WINDSOR DRAKE

Rule of 40: 2026 Benchmark Report

AUGUST 2026

Windsor Drake · Market Intelligence

Executive Summary: The Rule Stopped Sorting

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Almost Everyone Clears It Now

28 of 44 listed software companies in Windsor Drake's set clear the Rule of 40, a **64%** pass rate, and the median score is **43.6**.

- Bain found only **16%** of 124 software companies cleared it in 2017.
- McKinsey found companies exceeded it just **16%** of the time from 2011 to 2021.
- A threshold two thirds of the field clears is not a threshold.
- The median company is now above the bar the rule was built to identify.

The Market Never Believed the Arithmetic

The rule adds a point of growth to a point of margin as though they were the same thing. Priced multiples say otherwise.

- Revenue growth correlates with EV/Revenue at **0.59**.
- Free cash flow margin correlates at **0.08**, which is close to no relationship at all.
- On a two-variable fit, a point of growth is worth **2.3x** a point of margin.
- The two inputs are not interchangeable, and never were.

The Growth Point Premium

Two companies can post the same Rule of 40 score and trade twice as far apart, depending which half of the score they built it from.

- Scoring 50 to 70: growth-led clear **17.7x**, profit-led **9.1x**.
- Across all clearers: growth-led **12.6x**, profit-led **6.0x**.
- The composite score conceals the only variable that moves the price.
- Report the composition, or a buyer will infer the worse one.

And It Did Not Protect Anyone

Software was repriced through the year regardless of who cleared the bar.

- Roughly **$2 trillion** of software market value erased between October 2025 and February 2026 (Morgan Stanley).
- Median public SaaS EV/Revenue fell **6.2x to 3.3x** across five quarters (PitchBook).
- S&P 500 software weight fell from **12% to 8.4%** (J.P. Morgan).
- Clearing 40 was necessary, and nowhere near sufficient.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Key Takeaways for Software Founders

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1. Clearing 40 Is Table Stakes, Not a Story

Two thirds of the listed set clears it and the median score is 43.6. Arriving at a process with a 41 and treating it as a headline concedes the point before the conversation starts.

- Bain measured a 16% pass rate in 2017; this set runs 64%.
- The interesting question is no longer whether you clear it but how.

2. The Two Halves Are Not Worth the Same

A point of revenue growth prices at roughly 2.3 times a point of free cash flow margin. The rule weights them one to one, which is why the score has stopped discriminating.

- Growth correlates with the multiple at 0.59; margin at 0.08.
- Margin is worth having. It is not worth what the arithmetic implies.

3. Composition Beats Score in a Negotiation

Among companies scoring 50 to 70, growth-led businesses trade at 17.7x revenue and profit-led ones at 9.1x. Same score, roughly double the multiple.

- Lead with the growth line, then evidence the margin.
- A single composite number invites the buyer to assume the cheaper composition.

4. Margin Bought Cheaply Is Detected

The median company in this set runs **25.5%** free cash flow margin against **16.3%** growth. The field optimised the half of the equation the market pays least for.

- Cost discipline that has already been taken cannot be taken again by an acquirer.
- Buyers pay for headroom they can act on, not headroom already consumed.

5. The Bar Is Moving Under the Metric

BCG now frames AI-era winners against a Rule of 60. In this set only three companies clear 60, and they trade at a median 21.4x revenue.

- Scoring above 50 is where the multiple actually inflects.
- Planning a process against a 40 target is planning against the last cycle.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Founder FAQs

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1 What is the Rule of 40?

Revenue growth rate plus profit margin, expressed in percentage points, with 40 as the threshold for a healthy software business. It was first written up publicly by Brad Feld in February 2015 and institutionalised by venture and private equity investors thereafter. This report computes it from reported quarterly revenue and trailing twelve month free cash flow.

2 How many software companies actually clear the Rule of 40 in 2026?

In Windsor Drake's 44-company listed set, 28 clear it, a 64% pass rate, with a median score of 43.6. That is far above historical measurements: Bain found 16% of 124 companies cleared it in 2017 and McKinsey found companies exceeded it only 16% of the time between 2011 and 2021.

3 Does clearing the Rule of 40 still earn a valuation premium?

Yes, but a smaller one than its reputation suggests. Companies clearing 40 in this set carry a median 7.0x EV/Revenue against 4.1x for those below, a 1.7x premium. PitchBook reports a wider 6.6x against 2.3x across its own larger universe as of July 2026.

4 Is growth or margin more valuable inside the score?

Growth, by a wide margin. Across this set revenue growth correlates with EV/Revenue at 0.59 while free cash flow margin correlates at 0.08. On a two-variable fit a point of growth is worth roughly 2.3 times a point of margin, despite the rule weighting them equally.

5 Can two companies with the same Rule of 40 score be worth different amounts?

Substantially different. Among companies scoring between 50 and 70, growth-led businesses trade at a median 17.7x EV/Revenue and profit-led businesses at 9.1x. The composite score hides the composition, and the composition is what moves the price.

6 Has the Rule of 40 threshold moved?

The evidence points that way. BCG framed AI-era software winners against a Rule of 60 in April 2026. In this set the multiple inflects above 50 rather than at 40: companies scoring 40 to 50 carry a median 5.7x, those at 50 to 60 carry 10.0x, and the three above 60 carry 21.4x.

