



# Strategy Update

**Mathew Ratty**  
Chief Executive Officer  
Adveritas Limited (ASX: AV1)

October 2019



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# Key Investment Considerations | trafficguard



- **Highly scalable, global B2B Software-as-a-Service (SaaS) product called TrafficGuard** which employs proprietary, patent-pending tech (100% company owned)



- Validation of **Tier 1, global clients – Go-Jek, Rappi and MUV** paying **A\$150k-\$350k per annum on 1-2 year contract basis**



- **Best of breed - TrafficGuard selected by marquee clients after extensive review of available anti-fraud solutions**
- Competitive barriers to entry created by proprietary big data from previous marketing campaigns



- **A\$1.6m annualized recurring revenue**, up 150% since March 2019
- Indicative pricing for US global enterprise clients is expected to be higher than existing enterprise clients



- **Visible path to cash positive** given pipeline and total addressable market



- **Multiple Tier 1, global client trials in progress**
- High sales growth potential through integrations with Campaign Management Platforms (CMPs) with co-marketing events to clients



- Large global problem
  - **US\$42 billion global ad fraud problem in 2019.**
  - Estimated to be US\$100bn ad fraud problem by 2023 (*source: Juniper research - AI, Ad Fraud & Ad Blocking 2019-22*)

# Corporate Overview

Adveritas (ASX: AV1) provides anti-fraud solutions for the global digital marketing sector on a software-as-a-service (SaaS) revenue model.

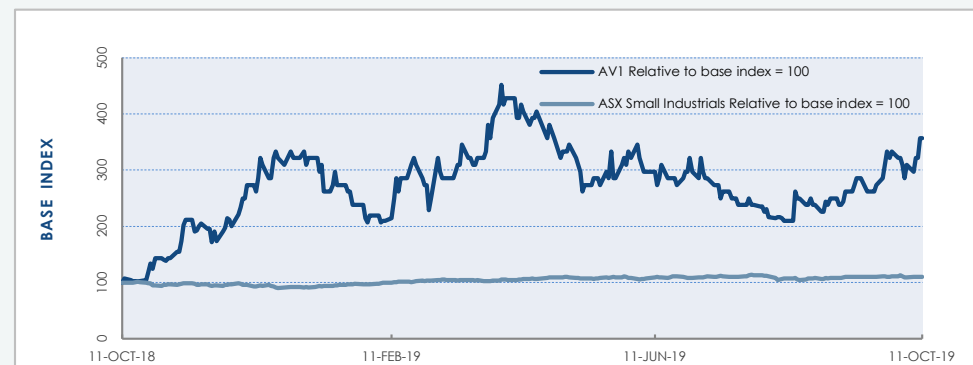
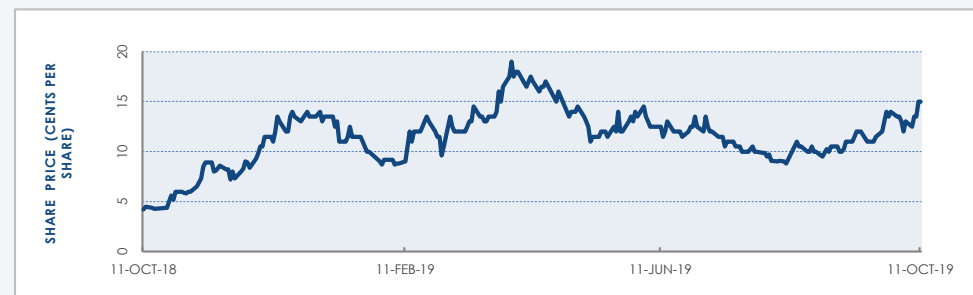
TrafficGuard is its flagship SaaS solution, protecting advertisers from fraudulent digital advertising engagements.

In less than 12 months, AV1 has (i) Tier 1 global clients on 1-2 year contracts paying A\$200k-\$350k per annum; (ii) \$1.6m annualised recurring revenues and (iii) Set the foundations for global growth.

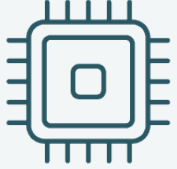
## Financial Snapshot

Ticker	ASX: AV1
Cash + Receivables at June 30, 2019	\$2.6 million
Capital raised in August 2019 (before costs)	\$2.8 million
Debt	\$0
Shares on issue	172 million
Options on issue (55m of these are 10c exercise)	62 million
Market Capitalisation at 15c	\$25.8 million
Fully diluted Market Capitalisation	\$35 million
Top 20 Holding	~ 48%
Directors and Management Holding	~ 20%

## Share Price Performance to 11 October 2019



# Adveritas – Company History



## Build Tech

**June 2016 - June 2018**

- Recognise industry problem
- Build Proof of Concept (POC) leveraging 10 years of data
- Build minimum viable product (MVP)
- Test internally and validate
- Refine product based on own experience
- Prepare technology for market participants



## Pivot Company to SaaS

**July 2018 – Dec 2018**

- Sell off legacy Performance Marketing business
- Acquire inaugural clients
- Evolve features based on user experience and refine product to increase sales



## Engage Marquee Clients

**Jan 2019 – September 2019**

- Engage key industry clients
- Develop white papers to gain industry awareness
- Build brand equity
- Build initial client case studies to show strong ROI
- Establish necessary integrations with key participants
- Establish channel partners
- Optimise platform costs



## Scale Globally

**September 2019 Onwards**

- Know your scale up cost structure
- Add sales people in key markets
- Engage channel partners
- Attend global events for client facetime
- Leverage content and client case studies for global marketing
- Grow ARR rapidly
- Engage with clients and refine product for the future

# The Global Problem

Digital advertising fraud is forecast to be a US\$100 billion problem by 2023, manifest in “human click fraud farms” and other sophisticated fraud ring techniques.

