

ASX RELEASE (ASX: AVI)

29 April 2022

ADVERTITAS CONTINUES TO SIGN LEADING ENTERPRISES

QUARTERLY ACTIVITIES REPORT FOR THE MARCH 2022 QUARTER

Q3 FY22 highlights

- **Revenue up 120% to \$473k (compared to Q3 FY21)**
- **Cash receipts up 76% to \$481k (compared to Q3 FY21)**
- **Key enterprise clients signed in the quarter include William Hill, MyRepublic, Content Fly, MoneySmart, Pomelo Fashion and Superbet**
- **Upgrades signed with Go-Jek, Singtel and William Hill**
- **Google Cloud Marketplace go to market strategy underway with first introductions and trials commencing**
- **Continued Freemium subscriber growth and strong conversion to paying customers**
- **Healthy balance sheet underpins continued scaling up of enterprise sales growth initiatives**

Adveritas Limited (ASX: AVI) (Adveritas or the Company) is pleased to provide its quarterly activities report for the three months ended 31 March 2022 (Q3 FY22).

Growth in revenue and customer base

Following successful trials, the Company signed several industry leading clients across the betting, retail and fintech sectors to TrafficGuard during Q3 FY22. In addition to winning new clients, several existing customers upgraded their contracts, supporting the Company's "land and expand" strategy.

Commenting on Adveritas' Q3 FY22 performance, Co-founder & CEO Mat Ratty said:

"We are successfully rolling out the Company's enterprise sales strategy through our globally expanded sales team. Our newly appointed Chief Marketing Officer, Chad Kinlay, is playing a key role in building brand and product awareness across

key prospect verticals, scaling enterprise trials and optimising pipeline opportunity conversion metrics.

With a growing sales pipeline and increasing number of enterprise trials in progress, we expect to see higher opportunity win rates and strong annualised revenue growth ahead.”

Google Cloud Marketplace go to market strategy prepared for Q4 launch

TrafficGuard’s Google Cloud relationship progressed strongly over the quarter, reflected in the launch of the Google Cloud Marketplace go to market strategy. The launch took place in April 2022 with dedicated briefings to the Google Cloud Enterprise Account Managers across APAC. These briefings are now yielding introductions from Google into key Enterprise accounts. Further briefings are scheduled through Q4 FY22.

This partnership is a significant milestone for Adveritas as demand for Google Cloud services is rapidly growing from businesses that also have large digital advertising spends through the Google paid ads channel. The TrafficGuard product provides a complimentary solution for these businesses to optimise their return on advertising spend. TrafficGuard is also well positioned to scale adoption as it is the only PPC verification vendor application that can detect ad fraud and provide insights on ad spend with real-time data available on the Google Cloud Marketplace.

Adveritas’ new Chief Marketing Officer commenced in January 2022 and has been focused on producing collateral, workflows, and product awareness to underpin TrafficGuard’s successful Google Cloud Marketplace marketing drive. The Company is confident the leads generated from Google Cloud Marketplace will result in enterprise client sign ups from Q4 FY22, to underpin strong annualised revenue growth in future quarters.

Commenting on the Company’s Google Cloud relationship, Mat Ratty said:

“We scaled up our marketing efforts, and finalised preparations for our go to market launch on the Google Cloud Marketplace, a channel partnership that we believe will be a material driver of enterprise adoption.

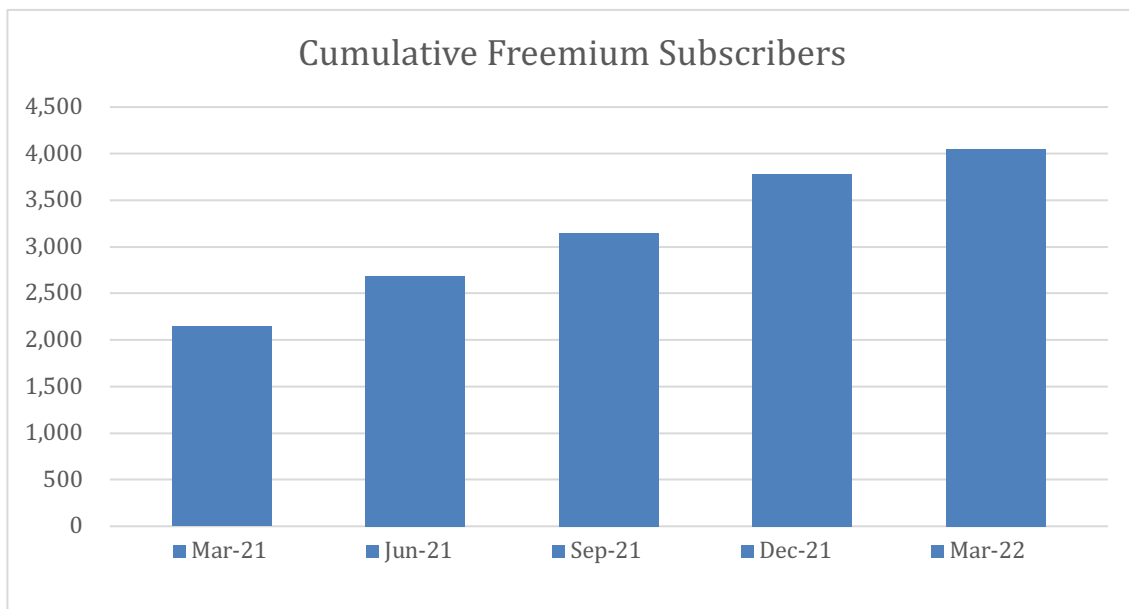
“Having worked closely with Google to prepare the necessary marketing collateral and sales strategy, we launched our Google Cloud Marketplace go to market strategy on 1 April 2022. This is a significant milestone, positioning us to scale out TrafficGuard in upcoming quarters.

