SaaS Capital Insights

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

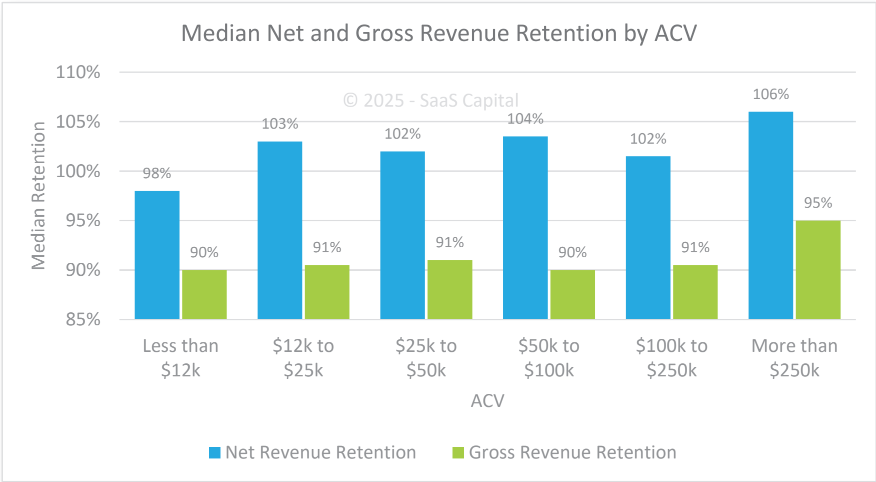
2025 B2B SAAS RETENTION BENCHMARKS

As we have noted for many years, revenue retention is one of the most important metrics for ensuring medium- to long-term business health due to its compounding effect on growth.

The relationship of new sale bookings to revenue retention is the SaaS version of "offense wins games, defense wins championships." Below is our most recent survey data cross-referenced against other important figures like growth rate, funding, and scale. Definitions and formulas for key terms are at the end of the report.

Retention by Annual Contract Value

Figure 1



Excludes Companies with less than $1M ARR

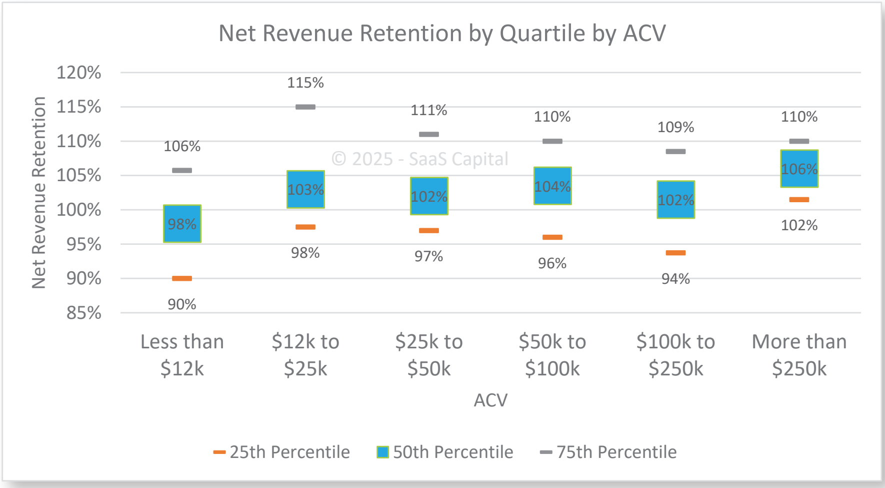
Figure 1 shows median net revenue retention (NRR) and median gross revenue retention (GRR) across a range of annual contract values (ACVs). For retention, benchmarking by ACV is the best starting point. More than by company age, revenue level, or industry, companies that share a similar selling price have the most in common. They will be organized similarly, go to market similarly, and support customers similarly. The opposite is true of two companies selling a $19.99/month product versus a $250,000/year product.

Companies with ACVs above $250,000 show median gross revenue retention of 95%, while companies below $250,000 show ~91% median gross revenue retention. This relationship makes intuitive sense. Higher-priced solutions often involve a longer sales cycle, in-depth scoping and implementation, and dedicated support and account management, all of which yield a stickier product.

