

ASX RELEASE (ASX: AV1)**31 July 2023**

'LAND AND EXPAND' STRATEGY SEES RECORD QUARTER OF SIGNED CONTRACTS

JUNE 2023 QUARTERLY ACTIVITIES REPORT (Q4 FY23)

Q4 FY23 highlights:

- Record ARR of circa \$750k+ added from a combination of new contracts and client uptake of additional products and services during the quarter.
- 17 new enterprise contracts signed across PPC, mobile, and affiliate products, underscoring the strength of the full TrafficGuard product suite.
- New clients this quarter operate in priority verticals including Gaming (Bet Victor), Entertainment (Skillz, Coda Payments), Meal-Kit Delivery (HelloFresh) and Retail (MyDeal).
- Expansion of existing TrafficGuard solutions across Gaming (William Hill), Online Education (Alison), and Telecommunications (Singtel).
- Quarterly cash receipts from customers rises to \$633k, driven by successful execution of the Company's 'Land and Expand' strategy.
- TrafficGuard solution for Google's Performance Max (Pmax) product is in alpha testing with select clients and expected to launch next quarter. Early testing demonstrates strong customer value, and we anticipate this investment will help secure new customers and increase contract values from existing clients.
- Strengthened cash position of \$6.3m following a successfully completed placement and share purchase plan to accelerate growth.

Adveritas Limited (ASX: AV1) (Adveritas or the Company) provides its quarterly activities report alongside its Appendix 4C for the three months ended 30 June 2023 (Q4 FY23).

Commenting on Adveritas' Q4 FY23 performance, Co-founder & CEO Mat Ratty said:

"The investment we have made in marketing and sales initiatives has led to a strong conversion of our sales pipeline and has delivered a record quarter of new contracts. The objective of our 'Land and Expand' strategy, which is key to our growth, is to successfully nurture existing client contracts to increase their usage and adopt multiple TrafficGuard products."

"Existing customers, such as William Hill, are signing on to more of TrafficGuard's solutions to protect their marketing spend, while new major clients in verticals such as Gaming and Retail, have strong cross channel needs and present the Company with an opportunity to grow our client partnership and revenue as they adopt additional solutions in the TrafficGuard suite."

Quarterly record for signing new contracts

Adveritas has executed its 'Land and Expand' strategy and converted its sales pipeline over the past quarter to deliver record new contracts. Cash receipts rose to \$633k.

The Company has sold its omni-channel advertising fraud protection solutions to new and existing clients across verticals where the TrafficGuard suite is recognised as an industry leader including Sports, Telecommunications, and Gaming. Marketing efforts are gaining traction, with the Company entering new high growth verticals and inbound enquiries gaining momentum.

Some of the new major clients wins over the quarter include NASDAQ listed video game platform Skillz, who has adopted TrafficGuard's Mobile App solution, and Australian ecommerce business MyDeal, who is using TrafficGuard's PPC Product.

TrafficGuard's expertise in omni-channel solutions in the Gaming category, where the Company has unique strengths, has seen clients such as William Hill and Superbet expand product adoption across the TrafficGuard suite include mobile app install verification, Google Pay Per Click (PPC) verification, and affiliate verification.

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With over twenty (20) Gaming operators now using TrafficGuard services, the Company is the leader in ad fraud and invalid traffic (IVT) solutions for the Gaming industry. This provides the Company with deep expertise of the challenges in this vertical and has enabled the Company to enhance its TrafficGuard products to better help these clients reduce fraud, drive better performance, and maximise return on ad spend. The Company is applying these enhancements across its suite of products which will also benefit other client verticals.

The rolling affiliate strategy

Having successfully completed the integration with the affiliate platform, Impact, and secured Disney Streaming Services (Disney+) as a client, the Company has signed additional Impact customers as clients, including Hello Fresh and Coda Payments, demonstrating the revenue benefit of investing in affiliate platform integration.

The Company has experienced growing demand for its anti-fraud affiliate product throughout Q4 FY23, with demand from existing clients to integrate TrafficGuard with their preferred affiliate platform. These one-time integrations for existing clients enable the Company to both expand its remit and revenue, but also unlock new sales opportunities across the affiliate platforms entire customer base.

New TrafficGuard solution for Performance Max (PMax) and onboarding automation

Adveritas has invested in building and expanding TrafficGuard's capability for Google's Performance Max (PMax) product. PMax is Google's cross-channel (YouTube, Display, Search, Discover, Gmail, and App) performance advertising solution. PMax is a high priority for Google, and is actively driving adoption and, in some cases, auto upgrading advertisers to PMax.

