Battery Ventures

State of the OpenCloud

November 2023

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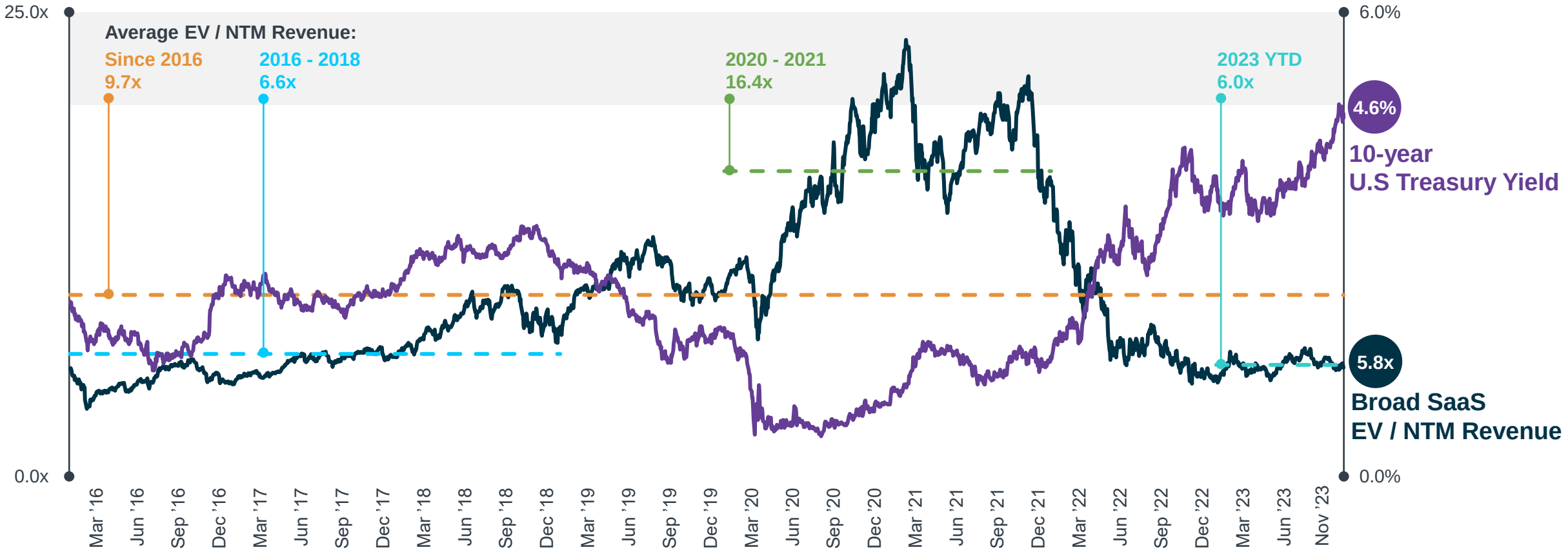
AI is Driving the Next Wave of Cloud Growth

AI is driving the next wave of cloud growth

1. Sustained macro pressures are driving a return to fundamentals for software companies
2. Companies are balancing growth and profitability as they shift from short-term to long-term gratification
3. AI has the potential to upend existing business models and re-define healthy software company metrics
4. Cloud providers are investing ahead of the curve as AI fuels the next generation of compute consumption
5. While the IPO bar is high, the opportunity remains large, and there's a healthy backlog of private unicorns
6. We're in the early innings of cloud and AI adoption with a large disruption opportunity ahead

The current economic environment continues to impact valuation multiples

Enterprise Value / NTM Revenue vs. 10-Year U.S. Treasury Yield



Rising interest rates and a pullback in software spending have continued to drive valuation multiple compression.

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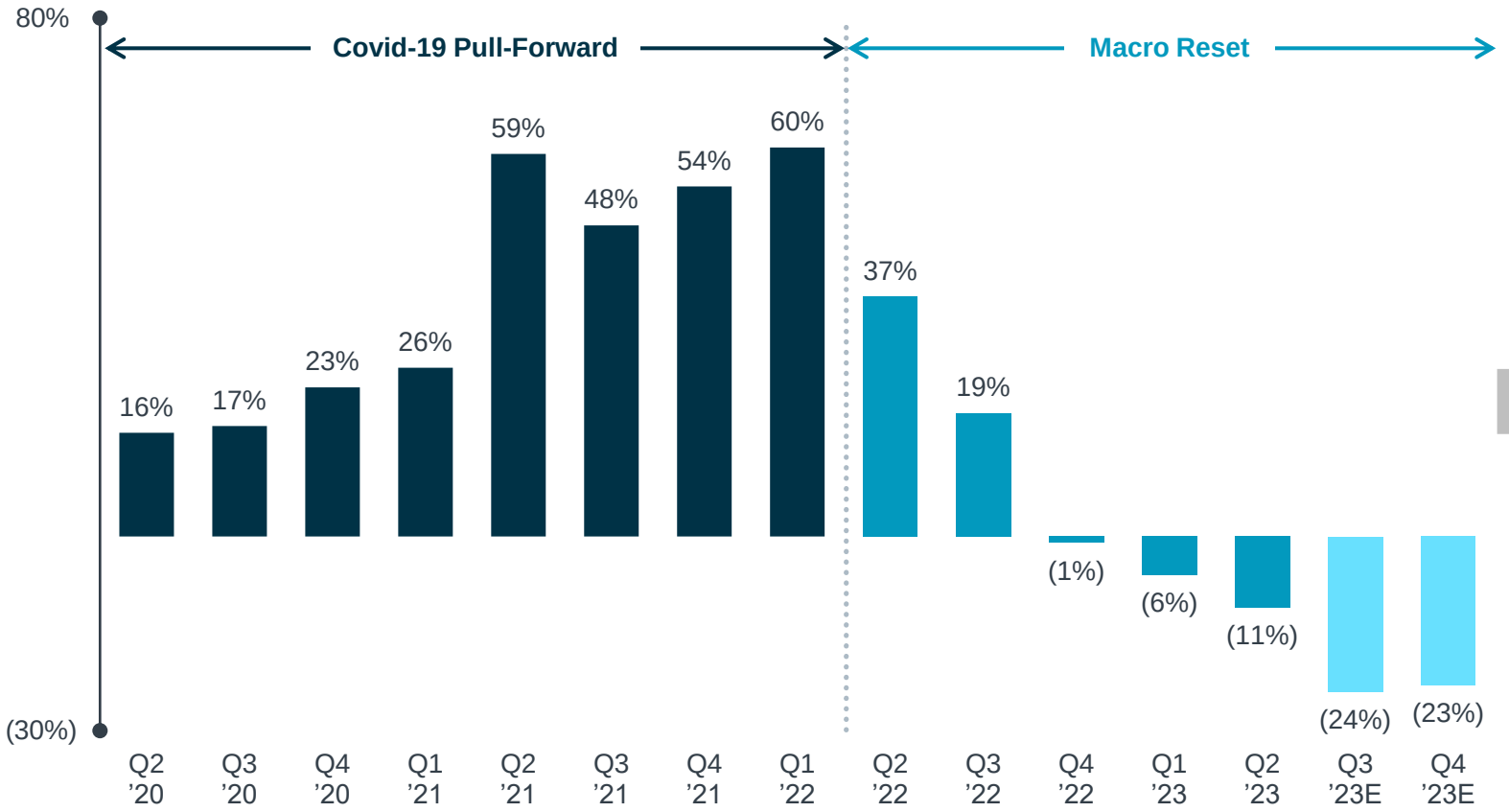
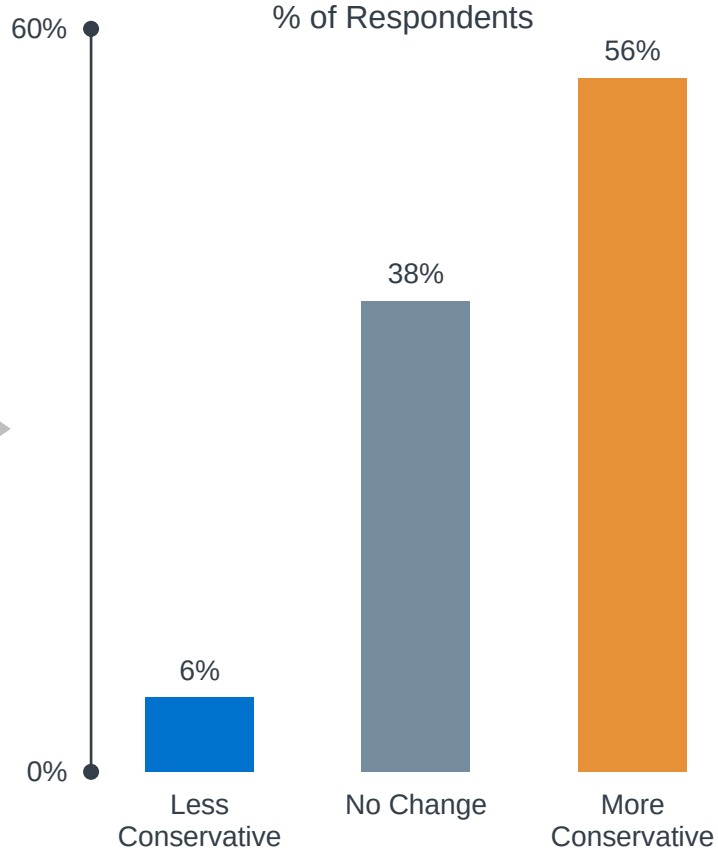
Note: Market data as of November 7, 2023. Source: CapIQ.

Growth is being reset

Y/Y Growth in Net New ARR



Impact of Economic Conditions on Tech Spending Strategy Y/Y



Growth accelerated through 2021, but budget compression has resulted in a slowdown in IT spend and a growth reset for software companies.

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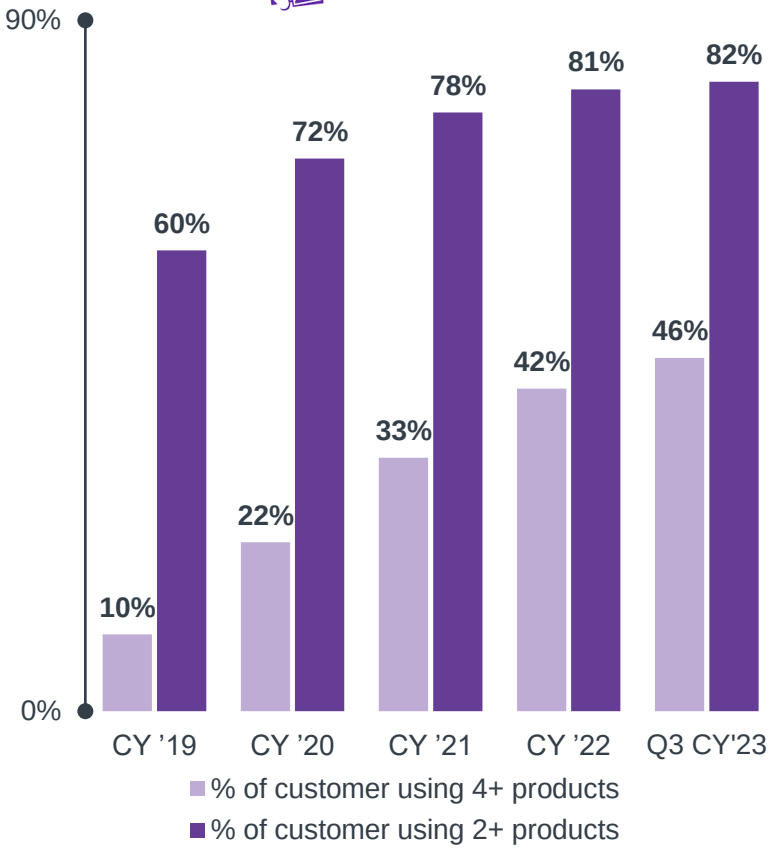
Note: Market data as of October 31, 2023. Source: CapIQ, Battery Q3 2023 Cloud Software Spending Survey.

The market is shifting from best-of-breed to end-to-end platforms

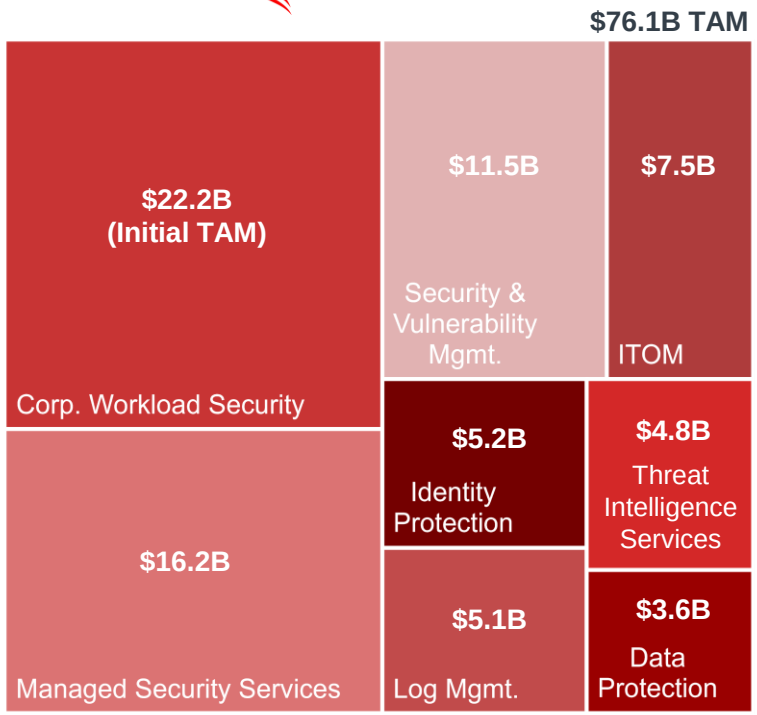
Multi-Product Adoption

DATADOG[1]



