2023
COST & GTM BENCHMARKING REPORT

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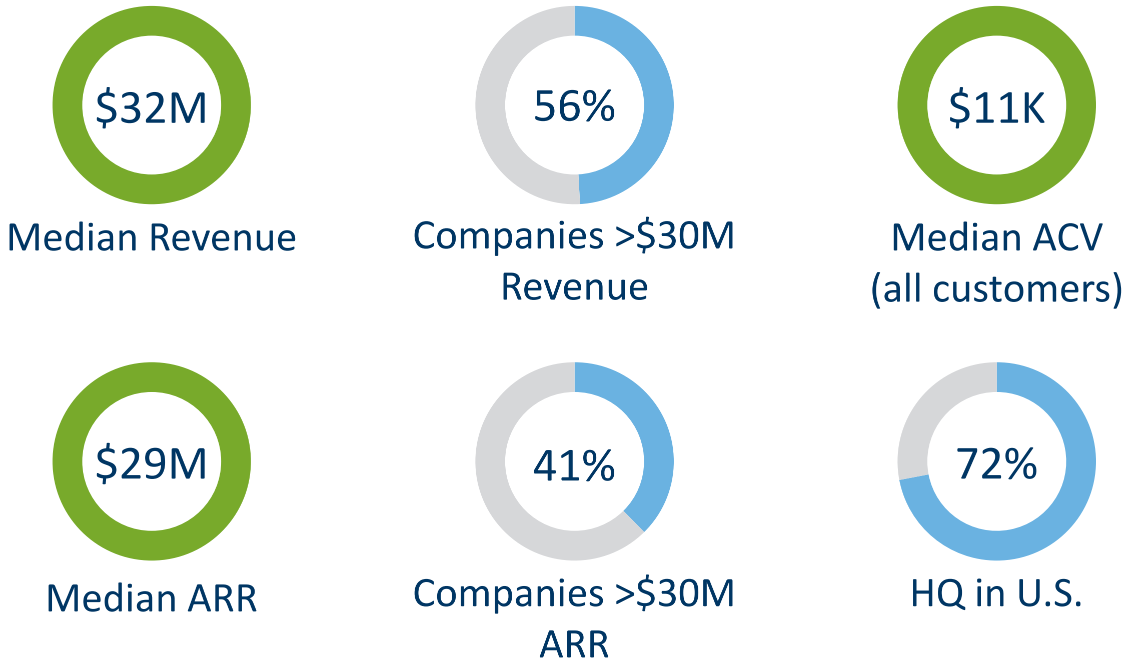
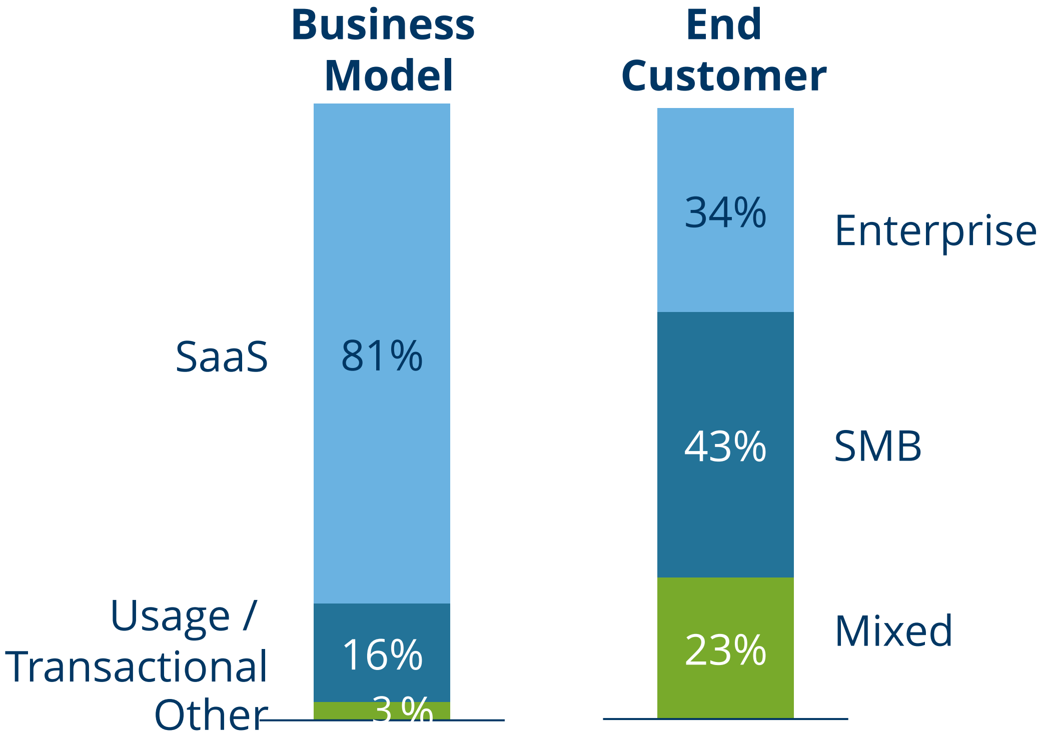
Notes and Sample

The purpose of this document is to draw actionable insights from our 2023 survey of our portfolio companies across various benchmarking metrics

Overview of Susquehanna's 2023 survey participants:





What is best in class?

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What does a best-in-class B2B business look like? (1/2)

	KPI	What great looks like
Quantitative	**Rule of 40**	**>50%**
	Revenue Composition	Subscription / Transactional
	Gross Margin	>80%
	Net Retention	>110%
	Gross Retention	>90%
	Total Addressable Market	>$5B
	Customer Concentration	Top 3 Customers = <20%
Qualitative	Scarcity Value	High
	Cyclical Exposure	Low
	Competitive MOAT	Deep

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What does a best-in-class B2B business look like? (2/2)

Metric	SaaS	Usage / Transactional
Retention		
Net $ Retention	109%	106%
Gross $ Retention	91%	87%
Logo Retention	90%	93%
S&M		
Cost to Acquire $1 of Bookings (New)	$0.88	$1.79*
Cost to Acquire $1 of Bookings (Upsell)	$0.60	$1.19*
Cost to Acquire $1 of Bookings (Overall)	$0.83	$2.04*
Median Pipeline Age (days)	77	114
Cost per MQL	$297	$129
Annual Price Escalator	6%	5%

** Usage / transactional CAC tends to be higher since more customer ramp required*

Note: Data is top quartile within Susquehanna's portfolio

Source: 2023 Susquehanna Cost & GTM Benchmark Report

Rule of 50 is the new rule of 40

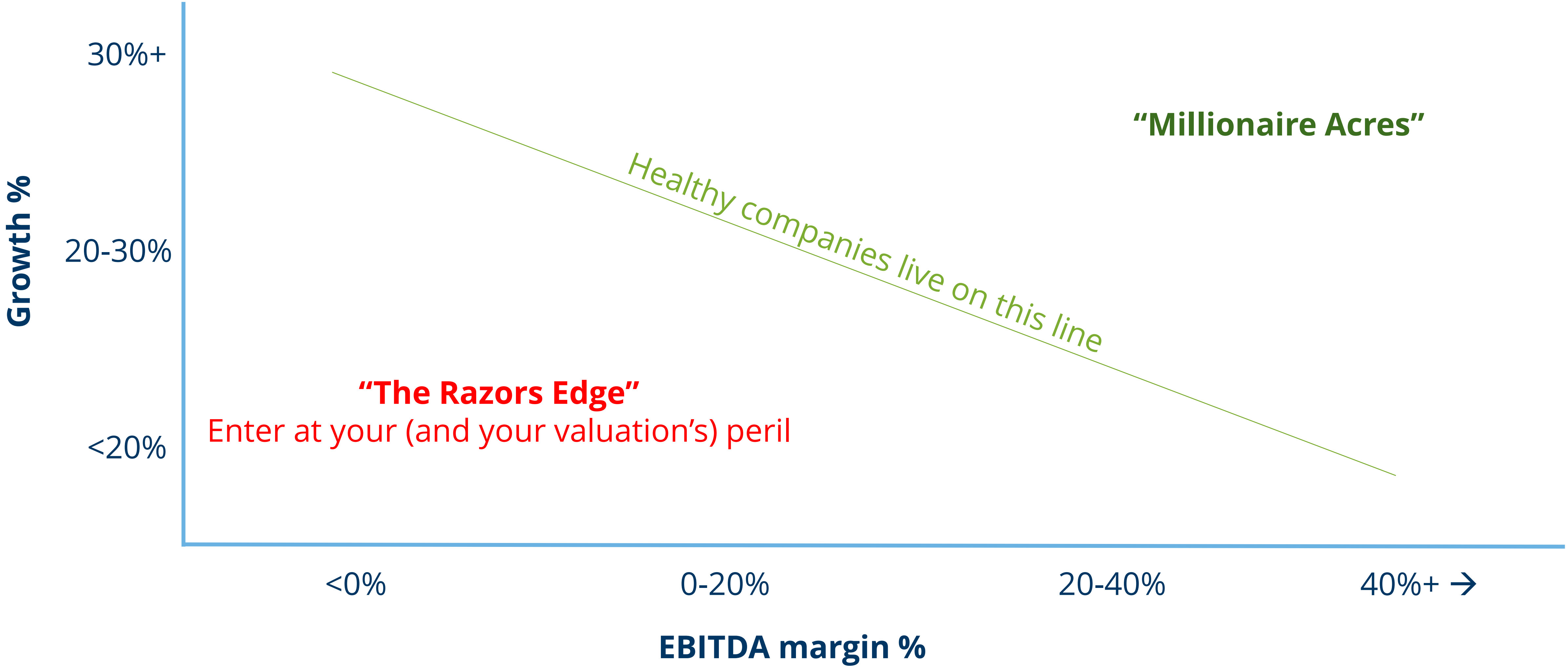
As markets fluctuate it is more important to grow efficiently

