

11 September 2023

ENGAGE XR Holdings Plc
("ENGAGE XR", the "Company", or the "Group")

Unaudited Interim Results

ENGAGE XR Holdings Plc, a leading Metaverse / Spatial Computing technology company, is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

Financial Highlights:

- Group revenue has continued to grow with H1 2023 revenue of c.€2.1 million, an increase of 18% (H1 2022: €1.8 million)
- ENGAGE revenue is the main driver of the increase with revenue in the period of c€1.9 million, up 30% (H1 2022: €1.5m)
- ENGAGE revenue comprises 91% of H1 2023 total revenue (H1 2022: 83%)
- Gross margin in H1 2023 was 93%, up 12% (H1 2022: 81%)
- EBITDA loss was €2.1m (H1 2022: loss of €2.8m), with Group administrative expenses being largely salary and associated costs
- Loss before tax was €2.2m, in line with expectations, compared to a loss in H1 2022 of €2.8m
- Cash balance at 30 June 2023 of €9.4m (30 June 2022: €4.9m). The Group's cash position was significantly strengthened in the period following an oversubscribed €10.5 million (€9.9 million net of expenses) fundraise in February 2023

Operational Highlights:

- The Group continues to gain traction in the US. 54% of Group revenue in H1 2023 has been derived from North America compared to 34% in H1 FY22 and 30% for FY22, following the deployment of the US sales team during 2022
- There has been a steady increase in the client base with more than 220 active Enterprise and Education customers as at 30 June 2023 (31 December 2022: 190)
- Ground-breaking concert hosted in ENGAGE in March 2023 by the renowned musician, Norman Cook, *aka* Fatboy Slim ([Highlights Video](#))
- Following the launch of Lenovo™'s new ThinkReality™ VRX all-in-one virtual reality (VR) headset in June 2023, the Group expects the benefits of its Lenovo hardware partnership to start being seen in early Q4 2023

Post-period end Highlights:

- Continued momentum being seen - June was our strongest ever month for revenue generation, with July and August generating a combined €1m in revenue.
- 5,400 user K-12 education license deal signed with a US state for a pilot programme. valued in excess of €300k
- Successful employee onboarding event run with one of the world's largest banks

David Whelan, CEO of ENGAGE XR, said: "ENGAGE's client list, user numbers and revenue continue to grow. Given the sharp global decline in tech spend, this performance is an excellent endorsement of the value that clients think that ENGAGE brings to their businesses.

"Although there has been much said in the press about the push for people to get back into the office, we are not seeing this trend reflected in our figures. Remote hybrid work is here to stay even if its two or three days a week for most. Quality talent want flexibility in terms of their work/life balance. We don't see this changing in the future but foresee a push against constant video calls. This is where a platform like ENGAGE steps in, especially for daily meetings such as standups and remote classes.

“The release and planned release of new VR headsets from Meta, Lenovo, HTC and Apple will ensure a steady stream of new leads coming into our inbox as more companies look at immersive communications, spatial computing and metaverse services for the first time.”

Investor Meet Company Presentation

CEO David Whelan and CFO Séamus Larrisey will provide a live presentation relating to the Group’s interim results via the Investor Meet Company platform on 11 September 2023 at 09:00am (BST).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet ENGAGE XR Holdings Plc via: <https://www.investormeetcompany.com/engage-xr-holdings-plc/register-investor>

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

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For further information, please contact:

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About ENGAGE XR

ENGAGE XR Holdings plc (AIM: EXR) is a leading Metaverse / Spatial Computing technology company focused on becoming a leading global provider of virtual communications solutions through its new fully featured corporate metaverse, ENGAGE Link. A demonstration can be viewed here: [ENGAGE The Spatial Computing Platform for Enterprise](#)

The Company also has a proprietary software platform, ENGAGE. ENGAGE provides users with a platform for creating, sharing, and delivering VR content for education, training, and online events through its three solutions: Virtual Campus, Virtual Office, and Virtual Events.

