

ASX RELEASE

30 July 2021

ADVERTITAS CONTINUES ITS GROWTH MOMENTUM IN Q4 FY21

QUARTERLY ACTIVITIES REPORT FOR THE JUNE QUARTER 2021

Q4 FY21 highlights:

- **Annualised revenue, a key lead indicator of future revenue, increased by 60% to \$1 million** (Q3 FY21: \$640k)
- **Sales growth continued post 30 June**, with a further \$190k in annualised revenue added in July 2021
- **TrafficGuard's reported revenue increased 35%** (from Q3 FY21) to \$290k
- **Rapid freemium subscriber growth**, another lead indicator of future revenue
 - Up 20% since 31 March 2021 to over 2,750
 - Conversion of freemium to paying customers, averaging 13% in Q4 FY21, exceeding management expectations and global average of 2-5%¹
- **Paying customers remained constant at close to 180** (from Q3 FY21) with cross and upsell potential
- **TrafficGuard to be live in the Google Cloud Platform marketplace in the current quarter**, the only certified ad verification software in this marketplace, providing access to all Google Cloud Platform customers with the support of the global Google Cloud Platform sales team
- **Strong balance sheet supporting growth investment** into marketing channels to drive future enterprise sales, with \$3.2 million cash and no debt at 30 June 2021, and a further \$3 million raised post quarter end

Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to provide this quarterly activities report for the three months ended 31 June 2021 (Q4 FY21).

Revenue growth

Over Q4 FY21 and post quarter end, Adveritas signed several new customer contracts, including several global enterprises.

¹ <https://hbr.org/2014/05/making-freemium-work>

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The new contracts signed during Q4 FY21 generated annualised revenue of \$350k, increasing total annualised revenue to circa \$1 million at the end of June. This marks a 60% increase in annualised revenue from Q3 FY21, a key lead indicator of future revenue. Post Q4 FY21, Adveritas' customer base continued to rapidly expand, with an additional \$190k in annualised revenue contracted in July 2021.

Rapidly growing Freemium and paying subscribers

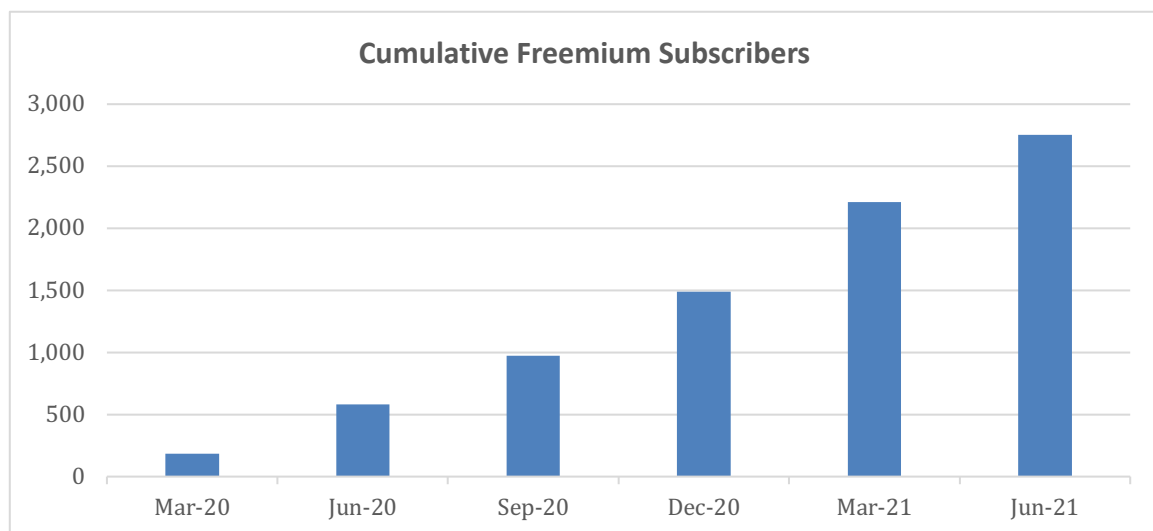
Adveritas continues to rapidly grow both Freemium and paying customers, which are also strong leading indicators of future revenue growth.

The Freemium user base provides:

- A large and growing user base with significant cross and upsell potential.
- A rich data set across multiple customer verticals and markets, enhancing the value of TrafficGuard's global, proprietary anti-fraud database.

