

ASX RELEASE (ASX: AV1)

30 January 2023

INVESTMENT IN GROWTH UNDERPINS RECORD CASH RECEIPTS

QUARTERLY ACTIVITIES REPORT – DECEMBER 2022 (Q2 FY23)

Q2 FY23 highlights (vs Q2 FY22):

- **Record quarterly cash receipts of \$887K, up 36% with growing Google Cloud Marketplace sign-ups**
- **Annualised revenue up 72% from Q2 FY22 to \$2.9 million**
- **Strong CY 2023 outlook, with record pipeline, strong sales momentum and customer demand for new product features**
- **January 2023 cross/upsell increasing some contract values by up to 150%**
- **Integration with Impact, leading affiliate platform with over 2,500 clients, opening large new markets, with several customer trials commencing in Q3 FY23**
- **Investment into an integrations team to fast-track trial to conversion**
- **Chief Product Officer appointed to work with the commercial team to accelerate the productivity of the omni channel strategy**
- **Pro-forma cash balance of ~\$7.1 million at 31 December 2022 (including gross proceeds of \$4 million placement announced to ASX on 30 January 2023) will support continued growth investment**

Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to report record cash receipts for the three months ending 31 December 2022 (Q2 FY23), and a strong growth outlook.

Commenting on Adveritas' Q2 FY23 performance, Co-founder & CEO Mat Ratty said:

"The Company's growth strategy and commercial efforts continue to deliver results, with another record-breaking quarter for cash receipts as new customers sign-up and existing customers broaden their services with us.

“Adveritas’ investment in new staff, including hiring Elie Shuggi as the Company’s Chief Product Officer, enables us to further accelerate growth with our go-to-market strategy for TrafficGuard.

“Our growth is also bolstered by the building out of our pipeline across key divisions including Google pay per click, mobile verification, and affiliate version services. We are continuing to see new and existing clients take up these services to optimise and protect their digital advertising spend.”

Record quarterly cash receipts

Annualised revenue was \$2.9 million at the end of Q2 FY23, up 72% from Q2 FY22, and up 15% since 1 July 2022. The rise in annualised revenue was reflected in growing cash receipts, increasing 36% from Q2 FY22 to \$887k in Q2 FY23, a record for Adveritas.

The increase in annualised revenue from Q2 FY22 to Q2 FY23 reflects ongoing growth in TrafficGuard and its omni-channel solution, which includes the mobile app install verification, Google Pay Per Click (PPC) verification, affiliate verification, and social verification, across key verticals for the Company.

Strong cross and upsell sales momentum

Adveritas expanded its Google PPC, mobile verification, and affiliate verification divisions across core industries including betting, e-commerce and retail. This reflected the Company’s ‘Land and Expand’ strategy, where Adveritas was able to offer additional services to existing clients using other Company services.

The Company has begun the process of up-selling and cross-selling throughout its client base. For example, the **Alison** contract value increased by 150%, the **SMarkets** contract value increased by 20% and the **Superbet** contract value increased by 39% over the last 4 weeks. The team has identified many other clients for both up-selling and cross-selling opportunities.

Investing in integrations for scale

During the quarter the Company invested into a dedicated integrations team to ensure quicker onboarding of clients in the trial pipeline. The hiring of this team was completed at the end of Q2 FY23 and standard operating procedures (SOPs) put in place to ensure repeatability and reliability. Since the beginning of CY 2023, the

SOPs have resulted in increased efficiency and ease in getting clients onto trials, leading to a record amount of trials going live.

On the back of winning Disney Streaming services which uses the affiliate management platform, Impact, the Company has completed an integration that allows all Impact advertisers to set up and use it easily. There are now multiple advertisers in trial just from this one integration. In parallel, the Company is working on integrating with multiple other platforms based on advertiser demand. These platforms are used by all major companies that run traffic through affiliates and opens a large number of clients for TrafficGuard.

A platform integration such as this allows any business using the platform to easily find and activate TrafficGuard. As more clients come onboard through these platforms, the Company will start to explore a dedicated channel partnership program with these platforms.

