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Kicking SaaS in 2022! Speaker Q&A

We received many audience questions during the live 'Kicking SaaS in 2022!' event on 1 December. Below our speakers have provided answers to the questions they did not have time to address on the day.

Alex Burke, CEO, Education Perfect

Question	Asked by	Answer
How did you go about measuring the NPS?	Rob Dorey	We measure NPS in a number of ways. Within the product itself we're asking teachers and students for feedback. We have certification levels for teachers (levels 1 to 5) and we report back data for each. It is an important way we build advocacy. We have also carried out independent scoring - carried out by a 3rd party agency. This has been a useful exercise for us to benchmark against our competitors.
What was your LTV:CAC ratio? Curious how that compares to profit margin.	Menilik Dyer	I've typically found this metric works really well if you have a B2C product with a fairly short LTV, Menilik. For EP it is a lot harder to provide a true measure. The lifetime value of a customer for EP for School would be close to 10 years. We know our average school revenue, our BDM cost and the number of schools each year, but the data point won't change much throughout the year. That said, we will launch an EP for Home product later next year for regular parents. This is when that data point will provide more value.
What cost did you budget for a re-brand similar to that of Education Perfect?	John-G Snaith	About NZD$30k. I leaned on the team firstly to share their thoughts on the business, what was in the DNA, what was important. I then leaned on my network. I have an awesome designer who I trusted in London who helped to provide that initial steer, logo design and style guide. It is funny, our investor at the time stated he wasn't interested in spending $200k+ on a redesign. It is important to really own/drive the process and find someone you trust. I think it is business critical. I was lucky I could create something in a cost effective manner.
How do you qualify your partnerships? What does a good partnership look like and what signs do you need to look for early on?	Lingy Au	For any partnership to truly work there needs to be a value on both sides. It really is that simple. If it is 1-way it won't work, I've found. E.g. AWS provides start-up rates for new businesses. This is great for AWS as they bring in the next Xero! For you, it provides an opportunity to align yourself with a reputable tech provider and get incentives to get going. Note, as a kiwiSaaS start-up there are a huge

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		amount of incentives to get started. I'm now 2.5 years on my journey with EP.
Did/do you have ESOP? How important do you think this is and at what stage? All in or key people? Keen to hear your thoughts on this supporting the creation of One Team	Emma Ludvigsen	I have seen a multitude of incentives over the years. Some good, some bad. I think it is important to make sure you align your key people and incentivise your high performers. That should be the driver behind any decision. This can be done through a multitude of ways. If you are profitable, I would lean on cash incentives in the short-term and for people who you believe are on your longer journey ESOP/share options on performance can work well.
Any secrets in selling to Brits?	Mark Kidd	Good question Mark. I'm from London. I think an important point to note is that Britain is a large and a complex region compared to NZ. Sometimes the British can be viewed as a class system by NZ media, but the reality is there are subtle cultural differences that are important to note in business. Doing a little bit of homework on the business and the profiles you are meeting might give you that edge in a competitive pitch. Understanding the region someone is from, the football (soccer) team they support, the places of interest are all good relationship builders.
Do you have any tips on how to switch from bootstrapping your business to going after 3rd party funding?	Edward O'Leary	I think as a CEO there is a real value in bootstrapping a business. This has been my experience to date. For many years times were really tight at Tigerspike. This helped me be frugal in the right areas and manage the tricky balance between investment and getting value back. It becomes very real when you have to pay Tax first, salaries second and suppliers third. This hasn't changed at Education Perfect. All of our investments to date in the team have been through the cash we have generated. For me, if you are making the switch don't change. That bootstrapped mindset is a great business mindset. It is very easy to take on investment, bask in the glory and quickly waste away any money invested. This is where most businesses fail. Be very aware of your cash flow and do what you can to have profitable growth (or at the minimum demonstrate return on any investment).
Gross margin in SaaS - poorly understood metric in my experience - what IS the most important COS? Is the cost of running the delivery platform (e.g. AWS or Azure costs), and therefore most dependent on the engineering of the product platform?	Brett Ammundsen	We have spoken to quite a few companies over the past year - and yes I would agree it is poorly understood. We carried out a benchmark earlier in the year and we focused on 3 key areas. Our customer success team who are working with our customers. Our customer service support. And our AWS/hosting costs.

Mark Clare, Clare Capital

Question	Asked by	Answer
Are you able to provide some insights into the emerging categories of technology that will become prominent in the next 10-20 years...effectively what's next after SaaS?	Chris Leonard	I wish that I could - but it's not quite that easy (and if it was, I would already be invested there)... Personally I am looking at the Web3.0 space - and what that involves. I am also interested in the blockchain - but I'm less interested in cryptocurrencies...
What about opportunities for more established SaaS companies whose level of growth has plateaued to say 20% YOY - are they still of interest to investors?	Anonymous Attendee	Honestly - investors aren't that interested in companies that have stopped growing. There are opportunities with financial, or strategic, acquirers - but valuations aren't as high. For slower growing software businesses (assuming you are profitable) - valuation multiples tend to be 8-12x EBITDA (2-3x revenues, assuming 25% EBITDA margins).
Are investors targeting particular sectors in NZ?	Anonymous Attendee	Software remains the key focus (the economics are just so compelling) - and businesses that can utilise a SaaS model are getting the highest valuations. Other sectors are competing against software companies unit economics - and that's hard to do.
What are the ARR valuation multiples currently looking like for NZ companies?	Dale Smith	We have included an analysis of the valuation multiples that we are seeing in the PDF of our presentation - that's now available on the 'Kicking SaaS in 2022!' news article on kiwisaas.com. I was going to cover the multiples in the presentation - but we ran out of time.
Any tips on reaching out to investors i.e. timing and finding the right investor? Where can someone find out what specific investors are looking for - business size, and the other metrics you've articulated?	Edward O'Leary	The venture capital and private equity funds do a good job of explaining their investing sweet-spots on their websites. They are also friendly (compared to international entities) - and will explain, if you ask nicely. The angel clubs (Ice Angels, Angel HQ, etc.) will also explain what their investors are looking for if you approach them.
If you have good metrics but are still early stage and don't have the $1m ARR yet, what would you recommend as the best avenues for sourcing funding?	Tim Larken	Friends and family. If you have good metrics, and are growing, but are light on revenues - the capital will likely come from your immediate networks (people that know you, and believe in you). Maybe you find an angel investor - but friends and family are more likely. If the business is real and the metrics are strong - find a way to get the revenues to over NZ$1M, it really is a key milestone.