



November 23, 2021

Attn: Datagate Shareholders

Dear Datagate Shareholders,

On behalf of the Datagate Board, I would like to thank you for your ongoing support of our business, and hope that you and your families are safe and well during this time of Covid-19 related challenges.

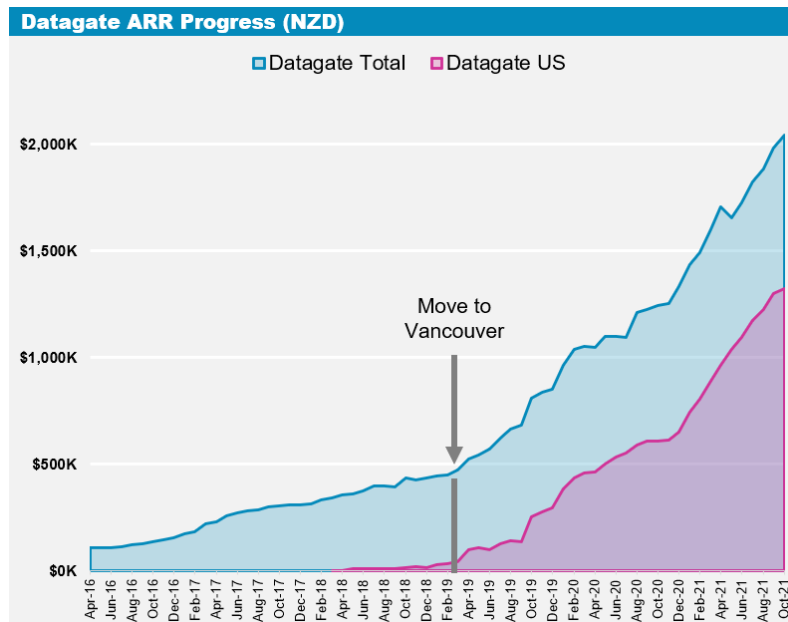
I'm pleased to report that Datagate is continuing to prosper internationally, particularly in our primary market, the United States. Total ARR reached NZ \$2M at the end of October 2021 and the US now makes up 63% of our total recurring revenue.

In my previous letter to you, in March this year, we asked you for approval to appoint our new American director, Eric Hernaez and allow us to issue new shares for him to purchase. We also asked you to approve a new policy for staff share options. You approved all three of these requests and the company has since benefitted significantly by having Eric Hernaez join our board, where he has provided the benefit of his experience and knowledge of the America Wholesale Telecom industry as well as his valuable contacts and general American business expertise.

### Datagate in America

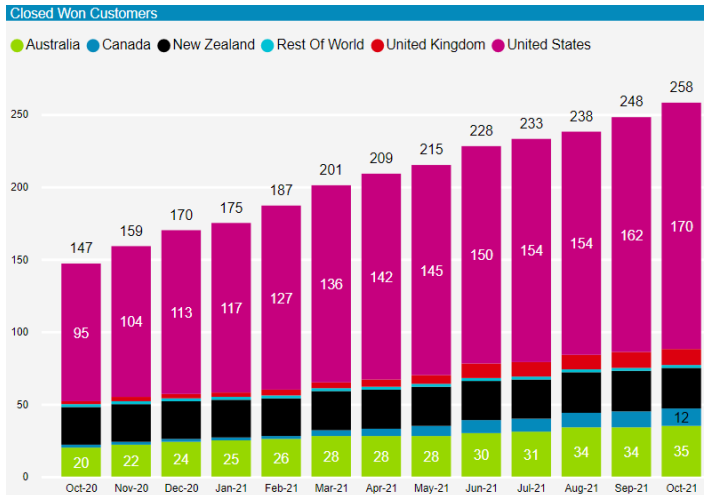
Our year-on-year revenue growth within the United States is tracking at 117% and has been on a particularly strong upward trajectory since the start of 2021, as shown in this graph of international ARR revenue in US dollars.

Datagate's revenue growth stepped up significantly in April 2019 when we set up our North American branch in Vancouver, Canada and became more American focused.



