

SaaS METRICS PALOOZA
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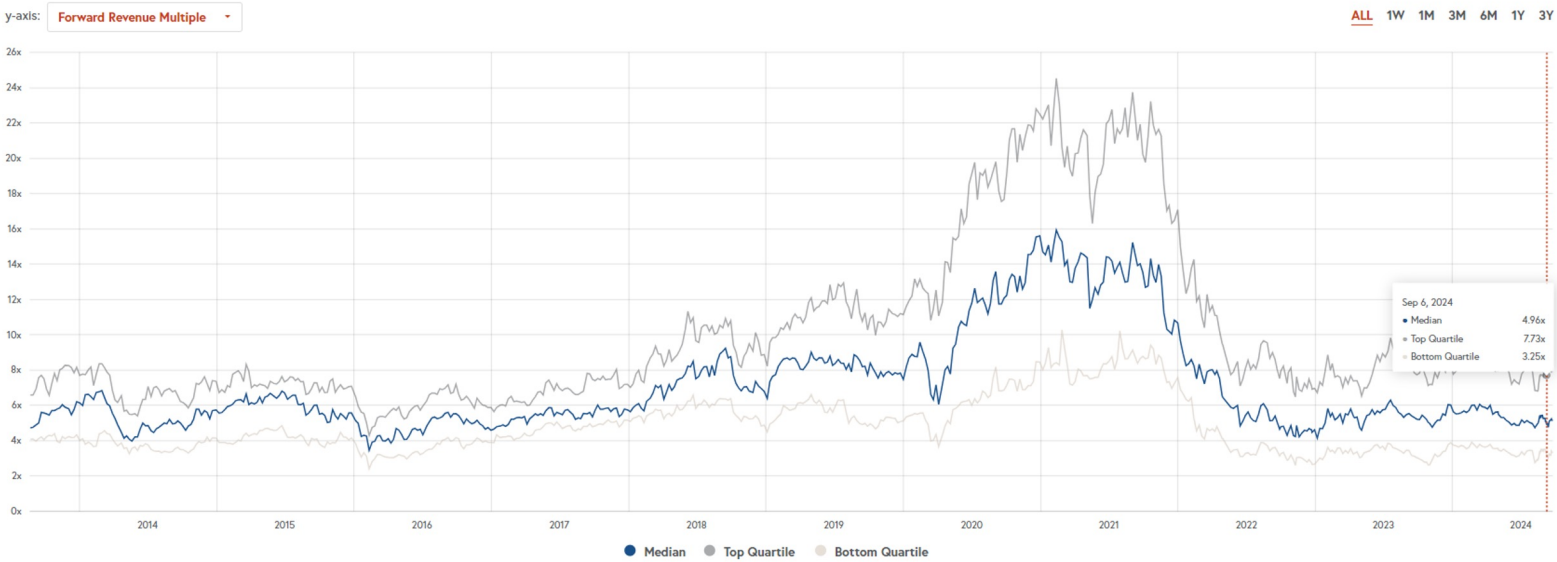
Rule of X - The New SaaS Enterprise Valuation Metric



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SaaS Company Valuations

Key Cloud Index Metrics



Note: Numbers are approximate prior to 2018 and Reflect the BVP Cloud Index. Beginning in November of 2018, the numbers reflect the BVP NASDAQ Emerging Cloud Index (EMCLOUD).

Rule of X

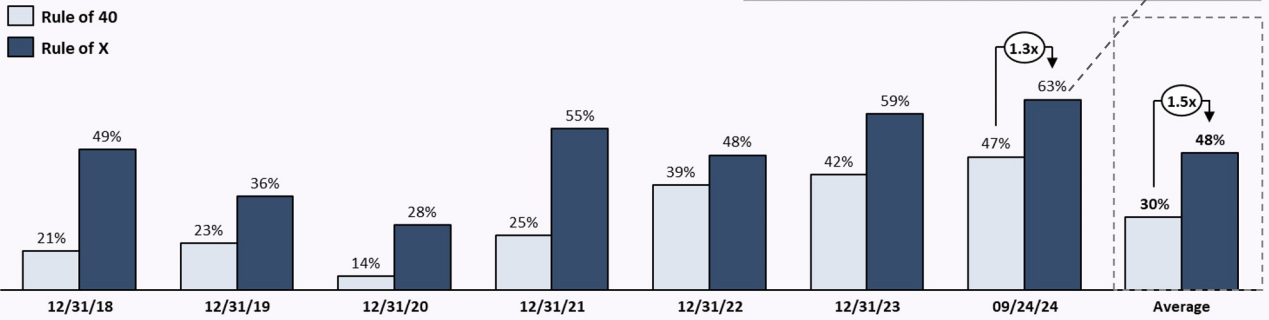
The Rule of 40 = Growth Rate + FCF margin

