

BENCHMARKING CHURN ACROSS THE SAAS ECOSYSTEM

October 12, 2017

Practical Strategies for Benchmarking Your Retention



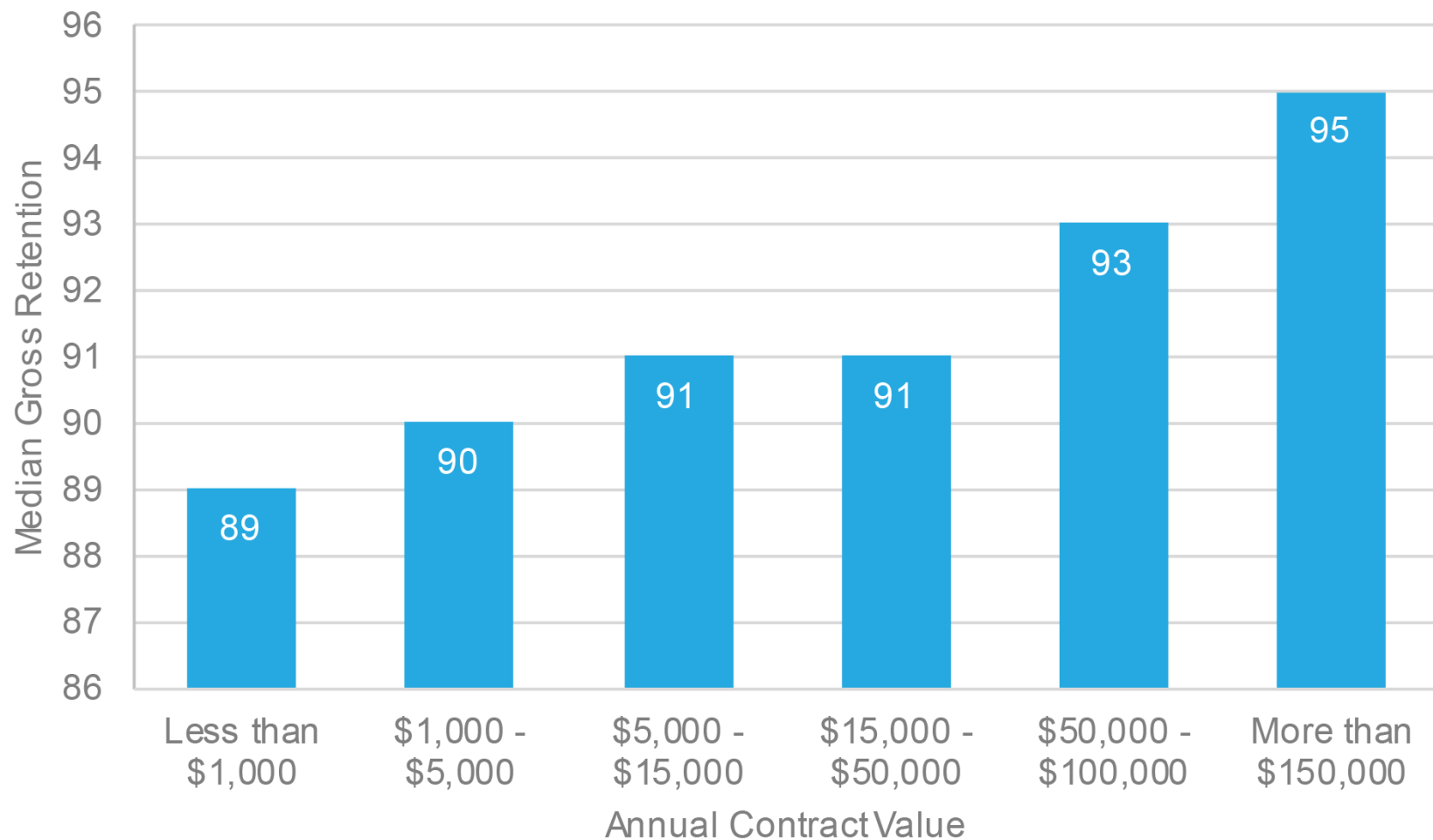
What Does SaaS Capital Know About Churn?

