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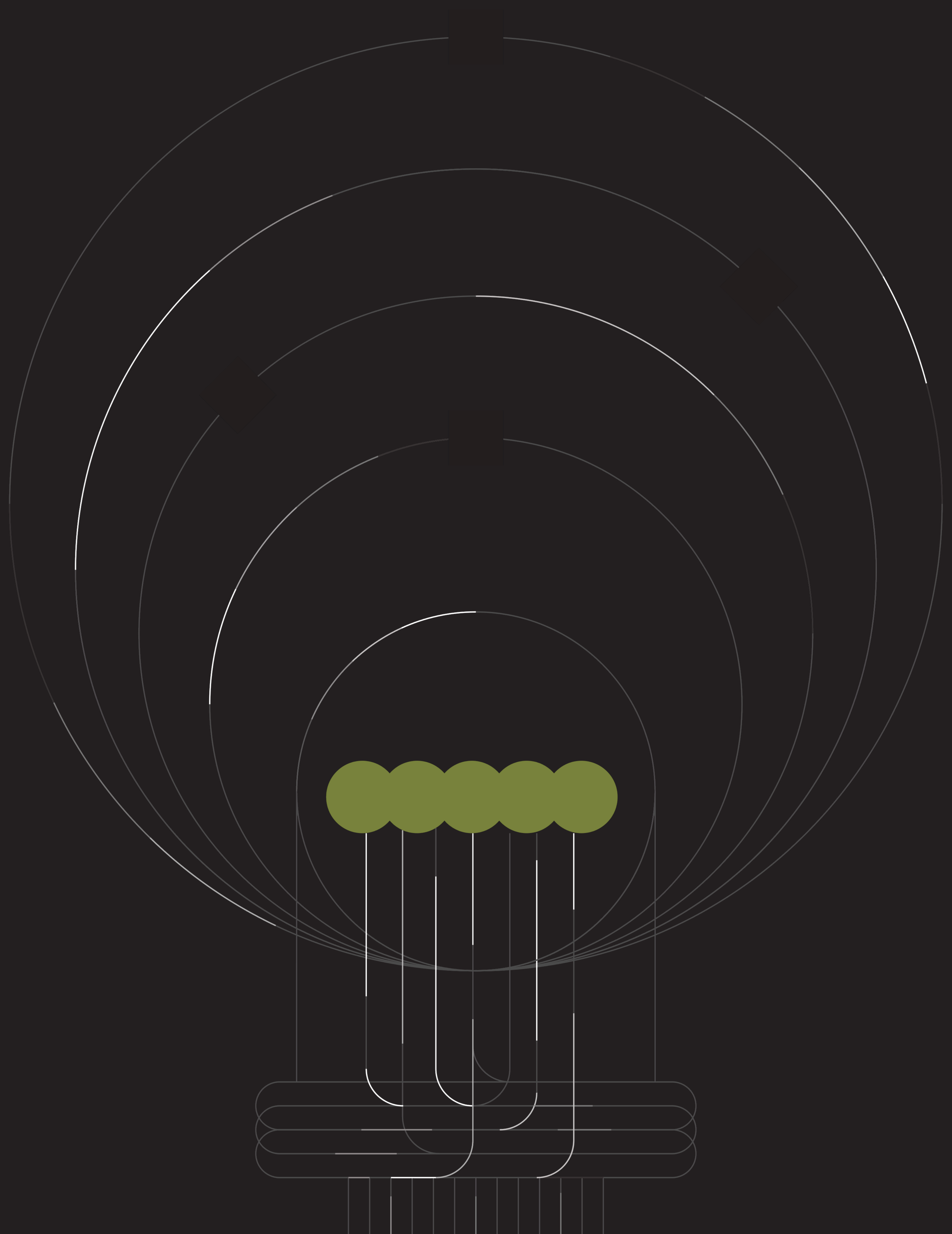
GROWTH INDEX

2025

The Durability Imperative



Introduction

In an evolving economic climate where capital efficiency and resilience are top of mind, Edison's 2025 Growth Index provides a timely lens into what defines truly durable growth in the lower middle market (LMM). Building on the momentum of last year's "metrics that matter" theme, this year's Index elevates the conversation from speed alone (what we've historically labeled as 'fast growers') to a more nuanced focus on durable, profitable growth — spotlighting the operational and financial characteristics of companies that are not just growing fast, but growing wisely with discipline, margin awareness, and go-to-market efficiency. As CEOs and executive teams re-orient toward balance, this year's analysis delivers data-backed insights that empower faster, wiser strategic decision-making.

Reframing Growth

The post-pandemic capital cycle continues to push growth equity investors and operators to reconsider how growth is defined and rewarded. No longer is top-line momentum sufficient on its own. The 2025 Growth Index addresses this shift head-on — providing insights on how durable growth-stage companies are navigating the evolving Rule of 40, driving GTM productivity, and improving retention economics. Through the lens of real performance data, we highlight how durable growers are striking the right balance between ambition and accountability.

Built for Action

We've sought to identify the patterns and practices that set durable growers apart — serving as a reference tool for teams setting priorities and a roadmap for companies aiming to raise their performance bar. Whether you're revisiting GTM strategy, rethinking budgeting, or tightening operating rhythms, this year's Growth Index is designed to support the work you're already doing — and challenge where you can do it better.

Casey Myers

Casey Myers Partner,
Edison Edge

Contents

Participant Characteristics

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By Industry	45% ENTERPRISE SOLUTIONS	33% HEALTHCARE IT	22% FINTECH
By Growth Rate	17% <10%	28% 10-30%	55% >30%
By Location	70% UNDERSERVED MARKETS	30% MAJOR METROS	0% SILICON VALLEY
By EBITDA	56% BURNING	44% BREAK EVEN OR BETTER	

Data-Driven Insights

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"The farther backward you can look, the farther forward you are likely to see."

- Winston Churchill

Before we look ahead at this year's Growth Index, it is worthwhile to look back at the most recent Growth Index reports — noting the many insights that continue to stand the test of time.

Capital Efficiency Superpower

Top-performing growth-stage companies consistently treat every dollar as an investment — relentlessly managing burn, scrutinizing CAC, and holding initiatives accountable to ROI. Our multi-year dataset shows that those who align OpEx to revenue growth, recover CAC quickly, and invest where outcomes are measurable, outperform peers in both resilience and enterprise value. In today's capital-conscious market, efficient growth isn't just a survival tactic; it can be your unfair competitive advantage.

GTM Maturity Matters

Edison's data confirms that mature go-to-market ("GTM") organizations outperform by driving predictable revenue, efficient customer acquisition, and intentional expansion. Fast growers consistently show tight forecast accuracy, high-performing account executives ("AEs"), and a diversified sourcing of new logos (most often from marketing and partners, not just sales). The most successful companies avoid single-threaded tactics, pre-emptively tie GTM spend to revenue impact, and continuously refine ICP to reflect buyer persona realities.

Keep, Grow, *then* Get

Retaining and growing customers (gross and net revenue retention, or "GRR" and "NRR") is the clearest indicator of product-market fit and long-term enterprise value. Fast growers invest earlier and more heavily in customer success, achieving best-in-class NRR and outpacing peers in expansion within the base. If your GRR is healthy, your NRR is scalable; if GRR is weak, fix that first, or you're building on a shaky foundation. Prioritizing Keeping and Growing over "Getting" new customers is a hallmark of successful growth-stage companies.

