

Scaling from \$0 to \$50M

Topline Growth and Operational Efficiency

August 2023



DISCLOSURE

UNLESS OTHERWISE INDICATED, THE VIEWS EXPRESSED IN THIS PRESENTATION ARE THOSE OF ICONIQ GROWTH ("ICONIQ" OR THE "FIRM"), ARE THE RESULT OF PROPRIETARY RESEARCH, MAY BE SUBJECTIVE, AND MAY NOT BE RELIED UPON IN MAKING AN INVESTMENT DECISION. INFORMATION USED IN THIS PRESENTATION WAS OBTAINED FROM NUMEROUS SOURCES. CERTAIN OF THESE COMPANIES ARE PORTFOLIO COMPANIES OF ICONIQ GROWTH. ICONIQ GROWTH DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF THE INFORMATION OBTAINED FROM THESE SOURCES.

THIS PRESENTATION IS FOR EDUCATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE INVESTMENT ADVICE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES WHICH WILL ONLY BE MADE PURSUANT TO DEFINITIVE OFFERING DOCUMENTS AND SUBSCRIPTION AGREEMENTS, INCLUDING, WITHOUT LIMITATION, ANY INVESTMENT FUND OR INVESTMENT PRODUCT REFERENCED HEREIN.

ANY REPRODUCTION OR DISTRIBUTION OF THIS PRESENTATION IN WHOLE OR IN PART, OR THE DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR CONSENT OF ICONIQ, IS PROHIBITED.

THIS PRESENTATION MAY CONTAIN FORWARD-LOOKING STATEMENTS BASED ON CURRENT PLANS, ESTIMATES AND PROJECTIONS. THE RECIPIENT OF THIS PRESENTATION ("YOU") ARE CAUTIONED THAT A NUMBER OF IMPORTANT FACTORS COULD CAUSE ACTUAL RESULTS OR OUTCOMES TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, THE FORWARD-LOOKING STATEMENTS. THE NUMBERS, FIGURES AND CASE STUDIES INCLUDED IN THIS PRESENTATION HAVE BEEN INCLUDED FOR PURPOSES OF ILLUSTRATION ONLY, AND NO ASSURANCE CAN BE GIVEN THAT THE ACTUAL RESULTS OF ICONIQ OR ANY OF ITS PARTNERS AND AFFILIATES WILL CORRESPOND WITH THE RESULTS CONTEMPLATED IN THE PRESENTATION. NO INFORMATION IS CONTAINED HEREIN WITH RESPECT TO CONFLICTS OF INTEREST, WHICH MAY BE SIGNIFICANT. THE PORTFOLIO COMPANIES AND OTHER PARTIES MENTIONED HEREIN MAY REFLECT A SELECTIVE LIST OF THE PRIOR INVESTMENTS MADE BY ICONIQ.

CERTAIN OF THE ECONOMIC AND MARKET INFORMATION CONTAINED HEREIN MAY HAVE BEEN OBTAINED FROM PUBLISHED SOURCES AND/OR PREPARED BY OTHER PARTIES. WHILE SUCH SOURCES ARE BELIEVED TO BE RELIABLE, NONE OF ICONIQ OR ANY OF ITS AFFILIATES AND PARTNERS, EMPLOYEES AND REPRESENTATIVES ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OF SUCH INFORMATION.

ALL OF THE INFORMATION IN THE PRESENTATION IS PRESENTED AS OF THE DATE MADE AVAILABLE TO YOU (EXCEPT AS OTHERWISE SPECIFIED), AND IS SUBJECT TO CHANGE WITHOUT NOTICE, AND MAY NOT BE CURRENT OR MAY HAVE CHANGED (POSSIBLY MATERIALLY) BETWEEN THE DATE MADE AVAILABLE TO YOU AND THE DATE ACTUALLY RECEIVED OR REVIEWED BY YOU. ICONIQ ASSUMES NO OBLIGATION TO UPDATE OR OTHERWISE REVISE ANY INFORMATION, PROJECTIONS, FORECASTS OR ESTIMATES CONTAINED IN THE PRESENTATION, INCLUDING ANY REVISIONS TO REFLECT CHANGES IN ECONOMIC OR MARKET CONDITIONS OR OTHER CIRCUMSTANCES ARISING AFTER THE DATE THE ITEMS WERE MADE AVAILABLE TO YOU OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

FOR AVOIDANCE OF DOUBT, ICONIQ IS NOT ACTING AS AN ADVISER OR FIDUCIARY IN ANY RESPECT IN CONNECTION WITH PROVIDING THIS PRESENTATION AND NO RELATIONSHIP SHALL ARISE BETWEEN YOU AND ICONIQ AS A RESULT OF THIS PRESENTATION BEING MADE AVAILABLE TO YOU.

ICONIQ IS A DIVERSIFIED FINANCIAL SERVICES FIRM AND HAS DIRECT CLIENT RELATIONSHIPS WITH PERSONS THAT MAY BECOME LIMITED PARTNERS OF ICONIQ FUNDS. NOTWITHSTANDING THAT A PERSON MAY BE REFERRED TO HEREIN AS A "CLIENT" OF THE FIRM, NO LIMITED PARTNER OF ANY FUND WILL, IN ITS CAPACITY AS SUCH, BE A CLIENT OF ICONIQ. THERE CAN BE NO ASSURANCE THAT THE INVESTMENTS MADE BY ANY ICONIQ FUND WILL BE PROFITABLE OR WILL EQUAL THE PERFORMANCE OF PRIOR INVESTMENTS MADE BY PERSONS DESCRIBED IN THIS PRESENTATION.

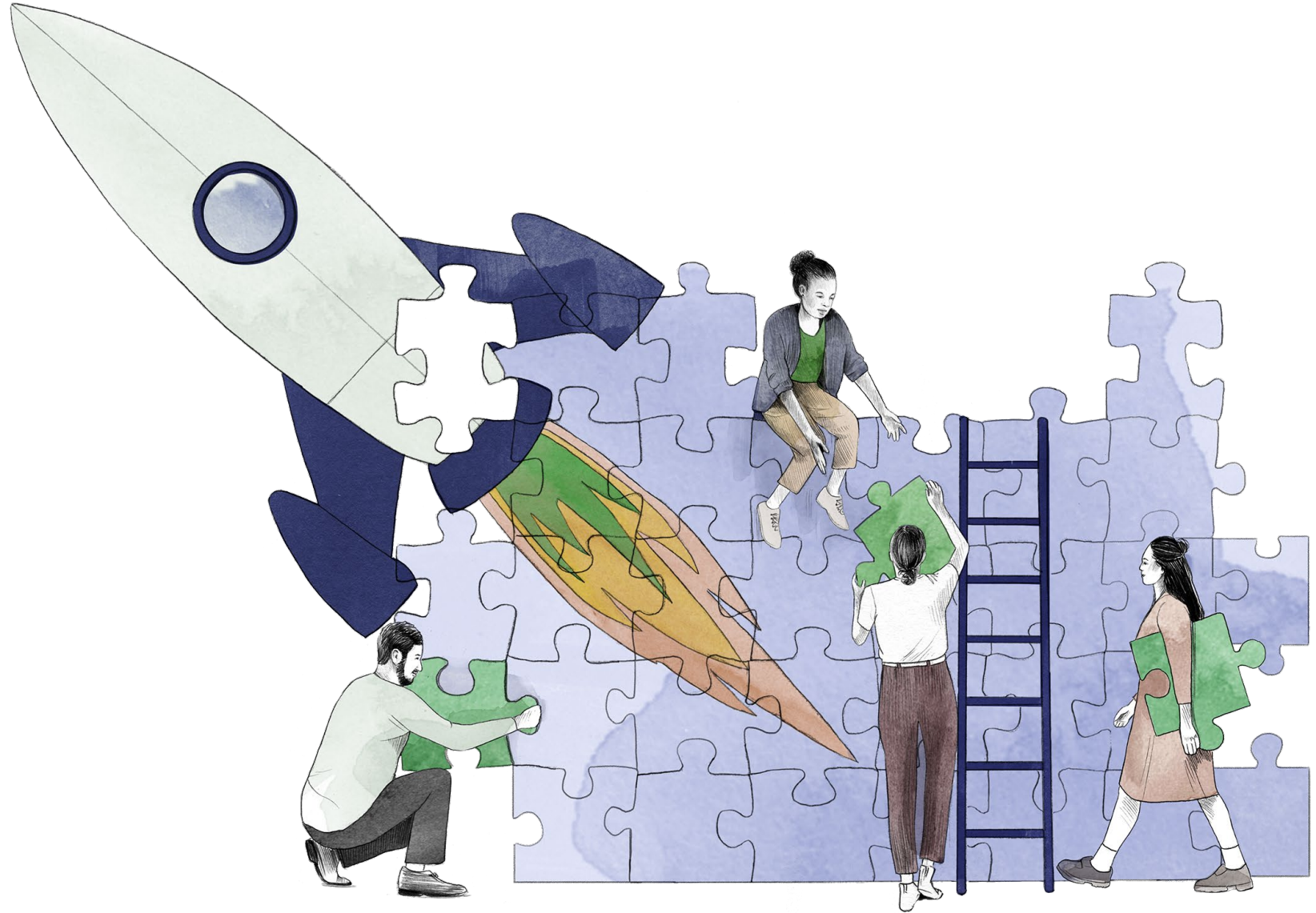
THESE MATERIALS ARE PROVIDED FOR GENERAL INFORMATION AND DISCUSSION PURPOSES ONLY AND MAY NOT BE RELIED UPON.

THIS MATERIAL MAY BE DISTRIBUTED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "FP ORDER"), (II) HIGH-NET-WORTH ENTITIES FALLING WITHIN ARTICLE 49(2) OF THE FP ORDER, AND (III) ANY OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "FPO RELEVANT PERSONS"). PERSONS WHO ARE NOT FPO RELEVANT PERSONS MUST NOT ACT ON OR RELY ON THIS MATERIAL OR ANY OF ITS CONTENTS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS MATERIAL RELATES IS AVAILABLE ONLY TO FPO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH FPO RELEVANT PERSONS. RECIPIENTS MUST NOT DISTRIBUTE, PUBLISH, REPRODUCE, OR DISCLOSE THIS MATERIAL, IN WHOLE OR IN PART, TO ANY OTHER PERSON.

COPYRIGHT © 2023 ICONIQ CAPITAL, LLC. ALL RIGHTS RESERVED.