- Funded 48 successful SaaS companies across a wide spectrum of ACVs and verticals – Series A/B/C alternative
- Reviewed the churn metrics of *thousands* of SaaS companies
- Conduct the largest private SaaS company survey on churn in the industry: 700+ respondents for 2017 survey

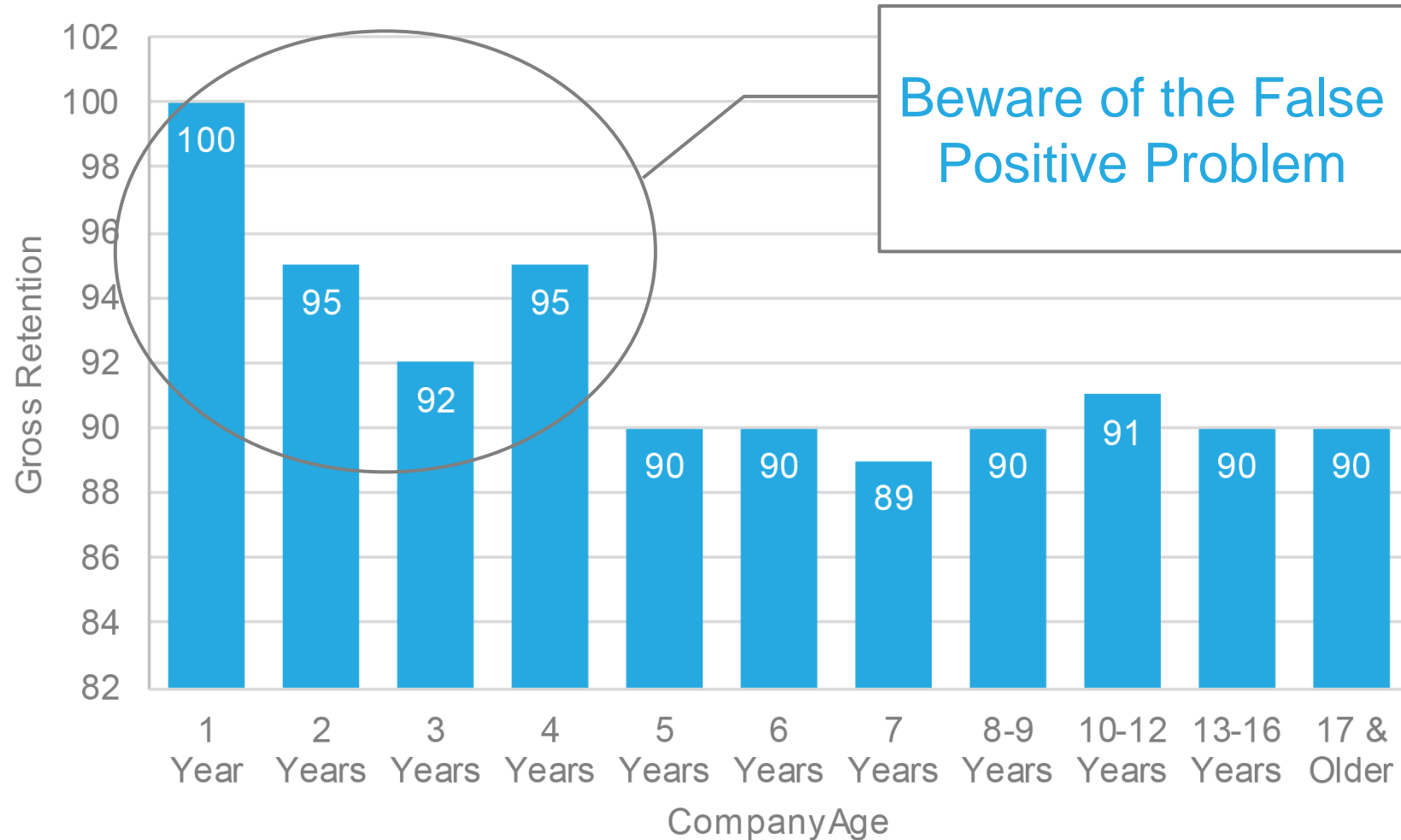
What to Benchmark?

- Retention = MRR today from customers a year ago / MRR a year ago
- **Gross retention** is the purest measure of retention
- Net retention combines and obfuscates two very different capabilities: customer retention vs. the capacity to cross-sell, upsell, and raise prices
- Net Retention = 100% (70% Gross + 30% upsell) very different from Net Retention = 100% (100% Gross + 0% upsell)
- Gross Retention should be benchmarked vs. companies with similar ACV products (NetSuite very different than Carbonite)

