



The Capchase SaaS Benchmark Report 2023

How to grow sustainably and reach profitability sooner

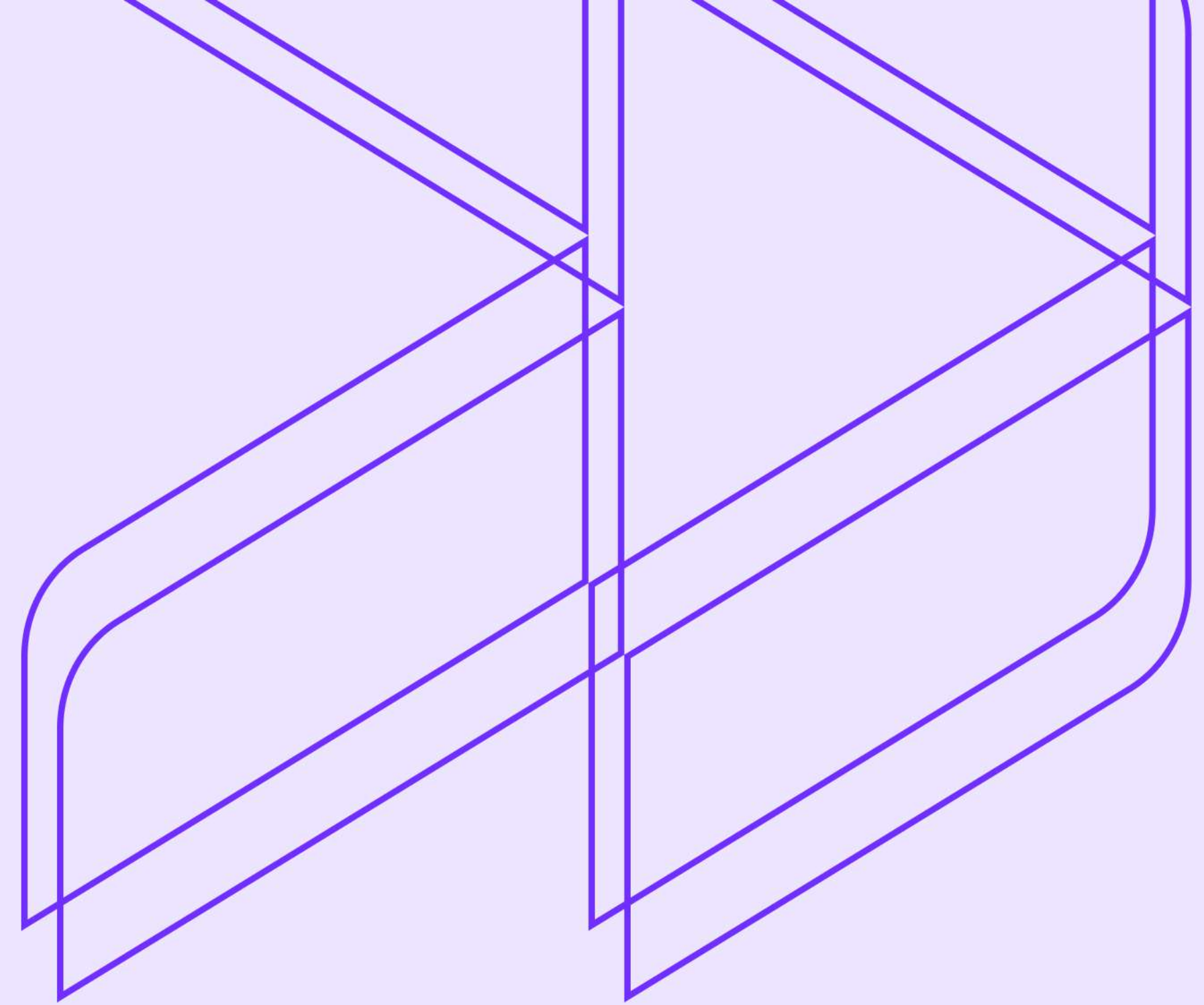


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[See how your business compares to competitors](#)

Try our [interactive benchmark calculator](#) to understand how your business performs in relation to industry standards for ARR Growth, Runway, Net Margin, Net Dollar Retention and R40.

[Benchmark your business](#)



Introduction

Over the last 18 months, early-stage Software-as-a-Service (SaaS) businesses have had to pivot from a 'growth at all costs' mindset to focus instead on sustainability and reaching profitability.

It's unclear when the global macroeconomic downturn that's driven this change will end, or whether the slowdown in venture funding is merely a dip, or marks a more permanent correction to a previously overheated market.

Against this backdrop, we're proud to launch the 2023 edition of The Capchase SaaS Benchmark Report.

In it, we analyze over 900 SaaS businesses with ARR between \$1m and \$15m to help you identify what success looks like in the new normal.

Our analysis shows that growth is still possible. This isn't surprising: the outlook for SaaS is underpinned by long-term trends in both business and society that favor cloud-based solutions, from remote working to the rise of AI and its application to every facet of our private and professional lives.

Importantly, our analysis also shows that growth doesn't have to come at the expense of efficiency.

In fact, it shows the opposite: growth and profitability are not the result of unlimited capital to spend on acquisition, but rather of knowing which levers drive the biggest impact.

We hope that you'll be able to use this report to better understand how your performance stacks up against that of your competitors, and invest in those areas that will enable you to thrive today, and become a market leader tomorrow.

“Our analysis shows that exceptional growth is possible, even in 2023. But it's the businesses that understand the levers of growth, and invest in the most impactful initiatives, that will become the market leaders of tomorrow.”



Miguel Fernandez
CEO & Co-founder Capchase

Executive Summary

Here are the SaaS performance trends you need to know:

1. Discipline and growth are not mutually exclusive.

The businesses that are best positioned for long-term sustainable growth and profitability—in this report defined as those with the highest ARR Growth + Net Margin, or R40—grow around three times as fast as the average SaaS business while maintaining considerably stronger Net Margins. They also spend as little as one sixth on customer acquisition compared to their peers, and recoup those costs in half the time.

2. The best-performing companies are focused on efficient acquisition of new logos, rather than retention.

For those same businesses, revenue growth is coming from new customer acquisition, rather than extracting more revenue from their existing customer base. When looking at both Logo Churn and Net Dollar Retention, the best-performing businesses maintain roughly similar levels to the median.

3. The Real Estate & Construction sector have shown the strongest growth over the last year.

Median ARR growth in the sector was 75%. Those in the top quartile for R40, the metric we're using to indicate sustainable growth, are growing ARR by 162% year-on-year.

We believe this is likely because our dataset is highly exposed to top-performing sub-sectors within the real estate industry, such as residential software solutions.

4. Bootstrapped businesses are growing as fast as venture-backed businesses, despite being more disciplined.

It's normally assumed that venture-backed businesses will grow faster than their bootstrapped peers, since they have more capital to invest in sales and marketing campaigns. However, the bootstrapped businesses in our dataset are increasing revenue at a similar level to the average VC-backed business (~44% vs ~43% respectively). That's despite spending only a quarter of what VC-backed businesses do on acquiring each new customer.

5. European businesses are lagging behind their US peers, despite spending more on acquisition.

On average, they also have lower LTV/CAC, higher total CAC and longer CAC Payback periods. This is likely driven by the fact that early-stage businesses in the US have access to a larger initial market, while European businesses typically launch in smaller and more fragmented markets.

To grow, they often need to overcome language, cultural and legislative barriers. That might also explain why they have lower logo churn and higher net dollar retention. If you have access to fewer potential customers, retaining those you've already acquired becomes more important.

Methodology

In this report we analyze over 900 private SaaS companies with \$1M - \$15M in Annual Recurring Revenue. The data reflects actual financial performance, sourced directly from companies' anonymized records. We believe that it's one of the largest datasets of its kind that is based on financial actuals, rather than survey data.

Distinguishing sustainable growth from growth at all costs

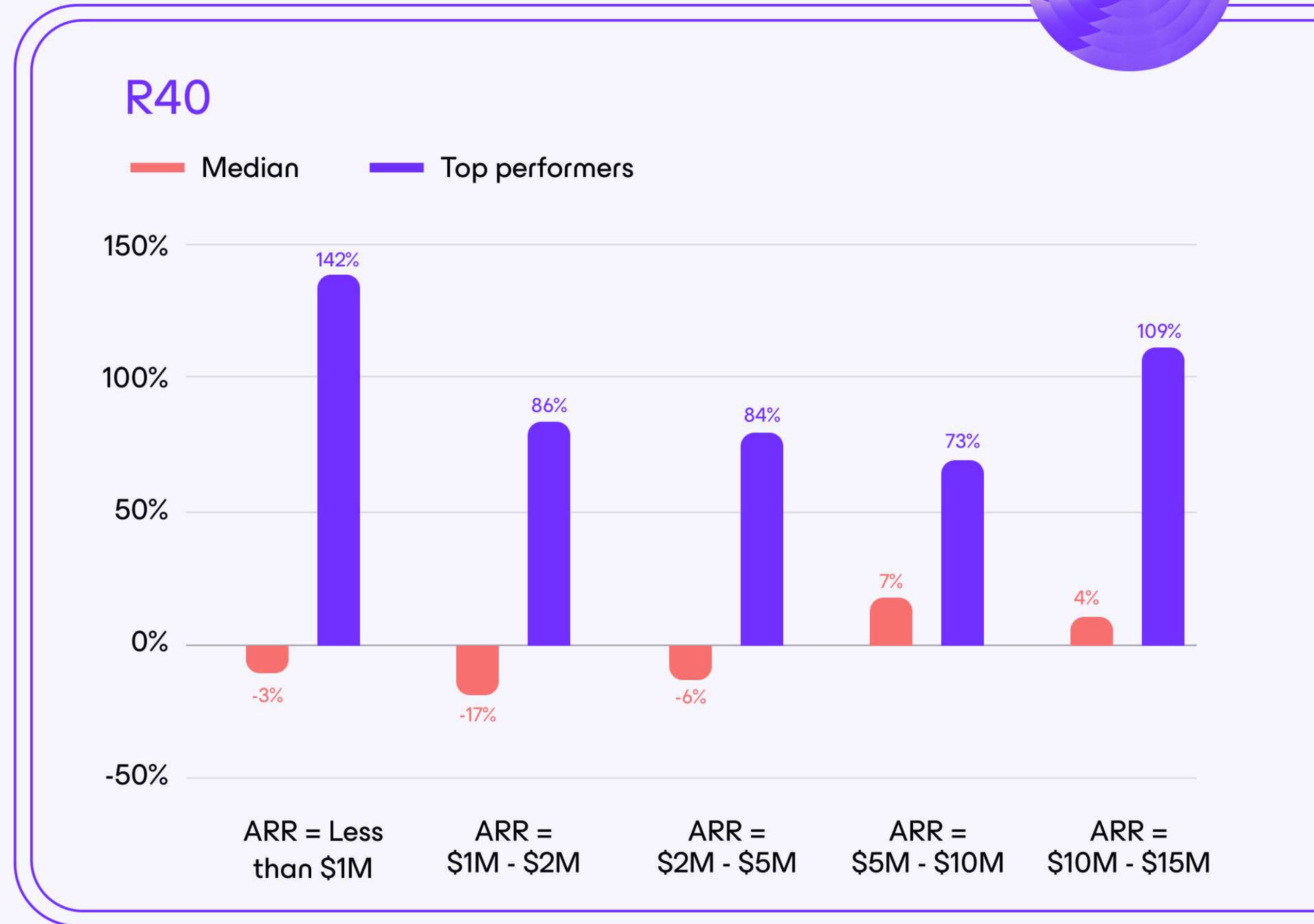
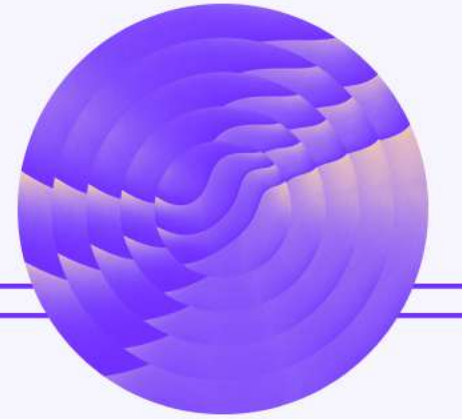
To identify those businesses that are best positioned for long-term sustainable growth and likely to reach profitability earlier, we identified those in the top 25% in R40.

We'll be referring to these businesses as the "Top Performers" throughout this report.

R40 - a measure of sustainable growth for SaaS

R40 is a measure of growth vs burn for both VC-backed and bootstrapped SaaS businesses. VC-backed companies typically have very good ARR growth, but are cash burning, and consequently have negative net margin. Bootstrapped businesses by nature have higher net margin, but more moderate growth.

