

ASX RELEASE (ASX: AV1)

28 April 2023

STRONG SALES INITIATIVES DRIVE HIGHER ANNUALISED REVENUE

MARCH 2023 QUARTERLY ACTIVITIES REPORT (Q3 FY23)

Q3 FY23 highlights:

- **Quarterly cash receipts from customers up 24% (from Q3 FY22) to \$598,000, underpinned by growth in enterprise customer numbers and execution of upsell opportunities across new and existing customers**
- **Annualised revenue up 83% from Q3 FY22 to \$3.35 million**
- **New client wins in key verticals, including gaming companies Napoleon Games, Tabcorp and Copybet**
- **Clients upgrading their contracts during Q3 FY23 include Deezer, Superbet, Alison and William Hill**
- **TrafficGuard's enterprise customer base up 59% (from Q3 FY22) to 65**
- **Channel partnerships and "rolling affiliate strategy" are opening major channels for growth**
- **'Land and Expand' strategy further builds omni-channel sales pipeline across Google pay per click, Mobile app install verification, and affiliate verification**

Adveritas Limited (ASX: AV1) (Adveritas or the Company) is pleased to provide its quarterly activities report alongside its Appendix 4C for the three months ended 31 March 2023 (Q3 FY23).

Commenting on Adveritas' Q3 FY23 performance, Co-founder & CEO Mat Ratty said:

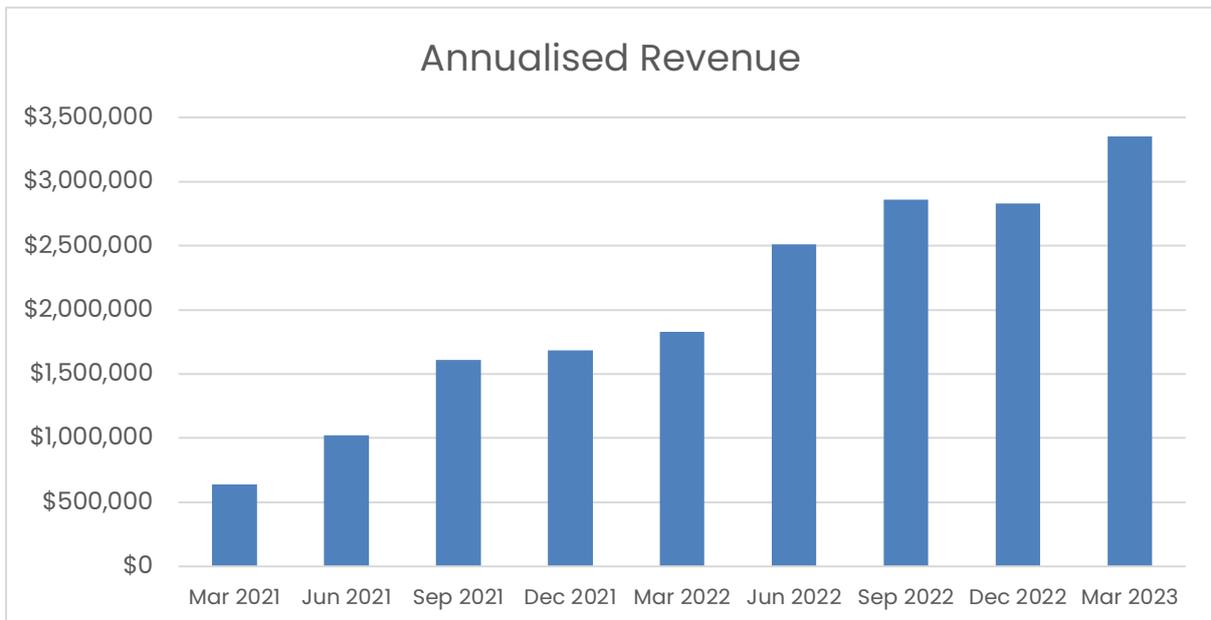
"The investment we have put into our sales and marketing team is starting to deliver results, with growing cash receipts and annualised revenue. Adveritas' team has continued to grow our customer base and execute our 'Land and Expand' strategy over the quarter by upselling into new and existing clients. Our enterprise

customer base has increased by 59% from Q3 FY22 and this substantial increase in TrafficGuard customers will underpin future revenue growth.