% Growth Rate + % Profit Margin = 50+

YoY monthly MRR
- or -
YoY total revenue

% EBITDA Margin
- or -
% Free cash flow margin

The "Thin Green Line" of Value Creation



If you find yourself on the edge…

Growth %

30%+

20-30%

<20%

Make bets early
Stay breakeven or better & move to profitability if there is no inflection within 1-2 years

"The Razors Edge"
Enter at your (and your valuation's) peril

Most entrepreneurs prefer to play offense and experiment to increase growth, but this takes time…

--- 1 year --- | --- --- 2+ years --- ---

Inflect growth | *See if it sticks*

And if the growth isn't there…

--- 1 or 2 years --- | --- 1+ years ---

Unwind expenses | *Negative impact on morale*

<0% | 0-20% | 20-40% | 40%+ →

EBITDA margin %

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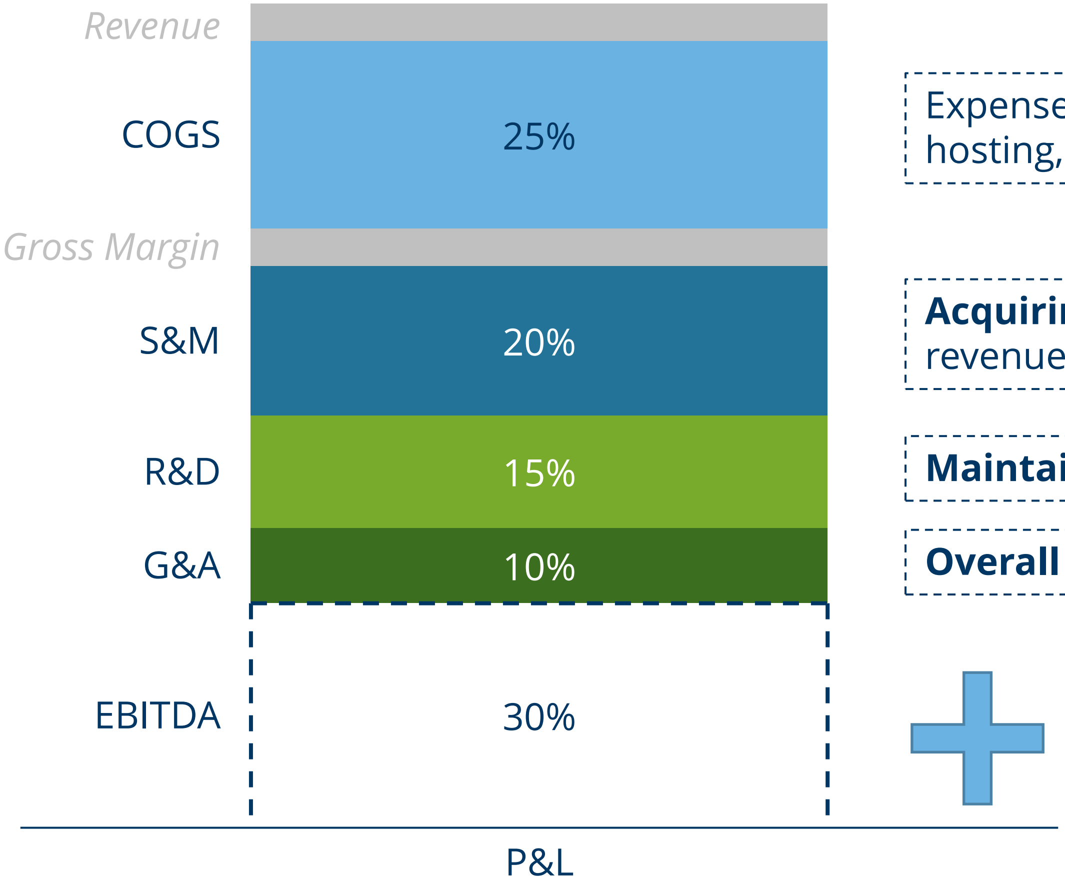
Subscription businesses should strive for R50+

The "25-20-15-10" rule optimizes costs for ≤20% growers



Expenses tied to the **generation of revenue**: implementation, hosting, and customer service

Acquiring new customers, **retaining** customers, and **expanding** revenue per customer

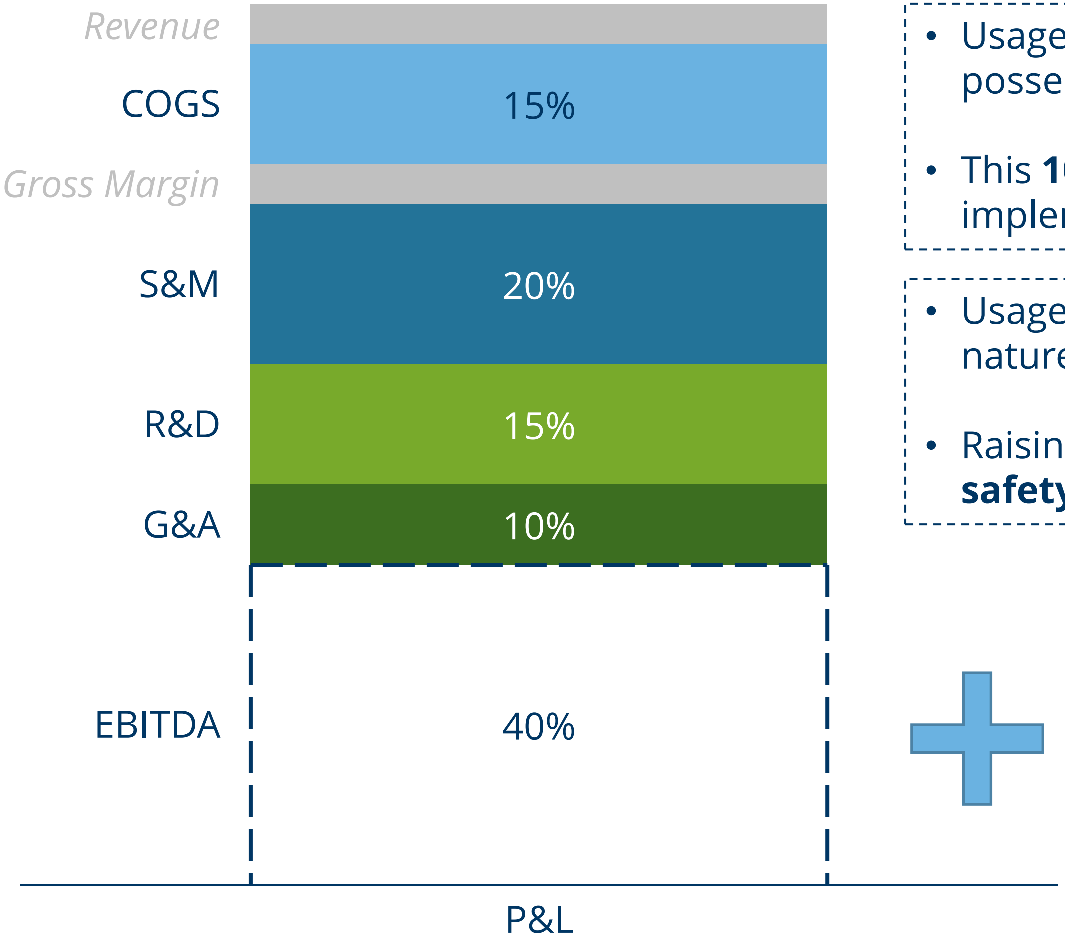
Maintaining existing products and **developing new ones**

