**Q3 2025 Financial Summary**

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Date: October 18, 2025

To: Leadership Team, Department Heads

From: Office of the CFO

1. Executive Summary

Innovatech delivered a strong performance in Q3 2025, characterized by significant revenue growth and strategic investments in product development and market expansion. Total revenue increased by 18.8% year-over-year (YoY), driven by the successful launch of our new flagship product and robust performance in our enterprise sales channel. While operating expenses also grew due to planned investments, our Net Income saw a healthy increase of 23.6%, demonstrating our ability to scale effectively.

2. Key Financial Highlights

The following table provides a summary of our financial performance for the third quarter, ending September 30, 2025, compared to the same period in the prior year.

| Financial Metric | Q3 2025 | Q3 2024 | YoY Change | YoY Change % |

| :--- | :--- | :--- | :--- | :--- |

| Total Revenue | $85.5M | $72.0M | +$13.5M | +18.8% |

| Gross Profit | $64.1M | $54.0M | +$10.1M | +18.7% |

| \*Gross Margin\* | \*75.0%\* | \*75.0%\* | \*—\* | \*Stable\* |

| Operating Expenses | $55.5M | $47.0M | +$8.5M | +18.1% |

| Operating Income | $8.6M | $7.0M | +$1.6M | +22.9% |

| Net Income | $6.8M | $5.5M | +$1.3M | +23.6% |

3. Commentary on Performance

**Revenue Drivers:**

* Product Performance: The primary driver of our revenue growth was the successful market introduction of the "Fusion AI" analytics platform in July. It accounted for approximately $7.5M in new recurring revenue this quarter and has exceeded initial adoption targets by 40%.
* Channel Performance: Our direct enterprise sales channel was the standout performer, growing 22% YoY. This was a direct result of expanding the team in Q1 and their focus on upselling existing accounts to the Fusion AI platform. Our partner channel also saw steady growth of 12%, primarily driven by new customer acquisitions in the EMEA region.

**Expense Analysis:**

* Operating expenses increased by 18.1% YoY, in line with our strategic growth plan.
* Research & Development (R&D) expenses were up 21% to $22.5M. This increase is attributed to accelerated development timelines for our next-generation security module, slated for a H1 2026 release.
* Sales & Marketing (S&M) expenses rose 19% to $25.0M, reflecting the significant marketing campaign for the Fusion AI launch and increased commissions for the over-performing sales team.
* General & Administrative (G&A) expenses were well-controlled, growing only 7%, demonstrating improved operational leverage as we scale.

4. Q4 2025 Outlook

Looking ahead to the fourth quarter, we anticipate continued momentum but remain watchful of macroeconomic conditions.

* Revenue: We expect a seasonally strong quarter driven by year-end enterprise budget cycles. Our focus will be on maximizing the market penetration of Fusion AI and closing key deals in the pipeline. We project Q4 revenue to be in the range of $88M - $92M.
* Initiatives: The primary focus for Q4 will be on customer success and onboarding for new Fusion AI clients to ensure high retention rates into 2026. Marketing will shift focus to case studies and mid-funnel content to build on the launch's success.
* Profitability: We will continue our disciplined approach to spending, ensuring that our investments in growth are balanced with a clear path to sustained profitability. We expect operating margins to remain stable or show slight improvement in Q4.