

CUSTOMER CHURN ANALYSIS REPORT

Q3-Q4 2023

DeepShield Systems, Inc.

CONFIDENTIAL AND PRIVILEGED

1. EXECUTIVE SUMMARY

This Customer Churn Analysis Report ("Report") has been prepared by the Finance and Customer Success departments of DeepShield Systems, Inc. ("DeepShield" or the "Company") for the period of July 1, 2023, through December 31, 2023 (the "Analysis Period"). This Report analyzes customer retention metrics, churn patterns, and associated revenue impact for the Company's industrial cybersecurity solutions.

2. DEFINITIONS

1. "Churn Rate" means the percentage of customers who discontinued their subscription or service during the Analysis Period.
2. "Logo Churn" refers to the complete discontinuation of services by a customer entity.
3. "Revenue Churn" means the total revenue loss from discontinued or reduced services.
4. "Net Revenue Retention" or "NRR" means the total revenue from existing customers in the current period divided by total revenue from the same customers in the prior period.

3. METHODOLOGY

1. Data Collection

- Customer contract status tracking
- Service utilization metrics
- Revenue recognition data
- Customer success engagement logs
- Support ticket analysis
- Quarterly business reviews (QBRs)

2. Analysis Parameters

- Monthly recurring revenue (MRR) tracking
- Contract renewal rates
- Service level modifications
- Customer health scores
- Implementation milestone completion

4. CHURN METRICS

1. Overall Churn Statistics

- Q3 2023 Logo Churn: 2.8%
- Q4 2023 Logo Churn: 2.3%
- Q3 2023 Revenue Churn: 3.1%
- Q4 2023 Revenue Churn: 2.7%

2. Net Revenue Retention

- Q3 2023: 108%
- Q4 2023: 112%

5. CUSTOMER SEGMENTATION ANALYSIS

1. Enterprise Accounts (\$500k+ ARR)

- Churn Rate: 1.2%
- Primary Churn Factors:
- M&A activity (2 instances)
- Budget reallocation (1 instance)
- Strategic direction change (1 instance)

2. Mid-Market Accounts (\$100k-\$500k ARR)

- Churn Rate: 2.9%
- Primary Churn Factors:
- Price sensitivity (4 instances)
- Competitive displacement (3 instances)
- Technical implementation challenges (2 instances)

3. Small Business Accounts (<\$100k ARR)

- Churn Rate: 4.1%
- Primary Churn Factors:
- Resource constraints (6 instances)
- Business closure (2 instances)
- Feature gaps (3 instances)

6. RISK MITIGATION STRATEGIES

1. Implemented Measures

- Enhanced onboarding protocol for maritime clients
- Expanded technical support coverage to 24/7
- Introduced success-based pricing options
- Developed customer health monitoring dashboard

2. Planned Initiatives

- Implementation of AI-driven early warning system
- Enhanced integration capabilities for legacy systems
- Expanded professional services offerings
- Structured quarterly business review program

7. FINANCIAL IMPACT

1. Revenue Impact

- Total revenue impact from churn: \$1,875,000
- Offset by expansion revenue: \$2,950,000
- Net revenue impact: +\$1,075,000

2. Customer Acquisition Cost (CAC) Analysis

- Average CAC for replacement customers: \$85,000
- Total CAC impact from churn: \$1,105,000

8. RECOMMENDATIONS

1. Immediate Actions

- Implement enhanced maritime-specific support team
- Develop targeted retention programs for mid-market segment
- Expand professional services capabilities
- Strengthen competitive differentiation messaging

2. Long-term Initiatives

- Develop industry-specific solution bundles
- Enhance product integration capabilities
- Implement predictive churn modeling
- Strengthen customer success methodology

9. DISCLAIMERS AND LIMITATIONS

This Report contains confidential and proprietary information of DeepShield Systems, Inc. The analysis and conclusions presented herein are based on data available as of December 31, 2023, and are subject to change. This Report may not be reproduced or distributed without the express written consent of DeepShield Systems, Inc.

10. CERTIFICATION

The undersigned hereby certify that this Report accurately reflects the customer churn analysis for DeepShield Systems, Inc. for the specified period.

Dated: January 15, 2024

—

Robert Kessler

Chief Financial Officer

—

Sarah Martinez

VP of Customer Success

—

David Thompson

Director of Financial Planning & Analysis
