

ASX Announcement

27th February 2018

Outcomes of Strategic Review

On January 31, 2018 the Company announced that it would conduct a strategic review of operations with the following objectives:

- Narrow the focus of its development and sales strategy to better align with short-term sales opportunities for Automated Guaranteed trading (Trading Fees); and
- Given the delay in Trading Fee revenue growth, ensure the cost base of the business is sustainable.

After careful consideration, including a detailed review of the company's recent financial performance and strategic opportunities, the board has identified three key priorities for the Company:

1. Maintain the *Symphony* product and grow its user base
2. Focus on the US market for Trading Fee revenues
3. Implement a cost reduction plan

Symphony

Adslot's *Symphony* product remains an underlying strength of the Adslot business. To date, *Symphony* has been deployed in 13 countries, in multiple regions and languages, with over 12,000 registered users.

In August 2016, the company executed a multi-year, global agreement with GroupM to deploy *Symphony* across APAC and EMEA. Since then, the Company has deployed *Symphony* into multiple new markets (as per the table below), with additional new market activations also underway.

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	Installed as at:		Current deployment pipeline
	January 2017	January 2018	
Countries Deployed – All Clients	Australia New Zealand China Japan Hong Kong Malaysia Singapore Vietnam US Austria	Australia New Zealand China Japan Hong Kong Malaysia Singapore Vietnam US Austria Taiwan Turkey Belgium	<ul style="list-style-type: none"> • x1 (large) market scheduled for activation in the next 3 months • x1 market where scoping has commenced, development not yet commenced • x2-3 other markets being reviewed for deployment in calendar year 2018 (yet to be scoped, development yet to commence)
Number of Registered Users	11,141	12,876	

Analysis has confirmed that the *Symphony* business is profitable on a stand-alone basis. Revenues generated from *Symphony* (License Fees) can be likened to SaaS (software as a service) revenues, as they are recurring in nature and have a client base of loyal, repeat users.

The rate of Licence Fee revenue growth for the 1H FY18 was only slightly up on the prior corresponding period. The Company expects improved growth in the 2H FY18.

An important part of the Adslot business, the Board has determined to continue investment in the development of *Symphony* and the growth of its user base, and continue to support the Company's strategically important relationship with GroupM.

US Market Focus

To secure Trading Fee revenues, the Company has previously been selling its Automated Guaranteed trading technology via two distinct channels:

1. As a stand-alone platform to agencies and advertisers in markets in which *Symphony* is not deployed (Adslot Media). Most prominent of these are the US and UK markets; and
2. As an integrated offering within the *Symphony* product to agencies who have already adopted *Symphony* (Adslot-Symphony integration).

The Board has determined that the successful execution of both sales strategies concurrently, and within an acceptable timeframe, is beyond the current resource capabilities of the business.

The Board has therefore decided to focus the Company's efforts on the single sales strategy which is most likely to achieve commercial validation of the product, and generate meaningful growth in Trading Fee revenues in the short-term. It has been determined that this is best achieved by dedicating all available non-Symphony resources to support a US market focus. This decision was made in consideration of the following:

- The US market is one of the largest media buying markets in the world;
- The Company's sales pipeline for Trading Fee revenues is strongest in the US;
- Pilot activity by three of the world's largest agency holding companies in the US is imminent; and,
- The Company has established a highly capable sales function in the US market.

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While the Company's current focus is on validating the US market opportunity in the short-term, the opportunity to sell and support the Adslot-Symphony integrated product will be preserved and remains a key longer-term goal. The Company will continue to support the current implementations of the Adslot-Symphony integrated product as they currently exist in a limited number of markets. The Company will assess re-activation of investment in the Adslot-Symphony integrated platform when the Company's financial position allows it.

Cost Reduction Plan

Given the delays in trading revenues to date, the Board has deemed it prudent to immediately implement a cost reduction plan to ensure the Company has sufficient capital to execute against the updated strategy.

The Company has already actioned a targeted reduction in total headcount of 22 positions across most areas of the business. This has reduced the Company's total headcount from 120 to 98 people, representing an 18% reduction in headcount and a 20% reduction in total headcount cost.

Further cost reductions are being implemented across other operating expenses including marketing, travel and professional fees.

No reductions were made within the Company's Webfirm division.

The Board is confident that reductions in headcount will not impact the Company's ability to execute against the key objectives of the updated strategy. In particular, there has been no reduction in engineering and development resources associated with core Symphony development, or the stand-alone Automated Guaranteed offering (Adslot Media).

As previously noted in its recent Appendix 4C, the Company had cash of \$7.9 million as at 31 December 2017, and expects to receive approximately \$6m in receipts from the R&D tax offset in the coming six to nine months. The Board believes that the cost reductions in conjunction with expected growth in revenues will ensure the Company has sufficient operating capital to execute its strategic plan.

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