

# Maritime Division Cost Structure Analysis

## CONFIDENTIAL & PRIVILEGED

Prepared for DeepShield Systems, Inc.

Date: January 11, 2024

Reference: DSS-MAR-2024-001

### 1. Executive Summary

This analysis examines the cost structure of DeepShield Systems, Inc.'s Maritime Division ("Division") for fiscal year 2023, with projections through 2025. This document is prepared for internal strategic planning and potential transaction purposes and contains confidential business information.

### 2. Division Overview

1. The Maritime Division represents approximately 28% of DeepShield Systems' total revenue (\$9.1M of \$32.5M) for FY2023, focusing on cybersecurity solutions for maritime vessels, port facilities, and offshore infrastructure.

2. Primary service offerings include:

- a) MarineShield(TM) OT Protection Platform
- b) Port Infrastructure Security Suite
- c) Offshore Asset Monitoring System
- d) Vessel Network Defense Solutions

### 3. Cost Structure Components

1. Direct Operating Costs

- Research & Development: \$2.1M (23% of division revenue)
- Technical Implementation: \$1.8M (20% of division revenue)
- Customer Support Operations: \$875K (9.6% of division revenue)
- Infrastructure & Cloud Services: \$650K (7.1% of division revenue)

2. Personnel Costs

- Engineering Staff: \$2.4M (26.4% of division revenue)

- Sales & Business Development: \$950K (10.4% of division revenue)
- Professional Services: \$425K (4.7% of division revenue)
- Administrative Support: \$280K (3.1% of division revenue)

### 3. Overhead Allocation

- Corporate Services: \$520K (5.7% of division revenue)
- Facilities & Equipment: \$380K (4.2% of division revenue)
- Insurance & Compliance: \$290K (3.2% of division revenue)
- Professional Fees: \$185K (2.0% of division revenue)

## 4. Margin Analysis

### 1. Gross Margin

- Total Revenue: \$9.1M
- Direct Costs: \$5.425M
- Gross Margin: \$3.675M (40.4%)

### 2. Operating Margin

- Operating Expenses: \$2.825M
- Operating Income: \$850K
- Operating Margin: 9.3%

## 5. Cost Optimization Initiatives

### 1. Current Initiatives

- Cloud infrastructure optimization program targeting 15% cost reduction
- Automation of routine maintenance procedures
- Implementation of AI-assisted customer support triage
- Consolidated vendor management program

### 2. Planned Initiatives (2024-2025)

- Migration to microservices architecture
- Implementation of automated testing frameworks
- Development of self-service customer portals

- Enhanced resource allocation algorithms

## **6. Risk Factors**

### **1. Cost Structure Risks**

- Cybersecurity talent acquisition and retention costs
- Cloud service provider pricing fluctuations
- Regulatory compliance cost increases
- Foreign exchange exposure in international operations

### **2. Mitigation Strategies**

- Implementation of retention programs for key personnel
- Multi-cloud strategy for cost optimization
- Automated compliance monitoring systems
- Natural hedge through geographic diversification

## **7. Legal Considerations**

1. This analysis contains forward-looking statements and projections that are subject to various risks and uncertainties.
2. All financial data is unaudited and prepared for management purposes only.
3. This document is protected by attorney-client privilege and contains confidential information of DeepShield Systems, Inc.

## **8. Certification**

The undersigned hereby certifies that this cost structure analysis has been prepared in accordance with DeepShield Systems' internal financial reporting procedures and represents a reasonable assessment of the Maritime Division's cost structure as of the date hereof.

DEEPSHIELD SYSTEMS, INC.

**By:** \_

Robert Kessler

Chief Financial Officer

Date: January 11, 2024

## **9. Disclaimer**

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