

ASX Announcement

28 July 2020

Q4 FY20 Activity Report

- **Adslot Media Update:**
 - Significant improvement in trading activity despite impacts of COVID-19.
 - Value of media traded on *Adslot Media* stand-alone increased by 84% QoQ and 100% vs PCP.
 - Volume of trades on *Adslot Media* increased by 26% QoQ.
 - Continued progress with global media agency holding companies and independent specialist agencies.
 - Additional prominent publishers added to the *Adslot Media* marketplace.
- **Symphony Update:**
 - Strong increase in value of media managed in June quarter, with activity returning to pre-COVID-19 levels in some markets.
 - Integration with Marathon ERP solution complete with first client deployment scheduled for September 2020 quarter.
- **Cost Reductions and Cash Position**
 - Full impact of previously announced cost reductions realised in June 2020 quarter.
 - Government stimulus accessed in US and Australia.
 - Cash balance of \$6.2M at end of June 2020 quarter.

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

Adslot Media

Agency (Buyer) Update

During the June 2020 quarter, the Company continued to progress 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.

During the quarter, the Company saw:

- Successful activation and completion of first campaigns for *Matterkind* (formerly Cadreon), part of the *Interpublic Group (IPG)*;
- Further planning for scaled adoption of the *Adslot Media* platform by *Matterkind* and fellow *Interpublic Group* agency *Orion* was conducted during the quarter;
- Completion of initial training and identification of likely launch advertisers following the execution of an MSA with *Amplifi*, the trading division of the *Dentsu Aegis Network*;
- Trading conducted by a US-based holding company under an interim trading agreement; and,
- Confirmation of pilot activity for an additional holding company to be conducted in the UK during the September 2020 quarter.

In summary, the Company's status with the six largest global media agency 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, anticipated to proceed to formal MSA later in 2020;
- Confirmed pilot activity with a fifth holding company scheduled for the September quarter; and,
- Limited initial discussions with the remaining sixth holding company.

During the quarter, the Company announced that it had executed an MSA with *Fundamental Media*, a UK-based agency specialising in advertisers from the financial services sector. The Company can confirm that trading from *Fundamental Media* has now commenced.

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Subsequent to the June quarter, the Company announced that it had executed an MSA with *LoopMe*, a UK based agency specialising mobile video advertising. The Company sees ongoing opportunities with specialist media agencies in the UK and US markets.

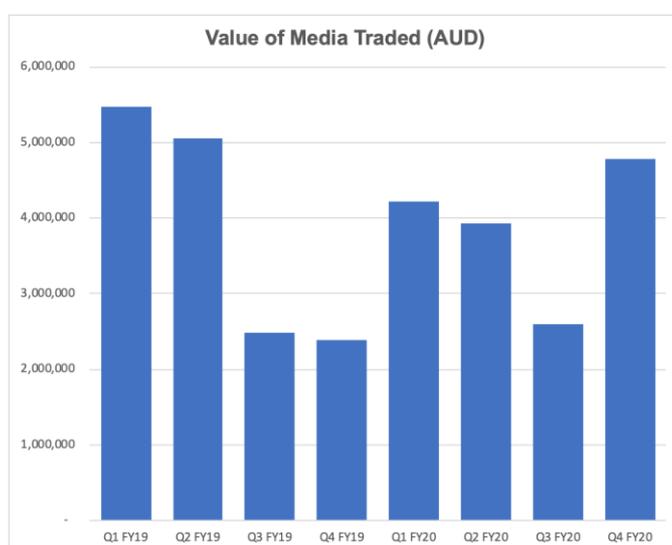
Publisher (Seller) Update

During the June 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:

- *WebMD* – a leading US-based health and well-being publisher; and
- *AMC Networks* - a US entertainment company that operates a number of leading American cable TV channels.

Trading Fees

In the June 2020 quarter, the value of media traded via the *Adslot Media* platform was \$4.8M, an increase of 84% compared to the March 2020 quarter and an increase of 100% when compared to the prior corresponding period.