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

ICONIQGrowthAnalytics@iconiqcapital.com



Christine Edmonds
Head of Portfolio Analytics



Vivian Guo
Portfolio Analytics



Addison Anders
Portfolio Analytics



Claire Davis
Portfolio Analytics



Sam O'Neill
Portfolio Data Manager

Follow our research

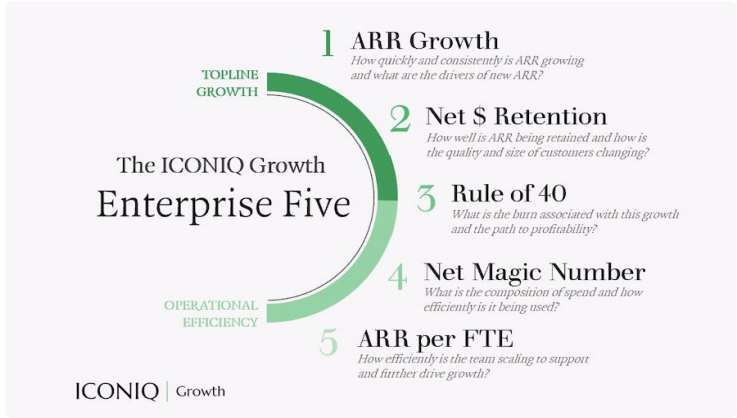


Table of Contents

Introduction	The Companies Included	8
	Overview & Data Sources	9
Executive Summary	Executive Summary	12
	The ICONIQ Growth Enterprise 5	13
Best in Class Performance	Drivers of Growth	15
	Efficiency	20

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 *early-stage companies* (\$0-\$50M ARR) include data from **67 ICONIQ Growth companies shown here when they were under \$50M ARR³**.

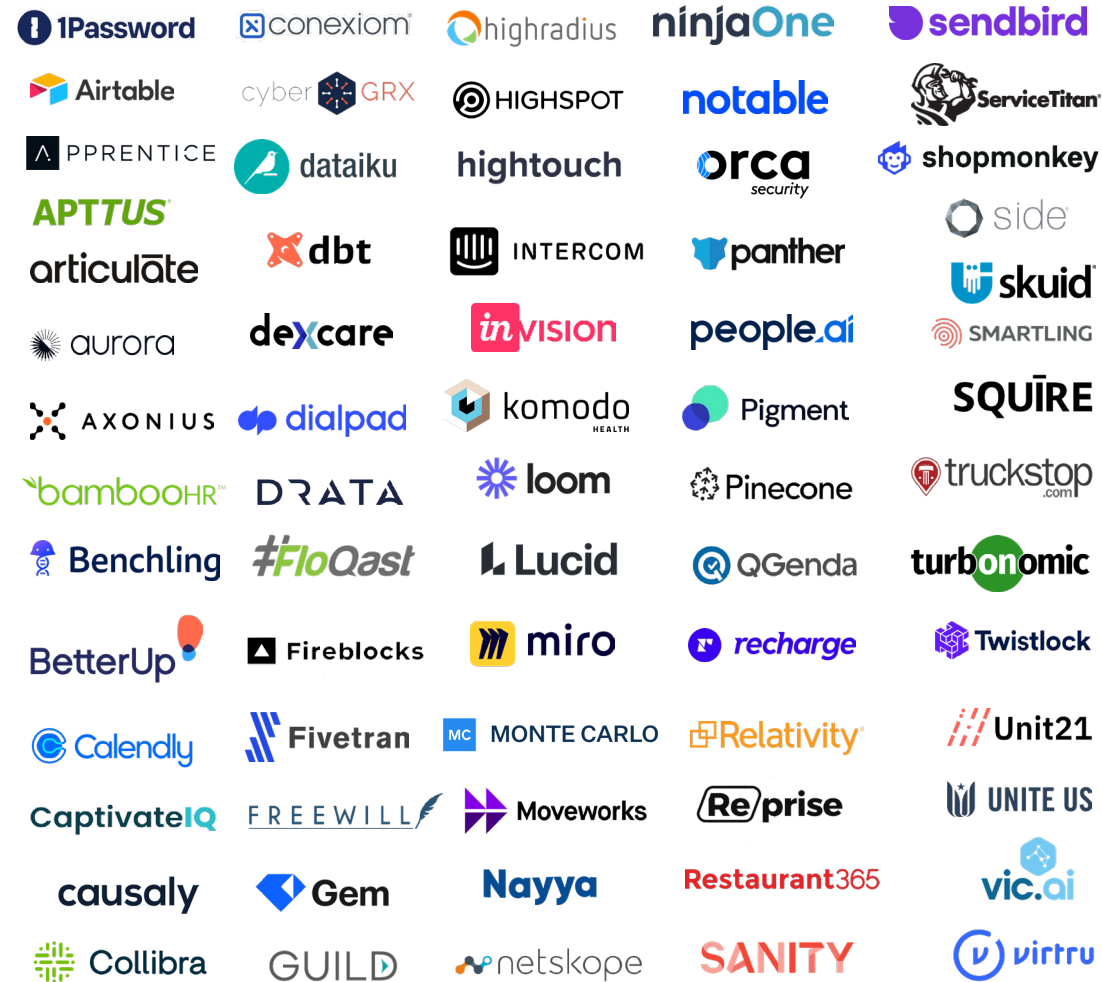
¹ See our IPO performance criteria in The Methodology section

² Pluralsight went public in 2018 and has since been purchased

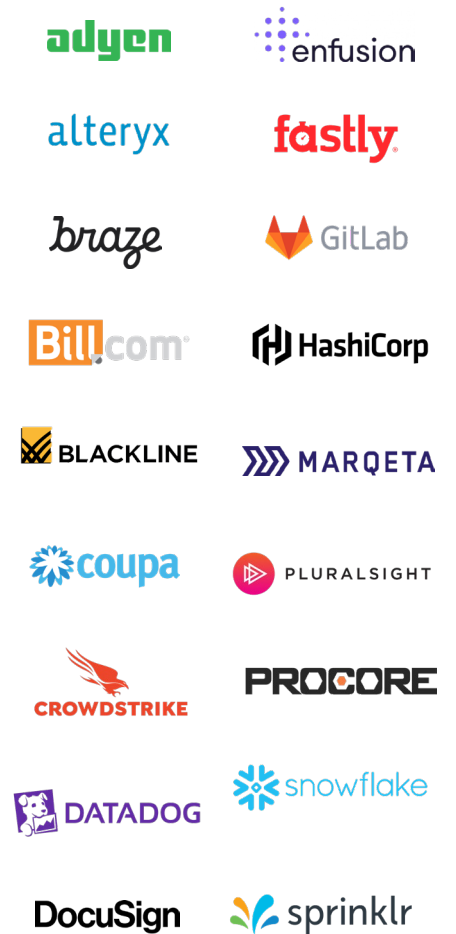
³ Financial and operating data from ICONIQ Growth enterprise SaaS portfolio companies that were under \$50M ARR from 2013 to August 2023 (n=83). Select ICONIQ Growth companies included in the analysis are not shown here due to privacy of investment. See a full list of portfolio companies in the Appendix. Trademarks are the property of their respective owners. None of the companies illustrated have endorsed or recommended the services of ICONIQ

ICONIQ Growth Portfolio Companies³

Private



Public or Acquired²



Select Public Companies¹



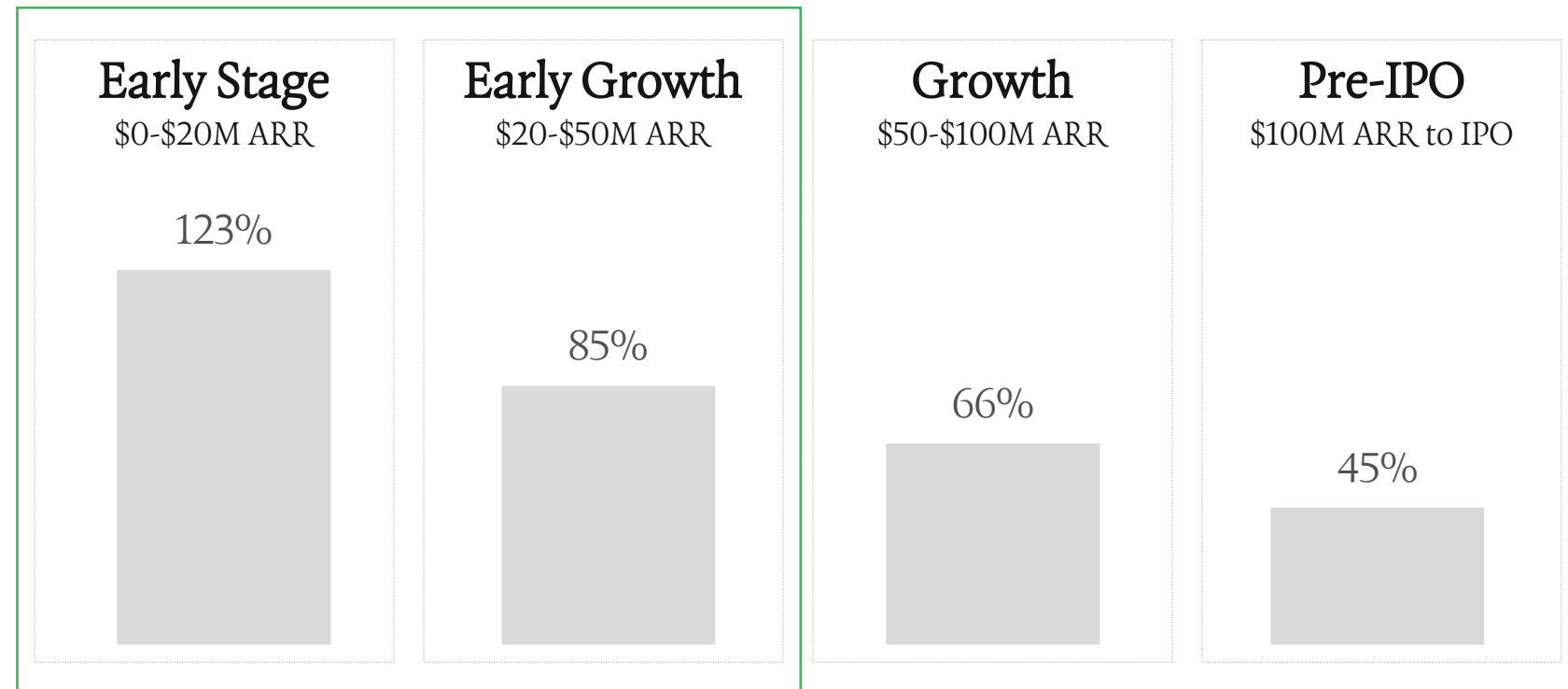
METHODOLOGY

What constitutes “Early Stage”

This analysis defines “early-stage” as a SaaS company in the **\$0-\$50M ARR range**.

All ICONIQ Growth portfolio companies were included where data was available; this report includes data from **67 companies** when they were under \$50M ARR.

