

Live Webinar

Keeping Up with ARR in a Variable Pricing World

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zenskar

Ray Rike

CEO, Benchmarkit



Ben Murray

The SaaS CFO



THURSDAY SEPTEMBER 18TH
12 PM ET (9 AM PT)



Ben Murray

The SaaS CFO

About Ben

- *25 years in finance and accounting*
- *Airlines and software*
- *10 years as a SaaS CFO*
- *Rose through the ranks of FP&A at public and private companies*
- *Scottsdale, AZ*
- *Love great coffee ☺*



Ray Rike
Benchmarkit

About Ray

- *30 years recurring revenue software operating executive*
- *Founder and CEO, Benchmarkit*
- *Founder, SaaS Metrics Standards Board*
- *Creator, SaaS Metrics Palooza*
- *Host, Metrics that Measure Up podcast*
- *Co-host, SaaS Talk with the Metrics Brothers (with Dave Kellogg)*

Let's Talk ARR

Definitions

I analyzed 167
public company
tech filings.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2024

OR

at pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission File Number: 001-32224

Salesforce, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-3320693

(IRS Employer
Identification No.)

Salesforce Tower
415 Mission Street, 3rd Fl
San Francisco, California 94105

I researched
another 92 public
tech press
releases.

Veritone Reports First Quarter 2025 Results



total Revenue of \$22.5 Million, in line with outlook from preliminary re

(SaaS and Consumption) of \$58.7 Million from 3,156 Total Software
customers, including ARR (SaaS) of \$47.5 Million or 81% from Subscrip
Customers –

– Q1 Total New Bookings of \$15.8 Million, up 22% Year over Year –

Data Refinery “VDR” exited the quarter with a qualified and near-term

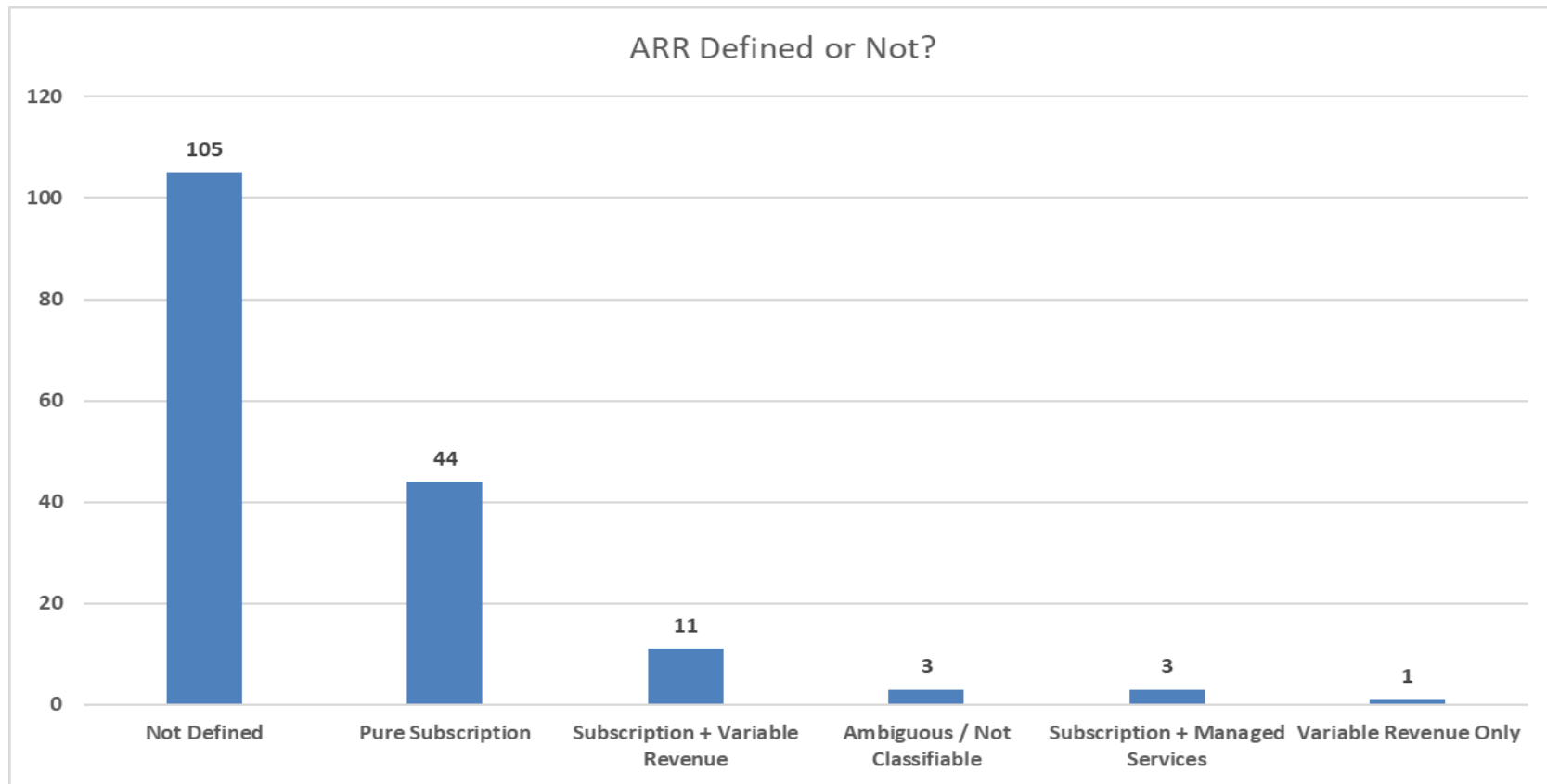
All Manual Research...OpenAI Could Not Help

