DTCP

Flightpath

Your ○ - - - → designated route to - - - → ○ IPO
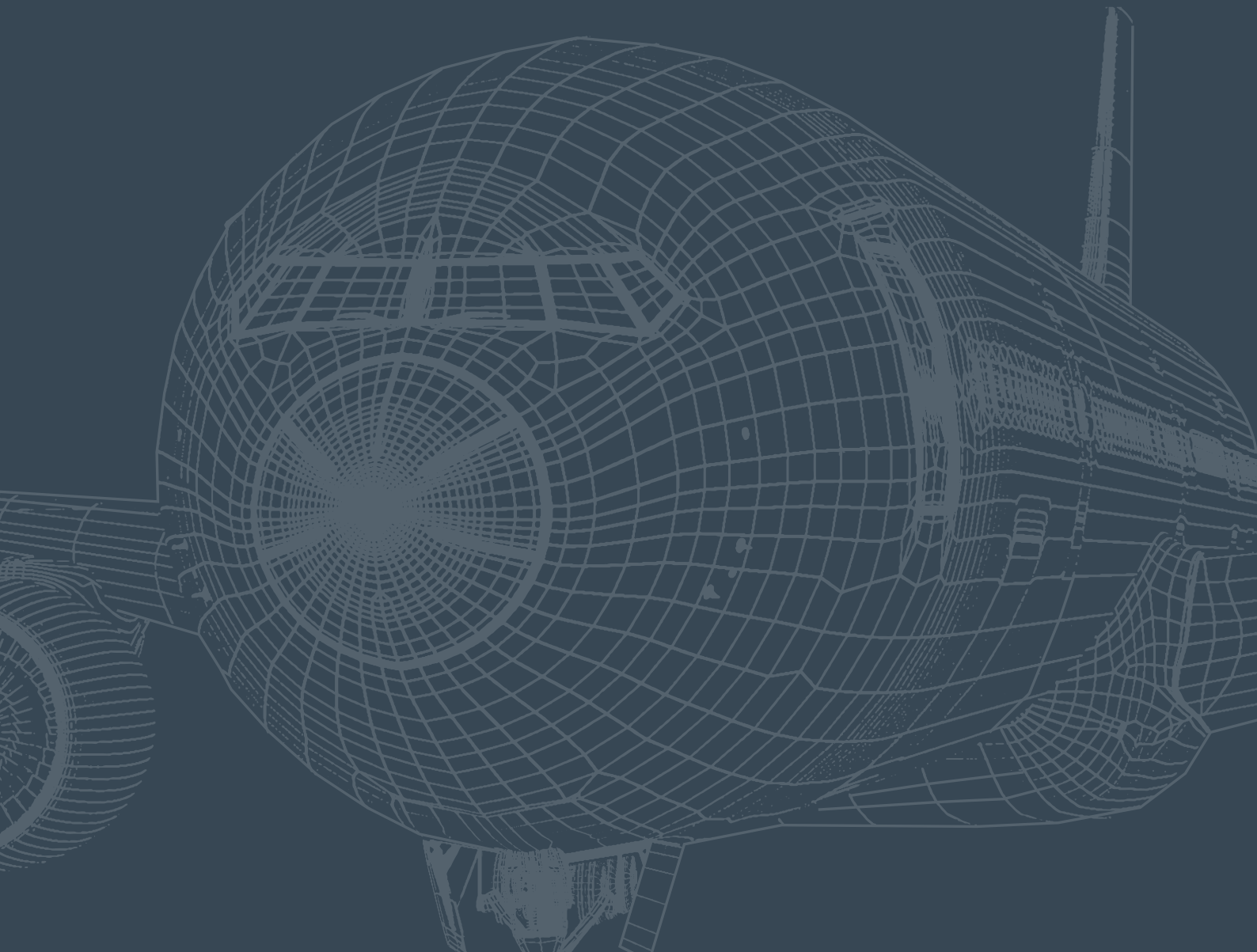
About the Authors

Lance Matthews
Partner US team

Michael Rager
Partner European team

Lance is a partner at DTCP and with the firm since 2016. He is responsible for sourcing investment opportunities and making investment recommendations in the US.

He is excited about supporting founders building transformative technologies in cybersecurity, cloud infrastructure, and AI and helping to assist them in growing globally. His DTCP investments include Arctic Wolf, Innovid (NYSE: CTV), and StreetLight Data (acquired by Jacobs).

Prior to that, Lance worked for San Francisco-based Touchdown Ventures and Illuminate Ventures, a seed stage enterprise software focused fund.

