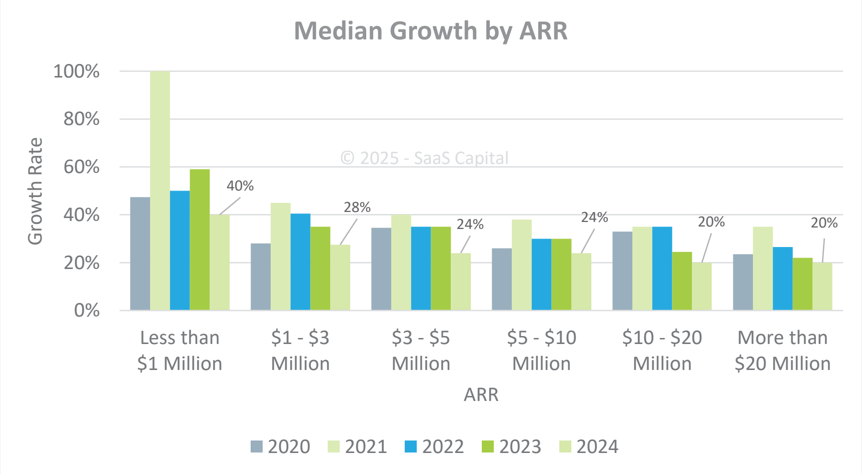
SaaS Capital Insights

In Q1 of each year, SaaS Capital conducts a survey of B2B SaaS company metrics. This year marked our 14th annual survey, and it continues to grow with more than 1,000 private B2B SaaS companies responding, making it the largest survey of its kind. Below are our findings on growth.

2025 BENCHMARKING PRIVATE SAAS COMPANY GROWTH RATES

Figure 1



It's not difficult to benchmark your SaaS company's performance against that of public SaaS companies, but it's also of limited usefulness. The sheer scale of public companies makes for an apples-to-oranges comparison to smaller, private companies that may prove misleading or distracting.

To solve for this information gap, we started conducting our annual survey more than a decade ago to help small, private companies better understand how their performance compares to that of their peers. The most important metric we track in the survey is revenue growth. This is because your company's growth rate is the single largest determinant of your valuation multiple, and how you compare with companies of similar size and stage determines whether you might see a valuation premium (or discount) to the median valuation of your peers.

Growth Rate by Company Size

A comparison of how fast your SaaS business is growing versus others' growth rate is only relevant when you are comparing similarly sized businesses.

A growth rate of 25% for a $2 million SaaS business is below the median, while growth of 25% for a $20 million SaaS business is above the median.

Despite identical growth rates, the smaller company might be worth 3 times revenue (as a relative laggard), while the larger might be worth closer to 10 times revenue (as an outperformer among its peers).

The overall median growth rate for all companies in the survey registered 25%, which is down from an overall median of 30% in 2023. *Figure 1* shows median year-over-year (YoY) growth broken down by Annual Recurring Revenue (ARR) for 2020, 2021, 2022, 2023, and 2024.

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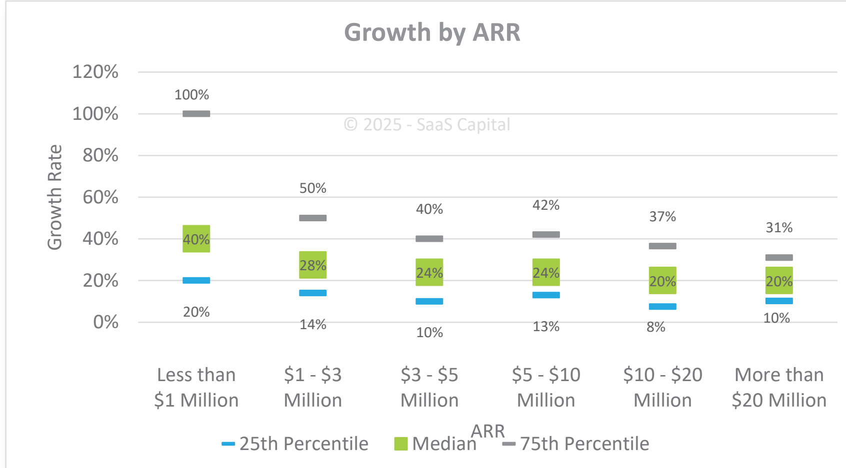
The data confirms trends we've been observing in the market. In mid-2021, public company valuations reached a peak, with a median of nearly 17 times their current run rate ARR. However, by the first half of 2022, valuations dropped significantly and stabilized in the current range of 6.0 to 7.0 times ARR.

