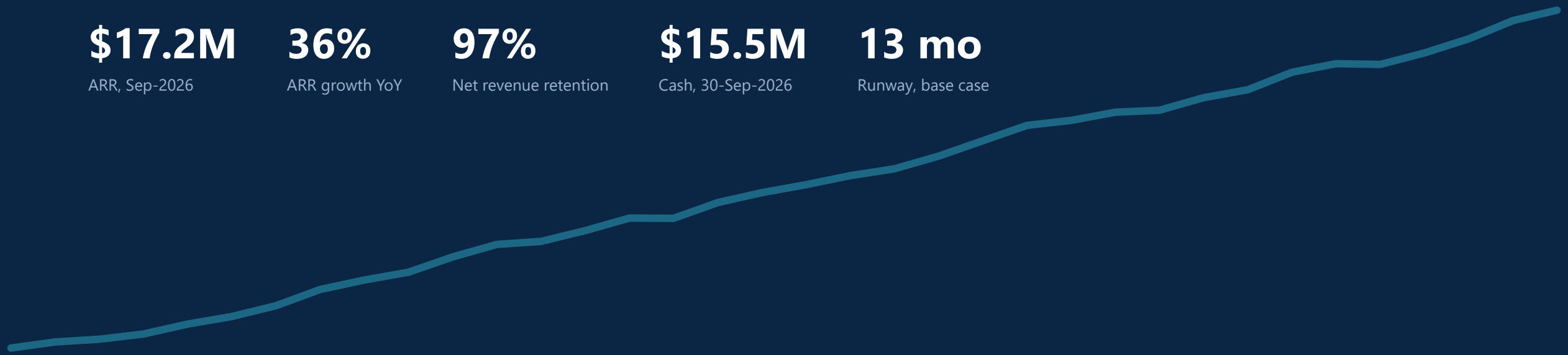
BOARD OF DIRECTORS · 15 OCTOBER 2026

Fernhollow Systems

Board pack · Q4 FY26 results and FY27–FY28 outlook

$17.2M	36%	97%	$15.5M	13 mo
ARR, Sep-2026	ARR growth YoY	Net revenue retention	Cash, 30-Sep-2026	Runway, base case



Prepared from the company's raw system exports (billing, CRM, payroll, supplier bills, card, bank) through the investor model Fernhollow_Investor_Model_FY26.xlsx · 30/30 model checks pass

Fictional company - all data invented for demonstration; any resemblance to real companies or persons is coincidental. Everything in this pack was made by AILA.

EXECUTIVE SUMMARY

The five things the board must know

1

Growth is strong but slowing

$17.2M ARR

+36% year on year, down from +59% a year ago. FY26 added $4.9M of new-customer ARR, our best year, but churn took $1.9M back (FY25: $653k).



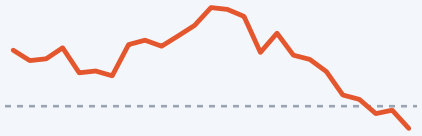
ARR, Oct-23 to Sep-26

2

Retention is now the #1 risk

NRR 97%

Down from 114% in twelve months. SMB is at 81%; Enterprise fell to 95% after losing 2 accounts ($615k ARR). Mid-Market still expands (108%).



NRR, Sep-24 to Sep-26 (dashed = 100%)

3

Growth is getting expensive

25-month payback

CAC payback rose from 17 to 25 months and the burn multiple from 1.0x to 2.7x. Paid search now brings 46% of new SMB customers, at $21k media cost each (was $16k).



CAC payback (TTM), FY24 to FY26

4

Gross margin is a bright spot

78.6% gross margin

Up from 73.3% in FY24: after the hosting migration, hosting costs fell from 13.9% to 8.1% of revenue.



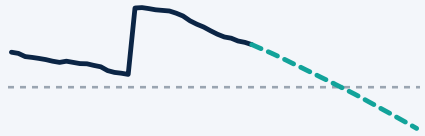
Gross margin, monthly

5

We have about one year of cash

13 months runway

$15.5M in the bank. On the current plan cash runs out in Oct-2027 (downside Sep-2027). No scenario reaches breakeven by Sep-28. Base funding need: $18.0M.



Cash: actual and base case to Sep-28

What we ask the board today: approve starting a Series C process in Jan-2027 (target $26M), the SMB retention plan, and a cost contingency we can trigger if the downside materialises (page 9).

Source: Investor model: MRR_Bridge, Retention, Unit_Economics, PnL, Cash, Scenarios

