

ASX RELEASE

27 January 2021

DECEMBER 2020 QUARTERLY ACTIVITIES REPORT

Key highlights

- **Rapidly growing base of paying customers and trials being undertaken**
 - 37% increase in TrafficGuard Freemium subscribers (vs September 2020 quarter)
 - 83% increase in customer numbers, with over 100 revenue-generating clients (vs September 2020 quarter)
- New enterprise level clients added to a growing pipeline, and expect to convert a number of these trials into paying customers during the March 2021 quarter
- Strategic partnerships opening new sales channels
- Appointed Matthew Sutton into the newly created role of Chief Revenue Officer to rapidly expand TrafficGuard's reach in global markets
- Listed as one of Australia's Most Innovative Companies by *The Australian Financial Review* and awarded Most Effective Anti-Fraud Solution at the 2020 *Effective Mobile Marketing Awards*
- Strong cash position underpins growth initiatives

Adveritas Limited (**Company** or **Adveritas**) (ASX: AV1) is pleased to provide this activities report for the quarter ended 31 December 2020 (**Q2 FY21**). The Company continues to deliver strong sales momentum, with growth in Freemium subscribers and conversions into revenue generating clients.

Rapidly growing base of paying customers and trials being undertaken

Adveritas has continued to deliver strong growth in its key revenue drivers – Freemium subscribers and Freemium conversions:

- **37% increase in Freemium subscribers** to ~1,440, up from 1,050 in the September 2020 quarter
- **83% increase in customer numbers** from the September 2020 quarter, with over 100 revenue-generating customers, driven by strong conversions from Freemium to fee paying “land and expand” customers.

Customer base now over 100 paying companies and growing

Adveritas continues to diversify revenues across a growing paying customer base that now exceeds 100 companies utilising a wide range of TrafficGuard protection products, across Google PPC and anti-fraud services for mobile phone app installation.

Multiple trials now being undertaken with global companies

Several key industry verticals are reliant on significant industry advertising spend to attract customers. As a result, these industry verticals have a strong need (and underlying demand) for ad-fraud prevention to maximise companies' return on advertising spend.

Specific industry verticals that Adveritas is currently focusing on include gaming, cryptocurrency, insurance and online retail industries. Adveritas has been building a growing pipeline of attractive opportunities with large national and global businesses, and multiple trials are currently being undertaken with large companies that have substantial global reach.

New enterprise level companies added to a growing pipeline

The Company is in advanced discussions and negotiations globally with several enterprise level clients that are currently trialling TrafficGuard. These companies operate in the betting agency, on demand apps, gaming, fintech, and retail industry verticals. Adveritas expects to convert a number of these trials into paying customers during the March 2021 quarter (**Q3 FY21**).

Strategic partnerships opening new sales channels

Over Q2 FY21, TrafficGuard continued to progress its strategic partnerships with agencies and consulting firms, underpinning an increase in sales and paying customer numbers, with a number of new commercial agreements signed.

MCN Media Brands, subsidiary of Interpublic Group

Following the signing of a 12-month contract with MCN Media brands (MENAT) last quarter¹, Adveritas is now focused on seamlessly onboarding their clients. The TrafficGuard sales team successfully onboarded the initial client with first revenues booked, and the team is continuing to roll out TrafficGuard to a number of other MCN Media clients.

Google

Adveritas continues to be in active conversations with Google regarding intellectual property collaboration and combined marketing to promote TrafficGuard's pay-per-click (PPC) product, with the aim of offering TrafficGuard on Google Marketplace, where tens of thousands of customers search for Google verified solutions to reduce their legal and procurement processes.

The collaboration offers the benefits of providing an attractive entry point to onboard Freemium users and will provide valuable insights into ad fraud across multiple verticals and geographies.

Appointed Matthew Sutton into the newly created role of Chief Revenue Officer to rapidly expand TrafficGuard's reach in global markets

Subsequent to quarter end, Adveritas strengthened its sales team through the appointment of Matthew Sutton as Chief Revenue Officer. Mr Sutton had been engaged in the last quarter to

¹ As announced to the market via ASX on 16 September 2020

provide consultancy services to the Company and his appointment as a senior executive is expected to rapidly expand TrafficGuard's reach in global markets.

Mr Sutton is a highly accomplished sales executive. He has run sales teams for CBS in China, bought and sold a start-up ad-tech company in Singapore, launched and managed Twitter's business across Asia, brought technology platforms to the APAC market, set up multiple strategic partnerships with the likes of Facebook and Google, and built a data driven agency within Asia's largest telco holding group, Axiata.