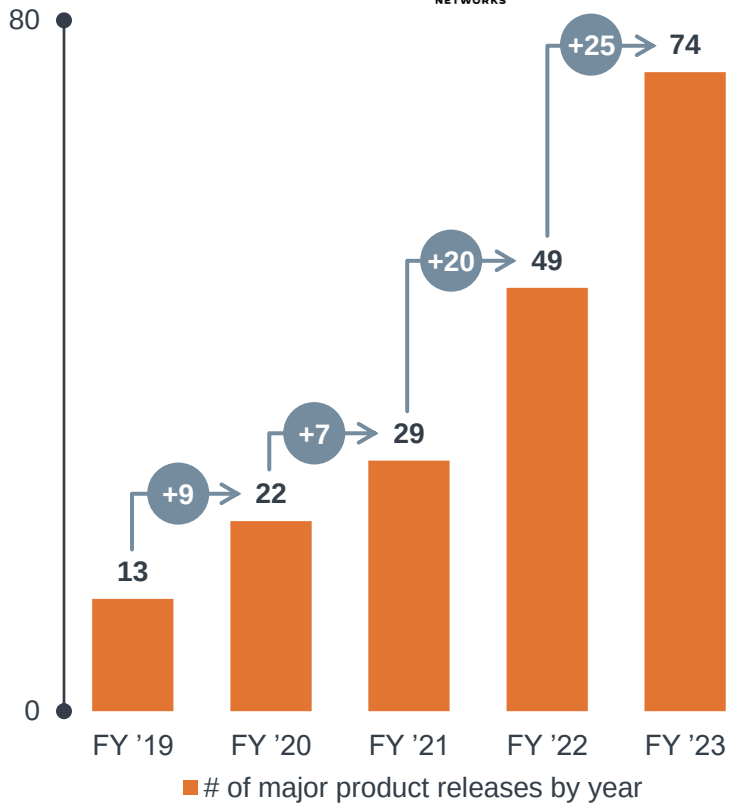
TAM Expansion & M&A

CROWDSTRIKE



Higher New Product Velocity

paloalto NETWORKS



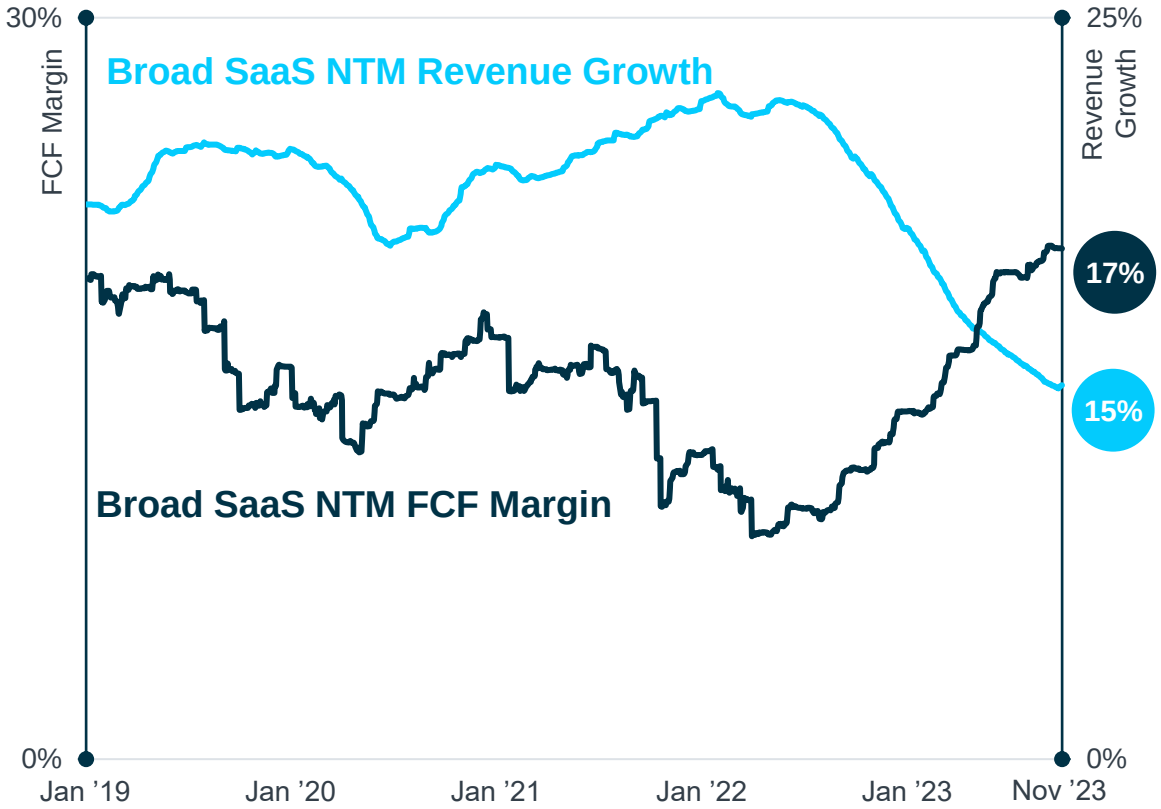
Vendors are consolidating spend by launching new products and expanding into adjacent markets.

Note: Represents Palo Alto Networks' FYE of July 31st. [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/.

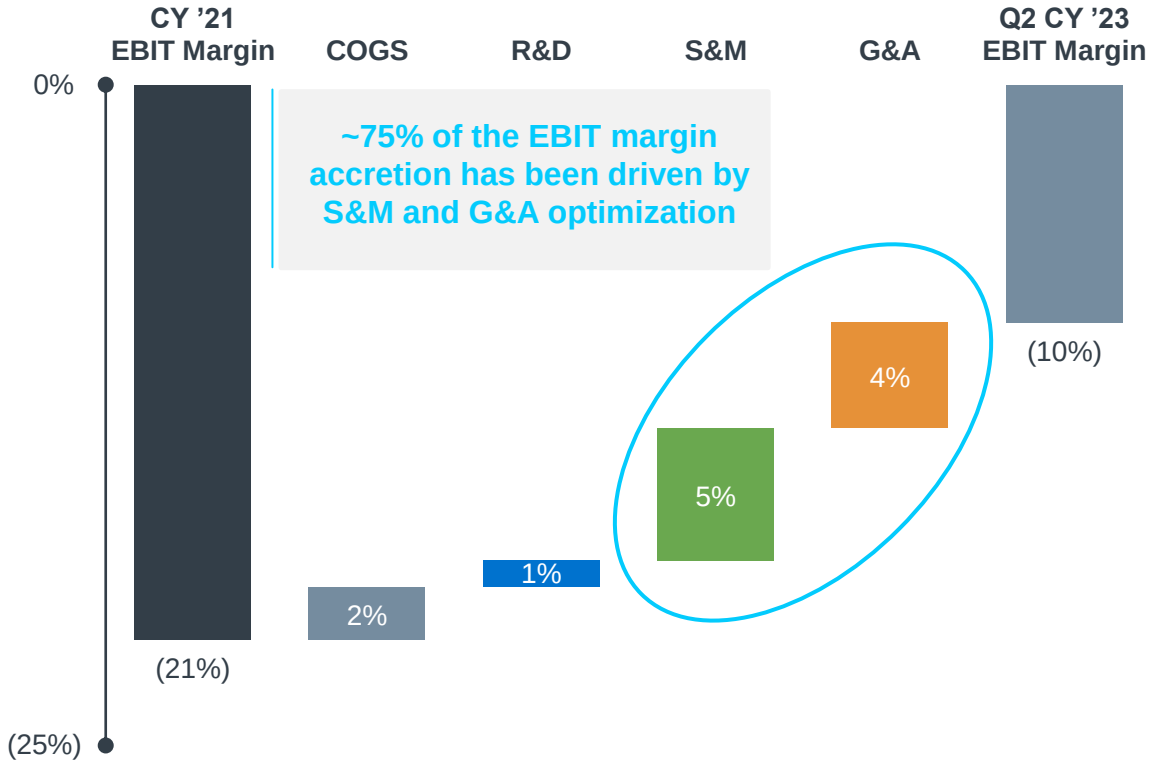
Source: Company presentations and filings

Growth uncertainty has shifted the focus to improving profitability

NTM Revenue Growth vs. NTM FCF Margin



Average GAAP EBIT Margin Expansion



Companies are adjusting their spend profile to match new growth expectations.

Note: Market data as of November 7, 2023
Source: CapIQ

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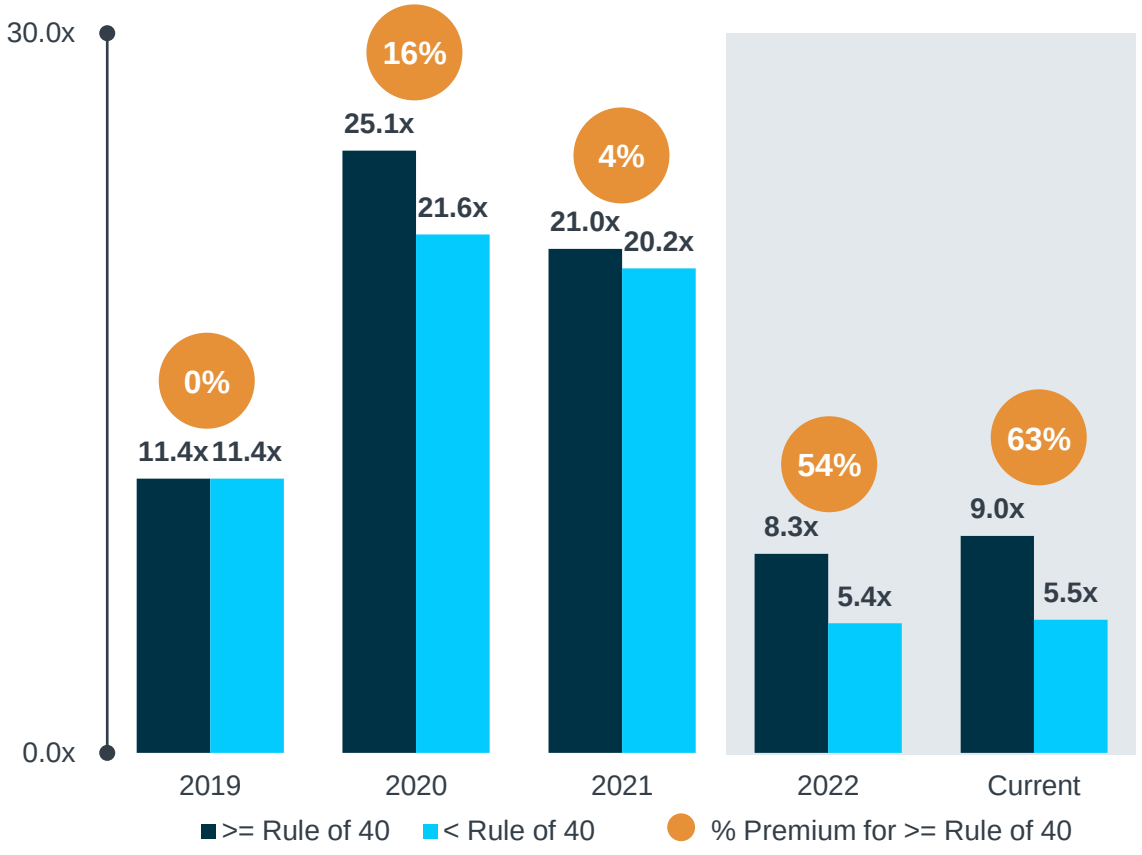
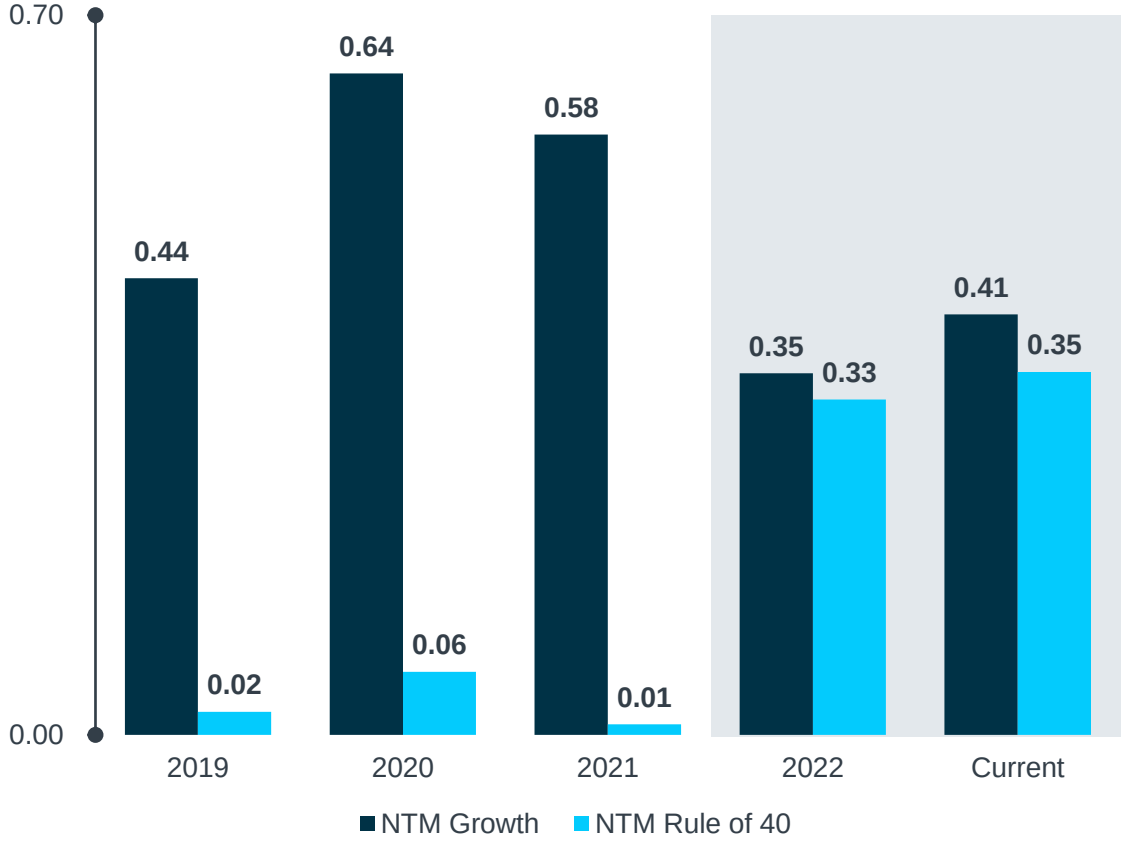
The market is rewarding efficiency

EV / CY+1 Revenue Multiple



CY+1 Revenue Multiple R^2 Values



Companies that show a balance of growth and profitability trade at a ~60% premium to those that don't.

Note: Market data as of 11/7/23
Source: CapIQ

You must be a healthier software company to go public

	IPOs | 2018 – 2019	IPOs | 2020 – 2021	IPOs | 2022 – 2023
Revenue	**$381M**	**$436M**	**$788M**
Y/Y Growth	**29%**	**40%**	**35%**
Gross Margin	74%	75%	74%
R&D % of Revenue	25%	28%	20%
S&M % of Revenue	40%	40%	31%
G&A % of Revenue	19%	24%	14%
EBIT Margin	**(10%)**	**(15%)**	**10%**
Net Dollar Retention	121%	120%	119%
EV / NTM Revenue - IPO	9.2x	17.3x	10.8x
	Dropbox, smartsheet, elastic, PingIdentity, zoom, DocuSign, pagerduty, zscaler, DATADOG[1], CROWDSTRIKE, dynatrace, CLOUDFLARE	bill, JFrog[1], sprinklr[1], snowflake, HashiCorp, freshworks, UiPath, GitLab, SentinelOne, CONFLUENT[1], asana, PROCORE, sumo logic[1], zoominfo, monday.com	klaviyo

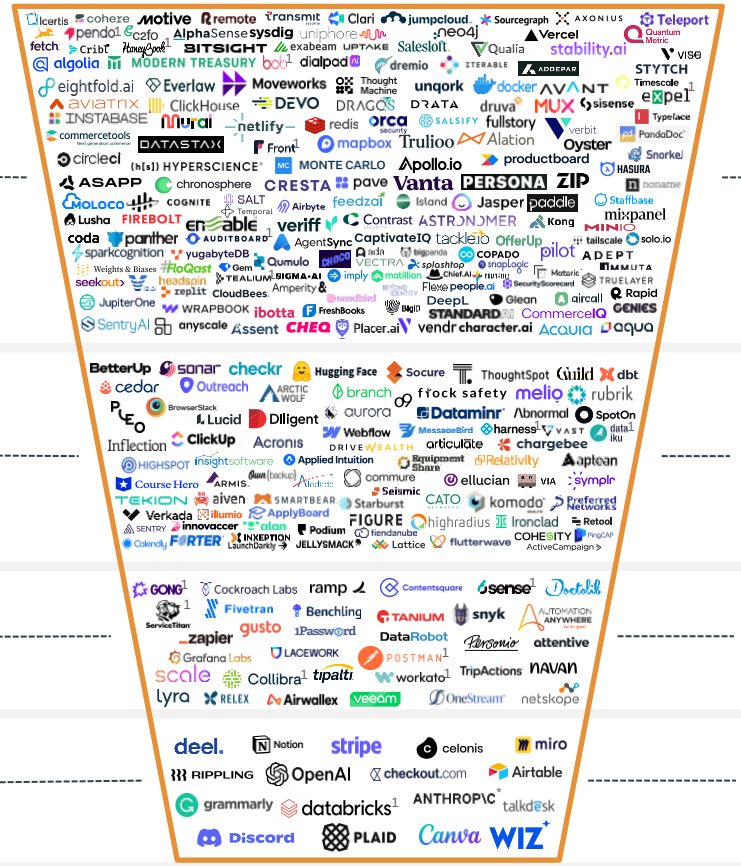
Software IPOs are now larger while showing growth durability of 30%+ and greater profitability.

