27 December 2018

ASX ANNOUNCEMENT

FY18 Trading and Company Update

Highlights

- The Company is expecting to achieve top-line revenue of approximately $12 - 13M, similar to the previous year's (2017) result ($13.1M)
- EBITDA estimates (including non-cash and extraordinary items) are expected to be a loss in the range $4M to $5M, a significant improvement from the previous year (loss of $7.1M)
- nEBITA (normalised) is expected to be a loss in the range of $2M to $3.3M, also a significant improvement from the prior year's result of a loss $3.6M
- Expected overall operating expenses, payroll, and tech infrastructure costs for Q4 2018 vs Q4 2017 have been reduced by over 53%

engage BDR ("or Company") (ASX:EN1 and EN1O) would like to announce changes to its annual revenue and EBITDA guidance. The Company originally anticipated revenue to reach between $21 - $23M and EBITDA between $1.2 - $1.5M. However, the new estimates expect that the Company's revenue will be similar to its prior year performance, in the range of $12 - 13M and EBITDA to be approximately a loss of $4 to $5M, a significant improvement over prior year's loss of $7.1M. Removing non-cash and extraordinary items, nEBITDA (normalised) could range for a loss of $2M to $3.3M, vs $3.6M in the prior year. The information that follows will explain the changes in detail.

Revision Explained

The Company has revised its earnings because it did not obtain enough capital to cover the high volume of publisher prepays needed to activate and reserve, nor to complete the integration of all planned new publishers in the highly competitive Q4. The Company began its capital-raising efforts early in Q3 and Q4 and had a substantial amount of preliminary capital commitment by existing institutional shareholders. Delays with brokers, exacerbated by declining share prices, created difficulty in raising capital in time to make the necessary payments. As such, the Company was unable to acquire premium ad spots through prepays, which would have produced higher returns on investment and positively impact incremental revenue.

Additionally, the Company was expecting significant capital injections in September. But, once again, share price declines and the degrading small cap environment on the ASX delayed this process. EN1 was in close dialogue with institutional lenders until very recently and expected an injection of $5M by early December. Traditionally EN1 and the digital media industry's largest revenue month. This endeavor has not been terminated, only delayed. If the incremental $5M was raised by December according to plan, the Company could have generated about $10M in incremental revenue for December alone.

The capital requirements for this business are not similar to mining, manufacturing, finance nor many other tech businesses, where companies are deploying capital to build operations which will eventually generate revenue; the Company has built its software and technology over many years of investment and R&D before it listed on the ASX. The Company uses cash to generate revenue by pre-purchasing and paying for access to premium advertising inventory, then recycles this cash at nearly 50% margin. Every incremental dollar is nearly worth two in terms of revenue; the plane needs jet fuel to fly.

EN1 did not lose contracts nor did it have issues such as an industry-wide plague related to programmatic advertising; conversely, the sector EN1 operates in is growing exponentially and opportunity for the Company is only increasing with the new year.

Large mobile publishers require integration fees in order to gain exclusive access to their premium inventory. These fees range from $25-$100K per integration. Under normal circumstances, the Company would be able to make up most of that investment within the first few weeks of trading. Prepaying publishers for access to premium and unique inventory enables significant incremental revenue while delivering strong value to the Company's publishers (suppliers) and demand partners (buyers).

Positives

The Company has reduced Q4 2018's expected operating expenses by 53% vs Q4 2017 and cut payroll alone by 67%, including executive cuts, during the same periods. Over the past year, full time employee headcount has decreased from 33 to

15 due to the increasing automation of programmatic revenue sources. A significant cut on expenses also came from the reduction of extraneous tech costs that were no longer needed. The Company also renegotiated all significant contracts, including all tech infrastructure, facilities costs (office lease), insurances, professional fees, audit, and legal, all of which significantly contributed to the reduction of operating expenses.

Balance Sheet Improvement

The Company successfully raised about $12.2M total since its inception; the first capital raise started with the IPO about 12 months ago. Since this period, EN1's balance sheet liabilities improved by over $12M, between 30 June 2017 and 30 June 2018.

Continuous Optimisation

Within the next few months, management also expects to see significant incremental revenue growth from the new EN1 and AdCel integrations that took place throughout the 3rd and 4th quarters of 2018. IconicReach is in direct contract stages with several brands to secure advertising budgets for the year. The Company has identified new integration techniques that have reduced difficulties and barriers to entry with suppliers of inventory. The Company expects the integration time and work to be cut by 50% which also enables the operations team to increase the number of direct supply and demand opportunities significantly.

The Company strives to propel a culture of constant improvements which keep it focused on being more efficient, cutting costs, refining operations, and providing better client services. While trying to navigate the challenging environment, the Company will continue to deliver the high-quality products that its customers have grown to expect.

The Company is working to set its strategic priorities and objectives for the upcoming year, 2019. Among its top priorities is finding innovative ways to secure long-term funding to help support prepays each quarter. The Company is also working on strengthening its existing relationships with shareholders and boarding new shareholders.

2019 Sentiment

The Company's executive team is excited about the prospects for the new year. Over the past 60 days, EN1 and its AdCel has boarded partnerships and programmatic integrations, which are expected to change the trajectory and future of its business. Although late, this momentum could make up for lost ground in 2018. Within the announcement the Company made on 11 November, 2018, the Executives discussed the potential revenue impact from two of the new integrations in the near term, a potential $100k USD / day. These integrations have now gone live in test phases while this announcement was being written, have started to generate revenue and are showing strong signs that management's estimates may be in line with performance in the near-term.

Additionally, EN1 has not had operating overhead as low as it currently is since its early days; EN1 is in its 10th operating year now. The executive team has been working feverishly to optimise its expenses and re-think all legacy systems, methodologies, relationships and fundamental costs required to operate; no stone was unturned and as a result, expenses and head-count were reduced by over half (53% and 55%, respectively, with a 67% reduction in payroll alone), without impacting revenues.

EN1 and its shareholders have weathered a very tough first year as a listed company; the Company has accumulated key learnings which will help change its path for 2019. The executive team plans to spend much more time in Australia in 2019 to build closer relationships with its shareholders and stronger ties to the country. We sincerely appreciate the support and patience from our shareholders and investors and look forward to the prospects of a fruitful new year.

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