“The uptake of our products across our client base shows they have confidence in the value our ad fraud service provides for their businesses. We have already been able to demonstrate our capabilities with major clients William Hill, Tabcorp and Superbet, due to our experience in the gaming sector.”

Rise in quarterly cash receipts and annualised revenue

Compared to Q3 FY22, cash receipts of \$598,000 were up 24% and annualised revenue rose 83% to \$3.35 million.



The growth in both cash receipts and annualised revenue represents a stronger uptake of TrafficGuard’s omni-channel solution across new and existing clients. Adveritas continues to see cross-sell and upsell opportunities in its target sectors through all parts of the omni-channel solution, particularly in mobile app install verification, Google Pay Per Click (PPC) verification, and affiliate verification.

Sports betting growth strategy increases annualised revenue

TrafficGuard has established partnerships with over 20 of the world's leading sports-betting operators, demonstrating its ability to capture significant market share in this highly lucrative industry. These partnerships combined have already

generated significant revenue, and the Company anticipates continued growth through a combination of new sells, upsells and cross-sells.

Moreover, the integration of TrafficGuard with these operators' online platforms is a key driver of Adveritas' omni-channel strategy, enabling the Company to reach new customers and boost its revenue streams. With just one integration, TrafficGuard can onboard clients across entire product portfolios, resulting in a multiplier revenue effect that further bolsters the Company's bottom line.

To solidify its position as a leader in the betting and gaming verticals, TrafficGuard is continuously developing sports-betting specific features and solutions. These innovative offerings are based on the requests of its existing sports-betting clients and will be integrated into the Company's product roadmap for commercialisation. By staying ahead of the curve and fully integrating within the ecosystem, TrafficGuard is poised to maintain its dominance in the highly competitive sports-betting market.

"This is just one step towards making our multi award winning product vertical specific to gain market share. By working closely with clients across key verticals and productising features that are relevant to that vertical we become the product of choice. Sports betting has been a key vertical focus for our Company and now we are working with other companies across many different verticals to roll out a full data analytics suite to assist them in measuring the impact of marketing efforts that are relevant to them," said Mr Ratty.

Signing Coda Payments and the rolling affiliate growth strategy

On the back of signing Disney Streaming Services (see ASX announcement dated 15 August 2022), TrafficGuard successfully integrated with Affiliate management platform, Impact. This integration allows TrafficGuard to seamlessly integrate with any client using Impact. Coda Payments, which signed up to use TrafficGuard during Q3 FY23, was one of those clients.

A successful marketing strategy to Impact's clients has been instrumental in driving the impressive uptake of TrafficGuard's affiliate product, with a significant number of companies currently on trial. What is particularly noteworthy, is that each new integration with an affiliate platform not only expands TrafficGuard's potential customer base, but also offers the product to clients of that platform.

“With over 500 affiliate management platforms worldwide, the growth potential for TrafficGuard’s affiliate anti-fraud product is vast. In a world in which we consistently find between 10–20% invalid or fraudulent conversions that advertisers are paying for through their affiliate channels and the snowball effect this has, our affiliate product has gained strong traction,” said Mr Ratty.

“Our affiliate strategy is a client led strategy whereby client demand drives the integration process into the affiliate management platform and TrafficGuard is able to service any client on that platform from a one-time integration. Having integrated with Impact and converted trials into customers, we are now starting the process of integrating with many other affiliate management platforms. The multiplier effect is that a lot of the businesses using affiliate channels for user acquisition also use other channels in which we offer services, meaning our sales team is able to offer multiple solutions over time to the same client and increase contract values,” added Mr Ratty.

