PUBLICLY TRADED ON THE ASX: EN1

19 September 2018

ASX ANNOUNCEMENT

Commentary on 2017 and H1 2018 Financials Part 2

..continued from 18 September 2018

Cash Float and Collections

In simple terms, a cash float is the difference between the payment to a supplier and the cash collected from a receivable for a given transaction. For example, a prepay is made to publisher for $100 on 1 January. That advertising is consumed by our client within January, and invoiced to them on 1 February. The client pays net 120 days, or by 31 May. The cash float in this sample is 150 days (1 January - 31 May).

A collection float refers to promised money that the Company has not yet received due to invoice lags. When buyers purchase media from the Company, the Company must wait until the end of the month to provide an invoice. Subsequently, it takes anywhere between 60 and 120 days for the money to be credited to the Company's account.

Similarly, this "floating money" is experienced when the Company is prepaying publishers. The Company prepays publishers before it collects cash for the ad space from buyers. In order for this prepay to happen, the Company factors its accounts receivable and gets about 80% of the invoice value from the bank, to use towards ad prepays. The Company's factoring / asset-backed facility is approximately $5M USD.

To date, the Company's bad debt average, or invoice payments which go unpaid, is approximately 3%, which is fairly low in comparison to industry averages. In order to mitigate the amount of unpaid invoices, the Company's invoices are insured through the Euler Hermes Group.

Media Prepays

Media prepays are vital to the Company's success, allowing the Company to gain access to preferential ad inventory ahead of competitors. Prepays help publishers cash flow better with no finance or interest costs to them, in exchange publishers give the Company priority and incremental access to their highest demand and most premium lines of inventory (which demand the highest margins). The alternative to prepaid advertising is participation in highly competitive ad preemptive auctions, where a company is more likely to be outbid by competitors for remnant inventory. Similarly, the Company has to prepay larger influencers before campaigns are executed, but at much smaller scales currently as the IconicReach platform begins to scale.

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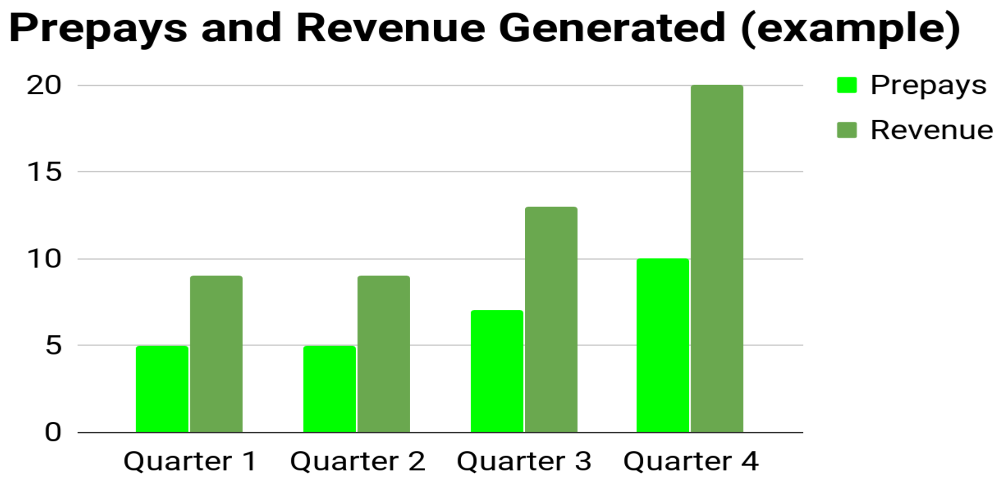


Every dollar spent on media prepays has about a 40-50% margin of returns currently. In other words, for every $1 that the Company spends on prepaid media, it can make nearly $2 in revenue in return for selling that ad space.

Prepay cycles vary throughout the year, becoming more robust during peak season in quarters 3 and 4. During the first half of the year, prepays could be made at the beginning of each quarter and exhausted by the end, or quicker, based on demand at the time. However, in the second half of the year, prepays are made on a monthly-basis, due to higher demand, and are exhausted by the end of each month.

In the end, prepays give the Company a competitive edge and the more the Company is able to prepay, the more access to top-tier ad inventory it has available. The larger the premium inventory access, the more profit and revenue the Company can make. Prepays pay for revenue and profitability growth, they are not paying to build anything; the company built all of its infrastructure and business over 9 years on its own dime, with no investors' money.

