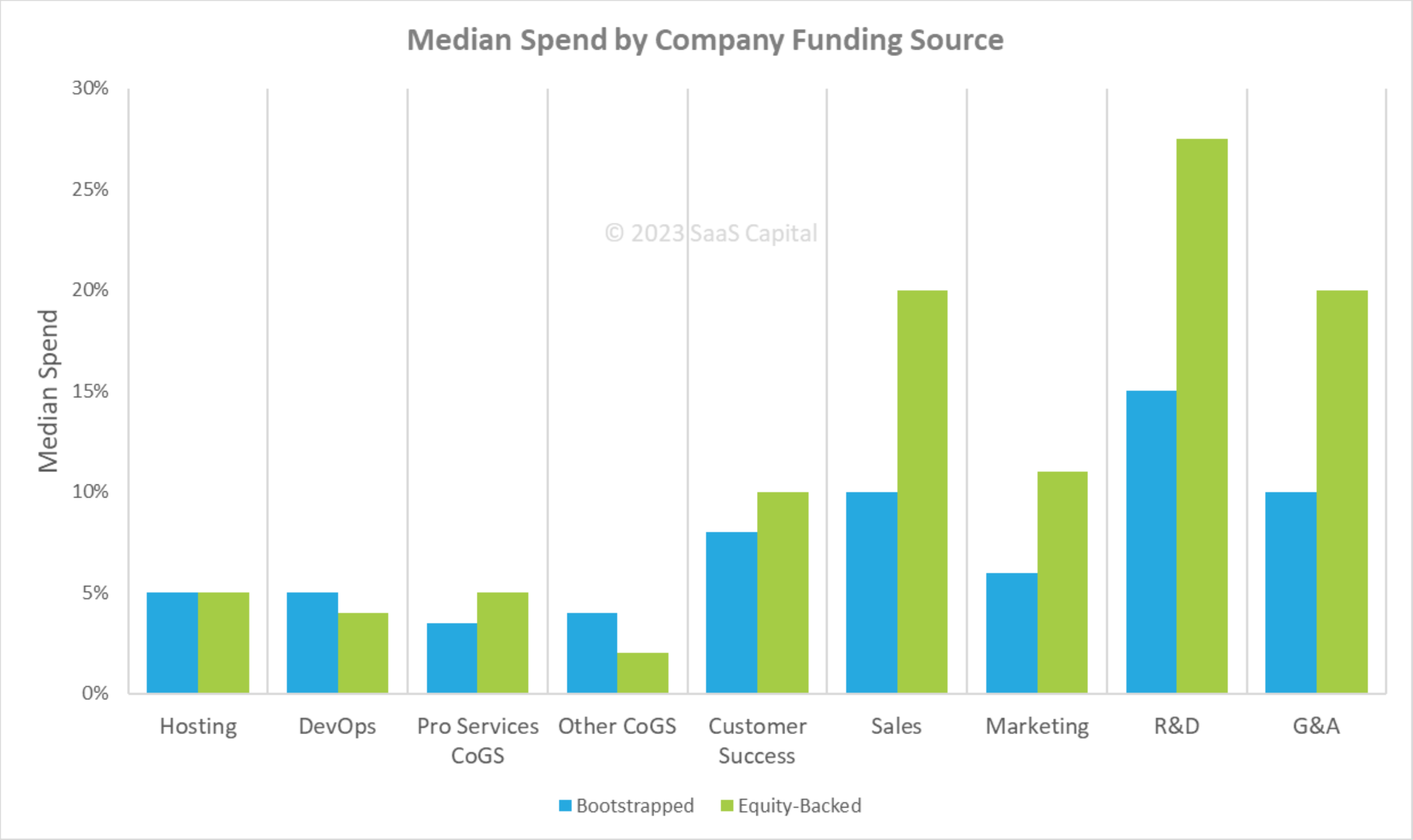
SPENDING BENCHMARKS FOR PRIVATE B2B SAAS COMPANIES