The Durable Growth Framework

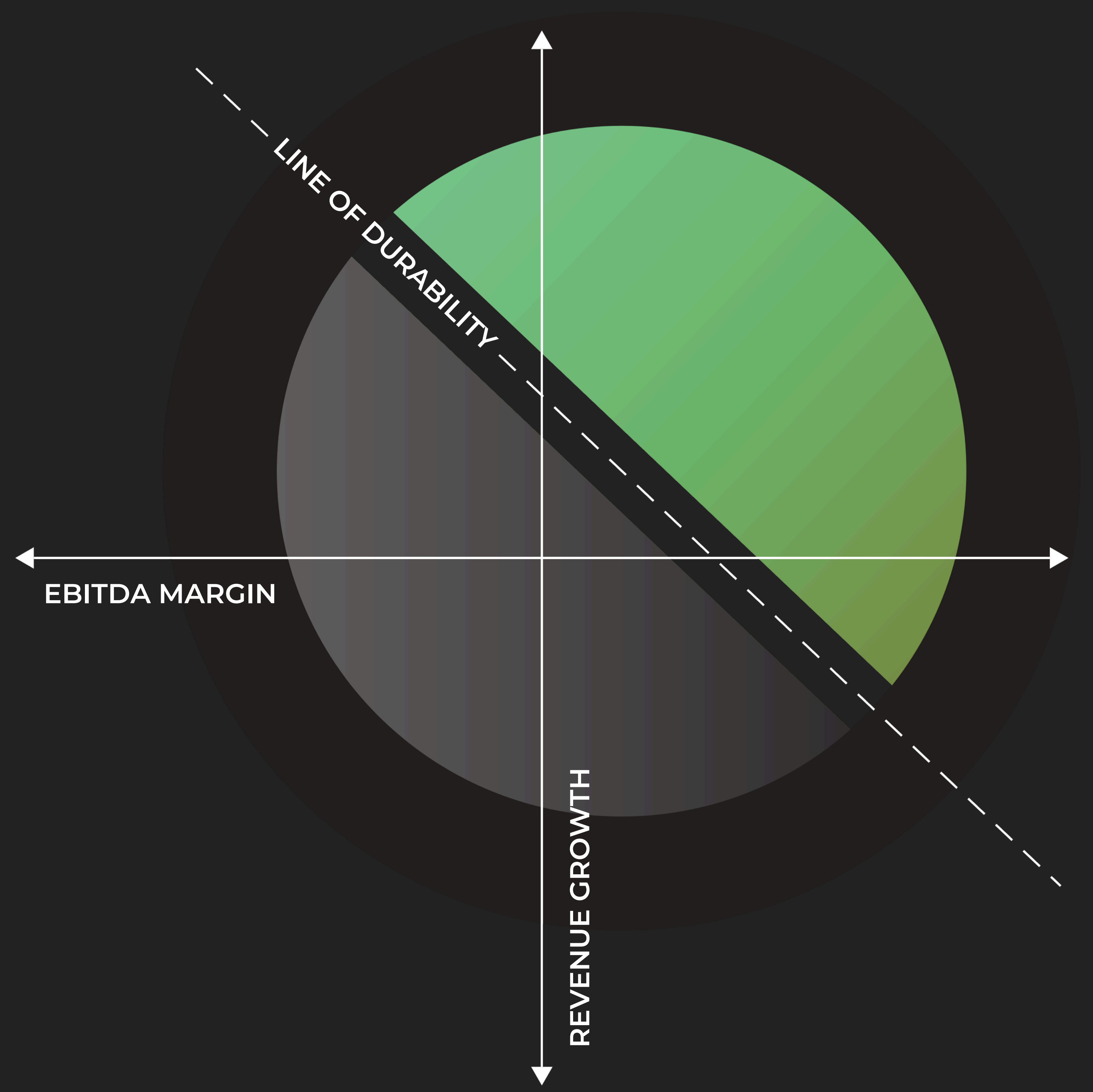
We define “durable growth” as a balance between sustained revenue growth and profitability. While the broader market has often emphasized growth at all costs, we have always championed capital-efficient growth — prioritizing profitability alongside expansion.

The current market environment has mandated a more disciplined approach to growth. ‘Durable growers,’ then, refer to those companies whose data reflects their responsible and efficient approach to growth, taking full advantage of their existing customer base while effectively managing costs.

We took a 3-pronged approach to identify durable growth trends and insights within the participating portfolio companies:

- We benchmarked our analysis on the ‘Rule of’ metric, signifying companies achieving a certain revenue growth rate and EBITDA margin summing to, what is traditionally, a desired ‘Rule of 40’.
- We examined historical operating performance over 12 Quarters and 7,000+ data inputs to account for the resilience of performance over time, and in an effort to avoid the often short-sighted insights that may come from analyzing limited and outlier performance within a given year.
- Lastly, we used our participating portfolio company survey responses to identify current KPIs that lead to actionable insights for 2025 and beyond.

Based on our analysis, we were able to split the portfolio into two cohorts: durable growers (who consistently met or exceeded a ‘Rule of’ criteria) and non-durable growers. We also leveraged third-party benchmarks in order to pressure-test our insights on a macro level. This has allowed us to pinpoint trends, compare strategies, and ultimately identify common behaviors of durable growers, setting a solid foundation for future success across the portfolio.



A Deeper Analysis

After plotting the data, a trend line arose which delineated companies that had average revenue growth greater than 25% and an average EBITDA greater than 5%.

Within the durable growth cohort, 3 unique segments also emerged:

- a 'pocket' of **ideal durable growers**
- a few outliers who, while meeting the 'Rule of' trend line, lived outside of the ideal pocket — what we've labeled as having either a **growth emphasis** or a **profit emphasis**.

Let's take a closer look at each.

