

SaaS METRICS PALOOZA

Maxio Institute:

Private SaaS Company
Growth Benchmarks



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Agenda

Market Overview

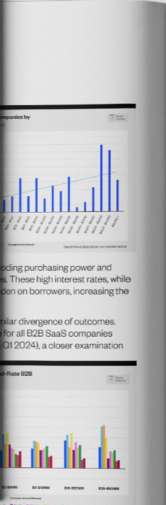
Growth Trends

- By revenue size
- By industry
- By pricing model

AI Pricing Deep Dive

Palooza Promotion

Market Overview



The State of the B2B SaaS Market

In our Q1 report, we discussed the dual nature of the US economy, a theme that has continued throughout Q2. Many quantitative signals point towards improvement, but consumer sentiment lags. The issue has even become political as incumbent Democrats seek re-election for economic gains, and Republican challengers harken back to pre-COVID nostalgia.



The truth is somewhere in the middle. Certain forward-looking investments like the stock market indicate hope for a recovery, but consumers, whose spending makes up 68% of the economy, are grappling with baked-in inflation and high interest rates. When everything costs over 20% more than it did five years ago, housing is at an all-time high, and covering a median US mortgage payment of \$2,000 requires an income of nearly \$6K, it's hard for these consumers to feel "bullish" even if the S&P 500 hits another record close.

Businesses are affected by the same forces as consumers: high interest rates and cumulative inflation. To survive in a funding-scarce market, cost-cutting and cash conservation have become the CFO's mantra. But that doesn't mean the market has stalled.

Encouragingly, the post-COVID B2B market is continuing to grow. Q2 was a slightly slower quarter than Q1, but viewing the trend across the last 10 quarters shows a remarkably consistent growth rate. The average growth rate for B2B companies in the beginning of 2022 is 7%, exactly equal to the quarter's result.

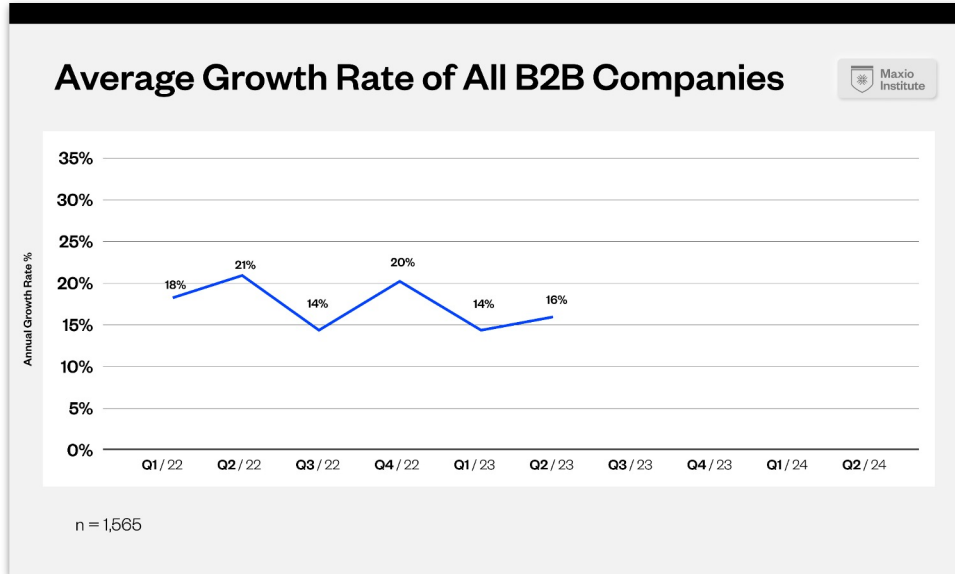
While this growth trajectory has been the norm at smaller B2B firms, it would be the envy of many larger public companies. The member of the S&P 500, for example, have an average revenue growth rate of 6.5% over the last 5 years and are projected to grow by 5.5% in 2024.

Although the overall B2B market is showing consistent performance, segmenting the B2B market into two groups, businesses with over \$10M in annual revenue and businesses with under \$10M in annual revenue, provides additional insights, both positive and negative.



