November 2024 Report

Maxio Institute

# B2B Growth Report

Private Company Benchmarks & Analysis

## What Is the B2B Growth Report?

Business planning at B2B companies often feels more like art than science. We use models built on layers of assumptions, and we never really know if the assumptions are correct. This is where having reliable data makes all the difference. The ability to triangulate your results against a peer group allows you to understand where you are leading or lagging the market, directly impacting your ability to do more effective and efficient business planning.

The Maxio Institute B2B Growth Report is designed to provide a current snapshot of what is happening in the broader B2B marketplace. This specific edition provides an update as of EOQ Q3 2024. To provide these insights, we analyzed the billing data of over 2,400 of Maxio's B2B customers, representing over $18B in annualized billings in Q3 2024.

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# Key Takeaways

## Growth is strong but slowing.

While private B2B companies are still growing faster than their public market peers, annualized growth rates dropped quarter-over-quarter to 15 percent

## The smallest startups are growing the fastest.

Companies with less than $1 million in annual revenue continue to gain momentum from their low point in late 2022, growing 23% in Q3 compared to a more modest 12% growth rate for those over $1 million

## Gaps in performance based on pricing model are narrowing

As the B2B market begins to slow, revenue results from usage-based and fixed-rate pricing are normalizing across segments.

## Investor behavior has changed as capital costs increased.

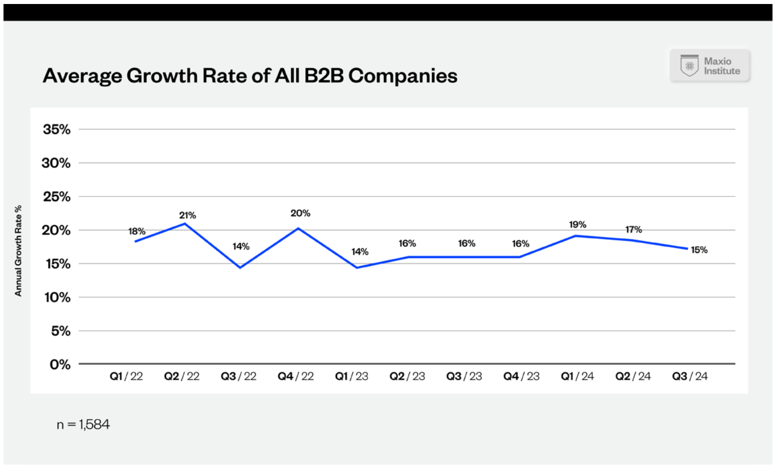
The B2B venture market is producing fewer investments but with larger average dollar sizes at larger average companies.

## A new Funding Trifecta is emerging in B2B.

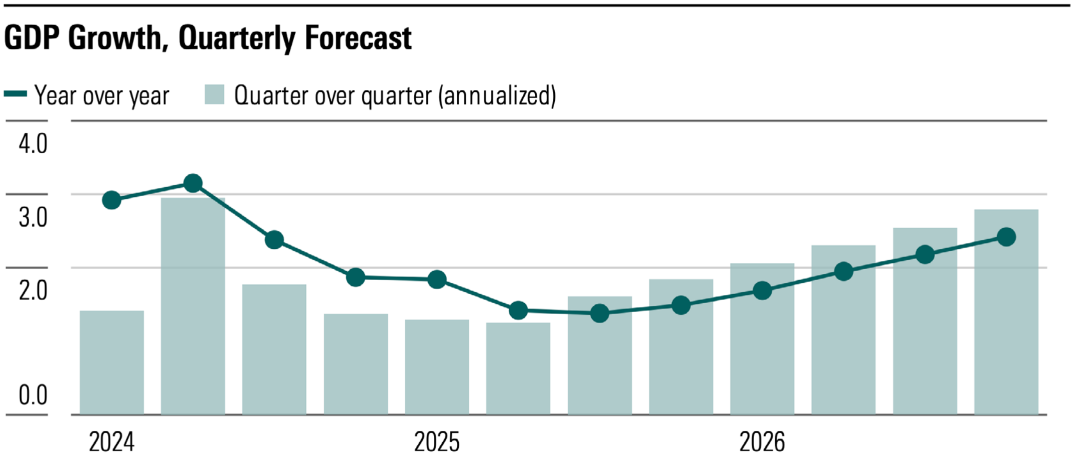
The fastest growing private companies reach at least Series B, raise over $10M, and have raised money within the last three years.

# Part 1: The State of the B2B Market

Regular economic news is seldom memorable. The times we can recall are often dramatic downturns, like the financial crisis in 2008 or the recent COVID-19 pandemic. Thankfully, the old adage that “no news is good news” continued to apply to the B2B market in Q3. While the pace of growth is cooling, B2B companies are still growing across a variety of billing models and demographic slices.



