mosaic

The SaaS Metrics Cheat Sheet

Quick Info You Need for 24 of the Most Important Metrics

Any effort to unlock more of finance's strategic value starts with being able to trust your numbers. When you know you're calculating your key SaaS metrics correctly, you can focus more on drilling down and surfacing strategic insights that drive company growth.

Don't waste time searching for formulas and definitions to make sure you're calculating metrics correctly. Use this cheat sheet to reference 24 of the most important SaaS metrics you should be tracking across revenue, acquisition, efficiency, sales, and retention categories.

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Acquisition Metrics	▶
Company-Wide Efficiency Metrics	▶
Sales Performance Metrics	▶
Retention Metrics	▶
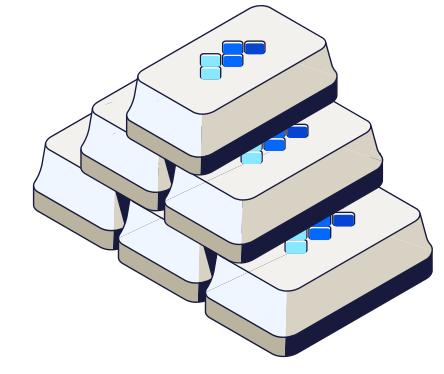
"Where I think finance can deliver a ton of value is explaining the 'why'... I love where finance sits in the organization because it gives us access to both operational and financial data. We also have the analytical skills to pull apart that kind of data and draw insight from it."
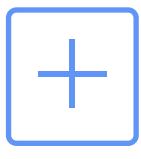
Jenny Jao,
Head of Finance, Sprig

Revenue Metrics
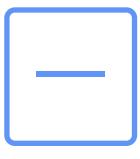
Annual Recurring Revenue (ARR)

[Total Revenue of Yearly Subscriptions] + [Total Expansion Revenue] − [Total Contraction Revenue]

Definition
The sum of all revenue expected from customer contracts over the course of the next 12 months. This includes customer contracts that last one year or longer as well as annualized versions of shorter contracts.

Quick Tip
Compare to revenue run rate to better understand the sustainability of SaaS revenue recognition.

Resources
- Overview article
- Guide to top-line forecasting

Revenue Run Rate

[Revenue in Period] × [Number of Periods in a Year]

Definition
A projection of your annual revenue based on recognized revenue for a given period.

Quick Tip
Revenue run rate is calculated based on recognized revenue in your ERP. Get a more granular understanding with effective bookings to revenue and bookings to cash waterfalls.

Resources
- Overview article
- Bookings to revenue waterfall model
- Bookings to cash waterfall model

SaaS Quick Ratio

([New ARR] + [Expansion ARR]) / ([Lost ARR] + [Churn ARR])

Definition
A simple financial efficiency metric that compares ARR growth to ARR churn and contraction.

Quick Tip
Use the SaaS quick ratio as an at-a-glance way to understanding sustainable growth. Remember that just because you have a high quick ratio doesn't necessarily mean you're growing sustainably.

Resources
- Overview article
- Guide to top-line vs. bottom-line growth

ARR per Head

[Total Revenue] / [Number of Full-Time Employees]

Definition
Also known as revenue per employee, this metric tells you how much ARR you earn on average for every full-time employee in the company.

Quick Tip
Make sure benchmarks for this metric align with your industry and company size. Some businesses are more headcount-intensive than others. Regardless, this is an effective growth efficiency metric

Resources
- Overview article
- More operational efficiency metrics

Acquisition Metrics

SaaS Magic Number

([Current Quarter ARR] [—] [Prior Quarter ARR]) [/] [Prior Quarter Acquisition Cost]

Definition
A common sales efficiency metric that asks: "For every dollar spent on acquiring new customers through sales and marketing, how many dollars worth of revenue do we create for the company?"

Quick Tip
Magic number is especially important for earlier-stage SaaS companies. As you gear up for new funding rounds, put this metric in context with others like CAC ratio and LTV to better explain customer acquisition spend and returns.

Resources
- Overview article
- How to figure out how much to spend on ads
- Sales performance and efficiency metrics

Customer Acquisition Cost (CAC)

[Current Period Total Acquisition Cost] [/] [Current Period New Customers Acquired]

Definition
The average amount of money you spend to acquire a single new customer.

Quick Tip
Make sure you align CAC calculations with your sales cycle. If you're calculating CAC on a one-month time period but your sales cycle is 50-60 days, you're not fully burdening your CAC.

Resources
- Overview article
- Podcast episode: CAC Masterclass with Ben Murray

CAC Payback Period

[Customer Acquisition Cost] [/] ([ARR] [—] [Average Cost of Service])

Definition
The average amount of time it takes to recover acquisition costs per customer.

Quick Tip
Don't be rigid with your CAC payback calculations. They may change as your company matures. Early on, 100% of sales and marketing may go to new customer acquisition. But as you mature, you can split CAC into different segments and calculate payback for different ICPs.

