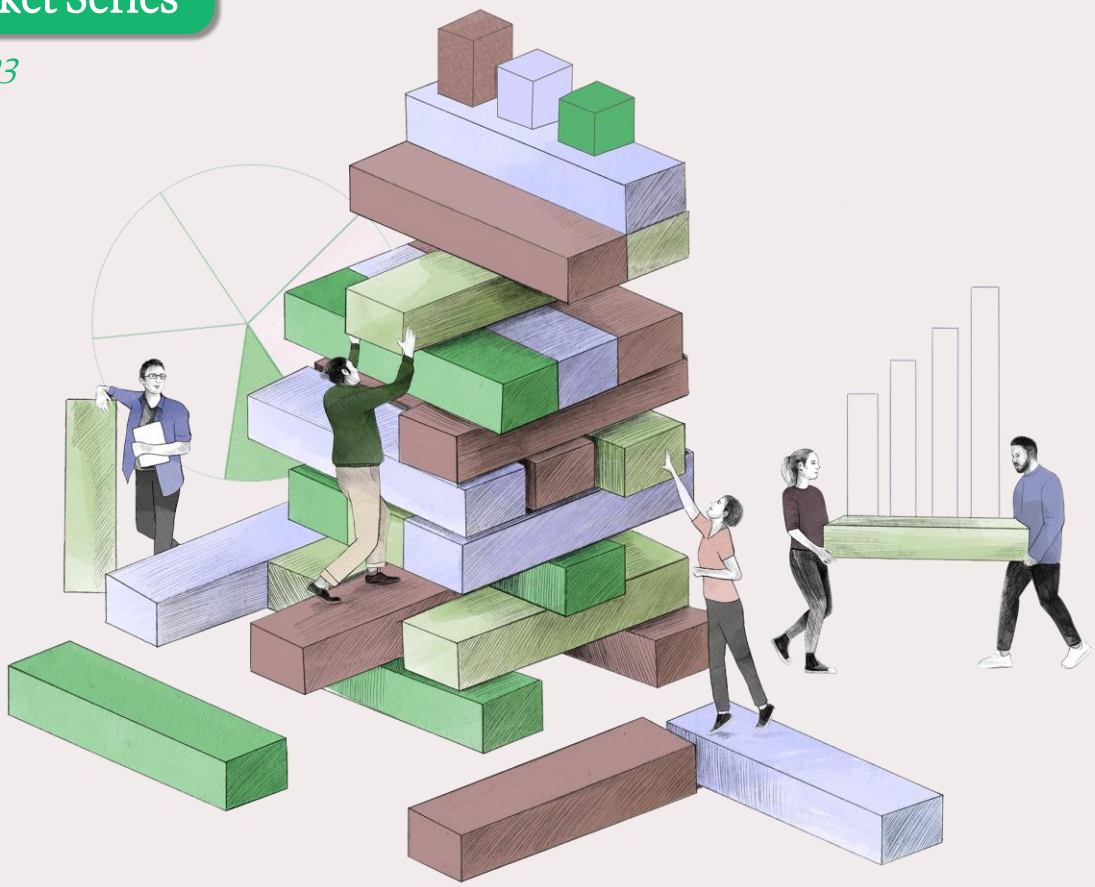
ICONIQ | Growth

The Go-to-Market Reporting Guide

Key metrics and frameworks for GTM organizations to track and leverage, including templates for best-in-class reporting

Go-to-Market Series

December 2023



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Supporting founders through pivotal milestones and various stages of growth

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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

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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

Introduction

About The Research

ICONIQ Growth has invested in more than 100 SaaS, fintech, and consumer tech companies. We believe a persistent theme across many successful technology companies is that **a holistic and well-executed go-to-market strategy is one of the key pillars that drives sustainable, long-term growth**.

In the ICONIQ Growth Go-to-Market Series, we use organizational data and industry perspectives to **provide detailed answers to the key go-to-market questions** we receive from B2B SaaS leaders. We examine myriad topics across go-to-market compensation, incentives, organizational structure, roles and responsibilities, reporting, forecasting, and enablement, to share best practices and proprietary benchmarks that help leaders scale their organizations.

A critical component of any strong go-to-market strategy is a company's **ability to understand what works, scale this effectively, and work towards revenue predictability – and this requires data-driven reporting.**

Explore more ICONIQ Growth research:

What's included?

Part I: GTM Reporting Best Practices

Best practices for designing and operationalizing a B2B SaaS GTM reporting engine based on learnings and perspectives from the ICONIQ Growth portfolio and network.[1]

Part II: The Go-to-Market Metrics Guide

Includes definitions, calculations, and frameworks for key metrics, and best practices for operationalizing the go-to-market organization. Throughout this guide, preferred formulas for B2B SaaS businesses are included; however, there are multiple ways to calculate various KPIs and other methods may be more relevant for different business models and sales motions.

Companion templates

ICONIQ Growth templates that can be leveraged to track and report on these metrics, and illustrative examples of best-in-class reporting:

GTM Board Slides	"Must-have" go-to-market board deck slides
ARR & Logo Funnel	ARR and logo funnel templates and charts
Pipeline, Leads & Top of Funnel	Pipeline outlook and coverage by segment

Who's this for?

This resource is made **primarily for B2B SaaS companies** with some component of a **sales-led motion**. However, most of the metrics, frameworks, best practices, and templates included are **widely applicable** across technology business models and go-to-market motions. The metrics, frameworks, and templates in this guide will be most useful to a CEO and heads of revenue, marketing, customer success, and finance teams.

How do I use it?

This guide is meant to help companies of all sizes in building out their GTM reporting motion. The templates included can be **leveraged for internal reporting** and the frameworks and best practices can help go-to-market organizations **refine and perfect their revenue operations**.

1 See more about these perspectives on the following page. For a complete list of ICONIQ Growth portfolio companies, please see the appendix

Industry perspectives

Throughout this guide, we also weave in **perspectives, insights, and best practices from go-to-market executives** in the ICONIQ Growth B2B SaaS portfolio and network. All industry perspectives have been anonymized to protect company-level information.

Perspectives were gathered via interviews with the following collaborators:

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VP, Corporate Marketing

1Password

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Sr Director, Marketing Strategy

DATADOG

Angie Holt
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Relativity

Peter Kim
Chief Sales Officer

yapi

Jack Montgomery
CFO, Head of Sales & Marketing

And from go-to-market and finance leaders at the following companies:

asana, box, CLOUDFLARE, databricks, Figma, HubSpot, snowflake, ATLASSIAN, Clari, CROWDSTRIKE, dbt Labs, GitLab, miro, twilio

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Related materials

This guide is one in a series of ICONIQ Growth go-to-market reports. **Benchmarks for many of the KPIs and metrics included in this guide are displayed in these materials and other ICONIQ Growth content**, which will be linked throughout this report whenever relevant.

Access the full Go-to-Market Series

Compensation & Incentives

PUBLISHED | UPCOMING

- Sales Compensation
- Marketing Compensation
- Customer Success Compensation
- Interactive Dashboard *Portfolio Only*
- *Blog Post* Re-designing sales incentives in 2023
- *Blog Post* Account executive compensation 101

Team, Org Structure & Responsibilities

- Building Go-to-Market Teams
- Hiring a Head of Sales
- Hiring a Head of Marketing
- Interactive Dashboard *Portfolio Only*

Operationalizing Go-to-Market

- The GTM Reporting Guide
- The GTM Tech Stack
- *Templates:*
  - GTM Board Slides
  - ARR Funnel
  - Pipeline & Leads
- *Blog Post* Marketing budgets
- *Blog Post* Segmenting the sales org

PART 1

GTM Reporting Best Practices

The Metric Map

A framework for organizing a company's universe of data

p9

Displaying Longitudinal Data

The best ways to show monthly or quarterly trends

p10

Reporting Should Reflect Scale

Key questions will change as an organization grows

p11

Essential GTM Board Deck Slides

Updates & metrics that should be included in board materials at any scale

p12

The ICONIQ Growth GTM Scorecard

The 6 key metrics for any GTM organization

p13

Click here to skip to Part 2: The GTM Metrics Guide

The Metric Map

We believe designing a metric map is one of the most important steps to achieving reporting excellence in the go-to-market organization. **A metric map is a framework for organizing a company's universe of data.** Identify all the key metrics the go-to-market teams should track, who those metrics should be accessible to, and how often these metrics are reviewed by or shared with that audience.

Here's an example of a metric map framework for a GTM organization:

Shared more often → Shared less often

	Audience	Description	Metrics shared *Select examples*
Internal stakeholders	Leadership	All the information a **company or team leader regularly review or have access to**. This often includes employee-level information that would be shared with the relevant employee, but would not be shared with a broader audience	The universe of metrics tracked at a company, including: • Employee performance, engagement, compensation • Funnel metrics such as pipeline, conversion rates, ACV • Customer health & retention metrics
Internal stakeholders	Team	Information typically shared with **employees in a team or group setting**. Some of this information, such as employee performance, would not normally be shared with a broader audience.	• Sales performance: quota attainment, pipeline coverage, progress towards ramp • Funnel metrics such as pipeline, conversion rates, # activities
Internal stakeholders	Board of Directors	Information typically shared during **board of director meetings**. Of course, additional information can be shared upon request	• Unit economics & efficiency • Sales rep performance • Growth, attainment vs. plan • Customer health & retention • Budget, forecast, hiring plan
Internal stakeholders	Company-wide	Information typically shared with the **entire employee base** in settings such as an **all-hands meeting** or company-wide report	• Growth, attainment vs. plan • Customer health & retention • Pipeline & forecast • Funnel metrics such as pipeline, conversion rates, ACV
External stakeholders	Shareholders	Information that would be share with **company shareholders**	*Based on shareholders rights* – e.g., annual financial statements, select GTM KPIs
External stakeholders	Public	For a public company, information that would be shared in **public filings**	*Based on SEC guidelines* – e.g., quarterly and annual financial statements with select GTM KPIs[1]

1 See SaaS key metrics disclosed upon IPO and ongoing after IPO in the ICONIQ Analytics Path to IPO report

GTM Reporting Best Practices

Displaying Longitudinal Data

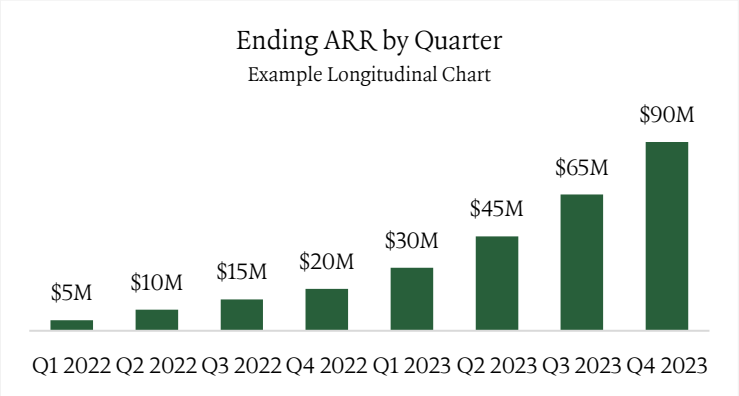
Many of the benchmarks linked and referenced in this guide are presented as median, average, or top quartile by ARR scale or sector. We share these to demonstrate how performance evolves as companies grow and how goals may differ by stage and business model.