Litigation *Uber v Fetch* highlights the problem.



- In digital advertising, advertisers pay for ad engagements such as when users view, click and convert on ads. Ad fraud occurs when these engagements with digital advertising are generated by people or bots that have no intention and/or ability to become genuine customers of the advertiser. The fraudster makes money by getting the advertiser to pay them for the fake ad engagements.



- Ad fraud is forecast to cost advertisers globally \$42 billion in 2019.
- This is estimated to grow to US\$100b by 2023 (source: Juniper research)



- An industry example of fraud is Uber vs Fetch litigation
- 3VE fraud syndicate takedown

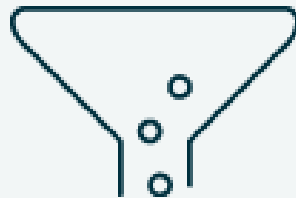
# Solution: TrafficGuard's Cutting Edge Fraud Prevention



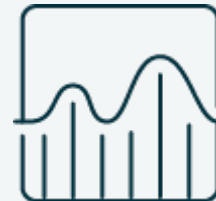
The most basic anti-fraud solution is simply a “blacklist” which blocks particular affiliates (eg. websites, blogs etc) completely. However, this simple approach risks blocking both fraudulent and genuine downloads which is detrimental to the client. TrafficGuard uses machine learning to constantly analyse user download behaviour to identify patterns of fraud. The more data TrafficGuard gathers, the better its proprietary data set and efficiency of anti-fraud solution.



**v1.0 Blacklists**



**v2.0 Rules-based**  
logical rules and static thresholds



**v3.0 Behaviour based**  
Defined behaviour anomaly detection



**v4.0 ML based**  
Multi-point prevention using ML

General

Sophisticated

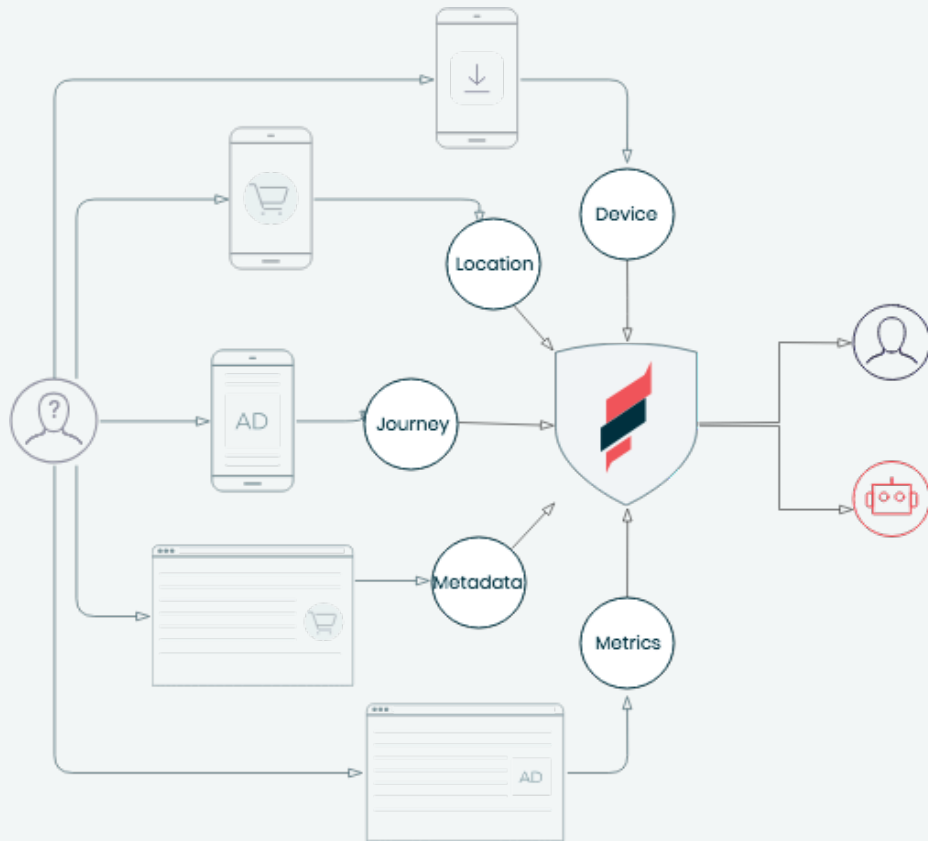


# Solution: TrafficGuard's Cutting Edge Fraud Prevention



TrafficGuard analyses hundreds of data points every time an ad is viewed, clicked, and converts, to determine whether that ad engagement is genuine or delivered by fraud.

The TrafficGuard technology was developed by AV1's internal team of data scientists and software engineers, using internal data AV1 accumulated over many years of advertising campaigns.



## How it works

TrafficGuard analyses over 200+ signals from these 5 categories to identify fraud.

1. Device characteristics: model, browser, version
2. Location: lat/long, city, user of proxies, carriers
3. Journey: clicks, app installs, conversions, post-conversion activity. Changes in device or location details at different journey stages
4. Metadata: traffic sources, campaign targeting
5. Metrics: conversion rates, click through rates, click to install times

# Solution: TrafficGuard's Cutting Edge Fraud Prevention

## Machine Learning

TrafficGuard uses a combination of machine learning techniques to analyse traffic and protect against known and unknown types of fraud. Anomaly, classification and prediction algorithms work together to validate traffic in massive data sets.

## Rules Engine

Advertising specific rules and thresholds that reliably identify invalid traffic. Rules are a first line of defence that help to eliminate KNOWN invalid traffic.