TREND

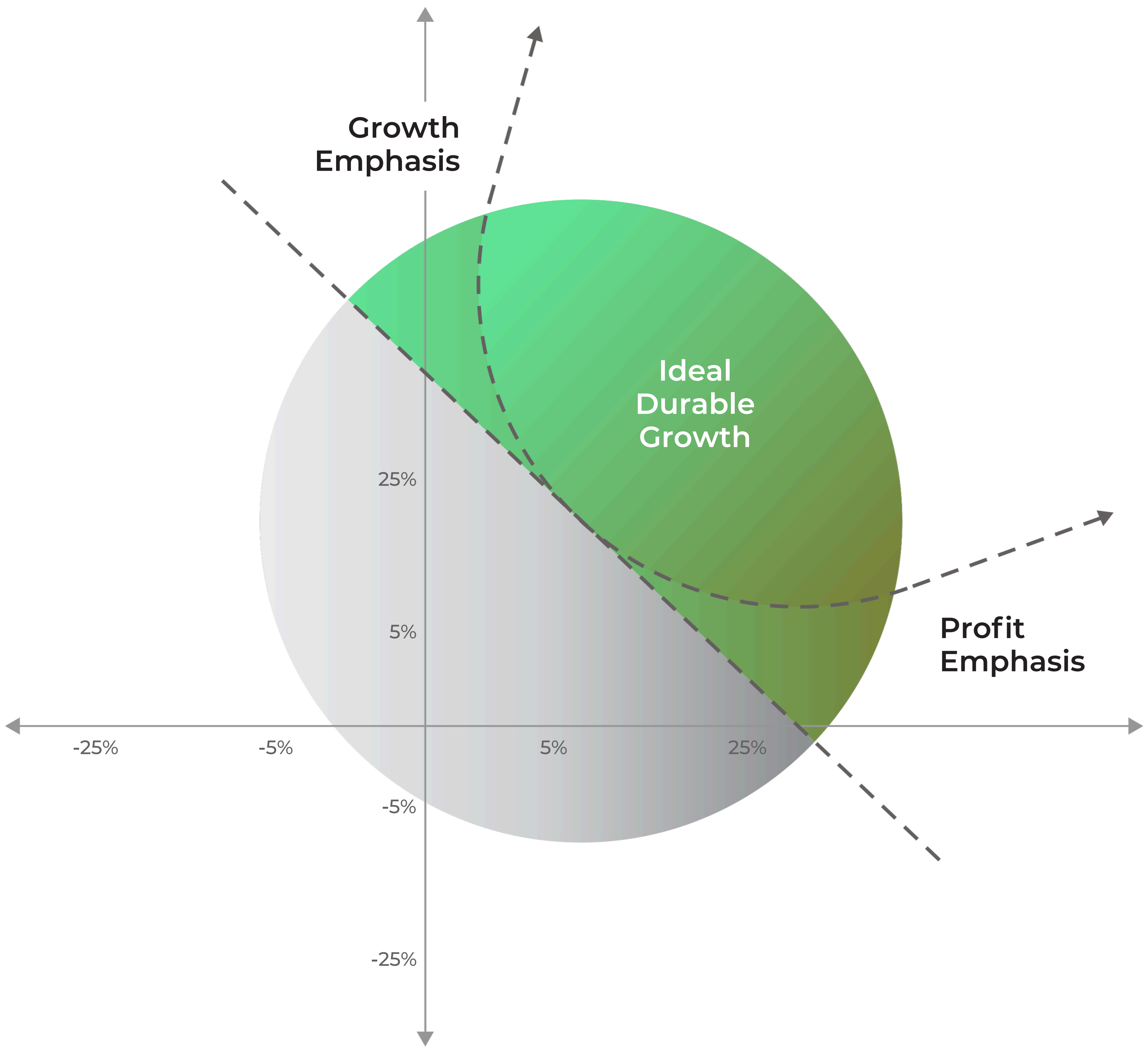
25%

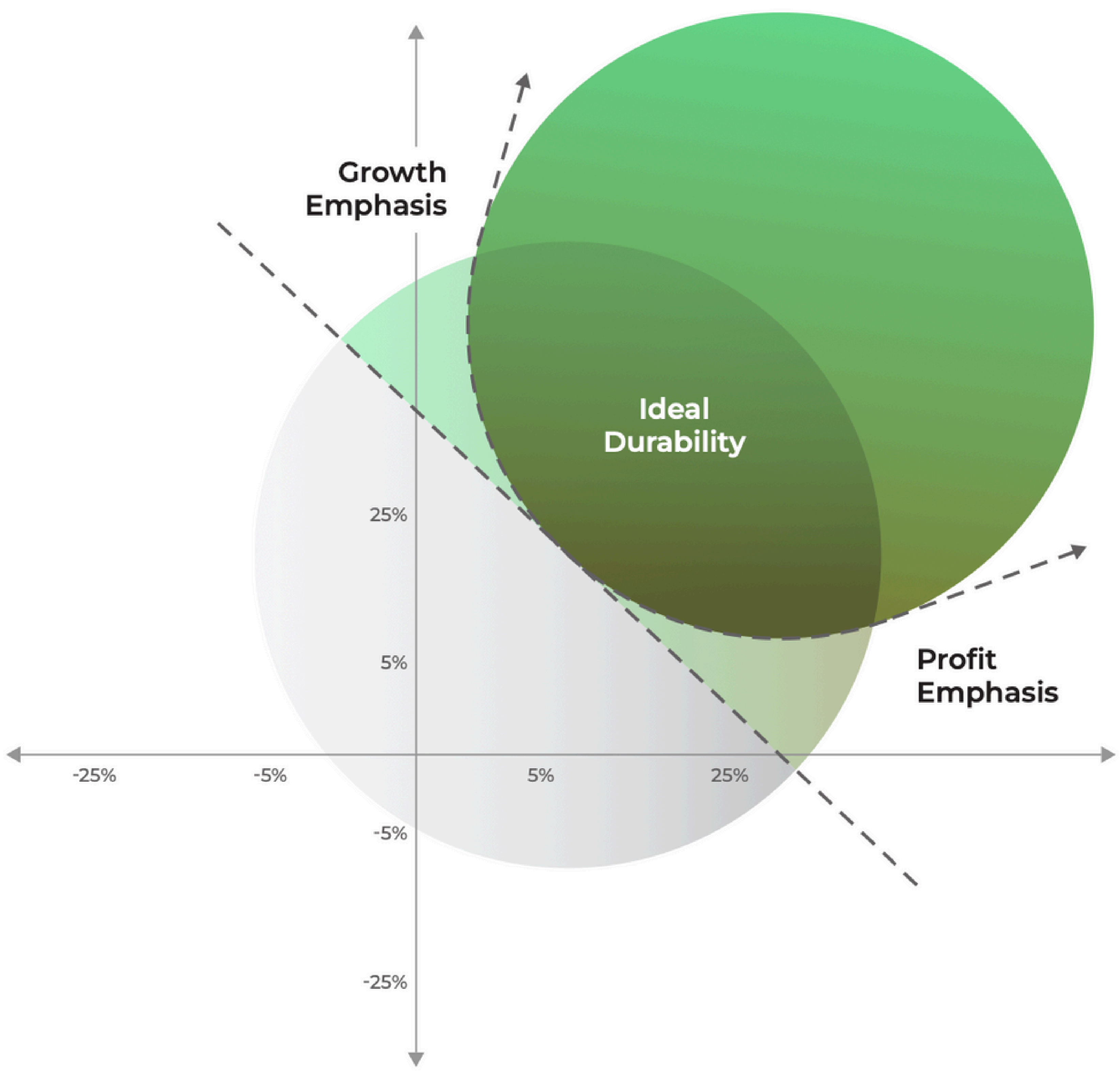
Average revenue growth greater than 25%

TREND

5%

Average EBITDA greater than 5%





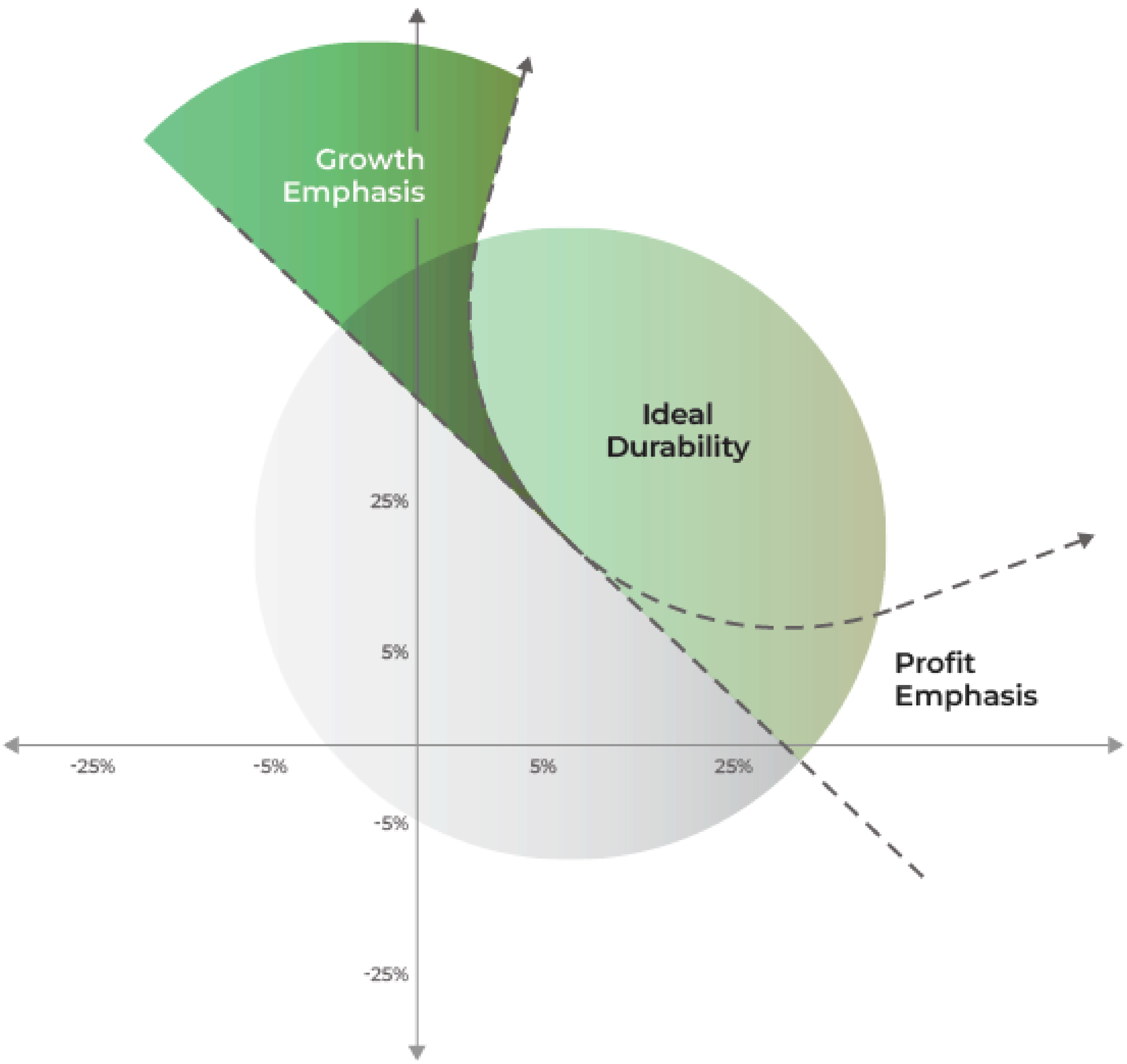
Ideal Durability

Companies who have achieved ideal and sustainable durable growth have found the sweet spot between growth and profitability. As with anything, moderation is key; we see durable businesses that have struck a balance between profits and growth to be poised for the most long-term success.