For further information, please visit: www.engagexrholdings.com (LinkedIn: @Engage XR Holdings plc Twitter: @engage_xr)

Chief Executive's Review

HY Review

The first half has been in line with our expectations with the number of clients and revenue increasing steadily. The period finished strongly with June being our strongest ever month for revenue generation with multiple new clients onboarded onto the platform. We have continued to see good growth in new clients using ENGAGE and this growth has helped to increase ENGAGE revenue by just over 30% versus the same period last year. Platform sales now make up 91% of total Group revenue.

We have secured new funding, created new partnerships, and have more ENGAGE product lines, such as Athena A.I, coming out later this year. We have increased our customer facing sales and support teams in the US while reducing spending in most areas of the business helping us towards our goal of reaching profitability in a shorter time frame than previously envisaged.

Post-period Developments

Since the period-end, we have seen growth in both the education and enterprise sectors, with a large US state purchasing over 5,000 educational licenses from ENGAGE to run a pilot programme. Furthermore, one of the world's largest banks has been using the platform extensively for onboarding new employees.

Lenovo

In September 2022, ENGAGE and Lenovo signed an agreement for ENGAGE to be part of the new Lenovo VRX headsets, and for the Group and Lenovo to collaborate for ENGAGE to be pitched to Lenovo's largest clients for use. The Lenovo VRX was officially launched in June 2023, and we expect to see some early revenue from this partnership during Q4 as the Lenovo headsets starts to be sold into Lenovo's enterprise customers. Lenovo has an extensive sales network with which the ENGAGE team will be working with over the coming months. Through this partnership, we look forward to building relationships with some of the world's largest brands and educational institutions.

Collaboration with Meta

The team at Meta have also been extremely active, collaborating with the ENGAGE team over the last few months with a focus on growing "Meta for Business" opportunities. Meta is set to release a new VR/AR device called the Quest 3. This device is the successor to the popular Quest 2 headset, which has sold over 20 million units. The release date of Quest 3 has not been announced. However, we have been working with Meta to ensure ENGAGE will work on this new device so that ENGAGE users will be able to utilise its new features.

This new device is more focused on Augmented Reality (AR). AR is the ability to see the real world and overlay it with digital objects. An example of AR passthrough can be seen via an updated trailer for ENGAGE: [ENGAGE The Spatial Computing Platform for Enterprise](#)

The Meta for Business team and ENGAGE have already successfully worked together on a couple of larger deals this year, using their older Quest 2 devices. We expect this working partnership to grow with the release of the Meta Quest 3 in the coming months.

Apple Vision Pro

The [Apple Vision Pro](#) was announced on the 5 June 2023, and will be Apple's first new product line in many years. The device has impressive specifications and we expect ENGAGE to be able to fully support the device when it arrives next year. Similar to the Quest 3, this device is focused on passthrough AR which we believe is the direction most leading headset manufacturers will be taking. The Company is already undertaking development work to ensure that ENGAGE can utilise this new device to its maximum potential when it is officially released.

We expect the Vision Pro to sell out when it hits stores, however it is not priced for consumers, its aimed at developers like the ENGAGE team, enterprise users and prosumers who can build applications and be ready for a more consumer friendly device in the future. This is the template for Apple hardware releases, and we expect it to mark a significant shift in global adoption of immersive technologies.

ENGAGE Link

ENGAGE Link, which is our Metaverse / Virtual Worlds service, was released late last year. It has already attracted major corporations to build their own personal worlds inside, such as HSBC and 3M. As these are vast worlds, ENGAGE Link is typically busy when virtual events such as the KIA car launch or the [Fatboy Slim VR concert](#) we hosted are on. What is perhaps surprising is the high demand for private virtual worlds for internal use and demos by companies which are not accessible to the public. This side of our metaverse offering is growing rapidly although many clients are still creating public spaces including HTC, Pfizer, KPMG, Lenovo, MTN, Adtalem, Pearson, St James' Place, BSI, Optima Domi, Lobaki, Victory XR, University of Miami, and Stanford University.