Michael joined the firm in 2016 and is a key contributor to DTCP Growth's European team.

His skills span the entire value chain from deal sourcing, to scaling companies, facilitating expansion strategies on both sides of the Atlantic and realizing profitable exits.

He is passionate about working with outstanding entrepreneurs and supporting them on their growth journey.

Among others, he accompanied LeanIX to exit (acquired by SAP) and works closely with Pipedrive, Aircall, Cognigy and Quantum-Systems.

KPI Fingerprint

Amidst various valid approaches for evaluating the capabilities of enterprise SaaS companies on the trajectory towards Series B funding and beyond, DTCP has pioneered a distinctive, quantitative-first methodology free from human bias and positioned upstream of qualitative assessment. In 2015, we launched DTCP Flightpath, our data-driven software that analyzes the financial data of any SaaS company and benchmarks it against competitors. This process yields a unique KPI fingerprint for each firm, shared with the entrepreneur, empowering us to extrapolate and forecast the company's future.

DTCP Flightpath

Keep the Magic, make the Next Step

All SaaS founders who found product-market fit and reached their first million dollars of sales will agree that they reached a massive milestone. But the journey has just started with the expansion stage of company growth, and the early wins need to be converted into a repeatable sales and product execution machine.

During this phase, there's a transition from early signs of product-market fit and leadership-driven go-to-market (GTM) strategies to more streamlined processes laying the groundwork for future growth. Timing is critical; implementing these processes too early risks undermining the startup's "magic" and swift execution, while delaying them jeopardizes long-term growth.

Outcomes can result in "good" performance if done well. DTCP Flightpath, our proprietary analytical toolset, amalgamates financial data from both listed and private SaaS companies. Its purpose is to guide growing companies methodically toward achieving "great" outcomes and exceptional execution. The signals derived provide essential insights into the organization's health, effectiveness, and trajectory.

Systematic T2D3 Enablers

Well-executed enterprise SaaS companies often follow a 'triple, triple, double, double, double' (T2D3) ARR growth trajectory to hit the $100 million ARR milestone. Many successful SaaS companies that have gone public reached $100 million ARR within 10 years, and with less than $100 million cash consumed.

In 2015, we introduced DTCP Flightpath, a dual-purpose solution at its core. This tool serves as a guiding compass for CEOs and CFOs of our portfolio companies, offering insights into the vitality and future paths of their businesses. Simultaneously, it stands as an objective and measurable guide, facilitating informed internal investment decisions.

