ICONIQ

September 2025

State of Software 2025: Rethinking the Playbook

Annual Topline Growth and Operational Efficiency Report

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Supporting founders through pivotal milestones and various stages of growth

Executive Hiring

Talent and Leadership Advisory

Guidance to attract and unlock the power of talent through advisory, connections and research

"ICONIQ delivered the best reference check I've ever seen, overnight."

Eleven Labs

Mati Staniszewski
Co-founder and CEO

Product and Go-to-Market Strategy

Technical Advisory and Go-to-Market Boards

Strategic advisory from industry leaders with hands-on experience in technology, digital innovation, go-to-market, and more

"It has been so valuable to lean into ICONIQ's expertise, network, and advice. What you do is a total game changer."

PIGMENT

Eléonore Crespo
Co-founder and CEO

Revenue Acceleration

Portfolio Operations

Digital and Growth Advisory Boards

Strategic and commercial connections across industries to support global expansion goals

"The customer introductions have been incredibly valuable. ICONIQ's relationships are truly deeper."

SIERRA

Bret Taylor
Co-founder and CEO

Category Leadership + Operational Optimization

Analytics and Insights

Data-driven insights to support decision making across business operations and strategy

"Working with ICONIQ has been a dream partnership, they've gone above and beyond at every step."

WRITER

May Habib
Co-founder and CEO

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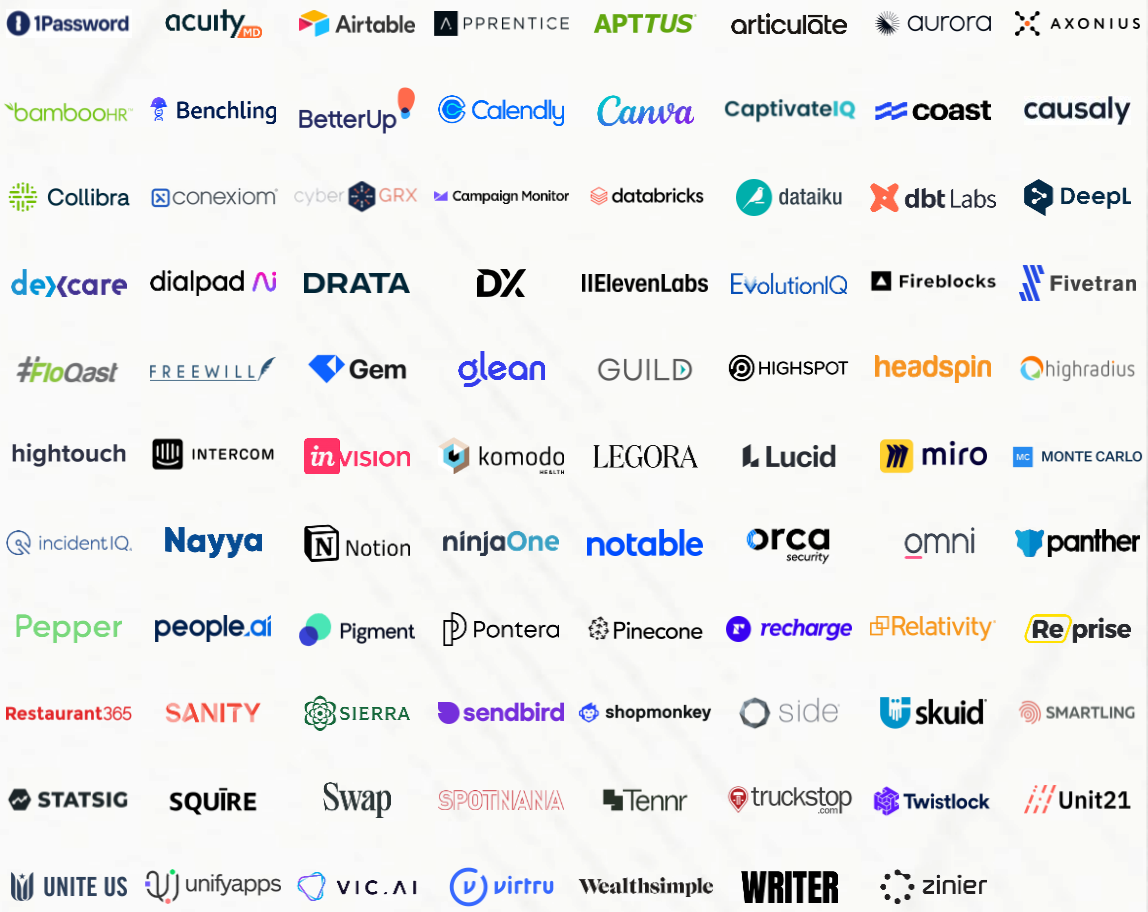
Companies Included

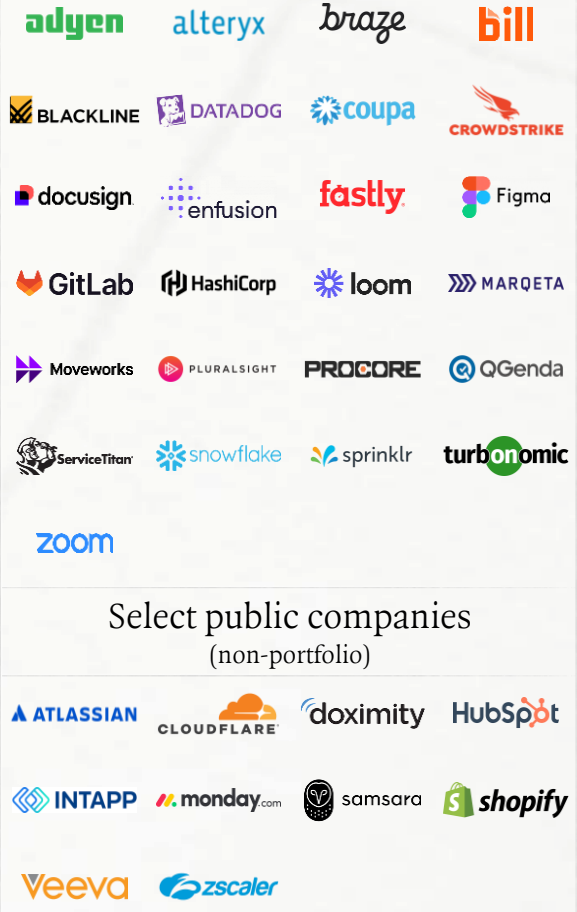
This study summarizes quarterly operating and financial data from **127 software companies,** including our portfolio companies (where data was available) and **10** public companies selected based on our IPO performance criteria[1].

Portfolio Companies

Private[2]



Public[3]



Select public companies (non-portfolio)

1 See our IPO performance criteria in The Methodology section (pg 5)
2 Five companies not disclosed herein due to confidentiality obligations, or the issuer has not provided permission for ICONIQ to disclose publicly
3 Includes portfolio companies that were acquired by public companies

Methodology & Data Sources[1]

All views included have been aggregated or anonymized to protect the data privacy of individual companies.

Unless otherwise indicated, references to "software companies", "AI-native companies", "AI-enabled companies" and "non-AI companies" only reflect trends observed with the companies included in the core dataset. In addition, throughout the report we have categorized companies based on their AI product maturity:

AI-Native

Companies whose core product or business model is fundamentally AI-driven

AI-Enabled

SaaS companies creating new AI products or adding AI capabilities to existing customer facing products

Non-AI

SaaS companies without AI products or features

N-sizes[2]

Each datapoint (n) represents a single fiscal quarter of data per company included. 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.

Public Companies

The dataset includes 10 public companies that are not (and have not previously been) our venture and growth portfolio companies. All data was collected from public filings information[3]. These companies were categorized as top IPO performers because they ranked in the top quartile in two or more of the following criteria:

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)*

Additional Data Sources

Where noted, we have supplemented our core analysis with various proprietary ICONIQ surveys and publicly available information. These sources include:

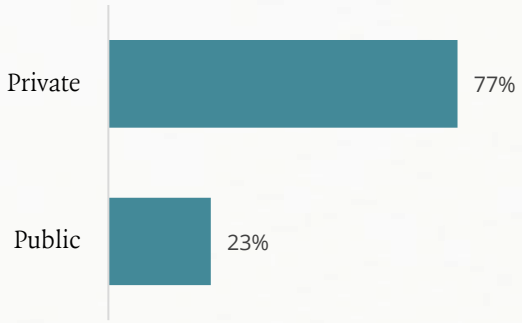
1. ICONIQ Gen AI Survey (April 2025), n = 300
2. ICONIQ proprietary survey of GTM executives (April 2025), n = 205
3. ICONIQ Annual Growth Operating Trends Survey (March 2025), n = 58

1 The conclusions of this study represent the views of the ICONIQ Venture and 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 All portfolio data as of Q2 2025, where available
3 Public filings information as of Q2 2025, where available

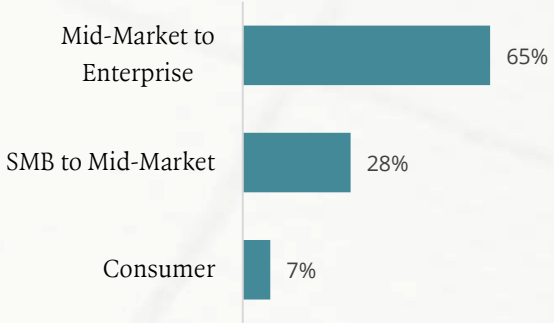
Firmographics

The companies in the core analysis represent a mix of sectors and business models that we feel are highly representative of the overall software market. Firmographic charts show the percent of companies included in the analysis by category.

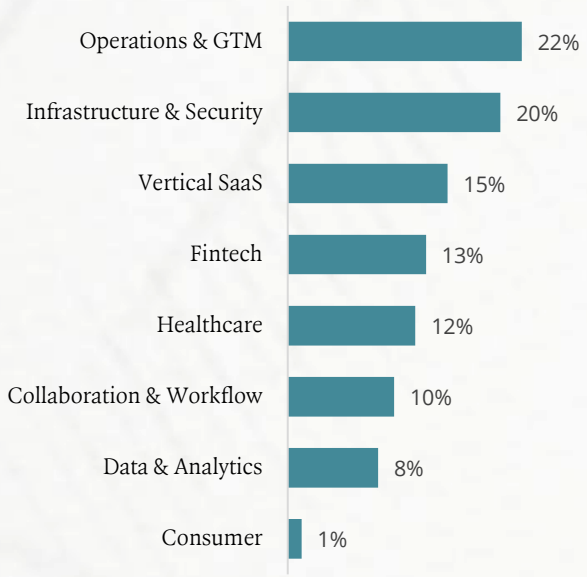
By Current Ownership



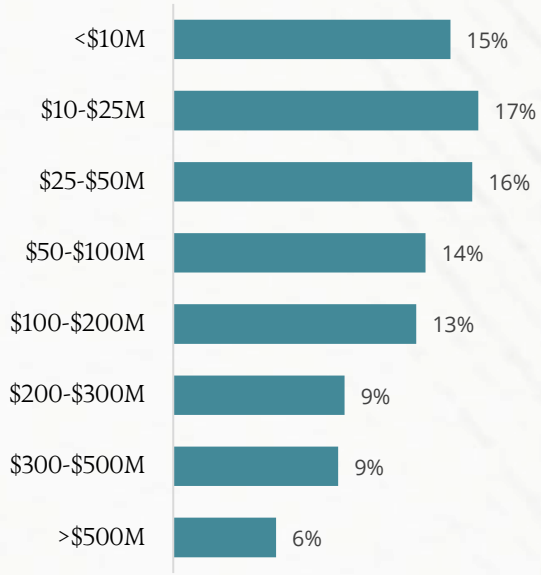
By Target Customer



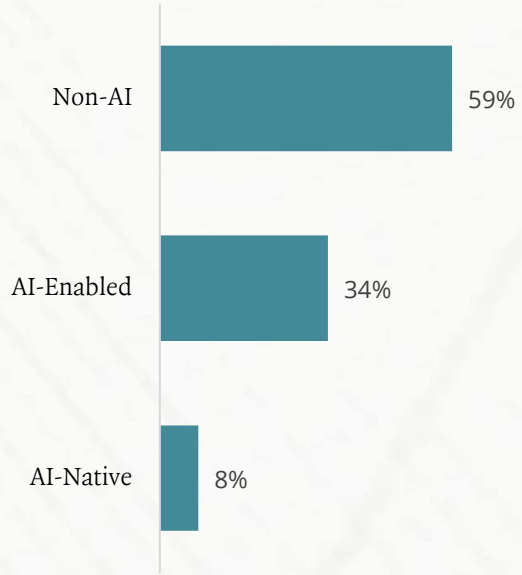
By Sector



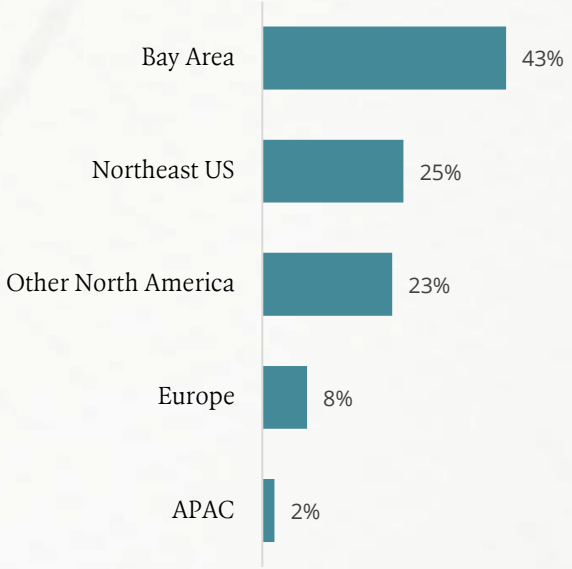
By ARR Range



By AI Product Maturity[1]



By Location[2]



1 AI product maturity ratings only applicable in select timeframe (Q1 2024 – Q2 2025)
2 Location of company headquarters; many companies included have international operations

Executive Summary

Public Market Context: Efficient Growth Has Become the Primary Signal, and AI is Reshaping Expectations

Following two years of macro-driven volatility and performance misses, the public software market is beginning to show signs of stabilization, underpinned by improved forecasting, better execution, and rising investor confidence in AI tailwinds

- **Public company valuation multiples remain below historical peaks**, but early signs point to renewed investor appetite for high-growth companies
- **The Rule of 40 has emerged as the strongest predictor of valuation**, with correlation to public multiples consistently surpassing growth or NRR over the last year
- **However, growth still commands a premium:** A 1-point increase in revenue growth has ~2x the impact on valuation compared to an equivalent increase in FCF margin

But while macro uncertainty persists, companies are adapting, and AI is becoming a counterweight to broader caution:

- **Beat rates are recovering**: Median beat vs. guidance is ~2.2% in Q1 2025, suggesting software companies are generally managing volatility, and some are beginning to benefit from AI-driven demand
- **AI is now a pervasive theme**: 94% of public earnings calls mention AI, with rising focus on "AI agents" and tangible product investments
- **Private markets are doubling down**: AI company funding in 1H 2025 (~$377B) has already exceeded the amount in all of 2024, reflecting strong conviction in the next frontier of software

After a turbulent reset period, the market is recalibrating - rewarding companies that demonstrate not just growth and discipline, but also a credible AI strategy. Investors are anchoring on efficiency today across the broader software market, but placing option value on an AI-fueled upside tomorrow. We are also seeing AI-native companies redefine the growth curve, reshaping expectations across the market, and emerge with a new playbook.

Source: Quarterly operating and financial data from the companies included

Software Fundamentals: Stabilizing Topline, Improving Efficiency

As market volatility abates, software fundamentals are showing signs of equilibrium. While top-line momentum remains uneven, companies are driving meaningful bottom-line improvements through efficiency-first execution.

- **ARR growth has leveled off across the broader software market**; green shoots are emerging in mid-stage ($50-100M ARR) companies
- **Net dollar retention is settling at a ~110–120% range**, particularly strong among early-stage companies; churn and downsell remain stable

Efficiency metrics are starting to show real traction:

- **CAC payback remains extended** at ~16 months for top quartile companies, but appears to have plateaued
- **Rule of 40 is holding at ~50%, with FCF now contributing ~45% of the composite** - a reversal from growth-dominated years
- **Net magic number has stopped declining**, signaling GTM efficacy is stabilizing
- **ARR per FTE is improving**, and outpaces OpEx per FTE, indicating real leverage from org redesigns, AI tooling, and workforce shifts

The New Levers of Efficiency: AI and Workforce Redesign

Beneath the improving metrics is a broader operational transformation. Companies are not just cutting costs – they are rewiring how they scale.

- **AI adoption is nearly universal**: 80% of companies report active experimentation or implementation of internal AI tools across workflows, with adoption expected to grow through 2026
- **Offshoring is also accelerating**, with offshore headcount rising from 24% to 30% of the workforce YoY, particularly in engineering and support roles

These shifts are translating into real outcomes:

- High AI adopters report **improvements across key sales efficiency and R&D productivity indicators**
- **Burn multiples are gradually improving**, as automation and labor arbitrage increase productivity

Source: Quarterly operating and financial data from the companies included

Age of AI: A New Operating Model Is Emerging

AI is no longer just a product feature – we believe it is reshaping the entire operating model of modern software companies, from how products are built to how revenue is captured, teams are structured, and value is measured.

AI-native companies are **redefining the growth curve** - scaling 2-3x faster, more leanly, and more efficiently than traditional SaaS peers. They reach $100M ARR in just 1-2 years, often with fewer than 20 employees, and convert trials at nearly double the industry rate.

But these outcomes are not just the result of product velocity - they stem from a **fundamentally different go-to-market and organizational playbook**.

AI-native companies are dedicating **more GTM headcount to post-sales** and utilizing forward-deployed engineers to bridge the gap between AI capabilities and business impact. AI-native companies are also building high-leverage teams, **prioritizing R&D headcount and technical fluency**.

Importantly, this playbook is not limited to AI-first startups. Incumbents are also showing signs of renewed growth by embedding AI deeply into their existing product line, suggesting that disruption is not inevitable - and execution still wins.

Even in an AI-transformed environment, **the fundamentals of enduring software businesses still apply** - growth, retention, efficiency, and scalability. But the bar has been raised. The winning teams are adapting those fundamentals to a faster, more technical, and AI-native world. We believe the **ICONIQ Enterprise Five remain reliable markers of excellence across scale**. What is changing is how quickly and efficiently companies are expected to hit them.

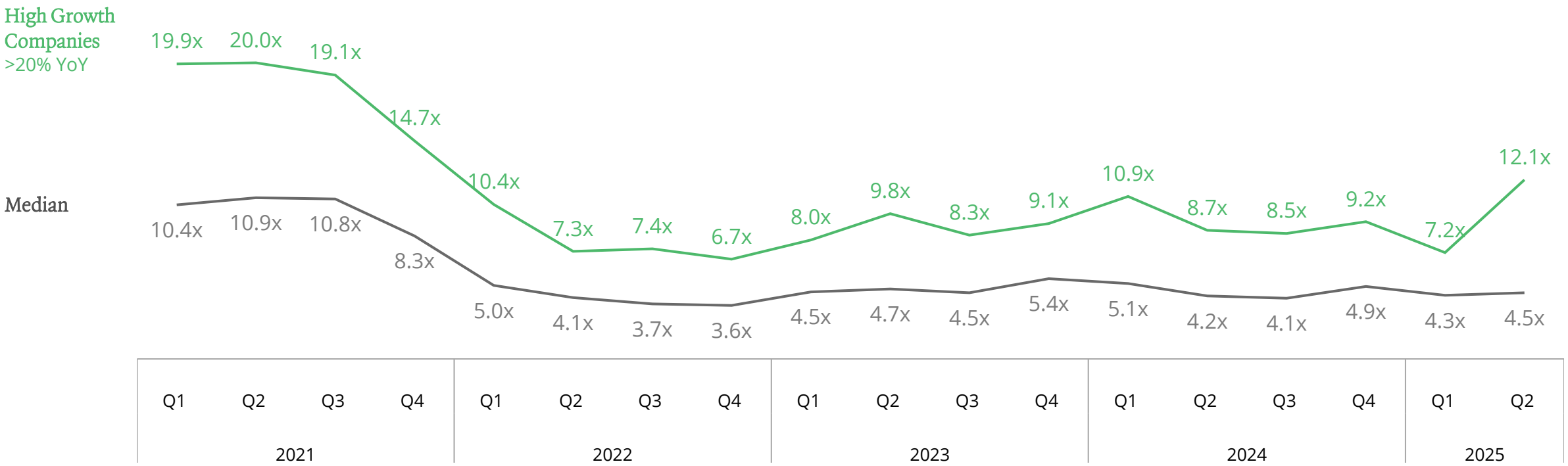
Source: Quarterly operating and financial data from the companies included

State of the Market

Valuation multiples for software companies remain below historical peaks, but early signs point to renewed investor appetite for high-growth companies

Public Software Revenue Multiples

EV / NTM Revenue, Public Enterprise SaaS Companies



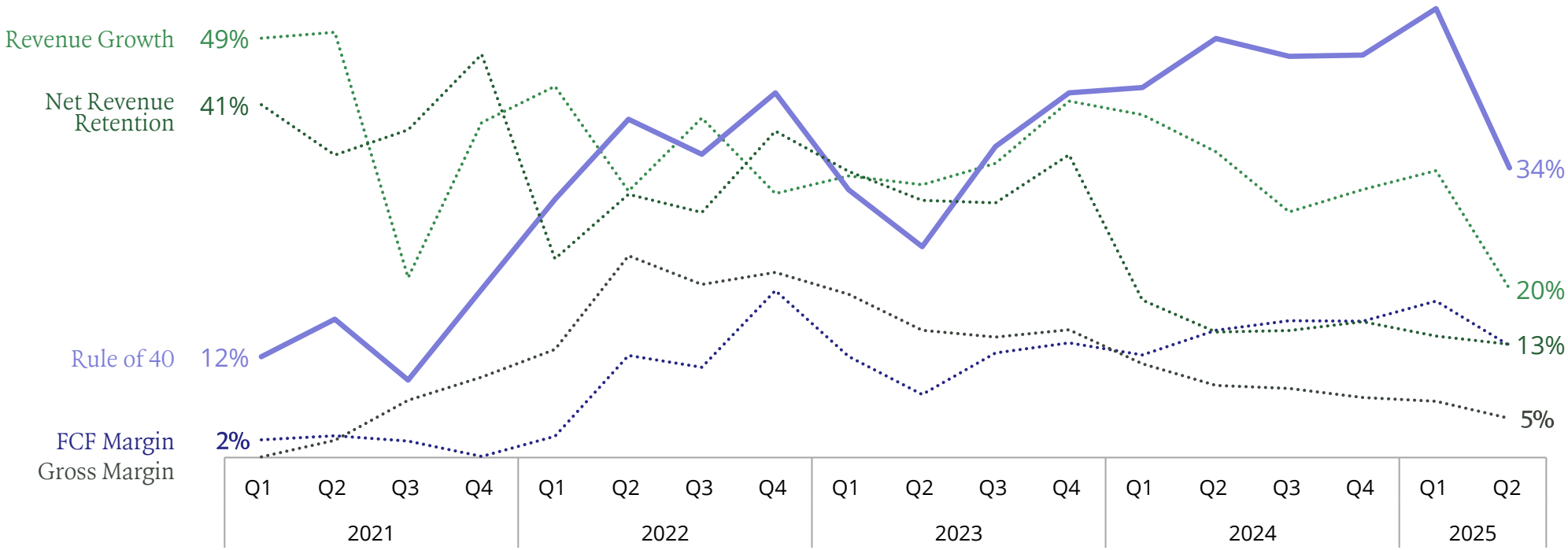
Based on dataset of select public enterprise SaaS companies who IPO'd between 2013-2024, where data is available; Data from public company 424B4 filings and CapIQ as of Q2 2025

Rule of 40 has emerged as the dominant signal for valuation, signaling the importance of efficient growth

