

30 April 2019

## **ASX ANNOUNCEMENT**

### **EN1 Positive Net Cash Run-Rate for Q2 2019 Appendix 4C & Commentary**

#### **Highlights**

- ✦ Net cash from operating activities improved by A\$3.9M or 69% yoy
- ✦ Cash outflow decreased by A\$4.9M or 57% yoy
- ✦ Cash balance increased 253%
- ✦ Available financing facilities increased to A\$13.5M or 191%
- ✦ A\$1.5M improvement in cash outflow expected for Q2 2019
- ✦ Q2 2019 expected to deliver positive net cash, targeting cash balance growth
- ✦ April 2019 receipts were A\$1.33M, or 68% of total receipts of the entire Q1 2019
- ✦ Average daily revenue in April grew nearly 200% of Q1 2019
- ✦ April 2019 net cash from operating activities was (A\$41.4k)
- ✦ Run-rate to monthly profitability approaching, potentially prior to mid-year
- ✦ Average daily gap to profitability currently A\$2-3k gross profit

engage:BDR (“EN1 or Company”) (ASX:EN1 and EN1O) is pleased to provide its appendix 4C, Q1 2019 quarterly cash flow report and commentary for the quarter ended 31 March 2019.

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## Seasonality & Publisher Payments for Future Revenue

Companies in the advertising industry typically experience their lightest revenues during the first and second quarters of the year. EN1's revenue exponentially increased when the Company announced preliminary results of the incremental publisher activations on 18 March 2019, just 13 days prior to the quarter's end. The majority of this incremental revenue growth was attributable to April 2019 and beyond, as expected.

EN1 initially deployed \$1.1M to publishers (product manufacturing costs) in February and March (announced 18 March 2019), which was expected to yield revenue for the balance of the year which continues to exceed Management's expectations. Subsequently, another A\$250k was also deployed to publishers before the end of the March, for a total of A\$1.35M, which will yield strong results in Q2.

## Normalised Net Cash (used in) Operating Activities

During Q1 2019, the Company had significant cash outflows unrelated to Q1. In the beginning of every year, many expenses require prepayment including insurance premiums and publisher payments. Additionally, the Company paid significant costs for expenses from prior periods, including audit fees, taxes, legacy staff costs and the costs to move to a new facility including rents and deposits.

Below, is a table which normalises cash outflows, based on the extraordinary costs attributable to other periods.

| <b>Consolidated statement of cash flows</b> |  | <b>Q1 2019</b>  |
|---|--|-----------------|
| 1.9   | Net cash from / (used in) operating activities               | (1,795,840)     |
|   | Product mfg (publisher payments for future periods)          | 1,350,000       |
|   | Admin & Corp costs (for other periods)                       | 348,000         |
|   | Staff costs (for other periods)                              | 57,000          |
|   | <b>Normalised Net Cash</b> (costs for other periods removed) | <b>(40,840)</b> |

## Receipts vs. Accrued Revenue

EN1's collection (receipts) cycle is up to 90 days net terms (post invoicing) from its customers. Accrued revenue has historically always varied from receipts. Additionally, EN1 had significant non-programmatic revenue in 2018 and prior years. The non-programmatic products phased-out as of 2019 (as expected and discussed in several 2018 announcements), resulting in normalised receipts for Q1 2019.

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### April 2019 vs. Q1 2019 Receipts

April 2019 receipts totaled A\$1.33M, or 68% of the entire Q1 2019 receipts (A\$1.96M). The market will be updated with a more comprehensive trading update with regards to April's performance and the first days of May, shortly.

### April 2019 Average Daily Revenue vs. Q1 2019

The Company achieved nearly a 200% growth in average daily revenue in April 2019 when compared to Q1 2019. This growth is attributed to the deployment of A\$1.35M to activate incremental publishers for EN1's programmatic advertising business and new client onboardings to its IconicReach platform. Management expects both revenue streams to continue to increase considerably throughout the year. Additional publisher activations are due to be released imminently, which will yield further revenue contribution.

