

ASX Announcement

19 April 2021

Q3 FY21 Activity Report

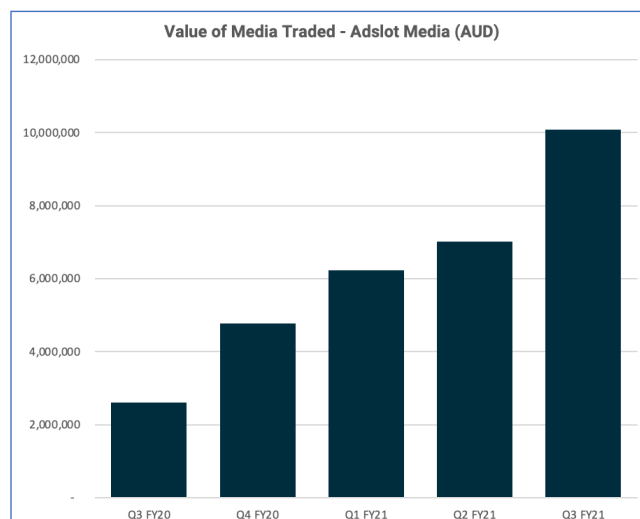
- Adslot Media Update:
 - Third consecutive record quarter for value of media traded on *Adslot Media*
 - Value of media traded on *Adslot Media* increased by 44% QoQ and 288% vs PCP to \$10.1M
 - Significant improvement in US trading
 - Successful completion of pilot with UK-based agency holding company
- Symphony Update:
 - Annualised value of media managed on the *Symphony* platform – \$6.12B
 - Extension / amendment to GroupM agreement expected imminently
- Cost Reductions and Cash Position
 - FY2020 R&D claim received
 - Cash balance of \$8.1M at end of March 2021 quarter

Adslot Ltd (ASX: ADS) is pleased to provide an activity report on trading for the March 2021 quarter.

Adslot Media Update

Trading Fees

The March 2021 quarter was the third consecutive record quarter for the value of media traded on the *Adslot Media* platform. The value of media traded was \$10.1M, an increase of 44% compared to the December 2020 quarter and 288% compared to the prior corresponding period. The Company notes that this strong improvement in trading comes in what is traditionally the lowest quarter seasonally, reflecting the activation of new buyers on the *Adslot Media* platform.

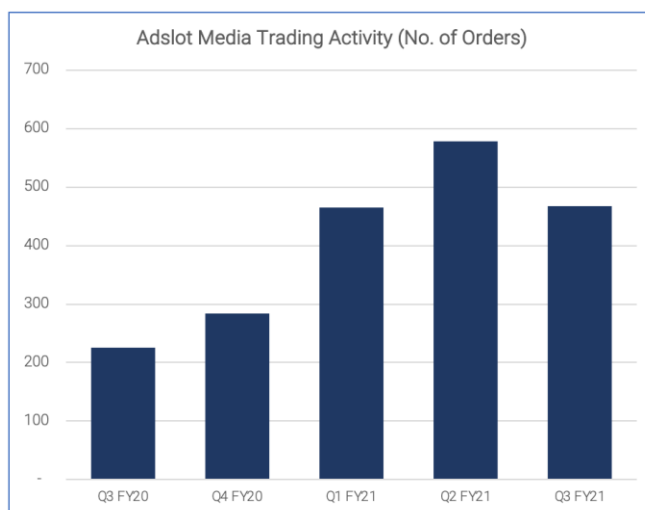


The March 2021 quarter saw a significant improvement in the trading performance of the US market, with US trading activity accounting for 44% of the total value of media traded. US trading activity was driven by ongoing activation of contracted media buyers, in particular *Flowershop* and *Orion* (IPG).

The value of media traded in markets other than the US declined by 17% but was in line with expected seasonality. More importantly, the Company saw continued trading activity from all major sources of demand that were active in prior quarters. This included European (non UK) trading primarily derived from integrated deployments of *Adslot Media* with the Company's *Symphony* platform.

Volume of Trades

The total number of trades from all advertisers across the March 2021 quarter was 468, representing a 19% decrease QoQ but was in line with expected seasonality. This reduction in the volume of trades, despite a strong increase in the value of media traded, reflects the greater contribution of the US market which had higher average trade values.