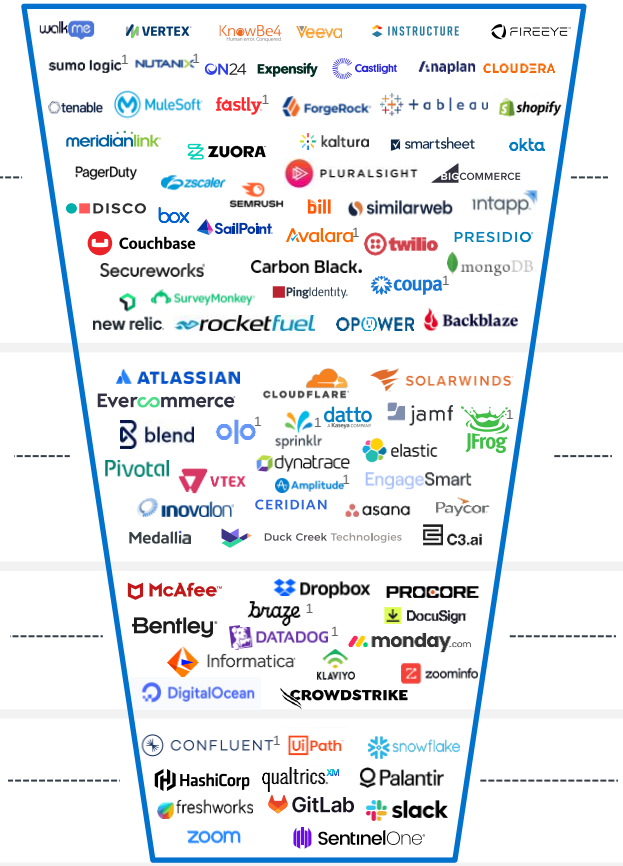
Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/ Operating metrics reflected are non-GAAP.

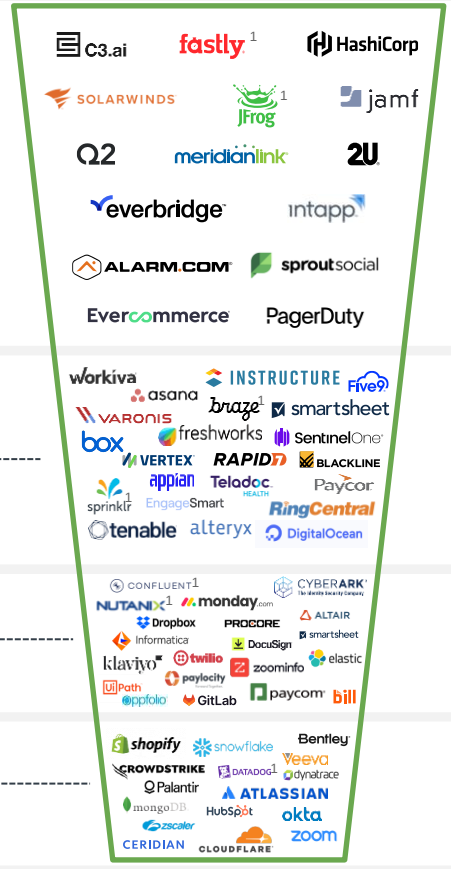
Source: CapIQ

Unicorns aren't out of the woods yet as the market shifts from valuation to scale

Valuation	# Companies	Global Private Software Unicorns* (Current Unicorns | Latest Disclosed Post-$)	Software IPOs (2013 – 2023 IPO Cohort | EV at IPO)	Public Software Companies (2013 – 2023 IPO Cohort | EV at Current)
$1B+	1,000	95	74	
$3B+	115	46	56	
$5B+	50	24	36	
$10B+	17	11	16	







Legend
• # of companies represents aggregate # in each bucket (i.e., # of companies in the $10B+ category are also included in the $1B+ bucket). • Logos shown reflect where those companies are valued today.

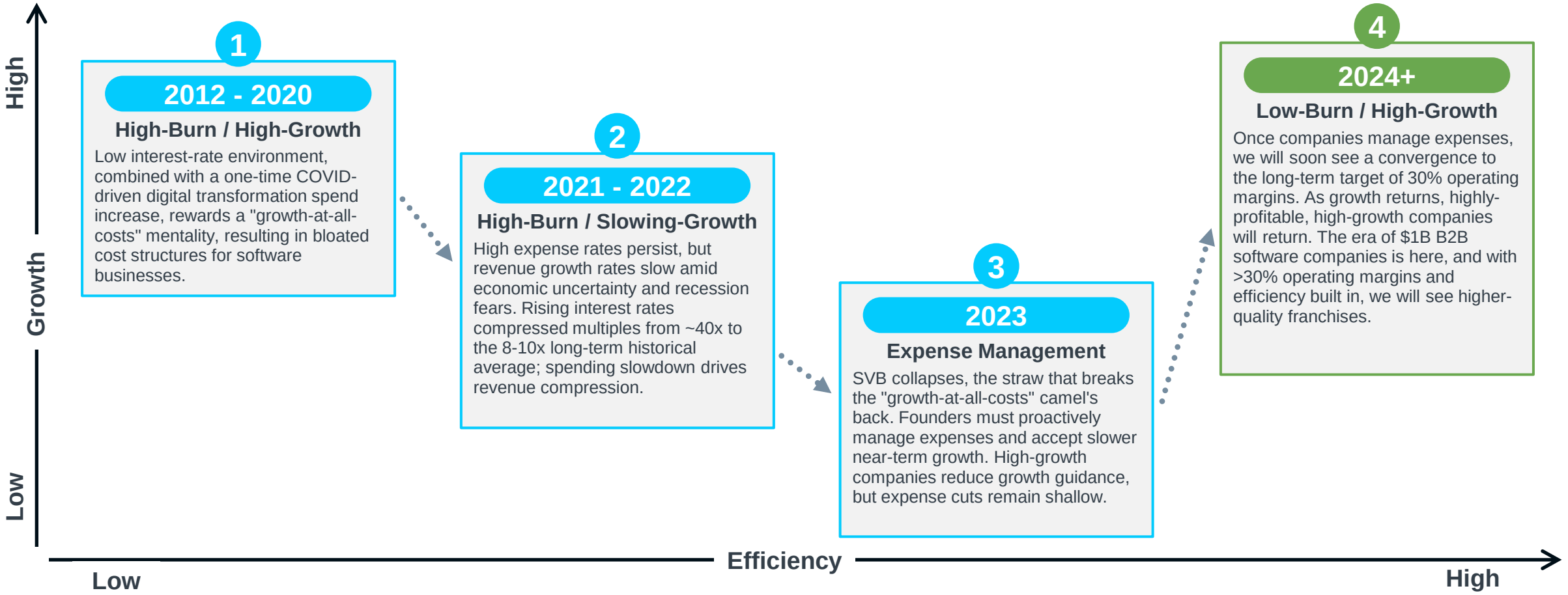
$1B is the new $100M when it comes to ARR. Despite a high bar to go public, 10 years of software company IPOs have paved the way for private unicorns.

Source: Pitchbook, CapIQ as of 11/07/23.

Note: Private Software Unicorns are based upon their latest known financing valuation and excludes companies that are HQ in China and companies that have been labelled as Cryptocurrency/Blockchain companies by Pitchbook. This category also excludes companies that have been through M&A, Buyout/LBO, Joint Venture, Reverse Merger or Bankruptcy: Admin/Reorg as their latest financing deal type. [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/. Operating metrics reflected are non-GAAP. *Anthropic valuation not disclosed but based on an article from *The Information* dated 10/4/23.

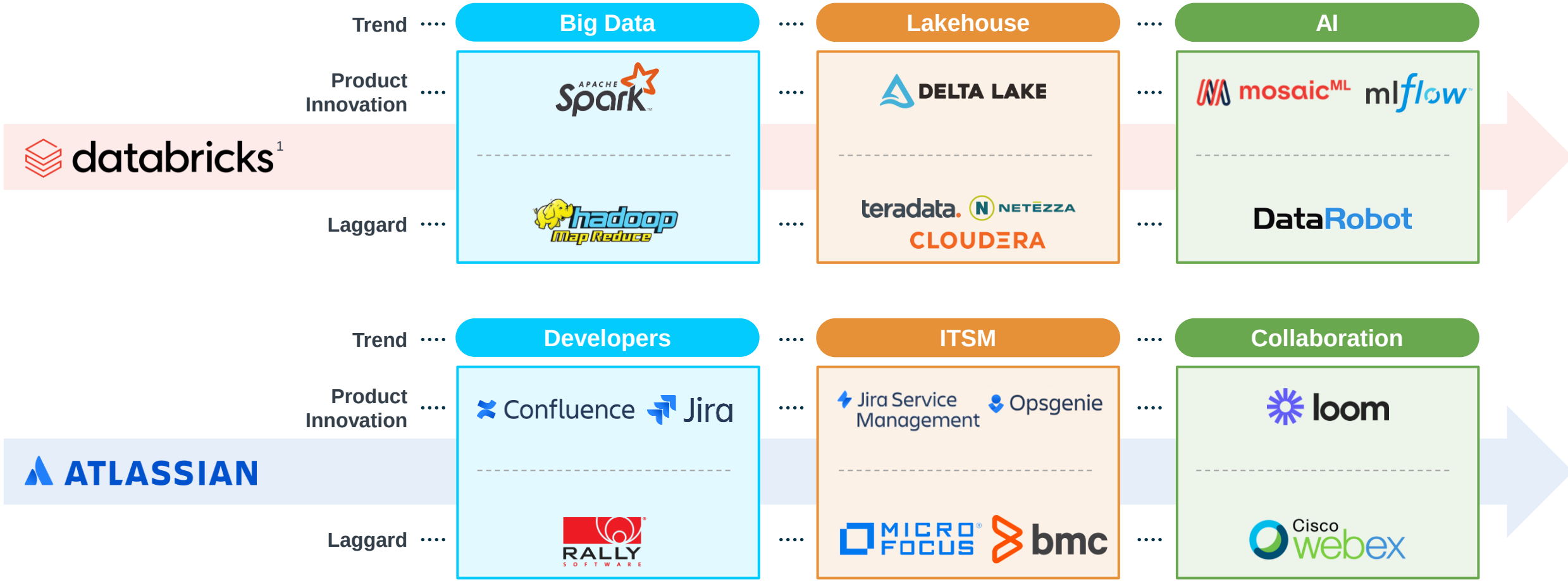
Short-term pain will result in long-term success

The 4 cycles of value creation in software



The return to fundamentals creates long-term healthy companies.

Product market fit is not one and done



Companies must continue to innovate and consistently re-prove product market fit or risk disruption.

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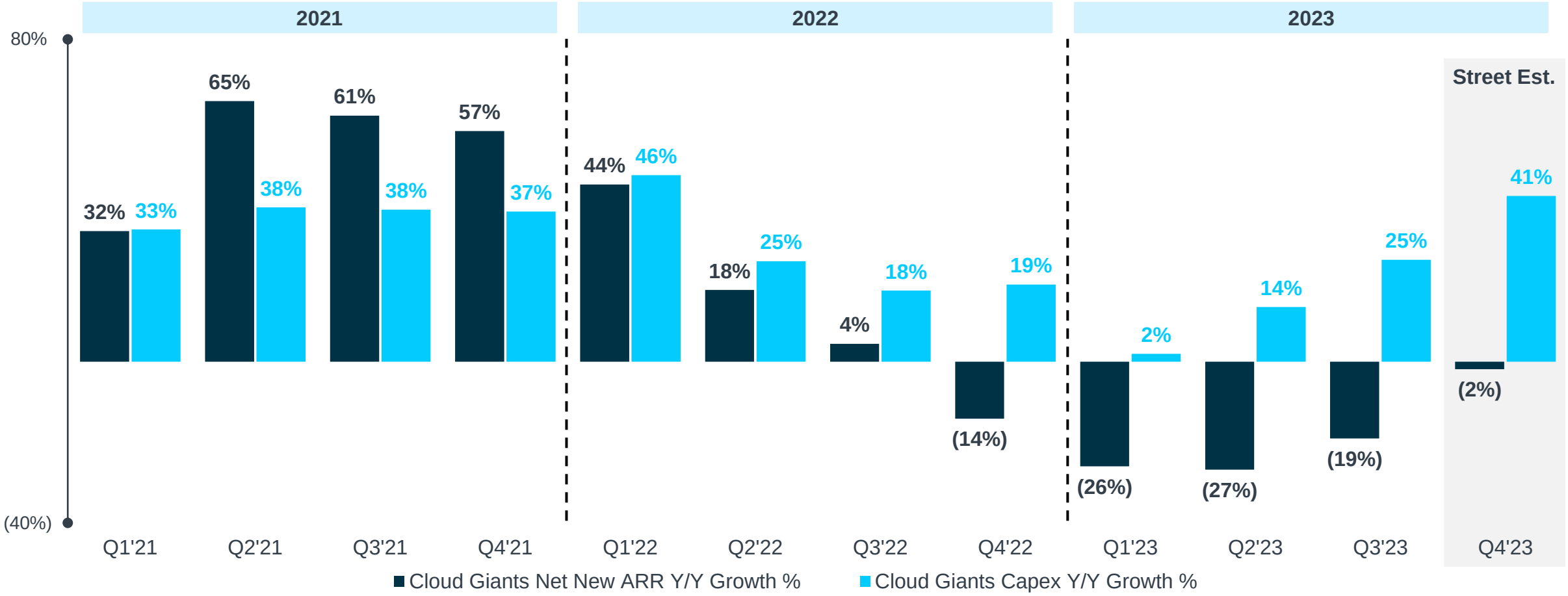
Cloud optimizations persist as cloud vendors ramp AI investments

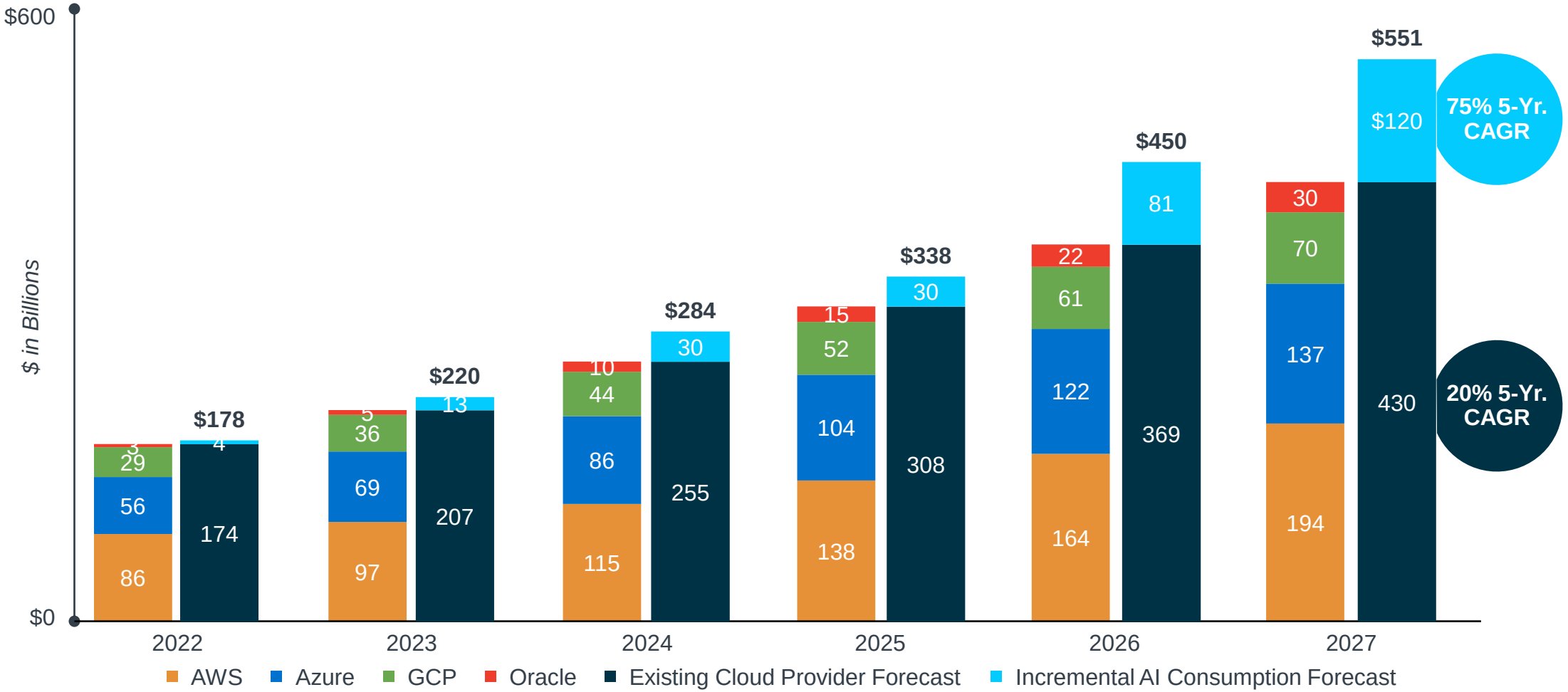
Cloud Giants Net New ARR Y/Y Growth (%) vs. Cloud Giants CapEx Y/Y Growth (%)



Cloud providers are investing ahead of the curve as the demand for AI accelerates.

