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Adslot Ltd.
ABN: 70 001 287 510
investor.relations@adslot.com
**adslot.com**

ASX: ADS
Level 2, 419 Collins Street
Melbourne Vic 3000
Australia
Tel: +61 (0)3 8695 9100

ASX Announcement

15 October 2020

# Q1 FY21 Activity Report

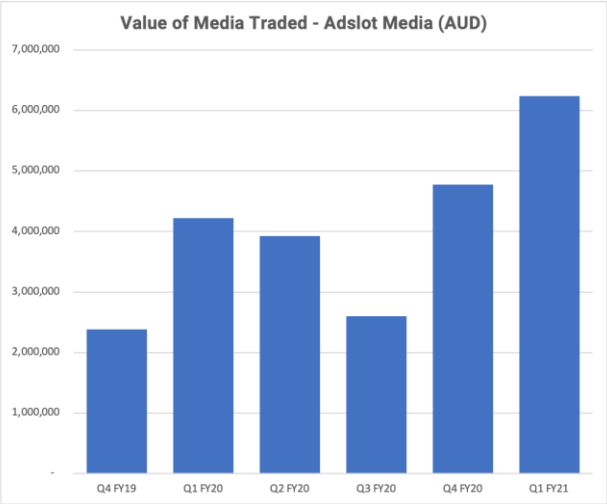
- Adslot Media Update:
  - Record trading quarter for both value of media traded and volume of trades.
  - Value of media traded on *Adslot Media* stand-alone increased by 31% QoQ and 48% vs PCP.
  - Volume of trades on *Adslot Media* increased by 64% QoQ.
  - Multiple holding companies active during the quarter in US market (up +77% QoQ).
  - Strong recurring trading in European market continues (up +33% QoQ).
  - Improving outlook for trading in coming quarters.
- Symphony Update:
  - Activation activities for OMG Netherlands, including *Marathon ERP* integration, completed.
  - Second consecutive quarter of growth in value of media managed (+16%).
  - Activity returning to pre-COVID levels with value of media managed increasing 5% vs PCP.
- Cost Reductions and Cash Position
  - Continued focus on cost management.
  - Cash balance of $5.04M at end of September 2020 quarter.

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

## Adslot Media

### Trading Fees

The September 2020 quarter was a record quarter for trading on the *Adslot Media* platform. The value of media traded was $6.24M, an increase of 31% compared to the June 2020 quarter and 48% compared to the prior corresponding period.



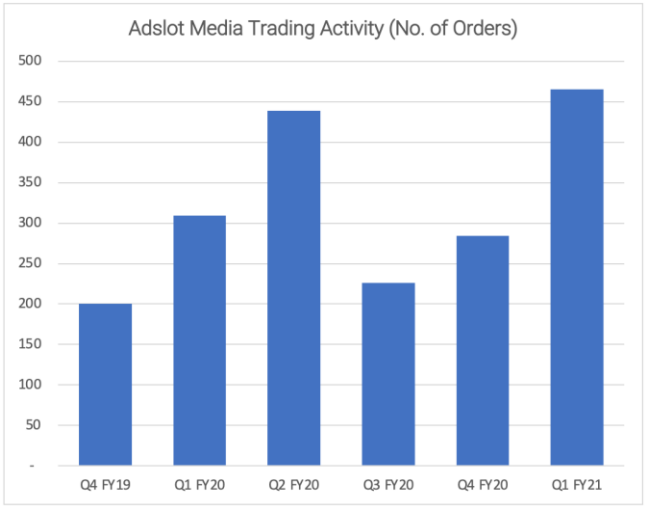

The value of media traded in the US market increased by 77% when compared to the prior quarter. The value of media traded in Europe increased by 33% when compared to the prior quarter. European trading activity is primarily derived from integrated deployments of *Adslot Media* with the Company's *Symphony* platform, and represents continuing validation of the Company's strategy to activate *Adslot Media* trading opportunities in deployed *Symphony* markets.

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Volume of Trades

The total number of trades from all advertisers across the September 2020 quarter was 465, representing a 64% increase QoQ. This represents a record number of quarterly trades.




