

ASX Announcement

30 October 2024

QUARTERLY ACTIVITY REPORT SEPTEMBER QUARTER (Q1 FY25)

Adslot Ltd (ASX: ADS) is pleased to provide its activity report on trading for the Quarter ended September 2024 (Q1 FY25).

Market Update Highlights

- Strategic Review completed resulting in substantial cost reductions and operational restructuring in September and October 2024.
- Headcount reduced by 11 during October to 33 full time employees, resulting in approximate 40% reduction in Group monthly payroll cost from November onwards, and resignation of directors Ben Dixon and Tom Triscari.
- Overheads generally reduced with the appointment of new auditors, reduction in general expenditure, and sub-leasing of under-utilised Melbourne CBD premises.
- Momentum and progress with StoreFront media publisher digital advertising sales gateway tool, with contracts being implemented with Hearst UK, Rakuten Viber and Sonnant, and a substantial sales pipeline of Australian and International media companies seeking to use the platform, in particular in the UK.
- Progress achieved in the European market with implementation of the Springserve ad server integration project, and contract negotiations ongoing with leading Swiss / German media conglomerate Goldbach to distribute ad inventory to buyers exclusively through the Adslot Open Marketplace.
- Extension of Symphony division's contract with Global Advertising Multinational GroupM for 2 years with substantial increase in monthly fixed revenues.
- Extension of Media Auctions division's annual contract with REA Group until December 2025.
- Full phase-out of costs and ongoing investment associated with the US-market focused Br1dge product.

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Key Announcements During Q1 FY25






- Completion of the Entitlement Offer announced in July 2024 raising \$2.02M (before transaction costs) including a Shortfall Placement in October 2024.
- Appointment of Andrew Dyer to Executive Chairman.
- Announcement of Strategic Review on 3 September 2024.
- Resignation of Ben Dixon as Director and CEO.
- Appointment of Ben Loiterton as Interim CEO.

Financial Summary Q1 FY25

- Cash Receipts from Customers of \$2.75M
- Net Operating Cash Flow (\$1.82M)
- Cash at end of September 2024 quarter was \$1.67M.
- Quarterly Total Transaction Value (TTV) of \$50.12M.
 - 20% Quarter on Quarter (QoQ) TTV increase.
 - 7% reduction on Prior Corresponding Period (PCP)

*TTV for prior years include transactions previously managed by Symphony and which are now transacted via Adslot Media.

Adslot Group Business Units

Stable Businesses			Growth Businesses	
 Media Auctions	 Symphony.	 webfirm	 Adslot Media.	 Adslot StoreFront
<ul style="list-style-type: none"> • Specialist enterprise auction-based platform that enables marketplaces to maximise value of advertising inventory. • Major client is REA (ASX:REA) Realestate.com.au. • Business model – Monthly SaaS fee, annual contracts. 	<ul style="list-style-type: none"> • A global enterprise SaaS platform, providing digital media buying workflow solutions to the world’s largest advertising agencies. • Major client is GroupM in 8 countries including China. • Business model – Monthly SaaS fee, annual contracts 	<ul style="list-style-type: none"> • Digital marketing agency providing Website Development, SEO, Search and Social Media solutions to SMEs nationally. • Business model – Fee for services, hosting fees. 	<ul style="list-style-type: none"> • A global digital media marketplace for media buyers and sellers to trade premium advertising inventory on a targeted, forward guaranteed basis. <i>Bridge</i> feature for bulk digital audience data trading. • Many sellers to many buyers marketplace. • Business model - Percentage-based fee on advertising spend on the platform (TTV trading fees). 	<ul style="list-style-type: none"> • Digital white label gateway for media companies to sell ad inventory and audience access to multiple media buyers. Enables publishers to increase revenue and efficiently manage sales process. • Single seller to many buyers. • Business model - Percentage-based fee on advertising spend via the gateway plus monthly and set-up fees

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Sales & Marketing Highlights – Adslot Media Platform

The Adslot Media Platform is the core underlying Global marketplace platform that underpins the various Adslot solutions and use-cases to seamlessly enable major media companies and advertiser buyer agencies to trade digital ad inventory and audience targeting.