Based on SaaS Capital's 2023 Industry Survey

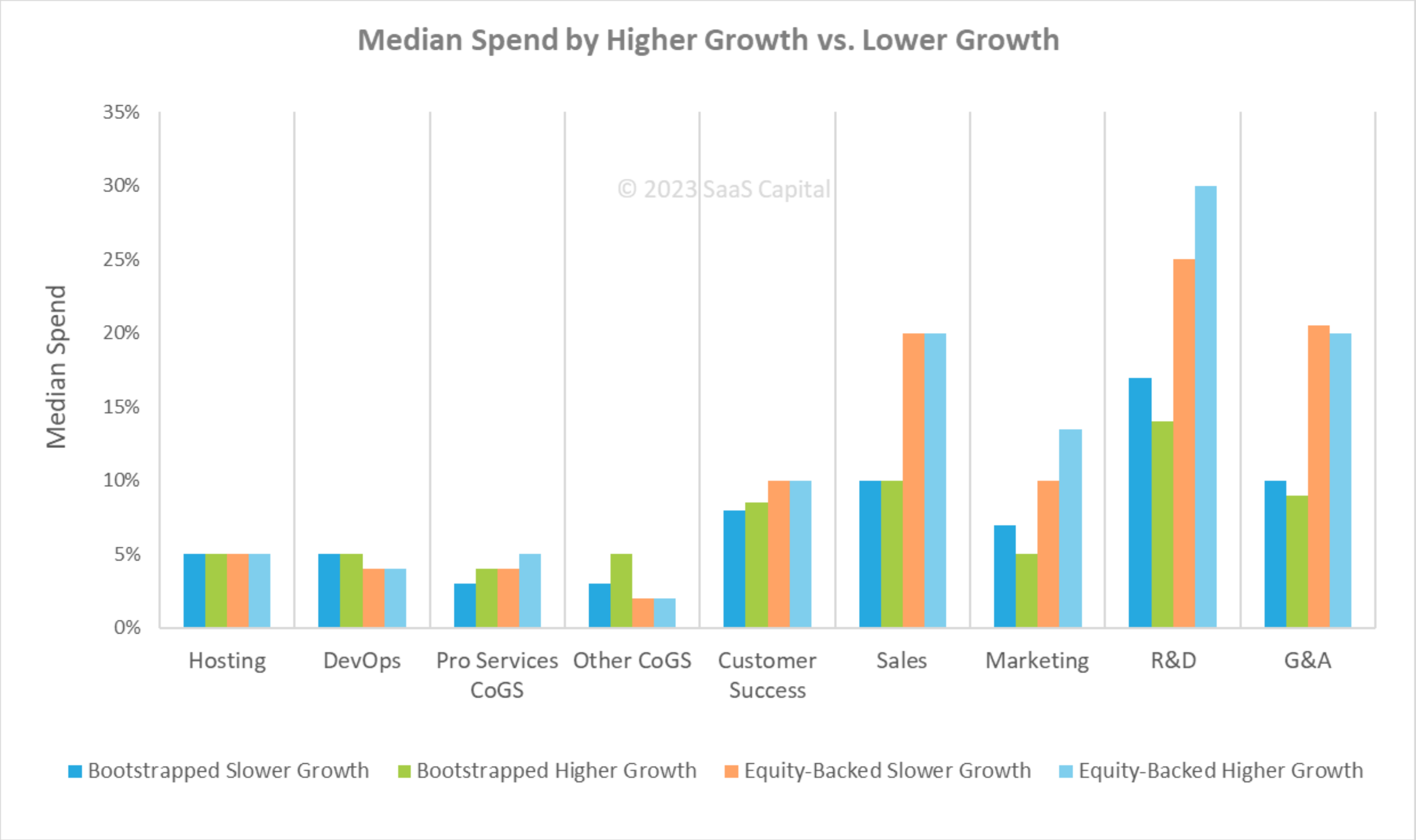
Funding Source



Takeaways:

- The total median spend across all departments is 91% of Annual Recurring Revenue (ARR) for bootstrapped companies while equity-backed are spending 120% of ARR.
- Based on the total median spend, 80% of bootstrapped companies are operating at breakeven or are profitable while only 32% of equity-backed are breakeven or profitable. Or said another way, 20% of bootstrapped companies are operating at a loss while 68% of equity-backed are operating at a loss.
- The most dramatic differences include equity-backed companies spending 100% more on sales and general and administrative costs, 83% more on marketing and R&D, and 25% more on customer success.
- The increased spending by equity-backed companies on sales, marketing, and R&D is somewhat expected. The difference in general and administrative costs is noteworthy. One possible explanation for why equity-backed companies spend more is the need for a robust administrative and finance team to support reporting requirements to investors, including regular board meetings and audits.