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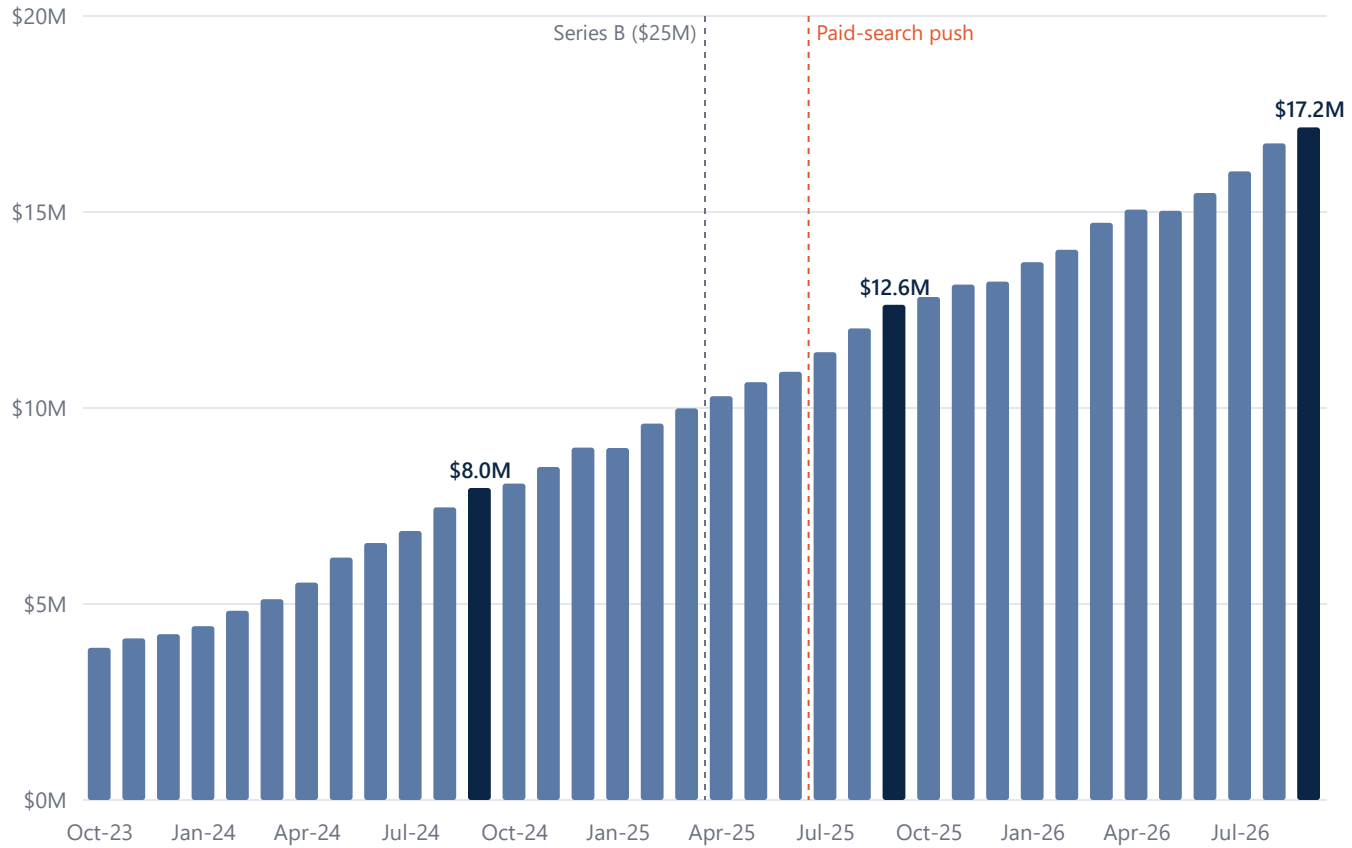
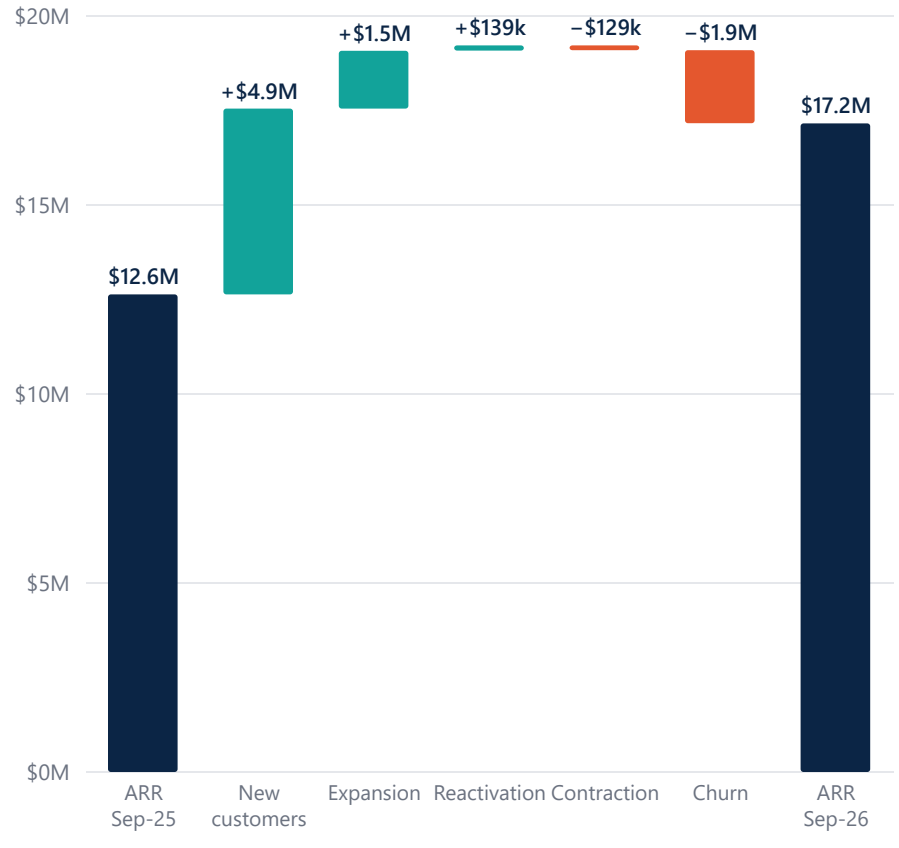
GROWTH

ARR reached $17.2M (+36% YoY); FY26 added $4.9M of new ARR but churn rose to $1.9M

ARR by month, Oct-23 to Sep-26



FY26 ARR bridge (Oct-25 to Sep-26)



ARR = monthly recurring revenue x 12, rebuilt customer by customer from 592 accounts' invoice lines in both billing systems. FY26 net new ARR $4.5M vs $4.7M in FY25; churned ARR almost 3x higher. Paying customers: 463 (+150 in FY26).

