



9 March 2018

## ASX ANNOUNCEMENT

### Market Update and 2018 Revenue and Earnings Guidance

#### Highlights

- engage:BDR's annual revenues expected to grow to between AUD \$24.0 million - \$24.5 million in 2018 and EBITDA for the full financial year expected to be between AUD \$1.25 million and AUD \$1.5 million
- Global digital advertising spending growing significantly and the industry migration to programmatic based advertising gathering pace
- Company continuing the transition of its existing and new clients to programmatic media buying through integration of their advertising platforms
- Influencer marketing business growing significantly and expected to continue to grow.
- The Company is analysing a number of potential complimentary strategic acquisitions

USA based digital media and advertising group, engage:BDR (**ASX:EN1 and EN10**), is pleased to provide an update to shareholders on its trading performance since the start of the 2018 calendar year and to provide its previously foreshadowed full year revenue and earnings guidance for the 2018 financial year

The Company would also like to take this opportunity to provide a summary of the engage:BDR business, the significant market opportunity available to it and from where engage:BDR expects to derive its increased revenues and earnings.

#### 2018 REVENUE AND EARNINGS GUIDANCE

engage:BDR is expecting revenues of between AUD \$24.0 and AUD \$24.5 million in 2018 and to achieve earnings before interest, tax, depreciation and amortisation (EBITDA) of between AUD \$1.25 million and AUD \$1.5m for the same period.

engage:BDR Limited (ASX:EN1 and ENO)  
ACN 621 160 585

**U.S.A Office**  
engage:BDR  
Suite 100, 9220 Sunset Blvd  
West Hollywood, CA 90069  
USA  
t: +1 310 954 0751  
e: info@engagebdr.com

**Australian Office**  
Scottish House  
Level 4, 90 William Street  
Melbourne Victoria 3000  
AUSTRALIA  
+61 412 111 821  
info@engagebdr.com.au



The Company's January 2018 programmatic revenue was 280% higher than for the previous corresponding month and its February 2018 programmatic revenue was again 310% higher than the its February 2017 programmatic revenues. This growth in the programmatic advertising part of the Company's business is expected to continue during 2018.

In addition the Company's influencer marketing business "IconicReach" which was originally expected to generate revenues of approximately AUD \$1.2 million with a 50% gross margin for the 2018 calendar year is now expecting to do considerably better than that. The Company has already almost achieved that anticipated full calendar year revenue in just the first two months of 2018 and is now expecting to do revenues in its influencer marketing business in the vicinity of AUD \$3m for 2018 year.

Additionally, following the Company's listing, management has further reduced its operating costs in several key areas resulting in it achieving an overall monthly cost reduction of AUD \$516,000. This is comprised of AUD \$234,000 in monthly payroll and AUD \$282,000 in general and administrative expenses. The Company believes that further cost savings due to the migration of the business to programmatic will be achieved during 2018.

## **GROSS MARGIN**

As a result of the winding back of the Company's traditional non programmatic digital advertising business and the significant growth of its programmatic advertising business and the continuing migration of digital advertising from display (static) advertising to video (full motion) advertising, engage:BDR not only expects to be able to significantly grow its total revenues but also dramatically improve its gross margins.

In the 2015 financial year the Company's gross trading margins were 26.6%, in the 2016 financial year the Company's gross margin had improved to 40.6%. and in the year ended 31 December 2017, the gross margin had increased to 48.2%. The transition from traditional digital advertising to programmatic advertising was still in progress during the 2017 financial year and hence not all of the efficiencies of the move to programmatic advertising had yet been achieved. It is anticipated that more efficiencies will be achieved during 2018 and that margins of should be in excess of those achieved in 2017.

## **EARNINGS**

As stated above engage:BDR anticipates that it will be both earnings and cash flow positive by the end of the 2018 calendar year. As set out above the Company expects to achieve revenues of between AUD \$24.0 million and AUD \$24.5 million this financial year and EBITDA of between AUD \$1.25 million and AUD \$1.5 million.

