SaaS Metrics - Customer Acquisition Cost Analysis

DeepShield Systems, Inc.

Confidential & Proprietary

Generated: January 11, 2024

1. Executive Summary

This document presents a detailed analysis of Customer Acquisition Cost (CAC) metrics for DeepShield Systems, Inc. ("DeepShield" or the "Company") for the period ending December 31, 2023. This analysis has been prepared in accordance with generally accepted SaaS metric calculation methodologies and reviewed by the Company's Finance Department.

2. Calculation Methodology

1. Customer Acquisition Cost (CAC) is calculated using the following formula:
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CAC = (Total Sales & Marketing Expenses) / (Number of New Customers Acquired)
```

2. Components included in Sales & Marketing Expenses:

- Direct sales team compensation (salary, benefits, commissions)

- Marketing team compensation

- Digital marketing expenditures

- Trade show and event costs

- Sales enablement tools and technologies

- Partner channel commissions

- Marketing content creation and distribution

- Lead generation activities

- Sales operations infrastructure

3. Historical CAC Analysis

1. Annual CAC Metrics (2021-2023):

- 2021: $127,500 per enterprise customer

- 2022: $142,800 per enterprise customer

- 2023: $156,400 per enterprise customer

2. Segmented CAC by Customer Type (2023):

- Tier 1 (>$500K ACV): $285,000

- Tier 2 ($250K-$500K ACV): $175,000

- Tier 3 ($100K-$250K ACV): $95,000

4. CAC Payback Period

1. Current CAC Payback Period:

- Average: 14.2 months

- Tier 1 customers: 11.8 months

- Tier 2 customers: 13.5 months

- Tier 3 customers: 16.8 months

2. Payback Period Calculation Methodology:

```
CAC Payback Period = CAC / (Annual Contract Value   Gross Margin)
```

5. Sales Efficiency Metrics

1. Magic Number Analysis:

- Q4 2023: 0.82

- Q3 2023: 0.78

- Q2 2023: 0.75

- Q1 2023: 0.71

2. LTV/CAC Ratio:

- Overall portfolio: 4.8x

- Tier 1 customers: 5.7x

- Tier 2 customers: 4.5x

- Tier 3 customers: 3.9x

6. Geographic Distribution

1. CAC by Region (2023):

- North America: $162,400

- Europe: $178,900

- Asia-Pacific: $145,600

- Other Markets: $138,200

7. Channel Analysis

1. CAC by Acquisition Channel:

- Direct Sales: $168,400

- Channel Partners: $142,300

- Digital Marketing: $98,600

- Events/Trade Shows: $185,200

2. Channel Efficiency Metrics:

- Direct Sales Conversion Rate: 18.5%

- Partner-Sourced Conversion Rate: 22.3%

- Digital Marketing Conversion Rate: 2.8%

8. Optimization Initiatives

1. Current CAC Reduction Initiatives:

- Sales process automation implementation

- Partner enablement program enhancement

- Account-based marketing optimization

- Sales territory realignment

- Lead scoring refinement

2. Projected Impact:

- Expected CAC reduction: 12-15% by Q4 2024

- Anticipated payback period improvement: 2.5 months

9. Disclaimers and Limitations

1. This analysis contains forward-looking statements and projections that involve risks and uncertainties. Actual results may differ materially from those projected.

2. The metrics presented are based on internal company data and industry-standard calculation methodologies but have not been independently verified.

3. This document is confidential and proprietary to DeepShield Systems, Inc. and is protected under applicable intellectual property laws.

10. Certification

The undersigned hereby certifies that this Customer Acquisition Cost Analysis accurately reflects the Company's metrics as of the date hereof.

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DEEPSHIELD SYSTEMS, INC.

**By:** _

Robert Kessler

Chief Financial Officer

Date: January 11, 2024
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11. Document Control

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