Overall management of the company

+ **20% Growth** = **R50**

Usage / transactional businesses should strive for R60+

"15-20-15-10" optimizes costs for ≤20% growth usage / transactional business

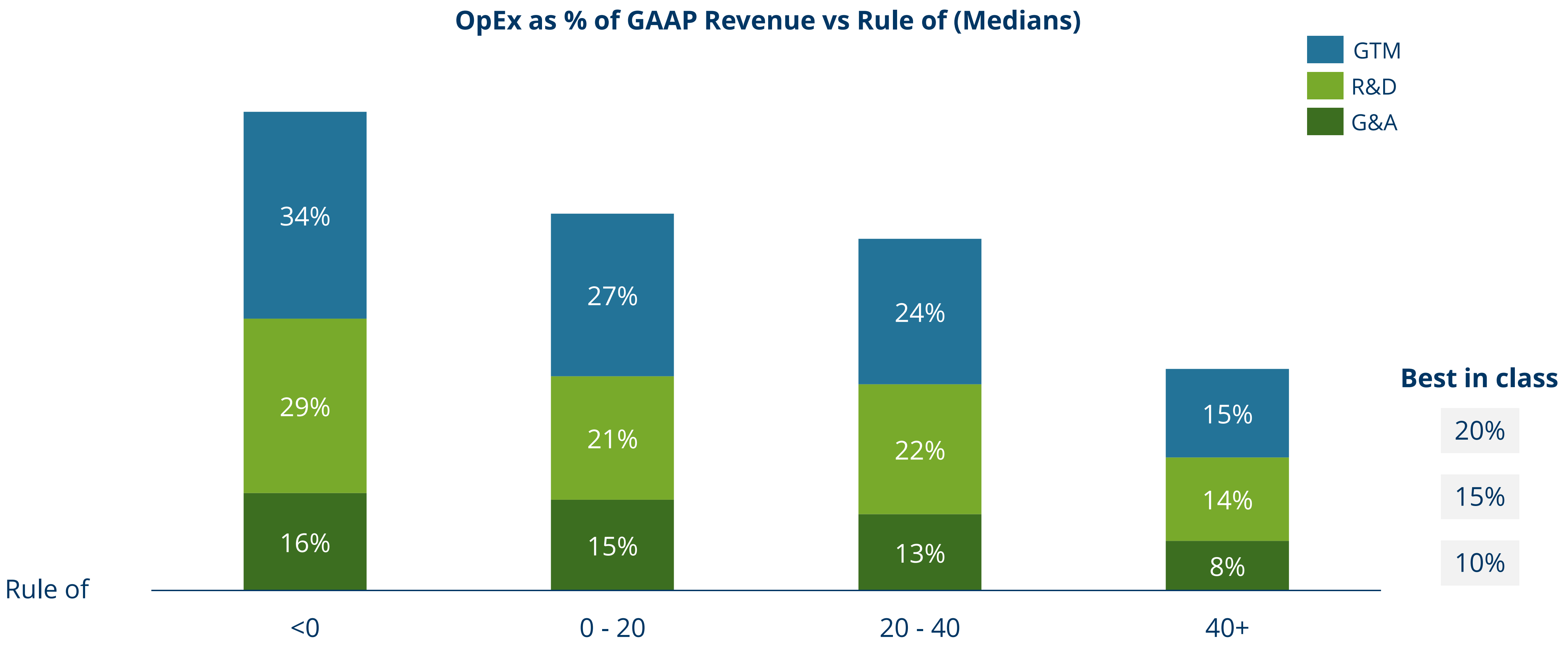


- Usage / transactional businesses should be **higher gross margin**, possessing multiple levers to optimize for EBITDA
- This **10% gross margin Δ** can come from lower hosting costs, lower implementation costs, and embedded payments

- Usage / transactional businesses are **more volatile** due to the nature of their revenue
- Raising the standard for profitability will increase the **margin of safety** during times of uncertainty

+ 20% Growth = R60

What this looks like in reality – you can often manage expenses more easily than accelerate growth



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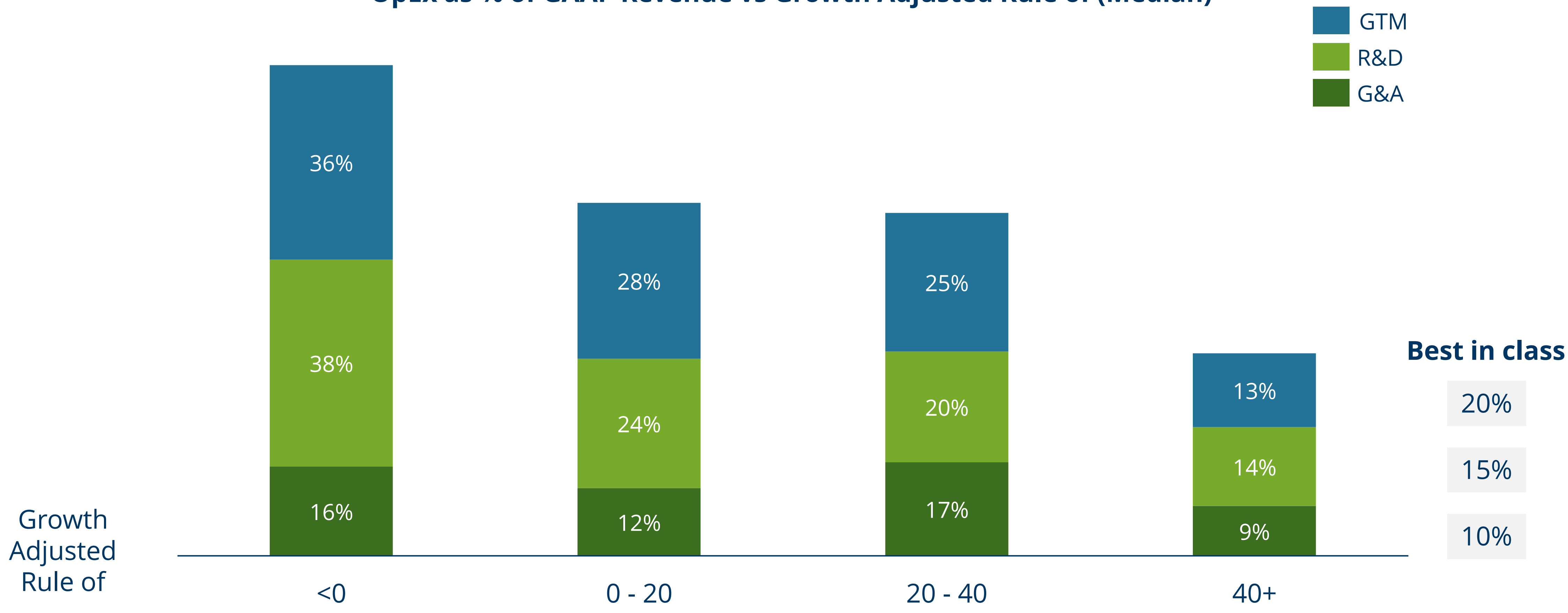
Note: Rule of = Revenue Growth % + EBITDA Margin %

Source: 2023 Susquehanna Cost & GTM Benchmark Report

This remains true even for growth adjusted rule of…

OpEx as % of GAAP Revenue vs Growth Adjusted Rule of (Median)



