

The SaaS Due Diligence Series:

Chapter 3
After Due Diligence
07 Jul 2021



The SaaS Due Diligence Series

12

May

Chapter 1

Before due diligence

09

Jun

Chapter 2

During due diligence

07

Jul

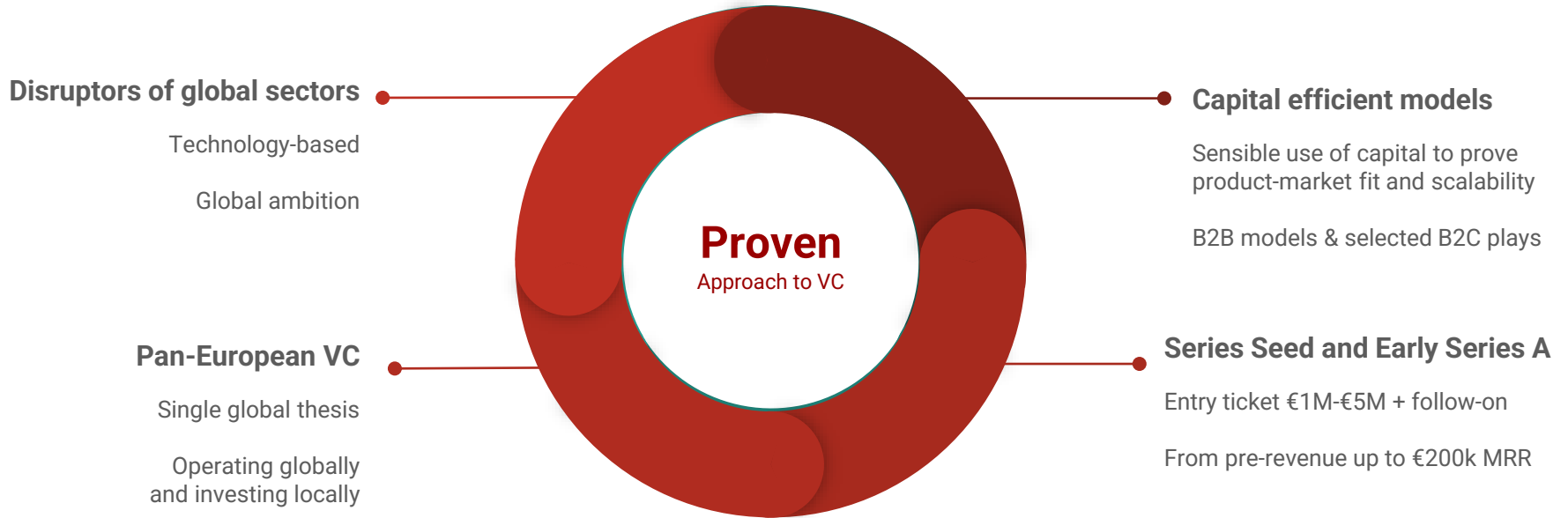
Chapter 3

After due diligence



Nauta Capital in a nutshell

We invest early in world-class, capital-efficient, technology-based heroes



Metrix Partners in a nutshell

We provide fractional CFO and financial advisory services to great startups

Typeform



Captio

SPAMINA
Cloud Email & Web Security

Kompyte.

onna

hosco.



Qustodio

Team^{EQ}

logtrust

Signaturit
Sign anywhere, anytime

QualityClouds
Best Product Quality - Admin Best - Development Satisfaction

netRivals
Data to win.

