

11TH ANNUAL

2020 SAAS SURVEY RESULTS

COVID EDITION

THROUGH MAY 31, 2020



CREATED IN CONJUNCTION WITH THE
KBCM FUTURE OF TECHNOLOGY SERIES

KBCM TECHNOLOGY GROUP SAAS SURVEY – COVID EDITION

2020 Private SaaS Company Survey 

In 2010, we created the Pacific Crest SaaS Survey to provide business leaders and investors meaningful benchmarks to assess performance, manage operations, and make well-informed strategic and financial decisions. Since then, the (now) KBCM SaaS Survey has become the industry's go-to benchmarking report.

In 2020, with the impact of COVID on everyone's mind, gauging performance is more important than ever. We've redesigned this year's survey to help determine how things are changing. What does outperformance look like in this environment? Who is prospering and who is struggling? How are companies reacting?

This initial report reviews data from over 500 private SaaS company respondents. Our focus is on baseline performance for 2019 and 2020 year-to-date, through May 31st, with responses collected from mid-June through early July.

Importantly, we recognize that we may still be in the early stages of the market disruptions caused by COVID. So this year, rather than a one-time check-in, we intend to reach back out to companies as things progress, and have established unique secret code names to allow continuity without sacrificing confidentiality and anonymity.

Finally, we would like to acknowledge the following partners who assisted in the solicitation of responses:

Andreessen Horowitz

Battery Ventures

Bessemer Venture Partners

FLG Partners

Francisco Partners

GGV Capital

JMI Equity

Matrix Partners

Meritech Capital Partners

Redpoint Ventures

Ridge Ventures

Sage Intacct

Sapphire Ventures

Warburg Pincus

And a special thanks, as always, to David Skok of Matrix Partners who has helped popularize the use of this report on his blog, *forEntrepreneurs.com*.

SUMMARY FINDINGS

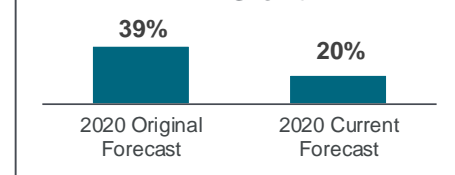
- **2020E top-line growth projections have been nearly cut in half**
 - Median 2020E ARR growth now +20% vs. +36% in 2019, and ~+40% originally expected
 - Top quartile growers down similarly, at ~+50% growth vs. ~+100% last year
- **Reduced bookings YTD is the primary driver of the decline for most**
- **Churn has ticked up, but only incrementally (so far) for most**
- **Sales productivity is down, but not as severely as one might have predicted**
- **Companies cutting burn rates through RIFs and/or other means**



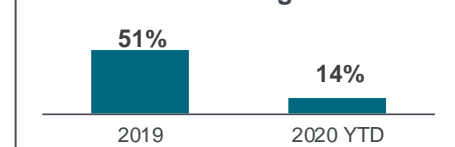
- **BUT..... Let's recognize that this is still a clear bright spot given the economic backdrop!**
 - In 2020, +20% growth is very strong; +50% is off-the-charts

Selected Metrics¹

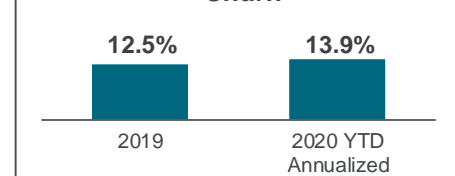
ARR Growth



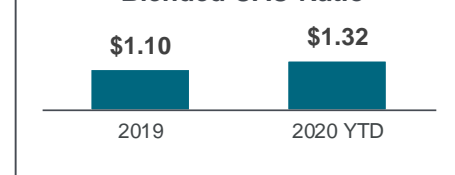
Gross New Bookings as a % of Starting ARR



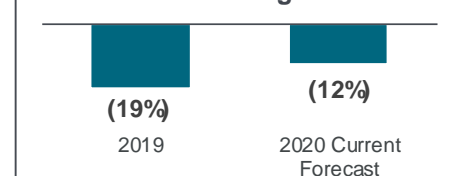
Churn



Blended CAC Ratio



FCF Margin



SUMMARY FINDINGS (CONT.)

2020 Private SaaS Company Survey 

Selected (Relative) Winners



Fastest Growers



“Steady-Eddie” Growers



Dev-Ops



Security



IT

Selected Losers



Affected Vertical
Market Specialists



High-Churn Players Unable to
Fund Losses

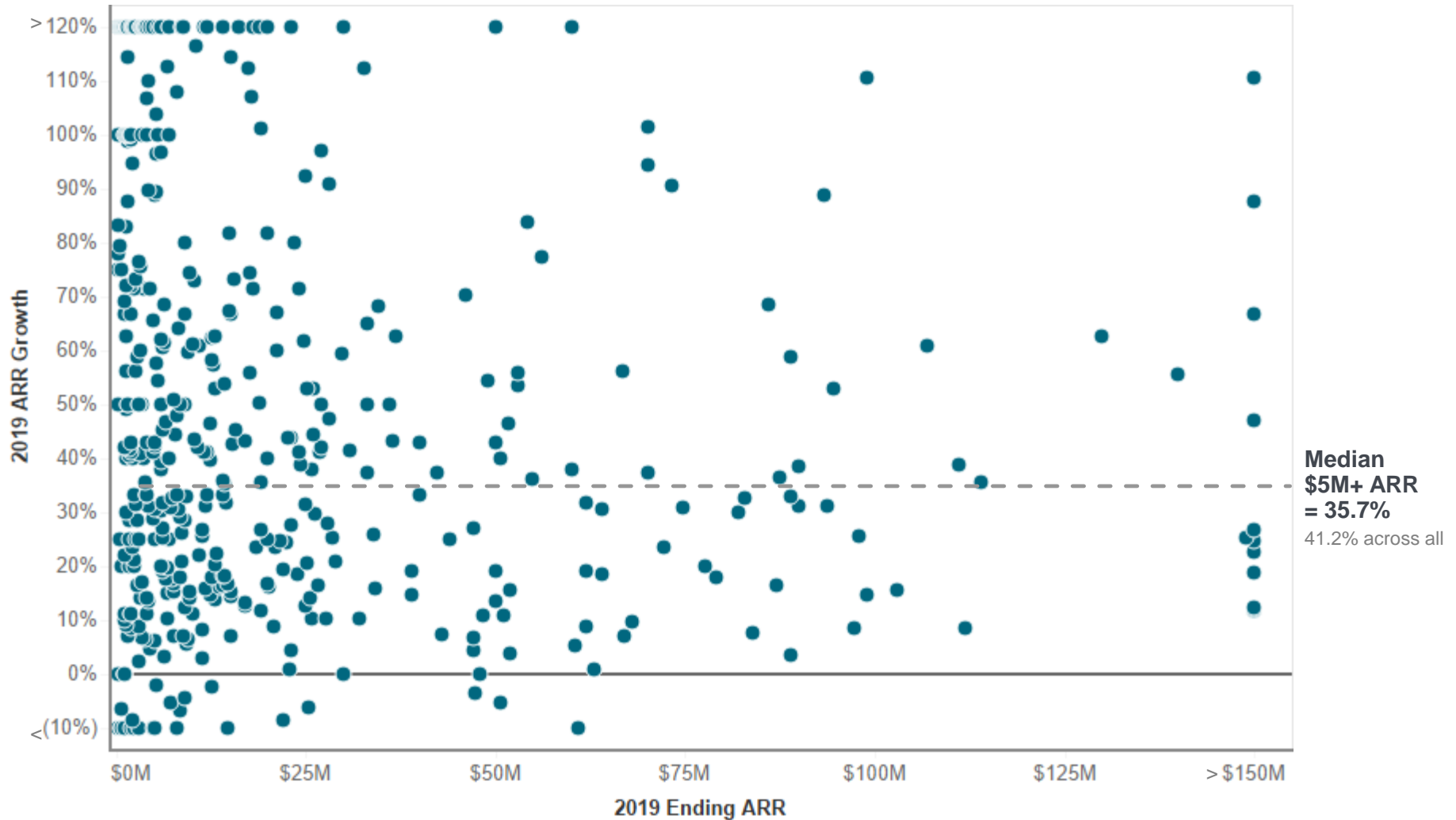


Underperforming
Players Pre-COVID

LAST YEAR VS. THIS YEAR – DIFFERENT WORLDS!

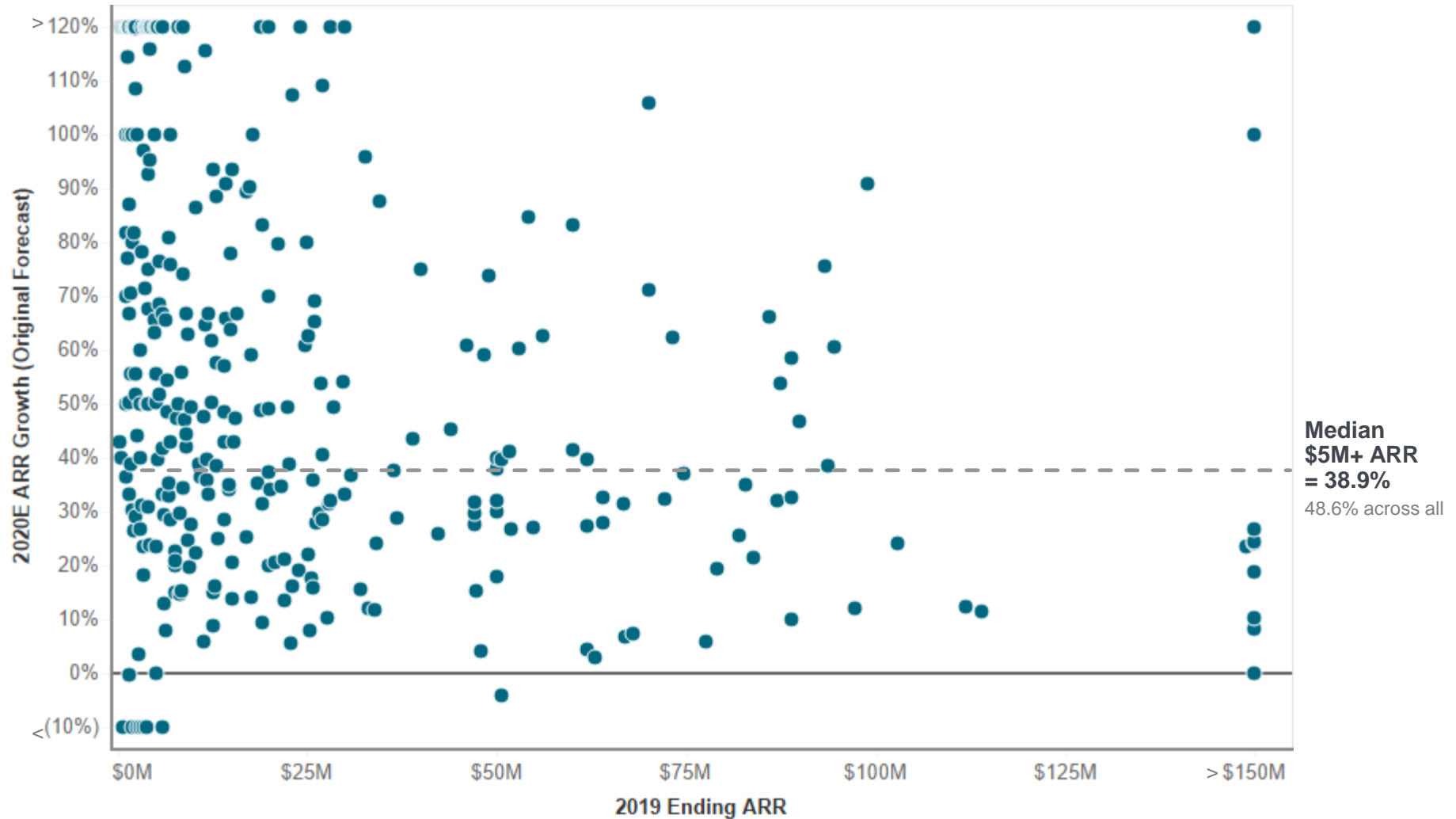
2019 LOOKED LIKE ANOTHER TYPICAL GROWTH YEAR IN SAAS...

2020 Private SaaS Company Survey 



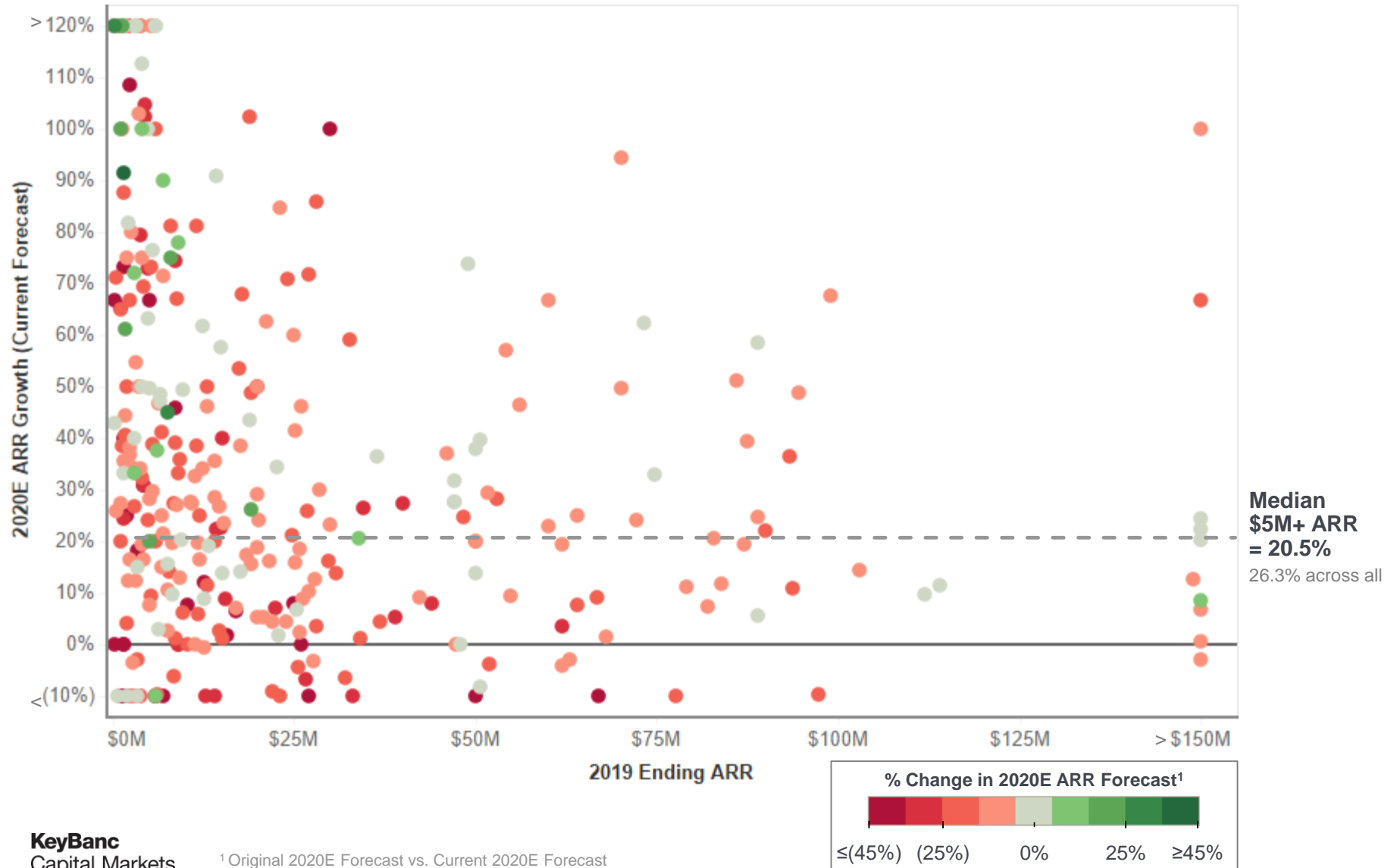
... AND ORIGINAL EXPECTATIONS FOR 2020 WERE EVEN BETTER...