Navigating through abundant signal intelligence data for expansion-stage companies and achieving consistency across SaaS verticals is a given. However, the challenge lies in discerning the relevance of this data and effectively connecting signal intelligence to actionable levers.
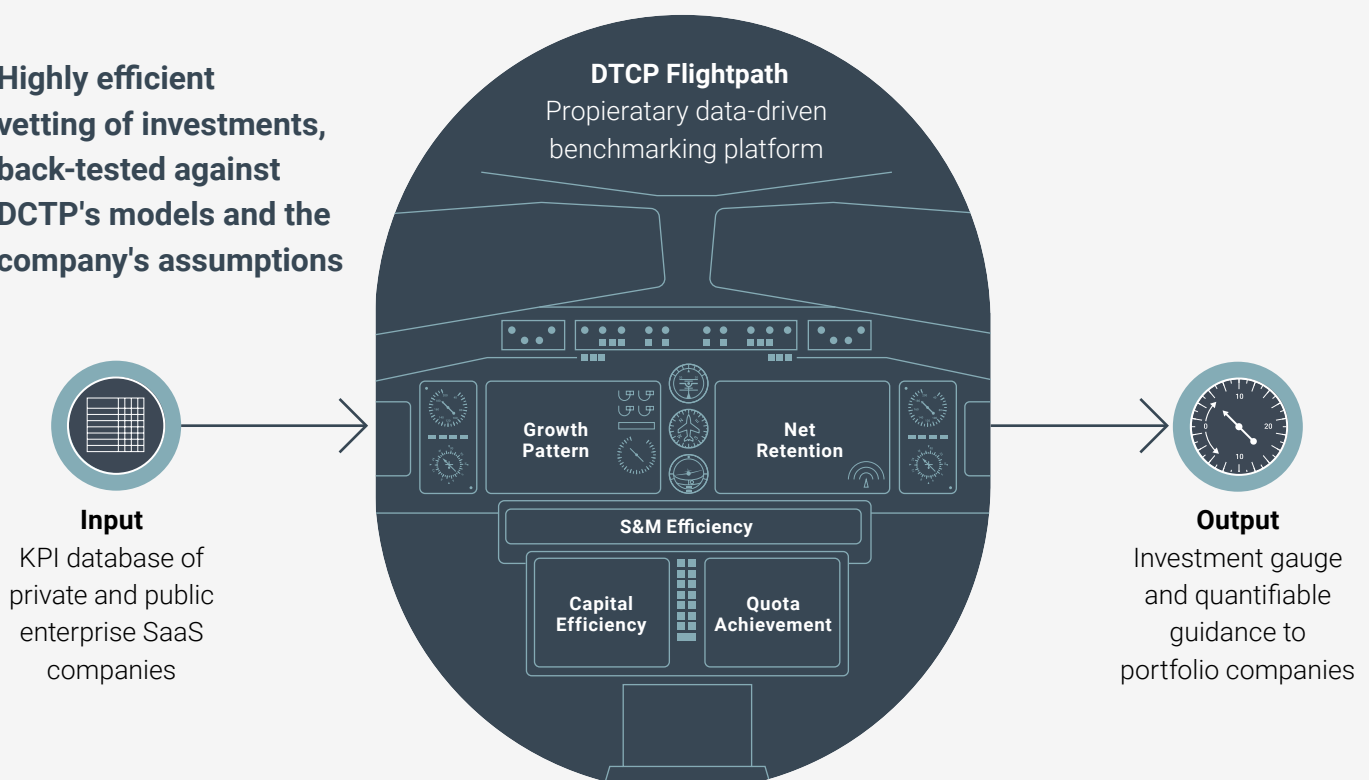
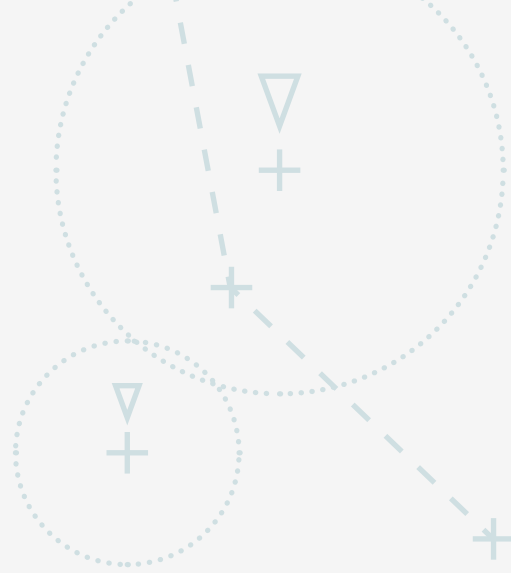# 360° Insight Precision: Navigating Company Dynamics

The DTCP Flightpath dataset holds significant value, ensuring the extraction of statistically relevant insights through continuous updates. This proprietary data processing engine leverages thousands of datapoints from private and publicly traded companies, maintaining a reliable track record spanning nearly a decade. Condensing information into five key performance indicators (KPIs) — Growth Pattern, Net Retention, S&M Efficiency, Capital Efficiency, and Quota Achievement — offers a comprehensive overview of the firm's absolute and relative position.

DTCP consistently employs analytics to deliver a detailed perspective on a company's operations at a granular level. The result is a variety of metrics that shed light on both the absolute performance and its position relative to competitors, acting as a benchmark. To compute the benchmark, DTCP groups data of similar companies and computes the average for each data point.

Highly efficient vetting of investments, back-tested against DCTP's models and the company's assumptions

DTCP Flightpath
Propieratary data-driven benchmarking platform

Growth Pattern

Net Retention

S&M Efficiency

Capital Efficiency

Quota Achievement

Input
KPI database of private and public enterprise SaaS companies

Output
Investment gauge and quantifiable guidance to portfolio companies

Unbiased Business Benchmarking

SaaS business models exhibit a vertical-agnostic dynamic, facilitating optimal comparison scenarios. The analysis outcomes not only provide information on financial and sales metrics but moreover also pinpoint collaborative opportunities with executive teams for improved market positioning and increased market share.
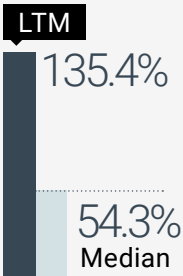
DTCP's analyses encompass a broad spectrum of information concerning company performance, coupled with a detailed focus on GTM strategies and operational execution.

