

**ASX RELEASE (ASX: AVI)**

**28 October 2021**

## **ADVERTITAS GENERATES RECORD QUARTERLY CASH RECEIPTS AND ANNUALISED REVENUE**

### **QUARTERLY ACTIVITIES REPORT FOR THE SEPTEMBER QUARTER 2021**

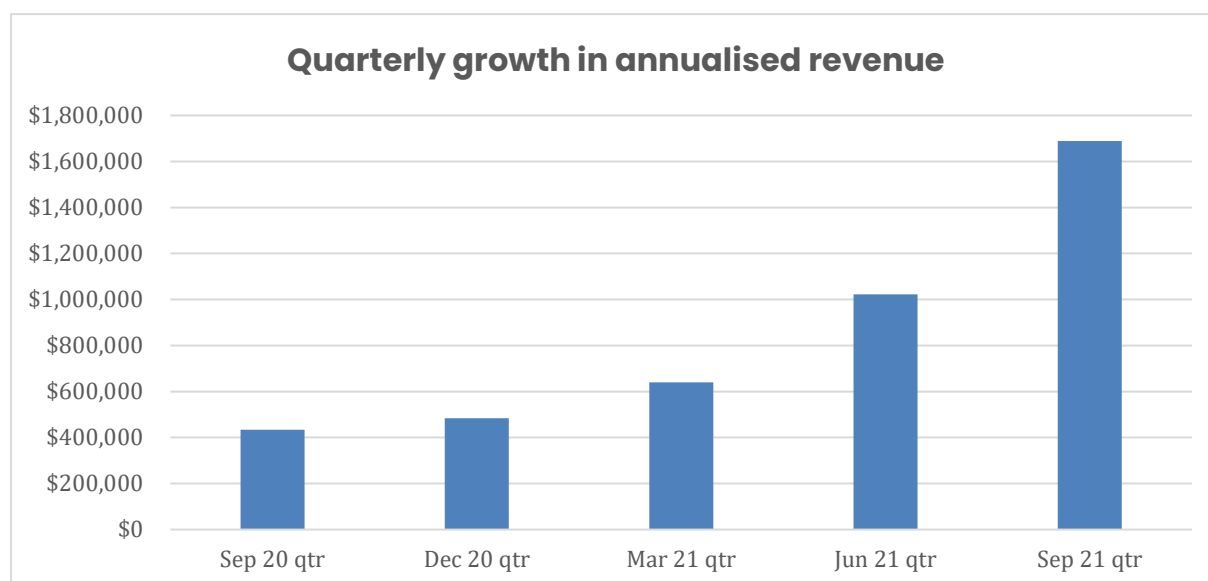
#### **Highlights:**

- **Annualised revenue at 30 September 2021 was circa \$1.6 million, up 57% since 30 June 2021**
- **TrafficGuard recorded revenue of \$565k in Q1 FY22, up 95% from Q4 FY21 and an increase in cash receipts of 150% to a record \$422k.**
- **Contracts executed with a number of market leaders globally in key target industry verticals**
  - Betfred, BetBull, CARS24, JD.ID, Palmerbet and Singtel
- **TrafficGuard accepted and integrated into the Google Cloud marketplace**
  - Adveritas is currently working with the Google Cloud Go To Market (GTM) team on marketing collateral of the TrafficGuard benefits to send out to potential clients
- **Continued Freemium subscriber growth**
  - Up 17% since 30 June 2021 to over 3,100
  - Conversion of Freemium subscribers to paying customers remained strong at 10% in Q1 FY22
- **Successfully raised \$3 million to accelerate growth, with a further \$3.6 million raised post quarter end through the exercise of 36 million listed options**
- **Strong balance sheet supporting growth initiatives**, with \$3.45 million cash and no debt at 30 September 2021, further bolstered by funds raised from the exercise of listed options post quarter end **giving the Company a pro forma cash balance of circa \$7 million.**

Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to provide this quarterly activities report for the three months ended 30 September 2021 (Q1 FY22).

### Rapidly accelerating revenue growth

Over Q1 FY22 Adveritas signed several key enterprise customer contracts, which added approximately \$585k in annualised revenue, rapidly increasing total annualised revenue to approximately \$1.6 million. This represents a 57% increase in annualised revenue since 30 June 2021, with the pace of growth increasing due to the successful execution of Adveritas' focused growth strategy. The substantial success in signing new enterprise customers follows investments made into sales and marketing initiatives in recent months, which resulted in a growing number of trials and a strengthened pipeline.



