

ASX RELEASE (ASX: AV1)

28th January 2022

ADVERTITAS CONTINUES RECORD GROWTH IN Q2 FY22

QUARTERLY ACTIVITIES REPORT FOR THE DECEMBER QUARTER 2021

Highlights:

- **Record annualised revenue at 31 December 2021 of circa \$1.72 million, up 68% since 30 June 2021, further increasing to \$1.85 million in January 2022**
- **TrafficGuard recorded revenue of \$960k in H1 FY22, up 108%** from H1 FY21 and reports an increase in cash receipts of 113% to a record \$1,073k in H1 FY22 (H1 FY21: 504k).
- **Contracts executed with various organisations across telecommunications, legal and retail industries during the quarter and with William Hill and MyRepublic post quarter end**
- **TrafficGuard Google Cloud relationship progressing strongly**
 - Marketing collateral on TrafficGuard benefits ready in Q3 FY22 for a Q4 FY22 launch with initial introductions underway in January.
- **Continued Freemium subscriber growth**
 - Up 20% since 30 September 2021 to more than 3,140
 - Conversion of Freemium subscribers to paying customers remained strong at approx. 7% in Q2 FY22
- **\$5 million raised to accelerate growth initiatives**
- **Healthy balance sheet** with \$6.4 million cash and no debt at 31 December 2021
- **Post quarter end, appointed an experienced Chief Marketing Officer to lead an integrated sales and marketing approach**

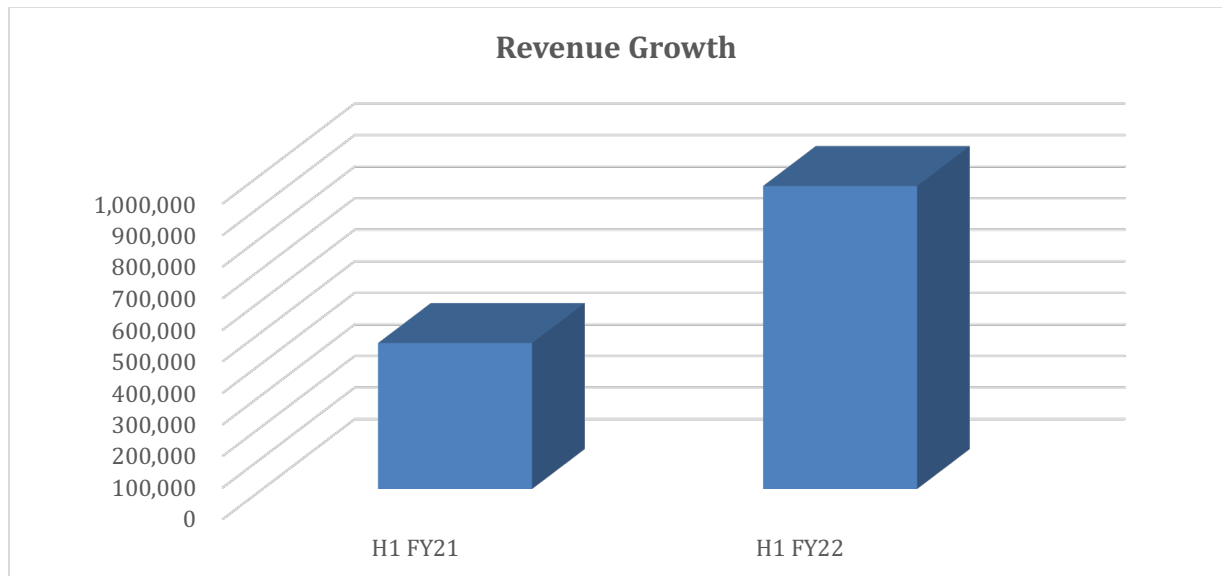
Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to provide this quarterly activities report for the three months ended 31 December 2022 (Q2 FY22).