Download the latest report

B2B YoY Growth Rate: Q122 – Q223



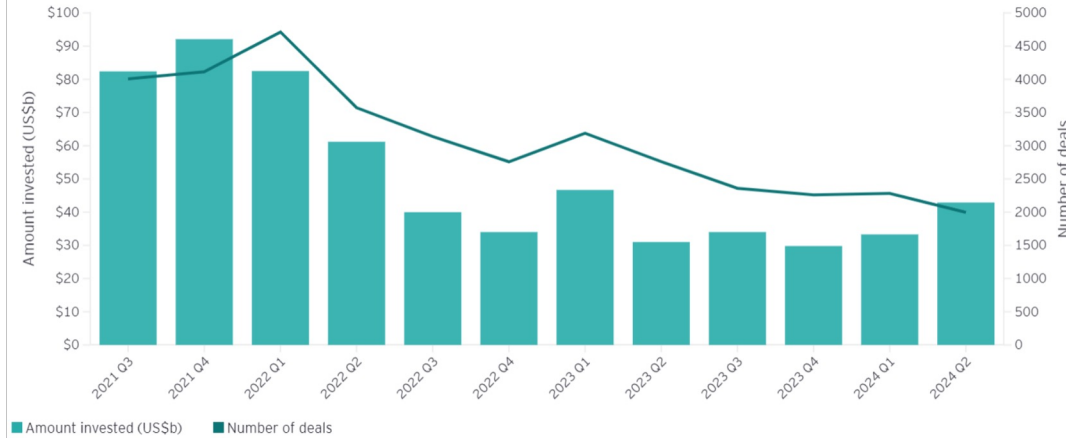
- In Q123, growth slowed dramatically
- Q223 saw a modest uptick

Were we poised for a recovery?

VC Investment Trends: Q321 – Q224

Deals and dollars invested

Equity financings in US VC-backed companies

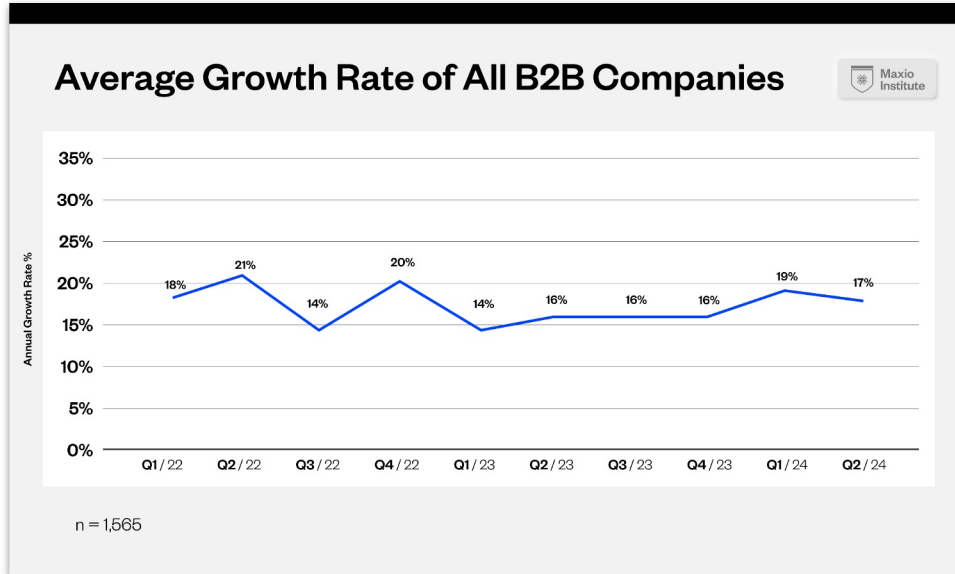


Sources: "Crunchbase," Crunchbase website, www.crunchbase.com, accessed July 3, 2024; EY analysis. We include equity financings into VC-backed companies headquartered in the US. Sources of cash investments include, but are not limited to, VC firms, corporate investors, other private equity firms and individuals.