YoY ARR Growth Rate by Stage^{1,2}
Median



Focus of this report

¹ Financial and operating data from ICONIQ Growth enterprise SaaS portfolio companies that were under \$50M ARR from 2013 to August 2023 (n=83)

² As of August 2023

METHODOLOGY

Overview & Data Sources¹

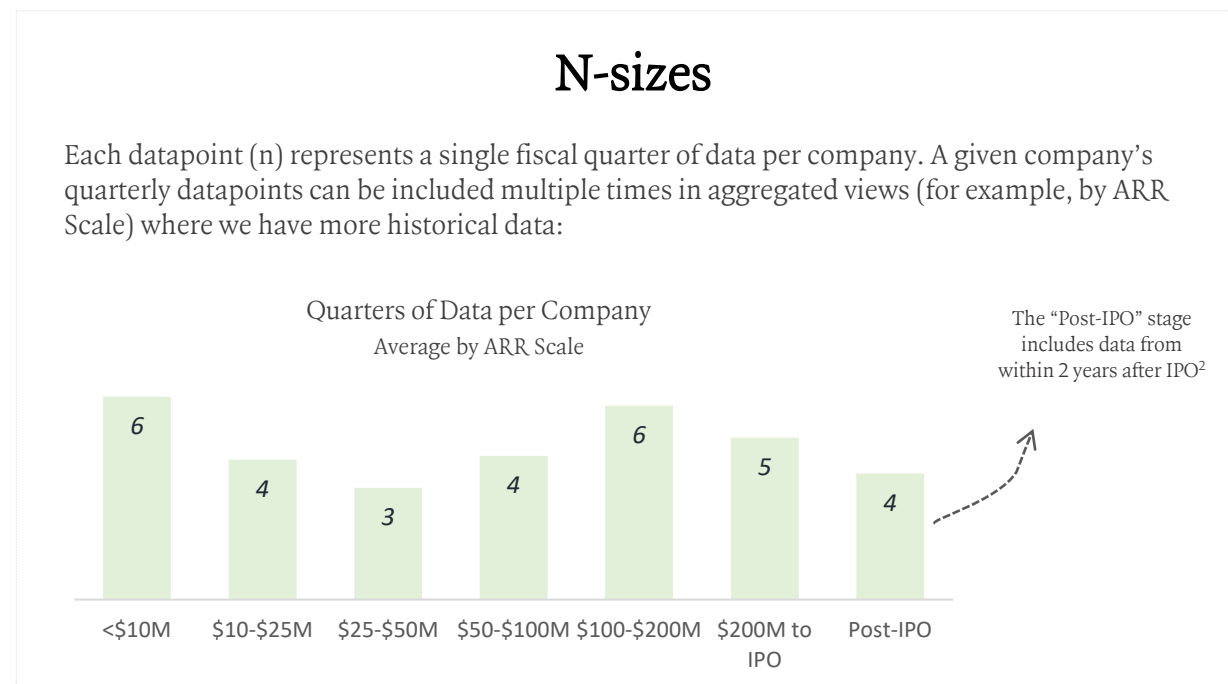
This analysis summarizes quarterly operating and financial data from the included SaaS companies. All views are aggregated or anonymized to protect the data privacy of individual companies.

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.

¹ The conclusions of this study represent the views of the ICONIQ Growth Portfolio Analytics team and are not intended to serve as an analysis of the value, viability or health of any individual company or group of companies, and should not be used to make any decision about whether to invest in any company or group of companies, including through a private fund

² Select public companies included do not publicize ARR data, so we have grouped all company data from within 2 years after IPO into a “Post-IPO” stage

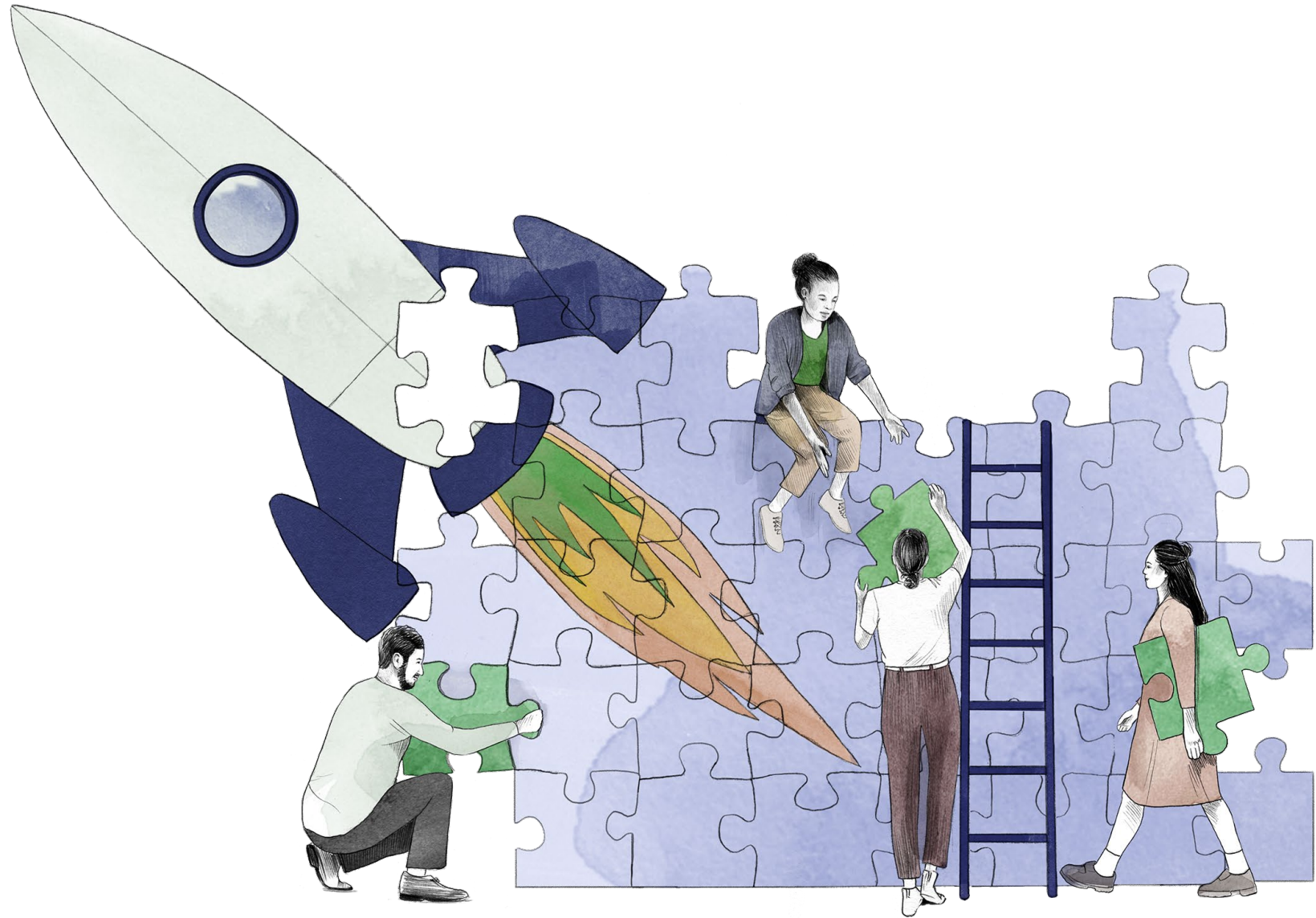


Public Companies

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 Report¹

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.

Executive Summary

Drivers of Growth

- On average, top-quartile early-stage SaaS companies achieve **6.0x YoY ARR growth within the first year after reaching \$1M ARR** and typically scale to **\$100M ARR in less than five years**
 - New logos are the primary driver of ARR growth** for early-stage SaaS companies (\$0-\$50M ARR), accounting for ~65-75% of total growth
 - Logo churn becomes the primary driver of gross churn** when SaaS companies reach ~\$30M ARR
- Top quartile early-stage SaaS companies generally can consistently achieve **120-130% net dollar retention** and **~95% gross dollar retention**

Efficiency

- Early-stage companies typically have **gross margins around ~70%** and are able to reduce COGS on a per unit basis as they scale
- Early-stage companies often have efficient sales motions without requiring significant S&M investment if companies have identified strong product-market fit; **top-quartile early-stage companies typically achieve 1.2x+ net magic number until they reach \$50M ARR**
- LTV/CAC (another ratio of sales efficiency and unit economics) **generally increases as SaaS companies scale in the early stages of hypergrowth** and refine their ideal customer personas, with companies typically seeing a **median CAC payback period of ~20-30 months**
- As early-stage SaaS companies scale, **OpEx as a % of revenue generally decreases rapidly**; however, it usually **remains above 150% for early-stage SaaS companies with <\$50M ARR**
 - As early-stage SaaS companies scale and **invest in go-to-market to drive revenue growth**, **sales & marketing spend generally increases**; S&M typically **comprises ~50% of total headcount** for early-stage SaaS companies
 - Sales is typically the primary growth accelerator for early-stage companies**, generally comprising ~65% of total GTM spend and ~80% of total GTM headcount for early-stage SaaS companies



THE ICONIQ GROWTH Enterprise Five

ICONIQ Growth standards across five key metrics we believe are highly representative of an early-stage B2B SaaS company's overall growth and efficiency:

Early-Stage

Median & Top Quartile Performance by ARR Scale¹

Median Top Quartile

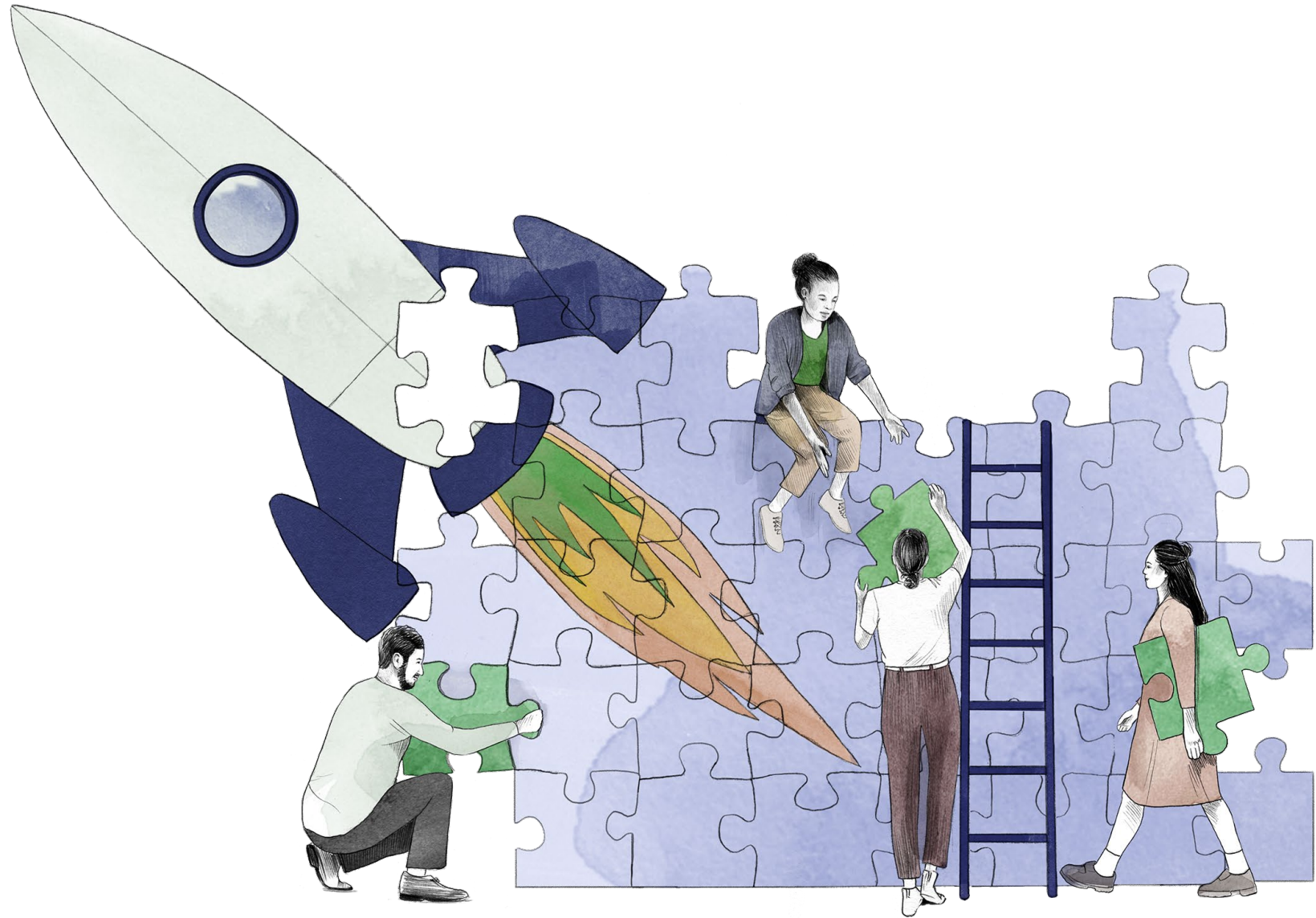
		<\$5M	\$5-\$10M	\$10-\$20M	\$20-\$30M	\$30-\$40M	\$40-\$50M
1	YoY ARR Growth <i>(EOP ARR – prior year EOP ARR) / prior year EOP ARR</i>	375% 845%	165% 280%	100% 165%	85% 135%	85% 130%	90% 115%
2	Net \$ Retention <i>(BOP ARR + expansion ARR - gross churn ARR) / BOP ARR</i>	105% 135%	110% 125%	105% 120%	110% 120%	110% 120%	110% 120%
3	Rule of 40 <i>YoY ARR growth + FCF margin²</i>	160% 685%	-10% 45%	-20% 65%	0% 55%	-15% 35%	-5% 60%
4	Net Magic Number <i>Current Q net new ARR / prior Q S&M OpEx³</i>	1.5x 3.2x	0.9x 1.7x	0.7x 1.3x	0.7x 1.1x	0.8x 1.2x	0.8x 1.2x
5	ARR per FTE <i>EOP ARR / EOP FTEs</i>	\$55K \$75K	\$80K \$110K	\$125K \$150K	\$125K \$170K	\$140K \$185K	\$150K \$200K

Given the current environment, we expect that **median benchmarks shown here will be more realistic for early-stage companies to target in 2023**, but have included top quartile as reference for “best in class” performance regardless of time period¹.

¹ Quarterly operating and financial data from the early-stage companies included (2012-2023)

² Alternative Rule of 40 calculations include YoY Revenue Growth and EBITDA Margin; ³ Quarter of S&M OpEx utilized in magic number calculations should depend on your company's sales cycle

Drivers of Growth

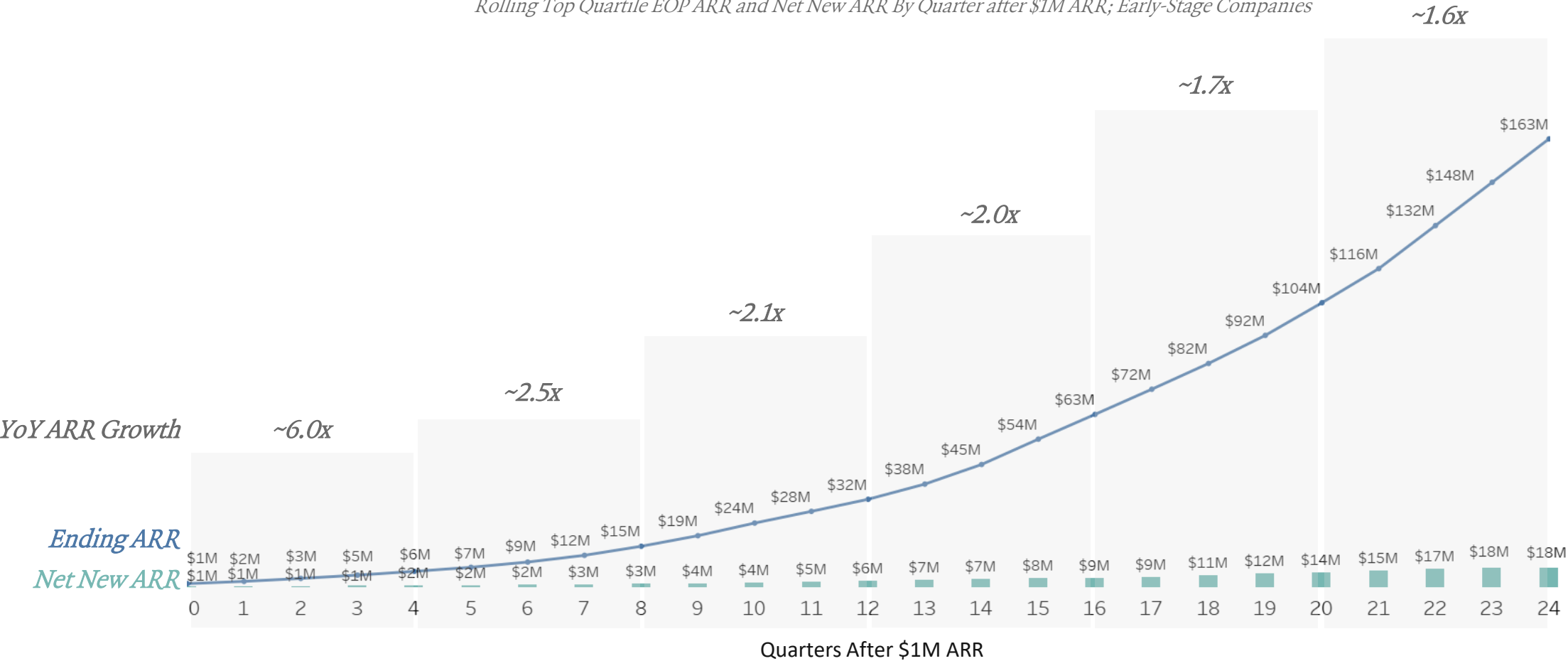


Topline Health | ARR Growth since \$1M

On average, early-stage SaaS companies with top performance in ARR growth achieve 6.0x YoY ARR growth within the first year after reaching \$1M ARR, and typically scale to \$100M ARR in less than five years

Top Quartile ARR Growth from \$1M¹

Rolling Top Quartile EOP ARR and Net New ARR By Quarter after \$1M ARR; Early-Stage Companies

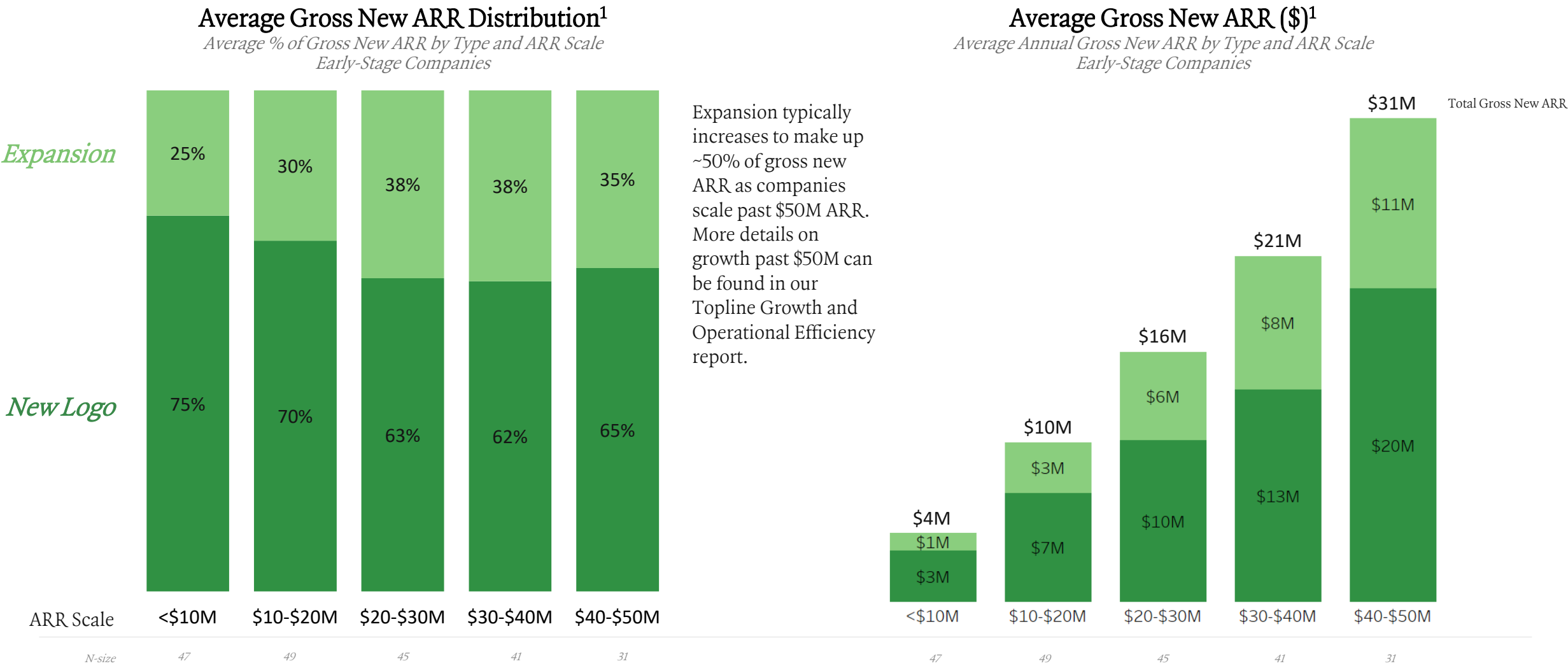


N-size 16 22 24 29 30 34 35 36 39 41 39 41 41 42 42 43 47 46 43 43 43 42 42 42 41

