

# Cybersecurity Profitability & Margin Optimization

Moving from Structural Deficit to Scalable Growth.



DIAGNOSTIC REVIEW // 200% COGS INTERVENTION // 22-MONTH BREAK-EVEN PROTOCOL

# The Reality Check: Current Trajectory vs. Optimized Future

## CURRENT STATE (CRISIS)

**2000%**

Projected Non-Labor COGS

**-1000%**

Gross Margin

Every \$1 of revenue generates a \$2 loss before paying technicians. Profitability is mathematically impossible.

## OPTIMIZED FUTURE (TARGET)

**<25%**

Target Non-Labor COGS

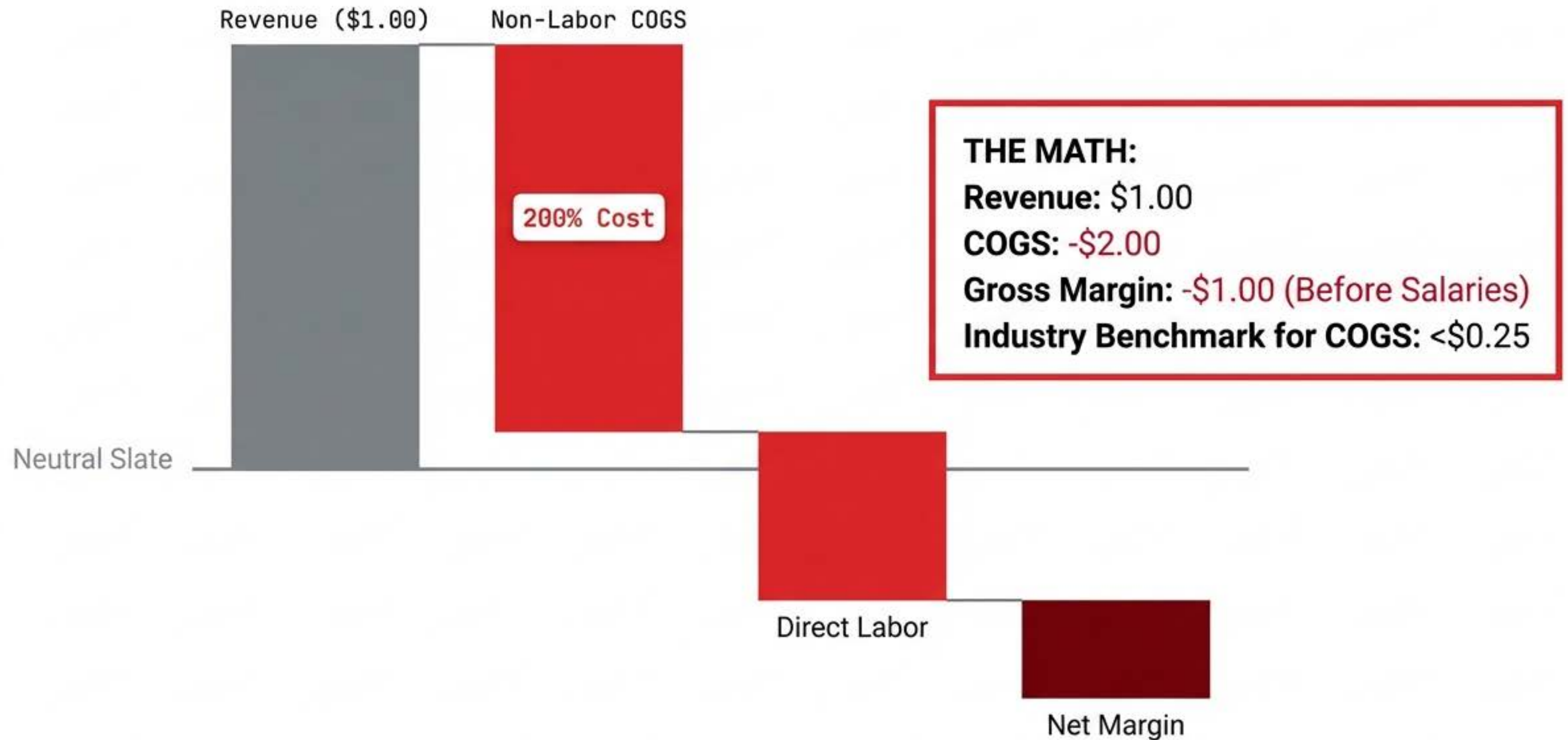
**22 MO**

Break-Even Timeline

CAC reduced to \$2,000 via high-intent channels. Efficiency engineered for scale.

