

Achieving Top Quartile

Performance Benchmarking for continuous improvement



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My Story

Once upon a time...

And every day...

Until **one day** (obstacle)...

And **because of that** (fail)...

And **because of that** (overcame)...

Until **finally** (victory!)...

And **ever since** (happily ever after)

OPEXEngine is the **leading SaaS benchmark database**, providing high quality financial and operational benchmarks for **software companies**

Broad breadth and depth of benchmarks

>1,000 software and SaaS customers ranging from \$1M-\$1B

~350 metrics with coverage across Unit Economics, Sales, Marketing, R&D, G&A, Customer Success, etc.

>150,000 data points

Comparison with relevant peer set

Compare with peer set relevant to your firm for **apples-to-apples comparison**

Focused on SaaS and hybrid software firms

OPEXEngine database is **85% SaaS** and **~15% hybrid firms**

15 Years Experience backed by Bain & Company

70% of SaaS IPOs have benchmarked with OPEXEngine over the course of their growth

Rigorous data quality and security

Data collected directly from companies' FP&A and **validated** by OPEXEngine financial consultants

The background of the slide is an aerial night view of a city skyline, likely Dubai, with numerous skyscrapers illuminated. Overlaid on this is a complex network of glowing digital lines in shades of blue, purple, and orange, representing data connections and network infrastructure. The text is centered in the upper half of the image.

