

# Finance Department Update - Q2 2024

**Date:** July 10, 2024 **Author:** Michael Torres, CFO **Distribution:** All Employees

## Financial Performance Summary

Q2 2024 was another strong quarter. We achieved record revenue while improving operational efficiency. Here's the high-level view.

## Key Metrics

Metric	Q2 2024	Q2 2023	YoY Change
ARR	\$78M	\$55M	+42%
Quarterly Revenue	\$19.5M	\$13.8M	+41%
Gross Margin	76%	74%	+2pts
Operating Expenses	\$22M	\$17M	+29%
Net Burn	\$2.5M	\$3.2M	-22%
Cash Position	\$85M	\$62M	+37%

## Revenue Highlights

### Revenue by Product

Product	Q2 ARR	% of Total	Growth
CloudForge	\$42M	54%	+45%
DevPipeline	\$21M	27%	+38%
SecureVault	\$10M	13%	+52%
DataLens	\$5M	6%	+35%

## Revenue by Segment

Segment	Q2 ARR	Growth	Notes
Enterprise	\$38M	+58%	Strong Fortune 500 wins
Mid-Market	\$28M	+35%	Expanding nicely
SMB	\$12M	+25%	Healthy but slower

## Revenue by Region

Region	Q2 ARR	% of Total
Americas	\$56M	72%
EMEA	\$16M	20%
APAC	\$6M	8%

## Expense Management

### Operating Expenses by Category

Category	Q2 2024	% of Revenue	Q2 2023
R&D	\$10.5M	54%	\$8.2M
Sales & Marketing	\$7.8M	40%	\$5.9M
G&A	\$3.7M	19%	\$2.9M
<b>Total OpEx</b>	<b>\$22M</b>	<b>113%</b>	<b>\$17M</b>

## Efficiency Metrics

Metric	Q2 2024	Q1 2024	Target
Magic Number	0.82	0.75	0.80
CAC Payback	18 mo	21 mo	<24 mo
LTV:CAC	4.2x	3.8x	>3x
Revenue/Employee	\$31K	\$29K	\$35K

## Path to Profitability

### Current Status

We're on track for operating profitability by Q4 2025:

Year	Revenue	Burn	Notes
2023	\$55M	\$14M	Investment mode
2024E	\$90M	\$8M	Improving efficiency
2025E	\$130M	+\$5M	Profitable!

### Key Levers

1. **Gross margin expansion** - Infrastructure optimization
  2. **Sales efficiency** - Higher productivity per rep
  3. **Self-serve growth** - Lower CAC for SMB
  4. **R&D leverage** - Platform investments paying off
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## Cash Management

### Cash Position

Item	Amount
Cash & Equivalents	\$85M
Quarterly Burn	\$2.5M
Runway	34 months

### Cash Usage Q2

Category	Amount
Operating expenses	\$22M
CapEx	\$1.2M
Less: Revenue	\$19.5M
Add: Collections timing	(\$1.2M)
<b>Net Burn</b>	<b>\$2.5M</b>

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## Finance Operations

### Process Improvements

**Completed Q2:** - Automated expense reconciliation (saves 20 hrs/month) - New revenue recognition system - Improved forecasting model ( $\pm 5\%$  accuracy) - Vendor payment automation

**In Progress:** - Budget vs. actual dashboards for managers - Self-serve financial reporting - Contract management system

### Audit & Compliance

- Q2 SOX controls testing: Passed
  - Revenue recognition review: Complete
  - Tax provisions: On track
  - Annual audit prep: Started
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## Budget Updates

### Full Year 2024 Outlook

Metric	Original Budget	Updated Forecast	Variance
ARR (Exit)	\$85M	\$92M	+\$7M
Revenue	\$82M	\$88M	+\$6M
Gross Margin	75%	76%	+1pt
OpEx	\$90M	\$88M	-\$2M
Net Burn	\$12M	\$8M	-\$4M

### H2 Investments

Approved incremental investments: - AI/ML team expansion: \$1.5M - APAC expansion: \$800K - Security certifications: \$400K - Office upgrades: \$300K

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## Policy Reminders

### Expense Policy

- Submit expenses within 14 days
- Receipt required for \$25+
- Use Ramp for all business expenses
- Pre-approval for \$500+ purchases

### Travel Policy

- Book through Navan
- Follow meal limits by city
- International travel needs VP approval

### Procurement

- All contracts >\$10K need Finance review
- Vendor security review required
- Use approved vendor list when possible

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## Important Dates

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Date	Event
Jul 15	Q2 close complete
Jul 31	Manager budget review due
Aug 15	H2 forecast update
Sep 15	Annual planning kickoff
Oct 1	2025 budget requests due

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## Team Updates

### Finance Team

- Welcomed 2 new team members (FP&A, Accounting)
- Promoted Sarah Kim to Controller
- Team now at 18 (from 14 at start of year)

## Open Roles

- Senior FP&A Analyst
  - Revenue Operations Manager
  - Payroll Specialist
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## How to Reach Finance

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Topic	Contact
Expenses	expenses@novatech.com
Accounts Payable	ap@novatech.com
Budget questions	fp&a@novatech.com
General finance	finance@novatech.com
Slack	#finance-help

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## Q&A

Finance office hours: Thursdays 3pm PT

Common questions welcome on #finance-help

Michael

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*Next Finance Update: October 2024*