Sales through Adveritas' partnership with Google Cloud Marketplace were soft in Q2 FY23 due to integration issues. However, the Company is expecting a number of sales to come through over the course of Q3 FY23 as a result of the integrations backlog being resolved.

CPO appointed and CEO contract extended

Adveritas hired Elie Shuggi as Chief Product Officer to streamline the activation of features and requests from clients.

Elie has had experience in activating new products in the industry and overseeing the operating efficiency of products throughout his career which included roles at the Santander Banking Group, Aviva and Ebay. This is a critical hire for the business as a lot of these feature requests from clients can be materially monetized and the ability to meet these demands improves the user experience and customer satisfaction across the business.

Mathew Ratty had his contract as the Company's Chief Executive Officer extended to 30 June 2025, enabling him to continue the execution of the Company's current growth strategy to deliver long term shareholder value.

Strongly supported capital raising provides additional growth funding

The Company's pro-forma cash balance of ~\$7.1 million at 31 December 2022 (including gross proceeds of \$4 million placement) will support continued growth investment

As announced on 30 January 2023, the Company completed a strongly supported placement, receiving firm commitments to raise \$4 million at 8.5 cents per share, representing a 13% premium to the Company's closing price on 25 January 2023. Together with the cash balance of \$3.1 million at 31 December 2022, these funds will support continued growth investment.

Commenting on Adveritas' outlook, Mr Ratty said:

"Adveritas has laid solid foundations for growth heading into 2023 due to the Company's multiple revenue streams. Both our sales and pipeline continue to grow across Google PPC, mobile verification, and affiliate verification divisions. We also have attractive cross-sell and up-sell opportunities for TrafficGuard's omni-channel service which will be a key focus going forward.

"We expect to see cash receipts and annualised revenue continue to grow through the year from an uptake of new clients and implementing of our 'Land and Expand' strategy.

"The growth in our business is largely due to companies moving more of their advertising spend from traditional forms of media to digital. But with this move to digital, comes a lot of fraud and invalid traffic that engage with paid advertising, which takes the wind out of their advertising efforts and impacts their return on ad spend. Our suite of tools are leading options in the industry to help companies get the best out of their digital advertising spend, so that they can meet their sales targets and grow, and we can grow alongside them."

Receipts from customers

Cash receipts in Q2 FY23 were at record levels of \$887k, up 36% from Q2 FY22, reflecting the growth in paying customers due to a combination of customer growth, upsells and prepayments through Google Marketplace. TrafficGuard had 58 enterprise clients in Q2 FY23, up 70% on the 39 enterprise clients in Q2 FY22.

Receipts from customers

Dec 2022 \$'000	Previous quarters			
	Sep 2022 \$'000	Jun 2022 \$'000	Mar 2022 \$'000	Dec 2021 \$'000
887	593	610	481	651

Cash payments

Total expenditure payments in Q2 FY23 were higher than previous quarters, with the increase mainly attributable to higher staff costs to service an increasing trial pipeline, advertising and marketing costs to generate demand, and administration and corporate costs.

The higher staff costs are due to the Company's continued investment in product, sales and marketing personnel to service the demand that has been generated. Key hires since Q2 FY22 include the Chief Marketing Officer (hired in Q3 FY22), the Chief Product Officer (hired in Q2 FY23), Head of Integrations (hired in Q2 FY23), and Customer Success Director (hired in Q2 FY23).

Advertising and marketing costs are growing as the Company expands its efforts to increase awareness of the TrafficGuard brand and promote the features of its omni-channel service.

The increase in administration and corporate costs is largely due to the timing of various compliance payments and higher corporate travel costs, as the Company has been taking advantage of the ease in travel restrictions to visit and strengthen relationships with major global customers and the sales team attending major conferences.

Administration and corporate costs in Q1 FY23 were higher due to:

- the annual prepayments of insurance, which were higher than in previous years due to the global increase in insurance premiums;
- the payment of various compliance costs such as ASX listing fees and annual audit fees which are periodic payments and not required to be made in Q2 FY23; and
- the payment of deferred legal fees, which was a non-recurring payment.

