2024 SaaS Benchmarks Report

by High Alpha

In Partnership With

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Contents

Introduction

The 2024 SaaS Benchmarks Report

For years, the SaaS Benchmarks report has been the definitive resource for SaaS founders looking to benchmark their companies' performance against peers. This year, building on OpenView's pioneering work, we have collected and analyzed the largest set of survey responses and key metrics in the industry. The result is a best-in-class collection of data and insights that helps founders navigate the complex and ever-evolving SaaS landscape.

With the launch of the 2024 report, we are bringing new energy and insights to this essential resource, including a **new section on founder wellness.** Building on the existing foundation, we've incorporated a host of new data points, analytics, and perspectives to ensure that the report remains the definitive guide for SaaS founders for years to come.

This year's results were fascinating. We observed a positive shift in sentiment from the previous year, while most founders are focused on **balancing growth with efficiency.** AI is dominating headlines, moving from a supporting actor to a leading role, but that's just one part of the story. We discovered some interesting trends in the ongoing **debate between in-office and remote work** cultures, and it appears that **SaaS spend may be starting to bounce back.**

As noted previously, we've introduced a founder wellness section to the survey this year. We want to extend a hearty thank you to those founders who answered questions about their personal wellness, financial health, and support systems. These insights will help illuminate to other founders that, no matter how they responded, they aren't alone.

Thank You to All of Our Partners

OPENVIEW

Originally produced by **OpenView Venture Partners**, the SaaS Benchmarks Report has become a critical, annual resource for SaaS founders and the companies they lead.

We're grateful to OpenView for both the foundation they've laid and for their partnership as we continue to shepherd the legacy of the SaaS Benchmarks Report.

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The Rise of Generation AI

The public release of ChatGPT in late November 2022 signaled the birth of a new technology innovation supercycle. We call SaaS companies building in the midst of this transformation, **Generation AI.**

In last year's SaaS Benchmarks report, we began to see the first signs that companies were being built differently, as founders scrambled to figure out how to incorporate AI into their products and services. After a year of learning and experimentation, **this year's survey data shows AI-native companies are growing more efficiently than past early stage companies.** Additionally, they are ushering in a new generation of software and business models that shift the value proposition from **helping you get work done to getting work done for you.**

The reality is that every SaaS company is, at least in part, becoming an AI company.

Evidence for broader market stabilization can be observed in public SaaS company data, venture capital investment, and the survey results. First, publicly available Q2 2024 SaaS company data showed a leveling of retention rates, with three consecutive quarters of net dollar retention of 110% after declining from high marks of 119% in 2022. **Year-over-year revenue growth rates have remained steady** at 17%-18% for four consecutive quarters after declining from highs in the mid-30's in 2021.

Next, venture capital has helped fuel the recovery through investment in AI with **nearly one-third of all dollars invested in 2024 through August into AI** companies. NVCA and Pitchbook also reported deal activity expansion for the third straight quarter as of Q2 2024.

Although it can take some time for these macro signals to work their way to startups, there are signs of recovery and stabilization in the SaaS survey results, particularly in AI-native companies that are hitting their stride as part of Generation AI. Companies with less than $1M ARR saw their median year-over-year growth rates rebound to 100%, up from 90% in last year's survey. **While larger companies in the survey saw continued declines** in their year-over-year growth rates, companies with top quartile net dollar retention showed improvement over 2023.

The 2024 SaaS Benchmarks report is loaded with interesting insights and findings, so let's get to it.

Executive Summary

Company Benchmark Definitions

Size & Growth

Employees: Number of full-time employees at the end of Q2 2024

Year-Over-Year Growth Rate: Change in ARR at the end of Q2 2024 vs. Q2 2023

Financial

Sales & Marketing Spend: Spending on sales and marketing, including headcount, as a percentage of ending ARR as of Q2 2024

R&D Spend: Spending on R&D, including headcount, as a percentage of ending ARR as of Q2 2024

Software Gross Margin: Subscription revenue less cost of goods sold divided by subscription revenue at the end of Q2 2024

Monthly Burn Rate: Net monthly operating cash burn rate at the end of Q2 2024 (total dollars lost each month, negative values equal cash flow positive)

SaaS Value Drivers

CAC Payback: Months of subscription gross margin to recover the fully-loaded cost of acquiring a customer

Gross Revenue Retention: Annual gross revenue retention (after churn, exclusive of upsells and expansion) seen in cohorts

Net Revenue Retention: Annual net revenue retention (after churn, inclusive of upsells and expansion) seen in cohorts

People

Women in Leadership: Percent of women represented among director-level employees and above

People of Color in Leadership: Percent of people of color represented among director-level and above

Financial & Operating Metrics by ARR

RAW BENCHMARK DATA

Company Performance Across Common KPIs

● Median [-] Range [Bottom Quartile – Top Quartile] ↑↓ Change From 2023

	Less Than $1M ARR			$1-5M ARR			$5-20M ARR			$20-50M ARR			Greater Than $50M ARR		
	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓
Size & Growth															
Employees	7	[5-15]	↓5	25	[16-40]	↓9	65	[51-100]	↑10	200	[143-275]	↑35	625	[379-888]	↑175
Year-Over-Year Growth Rate	100%	[48-250%]	↑10%	50%	[20-115%]	↓8%	30%	[17-59%]	↓5%	30%	[20-50%]	↑6%	15%	[12-25%]	↓10%
Financial															
Sales & Marketing Spend	24%	[15-55%]	↓3%	34%	[17-51%]	↓1%	35%	[25-50%]	↑4%	40%	[28-53%]	-	39%	[29-45%]	↓6%
R&D Spend	53%	[30-80%]	↑13%	50%	[28-60%]	↑10%	40%	[29-52%]	↑11%	33%	[25-40%]	↑3%	30%	[21-49%]	↑6%
Software Gross Margin	80%	[65-90%]	↓5%	80%	[67-85%]	-	80%	[73-86%]	↑5%	77%	[71-80%]	↓3%	79%	[73-86%]	↓1%
Monthly Burn Rate	$50k	[$50-175k]	-	$175k	[$50-375k]	-	$375k	[$0-625k]	↑$200k	$625k	[$13k-1.25M]	↑$512k	$0K	[$0-2.5M]	↓$175k
SaaS Value Drivers															
CAC Payback (in Months)	5	[2-11]	↓3	8	[5-16]	↓3	14	[8-22]	-	20	[13-22]	↓3	20	[11-27]	↓3
Gross Revenue Retention	92%	[80-100%]	↑8%	95%	[85-98%]	↑5%	90%	[80-95%]	↑5%	90%	[71-94%]	↑5%	83%	[80-90%]	↓6%
Net Revenue Retention	100%	[93-110%]	-	100%	[96-110%]	↑1%	105%	[95-120%]	↑3%	103%	[94-112%]	↓1%	102%	[93-107%]	↓1%
People															
Women in Leadership	25%	[0-40%]	↑6%	20%	[8-33%]	↓5%	30%	[20-45%]	↑10%	31%	[20-40%]	↑3%	20%	[16-33%]	↓10%
People of Color in Leadership	0%	[0-23%]	-	0%	[0-17%]	-	0%	[0-18%]	-	0%	[0-19%]	↓14%	15%	[10-22%]	↑5%

Good vs. Great SaaS Metrics

RAW BENCHMARK DATA

“Good” Represents the Median, “Great” Represents the Upper Quartile

	Less Than $1M ARR		$1-5M ARR		$5-20M ARR		$20-50M ARR		Greater Than $50M ARR	
	Good	Great	Good	Great	Good	Great	Good	Great	Good	Great
Growth										
Year-Over-Year Growth Rate	100%	250%	50%	115%	30%	59%	30%	50%	15%	25%
Retention										
Gross Revenue Retention	92%	100%	95%	98%	90%	95%	90%	94%	83%	90%
Net Revenue Retention	100%	110%	100%	110%	105%	120%	103%	112%	102%	107%
Efficiency										
Software Gross Margin	80%	90%	80%	85%	80%	86%	77%	80%	79%	86%
ARR per Employee	$71,429	$100,000	$120,000	$187,500	$151,515	$214,286	$175,000	$246,296	$164,439	$264,035

This quick-reference guide is intended to help individuals assess where a company falls across five key SaaS metrics gathered in the 2024 SaaS Benchmarks Report.

Source: 2024 SaaS Benchmarks Report by High Alpha

Tips for Integrating Benchmarks

Benchmarks As a Guide, Not a Route

Financial and operating benchmarks serve as a guide to understand where you stand among peers. Every company's journey will look different — and that's exactly how it should be.

Recognize the Trade-Offs

Efficiency and growth directly impact one another — a larger investment in growth affects efficiency metrics and so on. A sound strategy will involve a series of trade-offs.

Balance Obsession With Understanding

Do the work to understand the type of company you're building and stay focused on executing. Come up for air to check the benchmarks annually or quarterly, not daily.

Use Benchmarks to Your Advantage

Investors have varying appetites for risk and return. You can either tailor your performance to match ideal investors' benchmarks or define your scaling vision and seek those who align with it.

Who Took the Survey This Year?

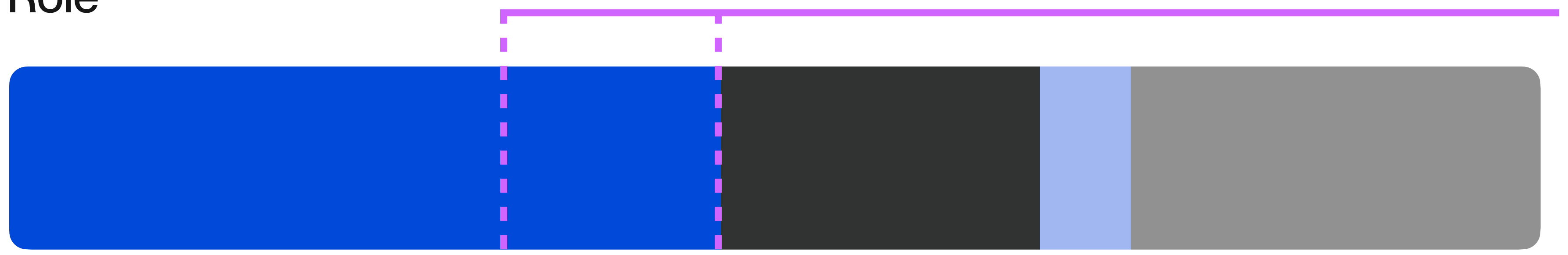
BENCHMARK PARTICIPANTS

800+ Respondents From Across the Globe

Geography

- 62% US
- 20% Europe
- 4% Canada
- 3% Israel
- 11% Other

Role



14%

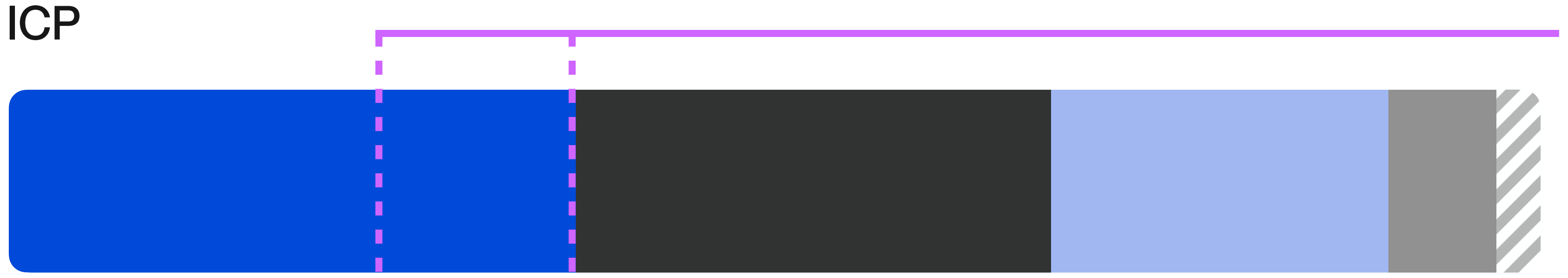
More CEO or founder responses than in 2023

- 47% CEO or Founder
- 20% Head of Finance
- 6% Head of Operations
- 27% Other

ARR

- 26% Less Than $1M
- 31% $1-5M
- 26% $5-20M
- 10% $20-50M
- 7% Greater Than $50M

ICP



13%

More respondents targeting enterprise than in 2023

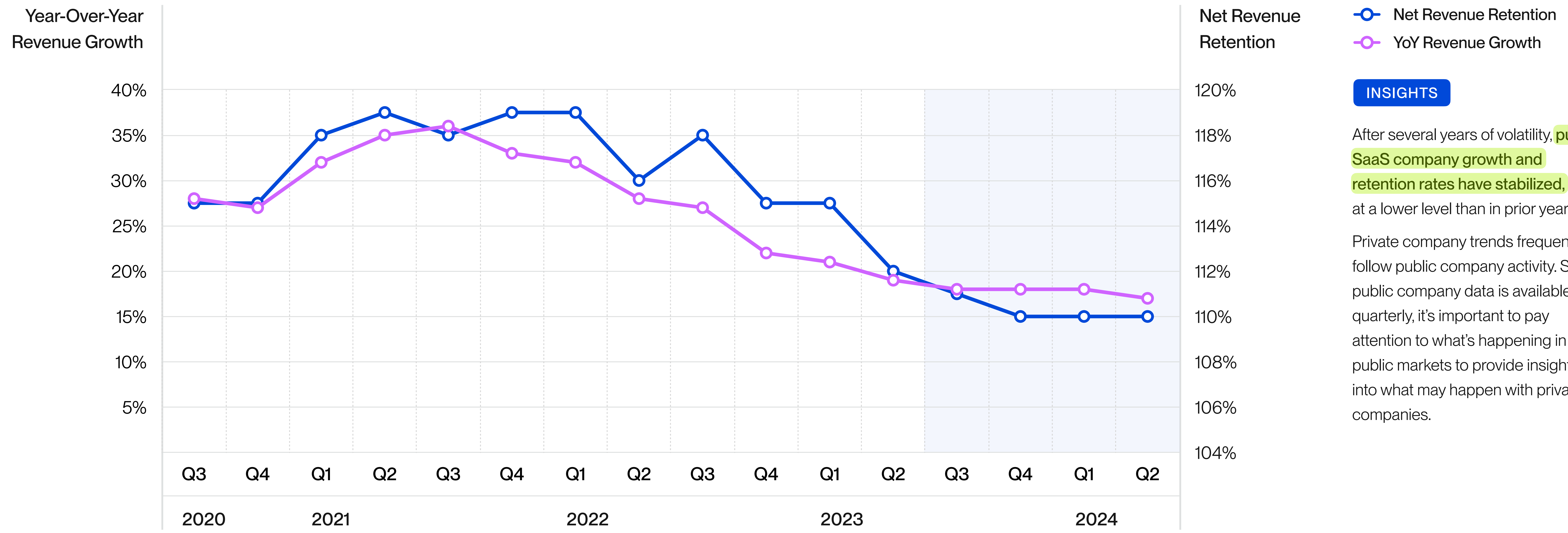
- 37% Enterprise
- 31% Mid-Market
- 22% SMB
- 7% Micro-Business
- 3% Consumer

Market Stabilization

Emerging Signs of Market Stabilization

PUBLIC SAAS GROWTH METRICS

Public SaaS Growth and NRR Are Still Down, but Steadying



INSIGHTS

After several years of volatility, public SaaS company growth and retention rates have stabilized, albeit at a lower level than in prior years.

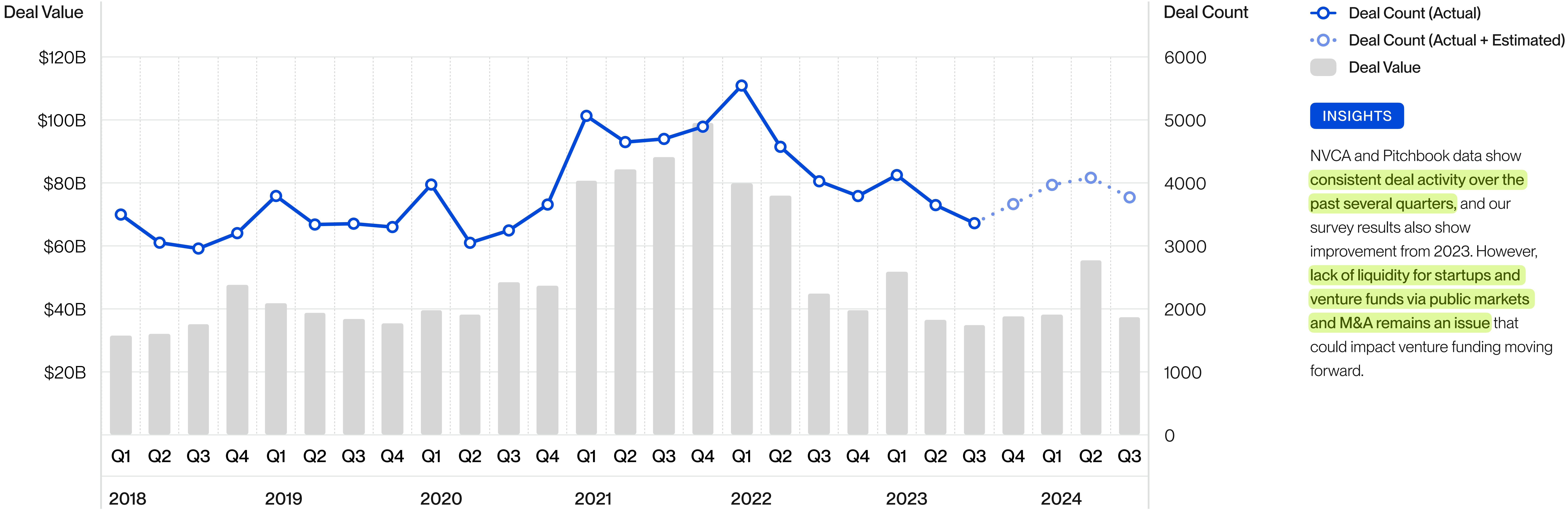
Private company trends frequently follow public company activity. Since public company data is available quarterly, it's important to pay attention to what's happening in public markets to provide insights into what may happen with private companies.

