2025

SaaS Benchmarks Report

by High Alpha

Contents

Introduction

The 2025 SaaS Benchmarks Report

This year marks the ninth annual SaaS Benchmarks Report. Like last year, the 2025 report draws from the largest dataset in its history. We're deeply grateful to every founder, CEO, and SaaS leader who contributed, and to the 40+ venture and platform partners who helped make it possible. Our goal remains simple: to provide an indispensable resource for the entire SaaS ecosystem.

More than half of this year's respondents identified as CEOs or founders, giving us a clear view into how the next generation of leaders is thinking about 2026 and beyond. Go-to-market execution still tops the list of challenges that keep founders up at night, but, as you might imagine, AI strategy is quickly moving up the list.

Building with AI is no longer a differentiator — it's the baseline. Every company founded in 2025 reported AI as core to its product, underscoring that intelligence is now infrastructure. The new edge lies in execution: teams that operationalize AI to amplify productivity, precision, and performance. In the 2024 Benchmarks Report, we introduced the moniker Generation AI. In 2025, we've coined the term Operation AI — highlighting the shift in focus from invention to impact.

Finally, while we continue to report on the metrics that define successful SaaS companies, we're equally focused on the human side of building breakout companies. This year's survey expands on founder insights, team structure, and company culture, because building early-stage startups is a craft (both art and science), and understanding both is essential to building enduring companies in an AI-powered world.

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Operation AI: From Novelty to Necessity

As you might imagine, AI is the plumb line running through this year's SaaS Benchmarks Report. The survey responses were clear and confirmatory: AI has officially moved from novelty to necessity. The data reveals a decisive shift from experimentation to operationalization. Founders are no longer asking "Can we build with AI?" but "How do we scale, measure, and monetize it?"

Operation AI is a clarion call for founders to professionalize what began as exploration, to systematize AI in the product, integrate it into core workflows, and build organizations that treat intelligence (both human and machine) as a managed, compounding asset. This is the operational era of AI, where the winners will not be those who experiment most creatively, but those who execute most effectively.

The Five Pillars of Operation AI

Make AI Core, Not Cosmetic. Companies with AI at the core of their products are growing materially faster (even when they carry modestly lower gross margins due to compute costs). Stand-alone AI features are a bridge, not a destination. Build end-to-end, AI-native workflows where the value is unmistakable.

Shift from Pilots to Playbooks. Early-stage teams report deeper internal AI adoption than their more mature peers, yet most still measure impact qualitatively. Move beyond pilots — standardize AI-assisted processes across sales, support, success, and engineering, and tie them to clear KPIs so productivity gains translate directly into Rule of 40 performance.

Monetize the Outcome. Pricing models are catching up to adoption. The leaders are experimenting with hybrid, consumption, and outcome-based models that align price with realized value — and they're growing faster (with better retention) as a result.

Rewire for Leverage. ARR per employee climbs sharply with scale as teams get leaner and automation rises. Use AI to compress non-differentiated work, redeploy headcount toward customer impact, and protect margin while you grow. Efficiency isn't a constraint; it's the accelerator of durable growth.

Expansion Is the Engine. Beyond roughly $20 million in ARR, expansion becomes the dominant growth engine. Use AI to drive multi-product adoption, proactive success, and precision upsell — then pair it with efficient acquisition and short CAC payback to sustain momentum and resilience.

Executive Summary

Who Took the Survey This Year?

BENCHMARK PARTICIPANTS

800+ Respondents From Across the Globe

Geography

- 69% US
- 17% Europe
- 4% Canada
- 10% Asia, Australia, Israel, Other

Role

- 50% CEO or Founder
- 22% Head of Finance
- 6% Head of Operations
- 22% Other

ARR

- 23% Less Than $1M ARR
- 27% $1-5M ARR
- 31% $5-20M ARR
- 10% $20-50M ARR
- 9% Greater Than $50M ARR

ICP

- 37% Enterprise
- 35% Mid-Market
- 19% SMB
- 7% Micro-Business
- 2% Consumer

Tips for Integrating Benchmarks

Benchmarks As a Guide, Not a Route

Financial and operating benchmarks serve as a guide to understand where you stand among peers. Every company's journey will look different — and that's exactly how it should be.

Recognize the Tradeoffs

Efficiency and growth directly impact one another. Larger investments in growth affect efficiency metrics and so on. A sound strategy will involve a series of tradeoffs.

Balance Obsession With Understanding

Do the work to understand the type of company you're building and stay focused on executing. Come up for air to check the benchmarks annually or quarterly, not daily.

Use Benchmarks to Your Advantage

Investors have varying appetites for risk and return. You can either tailor your performance to match ideal investors' benchmarks or define your scaling vision and seek those who align with it.

Company Benchmark Definitions

Size & Growth

Employees: Number of full-time employees at the end of Q2 2025

Year-Over-Year Growth Rate: Change in ARR at the end of Q2 2025 vs. Q2 2024

Financial

Sales & Marketing Spend: Spending on sales and marketing, including headcount, as a percentage of ending ARR as of Q2 2025

R&D Spend: Spending on R&D, including headcount, as a percentage of ending ARR as of Q2 2025

Software Gross Margin: Subscription revenue less cost of goods sold divided by subscription revenue at the end of Q2 2025

Monthly Burn Rate: Net monthly operating cash burn rate at the end of Q2 2025 (total dollars lost each month, negative values equal cash flow positive)

SaaS Value Drivers

CAC Payback: Months of subscription gross margin to recover the fully-loaded cost of acquiring a customer

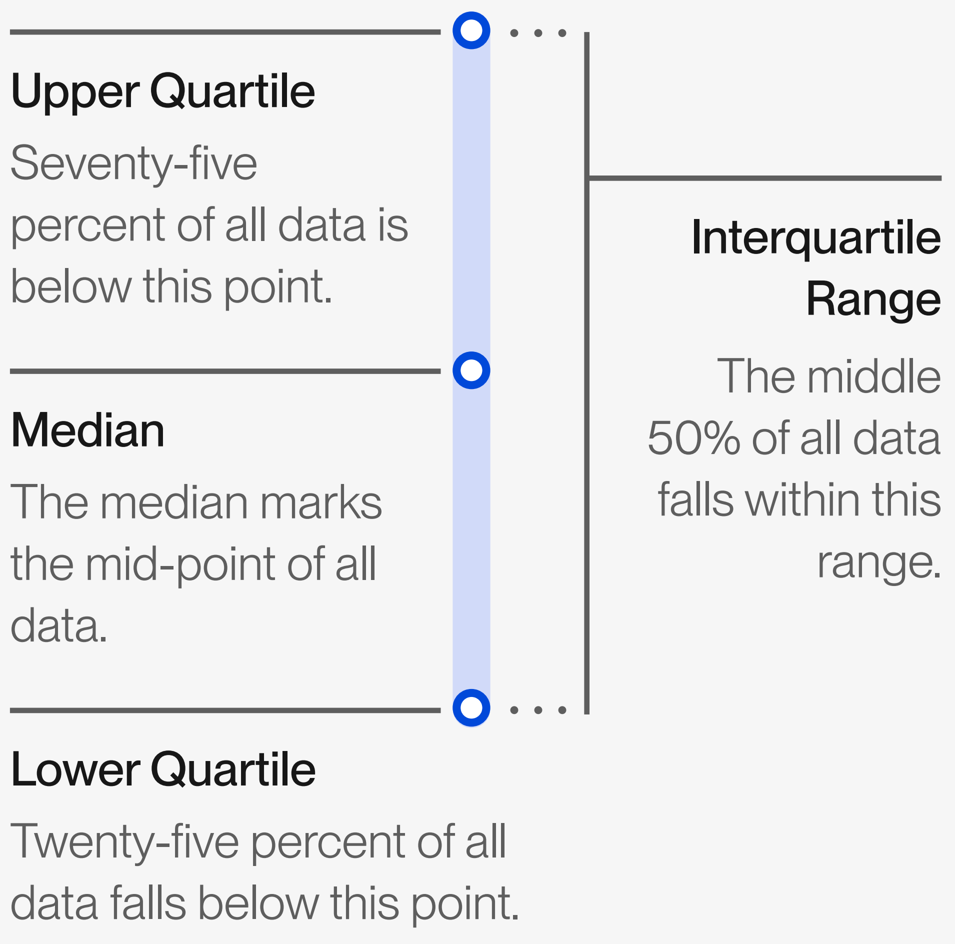
Gross Revenue Retention (GRR): Annual gross revenue retention (after churn, exclusive of upsells and expansion) seen in cohorts

Net Revenue Retention (NRR): Annual net revenue retention (after churn, inclusive of upsells and expansion) seen in cohorts

Rule of 40: Year-over-year ARR growth percentage plus last twelve months free cash flow margin or EBITDA margin

Further Definitions for Understanding the Data

Understanding quartiles provides important context for interpreting the benchmarks and comparisons throughout this report.



Financial & Operating Metrics by ARR for All Respondents

2025 SAAS BENCHMARKS DATA

Company Performance Benchmarks Across Common Metrics

● Median [-] Range [Lower Quartile – Upper Quartile] ↑↓ Change From 2024

	Less Than $1M ARR			$1-5M ARR			$5-20M ARR			$20-50M ARR			Greater Than $50M ARR		
	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓	●	[-]	↑↓
Size & Growth															
Employees	9	[5-12]	↑2	22	[15-35]	↓3	66	[48-92]	↑1	131	[100-223]	↓70	361	[263-729]	↓264
Year-Over-Year Growth Rate	100%	[29-300%]	-	50%	[24-100%]	-	31%	[15-72%]	↑1%	30%	[16-41%]	-	16%	[10-29%]	↑1%
Financial															
Sales & Marketing Spend	28%	[20-50%]	↑4%	30%	[20-50%]	↓4%	30%	[22-53%]	↓5%	29%	[24-34%]	↓11%	25%	[20-40%]	↓14%
R&D Spend	43%	[23-76%]	↓11%	38%	[24-50%]	↓12%	31%	[20-54%]	↓9%	32%	[23-40%]	↓1%	30%	[25-40%]	-
Software Gross Margin	74%	[60-80%]	↓7%	77%	[60-85%]	↓4%	80%	[70-86%]	-	78%	[71-84%]	↑1%	79%	[70-83%]	-
Monthly Burn Rate	$50k	[$50-175k]	-	$175k	[$38-375k]	-	$175k	[$0-625k]	↓$200k	$50k	[$0-625k]	↓$575k	$0K	[$0-375k]	-
SaaS Value Drivers															
CAC Payback (in Months)	5	[2-8]	-	8	[5-14]	-	14	[8-22]	-	20	[11-27]	↓1	17	[13-22]	↓3
Gross Revenue Retention	92%	[80-100%]	-	92%	[83-95%]	↓3%	88%	[82-95%]	↓2%	90%	[85-95%]	-	88%	[84-90%]	↑5%
Net Revenue Retention	100%	[78-116%]	-	104%	[91-110%]	↑4%	103%	[95-115%]	↓2%	103%	[98-110%]	-	101%	[97-108%]	↓1%
Rule of 40	46%	[25-98%]	↑16%	33%	[10-80%]	↑11%	20%	[-3-35%]	↓2%	24%	[11-41%]	↓1%	30%	[15-38%]	↑6%

Source: 2025 SaaS Benchmarks Report by High Alpha

Good vs. Great SaaS Metrics

2025 SAAS BENCHMARKS DATA

"Good" Represents the Median, "Great" Represents the Upper Quartile

	Less Than $1M ARR		$1-5M ARR		$5-20M ARR		$20-50M ARR		Greater Than $50M ARR	
	Good	Great	Good	Great	Good	Great	Good	Great	Good	Great
Growth										
Year-Over-Year Growth Rate	100%	300%	50%	100%	31%	72%	30%	41%	16%	29%
Retention										
Gross Revenue Retention	92%	100%	92%	95%	88%	95%	90%	95%	88%	90%
Net Revenue Retention	100%	116%	104%	110%	103%	115%	103%	110%	101%	108%
Efficiency										
Software Gross Margin	74%	80%	77%	85%	80%	86%	78%	84%	79%	83%
ARR per Employee	$55,556	$100,000	$136,364	$200,000	$166,667	$220,588	$268,235	$350,000	$277,778	$396,635

This guide is intended to help individuals assess where a company falls across five key SaaS metrics gathered in the 2025 SaaS Benchmarks Report.

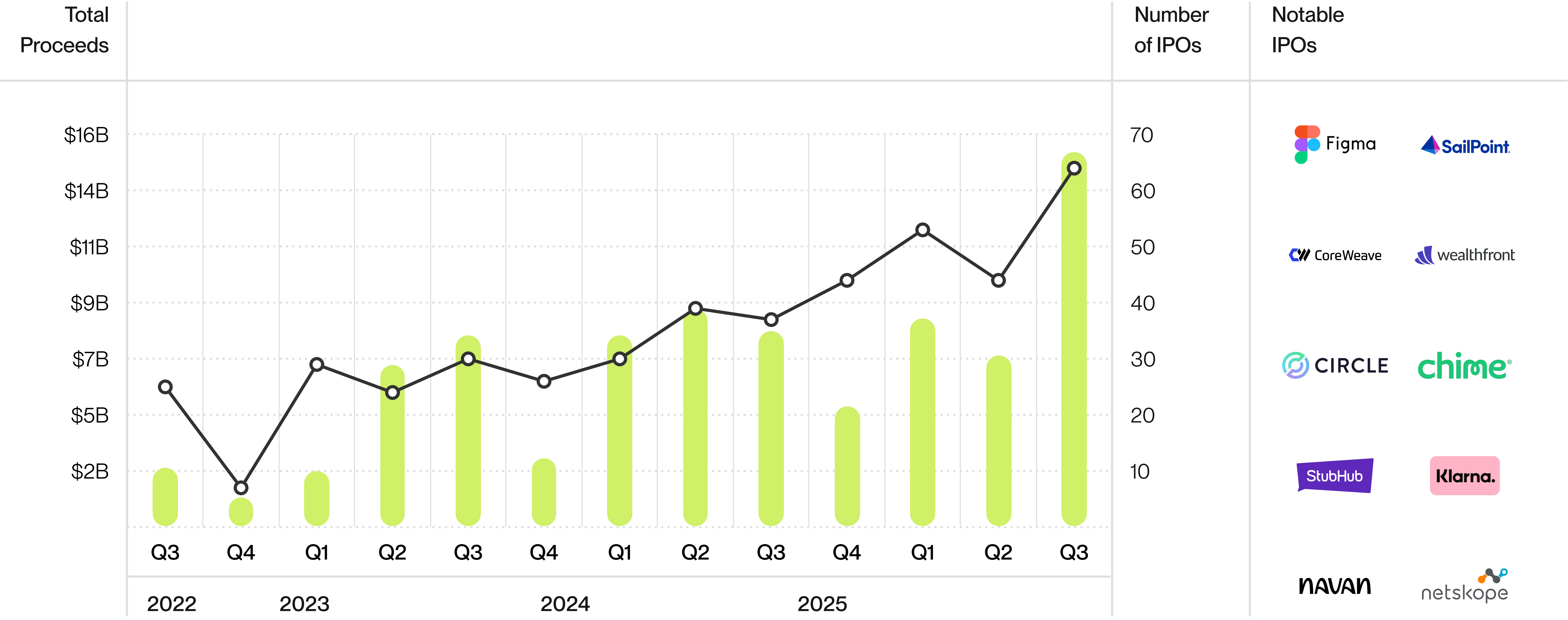
Source: 2025 SaaS Benchmarks Report by High Alpha

AI-Driven Market Rebound

IPO Window Reopening

US IPO ACTIVITY

IPOs Continue to Grow With Q3 2025 Marking the Largest Quarter Since 2021



✦ INSIGHTS

While companies are staying private longer than ever due to the massive amount of private capital available, Q3 2025 represented the largest IPO quarter since 2021.

This is a promising development for the venture market overall as capital returned to limited partners could help fund the next wave of venture capital funds.

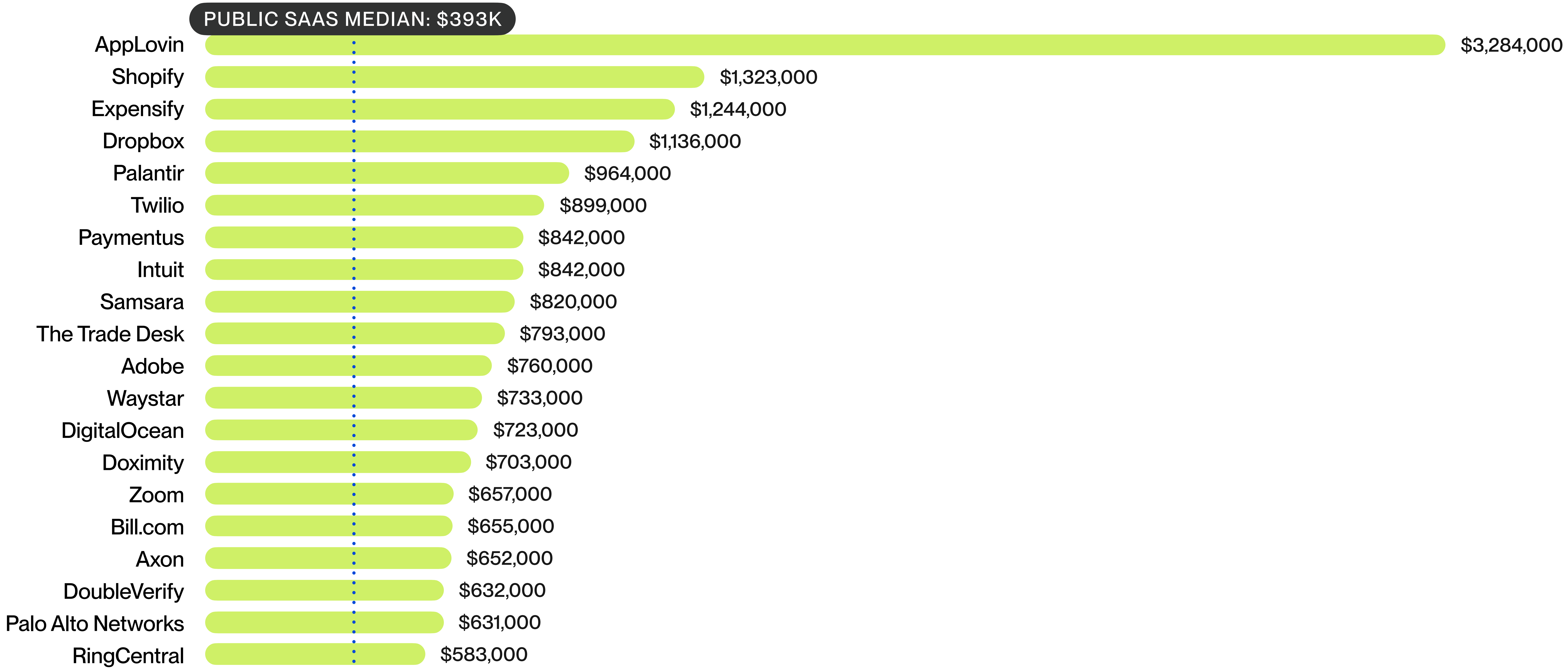
Without this liquidity, it's more difficult for venture capitalists to raise capital for additional funds.