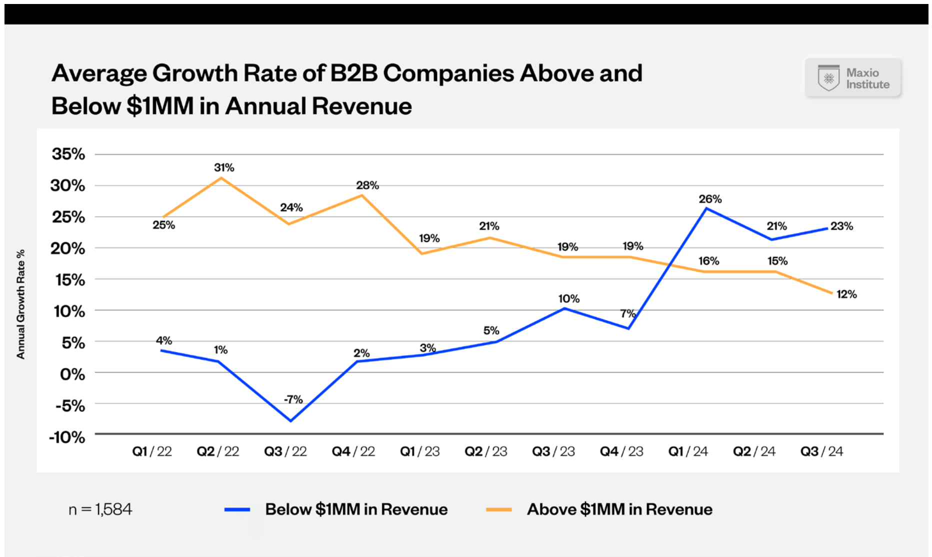

The slowdown we’re starting to see in the Maxio Institute data won’t come as a surprise to many economists. Most predictions for 2025 forecast a reduction in GDP growth rates. Morningstar Research projects “GDP growth to dip from 3.1% year over year as of the second quarter of 2024 to 1.8% by the fourth quarter of 2024 and hit a trough at 1.3% in the third quarter of 2025.”




Although faster growth is always desirable, growth in recent years has come with the cost of inflation and high interest rates. While these factors were an obstacle for all companies, they hit small businesses particularly hard. Consequently, our data shows that 2022 and 2023 were difficult for firms with less than $1MM in revenue.

# The State of the B2B Market *(cont.)*

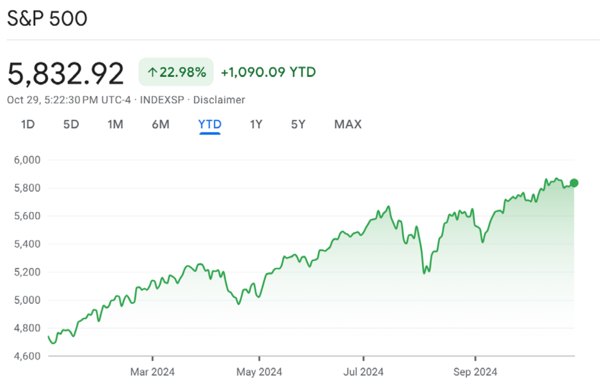
As the economy works past these problems, potentially reduced economic growth rates will hopefully come with the benefit of stability. Lowering inflation rates and rate cuts by the Fed already indicate this is the case.

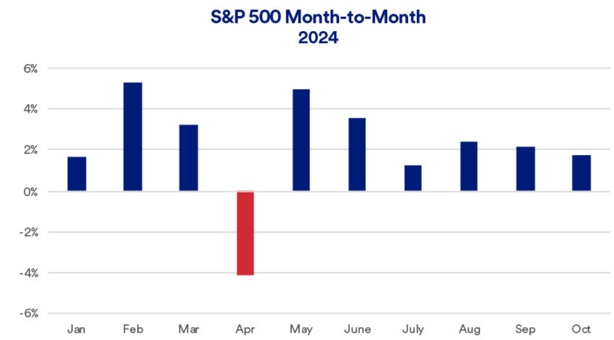



This new stable, but slowing, environment is proving to be excellent for small businesses, which have experienced a resurgence in 2024. Decreasing interest rates continue to boost that trend by providing them with improved access to capital. While at the same time, larger B2B firms are experiencing a modest slow down.

Talk of a growth rate slowdown may feel counterintuitive to some, considering stock indices have never been higher. For clarity, we want to reiterate that we are seeing slowing growth rates, not contraction. Growth rates are essentially the slope or derivative of a company's value.

