

2024 WORKING CAPITAL FORECAST

DeepShield Systems, Inc.

Confidential & Proprietary

Prepared: January 11, 2024

1. EXECUTIVE SUMMARY

This Working Capital Forecast (the "Forecast") has been prepared by the management of DeepShield Systems, Inc. (the "Company") to project working capital requirements for fiscal year 2024. The Forecast incorporates historical operating patterns, planned growth initiatives, and anticipated market conditions in the industrial cybersecurity sector.

2. FORECAST ASSUMPTIONS

1. ****Revenue Growth****: Projected 35% year-over-year growth based on:

- Expansion of maritime security platform deployments
- New enterprise contracts for OT protection solutions
- Increased recurring revenue from existing customers

2. ****Operating Cycle****:

- Average accounts receivable collection period: 60 days
- Average accounts payable payment terms: 45 days
- Inventory turnover: 6x annually
- Software license revenue recognition: Monthly
- Professional services billing: 50% upfront, 50% upon completion

3. ****Seasonal Factors****:

- Q2/Q4 peak deployment periods for maritime installations
- Q1 enterprise budget allocation timing impact
- Q3 reduced activity due to industrial maintenance schedules

3. WORKING CAPITAL COMPONENTS

1. ****Current Assets Forecast****:

Component	Q1 2024	Q2 2024	Q3 2024	Q4 2024
-----	-----	-----	-----	-----
Accounts Receivable	\$8.2M	\$9.5M	\$8.8M	\$10.3M
Inventory	\$1.2M	\$1.4M	\$1.3M	\$1.5M
Prepaid Expenses	\$0.8M	\$0.9M	\$0.8M	\$1.0M

2. ****Current Liabilities Forecast****:

Component	Q1 2024	Q2 2024	Q3 2024	Q4 2024
-----	-----	-----	-----	-----
Accounts Payable	\$3.5M	\$4.2M	\$3.8M	\$4.5M
Accrued Expenses	\$2.1M	\$2.4M	\$2.2M	\$2.6M
Deferred Revenue	\$4.8M	\$5.5M	\$5.2M	\$6.0M

4. **WORKING CAPITAL REQUIREMENTS**

1. ****Quarterly Net Working Capital Forecast****:

- Q1 2024: \$0.6M increase
- Q2 2024: \$0.8M increase
- Q3 2024: \$0.3M decrease
- Q4 2024: \$0.9M increase

2. ****Funding Sources****:

- Operating cash flow: 70%
- Existing credit facility: 30%
- No additional equity funding required

5. **RISK FACTORS**

1. The following factors may impact actual working capital requirements:

- Customer payment timing variations
- Supply chain disruptions affecting inventory
- Foreign exchange fluctuations
- Cybersecurity market competitive dynamics

- Regulatory changes affecting critical infrastructure

6. MITIGATION STRATEGIES

1. **Working Capital Management:**

- Implementation of enhanced credit monitoring
- Supplier payment term optimization
- Inventory management automation
- Dynamic pricing adjustments
- Customer contract structure improvements

2. **Contingency Planning:**

- Maintenance of minimum \$5M cash buffer
- Unused credit facility capacity of \$10M
- Quarterly forecast review and adjustment
- Cross-functional working capital committee oversight

7. DISCLAIMERS

This Forecast contains forward-looking projections based on current expectations and assumptions. Actual results may differ materially from these projections. The Company does not undertake any obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

This document is confidential and proprietary to DeepShield Systems, Inc. Any unauthorized reproduction or distribution is strictly prohibited.

8. APPROVAL

REVIEWED AND APPROVED BY:

Robert Kessler

Chief Financial Officer

Date: January 11, 2024

Dr. Marcus Chen

Chief Executive Officer

Date: January 11, 2024

9. APPENDIX

1. ****Historical Working Capital Metrics (2021-2023)****
2. ****Detailed Calculation Methodologies****
3. ****Industry Benchmark Comparisons****
4. ****Sensitivity Analysis****

[End of Document]