2020 Private SaaS Company Survey 



... NEEDLESS TO SAY, EXPECTATIONS HAVE CHANGED

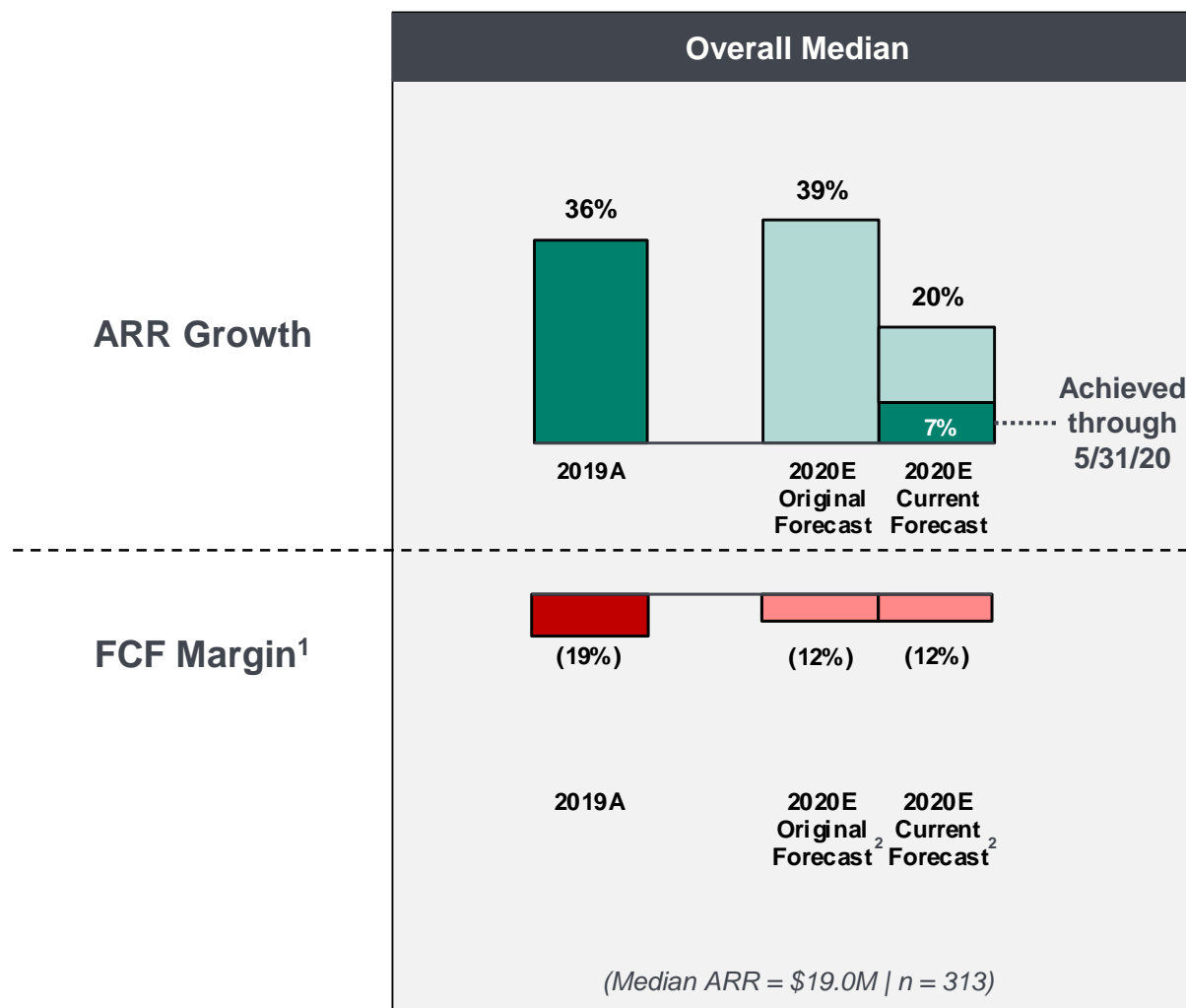
2020 Private SaaS Company Survey 



HOW HAVE GROWTH AND CASH FLOW EXPECTATIONS CHANGED?

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ FCF Margins are based on GAAP revenues

² 2020E FCF Margins estimated based on FCF projections directed provided by participants and derived estimates of 2020E GAAP revenues, since projected GAAP figures were not directly asked for in the survey

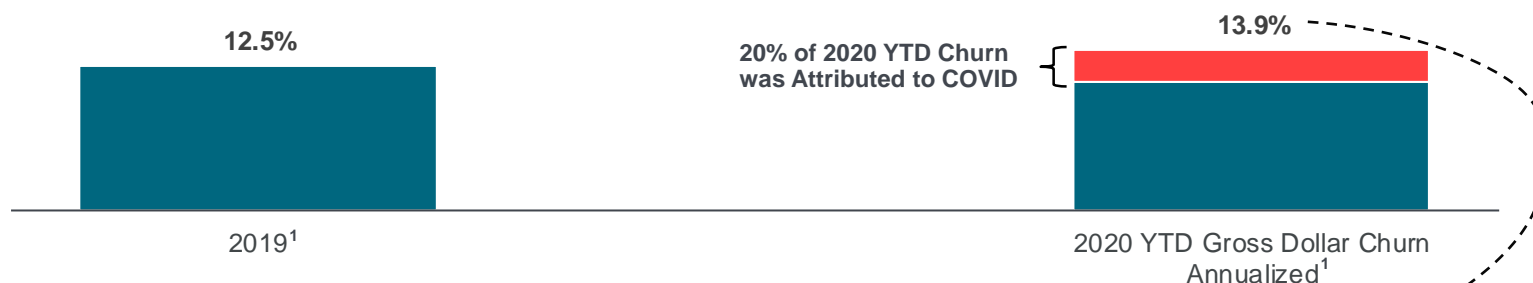
WHAT IS IMPACTING PERFORMANCE?

WHAT IS IMPACTING PERFORMANCE? – GROSS DOLLAR CHURN

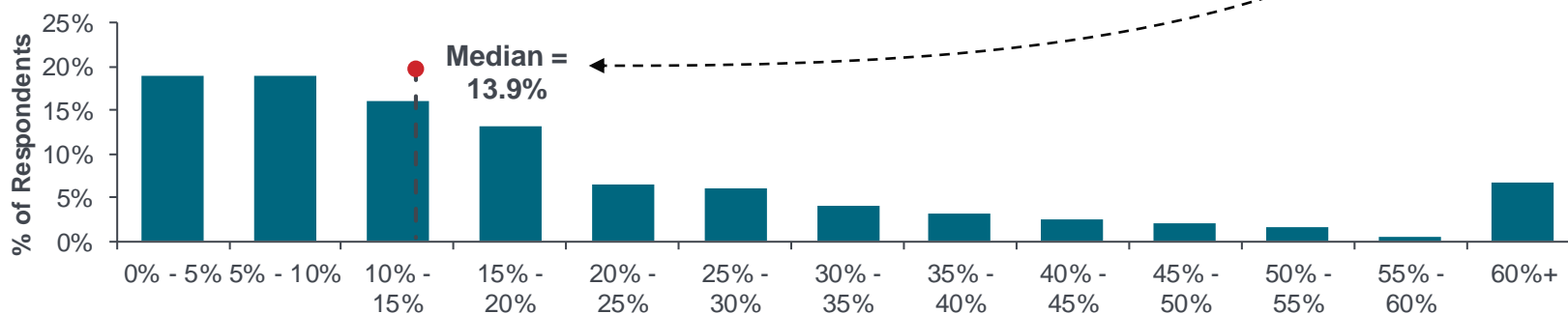
2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

Annual Gross Dollar Churn



2020 YTD Gross Dollar Churn Annualized



Net Dollar Retention²

2019: 102%

2020 YTD: 99%

¹ 2019 Annual Gross Dollar Churn measured on 2019 starting ARR; 2020 measured on 2020 starting ARR for the 5 months ended 5/31/20, then annualized by multiplying by 12/5

² Net Dollar Retention represents how much a company's existing ARR base at the end of 2018 expanded or contracted, adding upsells and expansion from existing customers, subtracting gross dollar churn

Note: In the histogram, values that fall on the boundary between two bins are included in the bin to the right

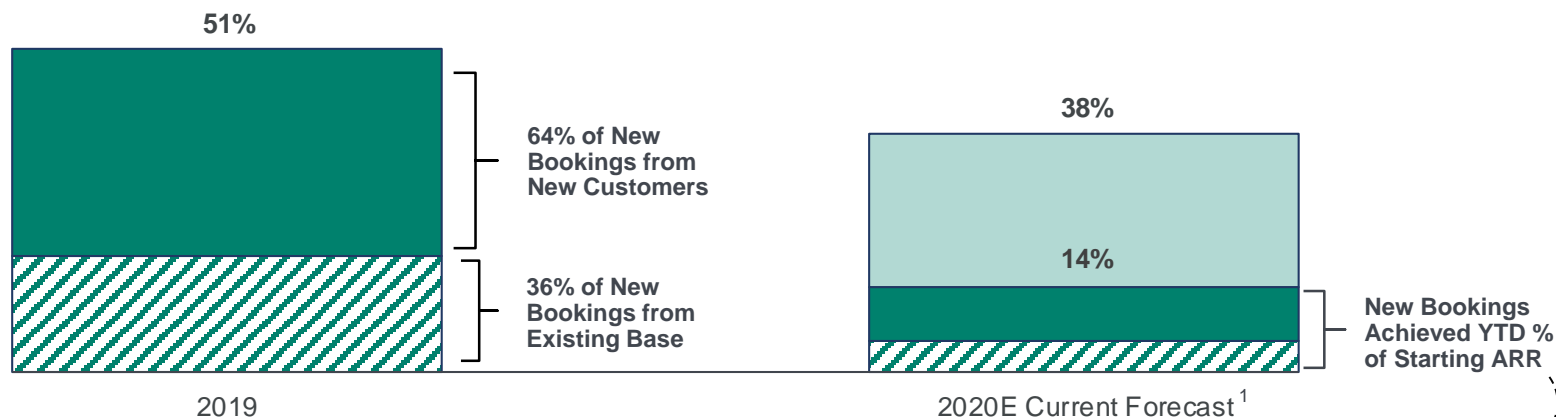
Respondents: Annual Gross Dollar Churn 2019 / 2020 YTD Annualized: 249 / 249; Net Dollar Retention 2019 / 2020 YTD: 240 / 231

WHAT IS IMPACTING PERFORMANCE? – NEW BOOKINGS

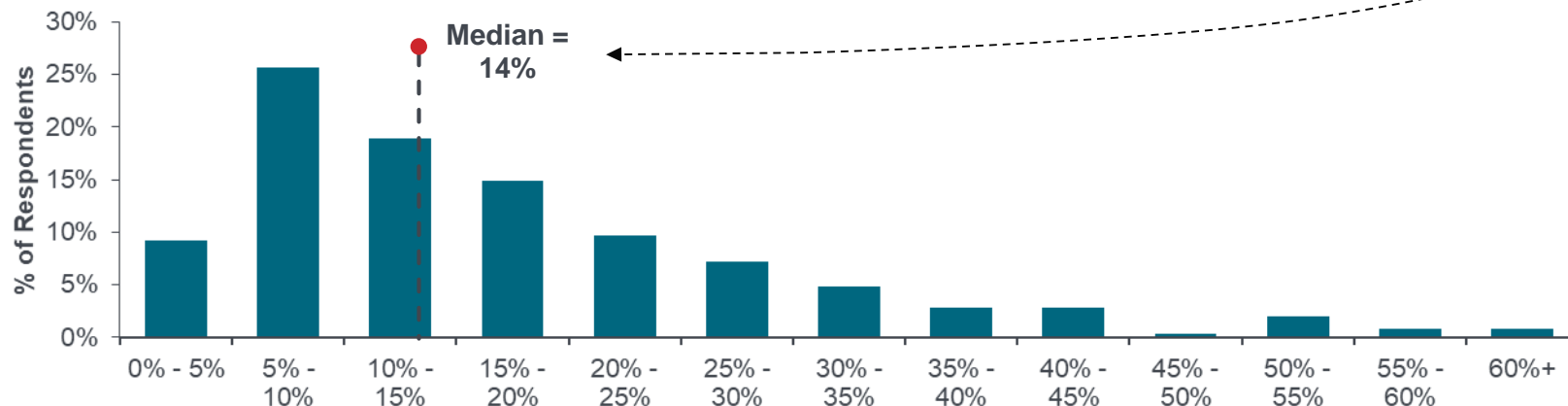
2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

Gross New ARR Bookings % of Starting ARR



Distribution of New Bookings Achieved YTD % of Starting ARR

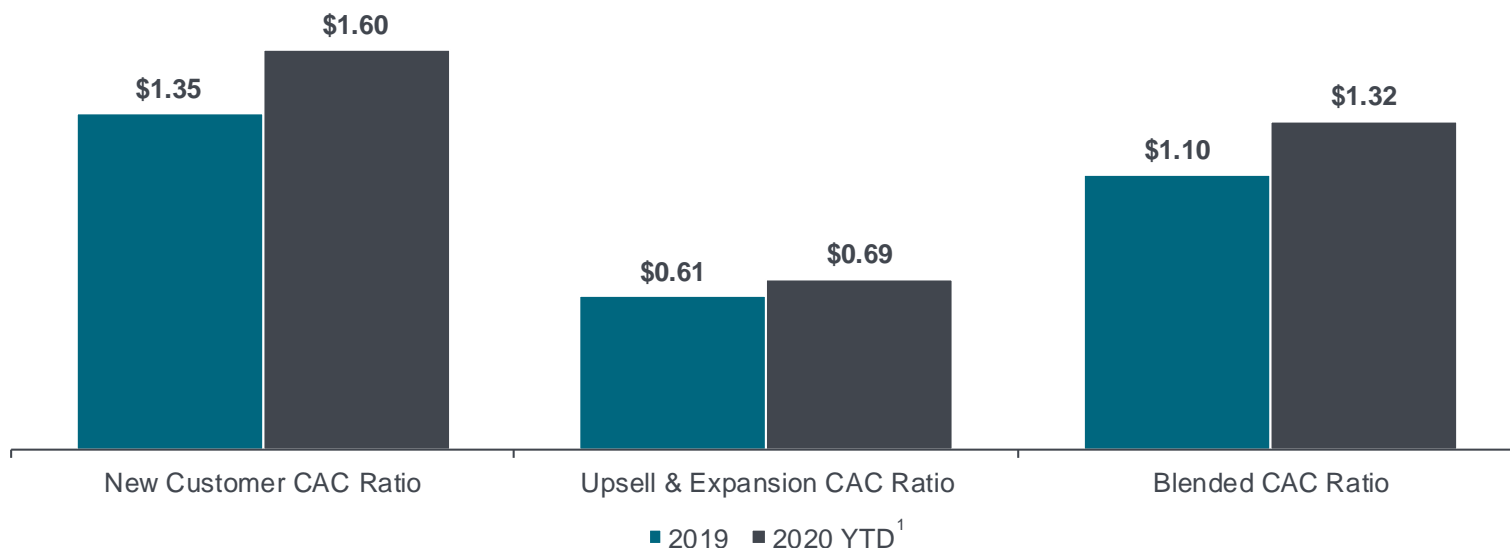


WHAT IS IMPACTING PERFORMANCE? – SALES EFFICIENCY

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

CAC Ratio Comparison



New Customer CAC Ratio

Fully-loaded S&M spend to acquire \$1 of new ARR from a new customer



Fully-loaded S&M Targeted at New Customers

ARR Bookings from New Customers

Upsell & Expansion CAC Ratio

Fully-loaded S&M spend to acquire \$1 of new ARR from upsells & expansions



Fully-loaded S&M Targeted at Upsell & Expansion

ARR Bookings from Upsell & Expansion

Blended CAC Ratio

Fully-loaded S&M spend to acquire \$1 of new ARR across all customers



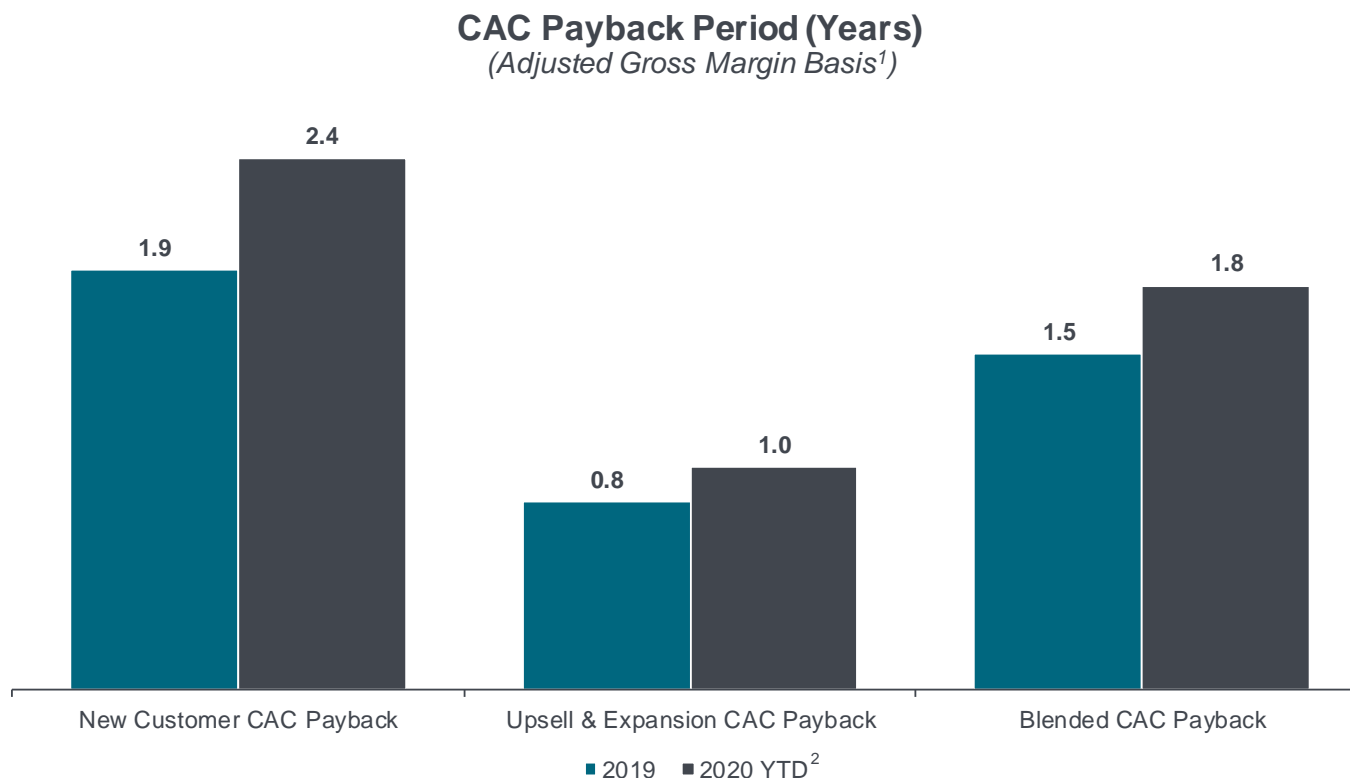
Fully-loaded S&M

Gross ARR Bookings

WHAT IS IMPACTING PERFORMANCE? – CAC PAYBACK PERIOD

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



CAC Payback Period

Time (years) it takes for recurring SaaS gross margin dollars, as adjusted for recurring cost of renewals, to pay back the fully-loaded S&M cost of acquiring the new booking



$$\frac{\text{CAC Ratio}}{\text{Adjusted SaaS Gross Margin}^1}$$

¹ SaaS Gross Margin adjusted to include the S&M costs attributed to renewals

² 2020 YTD CAC calculations assume the same S&M split between New Customer and Upsell & Expansion as in 2019; using 2019 Adjusted SaaS Gross Margin