However, for internal reporting purposes, we believe the best practice is to analyze and share most of this data in a longitudinal manner (weekly, monthly, or quarterly based on the reporting cycle) to identify and understand trends over time.

Longitudinal data is best shared in either chart or table format:

Use a chart when:

Visualizing a small number of longitudinal variables (1 to 3) or when comparing trends across a small number of variables (e.g., trends by segment)



Use a table when:

Visualizing a larger number of longitudinal variables (3+) such as a complete ARR funnel, headcount breakdown, or pipeline integrity analysis

($ in M), except where noted	CY2022				CY2023			
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A
ARR Funnel	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Beginning ARR	$2.1	$2.7	$3.6	$4.5	$5.6	$6.6	$8.5	$10.1
New Logo	$0.6	$1.0	$1.0	$1.0	$1.1	$1.7	$1.6	$2.3
Expansion	$0.1	$0.1	$0.2	$0.2	$0.1	$0.4	$0.3	$0.3
Gross New	**$0.7**	**$1.1**	**$1.1**	**$1.2**	**$1.3**	**$2.1**	**$1.9**	**$2.6**
Downsell	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)
Logo Churn	($0.1)	($0.1)	($0.2)	($0.1)	($0.2)	($0.2)	($0.3)	($0.3)
Gross Churn	($0.1)	($0.2)	($0.2)	($0.1)	($0.2)	($0.2)	($0.3)	($0.3)
Net New ARR	**$0.6**	**$0.9**	**$0.9**	**$1.1**	**$1.0**	**$1.9**	**$1.6**	**$2.3**
Ending ARR	**$2.7**	**$3.6**	**$4.5**	**$5.6**	**$6.6**	**$8.5**	**$10.1**	**$12.4**
% Y/Y Growth								
New Logo YY Growth	*116%*	*117%*	*186%*	*114%*	*92%*	*72%*	*64%*	*133%*
Expansion YY Growth	*196%*	*723%*	*71%*	*44%*	*59%*	*377%*	*85%*	*72%*
Gross New YY Growth	*124%*	*131%*	*161%*	*99%*	*88%*	*98%*	*67%*	*123%*
Ending YY Growth	*219%*	*191%*	*177%*	*161%*	*145%*	*136%*	*124%*	*122%*
Net New YY Growth	*132%*	*132%*	*133%*	*110%*	*84%*	*107%*	*76%*	*116%*

All data shown is illustrative and randomized (not a benchmark for best in class)

GTM Reporting Best Practices

Reporting Should Reflect Scale

We believe investing in the operational infrastructure to support reporting rigor is important at all stages. However, companies face different challenges as they scale, and reporting should reflect this by placing **emphasis on different types of key questions and corresponding metrics at different stages of growth**.

Below summarizes guidance for the types of key questions we typically emphasize at different stages of growth. **While all these questions and metrics are important throughout the company lifecycle, some may deserve particular focus at a certain scale**:

Stage	Emphasized Questions	Relevant Metrics Examples (not exhaustive)
Early Stage *Finding product market fit and establishing GTM building blocks*	Emphasis is primarily on: • What are our signals of **product market fit**? • How is our **ideal customer profile** evolving? • What is our **addressable market**? • What are we learning from **customers**? • What does our **sales process** look like? • What should our **top of funnel** look like to achieve our growth goals?	Lead & activity volume Qualified pipeline & key deals Conversion rates New logo velocity Net dollar retention Gross dollar retention Churn & lost reasons
Early Growth Stage *Scaling the go-to-market motion*	Start putting more emphasis on: • What do our **unit economics** look like? • How is our **sales team performing**? • Are we measuring **marketing impact?** • How effective are **demand generation** efforts? • Are we **retaining and expanding** customers? • How is our **pipeline health** and integrity? • What is our **revenue risk**?	*All metrics in previous stage, plus:* Customer acquisition cost Payback period Gross margin Magic number ACV Rep attainment Inbound vs. outbound funnel Cohort retention Expansion velocity Customer concentration
Growth stage *Operationalizing GTM towards repeatability and predictability*	Start putting more emphasis on: • What does our **market penetration** look like? • What are our new/upcoming **growth opportunities** and levers? • What is our **marketing ROI** by channel? • What does our **fiscal maturity** look like? • Are we approaching **revenue predictability**? • Is **sales scaling** efficiently and productively?	*All metrics in previous stage, plus:* Competitive analysis Forecast accuracy & attainment Bookings vs. realized revenue Marketing channel ROI Rep activity & productivity (opptys per rep, qualified pipeline per rep, win rate per rep, NNARR per S&M FTE)

Essential GTM Board Slides

Regardless of scale, there are some updates and metrics that we believe should typically be included in the go-to-market section of a board deck, if relevant to a company's business model.

Download the ICONIQ Growth GTM Board Slides Template

GTM Scorecard	Update on north star and other key GTM KPIs
Ideal Customer Profile	Summary of ICP definition, criteria, and relevant updates
ARR Funnel	Longitudinal view of all components of the ARR funnel
Logo Funnel	Longitudinal view of the customer funnel
New Logo Velocity	*Early-stage* New logo velocity vs. goal as a signal of product market fit
Revenue & Logo Retention	Net and gross revenue retention and logo retention by segment
Cohort Retention	Cohort analysis of net dollar and logo retention over time
Won/Lost Analysis	Key deals landed, churn & lost diagnostics, competitive dynamics
Pipeline Summary	Pipeline, weighted pipeline, and coverage by segment vs. goal
Pipeline Generation	The efficacy of various pipeline generators and sources over time
Leads & Funnel Conversion	Leads volume and conversion rates by source and channel
Sales Capacity & Attainment	Sales rep capacity & productivity vs. targets, ramp and attainment
Sales Productivity Ramp	*Early-stage* Longitudinal view of individual productivity, attainment, and ramp
Team Update & Headcount Planning	*Early-stage* Longitudinal view of Quota-carrying reps, ramp rate, and hiring plan

This template is a resource to guide users' reporting. The template and/or portions thereof may not be relevant for all companies

The ICONIQ Growth GTM Scorecard

There are seemingly endless metrics to track in a go-to-market organization and unlimited ways to cut this data. However, we believe **a critical signal of best-in-class reporting is a company's ability to identify top key performance indicators, set goals against these KPIs, and regularly share progress against these goals**.

We recommend **including the ICONIQ Growth GTM Scorecard in board updates**, with quarterly and annual details on actuals, plan, and progress vs. plan.

Illustrative example with randomized data[1]:

	PRIOR QTR			THIS QTR			NEXT QTR			YEAR		
In $M unless otherwise specified	ACTUAL	PLAN	*DELTA*	ACTUAL	PLAN	*DELTA*	FCAST	PLAN	*DELTA*	FCAST	PLAN	*DELTA*
Ending ARR *BOP ARR + net new ARR*	**10.5**	10.3	*2%*	**14.1**	15.0	*(6%)*	**18.9**	$20.0	*(6%)*	**18.9**	$20.0	*(6%)*
Net New ARR *Gross New ARR - Churned ARR*	**2.2**	2.0	*10%*	**3.6**	4.7	*(23%)*	**4.8**	5.0	*(4%)*	**11.0**	$12.1	*(9%)*
YoY ARR Growth *(EOP ARR - prior year EOP ARR) / prior year EOP ARR*	**115%**	110%	*5 ppts*	**95%**	105%	*10 ppts*	**90%**	93%	*3 ppts*	**97%**	103%	*6 ppts*
Net Dollar Retention *[(Qtr expansion ARR - qtr churned ARR(*4]/average(BOP ARR + EOP ARR) + 1*	**120%**	115%	*5 ppts*	**120%**	115%	*5 ppts*	**115%**	115%	*O ppts*	**119%**	115%	*4 ppts*
Net Magic Number *Qtr net new ARR / prior quarter S&M OpEx*	**0.5x**	0.8x	*(38%)*	**0.4x**	0.9x	*(56%)*	**0.8x**	1.0x	*(20%)*	**0.6x**	1.0x	*(40%)*
Net New ARR per S&M FTE *Annualized net new ARR / average S&M FTEs*	**$125K**	$140K	*(11%)*	**$135K**	$150K	*(10%)*	**$150K**	$155K	*(3%)*	**$140K**	$151K	*(7%)*
LTV:CAC Ratio *LTV / CAC*	**2.9x**	3.5x	*(17%)*	**3.1x**	4.0x	*(23%)*	**3.5x**	4.5x	*(22%)*	**3.2x**	4.1x	*(22%)*

When referencing metrics in board materials, it is recommended to **include formulas**. There are various ways to calculate key metrics and understanding methodology is important.

1 The GTM scorecard is illustrative and not a proxy for independent management decisions (not a benchmark for best in class)

GTM Reporting Best Practices

PART 2

The GTM Metrics Guide

01 Growth Drivers

Revenue recognition
The ARR funnel
Growth Rate
New logo velocity
Expansion velocity
Net new velocity
Revenue recognition FAQs

02 Sales Funnel

Stages of the sales cycle
Opportunity stages
Pipeline & pipeline coverage
Conversion rates
Deal size
Forecast vs. goal
Lead & opportunity sources
Pipeline FAQs

03 Retention

Net & gross dollar retention
Logo retention
Cohort retention
Churn & lost reasons
Product usage & adoption metrics
Customer health metrics

04 Efficiency & Economics

Gross margins
Gross & net magic number
Customer acquisition cost (CAC)
Customer lifetime value (LTV)
Payback period

05 Team & Productivity

S&M OpEx per S&M FTE
Headcount ratios
Sales attrition
NNARR per S&M FTE
Sales capacity
Rep productivity
Quota attainment
Ramp rate

06 Fiscal Maturity

Forecasting methodologies
Attainment vs. plan
The “beat and raise” motion

00
01
02
03
04
05
06

Click here to return to Part 1: GTM Reporting Best Practices

01 Growth Drivers

Key Questions + Metrics

Key questions to understand	Metrics to track[1]	Page #
What does my **revenue cycle** look like?	Bookings Billings Annual, total contract value Recurring revenue (ARR, MRR, CARR) Revenue vs. deferred revenue	p16-19
What does my **recurring revenue funnel** look like?	Beginning ARR Gross new ARR Expansion vs. new logo ARR Churned ARR Net new ARR Ending ARR	p17-18
How **quickly and consistently is ARR growing**?	ARR growth New logo velocity Expansion velocity Net new velocity	p20
What's **driving ARR growth**?	Subscription vs. services New logo vs. expansion Revenue by segment, geography, channel, product, etc.	p21
How well is ARR being **retained**?	Net dollar retention Gross dollar retention Downsell vs. logo churn Cohort retention Logo retention	*See section 03: Retention*

00
01
02
03
04
05
06

1 Annual recurring revenue (ARR) is used as an example, but companies can also use monthly (MRR) or contracted (CARR) ARR

What does my revenue cycle look like?

