

Adslot Ltd

Half-Year Results and Outlook

27th February 2017

(ASX:ADJ)

Executive Summary

- Strong growth in strategic Trading Technology revenues - up 22% HoH and 36% on PCP
- Agreement executed with largest media buying group in the world, actively deploying across various countries in Europe and APAC
- Automated Guaranteed (Trading Fees) revenue still in early stages, plan in place to scale adoption
- \$18M raised to accelerate product development, expedite Symphony deployments and grow sales organisation
- Successfully executing Operating Plan as detailed at capital raising

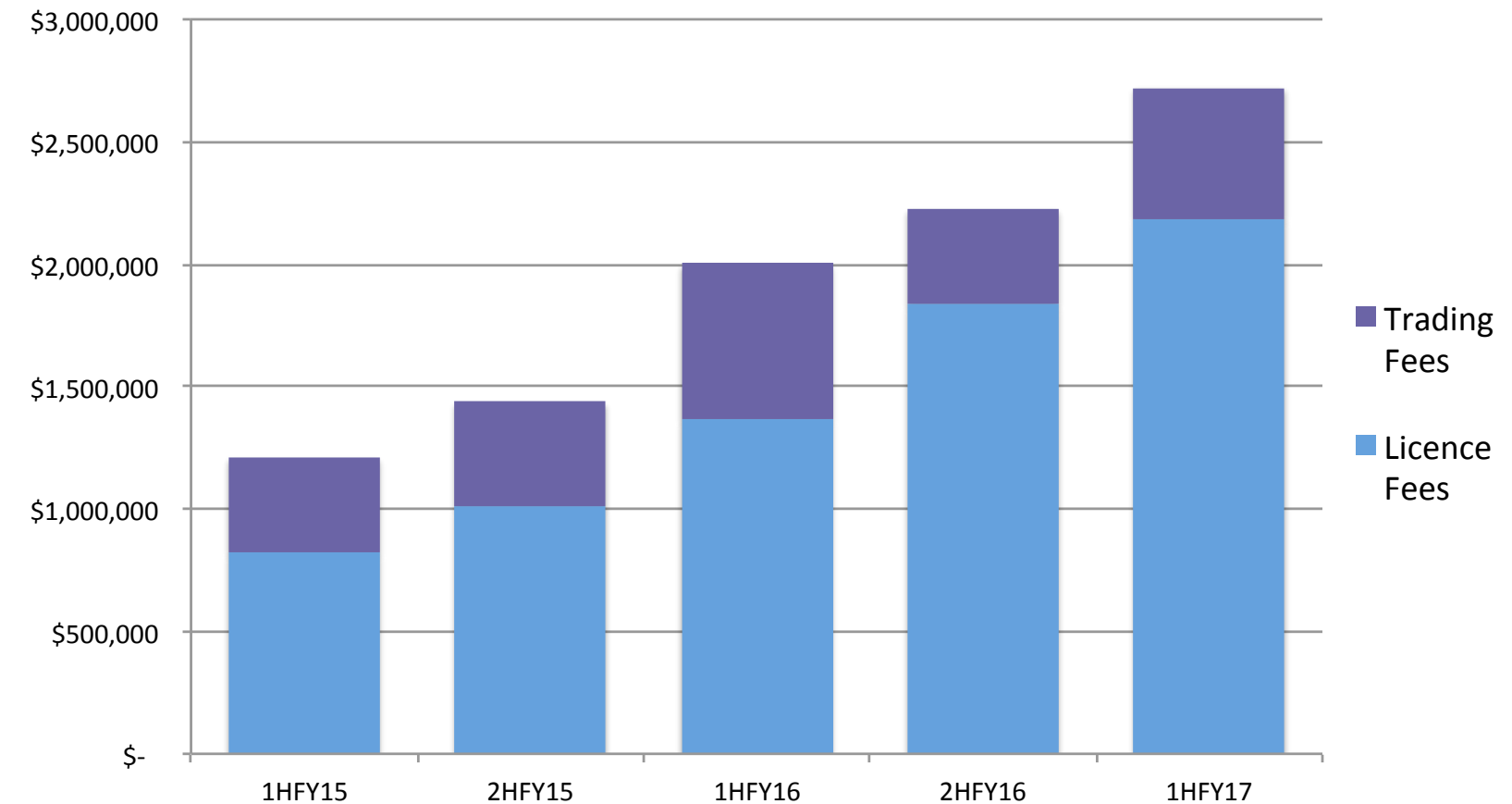
1H FY17 – Strategic Revenue

Half on Half

+22%



- Trading Technology revenue continues to grow, increasing by 22% versus the prior half and 36% against the PCP.
- Growth in Trading Technology revenue is driven primarily by growing Licence Fees, the majority of which can be attributed to the groupm contract (announced in August 2016).