*Note: Growth Adjusted Rule of = (1.33 * Revenue Growth %) + (0.67 * EBITDA Margin %)*

Source: 2023 Susquehanna Cost & GTM Benchmark Report

2023’s top insights

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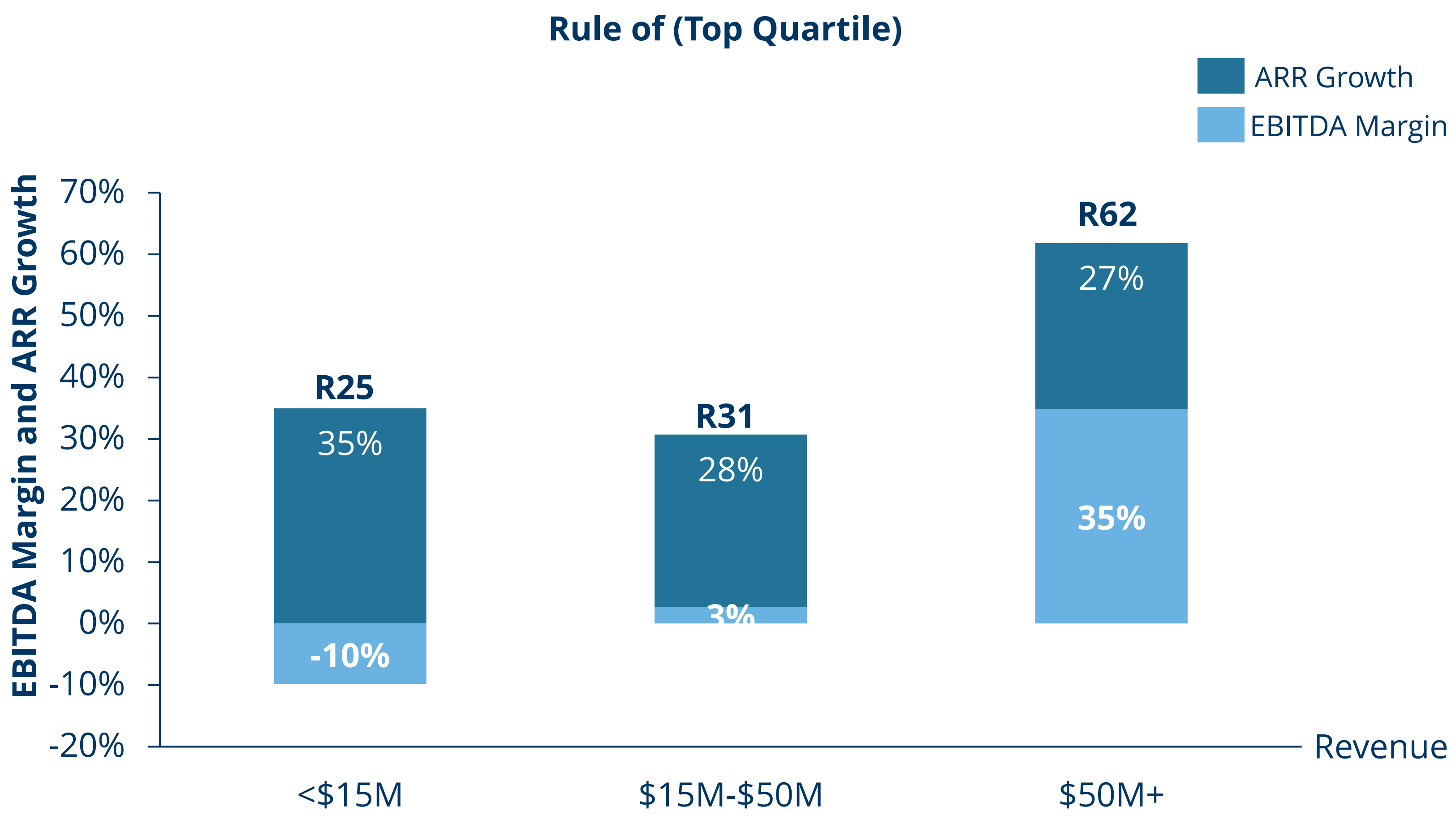
Top insights from our 2023 benchmarking

1. More scale = more profits
2. GTM investment and growth are somewhat (but not strongly) correlated
3. Sales and marketing efficiency has decreased across all ACV brackets, overall CAC up by 13% in 2023
4. Company EBITDA margins increased 2% in 2023 as G&A decreased
5. Fast growers invest 80% of R&D on new products (vs. maintenance)
6. 65%+ R&D offshore = 10%+ more EBITDA margin
7. Overall revenue per FTE grew faster than the cost per FTE in 2023 by ~17%
8. Many companies with less than -20% EBITDA margins are running out of time

Source: 2023 Susquehanna Cost & GTM Benchmark Report

More scale = more profits



As revenue increases above $50M, the focus on profitability increases significantly

- Companies from $15M-$50M revenue were generally break-even
- Companies with $50M+ revenue had ~30% EBITDA margins

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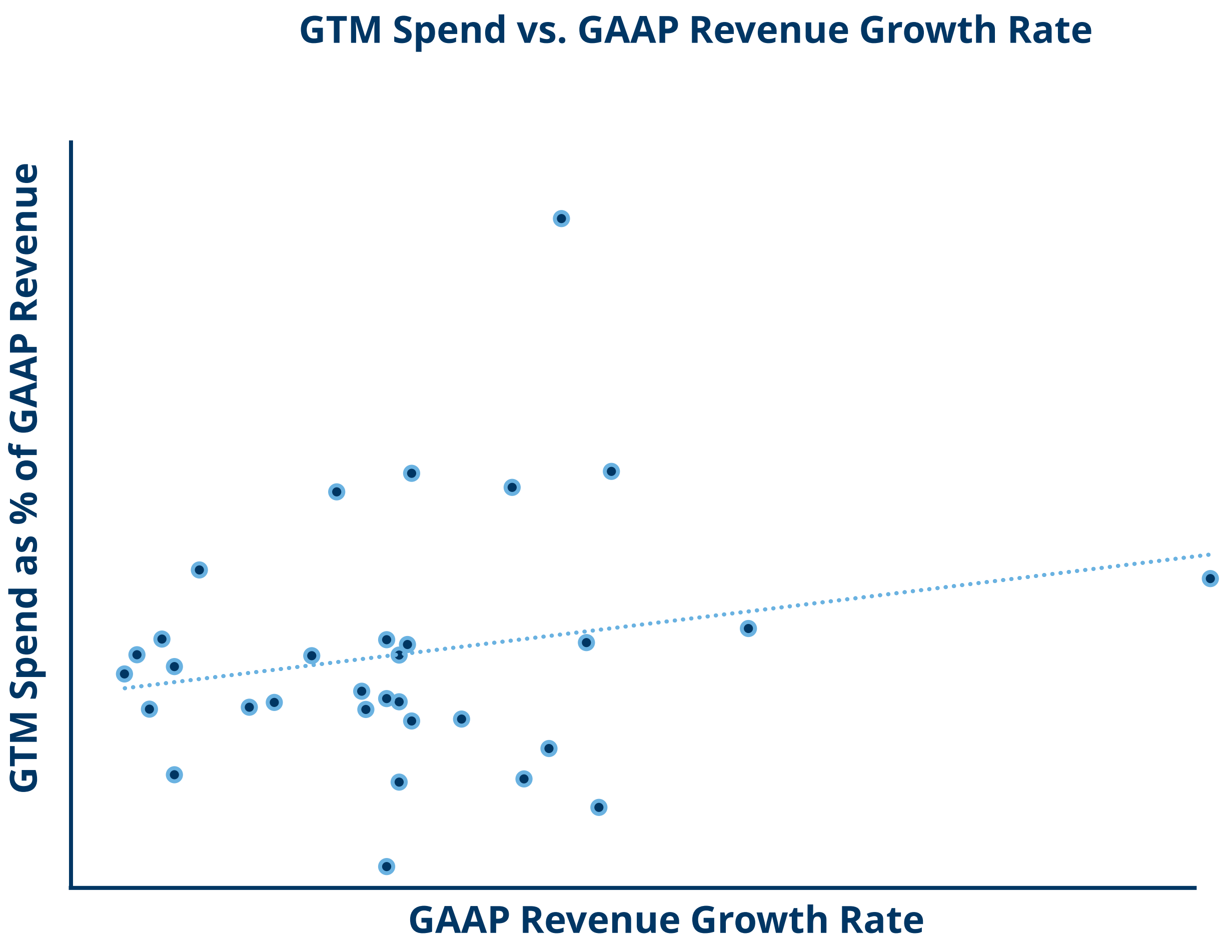
Source: 2023 Susquehanna Cost & GTM Benchmark Report