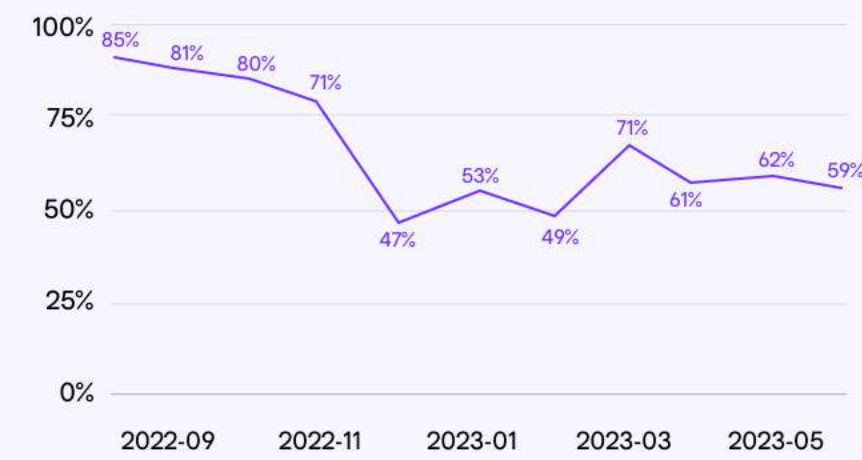
Because it balances growth against burn, it's a useful metric to determine the health of a business at a glance. It's generally believed that to be attractive to investors, you need to achieve at least 40% ARR Growth YoY + Net Margin—hence the "Rule of 40".



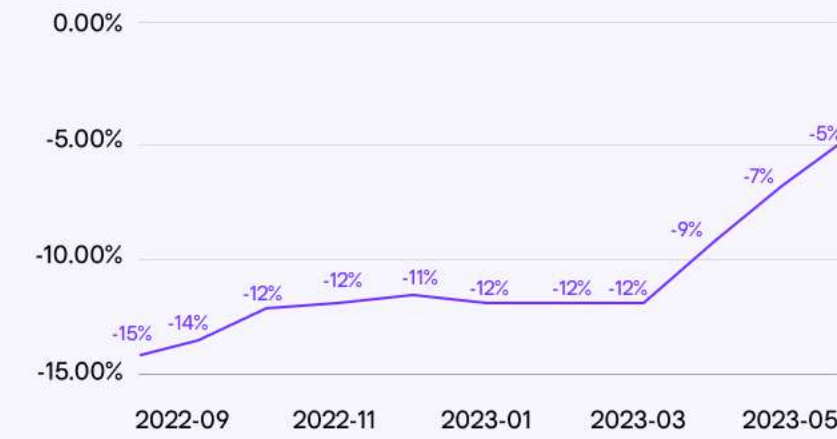
R40 - A reliable predictor for future success

To understand the impact of maintaining a healthy R40, we looked at how last year's top performers have fared over the past 12 months. These charts track their performance in key metrics over the period August 2022 to June 2023. The data is clear: last year's top performers are better able to cope with the current downturn. Unlike their competitors, their focus on sustainable growth has allowed them optionality. In a strong economy, they were able to double down on growth. In the face of uncertainty, they're able to move towards profitability.

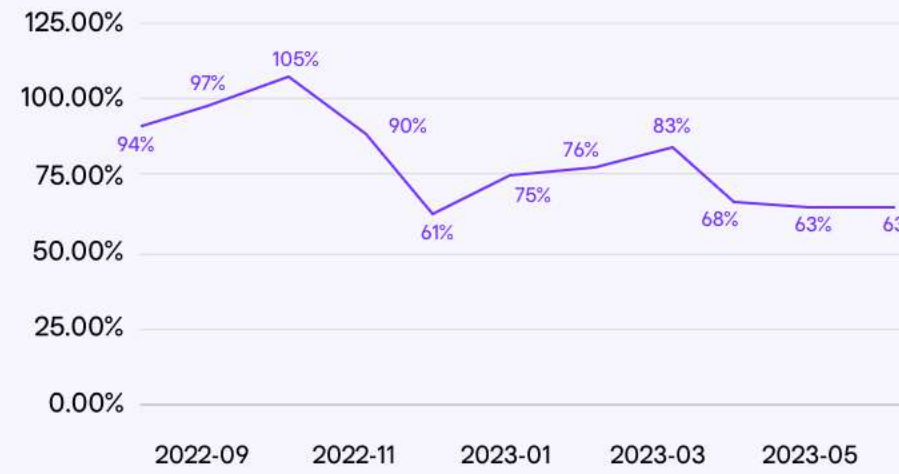
R40



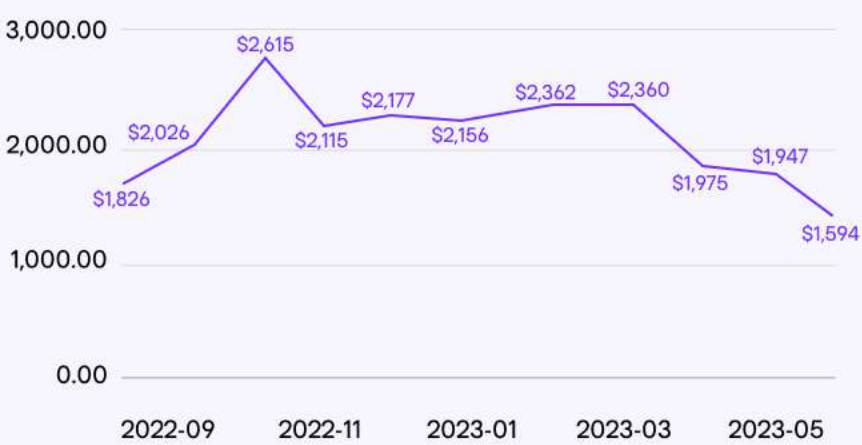
Net Margin



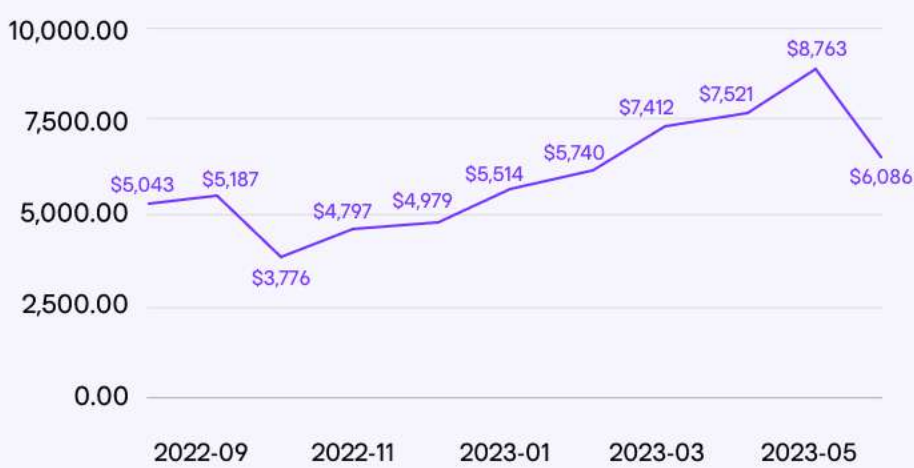
ARR Growth Y-o-Y



ARPU



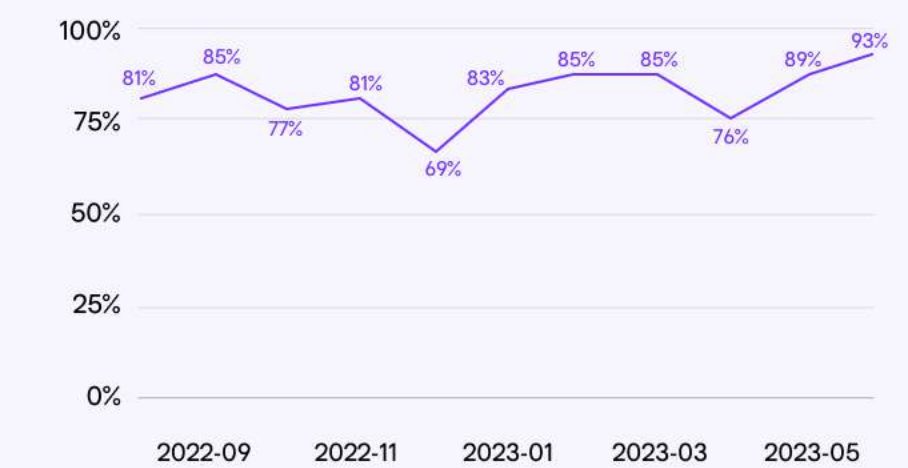
CAC



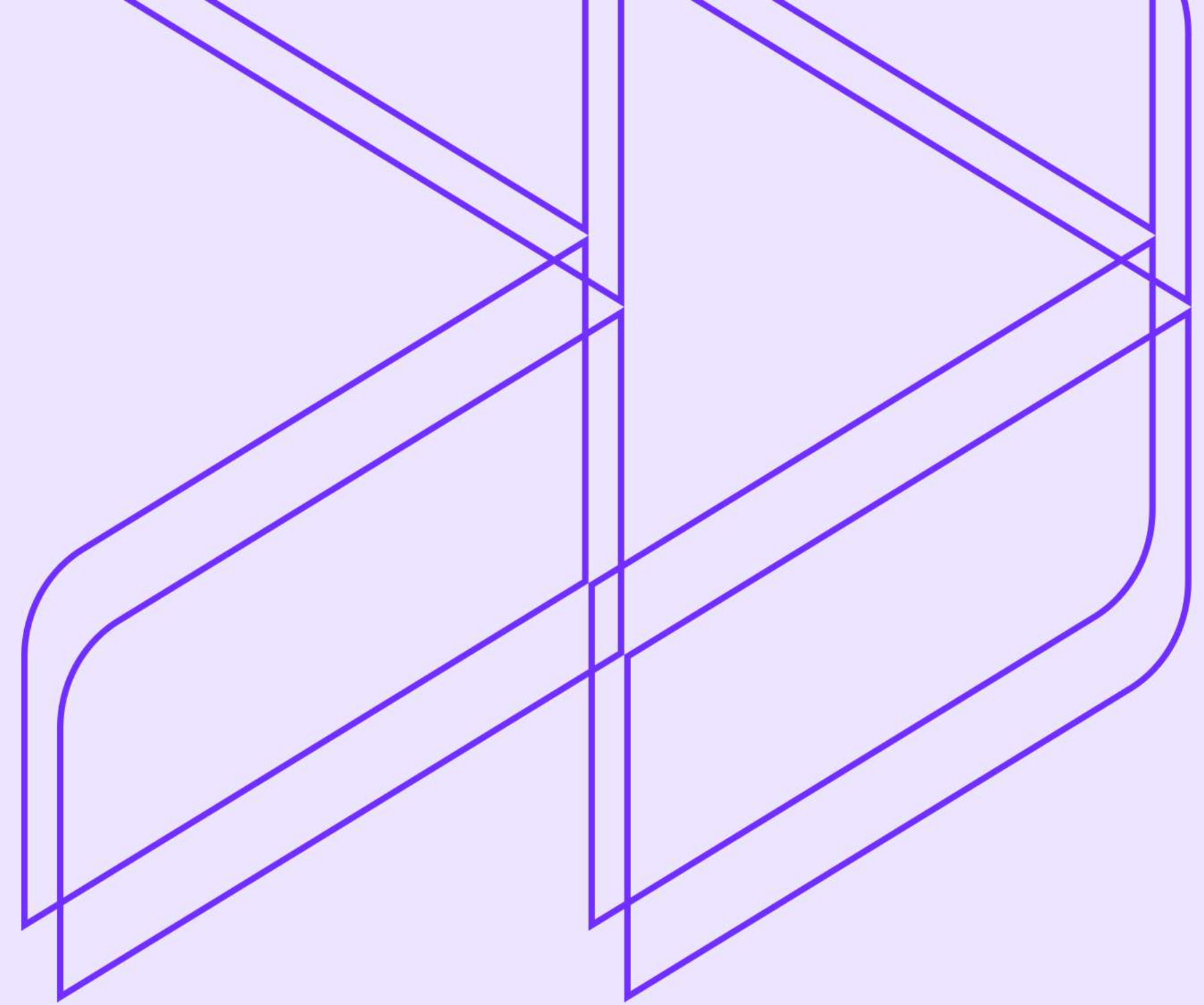
Logo Growth



Net Dollar Retention

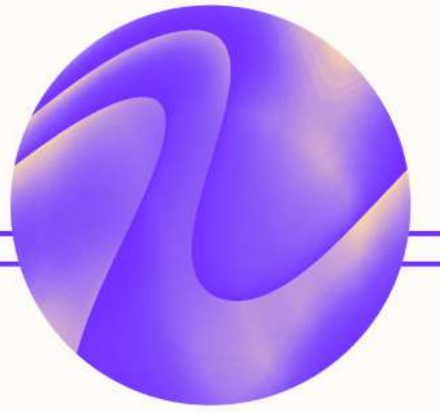


For investors, these businesses are a unique prospect: they carry the promise of high reward, without the risk normally associated with high-growth investments.