7 Did clearing the Rule of 40 protect software valuations in the 2026 sell-off?

No. Morgan Stanley recorded roughly $2 trillion of software market value erased between October 2025 and February 2026, the worst non-recessionary decline in over thirty years, and PitchBook put median SaaS EV/Revenue at 3.3x by March 2026 against 6.2x at the end of 2024. The repricing was about AI displacement risk, which the rule does not measure.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Where the Field Actually Sits

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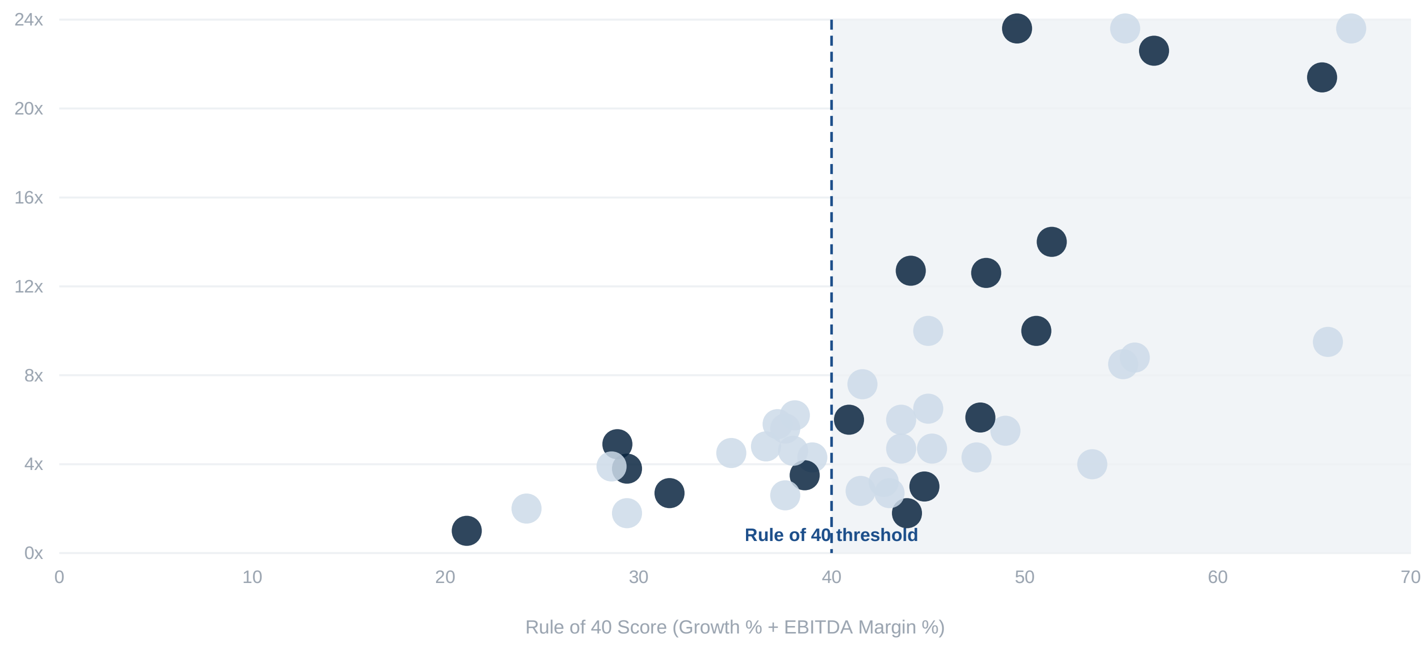
Rule of 40 score against EV/Revenue, 44 listed software companies. Navy points are growth-led, pale points profit-led. Windsor Drake analysis, 17 August 2026.

Rule of 40 score versus EV / Revenue



CLEARING 40

28 of 44

A 64% pass rate. Bain measured 16% in 2017.

MEDIAN SCORE

43.6

The median company is above the threshold.

MEDIAN GROWTH

16.3%

Against a median free cash flow margin of 25.5%.

PREMIUM FOR CLEARING

1.7x

7.0x median for clearers against 4.1x for the rest.

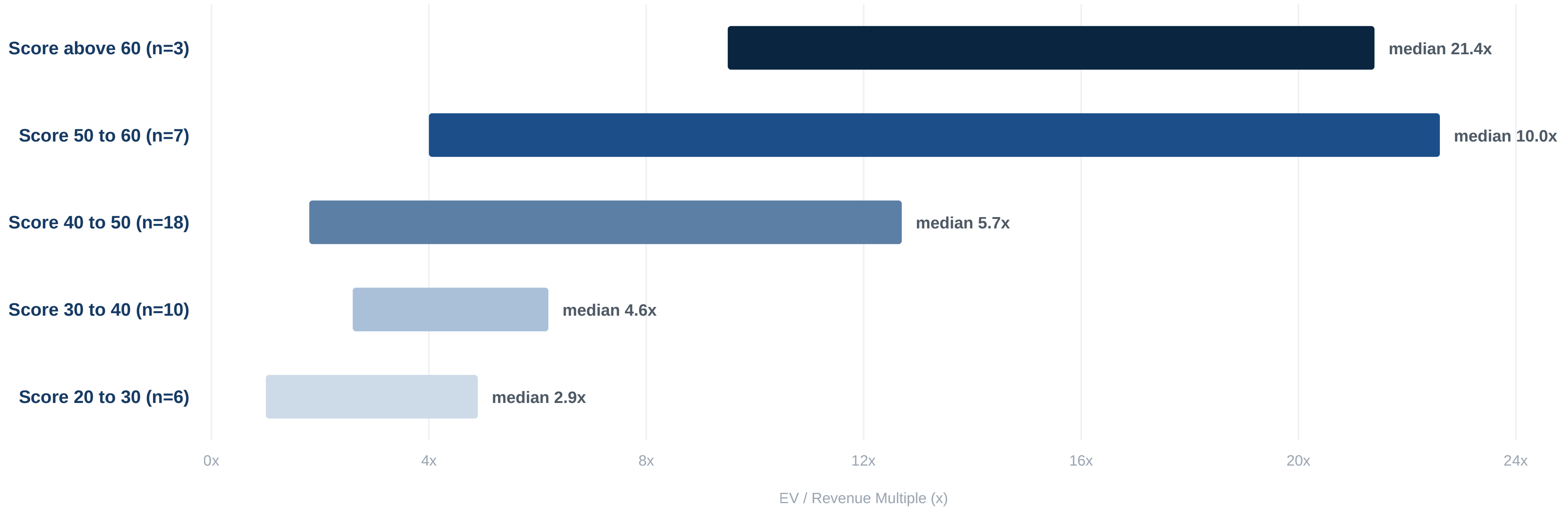
> Three constituents sit above the top of the axis and are shown at the ceiling: Palo Alto Networks at 28.7x, CrowdStrike at 42.0x and Cloudflare at 43.2x. All three clear 40 comfortably.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