"Matt has worked with me closely for the past two months as we onboarded and built strong relationships with key clients on trial. With fast growing interest in our ad-fraud prevention technology globally and across different industry verticals, it was necessary to put in place a structure that reduced sales cycles and increased conversions. Given Matt's background, proven history of scaling revenues, as well as his energy and belief in TrafficGuard, I am confident he will successfully lead the sales team and grow revenues," said Adveritas' CEO Mathew Ratty.

Adveritas plans to expand its team and invest in talent as the Company continues scaling for growth in the coming quarters as it further commercialises its technology.

Awards recognise TrafficGuard's innovation and real-time ad fraud prevention

TrafficGuard was listed as one of Australia's Most Innovative Companies by *The Australian Financial Review*, placing 8th on the Technology list from over 600 nominated organisations across Australia and New Zealand. This prestigious annual list is based on a rigorous assessment process that measures innovation implemented over the past two years, the problem that the innovation is solving, the quality and uniqueness of the solution, and the level of impact that the innovation has had.

Following quarter end, TrafficGuard was named the Most Effective Anti-Fraud Solution at the *2020 Effective Mobile Marketing Awards*, being recognised for real-time fraud prevention that blocks invalid traffic before it infiltrates campaigns – protecting mobile marketers, agencies and ad networks from the direct and indirect impacts of ad fraud and driving returns on advertising spend.

Strong cash position underpins growth initiatives

Adveritas closed Q2 FY21 with a cash balance of \$6.7 million. Post quarter end, an additional \$1.18 million of Research and Development grant funding was received.

Growing cash receipts

The Company continued to gain traction in the PPC market, with cash receipts up 9% on the last quarter to \$263k. Given the subscription revenue nature of the Company's business model, the strong growth in customer numbers achieved during the quarter will be reflected in growth in revenues and receipts in the following quarters.

Government funding in the form of cash flow booster payments and JobKeeper payments totalling approximately \$178k was received during the quarter. The funding received was lower than the previous quarter (\$354k) due to the cash flow booster program coming to an end and a change to the JobKeeper program.

Managing cash payments

	Current Quarter Dec 2020 \$'000	Last Quarter Sep 2020 \$'000
Research and development	(863)	(795)
Product manufacturing & operating	(140)	(155)
Advertising and marketing	(167)	(196)
Staff costs	(967)	(851)
Administration and corporate	(308)	(512)
Total expenditure payments	(2,445)	(2,509)

As the company grew customer numbers over the December quarter, its business platform began to scale, with total expenditure payments around the same level as the September quarter:

- Staff costs were higher as a result of COVID induced temporary voluntary salary reductions ceasing from 1 August
- Administration and Corporate costs were lower as a result of payments that historically take place in the September quarter such as annual insurance premiums, ASX listing fees and year-end audit fees.

Similar to the September quarter, the December quarter's expenditure payments include legal fees relating to the Company's ongoing pursuit of amounts owing by ClearPier Inc under the agreements entered into on 31 July 2018 on sale of the performance marketing business, Mpire Network Inc.

Payments to directors during the December quarter amounted to \$166k, comprising salaries and fees of \$120k (included in staff costs) and consultancy fees of \$46k (\$26k included in administration and corporate costs and \$20k included in advertising and marketing costs).

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

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For more information, please contact:

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About Adveritas

Adveritas Ltd (ASX:AV1) 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")

December 2020

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	263	504
1.2 Payments for		
(a) research and development	(863)	(1,658)
(b) product manufacturing and operating costs	(140)	(295)
(c) advertising and marketing	(167)	(363)
(d) leased assets	-	-
(e) staff costs	(967)	(1,818)
(f) administration and corporate costs	(308)	(820)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	9
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)	180	534
1.9 Net cash from / (used in) operating activities	(1,998)	(3,907)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(7)
(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	-	-
	(c) property, plant and equipment	1	1
	(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	(5)	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,000	2,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	393	393
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(17)	(50)
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	2,376	2,343

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,390	8,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,998)	(3,907)

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)	(5)	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,376	2,343
4.5	Effect of movement in exchange rates on cash held	(45)	(63)
4.6	Cash and cash equivalents at end of period	6,718	6,718

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	6,718	6,390
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)	6,718	6,390

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**

166

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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 \$119,940; and
- consultancy fees of \$45,874

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)

(1,998)

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

6,718

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

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8.4 Total available funding (Item 8.2 + Item 8.3)

6,718

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: 27 January 2021

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.