Analysis by Annual Recurring Revenue

Annual Recurring Revenue Growth Year-on-Year



How we calculate it

$$\frac{\text{Current ARR} - \text{ARR 12 Months Prior}}{\text{ARR 12 Months Prior}}$$

Why it matters

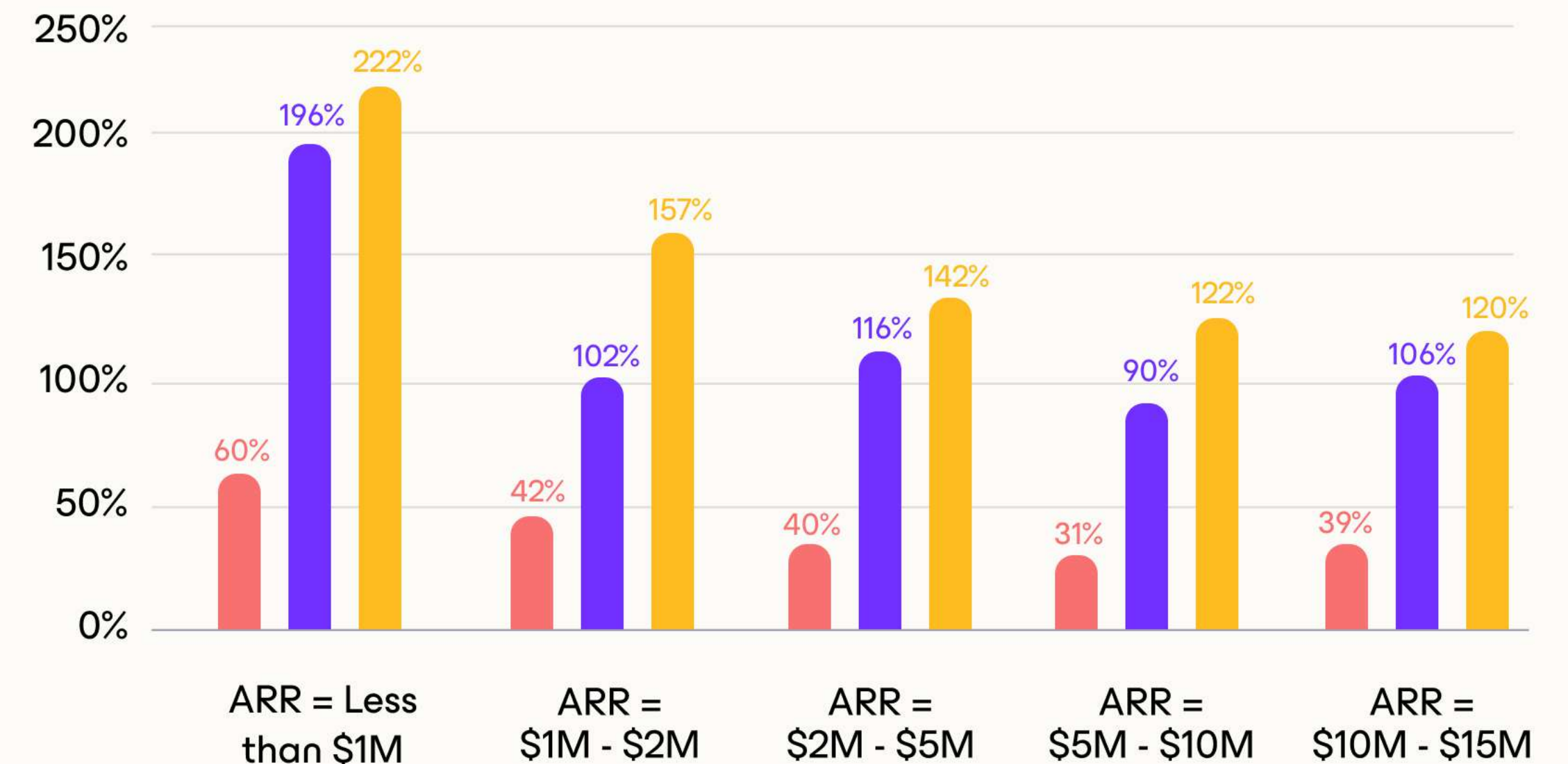
Recurring revenue shows the amount of revenue a business generates from subscriptions. ARR Growth is useful for helping you forecast future revenue, and can help investors come up with accurate valuations for businesses they're interested in.

Takeaways

- Top-performing businesses (those in the top quartile for R40) are growing around three times as fast as their peers.
- For both top and average performers, growth is higher early on, as they're starting from a low base.
- For this chart we've included the top quartile for ARR Growth Y-o-Y. While it shows that those businesses are growing faster than the ones in the top quartile for R40, we'll see on the next page that they're sacrificing their margins in doing so, and less likely to achieve profitability.

ARR Growth Y-o-Y

Median Top performers
Fastest growing businesses



Net Margin

How we calculate it

$$\frac{\text{Net Income}}{\text{Total Income}}$$

Why it matters

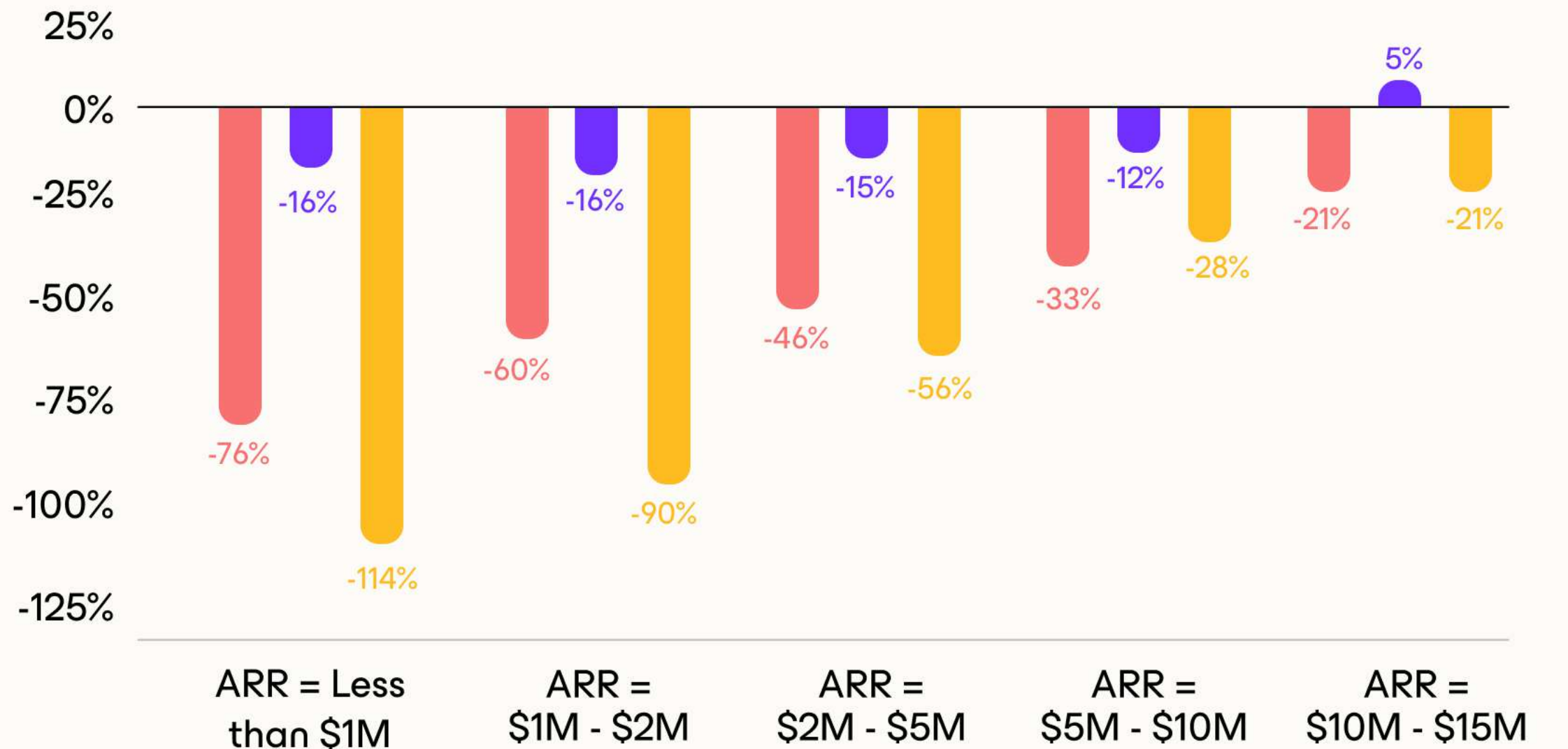
Net Margin is one of the most important metrics to track for overall business health. At the most basic level, it shows whether your business is generating more revenue than you spend. Unlike Gross Margin, it takes all of your business costs into account.

Takeaways:

- The businesses that balance growth with burn are likely to reach profitability much sooner than their peers, and have greater optionality to break even if they choose to do so in the short term.
- Although the fastest-growing businesses are growing around four times as fast as the average business, they're growing at a high cost: by reducing their margins they're more exposed to adverse market conditions and are likely to take longer to reach profitability.

Net Margin

Median Top performers
Fastest growing businesses



Gross Margin

How we calculate it

$$\frac{\text{(Total Revenue - Cost of Goods Sold)}}{\text{Total revenue}}$$

Why it matters

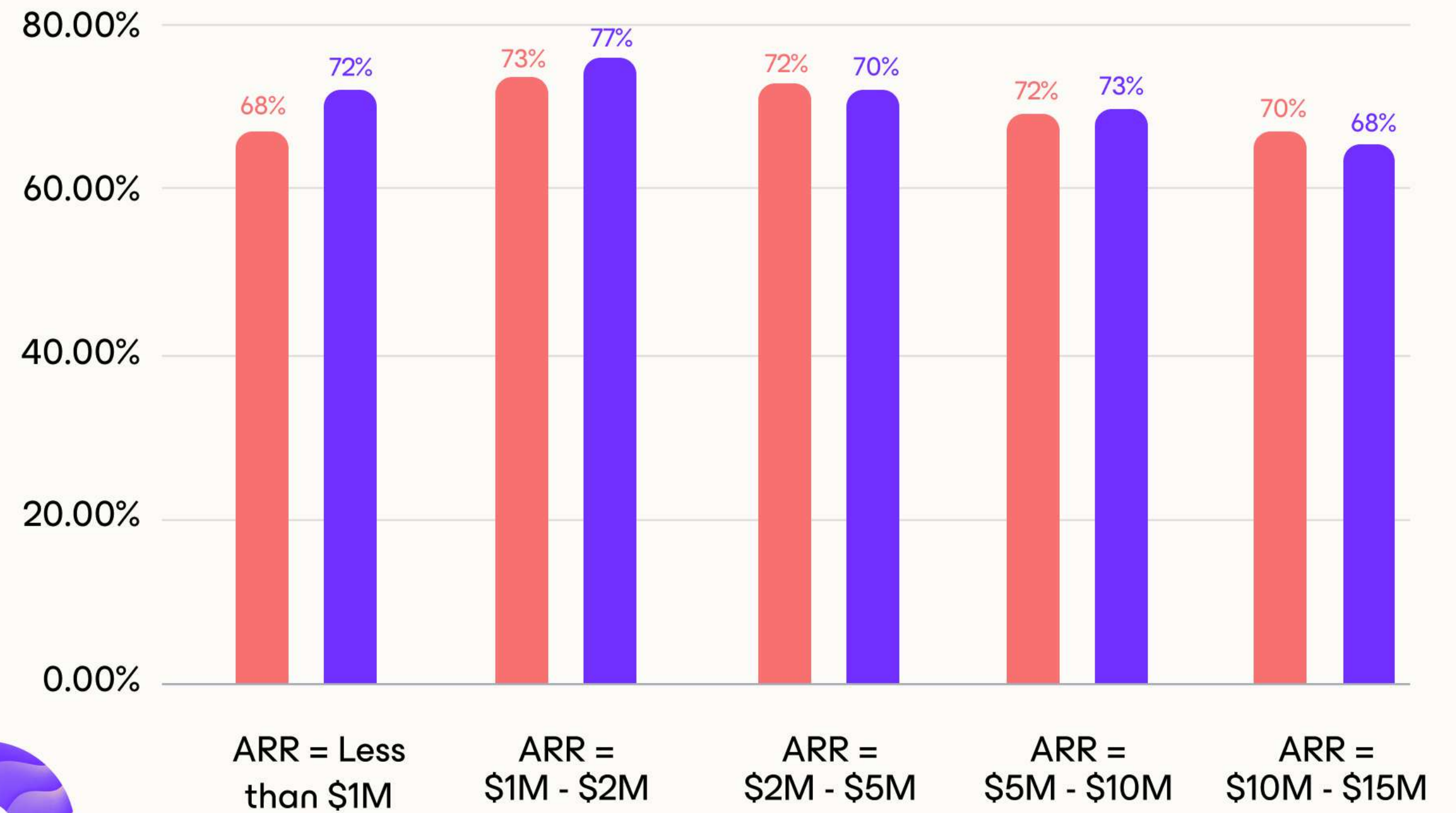
Gross Margin shows you how much revenue you have available for operating expenses and new investments. It's a reliable indicator of scalability, and is commonly referred to by investors when evaluating a SaaS company.