Fixed-cost Infrastructure Advantage

Unlike many of its competitors, which are locked into variable-cost cloud platforms powered by industry giants like Google and Amazon, the Company benefits from having its own fixed-cost servers housed in many data centers around the globe. The Management team leveraged their experience at MySpace; it was the most visited site on the internet in a time where cloud systems were scale-prohibited. MySpace had to quickly figure out how to build their own cloud. The Company launched its business on its own server network, since day one. Additionally, the Company has no sales associates and no variable compensation. In other words, the Company is able to maintain operating expenses at a base-level as revenue grows.

Industry Peer (The Trade Desk)

The Trade Desk raised approximately $252M USD (AUD $342M) before its IPO on the NASDAQ and an additional $84M (AUD $114M) during its IPO for a total of over $450M AUD to date. Many of the Company's publicly-traded competitors had large sources of capital before they had their IPO's, which allowed them to achieve significant milestones, including revenue growth. However, EN1 has not raised much capital (all post-IPO - $12.2M AUD to date), so it has not had the same opportunity to grow, yet.

Management believes accessing capital should not be considered negative, as demonstrated by the successes of many of the Company's peers. Sufficient working capital gives companies in this space the flexibility and resilience needed to drive revenue and sustainable growth. If the Company had access to a fraction of their capital, it could have grown similarly to its larger public company peers.

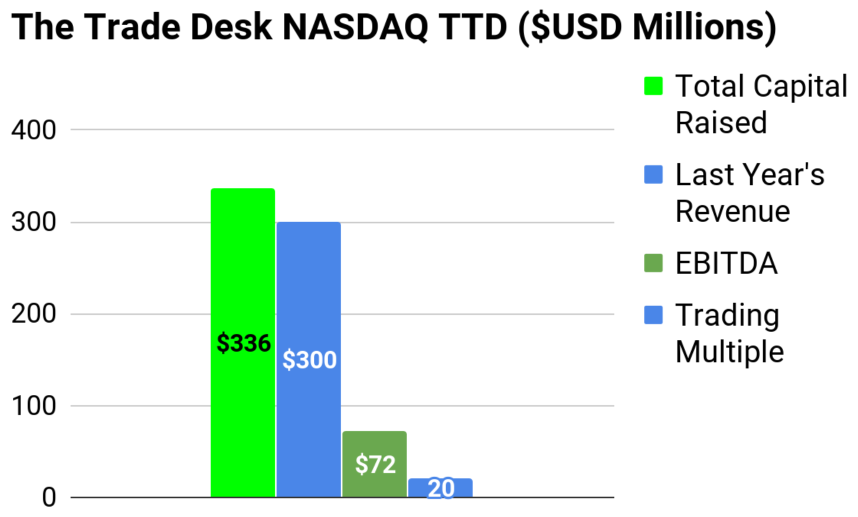
The vast majority of industry competitors focus on the demand-side, where they are limited by a finite number of advertisers and brands (buyers). In contrast, the Company targets the supply-side, where their opportunities are infinite with millions of apps and websites (supply) available. Additionally, the Company's influencer platform IconicReach provides additional differentiation and future revenue distribution.

Valuation Spectrum and Opportunity

The following are a few examples of valuation of peers within the industry:

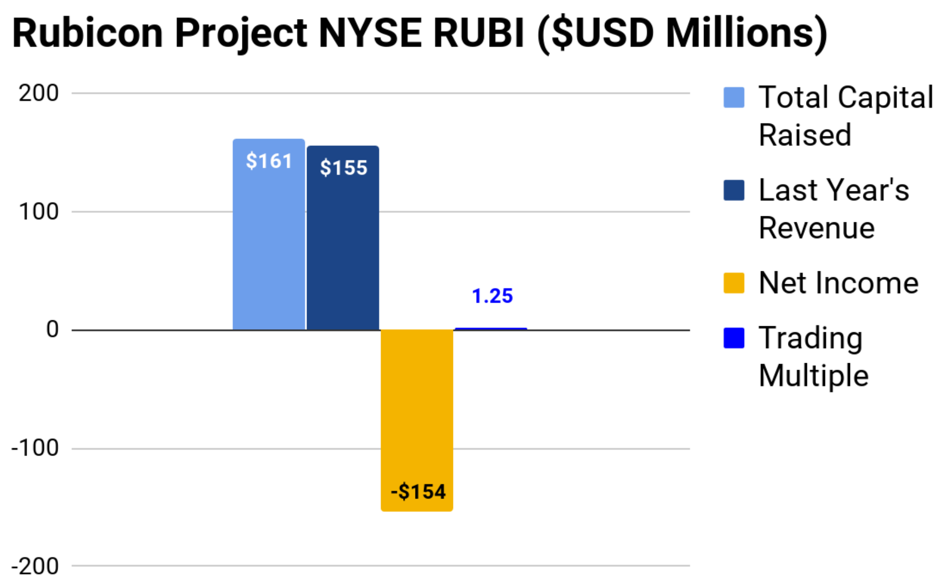
The Trade Desk, a leader in the industry and our neighbor (TTD NASDAQ):