As announced to the ASX throughout the quarter, Enterprise contracts were signed with the following multi-billion dollar market leaders globally in key target industry verticals:

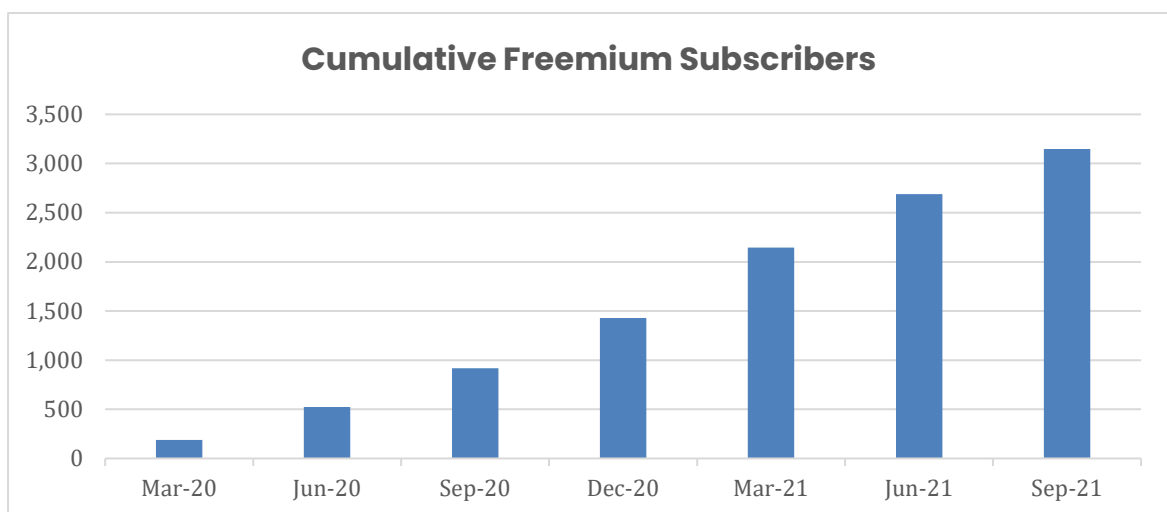
- **Betfred**, the largest private retail bookmaker in the UK, which has rapidly grown to have turnover in excess of £500 million per annum
- **Betbull**, a rapidly growing social sports betting company, expanding internationally through a key partnership with owner Wynn Interactive Group

- **CARS24**, ecommerce platform for pre-owned autos (cars and bikes), valued at over \$2 billion and backed by some of the world's largest investors, including Softbank
- **JD.ID**, one of Indonesia's largest eCommerce platforms, a subsidiary of JD.Com, one of China's largest eCommerce businesses with a market capitalisation equivalent to A\$175 billion
- **Palmerbet**, an Australian sports betting company with a 50-year history, which has been brought online
- **Singtel**, Asia's leading communications group (parent company of Optus).

### Rapidly growing Freemium subscribers

Adveritas continues to rapidly grow its Freemium subscribers, which is a strong leading indicator of future revenue growth. The Freemium subscriber base provides a paying customer pipeline with significant cross and upsell potential, and a rich data set across multiple industry verticals and markets, enhancing the value of the Company's global, proprietary anti-fraud database.

Over Q1 FY22, Freemium subscribers increased by approximately 17% to over 3,100 providing a large base of users to convert into paying customers. A Chief Marketing Officer has been appointed, commencing in January 2022, whose focus will be on content and case studies to drive the conversion of Freemium subscribers to paying customers and increase the conversion and retention ratios.



### **Google Cloud Marketplace significantly increases exposure and reduces contracting times**

As announced on 14 October, TrafficGuard has been officially accepted and integrated into the Google Cloud Marketplace, and is the only pay per click (PPC) advertising verification program on the platform globally. Solutions that have entered the Google Cloud Marketplace have been vetted by Google against security vulnerabilities and the Marketplace allows solutions to be easily adopted with reduced contracting times.

TrafficGuard's acceptance into the Google Cloud Marketplace has been a key priority for Adveritas over the last nine months, as the Company looked to rapidly scale TrafficGuard's services by taking advantage of the substantial benefits from the Google Cloud Marketplace, including:

1. Opening of an additional sales channel with Google Cloud reps introducing the TrafficGuard solution on behalf of Adveritas, with the first client already in trial
2. Providing access to Google Cloud's customer base across numerous key targeted countries
3. Reducing the sales cycle for potential customers that already have Google as a preferred partner due to substantially reduced legal and procurement times.