¹ Quarterly operating and financial data from the early-stage companies included

Topline Health | Drivers of ARR Growth by Scale

New logos are the primary driver of ARR growth for early-stage SaaS companies, accounting for ~65-75% of total growth until \$50M ARR

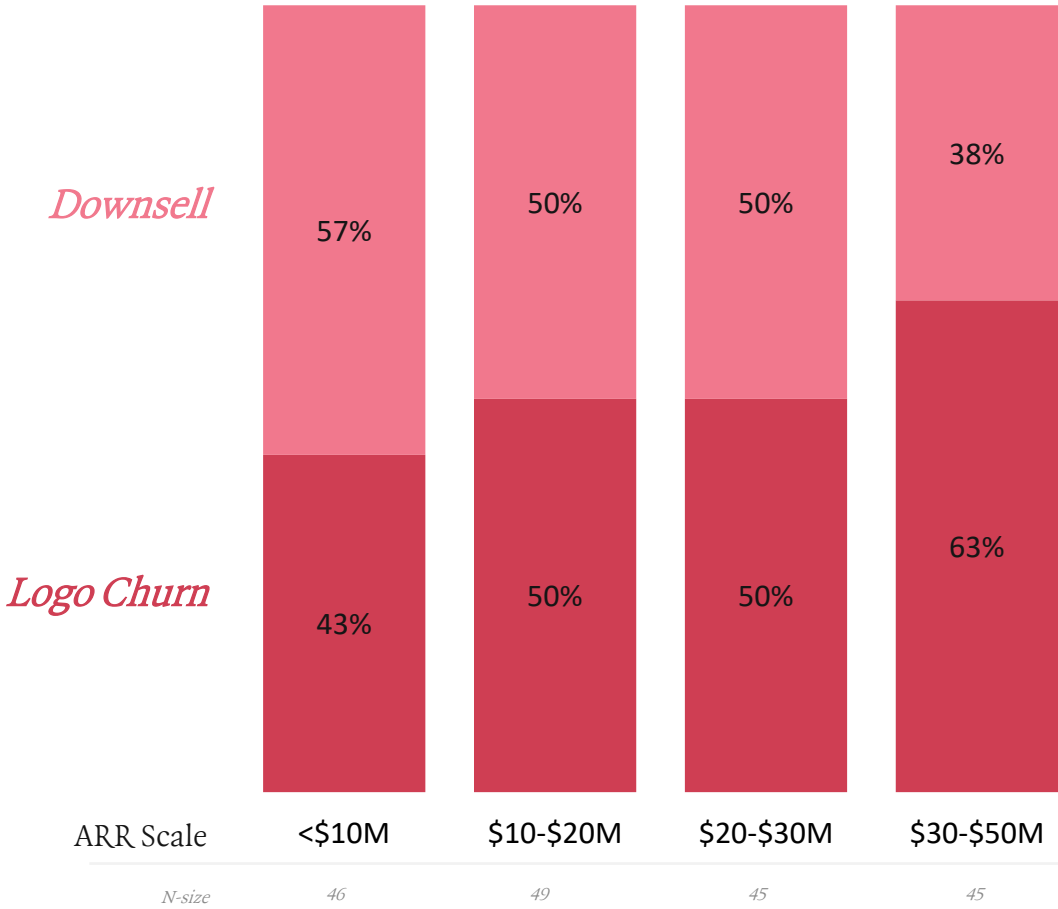


¹ Quarterly operating and financial data from the early-stage companies included

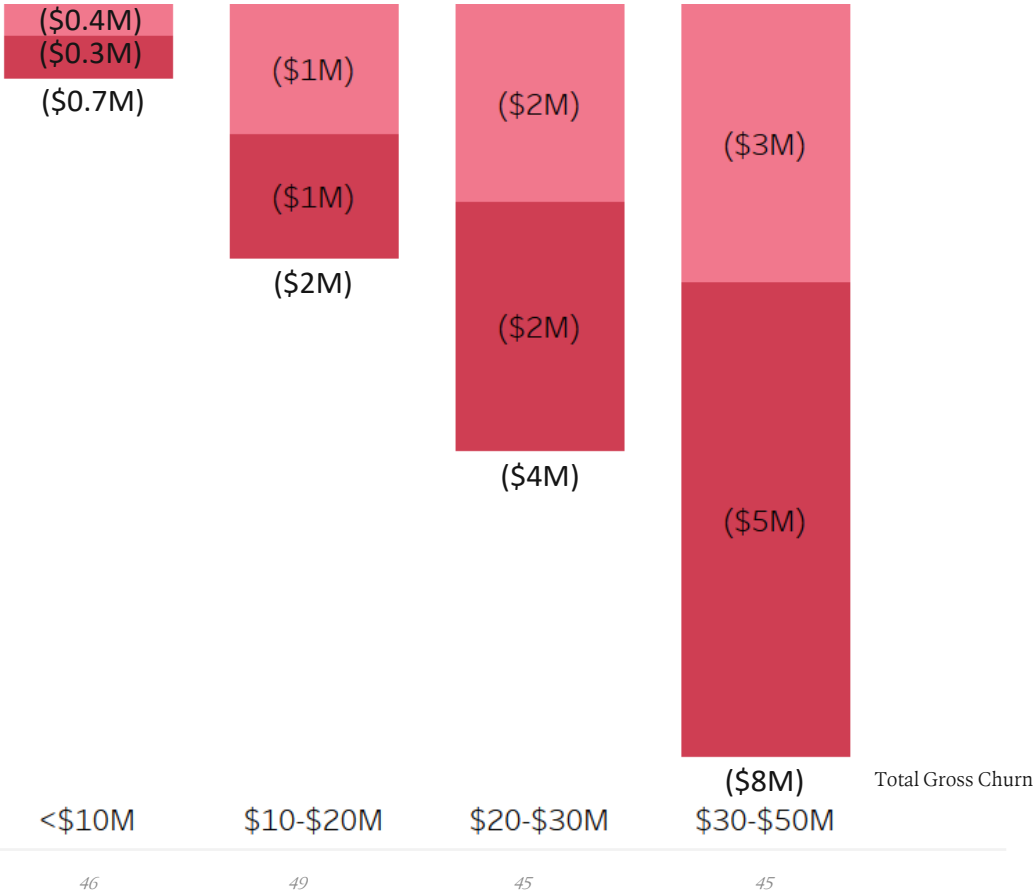
Topline Health | Drivers of Churn by Scale

In the early stages of growth, churn is primarily driven by downsell; however, logo churn generally becomes the primary driver of gross churn once SaaS companies reach ~\$30M ARR

Average Gross Churn Distribution¹
Average % of Gross Churn by Type and ARR Scale
Early-Stage Companies



Average Annualized Gross Churn¹
Average Annual Gross Churn by Type and ARR Scale
Early-Stage Companies



¹ Quarterly operating and financial data from the early-stage companies included

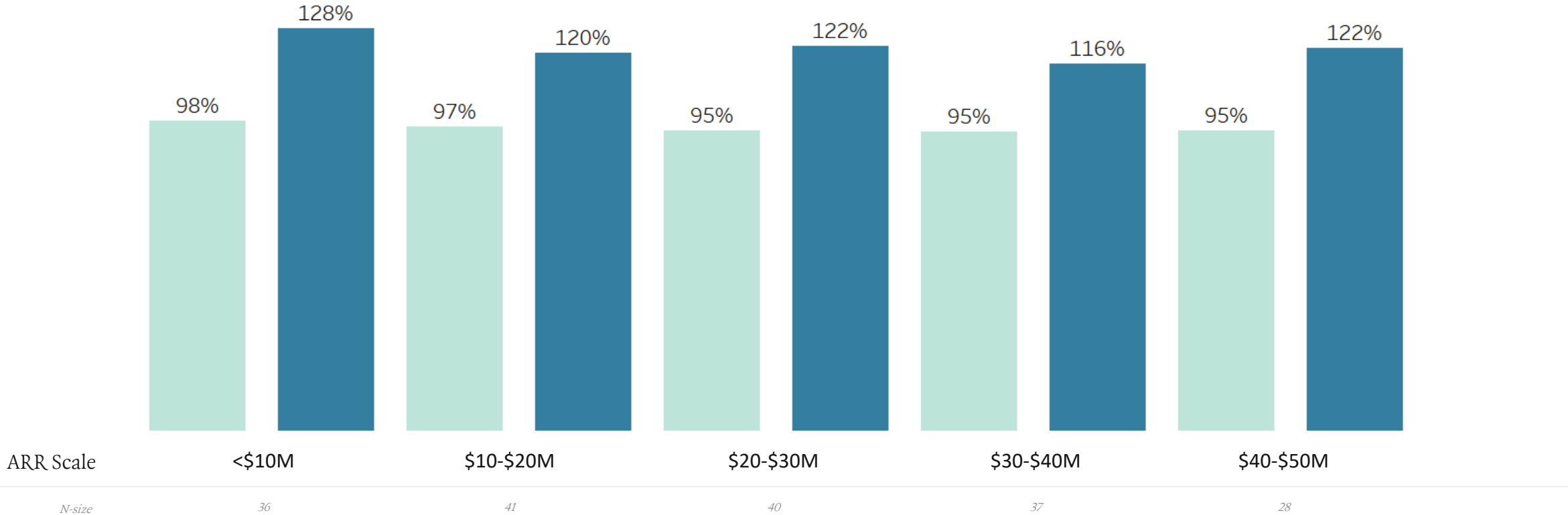
Topline Health | ARR Retention

Top quartile early-stage SaaS companies are able to consistently achieve 120-130% net dollar retention and ~95%+ gross dollar retention

Gross Dollar Retention
Net Dollar Retention

Top Quartile ARR Retention¹

Top Quartile Annualized Net and Gross ARR Retention by ARR Scale; Early-Stage Companies