"We are confident that the Google Cloud Marketplace will be a material sales channel for TrafficGuard, facilitating significant lead generation, which we expect to underpin strong annualised revenue growth. Having trained a large number of Google sales staff across APAC earlier this month, I am excited by the opportunities we have to utilise Google's experienced and knowledgeable sales team to distribute TrafficGuard widely amongst their customers. Their sales team are highly incentivised to encourage widespread adoption of TrafficGuard, to improve the return on advertising spend on Google PPC, relative to competing channels."

Freemium subscribers remain at strong levels

A key indicator of future revenue growth is the level of Freemium subscribers. Over Q3 FY22, Freemium subscribers increased another 7% from Q2 FY22 to circa 4,049. Conversion of Freemium subscribers to paying customers remained strong at approx. 10% in Q3 FY22.

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.



In addition to rolling out the Google Cloud Marketplace sales strategy, Adveritas' Chief Marketing Officer is focused on broadening the recognition of TrafficGuard amongst potential customers globally. He is putting in place strategies to maximise

the conversion of Freemium subscribers into paying customers.

Balance Sheet strengthened to accelerate growth initiatives

After quarter-end, Adveritas raised \$3 million through the issue of convertible notes to strategic, professional and sophisticated investors. The offer was supported by long-term major shareholders, who have participated in previous capital raisings, and new investors.

The convertible notes have a two-year term, 8% per annum coupon, and a conversion price based on 80% of the Company's 90-day VWAP subject to a ceiling price of \$0.17 per share and a floor price of \$0.08 per share.

Funds raised from the offering strengthen Adveritas' capital position and balance sheet, supporting the acceleration of sales and marketing growth initiatives as the Company executes on its significant growth pipeline, including:

- Multi-channel direct sales and marketing activities and digital advertising for the TrafficGuard solution
- Hiring of additional sales representatives across Asia and Europe
- Supporting the roll-out of TrafficGuard on the Google Cloud Marketplace.

Commenting on the Company's cash position Mat Ratty said:

"This month we raised \$3 million via the issue of convertible notes, preventing dilution that would have occurred if we had conducted a placement. We now have a strengthened balance sheet to support our growth plans, with a pro-forma cash balance of approximately \$8 million once we receive our anticipated R&D grant of \$1 million."

Cash receipts

	Mar 2022 \$'000	Previous quarters			
		Dec 2021 \$'000	Sep 2021 \$'000	Jun 2021 \$'000	Mar 2021 \$'000
Receipts from customers	481	651	422	169	273

Cash receipts were up 76% from Q3 FY21 to \$481k, reflecting the growth in paying customers. Receipts in Q2 FY22 were higher than in other quarters due to an amount of \$179k received from ClearPier Inc to settle a number of overdue invoices.

Managing cash payments

	Mar 2022 \$'000	Previous quarters			
		Dec 2021 \$'000	Sep 2021 \$'000	Jun 2021 \$'000	Mar 2021 \$'000
Research and development	(682)	(941)	(1,196)	(822)	(725)
Product manufacturing & operating	(377)	(175)	(292)	(233)	(297)
Advertising and marketing	(283)	(113)	(148)	(365)	(207)
Staff costs	(1,362)	(1,254)	(1,143)	(927)	(1,041)
Administration and corporate	(309)	(265)	(441)	(252)	(367)
Total operating expenditure payments	(3,013)	(2,086)	(3,220)	(2,599)	(2,637)

Advertising and marketing payments increased as the Company executed several marketing initiatives following the appointment of its Chief Marketing Officer in January 2022. Staff costs also increased during Q3 FY22 as the Company strengthened its technical team and grew its sales and marketing team to support its growth trajectory.

Payments to Directors during the quarter amounted to \$138k and comprised salaries and fees of \$114k (included in staff costs) and consultancy fees of \$24k (included in administration and corporate costs).

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

- ENDS -

Investor Enquiries

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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")

March 2022

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	481	1,555
1.2 Payments for		
(a) research and development	(682)	(2,819)
(b) product manufacturing and operating costs	(377)	(844)
(c) advertising and marketing	(283)	(544)
(d) leased assets	-	-
(e) staff costs	(1,362)	(3,759)
(f) administration and corporate costs	(309)	(1,015)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
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)	43	64
1.9 Net cash from / (used in) operating activities	(2,488)	(7,359)

2. Cash flows from investing activities

2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(42)	(65)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	(3)	(3)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	215	344
	(c) property, plant and equipment	-	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	170	278

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	3,594
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(7)	(29)
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	(7)	7,965

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,436	3,232
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,488)	(7,359)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	170	278
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	7,965
4.5	Effect of movement in exchange rates on cash held	(40)	(45)
4.6	Cash and cash equivalents at end of period	4,071	4,071

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	4,071	6,436
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)	4,071	6,436

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
138
-

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 \$114,290; and
- consultancy fees of \$23,650

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)	(2,488)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,071
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,071
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.6

- 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: As announced on 21 April 2022, the Company has raised \$3 million through the issue of convertible notes. In addition, the Company anticipates that it will receive an R&D Grant of approximately \$1.1 million prior to the end of the June 2022 quarter.

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 convertible note proceeds with the anticipated R&D Grant and the Company's current cash reserves provides the Company with sufficient funding for a further 3 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: 29 April 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.