Brightpath Software, Inc.

QUARTERLY BUSINESS REVIEW

Q2 FY26 Business Review and Q3 Outlook

Fiscal quarter ended June 30, 2026 · Prepared for the leadership team and the Board of Directors

1. Executive Summary

Q2 FY26 was Brightpath's strongest quarter to date. ARR closed at **$26.1M, up 42% year over year**, on revenue of $6.3M. Growth was led by the enterprise segment, which grew 71% YoY and now represents 46% of quarterly revenue. Net revenue retention improved for the fourth consecutive quarter to 118%, and we added a record 36 new logos while churn remained stable.

$26.1M	$6.3M	118%	412
ARR	Q2 REVENUE	NET REVENUE RETENTION	CUSTOMERS
▲ 42% YoY	▲ 40% YoY	▲ 6 pts YoY	+28 net in Q2

Highlights

- **Enterprise momentum.** Five deals above $150K ARR closed in the quarter, including Meridian Health ($240K) and Kestrel Systems ($185K). Average enterprise contract length reached 21 months.
- **Retention at an all-time high.** NRR of 118% was driven by seat expansion in the analytics module; 61% of enterprise accounts now use two or more modules.
- **Efficient growth.** CAC payback improved to 16 months (from 19 in Q1) and gross margin held at 78%.
- **Cash position remains strong.** $31.2M in cash against a quarterly operating burn of $1.8M — over four years of runway at the current plan.

Lowlights

- **SMB is flat.** SMB revenue has been unchanged at ~$1.0M for five quarters; self-serve conversion declined 40 bps.
- **Hiring is behind plan.** We ended the quarter at 178 heads against a plan of 186; the gap is concentrated in enterprise sales (4 open AE roles).
- **Vendor cost pressure.** Our primary cloud infrastructure agreement (Orbita Cloud Services) is up for renewal in Q3 with a proposed 18% price increase; negotiation is underway.

> **Bottom line:** the enterprise motion is working and compounding. Q3 is about protecting that momentum — closing the AE hiring gap, containing infrastructure cost growth, and deciding whether SMB deserves continued investment or a managed sunset.

2. Financial Performance

ARR grew $2.3M sequentially — the largest quarterly add in company history. The compounding effect of expansion revenue is now visible: existing-customer expansion contributed 44% of gross new ARR in the quarter.

