

ASX RELEASE

30 April 2021

ADVERTITAS RAPIDLY SCALED OVER Q3

**RAPID GROWTH IN FREEMIUM AND PAYING SUBSCRIBERS;
NEW ENTERPRISE CLIENTS SIGNED, INCLUDING FIRST EUROPEAN CUSTOMER,
ADDING \$191K TO ANNUALISED REVENUE**

ACTIVITIES REPORT FOR THE QUARTER ENDED MARCH 2021 (Q3 FY21)

Key highlights:

- **Rapidly growing numbers of Freemium subscribers and paying customers**
 - Freemium subscribers, a lead indicator of future growth in paying customers, up 61% since 31 December 2020 to over 2,300 subscribers at the end of Q3 FY21
 - Conversion rate of Freemium to paying customers above management expectations, averaging approximately 15% in Q3 FY21 vs a global average of 2-5%¹
 - At the end of Q3 FY21, TrafficGuard was being used by 170 paying customers, up 42% from 31 December 2020
 - New sign ups occurring daily from all around the world
- **63% growth in cash receipts vs prior year corresponding period**
- **New enterprise clients signed up during Q3 FY21 and to the date of this report are located in Asia, North America and Europe, including the Company's first European customer deezer, which will add \$191k to annualised revenue**
- **Setting foundations for global scale-up by investing in resources to establish an end to end enterprise sales process**
- **\$ 5.6 million cash and no debt at 31 March 2021, underpins growth opportunities**

Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to provide this quarterly activities report for the three months ended 31 March 2021 (Q3 FY21). The quarter saw the Company continue to deliver strong sales momentum, with rapid growth in Freemium subscribers and conversions into revenue generating clients, including signing its first European customer.

Commenting on the Company's strong operational growth over Q3 FY21, Adveritas Co-founder & CEO Mathew Ratty said: "We are delighted with the progress made over the past quarter, including signing up our first European customer, to deliver on the exciting global potential we see for our technology.

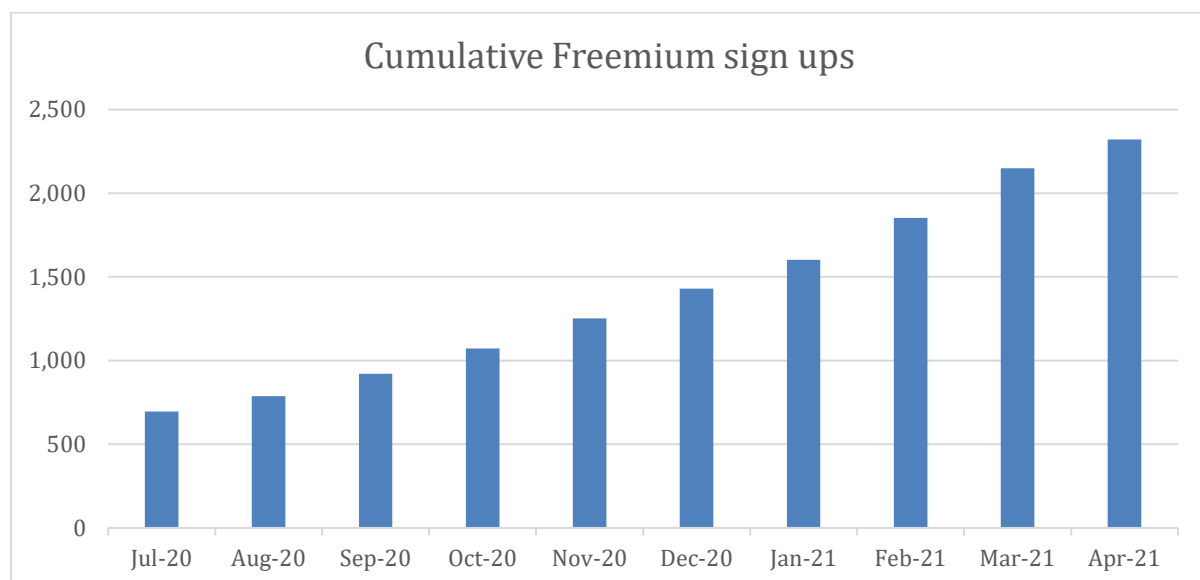
¹ <https://hbr.org/2014/05/making-freemium-work>

Strong growth in Freemium subscribers is a key lead indicator to future revenue, and our conversion rates are substantially above market. In addition, our enterprise level pipeline continues to grow, with several well-known global brands trialling TrafficGuard. We look forward to building on the positive momentum we are experiencing to sign further new clients in the coming months.”

“The rise of sophisticated fraud across the entire digital advertising landscape that is wasting companies’ advertising spend and causing misallocation of marketing budgets, makes tools like TrafficGuard more essential than ever before. TrafficGuard is the world’s first full funnel measurement, verification and fraud prevention solution for digital advertisers, and as a Company we have a duty to our industry to showcase our technology in order to combat the ad fraud issue. With a number of global companies running trials with TrafficGuard, several of which are in contract negotiations, a substantial increase in qualified leads across multiple industry verticals and geographies over the past few months, and a balance sheet with \$5.6 million cash and no debt, we are very well positioned to continue rapidly scaling and delivering on the exciting growth potential we see for our business,” added Mr Ratty.

