LTV/CAC Ratio	3.4x	9.9x	8.1x	4.6x	9.6x
ARR Scale	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
Top Quartile LTV/CAC	4.7x	9.9x	7.5x	5.0x	10.0x
Top Quartile CAC Payback Period	10	16	22	19	7
N-size	9	10	12	13	12
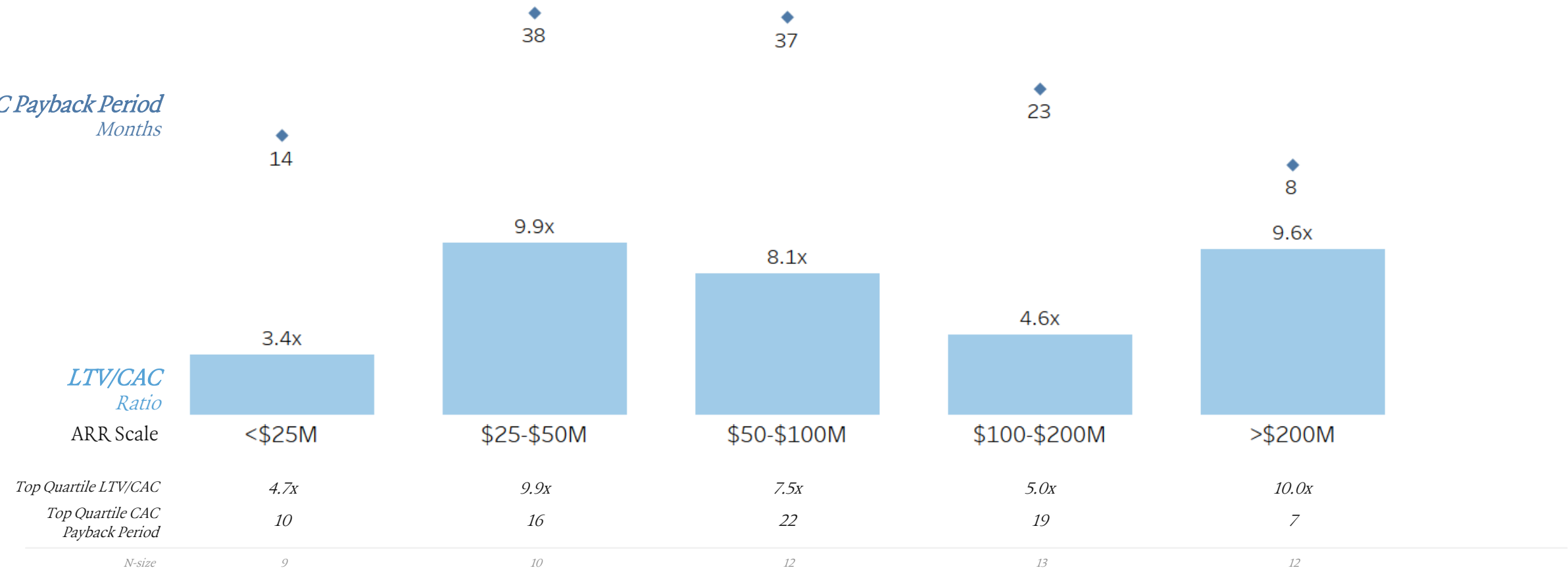
1 Quarterly operating and financial data from the PLG companies included
2 LTV = Customer Lifetime Value; CAC = Customer Acquisition Cost; CAC Payback Period = CAC / (New MRR x Gross Margin)