Source: Renaissance Capital

Public SaaS Companies Achieve Unprecedented Efficiency

PUBLIC SAAS ARR PER EMPLOYEE

Top 20 Public SaaS Companies Generate Over $580k Per Employee



INSIGHTS

Public SaaS leaders are delivering unprecedented productivity — median ARR per employee now **exceeds $390k**, up more than **10% year over year**. The top 20 companies generate **over $580k per employee**, proof that efficiency isn't a post-reset constraint but a competitive advantage.

Founder Takeaway

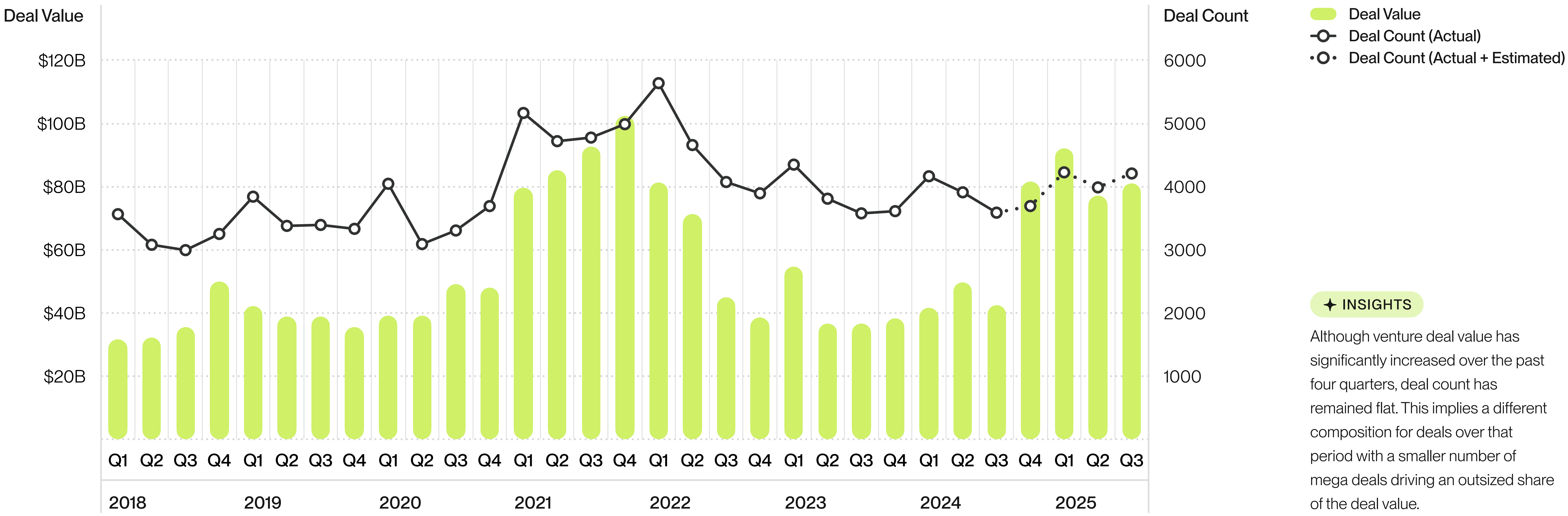
These public benchmarks redefine what "lean" looks like; for investors, they signal a new normal where durable growth and exceptional leverage coexist.

Source: Meritech

Venture Capital Deal Value Returns to 2021 Levels

VC DEAL ACTIVITY

Deal Count Has Remained Relatively Flat Despite Significant Increases to Deal Value



✦ INSIGHTS

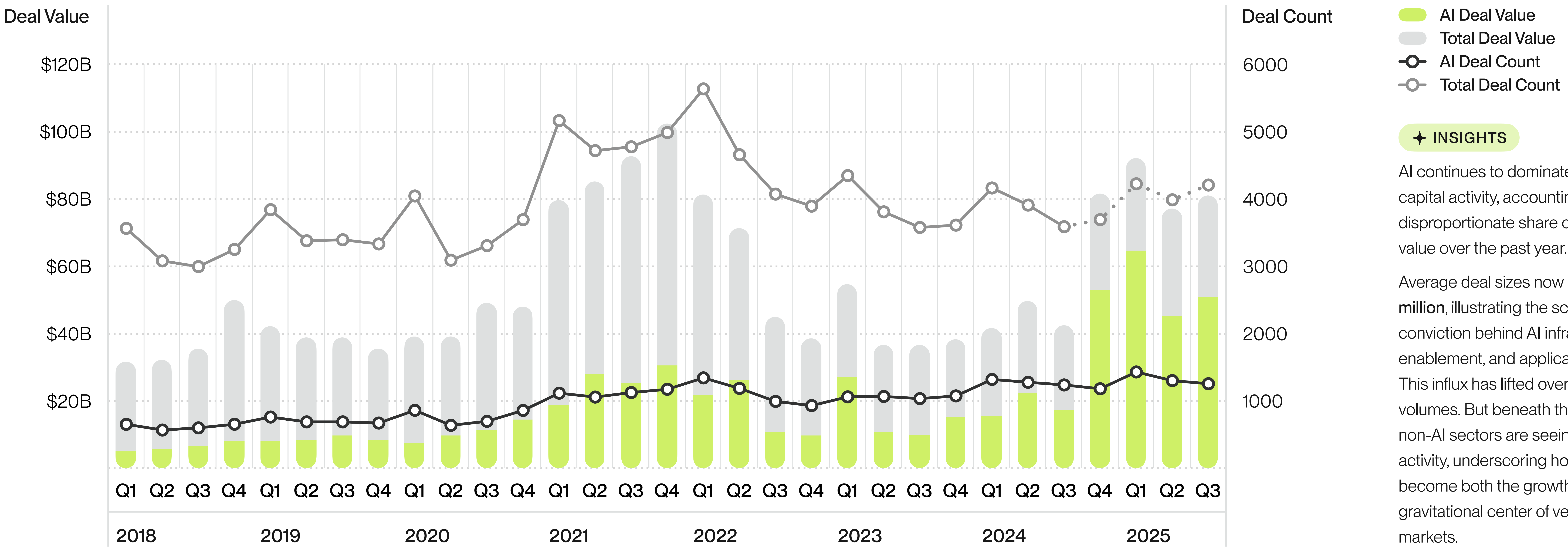
Although venture deal value has significantly increased over the past four quarters, deal count has remained flat. This implies a different composition for deals over that period with a smaller number of mega deals driving an outsized share of the deal value.

Source: Q3 2025 Pitchbook NVCA Venture Monitor

AI Investment Driving Venture Resurgence

AI VC DEAL ACTIVITY

The Last Four Quarters Have Seen Outsized Investment in AI, Carrying the Venture Industry



✦ INSIGHTS

AI continues to dominate venture capital activity, accounting for a disproportionate share of total deal value over the past year.

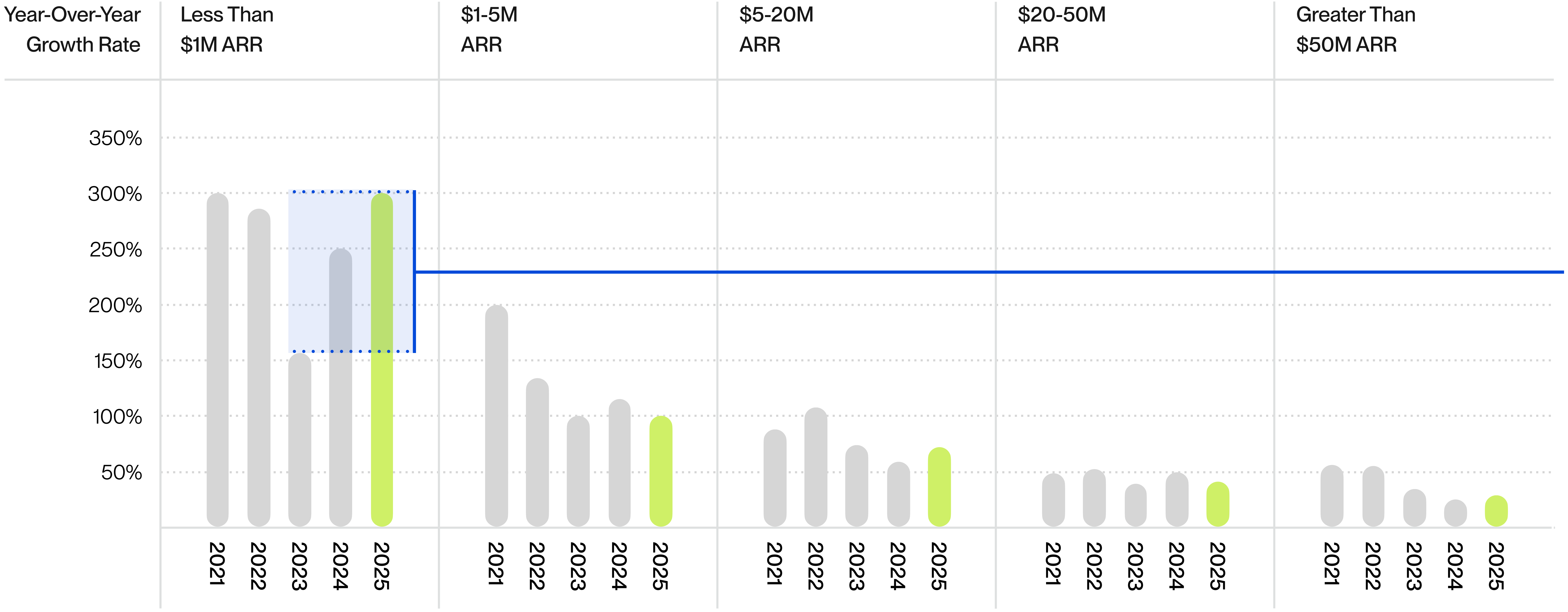
Average deal sizes now **exceed $40 million**, illustrating the scale of conviction behind AI infrastructure, enablement, and application layers. This influx has lifted overall venture volumes. But beneath the surface, non-AI sectors are seeing flatter activity, underscoring how AI has become both the growth engine and gravitational center of venture markets.

Source: Q3 2025 Pitchbook NVCA Venture Monitor

Upper Quartile Revenue Growth Rates Remain Steady

UPPER QUARTILE GROWTH RATES

Excepting Growth Rates for Companies With Less Than $1M ARR, Which Have Completely Rebounded to 2021 Levels



143%

Increase in revenue growth from 2023 for companies with less than $1 million ARR.

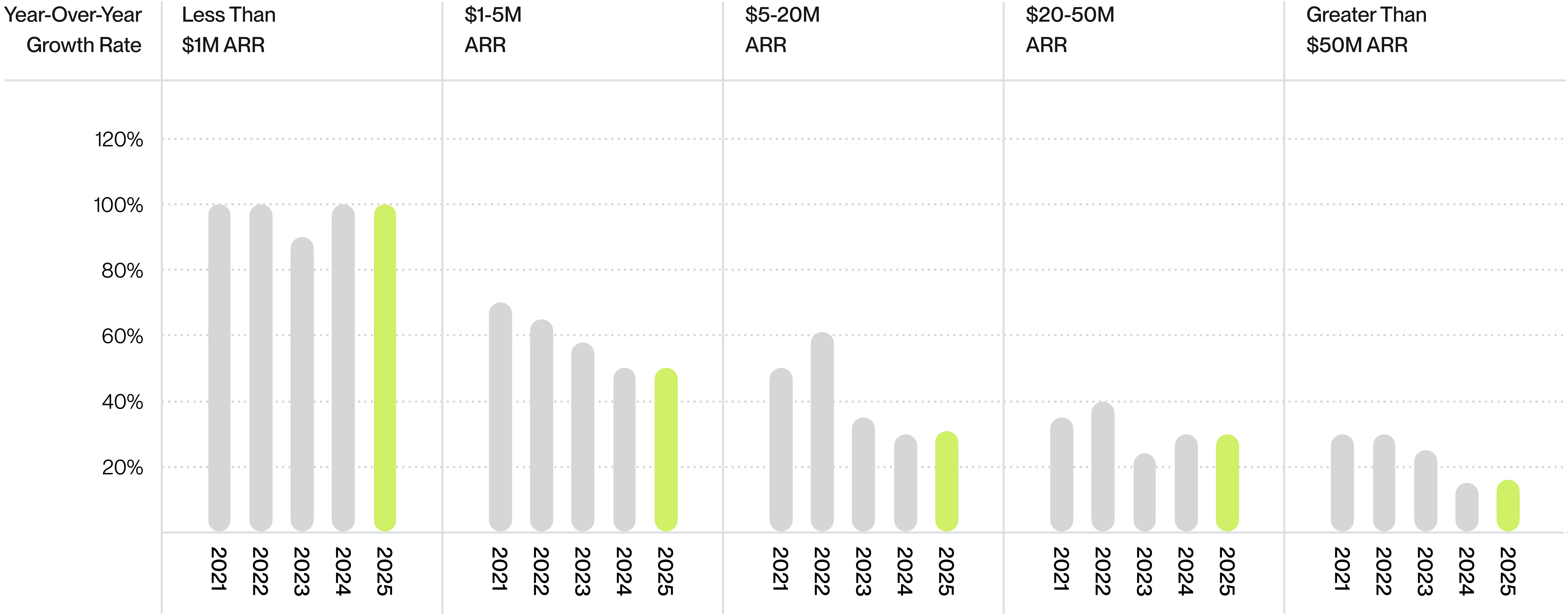
Revenue growth the last three years for companies greater than $1 million ARR has settled into a tighter range, fluctuating 15% or less year-over-year.

Source: 2025 SaaS Benchmarks Report by High Alpha

Surprising Level of Consistency in Year-Over-Year Growth

MEDIAN REVENUE GROWTH

A Durable Baseline for SaaS Growth Rates Has Emerged



INSIGHTS

Median revenue growth held remarkably steady across all ARR bands in 2025.

Early-stage companies maintained triple-digit growth, while mid- and later-stage growth stabilized in the low-30s and teens.

After two years of recalibration, the data suggests SaaS has entered a "steady-state era" of disciplined yet durable growth.

Source: 2025 SaaS Benchmarks Report by High Alpha

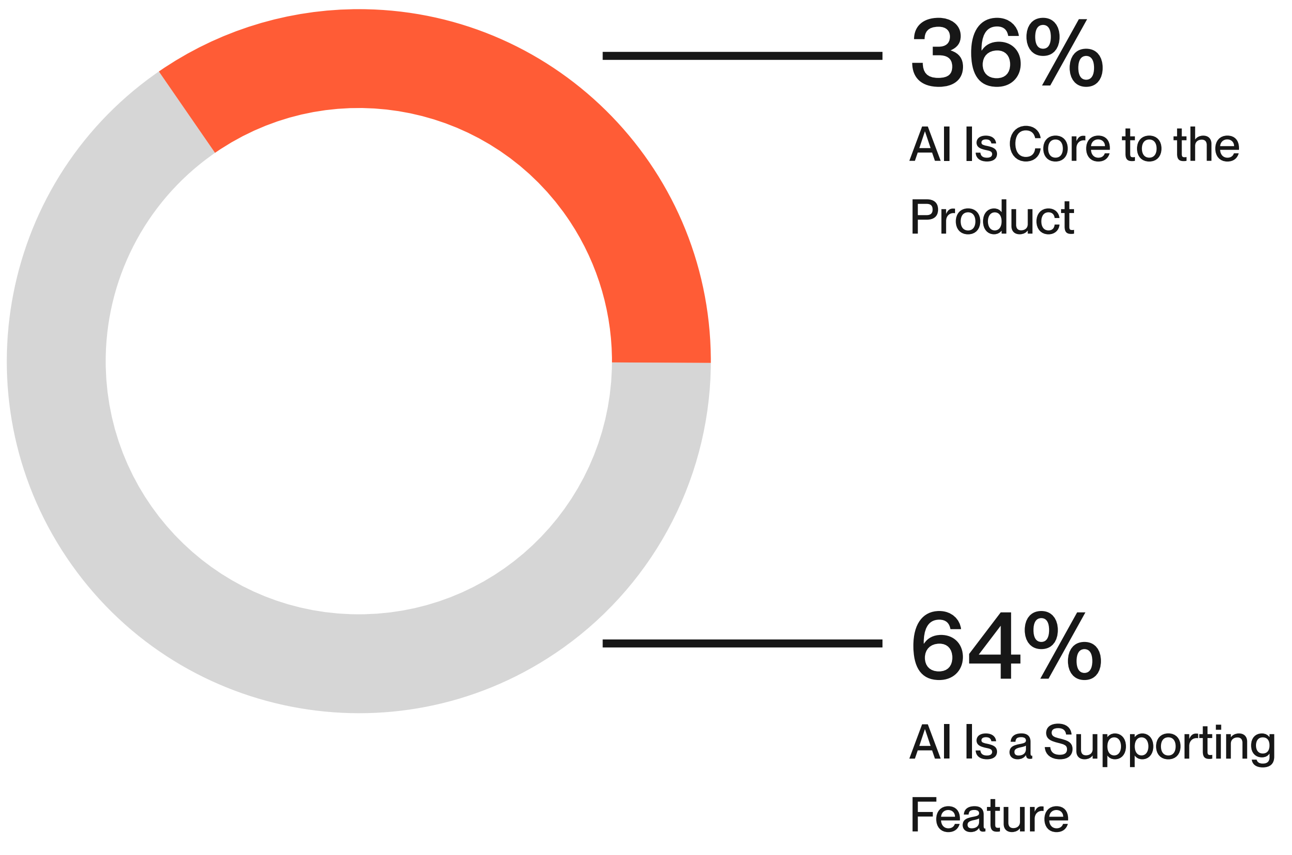
Growth & Efficiency

Complete Shift in Last 10 Years to AI Centricity

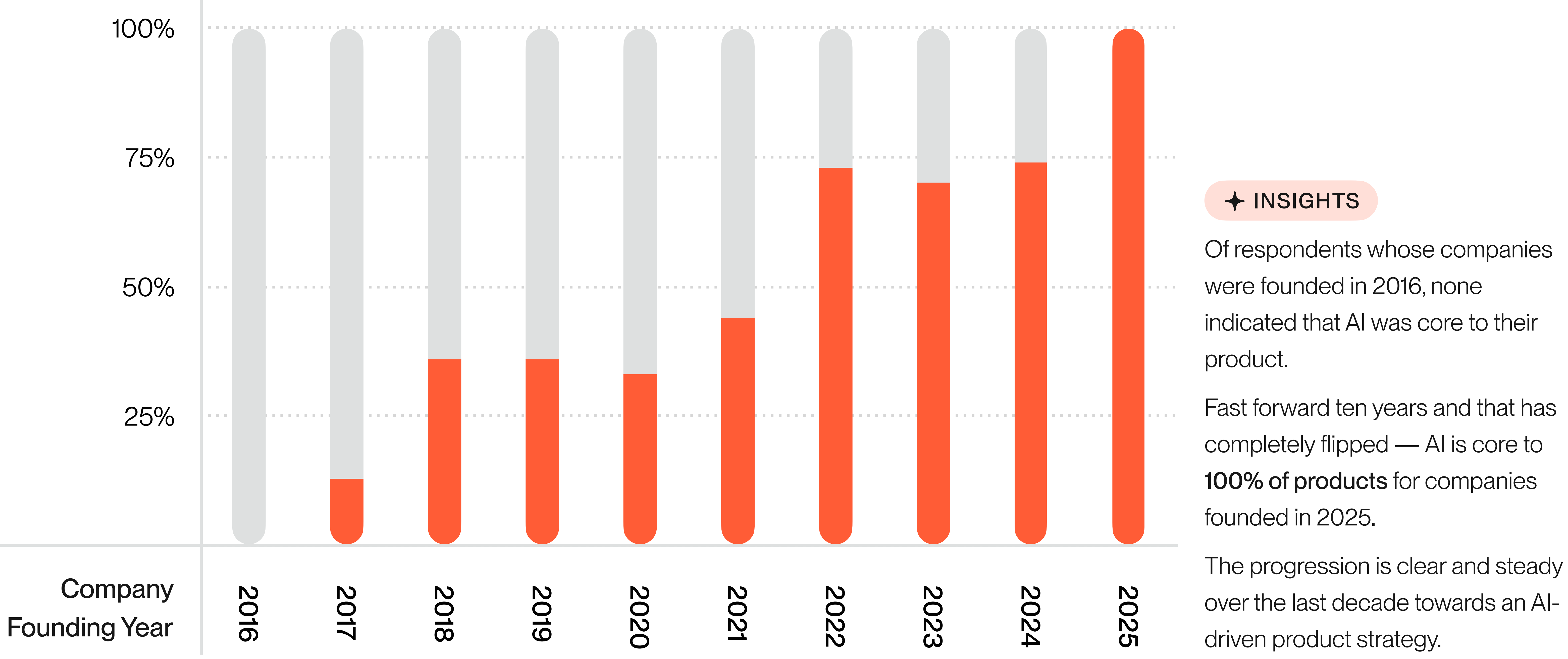
AI PRODUCT INCORPORATION

ChatGPT's 2022 Launch Significantly Changed How Deeply Companies Incorporate AI in Their Products