GTM investment and growth are somewhat correlated



GTM investment and growth are somewhat (but not strongly) correlated

Companies should monitor unit economics and CAC to ensure that investment = growth

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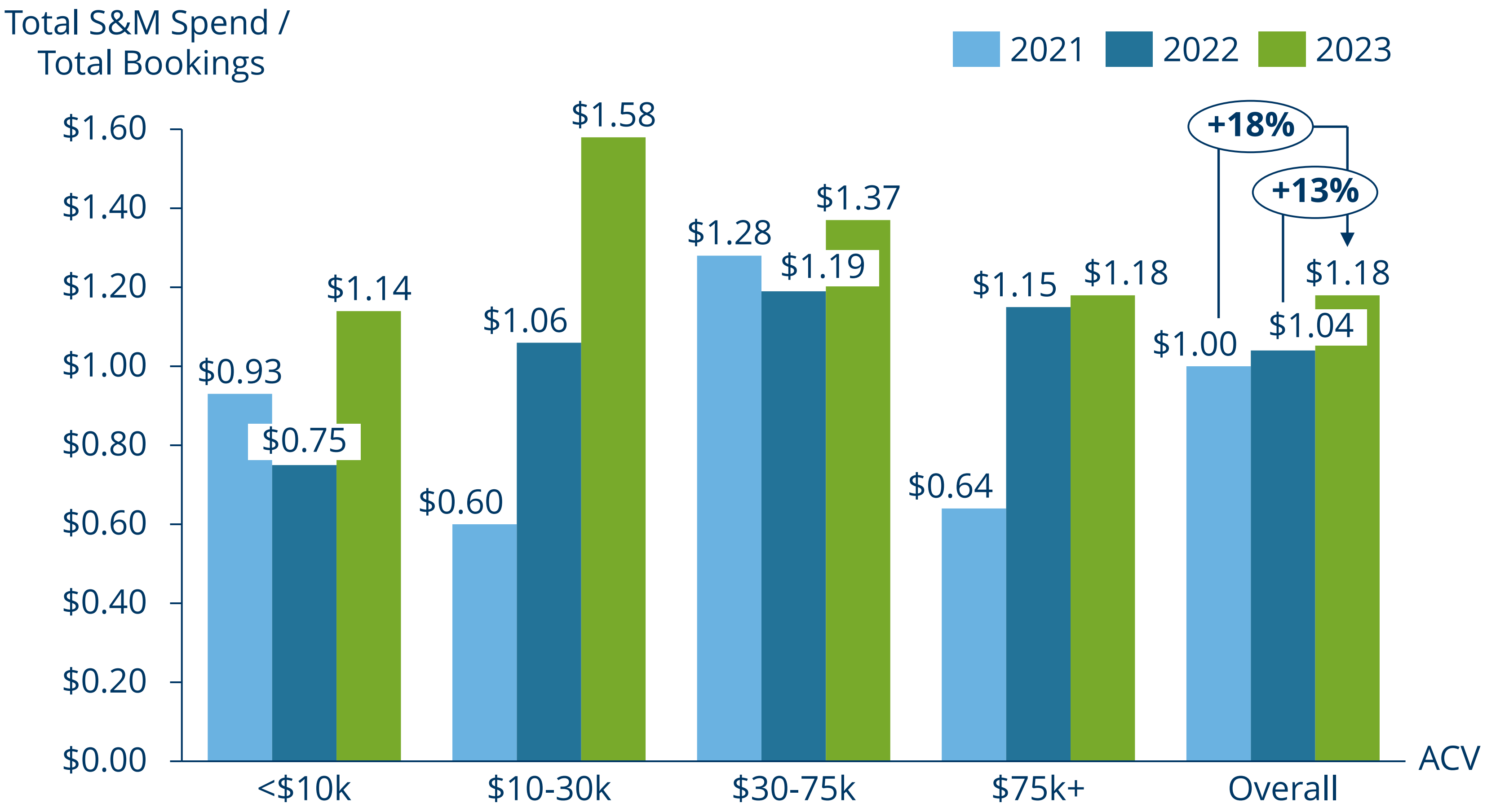
Source: 2023 Susquehanna Cost & GTM Benchmark Report

Sales and marketing efficiency has decreased across all ACV brackets, overall CAC up by 13% in 2023

CAC Ratios – Overall (New + Growth Bookings - Median)



Acquiring customers was more expensive in 2023 as the sales efficiency ratio declined

- Compared to 2022, CAC has increased across all bands , with companies with <$30k ACV hardest hit
- The increase in CAC becomes less prominent as ACV increases, with companies >$75k ACV becoming more efficient in controlling their CAC, which increased only marginally by $0.03 (vs 2022)

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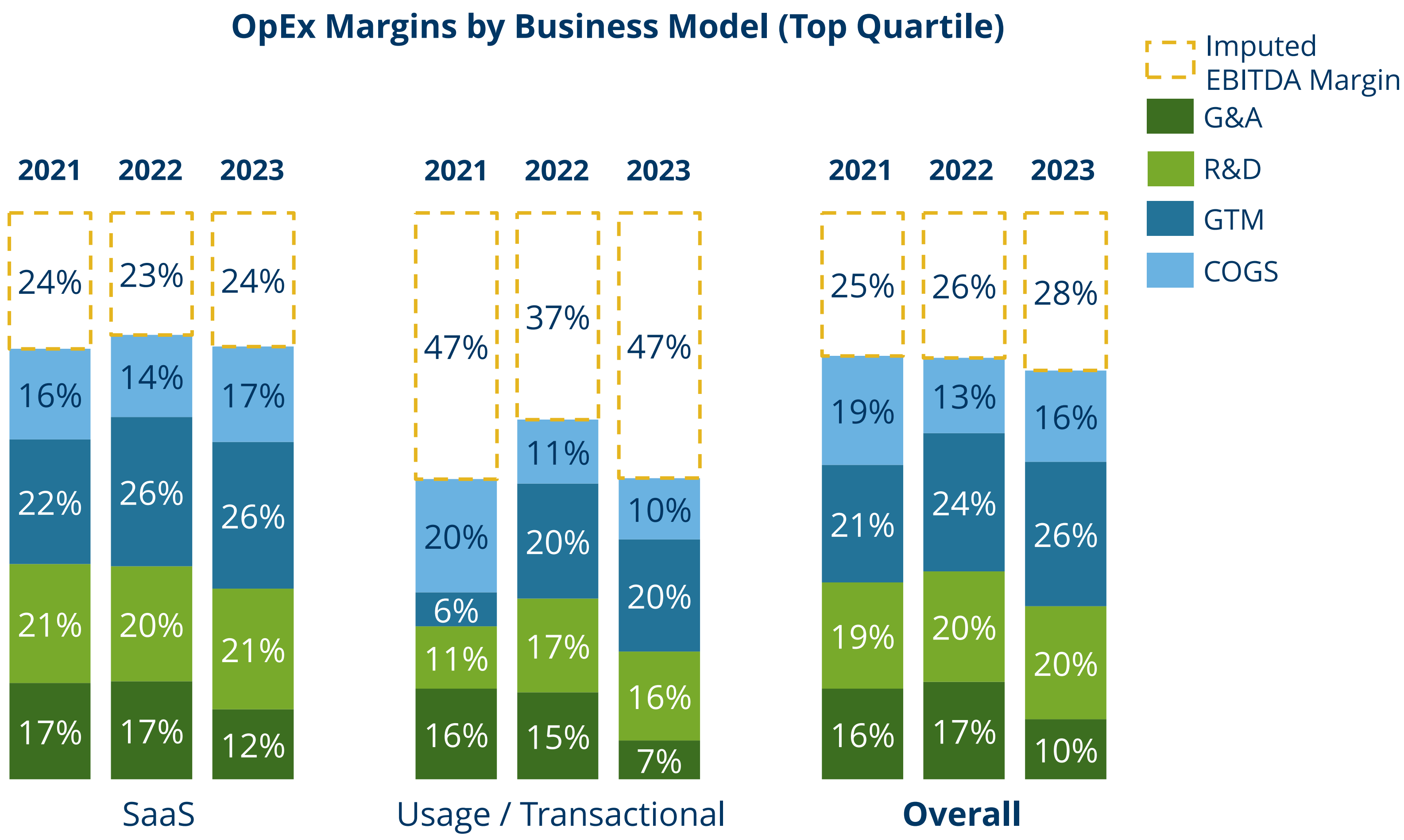
Source: 2021-2023 Susquehanna Cost & GTM Benchmark Report