PLG companies typically achieve profitability much earlier than sales-led companies with top-performing companies breaking-even 3-5 years after reaching $10M ARR
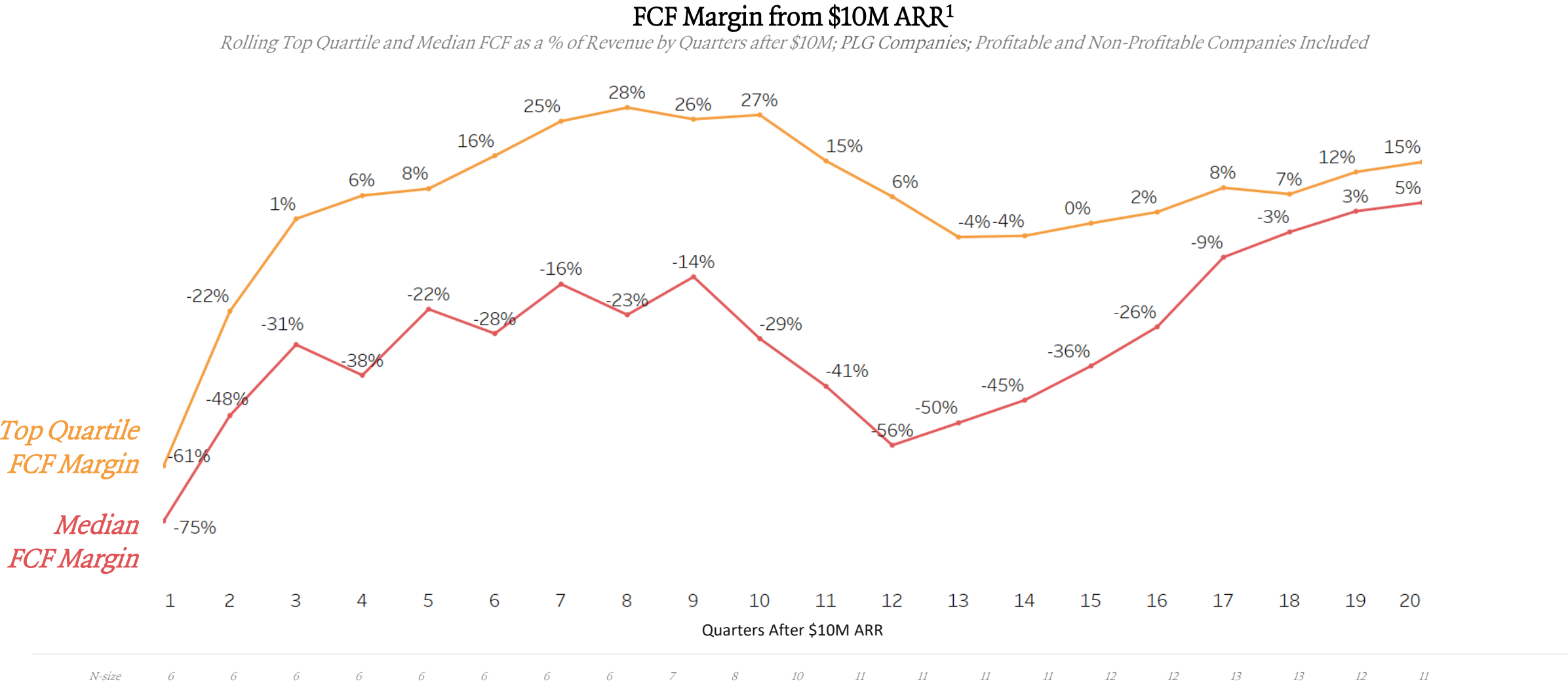
FCF Margin from $10M ARR[1]

Rolling Top Quartile and Median FCF as a % of Revenue by Quarters after $10M; PLG Companies; Profitable and Non-Profitable Companies Included

Top Quartile FCF Margin

Median FCF Margin

Quarters After $10M ARR

N-size	6	6	6	6	6	6	6	6	7	8	10	11	11	11	11	12	12	13	13	12	11

1 Quarterly operating and financial data from the PLG companies included

PLG companies typically also see revenue outpace total spend earlier than sales-led companies, with most companies finding significant leverage after reaching $100M in ARR

OpEx as a % of Revenue by Type[1]

