

ASX Announcement

30 April 2019

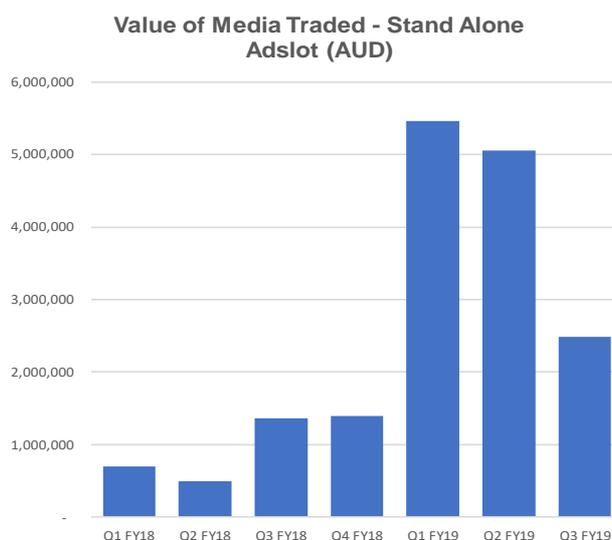
## Q3 FY19 Trading Update

- **Trading Fees:**
  - Seasonal reduction in value of media traded followed by strong recovery in March and April
  - Record volume of orders
  - Repeat trades from all major demand sources
  - First activity on behalf of significant US automotive advertiser
  - New US premium publishers signed
  - Demand pipeline from US agencies and trading desks strong
- **Licence Fees:**
  - Activations completed for three APAC markets (Thailand, Philippines, Indonesia)
  - Developments complete for one EMEA market with activation set for June 2019 quarter
  - On track for 43% growth in License Fees FY2019 vs FY2018 as per previous guidance
- **Cash Position:**
  - Improvement in cash receipts from customers and improved net cash inflows in March 2019 quarter

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

### Trading Fees

In the March 2019 quarter, the value of media booked via the standalone *Adslot Media* platform was \$2.5M, an increase of 83% on the Prior Corresponding Period (PCP) and a decrease of 51% compared to the December 2018 quarter (Q-o-Q).



*Note: Bookings are forward orders, and are subject to amendment post booking. Increases or decreases in booking value may be reflected in subsequent periods. Please see footnote on "Campaign Optimisation" at end of release for further details. The Company notes that the total of negative adjustments to existing campaigns in the March 2019 quarter was \$805k.*

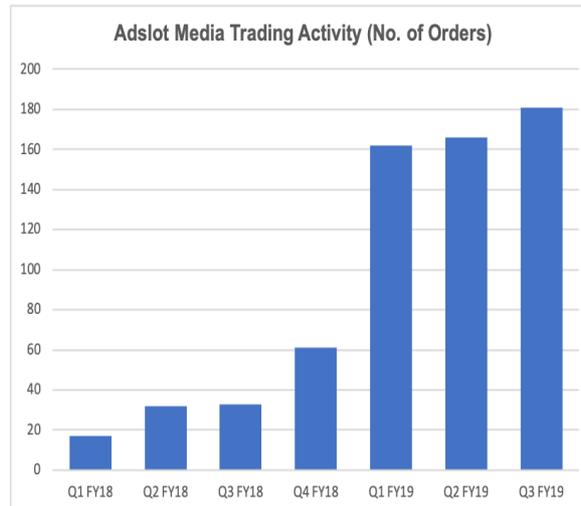
The Q-o-Q decrease was driven primarily by the negative impact of seasonality, especially in the US market. Despite the value of media traded over the months of January and February 2019 being significantly reduced, approximately 50% of the value of media traded during the March quarter occurred in the final three weeks of the quarter.

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Trading volumes have continued to grow in the current (June 2019) quarter with the value of media traded via *Adslot Media* standalone in April (month-to-date) exceeding 75% of the value of media traded in the total March 2019 quarter.

## Volume of Trades

The total number of trades from all advertisers across the March 2019 quarter was 181, representing a 448% increase on PCP, and a 9% increase Q-o-Q.



## Active Buyers

During the March 2019 quarter, the Company saw initial trades on behalf of large US advertiser General Motors. Further repeat trades for this advertiser have been received in the current June 2019 quarter.

In addition, the Company saw repeat and ongoing trading from all major demand sources who traded during the December 2018 quarter, and across all regions (Europe, Australia, UK and USA). The Company notes that 95% of significant buyers who have traded in the past 12 months have placed repeat trades.

Significant advertisers active in the March 2019 quarter included General Motors, AT&T, Telstra, Mitsubishi, Westpac, LVMH and ING. The Company continues to bring new advertisers to the platform, with 50 additional brands trading for the first time during the March 2019 quarter.

## US Publisher Signings

The Company has continued to activate additional supply to its marketplace in all active regions. In recent weeks the Company has signed or activated premium US publishers PopSugar, FlightAware, Johnson Publishing and Minute Media. These new publishers provide additional scale to the US marketplace and enhance the Company's presence in the important Lifestyle and Travel verticals.

The Company expects to activate further premium publishers in the June 2019 quarter.

The Company estimates that the total available inventory in its US marketplace now exceeds 23 Billion impressions per month.

## Outlook

The Company is pleased to confirm that it is now in discussions with the six largest media agency holding companies in the United States regarding the execution of a Master Services Agreement (MSA).