Takeaways

- For SaaS businesses, Gross Margins are typically very high as their cost of goods sold are limited to hosting costs, and sometimes customer service costs.
- Gross Margins are similar for average and top performers, likely due to the fact that SaaS COGS are by nature kept to a minimum.

Gross Margin

Median Top performers



Customer Acquisition Cost (CAC)

How we calculate it

$$\frac{\text{Sum of CAC expenses}}{\text{Sum of new logos}}$$

Why it matters

Customer Acquisition Cost shows you how much your business spends to acquire each additional customer.

Takeaways

- For both top and average performers, CAC increases over time, as businesses find product-market fit and increase spending on growth. Many businesses also choose to spend more per customer as they mature, move upmarket, and target higher average contract values.
- Top performers are significantly more conservative in their acquisition spend in the early stages as they work to get product-market fit before investing in growth.

CAC

Median Top performers



Customer Lifetime Value / Customer Acquisition Cost Ratio (LTV/CAC)

How we calculate it

$$\text{LTV} = \frac{\text{ARPU} * \text{Gross Margin}}{\text{Logo Churn}}$$

$$\text{CAC} = \frac{\text{Sum of CAC expenses}}{\text{Sum of new logos}}$$

Why it matters

LTV/CAC can help you determine how much you should be spending on acquiring new customers by measuring it against the amount of revenue you're likely to generate from each customer.

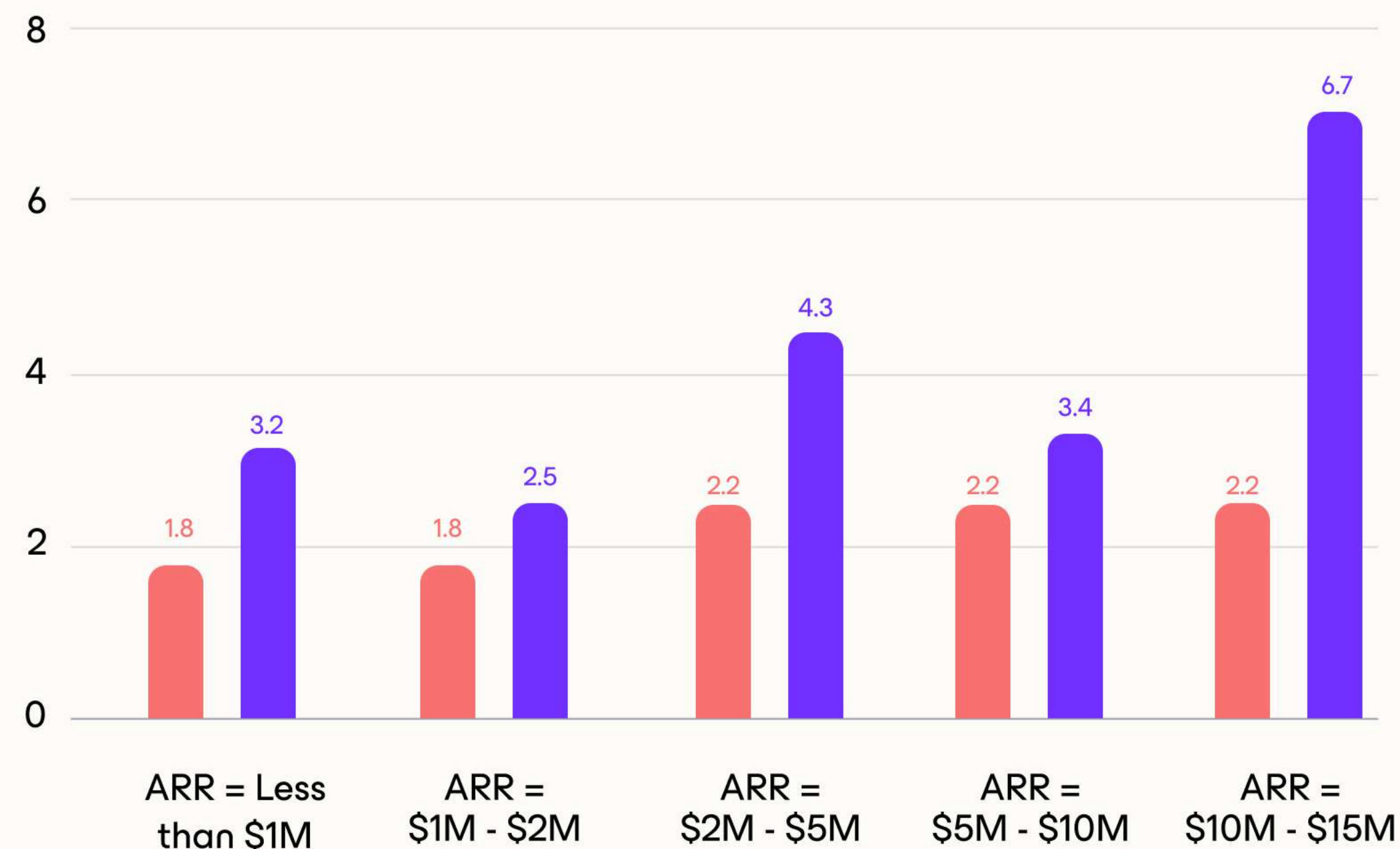
It's also a good indicator of retention, upsell, and cross-sell capabilities as well as overall product-market fit. It's one of the main metrics that equity investors typically consider.

Takeaways

- Top performers maintain strong LTV/CAC ratios throughout their early and growth stages.
- They also have between 1.3 - 3x higher LTV/CAC ratios compared to their peers.

LTV/CAC

Median Top performers



Customer Acquisition Cost Payback Period

How we calculate it

$$\frac{\text{CAC}}{\text{GM} \times \text{ARPU}}$$

Why it matters

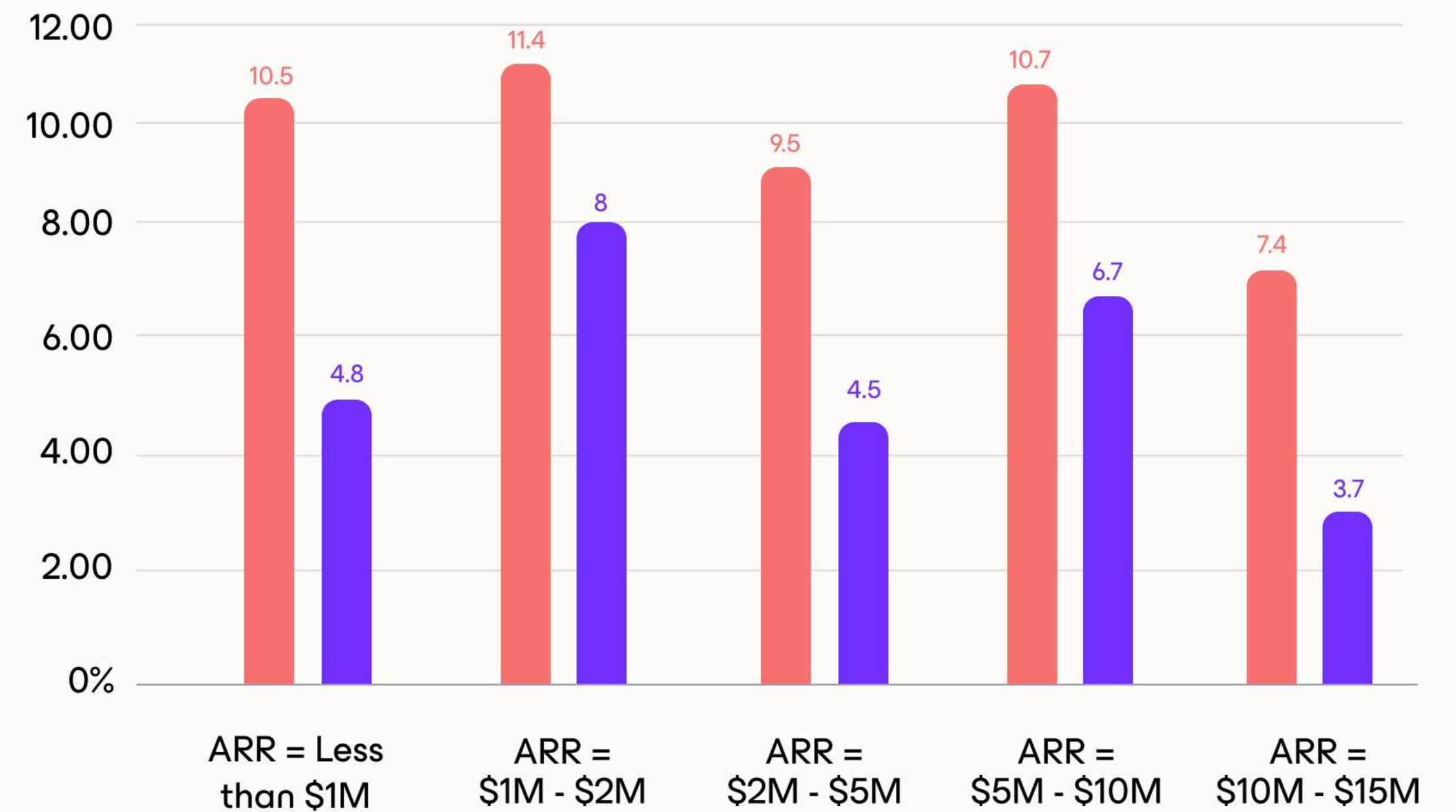
Your business's CAC Payback period shows how long it takes you to recoup costs associated with acquiring each new customer.

Takeaways

- Top performers have significantly shorter CAC Payback Periods compared to their peers, recouping acquisition costs in as little as half the time it takes the average business in our dataset.

CAC Payback (Months)

Median Top performers



Logo Churn

How we calculate it

Customers churned over the last month
Total customers in the previous month

Why it matters

Logo churn shows what percentage of your customers cancel or pause their subscription each month.

If logo churn in your business is higher than average, it could indicate that you're not meeting your customers' expectations.

Takeaways

- Beyond the very early stages, top performers see a similar percentage of customers leave compared to their peers.



Logo Churn

Median Top performers



Net Dollar Retention

How we calculate it

$$\frac{\text{(Sum of MRR from businesses in cohort remaining at month 12)}}{\text{(Sum of MRR from starting number of businesses in the same cohort)}}$$

Why it matters

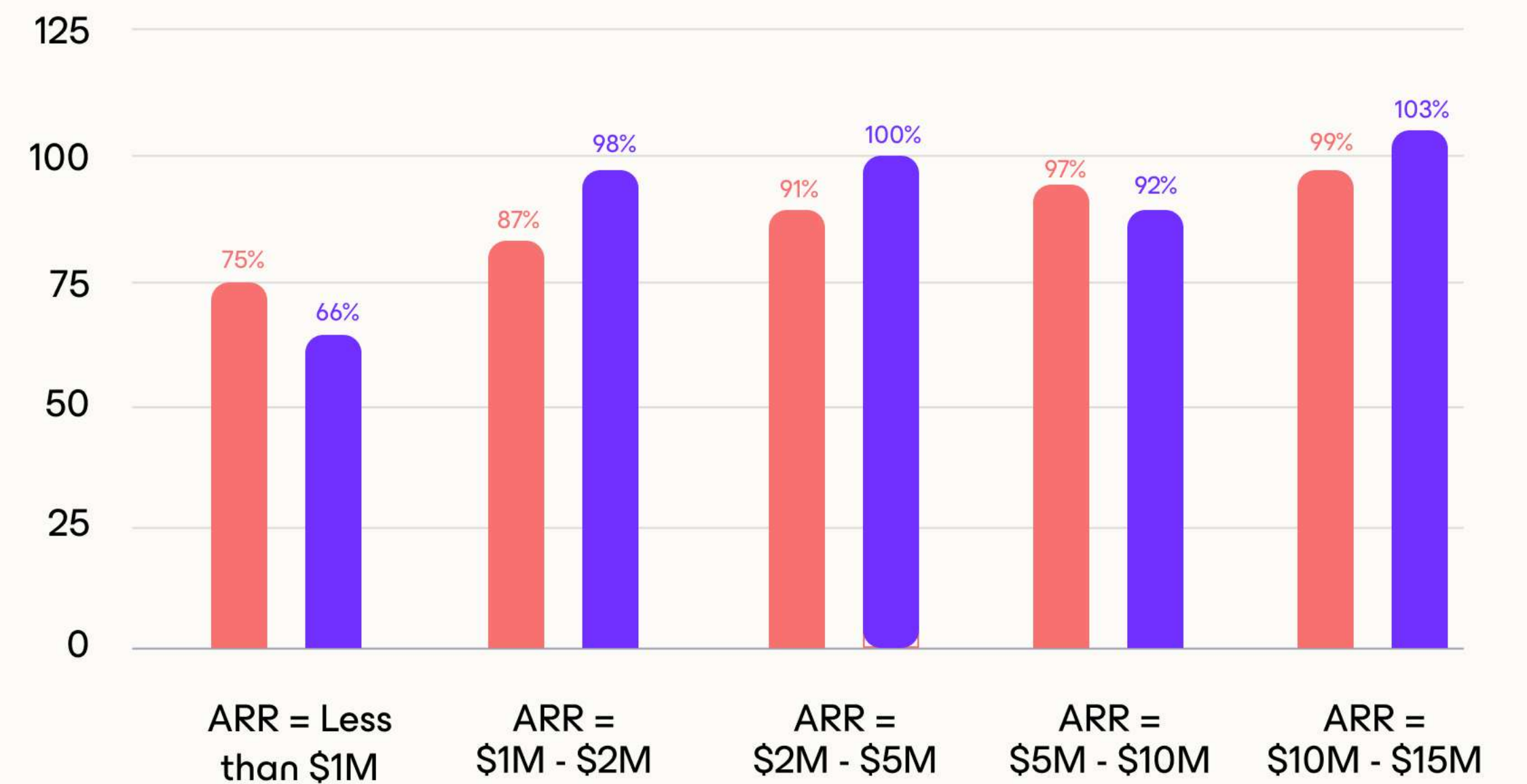
Net Dollar Retention shows you how well your business is doing at keeping your customers engaged and satisfied.