vs. Prior Corresponding Period

+36%

Note: Half on Half growth rates referenced are calculated against the last 6 months, being 6 months to June 2016
PCP growth rates referenced are calculated against the prior Half Year period, being 6 months to December 2015

1H FY17 – Non-Strategic Revenues

Half
on
Half

-25%

-4%

Services

\$0.948m

Adserving

\$0.350m

vs. Prior
Corresponding
Period

-25%

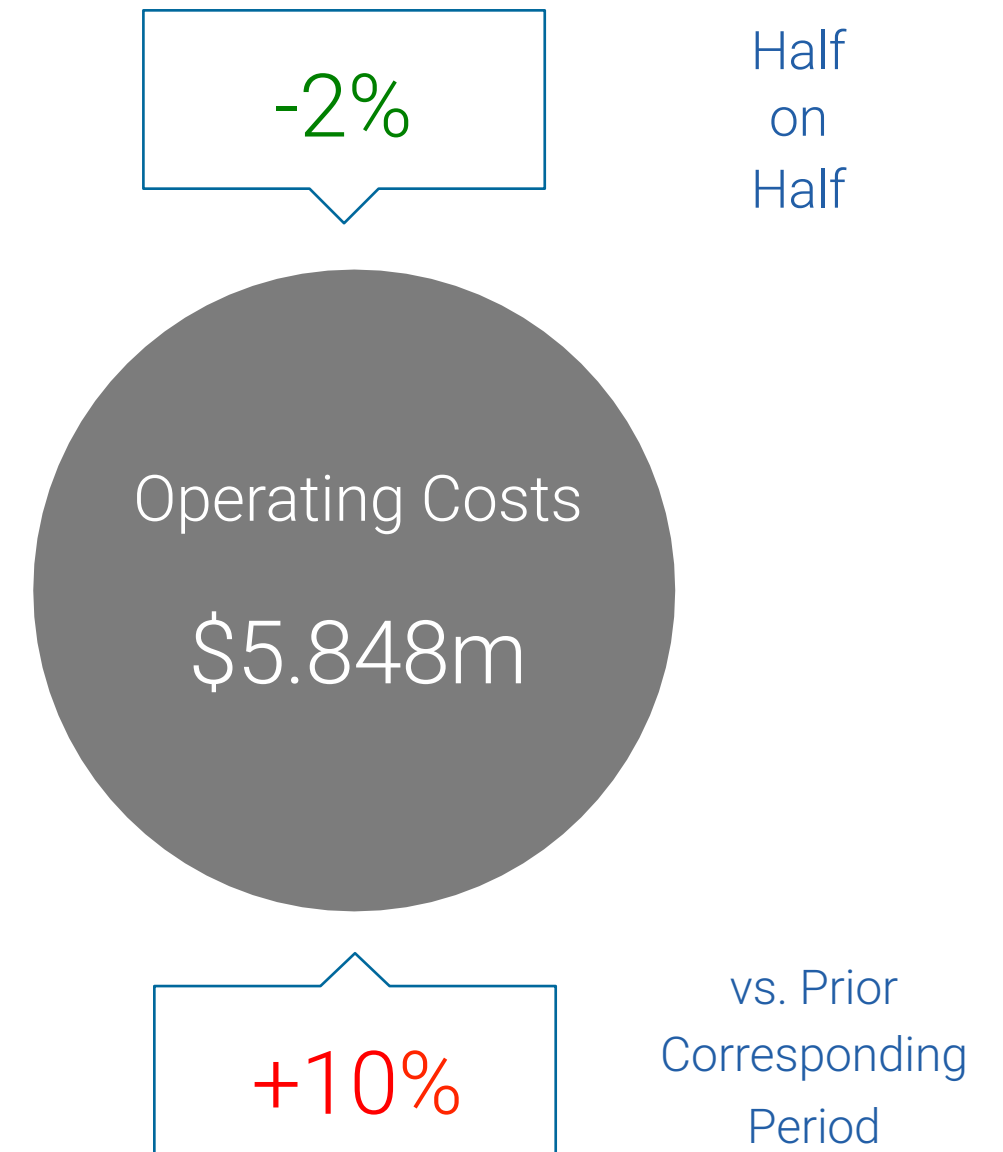
-35%