Agency (Buyer) Update

During the quarter, the Company:

- Signed an agreement with *Flowershop Media*, a US based provider of media marketplaces for the cannabis industry;
- Secured initial trades from *Flowershop Media*, with strong trading activity occurring during the month of March;
- Achieved repeat trading with *Orion*, the trade-enabled media division of the *Interpublic Group of Companies* (IPG);
- Onboarded high value audiences from *Orion* to the *Adslot Media* platform to enable future trading;
- Secured recurring and consistent trading from European agencies via the integrated deployments of *Symphony* and *Adslot Media*;
- Successfully concluded final pilot activity for an additional holding company in the UK; and,
- Further improved the sales pipeline in both the US and UK markets.

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;
- Further pilot activity successfully completed with a fifth holding company with commercial discussions now complete and execution of an agreement expected within the June 2021 quarter;
- Ongoing discussions with the remaining sixth holding company.

Publisher (Seller) Update

During the March 2021 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:

- *Complex Networks* – a US media and entertainment company focused on youth culture;
- *Time Out* – a global magazine focused on culture, entertainment and events - active in 328 cities in 58 countries;
- *CityAM* – a UK based provider of global finance and business news; and,
- *ESI Media* – the publisher of well-known UK mastheads: *The Evening Standard* and *The Independent*

Outlook

The Company anticipates that the coming quarters will see continued growth from currently contracted clients in the US and UK.

The Company has previously disclosed that it has seen the emergence of four distinct use-cases for the *Adslot Media* product:

1. Large agency holding companies trading with prominent publishers in the US and UK markets, eg. *Orion (IPG)*;
2. Deployment of the integrated *Symphony – Adslot Media* solution to existing *Symphony* markets, eg. *GroupM EU*;
3. Private marketplace (customised / white-labelled) instances of the *Adslot Media* marketplace for use by specialist sellers of media such as large retailers and niche media marketplaces, eg. *Flowershop Media*;
4. Trading initiated by publishers to support their direct sales efforts, eg. *Financial Times*.

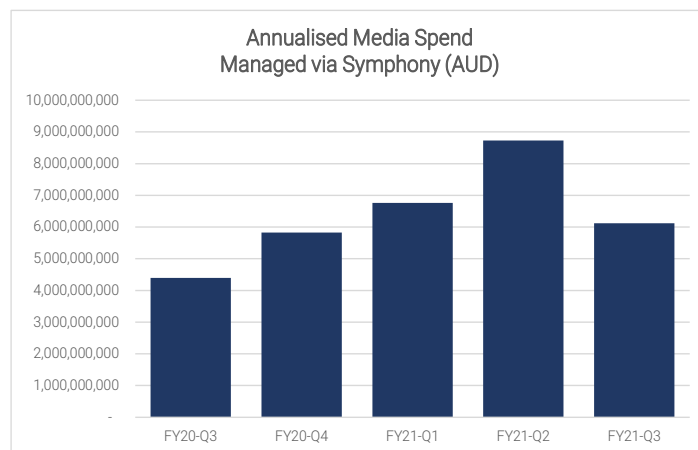
During the March 2021 quarter, the Company saw substantial contributions from three of these use-cases, and encouraging signs from the fourth.

The Company notes that it expects continued contributions from all four primary use-cases. In addition, it notes that recent developments have seen:

- Positive initial trading from private (custom) implementations of *Adslot Media* with the expectation of further scaling of trading in the June 2021 quarter and beyond;
- Continued strong engagement with the six largest agency holding companies;
- Increased trading from *Orion (IPG)*, with activities underway for activation of further advertisers;
- Recurring scaled trading via the integrated *Symphony – Adslot Media* solution in Europe, with the prospect of extension to additional markets in 2021;
- Completion of pilot activities with a UK-based agency holding company, with the expectation of trading commencing in the June 2021 quarter; and,
- Development of further opportunities for private (custom) implementations of the *Adslot Media* marketplace

Symphony Update

Total annualised media spend managed by *Symphony* for the March 2021 quarter was \$6.12 Billion, an anticipated decrease when compared to the December 2020 quarter, in line with historical March quarter seasonality.



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

The Company has previously disclosed that it has been 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 can confirm that discussions are now complete and a final agreement is expected to be executed within the first half of the June 2021 quarter.

The Company notes that it is engaged in discussions with three agency holding companies regarding potential multi-market deployments of *Symphony*. The Company anticipates further progress with these discussions during the June 2021 quarter, and expects deployment of additional markets to commence in the second half of calendar year 2021.