¹ Quarterly operating and financial data from the early-stage companies included

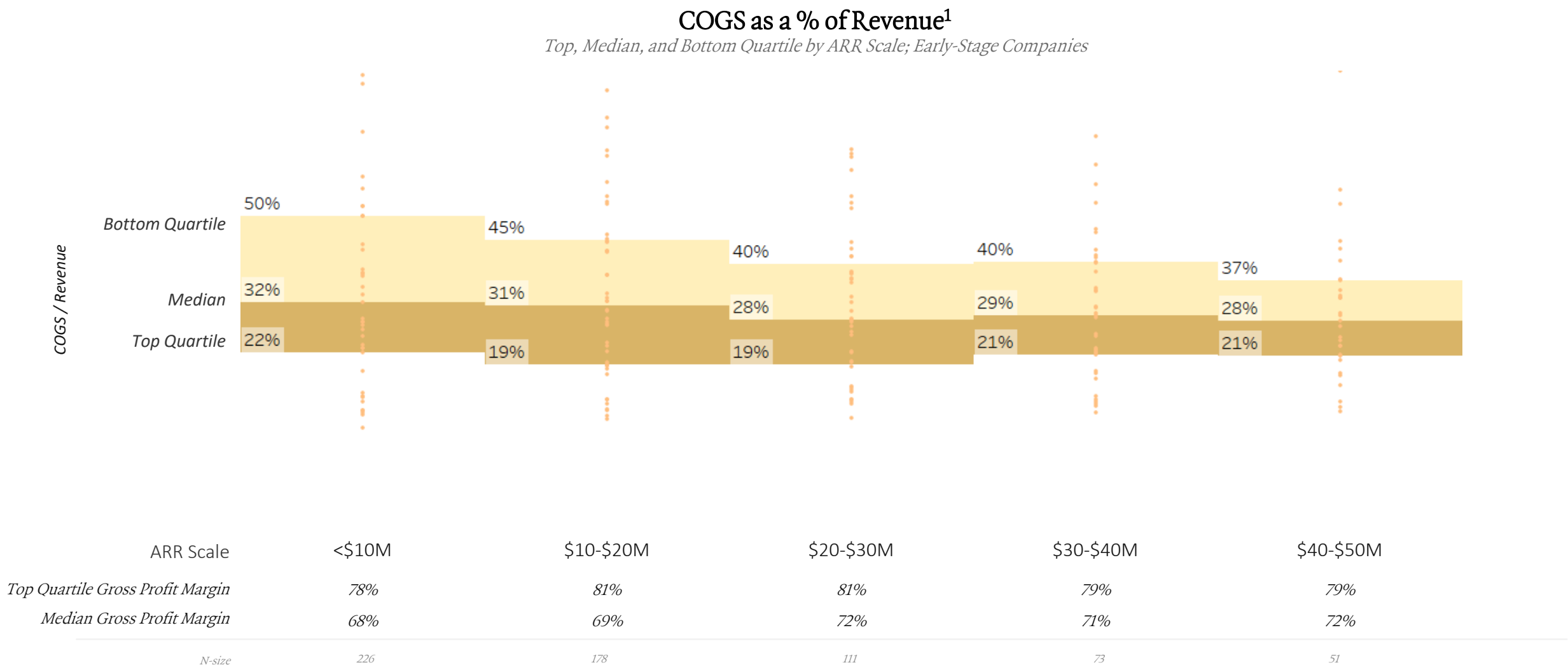
Efficiency



Unit Economics

COGS as a % of Revenue by Scale

Early-stage SaaS companies typically have ~70%+ gross margins and are able to reduce per-unit costs to improve margins as they scale



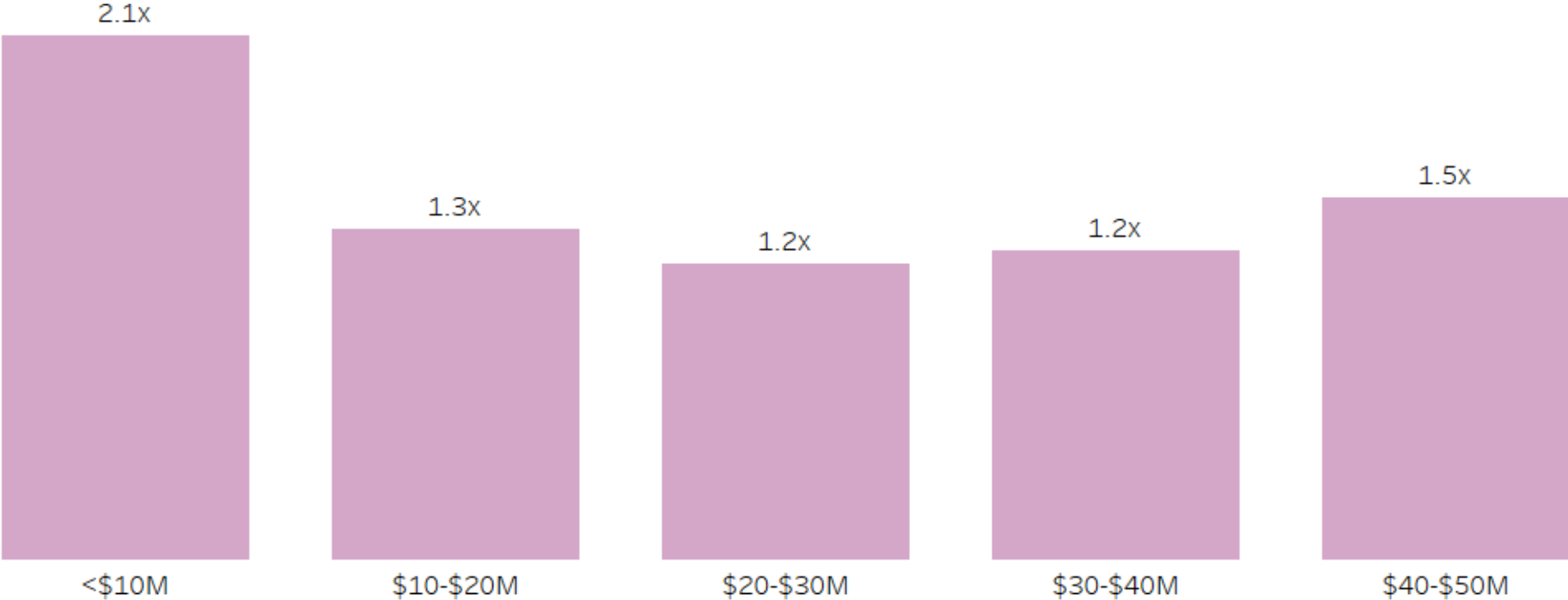
¹ Quarterly operating and financial data from the early-stage companies included

Unit Economics | Magic Number

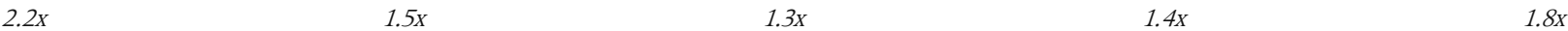
Early-stage SaaS companies often have efficient sales motions without requiring significant S&M investment if companies have identified strong product-market fit; top-quartile early-stage SaaS companies are able to achieve 1.2x+ net magic number until \$50M ARR

Top Quartile Net Magic Number¹
Net New ARR / Prior Quarter S&M OpEx² by ARR Scale; Early-Stage Companies

Net Magic Number



Gross Magic Number
Gross new ARR / prior quarter S&M OpEx²



N-size 36 41 40 37 28

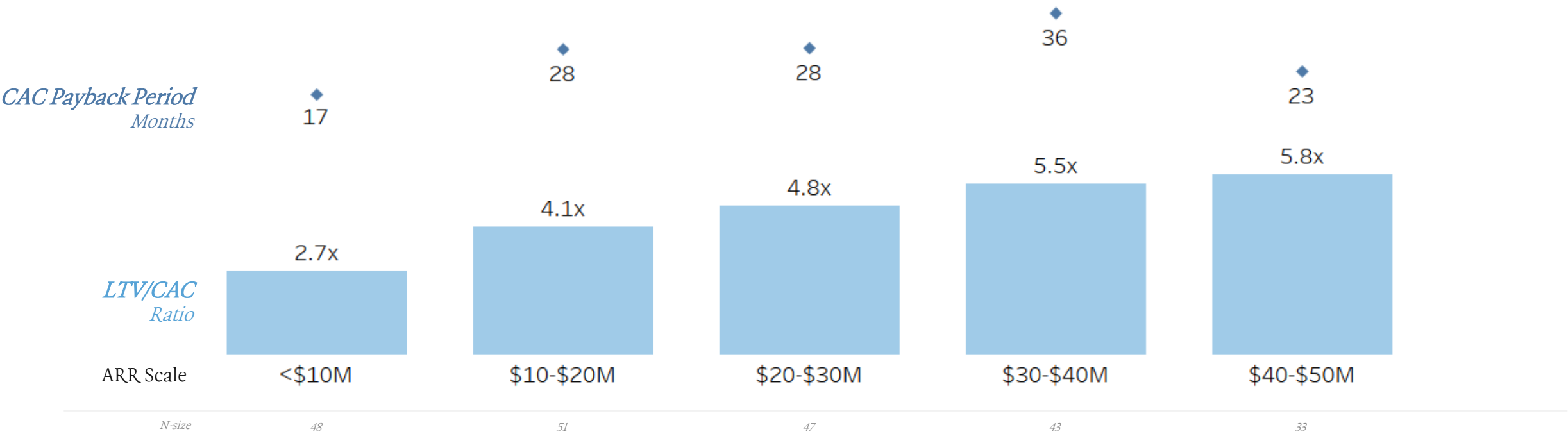
¹ Quarterly operating and financial data from the early-stage companies included
² Quarter of S&M OpEx utilized in magic number calculations should depend on a given company's sales cycle

Unit Economics | LTV / CAC by Scale

LTV/CAC (another ratio of sales efficiency and unit economics) also generally increases as SaaS companies scale in the early stages of hypergrowth and refine their ideal customer personas, with companies typically seeing a median CAC payback period of ~20-30 months

