

Executive report

Q3 2026 · July to September

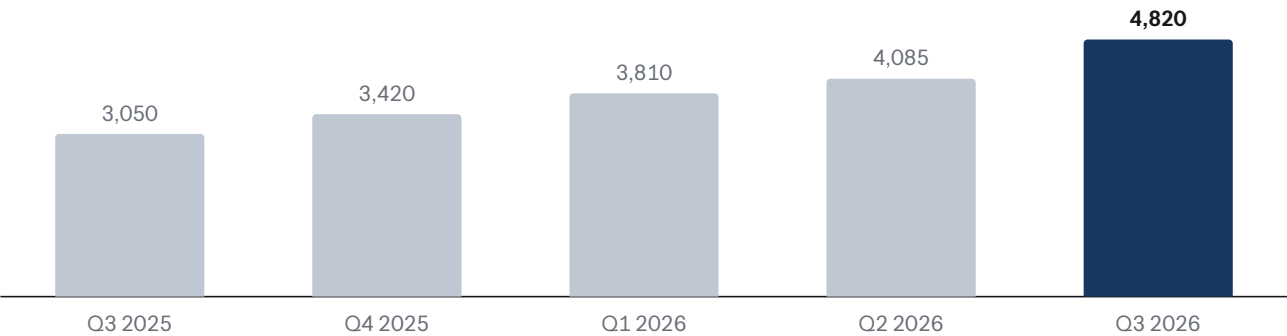
Reference BOARD-2026-Q3
Date October 8, 2026

Revenue grew 18% on the previous quarter and operating margin reached 24.6%, both ahead of plan. This report covers performance, clients, pipeline, delivery, people, finance, and risk, and closes with three decisions for the board.

Revenue	Operating margin	Cash	Client retention
\$4.82m	24.6%	\$6.10m	96.4%
+18% on Q2	+2.1 points on Q2	+\$0.84m in the quarter	Trailing 12 months

Quarterly revenue, USD thousands

Revenue has grown for five consecutive quarters, to \$4.82m in Q3 2026.



Operating performance

All three service lines grew in the quarter. Engineering grew fastest, at 22%, as two clients extended design engagements into implementation. Product design remains the largest line at 48% of revenue.

Growth came from existing clients: 86% of Q3 revenue was billed to clients we served in Q2. Average engagement size rose from \$118k to \$134k.

Revenue by service line, USD thousands

Service line	Q2 2026	Q3 2026	Change
Brand and strategy	1,120	1,310	+17%
Product design	1,965	2,290	+17%
Engineering	1,000	1,220	+22%
Total	4,085	4,820	+18%

Clients

We worked with 35 clients in the quarter, up from 31. The four largest accounted for 52% of revenue. Meridian Group alone was 20%, above our 15% guideline for a single client.

Two new healthcare clients signed in September, which will begin to reduce that concentration from Q4.

Largest clients by Q3 revenue, USD thousands

Client	Sector	Revenue	Share
Meridian Group	Insurance	980	20%
Harbor Health	Healthcare	640	13%
Altura Energy	Energy	455	9%
Kestrel Bank	Financial services	410	9%
31 other clients		2,335	48%

Pipeline

Qualified pipeline stands at \$7.9m across 27 opportunities, 1.6 times the revenue we need to book for Q4 and Q1. Win rate on proposals was 41% over the last two quarters, compared with 36% a year ago.

The four opportunities in negotiation are all extensions of current work, which shortens sales cycles but adds to concentration.

Qualified pipeline by stage

Stage	Opportunities	Value
Discovery	14	\$3.9m
Proposal	9	\$2.6m
Negotiation	4	\$1.4m
Total	27	\$7.9m

Delivery

Billable utilization was 78%, within our 75–80% target range. Ninety-four percent of milestones were delivered on or before the agreed date. The two late milestones were caused by client-side approvals and did not affect fees.

Client satisfaction, measured at the close of each milestone, averaged 4.7 out of 5.

- Fixed-fee engagements finished within 3% of estimate on average.
- Accessibility reviews are now part of every design milestone.
- A shared component library cut handover time by roughly a week per project.

People

Headcount grew from 46 to 51 with five hires, three of them in engineering. Annualized voluntary attrition was 7%, down from 11% a year ago. All open roles for the quarter were filled within 45 days.

The engagement survey response rate was 92%, and 88% of the team would recommend Northstar as a place to work.

- Two senior engineers start in October, completing the Q3 hiring plan.
- The design leadership program has eight participants in its first cohort.

Finance

Gross margin improved to 55.4% as utilization rose and fewer hours were written off. Operating expenses grew 16%, mainly from hiring. Operating profit grew 29% to \$1.19m.

Cash rose by \$0.84m to \$6.10m. Days sales outstanding fell from 41 to 34 after we moved to invoicing on milestone acceptance.

Income statement, USD thousands

Line item	Q2 2026	Q3 2026
Revenue	4,085	4,820
Direct costs	(1,890)	(2,150)
Gross profit	2,195	2,670
Operating expenses	(1,274)	(1,484)
Operating profit	921	1,186
Operating margin	22.5%	24.6%

Risks

Client concentration is the most significant risk, followed by senior engineering hiring. Both have owners and mitigations, and both are reviewed monthly by the leadership team.

Principal risks

Risk	Likelihood	Owner
Meridian Group exceeds 15% of revenue	High	Chief executive
Senior engineering roles stay open	Medium	Chief operating officer
Fixed-fee work runs over estimate	Low	Head of delivery
Delayed client payments	Low	Finance director

Priorities for Q4

Our priorities for the quarter keep growth balanced while we reduce dependence on a single client.

- Bring Meridian Group below 18% of revenue by growing the two new healthcare accounts.
- Convert three of the four negotiation-stage opportunities.
- Hold utilization between 75% and 80% while onboarding new hires.
- Complete the move to milestone-based invoicing for all fixed-fee work.

Decisions for the board

Management asks the board to make three decisions at this meeting. Supporting papers were circulated with this report.

- Approve the Q4 hiring plan of five roles, with an annualized cost of \$0.62m.
- Approve a budget of \$0.40m to open a London studio in Q1 2027.
- Note the revised revenue outlook for 2026 of \$17.6m, up from \$16.9m.

Notes

Figures are unaudited management information.