The Company's early alpha testing of its TrafficGuard PMax antifraud and protection solution with select clients is yielding positive results. The TrafficGuard PMax solution is scheduled to launch next quarter and is well positioned to capitalise on increasing

marketer demand for transparency across the digital programmatic advertising supply chain, as evidenced by a recent US Association of National Advertisers (ANA) study¹

Scaling operations and driving sales efficiencies

Following the success of the Company's Impact affiliate integration in securing new clients combined with growth opportunities like the TrafficGuard PMax solution, Adveritas has invested in streamlining and automating its client onboarding process. By June next year, the Company will move to a fully automated system for integrating with new enterprise clients. The reduction and planned elimination of manual processes, currently managed by the Company's sales team, will free capacity for increased sales and account management activity, and is expected to yield higher margins for the Company.

Accelerating scale and sales efficiencies is a priority for the Company. Historically, TrafficGuard has generated direct client relationships through the Company's marketing to potential customers. This strategy continues to work well and grow, particularly with marketers who operate in-house or hybrid (client-agency) performance marketing departments.

Adveritas is experiencing increasing demand from digital marketing agencies. As TrafficGuard has consistently delivered outstanding results for its direct clients, digital marketing agencies have become increasingly familiar with the value and effectiveness of the TrafficGuard technology. Digital marketing agencies play a pivotal role in advertising and marketing ecosystem, with longstanding relationships with client and management of budgets across the full marketing funnel (brand and performance).

Several digital marketing agencies have expressed keen interest in implementing TrafficGuard across their entire client portfolio at scale. These agencies have recognised the immense value of TrafficGuard's ad fraud mitigation solutions in

¹ (<https://www.ana.net/miccontent/show/id/rr-2023-06-ana-programmatic-transparency-first-look>)

protecting their clients' investments and maximising advertising ROI. This not only enhances the Company's revenue potential but also solidifies TrafficGuard's industry leadership as a trusted partner in the fight against ad fraud.

Strong balance sheet to fund path towards cash breakeven

The Company has a solid cash position of \$6.3 million in the bank to help fund its growth objectives. A strongly supported placement to new and existing sophisticated and professional investors, and a share purchase plan offered to all shareholders completed in June and raised \$6.7 million.

Adveritas continues to utilise its cash reserves to focus on the following key objectives which will create new sources of revenue:

- streamline onboarding the Company's significant pipeline of enterprise customers;
- develop key enhancements to the Company's suite of TrafficGuard products;
- develop new product features and capabilities; and
- deploy sales and marketing initiatives to further grow the Company's customer base.

Commenting on Adveritas' outlook, Mr Ratty said:

"We are well positioned for the business development we have planned for FY24.

"Adveritas continues to invest in its product team to satisfy clients demands so that it can generate more revenue at higher margins through cross-sell and upsell opportunities, while simultaneously winning new customers through partnership and digital marketing agency channels.

"The investment in our product and engineering team to develop new products such as the Google PMax solution, integrating with further affiliate management platforms and automating customer onboarding is all designed to rapidly scale our revenue and bring our Company towards breakeven.

“We thank our shareholders for their support over the quarter and look forward to updating you on further progress as we continue to tackle ad fraud and invalid traffic for businesses, allowing them to optimise and protect their online ad sales.”

Commentary on the Appendix 4C

Receipts from customers

	Q4 FY23 Jun 2023 \$'000	Previous quarters			
		Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22
		Mar	Dec	Sep	Jun
		2023	2022	2022	2022
		\$'000	\$'000	\$'000	\$'000
Receipts from customers	633	598	887	593	610

Cash receipts from customers in Q2 FY23 were higher than other quarters due to the prepayment of an annual contract by a Google Marketplace customer.

Cash payments

Total expenditure payments in Q4 FY23 are higher than in Q4 FY22 which is mainly attributable to higher staff costs. The increase in staff costs has been necessary to develop new products and features, build product enhancements, service a growing trial pipeline, build brand awareness and generate demand for the TrafficGuard products.

The key hires since Q4 FY22 that have driven the cost increase include the Chief Product Officer (hired in Q2 FY23), a dedicated product focussed team (4 staff hired in Q3 FY23), Head of Integrations (hired in Q2 FY23), Vice President, Customer Success (hired in Q3 FY23), and Customer Success Director (hired in Q2 FY23).

When comparing the cost profile in Q4 FY23 to Q3 FY23, advertising and marketing costs and product manufacturing and operating costs are lower in Q4 FY23 which is largely due to the timing of payments for initiatives deployed or services used.

