

ASX Announcement

27 January 2021

Q2 FY21 Activity Report

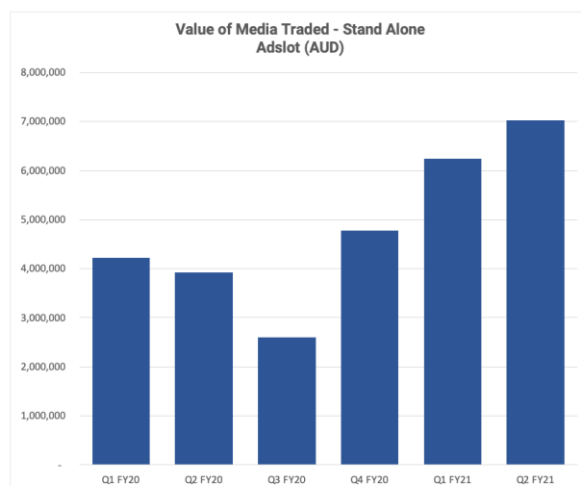
- Adslot Media Update:
 - Second consecutive record quarter for both value of media traded and volume of trades
 - Value of media traded on *Adslot Media* stand-alone increased by 13% QoQ and 79% vs PCP
 - Volume of trades on *Adslot Media* increased by 24% QoQ
 - Significant improvement in UK trading – UK market up 119% QoQ
 - Continued strong recurring trading in Europe – EU market up 10% QoQ
 - Strong progress made with activation of US agency clients
 - Multiple agreements signed for private marketplace implementations of *Adslot Media*
- Symphony Update:
 - Record quarter for annualised value of media managed on the *Symphony* platform – \$8.73B
 - Third consecutive quarter of growth in value of media managed (+29%)
 - Extension / amendment to GroupM agreement close to conclusion
- Cost Reductions and Cash Position
 - \$4.0M capital raise completed during the December 2020 quarter
 - Continued focus on cost management
 - Cash balance of \$7.48M at end of December 2020 quarter

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

Adslot Media

Trading Fees

The December 2020 quarter was the second consecutive record quarter for trading on the *Adslot Media* platform. The value of media traded was \$7.02M, an increase of 13% compared to the September 2020 quarter and 79% compared to the prior corresponding period.

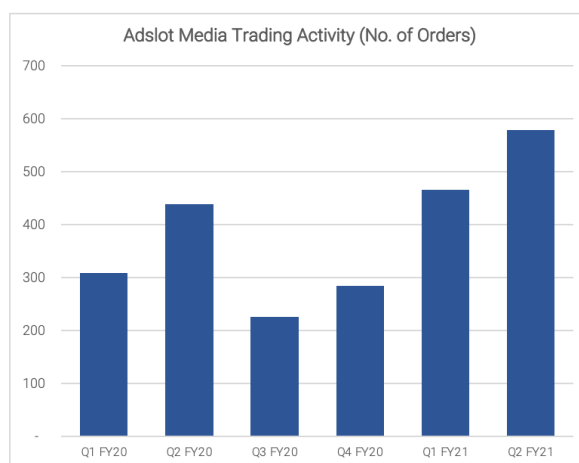


Adslot.

The value of media traded in the UK market increased by 119% when compared to the prior quarter while the value of media traded in Europe increased by 10% when compared to the prior quarter. European (non UK) 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. Despite modest trading volumes in the United States for the December quarter, significant progress was made with activation planning for multiple US based agency holding companies. These activities included planning activities with over 20 agency account teams, training of agency staff and uploading of customer targeting data. [

Volume of Trades

The total number of trades from all advertisers across the December 2020 quarter was 578, representing a 24% increase QoQ. This represents a second consecutive record number of quarterly trades.



Agency (Buyer) Update

During the quarter, the Company saw:

- Recurring and consistent trading at high volumes from European agencies via the integrated deployments of *Symphony* and *Adslot Media*.
- A strong improvement in trading from UK-based clients across publishers in Europe and the United States
- The successful completion of initial pilot activity for an additional holding company in the UK;
- Continuing improvements to the US sales pipeline and activation planning including the onboarding of key audiences for prospective advertisers.
- Agreement signed with *Addressable Media*, an independent, US-based agency that connects leading brands with premium video inventory including connected TV (CTV)

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;
- Initial pilot activity successfully completed with a fifth holding company with commercial discussions now underway;
- Significant progress in discussions with the remaining sixth holding company during the December quarter.

