

2024 OPERATING BUDGET FORECAST

DeepShield Systems, Inc.

CONFIDENTIAL & PROPRIETARY

Effective Date: January 1, 2024

1. EXECUTIVE SUMMARY

This 2024 Operating Budget Forecast (the "Budget Forecast") has been prepared by the management of DeepShield Systems, Inc. (the "Company") and approved by the Board of Directors on December 15, 2023. This document outlines projected operational expenditures, revenue targets, and resource allocation for fiscal year 2024.

2. REVENUE PROJECTIONS

1. **Core Product Revenue**

- Industrial Control System (ICS) Security Platform: \$28,500,000
- Maritime Security Solutions: \$12,750,000
- Professional Services: \$4,250,000
- Maintenance & Support: \$3,500,000

2. **Total Projected Revenue**: \$49,000,000

- Representing 50.8% growth from FY2023
- Q1: \$10,800,000
- Q2: \$11,700,000
- Q3: \$12,900,000
- Q4: \$13,600,000

3. OPERATING EXPENSES

1. **Personnel Expenses**

- Total Headcount: 245 (projected end of 2024)
- Salary & Wages: \$18,375,000
- Benefits & Insurance: \$4,593,750
- Stock-Based Compensation: \$2,756,250

- Total Personnel: \$25,725,000

2. ****Research & Development****

- Core Platform Development: \$6,850,000
- Maritime Module Enhancement: \$2,450,000
- AI/ML Infrastructure: \$1,750,000
- Total R&D: \$11,050,000

3. ****Sales & Marketing****

- Direct Sales Team: \$3,850,000
- Marketing Programs: \$2,250,000
- Channel Development: \$1,150,000
- Total S&M: \$7,250,000

4. ****General & Administrative****

- Facilities & Operations: \$2,850,000
- Professional Services: \$1,250,000
- Insurance & Compliance: \$875,000
- Total G&A: \$4,975,000

4. CAPITAL EXPENDITURE

1. ****Infrastructure Investments****

- Cloud Infrastructure: \$1,850,000
- Security Operations Centers: \$1,250,000
- Development Environment: \$750,000
- Total Infrastructure: \$3,850,000

2. ****Office Expansion****

- Boston HQ Expansion: \$1,250,000
- Singapore Office Setup: \$850,000
- Total Facilities: \$2,100,000

5. WORKING CAPITAL

1. **Cash Management**

- Minimum Cash Balance: \$12,000,000
- Operating Reserve: \$8,000,000
- Strategic Investment Reserve: \$5,000,000

2. **Accounts Receivable**

- Target DSO: 65 days
- Expected AR Balance: \$8,700,000

6. KEY PERFORMANCE INDICATORS

1. **Financial Metrics**

- Gross Margin: 73%
- Operating Margin: 18%
- R&D as % of Revenue: 22.5%
- CAC Payback Period: 12 months

2. **Operational Metrics**

- Customer Retention Rate: 94%
- Platform Uptime: 99.99%
- Support Response Time: <30 minutes

7. ASSUMPTIONS AND RISKS

1. **Key Assumptions**

- Market growth rate: 25%
- Foreign exchange rates remain stable
- No major regulatory changes
- Successful Series D closing in Q2 2024

2. **Risk Factors**

- Competitive pressure on margins
- Cybersecurity talent acquisition challenges
- Global economic conditions

- Supply chain dependencies

8. LEGAL DISCLAIMERS

This Budget Forecast contains forward-looking statements and projections. Actual results may differ materially from these projections due to various factors including market conditions, competitive dynamics, and other risks detailed in the Company's risk factors. This document is confidential and proprietary to DeepShield Systems, Inc. and may not be shared without written authorization.

9. APPROVAL AND MODIFICATIONS

This Budget Forecast has been approved by:

DEEPSHIELD SYSTEMS, INC.

By: _

Robert Kessler

Chief Financial Officer

Date: December 15, 2023

By: _

Dr. Marcus Chen

Chief Executive Officer

Date: December 15, 2023

[BOARD OF DIRECTORS APPROVAL STAMP]