

Datagate Innovation Limited

Investor Update

May 2016

Version 1-1

Strategy and Performance

Introduction

We are very pleased to bring you the first “Investor Update” for Datagate.

As you know, between October 2015 and February 2016, Datagate raised its target investment of \$1.5M in new cash from investors including the Ice Angels, VIF, Flying Kiwi Angels and Datagate management.

With the capital raising completed successfully, our activity this calendar year was initially focused on the completion of two Datagate implementations for existing customers and converting them into monthly recurring revenue customers.

Next, we focused on signing up some new smaller implementations to test our pricing, commercial and implementation approach.

In addition to the above, considerable effort has been invested with three large customer-partners in the systems integrator and utility reselling spaces. These three new relationships are exciting in that they each represent an ongoing stream of new business with large corporate and government end-customers. They are in effect, three new sales channels for Datagate in New Zealand.

Note: Names of the three large customer-partners are not stated in this document due to confidentiality agreements in place at this time.

Highlights

Highlights this calendar year are:

- ✓ Four consecutive months of increasing revenue (this will accelerate as the year progresses).
- ✓ Signed a sales & service agreement with one of New Zealand’s largest systems integrators. Datagate will be used as their billing and reporting platform for a series of government, council and corporate projects.
- ✓ We are in the final stage of signing up another of NZ’s largest system integrators. Datagate will provide their billing and reporting solution for telecommunication services delivered to a series of their existing corporate customers.
- ✓ We have also been engaged to prepare a pilot implementation for a large electricity distributor who has a number of sub-brands and resellers. Their intention is to use Datagate themselves in addition to using Datagate for their sub-branded businesses and providing it to their resellers as an integrated solution.
- ✓ Completed the integration of Datagate with SAP Business One, opening up future international sales opportunities through the global SAP channel.

Market and Customer

Market

We see a predominant trend in IT companies of all sizes moving towards selling data, telephony and other on-line services. In addition, there is a convergence between businesses selling electricity and data services. These businesses face challenges in billing online recurring services, due to revenue loss from unbilled purchased services, lack of end-customer profitability reporting and the operational risk and inflexibility of using spreadsheets or legacy accounting systems for monthly billing.

Datagate customers such as Utilise promote a billing prowess as [their key differentiator](#) for their utility service.

In addition to these global trends, a number of specific New Zealand industry changes are also benefiting the Datagate outlook.

For example:

- In November 2015, the NZ government announced its contracts for [Telecommunications-As-A-Service](#) (TaaS) which prescribes how government entities will procure telecommunications services. This has opened up the opportunity for telecommunications providers and systems integrators to provide telco services under a new commercial model which requires a different billing approach. This is an exciting new opportunity for Datagate and its resellers.
- NZ local bodies/councils are under pressure to reduce costs and/or amalgamate. This pressure is forcing process change within and across councils resulting in new requirements for receiving and reporting utility billing.

Customers

- Many NZ councils still charge for water at a flat rate to users. To reduce cost and increase accountability for water usage, these councils wish to move to usage based billing for water. Service providers and utilities are bidding to provide the councils these services.
- Service bundling is growing as a key customer retention strategy for utilities and systems providers – and this requires a more flexible approach to billing.