Net Revenue Quartiles

Digging deeper into the net revenue benchmarks, Figure 2 shows NRR broken into quartiles for the same ACV categories. Across all of the ACV categories, the 25th percentile shows that at least a quarter of companies are experiencing contraction, except in the >$250k segment where even the lowest quartile is expanding. The gap between the 25th and 75th percentiles is widest in the $12k–$25k range, showing

Figure 2



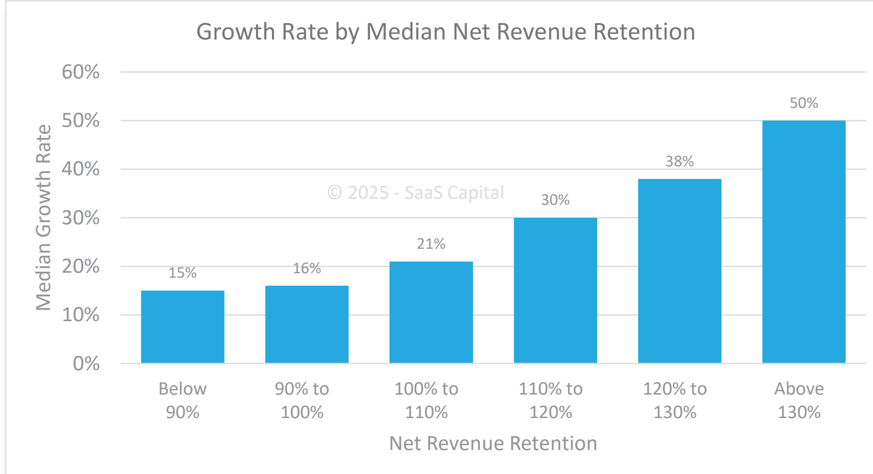
Excludes Companies with less than $1M ARR

We frequently exclude data from companies with less than $1 mill in ARR because of the small revenue denominator in growth rate calculations.

this segment has the most variability with some companies shrinking while others show stronger expansion. Higher ACV buckets not only have higher medians but also tighter ranges, indicating more predictable performance. Overall, expansion becomes more consistent and less risky as ACV grows.

Retention and Growth Rate

Figure 3



Generally speaking, higher growth is associated with higher retention and vice versa. This is the "leaky bucket" metaphor. The higher your retention, the easier it is to grow that much faster because you don't have to first refill the bucket before adding to it. The impact of retention is also cumulative as it repeats and expands on itself year after year. The opposite is also true.

There is a strong and exponential correlation between net revenue retention and growth. The correlation between growth and NRR is intuitive, as net retention includes what are essentially new "sales" in the form of price increases, upgrades, upsells, and cross-sells, all of which help grow revenue year-over-year. The cumulative compounding nature of NRR is clearly evident in the chart.

Across the entire survey sample of companies, the median growth rate was 24%. The growth rates for groups of companies with NRR of at least 110% were higher than the population median, and the growth rate for companies with NRR below 100% was lower than the population median.

Figure 3 shows that increasing NRR from the 100% to 110% range to the 110% to 120% range improves growth rate by 9 percentage points. Companies with the highest NRR report median growth that is double 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 shows little correlation.

Conclusions and Takeaways

- Across all SaaS companies, the 2025 median net retention is 101% and the median gross retention is 91%.
- Higher-ACV products show higher net and gross retention.
- Growth rate is positively and exponentially correlated with net revenue retention, while gross revenue retention is a "table stakes" benchmark – to have a shot at performance parity with your peers, GRR must be at least 90%.
- Bootstrapped companies report NRR of 104% and 92% GRR. Equity-backed companies show slightly lower retention of 101% NRR and 90% GRR. Historically, VC-backed companies have had higher retention across both metrics and the erosion of that relationship suggests that best practices in customer success are now fully disseminated.
- Whether a company sells a vertically focused product or a horizontal product shows only minor differences.
- Contracting length shows longer-term contracts have slightly better retention than the overall medians. Multi-year contracts show 103% median net revenue retention and 94% median gross revenue retention. Annual contracts show101% median NRR and 90% median GRR. Month-to-month contracts are slightly below the overall median with 100% NRR and 89% GRR.

Retention Formulas

(Monthly Recurring Revenue in December of 2024 only from customers who were customers in December 2023)
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(Total MRR in December 2023)

This number can be anything from 0% to well above 100%, as it includes upsells, new product cross-sells, and price increases. Annual gross retention is the same formula, excluding the upsells, cross-sells, and price increases. (For easy calculation, set each customer's 2021 MRR to be less than or equal to their 2021 MRR.) For this reason, gross retention cannot exceed 100%.

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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