Guide to Accounting, Finance and Metrics v1.0

Finance for Non-Finance

Revenue Money in from Customers	**Income statement** shows money in and out and areas of spend	**Balance Sheet** Shows assets and liabilities	**Statement of Cash Flow** Shows cash in and out
Cost of Goods Sold Our costs for product and services	**Profit** Money remaining after expenses	**Loss** Expenses are greater than income	**Expenses** Money spent on operations

Accounting KPIs

- Cash Conversion Cycle =DSO+DIO-DPO
- Days Sales Outstanding (DSO) =(Accounts Receivable / Total Credit Sales) x # of Days
- Days Inventory Outstanding (DIO) =(Avg. Inventory / COGS) x # of Days
- Days Payable Outstanding(DPO) =(Accounts Payable / Cost of Goods Sold) x # of Days
- Return on Assets =Net Income/ Avg. Total Assets
- Total Asset Turnover =Net Sales/ Avg. Total Assets
- Current Ratio =Current Assets/Current Liabilities
- Gross Profit Margin =(Net Sales-Cost of Goods Sold)/Net Sales
- Net Profit Margin =Net Income/Net Sales
- Bad Debt to Sales Ratio =Total Bad Debt / Total Annual Sales
- Debt to Equity Ratio =Total Debt/ Total Equity

Budgeting Process

Incremental | Activity Based | Value Proposition | Zero Based

Four Budgeting Methods

FP&A Process

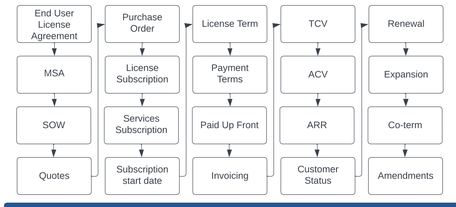
Forecast Model | Opex Capex Cashflow | Target Model | Operational Activity Model | Cash/Funding Model | Risk Analysis

Strategic Planing | Geography | Scenarios: Base, Bear, Bull Case | Actual | Reports | Historic Models

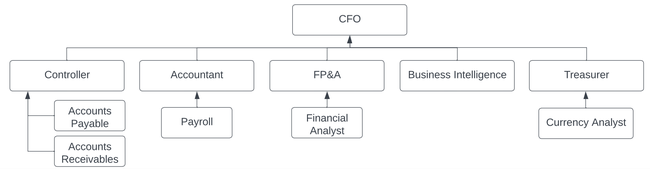
Annual Budgeting | Business Unit | Spend Analysis | Resource Optimization | Variance Analysis | Forecast

Bookings Forecast | Product Family | Strategy Improvement Model

Subscription Management

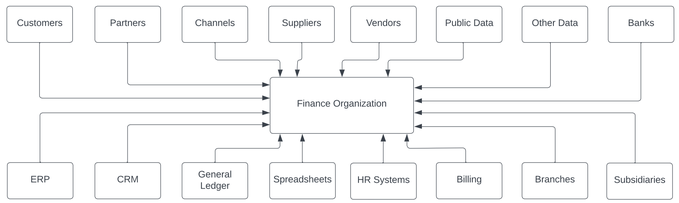


Finance Organization



Stewards of Capital

Equity Capital | Debt Capital | Support team decisions and allocate capital to most productive use | Performance management & financial analysis | Financial controls to govern and report on financial transactions



Functions & Responsibilities

Accounting | Finance | Tax | FP&A | Compliance | 409a Valuation | Treasury | Sales leader-board

Subscription Management | Payroll | Contract Review | Bank relations | Sales Operations | Cap Table | Board Presentation | Auditors

Best In Class Metrics

Metric	Great	Good	Bad
Growth	3X	2.5X	Under 2X
Gross Margins	70%	50%	Under 20%
Net Dollar Retenion	140%	120%	Under 100%
CAC Payback	6-12 months	12-18 months	Over 24 months
Burn Multiple	1.0 or less	1.0-1.5	Over 2