Revenue Recognition

Fiscally mature SaaS companies typically track all revenue types applicable to their business so they can **better predict revenue** and **minimize discrepancies or lags between bookings and realized revenue**.

Example: A contract with a 3-year term where $600K is due year one (including an implementation fee of $100K), $1.2M is due year two, and $1.2M is due year three. Contract is signed on January 1, with a term start date of March 1. Customer will be invoiced annually with payment due upfront.

Term	Definition	Example
Bookings	Total dollar value from any customer agreements to spend money with an organization, usually the sum of all fees (subscription + services) for the duration of a contract.	Bookings on Jan 1 = $3M *Bookings are synonymous with total contract value (TCV)*
Billings	The amount of money invoiced to a customer that is due for payment. Most often, customers are invoiced once annually or monthly according to the contract terms.	Billings on Mar 1 year 1 = $600K Billings on Mar 1 year 2 = $1.2M Billings on Mar 1 year 3 = $1.2M
Contract Value	The value of a contract over a certain period, typically annual contract value (**ACV**), which is the average value of the contract per year, or total contract value (**TCV**), which is the sum value of the contract over the entire contract period.	ACV: $3M / 3 years = $1.0M TCV: $600K + $1.2M + $1.2M = $3M *TCV is synonymous with bookings*
Recurring Revenue	The sum of all recurring revenue from a contract, usually measured annually (**ARR**) or monthly (**MRR**). Recurring revenue can include both subscription revenue and recurring services revenue. Contracted recurring revenue (e.g., **CARR**) refers to the recurring value of all signed contracts, regardless of contract start date.	*As of Jan 1 year 1* ARR: $0 CARR: ($3M - $100K) / 3 = $966,667 *As of Mar 1 year 1* ARR: ($3M - $100K) / 3 = $966,667 CARR: ($3M - $100K) / 3 = $966,667
Revenue	**Revenue** is money that is recognized once the product and/or services are delivered to the customer (per GAAP accounting policies). **Deferred revenue** is billings less realized revenue. Deferred revenue <u>should not be considered revenue</u> because the product or service has yet to be delivered.	*As of Jan 1 year 1* Total Revenue = $0 *As of Mar 1 year 1* Total year 1 Revenue = $600K Year 1 Subscription Revenue = $500K Year 1 Services Revenue = $100K

See the ICONIQ Growth SaaS Glossary for more information All examples are illustrative and may not be relevant for all companies.

What does my recurring revenue funnel look like?

The Recurring Revenue Funnel

While the key revenue metric differs across businesses, **we focus on recurring revenue in this guide as it tends to be the "north star" revenue metric for B2B SaaS companies.**[1] Understanding all components of the recurring revenue funnel is critical to understanding the health of the overall business:

Term		Formula		
Beginning ARR *BOP ARR*	=	Existing ARR at the beginning of a period (BOP)		
Gross New ARR *GNARR*	=	**New Logo ARR** New ARR from new customers. This can also include reactivations or win-backs	+	**Expansion ARR** New ARR from existing customers
Expansion ARR	=	**Upsell ARR** Expansion ARR from increasing recurring revenue of existing contracts with existing customers	+	**Cross-sell ARR** Expansion ARR from signing new contracts (e.g., selling new product) with existing customers
Churned ARR	=	**Downsell** ARR lost due to customers downgrading their existing ARR (but remaining active customers)	+	**Logo Churn** ARR lost due to customers churning by forfeiting existing contracts or failure to renew
Net New ARR *NNARR*	=	**Gross New ARR** The sum of new logo and expansion ARR	−	**Churned ARR** The sum of ARR lost due to churn and downsell
Ending ARR *EOP ARR*	=	**Beginning ARR**	+	**Net New ARR**

1 Learnings from ICONIQ Growth B2B SaaS portfolio companies
Other forms of recurring revenue (e.g., MRR, CARR) can be substituted

What does my recurring revenue funnel look like?

ARR Funnel Template

Leverage this template to create **automated outputs for growth, churn and retention, and funnel distribution trends** that can be used in reporting.

Download our ARR & Logo Funnel Template

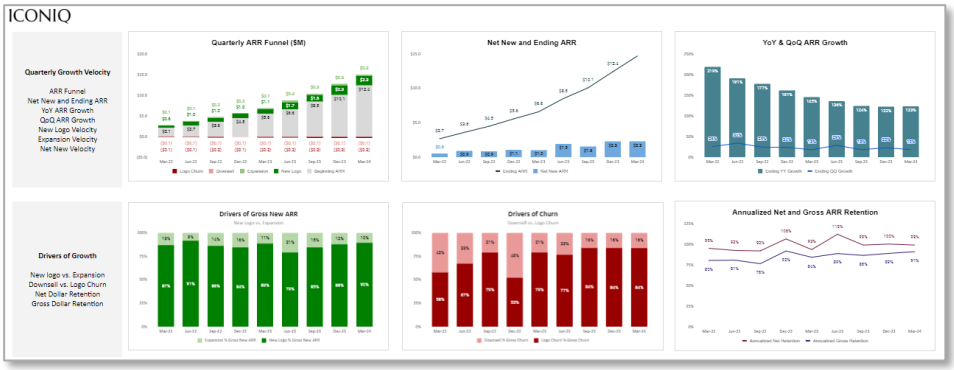
- **Input ARR, MRR, or CARR values and funnel metrics will be calculated for automatically:**

ICONIQ

Legend
Input Values
Calculated
"A" = Actual
"F" = Forecast

($ in M), except where noted	CY2021				CY2022				CY2023				CY2024
ARR Funnel	Q1A Mar-21	Q2A Jun-21	Q3A Sep-21	Q4A Dec-21	Q1A Mar-22	Q2A Jun-22	Q3A Sep-22	Q4A Dec-22	Q1A Mar-23	Q2A Jun-23	Q3A Sep-23	Q4A Dec-23	Q1F Mar-24
Beginning ARR	$0.6	$0.8	$1.2	$1.6	$2.1	$2.7	$3.6	$4.5	$5.6	$6.6	$8.5	$10.1	$12.4
New Logo	$0.3	$0.5	$0.3	$0.5	$0.6	$1.0	$1.0	$1.0	$1.1	$1.7	$1.6	$2.3	$2.3
Expansion	$0.0	$0.0	$0.1	$0.1	$0.1	$0.1	$0.2	$0.2	$0.1	$0.4	$0.3	$0.3	$0.3
Gross New	**$0.3**	**$0.5**	**$0.4**	**$0.6**	**$0.7**	**$1.1**	**$1.1**	**$1.2**	**$1.3**	**$2.1**	**$1.9**	**$2.6**	**$2.6**
Downsell	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)
Logo Churn	($0.0)	($0.0)	$0.0	($0.0)	($0.1)	($0.1)	($0.2)	($0.3)	($0.2)	($0.2)	($0.3)	($0.3)	($0.3)
Ending ARR	**$0.8**	**$1.2**	**$1.6**	**$2.1**	**$2.7**	**$3.6**	**$4.5**	**$5.6**	**$6.6**	**$8.5**	**$10.1**	**$12.4**	**$14.7**
Net New ARR	*$0.2*	*$0.4*	*$0.4*	*$0.5*	*$0.6*	*$0.9*	*$0.9*	*$1.1*	*$1.0*	*$1.9*	*$1.6*	*$2.3*	*$2.3*
% Y/Y Growth													
New Logo YY Growth					*116%*	*117%*	*186%*	*114%*	*92%*	*72%*	*64%*	*133%*	*109%*
Expansion YY Growth					*196%*	*723%*	*71%*	*44%*	*59%*	*377%*	*85%*	*72%*	*92%*
Gross New YY Growth					*124%*	*131%*	*161%*	*99%*	*88%*	*98%*	*67%*	*123%*	*107%*
Ending YY Growth	*250%*	*245%*	*230%*	*225%*	*219%*	*191%*	*177%*	*161%*	*145%*	*136%*	*124%*	*122%*	*123%*
Net New YY Growth					*132%*	*132%*	*133%*	*110%*	*84%*	*107%*	*76%*	*116%*	*126%*
% Q/Q Growth													
New Logo QQ Growth		*69%*	*(25%)*	*38%*	*24%*	*69%*	*(2%)*	*3%*	*12%*	*51%*	*(6%)*	*47%*	*0%*
Expansion QQ Growth		*(63%)*	*717%*	*39%*	*(30%)*	*4%*	*69%*	*18%*	*(23%)*	*211%*	*(34%)*	*9%*	*(14%)*
Gross New QQ Growth		*55%*	*(7%)*	*38%*	*13%*	*60%*	*5%*	*5%*	*6%*	*69%*	*(12%)*	*41%*	*(1%)*
Ending QQ Growth		*47%*	*31%*	*32%*	*26%*	*34%*	*25%*	*24%*	*18%*	*29%*	*18%*	*23%*	*19%*
Net New QQ Growth		*68%*	*(4%)*	*35%*	*7%*	*68%*	*(4%)*	*22%*	*(6%)*	*88%*	*(19%)*	*49%*	*(1%)*
Churn %													
Gross Churn, Qrtly	*9%*	*6%*	*3%*	*4%*	*5%*	*5%*	*6%*	*2%*	*4%*	*3%*	*3%*	*3%*	*2%*
Annualized Gross Churn	*34%*	*26%*	*14%*	*18%*	*20%*	*19%*	*24%*	*8%*	*16%*	*11%*	*14%*	*11%*	*9%*
Annualized Gross Retention	*66%*	*74%*	*86%*	*82%*	*80%*	*81%*	*76%*	*92%*	*84%*	*89%*	*86%*	*89%*	*91%*
Net Churn, Qrtly	*4%*	*5%*	*(3%)*	*(2%)*	*1%*	*2%*	*2%*	*(2%)*	*2%*	*(3%)*	*0%*	*(0%)*	*0%*
Annualized Net Churn	*18%*	*22%*	*(12%)*	*(10%)*	*5%*	*8%*	*8%*	*(6%)*	*7%*	*(12%)*	*1%*	*(0%)*	*1%*
Annualized Net Retention	*82%*	*78%*	*112%*	*110%*	*95%*	*92%*	*92%*	*106%*	*93%*	*112%*	*99%*	*100%*	*99%*
% of Total													
New Logo % Gross New ARR	*90%*	*98%*	*79%*	*79%*	*87%*	*91%*	*86%*	*84%*	*89%*	*79%*	*85%*	*88%*	*90%*
Expansion % Gross New ARR	*10%*	*2%*	*21%*	*21%*	*13%*	*9%*	*14%*	*16%*	*11%*	*21%*	*15%*	*12%*	*10%*
Downsell % Gross Churn	*81%*	*74%*	*100%*	*61%*	*42%*	*33%*	*21%*	*48%*	*21%*	*23%*	*16%*	*16%*	*16%*
Logo Churn % Gross Churn	*19%*	*26%*	*0%*	*39%*	*58%*	*67%*	*79%*	*52%*	*79%*	*77%*	*84%*	*84%*	*84%*

- **Built-in charts to use for reporting:**



What does my revenue cycle look like?