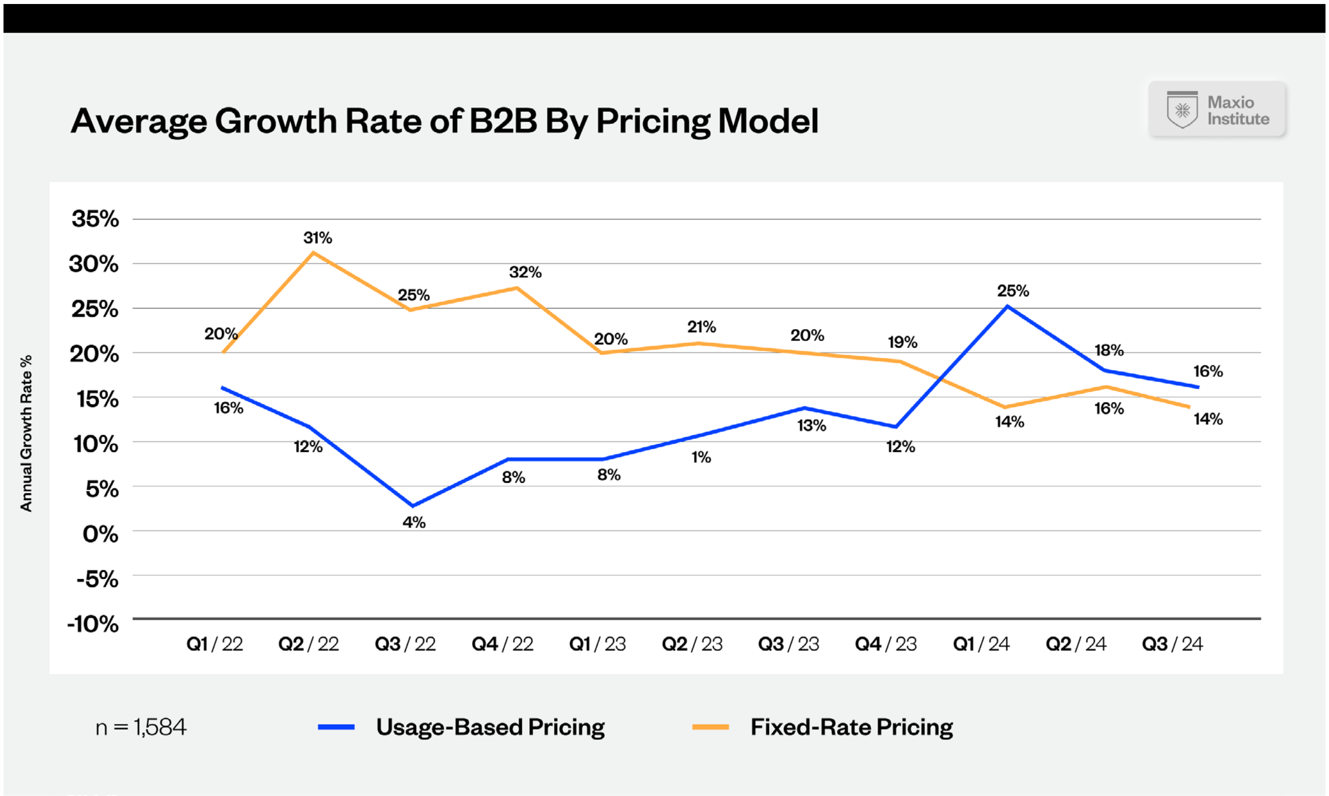
To put this in stock terms, the value of the S&P 500 has steadily increased throughout 2024, but the rate of increase has decreased in recent months.




A similar thing is happening to the B2B market overall. The industry continues to grow but the speed at which it is moving up and to the right is moderating.

# Growth Rates of B2B Companies by Pricing Model

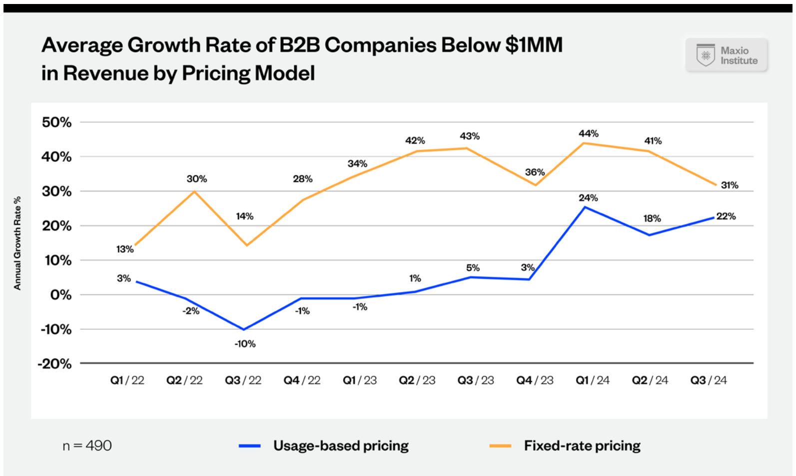



The cooling growth rate of the overall B2B market is leading to greater uniformity among its subparts. Companies regardless of their differences are growing at more similar rates. Pricing model is an excellent example of one of these dimensions, where a longstanding gap between cohorts is narrowing.

During 2022 and 2023, fixed-rate companies outgrew their usage-based competition, but in the last two quarters the performance gap between these groups is dramatically narrower. While future quarters will show if this effect is lasting or temporary, mid-2024 has seen much more uniform growth rates regardless of [demographic differences.](#)

# Growth Rates of B2B Companies Below $1MM in Revenue by Pricing Model

We previously discussed how sub-$1MM companies have grown much more rapidly in 2024 than the previous two years. While that statement is true of all small B2B companies, it's particularly true at small usage-based firms. These companies experienced flat, or even negative, growth rates during 2022 and 2023.