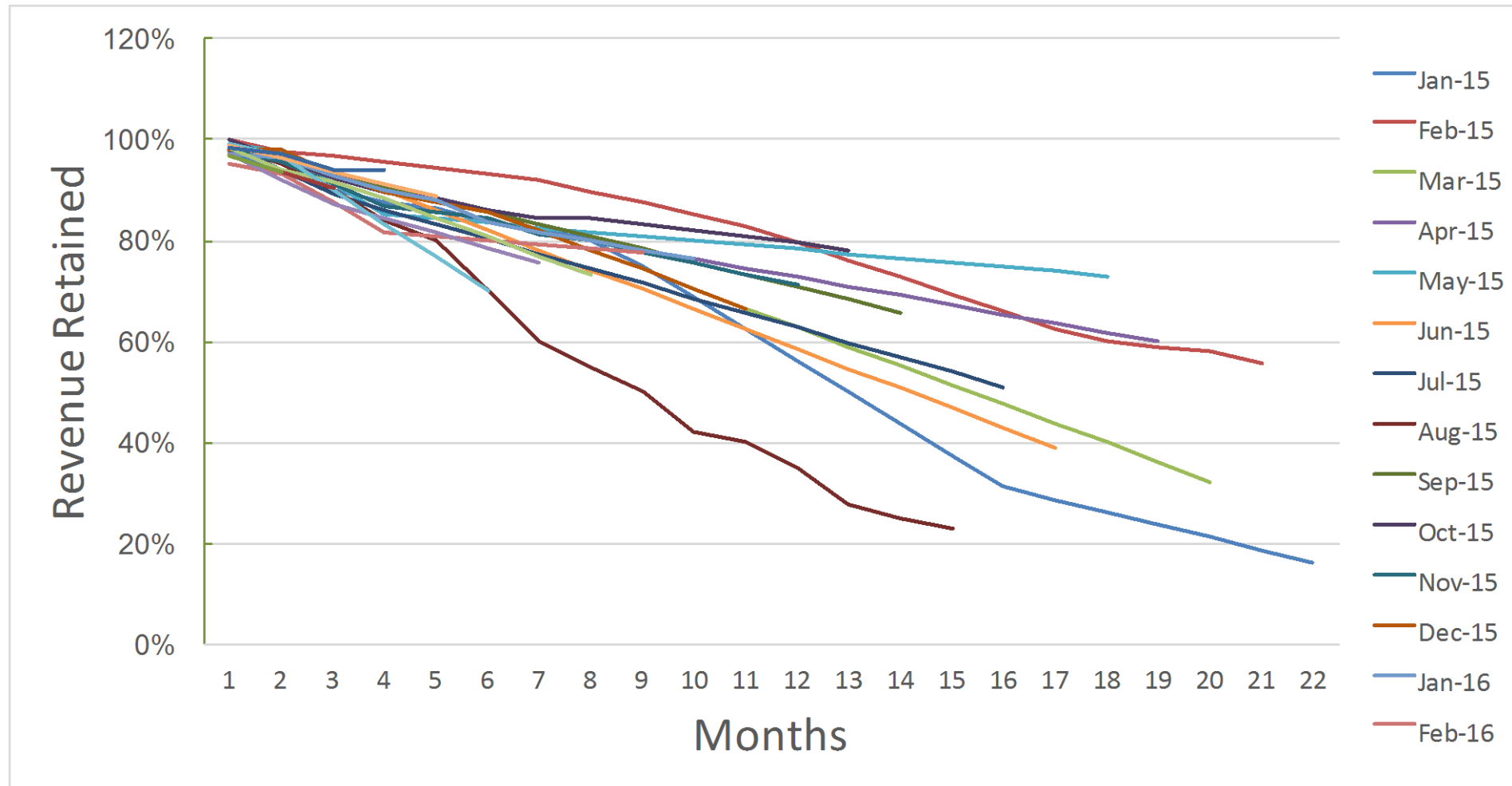
Gross Revenue Retention by Annual Contract Value