Through Q4 FY21:

- Freemium subscribers increased by approximately 20% to 2,750



- Freemium Conversion Ratio (i.e. the rate of conversion from Freemium to paying customers) averaged 13%
- New marketing initiatives to be rolled out in Q2 FY22 should see both Freemium sign ups and conversions increase

Google Cloud Platform marketplace significantly increases exposure

Adveritas expects TrafficGuard to be live in the Google Cloud Platform marketplace in Q1 FY22, significantly increasing exposure to all Google Cloud Platform global enterprise clients. Being part of

this marketplace was a key priority for the Company as this is in line with other major SaaS companies that have utilised Cloud marketplace benefits.²

Google Cloud Platform provides a marketplace for global enterprises to cover their complete enterprise software needs. TrafficGuard is delighted to have been selected as the only certified ad verification vendor in this marketplace, following an extensive relationship with Google Cloud Platform.

TrafficGuard will have direct exposure to all to Google Cloud Platform customers, with the support of the global Google Cloud Platform sales team.

Adveritas is also proud to announce the successful migration of its infrastructure service to the Google Cloud Platform . An intricate process of planning and engineering allowed a smooth execution. This move better aligns the Company's infrastructure systems with customer needs, economics, scale and Machine Learning requirements. These changes set the business in good stead for further rapid growth while maintaining an industry-leading solution.

Instituting the partnership and close collaboration with Google has enabled Adveritas to engineer systems that allow the management of large volumes of data with an improved economy and flexible scale. The net benefit of this will be an improved cost of sale and higher margins to Adveritas.

Investments in sales and marketing capabilities to underpin further growth

During the first half of the 2021 calendar year (CY21), the Company focused on streamlining its sales process to further compress the sales cycle.

Adveritas has centralised a sales development process in Asia that involves account identification, customer profiling (prospecting), initial outreach and customer onboarding processes. As a result, the business is increasing the number of meetings with prospective clients, and, as a consequence, the number of trials each week.

Importantly, as the business conducts more trials, it is better able to materialise results and case studies, which drives additional trials and conversions.

As Adveritas has put these processes in place, its sales team has been re-shaped with talented sales representatives being attracted and directed by strong sales leadership. Sales representatives that have recently joined the team across Asia and Europe come from strong backgrounds with track records of delivering growth, including firms like Factual, BBC, Bliss and Celtra, which are all marketing tech advertising companies. As TrafficGuard wins more high-profile clients, additional talent will be attracted to the business to fuel further growth.

The recent additions to the sales team have contributed considerably to Q4 FY21's revenue growth and have bolstered the Company's pipeline across key verticals including gaming, retail, on demand transport and many others, which bodes well for the back half of CY21.

² <https://tackle.io/resources/reports/state-of-cloud-marketplaces/>

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Integrated sales and marketing process

Having implemented an end-to-end enterprise sales process, Adveritas is now implementing an integrated sales and marketing process to drive inbound leads to its self sign up portal.

The Company is in the final stages of appointing a Global Chief Marketing Officer who will be responsible for all aspects of profile building, brand awareness, education and lead generation globally.

The enhanced sales and marketing capabilities will underpin Adveritas' global scale-up and is expected to grow the number of enterprise clients, while also rapidly growing Freemium subscribers and paying customers.

Growing proprietary database

TrafficGuard's proprietary big database of global ad fraud is growing rapidly, increasing its appeal to advertising customers and creating potential for new products that will allow us to monetise this big data.

IP reputation scores are now becoming an actionable data point for advertisers globally.

To date, TrafficGuard has profiled over 700 million IPs around the world, of 4.6 billion IP addresses globally under IPv4. TrafficGuard then uses its proprietary technology to essentially score that IP. Each day, TrafficGuard adds close to 1 million new IPs to its reputation dataset. As TrafficGuard grows and adds additional clients and regions, this increases its unique Advertising intelligence on the key data point used for detection and prevention.

As advertising is moving from personal identifier to contextual targeting with new regulations including the removal of IDFA, the location and network attributes, which are derived from IPs are more important than ever.

TrafficGuard's years of clean profiled and organised IP intelligence and data set enables advertisers to filter out fraudulent IPs to enhance returns from their digital advertising campaigns.

This IP intelligence and unique scoring allows for the commercialisation of other products, which the Company will announce to market in the future.

Equity raising post quarter end to accelerate growth

The Company closed the quarter with a cash balance of \$3.2 million, and no debt. To accelerate sales and marketing activities based on multiple visible growth opportunities, Adveritas raised \$3 million via placement post quarter end to further strengthen its balance sheet. The placement was supported by Pathfinder Asset Management (New Zealand's leading ethical investment fund) and new and existing sophisticated investors. 30 million shares were issued at an issue price of \$0.10 per share, which equated to the 7-day VWAP.

The Company also has 55.5 million listed options (AV10) with an exercise price of \$0.10 that expire in October 2021 which, if fully exercised, will raise up to \$5.5 million of additional capital.

Commentary

Adveritas Co-founder & CEO Mr Ratty said:

“We are delighted to see the number of companies utilising our technology continuing to scale, with several large global market leaders choosing to use our anti-fraud services following trial periods, which will underpin our future revenue growth. Pleasingly, our annualised revenue from enterprise and mid-market clients has scaled tremendously over FY21 and we expect this trend to continue.

