

ASX RELEASE

31 JANUARY 2020

DECEMBER 2019 QUARTERLY ACTIVITIES REPORT

Key Highlights

- **Strongest quarterly cash receipts to date:** \$313k received, up 140% on previous quarter as customer strategy starts to deliver
- **Sound balance sheet:** \$3.064m cash balance, to be further bolstered by an R&D refund of \$1.3m (received after quarter end), \$500k from Director participation in the December placement (expected in February), and growing revenues
- **Growth in customer base and strong sales pipeline:** new clients have been engaged, existing clients have upgraded their initial contracts and numerous TrafficGuard trials are ongoing. The Company is confident the growing sales pipeline will convert into a number of new customers in the upcoming March and June quarters
- **Sales strategy optimisation:** new industry hires, new strategic partner technology integrations (commencing with Amazon Web Services) and the launch of a new Freemium service is expected to create an expanded sales funnel with significant upsell potential
- **Key technology enhancements:** Traffic Control, a new feature of TrafficGuard's ad fraud prevention solution, was launched in the December quarter and gives users greater control by allowing them to stop traffic based on their own customised validation rules
- **Key product enhancements:** additional reporting on invalid traffic by location and device, gives users greater insight into both their genuine and invalid traffic
- **Expanding network effects:** TrafficGuard has now completed profiling over 80% of IP addresses in the LATAM area which presents a significant monetisation opportunity as the Company expands globally

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

Strongest Quarterly Cash Receipts

The December quarter cash receipts of \$313k are at a record level since the commercial launch of the Company's TrafficGuard SaaS anti-fraud product during the 2019 financial year.

The Company expects strong ongoing momentum in the growth of revenue and cash receipts.

Strong balance sheet

The Company reports a strong balance sheet with a cash balance of \$3.064m to be enhanced by:

- An R&D refund of \$1.3m which was received subsequent to quarter end;
- \$500k in placement receipts from Directors Mathew Ratty (CEO) and Mark McConnell (Non-Executive) once shareholder approval is obtained in February; and
- Growing recurring revenues driven by both the upsell potential across the existing customer portfolio and the conversion of the trial pipeline to new customers.

Customer base

During the quarter, the Company expanded its existing customer base:

- Existing clients Rappi and MUV both significantly upgraded their initial contracts. Rappi signed a new agreement which increased its minimum monthly TrafficGuard subscription fee by 50% from US\$15,000 per month to US\$22,500 to allow for increased traffic volumes (see ASX release dated 10 October 2019). MUV, a subsidiary of the world's largest global agency holding group, WPP PLC (LON: WPP, market capitalisation US\$12.3 billion), extended its contract from 12 to 15 months and increased its minimum monthly subscription from US\$2,000 to US\$10,000 (see ASX release dated 9 October 2019).

Contract upgrades highlight client satisfaction and demonstrate the upsell potential across the customer portfolio, making them a key sales focus.

Sales Strategy Optimisation - "Three by Three" Sales Model

Given that TrafficGuard has secured several long-dated contracts with global enterprises after the customer reviewed a number of established anti-fraud offerings, the Company is confident that its TrafficGuard anti-fraud SaaS product is world-leading technology.

Accordingly, the Company is focused on continuous optimisation of its sales strategies to maximise its revenue growth rate. To this end, the Company has adopted a "three by three" sales model which incorporates three pricing models and three routes to market.

The three pricing models are:

- **Freemium**
- **Land and expand**
- **Long-dated contracts**

The launch of new Freemium services in the March quarter is expected to create a significantly expanded sales funnel with substantial upsell potential. The strategy is to make TrafficGuard's detection only service widely available and free-of-charge, with potential to upsell to TrafficGuard's fraud prevention services.

From the Freemium model, customers may elect to upgrade and subscribe to TrafficGuard's fraud prevention service. They will then fall within the "land and expand" model, which involves paying a fixed monthly SaaS fee, with additional charges for excess data usage. Thereafter, upgrades to a long-dated contract model benefits the customer on a per data usage cost basis.

The three routes to market include:

- **Mass market:** accessed through Freemium offering.
- **Direct sales:** through the direct sales force in APAC, UK, North America and LATAM.
- **Third party distribution:**
 1. through integrations with Campaign Management Platforms (such as Partnerize and HasOffers) which will become active as more of their customers come online;
 2. ad agencies (such as MUV);
 3. integration with Amazon Marketplace Services, providing even more options for businesses to find and activate TrafficGuard.

The Company believes that offering the freemium model will accelerate the growing global awareness of the unique capabilities of the TrafficGuard anti-fraud SaaS product, and consequently accelerate the growth of the Company's sales pipeline.