Figure 2



Private capital markets also slowed down, and with funding becoming scarce, SaaS companies have been forced to prioritize profitability over growth.

This shift, along with ongoing economic concerns and reports of longer sales cycles, has led to slower growth overall.

However, it is worth noting that while growth slowed, the overwhelming majority of respondents still posted positive growth. Overall, 6.9% of the companies reported flat or negative growth in 2024, which is up from 5.3% last year but still well below the peak of 13% reported in 2020.

Figure 2 shows growth rate percentiles by ARR and gives us a better understanding of the ranges of growth rates that exist at each revenue stage.

The immediate takeaway is that "top quartile performance" means different things for different-sized companies. For example, a $2 million SaaS company needs to be growing more than 50% year-over-year to be in the top 25% of its peers, whereas that bar is 31% growth for a company with $20 million of ARR.

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The chart also highlights the variability seen in earlier-stage companies. Part of this is just math, or the "denominator effect:" dividing by a small number can produce very high growth rates. But the other part is the true variance of early-stage performance. Some companies take longer to develop a product and find their market, while others find terrific product-market fit early and grow very quickly.

As companies grow, however, they *eventually* all find their way to product-market fit (or don't survive), and so do their competitors and substitutes.

Accordingly, as larger-scale companies stabilize and grow more consistently, it becomes harder and harder with larger and larger denominators to have those gigantic variances to the upside, and growth rate variance compresses.

What about the very top performers – the benchmark growth rate for the fastest-growing SaaS company at each ARR level? *Figure 3* shows the 90th percentile - the top performers'- growth rates for each ARR group for 2020, 2021, 2022, 2023, and 2024.

Figure 3

ARR	90th Percentile in 2020	90th Percentile in 2021	90th Percentile in 2022	90th Percentile in 2023	90th Percentile in 2024
Less than $1 Million	444%	500%	181%	263%	400%
$1 - $3 Million	153%	259%	144%	103%	132%
$3 - $5 Million	126%	121%	93%	85%	64%
$5 - $10 Million	92%	84%	87%	75%	75%
$10 - $20 Million	85%	88%	78%	60%	60%
More than $20 Million	65%	73%	56%	50%	50%

Here we see a divergence between smaller and larger companies but also an overall compression in the top end of growth rates.

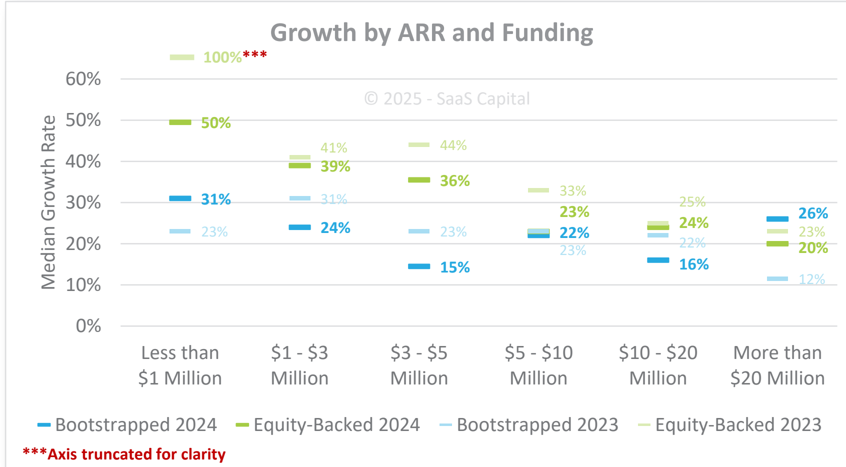
Companies at the 90th percentile with at least $5M in ARR report flat growth versus the previous year. Meanwhile, companies with less than $3M in ARR report stronger growth versus the previous year.

Growth Rate by Funding Type

Figure 4 shows the median growth rates for equity-backed and bootstrapped companies in 2024 versus 2023, broken down by ARR.

Historically, we have seen that equity-backed companies report higher growth rates than bootstrapped companies.

Figure 4



And while it's not clear which is the cause and which is the result since investors look to back companies that already show signs of being high performers, understanding the difference is important for benchmarking.