## Behavioral Analysis

Analysis of transactions as they occur from an individual device over time; from a supply source over time; across all campaigns and as a part of each campaign. Checking all traffic against norms and exploring statistical outliers. Used to detect invalid traffic and also to find earlier indicators of known invalid traffic.

## Network Graph

Utilises statistical analysis and machine learning to build an intricate profile of the data network properties and topology. This enables TrafficGuard to identify malicious devices connected to the network.

## Device Graph

Behavioural analysis and machine learning that builds an intricate profile of each device. This enables TrafficGuard to understand a device across many campaigns and interactions overtime.



# Solution: Why TrafficGuard



## Surgical

Many competitors excessively block traffic and sources resulting in false positives for advertisers and unfairly penalised traffic sources. Our surgical approach reduces false positives by only removing instances of invalid traffic. This leads to improved valid traffic volumes for advertisers and overall better performance.



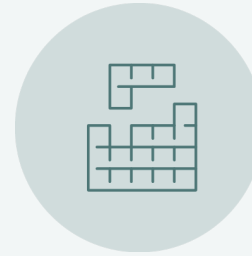
## Transparent

TrafficGuard is not a black box. We share IVT diagnosis with advertisers and supply partners to demonstrate the science in diagnosis. This 2-way transparency facilitates trust and ensures that both parties have the same traffic volumes at invoice time - saving time and effort wasted on invoice reconciliation.



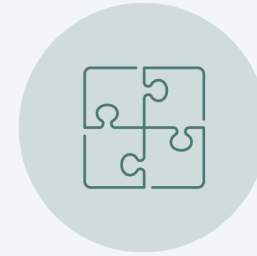
## Multi-point

TrafficGuard analyses multiple stages in the advertising journey to remove invalid traffic at the earliest reliable diagnosis.



## Specialist

Our technology was purpose-built from the ground up. Developed specifically to fight ad fraud, TrafficGuard has no conflicts of interest, and no restraints or compromises dictated by other uses of the tech.



## Holistic

Reporting tools help advertisers recoup wasted media spend but TrafficGuard is a holistic approach to ad fraud, preventing it from occurring, reducing impacts to intermediaries in the media buying chain, and making the opportunity of ad fraud less appealing to the fraudsters.

# Validation: Recent Contract Wins

Tier 1, global clients (eg. Go-Jek, Rappi and MUV) signed 1-2 year contracts of A\$200k-350k per annum, after global reviews of anti-fraud offerings.

Indicative pricing for US global enterprise clients is expected to be higher depending on the level of service provided.



- Businesses recently joining the TrafficGuard client base include GO-JEK, Rappi, Bukalapak, Centauro, GoGames and Mobile division of WPP, MUV.
- Multiple enterprise trials are underway with prominent brands investing heavily in digital advertising.
- Clients range from ride-sharing + delivery apps, sporting apps as well as gaming, where user acquisition budgets are high and user-base growth is paramount.
- **Sales cycles in each vertical is expected to reduce rapidly as first clients are onboarded.**

# Validation: Marquee Clients with Long-Dated Contracts

After extensive due diligence, marquee clients Go-Jek and Rappi signed long-dated TrafficGuard contracts



## **\$9.5 BILLION VALUATION** <sup>1</sup>

Backed by Tier 1 global investors including Visa, Google, KKR, Temasek, Blackrock, Jardine Matheson, JD.com, Tencent Holdings.

The 12-month contract is for a total USD\$210,000 (approx. \$300,000 AUD) over the contract term, with options to extend in place.



## **\$2.5 BILLION VALUATION** <sup>2</sup>

Backed by investors including Sequoia, Andreessen Horowitz, DST Global, Softbank.

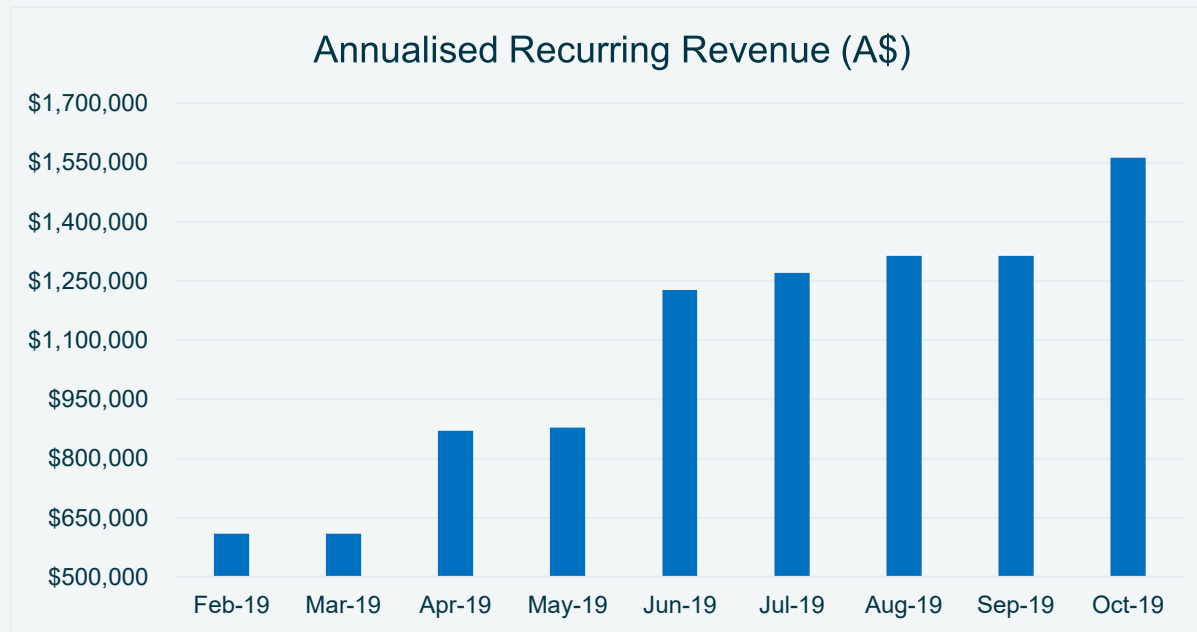
US\$22.5k per month (approx. \$390,000 AUD per year), minimum 24-month contract.

