

28 February 2020

ASX ANNOUNCEMENT

\$1.6M Profitable 2019 with 50% Revenue Growth Form 4E & Commentary

2019 Full Year Growth Highlights:

- ✦ Revenue increased 50% to \$17.1M (from \$11.4M)
- ✦ EBITDA profit increased to \$1.6M (from -\$7.3M)
- ✦ Gross margin increased to 54% (from 38%, 42% growth)
- ✦ Gross profit increased 216% to \$9.3M (from \$4.3M)
- ✦ Net assets increased to \$3.4M (from -\$6.6M)
- ✦ Net tangible assets grew to \$384K (from -\$9.1M)

engage:BDR (“EN1 or Company”) (ASX:EN1 and EN1O) is pleased to present its financial commentary for the 2019 calendar year. Management is excited to report, 2019 was a pivotal, successful and profitable year for EN1.

EBITDA	\$1.60M
----- below the line, non-cash expenses -----	
Depreciation & Amortisation	\$882K
Finance Costs	\$1.59M
Other Expenses	\$298K
Share Based Payment Expense	\$327K
Loss after Taxes	-\$1.20M

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Revenue, Gross Profit & Margin Growth

Revenue grew to \$17.1M, or 50% (\$11.4M in 2018). Gross profit earned grew 216% to \$9.3M (\$4.3M in 2018). Additionally, gross margins grew to 54% from 38% in 2018, representing a 42% increase in the gross margin percentage.

EBITDA & NPAT

EBITDA in 2019 yielded \$1.6M in profit. The key differences between EN1's EBITDA and NPAT figures are directly related to non-cash items interest expense (finance costs), depreciation and amortisation, other and share-based payment expenses which totaled \$2.8M for 2019. The interest expense (finance costs) for 2019 was \$1.59M; this includes the Company's factoring facility (7-8% APR), non-cash items (embedded derivatives) for convertible notes financing facility costs and commissions to brokers for attaining financing early in 2019. EN1's NPAT in 2019 was (\$1.2M), a \$9.6M improvement over 2018 (\$10.8M).

2019 Accomplishments to Goals

On 11 February 2019, EN1 announced the Strategic Plan to Profitability with Key Milestones for 2019. Within this plan, EN1 committed to achieving specific milestones within certain timeframes, with the ultimate goal of achieving profitability. Management is proud to report, 100% of the initial milestones and 100% of the subsequent, upgraded milestones were achieved on or before schedule in 2019. In addition, EN1 achieved seven-figure profitability with 50% revenue growth and 42% gross margin growth.

Significant Cost Reductions

The Company successfully executed several cost-saving measures, consistently, to reduce operating expenses. EN1 was able to achieve the following in 2019, over the prior year:

- ✦ Total staff costs decreased 43%
- ✦ Operating and administrative expenses (including tech infrastructure) reduced about 26%

Balance Sheet Improvement

Net assets increased to \$3.4M from -\$6.6M (2018). Additionally, net tangible assets also improved to \$384K from -\$9.1M (2018). Trade and other payables decreased to \$5.8M from \$12.9M (2018), or 66% less. Cash improved to \$1.8M from \$320K (2018). Trade and other receivables increased to \$5.8M from \$2M (2018), or 290%.

Growth Prospects Today

From Management's perspective, EN1 has never been positioned better for exponential revenue, profitability and market share growth. EN1 has a healthy balance sheet, is profitable, has scaling revenue and margins and has access to significant capital. More importantly, EN1 has the partnership integrations which differentiate the Company from many U.S. peers; Management expects revenue, gross margins, EBITDA and NPAT to continue to increase in 2020 as a result of the Company's client and partnership mix.

As of today, the Company has generated about 300% of 2019 (revenue), year to date. In January 2020, EN1 achieved about 281% of January 2019; EN1's February is on track to exceeding January 2020, and nearly 300% of February 2019. Gross margins grew from 38% in 2018 to 54% in 2019.

Management notes, to keep things simple and scalable, EN1 is hyper-focused in 3 key areas for 2020:

- NetZero publisher boarding
- AdCel growth
- New integrations for EN1's programmatic ad exchange and scale existing

"2019 was a pivotal year for EN1. At the beginning of the year, we set out to move a mountain with just a strong plan...I believe we moved several mountains by believing in and daily execution of that plan. We grew revenues 50%, grew gross margins 42%, achieved profitability and consistently signed key customers and new partnerships, previously unattainable. We now have a blank slate; we are positioned well with a strong balance sheet, key and unique partnerships and most importantly, the winning team. We have a head start on 2020 with about 3 times the revenue we had this time last year; we're focused on keeping that momentum growing. I'm looking forward to enjoying greater wins with you in 2020!" – Ted Dhanik, Exec Chairman & CEO

Other Matters

Management is currently producing the first episode of the EN1 Fireside Chat 2020, which will cover many shareholder balance sheet, P&L and other operating queries; we anticipate this being published imminently.