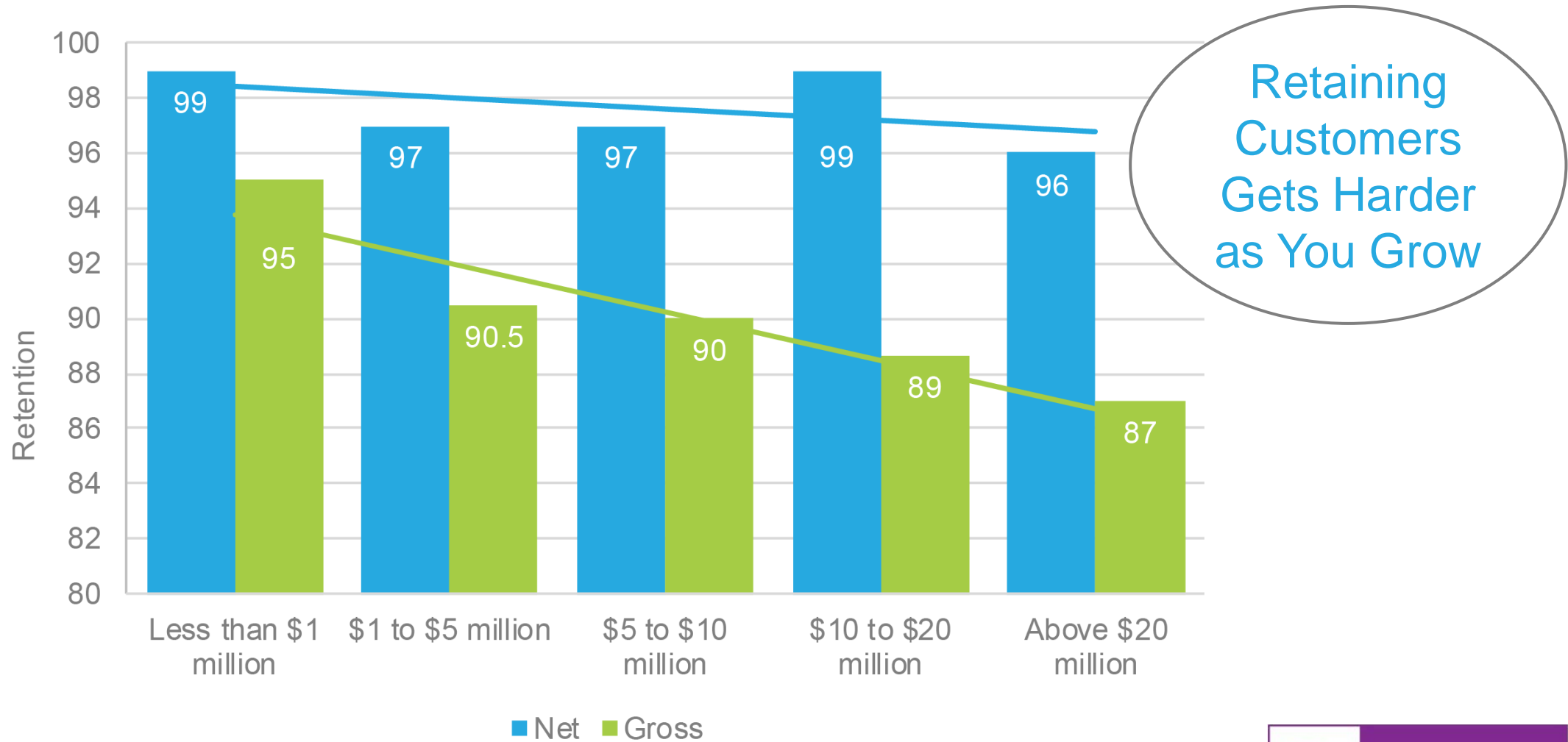
Median Gross Retention by Company Age



