

23 April 2020

ASX ANNOUNCEMENT

April 2020 Mid-Month Trading Update & Appendix 4C Commentary

Highlights

- ▶ US SBA PPP funding of \$690K has been received by EN1
- ▶ Current cash balance of \$2.4M is significantly greater than the average and ending balance of 2019
- ▶ New funding will be fully forgiven within 60 days, positive balance sheet net impact of \$690K to current assets and working capital
- ▶ April revenue until the 21st is \$835K; daily revenue has improved 25% over the past 4 days and is expected to continue to ramp up
- ▶ PPP funding will offset profitability over 60 days by \$690K; similar to \$1.65M incremental revenue at 42% gross margin
- ▶ Most operating expenses have been deferred, including all board compensation
- ▶ Alto has proactively and voluntarily deferred recent amortisation payments for EN1
- ▶ 4C cash receipts increased to \$5.5M, highest ever since ASX listing
- ▶ 4C net cash used in operating activities (\$1.1M) includes \$804K in prepaid assets (refundable pre-paid ad inventory) and \$637K in one-time legal settlements
- ▶ 4C cash balance 31 March 2020 of \$1.4M has grown to \$2.4M today

USA

engage:BDR
8439 sunset blvd., ste 302
west hollywood, ca 90069
+1-310-954-0751
info@EN1.com

Australia

scottish house
level 4, 90 william street
melbourne victoria 3000
+61 396 927 222
info@EN1.com

For personal use only

engage:BDR (“EN1 or Company”) (ASX:EN1 and EN1O) is pleased to present shareholders with a trading update and commentary for interim April 2020 financial performance with a comparative analysis of the prior year, same period. Management notes all figures are unaudited, as all financials are pending audit. All figures are in AUD.

US SBA PPP Funding Received

EN1 received the US government Paycheck Protection Program funding in the amount of \$690K or US\$435K today. This funding is entirely forgivable and creates no liability for EN1 within 60 days, if used entirely on US employees’ payroll.

PPP funding qualification criteria did not require EN1 to prove financial hardship; the program was strictly for US small businesses with US resident employees. The program paid for 2.5 months of payroll, with some restrictions (caps on executive pay, etc) and required the funds to be used exclusively on payroll of these employees; it would be entirely forgiven within 60 days. The net impact to EN1’s balance sheet adds \$690K to working capital and assets, without any incremental liabilities.

Management expects additional PPP funding in the near future, as the US government has approved and extended the program, currently doubling the initial budget. As US quarantines continue, the US government is expected to continue deploying funding to small businesses.

Current Cash Balance

EN1’s cash balance is \$2.4M, which is significantly higher than the average cash balance of \$1.4M in 2019 and the 2019 ending cash balance of \$1.8M.

Interim Financial Results

Q2 2020 Interim Results	Revenue	Gross Profit	GP%
April 2020 until the 21 st	\$849K	\$348K	41%
April 2019 until the 21 st	\$724K	\$281K	38%

April 2020 revenue started lighter than expected due to brand budget pauses throughout the US because of the quarantine orders across 85% of the country. This coupled with the start of a new quarter has resulted in lighter revenue temporarily. Revenue is expected to continue

USA

engage:BDR
 8439 sunset blvd., ste 302
 west hollywood, ca 90069
 +1-310-954-0751
info@EN1.com

Australia

scottish house
 level 4, 90 william street
 melbourne victoria 3000
 +61 396 927 222
info@EN1.com

For personal use only

to increase throughout the balance of the month and greater through subsequent months of the second quarter.

Daily revenue analysis shows a 25%+ increase over the past 7 days; Management expects revenue to continue to normalise over the balance of the month and into May.

60 Day Profit & Loss Offset

SBA PPP funding will have a significantly positive net impact on EN1's P&L over the next 60 days. This \$690K funding, free of liability, is similar to an incremental \$1.65M revenue at EN1's 42% (average) gross profit. Management expects this funding to sit at the other income line at the half-year review mark.

Operating Expenses

Management took proactive measures in early March to defer and significantly reduce all operating expense categories to limit cash outflow. All vendors, partners, and companies EN1 works with have been very malleable; Management expects business to continue as usual. Expense categories deferred include office rent, all board and director compensation, technology and infrastructure vendors, consultants and equipment leases. In addition to deferrals, Management has successfully cut many operating expenses permanently.

Additionally, Alto, the Company's primary lender, has proactively and voluntarily deferred recent amortisation payments.

During the quarter there were payments of \$250,666 associated with executive and non-executive fees paid to Directors fees for the March 2020 quarter. This is outlined in section 6.1 of the Appendix 4C.