Average by Type and ARR Scale; PLG Companies
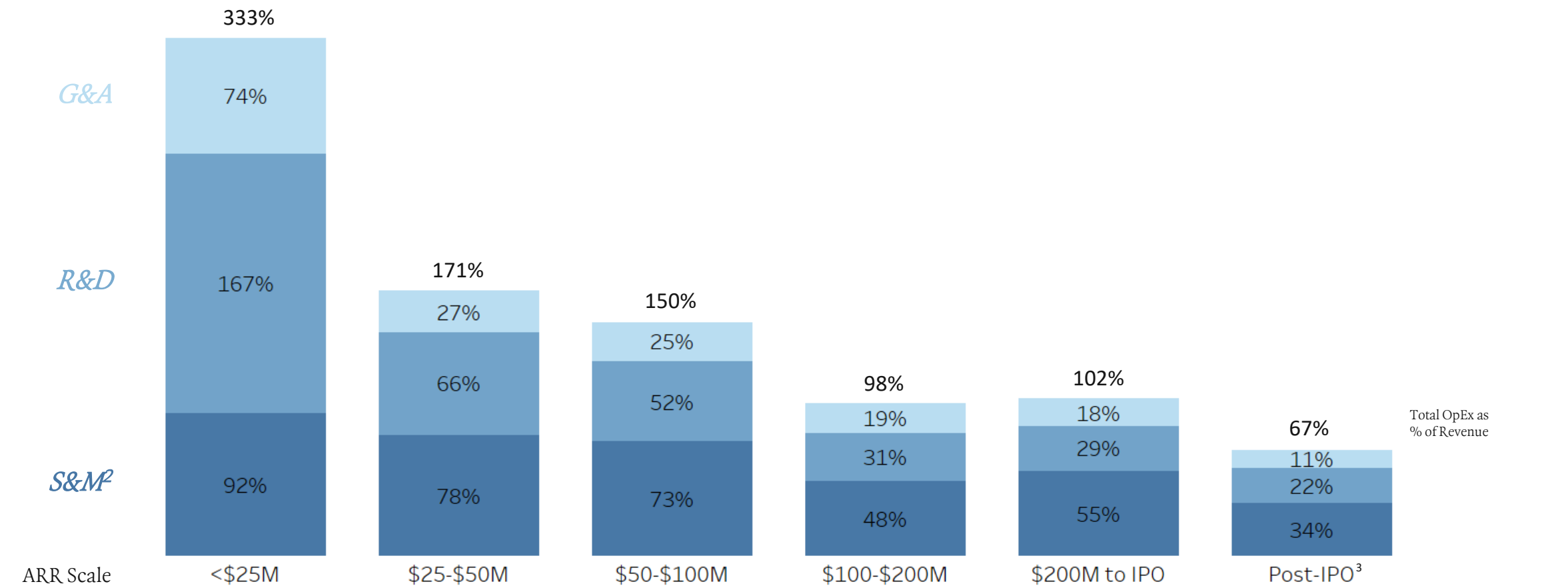
	<$25M	$25-$50M	$50-$100M	$100-$200M	$200M to IPO	Post-IPO[3]
Total	333%	171%	150%	98%	102%	67%
G&A	74%	27%	25%	19%	18%	11%
R&D	167%	66%	52%	31%	29%	22%
S&M[2]	92%	78%	73%	48%	55%	34%

Total OpEx as % of Revenue

ARR Scale

N-size: 9 / 10 / 13 / 13 / 12 / 3

1 Quarterly operating and financial data from the PLG companies included
2 Total Sales & Marketing OpEx includes Customer Success
3 "Post-IPO" includes data within 2 fiscal years after IPO

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Cost Allocation| OpEx Distribution by Scale

As PLG companies mature and invest in GTM to drive revenue growth, R&D starts to make up an increasingly smaller proportion of total operating spend, while S&M spend starts to increase proportionally

OpEx Distribution[1]
Average % of OpEx by Type and ARR Scale; PLG Companies

ARR Scale	<$25M	$25-$50M	$50-$100M	$100-$200M	$200M to IPO	Post-IPO[3]
G&A	20%	18%	18%	20%	18%	17%
R&D	46%	41%	35%	32%	27%	32%
S&M[2]	36%	42%	47%	49%	54%	50%
N-size	9	10	13	12	11	3

