

Top 10 VC Metrics



Josh Aharonoff

Helping Founders Scale with Proper
Finance & Accounting

About this guide



In this guide

you'll learn about the **10 most common metrics** that **VCs analyze** with startups, and how to calculate them

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MRR / ARR

1 MRR / ARR



MRR



Monthly
Recurring
Revenue

ARR



Annual
Recurring
Revenue

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The key word here is



RECURRING

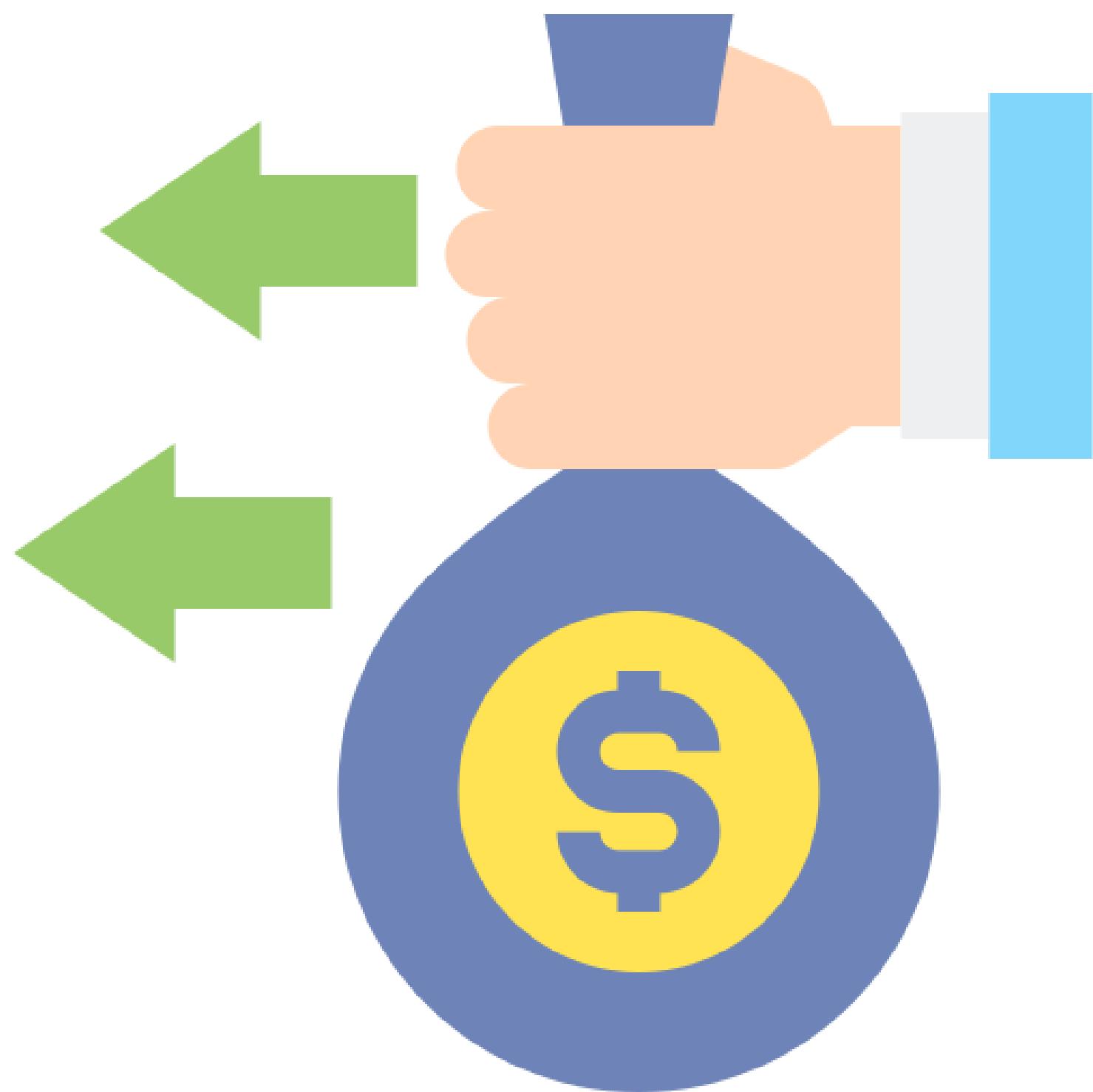


Setup fees are not included, as they are not recurring



Investors love startups with recurring revenue

high predictability