**engage:BDR Limited (ASX:EN1 and ENO)  
ACN 621 160 585**

**U.S.A Office**  
engage:BDR  
Suite 100, 9220 Sunset Blvd  
West Hollywood, CA 90069  
USA  
t: +1 310 954 0751  
e: info@engagebdr.com

**Australian Office**  
Scottish House  
Level 4, 90 William Street  
Melbourne Victoria 3000  
AUSTRALIA  
+61 412 111 821  
info@engagebdr.com.au



## BALANCE SHEET

While the 2017 balance sheet shows trade and other payables of approximately AUD \$11.3 million, engage:BDR expects the trade payables to decline significantly in the months ahead as issues to do with ad fraud amongst a number of the Company's suppliers are resolved

engage:BDR believes that many of the invoiced claims in its trade payables figures provided in the Company's audited accounts contain charges where there has been a significant element of ad fraud. The Company is working with its suppliers to determine the correct amount that should be invoiced. When this is determined the amount of trade payables is likely to be substantially reduced and accordingly is expected to be significantly less than the trade payables amount shown in the 2017 financial balance sheet. As this analysis is ongoing, the Company is unable at this point to determine the likely adjusted amount however the Company will update the market in this regard as soon as it is in a position to do so.

## DIGITAL ADVERTISING MARKET IN THE YEAR AHEAD

The USA is the world's largest digital advertising market. Digital ad spending in the USA is expected to reach USD \$120 billion by 2021 (*Source: Forrester*). In 2017, global digital ad spending reached USD \$209 billion and exceeded TV ad spending of USD \$178 billion for the first time (*Source: Magma – a division of IPG Mediabrands*). Magma expects the gap between digital ad spending and TV ad spending will continue to grow with global digital ad spending expected to reach USD \$348 billion by 2022 and TV advertising to reach USD \$183 billion by 2022.

engage:BDR continues to believe that the future of advertising will be digital and that the buying and selling of that digital media will increasingly be conducted programmatically and has accordingly sought to position itself in this sector as one of the pre-eminent providers located at the epicenter of the world's largest digital advertising market..

## ABOUT ENGAGE:BDR

engage:BDR is a digital media and advertising company based in the United States of America in West Hollywood California. The Company has two main business divisions; programmatic advertising and influencer marketing an outline of each of which is set out below:

### Programmatic advertising

Traditionally digital advertising was traded manually by ad buyers and publishers (sellers). It required sales people to conduct face to face presentations, negotiate prices, sign physical order forms and contracts. Programmatic advertising involves trading digital ads in an automated manner in real-time.

**engage:BDR Limited (ASX:EN1 and ENO)  
ACN 621 160 585**

**U.S.A Office**  
engage:BDR  
Suite 100, 9220 Sunset Blvd  
West Hollywood, CA 90069  
USA  
t: +1 310 954 0751  
e: [info@engagebdr.com](mailto:info@engagebdr.com)

**Australian Office**  
Scottish House  
Level 4, 90 William Street  
Melbourne Victoria 3000  
AUSTRALIA  
+61 412 111 821  
[info@engagebdr.com.au](mailto:info@engagebdr.com.au)



The highest bidder in this highly automated online action is determined in milliseconds and it is then their advertisement that is displayed on the web page when it loads and is viewed by the consumer.

The many advantages of programmatic advertising include that there is no longer any requirement for physical sales staff and many of the other traditional costs of securing advertising and the advertising is purchased and sold exactly when the advert is wanted based on current advertiser requirements and not required to be arranged weeks or months before it is screened.

According to media research group, Zenith, it is estimated that approximately two-thirds (67%) of all display advertising will be traded programmatically by 2019. It has regularly been stated by industry experts that almost 100% of digital media will be transacted programmatically within 5-10 years.

engage:BDR previously carried out both traditional digital advertising and programmatic advertising. In 2017 engage:BDR made the decision to transition its entire advertising business to a full programmatic advertising business. This has enabled engage:BDR to eliminate almost its entire sales team (removing approximately 60% of the Company's total headcount) and thereby reduce the costs of its operations dramatically and increase its operating margins significantly. The benefits of these will continue in 2018 and the years ahead.