The Growth Point Premium

WINDSOR DRAKE

Median EV/Revenue by Rule of 40 band. The multiple inflects above 50, not at 40. Windsor Drake analysis, 17 August 2026.



THE THRESHOLD IS IN THE WRONG PLACE

Moving from the 30s to the 40s buys about **1.1x** of revenue multiple. Moving from the 40s to the 50s buys **4.3x**, and above 60 buys another **11.4x**. The Rule of 40 draws its line at the flattest part of the curve. Bars show the full observed range within each band; three constituents above 24x are capped at the axis.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

A Point of Growth Is Worth 2.3 Points of Margin

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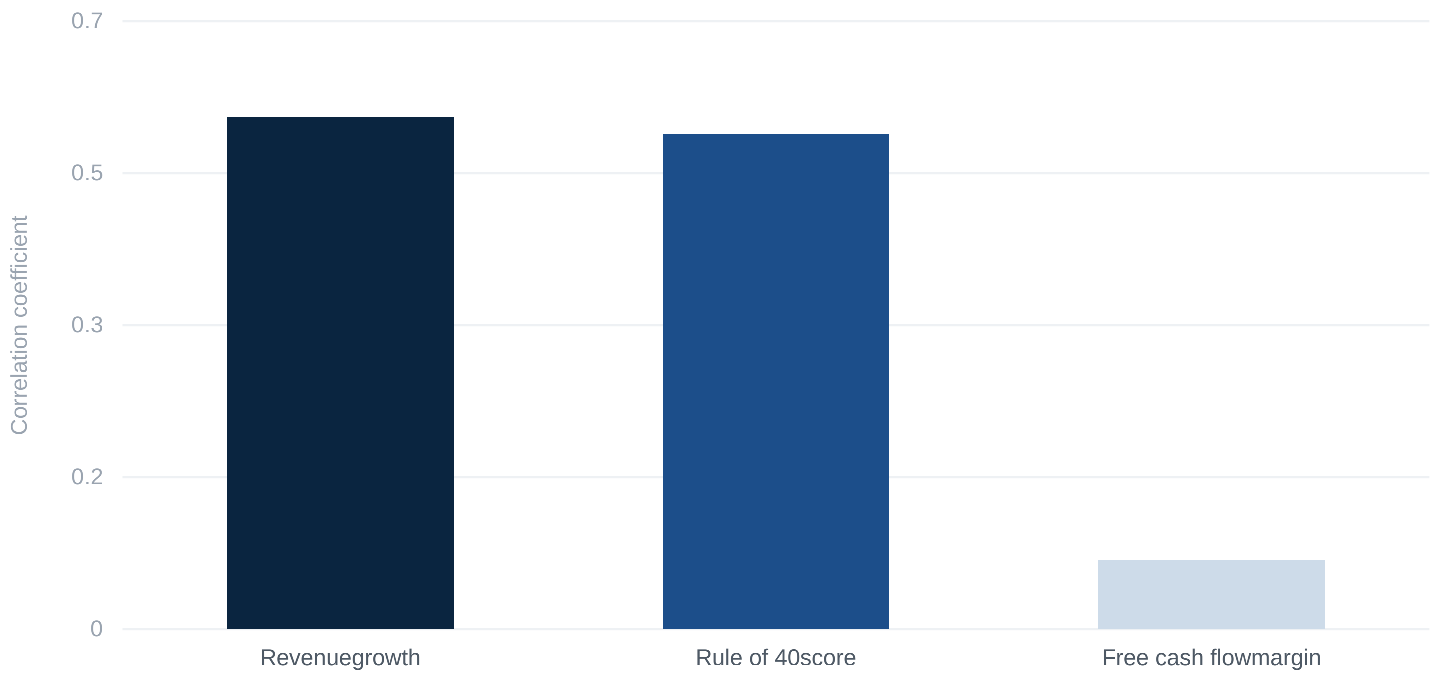
The rule adds the two inputs one to one. Priced multiples do not. This is the single most consequential fact on this page.

Correlation with EV / Revenue across 44 constituents



PER POINT OF GROWTH

+0.74x

EV/Revenue, on a two-variable least squares fit.

PER POINT OF MARGIN

+0.31x

The same fit, same 44 companies, same day.

RATIO

2.3x

What a growth point is worth against a margin point.

WHAT THIS IMPLIES

40 is 40

Only in the arithmetic. Never in the price.

Correlation is not causation and this is one cross-section of 44 companies on one day. The direction and the size of the gap are the finding; the coefficient itself will move.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Same Score, Different Price

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Pairs of constituents with near-identical Rule of 40 scores and materially different multiples. Every figure computed from reported financials.