Adslot solutions and products connected to the platform include StoreFront, Adslot Open Marketplace, private marketplaces, Deal-ID and Br1dge.

Adslot StoreFront

StoreFront is a specific solution within the Adslot Media Platform that enables a publisher (i.e. a media company) to sell advertising inventory and audience data in an environment exclusively to their buyers (i.e. advertisers and brands). Many buyers to single seller.

Key features of the platform include a credit card gateway which facilitates an efficient payment process, particularly for larger numbers of smaller buyers. Adslot typically charges a monthly minimum SaaS fee and a fee based on a percentage of the value of the media traded.

Approximately 125 publishers are already on the Adslot Media Platform including Hearst, Conde Nast, Pense Media, Bloomberg, Reuters and The Financial Times.

Adslot's BDMs are currently making approaches to all publishers already on the platform to upgrade them to StoreFront and the set up process for this is relatively easy and requires minimal software configuration.

The Total Addressable Market ("TAM") for StoreFront is estimated to be 1,000 publishers globally. Priority targets are publishers already contracted to Adslot.

Progress during Q1 FY25 (and during October) for StoreFront included:

- Discussions progressing with a number of leading publishers including The Financial Times, Insider, The Telegraph, Time Out, Conde Nast, Wall Street Journal, BBC Worldwide, Mirriad Advertising, Country & Townhouse, an Australian broadcaster, and various medium-sized digital media firms in the US market;
- Implemented StoreFront for Hearst UK (Harper's Bazaar, Cosmopolitan, Elle, Country Living, Men's & Women's Health, Esquire);
- Activated Viber Rakuten StoreFront;
- Activated Sonnant StoreFront; and
- Progressed and finalizing discussions with major Australian TV broadcaster for launch of a Publisher StoreFront.

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Adslot Open Marketplace

Adslot Media operates the Adslot Open Marketplace which is the core long-standing platform of the Group and allows advertisers and their agencies to execute Direct-to-Publisher digital ad inventory trading (many buyers to many sellers).

As outlined above, StoreFront is an exclusive environment within the Adslot Platform but separate to the Adslot Open Marketplace platform.

Using an airline ticket booking analogy - where StoreFront may be regarded as a specific single airline offering tickets for sale to many buyers on their online gateway (i.e. many buyers to a single seller), Open Marketplace is akin to a multi-airline booking site such as Webjet – Many buyers searching many sellers.

Adslot charges a placement fee to Publishers on the value (Total Trading Volume or “TTV”) of the media traded. TTV includes both those transactions for which fees are charged and those that are provided under trial/test, ‘freemium’ and other interim commercial arrangements, primarily in the Australian market.

Monetised TTV (“MTTV”) refers to those transactions traded on the Adslot Media platform for which fees are generated.

MTTV for the quarter was \$6.34M, a decrease of 11%, QoQ and a decrease of 52% compared to PCP. QoQ declines reflect the weakness in the Australian advertising market, and the structural reform taking place globally.

The company remains focused on increasing take rates for Australian based TTV, where trial and other freemium arrangements have resulted in lower levels of monetisation.

Progress during FY25 Q1 (and during October) for Adslot Open Marketplace included:

- Finalising contract negotiations with Goldbach, a major Swiss / German diversified media group, to implement access to the Adslot Media Platform for multiple publishers including high-traffic media offerings;
- Completed the important Springserve ad-server integration to increase publisher ad inventory access in Germany.
- Executing go to market plans for launch of StoreFronts for wider German market.
- Working to negotiate opportunities to convert TTV to MTTV from existing client base in Australia.

Adslot Br1dge

The Company has undertaken a review of US-market focused Br1dge and implemented a full phase-out of costs and ongoing investment. This decision was driven by a range of factors including ongoing uncertain industry dynamics, medium-term delays with revenue performance and as part of the Strategic Review cost-outs initiatives. Adslot will retain the IP developed to date as a long term growth option as part of the Company’s core platform.

