

**ASX RELEASE**

**23 APRIL 2019**

## **QUARTERLY ACTIVITIES REPORT: PERIOD ENDED MARCH 31**

### **Key Highlights**

- Significant progress made towards achieving the strategic priorities outlined in the Strategy Update (see announcement dated 30 November 2018)
- New clients, Metrix and Rappi, joined TrafficGuard's growing client base following sales efforts in the March quarter
- Integration with major ad tech platforms, Partnerize, HasOffers and Segment completed, presenting ongoing sales opportunities for TrafficGuard with initial trials underway
- Strategic partnership entered into with Chinese digital agency, SparkX, to facilitate TrafficGuard's entry into China shortly
- Strong progress made with recruitment for the North American TrafficGuard sales team
- Board strengthened with the addition of non-executive directors, Mark McConnell and Andrew Stott
- TrafficGuard's fraud mitigation and reporting capabilities continued to evolve during the quarter further improving the product and IP
- Multiple TrafficGuard trials have been conducted and a strong sales pipeline has been established
- Cash and receivables at quarter end of \$2.6 million
- \$2 million raised in an oversubscribed placement subsequent to quarter end

Adveritas Limited (**Company** or **Adveritas**) (**ASX: AVI**) is pleased to provide its quarterly report for the March quarter.

### **Sales and marketing update**

Multiple TrafficGuard trials are underway and a growing pipeline has been established following intensive sales efforts including attendance at trade shows in Barcelona, Singapore and San Francisco.

Mobile measurement platform<sup>1</sup>, Metrix, became a client in the March quarter, utilising TrafficGuard to protect their clients' ad spend from fraud. This 24 month

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<sup>1</sup> Mobile Measurement Platforms are used by mobile apps to measure attribution of online advertising. Fraud prevention and 3rd party quality verification strengthens their value proposition to app advertisers.

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contract attracts fees of USD \$75k with potential growth if traffic exceeds their mid-market plan allocation.

As a result of sales efforts in the March quarter, the Company on-boarded new client, Rappi, in April (see 11 April announcement). Rappi's 24 month contract attracts a minimum fee of USD\$360k (~AUD\$500k) with potential growth if traffic exceeds the plan allocation.

During the quarter, significant progress was made to build strategic partnerships with campaign management platforms. Previously identified as a strategic priority (see 30 November 2018 announcement), partnerships with ad tech platforms enable TrafficGuard to access potential customers via the tools they are already using. This simplifies a prospect's ability to find, trial and activate TrafficGuard across their digital advertising.

In the March quarter, partnerships were entered into with ad tech platforms, HasOffers by Tune (see 28 February announcement), Segment (see 11 March announcement), and Partnerize (see 25 March announcement). These established platforms work with some of the world's biggest global brands providing services that are complementary to TrafficGuard. Trials are already underway with prospects accessed through these partnerships.

An additional partnership has been established with Chinese digital agency, SparkX (see 21 January announcement). SparkX works with Chinese app developers to expand their user bases with digital advertising, domestically and internationally. Using TrafficGuard, SparkX will be able to protect their clients' digital advertising campaigns from the impacts of fraud. Initial trials resulting from this partnership are expected in the June quarter.

As awareness of TrafficGuard grows through intensive marketing and association with high-profile clients like Rappi, the sales cycle is expected to shorten.

### Technology update

During the March quarter, the engineering team completed custom integrations with ad tech platforms HasOffers by Tune, Segment and Partnerize facilitating strategic partnerships with TrafficGuard.

The Company's engineering and data science teams continued to improve detection at all levels of the advertising journey, across both web and mobile advertising campaigns. As ad fraud evolves, innovating methods of invalid-traffic detection are essential to staying ahead of fraud and to improving the precision of mitigation. The data and engineering teams have also successfully optimised many detection methods, moving more detection to real time. These activities are

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part of the continuous innovation of TrafficGuard supporting the solution's value proposition of delivering reliable and surgical fraud prevention, in real time.

Progress has been made in two proof-of-concepts - Programmatic fraud prevention and bot management. Both present substantial opportunities to increase the application of TrafficGuard and increase its data assets.

A logical progression of TrafficGuard's click and install fraud prevention, programmatic fraud prevention, opens up TrafficGuard to advertisers and platforms that trade advertising inventory programmatically. The scale and speed of programmatic trading present unique challenges currently being explored in the proof-of-concept. Impression level fraud detection, a precursor to programmatic prevention, has already been added to TrafficGuard as an important stepping stone in this project (see 12 November 2018 announcement).

At its core, TrafficGuard has been developed to stop fake, bot<sup>2</sup> traffic from being used to conduct advertising fraud, but bots can impact businesses in many ways other than ad fraud. TrafficGuard's Bot Management proof-of-concept is exploring the use of the Company's sophisticated bot detection capabilities to protect websites and mobile apps from other malicious attacks by bot traffic.