Research and development
 Product manufacturing and operating
 Advertising and marketing
 Staff costs
 Administration and corporate
Total operating expenditure payments

Dec 2022 \$'000	Previous quarters			
	Sep 2022 \$'000	Jun 2022 \$'000	Mar 2022 \$'000	Dec 2021 \$'000
(522)	(736)	(844)	(682)	(941)
(227)	(194)	(112)	(377)	(175)
(415)	(358)	(257)	(283)	(113)
(2,452)	(1,754)	(1,334)	(1,362)	(1,254)
(471)	(801)	(315)	(309)	(265)
(4,087)	(3,843)	(2,862)	(3,013)	(2,748)

Payments to Directors during the quarter amounted to \$139k and comprised salaries and fees of \$113k (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 -

For more information, please contact:

Mathew Ratty
 Co-founder & CEO, Adveritas
 +61-8 9473 2500
investor.enquiry@adveritas.com.au

Ronn Bechler
 Automic Markets
 +61-400 009 774
ronn.bechler@automicgroup.com.au

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 Unicorn GOTO. Both businesses are well funded with \$5 billion and \$8 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 is an omnichannel ad verification platform helping enterprises and SMBs combat fraud across Google PPC, Mobile app user acquisition campaigns, Affiliate platforms and Social Media. TrafficGuard drives superior advertising performance by verifying advertising engagement as they occur, proactively blocking invalid traffic from infiltrating search campaigns – helping ad spend to reach more real users and protecting the integrity of data that marketers, agencies, designers and developers rely on day in, day out to drive performance improvements.

Trusted by global brands TrafficGuard is a multiple award winning fraud prevention product recognised by The Drum, the Martech Breakthrough Awards, voted the Most effective anti-fraud solution by Mobile Marketing and is the only PPC verification vendor admitted to the Google Cloud Marketplace globally.

For more information, find us at www.trafficguard.ai

More on TrafficGuard's omni channel solution:



Mobile App install verification: This is the Company's flagship product, with enterprise level clients paying material contract amounts – as high as \$180k per annum for significant global clients. This product ensures clients are not paying for

misattributed or fake installs of their apps – essentially allowing them to scale with confidence across digital media and advertising partners.

Google PPC verification: This service is scaling quickly since the Company first launched the offering in late 2020 and now has over 4,500 sign ups to this offering. Any company using Google Ad words is a target customer, with USD \$147 billion spent globally on Google ads per annum.

Affiliate Verification: This service is designed to mitigate affiliate misattribution and ensure clients are paying for real conversions to their website.

Social Verification: A new channel offering, starting with Meta's Facebook, with a planned product pipeline to rollout to Tik Tok, Reddit, LinkedIn and other channels in 2023 due to increasing demand from both current and prospective clients.

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 2022

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	887	1,480
1.2 Payments for		
(a) research and development	(522)	(1,258)
(b) product manufacturing and operating costs	(227)	(421)
(c) advertising and marketing	(415)	(773)
(d) leased assets	-	-
(e) staff costs	(2,452)	(4,206)
(f) administration and corporate costs	(471)	(1,272)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,980
1.8 Other (provide details if material)	15	18
1.9 Net cash from / (used in) operating activities	(1,195)	(4,439)

2. Cash flows from investing activities

2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(21)	(52)
(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)	(7)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	15	121
	(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	Net cash from / (used in) investing activities	(8)	62

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,500	2,500
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	(12)	(12)
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	2,488	2,488

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,921	5,051
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,195)	(4,439)

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)	(8)	62
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,488	2,488
4.5	Effect of movement in exchange rates on cash held	(56)	(12)
4.6	Cash and cash equivalents at end of period	3,150	3,150

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	3,150	1,921
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)	3,150	1,921

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
139
-

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 \$112,668; 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

-

- 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)	(1,195)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,150
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,150
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.6

- 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:

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: 30 January 2023

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.