ICONIQ | Growth

Scaling SaaS from $1 to $20M
Building strong foundations in the early-stages

The data behind scaling an early-stage SaaS business
October 2024

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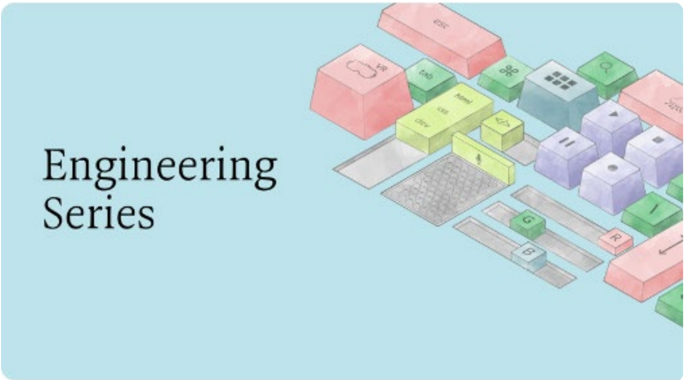
Author's Note

At ICONIQ Growth, we believe data is the key to unlocking success in the dynamic world of technology. Every year, the ICONIQ Growth Analytics team analyzes financial and operating data from the ICONIQ Growth portfolio and select public companies to understand what it takes to scale a SaaS company. Powered by more than a decade's worth of data, this analysis culminates in our annual Growth & Efficiency report, which we share publicly to support leaders and drive data-driven decision-making across the software landscape.

While our annual Growth & Efficiency research is catered to software companies of various sizes and models, **we recognize topline growth and operational efficiency – and the trade-offs between the two – can look very different for early and emerging companies.** With that in mind, this year, we are excited to introduce Scaling SaaS from $1 to $20M: Building strong foundations in the early-stages.

In the following pages we concentrate mostly on the quantitative outcomes of performance from $1 to $20M ARR. However, the degree to which quantitative performance can be measured at this stage is limited, and looking solely at metrics-based performance often blurs the "how" behind those outcomes. We believe the team, the product, and the market are three universal drivers of performance during this stage, but the specific paths forged by each company are incredibly nuanced and unique. Though **our goal with this report is to help leaders identify the metrics that truly matter and understand how to prioritize them as they scale from $1M to $20M**, there are many ways to get there.

Follow Our Research



Introducing

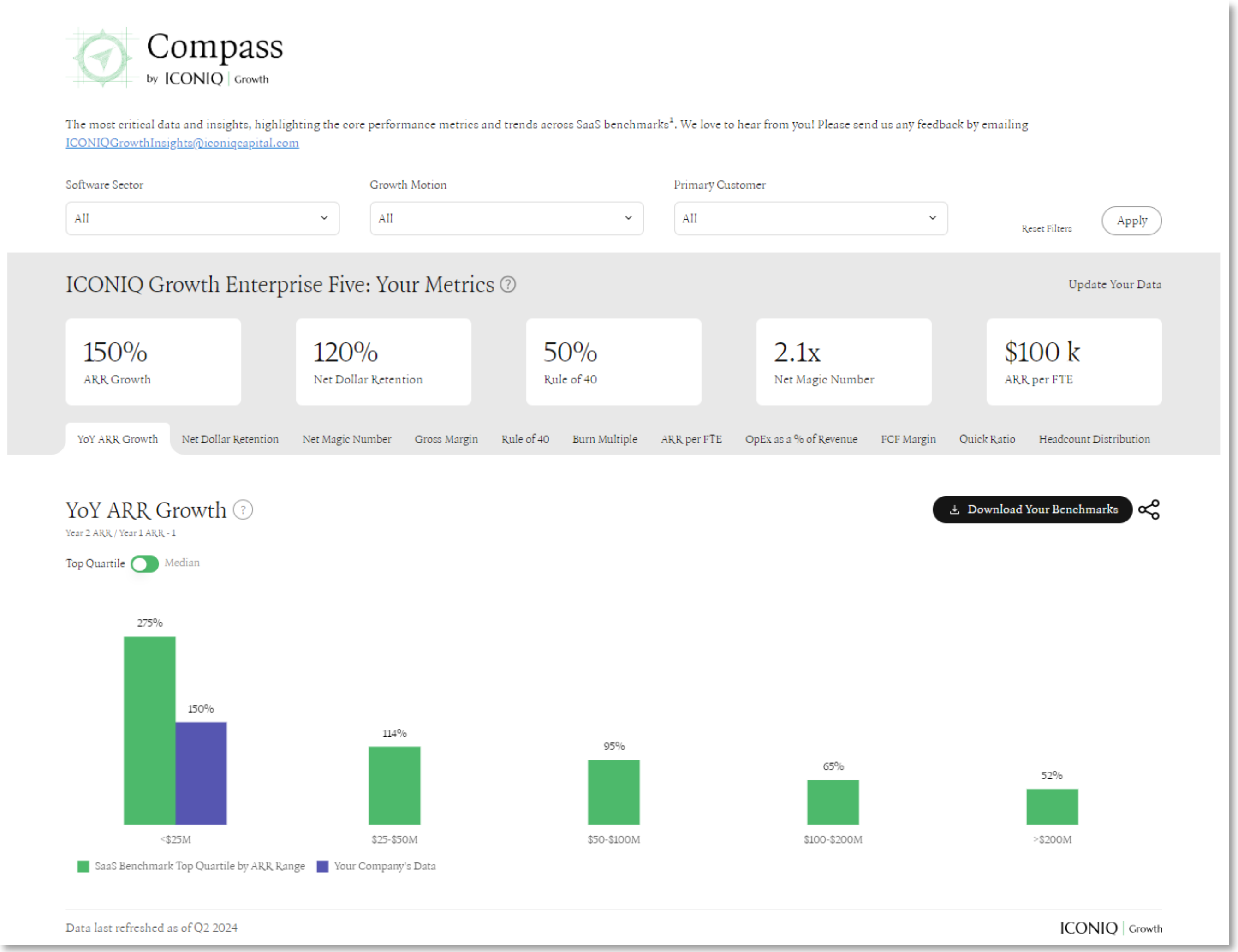
Compass

by ICONIQ | Growth

Explore Compass

Our new interactive companion tool allows users to navigate topical insights and explore ICONIQ Growth’s proprietary SaaS benchmarks[1].

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



1 The Compass SaaS benchmark data reflects data gathered from all ICONIQ 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

Introduction

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Introduction

What Matters from $1 to $20M

Key Insights

Growth & Efficiency from $1-$20M

Companies Included

This study summarizes quarterly operating and financial data from **107 B2B SaaS companies**, including ICONIQ Growth's B2B portfolio companies (where data was available) and an additional 13 public companies selected based on our IPO performance criteria.[1]

ICONIQ Growth Portfolio Companies

Private

1Password, acuityMD, Airtable, Apprentice, Altruist, Apttus, articulate, aurora, Axonius, BambooHR, Benchling, BetterUp, Calendly, CaptivateIQ, Canva, causaly, Collibra, conexiom, cyberGRX, dataiku, dbt, DeepL, dexcare, dialpad, Drata, EvolutionIQ, Figma, Fireblocks, Fivetran, FloQast, Freewill, Gem, glean, Guild, highradius, Highspot, hightouch, Intercom, InVision, komodo health, loom, Lucid, miro, Monte Carlo, motorway, Nayya, netskope, ninjaOne, notable, orca security, panther, Pepper, people.ai, Pigment, Pinecone, recharge, Relativity, Reprise, Restaurant365, Sanity, sendbird, ServiceTitan, shopmonkey, side, skuid, Smartling, Squire, truckstop.com, turbonomic, Twistlock, Unit21, Unite Us, Vic.ai, virtru, Writer

Public or Acquired

adyen, fastly, alteryx, GitLab, braze, HashiCorp, Bill.com, Marqeta, BlackLine, Pluralsight, coupa, Procore, CrowdStrike, snowflake, Datadog, sprinklr, DocuSign, QGenda, enfusion

Select Public Companies

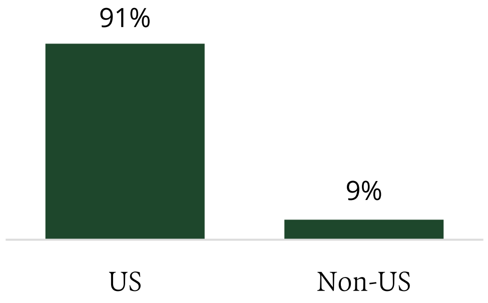
Atlassian, Cloudflare, Confluent, HubSpot, monday.com, CyberArk, JFrog, samsara, appfolio, shopify, Veeva, zscaler, mongoDB

1 Our IPO performance criteria can be found in the Methodology section

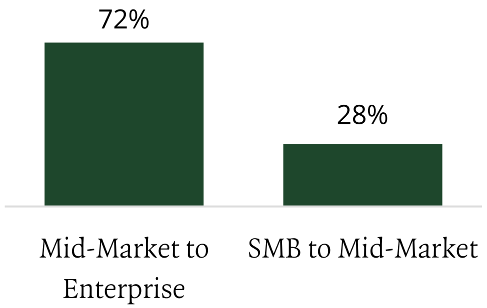
Firmographics | $1-$20M

The companies included represent a mix of sectors and business models that we feel are highly representative of the overall B2B SaaS market. As the focus of this report, the firmographic charts show the percent of $1-$20M ARR or revenue run-rate companies included in the analysis by category.[1]

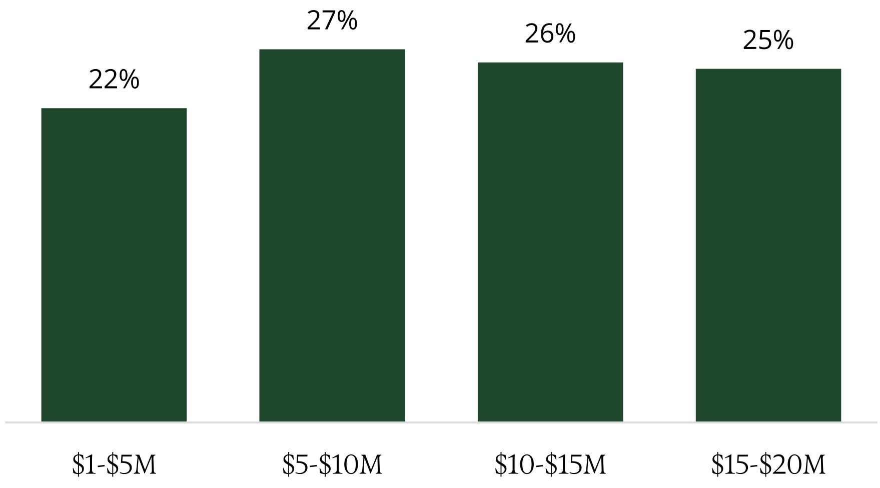
By HQ Location[2]