Revenue Seasonality

Consistent to EN1's results, the advertising industry traditionally expects 65-70% of its revenues in the second half of the year (July – December), as experienced by EN1 in 2019 (34% / 66%). Management expects 2020 to produce similar revenue seasonality, as experienced in 2019 and all prior years.

In Closing

"We are in an unimaginable time, people are losing their lives, loved ones, livelihoods and everything they've built over their lifetimes. No one could have predicted this, and this has blind-sided all of us. For the Company, we were crushing along, at nearly 300% year to date

USA

engage:BDR
8439 sunset blvd., ste 302
west hollywood, ca 90069
+1-310-954-0751
info@EN1.com

Australia

scottish house
level 4, 90 william street
melbourne victoria 3000
+61 396 927 222
info@EN1.com

of last year by the middle of March and came off of a fantastic turn-around year. Timing wasn't the greatest, but since we've weathered MANY storms over the 12 years, we knew what we had to do when we caught the hints of another storm. We responded with the urgency needed to take advantage of opportunities once they were presented; we applied for the PPP and EIDL within 24 hours of their introduction, we deferred everything possible the day quarantines began, and we ramped up the business development effort weeks before.

After conversations with maybe 50 companies in our space, the typical impact is 50-70%, closer to the 70% mark. We diversified our streams well, so we haven't seen an impact like them, we are sitting much stronger than the crowd, currently, with much lighter operating expenses.

We are seeing the key states in the US open up soon (top 4 populations are opening up – California, Texas, Florida, New York, Georgia, etc) with plans to reopen publicly announced. I feel we have seen the worse of this era, and large brands will be able to transact with their customers again soon, which will require ad dollars to be spent online, with EN1.

Please feel free to reach out to me directly at any time; I'm happy to spend time with current shareholders to answer questions which are not sensitive." Ted Dhanik, Exec Chairman and CEO

In the interim, for questions or feedback, please email info@engagebdr.com.



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

Forward Looking Statements

Preliminary financial results published above are subject to audit, adjustment and closing, as they are estimates and figures may be rounded. The "~" symbol refers to figures which have not been audited, adjusted and are preliminary estimates. 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.

USA

engage:BDR
8439 sunset blvd., ste 302
west hollywood, ca 90069
+1-310-954-0751
info@EN1.com

Australia

scottish house
level 4, 90 william street
melbourne victoria 3000
+61 396 927 222
info@EN1.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

engage:BDR Limited

ABN

621 160 585

Quarter ended ("current quarter")

31/03/2020

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (3 months) \$AUD
1.	Cash flows from operating activities		
1.1	Receipts from customers	5,500,739	5,500,739
1.2	Payments for		
	(a) engineering / research & development	(197,585)	(197,585)
	(b) ad inventory costs of goods sold	(2,730,056)	(2,730,056)
	(c) advertising and marketing	(1,096)	(1,096)
	(d) leased assets	(71,449)	(71,449)
	(e) staff costs	(1,070,595)	(1,070,595)
	(f) administration and corporate costs	(1,143,952)	(1,143,952)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(4,886)	(4,886)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	(a) prepaid ad inventory	(804,878)	(804,878)
	(b) legal & settlements	(637,798)	(637,798)
1.9	Net cash from / (used in) operating activities	(1,161,556)	(1,161,556)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$AUD	Year to date (3 months) \$AUD
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	617,509	617,509
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
(a) finance lease obligations	(113,189)	(113,189)
3.10 Net cash from / (used in) financing activities	504,320	504,320

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,790,717	1,790,717
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,161,556)	(1,161,556)

For personal use only

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$AUD	Year to date (3 months) \$AUD
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)	504,320	504,320
4.5	Effect of movement in exchange rates on cash held	251,055	251,055
4.6	Cash and cash equivalents at end of period	1,384,536	1,384,536

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	1,384,536	1,384,536
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)	1,384,536	1,384,536

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	(250,666)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

For personal use only

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$AUD	Amount drawn at quarter end \$AUD
7.1 Loan facilities	47,560,976	6,541,018
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	47,560,976	6,541,018

7.5 **Unused financing facilities available at quarter end** 41,019,958

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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.

In accordance with the terms noted in the Company's ASX announcement dated 25 September 2019, the Company entered into a Convertible Securities Agreement with Alto Opportunity Master for the funding of up to approximately AU\$38 million.

8. Estimated cash available for future operating activities	\$AUD
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,161,556)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,384,536
8.3 Unused finance facilities available at quarter end (Item 7.5)	41,019,958
8.4 Total available funding (Item 8.2 + Item 8.3)	42,404,494
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	37

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

For personal use only

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.

Date: 23/04/2020

Authorised by: 
(By the Board)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.