benchmarkit

OPEXEngine
BAIN & COMPANY

Benchmark Enabled Decision Making

Lauren Kelley
CEO
OPEXEngine by Bain & Company

SaaS METRICS PALOOZA 24

Benchmark Enabled Decision Making

Strong operating metrics lead to strong valuations

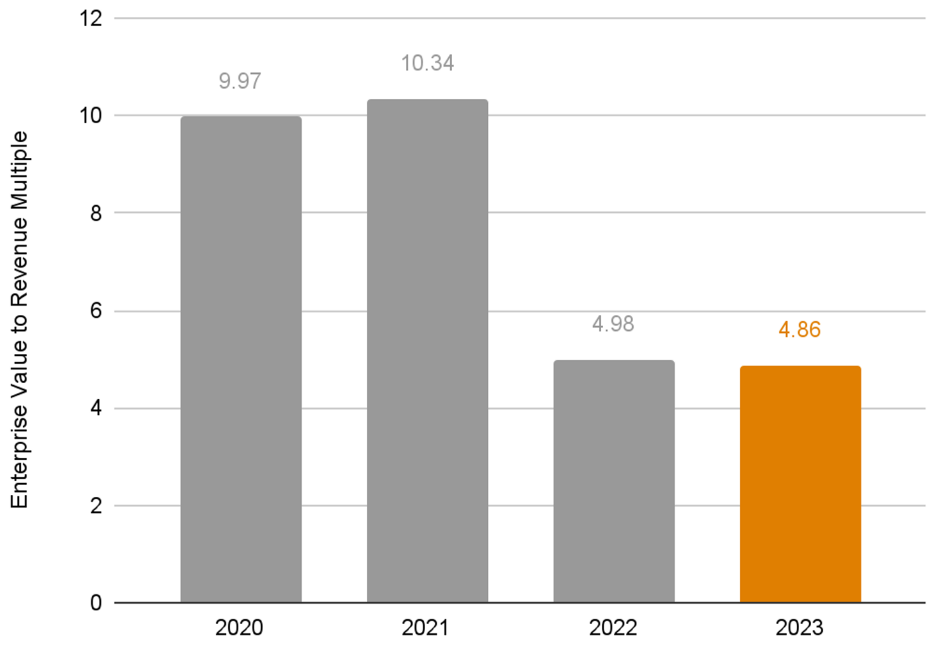
Lauren Kelley
CEO and founder

OPEXEngine
BAIN & COMPANY

www.opexengine.com

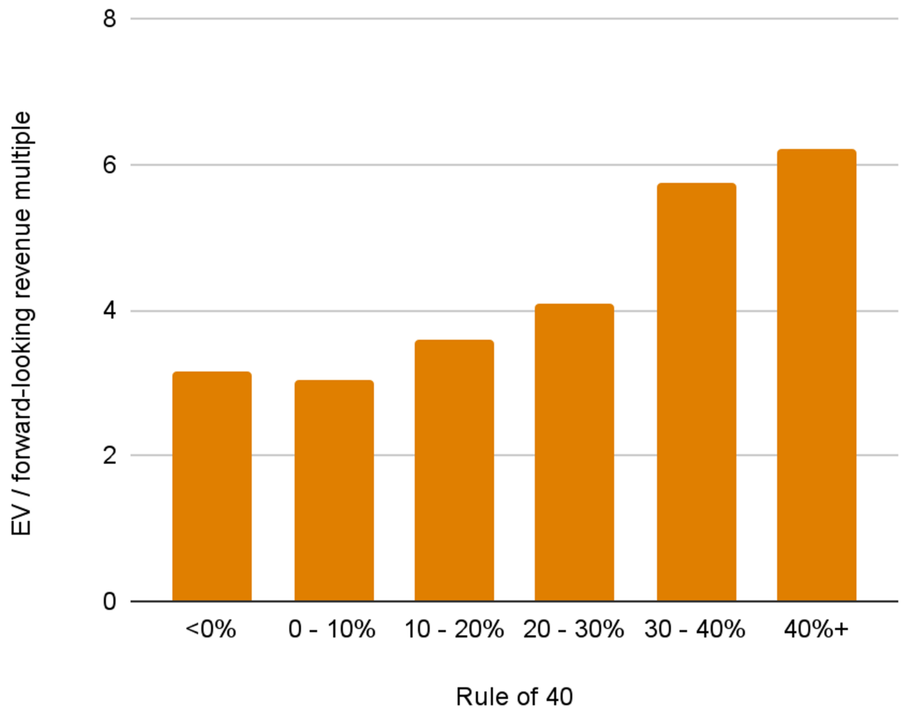
Revenue multiples decreased significantly from 2021 to 2022, and by 2023 top exit valuations became correlated with strong Rule of 40

