

Chapter 9

Metrics That Matter at Seed

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As a Seed-stage founder, you need ways to understand if your business is working and to prove it to investors. The challenge is that traditional startup metrics often don't apply when you have ten customers, three months of data, and a product that changes every week.

In this chapter, we'll focus on the signals that actually matter at Seed stage. Unlike Series A where investors expect €1–2M ARR and sophisticated unit economics, Seed metrics are about demonstrating early traction and founder discipline. You'll need to show you can measure what's happening in your business, even when the numbers are small and volatile.

For each metric, we'll explain when to start tracking it, what investors actually expect to see, and how to avoid the most common measurement mistakes. We'll also be clear about what you can safely ignore until later stages.

How to use this chapter

For each metric, we provide:

- **Definition and formula** – what you're actually measuring
- **Why it matters at Seed** – investor perspective and business insight
- **Benchmarks** – ranges from multiple sources to calibrate expectations
- **Common mistakes** – what trips up founders at this stage

Focus on the metrics that fit your business model. SaaS companies track MRR, marketplaces track GMV, hardware companies track units. Don't force-fit metrics that don't apply.

The current funding reality

According to Right Side Capital's 2024 analysis, 46% of VCs now expect some revenue even at pre-Seed stage (Right Side Capital, 2024). For Seed rounds, typical expectations range from €150–500k ARR, though this varies significantly by sector and geography. European investors particularly emphasize capital efficiency over growth rates.

Key Metrics at Seed Stage

The following metrics form the core of what Seed investors evaluate. Start tracking these as soon as you have relevant data, even if that data is messy and incomplete. Building measurement discipline early creates the foundation for data-driven decisions as you scale.

Not every metric applies to every business. Focus on those relevant to your model and be prepared to explain why others don't apply. Investors appreciate founders who understand what to measure and what to ignore.

Annual & Monthly Recurring Revenue (ARR & MRR)

- MRR

Total revenue from subscriptions and recurring services for a given month

- ARR

MRR

×

12

Definition

- **Monthly Recurring Revenue (MRR)**
is the predictable revenue generated each month from your recurring subscriptions.
- **Annual Recurring Revenue (ARR)**
is your MRR multiplied by 12 months.

Common mistakes

- Inflating MRR with annual contracts divided by 12 (use committed ARR instead)
- Including pilots or trials that haven't converted
- Mixing recurring and one-time revenue
- Counting multi-year deals as single-month MRR

When to start tracking

From your first paying customer, if you have a subscription model. If you're transactional or project-based, track total monthly revenue instead.

Why it matters at Seed

Your early revenue proves someone will pay for what you're building. The absolute number matters less than the trajectory. Going from €2k to €4k MRR shows you're learning how to sell. Staying flat at €10k for three months suggests something's broken.

Note that many successful Seed companies don't have recurring revenue at all. Marketplaces track GMV, hardware companies track units sold, and service businesses track project value. Use the revenue metric that fits your business model.

“There are different ways of calculating MRR and ARR, so make sure to choose the one that's right for you. Are you referring to signed or booked revenue? Or are you referring to Committed ARR (CARR)? Align with your investors on which calculation to use, and what to base it on, to keep discussions straightforward and ensure you have comparability as you move forward.”



Jennifer Bemert

Senior Associate @ XAnge

Monthly Growth Rate

$$\left[\left(\frac{\text{Current Month's Revenue}}{\text{Previous Month's Revenue}} \right) - 1 \right] \times 100$$

Definition

Monthly Growth Rate (%) measures the percentage increase in your company's revenue month over month.

Why it matters at Seed

Monthly Growth Rate is an important measure of your startup's success and potential for expansion: it demonstrates to investors that your business is capable of scaling and gaining market traction. Consistent and strong revenue growth rates are often a sign of a healthy and viable business model.

What's normal at Seed

- First six months: wildly inconsistent (ranging from -20% to +100%)
- After product-market fit signals: 15–25% monthly growth
- Red flag: consistently negative after month six

Better alternative for early stage

Track absolute customer additions when your base is small. "We added 4 customers this month" provides clearer signal than "33% growth" when starting from 12 customers. Switch to percentage tracking once you pass 50 customers.

Gross Margin

$$\left[\left(\text{Revenue} - \text{COGS} \right) / \text{Revenue} \right] \times 100$$

Definition

Gross Margin (%) is the percentage of revenue remaining after deducting Cost of Goods Sold (COGS). It indicates the fundamental economics of delivering your product or service.

What's included in COGS

- **SaaS:** hosting, infrastructure, DevOps team, customer success delivery costs
- **Hardware:** materials, manufacturing, logistics, warehousing
- **Marketplaces:** payment processing, transaction costs, customer support
- **Services:** direct labor for delivery, subcontractors, project materials

Excludes indirect costs like sales, marketing, general administration.

Why it matters at Seed

Gross margin reveals whether your business model can eventually be profitable. At Seed stage, investors don't expect Series A margins, but they want to understand your path to get there. Starting at 40% with a plan to reach 70% is better than being stuck at 55% with no improvement strategy.