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Record growth in annualised revenues continues

Adveritas signed several key contracts in Q2 FY22, which resulted in annualised revenue of approximately \$1.72 million at 31 December 2021. Post quarter end, annualised revenue further increased to circa \$1.85 million. This represents an 80% increase in annualised revenue since 30 June 2021, demonstrating the effectiveness of Adveritas' focused growth strategy and record trial pipeline, following its significant investment into sales initiatives.

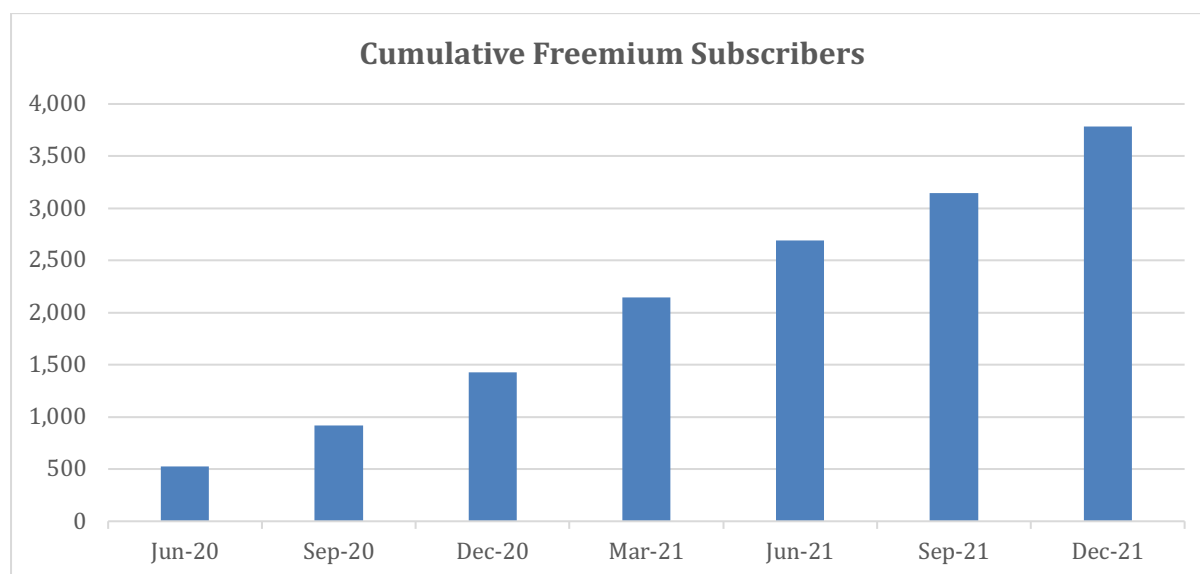
The Company recorded revenue of \$960k in H1 FY22 which represents an increase of 108% on the \$462k revenue recorded in H1 FY21.



Continued growth in Freemium subscribers and appointment of CMO

Adveritas continues to rapidly grow its Freemium subscribers, 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 Q2 FY22, Freemium subscribers increased by approximately 20% to over 3,140 providing a large base of users to convert into paying customers.



The appointment of Chad Kinlay as Chief Marketing Officer in January 2022 will help scale enterprise meetings for the Company’s direct sales force in 2022. In addition, his efforts will drive the conversion of Freemium subscribers to paying customers and increase the conversion and retention ratios during the second half of 2022 and beyond.

Chad brings 18 years of marketing experience to Adveritas, having worked in senior roles across the banking, hotel, pharmaceutical and telecommunications industries. Chad was most recently Director of Marketing and Communications at Epsilon Telecommunications, where he headed up marketing and communications across APAC, USA, Europe and MEA and was responsible for significantly scaling the revenue of that business.

Equity raised to accelerate growth

During Q2 FY22, Adveritas raised a total of \$5 million, \$3.6 million of which resulted from the exercise of 36 million listed options (AVIO), and \$1.4 million through a placement of 14 million shares.

