

ASX RELEASE

31 October 2023

ADVERTITAS CONTINUES TO EXECUTE ON GROWTH OBJECTIVES

September 2023 Quarterly Activities Report (Q1 FY24)

- **Annualised Recurring Revenue (ARR)** grew to approximately \$4.1m by the end of the **quarter** and is currently over \$4.3m, up 50% since the start of the calendar year, driven by both new contracts and up-sells.
- **New contracts** with 25 clients generating ARR of approximately \$770k have been signed in FY24 to date, including one of the world's largest sports betting organisations with US operations.
- **Contract expanded and renewed** with Disney Streaming Services increasing the annual contract value by 25%.
- **Growing pipeline of US based enterprise clients** following successful deployment of US focused marketing initiatives in Q1 FY24 on a budget neutral basis.
- **Continued focus on cash generation and cost reduction**, including the exit of low value markets and the renegotiation of agreements to include annual prepayments.
- **Strong growth outlook** driven by momentum gaining in USA; record cash receipts expected for Q2 FY24; launch of Google Pmax product; and ongoing cross and upsell opportunities as 90% of clients are currently using only one of the TrafficGuard products.

Adveritas Limited (the **Company** or **Adveritas**) (**ASX: AVI**) is pleased to provide its Quarterly Activities Report and Appendix 4C for Q1 FY24 and confirm that it is continuing to deliver on its growth objectives.

Revenue growth

Q1 FY24 has seen consistent growth in ARR to circa \$4.1m by quarter end, underpinned by new contracts and expansions of existing contracts.

25 new customers with annual contract values of circa \$770k have been added since the start of FY24 and focus on larger enterprise clients in categories such as online gaming and sports betting.

TrafficGuard's European credentials, including having over 20 sports betting operators as clients, makes the TrafficGuard suite of products both relevant and valuable, and is providing a base for accelerating momentum in this vertical in the USA.

Contract expansions with a number of customers, including Disney Streaming Services (**DSS**), were executed in Q1 FY24. DSS has renewed TrafficGuard's affiliate verification services and expanded its contract to include TrafficGuard's mobile app download verification. DSS is now utilising 2 of the 4 TrafficGuard products, demonstrating the legitimacy of TrafficGuard's product strategy.

Cash receipts in Q2 FY24 are expected to be the highest in the Company's history due to the strong growth in the USA, and management's efforts to facilitate annual contract prepayments. The Company is strongly focused on reducing the cash used in operations as the Company moves towards profitability.

USA market entry and revenue growth targeted

TrafficGuard has been successful in penetrating Europe and South-East Asia, and is now, under direction of the Board, focused on growing its US enterprise client base. The immediate priority is the US Sport Betting vertical, where there is circa US\$140 million being spent on digital advertising, making the TrafficGuard products relevant and valuable by demonstrating immediate cost benefits to prospective clients.

Pmax launch and investment into fully automated onboarding

The Company has increased its product portfolio with the recent launch of TrafficGuard's Google Pmax protection.

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

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

The first sales of the TrafficGuard Pmax solution have been made to existing clients during Q1 FY24.

Adveritas has invested strategically in its product team to streamline the onboarding phase for customers and replace manual processes with product automation. Currently, enterprise level clients are onboarded through a dedicated internal team, as opposed to a fully automated system. The Company is planning that by June 2024, customers will be able to follow a fully automated onboarding process which will deliver reduced servicing costs, higher margins and accelerate the sales cycle.

Positive outlook

The Company has a strong growth outlook underpinned by the following:

- **Accelerated path to positive cash flow** through cost control and dedicated high margin verticals as a key priority.
- **Record pipeline**, bolstered by a growing number of USA prospects that have already commenced trials.
- **Gaming and Gambling Industry focus remains a high priority** given the Company's market credentials. The Company already services over 20 sports betting and gaming companies.
- **Product cross-sell opportunities** with 90% of clients currently using only one of the Company's 4 products
- **Launch of TrafficGuard's Pmax solution** positions the Company to capitalise on increasing marketer demand for transparency across the digital programmatic advertising supply chain.