The rules have changed for **SaaS companies**

The top performers know what investors want

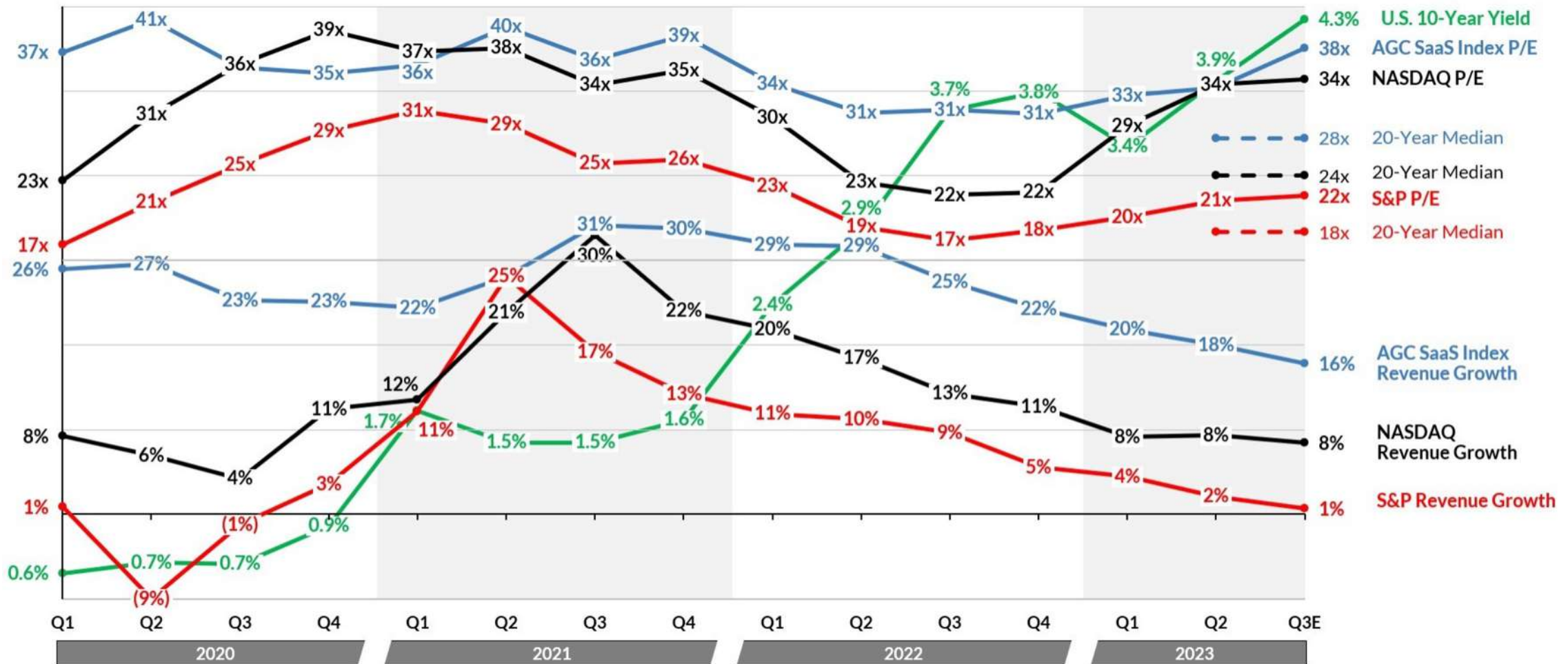
**Growth at
all costs**



**Profitable
growth**

U.S. Companies' Growth Rates Continue to Decline as Public P/E Multiples Rise

AGC SaaS Index Rule of 40 is down to 31%



They are building strong fundamentals

- **Rule of 40**
- **Unit economics**
- **GTM productivity**
- **R&D ROI**

Using benchmarks as a roadmap to efficient growth

- To identify and diagnose root causes of performance issues
- To identify if the way that your company calculates KPIs used by funders/lenders and acquirers is correct
- To prepare for planning and budgeting, board meetings, raising capital, pre-IPO, post-IPO, and exits
- To get the executive team and board on the same page in terms of targets and expectations

Benchmarking builds trust, accountability, creativity and problem solving

Three types of benchmarking

1. Internal benchmarking

- Source – internal systems
- Benchmark your current performance and operations against historical data to see if you are improving, stagnating or deteriorating in some areas

2. Peer benchmarking

- Source – OPEXEngine, investors, banks, free surveys
- Benchmark your current results and plan for upcoming year to set goals based on what peers and competitors are doing

3. Strategic benchmarking

- Source – OPEXEngine, public financials, investment banks
- Benchmarking against **world-class organizations**

Applying benchmarks can be challenging

Mistake

Solution

1

- You only use internal benchmarks or word of mouth/networking

- Look to peer and strategic benchmarks

2

- You compare apples to oranges

- The benchmarks vary based on size of revenue, sales motion, business model, funding, etc.

3

- Your data is not validated

- Free surveys are great for high level performance benchmarks but to diagnose operational problems, rely on validated data from real companies

