

ASX Announcement

28 October 2019

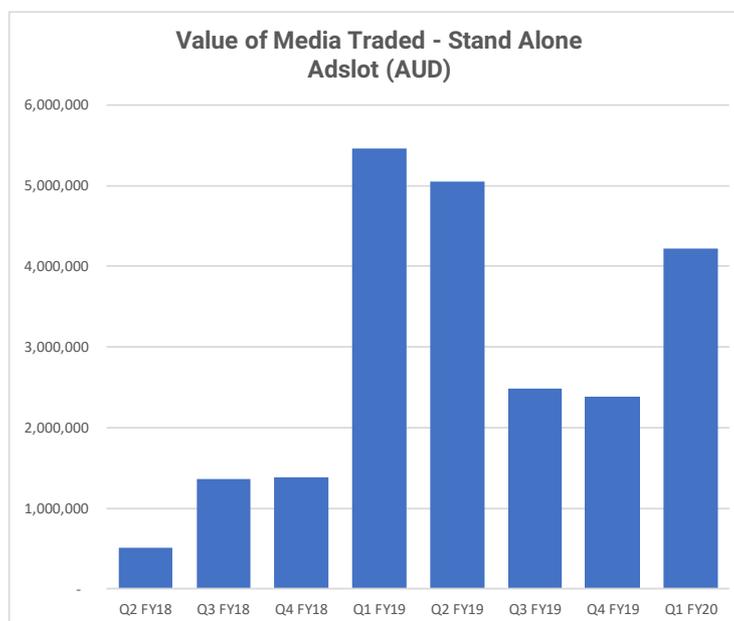
## Q1 FY20 Trading Update

- **Trading Fees:**
  - Value of media traded on *Adslot Media* stand-alone grew 77% QoQ
  - Volume of trades on *Adslot Media* grew 55% QoQ – the eighth consecutive record quarter
  - First trade with new US-based agency holding company executed in October 2019
- **Agency Holding Company Discussions:**
  - Two additional US-based holding company MSAs in legal review
  - MSA executed with *Media Storm* in October 2019 - second largest independent agency in the US
- **Licence Fees:**
  - Value of media managed via the *Symphony* platform now exceeds \$6 billion per annum
- **Cash Position:**
  - Cash balance of \$5.92M at end of September 2019 quarter.

Adslot Ltd (ASX: ADJ) is pleased to provide an update on trading activity for the September 2019 quarter.

### Trading Fees

In the September 2019 quarter, the value of media traded via the standalone *Adslot Media* platform was \$4.2M, an increase of 77% compared to the June 2019 quarter.



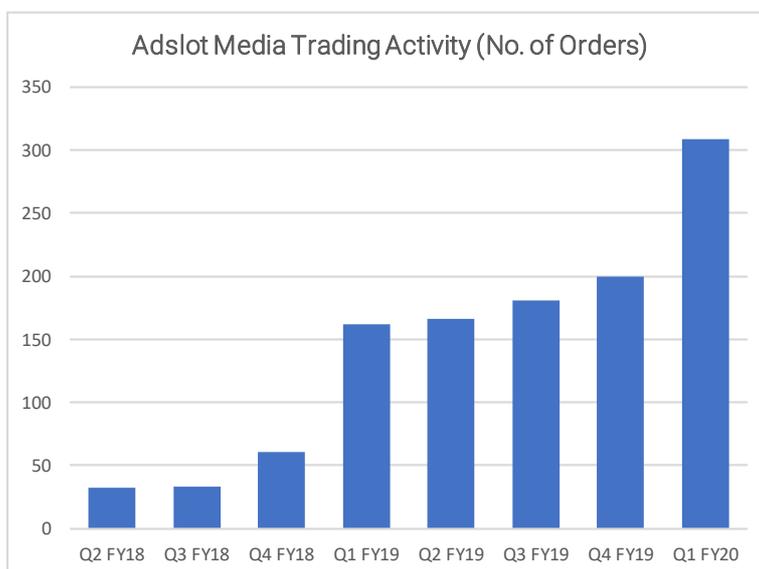
Strong quarter on quarter growth in value of media traded was seen across all active regions including North America (+88%), Europe (+102%), UK (+44%), and APAC (+104%).

Although this was a 23% decrease on the record September 2018 quarter, it represents a return to growth driven primarily by existing customers.