Market Context

- Although dollars invested did increase in Q224, overall deal count continues to decline
- VCs are starting to invest more, but still being choosy

B2B YoY Growth Rates: Q122 – Q224



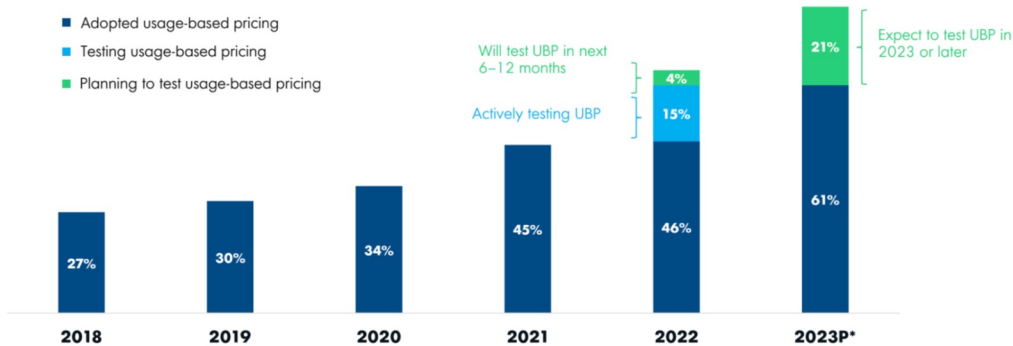
Today's Results

- The S&P 500 is on track for 5.5% YoY growth in 2024
- B2B subscription businesses grew 17% YoY
- But growth is not equal

Certain types of companies grow faster than others

Usage-Based Pricing Adoption: FY18 – 23

3 OUT OF 5 SAAS COMPANIES NOW HAVE SOME FORM OF USAGE-BASED PRICING



USAGE-BASED PRICING ADOPTION OVER TIME

Source: OpenView

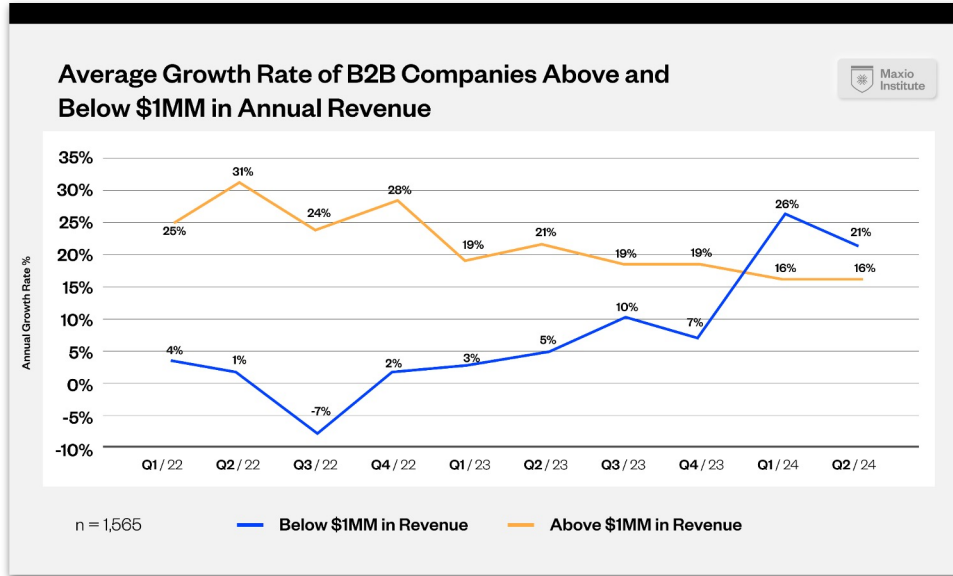
Market Context

- Adoption has been driven by buyer interest and the rise of product-led growth models
- OpenView found usage-based pricing resulted in higher net dollar retention and lower CAC paybook