Revenue Recognition FAQs

ICONIQ Growth best practices

Should we use CARR or ARR?

Companies often track CARR and ARR separately when there is a lag between signing on a customer (CARR) and full go live (ARR).[1] While we expect CARR and ARR to be equivalent for direct-to-consumer businesses, **it is helpful to track both for B2B companies. Where there is minimal lag between signing and go-live, in our view, ARR is preferred**.

When should churn be recognized?

For late renewals: While different time horizons can be utilized depending on the needs and billing cycles of the customer base, in general, customers should be given a 30-day-or-less grace period for late renewals. We believe a customer should count as churned in the ARR funnel if they have not renewed within 30 days of the renewal date, and if they end up renewing they should be booked as win-back.

For early churns: in general, if a customer churns before they are up for renewal, they should count as churned in the ARR funnel at time of churn rather than at renewal date.

Should win-backs be included in new logo or expansion bookings?

Also known as "resells", win-backs include new revenue driven by a business that was previously a customer and churned. We believe **win-backs should be counted as new logos**, as they should have been booked as churned previously.

1 Learnings from ICONIQ Growth B2B SaaS portfolio companies

How quickly and consistently is ARR growing?

Growth Velocity

Growth velocity reveals how quickly and consistently a company is growing and, historically, has been one of the top metrics correlated with SaaS valuations.[1] We believe businesses should look at both growth velocity overall, and growth velocity across multiple revenue drivers, including net new, new logo, and expansion:

Term	Description	Formula
ARR Growth *ICONIQ Growth benchmarks available (p23)*	One of the most important metrics to track and report on, ARR growth looks at the difference between current ARR and ARR from a previous period to understand how quickly ARR is growing. This metric and the metrics below are most often tracked on an **annual (YoY) or quarterly (QoQ) basis**, but many companies with a more regular reporting cycle also look at these on a monthly (month over month) basis.	YoY: $(\frac{EOP\ ARR}{EOP\ ARR\ 12\ months\ ago}-1)*100$ QoQ: $(\frac{EOQ\ ARR}{EOQ\ ARR\ last\ quarter}-1)*100$
Net New Velocity	While ARR growth is an incredibly important metric, we need to look at net new, new logo, and expansion velocity to understand where growth is coming from. Net new velocity measures **how well companies are able to grow net new ARR over time**, which includes customer expansion and churned ARR.	YoY[2]: $(\frac{LTM\ NNARR\ ARR}{LTM-1\ NNARR}-1)*100$ QoQ: $(\frac{This\ Qtr\ NNARR}{Last\ Qtr\ NNARR}-1)*100$
New Logo Velocity	New logo velocity measures **how well companies are able to acquire new customers** over time. This is particularly important for **early stage companies as it is a robust signal of product market fit**: while growth velocity tends to decrease over time, it is preferred that new **logo velocity remain positive** quarter over quarter and year over year to show consistent growth.	YoY: $(\frac{LTM\ New\ Logo\ ARR}{LTM-1\ New\ Logo\ ARR}-1)*100$ QoQ: $(\frac{This\ Qtr\ New\ Logo\ ARR}{Last\ Qtr\ New\ Logo\ ARR}-1)*100$
Expansion Velocity	Like new logo velocity, expansion velocity measures **how well companies are able to expand existing customers** over time. This becomes more important as companies scale and expansion drives a larger proportion of gross new ARR.	YoY: $(\frac{LTM\ Expansion\ ARR}{LTM-1\ Expansion\ ARR}-1)*100$ QoQ: $(\frac{This\ Qtr\ Expansion\ ARR}{Last\ Qtr\ Expansion\ ARR}-1)*100$

1 Based on multi-variable analysis on the correlation between revenue growth and public SaaS NYM forward revenue multiples (includes all software companies with an IPO date in 2013 or later)
2 "LTM" = last twelve months. "LTM-1" is the 12-month period prior to the last twelve months. These formulas give annual velocity.

What's driving this growth?

Composition of Revenue

To understand growth velocity, we believe companies must also understand what exactly is driving this growth by looking at the composition of revenue across various factors**.** Best practice is to track revenue by type, with multiple levels of granularity across products, services, channels, geographies, and more:

Other key questions & metrics to consider:

How much is new logo vs. customer expansion contributing to growth as we scale?

New logo vs. expansion distribution is one of the most useful ways to understand what's driving growth in a SaaS business and an **important indicator of customer health**. Best practice is to track bookings and ARR across new logo vs. expansion – and splitting expansion into upsell vs. cross-sell when relevant.

Recommended metrics:

- % of gross new ARR that is from new logos vs. customer expansion
- % of gross new expansion ARR that is upsell vs. cross-sell

ICONIQ Growth benchmarks available (p24)

What are the key market segments driving our growth?

Segment refers to the particular customer type and/or market a company is selling into. Depending on a company's segmentation, this could be based on **customer size** and/or other variables such as **customer geography and vertical**. When relevant, we typically see these analyses combined – for example, ARR by segment **and** region.

Recommended metrics:

- % of ending ARR by customer size (e.g., SMB vs. Mid-Market vs. Enterprise)
- % of ending ARR by geo (e.g., AMER, EMEA, APAC, ROW)

How are we monetizing across our different products and services?

It's important to understand how the organization is prioritizing different types of revenue streams over time and **how each product and service is being monetized**. As the north star for many SaaS companies, recurring subscription revenue is often prioritized over one-time revenue from services fees, but as companies scale it's important to monetize both as mutual drivers of profit margins.

Recommended metrics:

- % of ending ARR by product (if multiple products/platforms)
- % of bookings by revenue type (e.g., subscription vs. services)
- % of services bookings by type (e.g., implementation vs. managed services)

1 ICONIQ Growth Proprietary Survey of GTM Leaders (Mar 2023). See more information about this data source in Building GTM Teams p8

02 Sales Funnel

Key Questions + Metrics

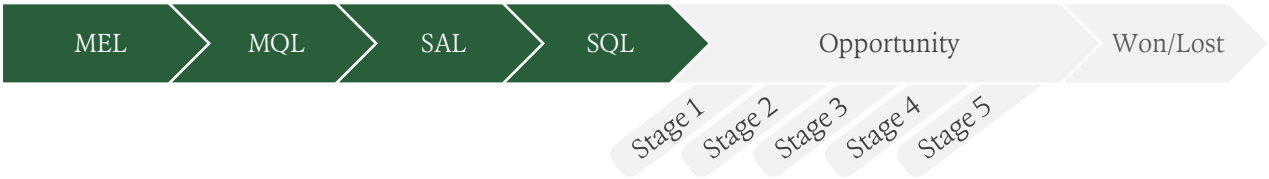
Key questions to understand	Metrics to track	Page #
What's my **top of funnel volume**?	# MELs # MQLs # SQLs # SALs	p23
What's **driving top of funnel**?	Lead source / attribution Lead conversion rates by source Lead activity (calls, meetings, emails)	p25-28
Do we have **enough top of funnel** to achieve sales targets?	MEL to MQL conversion rate MQL to SQL conversion rate SQL to SAL conversion rate SAL to Opportunity conversion rate	p26
What does my **pipeline** look like?	# Opportunities Pipeline $ Pipeline coverage Sale type (new logo, upsell, cross sell, services) Pipeline conversion rates by sale type Pipeline source / attribution Pipeline conversion rates by source	p24-27
Do I have **high pipeline fidelity**?	Qualification criteria Commit criteria Estimated deal size accuracy Opportunity activity (calls, meetings, emails)	p29
Do we have **enough pipeline** to achieve sales targets?	Weighted pipeline $ Weighted pipeline coverage Cycle time (time in stage) Conversion rate by stage Win rate Close rate Win rate vs. competitors Forecast as % of sales target Forecast as % of sales capacity *See forecasting methodologies in 06. Fiscal Maturity*	p25-27

00
01
02
03
04
05
06

What's my top of funnel volume?

Stages of the Sales Cycle

There are many ways to design a sales cycle, or "go-to-market funnel", and many different naming conventions for funnel stages and sub-stages. **This is an archetype of the key funnel stages that we commonly see across sales-led B2B SaaS.**



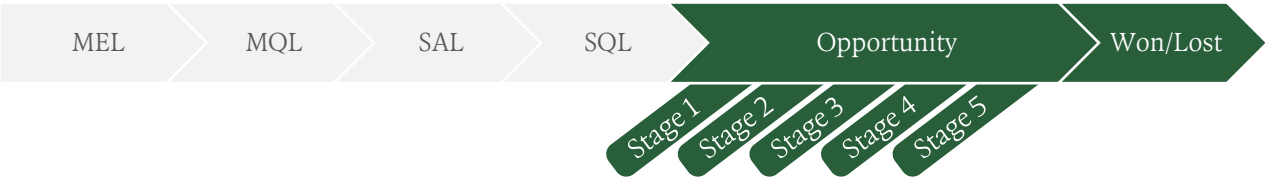
Type	Definition	Exit Criteria
New Lead	A potential user or buyer that has not yet meaningfully engaged with the solution or organization. Marketing and/or sales is trying to move new leads down-funnel by spreading awareness	❑ Lead hits the defined scoring threshold and becomes an MEL ❑ Lead is disqualified
MEL Marketing Engaged Lead	A New Lead becomes an MEL when the lead displays some level of engagement with the company or product. These leads are vaguely aware of the product and/or service but have not been qualified.	❑ Lead hits the defined scoring threshold and becomes an MQL ❑ Lead is moved into a Nurture stage to attract additional engagement ❑ Lead is disqualified
MQL Marketing Qualified Lead	MQLs fit the ideal customer profile and have expressed interest in the product and/or services either implicitly via online engagement, or explicitly via contact form submission, demo requests, etc. These are "sales-ready" leads, so this stage often involves a lead handoff from Marketing to Sales.	❑ Lead is moved to SAL if it matches qualifying criteria and parameters ❑ Lead is moved to Nurture if it doesn't meet qualifying criteria, but may in the future ❑ Lead is disqualified
SAL Sales Accepted Lead	SALs are leads that meet a set of criteria but have not yet engaged in the buying cycle. SAL criteria should be specific to the ideal customer profile – this provides an added layer of qualification to ensure the leads getting worked by Sales are high quality.	❑ The lead meets acceptance criteria and is moved to SQL ❑ The lead is returned to Marketing for Nurture; or ❑ Lead is disqualified
SQL Sales Qualified Lead	SQLs meet the ideal customer profile and are engaged with the organization but have not met Opportunity criteria. At this point, the SQL is trying to understand a problem and the available solutions, and the goal of this stage is for the sales rep (in SLG) or the product (in PLG) to guide the SQL further into the buying process.	*Exit criteria will differ based on a company's Opportunity requirements* "BANT" is a common framework used during this stage (e.g., lead must have two of the four BANT criteria to become an opportunity)
Oppty Opportunity	*Details in Opportunity Stages*	

The sales cycle shown is primarily relevant for sales-led or sales-involved growth companies. This is an illustrative archetype; not all sales-led B2B SaaS companies will have the stages shown here and some may benefit from different stages than those shown here.

