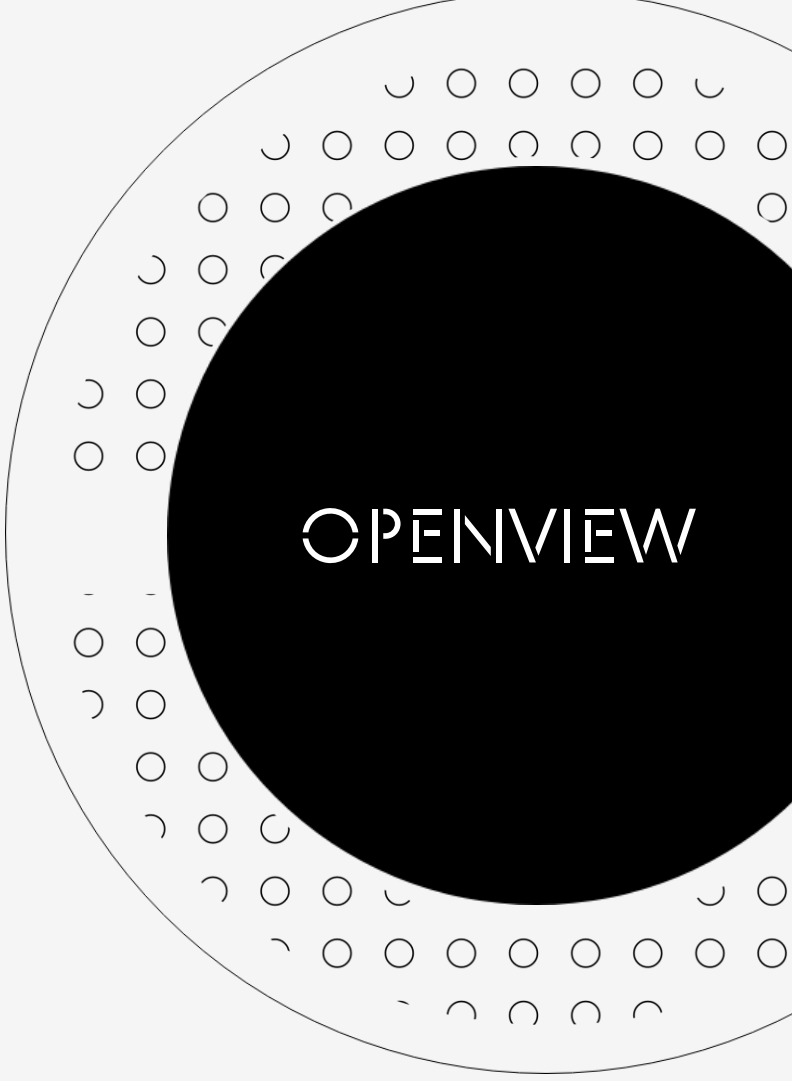
2021 *FINANCIAL & OPERATING BENCHMARKS*



Sean Fanning & Kyle Poyar

View the interactive report here.

OPENVIEW

TABLE OF CONTENTS

I. *Introduction*

Objective data is critical to making the right strategic decisions that can propel your long-term growth. For this reason, we're releasing the results of our fifth annual Financial & Operating Benchmarks survey (formerly known as the SaaS Benchmarks Survey). This report was designed specifically to enable operators to compare themselves against their exact peers across the metrics that matter most in a SaaS business. This year's survey was live from May to September. The 2021 report incorporates data from more than 2,400 respondents aggregated across prior surveys as well as almost 600 this year alone.

Our data revealed surprising insights about the cash flow dynamics in SaaS companies, what investors are rewarding in company performance, the prevalence of product-led growth, how to position for success in a fundraise as well as fundraising trends.

We've also covered many of our usual favorite topics ranging from the key SaaS value drivers, pricing models, progress on executive diversity and much more. This document details the "nitty gritty" results of our benchmarks survey to provide insight into ranges of performance across various metrics.

THANKS TO OUR *SPONSORS & PARTNERS*

Tesorio™

GOODWIN

BGV

boldstart

BONFIRE VENTURES

Capnamic

CHICAGO VENTURES

Companyon VENTURES

connect

CostanoaVentures

DYNAMO

FOUNDRY GROUP

HARLEM CAPITAL PARTNERS

High Alpha

LERER HIPPEAU

Mercury Fund

metaprop.

MMC

NOTION

Primary

serena

SIERRA VENTURES

tlv partners

vertex VENTURES

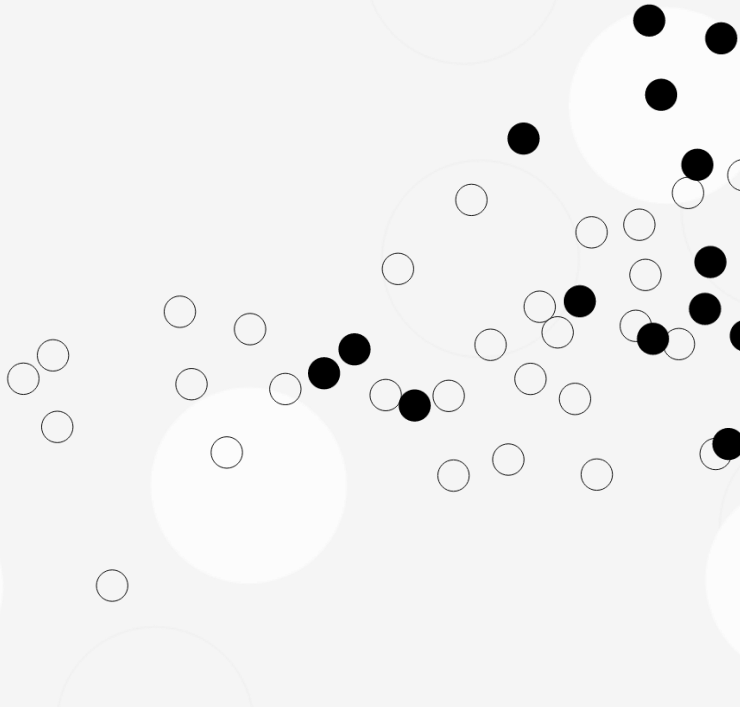
VIOLA VENTURES

VISIBLE

work—bench

II.

PARTICIPANT *OVERVIEW*



Distribution

25% ■ <$1M

23% ■ $2.5M-10M

18% ■ $1-2.5M

14% ■ $10-20M

13% ■ $20-50M

7% ■ >$50M

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

54% ■ US

19% ■ Europe

8% ■ Canada

12% ■ APAC

7% ■ Other

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Distribution

50%
- CEO / Founder / Co-Founder

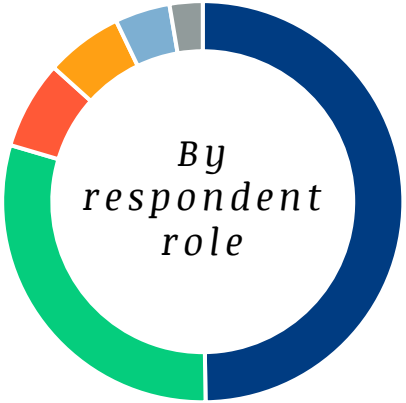
30%
- CFO / VP of Finance

7%
- COO / VP of Operations

6%
- Other

4%
- CRO / VP of Sales

3%
- CMO / VP of Marketing



36%
- Enterprise (>1,000 employees)

34%
- Midmarket (101-1,000 employees)

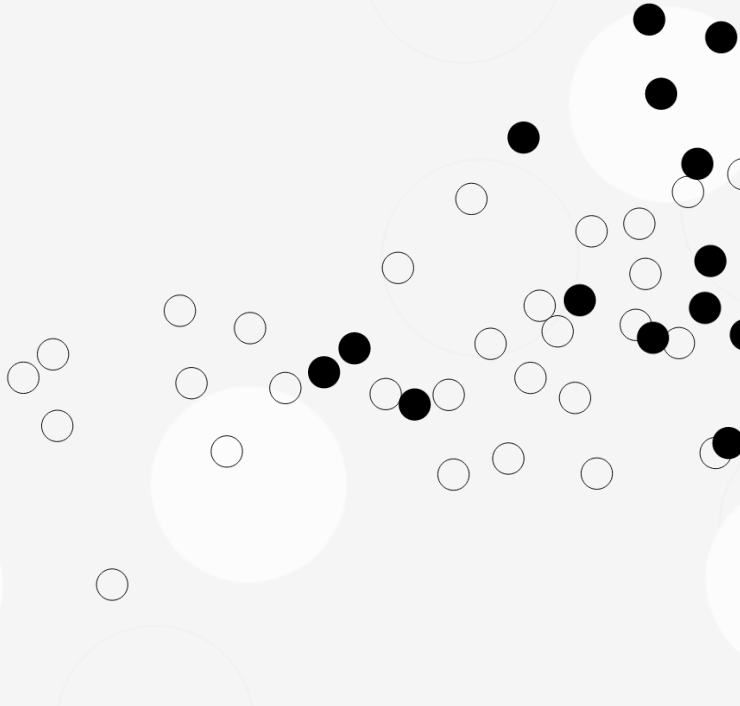
21%
- SMB (20-100 employees)

7%
- Very small business (VSB, <20 employees)

2%
- Consumer

III.

EXECUTIVE *SUMMARY*



HOW TO USE THESE *BENCHMARKS*

We often get asked:
"How do I use these benchmarks, isn't faster and cheaper always better?" Our answer: it depends.

The focus should be on the qualitative: stage of business, state of the market, customer base, and what is right for the business' stakeholders (employees, customers, etc.) and its shareholders.

Operationalizing benchmarks is part science, part art – not just where is everyone else, but also: "what makes sense for me?"

Here are 4 tips we offer for using benchmarks:

1

Benchmarks are the map, not the territory:
Use financial & operating benchmarks only as a map for "acceptable ranges," at any point in time that will eventually enable your business to generate repeatable and predictable free cash flow in the future.

2

Performance and valuation are a multivariate equation:
Growth is a function of investment in sales and product which is a function of growth… and so on…

3

Sound strategy involves tradeoffs:
See above. Sometimes sacrificing efficiency for growth is necessary to win the short term or unlock the next round of financing.

4

Let shareholders' risk / return expectation act as a guide:
Different investors have different tastes for risk and return; know what your "dream investor" looks like so you can optimize performance vs. benchmarks that align with their "taste."

Company performance benchmarks

SIZE AND GROWTH	
Employees	Number of full-time equivalent employees at the end of Q1 2021.
Funding	Amount of equity capital raised to date.
Annual Recurring Revenue (ARR)	Company annual recurring revenue (ARR) scale at the end of Q1 2021.
YoY Growth Rate	Change in annual recurring revenue at the end of Q1 2021 vs. Q1 2020.
FINANCIAL	
Sales & Marketing Spend	Spending on Sales & Marketing, including headcount, as a % of ending ARR as of Q1 2021.
R&D Spend	Spending on R&D, including headcount, as a % of ending ARR as of Q1 2021.
Gross Margins	Subscription revenue less cost of goods sold divided by subscription revenue at the end of Q1 2021.
Monthly Burn Rate (in 000's)	Net monthly operating cash burn rate at the end of Q1 2021 (total $ lost each month, negative values = profit).
SAAS VALUE DRIVERS	
CAC Payback (months)	Months of subscription gross margin to recover the fully loaded cost of acquiring a customer.
Gross Dollar Retention	Annual gross dollar retention (after churn, exclusive of upsells & expansion) seen in cohorts.
Net Dollar Retention	Annual net dollar retention (after churn, inclusive of upsells & expansion) seen in cohorts.
DIVERSITY	
Women in Leadership	% of female representation among employees Director-level and above.
Underrepresented Minorities in Leadership	% of underrepresented minority representation among employees Director-level and above.