<sup>1</sup>TechCrunch 2019

<sup>2</sup>Crunchbase 2019

# Validation: Growing Annualized Recurring Revenues

**In less than 12 months, Adveritas has grown annualised recurring revenues by 150% to A\$1.6m**



Revenues are generated from 1-2 year contracts with clients including Go-Jek, Rappi, Clearpier and many others.

## Leading indicators of future revenue growth include:

- Strong pipeline
- Recent addition of USA sales team (relatively low base, high commission), with the USA being the largest digital advertising market globally
- Strategic integrations with Campaign Management Platforms, who can provide introductions to potential clients and seamless use of TrafficGuard in client advertising campaigns
- Multiple industry events/TrafficGuard events organised with a wide range of industry vertical participants confirmed to attend

# Validation: Rappi Case Study Showing Significant Fraud Reduction

“

Return on Ad Spend increased 25% with TrafficGuard...

Having a fraud prevention solution is a must for any growth professional.

TrafficGuard is a key partner to helping us achieve our results.”



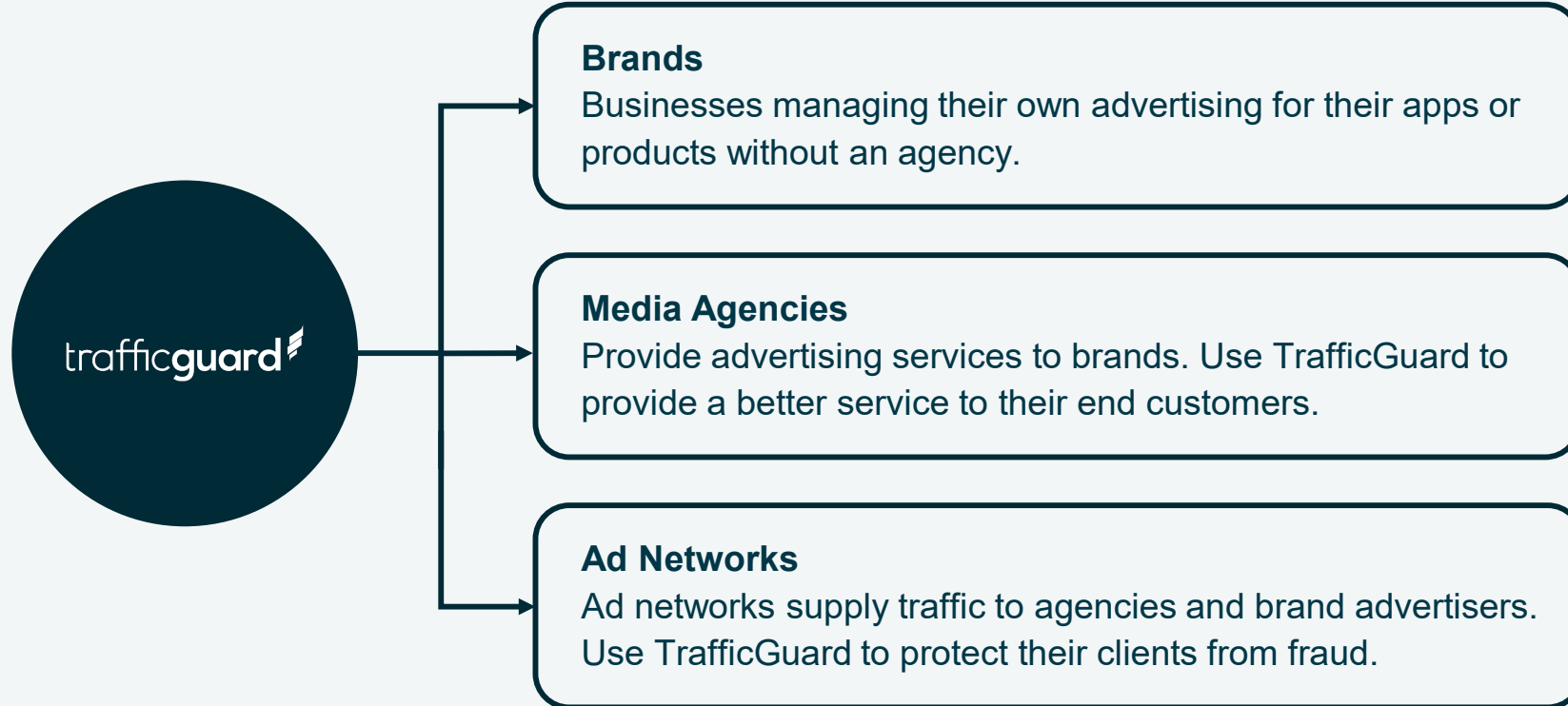
**Gabriel Sampaio**

Growth Lead - Digital Channel, Rappi



# Sales Strategies - Who Needs TrafficGuard?

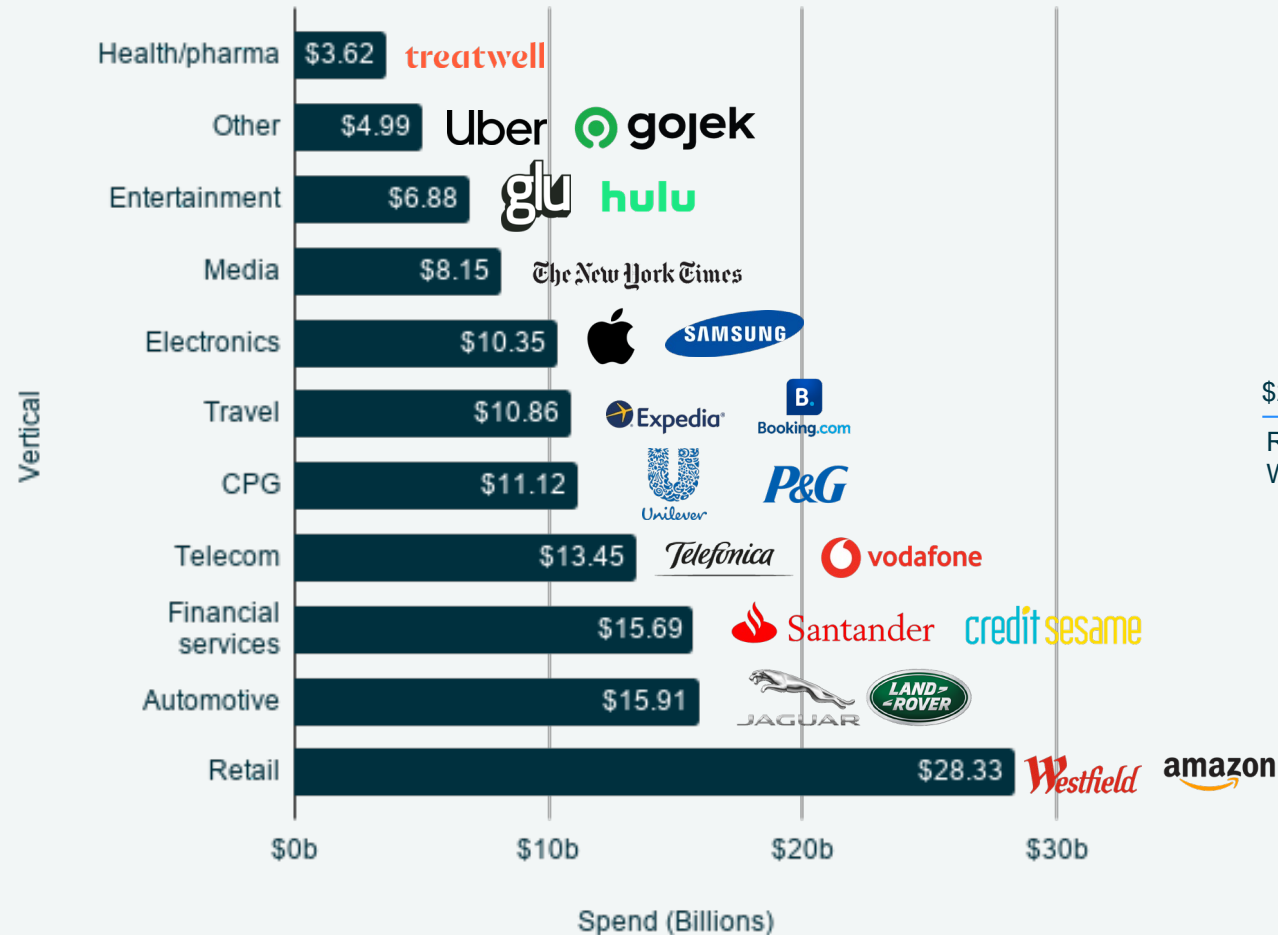
Three segments would benefit from TrafficGuard. To date, Tier 1 global apps where user acquisition budgets are high and user-base growth is paramount are the main customers. Target sectors include ride-sharing + delivery apps, sporting and gaming apps.



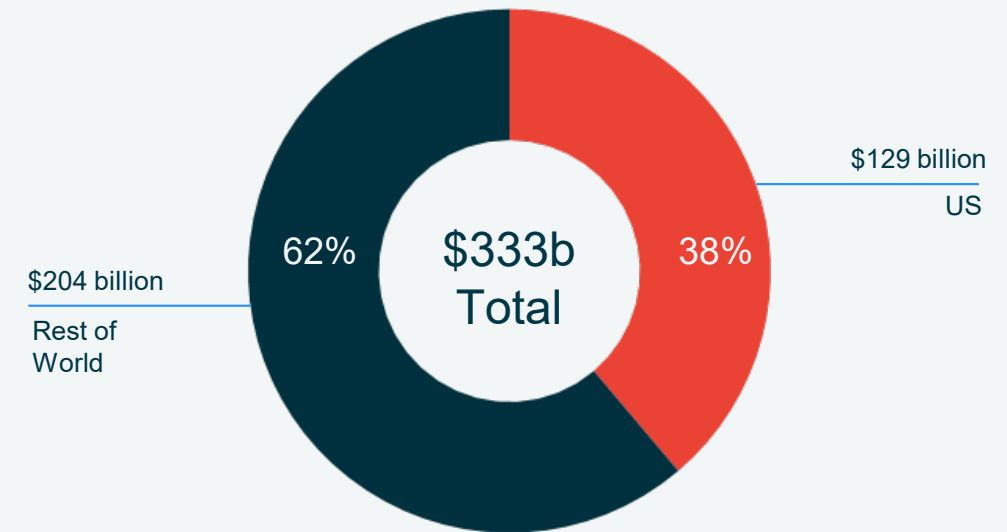


# Applicable Across All Verticals – TrafficGuard's Revenue Opportunity

## 2019 US Digital Ad Spend x Vertical (US)



## 2019 Global Digital Spend

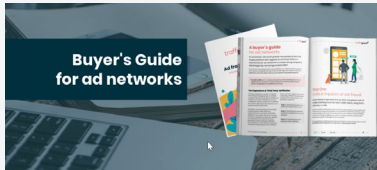


# Growth Strategy #1 – Sector Education

We lead the education of the digital marketing sector on the global ad fraud problem.  
We showcase our solutions through white papers, industry events and journal articles. Some examples are below.

