



# B2B SaaS Benchmarks Report 2023



# Introduction



Jurassic Capital tracks industry benchmarks to provide median and best in class metrics across SaaS profiles.

Annually, Jurassic Capital will release and present its updated B2B SaaS Benchmarks Report, aggregating various sources of leading industry reports and providing context around what's most relevant for portfolio companies.

## Sources

- [The Capchase SaaS Benchmark Report 2023 \(Q3 2022-Q2 2023\)](#)
- [2023 SaaS Capital Retention and Growth Survey \(FY 2022\)](#)
- [RevOps Squared 2023 B2B SaaS Benchmarks Report \(FY 2022\)](#)
- [Revops Squared 2022 B2B SaaS Benchmarks Report \(FY 2021\)](#)
- [2023 Insight Partners SaaS Sales Periodic Table \(FY2022\)](#)
- [2022 KeyBanc SaaS Survey \(FY 2021\)](#)
- [OpenView 2022 SaaS Survey \(Q3 2021-Q2 2022\)](#)
- [Industry Experts Carta Study 2019](#)
- [Insight Partners SaaS Financial and Operating Metrics Periodic Table \(FY2018\)](#)

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# Retention

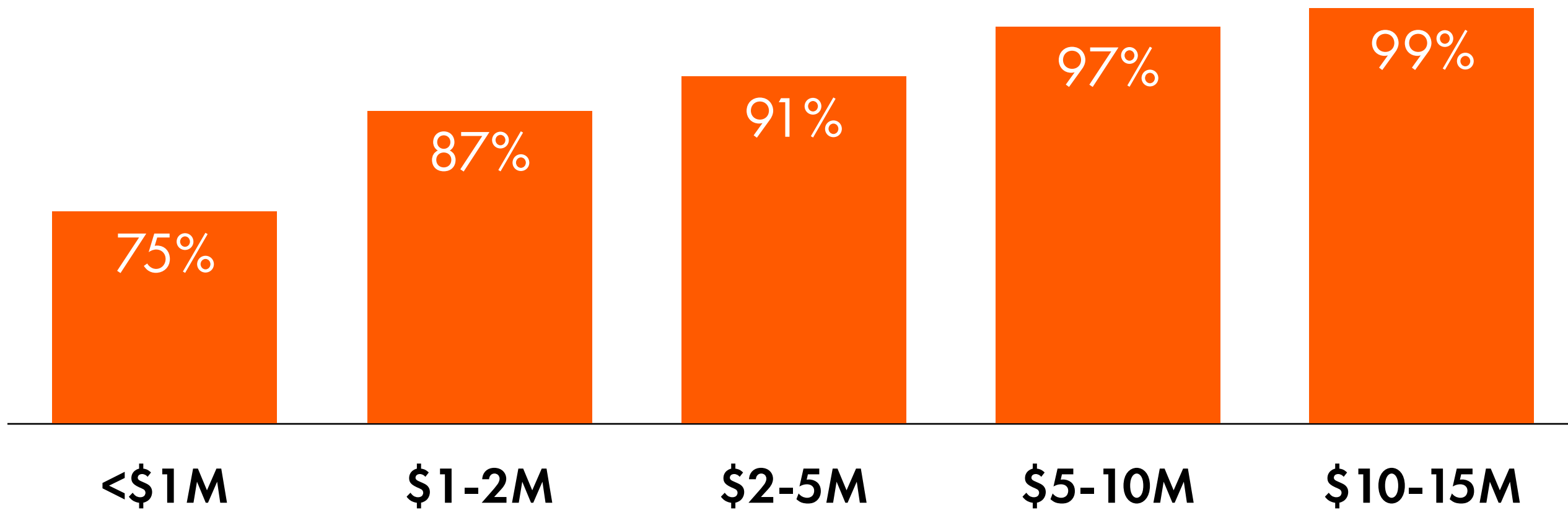
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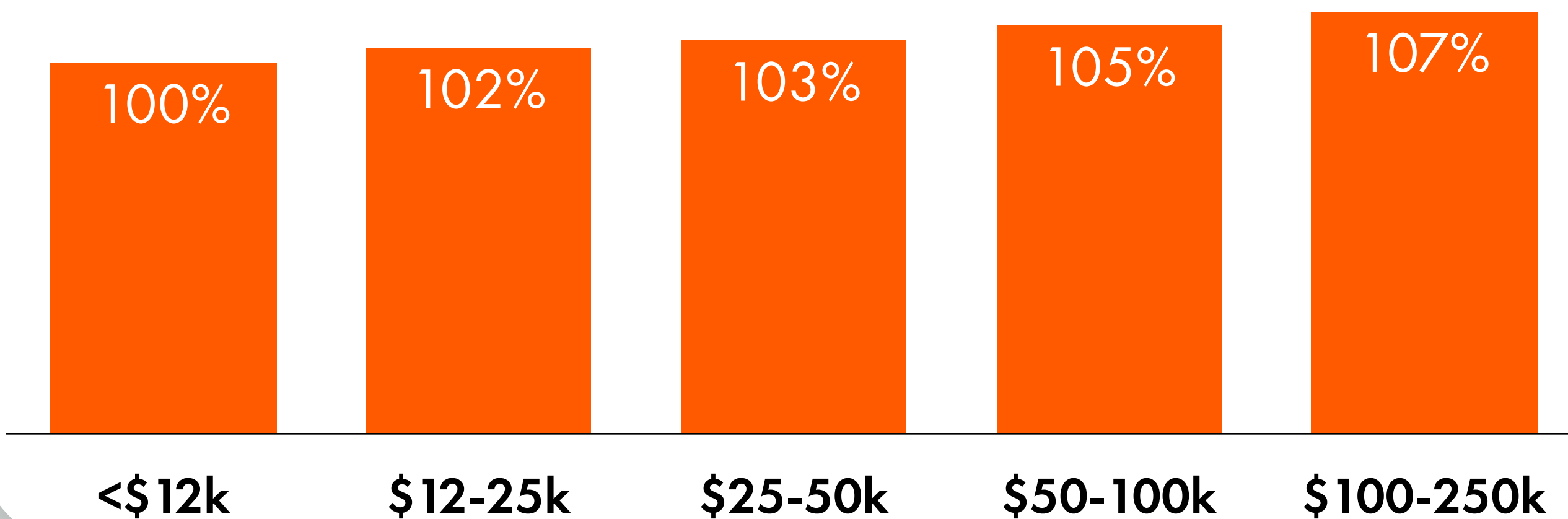
# Net Revenue Retention



By Annual Recurring Revenue



By Annual Contract Value



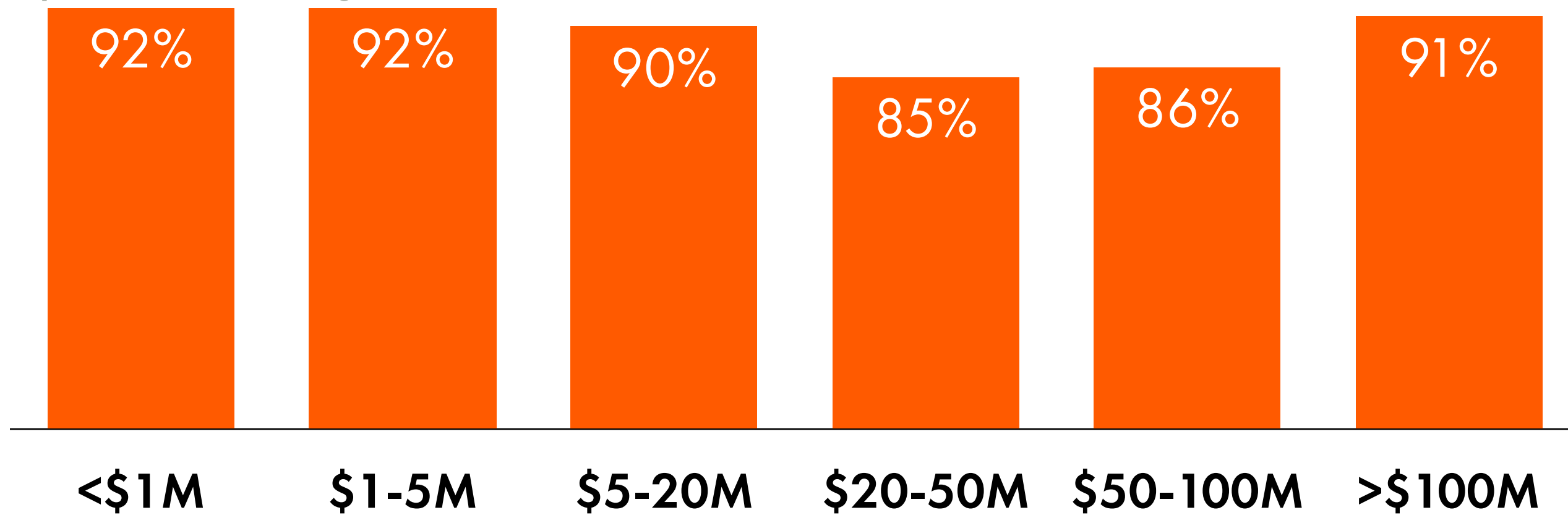
$$= 1 + \frac{(\text{Upsold} - \text{Downsold} - \text{Churned MMR})}{\text{Sum of MRR from same cohort}}$$

- NRR correlates directly to ARR. This is partly due to the fact that smaller companies don't have fully built out customer success functions.
- NRR is still the greatest determinant of overall Growth Rate.
  - 100-110% NRR grew at 35% (down from 42% in 2019)
  - <100% grew at 20-26%
- NRR correlates directly to ACV, as software is naturally stickier and upsell opportunities are higher at the enterprise level.
- NRR has trended down since 2021:
  - <\$1M in 2021: 100%
  - \$1-5M in 2021: 105%