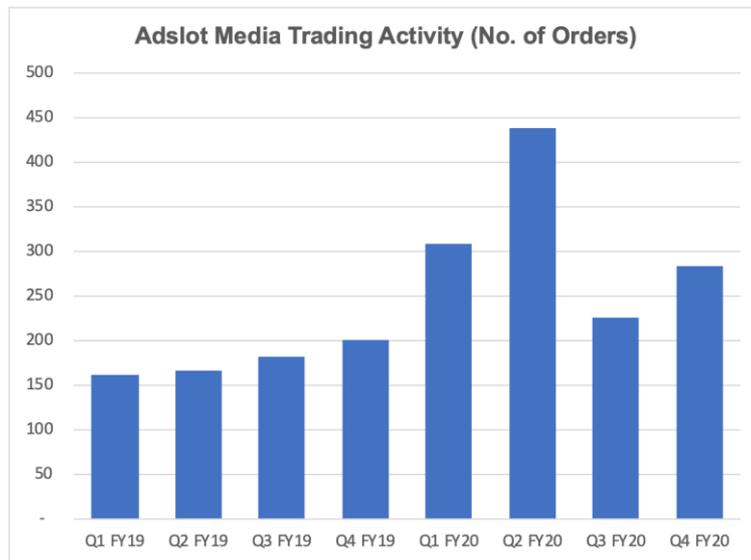


The value of media traded in Europe increased by 158% when compared to the prior quarter. European trading activity is primarily derived from integrated deployments of *Adslot Media* with the Company's *Symphony* platform. This increase in integrated trading represents ongoing validation of the Company's strategy to activate *Adslot Media* trading opportunities in deployed *Symphony* markets. The value of media traded in the US market increased modestly (+4% vs the prior quarter), although substantial improvement in activity from this market is anticipated in the September 2020 quarter.

Volume of Trades

The total number of trades from all advertisers across the June 2020 quarter was 284, representing a 26% increase QoQ.

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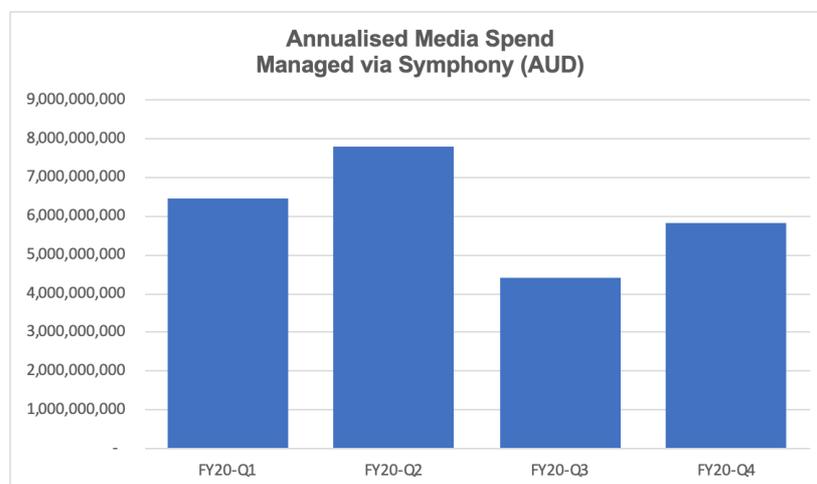
Impacts of COVID-19 on Trading Activity

The impacts of COVID-19 continued to be felt across most active markets during the June 2020 quarter, notwithstanding the significant improvement in European trading activity. In particular, the impact of COVID-19 in combination with social unrest saw delays in anticipated trading activity in the United States. The Company notes that engagement and planning activities with US-based agencies and publishers accelerated towards the end of the quarter and significant improvement in trading activity from the US market is anticipated in the September 2020 quarter.

Symphony Update

During the quarter the Company saw a strong improvement in the annualised value of media managed by the *Symphony* platform following a significant decrease in the prior quarter due to the impacts of COVID-19. The Company notes that recovery in media spend managed has been particularly strong in China, however improvement was seen across all active markets in Europe and MENA (Middle East and Africa). Further improvement is anticipated in the coming quarters as more markets recover from the initial strong impacts of COVID-19 seen in the June 2020 quarter.

Total annualised media spend managed by *Symphony* for the June 2020 quarter was \$5.8 Billion, an increase of 33% when compared to the March 2020 quarter.



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

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Marathon Partnership

During the June 2020 quarter, the Company completed development activities related to its partnership integration with *Marathon*, a Swedish-based provider of Enterprise Resource Planning (ERP) software to the media industry across Europe. The first deployment of the integrated offering is anticipated to be deployed for *Omnicom Media Group* in the Netherlands in September 2020. The Company continues to develop opportunities for further deployment of an integrated *Symphony* solution to *Marathon* customers in various European markets.