What does pipeline look like?

Sales Cycle: Opportunity Stages

When opportunity criteria are met, a deal is created with ~5 or so sub-stages that align to the buyer's decision-making process. Opportunity stages can differ drastically, particularly for companies targeting SMB vs. enterprise customers.



Type	Buyer Signals	Seller Actions
Stage 1	The buyer is trying to understand: how does this solution help me fill a gap, is this gap a top priority for my company in the near-term, and is my company a good fit for this product and service?	The seller educates the buyer and discover more about their questions, need, and authority. *A deal is usually considered "**Pipeline**" once it reaches Opportunity Stage 1 or 2, and the **deal value is equal to pipeline dollars***
Stage 2	The buyer is evaluating available solutions and identifying use cases. The buyer is starting to think about value and ROI	The seller continues discovery and demonstrates use cases and functionality aligned to specific challenges to prove future ROI for the customer
Stage 3	The buyer is trying to make a decision about whether to buy the product and/or service	The seller validates that their solution solves a compelling need or opportunity, meets the buyer's decision criteria, and is differentiated from competition
Stage 4	The buyer is justifying the purchase based on the business value of the partnership	The seller scopes the project and delivers pricing and implementation proposals
Stage 5	The buyer is finalizing the agreement, managing the internal procurement process, and negotiating pricing / terms.	The seller negotiates the agreement, navigates the procurement process, and prepares for a transition to the first stage of the customer journey (e.g., implementation & onboarding)
Won / Lost	The buyer signs the agreement or decides not to move forward with the deal	The seller gets contractual agreement and, if applicable, execute an effective handoff to the account management team

> For us, selling mostly to SMB customers, the first interaction should be the best interaction. We do everything possible to close the deal in that first initial call – **we do demos, share pricing details, implementation timelines, product roadmap, and onboarding details, all in the very first meeting.**[1]
>
> Revenue Leader | Late-Stage Vertical SaaS

1 Paraphrased statement from a leader in the ICONIQ Growth portfolio and network. For a complete list of ICONIQ Growth portfolio companies, see the appendix
The sales cycle shown is primarily relevant for sales-led or sales-involved growth companies. This is an illustrative archetype; not all sales-led B2B SaaS companies will have the stages shown here and some may benefit from different stages than those shown here.

Pipeline KPIs

In addition to understanding how many leads and deals are in each stage of the sales cycle, these KPIs can help companies understand **what that pipeline means in the context of sales targets, which can help forecast more effectively based on pipeline health**:

Pipeline $

Pipeline measures the value of all opportunities that qualify as pipeline per a company's sales cycle

Pipeline $
Sum of the value of all opportunities set to close in a period (e.g., this quarter, all-time)

Sum (value for all opportunities set to close in period)

Weighted Pipeline $
The pipeline $ likely to be closed won in a period, based on probably of conversion

*Sum (value for all opportunities set to close in period) * conversion rate %*

% probability can be calculated in various ways based on sales assessment or historical conversion rates. See forecasting KPIs and methodologies in section 06. Fiscal Maturity

Pipeline Coverage

Pipeline coverage compares pipeline $ to sales targets to measure attainment outlook, serving as an early indicator of pipeline deficiency. Pipeline coverage can be measured against company or team-wide sales targets **but is most helpful to measure at the individual rep level**. Typically, the goal should be to have 3x+ pipeline coverage ahead of the next quarter.

Pipeline Coverage
Unweighted pipeline $ set to close
Vs. the sales target for a period

$$\frac{\text{Pipeline \$ to close in period}}{\text{Sales target for the period}}$$

Weighted Pipeline Coverage
Pipeline forecasted to convert
vs. the sales target for a period

$$\frac{\text{Pipeline \$ to close in period} * \text{conversion rate \%}}{\text{Sales target for the period}}$$

Cycle Time

Duration of time a lead or deal is in a certain stage of the sales cycle. For SMB-focused companies, cycle time is measured in days or weeks, whereas it is typically measured in weeks or months for enterprise-focused companies. **Sales cycle** time is calculated as the amount of **time from pipeline (usually opportunity stage 1) to closed won** and should be calculated separately for each of a company's market segments:

$$\text{Opportunity closed date} - \text{opportunity creation date}$$

Continued on next page

Pipeline KPIs

In addition to understanding how many leads and deals are in each stage of the sales cycle, these KPIs can help companies understand **what that pipeline means in the context of sales targets, which can help forecast more effectively based on pipeline health**:

Conversion Rates

The percent of leads or deals that get from one stage to another in the sales cycle. Key examples:

Win Rate
The % of opptys that get from pipeline to closed won

$$\frac{Number\ of\ opptys\ won}{Number\ of\ closed\ won + lost}$$

Close Rate
The % of opptys created in a period that are closed won in that period

$$\frac{Number\ of\ opptys\ won\ in\ period}{Number\ of\ opptys\ created\ in\ same\ period}$$

Self-Serve Conversion Rate
In product-led growth, the % of self-service (SS) users that convert to paid accounts

$$\frac{\#\ users\ that\ upgrade\ from\ SS\ to\ paid}{\#\ of\ SS\ users}$$

SQL to Closed Won
The % of leads that get from SQL to closed won

$$\frac{Number\ of\ SQLs\ -\ \#\ open\ opportunities}{Number\ of\ closed\ won + lost}$$

Win Rate vs. Competitors
The % of opptys that get from pipeline to closed won

$$\frac{Number\ of\ opptys\ won\ where\ competitor\ involved}{Number\ of\ closed\ won + lost\ where\ competitor\ involved}$$

Deal Size

I.e., Average Sales Price (ASP)

Total Avg Deal Size
Total Pipeline $ set to close

$$\frac{End\ of\ period\ ARR}{Total\ \#\ customers\ at\ end\ of\ period}$$

New Logo Avg Deal Size
Looks at total NDR for the last twelve months

$$\frac{Gross\ New\ Logo\ ARR\ in\ period}{\#\ new\ logo\ customers\ added\ in\ period}$$

Average Contract Value (ACV)
Averages the annual value of the contract

$$\frac{Total\ contract\ value}{Contract\ term\ length}$$

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Pipeline KPIs

In addition to understanding how many leads and deals are in each stage of the sales cycle, these KPIs can help companies understand **what that pipeline means in the context of sales targets, which can help forecast more effectively based on pipeline health**:

Forecast vs. goal

With a robust forecasting methodology, metrics that measure forecast vs. goal will perhaps be the best way to understand whether a company has enough pipeline to meet sales targets.

These are two of the most common ways to calculate forecast vs. goal, and it is recommended to track both to understand how sales capacity is tracking against sales target. In both cases, any revenue metric can be utilized (e.g., net new ARR or gross new ARR)

Forecast as % of Sales Target Compares the pipeline forecast $ to the sales target for a period, calculating expected attainment vs. goal	$\frac{Forecast\ \$\ for\ period\ X}{Sales\ target\ for\ period\ X}$
Forecast as % of Capacity[1] Compares the pipeline forecast $ to the capacity, or the maximum amount of ARR that could be generated by quota-carrying reps (QCRs), for a period	$\frac{Forecast\ \$\ for\ period\ X}{Sales\ capacity\ for\ period\ X}$

See more information on forecasting methodologies in 06. Fiscal Maturity

1 See Team & Productivity for how to measure sales capacity

What's driving top of funnel and pipeline?

Lead & Opportunity Sources

While knowing what the lead and opportunity funnels look like is the first step, **the next step is to understand exactly what's driving new leads to enter the funnel and move through it**. For this, it's necessary to track lead and opportunity sources.

In an ideal state, a lead that meets a company's ICP will be targeted across all go-to-market channels, including marketing, sales, and partnerships. There are rarely clean-cut scenarios when a lead has one single source. However, we believe it's still helpful to track lead source information to be able to attribute outcomes to investment.

There are two main types of lead or opportunity "sources":

Origin source

Refers to where the lead or opportunity originated in terms of ongoing go-to-market efforts:

Inbound	A lead that opted into contact with the organization in some way, such as by signing up for a mailing list, filling out a web form, downloads content, etc. In terms of attribution, inbound leads are often attributed to marketing efforts.
Outbound	A lead that is specifically targeted by outreach by the organization, such as via direct outbound emails, cold calls, or mail.
Referral	A lead that has been referred to the organization by a third party that is not a partner (as partner-sourced leads should be tracked separately). These kinds of referrals often come from existing customer or investor.
Partner	A lead that is brought to the organization by a partner such as a referral partner or reseller

Marketing channel source[1]:

Refers to how new leads arrived at a company's website or other information hub, for example:

Direct traffic	*Online*	Direct to the website (no other channels utilized)
Email Marketing	*Online*	Via an email marketing campaign such as a newsletter or blog
Socials	*Online*	Via a social media link
Organic Search	*Online*	Via a search engine
Paid Search	*Online*	Via a search engine because of a paid advertising campaign
Events	*Offline*	Via an event such as a conference
Other offline	*Offline*	Via media and grassroots marketing efforts, television, sponsorship, etc.

1 Not exhaustive – marketing channel sources may differ in breadth and granularity by company

Pipeline FAQs

Industry Perspectives

When should an opportunity become pipeline?

> A CRO needs to really challenge their team on pipeline integrity. **We've created a very strong definition for pipeline:**
>
> ✓ The company and the persona(s) involved meet our **ICP**
> ✓ A **champion** has been identified and is engaged
> ✓ A specific **pain point** has been identified that we can solve
> ✓ We have a **meaningful next step** that aligns to our sales process
>
> Revenue Leader | Late-Stage Infrastructure SaaS[1]

How do leaders drive pipeline integrity?