How to read these slides

	<$1M	$1-2.5M	$2.5M-10M	$10-20M	$20-50M	>$50M
SIZE AND GROWTH						
Employees	**18** (5-18)	**38** (18-38)	**76** (38-76)	**151** (76-151)	**151** (151-351)	**351** (351-463)
YoY Growth Rate	**100%** (26-300%)	**90%** (45-300%)	**50%** (30-100%)	**50%** (20-75%)	**33%** (25-49%)	**30%** (10-56%)
FINANCIAL						
Sales & Marketing Spend	**25%** (6-50%)	**30%** (13-40%)	**32%** (20-49%)	**34%** (15-44%)	**35%** (25-44%)	**50%** (19-61%)
R&D Spend	**50%** (30-80%)	**40%** (30-65%)	**34%** (25-55%)	**39%** (20-50%)	**25%** (20-45%)	**30%** (22-39%)
Gross Margins	**67%** (24-83%)				**80%** (75-83%)	**79%** (70-87%)
Monthly Burn Rate ($ in 000s)	**$50** (50-175)				**$375** (0-1250)	**$25** (0-1625)
SAAS VALUE DRIVERS						
CAC Payback (months)	**8** (2-11)	**8** (5-15)	**15** (8-15)	**15** (11-15)	**18** (12-21)	**15** (10-17)
Gross Dollar Retention	**98%** (90-100%)	**96%** (90-100%)	**95%** (82-98%)	**84%** (73-92%)	**90%** (85-95%)	**85%** (64-90%)
Net Dollar Retention	**100%** (93-110%)	**100%** (94-110%)	**106%** (96-120%)	**103%** (86-113%)	**105%** (100-110%)	**105%** (95-120%)
DIVERSITY						
Women in Leadership	**15%** (0-30%)	**25%** (5-40%)	**25%** (13-45%)	**30%** (23-40%)	**30%** (19-41%)	**28%** (11-44%)
Underrepresented Minorities in Leadership	**0%** (0-25%)	**0%** (0-44%)	**0%** (0-20%)	**2%** (0-20%)	**5%** (0-14%)	**9%** (5-26%)

Rows represent **common KPIs across categories** including size and growth, financial, value drivers, and diversity

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

How to read these slides

	<$1M	$1-2.5M	$2.5M-10M	$10-20M	$20-50M	>$50M
SIZE AND GROWTH						
Employees	**18** (5-18)	**38** (18-38)	**76** (38-76)	**151** (76-151)	**151** (151-351)	**351** (351-463)
YoY Growth Rate	**100%** (26-300%)	**90%** (45-300%)	**50%** (30-100%)	**50%** (20-75%)	**33%** (25-49%)	**30%** (10-56%)
FINANCIAL						
Sales & Marketing Spend	**25%** (6-50%)	**30%** (13-			3% (25-44%)	**50%** (19-61%)
R&D Spend	**50%** (30-80%)	**40%** (30-65%)	**34%** (23-55%)	**39%** (20-50%)	**25%** (20-45%)	**30%** (22-39%)
Gross Margins	**67%** (24-83%)	**75%** (58-84%)	**76%** (68-83%)	**75%** (62-85%)	**80%** (75-83%)	**79%** (70-87%)
Monthly Burn Rate ($ in 000s)	**$50** (50-175)	**$50** (0-375)	**$375** (50-500)	**$375** (144-875)	**$375** (0-1250)	**$25** (0-1625)
SAAS VALUE DRIVERS						
CAC Payback (months)	**8** (2-11)	**8** (5-15)	**15** (8-15)	**15** (11-15)	**18** (12-21)	**15** (10-17)
Gross Dollar Retention	**98%** (90-100%)	**96%** (90-100%)	**95%** (82-98%)	**84%** (73-92%)	**90%** (85-95%)	**85%** (64-90%)
Net Dollar Retention	**100%** (93-110%)	**100%** (94-110%)	**106%** (96-120%)	**103%** (86-113%)	**105%** (100-110%)	**105%** (95-120%)
DIVERSITY						
Women in Leadership	**15%** (0-30%)	**25%** (5-40%)	**25%** (13-45%)	**30%** (23-40%)	**30%** (19-41%)	**28%** (11-44%)
Underrepresented Minorities in Leadership	**0%** (0-25%)	**0%** (0-44%)	**0%** (0-20%)	**2%** (0-20%)	**5%** (0-14%)	**9%** (5-26%)

Columns represent distribution of responses from companies at **varying levels of ARR**, from <$1M to >$50M

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

How to read these slides

	<$1M	$1-2.5M	$2.5M-10M	$10-20M	$20-50M	>$50M
SIZE AND GROWTH						
Employees	**18** (5-18)	**38** (18-38)	**76** (38-76)	**151** (76-151)	**151** (151-351)	**351** (351-463)
YoY Growth Rate	**100%** (26-300%)	**90%** (45-300%)	**50%** (30-100%)	**50%** (20-75%)	**33%** (25-49%)	**30%** (10-56%)
FINANCIAL						
Sales & Marketing Spend	**25%** (6-50%)	**30%** (13-40%)	**32%** (20-49%)	**34%** (15-44%)	**35%** (25-44%)	**50%** (19-61%)
R&D Spend	**50%** (30-80%)	**40%** (30-65%)	**34%** ([illegible]5-55%)	**39%** (20-50%)	**25%** (20-45%)	**30%** (22-39%)
Gross Margins	**67%** (24-83%)	[illegible]	[illegible]	[illegible]	**80%** (75-83%)	**79%** (70-87%)
Monthly Burn Rate ($ in 000s)	**$50** (50-175)	**$50** (0-375)	**$375** (50-500)	**$375** (144-875)	**$375** (0-1250)	**$25** (0-1625)
SAAS VALUE DRIVERS						
CAC Payback (months)	**8** (2-11)	[illegible]	[illegible]	[illegible]	[illegible]	**15** (10-17)
Gross Dollar Retention	**98%** (90-100%)	[illegible]	[illegible]	[illegible]	[illegible]	**85%** (64-90%)
Net Dollar Retention	**100%** (93-110%)	**100%** (94-110%)	**106%** (96-120%)	**103%** (86-113%)	**105%** (100-110%)	**105%** (95-120%)
DIVERSITY						
Women in Leadership	**15%** (0-30%)	**25%** (5-40%)	**25%** (13-45%)	**30%** (23-40%)	**30%** (19-41%)	**28%** (11-44%)
Underrepresented Minorities in Leadership	**0%** (0-25%)	**0%** (0-44%)	**0%** (0-20%)	**2%** (0-20%)	**5%** (0-14%)	**9%** (5-26%)

Each cell represents the **median performance of a company**, as well as the range (bottom quartile – top quartile) of each metric at each respective ARR scale

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Financial & operating metrics by ARR

	<$1M	$1-2.5M	$2.5M-10M	$10-20M	$20-50M	>$50M
SIZE AND GROWTH						
Employees	**18** (5-18)	**38** (18-38)	**76** (38-76)	**151** (76-151)	**151** (151-351)	**351** (351-463)
YoY Growth Rate	**100%** (26-300%)	**90%** (45-300%)	**50%** (30-100%)	**50%** (20-75%)	**35%** (25-49%)	**30%** (10-56%)
FINANCIAL						
Sales & Marketing Spend	**25%** (6-50%)	**30%** (13-40%)	**32%** (20-49%)	**34%** (15-44%)	**35%** (25-44%)	**50%** (19-61%)
R&D Spend	**50%** (30-80%)	**40%** (30-65%)	**34%** (25-55%)	**39%** (20-50%)	**25%** (20-45%)	**30%** (22-39%)
Gross Margins	**67%** (24-83%)	**75%** (58-84%)	**76%** (68-83%)	**75%** (62-85%)	**80%** (75-83%)	**79%** (70-87%)
Monthly Burn Rate ($ in 000s)	**$50** (50-175)	**$50** (0-375)	**$375** (50-500)	**$375** (144-875)	**$375** (0-1250)	**$25** (0-1625)
SAAS VALUE DRIVERS						
CAC Payback (months)	**8** (2-11)	**8** (5-15)	**15** (8-15)	**15** (11-15)	**18** (12-21)	**15** (10-17)
Gross Dollar Retention	**98%** (90-100%)	**96%** (90-100%)	**95%** (82-98%)	**84%** (73-92%)	**90%** (85-95%)	**85%** (64-90%)
Net Dollar Retention	**100%** (93-110%)	**100%** (94-110%)	**106%** (96-120%)	**103%** (86-113%)	**105%** (100-110%)	**105%** (95-120%)
DIVERSITY						
Women in Leadership	**15%** (0-30%)	**25%** (5-40%)	**25%** (13-45%)	**30%** (23-40%)	**30%** (19-41%)	**28%** (11-44%)
Underrepresented Minorities in Leadership	**0%** (0-25%)	**0%** (0-44%)	**0%** (0-20%)	**2%** (0-20%)	**5%** (0-14%)	**9%** (5-26%)

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Financial & operating metrics by ARR (2021 vs. 2020)

	<$1M	$1-2.5M	$2.5M-10M	$10-20M	$20-50M	>$50M
SIZE AND GROWTH						
Employees	**18** (↑ 8)	**38** (↑ 13)	**76** (↑ 24)	**151** (↑ 58)	**151** (↓ 69)	**351** (↓ 144)
YoY Growth Rate	**100%** (0%)	**90%** (↑ 30%)	**50%** (↑ 9%)	**50%** (↑ 4%)	**35%** (↓ 15%)	**30%** (↑ 9%)
FINANCIAL						
Sales & Marketing Spend	**25%** (↑ 5%)	**30%** (0%)	**32%** (↑ 2%)	**34%** (↓ 1%)	**35%** (↑ 4%)	**50%** (↑ 21%)
R&D Spend	**50%** (↓ 18%)	**40%** (0%)	**34%** (↑ 2%)	**39%** (↑ 11%)	**25%** (↓ 2%)	**30%** (↑ 8%)
Gross Margins	**67%** (0%)	**75%** (0%)	**76%** (↓ 2%)	**75%** (↓ 4%)	**80%** (↑ 1%)	**79%** (↑ 4%)
Monthly Burn Rate ($ in 000s)	**$50** ($0)	**$50** ($0)	**$375** (↑ $200)	**$375** (↑ $200)	**$375** ($0)	**$25** (↑ $25)
SAAS VALUE DRIVERS						
CAC Payback (months)	**8** (0)	**8** (↓ 2)	**15** (↑ 4)	**15** (↑ 4)	**18** (↑ 3)	**15** (0)
Gross Dollar Retention	**98%** (↑ 8%)	**96%** (↑ 6%)	**95%** (↑ 5%)	**84%** (↓ 3%)	**90%** (↑ 3%)	**85%** (↓ 5%)
Net Dollar Retention	**100%** (↑ 1%)	**100%** (0%)	**106%** (↑ 3%)	**103%** (↑ 1%)	**105%** (0%)	**105%** (0%)
DIVERSITY						
Women in Leadership	**15%** (↑ 5%)	**25%** (↑ 5%)	**25%** (0%)	**30%** (↑ 1%)	**30%** (↑ 10%)	**28%** (↑ 13%)
Underrepresented Minorities in Leadership	**0%** (0%)	**0%** (0%)	**0%** (0%)	**2%** (↑ 2%)	**5%** (0%)	**9%** (↓ 4%)

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

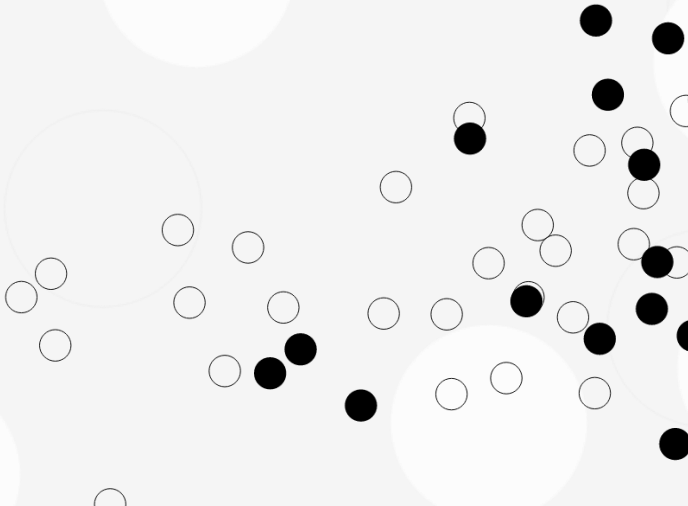
Financial & operating metrics by most recent funding

	Angel / Seed	Series A	Series B	Series C	Series D+
SIZE AND GROWTH					
Employees	**18** (8-38)	**76** (38-151)	**151** (76-151)	**151** (76-251)	**351** (351-351)
Funding	**$3M** ($0.5-3M)	**$15M** ($8-15M)	**$43M** ($28-63M)	**$63M** ($43-63M)	**$88M** ($43-100M)
Annual Recurring Revenue (ARR)	**$2M** ($0.5-$2M)	**$6M** ($2-6M)	**$15M** ($6-15M)	**$15M** ($6-35M)	**$50M** ($35-50M)
YoY Growth Rate	**100%** (41-304%)	**60%** (35-193%)	**65%** (29-121%)	**35%** (23-47%)	**43%** (13-50%)
FINANCIAL					
Sales & Marketing Spend	**28%** (10-40%)	**33%** (20-50%)	**33%** (20-44%)	**39%** (25-66%)	**42%** (25-60%)
R&D Spend	**40%** (25-70%)	**40%** (26-56%)	**30%** (18-50%)	**38%** (26-55%)	**35%** (20-46%)
Gross Margins	**70%** (49-82%)	**78%** (68-85%)	**78%** (70-85%)	**80%** (73-83%)	**78%** (68-88%)
Monthly Burn Rate ($ in 000s)	**$50** (50-175)	**$375** (50-625)	**$375** (175-1250)	**$375** (175-1,094)	**$275** (0-1250)
SAAS VALUE DRIVERS					
CAC Payback (months)	**8** (3-15)	**15** (8-21)	**15** (11-17)	**15** (12-28)	**15** (15-21)
Gross Dollar Retention	**97%** (91-100%)	**93%** (81-98%)	**90%** (80-97%)	**88%** (82-92%)	**85%** (77-92%)
Net Dollar Retention	**100%** (97-120%)	**102%** (88-110%)	**106%** (99-125%)	**104%** (100-108%)	**95%** (91-118%)
DIVERSITY					
Women in Leadership	**20%** (0-40%)	**25%** (9-37%)	**30%** (20-50%)	**28%** (20-40%)	**19%** (10-40%)
Underrepresented Minorities in Leadership	**0%** (0-50%)	**0%** (0-20%)	**3%** (0-20%)	**5%** (0-14%)	**9%** (0-20%)

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

IV.

