

# CUSTOMER LIFETIME VALUE ANALYSIS 2023

**DeepShield Systems, Inc.**

*Confidential & Proprietary*

*Generated: December 31, 2023*

## 1. EXECUTIVE SUMMARY

This Customer Lifetime Value (CLV) Analysis has been prepared by the Finance Department of DeepShield Systems, Inc. ("DeepShield" or the "Company") to assess the long-term value and revenue potential of the Company's customer relationships across its industrial cybersecurity product lines.

## 2. METHODOLOGY AND ASSUMPTIONS

1. The analysis employs a Net Present Value (NPV) calculation methodology using:

- Discount rate: 12% (industry-standard for enterprise software)
- Average contract term: 36 months
- Renewal probability factors based on historical data
- Customer acquisition costs (CAC) amortized over initial contract period

2. Customer segmentation categories:

- Tier 1: Enterprise (>\$1M annual contract value)
- Tier 2: Mid-Market (\$250K-\$1M annual contract value)
- Tier 3: Growth (\$50K-\$250K annual contract value)

## 3. CUSTOMER LIFETIME VALUE METRICS

1. Enterprise Segment (Tier 1)

- Average Initial Contract Value: \$1,450,000
- Average Contract Term: 48 months
- Renewal Rate: 92%
- Upsell Rate: 28% annually
- Average CLV: \$4,850,000
- Current Customer Count: 12

## 2. Mid-Market Segment (Tier 2)

- Average Initial Contract Value: \$475,000
- Average Contract Term: 36 months
- Renewal Rate: 87%
- Upsell Rate: 22% annually
- Average CLV: \$1,250,000
- Current Customer Count: 28

## 3. Growth Segment (Tier 3)

- Average Initial Contract Value: \$125,000
- Average Contract Term: 24 months
- Renewal Rate: 83%
- Upsell Rate: 15% annually
- Average CLV: \$385,000
- Current Customer Count: 45

# 4. VERTICAL-SPECIFIC ANALYSIS

## 1. Maritime & Offshore

- Average CLV: \$2,850,000
- Customer Acquisition Cost: \$225,000
- CLV:CAC Ratio: 12.7:1
- Segment Growth Rate: 42% YoY

## 2. Manufacturing & Industrial

- Average CLV: \$1,750,000
- Customer Acquisition Cost: \$180,000
- CLV:CAC Ratio: 9.7:1
- Segment Growth Rate: 35% YoY

## 3. Critical Infrastructure

- Average CLV: \$3,250,000
- Customer Acquisition Cost: \$275,000

- CLV:CAC Ratio: 11.8:1
- Segment Growth Rate: 38% YoY

## **5. RETENTION AND CHURN ANALYSIS**

### **1. Customer Retention Metrics**

- Overall retention rate: 88%
- Logo retention rate: 91%
- Revenue retention rate: 115% (including upsell)
- Average customer lifespan: 6.2 years

### **2. Churn Analysis**

- Voluntary churn rate: 8%
- Involuntary churn rate: 4%
- Primary churn reasons:
  - Budget constraints (35%)
  - M&A activity (25%)
  - Competitive displacement (20%)
  - Other (20%)

## **6. FINANCIAL IMPLICATIONS**

### **1. Revenue Impact**

- Projected annual recurring revenue (ARR): \$32.5M
- Net revenue retention: 115%
- Gross margin contribution: 78%

### **2. Growth Projections**

- Expected CLV growth rate: 25% annually
- Projected customer base growth: 45% annually
- Target CLV:CAC ratio: 10:1

## **7. DISCLAIMERS AND LIMITATIONS**

This analysis contains forward-looking statements and projections based on historical data and

current market conditions. Actual results may vary materially from these projections. This document is confidential and proprietary to DeepShield Systems, Inc. and may not be reproduced or distributed without express written consent.

The methodologies and assumptions used in this analysis are based on industry standards and internal company metrics. This analysis does not constitute a guarantee of future performance or results.

## **8. CERTIFICATION**

This Customer Lifetime Value Analysis has been prepared and reviewed by the undersigned officers of DeepShield Systems, Inc. as of December 31, 2023.

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Robert Kessler

Chief Financial Officer

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Dr. Marcus Chen

Chief Executive Officer

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