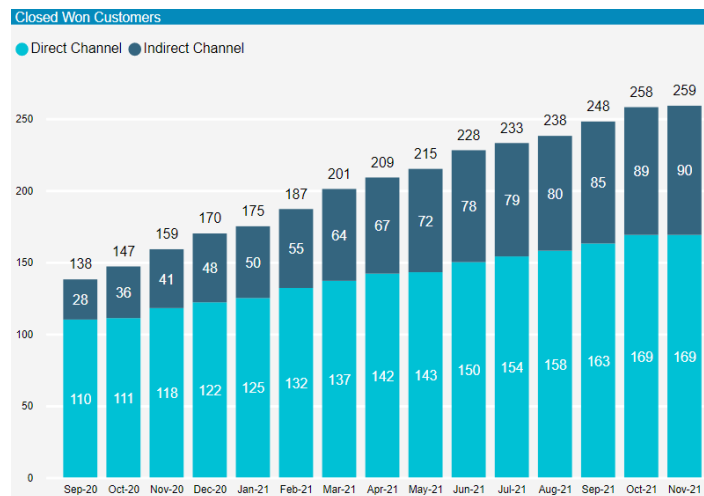
Since then, we've established strong US in-market partnerships with wholesale VOIP/UCaaS providers including SkySwitch and OITVOIP; with MSP industry software solution providers ConnectWise and Datto; and with telecom tax specialists Wolters Kluwer, Avalara, Compliance Solutions, CLA, FasTek and RTC Associates.

The graph on the left shows the uplift in our ARR following our move to Vancouver and focus on the American market.

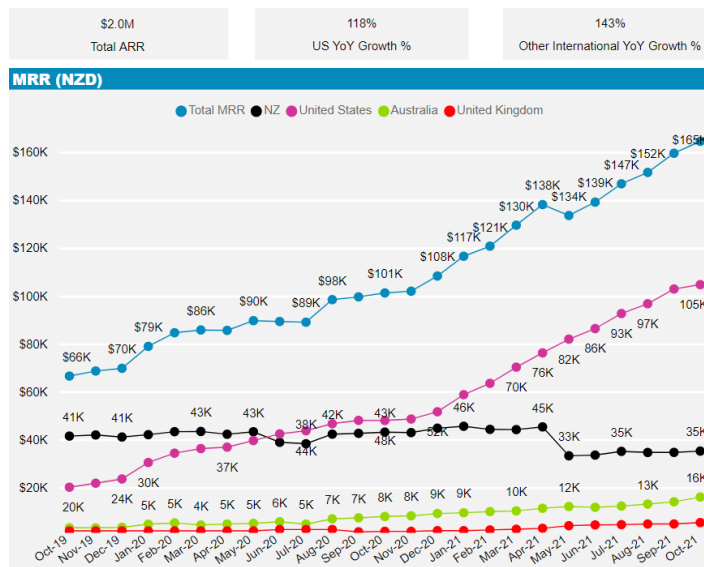


The graph on the top left illustrates customer acquisition progress across the six countries we operate in (US, Canada, UK, EU, Australia, NZ). Growth is strongest in the US. At the end of October we had over 258 customers in total, with over 170 in North America.

Our sales and support teams have been predominantly located in Canada and New Zealand, but we have recently transferred two sales and marketing staff members to Florida and are now in the process of transferring one senior salesperson to the UK to cover the UK and European region. We believe we can grow faster by having key staff closer to where our customers are, as we experienced with our shift into North America.



The second graph shows the comparison between direct and indirect customer acquisition. Indirect sales are sold, implemented, and supported by our distribution partners in the US, Canada, UK and Australia. The growth of our indirect channel is helping us scale the business faster and more efficiently.



The third graph on the left shows our international revenue trend in NZD. The international (non-NZ) year-on-year growth is tracking at 123% which is being driven by US year-on-year growth of 117%. Our objective in 2022 is to get the UK and Europe contributing substantially to our revenue growth, as well as continuing accelerating our North American growth.

The New Zealand revenue line (in black) took a hit in August this year, when NTT New Zealand (formerly Dimension Data) decided to cut back their telecom services within New Zealand. However, we have another large NZ telecom provider being implemented at present, and this will make up for the NZ revenue hit of losing NTT.

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## Datagate Product Development

This year in product development, we increased Datagate's overall scalability, processing power and its applicability for a wider range of sales opportunities by adding two new major product integrations.