Respondents (2019 / 2020 YTD): New: 213 / 203, Upsell & Expansion: 212 / 189, Blended: 222 / 220

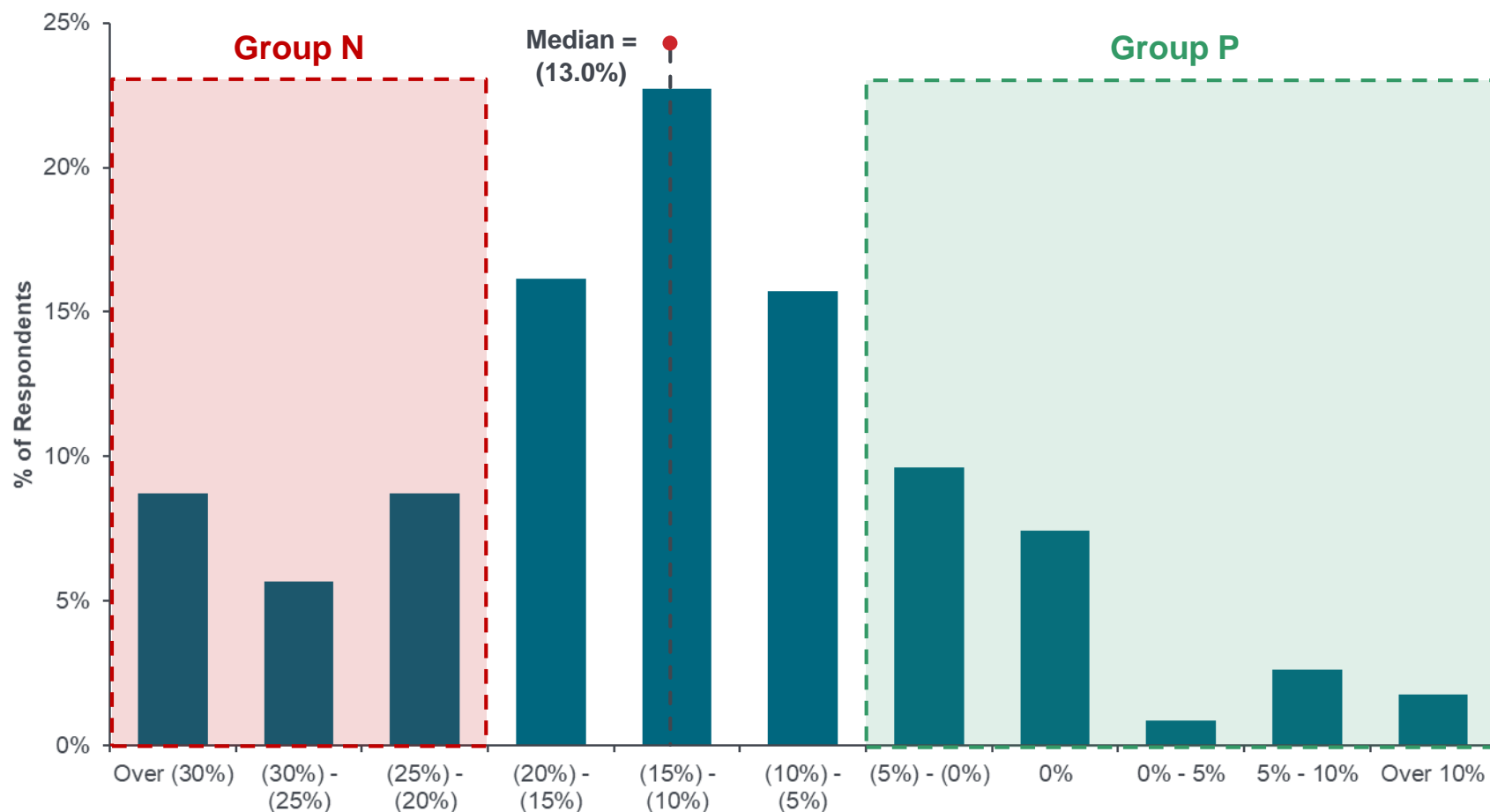
WHICH COMPANIES ARE MOST IMPACTED?

WHO'S BEEN MOST AFFECTED?

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

2020E ARR Forecast % Change (Current Forecast vs. Original Forecast)



Note: Group P respondents adjusted 2020 ARR forecasts most positively – from down less than 5% through no change, to increases in forecast (22% of total respondents); Group N respondents reduced their 2020E ARR forecasts by 20% or more (23% of total respondents)

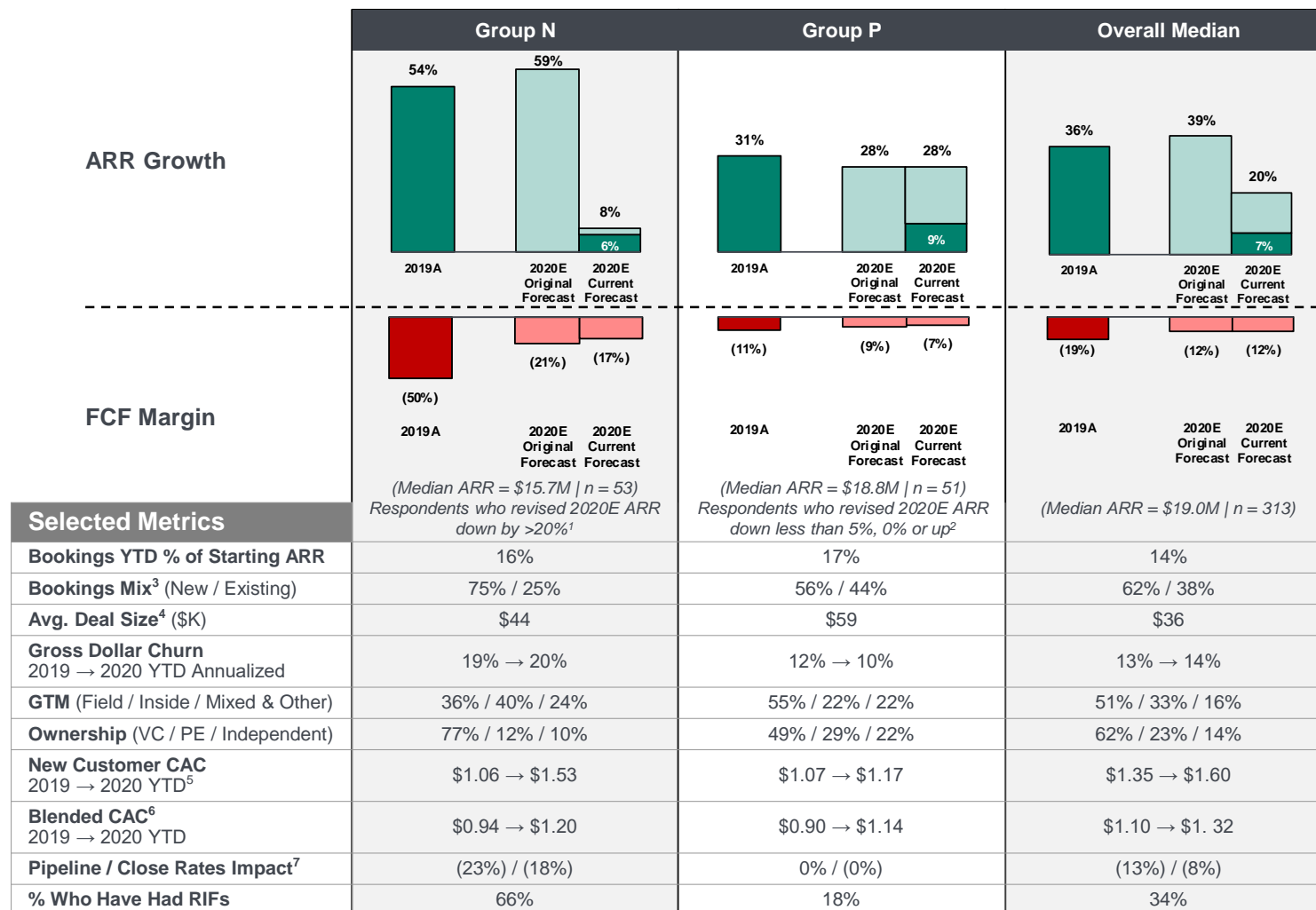
Note: Values that fall on the boundary between two bins are included in the bin to the right

Respondents: 229

WHAT ATTRIBUTES DISTINGUISH GROUPS N AND P?

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ Reflects 23% of respondents

² Reflects 22% of respondents

³ 2020 YTD

⁴ Across all customers

⁵ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

⁶ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

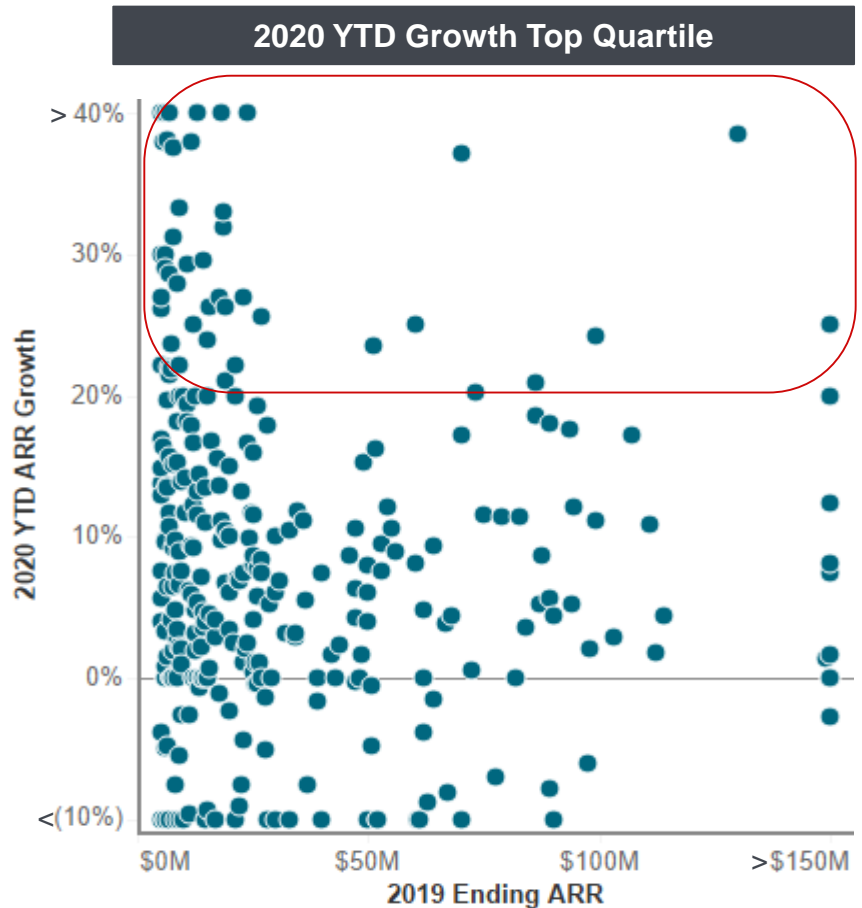
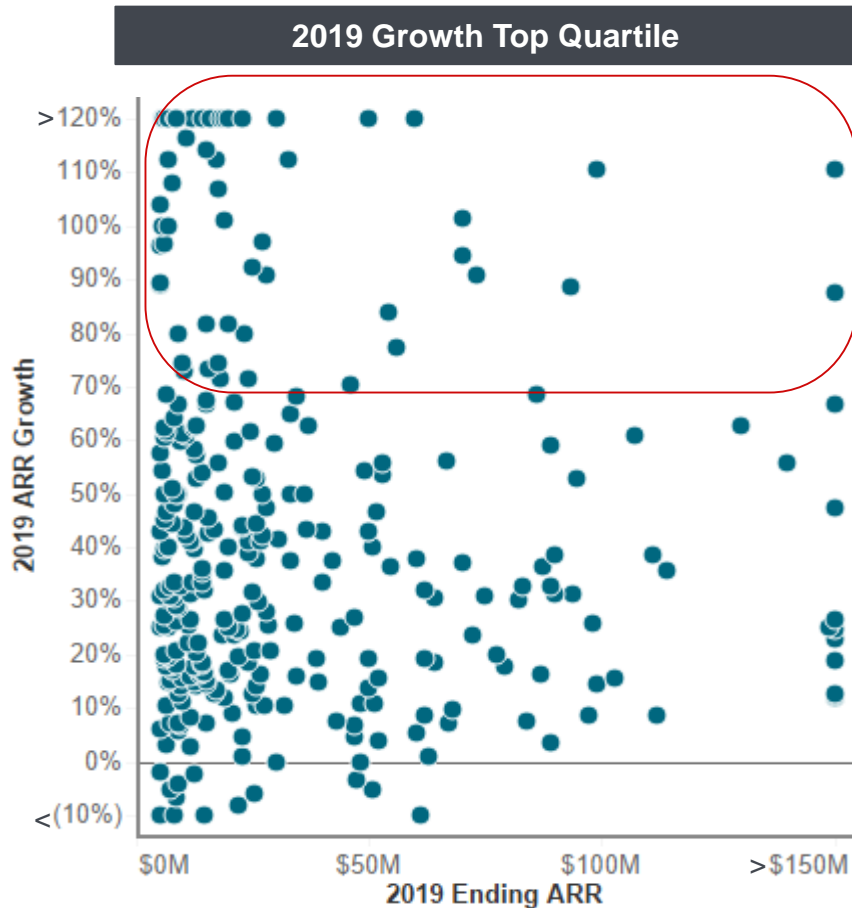
⁷ Impact of COVID on forward six-month pipeline and close rates vs. expectations

ANALYSIS OF THE FASTEST GROWING COMPANIES

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

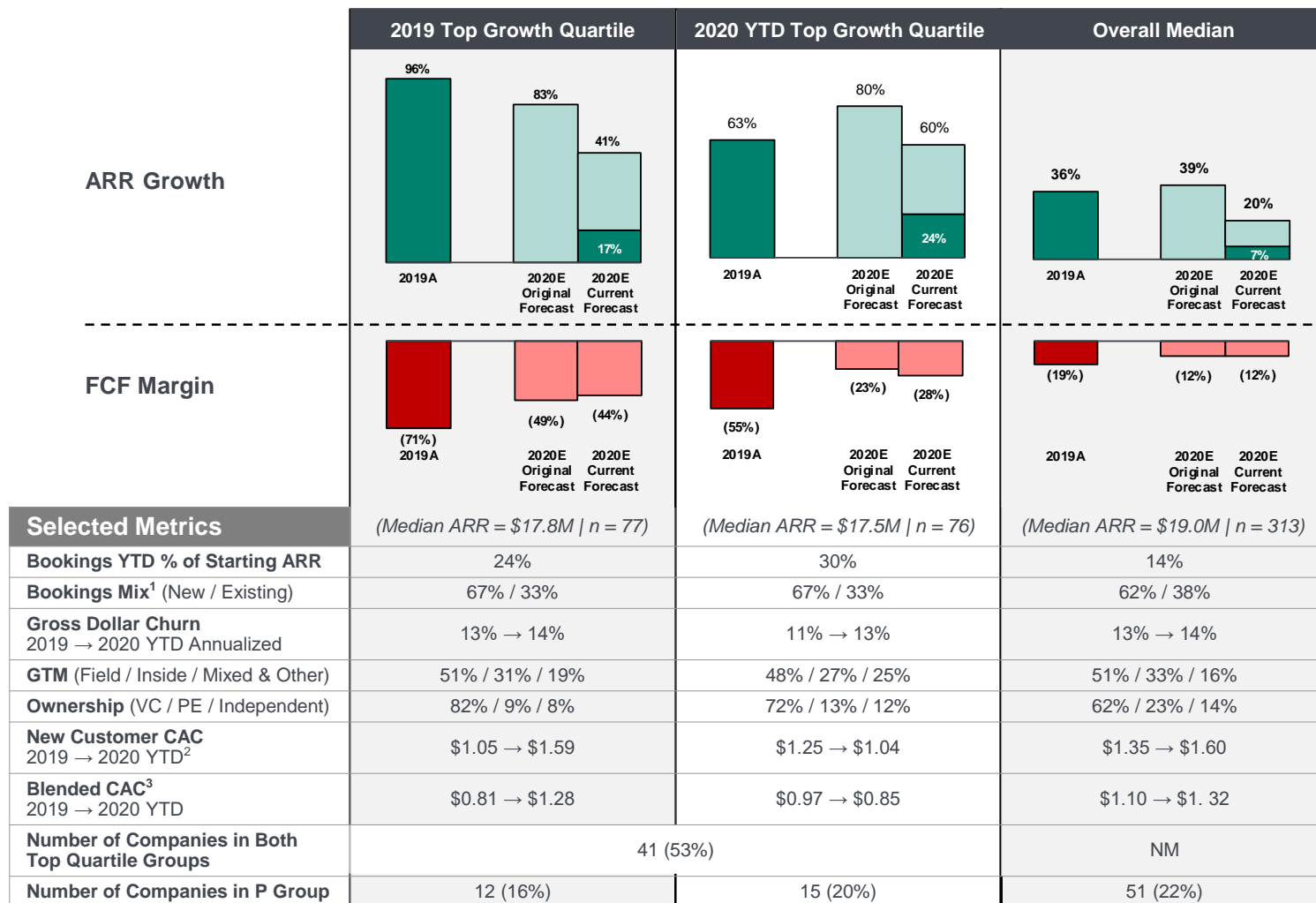
In order to analyze the impact on the fastest growers, we created two separate cohorts: 1) 2019 Top ARR Growth Quartile; and 2) 2020 YTD Top ARR Growth Quartile, making sure to maintain a balanced mix of companies by size. The resulting cohorts each contained over 75 of the fastest growing companies in each period.