As companies approach the middle of this zone, they are better equipped to manage growth in a healthy, sustainable manner.

Key Characteristics of Ideal Durability:

- Average GRR of ~90%
- Average NRR of 100%+
- More cost conscious with product and engineering ("P&E") and sales and marketing ("S&M") — excluding customer success — each being < 25% of revenue
- ~15% larger AE quotas along with ~20% better quota attainment between durable and non-durable businesses
- Strong sales efficiency that drives a 3.7x larger revenue growth / S&M spend ratio compared to non-durable counterparts

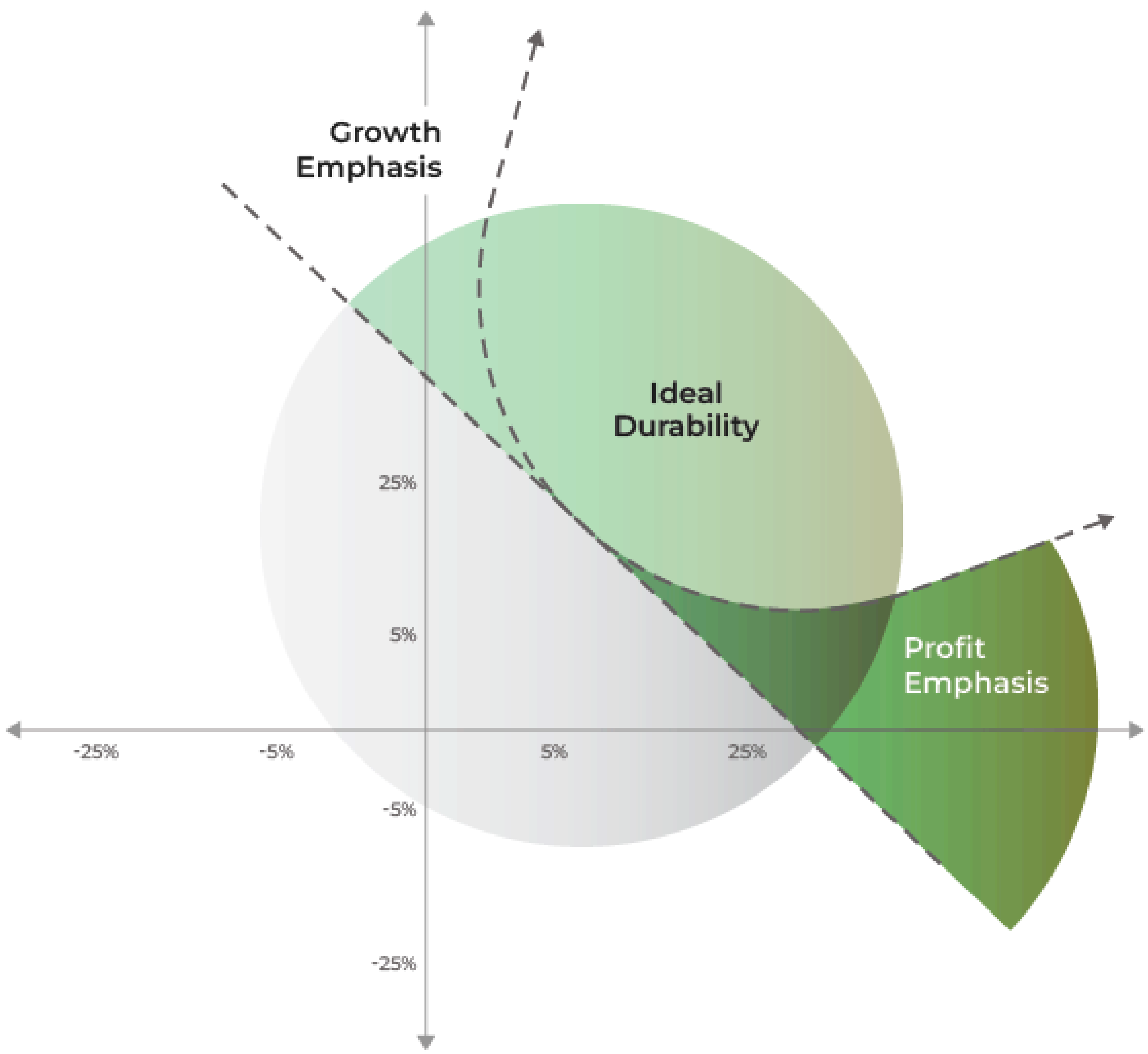


Extreme Growth, Burn-fueled

Companies with a growth emphasis focus heavily on expansion (evidenced by higher operating expenses), but may not yet have the level of scale or efficiency needed for long-term sustainability. While top-line growth is undeniably important for value creation, it must be balanced with profitability to give the company the runway to navigate challenges like unexpected customer churn or macroeconomic uncertainty.

Characteristics of Growth Emphasis when compared to the Ideal Durability cohort:

- Better revenue growth / S&M spend
- Increased P&E spend as a % of revenue
- More general and administrative (“G&A”) expense / full-time equivalent (“FTE”)
- Higher portion of new annual recurring revenue (“ARR”) coming from new customers



Maximizing Margins, Missing Momentum

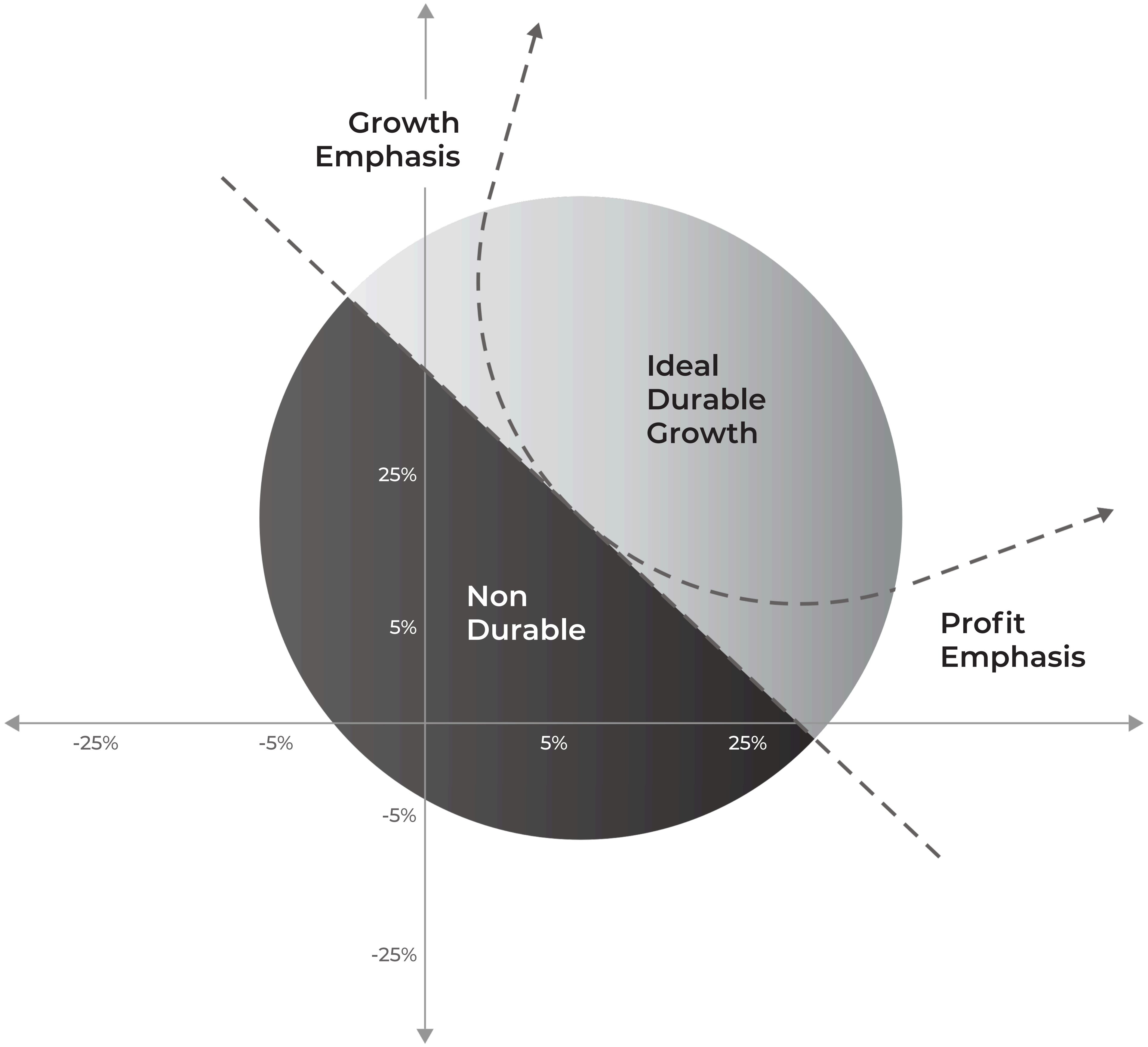
These are the durable growers who are highly profitable at the expense of their company's growth. Their operations are perhaps too efficient, with not enough investment in sales and marketing and/or product and engineering.

