

ASX Announcement

31 January 2019

## Q2 FY19 Trading Update

- **Trading Fees:**
  - Record trading activity achieved in September quarter was maintained in December 2018 quarter
  - Repeat activity by all major demand sources
  - Spend from existing clients expected to increase in March 2019 quarter
  - New clients also expected to start trading in March 2019 and June 2019 quarters
- **Licence Fees:**
  - Symphony H1 FY19 Licence Fee revenue exceeds forecast by 10.9%
  - Symphony full year FY19 Licence Fee guidance upgraded from 38.7% to 51.1% growth
  - Total Licence Fee guidance upgraded from \$6.1M to \$6.6M for FY19
  - Symphony deployments continue to plan – 3 new deployments scheduled for March 2019 quarter
- **Cash Position:**
  - Improvement in cash receipts from customers and reduced net cash outflows in December quarter

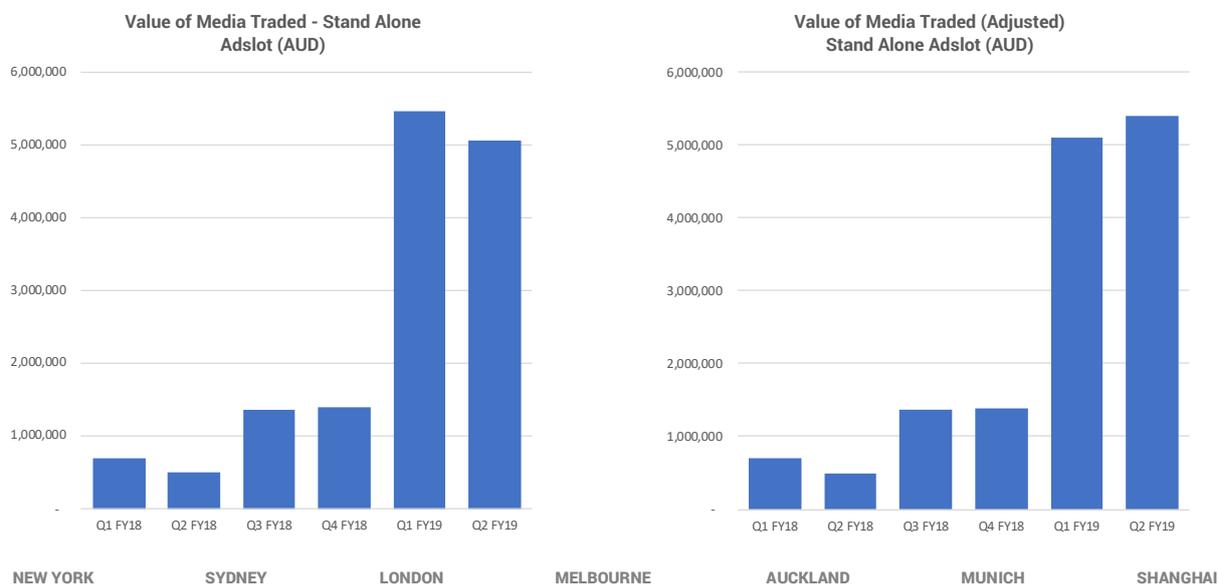
Adslot Ltd (ASX: ADJ) is pleased to provide an update on trading activity for the December 2018 quarter.

### Trading Fees

In the December 2018 quarter, the value of media transactions via the standalone *Adslot Media* platform was \$5.1M, down \$0.36M or 6% when compared to the record September 2018 quarter.

The quarter was adversely impacted by a reversal of \$350k related to media transacted in the September 2018 quarter, but subsequently cancelled due to client operational requirements during the December 2018 quarter.

When adjusted for this cancellation against the original transaction period, the value of media transactions via the standalone *Adslot Media* platform actually grew by 6% in the December 2018 quarter when compared to the September 2018 quarter.



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The Company notes that while the December quarter is traditionally strong for media transactions, a significant proportion of activity transacted on the *Adslot Media* platform in the September 2018 quarter related to media scheduled to run in the December 2018 quarter. Correspondingly, a high proportion of transactions during the December 2018 quarter were related to media scheduled to run during the seasonally softer March quarter.

The total gross value of media transactions (Adslot and Symphony) from which the Company derives Trading Fee revenues was **\$8.35M**, a slight reduction of 3% compared to the September 2018 quarter. This was driven primarily by the modest reduction in the value of transactions via the standalone *Adslot Media* platform highlighted above. The value of transactions via Symphony grew by 2.5% compared to the September 2018 quarter.



Important note: revenue is recognised at the time the campaign runs. The adjustment above relates to media booked, but not yet run. Therefore, the reversal has no impact on revenue for the September 2018 quarter.

## Adslot Media Update

During the December 2018 quarter, the Company saw repeat and ongoing trading from all major demand sources who traded during the September 2018 quarter. The Company expects increased trading from these sources in the March 2019 quarter and beyond.

Significant advertisers active in the December 2018 quarter included AT&T, Marriott, Shen Yun Performing Arts, Swatch Group, LVMH and BNP.