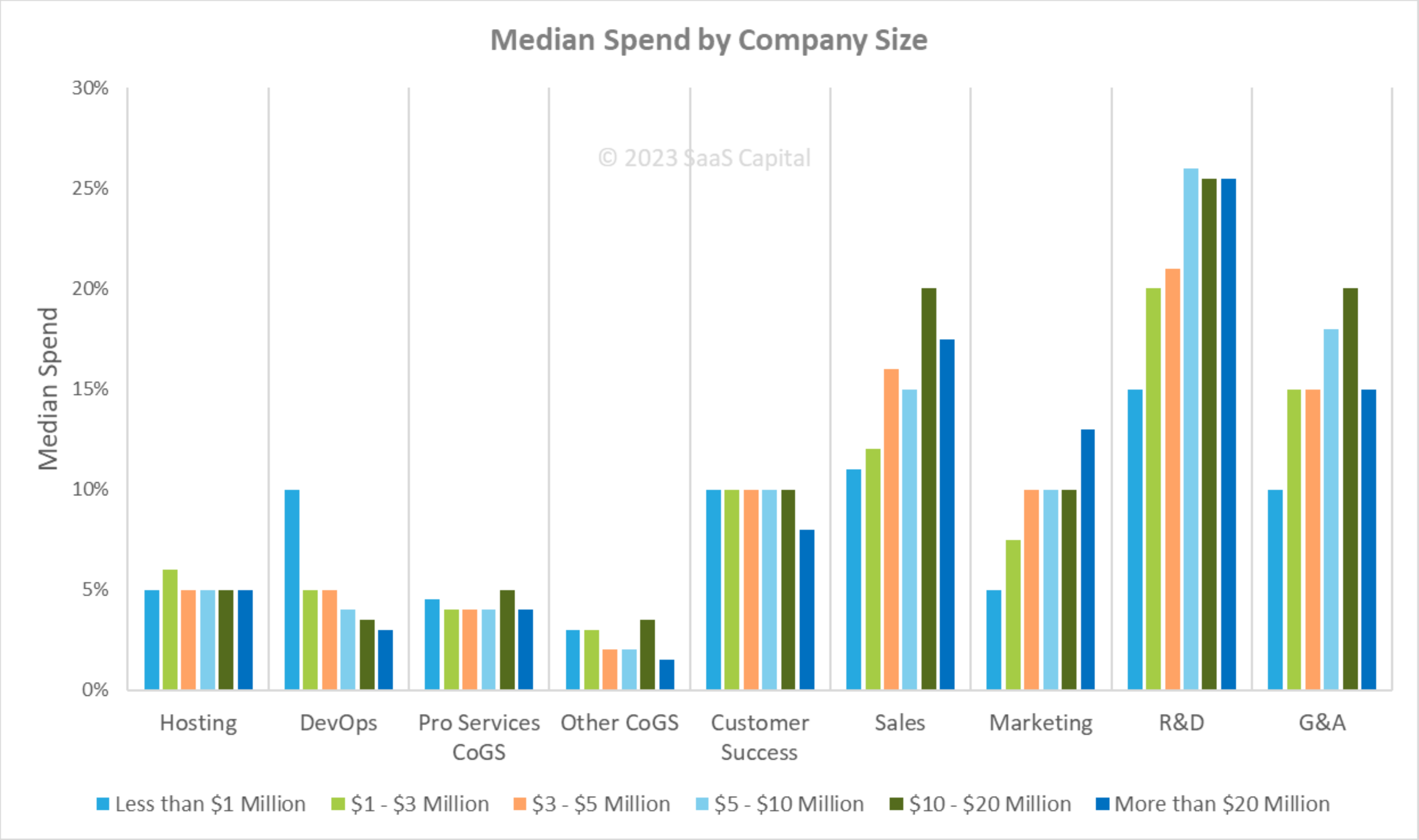
Spend by Growth



Takeaways:

- The difference between higher-growth bootstrapped companies and lower-growth bootstrapped companies is mostly subtle.
- The largest difference is that lower-growth bootstrapped companies are spending 40% more on marketing. Looking at the previous year's survey reveals that higher-growth bootstrapped companies cut back on marketing while lower-growth remain the same.
- The story for equity-backed companies is the opposite. Higher-growth equity-backed companies are spending 35% more on marketing than lower-growth companies. Higher-growth equity-backed companies are also spending 20% more on R&D.