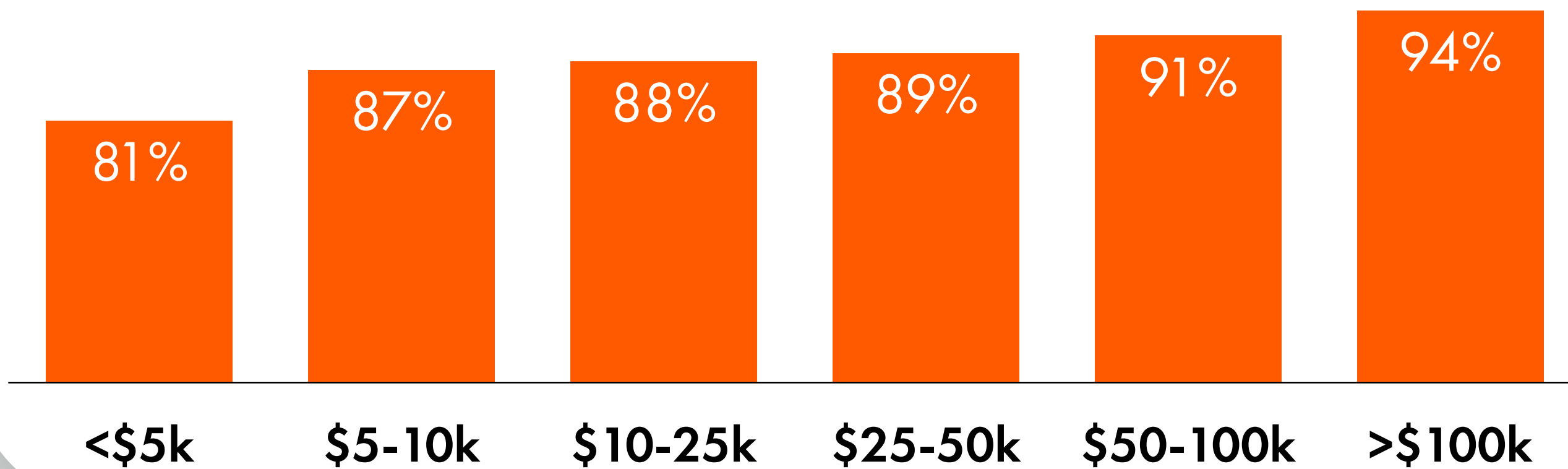
# Gross Revenue Retention



By Annual Recurring Revenue



By Annual Contract Value



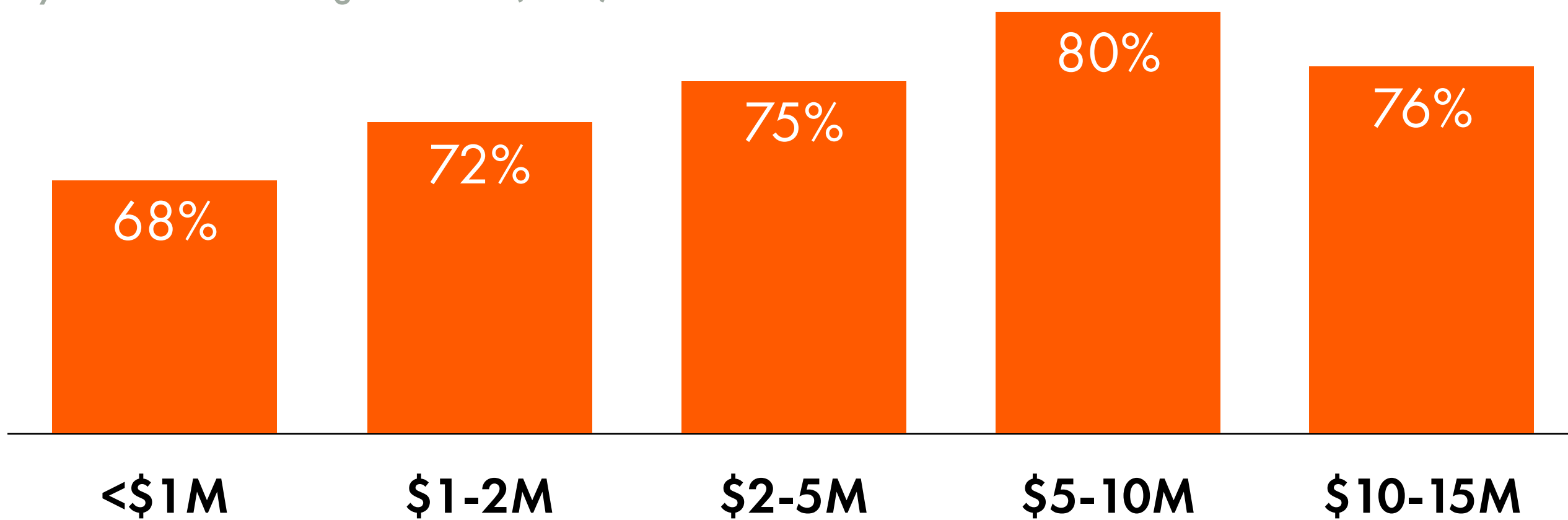
$$= 1 - \frac{\text{(Downsold and Churned MRR)}}{\text{Sum of MRR from starting \# in cohort}}$$

- Gross Revenue Retention is consistently 85-92% regardless of the ARR range. This has been hit hard by 2022 economic changes:
  - <\$1M = 97% in 2021
  - \$1-5M = 95% in 2021
- GRR rises as ACV rises, as smaller sizes imply lower switching costs and a highly competitive environment.

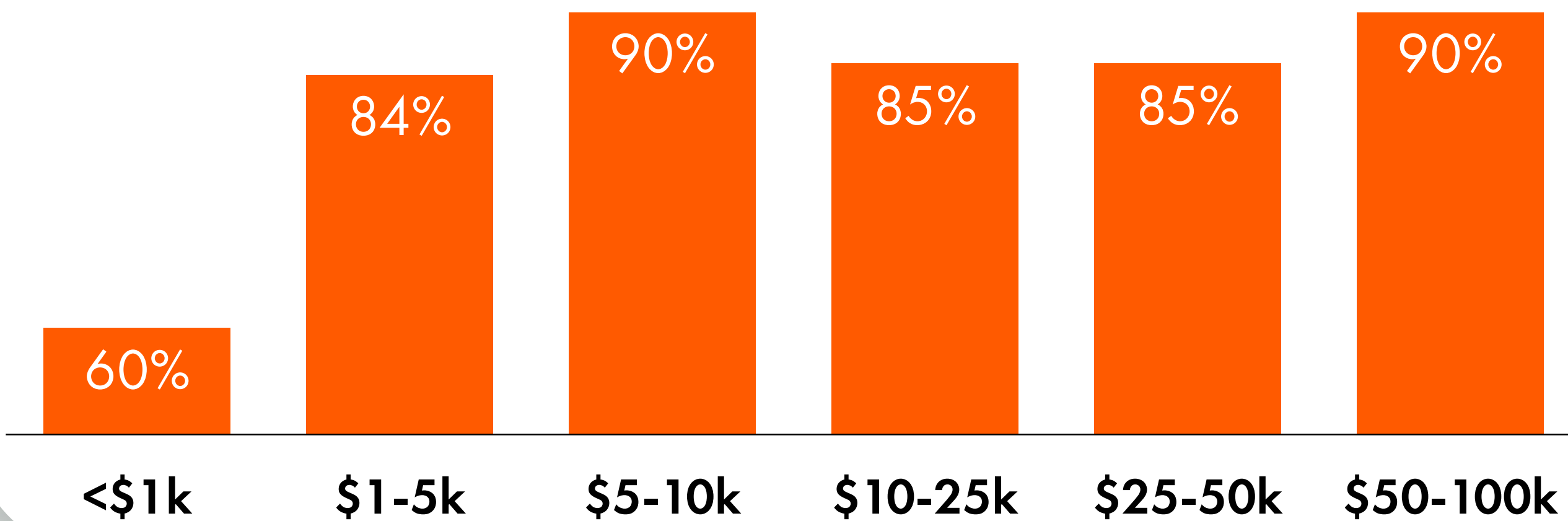
# Logo Retention



By Annual Recurring Revenue (TTM)



By Annual Contract Value (2021)



$$= \frac{\text{\# logos at end of month 12}}{\text{\# of logos at beginning of 12 mo}}$$

- Logo retention increases up through \$10M in ARR, as companies gain more customers and a customer success function, however it levels off after \$10M.
- We wanted to show 2021 by ACV to highlight the massive delta of ~10% from the last 12mo vs. FY21 as economic changes have meant major pullbacks in software spend.
- Very small contracts (< \$5k) have a lower logo retention due to highly competitive markets with low barriers to entry.