	A	B	C	D	E	F
1	Company Name	Fiscal Year	ARR Definition	ARR Definition Page	ARR Calculation Method	ARR Calculation Page
2	8x8, Inc.	2024	We currently define annualized recurring	35	We currently define annualized recurring and usag	35
3	Adobe Inc.	2024	Annualized Recurring Revenue ("ARR")	40	We calculate ARR as follows: Creative ARR = Annu	40
4	Alkami Technology, I	2024	Annual Recurring Revenue (ARR). We c	40	We calculate ARR by aggregating annualized recur	40
5	Amplitude, Inc.	2024	We define ARR as the annual recurring r	51	We then calculate the ARR from these same custo	53
6	AppFolio, Inc.	2024	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
7	Appian Corporation	2024	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
8	AppLovin Corporation	2023	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
9	AppTech Payments C	2024	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
10	Asana, Inc.	2025	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
11	Asure Software, Inc.	2024	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
12	Atlassian Corporation	2024	We define Cloud ARR as the annualized	50	We calculate Cloud ARR by taking the Cloud mont	50
13	AvePoint, Inc.	2024	No explicit definition of Annual Recurring	N/A	We calculate ARR as the annualized sum of contra	40
14	Backblaze, Inc.	2024	We define annual recurring revenue ("AR	40	ARR is calculated based on multiplying the month	40
15	Bentley Systems, Inc.	2024	ARR is defined as the sum of the annuali	43	ARR includes the annualized value of the last thre	43
16	BigCommerce Holdin	2024	No explicit definition of Annual Recurring	N/A	No explicit calculation of Annual Recurring Reven	N/A
17	Braze, Inc.	2025	We define ARR as the annualized value c	50	We then calculate the ARR from these same custo	50
18	Clearwater Analytics	2024	Annualized recurring revenue is calculat	45	Annualized recurring revenue is calculated at the e	45
19	Cloudflare, Inc.	2023	To measure Annualized Revenue at the e	79	To measure Annualized Revenue at the end of a qu	79
20	Confluent, Inc.	2024	We define ARR as (1) with respect to Con	78	We calculate ARR with respect to Confluent Cloud	32

What was I looking for?

