2023 Annual Revenue Analysis - Maritime vs Industrial Segments

DeepShield Systems, Inc.

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1. Executive Summary

This revenue analysis document provides a detailed examination of DeepShield Systems, Inc.'s ("Company") revenue performance across its Maritime and Industrial business segments for fiscal year 2023. This analysis has been prepared by the Office of the Chief Financial Officer in accordance with Generally Accepted Accounting Principles (GAAP) and reviewed by external auditors.

2. Revenue Classification Methodology

1. Maritime Segment Revenue is defined as all revenue derived from:

- Offshore platform security systems

- Maritime vessel cybersecurity solutions

- Port facility protection systems

- Subsea infrastructure monitoring

- Related maritime consulting services

2. Industrial Segment Revenue is defined as all revenue derived from:

- Manufacturing facility security systems

- Energy grid protection solutions

- Industrial control system (ICS) security

- SCADA network protection

- Related industrial consulting services

3. Revenue Performance Analysis

1. Total Company Revenue

- FY2023 Total Revenue: $32,500,000

- Year-over-Year Growth: 42.8%

- Gross Margin: 73.4%

2. Maritime Segment Performance

- FY2023 Revenue: $13,975,000 (43% of total)

- Year-over-Year Growth: 51.2%

- Segment Gross Margin: 75.8%

- Key Growth Drivers:

- Expansion of offshore wind farm security contracts

- New port authority implementations

- Enhanced subsea monitoring solutions

3. Industrial Segment Performance

- FY2023 Revenue: $18,525,000 (57% of total)

- Year-over-Year Growth: 36.9%

- Segment Gross Margin: 71.6%

- Key Growth Drivers:

- Manufacturing automation security contracts

- Critical infrastructure protection programs

- ICS security platform upgrades

4. Revenue Recognition Policies

1. The Company recognizes revenue in accordance with ASC 606, with the following segment-specific considerations:

2. Maritime Segment:

- Hardware revenue recognized upon installation completion

- Software licenses recognized ratably over contract term

- Maintenance services recognized monthly

- Professional services recognized as delivered

3. Industrial Segment:

- Platform licenses recognized upon activation

- Implementation services recognized on percentage-of-completion

- Recurring monitoring fees recognized monthly

- Training services recognized upon delivery

5. Geographic Distribution

1. Maritime Segment Geographic Distribution:

- North America: 45%

- Europe: 30%

- Asia-Pacific: 20%

- Rest of World: 5%

2. Industrial Segment Geographic Distribution:

- North America: 55%

- Europe: 25%

- Asia-Pacific: 15%

- Rest of World: 5%

6. Customer Concentration

1. Maritime Segment:

- Top 5 customers represent 42% of segment revenue

- No single customer exceeds 15% of segment revenue

- Average contract value: $425,000

2. Industrial Segment:

- Top 5 customers represent 35% of segment revenue

- No single customer exceeds 12% of segment revenue

- Average contract value: $385,000

7. Forward-Looking Projections

1. Maritime Segment:

- Projected FY2024 Growth: 45-50%

- Expected Gross Margin: 74-76%

- Key Growth Initiatives:

- New subsea monitoring product launch

- Geographic expansion in Asia-Pacific

- Enhanced AI capabilities

2. Industrial Segment:

- Projected FY2024 Growth: 35-40%

- Expected Gross Margin: 71-73%

- Key Growth Initiatives:

- Manufacturing security platform upgrade

- European market expansion

- New OT security features

8. Certification

The undersigned hereby certifies that this analysis accurately reflects the Company's segment revenue performance for FY2023 based on internal financial records and external audit verification.

Dated: January 11, 2024

/s/ Robert Kessler

Robert Kessler

Chief Financial Officer

DeepShield Systems, Inc.

9. Disclaimer

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