



## MARKET REPORT

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# Perplexity: the \$11M/year Cliff Notes for the web growing 4,272%

## TEAM

Jan-Erik Asplund

Co-Founder

[jan@sacra.com](mailto:jan@sacra.com)

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# Perplexity: the \$11M/year Cliff Notes for the web growing 4,272%

By Jan-Erik Asplund

**TL;DR: Last month, Perplexity hit \$11M annual recurring revenue (ARR) with their AI-powered search tool. Their master plan hinges on using that wedge to back into rebuilding the entire search stack with AI-native components and taking Google on directly. For more, check out our dataset on Perplexity.**

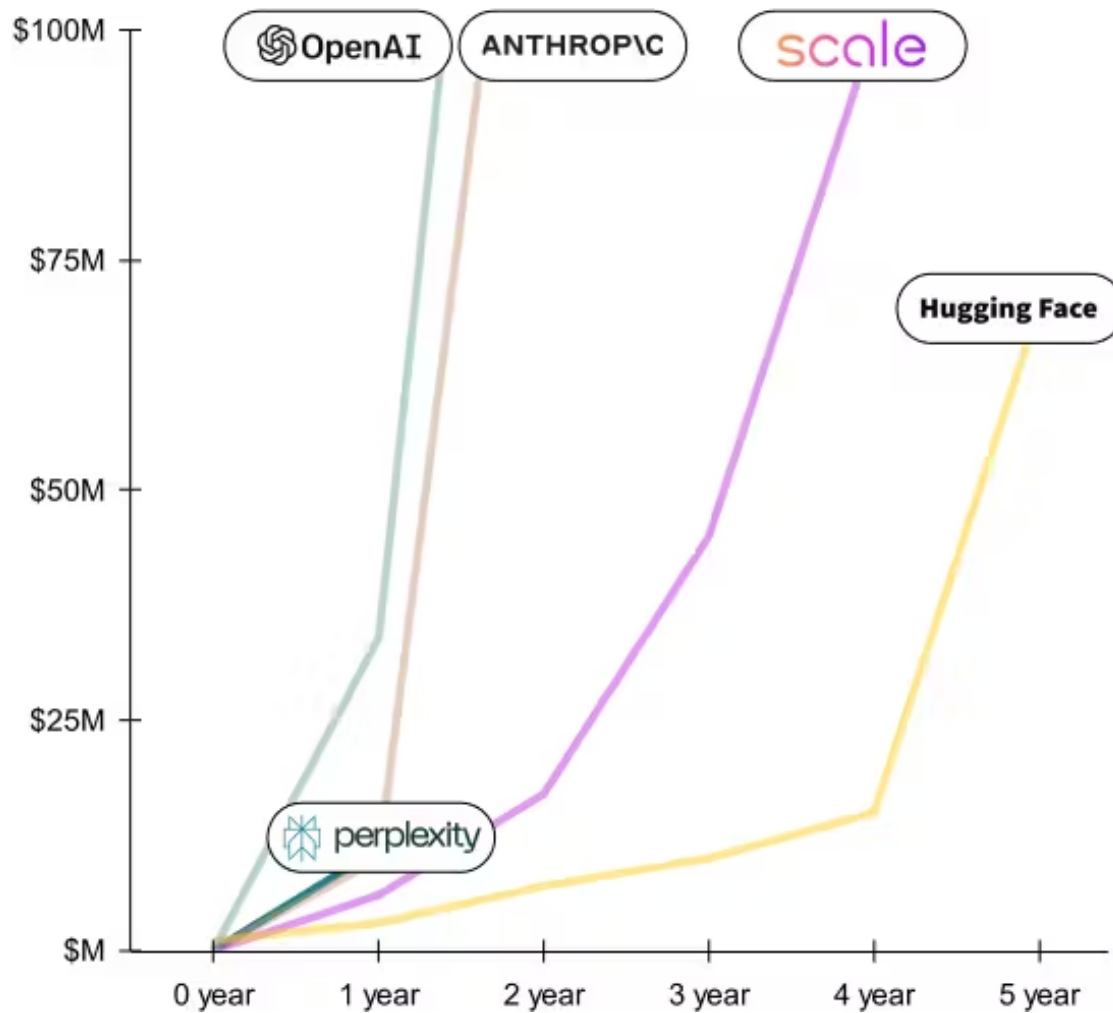


perplexity

## Annualized revenue (\$M)



## From \$1 to \$100M revenue





Key points from our research:

- **About 94% of all searches on Google today are 1-5 word queries, both basic information requests and high-intent searches like “pizza near me” against which Google has built a \$260B/year business selling ads.** ChatGPT launched with the promise of replacing Google for more complex queries, but with training data that’s still stuck in January 2022 for free accounts, it can’t give up-to-date information.
- **Perplexity (2022) found initial product-market fit answering complex queries like “How do I provide a California employee with health insurance?” by pulling up the top search results on Bing and passing them into OpenAI’s GPT-3.5 to synthesize the content into an AI-generated summary with citations.** Perplexity has now positioned itself as the “Google Search for knowledge work”—designed for the 0.2% of queries longer than 10 words—monetizing with a \$20/mo paid subscription that offers unlimited Copilot searches and usage of the latest models like Claude 3 Opus.
- **Sacra estimates that Perplexity is at \$11M ARR, up 37% monthly from \$8M in January and \$3M in October, with about 50M visits per month across mobile and desktop with reports that they will be raising at a \$1B valuation for a 91x forward revenue multiple.** Compare to OpenAI at \$2B ARR at the end of 2023, up 900% year-over-year, for a 40x multiple on their \$80B valuation, Anthropic at \$150M ARR, up 1,400% for a 100x multiple on their \$15B valuation, and Hugging Face at \$70M ARR, up 367% for a 64x multiple on their \$4.5B valuation.
- **Perplexity’s plan to build the single best user experience for search starts with capturing a slice of Google’s most complex queries, then leveraging that proprietary user engagement data to build a data flywheel that continually improves their results.** While Perplexity is built on top of Google search results today, their goal is to use their own data to back into iteratively rebuilding the search stack with AI-native components, from crawler to index to relevance to rankings to personalization.
- **ChatGPT and Perplexity are battling over who can aggregate consumer demand for AI chat—ChatGPT had a head start, but churn spiked into the 20% range last summer, while Perplexity’s niche approach predicated on weekly usage has resulted in stronger retention dynamics.**



Google already has a chatbot, Gemini, the search data flywheel from their 8.5B searches a day and 1.5B MAUs and ownership of platforms Search, Chrome, and Android—but between their advertiser-focused incentives and big org politics, they’ve barely scratched the surface of building an AI-based consumer product.

For more, check out our other research here:

- [Perplexity \(dataset\)](#)
- [OpenAI \(dataset\)](#)
- [Anthropic \(dataset\)](#)
- [Hugging Face \(dataset\)](#)
- [CoreWeave \(dataset\)](#)
- [Lambda Labs \(dataset\)](#)
- [Scale \(dataset\)](#)
- [Samir Rahman, CEO of Heyday, on building a production-grade AI stack](#)
- [Geoff Charles, VP of Product at Ramp, on Ramp's AI flywheel](#)
- [Mike Knoop, co-founder of Zapier, on Zapier's LLM-powered future](#)
- [Oscar Beijbom, co-founder and CTO of Nyckel, on the opportunities in the AI/ML tooling market](#)
- [Cristóbal Valenzuela, CEO of Runway, on the state of generative AI in video](#)
- [Thilo Huellmann, CTO of Levity, on using no-code AI for workflow automation](#)
- [Dave Rogenmoser, CEO and co-founder of Jasper, on the generative AI opportunity](#)
- [Chris Lu, co-founder of Copy.ai, on the future of generative AI](#)