

ASX Announcement

28 April 2020

Q3 FY20 Activity Report

- Agency Holding Company Progress:
 - First trading activity from both global agency holding companies, *Cadreon (IPG)* and *Havas*
 - MSA executed with global agency holding company, *Dentsu Aegis Network*
 - MSA negotiations / pilot activity underway with two additional agency holding companies
- Trading Fees:
 - Value of media traded on *Adslot Media* stand-alone up 5% on PCP (down 34% QoQ)
 - Volume of trades on *Adslot Media* up 25% on PCP (down 49% QoQ)
 - Further prominent publishers added to the *Adslot Media* marketplace
 - Engagement with current and prospective clients not impacted.
- Symphony Update:
 - Partnership signed with European ERP provider *Marathon*
 - Significant decline in value of media managed in March quarter, however April activity returning to pre-virus levels
 - No impact on license fee revenues from reduced value of media managed in March quarter
- Cost Reductions
 - Further annualised cost reductions of \$2.3M, in addition to the \$4.0M in annual cost reductions announced mid-March
- Cash Position:
 - Successful completion of second tranche of capital raise (\$0.75M)
 - Cash balance of \$8.4M at end of March 2020 quarter.

Adslot Ltd (ASX: ADJ) is pleased to provide an activity report on trading for the March 2020 quarter.

Adslot Media

Agency (Buyer) Update

The Company saw significant progress during the March quarter on its core strategic objective of executing and activating Master Service Agreements (MSAs) with the six largest global media agency holding companies. As previously noted, 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.

Subsequent to the last trading update, the following milestones have been achieved:

- First trades received from *Cadreon*, the trading division of the *Interpublic Group of Companies*, following the execution of an MSA with *Cadreon* in June of 2019;
- First trades received from *Havas Media*, following the execution of an MSA in November 2019;
- Execution of an MSA with *Amplifi*, the trading division of the *Dentsu Aegis Network*;
- Agreement from a further holding company for pilot activity in the June 2020 quarter.

In summary, the Company now has formal MSAs in place with three of the six largest global media agency holding companies and an interim trading agreement with a fourth holding company. Discussions regarding potential MSAs and pilot activity continue with the remaining two agency holding companies.

Publisher (Seller) Update

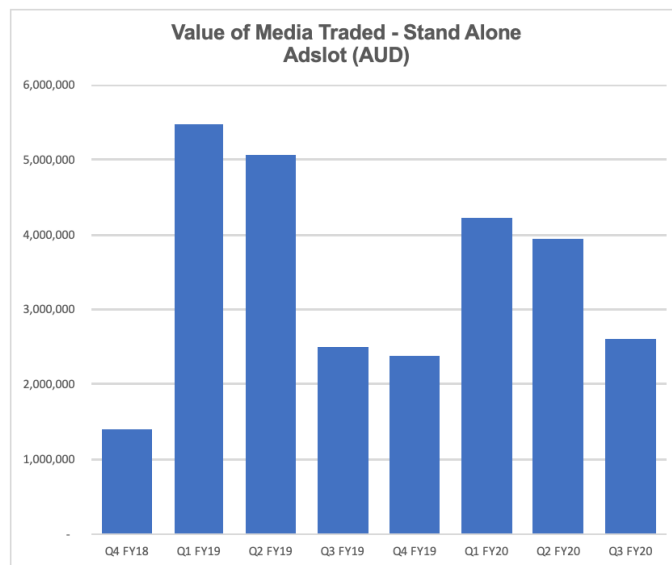
During the March 2020 quarter, the Company continued to add additional premium publishers to the *Adslot Media* marketplace around the world. Prominent publishers added to the marketplace during the quarter included:

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- *Dow Jones & Company* – leading US financial media publisher;
- *Reach Plc* - a UK media conglomerate and publisher of titles including the *Daily Mirror*, *Sunday Mirror* and *Daily Express*;
- *ORF (Austrian Broadcasting Corporation)* - the Austrian national public service broadcaster;
- *The Economist* - International weekly news magazine;
- *Livingly Media* - leading US women’s lifestyle publisher;
- *Futbol Sites* - a network of top Latin American football and sports sites;
- *Scary Mommy* - one of the largest sources of entertainment and information for millennial moms online.