> *"Higher growth is generally associated with higher retention and vice versa. The higher a company's retention, the easier it is to grow, as the company doesn't have to replace as much lost revenue. The impact of retention is also cumulative as it repeats and expands on itself year after year."*

Current data shows that while equity-backed companies are generally reporting higher growth than bootstrapped companies, the gap is most pronounced for companies with less than $5M in ARR. However, at each revenue stage, equity-backed companies show flat or lower growth compared to the previous year.

A point that has been made in the past is that equity-backed companies are paying for their higher growth - literally - with the cash they raised from selling their equity to VCs.

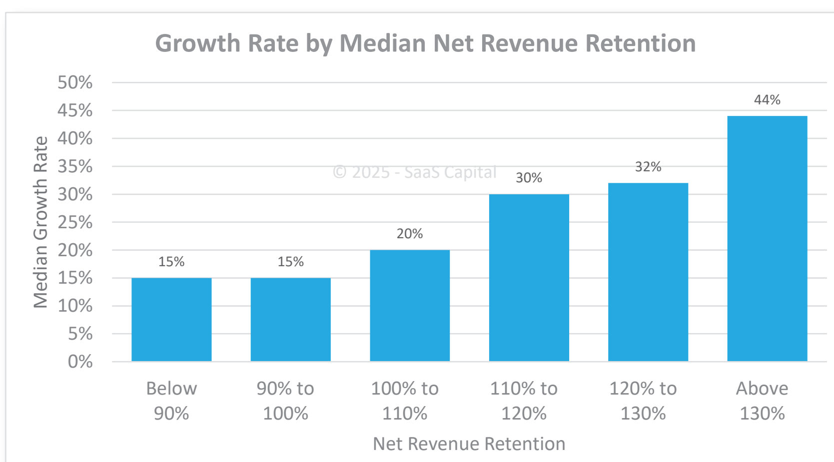
And while there has been a lot of discussion about moving toward profitability, current spending data shows 85% of bootstrapped companies are operating within two percentage points of breakeven or are profitable while only 46% of equity-backed are breakeven or profitable. Equity-backed companies report spending 89% more on sales and 100% more on marketing than bootstrapped companies.

Growth Rate and Retention

Higher growth is generally associated with higher retention and vice versa. The higher a company's retention, the easier it is to grow, as the company doesn't have to replace as much lost revenue. The impact of retention is also cumulative as it repeats and expands on itself year after year.

Figure 5 highlights the relationship between growth and retention. This relationship is a rare example of increasing returns from investment in upsells and cross-sells.

Figure 5



Excludes Companies with less than $1M ARR

Increasing Net Revenue Retention (NRR) from the 90% to 100% range to the 100% to 110% range improves growth rate by 5 percentage points.

Companies with the highest NRR report median growth that is 83% higher than the population median. This is a rare example of increasing returns from investment in upsells and cross-sells.

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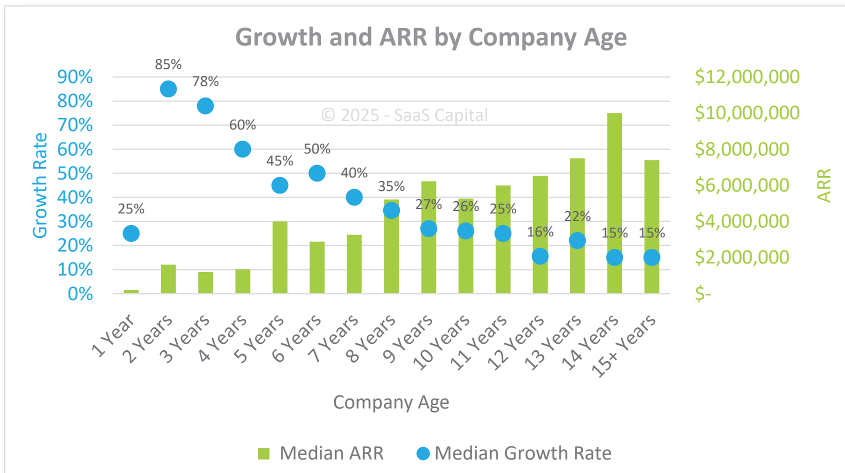
The relationship between gross revenue retention and growth is not as direct and is more binary. Companies with the lowest gross retention (below 85%) reported below-average growth.