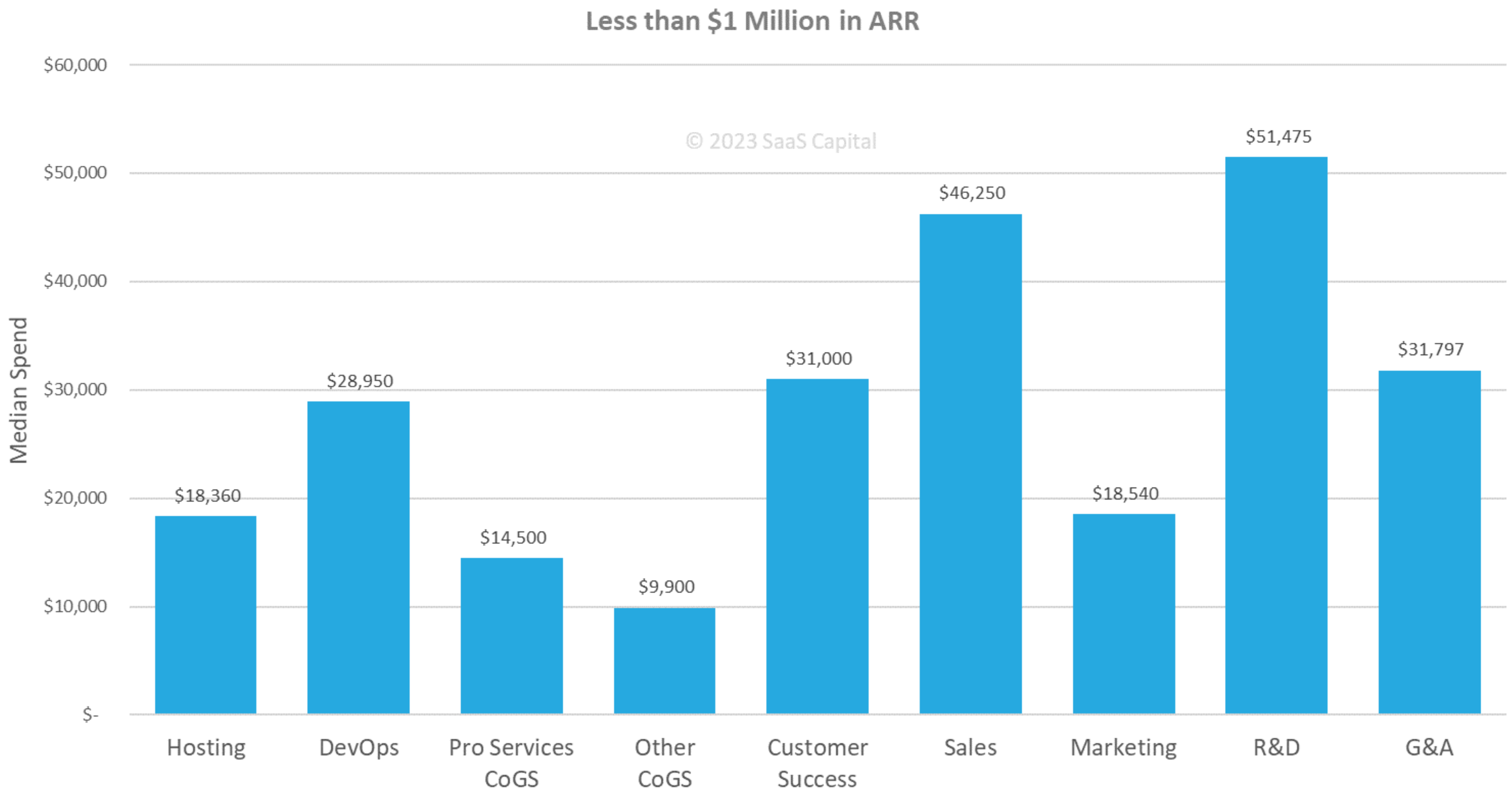
Spend by Company Size



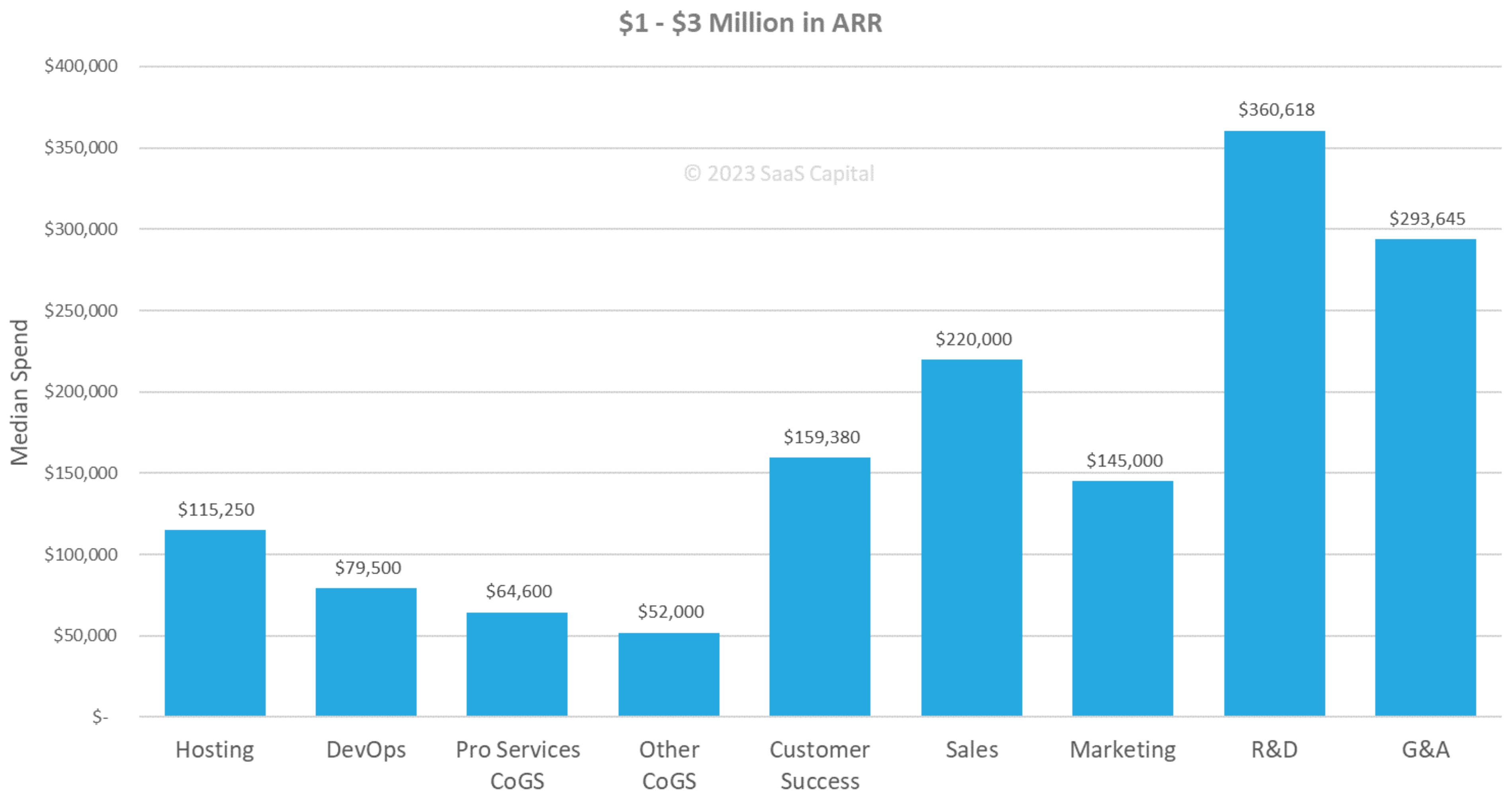
Takeaways:

- For benchmarking purposes, another metric by which to compare your business to your peers is revenue scale.
- The chart to the left breaks spending levels down by company size.
- For example, a typical B2B company with $3 Million to $5 Million in ARR spends the following as a median percent of ARR:
  - 5% on Hosting Costs
  - 5% on DevOps Costs
  - 4% on Pro Services CoGS
  - 2% on Other CoGS
  - 10% on Customer Support/Success
  - 16% on Selling Costs
  - 10% on Marketing Costs
  - 21% on Research and Development
  - 15% on General and Administrative

Spend by Company Size



Spend by Company Size



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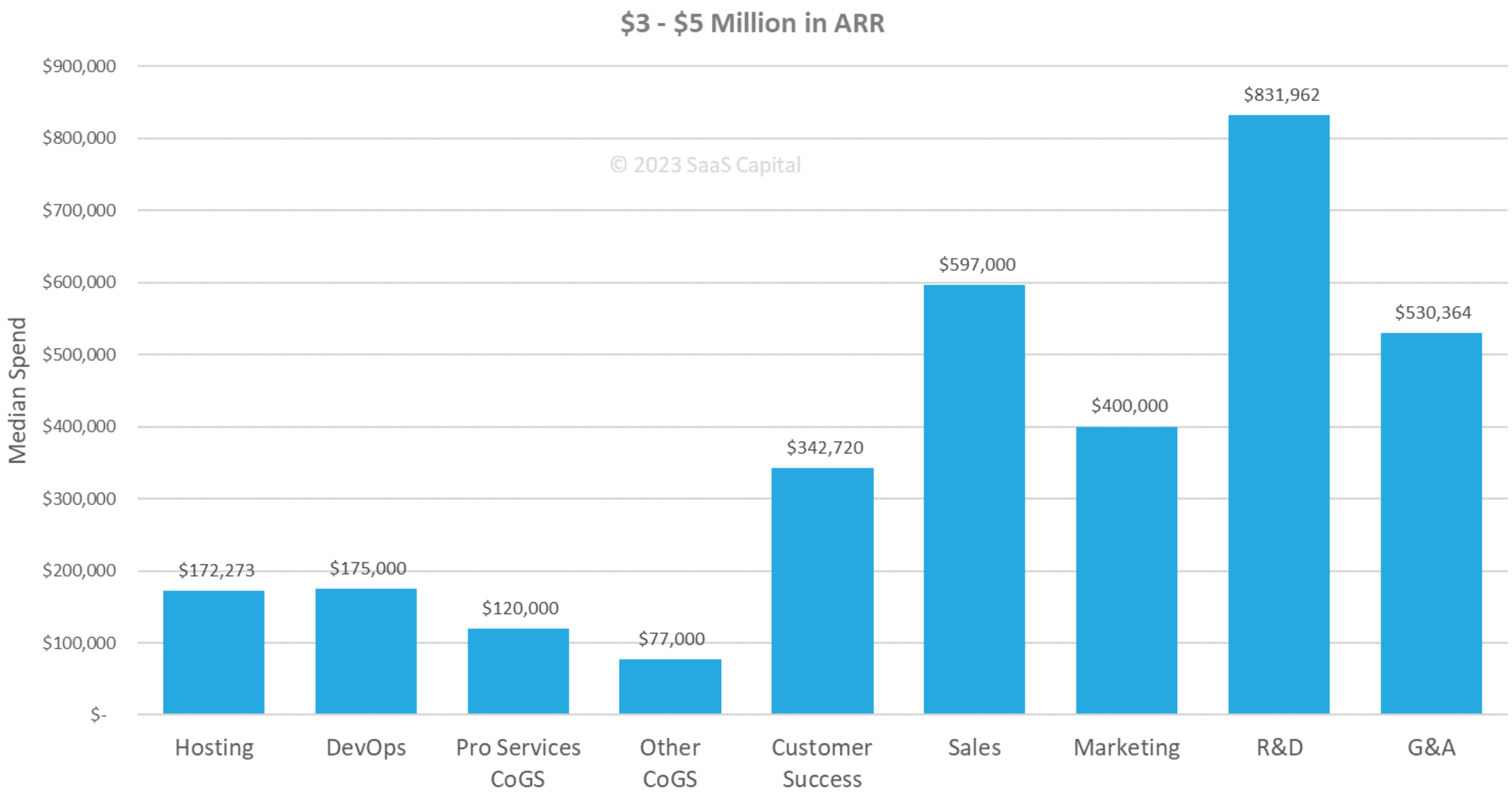