Private Marketplace Agreements

Subsequent to the conclusion of the quarter, the Company announced two agreements for private (or custom) implementations of the Adslot Media marketplace. These private marketplaces allow partners to curate specific sources of inventory within a white labelled instance of the Adslot Media marketplace and offer this to specific buyers under terms set by the partner. In most cases the publishers whose inventory is presented within the private marketplace will also offer inventory for sale within the wider Adslot marketplace and the commercial model for the Company is consistent regardless of whether activity is traded via a private instance or the wider marketplace.

Private marketplace agreements signed since the conclusion of the December quarter were:

- *FlowerShop*. A pioneering developer of media marketplaces for the cannabis industry in the United States.
- *Greenlight (UK)*. A private marketplace set up on behalf of one of Europe's largest consumer electronics retailers. This marketplace will be the exclusive direct sales platform for advertising on this retailers UK websites.

The Company sees significant opportunity for further private marketplace activations and discussions are underway with a number of parties in the US market regarding this.

Publisher (Seller) Update

During the December 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:

- *REA Group* – a global real-estate advertising company and publisher of realestate.com.au;
- *Glewed* – a leading video on demand (VOD) discovery, distribution and monetization management platform for original and professionally produced video content;
- *Hello! Magazine* – a well-known UK publisher specializing in celebrity news and human-interest stories.
- *Gallery Media* – a rapidly growing US based publisher of lifestyle and youth culture brands
- *Car Expert* – Australia's only privately owned major automotive publisher
- *The New Daily* – an independent Australian online newspaper

Outlook

The Company notes a number of factors that provide confidence to a positive outlook for trading activity in the March quarter and for the remainder of 2021:

- Increasingly strong engagement with the 6 largest agency holding companies
- Recurring scaled trading via the integrated Symphony – Adslot solution in Europe with the prospect of extension to additional markets in 2021.
- Improving traction in the UK market
- Emergence of multiple opportunities for private (custom) implementations of the Adslot Media marketplace

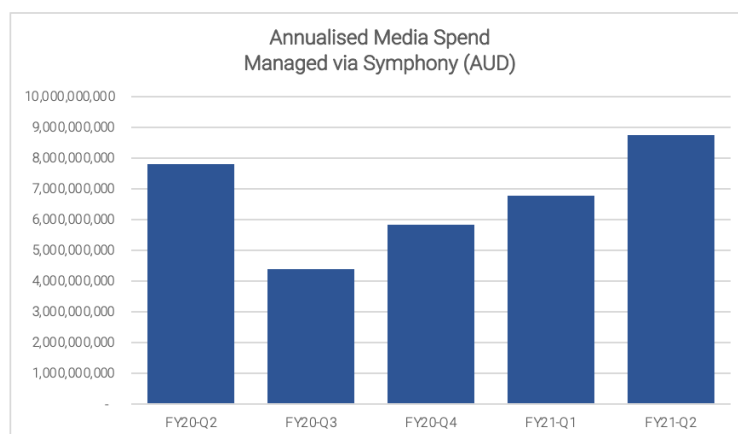
Given the Company's strong contractual position on both the buy and sell side in key markets, the focus of the Company remains the activation and scaling of existing clients. To that end the Company notes the following progress made in the December 2020 quarter:

- Ongoing implementation and training with multiple account teams at US based agencies;
- Indications from agency clients regarding potential budgets and use cases for the *Adslot Media* platform in 2021;
- Successful completion of a technical pilot with an additional agency holding company in the UK;
- Continuing strong publisher engagement and activation in the US and UK markets

Based on the above, the Company anticipates that the coming quarters will see continued strong growth from currently contracted clients in the US and UK.

