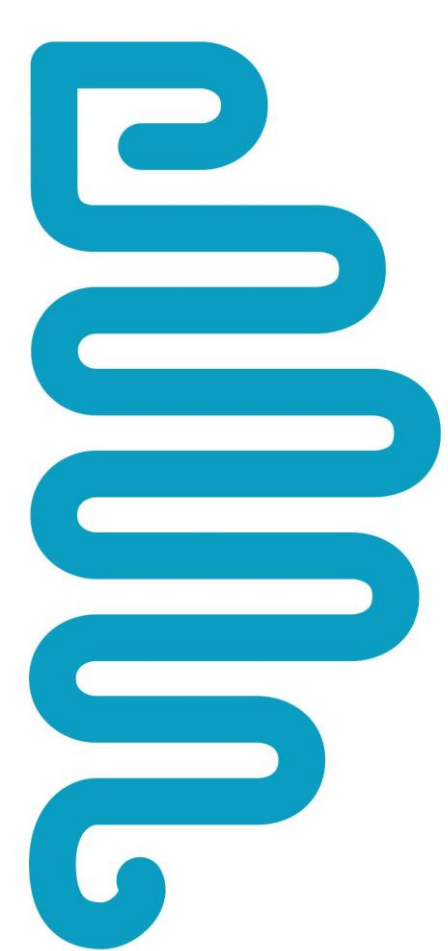




SaaS companies

Economic contributions



SENSE PARTNERS

DATA LOGIC ACTION

Purpose and context



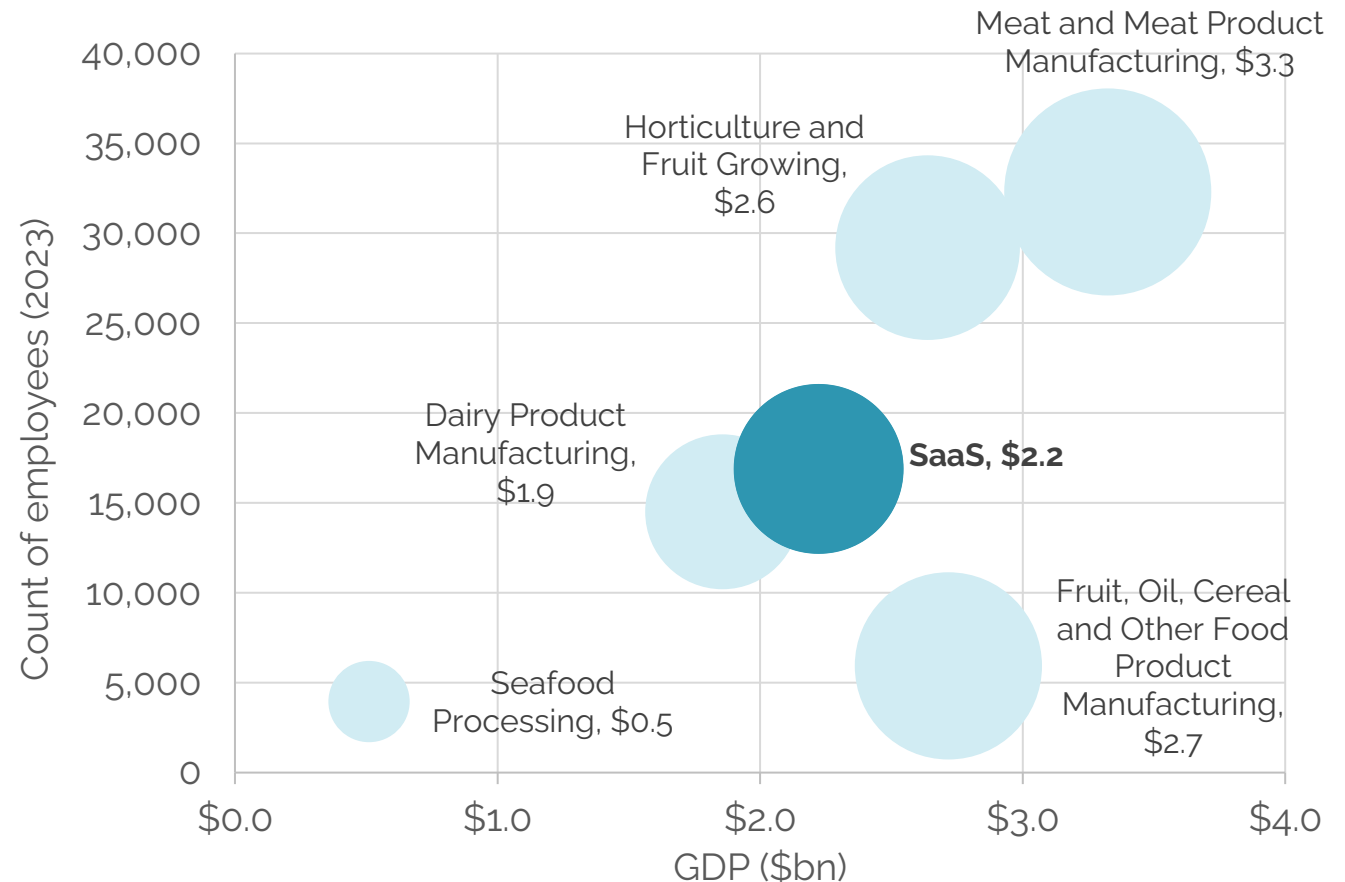
- **kiwisaas** has tracked the activity of the current (2023) cohort of SaaS firms in New Zealand
- We review the economic contribution of these firms by comparing SaaS against other types of firms in terms of
 - Current economic size (GDP)
 - Potential future size, if current trends continue
 - Firm dynamics – survival rates and rates of growth coming from new versus existing firms.
- Disclaimer: This assessment is scene-setter – for explaining the size and potential of the SaaS sector based on recent trends. It should not be construed as a thorough study of the SaaS sector.

