engage:BDR Limited ACN 621 160 585

PUBLICLY TRADED ON THE ASX: EN1

29 March 2019

ASX ANNOUNCEMENT

EN1: 13% Programmatic Ad Revenue Growth in 2018 Audited Financials and Commentary

Highlights

- Revenue of A$11.4m in 2018
- nEBITDA for 2018 of (A$2.4m)
- Programmatic ad revenue grew 13% YoY
- Total staff costs reduced 33% YoY
- Operating expenses decreased by about 14% YoY; further reduced to ~US$375k / month since Q4
- EN1 has exceeded all expected milestones in 2019 to date
- Total liabilities improved by over A$2m YoY
- Current daily revenue is tracking ~60% higher than Q4 2018 averages
- EN1 targeting positive monthly EBITDA results in the near-term

engage:BDR ("EN1 or Company") (ASX:EN1 and EN1O) is pleased to present its financial information for the 2018 calendar year.

The table below highlights loss before taxes, EBITDA and normalised EBITDA with their respective items; detailed explanations are below.

Loss Before Taxes	-$10,839,127	Asset Impairment	$1,290,445
Depreciation & Amortisation	$2,615,491	Professional & Legal Costs	$1,457,350
Finance Costs	$362,681	Operations, Admin & Payroll	$2,668,695
EBITDA	-$7,860,955	**Normalised EBITDA**	**-$2,444,456**

Following completion of the 2018 annual audit, further adjustments have been made to the financial results which have now been reflected in the 2018 audited annual financial statements lodged with the ASX on 29 March 2019. For further details refer to notes 1(b)(i) of the 2018 Annual Report.

Non-cash Items

Depreciation and Amortisation

Depreciation and amortisation are typically higher for software businesses like EN1, as intangible and tangible assets (software and servers) depreciate over time. In 2018, EN1 **depreciated intangible assets, tangible assets and amortisation of A$2.62m**.

The Company's servers are being depreciated based on their lease terms (3-5 years), not their useful life. Once fully depreciated, the servers have an additional 3-5 years of useful life, without incurring additional amortisation costs.

Asset Impairment

EN1 experienced **intangible asset impairment of A$1.29m in 2018**. This impairment was related to previously capitalised software development and was a non-cash item.

Share Based Payments

The Company issued share-based sign on bonuses to newly appointed executives that joined EN1 from AdCel, an acquisition it made in August 2019. The share-based payments were another non-cash item of A$284k.

Total non-cash items in 2018 for EN1 were A$4.2m

EBITDA vs Loss Before Tax

EN1's EBITDA in 2018 was (A$7.8m), while Loss Before Tax was ($10.8m). The key differences between EN1's EBITDA and Loss Before Tax figures are directly related to interest expenses, depreciation and amortisation, which totaled A$2.98m for 2018. The interest expense portion for 2018 was A$362k, and related to the Company's factoring facility, which it currently has a US$5m capacity, although average monthly usage has been about US$1m.

nEBITDA vs. EBITDA

EN1's normalised EBITDA for 2018 was (A$2.4m), while EBITDA was ($7.8m)**.** The difference reflects the removal of extraordinary and one-time, non-recurring items. These were asset impairment (non-cash) of A$1.29m, extraordinary professional services and legal costs of A$1.46m, and non-recurring administrative and payroll costs of A$2.67m.

Cash Balance

As reported on 31 January 2019 (Appendix 4C), the Company ended Q4 with cash and Cash equivalents of $320k. Due to collections and factoring, the Company usually experiences its lowest cash balance at the end of each month.

In January, the Company concluded capital raises of approximately A$1.8m. Approximately A$1.1m was deployed in February and March 2019 to activate publishers and increase revenue for Q1 2019 and beyond. This activity has directly contributed to a significant increase in revenue, initially reported at US$20k (A$28k) per day. EN1 has about US$5.8m currently available in its debt facility, and about US$4m in its factoring facility. It has drawn down on both facilities numerous times when cash was required.

Significant Cost Reductions

The Company successfully implemented several cost-saving measures to reduce operating expenses. EN1 was able to achieve the following:

- Total staff costs decreased 33% YoY, and are expected to be 25% less in 2019
- Operating and administrative expenses reduced about 14% YoY and are expected to reduce another 25% in 2019

- Current operating expenses (cash-based) are about US$375k, pending further reductions

2019 Accomplishments to Date

On 11 February 2019, EN1 announced its Strategic Plan and Key Milestones for 2019. Within this plan, EN1 committed to achieve specific milestones within certain timeframes. Below are goals committed for Q1 and Q2:

- Target: 6-8 programmatic integrations per quarter
- **EN1 achieved over 10 integrations so far in Q1, to date**

- Target: Reduce office lease expense by 70% by Q2
- **EN1 moved to a new office as of last week, reducing lease by 70%**

- Target: Reduce tech infrastructure and other operating expenses by a further 25% by the end of 2019
- EN1 is tracking ahead of schedule with regards to these reductions and will update the market shortly about exciting news in this category

- Target: IconicReach to sign 3-4 new brand deals per quarter & approximately 2500 new influencers
- **EN1 signed 6 new brands to its IconicReach platform, ahead of schedule for Q1**

- Targets: AdCel has goaled to board 25 new publishers per quarter, release automated monetisation tools for publishers, deploy the engage:BDR exchange integration into their SDK and integrate VR ads into their SDK by Q2
- AdCel is tracking ahead of schedule on all of these fronts; EN1 will update the market shortly on the status of these goals

- Target: EN1's primary focus in 2019 is to reach profitability
- The Company is tracking closely to reaching monthly EBITDA positive results and aims to achieve this in the near-term, and will update the market on its tracking

Thank you for your time today; for questions, please email info@EN1.com

On behalf of the Board
Ted Dhanik
Co-Founder and Executive Chairman
engage:BDR Limited
+1(310)954-0751
info@EN1.com
twitter.com/TedDhanik
linkedin.com/in/TedDhanik

Follow us on social media:

facebook.com/engageBDR
linkedin.com/company/engage-BDR
twitter.com/engageBDR
instagram.com/engageBDR