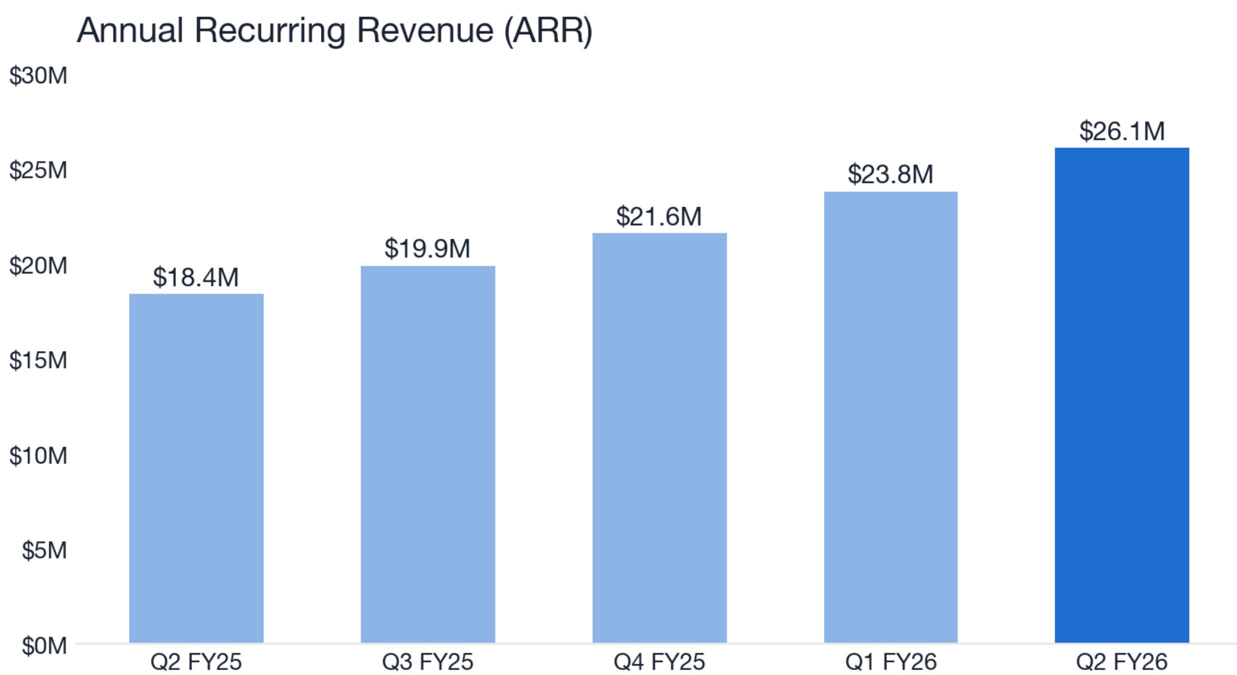

Figure 1. ARR by quarter, Q2 FY25 – Q2 FY26.

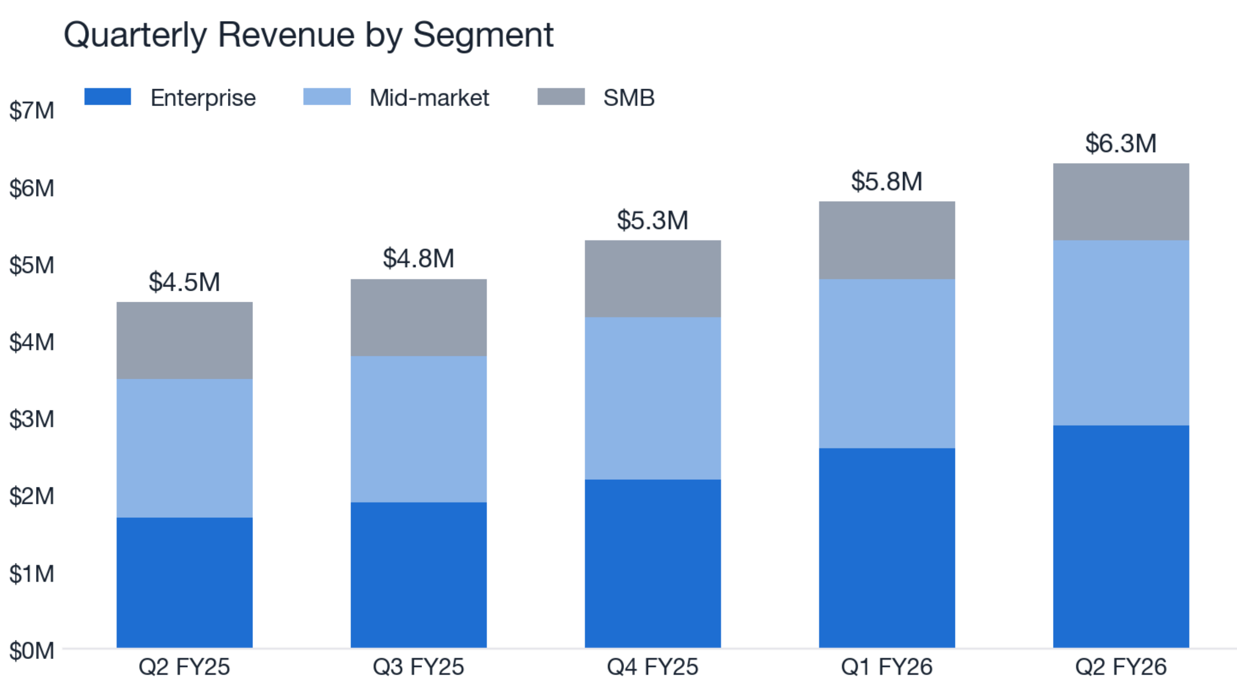

Figure 2. Quarterly revenue by customer segment.

