



The Digital Box reports results for the period ended in March 2020

All figures in K(000)€

Gravina, Italy - June 8th, 2020

The Digital Box, a leading player of Artificial Intelligence technologies, positioned to accelerate business growth in the Digital Marketing industry and Corporate Services, today, announced the financial results for the period ended in March 2020.

For the First quarter 2020, Net Bookings* were 1,174K€, a 33% decrease compared to the First quarters of 2019. Overall costs were below budget and P3 2020 with a resulting group EBITDA of €42, a 62,0% decrease compared to the First quarter of 2019.

The MRR (**Monthly Recurring Revenues**) for March and QRR (**Quarterly Recurring Revenues**) for the 1st Quarter 2020 were 249K and 745K, respectively, compared to 292K and 878K of December and 4th Quarter 2019, with a 14% decrease.

"The first 3 months of 2020 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. The first quarter of 2020 underwent a slowdown in sales, because of the spread of the pandemic in the month of March.

The effect of the COVID-19 pandemic will affect the Group revenues and EBITDA in the 2nd quarter of 2020. We expect a reduction in revenues around 50% compared to the 2nd quarter of 2019. But we are very positive about the entire 2020 for the following reasons:

1. The ADA platform is winning support from customers. The new price list launched on May 4th, including 3 price plans, which differ in technology and consumables, is increasing the conversion rates from 5% before the COVID-19 to 25%. Thanks to this improvement, we are very confident and expect gradual sales and margins recovery within the year, in both Italy and Spain.
2. AI projects with the ALGHO-owned platform are meeting the enterprise-customers expectations as well, thanks to the launch of RITA, an AI-powered conversational assistant born to inform Italian citizens on the COVID-19 emergency.
3. The efforts of our subsidiary Genesis Mobile committed to evangelizing ADA to SMEs market to which it adds the part of marketing services, faced the lockdown to restart immediately. A new organization with new managers and a smart and rewarding career model are giving the first positive results.
4. As technological development, the semantic engine in the ALGHO platform has been improved. ADA has finally implemented the new Customer Data Platform, placing it among the first European Platforms offering this advanced technology to SMEs.

We took several actions to preserve business continuity. In particular, we are accessing all the measures put in place by the Decreto Cura Italia and Decreto Rilancio to ensure cost containment and adequate service level for our customers.

In January 2019, we introduced ADA for Partners, an exclusive partnership program addressed to Agencies. For the first 12 months, we involved 81 new agencies for Italy and 41 for Spain. The partnership program suffered a delay in Q1 2020 due to the pandemic's impact, but we remain very optimistic about the program.

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

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

In 2019, The Digital Box became an AI company. It boosted ADA, its leading All-in-one Mobile Marketing platform with several significant AI-Powered components, 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 quarter, ALGHO subscriptions were available, and we were satisfied with the performance and results.

The new business model affected the entire 2019 and Q1 2020 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 June 4th, the extraordinary assembly approved the issue of the so-called Basket Bond Puglia. It is a 2 million euro bond loan with amortized plan over 7 years. These financial resources will be invested according to a plan shared with the bond subscribers.

"We are truly satisfied with this result which allows us to have the necessary liquidity to continue investing in ADA and ALGHO. We are also immensely proud that important institutional investors such as Cassa Depositi e Prestiti and Unicredit SpA have believed in our plan and our project. Only 7 Apulian SMEs were eligible for the bond issue" said the CEO, Roberto Calulli.

The Digital Box Group – Profit & Loss for the period ended March 2020 (All figures in K€)

	P3-2020	P3 -2019	Delta%
Total Bookings	1.174	1.745	-33%
Subscriptions	595	1.122	-46%
Special Project	444	386	+15%
Consumables(SMS, Mail)	124	214	-42%
Maintenance	10	22	-54%
Cost of Goods	181	290	-38%
Gross Margin	992	1.455	-32%
Operating Costs	950	1.337	-29%
EBITDA	42	118	-64%

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 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 gives a better insight into 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.

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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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