	Previous quarters			
	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22
Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22
Jun	Mar	Dec	Sep	Jun
2023	2023	2022	2022	2022
\$'000	\$'000	\$'000	\$'000	\$'000
Research and development	(339)	(522)	(736)	(844)
Product manufacturing and operating	(158)	(227)	(194)	(112)
Advertising and marketing	(467)	(415)	(358)	(257)
Staff costs	(2,608)	(2,452)	(1,754)	(1,334)
Administration and corporate	(282)	(471)	(801)	(315)
Total operating expenditure payments	(3,854)	(4,087)	(3,843)	(2,862)

Payments to Directors during the quarter amounted to \$153k and comprised salaries and fees of \$143k (included in staff costs) and consultancy fees of \$10k (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 (ASX:AVI) is an innovative Australian software company revolutionising business performance through advanced data-driven solutions, including advanced machine learning and artificial intelligence. The flagship offering, TrafficGuard, is a cutting-edge ad fraud prevention solution trusted by leading companies worldwide. By harnessing the power of advanced machine learning and artificial intelligence, TrafficGuard empowers businesses to protect their advertising investments, preserve brand reputation, and achieve better performance marketing results. Committed to innovation and excellence, Adveritas continuously shapes the digital advertising landscape by providing scalable and adaptable solutions that drive success. With personalised support and strong partnerships, Adveritas is redefining the possibilities of business performance in the ever-evolving digital world, leveraging the capabilities of advanced machine learning and artificial intelligence to stay at the forefront of the industry.

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

About TrafficGuard

TrafficGuard is at the forefront of the digital advertising industry as a leading ad fraud prevention solution, leveraging advanced machine learning and artificial intelligence to drive a transformation in the way businesses operate. By harnessing cutting-edge technology and employing an innovative approach, we empower businesses to effectively combat ad fraud, safeguard their advertising budgets, and maximize their return on investment (ROI). Our commitment to excellence is reflected in our status as the only PPC verification vendor globally admitted to the Google Cloud Marketplace. Recognized by prestigious industry awards such as The Drum, Martech Breakthrough Awards, and Mobile Marketing, our award-winning fraud prevention solution, powered by advanced machine learning and artificial intelligence, has earned the trust and confidence of renowned brands such as Disney Streaming Services, Tab Corp, William Hill, MyDeal, Luxury Escapes and HelloFresh. At TrafficGuard, we are dedicated to

providing superior solutions that ensure transparent and secure digital advertising practices, setting new industry standards along the way.

With headquarters in Perth, Australia, and offices strategically located in Singapore, the UK, Brazil, India, and the US, TrafficGuard proudly serves over 5000 customers worldwide, solidifying our position as a trusted partner in the digital advertising industry.

For more information, find us at 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")

June 2023

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	633	2,711
1.2 Payments for		
(a) research and development	(339)	(1,944)
(b) product manufacturing and operating costs	(158)	(982)
(c) advertising and marketing	(467)	(1,840)
(d) leased assets	-	-
(e) staff costs	(2,608)	(9,477)
(f) administration and corporate costs	(282)	(1,869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(5)	(10)
1.7 Government grants and tax incentives	-	1,980
1.8 Other (provide details if material)	4	32
1.9 Net cash from / (used in) operating activities	(3,209)	(11,362)

2. Cash flows from investing activities

2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(86)
(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	-	(9)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	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)	26

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,807	13,017
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	(390)	(415)
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	6,417	12,602

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,132	5,051
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,209)	(11,362)

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)	(8)	26
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,417	12,602
4.5	Effect of movement in exchange rates on cash held	7	22
4.6	Cash and cash equivalents at end of period	6,339	6,339

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	6,339	3,132
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)	6,339	3,132

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 \$143,040; and
- consultancy fees of \$10,000

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)

Convertible loan notes

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
3,000,000	3,000,000
3,000,000	3,000,000

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.

Refer to Schedule 1

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(3,209)

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

6,339

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

-

8.4 Total available funding (Item 8.2 + Item 8.3)

6,339

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

2

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: 31 July 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.

SCHEDULE 1: CONVERTIBLE LOAN NOTE

The Company has on issue 3,000,000 convertible notes each with a face value of \$1. The loan notes have a maturity date of 12 April 2024, at which point they will be automatically converted into fully paid ordinary shares in the Company. The Company may elect to redeem all or some of the convertible notes at any time prior to the maturity date.

The convertible notes are unsecured.

Interest

Interest accrues on the convertible notes at the rate of 8% per annum, capitalised at the end of each calendar quarter, and is to be satisfied in arrears upon the earlier of the redemption or conversion of the convertible notes. As at 31 March 2023, interest of \$228,455 has accrued and been capitalised.

Where the convertible notes are converted into ordinary shares, the accrued interest will be fully satisfied through the issue of conversion shares at the conversion price.

In the event the convertible notes are redeemed, the Company will pay to the noteholders an additional interest payment so that the total interest received by the noteholders in respect of those convertible notes is equivalent to the amount they would have received had the relevant convertible notes been held till maturity.

Conversion

The convertible notes, together with all accrued unpaid interest, will automatically convert into fully paid ordinary shares in the Company on the maturity date. The conversion shares will be issued at a share price equal to 80% of the 90-day VWAP, unless such amount is:

- greater than \$0.17 in which case the conversion price will be \$0.17; or
- such amount is less than \$0.08 in which case the conversion price will be \$0.08.