



The Digital Box reports results for the period ended in September 2019

All figures in K(000)€

Gravina, Italy, November 11th 2019

The Digital Box, a leading player of Artificial Intelligence technologies, positioned to accelerate business growth in the Digital Marketing industry as well as Corporate Services, today announced the financial results for the period ended September 2019.

For the First three quarters, 2019 Net Bookings* were 4,893K€, a 6% decrease compared to the First three quarters of 2018. Overall costs were below budget and P9 2018 with a resulting group EBITDA of €184, a 52,0% increase compared to the First three quarters 2018 and below projections for the period.

The MRR (**Monthly, Recurring, Revenues**) for September and QRR (**Quarterly Recurring Revenues**) for the 3rd Quarter 2019 were 327K and 982K respectively, compared to 334K and 1.003K in September and 3rd Quarter 2018 respectively, with a 2% increase.

"The first 9 months of 2019 were challenging for the Company" said Roberto Calculli, CEO of The Digital Box. "We significantly adjusted our sales model, away from the Master Reseller model, to focus directly on our key customers: small and medium Marketing Agencies, fully certified, thus improving their efficiency.

In November 2018, we launched ADA X, the upgraded version of ADA, our Marketing Platform.

In January, we introduced ADA for Partners, an exclusive partnership program addressed to Agencies. For the first 6 months, we involved 64 new agencies for Italy and 24 for Spain. The partnership program suffered a delay in the certification process, with the first certification taking place in Italy in July instead of the end of March. This delay had an impact on sales that the certified agencies would already have brought in Q2 2019.

The change of some old partners from the Master Reseller model to the ADA X model had a negative impact and, therefore, a decline in recurring sales. Normally, Master Resellers bought significant initial subscriptions with accounts purchased in stock. Our new model simplifies the relationship with the Marketing Agencies as it takes into account actual sales made from certified agencies to end customers". On the other side, the new business model has a huge impact on the churn rate that is improving significantly.

"Despite these initial problems we are satisfied with our ability to reduce the operating costs, thus preserving the profitability" said Virgilio Picca, CFO of The Digital Box.

In 2018, The Digital Box became an AI company. It boosted ADA, its leading All-in-one Mobile Marketing platform with several significant AI-Powered components, thus improving its usability, efficiency in the interaction with end-users, and ultimately conversion rates. A new AI-based product was released to the market: ALGHO, a multilingual and multi-channel platform that exploits highly advanced AI technologies to build Virtual Assistants, perfect for any business. As of the first semester, ALGHO subscriptions were available, and we were satisfied with the performance and results.

The impact of the new business model affected the entire 2019 performances, but the management team is confident that all the processes are under control. Good traction and growth are also expected for our AI Business. "On July 31st, 2019, a leading Italian system integrator Exprivia-Italtel entered the capital of our subsidiary QuestIt, acquiring a 20% stake. "I believe this open innovation operation carried out by Exprivia is an important driving force for our AI technologies on enterprise companies" said Roberto Calculli, CEO of The Digital Box". Good traction and good impact on the technological roadmap are coming from this business operation.

The Digital Box S.p.A.

Headquarter: Largo San Francesco, 5 - 70024 Gravina in Puglia (BA) | **Capital** € 112.412,00 i.v. - **P. Iva** 08091690969

Operational Headquarter: Via C. Maria Colacicco, 8 - 70023 Gioia del Colle (BA) | **International Operations:** Torre Copisa, Plaça Europa, 2-4, 08902 Hospitalet de Llobregat - Barcelona | **Innovation Lab:** QuestIT S.r.l. - A The Digital Box Company - Via Firenze, 33 - 53048 Sinalunga (SI)

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The Digital Box Group – Profit & Loss for the period ended September 2019 (All figures in K€)

	P9-2019	P9 -2018	Delta%
Total Bookings	4.893	5.232	-6%
Subscriptions	2.702	2.983	-7%
Special Project	1.667	1.466	+14%
Consumables(SMS, Mail)	480	672	-29%
Maintenance	44	111	-60%
Cost of Goods	491	522	-6%
Gross Margin	4.402	4.710	-7%
Operating Costs	4.218	4.589	-8%
EBITDA	184	121	+52%

The Digital Box was founded in 2013 in the South of Italy) by a group of professionals, who share a profound, innovative spirit and are determined to change the way marketing is perceived and exploited.

The Company developed ADA, an all-in-one Mobile Marketing Platform, enhanced by AI solutions. Propelled by a unique and very comprehensive technology, a highly profitable and scalable sales model, ADA is addressed to a network of small and medium Marketing Agencies. With ADA, The Digital Box Customers can generate more leads and lead conversions, maximize profits and attain extensive intelligence on their client buying patterns to help them secure their loyalty.

The Company has established a solid presence in Italy, Spain, Latin America, France and in 2017 incorporated in the USA, completed the acquisition of 3 large Resellers in Italy and made a strategic technology acquisition in the AI field. Led by a strong and proven team the Company plans to expand its sales activities in Europe.

** Bookings*

In the financial statements above, there is no application of monthly revenue recognition policies GAAP for SaaS. SaaS revenues are recognized for the first committed year after the Client signs or renews the contract, and the product access is delivered. While the Company believes that Bookings give a better insight on the execution of its growth strategy, it also performs accounting to determine Monthly Recurring Revenues (MRR), Annual Recurring Revenues (ARR) and relative Churn rates figures. These figures are confidential but may be made available to investors on request.

Some of the statements contained in this press release, including information incorporated by reference, future expectations, or other forward-looking information or forecasts are subject to known and unknown risks. The forward-looking information is based on various factors and was derived using numerous assumptions. In light of the risks, assumptions, and uncertainties involved, there can be no assurance that the forward-looking information contained in this document will be achieved or prove to be accurate

The Company makes no representation and undertakes no obligation to update the information to reflect actual results or changes in assumptions or other factors that could affect those statements.

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