METRIC	Q2 FY25	Q1 FY26	Q2 FY26	YOY
Revenue	$4.5M	$5.8M	$6.3M	**+40%**
ARR (period end)	$18.4M	$23.8M	$26.1M	**+42%**
Gross margin	76%	78%	78%	**+2 pts**
Operating loss	($2.1M)	($1.7M)	($1.7M)	**+$0.4M**
Cash & equivalents	$38.9M	$33.0M	$31.2M	—

3. Retention & Customer Base

Net revenue retention reached 118%, six points above the same quarter last year and comfortably above our 110% target floor. Expansion was concentrated in analytics-module seat growth and the March packaging change, which moved usage overages onto committed tiers.

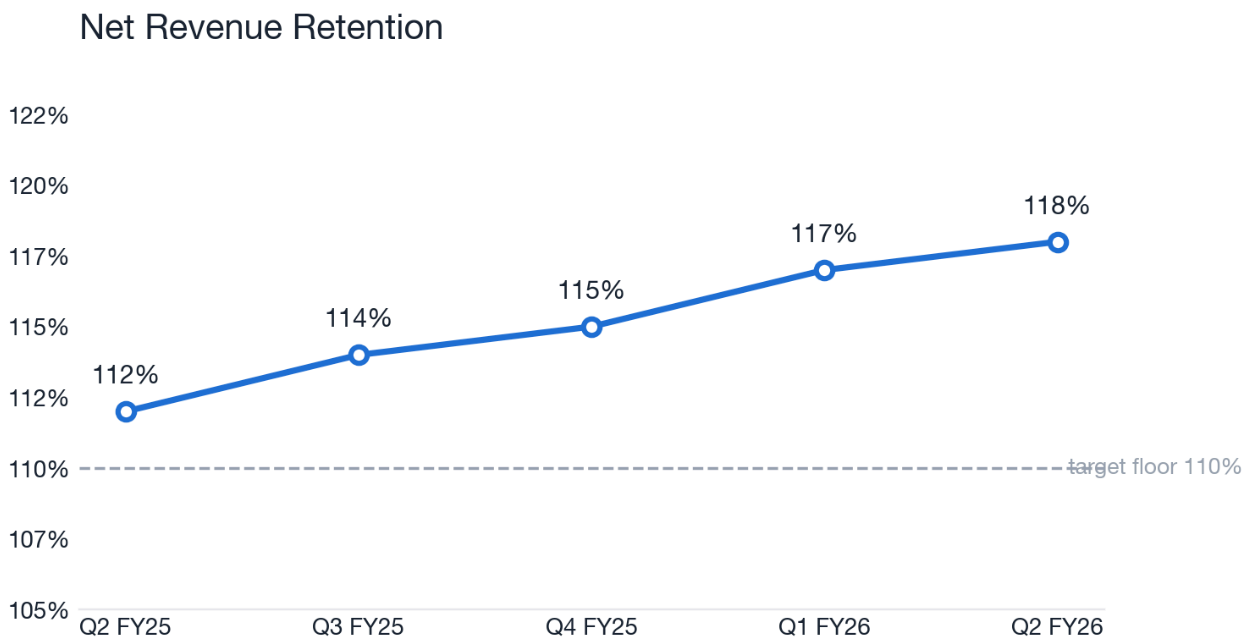

Figure 3. Net revenue retention by quarter.