Source: MRR_Bridge rows 6-21 (FY26 column AP)

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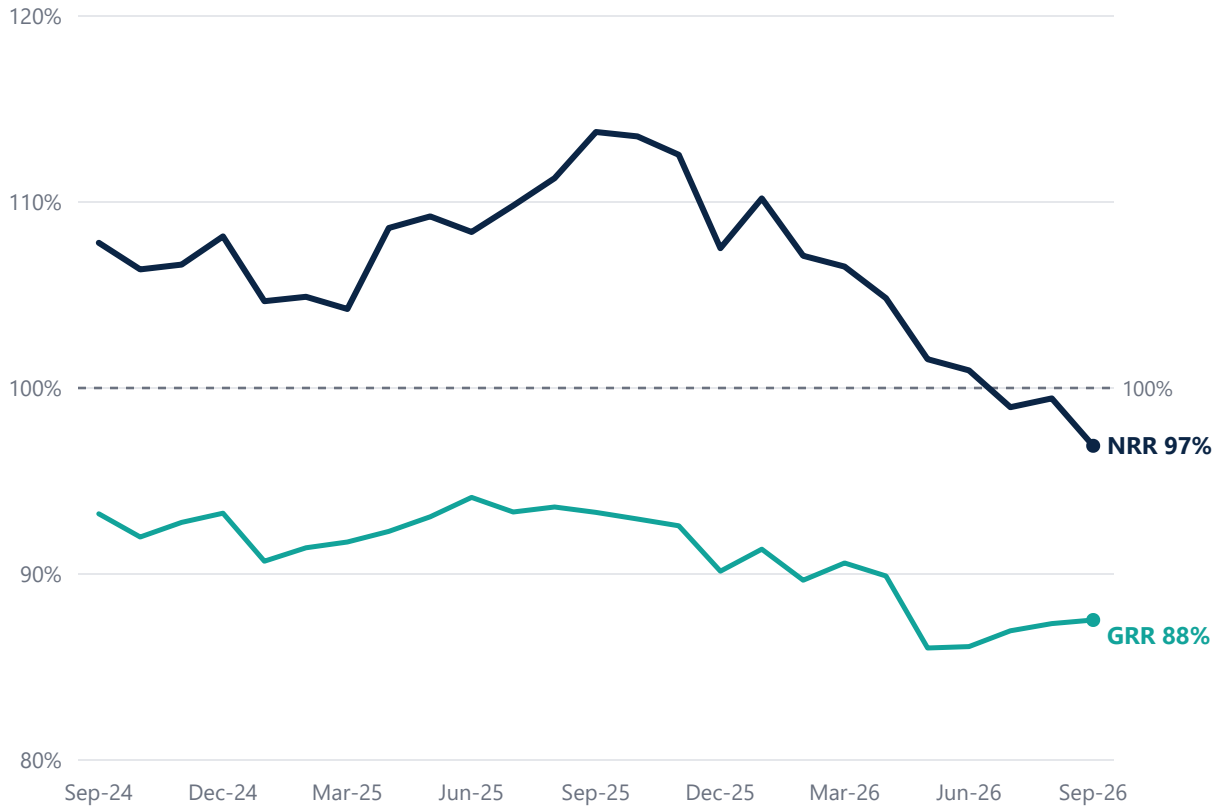
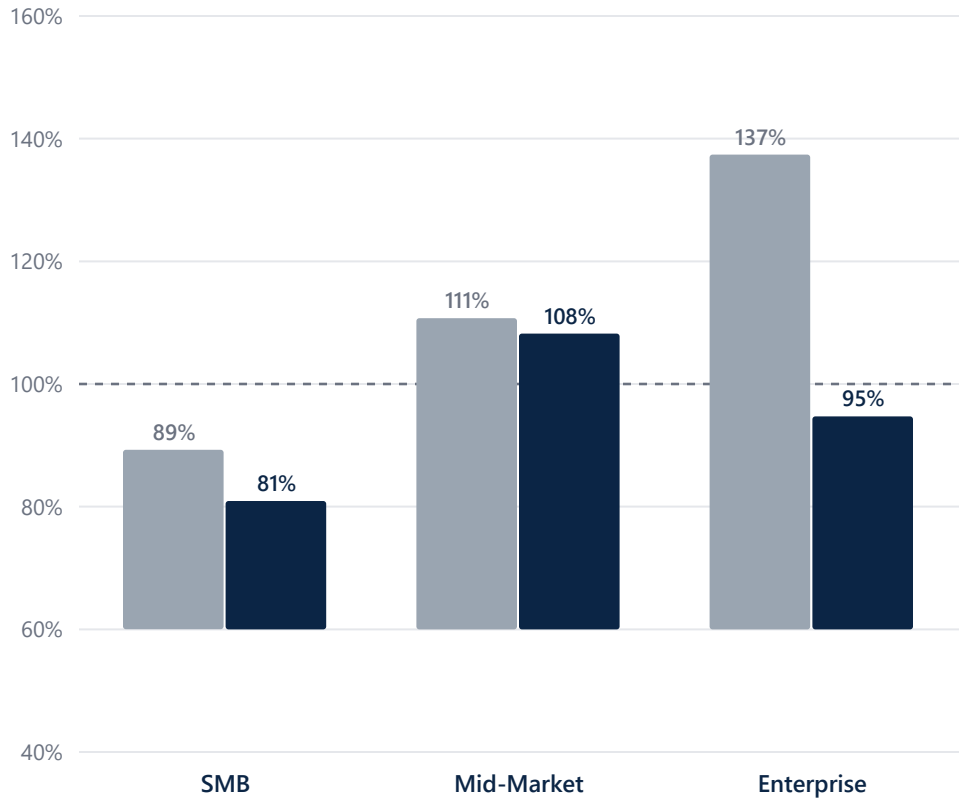
RETENTION

Net revenue retention fell from 114% to 97% in twelve months; below 100% since Jul-2026

Net and gross revenue retention, trailing 12 months



NRR by segment: Sep-25 (grey) vs Sep-26



Reading: NRR compares today's MRR of every customer we had 12 months ago with their MRR then (expansion included, new customers excluded). GRR caps each customer at 100%. SMB NRR fell from 89% to 81%. Enterprise went from 137% to 95% after two losses: Rovex Medical Supply Inc. ($383k ARR) and Fendale Supply Pty Ltd ($232k ARR).