As engage:BDR has now almost completed the transition of its business to full programmatic and accordingly has a relatively fixed cost structure. The Company's costs are now basically its fixed costs and will not change a great whether the Company processes 1,000 transactions a day or 1 billion transactions a day. By having a comparatively low and largely fixed cost structure (when compared with its industry peers), additional revenues, achieved through ongoing platform integrations (from 42 in July 2017 to 82 at the end of January 2018) will go largely to the bottom line.

### **Influencer marketing**

engage:BDR's IconicReach platform is an Instagram influencer marketing programme which allows advertising buyers to browse, research and contact Instagram influencers concerning a proposed influencer marketing campaign. IconicReach was launched during 2017 and had its official launch at the Sundance Film Festival in late January 2018.

The Company has grown this part of its business rapidly since its launch and, as previously stated, has already achieved its projected full year revenues in just the first two months of the year and is now expecting to achieve AUD \$ 3 million in revenues in the 2018 financial year.

### **Proposed Acquisitions**

The Company is also continuing to consider a range of complimentary strategic acquisitions and negotiations on a number of them are at an advanced stage. Most of these acquisitions are likely to be completed based on the vendors receiving mostly shares in the Company based on a multiple of revenue below that on which the Company itself currently trades

**engage:BDR Limited (ASX:EN1 and ENO)  
ACN 621 160 585**

**U.S.A Office**  
engage:BDR  
Suite 100, 9220 Sunset Blvd  
West Hollywood, CA 90069  
USA  
t: +1 310 954 0751  
e: info@engagebdr.com

**Australian Office**  
Scottish House  
Level 4, 90 William Street  
Melbourne Victoria 3000  
AUSTRALIA  
+61 412 111 821  
info@engagebdr.com.au



The Company remains extremely confident as to its prospects in the year ahead and looks forward to providing further updates to the market as the matters referred to above come to fruition.

Ted Dhanik  
Co-Founder and Executive Chairman

**For further information please contact:  
engage:BDR Limited (ASX:EN1)**

Ted Dhanik  
Co-Founder and Executive Chairman  
engage:BDR Limited  
t: +1 310 954 0751  
e: [info@engagebdr.com](mailto:info@engagebdr.com) or

Cary Stynes  
General Counsel  
engage:BDR Limited  
m: + 61 412 111 821  
e: [info@engagebdr.com](mailto:info@engagebdr.com)

**Follow us on social media:**



**About engage:BDR Limited**

engage:BDR Limited (**ASX:EN1 and EN10**) is a well established USA based digital advertising company creating efficient, effective advertising solutions through its programmatic proprietary technologies.

The Company's two divisions consist of its core business, a growing cross-device programmatic display and video advertising business and IconicReach, one of the first influencer advertising platforms to connect brands with digital influencers.

engage:BDR was founded by a number of former executives from MySpace in 2009, has achieved cumulative revenues since that time of approximately AUD\$200 million and a cumulative annual growth rate (CAGR) of approximately 48% and is now used by many of the world's top advertisers and comScore top 1000 publishers.

To learn more please visit: [www.engagebdr.com](http://www.engagebdr.com)

**engage:BDR Limited (ASX:EN1 and ENO)  
ACN 621 160 585**

**U.S.A Office**  
engage:BDR  
Suite 100, 9220 Sunset Blvd  
West Hollywood, CA 90069  
USA  
t: +1 310 954 0751  
e: [info@engagebdr.com](mailto:info@engagebdr.com)

**Australian Office**  
Scottish House  
Level 4, 90 William Street  
Melbourne Victoria 3000  
AUSTRALIA  
+61 412 111 821  
[info@engagebdr.com.au](mailto:info@engagebdr.com.au)