How Deeply AI Is Incorporated Into the Product



Percent of Respondents



✦ INSIGHTS

Of respondents whose companies were founded in 2016, none indicated that AI was core to their product.

Fast forward ten years and that has completely flipped — AI is core to **100% of products** for companies founded in 2025.

The progression is clear and steady over the last decade towards an AI-driven product strategy.

Source: 2025 SaaS Benchmarks Report by High Alpha

Embedding AI Deeply in Product Drives Outsized Growth

GROWTH RATE BASED ON HOW DEEPLY AI IS INCORPORATED INTO THE PRODUCT OFFERING

SaaS Companies With AI at the Core of Their Products Are Growing Much Faster Than Those With AI as a Supporting Feature

INSIGHTS

SaaS companies with AI deeply incorporated into their products outperform peers across all ARR bands, growing twice as fast as those with AI as a supporting product feature. The performance gap is most significant in the $1-5 million ARR cohort, where AI differentiation drives **70% faster growth**. The gap narrows with scale, but growth rates remain higher.

Founder Takeaway

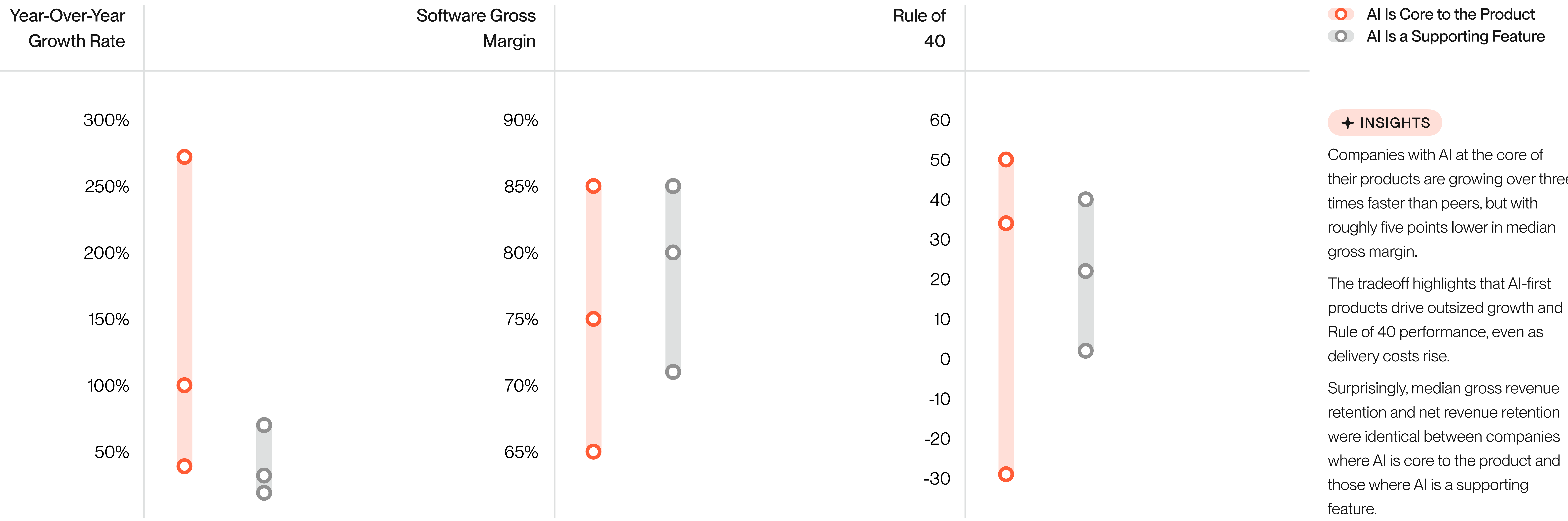
Embedding AI deeply into your product isn't just a technical choice, it's a growth strategy.

Source: 2025 SaaS Benchmarks Report by High Alpha

Although Tradeoffs Exist, Growth Far Outweighs Lower Gross Margins

PERFORMANCE WHEN AI IS CORE TO THE PRODUCT VS. SUPPORTING FEATURE

Companies Where AI Is Core to the Product Are Scaling Rapidly, Signaling High Customer Demand Despite Heavier Infrastructure and Compute Costs



✦ INSIGHTS

Companies with AI at the core of their products are growing over three times faster than peers, but with roughly five points lower in median gross margin.

The tradeoff highlights that AI-first products drive outsized growth and Rule of 40 performance, even as delivery costs rise.

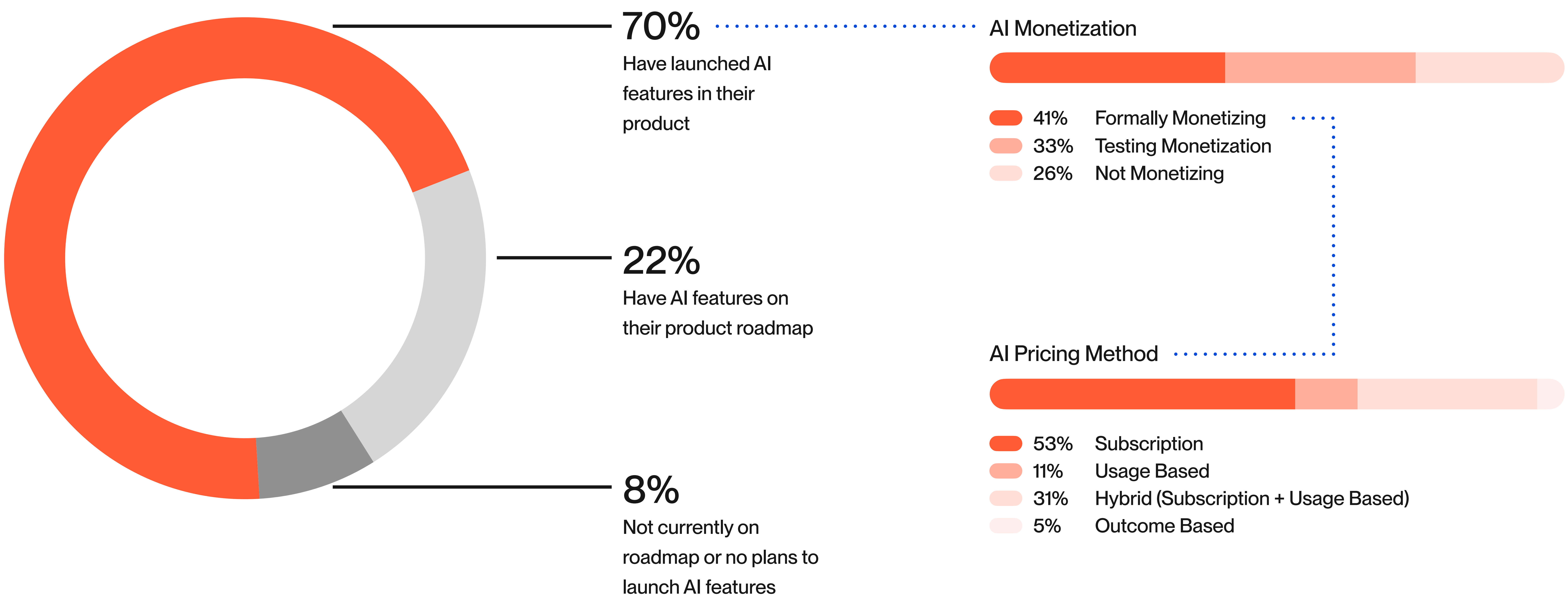
Surprisingly, median gross revenue retention and net revenue retention were identical between companies where AI is core to the product and those where AI is a supporting feature.

Source: 2025 SaaS Benchmarks Report by High Alpha

Most Companies Have Launched AI Features, Fewer Have Monetized Them

AI PRODUCT FEATURES AND MONETIZATION

Majority of Companies Are Still Experimenting With How to Price AI Value



INSIGHTS

Developing AI features has become nearly universal among SaaS companies, but monetization remains early. While **70% have launched AI features**, only **41% are generating revenue** from them — and most are doing so through traditional subscription tiers.

The next wave of SaaS differentiation will come from monetization innovation, as usage-based and hybrid models align price more closely with customer value.

Founder Takeaway

Founders who move fastest to connect AI outcomes to pricing could capture both margin expansion and market share.

Source: 2025 SaaS Benchmarks Report by High Alpha

AI Monetization Experimentation Continues to Evolve

AI PRICING MODELS

There Are Now Myriad Pricing Options For AI Products With Companies Attempting to Tie Value Creation More Closely to Pricing

Salesforce
$2 per conversation

OpenAI
Per input/output token (GPT-5)

Chargeflow
25% per successful chargeback recovered

Casemark
Per AI generated legal deliverable

Salesforce
Pay-per-action credit model (New)

OpenAI
Pooled credit model for ChatGPT enterprise (New)

AirHelp
35% success fee

Zapier
Based on tasks automated

Intercom
$0.99 per AI resolution (FinAI agent)

Clay
Hybrid pricing with credits

Flycode
Only pay for revenue recovered above baseline

Imagen
Per AI photo edited

Decagon
Option of per-resolution or per-conversation pricing

Unity
Hybrid pricing with credits

Retool
Based on AI agent hours

Aftershoot
Unlimited photo edits

Sierra
Per completed task

Relevance AI
Hybrid pricing based on users and actions

DeepL
Per user and number of characters translated

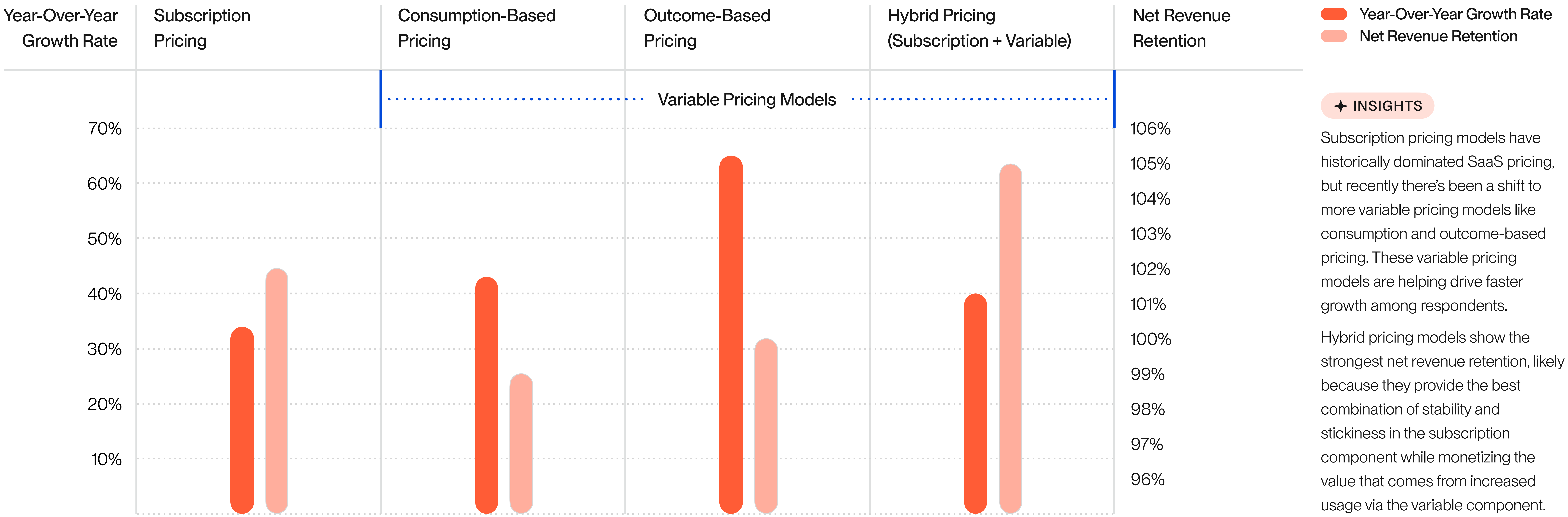
ElevenLabs
Credit-based

Source: Growth Unhinged

Overall Pricing Model Has Outsized Impact on Growth and Retention

PRIMARY PRICING MODEL BY PERFORMANCE METRICS

Hybrid Pricing Models Are Delivering the Highest Retention While Outcome-Based Pricing Drives Strongest Growth



✦ INSIGHTS

Subscription pricing models have historically dominated SaaS pricing, but recently there's been a shift to more variable pricing models like consumption and outcome-based pricing. These variable pricing models are helping drive faster growth among respondents.

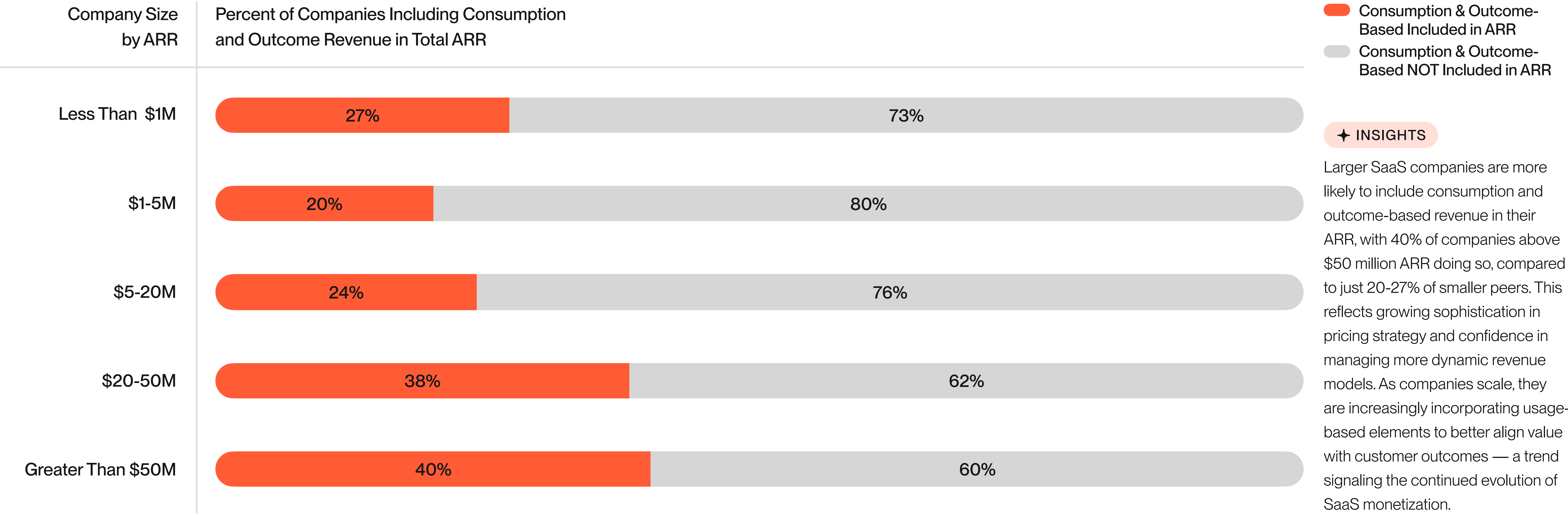
Hybrid pricing models show the strongest net revenue retention, likely because they provide the best combination of stability and stickiness in the subscription component while monetizing the value that comes from increased usage via the variable component.