How to optimize

By Series A, SaaS companies typically need 70–80% gross margins to be fundable. This gives you 18–24 months to improve unit economics from wherever you start. Focus on tracking the trend, not hitting specific numbers today.

Common mistakes

- Excluding customer success costs from COGS
- Not accounting for technical debt that will increase future costs
- Ignoring the improvement path from current state to Series A targets
- Optimizing margins too early at the expense of learning

CAC Payback Period

CAC



Monthly Revenue per Customer

×

Gross Margin

Definition

Customer Acquisition Cost (CAC) Payback Period (months) measures the time it takes for your company to recoup the costs spent on acquiring a new customer.

Why it matters at Seed

CAC Payback shows whether you can grow without burning excessive cash. At Seed, the absolute period matters less than proving you understand the relationship between acquisition cost and customer value. Investors want to see you're thinking about unit economics, even with limited data.

What's realistic at Seed

Most Seed-stage startups have payback periods of 12–24 months, often longer. This is normal when you're still experimenting with channels and pricing. The key is showing improvement over time and having hypotheses about how to optimize.

What Series A investors will expect

By Series A, enterprise SaaS companies typically need sub-12 month payback, while SMB-focused companies should target 6–9 months. Consumer businesses often need immediate or near-immediate payback. Use these as directional goals, not current requirements.

Common mistakes

- Calculating CAC without including sales salaries and overhead
- Using blended CAC across wildly different customer segments
- Ignoring the time value of money in long payback periods
- Optimizing CAC prematurely instead of learning what customers value

Reality check

If you're selling €500/month contracts with 60% gross margin and spending €3,000 to acquire each customer, your payback is 10 months. That's acceptable at Seed if you retain customers for 2+ years.

Burn Multiple

Net Burn



Net New ARR

- **Net Burn** is the cash decrease excluding financing activity.
- **Net New ARR** is the new ARR added minus churned ARR.

Definition

Burn Multiple measures how efficiently your startup is using its cash to generate revenue. It is calculated by dividing the net cash burned by the net new ARR added during a specific period.

Why it matters at Seed

Burn Multiple captures capital efficiency better than growth rate alone. A company growing 20% monthly while burning €50k looks different from one achieving the same growth burning €200k. This metric helps investors assess whether you can build a fundable business before running out of money.

What's realistic at Seed

Seed-stage burn multiples typically range from 2x to 5x, meaning you burn €2–5 for every €1 of new ARR. This is higher than later stages because you're investing in product development, early hires, and finding product-market fit. The trajectory matters more than the absolute number.

What Series A investors will expect

By Series A, top companies achieve burn multiples under 1.5x, with 2x being acceptable in high-growth scenarios. The improvement from Seed to Series A demonstrates increasing efficiency as you scale.

Common mistakes

- Calculating during one-off investment periods (like hiring spurts)
- Including founder salaries below market rate, distorting true burn
- Focusing on burn multiple before achieving product-market fit
- Comparing burn multiples across different growth rates

Alternative for pre-revenue

If you're pre-revenue or have minimal ARR, track absolute burn rate and runway instead. "We burn €30k monthly with 18 months runway" is clearer than force-fitting a burn multiple calculation.

Additional Signals Investors Evaluate

Beyond financial metrics, investors assess qualitative factors that predict success. These aren't always measurable, but significantly influence funding decisions.

Core product & usage signals

MVP status and time to launch

Shipping a working product, however basic, demonstrates execution ability. Time from founding to MVP launch indicates team velocity: strong teams typically ship within 3–6 months. Longer timelines suggest overthinking or team dysfunction.

User engagement

For products with regular use cases, active user metrics reveal whether you're building something people want:

- **Daily Active Users (DAU):** critical for consumer apps, collaboration tools
- **Weekly Active Users (WAU):** relevant for B2B SaaS, productivity tools
- **Monthly Active Users (MAU):** baseline for most subscription products

Define "active" meaningfully. Login doesn't count; completing core action does. Even 10 highly engaged users beats 1,000 dormant signups.

Founder & team signals

Founder-market fit

Do founders have an authentic connection to the problem? This could be:

- Direct professional experience in the industry
- Personal pain point they've experienced deeply
- Technical expertise in the specific domain
- Network and relationships in the target market

Generic "I worked in tech" doesn't count. Specific relevance predicts persistence through inevitable challenges.

Technical co-founder present

For software/tech products, having a technical co-founder who can build and iterate independently is nearly essential. Outsourced development rarely works at Seed stage. You need someone who owns the product vision and execution.

Quick checklist: other signals investors notice

- ✓ **Customer concentration:** revenue not dependent on 1–2 customers
- ✓ **Sales cycle clarity:** understanding how long deals take to close
- ✓ **Customer feedback loops:** regular interaction with users, not building in isolation
- ✓ **Geographic focus:** clear initial market vs. trying to be global day one
- ✓ **Competitive awareness:** knowing who else is in the space and why you're different
- ✓ **IP ownership:** clean ownership of code and content, no employer claims
- ✓ **Regulatory awareness:** understanding relevant compliance requirements