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## Volume of Trades

The total number of trades from all advertisers across the September 2019 quarter was 309, representing a 91% increase on PCP, and a 55% increase Q-o-Q.



## Active Buyers

During the September 2019 quarter, the Company continued to bring new advertisers to the platform, with 41 additional brands trading for the first time. As with previous quarters, the Company saw repeat and ongoing trading from all major demand sources who traded during the June 2019 quarter, and across all regions (Europe, Australia, UK and USA).

The Company believes that continuing strong growth in the volume of trades executed via the *Adslot Media* marketplace, in conjunction with repeat usage from sophisticated media buyers and sellers across multiple regions, represents significant validation of the platform's technical capabilities.

## Agency (Buyer) Update

During the past several quarters, the Company has been focused on discussions with the six largest global media agency holding companies regarding the execution of a Master Services Agreement (MSA) for the United States market. These companies represent a substantial proportion of digital media buying in the US and are well positioned to make organisational-level decisions regarding the adoption of technology.

The Company is pleased to update the status of its agency holding company discussions as follows:

- MSA signed with one holding company (*Cadreon / Interpublic Group*) currently in activation;
- Substantial first trade received from another holding company in October 2019 (this trade was executed under an interim commercial framework preceding commencement of MSA negotiations);
- MSAs with two other holding companies in late stage legal review; and,
- Discussions continue with the remaining holding companies, including the prospect of pilot activity in the December 2019 quarter.

In addition, the Company announced on 22 October 2019 that it had secured an MSA with *Media Storm*, the second largest independent media agency in the United States market. Trading with *Media Storm* is expected to commence in the December 2019 quarter.

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## Note on Activation Timeframes

A key consideration for the Company remains the timeframe associated with activating agency trading activity following the execution of a MSA (or similar). As previously indicated the Company undertakes a structured activation process with new agency clients that includes:

- Identification of initial advertisers;
- Importation and classification of advertiser data and third-party data;
- Training of account teams; and,
- Commencement of initial trading.

The timeframes associated with this process can vary depending on the internal processes of the agency; competing internal priorities; the volume of activation planning that was undertaken concurrently with MSA negotiations; and legal review responsiveness. Correspondingly, timeframe from MSA activation to commencement of trading may vary from several weeks to one or more quarters.

The Company notes that the holding companies for which MSAs are currently under legal review are expected to activate within the shorter end of the nominated timeframes.

## Publisher (Seller) Update

In addition to continuing validation of its technology, the Company has assembled a substantial pool of inventory supply in the *Adslot Media* marketplace. This includes almost half of the Comscore Top 50 Publishers in the US market.

During the September 2019 quarter, the company continued to add additional inventory to the *Adslot Media* marketplace in regions around the world. This included agreements executed with Investing.com and Young Hollywood. These new publishers enhance *Adslot Media's* already strong presence in the finance media vertical and provide important access to the hard-to-reach and highly coveted youth market.

The Company is engaged in ongoing commercial discussions with a number of Tier 1 publishers in the US market and anticipates that a number of these will be executed in the December 2019 quarter. The Company notes that its pipeline of premium publisher discussions in the US market has increased substantially over the past quarter.

During the quarter, the Company continued successful deployment of its technology with leading UK financial news publisher, the Financial Times (FT). This opportunity represents a prime example of the Publisher Automation use case detailed below.

Increased trading for the FT occurred during the September quarter across Europe and APAC. The Company now expects that transition of all campaigns with a value below a nominated threshold to the *Adslot Media* platform will occur in the first half of calendar 2020 rather than the December 2019 quarter as originally anticipated.

The Company notes that the FT has publicly expressed its high degree of satisfaction with the deployment of *Adslot Media*.

*"It's the first project that I've worked on in ten years of ad operations where everybody is happy. It eliminates all the back and forth."* – Jessica Barrett, Global of Head of Programmatic, Financial Times.

The Company notes that following recent publicity regarding the FT deployment of *Adslot Media*, it has received increased inbound queries from publishers seeking to automate transactions for their direct sales teams.