HOW ARE THE FASTEST GROWING COMPANIES IMPACTED?

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ 2020 YTD

² 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

³ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

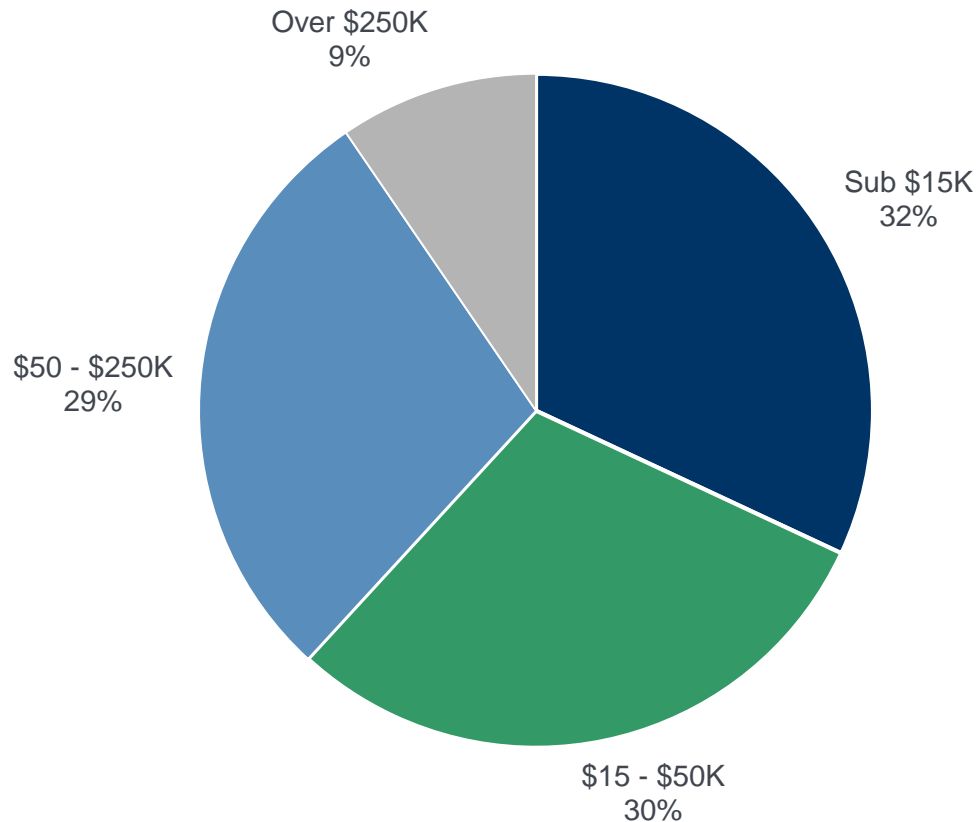
In order to maintain a balanced distribution of companies by size, we chose the top quartile growers for each of three separate ARR ranges: \$5 – \$15M, \$15 – 40M and \$40M+ in 2019 ARR. We then combined them into a single group

AVERAGE DEAL SIZE (INITIAL CONTRACT)

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

$$\text{Average Deal Size (Initial Contract)} = \frac{\text{Gross New ARR Bookings from New Customers in 2019}}{\text{\# of Paying Customers Added in 2019}}$$

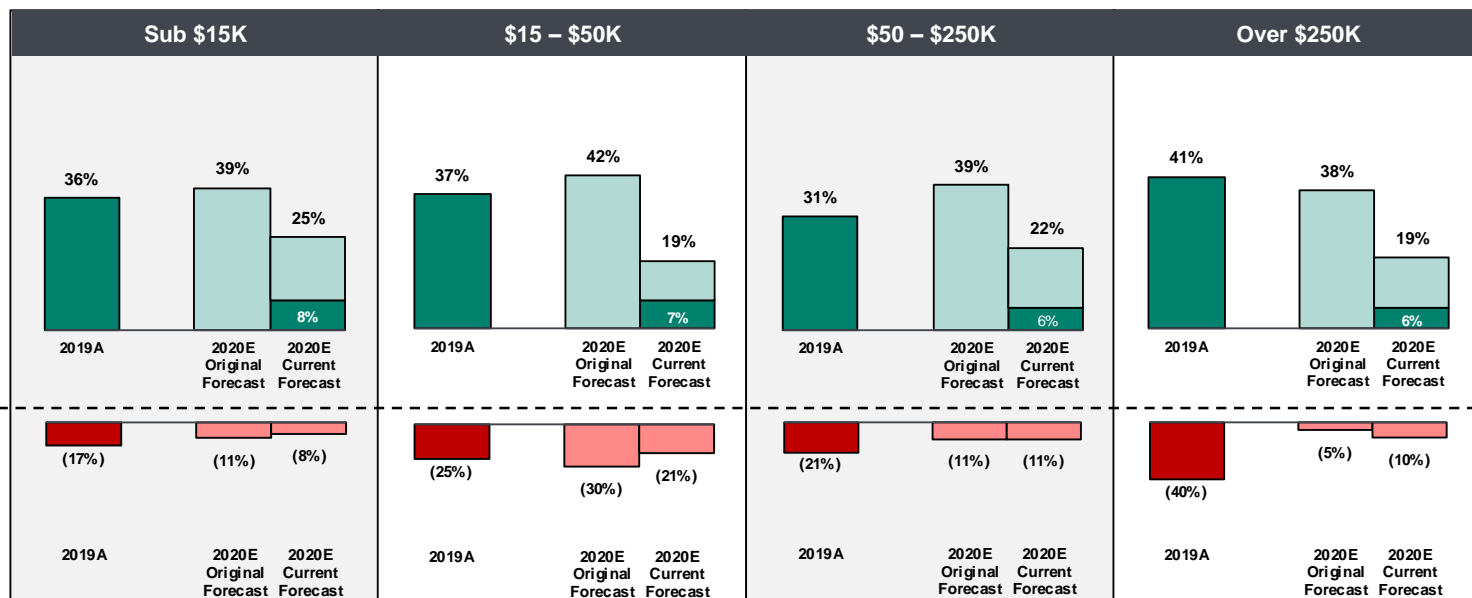


CORRELATION OF PERFORMANCE WITH AVERAGE DEAL SIZE (INITIAL CONTRACT)

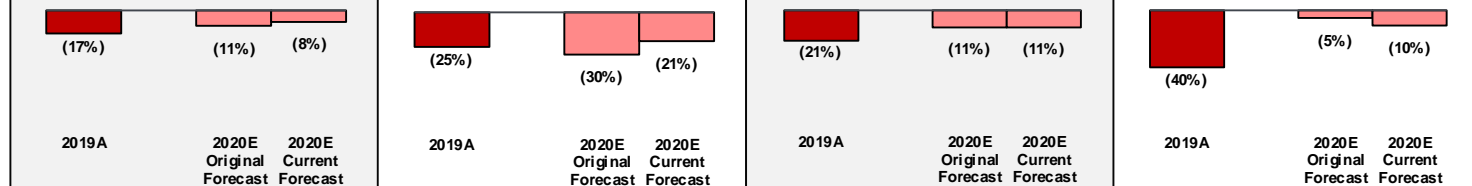
2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

ARR Growth



FCF Margin



Selected Metrics

Bookings YTD % of Starting ARR	(Median ARR = \$22.0M n = 77)	(Median ARR = \$20.4M n = 72)	(Median ARR = \$24.3M n = 69)	(Median ARR = \$15.0M n = 23)
Bookings Mix ¹ (New / Existing)	17%	13%	11%	12%
Gross Dollar Churn 2019 → 2020 YTD Annualized	62% / 38%	62% / 38%	65% / 35%	71% / 29%
GTM (Field / Inside / Mixed & Other)	18% → 22%	13% → 16%	10% → 9%	8% → 6%
Ownership (VC / PE / Independent)	21% / 51% / 28%	45% / 47% / 8%	80% / 12% / 8%	78% / 4% / 17%
New Customer CAC 2019 → 2020 YTD ²	59% / 22% / 18%	67% / 22% / 10%	62% / 28% / 9%	65% / 17% / 17%
Blended CAC ³ 2019 → 2020 YTD	\$1.25 → \$1.20	\$1.50 → \$1.68	\$1.38 → \$2.16	\$1.15 → \$2.16
% Who Have Had RIFs	\$0.84 → \$1.03	\$1.16 → \$1.39	\$1.31 → \$1.61	\$0.90 → \$1.49
	39%	53%	29%	30%

¹ 2020 YTD

² 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

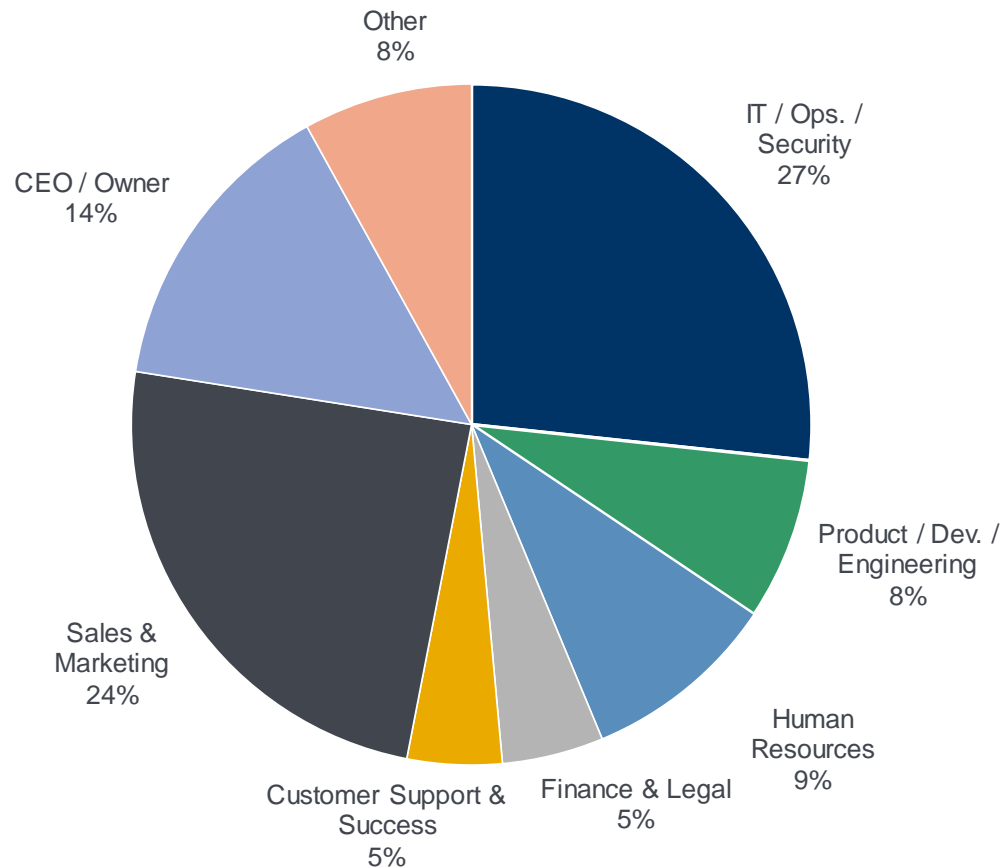
³ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

PRIMARY BUYER GROUP

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

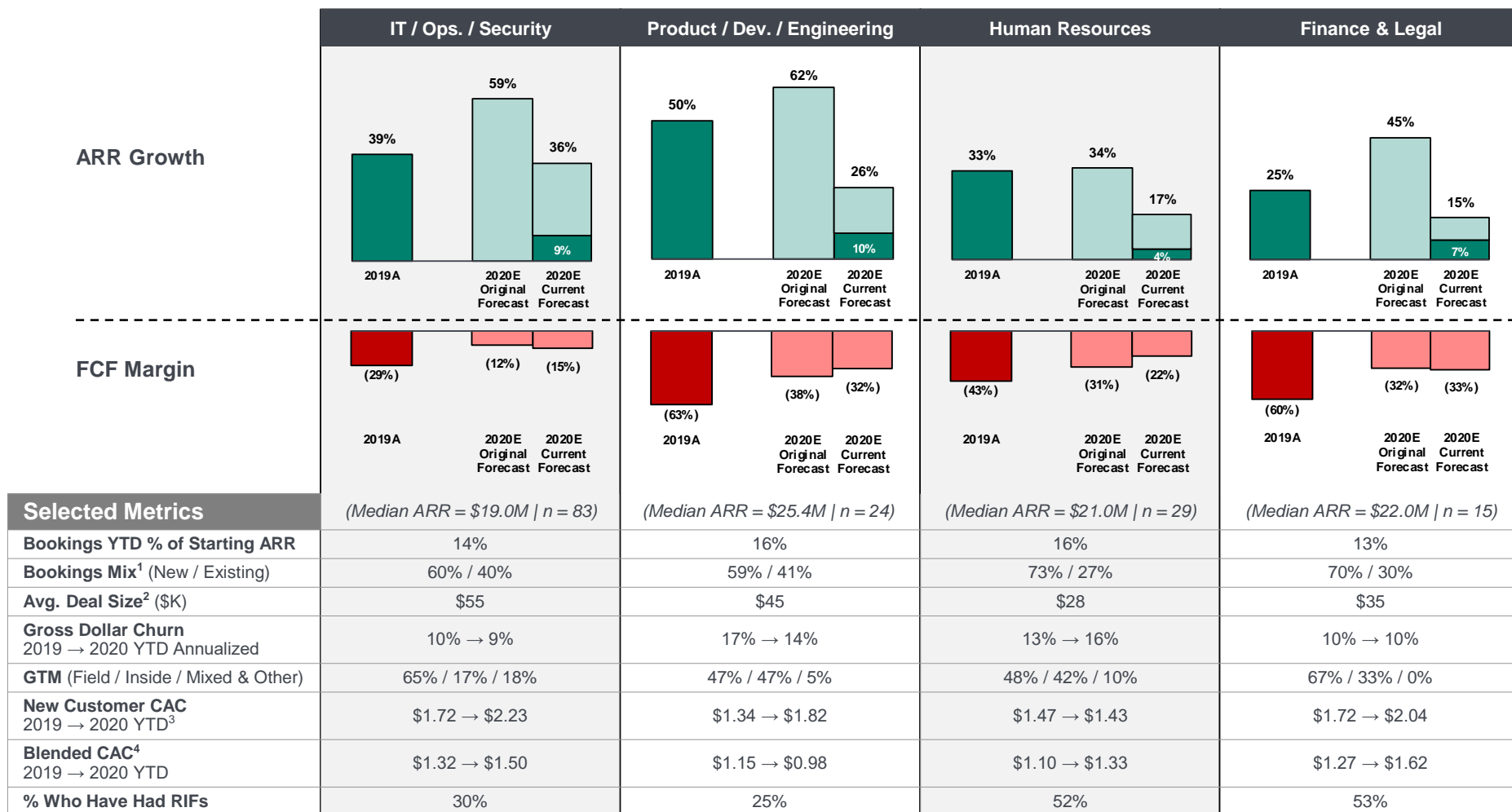
Who is the Primary Buyer of Your Product at Your Customer?



CORRELATION OF PERFORMANCE WITH PRIMARY BUYER GROUP

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ 2020 YTD

² Across all customers

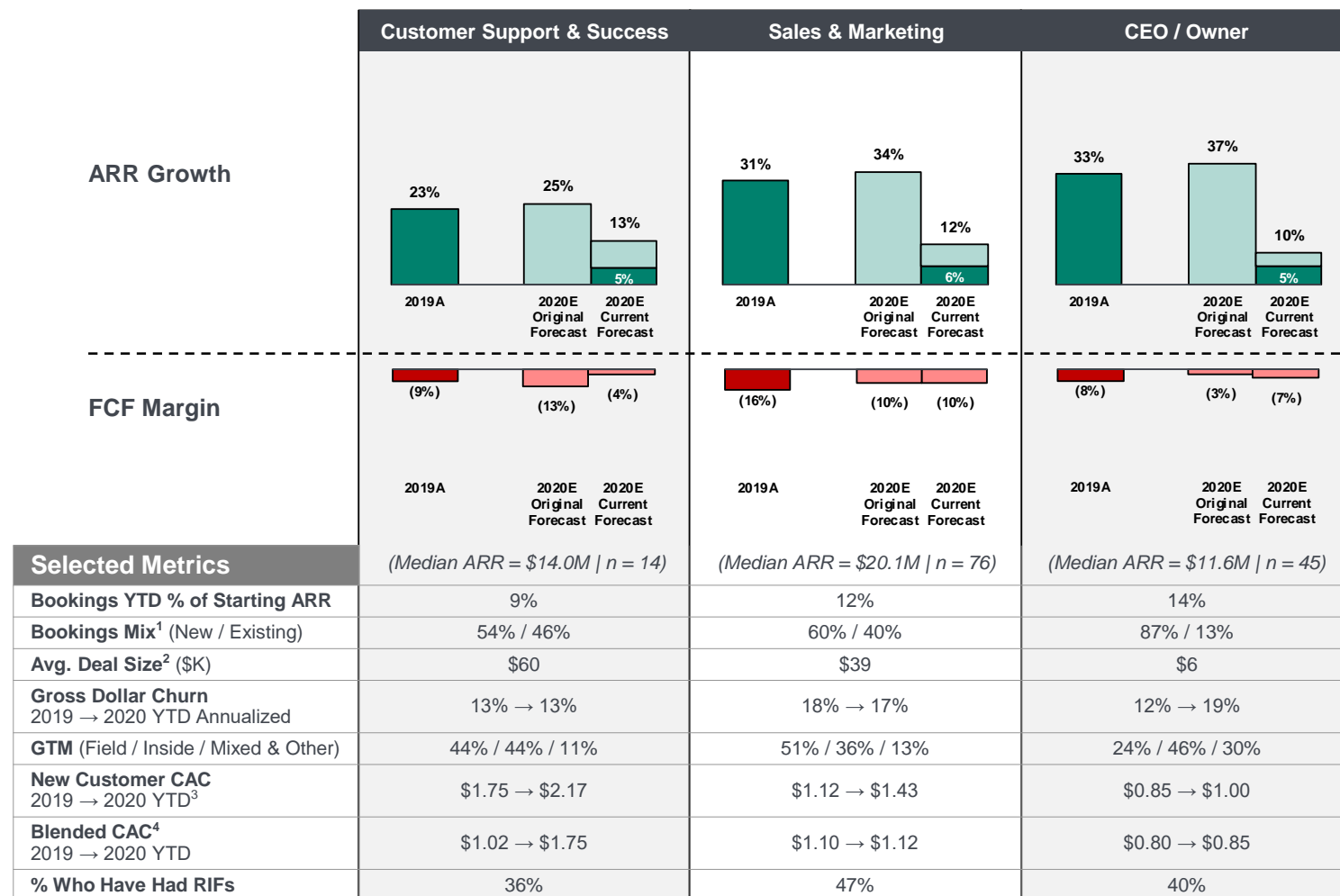
³ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

⁴ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

CORRELATION OF PERFORMANCE WITH PRIMARY BUYER GROUP (CONT.)