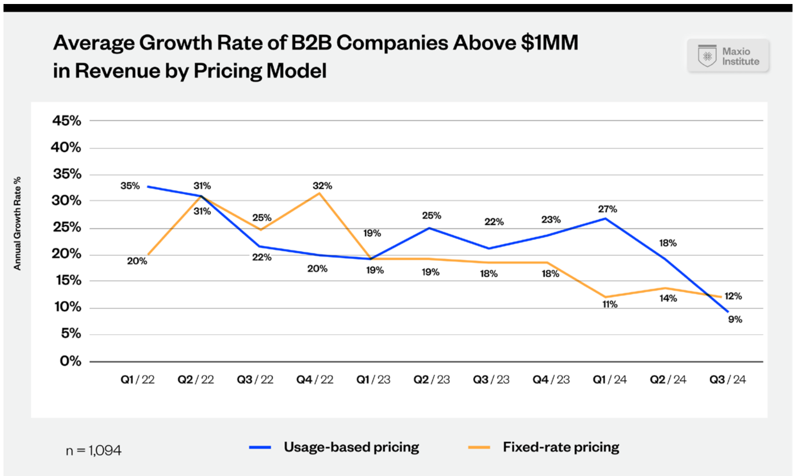



On the other hand, small fixed-rate billing companies have had a different, easier, path. Since 2022, they have always grown faster than their usage-based counterparts and experienced particularly fantastic growth rates during 2023 and the first half of this year.

Q3 shows a narrowing of the gap between these two pricing models. Fixed-rate firms are growing more slowly than in previous quarters, while usage-based companies are continuing their 2024 resurgence.

While more significant movement quarter to quarter is expected at smaller companies, a reduced difference between pricing strategies is a consistent theme in this quarter's results. It appears that the slowing B2B environment makes differences in strategy less impactful.

# Growth Rates of B2B Companies Above $1MM in Revenue by Pricing Model




The gap between fixed-rate and usage-based companies has also narrowed at B2B companies over $1MM in revenue.

The history at these larger firms is more complicated, and determining whether the predictability of fixed-rate payments or the flexibility of usage-based pricing is superior often depends on how far above $1MM in revenue a company grows.

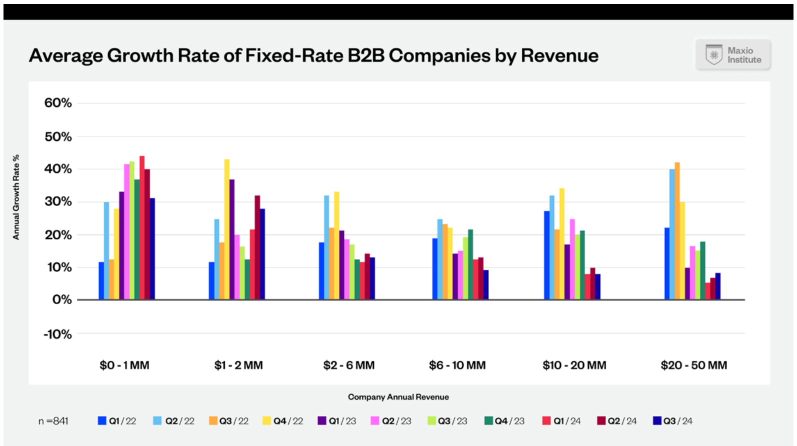
2024 has been a slower year for fixed-rate companies above $1MM in revenue. These firms have lagged behind the overall market and experienced relatively slower growth rates all year long.

Usage based firms' growth rates on the other hand started out strong but have dropped off sharply since the beginning of the year. While dramatic percentage changes are more likely quarter to quarter on a usage based model, the difference is still striking.

Because these are growth rates, it's important to remember that this doesn't mean the revenue at usage-based companies has declined, but it does show that a larger portion of these companies' customers are maintaining their current usage rather than upping their consumption.

Our theory is this shows a sort of wait-and-see approach by B2B consumers. Q3 has been an uncertain time with end customers metering spend in the face of political, economic, and geopolitical uncertainty, further supported by the market's preference for profit over the past two years. In that environment, fewer decision makers are willing to adjust their processes to increase variable spending.

## Growth Rates of Usage-Based Companies Across the Revenue Spectrum

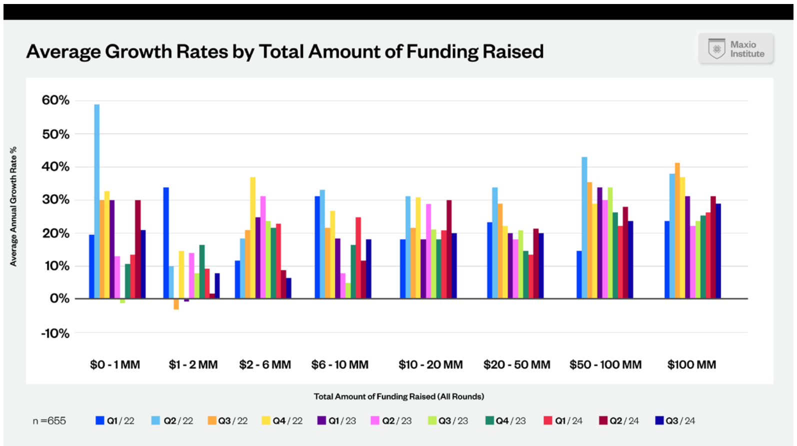



Revisiting a point from the last section, the effectiveness of usage-based pricing varies based on how large a usage-based company has grown. Before 2024, our data showed that usage-based pricing was often less effective at companies below $1MM. This has improved significantly in 2024.

Alternatively, usage based companies above $1MM have a history of success. Historical growth rates particularly for usage-based pricing companies above $10MM in ARR have been exceptional.