The Rule of X = (Growth Rate x Multiplier*) + FCF margin

** = multiplier on growth rate which today is ~2x for private companies and ~2-3x for public companies*

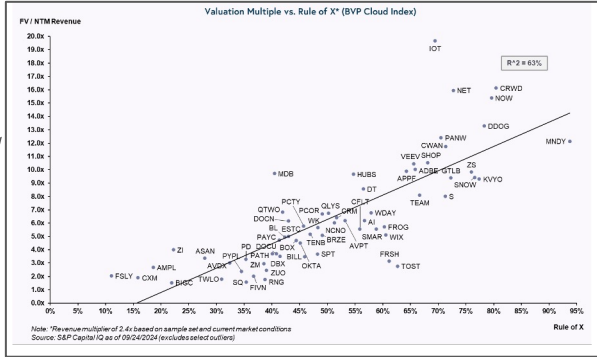
Rule of X Data

R² Between FV / NTM Revenue Multiple for traditional Rule of 40 vs. Rule of X (BVP Cloud Index)



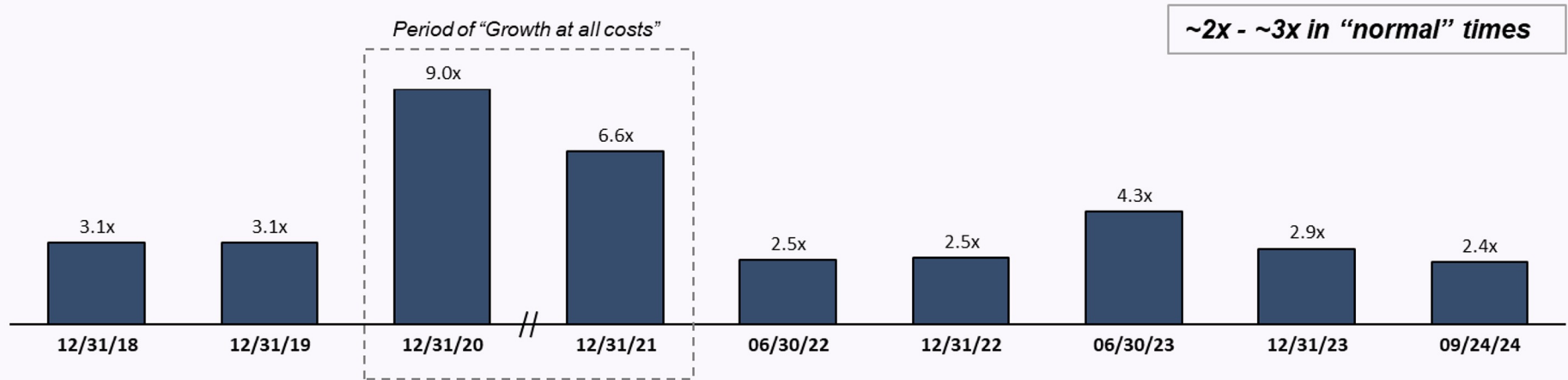
Rule of X has a ~1.5x higher R² vs. Rule of 40

Note: Excludes select outliers



Real World Implication

Relative Importance of Growth vs. FCF Margin in Determining FV / NTM Revenue Multiple (BVP Cloud Index)



Note: Measured as relative importance of NTM revenue growth vs. NTM FCF margin on FV / NTM revenue based on multiple linear regression coefficients; excl. select outliers

Good, Better, Best - North Star Metrics

Good, Better, Best: Rule of X = (Growth Rate x Multiplier*) + FCF margin

Best: $\sim 25\% * 2 + \sim 20\% = \sim 70\%+$

Better: $\sim 15\% * 2 + \sim 20\% = \sim 50\%+$

Good: $\sim 12\% * 2 + \sim 16\% = \sim 40\%+$

*Note: Based on BVP Cloud index; *Revenue multiplier of 2x for simplicity (guidelines for late-stage growth / public FCF+ companies)*

Appendix - Guggenheim Valuation Grid

	<10% NTM Revenue Growth	10% – 20% NTM Revenue Growth	20% – 30% NTM Revenue Growth	>30% NTM Revenue Growth	Consolidated NTM Multiple
>30% NTM FCF Margin %	6.2x 10 Companies	11.2x 8 Companies	17.5x 3 Companies	- 0 Companies	9.7x 21 Companies
20% – 30% NTM FCF Margin %	4.4x 19 Companies	8.2x 25 Companies	12.4x 6 Companies	- 0 Companies	7.2x 50 Companies
10% – 20% NTM FCF Margin %	3.5x 12 Companies	6.1x 23 Companies	10.6x 5 Companies	- 0 Companies	5.9x 40 Companies
<10% NTM FCF Margin %	1.7x 10 Companies	4.2x 7 Companies	9.0x 7 Companies	- 0 Companies	4.6x 24 Companies
Consolidated NTM Multiple ⁽¹⁾	4.0x 51 Companies	7.4x 63 Companies	11.6x 21 Companies	- 0 Companies	6.7x 135 Companies

■ Average EV / NTM Revenue as of August 30, 2024

Appendix - Rule of X

