



Enprise Group Limited
Unaudited preliminary financial results
For the period ended 31 March 2019

	2019 \$000's	2018 \$000's	Change %
Revenue	6,751	8,809	(23.4)
Gross Profit	6,151	5,453	12.8
Profit from operations before income tax	691	765	(9.7)
Share of losses from Datagate	(585)	(431)	(35.4)
Share of losses from Kilimanjaro Consulting	(712)	(291)	(144.7)
Share of losses from iSell	(15)	(1)	-
Gain on dilution from Datagate	208	155	34.2
Net Profit after tax	(429)	151	-
Earnings per share (Cents)	(4.4)	1.7	
Dividends paid per share (Cents)	1.0	4.5	

Review of Operations and Outlook

The decrease in Revenue is due to the change in accounting policy as a result of the adoption of IFRS 15 for the 2019 reporting period. The impact is significant on the reported Revenue and has a \$192,000 negative impact on the retained earnings brought forward from 2018. The Gross Profit and Profit from operations for the 2019 period is not materially affected as shown by an increase of \$698,000.

Enprise is leveraging its position as the only MYOB EXO and MYOB Advanced reseller with offices in both New Zealand and Australia, to target trans-Tasman businesses. Enprise is well positioned to take advantage of the trend towards cloud while still having a stable, well supported, secure and continually developed on-premises offering. Enprise became a MYOB Advanced Platinum Partner in January 2019. Enprise now has Platinum Partner status with MYOB for both MYOB Exo and MYOB Advanced.

The company paid a final dividend (declared in 2018) during the year of 1.0 cent per share in October 2018. The total dividend for the year was \$95,351.

Datagate had forty five paying customers at 31 March 2019 representing annualised recurring revenue of \$469,596, a 36% increase from 31 March 2018. In April 2019, Datagate has recently completed the migration of all customers onto their latest version of the

software. The Datagate rights issue in November 2018 was over-subscribed. The total cash raised by Datagate was \$750,000. Enprise subscribed to 57,142 shares (\$100,000) and consequently Enprise' stake in Datagate reduced to 36.05%. If Enprise' 1,765,475 shares in Datagate were valued at the rights issue price of \$1.75 per share, the value of Enprise' Datagate investment would be \$3,089,581. The actual carrying value of Datagate is \$803,336 after a charge for the year of \$585,289. The difference between the carrying value and the value at the last investment round is \$2,286,245.

Enprise obtained a 47.09% share of Kilimanjaro in September 2017. Kilimanjaro is the largest reseller of MYOB Exo and Advanced in Australia. This was a strategic addition to the portfolio to gain synergies due to the similarities in the business models and to expand Enprise' reach in Australia. To date synergies have already been gained by merging the Finance functions and Kilimanjaro utilising the cloud infrastructure resources that Enprise already possesses. Future synergies are in progress for the consulting and sales divisions of the business. The initial value of the investment was \$3,168,400. The carrying value of Kilimanjaro at year end was \$2,159,024 after a charge for the year of \$712,315. The charge of \$712,315 includes our share of the Goodwill write off of \$315,788. Like Enprise Kilimanjaro has had an impact on its' performance with the adoption of IFRS15 in the reporting period. At the time of purchase the Company also granted a put option for the remaining 52.71% for \$3,967,964 (2,854,650 ENS shares). The option can be exercised between 1 September 2019 and 30 August 2020.

In December 2018 Enprise participated in a rights issue for iSell, which sells a cloud-based quoting system used by the IT reseller market in Australia, New Zealand, South Africa and the UK. iSell shares the same Managed Service Provider market as Datagate and the two entities could gain synergies in their sales and marketing functions. The value of the investment via the rights issue was \$231,419. The total carrying value of the investment in iSell at 31 March 2019 is \$1,047,424. Enprise has increased its' share in iSell to 19.88%

In November 2018 Vadacom, a cloud based VOIP phone and virtual PABX provider raised \$500,000 from external investors at \$8.20 per share. If Enprise' 57,047 shares in Vadacom were valued at the issue price of \$8.20 per share, the value of Enprise' Vadacom investment would be \$467,785.