# 2

# Financials

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# Gross Margin



By Annual Recurring Revenue

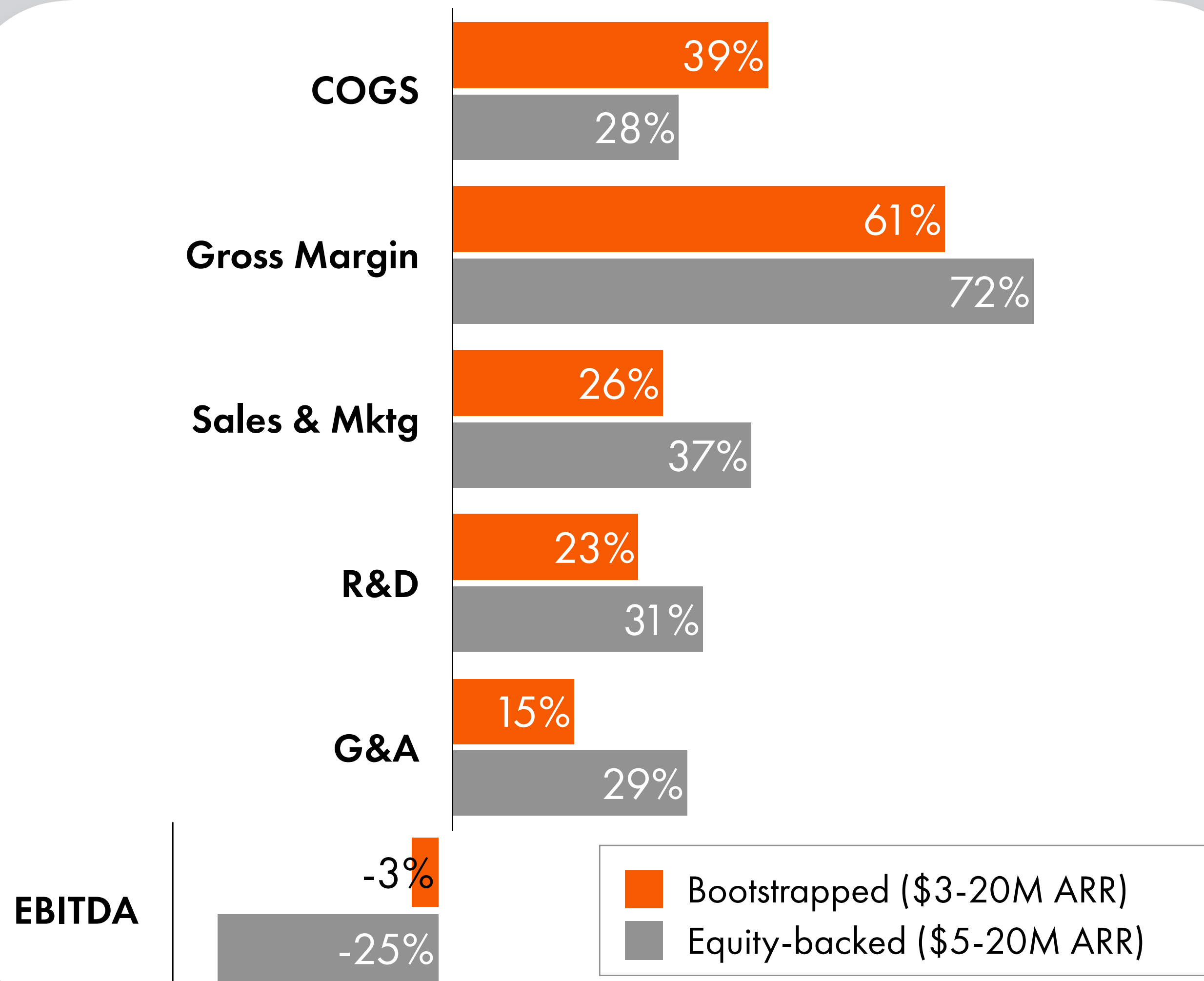


$$= \frac{\text{Total Revenue} - \text{CoGS}}{\text{Total Revenue}}$$

- CoGS includes Customer Success / Support
- Gross Margin for equity-backed companies consistently falls around 72% for \$1M - \$10M ARR businesses.
- Subscription Gross Margin for \$1M - \$20M companies is ~77%, while Services Gross Margin is 0-25%. This assumes 85/15 split of Revenue.



# Full Margin Structure



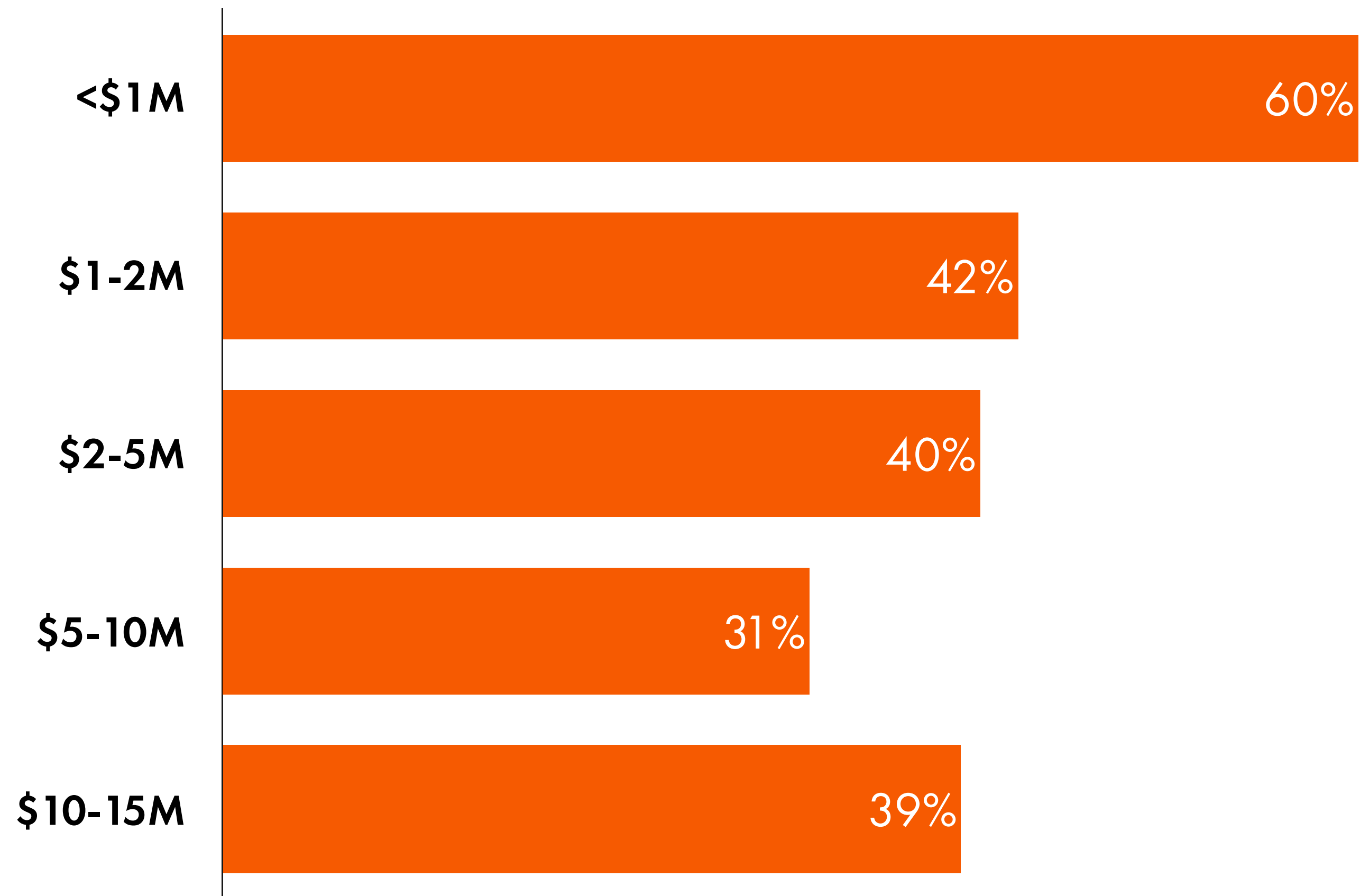
- COGS includes CS/Support
- Associated ARR growth rates are 35% for bootstrapped and 40% for equity-backed. We expect both of those to drop for FY2023.
- Bootstrapped companies are more likely to rely on Services for cashflow.
- For equity-backed companies, GM is higher, allowing for more spend in OpEx. Every function is ~10-15% higher than bootstrapped, with a much larger loss.
- Of particular note is G&A, where equity-backed companies can have a larger back-office function and multiple C-suite executives earlier to help scale.



# TTM ARR Growth Rate



By Annual Recurring Revenue



$$= \frac{\text{Current ARR} - \text{ARR 12mo prior}}{\text{ARR 12mo prior}}$$

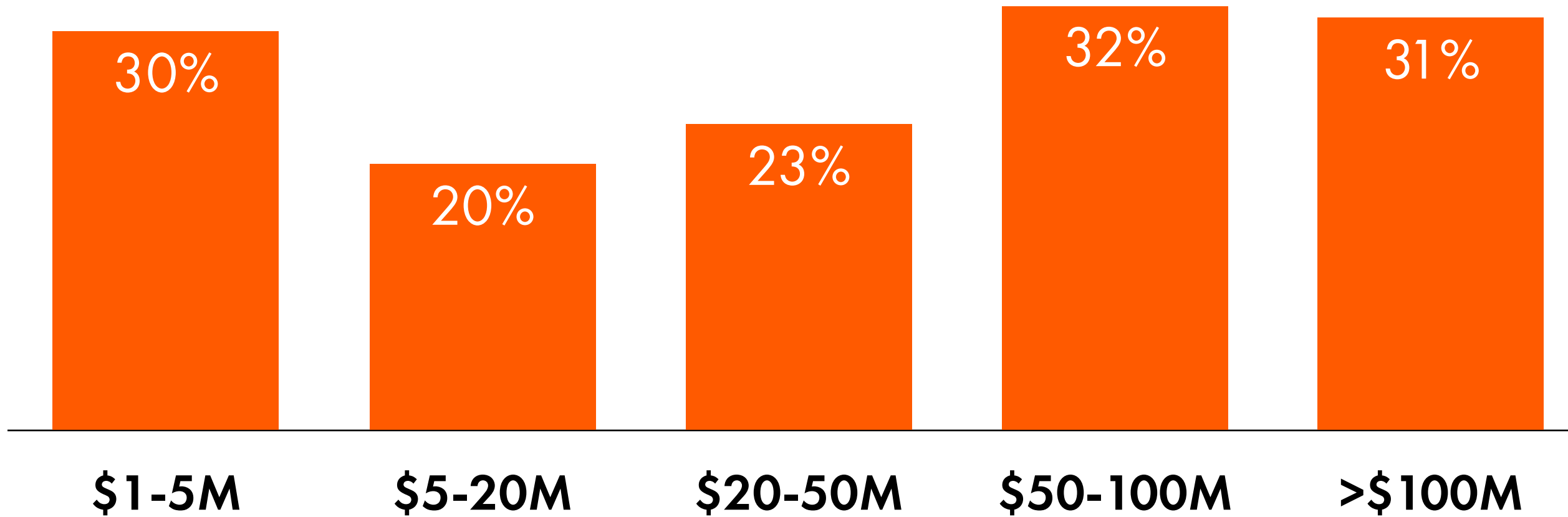
- For relevancy, we're including the most recent growth rates for the last 4 quarters of Q3 2022 - Q2 2023, pulled by Capchase which integrates directly with companies' ERP (no surveying).
- All of these companies are at least somewhat equity-backed (Capchase is a revenue-based lender).
- FY22 for \$5M - \$20M equity-backed was 40%, so this implies a sizable drop from 1H FY22 to 2H FY22.
- FY21 ARR growth:
  - \$1M - \$5M: 46%
  - \$5M - \$20M: 39%
- The largest drops have been with larger companies (\$20M+).