Source: 2025 SaaS Benchmarks Report by High Alpha

Consumption & Outcome-Based Pricing Increases as Companies Scale

COMPANIES INCLUDING CONSUMPTION & OUTCOME REVENUE IN ARR

Larger Companies More Open to Pricing Based on Volume or Outcomes



INSIGHTS

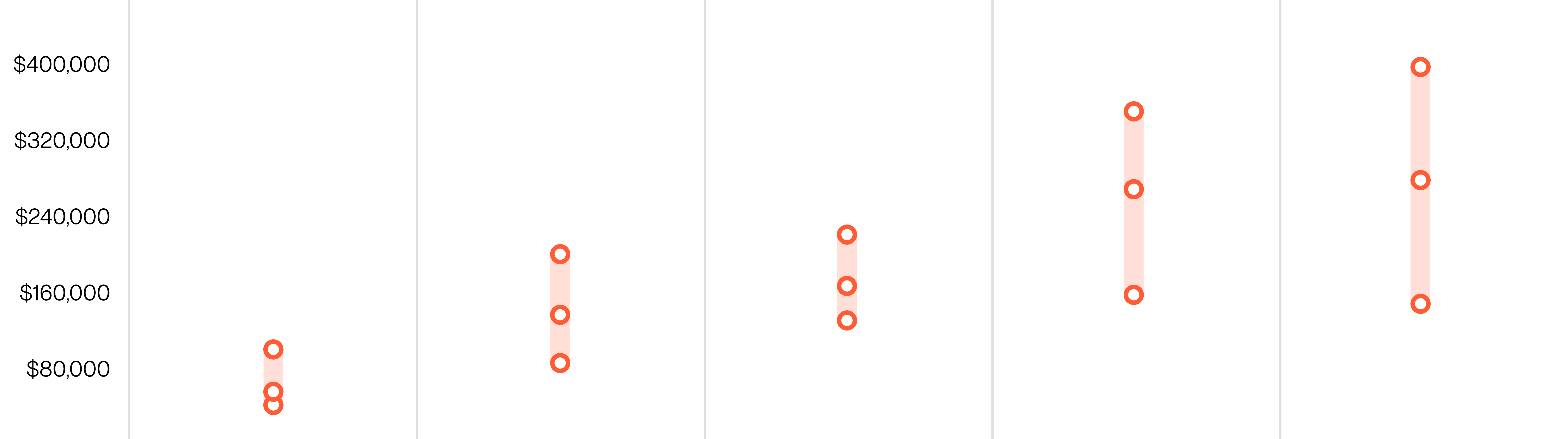
Larger SaaS companies are more likely to include consumption and outcome-based revenue in their ARR, with 40% of companies above $50 million ARR doing so, compared to just 20-27% of smaller peers. This reflects growing sophistication in pricing strategy and confidence in managing more dynamic revenue models. As companies scale, they are increasingly incorporating usage-based elements to better align value with customer outcomes — a trend signaling the continued evolution of SaaS monetization.

Source: 2025 SaaS Benchmarks Report by High Alpha

ARR Per Employee Increases Significantly Above $20M ARR

ARR PER EMPLOYEE

Median and Upper Quartile ARR Per Employee Improves Consistently as Companies Scale



ARR Per Employee	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	$100,000	$200,000	$220,588	$350,000	$396,635
Median	$55,556	$136,364	$166,667	$268,235	$277,778
Lower Quartile	$41,667	$85,714	$130,435	$157,362	$147,965

INSIGHTS

As SaaS companies scale, operational leverage becomes a clear differentiator.

Top-quartile performers above $50 million ARR generate **nearly $400k per employee** — almost double the efficiency of companies in the $5-20 million ARR range and on par with median public SaaS company efficiency.

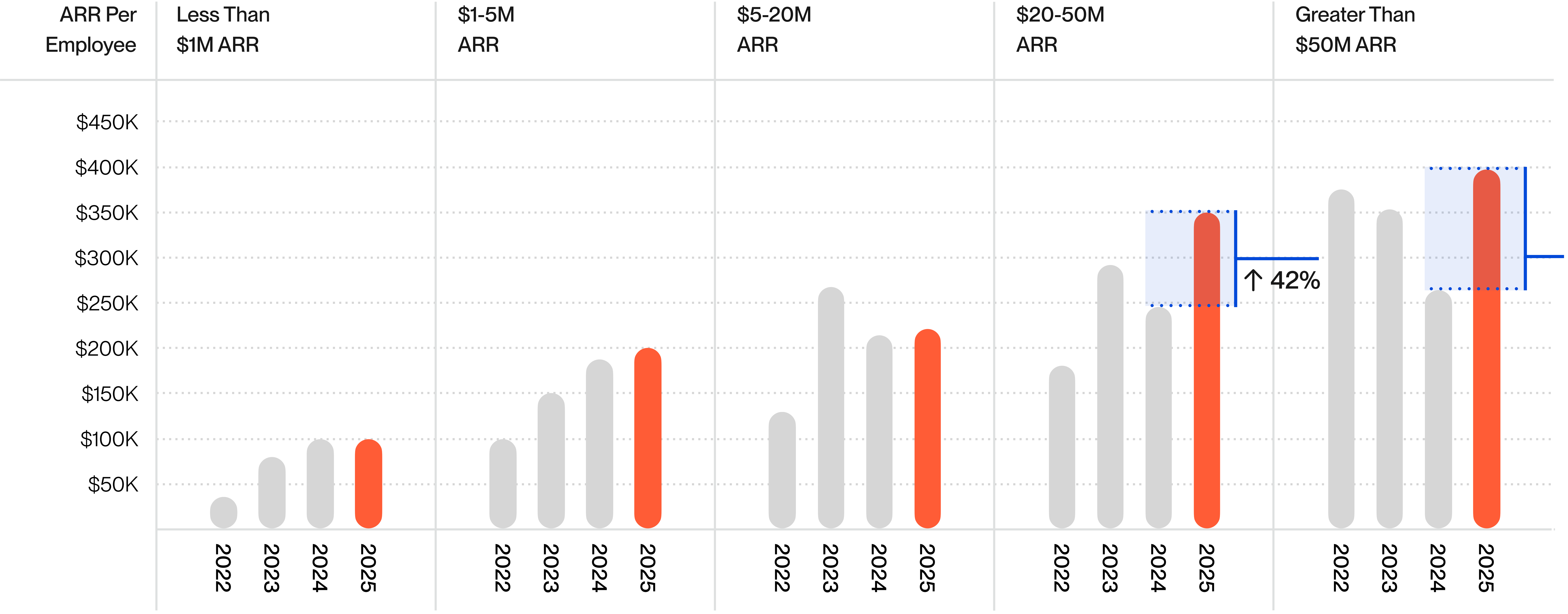
This reflects mature go-to-market models, optimized org structures, and automation that allows revenue to grow faster than headcount.

Source: 2025 SaaS Benchmarks Report by High Alpha

Upper Quartile ARR Per Employee Surges for Those Above $20M ARR

UPPER QUARTILE ARR PER EMPLOYEE

Companies Less Than $20M ARR Show Substantial Improvement Over 2022, But Little Change Year Over Year



✦ INSIGHTS

Upper quartile ARR per employee is nearly unchanged in bands less than $20 million ARR but later-stage businesses have improved efficiency dramatically year over year.

50%

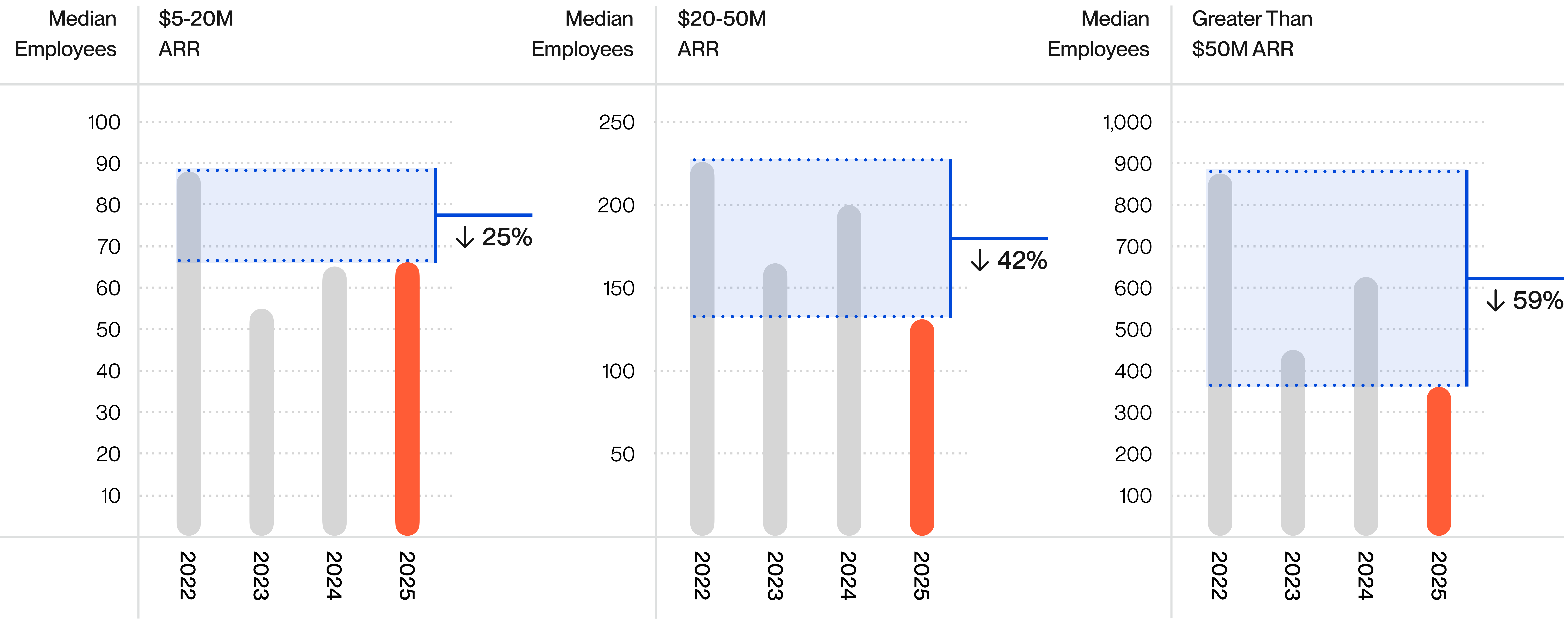
Year-over-year increase in ARR per employee for companies with greater than $50 million ARR.

Companies in the $20-50 million ARR band have improved ARR per employee by 42%.

Later-Stage Companies Are Operating With Leaner Teams

MEDIAN EMPLOYEES BY ARR BAND

After Years of Aggressive Hiring, Scaled SaaS Companies Are Proving Leaner Teams Are Sustainable



✦ INSIGHTS

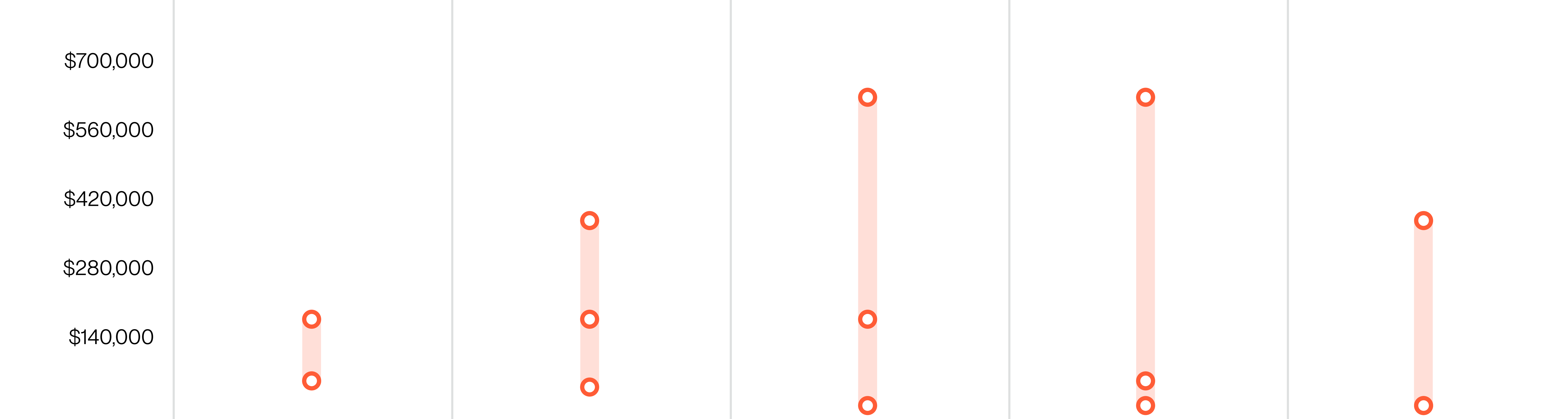
Companies beyond $5 million ARR have experienced a substantial decrease in employee count over the past four years. These changes make the businesses more resilient and efficient, requiring less outside capital to sustain operations.

Source: 2025 SaaS Benchmarks Report by High Alpha

Efficiency Gains Drive Cash Burn Down In Larger Companies

MONTHLY CASH BURN

Median Burn Has Fallen Sharply, With Later-Stage Companies Now Largely Break Even or Cash Flow Positive



Monthly Cash Burn	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	$175,000 -	$375,000 -	$625,000 -	$625,000 ↓50%	$375,000 ↓85%
Median	$50,000 -	$175,000 -	$175,000 ↓53%	$50,000 ↓92%	$0 -
Lower Quartile	$50,000 -	$37,500 ↓25%	$0 -	$0 ↓100%	$0 -

↑↓ Change From 2024

✦ INSIGHTS

Across all ARR bands, median burn has dropped to minimal or breakeven levels, especially beyond $20 million ARR, where most companies are now operating cash-neutral. This shift underscores a new phase of SaaS maturity: growth funded by operational efficiency rather than constant external capital.

Founder Takeaway

This marks a return to control — where efficiency, not fundraising cadence, determines longevity and optionality.

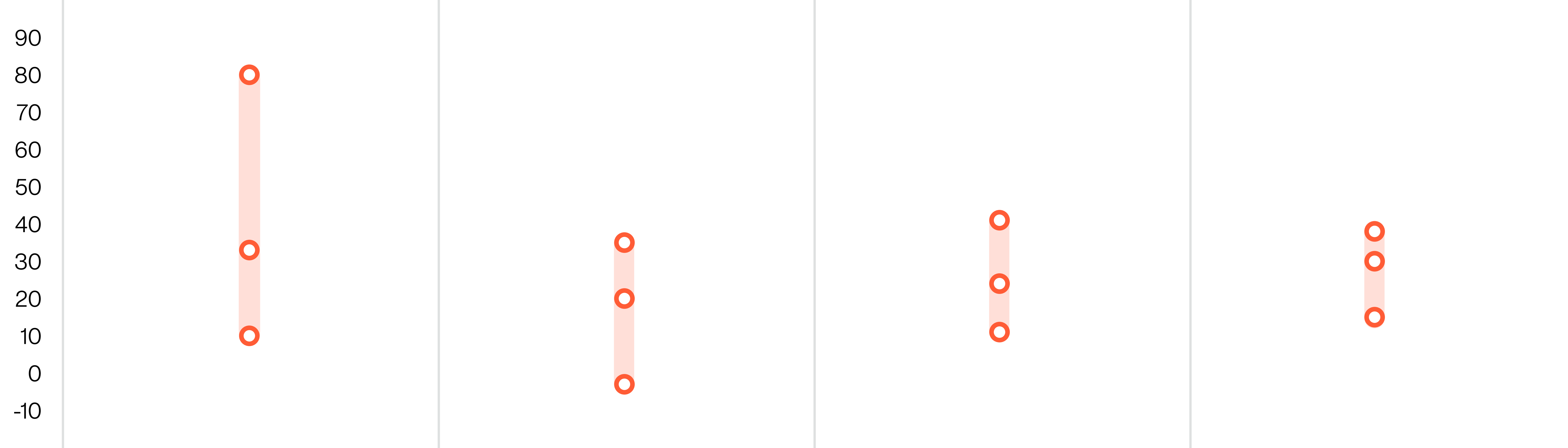
Respondents provided a range for cash burn. Values are calculated based on the midpoint of reported ranges.

Source: 2025 SaaS Benchmarks Report by High Alpha

Median Companies Fall Short of the Rule of 40

RULE OF 40

The Best Companies Continue to Operate Near the Rule of 40



Rule of 40	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	80	35	41	38
Median	33	20	24	30
Lower Quartile	10	-3	11	15

✦ INSIGHTS

Rule of 40 performance remained remarkably consistent with 2024, underscoring that the post-reset efficiency mindset has endured.

Growth is still valued more highly than profitability, but each company should evaluate the tradeoffs to optimize its own mix between the two.

For comparison, public SaaS companies have a **median ARR growth of 15%** and **free cash flow of 18%** for a **33% implied Rule of 40**.

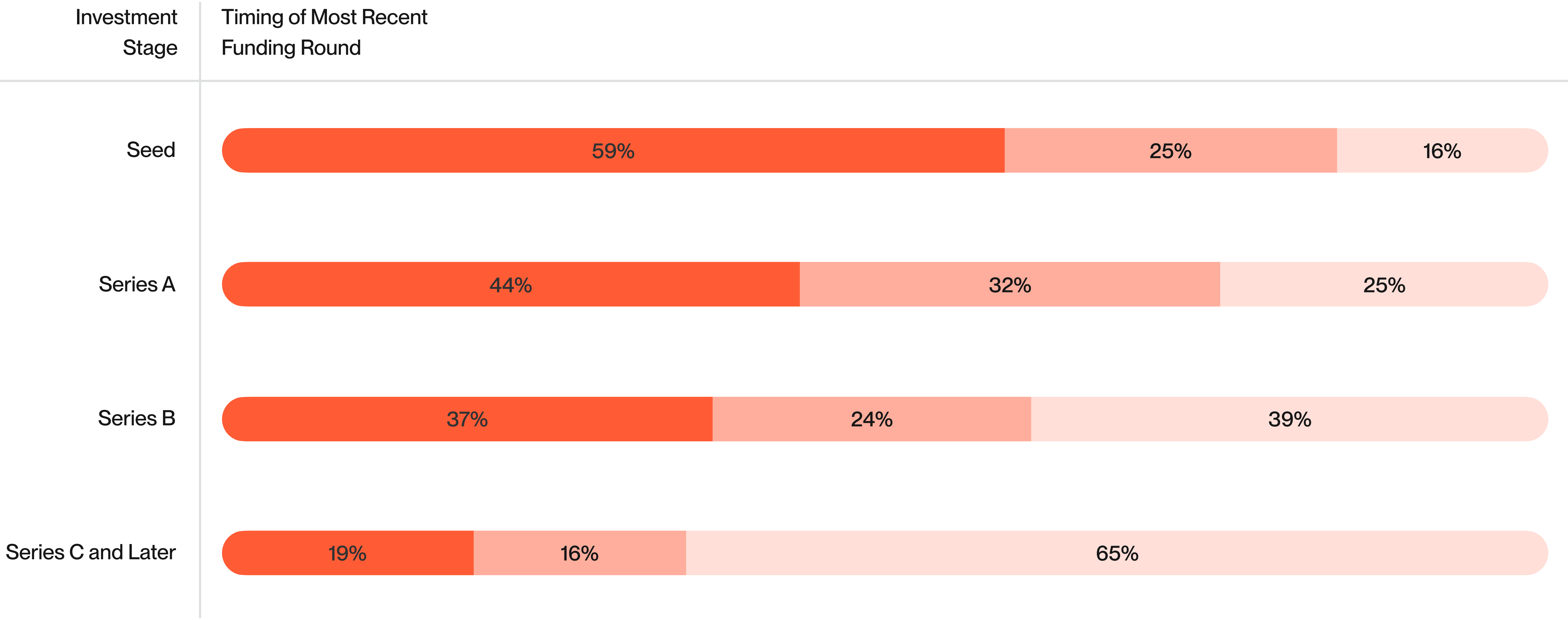
Rule of 40 calculated as year-over-year ARR growth plus last 12 months (LTM) free cash flow margin or EBITDA margin.