### **Equity raised to accelerate growth**

To accelerate sales and marketing activities, Adveritas raised \$3 million via placement in July, further strengthening 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 capital invested into sales and marketing initiatives has already started to generate revenue, as evidenced by the rapid increase in Annualised Revenue in the September quarter.

Post quarter end, the Company raised \$3.6 million through the exercise of 36 million listed options that expired on 25 October 2021.

## Commentary

Commenting on the Company's rapidly accelerating growth, and record quarterly cash receipts and annualised revenue, Adveritas Co-founder & CEO Mat Ratty said:

"We made substantial progress with scaling our revenue during the September quarter, signing up a number of market leading enterprise customers to increase annualised revenue by 57% since June, reaching circa \$1.6 million. This followed investments made into sales initiatives to drive growth.

"TrafficGuard is increasingly being recognised for the significant benefits our multi-channel solution brings to solving a massive global ad-fraud problem. Recent client wins provide powerful use cases, as new customers see around 15-25% of ad fraud on average, and in some extreme cases upwards of 80%. TrafficGuard automates the removal of invalid traffic so it does not impact on our clients' budgets, and clients now have the added bonus of clean analytics on which to base informed decisions.

"As a result of the launch of TrafficGuard on the Google Cloud Marketplace, the growing recognition of our solution from client testimonials and our revitalised sales approach, we expect to continue to rapidly grow through the remainder of FY22. We are also highly encouraged by the increasing number of enterprise trials taking place and look forward to converting the majority of these companies into paying clients in the months ahead."

## Cash receipts

Revenue for Q1 FY22 of \$565k was 95% higher than that recorded in Q4 FY21, and cash receipts were up 150% from Q4 FY21 to a record \$422k.

## Managing cash payments

	<b>Sep 2021</b>	<b>Previous quarters</b>		
		<b>Jun 2021</b>	<b>Mar 2021</b>	<b>Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Research and development	(1,196)	(822)	(725)	(863)
Product manufacturing & operating	(292)	(233)	(297)	(140)
Advertising and marketing	(148)	(365)	(207)	(167)
Staff costs	(1,143)	(927)	(1,041)	(967)
Administration and corporate	(441)	(252)	(367)	(308)
<b>Total expenditure payments</b>	<b>(3,220)</b>	<b>(2,321)</b>	<b>(2,637)</b>	<b>(2,445)</b>

Total expenditure payments in Q1 FY22 were higher than previous quarters. The increase in research and development and product, manufacturing and operating costs relates to the transition of server hosting functions to Google Cloud Platform. Considerable testing and planning was required to ensure a smooth transition. Staff costs increased as a result of the recruitment of additional sales reps in key locations. Administration and corporate costs were higher than the previous quarters as a result of annual prepayments for insurance and ASX listing fees.

Payments to Directors during the quarter amounted to \$144k and comprised salaries and fees of \$114k (included in staff costs) and consultancy fees of \$30k (\$26k included in administration and corporate costs and \$4k included in advertising and marketing costs).

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

- ENDS -

**For more information, please contact:**

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### **About Adveritas**

Adveritas Ltd (ASX:AVI) 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>

## 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")**

September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	422	422
1.2 Payments for		
(a) research and development	(1,196)	(1,196)
(b) product manufacturing and operating costs	(292)	(292)
(c) advertising and marketing	(148)	(148)
(d) leased assets	-	-
(e) staff costs	(1,143)	(1,143)
(f) administration and corporate costs	(441)	(441)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	11	11
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,785)</b>	<b>(2,785)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(6)
(d) investments	-	-
(e) intellectual property	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
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 (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(6)</b>	<b>(6)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,000
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	(15)	(15)
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	<b>Net cash from / (used in) financing activities</b>	<b>2,985</b>	<b>2,985</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,232	3,232
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,785)	(2,785)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,985	2,985
4.5	Effect of movement in exchange rates on cash held	28	28
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,454</b>	<b>3,454</b>

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	3,454	3,232
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,454</b>	<b>3,232</b>

**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**

144

-

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 \$114,550; and
- consultancy fees of \$29,692

**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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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)

(2,785)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

3,454

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

3,454

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 quarter end, the Company raised \$3.6 million from the exercise of 36 million listed options which expired on 25 October 2021. The funds raised includes \$1.3 million from three of the Company's directors who exercised 13 million options.

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 proceeds from the exercise of options with the Company's current cash reserves provides the Company with sufficient funding for a further 2 quarters.

## 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: 28 October 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.