Average EV/Revenue Multiple
Average for public SaaS companies $100-$500M



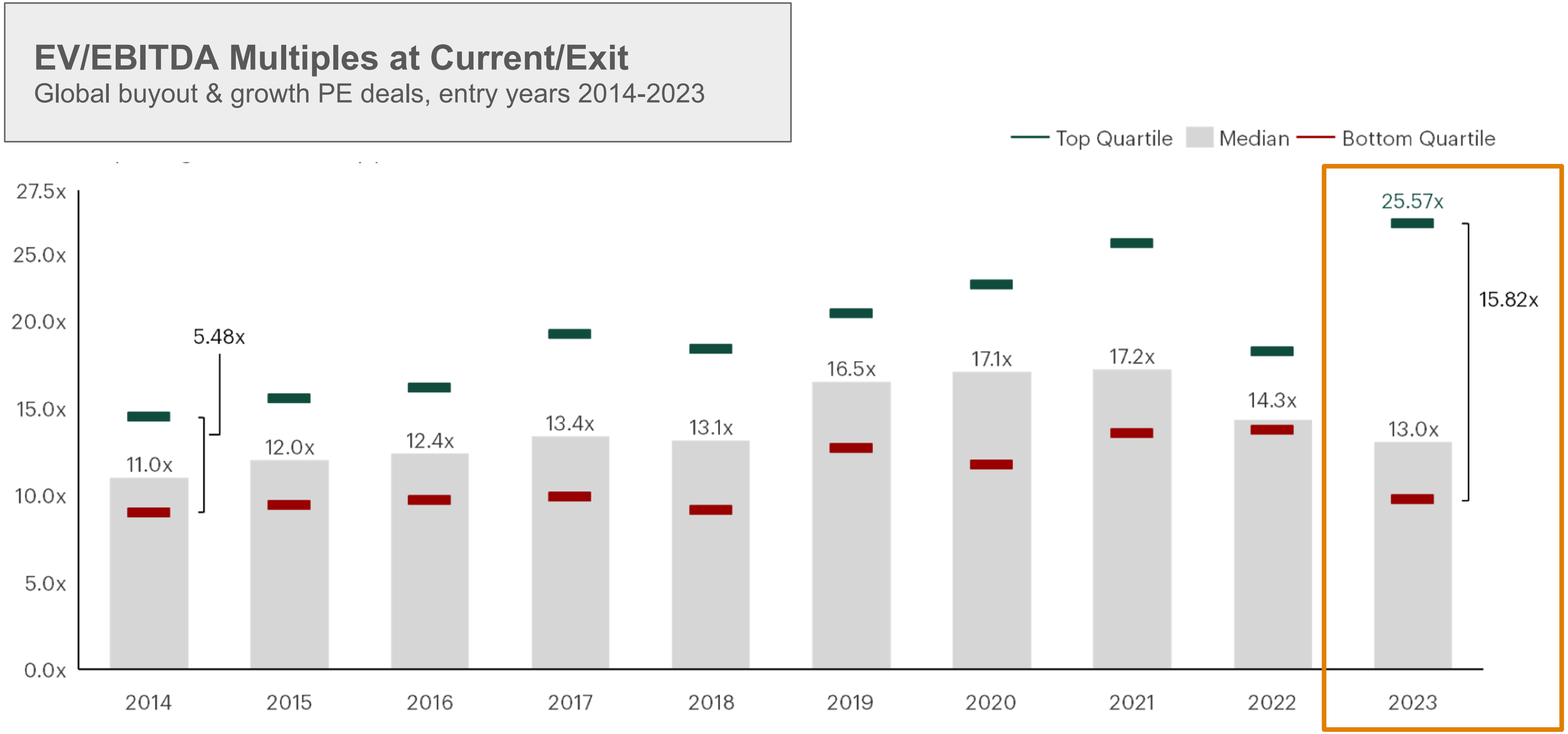
Source: OPEXEngine

2023 EV/Revenue Multiple by Rule of 40
Forward-looking technology public market valuation



Note: Includes U.S.-based “internet services and infrastructure” and “software” companies with greater than $50M in LTM revenue. N=15 or more for all segments. 2023 forward-looking revenue based on LTM revenue and projected growth rate. Source: Capital IQ

Meanwhile, top quartile EBITDA multiples became higher than ever before, along with the performance gap