Source: Meritech

Venture Capital Activity Steady but Fragile

VC DEAL ACTIVITY

Venture Capital Deal Activity Hovering Near Pre-Pandemic Levels



INSIGHTS

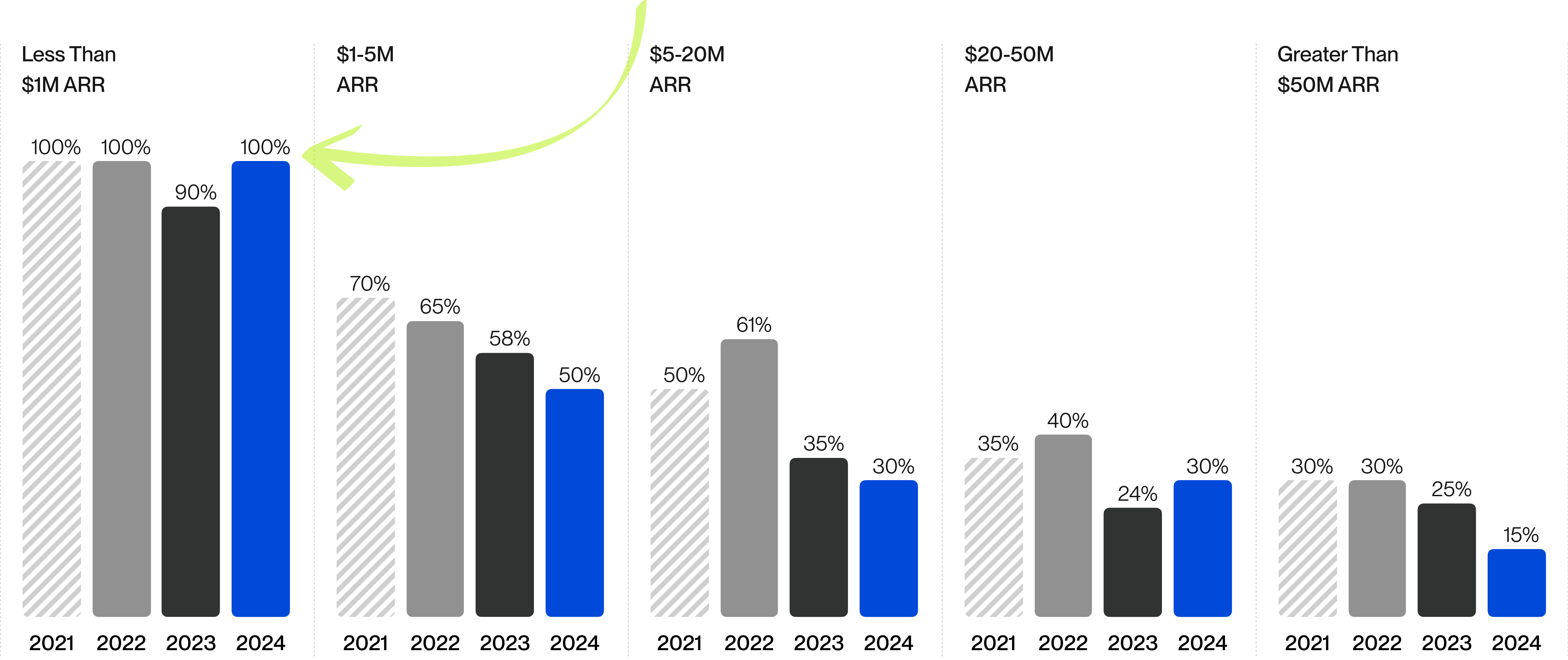
NVCA and Pitchbook data show consistent deal activity over the past several quarters, and our survey results also show improvement from 2023. However, lack of liquidity for startups and venture funds via public markets and M&A remains an issue that could impact venture funding moving forward.

Source: Q3 2024 Pitchbook NVCA Venture Monitor

Median Revenue Growth Shows Mixed Results

MEDIAN REVENUE GROWTH

Growth in Early Stage Companies Has Been the Most Resilient



INSIGHTS

Private company year-over-year growth data is an important but lagging metric.

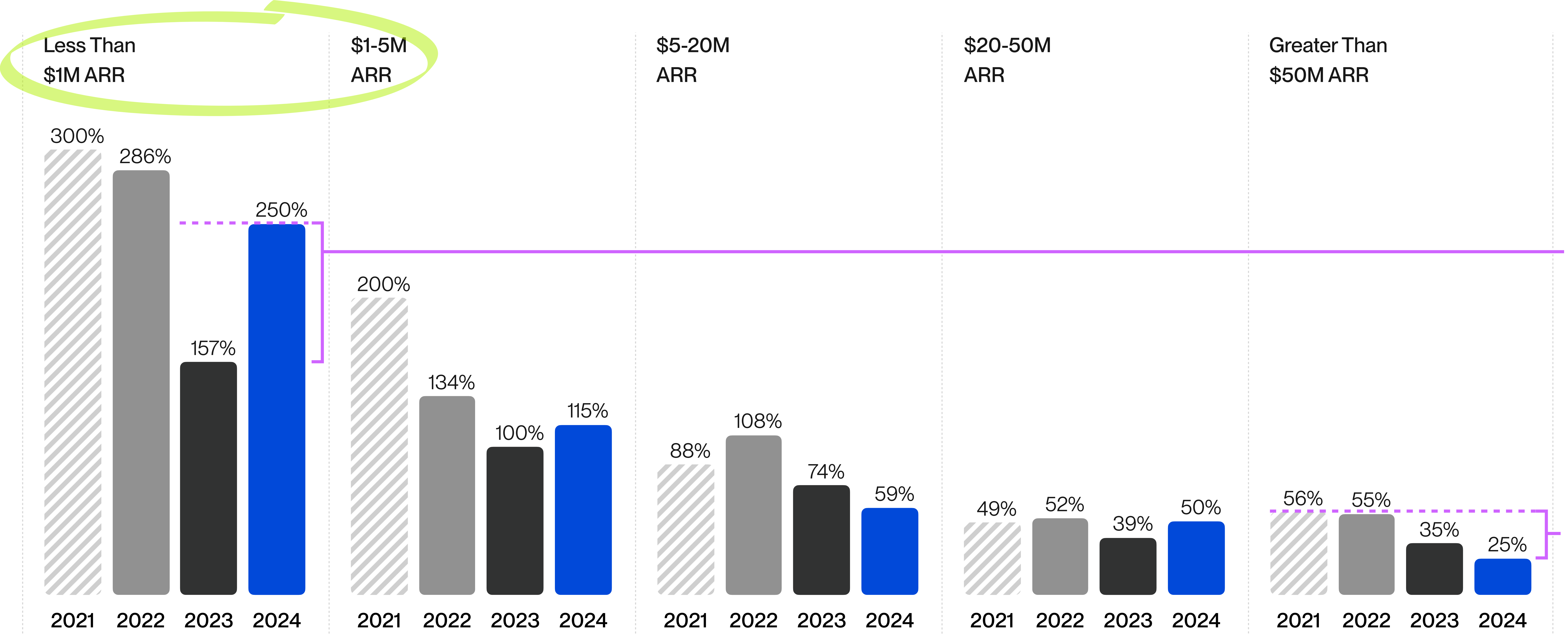
The market still values growth over efficiency, so continued improvement in growth rates is critical for funding.

We're hopeful this trend will start to reverse due to favorable signals for public SaaS companies and companies in the less than $1M revenue band.

Top Quartile Revenue Growth Begins to Rebound

TOP QUARTILE GROWTH RATES

Companies With Less Than $5M ARR Showed Significant Improvement in Growth Rates



93%

Increase in revenue growth from 2023 for companies with less than $1M ARR.

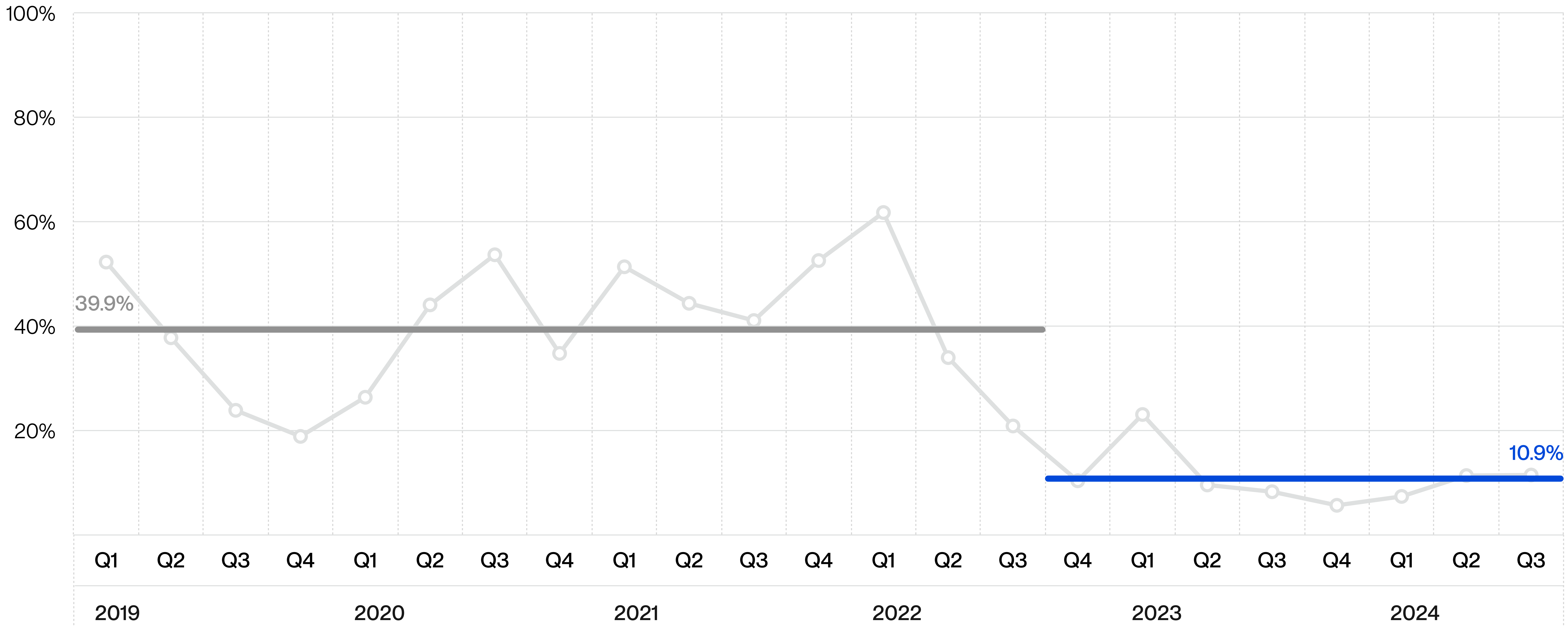
Top quartile revenue growth for companies with over $50M in ARR is now less than half of what it was in 2021 and 2022.

Source: 2024 SaaS Benchmarks Report by High Alpha

Real-Time Data Confirms Recent Stabilization

COMPOUND ANNUAL GROWTH RATE

Over the Last Eight Quarters, Growth Rates Have Dropped — but Leveled Off



INSIGHTS

The ProfitWell by Paddle B2B SaaS Index shows nearly two years of consistent growth rates, albeit at a much lower pace than the grow-at-all-costs period from late 2020 through early 2022.

The data shown reflects aggregate MRR compound annual growth rate of all B2B SaaS companies using ProfitWell Metrics. The horizontal lines represent average growth rates over the respective periods.

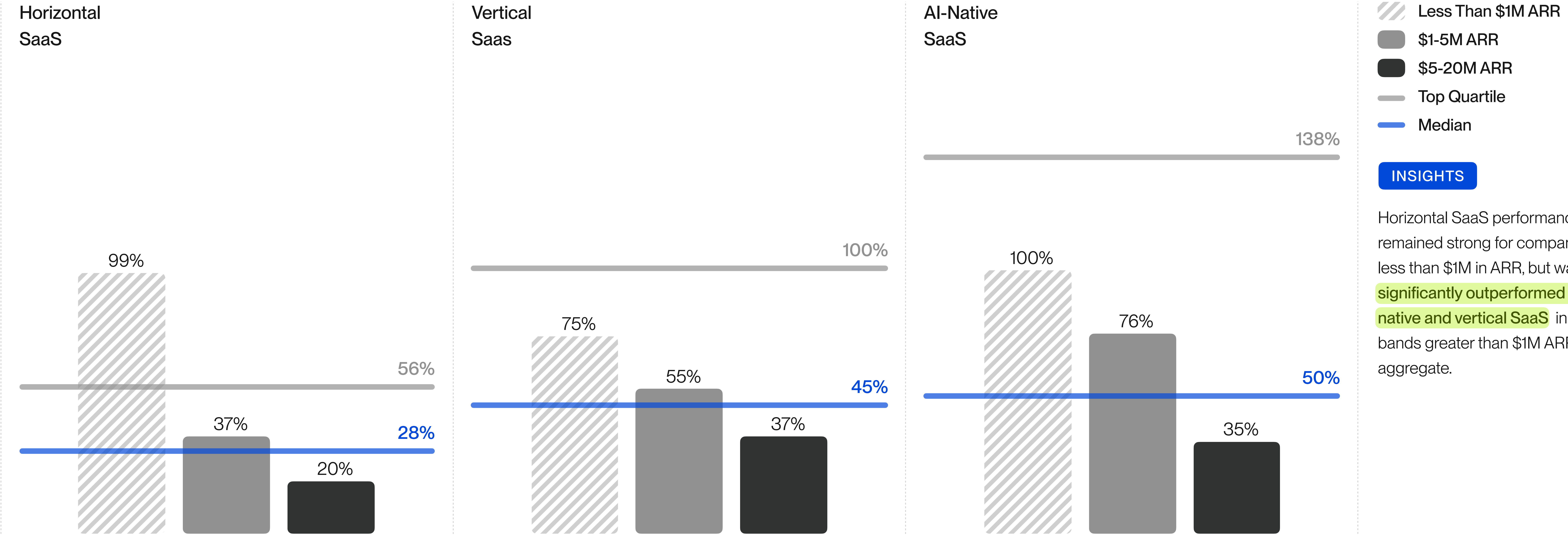
Source: ProfitWell by Paddle, Subscription Index as of 07/01/2024

Growth & Efficiency

AI-Native & Vertical SaaS Are Outperforming Horizontal SaaS

GROWTH RATE BY CATEGORY

Performance Delta Is Even More Significant in Top Quartile



INSIGHTS

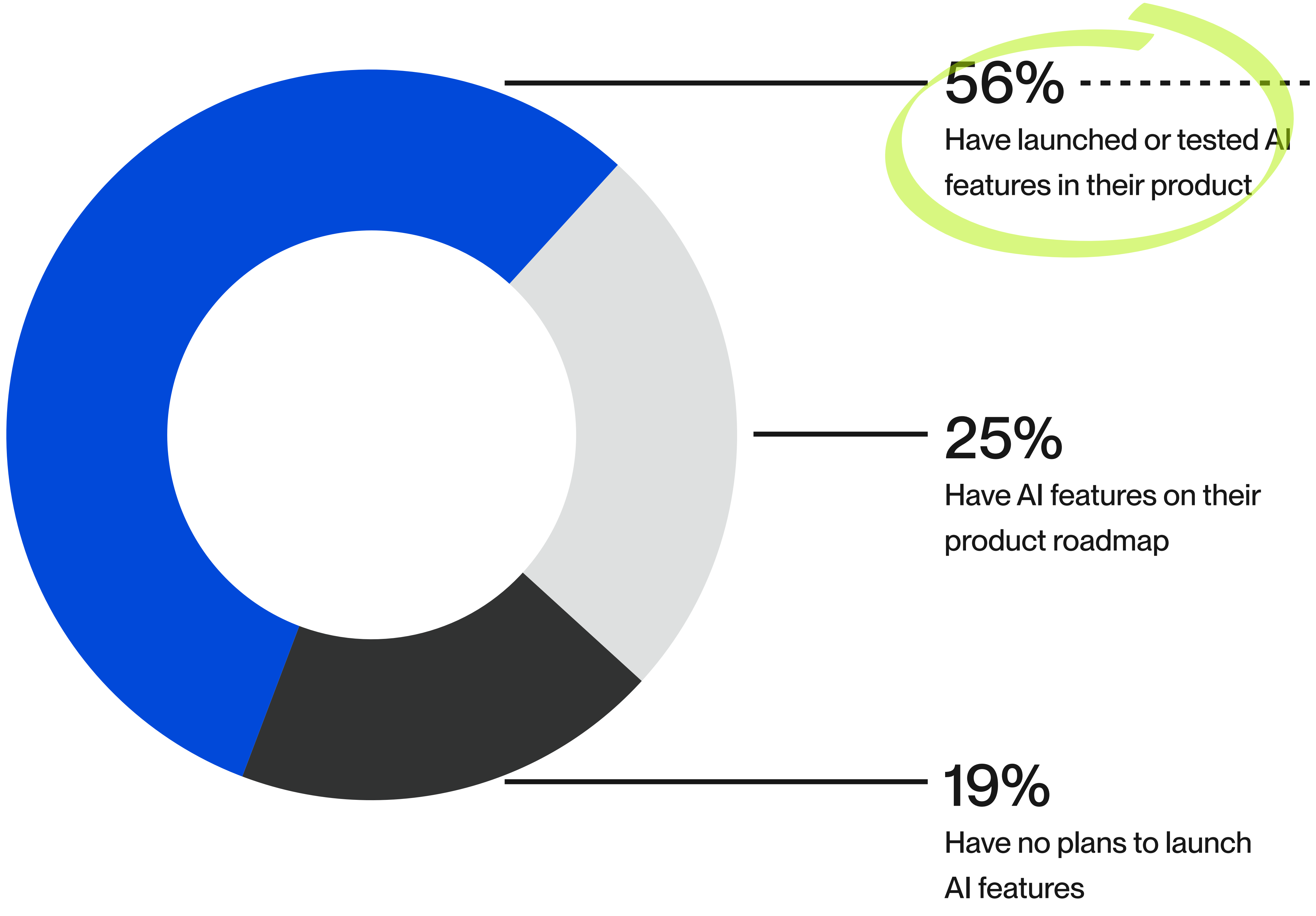
Horizontal SaaS performance remained strong for companies with less than $1M in ARR, but was significantly outperformed by AI-native and vertical SaaS in revenue bands greater than $1M ARR and in aggregate.