Valuation Methods

ARR Multiple
A simplistic way to value company is to assign a multiple to future ARR based on other factors such as growth rate and margins
Discounted Cash Flows
Valuation based on the cash flows it's expected to generate in the future. Discounted cash flow analysis calculates the present value of future cash flows based on the discount rate and time period.
Terminal Cash Flow / (1 + Cost of Capital) # of Years in the Future
Enterprise Value
Calculated by combining a company's debt and equity and then subtracting the amount of cash not used to fund business operations.
Enterprise Value = Debt + Equity - Cash
EBITDA Multiple
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)
a multiple is used for comparison and depreciation and amortization is factored as it can sway the results
reminder: net income subtracts interest payments which may make companies look more or less successful based solely on their capital structures.
Present Value of a Growing Perpetuity Formula
Value of a Growing Perpetuity = Cash Flow / (Cost of Capital - Growth Rate)

Key Priorities

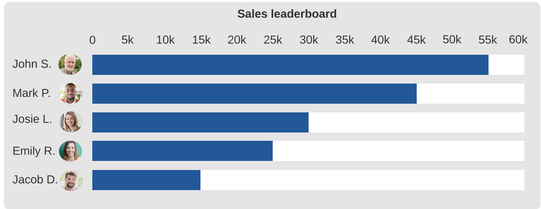
Growth	Efficiency	Cashflow
Total Bookings Growth New ARR Growth, QoQ, YoY Expansion Growth, QoQ, YoY, Logo Growth	Sales Execution Sales Enablement Churn mitigation Vertical, Regional Focus Conservative Cash Management Churn mitigation	Cash/ARR Gross Cash burn Net Cash Burn Cash Use/New Customer Operating Cashflow Financing Cashflow Capex

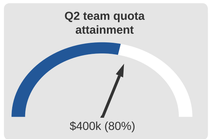
Finance KPIs

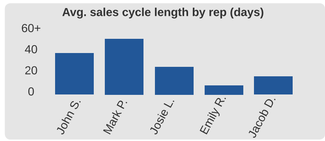
Return on sales = (Earnings before interest & taxes / Net sales) x 100%
Operating cash flow ratio = Operating cash flow / Current liabilities
Working capital = Current assets – Current liabilities
Quick ratio = Quick assets / Current liabilities
Gross burn rate = Company cash / Monthly operating expenses
Current accounts receivable=(Total AR–Past due AR)/Total AR
Current accounts payable =(Total AP–Past due AR) / Total AR
Accounts payable turnover = Net Credit Purchases / Avg. accounts payable balance for period
AR turnover =Sales on account / Avg. AR balance for period
Inventory turnover = COGS / Avg inventory balance for period
Operating Cash cycle = Days inventory outstanding + Days sales outstanding
Budget variance = (Actual result – Budgeted amount) /Budget amount
Payroll headcount ratio = HR headcount / Total company headcount
S**ales growth rate** = (Current net sales – Prior period net sales) / Prior period net sales x 100
Fixed Asset Turnover Ratio= Total sales / Avg. fixed assets
SGA Ratio = (Selling + General + Admin. expense) / Net sales revenue
Interest coverage (solvency KPI) = EBIT / Interest expense

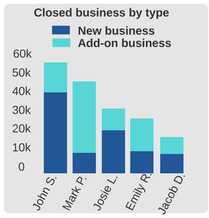
R&D KPIs

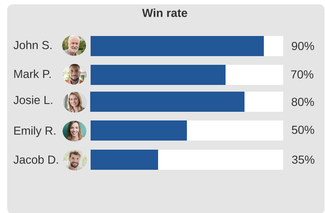
Code Commit Frequency	# of commits over a specific period (e.g., per week)
Code Review Efficiency	Avg.time from code submission to approval/rejection
Bug Discovery Rate	Count # of bugs reported over a specific period
Bug Resolution Time	Measure Avg.time from bug report to bug resolution
Customer Issues	Count # of support tickets
R&D Efficiency Ratio	Divide # of features delivered by the total R&D effort
R&D Budget Utilization	Compare the actual R&D expenses to the allocated budget
Innovation Rate	Count # of new feature proposals