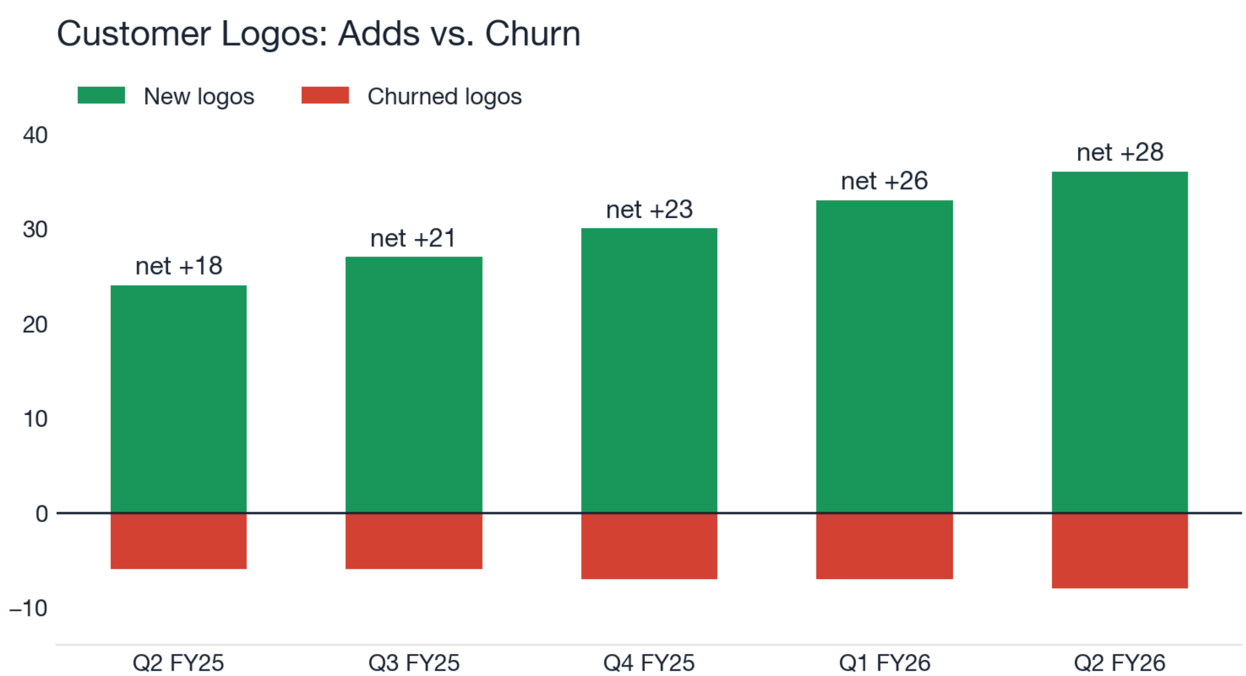

Figure 4. New versus churned customer logos by quarter.

SEGMENT	CUSTOMERS	Q2 REVENUE	AVG. ARR / CUSTOMER	LOGO CHURN (QTR)
Enterprise (>1,000 seats)	64	$2.9M	$168K	0.0%
Mid-market (100–1,000 seats)	187	$2.4M	$51K	1.6%
SMB (<100 seats)	161	$1.0M	$24K	3.1%
Total	**412**	**$6.3M**	**$63K**	**1.9%**

4. Go-to-Market

Qualified pipeline entering Q3 stands at $14.2M — 3.4x coverage against the $4.2M new-ARR bookings target. Win rate against our primary competitor improved to 54% (from 47%) following the April launch of the compliance reporting module.