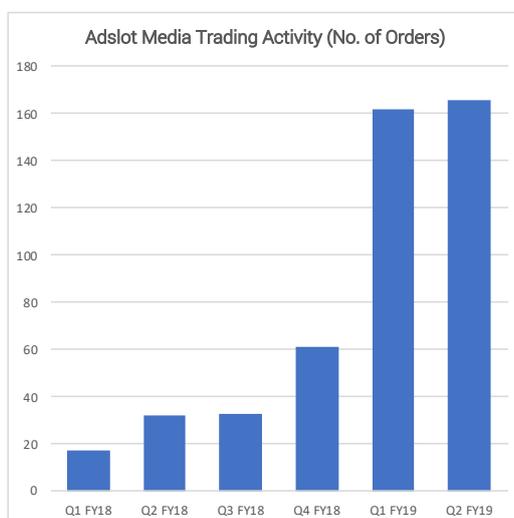
The Company has also made significant progress in further developing its sales pipeline across all markets. In particular, considerable progress has been made with large brand advertisers and their agencies in the US market. The Company has advanced discussions with a number of Top 20 US advertisers and is aiming for transactions with some of these advertisers to commence in the March 2019 quarter.

The targeted commencement of trading by additional large advertisers combined with growth in existing client spend is expected to generate growth in the value of media transactions over coming quarters.

During the December 2018 quarter, the Company saw first trades under its announced agreement with leading Australian property website, Domain. Trading activity via this agreement is expected to grow through calendar 2019.

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The total number of trades from all advertisers across the December 2018 quarter was 166, a 2.5% increase on the previous half.



## Licence Fees

The Company has previously announced that it anticipated Symphony Licence Fee revenues to grow by 38.7%, from approximately \$4.0M in FY18 to approximately \$5.5M in FY19.

The Company is pleased to announce that due to ongoing client adoption and favorable exchange rate variances, the Company is upgrading its guidance for FY19. Symphony License fees are now expected to grow by 51.1%, from approximately \$4.0M in FY18 to approximately \$6.0M in FY19, as per the following table:

	FY16 (a)	FY17 (a)	FY18 (a)	FY19 (previous f)	FY19 (upgraded f)
Sym Lice Fee Rev	2,579,351	3,862,710	3,989,671	5,502,560	6,027,099
YoY% Growth		49.8%	3.3%	37.9%	51.1%
Ending ARR*	3,066,418	4,064,041	4,425,619	5,528,862	6,063,130
YoY% Growth		32.5%	8.9%	24.9%	37.0%

\* Ending ARR (Annual Recurring Revenue) is calculated by multiplying last quarter's revenue by 4

When combined with the previously announced guidance on non-Symphony License Fees, the Company now expects **total** License Fee revenues for FY19 to be approximately **\$6.6M** - a growth of **43.1%** on the prior year, as per the following table:

	FY16 (a)	FY17 (a)	FY18 (a)	FY19 (previous f)	FY19 (upgraded f)
Licence Fee Rev	3,196,989	4,489,995	4,618,783	6,085,589	6,610,267
YoY% Growth		40.4%	2.9%	31.8%	43.1%
Ending ARR*	3,687,125	4,692,037	5,043,834	6,115,743	6,650,011
YoY% Growth		27.3%	7.5%	21.3%	31.8%

\* Ending ARR (Annual Recurring Revenue) is calculated by multiplying last quarter's revenue by 4

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The following time series chart shows historical, estimated H1 FY19 (unaudited), and forecast H2 FY19 total Licence Fee revenues on a half-on-half basis for the period FY16 to FY19.



## Notes:

- Symphony Licence Fee revenues for FY17 and FY18 are normalised to allow for the reversal of a one-off payment, as outlined in the 20 July 2018 Symphony Outlook release.
- A significant majority of the Company's Symphony Licence Fee revenues are derived in US dollars. As such, any change in the AUD / USD exchange rate over FY19 will impact the above guidance.

## Symphony Update

### *GroupM Market Deployments*

During the December 2018 quarter, the Company completed development for two additional APAC markets with development for a further APAC market completed in January 2019. The current status of confirmed market deployments is as follows:

- 2 x APAC markets: development complete and activation scheduled for February 2019
- 1 x APAC market, development complete and activation scheduled for March 2019
- 1 x EMEA (Europe, Middle East, Africa) market – pre-deployment development scoped, with deployment anticipated in Q4 FY19

As previously disclosed, further potential additional markets are currently undergoing requirements gathering for activation in the second half of calendar 2019.

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## Cash Position

Increased adoption of both *Symphony* and *Adslot Media* saw collections from customers during the December 2018 quarter increase by 22% from \$3.0m to \$3.65m. Net cash outflows from operating activities were \$1.19M, a \$1.02M improvement on the \$2.21M net cash outflows recorded in the prior quarter.

As at 31 December, 2019 the Company had \$4.82M in cash. This amount does not include \$3.0M in cash which was received in January 2019 as part of the R&D Tax Incentive.

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.

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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.