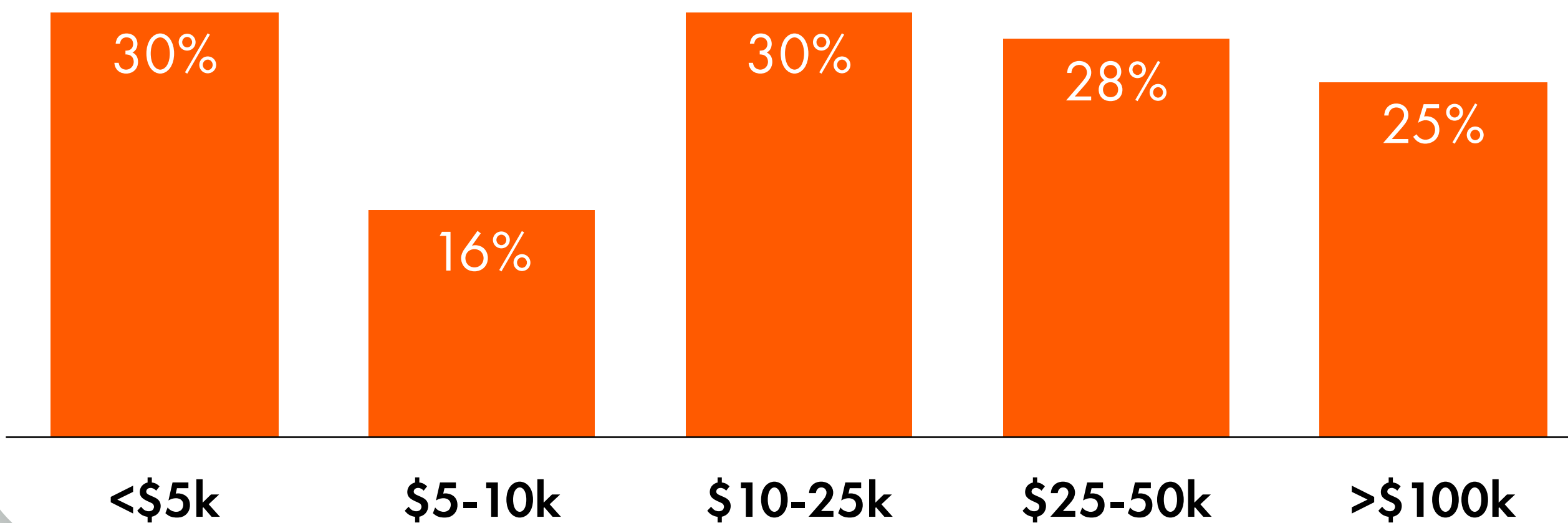
# Rule of 40



By Annual Recurring Revenue



By Annual Contract Value



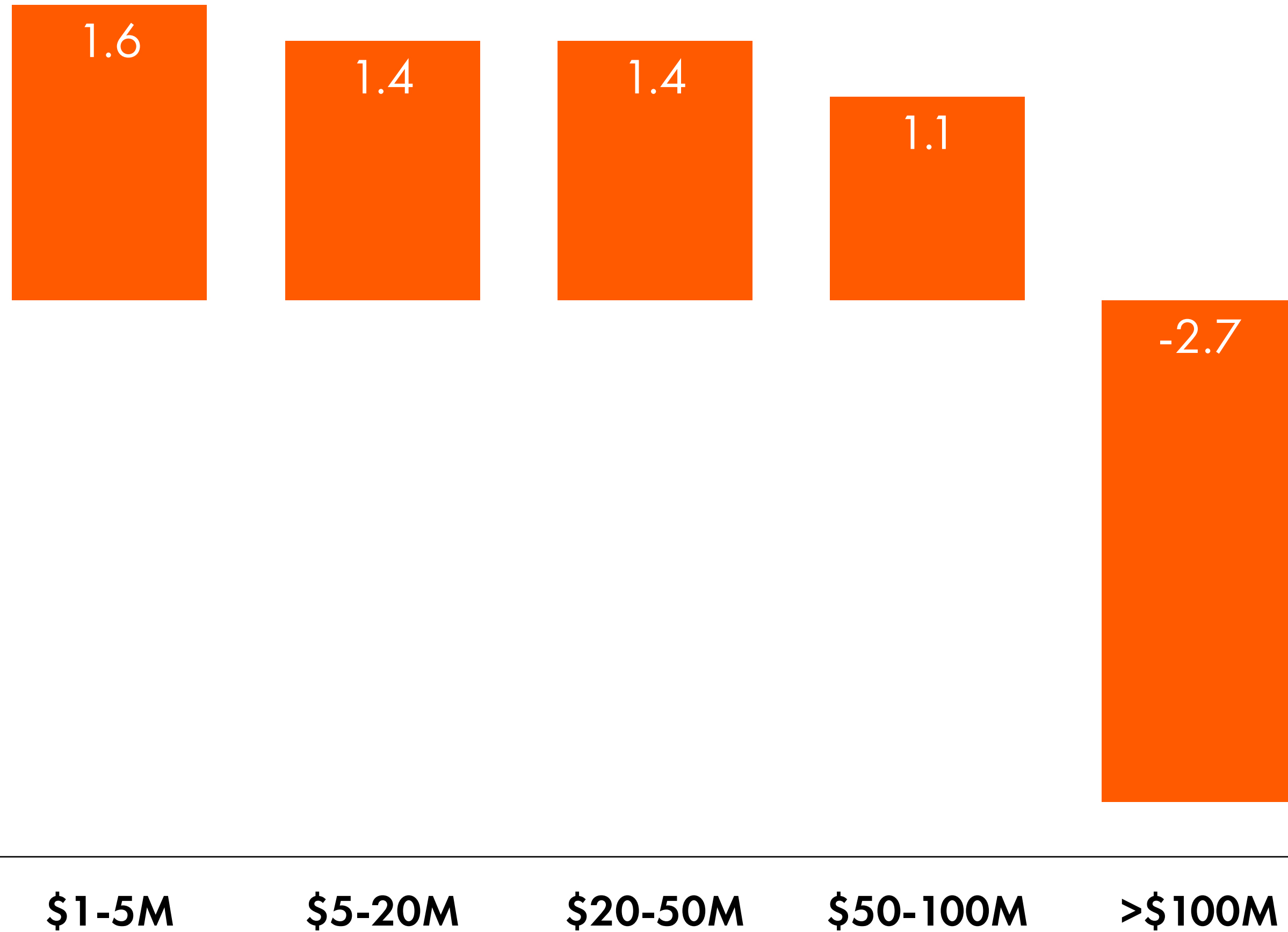
$$= \text{ARR Growth Rate \%} + \text{EBITDA \% of Revenue}$$

- Rule of 40 is a popular SaaS metric for measuring growth against efficiency to make sure they are balanced.
- The most valuable companies are expected to have a number above 40.
- However, this is not as relevant under \$10M in ARR in recent years, as more investment (especially in R&D) has become necessary to build and scale a SaaS company at earlier stages. Efficiencies tend to come closer to \$10M in ARR.
- These dropped significantly from FY21, due to growth drop and hiring market driving up personnel costs:
  - \$1M - \$5M: 66%
  - \$5M - \$20M: 29%