Source: Retention rows 6-7 and 31-33; Customers matrix

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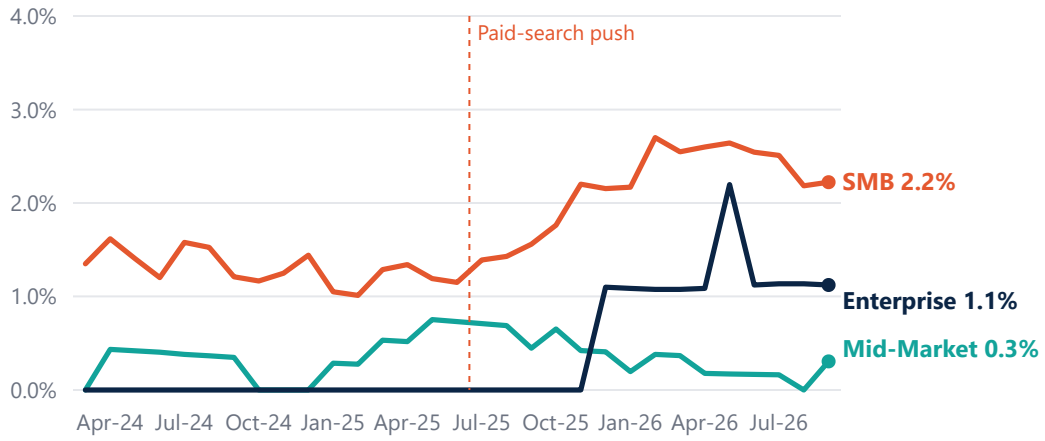
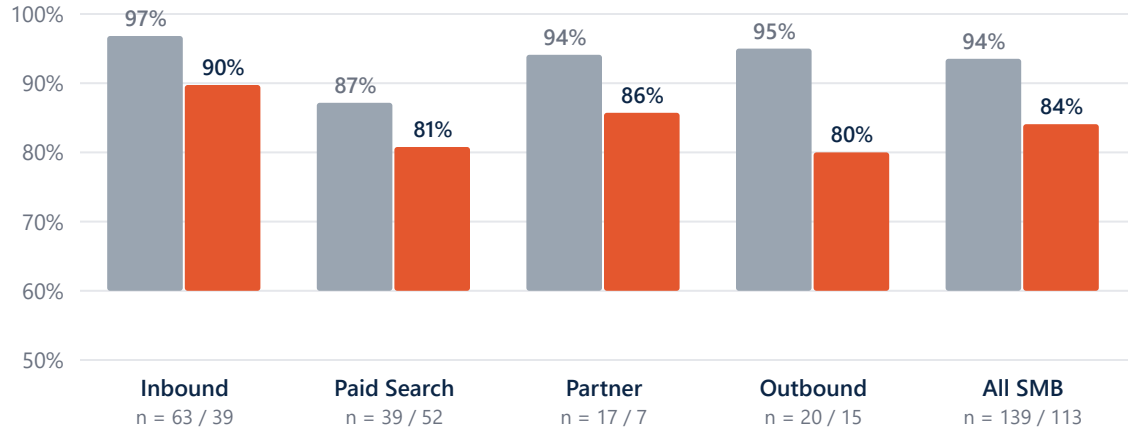
Churn is concentrated in SMB, and the paid-search push made it bigger

Monthly logo churn by segment (trailing 6 months)



SMB customers still paying 6 months after first invoice: acquired Oct-23 to Jun-25 (grey) vs Jul-25 to Mar-26



Quarterly cohorts: net MRR retention by months since first invoice

Cohort	New cust.	M3	M6	M9	M12	M15	M18	M21	M24	M27	M30	M33
Q1 FY24	22	100%	100%	102%	114%	113%	120%	130%	127%	128%	140%	124%
Q2 FY24	24	109%	108%	112%	112%	123%	126%	129%	125%	129%	128%	
Q3 FY24	34	108%	110%	114%	131%	133%	132%	135%	132%	136%		
Q4 FY24	26	109%	113%	120%	134%	139%	145%	142%	143%			
Q1 FY25	29	104%	108%	115%	81%	81%	85%	85%				
Q2 FY25	35	94%	91%	95%	101%	106%	103%					
Q3 FY25	29	101%	105%	109%	108%	111%						
Q4 FY25	39	97%	97%	96%	96%							
Q1 FY26	41	95%	101%	104%								
Q2 FY26	64	94%	94%									
Q3 FY26	48	97%										
Q4 FY26	67											

What changed in SMB. Since the Jul-25 paid-search push, SMB retention got worse in *every* channel (93.5% → 84.1% at 6 months). Paid search is both the weakest channel (80.8%) and now the largest: 46% of measured new SMB customers, up from 28%. SMB monthly logo churn rose from 1.6% to 2.2%.

Implication: fix onboarding for SMB and stop buying the lowest-quality traffic before scaling spend again.