FINANCIAL & OPERATING *INSIGHTS*



GROSS MARGIN ON *SUBSCRIPTION REVENUE*

16% ■ <50%

15% ■ 50 to 70%

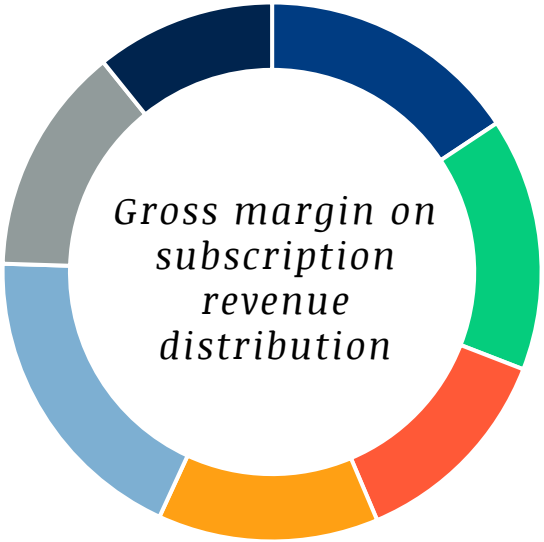
13% ■ 70 to 75%

13% ■ 75 to 80%

19% ■ 80 to 85%

14% ■ 85 to 90%

11% ■ >90%



Gross margin is a key and often overlooked lever in any business – 7/10 companies surveyed have gross margins in excess of 70%. Best-in-class companies across all ARR scales see gross margins of at least 80%.

As a reminder, gross margin should always include hosting, as well as any services and customer onboarding costs.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

GROSS DOLLAR *RETENTION RATES*

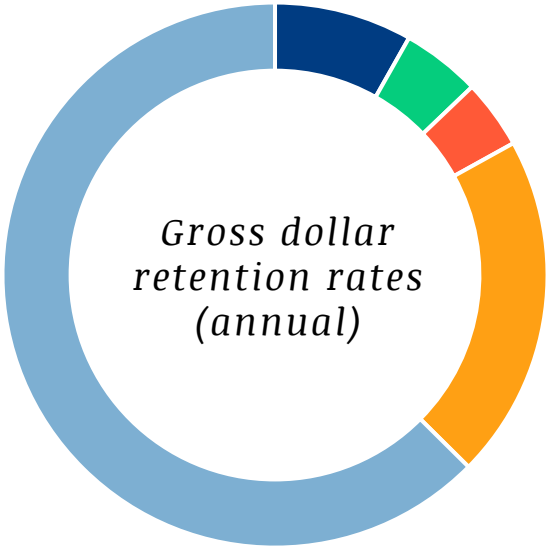
8% ■ <60%

5% ■ 60 to 70%

4% ■ 70 to 80%

20% ■ 80 to 90%

63% ■ >90%



Top tier gross retention rates are consistently ~85-90%+ regardless of last round or ARR scale.

Similarly, these rates are consistent regardless of bull or bear market conditions. This year we saw a reduction in the percentage of respondents in the lower GDR tiers (besides 60-70%, which remained flat) and a 10% increase in companies reporting GDR >90%.

Outstanding gross dollar retention remains "table stakes" in enterprise SaaS.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

NET DOLLAR *RETENTION RATES*

13% ■ <85%

10% ■ 85 to 95%

13% ■ 95 to 100%

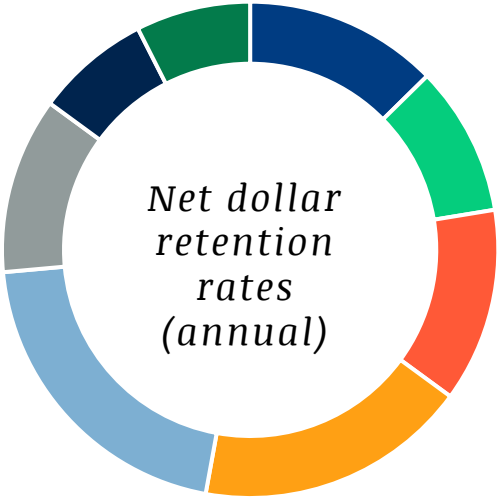
18% ■ 100 to 105%

21% ■ 105 to 115%

11% ■ 115 to 125%

7% ■ 125 to 135%

7% ■ >135%

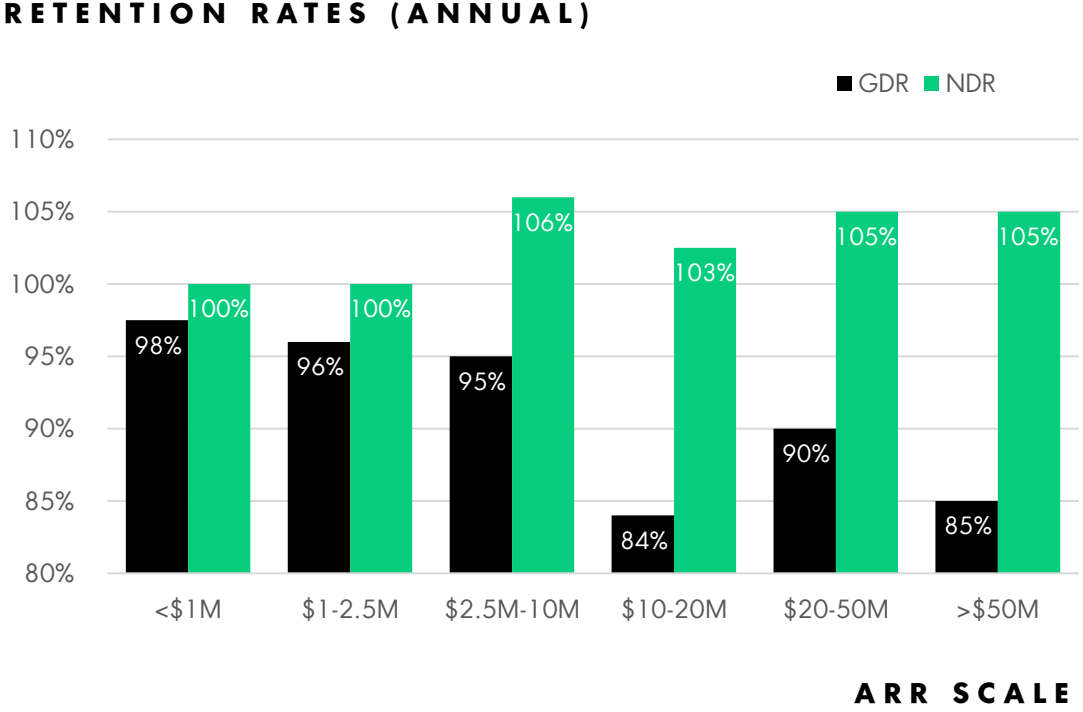


Net dollar retention remains a "fan favorite" vanity metric for companies and investors alike. As we saw with GDR, net dollar retention rates have improved since 2020. Nearly half of companies surveyed reported NDR over 105% and 3 in 20 reported NDR over 125%.

Net dollar retention tells the whole story about what is happening within your customer base. While there are many ways to calculate this, we believe all retention figures should be tracked at the cohort level to most appropriately visualize trends over time.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Gross & net retention by ARR



Gross retention rates start off high, as companies initially refine product-market fit, working directly with customers in one target segment of the market to understand what needs are.

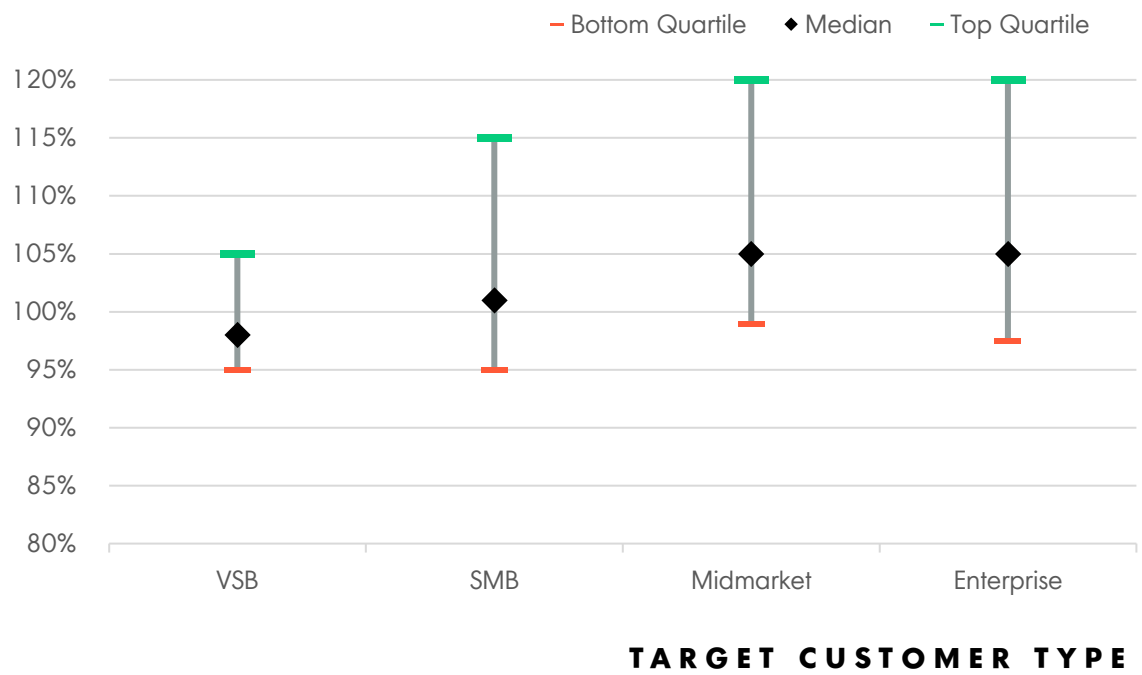
As companies reach the $10-20M threshold they've achieved product-market fit and address customer needs in the total market. It becomes more competitive; however, companies become much more effective at farming their existing customer base for expansion.

As evidenced in how companies allocate their spending, focus begins to shift away from product and towards perfecting the GTM motion, benefiting net retention (through upsell) at the expense of satisfying every customer use case (gross retention).

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Net retention by target customer type

NET DOLLAR RETENTION RATES (ANNUAL)



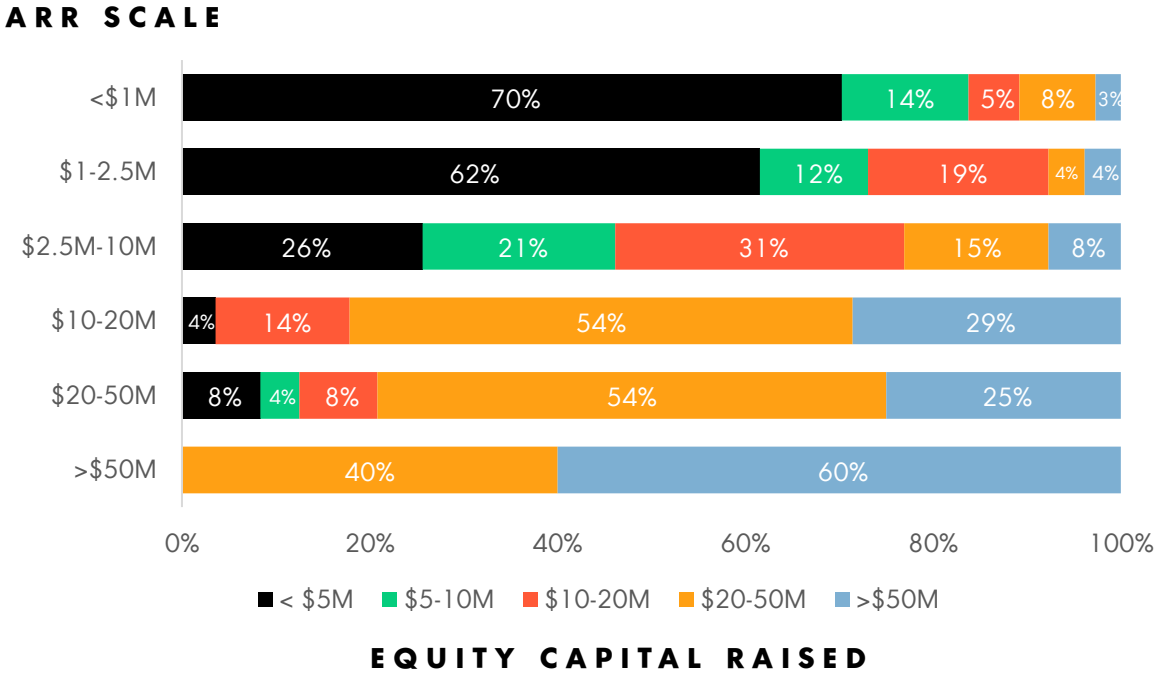
Regardless of segment, a competitive NDR rate lies between 100% and 110%.

Where we used to see meaningfully higher variance among VSB and SMB segments, 2021 respondents indicate VSB is now the least variable segment, with the rest relatively equal (looking at interquartile ranges from 2020 to 2021).

While we're encouraged by the reduced spread amongst smaller SMB's, VSB median NDR remains the same since 2020 – churn remains a complex challenge for vendors selling to smaller businesses.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

*Equity capital raised by ARR**



Frothy markets paired with venture investors who are motivated to deploy record amounts of capital have provided companies with more access to cash than ever before.

Mid-size companies ($10–20M ARR) are increasingly raising large amounts of equity capital (29% have raised >$50M, up from 10% last year).

