COLD STORAGE CUSTOMER CHURN ANALYSIS

CONFIDENTIAL AND PRIVILEGED

Prepared for: Polar Dynamics Robotics, Inc.

Date: January 11, 2024

Reference: PDR-CA-2024-001

1. EXECUTIVE SUMMARY

This analysis examines customer retention metrics and churn patterns for Polar Dynamics Robotics, Inc.'s ("PDR") autonomous mobile robot deployments in cold storage environments for the period of January 2022 through December 2023. This document is prepared for internal use and potential transaction due diligence purposes.

2. METHODOLOGY AND SCOPE

1. Analysis encompasses all customer accounts with active AMR deployment contracts exceeding $250,000 in annual recurring revenue.

2. Churn is defined as:

a) Contract termination prior to scheduled renewal date

b) Non-renewal at contract expiration

c) Reduction in deployed units exceeding 25% of initial deployment

3. Data sources include:

- Customer contract management system (Ironclad)

- Revenue recognition platform (NetSuite)

- Service ticket management system (ServiceNow)

- Customer success platform (Gainsight)

3. CUSTOMER SEGMENTATION

1. Enterprise Accounts ($1M+ ARR)

- Total Accounts: 12

- Churned Accounts: 1

- Churn Rate: 8.3%

2. Mid-Market Accounts ($500K-$1M ARR)

- Total Accounts: 28

- Churned Accounts: 3

- Churn Rate: 10.7%

3. Growth Accounts ($250K-$500K ARR)

- Total Accounts: 45

- Churned Accounts: 6

- Churn Rate: 13.3%

4. CHURN ANALYSIS BY VERTICAL

1. Pharmaceutical Cold Chain

- Customer Count: 23

- Churn Rate: 4.3%

- Primary Retention Factors: Regulatory compliance, validated processes

2. Food & Beverage Distribution

- Customer Count: 37

- Churn Rate: 13.5%

- Primary Churn Factors: Seasonal volume fluctuations, price sensitivity

3. Industrial Cold Storage

- Customer Count: 25

- Churn Rate: 16.0%

- Primary Churn Factors: Market consolidation, facility modernization cycles

5. ROOT CAUSE ANALYSIS

1. Primary Churn Drivers

a) Cost optimization initiatives (38% of churned accounts)

b) Facility consolidation/closure (24%)

c) Competitive displacement (16%)

d) Technical performance issues (12%)

e) Other factors (10%)

2. Technical Performance Issues

- Navigation system calibration in ultra-low temperature environments

- Battery performance degradation in sub-zero conditions

- Thermal management system maintenance requirements

6. RETENTION INITIATIVES

1. Implemented Measures

- Enhanced preventive maintenance program

- Tiered pricing structure for volume commitments

- Customer success team expansion

- Technical support response time improvements

2. Proposed Initiatives

- Performance guarantee program

- Flexible deployment scaling options

- Extended warranty coverage

- Customer advisory board establishment

7. FINANCIAL IMPACT

1. Revenue Impact

- Total ARR Impact: $2.8M

- Offset by Expansion Revenue: $4.2M

- Net Revenue Impact: +$1.4M

2. Customer Acquisition Cost Analysis

- Average CAC: $185,000

- Payback Period: 14.3 months

- LTV/CAC Ratio: 4.2x

8. COMPETITIVE ANALYSIS

1. Competitive Win/Loss Analysis

- Win Rate vs. Traditional Automation: 78%

- Win Rate vs. Cold Storage AMR Competitors: 65%

- Primary Competitive Advantages: Proprietary cold-resistant technology, navigation accuracy

9. LEGAL DISCLAIMERS

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10. CERTIFICATION

The undersigned hereby certifies that this analysis has been prepared based on information believed to be accurate and complete as of the date hereof.

POLAR DYNAMICS ROBOTICS, INC.

By: _

Katherine Wells

Chief Financial Officer

Date: January 11, 2024