Source: Retention rows 27-29 and 39-43; Cohorts block D

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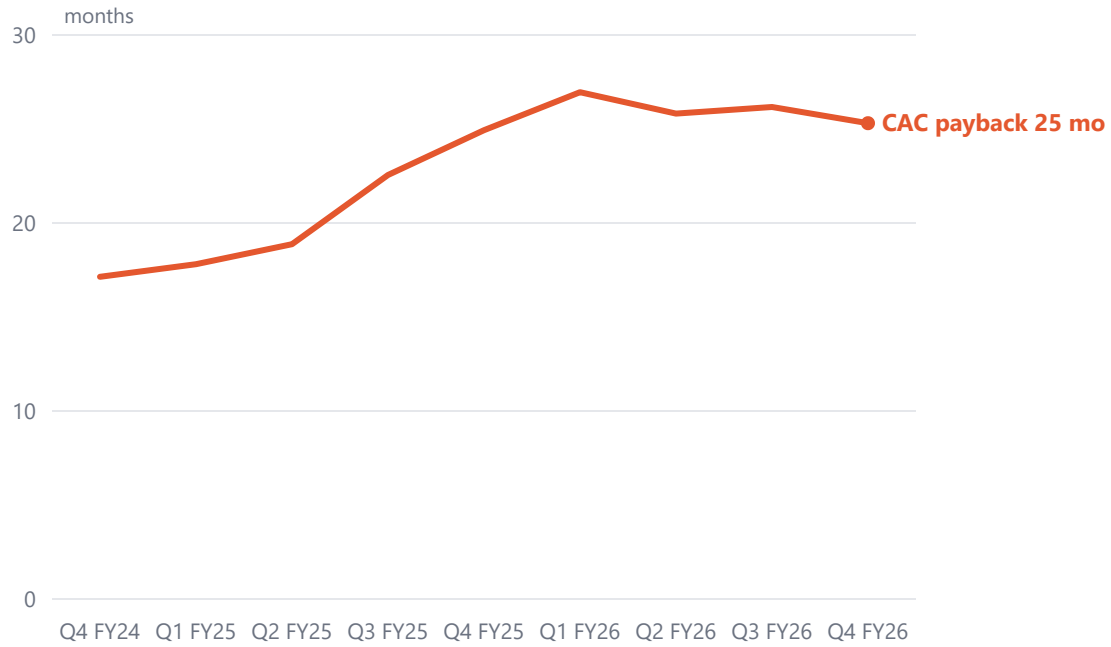
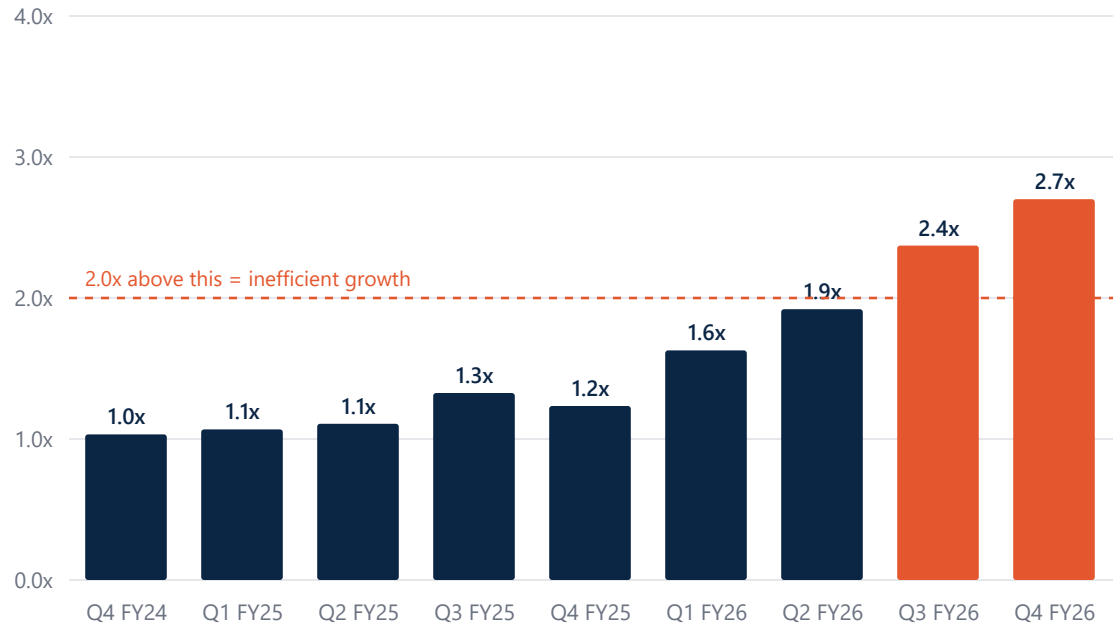
UNIT ECONOMICS

Each new dollar of ARR costs more: CAC payback 17 → 25 months, burn multiple 1.0x → 2.7x

CAC payback, trailing 12 months (months of gross profit to recover CAC)



Burn multiple, trailing 12 months (net burn / net new ARR)



$37k
Blended CAC, TTM (was $38k)

5.5x
LTV : CAC, TTM (was 11.8x)

$21k
Paid-search media per new customer since Q4 FY25 (was $16k)

$1.8M
Paid-search media spend, FY26 (FY25: $703k)

CAC = all sales & marketing cost (payroll incl. commissions + programs, ads, tools, travel) / new customers. LTV = ARPA x gross margin / monthly gross MRR churn. Blended CAC is flat, but the average new customer is smaller (new MRR per new customer $2,994 → $1,863 a month, more SMB), so payback lengthens. LTV:CAC halved yet still screens well because it assumes today's churn holds; payback and burn multiple are the more direct signals.