#### Other business and outlook

The Adveritas Board was strengthened with the appointment of two non-executive directors, Andrew Stott and Mark McConnell in February (see 26 February announcement). Strategic investor, Mr McConnell has extensive experience growing both listed and unlisted software and technology companies. With a background in commercial law, Mr Stott brings significant experience in global technology M&A. Whilst working as a consultant to the business in advance of his board appointment, Mr Stott was instrumental in the development of the Company's current partnership strategy.

In April, Adveritas completed a \$2 million capital raise (see April 9 announcement dated) with strong support. This capital raise has bolstered the Company's financial position as it expands operations into North America.

With a sales pipeline growing in North America, the Company is making substantial progress in the recruitment of a North American sales team. The first TrafficGuard sales person has been appointed in the region, currently reporting to TrafficGuard Managing Director of Sales, David Cox. Further key appointments are expected to be made in the June quarter.

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<sup>2</sup> Bot Traffic: Computer programs that create non-human interactions on websites and mobile apps.



The Company expects to see further material customer contracts in the near term resulting from ongoing trials. Intensive sales and marketing efforts, along with partnerships are expected to both grow the sales pipeline and shorten the sales cycle.

Adveritas CEO, Mathew Ratty said, "We have made substantial progress this quarter in continuing to build awareness of TrafficGuard through sales, marketing and partnerships. While recent customer wins show satisfying progress, we are focused on shortening the sales cycle. As we intensify our efforts in North America, I am confident that we will see more frequent customer wins in the coming quarters."

- ENDS -



### **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. TrafficGuard, counts global ad network, ClearPier (<http://clearpier.com/>) and media agency, Omnicom Media Group (MENA) (<https://www.omnicommediagroup.com/>), amongst its early adopters. 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>

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For more information, please contact:

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Adveritas Limited (formerly Tech Mpire Limited)

**ABN**

88 156 377 141

**Quarter ended ("current quarter")**

March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	186	929
1.2 Payments for:		
(a) research and development (see additional note 1)	(841)	(2,461)
(b) product manufacturing and operating costs including cost of services rendered	(202)	(867)
(c) advertising and marketing	(77)	(354)
(d) leased assets	-	-
(e) staff costs (see additional note 2)	(677)	(2,143)
(f) administration and corporate costs	(351)	(1,098)
(g) other	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	14
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	(11)	(32)
1.7 Government grants and tax incentives	23	979
1.8 Other: income tax refunds received	-	20
other income received	13	13
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,928)</b>	<b>(5,001)</b>

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(8)	(24)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	1
(b) businesses (see item 10)	-	500
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other:		
cash disposed of on sale of controlled entity	-	(348)
withholding tax paid	(39)	(39)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(47)</b>	<b>90</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,648
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(144)
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):		
(a) Net short term advances under debtor financing facility	-	61
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,565</b>

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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,929	4,232
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,928)	(5,001)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(47)	90
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,565
4.5 Effect of movement in exchange rates on cash held	(9)	59
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>1,945</b>	<b>1,945</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,945	3,929
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Term Deposit)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,945</b>	<b>3,929</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	108
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other: debtor factoring facility	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 31 July 2018, the Company disposed of 90% of its interest in Mpire Network Inc. Mpire Network was party to a debtor factoring facility agreement. During the month of July 2018, Mpire Network received net short-term advances of \$61,398 under the facility agreement. This is shown at item 3.9(a) above.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	884
9.2 Product manufacturing and operating costs including cost of services rendered (see additional note 4)	198
9.3 Advertising and marketing	265
9.4 Leased assets	-
9.5 Staff costs	674
9.6 Administration and corporate costs	188
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>2,209</b>

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	Mpire Network Inc
10.2 Place of incorporation or registration	n/a	Canada
10.3 Consideration for acquisition or disposal	n/a	\$900,000*
10.4 Total net assets	n/a	\$478,543
10.5 Nature of business	n/a	Performance marketing

\*\$500,000 received during the quarter ended 30 September 2018. \$400,000 to be received in future quarters.

### 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.

Sign here:



(Director / Company secretary)

Date: 23 April 2019

Print name: MATHEW RATTY

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### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

### Additional Notes

1. Item 1.2(a), payments for research and development, comprises primarily staff costs relating to on-going technology development work.
2. Item 1.2(e), payments for staff costs, excludes those costs relating to on-going technology development work which are included instead at item 1.2(a) – see additional note 1 above.
3. Item 1.2(g), payments for restructuring and expansion costs relate to expenditure incurred as part of the Company's sales and marketing restructure and APAC establishment costs.
4. Item 9.2, estimated cash outflows for next quarter - product manufacturing and operating costs including cost of services rendered, includes payments to supply partners for the cost of services rendered to advertising clients and consequently the estimated cash outflow is dependent primarily on estimated sales for the next quarter.