Comparison	Rule of 40	Composition	EV / Revenue
Datadog vs Veeva Systems	**65.4 vs 65.7** Effectively identical	**35.6% growth vs 16.3% growth** Veeva carries a 49.4% FCF margin, the highest in the set	**21.4x vs 9.5x** 2.3 times apart on the same score
Cloudflare vs GitLab	**49.6 vs 49.0** Within a point	**35.9% growth vs 22.8% growth** GitLab is the more profitable of the two	**43.2x vs 5.5x** Nearly eight times apart
Samsara vs Workday	**44.1 vs 43.6** Half a point apart	**30.5% growth vs 13.5% growth** Workday runs more than double the margin	**12.7x vs 4.7x** 2.7 times apart
Monday.com vs Dynatrace	**43.9 vs 43.6** Within half a point	**22.1% growth vs 16.4% growth** Both roughly balanced between the two halves	**1.8x vs 6.0x** The exception: score and composition explain little here

Source: Windsor Drake analysis, 17 August 2026. The final row is included because it does not fit the pattern.

The Field Optimised the Cheaper Half

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Margin rose, growth did not

The median constituent runs 25.5% free cash flow margin against 16.3% revenue growth. The score is being carried by the input the market pays least for.

- PitchBook put median SaaS EBITDA margin at 17.4% in 2024, 19.8% in 2025 and 23.3% for 2026 estimates.
- Median growth over the same period stayed in low double digits.
- McKinsey found 64% of software companies prioritising margin over growth for 2024 and 2025.
- Only 19% were prioritising growth.

Goodhart's law, on schedule

When a measure becomes a target it stops being a good measure. The Rule of 40 sorted a field in which 16% cleared it. It does not sort a field in which 64% do.

- Bain: 16% of 124 companies cleared it in 2017.
- Bain: 25% cleared it three years running from 2013 to 2017.
- McKinsey: exceeded only 16% of the time, 2011 to 2021.
- This set: 64% clear it on the most recent reported quarter.

Margin already taken cannot be taken again

A buyer underwrites the headroom left in a business, not the headroom already consumed by the seller.

- Cost discipline delivered before a process is priced as the baseline, not as upside.
- Growth is the input an acquirer can compound after close.
- This is a plausible mechanism for the 2.3x gap, not a proven one.
- The gap itself is measured; the explanation is Windsor Drake's reading.

The private market looks nothing like this

BCG measured private B2B SaaS in May 2025 and found far lower clearance rates, which matters for any founder benchmarking against listed comparables.

- **26%** of private companies above $80M revenue cleared 40.
- **22%** of those between $30M and $80M.
- **9%** of those below $30M revenue.
- A private company clearing 40 is still genuinely unusual.

Sources: Bain & Company; McKinsey & Company; BCG; PitchBook; Windsor Drake analysis. See appendix.

The Rule Did Not Protect Anyone in 2026

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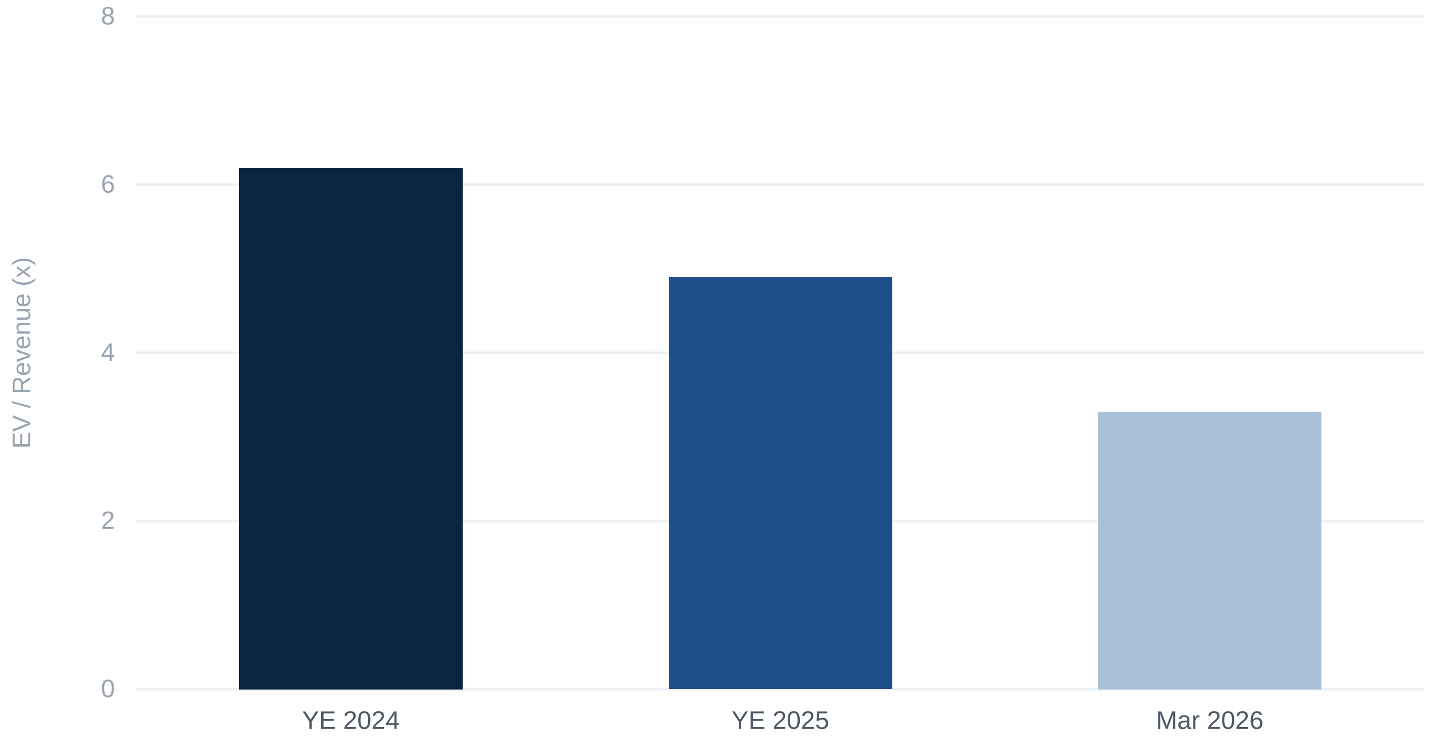
Software was repriced on AI displacement risk, which the Rule of 40 does not measure and cannot capture.