SaaS Metrics

Net Revenue Retention = [Revenue Retention (RR) beginning of period + expansion RR during period - downgraded RR during period - cancelled RR during period] / (RR beginning of period)
Burn Multiple = Net Burn / Net New ARR
Cash Conversion Score = ARR / Capital Raised to Date - Cash on Hand
Bessemer Efficiency Score = Net New ARR / Net Burn
CAC = (Sales Costs + Marketing Costs) / New Customers
LTV:CAC = Customer Lifetime Value / Customer Acquisition Cost
CAC Payback Period = Avg. CAC per customer / Avg. ARR per customer
Natural Rate of Growth (NRG = Annual ARR Growth Rate * Percentage Organic Signups * Percentage ARR from Products
RPO: Remaining Purchase Obligation: total committed, non-cancelable revenue expected to recognize in the future

SaaS Stage Metrics

	Series A	Series B	Series C
ARR Growth	ARR: $5M to $15M	ARR: $15 to $35M	$35M to $60M+
New Logo Growth	3.0X	2.0X	1.5X
GDR /NDR %	2.5 to 3.0X	1.5 to 2.0X	1.0 to 1.5X
Magic #, Net New	92% / 130%	90% / 130%	90% / 125%
Gross Margins %	0.6 to 0.8X	0.8X to 1.0X	0.9X to 1.1X
S&M %	+65%	70%	72.5%
R&D %	100%	80%	70%
G&A %	80%	60%	50%
Burn Ratio	40%	35%	30%

The finance software stack

Accounting Platform: sage Intacct, quickbooks, FreshBooks, SAP, NETSUITE, wave

Payroll: ADP, workday, gusto, Namely, UKG, PAYCHEX, paylocity, paycom, RIPPLING

Accounts Payable/ Receivables: Bill.com, STAMPLI, Docuware, mineraltree, tipalti, Routable, SETTLE, melio

Payment Management: Corpay, coupa, PLEO, emburse, ReceiptBank, procurify, spendesk, Expensify, zoho, Brex, airbase, ramp, GLEAN, appzen

FP&A: anaplan, planful, ORACLE, trueplan, mosaic, finmark, brightflow.ai, cobbler, Jirav

Equity Tools: carta, Pulley, CERTENT

Business Intelligence: Power BI, SISENSE, tableau, SAP BI, MicroStrategy, DOMO, Qlik, Looker

Revenue Analytics: baremetrics, ChartMogul, ProfitWell, Calqulate

Financial Close: BLACKLINE, FloQast, VICAI, Leapfin, workiva, Vena SOLUTIONS, OneStream

Top 30 Accounting Firms

Deloitte LLP
PWC
Ernst & Young LLP
KPMG LLP
RSM US LLP
BDO USA LLP
Grant Thornton LLP
FORVIS LLP
CLA
Baker Tilly
CBIZ & MHM
Crowe LLP
Moss Adams LLP
Plante Moran
CohnReznick LLP
Marcum LLP
EisnerAmper LLP
Eide Bailly LLP
Wipfli LLP
Andersen
Armanino LLP
WithumSmith+Brown PC
Carr Riggs & Ingram LLC
Citrin Cooperman
Cherry Bekaert LLP
PKF P'Connor Davies LLP
Mazars USA LLP
Sikich LLP
UHY Advisors Inc
Kearney & company

Term Sheet Guide

Nonbinding Terms.	Neither party is legally obligated to abide by whatever is outlined
Company valuations.	Investment amounts, the percentage of stakes, and anti-dilutive provisions
Voting rights.	Investor asking for and obtaining a disproportionate influence on the company's direction.
Liquidation preference.	How proceeds of a sale will be distributed between the entrepreneur and the investors.
Investor commitment.	How long the investor is required to remain vested.
Valuation:	Pre-money valuation and Post-money valuation
Valuation Cap:	Value when convertible notes become eligible to covert into equity.
Drag Alone Clause:	Minority stakeholders to follow the guidance of majority stakeholders.
Liquidation Preference:	The order in which owners are paid out in the event the company gets sold.
Voting Rights:	Agreement on the number of votes the investor receives
Pro-Rata Rights:	Rights for future rounds, may be entitled to the right of first offer for future investments
No-Shop Agreement:	Terms that restrict a company from taking investments from others for a specific time

