Key Financial Metrics for Early-Stage Genomics Companies

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Acronyms

ARR Annual Recurring Revenue 1

CAC Customer Acquisition Cost 2

LTV Lifetime Value 2

SaaS Software as a Service 1

Annual recurring revenue (Annual Recurring Revenue (ARR))

ARR is the total value of predictable, recurring revenue in a 12-month period. It is a key metric for evaluating the scalability and stability of businesses offering subscription or licensing-based services. Especially relevant for Software as a Service (SaaS) or data-access models.

Formula:

$$\text{ARR} = \text{Monthly Recurring Revenue per Customer} \times \text{Number of Customers} \times 12$$

Example: If 10 hospital labs are expected to pay CHF 12,000/year:

$$\text{ARR} = \text{CHF } 12{,}000 \times 10 = \text{CHF } 120{,}000$$

Burn rate

Burn rate refers to how much money a company spends each month, typically before generating revenue. It reflects your monthly net loss.

Formula:

$$\text{Burn Rate} = \text{Monthly Expenses} - \text{Monthly Revenue}$$

Example: If monthly expenses are CHF 10K and revenue is CHF 0:

$$\text{Burn Rate} = \text{CHF } 10{,}000$$

Runway

Runway is the amount of time (in months) a startup can continue operating at the current burn rate before exhausting its funds.

Formula:

$$\text{Runway (months)} = \frac{\text{Cash on Hand}}{\text{Monthly Burn}}$$

Example: With CHF 100K in cash and CHF 10K monthly burn:

$$\text{Runway} = 10 \text{ months}$$

Customer acquisition cost (Customer Acquisition Cost (CAC))

CAC measures the average cost to acquire one paying customer, factoring in marketing, sales, and onboarding costs.

Formula:

$$\text{CAC} = \frac{\text{Total Sales \& Marketing Costs}}{\text{Number of New Customers Acquired}}$$

Lifetime value (Lifetime Value (LTV))

LTV estimates the total revenue a customer is expected to generate over their lifetime with your product or service.

Formula:

$$\text{LTV} = \text{Annual Revenue per Customer} \times \text{Average Retention (in years)}$$

Gross margin

Gross margin reflects how much profit remains after accounting for the cost of delivering the service. For data and software businesses, margins are typically high.

Formula:

$$\text{Gross Margin} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

Focus areas while pre-revenue

- Know your burn rate and runway precisely.
- Define a clear pricing model (per report, per hospital, annual licence).
- Model a realistic ARR path based on pilots and current usage.
- Prepare a 12–24 month financial plan outlining projected costs (hires, cloud infrastructure, compliance, legal, sales).