# **Q2 Investor Update: CircuitFlow Analytics Inc.**

**Date:** July 15, 2025  
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 **Audience:** Seed & Series A shareholders

## **1) Executive Summary**

CircuitFlow delivers grid analytics and anomaly detection for distributed energy resources (DERs).  
 Q2 performance reflects **solid customer growth** but **pressure on gross margin** due to higher cloud costs and extended onboarding cycles for two enterprise accounts.

* **ARR:** **$5.6M** (+18% QoQ)
* **Gross Margin:** **67%** (−5 pp QoQ)
* **Net Dollar Retention (NDR):** **112%**
* **Cash on Hand:** **$7.1M** (runway ~9.2 months at current burn)

Net: Momentum intact; economics need tuning in H2 (cloud usage, implementation efficiency).

## **2) KPI Dashboard (Q2 vs. Q1)**

| **Metric** | **Q1 2025** | **Q2 2025** | **Δ QoQ** | **Notes** |
| --- | --- | --- | --- | --- |
| ARR ($M) | 4.75 | **5.60** | **+18%** | 7 enterprise expansions; 12 mid-market adds |
| Gross Margin | 72% | **67%** | **−5 pp** | Cloud inference load + data egress spikes |
| CAC Payback (months) | 14.2 | **13.5** | **+0.7** | Better win-rate offsets higher media |
| NDR | 109% | **112%** | **+3 pp** | Upgrades to “Ops+” module |
| Churn (logo) | 3.4% | **3.1%** | **−0.3 pp** | 2 at-risk accounts saved |
| Avg. Implementation Days | 54 | **63** | **+9** | Two complex utilities (AMIs + OT security reviews) |
| Burn ($M/month) | 0.82 | **0.77** | **−0.05** | Hiring freeze + vendor re-bids |
| Cash ($M) | 6.8 | **7.1** | **+0.3** | Receivables timing, lower capex |

## **3) Commercial Highlights**

* **Enterprise Wins:**
  + **GridWorks NE** (3-year, $1.2M TCV) — anomaly detection + outage prediction.
  + **PrairieCo Op** (2-year, $480k TCV) — DER hosting capacity planning.
* **Expansions:**
  + **BlueMesa Power** expanded to 11 additional feeders; incremental $310k ARR.
* **Pipeline:** $9.7M qualified (9-month weighted cycle); 3 lighthouse prospects in diligence.

**Headwinds:** procurement security reviews extend onboarding; several prospects require on-prem or private VPC deployment (higher COGS initially).

## **4) Product & Tech Update**

* **Model Upgrades:** v3.2 ensemble improved F1 anomaly score **+3.8 pp** in blind trials.
* **Latency:** 95th percentile inference time reduced from 340ms → **210ms** (new feature store).
* **Cost Controls:**
  1. Implemented **batch aggregation** for low-priority feeds (projected **−12%** cloud spend in Q3).
  2. Egress minimized via regional S3 replication; early results **−18%** egress fees.
* **Roadmap (Q3–Q4):**
  1. “Ops+” ticket automation (ServiceNow app)
  2. Customer-managed keys (CMK) for regulated utilities
  3. Forecast explainability (SHAP for day-ahead models)

## **5) Financials (Unaudited)**

| **($M)** | **Q1 2025** | **Q2 2025** | **FY YTD** |
| --- | --- | --- | --- |
| Revenue | 1.25 | **1.52** | 2.77 |
| COGS | 0.35 | **0.50** | 0.85 |
| Gross Profit | 0.90 | **1.02** | 1.92 |
| Operating Expense | 2.46 | **2.35** | 4.81 |
| Operating Loss | (1.56) | **(1.33)** | (2.89) |
| Ending Cash | 6.80 | **7.10** | — |

**Comment:** Gross margin compression stems from (a) bursty compute for pilot expansions and (b) redundant data copies for regulated customers. We are actively removing duplication.

## **6) Risk & Mitigation**

1. **Gross Margin Pressure**
   * *Mitigation:* Cloud-finops, committed use discounts renegotiated; batch processing; VPC peering to reduce egress.
2. **Implementation Slippage**
   * *Mitigation:* Create a standardized **90-day onboarding** playbook; add 2 contractor squads for “surge” periods (variable cost).
3. **Security/Compliance Lift**
   * *Mitigation:* CMK + private VPC reference architecture; SOC2 Type II renewal underway (Oct).

## **7) Outlook (H2 2025)**

* Target **ARR $7.2–7.6M** by year-end; return gross margin to **70–72%** with finops + architecture changes.
* Expand Ops+ to 50% of enterprise accounts; reduce average implementation to **≤50 days**.
* Maintain burn at **≤$0.8M/mo**; extend runway to **~11 months** via billing cadence & pre-paid discounts.

## **8) Requests / Board Items**

* Approve **vendor consolidation** plan (cloud + MLOps) to secure **12–18%** savings.
* Endorse the **on-prem private-VPC SKU** pricing (20% premium to cloud).
* Authorize **two contingent contractor teams** for Q3–Q4 surge onboarding (cap at $240k total).

## **9) Appendix — Customer Notes (Selected)**

* **GridWorks NE:** positive reference; keen on ticket automation pilot (Q4).
* **PrairieCo Op:** security diligence strict but cooperative; CMK a must.
* **BlueMesa Power:** expansion driven by outage prediction accuracy (false positives −24%).