

			<p style="text-align: right;"><b>Adveritas Limited</b>          U10, 16 Brodie Hall Drive          Bentley 6102 Western Australia          +61 8 9473 2500</p>
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## HALF-YEAR FINANCIALS REFLECT IMPRESSIVE GROWTH

- **Revenue of \$1.7 million for the half-year ended 31 December 2023 (HY23) was up 20% on the half-year ended 31 December 2022 (HY22)**
- **Annualised recurring revenue from contracts in place at 31 December 2023 was \$4.53 million, up 54% from 31 December 2022 and 24% from 30 June 2023**
- **A number of contract expansions, including Disney Streaming Services, contributed to revenue growth during HY23**
- **Visible path to positive operating cashflow supported by the fast-growing sports betting and gaming pipeline, price increases, transition to upfront annual payments and cost reductions**
- **Strong growth outlook, with momentum building in the US sports betting and gaming verticals, release of new product features, ongoing product cross-sell opportunities and new agency partnerships**

Adveritas Limited (**Company** or **Adveritas**) (ASX: AV1) is pleased to report its results for HY23.

### **Strong revenue and ARR growth**

The Company recorded revenue of \$1.7 million for HY23, up 20% on HY22.

Annualised recurring revenue (**ARR**) from contracts in place at the close of HY23 was \$4.53 million, up 54% from HY22 and 24% from 30 June 2023.

This strong revenue growth has been underpinned by new contracts and expanding contracts.

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During HY23, 38 new clients were signed, collectively increasing ARR by ~\$1.1 million. New clients include one of the world's largest sports betting organisations with US operations.

The Company has identified the sports betting and gaming verticals as high priority for its sales and marketing efforts given these are the verticals where the Company has proven success, where the sales cycle is shortest and where the annual contract values are the highest.

Several contract expansions were executed during HY23, including Disney Streaming Services which renewed TrafficGuard's affiliate verification services and expanded its contract to include TrafficGuard's mobile app download verification. Disney Streaming services is now utilising 2 of the 4 products within TrafficGuard's omni channel solution, demonstrating the revenue growth potential from product cross-sell.

### **Visible path to positive operating cashflow**

The Company's operating cash outflow for HY23 improved on the operating cash outflow for HY22 (as adjusted to exclude R&D grant funds). The Company is focussed on continued improvements in operating cashflow with the objective of accelerating its path to achieving positive operating cashflow.

During the month of December 2023, annualised cost savings of circa \$1.7 million were identified, driven largely by an organisational restructure. The cost saving measures were deployed late in the month of December, with the benefits to be realised in the second half of the financial year.

These cost reductions, supported by revenue growth momentum and the following initiatives are expected to positively impact cashflow over the next 12 months:

- **Price increases** are being progressively introduced, supported by development and release of new product features such as Smart Ranges, which improve the returns customers receive on their investment in digital advertising (see ASX announcement dated 19 February 2024).
- **Upfront annual payments** are being offered to new and existing clients. The transition to annual upfront payments will simultaneously substantially improve the Company's cashflow and lock in favourable terms for the customer.

## **Large and rapidly growing target markets**

The market within which TrafficGuard operates is rapidly growing. Total global digital advertising spend in 2024 was US\$668 billion, a 10.9% increase from \$602 billion in 2023 <sup>(1)</sup>. Of this total spend, Juniper Research estimates that US\$84 billion was lost due to ad fraud in 2023, and is expected to more than double to \$170 billion by 2028<sup>(2)</sup>.

The Company is well placed with its TrafficGuard suite of products to protect advertisers' spend and rapidly expand its customer and revenue base.

## **Targeting high growth sports betting and online gaming segments**

The Company has identified the sports betting and gaming verticals as high priority growth areas.

Globally, sports betting and online gaming are among the fastest growing digital advertising verticals, expected to increase by 13% per annum, from US\$9.7 billion in 2024, to US\$15.8 billion by 2028<sup>(3)</sup>.

The US and South America are key focus markets for the Company given the high level of advertising spend in the sports betting and gaming verticals in those markets.

The Company has increased its physical presence in those geographies, including through the appointment of a US-based Chairman who has significant industry networks and experience.

During HY23, annual contract values from new customers within the online gaming and sports betting verticals totalled ~\$685,000, reflecting the Company's heightened focus and the strong momentum in these verticals.

A number of high-profile US-based enterprise sports betting companies commenced TrafficGuard trials in HY23, with some early conversions to paid contracts.

## **Expanded product portfolio**

As announced in the quarterly report dated 31 October 2023, the Company increased its product portfolio, with the launch of TrafficGuard's Pmax solution for Google's Performance Max product (**Google Performance Max**).

Google Performance Max is a cross-channel (YouTube, Display, Search, Discover, Gmail, and App) performance advertising solution. It is a high priority for Google, and Google is actively driving adoption and, in some cases, auto upgrading advertisers to Google Performance Max.

The TrafficGuard PMax solution is well positioned to capitalise on increasing marketer demand for transparency across the digital programmatic advertising supply chain.

Additionally, the Company launched Smart Ranges, a new product which improves customers' return on digital advertising investment (see ASX announcement dated 19 February 2024).

### **Agency partnerships accelerating growth**

During the December 2023 quarter, the Company received several requests from Tier 1 media agencies across Europe and the Middle East for holding group trials of the TrafficGuard Pay Per Click (PPC) and Pmax solutions.

These agencies are the budget holders for major enterprise clients and, as such, are instrumental in recommending products such as TrafficGuard. These trials will be actioned in the March 2024 quarter and, if converted, will see TrafficGuard as the preferred PPC and Pmax vendor of choice across their client base.

### **Strong growth outlook**

The Company is pleased to report a strong growth outlook, with multiple growth drivers, including:

- **Strong organic growth** driven by large and growing global digital advertising market spend.
- **Sports betting and gaming industry focus** remains a high priority given TrafficGuard's market credentials and its growing customer base within these verticals.
- **Record pipeline**, including a growing number of US prospects that have already commenced trials.
- **US market growth momentum**, where it is estimated that there is circa US\$1.9b billion being spent on digital advertising in the sports betting vertical alone<sup>(4)</sup>.
- **Product cross-sell opportunities** with ~90% of clients currently using only one of the Company's four products.
- **Improved cashflow outlook**, driven by revenue growth, price increases, transition to upfront payments and cost reductions.

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

## **References**

1. *Digital Ad Spend (2021-2027)*, Oberlo, January 2024, <https://www.oberlo.com/statistics/digital-ad-spend>
2. Juniper Research, September 2023, <https://searchengineland.com/ad-spend-lost-ad-fraud-2023-432610>
3. Statista, *Online Sports Betting – United States* <https://www.statista.com/outlook/dmo/eservices/online-gambling/online-sports-betting/united-states>
4. Statista, *Online Sports Betting – United States* <https://www.statista.com/statistics/1350628/online-gambling-ad-spend-usa/#:~:text=In%202021%2C%20online%20gambling%20advertising,to%201.9%20billion%20U.S.%20dollars>

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**For more information, please contact:**

Mathew Ratty

Co-founder & CEO, Adveritas

+61-8 9473 2500

[investor.enquiry@adveritas.com.au](mailto:investor.enquiry@adveritas.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.

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](http://www.trafficguard.ai)

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## **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 2024 due to increasing demand from both current and prospective clients.

## **Forward Looking Statements**

This announcement contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations and sales. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'outlook', 'anticipate', 'project', 'target', 'potential', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', 'evolve' and similar expressions. Persons reading this announcement are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.