While profitability should be a priority, finding a balance between profitability and growth leads to greater value creation while still affording flexibility. Depending on where a company falls within this zone, it may be more productive to prioritize growth at the expense of profitability to achieve greater scale.

In order to move into the pocket of Ideal Durability, these companies need to consider a few focused initiatives that would likely result in a mini- "J-curve" effect to the business — placing a few 'growth bets' funded by your profits (perhaps a new geography, product, vertical, or channel partner). One best practice here is to define in advance the leading indicators of success so you know, objectively, if your growth bets are paying off within certain timelines.

Characteristics of Profit Emphasis when compared to the Ideal Durability cohort:

· Less G&A / FTE
· Higher customer concentration among top 5 customers
· Less spent on customer success
· Less revenue growth / prior year S&M spend



Non-Durable

These companies fall under the line of durability.

In order to move into the pocket of Ideal Durability, these companies should consider prioritizing the unique metric(s) and critical operating factors that bring them to durability most efficiently.

In order to make these decisions, we believe it is important to bifurcate and quantify new revenue generation per expense dollar to understand which expenses create topline growth most efficiently. By shifting dollars away from less efficient outflows, companies will be able to drive more efficient growth.

Characteristics of Non-Durables when compared to the Durable Grower cohort:

- More spent on S&M
- Less revenue growth / prior year S&M spend
- Lower AE quota attainment
- Lower AE quota
- More spent on Product & Engineering (R&D)

Here’s the bottom line.

“Growth at all costs” is over.

In today’s market, investors have placed a premium on companies that balance profitability with sustainable growth.

With the Zero Interest Rate Policy (ZIRP) period having been replaced by rising interest rates and more expensive capital, investors are seeking safer, more predictable returns. The market is shifting, and what it now values is profitable (or, **durable**) growth — companies that can scale efficiently while maintaining strong margins.

Durable growth is the golden ticket for companies aiming to increase enterprise value and strengthen their exit outcome. Companies that grow at 30% annually with 10-20% EBITDA margins are poised to achieve 6-10x revenue multiples, while unprofitable businesses growing at higher rates of 50-100% could only see 2-5x revenue multiples or, worse, struggle to raise future funding rounds.

A business that achieves profitable growth can achieve the same — or even better — valuation as a higher-growth, unprofitable counterpart, with far less risk to the company’s long-term stability.

DURABLE GROWER VALUATIONS

6-10x

Expected revenue multiples
for durable growers

NON-DURABLE GROWER VALUATIONS

2-5x

Expected revenue multiples
for non-durable growers

Data-Driven Insights

After a thorough analysis of over 30 key performance indicators (KPIs) from our survey data, we were able to identify a number of outliers specifically for the durable grower cohort. The following slides depict a number of key areas of focus to improve your durability:

HEADCOUNT GROWTH & REVENUE PER FTE	DEPARTMENT SPEND & EFFICIENCY	REVENUE ACQUISITION EFFECTIVENESS	CUSTOMER REVENUE RETENTION

Of note, a number of KPIs showed minimal differential between cohorts:

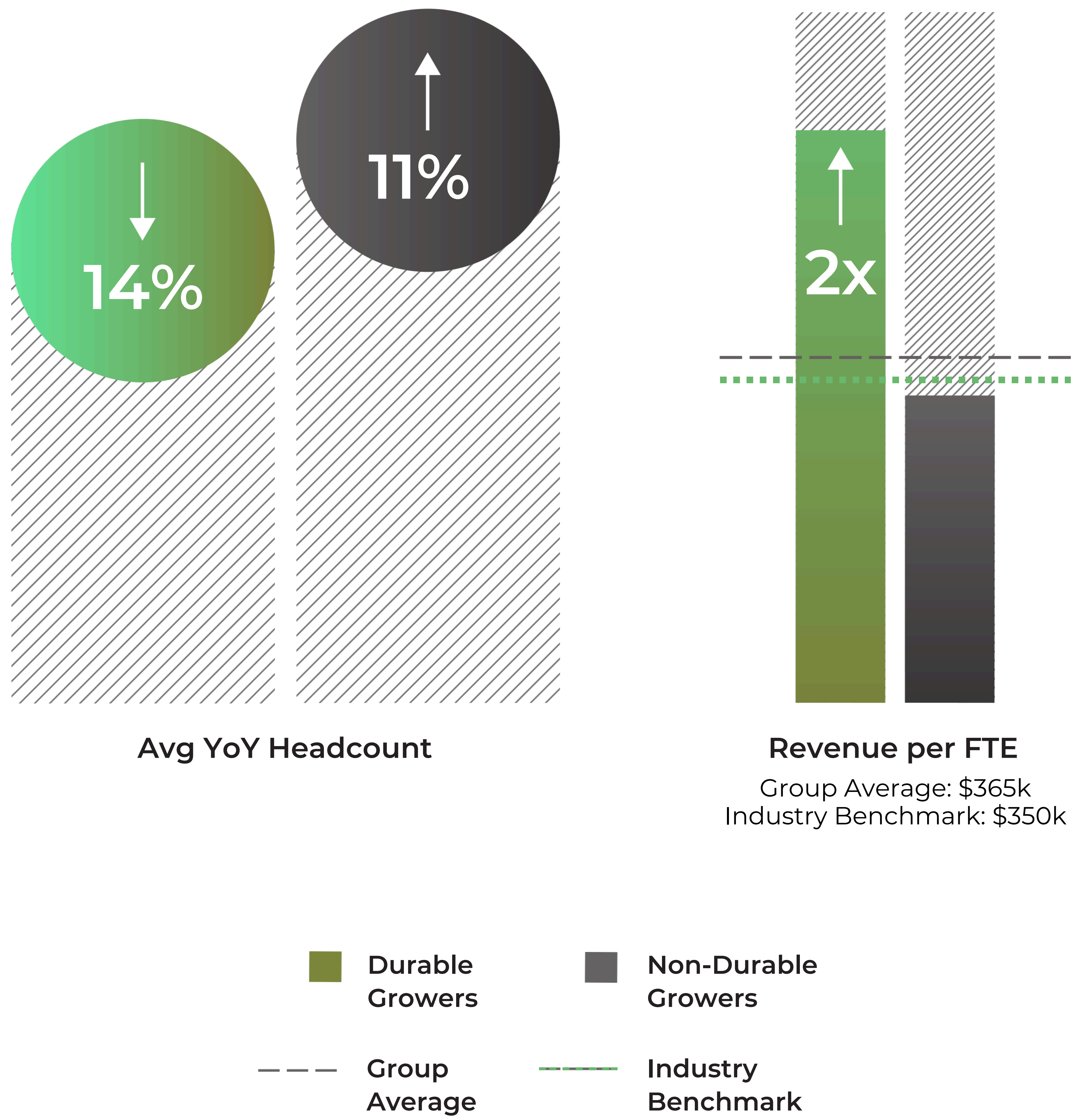
- **Gross margins:** Respondents can maintain a durable business with relatively lower gross margins, as long as there is efficient OpEx.
- **Percentage of ARR from new vs. existing customers:** The average percentage of ARR from new customers was 28.5%, while 71.5% came from existing customers.
- **Bookings to revenue recognition:** On average, the time from bookings to revenue recognition was 37 days.
- **Percentage of revenue from top 5 largest customers:** The average percentage of revenue coming from the top 5 largest customers was 29%.
- **Logo retention rates:** The average logo retention rate was 81%.
- **Working capital dynamics:** While favorable working capital dynamics provide flexibility for growth initiatives, they are not highly correlated within a specific cohort.