Thank you. For questions, please email info@EN1.com



On behalf of the Board
Ted Dhanik
Co-Founder and Executive Chairman

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Forward Looking Statements

Preliminary financial results published above are subject to audit, adjustment and closing, as they are estimates and figures may be rounded.

Statements made in this release which are forward-looking statements and are based on the Company's expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements. These words are not the exclusive means of identifying such statements. Any forward-looking statement made by the Company in this announcement is based only on information currently available to the Company and its current intentions (which may change) and speaks only as of the date on which it is made. Forward-looking statements are subject to a range of risks and uncertainties, some of which are beyond the Company's control. Risks and uncertainties can include matters inherent in the business of the Company, its management, its activities generally, and the market in which it operates. As a result, actual results could materially differ from those in the forward-looking statements. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company does not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring, or as a result of new information, future developments or otherwise after the date of this release except as required by the listing rules of ASX, by law or by appropriate regulatory authorities.

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engage:BDR Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	engage:BDR Limited
ABN:	621 160 585
Reporting period:	For the year ended 31 December 2019
Previous period:	For the year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	49.2% to	17,079,118
Operating profit	up	125.5% to	1,604,732
Loss from ordinary activities after tax attributable to the owners of engage:BDR Limited	down	88.9% to	(1,203,425)
Loss for the year attributable to the owners of engage:BDR Limited	down	88.9% to	(1,203,425)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,203,425 (31 December 2018: \$10,840,198).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.21)	(3.53)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

engage:BDR LLC, Tiveo LLC and AdCel LLC are wholly owned subsidiaries of engage:BDR Limited. These entities are incorporated and domiciled in the US. Accounting standards have been consistently applied to these foreign entities.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This report is based on the following financial statements that are subject to an ongoing independent audit as of the date of this report.

11. Attachments

Details of attachments (if any):

2019 unaudited financial statements are attached.

12. Signed



Signed _____

Ted Dhanik
Executive Chairman

Date: 28 February 2020

engage:BDR Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue from contracts with customers		17,079,118	11,443,935
Cost of sales		<u>(7,794,937)</u>	<u>(6,251,586)</u>
		9,284,181	5,192,349
Other income		89,441	732,798
Expenses			
Employee and contractor costs		(3,383,127)	(5,896,957)
Operations and administration expense		(4,193,192)	(5,491,262)
Advertising and marketing expense		(109,301)	(269,667)
Other expenses		<u>(83,270)</u>	<u>(553,490)</u>
Operating profit/(loss)		1,604,732	(6,286,229)
Depreciation and amortisation expense		(882,335)	(2,615,491)
Impairment losses		-	(1,290,445)
Share based payment expense		(327,536)	(284,281)
Finance costs		<u>(1,598,286)</u>	<u>(362,681)</u>
Loss before income tax expense		(1,203,425)	(10,839,127)
Income tax expense		<u>-</u>	<u>(1,071)</u>
Loss after income tax expense for the year attributable to the owners of engage:BDR Limited		(1,203,425)	(10,840,198)
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(77,977)	(511,767)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(1,326,012)</u>	<u>(313,039)</u>
Other comprehensive loss for the year, net of tax		<u>(1,403,989)</u>	<u>(824,806)</u>
Total comprehensive loss for the year attributable to the owners of engage:BDR Limited		<u>(2,607,414)</u>	<u>(11,665,004)</u>
		Cents	Cents
Basic loss per share	5	(0.23)	(4.03)
Diluted loss per share	5	(0.23)	(3.98)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

engage:BDR Limited
Statement of financial position
As at 31 December 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents		1,831,673	320,276
Trade and other receivables		5,786,531	2,026,138
Investments in equity instruments		51,692	114,314
Prepaid expenses		392,622	281,831
Related party receivables		2,311,510	2,229,032
Other assets		886,154	-
Total current assets		11,260,182	4,971,591
Non-current assets			
Investments in equity instruments		-	50,640
Property, plant and equipment		-	299,497
Right-of-use assets		670,430	-
Intangibles		3,032,083	2,519,265
Goodwill		1,468,517	1,455,522
Total non-current assets		5,171,030	4,324,924
Total assets		16,431,212	9,296,515
Liabilities			
Current liabilities			
Trade and other payables		5,896,438	12,447,393
Borrowings	2	6,791,258	2,598,440
Lease liabilities		222,218	292,285
Employee benefits		-	52,410
Contract liabilities		81,518	409,074
Total current liabilities		12,991,432	15,799,602
Non-current liabilities			
Lease liabilities		29,572	105,760
Total non-current liabilities		29,572	105,760
Total liabilities		13,021,004	15,905,362
Net assets/(liabilities)		3,410,208	(6,608,847)
Equity			
Issued capital	3	35,582,304	20,025,656
Share based payment reserve		603,739	3,533,918
Equity investment reserve		(2,441,343)	(2,363,366)
Foreign currency translation reserve		(1,424,773)	(98,761)
Accumulated losses		(28,909,719)	(27,706,294)
Total equity/(deficiency)		3,410,208	(6,608,847)

