

## **ADSL0T LIMITED**

Annual General Meeting

Thursday 10 November 2016 at 11:00AM

Offices of Grant Thornton, Level 30, 525 Collins St, Melbourne

### **CHAIRMAN'S ADDRESS**

Ladies and Gentlemen,

Since we last met, the Company has continued to make steady progress towards establishing itself as a global leader in the automated trading of display advertising.

Adslot currently enjoys two key competitive advantages in this emerging industry.

The first is, Adslot has established itself as the industry's product leader as it pertains to both our buy-side work-flow solution for agencies, *Symphony*; and also our fully-automated transactional platform for both Publishers and Media Buyers, *Adslot Media*.

Secondly, Adslot is currently the only company in the world competing in the "automated guaranteed" space that has both a demand channel platform (*Symphony*) and a supply channel platform (*Adslot Media*), fully-integrated under the one roof.

These two competitive advantages have allowed the Company to achieve two important milestones in the past 12 months.

The first is, Adslot signed the most significant contract in the history of the Company with the world's largest media buyer, groupm. The strategic significance of winning this contract after a bake-off with Symphony's largest competitor in the US is not to be underestimated.

As a result, and in combination with organic growth from existing customers and other new business, we expect the value of media executed via *Symphony* to increase from its current \$3 billion per annum to circa \$7 billion per annum over the next two to three years. So the groupm contract will not only drive growth in Licence Fees revenue in the short-term, but also secures a strong pipeline of demand to grow Trading Fees revenue significantly in the years ahead.

Secondly, the signing of the groupm contract stimulated significant institutional investor demand, which allowed the Company to undertake a significant capital raising of a total \$18m in September. \$11.2m coming via a placement to institutional investors and a further \$5.5m from existing shareholders via the entitlements issue, with the remaining \$1.3m taken up by underwriters.

I am pleased to advise that all board members eligible to participate in the entitlements issue actively did so, taking up a majority of their entitlements. We were also very pleased to see more than 78% of the shares taken up under the entitlements offer from existing shareholders, and we thank existing shareholders for their support.

The Company's steady progress during the year was also reflected in its financial results.

FY16 Trading Technology revenues increased again, up 59% on the prior year.

As you'll recall, Trading Technology revenues are the fastest growing part of the business, and are made up of Licence Fees, which is fixed contract recurring revenue derived mostly from *Symphony* – and Trading Fees, which is transactional “clip-of-the-ticket” revenue derived mostly from *Adslot Media*. These were both up 75% and 25% respectively on the prior year's revenues.

Revenues from continuing operations and total income were both up 19% overall on the prior year, and the Company's EBITDA loss was further reduced and improved by 11%.

From a cash-flow perspective, receipts from trade and other debtors grew 36% year on year, from \$8.3m to \$11.3m, while net cash outflows from operating activities continued to reduce by 13% from \$3.18m to \$2.75m.

More recently, you will have seen from our recent Trading Update that the Company has recorded its eighth consecutive quarter of growth in Trading Technology revenues for the September quarter, driven mostly by Licence Fees, which were up 86% on the prior corresponding period.

Although these results indicate steady progress, we need to keep in mind that it's still early days, and although we have established the Company in a unique strategic position to take advantage of this emerging market opportunity, there are still some challenges ahead.

One of the biggest challenges will be maintaining product leadership, while at the same time driving adoption and accelerating revenue growth by investing in sales and marketing. Thankfully, the Company's recent capital raising ensures we now have the capacity to scale-up the velocity and cadence of our development team, while also increasing our sales, marketing and account service activities.

In managing the Company's shift from being a product-leading organisation to a sales-leading organisation, our two biggest priorities for the year ahead are as follows:

1. First, successful and efficient deployment of *Symphony* into multiple Asia-Pacific and European markets for groupm, which will drive Licence Fees in the first three to six months following each market deployment, and then drive Trading Fees ongoing.
2. Secondly, a new focus and investment in sales and marketing to increase adoption and utilization of the automated guaranteed platform to accelerate revenue growth, while also managing the reduction in other legacy revenue streams such as ad serving.

As a result of the above, we expect to see an ongoing increase in Trading Technology revenue during FY17, and with the adoption of automated guaranteed, revenues continuing to accelerate in FY18 and beyond.

Overall, it has been a successful year for the Company, and I'd like to thank Ian and all the Adslot team world-wide for their huge efforts this past year.

I'd also like to thank all our Board of Directors, who have given a significant amount of time and energy to the business the past 12 months.

I'd also especially like to thank our new institutional investors for your strong support in the recent capital raising, which was well over-subscribed, and offer you a warm welcome to the register.

And a further vote of thanks to all our existing shareholders who have continued to support the business, some of you for many years, and who also participated in the recent entitlements issue.

As we look to the year ahead with the groupm contract signed and more than \$20m in the bank following the R&D grant expected this quarter, the Company is in a very strong position to take full advantage of it's enviable strategic position in the automated trading of guaranteed media world-wide.

I'm personally excited about the year ahead, and look forward to seeing solid execution from our CEO and executive team in FY17.

Thank you again for joining us today.