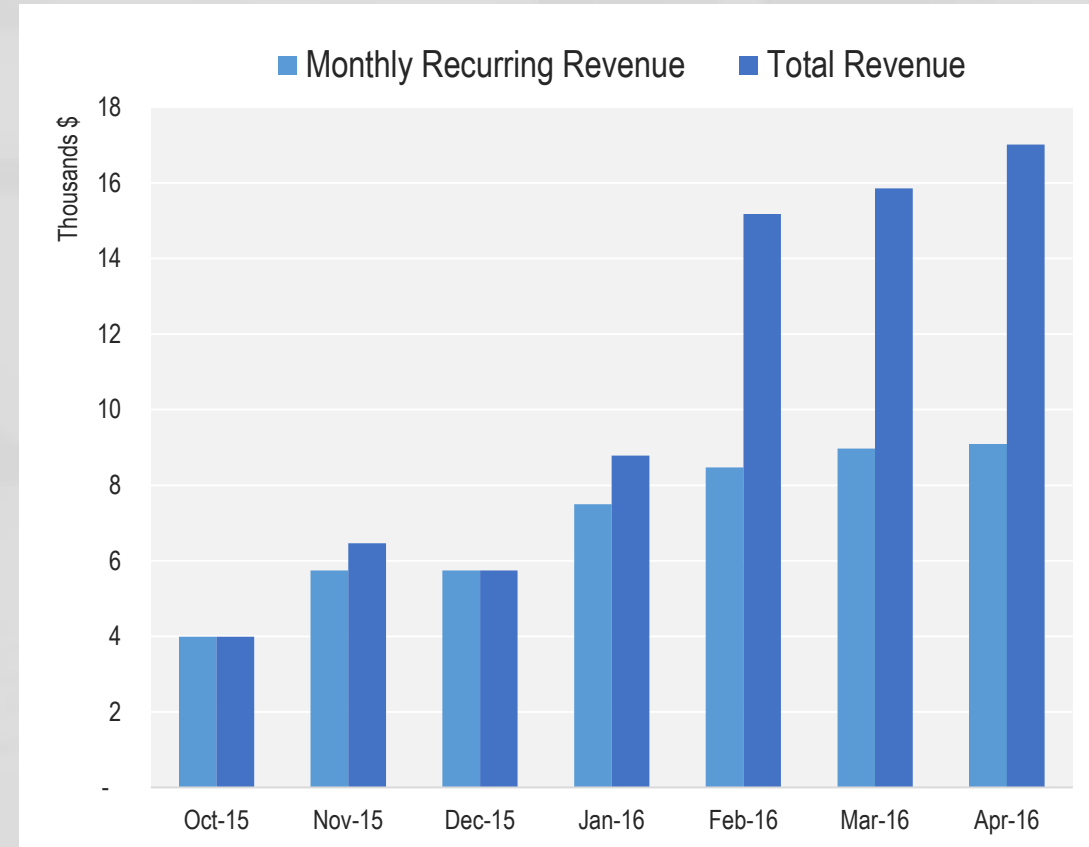
These changes provide Datagate with significant ongoing opportunities.

Signed	Datagate will be used as the billing & reporting platform for a large council project run by one of NZs largest systems integrators.
Pilot	A utilities reseller is using Datagate as the billing & reporting platform in a water rating solution being proposed to a group of NZ councils.
Closing	A prominent NZ IT services provider will use Datagate as the billing & reporting platform for bundled services delivered to their corporate customers.

We discuss the wider industry changes shaping our thinking on Datagate's direction in the final slide.