Our new product integrations are as follows:

1. **Datto AutoTask integration.** Our API integration with **ConnectWise Manage** is a very strong driver of Datagate sales, given that around 30,000 MSPs worldwide use that PSA product. This year we added an integration with **Datto AutoTask**, which is the main competitor to ConnectWise Manage and has an installed base that is nearly as big. This almost doubles Datagate's addressable market within the global MSP community and is already giving us a boost in sales opportunities.
2. **QuickBooks Desktop integration.** Our API integrations with Xero and QuickBooks Online are very popular with our MSP customers, so we are in the process of adding a QuickBooks Desktop integration, which is widely used by MSPs in the United States.

## Datagate Team Updates

Shifting Datagate salespeople to England and Florida will bring us closer to larger numbers of sales opportunities in the UK, Europe and the East Coast of America. In America, we now have salespeople operating on both the East and West coasts, and I'm confident that this will increase our sales success in 2022. To keep up with the extra sales, and the larger customer base we are in the process of hiring new support consultants and another senior implementation consultant.

We've also promoted our senior implementation consultant, to the position of Product Manager, where she is guiding the direction of our product to ensure it is totally in line with market demand and is more efficient to implement.

## The Competition

Datagate continues to lead the market in new sales within the segment of MSPs selling telecom services, including VoIP and UCaaS – which in turn is a market growing by 25% per year. Our much larger competitors are beginning to copy us by announcing integrations to ConnectWise, but we have a significant head-start on them and have already moved on to integrations with ConnectWise's competitors Datto AutoTask and Kaseya (which we are developing next).

A large competitor has indicated that they would like to acquire Datagate, however we do not believe it is the right time to sell the business, with the high level of growth it is now experiencing.

## 2021 Capital Raise

We have started our capital raising process in America, which is being supported by Rich Tehrani of RT Advisors, who are affiliated with Four Points Capital Partners. We are engaging with investors to test their appetite for a fast-growing international SaaS business in the MSP billing and telecom space. Ideally, we want to find a lead investor in the US, UK, Europe, Canada, Australia or New Zealand, that will go on to lead and participate in future investment rounds.

The process in America is more complicated and regulated than what we've been used to in the past, and we have completed the following steps:

1. Selection of investment adviser to support the process
2. Population of the data room, to enable compliance checks of all pitch material and enable due diligence to be performed by interested institutional investors.
3. Production of a pitch deck, which has been compliance-checked against the data room.
4. Investor outreach has started.

We are aiming to raise approximately NZ \$4M and seeking market feedback to determine the valuation.

## Use of New Funds

The funds raised will be used to build a platform for accelerated international growth, with the following specific actions:

1. Establish a United States branch (with staff in Florida)
2. Establish a United Kingdom branch (with staff in England)
3. Establish a Global Support Centre (with staff in the Philippines)
4. Accelerate product development (new integrations and more scalability)
5. Accelerate growth of Indirect and Direct sales channels.

## How will Datagate look in two years' time from now

Following the use of these new funds and the above actions, we project that Datagate will have achieved the following milestones by the end of 2023.

- ARR exceeding US \$5M
- Datagate sales & support centres in
  - Florida, USA
  - Vancouver, Canada
  - London, UK
  - Auckland, New Zealand
  - The Philippines (Global Support)
- 50/50 split between Direct and Indirect new sales
- Product partnerships with PSA providers: ConnectWise, Datto AutoTask, Kaseya, Halo and others.
- Distribution partnerships in USA, Canada, UK, Australia, and New Zealand

## Convertible Note Issue

The American capital raising process is taking longer to set up than we had previously anticipated, so we propose to issue convertible notes to Datagate shareholders that wish to participate. Our largest shareholder, Enprise Group Ltd, has offered to underwrite the offer. The convertible note issue will raise a total of NZ \$500K, at a 20% discount to the value established in this capital round.

We will distribute information to you shortly that will explain the convertible note issue in more detail and give you the opportunity to participate.

If you are interested in participating in the convertible note and/or have questions about anything discussed in this letter, please don't hesitate to contact me at [mark.loveys@datagate-i.com](mailto:mark.loveys@datagate-i.com)

Thanks & Regards

A handwritten signature in black ink, appearing to read 'ML', is positioned above the typed name and contact information.

Mark Loveys, CEO  
Datagate Innovation Limited  
[mark.loveys@datagate-i.com](mailto:mark.loveys@datagate-i.com)