For SaaS companies and investors, understanding the effectiveness of sales conversion to topline growth is paramount. At DTCP, we measure this through three lenses including ARR Growth — also known as Net New ARR Growth (NNARR) —, Revenue Growth, and importantly, Gross New ARR Growth (GNARR). These metrics are the "exhaust" of the sales engine, and are historical indicators of performance, acting as a waypoint for deeper sales conversion and customer analyses. Understanding what is driving ARR growth (or lack thereof), can point the entrepreneur towards an examination of customer demand, GTM pipeline, success in conversion, and customer retention.
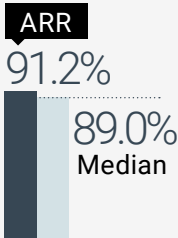
For DTCP, the exemplary measure for benchmarking efficiency is the KPI Capital Efficiency. This measures the effectiveness of the company and its engine. How proficient is the company at converting gasoline (capital) into thrust (topline growth)? Understanding this diagnostic again points the company to additional areas of analysis. These areas include drivers or subtractors of Net New ARR and operational expenses.

These anonymized cohort analyses provide an understanding of a company's performance throughout the maturation curve from expansion, through early growth, and all the way to IPO. And ultimately, the goal is to have a holistic view of the company's execution and quantify its performance to drive an investment decision.
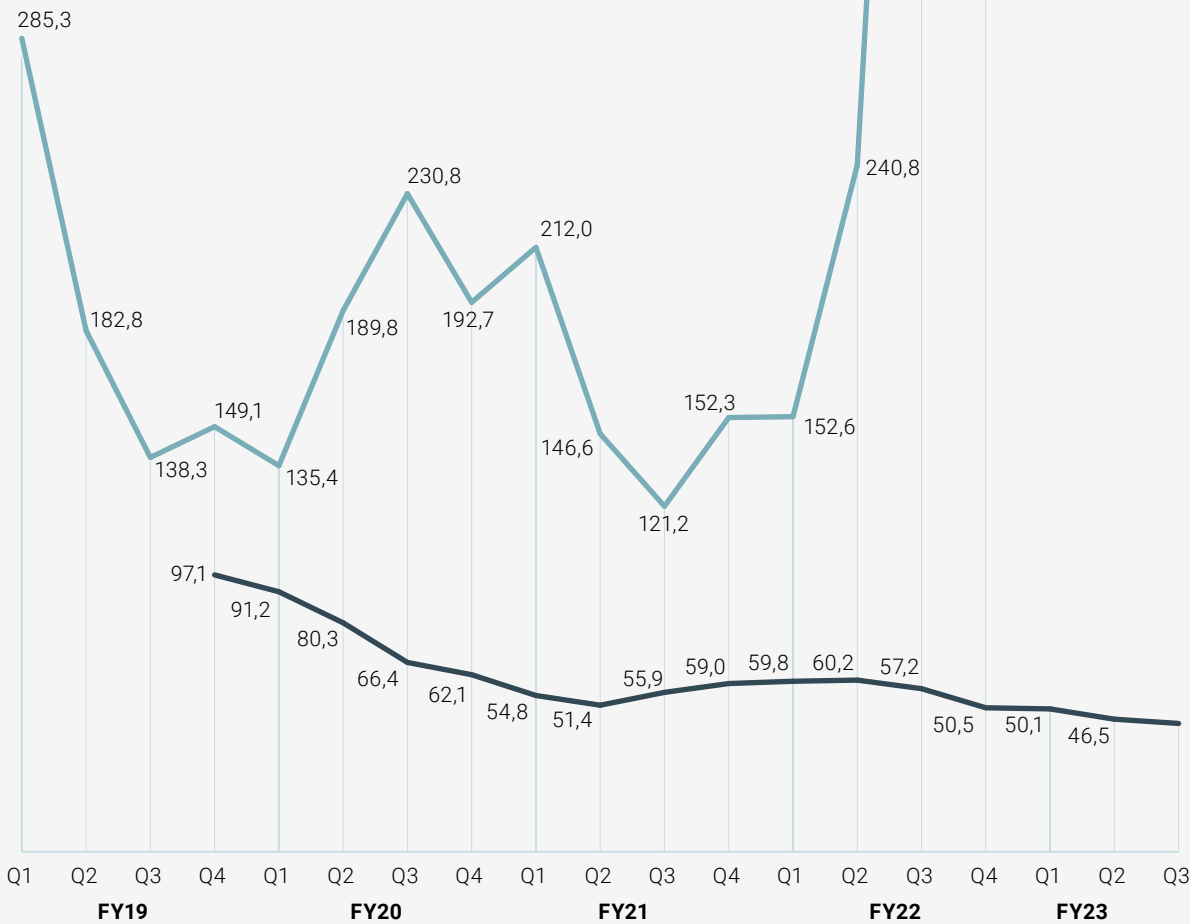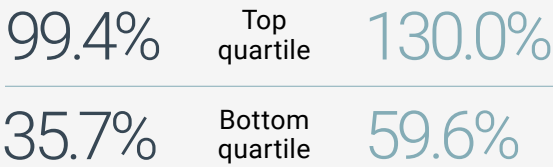
LTM Capital Efficiency

