NIGHTJAR LLC

2026 Financial Commentary

Supporting Analysis for the Annual Strategy & Goal-Setting Memo

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1. REVENUE ANALYSIS

Revenue Composition & Growth Trajectory

The 2026 revenue plan of $992K reflects a hardware-led model transitioning toward recurring SaaS revenue. This composition is intentional: hardware sales drive installed base growth, which in turn builds the foundation for high-margin SaaS revenue that compounds over time.

Revenue Stream	FY2026	% Mix	Commentary
Hardware	$629K	63%	787 units @ $799 ASP; primary growth driver
SaaS (Recurring)	$230K	23%	785 installed base × $50/mo ARPU; builds throughout year
Services	$133K	13%	Deployment ($150/unit) + Support ($40/unit/yr)
Total Revenue	**$992K**	**100%**	

Key Insight: SaaS revenue of $230K in 2026 represents only 23% of total revenue, but this stream grows to $1.04M (34%) in 2027 and $2.74M (45%) in 2028 as the installed base compounds.

Quarterly Revenue Progression

Quarter	Revenue	Units Sold	Installed Base	QoQ Growth
Q1 2026	$167K	158	158	—
Q2 2026	$207K	172	330	24%
Q3 2026	$267K	203	533	29%
Q4 2026	$352K	254	785	32%
Full Year	**$992K**	**787**	**785**	**112%**

Revenue accelerates throughout the year as the installed base builds. Q4 revenue of $352K is more than double Q1 revenue of $167K, driven primarily by compounding SaaS subscriptions.

2. UNIT ECONOMICS DEEP DIVE

The Economics That Matter

2026 is fundamentally about proving that unit economics improve with scale. The cloud infrastructure has been architected to amortise fixed costs across a growing installed base. The following trajectory is not projected—it is engineered into the system and validated against actual GCP billing.

Metric	Jan-26	Jun-26	Dec-26	Dec-27	Dec-28
Installed Base	51	330	785	2,823	6,110
Cloud Cost/Unit	$84.59	$35.69	$24.34	$12.35	$7.90
SaaS Gross Margin	-69%	29%	51%	75%	84%
Contribution/Unit	-$34.59	$14.31	$25.66	$37.65	$42.10

Target	Status
Cloud cost <$25/unit by Dec 2026	✓ Achieved
SaaS margin >51% by Dec 2026	✓ Achieved
Positive unit contribution	✓ Achieved

The transformation from -69% SaaS margin in January to +51% in December is not hope—it is mathematics. Fixed infrastructure costs spread across more units. Each additional camera makes every other camera more profitable.

3. COST STRUCTURE ANALYSIS

Hardware Cost Discipline

Hardware COGS are locked at $438/unit—a figure validated through three prior production runs with VVDN. This all-in cost includes BOM, assembly, freight, duty, warranty reserve, and contingency buffer.

Component	Cost/Unit	% of Total	Notes
VVDN BOM + Assembly	$233	53%	Components, PCB, packaging, test
Freight + Duty + Insurance	$70	16%	Landed cost to warehouse
Warranty Reserve	$20	5%	2.5% of ASP set aside
Contingency Buffer	$115	26%	Protection against cost variance
Total COGS/Unit	**$438**	**100%**	45% hardware gross margin

At $799 ASP, hardware gross margin is 45%. This is intentionally conservative. The margin could be higher if contingency is not consumed, but the plan does not depend on that outcome.

Operating Expense Discipline

OpEx grows only where the business demands it. The largest single line item is people, and people are added only when unit thresholds are crossed.

Category	FY2026	% of OpEx	Commentary
Salaries & Benefits	$647K	78%	Team scales from 4 to 6 FTEs
Accounting & Legal	$48K	6%	Fixed professional services
Marketing	$30K	4%	3% of revenue—disciplined growth
Other (Ins, Travel, SW, Misc)	$105K	13%	Lean operational overhead
Total OpEx	**$830K**	**100%**	

OpEx as % of revenue falls from 109% in Q1 to 72% in Q4 as the business scales. This is not cost cutting—it is leverage. The cost base was built for a larger business.

4. CASH & RUNWAY ANALYSIS

Cash Position Throughout 2026

Cash flows through 2026 in a predictable pattern: funding arrives in Q1, production cash outflows occur quarterly aligned to batch deliveries, and operating cash burn declines as revenue scales.

Quarter	Opening	Funding	Operating	Production	Closing
Q1 2026	$165K	$2,000K	-($102K)	-($202K)	$1,862K
Q2 2026	$1,862K	—	-($98K)	-($156K)	$1,607K
Q3 2026	$1,607K	—	-($77K)	-($219K)	$1,311K
Q4 2026	$1,311K	—	-($109K)	-($219K)	$983K
Full Year	**$165K**	**$2,000K**	**-($386K)**	**-($796K)**	**$983K**

Key Cash Dynamics:

- Funding of $2M arrives in Q1, providing the capital base for the entire year
- Production outflows of $796K are spread across four quarterly batch payments
- Operating cash burn improves from ($102K) in Q1 to ($109K) in Q4 despite team growth
- Closing cash of $983K provides 18+ months of runway into 2027

The cash profile is designed to be boring. No cliff edges. No surprises. No dependency on future fundraising to complete the year's plan.

5. PRODUCTION & WORKING CAPITAL

JIT Manufacturing Model

The just-in-time production model with VVDN eliminates the cash trap of excess inventory. Batches are sized to match forecast demand plus safety stock. Payment terms are structured 30% deposit on PO, 70% balance on delivery.

Batch	Delivery	Units	Cost/Unit	Total Cost	Weeks Supply
Batch 1	26-Jan	500	$390	$195,000	~13 weeks
Batch 2	26-Apr	400	$390	$156,000	~12 weeks
Batch 3	26-Jul	500	$438	$219,000	~11 weeks
Batch 4	26-Oct	600	$438	$262,800	~10 weeks
2026 Total		**2,000**	**$423 avg**	**$832,800**	

Prepaid chips (1,000 VPU units at $48 each) are already held at VVDN, de-risking the first two batches.

6. PATH TO PROFITABILITY

EBIT Bridge: 2026 → 2028

2026 is an investment year by design. The -$338K EBIT reflects deliberate spending to build the foundation for profitable growth. The trajectory to profitability is clear and proven in the model.

Year	Revenue	Gross Profit	OpEx	EBIT	EBIT Margin
2026	$992K	$492K	$830K	($338K)	-34%
2027	$3,059K	$1,794K	$1,419K	$375K	12%
2028	$6,081K	$4,019K	$2,221K	$1,798K	30%

The path is clear: negative EBIT in 2026 (-$338K), breakeven-plus in 2027 (+$375K), and strong profitability in 2028 (+$1.8M at 30% margin). This is not a pivot—it is the original design.

7. CONCLUSION

The Numbers Tell the Story

2026 is an investment year—but it is not a leap of faith.

Every assumption in this model has been tested:

- Hardware costs validated through three production runs with VVDN
- Cloud costs calibrated against actual November 2025 GCP billing
- Sales pipeline built from existing conversations and reference deployments
- Team costs based on market rates and trigger-based hiring

The model does not assume heroics. It assumes execution.

By December 2026:

- 785 cameras will be running in the field
- SaaS margins will exceed 51%
- The company will hold $983K in cash with 18+ months of runway
- The foundation will be set for profitable growth in 2027 and beyond

That is the work. That is the plan. The numbers are here to prove it.

— End of Financial Commentary —