The placement funds were raised from parties who did not hold AVIO options but were interested in joining the Company’s shareholder register. Strategic investor Record Point, a leading independent corporate advisory firm, alongside other professional high net worth sophisticated investors participated in the placement.

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The Company's significantly strengthened capital position will support acceleration of sales growth initiatives including:

- Broadening of the digital marketing footprint and program;
- Hiring of additional sales representatives across Asia and Europe; and
- Supporting the roll-out of TrafficGuard on the Google Cloud Marketplace

Commentary

Commenting on the Company's rapidly accelerating growth, Adveritas Co-founder & CEO Mat Ratty said:

"Our growth momentum continues to build in FY22 with the launch of TrafficGuard on the Google Cloud Marketplace, further enterprise client wins and strong renewal rates from existing clients, leaving us in an excellent position to scale out TrafficGuard. We are successfully rolling out our enterprise strategy through our direct sales force, attracting market leading clients across our key target verticals. Several multi-billion dollar unicorns and a strong amount of mid level clients are currently trialling TrafficGuard, which if converted would support a continued rapid scale up of our annualised revenue. With a record sales pipeline and an increasing number of enterprise trials, we expect to see high conversion rates in the months ahead. Our recent reshaping of our sales team across Asia and Europe will also underpin expansion into new verticals and continued global growth."

Cash receipts

	Dec 2021	Previous quarters		
		Sep 2021	Jun 2021	Mar 2021
	\$'000	\$'000	\$'000	\$'000
Receipts from customers	651	422	169	273

Receipts from customers were up 54% from Q1 FY22 and include an amount of \$179k received from ClearPier Inc to settle a number of overdue invoices.

Managing cash payments

	Dec 2021	Previous quarters		
		Sep 2021	Jun 2021	Mar 2021
	\$'000	\$'000	\$'000	\$'000
Research and development	(941)	(1,196)	(822)	(725)
Product manufacturing & operating	(175)	(292)	(233)	(297)
Advertising and marketing	(113)	(148)	(365)	(207)
Staff costs	(1,254)	(1,143)	(927)	(1,041)
Administration and corporate	(265)	(441)	(252)	(367)
Total operating expenditure payments	(2,086)	(3,220)	(2,321)	(2,637)

Total expenditure payments in Q2 FY22 were lower than previous quarters. Payments for the transition of the Company's server hosting function to Google Cloud Platform came to an end during Q1 FY22, resulting in a lower cash outflow in Q2 FY22 in the research and development and product manufacturing areas. Advertising and marketing payments were lower than previous quarters as the Company decided to hold off on executing a number of marketing initiatives until the Chief Marketing Officer commenced in Q3 FY22.

Payments to Directors during the quarter amounted to \$145k and comprised salaries and fees of \$119k (included in staff costs) and consultancy fees of \$26k (included in administration and corporate costs).

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

- ENDS -

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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

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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")

December 2021

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	651	1,073
1.2 Payments for		
(a) research and development	(941)	(2,137)
(b) product manufacturing and operating costs	(175)	(467)
(c) advertising and marketing	(113)	(261)
(d) leased assets	-	-
(e) staff costs	(1,254)	(2,397)
(f) administration and corporate costs	(265)	(705)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
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)	10	21
1.9 Net cash from / (used in) operating activities	(2,086)	(4,871)

2. Cash flows from investing activities

2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(17)	(23)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	129	129
	(c) property, plant and equipment	2	2
	(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	(114)	(108)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,400	4,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	3,594	3,594
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(7)	(22)
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	4,987	7,972

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,454	3,232
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,086)	(4,871)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	114	108
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,987	7,972
4.5	Effect of movement in exchange rates on cash held	(33)	(5)
4.6	Cash and cash equivalents at end of period	6,436	6,436

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	6,436	3,454
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)	6,436	3,454

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**

145

-

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 \$119,394; and
- consultancy fees of \$25,950

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

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- 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)	(2,086)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,436
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	6,436
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3

- 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:

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:

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:

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 January 2022

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.