Source: 2025 SaaS Benchmarks Report by High Alpha

Early-Stage Fundraising Consistent With Prior Years

TIMING OF MOST RECENT FUNDING ROUND

Series C and Later Fundraises Show Material Shift as Two Thirds of Companies Have Not Raised Capital in Over Two Years



✦ INSIGHTS

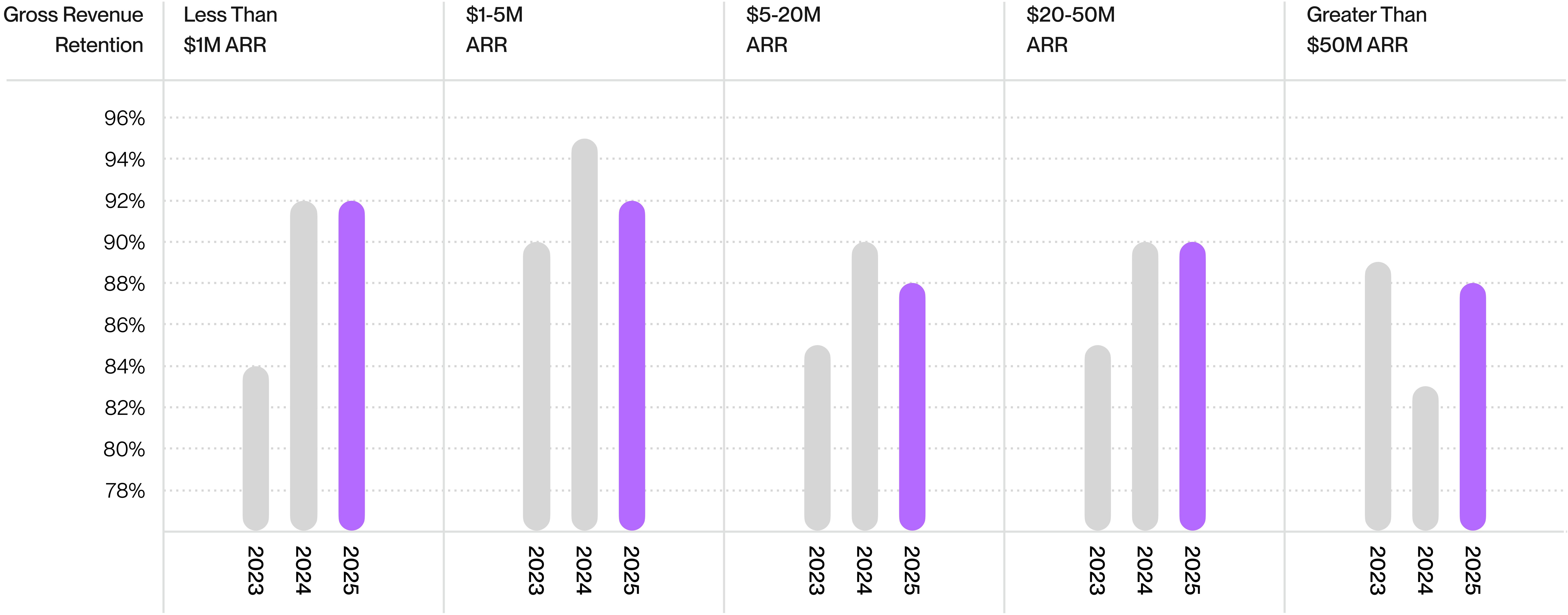
Seed through Series B funding remained steady year over year, signaling a stable early-stage environment. In contrast, **nearly 20%** more Series C+ companies haven't raised in more than two years — a **27% jump** versus 2023 — as many approach cash-flow breakeven and choose to preserve optionality rather than raise new capital.

SaaS Metrics & Trends

Gross Revenue Retention Maintains Stable Pattern

MEDIAN GROSS REVENUE RETENTION

Retaining 90% of Gross Revenue At Renewal Is the Norm Among All ARR Bands



INSIGHTS

Retention stability this year provides a clear target for companies at 90% across all ARR bands.

Founder Takeaway

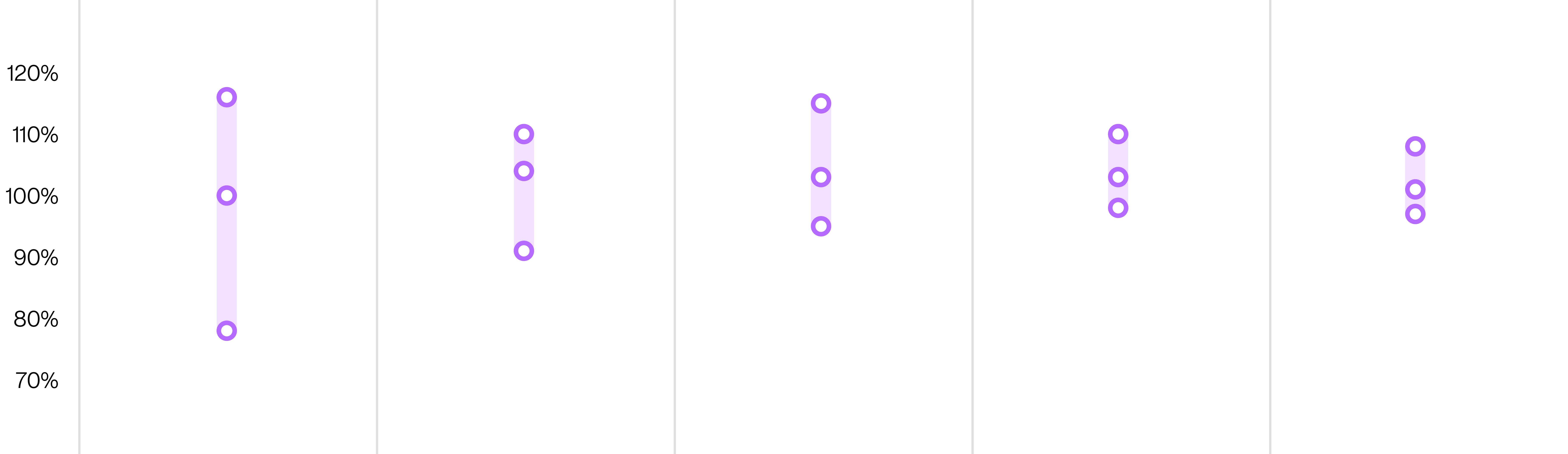
Tactics to optimize gross revenue retention include:

- *Strengthen onboarding and early value delivery*
- *Improve product adoption and engagement*
- *Measure and manage customer health*
- *Refine pricing and contract structure*
- *Deepen relationships with decision-makers*
- *Reduce product friction*
- *Quantify and communicate ROI*

Net Revenue Retention Stays in Tight Range

NET REVENUE RETENTION

The Strongest Companies Grow by 10%+ Year Over Year From Existing Customer Base



Net Revenue Retention	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	116%	110%	115%	110%	108%
Median	100%	104%	103%	103%	101%
Lower Quartile	78%	91%	95%	98%	97%

✦ INSIGHTS

Early-stage companies show the biggest spread (some breakouts, some churn) as they search for product market fit.

Variability tightens after $1 million ARR as upsell and renewal strategies mature. **Medians stay at or above 100%** across all ARR bands.

Founder Takeaway

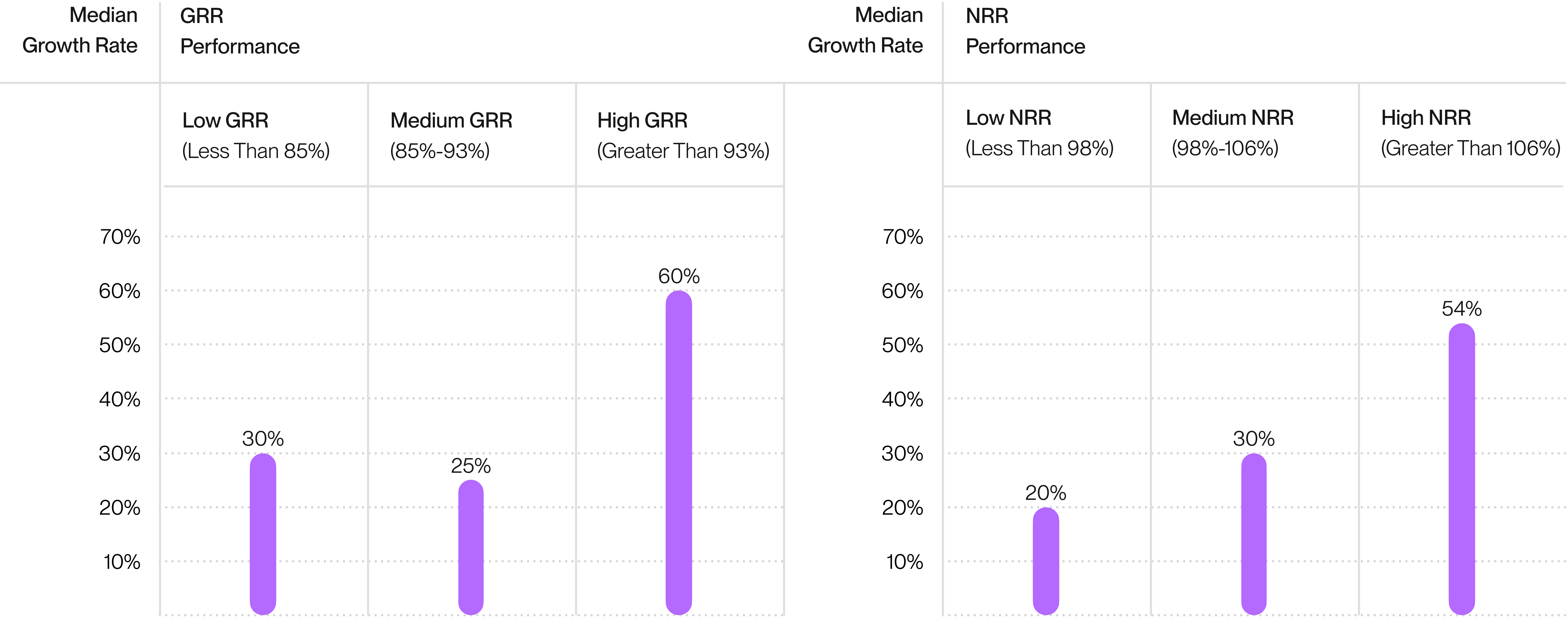
The best performers continue to pair strong gross retention with disciplined account expansion — often fueled by pricing strategy, multi-product adoption, and proactive customer success investments.

Source: 2025 SaaS Benchmarks Report by High Alpha

Net and Gross Revenue Retention Strong Growth Predictors

MEDIAN GROWTH RATE BY NRR & GRR

High NRR and GRR Companies Grow Significantly Faster Than Low and Medium NRR and GRR Companies



INSIGHTS

High gross revenue retention is likely a strong sign of product-market fit. Companies that have found product-market fit have extraordinarily sticky products, and strong growth follows. Low and medium net revenue retention and gross revenue retention are less predictive of strong growth rates as companies with medium GRR surprisingly have a lower median year-over-year growth rate than those with low GRR.

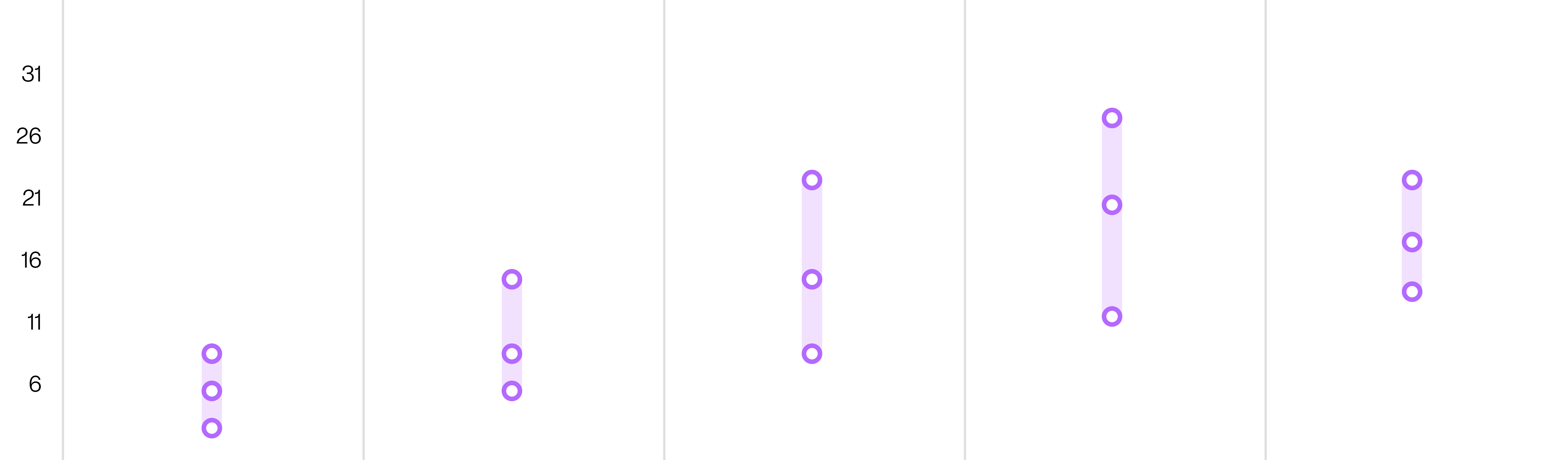
49% of companies with high gross revenue retention (GRR) also have high net revenue retention (NRR), and 47% of companies with high NRR also have high GRR, indicating a strong correlation between the two.

Source: 2025 SaaS Benchmarks Report by High Alpha

CAC Payback Maintains Same Pattern As Prior Year

CAC PAYBACK PERIOD

Companies in the $20-50M ARR Band Have Highest Payback Periods As Scaling Customer Acquisition Increases in Difficulty



Payback Period in Months	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	8	14	22	27	22
Median	5	8	14	20	17
Lower Quartile	2	5	8	11	13

✦ INSIGHTS

The most efficient teams continue to recover CAC in **13 months or less** across all ARR bands, proving that disciplined execution and strong retention can still drive sustainable growth despite rising acquisition costs.

As noted in prior years, early-stage companies are not always fully accounting for all expenses to acquire customers, which may artificially lower their CAC payback period. Examples of expenses frequently not allocated in early stages: founder salaries to sales and marketing efforts, support team costs in COGS, and customer success and onboarding costs.

Source: 2025 SaaS Benchmarks Report by High Alpha

Efficient Growth Lives at the Intersection of Retention and CAC

NET REVENUE RETENTION AND CAC MATRIX

Companies With 106%+ Net Revenue Retention and CAC Payback Under 10 Months Achieve Materially Stronger Growth and Rule of 40 Scores

		Low CAC (Less Than 10 Months)	Medium CAC (10-15 Months)	High CAC (Greater Than 15 Months)
High NRR (Greater Than 106%)	Median Growth Rate	71%	53%	40%
	Median Rule of 40	47%	38%	21%
Medium NRR (98%-106%)	Median Growth Rate	45%	50%	25%
	Median Rule of 40	33%	38%	19%
Low NRR (Less Than 98%)	Median Growth Rate	30%	20%	10%
	Median Rule of 40	33%	27%	5%

✦ INSIGHTS

The relationship between NRR and acquisition efficiency remains one of the strongest predictors of SaaS performance. Companies that pair high NRR with low CAC deliver dramatically better outcomes — nearly doubling growth rates and Rule of 40 scores compared to peers with weaker retention or longer paybacks. Optimizing acquisition and retention is a solid strategy for all businesses.

Founder Takeaway

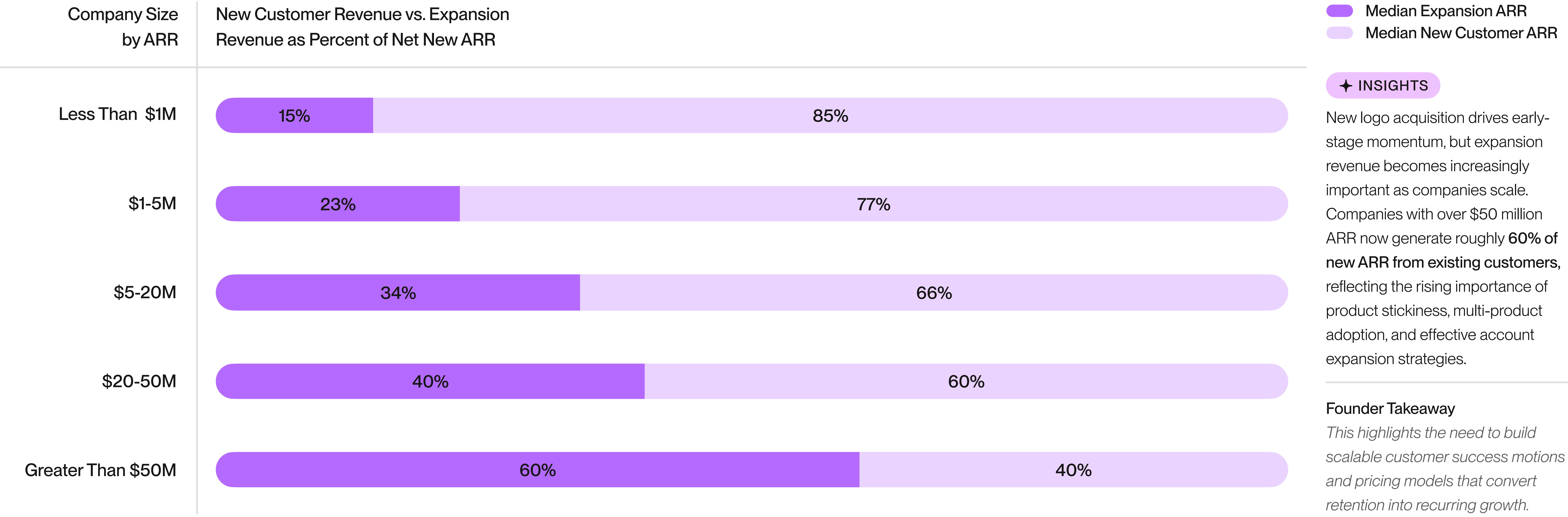
Focus on expanding within existing customers and maintaining efficient go-to-market execution to sustain healthy growth and capital efficiency as you scale.