Note: Industry benchmarks cited throughout this report were compiled from a combination of public sources focused on lower middle market (LMM), growth-stage B2B software and tech companies. Sources include: Keybanc, SaaS Capital, Bridge Group, BenchSights, KCBM, OpenView, High Alpha, and LinkedIn report roundup.

Durable growers are efficient with their most important ingredient to success: PEOPLE.

Durable growers averaged a reduction in YoY headcount of 14%, while non-durable growers averaged an increase in YoY headcount of 11%. This dynamic, coupled with each cohort's 'Rule of' realities, shows that durable companies are realizing true operating leverage from their people investments.

Durable growers are also generating much higher revenue per full-time equivalent (FTE). The entire group average was $365k of revenue per FTE, with durable growers showing 2X higher revenue per FTE when compared to non-durable.



DURABLE GROWERS GET MORE REVENUE PER OPEX $

- 1.4x better revenue growth / total OPEX
- 1.6x better revenue growth / prior year's total OPEX

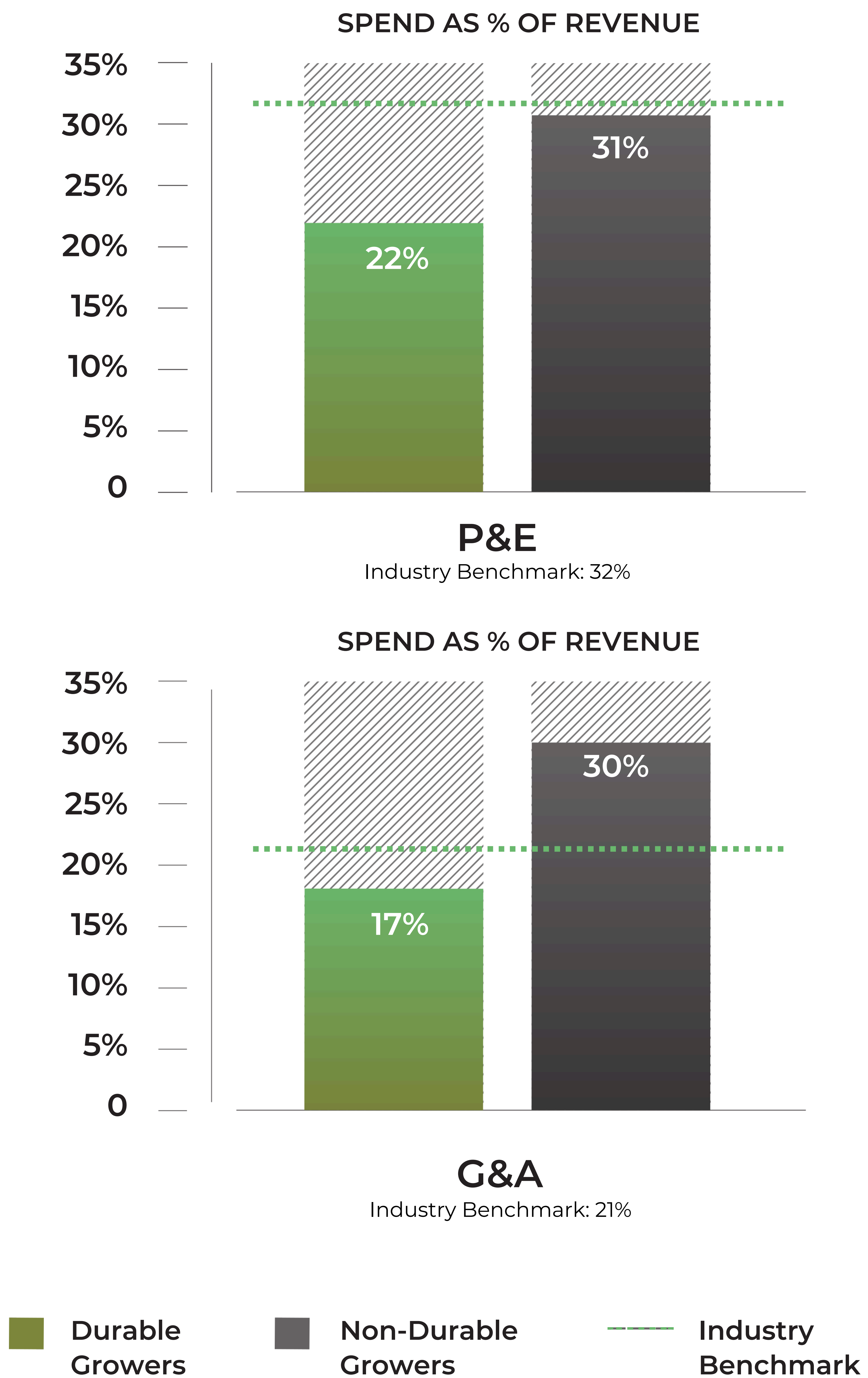
How do P&E and G&A expenses look for durable growers?

<u>Product & Engineering ("P&E")</u>

Participants' average P&E spend as a percentage of revenue was 27%, with durable growers averaging 22% (40% better than the non-durable cohort). These differences suggest that durable growers have more mature products, allowing them to spend fewer resources on new product development. This aligns with the fact that durable growers generated a smaller portion of revenue from professional services (2% vs. 10%), indicating a more developed core product and, consequently, less human dependencies.

<u>General & Administrative ("G&A")</u>

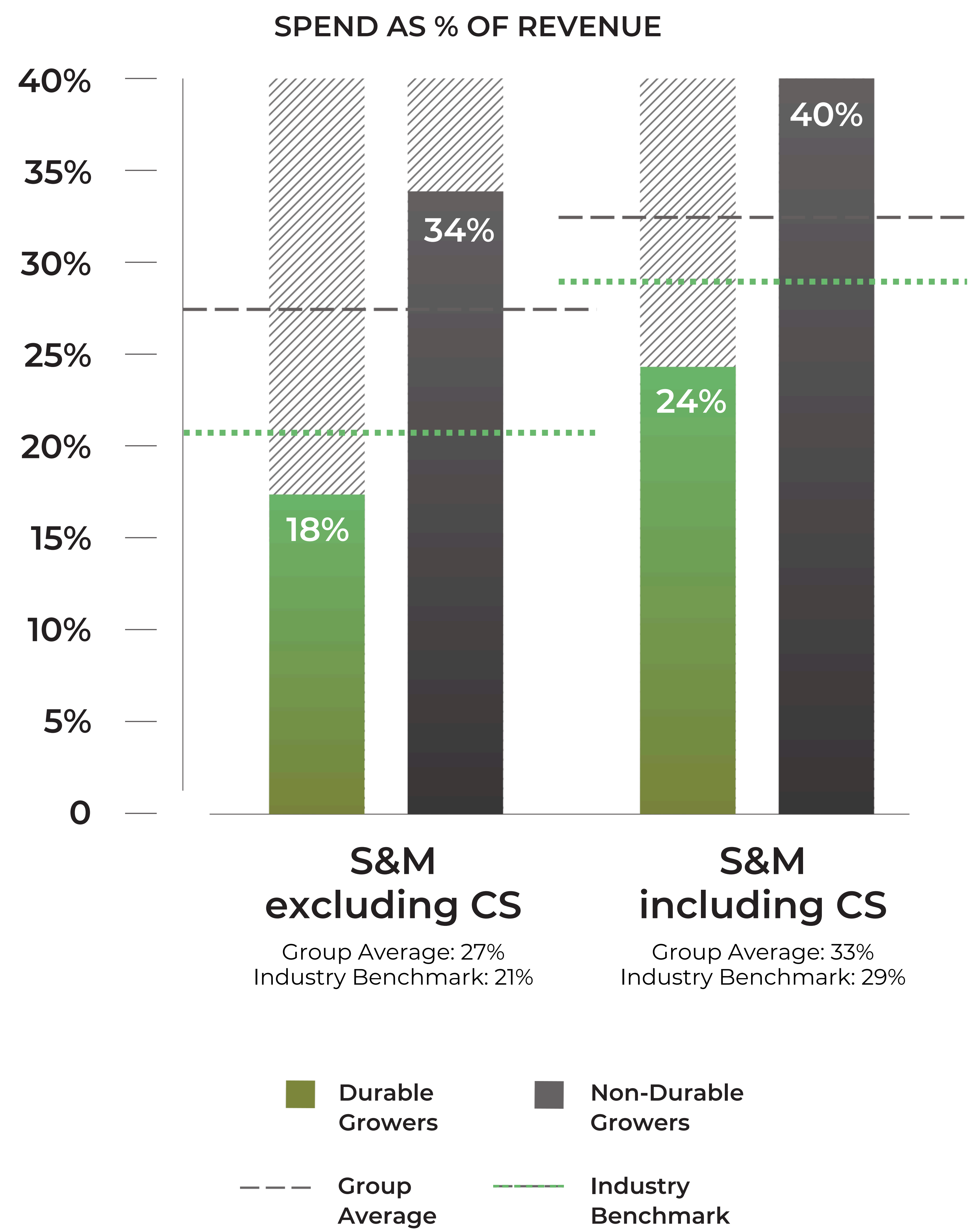
Participants' average G&A spend as a percentage of revenue was 24%, with durable growers averaging 17% (70% better than the non-durable cohort). This differential is also a key contributor to the previous slide's Revenue / FTE dynamic.