Q3 is something of a reversal of this long standing trend. Usage companies above $1MM in revenue are growing much more slowly, with the biggest dropoff happening at companies over $2MM. Q3 is noticeably slower at these above $2MM companies, even showing a rare occurrence of negative growth rates in the $6-10MM segment.

# Growth Rates of Fixed-Rate Companies Across the Revenue Spectrum




Segmenting fixed-rate companies by their revenue provides some additional detail. The slight decline in sub-$1MM company growth rates is still visible, as is the roughly consistent growth across the larger firms in 2024.

Interestingly, smaller fixed-rate companies normally grow more quickly than larger ones.

This is the opposite of the usage-based pattern and why we have typically recommended a fixed-rate model for startups and then to consider adding a usage-based pricing option once a company approaches $10MM in revenue.

# Part 2: Funding

After the recent rate cut by the Fed, markets and investors are pricing in a series of rate cuts over the next year. Their optimism has many inflation-weary businesses, and even private consumers, anticipating lower cost access to capital for everything from mortgages to venture funds.

With the first of this projected series of rate cuts barely a month old, the main effects of this change have yet to materialize. Even debt vehicles aimed at private consumers, like mortgages, which typically adjust more quickly to fluctuations in the economy have yet to fully process the cuts. Mortgage rates have actually gone up since the Fed's announcement.

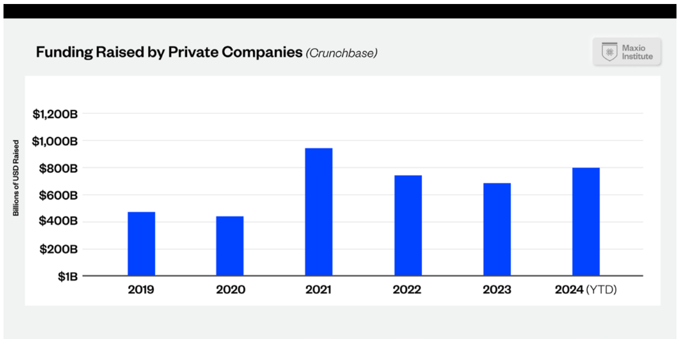
The B2B funding market is likely to be even slower to respond positively. Pitchbook reports that "headwinds are still stymieing distributions" to the VC exit market and "the rate of cash flow returning to...VC funds is slower than any other point since the global financial crisis."

None of this means the economy isn't recovering, or that a recession is on the near horizon. It does mean that a new era of cheaper capital and increased business investment may take a while to materialize.

Those hopes mean that all eyes are on funding markets. In anticipation of better times ahead, this section provides a lookback on how the B2B funding environment has fared in recent years and what the bar has been to receive and succeed with new investment.

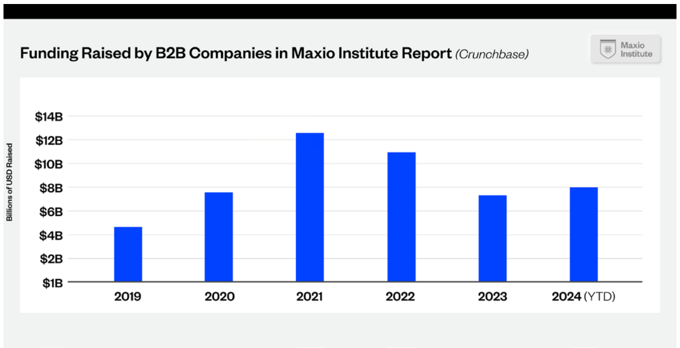
The Maxio Institute's contribution to this dialogue is primarily focused on company results. Rather than having unique details on how much funding companies have received, we have unique insights into how companies grew before and after receiving that funding.

## Reviewing the Recent History of the B2B Funding Market



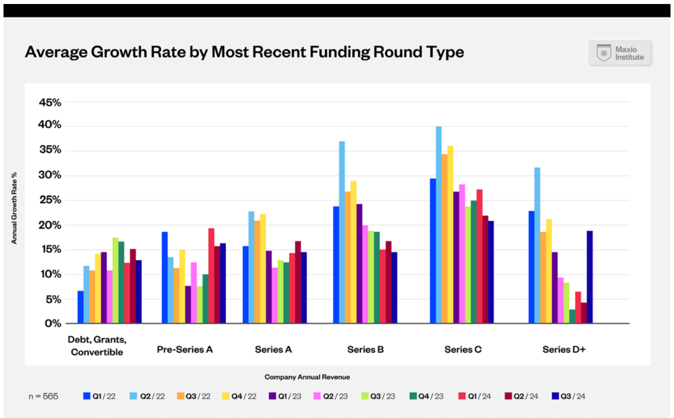

The Maxio Institute report describes private B2B companies, particularly B2B software companies. Capital availability in this subset of the full market often follows trends for the broader economy, but it's not always exactly parallel.

To estimate how much overall funding was available for non-public companies, we examined Crunchbase data on total dollars raised by year. We excluded IPOs and other public funding events. The data shows that 2021 was the recent high watermark in funding, and that 2024 has started to show some improvement over the past two years.




When we narrowed the search to B2B companies covered by the Maxio Institute, we found a very similar curve. 2021 also appears to have been a high point for private B2B funding, and at least in terms of dollars, more money has been invested in 2024 than in 2023.