The above statement of financial position should be read in conjunction with the accompanying notes

engage:BDR Limited
Statement of changes in equity
For the year ended 31 December 2019

Consolidated	Issued capital \$	Share based payment reserve \$	Equity investment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 January 2018	15,665,594	3,533,918	-	214,278	(18,717,695)	696,095
Adjustment for change in accounting policy	-	-	(1,851,599)	-	1,851,599	-
Balance at 1 January 2018 - restated	15,665,594	3,533,918	(1,851,599)	214,278	(16,866,096)	696,095
Loss after income tax expense for the year	-	-	-	-	(10,840,198)	(10,840,198)
Other comprehensive income for the year, net of tax	-	-	(511,767)	(313,039)	-	(824,806)
Total comprehensive income for the year	-	-	(511,767)	(313,039)	(10,840,198)	(11,665,004)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 3)	4,360,062	-	-	-	-	4,360,062
Balance at 31 December 2018	<u>20,025,656</u>	<u>3,533,918</u>	<u>(2,363,366)</u>	<u>(98,761)</u>	<u>(27,706,294)</u>	<u>(6,608,847)</u>

Consolidated	Issued capital \$	Share based payment reserve \$	Equity investment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2019	20,025,656	3,533,918	(2,363,366)	(98,761)	(27,706,294)	(6,608,847)
Loss after income tax expense for the year	-	-	-	-	(1,203,425)	(1,203,425)
Other comprehensive income for the year, net of tax	-	-	(77,977)	(1,326,012)	-	(1,403,989)
Total comprehensive income for the year	-	-	(77,977)	(1,326,012)	(1,203,425)	(2,607,414)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 3)	12,334,314	-	-	-	-	12,334,314
Share-based payments	-	292,155	-	-	-	292,155
Transfers of legacy investor options to issued capital	3,222,334	(3,222,334)	-	-	-	-
Balance at 31 December 2019	<u>35,582,304</u>	<u>603,739</u>	<u>(2,441,343)</u>	<u>(1,424,773)</u>	<u>(28,909,719)</u>	<u>3,410,208</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

engage:BDR Limited
Statement of cash flows
For the year ended 31 December 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Loss before income tax expense for the year		(1,203,425)	(10,839,127)
Adjustments for:			
Depreciation and amortisation		882,336	2,615,491
Impairment of investments		-	1,290,445
Share-based payments		327,536	712,205
Finance cost		913,647	362,681
Executive bonuses used to offset shareholder loans		337,127	679,929
Fair value movement in embedded derivative		(142,244)	-
Amortisation of cost of debt		71,886	-
Interest income from related party debt		(78,914)	(63,025)
		1,107,949	(5,241,401)
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(3,760,393)	852,300
(Increase)/decrease in prepayments		(174,922)	276,958
Increase in other assets		(850,590)	-
Decrease in investments in equity instruments		62,622	-
Decrease in trade and other payables		(353,375)	(4,235,367)
Increase in contract liabilities		81,518	-
Increase in factoring liability		-	115,609
		(3,887,191)	(8,231,901)
Interest paid		-	(245,723)
Income taxes paid		-	(1,071)
Net cash used in operating activities		(3,887,191)	(8,478,695)
Cash flows from investing activities			
Proceeds from release of security deposits		28,567	-
Purchase of property, plant and equipment		-	(42,910)
Capitalised software development		(1,471,447)	(405,829)
Loans to related parties (shareholders)		(240,564)	(329,432)
Acquisition of subsidiary - cash acquired		-	115,120
Net cash used in investing activities		(1,683,444)	(663,051)
Cash flows from financing activities			
Proceeds from capital raises	3	702,784	2,211,700
Cost of capital raise		(8,222)	(120,000)
Proceeds from borrowings		8,092,379	1,035,374
Repayment of borrowings		(1,336,444)	(87,138)
Repayment of lease liabilities		(357,164)	(693,846)
Net cash from financing activities		7,093,333	2,346,090
Net increase/(decrease) in cash and cash equivalents		1,522,698	(6,795,656)
Cash and cash equivalents at the beginning of the financial year		320,276	7,274,894
Effects of exchange rate changes on cash and cash equivalents		(11,301)	(158,962)
Cash and cash equivalents at the end of the financial year		<u>1,831,673</u>	<u>320,276</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial report is a general purpose financial report which covers engage:BDR Limited, (the 'parent' or the 'Company') and its 100% owned subsidiaries, engage:BDR LLC, Tiveo LLC ('Tiveo'; a wholly-owned subsidiary of engage:BDR LLC) and AdCel LLC collectively referred to as 'the Group' or 'engage:BDR'. The financial report is for the year ended 31 December 2019 and is presented in Australian Dollars ('AUD'). All values in the financial report have been rounded off to the nearest dollar (\$) in accordance with Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission.