Commenting on the recent achievements and future opportunities available to Adveritas, Co-founder & CEO Mat Ratty said:

"I feel proud that TrafficGuard is able to provide digital anti fraud solutions to both small-medium businesses and significant global enterprise, across our range of product solutions. There is no doubt that TrafficGuard is best of breed technology."

Our entry into the USA market is gathering significant momentum and we look forward to expanding our enterprise customer and revenue base in that market. In addition, our focus on negotiating annual prepayments for new and renewed contracts significantly boosts our cash position.

The launch of Google Pmax is an important part of our growth journey that significantly increases our total addressable revenue opportunities.

Our Company is extremely well placed to scale our revenue and as our margins have significantly improved our path to being cash flow positive is in sight.”

Commentary on the Appendix 4C

Receipts from customers

Cash receipts from customers continue to grow each quarter with Q2 FY23 being exceptionally high due to the prepayment of an annual contract by a Google Marketplace customer.

	Previous quarters			
	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Q1 FY24	Jun	Mar	Dec	Sep
Sep	2023	2023	2022	2022
\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from customers	660	598	887	593

Cash payments

Total expenditure payments are 8% higher in the current quarter than Q4 of FY23 as a result of **annual prepayments** amounting to circa \$319k for corporate expenditure including ASX listing fees, data security management fees and insurance (Directors and Officers, Technology, Public Indemnity and Cyber). Had the Company not made these payments in the current quarter, the total operating expenditure payments for Q1 FY24 would have been \$3.8 million which is consistent with Q4 FY23. The Company is being prudent with

investments and mindful of expenditure and does not expect the cost base to increase whilst revenue scales.

	Q1 FY24	Previous quarters			
		Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
		Jun	Mar	Dec	Sep
	Sep 2022	2023	2023	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Research and development	(328)	(339)	(347)	(522)	(736)
Product manufacturing and operating	(304)	(158)	(403)	(227)	(194)
Advertising and marketing	(349)	(467)	(600)	(415)	(358)
Staff costs	(2,540)	(2,608)	(2,663)	(2,452)	(1,754)
Administration and corporate	(653)	(282)	(315)	(471)	(801)
Total operating expenditure payments	(4,174)	(3,854)	(4,328)	(4,087)	(3,843)

Salaries and fees paid to directors during the quarter amounted to \$114k and are included in staff costs. Director's fees are down 15% compared to Q1 FY23.

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

- ENDS -

For more information, please contact:

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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 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")

Sep 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	660	660
1.2 Payments for		
(a) research and development	(328)	(328)
(b) product manufacturing and operating costs	(304)	(304)
(c) advertising and marketing	(349)	(349)
(d) leased assets	-	-
(e) staff costs	(2,540)	(2,540)
(f) administration and corporate costs	(653)	(653)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	34	34
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)	5	5
1.9 Net cash from / (used in) operating activities	(3,475)	(3,475)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(5)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	700	700
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	(126)	(126)
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	574	574

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,339	6,339
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,475)	(3,475)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	574	574
4.5	Effect of movement in exchange rates on cash held	14	14
4.6	Cash and cash equivalents at end of period	3,448	3,448

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	3,448	6,339
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)	3,448	6,339

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
114
-

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 payment of salaries and fees to executive and non-executive directors of \$114,272.

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**

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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.

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)

(3,475)

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

3,448

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

-

8.4 Total available funding (Item 8.2 + Item 8.3)

3,448

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

1

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: Yes. The Company's Board of Directors is considering a number of options available to the Company to raise additional capital. Given the Company's track record in being able to secure funding, the Board believes it is highly likely that it will be successful in raising the funds required.

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, once the funds referred to in response 2 above have been received, the Company will have sufficient capital to meet its business objectives.

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 October 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

From 28 April 2022, 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 30 September 2023, interest of \$359,246 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.