woffu



geoblink

Landbot.io

redtrust
a KEYFACTOR company

ONEBOX
Ticket Distribution System

Amber
Script

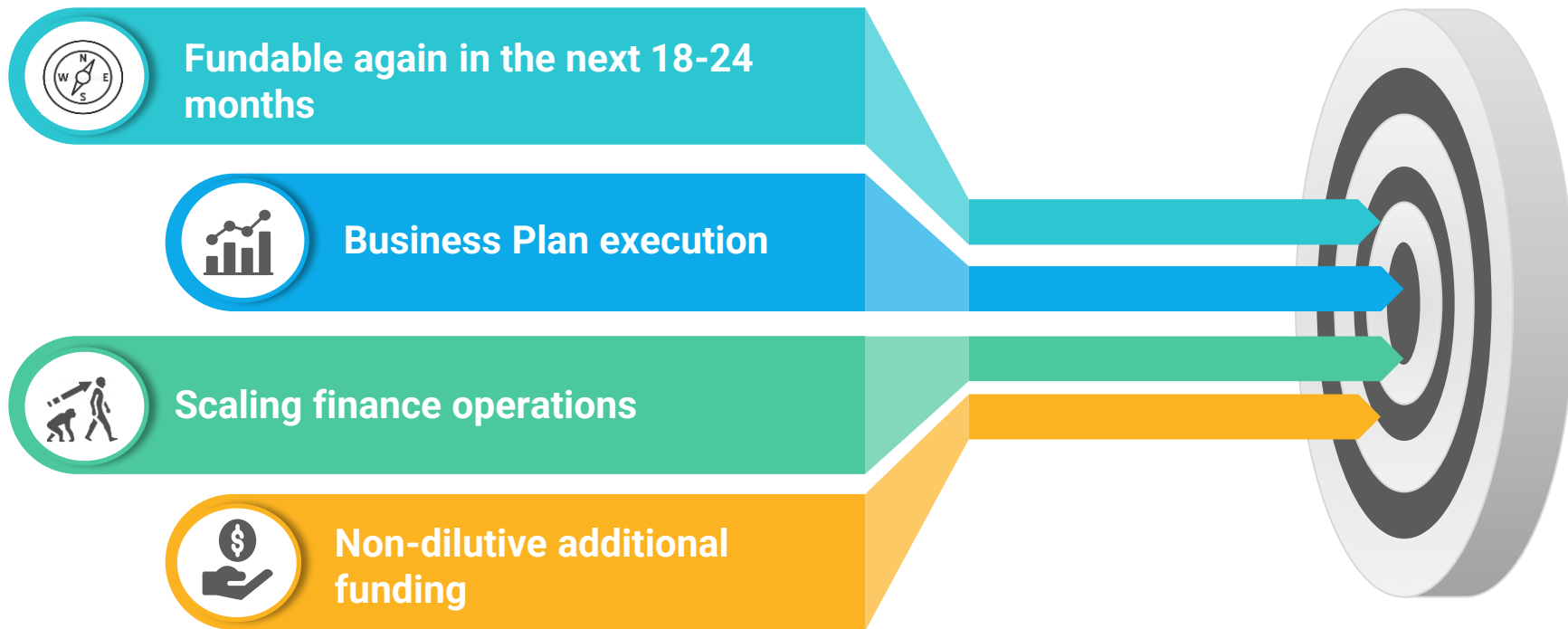
NAUTAPITAL

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Capital Partners

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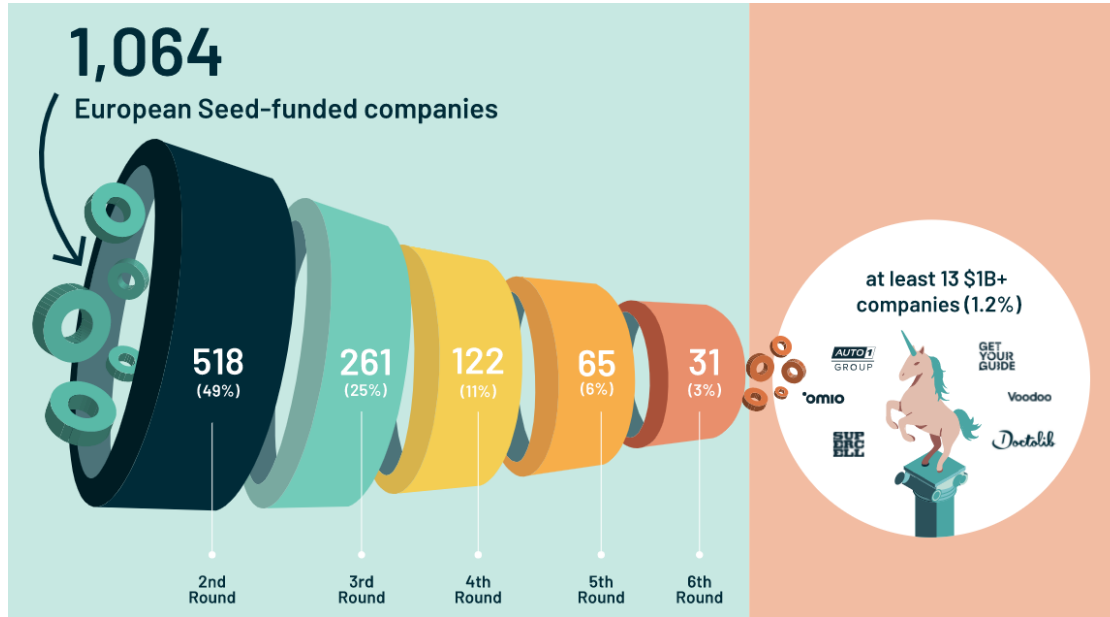
Outline