### April 2019 Net Cash (used in) Operating Activities

Management is pleased to update the market on April 2019 preliminary results in relation to receipts, payments and net cash used in operating activities in the table below.

| Consolidated statement of cash flows                      |  | April 2019 \$AUD |
|---|--|------------------|
| <b>1. Cash flows from operating activities</b>            |  |                  |
| 1.1 Receipts from customers                               |  | 1,334,000        |
| 1.2 Total payments  |  | (1,375,000)      |
| <b>1.9 Net cash from / (used in) operating activities</b> |  | <b>(41,000)</b>  |

### Run-Rate to Monthly Profitability

Management is pleased to update the market with regards to the near-term potential for the Company achieving monthly profitability. Currently, EN1 is about A\$2-3k gross profit per day away from monthly profitability, on accrual basis (excluding depreciation, amortisation, interest expenses, taxes and other non-cash items). Based on the consistency of revenues and margins achieved over the past 45 days, Management targets positive net cash from operating activities for Q2 2019. Additionally, Management targets to achieve the first accrual-based profitable (excluding non-cash expenses) month around the half-year mark, or before.

## Year Over Year Improvements (yoy)

- 69% improvement in net cash from operating activities

| Consolidated statement of cash flows                      | Q1 2019            | Q1 2018            | Improvement |
|---|--------------------|--------------------|-------------|
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,795,840)</b> | <b>(5,665,995)</b> | <b>69%</b>  |

## Cash Outflows \$AUD

- 57% reduction in cash outflows yoy and 41% estimated for Q2 2019

| 9. Cash outflows                  | Q2 2019<br>Estimate | Q1 2019<br>Actual | Q1 2018<br>Actual | Improvement |
|-----------------------------------|---------------------|-------------------|-------------------|-------------|
| 9.1 Research and development      | 20,000              | 14,796            | 198,858           |             |
| 9.2 Product mfg & operating costs | 1,250,000           | 1,624,629         | 4,119,326         |             |
| 9.3 Advertising and marketing     | 10,000              | 11,971            | 151,525           |             |
| 9.4 Leased assets                 | 75,000              | 87,607            | 173,593           |             |
| 9.5 Staff costs                   | 546,000             | 894,765           | 1,946,217         |             |
| 9.6 Administration & corp costs   | 336,000             | 1,120,150         | 2,063,506         |             |
| <b>9.8 Total cash outflows</b>    | <b>2,237,000</b>    | <b>3,764,220</b>  | <b>8,653,025</b>  | <b>57%</b>  |

## Reconciliation of Cash

- 253% improvement in cash balance achieved in one quarter.

| 5. Reconciliation of cash and cash equivalents                                       | Q1 2019        | Q4 2018        | Improvement |
|--|----------------|----------------|-------------|
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b> | <b>809,868</b> | <b>320,076</b> | <b>253%</b> |

## Financing Facilities Available

- 191% increase in available cash through financing facilities achieved in one quarter.

### 8. Financing facilities available

| Total Available<br>at quarter end<br>Q1 2019 | Total Available<br>at quarter end<br>Q4 2018 | Improvement |
|--|--|-------------|
| <b>A\$13,545,895</b>                         | <b>A\$7,096,450</b>                          | <b>191%</b> |

#### 8.1 Loan facilities

In the interim, for questions or creative feedback, please email [info@engagebdr.com](mailto:info@engagebdr.com).



On behalf of the Board  
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 Co-Founder and Executive Chairman  
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## Forward Looking Statements

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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## 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 March 2019

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$AUD</b> | <b>Year to date<br/>(3 months)<br/>\$AUD</b> |
|---|----------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                  |  |
| 1.1 Receipts from customers                               | 1,968,380                        | 1,968,380                                    |
| 1.2 Payments for  |                                  |  |
| (a) research and development                              | (14,796)                         | (14,796)                                     |
| (b) product manufacturing and operating costs             | (1,624,629)                      | (1,624,629)                                  |
| (c) advertising and marketing                             | (11,971)                         | (11,971)                                     |
| (d) leased assets   | (87,607)                         | (87,607)                                     |
| (e) staff costs   | (894,765)                        | (894,765)                                    |
| (f) administration and corporate costs                    | (1,120,150)                      | (1,120,150)                                  |
| 1.3 Dividends received (see note 3)                       | -                                | -  |
| 1.4 Interest received                                     | -                                | -  |
| 1.5 Interest and other costs of finance paid              | (10,302)                         | (10,302)                                     |
| 1.6 Income taxes paid                                     | -                                | -  |
| 1.7 Government grants and tax incentives                  | -                                | -  |
| 1.8 Other (provide details if material)                   | -                                | -  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,795,840)</b>               | <b>(1,795,840)</b>                           |
| <b>2. Cash flows from investing activities</b>            |                                  |  |
| 2.1 Payments to acquire:                                  |                                  |  |
| (a) property, plant and equipment                         | -                                | -  |
| (b) businesses (see item 10)                              | -                                | -  |