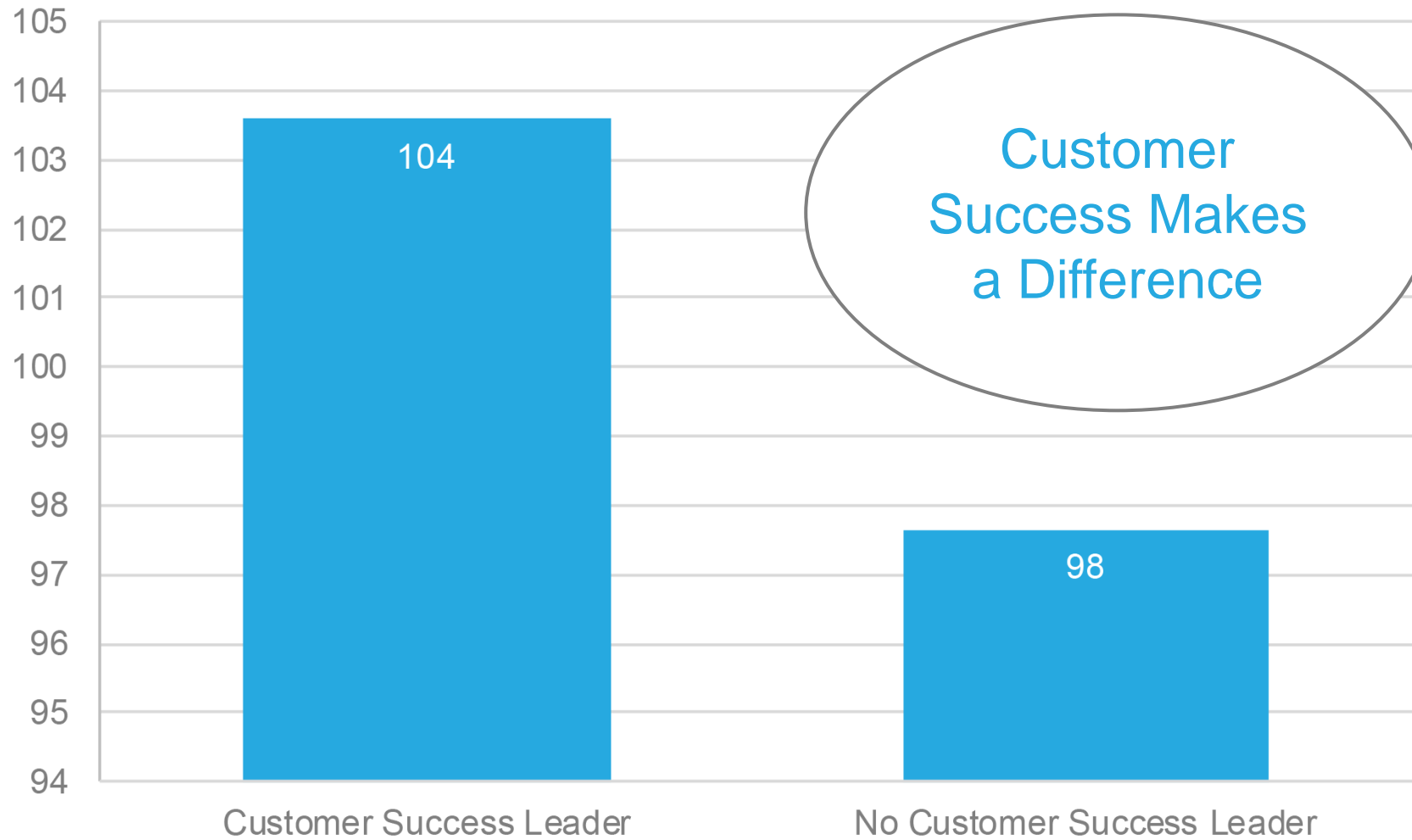
Sample Cohort Analysis: Revenue Retention by Month