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ 2020 YTD

² Across all customers

³ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

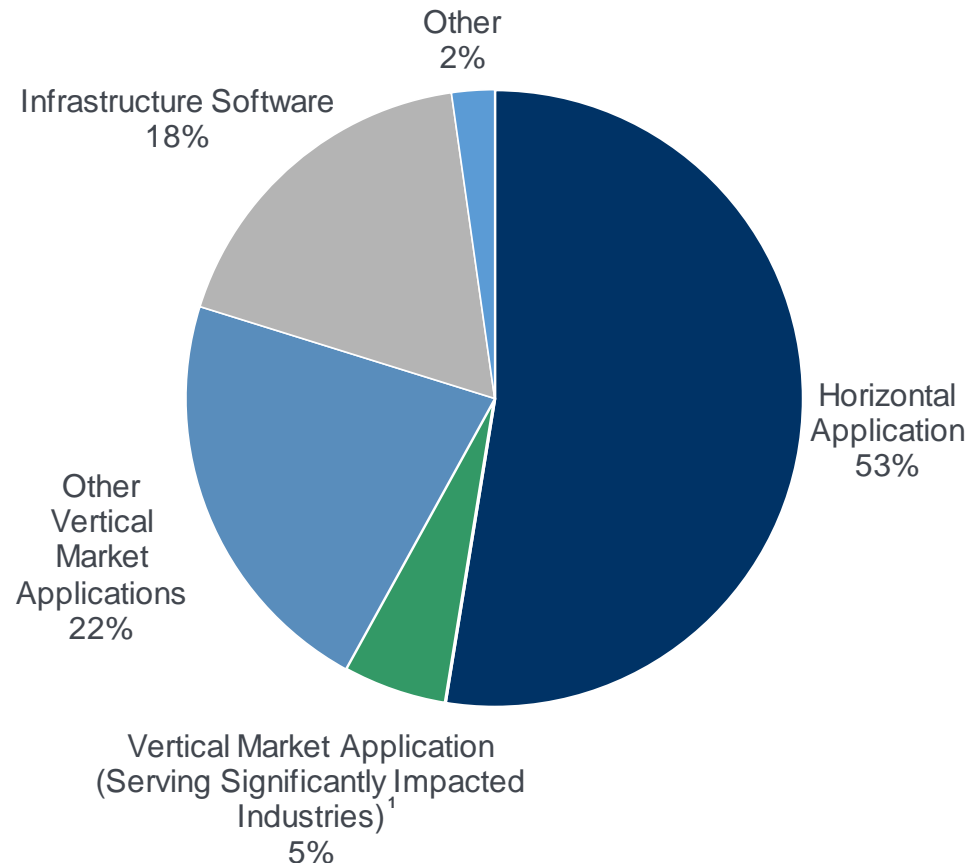
⁴ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

APPLICATION TYPE

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

Which category best fits your SaaS Product? 1) Horizontal Application; 2) Vertical Market Application; 3) Infrastructure Software; 4) Other

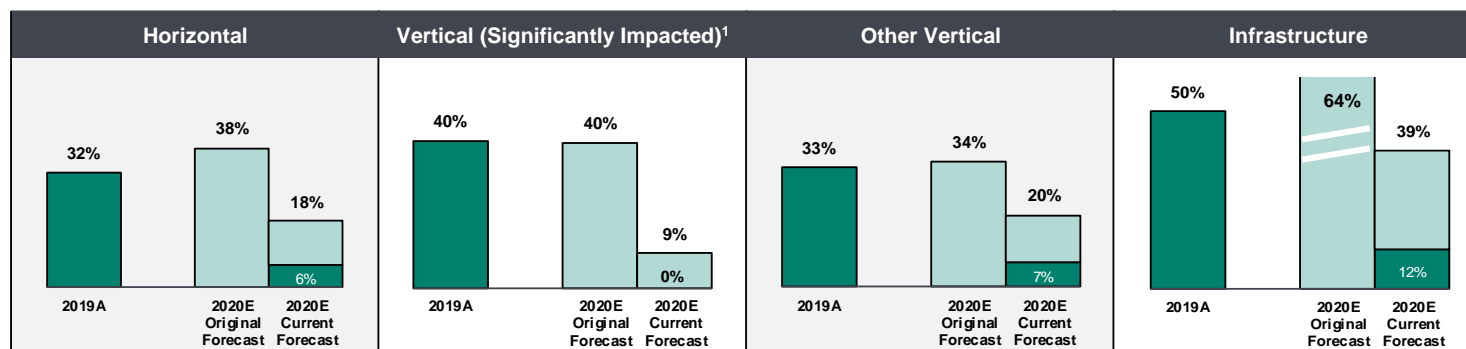


CORRELATION OF PERFORMANCE WITH APPLICATION TYPE

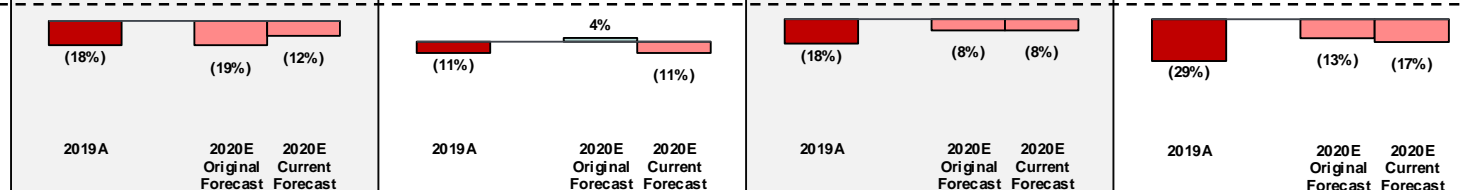
2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

ARR Growth



FCF Margin



Selected Metrics

(Median ARR = \$19.5M | n = 164)

(Median ARR = \$9.7M | n = 17)

(Median ARR = \$14.2M | n = 68)

(Median ARR = \$22.3M | n = 56)

Selected Metrics	Horizontal	Vertical (Significantly Impacted) ¹	Other Vertical	Infrastructure
Bookings YTD % of Starting ARR	13%	11%	12%	17%
Bookings Mix ² (New / Existing)	66% / 34%	63% / 37%	62% / 38%	59% / 41%
Avg. Deal Size ³ (\$K)	\$35	\$11	\$36	\$54
Gross Dollar Churn 2019 → 2020 YTD Annualized	17% → 16%	13% → 19%	10% → 9%	11% → 11%
GTM (Field / Inside / Mixed & Other)	50% / 32% / 18%	41% / 47% / 12%	46% / 43% / 11%	64% / 20% / 16%
Ownership (VC / PE / Independent)	62% / 22% / 14%	65% / 24% / 12%	57% / 24% / 19%	66% / 23% / 11%
New Customer CAC 2019 → 2020 YTD ⁴	\$1.46 → \$1.47	\$0.82 → \$1.44	\$1.03 → \$1.42	\$1.73 → \$2.10
Blended CAC ⁵ 2019 → 2020 YTD	\$1.11 → \$1.34	\$0.81 → \$1.60	\$0.93 → \$1.07	\$1.32 → \$1.50
% Who Have Had RIFs	46%	29%	38%	25%

¹ Indicates Vertical Market Application companies who have at least 70% of their YE 2019 customers in industries which have experienced a significant negative impact from COVID

² 2020 YTD

³ Across all customers

⁴ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

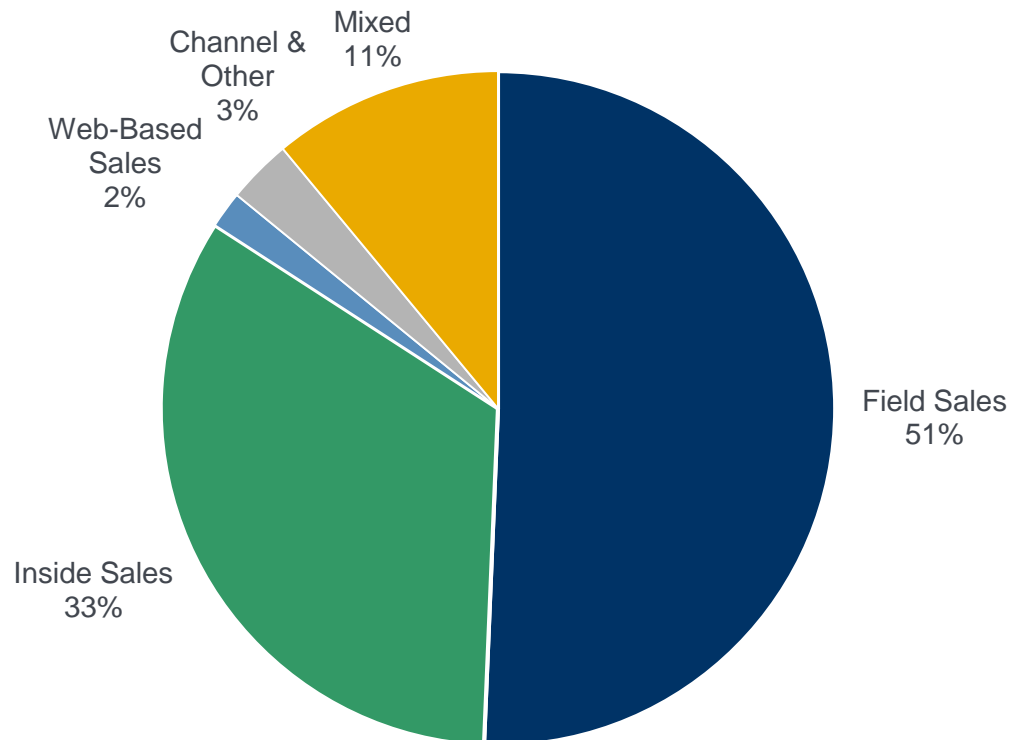
⁵ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

PRIMARY MODE OF DISTRIBUTION

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

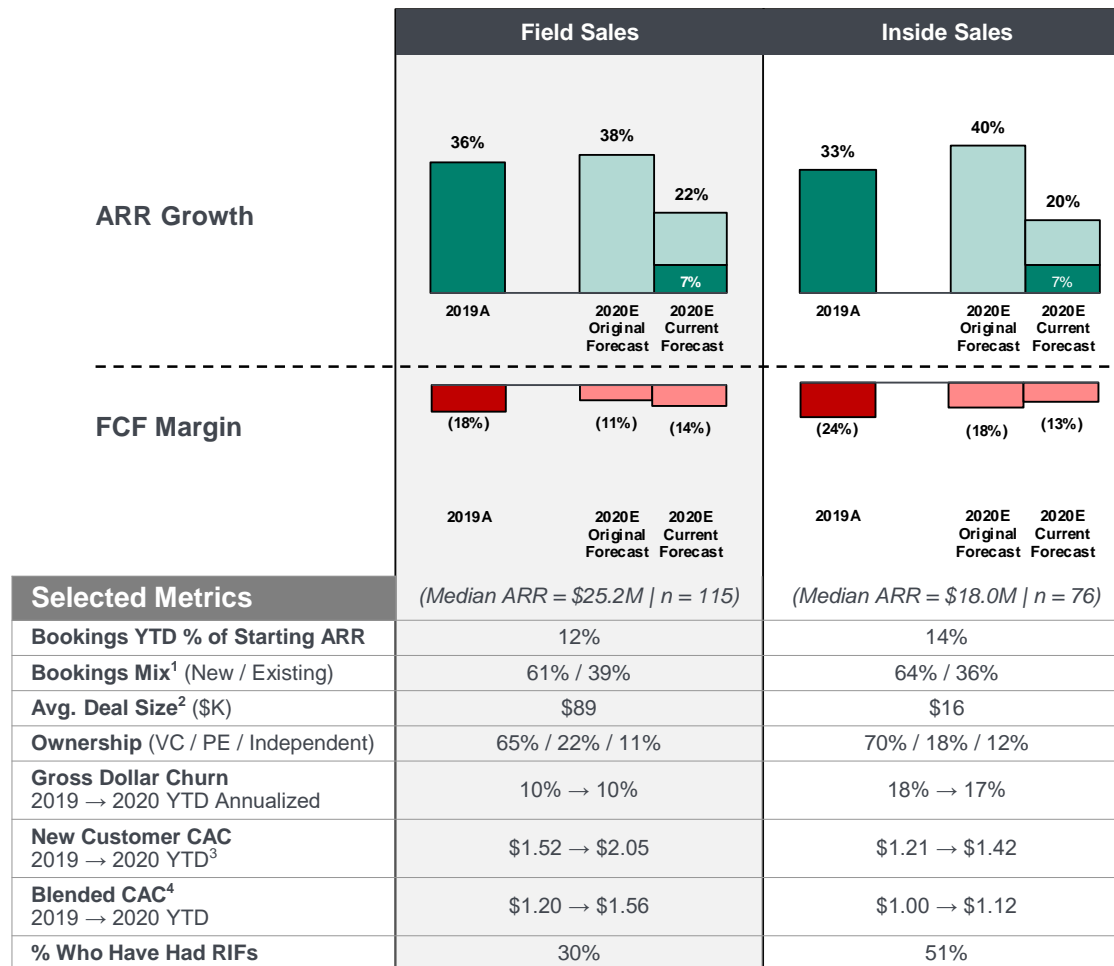
Primary Mode of Distribution is defined by determining the greatest contributor to new sales and confirming that it is at least a 20% point higher contributor than any other.
If no mode satisfies these conditions, then it is Mixed



CORRELATION OF PERFORMANCE WITH PRIMARY MODE OF DISTRIBUTION

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ 2020 YTD

² Across all customers

³ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

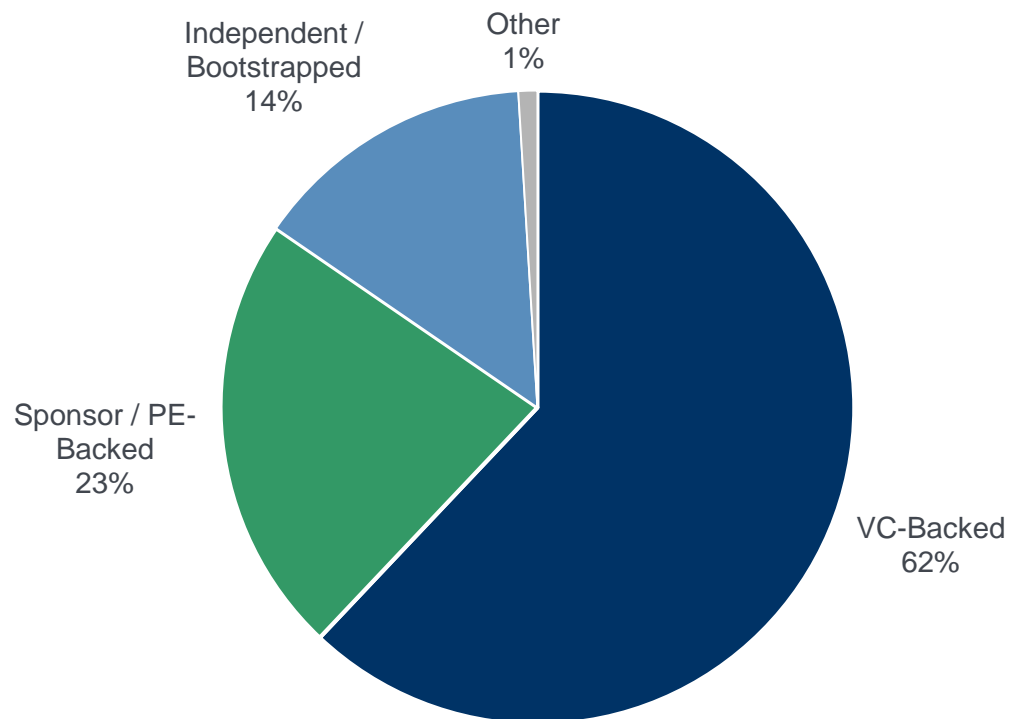
⁴ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