Source: 2025 SaaS Benchmarks Report by High Alpha

Expansion ARR Becomes the Growth Engine at Scale

NET NEW REVENUE FROM NEW CUSTOMERS VS. EXPANSION FROM EXISTING CUSTOMERS

Efficient Scaling Depends on Maximizing Expansion ARR Beyond $20M ARR



INSIGHTS

New logo acquisition drives early-stage momentum, but expansion revenue becomes increasingly important as companies scale. Companies with over $50 million ARR now generate roughly **60% of new ARR from existing customers,** reflecting the rising importance of product stickiness, multi-product adoption, and effective account expansion strategies.

Founder Takeaway

This highlights the need to build scalable customer success motions and pricing models that convert retention into recurring growth.

Source: 2025 SaaS Benchmarks Report by High Alpha

Mid-Range ACVs Deliver the Best Blend of Growth & Retention

GROWTH AND AVERAGE CONTRACT VALUES

ACVs Under $10k Are Most Challenged

Average Contract Value	Percent of Respondents	Median Year-Over-Year Growth Rate	Median Gross Revenue Retention	Median Net Revenue Retention
Less Than $1k	4%	30%	83%	98%
$1k-5k	11%	25%	88%	97%
$5k-10k	8%	25%	85%	94%
$10k-15k	10%	40%	88%	107%
$15k-25k	11%	38%	88%	104%
$25k-50k	16%	30%	92%	105%
$50k-100k	18%	44%	94%	104%
$100k-250k	12%	30%	91%	102%
Greater Than $250k	9%	32%	92%	105%

INSIGHTS

Growth and retention performance converge in the mid-market. Companies with ACVs between $10k and $100k show the strongest balance of scale and durability — median year-over-year growth is **above 30%**, gross revenue retention is **near or above 90%**, and net revenue retention is **above 104%**.

At the low end, smaller contracts are prone to churn and limited expansion. At the high end, growth slows as sales cycles lengthen and deal concentration rises.

Source: 2025 SaaS Benchmarks Report by High Alpha

Direct Sales Is Most Prevalent Go-To-Market Channel

PRIMARY GO-TO-MARKET CHANNELS

Self-Service Models Show the Lowest Growth and Retention, While Direct and Partner Motions Perform More Consistently

Go-To-Market Channels		Share	Median Year-Over-Year Growth Rate	Median Gross Revenue Retention
Traditional Direct Sales	Sales person reaches out directly to customer	39%	35%	90%
Sales-Assist	Sales engages after customer has interacted with product	21%	34%	88%
Channel Partnerships	Selling through channel partners	20%	35%	90%
Self-Service	Customer completes full journey alone	12%	32%	87%
Marketplaces	Customer purchases through marketplace	4%	40%	88%
Other	None of the above	4%	34%	87%

✦ INSIGHTS

Direct sales remains the most common and durable go-to-market strategy, used by **nearly 40%** of SaaS companies in this year's survey. While self-service models can drive early adoption, they consistently trail in both growth and gross revenue retention, reflecting higher churn and limited expansion potential.

Founder Takeaway

Companies relying on direct or partner-led sales achieve steadier performance than self-service as they scale, suggesting that even in an AI world, human-assisted sales motions remain critical for long-term growth and retention.

Source: 2025 SaaS Benchmarks Report by High Alpha

IRL FTW: Events Lead the Way

EFFECTIVENESS OF GO-TO-MARKET CHANNELS

Outbound Remains an Effective Early-Stage Tactic but Scalable Channels Like SEO and Events Dominate at Higher ARR Levels

Rank	Go-to-Market Channel	Less Than $1M ARR	$1M-5M ARR	$5M-20M ARR	$20M-50M ARR	Greater Than $50M ARR
1	Events	45%	45%	62%	79%	52%
2	Outbound	34%	41%	34%	28%	20%
3	SEO/Organic Search	33%	33%	30%	31%	64%
4	Content Marketing	28%	30%	36%	52%	32%
5	Founder-Led Evangelism	36%	37%	26%	10%	16%
6	Channel/Reseller/Affiliate Partnerships	24%	23%	33%	24%	36%
7	Account-Based Marketing	16%	23%	21%	45%	40%
8	Strategic/Co-Selling Partnerships	34%	22%	21%	14%	24%
9	Paid Media/Digital Advertising	14%	18%	25%	34%	36%
10	Organic Social Media	17%	18%	17%	17%	16%
11	Product/Technology Integrations Partnerships	22%	15%	14%	3%	16%
12	Community	21%	12%	16%	21%	20%
13	PR	12%	6%	9%	3%	0%
14	Marketplaces	5%	4%	6%	3%	20%
15	Influencer Marketing	5%	6%	8%	7%	0%

✦ INSIGHTS

Outbound is crucial early on but loses impact as companies scale. In 2025, events, conferences, and real-world interactions dominated nearly all ARR bands, signaling a return to in-person relationship building as a competitive advantage. SEO and content marketing strengthen as scalable growth levers.

Conversely, the bottom four channels contribute minimally to growth, with one in five companies or fewer selecting them as effective channels.

Figures represent percentage of companies in each ARR band that selected the corresponding GTM channel. Totals add up to more than 100% as respondents could select multiple choices.

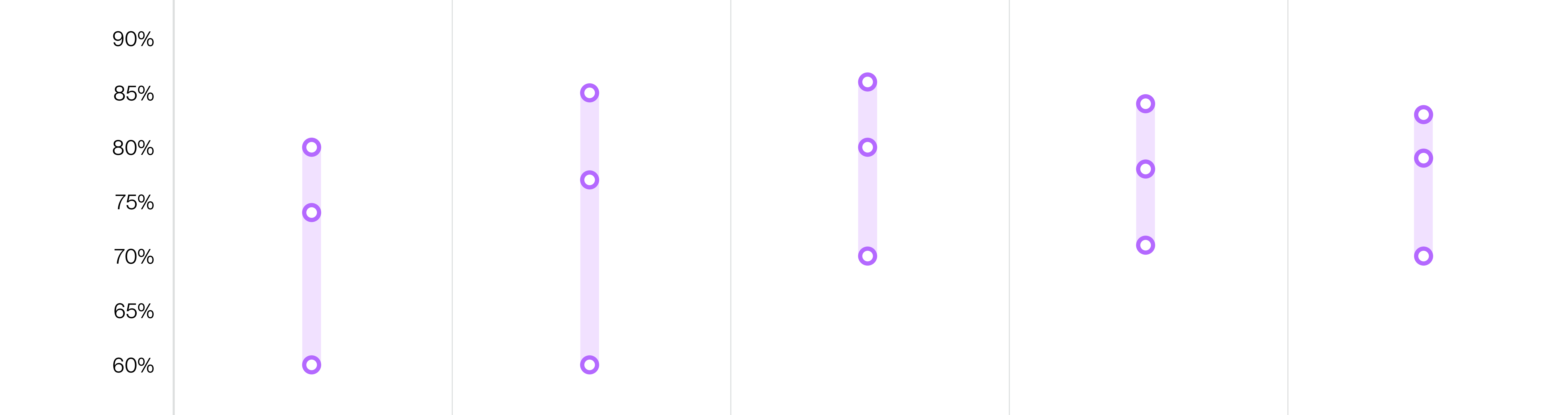
Source: 2025 SaaS Benchmarks Report by High Alpha

Smaller SaaS Companies See Gross Margin Pressure

SOFTWARE GROSS MARGIN

Early-Stage Gross Margins Declined Year Over Year, While the Margin Profile of More Mature Businesses Remained Consistent

↑↓ Change From 2024



Software Gross Margin	Less Than $1M ARR	$1-5M ARR	$5-20M ARR	$20-50M ARR	Greater Than $50M ARR
Upper Quartile	80% ↓10%	85% -	86% -	84% ↑4%	83% ↓3%
Median	74% ↓7%	77% ↓4%	80% -	78% ↑1%	79% -
Lower Quartile	60% ↓5%	60% ↓7%	70% ↓3%	71% ↓1%	70% ↓3%

✦ INSIGHTS

Gross margins declined for early-stage SaaS companies — median gross margin was **down 7%** for those under $1 million ARR **and 4%** for those at $1-5 million ARR — while larger companies held steady **near 80%.** The gap highlights growing cost pressure from AI and infrastructure investments that smaller companies can't yet absorb at scale.

The decrease is even more striking when comparing companies under $1 million ARR from 2023 — a **12% decline** in median gross margin.

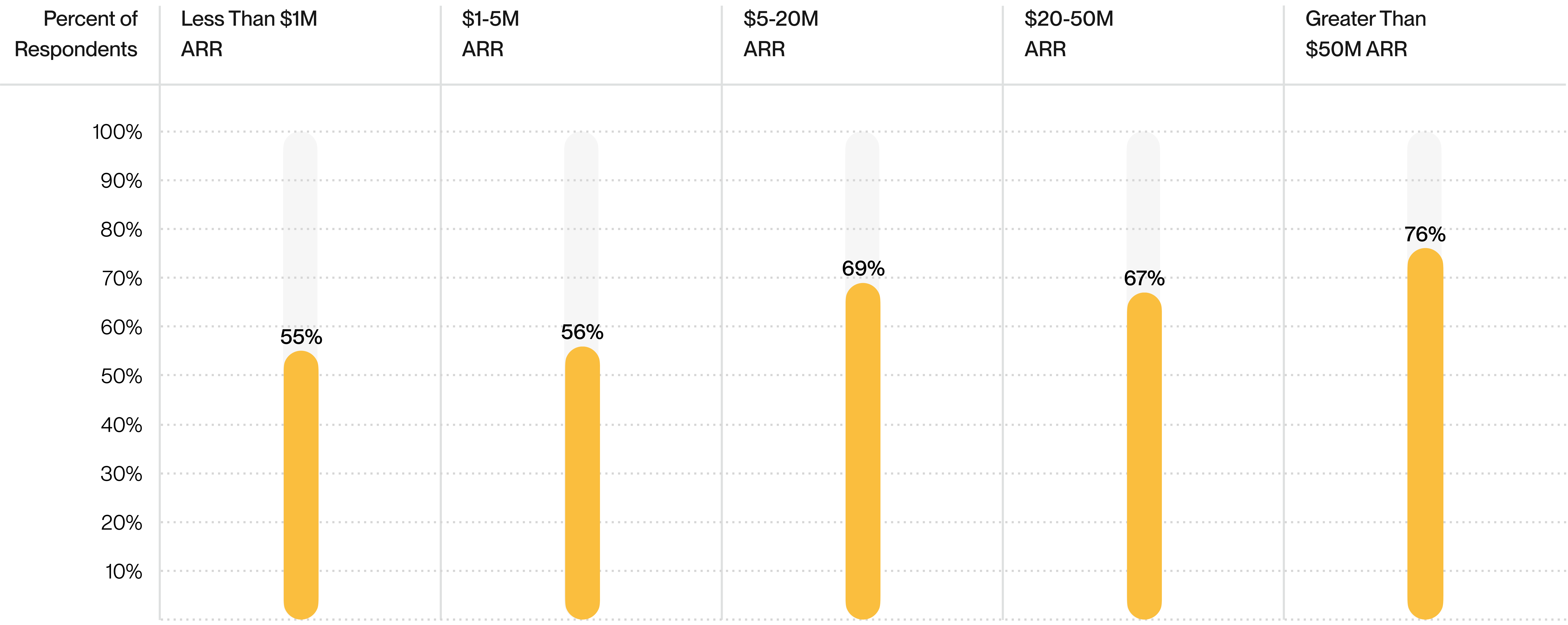
Source: 2025 SaaS Benchmarks Report by High Alpha

People

Over Half of Companies Confirm AI Spurred Headcount Reduction

PERCENT OF COMPANIES THAT REDUCED HEADCOUNT DUE TO AI

Larger Companies Made the Most AI-Driven Reductions



✦ INSIGHTS

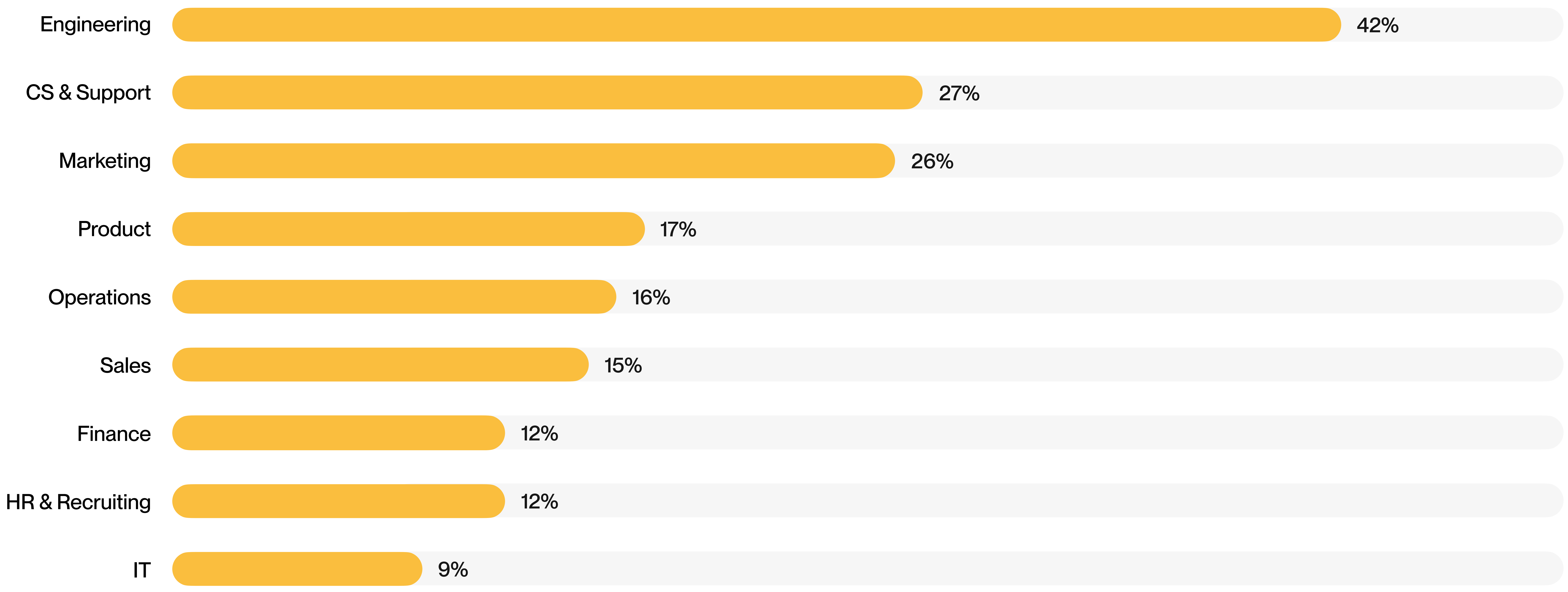
Larger companies indicated they had reduced headcount due to AI at a higher rate than smaller companies. Larger organizations are converting AI productivity gains into real efficiency while smaller ones were constructed with AI productivity baked in.

Source: 2025 SaaS Benchmarks Report by High Alpha

Engineering Tops the List of AI-Driven Headcount Reductions

PERCENT OF COMPANIES REDUCING HEADCOUNT DUE TO AI BY FUNCTIONAL AREA

Over One Fourth of Respondents Decreased Headcount in Engineering, CS & Support, and Marketing



INSIGHTS

Engineering headcount reductions due to AI are significantly higher than any other department. Back office functions like Finance, HR, and IT have been less impacted by reductions at this point.

Early AI products focused on coding, customer support, and content generation likely contribute significantly to driving headcount reductions in the top three functional areas: engineering, customer success & support, and marketing.

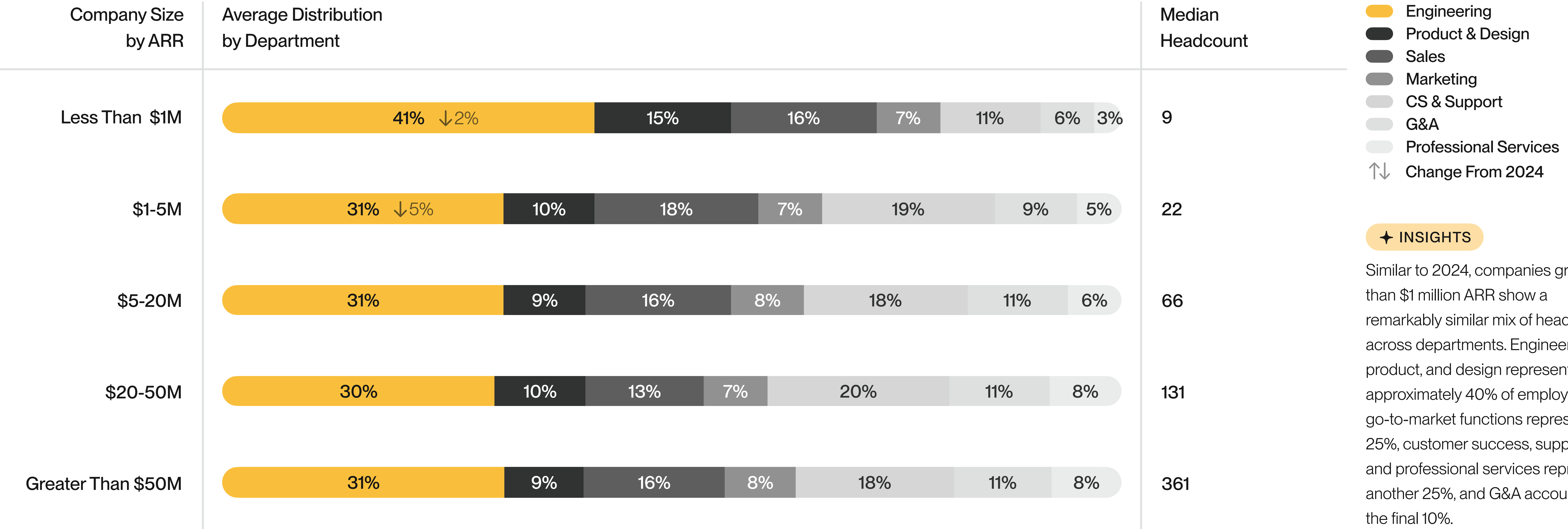
Department categories add up to more than 100% as respondents could select multiple choices.