Athena A.I

In January 2023, we announced the launch of Athena A.I., our artificial intelligence assistant that integrates into ENGAGE. Using Open AI programs, Athena A.I. can not only interact with users verbally she can also interact with core ENGAGE systems, as well as generate from simple voice commands, images and skyboxes, which is imagery from a photo, texture, or rendered artwork. The skybox is an essential component in virtual reality design - a panoramic wrapper that projects an entire background scene onto the client's interface.

Our development team continues to enhance Athena A.I's capabilities but this program has enhanced our product offering and Athena A.I is already extremely smart, rapidly creating training scenarios from simple verbal prompts. You can view this raw captured video from inside a Meta Quest Pro interacting directly with Athena [here](#)

None of this video was scripted and the topic was chosen at random. Athena A.I has been designed as a solution for our enterprise clients to be used for employee onboarding, sales calls, education, training and much more. We will be updating Athena A.I extensively over the coming months.

Outlook

We are optimistic about the second half where traditionally Q4 has been our busiest growth period when most contract renewals take place. We are encouraged by the pipeline with H2 potentially delivering some interesting additional revenue opportunities for ENGAGE from the work we are doing with Meta and Lenovo.

The immersive tech industry is starting to mature. The step away from immersive technology being geared solely towards gaming applications is evident with Apple, Lenovo and Meta all looking to expand the application of their respective headsets to include enterprise and collaboration, which in turn will generate opportunities for ENGAGE.

We look to the next six months with optimism and remain hungry to deliver returns to our investors by delivering long term sustained growth.

David Whelan
Chief Executive Officer
11 September 2023

Financial Review

Revenue for the half year is up 18% on the prior half year to €2,075k (H1 2022: €1,757k), driven by a continued acceleration in revenue from the ENGAGE platform.

ENGAGE revenue as a percentage of total revenue grew significantly in the period and comprised 91% of total revenue in the period (H1 2022: 83%).

EBITDA loss was €2.1m (H1 2022: loss of €2.8m). The primary cost driver for the EBITDA loss is salary and associated costs, currently approximately €0.5m per month.

Loss before tax was €2.2m, in line with management expectations, compared to a loss in the prior year of €2.8m.

The combination of operating cashflows and capital expenditure in H1 2023 were €2.8m compared to €2.9m in H1 2022. The cash balance at 30 June 2023 was €9.4m (30 June 2022: €4.9m). The Group's cash position was significantly strengthened in the period following an oversubscribed €10.5 million (€9.9 million net of expenses) fundraise in February 2023. The management team are fully focused on managing the cash position of the Group and remain very cost conscious as the Group moves towards cash flow profitability in the future.

Séamus Larrissey
Chief Financial Officer
11 September 2023

**Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2023**

	Note	Unaudited Six months ended 30 June 2023 €	Unaudited Six months ended 30 June 2022 €
Continuing Operations			
Revenue		2,075,015	1,757,438
Cost of Sales		(139,080)	(337,244)
		<hr/>	<hr/>
Gross Profit		1,935,935	1,420,194
Administrative Expenses		(4,122,701)	(4,200,985)
		<hr/>	<hr/>
Operating Loss		(2,186,766)	(2,780,791)
Finance Costs		(876)	(17,524)
		<hr/>	<hr/>
Loss before Income Tax		(2,187,642)	(2,798,315)
Income Tax Credit		-	-
		<hr/>	<hr/>
Loss for the Year from continuing operations		(2,187,642)	(2,798,315)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic from continuing operations	4	(0.005)	(0.010)