Size of SaaS



- Similar to major food production & export industries*
- Employs more people than dairy product manufacturing (i.e. factories making milk powder and cheese)
- Generates more GDP per worker than meat product manufacturing (i.e. meat works)
- Is 8 times larger than gaming industry

2023 GDP estimates (\$b) and employee counts



*We selected these industries for comparison because they are export-focussed industries, like SaaS. And these are the parts of food production that hold promise for long term growth/scale. Many of their upstream counterparts (e.g. livestock farming, fishing) are potentially constrained by natural resource and environmental limits. Note the 2023 estimates for non-SaaS industries are estimates as official GDP numbers are available only to 2022.



Potential size of SaaS

- On recent trends, SaaS sales are expected to be \$7.4b in 2030*
- SaaS contribution to GDP would be around 20% higher than comparable primary sector export industries

Projected growth (\$GDP billions, nominal)

	2023	2030	CAGR (% p.a.)
SaaS	2.2	4.5	11%
Horticulture and Fruit Growing	2.6	3.8	5%
Dairy Product Manufacturing	1.9	3.1	7%
Meat and Meat Product Manufacturing	3.3	4.2	4%

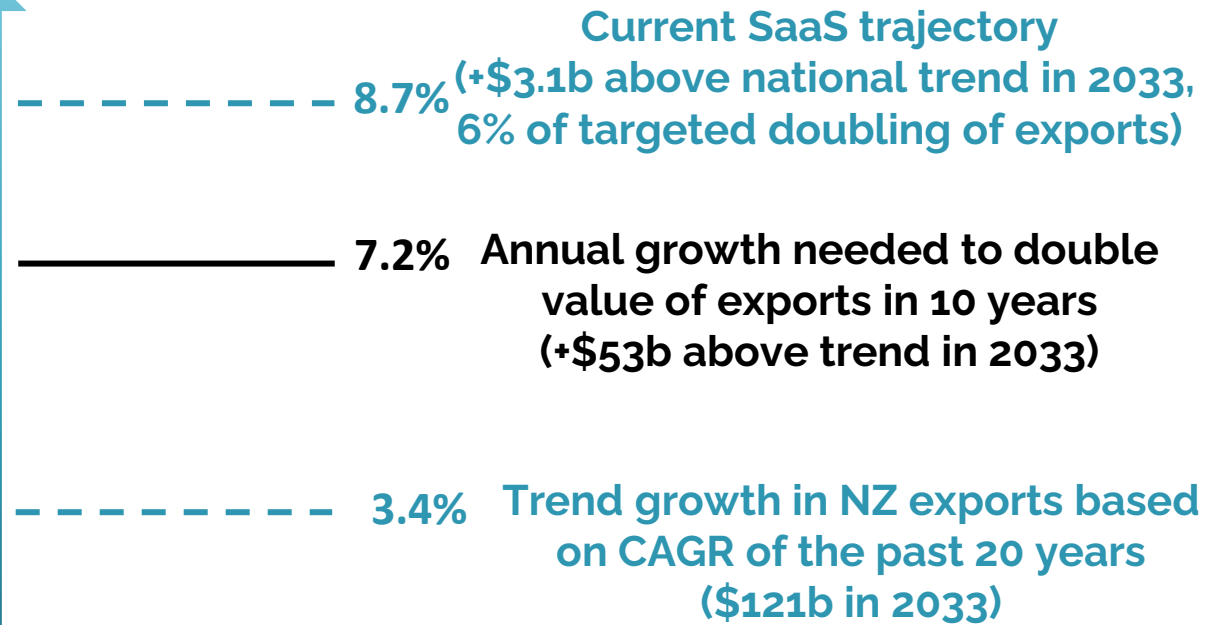
* Nominal dollars, including an assumed rate of inflation of 2% on average. Rates of growth are based on extrapolating recent trends. For primary sector trend growth we have used the 20 year compound average rates of growth prior to COVID.