Note: Growth rates reflect FX-adjusted figures (i.e., not constant currency). Cloud Giants represents the sum of AWS, Azure and Google Cloud.
Source: CapIQ, Goldman Sachs Research.

AI will fuel the next era of cloud consumption



Cloud adoption is rapidly expanding with AI, and the stakes have never been higher. There is $100B+ of incremental revenue that is up for grabs by 2027.

Note: Cloud AI ARR implied from Nvidia's data center revenue. Battery estimates and assumptions include $25K GPU ASP, % of data center revenue attributable to Cloud Providers, Cost per GPU/Hr., and GPU utilization rate.

Source: Battery estimates, Goldman Sachs research

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Operational Best Practices

1 Metrics that matter: The early-stage and growth-stage playbook

	Startup: $1-5M ARR	Scaleup: $5-15M ARR	Scaling: $15-30M ARR
ARR Growth	3.0x+	3.0x	2.0x
New Logo Growth	3.0x+	2.5-3.0x	1.5-2.0x
GDR / NDR %	90%+ | 110%+	90%+ | 120%	90%+ | 130%
Gross Margin %	>60%	>70%	>75%
S&M as a % of Revenue	130% | $1.6M / Qtr.	100% | $4M / Qtr.	80% | $7M / Qtr.
R&D as a % of Revenue	100% | $1.3M / Qtr.	80% | $3M / Qtr.	60% | $5M / Qtr.
G&A as a % of Revenue	50% | $0.6M / Qtr.	40% | $2M / Qtr.	30% | $3M / Qtr.
Magic Number (Net New)	0.6-0.7x	0.7-0.8x	0.8-1.0x
Burn Ratio (Net Burn / Net New ARR)	2.0-3.0x	2.0-2.5x	1.0-2.0x

Growth is not enough. Companies must also track logo velocity, OpEx efficiency and the path to profitability from the earliest phases of a company's life.

2 Business models are shifting to consumption & outcome-based pricing

Low ..... Customer – Vendor Alignment ..... High

On-Premises (Pre 2010s)	Cloud-Native (2010s – 2020s)	AI-Powered (The Future)
On-Premises: Buying the right to software	**Cloud-Native: Subscribing to the right software**	**AI-Powered: Paying for the right outcome**
Perpetual Software License	**Subscription Software License**	**Consumption & Outcome-Based Pricing**
+ Predictable software costs, low vendor dependency and perpetual ownership.	+ Shifts the software installation, delivery and maintenance burden from customer to vendor and offers a more flexible pricing model.	+ Customers only pay for consumption and successful outcomes, resulting in true customer and vendor alignment.
- Low alignment between customer and vendor. Customer is responsible for installation and mgmt. along with finding value.	- Upfront commitment each period may result in unused services and still puts the onus of success on the customer.	- Forecasting is difficult with variable consumption in each period, and it is easier for customers to accidentally overspend when not tied to pre-defined commitments.

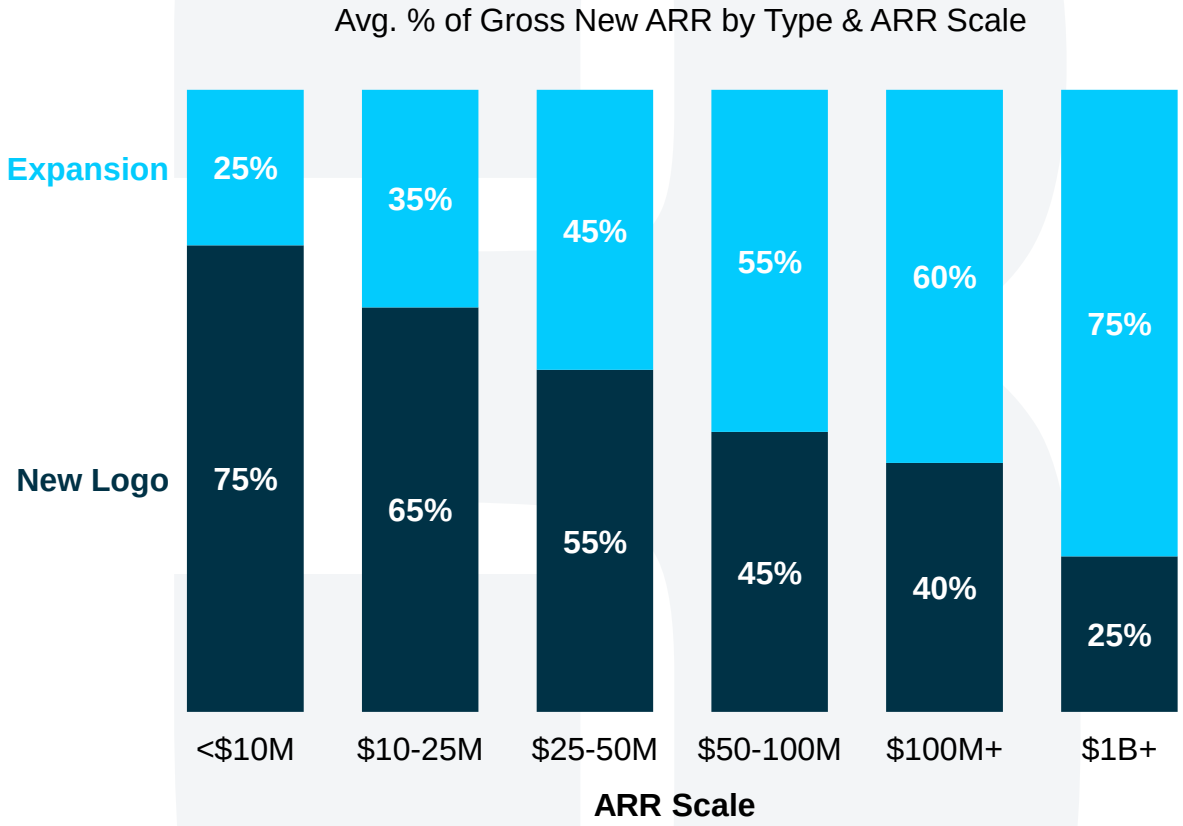
Consumption and outcome-based pricing is key to aligning customers and vendors.

3 Overemphasize logo velocity to make up for lower ASPs in uncertain economic environments

Ways to Incentivize Logo Velocity

1 Logo-Based Quota	Quotas based on the number of new logos closed during a specific period (vs. the $ ARR closed). *Note: it's important to include guardrails around the minimum acceptable annual contract value (ACV) for each customer profile (i.e., enterprise, mid-market, SMB, etc.)*
2 Quota Retirement Gates	Sales rep quota is based on the $ ARR closed, but in order to retire quota, the sales rep must close a minimum number of new logos.
3 Bonus Incentives	Involves offering extra compensation for logos closed. *This can be delivered on an individual basis (i.e., each rep is paid for every new logo that they close) or a group-wide basis (i.e., the sales team is given a bonus based on an aggregate new logo target).*

Gross New ARR Distribution



Expansion cycles are not durable without sufficient new logo volume.

4 AI is upending the S&M workflow…

	Lead Prospecting	Engagement	Close / Forecast	Retain & Expand
Incumbent Tool Stack	dun & bradstreet, LinkedIn	Salesforce, Oracle	Excel, Google Sheets	Gainsight[1]
Incumbent Workflow	• SDR : AE ratio is 1:2 • Expensive marketing program spend to drive top-of-funnel leads	• $300K AE OTE • 9 mo. + ramp time • Erratic attainment	• Guesswork to forecast and estimate pipeline conversion	• CSM : paying customer ratio is 1:10-25 • CSM hires scale linearly with customer growth
AI Innovators	HIGHSPOT, HubSpot, Apollo.io, zoominfo	GONG[1], Salesloft, Outreach, HubSpot	GONG[1], Clari	Vitally, Catalyst
Impact	• SDR : AE ratio expands to 1:3 / 1:4 • Marketing program spend is reduced through more targeted leads and greater automation	• 6 mo. ramp time • AI-driven intelligence and decision-augmentation for predictable attainment • Training / knowledge transfer	• Data-driven approach drives greater accuracy when forecasting revenue • Companies can use leading pipeline signals to course correct in real-time	• CSM : paying customer ratio expands to 1:50+ w/ AI-driven automation • Personalized approach to deliver better customer experiences

AI is augmenting traditional GTM playbooks by driving higher conversion across the funnel and allowing AEs/strategic sellers to own more of the workflow.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

5 …With the potential to drive material headcount savings

	Status Quo		Future w/ AI Automation	
	Headcount	AE:[x] ratio	Headcount	AE:[x] ratio
AEs	30		30	
SDRs	15	2:1	10	3:1
SEs	20	3:2	10	3:1
CSMs	15	2:1	10	3:1
Marketing	30	1:1	15	2:1
Total	**110**	**~30%**	**75**	

S&M headcount savings from AI-powered automation

At 30% to 40% of revenue, sales and marketing is one of the highest cost centers for companies. AI-driven automation has the power to drive meaningful efficiencies.

6 Building and scaling the right sales team

	Seed	Early-Stage	Mid-Stage	Late-Stage
GTM goal	Find product market fit	Establish repeatability	Scale growth	Maintain growth at scale, and prove efficiency / durability
Mandate	Understand the use case / pain point, ICP, buyer and budget	Build / implement sales playbook and a repeatable sales process	Scale the sales playbook and process	Manage all revenue generating activities
Success metric	Initial customers	Consistent new customer lands	Accelerating new customer lands	Profitable unit economics
Sales leader	CEO / Founder *(product knowledge / vision)*	Head of Sales *(player / coach)*	VP of Sales *(team builder / manager)*	Chief Revenue Officer *(strategic, higher-level leadership)*
Supporting team	100% founder-led	2+ AEs / SDRs reporting to head of Sales or CEO	Scale headcount to match sales capacity and growth + onboard sales managers to coach reps	Manage capacity with growth while driving specialization (seller focus, territories, etc.)
SDR to AE ratio	N/A	1:3	1:3	1:3
Quota	N/A	Logo-based quota to incentivize velocity	ARR-based quota	ARR-based quota
Sales team coverage	No specialization – 100% coverage	No specialization – 100% coverage	Coverage split by geo, account, product, etc.	Coverage split by geo, account, product, etc.

Sales organizations must evolve alongside company growth.

7 Measure R&D and align on the right metrics

Key Engineering Performance / Productivity Benchmarks

	ELITE	STRONG	FAIR
SERVICE UPTIME Measures system, service, solution or infrastructure reliability.	**Five 9s**	Four 9s	Three 9s
TOTAL INCIDENTS & INCIDENT SEVERITY Measures frequency (weekly, quarterly, etc.) and severity (i.e., Sev-1, Sev-2, etc.).	**< 10 Per month**	10 – 30 Per month	30+ Per month
CYCLE TIME Time from code to 'production'. Shorter cycles correlates to small PR sizes.	**< 2 Days**	2 – 4 Days	> 4 Days
PICKUP TIME Measures the time a pull requests waits to be reviewed.	**< 1 Hours**	1-3 Hours	3+ Hours
REVIEW & DEPLOY TIME Time taken to complete a code review and merge code. Low review time represents a healthy / automated review process.	**< 1 Hours**	1-5 Hours	5+ Hours
DEPLOY FREQUENCY Measures how often code is released. Elite deploy frequency represents a stable and healthy continuous delivery pipeline.	**Daily +**	*> 1 / Week*	*< 1 / Week*
ACCEPTANCE RATE Measures the percentage of code merged and released to code committed.	**> 80%**	60%	< 50%

Commentary:

Engineering performance and productivity benchmarks are meant to introduce visibility and predictability across development teams, just as operating and S&M performance is measured.

Best practices:

- Organization size matters so adapt metrics accordingly.
- Start with objective metrics such as service uptime, incidents, deploy frequency.
- Build a muscle of reporting and improving on metrics over time.

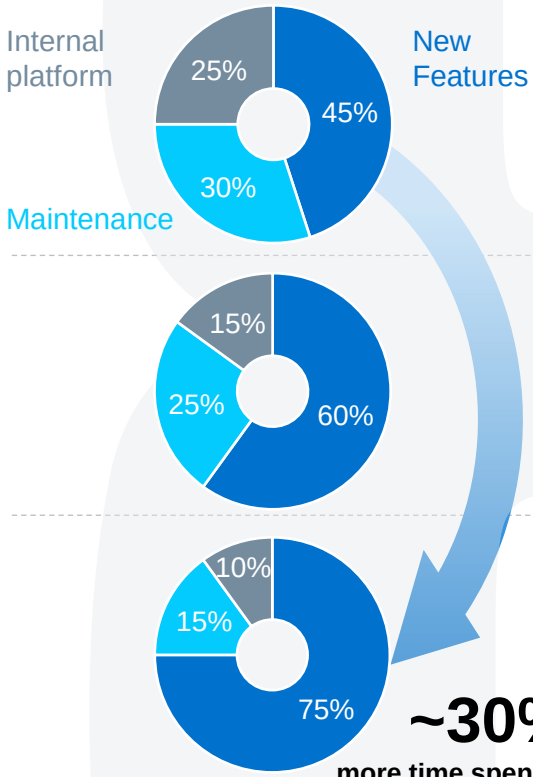
At 20%+ of revenue, R&D is typically the second largest OpEx line item but is rarely measured. Leverage efficiency metrics to maintain a healthy R&D org.

Source: LinearB

8 Gen AI is augmenting how R&D resources are spent

	Tool Stack	Ratios
Pre-cloud	IBM, Pivotal, solarwinds, ca technologies, TRICENTIS	Eng : Mgr **6:1** Eng : PM **8:1** Eng : QA **15:1**
Cloud-native	APPDYNAMICS[1], GitHub, LaunchDarkly, JFrog[1], GitLab, DATADOG[1]	
AI-powered	Vercel, LINEARB[1], snyk, GitHub Copilot, poolside, warp, replit	Eng : Mgr **8:1** Eng : PM **10:1** Eng : QA **20:1**

R&D Resource Allocation



~30%
more time spent on New Features from AI-powered automation

Battery's R&D Resource Allocation Framework:

New Features: Engineering time and resources on new products, additional features or sub-features, customer/partner requests and integrations.