You have raised €€€ - Congratulations!!! Now what? Navigating to the next round



Journey of a European VC-backed startup

1 of 100 company raising a Seed round have a shot of becoming a unicorn



Source: The State of European Tech 2020 (Atomico)

Onna Technologies Closes \$11M Series A Funding

USA

Published on June 3, 2019



Onna, a New York and Barcelona, Spain-based startup focused on centralizing proprietary information, closed an \$11m Series A equity funding.

The round was led by Dawn Capital, with participation from Dropbox, the Slack Fund, and existing early investor, Nauta Capital. Norman Fiore, General Partner at Dawn Capital, will join Onna's Board.

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Onna, the 'knowledge integration platform' for workplace apps, raises \$27M Series B

Steve O'Hear @sohear / 4:00 PM GMT+2 • June 17, 2020

Comment



Image Credits: Onna

Onna, the "knowledge integration platform" (KIP) that counts Dropbox and Slack as backers, has raised \$27 million in Series B funding.

Leading the round is Atomico, with participation from Glynn Capital. Previous investors Dawn Capital, Nauta Capital and Slack Fund also followed on.

ForceManager Closes €2.8M Financing Round

SPAIN

Published on May 23, 2014



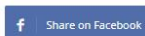
ForceManager, a Barcelona, Spain-based provider of sales force automation software system, closed a €2.8m financing round.

The round was led by **Nauta Capital**, with participation from existing investor **Histemi Investments**, which have invested the remaining €800k.

The company, which had previously raised €500k, intends to use the funds to consolidate its growth, expand internationally, hire in the product development team.

Barcelona-based ForceManager raises \$12 million in Series B funding for the international expansion

By **Thomas Ohr** - December 6, 2017



ForceManager, the first AI conversational sales assistant app for field sales teams, announced today a Series B investment worth \$12 million led by AXA Strategic Ventures. Additional support will be provided from existing investors Nauta Capital, Sabadell, SIE and Histemi. The fresh capital will be used by the Barcelona-based company to drive international expansion and continued investment in field sales facing AI technology.

Fundable in 18-24 months

The basics

Cash is king, and cash burn should be front and center when reviewing key performance metrics. Be very aware of—and vigilant with—cash reserves

**Milestone
funding**

**Strong and
consistent
revenue
growth**

**Efficient
growth
(Sales
efficiency -
Cash
efficiency)**

**Net
revenue
retention**

Net revenue retention is quickly becoming the “North Star” metric for recurring revenue businesses when measuring value of the business overall

Fundable in 18-24 months

Meeting the milestones to justify raising more capital at a higher valuations

Milestone-based funding

- What to accomplish at each stage
- Great valuation
- Enough cash to get to the next stage