- TTD generated $308M USD in revenue in 2017, with a $78M USD EBITDA. In 2016, TDD grossed $202M USD in revenue, with $61M USD EBITDA. The Trade Desk successfully raised $252M USD before IPO, and another $84M USD during their IPO. As a result, the company is extremely profitable and has grown significantly year-over-year. They have a partial fixed-cost structure and their software is responsible for most of their revenue. **TDD is currently trading at <u>20 times</u> their previous years' revenue on the NASDAQ, with a $6 billion USD market cap**. The Trade Desk is focused on the demand-side and, therefore, has a finite number of advertisers and agency buyers. The Company believes TTD does not own an influencer marketing platform.



Rubicon Project (NYSE RUBI)

- Rubicon produced $155M USD in revenue in 2017, however, they had approximately $154M USD in losses. In 2016, RUBI made $278M USD in revenue, and had $18M USD in losses. Rubicon Project successfully raised $60M USD before IPO and another $101M USD during their IPO. They have a partial fixed-cost structure and their software is responsible for most of their revenue. **Despite their massive losses in revenue, they are still trading at 1.25 times their previous years' revenue with a $194M USD market cap**. The Company believes Rubicon does not own an influencer marketing platform.



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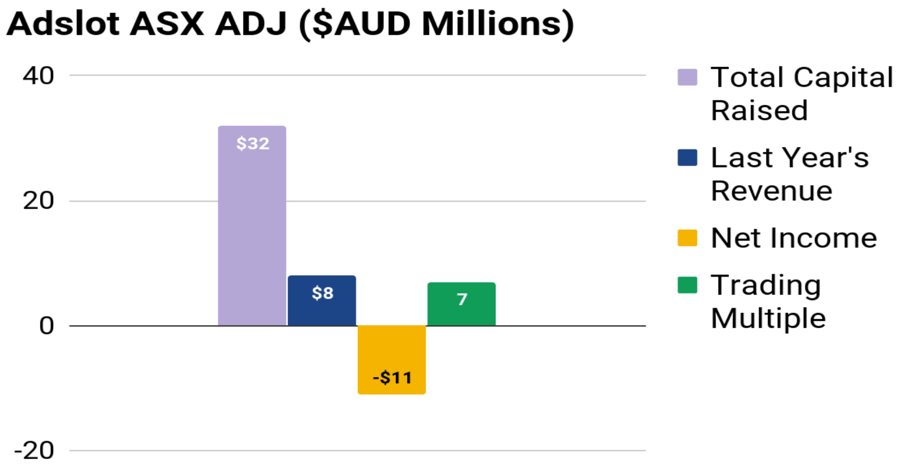
AdSlot (ADJ ASX)

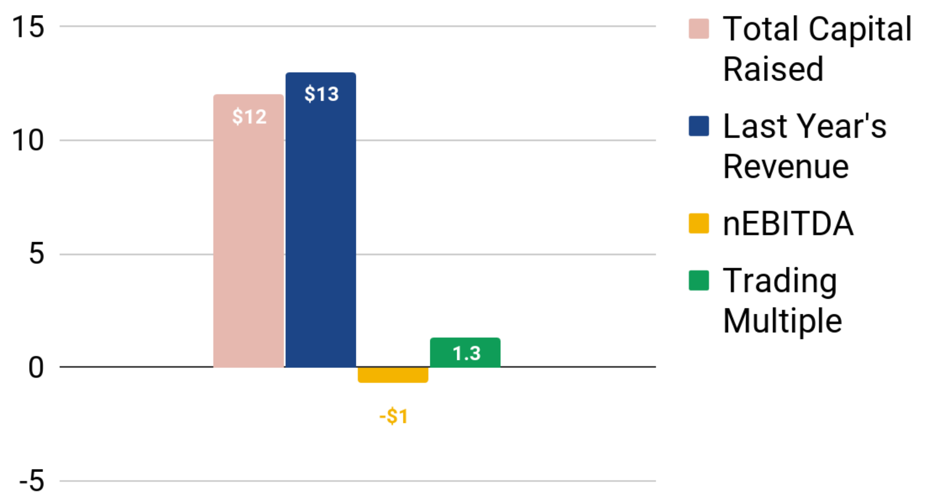
- Another successful and innovative company on the ASX, AdSlot, generated $8M AUD in revenue in 2018 and had $11.6M AUD in losses. In 2017, the company made $9M AUD in revenue and had $8.5M AUD in losses. Despite their losses, **AdSlot is still trading at <u>7 times</u> their previous years' revenue with a $56M market cap**. The company raised over $32M AUD so far. They have a partial fixed-cost structure and their software is responsible for most of their revenue generation. AdSlot is focused on the demand side, and the U.S. is not their primary market. The Company believes AdSlot does not own an influencer marketing platform.