## 7 May 2019 – Buyer's Guide, *“Ad fraud prevention Buyer's Guide for ad networks”*

- The three steps to identify the right anti-fraud solution for your business
- The various direct and indirect costs of ad fraud for ad networks
- How to differentiate true machine learning capabilities from marketing spin
- Buyers Guide for mobile app advertisers released in June



## 18 July 2019 – Mobile Growth Summit, New York

- Rappi's Growth Lead, Gabriel Sampaio, presented his experience with TrafficGuard, highlighting:
  - Average of 25% of clicks invalidated before attribution, with peaks of up to 40%
  - ROAS improved 25%
  - Automation of fraud mitigation removed the burden of manual analysis from growth team – saving 30% of the team's time



## 25 July 2019 – White paper with Juniper Research, *“Digital Ad Fraud: A Profile on North America”*

- Released in advance of appointing sales team in US to speak directly to businesses in the US and address the ad fraud challenges they face as the world's largest digital advertising market
- Annual invalid traffic (IVT) volume per North American Internet user is set to grow 57% over the next 4 years; almost twice the growth of genuine advertising traffic in the same period.
- Already today, almost 1 in 5 ad transactions are derived from fraud.



# Leading the digital marketing sector with ad fraud education and solutions



**20 August 2019 – WARC Industry Journal Publication “*How Southeast Asia’s marketers can prevent ad fraud*”.**  
by Adveritas COO, Luke Taylor.

- Southeast Asians are the world’s most engaged mobile users, with 90%+ of internet users connecting first via mobile.
- US\$17m is estimated to be lost to ad fraud each day in the Asia-Pacific region.
- But Asia’s advertisers can learn from North America’s mistakes in combating ad fraud. In North America, businesses initially focused on arguing with vendors to recover ad fraud losses. This meant fraudsters continued to get paid and were able to re-invest to innovate new tactics. And ad fraud grew into the \$18.7 billion industry it is today in North America.
- In contrast, APAC advertisers have the opportunity to focus on stopping attempted ad fraud rather than just recovering ad spend after fraud has occurred.

**5 June 2019 – white paper, “*Understanding machine learning for fraud prevention*”**

- Explains the difference between machine learning and non-ML solutions and why machine learning is a superior proposition that responds real-time to evolving ad fraud tactics
- TrafficGuard is a unique machine learning solution

















# Growth Strategy #2 - Campaign Management Platforms/Integrated partners

Major brands and networks use Campaign Management Platforms (CMPs) to manage their digital advertising campaigns. TrafficGuard is now directly integrated with several CMPs and other platforms, so their clients can easily access TrafficGuard.

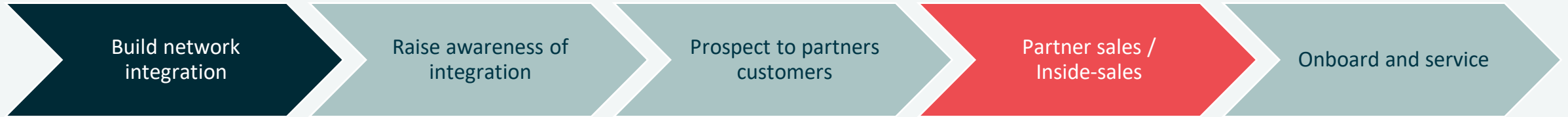
Benefits of integrations:

- It is easier for new clients to activate TrafficGuard through their existing tools
- These platforms expected to be a strong sales channel in Q2 that give TrafficGuard access to over 10,000 businesses utilising their tools
- Co-marketing opportunities have begun to leverage partner networks to grow awareness and adoption of TrafficGuard
- Sales cycle expected to shorten as initial clients from these partnerships are onboarded.

	No. of Clients	Clients Sited			VC Investment
	300+				✓
has 	200+				✓
	19,000+				✓
	100+				

# Scalable Growth with Strategy #2

TrafficGuard is now integrated and certified for use across a growing number of adtech platforms and publishers