4

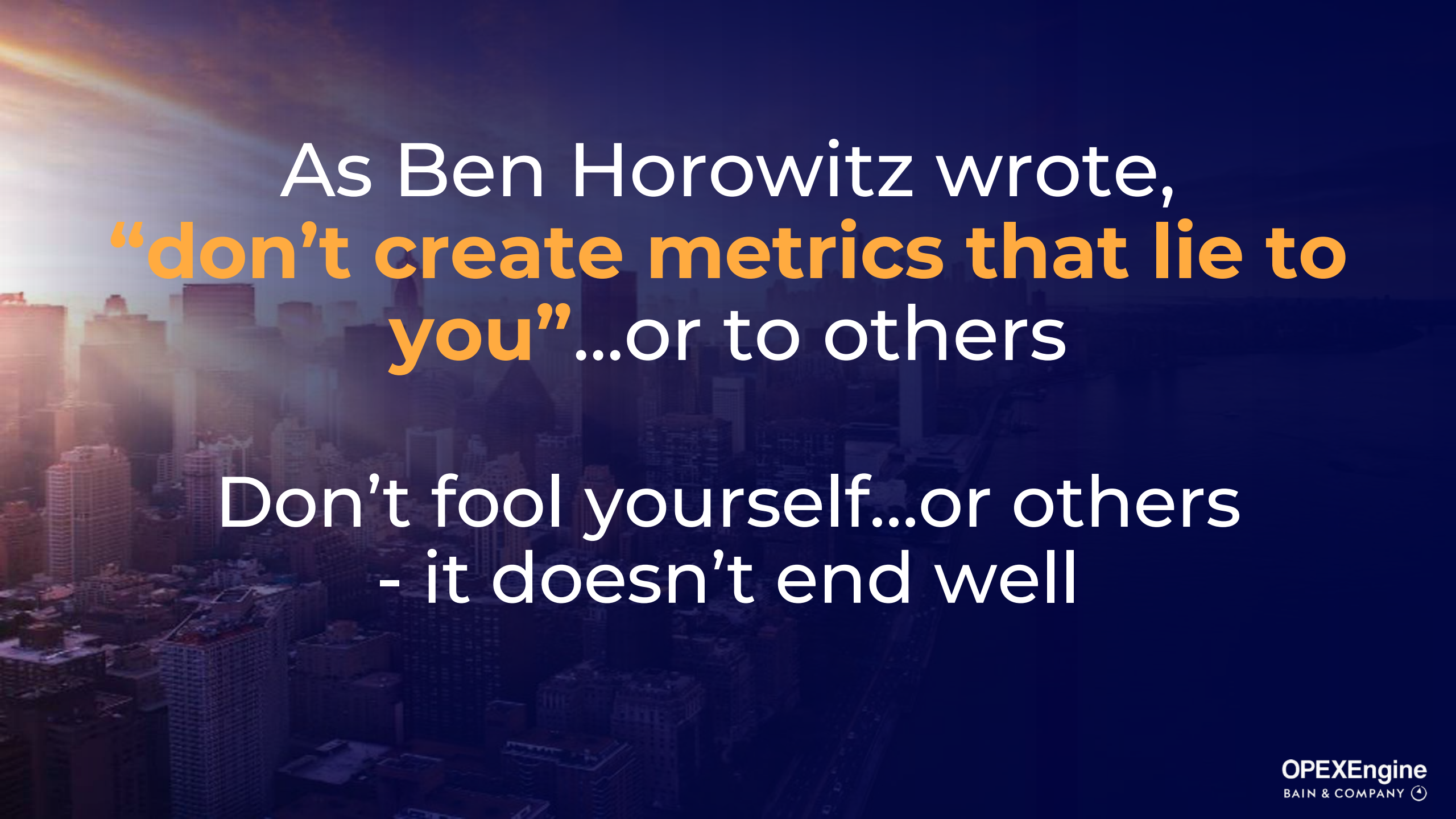
- Your benchmarks are used for vanity

- Don't hide from unflattering metrics - use them as the basis for strategic growth

5

- You don't take action

- Aim for regular benchmarking with regular, incremental improvements, consistency of reporting and planning



As Ben Horowitz wrote,
**“don’t create metrics that lie to
you”**...or to others

Don’t fool yourself...or others
- it doesn’t end well

Most frequent SaaS Benchmarking use cases going into 2024

Margin Expansion



- How do we get to cash flow positive?
- How much would it cost to bring S&M or G&A spend in line with that of peers?
- Is our average spend per person in line with peers?
- How much is it costing to maintain a best-in-class customer support function?

Growth Efficiency



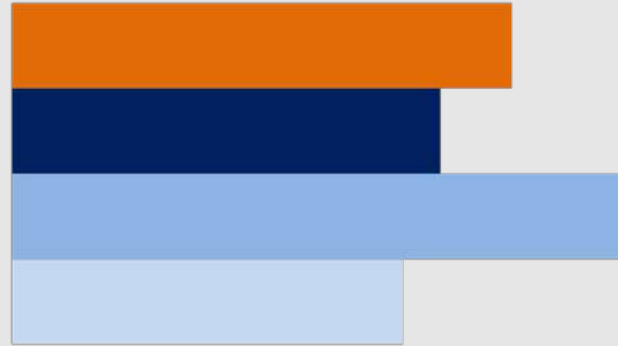
- What is the value at stake?
- How does the company's sales productivity compare to peers and market leaders?
- Is the company under-investing in its sales organization relative to its peers?
- How much is the company losing per year due to lagging customer retention numbers?