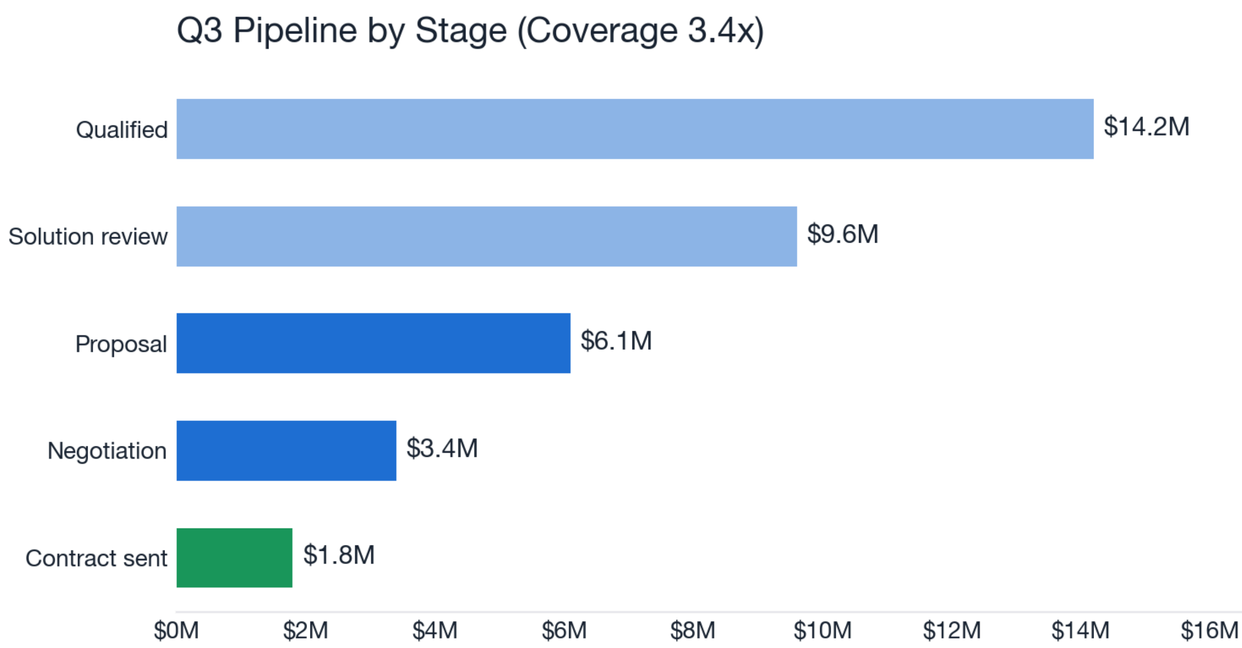

Figure 5. Q3 pipeline by stage, as of July 1, 2026.

Notable wins in Q2

CUSTOMER	SEGMENT	ARR	TERM	COMPETITIVE DISPLACEMENT
Meridian Health Group	Enterprise	$240K	36 mo	Yes — legacy incumbent
Kestrel Systems	Enterprise	$185K	24 mo	No — greenfield
Harborview Logistics	Enterprise	$150K	24 mo	Yes — spreadsheet replacement
Copperline Manufacturing	Mid-market	$96K	12 mo	No — greenfield
Juniper & Lowe LLP	Mid-market	$88K	12 mo	Yes — point tool

Channel-sourced revenue reached 14% of new bookings (target: 20% by Q4). Two new implementation partners were certified in the quarter.

5. Product & Roadmap

Shipped in Q2

- **Compliance reporting module** (April) — adopted by 22% of enterprise accounts within eight weeks; directly cited in three of the five largest Q2 wins.
- **Workflow automation builder** (May) — median customer now runs 11 automated workflows, up from 4 in Q1.
- **SSO and SCIM provisioning overhaul** (June) — reduced median enterprise onboarding time from 24 days to 9 days.

Q3 roadmap commitments

- **Audit trail API** — the most-requested enterprise feature; committed to Meridian Health as part of the Q2 close.
- **Usage analytics dashboard v2** — supports the expansion motion behind NRR; beta in August.
- **EU data residency** — unblocks an estimated $1.9M of currently stalled European pipeline; target GA in September.

> **Product risk to watch:** the audit trail API and EU data residency share the same platform team. A slip on either becomes a direct revenue risk for two committed enterprise deals ($425K combined ARR).

6. Operating Expenses & Headcount

Total operating spend was $8.0M against $6.3M of revenue, an operating loss of $1.7M — flat sequentially despite the higher revenue base, reflecting deliberate investment pacing. Spend per function remains within 5% of plan.