But it isn't that simple

Growth Trends

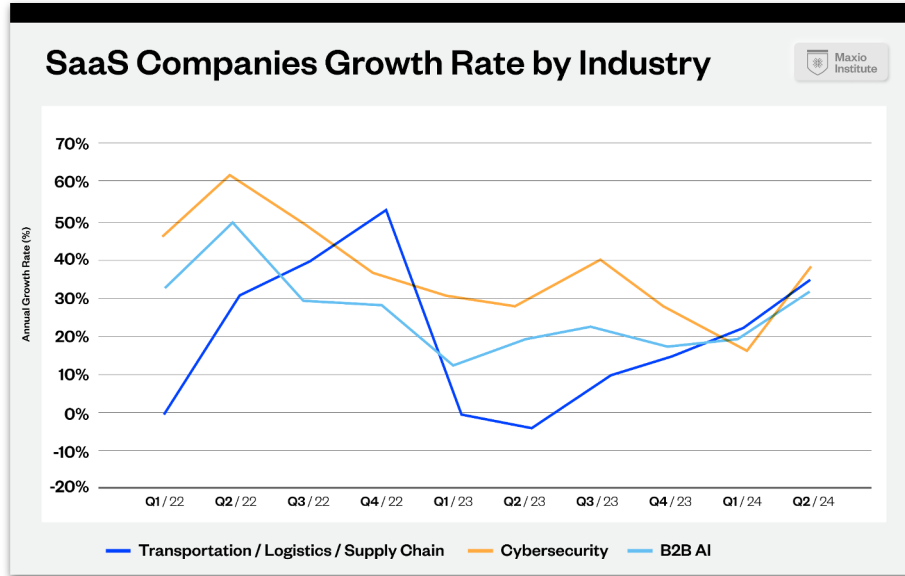
B2B YoY Growth Rates by Revenue Size



Adaptability is now key

- <\$1M companies are booming, hitting 26% in Q124 and 21% in Q224
- >\$1M companies are also growing, but have slowed down to 16% in Q224

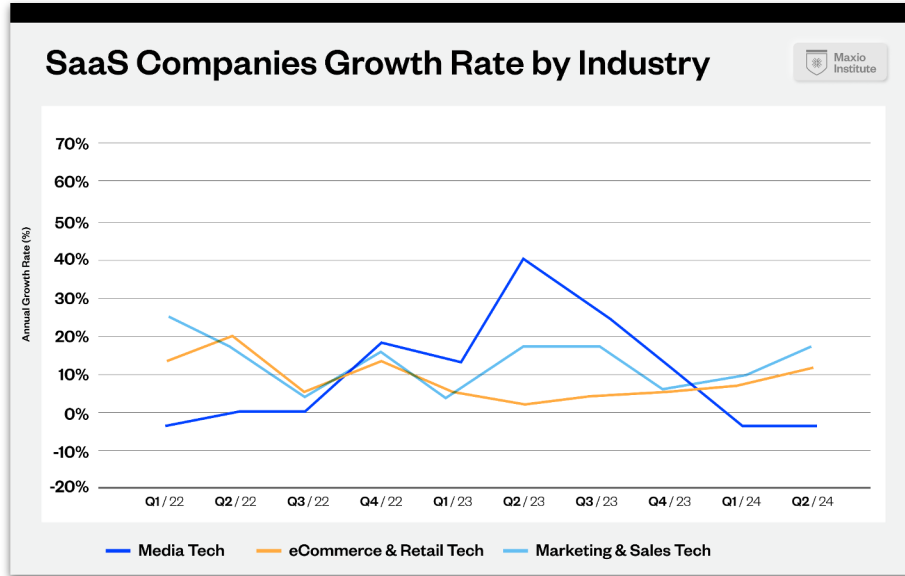
B2B YoY Growth Rates: Leading Industries



Infrastructure remains strong

- Cybersecurity is the fastest growing vertical over the past 8 quarters at 35%
- In Q224, logistics tied with cyber at 36% growth
- AI growth peaked in 2022 but seems to have settled at 32% in Q224