# Burn Multiple



By Annual Recurring Revenue



$$= \frac{\text{Cash Burn}}{\text{Net ARR Uplift}}$$

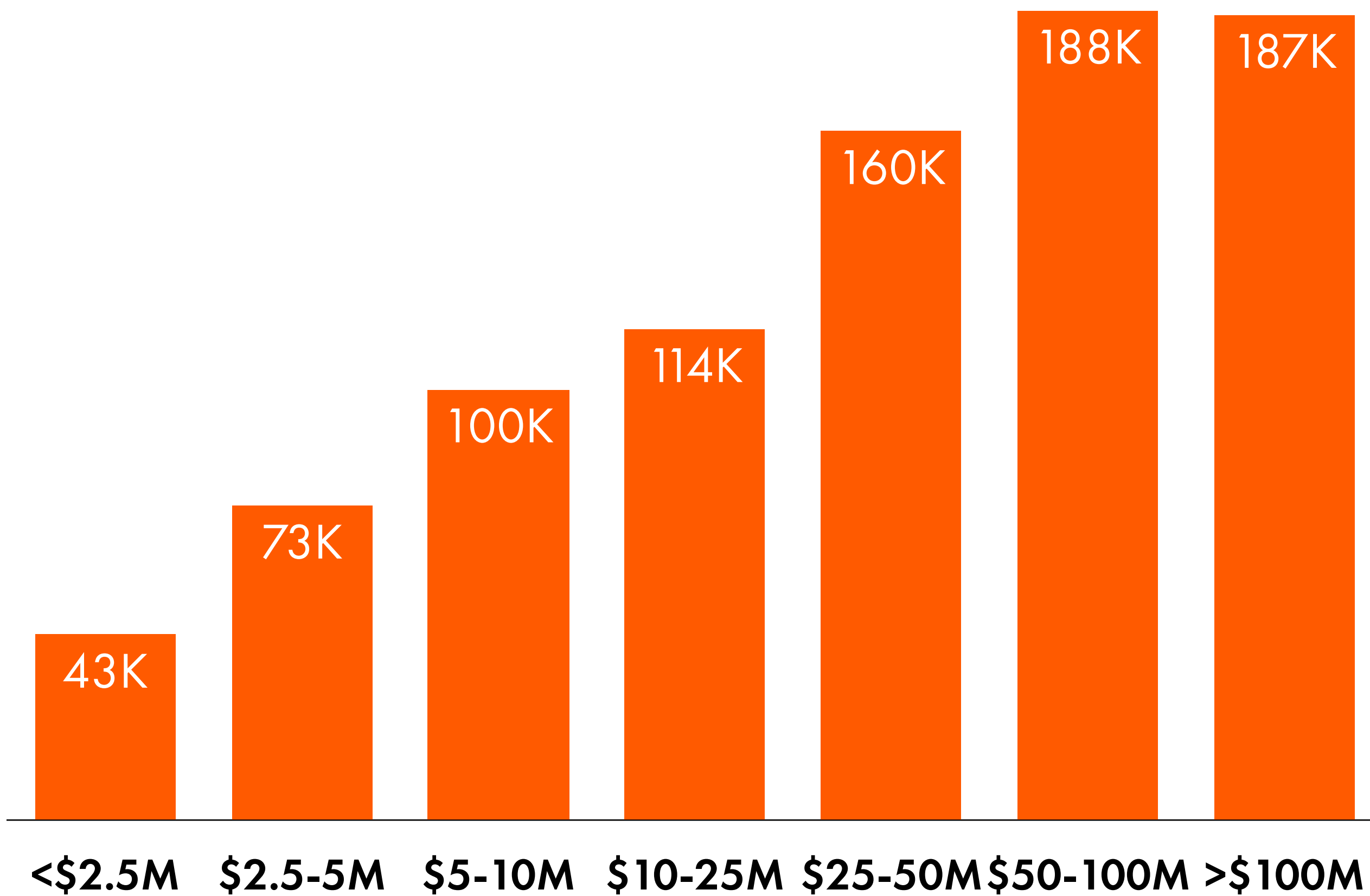
- Burn Multiple has become popular recently (vs. Rule of 40) as a measurement tool for <\$10M equity-backed companies, as it's expected that growth will lag spend for a bit.
- In 2021:
  - \$1M - \$2.5M: 1.9x
  - \$2.5M - \$10M: 1.0x
  - \$10M - \$20M: 1.2x
- Industry experts have suggested that \$1M — \$10M companies should be below 3x and preferably between 1x — 2x.
- We expect these multiples to increase in FY23.



# ARR / FTE



By Annual Recurring Revenue



$$= \frac{\text{Ending ARR}}{\text{\# of FTEs}}$$

- This has stayed relatively consistent over the years. The data here is almost two years old, so we expect these numbers to decrease when refreshed, given less ARR growth in SaaS recently.
- At earlier stages, ARR lags employee growth as investment is made especially in R&D.
- However, salaries are usually lower to counter this inefficiency.
- As ARR increases, spend starts going toward systems instead of people, creating efficiencies across the organization.
- **\$100k ARR / FTE is Jurassic's rule of thumb proxy** for <\$10M companies when estimating ARR.



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# Sales Efficiency

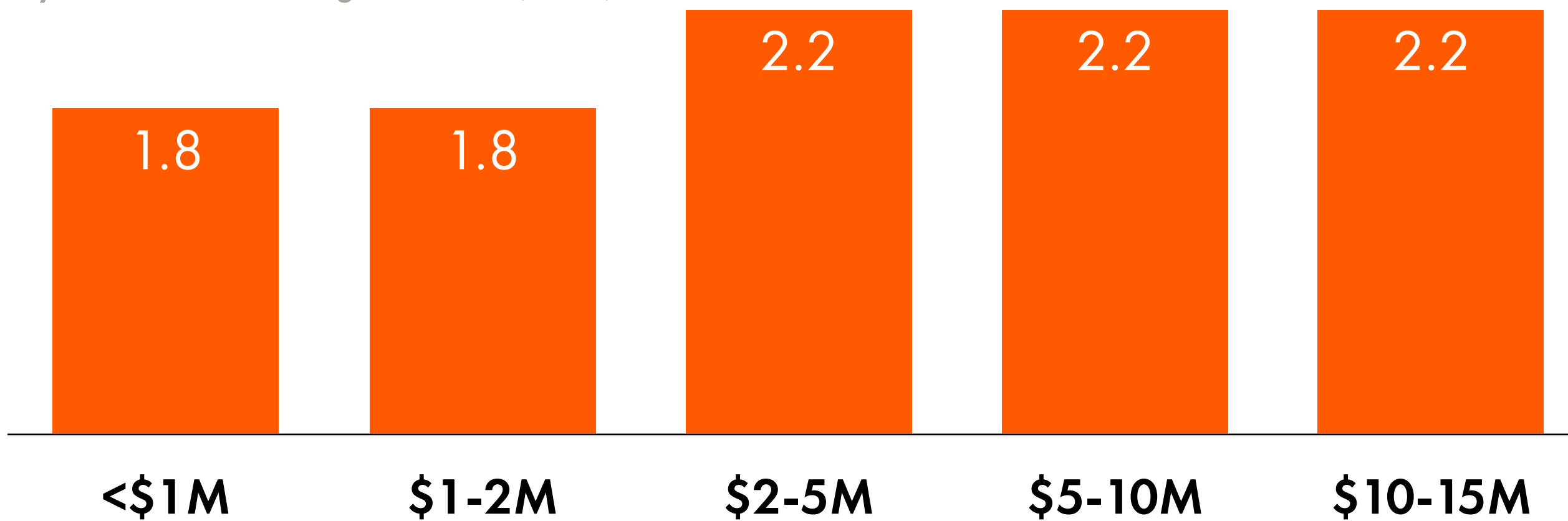
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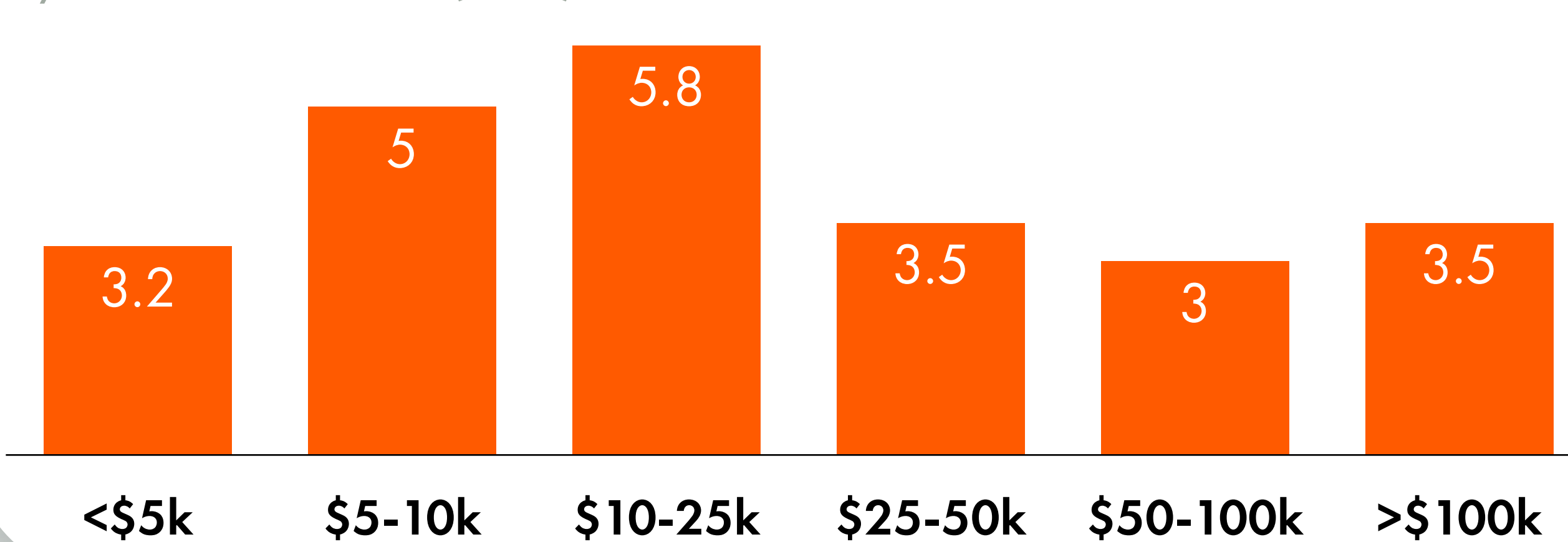
# LTV / CAC



By Annual Recurring Revenue (TTM)



By Annual Contract Value (2022)



