

ASX Announcement

Wednesday 31st January 2018

Trading Update

- **Another new market deployment of Symphony successfully completed**
- **Discussions commence with two agency holding companies in US market**
- **Strategic review of operations to narrow product and sales focus underway**

Licence Fees

The Company confirms it has progressed the scoping, development and deployment of new Symphony activations for GroupM, including:

- Successful deployment of additional European market (Belgium)
- On track for deployment completion of additional (large) APAC market in the June quarter
- In-market scoping of additional new market deployments by July 2018

The successful deployment of Symphony in Belgium grows the Symphony customer footprint to 13 countries and 12,876 users. Additional new market deployments are progressed and will deliver ongoing growth in Licence Fee revenues.

	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 fully scoped, development commenced and scheduled for activation in the next 3 months • x1 (medium) market scoping has commenced, development not yet commenced • x2-4 markets for deployment in calendar year 2018, yet to be scoped, development yet to commence
Number of Registered Users	11,141	12,876	

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Trading Fees

The Company confirms that in the December quarter, the gross value of media transactions from which the Company derives Trading Fee revenues, was AUD\$3.7m. This comprises media transactions in multiple markets including the US, Australia, and Europe.

The value of media transactions in the December quarter was below expectations and due in large part to unexpected delays in projected activity detailed in the company's previous Trading Update (October 30, 2017). The company can confirm that subsequent to the end of the December quarter;

- Repeat trading activity expected in December was undertaken in January by one of the ten largest Asset Management companies in the world (as referenced in the October 2017 Trading Update).
- Planning has significantly progressed and pilot activity is expected to occur for one of the five largest advertisers in the US in the current (March) quarter (as referenced in the October 2017 Trading Update).
- The Company confirms that in the December quarter it secured confirmation from three agency holding companies in the US market of their intention to run pilot activity (in the March quarter). This is consistent with the Companies' sales strategy to focus on larger agencies/demand sources.

All other opportunities detailed in the previous Trading Update remain in progress and are expected to be delivered in the current quarter.

The primary blocker of meaningful growth in Trading Fees is the ongoing and unforeseen delays in platform adoption by agencies. These delays are evident even with agencies that have invested time and effort to understand what the Adslot platform offers, have determined the benefits of using Adslot are valuable, and have committed to pilot activity. The Company has identified two principle drivers of these delays:

1. Competing priorities across the agency organisation
2. Adoption of Adslot requires a high level of process change

Competing priorities across the agency organisation

Agencies confront escalating challenges in a number of areas including client churn, downward pressure on profit margins and rapidly increasing complexity of the media landscape itself. In this environment, and despite the clear benefits of using Adslot openly acknowledged by many agencies, making the adoption of Adslot a driving priority has become a significant challenge.

To address this issue, the Company has introduced more meaningful incentives for the agency in return for adoption. Furthermore, these incentives accelerate as trading activity grows.

Early indications are that this approach is having the desired effect and repositioning Adslot as a higher priority within the agency.

Adoption of Adslot requires a high level of process change

The Company's expected adoption of its products requires agencies to undertake a level of process and behavioural change. However the full organisational scope of this change, and the strength of resistance within the agency to commit to it, is beyond what the Company anticipated.

To address this issue, the Company has engaged dedicated project management personnel to build more sophisticated change management plans including critical path project timelines, assigned responsibility and project status reporting.

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As a result of these initiatives, the Company has seen noticeably improved levels of engagement with key agencies.

Importantly, the Company does not see any evidence that delays in platform adoption are because agencies don't believe in Adslot's value proposition, believe Adslot product features are fundamentally inadequate, nor that competitive technology is superior.

Outlook

Whilst revenues to date, in particular those associated with Trading Fees, have been below expectations the company remains optimistic as to the scale and accessibility of the Automated Guaranteed opportunity. Discussions with agency holding companies, in some cases with their global headquarters, have advanced and the industry is mobilising to remove barriers to adoption of technology such as Adslot. This is most recently evidenced by the release of the IAB's Open Direct 2.0 protocol (the IAB official market announcement can be viewed on the IAB website).

The company expects the following progress over the coming quarters:

- All major opportunities expected in the December quarter that are yet to materialise remain in progress and are expected to materialise in the current (March 2018) quarter.
- The value of media traded in the June quarter (2018) is expected to increase, driven by pilot activity from multiple agency holding companies
- Successful deployment of Symphony into an additional (large) APAC market in the June quarter (2018)
- A corresponding lift in the half on half growth of Licence Fees, attributable to new market deployments

Strategic Review of Operations

Given delays in adoption at scale, the Company also confirms it has commenced a 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)
- Given the delays in revenue growth, in particular Trading Fees, ensure the cost base of the business is sustainable and the business is maintained on a solid financial basis.

The key outcomes of that review will be announced to the market in February 2018, either prior to, or in conjunction with results for the half year ended 31 December 2017.

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About Adslot

Adslot's mission is to automate the trading of forward guaranteed display advertising, referred to as automated guaranteed. Our leading technology is a purpose built, global media trading platform. Adslot benefits a global community of media buyers and sellers, including media agencies, publishers and advertisers, by providing trading efficiencies and effectiveness made possible only via technology, and by doing so the basis on which the \$80B online display advertising industry will realise its full growth potential.

Adslot is a global organisation with operations in North America, Europe and Asia Pacific and is headquartered in Australia.