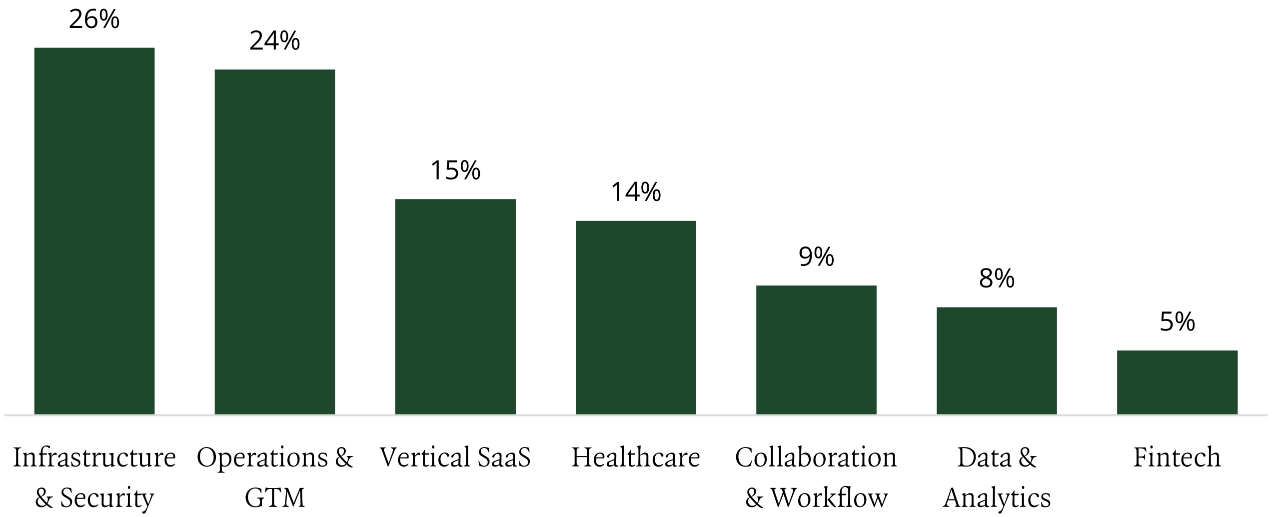
By Primary Customer



By ARR Scale



By Sector



1 Annual Recurring Revenue (ARR) was utilized where available; if not available, revenue run-rate was used to determine scale
2 Location of Company Headquarters; many companies included have operations internationally

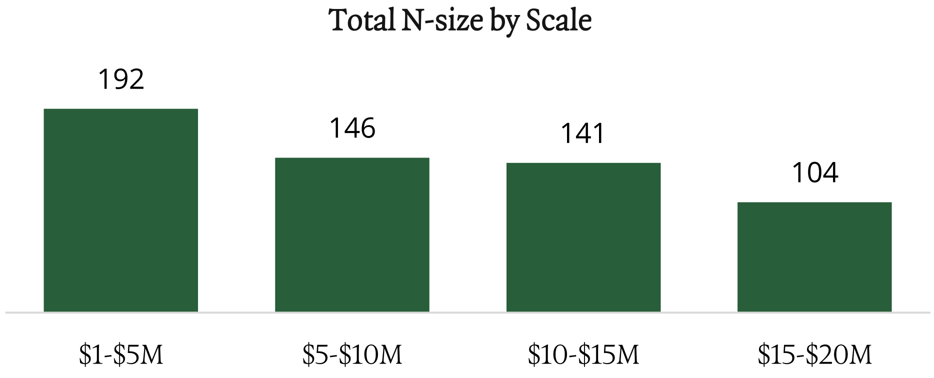
Methodology & Data Sources

All views included have been aggregated or anonymized to protect the data privacy of individual companies. Unless otherwise indicated, references to "SaaS companies", "software companies", or "early-stage companies" only reflect trends observed with the companies included in the dataset.

Companies have been categorized by scale based on their annual recurring revenue or revenue run-rate, depending on data availability: **$1-$5M, $5-$10M, $10-$15M, $15-$20M.** Any reference to "$10M" indicates $10M ARR or $10M run-rate revenue, for example. Data from companies with less than $1M ARR or run-rate revenue was excluded due to volatility in benchmarks at this stage.[1,2]

N-sizes

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, and the n-size for each metric may defer based on data availability for that metric. N-sizes per metric are included in footnotes on each page, and total n-size is reflected below:



Public Companies

The dataset includes 13 public companies that are not (and have not previously been) ICONIQ Growth portfolio companies. All data was collected from public filings information[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)*

1 All Portfolio data as of 8/12/2024
2 The conclusions of this study represent the views of the ICONIQ Growth Portfolio Analytics team and are not intended to serve as an analysis of the value, viability or health of any individual company or group of companies, and should not be used to make any decision about whether to invest in any company or group of companies, including through a private fund
3 Public filings information as of 7/1/2024

Overview: What Matters from $1 to $20M

A summary of the key questions and metrics for SaaS companies scaling from $1M to $20M

The Questions that Matter | Scaling to $20M

While quantitative outcomes are important to measure and track during the early-stages, perhaps even more important is the "how" behind these metrics. The quality of the team, differentiation of the product, and size and dynamics of the addressable market can all be critical drivers of success – and key context in which to shape any quantitative evaluation of performance.

Team

- *Does the founding team display passion, tenacity, and dedication towards their goals?*
- *Can the founding team effectively articulate the vision and opportunity?*
- *Does the leadership team have the background, perspective, or skill that gives it a unique opportunity to win the market and lead the category?*
- *Is the team effectively attracting, hiring, and retaining top talent?*

Product

- *Is there real differentiation in the product vs. other solutions?*
- *Is there a technical moat that increases barrier to entry in this space?*
- *Are customers in love with the product?*
- *Is this a sticky, need-to-have solution with potential return-on-investment?*
- *Is there high product velocity?*
- *Is there an execution or innovation advantage that might accelerate path to category leadership?*
- *Is the product scalable and able to capture market share?*

Market

- *What's the addressable market – now and in the future?*
- *Is there momentum in this market that creates a unique opportunity for this team and product?*
- *Are early adopters willing to transition from existing legacy solutions?*
- *Is this market resilient to economic headwinds and budget scrutiny?*
- *Is the company emerging as a market and category leader?*

The Metrics that Matter | Scaling to $20M

For more information about these metrics and more, we invite you to explore ICONIQ Growth companion resources:
- The SaaS Glossary
- The Go-to-Market Reporting Guide
- The R&D Reporting Guide

Through our research on what it takes to scale a B2B SaaS company, we identified five key metrics – the ICONIQ Growth Enterprise Five – we believe are highly representative of a SaaS company's overall growth and efficiency. While the Enterprise Five are strong indicators of performance at any stage, the data also shows that **the emphasis placed on different key questions and metrics evolves as companies scale – particularly for early-stage companies**.

We believe focusing on the questions and metrics included in this report from $1-$20M can help fuel software companies through the Growth Plateau and drive growth, efficiency, and resilience as they scale.

Key Question	Metrics	Page #
What are the signals of product market fit? *How quickly and consistently is the company growing?* *Are there signals of a differentiated product with exceptional customer traction?*	YoY ARR Growth *Guiding principle regardless of scale* Net New ARR Velocity New Logo Velocity Gross Dollar Retention	*22-23* *24* *25* *26*
Is there sufficient investment in the product? *Is the company hyper-focused on building best-in-class technology?*	OpEx as % of Revenue	*27*
How is the quality and size of customers evolving? *Is the company landing increasingly high-quality logos?* *Is the company able to retain and expand existing customers?*	Average Contract Value Growth New Logo vs. Expansion ARR Net Dollar Retention	*29* *30* *31*
How efficiently is the company scaling? *What are the costs of incremental growth?* *Are there strong unit economics fueling growth?* *Is there a path to profitability?*	Net Magic Number Burn Multiple ARR per FTE	*32* *33* *34*

More emphasis as companies scale

1 Read more about the ICONIQ Growth Enterprise Five and Scaling SaaS: Forging Excellence Through Fundamentals

Many Flavors of Success | Scaling to $20M

While we believe the trends and metrics reflected in this report are applicable to most $1-$20M B2B SaaS companies, individual outcomes can differ significantly based on business profile. **Sector, growth motion, funding history, product, and target buyer are some key drivers of differences in quantitative outcomes for SaaS companies.**

To emphasize this point, we highlight some stories from companies in the dataset to underscore the importance of adopting approaches that best fit a company's team culture, product, and market. There are many paths to excellence, and we hope these stories demonstrate how unique each journey can be.

Key drivers of differences in outcomes from $1-$20M

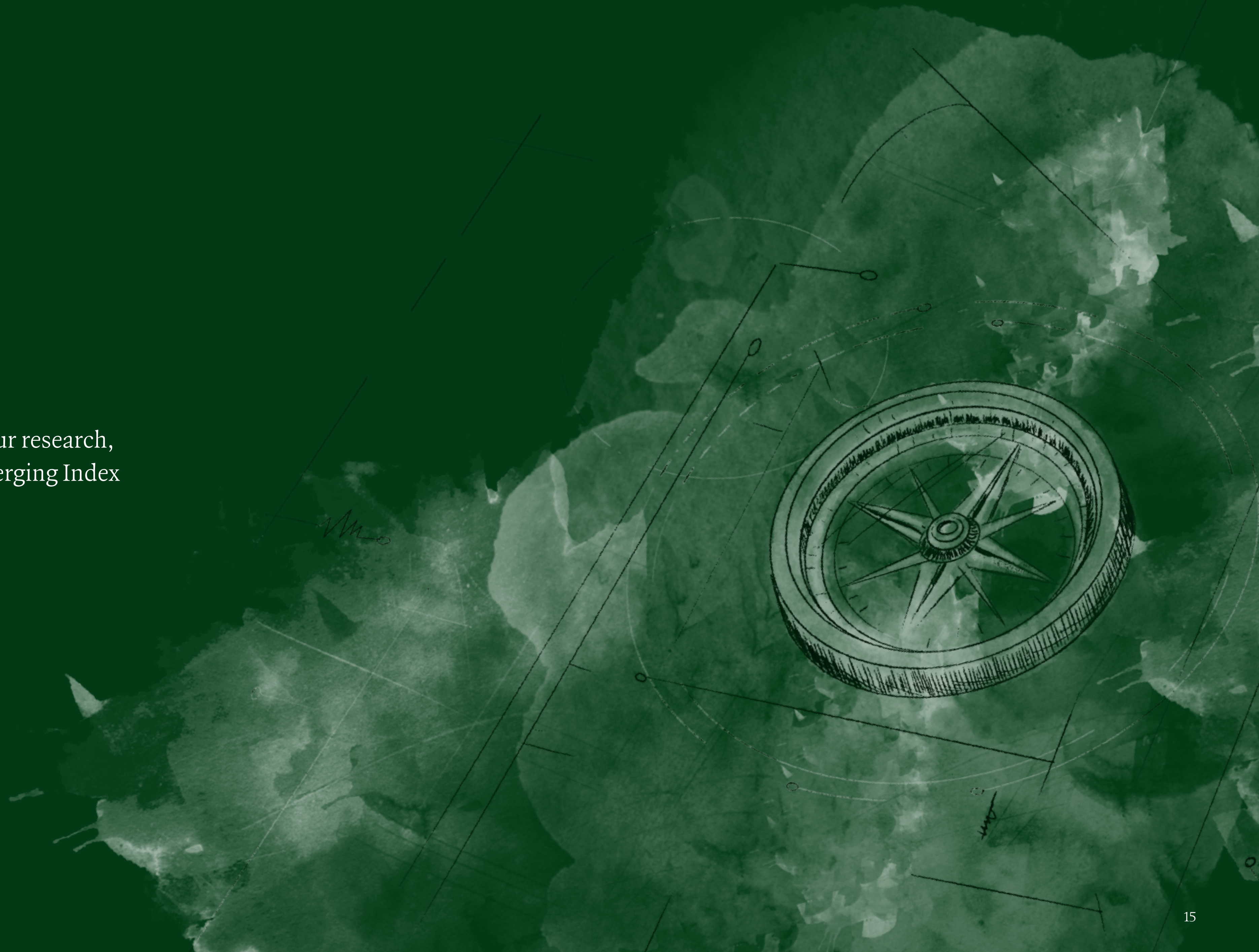
Examples included reflect average trends and are not exhaustive[1]