Rapidly growing Freemium and paying subscribers

The number of Freemium subscribers utilising TrafficGuard is a key lead indicator of future growth in paying customers. Since 31 December 2020, the number of Freemium subscribers increased by 61% to exceed 2,300 currently.



The strong increase in Freemium subscribers and paying customers has been driven by the growth in marketing channels, which has attracted greater awareness of TrafficGuard’s hyper scale product.

New enterprise clients signed up across Asia, North America and Europe adding \$191k to annualised revenue

Adveritas continued to sign up new enterprise clients across Asia, North America and Europe during Q3 FY21 and up to the date of this report. A major milestone was achieved in February when the Company signed its first commercial agreement with a European customer, Deezer (“deezer”), a French online music streaming service, to supply TrafficGuard’s mobile app instal anti-fraud SaaS solution. The addition of these clients increases annualised revenue by circa \$191k.

Commenting on Adveritas’ new enterprise clients, Mr Ratty said: “We are delighted with the calibre of the enterprise clients we continue to sign up across geographies and sectors. Most are also being offered additional services that will expand our relationship with them over time to protect either their mobile or Google advertising spend. The recent multiple new signings reinforces and strengthens our ability to convert Freemium subscribers to paying customers with increased marketing and case studies, and with over 2,300 Freemium subscribers, Adveritas is very well placed to drive strong growth in revenue.”

Setting foundations for global scale-up by investing in an end to end enterprise sales process

To support the increasing number of enterprise trials taking place as well as conversions from Freemium subscribers to paying customers, Adveritas has been investing in its sales and marketing team and marketing initiatives. In addition to adding qualified and experienced people to the Company’s sales team, Adveritas has spent the quarter investing and training multiple sales divisions within the Company to establish a dedicated sales prospecting, sales development and sales consulting team that has set strong foundations for hyper scale. This end-to-end sales process is now being rolled out at both the enterprise level as well as Adveritas’ mid-level sales teams and the key leading indicators of this being successful is strong.

The growth in sales and marketing capabilities from a people and system perspective will underpin Adveritas’ global scale-up for both enterprise and mid-level clients as well as further rapid growth in Freemium subscriber and paying customer numbers.

Balance sheet underpins growth initiatives:

The Company closed the quarter with a cash balance of \$5.6 million, underpinning the Company’s growth initiatives. The Company also has 55.5 million options with an exercise price of \$0.10 that expire in October 2021 which, if fully exercised, will raise capital of \$5.5 million.

Growing cash receipts

The Company continued to gain traction in the pay per click (PPC) market, driving an increase in receipts of 63% on Q3 FY20.

Government funding in the form of JobKeeper payments of approximately \$70k was received during Q3 FY21. The funding received was significantly lower than Q2 FY21 (\$180k) due to the “cash flow boost” program coming to an end in Q2 FY21 and a change to the JobKeeper program.

Managing cash payments

	Current quarter	Previous quarters	
	Mar 2021	Dec 2020	Sep 2020
	\$'000	\$'000	\$'000
Research and development	(725)	(863)	(795)
Product manufacturing & operating	(297)	(140)	(155)
Advertising and marketing	(207)	(167)	(196)
Staff costs	(1,041)	(967)	(851)
Administration and corporate	(367)	(308)	(512)
Total expenditure payments	(2,637)	(2,445)	(2,509)

In total, expenditure payments in Q3 FY21 were slightly higher than in previous quarters. The 7% increase in expenditure compared to Q2 FY21 mainly relates to:

- an increase in server hosting costs (product manufacturing and operating costs); and
- higher staff costs largely due to an increase in sales and marketing resources, including the appointment of Matthew Sutton as Chief Revenue Officer (based in Singapore) in January 2021.

Payments to directors during the quarter amounted to \$223k and comprised salaries and fees of \$163k (included in staff costs) and consultancy fees of \$60k (\$26k included in administration and corporate costs and \$34k included in advertising and marketing costs).

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: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")

March 2021

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	273	777
1.2 Payments for		
(a) research and development	(725)	(2,383)
(b) product manufacturing and operating costs	(297)	(592)
(c) advertising and marketing	(207)	(570)
(d) leased assets	-	-
(e) staff costs	(1,041)	(2,859)
(f) administration and corporate costs	(367)	(1,187)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,180	1,180
1.8 Other (provide details if material)	70	604
1.9 Net cash from / (used in) operating activities	(1,112)	(5,019)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(14)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	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	(7)	(13)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	393
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(9)	(59)
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	(9)	2,334

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,718	8,351
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,112)	(5,019)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9)	2,334
4.5	Effect of movement in exchange rates on cash held	(17)	(80)
4.6	Cash and cash equivalents at end of period	5,573	5,573

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	5,573	6,718
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)	5,573	6,718

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)	223
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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 \$163,205; and
- consultancy fees of \$59,811

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

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)	(1,112)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,573
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,573
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

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: 30 April 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.