Source: 2025 SaaS Benchmarks Report by High Alpha

Teams Are Shrinking, But Departmental Breakdown Stays Consistent

PERCENT OF TOTAL EMPLOYEES BY DEPARTMENT

Engineering Headcount Declines Year Over Year Across Early Stages, While G&A, CS, and Professional Services Expand With Scale



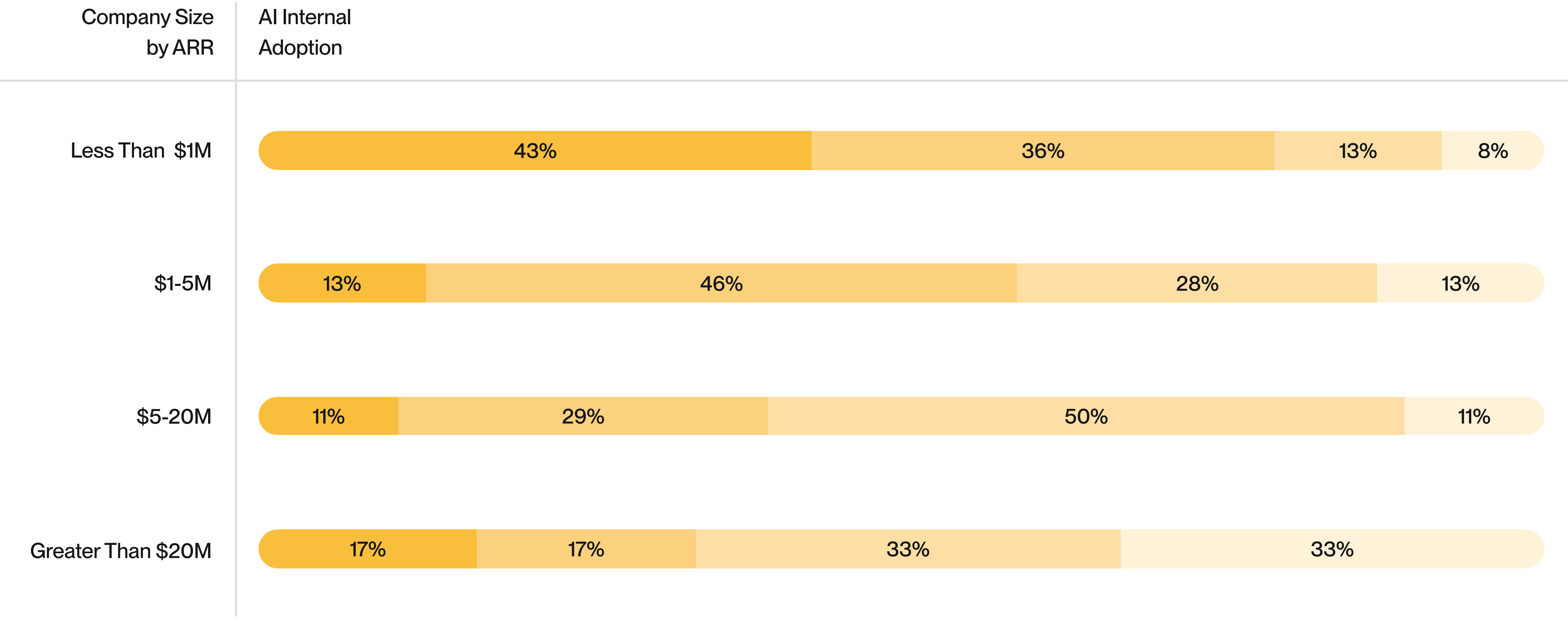
✦ INSIGHTS

Similar to 2024, companies greater than $1 million ARR show a remarkably similar mix of headcount across departments. Engineering, product, and design represent approximately 40% of employees, go-to-market functions represent 25%, customer success, support, and professional services represent another 25%, and G&A account for the final 10%.

Early-Stage SaaS Companies Are Building AI Into Their Operational DNA

CULTURE OF INTERNAL AI ADOPTION

Significant Drop in The Level of Internal AI Adoption Above $1M ARR



✦ INSIGHTS

Smaller SaaS companies are embedding AI more deeply into daily operations — **43% report full workflow integration** — while larger firms remain in pilot or selective adoption mode. The data highlights a growing agility gap in how quickly companies operationalize AI.

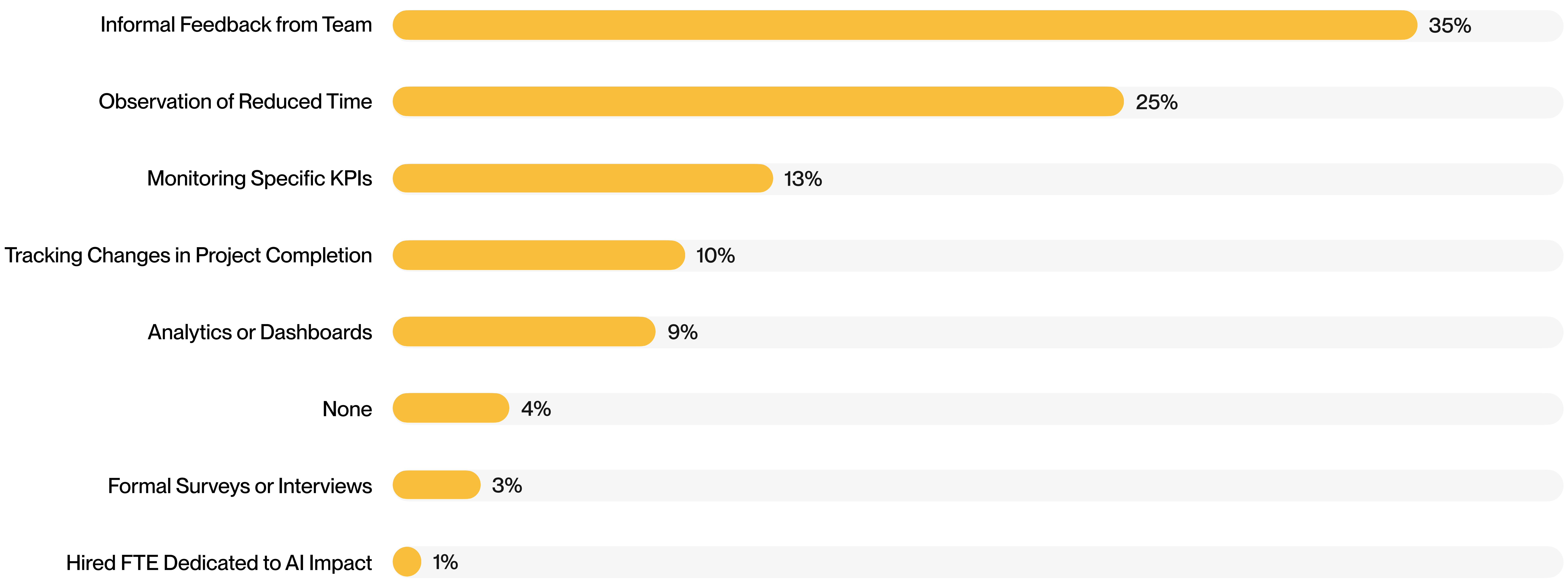
Notably, 100% of respondents indicated their companies have adopted AI internally at some level.

Source: 2025 SaaS Benchmarks Report by High Alpha

Measurement of Internal AI Impact Still Qualitative

HOW TEAMS MEASURE ADOPTION OF AI INTERNALLY

Fewer Than 25% of Companies Monitor KPIs or Have Analytics & Dashboards to Measure AI Internal Impact



INSIGHTS

AI adoption among teams is increasing, but measurement maturity is lagging. Over one third of companies rely on informal team feedback, while only a small minority (under 25%) use KPIs or dashboards to quantify impact. This indicates an early phase of operational learning, where companies are investing in AI but lack consistent frameworks to track productivity, efficiency, or ROI.

Founder Takeaway

The next wave of AI sophistication will come from quantifying its impact on real business outcomes.

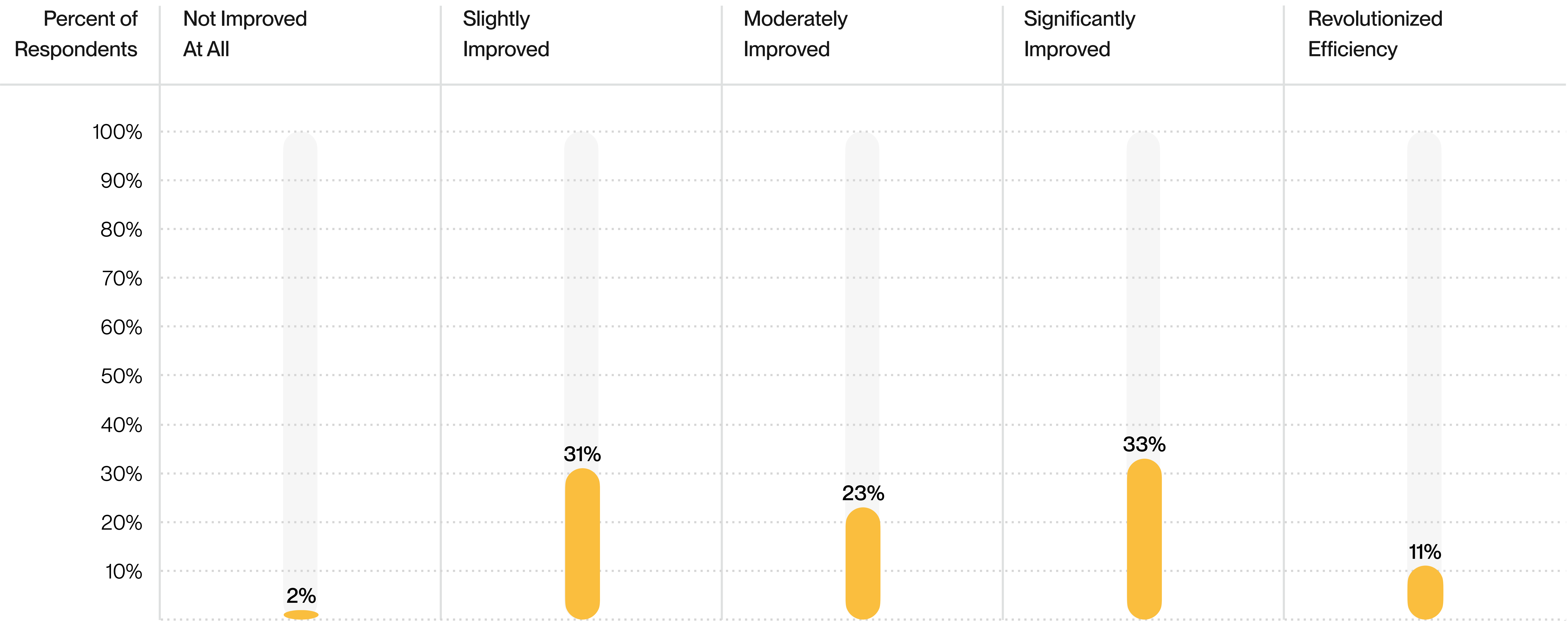
Categories add up to more than 100% as respondents could select multiple choices.

Source: 2025 SaaS Benchmarks Report by High Alpha

Majority of Respondents Believe AI Is Measurably Improving Productivity

REPORTED AI IMPACT ON TEAM PRODUCTIVITY

Most SaaS Companies Are Realizing Early Efficiency Benefits but the Full Productivity Promise of AI Is Still Developing



✦ INSIGHTS

Nearly 100% of SaaS companies report that AI has improved efficiency to some degree, yet **only 11% describe the impact as transformative.** The majority cite moderate or significant gains, indicating that AI's benefits are material but still in an early phase of operational maturity.

These results suggest that while AI is proving its value, most companies are still learning how to apply it deeply enough to drive step-change efficiency improvements.

Source: 2025 SaaS Benchmarks Report by High Alpha

Default In-Office Teams Continue To Grow Faster Than Remote

PERFORMANCE METRICS BY COMPANY OFFICE CULTURE

In-Office Responses Increased 4% Year-Over-Year as Companies Are Recognizing Benefits of In-Person Collaboration

↑↓ Change From 2024

34% ↑4% In-Office Is Default (3 or more days per week)	**42%** Median Year-Over-Year Growth Rate	**28** Median Rule of 40
66% ↓4% Predominantly or Fully Remote (Less than 3 days per week)	**31%** Median Year-Over-Year Growth Rate	**25** Median Rule of 40

✦ INSIGHTS

Similar to last year's results, in-office teams are growing faster — 42% vs. 31% year over year — but Rule of 40 results continue to show more parity.

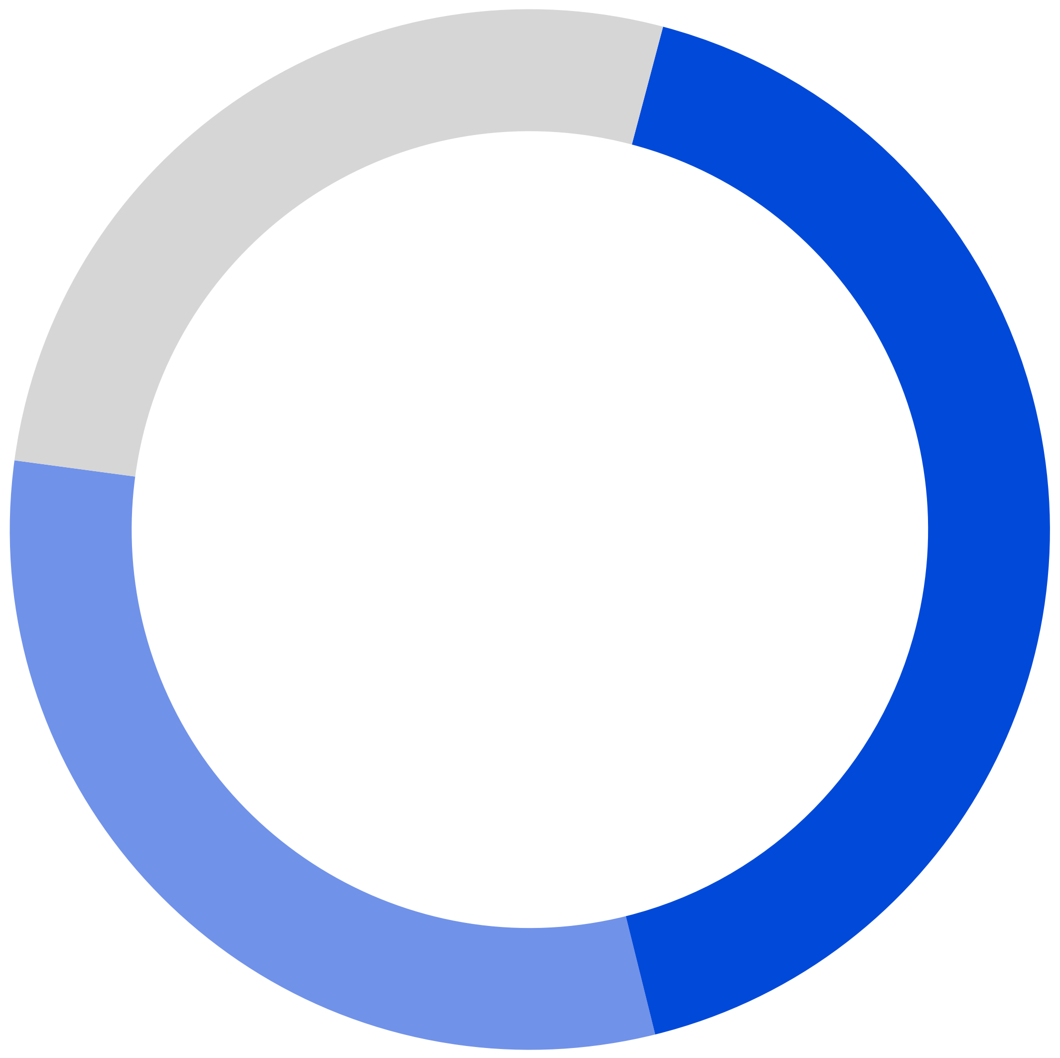
Companies founded 2020 or later are **10% more likely** to have an office culture where employees are in office 4-5 days per week than companies founded before 2020.

Founder Insights

Companies With Two Co-Founders Growing Fastest

PERFORMANCE METRICS BY NUMBER OF FOUNDERS

Adding More Founders Boosts Early Momentum, but Solo Founder Companies Tend to Operate More Efficiently



27%
Companies With Solo Founder

30%
Median Year-Over-Year Growth Rate

31
Median Rule of 40

42%
Companies With Two Co-Founders

41%
Median Year-Over-Year Growth Rate

24
Median Rule of 40

31%
Companies With Three or More Co-Founders

35%
Median Year-Over-Year Growth Rate

26
Median Rule of 40

INSIGHTS

Nearly three quarters of respondents had multiple co-founders.

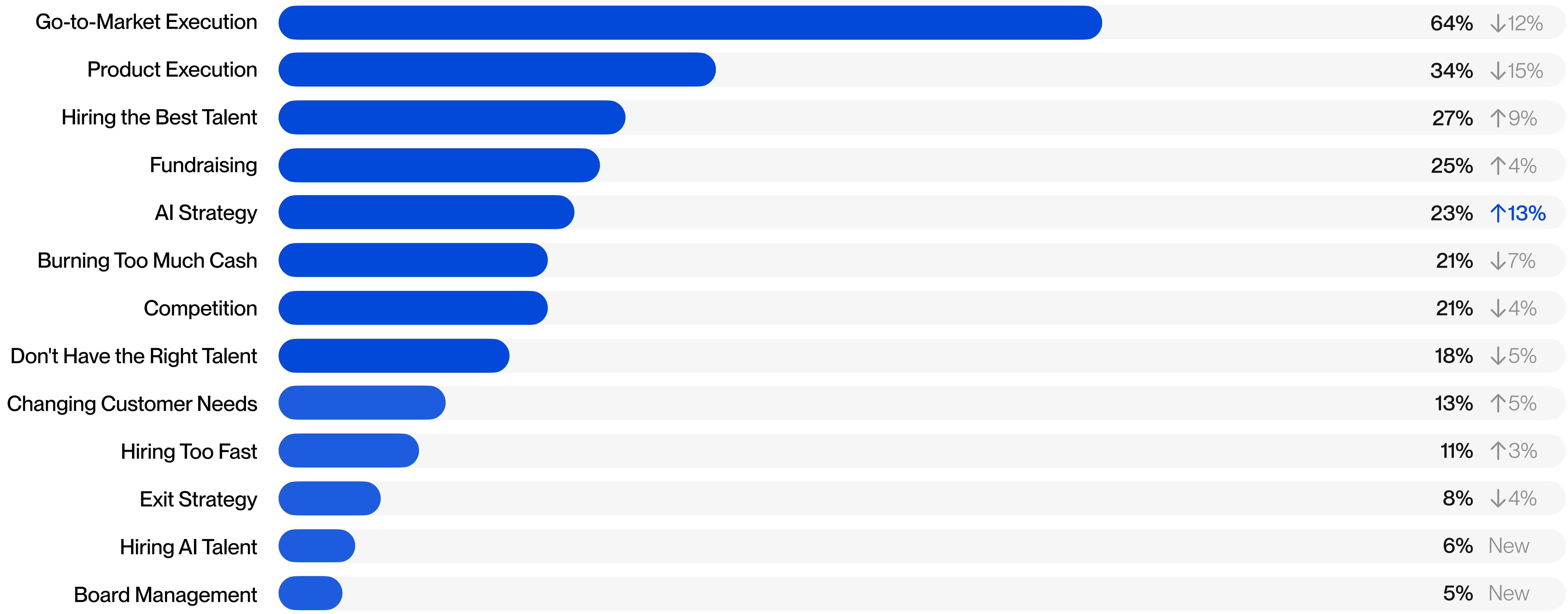
While companies with two co-founders grow the fastest and solo founders lead on efficiency, companies with three or more founders exhibited a balanced mix of growth and efficiency.