	Topline Growth *Year over year growth, new logo velocity, retention*	**Operational Efficiency** *Cost, burn, unit economics*
Sector *Infrastructure vs. application vs. fintech; vertical vs. horizontal*	Horizontal SaaS companies grow faster on average than vertical peers from $1-$20M due to large TAMs, but vertical SaaS leaders grow faster in the later-stages	Infrastructure companies typically invest significantly in product and engineering during the early-stages, which can lead to high burn relative to growth from $1-$20M
Growth Motion *PLG vs. SLG; inside vs. field sales*	SLG companies generally have higher gross revenue dollar via annual and multi-year contracts; while PLG companies have generally have higher net dollar retention	Companies with field-sales-heavy motion often have higher sales costs, leading to higher customer acquisition costs than those with inside sales models
Funding *Bootstrapped vs. equity-backed; amount raised & runway*	Equity-backed companies have higher growth rates than bootstrapped companies on average, but have also seen more growth degradation from recent market headwinds	Bootstrapped companies typically have lower cost margins and are more likely to be profitable at this stage than equity-backed companies
Product *Technical complexity; compute costs; services or hardware*	Products with GenAI or machine learning capabilities may see faster growth on average, and AI consumption models may lead to higher net retention for these products	Compute-heavy product models can burden hosting and storage costs, increase burn, and lower efficiency in the early-stages
Target Buyer *SMB vs. enterprise; tech-native vs. non-tech-native*	Companies targeting SMB customers have lower average retention, but higher new logo velocity compared to those targeting enterprise customers	Companies targeting tech-native buyers can have a more efficient go-to-market motion with shorter sales cycles compared to those targeting non-tech-natives

1 Insights based on quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)

Key Insights

Key takeaways and benchmarks from our research, including the new ICONIQ Growth Emerging Index



The ICONIQ Growth Emerging Index

While the ICONIQ Growth Enterprise Five are consistently strong indicators of performance at any scale, the data also shows that **the emphasis placed on different key questions and metrics evolves as companies scale – particularly for early-stage companies.** ICONIQ Growth's Emerging Index highlights the metrics we believe $1-$20M companies should focus on and consider benchmarking against:

Higher — *Lower*: Relative metric weighting by scale

Top Quartile / Median Range

Metric	$1-$5M	$5-$10M	$10-$15M	$15-$20M
YoY ARR Growth *Reveals how quickly and consistently a company is growing (p22-23)*	*575%* 280-300%	*325%* 170-190%	*165%* 110-120%	*160%* 70-80%
QoQ New Logo Velocity *Quarterly growth in new logo recurring revenue; indicates ability to sell to new customers quickly and consistently (p25)*	*125%* 25-35%	*85%* 15-20%	*55%* 5-15%	*40%* 5-15%
Gross Dollar Retention *The percent of a company's existing customer base that is retained; signals product market fit and ICP alignment (p26)*	*100%* 92-97%	*98%* 90-95%	*97%* 90-95%	*95%* 88-93%
Net Dollar Retention *The net impact of customer expansion and churn on existing revenue; signals GTM efficiency and predictability (p31)*	*126%* 100-105%	*125%* 105-110%	*120%* 105-110%	*117%* 105-110%
Burn Multiple *Net burn per dollar generated; measures capital efficiency in the context of growth (p33)*	*1.1x* 2.3-2.5x	*1.1x* 2.2-2.4x	*0.8x* 1.9-2.1x	*1.0x* 1.8-2.0x

Source: Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)
Formulas for each metric: YoY ARR Growth = (EOP ARR – prior year EOP ARR) / prior year EOP ARR; QoQ New Logo Velocity = (Gross new logo ARR in Q – gross new logo ARR in prior Q) / gross new logo ARR in prior Q; Gross Dollar Retention = 1- (Gross churned ARR / (average of BOP ARR + EOP ARR)); Net Dollar Retention = 1+ (expansion ARR – gross churn ARR) / average (BOP ARR + EOP ARR); Burn Multiple = Free Cash Flow / Net New ARR

Executive Summary | Key Insights by Stage (part 1 of 2)

$1-$5M | $5-$10M | $10-$15M | $15-$20M

- **Year over year growth is the guiding principle:** We believe year over year ARR growth should be the guiding principle for any SaaS company, regardless of stage. In the last few years, SaaS market turbulence has exposed a Growth Plateau that companies can encounter around $20-$25M ARR, a period in which year over year growth stagnates or declines as companies navigate growing pains and transition towards maturity
  - The data shows that via a combination of strong top-line velocity, retention, and unit economics, top quartile SaaS companies resist the Growth Plateau and maintain **3-4x YoY ARR growth as they scale from $1-$10M and 2-3x as they scale from $10-$20M**
- **Look for consistent quarterly net new ARR velocity:** Top quartile SaaS companies **consistently increase net new ARR quarter over quarter** and maintain strong net new ARR velocity as they scale from $1 to $20M. We consider this a strong indicator of product market fit and a signal for companies to begin investing more in their GTM motion

$1-$5M | $5-$10M | $10-$15M | $15-$20M

- **Focus on new logos:** the data shows exceptional new logo velocity from $1-$10M is one of the key characteristics that fuel companies through the Growth Plateau. After achieving $1M ARR, top quartile SaaS companies maintain **10-20% quarterly new logo velocity** as they scale towards $10M
- **Land quality logos in the ideal customer profile:** Pairing **95-100% gross dollar retention** with strong new logo velocity is a key indicator of product market fit and a stable customer base. Furthermore, establishing and retaining a strong logo foundation early-on can fuel customer expansion efforts at scale
- **Invest in the product before expanding GTM:** High growth velocity and strong retention should also be paired with sufficient investment in product during this stage. **From $1-$5M, SaaS companies dedicate the majority of OpEx to product and engineering.** Only once companies reach $5-$10M ARR on average do they begin to invest in maturing their go-to-market motion and S&M OpEx begins to exceed R&D OpEx

Executive Summary | Key Insights by Stage (part 2 of 2)

$1-$5M | **$5-$10M** | **$10-$15M** | **$15-$20M**

- **Continue landing quality logos and expand ACVs:** As the customer base expands, early-stage companies continue to **expand ACVs as they scale towards $20M**. ACV growth is strong for enterprise-focused companies, whereas SMB-focused companies achieve less leverage via ACV growth and more leverage via continuously strong logo velocity at this stage
- **Prepare for a significant uptick in customer expansion:** Once a healthy logo base has been established and retained, customer expansion increasingly contributes to ARR growth, driving **30-35% of new ARR** on average as companies scale to $10M-$15M
- **Start to index more towards net dollar retention:** Once customer expansion drives a more significant portion of growth for early-stage SaaS companies, we believe net dollar retention (NDR) should begin to carry more weight. **Companies achieve 120-130% top quartile NDR and 105-115% median NDR** as they scale past $10M

$1-$5M | $5-$10M | **$10-$15M** | **$15-$20M**

- **Understand the unit economics:** As companies refine and operationalize the GTM motion, there is increasing focus on unit economics and efficiency. Magic number, the ratio of revenue generated per dollar spent on S&M, can be artificially high between $1-$10M, but becomes highly representative of efficiency around $10M ARR, when high growth velocity, strong retention, and relatively low S&M OpEx contribute to **1-2x top quartile net magic number**
- **Track the burn multiple trajectory:** at this stage it's important to understand how burn multiple is trending to ensure there is a path to decrease burn while maintaining incremental growth. From $10-$20M, high burn is paired with high growth rates on average, translating to **median burn multiples of 1.5-2x**
- **Use ARR per FTE as an anchor for hiring:** the goal at this stage is to **continue increasing productivity per full-time-employee** as companies scale past $20M. Top quartile companies achieve $140-$150K ARR per FTE as they scale toward $20M

A key component of macro impact has been, and will continue to be, the rise of AI. We invite you to explore our AI Insights and predictions for additional information.

The ICONIQ Growth Emerging Index | **Macro Impact**

The last four years have presented exciting opportunities and unprecedented challenges for software businesses. Many companies had to transition from 'growth at all costs' to an era of efficiency that has persisted through 2024. This turbulence has impacted various dimensions of software performance, which we invite you to explore further in Scaling SaaS: Forging Excellence Through Fundamentals.

Higher *Lower*

Relative metric weighting by scale

Metric	$1-$5M / $5-$10M / $10-$15M / $15-$20M
YoY ARR Growth *Reveals how quickly and consistently a company is growing (p22-23)*	▼ In 1H 2024, YoY ARR growth reached its lowest point in the last 8 quarters. However, early-stage companies began to show signs of stabilization
QoQ New Logo Velocity *Quarterly growth in new logo recurring revenue; indicates ability to sell to new customers quickly and consistently (p25)*	▼ The decline in YoY ARR growth was due primarily to deterioration in new logo ARR and new logo velocity over this period, though customer expansion also slowed
Gross Revenue Retention *The percent of a company's existing customer base that is retained; signals product market fit and ICP alignment (p26)*	▼ After significant declines in 2023, gross revenue retention started to recover and has rebounded closer to historical medians as of 1H 2024
Net Dollar Retention *The net impact of customer expansion and churn on existing revenue; signals GTM efficiency and predictability (p31)*	● Net dollar retention remained largely stable for early-stage companies, proving more resilient relative to later-stage peers that saw significant declines on average
Burn Multiple *Net burn per dollar generated; measures capital efficiency in the context of growth (p33)*	▲ Burn multiples steadily improved over the last few years after reaching peak levels in 2022. However, burn multiples have not yet returned to historical norms[1]

Source: ICONIQ Growth 2024 Topline Growth & Operational Efficiency report; trends reflect data from 1H2020 through 1H 2024
1 "Improvement" in burn multiple corresponds to a decrease in burn multiple