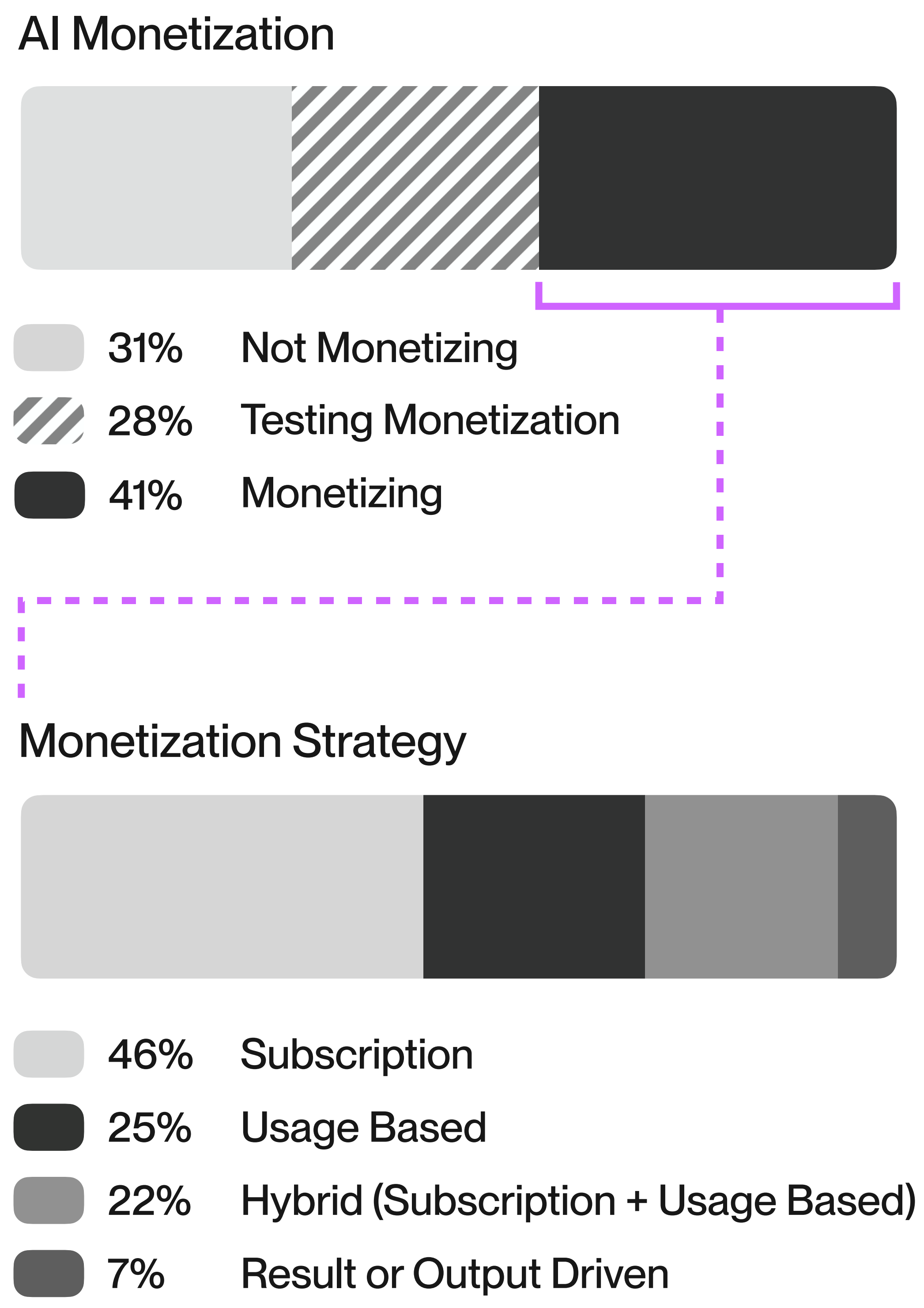
Source: 2024 SaaS Benchmarks Report by High Alpha

AI Monetization Is Still Evolving

AI PRODUCT FEATURES AND MONETIZATION

Majority of AI Monetization Still Includes a Subscription Component





INSIGHTS

The number of companies monetizing AI features is up 9% from last year, with 68% of respondents reporting that revenue expansion opportunities are driving their AI strategy.

Further, among respondents who are monetizing AI features, 68% still feature a subscription component in their pricing strategies.

However, of the 31% of companies that are not monetizing AI features, 54% report AI costs increasing moderately or significantly, potentially negatively impacting gross margin.

Source: 2024 SaaS Benchmarks Report by High Alpha

AI Pricing Is in the Experimentation Phase

AI PRICING MODELS

Many Large SaaS Companies Are Shifting to Output Driven Pricing

Salesforce
$2 per conversation (Agentforce)

Intercom
$0.99 per AI resolution (FinAI agent)

Intercom
10 free tickets per agent, per month (FinAI copilot)

Zendesk
Per successful autonomous resolution (Zendesk AI)

Microsoft
$4 per hour of usage (AI copilot for security)

OpenAI
Per input/output token (GPT-4o)

11X
Per task completed by the AI SDR

Clay
Per credit with a credit = a data point or action

Copy.ai
Per workflow credit

Relay.app
Per workflow step

Bardeen AI
Per automation credit

Zapier
Per task automated

Captions
Per AI video generation credit

Kittl
High watermark of AI credits per day

Synthesia
Per minute of video

Imagen
Per AI photo edit

Aftershoot
Unlimited AI photo edits

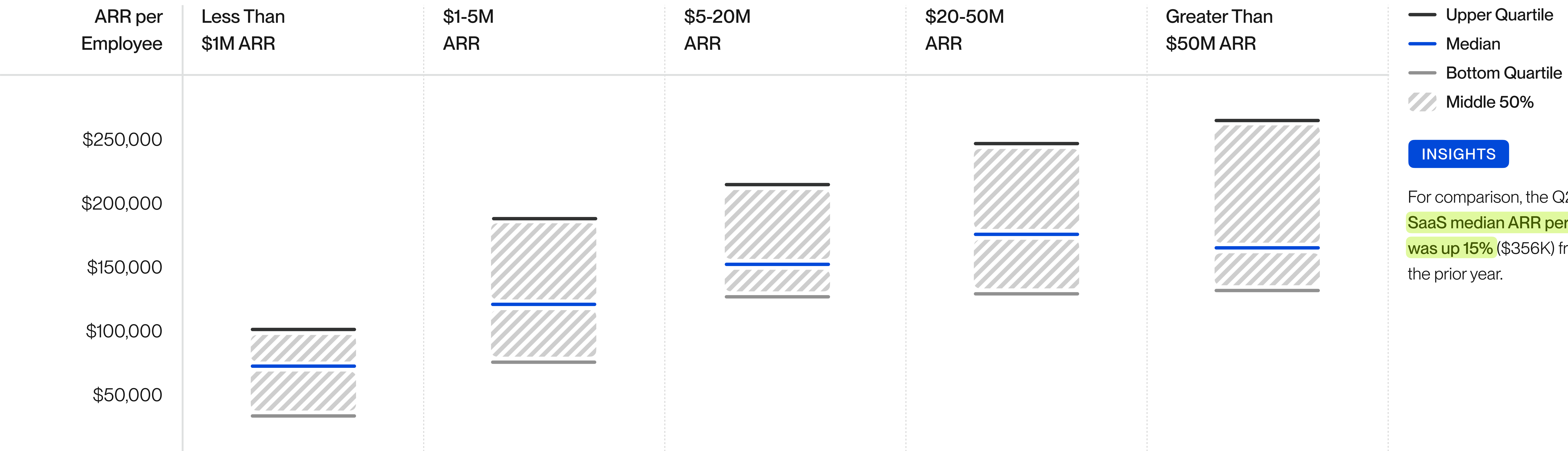
DeepL
Per user and editable file translation

Source: Growth Unhinged

ARR per Employee Increases as Companies Grow

ARR PER EMPLOYEE

Upper and Median Values Increase Most Significantly From Less Than $1M in ARR to $5-20M in ARR Cohorts



ARR per Employee	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	$100,000	$187,500	$214,286	$246,296	$264,035
Median	$71,429	$120,000	$151,515	$175,000	$164,439
Bottom Quartile	$33,333	$75,000	$126,059	$128,333	$130,588

INSIGHTS

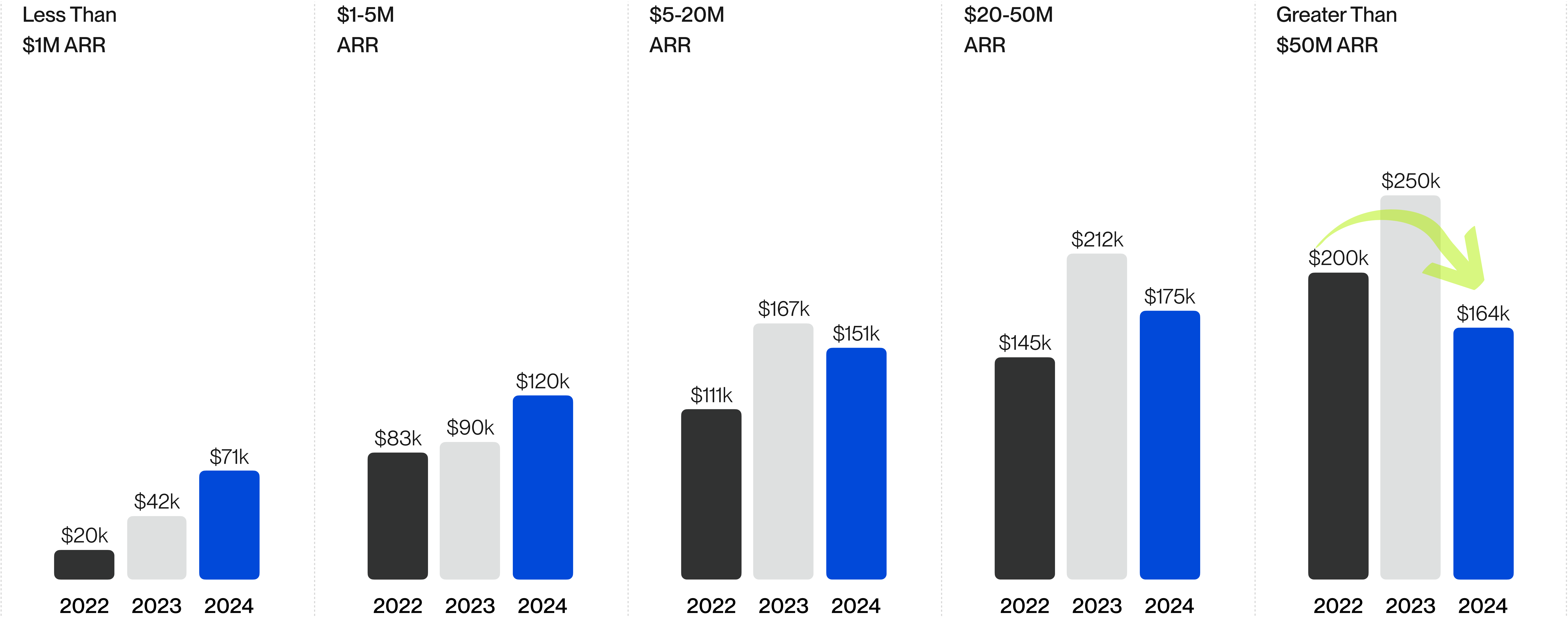
For comparison, the Q2 2024 public SaaS median ARR per employee was up 15% ($356K) from $309K the prior year.

Source: 2024 SaaS Benchmarks Report by High Alpha

ARR per Employee Has Decreased in Later Stages

MEDIAN ARR PER EMPLOYEE

All ARR Bands Improved Compared with 2022 Except Companies Greater Than $50M ARR



INSIGHTS

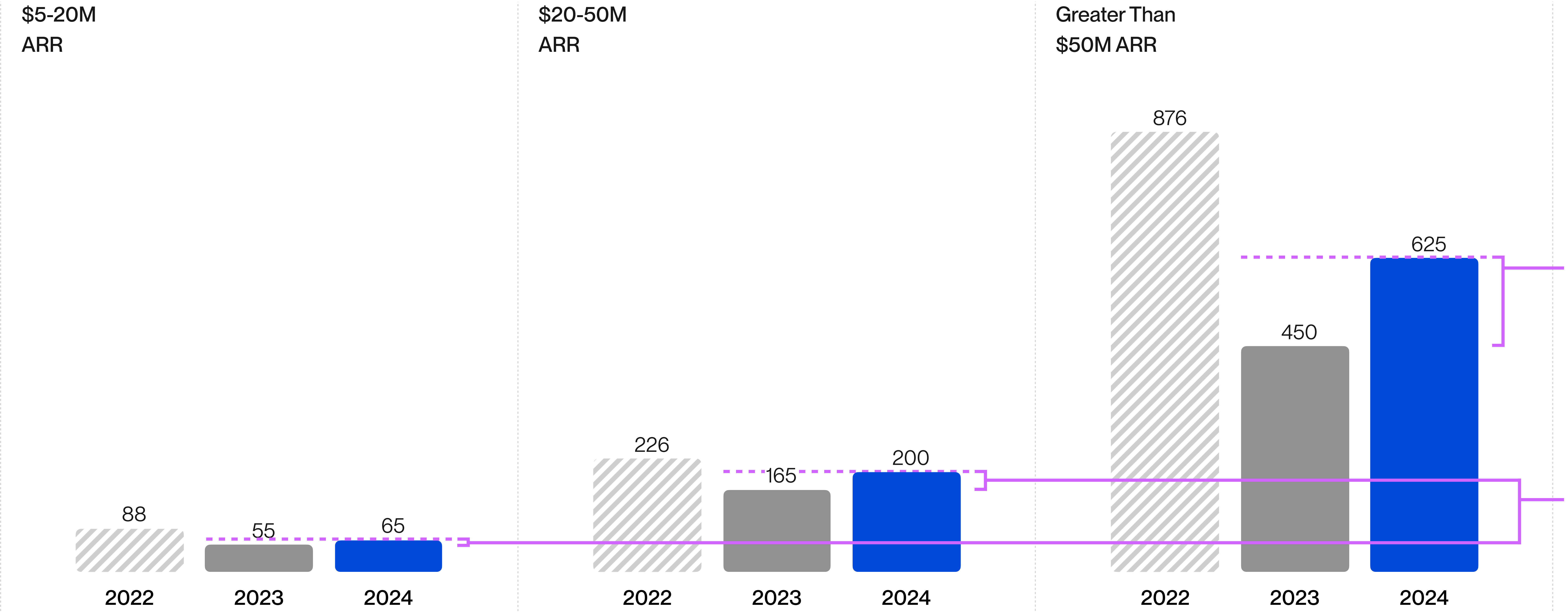
Companies with less than $1M ARR have improved ARR per Employee by 255% since 2022, signaling that early stage companies are much more cautious with burn and are finding ways to sell and serve customers with fewer resources.

Companies greater than $50M ARR were the only cohort that saw a decline in ARR per employee, decreasing 18% from 2022 to 2024 and 34% year-over-year. This was a surprising result given the focus on efficiency across all stages of company and continued improvement in ARR per employee in public SaaS companies.

Later Stage Companies See a Rebound in Hiring

MEDIAN EMPLOYEES BY ARR BAND

Despite the Increases, Employee Counts Are Still Lower Than 2022 Levels



39%

Higher headcount for companies greater than $50M in ARR. This rebound comes after aggressively reducing employee counts to gain efficiency in 2022 and 2023.