Rule of 40+

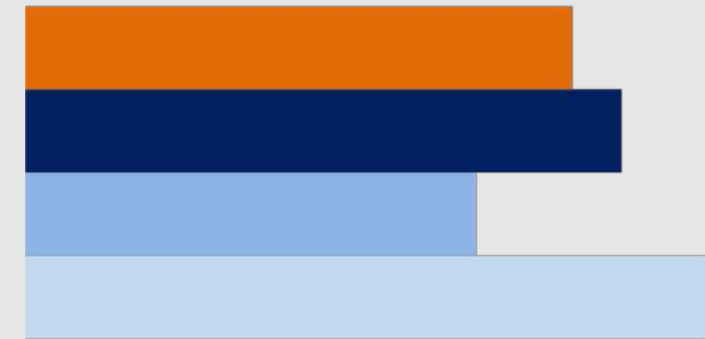
Rule of 40 is a combination of growth rate and profitability. The measurement is used by investors to assess a company's health and viability. While early-stage companies typically are not expected to achieve 40, growth stage and larger SaaS companies are increasingly being held to this standard.

Greater than 20% revenue growth in the Rule of 40 equation is a more highly valued result than companies with slower growth, but higher EBITDA.

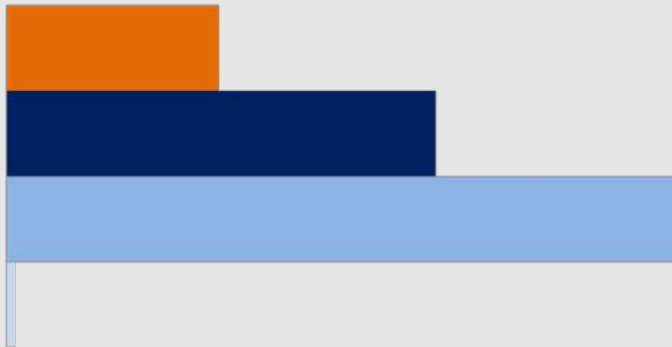
Growth Rate



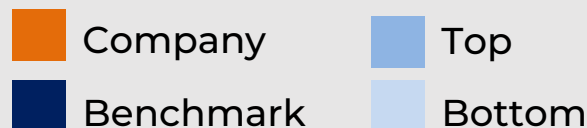
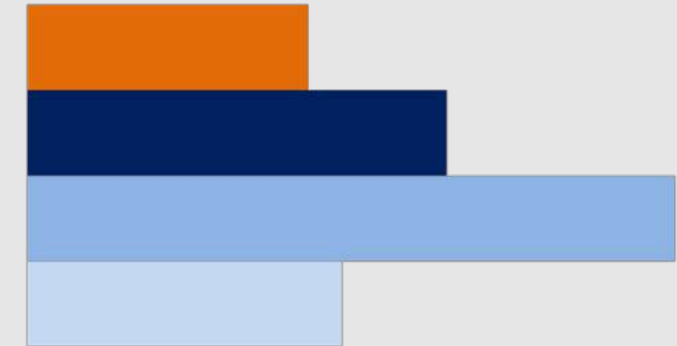
EBITDA



Rule of 40



Gross Margin



Margin Improvement / Cost Management

80% of average SaaS company spend is on **headcount.**

High growth companies spend less on headcount and more on automation, systems and training.

Use of AI productivity tools will increase the spread.

	\$25M-\$50M SaaS Growth 100-150%	\$25M-\$50M SaaS Growth 20-25%
S&M Comp and Benefits as a % of S&M total expense	76%	85%
R&D Comp and Benefits as a % of total R&D spend	78%	89%

GTM Efficiency Improvement

A recent Bain report cited a SaaS client's **\$40M margin improvement** in 6 months using OPEXEngine benchmarks to diagnose marketing performance against higher performance benchmarks from peers.

Magic Number (Sales and Marketing Efficiency)