Sales & Marketing ("S&M") expense shows the highest differential of impact.

With or without inclusion of Customer Success, durable growers are significantly more efficient in S&M expense as a percentage of revenue. When compared to other areas of OpEx, S&M stood out as having the biggest differential between the durable and non-durable cohorts: a 16-point delta, equating to a roughly 50% more efficient spend for durable growers.

Additionally, when comparing current FY revenue growth to S&M spend, the participant average was 1.2x for every S&M $ spent — not bad — but check out durable growers' performance.



DURABLE GROWERS GET MORE REVENUE PER $ of S&M

- 2.7x better revenue growth / total S&M spend
- 16.2x better revenue growth / prior year's total S&M spend

Durable growers are extremely effective at acquiring new revenue.

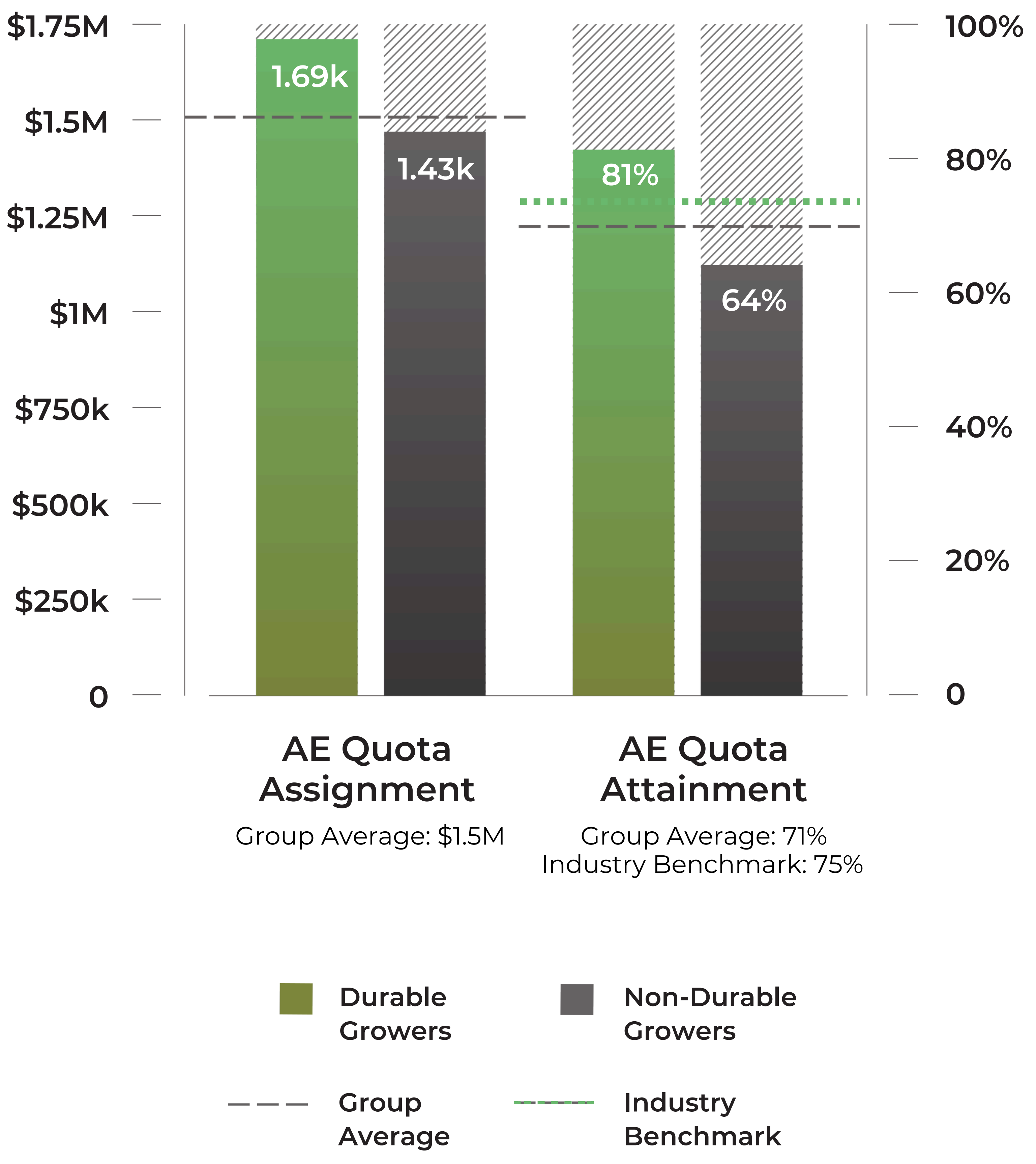
Account Executive ("AE") Quota Efficiency

Participants' average quota assignment (normalizing for certain model discrepancies in our dataset) was just over $1.5M, with durable growers averaging 18% higher quotas when compared to the non-durable cohort.

More importantly, though, was the difference in AE performance. Durable growers' AE quota attainment was 26% higher than the non-durable average.

Customer Acquisition Costs ("CAC")

Participants' average CAC payback period was 19 months, with durable growers averaging 30% better (15-month average compared to 21-month average).



DURABLE GROWERS GET MORE REVENUE PER AE

- Combining the effect of both higher assignment and higher attainment, durable growers got $451k more per account executive

Durable growers retain and grow customer revenue more effectively.

Gross Revenue or Dollar Retention (“GRR” or “GDR”)