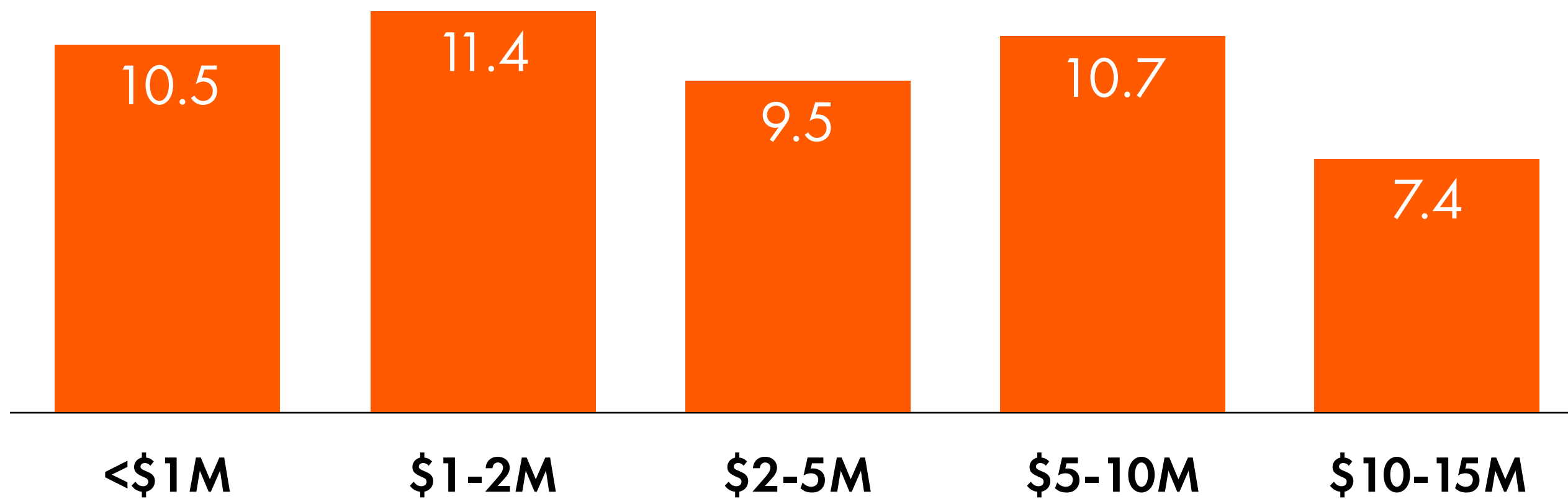
$$\text{LTV / CAC} = \frac{\text{Avg. Customer Value} * \text{GM} / \text{Annual Logo Churn\%}}{\text{Sum of New S\&M Expenses} / \text{Sum of New Logos}}$$

- LTV / CAC measures efficiency of spend required for a new customer against how much Gross Margin will be generated over that customer's lifetime.
- This tends to correlate to company size, and gets even larger past \$15M for ARR due to efficiencies in systems vs. people spend.
- **3x is the gold standard here**, and over 2020 - 2022, the median was close to 4x.
- The drastic difference in these graphs shows how difficult things have become in the last 4 quarters vs. the *good times* of 2020 - 2022.

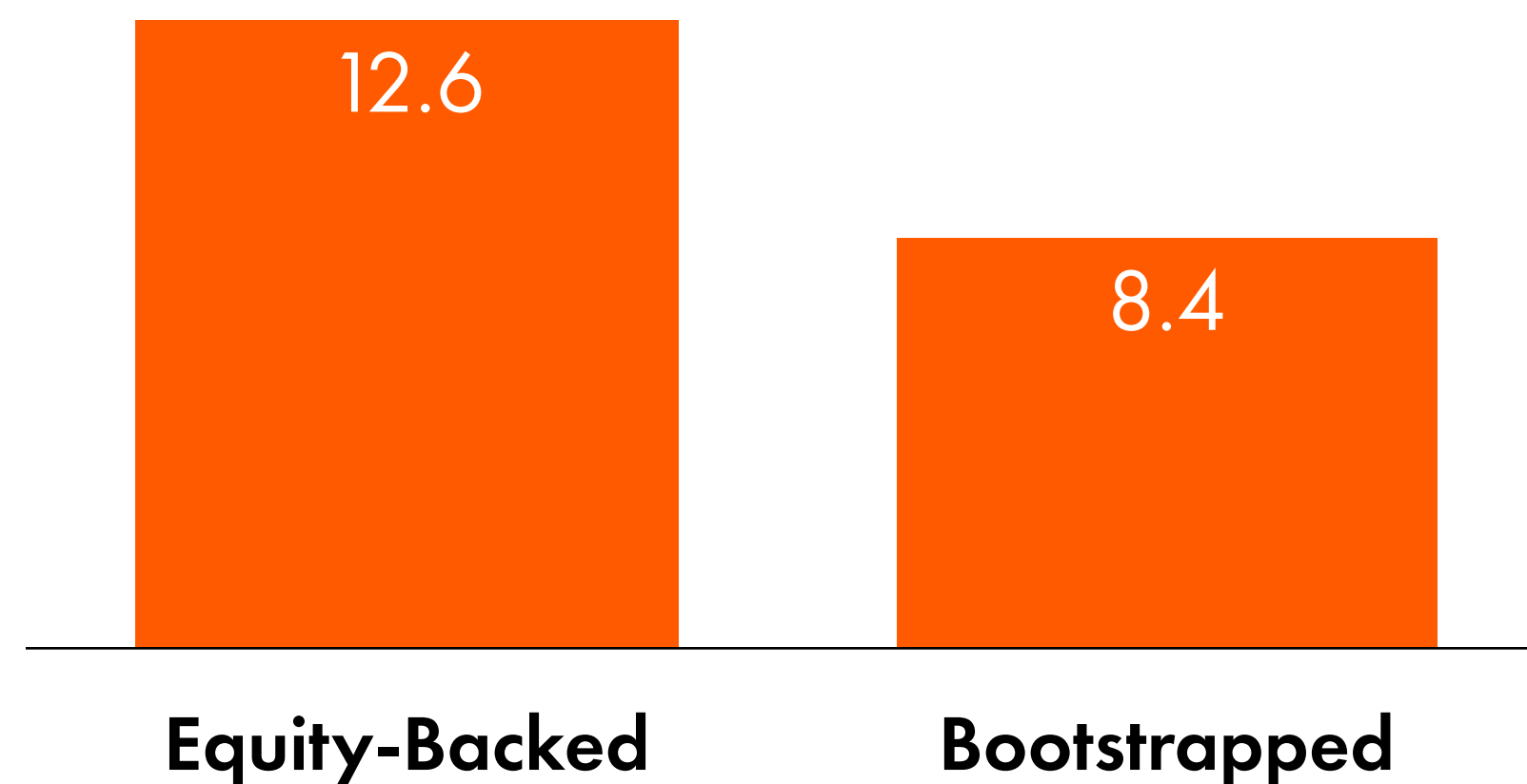
# CAC Payback Period (Months)



By Annual Recurring Revenue



By Funding



$$\text{CAC Payback Period} = \frac{\text{CAC}}{\text{GM} * \text{Avg Customer Value (ACV)}}$$

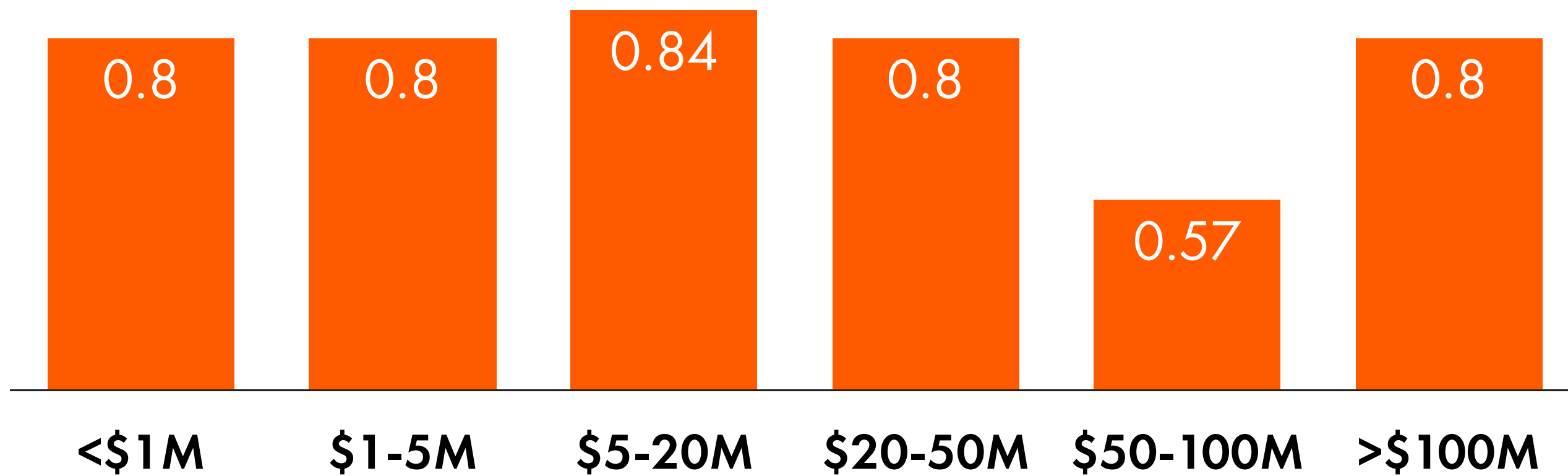
- CAC Payback period shows how long it takes to recoup costs related to bringing on a new customer.
- While shorter is obviously better, capital-light and bootstrapped companies can't have the patience of equity-backed companies.
- Compared to 2021, these have become shorter in most cases by at least one month.
- **Best in class tends to be closer to 6 months across all profiles**, but realistic targets for \$1M - \$10M ARR companies are <12 months.