Annualized OpEx ($)[1]
Average OpEx by Type and ARR Scale; PLG Companies

Total OpEx

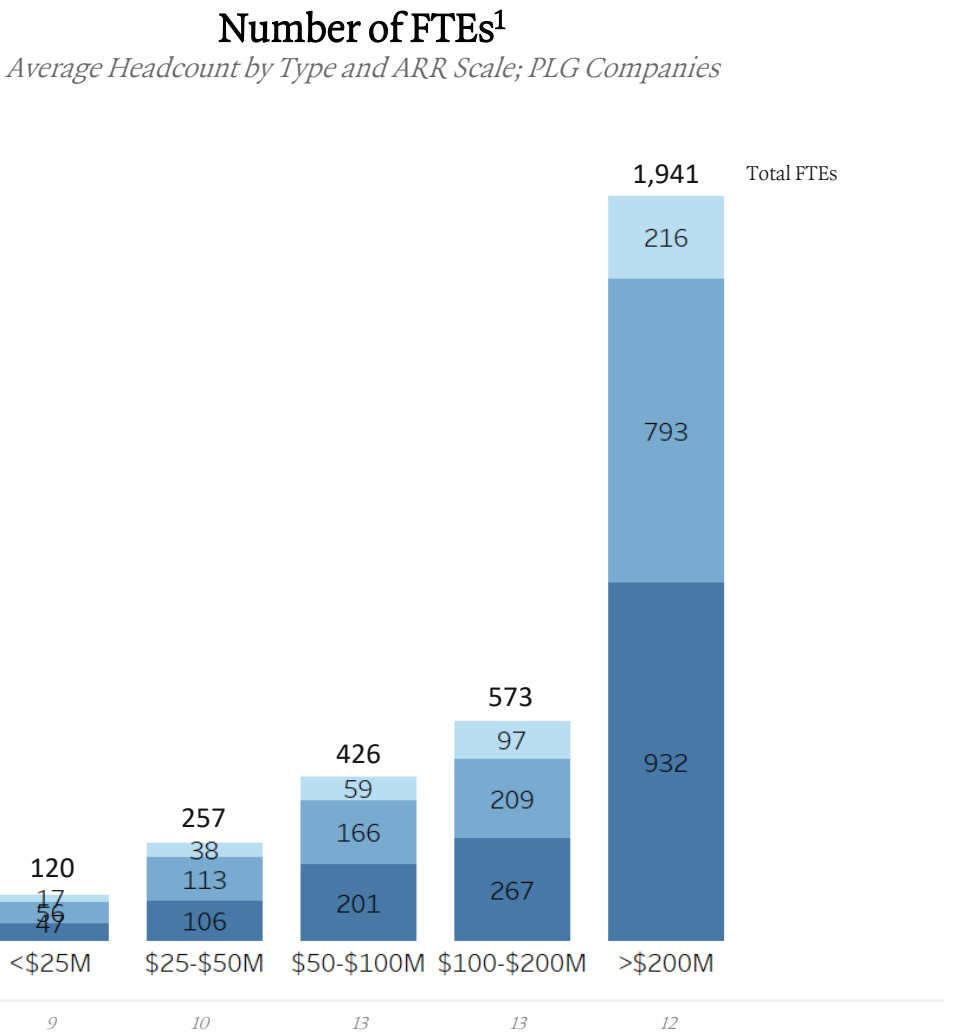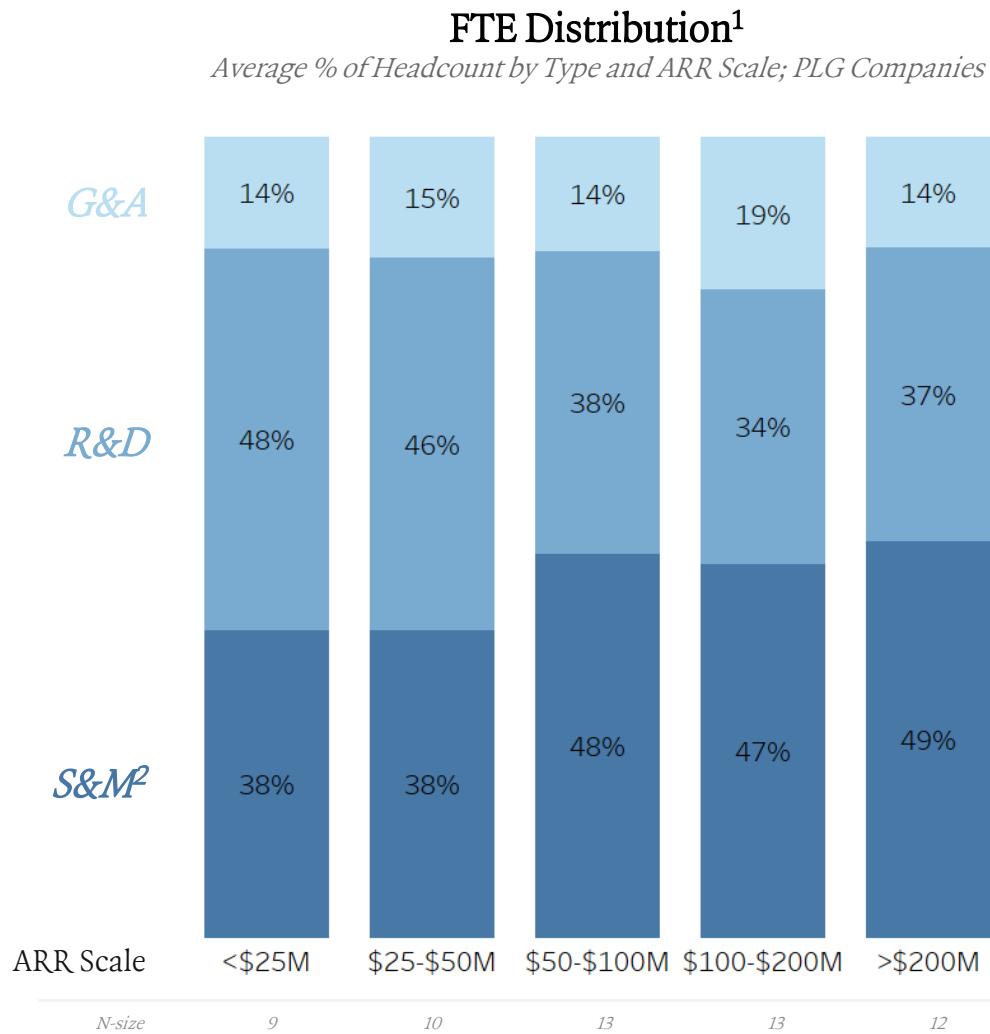| ARR Scale	<$25M	$25-$50M	$50-$100M	$100-$200M	$200M to IPO	Post-IPO[3]
Total	$19M	$57M	$103M	$139M	$263M	$720M
G&A	$4M	$9M	$17M	$27M	$48M	$126M
R&D	$8M	$22M	$36M	$43M	$74M	$232M
S&M	$7M	$26M	$50M	$69M	$141M	$362M
N-size	9	10	13	12	11	3

