

CUSTOMER CONTRACT REVENUE ANALYSIS

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CONFIDENTIAL AND PRIVILEGED

Prepared for Polar Dynamics Robotics, Inc.

Date: January 11, 2024

Reference: PDR-REV-2024-001

1. EXECUTIVE SUMMARY

This analysis examines the contractual revenue streams of Polar Dynamics Robotics, Inc. ("PDR" or the "Company") derived from customer contracts.

period ending December 31, 2023. The analysis covers recurring revenue terms, and revenue recognition methodologies across the Company's product lines.

2. REVENUE CLASSIFICATION

2.1 Primary Revenue Streams

- Hardware Sales Revenue (AMR Units): \$19,215,000
- Maintenance & Support Services: \$7,560,000
- Software Licensing & Subscriptions: \$4,725,000
- Total Annual Revenue: \$31,500,000

2.2 Contract Types

- a) Direct Purchase Agreements (65% of revenue)
- b) Equipment Lease Arrangements (20% of revenue)
- c) Software-as-a-Service Subscriptions (15% of revenue)

3. MAJOR CUSTOMER CONTRACTS

3.1 Top Customer Agreements

FrostLine Logistics, Inc.

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Contract Value: \$4.2M annually

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Term: 36 months

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Scope: 32 BlueCore(TM) AMR units + maintenance

Arctic Storage Solutions

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Contract Value: \$3.8M annually

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Term: 48 months

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Scope: 10 BlueCore(TM) AMR units + software licensing

PolarPharm Distribution

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Contract Value: \$3.1M annually

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Term: 24 months

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Scope: 8 BlueCore(TM) AMR units + full service package

3.2 Contract Renewal Rates

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Enterprise Customers: 92% renewal rate

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Mid-Market Customers: 87% renewal rate

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Overall Weighted Average: 89% renewal rate

4. REVENUE RECOGNITION POLICIES

4.1 Hardware Revenue

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Recognition upon delivery and customer acceptance

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Average implementation period: 45 days

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Warranty obligations recognized as deferred revenue

4.2 Service Revenue

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Recognized ratably over service period

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Performance obligations tracked monthly

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Separate performance obligations for:

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Maintenance services

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Software updates

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Technical support

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Training services

4.3 Subscription Revenue

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Recognized monthly over subscription term

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Includes software licensing and cloud services

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Usage-based components recognized as incurred

5. CONTRACTUAL OBLIGATIONS

5.1 Service Level Agreements

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99.9% uptime guarantee for software systems

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24-hour response time for critical issues

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Quarterly preventive maintenance visits

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Annual software upgrade inclusion

5.2 Performance Guarantees

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Minimum throughput specifications

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Temperature operation ranges (-40 C to +45 C)

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Battery life warranties

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Navigation accuracy metrics

6. REVENUE RISK ANALYSIS

6.1 Customer Concentration

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Top 5 customers represent 42% of revenue

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No single customer exceeds 15% of total revenue

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Geographic distribution across 12 states

6.2 Contract Terms Risk

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Average contract length: 36 months

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Early termination provisions in 85% of contracts

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Change of control provisions in enterprise agreements

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Force majeure clauses standardized across contracts

7. GROWTH TRENDS AND PROJECTIONS

7.1 Historical Growth

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FY2021: \$18.5M

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FY2022: \$24.7M

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FY2023: \$31.5M

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CAGR: 30.5%

7.2 Contract Pipeline

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Signed contracts for FY2024: \$28.3M

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Proposals under review: \$12.5M

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Renewal opportunities: \$15.7M

8. LEGAL CONSIDERATIONS

8.1 Contract Enforceability

All material customer contracts have been reviewed by legal counsel and are enforceable under applicable state laws. Standard terms and conditions are validated across jurisdictions.

8.2 Intellectual Property Protection

Customer contracts include appropriate IP protection clauses for PDR and proprietary BlueCore(TM) technology and related software systems.

9. CERTIFICATION

This analysis has been prepared based on the Company's financial records and customer contracts as of December 31, 2023. All material aspects of contract revenue have been reviewed and verified.

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