LTM

135.4%

54.3%
Median

99.4% — Top quartile

35.7% — Bottom quartile

ARR YoY Growth

ARR

91.2%

89.0%
Median

130.0% — Top quartile

59.6% — Bottom quartile

633,2

621,2%
LTM Capital Efficiency

Transparant and Efficient Benchmarking

285,3
182,8
138,3
149,1
135,4
189,8
230,8
192,7
212,0
146,6
121,2
152,3
152,6
240,8

97,1
91,2
80,3
66,4
62,1
54,8
51,4
55,9
59,0
59,8
60,2
57,2
50,5
50,1
46,5

45%
ARR YoY Growth

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
FY19				**FY20**				**FY21**				**FY22**				**FY23**		

01.01.2020 - 31.12.2020. Indicative example based on an anonymized DTCP growth portfolio company.

DTCP Flightpath Score Unveils Comparative Value

The exclusive software eradicates bias by impartially scoring a firm's comprehensive performance, encompassing financial metrics, management effectiveness, and competitive positioning on a scale from 0 to 100.

The aggregated score gives insight into the performance of the company and allows for slicing and dicing into a variety of single segments, shedding light into areas such as Growth, Sales Efficiency and Customer Acquisition Cost (CAC) Payback.

Furthermore, the data can undergo assessment within specific timeframes, enabling an impact analysis of market events on the company compared to the industry at large. This yields additional insights into the company's competitive advantage and its capacity to spearhead the industry.

KPIs

€**21.1**
million
ARR

91.2%
ARR YoY Growth

€**13.8**
million
Cash on Balance Sheet

01.01.2020 - 31.12.2020 Indicative example based on an anonymized DTCP growth portfolio company.

Key Findings of the Benchmarking Process

		2020					Weighted Score
		Q1	Q2	03	Q4	Benchmark	
Growth	ARR YoY Growth	104.1%	102.7%	97.1%	**91.2%**	89.3%	80.4
	Revenue YoY Growth	99.3%	106.3%	91.8%	**97.3%**	80.8%	
	GNAR YoY Growth	134.3%	97.6%	66.0%	**62.4%**	74.5%	
Operating & Sales Efficiency	LTM Capital Efficiency (ARR)	182.8%	138.3%	149.1%	**135.4%**	55.9%	98.1
	LTM Rule of 40% (ARR)	60.5%	49.5%	37.3%	**33.9%**	-16.2%	
	LTM Magic Number (ARR)	107.6%	102.0%	89.3%	**85.0%**	71.1%	
Churn & Expansion	Annualized Churn & Reduction	-4.2%	-6.8%	-1.8%	**-4.8%**	-10.5%	73.9
	Annualized Net Expansion	105.4%	104.1%	107.4%	**113.9%**	110.8%	
	Net Expansion TTM	111.0%	109.0%	107.4%	**107.7%**	111.5%	
Gross Margin	Gross Margin	89.4%	90.0%	87.8%	**89.4%**	72.0%	100.0
CAC Payback	CAC Payback (months)	14.7	14.5	20.0	**14.3**	21.7	90.0

Flightpath Score   **86.3**

01.01.2020 - 31.12.2020. Indicative example based on an anonymized DTCP growth portfolio company.

The Single Tool to determine Real Industry Position

Best of Both Worlds – Concrete Metrics and DTCP Skills

DTCP Flightpath offers founders and CFOs an impartial, objective assessment, free from emotional biases. It reveals the authentic position within the SaaS industry and provides actionable insights for areas of further enhancement and increasing customer penetration, ensuring higher success rates.

Simultaneously, the DTCP Flightpath results equips DTCP's Growth team, the expert investor in Enterprise SaaS, to evaluate the company's strengths and identify areas for improvement. Leveraging our proven track record in company development, market access in Europe and the US, and specialized expertise in GTM strategies, we serve as the strategic partner for founders seeking to secure and expand market share in their upcoming financing round.

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