

ASX Announcement
24 April 2024

New ÜNITH website primed as gateway to Digital Human platform; B2C AI product margins rising

March 2024 Quarter Activities Report

Unith Ltd (ASX: UNT | UNTO | FWB: CM3) (“ÜNITH” or the “Company”) is pleased to provide its quarterly activities report and Appendix 4C for the quarter ended 31 March 2024 (Q3 FY24).

Q3 FY24 Highlights:

- Successful completion of all Q1 CY24 Roadmap milestones ahead of schedule, which included tech upgrades improving conversational quality, the Digital Human User Experience, and self-service capabilities, alongside several operational and security enhancements.
- Launch of an upgraded website - unith.ai - with new backend infrastructure that will best integrate the Digital Human platform as the gateway for customers to generate their own digital humans that will work 24/7, powered by AI and able to converse in 60+ languages.
 - Upcoming development: Launch of Customer Panel that will enable users to not only create, but manage their Digital Human configuration post-go-live.
 - UX Upgrade: Facilitation of white-label elements for branding, better user chat/mic input controls, and faster conversation generation.
 - Plugin framework expansion to include more AI integrations with third party platforms and conversational AI engines for enhanced commercial reach through externally hosted solutions, e.g. AWS.
- New digital humans working across various industries now showcased on the ÜNITH website and social media platforms.
- B2C Subscription division gross profit after marketing increased by 19%, mainly driven by lower customer acquisition costs, amid internal restructure and leveraging the Digital Human platform.
- \$4.8 million cash on hand as of 31 March 2024.
- Operating cash outflow of (\$0.3 million) improved by 63% from the prior quarter.



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Commenting on the quarterly performance, UNITH’s CEO Idan Schmorak said: “UNITH made strong development progress on the Digital Human platform to achieve all Q1 CY24 AI milestones in the Roadmap ahead of schedule. Since soft launching the platform to select clients, we have been gathering valuable feedback and insights which will position digital humans generated from the platform to perform more tasks than originally planned, on launch.

We are excited to give the UNITH website a much needed facelift as part of our commercial strategy which will enable us to best showcase the power of digital humans to the world, while already generating a fresh pipeline of customer leads. The new website will be the gateway for users to engage with the Digital Human platform and these upgrades enable the best presentation of our Customer Panel.

We now have the flexibility to increase marketing spend for the platform when the time is right and the capacity to add more features to the platform for its public rollout to deliver an enhanced product at launch, which will assist with premium subscriptions and customer retention.”

Digital Human Technology Division

Operational Update

UNITH has successfully completed all Q1 CY24 AI milestones set out in the 2024 Roadmap¹ (right), where AI milestones targeted enhancements for its Digital Human platform. These milestones were achieved ahead of schedule with tech upgrades improving conversational quality, video synthesis, and self-service capabilities.

Customer Panel Enhancements: In addition to knowledge-based conversation, the Customer Panel now offers Text-to-Video upload options, allowing customers to easily create downloadable videos of digital humans reading out scripted content with corresponding human likeness in their visual presentation.

Chat Engine Enhancements: An Automatic Accuracy Evaluator has been added to the analytics capabilities of the platform, empowering customers to evaluate and optimise their conversational accuracy across several dimensions

JAN - MAR 2024		Status
PRODUCT	UX improvements: Enhanced Suggestions with Auto-Disconnect Notification	✓
	Customer Panel MVP: New operational modes & management	✓
	Conversation improvement: Prompt engineering & accuracy evaluation	✓
RESEARCH	Non-verbal reactions	✓
	Conversational accuracy and reliability	✓
	Video Streaming	✓
GTM	2024 Marketing strategy	In Process
	Website facelift (springboard towards platform launch)	Live
	Industry Events Attendance	3 Events Attended

¹UNITH Investor Presentation, Released 6 February 2024, https://assets-global.website-files.com/65cb492cc100ccea7d4d0837/6620688cc337fb4b21a5bfbab_Feburary%206%2C%202024%20-%20UNT%20Investor%20Presentation.PDF



such as precision, recall, faithfulness and relevancy. This analytics feature assists customers to evaluate the effectiveness of their uploaded information sources and make changes that can better ‘train’ their digital human towards desired outcomes.