low churn



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2

ACV /
ARPU

2 ACV / ARPU



ACV



Average
Contract
Value

ARPU



Average
Revenue
per User

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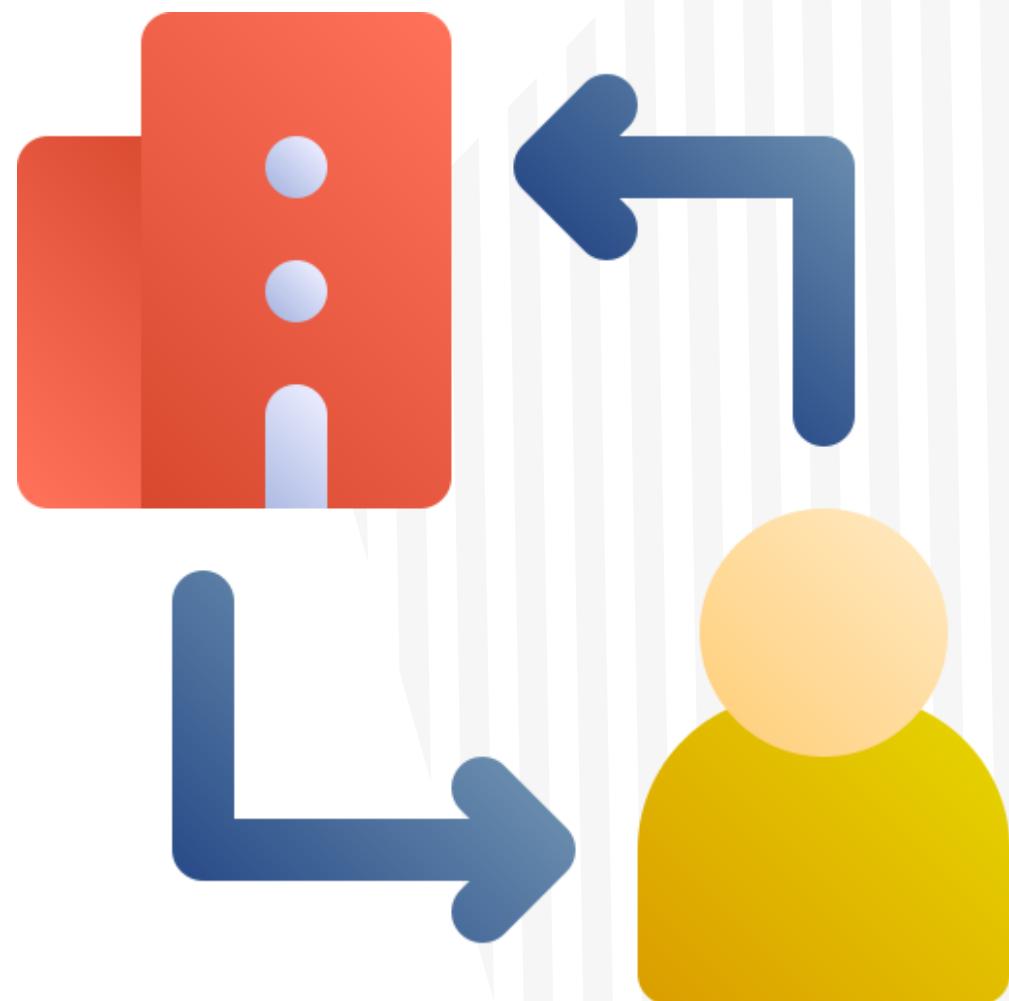


ACV

Is more common
for **B2B** startups

ARPU

is more common
for **B2C** startups



3

CAC

3 CAC



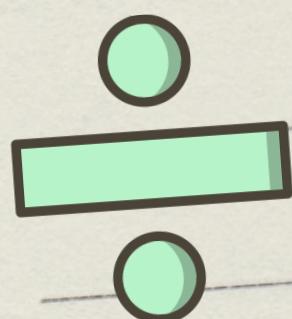
CAC



Customer
Acquisition
Cost

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Sales & Marketing Expense



**new users
acquired**

This shows how much it **costs** to **acquire a new customer**



This is a very popular metric!