> Having a **centralized pipeline source-of-truth** is paramount to pipeline integrity – and a CRO should be a power user of this tool. We use Salesforce, and **we track every single piece of data from sales activities to website interactions and product usage**. Our CEO is present at every pipeline meeting, and we look at all this information live to ensure quality, consistency, and accountability.
>
> Revenue Leader | Late-Stage Infrastructure SaaS[1]

What metrics matter most in the sales cycle?

> We have found a direct correlation between the **number of customer meetings** our sales reps have per day to the number of new logos we close. Then I look at a **quality score for each customer meeting**, which shows me who was involved and how likely that deal is to close.
>
> Sales Leader | Growth-Stage Application SaaS[1]

> Identify **which use cases have the best conversion rates** and most efficient cycle times – that will be your best way to **your foot in the door with enterprise customers**. You can start small, and once you're in you'll have massive upsell opportunity.
>
> Revenue Leader | Late-Stage Collaboration & Workflow SaaS[1]

> As an SMB business, **time** is the most important factor in our deals. Our goal is to get the customer from A to B in the fastest way possible, so we look at **cycle time for each stage** and the **percent of initial meetings that convert** to closed deals.
>
> Sales Leader | Late-Stage Vertical SaaS[1]

1 Paraphrased statement from a leader in the ICONIQ Growth portfolio and network. For a complete list of ICONIQ Growth portfolio companies, see the appendix.

Do I have enough pipeline and top of funnel to meet targets?

Pipeline & Leads Template

Leverage this template to create **automated outputs for weighted and unweighted pipeline, pipeline vs. bookings, lead conversion rates, and more** that can be used in top-of-funnel reporting.

Download our Pipeline, Leads, and Top of Funnel Template

- **Input ARR, MRR, or CARR values and funnel metrics will be calculated for automatically:**

Legend
Input Values
Calculated
"A" = Actual
"F" = Forecast

Stage Names	Forecast Weight
Stage 1	10%
Stage 2	20%
Stage 3	30%
Stage 4	60%
Stage 5	85%

ICONIQ

Illustrative example using randomized data (not a benchmark for best in class, not a proxy for independent management decisions, not ICONIQ Growth data)

All Pipeline (in $M)							Monthly	
By Stage & Close Month	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Stage 5	$0.7	$0.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Stage 4	$1.1	$0.8	$0.2	$0.8	$0.4	$0.4	$0.3	$0.0
Stage 3	$1.2	$2.2	$3.0	$1.0	$0.8	$0.5	$0.5	$0.2
Stage 2	$1.1	$0.9	$1.2	$1.1	$1.0	$1.0	$0.7	$0.7
Stage 1	$0.9	$1.1	$0.8	$1.2	$1.1	$2.2	$2.1	$0.5
Total Pipeline	**$5.0**	**$5.5**	**$5.2**	**$4.1**	**$3.3**	**$4.1**	**$3.6**	**$1.4**
Weighted Pipeline	**$1.9**	**$1.8**	**$1.3**	**$1.1**	**$0.8**	**$0.8**	**$0.7**	**$0.3**
Target & Coverage								
Bookings Goal	$1.9	$2.0	$2.2	$2.3	$2.4	$2.5	$3.0	$3.1
Pipeline Coverage	2.6x	2.7x	2.4x	1.8x	1.4x	1.6x	1.2x	0.5x
Weighted Pipeline Coverage	1.0x	0.9x	0.6x	0.5x	0.3x	0.3x	0.2x	0.1x

SMB Pipeline (in $M)							Monthly	
By Stage & Close Month	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Stage 5	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Stage 4	$0.1	$0.1	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0
Stage 3	$0.1	$0.2	$0.3	$0.1	$0.1	$0.1	$0.1	$0.0
Stage 2	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Stage 1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.2	$0.2	$0.1
SMB Total Pipeline	**$0.5**	**$0.5**	**$0.5**	**$0.4**	**$0.3**	**$0.4**	**$0.4**	**$0.1**
SMB Weighted Pipeline	**$0.2**	**$0.2**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.0**

- **Built-in charts to use for reporting:**

03 Retention

Key Questions + Metrics

Key questions to understand	Metrics to track	Page #
How am I **retaining and expanding** my existing customer base?	Net dollar retention Gross dollar retention Cohort retention Logo retention	p32
Why are customer churning and how is this changing over time?	Churn & lost reasons Won / lost analysis	p33
How are we quantifying **customer health** and what are our leading indicators of churn?	**Product usage & adoption metrics:** • Active users • Adoption rate • Stickiness rate • User retention rate • User growth rate **Customer satisfaction metrics:** • Time to implement • Net promoter score • Customer satisfaction score • Customer effort score • Customer referenceability	p34-35

00
01
02
03
04
05
06

How are we retaining and expanding existing customers?

Retention Metrics

Retention – both revenue and logo – **signals the efficiency of a company's growth by measuring its ability to retain and expand existing customers**. We believe this makes retention one of the most important gauges of business health, as it is correlated with everything from product market fit to customer health.

★ *ICONIQ Growth preferred methodology*

Net Dollar Retention[1]

NDR

i.e., Net Revenue Retention (NRR)

ICONIQ Growth benchmarks available (p24)

★ **Quarterly Annualized NDR %**
Annualized quarterly NDR to help show quarter over quarter fluctuations, which is particularly important for early-stage companies

$$1 + \frac{[(qtr\ expansion\ ARR\ - qtr\ churned\ ARR) * 4]}{avg(BOQ\ ARR + EOQ\ ARR)}$$

Annual (LTM) NDR %
Looks at total NDR for the last twelve months

$$1 + \frac{[(LTM\ net\ new\ ARR\ - LTM\ new\ logo\ ARR)]}{avg(BOP\ ARR + EOP\ ARR)}$$

★ **Cohort NDR %**
Looks at annual (LTM) NDR for the specific cohorts of companies (e.g., all companies that signed within a given quarter). This helps businesses better understand what's driving changes in retention over time

Gross Dollar Retention

GDR

i.e., Gross Revenue Retention (GRR)

Quarterly Annualized GDR %
Calculates the annualized percent of ARR retained from existing customers

$$1 - \frac{(qtr\ gross\ churned\ ARR\ * 4)}{avg(BOQ\ ARR + EOQ\ ARR)}$$

Annual (LTM) GDR %
Looks at the total GDR for the last twelve months

$$1 - \frac{gross\ churned\ ARR\ LTM}{avg(BOP\ ARR + EOP\ ARR)}$$

Logo Retention

i.e., Customer or Logo renewal rate

Logo Retention / Renewal Rate %
Calculates the % of customers a B2B business retains in a period (can be annualized or annual LTM)

$$1 - \frac{\#\ customers\ churned}{avg(BOP\#\ customers + EOP\ \#\ customers)}$$

Logo Churn Rate %
The opposite of logo retention, the % of customers a B2B business loses in a period due to churn

$$\frac{\#\ customer\ churned}{avg\ (BOP\ \#\ customers + EOP\ \#\ customers)}$$

BOQ = Beginning of quarter; EOQ = end of quarter; BOP = beginning of period; EOP = end of period
It is recommended to average BOP and EOP ARR in the denominator to adjust for quarter over quarter ARR growth. Alternatively, BOP ARR can be used.

Why are customer churning and how is this changing?

Churn & Lost Reasons

Companies should assign a primary reason for every lost opportunity or customer churn / downsell. While multiple reasons often apply, tracking primary lost reasons can help diagnose important sales process or product gaps that can be filled.

While churn & lost reasons should be catered to a company's market and buyers, the important thing is that each option reflects a **root cause**. For example, we often see a "Timing" category, but this category can often be better categorized into one of the options below:

Lost Reason	Definition
Budget	For use when the prospect or customer loses budget or can't get budget approved. This is often related to company or economic performance, or can also indicate lack of access to the budget owner / executive sponsor
No Decision	For use when a prospect or customer is **unresponsive** or **not ready to buy**
Competition	For use when a customer churns or an opportunity is lost to a competitive organization or solution, including an in-house or "build" solution. *Also track:* Competitor name, including "unknown" or "in-house"
Lack of sponsor	For use when a deal was lost due to **lack of executive sponsor / buyer**
Business Change	For use when the customer goes through a major change that inhibits a deal. Significant business changes include company **acquisitions**, **restructurings**, and **liquidations**
Price	Unlike budget, the price category should be used when the budget exists, but the customer can't justify the quoted price. This can suggest a **price-value-mismatch**
Functionality	Prospect or customer requires **features** or **product** functionality that is not available or does not meet current needs or expectations. Also track: Feature request(s) and/or product feedback
Implementation	For use when the root cause of a churn or downsell is implementation related (e.g., **time to value**, delayed or unfulfilled implementations)
Lack of Adoption	For use when the product or service was delivered to a customer, but lack of adoption led to churn
Dropped Ball	For use when the team "dropped the ball" on an opportunity **by lack of coverage or follow-up** (most often, when a sales rep leaves and account transitions are mis-managed). This should only be used when the options above are not relevant
Bad Fit*	For use when after additional discovery, this company does not meet the ideal customer profile and should not have been qualified. Opportunities lost due to bad fit **should not be included in lost count** but should be reviewed regularly and used to refine ICP and qualification criteria.

** Do not include in "lost" opportunity count*

What are leading indicators of retention? (1 of 2)

Product Usage & Adoption Metrics

We believe **product usage and adoption metrics are the strongest leading indicators for customer retention** and are therefore the best way to measure customer health.