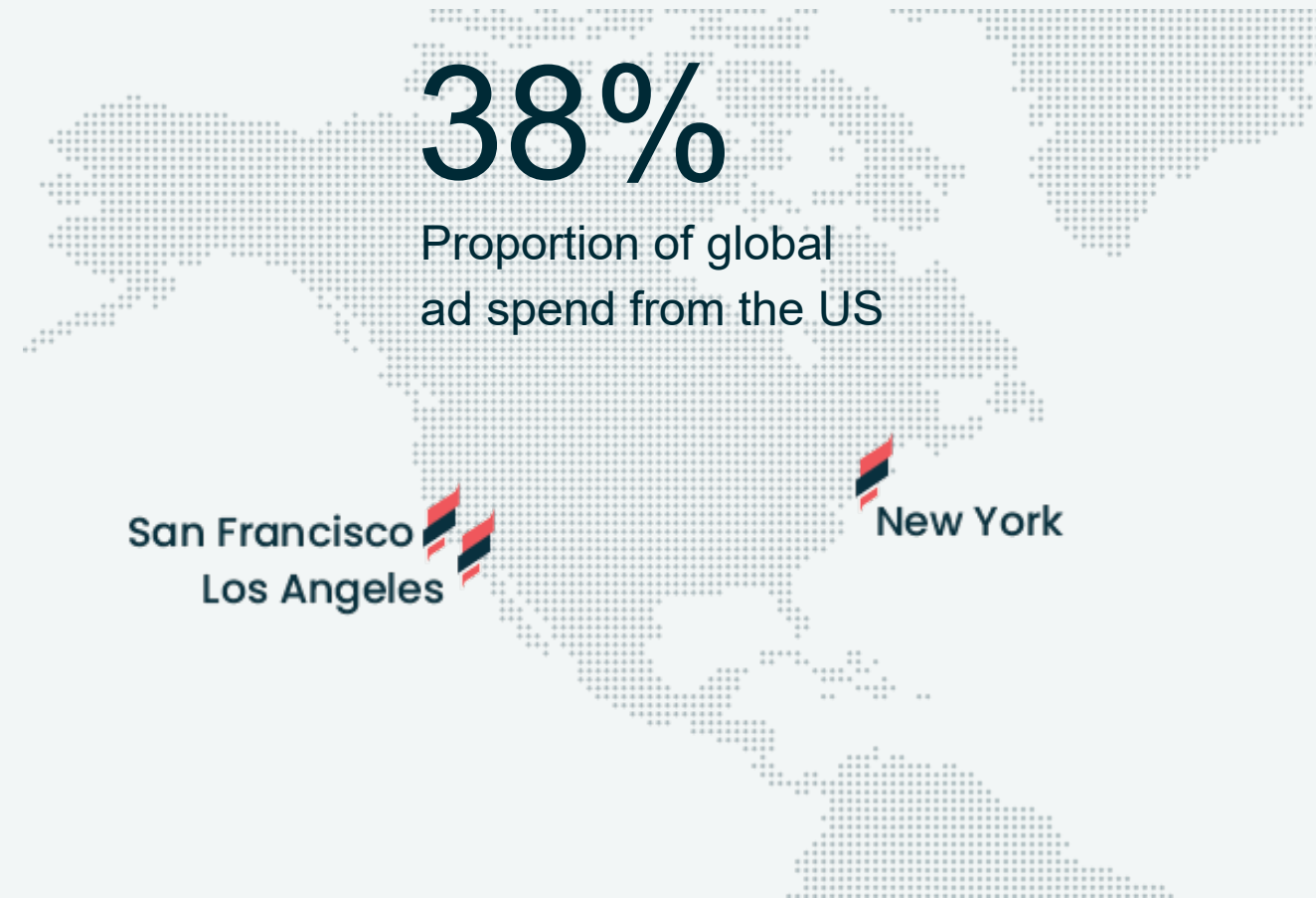
- Connect anywhere/anytime approach
- The more integrations TrafficGuard has, the easier it is for clients to onboard
- Partner sales are key to mid and low level clientele
- Avoids direct cost to the company
- Customers can use self service onboarding
- **Integration marketing expected Q2**

# Growth Strategy #3 - North American Expansion

North America is a target region for TrafficGuard's international expansion, given it is the leader in global digital ad spend.

Recently established sales force gives access to client facing time:

- New Sales force covers: New York, Los Angeles, San Francisco
- Trials + clients from new sales force **expected Q2**
- Sales force educated and well prepared to sell into clients across the region
- Leveraging marquee clients Rappi, Gojek, Bukalapak with appropriate case studies showing strong ROI





# Growth Strategy #4 - Emerging Markets Expansion

- Recent success in emerging markets including regions' highest valued start ups Rappi and Go-Jek
- Ecommerce giants, Centauro and Bukalapak
- Mobile advertising agency, MUV (Mobile agency of global agency holding group WPP)
- Significant effort will now go into marketing in these regions as well as expanding these accounts and driving new clientele
- Additional headcount to be added on an incremental return on revenue basis



# TrafficGuard's Footprint



**Head Office:** Perth

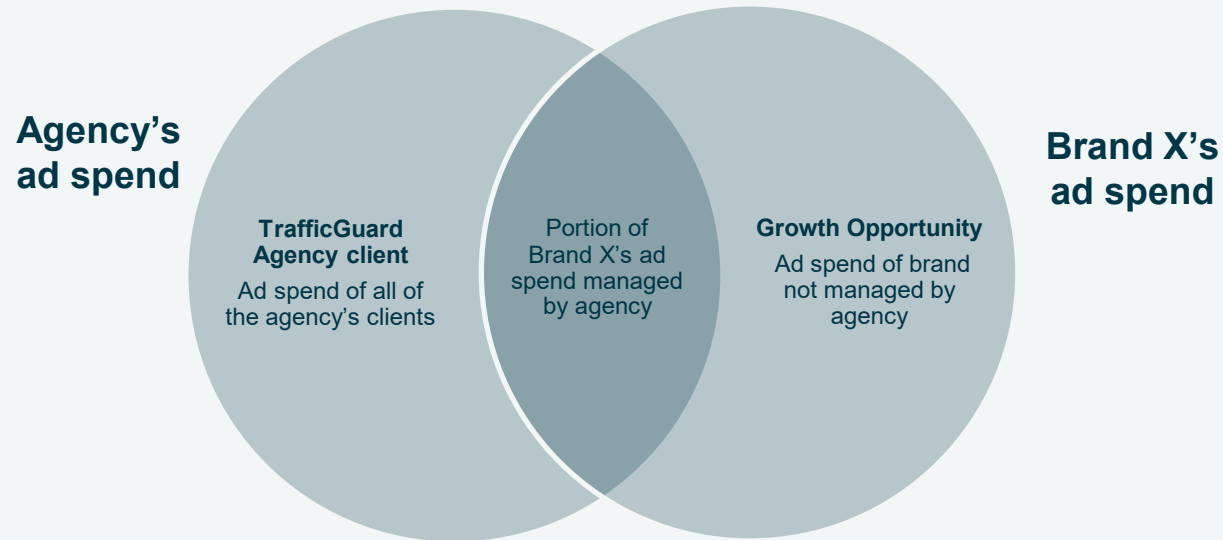
**Sales:** San Francisco, Los Angeles, New York, Sao Paulo, Sydney, Singapore