1 Quarterly operating and financial data from the PLG companies included
2 Total Sales & Marketing OpEx includes Customer Success
3 "Post-IPO" includes data within 2 fiscal years after IPO

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Similarly, R&D also comprises a smaller proportion of total headcount as PLG companies invest in go-to-market excellence leading up to IPO
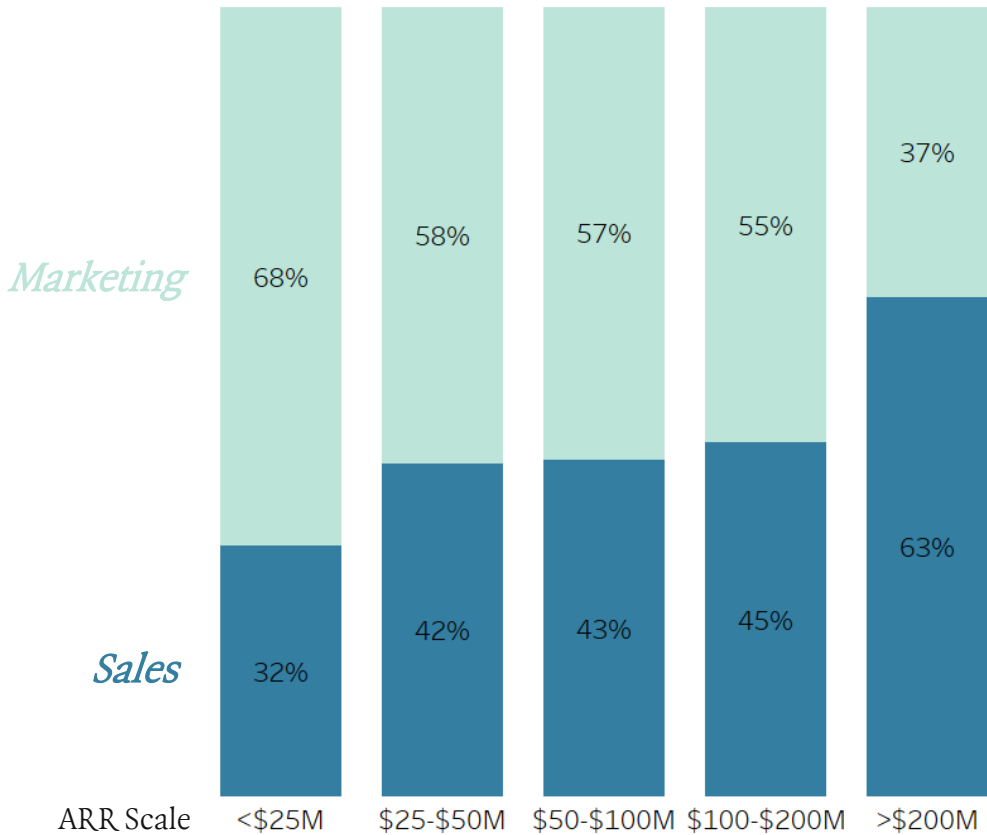
FTE Distribution[1]
Average % of Headcount by Type and ARR Scale; PLG Companies