4

LTV

4 LTV



LTV

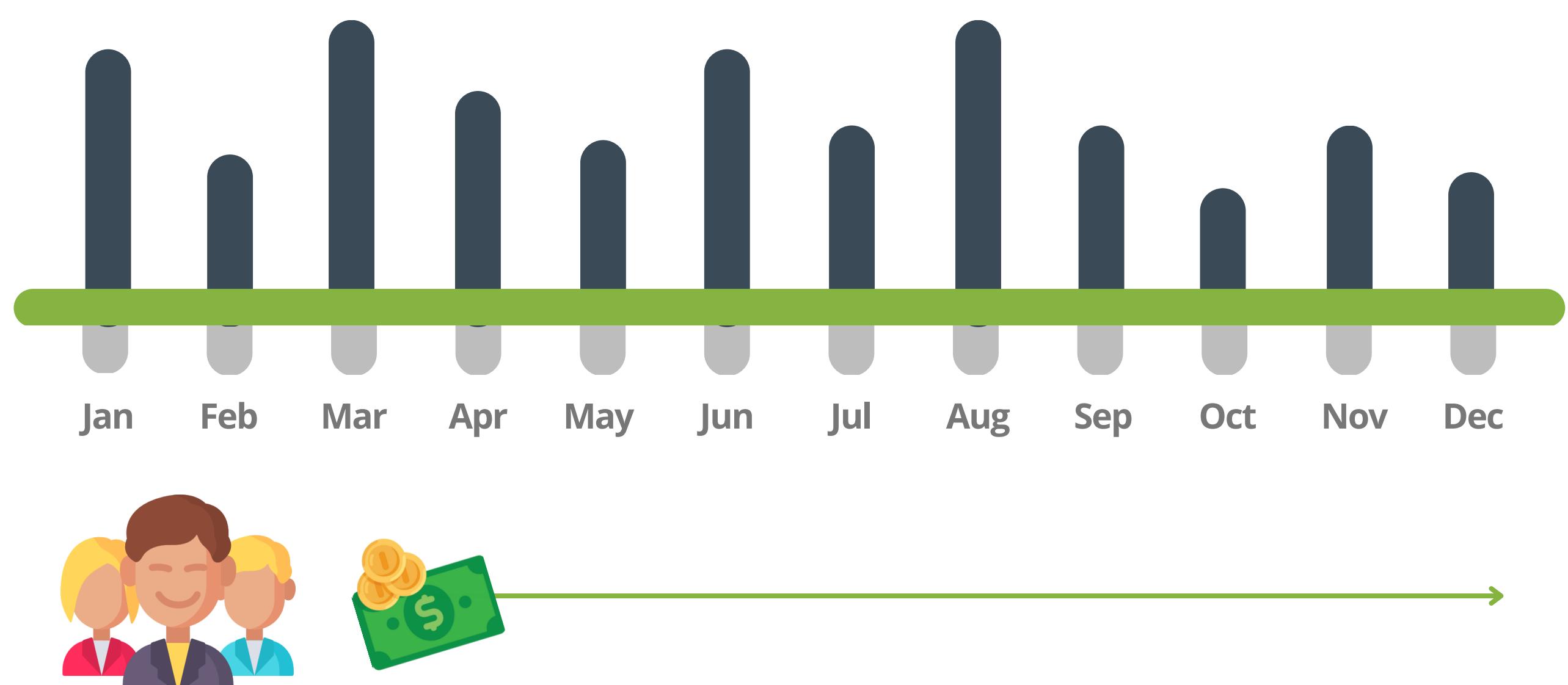


Lifetime
Value

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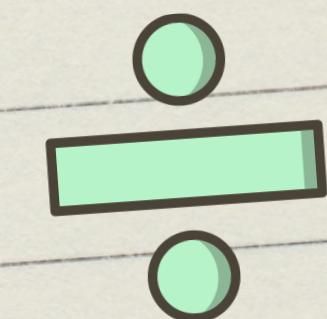
This reflects the **average amount** that you can expect from a customer over their **lifetime**.

This can be **challenging** to calculate in the early stages of **monetization**, since there is little data to support the calculation.



5 CAC Payback

CAC



New MRR



This shows how long it takes to make back the money

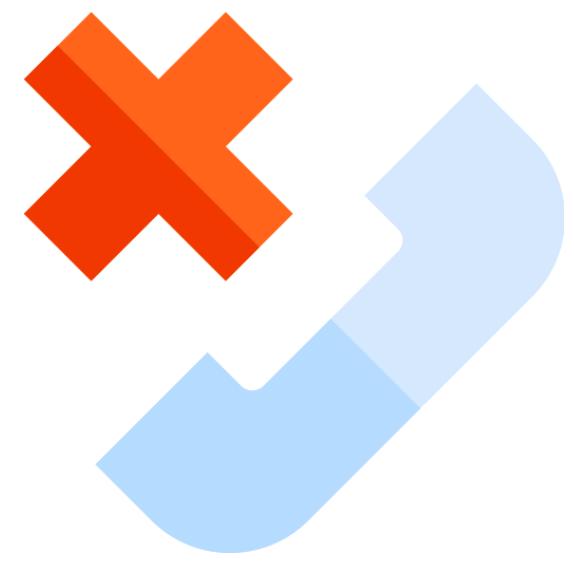