**URGENT SURGICAL INTERVENTION REQUIRED**

# The Structural Deficit: Why the Current Model is Unscalable



**Immediate Audit Required: Focus on vendor fees and client density.**

# Revenue Engineering: Shift Mix to High-Yield Services

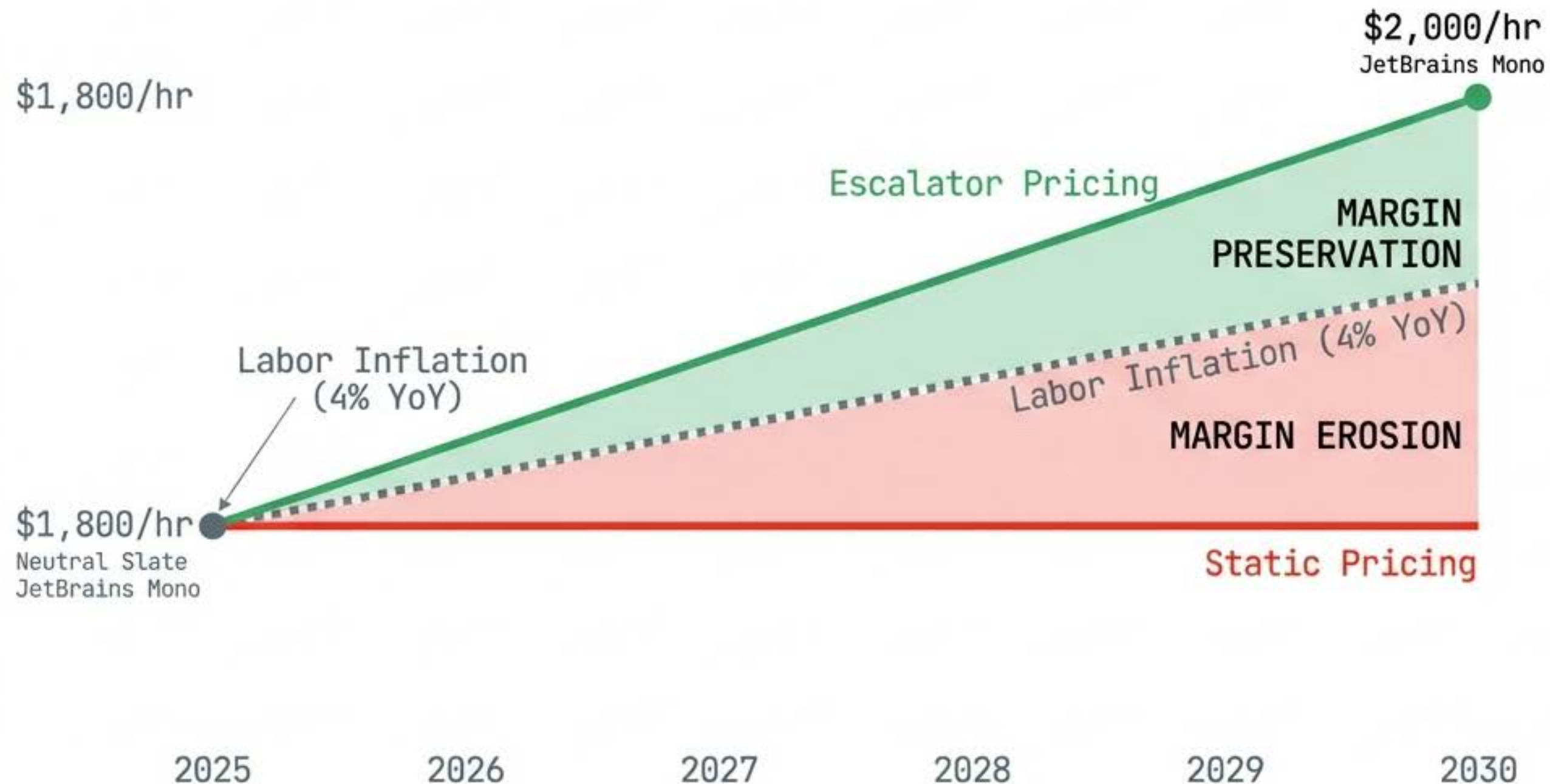


Stop pushing low-margin volume. Vulnerability Management