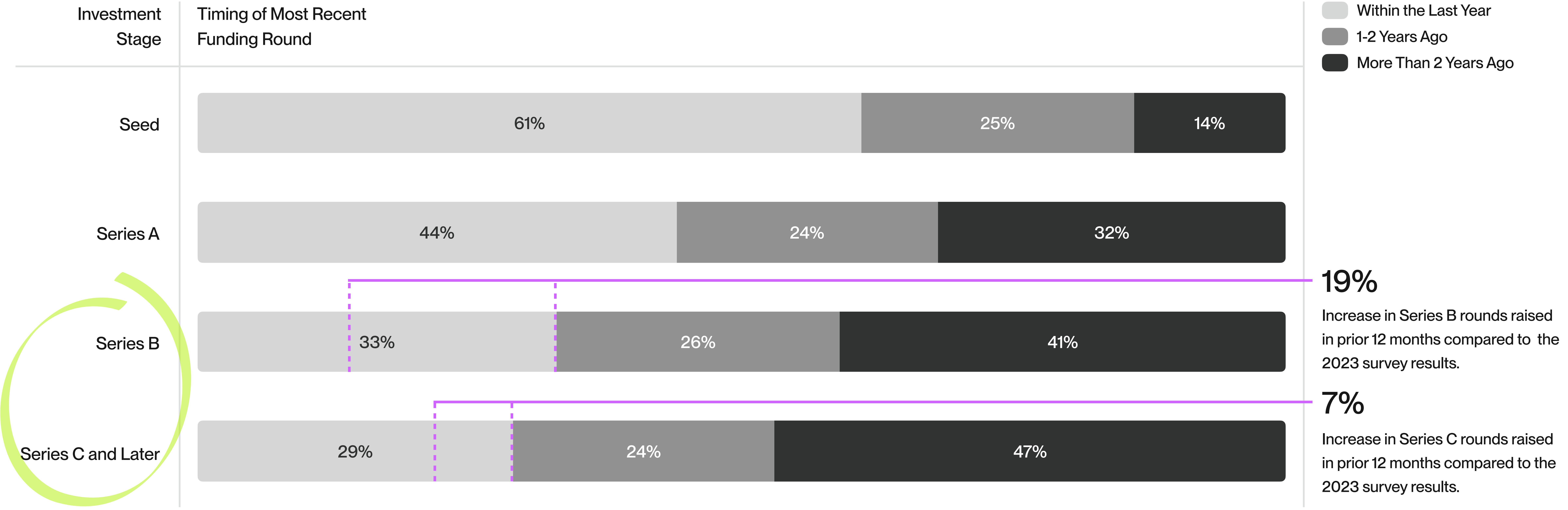
Companies with $5-20M and $20-50M in ARR both saw increases in employee headcount at 18% and 21% respectively.

Source: 2024 SaaS Benchmarks Report by High Alpha

Later Stage Funding Environment Has Improved

TIMING OF MOST RECENT FUNDING ROUND

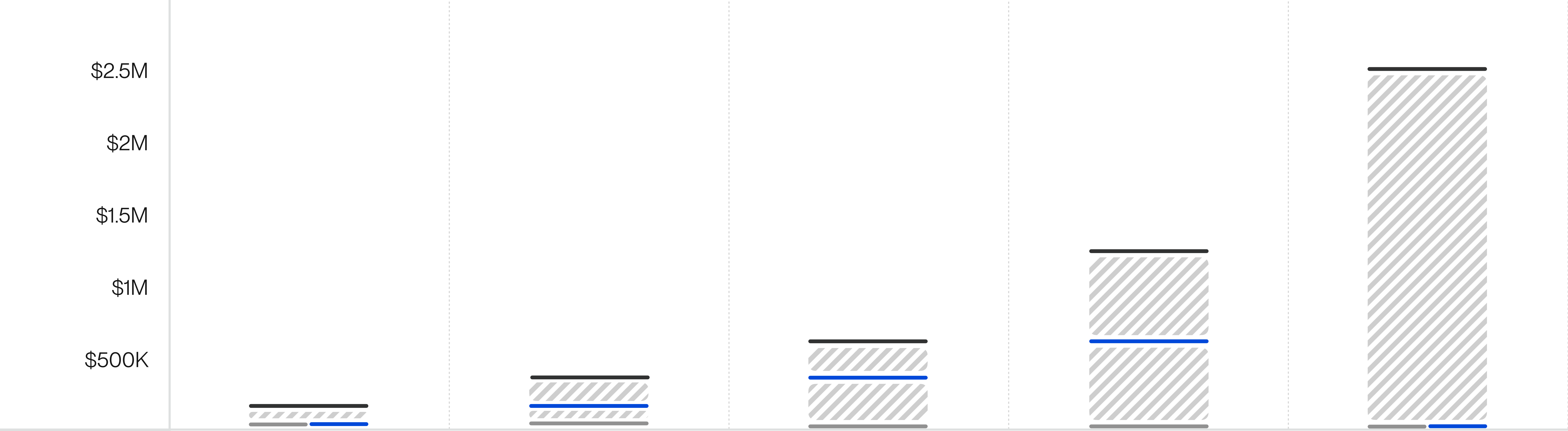
Strongest Recovery Seen in Series B and Beyond



Companies Still Cautious with Cash Burn

CASH BURN

The Median Company With Greater Than $50M ARR Is Cash Flow Break Even



Monthly Cash Burn	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	$175,000	$375,000	$625,000	$1,250,000	$2,500,000
Median	$50,000	$175,000	$375,000	$625,000	$0
Bottom Quartile	$50,000	$50,000	$0	$13,000	$0

- Upper Quartile
- Median
- Bottom Quartile
- Middle 50%

INSIGHTS

With reduced growth rates, companies remain disciplined in how they're spending cash.

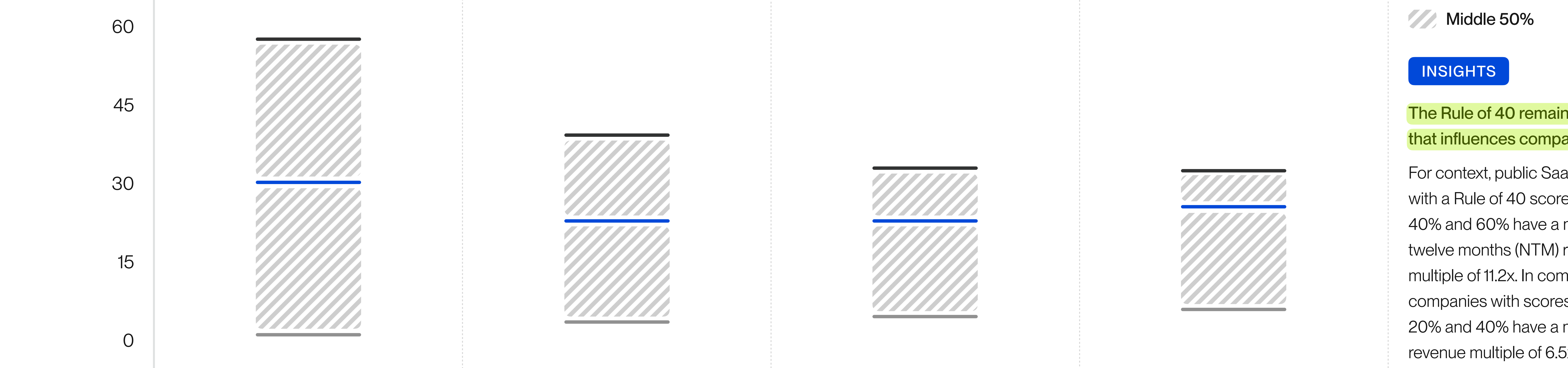
The median company with less than $5M ARR is still burning the same amount as in 2023. Companies with $5-$50M in ARR increased burn modestly since last year, and the median company greater than $50M ARR is cash flow break even.

Source: 2024 SaaS Benchmarks Report by High Alpha

Median Rule of 40 Consistent Across All ARR Bands

RULE OF 40

Lower Growth Rates Require a Continued Focus on Efficiency



Rule of 40	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	60	40	33	33
Median	30	22	22	25
Bottom Quartile	-2	1	2	4

INSIGHTS

The Rule of 40 remains a key metric that influences company valuations.

For context, public SaaS companies with a Rule of 40 score between 40% and 60% have a median next twelve months (NTM) revenue multiple of 11.2x. In comparison, companies with scores between 20% and 40% have a median NTM revenue multiple of 6.5x, while those with scores below 20% have a median multiple of 3.5x.

Source: 2024 SaaS Benchmarks Report by High Alpha

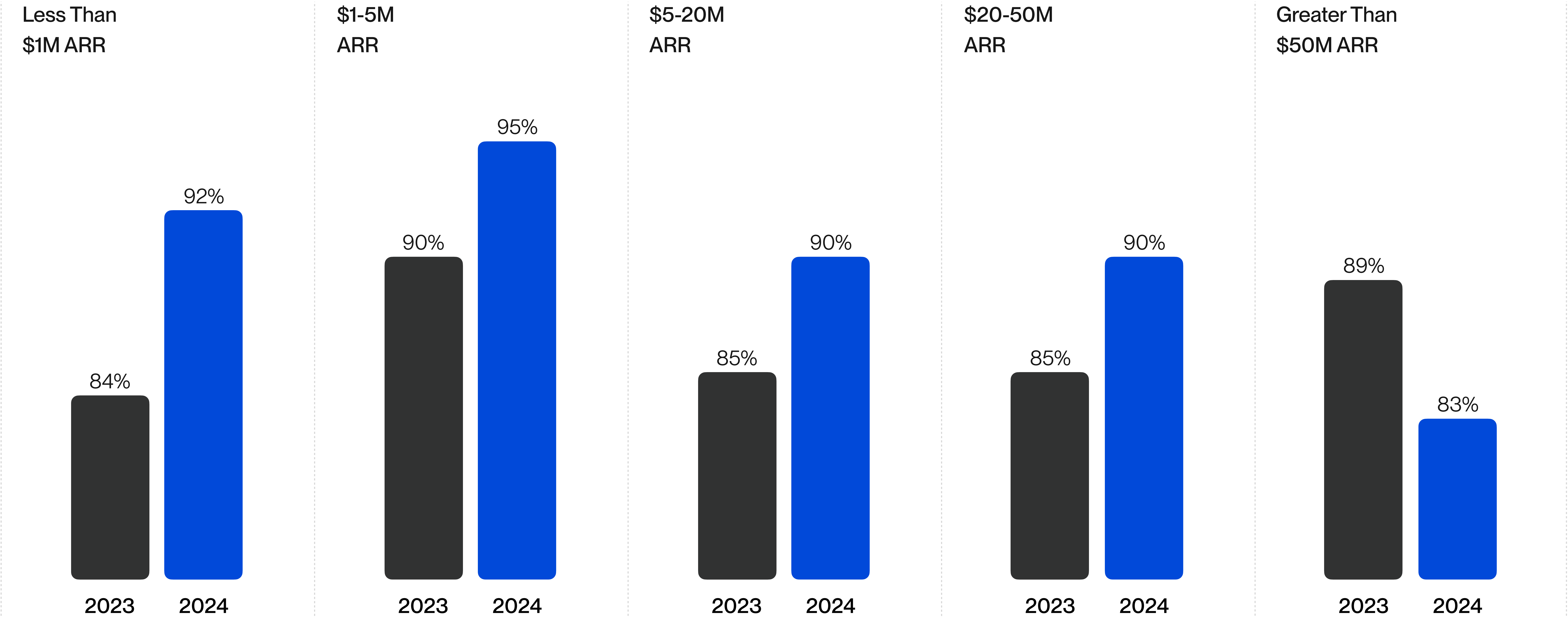
Rule of 40 calculated as YoY ARR growth plus last 12 months (LTM) free cash flow margin or EBITDA margin

SaaS Metrics & Trends

Gross Revenue Retention Improved Year-Over-Year

MEDIAN GROSS REVENUE RETENTION

Material Improvements Seen Across All ARR Bands, With the Exception of Greater Than $50M ARR Cohort



INSIGHTS

Unsurprisingly, GRR is highly correlated with NRR; improvement in GRR should naturally lead to improvement in NRR, a key growth lever for SaaS businesses.

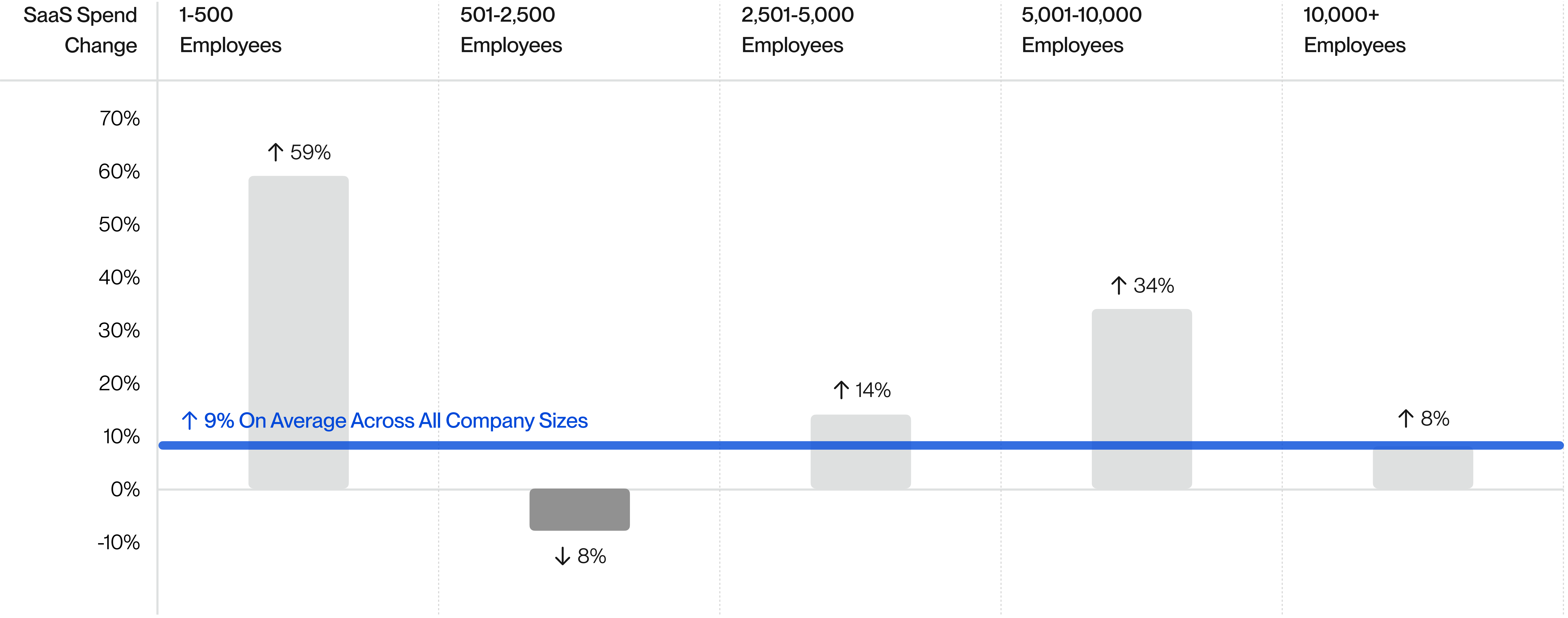
SaaS buyers seem to be returning to the market, which may be driving some of the year-over-year GRR improvement .

Source: 2024 SaaS Benchmarks Report by High Alpha

SaaS Spend Bounced Back in 2024

YEAR-OVER-YEAR CHANGE IN SAAS SPEND

SaaS Buyers Returned to the Market After a 10% Decrease in SaaS Spend in 2023



INSIGHTS

After significant spend rationalization in 2023, it appears SaaS buyers have re-emerged, increasing SaaS spend by 9% across all company sizes.

Companies with fewer than 500 employees led the way with a 59% increase, perhaps purchasing new software tools as a way to leverage technology to realize efficiencies in lieu of hiring.

