

ASX RELEASE

17 January 2024

ADVERTITAS BOOSTS REVENUE AND CASH RECEIPTS TO RECORD HIGH AND REDUCES EXPENDITURE

- **Record cash receipts from customers reaching circa \$1.5 million in the December 23 quarter – up 124% from September 23 quarter**
- **Pricing tiers for the Company's suite of TrafficGuard products revised, with significant increases effective from the March 24 quarter**
- **Stringent cost review with annualised savings of \$1.7 million carried out at the close of the December 23 quarter. Benefits to be realised from the March 24 quarter**
- **Agency led group trials to be conducted in the March 24 quarter**
- **Strong outlook driven by USA market growth momentum and global agency adoption**

Adveritas Limited (the **Company** or **Adveritas**) (**ASX: AVI**) is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ended 31 December 2023 as it continues to deliver on its growth objectives.

Record Cash and Revenue:

Cash receipts totalled approximately \$1.5 million representing a year-on-year increase of 67% on the December 22 quarter, and up 124% from the September 23 quarter. Consequently, the Company's cash outflow from operations dropped by 42 % from the September 23 quarter.

New contracts with 19 clients were signed in the December 23 quarter, including one of the world's largest sports betting organisations with US operations, collectively generating annualised revenue (**ARR**) of approximately \$730k. Annual contract values

from new customers within the online gaming and sports betting verticals totalled \$460k, or 63% of the ARR generated in the December 23 quarter, reflecting the Company's heightened focus on these sectors.

The consistent quarterly growth in ARR has continued, with ARR reaching circa \$4.43 million at the close of the December 23 quarter. This represents an annual increase of 54% from the December 22 quarter and has been underpinned by new contracts and expansions of existing contracts.

Review of contract pricing model and payment structure

Given the significant amount of value TrafficGuard is providing its enterprise clients, as evidenced by the growing positive returns they are receiving from using the TrafficGuard products, along with new and unique features that have been incorporated into the products, TrafficGuard has increased its Google PPC prices for enterprise level clients.

The revised pricing will be applied to enterprise level clients with effect from 1 January 2024, including contracts that are renewed subsequent to 1 January 2024

During the December 23 quarter, a number of enterprise clients selected the option to prepay their annual contracts, which benefits the Company from a cash flow perspective, and simultaneously locks in favourable pricing options for the clients.

The Company will continue to offer clients the option of prepaying of their annual contract fees.

Cost Control

During the December 23 quarter, the Company identified annualised cost savings of circa \$1.7 million, driven largely by an organisational restructure. The cost saving measures were deployed late in the December 23 quarter, with the benefits to be realised in the March 24 quarter.

Agency group trials

During the December 23 quarter, the Company received several requests from tier 1 agencies across Europe and the Middle East for holding group trials of the TrafficGuard Pay Per Click (**PPC**) and Performance Max (**Pmax**) products. These agencies are the budget holders for major enterprise clients and, as such, are instrumental in recommending products such as TrafficGuard. These trials will be actioned in the March 24 quarter and if converted, will see TrafficGuard as the preferred PPC and Pmax vendor of choice across their client base.

Vertical Focus

As the TrafficGuard products have been commercialised across a range of verticals, the Company has identified the sports betting and gaming verticals as high priority for its sales and marketing efforts given these are the verticals where the Company has proven success, where the sales cycle is shortest and where the annual contract values are the highest.

USA market growth momentum

A number of high-profile US-based enterprise sports betting companies have committed to trialling the TrafficGuard products and some early conversions occurred during the December 23 quarter, including one of the largest organisations in the US sports betting sector. The United States and South America are a key focus for TrafficGuard given the high level of advertising spend by market participants, and the proven success that the Company has had in the sports betting category. Currently three out of the four largest sports betting organisations have committed to trial in both of these regions, with trials already underway in the March 24 quarter.

Path to profitability

Whilst the TrafficGuard technology has been successfully applied across multiple verticals that have high spend on digital marketing, the Company notes that the comparatively faster penetration of the sports betting and gaming verticals, combined with the Company's reduced cost base and its revised pricing structure, the path to profitability can be achieved through commercial success in these verticals alone. As such, the majority of

the Company's efforts for the next six months across sales and marketing will be focused on capitalising on the sports betting, gaming and agency opportunities. This will not preclude the Company from continuing to grow and support existing clients outside of these verticals.