Median public SaaS EV / Revenue



MARKET VALUE ERASED

~$2T

Software, October 2025 to February 2026 (Morgan Stanley).

S&P 500 SOFTWARE WEIGHT

12% to 8.4%

J.P. Morgan Private Bank, February 2026.

FORWARD GROWTH EXPECTATION

~8%

Next five years, against 32.8% average in the four years to 2021 (Morgan Stanley).

SAAS LOAN SPREADS

500 to 700bps

Widened through the period (Morgan Stanley).

> Morgan Stanley called it the worst non-recessionary decline for software in over thirty years. Clearing 40 was no defence, because the market was repricing the durability of revenue rather than its efficiency.

Sources: PitchBook; Morgan Stanley; J.P. Morgan Private Bank; BIS. See appendix.

What the Rule Does Not Measure

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Revenue durability

The rule takes this period's growth and this period's margin. It says nothing about whether the revenue survives the next product cycle.

- That is precisely what the 2026 repricing was about.
- Gartner, via Deloitte, projects **35%** of point-product SaaS tools replaced or absorbed by AI agents by 2030.
- Net revenue retention is the metric that carries this, and the rule excludes it.
- J.P. Morgan notes leading SaaS retention still near 90%.

Pricing model exposure

A seat-based business and a consumption-based business can post identical scores and face opposite exposure to agentic AI.

- Gartner, via Deloitte: **40%** of enterprise SaaS spend shifts to usage, agent or outcome pricing by 2030.
- **83%** of AI-native SaaS companies already price on usage.
- Bain: seat-based pricing may not fit when AI does the work.
- Consumption pricing adoption more than doubled from 2015 to 2024 (McKinsey).

The quality of the margin

Free cash flow margin from operating leverage and free cash flow margin from deferred investment score identically.

- One compounds; the other is borrowed from next year.
- A diligence process separates them in week two.
- The score does not distinguish them at all.
- Nor does it distinguish stock-based compensation policy.

Scale and stage

A 40 at $50 million of revenue and a 40 at $5 billion describe very different businesses and very different risks.

- BCG: 26% of private companies above $80M clear it against 9% below $30M.
- The same threshold is applied to both.
- Growth is mechanically harder to sustain at scale.
- Which is why the composition matters more as revenue grows.

Sources: Deloitte 2026 TMT Predictions; Bain Technology Report 2025; McKinsey; BCG; J.P. Morgan Private Bank. See appendix.

A Private 40 Is Not a Public 40

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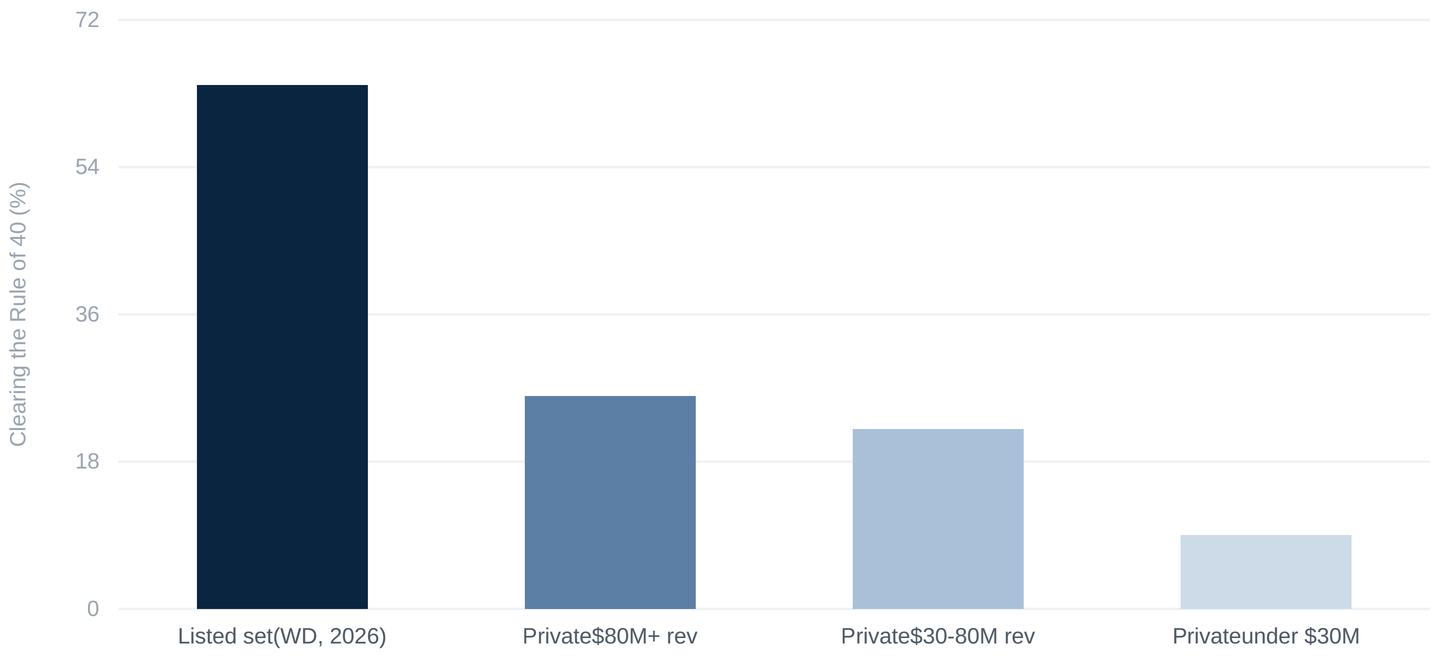
Clearance rates diverge sharply by ownership and by scale, which matters for any founder benchmarking against the listed set on this page.