Correlation Analysis of Various Drivers

R-squared to EV / NTM Revenue, Public Enterprise SaaS Companies

We hypothesize the decline in correlations in Q2'25 is likely due to market environment changes rather than company fundamentals, with valuation multiples likely more impacted by macro risk factors (e.g. interest rates, geopolitical uncertainty, etc.) and narrative shifts in investor focus (i.e. AI-driven TAM)



Based on dataset of select public enterprise SaaS companies who IPO'd between 2013-2024, where data is available; Data from public company 424B4 filings and CapIQ as of Q2 2025

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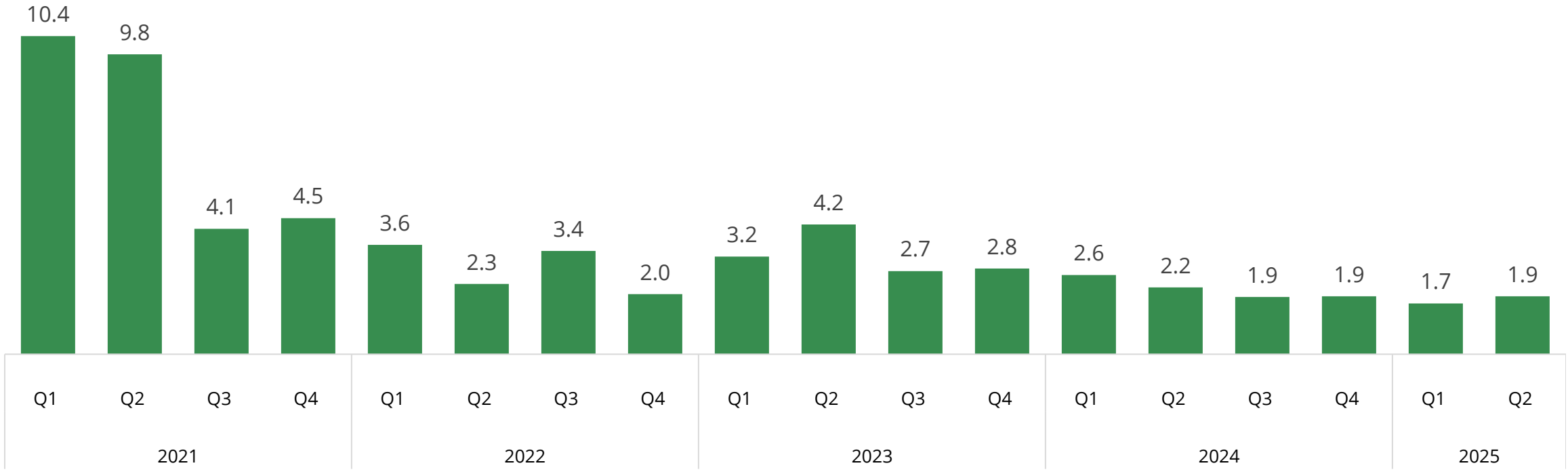
However, growth still commands a premium; a 1% increase in revenue yields ~2x the impact of equivalent FCF improvement

Growth Coefficient: Relative Importance of Growth vs. FCF Margin

Growth Coefficient Corresponding with Highest Correlation in Valuation Equation, Public Enterprise SaaS Companies



Notes: (1) Outliers were excluded based on biggest deviation from standard regression line
Source: Company financials from CapIQ as of Q2 2025

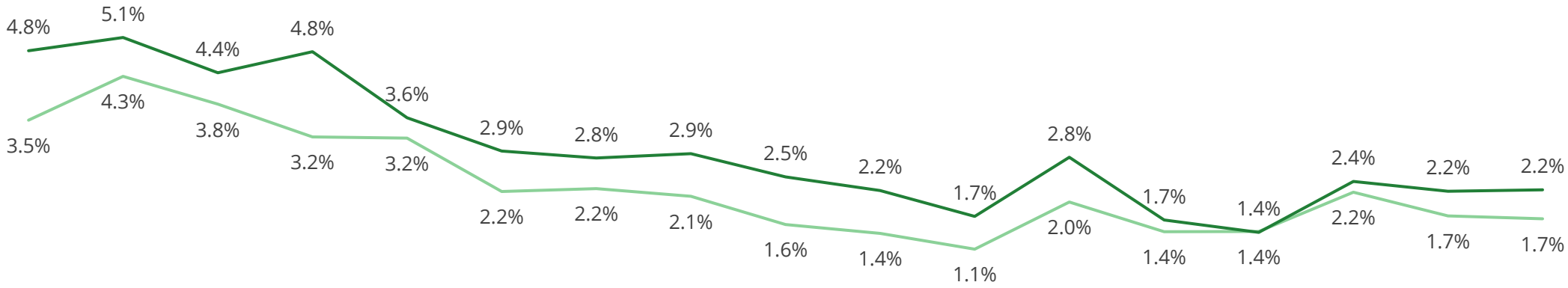
Stabilization in revenue beats suggests software companies are managing volatility, and perhaps some are beginning to benefit from AI-driven demand

% Beat above Revenue Guidance and Consensus[1]

Public Software Companies

Beat Against Management Guidance
Median: 2.8%

Beat Against Consensus
Median: 2.1%



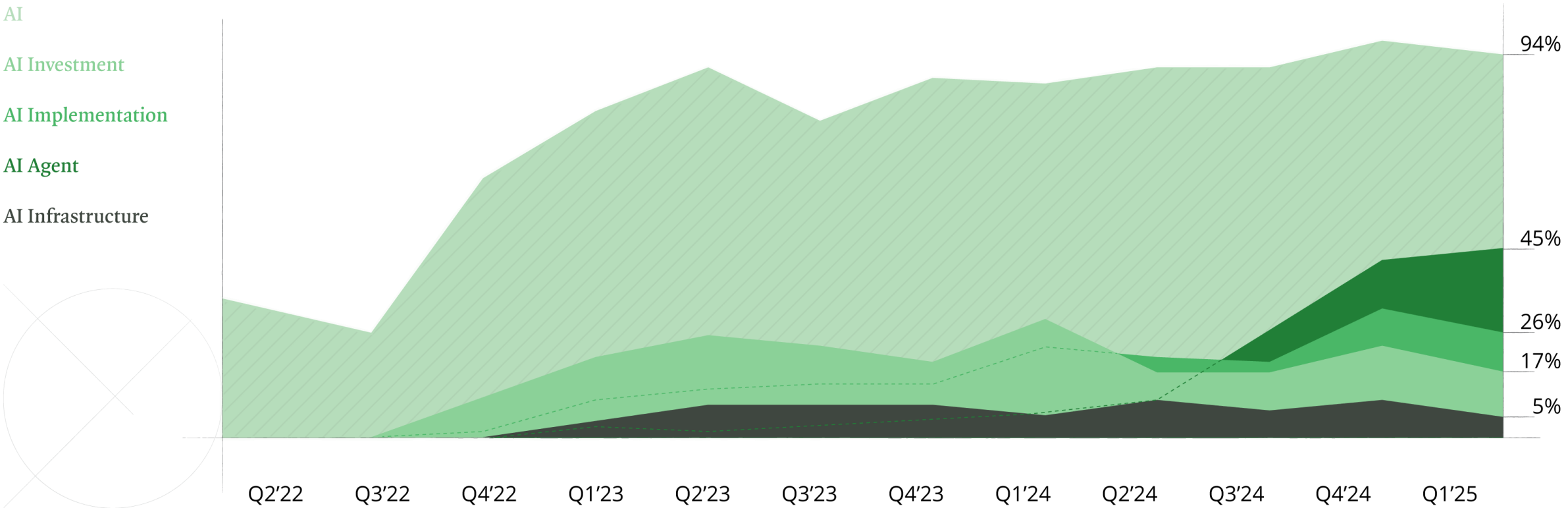
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2021				2022				2023				2024				2025
% of Companies That Missed Mgmt Guidance	2%	4%	3%	6%	6%	7%	12%	8%	4%	4%	13%	13%	6%	11%	0%	5%	3%
N-Size	54	63	79	90	92	92	92	92	92	92	92	93	93	94	95	95	64

Source: Based on dataset of select public enterprise SaaS companies who IPO'd between 2H2013-2024, where data is available; Data from company S1s and quarterly earnings
1 Calculated as % above management revenue guidance for the quarter

AI has emerged as a theme since ChatGPT launched in 2022, reflected in the growing number of mentions during earnings calls, with recent narrative shifting towards agent-based capabilities

% of Public Earnings Call Mentioning AI Keywords

Public enterprise SaaS companies

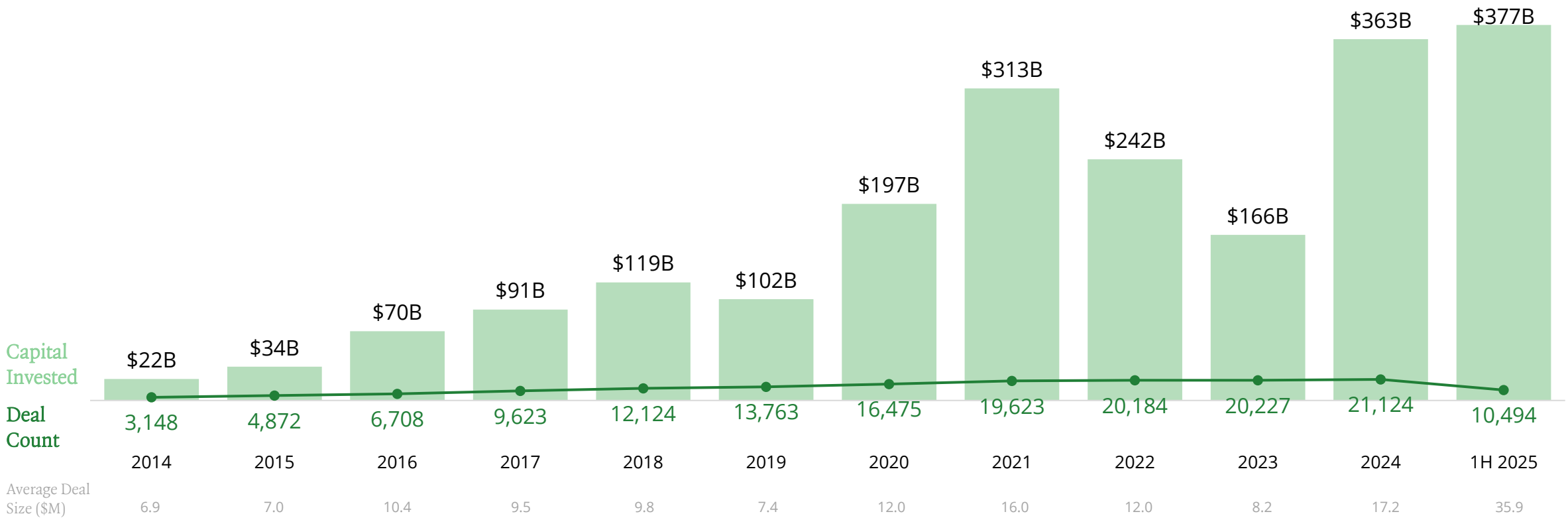


Based on dataset of select public enterprise SaaS companies who IPO'd between 2013-2024, where data is available (N=78)

In the private markets, a significant amount of capital is also being deployed towards AI companies; notably, 1H funding for AI companies already exceeds full-year 2024 levels

Capital Invested and Deal Count

Private AI / ML Companies



Source: Pitchbook data as of 7/22/2025 for capital invested and deal count in private artificial intelligence and machine learning verticals

Longitudinal Software Performance

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Based on our dataset of 100+ software companies, software fundamentals are now showing resilience: companies have offset muted growth by improving efficiency and cost discipline

Topline

ARR Growth

Relatively flat growth compared to 2024, light reacceleration of growth for mid-stage companies in 2025

Net Dollar Retention

Showing signs of stabilization YoY at ~110-120%

Gross New ARR

Expansion and new logo contributions to gross new ARR are stabilizing YoY

Gross Churn ARR

Logo churn and downsell contributions to churned ARR have remained relatively stable YoY

Efficiency

CAC Payback

Payback periods are moderately shorter compared to 2024 at ~16 months

Net Magic Number

Showing signs of stabilization vs 2024

Rule of 40

Improving YoY across ARR scale buckets

ARR per FTE

Improving YoY for companies across ARR scale buckets

Burn Multiple

Improving YoY as a result of increased focus on efficiency

Source: Quarterly operating and financial data from the companies included

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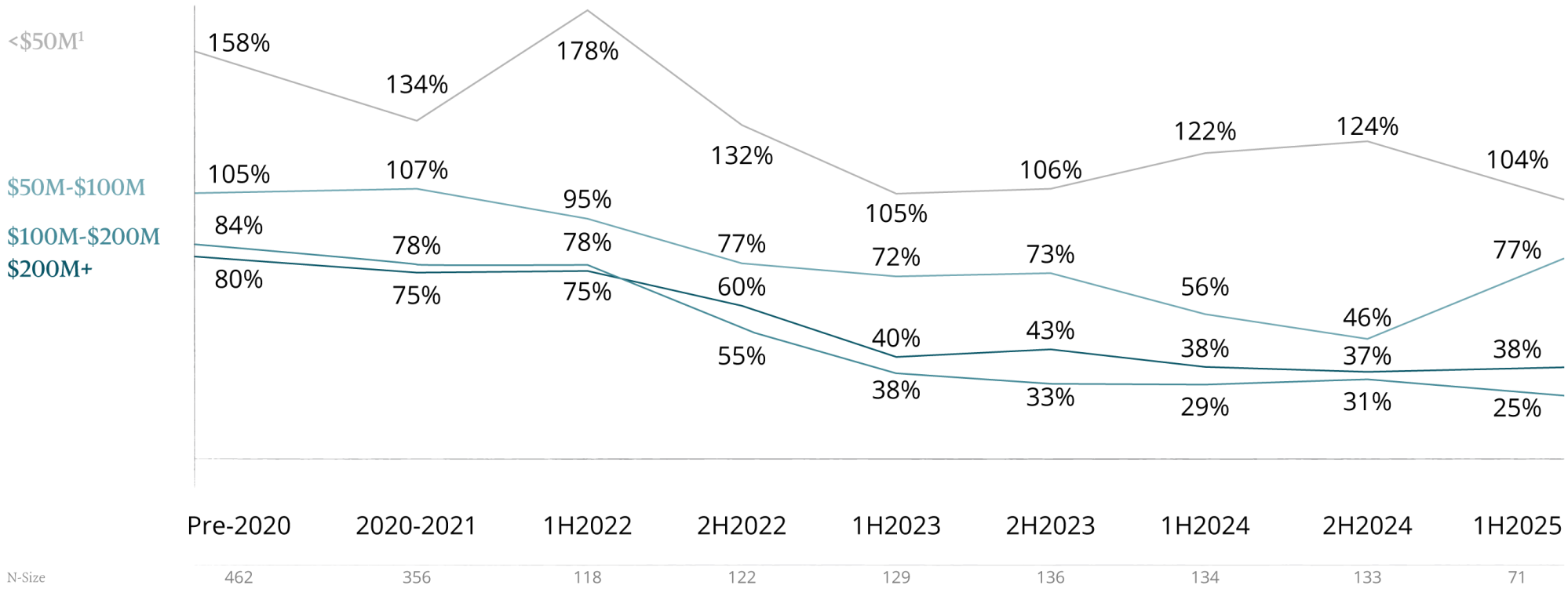
Year-over-year ARR growth has declined over the last 3 years; however, ARR growth is now stabilizing across the software sector, with green shoots in mid-stage companies ($50-$100M ARR)

YoY ARR Growth

Top Quartile by ARR Range and Half Year

While growth is stabilizing across the broader software market, we also have seen the entry of new AI-native companies that are growing exponentially. Read more on Page 37.



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

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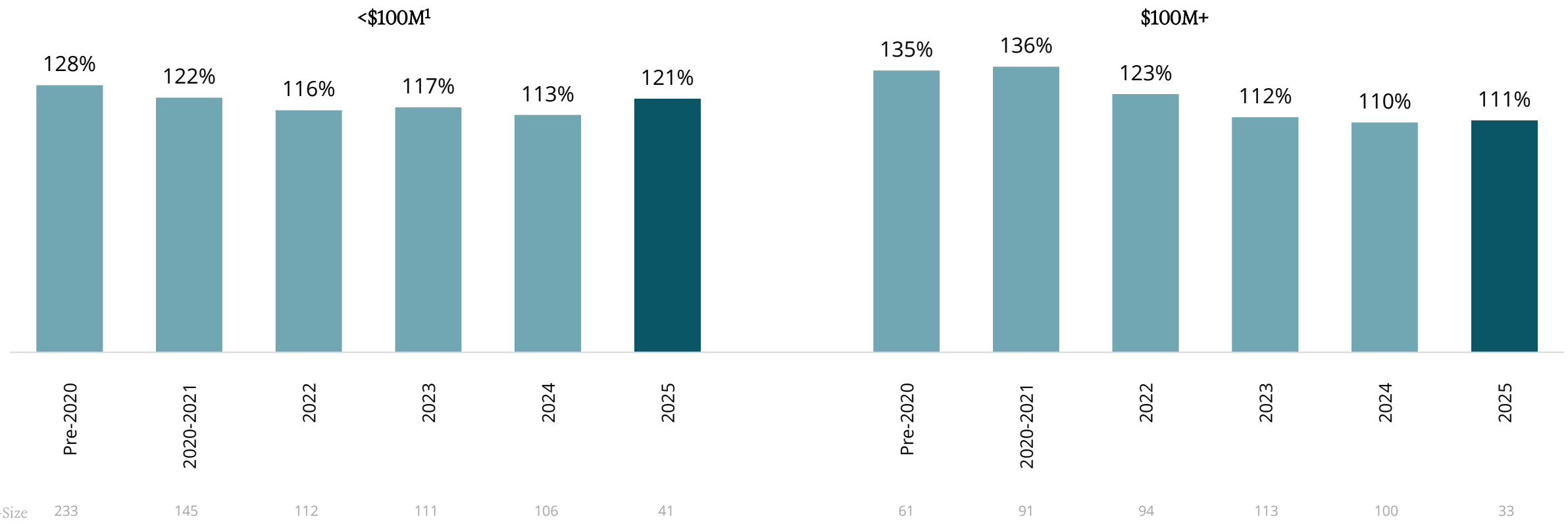
Net dollar retention is settling into the 110-120% range, and is particularly strong for early-stage companies in 2025

Net Dollar Retention

Top Quartile by ARR Range and Year



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

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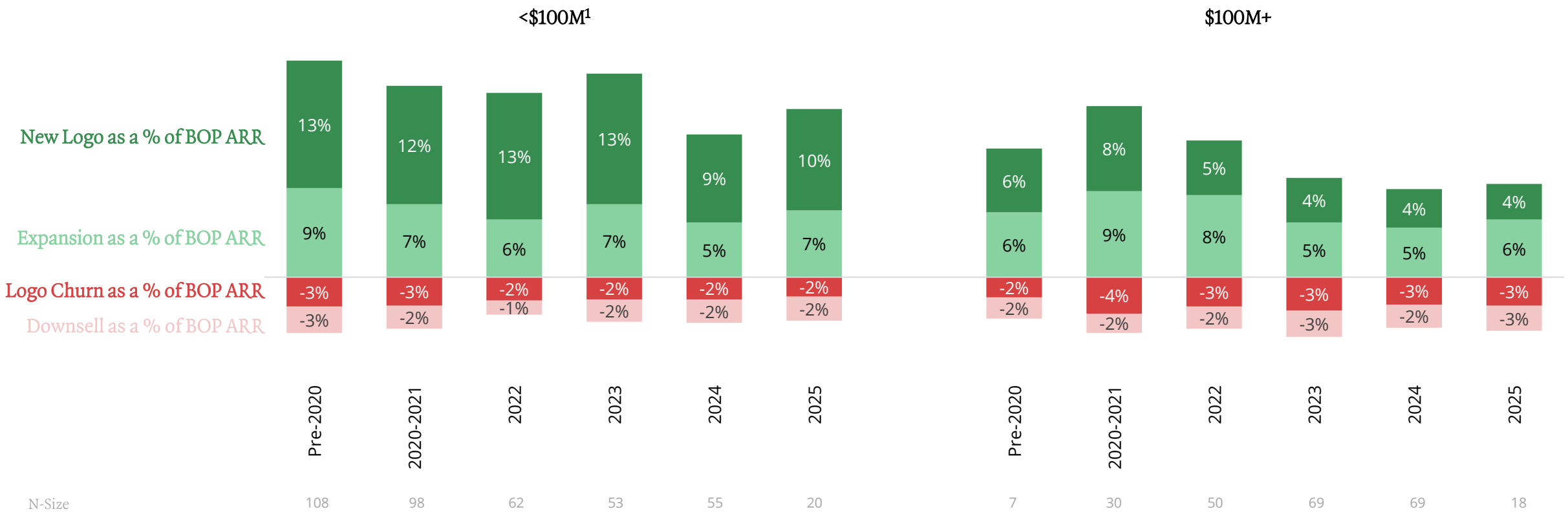
While gross churn has remained fairly stable, expansion and new logo contributions to ARR in 2025 have fallen compared to the high-growth environment of 2021

Expansion, New Logo, Logo Churn, and Downsell ARR as a % of Beginning ARR

Average by ARR Range and Year



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

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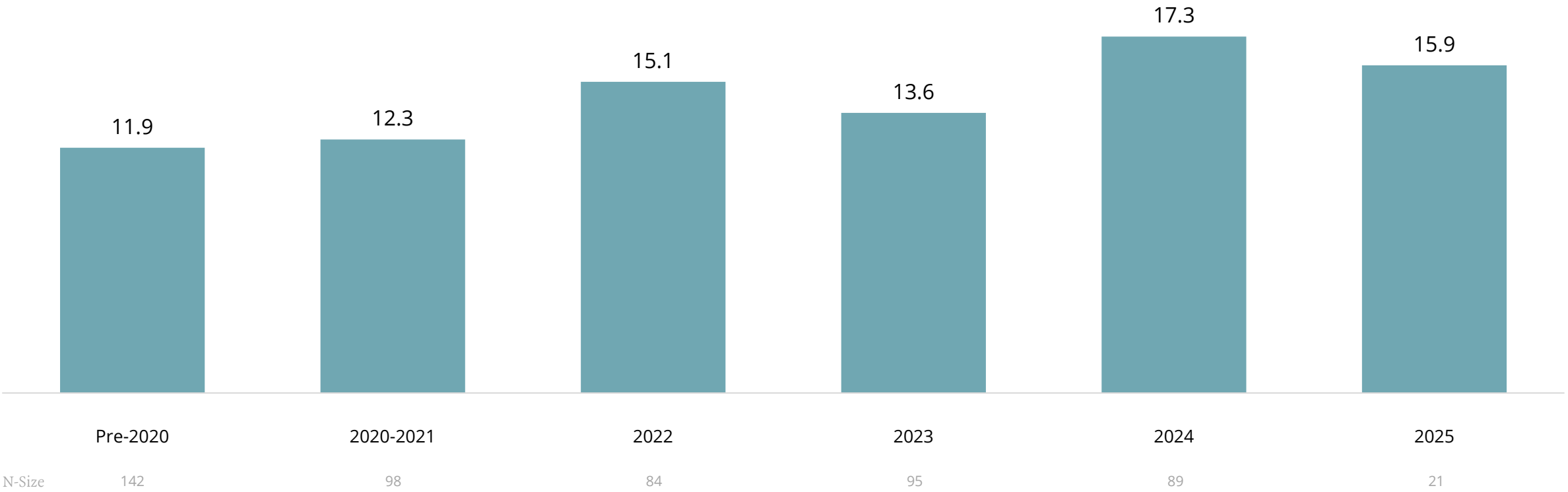
Payback periods for new customer acquisition remain extended, but appear to have plateaued at ~16 months, suggesting a potential turning point in acquisition efficiency

CAC Payback Period (in Months)[1]