EN1 ("The Company")

- The Company generated approximately $13M AUD in revenue in 2017 and had a -$678k nEBITDA. The Company has raised a total of $12.2M AUD, all post- IPO. The Company has a fixed-cost structure and its software generates 100% of its revenue (zero sales people). Unlike most of its competitors, engage is focused on the supply-side, which is comprised of millions of websites and apps and infinite number of possible opportunities. EN1 owns the self-serve influencer marketplace IconicReach, which is in an industry of high growth.

engage:BDR ASX EN1 ($AUD Millions)



EN1's current trading multiple is approximately <u>1.4 times</u> its previous year's revenue, with a $17.5M AUD market cap. When compared to other companies and considering the large size of the U.S. market in which the Company operates, Management feels that the Company's opportunity is significant.

Revenue Trends

Over the years, the third and fourth quarters have brought the heaviest revenue of the year, since advertisers spend large sums during the back to school season, Halloween, Thanksgiving and Christmas. This is typical for all types of advertising companies (offline, online, traditional and programmatic).

The Company's revenue is directly impacted by the amount of working capital available for prepays. The more prepays the Company can make, the higher revenue it can achieve. For every $1 spent on prepays, the Company generates between $1.75-$2 in revenue currently. The working capital buys revenue, the Company is not incubating new technology with the cash; the technology and business was built over 9 years by the revenue the company produced.
Media prepays are extremely important in securing top inventory for the Company, especially in the most competitive quarter of the year. Having a large pool of media inventory on reserve for the busiest season of the year can only serve to benefit the Company, its revenue, profitability, and sustainability.

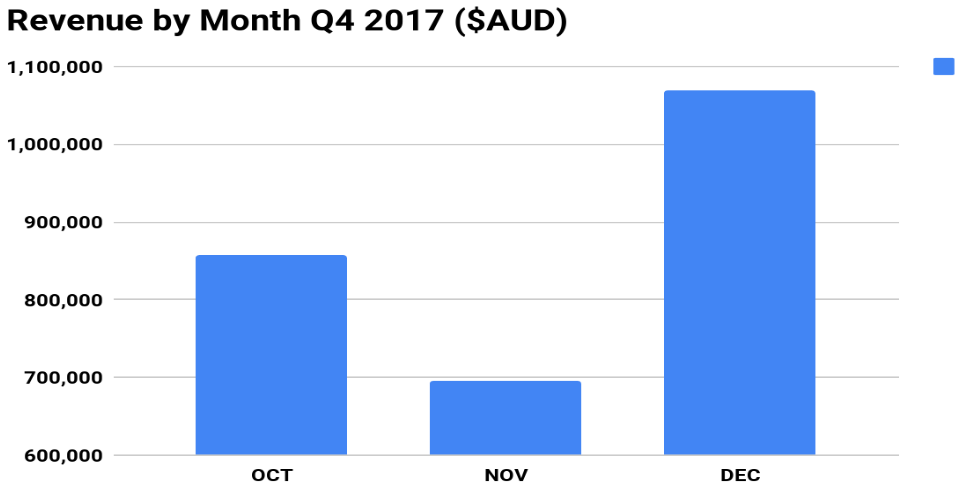
What Happened in 2017

As the market is aware, 2017 was not the best year for the Company from a revenue perspective. The Company expected over $12M AUD in revenue in Q4 alone (50%+ of its annual revenue), however, due to shortages in capital (caused by the IPO delay), revenue did not meet expectations for Q4 ($2.6M AUD). The Company needed a significant amount of capital by October 1 for media prepays, which was expected from the IPO. The IPO was delayed over three months from September 2017 to nearly the end of December 2017. The Company could not access ad inventory during the most competitive season of the year.