Symphony Update

During the September quarter the Company saw strong growth in the annualised value of media managed by the *Symphony* platform. Total annualised media spend managed by *Symphony* for the December 2020 quarter was \$8.73 Billion, an increase of 29% when compared to the September 2020 quarter. This represented a record value of media managed and confirmed the recovery of many key markets from the impacts of the COVID-19 pandemic throughout the 2020 calendar year.



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

The December 10, 2020 the Company announced that it was in negotiations with GroupM regarding mutually beneficial amendments to the terms of the multi-market Symphony license agreement first announced in August 2016. The Company disclosed that these terms are likely to include:

- A multi-year extension of the term of the agreement;
- An annualised reduction in development and resourcing fees payable to the Company of approximately \$500,000 per annum, not related to market deployments;
- A cap on monthly market tier-related license fees as at March 2020 levels for calendar 2020; and
- Market tiers and license fees to revert to uncapped levels on 1 January 2021, resulting in increased license fee in three active markets from 1 January 2021

The Company can confirm that discussions have progressed significantly and it is anticipated that an agreement consistent with the previously disclosed terms will be executed within the March 2021 quarter.

In addition, during the October 2020 quarter, the Company 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.

Quarterly Cashflow Commentary

In the December 2020 quarter the Company successfully completed a two tranche \$4.0M capital raising from existing institutional investors, shareholders and directors of the Company. Tranche 1 (\$3.67M) was completed and funds received in the December quarter (\$3.46M after transaction costs). Tranche 2 (\$0.33M) to complete following the Annual General Meeting in January 2021.

Cash receipts from customers for the December 2020 quarter were \$3.35M, an increase of \$0.48M or 17% on the previous quarter's receipts of \$2.87M. It is noted that \$0.81M was collected from customers in the first two weeks of January 2021.

Net cash inflows from operating activities for the quarter were \$0.27M, a \$0.23M increase on the previous quarter (September 2020: net \$0.04M).

In 2020 in response to the COVID-19 impact cost saving measures were implemented across the Company, including employee salary reductions in the June and September 2020 quarters, with director fees on hold from March to September 2020 inclusive.

In the December 2020 quarter, employees were returned to full salary and director fees recommenced, resulting in a 10% increase to total salary costs to \$2.68M (September 2020 quarter: \$2.43M). This represents a 20% decrease when compared to the December 2019 quarter (\$3.36M). Total salary costs include Staff Costs and Intellectual Property (capitalised development salaries).

Outgoing cash payments (excluding capital raise costs) during the quarter at \$4.48M were flat on the previous quarter (September 2020: \$4.40M). The operating cash outflow included related party costs of \$0.14M for directors' remuneration.

The Company received \$0.37M in Grant receipts in the December 2020 quarter made up of:

- \$0.32M JobKeeper payments,
- \$0.03M ATO Boost Payment and
- \$0.02M EMDG payment.

Cash at the end of the December 2020 quarter was \$7.48M.

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 in the March 2021 quarter.

The Company submitted 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 the March 2021 quarter.

- 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.

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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,347	6,216
1.2 Payments for		
(a) staff costs	(1,827)	(3,410)
(b) research and development	-	-
(c) publishers	(813)	(1,974)
(d) other cost of sales	(424)	(724)
(e) advertising and marketing	(18)	(19)
(f) other working capital/overheads	(346)	(641)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	10
1.5 Interest and other costs of finance paid	(18)	(51)
1.6 Income taxes paid	-	1
1.7 Government grants and tax incentives	368	902
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	274	310
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	(853)	(1,696)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(853)	(1,696)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,674	3,674
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	(218)	(218)
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)	(180)	(365)
3.10	Net cash from / (used in) financing activities	3,276	3,091

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,041	6,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	274	310
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(853)	(1,696)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,276	3,091
4.5	Effect of movement in exchange rates on cash held	(263)	(390)
4.6	Cash and cash equivalents at end of period	7,475	7,475

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	6,951	4,515
5.2	Call deposits	524	526
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)	7,475	5,041

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	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	274
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,475
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,475
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>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.</i>	
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:	
<i>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.</i>	

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.

27 January 2021

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.