Exports – potential SaaS contribution



- SaaS has strong export growth potential, with a large global market and strategies to address barriers to continued growth.
- New Zealand's traditional export powerhouses face severe headwinds in achieving rapid growth (land, environmental, trade barriers).

Export growth*?



SaaS firm dynamics, productivity growth...



- High rates of growth in material living standards (productivity) demand dynamism:
 - growth of new industries
 - invention and adoption of new technologies
 - the old making way for the new, i.e. companies that grow or shut up shop and make way for others
- The current SaaS cohort shows positive dynamics, predicting a positive contribution to productivity growth.
- The SaaS firms kiwisaas has tracked have higher than normal:
 - survival rates (20% higher)
 - growth in sales per firm (3% CAGR, adjusted for inflation)
 - rates of entry of new firms (2x the typical rate)



Reference material



Data on industry size, 2023 estimates

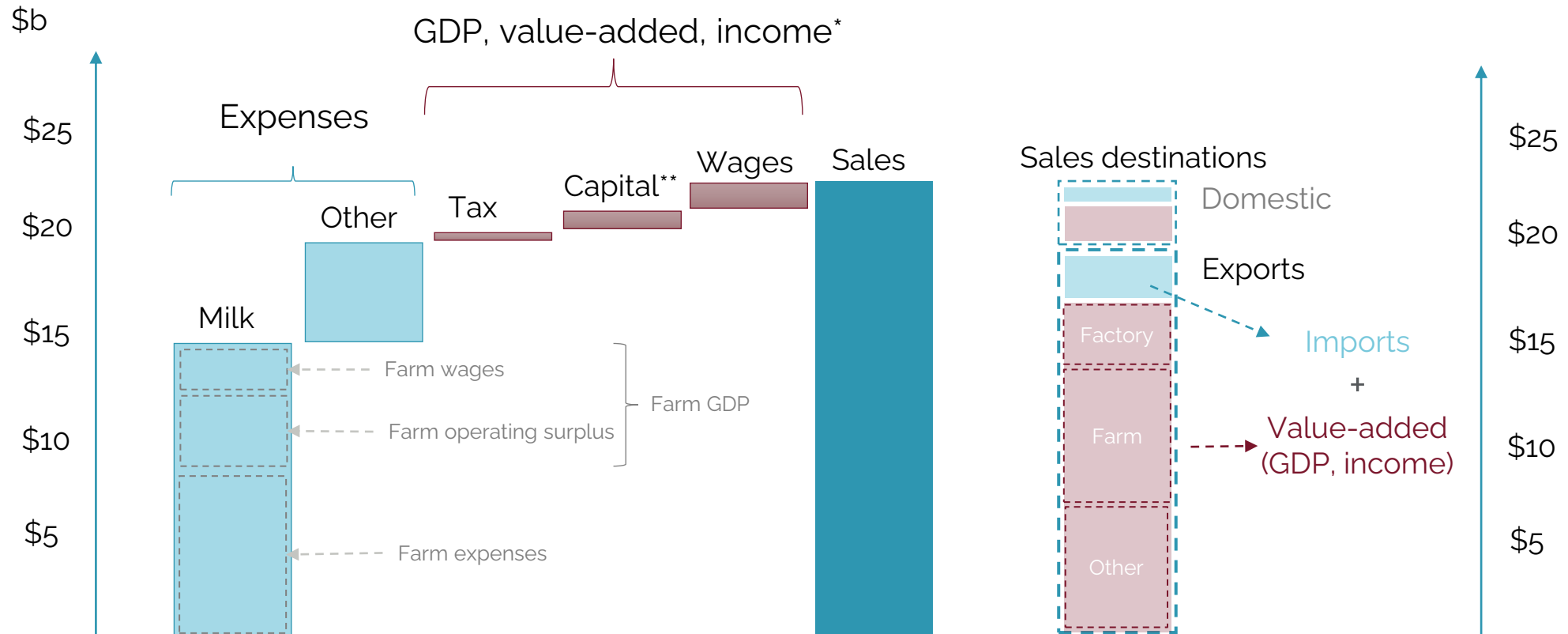
Data behind the SaaS size slide (slide #3)