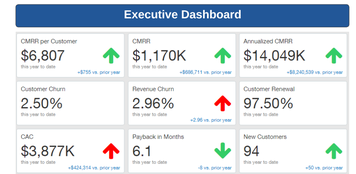
The Investors

500 Startups
8VC
Accel
Alpha Square Group
Alumni Ventures Group
Andreessen Horowitz
Artesian
Battery Ventures
Benchmark Capital
Bessemer Venture Partners
Box Group
Canaan Partners
Charles River Ventures
Craft Ventures
Enterprise Ireland
First Round Capital
FJ Labs
Forerunner Ventures
Foundation Capital
Founders Fund
General Catalyst
Global Founders Capital
Google Ventures
Greycroft Partners
GSR Ventures
GTMfund
IDG Capital
Index Ventures
Innovation Works
Insight Venture Partners
Intel Capital
Khosla Ventures
Kleiner Perkins
Lerer Hippeau
Lightspeed Venture Partners
Lighthouse Capital Partners
Long Arc Capital
Lux Capital
MassChallenge
Matrix Partners
Madrona Venture Group
Mayfield Fund
Menlo Ventures
New Enterprise Associates (NEA)
Next47
Norwest Venture Partners
Northzone Ventures
Oak Investment Partners
Openview Venture Partners
OrbiMed Advisors
Plug and Play Tech Center
Point72 Ventures
Polaris Partners
Qiming Venture Partners
Redpoint Ventures
Rethink Impact
Revolution Ventures
Ribbit Capital
Ridge Ventures
RRE Ventures
Salesforce Ventures
Sequoia Capital
Softbank Vision Fund
Social Capital
SOSV
Spark Capital
Sutter Hill Ventures
Techstars
Ten Eleven Ventures
Temasek Holdings
Thrive Capital
Tiger Global Management
True Ventures
Two Sigma Ventures
Unusual Ventures
Venrock
Y Combinator

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Mark Sue

Executive Dashboard







Marketing KPI

Return on Investment (ROI)
Return on Ad Spend (ROAS)
Marketing Qualified Leads (MQL)
Sales Qualified Leads (SQL)
Follower Growth
Conversion Rate
Website Visitors

DAU/MAU Ratio = Daily Active Users / Monthly Active Users
Social Media Engagement
Referral Traffic
Net Promoter Score (NPS)
Organic Traffic
Event Attendance
Customer Retention

Sales KPI

Annual contract value (ACV)
= (Total sales value contracts in a year) / (# of contracts)
Customer lifetime value (CLV)
= (Avg. purchase value/year) x (Avg. # of purchases per year for each customer) x (Avg. customer lifespan in years)
Avg. age of leads in pipeline
= (Total age of all active leads per reps) / (# of active leads)
Conversion rate
= (# of deals closed in qtr) / (# of leads in pipeline) x 100
Rep retention
= (Number of total reps at year end – new reps hired during the year)/(total # of reps at year start) x 100
Avg. rep ramp time
= (Total time in days it takes all new reps to get from day one to first prospect outreach) / (total # of new reps)
Customer retention
= (Overall # of customers at year end – net new customers acquired during the year) / (# of customers at year start) x 100

HR METRICS

Cost per Hire **CPH** = (internal recruiting costs + external recruiting costs)/# of new hires
Time to Hire: Measured from initial posting to start date
Quality of Hire = QoH + (indicator A+ indicator B + Indicator C...) / # of indicators
Absenteeism Rate = (# of absences/# of expected workdays) x 100
Employee Growth Rate: Measure Change YoY, usually at the Fiscal Year
Employee Turnover Rate **ETR %** = (# of employee departures/# of employees at outset) x 100
Diversity Ratio:Range across gender, racial, cultural, and other backgrounds