

Revenue

MRR – ARR

Monthly Recurring Revenue is the predictable recurring revenue to be earned from your active subscriptions over the next month.

$$MRR = \text{Number of active subscriptions} \times \text{Average subscription amount normalized to a month}$$

MRR can also be translated into an annual vision, also called **Annual Recurring Revenue**.

$$ARR = MRR \times 12$$

CMRR – CARR

Considers future subscriptions and future MRR movements that are already programmed in your billing system.

The secured CMRR refers to the portion for which your customers have a contractual commitment with a defined end date.

MRR movements

MRR growth breakdown helps you understand how your MRR has evolved over a given period, breaking down main variations:

- **New:** new MRR generated by clients gained
- **Reactivation:** new MRR generated by clients that have previously churned or paused and have been reactivated
- **Churn:** MRR lost due to lost clients
- **Upsell:** new MRR generated by clients that have increased their subscription amount through upselling
- **Downsell:** MRR lost due to clients that have decreased their subscription amount
- **Foreign currency (FX) impact:** MRR change due to FX rate fluctuations

Revenue recognition

The whole revenue generated by your company over a period, split between:

- **Recurring revenue:** revenue recognized from all your active subscriptions over a period. Revenue from subscriptions spanning a period greater than a month are recognized on a pro rata based on the subscription period. This notion differs from MRR, which is the sum of the monthly subscription amounts of all active subscriptions at any point in time.
- **One-off revenue:** the sum of all invoiced items that do not relate to subscriptions (one-off, setup fees, etc.) over a given period.

Cashed-in revenue

Billed revenue is the total amount of revenue that was billed (and likely cashed-in) over a given period.

By default, the breakdown of this revenue is broken down between paid (effectively cashed-in) and other invoices status (open, pending, unpaid, etc.).

Customers

Number of active subscribers

The number of active subscribers is the sum of all clients that have an active subscription at any point in time.

This allows you to accurately track the number of clients currently generating recurring revenue and the growth of your client base.

Client growth

Active subscribers' growth breakdown helps you understand how your active subscribers base has evolved over a given period.

It breaks down the change in your number of active subscribers between the following movements:

- **New:** new clients gained
- **Reactivation:** clients that have previously churned or paused and have been reactivated
- **Churn:** lost clients

Free-trial conversion rate

The conversion rate calculates the percentage of trial periods that convert into paid subscriptions over a given period.

The conversion rate is only available to users using Stripe or Chargebee.

Unit economics

ARPA & ACV

Tracking the **Average Revenue Per Account** (ARPA) allows you to assess the part of your growth deriving from pricing growth over a given period.

$$ARPA = \frac{MRR}{\text{Number of billed customers}}$$

Annual Contract Value (ACV) is the annualized version of ARPA.

$$ACV = ARPA \times 12$$

Customer Acquisition Costs

A key indicator of how much you need to spend in S&M to acquire a new client.

$$CAC = \frac{\text{Sum of marketing and sales expenditures}}{\text{Number of new clients}}$$

CAC payback period

The number of months of subscription required to pay back the upfront customer acquisition costs and make it profitable before other expenditures.

$$CAC \text{ payback period} = \frac{CAC}{\text{New client MRR}}$$

Customer Lifetime Value

The total estimated amount of revenue a customer will bring in over the course of their subscription period, allowing you to estimate the average worth of each new subscriber over their estimated "lifetime" with your product.

As the total expected length of a customer's subscription is usually not quickly observable, LTV is estimated using customers ARPA and churn rate.

$$LTV = \frac{ARPA}{\text{Average churn over the last 6 months}}$$

LTV/CAC

The higher the ratio, the more revenue a given customer generates above the costs spent to acquire it, and the more likely you are to achieve profitability.

As a rule of thumb, a ratio greater than 3.0x is considered good.

SaaS Quick Ratio

Measures the ratio between MRR gained and MRR lost over a period. It should be higher than 1 to generate growth.

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

Retention

Churn rate

Overall churn is a key metric to track the health of your business, your product-market fit and customer satisfaction.

$$Revenue \text{ churn rate} = \frac{\text{Sum of MRR lost}}{MRR \text{ at the start of the period}}$$

$$Client \text{ churn rate} = \frac{\text{Number of clients lost}}{\text{Number of clients at the start of the period}}$$

Revenue retention

Net Revenue Retention assess the growth derived from your existing customers basis. It measures the change in MRR related to upsell, downsell and churn over a given period compared to the MRR at the beginning of that period.

$$NRR = \frac{MRR \text{ beg. of the period} - \text{Downsell} - \text{Churn} + \text{Upsell}}{MRR \text{ beg. of period}}$$

Gross Revenue Retention does not consider upsell MRR in its calculation, as such, it's capped to 100%.

$$GRR = \frac{MRR \text{ beg. of the period} - \text{Downsell} - \text{Churn}}{MRR \text{ beg. of the period}}$$

Cohort analysis

Allows you to assess retention over time of a specific customers group who started their subscription over the same period (month, quarter or year). The table allows you to track churn and retention for each monthly, quarterly or annual cohort.