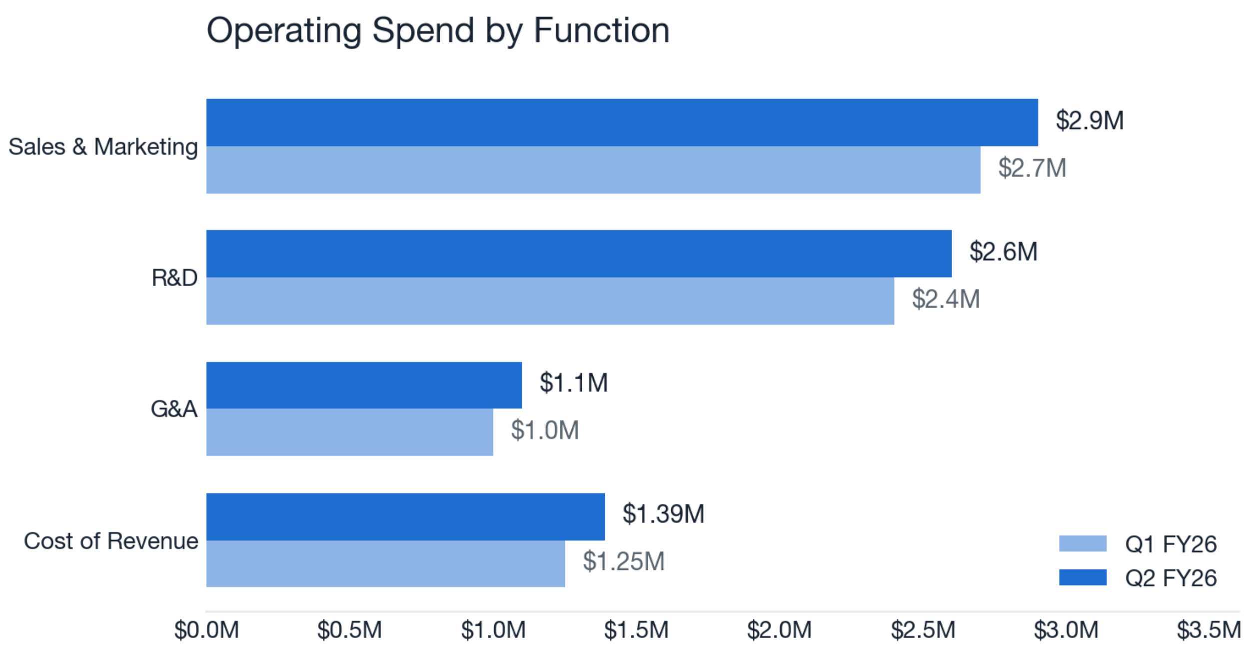

Figure 6. Operating spend by function, Q1 vs. Q2 FY26.

FUNCTION	HEADCOUNT (Q1)	HEADCOUNT (Q2)	PLAN	GAP
Engineering & Product	64	68	70	–2
Sales & Marketing	48	52	58	–6
Customer Success & Support	26	28	28	0
G&A	28	30	30	0
Total	**166**	**178**	**186**	**–8**

The sales hiring gap (4 open enterprise AE roles, 2 SDR roles) is the single largest constraint on the Q3 bookings plan. A dedicated recruiting sprint begins July 14 with a revised on-target-earnings band.

7. Risks & Mitigations

RISK	SEVERITY	DETAIL	MITIGATION
Enterprise AE hiring gap	**High**	4 open AE roles put ~$1.1M of H2 bookings at risk.	Recruiting sprint from July 14; revised comp band; two internal SDR promotions.
Orbita Cloud renewal	**High**	Primary infrastructure MSA expires Sept 30; proposed +18% pricing would compress gross margin ~1.5 pts.	Renegotiation underway targeting a 24-month term with capped escalators; parallel migration estimate for 20% of workloads.
Platform team contention	Medium	Audit trail API and EU residency share one team; both are deal-committed.	Contractor augmentation approved; weekly cross-functional review.
SMB stagnation	Medium	Five quarters of flat revenue; rising support load per dollar.	Decision memo due Aug 15: reinvest in product-led motion vs. managed sunset.
Concentration	Low	Top 10 customers are 22% of ARR (down from 26%).	Continue mid-market diversification; no single customer >4%.

8. Q3 Outlook & Priorities

Guidance

METRIC	Q3 FY26 TARGET	Q2 FY26 ACTUAL
Revenue	$6.9M – $7.1M	$6.3M
ARR (period end)	$28.6M – $29.2M	$26.1M
New-ARR bookings	$4.2M	$3.8M
Net revenue retention	≥ 117%	118%
Operating burn	≤ $1.9M	$1.7M

Top five priorities

- **Close the enterprise AE gap** — all four AE roles filled by August 31.
- **Land the Orbita renewal** at or below a 6% effective increase, or trigger the partial-migration plan.
- **Ship EU data residency by September 30** to unlock the stalled European pipeline.
- **Decide the SMB strategy** — memo to the board August 15, decision by September 1.
- **Grow channel-sourced bookings to 18%** — on the path to the 20% Q4 target.

> **Summary for the board:** growth is compounding, retention is at record levels, and the balance sheet supports the plan. The constraints are execution constraints — hiring and vendor cost — not demand constraints.