Source: Zylo SaaS Management Index (available early 2025)

Net Revenue Retention Stays in Tight Range

NET REVENUE RETENTION

Median Companies Are Able to Generate Enough Upsells to Offset Churn

Net Revenue Retention	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	110%	110%	120%	112%	107%
Median	100%	100%	105%	103%	102%
Bottom Quartile	93%	96%	95%	94%	93%

INSIGHTS

Top quartile companies have a significant advantage over bottom quartile companies as illustrated by a simple example:

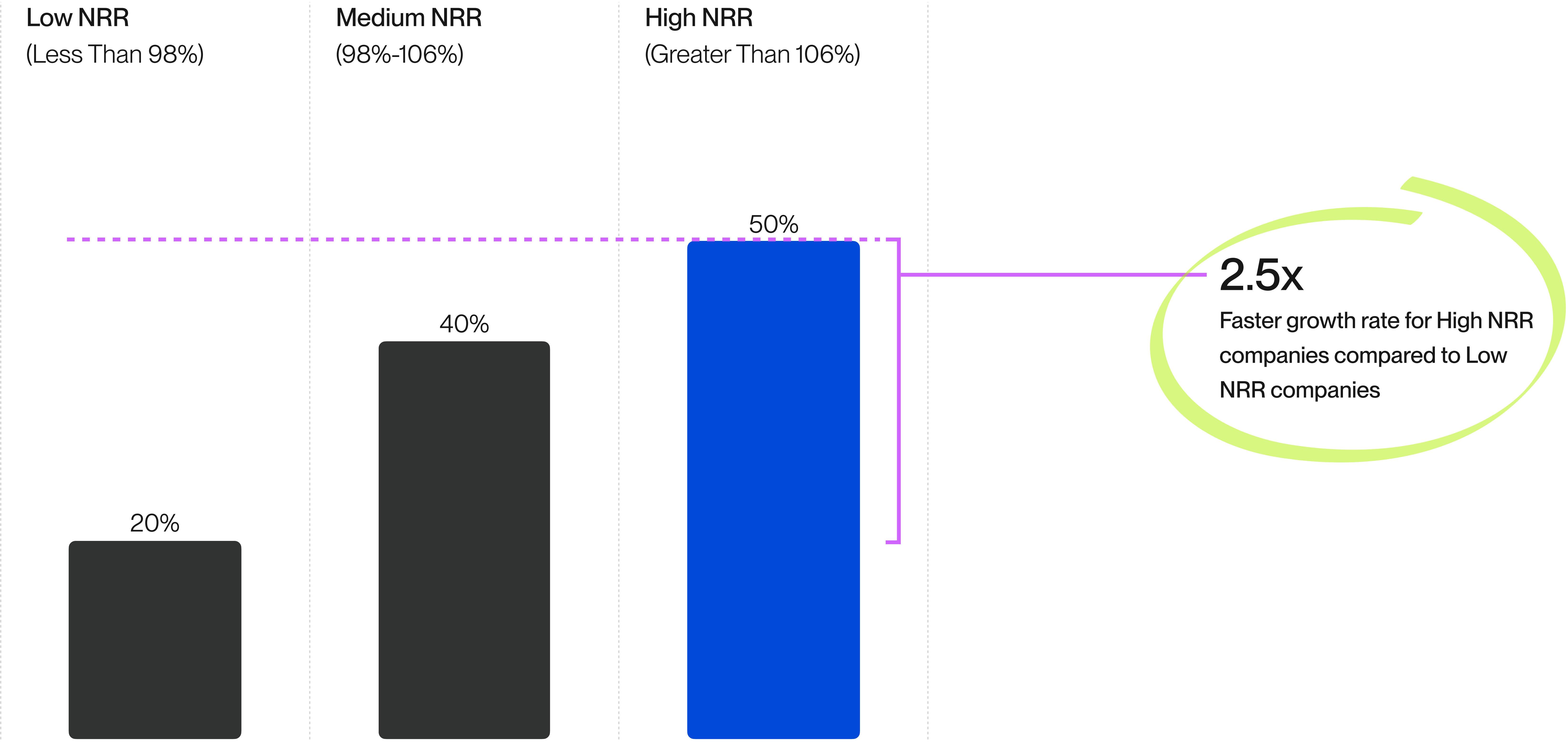
A company with $20M ARR will generate an incremental $4M in ARR from its customer base compared with a company in the bottom quartile that will churn $1M in ARR from the same base. The bottom quartile company will have to sell an additional $5M in new ARR simply to catch up with the top quartile company!

Source: 2024 SaaS Benchmarks Report by High Alpha

Net Revenue Retention Is a Key Growth Driver

GROWTH RATE BY NRR

High NRR Companies Grow 2.5x Faster Than Low NRR Companies



INSIGHTS

SaaS founders know how important net revenue retention is for their business but some aren't sure how to improve it.

Four ways to improve NRR:

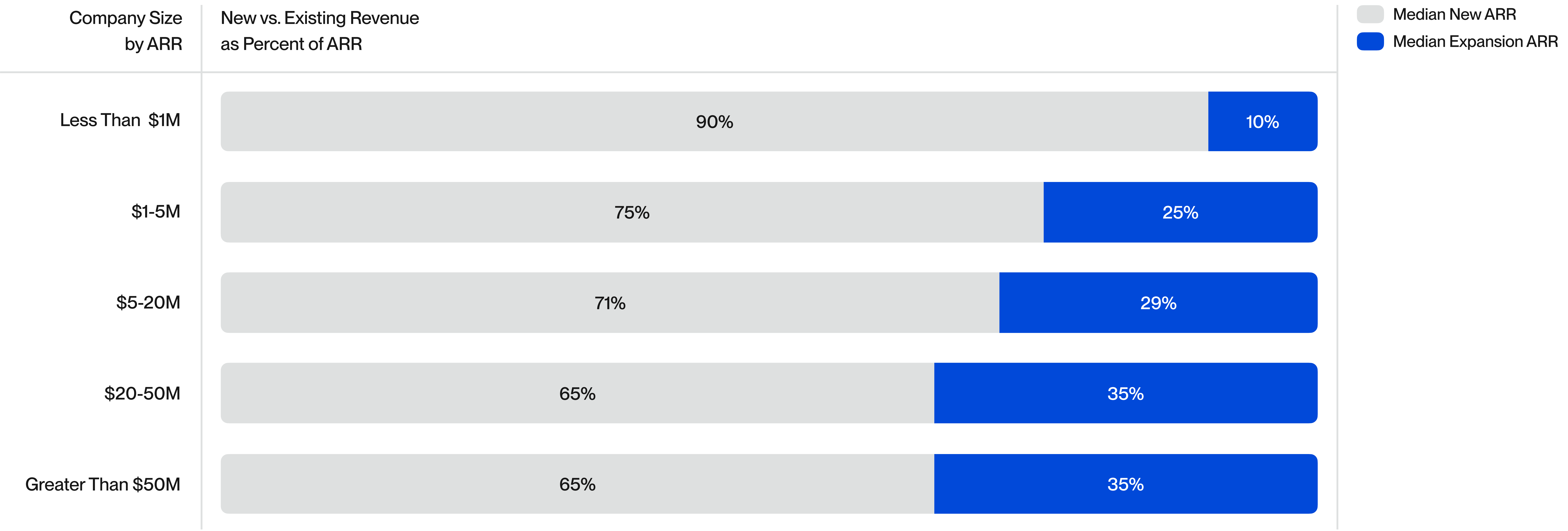
- Improve gross revenue retention by reducing churn
- Update pricing & packaging to provide natural upsell levers
- Negotiate annual increases for renewals or multi-year agreements
- Monetize new core product features rather than simply adding them to the existing subscriptions

Source: 2024 SaaS Benchmarks Report by High Alpha

As Companies Scale, Breakdown of Revenue Shifts

NET NEW REVENUE FROM NEW VS. EXPANSION

Generating Revenue From Existing Customers Is Critical for Later Stage Companies

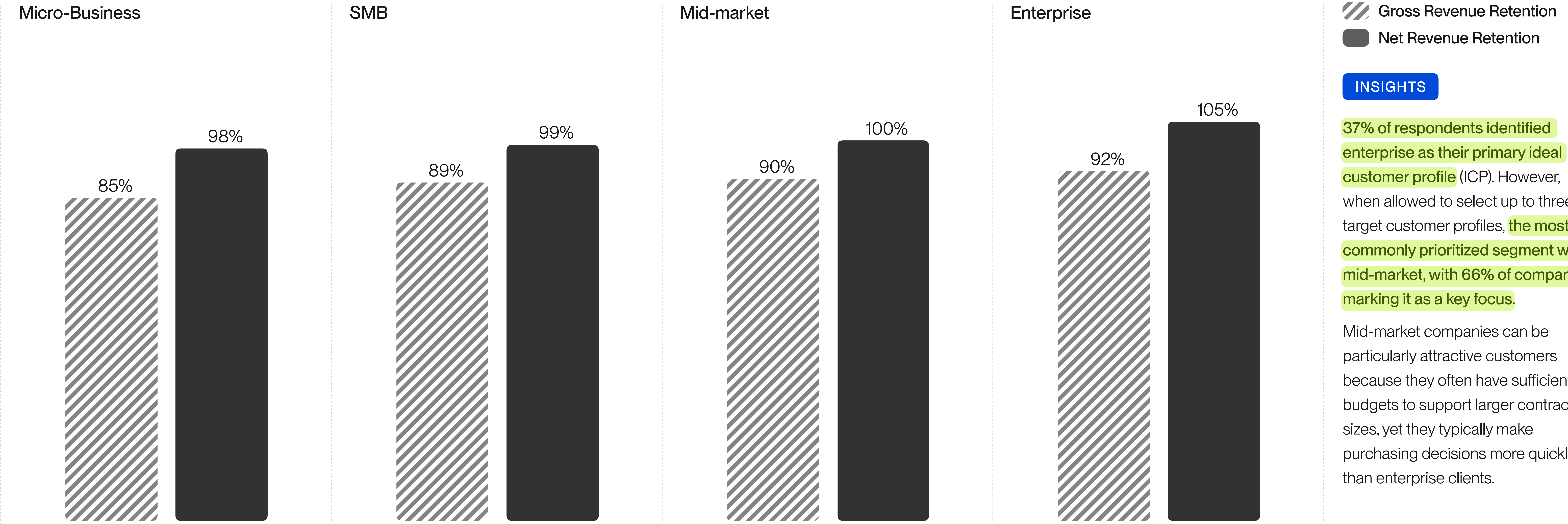


Source: 2024 SaaS Benchmarks Report by High Alpha

Stickiness Increases as Companies Move Upmarket

REVENUE RETENTION BY IDEAL CUSTOMER PROFILE

However, Sales Cycles Are Often Slower for Larger Customers



INSIGHTS

37% of respondents identified enterprise as their primary ideal customer profile (ICP). However, when allowed to select up to three target customer profiles, the most commonly prioritized segment was mid-market, with 66% of companies marking it as a key focus.

Mid-market companies can be particularly attractive customers because they often have sufficient budgets to support larger contract sizes, yet they typically make purchasing decisions more quickly than enterprise clients.

Higher ACVs = Better Growth and Retention

GROWTH AND AVERAGE CONTRACT VALUES

Companies With ACVs of $25k to $50k Are Growing Fastest

Average Contract Value (ACV)	Percent of Respondents	Median Year-Over-Year Growth	Median Net Revenue Retention
<$1k	7%	35%	97%
$1k-5k	13%	32%	101%
$5k-10k	10%	34%	100%
$10k-15k	7%	20%	106%
$15k-25k	10%	30%	100%
$25k-50k	17%	68%	100%
$50k-100k	19%	50%	103%
$100k-250k	10%	45%	113%
$250k-1M	6%	35%	105%
>$1M	2%	40%	104%

INSIGHTS

Companies with ACVs greater than $25K generally grow faster than those with lower ACVs.

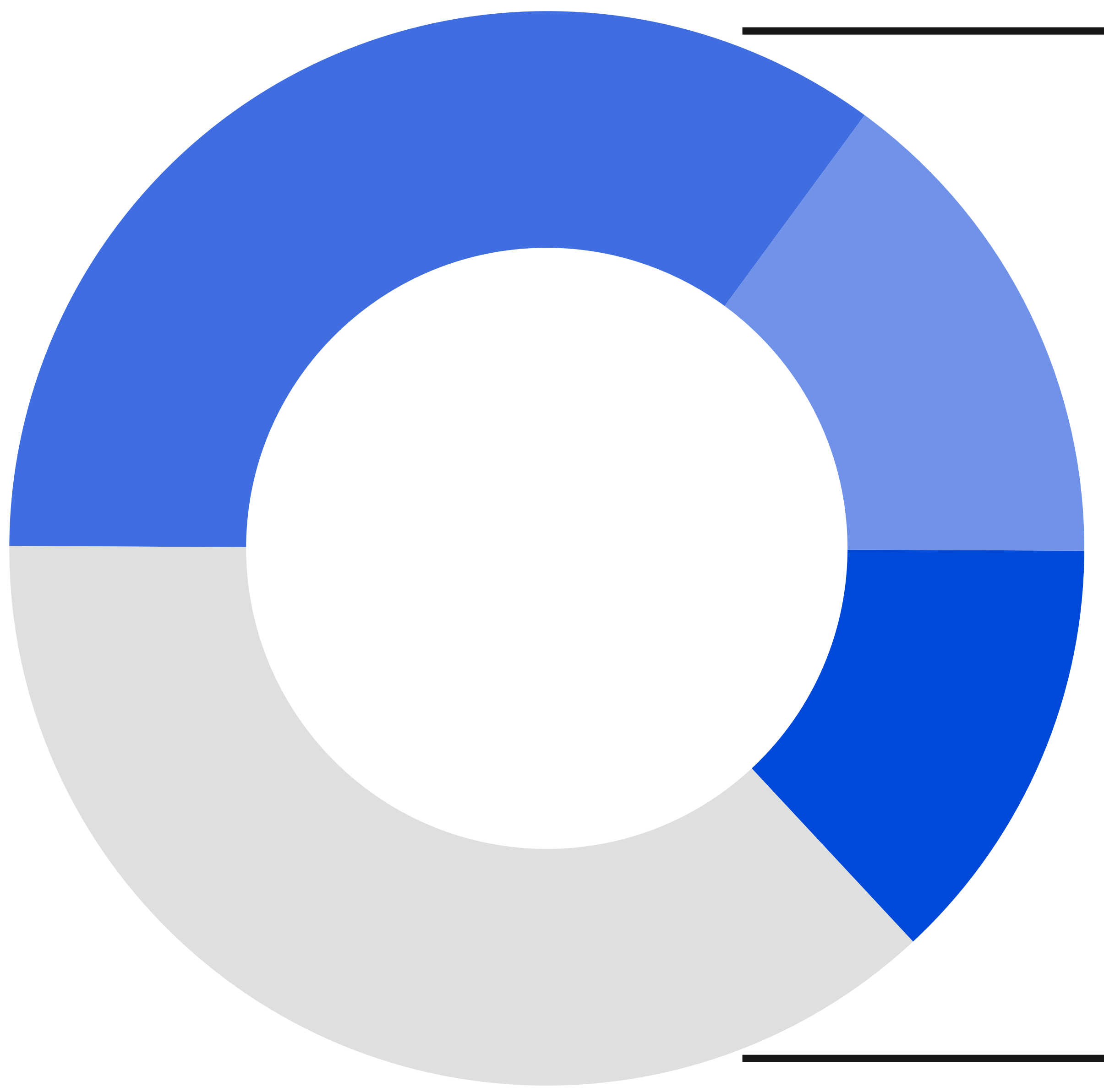
Additionally, NRR is higher at larger contract sizes. Companies with ACVs from $25K-$100K may be small enough that they don't experience as much scrutiny as larger contracts, but are also more likely to churn.

Source: 2024 SaaS Benchmarks Report by High Alpha

Services Are Core to How Many SaaS Companies Deliver Value

PAID SERVICES ATTACHED TO DEALS

63% of Companies Attach Some Level of Services



35%
Some deals have paid services attached
42% Less Than $25k ACV — **58%** Greater Than $25k ACV

15%
Most deals have paid services attached
24% Less Than $25k ACV — **76%** Greater Than $25k ACV

13%
All deals have paid services attached
29% Less Than $25k ACV — **71%** Greater Than $25k ACV

37%
No deals have paid services attached
54% Less Than $25k ACV — **46%** Greater Than $25k ACV

INSIGHTS

Surprisingly, of the 37% of companies that don't attach any paid services to their deals, nearly half have ACVs greater than $25K.

Perhaps equally surprisingly, of the 13% where all deals have paid services attached, nearly one-third are companies with ACVs less than $25K.

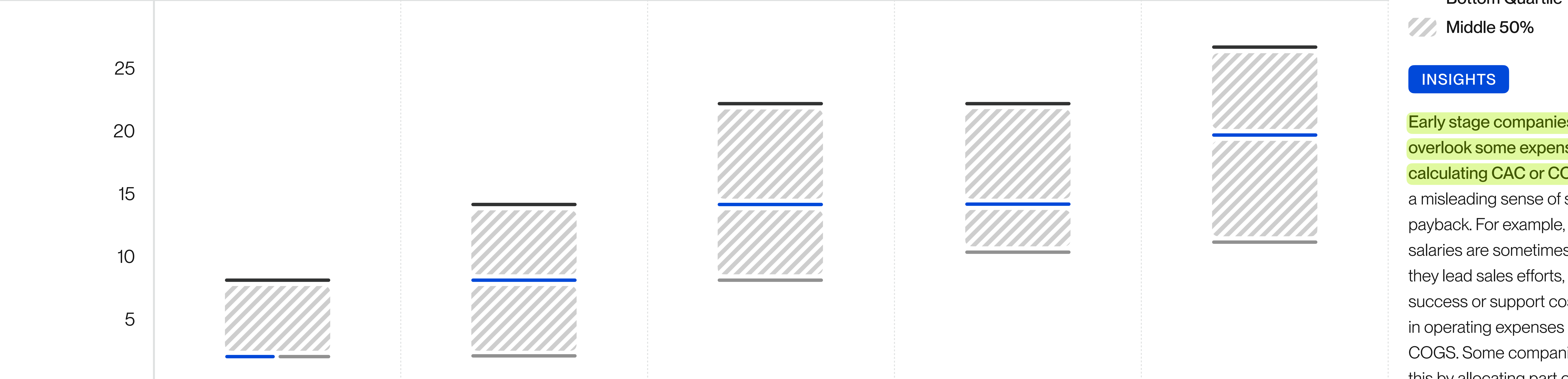
Paid services can be a strategic lever to increase customer adoption, success, and likelihood of renewal.