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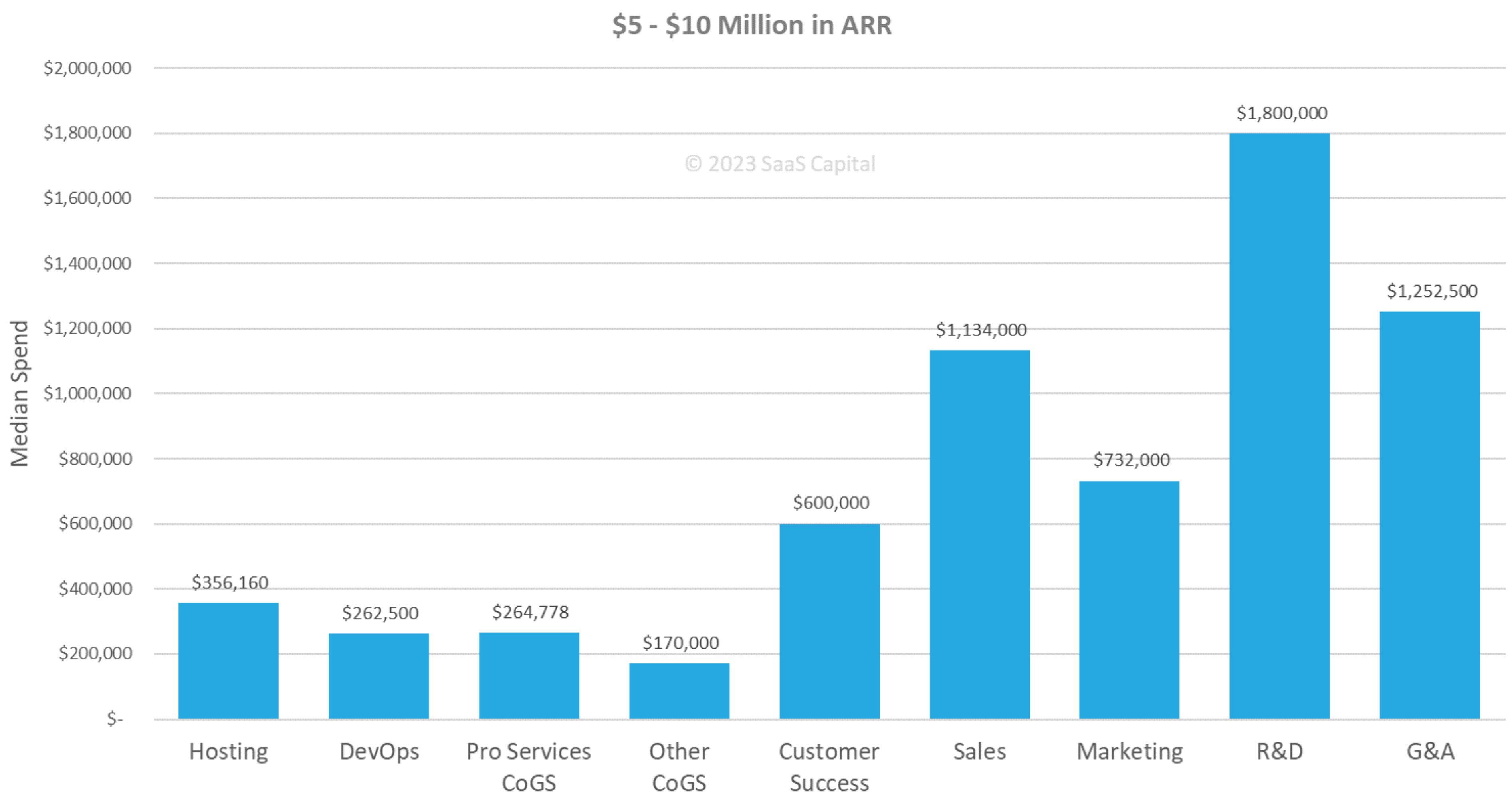