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Sales & Marketing Highlights – Other Business Units

Symphony

Symphony is a global enterprise SaaS platform, providing digital media buying workflow solutions to the world's largest digital media agencies including GroupM. Symphony operates on a different independent tech platform to Adslot Media.

During the course of FY25 Q1, the contract with GroupM was revised for a further 2 years until 30 September 2026 with a substantial increase in monthly fixed revenues.

Media Auctions

Adslot provides an enterprise auction-based platform for www.realestate.com.au (ASX:REA) as its sole customer. Media Auctions operates on a different independent tech platform to Adslot Media.

During the course of FY25 Q1, this annual contract with REA Group was extended until December 2025 with a price increase in line with CPI.

Webfirm

Melbourne-based Webfirm is an independent digital marketing agency specialising in web design, social media, search traffic and online advertising optimisation, and content creation. During the course of FY25 Q1 this division traded in line with budget.

Strategic Review Completed

The Strategic Review announced on 3 September 2024 has been implemented with the objective to reduce cash burn, improve operating performance, and simplify internal processes.

Actions resulted in substantial cost reductions and operational restructuring during October 2024. Additionally the Company achieved increased prices in some areas, phasing-out ventures with little or no current revenues (including Br1dge), reducing headcount and overheads, and sharper focus on near term revenue growth opportunities.

Headcount was reduced by 11 during October to 33 full time employees, resulting in approximate 40% reduction in Group monthly payroll cost from November onwards. Headcount now includes 10 FTEs within the Adslot Media unit, 7 FTEs within the Symphony unit, 6 FTEs within the Webfirm unit, and 10 FTEs in group executive and finance teams (excluding directors).

Overheads have also been reduced with the appointment (subject to shareholder approval at the upcoming AGM) of new auditors, reduction in general expenditure, sub-leasing of under-utilised Melbourne CBD premises (subject to documentation), and directors taking shares in lieu of cash for board fees. The Board has also been reduced from five to three directors.

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Capital Raise Completed

On 17 June 2024 the Company announced a capital raise in the form of a partially underwritten 3:4 accelerated pro rata non-renounceable entitlement offer at a price of \$0.001 per share, to raise up to \$2.4M (Entitlement Offer). A total \$2.02M (before transaction costs) in new equity was raised.

June 2024 Quarter

As announced on 19 June 2024, the institutional component of the Entitlement Offer (Institutional Entitlement Offer) raised \$0.53M before transaction costs.

September 2024 Quarter

On 15 July 2024 the Company announced a further raise of \$0.95M before transaction costs.

December 2024 Quarter

On 7 October 2024 the Company announced the completion of the Entitlement Offer and that it had raised an additional \$0.54M before transaction costs. \$0.20M of this amount will require shareholder approval at the AGM on the 26 November 2024 as it is from a related party of the former CEO and Executive director, Mr. Ben Dixon.

R&D Refund

The FY2024 R&D claim (\$0.88M) has been successfully registered with Innovation and Science Australia in early October 2024 and is expected to be paid in the current December 2024 quarter.

Supplementary Information: Quarterly Cashflow Commentary

The September 2024 quarter cash receipts from customers at \$2.75M were \$1.26M or 31% lower QoQ and \$1.06M or 28% lower on PCP. The receipts for the quarter were impacted by revised GroupM contract terms and cash receipts timing differences. Net cash outflows from operating activities for the quarter were \$1.82M, \$1.60M higher QoQ (June 2024: net cash outflow \$0.21M).

In the September 2024 quarter, total salary costs were \$2.49M, \$0.05M down QoQ (June 2024: \$2.54M). The September 2024 quarter included \$0.19M for outgoing CEO's separation and entitlement payments and \$0.32M Directors' fees for March 23 to June 24 period, which were deferred until FY25. Total salary costs include Staff Costs and Intellectual Property (capitalised development salaries).