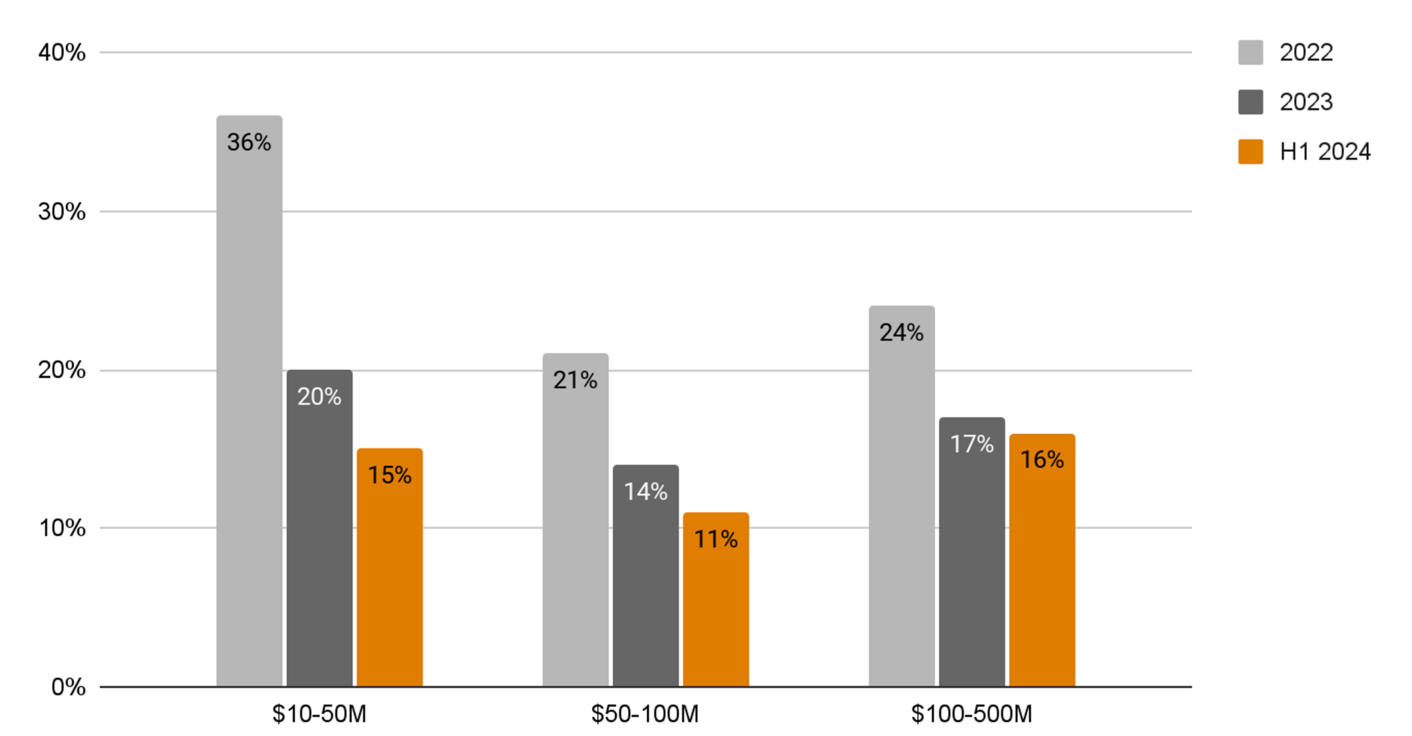


Note: All calculations in \$. Deal universe includes fully realized Software deals with initial investments in 2014-2023 globally; all equity check sizes; buyout & growth.
Source: DealEdge.com (data pulled August 2024)

Private company TTM growth rates declined between ‘22 and ‘23, and continue to be challenged in 2024

Among OPEXEngine’s private SaaS companies, those with $10-50 in recognized revenue growth slow down by -16 ppts in 2023 vs 2022, while those with revenue growth from $50-100M and $100-500 revenue saw growth slow down by -7 ppts

Recognized Revenue TTM Growth Rate
By revenue size cohort



Source: OPEXEngine private SaaS benchmarks
Note: OPEXEngine Ns (319 for $10-50M, 78 for $50-100M, 53 for $100-500 revenue cohorts for 2022-2023. H1 2024 cohorts only include subset of prior year companies who have reported growth

There is clearly variability in growth trajectory depending on SaaS category, as some segments may be reaching points of maturity