Median LTV/CAC and CAC Payback Period^{1,2}
By ARR Scale; Early-Stage Companies

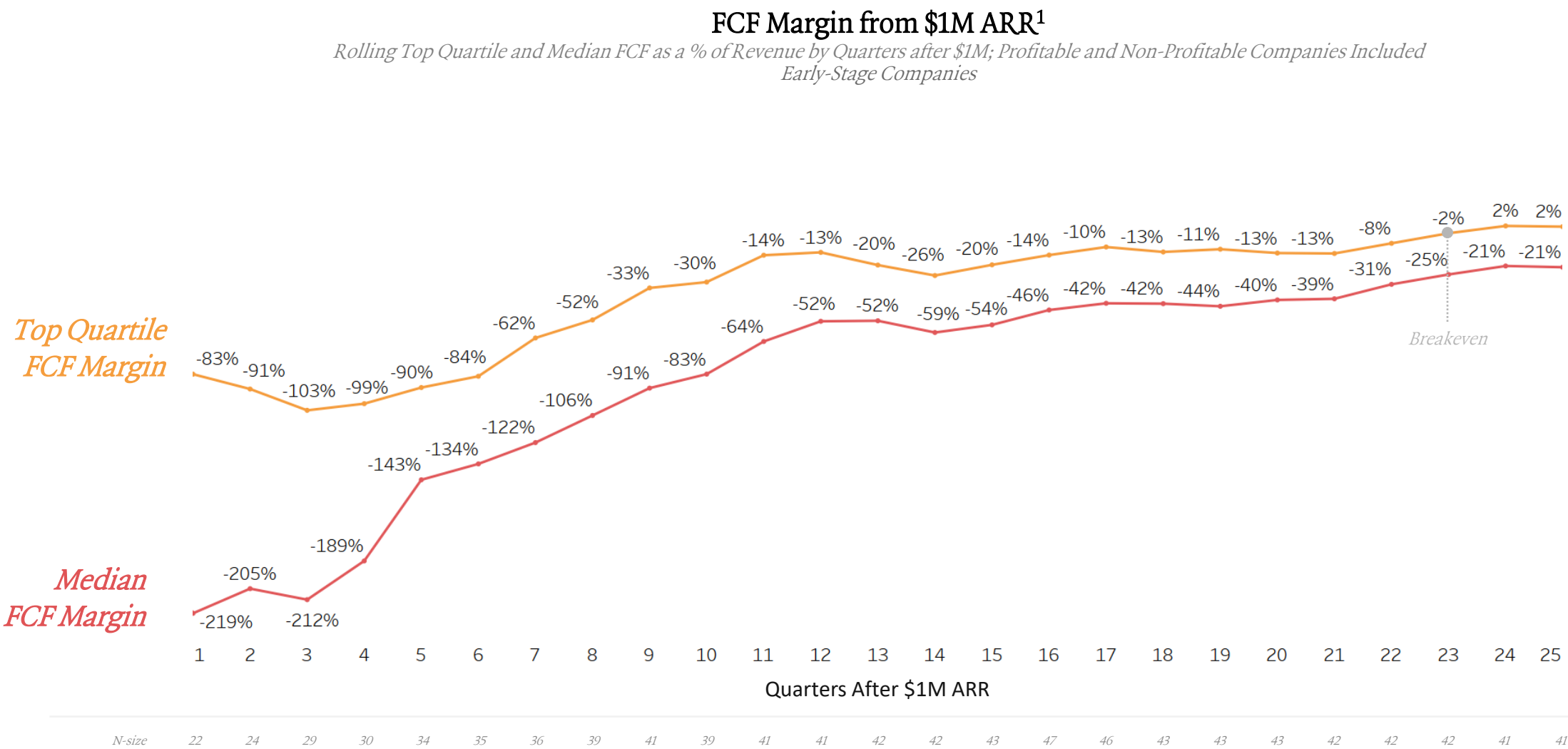
LTV / CAC typically increases as SaaS companies identify product-market fit, build / enhance products, and refine their ideal customer profile.



¹ Quarterly operating and financial data from the early-stage companies included
² LTV = Customer Lifetime Value; CAC = Customer Acquisition Cost; CAC Payback Period = CAC / (New MRR x Gross Margin)

Efficiency | FCF Margins

Top quartile SaaS companies achieve profitability ~6 years after reaching \$1M ARR

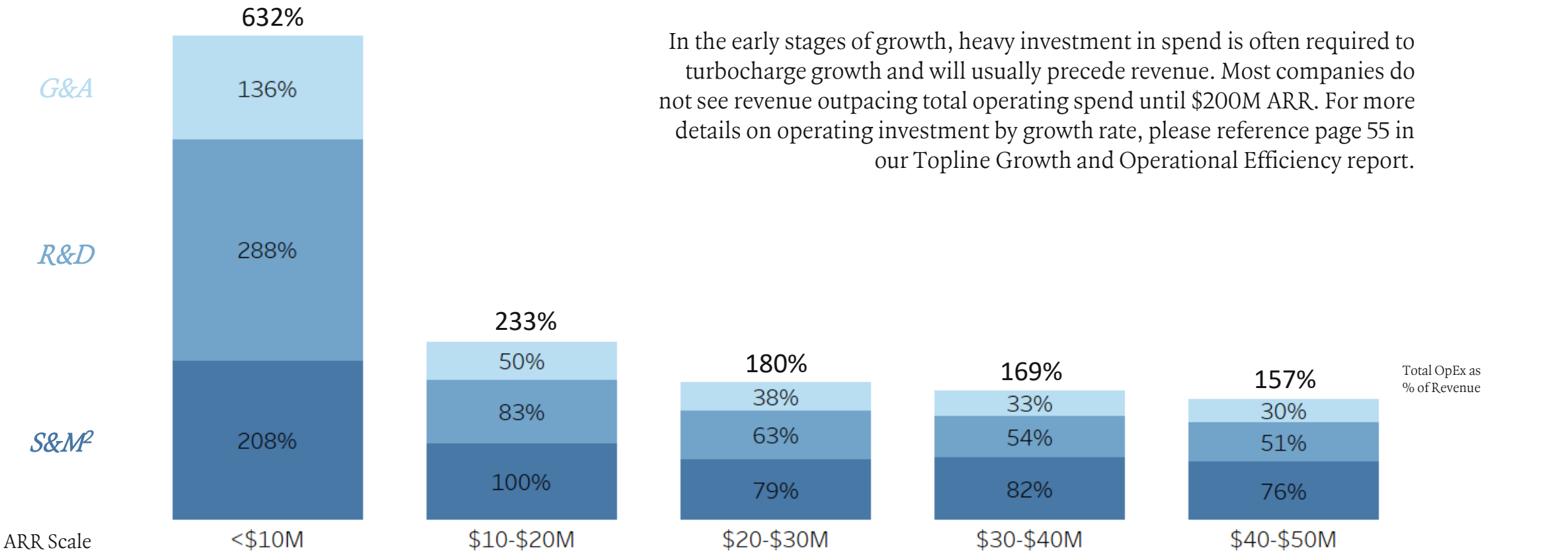


¹ Quarterly operating and financial data from the early-stage companies included

Cost Allocation | OpEx as a % of Revenue by Scale

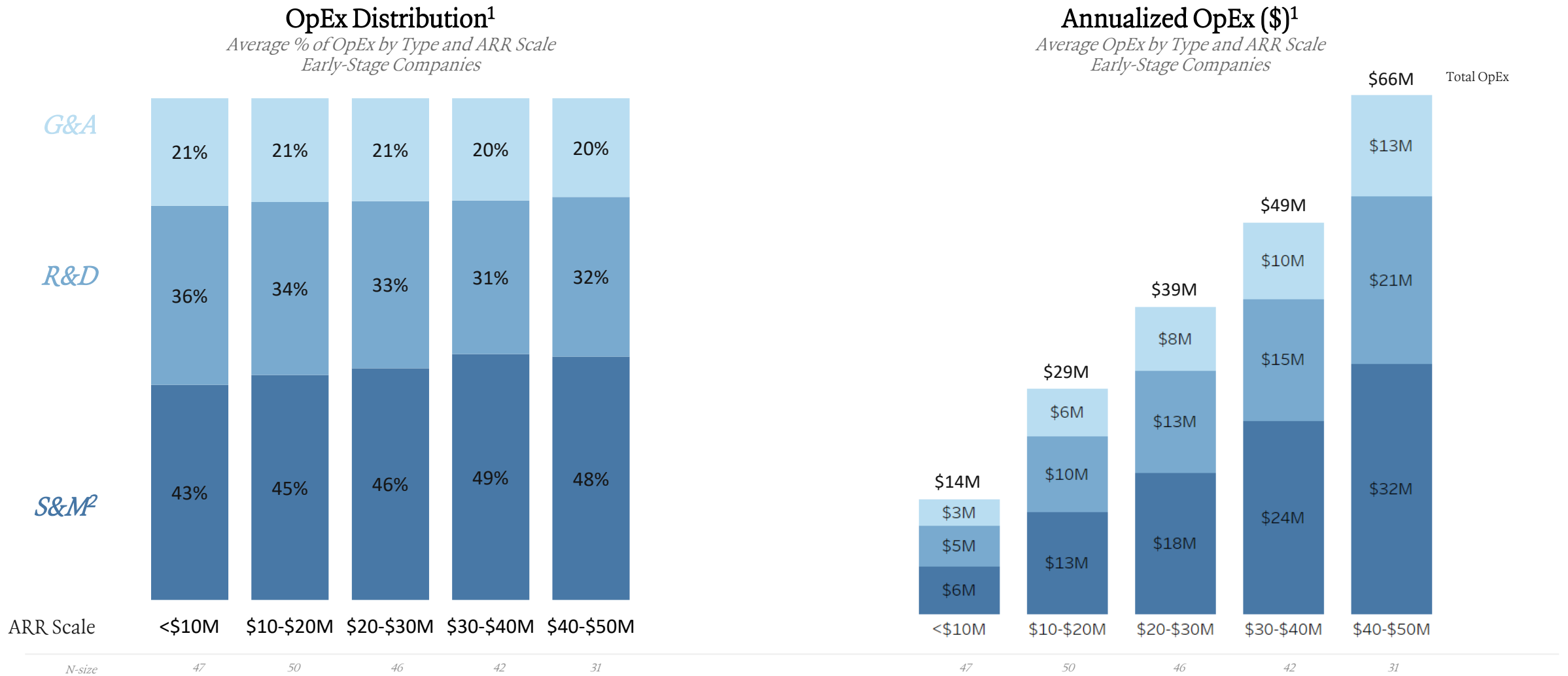
As SaaS companies scale, OpEx as a % of revenue generally starts to decrease rapidly; however, it typically remains above 150% until companies reach \$50M in ARR

OpEx as a % of Revenue by Type¹
Average by Type and ARR Scale; Early-Stage Companies



