

ASX Announcement  
31 July 2023

## ÜNITH delivering Digital Human platform enhancements; gaining success with AI-subscription products surpassing 100,000 users

### June 2023 Quarter Activities Report

Unith Ltd (ASX: UNT | FWB: CM3) (“ÜNITH” or the “Company”) is pleased to provide its quarterly activities report and Appendix 4C for the quarter ended 30 June 2023 (Q4 FY23).

#### Q4 FY23 Highlights:

- Delivered all milestones presented in March 2023;
  - Further enhancements delivered to the Digital Human platform, including optimisation of the server architecture to scaled deployment, integration of advanced analytics and GPT conversational engines.
  - NVISO & BonsApps technical milestone delivered on schedule – planned grant was received on time, based on delivery.
  - BIG-5 Client product was successfully integrated, initiated activities towards expanding to further departments.
- Scaled the commercial team alongside platform advancement and initiated enterprise go-to-market ahead of schedule;
  - Established a rich customer and partner pipeline with evident strong interest in ÜNITH’s Digital Human offerings.
- Contract win to deploy Digital Humans to a global e-lottery platform AZBillions, opening up a new target market for ÜNITH’s technology.
- Mobile Subscription division surpassed 100,000 users across Europe and Middle East; all user acquisition activities moved in-house to increase scale and profitability by acquiring users in higher volume.
- Cash at bank of \$4.3 million at 30 June 2023.



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## **Commenting on the quarterly performance, UNITH's CEO Idan Schmorak said:**

*"It has been a busy period across UNITH. We successfully achieved the goals set out in our technology roadmap, improving the human-likeness of our digital humans while integrating the platform with GPT to enable open conversations, as opposed to pre-defined guided conversations. We also made significant progress with our BIG-5 tech client, delivering their first digital human in preparation for our Enterprise Go-to-Market in Q1 FY24 and deepened our relationship with the organisation, pushing towards expanding our service offering within.*

*With an expanded team in place, we have been able to increase our business development efforts and have successfully established a robust sales pipeline with several opportunities currently under discussion. Excitingly, these opportunities cover a range of industries, within public and private sectors, demonstrating the broad spectrum of potential applications for UNITH's technology.*

*Earlier this month, we won a contract with Xite to customise digital humans for their online lottery platform AZBillions. Combining the efficiency and cost-effectiveness of automation with the personal touch of human-like interaction, UNITH's digital humans will redefine the way AZBillions customers can interact with the lottery platform. E-lottery is a new industry for us and, with a large addressable market globally, an exciting opportunity for UNITH.*

*Finally, we are thrilled to see the Subscription division succeed with significant optimisation measures that increase user acquisition volumes by bringing functionality in-house. We expect this to deliver increased revenues and margins in the near future."*

## **Operational Update**

### Talking Head Technology Division

During the quarter, UNITH delivered further enhancements to its platform with the digital humans now generating further realistic lip movements and showing empathy in conversations. UNITH has also progressed the integration of its platform with GPT by successfully using larger data sets, such as employee handbooks and product operating manuals, to consistently generate correct answers. With further quality improvements expected in coming months, the platform is on track for self-service soft launch in Q2 FY24.

Having successfully delivered the first digital human to its BIG-5 Tech client in H1 FY23, UNITH is now focused on making further product improvements while working to expand to further departments within the BIG-5 organisation.

### *UNITH secures contract with e-lottery provider*

In July 2023, UNITH secured a contract with Xite Holdings Limited ("Xite"), the operator of an international e-lottery product AZBillions, to deploy its AI-powered digital humans to the AZBillions platform. As part of the agreement, UNITH will develop tailored digital humans that cater specific regions with language



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proficiency, visual appearances, voices, and facial expressions that align with the unique characteristics of each region, providing an enhanced user experience. UNITH will deliver the digital humans over 12 months at an initial contract value of \$44K, with the potential to expand the number of licences over time.

The first digital human will be fluent in Spanish and programmed for the Latin America region. The digital humans will provide comprehensive support in various aspects of the platform, including online lottery ticket purchases, customer support, and even upselling opportunities.

This collaboration between UNITH and AZBillions represents an important leap forward in the integration of AI technology within the US\$27 billion e-lottery industry<sup>1</sup>, while representing a new application and business opportunity for UNITH's technology.