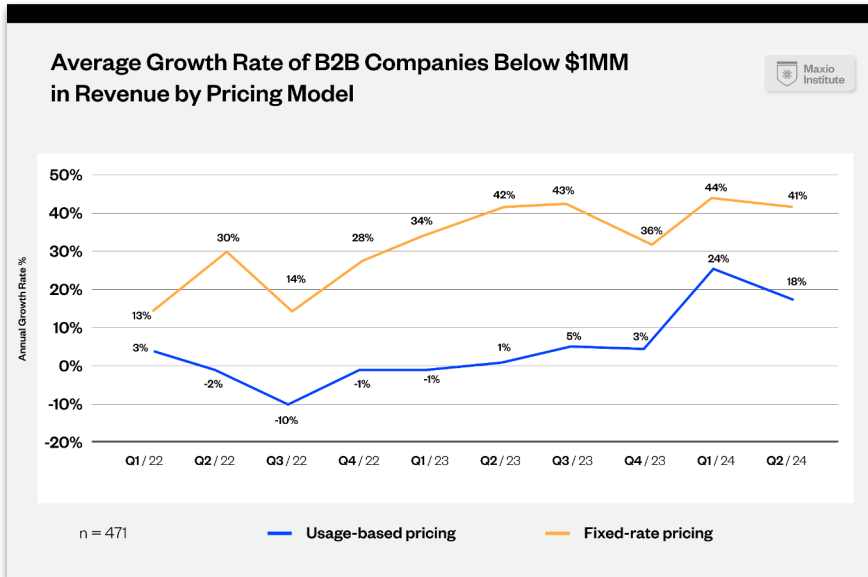
B2B YoY Growth Rates: Lagging Industries



Growth at all costs is over

- Marketing and sales tech growth has slowed to 12%
- Media tech dropped dramatically, contracting -2% in Q2/24
- E-commerce and retail is slowly recovering from its low point in Q2/23

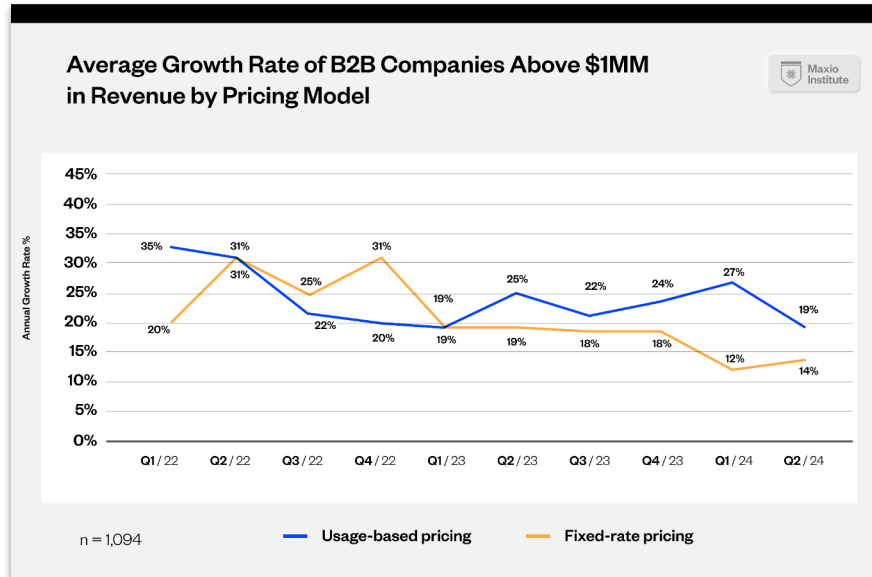
B2B YoY Growth Rates by Pricing Model



Keep it simple to start

- Pricing model has an outsized impact on <\$1M businesses
- Fixed-rate pricing model seems to be the better model for smaller early stage companies
- +23 point advantage over usage-based models in Q224