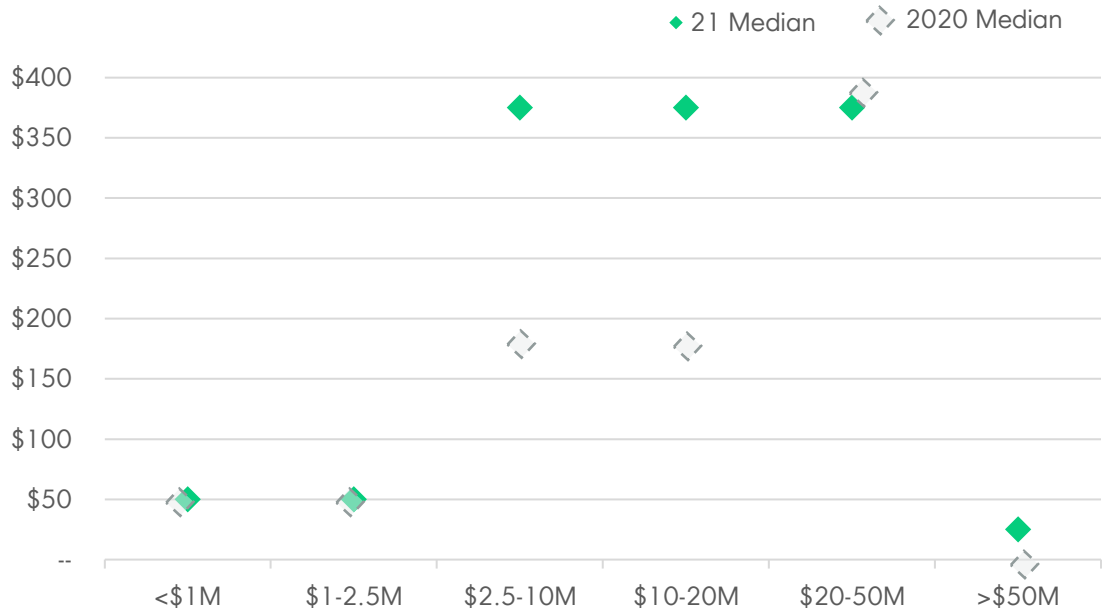
Early-stage companies (<$1M ARR) are also raising more, with 14% bringing in between $10–50M of equity capital (up from 0% last year).

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Note*: Excludes companies that haven't raised capital

Monthly cash burn

MONTHLY CASH BURN ($000'S)



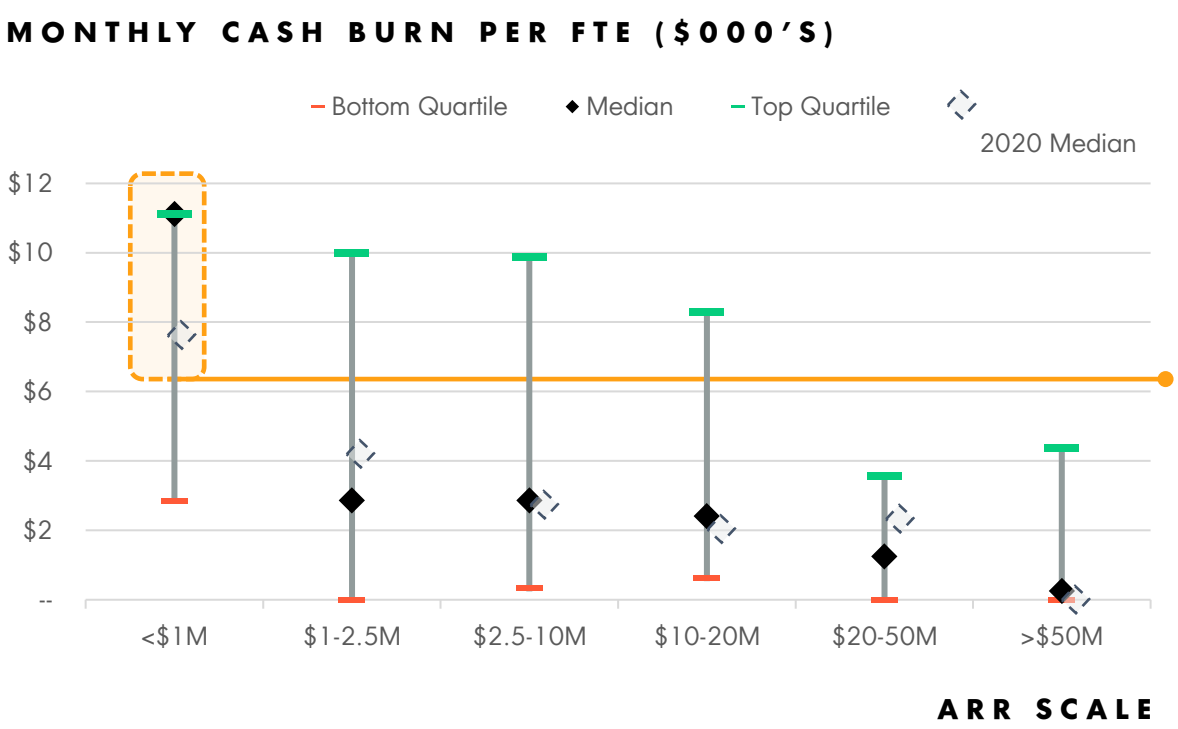
ARR SCALE

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. $0 burn implies breakeven or profitable.

Expansion stage businesses who were still refining product-market fit and their go-to-market activities heading into the pandemic seem to have overcorrected for burn given the uncertainty around customer demand. This year we saw a reversion to higher burn rates, no doubt facilitated by large amounts of capital available amid resurgent demand.

Outside of the expansion stage ($2.5–20M ARR), burn remained consistent with last year's report.

Monthly burn per FTE by ARR



Software companies' largest expense is typically headcount. After normalizing burn for the turbulence relating to headcount last year, a clearer picture emerges.

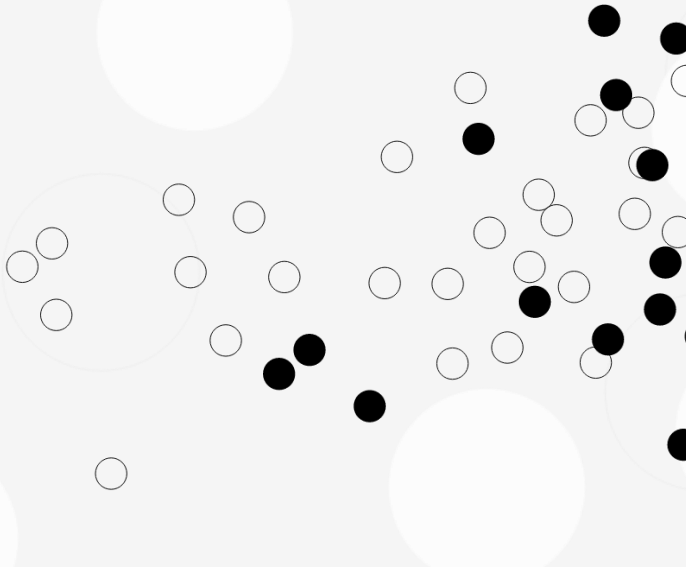
Early-stage companies (<$1M ARR) are raising more and burning much more per head than they were in 2020 (YoY increase of $3,500 per FTE). This may be a function of the increase in absolute amounts of capital raised, which allows for more product experimentation before monetization (offsetting burn).

While the expansion stage ($2.5-20M) burned more this year than last on an absolute basis, it appears this may have been a function of adding more heads given median per head values.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. $0 burn implies breakeven or profitable.

V.

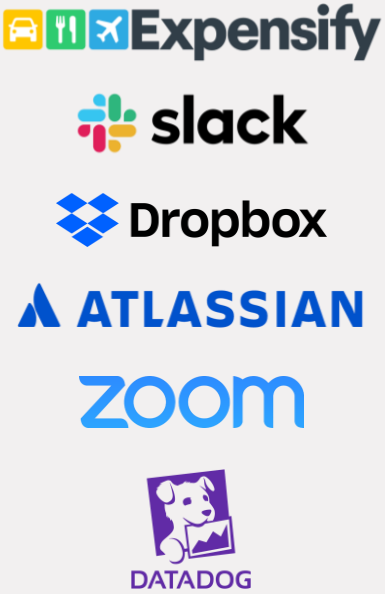
PRODUCT-LED GROWTH *INSIGHTS*



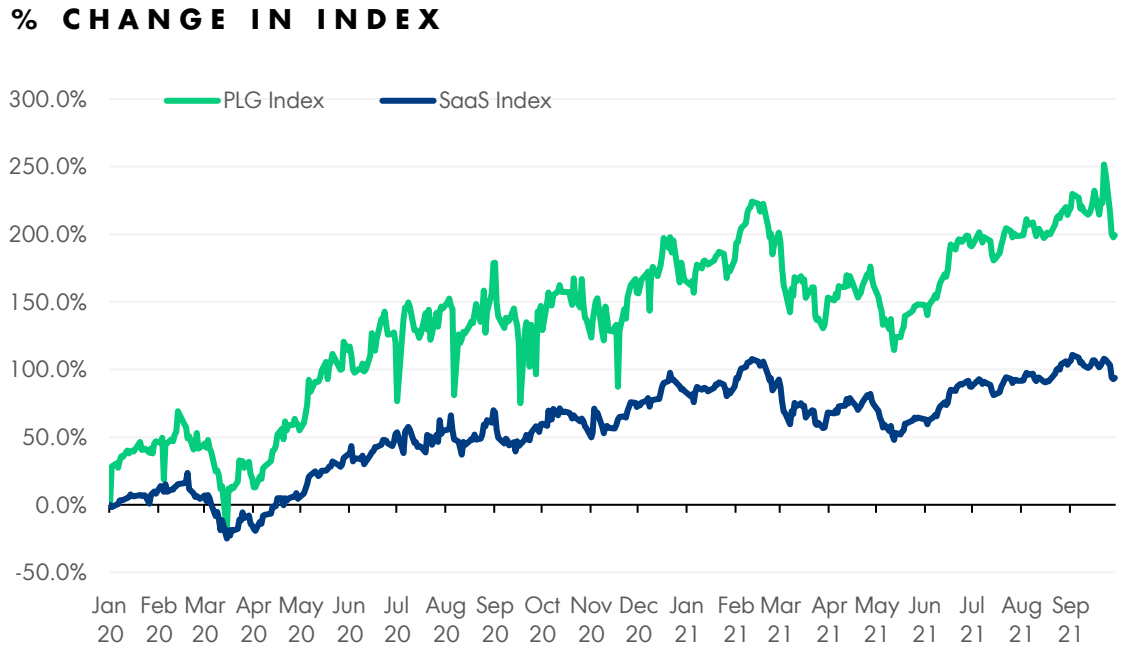
WHAT IS *PRODUCT-LED GROWTH?*

Product-led growth (PLG) is an end user-focused growth model that relies on the product itself as the primary driver of customer acquisition, conversion and expansion.

PLG is employed by many of the fastest growing software companies including standout public companies.



Not all enterprise SaaS is created equal; the case for PLG



Product-led companies are always "open for business", and their lower ACV entry prices are less susceptible to budget cuts.

In fact, our Product-Led Growth index has outperformed the SaaS index we track by nearly 2x since January 2020 – while all have performed strongly, PLG revenue is clearly worth more to investors.

Source: Pitchbook as of 9/30/2021. SaaS index multiples calculated as enterprise value / revenue and represent median value as of each date for the ~70 public SaaS companies OpenView tracks.

Adoption of product-led growth strategies

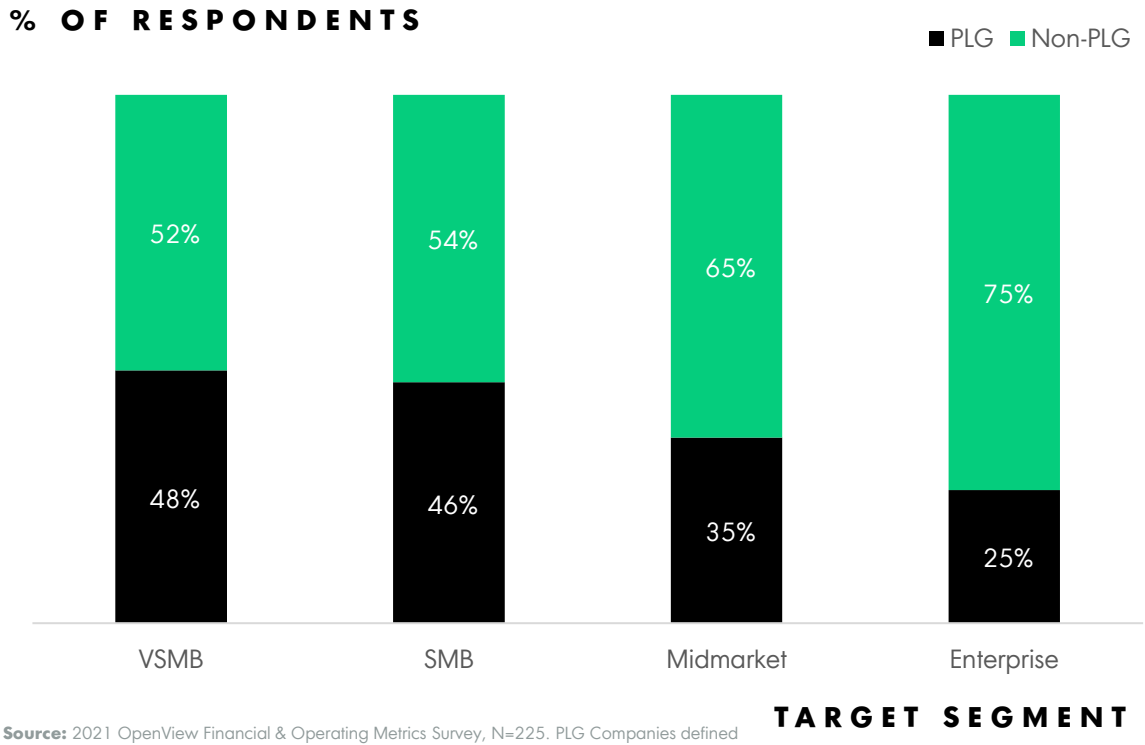
	PLG **Companies**	*All* **Companies**
Free trial offering	74%	47%
Bottoms-up sales	64%	41%
Dedicated growth resources (FTEs)	64%	21%
In-product onboarding	63%	28%
Self-service buying experience	62%	29%
Product analytics for decision making	51%	28%
Referral Programs	50%	35%
Product Qualified Leads	47%	24%
Freemium offering	47%	18%

Despite our best efforts at evangelizing PLG, most companies are still experimenting, but still very few companies have gone all-in – just 23% of respondents report PLG being fundamental to their business which is slightly down from last year.