Positive outlook

The Company has a strong growth outlook underpinned by the following:

- **Accelerated path to positive cash flow** through a combination of ongoing cost control, increased contract pricing structures, the offering of attractive prepaid annual contracts, and continued focus on high margin verticals.
- **Record pipeline**, including a growing number of USA prospects that have already commenced trials.
- **Gaming and Gambling Industry focus remains a high priority** given the Company's market credentials and its growing customer base within these verticals.
- **Further expansion into the US market** where there is circa US\$1.9b billion being spent on digital advertising in the sports betting vertical alone.¹
- **Facilitation of agency group trials** where TrafficGuard's technology will be made available across their client base.
- **Ongoing product cross-sell opportunities** with 90% of clients currently using only one of the Company's four products.

Commenting on the Company's performance in the December 23 quarter and future opportunities available to Adveritas, Co-founder & CEO Mat Ratty said:

"TrafficGuard's range of product solutions have consistently demonstrated their ability to provide digital anti-fraud solutions to both small-medium businesses and significant global enterprises. As the value to our clients has become more apparent, leading to significant increases in both revenue potential and cost savings for them, the TrafficGuard pricing has increased in elasticity. This is now reflected in our updated pricing structures.

¹ <https://www.statista.com/statistics/1350628/online-gambling-ad-spend-usa/#:~:text=In%202021%2C%20online%20gambling%20advertising,to%201.9%20billion%20U.S.%20dollars>

Our entry into the USA market has gathered significant momentum and we look forward to expanding our enterprise customer base and revenue in that market under the new rate card. In addition, our focus on negotiating annual prepayments for new and renewed contracts combined with our recently deployed expenditure reduction significantly boosts our cash position.

Our Company is extremely well placed to service both direct clients and agency wide deals and as our margins have significantly improved over the last few months, our path to being cash flow positive is in sight.”

Commentary on the Appendix 4C

Receipts from customers

Record receipts from customers in the December 23 quarter resulting from a number of customers prepaying their annual contracts.

	Previous quarters				
	Dec 2023 \$'000	Sep 2023 \$'000	Jun 2023 \$'000	Mar 2023 \$'000	Dec 2022 \$'000
Receipts from customers	1,479	660	633	598	887

Cash payments

Total expenditure payments were only marginally higher in the December 23 quarter than in the September 23 quarter and the December 22 quarter.

Benefits from the cost saving initiatives and organisational restructure deployed as part of the cost review carried out at the close of the December 23 quarter will be realised in the March 24 quarter. On an annualised basis, these savings are estimated to be \$1.7 million. Further cost reviews will continue.

	Previous quarters				
	Dec 2023 \$'000	Sep 2022 \$'000	Jun 2023 \$'000	Mar 2023 \$'000	Dec 2022 \$'000
Research and development	(474)	(328)	(339)	(347)	(522)
Product manufacturing and operating	(337)	(304)	(158)	(403)	(227)
Advertising and marketing	(375)	(349)	(467)	(600)	(415)
Staff costs	(2,681)	(2,540)	(2,608)	(2,663)	(2,452)
Administration and corporate	(420)	(653)	(282)	(315)	(471)
Total operating expenditure payments	(4,287)	(4,174)	(3,854)	(4,328)	(4,087)

Salaries and fees paid to directors during the December 23 quarter amounted to \$119,681 and are included in staff costs.

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

- ENDS -

For more information, please contact:

Mathew Ratty

Co-founder & CEO, Adveritas

+61-8 9473 2500

investor.enquiry@adveritas.com.au

About Adveritas

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

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")

Dec 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		1,479	2,139
1.2 Payments for			
(a) research and development		(474)	(802)
(b) product manufacturing and operating costs		(337)	(641)
(c) advertising and marketing		(375)	(724)
(d) leased assets		-	-
(e) staff costs		(2,681)	(5,221)
(f) administration and corporate costs		(420)	(1,073)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		18	52
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		773	773
1.8 Other (provide details if material)		1	6
1.9 Net cash from / (used in) operating activities		(2,016)	(5,491)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		-	(5)
(d) investments		-	-
(e) intellectual property		-	-

Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	-	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,225	2,925
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	(41)	(167)
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	2,184	2,758

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,448	6,339
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,016)	(5,491)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,184	2,758
4.5	Effect of movement in exchange rates on cash held	(17)	(3)
4.6	Cash and cash equivalents at end of period	3,599	3,599

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	3,599	3,448
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)	3,599	3,448

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
120
-

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 payment of salaries and fees to executive and non-executive directors of \$119,681

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)

Convertible loan notes

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
3,000,000	3,000,000
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)

(2,016)

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

3,599

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

-

8.4 Total available funding (Item 8.2 + Item 8.3)

3,599

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

1.8

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: Yes

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: Yes. Tranche 2 of the placement announced in December 2023 is expected to settle prior to 31 March 2024 raising \$250,000. In addition, the Company's Board of Directors is 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.

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: 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: 17 January 2024

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

From 28 April 2022, 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 December 2023, interest of \$426,983 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.