Unfortunately, the Company received capital a few days before January 2018. Therefore, the Company did not have the ability to prepay for Q4 2017, nor did it have enough revenue to cover its fixed costs for that quarter, as a result.

When the Company received the IPO funds, it had accrued significant liabilities from Q4 2017 and used cash from the proceeds to cover liabilities which were immediately due (payroll, trade payments, critical operating expenses, etc). If the Company had been capitalized in September as planned, Management believes it would have generated nearly $21-23M AUD in top-line revenue, and would have been significantly profitable from a normalised EBITDA perspective. The missing revenue from Q4 2017 would have cascaded into Q1 2018 and allowed much larger budgets for prepaying that quarter, Q2, and into H2 2018 as well.

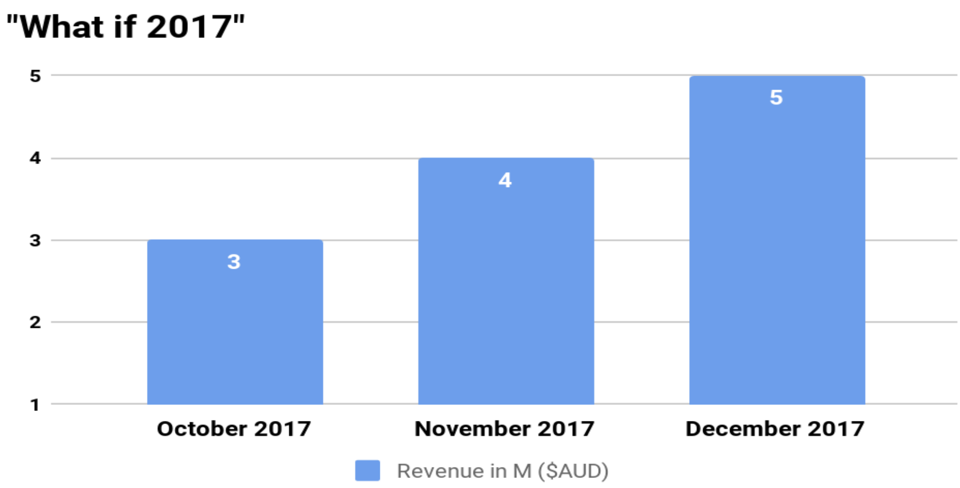
The delay in the Company's IPO was not anticipated and it resulted in significant damage and setbacks for the Company. The exchange exercised discretion and requested several items not typically requested from Australian companies listing on the ASX, which took a significant amount of time and capital to fulfill (emergency audits of additional periods, new prospectus, etc).

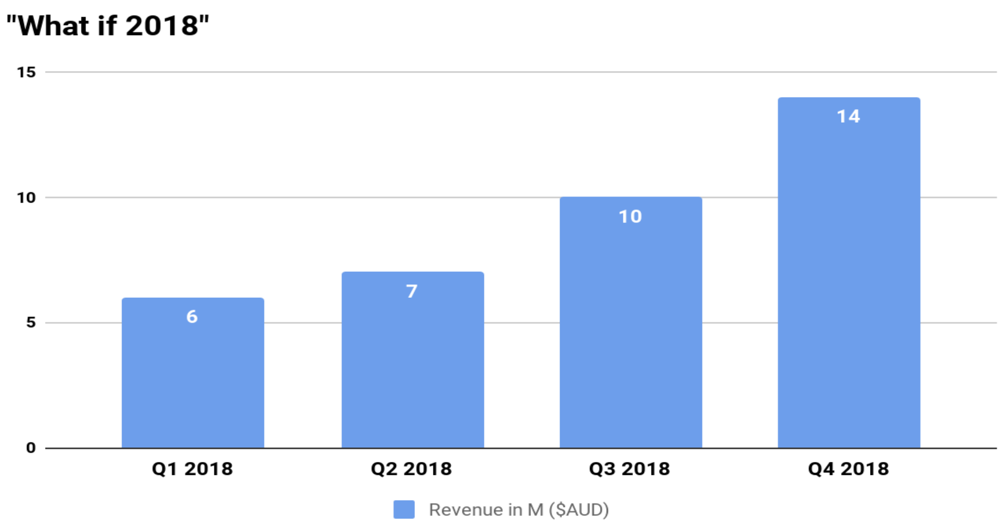


What If...

