



23 July 2018

ASX ANNOUNCEMENT 2018 H1 Financial Update and Commentary

Highlights

- Company has achieved increased revenues and higher profit margins and reduced operating costs, when compared with the same period last year
- Improved business performance driven in particular by increasing video advertising spending

engage BDR (“engage:BDR or Company”) (ASX:EN1 and EN1O) is pleased to announce that the first six months of the calendar year have produced improved trading results when compared with the same period last year.

The Company’s programmatic business model continues to deliver strong financial and operating performance, with July 2018 video advertising revenues expected to be up approximately 500% up from the results achieved in July 2017.

At the same time the Company’s operating expenses in H1 2018 have been reduced by approximately 11% when compared with the corresponding period in 2017.

In addition operating margins reached 43% in H1 2018, when compared to 37% in H1 2017.

Key Financial Updates

Relative to the prior comparable period, 1H 2017, the company’s 1H 2018 principal results are as follows:

**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



- 10% increase in earnings before interest, tax, depreciation and amortisation ('EBITDA')
- 11% reduction in operating expenditure year to date
- 16% reduction in in Net Loss

One of the biggest areas of improvement in 1H 2018 was a substantial reduction of 66% in interest expense, as compared to 1H 2017. Furthermore, 1H 2018 programmatic revenue was approximately 136% of 1H 2017 programmatic revenue. The large improvement in Net Loss can be attributed to a decline operating expenses and in depreciation/amortization and interest expense in 2018.

July 2018 Update

As in previous years Q3 and Q4 are together expected to contribute approximately 75% of the Company's annual revenues. EN1 is already seeing that July 2018 programmatic revenue through 7/18/2018 has already seen over 70% of July 2017's revenue. With the current run rate, July 2018 programmatic is on track to potentially reach 124% of July 2017's programmatic revenue.

With the continued growth of video advertising spending, the Company has seen significant increases in July 2018 video advertising revenue when compared with the similar period in 2017. Video advertising revenue as of 7/18/2018 is reported to be approximately 194% of July 2017. At this rate, July 2018 is expected to be approximately 5 times that achieved in July 2017.

Programmatic Media Buying and Video Opportunity

2018 industry forecasts highlighted a considerable expected rise in video advertising spend and as of 1H, the Company's video advertising revenue is surpassing earlier expectations. In early 2018 eMarketer predicted that video display ads would be the second highest spending platform in 2018 and 2019 and this is being achieved.

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USA
t: +1 310 954 0751
e: info@engagebdr.com

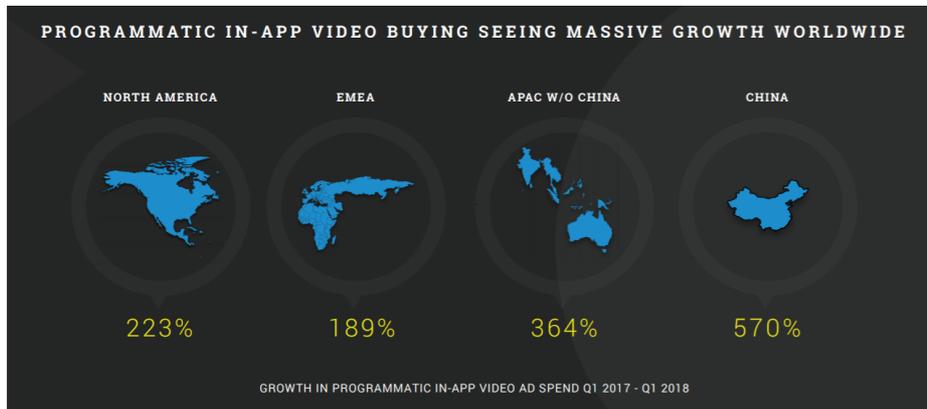
Australian Office
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Level 4, 90 William Street
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info@engagebdr.com.au

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	 Banners and others	 Video	 Rich Media	 Sponsorship	
2015	\$11.57	\$7.46	\$5.44	\$1.68	\$26.15
2016	\$13.39	\$9.59	\$7.42	\$1.77	\$32.17
2017	\$14.74	\$11.43	\$9.17	\$1.86	\$37.20
2018	\$16.17	\$13.05	\$10.69	\$1.96	\$41.87
2019	\$17.68	\$14.77	\$12.19	\$2.06	\$46.69

*Source: [eMarketer](https://www.emarketer.com)

As video advertising continues to expand, so do opportunities for programmatic buying. [InMobi](https://www.inmobi.com) reports that, “Between 2016 and 2017, programmatic mobile video advertising spending grew 128 percent in the U.S. and 136 percent globally. But, comparing Q1 2018 to Q1 2017, programmatic buying rose 220 percent in the U.S. and 238 percent worldwide.”



*Source: [InMobi](https://www.inmobi.com)

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New Advertising Strategies

This year the Company has introduced new advertising strategies that focus on short mid-roll video ads. Consumers are now more inclined to ignore banner ads and pop-ups, and viewers have become more used to seeing pre and mid-roll ads appear while watching a video online. The Internet Advertising Bureau (IAB) UK and [ExchangeWire](#) report an increase in mid-roll ads, which now account for 52% of video ad spending.

[Digilant](#) notes that, "..., video ads have the highest click-through rates of all digital ad formats at 1.84% which in large part is due to video trends yielding more brand engagement as opposed to direct-response, 'buy this product' ads."

[Cisco](#) reports suggests that by 2019, 80% of all consumer traffic will be video.

IconicReach Successful Campaign Results

EN1's influencer marketing platform, IconicReach (IR) recently completed a series of successful campaigns using influencer video to drive audience engagement, including one with ladies beauty product LadyKin.

LadyKin is a beauty product brand founded in 2005,. The brand has managed to capture large audiences in Asia However, with the exception of a few products featured in beauty subscription boxes, LadyKin's market in the USA and in English speaking countries is relatively small.

LadyKin indicated to engage:BDR that its main goals were to gain product exposure and persuade english-speaking, beauty-oriented consumers to incorporate LadyKin's unique products into their daily beauty routines. The Company's IconicReach influencers managed to engage with the right audience at the right time, and achieved LadyKin's objectives by more than tenfold. IconicReach's four creator posts yielded an 18% engagement rate, had more than 113,000 views, 4,600 likes and achieved an average cost per engagement (CPE) of only USD \$0.37.

Iconic Reach's various initiatives continue to be driven by the global trends in the influencer marketing industry, including customer demands for lower cost, more efficient content and access to up-to-date data analytics.

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Melbourne Victoria 3000
AUSTRALIA
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info@engagebdr.com.au



All figures and estimates for 2018 are subject to review, audit and adjustment.

For further information please contact engage:BDR Limited

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

or

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

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