+

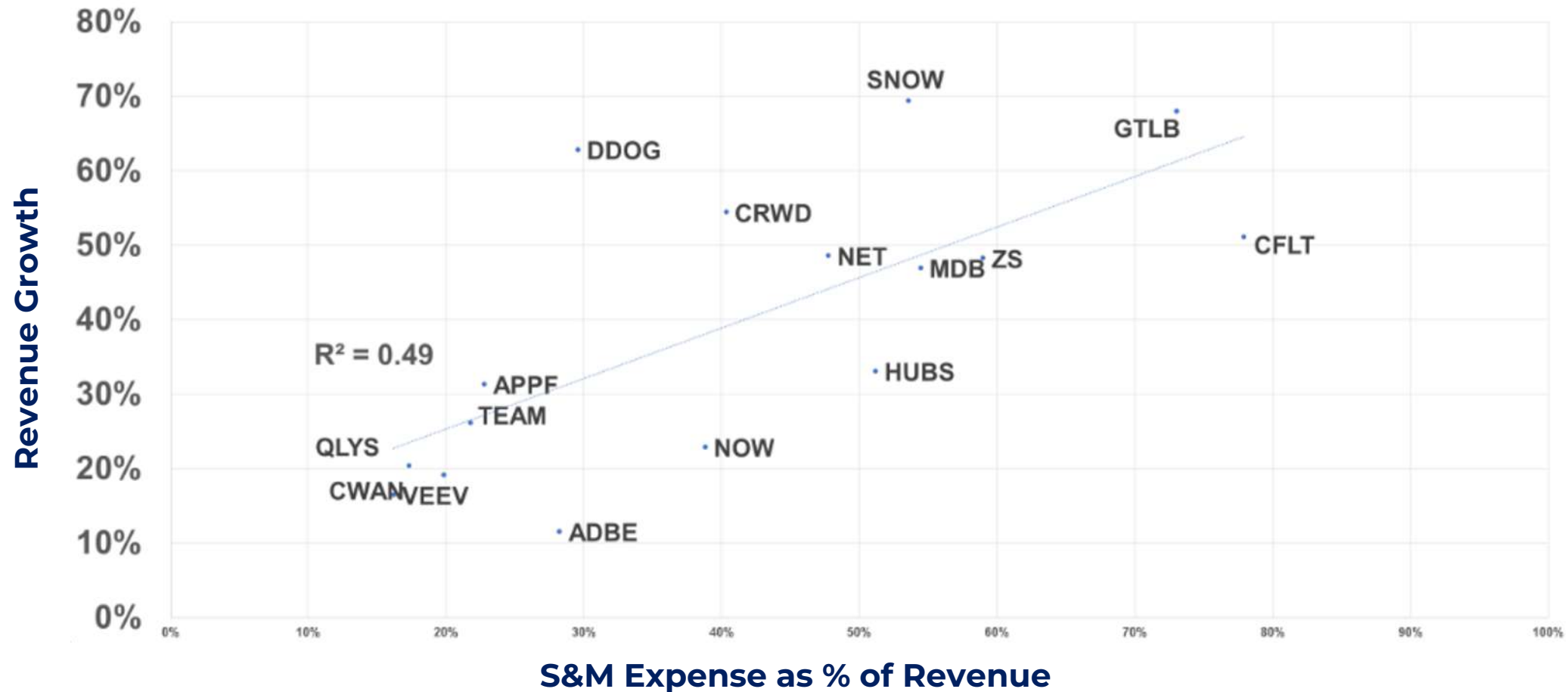
R&D ROI (R&D Efficiency)

=

GTM Efficiency

The most highly valued Cloud companies have a Magic Number between 0.5 and 1.3 – and S&M expense is strongly correlated with revenue growth

Revenue Growth to S&M Expense
Top quartile mostly highly valued public SaaS, Sep. 28, 2023