Top Quartile [2] by Year



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

2 Top quartile refers to 25th percentile for CAC Payback Period

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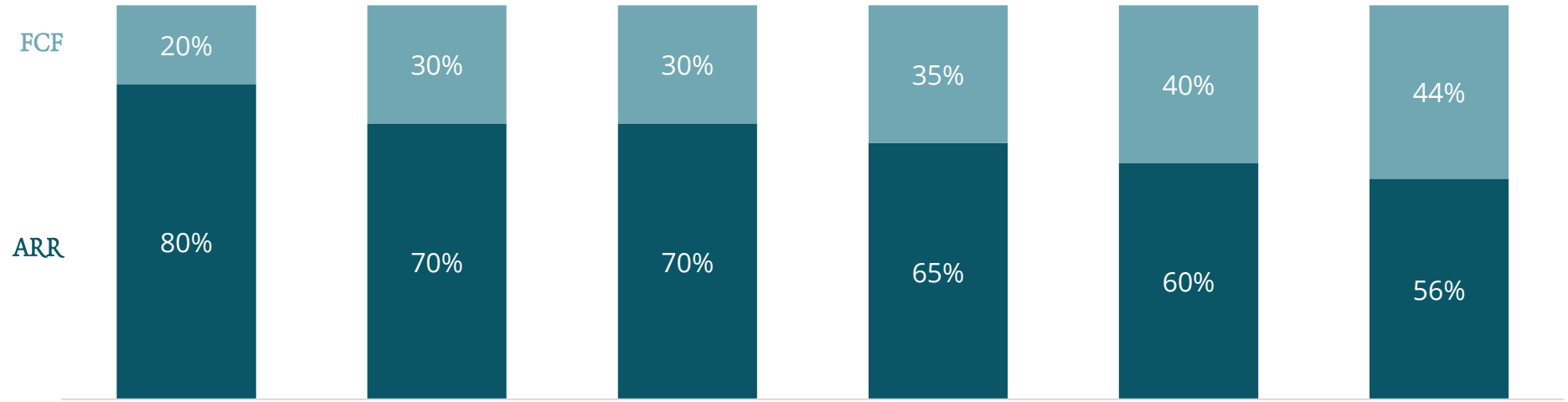
Companies have shifted to focus on efficiency as demonstrated by an increasing contribution of free cash flow margin to Rule of 40 (vs ARR growth) over time

ARR Growth vs FCF Contribution as a % of Total Rule of 40[1]

Average, profitable and positive growth companies only

While efficiency remains a priority across the broader software market, AI-native companies are exhibiting rapid growth, resulting in a higher ARR-driven contribution to their Rule of 40 performance.[2]



	Pre-2020	2020-2021	2022	2023	2024	2025
Median Rule of 40	78%	73%	64%	47%	47%	50%
N-Size	104	98	49	79	84	33

Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

2 Based on ICONIQ network perspectives and quarterly financial data from our venture and growth portfolio companies

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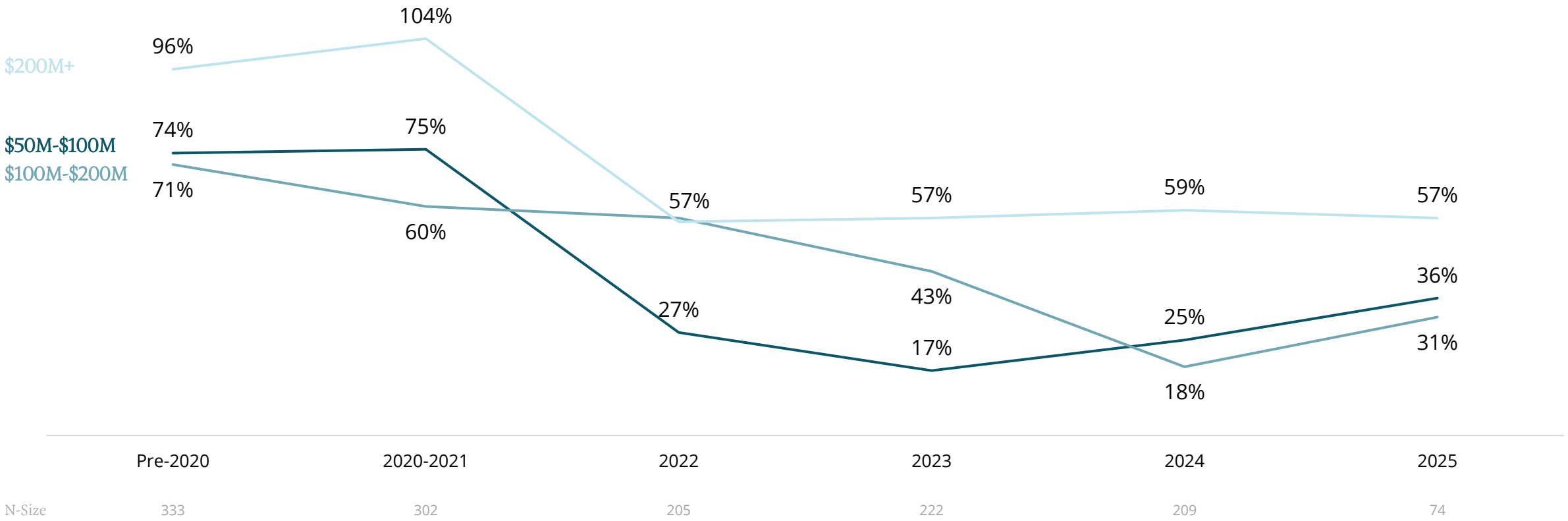
The recent focus on efficiency has resulted in Rule of 40 gradually improving across scale buckets

Rule of 40

Top Quartile by ARR Range and Year



N-Size	Pre-2020	2020-2021	2022	2023	2024	2025
	333	302	205	222	209	74

Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available
Rule of 40 calculated as YoY ARR Growth + FCF Margin
Rule of 40 is less relevant for companies under <$25M ARR

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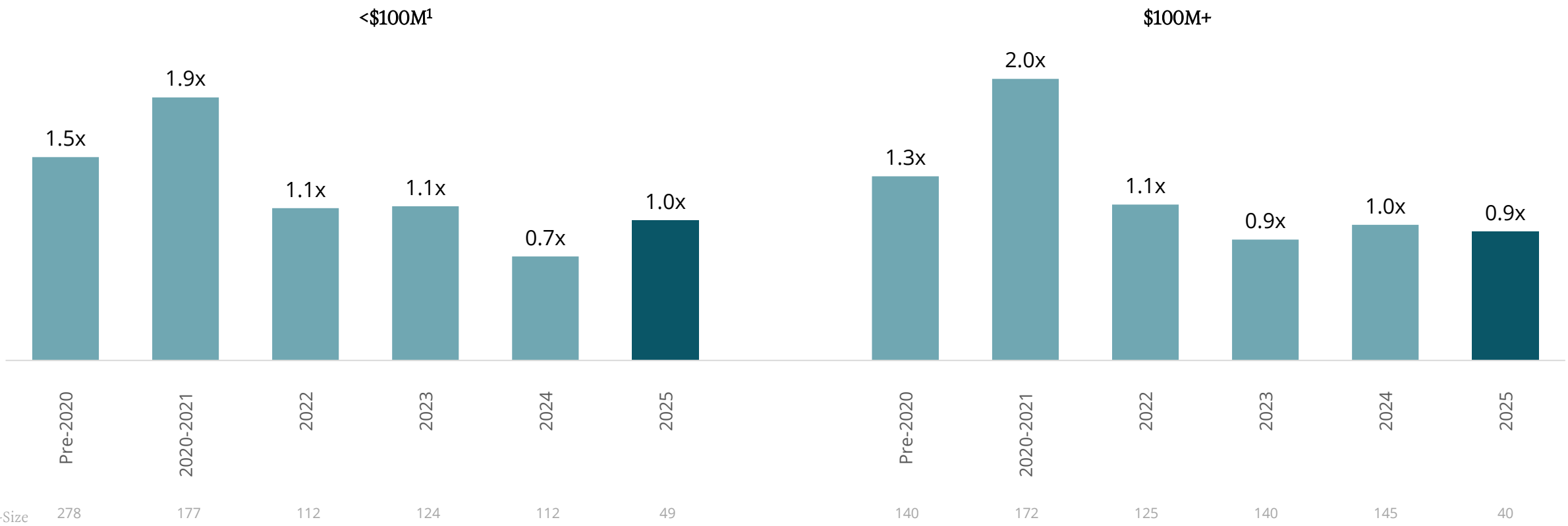
This trend is also evident in sales efficiency stabilizing after years of decline, although net magic number is still below pre-2020 norms, underscoring the headwinds software companies continue to face in driving net new ARR growth

Net Magic Number

Top Quartile by ARR Range and Year



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

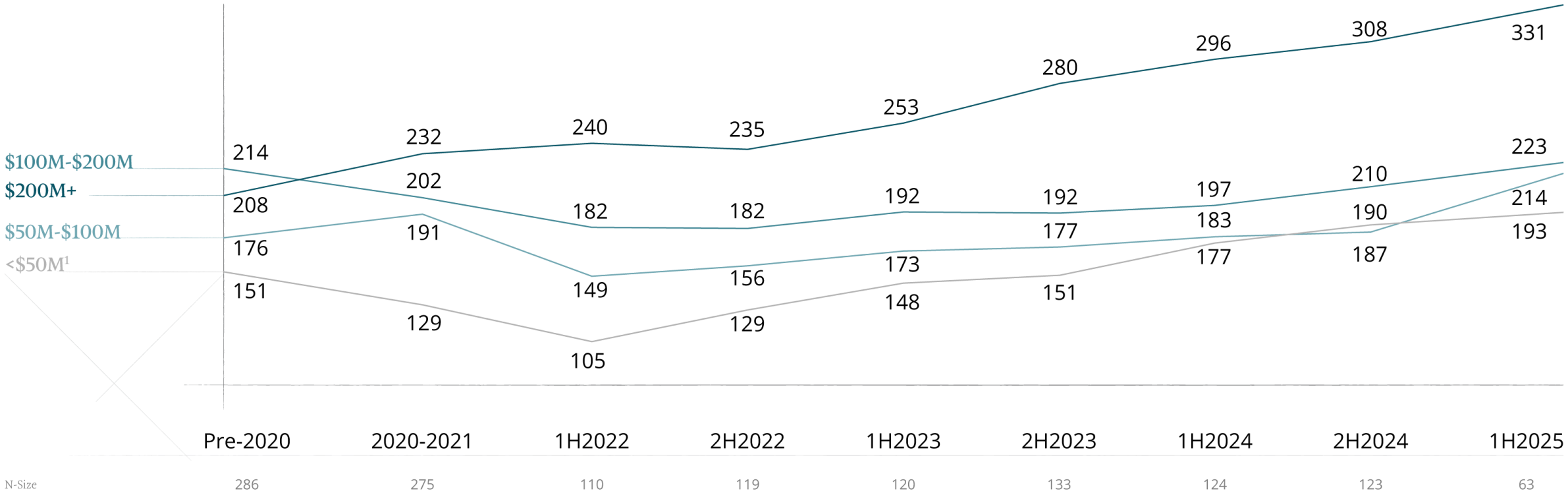
1 Companies <$10M ARR excluded

ICONIQ

Headcount efficiency, measured by ARR per FTE, has also started to show positive signs of improvement, suggesting that cost reduction efforts like strategic RIFs, AI tool implementation, and offshoring are paying off

ARR per FTE ($K)

Median by Half Year and ARR Range



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

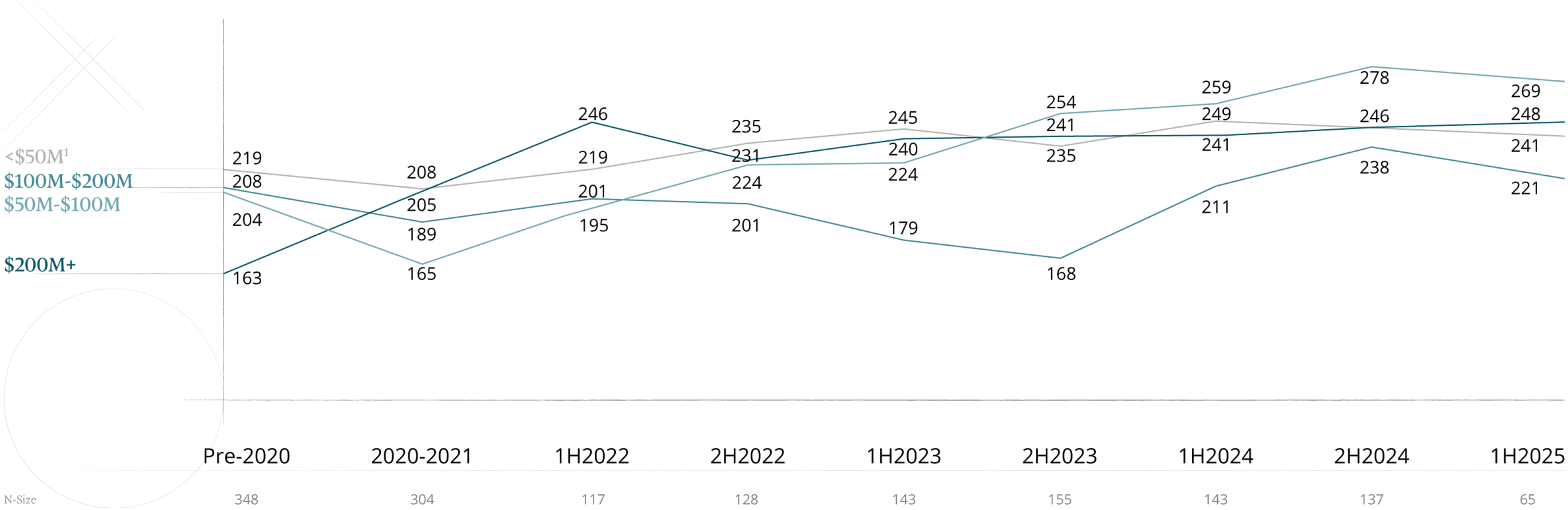
1 Companies <$10M ARR excluded

ICONIQ

In comparison, annualized OpEx per FTE remained relatively stable in the last year, and ARR per FTE outpaces OpEx per FTE, suggesting that overall headcount productivity[1] has increased

Annualized OpEx per FTE ($K)

Median by Half Year and ARR Range



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Headcount productivity defined as ARR per FTE / OpEx per FTE

2 Companies <$10M ARR excluded

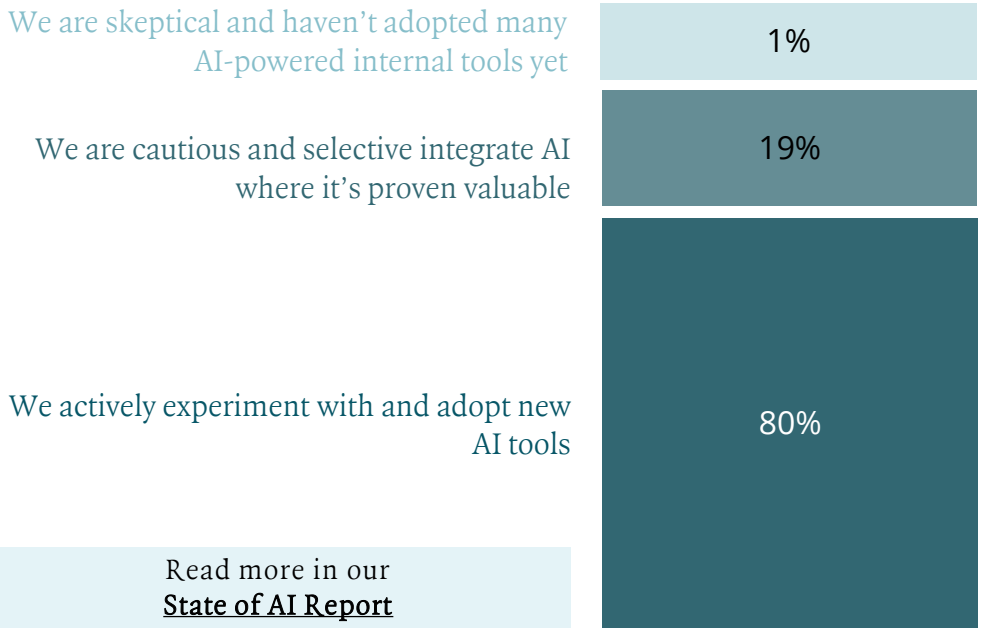
ICONIQ

In pursuit of scalable efficiency, companies may lean into two powerful levers: AI implementation and global workforce strategies

Levers of Efficiency:

Attitude Towards Internal AI Adoption[1]

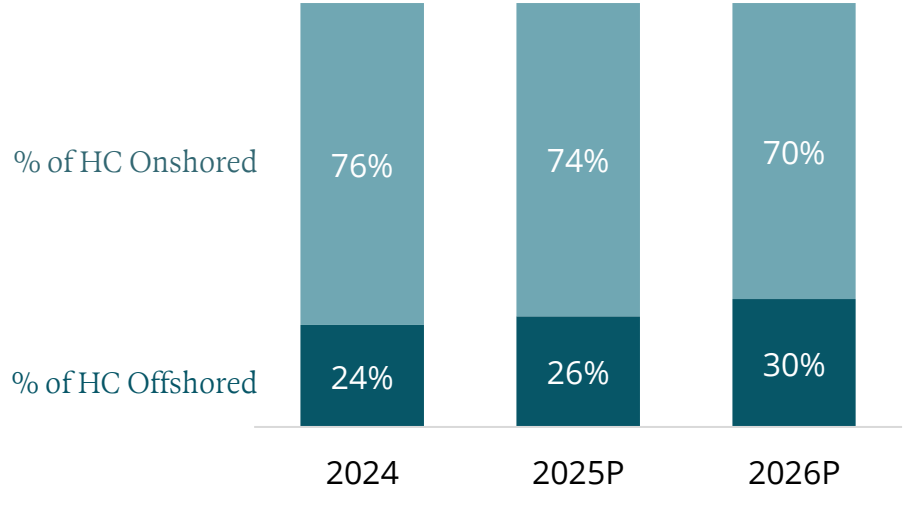
% of Respondents, N = 258



Read more in our
State of AI Report

What is your percent of your headcount is onshore vs offshored?[2,3]

% of Respondents, N = 41



The most common outsourced roles sit within the R&D function (e.g., engineering, development)

1 ICONIQ GenAI Survey (April 2025)
2 ICONIQ Annual Growth Operating Trends Survey (March 2025)
3 Onshore headcount is defined as headcount located in the primary location of operations. Offshored headcount is defined as bottom-line driven international headcount.

ICONIQ

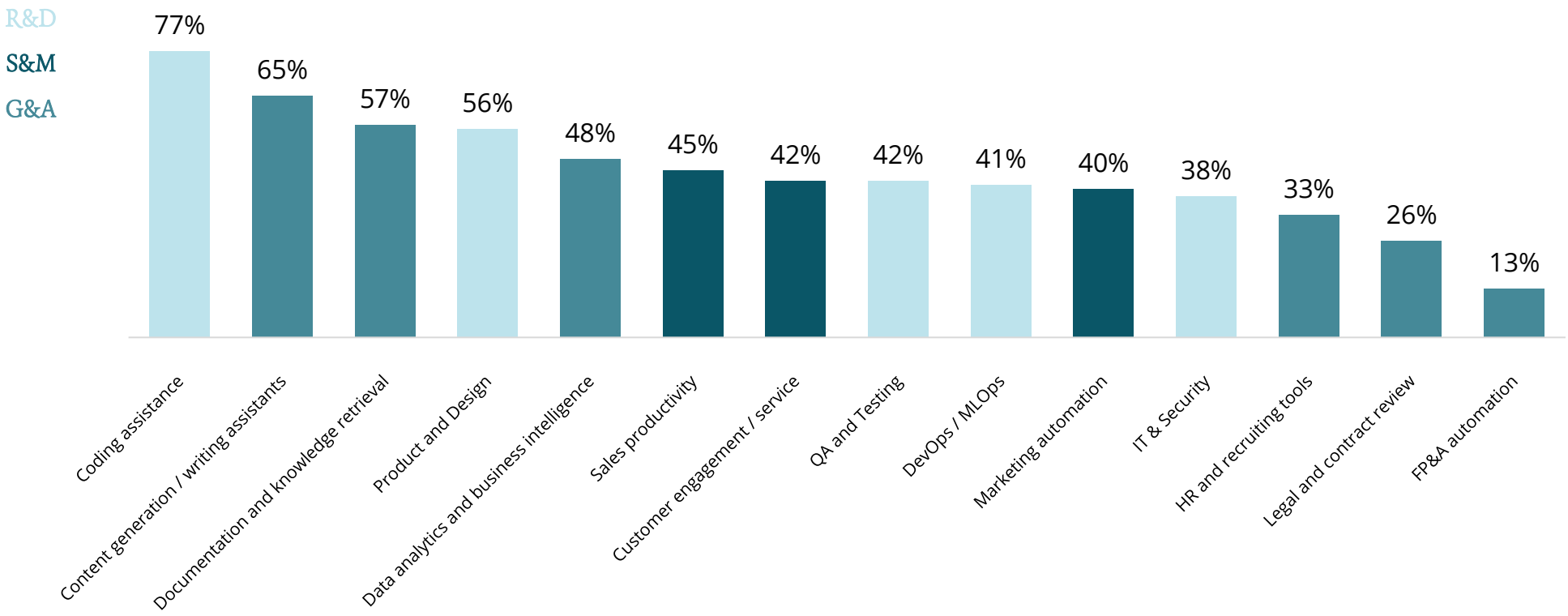
Companies are using AI to transform their internal operations and workflow, with significant adoption in use cases across R&D and S&M

Top Use Cases

% of Respondents, Select All That Apply, N = 258

The most common AI use cases in GTM are primarily oriented around top- and mid-funnel activities such as **lead generation**, **campaign and content creation**, and **meeting transcription / analysis**.