- Non-Strategic Services revenue of \$0.948m represents a 25% or \$0.3m decrease against the prior half and the PCP. We expect Services revenue to be flat in 2H FY17.
- Non-Strategic Adserving revenue continues to decline in line with expectation, decreasing by 4% (\$0.015m) and 35% (\$0.185m) against the prior half and PCP respectively.

Note: Half on Half growth rates referenced are calculated against the last 6 months, being 6 months to June 2016
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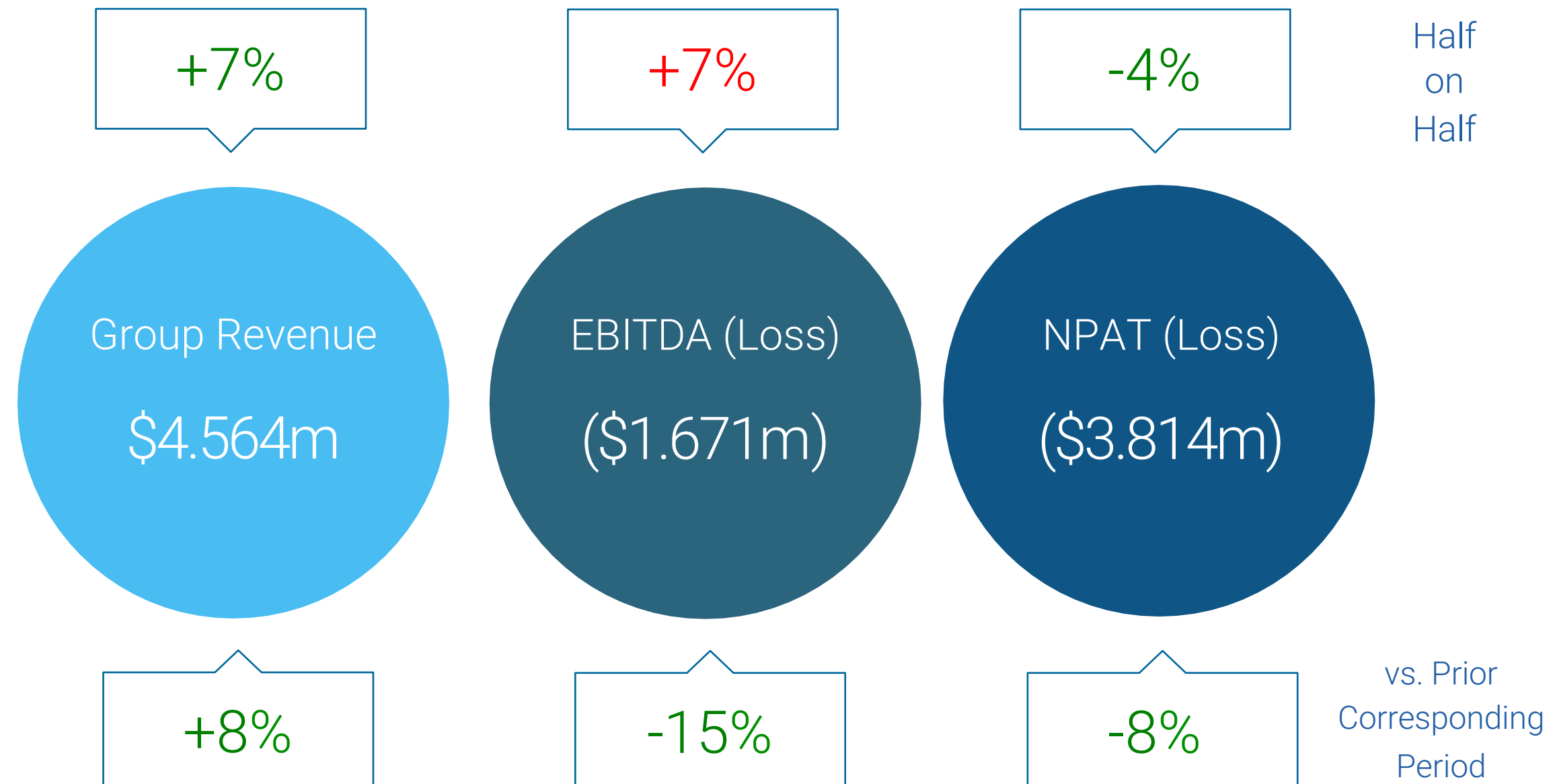
1H FY17 – Operating Costs