Less mature → **More mature**

Characteristics of relevant sub-sectors		• **Earlier in penetration** curve • Likely to be **growth-oriented** • Includes many **newer-to-market** categories		• Likely **nearing peak in growth** • May be **expanding into new sub-segments**		• **Later in penetration** curve • Growth may be driven by **upsell, cross-sell, and/or price** • Likely to **balance mix of margin and growth**	
Typical growth trend		Accelerating		Consistent		Decelerating	
Example sub-segments by Software type *(not exhaustive)*	**Horizontal Software**	AI chatbots	ESG Software (e.g., carbon accounting)	Supply chain management	ERP	Human capital management	CRM
	Vertical Software	Construction	Real estate	Government	Retail POS software	Financial services	
	Infrastructure Software	GenAI / LLMs	Security software	Virtualization software	Analytics software	Storage software	
					Cloud-based	On-premise	

Narrow segmentation for an asset's sub-segment required, as maturity level can vary within a Software category (e.g., cloud Storage SW less penetrated than on-prem Storage SW)

Source: Bain,, Gartner

You can't cut your way to a higher valuation.

You can't spend your way to a higher valuation.

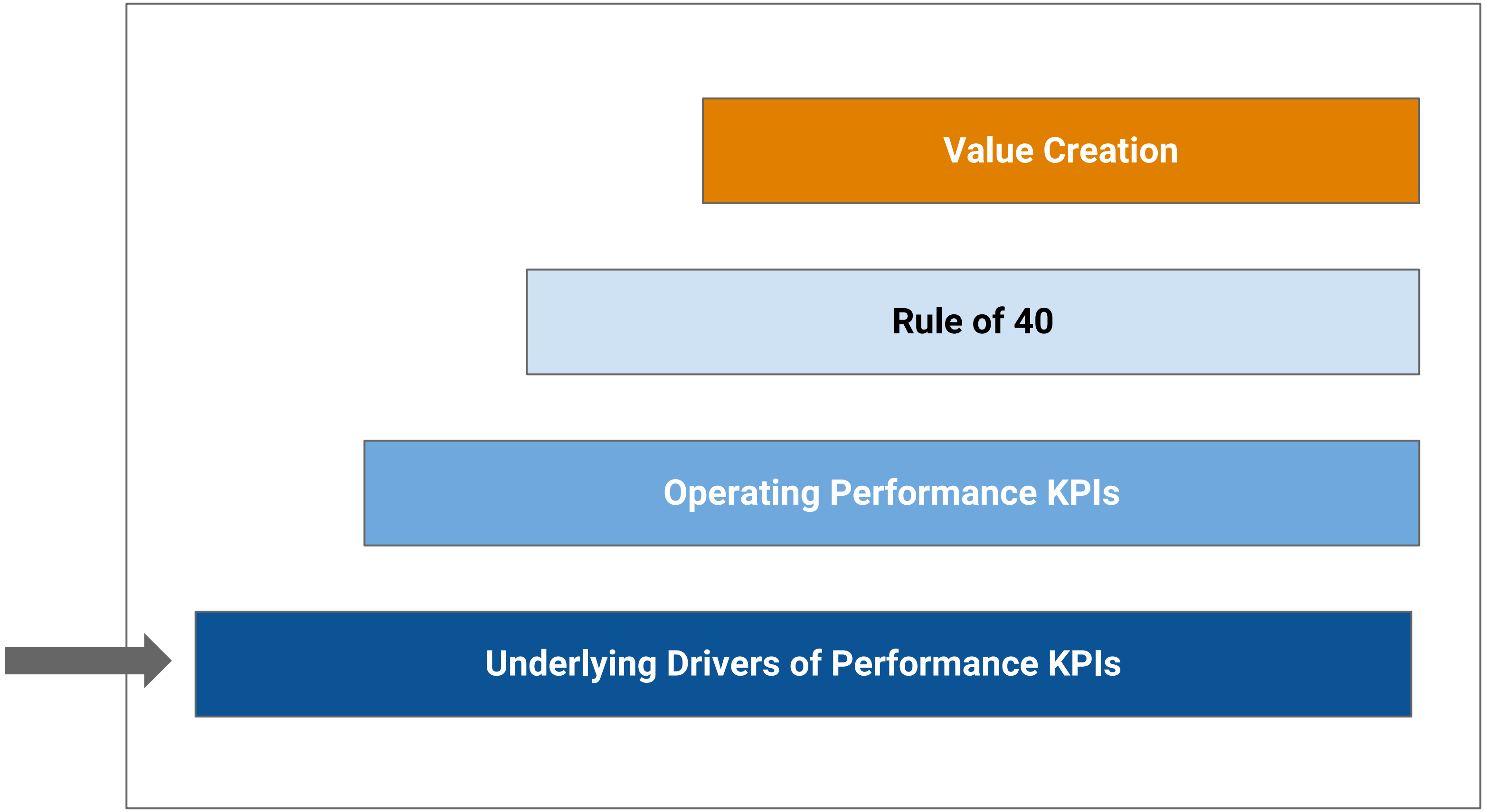
If you cut revenue at the same time that you cut costs, you end up in the same place.