requires high volume to cover fixed overhead (\$16,500/mo), straining capacity.

**The Pivot:** Make MDR the required baseline for all SMB clients and prioritize Incident Response.

**URGENT SURGICAL INTERVENTION REQUIRED**

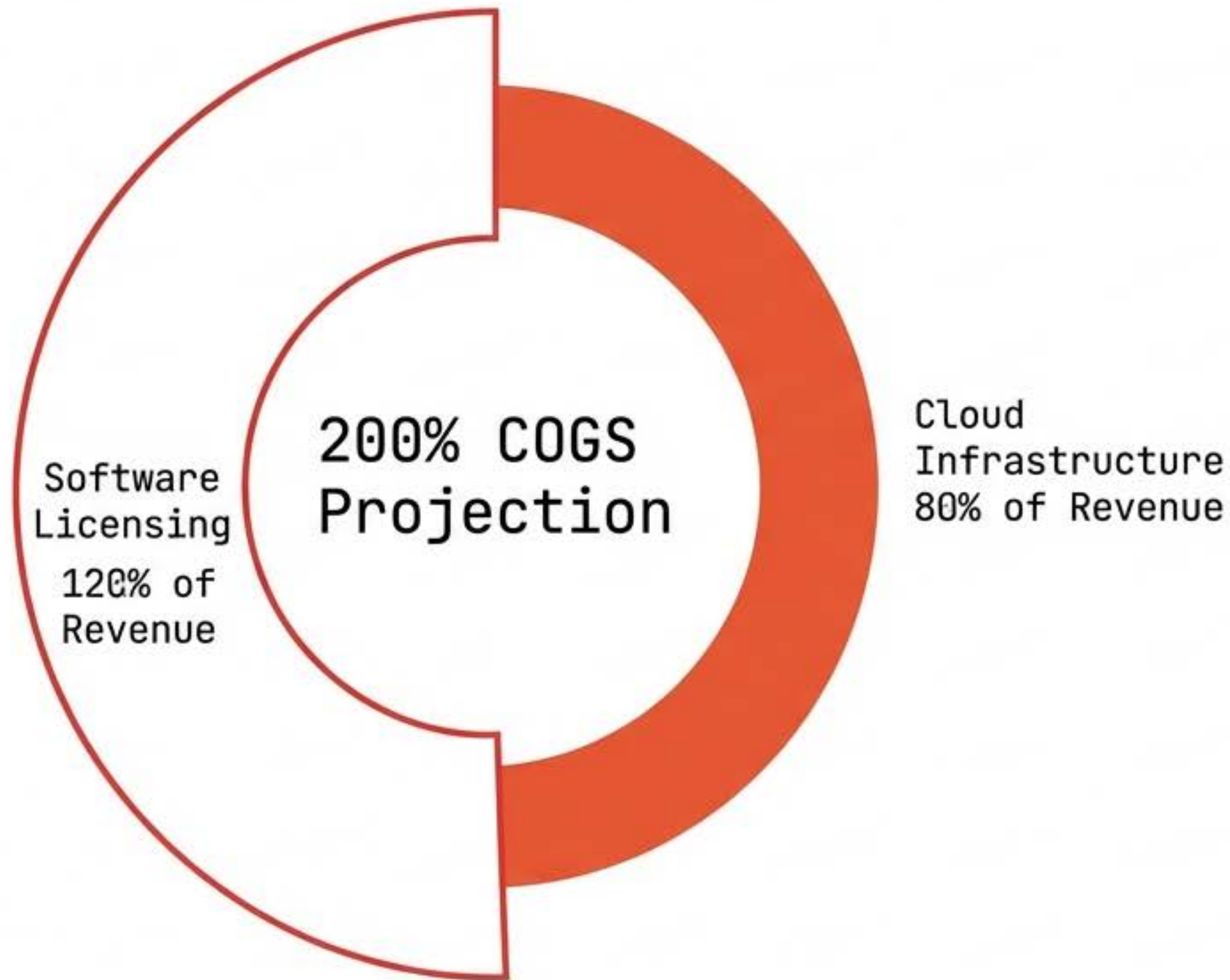
# Defensive Pricing: Automating Escalators to Protect Margin