- Total Operating costs of \$5.848m for the half were 2% lower against the prior half demonstrating cost management discipline, and 10% higher on a PCP basis.
- Operating Costs are Total Expenses **excluding** Depreciation and Amortisation, Share Based Payment and Taxes.
- Operating costs relating to strategic revenue streams have actually increased half on half, these however were more than offset by reducing costs relating to non strategic revenue streams.

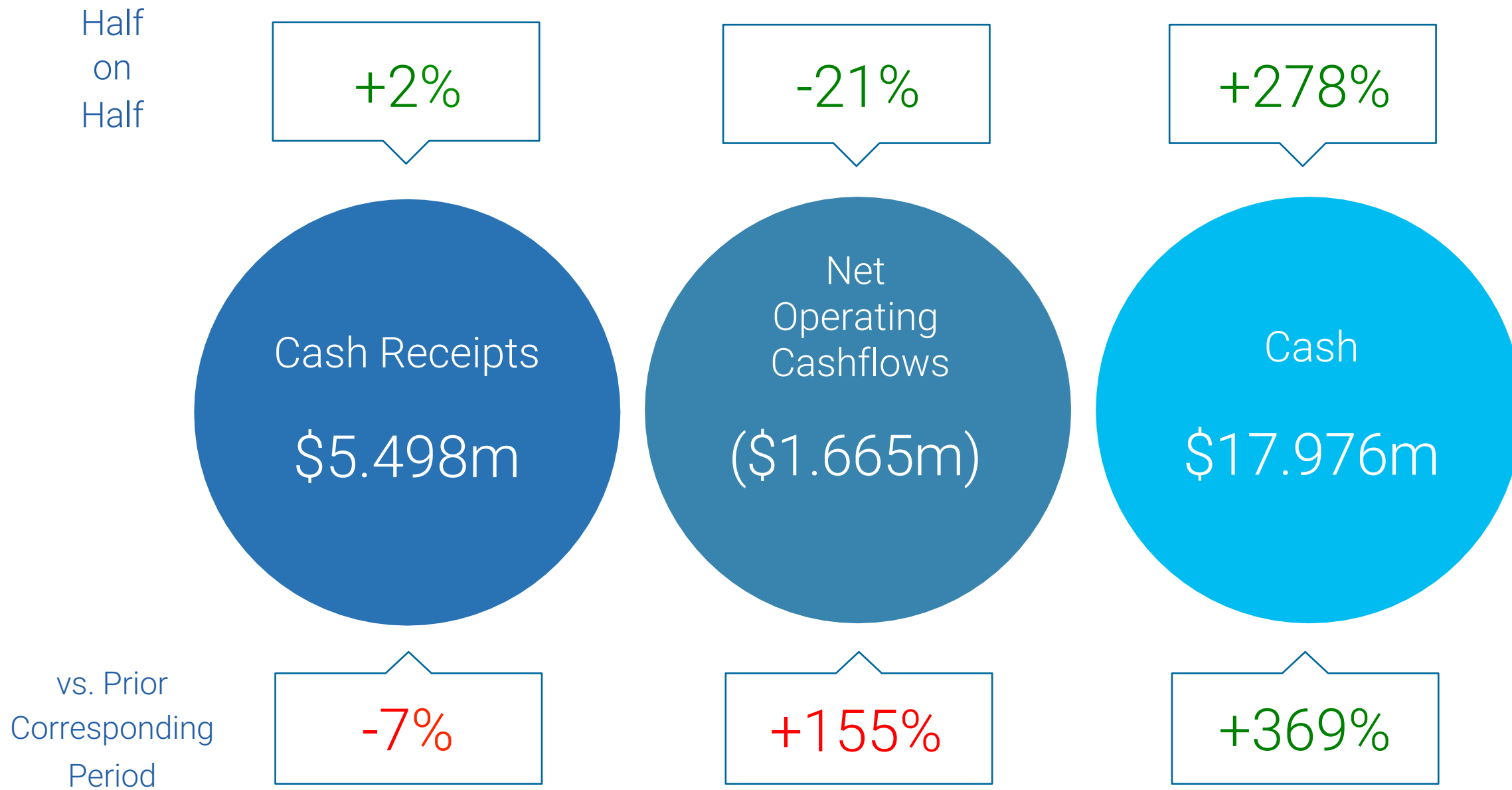


1H FY17 – Group Revenue, EBITDA & Profit

- Total Group Revenue for the half was \$4.564m, an increase of 7% on the prior half and an increase of 8% against the PCP.
- EBITDA loss for the half of \$1.671m increased by 7% against the prior half, but was a 15% improvement against the PCP.
- NPAT loss for the half of \$3.814m reduced by 4% against the prior half and 8% against the PCP.



1H FY17 – Cashflow



- Receipts from customers of \$5.498m grew 2% HoH, but reduced 7% compared to the PCP.
- Net Operating Cashflows saw an outflow of \$1.665m, which is a 21% improvement HoH, but a 155% increased outflow against the PCP.
- Cash at the conclusion of 1H FY17 is \$17.976m, being significantly higher than prior periods as a result of the recent capital raising.
- The Company continues to invest in its Technology Platforms. In February 2017 it received \$2.3m via the R&D grant scheme (which is not reflected in the Cash balance in these financials).

Significant developments during the period

1. Capital Raising

During September and October, the company successfully concluded an \$18m Entitlement Offer and Placement.

This raising allows the Company to:

- **Accelerate new *Symphony* deployments** - growth in Trading Technology revenues in 1H FY17 have been driven by *Symphony* deployment and pre-deployment Licence Fees;
- **Expand the Product and Development teams**
 - 15 new hires have commenced since October 2016, a further 4 are contracted to start within the next month;
 - A further 15 resources are planned by June 2017;
