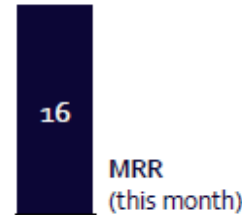


**MRR (Monthly Recurring Revenue)**  
 A measure of normalised monthly subscription revenue.  
 Only includes recorded (P&L) recurring revenues, not one-offs  
 (in the purest form, this does not include transactional revenues, but we often see them included in some way).



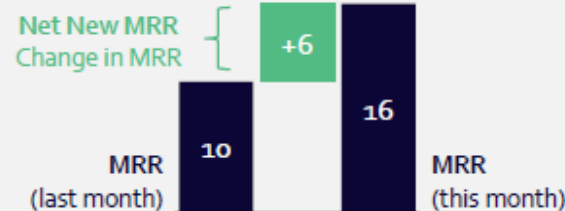
**ARR (Annualised Recurring Revenue)**  
 = MRR x 12

*is not the same as*

**ACMR (Annualised Committed Monthly Revenue)**  
 = (MRR + in-month sales scaled for full month) x 12

**MoM%**  
 Month-on-Month MRR growth

$$= \frac{\text{Net New MRR}}{\text{Prior MRR}}$$



**ARPU (Average Revenue Per User)**

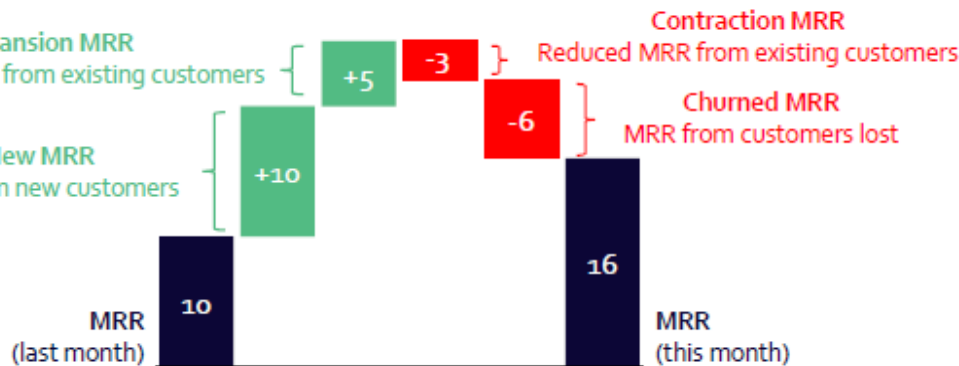
$$= \frac{\text{MRR}}{\text{Total customers}}$$

**Expansion MRR**  
 Additional MRR from existing customers

**New MRR**  
 MRR from new customers

**ASP (Average Sale Price)**

$$= \frac{\text{New MRR}}{\text{New customers}}$$



**SaaS Quick Ratio (QR)**

$\frac{\text{New MRR} + \text{Expansion MRR}}{\text{Churned MRR} + \text{Contraction MRR}}$

QR ≥ 4, efficient growth  
 QR 2-4, inefficient growth due to churn  
 QR < 2, unsustainable growth, revenue gain barely outweighs churn

Measures growth efficiency.  
 A low value suggests that new revenue is working hard to replace lost revenue.

A high value suggests that revenue growth is both high and stable.