engage:BDR Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Scottish House
Level 4
90 William Street
Melbourne Victoria 3000
Australia

Principal place of business

8439 W Sunset Boulevard
Suite 302
West Hollywood
California 90069
USA

Note 2. Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Borrowings	4,213,186	2,598,440
Convertible notes payable	1,516,403	-
Embedded derivative on convertible notes	857,808	-
Other borrowings	203,861	-
	<u>6,791,258</u>	<u>2,598,440</u>

The convertible notes outstanding at 30 June 2019 were repaid in full during the half year ended 31 December 2019.

On 23 September 2019, the Company entered into an agreement with Alto Opportunity Master Fund SPC – Segregated Master Portfolio B ("the Investor") for the issue of zero coupon convertible amortising securities ("ZCSs"), under an initial drawdown and up to 7 further drawdowns.

On 25 September 2019 the Company undertook the initial drawdown of a ZCS with a face value of US\$2,060,000 (approximately A\$3,038,000 000 at the exchange rate at drawdown date) and an issue price of US\$1,750,000 (approximately A\$2,580,000 at the exchange rate at drawdown date). The ZCS has a maturity of one year after drawdown.

On 25 September 2019, the Company issued 28.5 million new collateral shares to Alto as security for the ZCS.

During the half year ended, the Company made two instalment repayments of the ZCS, one by a cash payment of US\$176,817 (A\$260,000) and one by a transfer of 16,372,594, from the balance of collateral shares, with a total value of US\$176,817 (A\$295,000), based on a share allocation price equal to 85% of the average of the 2 lowest daily VWAPs for the preceding 20 trading days. As of 31 December 2019, the liability of the ZCS stands at US\$1,682,000 (A\$2,374,211).

Note 3. Equity - issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>712,394,973</u>	<u>288,604,744</u>	<u>35,582,304</u>	<u>20,025,656</u>

Note 3. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Shares	\$
Balance as at 1 January 2018	249,699,958	15,665,594
Shares issued to convertible note holders – principal and interest	2,745,721	431,612
Shares issued to convertible note holders – additional	484,539	124,882
Shares issued during capital raise, net of fees	12,500,000	1,880,000
Shares issued for consulting fees	2,250,000	360,000
Shares issued during Share Purchase Plan	1,294,375	204,350
Shares issued in relation to AdCel acquisition	11,071,951	1,007,013
Shares issued to AdCel executives	5,458,200	352,205
Share issued as collateral for Loan note	3,100,000	-
Balance as at 31 December 2018	288,604,744	20,025,656
Share issued for purchase plan	25,099,423	702,784
Shares issued as collateral for loan note	30,400,000	-
Shares issued to convertible note holders	120,825,721	2,825,962
Shares issued for consulting fees	2,589,300	74,054
Shares issued for outstanding creditors	225,233,705	6,922,317
Shares issued for AdCel acquisition	10,657,140	1,055,057
Shares issued for settlement of employee bonuses	8,984,940	234,135
Collateral shares exercised	-	528,227
Transfer from share based payment reserve	-	3,222,334
Cost of capital raising	-	(8,222)
Balance as at 31 December 2019	<u>712,394,973</u>	<u>35,582,304</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 4. Events after the reporting period

On 17 January 2020, the consolidated entity issued 26,975,464 fully paid ordinary shares (Collateral Shares) to Alto at a deemed issue price of \$0.017 (1.7 cents) per share.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 5. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of engage:BDR Limited	<u>(1,203,425)</u>	<u>(10,840,198)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	515,130,862	269,188,212
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>-</u>	<u>2,999,893</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>515,130,862</u>	<u>272,188,105</u>
	Cents	Cents
Basic loss per share	(0.23)	(4.03)
Diluted loss per share	(0.23)	(3.98)