Quarterly Cashflow Commentary

In December 2020, the Company successfully completed a two tranche \$4.00M capital raising from existing institutional investors, shareholders and directors of the Company. Tranche 1 (\$3.67M) was completed and funds received in the December 2020 quarter (\$3.46M after transaction costs). Tranche 2 (\$0.33M) was completed and funds received in the March 2021 quarter (\$0.27M after transaction costs).

In February 2021, the Company received \$1.73M relating to the FY2020 R&D claim. In the Appendix 4C, \$0.39M is included in Grant Income in Operating Activities and \$1.34M included in Intellectual Property in Investing Activities.

Cash receipts from customers for the March 2021 quarter were \$4.01M, an increase of \$0.66M or 20% on the previous quarter's receipts of \$3.35M.

Net cash outflows from operating activities for the quarter were \$0.34M, a \$0.62M decrease in cashflows on the previous quarter (December 2020: net cash inflow \$0.27M), largely due to the return to full salaries post-COVID and publisher payments.

In 2020, in response to COVID-19, 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. Employees were returned to full salary and director fees recommenced in the December 2020 quarter.

In the March 2021 quarter, total salary costs were \$2.75M, an increase of \$0.07M or 2% on the previous quarter (\$2.68M). Total salary costs include Staff Costs and Intellectual Property (capitalised development salaries), excluding the R&D receipt.

Outgoing cash payments (excluding capital raise costs) during the quarter at \$5.80M represented an increase of \$1.32M or 29% on the previous quarter (December 2020: \$4.48M). This was primarily driven by an increase in publisher payments of \$1.20M on the previous quarter. The operating cash outflow included related party costs of \$0.14M for directors' remuneration.

The Company received \$0.62M in Grant receipts in the March 2021 quarter made up of:

- \$0.39M R&D;
- \$0.21M JobKeeper payments; and
- \$0.02M Victorian Govt. Business Support Fund.

Cash at the end of the March 2021 quarter was \$8.13M.

Note on composition of Trading Fee Revenues:

The Company has previously noted that trades in Europe via the integration with *Symphony* are primarily made via a 'direct' model. Under the 'direct' model, the Advertiser pays the Publisher directly and the Company receives the net Adslot fee from the Publisher, as opposed to where the Company acts as a clearing house for campaigns. Under this 'direct' model, cash receipts include the net fee from publishers only, with no associated publisher payment outflows.

In addition to trades via the integration with *Symphony*, the majority of trades via private (custom) implementations of the *Adslot Media* marketplace will be via the 'direct' model. During the March 2021 quarter, a significant proportion of trades from the US market were conducted via this model. The Company anticipates that over time, the proportion of trades in the US market under the 'direct' model will decrease with a majority of trading from agency holding companies conducted via the clearing house model.

- 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")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,005	10,221
1.2 Payments for		
(a) staff costs	(2,071)	(5,481)
(b) research and development	-	-
(c) publishers	(2,008)	(3,982)
(d) other cost of sales	(346)	(1,070)
(e) advertising and marketing	(14)	(33)
(f) other working capital/overheads	(503)	(1,144)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	11
1.5 Interest and other costs of finance paid	(26)	(77)
1.6 Income taxes received/ (paid)	-	1
1.7 Government grants and tax incentives	619	1,521
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(343)	(33)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(9)
(d) investments	-	-
(e) intellectual property	662	(1,034)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	653	(1,043)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	328	4,002
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	(61)	(279)
3.5	Proceeds from borrowings	164	164
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Leased assets)	(145)	(510)
3.10	Net cash from / (used in) financing activities	286	3,377

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,475	6,160
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(343)	(33)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	653	(1,043)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	286	3,377
4.5	Effect of movement in exchange rates on cash held	57	(333)
4.6	Cash and cash equivalents at end of period	8,128	8,128

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	7,603	6,951
5.2	Call deposits	525	524
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)	8,128	7,475

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	143
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)	331	331
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	331	331
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) The Group's US subsidiary Adslot Inc applied for and received two Paycheck Protection Program loans through HSBC USA. They are no fee loans backed by the US Federal Government for businesses impacted by Covid-19. The loans are for a two-year period, at 1.00% fixed interest rate and the loan payments deferred for the first six months or till any loan forgiveness is finalised. No collateral or guarantees were required. The Group is expecting full forgiveness of these loan amounts as the loans were/will be utilised for expenditure allowable for forgiveness.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(343)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,128
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,128
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	23.7
	<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:

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.

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.

19 April 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.