

31 January 2019

ASX VIDEO ANNOUNCEMENT

EN1 Achieves 85% Improvement in Net Cash from Operating Activities

Highlights:

- ❖ Net cash from operating activities improved by 85%, from AUD (\$5,665,995) in Q1 2018 to AUD (\$887,469) in Q4 2018
- ❖ Research and development costs decreased 93% from Q1 2018 to Q4 2018
- ❖ Staff costs decreased 42% from Q1 2018 to Q4 2018
- ❖ Product manufacturing and operating costs decreased 69% Q1 2018 to Q4 2018
- ❖ Advertising and marketing costs decreased 96% Q1 2018 to Q4 2018
- ❖ The cash balance at the time of reporting in Q4 has increased significantly to date
- ❖ A capital raise of AUD \$702K was concluded last week
- ❖ Capital raise of AUD \$1.15M was concluded this week, with availability up to AUD \$8.15M

engage BDR (“**EN1 or Company**”) (**ASX:EN1 and EN10**) is pleased to provide its Appendix 4C, Q4 quarterly cash flow report for the quarter ended 31 December 2018.

In addition to the report, the Company is providing the following video and commentary on Q4 financial results to give investors and shareholders a better understanding of the Company’s trading activities, its quarterly progress, and the seasonal variation of the Company’s advertising activities and business.

4C Commentary

The form 4C will show that the cash balance was in the six-figure range, yet the difference between that number and the cash balance today is significant. Additionally, the form 4C does not consider revenue when forecasting cash out flow for the next quarter; it is important to factor in revenue for the quarter when analyzing the forecasted cash outflow. Additionally, some expenses paid for in the first quarter may not be recognized until the next quarter; in 2018, the heaviest cash outflow was the first

USA
engage:BDR
9220 Sunset Blvd, Suite 100
West Hollywood, CA 90069
USA
+1 310 954 0751
info@engagebdr.com

Australia
Scottish House Level 4 90 William
Street
Melbourne Victoria 3000
AUSTRALIA
+61 412 111 821
info@engagebdr.com.au

quarter, significantly. Due to the 60-90 day lag in collections, there is a delta between the cash balance and the revenue recognized. The Company usually deploys all of its cash in the beginning of the quarter to prepay publishers and secure premium advertising slots. However, the revenue generated from these prepays is not seen until the next quarter.

Although the cash balance was leveraged for revenue, the use of funds for prepays was a strategic effort to boost revenue and drive ad sales. Every dollar which the Company spends on publishers has the potential to generate nearly two dollars in revenue, meaning that the return on investment (ROI) is almost *doubled*.

In November 2018, the Company raised USD \$750K (AUD \$1M), which was then deployed to activate publishers. Prepays are highly important in Q4, since the holidays are usually the busiest time of the year for advertising. The Q4 deployed capital is now working to substantially augment the Company's revenue.

Q4 2018 and Q1 2018 Comparison

Consolidated statement of cash flows		Q4 2018 \$AUD	Q1 2018 \$AUD
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,614,552	11,211,894
1.2	Payments for		
	(a) research and development	(15,610)	(198,858)
	(b) product manufacturing and operating costs	(1,284,715)	(4,119,326)
	(c) advertising and marketing	(6,905)	(151,525)
	(d) leased assets	(68,094)	(173,593)
	(e) staff costs	(1,131,392)	(1,946,217)
	(f) administration and corporate costs	(913,743)	(2,063,506)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(81,562)	(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	(887,469)	(5,665,995)

Significant Improvements in 2018

- ❖ **Net cash from operating activities improved by 85%, from AUD (\$5,665,995) in Q1 2018 to AUD (\$887,469) in Q4 2018**
- ❖ Research and development costs decreased 93% from AUD \$198,858 in Q1 2018 to AUD \$15,610 in Q4 2018.
- ❖ Staff costs decreased 42% from AUD \$1,946,217 in Q1 2018 to AUD \$1,131,392 in Q4 2018.
- ❖ Product manufacturing and operating costs decreased 69% from AUD \$4,119,326 in Q1 2018 to AUD \$1,284,715 in Q4 2018.
- ❖ Advertising and marketing costs decreased 96% from AUD \$151,525 in Q1 2018 to AUD \$6,905 in Q4 2018.

New Developments

The Company concluded an equity raise of about AUD \$702,000 last week. This purpose of this raise was to have cash reserves to activate publishers, to ramp revenues for the quarter.

For companies in the advertising space, January usually yields the lowest revenue for the year, since it is preceded by the busiest time of the year. In Q4, publishers receive large budgets from advertisers for the holidays; in the new year, advertisers tend to spend less on ads.