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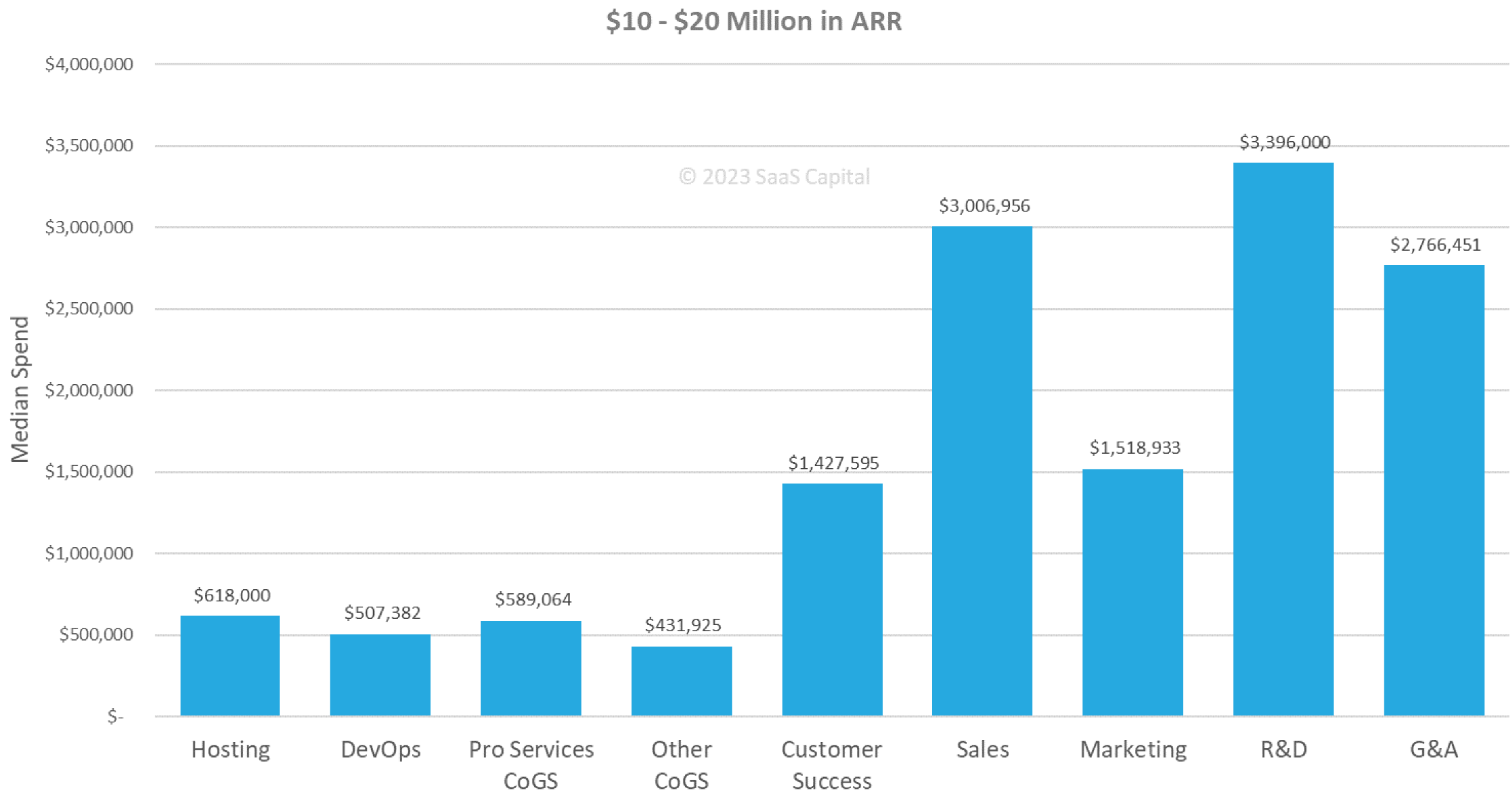