Cost Allocation | OpEx Distribution by Scale

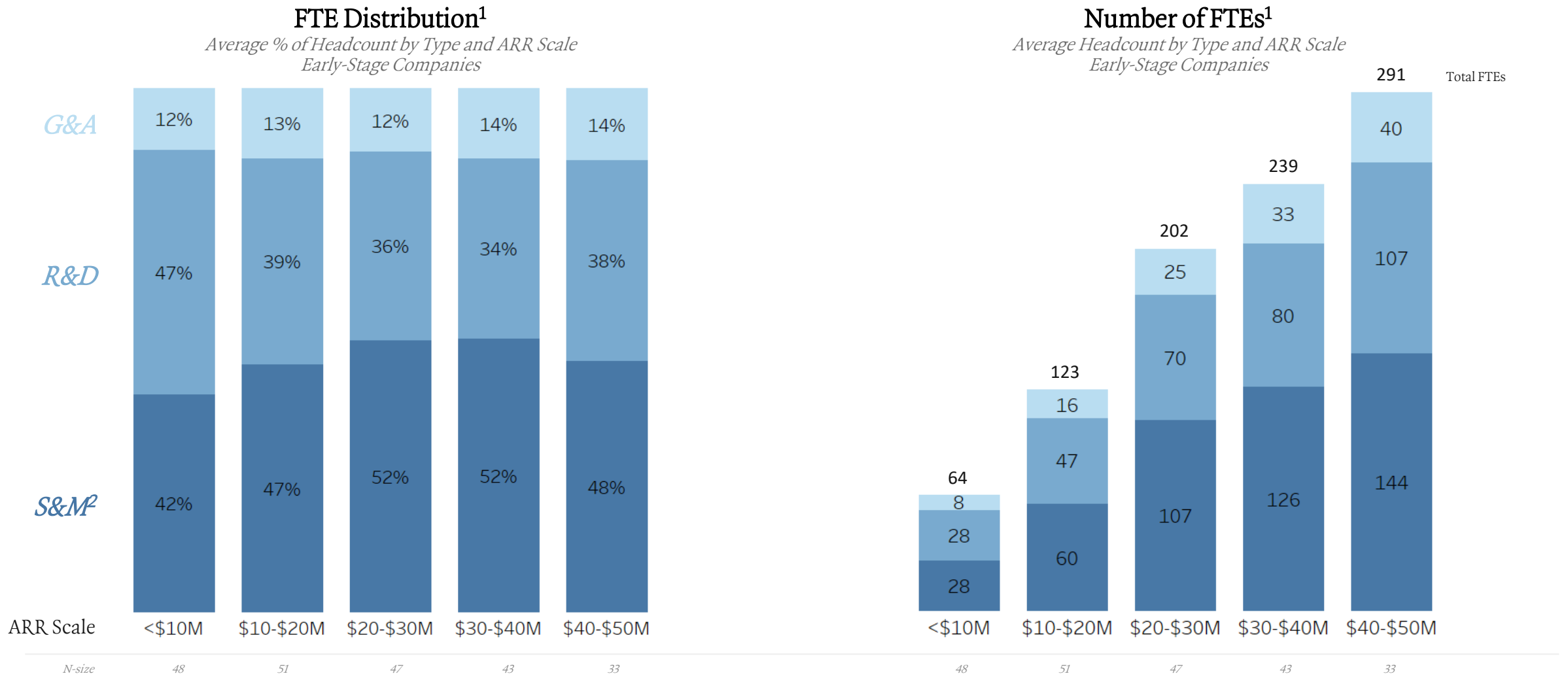
Sales & marketing spend increases to comprise ~50% of total spend as early-stage SaaS companies scale and invest in go-to-market to drive revenue growth



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

Cost Allocation | Headcount Distribution

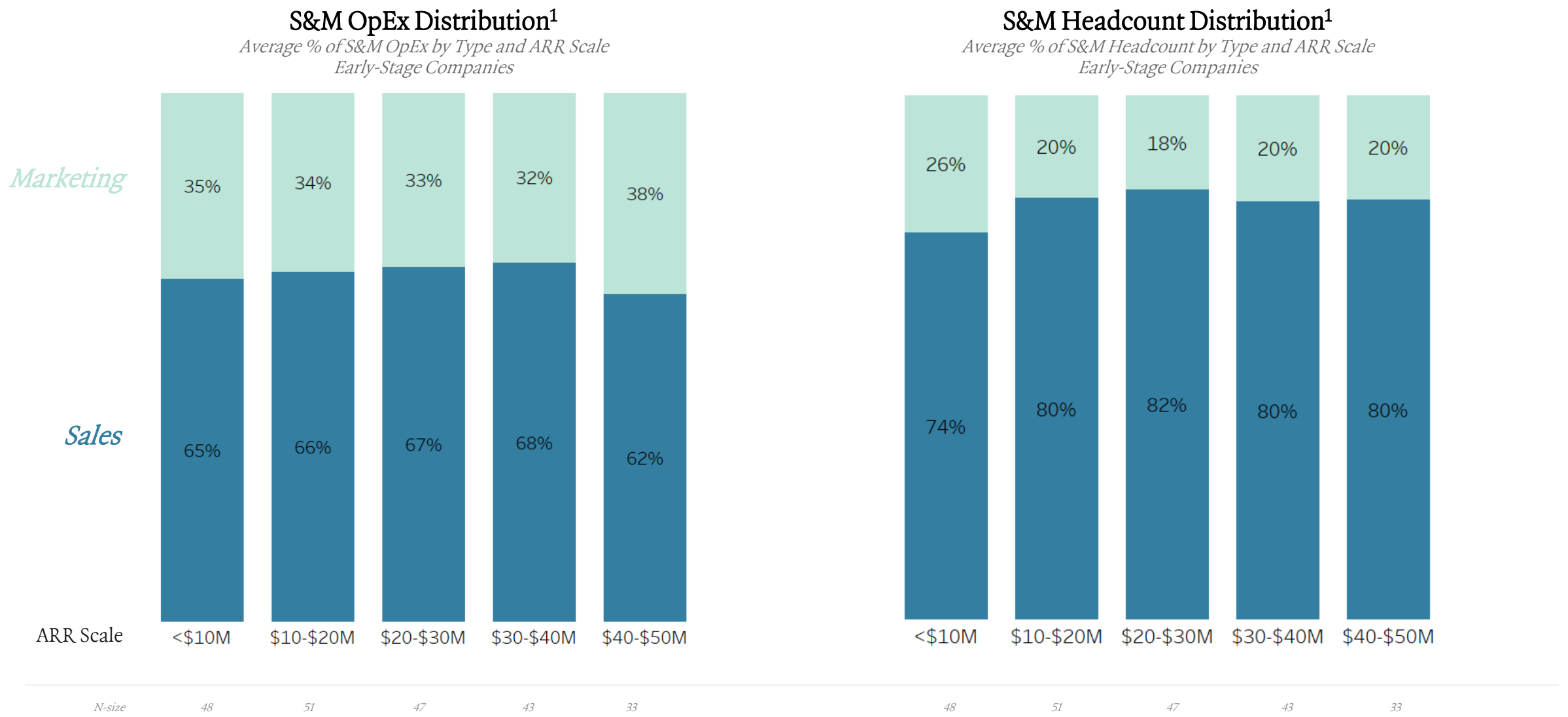
Similarly, sales & marketing headcount evolves to comprise ~50% of total headcount for SaaS companies by the time they reach ~\$20M ARR



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

Cost Allocation | GTM Spend

Within sales and marketing, sales typically comprises ~65% of total GTM spend and ~80% of total GTM headcount for early-stage SaaS companies



¹ Quarterly operating and financial data from the early-stage 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

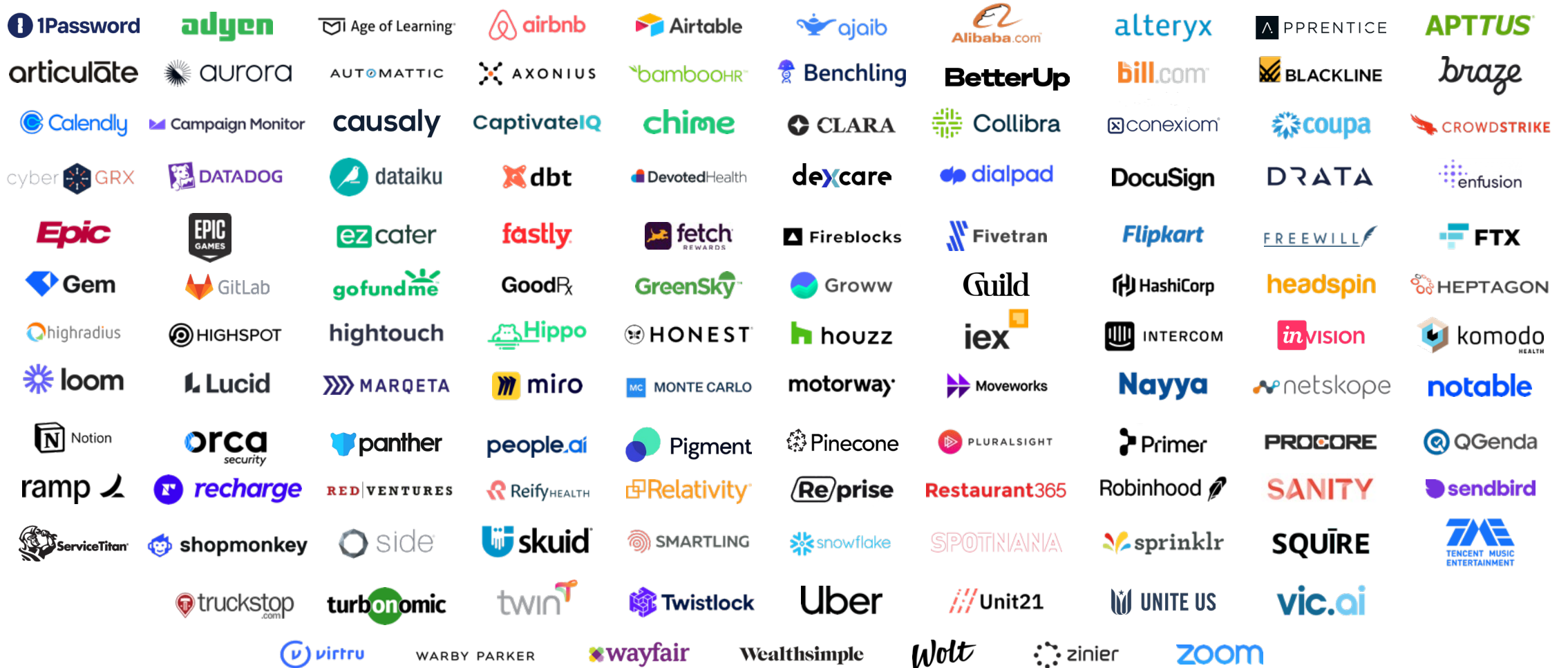
2023 Report & Scorecard Overviews

The New Era of Efficient Growth

The Enterprise Five

The Resiliency Rubric

A global portfolio of category-defining businesses



These companies represent the full list of companies that ICONIQ Growth has invested in since inception through ICONIQ Strategic Partners funds as of the date these materials were published (except those subject to confidentiality obligations). Trademarks are the property of their respective owners. None of the companies illustrated have endorsed or recommended the services of ICONIQ.

Technology matters. Strategy matters.

People matter most.



ICONIQ | Growth

SAN FRANCISCO | PALO ALTO | NEW YORK | LONDON