Agency (Buyer) Update

During the September 2020 quarter, the Company made continued progress toward its goal of scaled trading on the *Adslot Media* platform in key markets including the US and UK. In particular the quarter saw:

- Successful activation and first trades for *Orion*, part of the Interpublic Group (IPG). This followed the activation of fellow IPG agency *Matterkind* (formerly *Cadreon*) in the June 2020 quarter;
- Trading in the US market from multiple holding companies;
- High levels of engagement with individual account / advertiser teams across multiple US agencies;
- The commencement of pilot activity for an additional holding company in the UK;
- Indications from brands of a return of advertising budgets from the December 2020 quarter;
- Consistent and repeat trading at scale in Europe using the integrated *Adslot Media - Symphony* solution; and,
- Developing use cases for trade-enabled agencies and large retailers.

The Company continues to progress on its core strategic objective of executing and activating Master Service Agreements (MSAs) with the six largest global media agency holding companies. In summary, the Company's status with these six holding companies is as follows:

- Formal MSAs in place with three of the six largest global media agency holding companies;
- An active interim trading agreement with a fourth holding company;
- Pilot activity currently underway with a fifth holding company which is expected to successfully conclude in October 2020; and,
- Limited initial discussions with the remaining sixth holding company.

Subsequent to the September 2020 quarter, the Company announced that it had executed an MSA with *Evergreen Trading*, a US based independent media trading organisation specialising in trade-enabled media solutions. Trading under this MSA has already commenced.

Outlook

The Company anticipates continued growth in *Adslot Media* trading in the December 2020 quarter, and into calendar 2021.

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Publisher (Seller) Update

During the September 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:

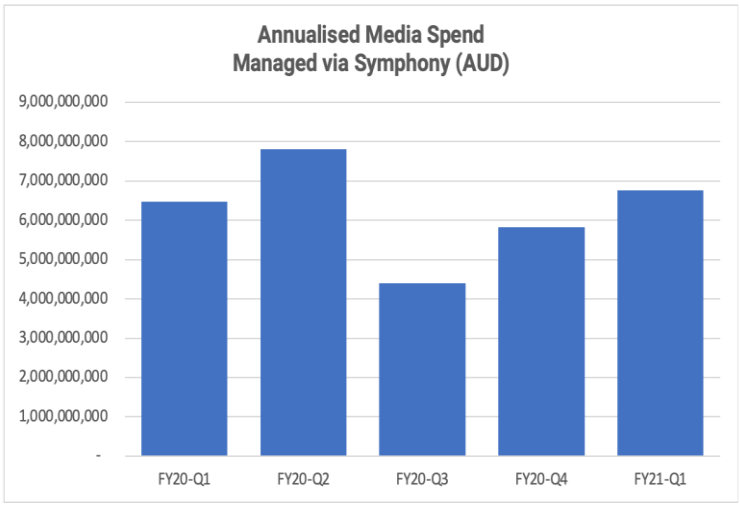
- *Times of India* – the largest English-speaking newspaper in India with over 500m monthly users;
- *Leaf Group* - a US consumer internet company that operates brands including Well+Good and Livestrong.com;
- *Rainbow Media Holdings* – an operator of US based cable networks including AMC Networks, IFC and BBC America; and,
- *ScienceMag* – the journal of the American Association for the Advancement of Science which reaches millions of students, educators and government agencies.

## Symphony Update

The Company recently announced that it had successfully deployed the *Symphony* platform for Omnicom Media Group (OMG) in the Netherlands. This represented the first deployment of *Symphony* for OMG, and was also the first to utilise the integration between *Symphony* and the *Marathon ERP* solution. The Company believes that this integration and the associated partnership with Kalin Setterberg Data AB will drive further adoption of *Symphony* in markets across Europe in coming years.

During the September 2020 quarter, the Company saw continued growth in the annualised value of media managed by the *Symphony* platform. Total annualised media spend managed by *Symphony* for the September 2020 quarter was $6.77 Billion, an increase of 16% when compared to the June 2020 quarter.

Notably, the annual value of media spend managed increased by 5% when compared to the prior corresponding period. This represents an effective recovery of the decline in spend related to the impacts COVID-19 in the March 2020 quarter. The value of media traded in each of the three largest deployed markets (China, India and Australia), increased when compared to the prior corresponding period.




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

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Quarterly Cashflow Commentary

Cash inflows from operating activities roughly equaled cash outflows from operating activities for the September 2020 quarter (net $0.04M), a $0.95M (104%) improvement from the previous quarter (June 2020 quarter: $0.91M net cash outflow).