SaaS vendors must **improve core performance metrics** to succeed.

In a world which has moved from “growth at all costs” to “profitable growth

Operators need to focus on the underlying drivers of performance KPIs to improve Rule of 40 and build value

Benchmark here to see what “good” looks like in today’s environment



Improving Rule of 40 is associated with strong operating KPIs

CLV/CAC, Magic Number (GTM) + R&D ROI and Employee Productivity - the better these indicators are, the better Rule of 40 results

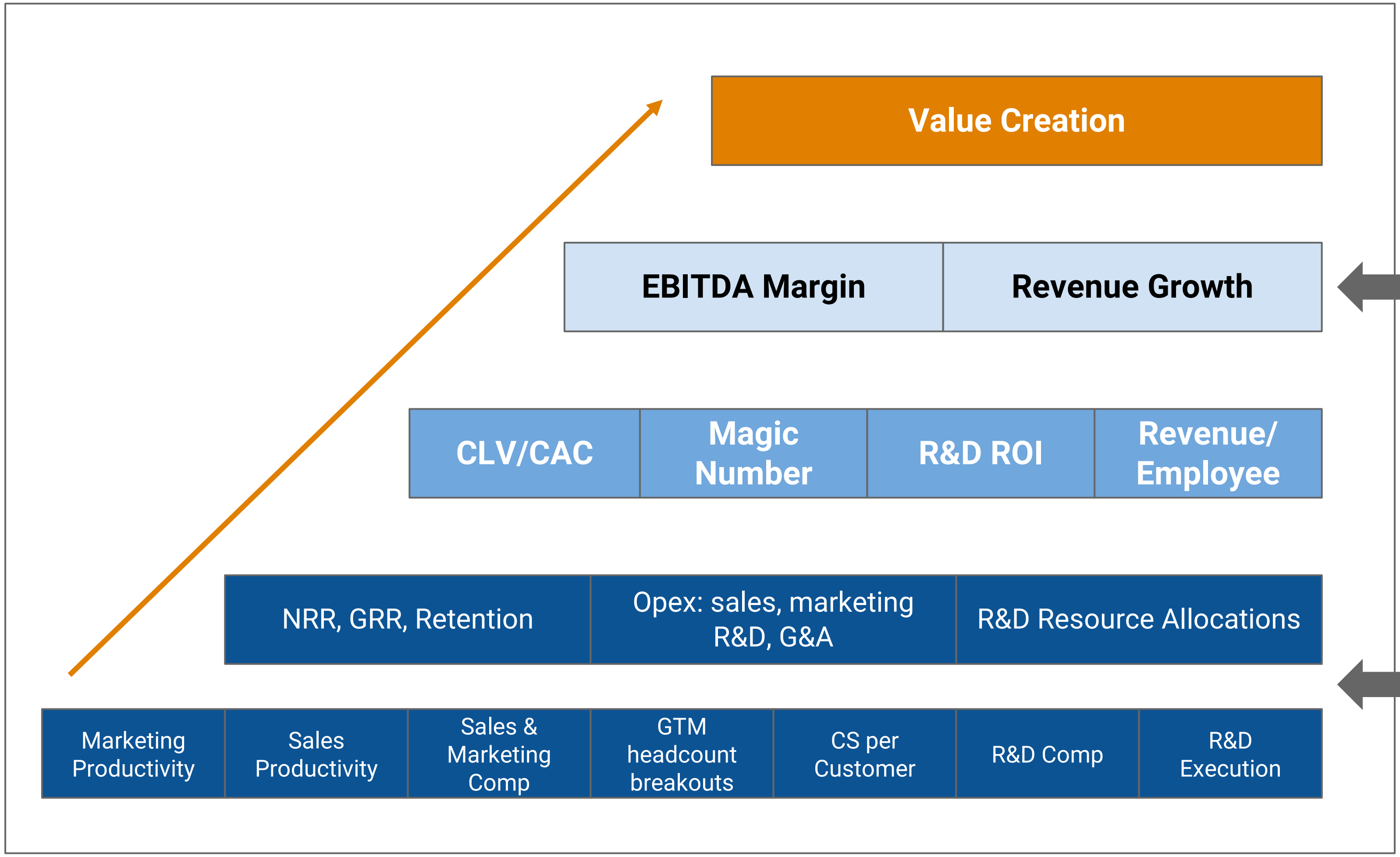
SaaS Companies $100-$100M Revenue, grouped by EBITDA range