Share of companies clearing the Rule of 40



LISTED

64%

28 of 44, Windsor Drake analysis, August 2026.

PRIVATE, $80M PLUS

26%

BCG, 107 private B2B SaaS companies, May 2025.

PRIVATE, UNDER $30M

9%

The same BCG study. Scale drives clearance.

THE IMPLICATION

Context it

A private company clearing 40 is genuinely unusual. Say so.

> The two samples are not directly comparable: BCG measures private B2B SaaS and this report measures listed software, on different margin definitions. The direction of the gap is the point, and it runs the opposite way to most founder intuition.

Sources: BCG, Rule of 40 Lessons from the Top Performers in Software, May 2025; Windsor Drake analysis.

What Buyers Paid Through the Repricing

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Software M&A stayed active while public multiples halved, which tells a seller something about where the floor sits.

Take-privates carried on

Six named software deals closed between January 2025 and June 2026: Smartsheet **$8.4B**, Dayforce **$12.3B**, Clearwater **$8.4B**, Verint **$2.0B**, OneStream **$6.4B**, and IBM's acquisition of Confluent at **$11B**. Sponsors stepped toward the assets the public market was discounting.

But the mix changed underneath

PitchBook recorded a record **$156 billion** of US software private equity deal value in 2025, platform deals 71% of it. By mid-2026 platform share had fallen to **41%**, a decade low. Sponsors are buying into existing positions rather than opening new ones.

Nobody disclosed a multiple

None of those six published an EV/Revenue or EV/ARR figure: price per share and headline value only. A software seller has less disclosed comparable evidence than a payments seller, which raises the value of a reproducible public set.

$156B	41%	6
US SOFTWARE PE DEAL VALUE, 2025	PLATFORM SHARE, 2026 TO DATE	NAMED TAKE-PRIVATES, 2025 TO MID-2026

Credit followed the equity

The BIS recorded SaaS lending growing from about $8 billion in 2015 to over $500 billion by end-2025, 19% of all direct lending.

And then repriced

BDCs with high SaaS exposure underperformed low-exposure peers by roughly five percentage points from October 2025 (BIS).

A regulator noticed

Federal Reserve Governor Lisa Cook cited AI disruption risk widening technology credit spreads in a May 2026 speech.

The read for a seller

Buyer appetite for quality software did not disappear. What disappeared was patience for revenue whose durability cannot be evidenced.

Sources: PitchBook; BIS Quarterly Review, March 2026; Federal Reserve; company announcements. See appendix.

How to Present a Rule of 40 in a Process

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The metric still has a job. It is a framing device, not a headline, and the composition does the work.

Lead with composition, not the composite

State the growth rate and the margin separately and in that order, then give the sum. A buyer who receives only the composite will assume the cheaper composition, because the cheaper composition is more common: 17 of the 28 clearers in this set are profit-led.

Define the margin before you are asked

Free cash flow, EBITDA and non-GAAP operating margin produce materially different scores from the same business. Publish which one you use, publish the bridge, and use it consistently across every document. The denominator argument in software is the margin definition.

Evidence durability separately

The 2026 repricing was about whether software revenue survives agentic AI, and the Rule of 40 is silent on it. Net revenue retention, gross retention, contract length and the pricing model carry that argument. A strong score with unevidenced retention now reads as a warning rather than a reassurance.

If you are growth-led

Lead with it. It is the input priced at 2.3 times the other, and it is the scarcer of the two in the current field.

If you are profit-led

Show where the growth reaccelerates and what it costs. Margin alone correlates with the multiple at 0.08.

If you are below 40

Say so, and show the path with dates. Sixteen of 44 listed companies are below it, including several household names.

If you are above 60

That is genuinely rare. Three of 44 here, at a median 21.4x. Price accordingly.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

What the Top of the Distribution Has in Common

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Three companies clear 60

Palo Alto Networks at 66.9, Veeva Systems at 65.7 and Datadog at 65.4. They carry a median 21.4x EV/Revenue against 5.7x for the 40 to 50 band.

- Palo Alto: 31.1% growth and 35.8% free cash flow margin.
- Datadog: 35.6% growth and 29.8% margin.
- Veeva: 16.3% growth and a 49.4% margin, the highest here.
- Two of the three are balanced rather than lopsided.

Balance, not extremity

The very top of the set is not where growth is maximal. It is where neither half has been sacrificed for the other.

- Cloudflare grows faster than all three, at 35.9%.
- Its 13.6% margin leaves it at 49.6, in the band below.
- Snowflake at 33.5% growth and 23.2% margin scores 56.7.
- Sustained balance is rarer than either input alone.

Veeva is the exception worth studying

At 16.3% growth Veeva grows in line with the set median, and clears 60 entirely on a 49.4% free cash flow margin.

- It trades at 9.5x, less than half the band median of 21.4x.
- The score says top of the field; the multiple says middle.
- This is the Growth Point Premium in one constituent.
- A high score built on margin alone is priced as such.

What a founder should take from it

Aiming at 40 aims at the flattest part of the curve. The value sits above 50, and it sits in composition.

- The 30s to the 40s is worth about **1.1x** of multiple.
- The 40s to the 50s is worth **4.3x**.
- Above 60 is worth a further **11.4x**.
- Three of 44 get there, which is why it is priced.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Building the Case: A 12 to 18 Month View

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The score is an output. The work that changes it, and the evidence that supports it, runs well ahead of any process.

Fix the definition

Months 0-3

- Choose one margin basis and use it in every document.
- Publish the bridge from reported to adjusted.
- Compute the score quarterly, not annually.
- Separate growth and margin in all board reporting.