Role of Chairman, Mr Andrew Barlow

After more than two years as Executive Chairman, Mr Andrew Barlow will revert to a Non-Executive Chairman role effective immediately. Mr Barlow said, "I first became Executive Chairman in February 2018 to support Ben Dixon as interim CEO, while the Company went through a significant restructure and embarked on a new strategic path. Ben has since become permanent CEO, and with the recent appointment of Chris Maher heading up our US operations earlier this year, I feel that the Company is in very good hands, and now is the right time for me to step back as Executive Chairman and resume my role as Non-Executive Chairman."

Quarterly Cashflow Commentary

Cash receipts from customers for the June 2020 quarter were \$3.85M, a decrease of \$2.05M or 35% on the previous quarter's receipts of \$5.90M.

Due to the impact of COVID-19 on the Group, the following employee cost reductions were implemented in the June 2020 quarter:

- The Executive Chairman and all non-executive directors waived all fees;
- 30% salary reduction for the CEO and CFO;
- up to 25% salary reductions across all employees earning above a minimum threshold (average 22%);
- further headcount reduction (three full time roles) due to redundancy and natural attrition; and
- freeze on all salary increases and new hires.

These initiatives resulted in \$1.09m or 30% cash saving in employment costs across Staff Costs (\$0.75M) and Intellectual Property (\$0.34m).

Outgoing cash payments during the quarter at \$6.26M were \$1.70M or 21% lower than the previous quarter, primarily due to lower staff costs due to COVID-19 as outlined above (\$0.75M decrease), lower publisher payments (\$0.69M decrease) and a reduction in travel and other administration related costs.

The Company received \$0.46M in Grant receipts in the June 2020 quarter made up of:

- \$0.33M 2019 R&D Grant;
- \$0.10M ATO Boost Payment;
- \$0.02M UK small business grant; and
- \$0.01M 2019 Export Market Development Grant.

Net cash outflows from operating activities for the June quarter were \$0.91M, \$0.28M or 44% higher than the previous quarter (March 2020 Quarter: \$0.63M net cash outflow). The operating cash outflow includes related party costs of \$0.07M for directors' remuneration, including the CEO.

Cash inflows from financing activities includes \$0.17M from HSBC USA Paycheck Protection Program loan received by the Company's US subsidiary Adslot, Inc. See the additional note in 7.6 of the Appendix 4C.

Cash at the end of the June 2020 quarter was \$6.16M.

Due to the impact of the COVID-19 pandemic on operations, the Company expects to receive the Job Keeper allowance for 60 Australian employees and an additional \$0.05M ATO Boost Payment in the September 2020 quarter.

The employee salary reductions implemented in the June 2020 quarter have been reduced by half in the September 2020 quarter. All non-executive directors including the Chairman will continue to waive all fees again in the September 2020 quarter.

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Note on composition of Trading Fee Revenues:

The Company notes that European-based agencies recorded a significant increase in the value of media traded on the *Adslot Media* platform in the June 2020 quarter. This compares to a modest increase in US trades, the US bookings being the hardest hit by COVID-19 and social unrest. Trades in Europe are made via a 'direct' model where the Advertiser pays the Publisher directly and the Company receives the net campaign fee from the Publisher, as opposed to other markets where the Company acts as a clearing house for the campaigns. Under this 'direct' model, cash receipts include the net fee from publishers only, with no associated publisher payment outflows.

- END -

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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,850	19,294
1.2 Payments for		
(a) staff costs	(1,642)	(8,327)
(b) research and development	-	-
(c) publishers	(2,497)	(10,619)
(d) other cost of sales	(414)	(1,590)
(e) advertising and marketing	(4)	(98)
(f) other working capital/overheads	(660)	(2,090)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	50
1.5 Interest and other costs of finance paid	(30)	(144)
1.6 Income taxes paid	-	4
1.7 Government grants and tax incentives	461	461
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(912)	(3,059)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(6)
(d) investments	-	-
(e) intellectual property	(878)	(4,608)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(878)	(4,614)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(328)
3.5	Proceeds from borrowings	167	167
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Leased assets)	(130)	(682)
3.10	Net cash from / (used in) financing activities	37	5,557

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,397	8,166
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(912)	(3,059)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(878)	(4,614)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37	5,557
4.5	Effect of movement in exchange rates on cash held	(484)	110
4.6	Cash and cash equivalents at end of period	6,160	6,160

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	4,631	4,881
5.2	Call deposits	1,529	3,516
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)	6,160	8,397

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	74
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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
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.		
<p>(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 full loan amount is available forgiveness provided loan is utilised for allowable expenditure.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(912)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,160
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,160
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.8
<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.

28 July 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.