Growth & Efficiency from $1 to $20M

Detailed benchmarks and considerations for early and emerging companies

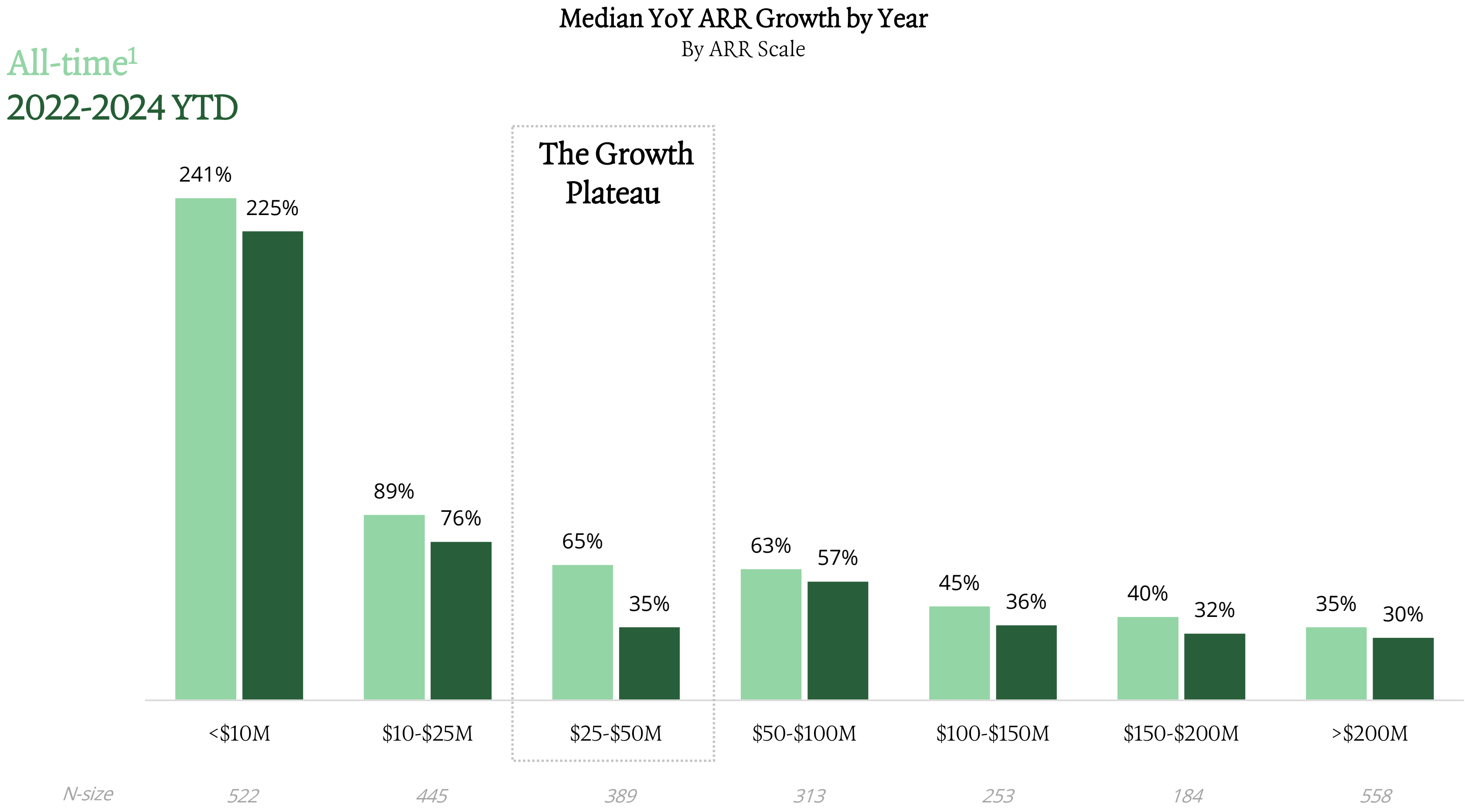
The Growth Plateau

The data shows many SaaS companies encounter a Growth Plateau after reaching the ~$20M scale. We've seen this trend persist through various macroeconomic climates and have set out to understand what companies can do in the early stages to fuel themselves through this period of growth.

While median performance reflects the Growth Plateau trend, top performing companies are typically immune to the slowdown. In this report, we examine the characteristics we believe sets these top performing startups apart – a combination of strong top-line velocity, customer retention and expansion, product investment, and scalable unit economics all before companies reach $20M.

How quickly and consistently is the company growing?

The last few years in SaaS have exposed a Growth Plateau that many companies encounter around $20-$25M, a period in which year over year growth stagnates or declines as companies navigate growing pains and transition towards maturity



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)
1 All-time reflects data from 2012 through YTD 2024 as of publication

$1-$5M | $5-$10M | $10-$15M | $15-$20M

Year-over-year ARR growth reveals how quickly and consistently a company is growing and is one of the top two metrics most correlated with valuations for SaaS companies regardless of stage.[2]

We believe year-over-year growth should be the guiding principle for any early-stage SaaS company. High growth is a strong signal of product market fit and long-term performance for venture-backed and bootstrapped software companies alike.

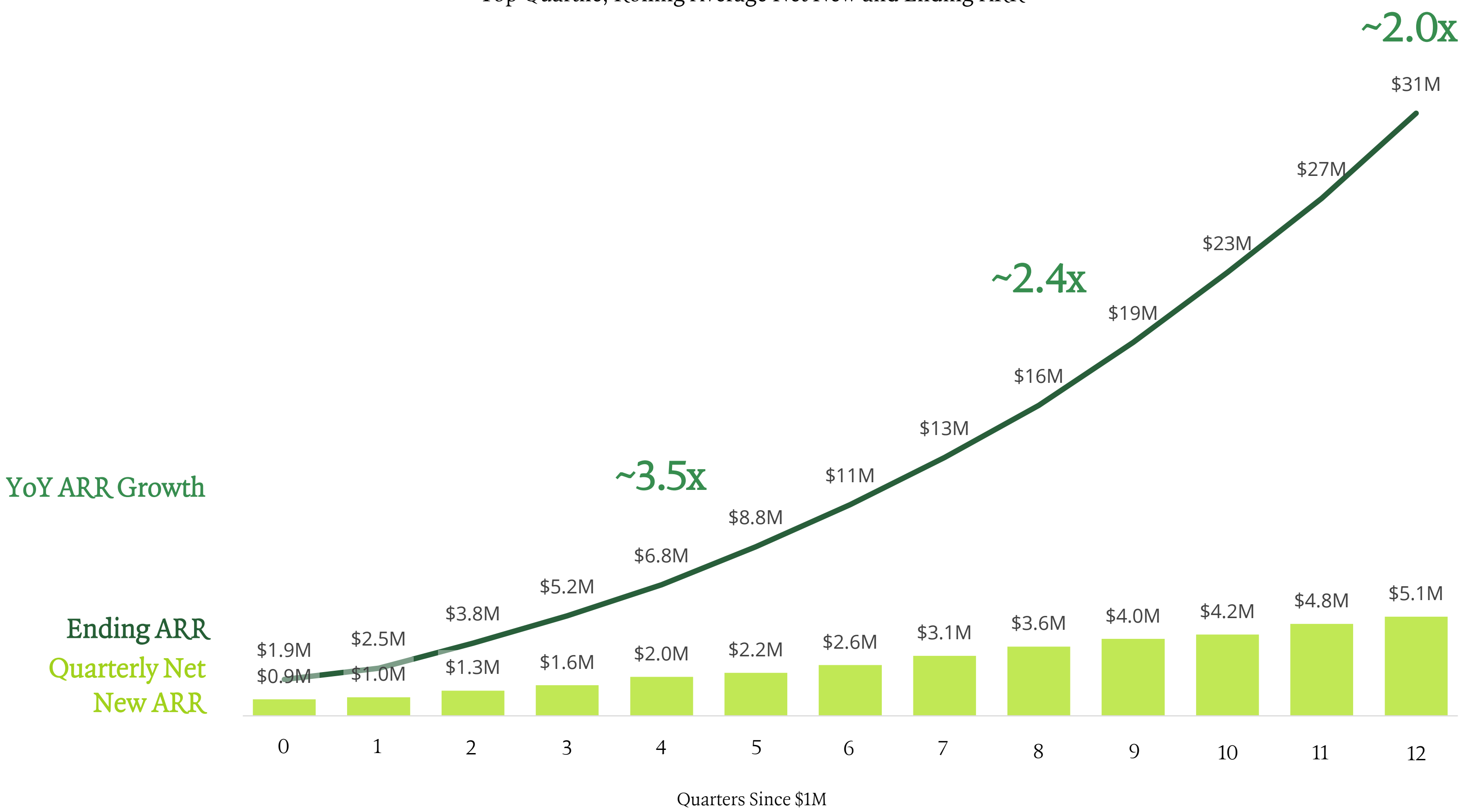
While the data demonstrates efficiency-related metrics begin to carry more weight as companies scale past $20M ARR, most of these efficiency metrics continue to be anchored in ARR or revenue growth (magic number, burn multiple, rule of 40, free cash flow margin), signaling the importance of growth through all stages of the company lifecycle.

How quickly and consistently is the company growing?

Via a combination of top-line velocity, retention, and unit economics, top quartile SaaS companies can resist the Growth Plateau, maintaining 2-4x YoY ARR growth as they approach $20M ARR

YoY ARR Growth, Ending and Net New ARR by Quarters after $1M ARR[1]

Top Quartile; Rolling Average Net New and Ending ARR



1 Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n= 970
2 ICONIQ Growth Analytics Quarterly Recaps (available to the ICONIQ Growth portfolio only); year over year revenue growth can also be used

$1-$5M | $5-$10M | $10-$15M | $15-$20M

YoY ARR growth is driven by how quickly and consistently companies capture net new ARR (gross new ARR less ARR lost due to churn). As the primary driver of growth, it can also be helpful to monitor net new ARR and net new ARR growth, both quarterly and annually.

