



THE ANSWER COMPANY

HOW SAAS ORGANIZATIONS CAN THRIVE

IN EVERY STAGE OF GROWTH

theanswerco.com

Sage Partner



WELCOME

INTRODUCTION

The challenges of bringing your business public and beyond are many and varied, and they might seem even more harrowing given today's uncertain global economic climate. But we've seen organizations thrive in rocky periods with the help of the right technology and decision-making. SaaS businesses in particular are resilient and flexible — the SaaS market itself is set to expand at a compound annual growth rate (CAGR) of 11% from 2022 to 2028¹.

There's no reason why your SaaS company should not enjoy the explosive growth so many others have had — even in uncertain times. As your company makes its way through the four main stages of growth, you need three things:

- A strong understanding of certain financial metrics that differ at each stage
- A powerful financial management solution to help you seize control over your accounting data
- A knowledgeable partner to support your growth through technology

OVERVIEW

¹<https://www.grandviewresearch.com/industry-analysis/saas-market-report>

The right accounting solution can make or break your ability to achieve your growth objectives, and it's one of the most crucial tools to get right so you're set up to eventually go public. In this eBook, we'll walk you through each phase of growth your organization can experience and how all three of the above components play essential roles. Read on to learn more about what financial numbers you'll need to track — and how to track them using a financial management solution like Sage Intacct — with the help of The Answer Company.

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EARLY STAGE

The early stage is all about getting aligned and preparing for growth. What does this entail?

- Sorting through your internal processes to keep what's working and revise what's not.
- Having a technology platform that is ready for growth, such as a best-in-class financial management solution. You'll want to specifically look for one like **Sage Intacct** that has a financials module that can properly track your incoming subscriptions and contract models.

CHALLENGES

While that all sounds pretty straightforward, the early-stage business is not without its obstacles. Lack of processes and controls such as approvals can inhibit workflows. Manual tasks and multiple spreadsheets can hinder acceleration. Without real-time information, you're making decisions in the dark. If you have disconnected systems or rigid billing structures, you've got even more to overcome. That's where a cloud accounting solution like Sage Intacct comes in.



SOLUTIONS

With Sage Intacct — and the help of The Answer Company — you'll implement a solution that will give you real-time insight into your business, operations, and products. You'll clearly see what your cash flow is through the budgeting and forecasting model, and you'll have greater visibility into your financial and business data. You'll be able to deduce if your product is scalable and automate the following processes:

- Quote-to-cash
- Financial reporting
- Billing expenses
- Order entry

Your early-stage company will have a single source of truth, the right financial tools, automation, and insightful metrics to optimize your operations for growth.



Are You in the Pre-Early or Seed Stage?

If you've not yet fully moved beyond your seed stage into your early stage, you're in an exciting phase of growth. But there are still some tried-and-true accounting practices for you. It might be tempting to use entry-level software for your books, but it won't grow with you as you accelerate. At The Answer Company, we've seen many seed-stage companies eventually move from something like QuickBooks to Sage Intacct because it better equips you for future scalability.



GROWTH STAGE

This stage requires you to be even more aware of metrics that you'll be using to draw investors and prove your revenue model. You need to demonstrate you can retain customers and sell them additional offerings. At this stage, the foundation you set for operations is crucial to how your growth will progress.

CHALLENGES

Growth-stage SaaS companies have a lot to prove. You need to show repeatability, predictability, and adequately manage customer lifetime value (CLTV). To keep moving and manage different subscription models, you need to automate operations like Accounts Payable. Keeping an eye on subscription cancellations is important.

You should know expenses per category as well as expected billings, revenue, and cash by customer. A key goal for growth-stage companies is to analyze churn metrics by different dimensions, such as product channel, customer, or another category. And as your tech stack grows with solutions like customer relationship management (CRM) tools, you'll need a way to integrate them with accounting.



SOLUTIONS

A powerful cloud accounting software system like Sage Intacct gives you the visibility into your business that you need to optimize your foundation and demonstrate your profitability. Interoperability among components of your tech stack can be achieved through the solution's API architecture.

You'll combine data streams to get a holistic view of your operations and closely track these key metrics:

- Cohort analysis
- Upsell, cross-sell, and down-sell
- Gross margin
- Cost of goods sold (COGS)
- Net churn
- And more

With Sage Intacct, you'll be able to automate:

- Financial planning
- What-if scenarios
- Closing
- Customer success
- Professional services
- IFRS 15 Compliance and Revenue Recognition



What Metrics Are Important to Understand in EARLY STAGE to GROWTH STAGE?

As you gain traction, your company needs to be able to answer the following questions:

- What is your gross margin?
- What is the ratio between the CLTV of revenues to the business compared to what it cost to acquire them?
- Who is staying with the company when it comes time to renew?



LATE STAGE

Here, you're taking those proven repeatable ways of cementing CLTV and scaling them. Late-stage companies are working to grow to \$100 million in revenue, and your accounting operations need to be automated, locked, and tight.