## The Future-Proofing Lock

- Automate 4% escalators in all contracts.
- Do not renegotiate annually.
- Raise Incident Response base to \$320. JetBrains Mono

# The 2026 Cash Trap: Platform & Cloud Cost Breakdown



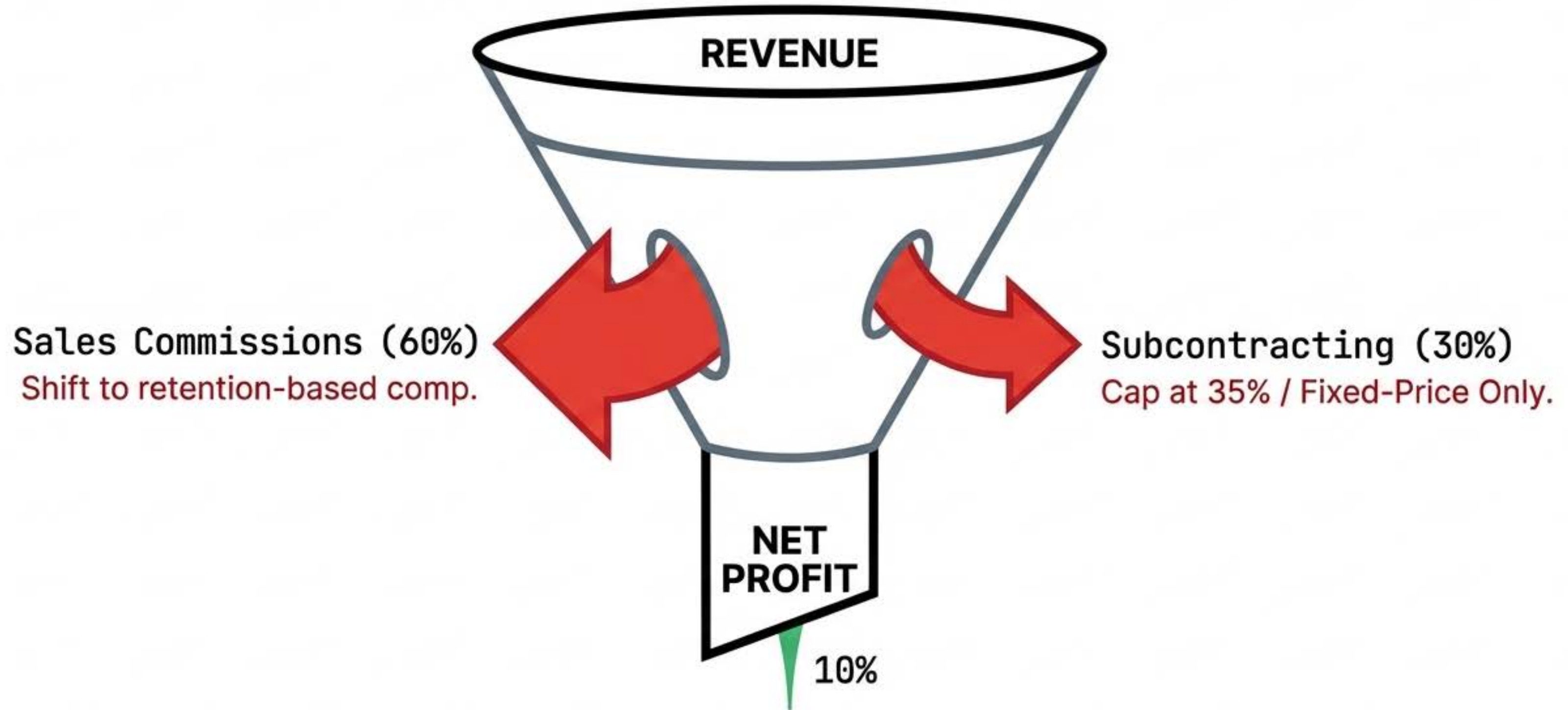
## THE DIAGNOSIS

Without intervention, 120% of future revenue will go solely to software vendors.

## THE PRESCRIPTION

1. **Aggressively Bundle:** Negotiate multi-year licenses to compress the 120%.
2. **Monthly Audits:** Audit Cloud Infrastructure every 30 days to eliminate waste.
3. **Target:** Achieve savings faster than the planned 4% drop by 2030.

# Stopping the Leak: Controlling Variable OpEx



Insight: You cannot afford high commissions on low-margin service layers. Subcontracting must act as a flex capability, not a permanent crutch.

