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Independent Third-Party Research Report

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Conflict of Interest: StartEngine or its affiliates sell membership interests of:

- Series 62-1, a Series of StartEngine Private LLC which owns Grammarly, Inc. Preferred Shares

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SACRA

EQUITY RESEARCH

UPDATED
07/31/2025

Grammarly

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DISCLAIMERS

Grammarly

[Visit Website]

Writing assistant software offering grammar, spelling, tone, and style suggestions across platforms

#productivity #writing-assistant

REVENUE	GROWTH RATE (Y/Y)	FUNDING
$700,000,000	**19%**	**$301,720,000**
2025	2025	2021

Details

HEADQUARTERS

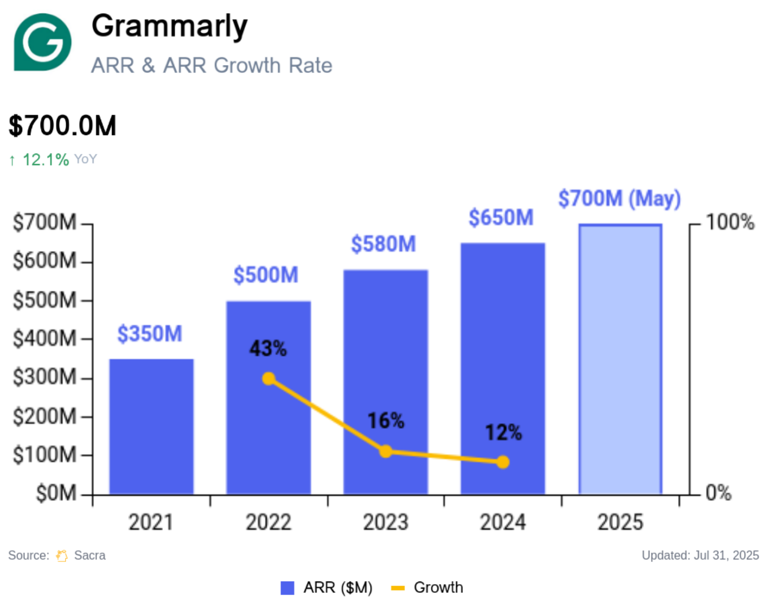
San Francisco, CA

CEO

Rahul Roy-Chowdhury

SACRA

Revenue



Sacra estimates that Grammarly hit $700M in annual recurring revenue (ARR) in May 2025, up from $650M at the end of 2024. The company's revenue has grown steadily from $350M in 2021 to $500M in 2022, though growth has decelerated from approximately 43% year-over-year in 2021-2022 to 12% in 2023-2024.

Despite competitive pressures from ChatGPT and Microsoft Copilot, Grammarly maintains high gross margins of approximately 80% even with increased LLM-related costs from GrammarlyGO features.

The revenue mix spans consumer and enterprise segments, with the consumer base representing a growing share of lower-priced seats. Consumer revenue is driven by the company's large daily active user base, which has grown at approximately 7% CAGR since 2021. The consumer base continues to skew heavily toward non-native English speakers, particularly in India and the Philippines, who rely on Grammarly for professional communication and academic writing. Management commentary suggests a measured growth trajectory as the company approaches the $700M revenue milestone, reflecting both market maturation and strategic focus on sustainable expansion.

Valuation

Grammarly is valued at $13 billion as of its 2021 Series C round, led by Baillie Gifford and BlackRock. In May 2025, Grammarly raised $1B in non-dilutive financing from General Catalyst's Customer Value Fund, preserving its 2021 $13B equity valuation. The round brings total capital raised to over $1.55B.

The funding history includes a $110M Series A in 2017 led by General Catalyst when Grammarly already had 7 million daily users and was profitable, followed by a $90M Series B in 2019 at a $1B+ valuation. Key investors across rounds include General Catalyst, IVP, Spark Capital, Breyer Capital, and SignalFire, with Baillie Gifford and BlackRock joining as growth-stage investors in the 2021 round.