Front End Improvements: Customers can now influence the sorting logic of suggestions, allowing digital humans to provide sequenced suggestions without repetition. This allows customers to have more control over the flow of the conversation by introducing topics that may lead toward a desired outcome.

Inactive users will now be timed out from conversations, improving overall system capacity as well as improving the user experience with analytics provided to customers regarding the point of time out. By having time out functionality, digital humans can move on to the next conversation in queue when customers are on subscriptions that limit the number of concurrent conversations.

Text-to-Video API: A new Text-to-Video API Endpoint has been introduced, allowing customers and any system integrator or developer to programmatically access UNITH Text-To-Video functionality, to automatically generate Digital Human videos.

Security: The release ensures the Customer Panel’s safety and reliability as an enterprise-first product. UNITH continues to prioritise and improve security to ensure access to the platform is controlled, specifically as it pertains to customers creating and securing their Digital Human avatars.

Integration Plugins: Plugins have been developed for Wordpress and Shopify which will make it simple for users to embed their digital humans on a standard Wordpress website or with eCommerce functionality via Shopify integrations. The launch of these plugins is pending third party approvals.

A plugin framework has also been established to integrate with third party conversational AI engines (e.g. Amazon’s Bedrock) as a solution for customers preferring to host their digital humans externally, such as on Amazon Web Services (AWS).

Commercialisation Update

Website Upgrade: UNITH has launched an upgraded version of its website in preparation for the integration of its Digital Human platform launch. The website has been transferred to a new hosting engine which will allow the Digital Human platform to be best integrated for its commercial launch later in 2024, where unith.ai will be a gateway to the platform and the primary interface for self-service customers. Further commercial objectives are also reflected in the new site which include enhanced SEO capabilities to generate greater industry awareness of the platform.

The soft launch of the Digital Human platform has been undertaken using this new infrastructure, with new functionality continuing to be added in line with testing being undertaken by select clients with feedback being integrated where possible.

The new website features digital humans generated by the platform and powered by AI that users can interact with. The website infrastructure allows UNITH to add more digital humans over time without users



exiting the website to an external domain, as well as showcase UNITH AI to prospective customers and generate leads in preparation for the platform’s launch.

More Digital Humans Showcased: As part of the soft launch of the Digital Human platform, clients have been generating their own digital humans for various use cases which have included eCommerce, human resources, marketing, travel and customer support. Some of these digital human use cases have been featured on the new UNITH website and social media channels as tools for the commercial team to showcase to prospective clients and partners.

- [Pia | eCommerce Assistant | UNITH AI Digital Human](#)
- [Jo | HR Specialist | UNITH AI Digital Human](#)
- [Mia | Virtual Marketing Agent | UNITH AI Digital Human](#)
- [Noa | Digital Concierge | UNITH AI Digital Human](#)

These example digital humans were demonstrated by UNITH’s commercial team at the Telemedia 8.1Live and Mobile World conferences in Spain in February 2024, followed by the Chatbot Summit in Germany in March 2024. UNITH will continue to engage with prospective partners and clients for the Digital Human platform at industry events to garner further interest in the platform in preparation for its general launch and customer acquisition strategy.

B2C Subscription Division

The progressive results of a restructure within the B2C Subscription division over the past 9 months have begun to reflect an uplift of gross margins being generated by its conversational AI applications. The gross profit after marketing costs for the division increased by 19% from the prior quarter, mainly driven by lower customer acquisition costs. Despite the reduction in marketing expenditure, the B2C division maintained a steady number of active customers, indicating the effectiveness of existing marketing strategies in retaining customer loyalty and engagement.

Leveraging early access to UNITH’s Digital Human platform and its new modes of operation, the B2C division has reduced product time to market and simplified content updates which will accelerate plans to launch more conversational AI products. Courtesy of in-house customer acquisition, these products will be marketable to inactive customers in due course.

Looking ahead, the B2C division remains poised to adapt and innovate in response to evolving market dynamics where the restructure has adjusted Key Performance Indicators whereby revenue and margins will be prioritised ahead of total subscribers. By leveraging data-driven insights, refining marketing strategies and product innovation, the B2C division is progressively balancing customer acquisition and retention to target sustainable growth and profitability.