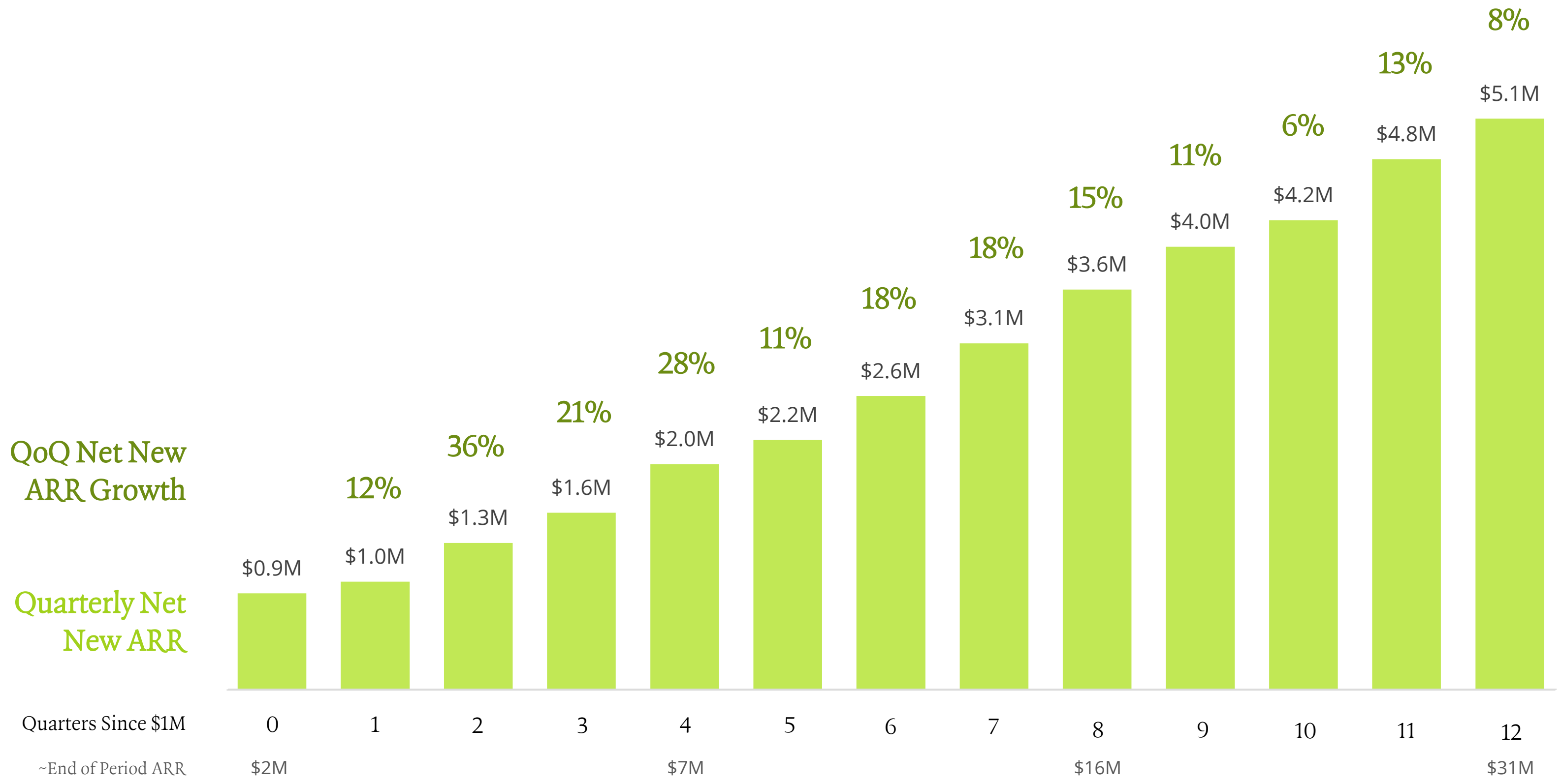
Increasing net new ARR consistently for consecutive quarters is a strong indicator of product market fit for early-stage companies and is often **a signal for companies to begin investing more in their go-to-market motion.** Alternatively, we believe significant fluctuations in quarterly net new ARR can signal a continuing need to develop the product and refine the ideal customer profile before investing more in go-to-market.

How quickly and consistently is the company growing?

Top quartile companies drive YoY ARR growth by consistently increasing net new ARR quarter over quarter as they scale from $1 to $20M

Quarterly Net New ARR and QoQ Net New ARR Growth by Quarters after $1M ARR[1]

Top Quartile; Rolling Average Net New ARR



1 Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n= 970

$1-$5M | $5-$10M | $10-$15M | $15-$20M

New logo velocity measures a company's ability to sell to new customers quickly and consistently as they scale and consume headroom. We believe it is one of the best measures of product market fit for an early-stage company - especially when considered in the context of market dynamics.

Like net new ARR, we think looking at new logo velocity **quarterly provides a more real-time signal of velocity**, while annual figures which won't capture fluctuations as well.

Exceptional new logo velocity in the early stages is one of the key characteristics that fuel companies through the Growth Plateau. By establishing a strong foundation of logos early on, companies are better set-up for upsell and cross-sell opportunities as they scale and the source of new ARR shifts towards the existing customer base.

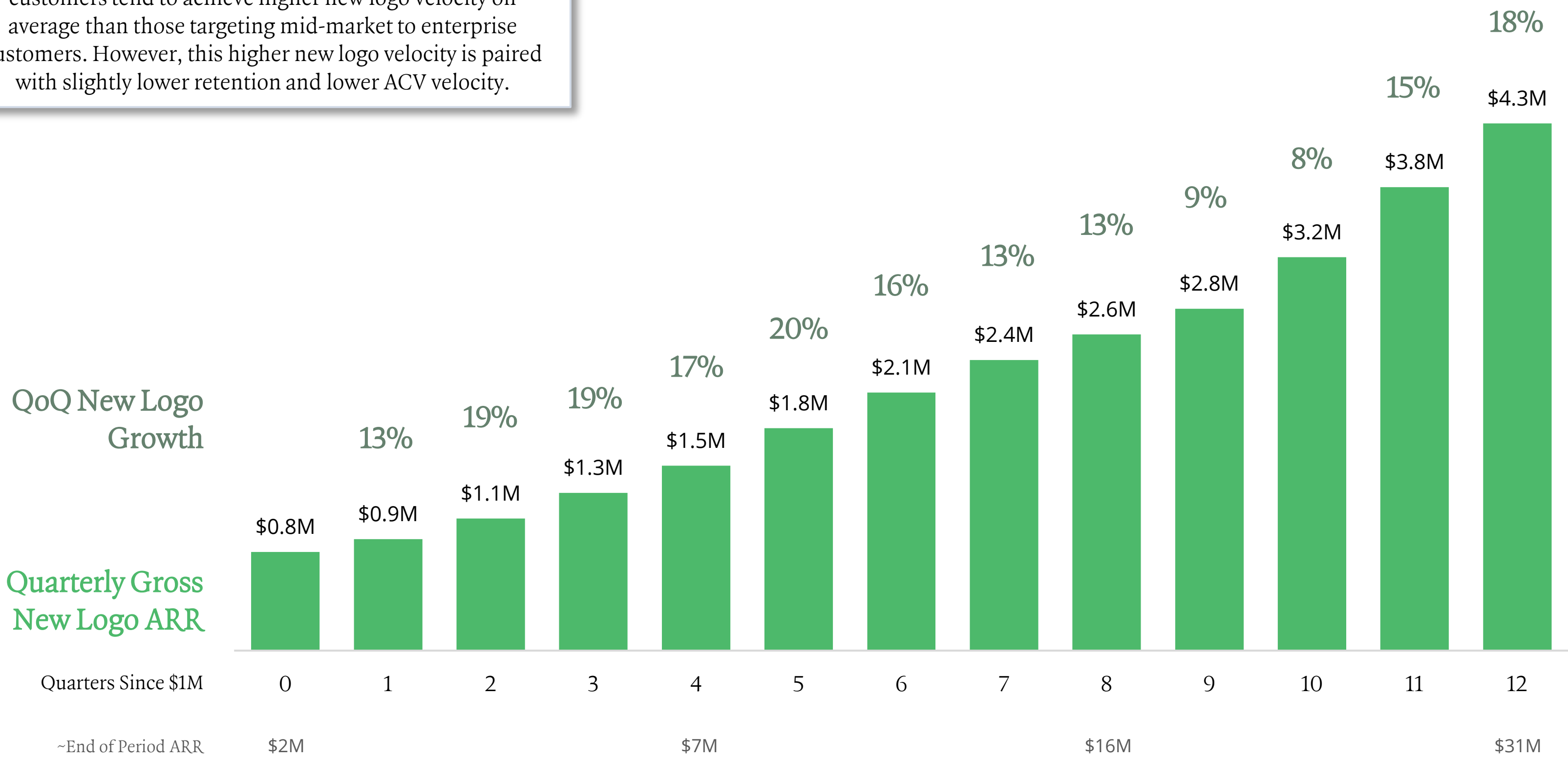
What are the signals of product market fit?

After achieving $1M ARR, top-quartile companies also establish a strong customer base by maintaining 10-20% quarterly new logo velocity as they scale towards $10M

Quarterly New Logo ARR and QoQ Net Logo ARR Growth by Quarters after $1M ARR[1]

Top Quartile; Rolling Average New Logo ARR

SaaS companies targeting primarily SMB and mid-market customers tend to achieve higher new logo velocity on average than those targeting mid-market to enterprise customers. However, this higher new logo velocity is paired with slightly lower retention and lower ACV velocity.



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=664

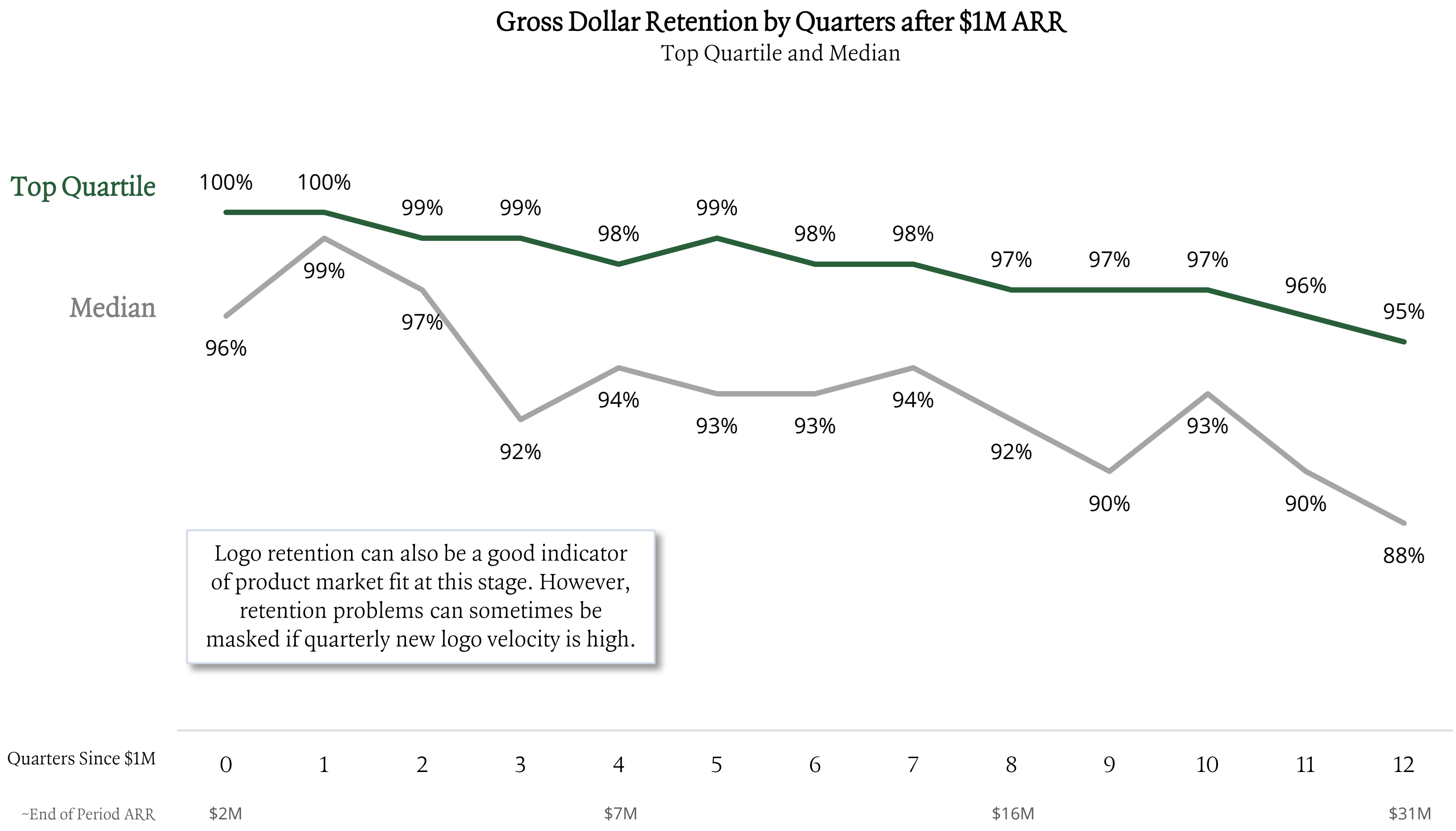
Gross dollar retention measures a company's ability to retain revenue from the existing customer base. Pairing strong new logo velocity with strong gross revenue retention in the early stages can allow a company to build a healthy customer foundation, which will help fuel the company's expansion efforts at scale.