Consolidated Statement of Financial Position
As at 30 June 2023

	Note	Unaudited as at 30 June 2023 €	Unaudited as at 30 June 2022 €	Audited as at 31 Dec 2022 €
Non-Current Assets				
Property, Plant & Equipment		103,976	105,228	96,085
Intangible Assets	2	12,298	206,841	39,492
		<u>116,274</u>	<u>312,069</u>	<u>135,577</u>
Current Assets				
Trade and other receivables		1,444,904	1,087,352	1,365,982
Cash and short-term deposit		9,446,893	4,900,780	2,209,169
		<u>10,891,797</u>	<u>5,988,132</u>	<u>3,575,151</u>
Total Assets		<u>11,008,071</u>	<u>6,300,201</u>	<u>3,710,728</u>
Equity and Liabilities				
Equity Attributable to Shareholders				
Issued share capital	5	524,826	290,451	290,451
Share premium	5	43,910,062	33,503,300	33,503,300
Other reserves		(12,346,163)	(11,764,028)	(11,752,741)
Retained earnings		(21,748,294)	(16,354,082)	(19,560,652)
Total Equity		<u>10,340,431</u>	<u>5,675,641</u>	<u>2,480,358</u>
Non-Current Liabilities				
Operating lease liabilities		19,076	3,582	-
Current Liabilities				
Trade and other payables		634,080	612,378	1,222,488
Operating lease liabilities		14,484	8,600	7,882
		<u>648,564</u>	<u>620,978</u>	<u>1,230,370</u>
Total Liabilities		<u>667,640</u>	<u>624,560</u>	<u>1,230,370</u>
Total Equity and Liabilities		<u>11,008,071</u>	<u>6,300,201</u>	<u>3,710,728</u>

**Consolidated Statement of Changes in Equity
At 30 June 2023**

Attributable to Equity Shareholders

	Share Capital €	Share Premium €	Other Reserves €	Retained Earnings €	Total €
Balance at 1 January 2022	290,451	33,503,300	(11,775,474)	(13,555,767)	8,462,510
Loss for the period	-	-	-	(2,798,315)	(2,798,315)
Share option expense	-	-	11,446	-	11,446
Balance at 30 June 2022	<u>290,451</u>	<u>33,503,300</u>	<u>(11,764,028)</u>	<u>(16,354,082)</u>	<u>5,675,641</u>

Attributable to Equity Shareholders

	Share Capital €	Share Premium €	Other Reserves €	Retained Earnings €	Total €
Balance at 1 January 2023	290,451	33,503,300	(11,752,741)	(19,560,652)	2,480,358
Loss for the period	-	-	-	(2,187,642)	(2,187,642)
Issue of ordinary shares	234,375	10,406,762	-	-	10,641,137
Issue costs	-	-	(601,361)	-	(601,361)
Share option expense	-	-	7,939	-	7,939
Balance at 30 June 2023	<u>524,826</u>	<u>43,910,062</u>	<u>(12,346,163)</u>	<u>(21,748,294)</u>	<u>10,340,431</u>

Consolidated Statement of Cash Flows
For six month period ended 30 June 2023

	Unaudited Six months ended 30 June 2023 €	Unaudited Six months ended 30 June 2022 €
	Note	
Cash Flows from Operating Activities		
Loss before income tax	(2,187,642)	(2,798,315)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation	40,246	34,730
Amortisation	27,194	219,613
Finance Costs	876	17,524
Share Option Expense	7,939	11,446
Movement in Trade & Other Receivables	(78,922)	(441,462)
Movement in Trade & Other Payables	(588,408)	130,802
	<u>(2,778,717)</u>	<u>(2,825,662)</u>
Bank interest & other charges paid	(876)	(17,524)
Net cash used in operating activities	<u>(2,779,593)</u>	<u>(2,843,186)</u>
Cash Flows from Investing Activities		
Purchases of property, plant & equipment	(15,435)	(37,883)
Net cash used in investing activities	(15,435)	(37,883)
Cash Flows from Financing Activities		
Proceeds from issuance of ordinary shares	5 10,039,778	-
Payment of operating lease liabilities	(7,026)	(8,211)
Net cash generated/(used) from financing activities	<u>10,032,752</u>	<u>(8,211)</u>
Net increase/(decrease) in cash and cash equivalents	7,237,724	(2,889,280)
Cash and cash equivalents at beginning of period	2,209,169	7,790,060
Cash and cash equivalents at the end of period	<u>9,446,893</u>	<u>4,900,780</u>

Notes to the Interim Report

1. Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and expected to be effective at the year-end of 31 December 2023.

The accounting policies are unchanged from the financial statements for the year ended 31 December 2022. The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022, prepared in accordance with IFRS, have been filed with the Companies Registration Office. The Auditors’ Report on these accounts was unqualified.

The consolidated interim financial statements are for the 6 months to 30 June 2023.

