



30 April 2018

ASX ANNOUNCEMENT

Appendix 4C Quarterly Cash Flow and Commentary

engage:BDR (**ASX:EN1 and EN10**) is pleased to provide its Appendix 4C, Q1 Quarterly cash flow report for the quarter ended 31 March 2018.

The Company also provides the following additional commentary on the financial results set out in the Appendix 4C to give shareholders a better understanding of the Company's trading activities, its progress during the quarter and the extremely seasonal nature of the Company's advertising activities and business.

Introduction

In order for investors to understand and better interpret the Company's Appendix 4C, it is important to appreciate the extremely seasonal nature of engage:BDR's business. An Appendix 4C only provides a snapshot of a particular time period (in this case the first quarter of 2018).

Due to various seasonal factors relating to the Company's business, the Company believes that the quarterly snapshot does not accurately show how engage:BDR's business is performing. As such engage:BDR suggests that investors consider the following comments when reviewing the attached Appendix 4C.

engage:BDR's revenues are largely derived in the second half of calendar year

In the US, in particular, advertising revenues increase markedly in the second half of the calendar year due to various events including; Halloween, Thanksgiving and particularly Christmas. In addition US back to school advertising in July / August also play a major role in this seasonality. In other parts of the world, including Australia, the situation is and the majority of an advertising businesses revenues and earnings are achieved in the latter part of the calendar year due particularly to the usual ramp up in pre-Christmas advertising spending.

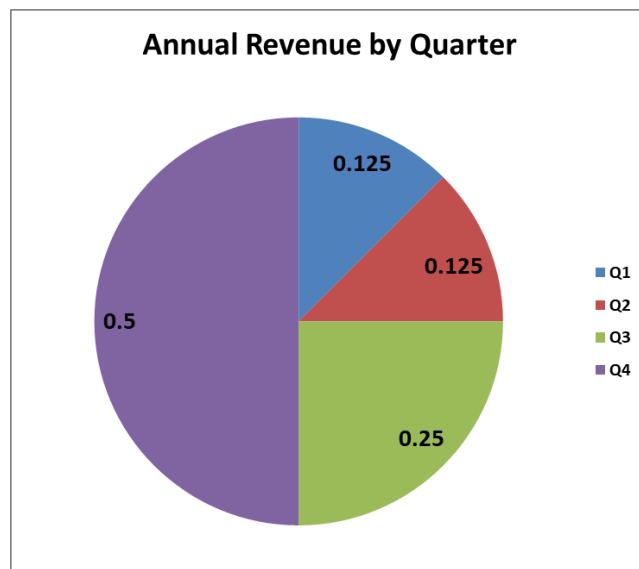
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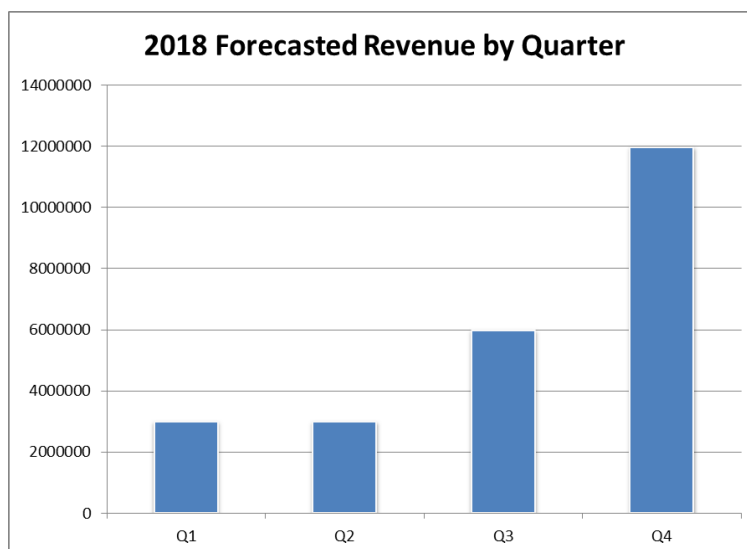


Based on engage:BDR's previously announced forecasts for the 2018 calendar year, annual revenues for each quarter by percentage are expected to be as follows:



As shown in the table above, only approx. 25% of the Company's annual revenues are expected to be earned in Q1 and Q2 (i.e. H1), approx. 25% in Q3 and approx. 50% in Q4. That means approx. 75% of the Company's revenues are expected to be earned in H2 and of that approx. 50% in Q4 (October – December).

engage:BDR's forecasted revenue by quarter for 2018 in AUD \$ terms is shown below:

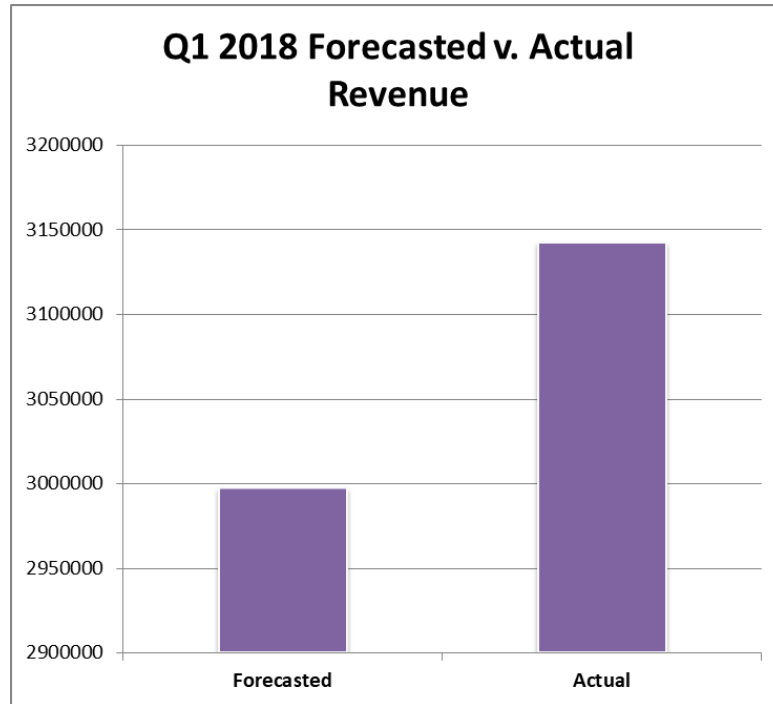


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In the first quarter of 2018, the Company exceeded its forecasted revenue. This increase was particularly pronounced in the Company's rapidly growing programmatic advertising and influencer marketing businesses.



engage:BDR's purchase of advertising space takes place primarily in the first half of calendar year

engage:BDR purchases advertising space from publishers, which it then sells to advertisers through an auction via its programmatic platform. Given the seasonality of revenues, it also means that there is also seasonality in the cost of sales. Advertising space can be purchased in advance in anticipation of the more busy second half.

Purchasing of advertising space, if done early, secures the best publishing media at the best price. (It is very similar to buying a flight ticket. If you leave it to the last moment, you are either likely to miss out on a seat completely or pay a higher price to secure one of the last remaining tickets). Given the growth of its business and its forecasted revenues, engage:BDR buys a significant amount of advertising space upfront to secure better prices in anticipation of what it can sell that inventory for in the busy second half of the year.

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engage:BDR affirms that it anticipates revenues of AUD \$24 million to AUD \$24.5 million this calendar year and to achieve an EBITA of AUD \$1.25 million to AUD \$1.5 million.

engage BDR has exceeded its first quarter revenue forecast and investors should not expect to see these revenues (or cost of sales) spread evenly over the year. The costs of sales are relatively higher in the first half of the calendar year and the revenues are higher in the second half of the calendar year.

Impact on Cash Flows from Operating Activities

Receipts from customers

engage:BDR had customer receipts of \$3,064,260 for the March 2018 quarter. This was a 36.4% increase on the December 2017 quarter when the company received \$2,246,920 in customer receipts. The Company believes that quarterly receipts from customers will continue to grow as the year progresses and especially as the Company moves into H2.

The customer receipts banked during Q1 2018 were largely for the period prior to the IPO funds being received by the Company and the Company tooling up. During this period the Company did not have access to the IPO funds to buy significant quantities of forward media. This issue was exacerbated by the delay in the receipt of the IPO funds and caused revenues to not be as high as they would have been if the Company had been able to list earlier and have the additional funds in that important pre-Christmas quarter .

Traditional non-programmatic revenues were declining due to the reduction in non-programmatic digital advertising

Q1 2018 was a transformative period for the Company with the increasing move away from traditional digital advertising to programmatic advertising. As the Company's traditional digital advertising activities are continuing to be wound down and those clients moved across to the Company's programmatic platform, revenues and hence cash receipts from these activities have also temporarily declined.

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By transitioning its existing clients and adding new clients to its programmatic platform engage:BDR believes its gross margins will improve significantly. The Company expects revenues to pick up significantly during 2018 and return to previous levels but with a significantly lower cost base and hence improved margins and earnings.

IconicReach only launched in January 2018

engage:BDR only launched its IconicReach influencer based platform in January 2018. This business has shown remarkable growth in the first quarter of 2018. As previously announced the Company is now forecasting revenues of \$3 million this calendar year for IconicReach. Customer receipts for the IconicReach business are forecast to increase during Q2 2018

Product manufacturing and operating costs

Product manufacturing and operating costs rose from \$1,894,629 in the December 2017 quarter to \$4,119,326 in the March 2018 quarter. However, this included approximately AUD \$3 million, which was used to pay liabilities that existed at the time of the ASX listing as shown in the 31 December 2017 balance sheet. In addition approximately \$1.1 million was used to purchase post 31 December 2017 advertising space.