Source: Unit_Economics rows 28-39

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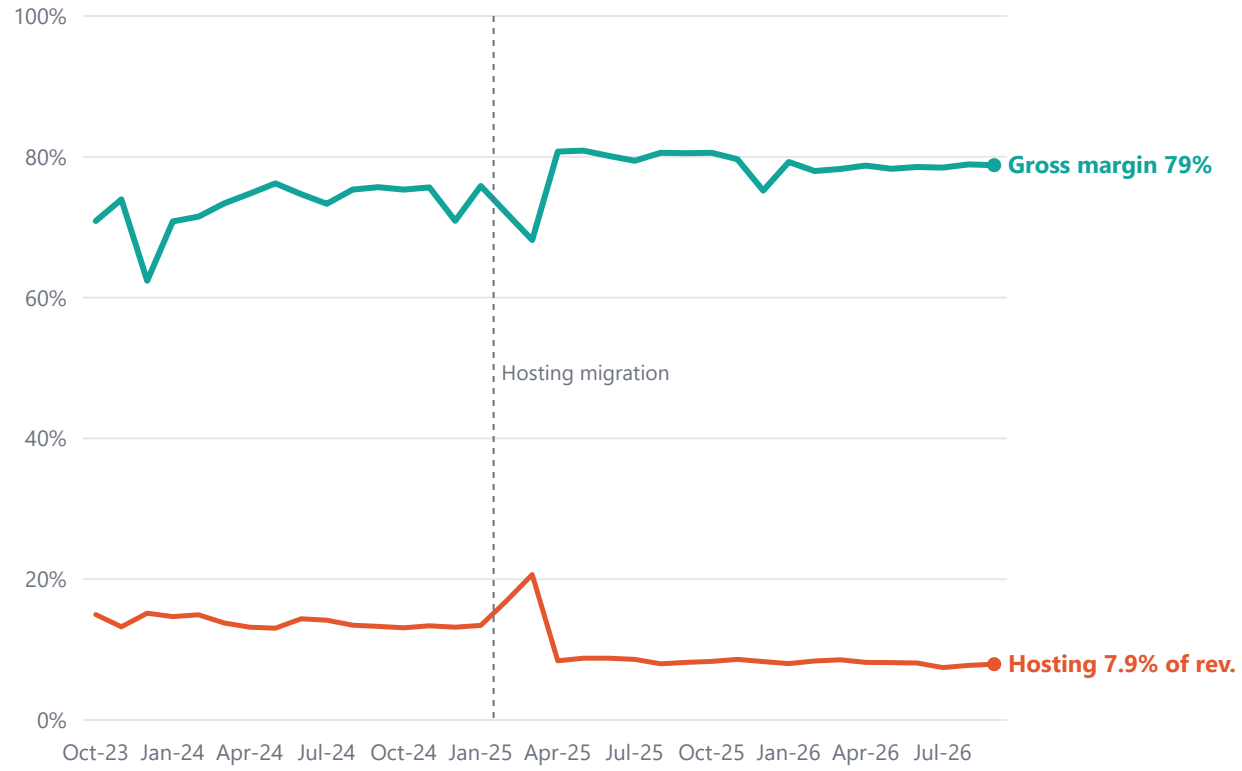
PROFITABILITY

Gross margin up to 78.6%, but costs grew faster than revenue: FY26 EBITDA margin −86%

Gross margin and hosting cost as % of revenue, monthly



P&L summary (fiscal years Oct-Sep)

	FY24	FY25	FY26
Revenue	**$5.9M**	**$10.3M**	**$14.9M**
growth	*–*	*75%*	*45%*
Gross profit	$4.3M	$7.9M	$11.7M
gross margin	*73.3%*	*77.0%*	*78.6%*
Sales & marketing	$4.0M	$5.6M	$8.1M
Research & development	$4.7M	$7.1M	$12.1M
General & administrative	$2.1M	$3.1M	$4.3M
EBITDA	**−$6.5M**	**−$7.9M**	**−$12.8M**
EBITDA margin	*−110%*	*−76%*	*−86%*
Headcount (Sep)	58	91	132
Hosting, % of revenue	13.9%	11.5%	8.1%

Hosting moved from Nimbara Cloud to Stratalume Cloud in Feb-Mar 2025 (two months of double running are visible). Operating costs grew faster than revenue: FY26 EBITDA −$12.8M on $14.9M revenue, as headcount went from 91 to 132 after the Series B.

Source: PnL rows 6-35 (FY columns AN-AP)

