

ASX RELEASE

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MARCH 2020 QUARTERLY ACTIVITIES REPORT

Key Highlights

- **“Three by three” sales model successfully launched and gaining traction**
- **Strong uptake of Freemium offering**, TrafficGuard’s fraud detection-only product
- **Growing pipeline for TrafficGuard’s Google Pay-Per-Click anti-fraud product**, creating a new revenue line and providing significant cross-sell and up-sell opportunities
- **Strong growth in Referral Partner Program**, providing global sales leverage for TrafficGuard
- **Capital raising successfully completed in March**
- **Positive outlook** from broad-based acceleration of the Company’s transition to digital models, combined with leverage from referral partner program and Google PPC pipeline.

Adveritas Limited (**Company or Adveritas**) (**ASX: AV1**) is pleased to provide its quarterly report for the March 2020 quarter.

Successful launch of “Three by Three” Sales Model

On 31 January 2020, Adveritas announced its intention to launch its Three by Three Sales model in the second quarter of 2020.

The Company is pleased to advise that it has met this milestone by successfully launching all elements of its Three by Three Sales Model in mid-April 2020 and is also pleased to report that it is gaining strong traction across all marketing channels and pricing models.

Since the launch of its Freemium offering, customer take-up has been strong. In particular, the Company is pleased to advise that there has been high interest in TrafficGuard’s Google Pay-Per-Click (PPC) digital marketing anti-fraud offering, which will drive a new revenue growth line for the Company and also introduce customer’s to TrafficGuard’s other service offerings including mobile phone all install anti-fraud.

The addressable market for the Company’s Freemium offering is very large, comprising essentially any company that advertises via Google AdWords.

The Company is growing its client base across all three pricing categories: Freemium, Land & Expand and Long-Dated Contracts. After an initial time period, Freemium sign-ups are expected to transition to Land & Expand paying customers and some to Long-Dated Contracts.

The Three by Three Sales Model involves 3 pricing models combined with 3 routes to market.

The Company's three pricing models are:

- **Freemium** – fraud detection only, free of charge up to \$2,500 of reported Google AdWord spend.
- **Land & Expand** – relatively low-priced monthly contracts but with excess data/usage charges for usage above maximum agreed volumes.
- **Long-dated Contracts** – where clients typically receive a 12-month (or longer) contract which provides for a higher total payment per month but a lower fee on per data usage basis.

The Company's three routes to market are:

- **Mass Market** through the Freemium product offering and sector marketing activity.
- **Direct Sales** through the Company's employed salesforce.
- **Third Party Distribution** through integrations with ad agencies, Campaign Management Platforms and Amazon Marketplace Services.

Strong growth in Referral Partner Program (RPP)

The Referral Partner Program (RPP) is a significant generator of new customer relationships for the Company and provides sales leverage to scale TrafficGuard globally.

The Company is pleased to advise that there has been strong take-up of its RPP, whereby ad agencies (or other third parties) introduce their clients to TrafficGuard. Since launch of the RPP, 20 new resellers have signed up. The Company is pleased to advise that it sees strong, ongoing demand from several agencies to join the RPP. These agencies are particularly important given each one represents several clients.

Financial Overview

In response to the global COVID-19 pandemic, on 24 March 2020, the Company successfully completed a \$1.85m capital raising and simultaneously implemented several pre-emptive cost cutting initiatives. **The full benefit of the announced cost savings will be captured in the June 2020 quarter.**

Cost cutting measures include Board fees reduced to zero, CEO salary cut by 50%, C-suite executive salaries cut by 30% and all staff volunteering a 15-20% pay reduction, with no obligation by the Company to subsequently repay foregone salaries.

Section 6 of the attached Appendix 4C contains details of payments made to directors, their associates and other related parties during the quarter.

The global response to COVID-19 impacted Adveritas during the quarter. In particular, several clients were transitioning to a work-from-home arrangement for all their staff, and consequently delayed making payments to their suppliers (including Adveritas). As a result, cash flows which would have ordinarily been received during March 2020 have been delayed to the June 2020 quarter.

