Q1 2026 Business Performance Review

Market expansion, product velocity and operational efficiency

PREPARED BY	**REPORT DATE**
Strategy & Operations Team	15 April 2026
ORGANISATION	**REPORTING PERIOD**
Northline Studios, Inc.	1 January 2026 – 31 March 2026

Internal — Executive Distribution Only

Key Performance Indicators

TOTAL REVENUE	NET NEW ARR	GROSS MARGIN	ACTIVE CUSTOMERS	NPS	CASH RUNWAY
$12.84M	$3.21M	72.4%	4,182	61	22 mo
+18.2% QoQ	+24.7% QoQ	+1.8 pts	+312 net	+4 pts	+3 mo

At a Glance

Q1 2026 delivered record bookings against a backdrop of tightening enterprise IT budgets. Revenue grew 18.2% quarter-over-quarter and 41.6% year-over-year, led by the Platform tier and the newly launched Automation Suite. Gross margin expanded 180 basis points as infrastructure unit-costs continued to compress. The quarter closed with $3.21M in net new ARR and a 109% net dollar retention rate — the strongest result on record.

Executive Summary

The first quarter of 2026 marked a decisive inflection for Northline Studios. Bookings reached $12.84M against a plan of $10.9M, driven by sustained demand in the Platform tier and a stronger-than-expected launch of the Automation Suite, which contributed $1.42M of first-quarter revenue within ten weeks of general availability.

Operationally, the company continued to convert scale into efficiency: gross margin expanded to 72.4%, sales payback fell to 14 months, and free cash flow turned positive one quarter ahead of the December board forecast. The leadership team enters Q2 with a stable cost base, a healthy $84.3M in cash and equivalents, and a 22-month runway at the current burn profile.

Two watch-items warrant continued attention. Enterprise sales cycles lengthened modestly — median time-to-close moved from 48 to 56 days — and mid-market churn ticked up to 1.9% (from 1.4%). Both trends are addressed in the Risk section and factored into the revised full-year guidance.

Financial Performance

Total revenue of $12.84M represented 18.2% sequential growth and 41.6% growth versus Q1 2025. Subscription revenue accounted for 91% of the mix, with the balance coming from onboarding services and premium support. The services line is intentionally held below 10% of total revenue to preserve margin structure and keep the business durably software-led.

Operating expenses grew 9.1% quarter-over-quarter, well below the revenue growth rate. The largest incremental investments were in go-to-market (three new enterprise account executives and two solutions engineers) and in platform reliability (an expanded SRE rotation and the migration of the analytics tier to the new multi-region footprint).

Net new ARR of $3.21M outpaced plan by 22%. Gross retention held at 94.6%, and net dollar retention reached 109% on the strength of seat expansion in the Platform tier and Automation Suite cross-sell into the existing customer base.

Revenue by product line

Product line	Q1 2026	Q4 2025	QoQ
Platform (Core)	$7.92M	$6.84M	+15.8%
Automation Suite	$1.42M	$0.00M	new
Insights Add-on	$1.88M	$1.61M	+16.8%
Services & Support	$1.62M	$1.41M	+14.9%
Total	$12.84M	$9.86M	+30.2%

Product and Engineering

Product velocity remained high. The team shipped 47 customer-visible changes in the quarter, up from 39 in Q4, with no material regressions in the stability or performance benchmarks. The Automation Suite reached general availability on 12 February, eight working days ahead of the revised schedule, and closed the quarter with 214 paying tenants.

Platform reliability improved materially. Mean time to recovery dropped from 18 to 9 minutes following the multi-region failover rollout, and p95 API latency tightened from 214ms to 168ms. Two Sev-1 incidents occurred, both resolved within SLA, and the root-cause reviews produced durable safeguards documented in the engineering log.

The forward roadmap for Q2 is anchored on three themes: deepening the Automation Suite with a native workflow-builder, launching the Enterprise Audit module (currently in private beta with six design partners), and continuing the planned deprecation of the legacy reporting API.

Research and development spend as a share of revenue stepped down from 31% to 28% — not from under-investment, but from revenue growing faster than planned hiring. The engineering organisation remains on-target for its 2026 headcount plan, with 72% of the planned hires already onboarded or in final-stage interviews.

Go-to-Market

Pipeline creation was healthy: $34.2M of net-new pipeline entered the quarter, with a 27% qualified-conversion rate — both ahead of the trailing-four-quarter average. Win rates in the enterprise segment held at 38% despite the longer cycle time, and the mid-market motion saw a slight improvement from 31% to 33%.

Two noteworthy wins: a seven-figure expansion at a Fortune 500 logistics customer (replacing two competing tools) and the first lighthouse deployment of the Automation Suite at a large European retailer. Both are referenced in the customer advisory meeting notes and are being staged for public case studies in Q3.

Sales and marketing efficiency continues to improve. Magic Number reached 1.4 (up from 1.1), CAC payback fell to 14 months, and the inbound share of qualified pipeline rose to 42% — driven primarily by the developer-focused content programme launched in late Q4.

Customer movement

Segment	Customers (start)	New	Churn	Customers (end)

Enterprise	412	38	6	4 4 4
Mid-Market	1,684	214	32	1 , 8 6 6
SMB	1,774	187	89	1 , 8 7 2
Total	3,870	439	127	4 , 1 8 2

People and Operations

Headcount grew from 284 to 312 in the quarter, with the largest additions in go-to-market and engineering. Voluntary attrition fell to an annualised 6.4% (from 8.1% in Q4), and internal promotions rose to 9% of the workforce — the highest quarterly rate in the company's history.

The DEI progress report, delivered to the board in March, showed continued movement against the 2026 representation goals. The company remains on track to close the quarter with a 44% women-in-engineering share and a 38% under-represented-minority share in leadership roles.

Operationally, the move to the new Seattle headquarters completed on schedule. The relocation consolidated three leased offices, reduced annual real-estate cost by $1.2M, and delivered a workspace designed for the company's hybrid cadence of three days in-office.

Risk and Outlook

Three risks warrant active management. First, enterprise sales cycles have lengthened as customers subject new software spend to sharper scrutiny; the Revenue Operations team is piloting a value-engineering practice to accelerate business-case approvals. Second, mid-market churn ticked up, concentrated in a single cohort acquired via an aggressive Q3 2025 promotion — the retention team is running a targeted save motion with early indicators of success. Third, the macroeconomic environment remains uncertain, and the finance team is preparing a downside scenario for the May board meeting.

Despite these watch-items, the outlook for the balance of the year is strong. The company is raising full-year revenue guidance from $54M to $58M (a 7.4% uplift) and reaffirming the operating-margin trajectory toward 12% exit rate. Cash generation is expected to remain positive in each of the next three quarters under the base-case plan.

The board will next convene on 14 May 2026 to review the updated plan, approve the expanded equity pool for 2026 hiring, and discuss the proposed acquisition opportunity outlined in the separate confidential memo circulated on 10 April.

Appendix & Notes

- Methodology — all financial figures are unaudited and prepared on a management-accounting basis.
- Comparisons use constant currency unless otherwise noted.
- Customer counts are measured at period end and exclude free-tier accounts.