

11 February 2019

## ASX ANNOUNCEMENT

### EN1 2019 Strategic Plan and Key Milestones to Achieving Profitability

#### Highlights

- ◀ EN1's 2019 primary objective is returning to profitability, increasing integrations, scaling current partnerships, reducing operating expenses and deploying key products
- ◀ engage:BDR, IconicReach and AdCel have several forthcoming projects in 2019, which will ultimately contribute to profitability

engage BDR ("EN1 or Company") (ASX:EN1 and EN1O) is pleased to present the Company's 2019 strategic plan and notable milestones for the year. The Company began 2019 with five new programmatic integrations, pushing total integrations to over 175. Management is extremely excited about communicating the prospects for this year, specifically in the areas of winning new client relationships, scaling the existing, strategic product development and deployments.

#### 2019 Strategic Plan

The Company's primary goal for 2019 is to **return to profitability**. In the first six years of operation, the Company maintained profitability, without ever raising any external equity or debt financing; it was fully-bootstrapped and organically grown until its IPO in 2017. The executive team feels confident the Company is well-positioned to return to profitability. The plan highlighted in this announcement includes the key elements of EN1's strategy including key milestones, or KPI's which will enable more accountability to its shareholders.

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**Over the span of 2019, the Company intends to achieve the following highlights:**

- ◀ 6-8 new programmatic integrations signed per quarter
- ◀ Scaling existing relationships and improving efficiency
- ◀ Faster engineering cycles to connect new buyers and publishers through more automated engineering processes, yielding 6-8 new live integrations per quarter
- ◀ Develop and deploy several new technologies for engage:BDR, IconicReach and AdCel, which would add significant reach to incremental customers
- ◀ Constant reduction in OpEx, by:
  - ◀ Renegotiating all operating expense items and contracts (tech infrastructure, outside professional services, etc) to yield an additional 25% reduction in cost by the end of 2019
  - ◀ Reduce office lease by 70% by end of Q1
- ◀ Increase revenue (about half of every dollars of top-line revenue is EN1's gross profit, which impacts the bottom-line net profit directly; gross profit over approx. \$350k monthly, brings the Company to profitability)

## **EN1 2019 Strategic Roadmap**

### **Efficiency**

Efficiency remains one of the Company's continuous priorities. The strategy to achieve this goal is twofold; 1) Continue optimizing the process of integrating partners and connecting them with supply and demand to recognise new revenue faster, and 2) minimizing expenditures.

As such, the Company is working to produce faster engineering cycles, which connect new buyers and publishers through automated engineering processes. This would enable 6-8 new live integrations to be admitted to the Company's programmatic exchange per quarter.

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In addition, the Company strives to continuously reduce operating expenses. The Company is in the process of renegotiating all outside operating expense contracts, which include tech infrastructure, office leases, and outside professional services (legal, accounting, consulting), among other things. By Q2 2019, the Company will move to a new office space, cutting lease costs by approximately 70%.

Over the course of 2018, between Q1 to Q4, the Company successfully reduced staff costs by 42%, manufacturing and operating costs by 69%, advertising and marketing costs by 96%, and research and development costs by 93%, from a cashflow perspective. By the end of 2019, EN1 plans to further reduce overall OpEx by another 25%.

### **Programmatic Integrations**

Integrations are fundamental drivers of engage:BDR's programmatic revenue. The more programmatic partnerships the Company has integrated, the higher the supply and demand sell-through. The additional ad inventory and advertiser demand creates a network effect where demand on all inventory increases competition for each impression, bid-prices, sell-through and margins all increase; this will yield a direct impact on gross profit, net income and EBITDA.

The bottom line is, integrations determine the strength of the engage:BDR's programmatic exchange revenue. Every two dollars in revenue is worth approximately one dollar in gross profit (at 40-50% margins), which impacts net profit tremendously. In simple terms, gross profit in a given month above approx. \$350K would mean that the Company would achieve a profit, because EN1 has a fixed-cost structure (software generates 100% of its revenue), unlike many of its competitors who have variable, or scalable cost models.

Integrations are strong key performance indicators (KPIs) to forecast the Company's future profitability. To date, the Company has boarded over 175 integrations, including five new programmatic integrations in the first month of 2019. The revenue potential for some of these integrations alone is approximately USD \$100,000 per day, as announced previously.

Over this year, the market can expect new integrations to enter into the Company's platform each quarter, in addition to updates on the revenue-generating impact of those new integrations and ones previously announced. In line with the Company's overall strategy to increase profitability, the Company intended to exceed 175 programmatic integrations by end of Q1 2019 and surpass 190 by year's end. EN1 will continue to update the market with regards to traction on all integrations signed and fulfilled and their performance.

## engage:BDR Programmatic Exchange

### **Server-Side Header Bidding**

As part of the 2019 strategic initiatives, the Company plans to launch a server-side header bidding business and add 200+ new direct publishers this year, as a result. This is expected to be deployed in Q2. The goal is to add 50 new publishers in Q2, 75 in Q3, and 75 in Q4.

### **White-labeled Programmatic Exchange**

EN1 is expected to develop and launch a white label of its ad exchange to license to international competitors and ad networks. This is expected to be live by the end of Q3. This will enable incremental revenue from an already existing product, through a completely different customer base.