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## Adslot Media Outlook

The Company continues to see strong interest for its solutions from buyers and sellers in all active markets. This client interest can be defined in three key use cases of the *Adslot Media* platform:

1. **Programmatic Trading.** This use case sees the *Adslot Media* platform deployed by programmatic buying teams to enable forward guaranteed buying of media currently bought via alternative programmatic channels such as Private Marketplaces (PMPs) and Programmatic Guaranteed (PG).
2. **Insertion Order Replacement.** This use case sees the *Adslot Media* platform deployed at an enterprise level to automate trading of forward guaranteed media currently bought via manual processes such as insertion orders (IOs).
3. **Publisher Sales Automation.** This use case sees the *Adslot Media* platform used by the sales teams of premium publishers to reduce manual processes when transacting with agencies. This is particularly relevant for high volume / lower value trading and where trading may occur across different countries or regions.

Current trading and prospective activity over the coming quarters will be driven by the Programmatic Trading and Publisher Sales Automation use-cases. Discussions with agencies regarding the use of *Adslot Media* to replace Insertion Order trading represents a significant commercial opportunity for the Company, but are unlikely to reach activation stage until the March or June 2020 quarters.

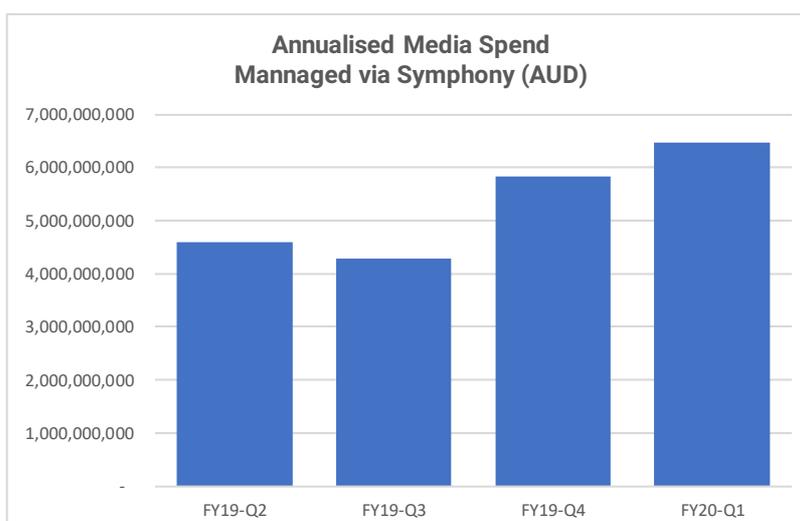
In the short term, the Company expects ongoing and increased trading from existing clients and initial activity from activated holding companies in the US to drive growth in trading in the December 2019 quarter.

## Adslot Media and Symphony combined

The total gross value of media transactions (*Adslot Media* and *Symphony* combined) from which the Company derives Trading Fee revenues was \$5.9M, an increase of 10% Q-o-Q and a decrease of 32% on PCP. The Company notes that the media transactions via *Symphony* from which trading fees are derived relate to certain commercial relationships in the Australian market where publishers are charged a low percentage fee. This figure does not include transactions made via the integrated *Adslot-Symphony* offering which are included in the *Adslot Media* standalone figure. Given the differing commercial models and limited scope of the *Symphony* publisher commercial model, the Company intends to cease providing this number in future trading updates.

## Licence Fees

The Company has seen a strong growth in the value of media managed via the *Symphony* platform. Total annualised media spend managed by *Symphony* now exceeds A\$6 Billion.



Note: Annualised Media Spend is calculated by multiplying the quarter's media spend by 4

Growth in spend managed by *Symphony* has been driven by strong growth in key markets including China and India, and the impact of market deployments conducted by the Company in FY2019. *Symphony* is currently deployed to 83 individual agencies in 17 countries.

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## Cash Position

Cash at the end of the September 2019 quarter was \$5.92M.

Cash receipts from customers for the September 2019 quarter were 10% below the June 19 Quarter, with outgoing cash payments 14% lower than the previous quarter.

More details are provided in the Company's Appendix 4C (with commentary) also released today.

The Company continues to monitor costs against projected revenue and cash flows, ensuring the right balance between investing for future Trading Fee revenues and cash conservation.

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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.

## Future performance

This Announcement contains certain references to forecasts, estimates, assumptions and other forward-looking statements and statements regarding the intent, belief or current expectations of The Company. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this Announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Announcement contains such statements, which are subject to risk factors associated with an investment in The Company. The Company believes that these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause actual results, performance or achievements of The Company to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Announcement.