Since January is lighter on revenue, the Company decided to raise cash to use towards publisher prepays and have some to generate incremental revenue for the quarter. On January 30, the Company concluded an equity raise of approximately AUD \$1.15M (USD \$800K), with the potential of up to another AUD \$8.15M (USD \$5.8M). This same lender invested approximately AUD \$1M in November, showing the high confidence in the Company's potential for success.

These funds enable the Company to have a significant raise, surpassing AUD \$9M from a targeted source. The availability of working capital allows the Company to continue prepaying publishers and obtaining premium ad inventory space.

Improvements Since 2018

In previous announcements in 2018, the Company reported diminishing operating expenses (OpEx). In the month or so since the end of Q4 2018, the Company has successfully cut OpEx by 53%. Having low operating expenses enables the Company's gross profits to surpass expenses. With the expectation that this trend will continue, the Company aims to become profitable in the coming months.

The Company's margins are still between 40% and 50%, and revenue is expected to grow with the new capital that was recently accessed.

Strategic Objectives for 2019

The Company's strategy moving forward through the year is to continually review expenses and potentially renegotiate contracts with vendors. The goal is to keep OpEx at a minimum and continue to grow revenue to enable the Company to be cash flow positive, then profitable. On the revenue side, the Company is experiencing positive traction as well. A handful of new integrations were announced last week and there are several more that will be streaming down the pipeline imminently. The revenue potential for some of these integration is approximately USD \$100,000 per day.





In the end, the Company has changed its cash balance since the end of Q4 through collections and capital raising and gross receipts collected vary because of collection windows and net terms. Therefore, it's important to evaluate this and include the recent developments to illustrate a clearer picture. The video below provides a detailed overview on the inner workings behind the results and the Company's strong potential for revenue growth and potential for profitability in the first half of 2019.

For more information or questions, email info@EN1.com

Please view the video here:
<http://engagebdr.com/asx/video>



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



USA
engage:BDR
9220 Sunset Blvd, Suite 100
West Hollywood, CA 90069
USA
+1 310 954 0751
info@engagebdr.com

Australia
Scottish House Level 4 90 William
Street
Melbourne Victoria 3000
AUSTRALIA
+61 412 111 821
info@engagebdr.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

+Rule 4.7B

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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")

31/12/2018

Consolidated statement of cash flows	Current quarter \$AUD	Year to date (9 months) \$AUD
1. Cash flows from operating activities		
1.1 Receipts from customers	2,614,552	11,211,894
1.2 Payments for		
(a) research and development	(15,610)	(524,072)
(b) product manufacturing and operating costs	(1,284,715)	(8,331,316)
(c) advertising and marketing	(6,905)	(217,500)
(d) leased assets	(68,094)	(559,210)
(e) staff costs	(1,131,392)	(5,965,639)
(f) administration and corporate costs	(913,743)	(5,405,194)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(81,562)	(283,818)
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	(887,469)	(10,074,855)

USA

engage:BDR
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USA
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info@engagebdr.com

Australia

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Street
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AUSTRALIA
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info@engagebdr.com.au

Consolidated statement of cash flows	Current quarter \$AUD	Year to date (9 months) \$AUD
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		
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		2,204,350
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		143,000
3.5 Proceeds from borrowings	926,065	926,065
3.6 Repayment of borrowings	(93,141)	(93,141)
3.7 Transaction costs related to loans and borrowings	(37,043)	(37,043)
3.8 Dividends paid		

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (9 months) \$AUD
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	795,881	2,857,231

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	323,371	7,443,436
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(887,469)	(10,074,855)
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)	795,881	2,857,231
4.5	Effect of movement in exchange rates on cash held	88,293	94,264
4.6	Cash and cash equivalents at end of quarter	320,076	320,076

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	320,076	323,371
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)	320,076	323,371

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

(126,193)

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

7. Payments to related entities of the entity and their associates

Current quarter
\$AUD

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

Add notes as necessary for an understanding of the position

Total facility
amount at quarter
end
\$AUD

Amount drawn at
quarter end
\$AUD

8.1 Loan facilities

7,096,450

1,048,731

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.

USA

engage:BDR
9220 Sunset Blvd, Suite 100
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USA
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Australia

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9.	Estimated cash outflows for next quarter	\$AUD
9.1	Research and development	30,000
9.2	Product manufacturing and operating costs	1,500,000
9.3	Advertising and marketing	10,000
9.4	Leased assets	75,000
9.5	Staff costs	575,000
9.6	Administration and corporate costs	580,000
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	2,770,000

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:  (Director/Company secretary)

Date: ..31-1-2019.....

Print name: TED DHANIK

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.