

CUSTOMER CHURN IMPACT ASSESSMENT

CONFIDENTIAL AND PRIVILEGED

Prepared for: Polar Dynamics Robotics, Inc.

Date: January 11, 2024

Reference: PDR-CA-2024-011

1. EXECUTIVE SUMMARY

This Customer Churn Impact Assessment analyzes historical customer attrition patterns and associated financial implications for Polar Dynamics Robotics, Inc. ("PDR" or the "Company") for the period January 1, 2021 through December 31, 2023. This assessment has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and standard industry metrics for the industrial automation sector.

2. DEFINITIONS

1. "Churn Rate" means the percentage of customers who discontinue their relationship with PDR during a specified time period.
2. "Revenue Impact" means the calculated financial effect of customer attrition on PDR's recurring revenue streams.
3. "Customer Cohort" means a group of customers who began their relationship with PDR during the same time period.
4. "Contract Value" means the total monetary value of a customer agreement over its stated term.

3. METHODOLOGY

1. Analysis Period: Rolling 36-month period ending December 31, 2023
2. Data Sources:
 - Customer relationship management (CRM) system records
 - Financial statements and revenue recognition documents
 - Service termination notices and cancellation records
 - Customer feedback surveys and exit interviews

3. Calculation Methods:

- Monthly churn rate = Lost customers / Total customers at period start
- Revenue impact = Sum of lost contract values + Associated service revenue
- Cohort analysis based on customer acquisition date

4. FINDINGS

1. Overall Churn Metrics

- Average monthly churn rate: 0.8%
- Annual churn rate: 9.6%
- Average contract value of churned accounts: \$275,000
- Median relationship duration before churn: 2.3 years

2. Customer Segment Analysis

- Enterprise accounts (>\$500,000 annual contract value): 3.2% annual churn
- Mid-market accounts (\$100,000-\$500,000): 8.7% annual churn
- Small business accounts (<\$100,000): 15.4% annual churn

3. Primary Churn Factors

- Budget constraints/economic conditions: 35%
- Competitive displacement: 28%
- Technical implementation challenges: 22%
- Business closure/consolidation: 10%
- Other factors: 5%

5. FINANCIAL IMPACT

1. Direct Revenue Impact

- FY2023 revenue loss from churn: \$4,875,000
- Projected FY2024 impact: \$5,200,000 (10% margin of error)
- Average customer acquisition cost: \$85,000

2. Indirect Financial Effects

- Support resource reallocation costs: \$420,000

- Contract termination processing expenses: \$175,000
- Technology decommissioning costs: \$295,000

6. RISK FACTORS

1. The Company acknowledges the following risk factors may affect future churn rates:

- Market competition in cold storage automation
- Economic conditions affecting customer capital expenditure
- Technical advancement requirements
- Regulatory changes in target industries
- Supply chain disruptions affecting deployment timelines

7. MITIGATION STRATEGIES

1. The Company has implemented the following retention initiatives:

- Enhanced customer success program
- Proactive technical support monitoring
- Flexible contract terms for strategic accounts
- Product roadmap alignment with customer feedback
- Improved onboarding processes

8. LEGAL CONSIDERATIONS

1. This assessment is subject to the following legal parameters:

- Confidentiality obligations under customer agreements
- Revenue recognition requirements under ASC 606
- Contractual notice periods for termination
- Service level agreement compliance
- Intellectual property protection measures

9. DISCLAIMERS

1. This assessment contains forward-looking statements and projections based on historical data and reasonable assumptions about future market conditions.

2. Actual results may vary materially from projections due to factors beyond the Company's control.
3. This document is confidential and proprietary to Polar Dynamics Robotics, Inc. and may not be disclosed without written authorization.

10. CERTIFICATION

The undersigned hereby certifies that this Customer Churn Impact Assessment accurately reflects the Company's customer retention metrics and associated financial implications as of the date hereof.

POLAR DYNAMICS ROBOTICS, INC.

By:

Name: Katherine Wells

Title: Chief Financial Officer

Date: January 11, 2024

By:

Name: Sarah Nordstrom

Title: Chief Operating Officer

Date: January 11, 2024