While net dollar retention, which measures the ability to retain *and* expand, is one of the ICONIQ Growth Enterprise Five metrics, **we think sub-$10M companies should index more towards gross dollar retention**. We believe expansion is a critical motion to build early on, but gross dollar retention can be more indicative of product market fit and the health of a go-to-market motion in the sub-$10M stage.

We believe the best way to look at revenue retention for a given company is on a cohort basis, which can show how retention trends are evolving over time.

What are the signals of product market fit?

Strong new logo velocity paired with 95-100% gross dollar retention in the early-stages can be a key indicator of product market fit and stable customer base



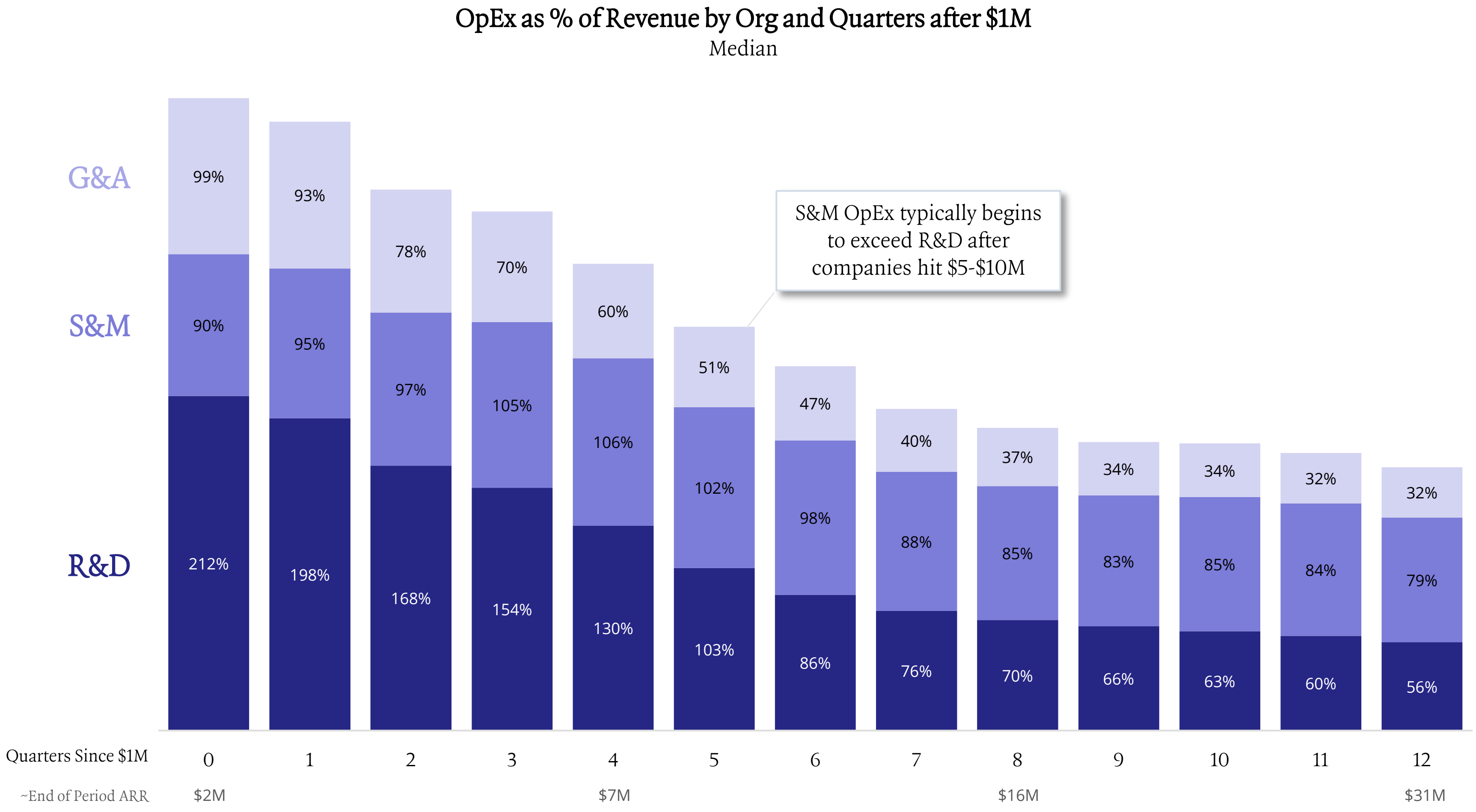
Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=611

$1-$5M | $5-$10M | $10-$15M | $15-$20M

We believe one key to working towards product maturity and enterprise readiness is investing sufficiently in product and development in the early stages. **Before SaaS companies reach $5M, we believe most of their operating expenses should be allocated towards research and development.**

Only once companies reach $5-$10M and begin to mature their go-to-market motion does sales and marketing typically become a larger category of spend. One key component of this is the transition from founder-led sales to having a dedicated go-to-market team and sales process. While it's healthy to begin building this motion early on, founders should stay very involved in sales processes throughout the journey to $20M and beyond.

It's important to pair topline velocity and health with sufficient investment in product in the early-stages. From $1-$5M, startups typically dedicate the majority of OpEx to product and engineering



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=913

ICONIQ Growth
Perspectives

To illuminate a diversity of approaches and highlight the importance of discovering the unique path that is right for your company, culture, product, and team.

adyen

Kamran Zaki
Former Adyen Chief Operating Officer
ICONIQ Growth Consultant

A ‘launch fast and iterate’ mindset

“We launch fast and iterate” is one of the key pillars of The Adyen Formula. We asked ‘what is the problem we’re trying to solve?’, followed by ‘how do we solve it with the minimum amount of process?’. **We deliberately didn’t have a prescribed product roadmap because we wanted to remain agile enough to shift focus quickly based on customer demand**. This allowed us to launch new products and expand into new markets quickly and then continuously iterate from there to add incremental value for our customers.

PROCORE

Dennis Lyandres
Former Procore Chief Revenue Officer
ICONIQ Growth Advisor

A customer-obsessed organization

One of our guiding principles in the early stages was to create a product that delivered unique value and was unlike anything else in the market. We focused on building features and integrations based on industry needs, positioning the product to create a compelling case for immediate adoption. **By building a loyal, referenceable customer base, we were able to set the stage for long-term growth in key markets.**

$1-$5M | $5-$10M | $10-$15M | $15-$20M

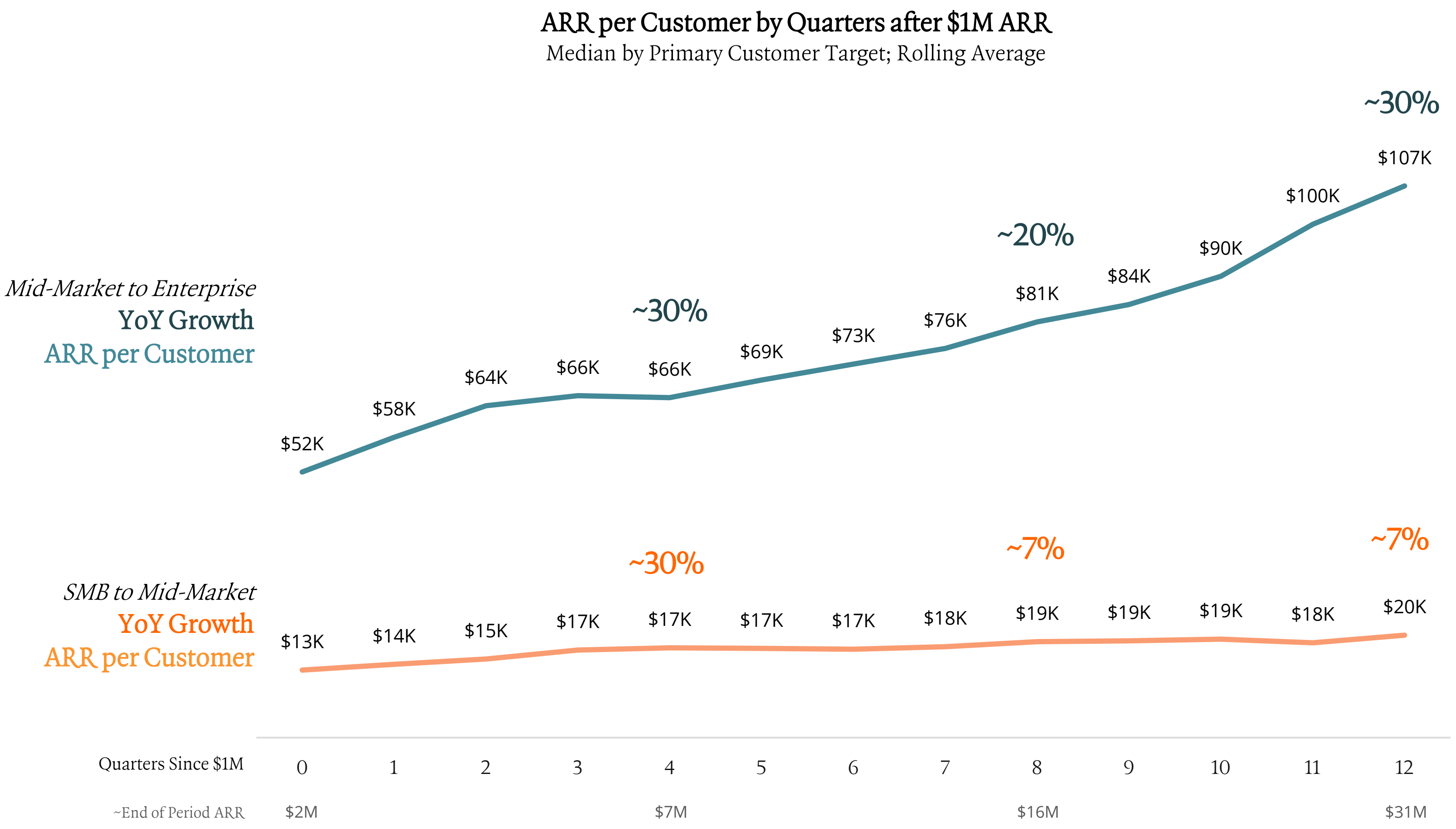
ARR per customer measures a company's total ARR divided by total number of customers, which can be a useful proxy for average contract value for software companies primarily selling subscription products.

Landing larger deals as a company scales is generally a positive indication of topline health, signaling maturity of the product and efficacy of the GTM motion. However, we believe early-stage companies should also guard against risk associated with an over-concentrated customer base by ensuring increasing ACVs are paired with high new logo velocity and retention.