	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
G&A	14%	15%	14%	19%	14%
R&D	48%	46%	38%	34%	37%
S&M[2]	38%	38%	48%	47%	49%

ARR Scale

N-size: 9, 10, 13, 13, 12

Number of FTEs[1]
Average Headcount by Type and ARR Scale; PLG Companies

Total FTEs

	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
Total	120	257	426	573	1,941
G&A	17	38	59	97	216
R&D	56	113	166	209	793
S&M	47	106	201	267	932

N-size: 9, 10, 13, 13, 12

1 Quarterly operating and financial data from the early-stage companies included
2 Total Sales & Marketing OpEx includes Customer Success

Marketing spend typically comprises the biggest portion of S&M spend for PLG companies on a $ basis; however, marketing headcount usually only comprises ~25-35% of total GTM headcount
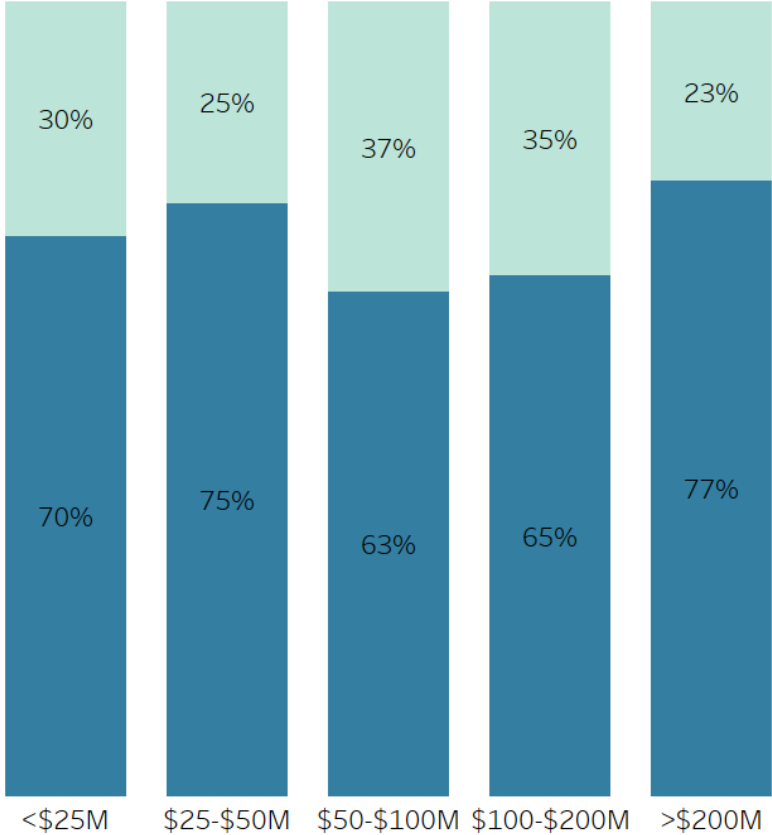
S&M OpEx Distribution[1]

Average % of S&M OpEx by Type and ARR Scale; PLG Companies

Marketing

	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
Marketing	68%	58%	57%	55%	37%
Sales	32%	42%	43%	45%	63%