# Operational Leverage: Maximizing Analyst Utilization



## THE BREAKEVEN MATH

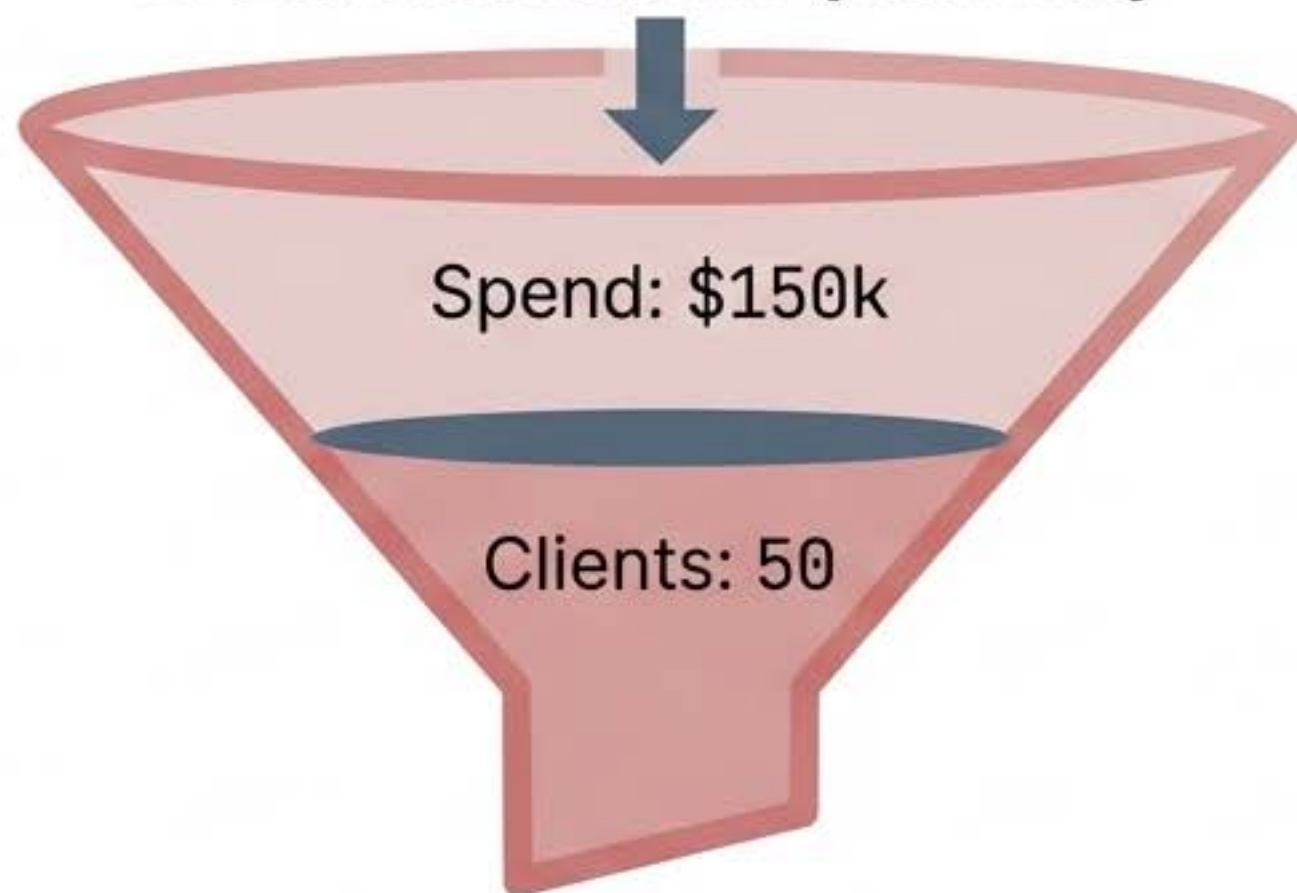
|                        |  |
|------------------------|--|
| Senior Analyst Cost -> | \$120,000 / yr<br>(\$10k/mo fixed overhead)    |
| Billable Rate ->       | \$150 / hr                                     |
| Required Output ->     | 67 Billable Hours / mo<br>just to cover salary |

**Automate routine tasks to free up 20 hours of revenue potential per client.  
Centralize scheduling to reduce administrative drag.**

# Acquisition Efficiency: High-Intent Spend to Lower CAC

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Broad Awareness (Current)



**\$3,000 CAC**

High-Intent / Referral (Target)



