

engage:BDR Limited

Annual General Meeting

Tuesday 25 May 2021

## **CHAIRMAN'S ADDRESS**

Ladies and Gentlemen,

I'd like to start by talking a bit about what EN1 is, leveraging an analogy to explain what our very technical company does. Additionally, I will discuss the differences between our two business groups and why they're so important to the overall vision and our destination.

Our proprietary technology is used to automate and optimise the sale of advertising inventory from digital publishers, specifically focused in the CTV / OTT arena. The Company's proprietary technology (developed in-house) allows digital publishers to monetise available advertising space by making the inventory available to thousands of advertisers at the same time, through real-time bidding auctions.

engage:BDR is the core business, or largest revenue driver. This is our programmatic digital advertising exchange, similar to a stock exchange, but trades ad space (inventory) instead of shares. Imagine calling your broker to buy shares, that's very similar to advertisers having their marketing agencies place ad buys for them. The broker would use an online trading platform to place your bids for the shares, and eventually, the orders are dynamically filled in real time. This is the same for programmatic advertising (auctions), instead of the agency calling 500 different website or app owners, they execute these buys through placing bids on online trading platforms called demand side platforms (DSP) or trading desks. engage:BDR is like a stock exchange for digital ad space, which connects thousands of publishers to buyers (DSP's) and all of their transactions are automated, almost exactly like online stock trading platforms. According to eMarketer, global digital ad spend is a US\$395 billion industry in 2021. It is expected to grow at more than 10% annually over the next three years. Magna Global estimates that programmatic or automated approaches to digital advertising will represent 87% of global digital ad spend by 2025. And we believe it will eventually represent the entire digital market.

OTT is a term established in the US around 2017, and until recently, not common in AU and the rest of the world. OTT is derived from supplying consumers with TV content over and above the legacy broadcast: analogue and cable. It's the supply of content over an IP stream (Internet). In AU, that means digital screen and specifically app viewing environments on the largest screen in the home – the television.

CTV is simply a screen for consuming IP delivered content (via the Internet) consumed through an app. This refers to both SVOD (subscription video on demand) and ad supported content (CTV ads), commonly available through the app stores on most smart TV's and devices such as Roku, AppleTV, Amazon Fire, Xbox, PlayStation, etc.

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The second business is AdCel, a company which EN1 acquired in 2018. AdCel's business fits symbiotically with the engage:BDR programmatic ad exchange as it's an integrated supplier, providing access to 500M mobile devices which have AdCel technology directly installed. AdCel's technology is specifically focused around helping mobile app publishers generate revenue with their traffic, by providing premium advertisers and campaigns. EN1's vision for the merger included acquiring publishing partners from AdCel for the engage:BDR exchange, starting with mobile app suppliers; the integration between the two companies has been incredibly successful to date.

From every dimension, 2020 was a uniquely challenging year for the advertising business. In parallel, however, 2020 also presented an inflection point for the Company. The drivers of change in 2020 were countless, which included an unprecedented global pandemic, the election in the United States and strong economic pressures and higher levels of uncertainty weighing on all of the consumers in the world.

So much happened in 2020 both inside and outside of the Company that better positions EN1 for a stellar future. The pressure of advertiser budgets shifting quicker than U.S. states going into lockdown was just one of the challenges our team faced. The Company had to change its business and thinking entirely to set itself up to succeed in 2021 and the future.

According to eMarketer, global ad spend was down 4.5%, while regional and hyper-targeted (geographic / local) mobile ad spending was down double digits. Hyper-localized mobile advertising was EN1's core advertising product in 2019 and early 2020 which contributed to a 50% revenue increase in 2019. This same product is where the Company had to pivot away from in the middle of 2020, and quickly learn, develop technologies and scale new media products by the end of the year, yielding only a 9% revenue loss when compared to 2019 and (1.39M) EBITDA operating loss.

During the uncertainty of 2020, most marketers were forced to reevaluate their ad budgets and marketing strategies. Marketers got smarter and more efficient with their spending, contributing to enormous growth in new channels, mainly CTV (connected television). We're happy to say EN1 was early to the CTV business; over the past three years, EN1 played a small role in CTV. This role expanded significantly in 2020 and by the end of December, CTV became our only and sole priority as a media trading and technology company for the foreseeable future. EN1 has secured 5 key new CTV clients in 2021 to date, with each of these clients introducing daily, incremental recurring revenue. Over the following 12 months, we expect the full effect of this to be seen in the form of steadily increasing, recurring revenue.

We finished 2020 incredibly strong, closing a solid year for the Company, despite the challenges which accompanied the pandemic, EBITDA for 2020 was (\$1.39M). The key add-backs between EBITDA and NPAT figures are non-cash items: interest expense (finance costs of \$2M), depreciation and amortisation (\$861K), impairment costs (\$856K) and share-based payment expenses (\$1.7M), non-cash items totaled \$5.5M for 2020.

The backbone of the business improved in all key components of the Company's balance sheet. Areas of significant improvement included net assets, which increased to \$8.7M (from \$3.9M). Throughout 2020, we continued to pay down our liabilities (trade payables) which cut the outstanding balance in half; total liabilities reduced to \$6.2M (from \$13M). During 2020, we also paid down and reduced our borrowings by \$4.5M to \$2.3M (from \$6.8M). We're

extremely pleased to note that the Company's working capital (net current assets) improved by \$4.2M to \$3M (from -\$1.2M). We exited 2020 with a strong cash balance and liquidity position of \$3M (from \$1.8M). In addition, the Company generated significant operating cashflow improvement as well, to (\$464K) in 2020 (from -\$3.8M), in the most challenging year the Company has faced to date.

With regards to the Company's convertible note (Alto), the facility was fully retired and terminated in early 2021.

Our business is no longer impacted by the COVID-19 pandemic that significantly affected our advertisers and their demand for advertising until recently. We also note the Company and ad industry face relatively leaner top-line revenue targets, proportionally, in the first half of 2021, and then ramp up stronger performance in the second half of the year, in particular Q4.

Average daily ad auctions grew over 2 times to 44 billion per day, (from 20 billion). This indicator represents more customer integrations signed and onboarded onto EN1's advertising exchange and potential revenue opportunity once marketing budgets and rates restore to pre-Covid-19. However, the peak volume days in 2020 were up to 100 billion auctions per day.

With 2020 being the most challenging year for the Company to date, it was also our greatest building and most transformative year. We are extremely excited for what we're building towards in 2021.

Thank you for your time today; for questions, please email [info@EN1.com](mailto:info@EN1.com)



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