**Engineering & Data:** Perth, Croatia



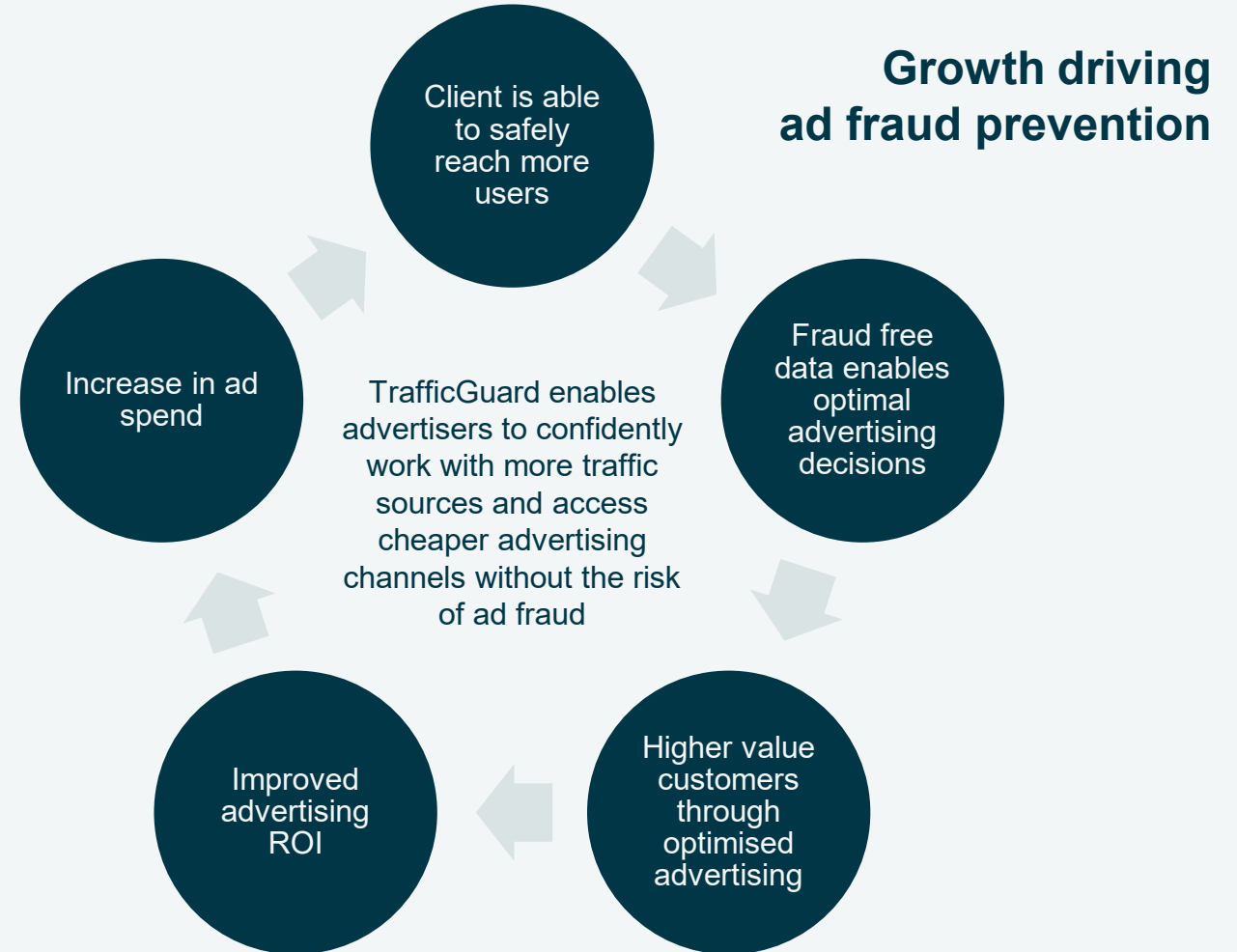
# Growth Strategy #5 – Agency Channel Strategy

- Agencies will often only manage a portion of each of their brand clients' ad spend.
- TrafficGuard's agency clients can therefore provide a source of new business for TrafficGuard. Onboarding one agency client, exposes the value of TrafficGuard to multiple brand advertiser prospects. TrafficGuard can then pursue a direct brand engagement to run fraud prevention across any additional advertising activity not managed by the agency.
- Recent agency contract win is MUV



# Growth Strategy #6 – Account Growth

- The proactive nature of TrafficGuard helps clients to safely access new traffic sources and improve advertising performance. In many businesses, this leads to increases in overall advertising activity.
- As TrafficGuard processes more traffic for growth clients, client contracts are revised and subscriptions tiers upgraded, improving revenue per client.
- Recent subscription upgrades from mobile agency MUV and super-app, Rappi, have resulted from account growth, 400% and 50% respectively.



# Outlook

Q2

Client trials and new client wins from North America expected

Q2

New clients from Emerging markets expected

Q2

Joint events with partners in Jakarta and Brazil with client facing time

Q3

New clients from Europe expected

Ongoing

New functionality in reporting and data dictionaries



Mathew Ratty  
Chief Executive Officer  
(08) 9473 2500  
[Investor.enquiry@adveritas.com.au](mailto:Investor.enquiry@adveritas.com.au)



BLETCHLEY Park Capital

George Gabriel, CFA  
Managing Director  
BLETCHLEY Park Capital  
(03) 8686 9144  
[investors@bletchleyparkcapital.com.au](mailto:investors@bletchleyparkcapital.com.au)