Outgoing cash payments during the quarter at \$5.06M are \$0.2M or 4% up QoQ (June 2024: \$4.86M). This increase in the current quarter is mainly due to \$0.36M higher publisher payouts and one-off salary cost discussed above. The increased publisher payouts correspond to higher cash receipts in the June 2024 quarter.

Ongoing cash outflows for the September 2024 quarter excluding publisher payments at \$3.28M are \$0.17M or 5% lower QoQ. Ongoing cash outflows for the September 2024 quarter excluding publisher payments, Br1dge investment, outgoing CEO's payments and directors' fees at \$2.50M are \$0.75M or 23% lower than the PCP. This represents approximate annualized cost savings of \$2.99M.

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As part of the capital raise announced to the market on 17 June 2024 in the form of a partially underwritten 3:4 accelerated pro rata non-renounceable entitlement offer, on 15 July 2024 the Company announced that \$0.95M before cost was raised.

The operating cash outflow included related party costs of \$0.60M for directors' remuneration, of which \$0.19M related to the final payments of the outgoing CEO and \$0.32M related to the payment of Directors fees from March 2023 to June 2024. The net receipts from the latter were invested back into the Company by the directors in the form of equity as part of the capital raise process.

Cash at the end of the September 2024 quarter was \$1.67M.

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For further enquiries, please contact:

Ben Loiterton
Interim Chief Executive Officer
Adslot Limited
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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 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,754	2,754
1.2 Payments for		
(a) staff costs	(2,057)	(2,057)
(b) research and development	-	-
(c) publishers	(1,771)	(1,771)
(d) other cost of sales	(304)	(304)
(e) advertising and marketing	(1)	(1)
(f) other working capital/overheads	(434)	(434)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes received/ (paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,817)	(1,817)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(431)	(431)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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 (R&D Grant)	-	-
2.6	Net cash from / (used in) investing activities	(431)	(431)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	953	953
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	(74)	(74)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9a	Other (Unmarketable parcel buyback)	-	-
3.9b	Other (Leased assets)	(51)	(51)
3.10	Net cash from / (used in) financing activities	828	828

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,147	3,147
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,817)	(1,817)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(431)	(431)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	828	828
4.5	Effect of movement in exchange rates on cash held	(58)	(58)
4.6	Cash and cash equivalents at end of period	1,669	1,669

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	1,429	2,835
5.2	Call deposits	240	312
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)	1,669	3,147

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	601
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)	401	401
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		
Lender: Radium Capital Interest rate: 16% Maturity date: 31 December 2024 Secured against associated tax rebate of the R&D expenditure for FY2024		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,817)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,669
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,669
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.9
<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:

The company has restructured its business over the last and current quarter and therefore expects to reduce net operating cash outflows in the upcoming quarters. In particular:

- Full impact of previously implemented payroll reductions.
- The September 2024 quarter includes \$0.51M in one-off and non-recurring salary cost.
- The company signed a contract extension with GroupM for 2 years including a substantial increase in monthly fixed revenues from September 2024. Approximately \$0.12M per quarter.
- Further cost reductions implemented in September and October 2024 which included:
 - Further headcount reductions resulting in around 40% reduction in payroll,
 - Number of Director reduced from five to three,
 - Director Fees to be paid in equity (subject to shareholder approval at AGM),
 - Sub-leasing of under-utilised Melbourne CBD premises from 1 December 2024 (subject to documentation),
 - Expected change in Auditors (subject to shareholder approval at AGM), and
 - Other overhead cost reductions.

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:

- \$0.54M capital raise completed on 7 October 2024.
- The FY2024 R&D claim (\$0.88M) has been successfully registered with Innovation and Science Australia in early October 2024 and is expected to be paid in the current December 2024 quarter.
- Potential to raise further capital.

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:

Yes. Based on cashflow projections which includes items discussed in 8.6.1 and 8.6.2

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.

30 October 2024

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.