EBITDA Margin Cohorts	Rule of 40	CLV/CAC	Magic Number	R&D ROI	Revenue per Employee
-100%-25%	-12.46	4.55	0.35	0.74	$197,172
-25%-0%	8.66	3.2	0.4	0.65	$211,027
0%-25%	26.78	4.67	0.41	0.74	$220,029
25%+	43.11	8.7	0.7	1.02	$244,348

Source: OPEXEngine 2024 proprietary data for private and public companies

Underlying performance KPIs ladder up to Value Creation; work from the bottom up

Poor performance in underlying KPIs drag down Rule of 40 and top level performance.



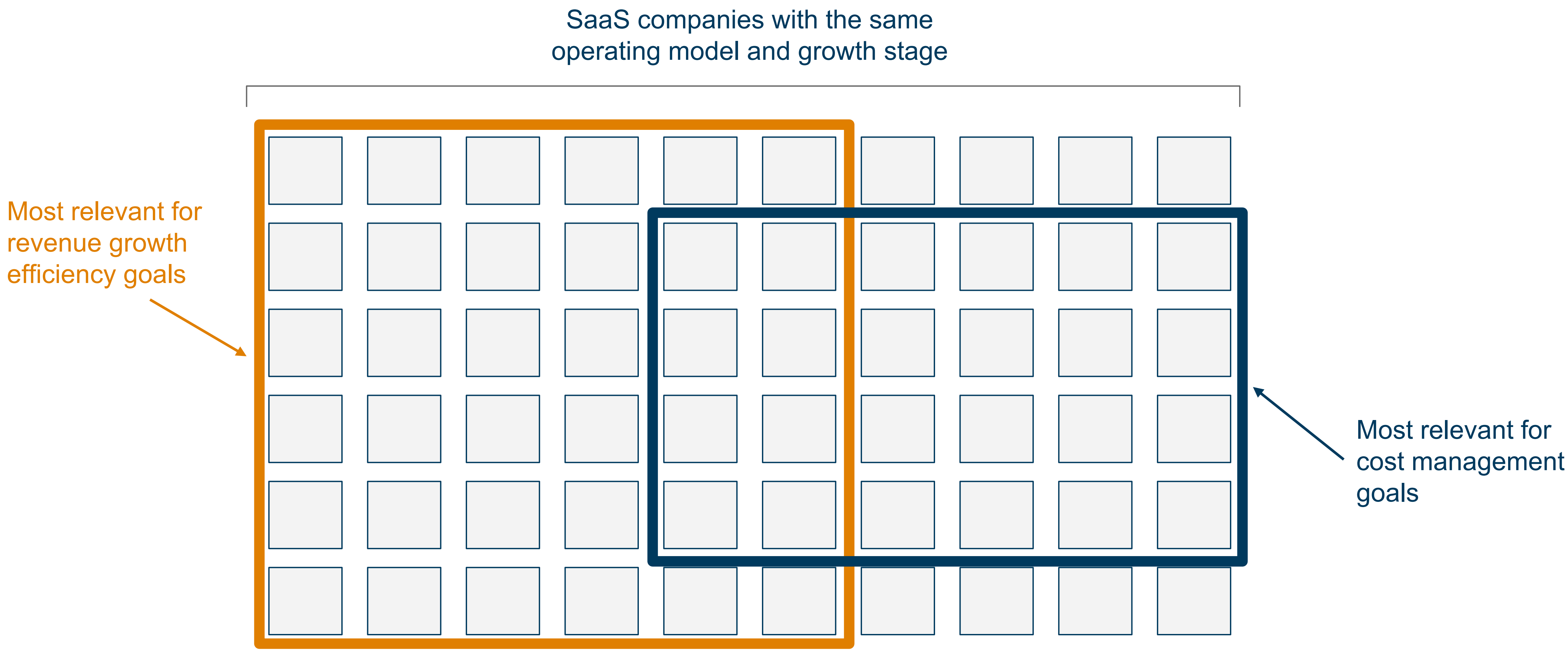
Rule of 40

Performance in one area impacts others - start your benchmarking here

Benchmarking answers the following key questions:

1. What are your **biggest opportunities for margin improvement**, compared to your relevant peer cohort? Are they driven more by overspending on headcount, comp/benefits per FTE, and/or non-labor dollars?
2. **How effective is your GTM org** in delivering high ROI on S&M spend, ensuring high sales rep productivity, and retaining/upselling your customer base?
3. **How effective is your R&D org** in delivering high ROI on R&D spend, with an R&D talent strategy that balances key roles within your R&D and Product org?
4. What does **"good"** look like as you move through growth stages or iterate on your business model?