Product

Grammarly is an AI-powered writing assistant that works wherever users write, acting as an intelligent proofreader that analyzes text in real-time and provides suggestions for grammar, spelling, clarity, tone, and style. Users see colored underlines on their text with one-click fixes and explanations, transforming awkward sentences into clearer alternatives without changing the core meaning.

The product began in 2009 as a grammar checker for students but evolved into a comprehensive writing assistant after introducing a freemium browser extension in 2015. Today, Grammarly integrates across over 500,000 websites through browser extensions for Chrome, Safari, Firefox, and Edge, desktop apps for Windows and Mac, mobile keyboards for iOS and Android, and Microsoft Office add-ins.

Users can set writing goals for audience, formality, and intent, allowing Grammarly to adapt suggestions accordingly. Premium features include advanced style recommendations, tone detection that analyzes emotional context, plagiarism checking against web pages and academic papers, and vocabulary enhancement suggestions. Enterprise customers get additional features like custom style guides to enforce company terminology and tone consistency across teams.

In 2023, Grammarly launched GrammarlyGO, a generative AI feature powered by OpenAI's models that can compose text from prompts, rewrite passages, and brainstorm ideas while maintaining the user's writing voice. The company also introduced Authorship detection to identify AI-generated content, addressing growing concerns about AI use in education and workplaces.

The December 2024 acquisition of Coda signals Grammarly's evolution from writing assistant to productivity platform. Coda brings collaborative document and workflow capabilities, allowing the combined platform to offer document creation, data management, and AI assistance in one unified workspace rather than just overlaying suggestions on other applications.

Business Model

Grammarly operates a freemium SaaS model where a robust free tier drives viral adoption and converts heavy users to paid subscriptions. The free version provides basic spelling, grammar, and punctuation checks with no time limits, serving as a powerful acquisition funnel while Premium subscribers pay $12 per month annually for advanced features like tone suggestions, plagiarism detection, and generative AI capabilities.

The go-to-market strategy blends bottom-up and top-down approaches. On the consumer side, the free tier acts as a growth engine supported by digital marketing investments, while enterprise adoption often starts with individual employees using personal accounts before companies formalize usage through Grammarly Business subscriptions at $15-25 per user per month.

Grammarly's cost structure reflects a high-margin cloud software business with infrastructure costs for processing millions of daily text checks, substantial R&D investment in NLP research and AI model development, and significant sales and marketing spend that has decreased in efficiency as the company achieved strong brand recognition. The introduction of GrammarlyGO increased cost per use through OpenAI API calls, which Grammarly manages by limiting prompts for paid users and charging usage-based fees.

The business benefits from network effects where user corrections and feedback improve AI models for all users, creating a data flywheel that strengthens accuracy over time. Enterprise adoption follows a classic product-led growth pattern where individual usage spreads virally within organizations until IT departments formalize company-wide deployments, leveraging Grammarly's ease of deployment and cross-platform integration.

Competition

Direct writing tools

Traditional grammar checkers like ProWritingAid and LanguageTool compete on features and pricing, with ProWritingAid offering detailed analysis reports for authors and a lifetime license option, while LanguageTool supports over 20 languages and provides offline usage for privacy-conscious users. QuillBot focuses on paraphrasing and sentence rewriting, often used alongside Grammarly by students and writers who need both correction and creative rewording capabilities.

These competitors generally lag in accuracy, integration breadth, and user experience compared to Grammarly's polished interface and ubiquitous browser extensions. However, they compete on price with ProWritingAid at roughly $70 per year and LanguageTool undercutting Grammarly's premium pricing, appealing to budget-conscious users who want robust checking without recurring costs.

Platform incumbents

Microsoft Editor and Google's grammar suggestions in Docs represent the most significant competitive threat, as they're bundled with widely-used productivity suites at little incremental cost. Microsoft Editor covers spelling and grammar well across Word and Outlook, while Google Docs provides basic grammar checking using neural approaches, but neither matches Grammarly's depth in style, tone, and clarity suggestions.

The competitive dynamic intensifies with Microsoft 365 Copilot and Google's AI features, which directly overlap with GrammarlyGO's generative capabilities. These platforms benefit from massive distribution and can spread AI model costs across billions of users, but risk providing generic experiences that lack Grammarly's specialization in writing improvement and cross-platform consistency.