While many industry participants charge customers for simply providing fraud detection services, TrafficGuard actually prevents fraud in the first instance leaving the client with the ability to optimise their advertising budgets in real time, not post event.

"In line with the Company's mission of **providing trust and transparency in the digital advertising ecosystem**, we believe that this freemium model is a critical offering for the global digital advertising industry. We expect it will quickly raise awareness of the extent of the global ad fraud problem and our available TrafficGuard solution. We know that TrafficGuard is world-leading because our clients are continually searching for the best of breed anti-fraud solution and choose TrafficGuard as their primary anti-fraud solution.

"With additional uptake of our freemium solution, we are confident that this will lead to a greater uptake for the mid and low level market audience as they see the value in TrafficGuard and get used to the functionality of the portal." says CEO Mathew Ratty.

To assist with the deployment of the Company's sales strategy, in January 2020, a new VP of sales, James Linden, was appointed in San Francisco. James joins Adveritas with more than 15 years experience in mobile marketing, including 3 years as VP Business Solutions for mobile measurement platform Kochava.

Key Product and Technology Enhancements

Technology enhancements include Traffic Control, a new feature of TrafficGuard's ad fraud prevention solution, that was launched in the December quarter and gives users greater control by allowing them to stop traffic based on their own customised validation rules.

Product enhancements include additional reporting on invalid traffic by location and device, giving users greater insight into both their genuine and invalid traffic.

TrafficGuard's enhanced reporting enables its clients to accurately and rapidly identify growth opportunities whilst protecting them from advertising fraud. TrafficGuard clients can now receive an unprecedented level of granular data analysis regarding:

- digital traffic quality
- fraud detection
- advertising activity by campaign, advertising partner, and geographic region.
- identification of the advertising channels, regions and campaigns that are delivering the highest value users.

Growing Network Effects

With the sheer amount of transactions that TrafficGuard has analysed, the system has now profiled over 80% of the available IP addresses in the LATAM area. As the Company expands its user base throughout the world, this will only increase and present an opportunity for the Company to monetise this as a single offering. The Company will update shareholders on this opportunity in the current quarter.

- ENDS -

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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 \$10 billion valuations respectively, and conducting aggressive user acquisition advertising for fast growth. In all 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:

Investor Enquiries	
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Adveritas Limited

ABN

88 156 377 141

Quarter ended ("current quarter")

December 2019

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 (see additional note 3)	312	442
1.2 Payments for:		
(a) research and development (see additional note 1)	(958)	(1,948)
(b) product manufacturing and operating costs including cost of services rendered	(246)	(489)
(c) advertising and marketing	(197)	(396)
(d) leased assets	-	-
(e) staff costs (see additional note 2)	(879)	(1,631)
(f) administration and corporate costs	(222)	(530)
(g) other	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	8
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other: income received	2	5
1.9 Net cash from / (used in) operating activities	(2,185)	(4,539)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(7)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	29
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	(1)	(22)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,020	5,891
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(204)	(348)
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	3,816	5,543

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,447	2,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,185)	(4,539)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	22
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,816	5,543
4.5	Effect of movement in exchange rates on cash held	(14)	(10)
4.6	Cash and cash equivalents at end of quarter*	3,063	3,063

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	3,063	1,447
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Term Deposit)	-	-
5.5 Cash and cash equivalents at end of quarter* (should equal item 4.6 above)	3,063	1,447

* cash and cash equivalents at the end of the previous quarter (30 September 2019) included an amount of \$300,000 received from a director, Mathew Ratty, for his participation in the Company's August capital raising. The funds were held in trust until shareholders approved the issue of shares to Mr Ratty at an EGM held on 8 October 2019.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	188
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other: debtor factoring facility	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,128
9.2 Product manufacturing and operating costs including cost of services rendered (see additional note 4)	329
9.3 Advertising and marketing	397
9.4 Leased assets	-
9.5 Staff costs	895
9.6 Administration and corporate costs	309
9.7 Other	-
9.8 Total estimated cash outflows	3,058

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration	n/a	n/a
10.3 Consideration for acquisition or disposal	n/a	n/a
10.4 Total net assets	n/a	n/a
10.5 Nature of business	n/a	n/a

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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.



Sign here:

(Director / ~~Company secretary~~)

Date: 31 January 2020

Print name: MATHEW RATTY

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

Additional Notes

1. Item 1.2(a), payments for research and development, comprises primarily staff costs relating to on-going technology development work.
2. Item 1.2(e), payments for staff costs, excludes those costs relating to on-going technology development work which are included instead at item 1.2(a) – see additional note 1 above.
3. The Company closely monitors receipts from customers in accordance with the terms of their contracts. Where balances owing fall outside of the terms of the contract and the Company's accepted payment period, the Company takes the required action as prescribed by the underlying contract.