“Our pipeline continues to build, with several global companies currently undertaking trials and current customers trialling additional services. Given the positive feedback received, we expect to see our relationships with enterprise clients expand over time to protect their advertising spend. The recent increase in our customer base which spreads across enterprise, mid-level and Freemium conversions, combined with new sales initiatives we have put in place gives me great confidence we will achieve significant growth in the coming quarters.”

Cash receipts

Whilst revenue for Q4 FY21 was 35% higher than that recorded in Q3 FY21, cash receipts in Q4 FY21 were lower than in Q3 FY21 due to there being a number of “catch up” payments being received in Q3 FY21. In addition, many of the new clients that were signed up in Q4 FY21 will commence payment in Q1 FY22.

Managing cash payments

	Current quarter Jun 2021 \$'000	Previous quarters		
		Mar 2021 \$'000	Dec 2020 \$'000	Sep 2020 \$'000
Research and development	(822)	(725)	(863)	(795)
Product manufacturing & operating	(233)	(297)	(140)	(155)
Advertising and marketing	(365)	(207)	(167)	(196)
Staff costs	(927)	(1,041)	(967)	(851)
Administration and corporate	(252)	(367)	(308)	(512)
Total expenditure payments	(2,321)	(2,637)	(2,445)	(2,509)

Total expenditure payments in Q4 FY21 were lower than previous quarters. The 12% decrease in expenditure compared to Q3 FY21 mainly relates to reduced staff costs associated with changes to the team structure.

Payments to directors during the quarter amounted to \$153k and comprised salaries and fees of \$117k (included in staff costs) and consultancy fees of \$36k (\$26k included in administration and corporate costs and \$10k included in advertising and marketing costs).

This announcement is authorised for lodgement by the Board of Adveritas Limited.

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For more information, please contact:

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About Adveritas

Adveritas Ltd (ASX:AV1) creates innovative software solutions that leverage big data to drive business performance. Adveritas' ad fraud prevention software, TrafficGuard, is its first available software as a service. Early adopters of TrafficGuard include LATAM super-app, Rappi and APAC super-app, GO-JEK. Both businesses are well funded with \$2 billion and \$12 billion valuations respectively, and conducting aggressive user acquisition advertising for fast growth. In both cases, TrafficGuard was chosen after a rigorous procurement process that saw the effectiveness of our solution evaluated against a range of competing solutions.

For more information, see <https://www.adveritas.com.au/>



About TrafficGuard

TrafficGuard detects, mitigates and reports on ad fraud before it impacts digital advertising budgets. Three formidable layers of protection block both general invalid traffic (GIVT) and sophisticated invalid traffic (SIVT) to ensure that digital advertising results in legitimate advertising engagement. TrafficGuard uses patent-pending technology and proprietary big data accumulated by the performance advertising business previously operated by the Company.

For more information about TrafficGuard's comprehensive fraud mitigation, see <https://www.trafficguard.ai>

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Adveritas Limited

ABN

88 156 377 141

Quarter ended ("current quarter")

June 2021

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	169	946
1.2 Payments for		
(a) research and development	(822)	(3,205)
(b) product manufacturing and operating costs	(233)	(825)
(c) advertising and marketing	(365)	(935)
(d) leased assets	-	-
(e) staff costs	(927)	(3,786)
(f) administration and corporate costs	(252)	(1,439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,180
1.8 Other (provide details if material)	108	712
1.9 Net cash from / (used in) operating activities	(2,321)	(7,340)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(29)	(43)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(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	(29)	(42)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	393
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(59)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,334

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,573	8,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,321)	(7,340)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(42)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,334
4.5	Effect of movement in exchange rates on cash held	9	(71)
4.6	Cash and cash equivalents at end of period	3,232	3,232

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	3,232	5,573
5.2	Call deposits	-	-
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)	3,232	5,573

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1 ([see explanation below](#))
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

153

-

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

Explanation of payments shown at 6.1

The amount at item 6.1 comprises the following payments to executive and non-executive directors:

- salaries and fees of \$117,062; and
- consultancy fees of \$36,181

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,321)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,232
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,232
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: Yes

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: Subsequent to the quarter end, as announced on 19 July 2021, the Company successfully raised \$3 million via a placement of 30 million shares at \$0.10 per share.

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. Combining the placement proceeds with the Company's current cash reserves provides the Company with sufficient funding for a further 3 quarters. In addition, the Company has 55 million listed options with a \$0.10 exercise price that expire in October 2021. The funds that will potentially be raised from the exercise of these options will further strengthen the Company's cash reserves.

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.

Date: 30 July 2021

Authorised by: The Board of Directors

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.