 - Growth in product and development resource will increase the velocity of new feature deployments;
- **Expand the Sales organisation** - 2 new senior US hires already commenced; and
- **Increase marketing activity and sales enablement.**

Significant developments during the period

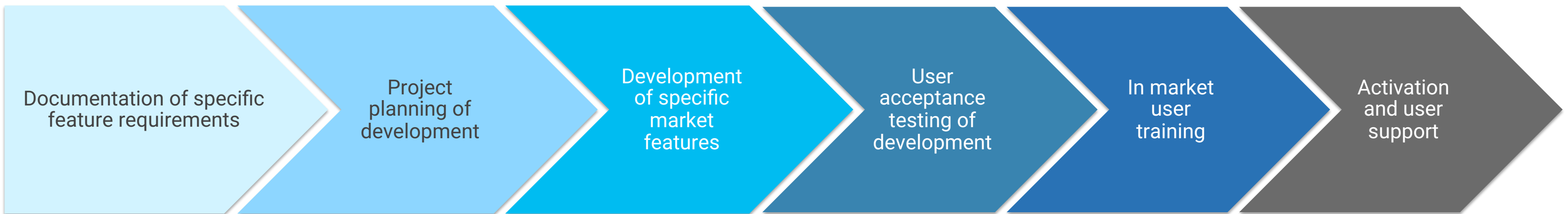
2. groupm Contract Signing

- Long term ***Symphony*** contract signed with the world's largest media buyer
- Global deal with immediate focus on the European and APAC markets
- Value of media traded via ***Symphony*** expected to more than double to circa \$7 billion over the next 2 to 3 years, which more than doubles the available Trading Fees opportunity via the Adslot-Symphony integration
- Will provide a market-ready capability in those new markets for the broader industry (i.e. non groupm clients)
- Details on the progress of this contract follow

Symphony – New Market Activations

Activating Symphony in a new market

- Whilst the problems that Symphony solves are universal in nature there are local market nuances that must be considered to ensure successful deployment.
- Through years of experience deploying to new markets for multiple agency clients, Adslot has developed a deployment blueprint



- This structured blueprint approach to deployment is necessary to ensure long term success, and is only required once.

First European Market – a model for success

- The first European market for groupm was successfully activated in 2016 and provides a model for future activations.
- The benefits of a successfully managed activation process have emerged:
 - High levels of client satisfaction
 - First Automated Guaranteed trades through the Symphony-Adslot integration have been secured in the current (March) quarter
 - Agency planning underway to expand trading activity via Symphony-Adslot
 - Firm interest registered from other agency groups in-market

“Symphony supports groupm and its agencies to manage the key processes in a transparent and accountable way.”