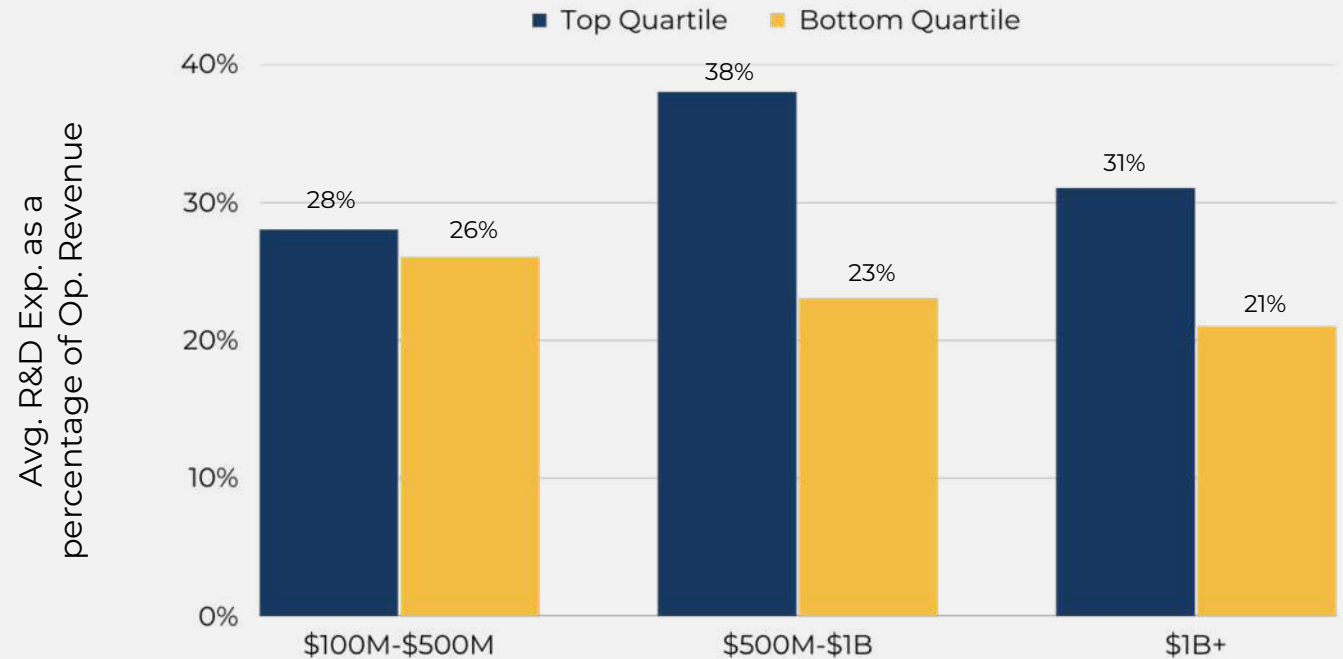
Magic Number Drivers - Getting the Cohort Right

KPIs	\$50M-\$100M SaaS	\$50M-\$100M SaaS
	Enterprise sales / ACV \$100k	Enterprise sales / ACV \$100k
	15 - 25% growth	75-100% growth
Sales		
Sales Productivity/ARR per AE	\$1.3M	\$876k
Average Comp per Sales FTE	\$236k	\$189k
BDR/AE ratio	1 to 3	1 to 2
CAC	\$186,345	\$117,361
Marketing		
Magic Number	0.34	0.71
MQL/Closed deal	97.5	36.5
Average Marketing Comp per Marketing FTE	\$185k	\$132k
Customer Success		
Net Revenue Retention Rate	109%	122%
Customer Retention	91%	85%
Average Comp per CS FTE	\$125k	\$151k

SaaS depends on product investment and innovation

In 2023, we are seeing product investment of larger SaaS companies going up, not down as the big players focus on maintaining market dominance, and acquiring best of breed smaller companies struggling in the current market