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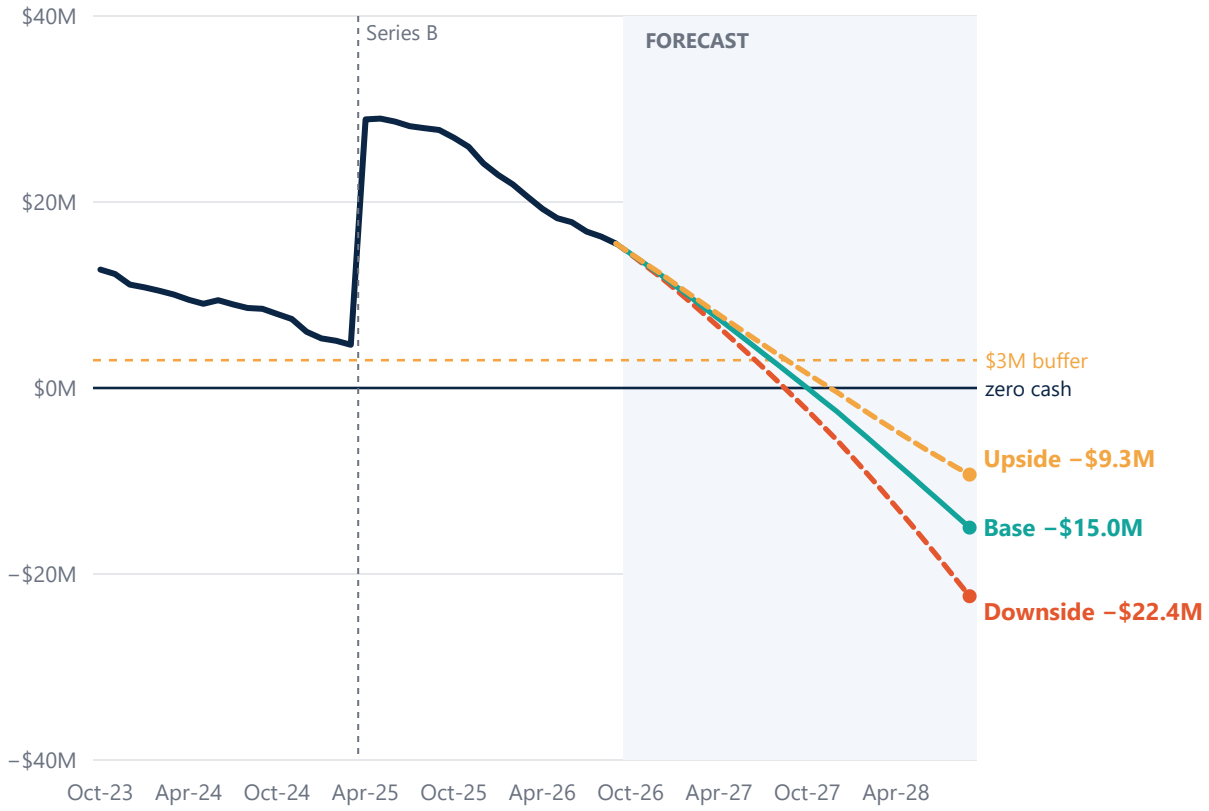
CASH & RUNWAY

$15.5M cash: on the current plan we run out in Oct-2027, and in Sep-2027 in the downside

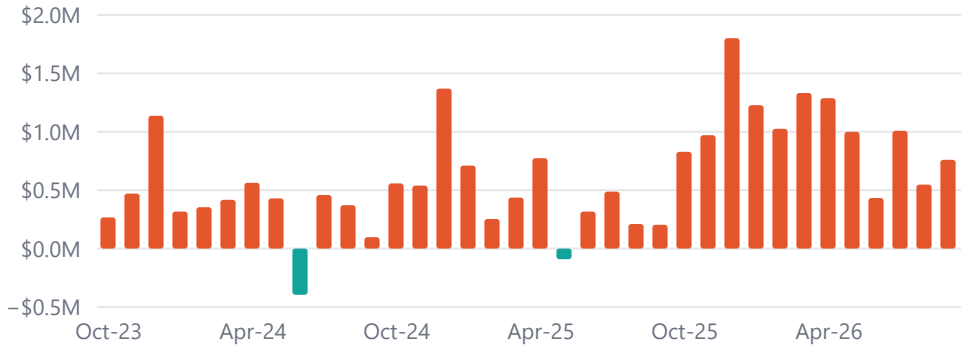
Cash balance: actual (navy) and 24-month forecast by scenario



Scenario outcomes

	Downside	Base	Upside
Runway from 30-Sep-26	**11.4 months**	**13.0 months**	**14.5 months**
Cash runs out	**Sep-2027**	**Oct-2027**	**Dec-2027**
Cash below $3M buffer	Jul-2027	Aug-2027	Sep-2027
Funding needed to Sep-28 (incl. buffer)	$25.4M	$18.0M	$12.3M
ARR Sep-27	$18.9M	$22.0M	$24.5M
ARR Sep-28	$20.4M	$27.4M	$33.8M
EBITDA FY27	−$16.2M	−$14.5M	−$13.2M
First EBITDA-positive month	none by Sep-28	none by Sep-28	none by Sep-28

Net burn by month, Oct-23 to Sep-26



Cash = operating + treasury accounts, reconciled to both bank statements every month. Average monthly net burn: FY25 $481k, FY26 $1.0M. All scenarios keep the current hiring plan (2 FTE/month) and differ only in market outcomes; negative cash = money we would need to raise.

Source: Cash rows 18-28; Scenarios; Forecast_* rows 45-54

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DECISIONS REQUESTED

Three decisions: raise early, fix SMB retention, prepare the cost contingency

1 Start a Series C process in Jan-2027

Target $26M: this covers the downside funding need of $25.4M through Sep-28 (base $18.0M, upside $12.3M). Starting in Jan-2027 leaves 7 months before cash drops below the $3M buffer in the base case (Aug-2027).

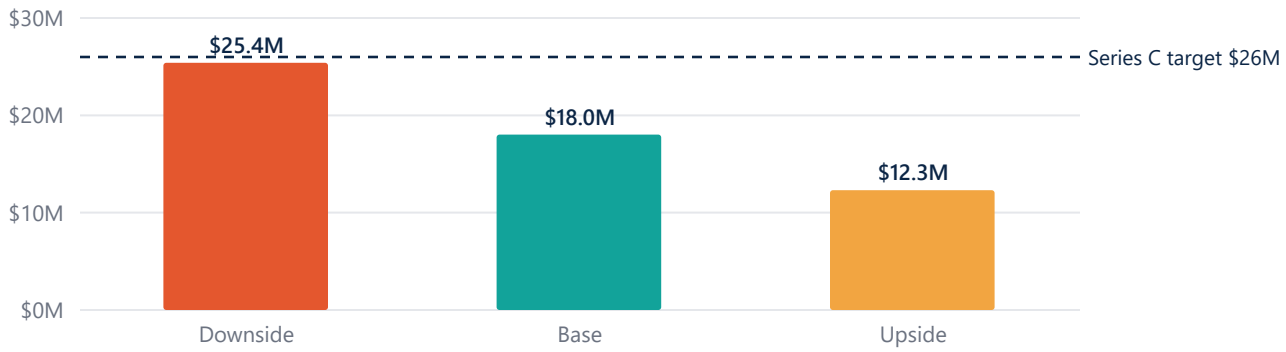
2 Approve the SMB retention plan

Cap paid-search media at the pre-push level ($116k a quarter) until SMB 6-month retention is back above 94% (today 84%). Move the budget to partners and inbound, and fund SMB onboarding.