OWNERSHIP

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

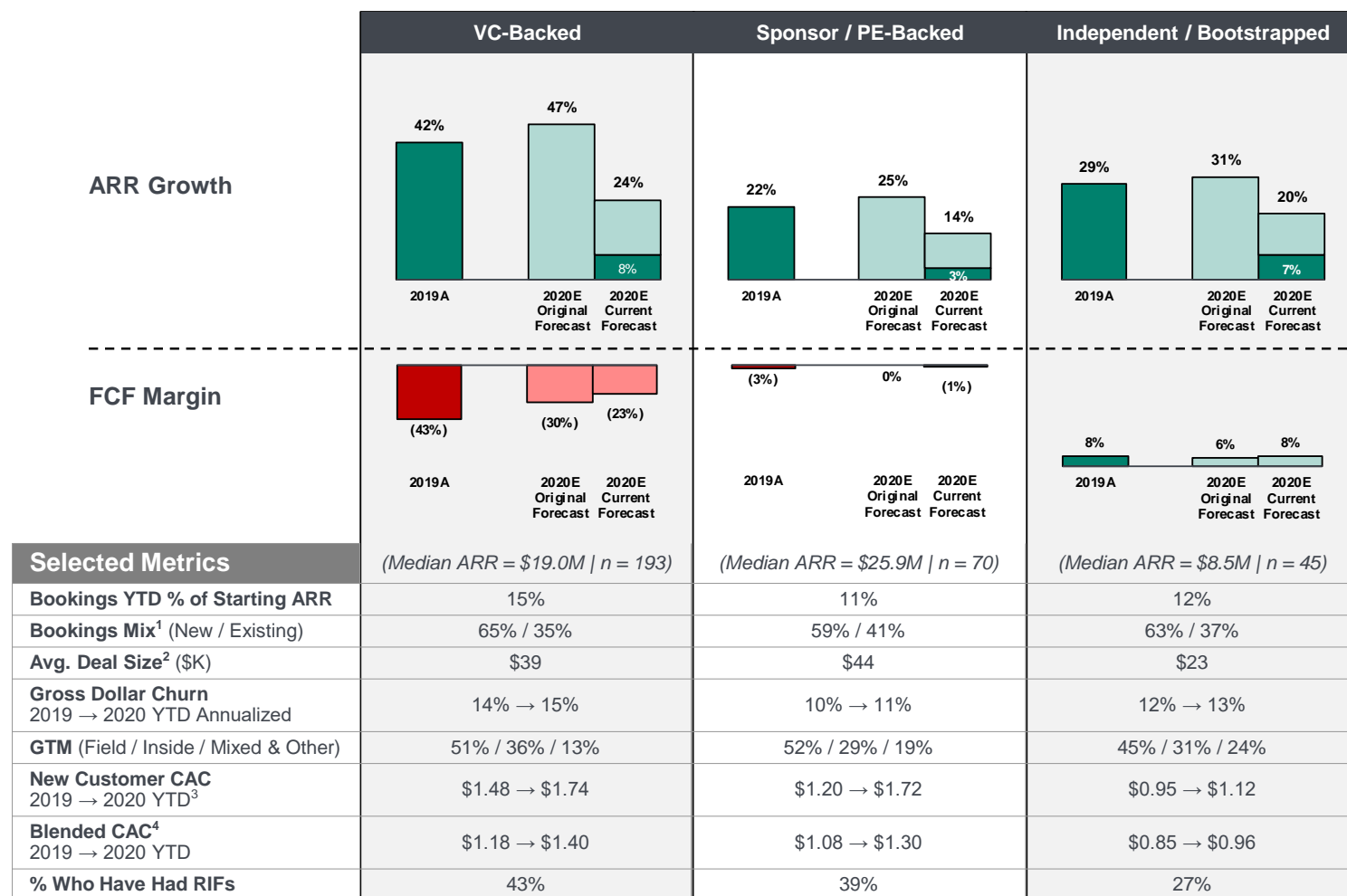
Characterize the current ownership of the business: 1) VC-Backed (no majority owner); 2) Sponsor / PE-backed (controlled); 3) Independent and/or bootstrapped; 4) Other



CORRELATION OF PERFORMANCE WITH OWNERSHIP

2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR



¹ 2020 YTD

² Across all customers

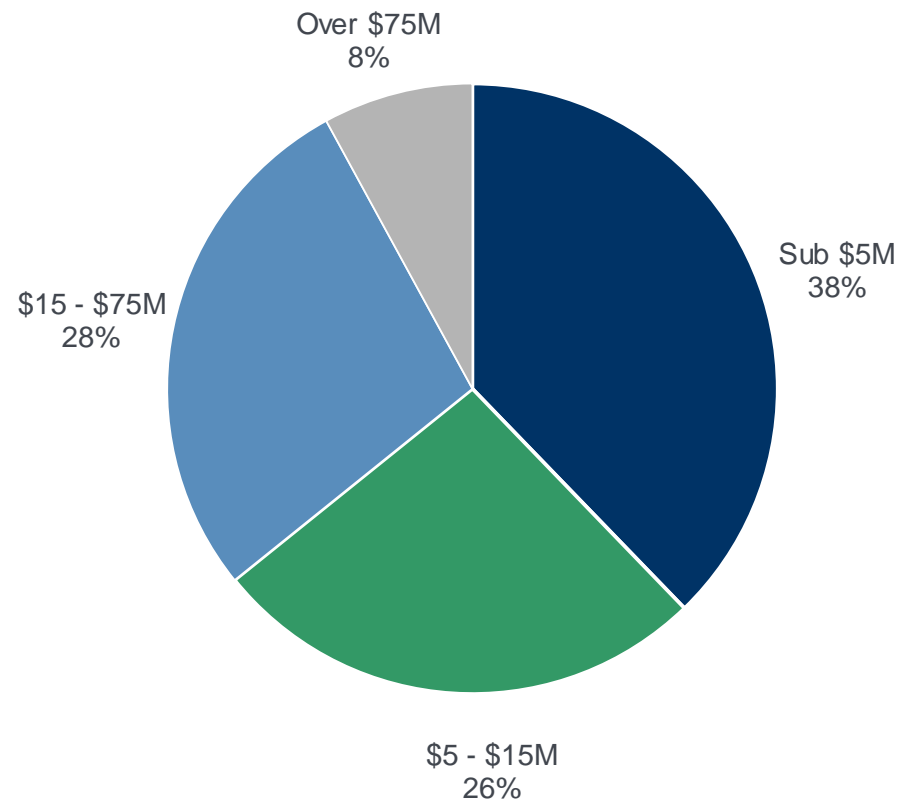
³ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

⁴ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

SIZE OF COMPANY (2019 ARR)

2020 Private SaaS Company Survey 

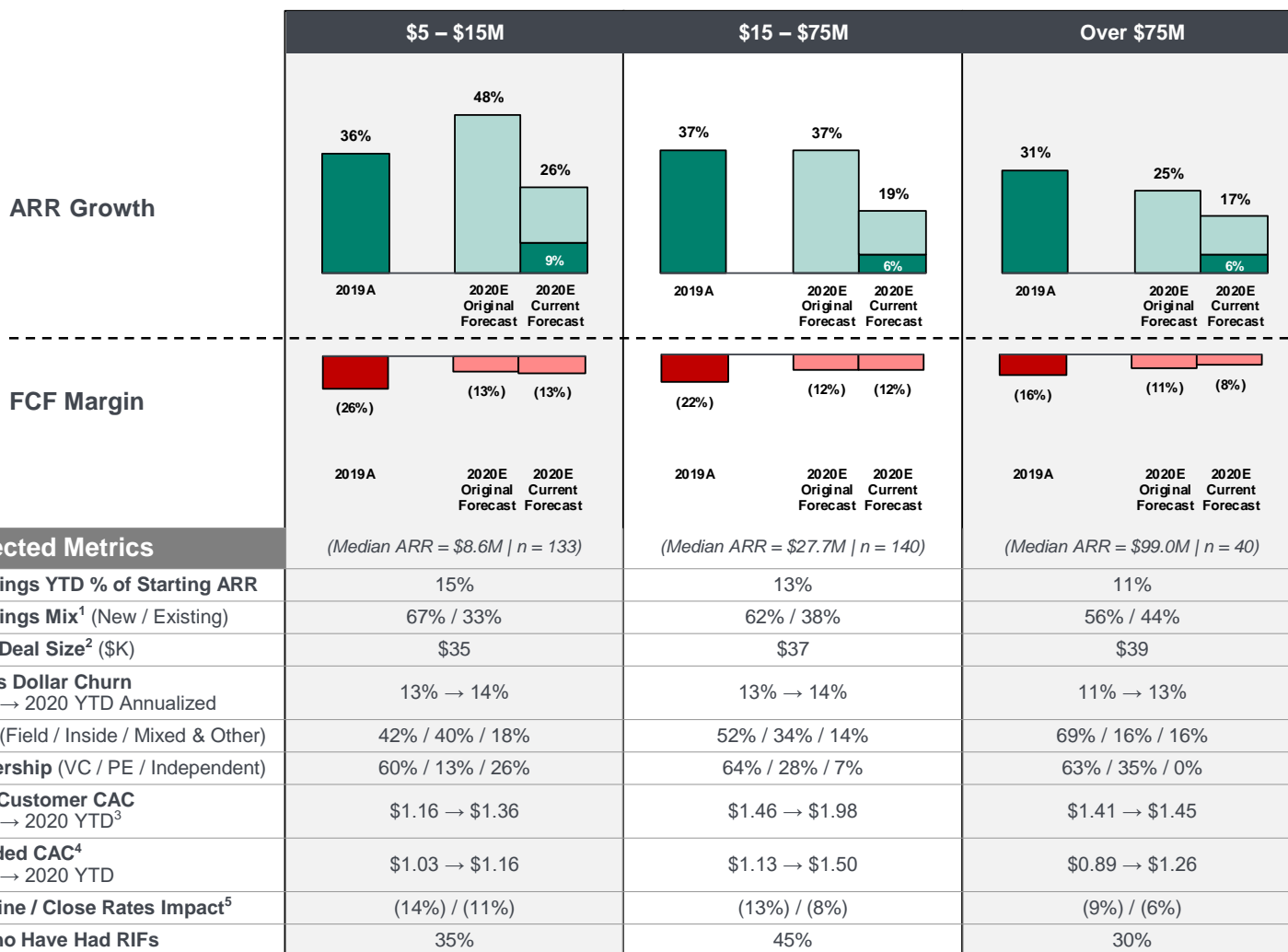
Distribution of 2019 Ending ARR



CORRELATION OF PERFORMANCE WITH SIZE OF COMPANY (2019 ARR)

2020 Private SaaS Company Survey 

Median Values



¹ 2020 YTD

³ Across all customers

³ 2020 YTD New Customer CAC assumes same S&M % targeted at new customers as in 2019

⁴ S&M costs do not factor in the costs attributed to renewals, for which the median was 9% of total S&M costs

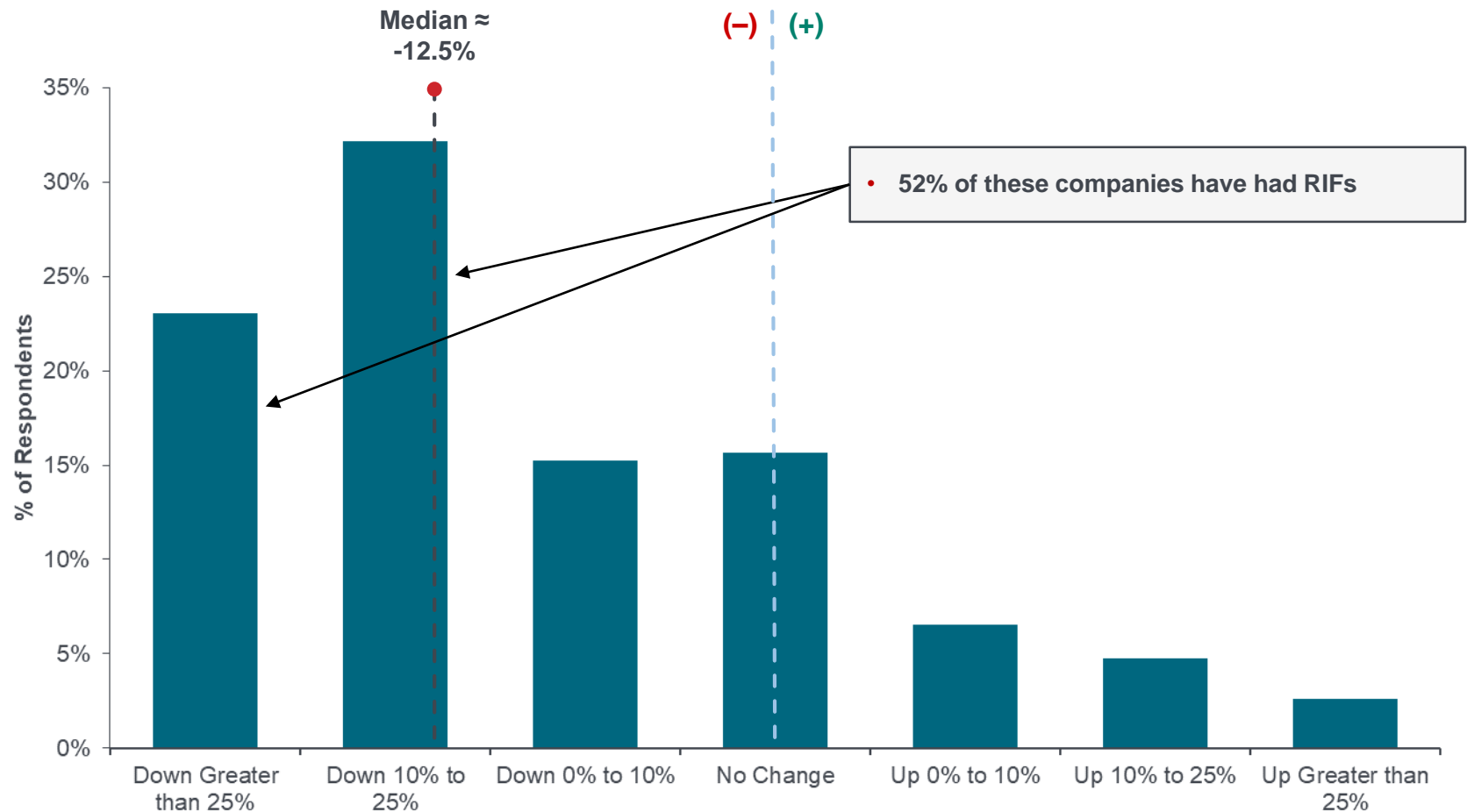
⁵ Impact of COVID on forward six-month pipeline and close rates vs. expectations

WHAT'S HAPPENING IN THE FIELD AND WHAT'S BEEN THE RESPONSE?