Q3 FY24 Financial Update*

- Cash on hand as of 31 March 2024 of \$4.8 million.
- Net cash used in operating activities of (\$0.3 million) improved by 63% from the prior quarter. Legal fees of \$23K were paid in relation to the notices from the requisitioning parties pursuant to sections 203D and 249D of the *Corporations Act 2001* (Cth). The notices were withdrawn by the requisitioning parties prior to the General Meeting held on 28 March 2024. The Company continues to refine operational processes and resource allocations to ensure an efficient cost structure, while fostering the continued investment in R&D of the Digital Humans technology and further advancing on the ongoing commercialisation progress.
- Net cash used in investing activities was (\$0.4 million) for investment in intellectual property.
- Net cash from financing activities was \$4.2 million, including proceeds from the Placement and Entitlement Offer (\$4.5 million received during the quarter), which were partially offset by transaction fees paid of \$250K and repayments of lease liabilities of \$71K.

Director Appointment

On 27 March 2024, Mr Gary Cox was appointed to the Board as Non-Executive Director.

Mr Cox brings over 35 years of global experience in the IT and software industries. These included executive roles for Microsoft where he served as Executive Officer & General Manager - Enterprise and Partner Group in Japan before being promoted to Vice President Enterprise & Partner Group - Asia. His current roles include Non-Executive Director at NEXTGEN, GapMaps, and SWARM. Previously Gary served as Non-Executive Chairman of rhipe, an ASX listed company, until its acquisition by Crayon Group in Nov 2021 for AUD\$400M.

Also on 27 March 2024, Mr Mathew Blake resigned from his position of Non-Executive Director.

Capital Raising

On 13 February 2024, UNITH raised \$2.0 million (before costs) and issued 137,931,034 fully paid ordinary shares and 68,965,517 unlisted options as part of a placement to professional, institutional and sophisticated investors, under Listing Rule 7.1 and 7.1A.

A non-renounceable, fully underwritten pro-rata Entitlement Offer (Offer) to shareholders was then undertaken. The Offer was strongly supported by eligible shareholders and as a consequence was oversubscribed, raising \$2.6 million (before costs). The Company issued 148,377,885 new shares and 148,377,885 new options pursuant to a Prospectus dated 23 February 2024 and Supplementary Prospectus dated 12 March 2024.

The Oversubscription New Shares (35,714,285) and New Options (35,714,285) were issued from the Company's Listing Rule 7.1 capacity.



Upon approval at a General Meeting held by the Company on 28 March 2024, the Company issued the following securities:

- 68,965,517 listed options (UNTOA)
- 10,000,000 unlisted options (advisor options) and 10,000,000 listed options (UNTOA) to Evolution Capital Pty Ltd.

Related Party Payments

Section 6 of the Appendix 4C released today discloses payments to related parties of \$91K, reflecting fees paid to non-executive directors and for provisions for Company Secretary services during the quarter.

** All FY24 financial data is unaudited unless stated otherwise.*

UNITH invites investors to join its mailing list for updates by subscribing at: www.unith.ai/subscribe

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

(ENDS)

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About UNITH

UNITH 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 customisable, 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

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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")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,454	3,751
1.2 Payments for		
(a) research and development	(257)	(885)
(b) product manufacturing and operating costs	(326)	(977)
(c) advertising and marketing *	(251)	(1,484)
(d) leased assets		
(e) staff costs	(640)	(1,854)
(f) administration and corporate costs	(255)	(834)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(10)	(50)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(23)	(23)
1.9 Net cash from / (used in) operating activities	(308)	(2,356)
*includes in-house user acquisition costs tied to restructuring the B2C subscription division.		
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property	(379)	(999)
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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)		
2.6 Net cash from / (used in) investing activities	(379)	(999)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	4,512	4,512
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	(250)	(250)
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)	(71)	(234)
3.10 Net cash from / (used in) financing activities	4,191	4,028

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,395	4,260
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(308)	(2,356)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(379)	(999)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,191	4,028
4.5	Effect of movement in exchange rates on cash held	(99)	(133)
4.6	Cash and cash equivalents at end of period	4,800	4,800

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	4,800	4,800
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)	4,800	4,800

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	91
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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(308)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,800
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,800
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	15.6
<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:	
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:	
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:	
<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: 24 April 2024

Authorised for release 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.