B2B YoY Growth Rates by Pricing Model



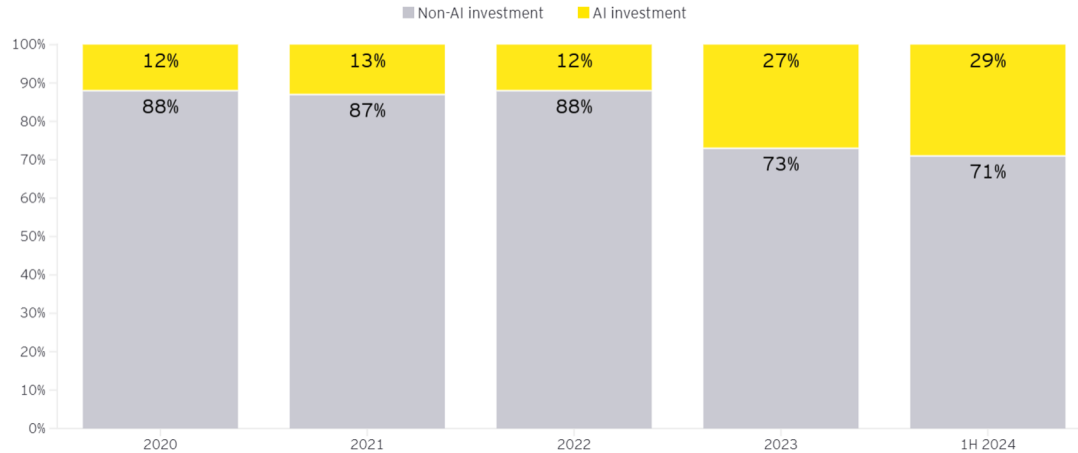
Adapt and test with scale

- 60% of SaaS companies had usage-based pricing models in 2023
- For companies >\$1M, usage-based pricing correlates with more growth

AI Deep Dive

AI Deep Dive: Investment in AI

US VC-backed companies



Source: Crunchbase

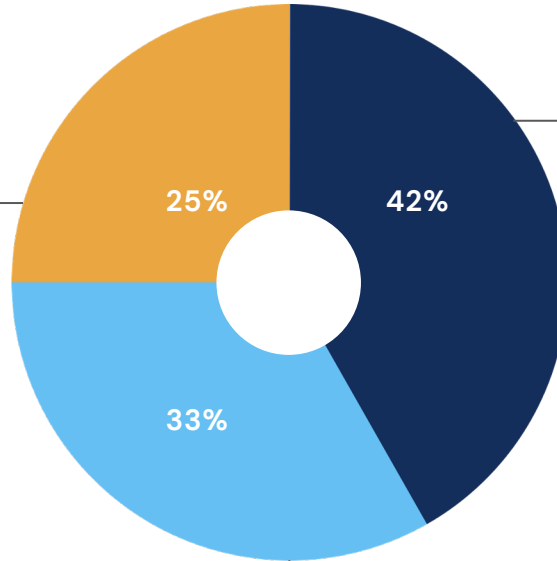
Trends & Insights

- AI has commanded an increasing share of total investment dollars, though skewed by one \$6B deal in H124
- Early stage AI funding declined 76% from its peak in Q323

AI Deep Dive: Pricing Challenges

Billing System Flexibility

One of the biggest challenges was dealing with multiple systems and offline billing/invoicing
 - Co-Founder & CTO, Seed Stage



Overall Pricing Strategy

Pricing is really hard to figure out. It isn't clear what the right price point or model is because the benchmarks are changing so quickly. - CEO, Startup

Customer Alignment & Value

It feels like we can never charge what we think our technology is worth. And then there are always those people who think we charge too much! - Founder & CEO, Seed Stage

AI Pricing: It is complicated!

	Domain	AI Cost	User
User based	↓ 0	↓ 9% 5	↑ 100% 77
Token based (a combination of input and output tokens)	↓ 22% 16	↑ 85% 45	↓ 11% 8
Value metric based	↑ 36% 26	↓ 13% 7	↑ 38% 27
Model based (complexity and number of models accessed)	↓ 7% 5	↑ 94% 50	↓ 3% 2
Specific to the domain and how value is created	↑ 41% 30	↓ 11% 6	↓ 14% 10
Process based (number and complexity of processes supported)	↑ 41% 30	↓ 8% 4	↓ 14% 10
Managed services to build and operate the solution	26% 19	↑ 42% 22	↓ 4% 3
Outcome based (based on results delivered)	↑ 42% 31	↓ 8% 4	↓ 6% 4
Speed based (latency of response)	↓ 0	↑ 53% 28	↓ 0
Configuration, training and set up fees	12% 9	↑ 17% 9	↓ 3% 2
Connection based (the number of connections between nodes)	↑ 12% 9	2% 1	↓ 0
Other (please specify)	0	0	0