## Mobile Subscription Division

Over the quarter, the Mobile Subscription division reached a significant milestone, surpassing 100,000 users of the new AI apps "Bedtime Stories" and "AstroVIP" across Europe and the Middle East. Leveraging the recently established in-house user acquisition activities, the division recorded an 86% increase in the number of newly acquired users in the June quarter compared to the March quarter.

In Q4 FY23, the subscription retention rate one month after activation was at 70%, demonstrating strong engagement with UNITH's mobile subscriptions-based products. The increased engagement has resulted in over 18,000 hours of user interaction with Digital Humans within the entertainment AI applications.

In addition, UNITH secured approvals to launch its conversational AI applications in Thailand, Bulgaria, Bahrain and Jordan, increasing the number of markets to 17.

UNITH expects continued sustainable revenue growth from its Mobile Subscription division through the staged transition to bring user acquisition activity in-house. The transition will include a higher marketing budget deployed than in previous periods, but will result in improved revenues and margins in the second half of FY24, by enabling UNITH to acquire users in higher volumes than via third-party providers.

## **Outlook**

### **Commenting on the outlook, Mr Schmorak said:**

*"The first half of FY24 is set to be a very exciting period for UNITH with milestones expected to be reached on both the platform development and commercialisation fronts. Our team has worked extremely hard to build the foundations and develop the platform ready for launch, and we are almost there.*

*Our Mobile Subscription division had a strong start to the year with the successful launch of our products in several new markets, and we look to continue to expand our reach further. We will also introduce an AI-powered digital human to the platform to provide 24/7 customer support to our subscribers.*

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<sup>1</sup> <https://www.expertmarketresearch.com/reports/online-lottery-market>



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*Our progress and achievements with the digital humans continue to redefine customer interactions and provide a cost-effective solution for our clients. We have an exciting year ahead, and I look forward to keeping you up to date on our progress as we get closer to launching our self-service platform and delivering on new sales.”*

## Q4 FY23 Financial Update

- Cash as at 30 June 2023 was \$4.3 million.
- Net cash used in operating activities (\$909K), mainly reflecting higher spend on marketing as the Mobile Subscription division continues to expand into new markets and R&D of the Digital Humans technology.
- Net cash used in investing activities (\$400K), which was mainly used for further investment in intellectual property.
- Net cash from financing activities was \$171K, mainly reflecting \$271K from the Share Purchase Plan less transaction fees and repayments of lease liabilities.

## Related Party Payments

Section 6 of the Appendix 4C released today discloses payments to related parties of \$49K, reflecting fees paid to non-executive directors and for provisions for Company Secretary services during the quarter.

This announcement has been authorised for release by the Board of Directors of Unith Ltd.

(ENDS)

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## About ÜNITH

ÜNITH is a leading digital human software developer. It unifies the research and development of facial movement deep learning, audio machine learning, and conversational design to generate the first customizable, interactive avatar of its kind.

Businesses can create their own digital humans to immerse, assist, and educate customers in real time and in multiple languages, all through one full stack platform.

For further information, please visit: [unith.ai](https://unith.ai)



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## Appendix 4C

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

**Name of entity**

Unith Ltd

**ABN**

13 083 160 909

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

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,220	4,710
1.2 Payments for		
(a) research and development	(350)	(1,190)
(b) product manufacturing and operating costs	(303)	(873)
(c) advertising and marketing	(579)	(1,258)
(d) leased assets		
(e) staff costs	(520)	(1,826)
(f) administration and corporate costs	(394)	(856)
1.3 Dividends received (see note 3)		
1.4 Interest received	34	99
1.5 Interest and other costs of finance paid	(17)	(76)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(909)</b>	<b>(1,270)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(25)	(25)
(d) investments		
(e) intellectual property	(375)	(1,292)
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(400)</b>	<b>(1,317)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	271	5,371
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		57
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(24)	(397)
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)	(76)	(223)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>171</b>	<b>4,808</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	5,493	2,228
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(909)	(1,270)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(400)	(1,317)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	171	4,808
4.5	Effect of movement in exchange rates on cash held	(95)	(189)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,260</b>	<b>4,260</b>

<b>5.</b>	<b>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	4,260	5,493
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,260</b>	<b>5,493</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>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.</i>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	0	0
7.5 <b>Unused financing facilities available at quarter end</b>		0
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(909)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,260
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,260
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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: N/A	
8.6.2 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: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## 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.