Key valuation levers

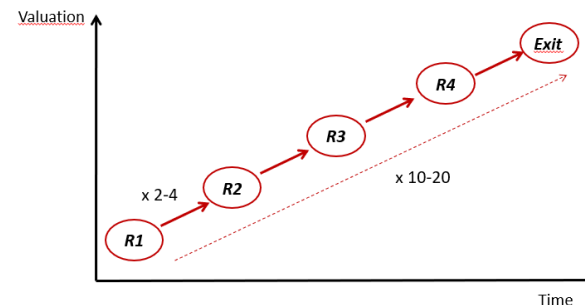
- Revenue growth
- Sales efficiency
- Net revenue retention

Business plan execution

- Focus on achieving key milestones and valuation drivers
- Align expectations with investors
- Make use of your investors as advisors (not only money)

| % Correlation with valuation | % |
|------------------------------|-----|
| ARR growth | 75% |
| Sales efficiency | 45% |
| Net revenue retention | 41% |

| Metric | R ² to EV/NTM Revenue Multiple |
|--------------------|---|
| NDR | 0.40 |
| NTM Revenue Growth | 0.37 |
| Implied ARR Growth | 0.29 |
| CAC Payback Period | 0.17 |
| Rule of 40 | 0.15 |
| Magic Number | 0.08 |
| Gross Margin | 0.00 |



Fundable in 18-24 months

What you need to prove at each stage

Investors expect you to prove different aspects of your business model at each growth stage to achieve your next round of funding

Key performance metrics will evolve depending on the stage the company is in.

| STAGE | AMOUNT RAISED | USE OF FUNDS | THE MEANING |
|--------------|---------------|--|--|
| SEED | \$2.5M | Product market fit | Acquire 10 ecstatic customers |
| EARLY STAGE | \$6M | Prove revenue model | 75% of sales making quota |
| GROWTH STAGE | \$10M | Prove recurring revenue model | Customers buy a second and third time |
| LATE STAGE | \$23M+ | Grow to \$100M in gross profit | Scale repeatable and predictable processes |
| M&A OR IPO | \$75M+ | Expand product line, go global, acquisitions | Move into adjacent markets and geographies |

Source: Bessemer Venture Partners

Fundable in 18-24 months

Changes in the B2B SaaS landscape and Startupland

New models will demand an updated SaaS metric playbook

Traditional set of SaaS metrics

Hard to conceive how to measure performance without metrics like CAC payback, LTV:CAC,...

Software models are increasingly diverse

The traditional SaaS metrics don't work well when it comes to PLG or consumption-based models. How is success defined?

What metrics matter most for your business

-Very recent trend, the new metrics playbook still being written (Openview, Battery Ventures Software 2021 report).
-The new PLG Metric: Natural Rate of Growth

"Never raising, always raising"

Traditional fundraising

Startups used to raise once every 18-24 months

Market liquidity

Venture capital fundraising setting records each year.

Facing scarce access to hot startups

Competition to invest in the hottest startups. Investors are innovating. Most sought after companies often receive offers, whether they are in market raising capital or not

Testimonial Oscar Maciá



Executing the business plan

Do not underestimate the difficulties: it is very hard and not everyone will make it

Challenges

- Scaling people
- GTM & Strategy (self-service, PLG, sales driven)
- Scaling product & Tech
- SaaS challenges (upsell, churn, pricing)
- Growth hurdles (marketing, sales, CS)
- Competition
- Scaling finance

Reality

- Very hard to accomplish
- Optimism
- Desire to capture investor's attention: T2D3 mantra
- Focus on the short-term

Outcome

- Rarely seen performance meeting/exceeding BP
- "Half as much, twice as long"
- Meet the required milestones to raise more capital at a higher valuation

People management is the most challenging part of scaling a company

Scaling finance

Implementing the recommendations from the dd. The main issues we usually find

Revenue
Recognition

Chart of
accounts
Functional
P&L
- COGS vs
OPEX

Accrual
accounting

MRR/ARR
- What is
recurring
revenue?
- Non-
subscription
revenue

Scalable
financial
systems

Everyone reports ARR today, even in transactional businesses and marketplace businesses. Two out of five SaaS companies incorrectly calculate ARR (ProfitWell)