Company EBITDA margins increased 2% in 2023 as G&A spend decreased



OpEx margins improved slightly for SaaS, more dramatically for usage / transactional businesses

- In 2023, G&A spend decreased significantly
- Usage / transactional businesses improved EBITDA margins by ~10% (vs 2022), as a result of a ~50% G&A cost reduction

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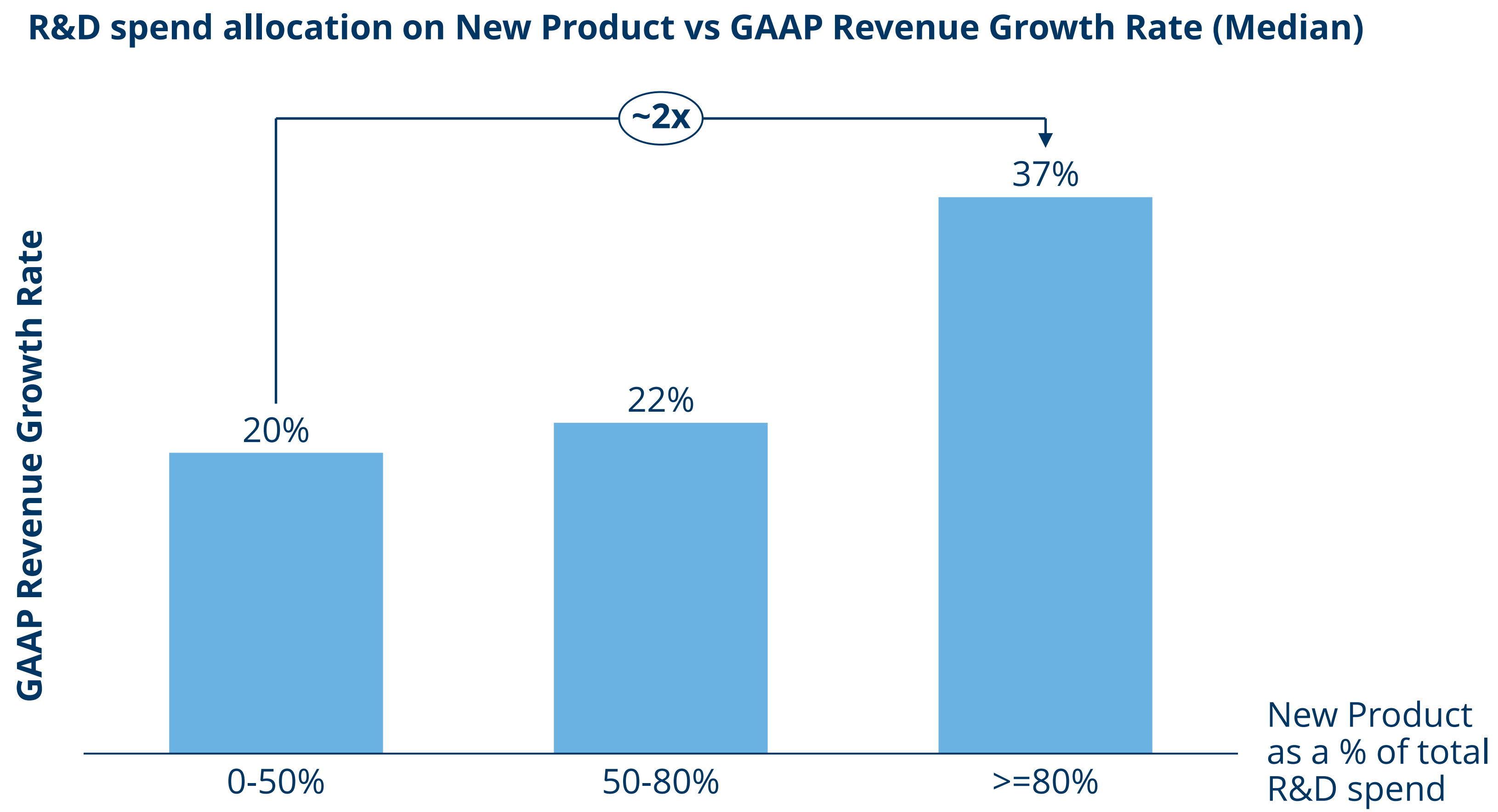
Source: 2021-2023 Susquehanna Cost & GTM Benchmark Report

Fast growers invest 80% of R&D on new products



More new product development (vs. maintenance) is correlated with revenue growth

- Average revenue growth increased by a factor of ~2x for companies with 80%+ R&D spend on new product development compared to companies with <80% spend
- Companies with <50% spend on maintenance observed ~1.5x growth

Companies should follow the 80:20 rule to grow faster (80% new, 20% maintenance)

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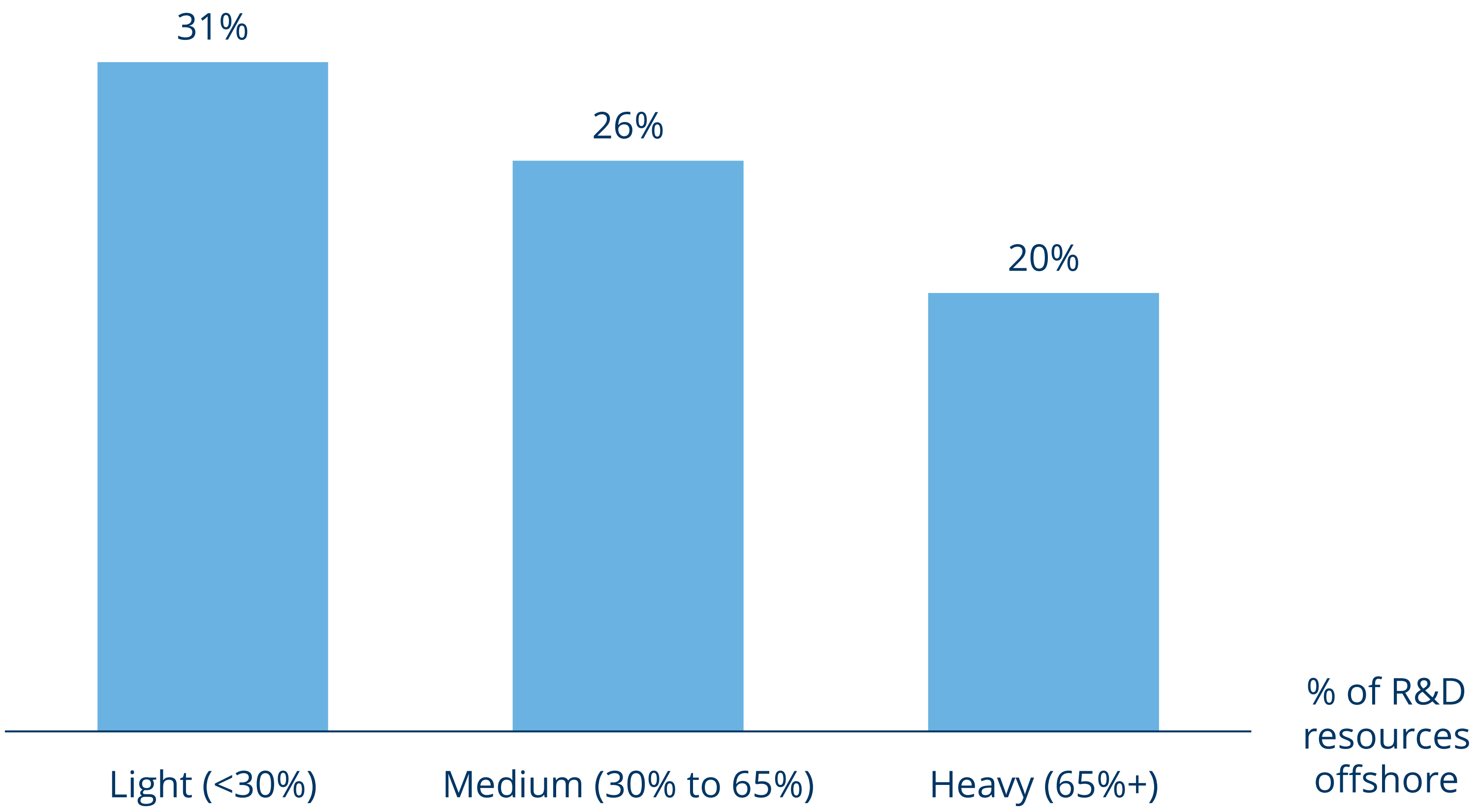
Source: 2023 Susquehanna Cost & GTM Benchmark Report

