



3 May 2018

ASX ANNOUNCEMENT

engage:BDR enters into binding term sheet to acquire USA digital media business AdCel Inc. and conducts associated capital raising

Highlights

- The Company has entered into a binding term sheet to acquire USA based digital media Company AdCel Inc. (subject to the completion of due diligence) for USD \$4.5 million, payable in fully paid shares in engage:BDR Limited to be issued to the vendors at the equivalent of \$0.22 cents per share, and USD \$1 million in cash.
- The proposed AdCel acquisition is expected to immediately add AUD \$2 million in revenues in the first full year after completion of the acquisition and to deliver up to AUD \$5 million in additional revenues to the Company in the first full year based on the ability of the Company to almost immediately increase its client integrations from 86 to 126.
- The acquisition of the AdCel business will also deliver over 6000 Applications (“Apps”) to the combined entity, which will significantly increase the combined Company’s advertising inventory available for sale.
- The Company has also conducted an associated capital raising, to a range of institutional and sophisticated investors, to raise AUD \$ 2,000,000 at \$0.16 cents per share to complete the acquisition and for working capital and will shortly undertake a share purchase plan (“SPP”) for existing eligible shareholders on similar terms.

engage:BDR (**ASX:EN1 and EN10**) is delighted to announce that it has signed a binding Term Sheet to acquire 100% of the shares in USA based digital media and advertising company AdCel Inc. (**“AdCel”**),

The acquisition is subject only to formal due diligence which is expected to be completed within 30 days and has already commenced.

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Key aspects of the proposed acquisition are set out below:

About AdCel Inc.

AdCel was originally established to solve a major problem for App publishers, which was the need to aggregate a large number of Apps under one umbrella for the purpose of effectively selling advertising onto those Apps. Apps are programmes designed to run on mobile devices such as phones, tablets and more recently watches. Many Apps are designed to feature ads, which is one of the principal ways in which App publishers make money out of their Apps.

Many App publishers operate numerous Apps that deliver a wide range of information, games and other services. One of the difficulties experienced by App publishers, is that it is generally very difficult for an individual App publisher to earn significant revenue from their particular App. AdCel enables that ad inventory to be aggregated thereby delivering a larger more attractive audience to advertisers and enabling those App publishers to capture advertising revenue across numerous small apps that would not otherwise be available to them.

The AdCel platform is designed to solve this problem and to service multiple ad formats including banner ads, images, video ads, interstitial and native ad types. It does this through a proprietary machine learning programme (artificial intelligence or AI) that optimises ad network monetisation in real time. The AdCel technology is unique in terms of the way it monetises the App advertising inventory through its yield management algorithm and this enables AdCel to out perform many of its competitors.

The AdCel platform is currently integrated with over 40 demand partners (advertising buyers) and has over 6,000 exclusive Apps utilising the AdCel technology, which sits directly on the mobile device. Existing customers of Adcel include many of the worlds largest tech companies, including Google, Facebook, Twitter and Amazon. Further details on the AdCel business can be viewed at the company's website at <https://adcel.co>

AdCel's existing head office is in Los Angeles and the Company has a significant research and development office in the Ukraine, which is known for its high technical competency specifically in engineering for advertising technology. This development office will also be used to carry out technology development work for engage:BDR's other businesses at significantly lower cost than is possible in more developed western countries.

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Benefits of the proposed acquisition to engage:BDR

As announced to the market previously engage:BDR has now integrated 86 clients onto its proprietary programmatic platform, with a further 15 clients expected to be integrated onto the platform by the end June 2018.

By acquiring AdCel, engage:BDR will almost immediately be able to increase its current integrations to 126 and add over 6,000 exclusive new apps to its publisher supply portfolio. AdCel also has a pipeline of additional integrations which will add to the engage:BDR existing and growing integration pipeline.

Adcel's 2018 standalone revenues are expected to exceed AUD \$2 million in the 2018 calendar year and the Company is almost break even (based on unaudited results). The acquisition of AdCel by engage:BDR will enable engage:BDR's current publisher suppliers to also buy access to Adcel's current 40+ buyers.

In addition, Adcel's 6000+ exclusive App inventory will also be able to sold to engage:BDR's current integrated buyers. This will effectively create a multiplier effect on engage:BDR's revenue as it will significantly increase the number of publishers onto which the Company can sell inventory and at the same time allow AdCel clients to be sold onto engage:BDR's sites.

engage:BDR believes that this could potentially result in additional incremental revenue to the Company of approximately AUD \$5 million+ over the first 12 months following completion of the acquisition of AdCel and result in engage:BDR's revenues approaching AUD \$30 million in the first full year post completion of the acquisition and integration of the AdCel clients onto the engage:BDR platform.

On completion of the acquisition engage:BDR also expects to be able to achieve significant economies of scale and cost savings by removing some duplication between the two businesses in terms of personnel, offices and general administration.

Terms of deal

The key terms of the acquisition are as follows:

- Payment of USD \$1.0 million in cash payable on completion
- The issue of approximately 21,179,309 fully paid ordinary shares in engage:BDR Limited at a deemed issue price of AUD \$0.22 cents per share (USD \$3.5 million). The shares are proposed to be issued in accordance with the Company's 15% placement capacity under ASX Listing Rule 7.1.