Resources
- Overview article
- Podcast episode: SaaS pitch decks with John Luttig, Founders Fund

CAC Ratio

[Total Acquisition Cost] [/] [New & Upsell ARR]

Definition
An efficiency ratio for the cost to acquire annual recurring revenue.

Quick Tip
Blended CAC ratio is the most common form of this metric because it combines all sales and marketing expenses. If you have a good chart of accounts, you can get more granular and calculate new business or expansion CAC ratio.

Resources
- Podcast episode: CAC Masterclass with Ben Murray
- Keys to the best chart of accounts structure

LTV:CAC Ratio

([Average ARR per Customer] [/] [Churn %]) [/] ([Total Acquisition Spend] [/] [Current Period New Customers Acquired])

Definition
An acquisition efficiency ratio that compares the average lifetime value of your customer base to the average cost to acquire those customers.
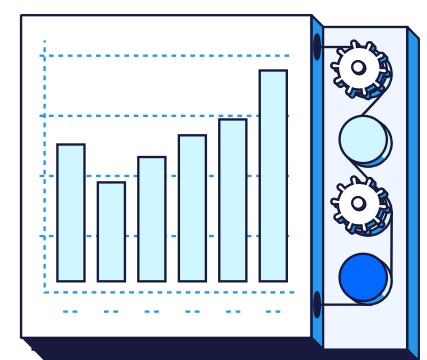
Quick Tip
LTV:CAC miscalculations are common because of all the variables and volatile factors involved. Lack of fully-burdened CAC calculations, churn fluctuations, and misunderstandings of LTV can cause misleading LTV:CAC numbers. Always put this metric in context with other acquisition metrics.

Resources
- Overview article
- Podcast episode: CAC Masterclass with Ben Murray
- Critical SaaS financial metrics to track

Company-Wide Efficiency Metrics

Burn Multiple

[Net Burn] [/] [Net New ARR]

Definition
A capital efficiency metric that shows how much cash you're spending per incremental unit of revenue generated in a given period.

Quick Tip
Burn multiple benchmarks depend heavily on business maturity. Earlier-stage startups expect to have higher burn multiples as they spend to grow, whereas more mature VC-backed orgs should be working toward zero.

Resources
- Overview article
- Podcast episode: Cash flow management
- Relevant operational efficiency metrics for context

Cash Conversion Score

[Current ARR] [/] ([Total Capital Raised to Date] [—] [Cash on Balance Sheet])

Definition
An efficiency metric that measures the return on deployed capital. It shows the total amount of ARR generated from all the cash spent to date.

Quick Tip
This metric was coined by Bessemer Ventures to evaluate a potential portfolio company's future success. It's directionally useful (especially if you're looking for funding), but be sure to contextualize it with operational efficiency metrics.

Resources
- Overview article
- Webinar: Tips for navigating a down marketing with XYZ and Legion
- Guide to cash flow analysis

Net Burn
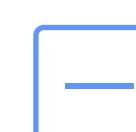
[Cash Flow from Operations] [—] [Bank Transfers] [—] [Financing Transactions] [—] [Intercompany Activity]

Definition
Also called cash burn rate, this metric tracks the rate at which you use up cash reserves.

Quick Tip
Burn rate is a critical component of your company's story. But this metric doesn't help explain the "why" behind financial performance. Get more out of investor meetings by adding context with insight into cash inflows and outflows.

Resources
- Overview article
- Cash flow forecasting guide

Runway

[Total Cash on Hand] [/] [Net Burn (3-Month Average)]

Definition
The amount of time, in months, before your company runs out of cash.
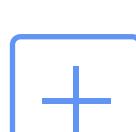
Quick Tip
When trying to extend runway, break expenses into three categories — forecasted spend, discretionary spend, and variable spend. Sift through and find opportunities with large savings and low impact to operations.

Resources
- How finance can guide companies through a down market
- Guide to financial planning

Rule of 40

[Revenue Growth Rate %] [+] [Profit Margin %]

Definition
An efficiency ratio that balances revenue growth and profitability to highlight the sustainability of an org.
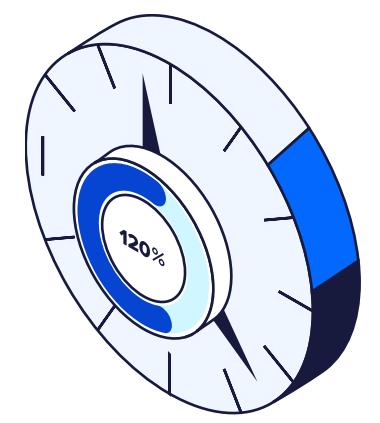
Quick Tip
Accurate Rule of 40 calculations depend on using the right inputs. For most SaaS companies, recurring revenue growth and EBITDA are good inputs. But if you have a large professional services component, you may want to use total revenue as the growth input.

Resources
- Overview article

Sales Performance Metrics

Sales Rep Ramp

`N/A`

Definition
The average amount of time it takes for a new sales rep to reach full productivity.