Growth Rate by Company Age

As illustrated in *Figure 6*, company age and revenue are directly correlated, while company age and growth rates are inversely correlated.

Figure 6



Established startups (those older than one year) show very high growth rates in the early years, in part due to small base revenue, as noted throughout the findings above. By around year 10, growth rates generally stabilize.

We have noted in previous research that there seemed to be an implied SaaS "life expectancy" of 6 to 8 years due to founders looking to grow the business to a sufficient scale and then sell.

This was particularly true for venture-backed companies with outside investors who have their own schedules to adhere to. That window may be widening now as funding and general capital market activity has slowed.

Our data also show that 57% of bootstrapped companies are older than 10 years, while 46% of equity-backed companies are older than 10 years.

Summary and Other Findings

- The median growth rate for all companies in the survey registered 25%. This is down from a population median of 30% in 2023 and puts growth closer to the pandemic levels seen in 2020. Overall, 6.9% of the companies reported flat or negative growth in 2024, which is up from 5.3% last year but still well below the peak of 13% reported in 2020.
- Bootstrapped companies report median growth of 23%, down slightly from 25% in 2023. Equity-backed companies reported median growth of 25%, down from 30% in 2023.

"The median growth rate for all companies in the survey registered 25%. This is down from a population median of 30% in 2023 and puts growth closer to the pandemic levels seen in 2020."

- Growth rate is positively and exponentially correlated with net revenue retention. Increasing Net Revenue Retention (NRR) from the 90% to 100% range to the 100% to 110% range improves growth rate by 5 percentage points. Companies with the highest NRR report median growth that is 83% higher than the population median. This is a rare example of increasing returns from investment in upsells and cross-sells.

"Growth rate is positively and exponentially correlated with net revenue retention. Companies with the highest NRR report median growth that is 83% higher than the population median. This is a rare example of increasing returns from investment in upsells and cross-sells."

- The relationship between gross revenue retention and growth is not as direct and is more binary. Companies with the highest gross retention generally reported average growth while companies with gross retention below 85% reported growth below the population median.
- Growth rates slow as companies grow and age. Established startups (those older than one year) show very high growth rates in the early years, in part due to small base revenue, as noted throughout the findings above. Around year 10, growth rates stabilize.
- Continuing a pattern we have observed over the years, overall average annual contract value (ACV) levels do not appear to have an overall correlation with growth rate. Only the companies with the highest ACVs (above $250k) reported above average growth. However, one analysis - Changing ACVs: The Hidden Control Lever of SaaS Company Value - revealed that companies that were showing higher ACV ***growth*** tend to grow faster, and those with flat to shrinking ACVs grow the least. In other words, increasing ACVs over time is an important component of scaling a SaaS company.

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- Previous reports had shown that SaaS companies targeting a vertical industry tended to grow faster than companies selling to a horizontal market. That relationship has broken down as both groups report nearly the name median growth rates: 25% growth for vertically-focused companies versus 24% for companies selling to a horizontal market.
- For a fourth year in a row, this year's survey revealed that billing frequency had little impact on median growth rates. Previous surveys had shown that companies billing annually upfront reported higher growth than those billing month-to-month. However, it is still worth noting that annual billing companies enjoy a meaningful cash flow advantage over monthly billers.
- Additional research on growth can be found in *Comparing Revenue Growth Trends in the Public and Private SaaS Sectors* and *Why Long-Term SaaS Revenue Growth Rates are Slowing; and What it Means for Your Private B2B SaaS Company.*

About SaaS Capital

SaaS Capital is the leading provider of growth debt designed explicitly for B2B SaaS companies. SaaS Capital's growth debt is structured to provide a significant source of committed funding, deployment flexibility, and lower overall cost of capital, all while avoiding the loss of control associated with selling equity. 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 SaaS Capital's 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 automatically as your revenue grows
- **Long-term source of capital** - The capital is 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 13% to 16%, a 1.0% to 1.5% commitment fee, and a nominal penny warrant
- **Flexibility -** No balance sheet covenants or cash reserve requirements

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

- Sell a SaaS-based solution
- Seeking $2M to $20M in growth capital
- $250,000, or above, in MRR
- Have a minimum of 85% retention
- Registered and principally banked in the U.S., Canada, or UK
- Revenue growth above 15% per year

Your business does *NOT* need to be:

- Venture Backed
- Profitable
- Billing your customers monthly

Visit www.saas-capital.com to learn more.

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