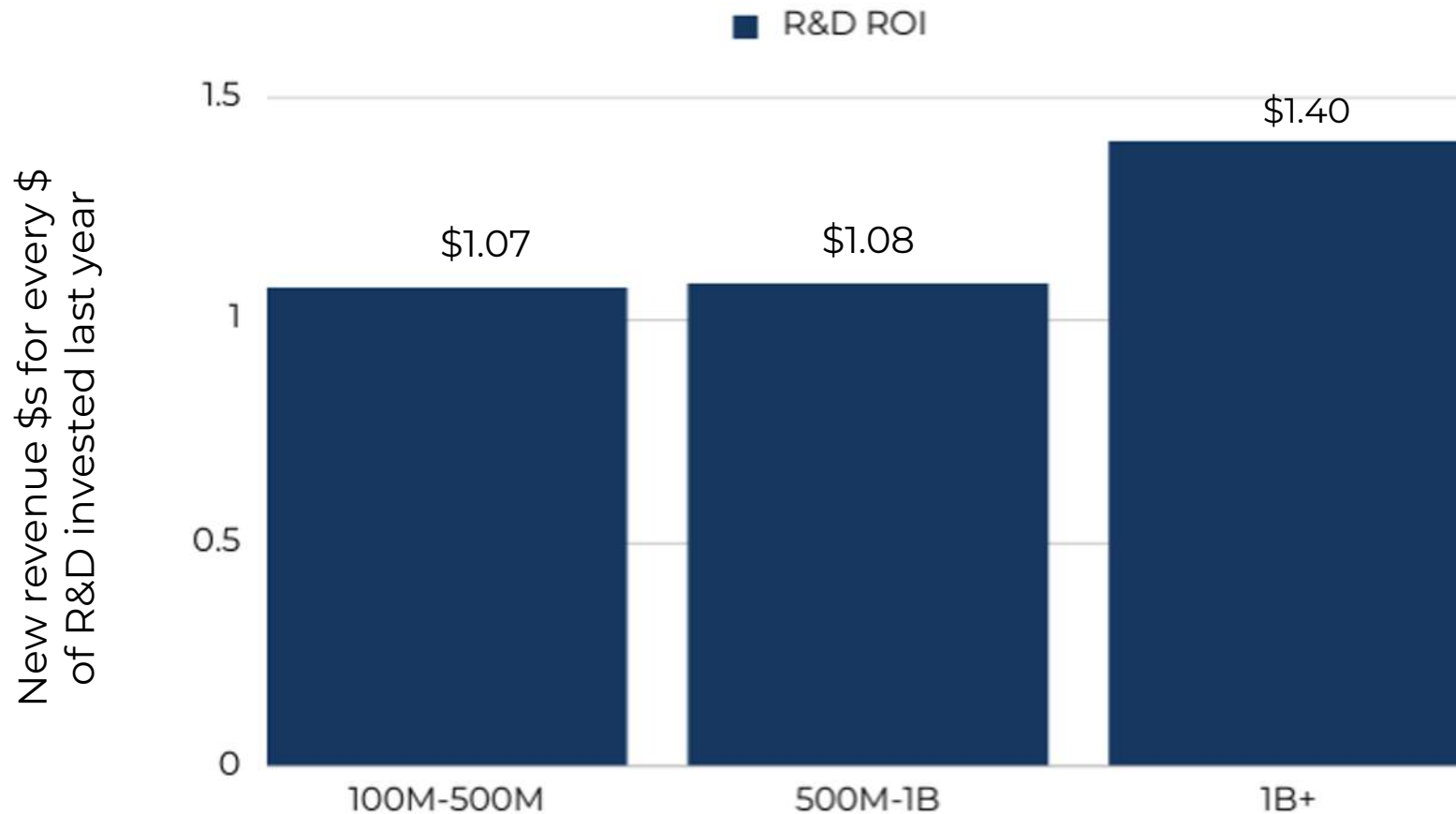
R&D Expense by Top and Bottom Quartile of (Current) Market Cap to Revenue Multiple



Source: OPEXEngine 2022

But are getting more growth from every R&D dollar invested

New revenue \$s for every \$ of **R&D** invested last year



The devil's in the details

Net Dollar Retention Discussion

Scenario

A customer is on an annual billing schedule (signed 1/1), they sign for a software module that costs \$12,000 annually on 6/30 (half way through the year) and the module is co-termed for the renewal (1/1 of following year) and is billed for the prorated amount of \$6k but will renew for \$12,000.