While product and engineering teams should look at usage and adoption metrics holistically, **go-to-market teams should also track these metrics <u>at the customer level</u> to understand how each customer is utilizing the product.**

★ *ICONIQ Growth preferred methodology*

Active User Rate

Measures the proportion of users that are active users (hit a minimum activation threshold on a daily, weekly, or monthly basis) out of the total user pool of a specific customer:

Daily active user (DAU) rate %	$\frac{\#\ daily\ active\ users\ for\ X\ customer}{Total\ users\ for\ X\ customer} * 100$
Monthly active user (DAU) rate %	$\frac{\#\ monthly\ active\ users\ for\ X\ customer}{Total\ users\ for\ X\ customer} * 100$

Adoption Rate

Measures the portion of users that have adopted a new feature or product. This metric is most useful in the first ~12 months after releasing a new product (or activating a new product / feature for a specific customer)

Product adoption rate % Daily or monthly active users can be used, and this can also apply at the feature-level	$\frac{New\ monthly\ active\ users\ for\ X\ customer}{Total\ signups\ for\ X\ customer} * 100$

Stickiness Rate

(%) Measures how well the product is retaining active users

$$\frac{Daily\ active\ users\ for\ X\ customer}{Monthly\ active\ users\ for\ X\ customer} * 100$$

User Retention Rate

Measures the retention of users at a given customer

★ **Net user retention %**	$1 + \frac{Customer\ X\ new\ users\ in\ period - users\ deactivated\ in\ period}{Customer\ X\ number\ of\ users\ at\ BOP} * 100$
Gross user Retention %	$1 + \frac{Customer\ X\ users\ at\ EOP - users\ onboarded\ in\ period}{Customer\ X\ number\ of\ users\ at\ BOP} * 100$

User Growth Rate

(%) Measures how quickly and consistently a customer's user base is growing. This can be measured on a monthly, quarterly, and/or annual basis

$$\frac{Customer\ X\ users\ at\ EOP}{Customr\ X\ users\ at\ BOP} * 100$$

BOP = beginning of period; EOP = end of period

What are leading indicators of retention? (2 of 2)

Customer Health Metrics

While we believe product usage and adoption metrics are the strongest leading indicators of customer health, churn, and retention, various customer satisfaction metrics should also be tracked. These can **provide supplemental insight into how the customer and user experience an organization's product and services**:

Time to Implement vs. goal	Compares the time it took to implement a customer to the expected or promised implementation timeline	$\frac{\text{Days until implemented for X customer}}{\text{Expected days until implemented for X customer}} * 100$
Customer Penetration Rate	Compares the number of users signed up from a Specific customer to the total addressable user pool at that customer	$\frac{\text{\# users signed up from customer X}}{\text{Total \# addressable users at customer X}} * 100$
Net Promoter Score NPS	Measures the likelihood of a user to recommend the product to another potential user	*% of promoters at company X - % of detractors at company X*
Customer Effort Score *CES*	Measures the ease with which a customer interacts with a specific product, service, or support experience (based on a likert scale)	$\frac{\text{\# of agree responses from customer X}}{\text{Total \# responses from customer X}} * 100$
Customer Satisfaction CSAT	Best used for measuring a customer's satisfaction with a company's support or service offerings, rather than overall customer health	$\frac{\text{\# satisfied users at customer X}}{\text{total users scored from customer X}} * 100$

Other indicators of customer health

In addition to product usage and adoption metrics and the customer health metrics above, there are some **qualitative indicators** of customer health worth tracking:

- **Health of relationship or engagement with executive sponsor.** This can either be a subjective score or measured by a proxy such as days since last communication with exec sponsor
- **Presence of power users.** Power users are users that meet a high threshold of activity and adoption in the product. This can be measured as a true/false or a percentage such as power users / total users
- **Account owner relationship sentiment**. A subjective health rating for each customer from the relationship owner (CSM, account manager). Subjective scores should have an accompanying framework that guides scoring to ensure consistency across the team, and should be considered in the context of other more objective measures of customer health

04 Efficiency & Economics

Key Questions + Metrics

Key questions to understand	Metrics to track	Page #
How **efficient and scalable** is our go-to-market motion?	Gross margin Net magic number Gross magic number Customer acquisition cost (CAC) Customer lifetime value (LTV) LTV / CAC ratio Payback period	p37-38

00
01
02
03
04
05
06

Is our go-to-market motion scaling efficiently? (1 of 2)

GTM Efficiency Metrics

Go-to-market is often the largest investment a B2B SaaS company makes in terms of both people and programs spend.[1] As such, we believe it's **imperative to track and understand go-to-market efficiency as a company scales**. The following metrics focus on how efficiently a company is operating on a per-unit basis:

★ *ICONIQ Growth preferred methodology*

Gross Margin

ICONIQ Growth benchmarks available (p46)

Gross Margin (GM)	$\frac{\text{Total gross profit \$}}{\text{Total revenue}}$
Subscription GM	$\frac{\text{Subscription gross profit \$}}{\text{Subscription revenue}}$
Services GM	$\frac{\text{Services gross profit \$}}{\text{Services revenue}}$

Magic Number

ICONIQ Growth benchmarks available (p46)

Magic number measures the amount of ARR or revenue gained for every dollar spent to acquire it, making it a robust signal of GTM efficiency and unit economics.

A magic number calculation should depend on a company's sales cycle, and different magic number calculations can be used if sales cycles differ across segments. The formula included here shows a one-quarter offset such that we are measuring new ARR this quarter relative to spend last quarter to reflect a median ~60-90-day sales cycle. For those with a much shorter or longer sales cycle, that period offset can be adjusted.

Magic number can also be multiplied by a company's gross margin to account for the payback required to fully break even and normalize comparisons across companies.

★ **Net Magic Number** Net new ARR per S&M OpEx	$\frac{\text{Current qtr net new ARR}}{\text{Prior quarter S\&M OpEx}}$
Net Magic Number, GM Adjusted	$\frac{\text{Current net new ARR}}{\text{Prior quarter S\&M OpEx}} * \text{Gross Margin \%}$
Gross Magic Number Gross new ARR per S&M OpEx	$\frac{\text{Current gross new ARR}}{\text{Prior quarter S\&M OpEx}}$
Gross Magic Number, GM Adjusted	$\frac{\text{Current gross new ARR}}{\text{Prior quarter S\&M OpEx}} * \text{Gross Margin \%}$

Continued on next page

1 ICONIQ Analytics New Era of Efficient Growth report (Aug 2023)

Is our go-to-market motion scaling efficiently? (2 of 2)

GTM Efficiency Metrics

These metrics zoom further into the **unit economics of a business**. There are many ways to calculate CAC, LTV, and payback period depending on a company's business model, customer base, and finance model. Some preferred methodologies are included below:

★ *ICONIQ Growth preferred methodology*

Customer Acquisition Cost (CAC)

CAC measures the $ cost of acquiring one new logo via a few primary methods:

Simple CAC
S&M OpEx per new logo

$$\frac{S\&M\ OpEx}{Gross\ new\ logo\ customers}$$

Paid CAC (by channel)
Spend on a channel per logos acquired via that channel

$$\frac{Spend\ on\ X\ channel}{New\ logos\ acquired\ via\ X\ channel}$$

★ **Time-Adjusted CAC**
Like magic number, adjusts for the lag in a sales cycle

$$\frac{Prior\ qtr\ S\&M\ OpEx}{Gross\ new\ logo\ customers\ this\ qtr}$$

Customer Lifetime Value (LTV)

LTV measures the profit acquired over a single customer's lifetime, with the idea that the LTV of a customer is greater than the cost to acquire that customer:

Simple LTV[1]
Profit on average ARR per Retained customer

$$\frac{ARR\ per\ customer * gross\ marin}{Logo\ churn\ rate}$$

★ **Cohort LTV**
Looks at LTV for a specific cohorts of companies (e.g., all companies that signed within a given quarter). This helps businesses better understand what's driving changes in LTV over time

LTV/CAC

ICONIQ Growth benchmarks available (p47)

The **LTV to CAC ratio** measures the value of each customer relative to the cost to acquire each customer

$$\frac{Customer\ LTV}{Customer\ acquisition\ cost}$$

Payback Period

Calculates the duration of time (usually months) needed for any given customer to "pay back" the customer acquisition cost, effectively showing time to customer break-even

$$\frac{Customer\ acuisition\ cost}{ARR\ per\ customer * gross\ marin}$$

1 See logo churn rate calculation in Retention Metrics

05 Team & Productivity

Key Questions + Metrics

Key questions to understand	Metrics to track	Page #
Is **go-to-market team scaling efficiently?**	S&M OpEx per S&M FTE Key headcount ratios • AE:CSM • AE:Manager • AE:SDR Employee attrition	p40
Is the go-to-market team scaling **productively**?	Net new ARR per S&M FTE Sales capacity Sales productivity Quota attainment Ramp rate	p41-42

00
01
02
03
04
05
06

Is the GTM team scaling efficiently?

Headcount Efficiency

The following metrics help companies understand headcount efficiency and productivity in the go-to-market organization, which is an important component to **team planning and hiring, as well as understanding performance vs. goal**.

S&M OpEx per S&M FTE

Measures go-to-market headcount efficiency by looking at average S&M on a per-S&M-employee basis
Annualized formula shown

$$\frac{Qtr\ S\&M\ OpEx\ *\ 4}{Average\ S\&M\ FTEs\ in\ qtr}$$

ICONIQ Growth benchmarks available (p53)

Headcount Ratios

Headcount ratios between key go-to-market roles are a great way to **measure whether the team is growing in a scalable manner**. As account executives (AEs) typically make up the largest portion of any go-to-market organization, headcount is usually compared between AEs and other key roles such as CSMs and managers. Companies should **track this over time with the goal to increase leverage as a company scales**, allowing for AE headcount ratios to increase:

Account Execs per CSM	$\frac{\#\ Quota\ carrying\ AEs}{\#\ Customer\ success\ managers}$
Account Execs per Sales Manager	$\frac{\#\ Quota\ carrying\ AEs}{\#\ AE\ managers}$
Account Execs per SDR	$\frac{\#\ Quota\ carrying\ AEs}{\#\ Sales\ development\ or\ business\ development\ reps}$

ICONIQ Growth benchmarks available (p39-43)

Employee Attrition

Employee attrition, both voluntary and involuntary, is typically highest in a SaaS company's go-to-market organization (sales in particular). In the case of quota-carrying teams, attrition can have a **major impact on sales capacity, a primary driver of overall attainment**. It's important to **track and forecast attrition effectively to better forecast hiring needs relative to goals**.

Relatedly, it's important to track **voluntary vs. involuntary attrition**, with an added layer of reason codes for voluntary attrition

$$\frac{\#\ QCRs\ departed}{Average\ \#\ QCRs\ in\ period}$$

ICONIQ Growth benchmarks available (p60)

Is the GTM team scaling productively? (1 of 2)

Headcount Productivity

The following metrics help companies understand headcount efficiency and productivity in the go-to-market organization, which is an important component to **team planning and hiring, as well as understanding performance vs. goal**.

★ *ICONIQ Growth preferred methodology*

NNARR per S&M FTE

Measures go-to-market headcount productivity by looking at net new ARR acquired on a per-S&M-employee basis
Annualized formula shown

$$\frac{\text{Qtr net new ARR} * 4}{\text{Average S\&M FTEs in qtr}}$$

Sales Capacity

Measures the **maximum amount of ARR that could be generated by quota-carrying reps (QCRs) in a given time period**, while taking into account ramp, attainment, and attrition. This can be measured on a monthly, quarterly, or annual basis, and be looked at on a total or per rep basis:

Total Sales Capacity[1] *Allocated quota in qtr * % quota attainment * QCR retention rate*

Capacity per QCR

$$\frac{(\text{Allocated quota in qtr} * \text{quota attainment})}{(\text{Average QCRs in qtr} * \text{QCR retention rate})}$$

Sales Rep Productivity

Measures the amount of actual **ARR generated per quota-carrying rep**, which can also be measured on a monthly, quarterly, or annual basis. Net productivity is preferred as it takes into account churn (regardless of whether sales owns renewal and expansion)

★ **Net Productivity**
Net new ARR per QCR

$$\frac{\text{Qtr net new ARR}}{\text{Average QCRs in qtr}}$$

Gross Productivity
Gross new ARR per QCR

$$\frac{\text{Qtr gross new ARR}}{\text{Average QCRs in qtr}}$$

Continued on next page

1 Allocated quota in qtr is the sum of all individual contributor quotas for a given quarter less quotas unallocated due to ramp

Is the GTM team scaling productively? (2 of 2)

Headcount Productivity

The following metrics help companies understand headcount efficiency and productivity in the go-to-market organization, which is an important component to **team planning and hiring, as well as understanding performance vs. goal**.