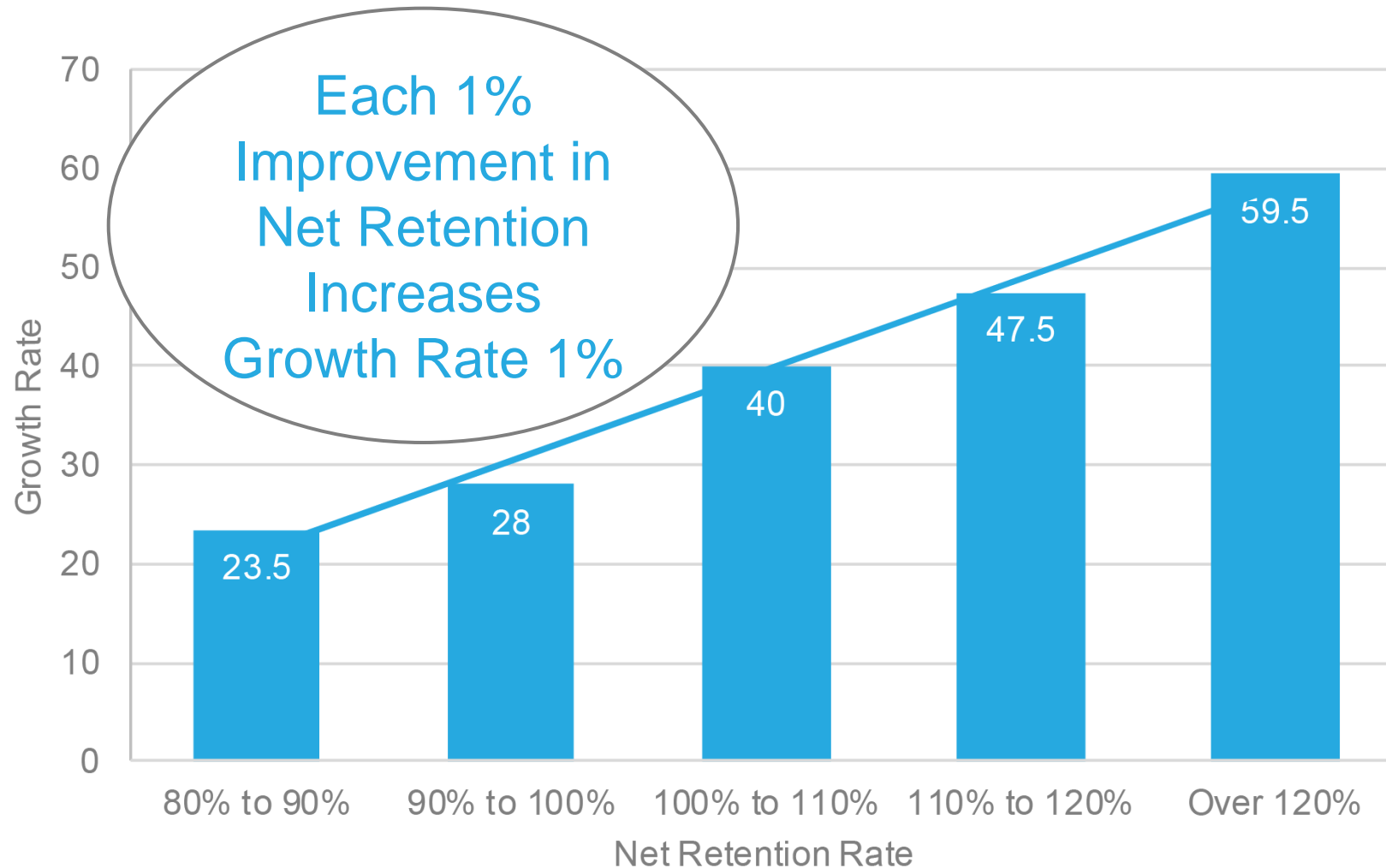
Median Retention by Company Size



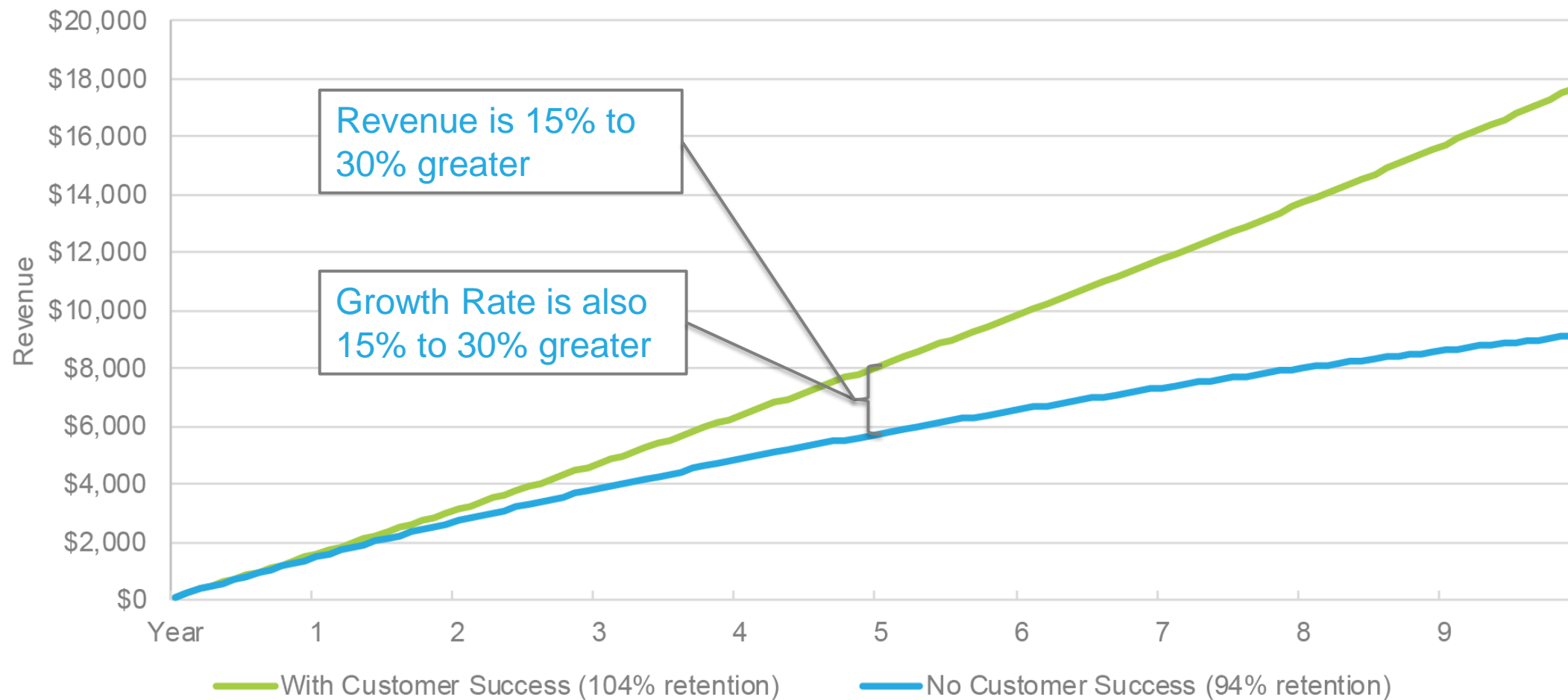
Impact of Customer Success on Net Retention