Read more in our **State of GTM Report**



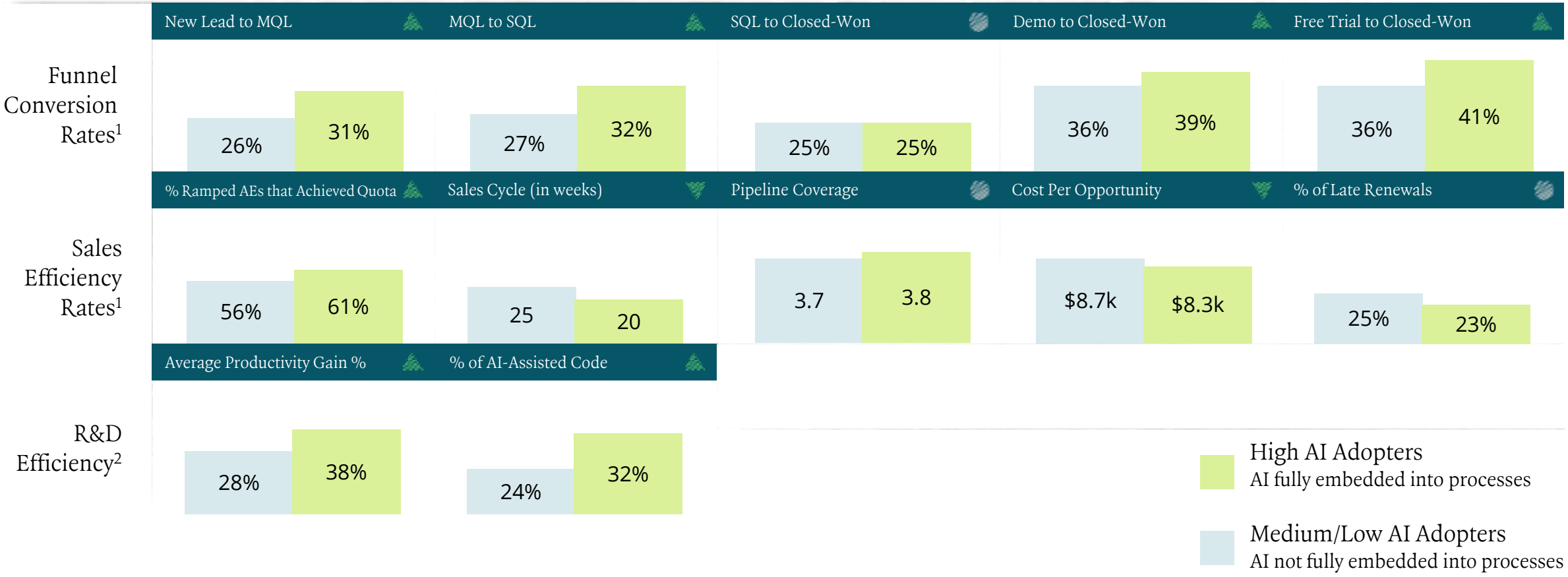
Source: ICONIQ GenAI Survey (April 2025)

ICONIQ

These investments are showing early signs of return, notably, AI adopters are generally outperforming peers across key go-to-market and engineering indicators

Sales and R&D Productivity Scorecard by Internal AI Adoption Level

Averages



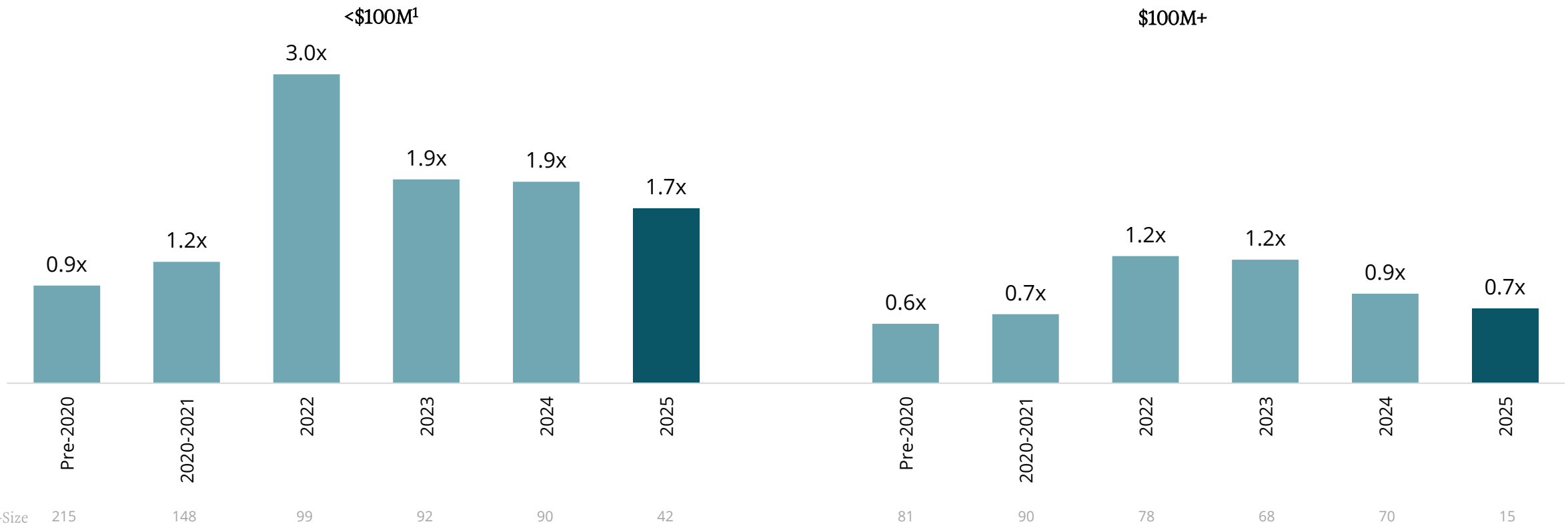
1 ICONIQ proprietary survey of GTM executives (April 2025)
2 ICONIQ GenAI Survey (April 2025)

ICONIQ

We believe burn multiples are gradually improving across segments as a result of AI automation and labor arbitrage

Burn Multiple (FCF / Net New ARR)

Median by ARR Range and Year, unprofitable companies only



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies s from 2013 – Q2 2025, where data is available

1 Companies <$10M ARR excluded

ICONIQ

These shifts reflect 2025 strategic priorities stated in Q1 2025, with GTM acceleration, AI adoption, and revenue retention being the most widely reported priorities for the year

2025 strategic priorities of our venture and growth portfolio companies

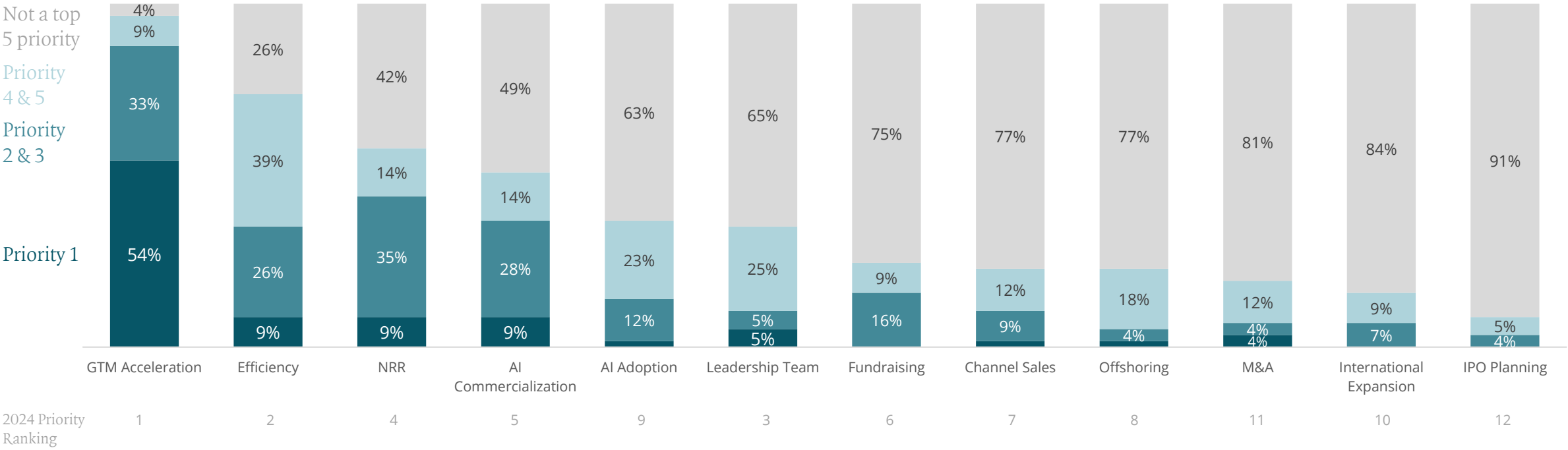
As of March 2025, N-Size = 58

GTM Acceleration was the **#1 Priority** in 2024 and 2025

Efficiency and **NRR** remained in the Top 5 Priorities YoY

AI Adoption increased to **Priority #5** from **#9** YoY

M&A, Int'l Expansion, and **IPO** Planning remained lower priority YoY



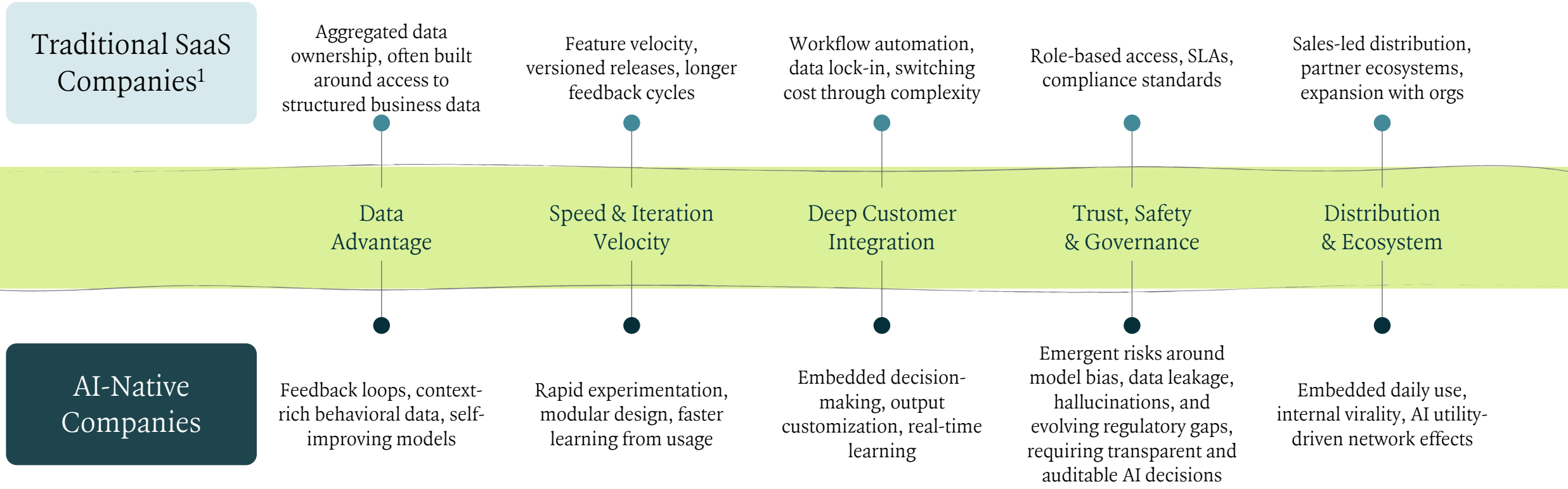
Source: ICONIQ Annual Growth Operating Trends Survey (March 2025)

What does good look like in the age of AI?

ICONIQ

In the AI-native era, we believe defensibility hinges on learning loops, embedded intelligence, and rapid iteration – not just distribution or scale

Building Defensible Moats in the AI Era



Source: Based on ICONIQ network perspectives and quarterly financial data from our venture and growth portfolio companies
1 Includes Non-AI and AI-enabled companies

ICONIQ

Many AI companies are generally shifting success measurement from feature usage to adoption, engagement, and measurable ROI

Example Metrics Tracked at AI-Native and AI-Enabled Companies

Adoption

We believe AI product adoption is a leading indicator of **market fit** and **product stickiness**. Strong adoption signals early interest and perceived value in the product.

Example Metrics:

Active user counts
Net new ARR
Paid pilot ARR
Self-serve ARR
Free POC to paid customer conversion

Engagement

AI product engagement reflects the frequency and depth of product use. High engagement typically suggests that the AI products are integrated into workflows and are prime for **retention** and **expansion**.

Example Metrics:

WAU / MAU ratio
Retention curve
(e.g., % of 1st day DAUs that retained as WAUs)
Power user ratio
PR / marketing
AI mentions
Renewals

Business Outcomes

AI-related business outcomes are tangible results achieved through integration of AI into workflows. Business outcomes are critical to **validate ROI** of AI products.

Example Metrics:

Number of resolutions handled by AI
Cost or time savings due to AI products
Number of AI agents deployed
CSAT

Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

AI-native companies typically scale faster and with fewer resources than non-AI-native companies, reaching $100M ARR in 1–2 years with lean teams

Select examples of AI-native companies from 0 to $100M ARR:

IIElevenLabs

AI audio research

Time to Achieve $100M ARR: ~2 years
Est. Employee Count at $100M ARR: ~150

CURSOR

AI-powered code editor

Time to Achieve $100M ARR: 1 year
Est. Employee Count at $100M ARR: ~19

glean

AI work platform

Time to Achieve $100M ARR: 3 years
Est. Employee Count at $100M ARR: ~1000

Lovable

AI-powered software development

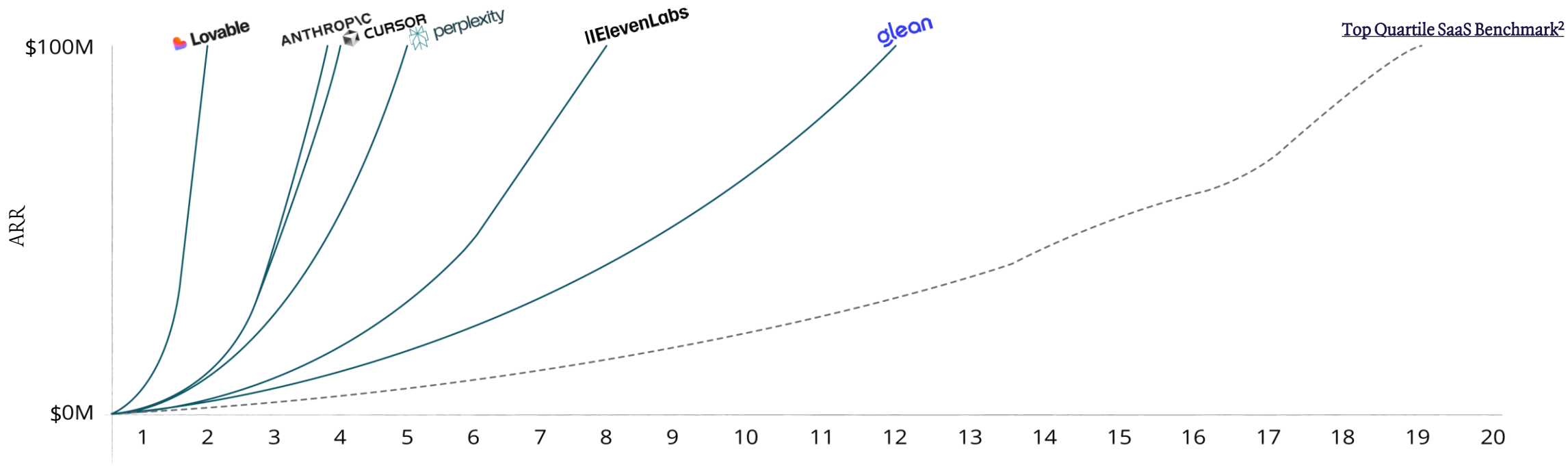
Time to Achieve $100M ARR: 8 months
Est. Employee Count at $100M ARR: 45

Source: Figures above are based on company announcements, press releases, and publicly available headcount data from Harmonic

ICONIQ

In particular, AI-native companies are generally compressing time to scale by 2-3x vs traditional SaaS benchmarks

Quarters from $1M to $100M ARR[1]



1 Assumes exponential growth estimated $1M ARR or product launch date (based on public data availability) and most recent year company reached $100M ARR based on company announcements and press releases.
2 Top Quartile SaaS Benchmark includes only non-AI and AI-enabled companies. AI-native companies are excluded from benchmark. Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

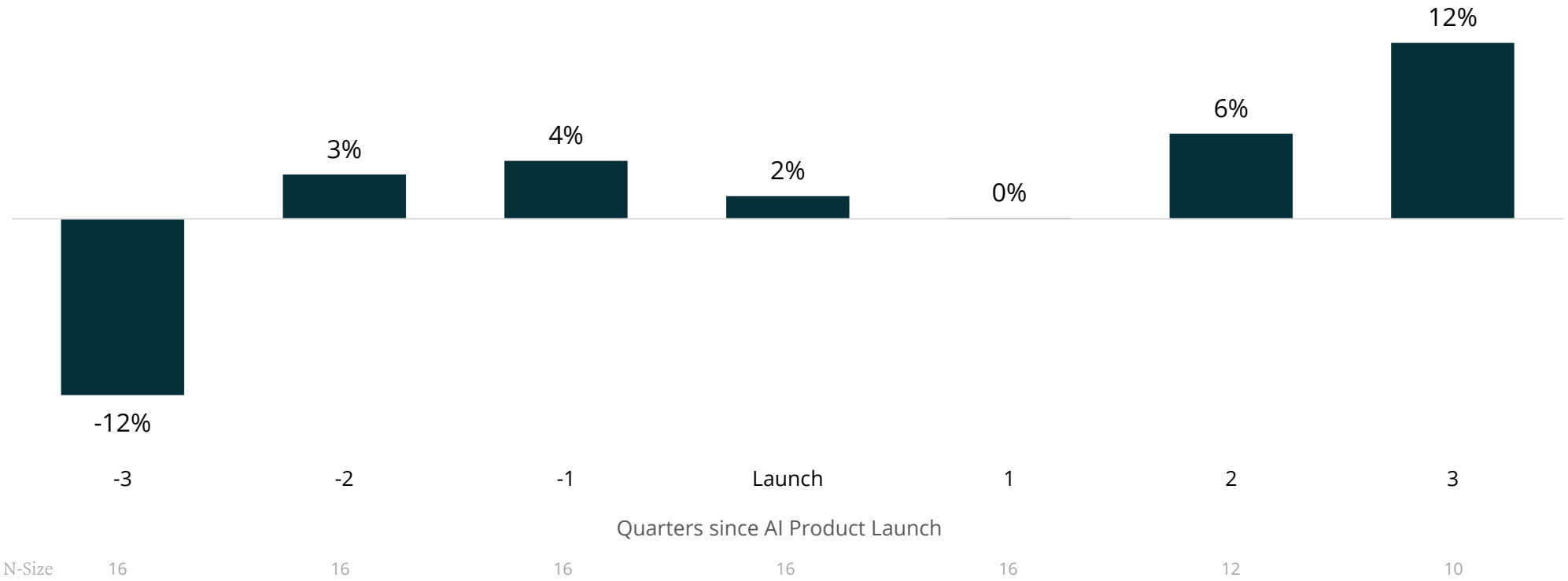
ICONIQ

Non-AI-native companies are also reigniting growth by launching new AI products, showing that late movers can still create upside and capitalize on incumbent advantages by executing quickly and integrating AI into the right workflows

Net New ARR YoY Growth

Median, based on select traditional SaaS companies that have launched an AI product

Launching products generally accelerates net new ARR growth for companies year-over-year, but the acceleration is higher for traditional SaaS companies launching AI products compared to other non-AI product launches in recent years.[1]



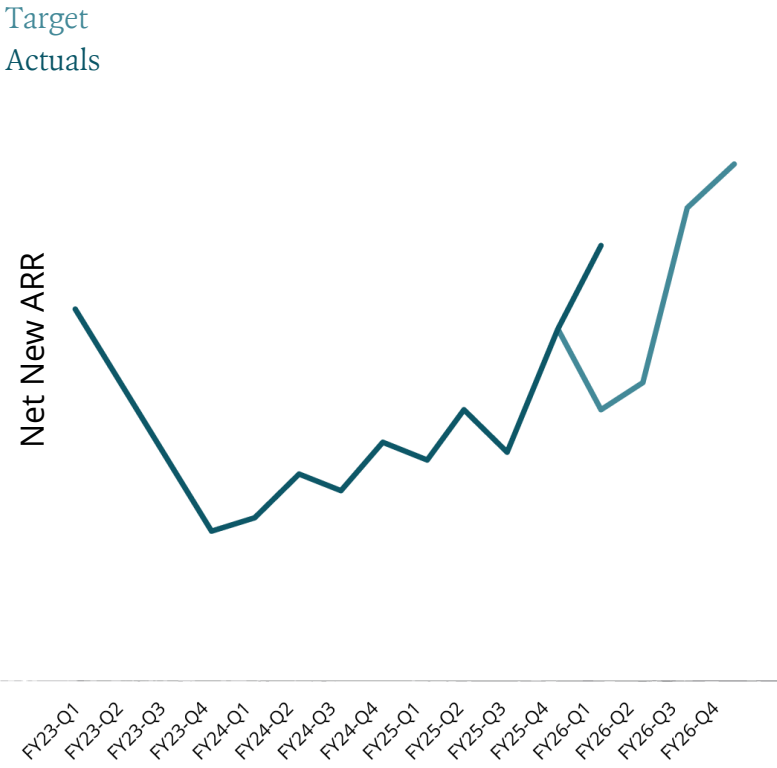
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Based on ICONIQ network perspectives and quarterly financial data from our private venture and growth portfolio companies

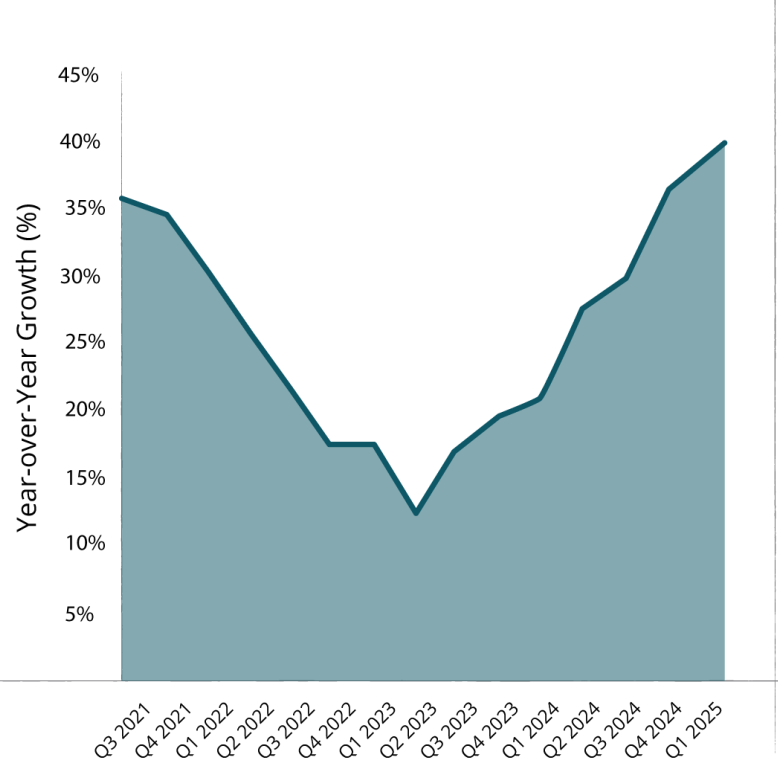
ICONIQ

Some companies are also seeing strong positive momentum in topline growth due to AI product launches following years of decline

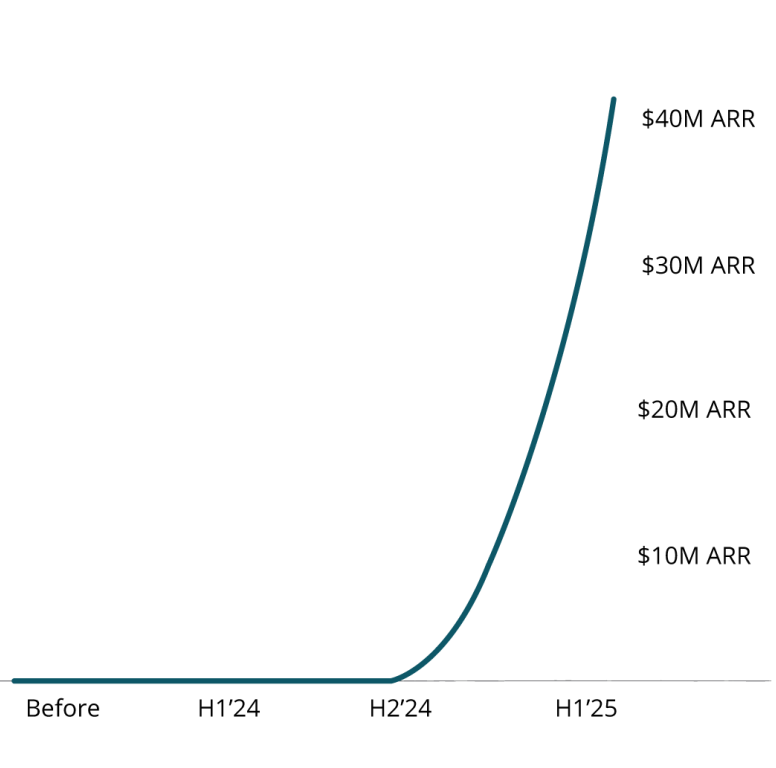
Intercom



Palantir



Bolt



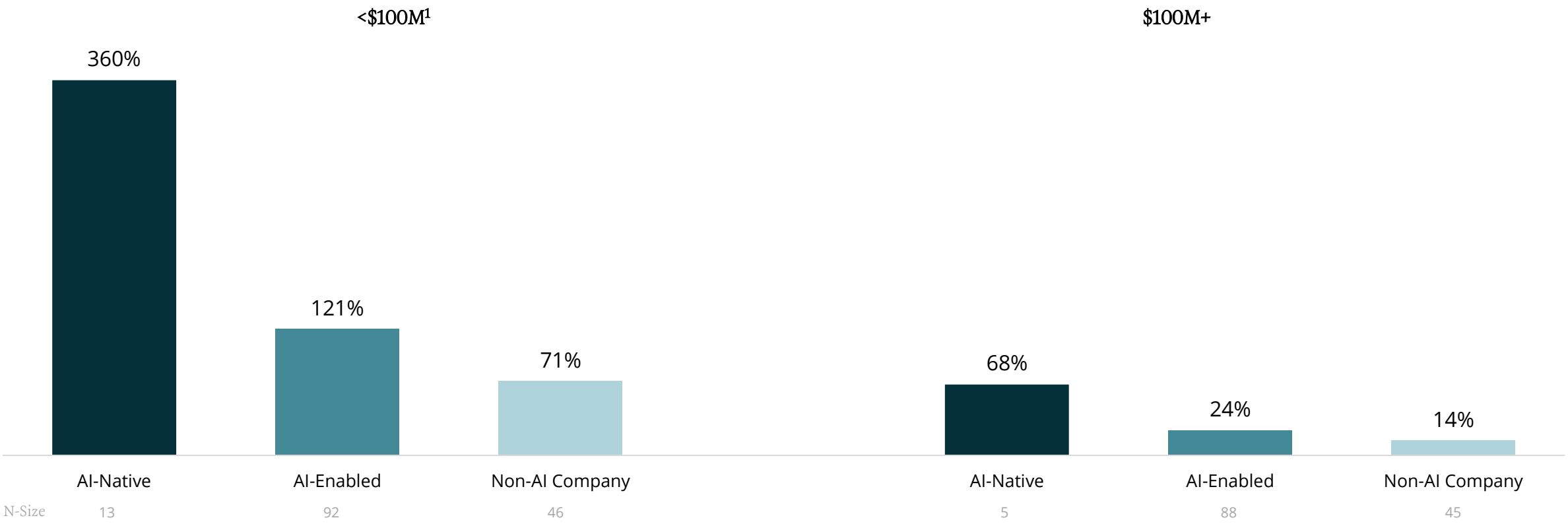
Source: Based on externally reported sources for Intercom, Palantir, Bolt