The interim consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, which were prepared in accordance with IFRS’s as adopted by the European Union.

2. Summary of Significant Accounting Policies

New standards, interpretations and amendments adopted by the Company

No new standards or amendments have been adopted for the first time in these financial statements:

Intangible Assets

Research costs are expensed as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique commercial software controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use and sale;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate future economic benefits;
- adequate technical, financial, and other resources to complete the development and use or
- sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably
- measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and subcontracted development costs.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 3 years and commences after the development is complete and the asset is available for use. Intangible assets are amortised over their estimated useful lives based on the pattern of consumption of the underlying economic benefits. Amortisation is included in 'Administrative Expenses'.

2. Intangible Assets

	Software in development Costs €	Total €
Cost or Valuation		
At 1 January 2023	2,136,231	2,136,231
Additions	-	-
At 30 June 2023	-	-
Amortisation		
At 1 January 2023	2,096,739	2,096,739
Charge	27,194	27,194
At 30 June 2023	2,123,933	2,123,933
At 30 June 2023	12,298	12,298
At 31 December 2022	39,492	39,492

	Software in development Costs €	Total €
Cost or Valuation		
At 1 January 2022	2,136,231	2,136,231
Additions	-	-
	<hr/>	<hr/>
At 30 June 2022	2,136,231	2,136,231
	<hr/>	<hr/>
Amortisation		
At 1 January 2022	1,709,777	1,709,777
Charge	219,613	219,613
	<hr/>	<hr/>
At 30 June 2022	1,929,390	1,929,390
	<hr/>	<hr/>
At 30 June 2022	206,841	206,841
At 31 December 2021	426,454	426,454
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The software being developed relates to the creation of three virtual reality experiences and an online virtual learning and corporate training platform.

ENGAGE is an online virtual learning and corporate training platform currently in development by the Company. A desktop version was released in December 2018 and the mobile version was released in December 2019. Amortisation commenced when the mobile version launched.

Amortisation expense of € 27,194 (H1 2022: €219,613) has been charged in 'Administrative Expenses'. An impairment review was carried out at the balance sheet date. No impairment arose.

3. Share Based Payments

Share-based payment schemes with employees

There were no employee options granted during 2023 (2022: 285,714). Options granted in 2022 were at an exercise price of €0.175 per share and these vest subject to continued service by the employee over a period of 3 years. Options expire at the end of a period of 7 years from the Grant Date or on the date on which the option holder ceases to be an employee.

Share-based payment expense with Director

There were no share options granted during 2023 (2022: Nil) to Directors.

The movement in employee share options and weighted average exercise prices are as follows for the reporting periods presented:

	2018 Scheme	
	Half-Year 2023	Half-Year 2022
At 1 January	4,404,127	4,118,143
Granted during period	-	285,714
Forfeited during period	(248,148)	-
At 30 June	4,155,979	4,404,127
 Options outstanding at 30 June		
Number of shares	4,155,979	4,404,127
Weighted average remaining contractual life	1.10	1.71
Weighted average exercise price per share	€0.041	€0.047
Range of exercise price	€0.0001 – €0.20	€0.0001 – €0.20
 Exercisable at 30 June		
Number of shares	2,670,265	2,718,413
Weighted average exercise price per share	€0.029	€0.031

The expense recognised in respect of employee share based payment expense and credited to the share based payment reserve in equity was €7,939 (2022: €11,446)

4. Loss per share

	Unaudited Six months ended 30 June 2023	Unaudited Six months ended 30 June 2022
	€	€
Loss attributable to equity holders of the Group:		
Continuing Operations	(2,187,642)	(2,798,315)
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Weighted average number of shares for Basic EPS	446,584,479	290,101,146
<hr/>		
Basic loss per share from continuing operations	(0.005)	(0.010)

5. Share Capital

	Number of shares	Ordinary shares €	Share premium €	Total €
At 1 January 2023	290,451,146	290,451	33,503,300	33,793,751
Ordinary Shares Issued	234,375,000	234,375	10,406,762	10,641,137
At 30 June 2023	524,826,146	524,826	43,910,062	44,434,888

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

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