If the Company had access to its IPO proceeds at the end of September 2017, it could have had significantly higher revenue in Q4 2017. This could have covered all of its liabilities for that period and the capital from the IPO would have been used as planned.

Additionally, it could have had the additional revenue from Q4 2017 to contribute to media prepays in Q1 2018; revenue from that period could have cascaded into subsequent quarters for media prepays, amplifying the Company's revenue. The Company could have had significant capital at the start of 2018 for media prepays. That cash would've been compounded over the course of the year.

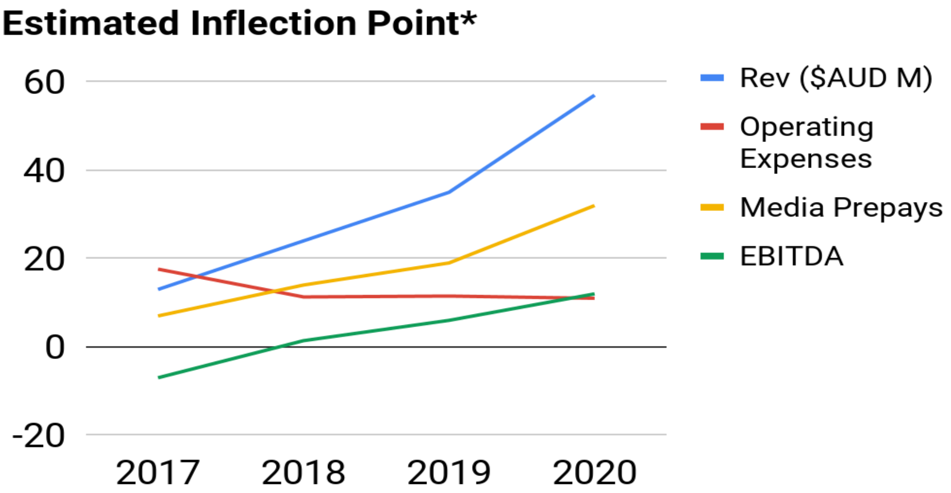




Inflection Point

Currently, the Company is in the phase in which it needs outside capital for revenue and profitability growth.

The graphic below depicts an estimated inflection point, wherein the Company's EBITDA will outgrow its operating expenses and will yield enough capital to allow significant prepaying for ad inventory in Q1, Q2, and every month of Q3 and Q4 of subsequent years. From that point forward, the Company will be financially self-sufficient and will no longer require outside investments to expand. Although the exact inflection point date has yet to be determined, the Company has very positive outlooks on the years ahead.



**Post 2018 statistics do not represent projections and are only examples*

Business Maturity

After 9 years in business and nearly $200M in revenue, all of the technology needed for operations had been built and paid for before EN1 had its IPO on the ASX. Management feels very strongly about the Company's potential to grow in the near term. The damage in previous periods is done and Management is focused on moving on to build a strong future. Communication with the market about what happens and how the business works is critical now as the Company works for its shareholders and a stronger relationship would enable quicker growth and tolerance for its challenges. The Company has endured several storms over 9 years before its public listing and has the experience of finding solutions (in the past without any external capital) to thrive in the most competitive market.

To be clear, the Company's business is **not in a turnaround** process in an effort to make a small profit. Rather, the Company's mission is to change the way advertisers buy their media, globally. The Company does not sell trinkets, gadgets or mine natural resources;

management feels very strongly that with adequate resources, the opportunity to perform similarly to its publicly traded peers in the U.S. is available.

At the Company's current stage, its **revenue is driven entirely by its proprietary software**, not by sales people. As the Company acquires more working capital, it will have more to contribute to media prepays, which will result in increased revenues.

The benefits of the programmatic business model will continue in the years ahead, including increased run rates, growing revenues and a growing digital market. Influencer marketing is also a growing sector in the U.S. and in most major markets around the world. The combination of these two products enables EN1 to seize more revenue opportunities in the years to come.

Closing Message From Management

EN1 may not be at the same level as its larger competitors just yet, but its quality-rooted values, proprietary technology, AI, supply-side ecosystem and innovative approach, with a little help from working capital, will allow the Company to level and potentially surpass competition. We look upon the future with an extremely positive outlook and look forward to continuing to grow EN1 and expanding its digital media marketing footprint globally.

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