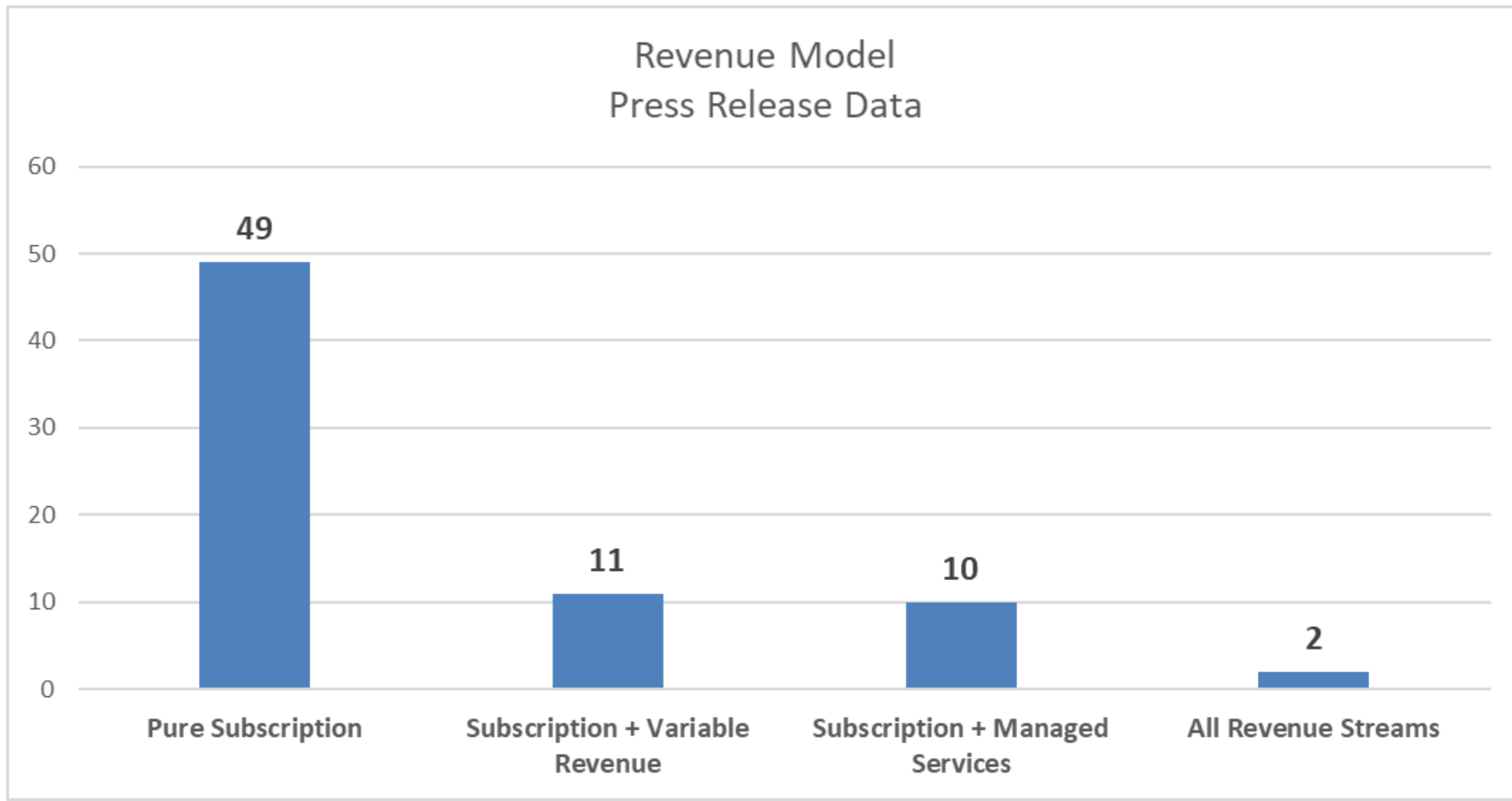
ARR Definition
ARR Calculation





Disclosures Lacking on ARR

But gaining momentum recently



- Pure Subscription (92)
- Subscription + Variable (22)
- Subscription + Manages Services (13)
- Variable Revenue (?)

Pure Subscription

 **Company Count:** 92

 **General Definition:**

- “ARR is based solely on annualized recurring subscription fees. It excludes usage-based, transactional, and service revenue.”

 **Themes:**

- Based on $MRR \times 12$ or annual contract value
- Includes term-based licenses and SaaS subscriptions
- No usage, services, or metered charges

 **Example – *Rubrik, Inc.*:**

“Subscription ARR is calculated as the annualized value of our active subscription contracts... assuming any contract that expires during the next 12 months is renewed...”

But Do the Pure Subscription ARR Companies Exclude Any Revenue Types?

Revenue Type	# of Companies Excluding It
Services	5
Usage	2
Overage	2
Implementation	1
Consumption	1
One-Time Revenue	1

Subscription + Variable Revenue


 **Company Count:** 22

 **General Definition:**

- “ARR includes both subscription fees and usage-, consumption-, or transaction-based revenue, often annualized based on trailing 30–90 day activity.”

 **Themes:**

- Blends subscription with variable or usage charges
- Often excludes professional services
- Trailing usage used as basis for annualization

 **Example – *MongoDB*:**

“ARR includes the revenue we expect to receive... by annualizing the prior 90 days of their actual usage... ARR and annualized MRR exclude professional services.”