Industry	GDP (\$b)	Sales (\$b)	Job count
SaaS	\$2.2	\$3.6	16,890
Horticulture and Fruit Growing	\$2.6	\$6.2	29,200
Dairy Product Manufacturing	\$1.9	\$28.6	14,500
Meat and Meat Product Manufacturing	\$3.3	\$14.3	32,300
Seafood Processing	\$0.5	\$1.8	3,950
Fruit, Oil, Cereal and Other Food Product Manufacturing	\$2.7	\$9.0	5,940

Primer on measuring value-added (GDP)



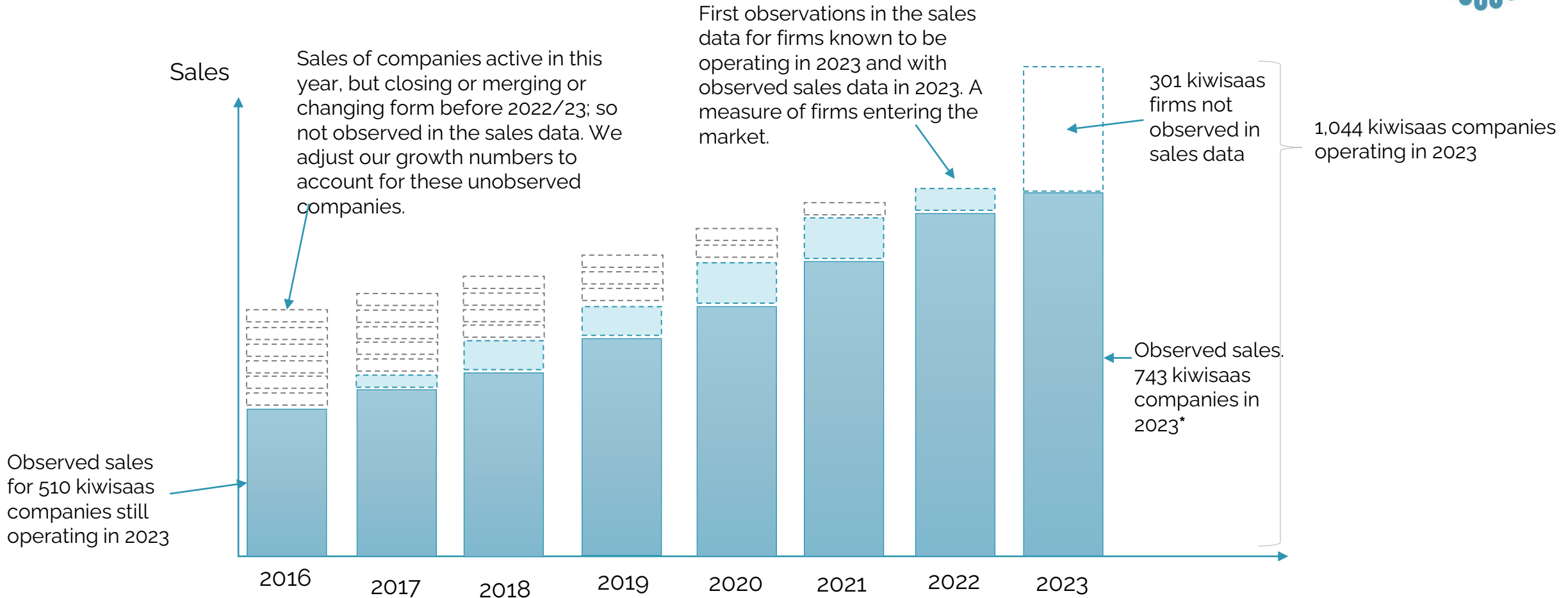
E.g. Dairy product manufacturing industry (a.k.a dairy factories)
(March year 2020 data)



* Roughly speaking, GDP is income earned, by workers and owners after expenses are paid for.

** Payments to capital includes debt and equity interests plus depreciation.

Measuring the size of the sector over time



* We have been conservative in our estimates of total sales and GDP by ignoring the known SaaS firms that we do not have sales data for (301 in 2023).