Takeaways

- Net Dollar Retention is roughly similar for top and average performers.
- As with logo churn, this shows that top performers' growth comes primarily from new logo acquisitions, and could indicate that they're missing out on growth opportunities by not exploring ways to increase revenue from their existing customer base.

Retention

Median Top performers



Cash Runway

How we calculate it

Cash balance

Cash flow

Why it matters

Cash Runway shows you how long your company can stay in business based on your current cash reserves.

If your business is venture-backed, it shows you when you'll need to raise external funding.

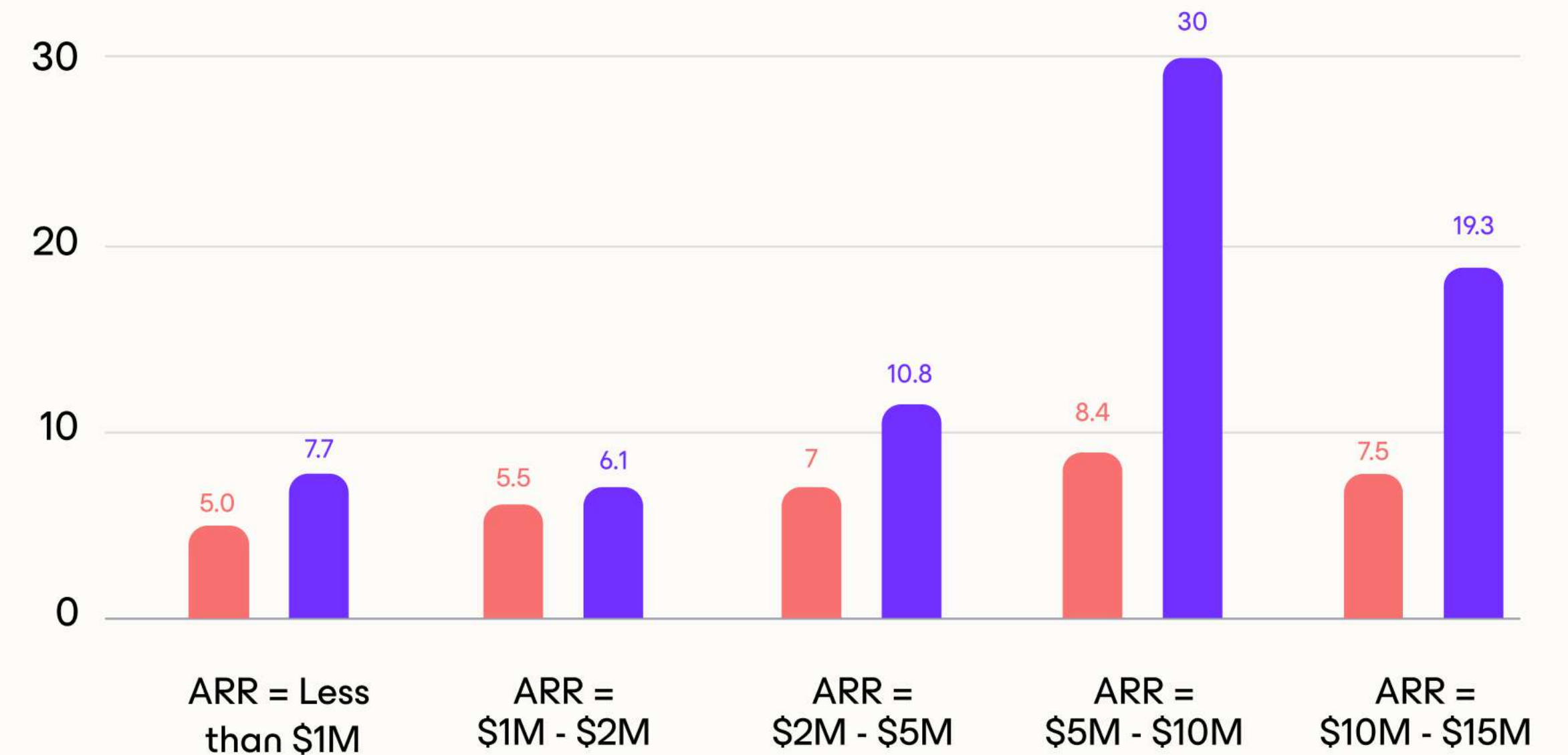
Takeaways

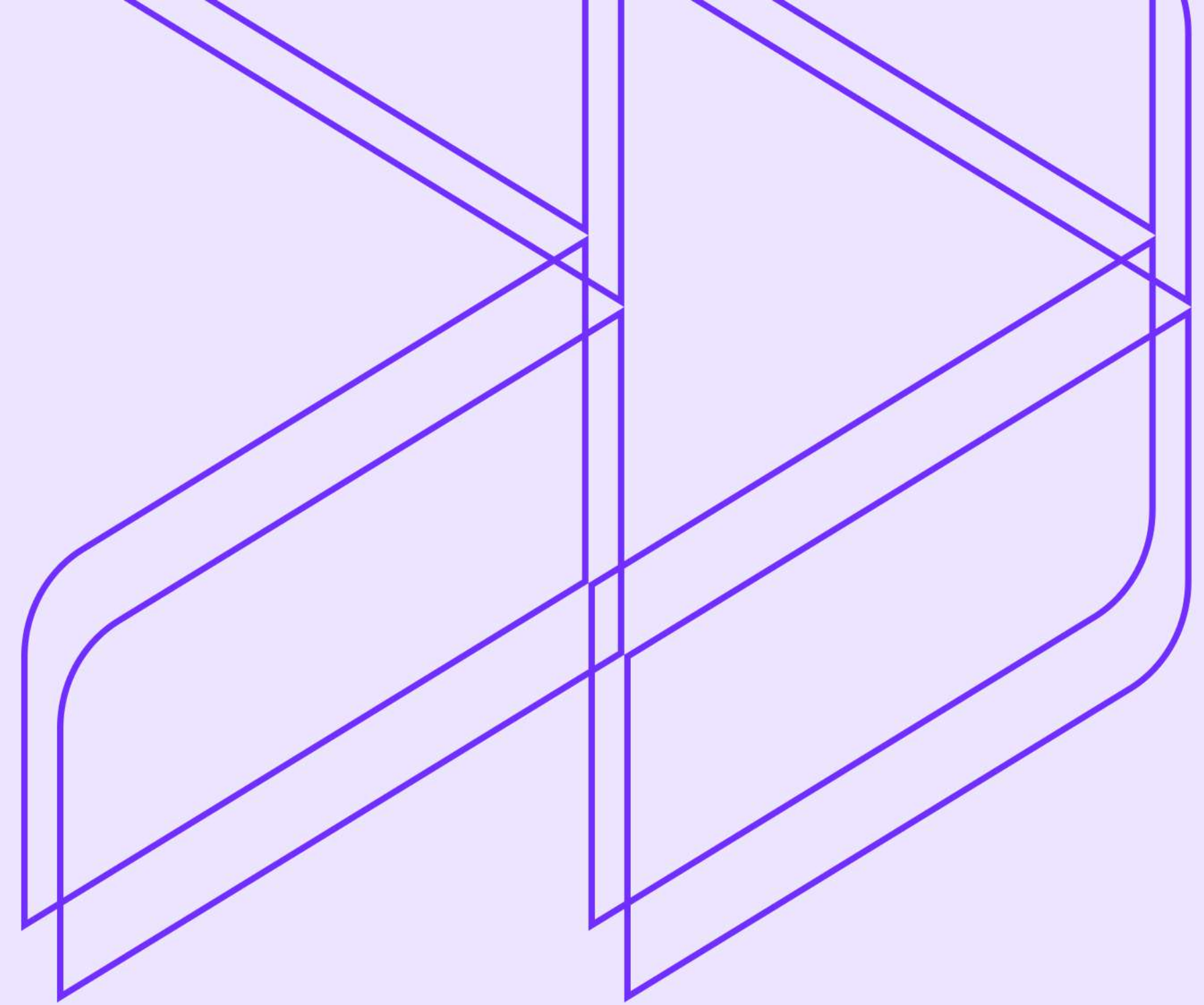
- Top-performing businesses in our dataset are better at managing burn and keep larger cash reserves on hand.
- While discipline in spending certainly helps protect runways, better managed businesses that can demonstrate strong margins and sustainable growth are likely to attract more investors, creating a virtuous cycle.



Runway (Months)

Median Top performers





Analysis by Funding Type

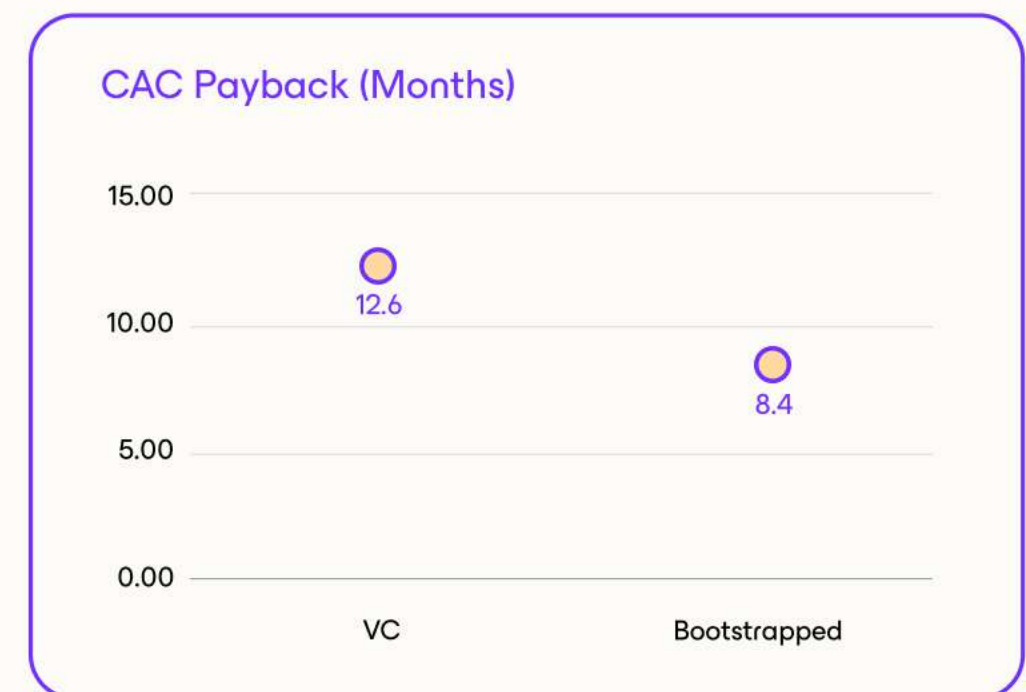
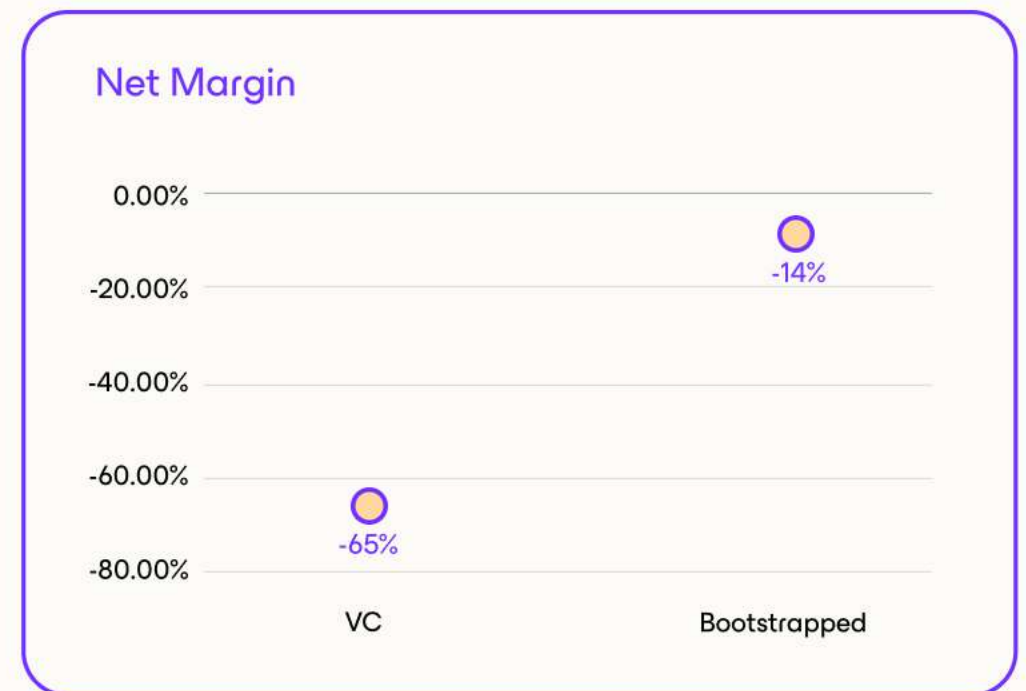
Analysis by Funding Type