COVID-19 impacts

COVID-19 has impacted the Company in a number of ways:

- **Capital raising:** The Company completed a pre-emptive capital raising in March 2020, which is expected to fund the business well into the second half of 2020, even if there is zero revenue growth.
- **Cost-cutting:** The full benefit of cost cutting measures will be captured in the June 2020 results.
- **Delayed cash receivables:** Several cash payments which would have otherwise fallen due in the March Quarter are now expected to be received in the June 2020 quarter.
- **Marketing:** Several industry conferences have been cancelled by their organisers. Ordinarily, these would generate new sales opportunities for the Company. As a result, the Company has focused more on its Referral Partner Program (RPP), which has been very positively received.
- **Digital business models:** The pandemic has accelerated the global shift to digital business models, which in the long-run is expected to benefit the Company and global demand for its unique, proprietary digital marketing anti-fraud solutions.

Technology enhancements

During the quarter, significant technology enhancements were completed. These include the following:

- **Integration optimisations** which expand the power of TrafficGuard within various integrated solutions
- **Significant detection improvements** for on-site traffic and Reputation IQ. Reputation IQ builds profiles of behaviour and trends on various advertising traffic attributes such as IP address and device. These profiles power clustering-based anomaly detection and deep learning.
- **New access and management functionality** for ad network and agency clients in response to increasing demand from these segments. Greater control of access and permissions management will help these clients manage TrafficGuard's integration with their own clients.
- **Enhanced fraud detection** through two new profiling attributes.

Outlook

The Company is well placed to benefit from the accelerated global shift to digital business models.

TrafficGuard is a proven and trusted digital marketing anti-fraud solution which applies across multiple channels, including Google PPC and mobile app install anti-fraud. The Company's key focus remains driving sales through its Three by Three sales model.

The Referral Partner Program is expected to continue to enjoy strong take-up, with new agencies and third parties expressing interest in joining the RPP daily.

The Freemium launch has exceeded early expectations and is expected to create a strong pipeline for future cross-sell and up-sell opportunities. The pipeline remains strong across customer channels including enterprise level clients.



At the start of June quarter, new sales appointments were made in both North America and EMEA, to grow and nurture the strong sales pipelines in those regions.

CEO Mathew Ratty said:

“We have the world’s leading digital marketing anti-fraud product, TrafficGuard. Whilst COVID-19 impacted the March Quarter, we are very positive about the outlook. In particular, we have enjoyed strong take-up of our Google PPC product, Freemium and Referral Partner Program. Looking at the total addressable market, along with the recent traction in the month of March and April and the sales leverage we get from the referral program, I am confident that this will translate to strong uptake of the TrafficGuard product. I look forward to converting our pipeline of opportunities and continuing to work with our referral partner network and other sales channels to generate ongoing sales growth.”

- ENDS -



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 \$10 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>



For more information, please contact:

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Appendix 4C

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

Name of entity
Adveritas Limited

ABN	Quarter ended ("current quarter")
88 156 377 141	March 2020

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	168	610
1.2 Payments for		
(a) research and development	(986)	(2,934)
(b) product manufacturing and operating costs	(223)	(712)
(c) advertising and marketing	(307)	(703)
(d) leased assets	-	-
(e) staff costs	(878)	(2,509)
(f) administration and corporate costs	(401)	(931)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,287	1,287
1.8 Other (provide details if material)	-	5
1.9 Net cash from / (used in) operating activities	(1,335)	(5,874)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(12)
(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	-	29
(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	(5)	17

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,219	8,110
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	145	145
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(21)	(369)
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	2,343	7,886

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,063	2,047
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,335)	(5,874)

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

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)	(5)	17
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,343	7,886
4.5	Effect of movement in exchange rates on cash held	60	50
4.6	Cash and cash equivalents at end of period	4,126	4,126

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	4,126	3,063
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)	4,126	3,063

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

Current quarter \$A'000
149
-

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

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

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

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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)

(1,335)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

4,126

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

4,126

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

3

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 2020

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.