### **TRUTH Verification SDK**

The Company will launch its TRUTH marketplace expansion through verification software development kit (SDK) syndication, which is anticipated to be live Q3. Header bidding publishers will be the first to be integrated into the expansion. This proprietary technology will enable buyers across the programmatic ecosystem to buy verified inventory, where AdCel's technology physically sits on mobile devices and validates all data provided by publishers in the bidstream.

### **PMP for CTV and Streaming Audio**

Also, in the pipeline is the development of a CTV (connected TV) and a streaming audio network through private marketplaces. Specific b2b marketing campaigns will be created to support this effort. The project is expected to be live in Q4.

### **IconicReach Integration in the engage:BDR Exchange**

EN1 will utilise IconicReach's unique, unduplicated advertiser roster (IconicReach's social influencer advertisers are very different and unique compared to engage:BDR's programmatic buyers) and demand to board new direct publisher integrations for the programmatic exchange. Additionally, the integration will also enable IconicReach's advertisers to access the same social audiences through retargeting campaigns across display, video and native advertising. This is expected to be live by Q4.

### **DMP**

Lastly, the Company anticipates the creation of a proprietary DMP (advertisers' targeting data management platform) for buyers to leverage, which is expected to

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launch between Q4 2019 and Q1 2020. AdCel's software development kits (SDKs) are one of the primary data sources for this DMP, along with AdCel's TRUTH verified user data. These SDKs are utilizing first-party data to attract new buyers, which is a unique value proposition which commands high-rates and incremental revenue. The unique value proposition for this DMP would be the new breed of data offered to buyers, where combining first-party SDK data-points matched with ISP and advertiser performance data offer the ability to target users in many new capacities not available in digital marketing currently.

## **IconicReach**

### **Advertisers and Influencers**

Per quarter, IconicReach will sign 3-4 new brand deals and add approx. 2,500 additional micro-influencers to the IconicReach network. Simultaneously, IconicReach seeks to grow current brand client spends as many of the current campaigns are on test budgets (as IconicReach went live in January 2018) and positioned to scale.

### **Paid Social Media Strategy**

Throughout its first year in operation (2018), IconicReach has been approached by many clients and prospective clients to manage their paid social media buying strategies (Facebook, Instagram, Twitter, Snapchat, etc). IconicReach did not have the resources to onboard this business, but as a result, the Company will develop and deploy processes and technologies to be able to participate in this high-growth area by Q3 this year.

### **New User Interfaces for Influencers and Brands**

IconicReach aims to develop and launch its new influencer and brand UI's, which allow brands to invite influencers to campaigns and enable influencers to apply for brand campaigns, in Q3. This will allow IconicReach to streamline influencer discovery and analytics, facilitating the process of scaling influencer relationships through more automation (software) and less labor. This advantage will enable IconicReach to be a solid competitor against leading influencer marketing companies in the ecosystem.

## **AdCel**

AdCel remains a top performer in the mobile marketing ecosystem, from a yield management, fill-rate% standpoint (99.5% ad opportunities filled, for most of its publisher clients). As previously mentioned, the acquisition of AdCel last year provided the Company with over 6,000 applications ("Apps"), which will significantly

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increase the combined Company's advertising inventory available for sale. Some of AdCel's integrations have already started to be integrated into the Company's platform and will soon be contributing to revenue.

### **AdCel Mediation SDK Syndication**

In 2019, engage:BDR and AdCel aim to syndicate its mobile in-app monetization technology to approx. 25 more app publishers per quarter.

### **Automated Monetisation Tools for Publishers**

New automated monetisation tools for publishers will enable fully-automated, self-serve publisher on-boarding to be live in Q2. AdCel cannot board mid-and long-tail publishers currently, as it does not have the account management resources to handle small volume business. With the deployment of this self-serve publisher platform, it can benefit from thousands of new potential smaller publishers, boarding on their own, 100% automated.

### **engage:BDR Exchange Integration into AdCel**

The development and deployment of a programmatic demand-side enabled software development kit (SDK) for in-app AdCel publishers will be deployed in Q2. This technology will seamlessly complete the integration between engage:BDR and AdCel.

### **VR ads SDK**

The Unity3D engine will be integrated to include virtual reality (VR) advertisement software development kits (SDKs) into AdCel's ad monetisation stack in Q2. VR ads are a key area of growth for advertising today, and the Company is extremely excited to be a part of this new era of technology advancement.

### **AdCel Audio Platform**

In addition, AdCel seeks to build a new separate platform for voice and audio ads, making it among the first companies in the audio ad mediation space; this platform is to be live in Q3.

### **AdCel Self-Serve DSP**





AdCel is working to build a self-serve demand side platform (DSP) for direct advertiser and agency demand, planned to be live in Q4. Throughout 2018 (AdCel's second year in business), AdCel received countless in-bound inquiries from advertisers and publishers to buy its inventory on a campaign-basis, through a self-serve kiosk. Once live, AdCel will be able to take advantage of significant mid-and long-tail advertising demand, it has been unable to participate in.

## North America Cannabis Advertising

Throughout 2018, engage:BDR, IconicReach and AdCel have been approached by countless CBD and cannabis brands from North America to provide digital advertising access. Currently, IconicReach and AdCel are exploring the possibilities of developing and going to market with self-serve marketplaces exclusively focused on advertising for CBD and cannabis brands in North America, specifically in influencer and mobile advertising.

Thank you for your time, for questions or comments, please email [info@en1.com](mailto:info@en1.com)



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