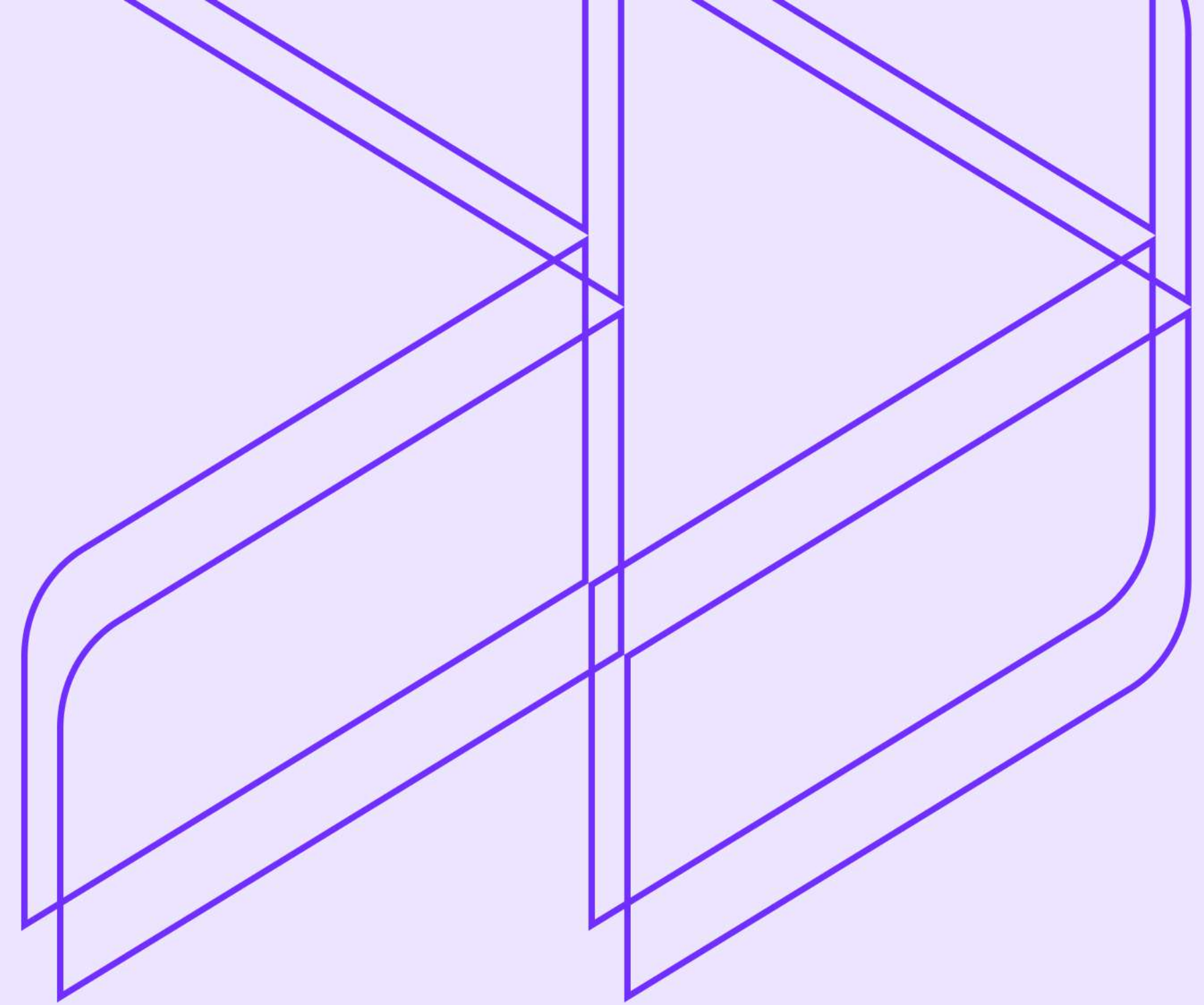
Learn how venture-backed and bootstrapped businesses compare in terms of growth, sustainability, and efficiency.



Takeaways

- Despite spending roughly a quarter of what their venture-backed peers spend on each new customer, bootstrapped businesses achieve similar levels of ARR Growth.
- Overall, bootstrapped businesses are more efficient in acquisition spend, recouping acquisition costs faster and maintaining higher LTV/CAC ratios.
- Bootstrapped businesses also maintain longer runways, which can help them better navigate an uncertain economic environment.





Analysis by Geography

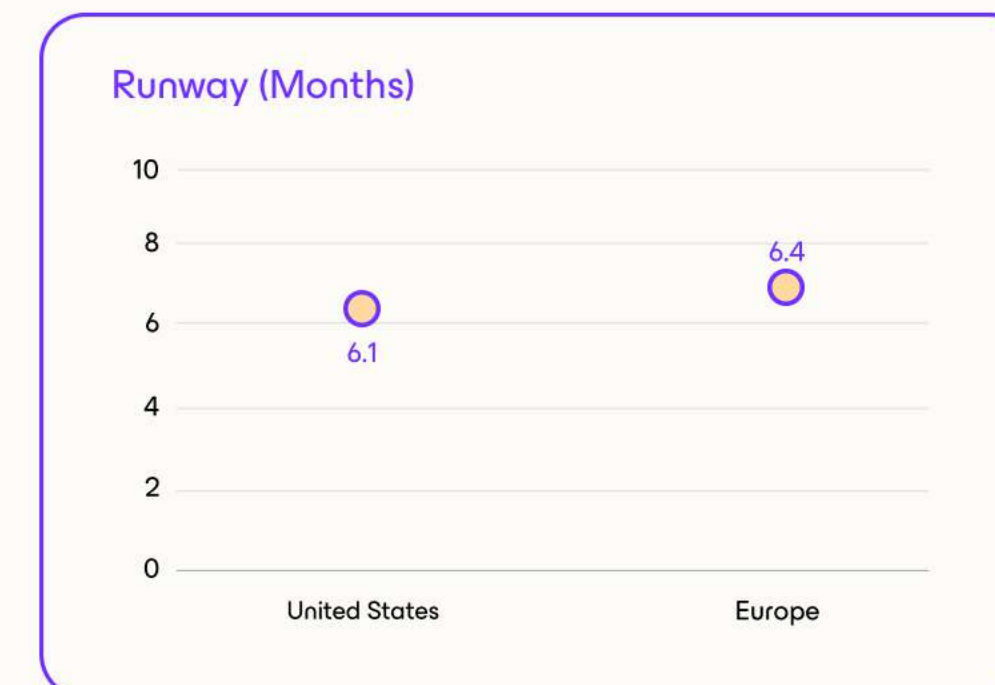
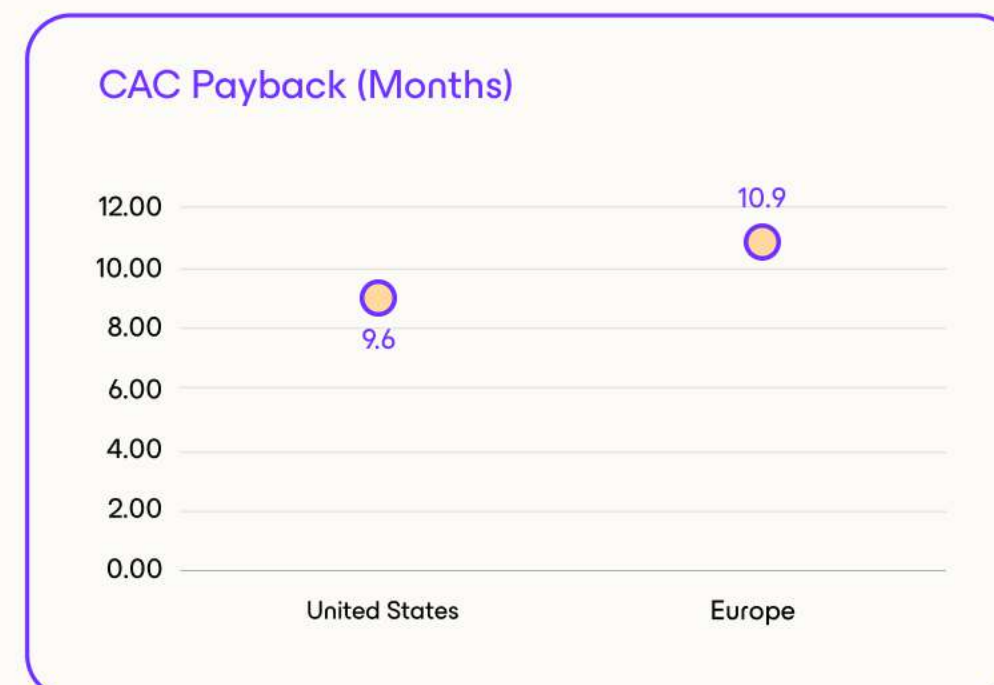
Analysis by Geography

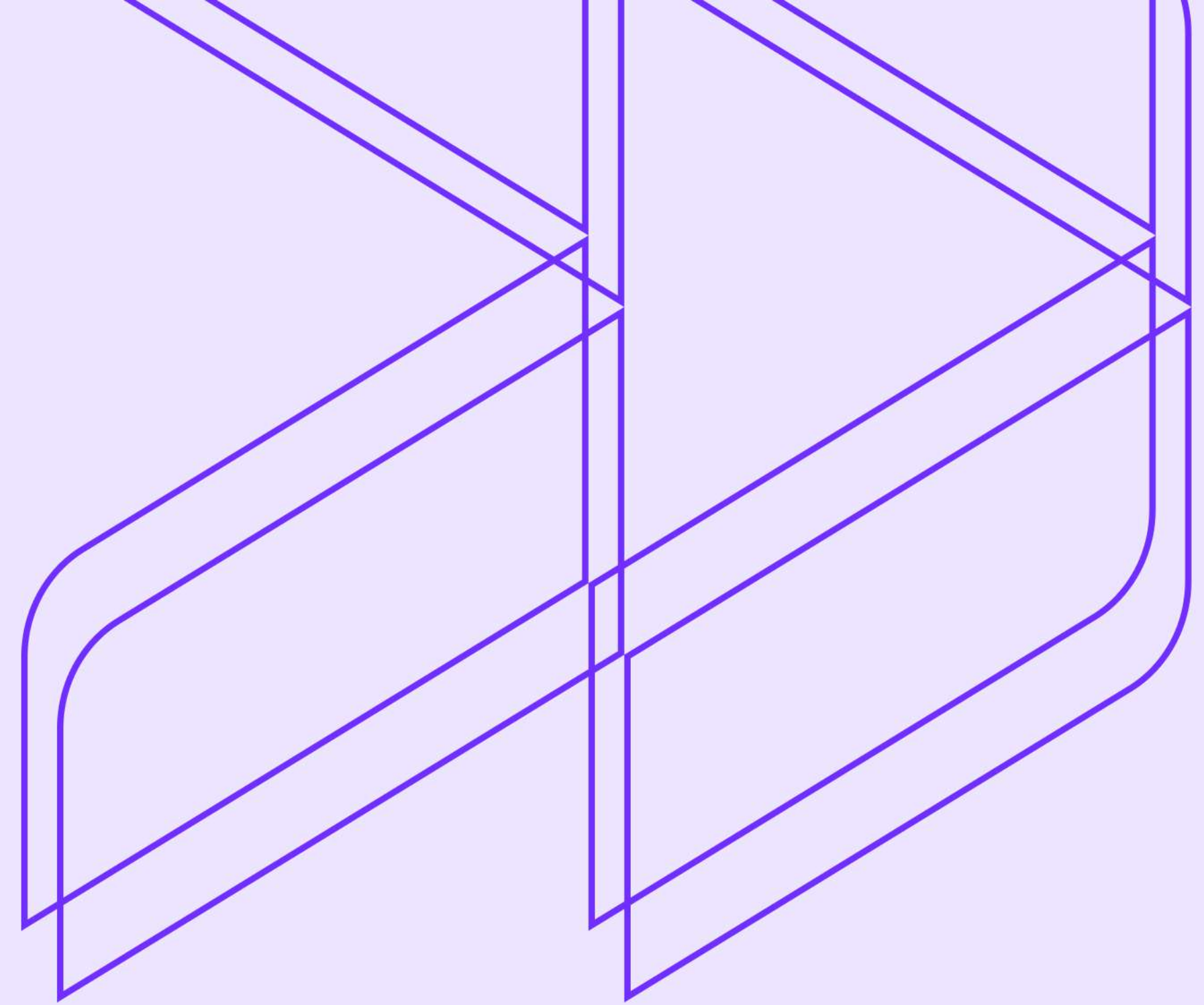
See how businesses in Europe compare to their US counterparts.