True apples-to-apples benchmarks should match your operating model and strategic goals



“What a business needs most for its decisions — especially its strategic ones — are data about what goes on outside it. Only outside a business are there results, opportunities and threats.”

- Peter Drucker

Case Study: Using benchmarks to unlock value creation

Company Profile

- $115M ARR Vertical SaaS
- Revenue Growth 15%
- EBITDA Margin 5%

Seeking to improve EBITDA (15 - 20%) through reduced cost structure and improved efficiency while maintaining or increasing growth.

	2023	**est. 2024**
CLV/CAC	3.0	**3.1**
Magic Number	0.4	**0.3**
R&D ROI	0.5	**0.4**
Revenue/Employee	$137k	**$141k**

Benchmarking analysis indicate leaky ARR, overspend in Sales and R&D spend not focused on supporting customer retention

Benchmarking analysis against peers with higher EBITDA (10-20%) and growth rates indicates “size of the prize” in cost management and specific areas in GTM to target for improvement

Category	Metric	Company (EBITDA 5%)	Benchmark (Median EBITDA 8%)	Top Quartile (Median EBITDA 15%)
Cost Management	Cost of Revenue	32.2%	28.1%	25%
	Hosting expense (fully loaded) % of revenue	7.9%	4.3%	3.9%
	Sales as a % of Revenue	28.3%	22.8%	20.1%
	Average Comp (excl SBC) per Sales FTE	$241k	$195.5k	$182k
	Sales FTEs	135	105	77
GTM	New ARR as a % of Total	5%	9%	11%
	New ARR per Account Rep	278K	850K	600K
	NRR	102%	107%	111%
	Customer Retention	80%	90%	95%
	Bookings dollar per $1 of Marketing Expense	$1.20	$4.39	$6.10
R&D Alignment	% R&D Resources on new feature development	80%	50%	41%

Benchmarking Summary
360 Analysis, 50 slide deck & executive read out

Size of the Prize

Cost management areas of focus:
- Hosting expense (2-3 pts)
- Sales as a % of Revenue (5 pts)
- Average Sales comp (10-15 pts)
- Average R&D comp and offshoring (10 pts)

GTM areas of focus:
- Sales productivity (10-15 pts)
- Increase New ARR (5-7 pts compounding)
- Improve Customer Retention (5 pts compounding)
- Prioritize sales & marketing on new ARR and retention

Product areas of focus:
- High investment in new features and functionality is not driving new customer acquisition or retention, align on customer satisfaction and retention

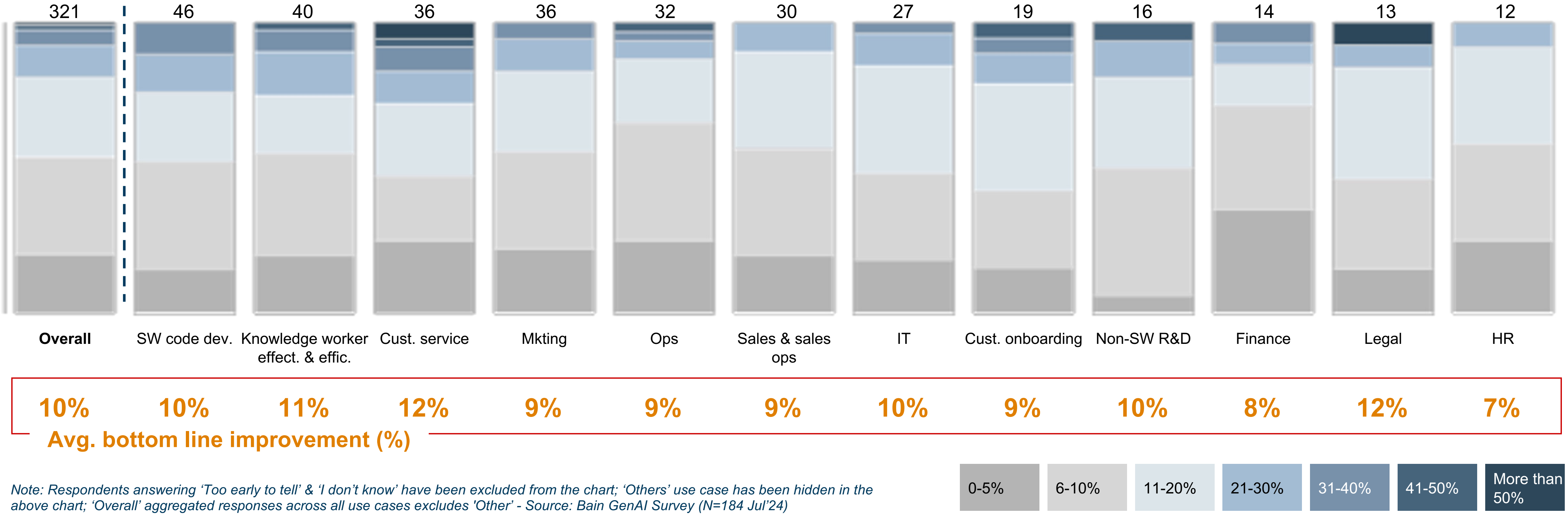
Areas where we tend to see the largest variances to cohort benchmarks:

- Sales headcount and productivity
- Marketing productivity
- Average compensation in Sales, Marketing and R&D
- R&D resource allocations
- Some G&A non-comp overspend

Tech companies have seen a ~10% impact on their bottom line from using generative AI

Q: What has been the measurable, attributable impact of those use cases on the **bottom line** (increased revenue, decreased costs) in that domain at your company?

Number of respondents selecting approach (% of respondents)



Overall	SW code dev.	Knowledge worker effect. & effic.	Cust. service	Mkting	Ops	Sales & sales ops	IT	Cust. onboarding	Non-SW R&D	Finance	Legal	HR
10%	10%	11%	12%	9%	9%	9%	10%	9%	10%	8%	12%	7%

Avg. bottom line improvement (%)

Note: Respondents answering 'Too early to tell' & 'I don't know' have been excluded from the chart; 'Others' use case has been hidden in the above chart; 'Overall' aggregated responses across all use cases excludes 'Other' - Source: Bain GenAI Survey (N=184 Jul'24)

”I cannot do my job without OPEXEngine”
Eric Mersh, Author of Hacking SaaS

‘’Low-quality data is easy to find, but you get low-quality comparisons. **High-quality data – like OPEXEngine** – is rare and worth paying for. OPEXEngine is a critical tool for our management team.”
Jim Lejeal, CFO, Rally Software, SPHERO, Splunk/VictorOps, Absolute Software

"BenchmarkEngine is a powerful ally for us to help analyze and shape the organization as we scale, **where we can improve and where to invest our resources**.”
David Dean, VP Financial Planning & Analysis, Intelex

“[With OPEXEngine there is] a clear benefit of being able to compare ourselves with other SaaS players especially at a **more granular level** than through other sources.”
Doug States, Chief Accounting Officer, VelocityEHS

Many have found the benchmarking to be a **critical management resource to help grow efficiently**. We recommend the OPEXEngine benchmarking platform to our portfolio companies.”
Krishna Potarazu, Partner, Operational Excellence Group, JMI Equity

We use [OPEXEngine] to benchmark how we are doing against our peers. **We use it to set targets, and when questions come up from operating departments.** OPEXEngine does the hard work of aggregating data from all the participating companies, cleaning it, and then providing it back to all the companies anonymously.
Kerman Lau, Vice President, FP&A, Workday/Adaptive

“OPEXEngine’s benchmarking platform delivers key SaaS and other operating **benchmarks that aren’t easily available anywhere else**, especially for private companies. It is extremely useful to be able to see benchmarks organized by peer groups with similar size revenues, contract values, and even by venture funding round.”
Marc Linden, CFO, Sage/Intacct

“OPEXEngine’s extensive SaaS database of key metrics and benchmarking platform has proven to be extremely helpful in our due diligence process and our portfolio analysis.
We recommend them to SaaS companies and investors.”
Alkarim Jivraj, CEO, Espresso Capital

OPEXEngine
BAIN & COMPANY

OPEXEngine helps SaaS companies map their path to operational excellence, guided by benchmarks

Supported by Bain & Company, OPEXEngine provides validated, objective data with the largest, most comprehensive benchmarking database on the market today.

Lauren Kelley
CEO and founder, OPEXEngine
lauren@opexengine.com
www.opexengine.com

1,300+ Companies

Data from the world's leading technology brands

250+ Metrics

Validated by a team of financial analysts and industry experts

130,000+ Data Points

Benchmark all key metrics against financial, operational, and commercial functions

70% of SaaS IPOs

70% of SaaS IPOs in the past 10 years have used OPEXEngine benchmarks