KEY MILESTONE
One margin definition, evidenced

Shift the composition

Months 3-9

- Establish whether growth can be bought back at acceptable cost.
- Identify margin taken from deferred investment.
- Model the score under a growth-led rather than margin-led plan.
- Test pricing model exposure to agentic AI directly.

KEY MILESTONE
A growth line a buyer can underwrite

Evidence durability

Months 9-15

- Build the retention series the score does not contain.
- Document contract length, gross retention and expansion.
- Assemble the listed comparable set you will argue from.
- Prepare the answer on AI displacement before it is asked.

KEY MILESTONE
Retention evidence beside the score

Run the process

Months 15-18

- Present composition first, composite second.
- Anchor on the band above, not on the threshold.
- Hold the margin definition through diligence.
- Price against composition, not against the rule.

KEY MILESTONE
Composition priced, not just the score

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Where the Threshold Goes Next

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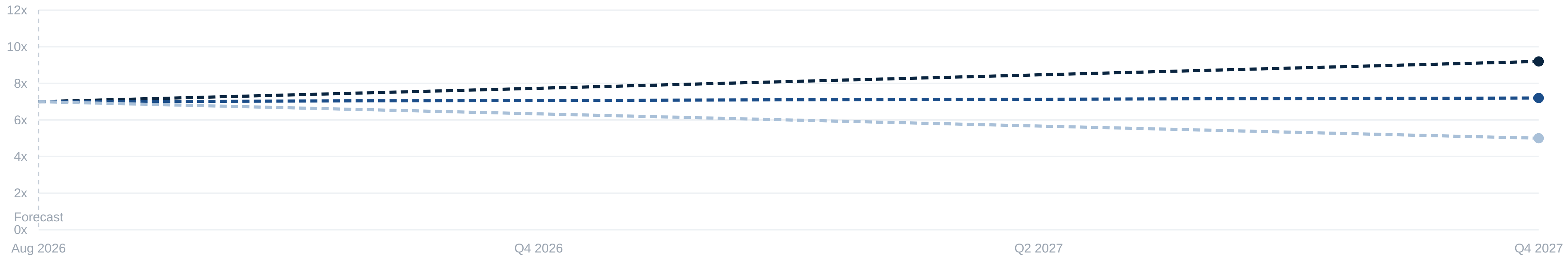
Median EV/Revenue for companies clearing the Rule of 40 in this set. Scenarios are Windsor Drake's view; the anchor is computed from market data.



Bull 9.2x

Key Drivers

- AI displacement fears prove overstated and retention holds.
- Incumbents monetise agents as new revenue rather than cannibalisation.
- The sponsor bid re-rates the discounted public set.

GROWTH-LED BUSINESSES CLEARING 50 SHOULD MOVE. THE PREMIUM FOR COMPOSITION IS AT ITS WIDEST IN A RECOVERING MARKET.

Base 7.2x

Key Drivers

- The threshold drifts toward 50 as margin gains persist.
- Composition continues to explain more than score.
- Take-privates keep absorbing the discounted middle.

EVIDENCE DURABILITY ALONGSIDE THE SCORE. COMPOSITION AND RETENTION DECIDE THE OUTCOME, NOT THE COMPOSITE NUMBER.

Bear 5.0x

Key Drivers

- Agentic AI visibly displaces seat-based revenue.
- Retention deteriorates at the point-solution end.
- Credit tightens further against SaaS collateral.

POINT SOLUTIONS FACE THE MOST COMPRESSION REGARDLESS OF SCORE. READINESS AND RETENTION EVIDENCE MATTER MORE THAN PRICE DISCOVERY.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

How This Set Was Built

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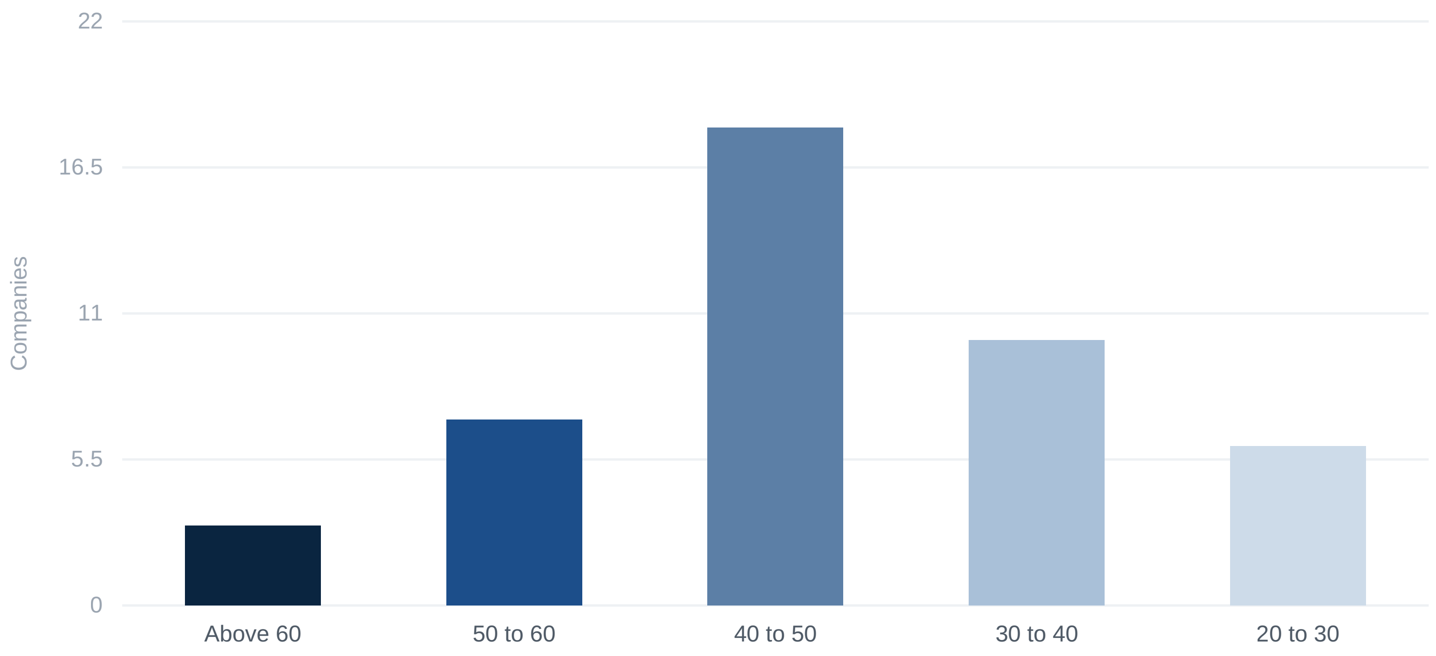
44 listed software companies with a computable growth rate and a computable free cash flow margin, screened from 48.