ICONIQ

AI companies seem to be growing differently, particularly in the early stages – driving outsized new logo growth – but, we expect to see durable expansion ultimately become the long-term engine

New Logo Velocity (Year-over-Year)[1]

Top Quartile by AI Product Maturity and ARR Range



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from Q1 2024 – Q2 2025, where data is available

1 New logo velocity is calculated as ((New Logo ARR) / (Prior Year New Logo ARR)) - 1

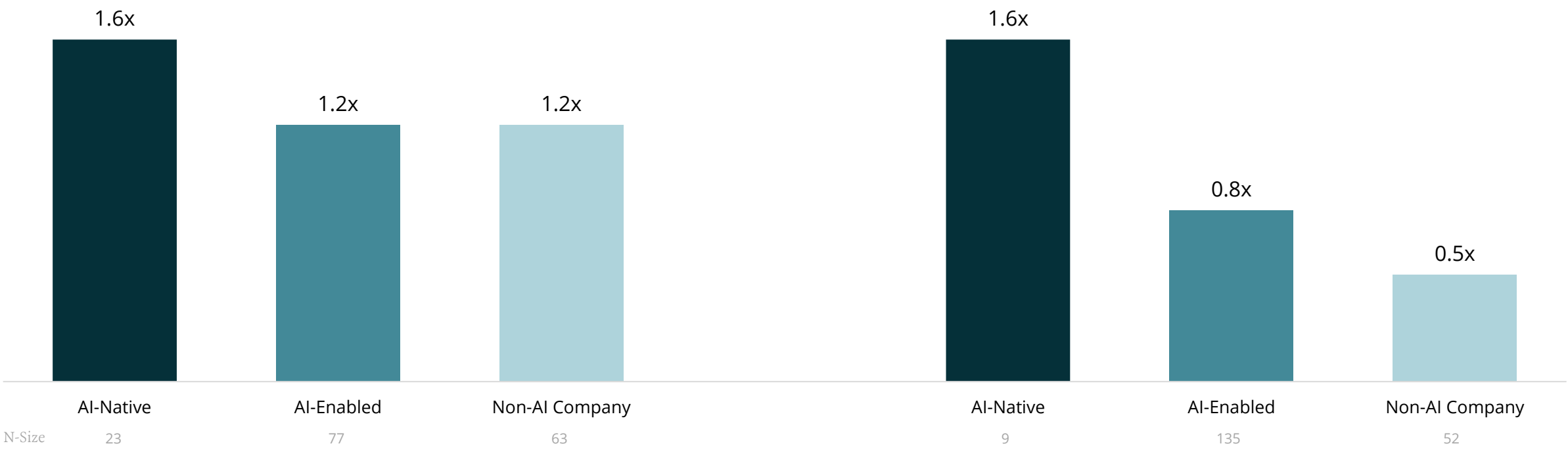
ICONIQ

AI-native companies also generally exhibit strong S&M efficiency, with many AI-driven products seemingly able to sell themselves more effectively

Net Magic Number

Top Quartile, by AI Product Maturity and ARR Range

Read more on GTM headcount ratios in our **GTM Compensation Report**



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from Q1 2024 – Q2 2025, where data is available

ICONIQ

AI-native companies are converting faster at nearly every stage, particularly in trial-to-paid motion, suggesting that AI-native ROI is clearer to customers

Average Funnel Conversion Rates

By ARR Scale

	<$100M ARR		$100M+	
	AI Native	Non-AI[1]	AI Native	Non-AI[1]
New Lead to MQL	28%	30%	26%	22%
MQL to SQL	30%	30%	30%	23%
SQL to Closed Won	26%	25%	28%	23%
Demo to Closed Won	35%	39%	44%	33%
Free Trial / Proof of Concept to Paid Version	43%	37%	56%	32%

AI companies also have shorter sale cycles than non-AI companies (22 vs 26 weeks).

Read more in our **State of GTM Report**

AI-Native companies generally show higher conversion rates within the sales funnel, suggesting **that the ROI on their products are more immediately clear and valuable to customers**. This allows them to convert interest into revenue more efficiently – an even greater advantage in times of macroeconomic uncertainty.

1 Includes AI-Enabled, AI-Infrastructure, and Non-AI SaaS companies

Source: ICONIQ proprietary survey of GTM Executives (2025)

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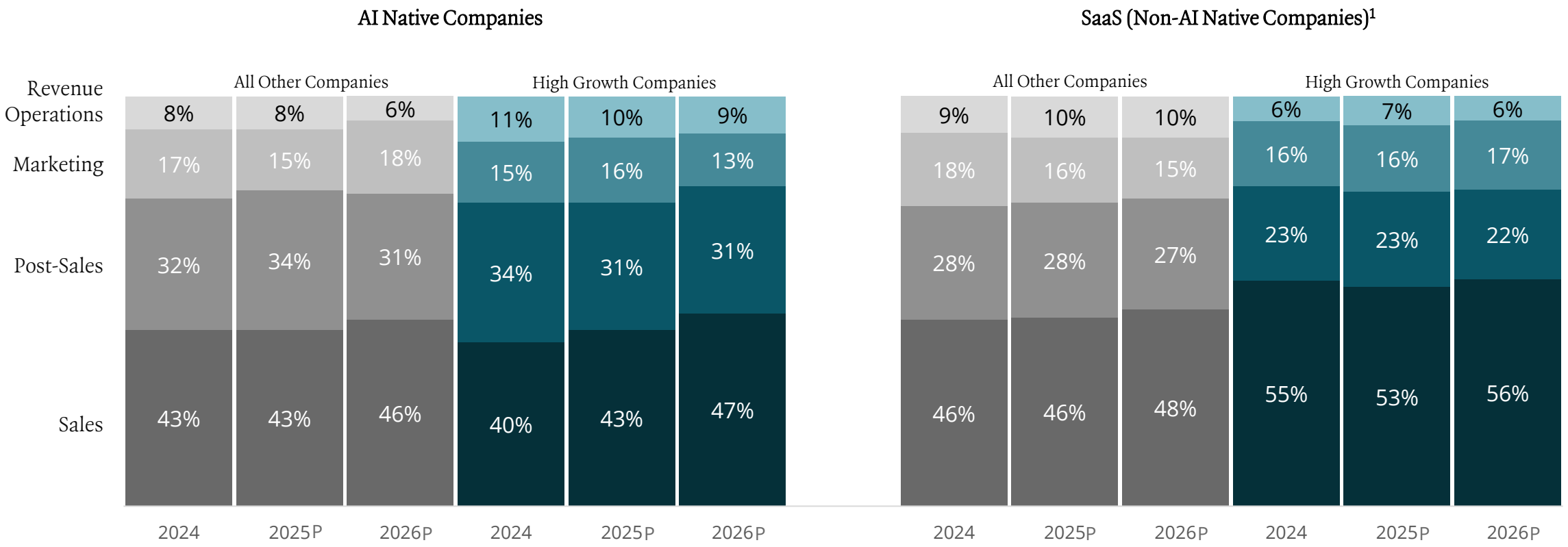
However, for AI offerings where adoption and outcomes determine expansion, investment in post sales becomes increasingly critical

Distribution of GTM FTEs by Team

By Year



1 - Includes AI-Enabled, AI-Infrastructure, and Non-AI SaaS companies
Source: ICONIQ proprietary survey of GTM Executives (2025)
Select companies are referred to as "High Growth" companies because they meet the following criteria: 100%+ YoY revenue growth if <$25M Revenue, 50%+ YoY revenue growth if $25M-100M Revenue, or 30%+ YoY revenue growth if $100M+ Revenue

One example of this trend is the rise of forward-deployed engineers, who allow AI companies to bridge the gap between product capability and customer outcomes

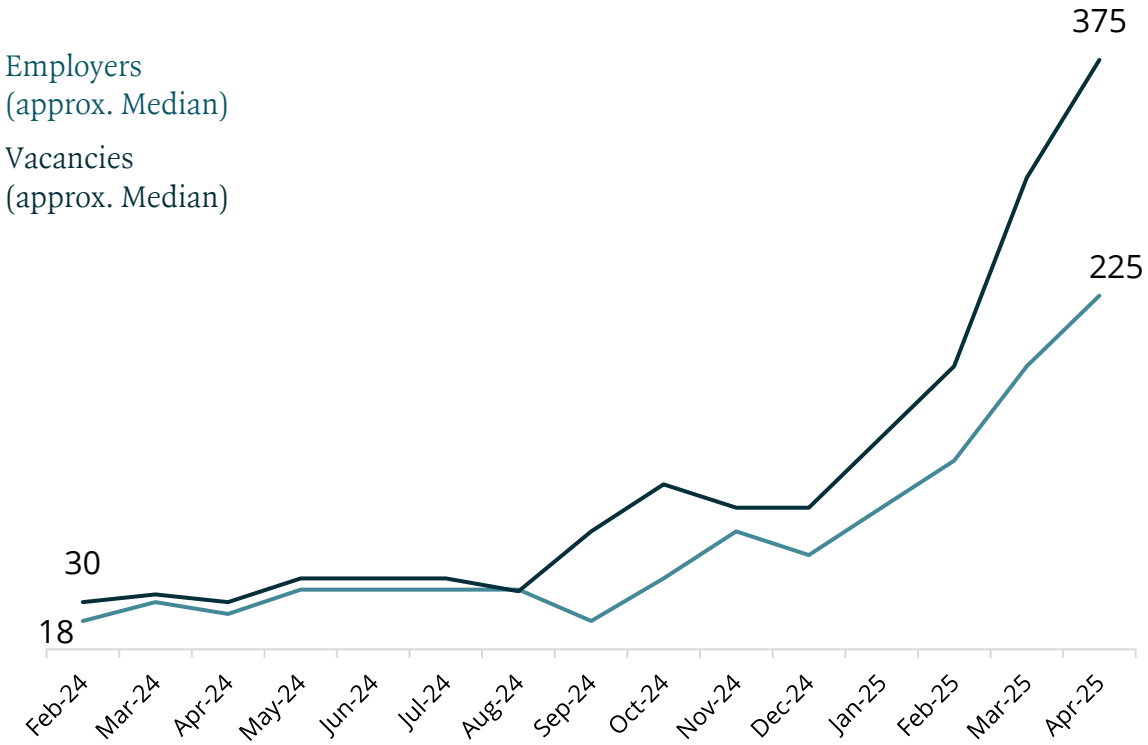
Forward Deployed Engineer Hiring Trend[1]

Active Employers Hiring and Job Vacancies

Forward-deployed engineers can be a powerful lever for services-led growth at AI-native and AI-enabled companies to drive product market fit and revenue acceleration. At AI-native companies, FDEs typically sit within the R&D function and embed directly with customers to rapidly iterate on products based on real-time feedback, **helping shorten time to value.** AI-enabled companies often require deeper integration and technical support across complex workflows where FDEs play a more implementation-driven role and may align more closely with revenue goals.

In an environment where balancing growth and profitability is increasingly important, FDEs must be hired selectively and deployed strategically. Given their high cost, companies should aim to realize at least **a 5–10x return** on this investment through measurable impact on product adoption, expansion, or revenue efficiency.

Nick Cochran, former VP Customer Success @ **Databricks**



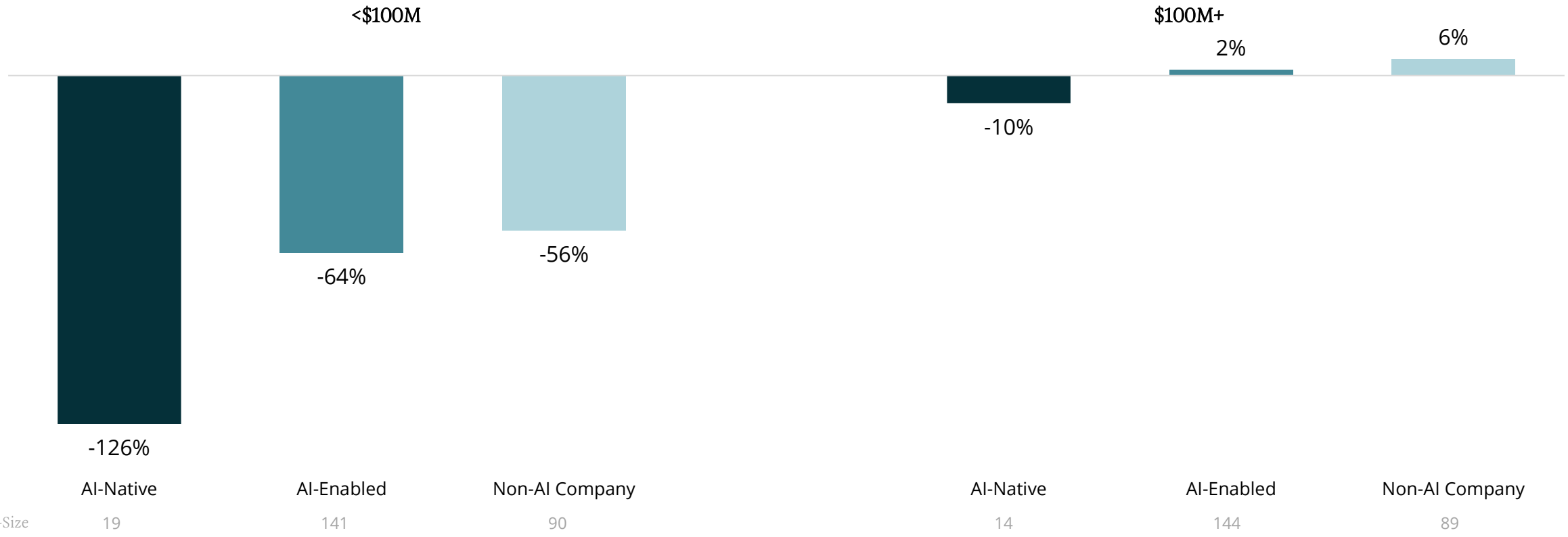
1 Source: Job Zip; average monthly values used from source for employers hiring and job vacancies in analysis

ICONIQ

While AI-native companies can demonstrate tremendous growth compared to their non-AI peers, they also burn cash more aggressively, driven by elevated infrastructure and capital expenditures (e.g., compute costs, GPUs)

FCF Margin

Median, by AI Product Maturity and ARR Range



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from Q1 2024 – Q2 2025, where data is available

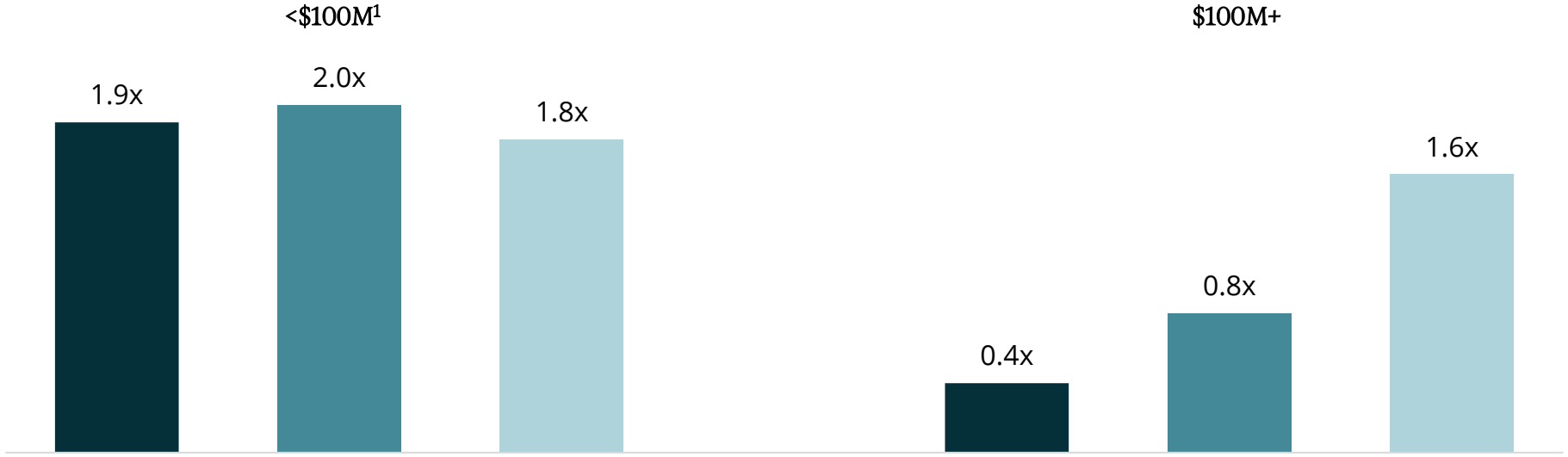
ICONIQ

Despite lower FCF margins, later-stage AI-native companies generally show superior burn efficiency, driven by faster compounding of ARR

Burn Multiple (FCF / Net New ARR)

Median, by AI Product Maturity and ARR Range, unprofitable companies only

While application layer AI companies can demonstrate superior burn, foundational model layer AI companies may have higher burn multiples due to capital intensity and infrastructure costs.[1]



	AI-Native (<$100M[1])	AI-Enabled (<$100M[1])	Non-AI Company (<$100M[1])	AI-Native ($100M+)	AI-Enabled ($100M+)	Non-AI Company ($100M+)
Median FCF Margin	-126%	-77%	-58%	-20%	-15%	-29%
Median Net New ARR	$4.8M	$2.0M	$1.8M	$14.4M	$10.3M	$7.4M
N-Size	17	92	60	8	54	18

Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from Q1 2024 – Q2 2025, where data is available

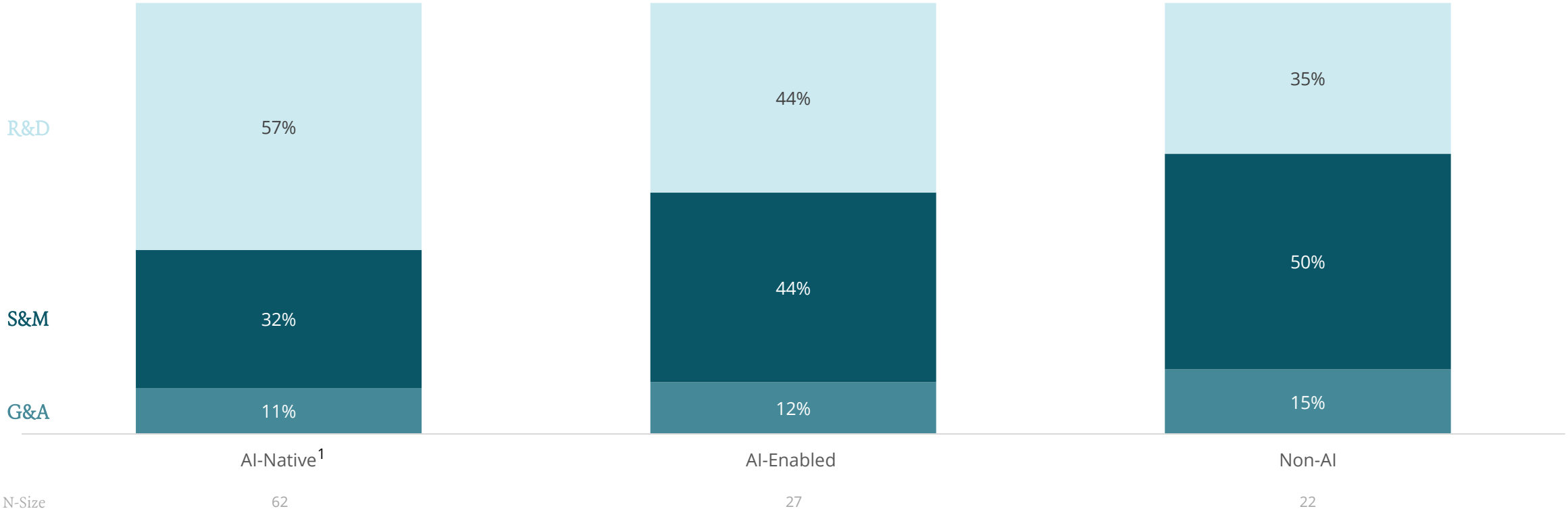
1 Based on ICONIQ network perspectives and quarterly financial data from our private venture and growth portfolio companies

ICONIQ

AI-native companies typically maintain lean GTM orgs and invest more heavily in R&D, signaling a shift toward engineering-led growth as a viable GTM strategy

Headcount Distribution by Function

By AI Product Maturity



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from Q1 2024 – Q2 2025, where data is available
1 Headcount data sourced from Harmonic: select companies included based on ICONIQ classification of AI companies (as of 6/17/25)

Core Software Fundamentals: Enduring Principles, AI-Adapted

ICONIQ

A Few Enduring Principles

While growth trajectories may look very different in the age of AI, we believe the fundamental principles behind enduring software businesses still hold true

Principles	Key Considerations
 Consistent and Durable Growth	What is your historical and projected growth? How does the product vision, market, and execution affect the sustainability and predictability of your growth?
 Scaling Expansion	How are you managing recurring revenue and driving expansion of existing customers?
 Strong Unit Economics	What does performance look like on a per-unit basis? How does your gross margin affect growth and profitability?
 Path to Profitability	Do you have a clear path to profitability? What does your burn look like in comparison to net new revenue being generated?

Introducing...