‘Land and Expand’ strategy bolsters sales pipeline

Over the quarter, Adveritas made further inroads through the implementation of its ‘Land and Expand’ strategy. This is where the Company wins a client and then cross-sells and upsells its omni-channel solution across the business. Adveritas has done this in key verticals including gaming, e-commerce, and retail.

For example, Adveritas has recently been using its ‘Land and Expand’ strategy in the gaming sector. Q3 FY23 saw the Company sign on Australia’s biggest multi-channel wagering and gaming products group, Tabcorp, which has taken up TrafficGuard’s PPC product and the opportunity exists for it to use other products within TrafficGuard’s omni-channel solution.

Alongside this, one of the world’s leading betting and gaming companies, Superbet, upgraded its contract by over 60%. Since becoming a customer, Superbet has utilised the Mobile App and PPC solutions, with ongoing sales measures to supply other solutions to Superbet.

The sales and marketing team are focussed on achieving upsell and cross-sell targets, and this continues to be bolstered by investment in the sales and marketing team’s size and capabilities.

The Company has strategically grown its product team to accelerate development of TrafficGuard’s products, enhance user experience and improve its detection and

prevention capabilities across industries and customer segments. Adveritas is dedicated to the continuous improvement of TrafficGuard and strives to deliver an industry leading user experience across all industries and customer segments.

Commenting on Adveritas’ outlook, Mr Ratty said:

“The investment we have put into our product, sales and marketing teams, along with our marketing initiatives, is making businesses in our key verticals aware of our omni-channel solution. This is leading to a bolstered sales pipeline for Adveritas to harness even more opportunities to grow.

“Organisations across the globe are becoming more aware of sharpening their digital marketing and advertising spend, and a major way to achieve this is through reducing invalid traffic and ad fraud. We continue to build and offer our omni-channel solutions to organisations that seek to enhance their marketing spend, so they can confidently increase their own customer base.”

Commentary on the Appendix 4C

Receipts from customers

Cash receipts in Q3 FY23 were up 24% from Q3 FY22, reflecting the growth in the Company’s revenue base due to a combination of increased customer numbers and upsells. TrafficGuard had 65 enterprise clients in Q3 FY23, up 59% on the 41 enterprise clients in Q3 FY22.

	Previous quarters				
	Mar 2023 \$'000	Dec 2022 \$'000	Sep 2022 \$'000	Jun 2022 \$'000	Mar 2022 \$'000
Receipts from customers	598	887	593	610	481

Cash receipts from customers in Q2 FY23 were higher than other quarters due to the prepayment of an annual contract by a Google Marketplace customer.

Cash payments

Total expenditure payments in Q3 FY23 were higher than previous quarters, with the increase mainly attributable to higher staff costs to service product enhancements

and a growing trial pipeline, and higher advertising and marketing costs to generate demand.

The higher staff costs in Q3 FY23 when compared of Q2 FY23 are mainly due to the Company's focussed investment in its product team.

Staff costs in Q3 FY23 have increased by 95% from Q3 FY22. The key hires since Q3 FY22 that have driven this cost increase include the Chief Product Officer (hired in Q2 FY23), a dedicated product focussed team (4 staff hired in Q3 FY23), Head of Integrations (hired in Q2 FY23), and Customer Success Director (hired in Q2 FY23).

Advertising and marketing costs are growing as the Company expands its efforts to increase awareness of the TrafficGuard brand and promote the features of its omni-channel service.

	Mar 2023	Previous quarters			
		Dec 2022	Sep 2022	Jun 2022	Mar 2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Research and development	(347)	(522)	(736)	(844)	(682)
Product manufacturing and operating	(403)	(227)	(194)	(112)	(377)
Advertising and marketing	(600)	(415)	(358)	(257)	(283)
Staff costs	(2,663)	(2,452)	(1,754)	(1,334)	(1,362)
Administration and corporate	(315)	(471)	(801)	(315)	(309)
Total operating expenditure payments	(4,328)	(4,087)	(3,843)	(2,862)	(3,013)

Payments to Directors during the quarter amounted to \$158k and comprised salaries and fees of \$127k (included in staff costs) and consultancy fees of \$31k (included in administration and corporate costs).