Maintenance: Engineering time and resources on improved quality, reliability, stability, security and performance.

Internal Platforms: Engineering time and resources dedicated to improving productivity, automation, testing, code refactoring, migrations and upgrades.

Engineering teams are a collection of investments in people, time and tools. AI is augmenting the R&D resource allocation framework by enabling teams to spend more time on developing new features.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

9 AI is upending the G&A workflow…

	Legal	Recruiting & HR	Finance & Accounting	IT
Incumbent Tool Stack	LexisNexis	Taleo, LinkedIn	SAP, Oracle, Anaplan	zendesk
Incumbent Workflow	• Expensive law firm • Manual / repetitive work • Bloated internal team	• Expensive talent agency • Manual lead qualification • Repetitive data capture	• Manual data entry • Single-player workflow • Repetitive ad hoc analysis	• Rules-based engine • Physical IT desk • Human-powered
AI Innovators	casetext, Harvey., ontra[1]	RIPPLING, bob[1], workable, Metaview	AUDITBOARD[1], bill, INTUIT, cube[1]	servicenow, Moveworks
Impact	• Outcome-based deliverables • Automated boilerplate tasks • Increase efficiency and better customer experience	• Automated candidate sourcing and qualification • Less reliance on external agencies	• Democratization of analytics • Greater forecasting accuracy • Collaborative workflow	• Automated ticket and response • Higher deflection rates for IT incidents • Faster time to resolution

INTUIT

*"…live experts are more productive, **saving 160,000 hours per year with AI-driven features like those in TurboTax Live Full Service**, where intelligent document understanding automatically extracts and deciphers uploaded documents, nearly completely eliminating the need for data entry."*

AI is transforming G&A functions from cost centers to value centers.

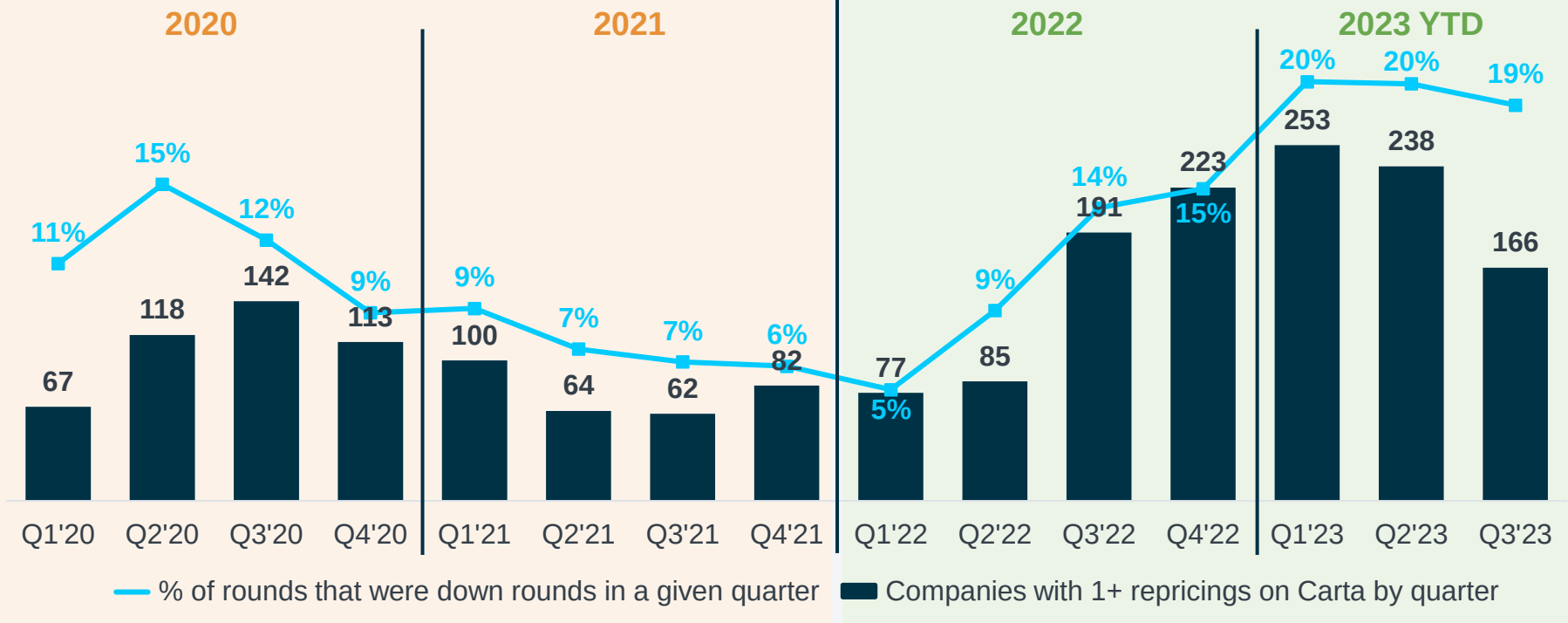
Source: Company filings
Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

10 Valuation Resets are Catalyzing Stock Option Repricing

of Repriced Option Grants vs. % of Fundraising Rounds that were Down Rounds

Low interest rates drove higher valuations for fast-growing private companies, reducing the frequency of down rounds and option-grant repricing

Rising interest rates and intensifying macro pressures have compressed multiples. As valuations are reset, down rounds have become a more common occurrence, driving the need for startups to reprice options



Key Considerations

Who participates
All employees or limited to key employees / execs

Which securities apply
Vested vs. unvested

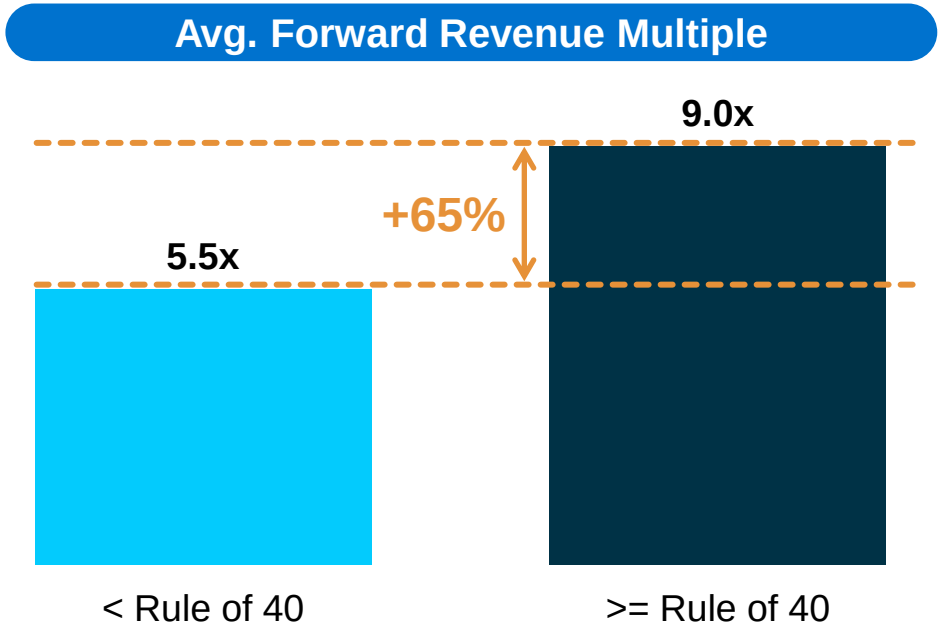
How the options are repriced
Adjusting the strike price or issuing additional shares

As valuations reset, private companies should not be afraid of repricing existing employee stock options to retain top talent and realign incentives.

Source: Carta
Note: Represents an aggregated and anonymized sample of Carta customer data

Wrapping it up – a window into the future

	Companies Today	$ Δ* (Today vs. Future)	Future Companies w / AI Automation
Revenue Y/Y Growth	**$200M** 30%		**$200M** 30%
Gross Margin	**80%**		**80%**
R&D % of Rev S&M % of Rev G&A % of Rev	25% 35% 15%	(-) ~20% (-) ~30% (-) ~20%	20% 25% 12%
Total OpEx	**75%**	**(-) ~24%**	**57%**
EBIT Margin	**5%**	**(+) ~360%**	**23%**
Rule of 40 Positive	✗		✓
Enterprise Value	**$1.4B**	**(+) ~65%**	**$2.3B**



Assuming a valuation premium for greater than rule of 40 businesses, a ~24% reduction in OpEx spend powered by AI automation can result in a ~65% valuation premium

Market bounce back timing is uncertain, but you can increase value by increasing efficiency. The effect will be amplified when growth returns.

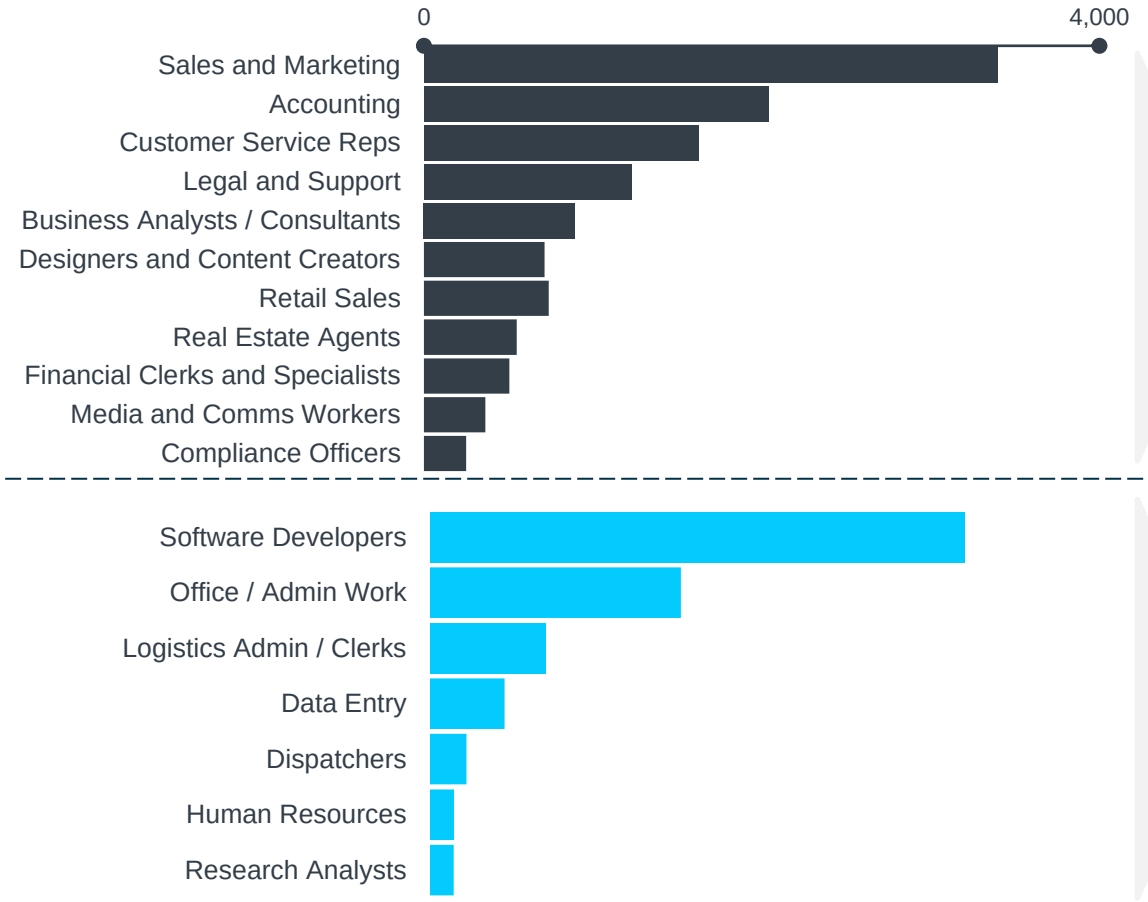
Note: $ Δ represents change in attributable dollar value. Market data as of 11/7/2023.
Source: Average Forward Revenue Multiple based on CapIQ data. Illustrative P&L based on Battery estimates.

Battery

Themes of Interest

Generative AI is automating repetitive tasks across every function

US Headcount Exposure to Generative AI by Job Category[1]



Workflows Automated

Customer Facing

Sales (SDRs and AEs)
Automated outreach drafting and CRM ingestion based on call transcriptions and analysis

Legal
Legal document review, contract drafting and redlining for both litigators and in-house counsel

Content Creators and Designers
AI-powered image and video editing capabilities, including text-to-image generation

Customer Facing

HR and Learning & Development
AI-generated avatars to convert curriculum text into full fledged videos for employee education

Research Analysts
Enterprise search platforms and internal knowledge management to streamline access to information

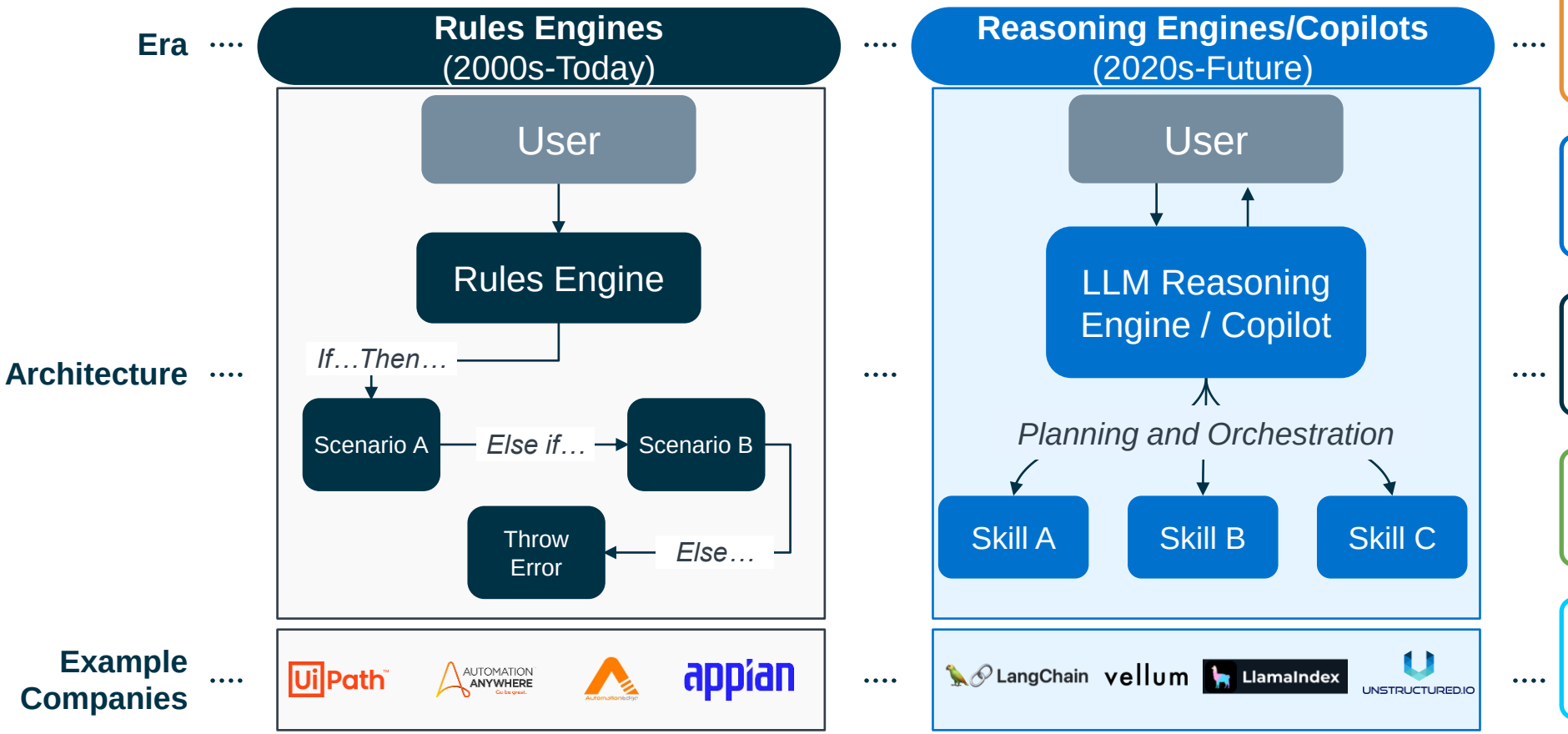
Software Development
AI-powered code generation, review and testing to streamline more boilerplate code and tasks

Generative AI's influence has continued to expand and will influence how businesses think about both their customer and internal-facing workflows.