Takeaways

- Despite higher customer acquisition spend, European businesses still lag behind their American peers in revenue growth. This is likely driven by the fact that early-stage businesses in the US have access to a larger initial market, while European businesses typically launch in smaller and more fragmented markets.
- European businesses are focused on retaining existing customers, with lower logo churn and higher net dollar retention compared to US businesses.





Sector Insights

Sector insights

See which sectors are leading in sustainable growth, which are growing the fastest, and which are falling behind the pack.

Leaders in sustainable growth

1. Real Estate & Construction (Median R40: 8%)
2. Health & Life Sciences (Median R40: 2%)
3. Consumer Goods & Services (Median R40: 1%)

Fastest-growing sectors

1. Real Estate & Construction (Median ARR Growth: 75%)
2. Industrial Solutions (Median ARR Growth: 55%)
3. Consumer Goods & Services (Median ARR Growth: 52%)

Lagging sectors

1. EdTech (Median ARR Growth: 29%)
2. Customer Acquisition & Engagement (Median ARR Growth: 35%)
3. Financial solutions (Median ARR Growth: 37%)

Takeaways

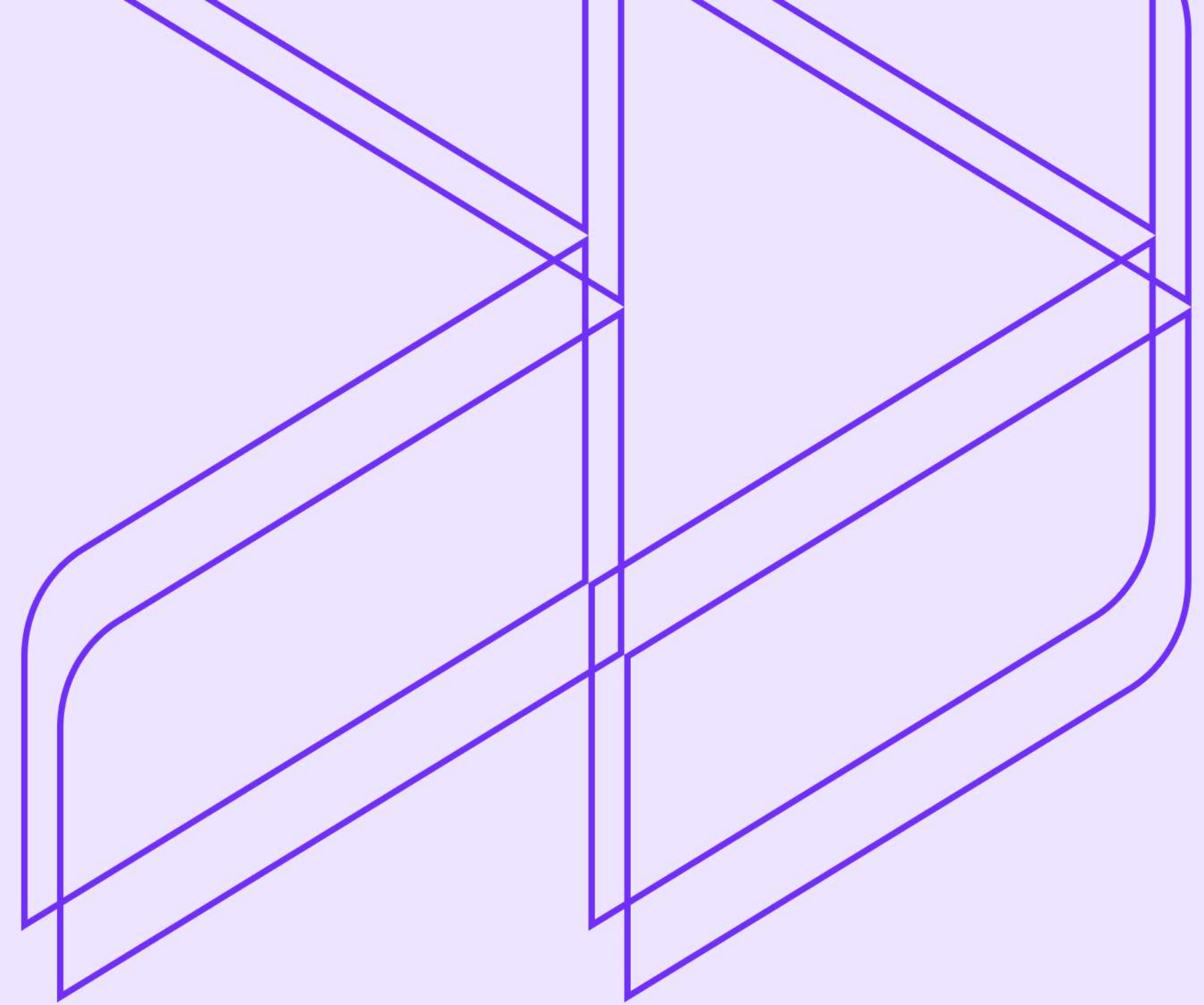
- SaaS businesses servicing the Real Estate & Construction sector are not only showing the strongest growth, they're leading in sustainability by keeping acquisition costs low and maintaining a high LTV/CAC ratio. We believe this is likely because our dataset is highly exposed to top-performing sub-sectors within the real estate industry, such as residential software solutions.
- Businesses focused on Customer Acquisition & Engagement are very efficient in maintaining strong margins and long runways. However, this conservatism seems to come at a high price, as it's one of the slowest growing sectors, with poor customer retention.
- Although SaaS businesses in the financial and industrial solutions sectors have above average customer retention rates, inefficient acquisition spend has resulted in low LTV/CAC, eroded runways and resulted in below average growth.



Industries represented in our analysis

Corporate Services	Data & Cloud Services	Customer Acquisition & Engagement	Financial Solutions	Health & Life Sciences	Real Estate & Construction	Industrial Solutions	Consumer Goods & Services	EdTech
195	105	156	106	78	60	69	165	44





Recommendations

Recommendations for Founders & Executives



Growth is still on the table. Here's how you can drive efficiency, to thrive in 2023 and beyond.

1. Spend on sales and marketing initiatives with an immediate return.

In this report you've seen that the healthiest businesses are keeping acquisition costs low. Despite that, they're growing roughly three times faster than their peers, and are positioned to reach profitability earlier.

To do the same you need to have a razor-sharp understanding of which channels and campaigns have the biggest impact, and show a return quicker.

Once you have this information, double down on what works. Our data shows that while they're keeping outgoings low, top performers spend a bigger proportion of total expenses on acquisition.

2. Increase sales efficiency.

As mentioned above, top businesses are focused on driving quicker, bigger ROI. But right now sales cycles are getting longer, Average Contract Value (ACV) is dropping, and churn is increasing as businesses cut costs.

Exploring different pricing strategies can help you mitigate this. New developments in B2B sales, such as Buy Now, Pay Later, can address these issues by giving you access to the full annual contract value upfront while letting your customers pay in flexible installments.

3. Pursue growth at all costs at your own risk.

The fastest-growing companies—increasing ARR up to 190% annually—are paying a heavy price.

They're less likely to reach profitability and are sacrificing runway to spend on unsustainable growth, making them more vulnerable to market shocks.

4. Secure capital to invest in sustainable growth.

It's unclear when the world will return to prosperity, and if the VC winter is a short-term dip, or a permanent correction on a previously overheated market. The healthiest businesses are making sure they've got enough runway to maneuver, whichever scenario turns out to be true.

Now's a good time to explore alternative sources of funding and come up with a plan B, even if you don't think you need it at this time. Revenue-based financing can provide a financial buffer that can grow with you as you scale.

Recommendations for Sales & Revenue Leaders



You need to do more with less. Here's how you can make your team more efficient, to maximize your impact.

Reduce friction to speed up sales cycles.

You've seen in this report that the strongest businesses are focused on realizing returns on investment quicker.

This means that your team needs to close faster, at a time when sales cycles are increasing and more stakeholders are involved in the decision-making process

Make sure you understand where in the pipeline deals are being held up or lost. Price negotiations are the most common factor. You can do a few things to improve this. Being clear about the price and payment options upfront means there are no nasty surprises (on either side) later on. Offering different payment options, such as annual, quarterly or monthly plans, or usage-based pricing, lets your customer pick what works best for them and get approval quicker.

Eliminate discounting to increase Average Contract Value.

The average SaaS business offers an 18% discount on total contract value to encourage customers to sign up to annual plans. Even the healthiest businesses resort to discounting: when we analyzed last year's top performers, Average Revenue Per User had decreased by 20%.

The attraction is obvious: there are fewer opportunities to churn and you've got revenue locked in. But it comes at a steep price. Not only do discounts lower lifetime value, they make renewals harder.

Introducing an entry-level tier, letting your customer pay in installments or looking for ways to add additional value can all help you reduce the need for discounting.

How Buy Now, Pay Later (BNPL) for SaaS can help

BNPL has helped B2C merchants increase their checkout conversion by 78% and Average Order Value by 85%. But B2B merchants have shied away from this option believing that their transactions are too large and complex.

New developments in B2B payments are turning this conventional wisdom on its head.

By letting you access full annual contract value upfront, while your customers pay in affordable installments, SaaS-focused BNPL solutions can help you minimize sales cycles, increase ACV and potentially access new market segments that would not have been able to afford your product otherwise.

And in a down economy, that could just be what sets your business apart from competitors.

Recommendations for Finance Teams



You need to promote discipline while enabling growth in a down economy. Here's how you can drive success.

1. Secure a financial buffer before you need it.

It's unclear when the world will return to prosperity, and if the VC winter is a short-term dip, or a permanent correction of a previously overheated market. You've seen in this report that the strongest businesses are protecting their runways, giving themselves room to maneuver in the event of future market shocks.

Even if you don't think you need extra capital right now, don't wait until you have to raise with your back against the wall: identify where funds will come from in your worst case scenario.

Start by exploring alternative financing options. New products, like revenue-based financing are cost effective, completely non-dilutive, and can give you access to a line of credit that you can draw from as and when you need it.

2. Reduce unnecessary non-COGS spend.

Our data shows that while Gross Margin is similar for most of the businesses in our sample, irrespective of their performance, the strongest businesses have significantly better Net Margins.

And while they keep their acquisition costs low relative to competitors, they're especially good at controlling administrative costs, with sales and marketing accounting for a higher proportion of total expenses compared to their peers.