Subscription + Managed Services

 **Company Count:** 13

 **General Definition:**

- “ARR includes both subscription revenue and recurring services such as support or implementation—if these services are contracted and renewable.”

 **Themes:**

- Renewable support or onboarding services or subscription services included
- Revenue is recognized over the service term
- Most common in enterprise/SaaS infrastructure firms

 **Example – Alkami Technology, Inc:**

“We calculate ARR by aggregating annualized recurring revenue related to SaaS subscription services... and expected implementation services...”

Pure Variable Revenue (no pure play examples)

 **Company Count:** hard to find!

 **General Definition:**

- “ARR is based entirely on variable usage-, consumption-, or transaction-based revenue, with no underlying subscription contracts.”

 **Themes:**

- Only usage/consumption is counted
- No mention of fixed recurring contracts
- Calculated from trailing activity

 **Example – *Toast*:**

"ARR is determined by taking the sum of (i) twelve times the subscription component of MRR and (ii) four times the trailing-three-month cumulative payments component of MRR. Toast believes this approach provides an indication of its scale, while also controlling for short-term fluctuations in payments volume."

What about renewals in negotiation?

To the extent that we are negotiating a renewal with a customer after the expiration of the subscription, we continue to include that revenue in ARR if we are actively in discussion with such organization for a new subscription or renewal, or until such organization notifies us that it is not renewing its subscription.

CrowdStrike

Let's Talk ARR

Calculations & Methodology

- Pure Subscription
 - 4 themes
- Usage/Transactional/Consumption
 - 3 themes

Let's Talk ARR

Subscription ARR

- Run-Rate MRR
 - The dominant approach with subscription revenue.
 - Revenue-based approach to ARR.
 - They simply snapshot latest month of MRR.
- Example: Clearwater Analytics
 - “Annualized recurring revenue is calculated at the end of a period by dividing the recurring revenue in the last month of such period by the number of days in the month and multiplying by 365.”

- Run-Rate QRR
 - An alternative approach with subscription revenue.
 - Revenue-based approach to ARR.
 - They simply snapshot latest quarter of QRR.
- Example: Sapiens
- “The Company defines Annual Recurring Revenue ("ARR") as the annualized value of our revenue from customer subscriptions, term licenses, maintenance, application maintenance, and cloud solutions, which may not be the same as the timing and amount of revenue recognized. The ARR run rate is equal to the product of (i) the sum of these revenues in our most recently completed fiscal quarter, multiplied by (ii) four.”

Subscription | Annualized Value at Measurement Date

- Invoice-based annualization.
- Measurement period used is vague.
- Example: UiPath
 - “Generally speaking, our ARR calculation simply takes our invoiced amounts per solution SKU under a subscription license or maintenance agreement as of the end of an invoiced period and divides that amount by the corresponding term and multiplies by 365 days to derive the annualized renewal value.”

- May differ from the invoiced or recognized revenue amount.
- Period used is vague.
- Example: AvePoint
 - “We calculate ARR as the annualized sum of contractually obligated Annual Contract Value (“ACV”) from SaaS, term license and support, and maintenance revenue sources from all active customers at the end of a reporting period.”

- If the subscription term is “month-to-month,” companies annualized by taking the most recent MRR x 12
- If the subscription term is annual, companies use the contracted value in that year or TCV divided by contract term.
 - Potential difference between recognized revenue ARR and reported ARR

Let's Talk ARR

Variable ARR

Variable | Previous 90 Days Annualized

- Example | Confluent
- “...it assumes Confluent Cloud consumption trends over 12-month periods based on three months of actual consumption, which does not account for future fluctuations and unpredictability in consumption rates...”

- Example | DataDog
- “We calculate ARR by taking the monthly run-rate revenue, or MRR, and multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during that month, monthly revenue from committed contractual amounts, additional usage, usage from subscriptions for a committed contractual amount of usage that is delivered as used and monthly subscriptions.”

Variable | Most Recent Period Annualized

- No definition of period of measurement
- Example | SentinelOne
- “ARR represents the annualized revenue run rate of our subscription, consumption, and usage-based agreements at the end of a reporting period, assuming contracts are renewed on their existing terms for customers that are under contracts with us.”

Q&A

THANK YOU!

To learn more...

Zenskar.com

Benchmarkit.ai

TheSaaSAcademy.com

TheSaaSCFO.com

Live Webinar

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