Although free trials remain the most popular product-led growth strategy, respondents have begun to de-prioritize free trials (90% in 2020) in favor of higher-impact alternatives like adding dedicated growth resources (up more than 10% vs 2020).

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. PLG Companies defined as those leveraging more than three of the PLG strategies surveyed.

Product-led growth by target customer segment

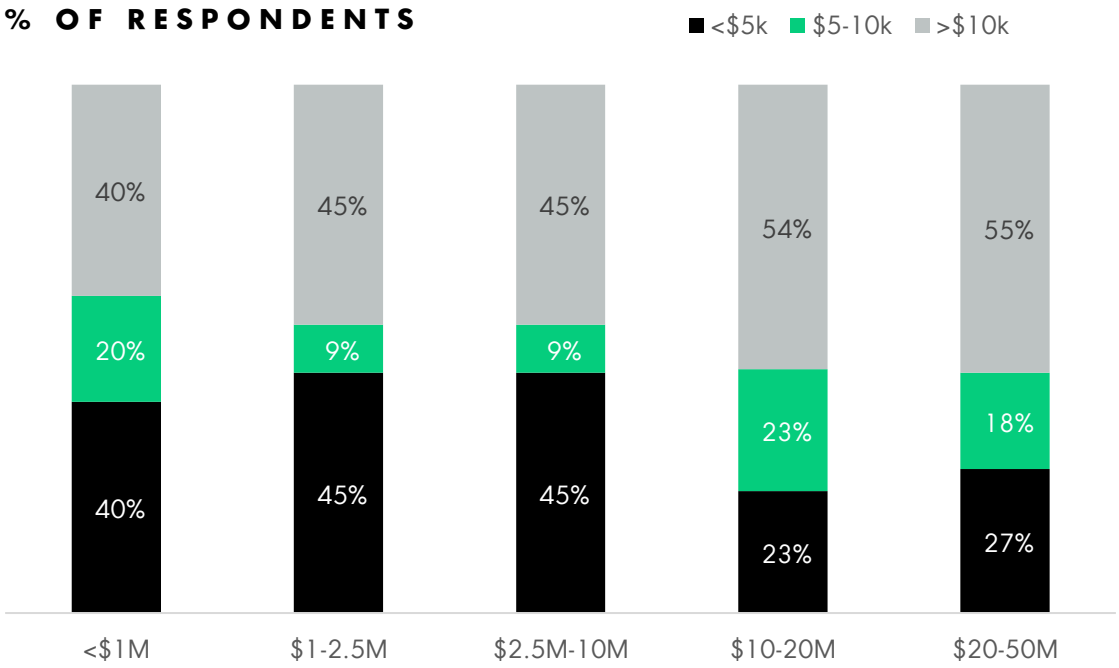


Companies targeting VSB/SMB customers are adopting product-led growth strategies at an increasing rate (up 5% and 8%+ since last year, respectfully).

Every target segment saw a YoY uptick in PLG adoption besides large enterprises.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. PLG Companies defined as those leveraging more than three of the PLG strategies surveyed.

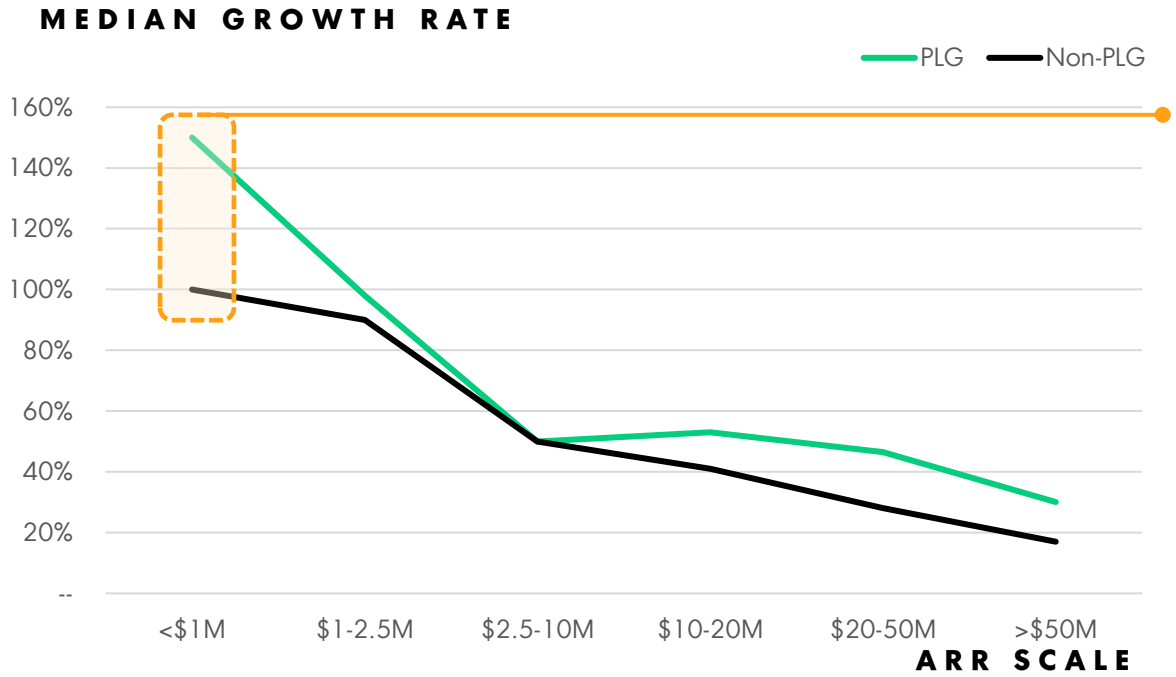
Product-led growth ACVs by ARR scale



PLG companies land with a lower CAC at more digestible ACVs to start, but can drive significant expansion in accounts over time as the product spreads throughout large organizations.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. PLG Companies defined as those leveraging more than three of the PLG strategies surveyed.

Product-led businesses grow faster



We used to observe PLG companies growing more slowly than their peers at earlier stages; they're now outpacing their non-PLG peers at all ARR scales.

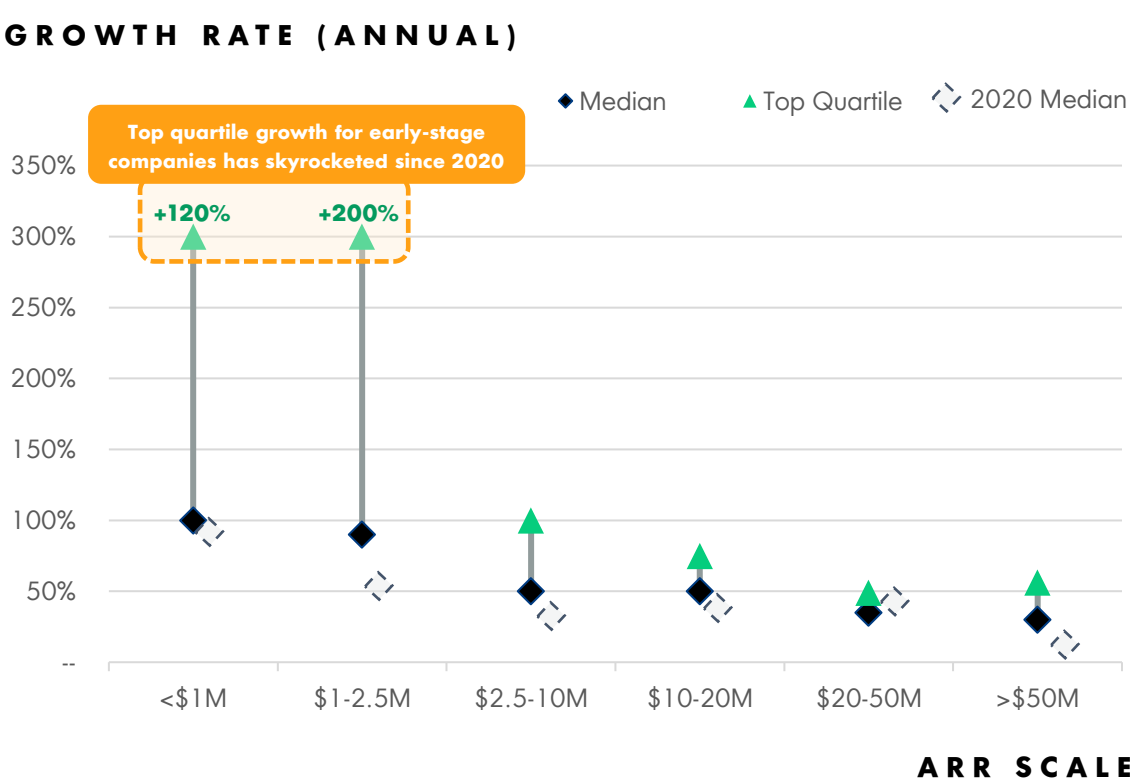
This may be because they are able to raise the capital required to fuel early product development and usage growth without monetizing, then sustain that momentum as they gain product-market fit and deliver more value to customers as the company matures.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225. PLG Companies defined as those leveraging more than three of the PLG strategies surveyed.

VI.

GO-TO-MARKET *INSIGHTS*

Growth rate by company ARR



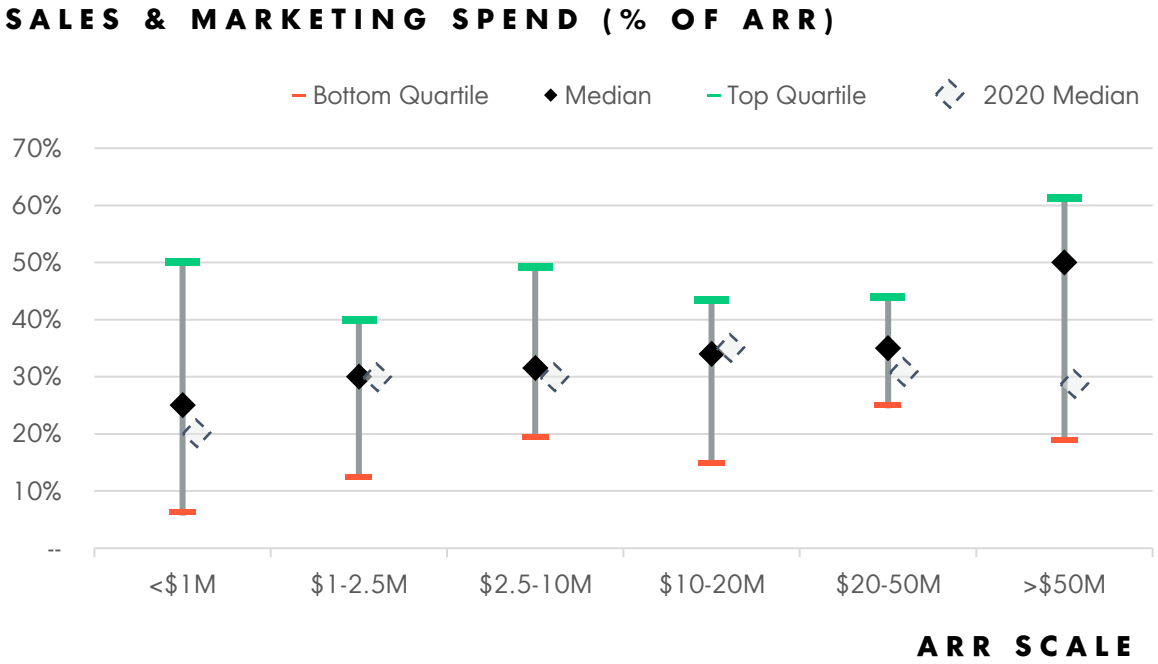
Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Growth rate is more closely correlated with SaaS valuations than ever before. Software companies grow rapidly in their early stages – a typical company doubles YoY and a top quartile company more than quadruples.

Besides the $20—50M ARR bucket, median growth rates have risen vs. 2020. While we can reasonably expect 2020 growth was stunted by the impacts of the pandemic and any slowdown in operating investments, we're encouraged to see companies stepping back on the gas.

Top quartile growth rates for early-stage companies are increasing two and three-fold from 2020 (<$1M ARR and $1—2.5M ARR, respectively). Companies are being founded and funded… and customers are back to buying!