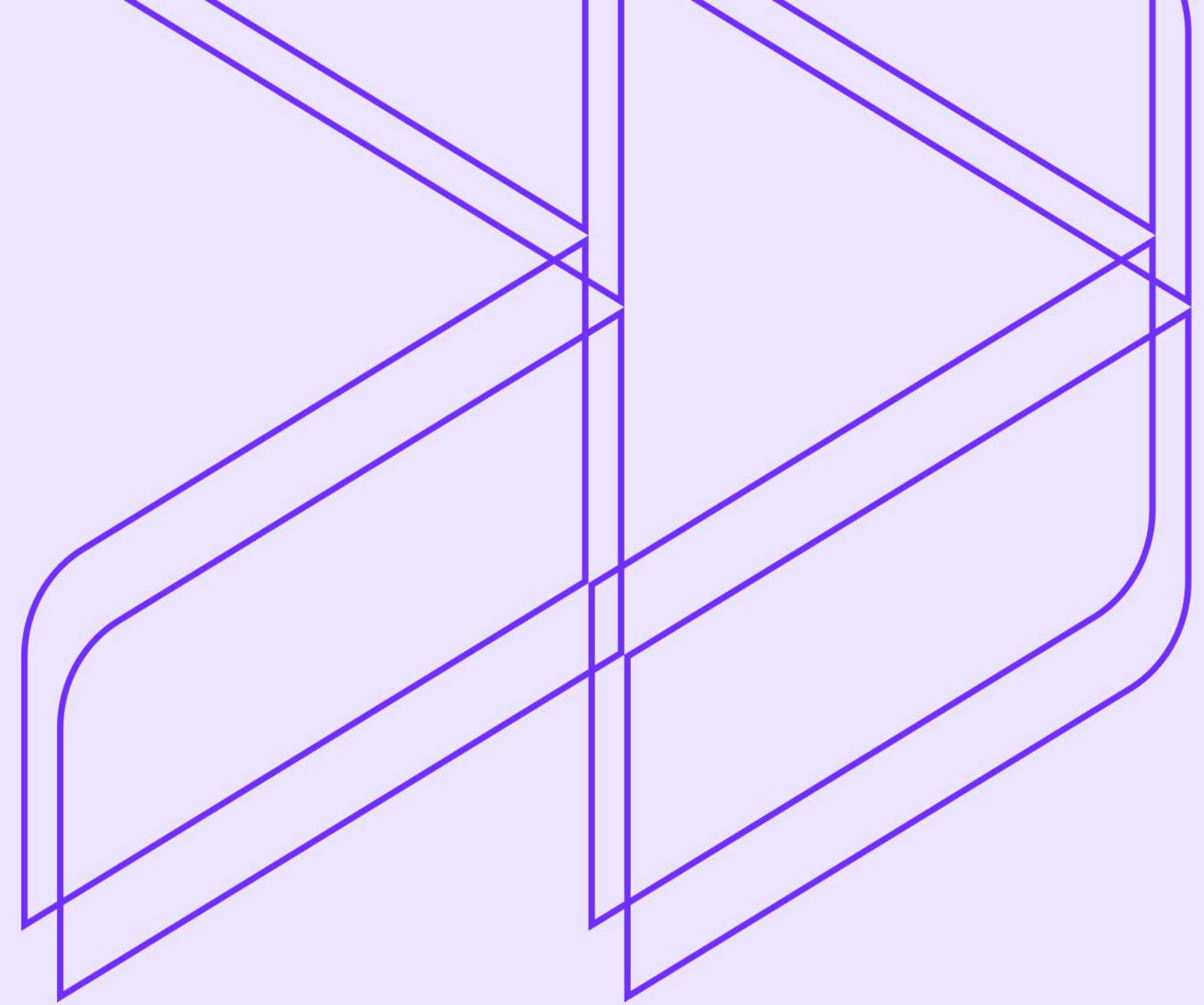
3. Double down on channels that have the most impact.

The strongest businesses in our sample spend roughly a quarter on acquiring each new customer compared to their competitors. Despite that, they're growing three times faster.

This means they understand which levers drive the most growth and aren't afraid to invest in them. If you don't already know where new logos are coming from, now is the time to get a clear view on attribution.

4. Experiment with pricing strategies to increase LTV and accelerate sales.

The strongest businesses have LTV/CAC ratios up to three times as high as their peers. Exploring new pricing strategies, such as offering buy now, pay later to your customers can help you reduce the need for discounting and increase customer retention, ultimately increasing LTV.



How Capchase can help



The most flexible, non-dilutive capital for SaaS companies

Capchase Grow provides SaaS companies with the funding they need to accelerate growth and extend runway, all without taking on debt or diluting equity.

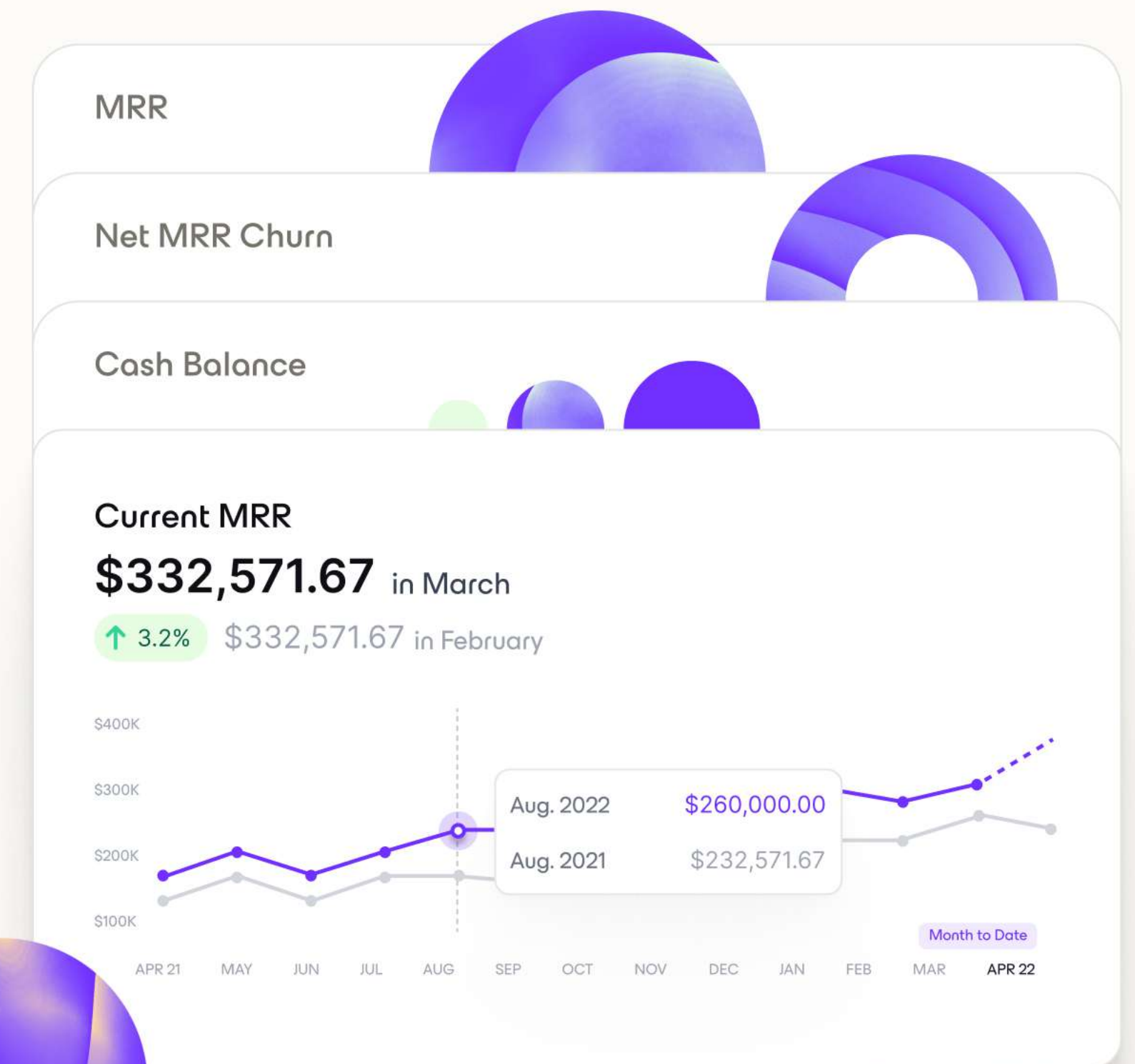
With Capchase, you can access the capital you need in a matter of days, with no covenants, security interest, or restrictions on proceeds. Your available capital scales with your revenue growth, and there are no hidden costs in warrants or legal utilization fees.

You can unlock your funding in three simple steps:

- 1 Sync your data in the Capchase dashboard
- 2 Our team will underwrite you within 72 hours
- 3 Receive your offer and access your capital

What do SaaS companies use Capchase Grow for?

- User acquisition and marketing spend
- Financing large expenses
- Filling cash flow gaps
- Hiring for growth
- Market expansion





Close deals faster and collect revenue upfront

Capchase Pay is a B2B buy now, pay later solution for SaaS companies.

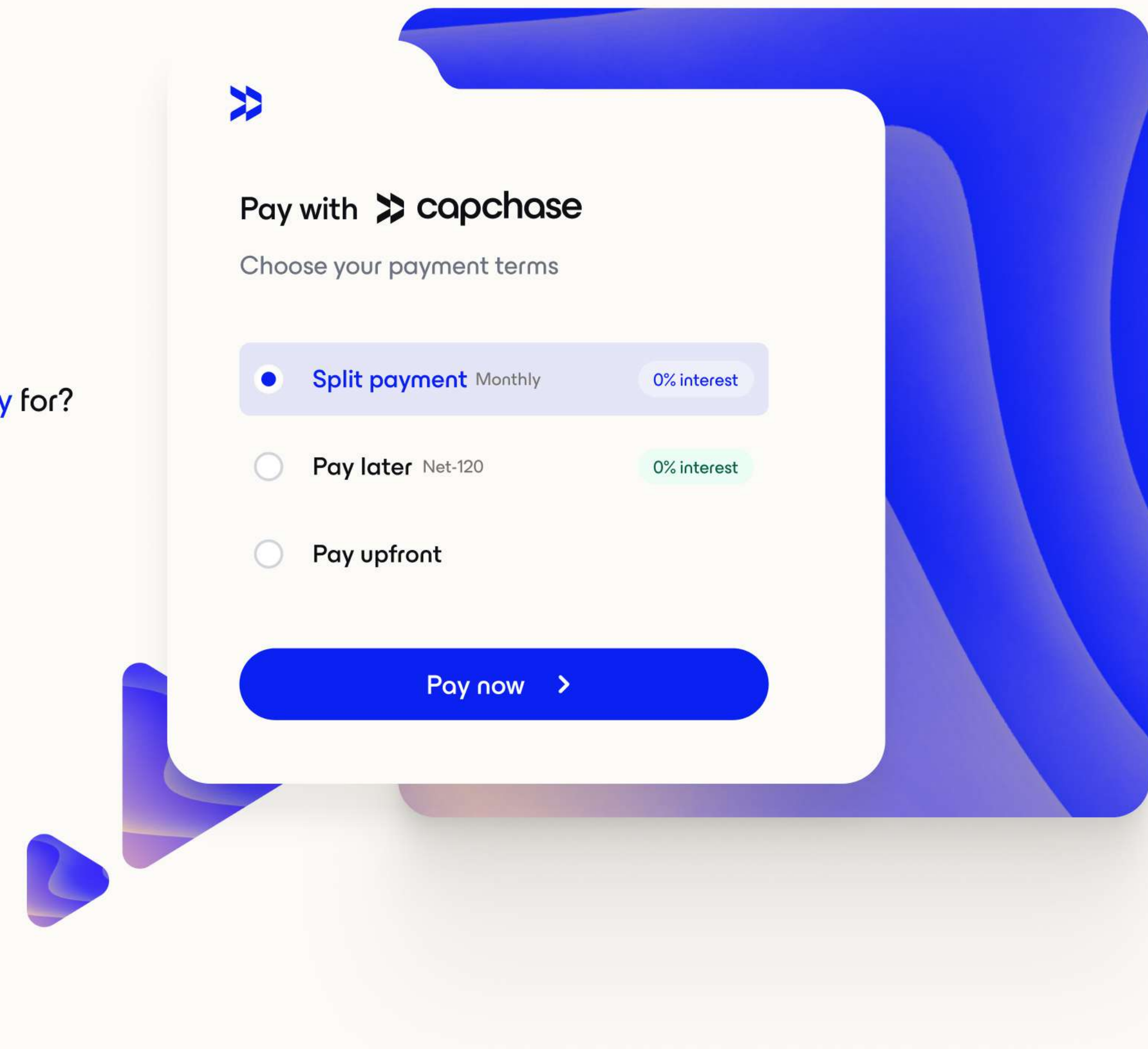
With Pay, you can immediately access the full value of an annual contract upfront, while your buyer pays in affordable installment, plus we handle all the billing, collections, and reconciliation for you.

Here's how Pay works:

- 1 Quote and close quickly by **offering customers flexible payment terms** that fit their needs, whether that's monthly, biannually, or annually.
- 2 **Collect your ARR immediately** while we handle all billing directly with customers using customized payment links.
- 3 Let **Capchase handle all billing** and collections for each of your customers, reducing the workload on your finance team.

What do SaaS companies use Capchase Pay for?

- Closing difficult deals
- Increasing revenue
- Shortening sales cycles
- Lowering CAC while increasing LTV
- Expanding customer base
- Extending runway and working capital
- Eliminating billing and collections



About Capchase

Capchase is the leading provider of [non-dilutive financing](#) products to software-as-a-service (SaaS) and comparable recurring-revenue companies.

Our mission is to help founders grow their businesses faster through non-dilutive capital, market insights, and community support.

Founded in 2020 and headquartered in New York City, Capchase provides financing by bringing future expected cash flows to the present day – thereby securing funding that is fast, flexible, and doesn't dilute ownership.

To date, Capchase has worked with over 4,000 businesses and partners, and made more than \$2B in funding available to the SaaS industry.

To learn more about Capchase visit capchase.com.