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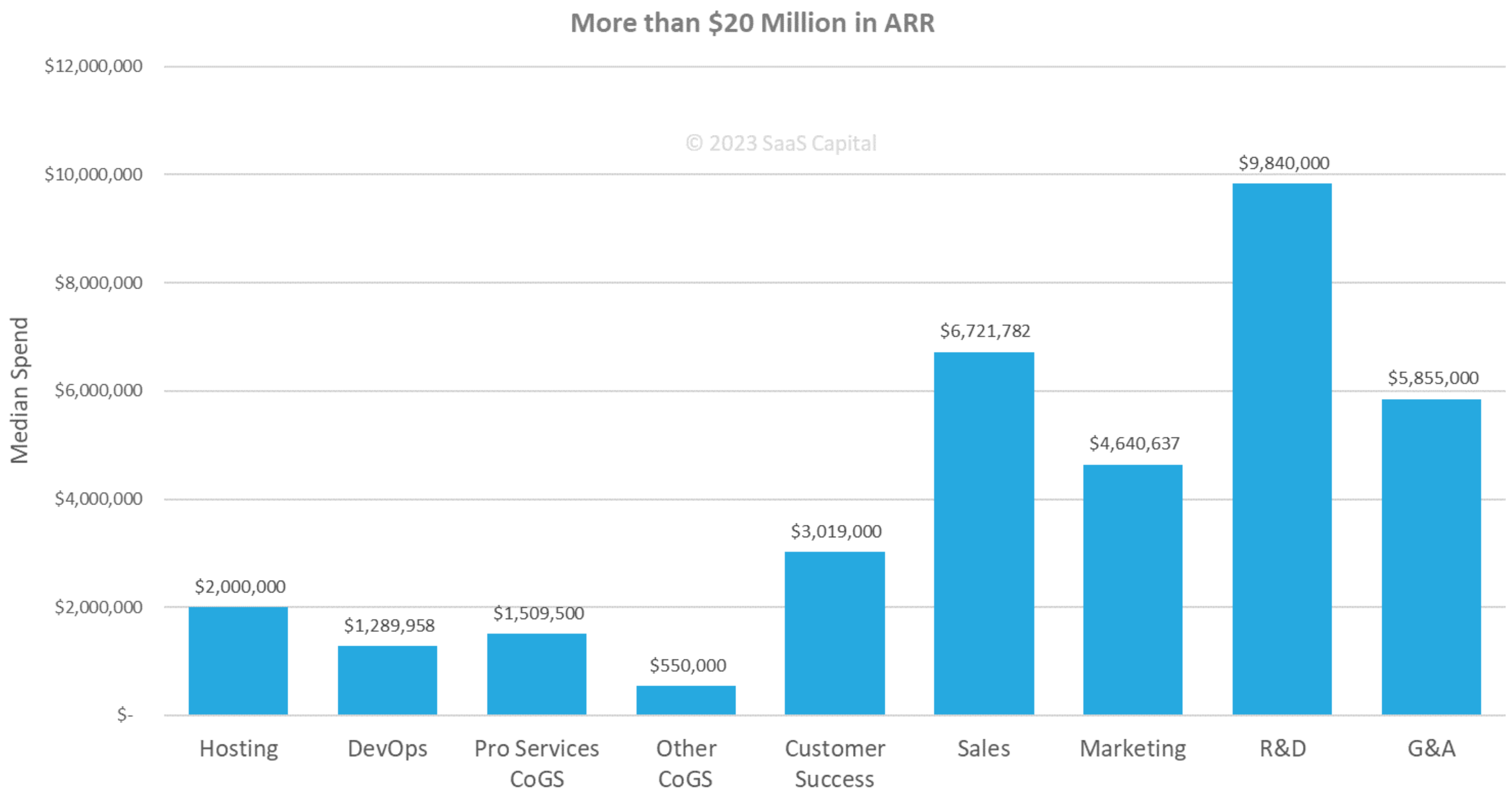

About SaaS Capital

SaaS Capital was the first to offer lending alternatives to SaaS businesses based on their future recurring revenue. Since 2007, SaaS Capital has committed more than $375 million in growth debt facilities to deliver better outcomes for our 110+ clients, resulting in more than $2 billion in total enterprise value created. Benefits of our unique, SaaS-focused, approach:

- **Higher advance rates** — Capital availability is based on a multiple of your monthly recurring revenue (MRR) – typically 5x to 8x MRR
- **Capital availability that grows with your business** — The amount of capital that you can draw increases as your revenue grows
- **Long-term source of capital** — The capital is typically drawn down over 2 years under the committed line of credit, and then either renewed, or repaid over the following 3 to 4 years
- **Efficient use of capital** — Capital is drawn down only as your business needs it, thereby reducing your interest expense
- **Cost is simple and transparent** — interest rate of 12% to 14%, a 1.0% to 1.5% commitment fee, and a nominal penny warrant
- **No balance sheet covenants or cash reserve requirements**

SaaS Capital lends between $2M and $20M

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

- Sell a SaaS-based solution
- $250,000, or above, in MRR
- History of renewals greater than 85%
- 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

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