Staff costs

Staff costs were \$1,946,217 in the March 2018 quarter as compared with \$1,199,460 in the December 2017 quarter. This was due, in part, to the payment of some staff costs in Q1 2018 that were associated with the IPO and a carry over from the previous Q4 2017 quarter that were due to the delay in the listing.

As noted, previously engage:BDR is still in a transformative phase with the move from traditional non programmatic digital advertising to full programmatic advertising and some of the costs of the traditional digital advertising business were still being incurred, albeit at declining levels.

Also, as noted in previous ASX Announcements the integration of existing and new customers onto the Company's programmatic platform is a time consuming and temporarily expensive task. Additional engineers were required to increase the rate of integrations post listing to get as many new customers on to the platform as soon as possible. Once these integrations are complete, and the Company moves towards a more steady number of integration per quarter the Company expects to be able to reduce its engineer head count

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Administration and corporate costs

Administration and corporate costs were \$2,063,506 for the March 2018 quarter as compared to \$1,118,685 for the December 2017 quarter. For similar reasons as set out above in relation to the increase in staff costs, administration and corporate costs have temporarily increased due to the increased number of programmatic integrations and the rapid growth and a programmatic advertising business and due to the launch of the IconicReach business

engage:BDR anticipates administration and corporate costs to progressively reduce as a percentage of revenue as the year progresses.

Proposed Acquisitions

As previously announced, the Company is currently reviewing a number of acquisition opportunities and advises that it expects to be in a position to announce its first post-IPO acquisition very shortly.

Conclusion

As noted above, cash outflows for the quarter were mainly due to the payment of pre IPO liabilities (AUD \$3 million), upfront media spend (AUD \$1.1 million), staff costs (AUD \$1.9 million) and administration and corporate costs (AUD \$2 million).

The Company anticipates that these costs will reduce significantly in Q2 and Q3 while there is a corresponding increase in revenues and customer receipts.

Co Founder and Executive Chairman Ted Dhanik said in relation to the announced results ...***"As the Company continues its transformation from comparatively inefficient traditional digital advertising to more efficient and higher margin programmatic advertising, we should see the significant financial impact of this transformation. engage:BDR expects rapid growth in programmatic advertising revenue as new and existing customers are integrated on to the programmatic platform. In addition the newly launched IconicReach division is expecting to continue its rapid growth trajectory"***.

He also stated that ***"...Gross margins should improve significantly across all divisions as engage:BDR realises the benefits of its automated platforms. With a largely fixed cost structure, engage:BDR is now ideally placed to grow its revenues without significantly increasing its cost base..."***

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

engage:BDR Limited

ABN

621 160 585

Quarter ended ("current quarter")

31/03/2018

Consolidated statement of cash flows	Current quarter \$AUD	Year to date (3 months) \$AUD
1. Cash flows from operating activities		
1.1 Receipts from customers	3,064,260	3,064,260
1.2 Payments for		
(a) research and development	(198,858)	(198,858)
(b) product manufacturing and operating costs	(4,119,326)	(4,119,326)
(c) advertising and marketing	(151,525)	(151,525)
(d) leased assets	(173,593)	(173,593)
(e) staff costs	(1,946,217)	(1,946,217)
(f) administration and corporate costs	(2,063,506)	(2,063,506)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(77,230)	(77,230)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(5,665,995)	(5,665,995)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (3 months) \$AUD
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	0	0

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,443,436	7,443,436
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,665,995)	(5,665,995)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	0	0
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (3 months) \$AUD
4.5	Effect of movement in exchange rates on cash held	(60,110)	(60,110)
4.6	Cash and cash equivalents at end of quarter	1,717,331	1,717,331

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$AUD	Previous quarter \$AUD
5.1	Bank balances	1,717,331	1,717,331
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,717,331	1,717,331

6.	Payments to directors of the entity and their associates	Current quarter \$AUD
6.1	Aggregate amount of payments to these parties included in item 1.2	(331,304)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7.	Payments to related entities of the entity and their associates	Current quarter SAUD
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end SAUD	Amount drawn at quarter end SAUD
8.1	Loan facilities	6,509,990	1,343,195
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facility is actually a cash enhancement activity known as factoring. Advances are recorded against certain receivables balances which are factored under this facility. The credit risk associated with the transfer of trade receivables are retained with the Company.

9.	Estimated cash outflows for next quarter	SAUD
9.1	Research and development	200,000
9.2	Product manufacturing and operating costs	1,600,000
9.3	Advertising and marketing	50,000
9.4	Leased assets	100,000
9.5	Staff costs	1,250,000
9.6	Administration and corporate costs	780,000
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	3,980,000
	(Note: This does not include any cash inflows / revenues for the period)	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date:

 (Director/Company secretary)

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.