★ *ICONIQ Growth preferred methodology*

Quota Attainment

While a couple ways to calculate quota attainment are included here, **the best practice is to look at the distribution of quota attainment over time**, either in a 100%-stacked-bar-chart format or in a histogram format. See an example displayed in our GTM board deck template:

Team Quota Attainment
Measures the % of sales reps achieving quota

$$\frac{\text{QCRs attaining at least 100\% of quota}}{\text{Total number of QCRs}}$$

Rep Attainment
Measures the average % of quota attained by each quota-carrying rep

$$\frac{\text{Total quota attained in period}}{\text{Total quota allocated in period}}$$

Ramp Rate

Ramp rate measures a company's ability to onboard new sales reps effectively, a critical component of scaling any go-to-market team.

Ramp Rate
% of reps achieving quota in first period after fully ramped

$$\frac{\text{\# QCRs achieving quota in first period fully ramped}}{\text{Total QCRs in first period fully ramped}}$$

★ **Cohort Ramp Rate**
Looks at how ramp rate changes over time by comparing different cohorts of sales reps (e.g., all sales rep hires that started within a given quarter to those that started the next quarter). Businesses want to see ramp rate improve over time as they invest in onboarding, training, coaching, and enablement programs.

06 Fiscal Maturity

Key Questions + Metrics

Key questions to understand	Metrics to track	Page #
How are we getting from **pipeline to forecast**?	Forecasting methodologies: • Assessment forecast • Stage forecast *See related forecast vs. goal metrics in 02. Sales Funnel*	p44-45
Are we achieving **revenue predictability and repeatability**?	Attainment vs. plan "Beat and raise"	p46-47

00
01
02
03
04
05
06

How are we getting from pipeline to forecasts? (1 of 2)

Pipeline Forecasts

There are many forecasting methodologies, each with pros and cons depending on a company's go-to-market motion and sales cycle.

The simple forecasting methodologies included here are often used in the early stages of company growth. As companies scale and approach revenue predictability, more complex methodologies are developed, and many companies invest in tooling to **build robust statistical forecasting models**.

Assessment forecast

An assessment forecast, also known as an "intuitive forecast", **relies on human assessment of the likelihood that an opportunity will be won**. Sales reps, sales managers, and sales leadership assign one of the following assessment categories to each opportunity, as well as a probability (%) that the opportunity will be won. The assessment category can have a fixed % probability associated with it, or the % probability can be chosen from a range within that assessment category:

Assessment	Description	Pipeline $	% probability[1]	Forecast
Commit	Opportunities that are expected to be closed won within the period in question (e.g., this quarter)	$0.5M	90%	$450K
Best Case	Opportunities that are fully qualified and likely to close in period, but are too early in the sales cycle to commit to or have risk	$1.5M	75%	$1,125K
Pipeline	Opportunities that are too early in the sales cycle to allocate as best case or commit. However, these are qualified opportunities that should not be completely omitted from the forecast.	$2M	25%	$500K
Omitted	Opportunities that should be omitted from the forecast because they have not yet been qualified or are unqualified, but have yet to be closed lost	$0.5M	0%	$0
Pipeline Forecast[2]				**$2,075K**

Rules of thumb when using assessment forecasts:

- **Assessment category should be independent from opportunity stage**. Assessments are subjective categorizations made regardless of which stage of the sales cycle a deal is in. However, sales stage should be used as a gauge for assessment accuracy (e.g., should this stage 1 opportunity be categorized as commit?)
- **Assessments should be made at multiple levels of the sales organization.** To improve the accuracy of these forecasts, assessments should be made by individual sales reps, sales managers, and sales leadership. Final assessments are often a combination of the assessments made at each level of the team

Continued on next page

1 % probability values shown here are examples. Companies should use their own probability allocations based on their sales cycle and historical actuals
2 Pipeline forecast does not include churn

How are we getting from pipeline to forecasts? (2 of 2)

Pipeline Forecasts

There are many forecasting methodologies, each with pros and cons depending on a company's go-to-market motion and sales cycle.

The simple forecasting methodologies included here are often used in the early stages of company growth. As companies scale and approach revenue predictability, more complex methodologies are developed, and many companies invest in tooling to **build robust statistical forecasting models**.

Stage forecast

A stage forecast is considered slightly more robust than an assessment forecast. Stage forecasts **use historical conversion rates from one stage to the next to predict the likelihood of an opportunity to be closed won.** For example:

Opportunity Stage	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Total
Pipeline $	$1M	$0.8M	$0.5M	$0.6M	$0.2M	$3.1M
Win Rate[1]	10%	23%	50%	72%	95%	35%
Pipeline Forecast[2]	$100K	$184K	$250K	$432K	$180K	**$1.1M**

Rules of thumb when using stage forecasts:

- **Conversion rates should reflect a recent time horizon.** Using all-time historical conversion rates can under- or over-estimate the likelihood a deal will be won. Depending on the velocity of the sales cycle, it is recommended to use a more recent time horizon (e.g., last-90-day conversion rates for companies with high velocity sales, last-12-month conversion rates for companies with enterprise sales cycles).
- **Use segment-specific conversion rates.** Conversion rates can differ drastically between segments (SMB, mid-market, enterprise), so expected conversion should reflect a deal's segment and any other important variables such as product / SKU.
- **Conversion rates utilized can also take into account future expected changes.** In some cases when an outcome can be reasonably predicted, an adjusted conversion rate can be utilized that increases or decreases the likelihood an opportunity will be won vs. historical conversion rates. For example, if many deals have historically been closed lost due to lack of feature functionality, and a feature is being released to solve for this, win rate may be expected to increase proportionally.

> **We prefer the stage forecast method.** It's more accurate than assessment forecasts, and these are often an ineffective use of time for your sales team. We want our reps to be focused on execution.[3]
>
> Finance Leader | Later-Stage Infrastructure SaaS

1 Win rate values shown here are illustrative examples (not a benchmark for best in class). Companies should use their own historical conversion rates
2 Pipeline forecast does not include churn
3 Paraphrased statement from a leader in the ICONIQ Growth portfolio and network. For a complete list of ICONIQ Growth portfolio companies, see the appendix

Are we achieving revenue predictability & repeatability? (1 of 2)

Signals of Fiscal Maturity

As companies scale, we believe it should be a priority to **approach revenue predictability and repeatability** – and many of the metrics included in this guide help companies achieve this.

This responsibility should not only reside with the finance team. The go-to-market teams play a critical role in setting goals and bear the **responsibility of providing accurate forecasts based on high fidelity pipeline and top of funnel projections**. The following metrics can be used to measure progress towards revenue predictability as an organization scales:

Attainment vs. Plan

Attainment calculations reflect actuals as a % of plan for a period. **"Plan" numbers should reflect the original annual budget**, regardless of forecast fluctuations. Attainment should be calculated on a periodic (monthly or quarterly based on the reporting cycle) and an annual basis, and against both top- and bottom-line metrics.

ARR is used as the primary revenue metric in these top-line calculations but can be substituted for CARR or run-rate bookings where relevant. Similarly, **FCF** is used as the bottom-line metric, but can be substituted for operating income or EBITDA.

★ *ICONIQ Growth preferred methodology*

Key **top-line** attainment metrics

★ **Net new bookings attainment** Attainment vs. plan for net new bookings, which take into account revenue lost due to churn	$\frac{\text{Actual net new ARR in period}}{\text{Net new ARR plan in period}}$
Gross new bookings attainment Attainment vs. plan for gross new bookings	$\frac{\text{Actual gross new ARR in period}}{\text{Gross new ARR plan in period}}$
★ **Ending ARR attainment** Attainment vs. plan for ending ARR	$\frac{\text{Actual EOP ARR}}{\text{Planned EOP ARR}}$
YoY ARR Growth attainment Attainment vs. budget for year over year ARR growth	$\frac{\text{Actual YoY ARR growth in period}}{\text{YoY ARR growth plan in period}}$

Key **bottom-line** attainment metrics

Free cash flow attainment Attainment vs. plan for free cash flow (FCF)	$\frac{\text{Actual EOP FCF}}{\text{Planned EOP FCF}}$

EOP = end of period

Signals of Fiscal Maturity

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This responsibility should not only reside with the finance team. The go-to-market teams play a critical role in setting goals and bear the **responsibility of providing accurate forecasts based on high fidelity pipeline and top of funnel projections**. The following metrics can be used to measure progress towards revenue predictability as an organization scales:

The "beat and raise" motion

As SaaS companies approach maturity, they should **work towards a "beat and raise" revenue model**. A "beat" refers to quarterly actuals exceeding original estimates, leading to a "raise", or an increase in management's guidance for future quarters.

This is particularly important for companies to **develop prior to entering the public markets.** A company's ability to meet and beat quarterly guidance estimates signals visibility into future performance, strong growth prospects, and the internal financial and operational rigor to accurately forecast and meet market demand. A company's ability to beat and raise is strongly correlated with public market performance.

While beating expectations is important, excessive sandbagging can also be detrimental to market performance. It is recommended that companies start thinking like a public company about ~2 years prior to IPO, which includes building "beat and raise" into the forecasting motion.

Beat against revenue management guidance % over-attainment vs. management Guidance (at this stage, this is often applied to revenue rather than ARR)	$\left(\frac{\text{Actual revenue in period}}{\text{Management guidance revenue plan}} - 1\right) * 100$
Beat against revenue consensus % over-attainment vs. consensus estimates (a*pplicable to public Companies)*	$\left(\frac{\text{Actual revenue in period}}{\text{Consensus revenue estimates}} - 1\right) * 100$

> **We implemented a beat and raise motion 1.5 years before IPO.** Every quarter, we generated a conservative number based on our sales forecast for each subsequent quarter, and we use that to guide how we set our targets.[1]
>
> Finance Leader | Later-Stage Infrastructure SaaS

1 Paraphrased statement from a leader in the ICONIQ Growth portfolio and network. For a complete list of ICONIQ Growth portfolio companies, see the appendix
Learn more about the "beat and raise" motion and IPO readiness in ICONIQ Analytics Path to IPO report

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