3 Hold a cost contingency ready

Without new money we would have to cut average burn by about $751k a month for the next 24 months. A hiring freeze plus a reset of non-payroll spend should be prepared now, to be triggered if Q1 FY27 tracks the downside (implied NRR 85%).

Funding needed to keep a $3M buffer through Sep-2028, by scenario



Forecast drivers (actual = live from the last 6-12 months)

Driver	Actual	Down	Base	Up
New-customer MRR per month (start)	$39k	$33k	$39k	$44k
Growth of new-customer MRR / month	4.47%	0.00%	1.00%	2.00%
Expansion / month	0.89%	0.59%	0.89%	1.09%
Churn / month	1.25%	1.75%	1.25%	1.00%
Net hires / month (all functions)	3.4	2.0	2.0	2.0
Cash collected per $ revenue	99.6%	97.6%	99.6%	99.6%

The three scenarios share one cost plan, so they show what the market can do to the same plan. All drivers are editable in the Assumptions sheet; the forecast, the runway and the charts update.

Source: Scenarios; Assumptions; Retention; Unit_Economics

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APPENDIX

How these numbers were built and checked

Where every number comes from



- billing_legacy_export_2022-10-01_to_2025-06-30.csv: **4,299** rows (4,222 used, 77 excluded)
- billing_tallyforge_export_2025-07-01_to_2026-09-30.xlsx - invoice_lines: **4,168** rows (4,150 used, 18 excluded)
- crm_accounts_export_2026-10-01.xlsx - Accounts: **592** rows (592 used, 0 excluded)
- payroll_register_paycrest_2023-2026.xlsx - Payroll 2023: **174** rows (174 used, 0 excluded)
- payroll_register_paycrest_2023-2026.xlsx - Payroll 2024: **709** rows (709 used, 0 excluded)
- payroll_register_paycrest_2023-2026.xlsx - Payroll 2025: **1,048** rows (1,048 used, 0 excluded)
- payroll_register_paycrest_2023-2026.xlsx - Payroll 2026: **1,067** rows (1,067 used, 0 excluded)
- ap_bills_export_2023-09-01_to_2026-09-30.csv: **569** rows (569 used, 0 excluded)
- corporate_card_orionbank_2023-09_to_2026-09.xlsx - Transactions: **3,191** rows (3,191 used, 0 excluded)
- bank_orionbank_operating_x2290_2023-10_to_2026-09.csv: **7,945** rows (7,945 used, 0 excluded)
- bank_orionbank_treasury_x4471_2023-10_to_2026-09.csv: **52** rows (52 used, 0 excluded)

Cleaning (all logged): duplicate export lines and void invoices removed; legacy invoices migrated to Tallyforge counted once; blank customer IDs matched by name; two date formats, cents vs dollars, renamed departments and GL accounts normalised; missing segments inferred from the first plan.
Definitions. MRR: subscription lines spread over their service months, net of discounts. NRR/GRR: trailing 12 months, cohort of customers paying 12 months earlier. CAC: total S&M / new customers. Payback: CAC / (new MRR per customer x gross margin). Burn multiple: net burn / net new ARR.

Model checks: 30 of 30 pass (live in the Checks sheet)

- PASS Raw files fully accounted for
- PASS Every invoice line has a product category
- PASS Every billed customer exists in the CRM master
- PASS Every payroll department is mapped to a function
- PASS Every cost line is mapped to a P&L line and function
- PASS Every bank line is classified
- PASS Every CRM lead source is mapped to a channel
- PASS Payroll rows add up
- PASS MRR bridge rolls forward
- PASS Customer MRR = MRR rebuilt straight from invoice lines
- PASS Customer counts roll forward
- PASS Segments add up to total MRR
- PASS Deferred revenue rolls forward
- PASS Receivables roll forward (billing vs bank)
- PASS Supplier bills marked paid = vendor payments in bank
- PASS Card statements = card payments in bank
- PASS Payroll register = payroll paid from bank
- PASS Model cash = bank statements every month
- PASS Transfers between own accounts net to zero
- PASS P&L captures every payroll dollar
- PASS P&L captures every cost-ledger dollar
- PASS Cohorts reconcile to the bridge (MRR)
- PASS Cohorts reconcile to the bridge (customers)
- PASS Forecasts start exactly from the actuals
- PASS Sanity: no negative customer MRR
- PASS Sanity: NRR between 80% and 150%
- PASS Sanity: gross margin between 40% and 90%
- PASS Sanity: actual cash never negative
- PASS Sanity: scenarios are ordered
- PASS Sanity: cost per head in a plausible range

What the cleaning did

7	34	54	132	21	11
duplicate export lines removed	void invoice lines removed	migrated legacy lines counted once	lines with a blank customer ID matched by name	missing CRM segments inferred	raw files / sheets reconciled row by row

Source: Sources, Checks, Cleaning_Log sheets of the investor model

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