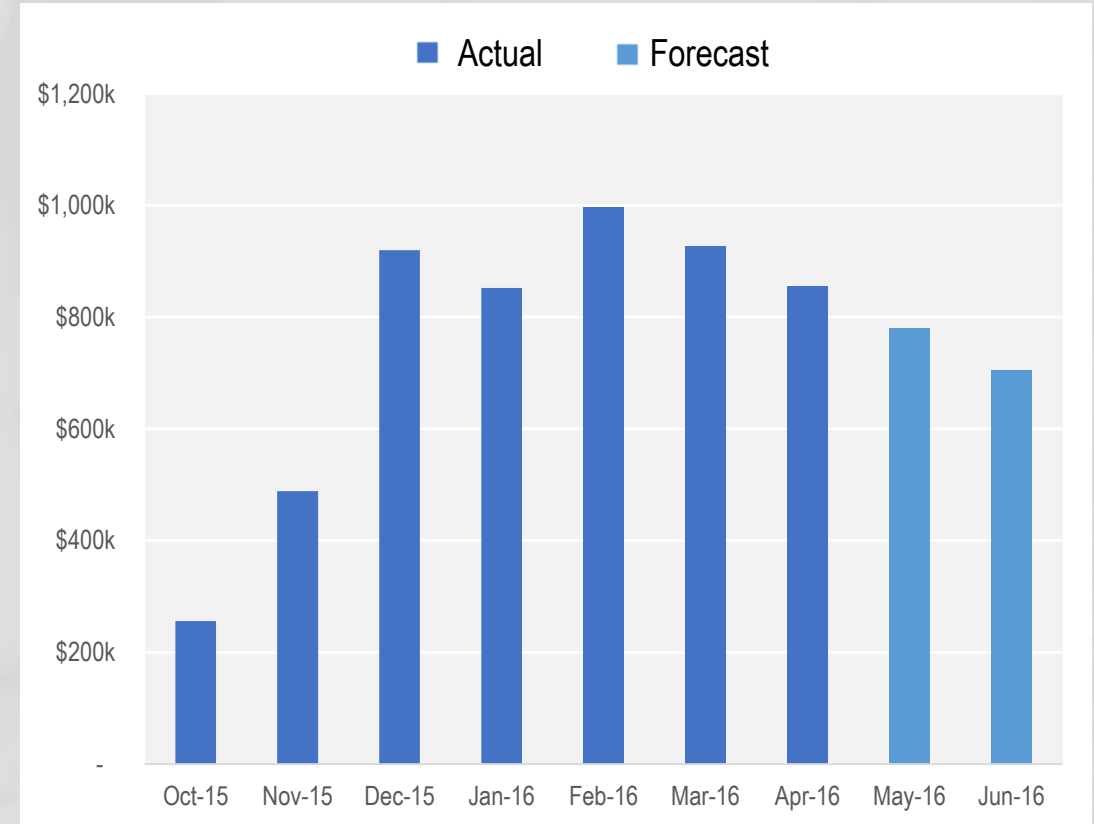
Financial Performance

Market



Revenue growth from customer on-boarding has been consistent since February. Once on-boarded, customers pay base fee and usage fee each month to use the Datagate service.

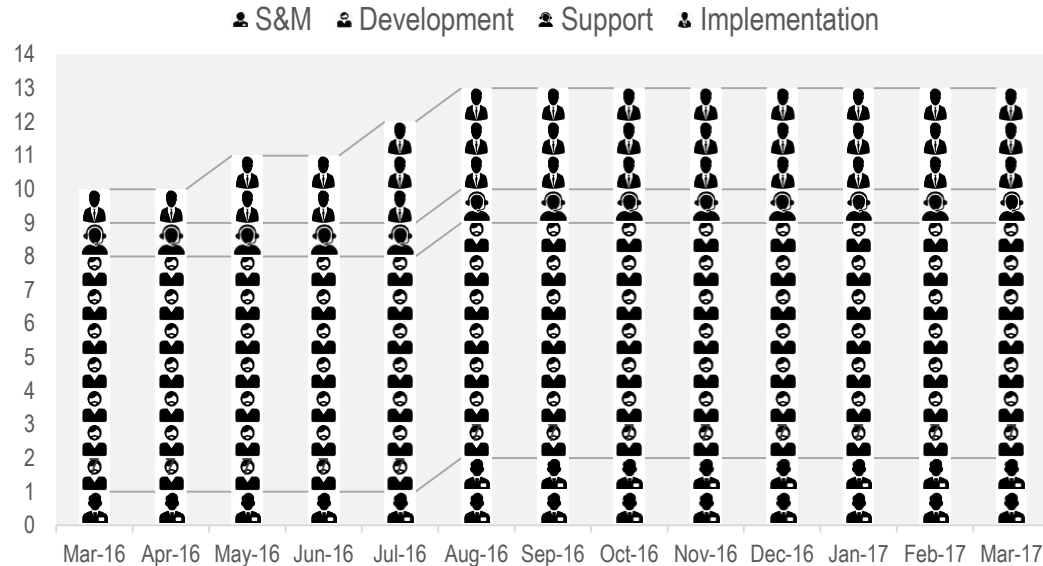
Month End Cash



By the end of June 2016, we expect to have \$705k cash on hand. All planned recruitment is to be finalise by that stage. Cash burn is forecast to slow during the second half of the year as the on-boarding of the large customers completes increasing the monthly recurring revenue