Source: 2025 SaaS Benchmarks Report by High Alpha

GTM Top Concern for Founders But AI Strategy Is Closing the Gap

TOP CONCERNS FOR FOUNDERS

AI Strategy Increased From 10% to 23% Year Over Year, the Largest Increase of Any Category



↑↓ Change From 2024

✦ INSIGHTS

Go-to-market execution remains a top concern for founders as does product execution, but both declined double-digits year-over-year. AI strategy has become more top-of-mind than ever, with the battle for the best talent also gaining momentum.

Hiring the best talent and hiring AI talent garnered a total of 33% of founder responses, which would have placed it a close third on the list — perhaps driven by a need to attract scarce but strong AI talent to organizations focused on winning the AI race in their respective markets.

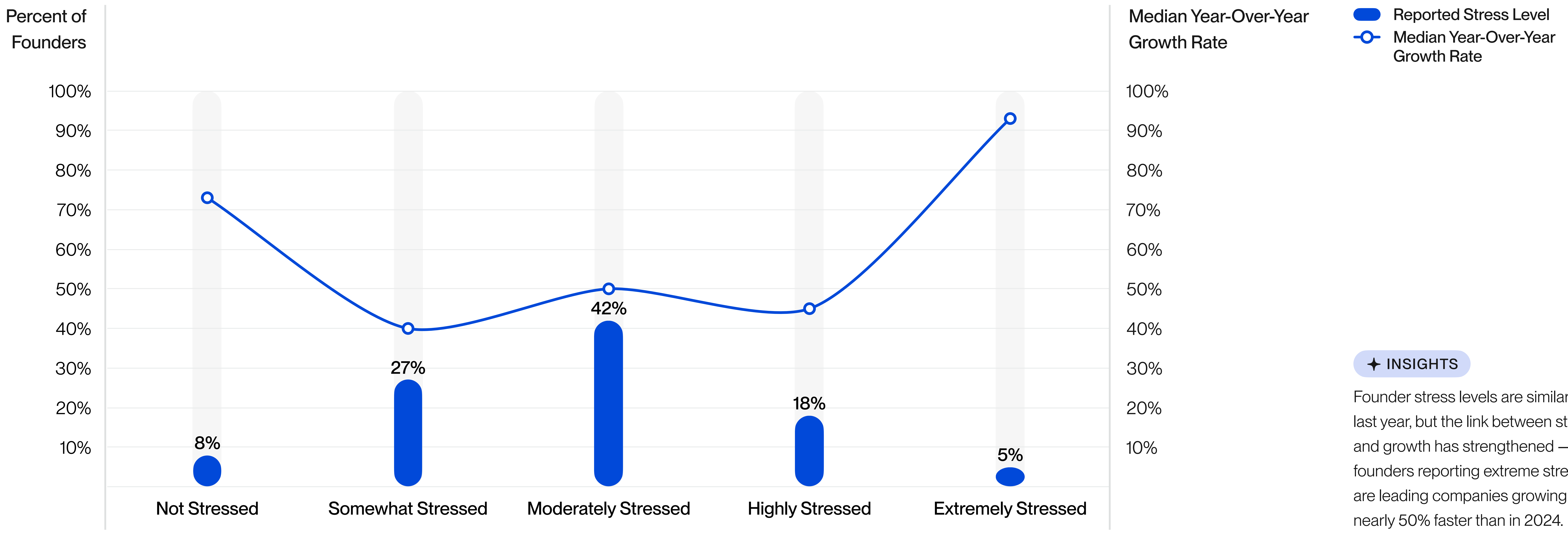
Categories add up to more than 100% as respondents could select multiple choices.

Source: 2025 SaaS Benchmarks Report by High Alpha

High Growth Correlates With High Stress (and Low Stress)

FOUNDER STRESS AND YEAR-OVER-YEAR GROWTH RATE

While Founder Stress Levels Remain Consistent, Growth Intensity Continues to Drive the Widest Emotional Gap



✦ INSIGHTS

Founder stress levels are similar to last year, but the link between stress and growth has strengthened — founders reporting extreme stress are leading companies growing nearly 50% faster than in 2024.

Source: 2025 SaaS Benchmarks Report by High Alpha

Mentors and Mental Health Specialists Tied to Stronger Growth

FOUNDER PROFESSIONAL SUPPORT

About Half of Founders Don't Work With Any Professionals — A Percentage That's Stable Across ARR Ranges

Support Categories	Median Year-Over-Year ARR Growth Rate	Percent of Founders Working With Professional Support*
Business Coach	30%	25%
Mentor	71%	30%
Mental Health Specialist	80%	16%
Fitness Trainer	25%	12%
None	40%	48%

INSIGHTS

Founders working with business coaches appear to grow more slowly — perhaps because they hire coaches after hitting a plateau or missing targets.

In contrast, those with mentors or mental health specialists grow much faster than hose not working with professional support, suggesting the stress caused by rapid growth may prompt founders to seek extra guidance.

*Responses add up to more than 100% as some respondents work with multiple professionals

Source: 2025 SaaS Benchmarks Report by High Alpha

Performance and Innovation Define Leading Cultures

ORGANIZATIONAL VALUES, RANKED BY CULTURAL IMPORTANCE

Companies Emphasizing High Performance and Achievement Show the Highest Median Growth Rates

Organizational Values	Less Than $1M ARR	$1M-5M ARR	$5M-20M ARR	$20M-50M ARR	Greater Than $50M ARR	Median Growth for Companies Ranking #1
High Performance & Achievement	2.0	2.2	2.3	1.0	1.5	70%
Innovation & Adaptability	2.4	2.5	2.9	2.0	1.5	50%
Collaboration & Teamwork	2.4	2.5	2.3	3.5	3.0	33%
Employee Well-Being & Belonging	3.7	3.4	3.7	4.5	4.5	40%
Stability & Predictability	4.4	4.3	4.0	4.0	4.5	22%

Most Important — Least Important

INSIGHTS

High performance & achievement is the most important cultural quality across all ARR bands, with companies prioritizing it boasting a median growth rate of 70%. Innovation & adaptability follows, especially in larger companies where experimentation is crucial.

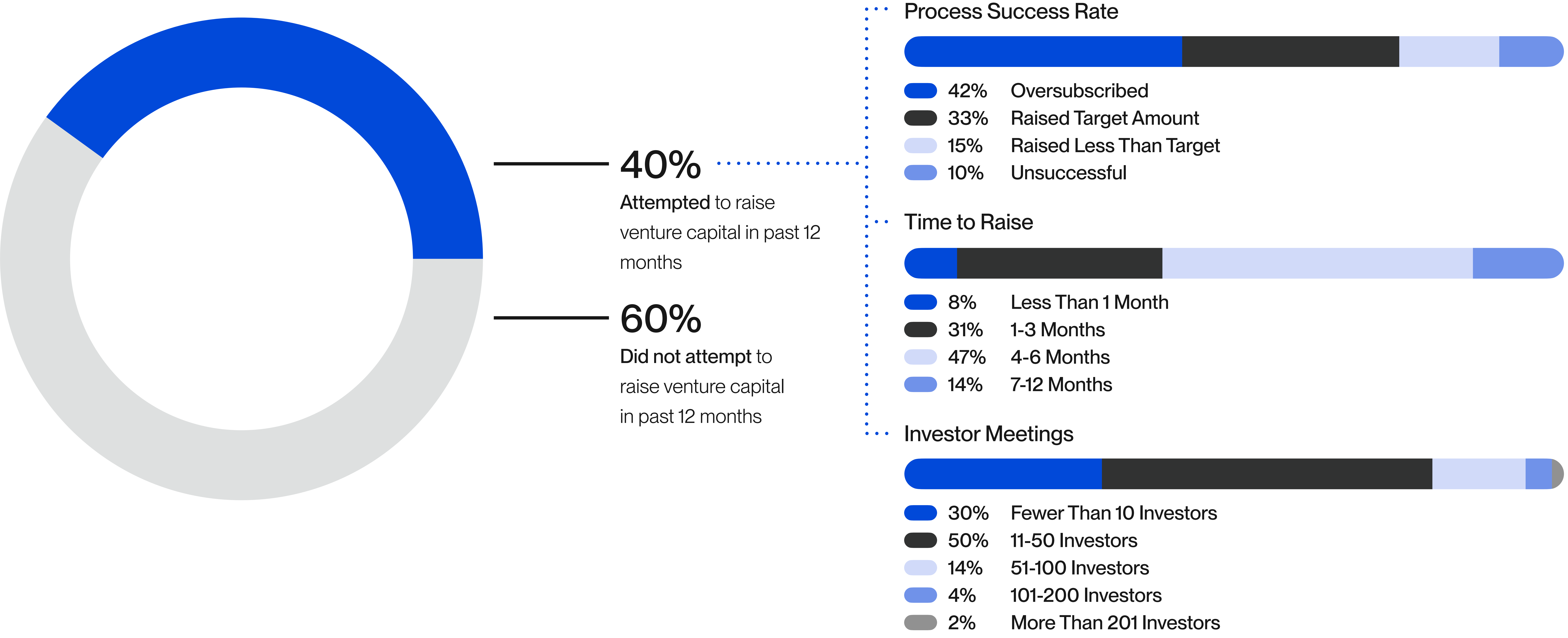
Stability & predictability ranks lowest in median growth rate, highlighting the tradeoff between growth intensity and organizational balance. As companies scale, cultural priorities become more evenly distributed, suggesting a shift from performance to survive and grow toward sustainability and stability.

Source: 2025 SaaS Benchmarks Report by High Alpha

Fundraising Success Rates Remain Strong

FUNDRAISING SUCCESS RATE

Over the Past Twelve Months, Nine in Ten Startups Attempting to Raise Capital Achieved at Least Partial Success



INSIGHTS

Fundraising outcomes were surprisingly strong among respondents with three quarters of founders reporting that they raised their target amount or more.

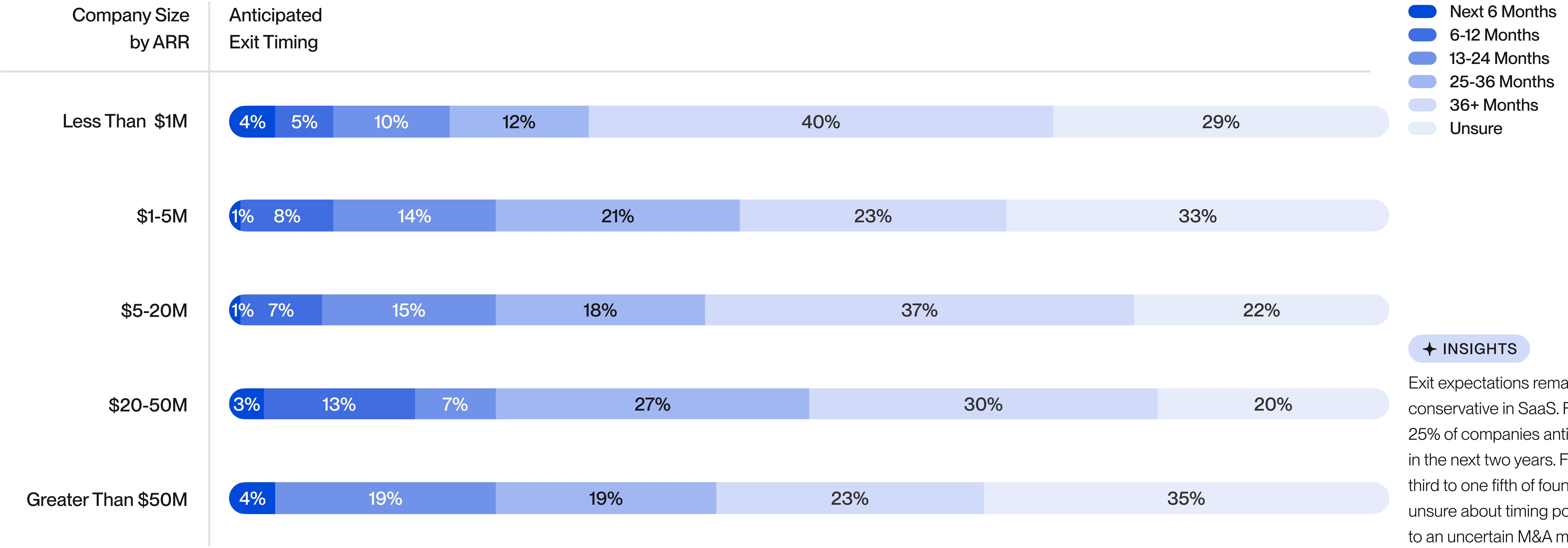
Time to raise for the vast majority of respondents was between one and six months while a significant portion of founders spoke with fewer than fifty investors.

It wasn't easy for everyone as 6% of founders spent an extraordinary amount of time on the fundraising trail, meeting with more than 100 investors. The effort paid off as 100% of those founders were able to raise capital.

Near-Term Exit Expectations Muted

ANTICIPATED EXIT TIMING BY ARR BAND

The M&A Outlook Remains Murky With A Wide Variety of Responses On Anticipated Exit Timing



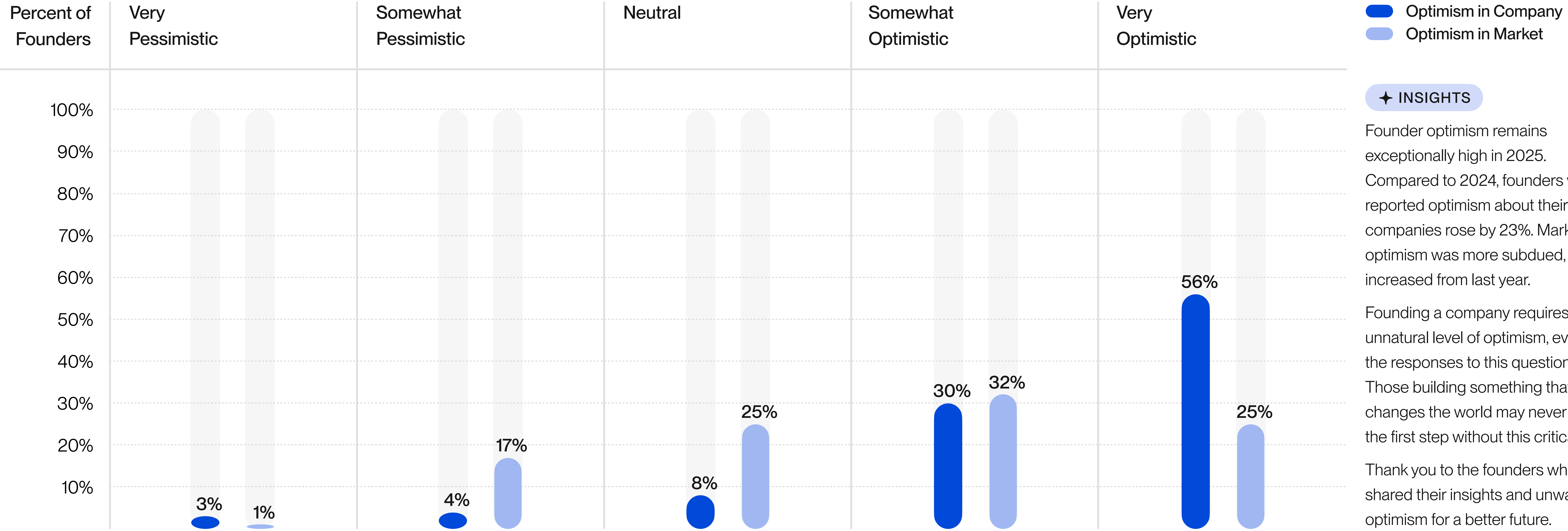
✦ INSIGHTS

Exit expectations remain conservative in SaaS. Fewer than 25% of companies anticipate an exit in the next two years. Further, one third to one fifth of founders are unsure about timing potentially due to an uncertain M&A market.

Founder Optimism Continues to Rise

FOUNDER OPTIMISM

The Gap Highlights Founder Resilience and Strong Internal Conviction Despite Macroeconomic and Market Uncertainty



✦ INSIGHTS

Founder optimism remains exceptionally high in 2025. Compared to 2024, founders who reported optimism about their companies rose by 23%. Market optimism was more subdued, but still increased from last year.

Founding a company requires an unnatural level of optimism, evident in the responses to this question. Those building something that changes the world may never take the first step without this critical trait.

Thank you to the founders who shared their insights and unwavering optimism for a better future.

Source: 2025 SaaS Benchmarks Report by High Alpha

Closing

Final Thoughts

The 2025 SaaS Benchmarks Report shows that while challenges persist, the **SaaS industry is demonstrating remarkable resilience.** Like founders, we're optimistic. The market has evolved, and the new competitive landscape is defined by the profound impact of AI.

The winners in this new environment are companies moving from experimentation to practice, embedding AI into their entire organization. **They're whole-heartedly embracing Operation AI**. From the products they're building to company-wide adoption of AI, the goal now is to focus on effective execution, measurement, and monetization.

We are entering what is likely to be the **golden age of AI-enabled SaaS companies**, poised to fundamentally re-invent how software is built, sold, and delivered for years to come.

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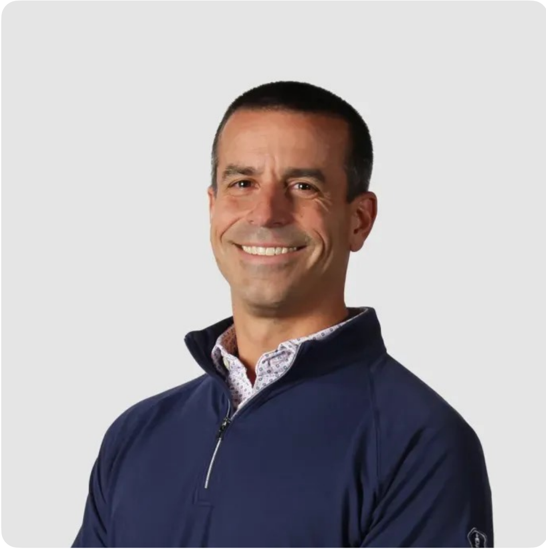

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About High Alpha

High Alpha is a venture firm that invests in enterprise SaaS companies across North America. We partner with founders to help them build businesses that reach their fullest potential.

Founded
2015

Founders Backed
100+

High Alpha Pursues Three Distinct Investment Types

Anchor
We invest in Seed to Series A financings as lead investors.

Co-Invest
We invest in Seed, Series A, and Series B financings alongside a trusted lead investor.

Studio
We invest in formation stage opportunities alongside world-class founders.

attentive
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Superside
Kadence
ZYLO

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