ARR Recognition Method #1

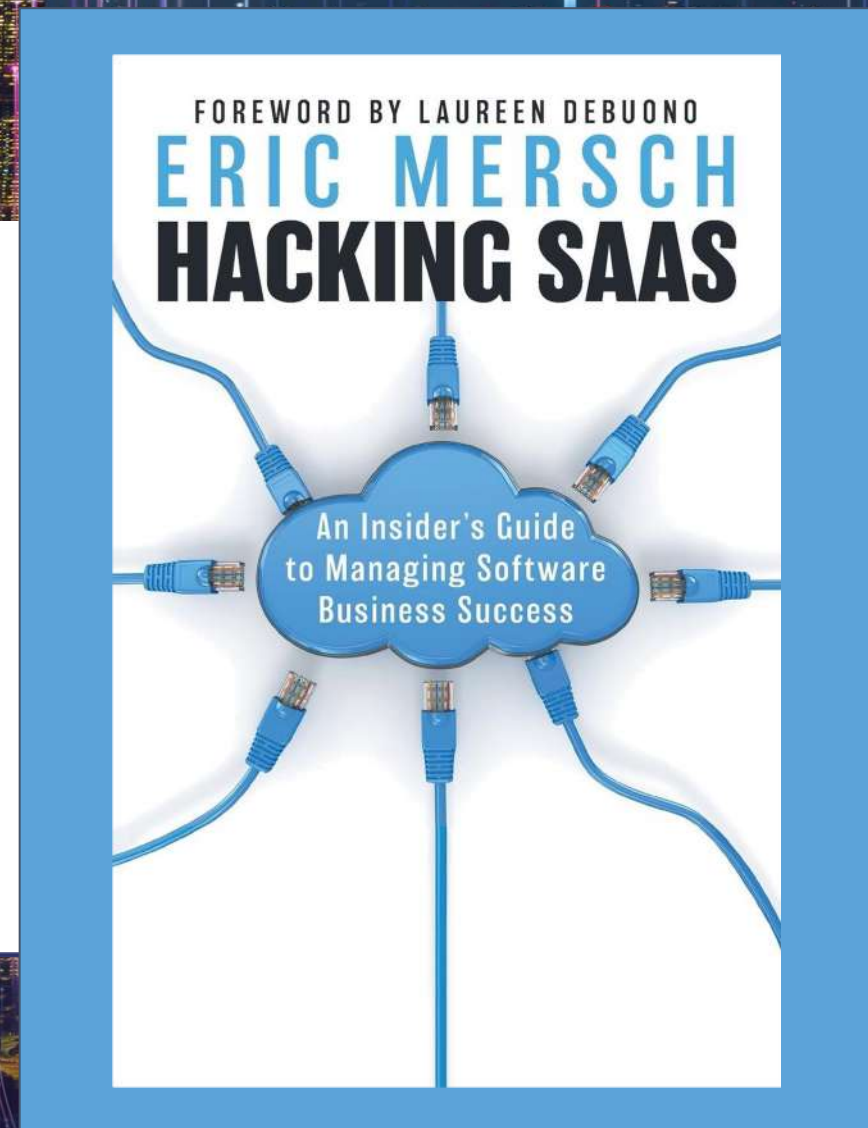
The ARR on the expansion module is taken for the annualized amount of \$12,000 on 6/30. This makes the pro-rated co-termining and the cash received irrelevant.

ARR Recognition Method #2

The ARR on the expansion module is recognized as \$6k on 6/30 (pro-rated for cash received in that contract year) and on the renewal date (1/1) the incremental \$6k of ARR is recognized so the ongoing ARR on 1/1 will then reach the \$12k. This would show an expansion (thus impacting net retention) of \$6k 6 months after the original expansion was signed.

Highly Recommended

Hacking SaaS: An Insider's Guide to Managing Software Business Success by Eric Mersch



Transparency gets results

By deploying **transparent benchmarking** with OPEXEngine, SaaS companies have achieved game-changing improvements in profitable growth.

	Revenue per employee	EBITDA per employee	Magic Number	R&D ROI
Companies with annual revenue \$10M–\$100M	Average improvement +31%	Average improvement +51%	Average improvement +1%	Average improvement +32%
	Top quartile improvement +45%	Top quartile improvement +101%	Top quartile improvement +1%	Top quartile improvement +67%
Companies with annual revenue \$100M–\$1BN	Average improvement +37%	Average improvement +44%	Average improvement +52%	Average improvement +10%
	Top quartile improvement +44%	Top quartile improvement +88%	Top quartile improvement +153%	Top quartile improvement +27%

Results with OPEXEngine benchmarking *through July 2023*

DISCUSSION

What's on your 2024 performance scorecard?



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“Low-quality data is easy to find, but you get low-quality comparisons. High-quality data – like OPEXEngine – is rare and worth paying for. OPEXEngine is a critical tool for our management team.”

Jim Leejal, CFO

Rally Software, SPHERO, Splunk/VictorOps, Absolute Software



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“I cannot do
my job without
OPEXEngine.”

Eric Mersch, Equity Partner
FLG Partners

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