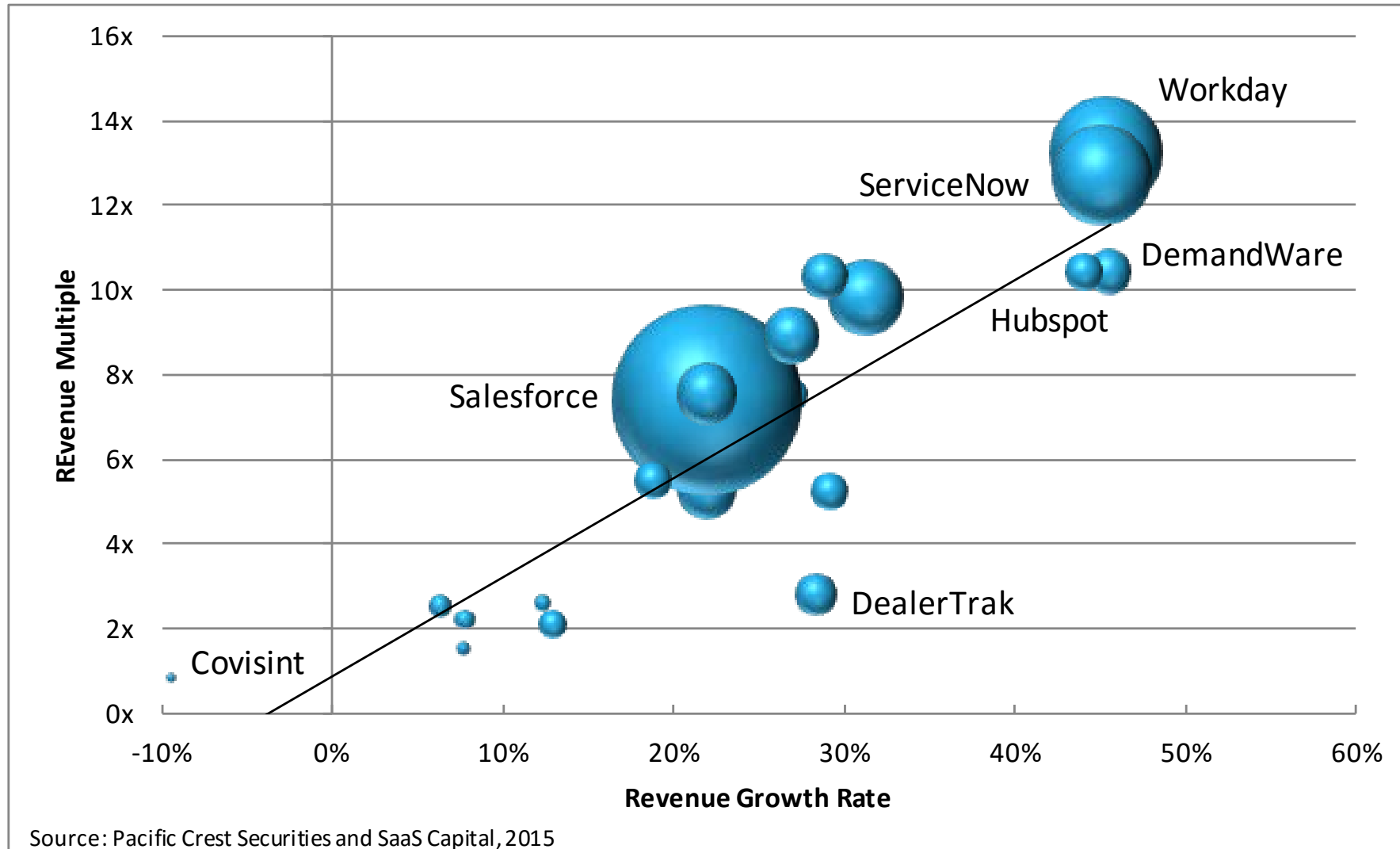
Growth Rate Based on Net Revenue Retention