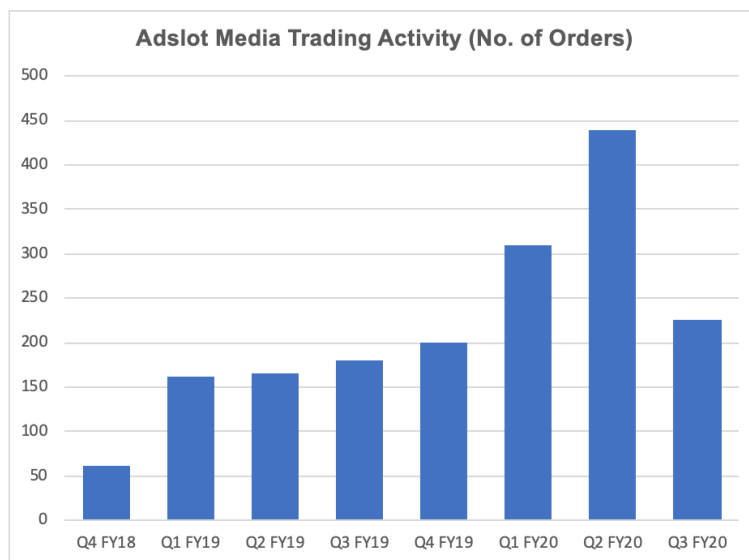
Trading Fees

In the March 2020 quarter, the value of media traded via the standalone *Adslot Media* platform was \$2.60M, a 5% increase on the prior corresponding period, and a decrease of 34% compared to the December 2019 quarter.



Volume of Trades

The total number of trades from all advertisers across the March 2020 quarter was 226, representing a 25% increase on the prior corresponding period, and a 49% decrease Q-o-Q.



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Impacts of COVID-19 on Trading Activity

The impacts of COVID-19 were felt across all active markets during the second half of the March quarter resulting in both reduced activity levels and some cancellation of previously booked media. This combined with the usual low seasonal activity in the March quarter resulted in a reduction in both the value and volume of media traded for the March 2020 quarter when compared to the December 2019 quarter.

The Company notes that there has been no impact from COVID-19 on the Company's engagement with agencies and publishers in the US and Europe. In particular, the Company has continued to execute new agreements for both buyers and sellers during this period. Further the Company's discussions with prospective agency customers continue to progress as expected.

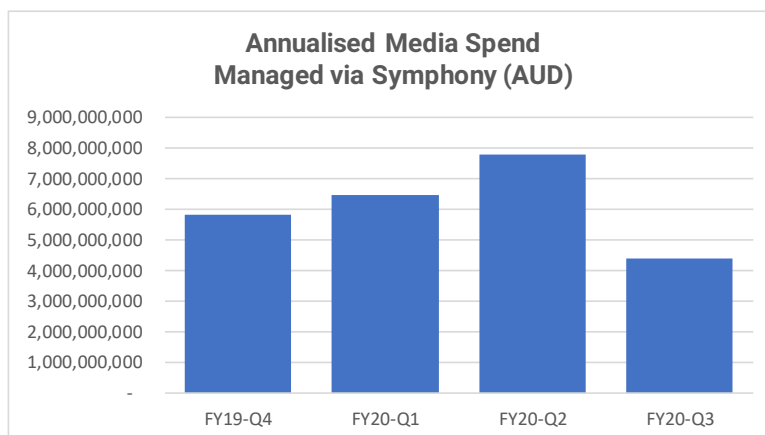
Data Partner Update

During the March quarter the Company completed integration activities related to its previously announced partnerships with *Oracle Data Cloud (ODC)* and *LiveRamp*. The Company can confirm that both integrations are currently active and first trades utilising the capability are expected in the June 2020 quarter.

In addition the Company can announce that it has completed work to enable the activation of data from *Acxiom*, a leading global marketing data provider and a subsidiary of the *Interpublic Group of Companies (IPG)*.

Symphony Update

During the March 2020 quarter, the Company saw a significant decline in the annualised value of media managed by the *Symphony* platform due to the impacts of COVID-19. These impacts were most notable in the Chinese market which is the largest active *Symphony* deployment. Total annualised media spend managed by *Symphony* for the March quarter was A\$4.3 Billion.