Horizontal AI platforms

ChatGPT and other large language models pose an existential challenge by commoditizing grammar correction and text improvement. Tech-savvy users increasingly use ChatGPT for proofreading tasks that traditionally required Grammarly, prompting the company to integrate similar capabilities through GrammarlyGO while emphasizing trust, convenience, and workflow integration as differentiators.

Grammarly's advantages over horizontal LLMs include seamless real-time integration without copy-pasting, specialized training data from millions of user corrections, and safety features that avoid changing factual content or introducing errors during rewriting. The company's strategy involves wrapping LLM capabilities in trusted, convenient packaging while maintaining its years of domain expertise in writing assistance.

TAM Expansion

Enterprise penetration

Grammarly can significantly expand within existing enterprise customers by moving from departmental deployments to company-wide licenses across Fortune 500 organizations. The opportunity extends beyond current use cases into specialized functions like customer support teams that need consistent tone, sales teams writing proposals, and government agencies producing public communications, with vertical-specific features commanding premium pricing.

International enterprise markets represent substantial growth potential, particularly in companies where English serves as the business language but employees are non-native speakers. Grammarly can position itself as essential infrastructure for global organizations needing consistent English communication across distributed teams, potentially expanding from current penetration into comprehensive organizational adoption.

Geographic and language expansion

While Grammarly currently focuses on English, the global market includes hundreds of millions of non-native English speakers who write in English for work or education. Deeper penetration in regions like India, Europe, and parts of Africa and Asia where English serves as a lingua franca could significantly expand the user base through targeted marketing and localized support.

True multilingual support would multiply Grammarly's total addressable market by enabling assistance for Spanish, French, German, and other major languages. Though technically complex, this expansion could leverage Grammarly's English expertise to build similar systems for the world's largest languages, competing with tools like LanguageTool that already serve multilingual markets.

Platform transformation

The Coda acquisition positions Grammarly to compete in the broader productivity software market rather than remaining a writing overlay. The combined platform can offer document creation, collaboration, workflow automation, and AI assistance in one environment, potentially capturing users from Microsoft 365, Google Workspace, and Notion by providing an AI-first alternative built for modern work patterns.

This platform strategy enables Grammarly to capture more user time and justify higher pricing through expanded functionality. AI agents that can read company documents, generate reports, and automate workflows represent a significant expansion beyond text correction into comprehensive productivity assistance, leveraging Coda's 800-plus app connectors and programmable document capabilities.

Risks

LLM commoditization: The rapid advancement of freely available large language models threatens to commoditize Grammarly's core grammar and style checking capabilities, as users can achieve similar results through ChatGPT or other AI tools. As foundation models improve and become more accessible, Grammarly must continuously justify its premium pricing through superior integration, trust, and specialized features beyond what generic AI can provide.

Platform displacement: Microsoft and Google's integration of AI writing assistance directly into their productivity suites poses an existential risk to Grammarly's market position. If these platforms make their built-in tools sufficiently capable while leveraging massive distribution advantages, enterprises may see little reason to pay separately for Grammarly, especially as bundled solutions become the default choice for new organizations.

Execution complexity: The transformation from focused writing assistant to broader productivity platform through the Coda acquisition introduces significant execution risk. Integrating two product teams and technologies while competing against established players like Microsoft and Notion requires flawless execution, and failure to deliver a cohesive experience could distract from Grammarly's core strengths while giving competitors opportunities to gain ground.

Funding Rounds

Series D

Share Name	Issue Price	Issued At
Series D	$12.55	Jul 2025

Series C

Share Name	Issue Price	Issued At
Series C	$12.55	Jan 2025
Series C-1	$12.55	Aug 2024

Series B

Share Name	Issue Price	Issued At
Series 3	$26.21	Nov 2021

Series A

Share Name	Issue Price	Issued At
Series 2	$4.02	Oct 2019

Seed

Share Name	Issue Price	Issued At
Series 1	$1.073436	Nov 2021

Figures sourced from the latest Certificate of Incorporation we have available.

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