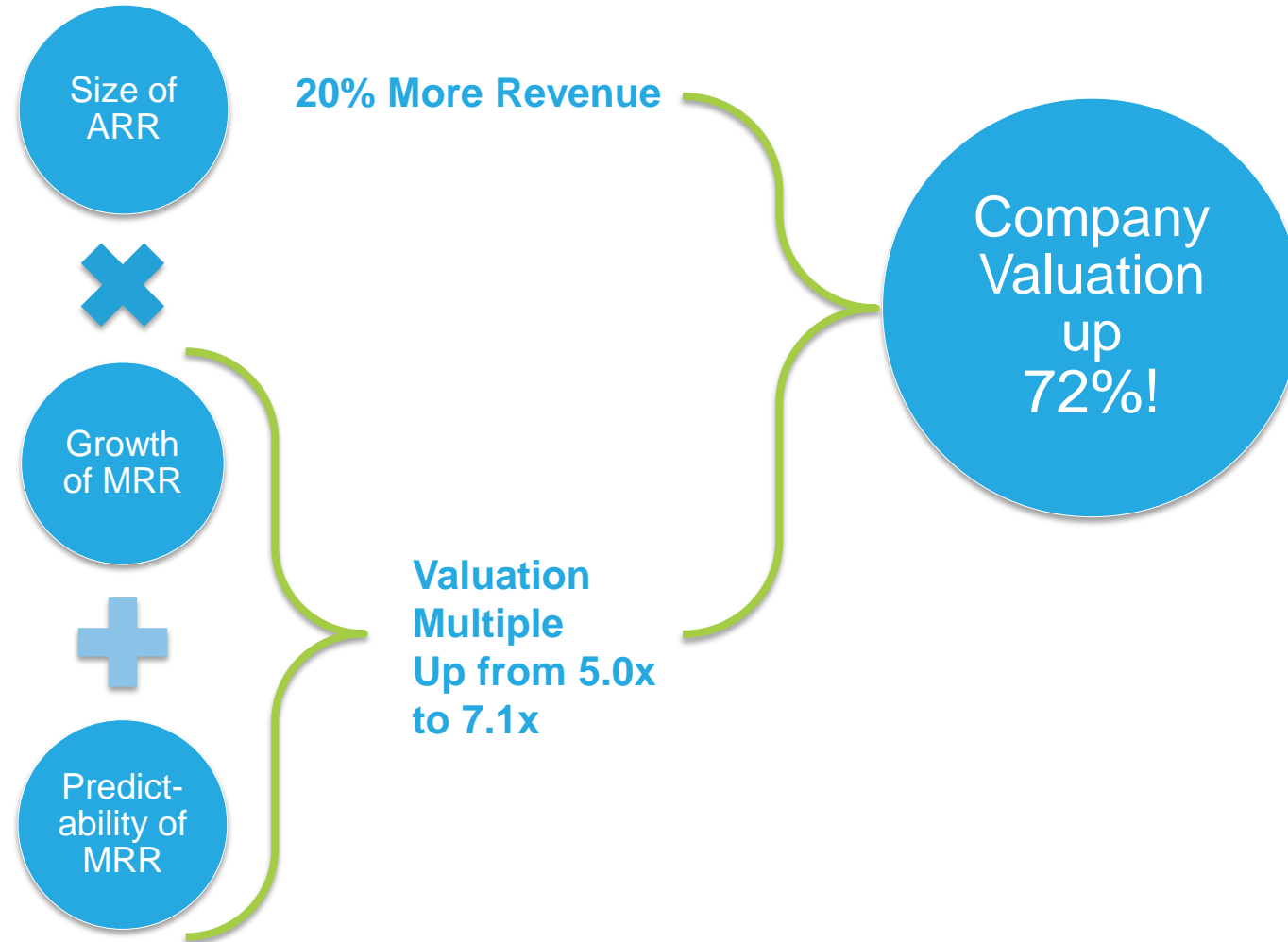
Changes in Retention are Exponential



How Growth and Scale Impact Valuation



Over Time, Churn has a Massive Impact on Company Valuation



Takeaways:

- ***Gross retention*** is the purest measure of retention
- When Benchmarking retention, account for ACV
- Improving churn is “swimming upstream” as your company matures
- Improved retention increases your company's value *exponentially*

The Leading Provider of Long-Term Committed Credit Facilities to SaaS Companies



We Know SaaS

SaaS Capital is best able to assist companies with the following attributes:

- Sell a SaaS-based solution
- \$200,000, or above, in MRR
- History of renewals greater than 80%
- Headquarters in U.S., Canada, or the United Kingdom
- Revenue growth above 15% per year

Your business does NOT need to be:

- Venture backed
- Profitable
- Billing your customers monthly