More important, though harder to benchmark, is a company's ability to land *quality* logos with strong reference-ability at this stage. Landing logos outside the technology space can also be a positive indicator of customer traction, suggesting the company can 'cross the chasm' of early to mainstream adoption.

How is the size and quality of the customers changing?

As the customer base expands, early-stage companies targeting SMB and enterprise logos continue to expand median ACVs as they scale towards $20M



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=400

$1-$5M | $5-$10M | $10-$15M | $15-$20M

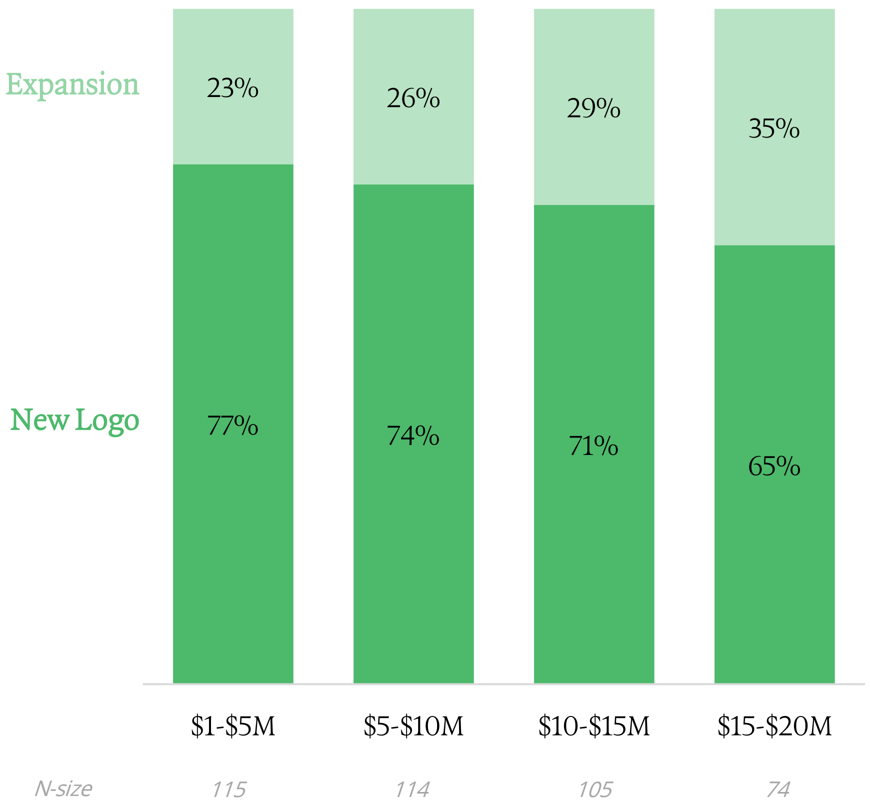
While we believe acquiring new logos should be a top go-to-market priority for early-stage companies to set themselves up for long-term success, once companies reach ~$10M they should also be prepared to field a significant uptick in customer expansion.

These early expansion deals can serve as a critical feedback loop for product maturity, roadmap prioritization, ideal customer profile, and more. Once companies scale past $20M and begin to focus more on operational efficiency, more structure can be introduced around expansion vs. new logo processes and ownership internally; however, differentiating these processes too early can inhibit a healthy early-stage feedback loop.

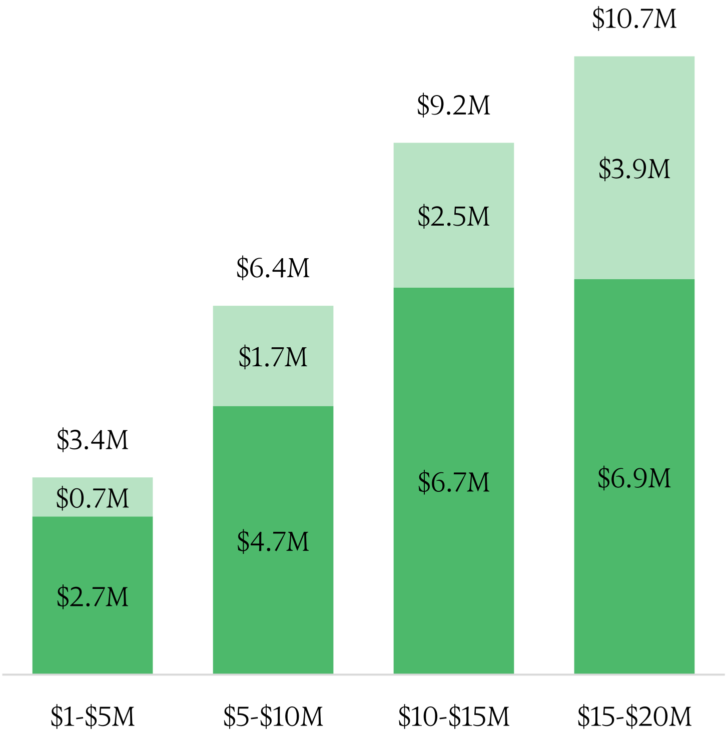
Are customers expanding?

Once a healthy new logo base has been established and retained, expansion increasingly contributes to ARR growth on average, driving ~35% of new ARR once companies hit $15M

New Logo vs. Expansion ARR as % of Gross New ARR
Average by ARR Scale



Annual New Logo vs. Expansion ARR
Average by ARR Scale



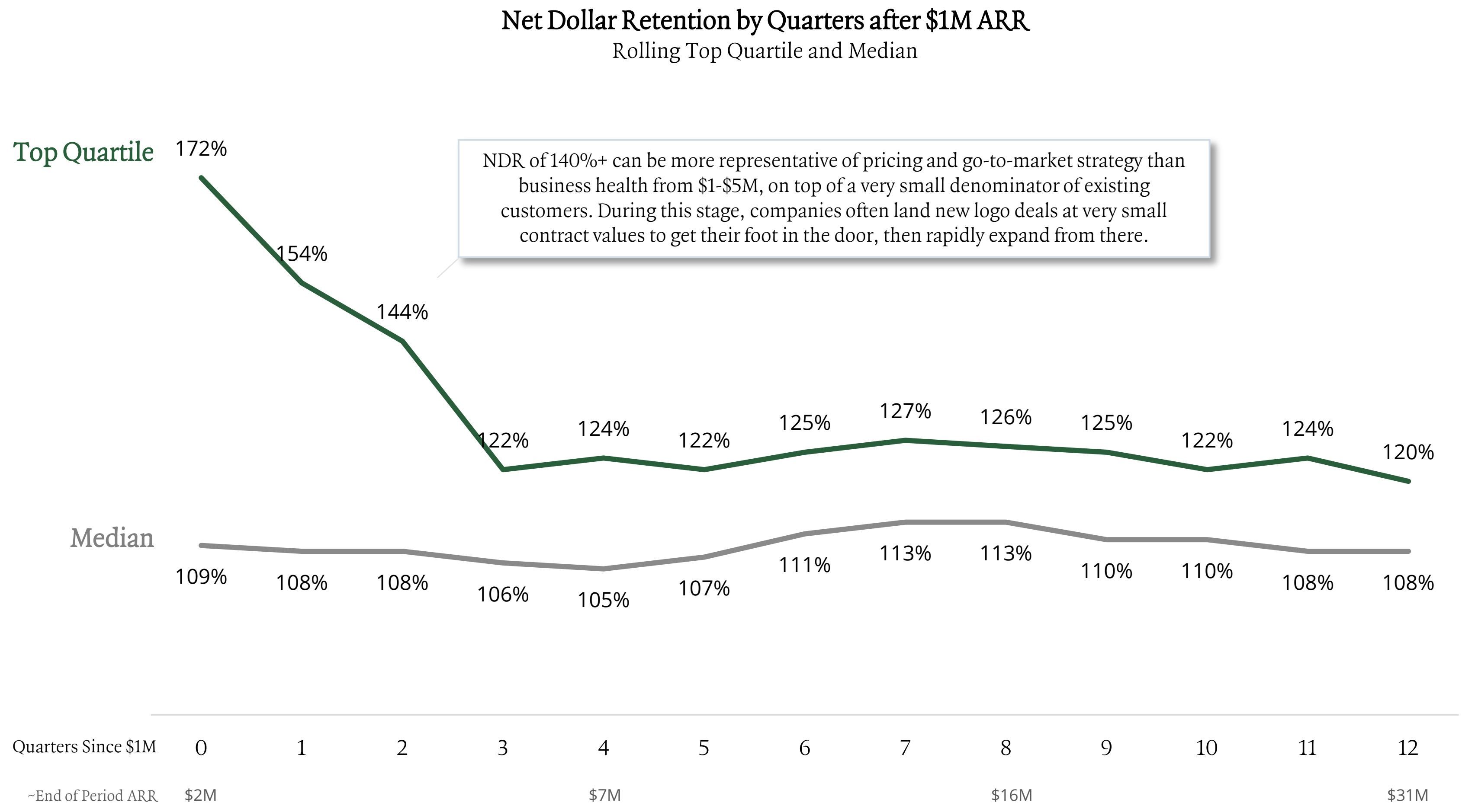
Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)

$1-$5M | $5-$10M | $10-$15M | $15-$20M

Once customer expansion begins to drive a more significant portion of growth for early-stage SaaS companies, we believe net dollar retention should begin to carry more weight.

While gross dollar retention measures only the revenue retained from existing customers, net dollar retention (NDR) also measures a company's ability to expand existing customers, making it, in our view, a strong signal of the efficiency and predictability of a company's revenue generation. NDR is inherently volatile in the very-early stages given a small customer base, but it becomes highly correlated with go-to-market productivity and overall business health as companies are scaling past $10M.