65%+ R&D offshore = 10%+ more EBITDA margin

R&D spend as % of GAAP Revenue vs Outsourcing (Median)



Leveraging outsourcing to reduce R&D expenditure

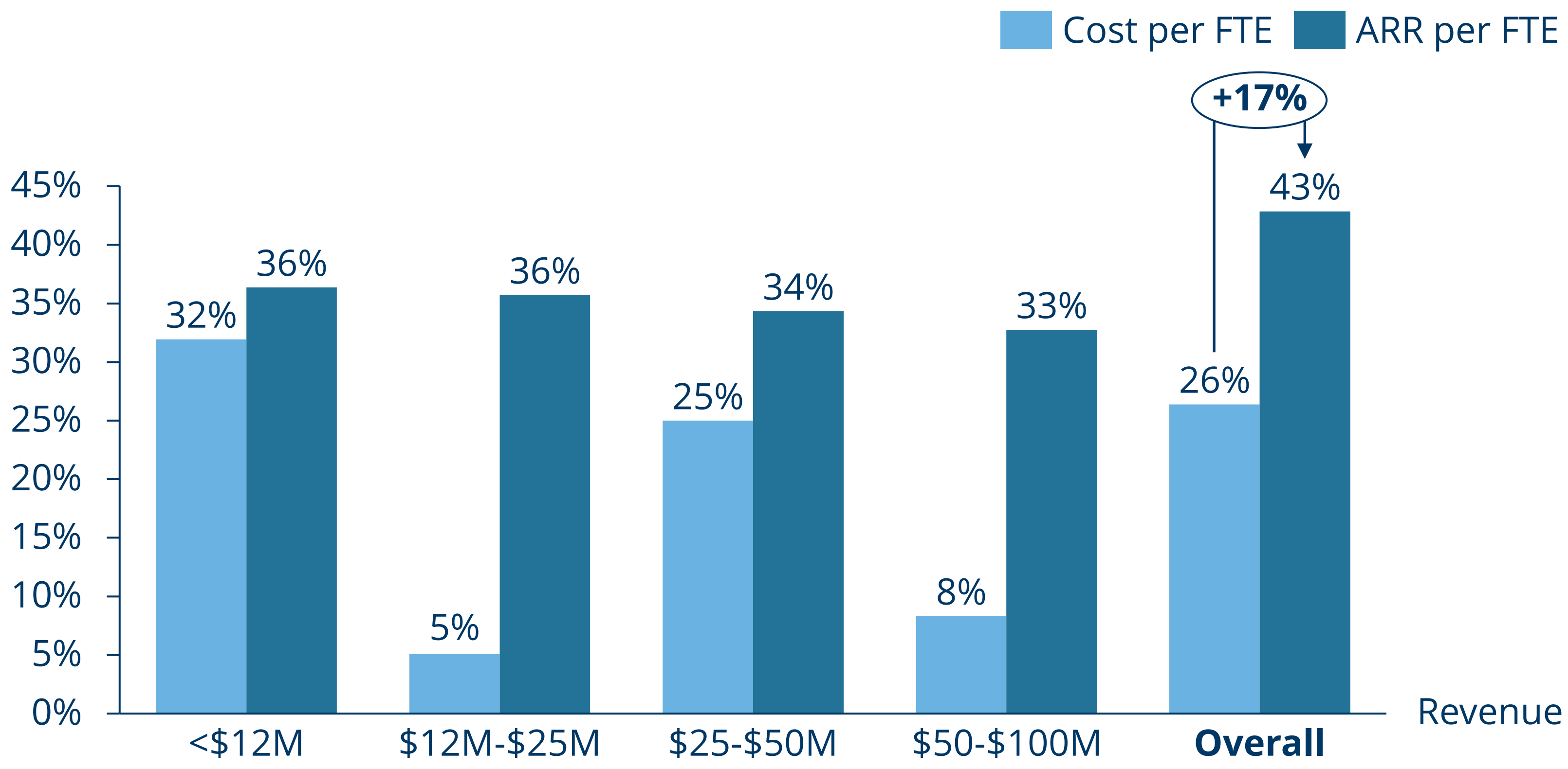
- A 30% increase in outsourcing correlated with 5% incremental EBITDA growth

Companies should aim for 65%+ of their R&D FTEs to be offshore

Source: 2023 Susquehanna Cost & GTM Benchmark Report

Overall revenue per FTE grew faster than the cost per FTE by ~17%

Difference in cost per FTE and revenue per FTE from 2022 to 2023 (Median)



<$12M	$12M-$25M	$25-$50M	$50-$100M	Overall
Cost per FTE: $72k -> $95k	**Cost per FTE:** $118k -> $124k	**Cost per FTE:** $68k -> $85k	**Cost per FTE:** $108k -> $117k	**Cost per FTE:** $91k -> $115k
ARR per FTE: $99k -> $135k	**ARR per FTE:** $126k -> $171k	**ARR per FTE:** $131k -> $176k	**ARR per FTE:** $278k -> $369k	**ARR per FTE:** $126k -> $180k

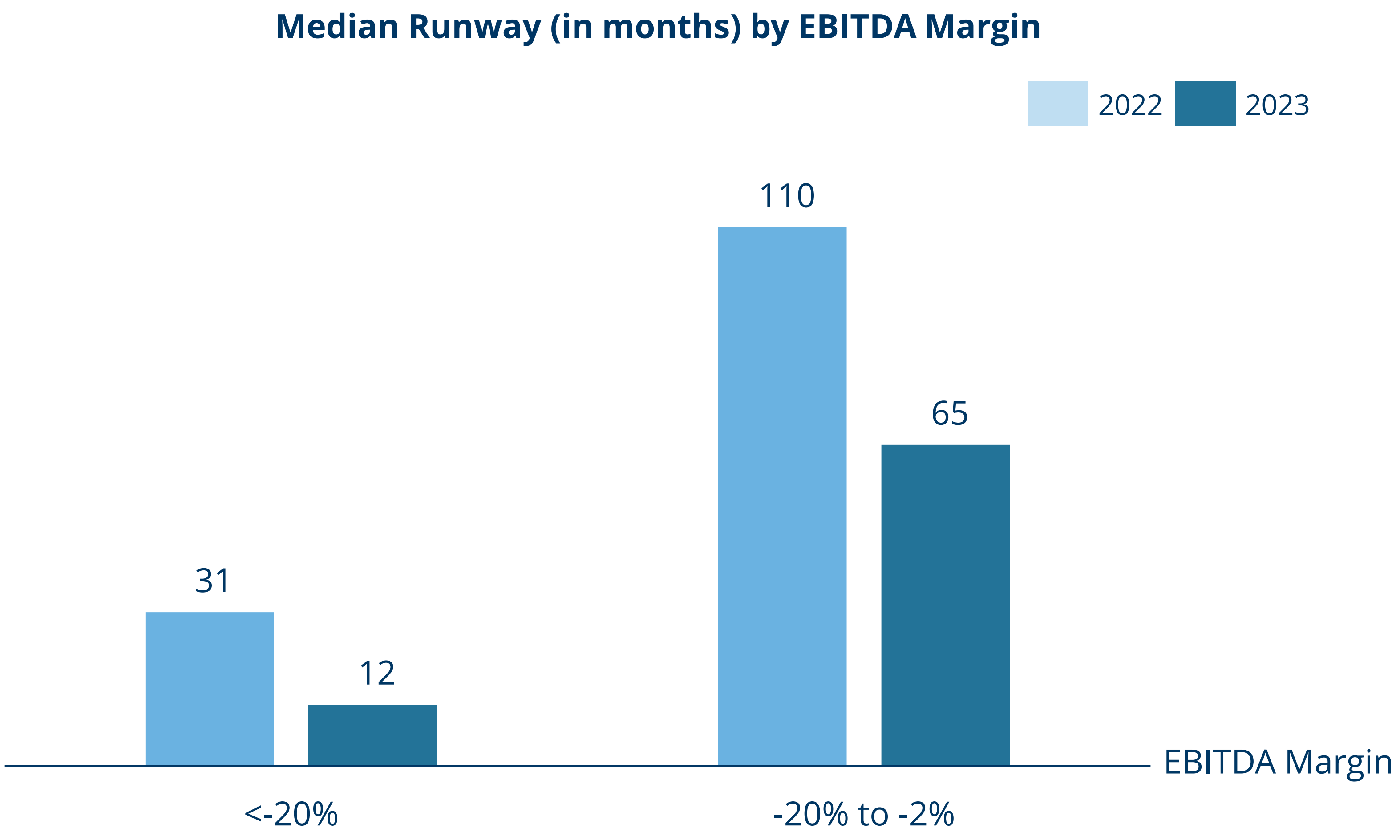
Revenue grew 17% faster than cost per FTE