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

The Company has seen a recovery in the value of media managed in the month of April, in particular from markets impacted early by the virus such as China. The Company notes that the value of media managed in European markets has been minimally impacted over recent months.

The Company notes that reductions in the value of media managed do not result in reduced License Fees for impacted markets, due to fixed contractual terms.

Marathon Partnership

On April 27 the Company announced that it had entered into a partnership with *Marathon*, a Sweden-based provider of Enterprise Resource Planning (ERP) software to the media industry across Europe. This partnership will see an integration between the Company's *Symphony* platform and *Marathon*, which will enable a best-of-breed combined solution for workflow and finance management across both digital and traditional media. It is anticipated that the integration will be completed within the next three months with potential deployments to new customers to occur from the September 2020 quarter.

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Further details on the partnership can be found in the Company's announcement of 27 April, 2020.

Further Cost Reductions

Given the impacts of COVID-19 the Company has sought to further reduce costs. The Company can announce that it has reached agreement with a significant majority of its global workforce for a voluntary, temporary 25% reduction in wage payments for the duration of the COVID-19 crisis. In addition, the CEO and CFO will reduce salaries by 30% and non-executive directors of the Company will take no director's fees for the duration of the crisis. Adslot CEO, Ben Dixon, said, "I am extremely proud of our team and their commitment to the Adslot business. These temporary reductions in employment costs will be a significant contributor to ensuring Adslot comes through the COVID-19 crisis in position to capitalise on the opportunity we have spent many years building."

The temporary reductions in employment related expenses are expected to save the company approximately \$2.3M in annualised costs and come on top of the \$4.0M in annualised cost reductions announced by the Company on 16 March 2020. In addition the Company continues to explore further options for cash savings across all cost centres within the business and via government stimulus which may be available in the various jurisdictions in which it has operations.

Quarterly Cashflow Commentary

During the March 2020 quarter, the Company received \$0.75M from the second tranche of the share Placement announced on 4 December 2019.

Cash receipts from customers for the March 2020 quarter were \$5.90M, an increase of \$1.38M or 31% on the previous quarter's receipts of \$4.52M.

Outgoing cash payments during the quarter at \$7.95M were \$1.45M or 22% higher than the previous quarter, primarily due to higher publisher payments (\$1.14M increase).

Net cash outflows from operating activities for the quarter were \$0.63M, flat on the previous quarter (December 2019 Quarter: \$0.63M net cash outflow). The operating cash outflow includes related party costs of \$0.12M paid to directors, including the CEO.

Cash at the end of the March 2020 quarter was \$8.40M.

The further cost reduction initiatives outlined above will have a considerable impact on cash outflows in the June 2020 quarter with an expected 28% reduction across staff costs and intellectual property.

The timing of the Company's operating cost outflows is relatively predictable. The timing of publisher payments (a balance sheet item) is dependent on the timing of payments from advertisers and the receipt of publisher invoices, and as a result, more difficult to estimate.

In April 2020, the Company received \$0.3M relating to the net FY2019 R&D claim.

- END -

For further enquiries, please contact:

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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.

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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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ADSLOT LTD

ABN

70 001 287 510

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,900	15,444
1.2 Payments for		
(a) staff costs	(2,395)	(6,685)
(b) research and development	-	-
(c) publishers	(3,189)	(8,122)
(d) other cost of sales	(372)	(1,176)
(e) advertising and marketing	(43)	(94)
(f) other working capital/overheads	(506)	(1,430)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	26
1.5 Interest and other costs of finance paid	(38)	(114)
1.6 Income taxes paid	-	4
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(634)	(2,147)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(6)
(d) investments	-	-
(e) intellectual property	(1,219)	(3,730)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,222)	(3,736)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	750	6,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(21)	(328)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Leased assets)	(187)	(552)
3.10	Net cash from / (used in) financing activities	542	5,520

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,166	8,166
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(634)	(2,147)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,222)	(3,736)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	542	5,520
4.5	Effect of movement in exchange rates on cash held	545	594
4.6	Cash and cash equivalents at end of period	8,397	8,397

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,881	3,659
5.2	Call deposits	3,516	5,507
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,397	9,166

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
121
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments: Directors Fees

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(634)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,397
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,397
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	13.2

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

28 April 2020

Date:

By the Board

Authorised by:

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.