Source: 2024 SaaS Benchmarks Report by High Alpha

CAC Payback Increases as Companies Mature

CAC PAYBACK PERIOD

As Sales Channels Become Saturated, Cost to Acquire Goes Up



Payback Period in Months	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	8	14	22	22	27
Median	2	8	14	14	20
Bottom Quartile	2	2	8	10	11

INSIGHTS

Early stage companies often overlook some expenses when calculating CAC or COGS, creating a misleading sense of strong CAC payback. For example, founder salaries are sometimes omitted when they lead sales efforts, and customer success or support costs may be left in operating expenses instead of COGS. Some companies address this by allocating part of CS salaries to COGS, ensuring they capture true customer-serving costs.

Source: 2024 SaaS Benchmarks Report by High Alpha

Gross Margin Stays Consistent Across ARR Bands

SOFTWARE GROSS MARGIN

Gross Margin Reflects a Company & Product's Scalability

	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	90%	85%	86%	80%	86%
Median	80%	80%	80%	77%	79%
Bottom Quartile	65%	67%	73%	71%	73%

INSIGHTS

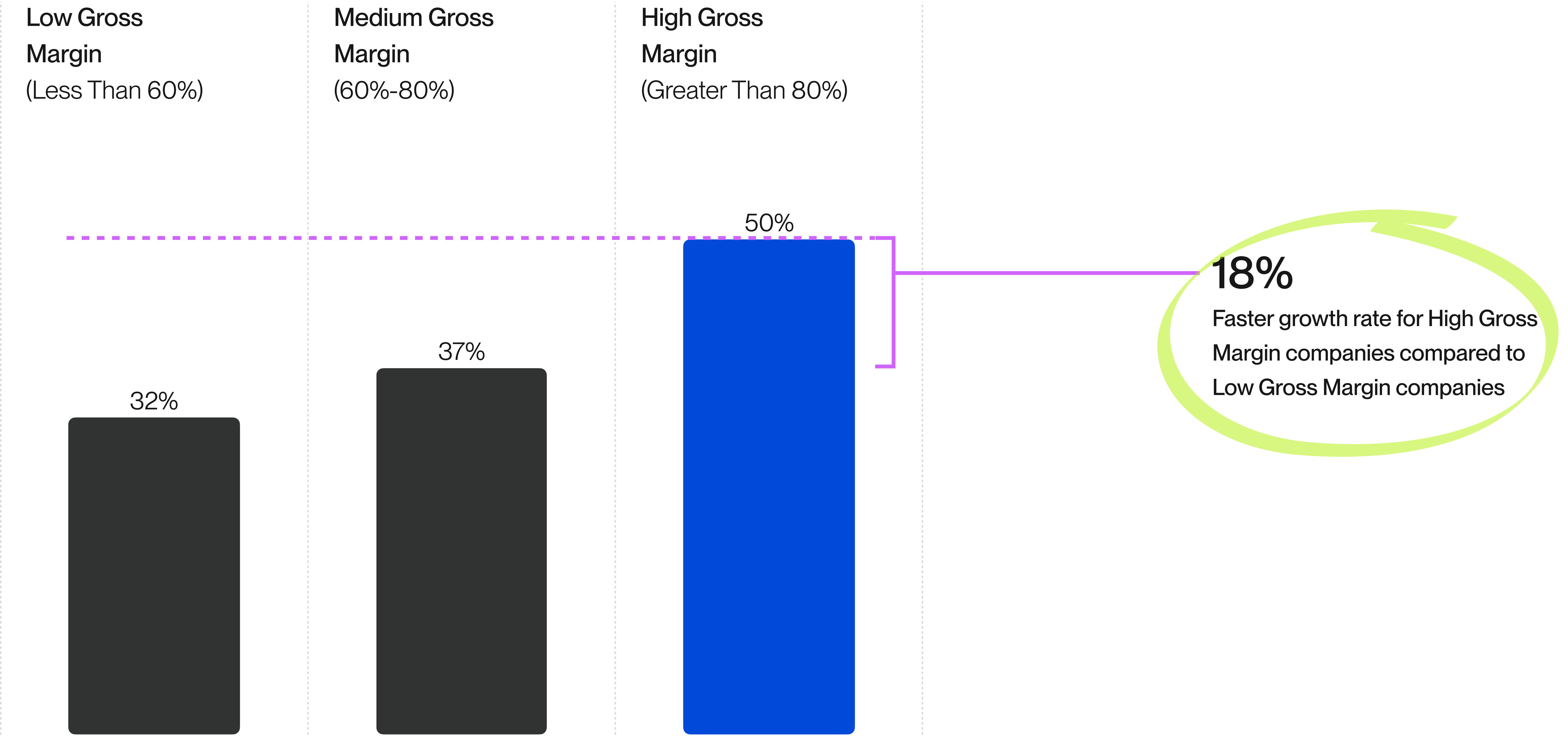
Improving gross margin can be a powerful lever for a business. For example, a $50M ARR business with upper quartile gross margin of 86% has $43M in revenue available to cover operating expenses. The same company with bottom quartile gross margin of 73% only has $36.5M to cover operating expenses — a $6.5M difference!

Source: 2024 SaaS Benchmarks Report by High Alpha

Gross Margin Positively Correlated With Growth Rates

GROWTH RATE BY GROSS MARGIN

High Gross Margin Companies Grow 18% Faster Than Low Gross Margin Companies



INSIGHTS

Gross margin is an often overlooked key SaaS metric, but is critically important to a company's financial health and scalability.

Six ways to improve gross margin:

- Optimize hosting costs
- Refactor pricing & packaging
- Automate support & implementation
- Reduce churn
- Upsell & cross-sell products
- Adjust product mix

Source: 2024 SaaS Benchmarks Report by High Alpha

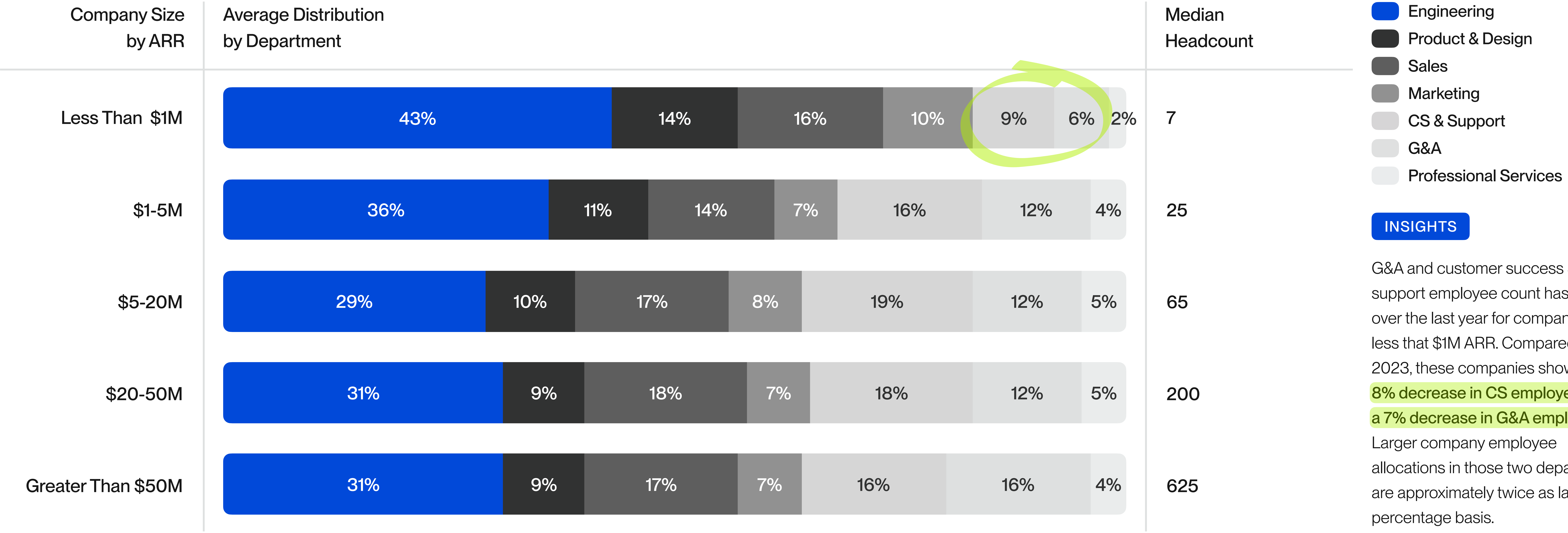
People

- → Departmental Distribution Remains Largely Consistent
- → Early Stage Companies Tapping More Fractional Support
- → Gender Diversity Largely Consistent Across ARR Cohorts
- → POC Leadership Representation Steady Across ARR Cohorts
- → Default In-Office Teams Grow Faster Than Remote

Departmental Distribution Remains Largely Consistent

PERCENT OF EMPLOYEES BY DEPARTMENT

Engineering Teams Are the Largest Across All ARR Bands



INSIGHTS

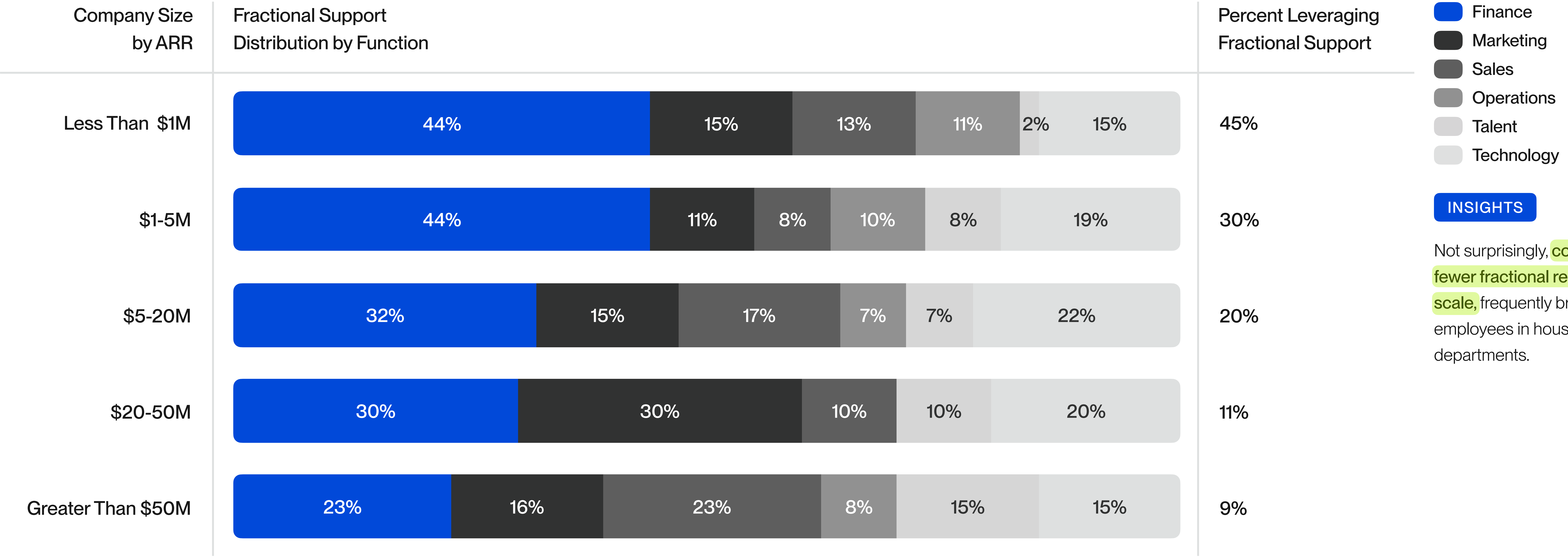
G&A and customer success & support employee count has shifted over the last year for companies with less that $1M ARR. Compared to 2023, these companies showed an 8% decrease in CS employees and a 7% decrease in G&A employees. Larger company employee allocations in those two departments are approximately twice as large on a percentage basis.

Source: 2024 SaaS Benchmarks Report by High Alpha

Early Stage Companies Tapping More Fractional Support

FRACTIONAL SUPPORT BY DEPARTMENT

Finance is the Most Popular Function Being Supported By Fractional Executives Across All ARR Bands



INSIGHTS

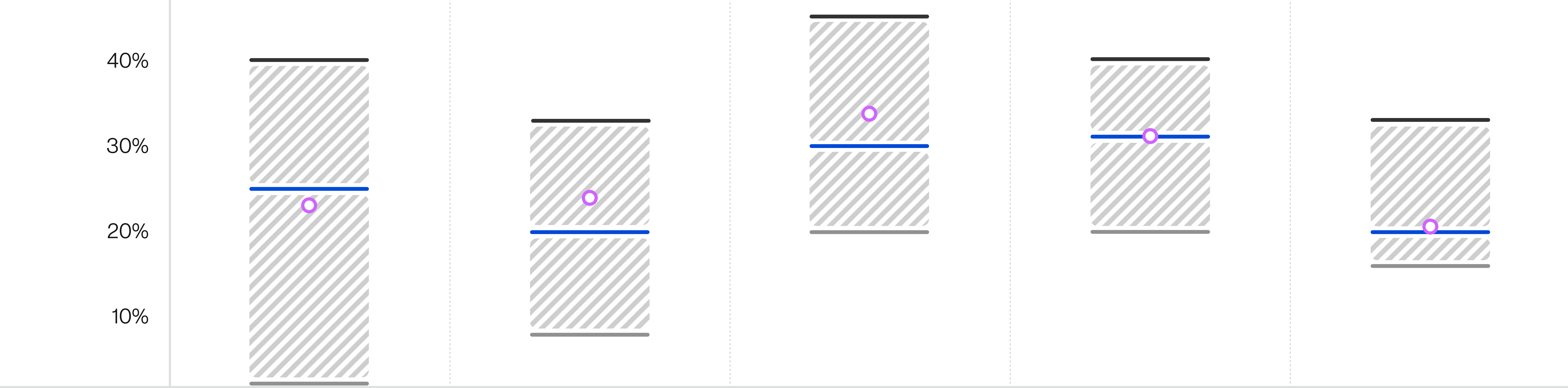
Not surprisingly, companies employ fewer fractional resources as they scale, frequently bringing full-time employees in house to build out departments.

Source: 2024 SaaS Benchmarks Report by High Alpha

Gender Diversity Largely Consistent Across ARR Cohorts

WOMEN IN LEADERSHIP

Mixed Progress Across Company Sizes; Similar to Prior Years



- Upper Quartile
- Median
- Bottom Quartile
- Middle 50%
- Mean

Percentage of Women	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	40%	33%	45%	40%	33%
Median	25%	20%	30%	31%	20%
Bottom Quartile	0%	8%	20%	20%	16%
Mean	23%	24%	32%	31%	21%

INSIGHTS

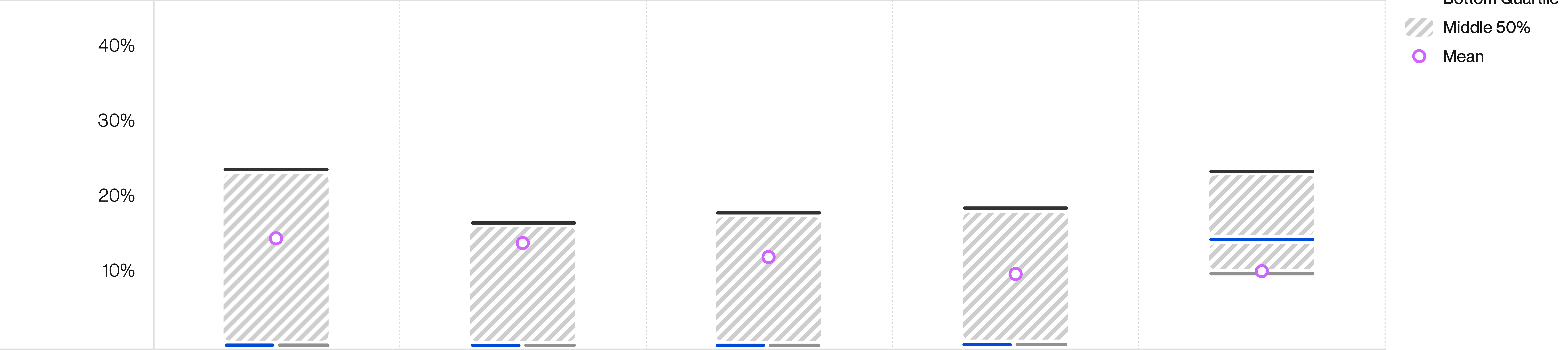
Three ARR bands showed improvement in median values from 2023, while two declined. Overall, the median percentage of women in leadership did not change materially from last year.