Scaling finance

Stablish a solid finance and accounting foundation, and build a data-driven finance operation that incorporates best-in-class SaaS practices

Data driven

- Data demand will increase significantly
- Data segmentation (channel, product, size, cohorts...)
- Metrics dashboard to identify and track key levers
- Best practices and benchmarking

Financial planning & annual budget

- 2/3 years financial plan
- Monthly plan updates and rolling forecast
- Business control
- Cash is king: cash runway

KEY ELEMENTS

Finance infrastructure

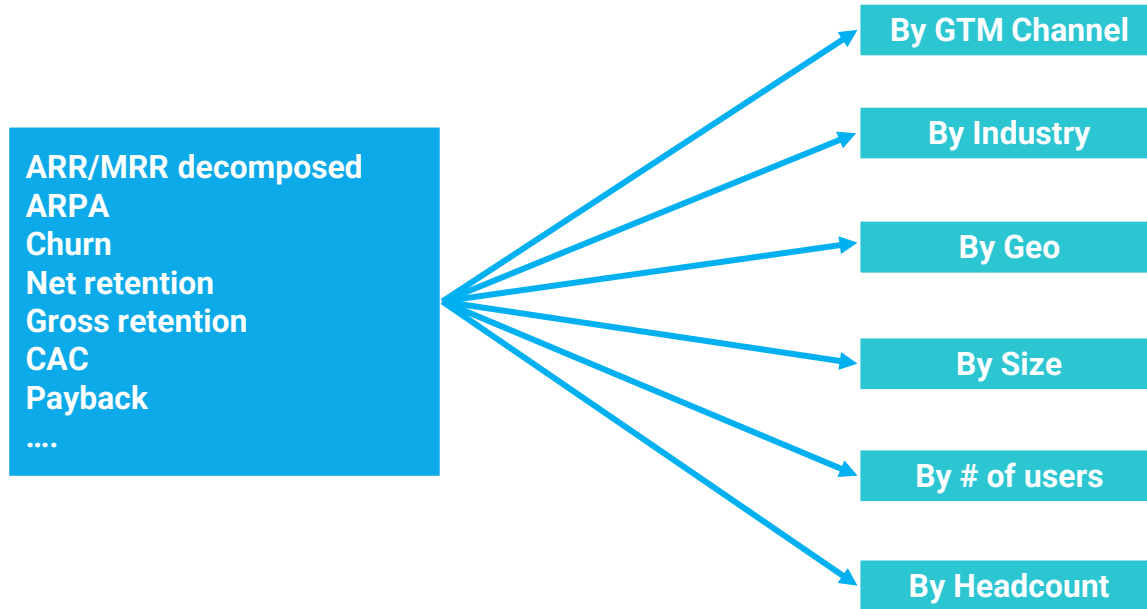
- Systems (billing, accounting, metrics)
- Revenue recognition
- Management accounting: functional P&L
- Monthly closings. Annual audit
- Staffing the finance department

Financial reporting

- Monthly/Quarterly finance deck with financial highlights and KPIs
- Evolution of the KPIs, actual vs budget
- Cap table