**that you invested to acquire
a new customer**

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churn

6 Churn

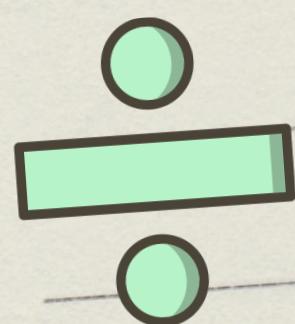


Churn reflects

The amount of **lost bookings**, or **users**, who were once active

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Lost MRR / ARR



Opening MRR / ARR

Churn is the antithesis to growth, and must be **monitored regularly!**



EX.

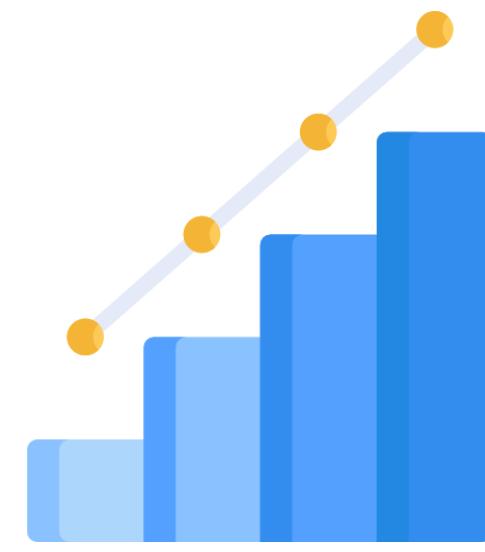
lost **\$40,000** for an existing recurring customer contract