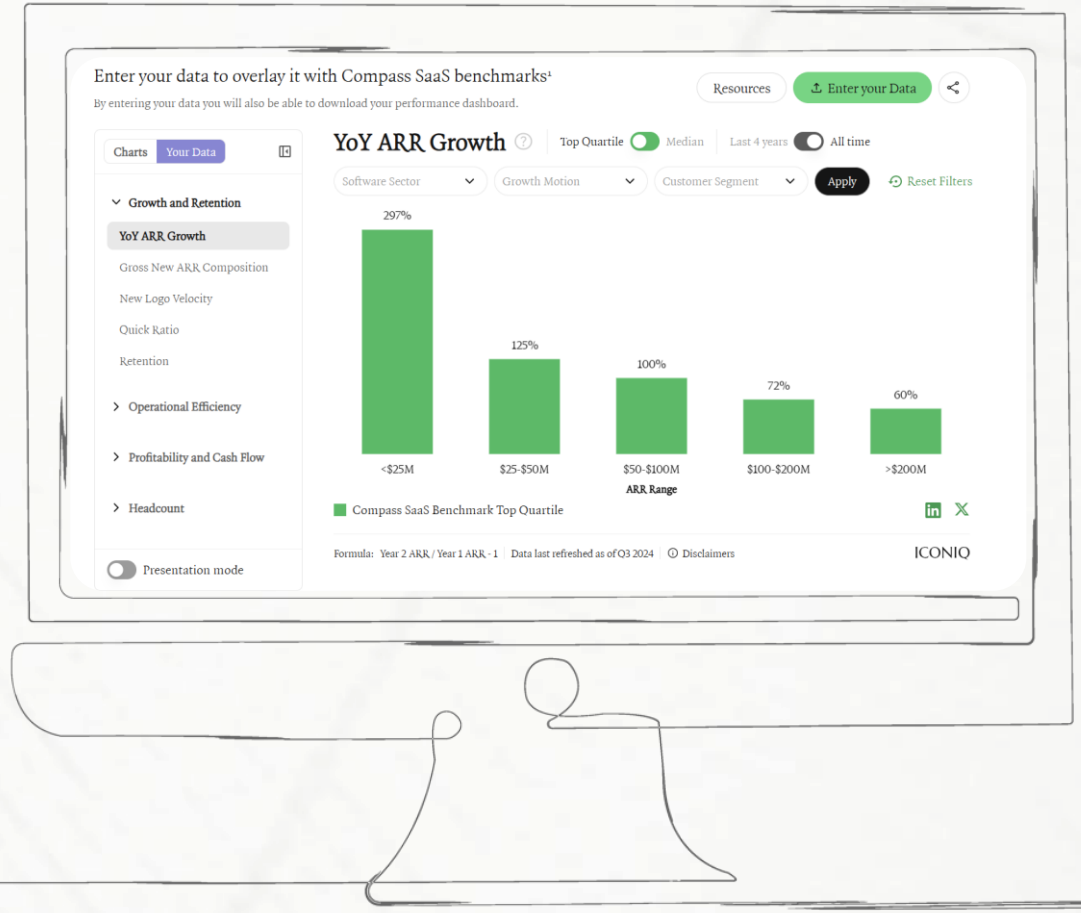
Compass

by ICONIQ

Our interactive companion tool allows users to navigate topical insights and explore ICONIQ's proprietary software benchmarks[1].

Users can **filter benchmarks** across sectors and growth motions, **calculate and compare their metrics** against ICONIQ's benchmarks, and **download results into a formatted report** for their next Board meeting, all-hands, or fundraise.

Explore Compass



1 The Compass SaaS benchmark data reflects data gathered from our venture and growth portfolio companies where data was available as well as data from a sampling of public B2B SaaS companies. This data does not, and should not be taken to, represent the performance of any ICONIQ fund or investment program and must not be relied upon in connection with any investment decision

Top-quartile performance continues to anchor around five core metrics across all stages of growth, which we believe remain reliable barometers of quality and durability, even as operating models evolve

The ICONIQ Enterprise Five

Top Quartile Benchmarks by ARR Range[1]

	<$10M	$10-$25M	$25-$50M	$50-$100M	$100-$250M	$250-$500M	>$500M
YoY ARR Growth (EOP ARR –prior year EOP ARR) / prior year EOP ARR	515%	170%	105%	90%	60%	50%	60%
Net Dollar Retention 1+ (expansion ARR -gross churn ARR) / average (BOP ARR + EOP ARR)	130%	125%	120%	120%	115%	115%	125%
Rule of 40 YoY ARR growth + FCF margin[2]	*Less Relevant*[4]	*Less Relevant*[4]	70%	60%	55%	50%	70%
Net Magic Number Current Q net new ARR / prior Q S&M OpEx[3]	2.3x	1.5x	1.2x	1.5x	1.1x	1.0x	1.6x
ARR per FTE EOP ARR / EOP FTEs	90K	160K	215K	220K	250K	280K	380K

Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

1 Top Quartile refers to 75th percentile for the metrics above, rounded to the nearest multiple of 5 where applicable

2 Alternative Rule of 40 calculations include YoY Revenue Growth and EBITDA Margin

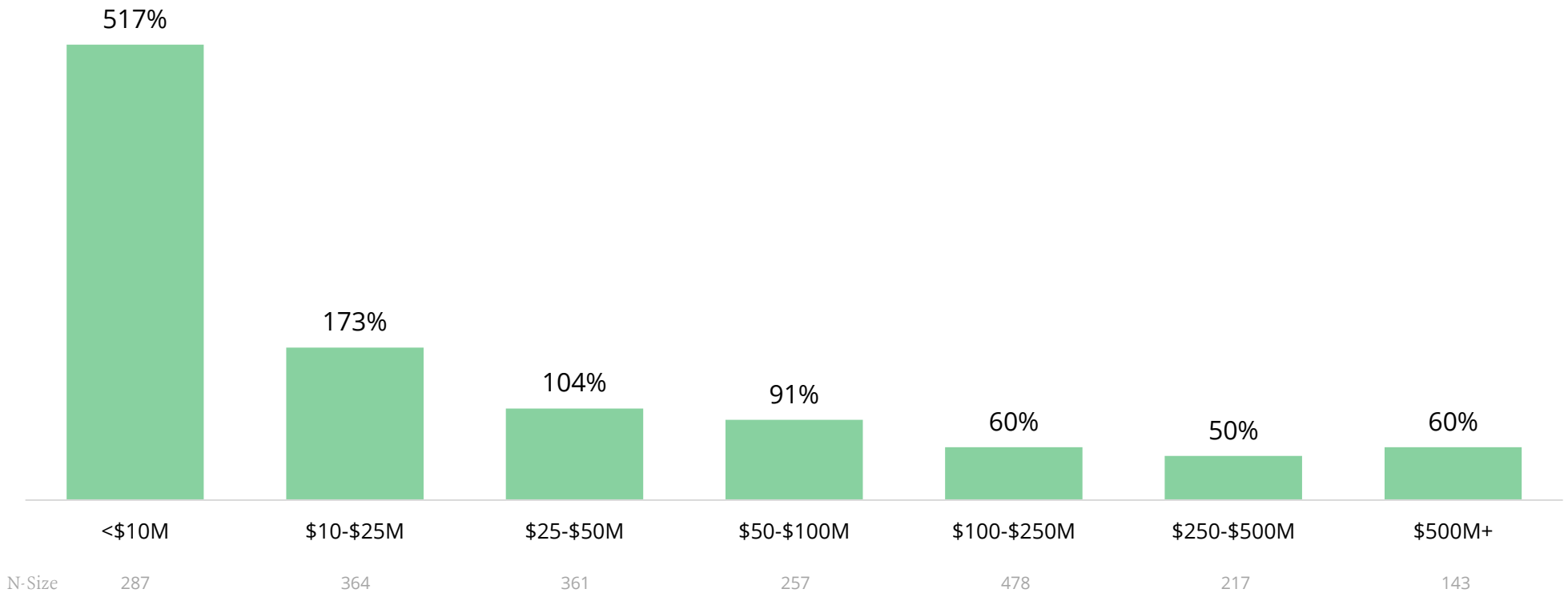
3 Quarter of S&M OpEx utilized in magic number calculations generally should depend on a given company's sales cycle

4 We typically only begin to place real weight against Rule of 40 for companies with at least ~$25M in ARR

ICONIQ

ARR growth rates naturally taper as companies scale; nonetheless, top-quartile late-stage companies maintain ~60% YoY growth

In the early stages, growth is often driven by a strong product-market fit in a specific niche. As companies scale, they may struggle to replicate that success in new markets or with new product lines, typically leading to slower growth.



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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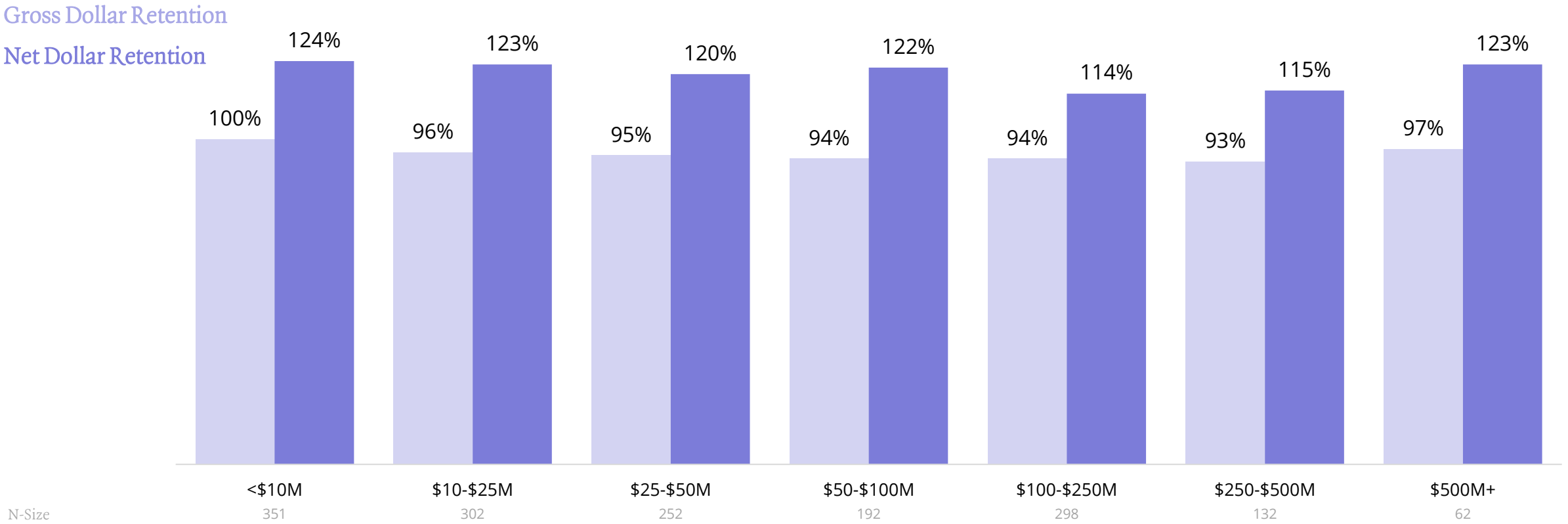
Top quartile companies maintain ~120% net dollar retention, reflecting high product stickiness and user adoption, which is especially important in the age of AI

Gross and Net Dollar Retention

Top Quartile by ARR Range

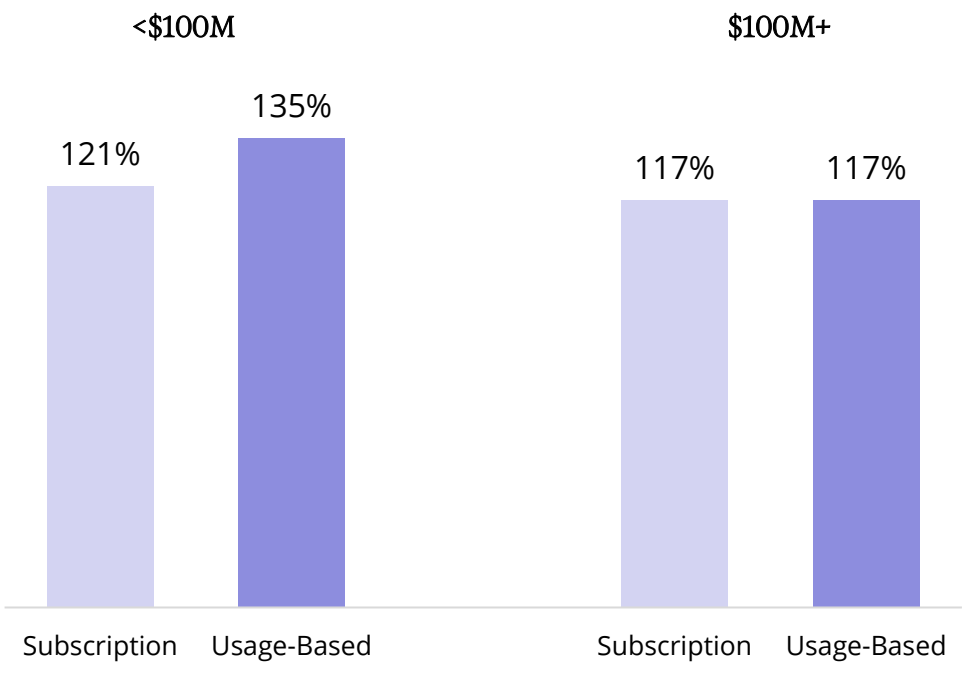


Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available
Top Quartile refers to 75th percentile

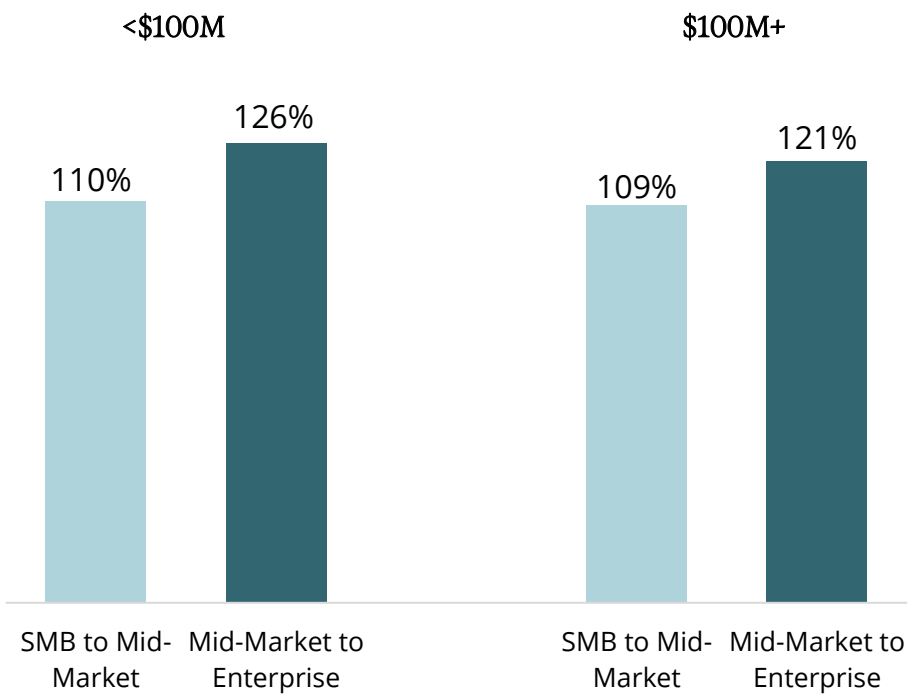
ICONIQ

Companies that utilize usage-based pricing models and target mid-market to enterprise customers tend to see higher net dollar retention

Net Dollar Retention
Top Quartile By Pricing Model



Net Dollar Retention
Top Quartile By Primary Customer Target



N-Size	788	262	354	80	284	850	151	373

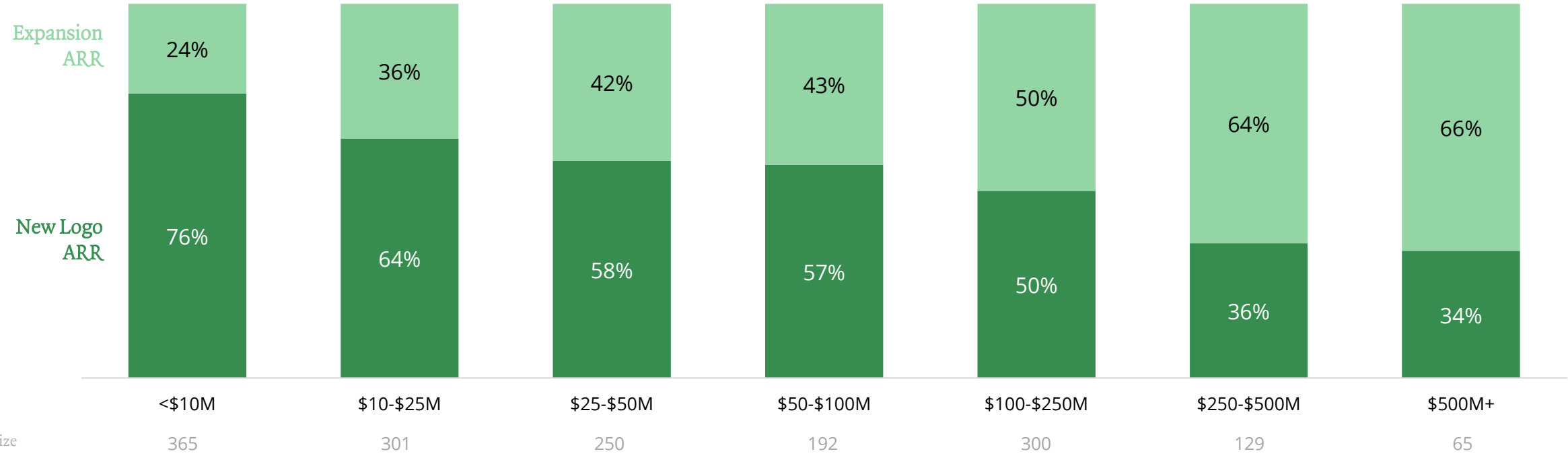
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

New logos are generally the primary driver of ARR growth until ~$200M ARR, after which expansion typically becomes the main driver

New Logo and Expansion ARR as a % of Gross New ARR

Average by ARR Range

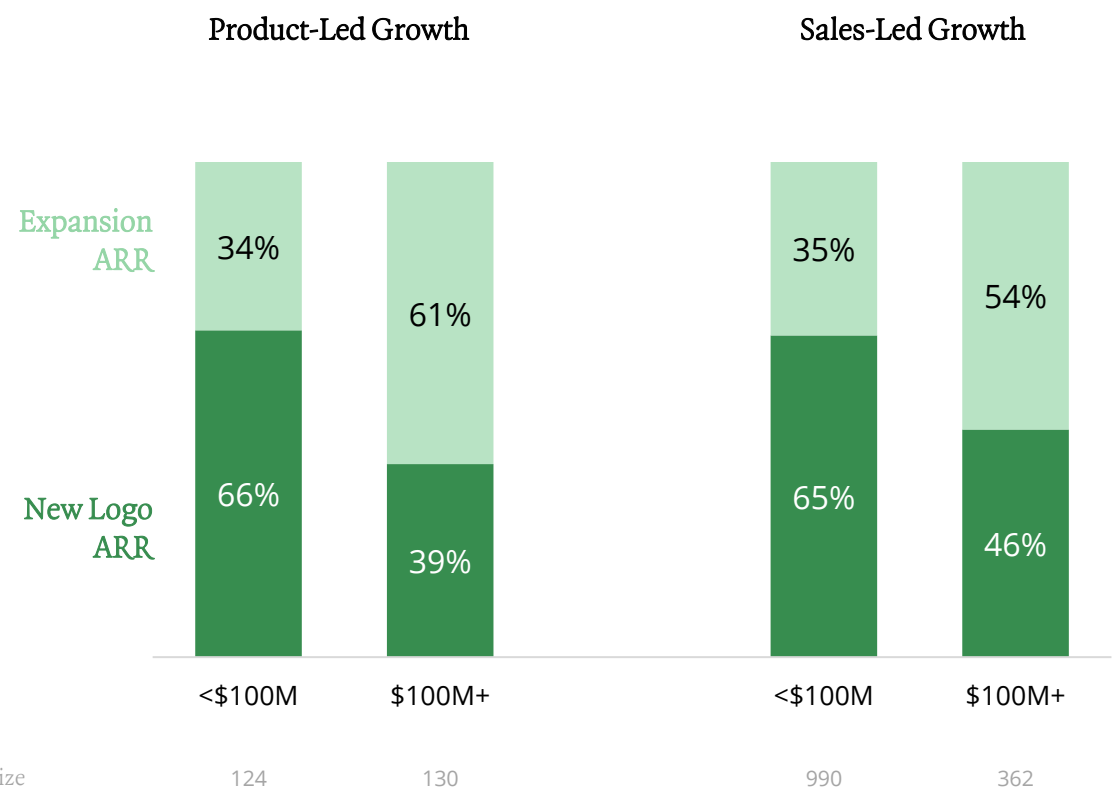


Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

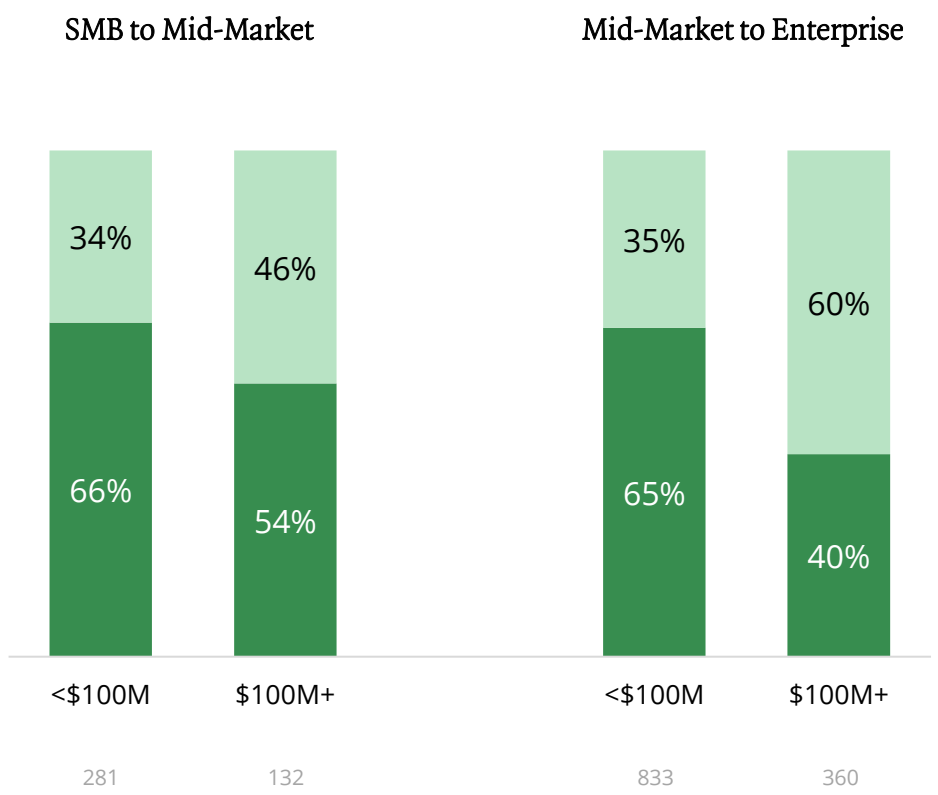
ICONIQ

Growth via expansion is even more important for late-stage product-led growth companies and enterprise-focused companies