IMPACT OF COVID ON FORWARD SIX-MONTH SALES PIPELINE

2020 Private SaaS Company Survey 

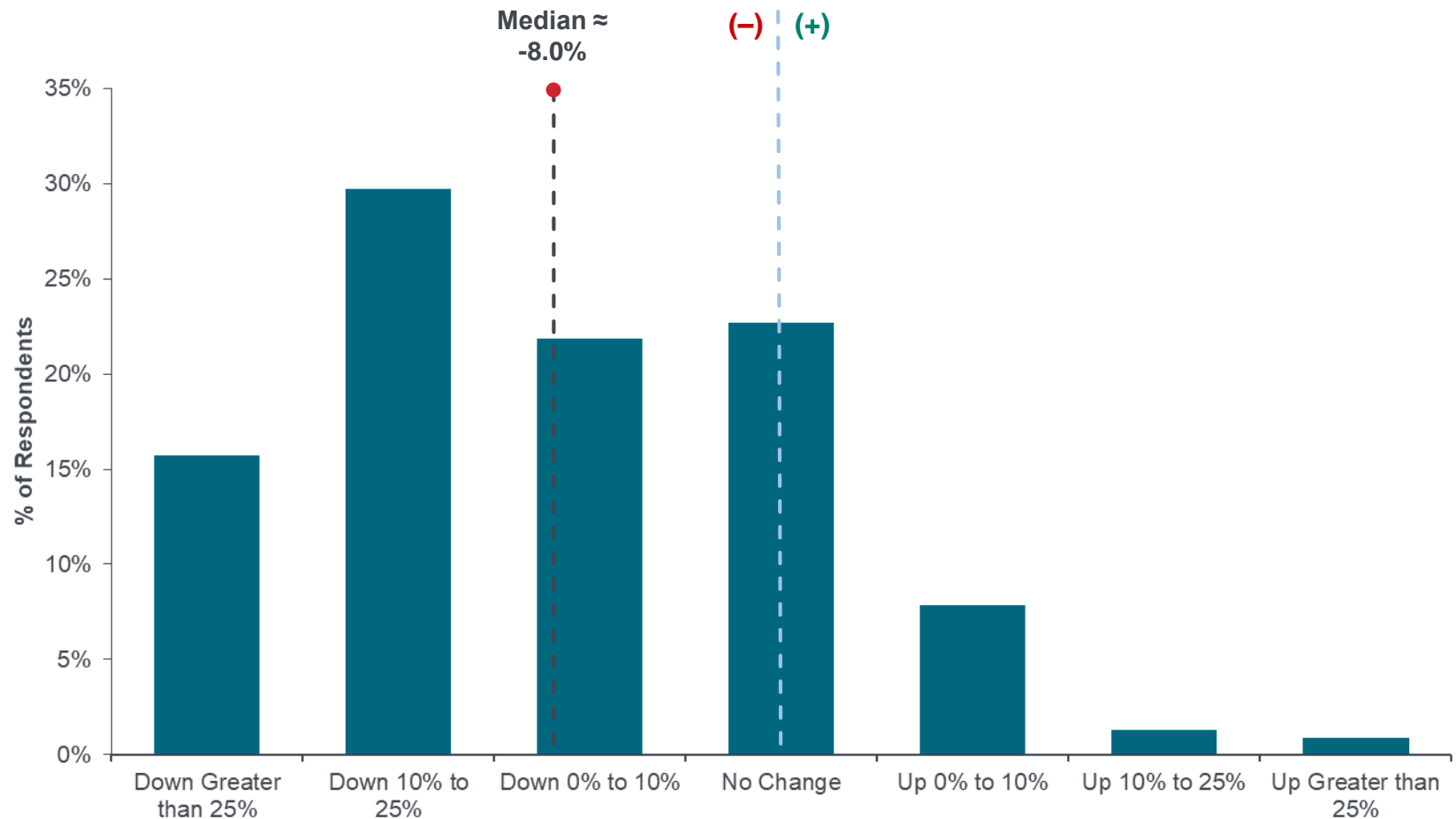
Companies with \$5M+ in 2019 ARR



IMPACT OF COVID ON CLOSE RATES

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

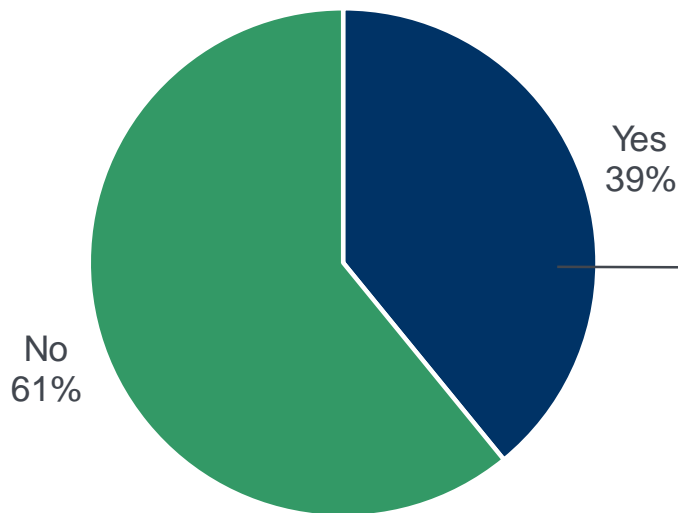


LAYOFFS AND FURLOUGHS

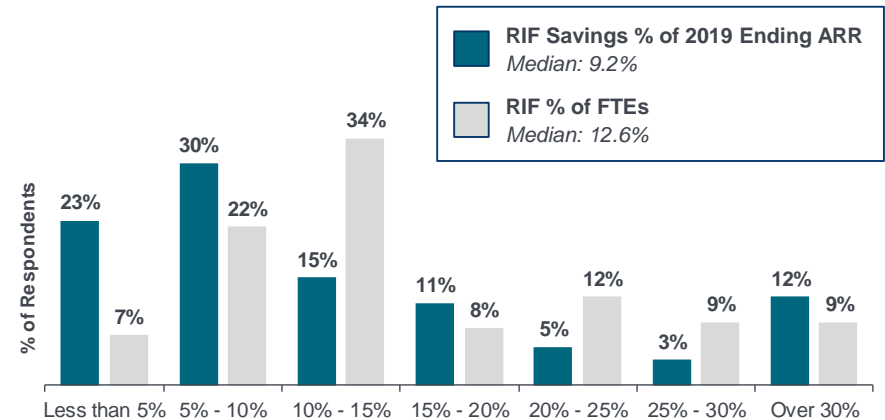
2020 Private SaaS Company Survey 

Median Values for Companies with \$5M+ in 2019 ARR

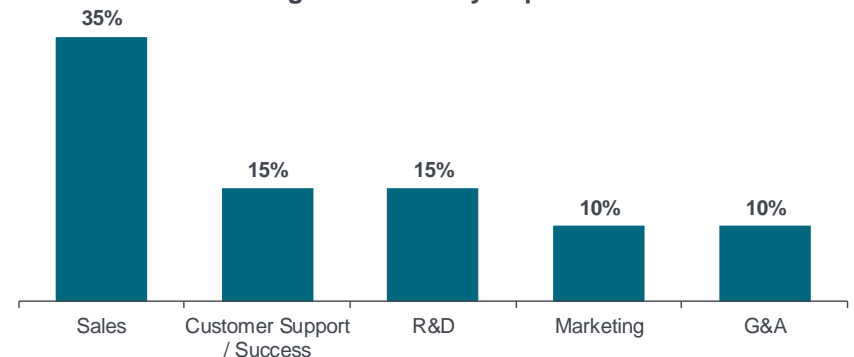
Have you had a Reduction in Force (RIF) or Furloughed FTEs since March 15, 2020?



Cuts by % of Employees / \$s for Those Who Acted



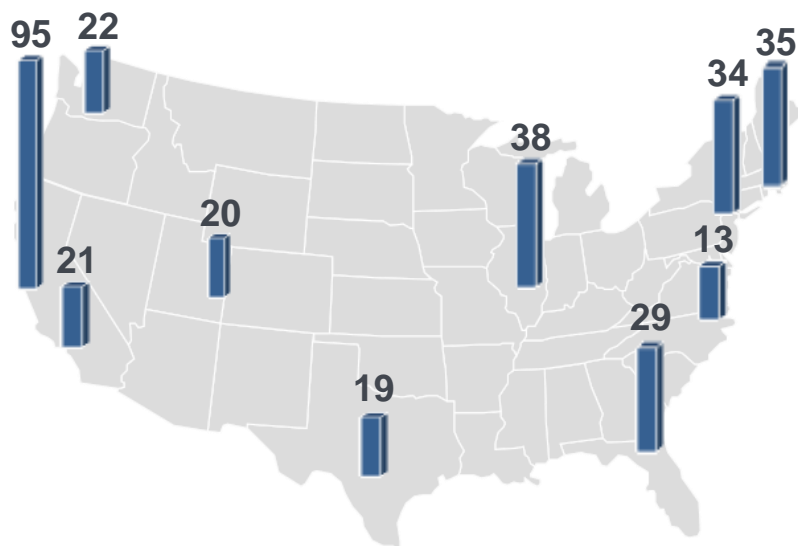
Savings Allocation by Department



OTHER HIGHLIGHTS

SURVEY PARTICIPANT GEOGRAPHY (HQ)

2020 Private SaaS Company Survey 



U.S. Regions	Number of Respondents	Median 2019 Ending ARR (\$ in M)
Northern California / Silicon Valley	95	\$14.3
Midwest / Chicago	38	9.4
Boston / New England	35	5.2
New York Metropolitan Area	34	16.5
Southeast U.S.	29	6.6
Pacific Northwest	22	8.7
Southern California	21	8.6
Colorado / Utah	20	14.0
Texas	19	6.0
Mid-Atlantic / DC	13	12.5
Other U.S.	7	10.0
Total U.S.	333	\$10.2



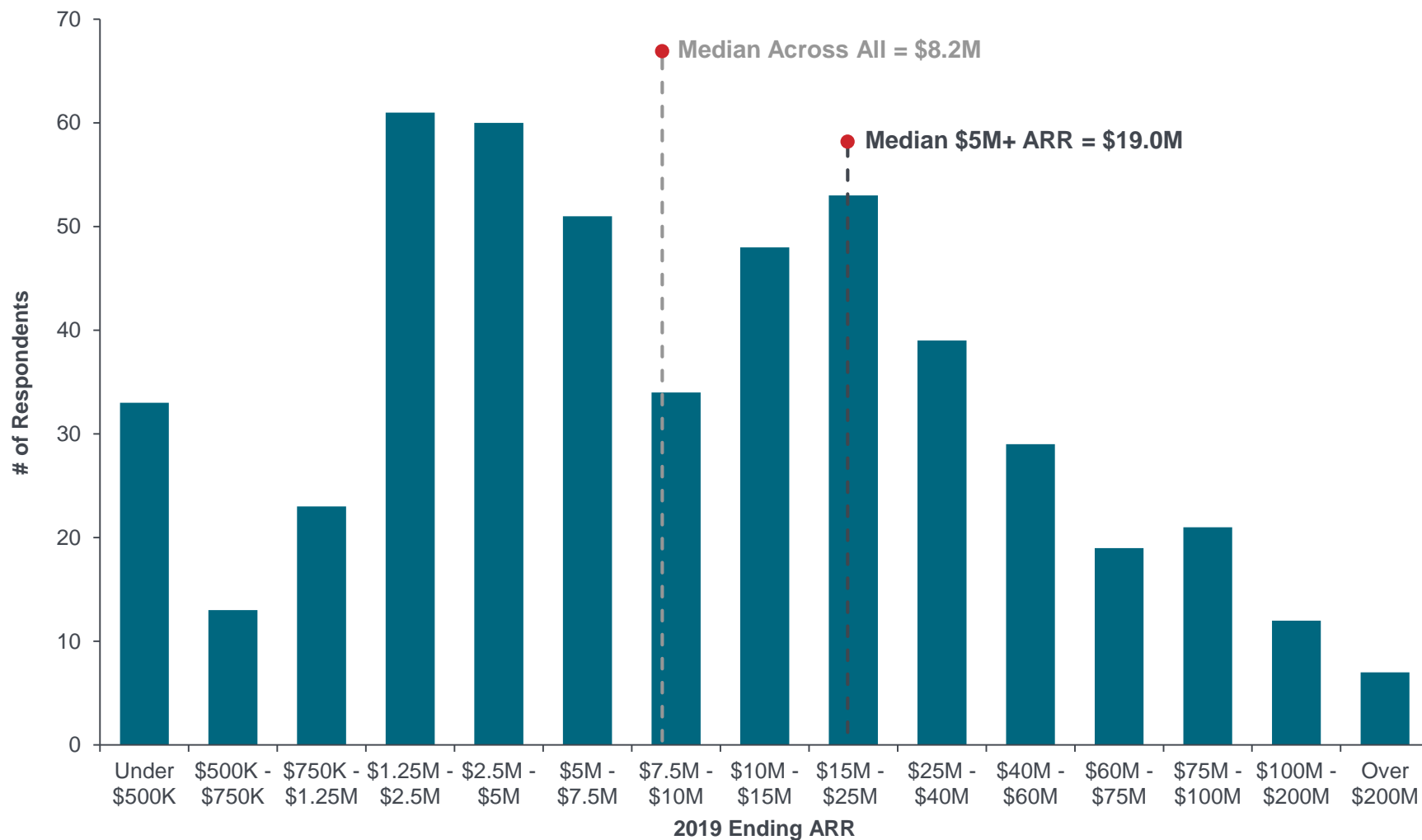
Other Locations	Number of Respondents	Median 2019 Ending ARR (\$ in M)
Europe	78	\$7.0
Canada	37	7.5
Australia / New Zealand	16	2.0
Latin America	13	2.2
Asia	11	3.0
Israel	11	6.0
Middle East – Africa	3	0.9
Other	1	13.0
Total Non-U.S.	170	\$5.9

TOTAL	503	\$8.2
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SURVEY PARTICIPANT SIZE DISTRIBUTION

2020 Private SaaS Company Survey 

Contracted Annual Recurring Revenue at Year-End 2019



HUMAN CAPITAL EFFICIENCY

2020 Private SaaS Company Survey 

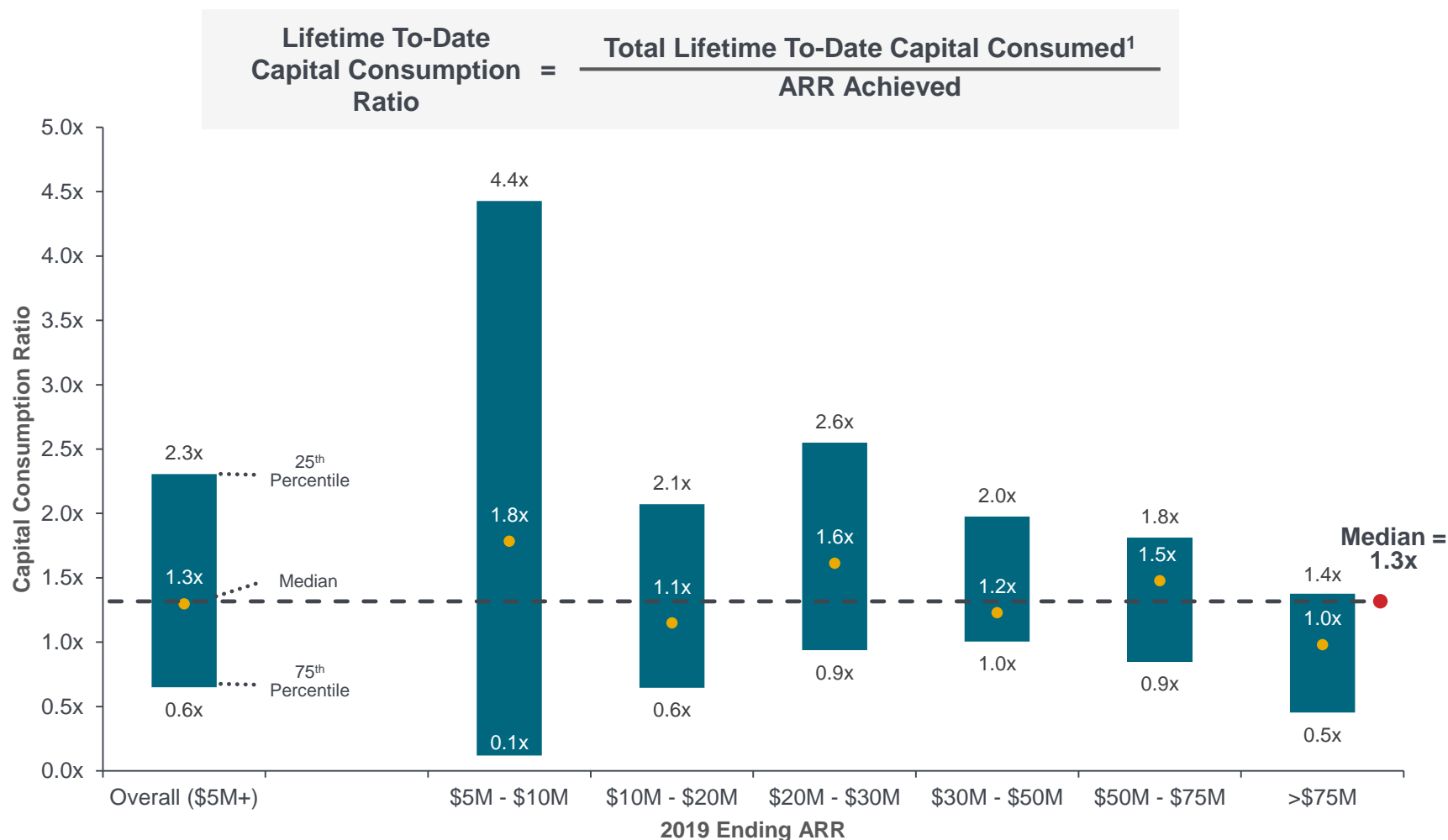
2019 ARR per FTE



LIFETIME TO-DATE CAPITAL CONSUMPTION RATIO¹

2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR



¹ Defined as total primary cumulative equity raised plus debt drawn minus cash on the balance sheet (adjusted for dividends / distributions) as of year-end 2019

Note: Values that fall on the boundary between two bins are included in the bin to the right



Respondents: All: 198, \$5M - \$10M: 46, \$10M - \$20M: 48, \$20M - \$30M: 32, \$30M - \$50M: 22, \$50M - \$75M: 26, >\$75M: 24

LIFETIME TO-DATE CAPITAL CONSUMPTION RATIO¹ HISTOGRAM

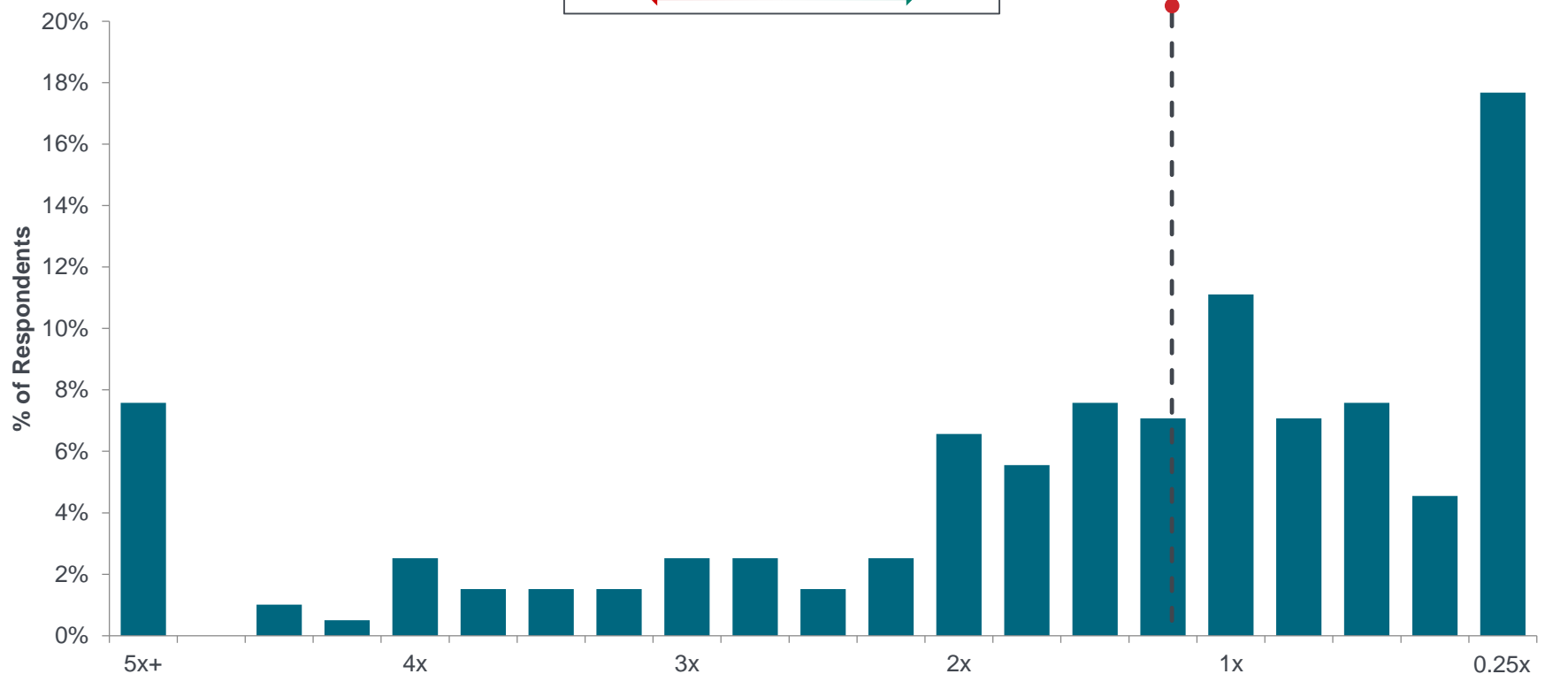
2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR

$$\text{Lifetime To-Date Capital Consumption Ratio} = \frac{\text{Total Lifetime To-Date Capital Consumed}^1}{\text{ARR Achieved}}$$

