

ASX Announcement

16 March 2020

Update on Impact of COVID-19 and Cost Reduction Actions

Adslot Ltd (ASX:ADJ) provides the following update regarding the impacts of COVID-19 on the current quarter's trading activity to date, and associated plans to reduce costs to extend the Company's cash operating runway.

Impact on Trading Activity and Licence Fees

Trading Activity

The Company notes that the impacts of COVID-19 on trading activity to date has varied by geographical region consistent with the spread of the virus:

- The Company has seen moderate falls in trading activity from the UK and European markets, likely related to the impact of COVID-19, and notes that these falls are likely to increase in coming weeks as the impacts of the virus grow.
- Trading activity in the United States has increased in the month of March, although the Company notes that this is relative to low trading activity in preceding months.
- Initial trading related to the activation of the US agency *Cadreon* continues as planned and activation planning for other large agency groups remains on track. Many US agencies have already implemented lockdown processes for their offices, and training on the *Adslot Media* platform and other activities are occurring via remote methods.
- Due to the impact of COVID-19, the Company currently anticipates a moderate reduction in the value of media traded for the March quarter 2020 compared to the prior quarter.
- Notwithstanding the impacts of COVID-19 in the current quarter, the Company currently still anticipates that the value of media traded via the *Adslot Media* platform will grow in the June 2020 quarter due to recent and imminent US agency activation.

Licence Fees

Licence Fees related to market deployments of the Company's *Symphony* platform are fixed and will not be impacted by any downturn in media spending due to COVID-19. However, the Company anticipates a delay in deployment of further markets due to COVID-19, and currently expects Licence Fees to remain flat in the second half of FY2020.

Cost Reduction Measures

The Company notes that while impacts to the business of COVID-19 are modest at present, there is material uncertainty as to the effect on media trading globally over the short and medium term. Given these market dynamics and period of uncertainty, the Company has decided to take pre-emptive steps to reduce cash outflows over this period and extend its cash operating runway.

The Company confirms it has implemented cost reductions within the business that equate to \$4.0m when annualised. These include:

- For the remainder of FY20:
 - The Executive Chairman of the Company will take no directors' fees or consulting fees.
 - All non-executive directors of the Company will take no directors' fees.
 - The group CEO and CFO will take a 20% reduction in salaries.
 - No quarterly or annual bonuses will be paid.
 - Additional cost savings across the senior executive team including salary cuts, working part time and use of annual leave.
- A 28% reduction in head count across the business. The majority of this reduction is related to twenty external development contractors.
- Immediate halt on all non-essential travel and entertainment.
- Immediate hold on all external marketing expenditure, including PR, conferences, etc.
- Freeze on all non-essential recruitment and consulting services.
- Employees will be requested to take paid or unpaid leave over the remainder of the financial year.
- All discretionary expenditures are being reduced or eliminated.

Cost reductions have been targeted to ensure minimal impacts to existing clients and to the Company's efforts in the United States market. The Company anticipates the cost savings associated with the removal of twenty external development contractors will result in an associated reduction in recurring revenues of \$1.4M in FY2021. The Company anticipates no impact on recurring revenues from this measure in FY2020.

Business Continuity Planning

The Company has enacted business continuity plans to ensure its ability to continue its sales, development and support activities while ensuring the health and safety of its employees. These plans include the required systems and processes to enable employees to work remotely if and when required. The Company will continue to work and interact with its clients many of who have adopted similar policies in recent times. The Company will continue to follow and adopt the recommended processes from the relevant government and medical authorities.

CEO Commentary

Adslot CEO Ben Dixon said, "Given the uncertainty in markets across the world, the Company has taken necessary precautionary measures to reduce cost and ensure the sustainability of the business for our shareholders and employees alike. Despite the undeniable short term impacts of COVID-19, there is much to be positive about, in particular with ongoing activation of large agencies and increasing trading activity in the US market. The actions taken today will help ensure that the business is best placed to realise the full benefit of these opportunities over time."

The Company will continue to monitor and assess the situation as it continues to develop, and will update the market as appropriate regarding the impacts of COVID-19 on trading and business performance.

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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.