## Overview

<p><b>Churn %</b> The rate of cancellations, can also be calculated with customer #'s</p> $\frac{\text{Churned MRR}}{\text{MRR (last month)}}$		<p><b>P&amp;L for a SaaS business</b></p> <table border="1"> <tbody> <tr> <td>MRR</td> <td>Monthly Recurring Revenue</td> <td colspan="2">See other page</td> </tr> <tr> <td>CTS</td> <td>Cost To Serve</td> <td colspan="2">Hosting, system maintenance and customer support (including staff)</td> </tr> <tr> <td>GM</td> <td>Gross Margin</td> <td colspan="2">MRR – CTS</td> </tr> <tr> <td>CAC</td> <td>Customer Acquisition Costs</td> <td colspan="2">Sales, marketing, implementation, onboarding and discounts (including staff)</td> </tr> <tr> <td>R&amp;D</td> <td>Research and Development Costs</td> <td colspan="2">Product development (including staff)</td> </tr> <tr> <td>G&amp;A</td> <td>General and Administration Costs</td> <td colspan="2">Everything else (excluding D&amp;A, Interest and Tax)</td> </tr> <tr> <td>EBITDA</td> <td>Earnings Before Interest, Tax, Depreciation and Amortisation</td> <td colspan="2">GM – CAC – R&amp;D – G&amp;A</td> </tr> </tbody> </table>		MRR	Monthly Recurring Revenue	See other page		CTS	Cost To Serve	Hosting, system maintenance and customer support (including staff)		GM	Gross Margin	MRR – CTS		CAC	Customer Acquisition Costs	Sales, marketing, implementation, onboarding and discounts (including staff)		R&D	Research and Development Costs	Product development (including staff)		G&A	General and Administration Costs	Everything else (excluding D&A, Interest and Tax)		EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	GM – CAC – R&D – G&A	
MRR	Monthly Recurring Revenue	See other page																													
CTS	Cost To Serve	Hosting, system maintenance and customer support (including staff)																													
GM	Gross Margin	MRR – CTS																													
CAC	Customer Acquisition Costs	Sales, marketing, implementation, onboarding and discounts (including staff)																													
R&D	Research and Development Costs	Product development (including staff)																													
G&A	General and Administration Costs	Everything else (excluding D&A, Interest and Tax)																													
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	GM – CAC – R&D – G&A																													
<p><b>Net Churn MRR</b> which is lost through downgrades and cancellations, offset by expansion</p> $\frac{\text{Churned MRR} + \text{Contraction MRR} - \text{Expansion MRR}}{\text{MRR (last month)}}$		<p><b>LTM (Last Twelve Months)</b> The sum or average of the last twelve months</p>																													
<p><b>Annualised Churn %</b> Churn converted to an annual value</p> $(1 + \text{Churn \%})^{12} - 1$		<p><b>L4M (Last Four Months)</b> The sum or average of the last four months, often used as a rolling average to smooth monthly variability</p>																													
<p><b>Negative Churn</b> When revenue expansion outweighs churn and downgrades</p>		<p><b>CAC (per addition)</b> Acquisition costs per addition</p> $\frac{\text{CAC for the period}}{\text{\# of added customers}}$																													
<p><b>MRR Renewal Rate %</b> The rate at which MRR is renewed</p> $\frac{\text{MRR of renewals}}{\text{MRR up for renewal}}$		<p><b>LTV</b> Estimated value of a customer over their lifetime</p> $\frac{\text{ARPU} \times \text{GM \%}}{\text{Churn \%}}$																													
<p><b>Customer Retention Rate %</b> The rate at which customers renew their subscriptions</p> $\frac{\text{\# renewed customers}}{\text{\# customers up for renewal}}$		<p><b>Payback Period (CAC Months)</b> number of months to recover the acquisition costs</p> $\frac{\text{CAC (per addition)}}{\text{ARPU} \times \text{GM\%}}$																													
<p><b>DAU/MAU Ratio</b> A measure of product "stickiness"</p> $\frac{\text{Daily Active Users}}{\text{Monthly Active Users}}$		<p><b>CAC : LTV Ratio</b> Used to estimate the return on investment for customer acquisition</p> <p>A ratio of 1:3 generally accepted as a good target</p>																													
<p><b>Used Capital Ratio</b> How efficiently capital is generating ARR</p> $\frac{\text{ARR}}{\text{Capital Raised} + \text{Debt} - \text{Cash}}$		<p><b>CAC Ratio</b> \$ of annual revenue generated for every \$ of CAC spent</p> $\frac{\text{New MRR} \times 12}{\text{CAC}}$																													
<p><b>Revenue per Employee</b></p> $\frac{\text{Revenue}}{\text{\# of Employees}}$		<p><b>40% Rule</b> Rewards growth, profitability or both</p> <p>40% is generally accepted as a good target</p>																													