This uptick in customer expansion often leads to a temporary increase in net dollar retention as companies scale past $10M, with top quartile companies achieving 120-130% NDR



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=738

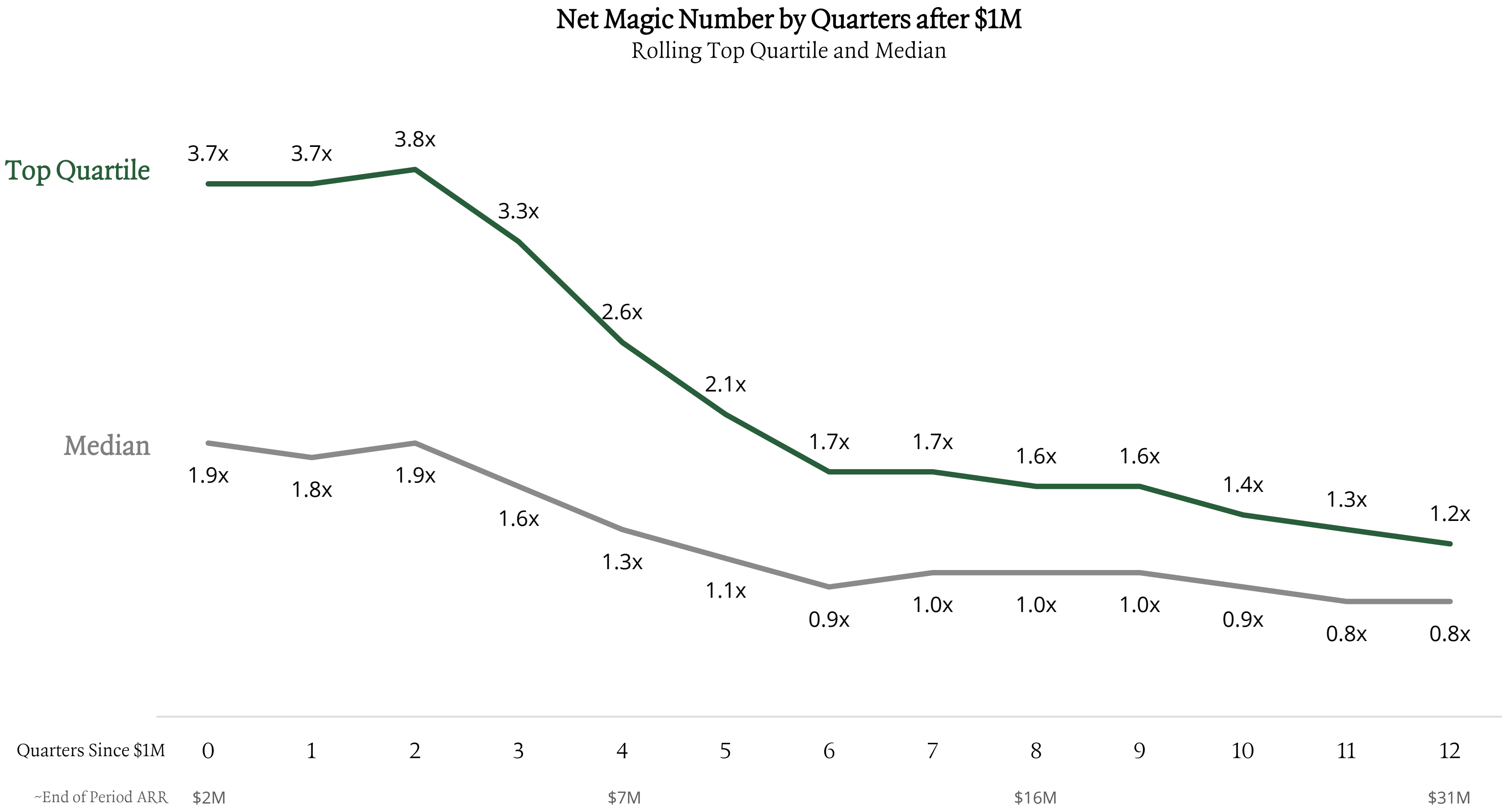
$1-$5M | $5-$10M | $10-$15M | $15-$20M

As companies begin to refine and operationalize their go-to-market motions, there is increasing focus on unit economics and efficiency. We believe that while top-line growth remains the primary focus, it's important to begin to measure and understand the efficiency of that growth.

The "magic" of magic number lies in its ability to measure revenue generation against sales and marketing spend, while accounting for the lag in a typical sales cycle. While there are multiple flavors of magic number, we believe net magic number to be the most comprehensive, as it takes churn into account.

Like NDR, magic number can be artificially high between $1-$5M ARR, when sales are primarily founder-led and sales teams remain lean. However, once companies reach ~$10M, this metric can become a strong indicator of go-to-market efficiency and productivity.

Once companies reach ~$10M, high growth velocity, strong retention, and relatively low S&M operating costs on average contribute to 1-2x top quartile net magic number



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication); n=913

$1-$5M $5-$10M $10-$15M $15-$20M

An increased focus on GTM efficiency comes with an increased focus on overall efficiency after $10M.

Burn multiple is generally a strong indicator of overall efficiency for un-profitable companies: it compares how much cash a company is burning to how much it's generating in revenue. For this ratio we prefer to use free cash flow (FCF) versus net new ARR. It may be more relevant for profitable companies to index more towards rule of 40 at this stage[3].

While we believe top-line growth should continue to be the 'north star' during these stages, it's important to understand how burn multiples are trending as companies scale past $10M to ensure there is a path to decrease burn while maintaining incremental growth.

How efficiently is the company scaling to support growth?

Though burn is often high during the early-stages as companies invest in the foundation of their product and team, it is also paired with high ARR growth on average. This translates to median burn multiples of ~1.5-2x as companies scale from $10-$20M

Burn Multiple (FCF / Net New ARR) by ARR[1]
Top Quartile[2] and Median; Un-profitable companies only

1 Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)
2 Top quartile reflects 25th percentile for burn multiple
3 Read more about rule of 40 and other SaaS metrics in the ICONIQ Growth SaaS Glossary and our 2024 Topline Growth & Operational Efficiency report

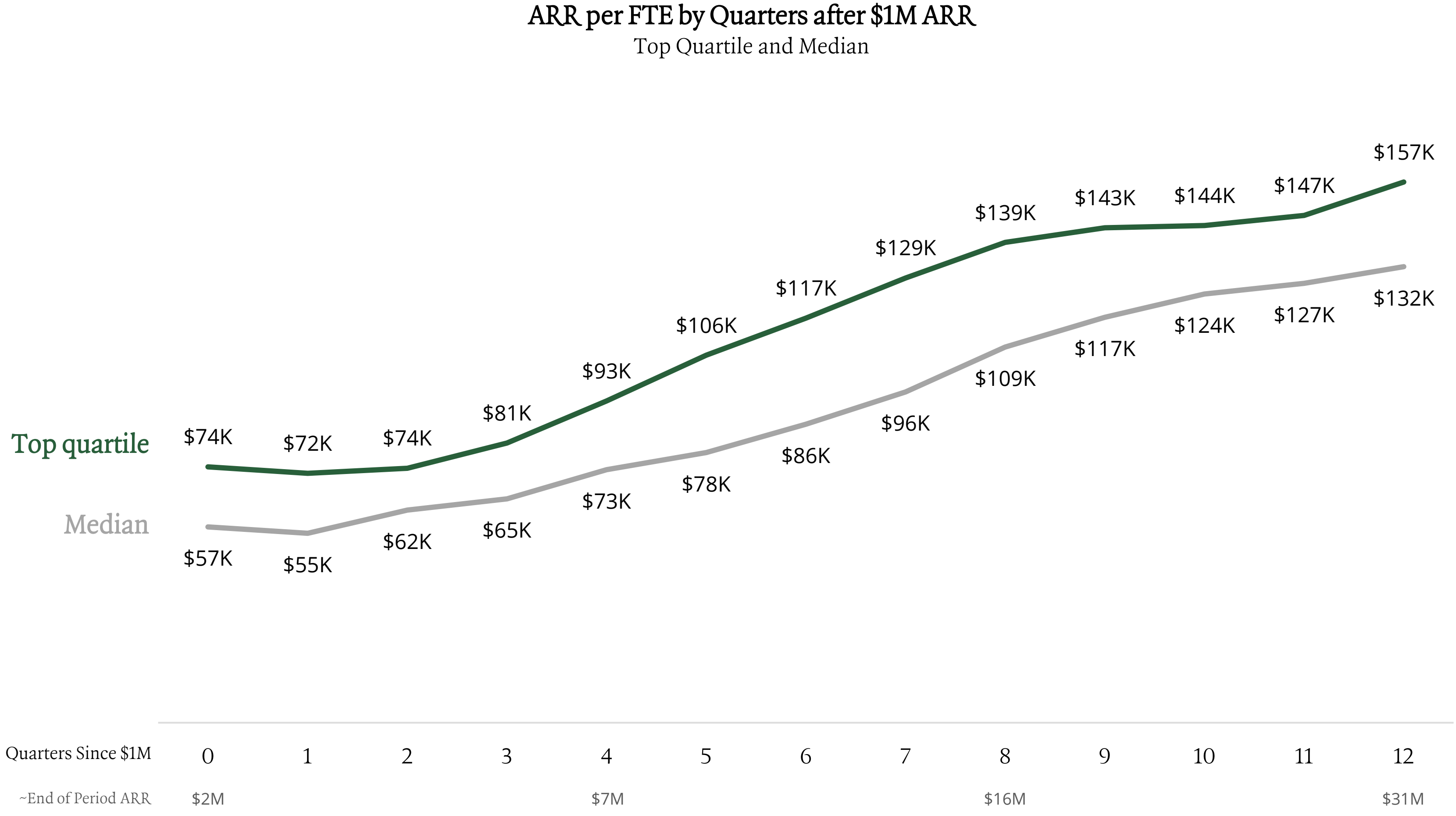
$1-$5M | $5-$10M | $10-$15M | **$15-$20M**

ARR per full-time-employee (FTE) measures a company's headcount productivity, indicating whether a company can increase productivity per head as it scales. As most of a SaaS company's operating costs are people-related, we have found headcount productivity to be another robust measure of overall growth and efficiency.

Early in the company lifecycle, product teams are often building and deploying product without significant investment in go-to-market or operational teams. Headcount productivity generally begins to carry more weight as companies scale past $20M and build out non-technical teams. At this stage, we believe companies should safeguard against over-hiring and be thoughtful about the sequence of hires, ensuring each new hire unlocks incremental growth and efficiency before expanding those teams further.

How efficiently is the company scaling to support growth?

As early-stage companies scale, incremental operational efficiencies can unlock additional headcount productivity. Top quartile companies achieve ~$140-150K ARR per FTE as they scale towards $20M



Quarterly operating and financial data from the companies included (data reflects benchmarks from 2012 to 2024 YTD as of publication)

About ICONIQ Growth

A global portfolio of category-defining businesses

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APPRENTICE	APTTUS	articulate	aurora	AUTOMATTIC	AXONIUS	bambooHR	Benchling	BetterUp	bill
BLACKLINE	braze	Calendly	Campaign Monitor	Canva	CaptivateIQ	causaly	chime	CLARA	coast
Collibra	conexiom	coupa	CROWDSTRIKE	cyberGRX	DATADOG	dataiku	dbt Labs	DeepL	DevotedHealth
dexcare	dialpad Ai	docusign	DRATA	enfusion	EPIC GAMES	EvolutionIQ	ezcater	fastly	fetch REWARDS
Figma	Fireblocks	Fivetran	Flipkart	FloQast	FREEWILL	FTX	Gem	GitLab	glean
gofundme	GoodRx	GreenSky A Goldman Sachs Company	Groww	Guild	HashiCorp	headspin	HEPTAGON	highradius	HIGHSPOT
hightouch	hippo	HONEST	houzz	iex	INTERCOM	invision	komodo HEALTH	loom	Lucid
MARQETA	miro	MONTE CARLO	motorway	Moveworks	Nayya	netskope	ninjaOne	notable	Notion
orca security	panther	people.ai	Pepper	Pigment	Pinecone	PLURALSIGHT	Pontera	Primer	PROCORE
QGenda	ramp	recharge	RED VENTURES	Reify HEALTH	Relativity	Reprise	Restaurant365	Robinhood	SANITY
sendbird	ServiceTitan	shopmonkey	side	skuid	SMARTLING	snowflake	SPOTNANA	sprinklr	SQUIRE
TENCENT MUSIC ENTERTAINMENT	TRUCKSTOP	turbonomic	twin	Twistlock	Uber	Unit21	UNITE US	VIC.AI	virtru
WARBY PARKER	wayfair	Wealthsimple	Wolt	WRITER	zinier	zoom			

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