Sales & marketing spend by ARR



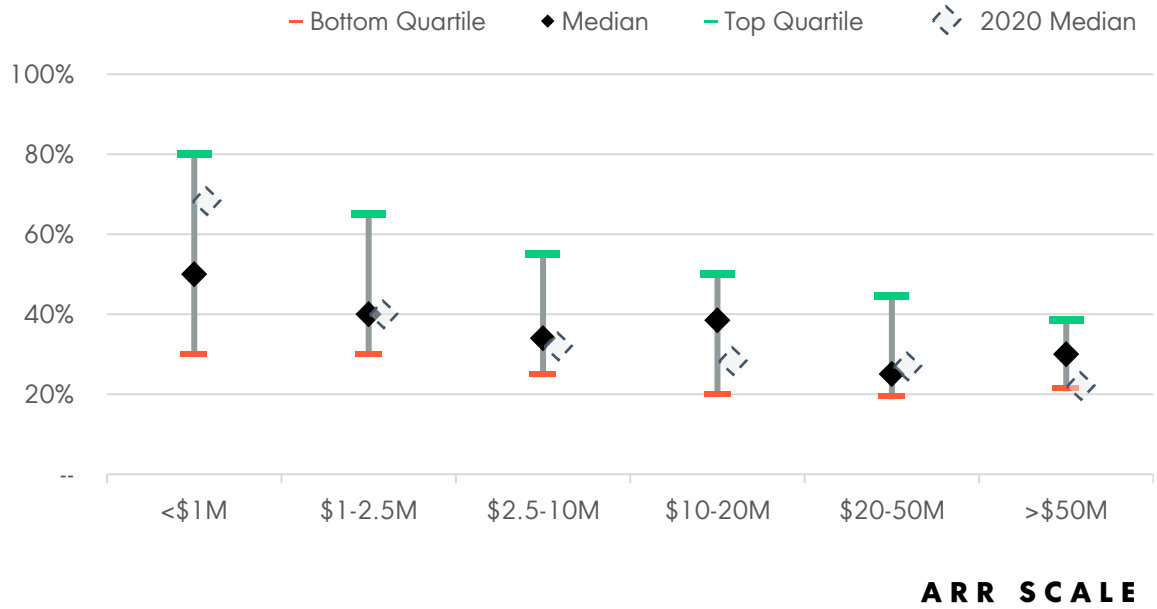
Sales & marketing expenses typically become a SaaS company's largest areas of spend with increased scale, overtaking product and engineering, which dominates spend at the earlier stages.

After the product has been built and product-market fit has been found, it's time to monetize! We continue to see companies invest more heavily as a percent of ARR when they enter the expansion stage at $1M of ARR. This reduces as companies scale and press for operational excellence in sales.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Product & engineering spend by ARR

PRODUCT & ENGINEERING SPEND (% OF ARR)



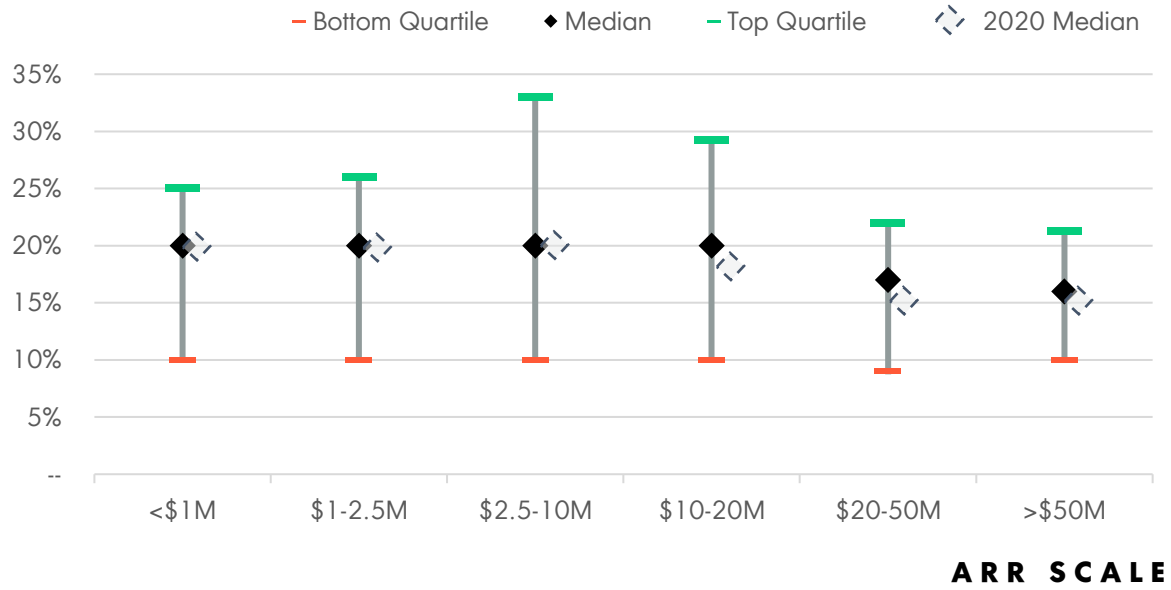
Product & engineering expenses are usually the first place SaaS companies prioritize spend as they work towards product-market fit.

Median spend was relatively flat across ARR stages besides the earliest (<$1M ARR), which saw a massive dip versus 2020 (median down 18%). This could be due to hiring issues, where the smallest companies simply can't find/attract the right engineering talent, or ova companies benefitting from increased early-stage funding are choosing to invest in other functional areas sooner (e.g. Sales).

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

General & administrative spend by ARR

GENERAL & ADMINISTRATIVE SPEND (% OF ARR)



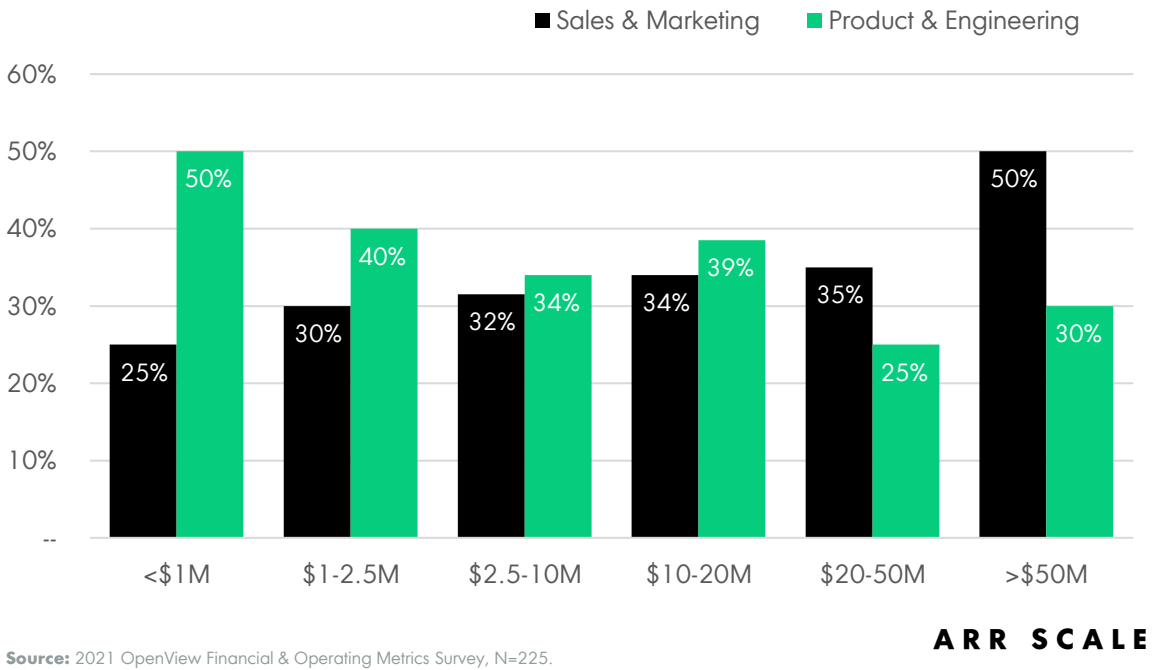
General & administrative expenses are reliably the smallest area of spend among SaaS businesses.

In fact, over the last four years of this report, G&A has yet to crack >25% of total operating expense spend at any ARR scale, with the lion's share being allocated between developing (product & engineering) and monetizing (sales & marketing) the product.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Sales & marketing vs product & engineering spend by ARR

MEDIAN SPEND (% OF ARR)



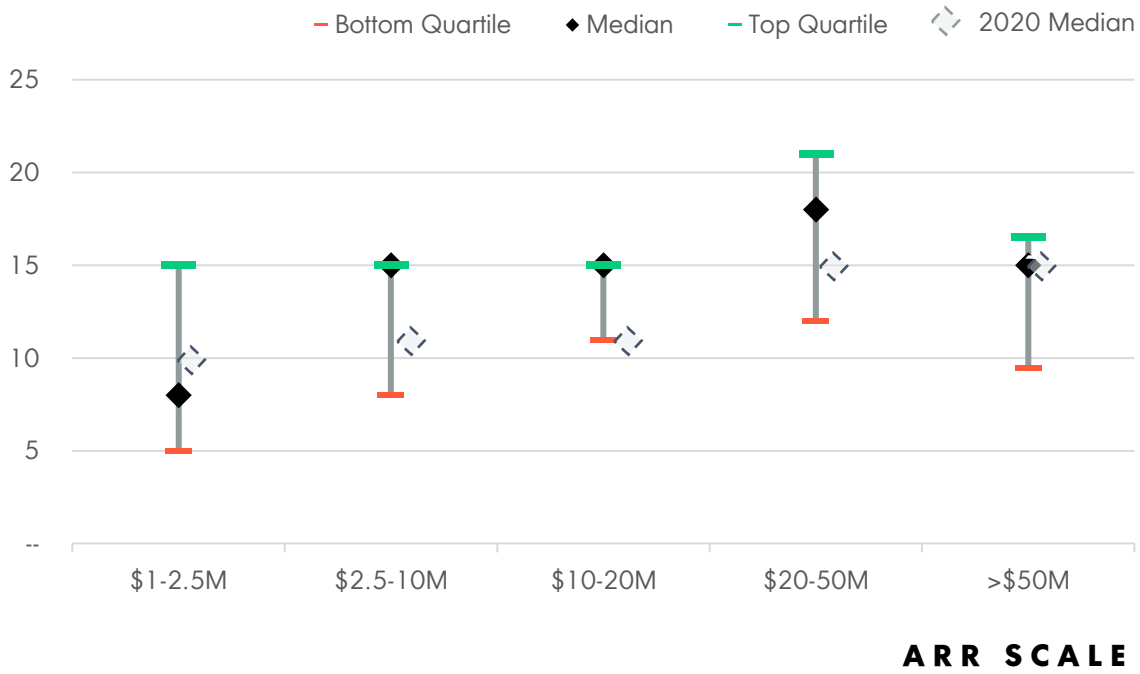
The waxing and waning relationship between sales and product spend has been a consistent observation in each of the last four years of this report, with each bucket of spend reaching it's maximum (% of ARR) at the smallest (product) and largest (sales) ARR scale.

However, the ARR threshold where this shift in spend occurs continues to creep upwards ($2.5M in 2019, to $10M in 2020, to $20M in 2021), suggesting business focus remains on the product for longer as companies and their shareholders are more focused on customer value creation for longer.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Months to recover CAC (CAC payback)

CAC PAYBACK IN MONTHS(1)



Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

(1) Excluded companies <$1M ARR because they don't have enough data for predictable CAC payback..

CAC payback generally lengthens when companies achieve greater ARR scale – but watch out for worsening your go-to-market efficiency as you grow. This year's slip in payback data versus 2020 may simply be a follow-on effect of rehiring after the pandemic adding transient bloat to CAC, or a function of companies staffing up not yet ramped sales resources in response to increased customer demand.

In our opinion, companies are still under-reporting their true CAC Payback period. Be sure your payback is fully loaded (including overhead like rent) and that it is gross margin affected.

VII.

CASH FLOW *INSIGHTS*

EVERYTHING IS VALUED *ON CASH FLOW…*

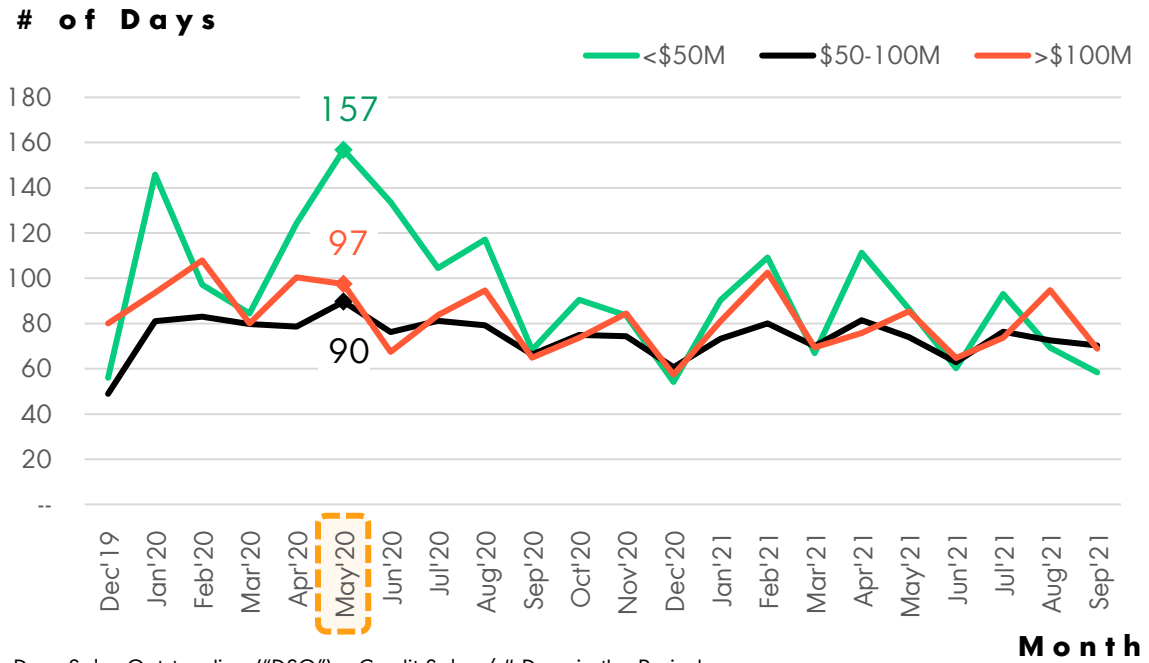
…Eventually! The present value of future cash flows (calculated in a Discounted Cash Flow Analysis) is what any business is intrinsically worth. Of course, when you're running a private company in a large market that has raised venture capital the aim is for you to grow fast and burn money creating value for customers so that *one day* you can capture value and generate cash (even if it is years away).