Constituents by Rule of 40 band



SCREENED

48

Listed software and vertical software businesses.

INCLUDED

44

Four excluded: taken private or acquired since 2025.

CLEARING 40

28

A 64% pass rate on the most recent reported quarter.

GROWTH-LED CLEARERS

11 of 28

Median 12.6x against 6.0x for the 17 profit-led.

Smartsheet, Dayforce, Confluent and Clearwater Analytics were screened and excluded: all four were acquired or taken private between January 2025 and June 2026, which is itself a finding about where the bid sits.

Source: Windsor Drake analysis of reported company financials, 17 August 2026. All 44 constituents named in the appendix.

Sources

Every third-party institution whose data appears in this deck. House computation is separated from third-party figures throughout.

Institution	Report / Source	Date
Bain & Company	*Hacking Software's Rule of 40*	2018
Bain & Company	*Technology Report 2025: Will Agentic AI Disrupt SaaS?*	2025-09
McKinsey & Company	*SaaS and the Rule of 40: keys to the critical value creation metric*	2021-08
McKinsey & Company	*How efficient growth can fuel enduring value creation in software*	2024-07
McKinsey & Company	*The AI-centric imperative: navigating the next software frontier*	2025-10
Boston Consulting Group	*Rule of 40 Lessons from the Top Performers in Software*	2025-05
Boston Consulting Group	*The AI-First SaaS Company: Rethinking the Playbook*	2026-04
PitchBook	*Q1 and Q2 2026 Enterprise SaaS Public Comp Sheet and Valuation Guide*	2026-07
PitchBook	*PE pivots as platform buyouts in software fall to decade low*	2026-06
Morgan Stanley Investment Management	*AI-Related Sell-Off in Software: Framing Investor Concerns*	2026-03
J.P. Morgan Private Bank	*Software Shock: AI's Broken Logic*	2026-02

Methodology

How every figure was produced, and the limits of the analysis. Published so the work can be reproduced or disputed.

Institution	Report / Source	Date
Bank for International Settlements	*BIS Quarterly Review: software lending meets AI disruption*	2026-03
Deloitte	*2026 TMT Predictions: SaaS meets AI agents*	2025-11
Federal Reserve	*Governor Lisa D. Cook, AI, the economy, and the financial system*	2026-05
Goldman Sachs Research	*US Weekly Kickstart*	2026-05
SEC and company filings	*Revenue, cash flow and balance sheet inputs, all 44 constituents*	2026-08

METHOD AND LIMITS

How the score was computed

Revenue growth is the most recent reported quarter against the same quarter one year prior, taken from company earnings releases and filings. Margin is trailing twelve month free cash flow divided by trailing twelve month revenue. The Rule of 40 score is the sum of the two, in percentage points. Enterprise value is market capitalisation plus total debt less cash and short-term investments, using market capitalisation as of 17 August 2026.

Why free cash flow rather than EBITDA

Free cash flow is harder to present favourably than adjusted EBITDA and is reported consistently across the set. It also produces a lower score than EBITDA would, so the 64% clearance rate is a conservative figure rather than a flattering one. PitchBook's published SaaS margin series uses EBITDA and is not directly comparable.

The Growth Point Premium

A Windsor Drake framework. The 2.3x figure is the ratio of coefficients from a two-variable least squares fit of EV/Revenue on growth and margin across all 44 constituents. Growth-led means the growth rate exceeds the margin; profit-led means the reverse. Assignments follow from the reported figures and are published so they can be checked.

Limits, stated plainly

This is one cross-section of 44 companies on one day. Correlation is not causation, and a two-variable fit omits everything else that moves a multiple, including retention, scale and sector. Quarterly free cash flow is volatile. The direction and magnitude of the growth-versus-margin gap are the finding; the precise coefficients will move with the market.

Windsor Drake

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Sell-side M&A advisory

We advise technology founders on one side of the table only.

- Sell-side exclusively. No buy-side conflicts.
- Enterprise value **$5 million to $300 million**.
- Software, fintech, payments, cybersecurity and AI.
- Process control, not listings.

Proprietary data

The Windsor Drake Fintech Exit Index: 489 sourced transactions, each carrying a source URL and a confidence grade.

- Built continuously, not purchased.
- 26 sub-sectors classified.
- Public comparable sets computed, never licensed.
- Updated every quarter.

How we work

A defined buyer universe, a controlled timeline, and a seller who knows what the evidence supports before the first conversation.

- Benchmarks established before the process, not during it.
- Buyer lists ranked by demonstrated appetite.
- Competitive tension held to close.
- No fabricated numbers, in any document we produce.

Contact

For a confidential valuation discussion on a specific business.

- **windsordrake.com**
- windsordrake.com/confidential-valuation
- Research library: windsordrake.com/research
- This deck: windsordrake.com/rule-of-40