| Consolidated statement of cash flows |   | Current quarter<br>\$AUD | Year to date<br>(3 months)<br>\$AUD |
|--------------------------------------|---|--------------------------|-------------------------------------|
|                                      | (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)                   | -                        | -                                   |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>-</b>                 | <b>-</b>                            |

|             |   |                  |                  |
|-------------|---|------------------|------------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |                  |                  |
| 3.1         | Proceeds from issues of shares  | 702,684          | 702,684          |
| 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 | (52,984)         | (52,984)         |
| 3.5         | Proceeds from borrowings (net of costs)                                     | 1,739,284        | 1,739,284        |
| 3.6         | Repayment of borrowings   | (92,477)         | (92,477)         |
| 3.7         | Transaction costs related to loans and borrowings                           |                  |                  |
| 3.8         | Dividends paid  |                  |                  |
| 3.9         | Other (provide details if material)   |                  |                  |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>2,296,507</b> | <b>2,296,507</b> |

|           |  |             |             |
|-----------|--|-------------|-------------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |             |             |
| 4.1       | Cash and cash equivalents at beginning of quarter/year to date               | 320,076     | 320,076     |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (1,795,840) | (1,795,840) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | -           | -           |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | 2,296,507   | 2,296,507   |

| Consolidated statement of cash flows |  | Current quarter<br>\$AUD | Year to date<br>(3 months)<br>\$AUD |
|--------------------------------------|--|--------------------------|-------------------------------------|
| 4.5                                  | Effect of movement in exchange rates on cash held  | (10,875)                 | (10,875)                            |
| 4.6                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>809,868</b>           | <b>809,868</b>                      |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$AUD | Previous quarter<br>\$AUD |
|-----|--|--------------------------|---------------------------|
| 5.1 | Bank balances  | 809,868                  | 320,076                   |
| 5.2 | Call deposits  |                          |                           |
| 5.3 | Bank overdrafts  |                          |                           |
| 5.4 | Other (provide details)  |                          |                           |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>809,868</b>           | <b>320,076</b>            |

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter  
\$AUD**

(127,899)

-

Directors fees paid for the March 2019 quarter.

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

- 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

**Current quarter  
\$AUD**

-

-



| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$AUD</b> | <b>Amount drawn at<br/>quarter end<br/>\$AUD</b> |
|--|---|--|
| 8.1 Loan facilities  | 13,545,895  | 3,395,307  |
| 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 include a cash enhancement activity known as factoring and also a convertible notes facility. 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.

In accordance with the terms noted in the Company's ASX announcement dated 30 January 2019, the Company entered into a Convertible Securities Agreement with CST Investment Fund for the funding of up to approximately AU\$8.2 million.

| 9. <b>Estimated cash outflows for next quarter</b> | <b>\$AUD</b>     |
|--|------------------|
| 9.1 Research and development                       | 20,000           |
| 9.2 Product manufacturing and operating costs      | 1,250,000        |
| 9.3 Advertising and marketing                      | 10,000           |
| 9.4 Leased assets                                  | 75,000           |
| 9.5 Staff costs                                    | 546,000          |
| 9.6 Administration and corporate costs             | 336,000          |
| 9.7 Other (provide details if material)            | -                |
| <b>9.8 Total estimated cash outflows</b>           | <b>2,237,000</b> |

| 10. <b>Acquisitions and disposals of business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | <b>Acquisitions</b> | <b>Disposals</b> |
|--|---------------------|------------------|
| 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)



Date: ...30 April 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.