Source: BLS

[1] Job Categories are based on a grouping of BLS jobs that have similar functions and software needs.

AI Copilots are proliferating across critical market segments



Coding Copilots
GitHub Copilot, replit, FACTORY, tabnine, poolside, codeium

Legal Copilots
casetext, Lexis+ AI, Harvey., Robin, Spellbook

Sales and Marketing Copilots
Glyphic, Copilot, pod, CloudSale, regie.ai, TOFU

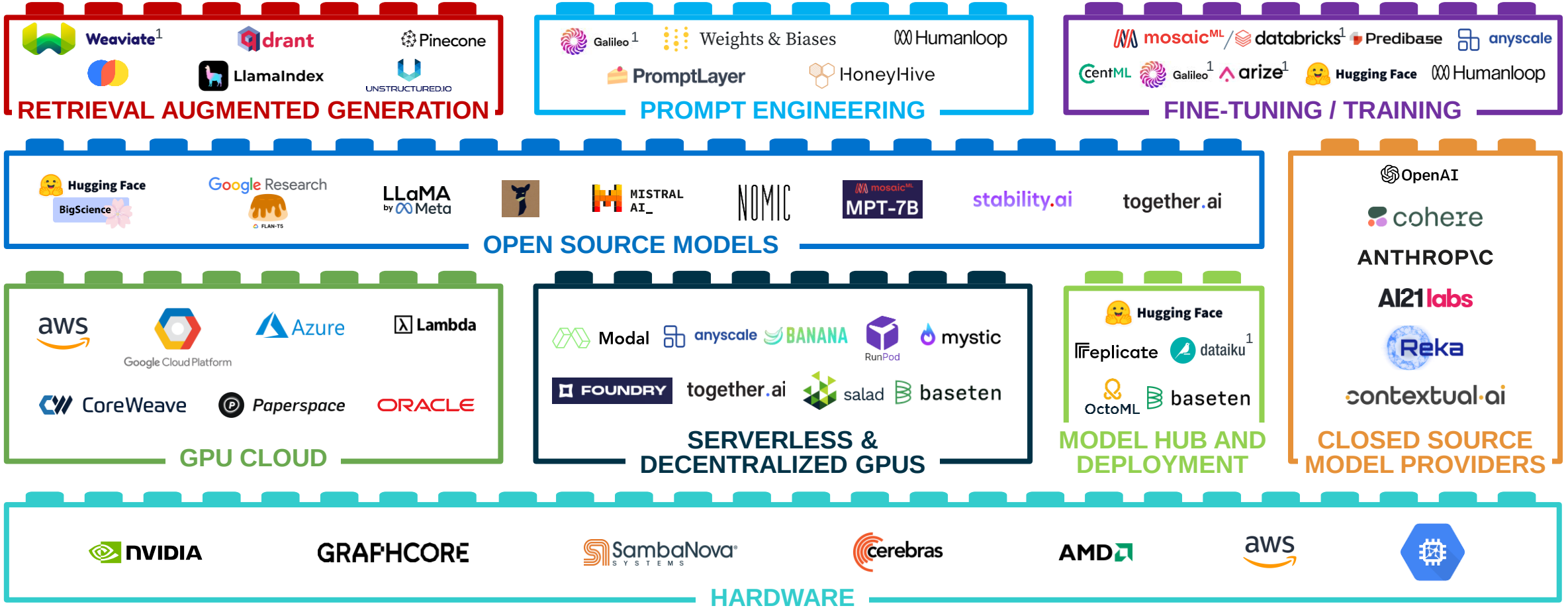
Data Science Copilots
seek[1], JULIUS.AI, QUERIO

Financial Copilots
truewind, Basis, Squack

New wave of reasoning engines / copilots powered by LLMs are more flexible than previous rules engines, broadening their scope of work significantly.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

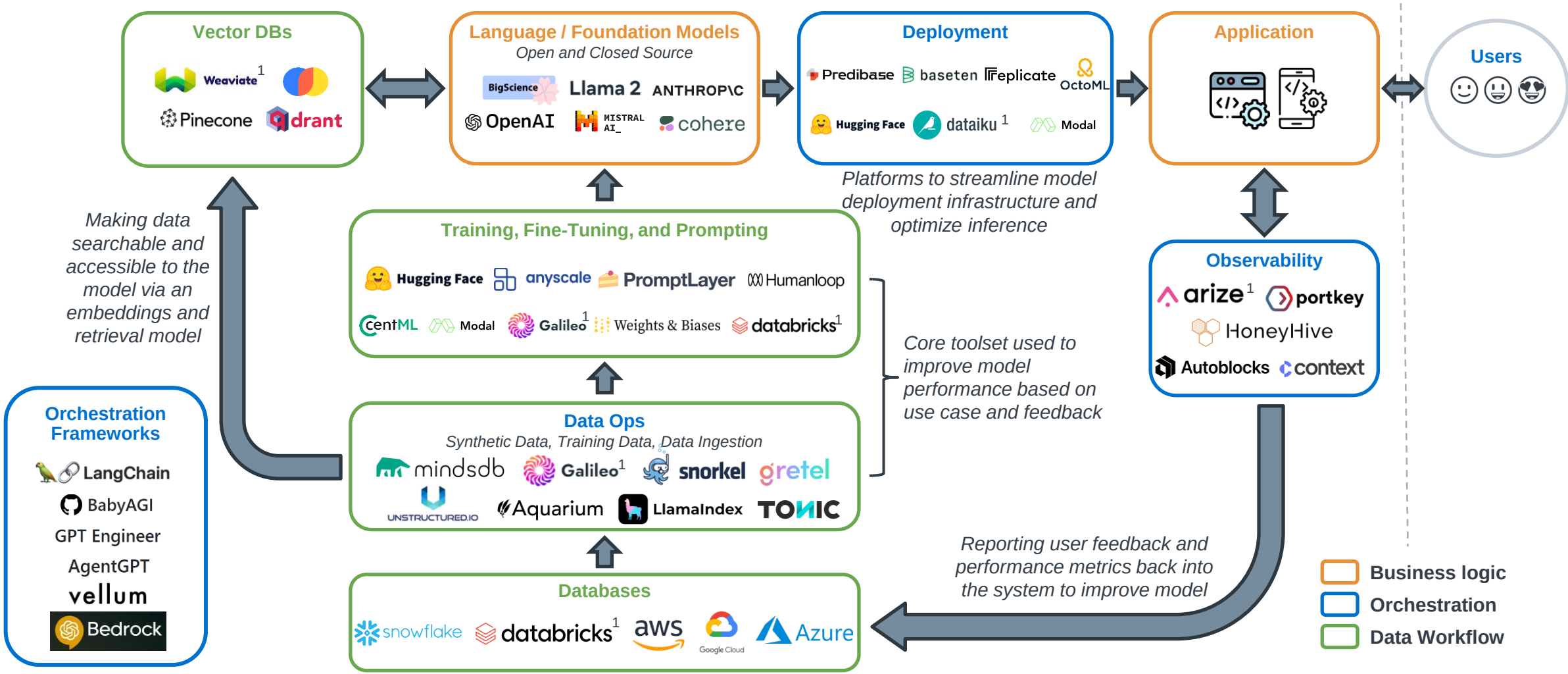
“Choose your own adventure”: Every business will need a unique LLM infrastructure stack that fits its needs



Companies must balance the required performance, cost and developer experience when constructing their LLM infrastructure stack.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

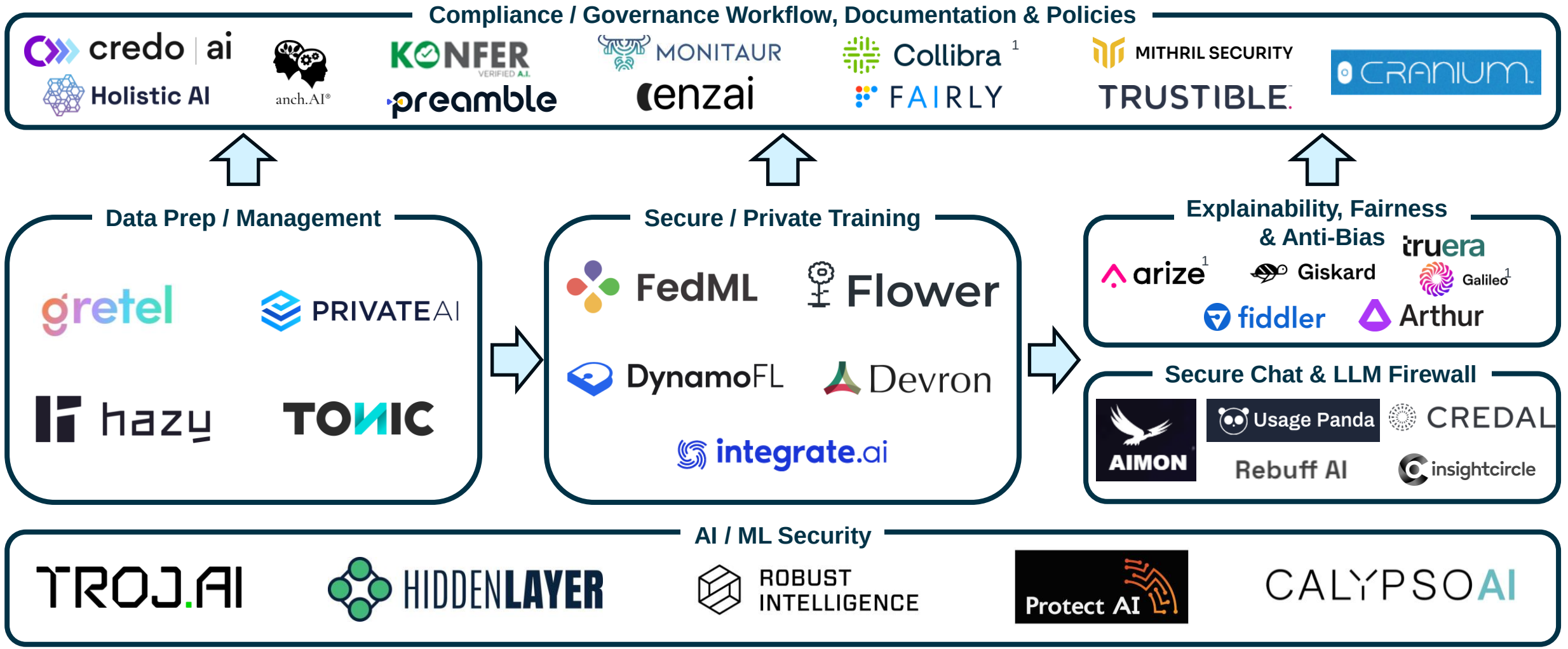
Emerging software architecture for LLM apps shifts focus from code to orchestration



LLMs, the powerful engines under the hood of many AI-native companies, must have the right supporting infrastructure to become complete applications.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

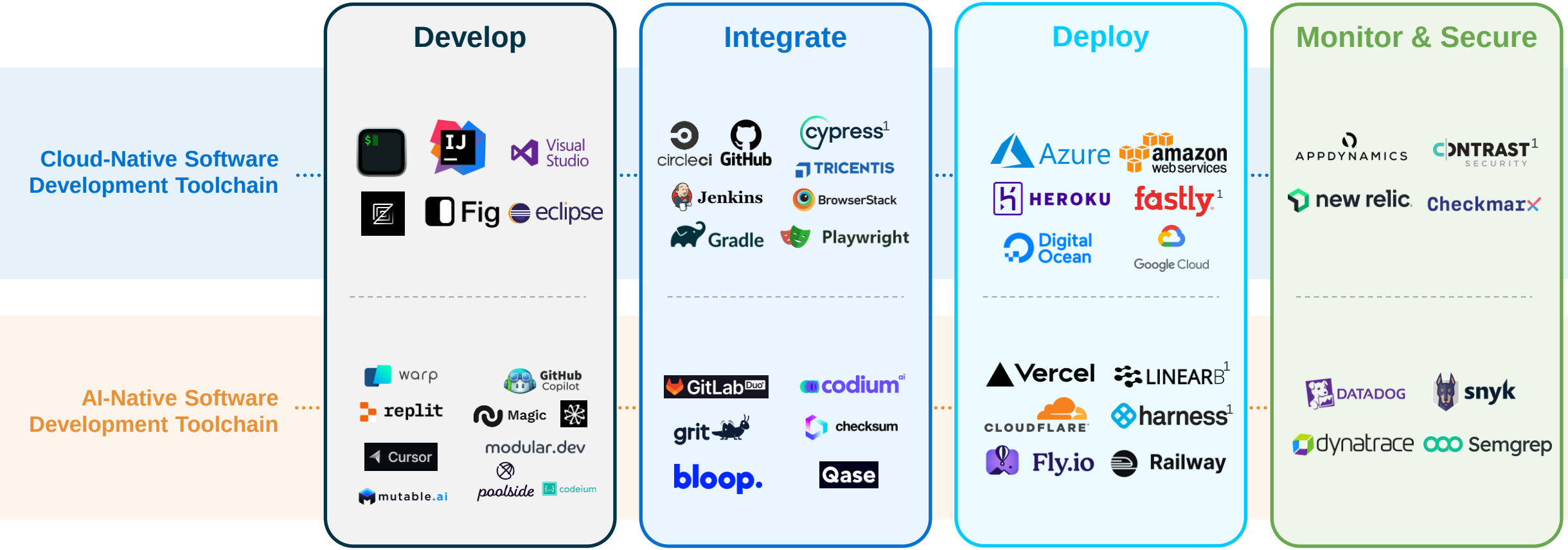
AI adoption necessitates new security and compliance tools



As AI expands the attack surface, companies require guardrails to ensure the safety, compliance and governance of AI.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

