

# OPEXEngine

News from the Operating Front

June '08

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## 2008 Software Operating Metrics Benchmarking

- Participate in June to receive confidential reports in July 2008
- For companies with 2007 revenues between \$5M-\$300M

See in-depth operating benchmarks for:

- Revenues

## A Closer Look at G&A

This month's newsletter examines G&A operating metrics. We compiled select results for 9 leading public SaaS vendors. While the average G&A expense tends to be approximately 15-16% for the larger, public SaaS companies, one profitable Company managed to keep G&A as a percent of revenues below 10% while another profitable SaaS company had above average G&A expenditure closer to 19%.

- Salesforce.com, the market leader, spent \$116 million on G&A in Fiscal 2008, or 15.6% of revenues.
- Ultimate Software, another leader in the SaaS market, spent only 9.5% of revenues on G&A, the lowest in our group of comparables. Management's focus on fiscal responsibility has made Ultimate one of the few profitable SaaS vendors.
- Taleo, with G&A expenses representing 18.6% of revenues is high, but it was profitable in 2007. Yet, given the average for SaaS vendors, Taleo has opportunity for margin expansion.

G&A results for the 9 publicly traded SaaS companies we have tracked is at the following link: [2007 Public SaaS G&A Ratios](#)

## The "Right" G&A Ratio

The "right" G&A ratio is particularly difficult to achieve for SaaS companies given their high, upfront overhead costs and the complexity of managing SaaS accounting and planning. As Todd Gardner at SaaS Capital ([www.saas-capital.com](http://www.saas-capital.com)) says, "young companies die for lack of revenue, not because they didn't account for it properly." Yet, once revenues start rolling, it requires experienced and efficient financial management to handle tricky revenue recognition, cash flow and pricing issues. As companies hit their stride, pursue faster growth, and consider equity and debt options to fund expansion, experienced financial management is needed to handle the higher requirement level. And experienced financial management means higher compensation expense.

According to results from our 2007 Confidential Software Operating Benchmarking Survey, compensation and benefits were the largest

- Profit margins
- Sales expense and compensation expense
- Marketing expense
- Services expense
- G&A expense
- R&D expense
- Travel expense
- IT and communications expense
- Headcounts for major job categories
- Employee productivity
- North American, EMEA and Asia Pac revenues and expenses
- Customer numbers
- Renewal rates by dollar and customer renewals
- Average sales quotas
- Net new customer growth per month
- over 100 budgetary and strategic software operating ratios

Benchmarks grouped by comparable revenues and for SaaS model companies, as well as for perpetual license models and mixed (perpetual + subscription revenues)

OPEXEngine's confidential benchmarking is a pay-to-participate service. For more information contact [lauren@opexengine.com](mailto:lauren@opexengine.com)

component of G&A expenses for SaaS vendors at 51.2%. The next largest was IT expenses (11.6%), followed closely by legal expenses (11%), and facilities (10.1%).

**We are currently conducting the 2008 Software Operating Metrics Benchmarking Survey** which will show where G&A expenditures are heading for a broad range of mid-sized software companies. We are looking at more extensive metrics for G&A including:

- Average headcounts in G&A for: finance/accounting, legal, IT, HR.
- Average G&A expenses for: comp and benefits, travel, IT, legal, facilities, consulting, depreciation and audit expense.
- Average employee/manager ratios for software companies.

**The 2008 Software Operating Metrics Benchmarking Survey** reports detailed, confidential benchmarks for mid-sized, b-2-b software companies with revenues between \$5M-250M, both SaaS and non-SaaS vendors. Please contact us **BY JUNE 20th** if you are interested in receiving these detailed, confidential benchmarks through participation in our pay-to-participate service being conducted now through June.

For more information about software operating benchmarks or metrics, feel free to contact OPEXEngine at: **781-891-4149** or

[lauren@opexengine.com](mailto:lauren@opexengine.com).

### About OPEXEngine

OPEXEngine works with high technology companies to develop comprehensive operating benchmarks that enable them to manage and plan their businesses more efficiently. Our mission is to deliver useful operating information to help drive profitability and revenue growth. We work closely with our clients to ensure that data and reporting are relevant to their individual needs. OPEXEngine was founded by operating executives with decades of experience in finance, sales, marketing, and general management of technology companies.

**Contact us today for information about:**

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