Drivers of Growth
Average by Growth Motion



Drivers of Growth
Average by Primary Customer Target



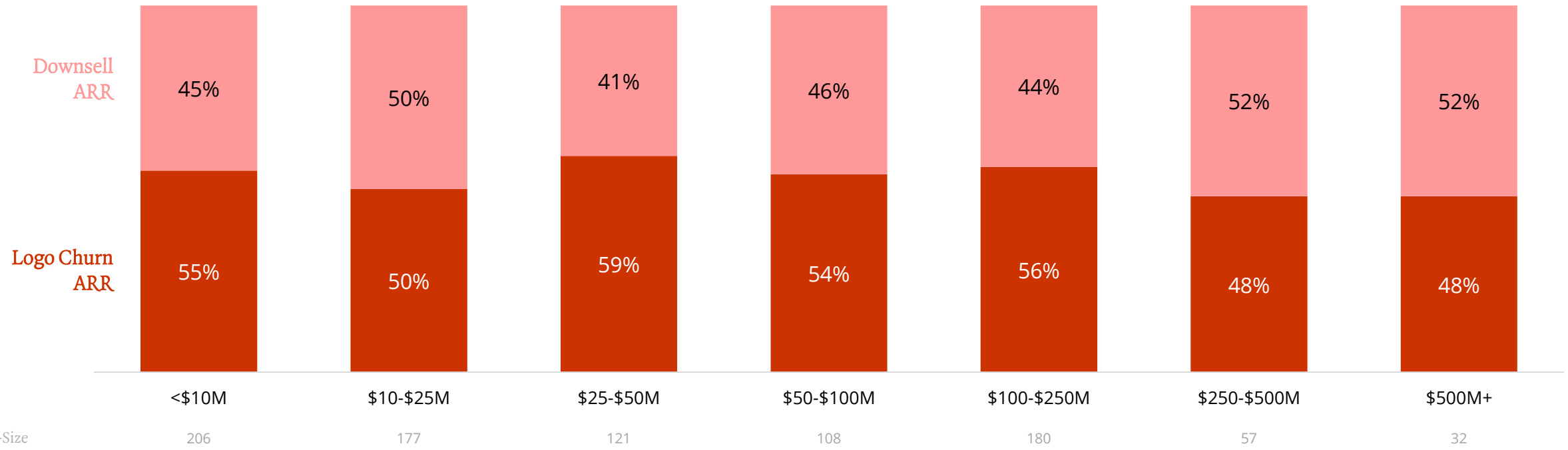
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available
Late stage refers to companies with >$100M ARR

ICONIQ

The drivers of churn do not vary significantly by scale, with churn generally split evenly between downsell and logo churn

Logo Churn and Downsell ARR as a % of Gross Churn ARR

Average by ARR Range

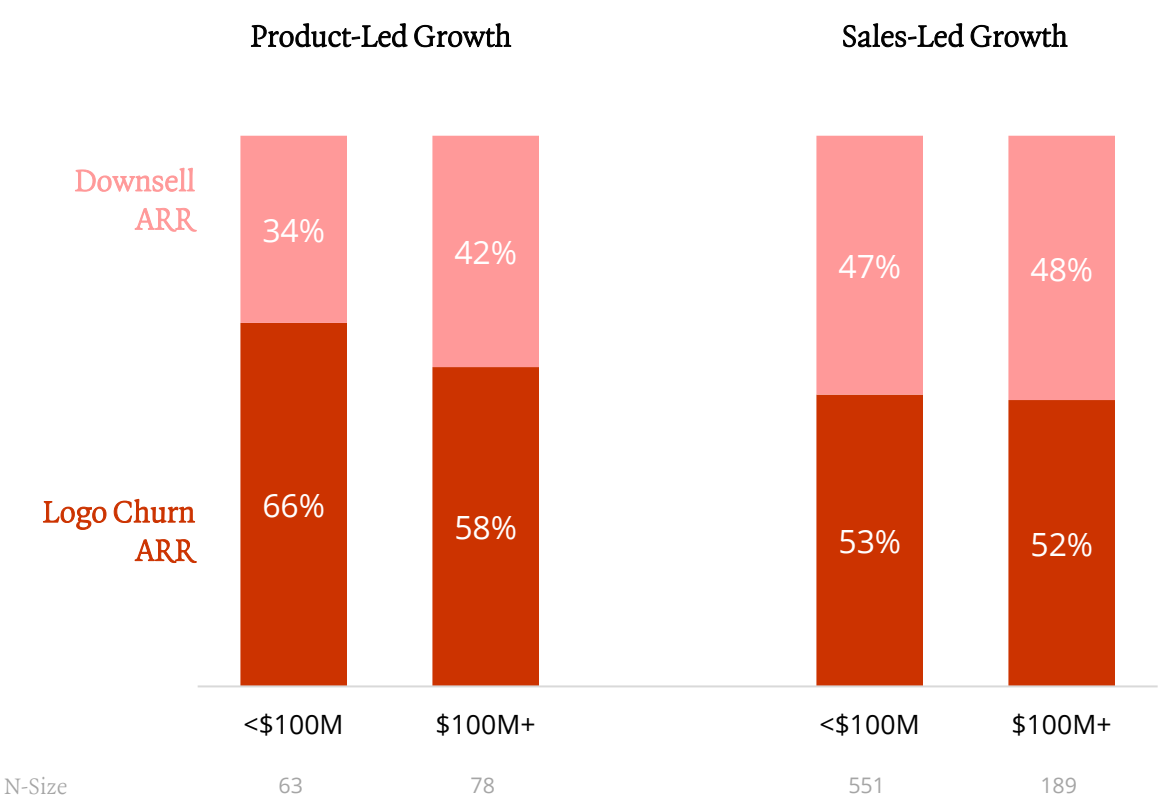


Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

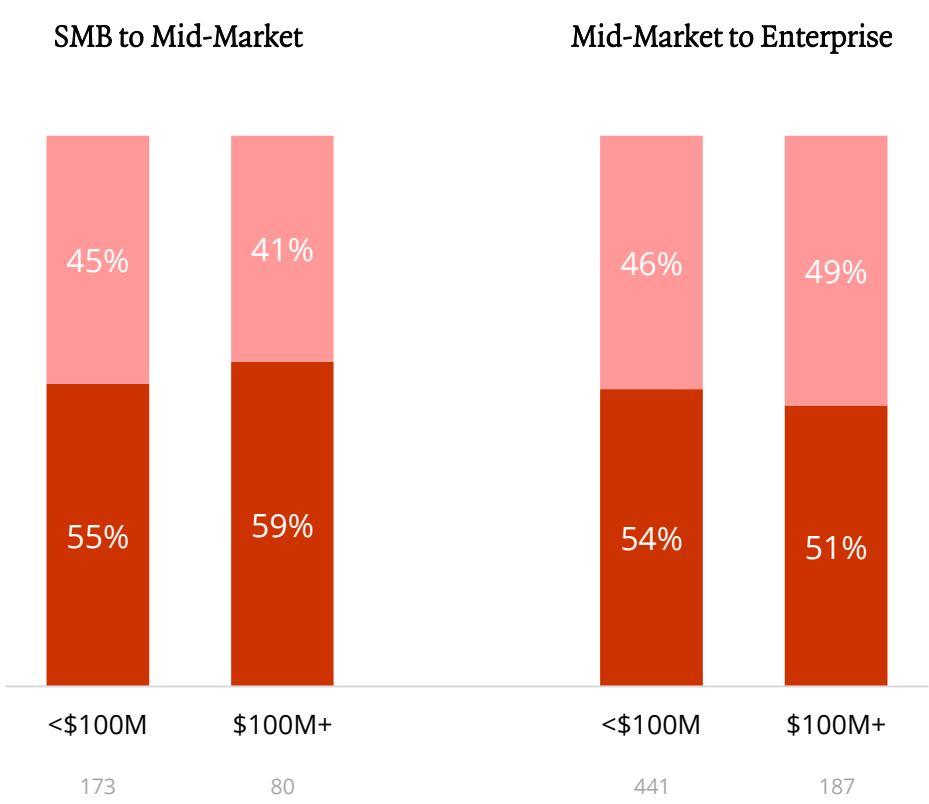
ICONIQ

Earlier stage product-led growth companies tend to experience greater logo churn, highlighting that early revenue for PLG companies may be driven by experimental revenue, rather than durable revenue

Drivers of Churn
Average by Growth Motion



Drivers of Churn
Average by Primary Customer Target



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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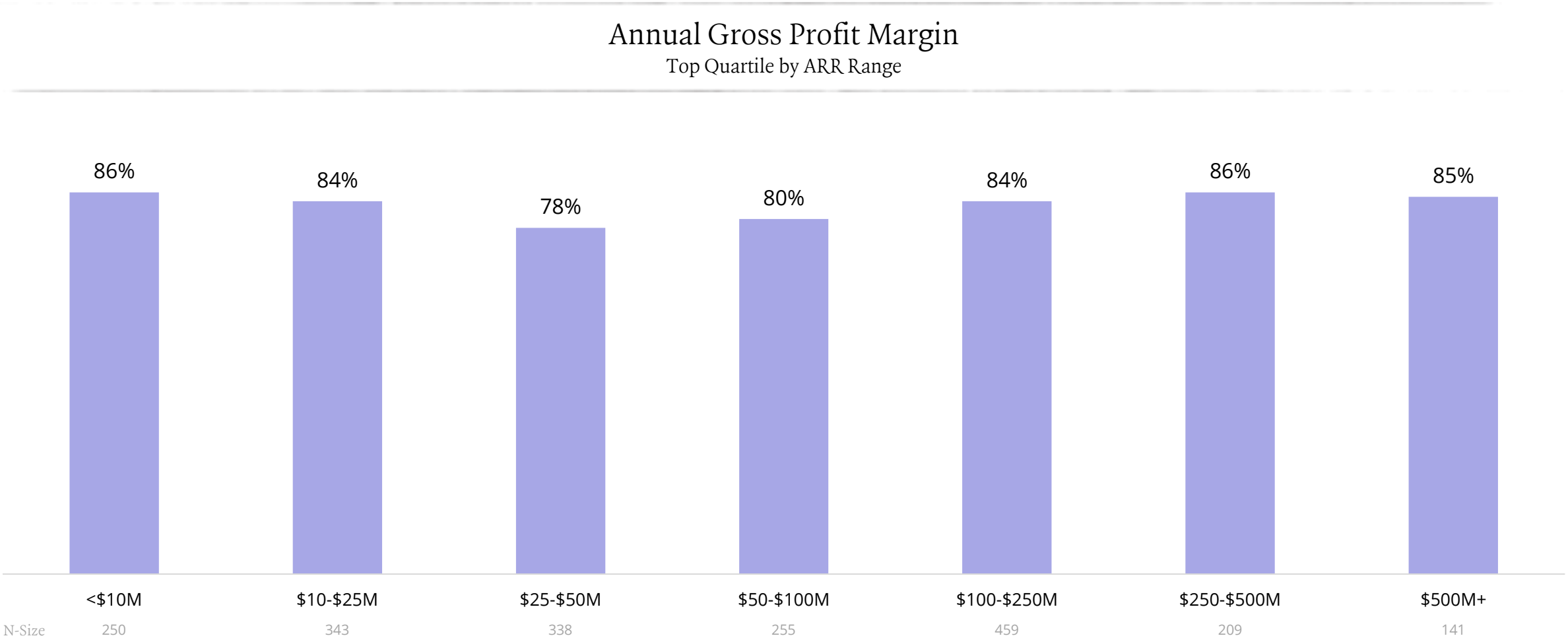
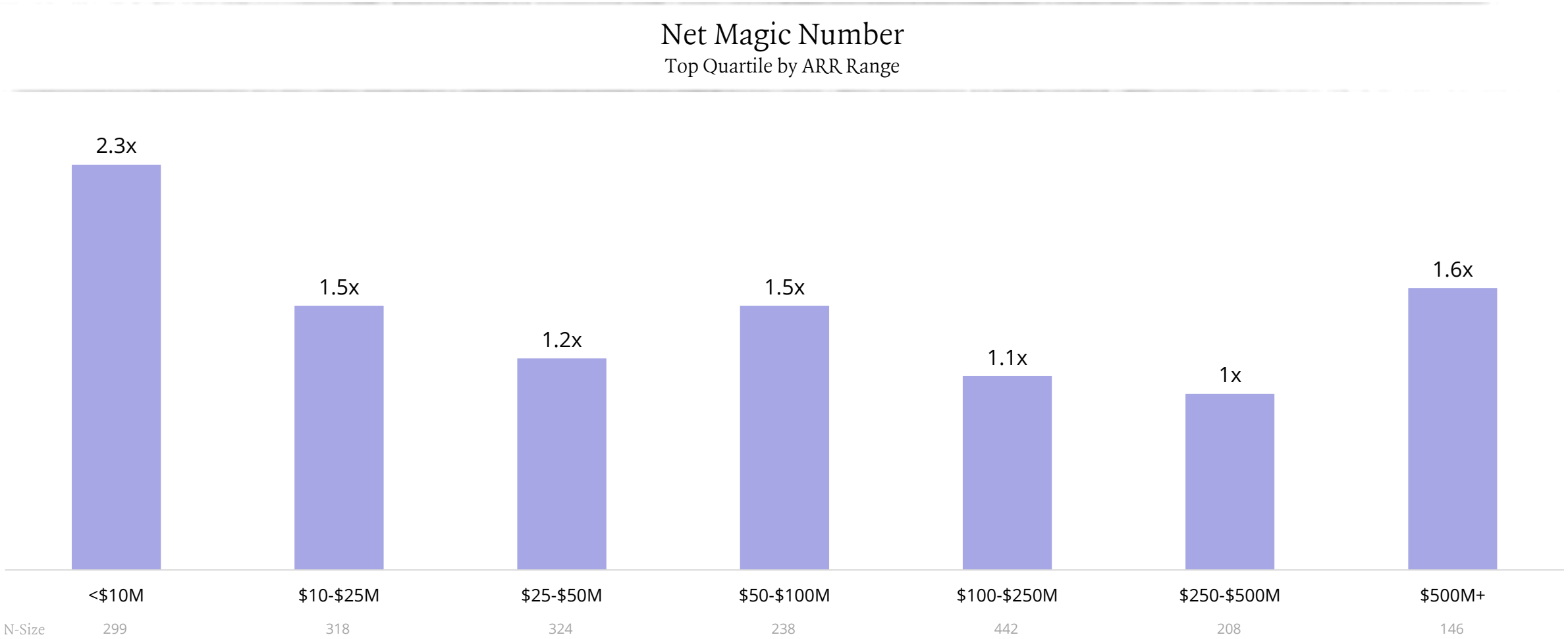
Top quartile companies tend to maintain >80% annual gross profit margins, and as a company scales, we expect gross margin to stabilize



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

Top quartile companies generally maintain net magic number >1x regardless of ARR scale



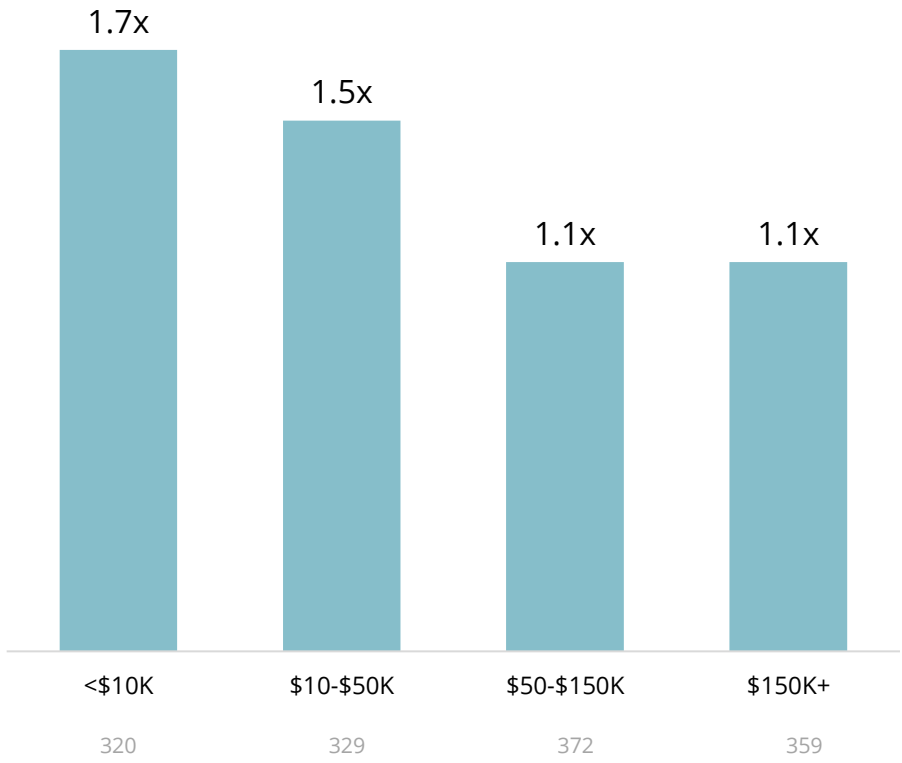
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

Product-led growth companies and companies with low ACV tend to have higher magic numbers, likely due to less cost involved in acquiring customers upfront

Net Magic Number
Top Quartile By Growth Motion

Net Magic Number
Top Quartile By Annual Contract Value (ACV)

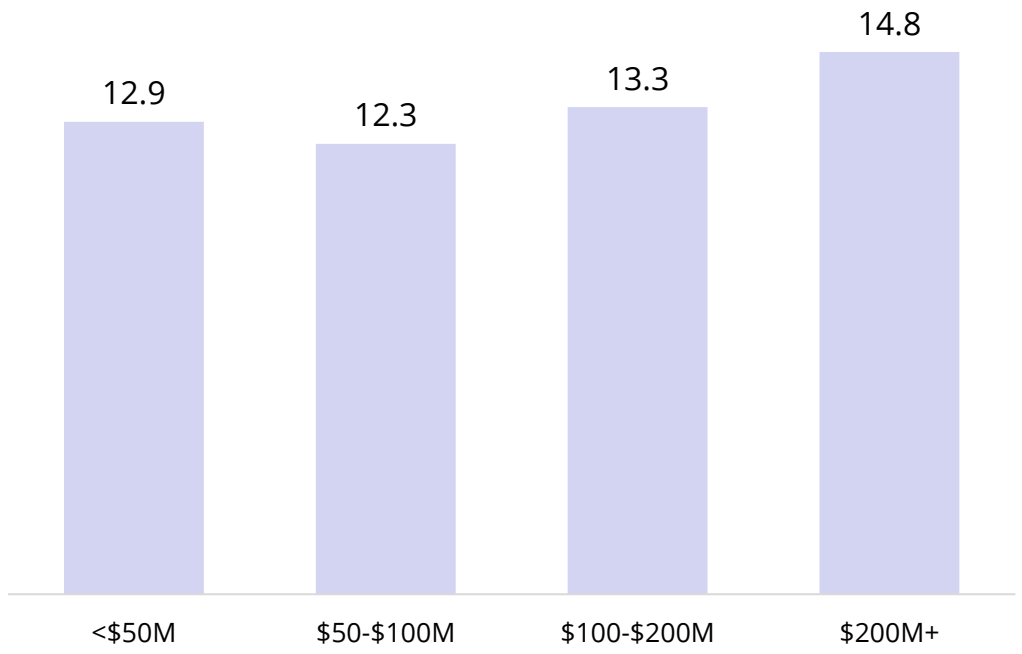


Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

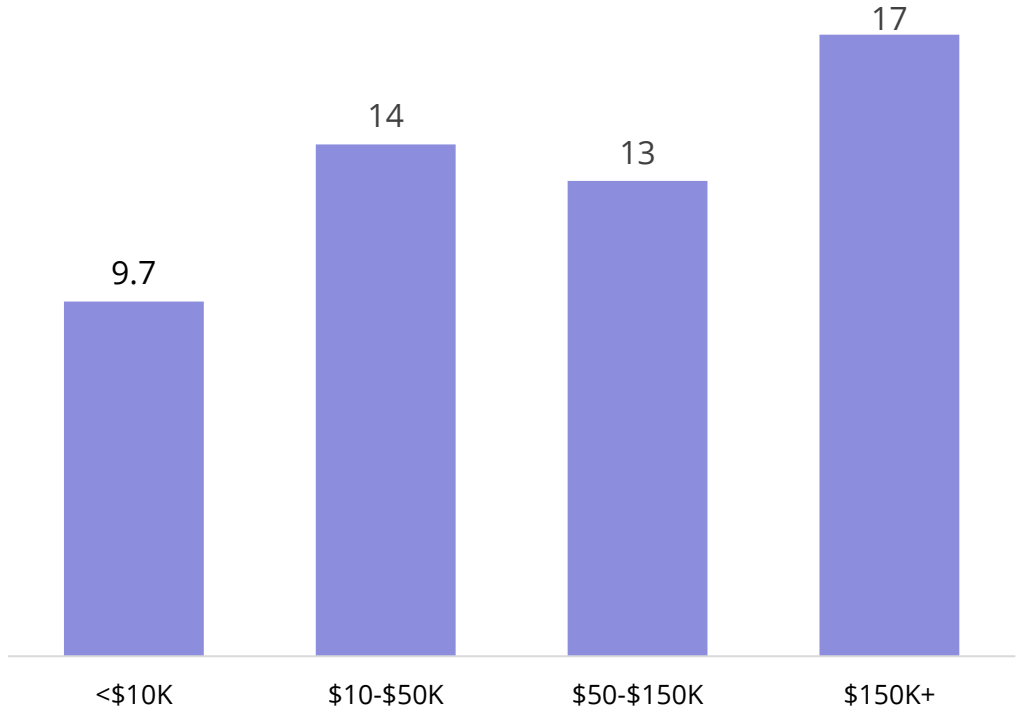
ICONIQ

CAC payback periods generally increase as a companies mature and land larger deals with longer, more complex sales cycles

CAC Payback Period (in Months)
Top Quartile By ARR Range



CAC Payback Period (in Months)
Top Quartile By Annual Contract Value (ACV)



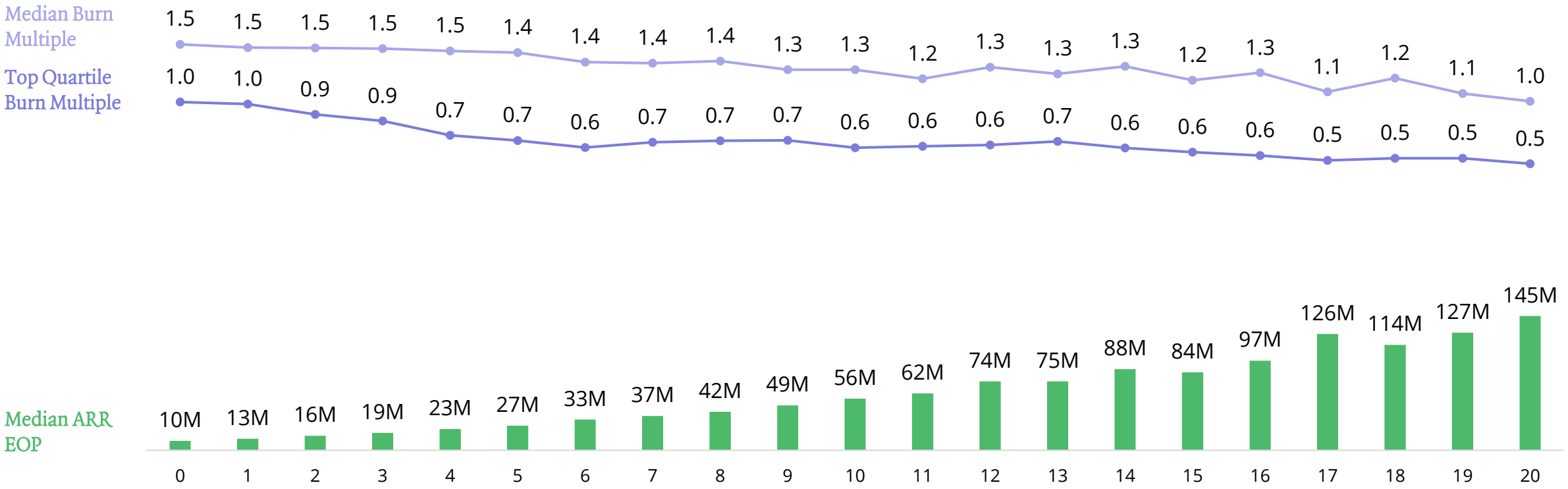
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

Burn multiple generally decreases as companies mature, and top quartile companies tend to maintain burn multiples under 1.0x after scaling past $10M in ARR

Burn Multiple (FCF / Net New ARR)

Rolling Top Quartile and Median by Quarters after $10M ARR, unprofitable companies only



