Dear Datagate Shareholders,

Firstly, I would like to thank you for your ongoing support of our business, and hope that you are faring well in these ongoing turbulent times.

I am pleased to report that Datagate is continuing to be successful, grow and make substantial progress in the United States and other countries that we operate in. We now have almost 400 telecom resellers using Datagate, who are in 35 of the 50 States of America, as well as Canada, Australia, New Zealand, Europe, and the United Kingdom.

At the end of March 2023, we reached **$3M ARR (Annual Recurring Revenue),** and despite the challenging state of the world economy, we are still seeing strong demand for our product "Datagate Telecom Billing". Our Year-on-Year ARR growth rate for the March 31st, 2023 fiscal year was **37%** and this growth would have been significantly higher if not for delays incurred in implementing some of our largest new clients (delays that were beyond Datagate's control).

Partners and indirect Sales Channel

We are continuing to build our indirect sales channel which now desirably returns significantly more Datagate sales than our own direct sales activity. SkySwitch (a US-based white label wholesale VoIP provider) is our most successful partner, and they are now owned by BCM One, a large acquisitive telecom group. SkySwitch are selling up to ten Datagate systems per month. BCM One group continues to acquire new telecom providers, which in turn leads to increased scale for our SkySwitch partnership. This month BCM One announced that they have acquired "Pure IP" a global telecom provider that has significant presence in all the countries that Datagate operates in.

This year we've also very successfully partnered with Intuit and their QuickBooks Online accounting system. This is by far the most popular accounting system for our target market in America. The boost in profile we've achieved through the QuickBooks partnership and their marketing clout has resulted in a big increase in sales opportunities for Datagate, and we are now able to bundle QuickBooks Online in with Datagate offerings.

Other new partnerships that are showing a lot of promise are AT&T in America and HaloPSA in the UK, US, Australia & New Zealand. These new partnerships open Datagate to new channels of potential customers.

Datagate was formally certified with Xero earlier this year. This is a boost to Datagate (in a similar way to QuickBooks) because Xero is the most popular accounting system for Datagate customers outside America.

New Sales Presence in Dubai and Virtual Sales Office in London

Since our last update, we've transferred a senior sales consultant from New Zealand to Dubai. Dubai offers excellent time-zone overlap for the United Kingdom, Europe, Australia, and New Zealand. Furthermore, he has good flight access to the UK for conferences and sales meetings. We have already attended Connectwise's "IT Nation" conference in London last month, which generated a good number of sales leads for us in the UK.

We've also opened a UK virtual office, to give us a visible point of presence and an address in London.

[Datagate's web site](#) now shows all six offices we have around the world (Jacksonville, Vancouver, Auckland, Sydney, Dubai and London).

Product Enhancements

Since our last investor update, we've added some major product enhancements, based on customer demand and competitor activity. The most significant of these enhancements are:

1. **Automatic Billing.** This "set and forget" mode was previously a unique feature of our main American competitor and has always been a very popular feature with our MSP target market. As a result of adding this feature. Datagate is winning significantly more deals against them.
2. **HaloPSA Integration**. HaloPSA is a popular British PSA system that is now being marketed to MSPs in all the countries that Datagate operates in. We are sharing sales prospects with them in the UK, the US, Canada, Australia and New Zealand. This integration adds to our portfolio, which includes ConnectWise, AutoTask, Kaseya, QuickBooks, Xero and others. Each integration opens market access to thousands of MSPs.
3. **Multi-Language**. Datagate now has the capability to being translated to operate in almost any language. Our first translations are British-English and American-English, so that we can offer the correct spelling in each of those markets. We are also working on a French-Canadian translation for the many Canadian prospects, and we will add further translations as we identify demand.
4. **Scalability enhancements**. Significant work has gone into upgrading Datagate's efficiency and scalability. This has resulted in an increase in operating speeds and a reduction in hosting costs.
5. **Refactoring for Public API**. Work is well underway with structural changes to our underlying system to prepare it for the release of our Public API later this year. The Public API will make Datagate more appealing to larger clients who have their own software developers, that will be able to build their own integrations for Datagate to connect to their other in-house systems. This is a large piece of work which will present massive growth opportunities.

Datagate Staff

This year we are not planning make any significant changes to the Datagate team.

Our team is spread around the world, in the US, Canada, Europe, Dubai, Australia and New Zealand. Everyone works from home, and we are not using physical offices.