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Net Dollar Retention

7 Net Dollar Retention



Ending MRR / ARR for a
specific customer / cohort

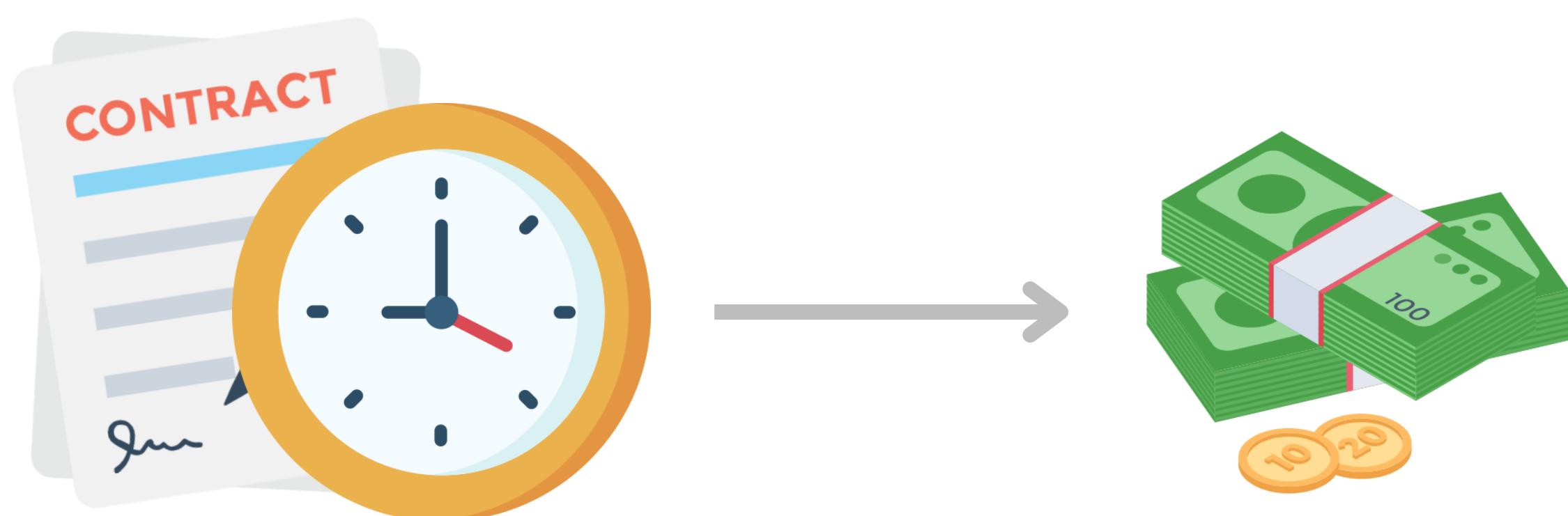
$$\frac{\text{Ending MRR / ARR}}{\text{Opening MRR / ARR}}$$

Opening MRR / ARR

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Net Dollar Retention **helps** a company understand how much **contract value** is being retained over a specific **period** of time

A Net Dollar Retention greater than **100%** means that customers have **expanded** their **contract value**, while a Net Dollar Retention **less** than **100%** means they have **contracted**, or **churned**



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Cash Burn

8 Cash Burn



Cash from operating activities



Cash from investing activities
(not financing activities)

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Cash burn reflects the **net amount** of money you are consuming to operate your business