- Overall, revenue per FTE increased 43% vs 2022
- Staff are getting expensive as the median FTE rate increased ~26% vs 2022

Note: Analysis consists of a common set of companies for 2022 and 2023

Source: 2022-2023 Susquehanna Cost & GTM Benchmark Report

Many companies with less than 20% EBITDA margins are running out of time



- Cash runway is declining for companies that have EBITDA margins below -20%
- Runway for non-profitable companies has decreased by a factor of ~2x

Focus on efficient growth today!

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Note: Analysis consists of a common set of non-profitable companies

Source: 2022-2023 Susquehanna Cost & GTM Benchmark Report

List of available benchmarks (1/2)

Susquehanna captures over 150 different metrics as part of our Cost & GTM benchmark. Reach out to info@sgep.com for further information.

REVENUE	
Financials	GAAP Revenue ($)
	GAAP Revenue by Client Size (%)
	% YoY Revenue Growth
By Type	GAAP Revenue by Type (%)
ACV & ARR	Median Annual Contract Value (ACV) - All Contracts
	ARR ($) - Run Rate as of This Point in Time
	% YoY ARR Growth
Bookings	New Annual Bookings (ARR or reoccurring $)
	Upsell / Cross-Sell Annual Bookings (ARR or reoccurring $)
	Total Annual Bookings (ARR or reoccurring $)
Marketplace	Gross Marketplace Value - IF APPLICABLE
	% Take Rate - IF APPLICABLE

COGS	
Components	COGS by Components ($)
	Total COGS ($)
Payroll	COGS Compensation and Benefits Cost (Payroll) ($)

Go-to-Market (Sales, Marketing, and Customer Success)	
Components	GTM Spend by Components ($)
	Total GTM Spend ($)
Payroll	GTM Compensation and Benefits Cost (Payroll) ($)

RESEARCH AND DEVELOPMENT	
Components	% R&D Spend on Maintenance
	% R&D Spend on New Product Development
	Total R&D ($)
Payroll	R&D Compensation and Benefits Cost (Payroll) ($)
Location Headcount	Onshore R&D Headcount
	Offshore R&D Headcount
Status Headcount	Full-Time R&D Headcount
	Contract R&D Headcount
Rate	Blended Hourly Rate for Contract R&D Onshore ($)
	Blended Hourly Rate for Contract R&D Offshore ($)

GENERAL AND ADMINISTRATIVE	
Components	G&A Spend by Components ($)
	Total G&A ($)
Payroll	G&A Compensation and Benefits Cost (Payroll) ($)
SaaS Spend	Spend on third-party G&A SaaS vendors ($)

LIQUIDITY	
Working Capital	Cash and Cash Equivalents ($)
	Average Days Payable
	Average Days Sales Outstanding
Profitability	EBITDA ($)
	% R&D Costs Capitalized

HEADCOUNT EFFICIENCY	
Offshoring (Y/N)	Do you use offshoring for any of the below resources?
(R&D Above)	*Implementation / onboarding*
	Customer Support
	Sales
	Marketing
	Customer Success
	HR
	IT
	FP&A
	Other
COGS	Total COGS FTE
	COGS FTE Split by Staff, Contractors, First Line Managers and Other Managers / Executives
GTM	Total GTM FTE
	GTM FTE Split by Staff, Contractors, First Line Managers and Other Managers / Executives
R&D	Total R&D FTE
	R&D FTE Split by Staff, Contractors, First Line Managers and Other Managers / Executives
G&A	Total G&A FTE
	G&A FTE Split by Staff, Contractors, First Line Managers and Other Managers / Executives
Overall	Overall FTE
	Overall FTE Split by Staff, Contractors, First Line Managers and Other Managers / Executives

List of available benchmarks (2/2)

Susquehanna captures over 150 different metrics as part of our Cost & GTM benchmark.
Reach out to info@sgep.com for further information.

MARKETING	
Marketing Spend	Marketing Spend % of S&M Spending
	% of Marketing Spend on the Following Categories:
	Program: Paid Search
	Program: Organic Search
	Program: Paid Social
	Program: Events
	Program: Other
	People: FTE
	People: Agencies / 3rd Parties
	Technology: All
	Cost Per MQL (overall)
Sales Efficiency Ratios *(S&M spend to acquire $1 of one-year bookings from one customer)*	New (Fully loaded S&M spend on new bookings / new bookings)
	Upsell (Fully loaded S&M spend on upsell / upsell bookings)
	Overall (Fully loaded S&M spend / total bookings)
	CAC Payback Period (months)

CUSTOMER SUCCESS	
Retention	Net Revenue Retention
	Gross Revenue Retention
	Logo Retention
AM & CS Org	Average Revenue (or ARR) Managed Per AM ($)
	Average Revenue (or ARR) Managed Per CSM ($)
	Ratio of AMs to Customers (1 AM to XX Customers)
	Ratio of CSMs to Customers (1 CSM to XX Customers)
How is Variable Compensation Determined?	AMs and CMs
	% of Variable Comp for Renweals
	% of Variable Comp for Upsells
What % of OTE is Constituted by Variable	Account Managers (AMs)
	Customer Success Managers (CSMs)
Onboarding & Engagement	How Many Weeks on Average Does it Take to Onboard a Client?
	Activation (%)

SALES	
Sales Efficiency	Average Sales Cycle Length (months)
	Demos Scheduled to Demos Held (%)
	Demo to Close Rate (%)
	MQL to Close Rate (%)
	MQL to SQL Conversion (%)
	SQL to Close Rate (%)
Contracting	Average Contract Length (months)
	Average Annual Price Escalator for Existing Customers (%)
	Average List Price Increase for New Customers (%)
	Annualized Discount Off List Price for Closed Won Deals (%)
	Annualized Discount for Multi-Year Deals (% per length)
Pipeline	Median Pipeline Age (days)
% Bookings From (mode):	Marketing
	Outbound SDRs
	AE-Self
	Channel
	Other
% Pipeline Contribution From (by $ not logo):	Marketing
	Outbound SDRs
	AE-Self
	Channel
	Other
Sales Org	# of Full Time - SDR vs AE
	Average Ramp (months until goal is at 100% of quota) - SDR vs AE
	Average Pipeline Contribution ($) - SDR
	Average Quota Per Rep ($) - SDR vs AE
	Average Quota Attainment (%) - SDR vs AE
	Quota to OTE Ratio - SDR vs AE
	% Variable Comp of OTE - SDR vs AE
	Average Number of Demos Booked Per SDR - if applicable
	Average Bookings Per Rep ($) - AE
Commission Rate	New / Upsell / Renewal Bookings (%)

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