## How are Companies with Different Types of Funding Growing?

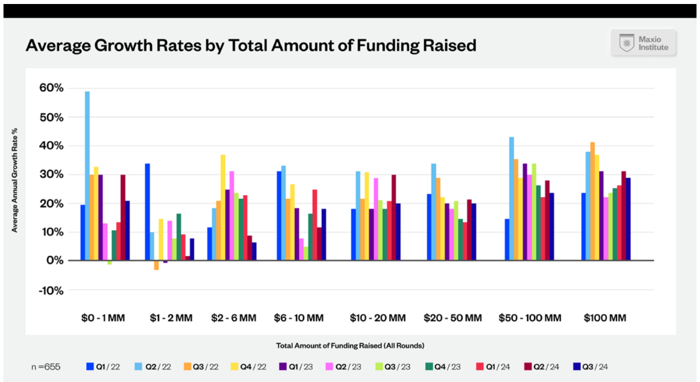



The additional insight Maxio can provide is how those companies have performed before and after receiving their investments.

Dividing B2B companies by the type of their most recent funding round shows a few interesting data points. First, and most notably, companies that received later funding rounds have often grown more quickly than their early stage counterparts since the beginning of 2022.

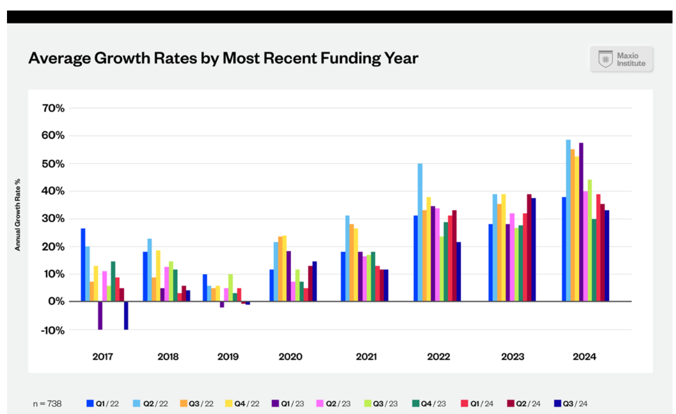
This may be something of a chicken-and-egg dilemma between “are the highest performing companies rewarded with additional funding?” or “did they grow because of that funding?” As such, the takeaway isn’t that later stage companies have an advantage, there’s a clear survivorship bias here, instead, it’s that B2B founders need to recognize that winning B2B companies normally have to reach at least Series B funding to be most successful. When planning the roadmap for where they need to go, it’s usually not enough for these companies to get a one-and-done funding round.

The other noticeable trend in this graph is declining average growth rates at series B and above companies since 2022. This mirrors an overall market trend, where larger companies have grown more slowly in 2023-2024, but it is also redefining expectations for what metrics companies seeking these funding rounds need to meet before investors are interested.




Similar to what we discussed with the last graph, there’s also a winner-loser distribution based on the total amount of funding raised. Firms that have raised at least $10MM experience approximately 8% higher average annual growth rates than those that haven’t. There seems to be a critical mass where most B2B companies need to plan a way to get at least $10MM in funding to be successful.

The last graph we want to review in this section is funding recency. Companies that have raised funding more recently grow more quickly on average than those that have not. This dropoff is particularly visible when a company has not raised in over three years. Companies without a round in the last three years grow 16% slower on average.




Although these trends are broad generalizations, we believe they provide a useful benchmark for B2B founders to consider when planning their go-to-market strategies.

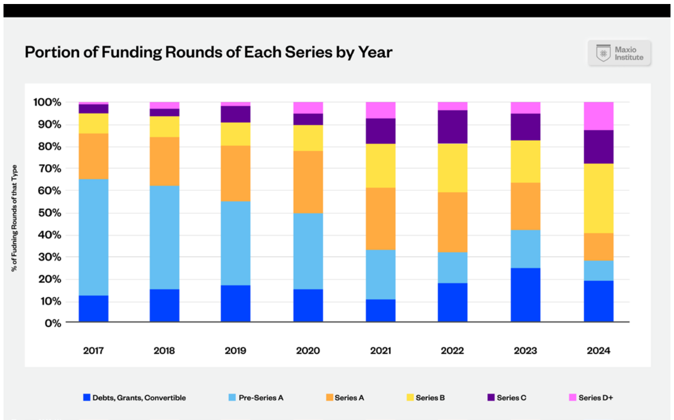
Based on this data, we believe the following are strong indicators that a B2B business is primed to outperform its peers:

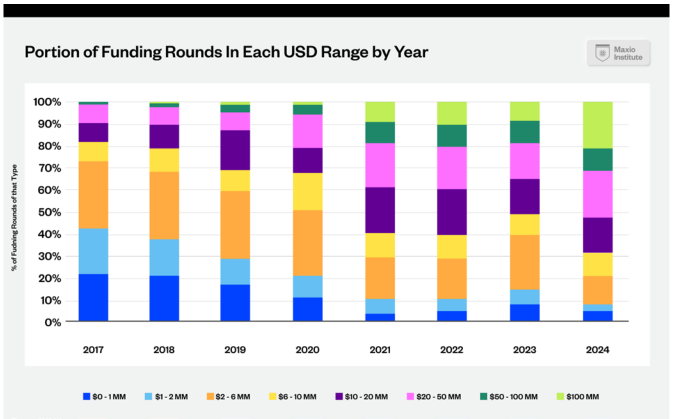
- Has reached at least Series B
- Has raised $10MM+ in funding
- Has raised within the last three years

While there are notable exceptions to these rules, founders and investors should double check their approaches if they haven't already achieved or set a concrete plan to reach these milestones.