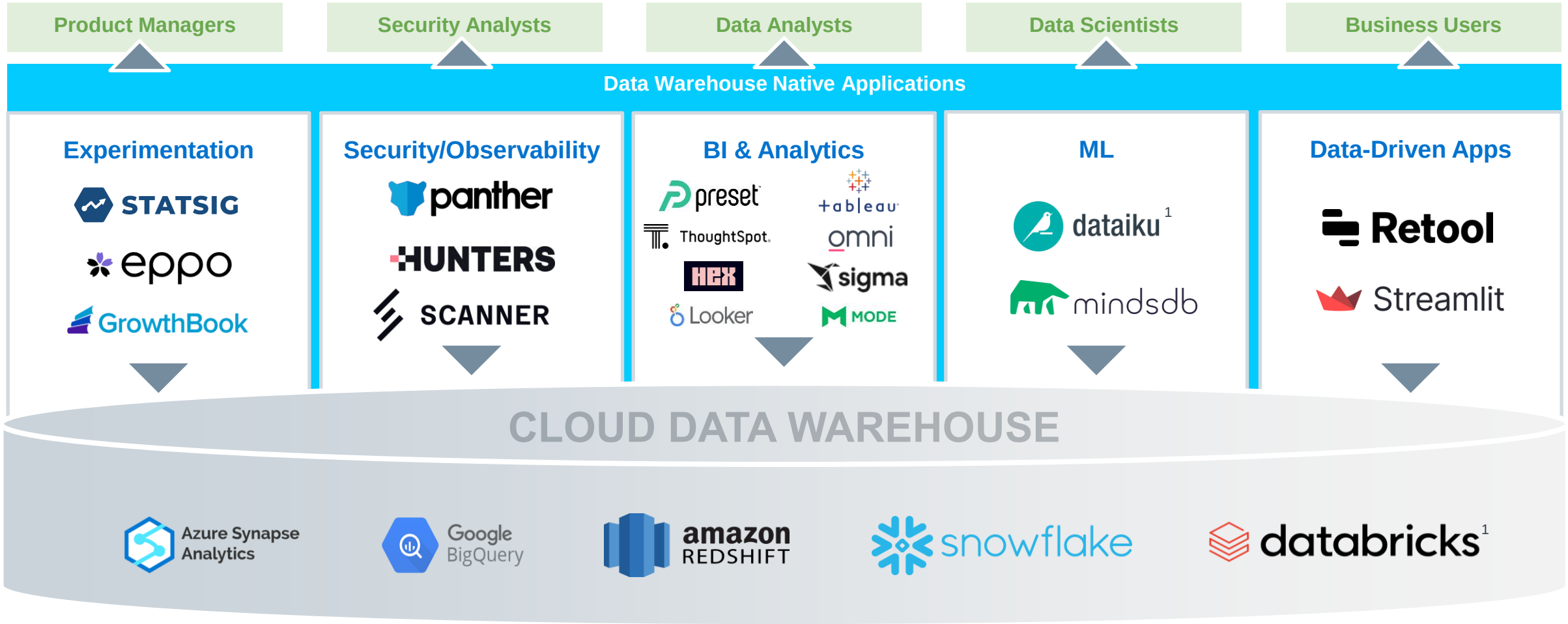
AI is driving software development efficiency with a new emerging toolchain



New AI-powered tools are emerging across the software development lifecycle to automate and streamline manual work.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

Mission-critical software platforms turbocharged by data lakes



Data-intensive applications are built directly on modern data lakes, bringing customers closer to the data.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

Battery

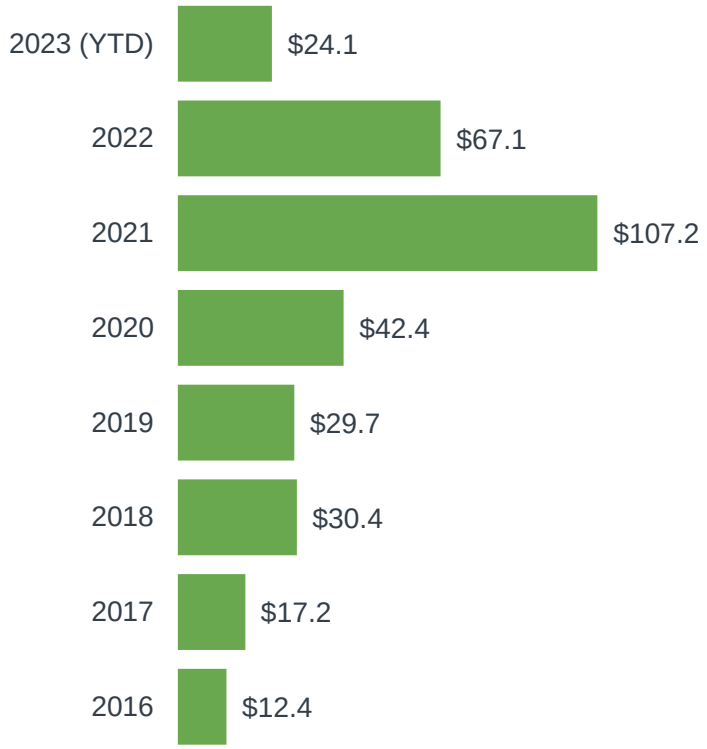
Future of OpenCloud

The emerging set of AI and cloud-native companies is promising

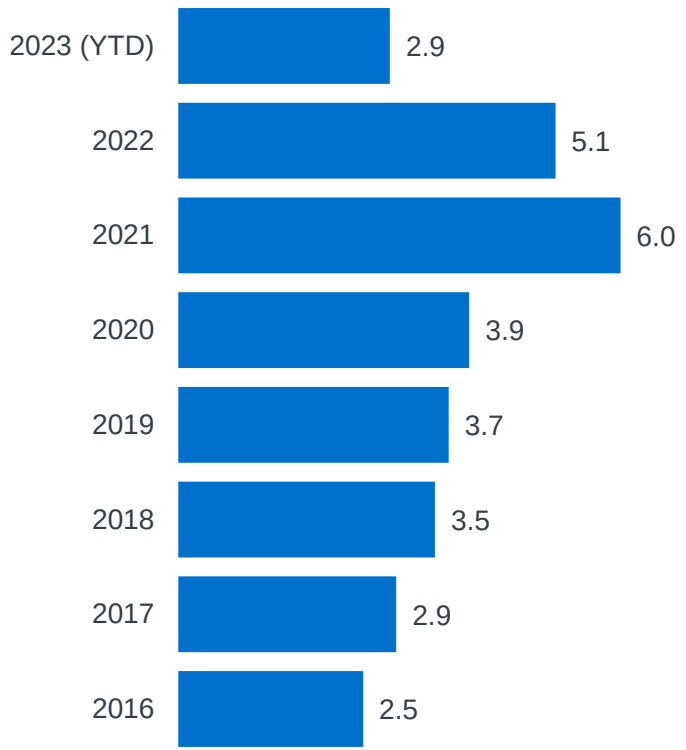
Select Private Unicorns
Last Disclosed Valuation

OpenAI	$85.0 NEW	scale	$7.3
databricks[1]	$43.5	GONG[1]	$7.3
ANTHROP\C	$20.0* NEW	1Password	$6.8
celonis	$13.0	Grafana	$6.0
Airtable	$11.7	workato[1]	$5.7
WIZ	$10.3	Fivetran	$5.6
LACEWORK	$8.3	POSTMAN[1]	$5.6
netskope	$7.5	CockroachDB	$5.4 NEW
snyk	$7.4	Collibra[1]	$5.3

Financing Deal Value
$ in Billions



Financing Deal Volume
Volume in Thousands

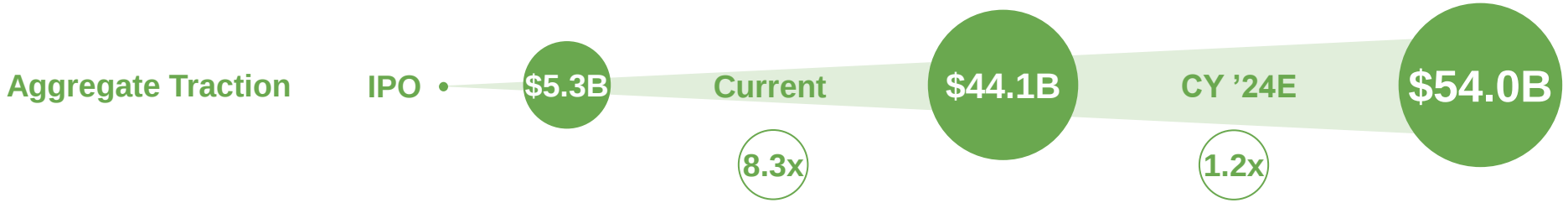


AI and cloud financings have continued to accelerate and there is a healthy backlog of private company unicorns gearing up for IPO.

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies

Source: Pitchbook data as of 11/7/2023. Select Private Unicorns are private companies that are enterprise infrastructure-focused with valuations of $5.0B or greater as of November 2023. *Anthropic valuation not disclosed but based on an Information article dated 10/4/23.

Cloud-native companies continue to grow at healthy rates at scale



Run-Rate Revenue ($M)

		IPO	Current	CY '24E	IPO to CY '24E CAGR
2021	HashiCorp	329	573	682	28%
2021	GitLab	233	558	713	42%
2021	SentinelOne	150	598	799	61%
2021	CONFLUENT[1]	308	757	987	39%
2021	UiPath	832	1,149	1,517	18%
2020	JFrog[1]	146	337	422	28%
2020	snowflake	533	2,696	3,603	57%
2019	CLOUDFLARE	270	1,234	1,670	42%
2018	CROWDSTRIKE	384	2,927	3,906	52%

Run-Rate Revenue ($M)

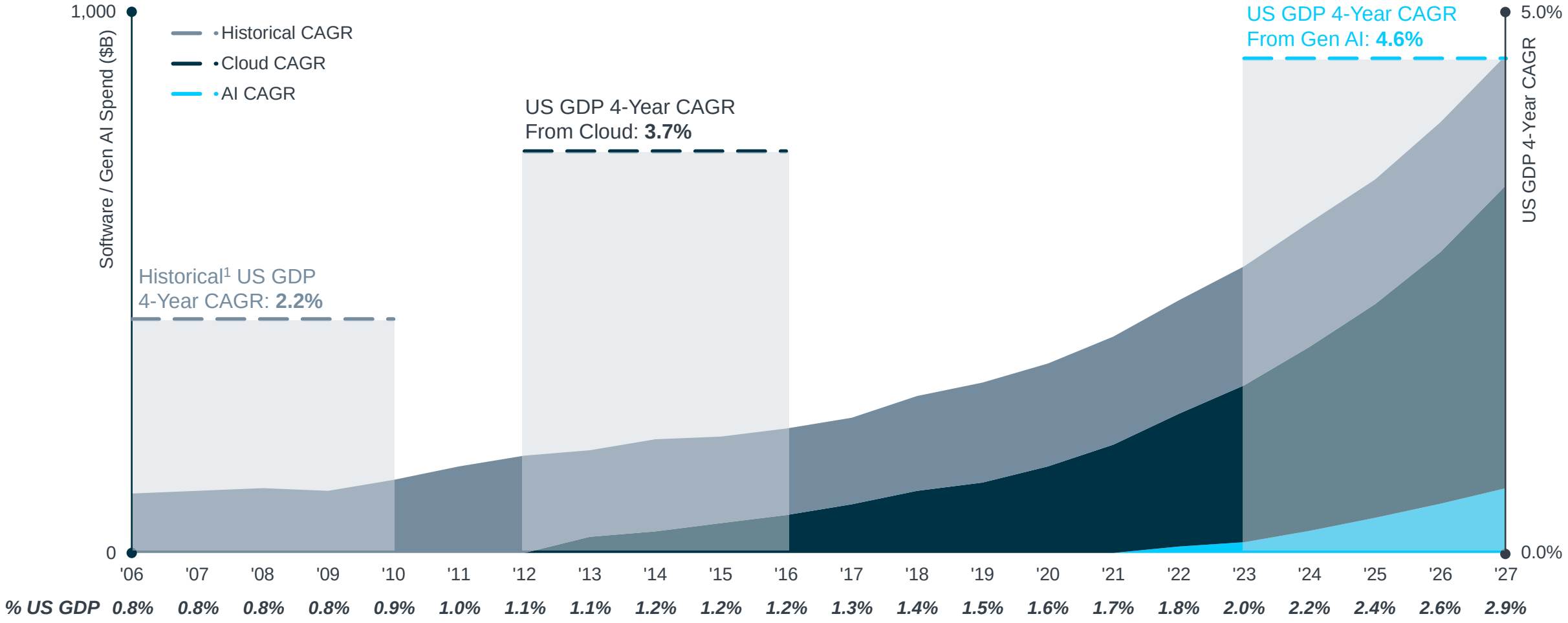
		IPO	Current	CY '24E	IPO to CY '24E CAGR
2019	elastic	227	1,175	1,411	35%
2019	DATADOG[1]	333	2,038	2,529	47%
2018	zscaler	180	1,820	2,310	46%
2017	mongoDB.	142	1,695	1,959	44%
2017	okta	195	2,224	2,575	40%
2016	twilio	237	4,151	4,439	41%
2015	ATLASSIAN	385	3,756	4,505	31%
2012	paloalto NETWORKS	263	7,813	8,918	33%
2012	servicenow	190	8,600	10,858	38%

Date of IPO

Cloud-native companies have 10x'ed revenue since IPO while maintaining an average growth rate of 40%.

Source: CapIQ, company filings. Note: Representative companies include cloud infrastructure and software companies that have gone public since 2012. [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit https://www.battery.com/list-of-all-companies/. CAGR defined as the compounded annual growth rate, calculated as (Current Revenue / IPO Revenue)^(1 / (2023-IPO Year)) - 1

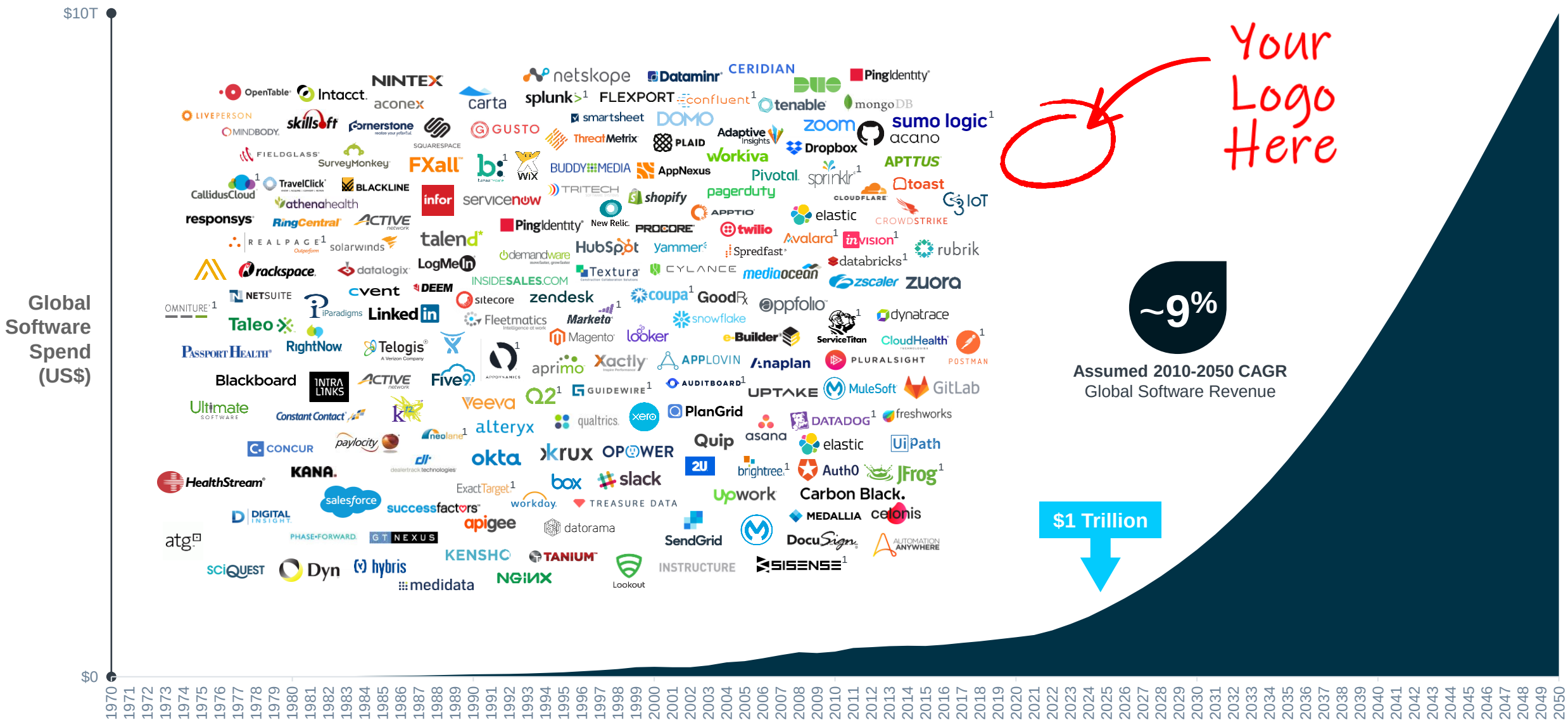
Generative AI is the second wave of software-powered GDP acceleration



Spending on generative AI solutions is expected to reach $120B+ by 2027, a CAGR of ~73%, spurring a second era of GDP acceleration.