But even before your business does $1B in revenue with 25% free cash flow margins, managing cash efficiently is critical.

Would you rather charge your customers annually up front and reinvest that cash immediately, or wait to have them pay you monthly in arrears? Yes, there are considerations and tradeoffs specific to your customers and their needs but conceptually collecting cash to reinvest sooner is better. Take customer's capital and your investors capital and reinvest even more to grow even faster!

In the pages that follow, we'll detail specific insights generated by our survey sponsor **Tesorio** about balance sheet data based on a company's revenue scale.

Days Sales Outstanding



Days Sales Outstanding ("DSO") = Credit Sales / # Days in the Period

Source: Tesorio. Includes only Software/SaaS customers.

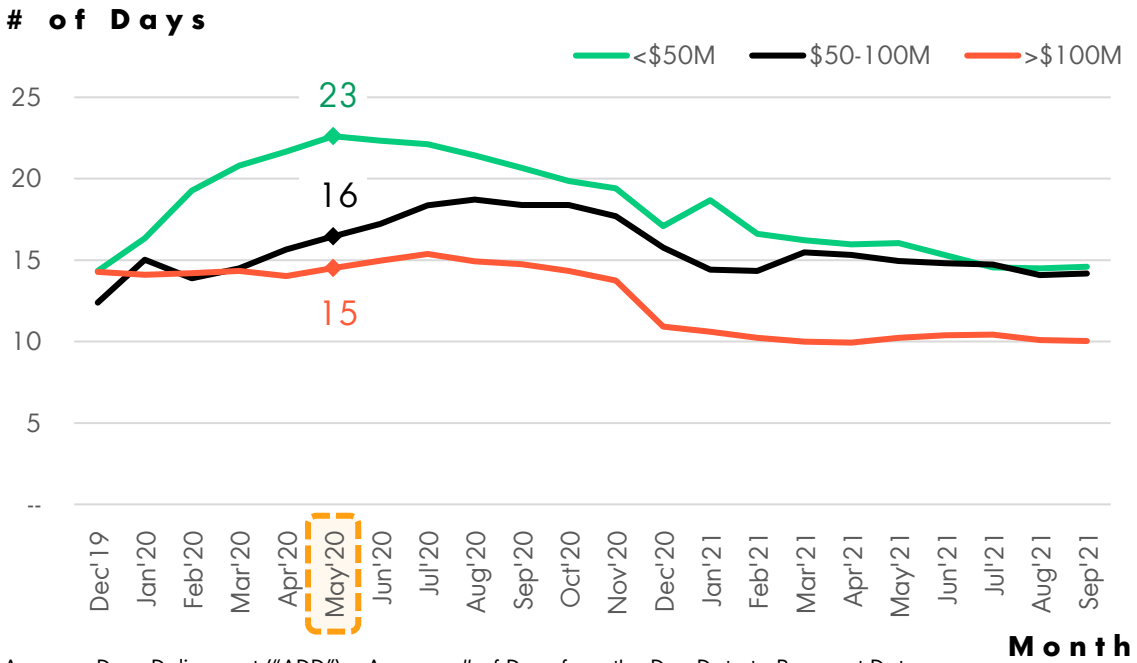
Note: May'20 highlighted as the approximate peak effect of COVID-19 on cash flow metrics.

GAAP revenue or billings growth is great but fueling that momentum requires cash (and a lot of it as evidenced in this report). Days Sales Outstanding ("DSO") is a popular way of understanding how efficiently invoices are being converted to cash.

Because DSO is calculated using Credit Sales as its denominator, it's important to note how changes in sales can affect this statistic.

When using DSO as our measuring stick, companies at the earliest stages (<$50M revenue) appear to face tougher collection cycles – a trend highlighted by the pandemic.

Average Days Delinquent



Average Days Delinquent ("ADD") = Average # of Days from the Due Date to Payment Date

Source: Tesorio. Includes only Software/SaaS customers.

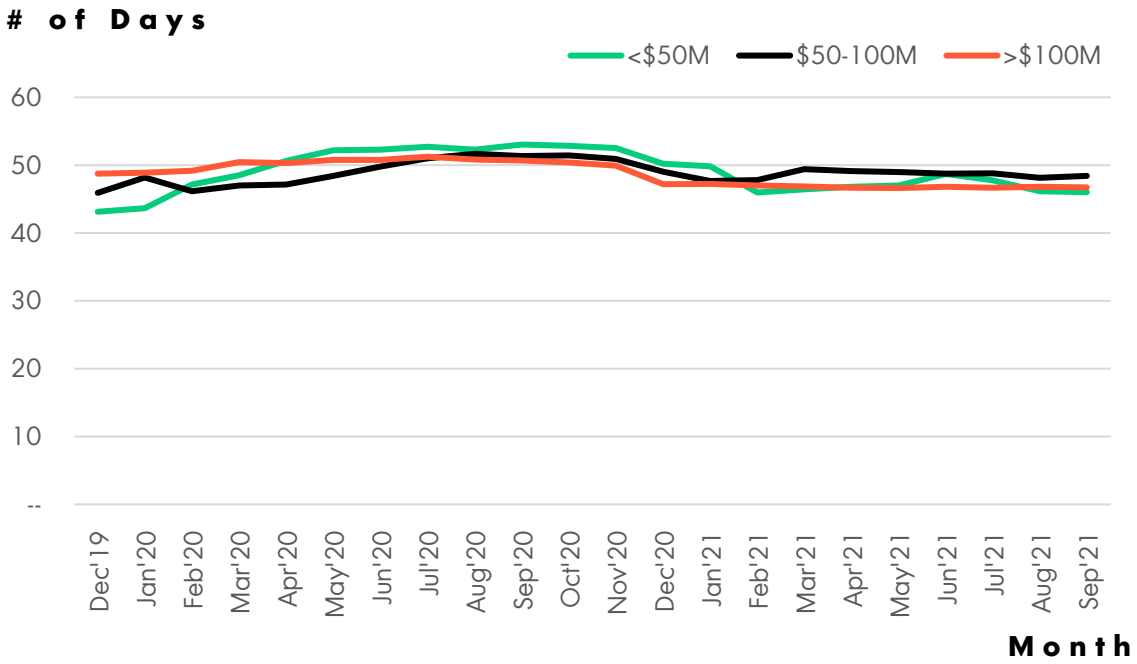
Note: May'20 highlighted as the approximate peak effect of COVID-19 on cash flow metrics.

Similar to DSO, Average Days Delinquent ("ADD") underscores the same conclusion – smaller companies are more susceptible to systemic risk.

While ADD for small and mid-size companies had largely reverted to pre-COVID levels by 2021, larger companies (>$100M revenue) managed to improve their ADD since the pandemic, from 15 to 10.

COVID highlighted the importance of quickly collecting cash from invoices, larger companies were simply the only ones with the firepower (talent, cash, etc.) to do something about it.

Average Days Collected



Average Days Collected ("ADC") provides an important counterbalance to viewing cash collections through DSO or ADD.

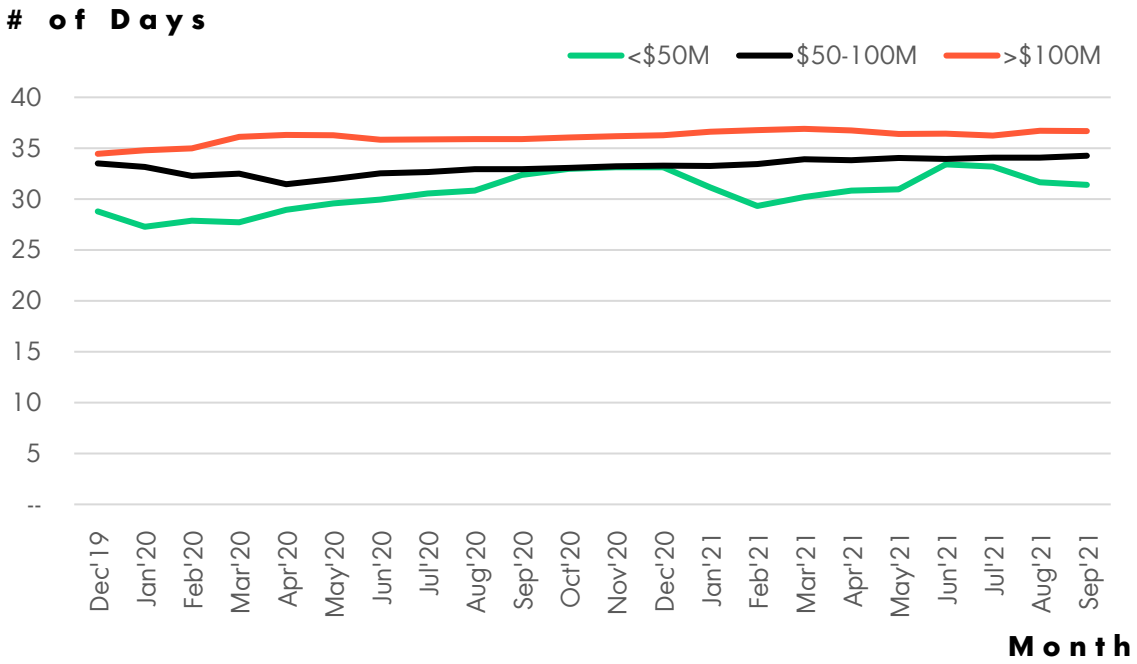
Measured as the number of days it takes for invoices to be collected, businesses tend to collect cash at similar rates, regardless of scale.

This offers an important perspective, suggesting that the increase in DSO for smaller companies (<$50M revenue) was likely due to a sharper decline in Credit Sales than larger, more established peers.

Average Days Collected ("ADC") = Average # Days from the Invoice Date to Payment Date

Source: Tesorio. Includes only Software/SaaS customers.

Average Terms



The Average Terms offered across software companies unsurprisingly increase with scale, as larger businesses have greater ability to extend credit to their customers.

Taken with ADC, we can clearly see that the pandemic did not disrupt cash collections for smaller companies as much as DSO and ADD might imply.

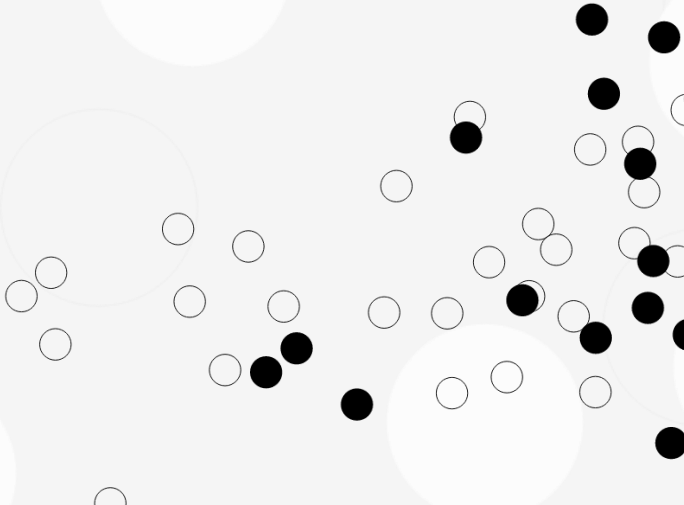
While certainly more sensitive to systemic fluctuations, differences in cash collection seem to boil down to smaller companies not being able to offer the same favorable terms as their larger counterparts.

