The Commercial Signal

*Turning breakthrough technologies into predictable revenue growth*

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# Recurring Revenue Is a Multiple, Not a Metric

*A business can grow its revenue and lower its value at the same time. Here is how that happens, and what it costs.*

By J Chad Brown, CEO, CommEx Advisors. Former SVP of Sales and Marketing, NanoString Technologies (2017 to 2022).

**The short answer**

Recurring revenue, driven by pull-through, helps a business in several ways. First, it's far more efficient to keep and grow a customer than to win a new one. Second, consumables usually carry much higher gross margins than instruments, so as the mix shifts toward recurring revenue, the whole business's margin rises with it.

It's the metric that analysts and buyers always ask about, because buyers price the odds that revenue repeats and it decides which group of companies a buyer compares you with. A consumables-heavy business and an instrument-heavy one can sit in the same sector, in the same cycle, and still be priced several turns of EBITDA apart. Danaher reported 82% of its 2025 sales as recurring, and Illumina took 74% of its revenue from consumables. That share is built one account at a time, through pull-through on each installed instrument, which is why the market watches pull-through so closely.

Managing pull-through is a long game requiring commercial investments years before a transaction. It's the gift that keeps on giving.

## How does the market price pull-through?

Pull-through per instrument is a disclosed and highly visible metric.

- PacBio reports Revio pull-through each quarter: about $202,000 per system in Q2 2026, down from about $219,000 a year earlier, in the same quarter it lowered its full-year revenue guidance.
- 10x Genomics reported consumable pull-through per instrument in its 2019 IPO filing ($148,000 for 2018), and analysts still raise it on its calls. In Q2 2026, one asked

whether Xenium's pull-through was the right starting point for its new Atera platform, which shows how much weight investors put on this metric.

- Alamar Biosciences reported consumables at 53% of revenue in Q2 2026, up from about 39% a year earlier.

Analysts ask about it on earnings calls, often early in a platform's life. Those are questions about commercial execution, asked by the people who are determining the value of your company.

## What drives pull-through?

Pull-through is driven by aligned leadership decisions on segmentation and ideal customer profile, commercial structure and coverage, assay and panel content, compensation, and ongoing customer satisfaction tracking (e.g., NPS). Structure is a good example. In my experience, once consumable revenue passes instrument revenue, it’s time to split the sales team into capital and consumable reps, so someone owns growing the installed base rather than chasing the next placement. While these decisions may be made at different points in the organization’s evolution, every one is made years before anyone opens a data room.

## What did it look like from the inside?

This month's essay offers a first-hand account rather than a framework. A business decelerating from 42% growth to 4%: the underlying causes, what we changed to reverse the trend, who pushed back, how long it took, and the lessons learned.

While we implemented much of what you read above, we never scored accounts before approving a placement and we did not manage dormant accounts well enough. The gross installed base kept growing while the number of systems actually in use flattened.

> **Ask the portfolio company this month**
>
> **How are you managing pull-through? Who owns it, what are you doing to ensure sustainable recurring revenue and how do you track it?**

## What should an owner ask?

Make sure you ask these questions:

1. What do the highest pull-through accounts have in common, and are you using this profile to guide future placements?
2. What is pull-through by placement year, measured at the same age, and are the newest placements performing better than the ones before them?
3. How are you managing the installed base to ensure that dormant accounts are being nurtured back to growth?

4. How does your compensation plan balance focus between instrument placements and consumable growth?
5. How are you measuring the long-term satisfaction of each account and placement?

The first one is the cheapest to fix and the one most companies skip.

## The longer version

**Recurring revenue is a multiple, not a metric**

commexadvisors.com/blog/recurring-revenue-is-a-multiple-not-a-metric

### What we do about it

The Commercial Readiness Assessment (CRA©) scores a commercial organization against nine weighted pillars and produces a number out of 100, a map of where the gaps are, and a 90-day plan ranked by what moves the score most.

On revenue mix specifically, the work covers the same decisions that drive pull-through: an ideal customer profile that guides each placement, a commercial structure with a clear owner for the installed base and dormant accounts, a compensation plan that balances placements with consumable growth, and ongoing satisfaction tracking by account. The result is pull-through by placement year, in a form a buyer can rely on.

**Book a conversation: commexadvisors.com**


**Sources**

Danaher 2025 Annual Report and Illumina 2025 Form 10-K (sec.gov). PacBio: Q2 2026 financial results release. 10x Genomics: Form S-1 (2019), key business metrics, and Q2 2026 earnings call. Alamar Biosciences: Q2 2026 financial results release (Form 8-K, Exhibit 99.1). NanoString: Forms 10-K and 10-Q, 2014 to 2021.


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