

SERIES C POST-MONEY VALUATION REPORT

DeepShield Systems, Inc.

As of December 31, 2023

CONFIDENTIAL

1. EXECUTIVE SUMMARY

This valuation report provides a comprehensive analysis of DeepShield Systems, Inc.'s (the "Company") post-money valuation following the completion of its Series C financing round closed on December 15, 2023. The analysis incorporates multiple valuation methodologies and considers the Company's position in the industrial cybersecurity market.

Post-Money Valuation Summary:

- Series C Round Size: \$75,000,000
- Pre-Money Valuation: \$425,000,000
- Post-Money Valuation: \$500,000,000
- Price Per Share (Series C): \$12.75

2. TRANSACTION OVERVIEW

1 Financing Details

- Total Series C Shares Issued: 5,882,353
- Share Class: Series C Preferred Stock
- Liquidation Preference: 1x
- Participation: Non-participating
- Anti-dilution Protection: Broad-based weighted average
- Board Seats: One additional seat for lead Series C investor

2 Key Investment Terms

- Minimum Investment: \$5,000,000
- Lead Investor: Quantum Ventures Partners
- Major Co-investors: Maritime Technology Fund, CyberSec Growth Capital
- Use of Proceeds: Market expansion, R&D, working capital

3. CAPITALIZATION STRUCTURE

1 Post-Series C Cap Table Summary

Class of Security | Shares Outstanding | Ownership %

-----|-----|-----

Common Stock | 15,000,000 | 38.5%
Series A Preferred | 8,000,000 | 20.5%
Series B Preferred | 10,000,000 | 25.6%
Series C Preferred | 5,882,353 | 15.4%
Total Fully Diluted | 38,882,353 | 100%

2 Option Pool

- Current ESOP Reserve: 4,500,000 shares
- Post-Series C Available Pool: 2,750,000 shares
- Fully-diluted basis includes all authorized options

4. VALUATION METHODOLOGY

1 Primary Valuation Methods

- Comparable Company Analysis
- Precedent Transaction Analysis
- Discounted Cash Flow Analysis
- Industry-Specific Metrics

2 Key Valuation Metrics

- Revenue Multiple: 15.4x LTM
- Growth Rate (YoY): 127%
- Gross Margin: 78%
- ARR Multiple: 12.8x

5. MARKET ANALYSIS

1 Market Position

- Total Addressable Market: \$45B

- Current Market Share: 0.7%
- Projected Market Share (2026): 2.5%
- Key Competitors: 4 public, 6 private

2 Growth Drivers

- Industrial IoT security expansion
- Maritime cybersecurity regulations
- Critical infrastructure protection mandates
- International market penetration

6. FINANCIAL PERFORMANCE

1 Historical Results

- 2023 Revenue: \$32.5M
- 2022 Revenue: \$14.3M
- 2021 Revenue: \$6.8M
- 3-Year CAGR: 118%

2 Forward Projections

- 2024E Revenue: \$65.0M
- 2025E Revenue: \$110.0M
- 2026E Revenue: \$175.0M
- Projected EBITDA Break-even: Q4 2024

7. RISK FACTORS

1 Business Risks

- Competitive market dynamics
- Technology obsolescence
- Regulatory compliance requirements
- Customer concentration

2 Financial Risks

- Cash burn rate

- Future funding requirements
- Foreign exchange exposure
- Working capital management

8. CERTIFICATION AND DISCLAIMERS

This valuation report has been prepared by the Company's financial advisors in connection with the Series C financing round. The analysis and conclusions contained herein are based on information provided by management and other sources deemed reliable but have not been independently verified.

This report is for informational purposes only and should not be relied upon as investment advice or as a basis for any investment decision. The projections and forward-looking statements contained herein are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond the Company's control.

9. APPENDICES

Available upon request:

- Detailed financial models
- Comparable company analysis
- Precedent transaction details
- Industry research reports

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[APPENDIX MATERIALS AVAILABLE IN SEPARATE FILES]

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