It does NOT reflect activity from financing events, like fundraising, or debt

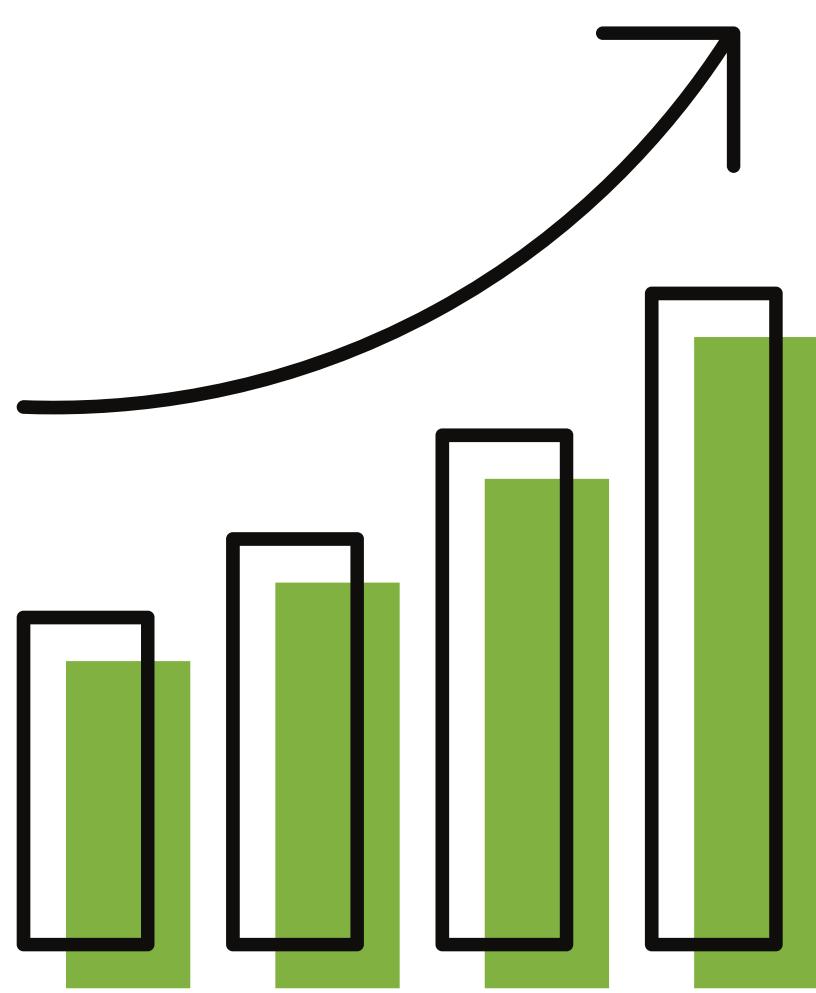
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Expansion / Contraction

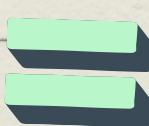
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Expansion / Contraction

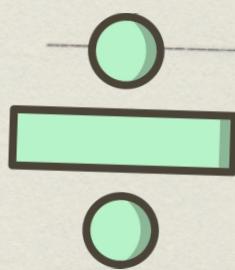


Expansion /
Contraction is
a measure of
incremental
bookings from
existing
customers

Expansion



Increased MRR / ARR bookings
from existing customers

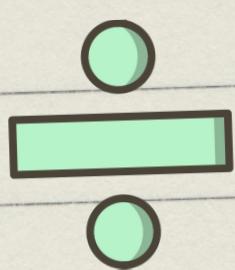


Opening MRR / ARR

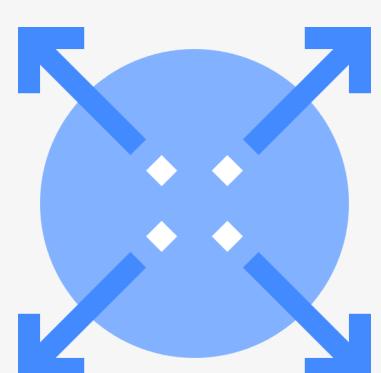
Contraction



Decreased MRR / ARR bookings
from existing customers



Opening MRR / ARR



Expansion MRR / ARR is often times an important strategy in “Land & Expand” campaigns

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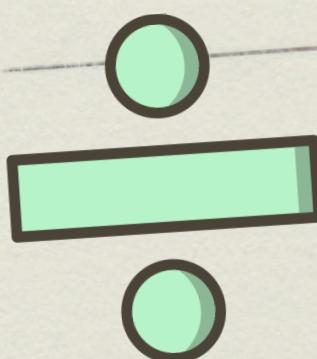
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Sales Quota Attainment

10 Sales Quota Attainment



Bookings from a sales rep
or group of sales reps



Quota for the period

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Sales reps are a common method for acquiring customers with **B2B SaaS**

Sales Quota Attainment shows how well these sales reps are performing against their quota.



Sales Reps



\$1M Annual Quota

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Thanks for reading!

Did you enjoy this content?
Do you have anything to add?
Questions?





Author

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I help startups Scale their **Finance & Accounting** with amazing **reporting & financial operations**



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