Source: Evercore, Bloomberg
[1] Historical defined as 2006-2010 4-year CAGR

We're still in the early innings for OpenCloud



[1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/
Source: Gartner Research

The Battery team

Dharmesh Thakker
dharmesh@battery.com

Danel Dayan
ddayan@battery.com

Jason Mendel
jmendel@battery.com

Patrick Hsu
phsu@battery.com

Sudhee Chilappagari
sudhee@battery.com

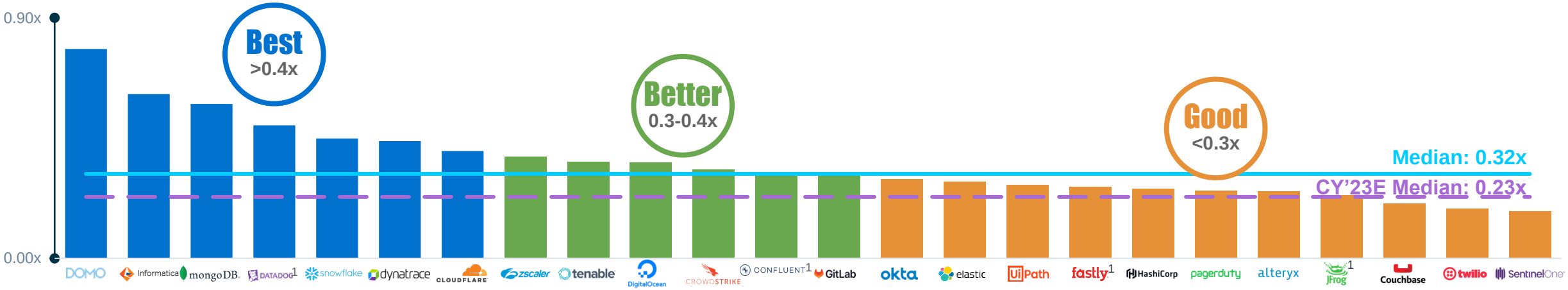
Payal Modi
pmodi@battery.com

Battery

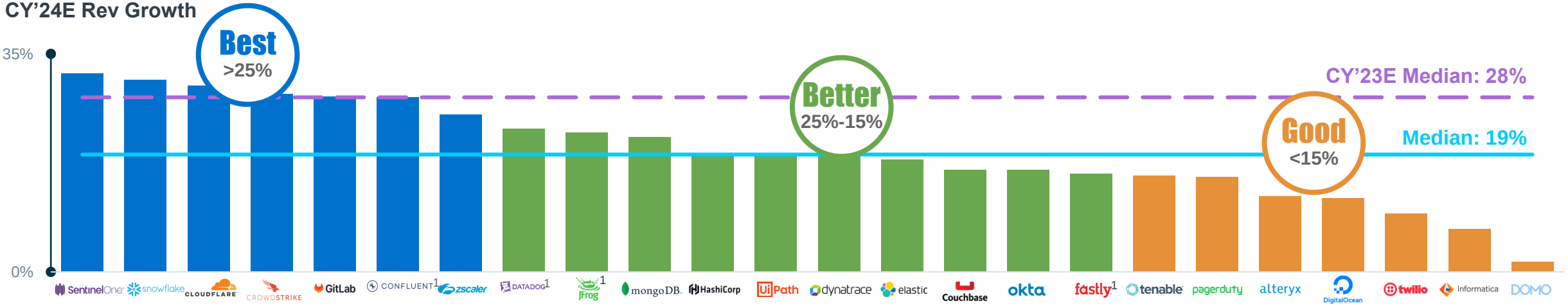
Appendix:
Building a Lasting Public Company:
Focus on KPIs that Matter

EV / revenue / growth levels the playing field

CY'24E EV / Rev / Growth



CY'24E Rev Growth

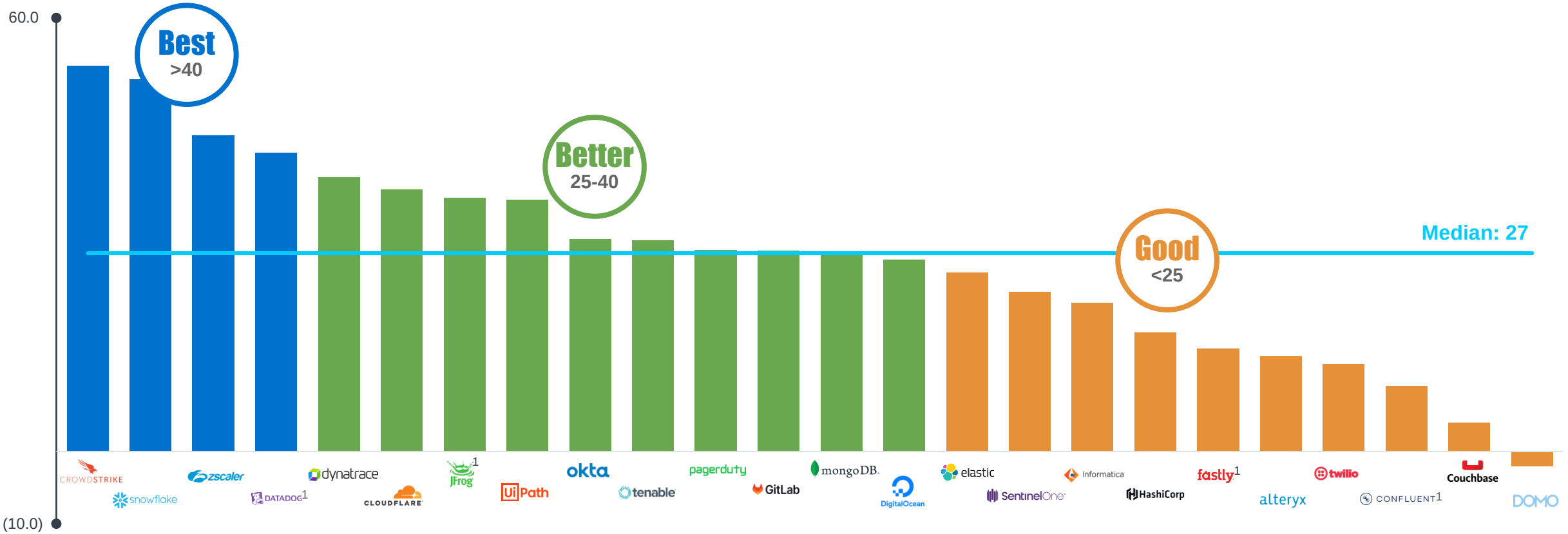


Adjusting the revenue multiple for growth provides insight into the relative value. However, analysts continue to underestimate the growth potential of cloud-infrastructure businesses.

Source: CapIQ. Market data as of 11/7/23 and represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

Rule of 40 measures efficiency



CY'24 Growth	29%	31%	25%	22%	18%	28%	19%	22%	14%	16%	11%	15%	28%	22%	18%	32%	6%	22%	19%	12%	9%	15%	18%	16%	2%
CY'24 FCF Margin	25%	21%	18%	19%	20%	8%	16%	13%	15%	13%	16%	13%	(0%)	5%	7%	(10%)	14%	(13%)	(3%)	1%	3%	(1%)	(14%)	(12%)	(4%)

As software businesses mature and growth naturally slows, improving profit margins is integral to driving free cashflow generation and sustaining the Rule of 40 over time.

Source: CapIQ. Market data as of 11/7/23 and represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24.

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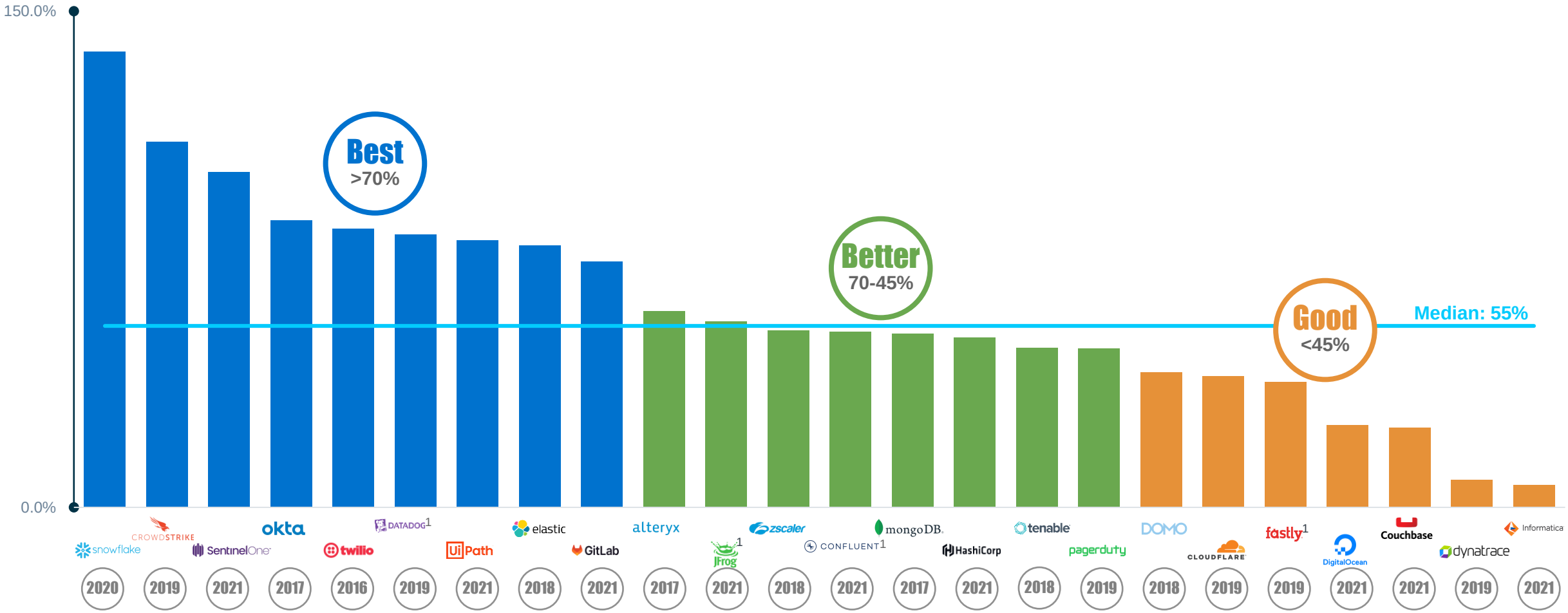
Rule of 40 defined as CY24E revenue growth + CY24E FCF margin based on consensus estimates.

Last twelve months revenue growth at IPO



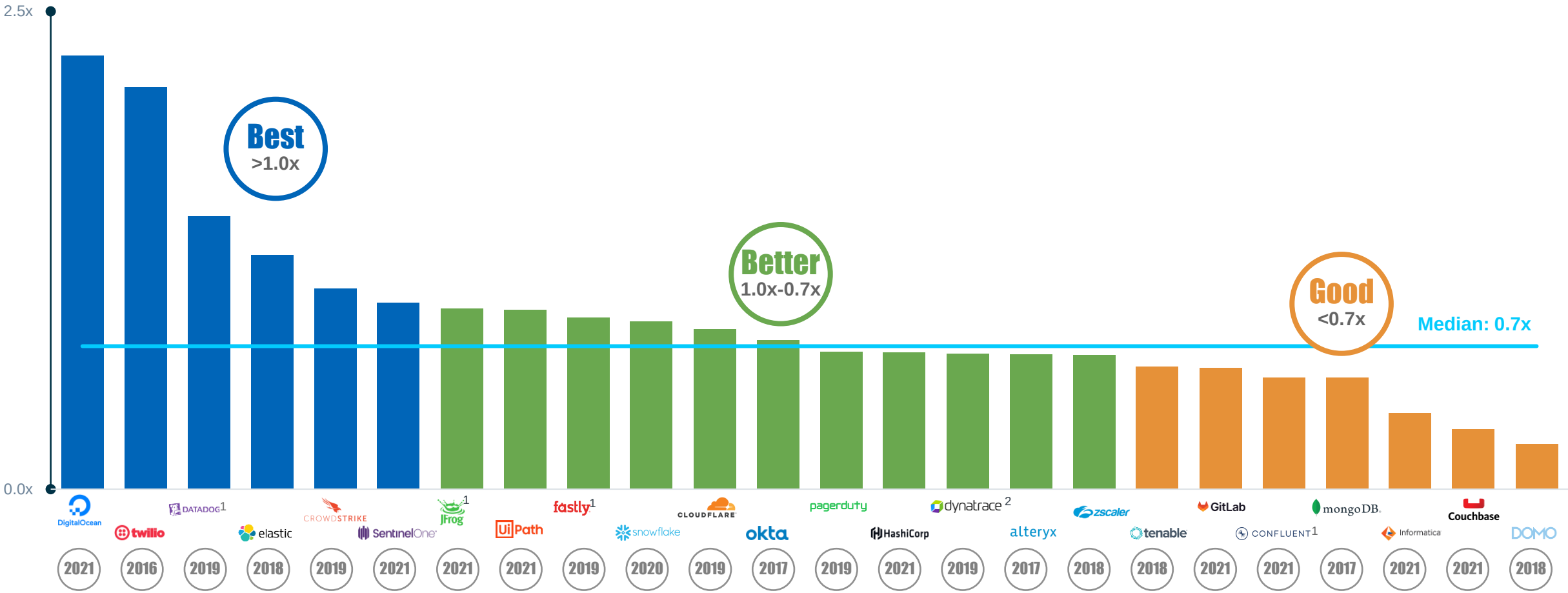
Date of IPO

Cloud-infrastructure markets are large and growing. Companies attached to these mega trends are experiencing the benefits of these tailwinds.

Source: CapIQ, Company Filings. Represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

Average magic number over the last twelve months at IPO



Date of IPO

Product-led growth and bottoms-up are enabling companies to be more efficient in customer acquisition.

Source: CapIQ, Company Filings. Represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

[2] Dynatrace excludes amortization / depreciation of acquired assets and restructuring costs. Magic number calculated as ((Q(t) – Q(t-1)) subscription revenue *4)/S&M Q(t-1). ARR used instead of subscription revenue if disclosed.

Dollar-based net retention at IPO

◯ Date of IPO

Bottoms-up and transaction-based revenue streams have far more consistency and expansion potential than we all anticipated.

Source: CapIQ, Company Filings. Represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

Dollar-based net retention at IPO is defined on a per company basis, and numbers shown are those disclosed by the company, but generally measure propensity of customer relationships or cohort revenue expansion potential over a 12-month period

LTV:CAC Ratio at IPO

Efficient customer acquisition and focusing on enterprise-grade customers results in higher expansion potential.

Source: CapIQ, Company Filings. Represents the subset of cloud infrastructure companies that have IPO'd since 2016 and excludes companies that have since been acquired or have more than 10% of revenues as services (e.g., C3 AI, Sumo Logic, Talend), N=24

Note: [1] Denotes a past or current Battery company. For a full list of all Battery investments, please visit: https://www.battery.com/list-of-all-companies/

[2] Dynatrace excludes amortization / depreciation of acquired assets and restructuring costs. LTV calculated as GAAP subscription gross margin / (gross churn (est.) + 11% discount rate). CAC calculated as LTM GAAP S&M exp. / (Qo subscription revenue)*4 – (Q-4 subscription revenue)*4). ARR used instead of subscription revenue if disclosed.