## What Companies Are Being Funded in 2024?

The funding environment in 2024 isn't something that developed all at once. Recent years have seen larger and later stage funding rounds in the B2B market.




The graph above shows the portion of each type of funding rounds at Maxio Institute companies by year. Notice how pre-series A funding accounted for 40% or more of funding rounds before the pandemic and has dropped off significantly since then. In 2024 so far, only 10% of the funding rounds in our B2B population have been pre-series A.

On the other hand, the proportion of series B or later funding rounds has increased dramatically in recent years. 2024 has been a particular tipping point in that balance. For the first year in the last eight, the majority of Maxio Institute company funding rounds have been Series B or later.

In line with the trends discussed above, the average dollar amount per funding round has also increased in recent years.

The change is noticeable. Deals in all groupings below $10MM have become less prevalent since 2017. While the proportion of funding rounds in all groupings above $10MM have increased.

The takeaway seems to be that investors are looking to write fewer and larger checks in a post-COVID world. While the funding environment has been difficult for everyone, it appears that early stage companies have had it particularly hard, because they are seen as riskier and don't have the track record of later stage companies.

In 2024, the average B2B company in our sample that raised venture funding had $13.5MM in ARR. That's a remarkable increase from just two years ago when the average revenue was less than half that value.

| | 2022 (Jan-Sept) | 2023 (Jan-Sept) | 2024 (Jan-Sept) |
|---|---|---|---|
| **Avg Revenue at Beginning of Year of Companies That Received Venture Funding** | $6.2MM | $9.1MM | $13.5MM |

Notably, the overall average growth rate of these companies remained steady. However, the subparts that make up that total varied dramatically.

| Average Growth Rate at Beginning of Year of Companies That Raised in | Jan-Sep 2022 (n=100) | Jan-Sep 2023 (n=71) | Jan-Sep 2024 (n=56) |
|---|---|---|---|
| All Venture | 37% | 32% | 35% |
| Pre-Series A | 51% | 30% | 9% |
| Series A | 55% | 25% | 39% |
| Series B | 21% | 29% | 40% |
| Series C | 39% | 11% | 71% |
| | (n=20) | (n=18) | (n=8) |
| Debt, Grants, Convertible | 19% | 33% | 30% |

One part of this table needs to be explained. Although average growth rates in early stage rounds were lower in 2024, this does not mean that any company above that level could gain funding. Unfortunately, there are very few pre-Series B investments in 2024 so far. The ones in this sample that have occurred are for unusual reasons beyond just growth rate. The low growth rate in pre-series A should not be seen as what VCs are looking for.

Where the sample size is larger and the results more relevant is Series B and C. In 2024, the bar has been raised significantly for these larger companies to receive investment. It's a big part of the reason why fewer companies are being funded. Small companies often have no access to capital and larger companies have to meet a very high standard to be considered.

We expect the Fed's recent cuts will usher in better days for the B2B funding market in due time. 2024 has been a difficult year to raise capital, especially small funding rounds.

Many groups have highlighted that AI has been the one bright spot in the larger funding landscape. The cohort of AI companies in the Maxio Institute data offers a few data points to support that theory.

80% of the AI companies included in this report have received funding since 2020, and 15% of them have raised funding in 2024. Of those rounds since 2020, the average amount raised is $51.9 MM and the largest portion of those rounds, 25%, have been series C.

# Appendix - Industry Information

| *Industry Growth Rates - All B2B Companies* | *Q1 - 22* | *Q2 - 22* | *Q3 - 22* | *Q4 - 22* | *Q1 - 23* | *Q2 - 23* | *Q3 - 23* | *Q4 - 23* | *Q1 - 24* | *Q2 - 24* | *Q3 - 24* | | *T8Q* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transportation | 19% | 30% | -3% | 34% | -18% | 1% | 18% | 36% | 25% | 47% | 44% | | 23% |
| Pharma, Bio, and Life Sciences | 29% | 25% | 21% | 36% | 3% | 18% | 30% | 23% | 21% | 15% | 39% | | 23% |
| All Others | 7% | 13% | 9% | 12% | 11% | 10% | 16% | 27% | 41% | 33% | 23% | | 22% |
| Healthcare | 29% | 52% | 10% | 17% | 42% | 34% | 24% | 14% | 18% | 25% | 18% | | 24% |
| Consumer Goods & Services | 15% | 11% | 18% | 24% | 11% | 16% | 8% | 3% | 22% | 15% | 14% | | 14% |
| Software | 18% | 22% | 15% | 20% | 15% | 16% | 19% | 16% | 15% | 16% | 14% | | 17% |
| Media and Entertainment | 24% | 29% | 12% | 14% | 10% | 12% | -1% | 11% | 14% | 13% | 13% | | 11% |
| Services | 18% | 20% | 15% | 21% | 10% | 16% | 12% | 11% | 19% | 16% | 13% | | 15% |
| Food, Beverage, Tobacco | 22% | 8% | -6% | 18% | 11% | 16% | 9% | 20% | 12% | -16% | -12% | | 7% |