Operations

Team Plan



During the FY17 business planning process, we identified customer on-boarding as the primary bottleneck and sales development as a secondary bottleneck. Further resources in these areas were required and the current status of recruitment to meet these requirements is set out below:

Implementor - Senior	Recruited, started on May 23 rd
Implementor – Junior	Recruited, begins June 20 th
Business Development -	Have started interviewing

Product Development

This year, the product development team has worked on speeding up customer on-boarding and other functionality driven by customer demand;

- ✓ Enhanced supplier feed provisioning to allow greater re-use and more rapid deployment of new customers with supported suppliers
- ✓ Enhanced feed processing and automation of supplier feed error reporting to reduce monitoring overhead and allow for faster problem resolution
- ✓ Created ability for ‘ad-hoc’ supplier batch transaction imports, for non-automated data processing
- ✓ Enhanced pro-rata allocation of product charges for easier part-period recharging, including automated feeds
- ✓ Extended feed import functionality with 3 new supplier/feed integrations and the ability to take externally generated invoices
- ✓ Improved accounting system integration with enhanced GL/category exporting and specialised integration for SAP Business One.
- ✓ Enhancements to the end-customer invoicing comparison functions to help highlight variations between periods
- ✓ Enhancements to the provisioning setup screens to support larger sites and customers, and reviewing of previously provisioned services
- ✓ Improved source transaction cost and margin analysis
- ✓ Added the ability to create custom field entries to key areas

Finally

What are we excited about

Addressing a real pain-point

Utility billing for resellers appears to be a real pain point for businesses of all sizes across many geographies including New Zealand. Industry change, convergence of on-line services and associated process/system change is prime opportunity for businesses to address this issue through a very targeted automated solution like Datagate. Although the overall billing market may be crowded within the utilities billing market, we have not come across any competition in New Zealand for the reseller market (which is very different to the Vendor market). This is obviously a relatively new and untapped space.

We are excited about the opportunity that we have with the New Zealand market to prove our on-boarding process and test our scaling model, before taking Datagate to international markets. We have already had enquires from Australian prospects and are developing an understanding of the nuances of that market for the Datagate product.

Application to other markets

In April, Mark wrote a blog post, [The World as a Service](#) discussing the conversion of many products to be paid for via a subscription model.

The development in New Zealand of two dedicated low-power wireless networks will drive the uptake of internet-of-things (IoT). The IoT services tend to be charged on a per month per unit of usage model and will likely be sold with other bundled services. This is another exciting new area of potential for the Datagate platform.

Datagate's product and implementation approach is well aligned to support these new and growing billing requirements. Mark covered these opportunities in his recent blog, [Five changes in the market that underpin the value of Datagate](#)

What is keeping us up at night

We have a significant level of implementation work over the next three months to on-board our three new large customer-partners. They each have huge potential to bring the billing of their existing bases of large customers onto Datagate or provide access to their resellers. It is critical that we do a great job meeting their timeframes and expectations.

The breadth of billing requirements we encounter can be complex and can vary from customer to customer. We are developing our thinking and product design in order to meet the variety of specific needs while also being able to cost-effectively scale the business internationally.

Asks

If you know

- Telecommunications/VOIP resellers
- Systems integrators or managed services providers
- Electricity resellers
- Water resellers
- IoT component/systems partners

who need a more robust, scalable and flexible rating and billing platform, please let [Mark Loveys](#) know.

Thank you for your support