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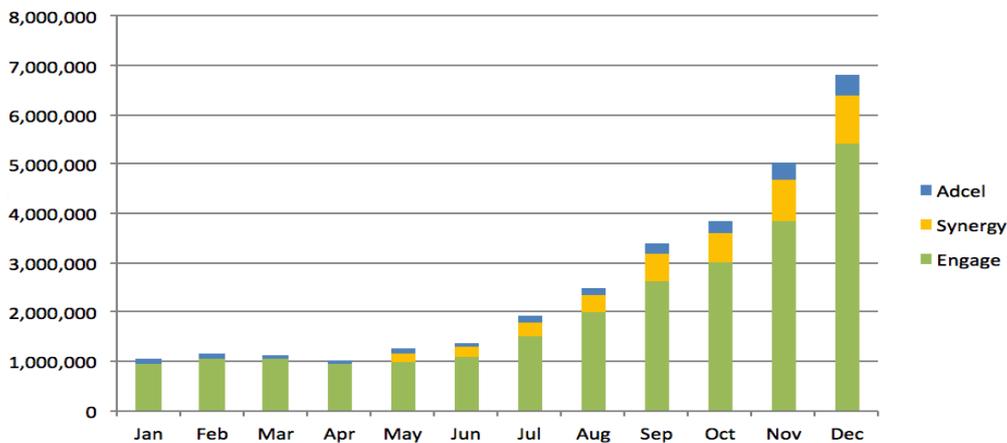
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- 35% of these shares to be escrowed for 6 months and 65% escrowed for 12 months

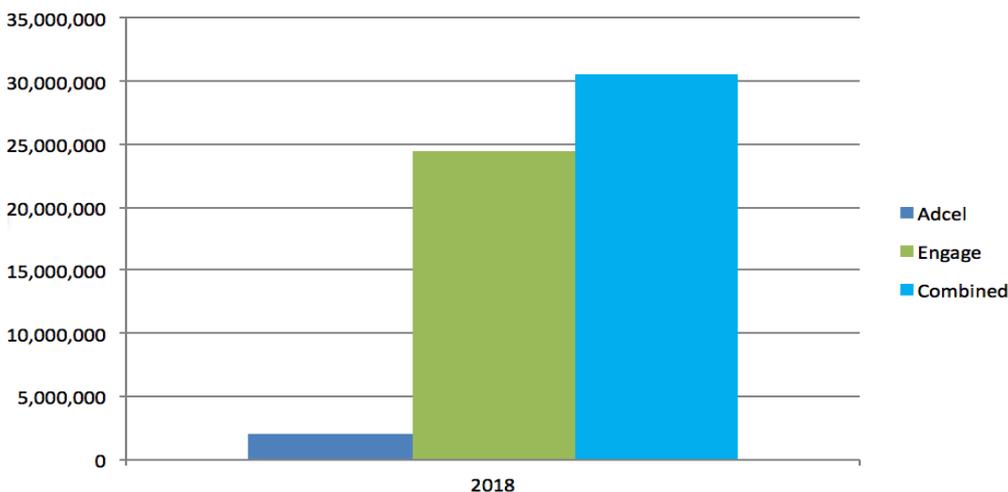
Ted Dhanik said in relation to the proposed AdCel transaction....”engage:BDR is extremely positive about the acquisition of AdCel. AdCel has a number of extremely positive attributes that make it an attractive acquisition. It has a business which will grow engage:BDR’s customer reach significantly, including many customers which are the crème de la crème of the industry”.

“engage:BDR is very pleased that the shareholders of AdCel have agreed to accept most of the purchase consideration for the business in shares in engage:BDR Limited at a premium to the IPO price of \$0.20 cents which demonstrates their confidence in the engage:BDR business and its future prospects. The shareholders of AdCel have also agreed to voluntarily escrow their shares for periods ranging from 6 to 12 months from completion of the transaction”.

Combined Revenues and Synergy



2018 Forecasted Revenue



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Associated Capital Raising

The Company also wishes to announce that in order to meet the agreed cash component of the proposed purchase price of AdCel and for working capital, the Company, through its Lead Manager Sanlam Private Wealth, has received binding commitments for a share placement to a range of institutions and high net worth individuals of 12,500,000 fully paid ordinary shares to raise AUD \$2 million at a price of \$0.16 cents per share. The shares are proposed to be issued in accordance with the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company also proposes to immediately undertake a share purchase plan for existing eligible shareholders at the same price to raise up to a maximum of a further \$2.0 million. Documentation in relation to the proposed Share Purchase Plan (SPP) will be dispatched to existing eligible shareholders shortly. The record date for the SPP will be Wednesday 2 May 2018.

The proposed issue of fully paid ordinary shares pursuant to the capital raising and issue of vendors shares will not require shareholder approval.

The Company believes that the additional funds raised will provide it with sufficient funds to get the Company to a cash flow positive position during the 2018 calendar year.

Yours sincerely
Ted Dhanik
Co-Founder and Executive Chairman

For further information please contact engage:BDR Limited (ASX:EN1 and EN10)

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