n=1522

| *Industry Growth Rates - Software Companies* | *Q1 - 22* | *Q2 - 22* | *Q3 - 22* | *Q4 - 22* | *Q1 - 23* | *Q2 - 23* | *Q3 - 23* | *Q4 - 23* | *Q1 - 24* | *Q2 - 24* | *Q3 - 24* | | *T8Q* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Public Sector Tech | 45% | 27% | 26% | 49% | 35% | 2% | 3% | 27% | 28% | 6% | 35% | | 23% |
| Cybersecurity | 47% | 62% | 53% | 38% | 31% | 29% | 40% | 33% | 17% | 36% | 30% | | 32% |
| Other | 19% | 23% | 13% | 18% | 18% | 19% | 24% | 16% | 14% | 17% | 26% | | 19% |
| Developer & Engineering Tech | -3% | 18% | 14% | 22% | 17% | 13% | 22% | 17% | 41% | 26% | 24% | | 22% |
| Restaurant, Hospitality & Leisure Tech | 3% | 13% | 2% | 3% | 23% | 38% | 29% | 34% | 16% | 26% | 20% | | 24% |
| Ed Tech | 23% | 39% | 21% | 35% | 15% | 15% | 20% | 17% | 15% | 17% | 18% | | 19% |
| Transportation, Logistics & Supply Chain Tech | -0% | 31% | 41% | 54% | 2% | -7% | 7% | 16% | 28% | 36% | 17% | | 19% |
| FinTech | 9% | 13% | 6% | 22% | 21% | 20% | 29% | 22% | 28% | 25% | 14% | | 23% |
| Property Tech | 11% | 14% | 6% | 2% | 21% | 22% | 24% | 30% | 21% | 20% | 14% | | 19% |
| Data / Infrastructure / Reporting Tech | 23% | 24% | 22% | 9% | 14% | 12% | 14% | 13% | 10% | 8% | 14% | | 12% |
| HealthTech | 9% | 22% | 16% | 25% | 14% | 15% | 16% | 19% | 17% | 12% | 11% | | 16% |
| Marketing & Sales Tech | 25% | 17% | 6% | 16% | 5% | 17% | 17% | 8% | 10% | 17% | 11% | | 13% |
| eCommerce & Retail Tech | 13% | 20% | 7% | 14% | 6% | 2% | 5% | 6% | 7% | 11% | 4% | | 7% |
| HR/Legal/Back Office Tech | 20% | 21% | 20% | 22% | 17% | 15% | 12% | 14% | 9% | 10% | 1% | | 12% |
| Media Tech | -4% | 0% | 0% | 18% | 14% | 40% | 25% | 11% | 2% | -2% | -9% | | 12% |
| | | | | | | | | | | | | | |
| Non AI Software Company Growth Rate | 17% | 21% | 14% | 19% | 14% | 16% | 18% | 16% | 14% | 15% | 14% | | 16% |
| AI Company Growth Rate | 34% | 50% | 32% | 28% | 13% | 20% | 23% | 17% | 22% | 32% | 20% | | 22% |

n=878

# About the Maxio Institute

The Maxio Institute is a research arm of Maxio, the #1 billing and financial operations platform for B2B businesses. Through our work with over 2,400 businesses, we're uniquely positioned to provide data-backed insights and benchmarks. Our goal is to help B2B businesses of all sizes understand the current market so they can make informed decisions about their future.

Learn more about Maxio

# How we analyze our data

The B2B Growth Report analyzes anonymized year-over-year (YoY) customer billing data from Maxio, a billing and financial operations platform for B2B SaaS, which currently processes over $16B in billing and invoicing data annually. Maxio has over 2,400 customers, most of whom are VC- or PE-backed software-as-a-service (SaaS) companies with revenue up to $100MM.

We continue to refine our methodology for analyzing our data. In each subsequent edition of our report, we've further refined our filtering criteria to help better sort out growth outliers, companies migrating onto or off of the Maxio platform, and certain highly volatile small customers who's growth percentages would skew the datasets. These changes may result in small data differences in various editions of the report. Please refer to the newest edition for the most accurate data.

## How we calculate YoY growth rates

We take growth in TTM billings, or revenue, at the end of a quarter (e.g. 6/30/23) vs the prior quarter (e.g. 3/31/23) and multiply by 4 to calculate our annualized growth rate.

*((Q2 revenue - Q1 revenue) - 1) x 4 = Annualized Growth Rate*

## How we determine whether to use billings or revenue

**Usage-based pricing model companies: TTM billings**

Usage-based companies typically measure and bill monthly. Adding the sum of all invoices sent over the last 12 months is usually the best way to estimate the annualized revenue of one of these companies.

**Fixed-rate pricing model companies: TTM billings**

Fixed-rate companies often have pre-negotiated terms (often 1–3 years) and billing schedules. Using revenue instead of billings allows us to remove significant fluctuations in the underlying data, which might be caused by an annual invoice or subscription paid upfront.