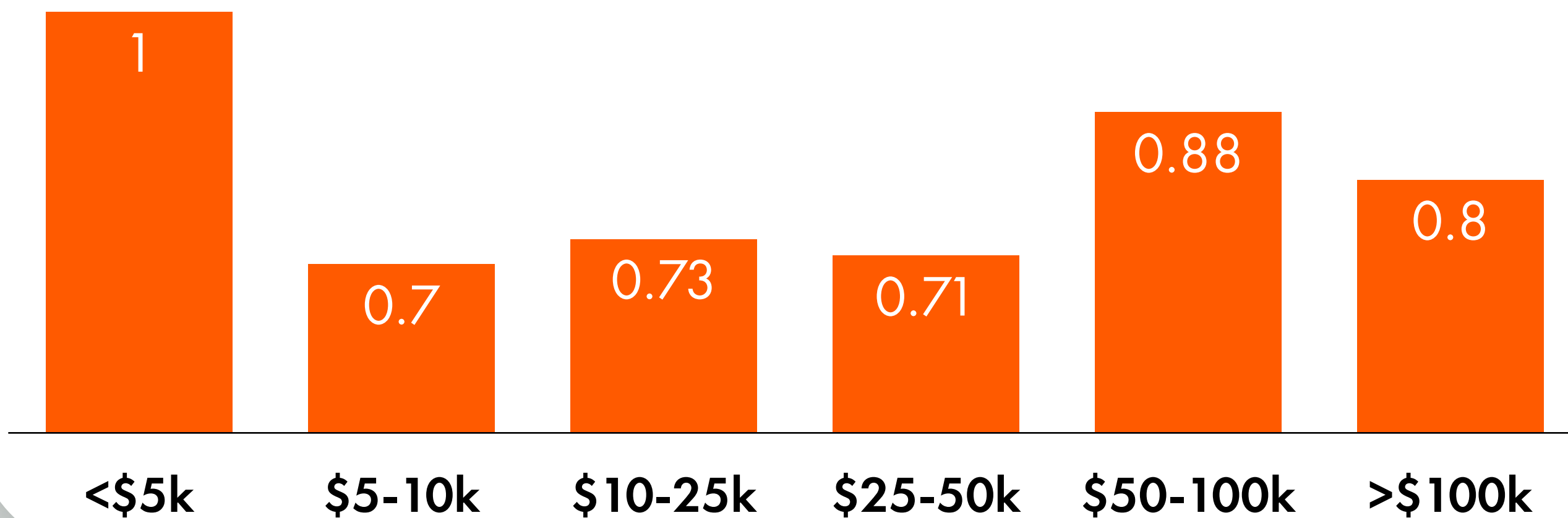
# SaaS Magic Number (Blended CAC)



By Annual Recurring Revenue



By Annual Contract Value



$$\text{Magic Number} = \frac{\text{Current Quarter ARR} - \text{Previous Quarter ARR}}{\text{Previous Quarter S\&M Spend}}$$

- A slightly more holistic approach to Sales & Marketing efficiency, this metric includes activity from existing customers (churn, upsell, downsell) and all related account management costs.
- However, that makes this more difficult to calculate at earlier stages, given the gray area of Customer Success, Support, and Account Management.

# AE Quota & On Target Earnings (OTE)



AE Quota / OTE (<\$10M ARR)

**5:1**

AE Variable as % of OTE (<\$10M ARR)

**50%**

- Quota / OTE
  - This is best-in-class and includes ARR and 1st year services, and is New + Upsell.
  - In ARR-only quotas, we've seen this closer to 3-4.
- Variable as % of OTE
  - This is pretty standard across the board as a best-in-class metric.
  - We've seen this slightly lower (40%) for those selling smaller ACV.



# BDR Quota & On Target Earnings (OTE)



Outbound BDR SQL Quotas (<\$10M ARR)

**7-13**  
*per month*

BDR Variable as % of OTE (<\$10M ARR)

**30%**

- BDR Quotas
  - As a best-in-class metric, this has come down significantly since 2015 (prev. 24/mo) as cold-calling environments have changed.
  - The line between SQL and MQL has blurred, but it used to be 60% SQL / 40% MQL for BDRs.
- Variable as % of OTE
  - This has come down since 2015 as best-in-class (prev. 40%).

# Ramp Time



BDR (<\$10M ARR)

**3-5**  
*months*

AE (<\$10M ARR)

**3-12**  
*months*

- BDR Ramp
  - Increased since 2015 as a best-in-class metric (prev. 2 months).
- AE Ramp
  - Consistent over the years as best-in-class.
  - Correlates significantly with ACV, as those selling smaller contracts are closer to 3 months.
  - Internal promotions are expected to be smaller ramp periods.
  - The closer to \$10M ARR and a fully built-out Sales Engine, we see ramp periods are typically paid out 75-100% on variable.



# Quota Capacity (over Assignment)



Companies with <\$10M ARR

**115% - 120%**

$$= \frac{\text{Quota Assigned}}{\text{Sales Target}}$$

- Consistent over the years as best-in class, this implies 83% - 86% quota achievement rate.
- This is fully-ramped quota.
- Important during multi-year planning to take into account ramp, quota capacity, and expected attrition for hiring plans.

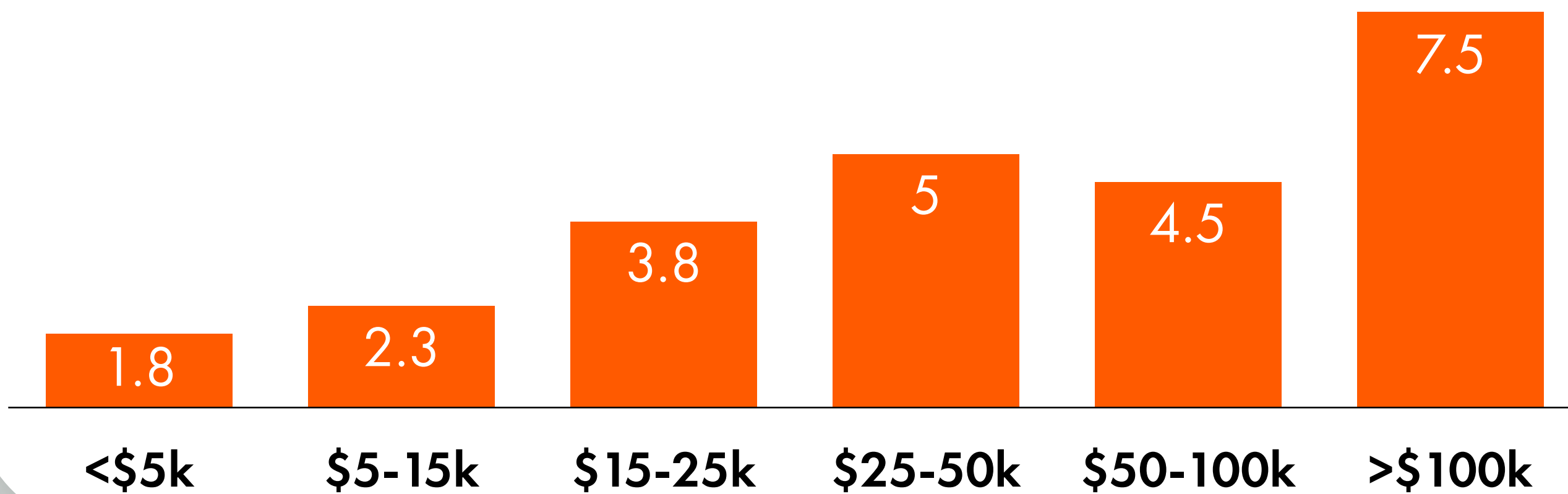
# Sales Cycle



By Annual Recurring Revenue

**1-9 mo**  
*Across all company sizes*

By Annual Contract Value



- As a best-in-class metric, this doesn't change the bigger you get. Might get slightly better, but this is dependent on industry and customer.
- As expected, sales cycle increases significantly with larger ACVs, as deals become more complex.
- Since 2020, this has increased by account 15 days across all ACVs.





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Other

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# Developers : QA



**4:1**

- A best-in-class ratio for scaling engineering organizations to \$10M and beyond.
- R&D tends to be 40% — 50% of all FTEs under \$5M ARR.
  - At 20 FTE, that's ~9 in R&D which could be:
    - 1 leader
    - 7 devs
    - 1 QA (and soon to need another)



# Sales Headcount as % of FTE



**15% — 30%**  
*Companies with <\$100M ARR*

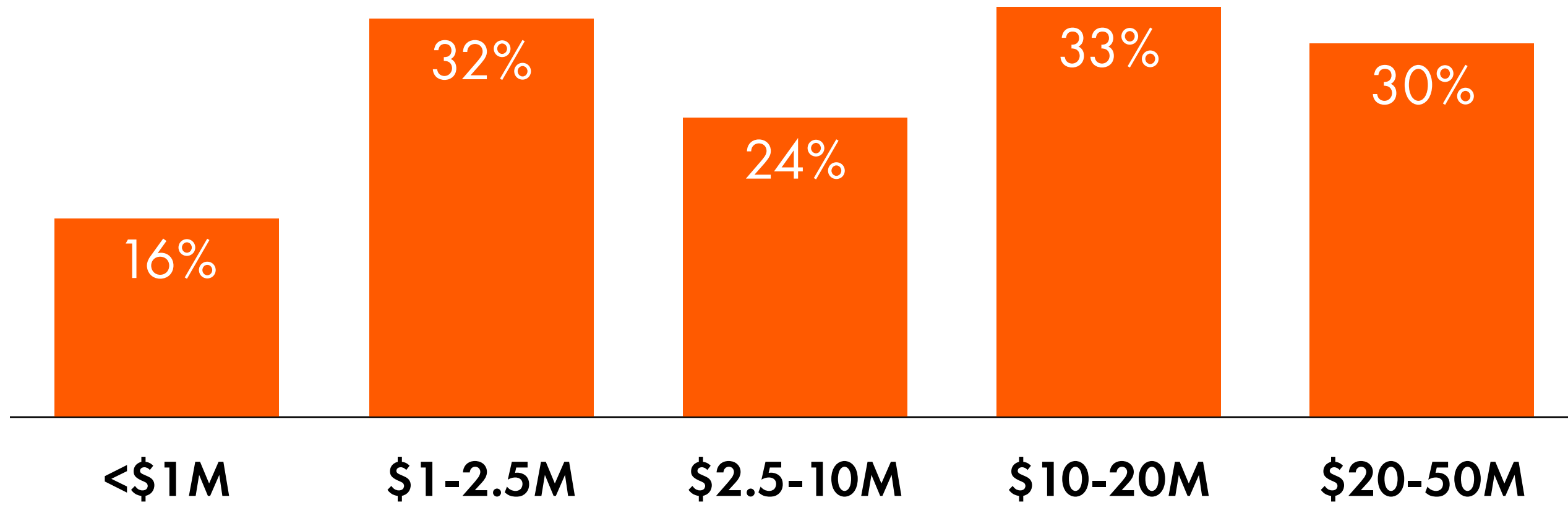
$$= \frac{\text{\# of Sales FTE}}{\text{\# of FTE}}$$