**\$2,000 CAC**

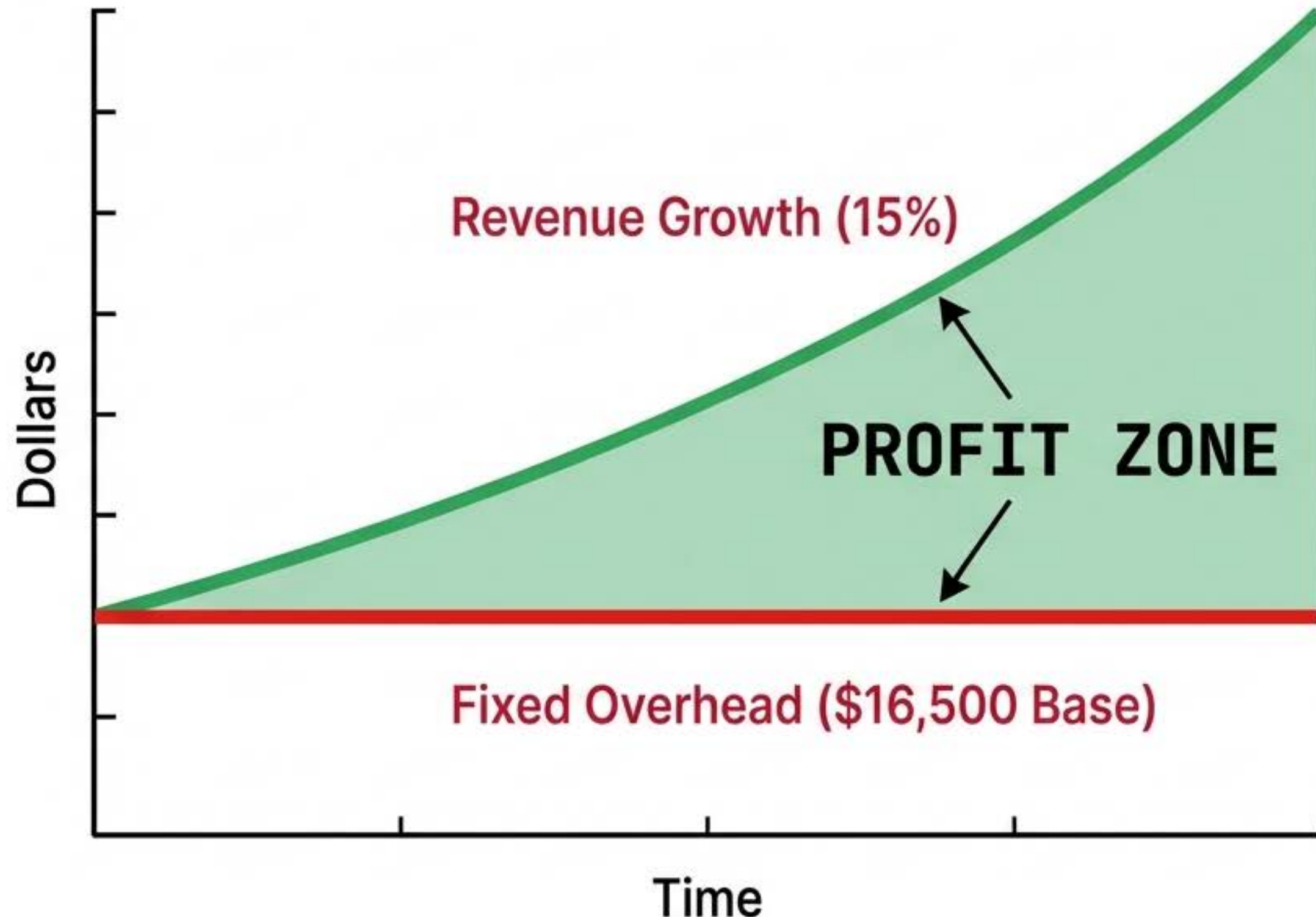
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## The Ratio Test

If LTV is \$15,000, a \$2,000 CAC yields a healthy 7.5:1 ratio.

**Priority:** Shift budget away from broad digital ads toward strategic partnerships.

# Cap Fixed Overhead to Create Operating Leverage



## Tactical Cuts

- Freeze non-essential hiring.
- Cap Travel & Entertainment at \$1,000/month.
- Quarterly audit of unused software seats.
- **Rule:** If revenue grows 15%, fixed overhead must grow <15%.

# The Financial Roadmap: Execution Timeline

## PHASE 1: IMMEDIATE

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- Stop the Bleeding
- Audit Cloud/Software costs (<25% COGS target)
- Pivot Sales to Incident Response (\$2,800/hr)
- Freeze T&E at \$1,000

## PHASE 2: STABILIZATION

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- Optimize Structure
- Implement contract escalators (\$2,000 MDR)
- Cap Subcontracting at 35%
- Shift Marketing spend (\$2k CAC target)

## PHASE 3: SCALE (2026-2030)

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- Engineered Profitability
- Achieve 22-month break-even
- Hit 100 billable hours/client
- Reduce Payback Period to 41 months

“Profitability is not an accident; it is engineered through cost control and high-value service mix.”