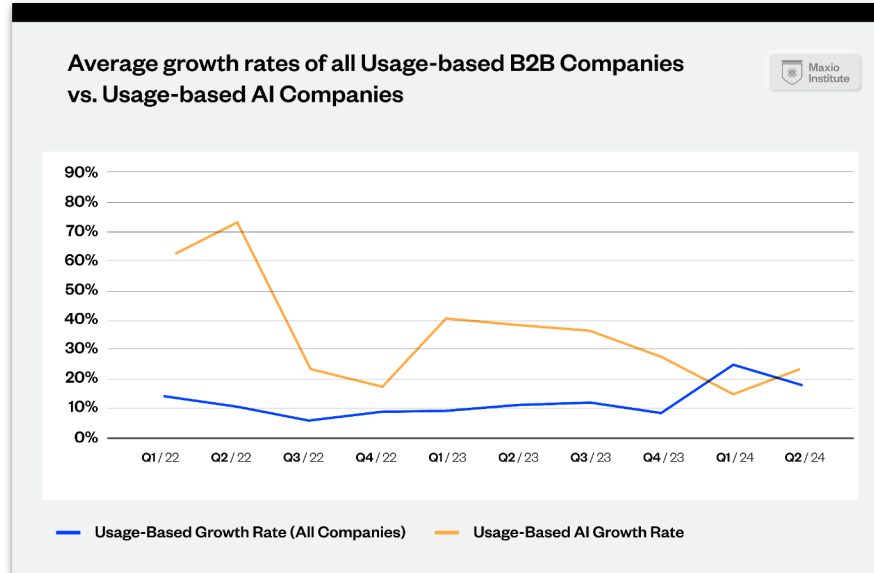
User Based
27%

AI Cost Based
36%

Domain Based
37%

Source: Ibbaka © 2024
“Monetizing Generative AI Roundtable Background Survey”

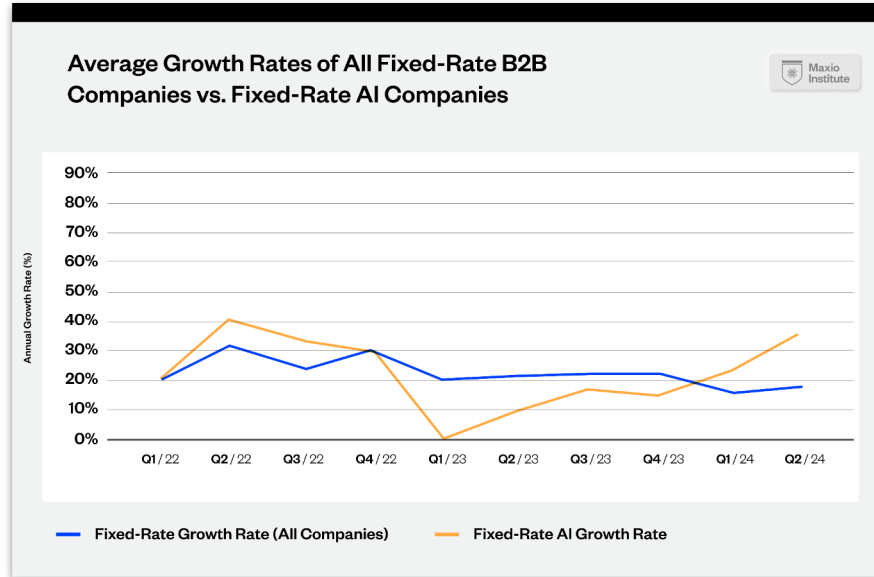
AI Usage-Based Pricing Trends



Trends & Insights

- Usage-based AI companies have consistently outperformed other usage-based companies until this year
- In 2024, usage-based AI firms have slowed and are growing at approximately market rates

AI Fixed-Rate Pricing Trends



Trends & Insights

- The AI sector is trending towards usage-based pricing, but this year that strategy doesn't seem to be paying off

Key Takeaways

- In this market, Business Agility & Speed is the winning strategy.
- While AI is grabbing headlines, essential SaaS verticals such as cybersecurity and logistics are growing faster.
- Fixed-rate pricing is still the best model for early-stage companies.
- Add usage-based pricing to accelerate growth once you achieve product-market fit.
- AI pricing is in its infancy and requires new strategy, process and tech.

Palooza Promotion

- Get a demo and mention the SaaS Metrics “Palooza Promotion” to receive special pricing on the Maxio Platform

For more benchmarks & insights, download the B2B Growth Report from the Maxio Institute.



Thank You

Learn how MAXIO provides insights you can't get anywhere else with our billing and financial operations platform.