“Symphony is the ideal tool to introduce/implement a standardized online media buying process.”

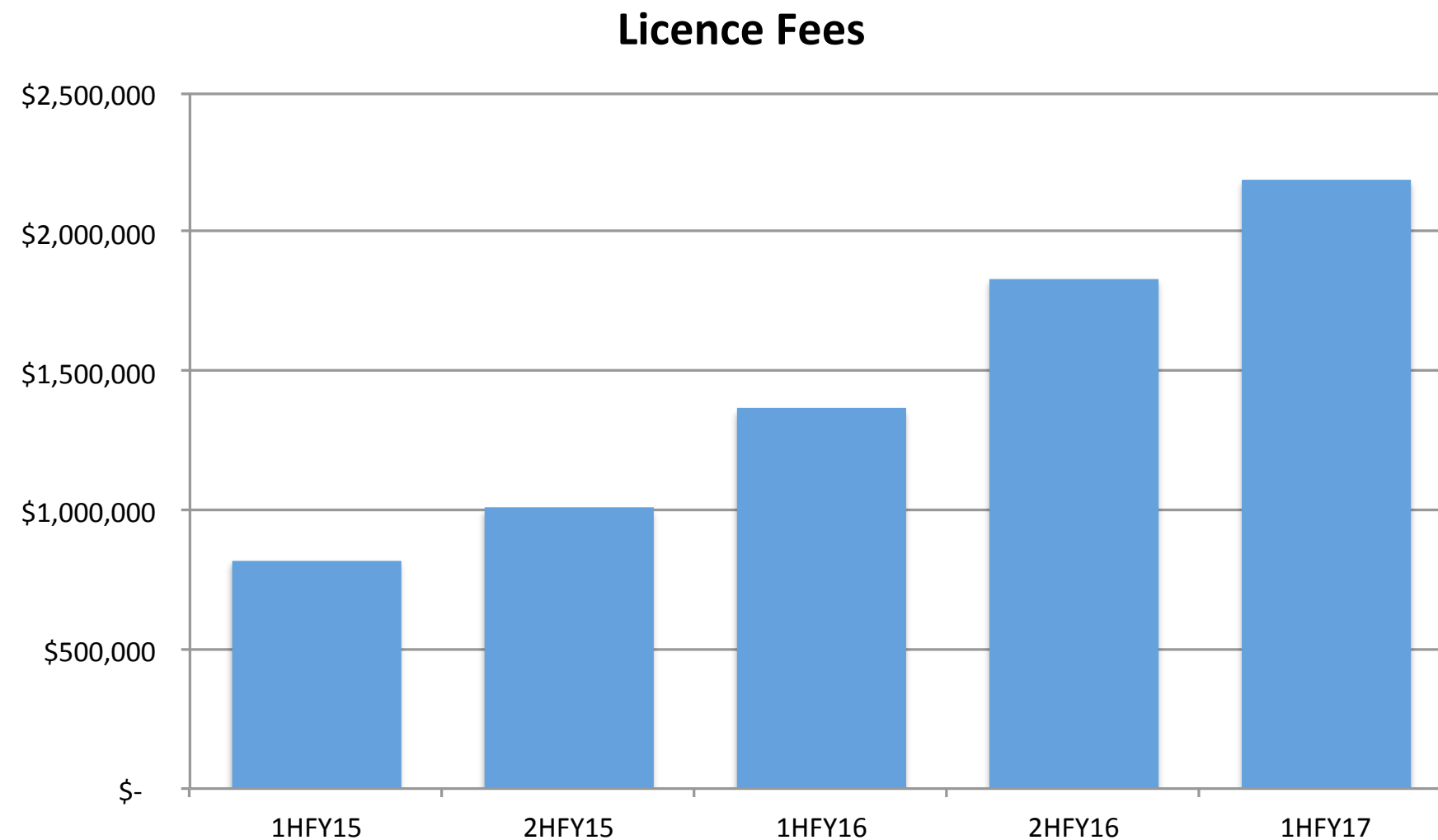
“Within Symphony, we are able to be more efficient in our daily business”