This announcement is authorised for lodgement by the Board of Adveritas Limited.

- ENDS -

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Adveritas Ltd (ASX:AVI) 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

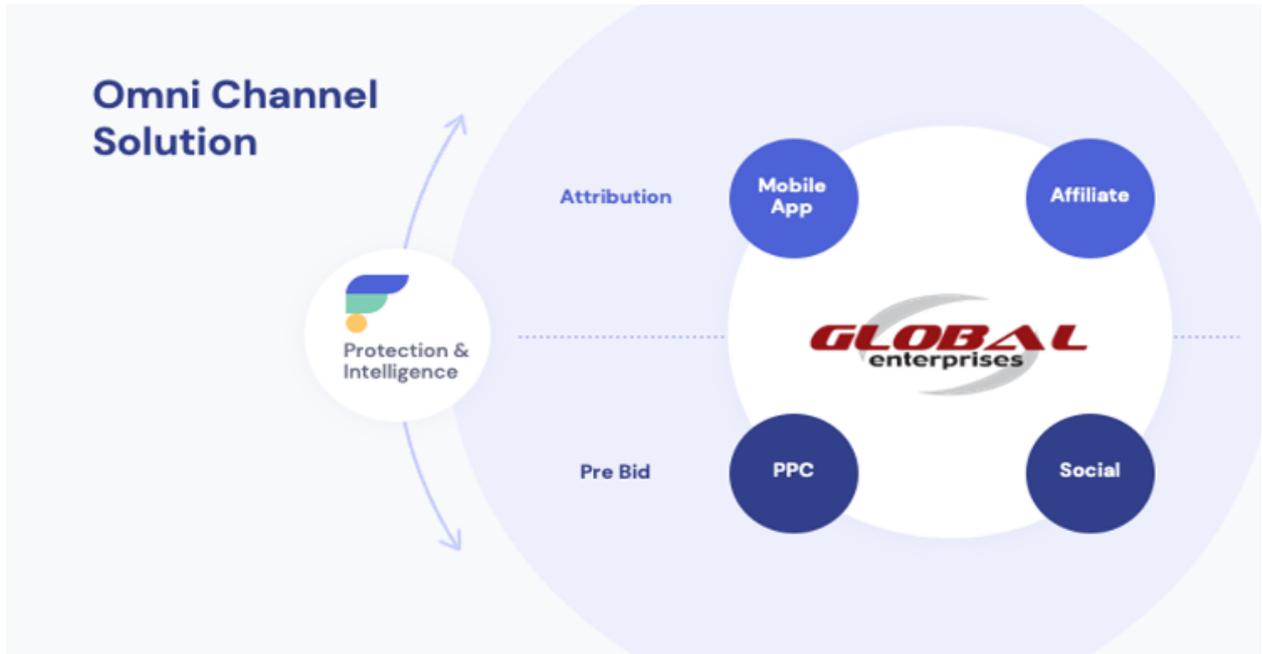
TrafficGuard is an omnichannel ad verification platform helping enterprises and SMBs combat fraud across Google PPC, Mobile app user acquisition campaigns, Affiliate platforms and Social Media. TrafficGuard drives superior advertising performance by verifying advertising engagement as they occur, proactively blocking invalid traffic from infiltrating search campaigns – helping ad spend to reach more real users and protecting the integrity of data that marketers, agencies, designers and developers rely on day in, day out to drive performance improvements.

Trusted by global brands TrafficGuard is a multiple award winning fraud prevention product recognised by The Drum, the Martech Breakthrough Awards, voted the

Most effective anti-fraud solution by Mobile Marketing and is the only PPC verification vendor admitted to the Google Cloud Marketplace globally.