Less Capital Efficient   More Capital Efficient

Median = 1.3x



¹ Defined as total primary cumulative equity raised plus debt drawn minus cash on the balance sheet (adjusted for dividends / distributions) as of year-end 2019

² Negative capital consumption implies net capital creation of the company over its life-to-date

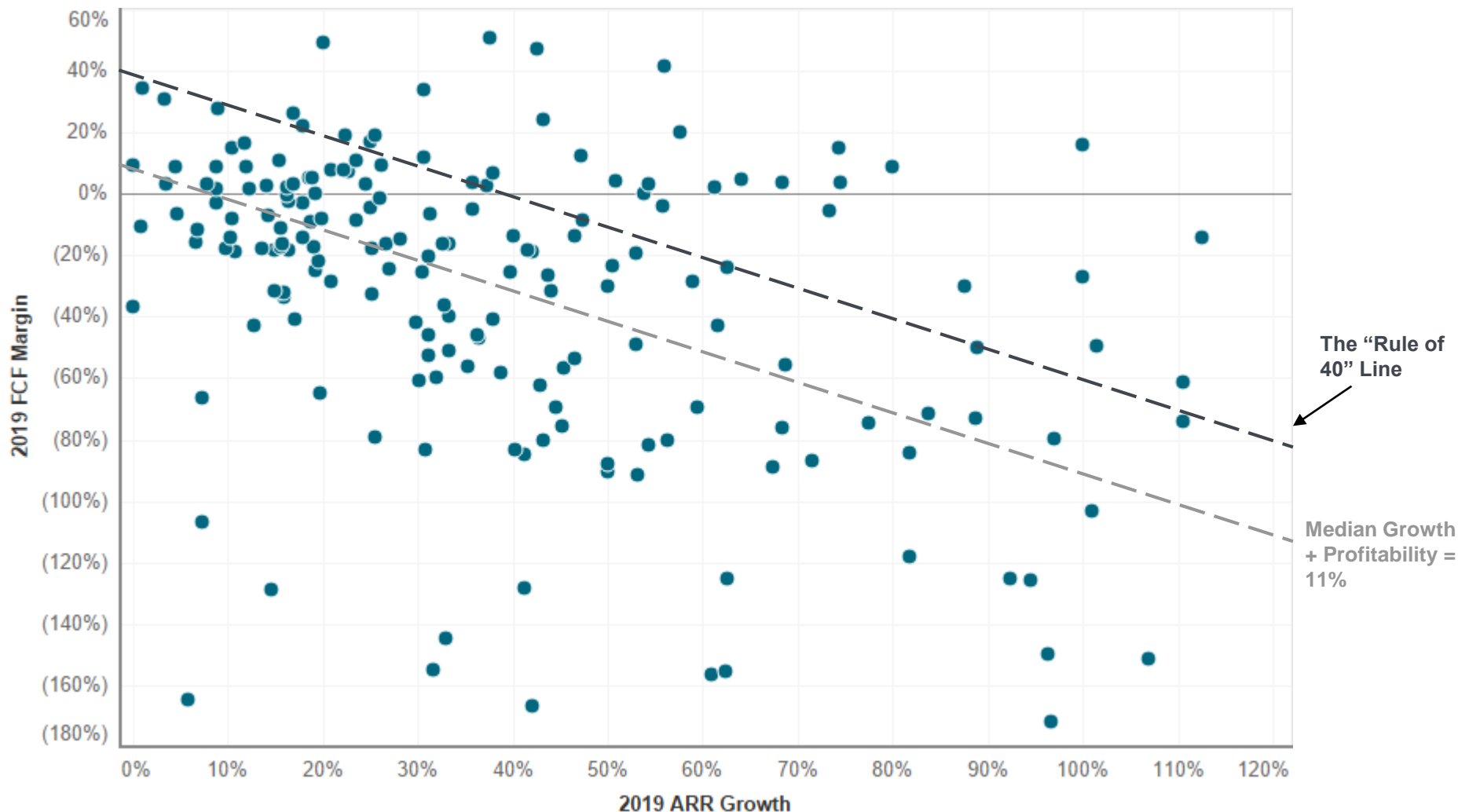
Note: Values that fall on the boundary between two bins are included in the bin to the right

Respondents: 198

MEASURING SURVEY PARTICIPANTS AGAINST “THE RULE OF 40%” – 2019

2020 Private SaaS Company Survey 

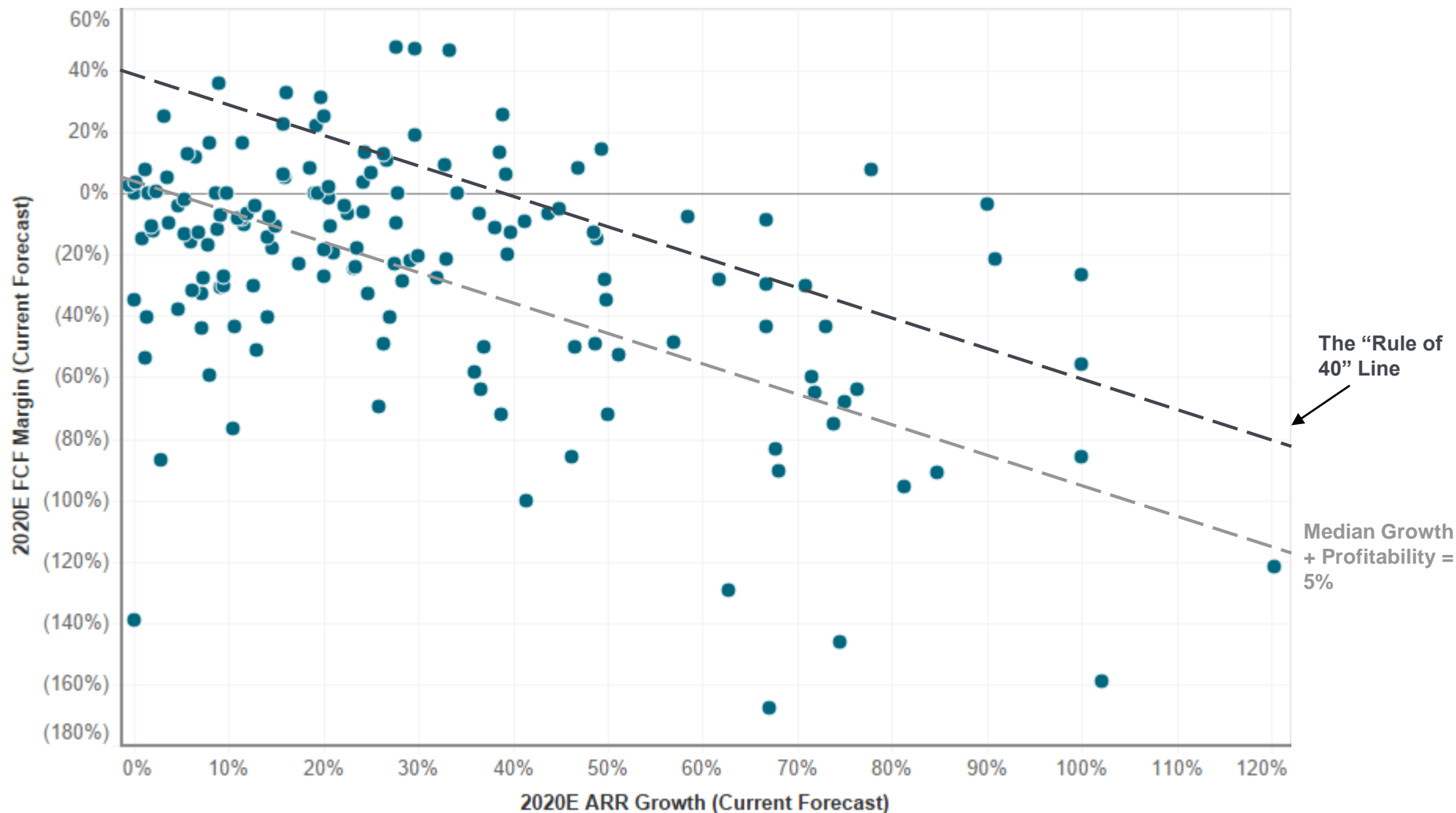
Companies with \$5M+ in 2019 ARR



MEASURING SURVEY PARTICIPANTS AGAINST “THE RULE OF 40%” – 2020E CURRENT FORECAST

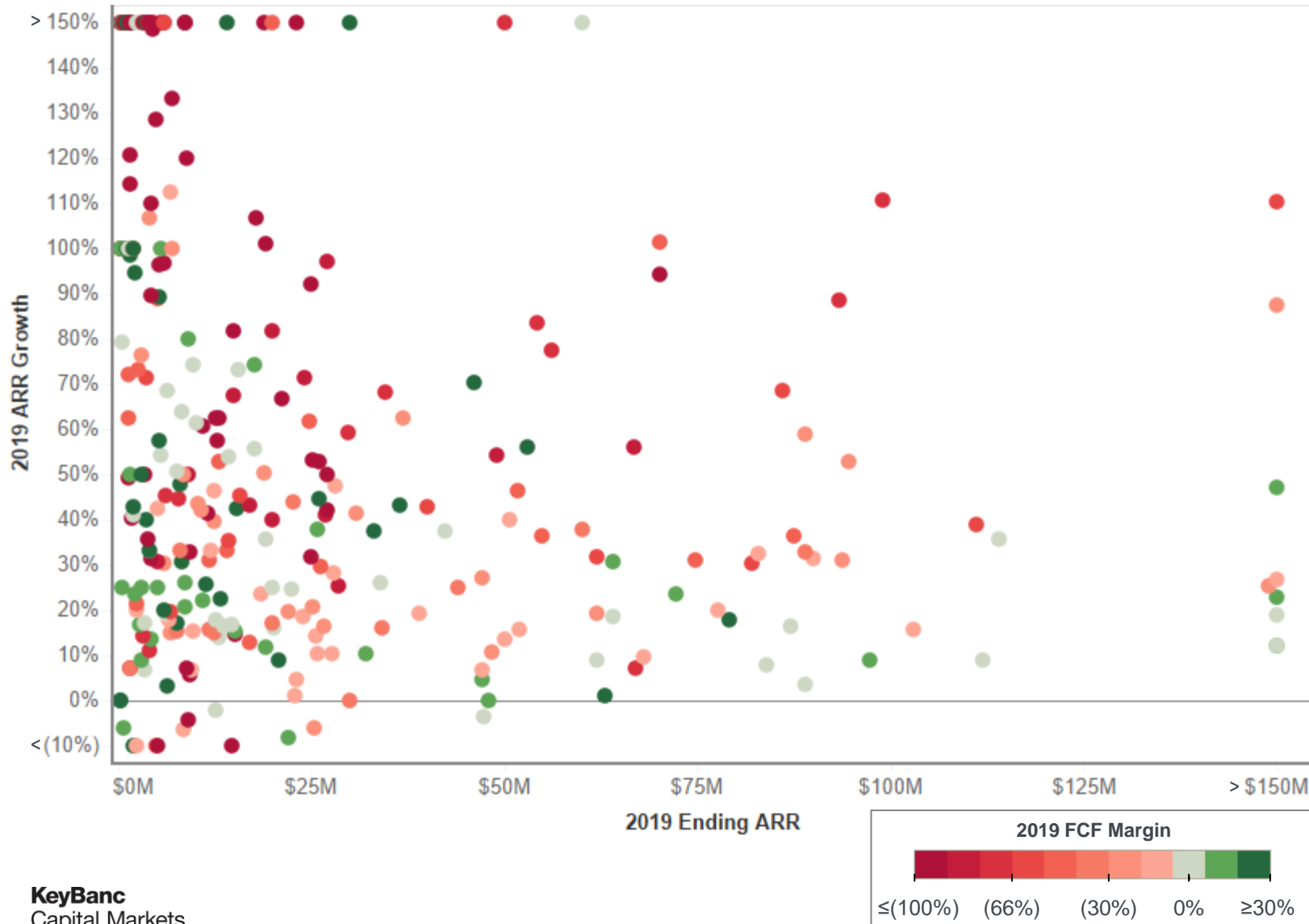
2020 Private SaaS Company Survey 

Companies with \$5M+ in 2019 ARR



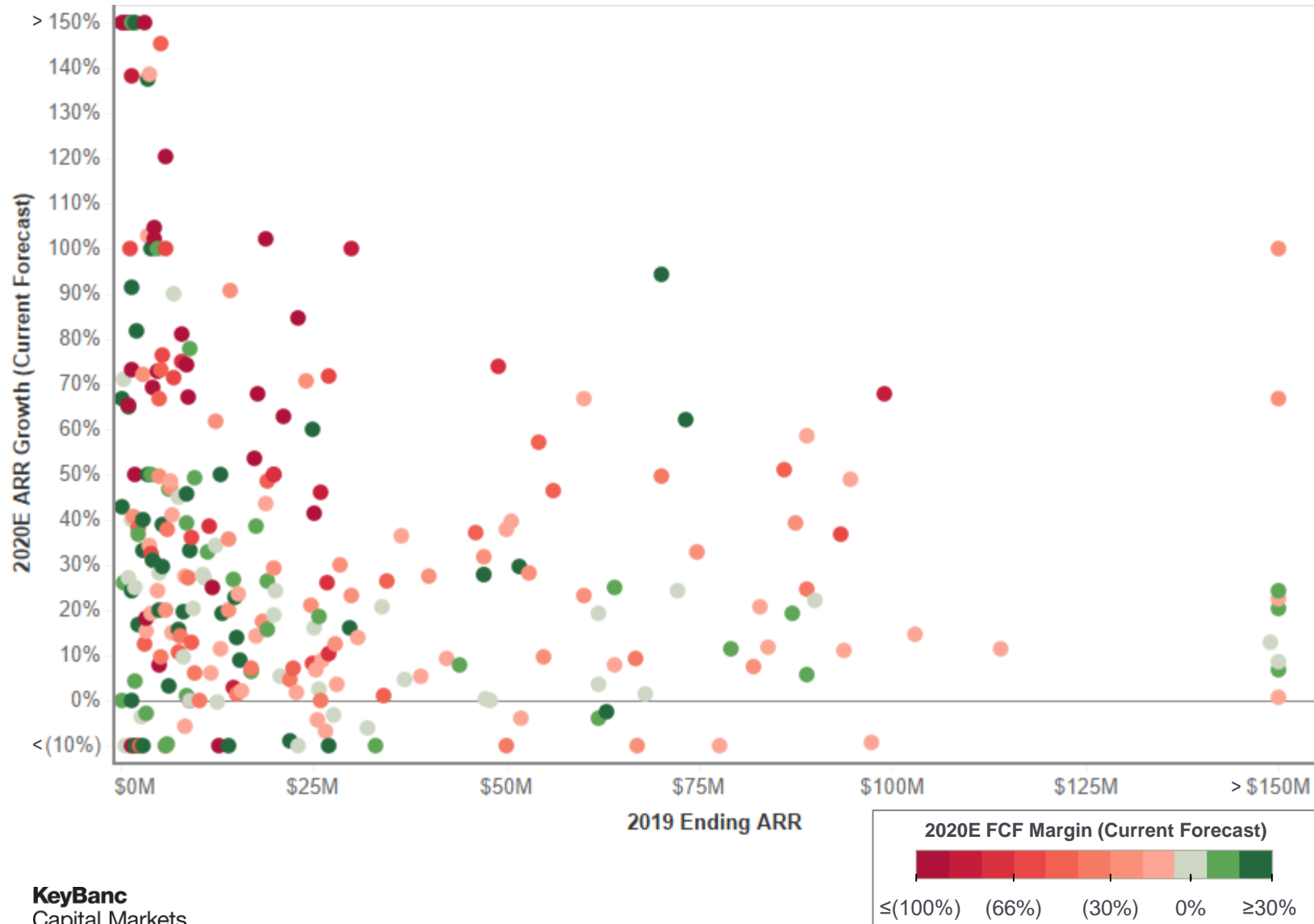
GROWTH VS. BURN TRADEOFF – 2019

2020 Private SaaS Company Survey 



GROWTH VS. BURN TRADEOFF – 2020E CURRENT FORECAST

2020 Private SaaS Company Survey 



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