QUARTERLY REVIEW · Q3

Tech Sector Quarterly Review

Performance, pipeline and the two decisions we need from this meeting.

HEADLINES

The Quarter In Four Numbers

$18.4M	71%	$4.1M	1.6%
Revenue, up 21% year on year	Gross margin, up 3 points	Net new ARR	Monthly logo churn

PERFORMANCE

Against Plan

Metric	Plan	Actual	Variance
Revenue	$17.9M	$18.4M	+2.8%
New ARR	$4.6M	$4.1M	−10.9%
Gross margin	69%	71%	+2 pts
Operating expense	$12.2M	$11.6M	−4.9%
Headcount	214	203	−11

ANALYSIS

Why New ARR Missed

Not a demand problem. A capacity and cycle-length problem.

- Enterprise cycle length rose from 74 to 96 days, concentrated in deals above $150k.
- Two of five enterprise sellers started inside the quarter and carried no quota attainment.
- Pipeline coverage finished at 3.1x, which is healthy; conversion is where the loss sits.
- Mid-market ARR beat plan by 14%, which partially offset the enterprise shortfall.

RISK

Watch List

MATERIAL

- Two renewals above $400k land in Q4 with no executive sponsor identified
- Cloud cost per account rose 9% and is not yet passed through

MONITORING

- Support backlog above target for six consecutive weeks
- Two senior engineering departures in the platform team

DECISIONS

Two Things We Need Today

DECISIONS

Requested Approvals

- Approve two additional enterprise sellers in Q4 rather than Q1, accepting $340k of additional operating expense.
- Approve the pricing change that passes through infrastructure cost on accounts above 2TB, effective at renewal.

The quarter was not lost in the market. It was lost in the ninety days it now takes to close an enterprise deal.

Revenue review