Accelerating Deployments

- The company is focused on building on the success of the first deployment and accelerating the cadence of additional deployments.
- The Company has commenced initiatives to support speed of deployment over time
 - Dedicated Adslot deployment resources now active in market (Europe and APAC)
 - Additional development resources engaged to reduce time between feature requirements gathering in each market and market activation
- Multiple new markets in Europe and APAC are at various stages of deployment
 - Next market likely to be activated in the current (March) quarter
 - A further two markets expected to be activated in FY17
 - New market deployment activities expected to further increase in 1H FY18

Growing License Fees

- License fee revenues precede market activation
- Recent growth in License Fee revenues includes a ramping up of pre-deployment activities:
 - Half on Half increase of 19%
 - A 60% increase over the prior corresponding period



Progress of Automated Guaranteed

Growth of Automated Guaranteed

- Automated Guaranteed (Trading Fee) revenues have not developed at the rate anticipated. The underlying reasons for this are two-fold:
 1. The industry has taken longer than expected to understand how Automated Guaranteed fits into their broader service offering.
 2. Whilst Adslot remains a market leader, an analysis of feedback from active users has identified new features and enhancements that will support greater adoption and use of the platform at scale.
- 1. Why has the industry taken longer to understand how Automated Guaranteed fits into their broader service offering?
 - Larger agencies have assembled an array of disparate platform-related business units, most of which have until recently operated independently of each other.
 - Most of the global agency groups have undertaken restructures to centralise their platform related businesses into a single cohesive business.
 - As this unfolds Adslot is experiencing more focused and higher quality discussions, particularly with the agencies that offer scale.

Growth of Automated Guaranteed

2. Whilst Adslot remains a market leader, an analysis of feedback from active users has identified new features and enhancements that will support greater adoption and use of the platform at scale.

In response, a roadmap of key features has been identified and prioritised:

- Integrations with viewability data providers ([ASX release 21/12/16](#))
- Online video advertising capability enhancements ([ASX release 22/12/16](#))
- Integrations with audience data providers
- Introduction of trading history analytics
- Ongoing program of enhancements to the Symphony-Adslot integration

The opportunity is significant and the Company remains well positioned to capitalise

- Despite the pace of revenue growth, the company remains highly confident that Trading Fee revenue will materialise:
 - Agency appetite for Automated Guaranteed (AG) is real
 - Agency pilot activity continues
 - Adslot continues to sign blue chip publishers
 - First signs are emerging of agencies seeing AG as more essential to an holistic client offering
 - Adoption is expected to accelerate throughout CY17
- The company remains committed to its strategy:
 - The problem AG solves has not been otherwise solved
 - The opportunity this creates is material and remains so
 - No Adslot competitor has taken a market leadership position
 - The Company believes the integration of Symphony and AG is unique and presents leverage to drive adoption of AG at scale in multiple markets

Outlook

Outlook

- Licence Fees will continue to grow in 2H FY17
 - The activation blueprint developed by Adslot over several years is proven
 - New market deployment activities for groupm expected to increase throughout CY17
 - Growing the value of media trading executed via Symphony from \$3b to circa \$7b of demand over a 2-3 year period remains the opportunity and a key focus
 - This growth creates longer term strategic value in the form of a growing global user base of media buyers and an expanding customer footprint through which to drive adoption of Automated Guaranteed (Trading Fees)
- Trading Fees are nascent but are expected to emerge to be more meaningful in CY17
 - Trading Fees will remain less predictable than Licence Fees as adoption continues to develop
 - Media trading is seasonally soft in the March Qtr and has historically recovered in the June Qtr
 - The successful first market deployment of Symphony for groupm in Europe has recently produced first trading activity via the Symphony-Adslot integration
 - Trading Fees from other Symphony clients are expected to contribute more significantly

Outlook

- Execution of the Operating Plan will continue
 - Progressive ramp-up of product & development teams to improve feature development velocity will continue
 - Investment in R&D activities are claimable under the ATO R&D rebate scheme, currently returning 43.5% of eligible expenditure as a cash refund
 - Incremental sales hires and marketing activity will continue
 - Costs will remain within budget levels and cost management discipline maintained
- Additional R&D investment will see capabilities developed and deployed that are important to accelerating adoption of ***Automated Guaranteed***
 - Scaling of the product & development teams is already improving output
 - Further gains in output are expected as the team expands
 - A roadmap of key features is being executed

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