- While Sales can be a large proportion of spend in high-growth companies, it tends to max out around 1/3 of the total FTE size.
- This increases as the company gets bigger, but for a 20 FTE company, it's likely 3-4 sales employees.
- As Bronto neared \$50M ARR, the team was split:
  - 1/3 Engineering
  - 1/3 Sales
  - 1/3 everyone else

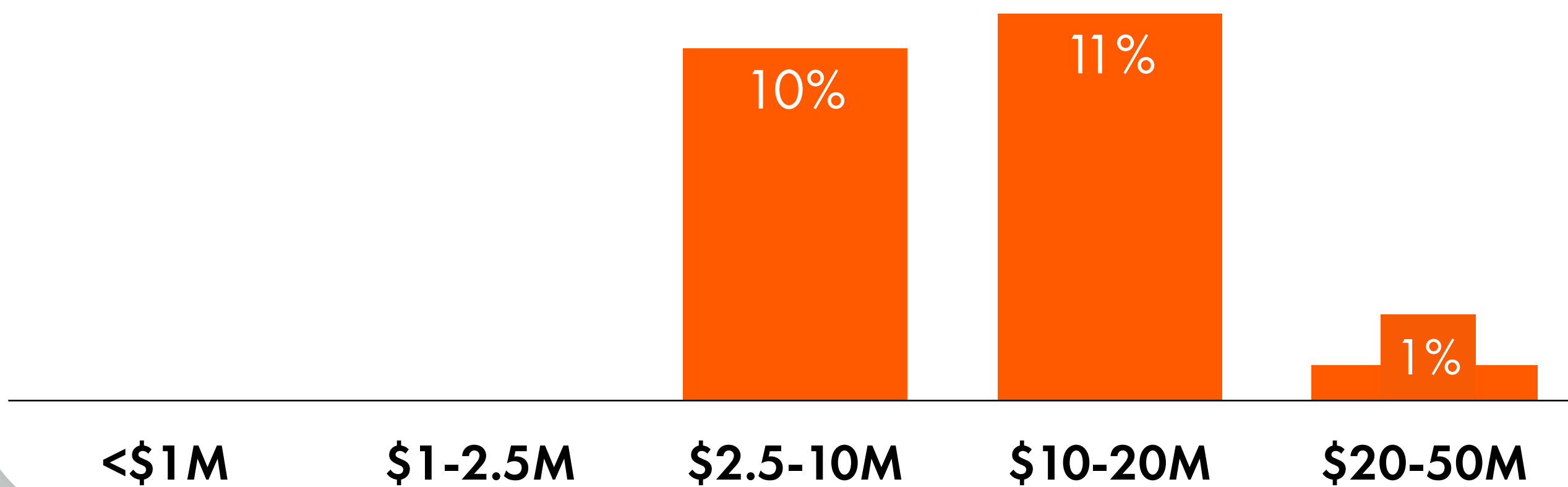
# Diversity



Women in Leadership, By ARR



Underrepresented Minorities in Leadership, By ARR



- Some new and badly needed metrics, we hadn't seen these reported before in SaaS surveys.
- These are not best-in-class metrics, but merely a look at the current medians for comparison purposes.



# Annual Attrition (Turnover Rate)



**10% — 15%**  
*Across all company sizes*

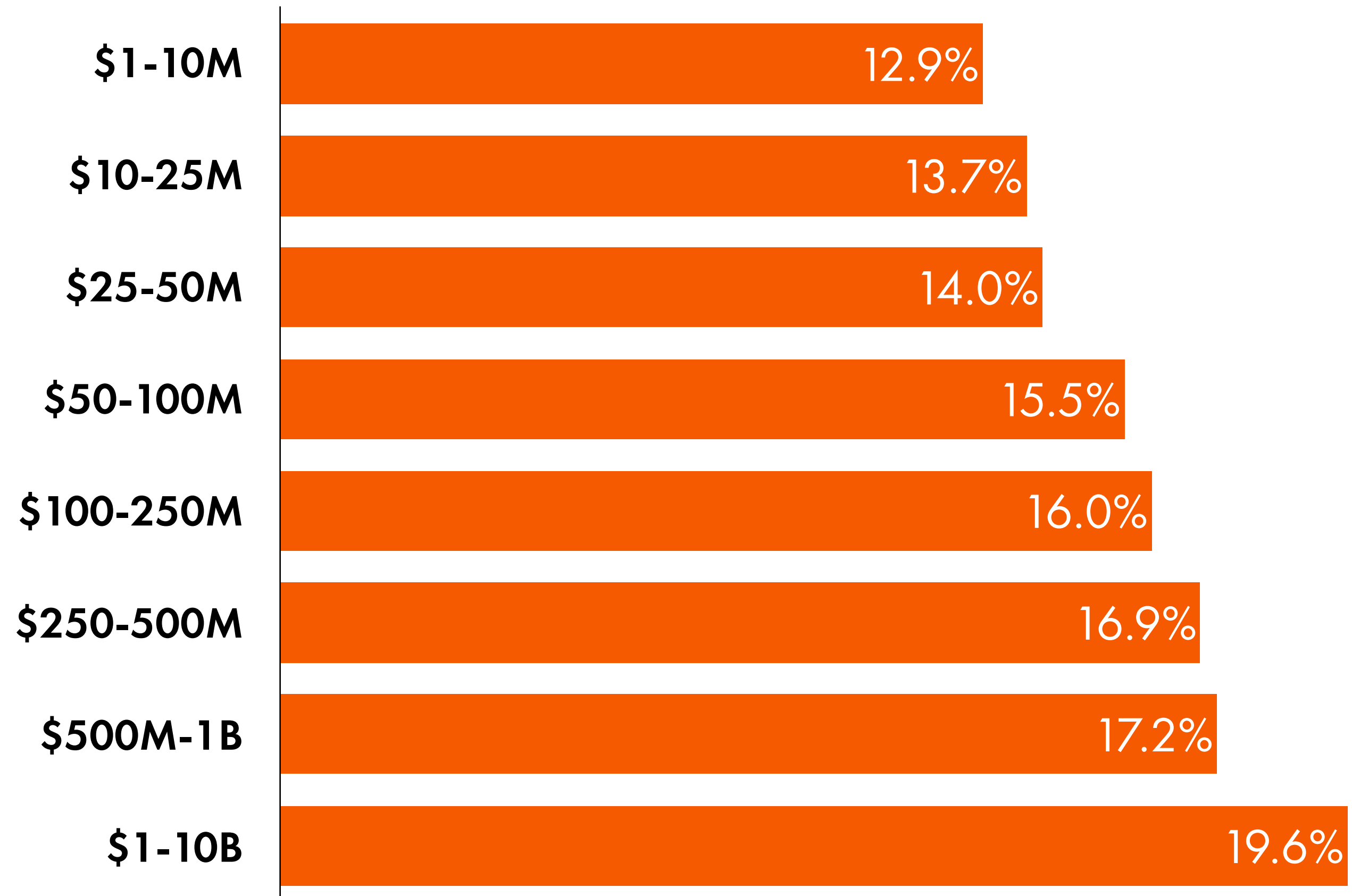
$$= \frac{\text{\# of Lost Employees}}{\text{Beginning \# of Employees}}$$

- This includes voluntary attrition only; involuntary attrition is less consistent.
- For a 20 person company, this is 2-3 FTE attrits per year.
- Even during the *Great Resignation* in SaaS of 2021, \$1M — \$10M companies reported ~17% at the worst.
- More highly correlated during that time was growth rate.
  - < 10% Growth: 15%
  - 10% — 50% Growth: 11%
- Given recent macroeconomic trends and layoffs, we expect voluntary attrition rates to lower in 2022 — 2023.

# Employee Option Pool



By Annual Recurring Revenue



$$= \frac{\text{Size of Employee Option Pool}}{\text{Company Equity}}$$

- Option pools are a hot topic for most early-stage companies.
- These numbers are medians, but in \$1M—1B companies:
  - 25th percentile: ~10%
  - 75th percentile: ~20%
- As companies grow, most require a larger pool for experienced execs to come in and early employees to be refreshed.
- Institutional investors like Jurassic will typically require at least a 10% engrafted option pool and will usually refresh at subsequent raises.



## A focused + hands on approach to early-stage software investing.

Jurassic makes growth equity investments in small B2B software companies located in the Southeast US

Based in Durham, NC, we are early-growth equity investors focused on growth-stage B2B software companies in the Southeast. With a passion for growing our Southeast tech ecosystem, we apply our first-hand experience with starting, bootstrapping, scaling, and exiting software startups, in partnership with the seasoned entrepreneurs and operators on our Operating Advisor team, to equip startups with the capital, connections, and knowledge to build the next generation of great software companies.

### Thesis

B2B Software  
Vertical agnostic, ideally SaaS

Southeast, US-based  
MD, DC, VA, NC, SC, TN, GA,  
FL, AL

\$1M - \$5M ARR  
Realistically ambitious growth  
(20%+)

Profitable  
Or near-term path to profitability

Capital efficient  
Bootstrapped, or lightly  
capitalized

### Investments

\$30M Fund 1  
January 2022 Vintage

5 Active Investments  
Target of 8-12 in Fund I

Early Growth Equity  
Flexibility to provide secondary

\$2M — \$4M Check Size  
Majority or large minority



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2023