Cash receipts from customers for the September 2020 quarter were $2.87M, a decrease of $0.98M or 25% on the previous quarter's receipts of $3.85M.

In response to the potential impact of COVID-19 on the Group, the following employee cost reductions were implemented in the September 2020 quarter:

- The Chairman and non-executive directors waived all fees;
- 15% salary reduction for the CEO and CFO (30% reduction in the prior quarter);
- up to 12.5% salary reductions across employees earning above a minimum threshold (up to 25% reduction in the prior quarter); and
- freeze on all salary increases.

While employee salaries increased in the September 2020 quarter, at $2.43M, employment costs were $0.10M / 4% down on the prior quarter across Staff Costs ($0.06M) and Intellectual Property ($0.04m).

Outgoing cash payments during the quarter at $4.40M were $1.86M or 30% lower than the previous quarter, primarily due to lower publisher payments ($1.34M decrease) and a reduction in working capital expenditure ($0.37M savings across travel, entertainment and rent reductions). The operating cash outflow included related party costs of $0.07M for directors' remuneration, representing payments made to the CEO.

The Company received $0.53M in Grant receipts in the September 2020 quarter made up of:

- $0.46M JobKeeper payments and
- $0.07M ATO Boost Payment.

Cash at the end of the September 2020 quarter was $5.04M.

Due to the impact of the COVID-19 pandemic on operations, the Company expects to receive the Job Keeper 2.0 allowance for 29 Australian employees and an additional $0.03M ATO Boost Payment in the December 2020 quarter.

Employee salaries will return to 100% in the December 2020 quarter and director fees for non-executive directors will also resume in the December 2020 quarter.

The Company will submit the FY2020 R&D claim in the December 2020 quarter. A $1.7M cash receipt from the R&D Rebate Scheme is expected to be received in either the December 2020 or March 2021 quarter.

- END -

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For further enquiries, please contact:

Ben Dixon
Chief Executive Officer
Adslot Limited
investor.relations@adslot.com

Felicity Conlan
Chief Financial Officer
Adslot Limited
investor.relations@adslot.com

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.

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# Appendix 4C

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

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**Name of entity**

ADSLOT LTD

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 70 001 287 510 | 30 September 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 2,869 | 2,869 |
| 1.2 | Payments for | | |
| | (a) staff costs | (1,583) | (1,583) |
| | (b) research and development | - | - |
| | (c) publishers | (1,161) | (1,161) |
| | (d) other cost of sales | (300) | (300) |
| | (e) advertising and marketing | (1) | (1) |
| | (f) other working capital/overheads | (295) | (295) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 5 | 5 |
| 1.5 | Interest and other costs of finance paid | (33) | (33) |
| 1.6 | Income taxes paid | 1 | 1 |
| 1.7 | Government grants and tax incentives | 534 | 534 |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **36** | **36** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | (843) | (843) |
| | (f) other non-current assets | - | - |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 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** | **(843)** | **(843)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 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 | - | - |
| 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) | (185) | (185) |
| **3.10** | **Net cash from / (used in) financing activities** | **(185)** | **(185)** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 6,160 | 6,160 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 36 | 36 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (843) | (843) |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (185) | (185) |
| 4.5 | Effect of movement in exchange rates on cash held | (127) | (127) |
| **4.6** | **Cash and cash equivalents at end of period** | **5,041** | **5,041** |

| 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 | 4,515 | 4,631 |
| 5.2 | Call deposits | 526 | 1,529 |
| 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)** | **5,041** | **6,160** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 69 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

*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.*

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*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 (i) | 167 | 167 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | 167 | 167 |

| | | |
|---|---|---|
| 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.

(i) In May, the Group's US subsidiary Adslot Inc applied for and received a Paycheck Protection Program loan through HSBC USA. It is a no fees loan provided by the US Federal Government for businesses impacted by Covid-19. The loan is for a two-year period, at 1.00% fixed interest rate and the loan payments deferred for the first six months. No collateral or guarantees were required. The Group has submitted an application for full forgiveness of the loan amount as the loan was utilised for allowable expenditure.

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | 36 |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 5,041 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 5,041 |
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | N/A |

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

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

8.6.1 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:

8.6.2 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:

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

Answer:

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

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## 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.

15 October 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.

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