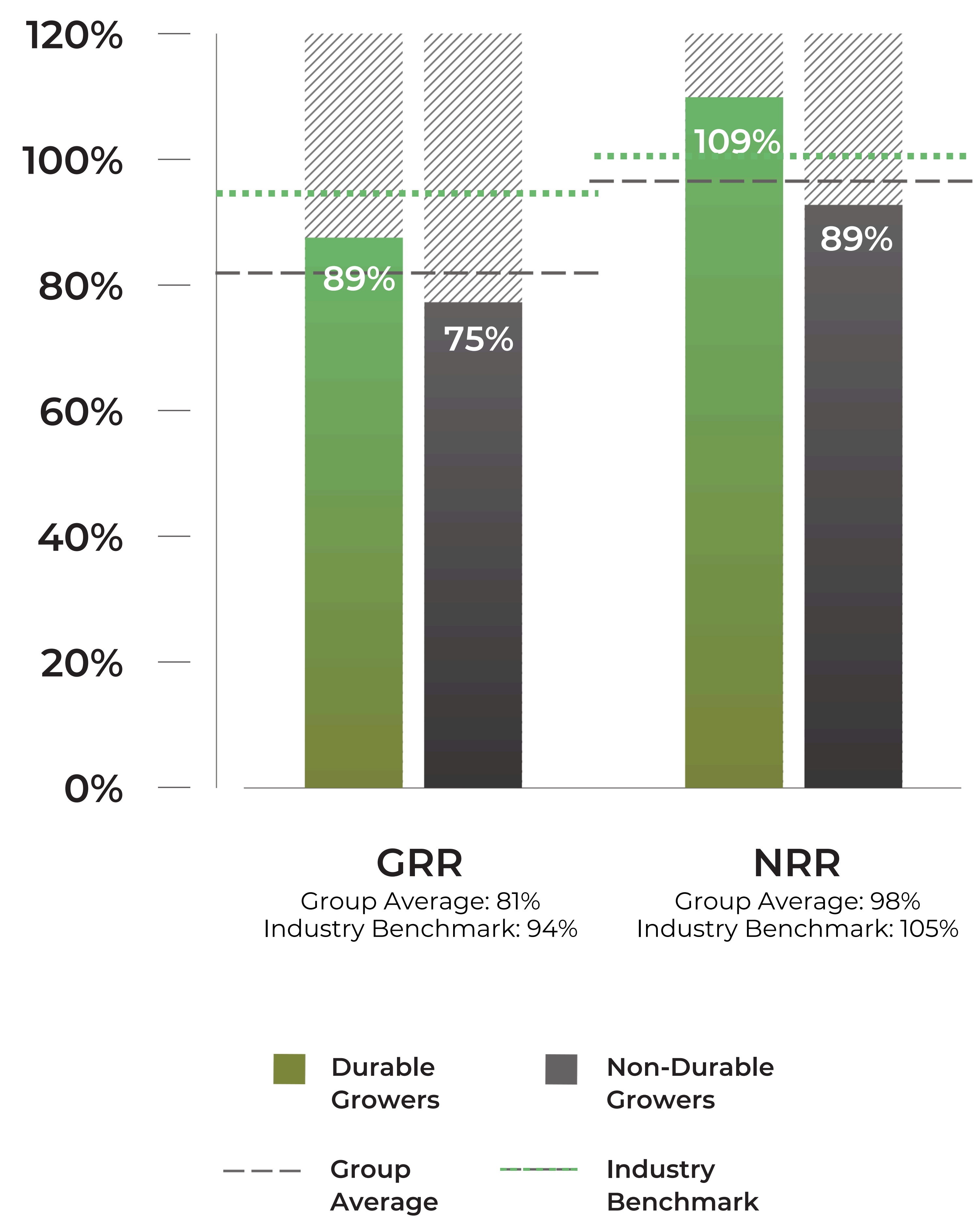
Participants’ average GRR was 82%, with durable growers averaging 18% higher GRR when compared to the non-durable cohort.

Net Revenue or Dollar Retention (“NRR” or “NDR”)

Participant’s average NRR was 98%, with durable growers averaging 22% better when compared to the non-durable cohort.

Correlating to OPEX

While not providing significant correlation, it’s interesting to note that durable growers are also spending slightly *more* on Customer Success (~3%) and getting nominally more ARR from existing customers (~3%).



OPERATING PARTNER INSIGHTS

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So you want to be a durable grower. *Now what?*

Companies looking to move towards durability must foster a culture that balances ambitious growth with operational discipline. This most likely requires reframing priorities and reimagining responsibilities across the business. Here are seven steps you can take to promote durable growth:

1. Make sure performance and incentive structures drive behaviors for durable growth.

Performance objectives and incentive measures should be proportionally set and reward both growth and profitability at each level of the company. Connect individual and team performance to the company's "Rule of 30" by helping employees understand how their work and results contribute to this balance.

2. Re-imagine sales hiring and development towards "growth-efficient" revenue.

Recruit and develop sales leaders who demonstrate revenue growth and operational discipline in their approach. Identify, recognize, and reward sales professionals who generate the most profitable growth rather than simply being the highest revenue producer.

3. Treat the customer success function as a revenue driver rather than a cost center.

Create clear accountability for retention and expansion metrics. Foster a culture that reinforces the importance of keeping and growing customers.

4. Strengthen product team performance through increased business acumen.

Widen the talent pool by assessing for business acumen. Cultivate product and engineering capabilities through cross-functional learning as a way to understand the financial implications of decisions to improve product scalability.

5. Invest in leadership development to navigate growth and efficiency.

Evaluate talent on their demonstrated ability or potential to balance ambitious growth with operational excellence. Cultivate financial acumen alongside growth orientation, to prepare leaders to achieve the sustained "Rule of 30."

6. Align organizational design for optimized productivity with growth.

Conduct an organizational assessment focused on growing revenue per employee. Challenge leaders of each function to justify headcount against productivity benchmarks. Consider moving high performers to higher-impact roles rather than defaulting to external hiring.

7. Model decision making with intentional balance between growth and accountability.

Create decision frameworks that help leaders avoid a bias toward either growth or profitability. Make sure employees understand the definition of "balanced success".

Insights FOR Operators FROM Operators

Greg Nicastro, Product & Technology

From a Product and Engineering standpoint, durable growers have well-established product/market fit, have picked the right ICP, and are executing against it with a single product offering. As a result, Engineering is more efficient. Engineering resources are not duplicated across multiple product lines. Enhancement requests are just that — enhancements — and not entirely new products and thus can be developed by the existing engineering team without requiring headcount expansion. Those enhancements positively impact customer retention and add momentum for expansion. This single product focus also makes sales, marketing, and customer success more efficient in that they can become experts on the problem space and provide well-informed inputs to Product Management.

Joe Gwozdz, Finance

CFOs of durable growth companies are typically financial strategists who focus on value creation, capital discipline, and business resilience. They differentiate themselves by emphasizing stability, operational excellence, and risk management, rather than aggressive scaling or crisis control. Durable growth CFOs:

- Think in terms of Return on Invested Capital (ROIC).
- Maintain efficient cost structures.
- Take a stress-test and scenario planning approach to forecasting.
- Lead with data-driven decisions on investing in areas like tech, talent, and expansion — only when the returns are clear.
- Are deeply embedded in business operations — understand unit economics, customer cohorts, and key growth levers.
- Communicate transparently, earning trust with boards, shareholders, and employees.

Mariann McDonagh, Go-to-Market

Durable growers have company and go-to-market strategies that are defined, aligned, and implemented. And they leverage these strategies as the GTM "operating system" of the business. They have documented ICPs, journeys and personas. Marketing, sales and customer success teams operate in sync with seamless handoffs, shared goals, the metrics to measure them and symbiotic motions that put the customer at the heart of everything they do. Their success is repeatable and their execution is consistent and impactful to the top and bottom line.

KEY CONTRIBUTORS

MIKE DIRLA
Vice President

Michael focuses on identifying and evaluating investments across Enterprise Solutions, Healthcare IT, and Financial Technology. He joined Edison Partners in 2021.

Michael started his career as an Investment Banking Analyst at Credit Suisse in the Financial Institutions Group, primarily covering Insurance and Asset Management sectors. While at Credit Suisse, Michael worked on a variety of sell-side and buy-side transactions, as well as equity and debt financings. After Credit Suisse, Michael joined the investment team as an Associate at Lightyear Capital, a leading private equity firm focused on the financial services industry.

NONNIE EGBUNA
Sr. Manager, Content

Nonnie joined Edison Partners in 2023 to lead content strategy, development, and operations for Edison Edge and Marketing.

Prior to joining Edison, Nonnie served in various marketing roles within the startup space. She worked as B2B Content Marketing Manager at Vendition; before this, Nonnie was Marketing Lead at Inclusivv, and Content Lead at Zogo Finance.

BOBBY WADE
Associate

Bobby joined Edison Partners as an Associate in January 2025.

Prior to joining Edison Partners, Bobby was an Analyst at Raymond James in the Healthcare Services Investment Banking group, where he advised clients through buy-side and sell- side processes. His work included developing financial models, conducting data analysis during due diligence, and preparing strategic materials to inform executive decision-making.

Bobby also gained significant experience at Blackstone with Strategic Partners Summer group, where he worked on private equity and real estate deals via primary and secondary investments. He previously gained experience with RedBird Capital Partners, focusing predominantly on portfolio performance.

The Growth Index is a publication of Edison Edge, a personalized value creation ecosystem of people, plans and programming — all tailored for portfolio company stage, strategy and operating needs.

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