Scaling finance

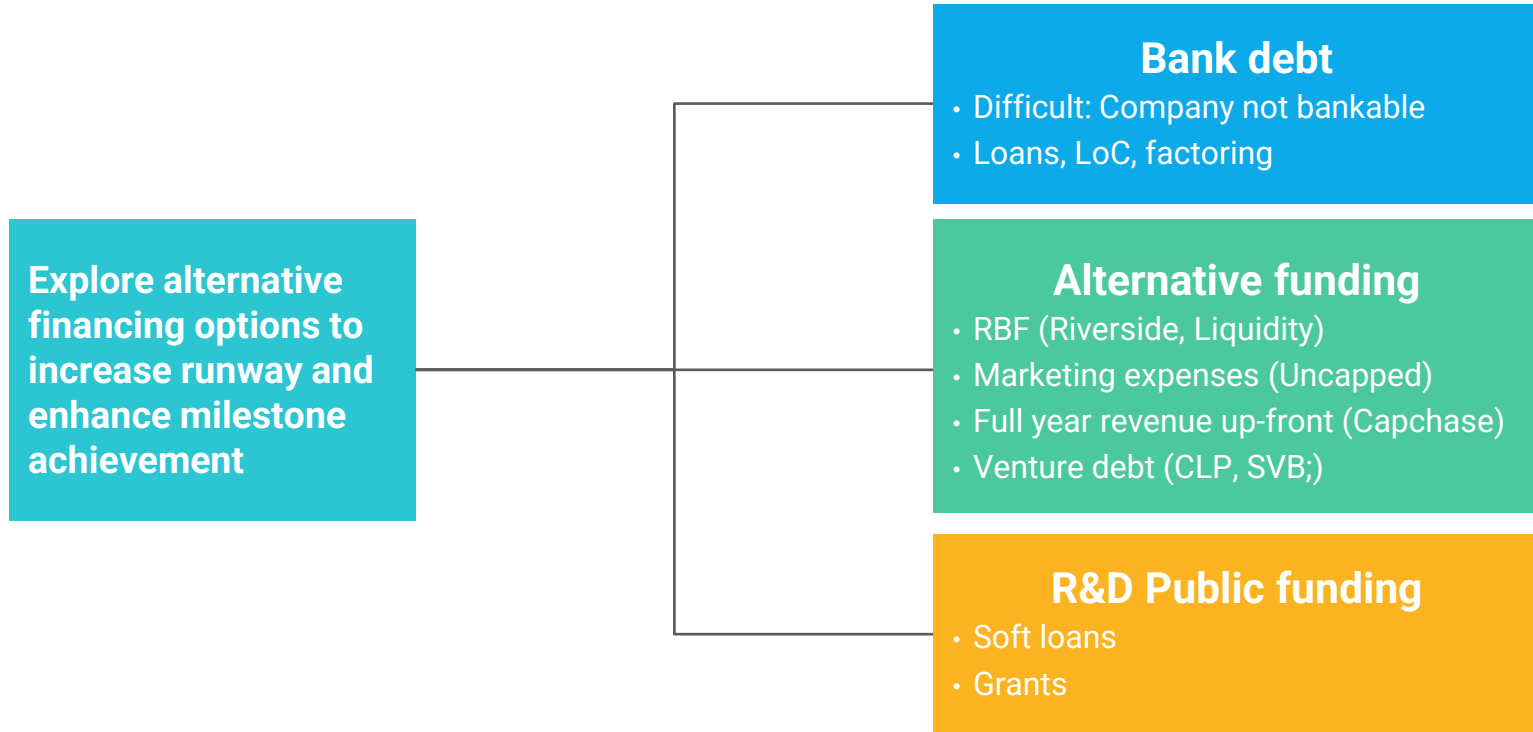
Segmentation and cohort analysis: The best companies strictly define customer segments, track them, and invest into the best



“SaaS Metrics are not going away. But we predict that in the new decade, much more attention will be paid towards cohort economics.” (Battery, Software 2021 report)

Non-dilutive additional financing

Increase runway with non-dilutive financing



Takeaways

- Fundable in 15/20 months. Milestones to be achieved and key performance metrics
- Be aligned with the investors. Agree on the key indicators. Make use of your investors as advisors
- Key valuation drivers: ARR growth, NRR and sales efficiency
- Building an endurance business requires cash efficiency. Cash is always king. Stay on top
- People management is the most challenging part of scaling a company
- Before scaling you need to know what it works and what does not. Get you unit economics to work before you scale something
- If you want to scale you will need to add technology and processes

Takeaways

- NRR is becoming the leading SaaS metric
- New SaaS business models emerging and becoming transformational: usage-based pricing
- Companies with usage-based/consumption-based models have higher NRR leading to premium valuations
- As you move to Series A and B, the level of complexity and requirements from investors increase. Reinforce the organization via processes and data. Data are key
- Build a solid finance and accounting foundation. A lot of data to keep track of
- Segmentation and cohort analysis. Analyze efficiency and growth potential in each segment
- Explore alternative funding options to increase runway



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Thanks & Questions ?