Average Terms = Average # Days from the Invoice Date to Due Date

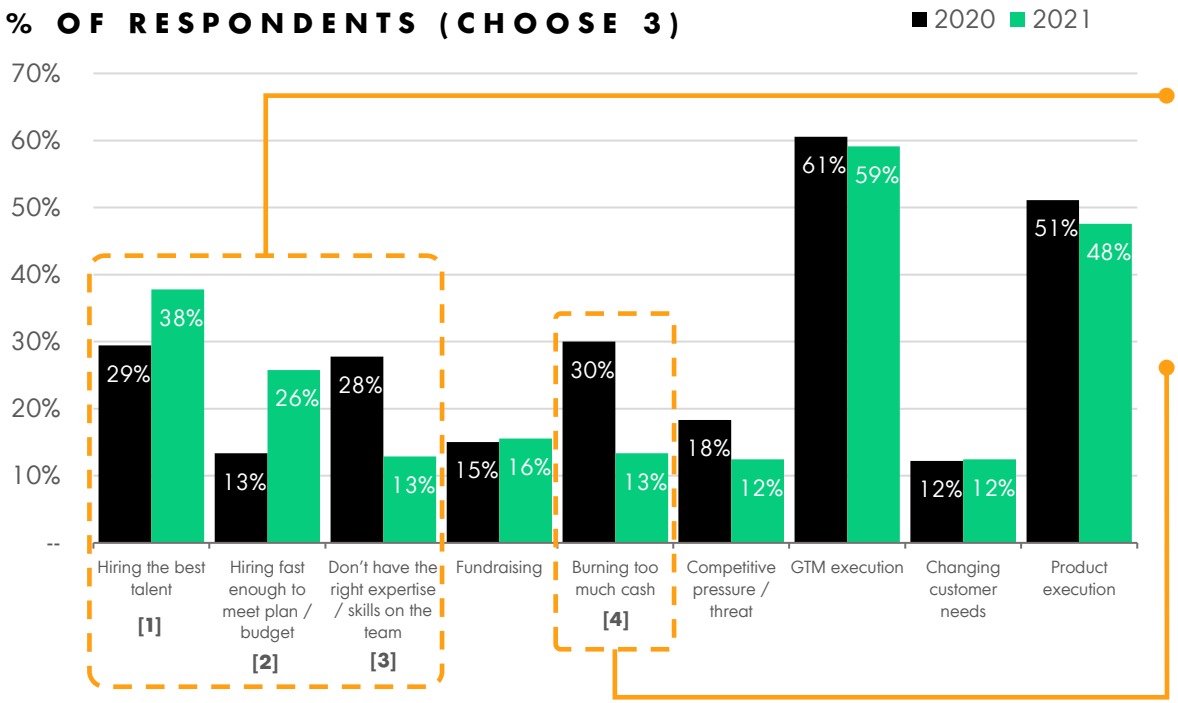
Source: Tesorio. Includes only Software/SaaS customers.

VIII.

TALENT *INSIGHTS*



What's keeping founders up at night?

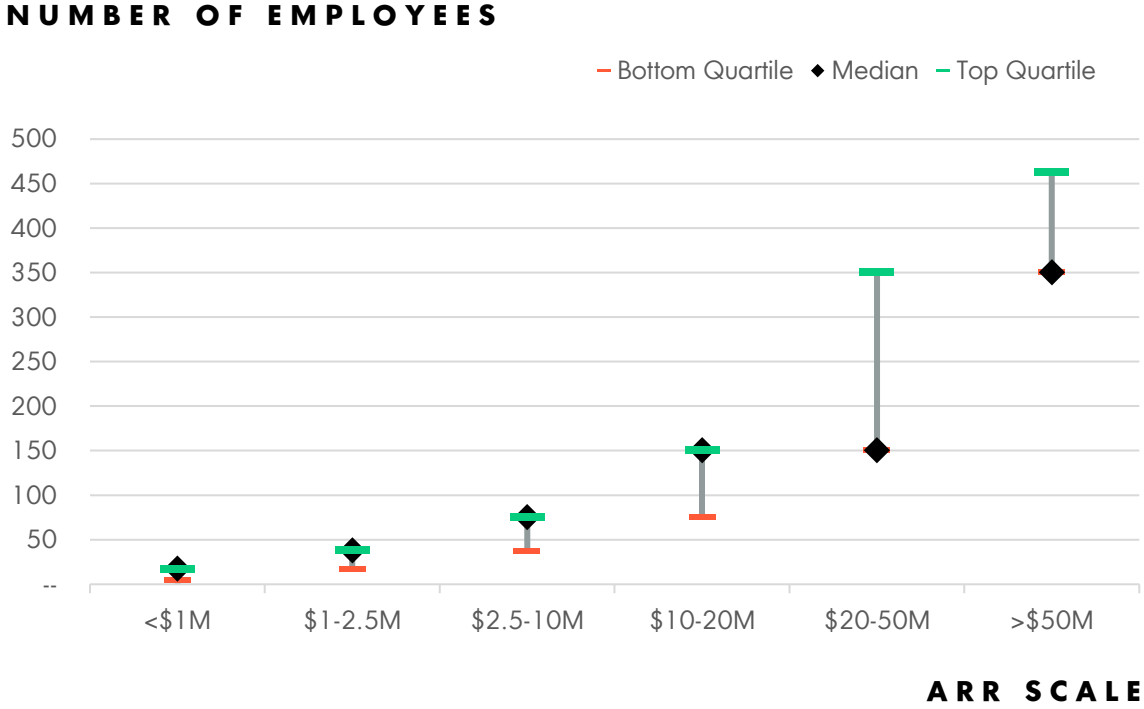


Although it's becoming harder to hire talented headcount [1] (and hire that talent quickly [2]), founder feedback seems to suggest that cuts to headcount during the pandemic were precise enough to effectively consolidate expertise within their organizations [3].

It appears that having access to more capital has led founders to be *far less* concerned with how that money is spent (burned) when compared to 2020 [4]. Perhaps investors are quick to grant a (temporary) "COVID-pass" on cash burn – in any case, a notable shift that we didn't expect to see.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Number of employees by ARR scale



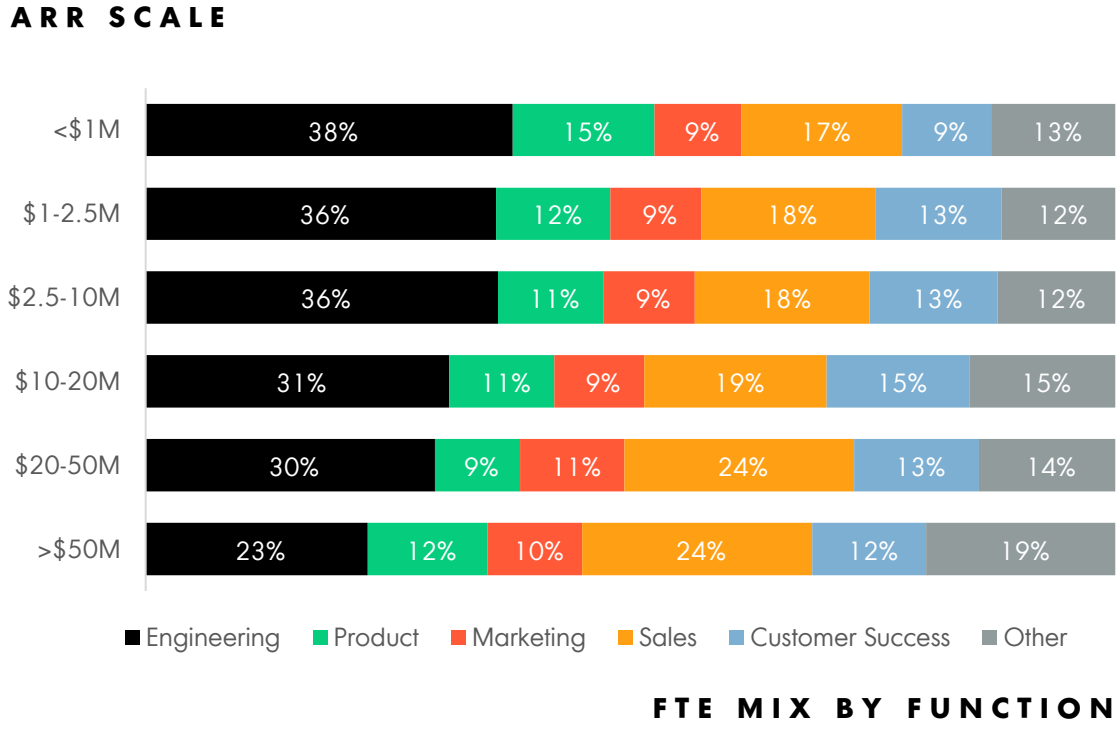
In the early stages, companies have one employee for every $95k in ARR. As companies scale to $10-20M, that figure jumps to $130k. Best-in-class is $200k+.

On average, 33% of employees are in Engineering, 27% in S&M, 12% in Customer Success and 11% in Product (all within 2% of 2020's distribution).

Each early and expansion stage (<$20M ARR) median employee count is up at least 45% from 2020, suggesting companies are re-hiring and returning to normal course after a turbulent 2020.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Mix of employees by function, by ARR scale



At the early stages, most startup employees are in Product & Engineering roles. However, as companies expand, they need to rapidly grow Customer Success and specialized functions to sustain rapid revenue growth.

We notice that Product & Engineering tends to be the main tradeoff as companies scale – once the product is built, commercial activities take priority. While the output of these activities scales more, emphasizing product-led approaches can also contribute to go to market success.

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

Progress on gender equality

Larger companies continue to fare slightly better when it comes to gender diversity within management teams.

42% of respondents had one or more female BoD member, consistent with last year. Meanwhile, 6% had gender parity on the BoD and 16% had parity among their leadership team.

Although diversity has been a trend in this report for years, it has been stagnant despite research showing that younger members of the workforce prioritize organizations that are diverse and inclusive of all people.

	2017	2018	2019	2020	2021
1+ FEMALE BOD MEMBER	29%	37%	38%	42%	42%
GENDER PARITY IN LEADERSHIP	12%	13%	14%	14%	16%
GENDER PARITY ON BOD	4%	8%	8%	6%	6%

Source: 2021 OpenView Financial & Operating Metrics Survey, N=225.

ABOUT THE *AUTHORS*

SEAN *Fanning*

VICE PRESIDENT

Sean Fanning is a Vice President on OpenView's Investment Team responsible for identifying, evaluating and executing on investment opportunities. He previously supported OpenView's Expansion Team on Corporate Development, Portfolio Analysis, and Growth. Sean writes a semi-regular newsletter on all thing's software and capital markets, Capital Markets Roundup.

sean@ov.vc

@seandougfan

/seandfanning

KYLE
Poyar

OPERATING PARTNER

Kyle helps OpenView's portfolio companies accelerate top-line growth through deep insights into their market landscape and customers. He leads segmentation, positioning, channel/partner strategy, new market entry and packaging/pricing initiatives, partnering closely with portfolio leadership teams. Kyle writes a regular newsletter, Growth Unhinged.

kyle@ov.vc
@poyark
/kyle-poyar

TOM *KENYON*

ASSOCIATE, PORTFOLIO INVESTMENT & ANALYSIS

Tom is a Portfolio & Investment Analysis Associate on OpenView's Capital Markets team. He works closely with OpenView's portfolio companies advising on and executing M&A and capital raise transactions, as well as supporting exit planning activities.

tomk@ov.vc

/thomas-kenyon

SAM *JOHNSON*

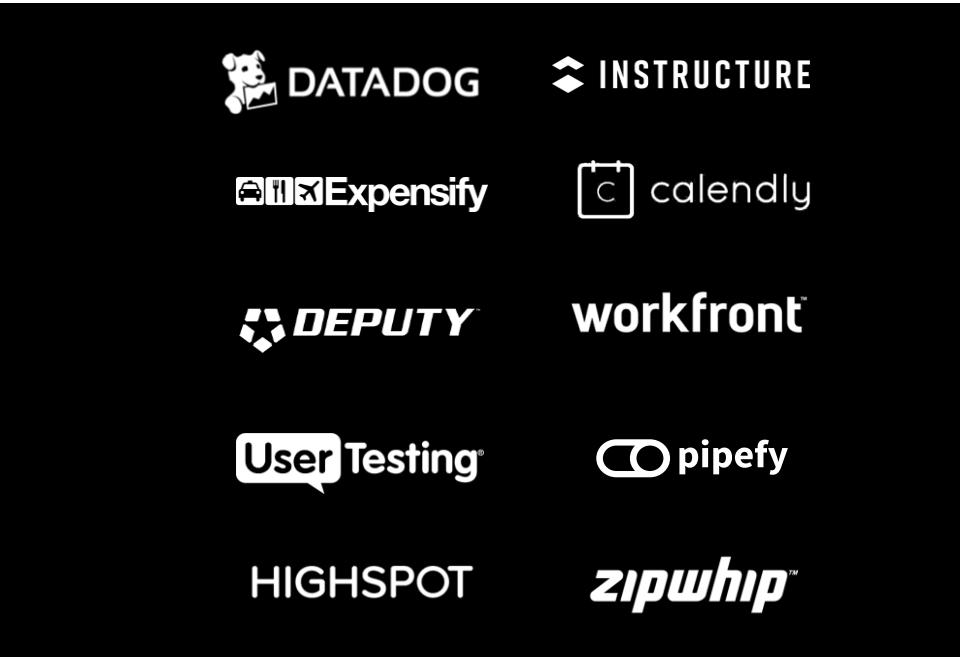
ASSOCIATE, CORPORATE DEVELOPMENT

Sam is a Corporate Development Associate on OpenView's Capital Markets team. He works with OpenView's portfolio companies on all inorganic and balance sheet related initiatives, from debt and equity fundraising, IPO preparation, and buy and sell side M&A.

samj@ov.vc

/samcarljohnson

OPENVIEW



THE EXPANSION STAGE *SOFTWARE VC*

Our mission is to improve people's working lives.

We do this by:

- Investing in the best software companies
- Helping our portfolio companies accelerate growth and become market leaders

Learn more at **ov.vc**

THANK YOU

2021