ARR Scale

S&M Headcount Distribution[1]

Average % of S&M Headcount by Type and ARR Scale; PLG Companies

	<$25M	$25-$50M	$50-$100M	$100-$200M	>$200M
Marketing	30%	25%	37%	35%	23%
Sales	70%	75%	63%	65%	77%

N-size	9	10	13	13	12		9	10	13	13	12

1 Quarterly operating and financial data from the PLG companies included

Appendix

Supplemental Materials

For more research, please visit the ICONIQ Growth insights page

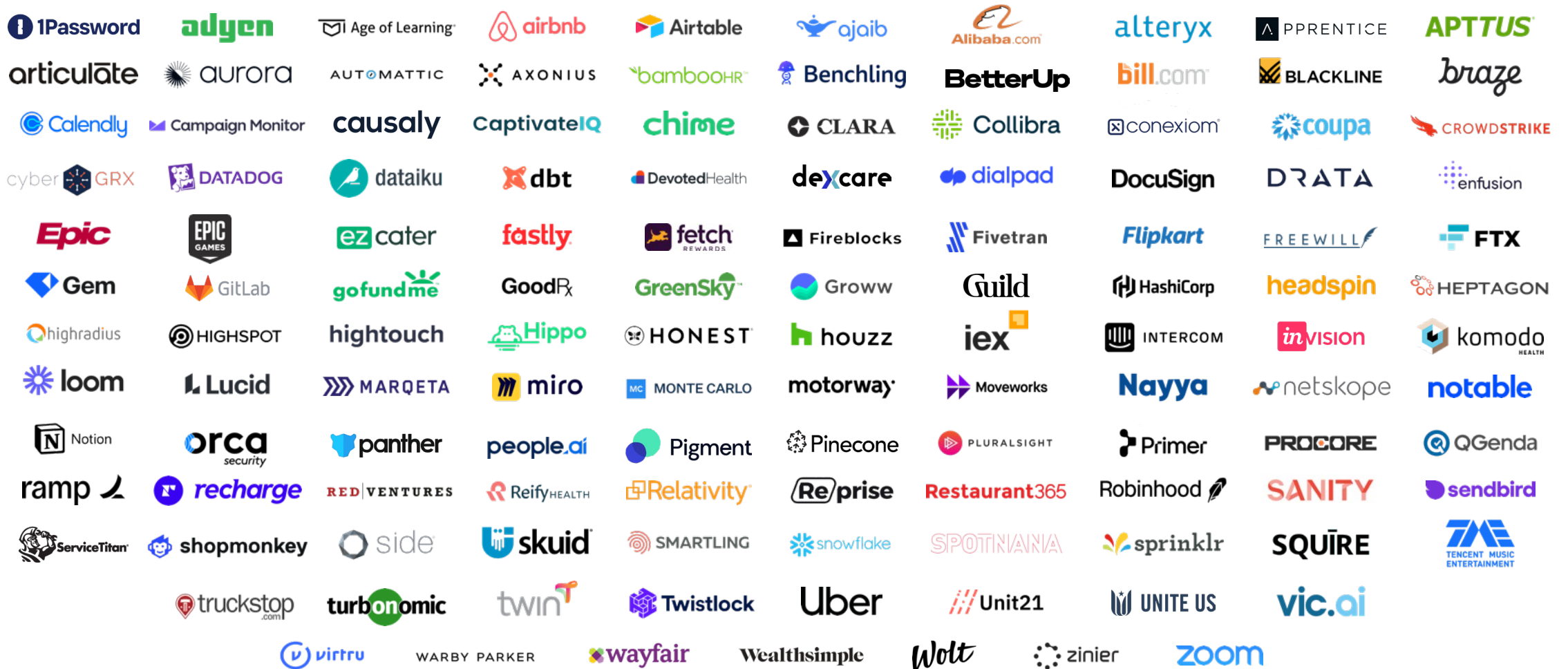|			
Companion Reports	Vertical SaaS	Product-Led Growth	Scaling to $10M
Tools & Reference Materials	Board Reporting Template	The SaaS Glossary	Interactive Dashboard *Portfolio Only*
2023 Report & Scorecard Overviews	The New Era of Efficient Growth	The Enterprise Five	The Resiliency Rubric

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