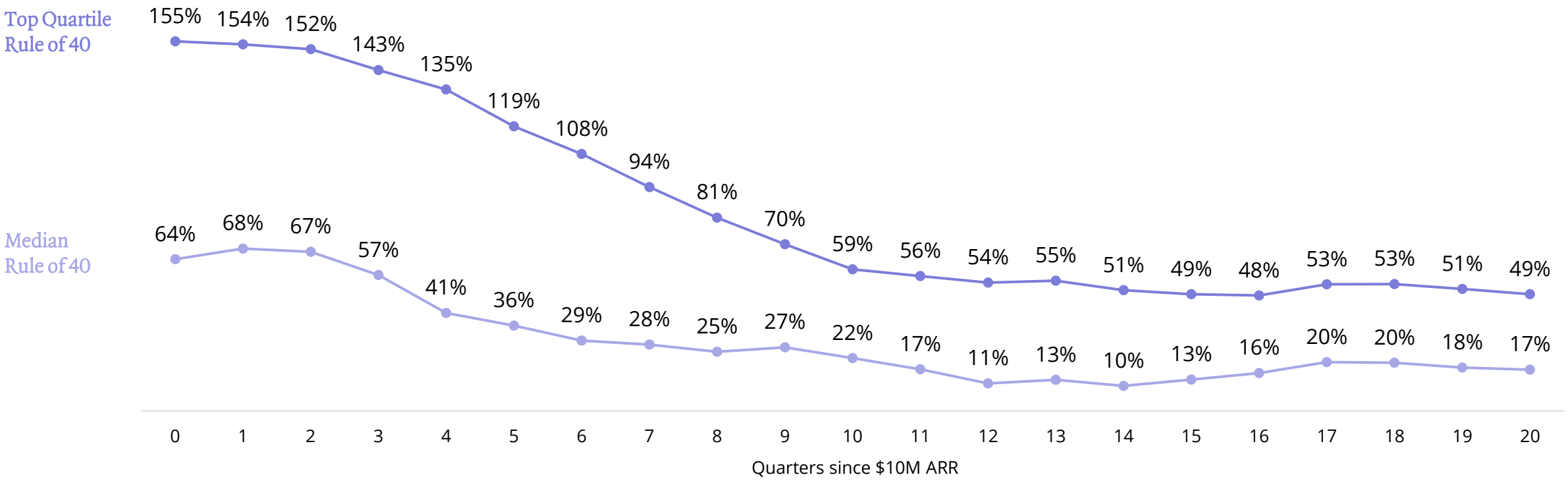
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

While Rule of 40 tends to decline as a company scales, top quartile companies are able to maintain Rule of 40 or higher regardless of ARR scale

Rule of 40

Top Quartile and Median Rolling Average since $10M ARR Threshold



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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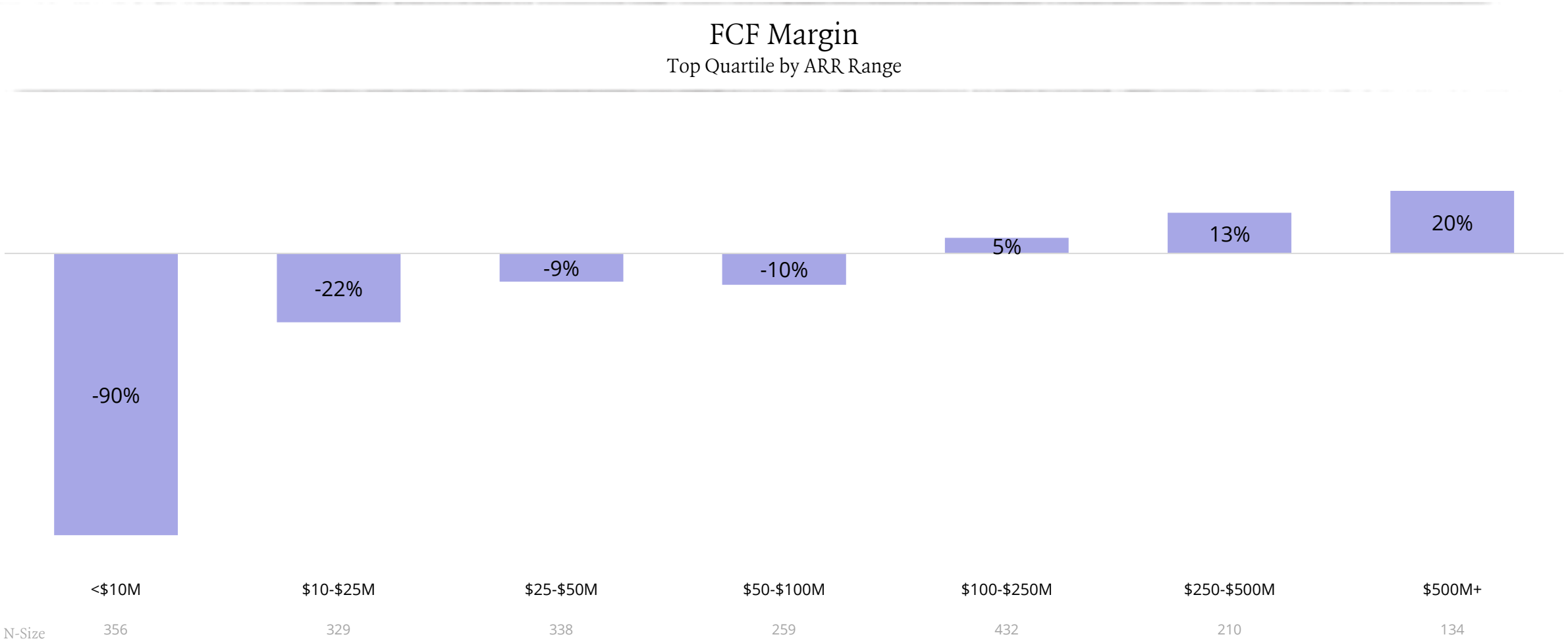
Top quartile companies are typically able to break-even and achieve positive cash flow after scaling past $100M in ARR



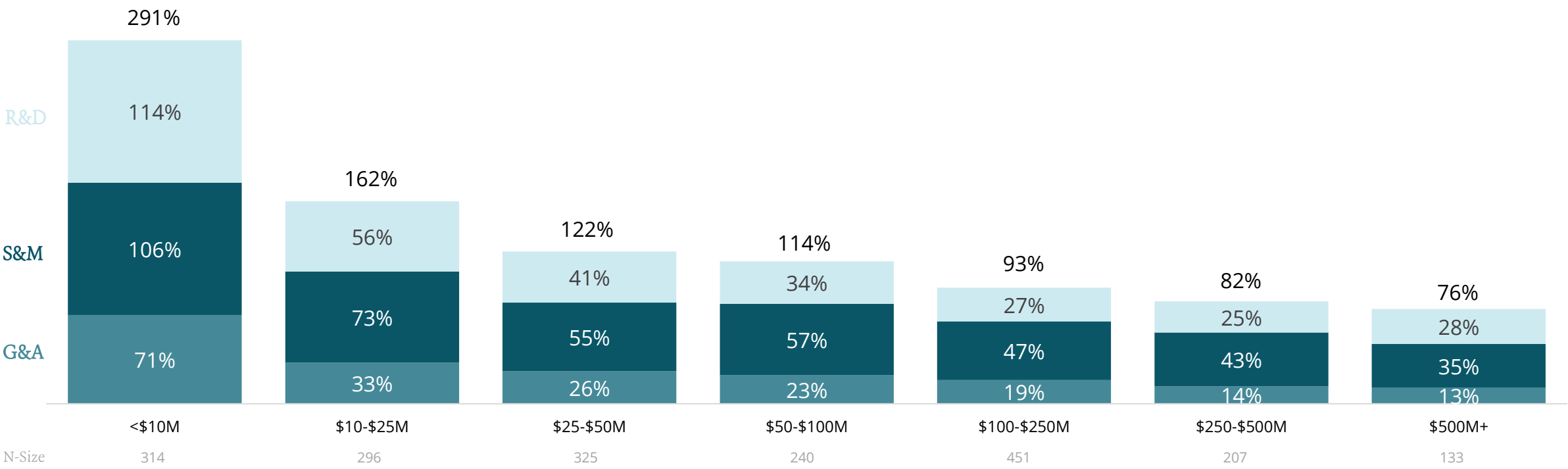
Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

ICONIQ

Overall OpEx as a percentage of revenue declines as companies scale, typically inverting around $100-$200M ARR where revenue begins to outpace OpEx

OpEx Margin By Function

Median by ARR Range



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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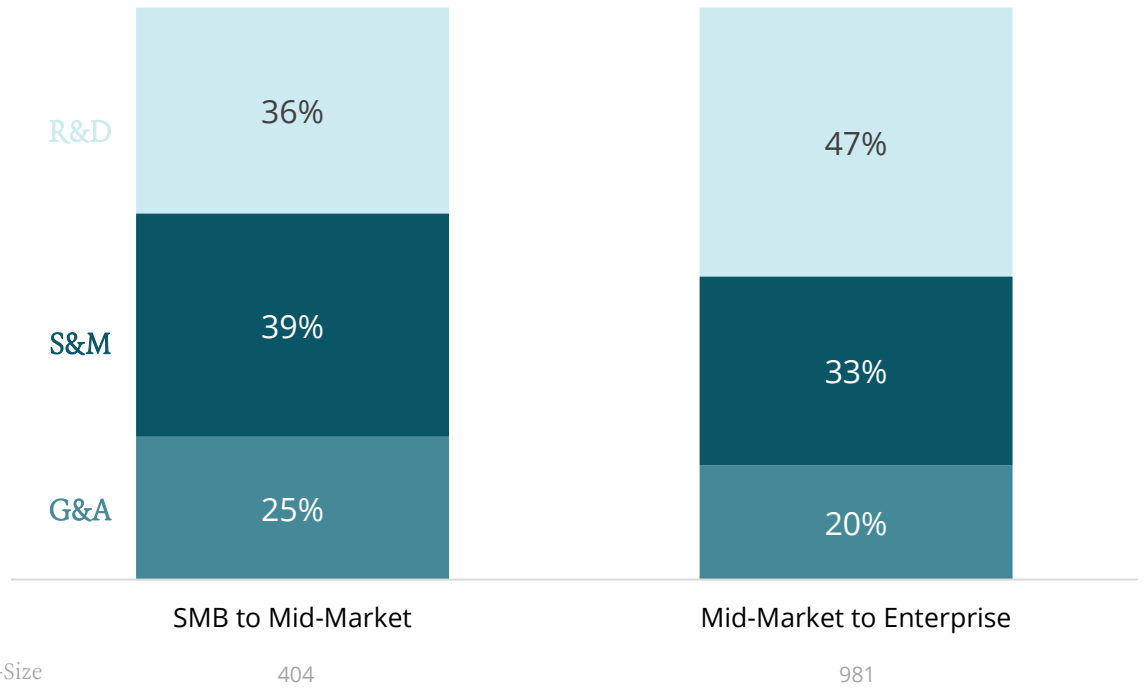
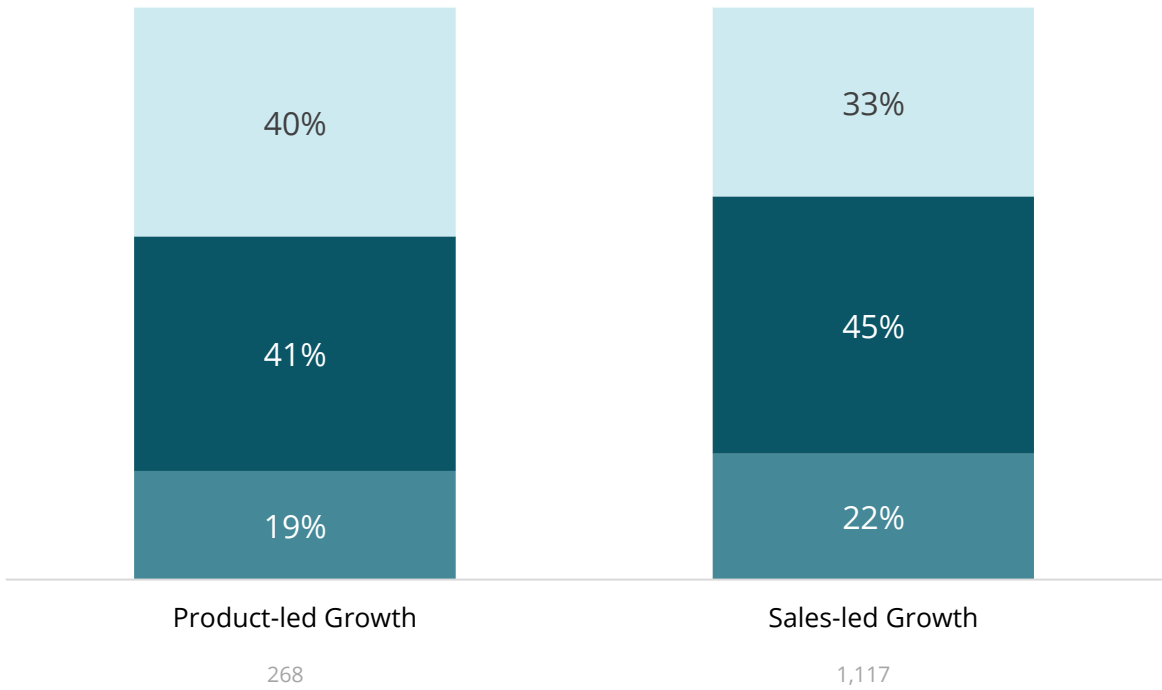
Mid-market to enterprise-oriented companies, and those with sales-led growth motions, tend to allocate more of their operating budgets to S&M to manage longer, more complex sales cycles

OpEx Distribution by Function
Average By Primary Customer Target



OpEx Distribution by Function
Average By Growth Motion



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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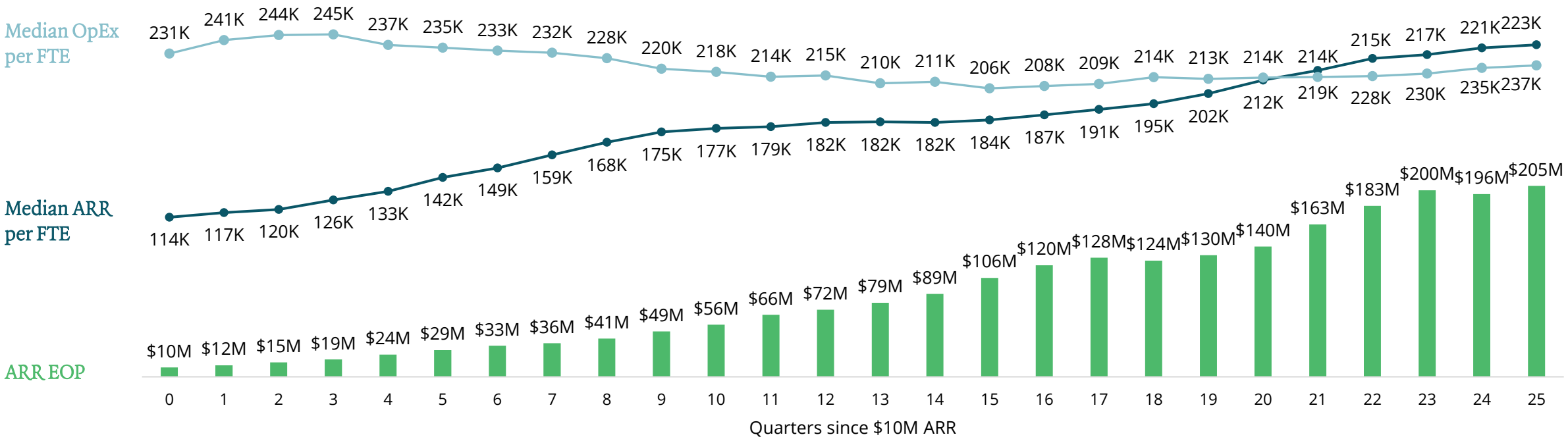
ARR per FTE generally outpaces OpEx per FTE as companies leverage AI products and improve employee productivity

ARR per FTE and Annualized OpEx per FTE

Rolling Median by Quarters after $10M ARR Threshold



Source: Based on quarterly financial and operating data from a select dataset of public SaaS companies and our private venture and growth portfolio companies from 2013 – Q2 2025, where data is available

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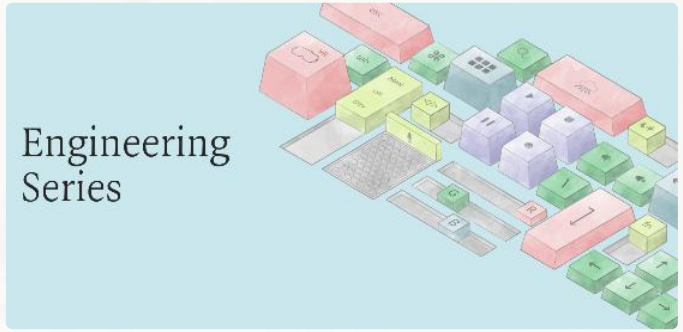
A guide to understanding and tracking key software metrics



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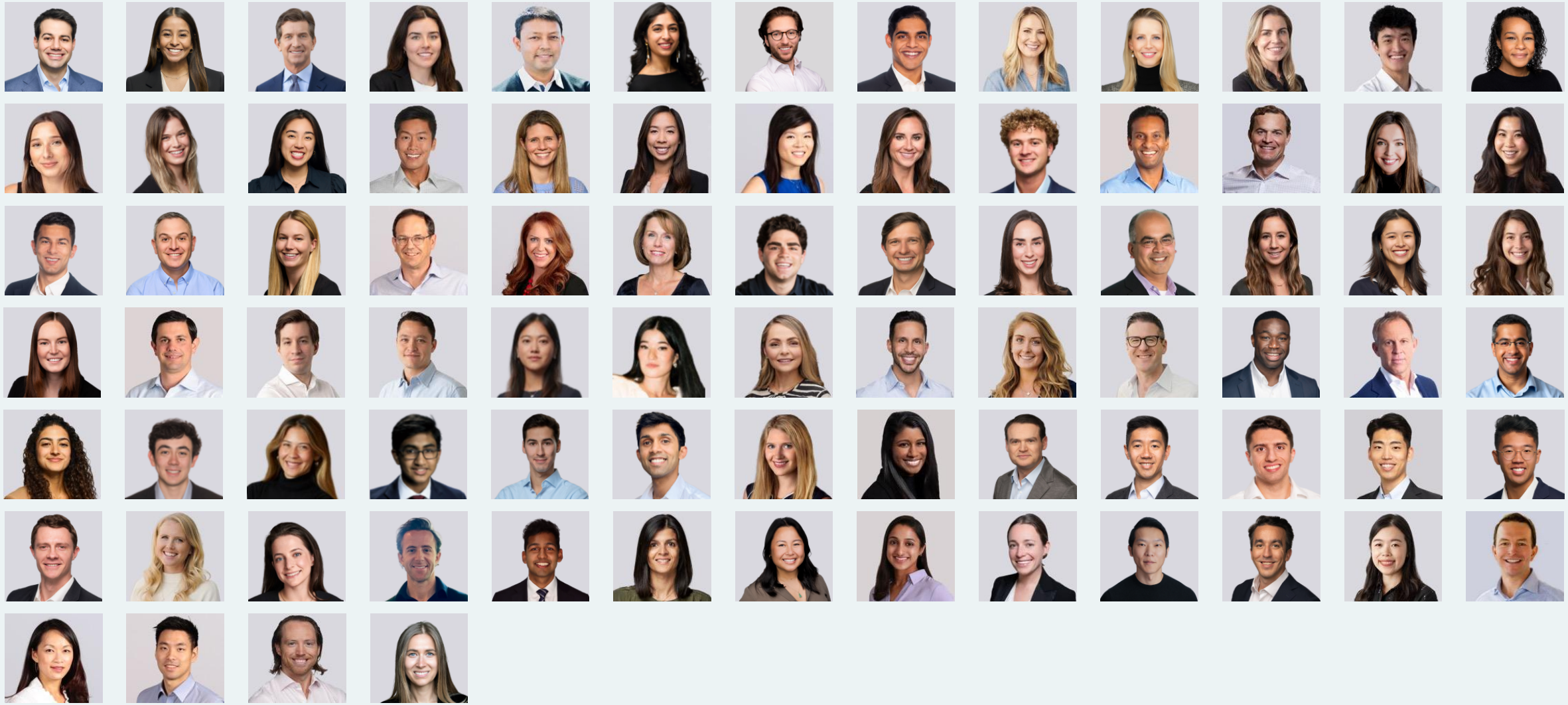
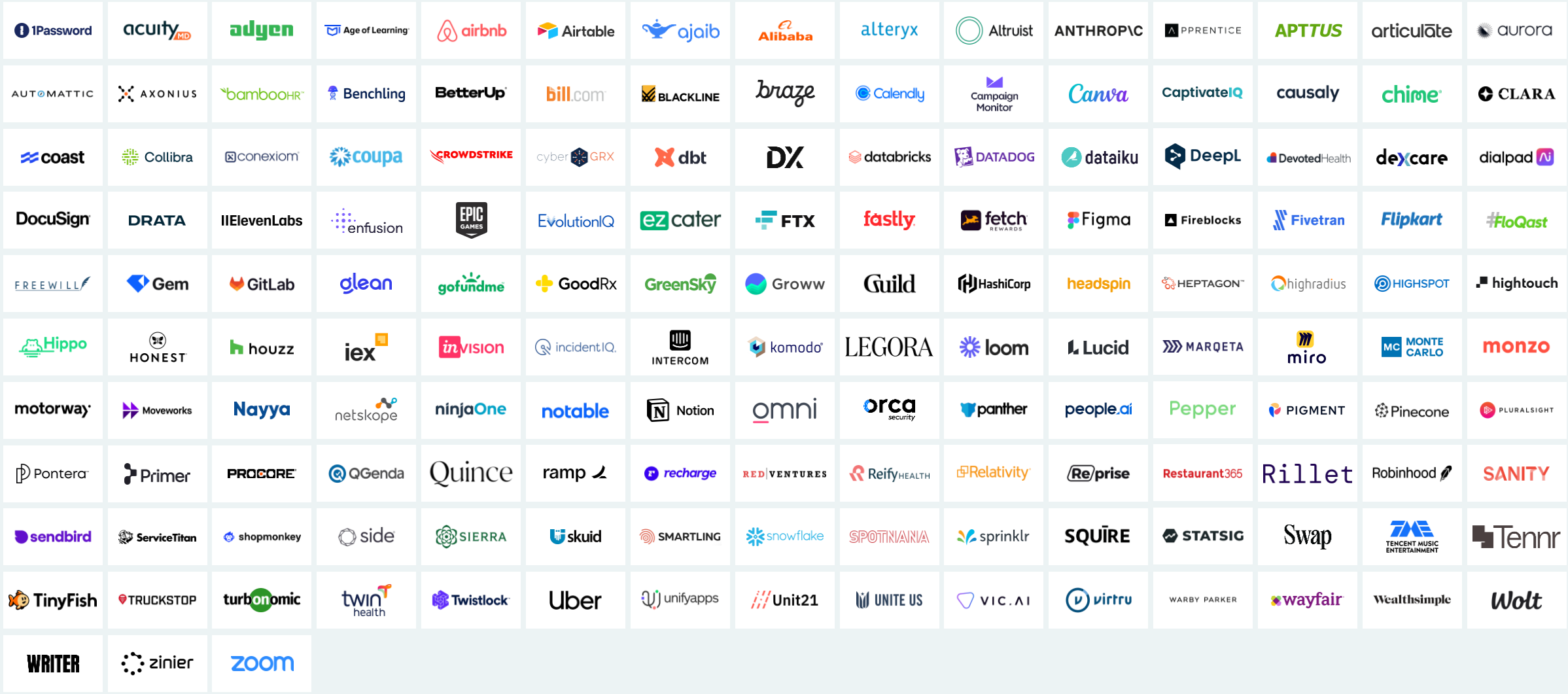
The force behind every founder



A global portfolio of category-defining businesses



These companies represent the full list of companies that ICONIQ Venture and 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 or companies for which the issuer has not provided permission for ICONIQ to disclose publicly). Further, the list of companies may not reflect the most recent ICONIQ Venture and Growth investments. Trademarks are the property of their respective owners. None of the companies illustrated have endorsed or recommended the services of ICONIQ.

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