Source: 2024 SaaS Benchmarks Report by High Alpha

POC Leadership Representation Steady Across ARR Cohorts

PEOPLE OF COLOR IN LEADERSHIP ROLES

Median Is Highest in Companies Greater Than $50M ARR; Mean Is Highest in Companies With Less Than $5M ARR



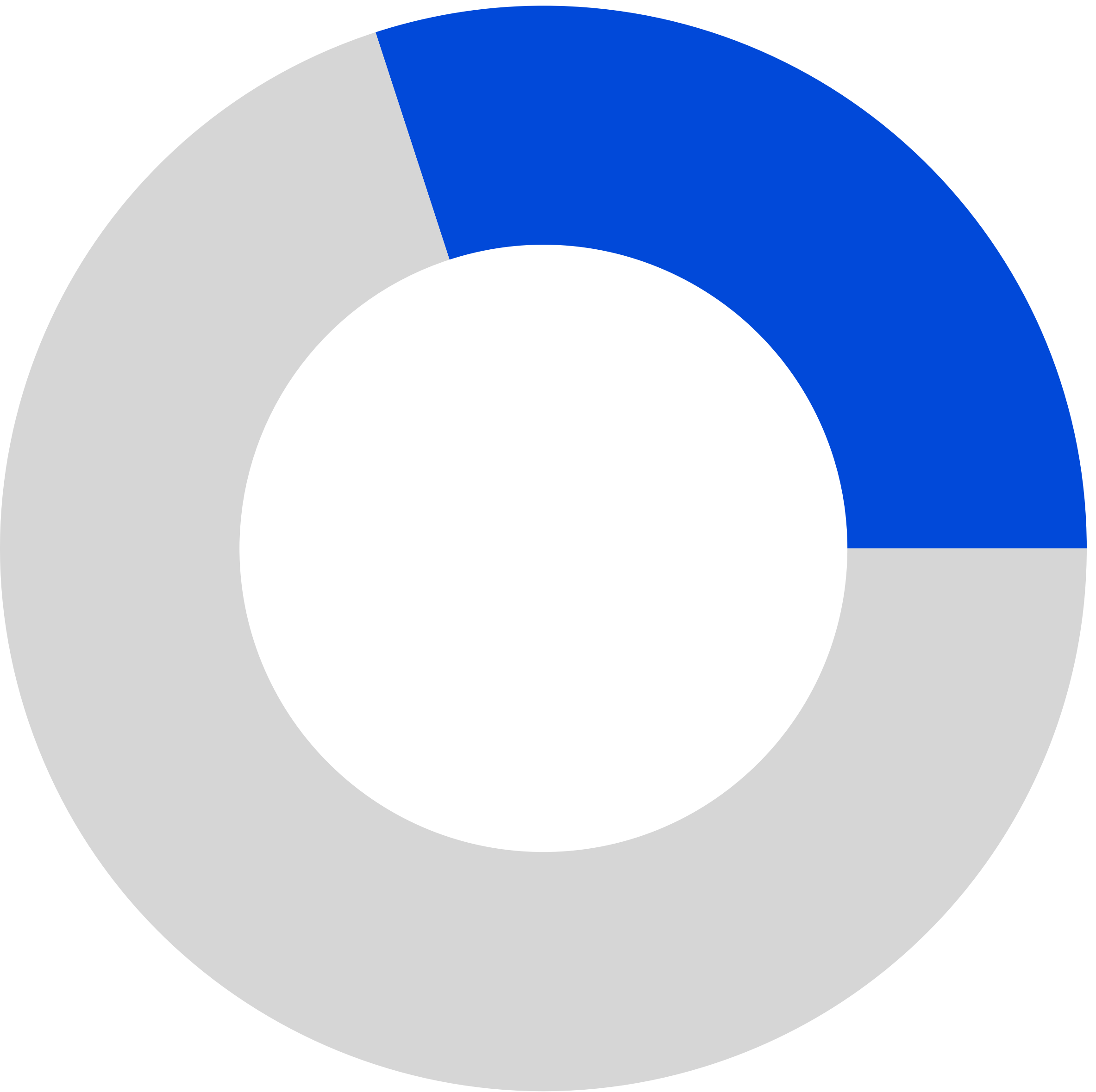
Percentage of People of Color	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	23%	17%	18%	19%	22%
Median	0%	0%	0%	0%	15%
Bottom Quartile	0%	0%	0%	0%	10%
Mean	14%	13%	12%	9%	11%

Source: 2024 SaaS Benchmarks Report by High Alpha

Default In-Office Teams Grow Faster Than Remote

PERFORMANCE METRICS BY COMPANY OFFICE CULTURE

While Median Growth Rate Favors In-Office Teams, Rule of 40 Shows Near-Parity



	Median Year-Over-Year Growth Rate	Median Rule of 40
30% In-Office Is Default (3 or more days per week)	50%	24
70% Predominantly or Fully-Remote (Less than 3 days per week)	39%	25

INSIGHTS

Companies with in-office cultures are growing more quickly than companies that are predominately or fully remote. We're seeing this trend reflected as large tech companies are increasingly mandating return to office policies.

Predominantly or fully-remote companies' Rule of 40 is at parity with in-office companies, likely due to lower real estate costs.

Successful companies can be built both in-person and remote. The key is implementing workforce strategies based on your company's unique priorities and values.

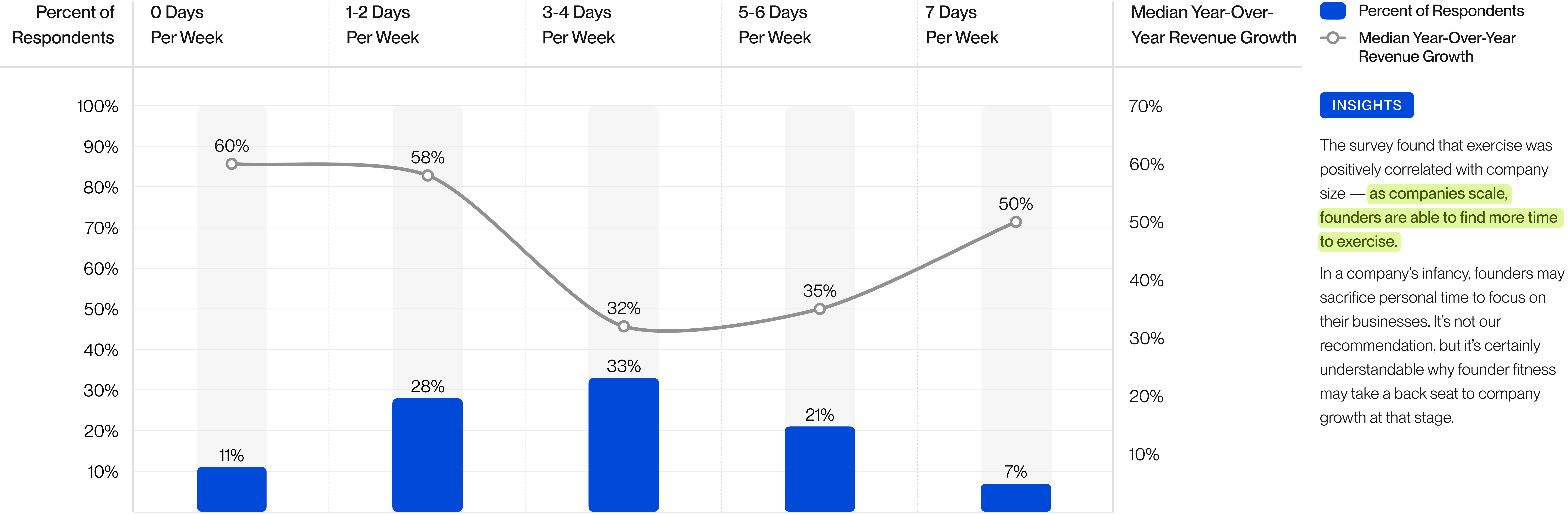
Source: 2024 SaaS Benchmarks Report by High Alpha

Founder Wellness

Majority of Founders Exercise 3+ Days per Week

FOUNDER EXERCISE

Fastest Growing Founder Companies Find Less Time for Fitness



INSIGHTS

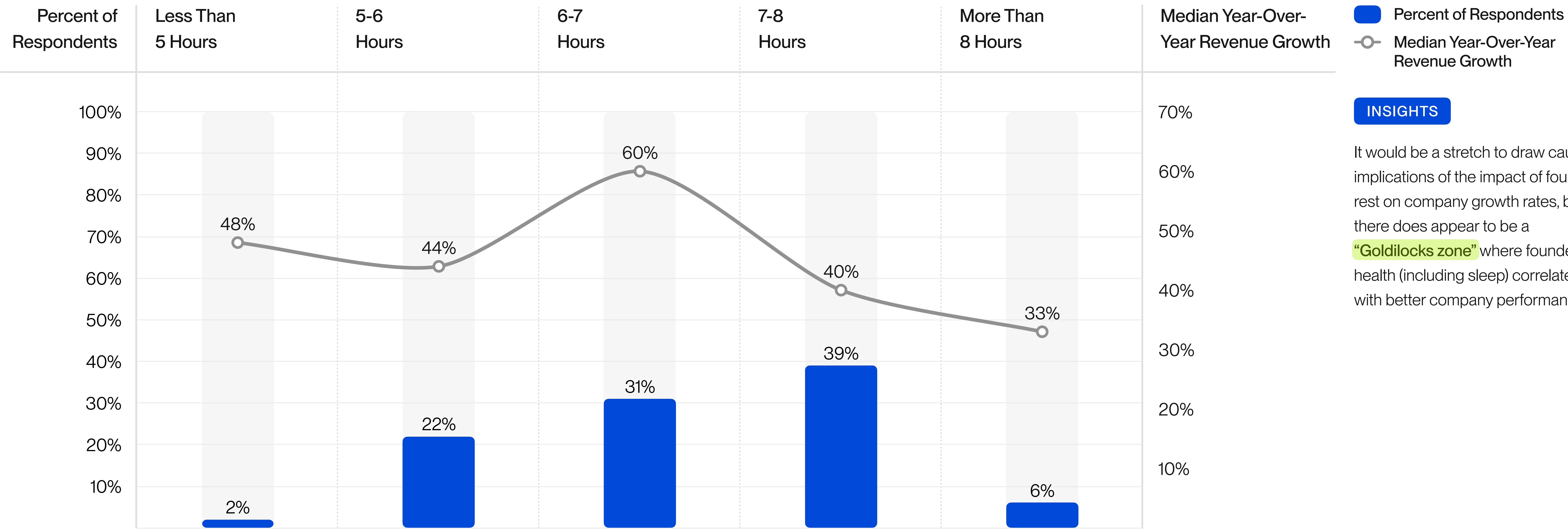
The survey found that exercise was positively correlated with company size — as companies scale, founders are able to find more time to exercise.

In a company's infancy, founders may sacrifice personal time to focus on their businesses. It's not our recommendation, but it's certainly understandable why founder fitness may take a back seat to company growth at that stage.

Most Founders Prioritize Sleep

FOUNDER SLEEP

Companies with Founders Getting Under 7 Hours of Sleep per Night Are Growing Faster Than Those of Well-Rested Founders



INSIGHTS

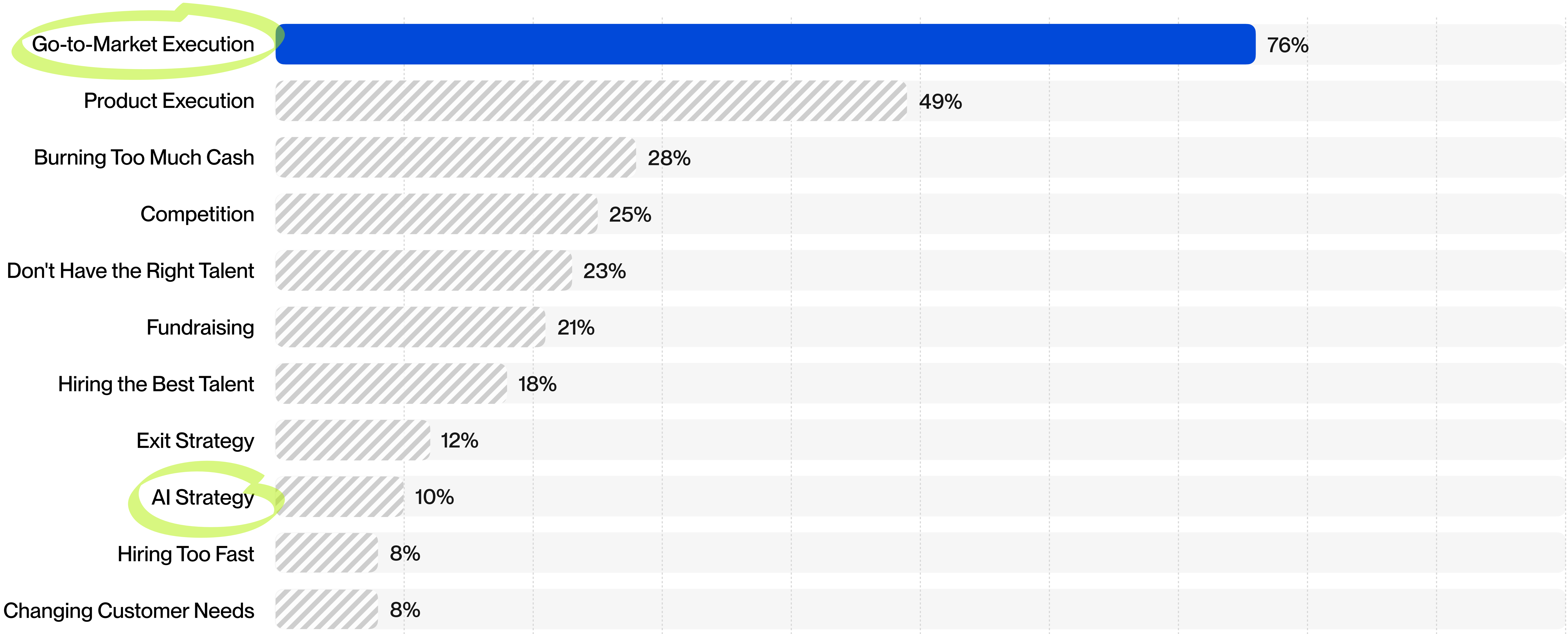
It would be a stretch to draw causal implications of the impact of founder rest on company growth rates, but there does appear to be a "Goldilocks zone" where founder health (including sleep) correlates with better company performance.

Source: 2024 SaaS Benchmarks Report by High Alpha

What's Keeping Founders Up at Night

TOP CONCERNS FOR FOUNDERS

Surprisingly, Founders Aren't Losing Sleep Over AI, but Go-To-Market Remains Top Concern



76%

Of founders are most concerned about go-to-market execution.

INSIGHTS

GTM continues to weigh on founders, and has increased every year since 2021. Cash burn concerns have decreased, moving from 32% in 2023 to 28% in 2024.

Some interesting patterns also emerged when breaking data down by ARR band — earlier stage founders are more worried about burn rate while later stage founders are more concerned with hiring the best talent.

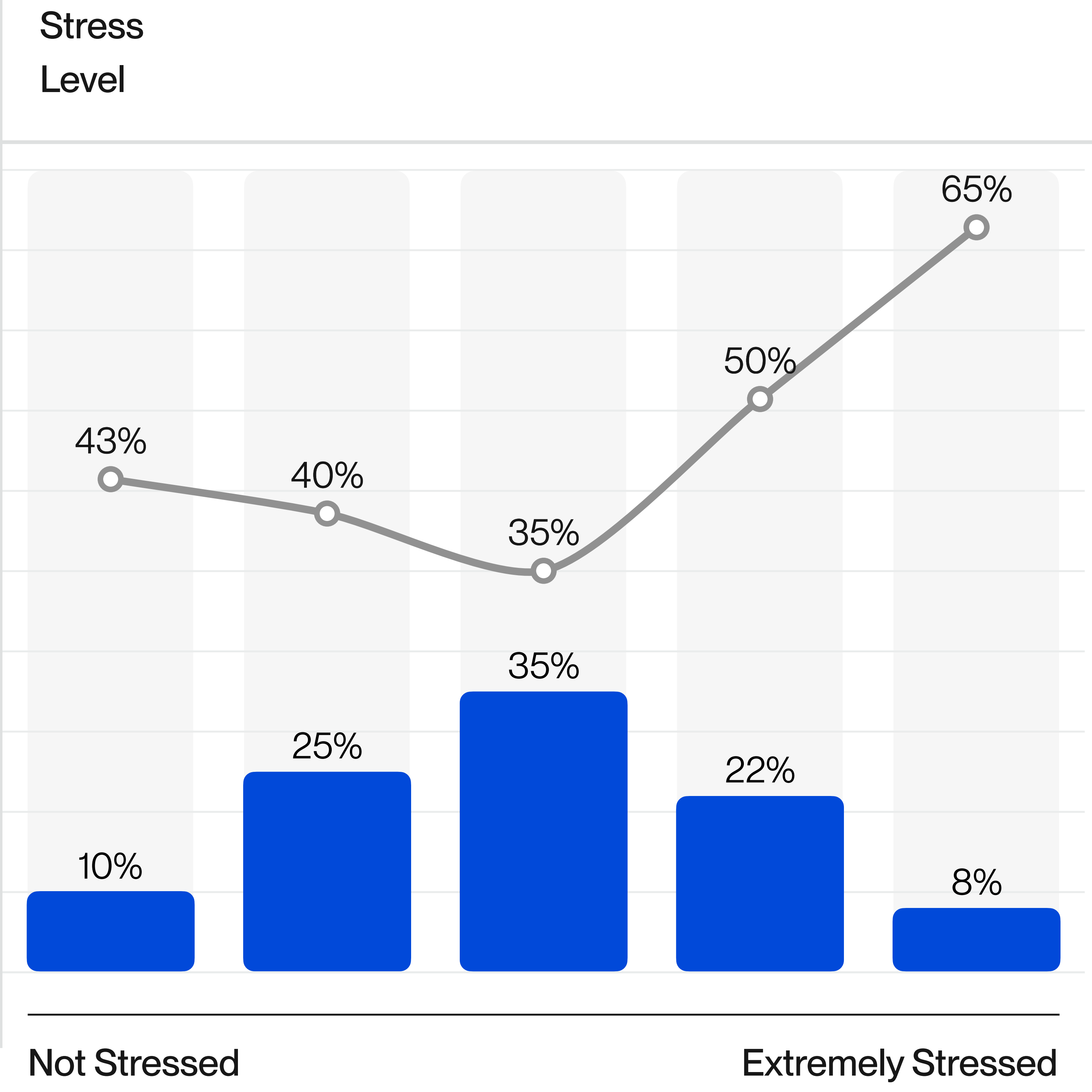
Source: 2024 SaaS Benchmarks Report by High Alpha