Whilst the Company has MSAs in place with a number of individual agencies, securing MSAs at the holding company level has the potential to significantly accelerate adoption of the *Adslot Media* platform by US agencies.

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Whilst these discussions are incomplete, the Company anticipates that one or more of these negotiations are expected to be concluded in the June 2019 quarter.

The Company can also confirm that it is currently in discussions with a number of large US publishers, both existing and new clients, regarding the use of the *Adslot Media* platform to fulfil demand sourced by the publishers themselves (rather than via Adslot). It is anticipated that such publisher-sourced demand may be charged under different commercial terms and may include spend commitments from the publishers. The Company expects to conclude the first of these publisher agreements during the June 2019 quarter.

Trading activity from current and recently activated advertisers combined with additional publisher supply and the anticipated execution of MSAs with large agency holding companies is expected to generate significant growth in the value of media transactions in future quarters.

## Industry Developments

The Company notes that it continues to see increased interest in solutions that seek to provide addressability and automation to the forward guaranteed ad market – this is often referred to as Automated Guaranteed (AG) or Programmatic Guaranteed (PG).

In particular, market sentiment regarding AG / PG in the US market has grown with agencies and publishers all seeking efficiencies and automation that cannot be provided by the existing Real Time Bidding (RTB) ecosystem.

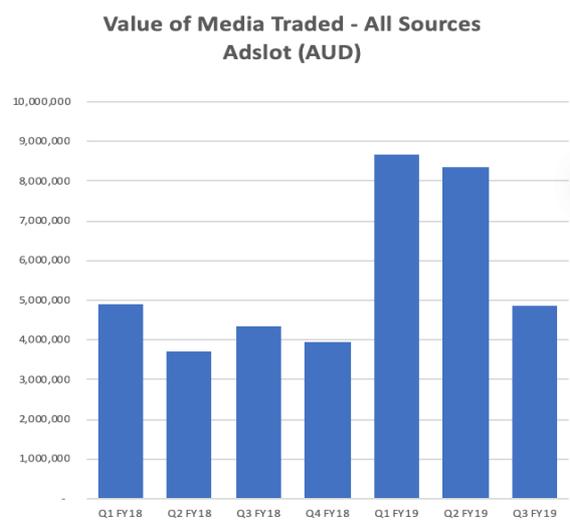
In this environment, the Company believes that it is well placed to succeed given that it has:

- A purpose-built platform that addresses the needs of the forward guaranteed market;
- A platform that has been tested by the large advertisers and publishers with a high level of repeat trading;
- An internationally adaptable product deployed in four global regions; and,
- A growing volume of premium supply for buyers to access

## Adslot Media and Symphony combined

The total gross value of media transactions (*Adslot Media* and *Symphony*) from which the Company derives Trading Fee revenues was **\$4.87M**, an increase of 12.3% on PCP, and a decline of 41% Q-o-Q. This was driven primarily by the reduction in the value of transactions via the standalone *Adslot Media* platform.

The value of transactions via *Symphony* reduced by 27% compared to the December 2018 quarter. This reduction was consistent with historical seasonality in the March quarter.



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## Licence Fees

During the March 2019 quarter, the Company completed activation of the *Symphony* platform for GroupM in Thailand and the Philippines. The Company subsequently completed activation of the Indonesian market for GroupM in early April 2019. *Symphony* has now been rolled out to 16 of the 23 total expected GroupM deployment countries.

As previously disclosed, the Company has completed pre-deployment development of *Symphony* for another GroupM market in the Europe, Middle East and Africa (EMEA) region. It is anticipated that this market will be activated during the June 2019 quarter.

The Company is continuing with requirements gathering for further GroupM markets in the EMEA region for activation in the second half of calendar 2019.

The Company confirms that it is on track to meet its guidance of \$6.6m in License Fees in FY2019 an increase of 43% when compared to FY2018.

## Cash Position

Increased adoption of both *Symphony* and *Adslot Media* saw collections from customers during the March quarter increase by 42% from \$3.65m to \$5.20m. Net cash inflows from operating activities were \$2.59M, an improvement of \$3.78m when compared to the prior quarter.

As at 31 March, 2019 the Company had \$7.43M in cash.

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.

## Notes on Campaign Optimisation

The Adslot platform has been designed to allow for ongoing optimisation of campaigns after the initial booking. These optimisations can take the form of changes to publishers, placements and dates and may involve an increase or decrease in the amount spent depending on client needs. Reasons for optimisation may include campaign and placement performance, changes to advertiser budgets, publisher delivery performance or other client operational requirements.

This feature is seen as a key benefit of the platform and is frequently adopted by advertisers and allows them to maximise performance and return on investment (ROI). By way of example, a recent case study and testimonial provided by UK agency Greenlight Digital reported that utilization of the features of the Adslot product delivered a 57% reduction in the average cost of client acquisition and a six-fold increase in ROI.

Over the past twelve months, 32% of campaigns have featured a change of booking value after the initial booking with 66% of these representing a positive change in booked value and 34% a negative change.

The value of media transactions reported by the Company is net of campaign optimisation. That is to say, positive adjustments to existing campaigns are counted within the value of media traded and negative adjustments to existing campaigns are deducted from the value of media traded. In certain periods there may be significant adjustments and these may negatively impact the value of media traded reported for the given reporting period despite relating to activity booked in a prior period. In certain periods this may also mean that the value of media reported may decline compared to prior periods despite an increase in campaign activity.

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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.