



## MARKET REPORT

UPDATED

03/15/2024

# Photoroom: the \$65M/year background removal app

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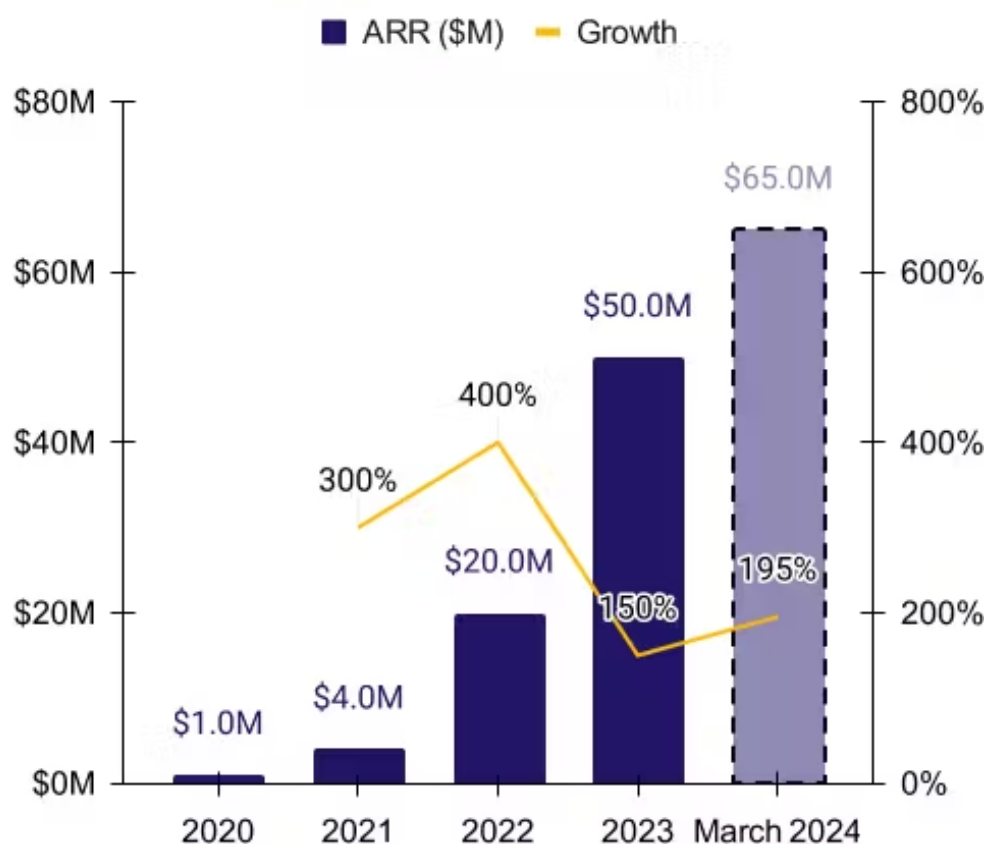
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Published on Mar 15th, 2024

# Photoroom: the \$65M/year background removal app

By Jan-Erik Asplund

**TL;DR: Photoroom hit \$65M in annual recurring revenue (ARR), up 195% year-over-year, and built the biggest mobile-first generative AI app in the world by giving eBay merchants a one-tap way to upload better listing photos. Now, by turning on an API into their fine-tuned image models, their goal is to become the visual processing layer for every ecommerce platform and marketplace. For more, check out our Photoroom report and dataset.**



Key points from our research:

- **Photoroom** (launched in February 2020) found product-market fit as an AI-powered image editor for eBay, Depop, and Poshmark merchants to remove the backgrounds from their photos and create professional-looking listings

—by August, they were at 300K monthly active users (MAUs) and **\$1M ARR**, growing 50% month-over-month. Potoroom was one of the first iOS apps to leverage Apple's Core ML library (2017), which combined with TensorFlow Light and the dedicated neural engine on the iPhone X, unlocked the ability for iOS apps to do fast, local ML inference.

- **With the explosion of open-source text-to-image LLMs like Stable Diffusion and Midjourney in 2022, Potoroom went all-in on generative AI, adding AI backgrounds, scene expansions, and the ability to enforce a consistent brand style across images—all gated behind their ~\$13/month paid plan—driving 5x revenue growth by the end of the year.** After shout outs from Gary V and top eBay influencers, Potoroom grew MAUs to 7M, with merchants using Potoroom 2x'ing their sales in the second half of 2022.
- **Sacra estimates that Potoroom is at \$65M annual recurring revenue (ARR) as of March, up 195% year-over-year, with about 14M MAUs—they grew highly efficiently, getting to \$20M ARR on just \$2M of capital raised and a team of ~20.** Compare to Canva which hit \$1.7B ARR at the end of 2023, up 54% year-over-year from \$1.1B, Adobe at \$21B in ARR, up 12% year-over-year, and Figma at \$600M ARR, up 50% year-over-year.
- **While Canva, Adobe and Microsoft Office compete to own AI-powered graphic design and image creation in the browser, Potoroom is carving out a niche as a mobile-native editor, with 88% of traffic coming from iOS and Android vs. the 5-10% standard for other generative AI products like Pixlr and ChatGPT.** Potoroom's prosumer mobile app is processing 5 billion photos a year, creating a large pipeline of training data that they're using to continually improve their image generation models.
- **With the launch of their API, Potoroom is moving upmarket from their SMB-like prosumers, selling programmatic image editing into content brands like Warner Brothers, Lionsgate and Netflix as well as marketplaces like Wolt, Faire, Zomato and Shopify that host large amounts of user-created content.** The upside for Potoroom is that they become the visual processing layer of every high-growth marketplace and high-volume content business that needs to optimize their content to drive higher conversion rates.



For more, check out this other research from our platform:

- [Photoroom \(dataset\)](#)
- [Lenny Bogdonoff, co-founder and CTO of Milk Video, on the video infrastructure value chain](#)
- [Product manager at Canva on Canva's shift upmarket](#)
- [Canva \(dataset\)](#)
- [Canva: the \\$1.7B/year rectangle generator](#)
- [Cristóbal Valenzuela, CEO of Runway, on rethinking the primitives of video](#)