Categories add up to more than 100% as respondents could select up to three

As Growth Rates Increase, So Does Founder Stress

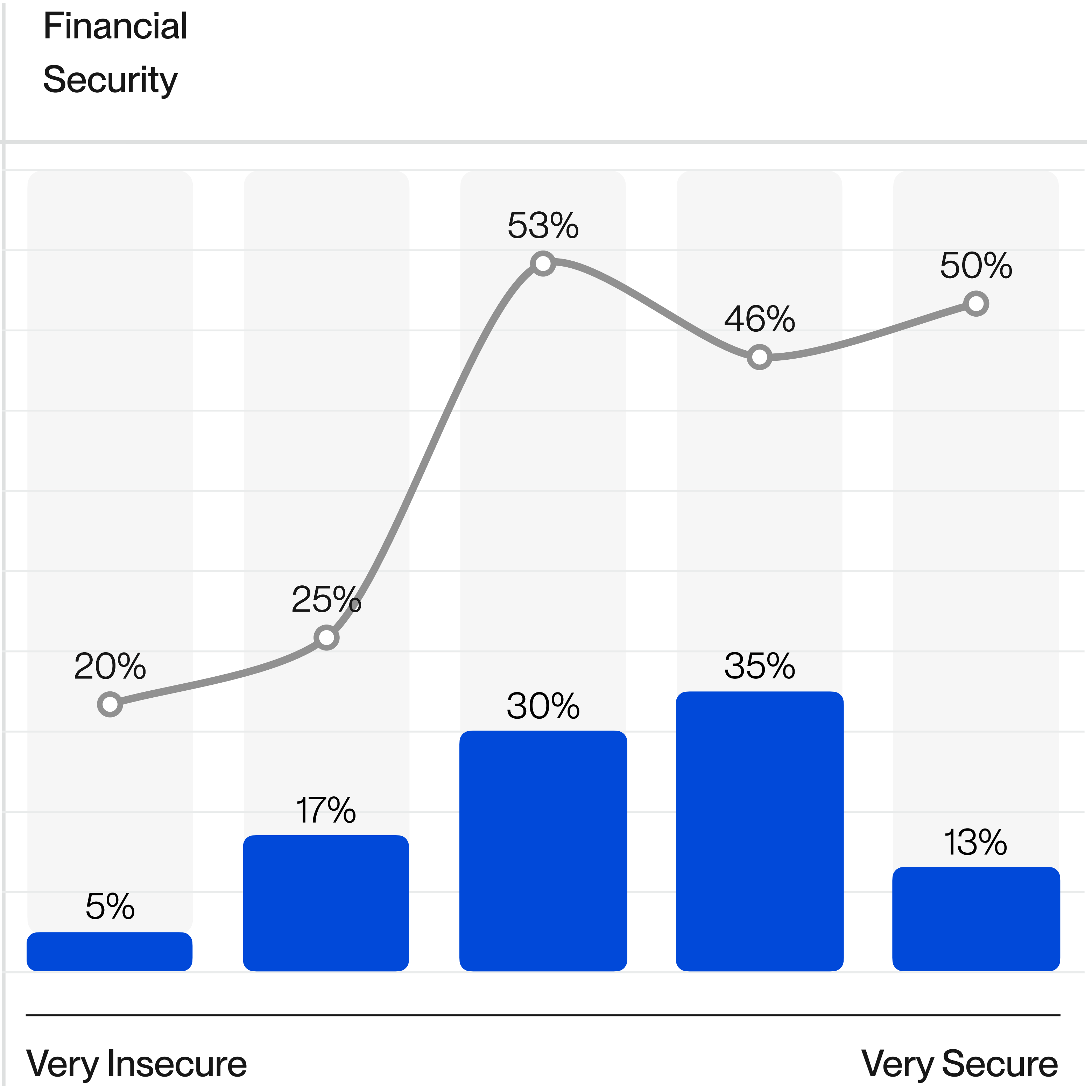
FOUNDER STRESS AND FINANCIAL SECURITY

Paradoxically, Founders Feel Both More Financially Secure and Generally More Stressed as Growth Rates Rise



INSIGHTS

Unsurprisingly, we found that founders who reported being highly or extremely stressed are leading early stage companies. Only 5% of founders at companies with less than $1M ARR reported no stress, vs. 33% of founders in the same category reporting they are highly or extremely stressed.



Percent of Respondents
Median Year-Over-Year Revenue Growth

INSIGHTS

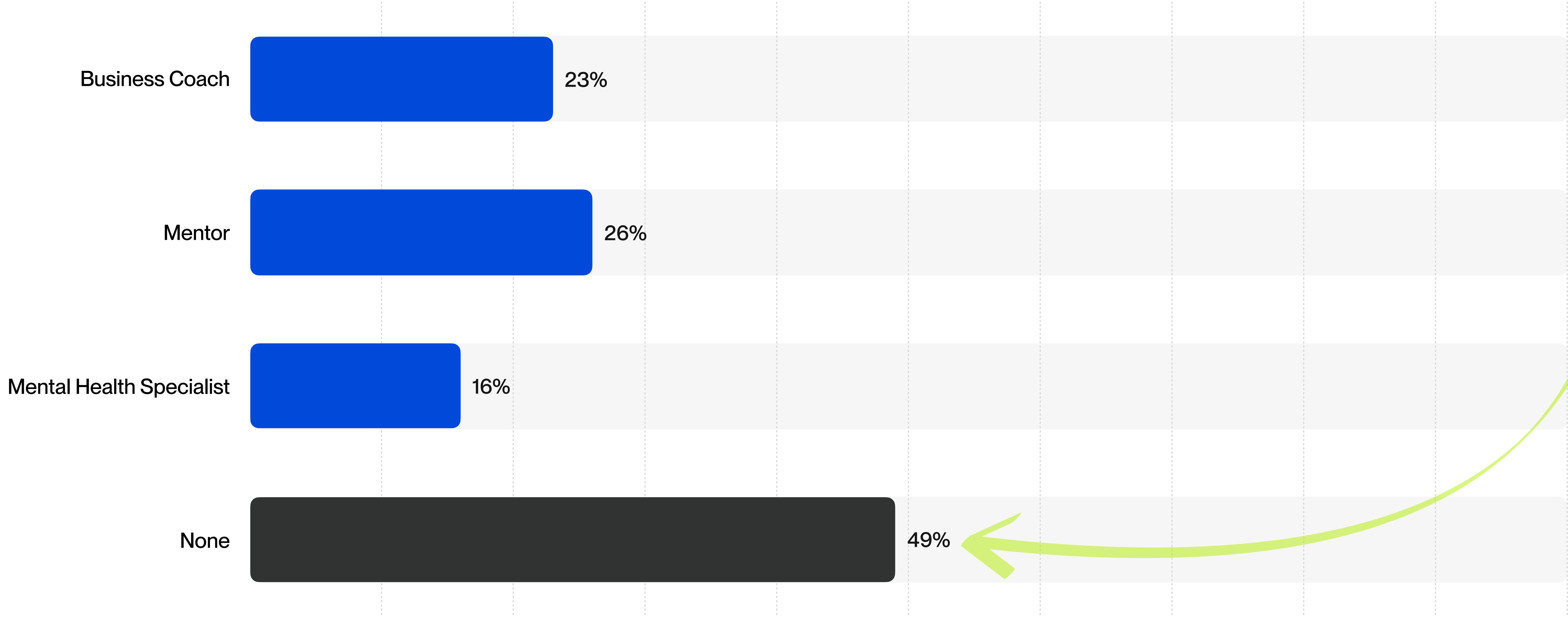
Interestingly, founder financial security was positively correlated with growth rate. 78% of founders reported feeling “neutral,” “secure,” or “very secure” and had significantly higher growth rates than those who felt less financially secure.

Source: 2024 SaaS Benchmarks Report by High Alpha

Over Half of Founders Invest In Their Mental Fitness

FOUNDER PROFESSIONAL SUPPORT

Many Founders Acknowledged Working With a Mental Fitness Specialist, With Personal Mentors and Business Coaches Topping the List



INSIGHTS

Surprisingly, founders who do not work with a business coach, mentor, or mental health specialist lead companies that grow nearly 10% faster than those who do.

Responses add up to more than 100% as some respondents work with multiple professionals

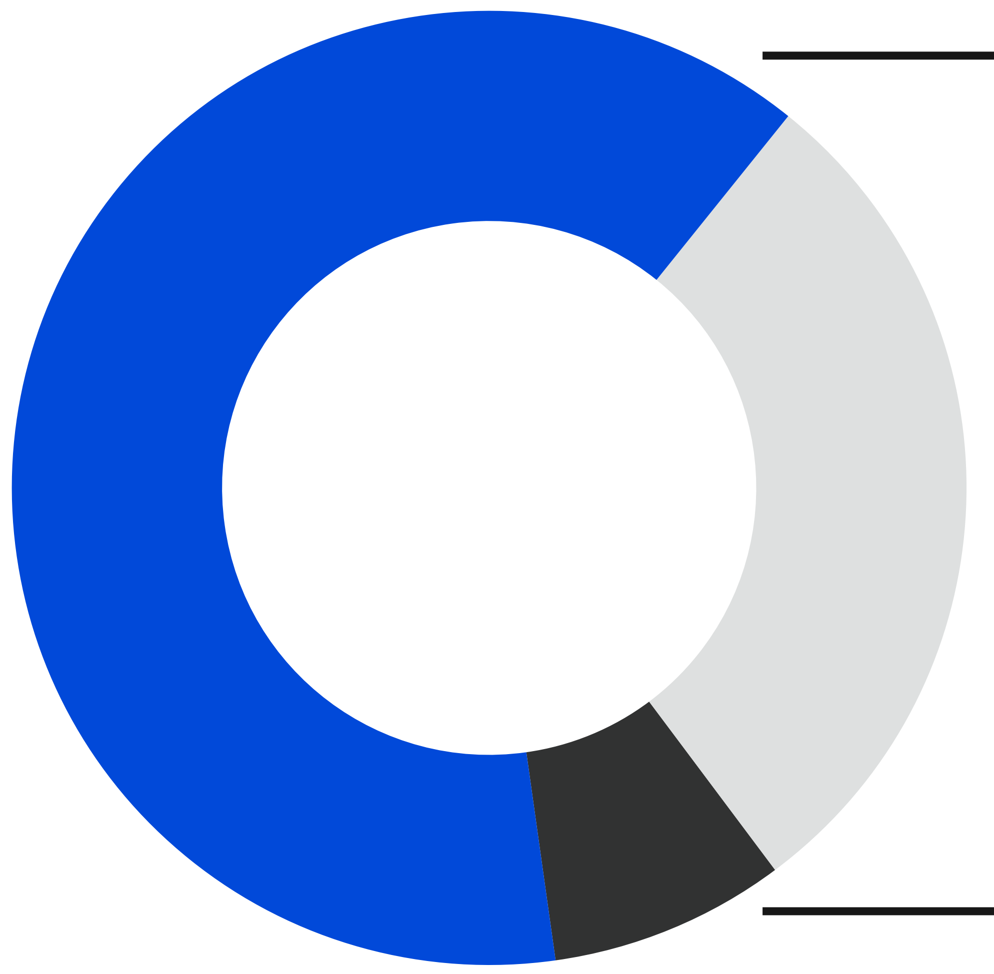
Source: 2024 SaaS Benchmarks Report by High Alpha

Optimism Remains High in Spite of Headwinds

FOUNDER OPTIMISM

Founders Are Generally More Optimistic About Their Companies Than the Macroeconomic Environment

Company
Optimism (Compared to Last Year)

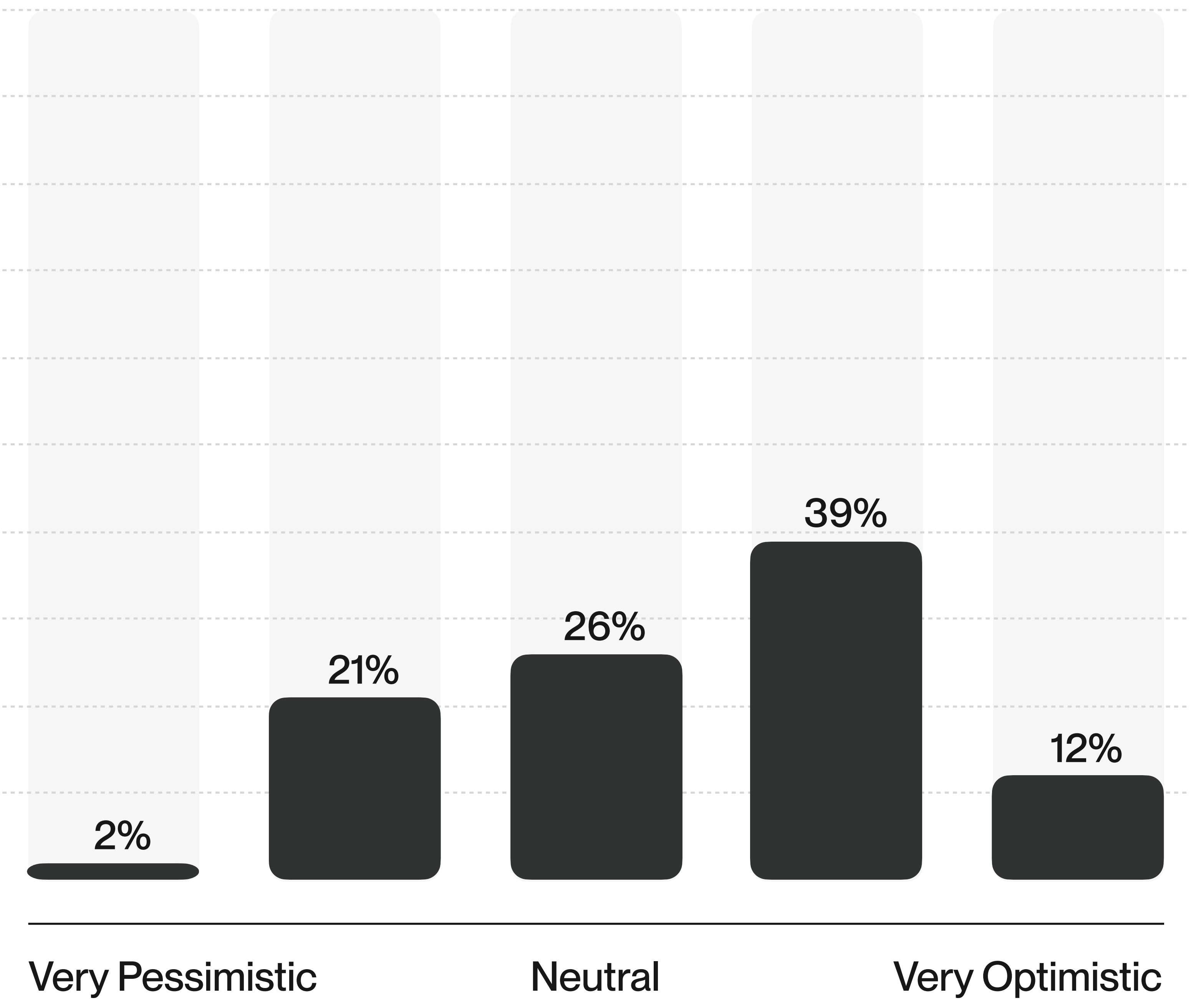


63%
More optimistic about the future of their company

29%
Equally optimistic about the future of their company

8%
Less optimistic about the future of their company

Market
Optimism



INSIGHTS

Founders' optimism for the companies they lead can likely be attributed to the fact that they can exert some control over their companies' performance.

In contrast, founders have no control over the macroeconomic environment or vagaries of the broader market.

Source: 2024 SaaS Benchmarks Report by High Alpha

Closing

Final Thoughts

While challenges persist, **there are clear pockets of resilience within the SaaS industry.** Companies that embrace their position in **Generation AI** are leaning into the enabling technology and **ushering in a new generation of products and business models.**

Furthermore, deploying strategies that seek to balance efficiency and expansion within the existing customer base are proving to be key factors for growth.

We are **entering a golden age of AI-enabled SaaS companies** that will likely re-invent the way software is built, sold, and delivered for years to come.

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About High Alpha

High Alpha is a venture firm that invests in enterprise SaaS companies across North America. We partner with founders to help them build businesses that reach their fullest potential.

Founded
2015

Team Size
22

Founders Backed
90+

High Alpha Pursues Three Distinct Investment Types

Anchor
We invest in Seed to Series A financings as lead investors.

Co-Invest
We invest in Seed, Series A, and Series B financings alongside a trusted lead investor.

Studio
We invest in formation stage opportunities alongside world-class founders.

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