Datagate Sales and Revenue Growth

Here are graphs that illustrate Datagate's position at the end of the March 31 fiscal year.
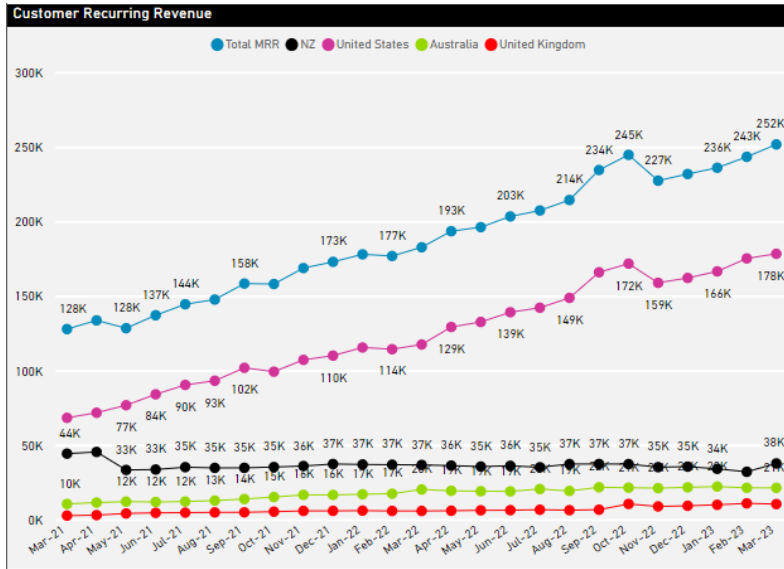
The NZD MRR (monthly recurring revenue) graph is subject to volatility due to large movements in the NZD/USD cross rate. Most of our revenue (72%) is from US customers in USD while only 12% is derived in NZ. This data also illustrates the predominance of the US market as our main growth driver. Our goal for the next two years is to significantly grow the UK contribution, while continuing to accelerate growth in the US.
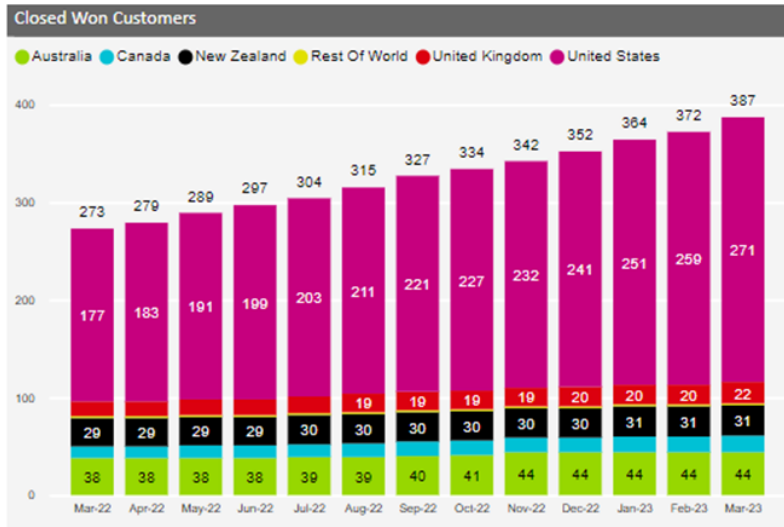
The middle graph shows the spread of our customers between the various countries. This further confirms that most of our business is in the United States.
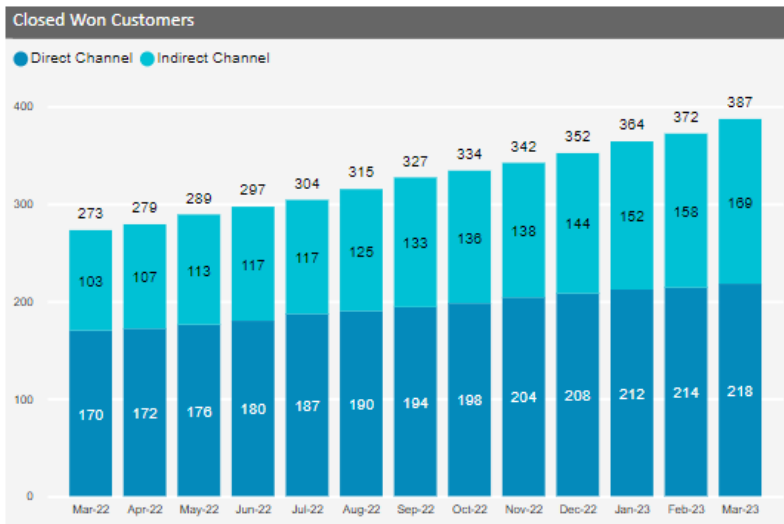
The bottom graph shows the split between direct sales (sold directly by our sales team) versus indirect sales (sold by our indirect channel). The growth is higher in indirect sales, so by next year we will have more indirect customers than direct.

In most cases, we target larger customers for direct sales and refer smaller customers to our distribution partners.

Plan to break-even in 2023

Our plan for the new fiscal year is to reach break-even point by Q4 this calendar year. To achieve that we will maintain our current revenue growth while holding overall costs at a constant level.

Rule of 40

The "Rule of 40" is a popular metric used in the SaaS industry to evaluate the health and growth potential of a SaaS company. The rule states that the sum of a SaaS company's growth rate and profitability margin should be at least 40%.

Our goal for Datagate this year is to reach 40% by the "Rule of 40" formula to ensure that Datagate becomes more desirable to investors and acquirers in the current economic climate.

Exit Possibilities

There are several parties that have interest or potential interest in acquiring Datagate. One is a large competitor that has directly approached us, others have approached us through intermediaries and yet others are large businesses that we partner with and are becoming reliant on our services. We intend to work with these potential acquirers this fiscal year aiming for a liquidity event at an above market valuation.

We are confident our break-even/Rule of 40 strategy will encourage investors or acquirers to present valuations above the current market lows.

This is a pivotal year for Datagate, during which our goal is to transition to profitability, while continuing to build revenue, build partnerships, expand our world coverage and potentially find an exit opportunity at an attractive multiple.

Thank you again for your ongoing support of Datagate. If you have any questions about Datagate, please contact me at mark.loveys@datagate-i.com

Thanks & Regards

Mark Loveys, CEO
Datagate Innovation Limited
mark.loveys@datagate-i.com