For more information, find us at www.trafficguard.ai

More on TrafficGuard's omni channel solution:



Mobile App install verification: This is the Company's flagship product, with enterprise level clients paying material contract amounts - as high as \$180k per annum for significant global clients. This product ensures clients are not paying for misattributed or fake installs of their apps - essentially allowing them to scale with confidence across digital media and advertising partners.

Google PPC verification: This service is scaling quickly since the Company first launched the offering in late 2020 and now has over 4,500 sign ups to this offering. Any company using Google Ad words is a target customer, with USD \$147 billion spent globally on Google ads per annum.

Affiliate Verification: This service is designed to mitigate affiliate misattribution and ensure clients are paying for real conversions to their website.

Social Verification: A new channel offering, starting with Meta's Facebook, with a planned product pipeline to rollout to Tik Tok, Reddit, LinkedIn and other channels in 2023 due to increasing demand from both current and prospective clients.

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 2023

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	598	2,078
1.2 Payments for		
(a) research and development	(347)	(1,605)
(b) product manufacturing and operating costs	(403)	(824)
(c) advertising and marketing	(600)	(1,373)
(d) leased assets	-	-
(e) staff costs	(2,663)	(6,869)
(f) administration and corporate costs	(315)	(1,587)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(5)	(5)
1.7 Government grants and tax incentives	-	1,980
1.8 Other (provide details if material)	10	28
1.9 Net cash from / (used in) operating activities	(3,714)	(8,153)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(26)	(78)
(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)	(9)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	121
(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	(28)	34

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	3,710	6,210
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	(13)	(25)
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	3,697	6,185

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,150	5,051
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,714)	(8,153)

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)	(28)	34
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,697	6,185
4.5	Effect of movement in exchange rates on cash held	27	15
4.6	Cash and cash equivalents at end of period	3,132	3,132

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	3,132	3,150
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)	3,132	3,150

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

Current quarter \$A'000
158
-

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 \$127,190; and
- consultancy fees of \$30,950

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) Convertible loan notes	3,000,000	3,000,000
7.4 Total financing facilities	3,000,000	3,000,000

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.

Refer to Schedule 1

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,714)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,132
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,132
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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: Yes

- 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: Yes. Funds of \$800,000 are expected to be received by 19 May 2023 following shareholder approval being obtained for the placement of 8,529,412 shares to Non-Executive Director, Mark McConnell. The Company's Board of Directors is also considering a number of options available to the Company to raise additional capital. Given the Company's track record in being able to secure funding, the Board believes it is highly likely that it will be successful in raising the funds required.

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, once the funds referred to in response 2 above have been received, the Company will have sufficient capital to meet its business objectives.

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: 28 April 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.

SCHEDULE 1: CONVERTIBLE LOAN NOTE

The Company has on issue 3,000,000 convertible notes each with a face value of \$1. The loan notes have a maturity date of 12 April 2024, at which point they will be automatically converted into fully paid ordinary shares in the Company. The Company may elect to redeem all or some of the convertible notes at any time prior to the maturity date.

The convertible notes are unsecured.

Interest

Interest accrues on the convertible notes at the rate of 8% per annum, capitalised at the end of each calendar quarter, and is to be satisfied in arrears upon the earlier of the redemption or conversion of the convertible notes. As at 31 March 2023, interest of \$228,455 has accrued and been capitalised.

Where the convertible notes are converted into ordinary shares, the accrued interest will be fully satisfied through the issue of conversion shares at the conversion price.

In the event the convertible notes are redeemed, the Company will pay to the noteholders an additional interest payment so that the total interest received by the noteholders in respect of those convertible notes is equivalent to the amount they would have received had the relevant convertible notes been held till maturity.

Conversion

The convertible notes, together with all accrued unpaid interest, will automatically convert into fully paid ordinary shares in the Company on the maturity date. The conversion shares will be issued at a share price equal to 80% of the 90-day VWAP, unless such amount is:

- greater than \$0.17 in which case the conversion price will be \$0.17; or
- such amount is less than \$0.08 in which case the conversion price will be \$0.08.