Quick Tip
Don't make quick assumptions about sales ramp rates. Combine CRM and HRIS data to normalize AE start dates to time zero and look at the inflection point when reps start hitting full productivity.

Resources
- Overview article
- Sales capacity planning guide and template

Annual Contract Value

`Total Contract Value` `/` `Total Years in Contract`

Definition
A metric that normalizes the total value of a contract to show the average revenue it delivers per year.

Quick Tip
Use ACV as a historical value to benchmark new contracts. This metric can help sales leaders set discounting thresholds and do cost-benefit analyses for negotiations.

Resources
- Overview article

Average Sales Cycle

`Total Days in Pipeline for Closed Deals` `/` `Number of Closed Deals`

Definition
The average time it takes a prospect to close after entering your sales pipeline. You can calculate it for closed-won deals alone or for both won and lost deals.

Quick Tip
Avoid getting overly invested in industry benchmarks for sales cycles. This metric is highly sensitive to your unique business model. Pricing strategy, in particular, will drastically impact sales cycles.

Resources
- Overview article
- SaaS pricing strategy guide

Deal Conversion Rates

`Closed-Won Deals` `/` `Total Closed Opportunities`

Definition
The percentage of opportunities that convert to customers compared to the total number of closed opportunities in a period.

Quick Tip
For high-growth companies, high deal conversion rates could point to opportunity. If you're winning a larger-than-expected portion of deals, consider widening your ICP. This can help show that you're able to capture more of your total addressable market.

Resources
- Leveraging closed-won and closed-lost data
- Key sales pipeline metrics

Sales Velocity

`(` `Number of Opportunities` `×` `Average Deal Value` `×` `Win Rate` `)` `/` `Sales Cycle`

Definition
The speed with which a prospect moves through the sales pipeline and generates revenue, measured in revenue per day.
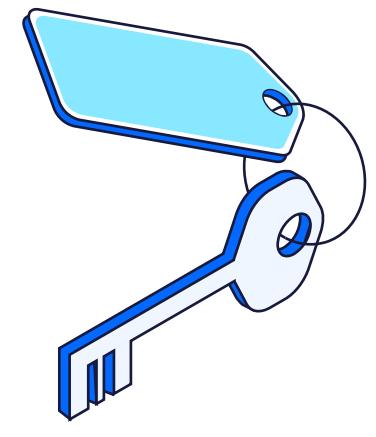
Quick Tip
This metric can add important context to hiring decisions. It helps you set more realistic quotas for incoming sales reps. And it informs conversations with customer success about how many reps will be needed to support incoming customers. Clean CRM data can make this metric readily available.

Resources
- Finance's guide to CRM hygiene

Retention Metrics

Net Dollar Retention

(**Starting ARR** **+** **Change in ARR**) **/** **Starting ARR**

Definition
A ratio comparing the revenue earned from customers in the given period to the revenue earned when a customer initially signed a contract.

Quick Tip
Think about net dollar retention as your ability to build momentum for revenue growth from your existing customer base. Build your pricing strategy to have flexible levers for increasing revenue retention over time.

Resources
- Overview article
- Guide to customer retention analysis

Gross Dollar Retention

(**Starting ARR** **—** **Churn ARR** **—** **Downgrade ARR**) **/** **Starting ARR**

Definition
A measure of the percentage of existing revenue your company retains in a given period.

Quick Tip
Use gross revenue retention as the more conservative version of net revenue retention. Instead of balancing lost revenue with gains from upgrades and expansion, gross revenue retention more closely aligns the performance of your customer success team in retaining customers.

Resources
- Overview article

Logo Retention

(**Total Customers (End of Period)** **—** **Total New Customers**) **/** **Total Customers (Start of Period)**

Definition
The percentage of customers (logos) your business retains over a given period.

Quick Tip
Logo retention may be directionally useful for customer health, but it shouldn't be a North Star. The complexity of SaaS business models and go-to-market motions make it difficult to follow generic logo retention benchmarks.

Resources
- Overview article
- Essential customer retention metrics in SaaS

Customer Count / Customer Changes

N/A

Definition
The total number of customers your company has in a given period and an overview of how the customer base has increased/decreased over time.

Quick Tip
Use trends in customer changes as a basis for financial assumptions in your top-line models. The more data-driven you can make your new customer assumptions, the more accurate your top-line plans will be.

Resources
- Webinar: SaaS revenue planning
- ARR snowball model guide and template

Customer Lifetime Value

Average ARR Per Customer **/** **Churn Rate**

Definition
The average amount of revenue you expect to receive from a customer over the course of their entire relationship with your business.

Quick Tip
Finance's ability to influence strategic decisions that would increase LTV relies on storytelling. If you can focus on the "why" behind the numbers, you'll be able to make a more compelling case to increase prices, add new escalation clauses to contracts, or add more heads to the CS team.

Resources
- Overview Article