CHALLENGES

At this stage, your financials should be bulletproof and highly measurable. Your goal should be to grow at 40%+ with repeatable product development, sales, and customer success processes. Granularity is important in this phase, and late-stage companies need to distinguish between voluntary churn (users proactively unsubscribing) and involuntary churn (issues with subscriptions or payment).



SOLUTIONS

Leveraging Advanced Revenue Recognition and SaaS Intelligence will be key for your business in this stage, and Sage Intacct offers both. Those tools help you keep all of your revenue streams organized and tagged for easy reporting. As far as dashboards go, the solution comes with hundreds of out-of-the-box reports for stakeholders. Reporting on both your cash and your cash burn rate helps optimize your financial performance.

Going beyond just understanding net churn, Sage Intacct helps you get that granular visibility into why customers are unsubscribing. It will enable you to automate financial planning and analysis (FP&A) as well as provide insight into your Gross Margin Analysis — a key metric for understanding when you've hit the ceiling in your late stage and you're ready for a public offering.



What Can You Do About Churn?

Whether it's involuntary or voluntary, SaaS businesses can take action when they're experiencing churn.

- **Voluntary:** you can directly reach out to customers to ask them about any changes they'd like to see or what service upgrades might have prevented their defection.
- **Involuntary:** Staying on top of payment processing can often prevent customers' cards from experiencing errors and unsubscribing them from your business.



IPO

As you reach IPO, you're expanding your product line, going global, exploring acquisitions, and more. You know what works, and you're taking that to move to adjacent markets and new regions.

CHALLENGES

While going public is exciting and certainly a marker of your success, it also means you're receiving capital infusions while under even more financial scrutiny than at any previous stage. Auditors, regulators, and investors will want clear numbers and report after report. Your financial team will bear the burden of reporting and getting audit-ready with all financials updated.

Compliance is a top concern, but so are the complexities of going global. Factors like multicurrency and multilocation accounting come into play, and you need to make sure your financial system can handle closing out all your different entities with centralized reporting.



SOLUTIONS

Sage Intacct is the SaaS industry's choice when it comes to simplifying the financial complexities of going public. Staying compliant in multiple geographies, dealing with multiple currencies, and reporting for multiple entities are all made easy with the right financial management platform. You can simplify intercompany transfers and audit compliance for both tax and revenue recognition.

Sage Intacct offers an Intelligent General Ledger using artificial intelligence to help you close up to 80% faster. You'll also track key metrics, including:

- Segment and exploratory analysis
- Deferred revenue
- Year-over-year and month-over-month customers and revenue growth
- Forecasted sales and quota expenses

Did you know...

In 2021,

\$67 billion

in market capitalization
went IPO on Sage Intacct?



What Metrics Are Important to Understand in Your IPO Stage?

As you grow to a public company, you need to know:

- What your deferred revenues are as well as your earnings before interest, tax, depreciation, and amortization (EBITDA)
- What your overall company expenses are
- Your year-over-year growth of expenses on the number of customers

WHY THE ANSWER COMPANY?

We have nearly 30 years of experience helping businesses streamline accounting and financial operations. With over 2,000 clients, hundreds are in technology/SaaS, and our team of financial management consultants and implementation experts have extensive and ongoing certifications in Sage Intacct.

The Answer Company is known for its superior customer service and complete transparency, so our customers always have the right expectations and know they can rely on us. Here's how we help companies at all stages of growth:

Early Stage: Our dedicated team of process experts can easily identify businesses on the cusp of major growth and know how to optimize their workflows to increase efficiency, reduce errors, and best leverage automation.

Growth Stage: The Answer Company helps you tame the complexity of your environment as you leverage the power of a financial management system to optimize accounting processes. Having a team of experts to support your departmental expansions, services introductions, new billing structures, and increased responsibility around financial reporting is crucial to move to your later stages.

Late Stage: We have deep experience in the SaaS vertical, and we know the metrics that are important for establishing a framework for reaching IPO. Our solutions engineers, software development team, implementation specialists, and professional services project managers have worked with many late-stage companies to successfully bring them to public offering with proven methods for reaching their goals.

IPO: The Answer Company has created proven workflow processes for our clients that include audit preparation and proactive compliance with all standards. We take the stress out of financial operations, and we work closely with your project teams to ensure you're tracking all the right metrics. With The Answer Company as your partner, audit preparation is just a few clicks, and you can issue any number of reports for stakeholders as needed.

AWARDS

- Sage Diamond Partner (since 2018)
- Sage Intacct Canadian Partner of the Year 2022
- Bob Scott's Top 100 VARS (every year since 2018)
- Business in Vancouver: The Top 100 Fastest-Growing Companies (every year since 2018)
- Sage Partner Community Award 2020
- VAR Stars (every year since 2020)
- Canadian SME Small Business of the Year 2020, 2021
- Great Place to Work Certified 2021, 2022
- GPTW Best Workplaces for Giving Back 2021, 2022
- GPTW Best Workplaces in Canada 2022
- Certified Canada Digital Adoption Program (CDAP) Advisor 2022



Sage Partner

Reach out to The Answer Company today for a personalized demo of how Sage Intacct can support your SaaS company — **at any stage of growth.**

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