

CUSTOMER CHURN ANALYSIS REPORT

Q4 2023 - DeepShield Systems, Inc.

CONFIDENTIAL & PRIVILEGED

Prepared: January 10, 2024

1. EXECUTIVE SUMMARY

This Customer Churn Analysis Report (the "Report") has been prepared by the Finance and Customer Success departments of DeepShield Systems, Inc. (the "Company") for the quarter ending December 31, 2023. This Report is subject to the confidentiality provisions outlined in Section 7 herein.

2. DEFINITIONS

1. "Churn Rate" shall mean the percentage of customers who discontinued or failed to renew their subscription to the Company's services during the Measurement Period.
2. "Logo Churn" shall mean the total number of distinct customer entities that terminated their relationship with the Company.
3. "Revenue Churn" shall mean the total contract value (TCV) lost from churned accounts.
4. "Measurement Period" shall mean October 1, 2023 through December 31, 2023.

3. QUARTERLY CHURN METRICS

1. Overall Churn Performance

- Logo Churn Rate: 2.8%
- Revenue Churn Rate: 1.9%
- Net Revenue Retention: 108%

2. Segmentation Analysis

- Enterprise Accounts (>\$500,000 ARR): 0.5% churn
- Mid-Market (\$100,000-\$500,000 ARR): 2.1% churn
- Small Business (<\$100,000 ARR): 5.4% churn

4. CHURN CAUSATION ANALYSIS

1. Primary Churned Account Categories:

- a) Budget constraints/economic factors (38%)
- b) Competitive displacement (27%)
- c) Business closure/M&A activity (18%)
- d) Product fit issues (12%)
- e) Service quality concerns (5%)

2. Geographic Distribution of Churned Accounts:

- North America: 58%
- Europe: 25%
- Asia-Pacific: 12%
- Other regions: 5%

5. RISK MITIGATION MEASURES

1. The Company has implemented the following retention initiatives:

a) Enhanced Enterprise Support Program

- Dedicated technical account managers
- 24/7 priority incident response
- Quarterly business reviews
- Customized training programs

b) Product Enhancement Roadmap

- Maritime-specific security modules
- Enhanced API integration capabilities
- Improved reporting functionality
- Advanced threat detection features

6. FINANCIAL IMPACT ASSESSMENT

1. Revenue Impact

- Q4 2023 revenue impact: (\$842,000)

- Projected annual impact FY2024: (\$3,368,000)
- Offset by expansion revenue: \$4,126,000
- Net revenue effect: +\$758,000

2. Customer Acquisition Cost (CAC) Impact

- Total replacement CAC: \$1,263,000
- Average CAC per churned account: \$57,409

7. CONFIDENTIALITY AND USE RESTRICTIONS

1. This Report contains confidential and proprietary information of the Company. The recipient agrees to:

- a) Maintain the confidentiality of this Report
- b) Not disclose any information contained herein to third parties
- c) Use this information solely for authorized business purposes
- d) Return or destroy all copies upon request

2. Legal Disclaimer: This Report is provided for informational purposes only and shall not constitute any representation or warranty by the Company regarding future performance.

8. CERTIFICATION

The undersigned hereby certify that the information contained in this Report is true and accurate to the best of their knowledge as of the date first written above.

DEEPSHIELD SYSTEMS, INC.

By: _

Robert Kessler

Chief Financial Officer

By: _

Sarah Martinez

VP of Customer Success

9. APPENDICES

1. Detailed customer churn data tables
2. Industry benchmark comparisons
3. Historical trend analysis
4. Customer feedback summaries
5. Retention program ROI calculations

[END OF REPORT]