

ASX RELEASE

**31 OCTOBER 2019**

**SEPTEMBER 2019 QUARTERLY ACTIVITIES REPORT: RAPID GROWTH IN ANNUALISED RECURRING REVENUES CONTINUES**

**Key Highlights**

- **Continues rapid growth in annualised recurring revenues** to A\$1.6m, up 19% in the month of October 2019 and up 157% annualised calendar year-to-date
- **High quality client base** including global multi-billion dollar clients GO-JEK, Rappi and MUV using Adveritas' fraud prevention software as a service, TrafficGuard, on a 1-2 year contract basis
- **Contracted revenue upgrades** are occurring across the customer portfolio, with existing clients Rappi and MUV significantly upgrading their contracts subsequent to quarter end
- **Geographic diversification** is increasing, with clients now across the USA, Latin America and Southeast Asia
- **Continuing strong investor support** evident in the August placement of \$2.8 million to institutions and sophisticated investors at 10 cents per share, a premium of approximately 14% to the previous closing share price
- **Multiple sales strategies** actively driving continued revenue growth
- **New reporting functionality** added to the TrafficGuard portal, allowing customers greater insight into their advertising traffic quality
- **Strong cash balance**, with cash and receivables at 30 September 2019 of \$2.3 million which is expected to be increased by an additional ~\$2 million comprising capital raising funds approved by shareholders in October (an additional ~\$1 million) and an R&D refund (an additional ~\$1 million, consistent with the prior year) expected to be received in December 2019

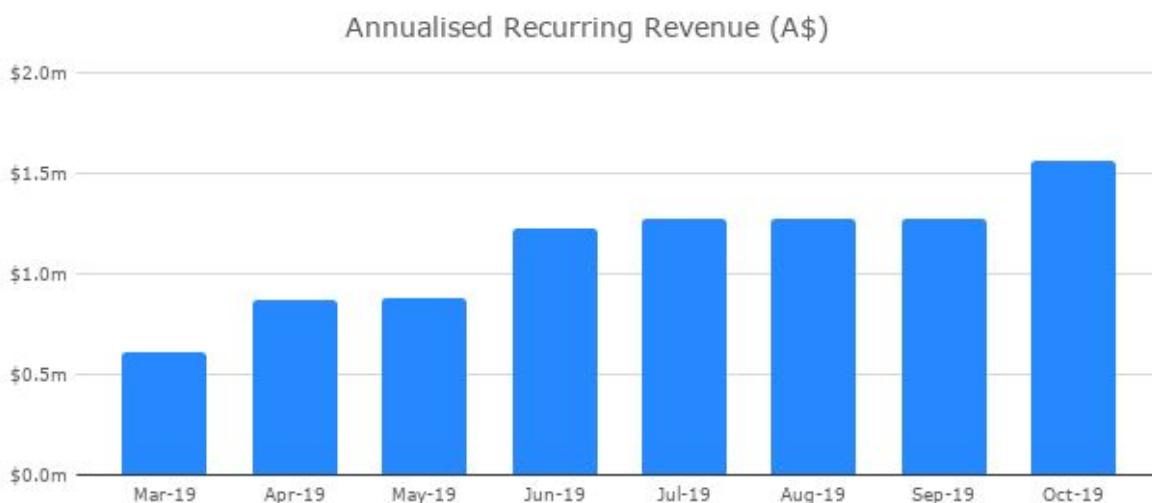
Adveritas Limited (**Company or Adveritas**) (**ASX: AVI**) is pleased to provide its quarterly report for the September quarter.

**Rapid Growth in Annualised Recurring Revenues (ARR)**

At the date of this release, ARR has grown to ~A\$1.6m. This is a significant achievement, particularly considering that the Company only commenced active commercial sales of its proprietary TrafficGuard software-as-a-service in January 2019.

Key highlights are:

- 19% ARR growth in the month of October 2019
- 78% ARR growth in the 6 months to October 2019
- 157% ARR growth calendar year to date (Jan 2019 to October 2019)



Given ~\$1.6m ARR, the quarterly revenue (on an ARR basis) is approximately \$390k. The reasons for the difference between actual cash received this quarter and the quarterly ARR revenue is the timing of new contracts part way through the quarter and the Company's invoicing cycle (with clients invoiced in arrears). Over time, the ARR is expected to be fully received in cash from invoiced clients.

### Multiple Sales Strategies

Multiple sales strategies continue to drive revenue growth, as summarised in the Strategy Update presentation released to the ASX on 15 October 2019.

During the quarter, the TrafficGuard sales team expanded, with new appointments throughout the USA and Brazil (see ASX announcement dated 20 August 2019). The strengthened sales force enjoyed quick success, with a 15-month contract with MUV generated from this sales team (see ASX announcement dated 9 October 2019). The USA market is the world's largest digital advertising market, comprising US\$129 billion in 2019 (38% of global digital spend)<sup>1</sup> and presenting a significant opportunity for TrafficGuard.

<sup>1</sup> Digital Ad Spending 2019 Global, eMarketer

In October 2019, Adveritas appointed its first business development resource dedicated to generating business in the UK and Europe.

Adveritas continues to lead the sector with its best-of-breed anti-fraud technology, TrafficGuard, through ongoing sector thought leadership and representation at multiple industry events where strategic partners and clients publicly endorsed TrafficGuard's proactive approach to fraud prevention. Such events included:

- **18 July 2019** – Mobile Growth Summit, New York. TrafficGuard's marquee client, Rappi, presented a case study demonstrating TrafficGuard's effectiveness for Rappi to an audience of senior mobile marketing professionals. See ASX announcement dated 10 October 2019 for details of the benefits of TrafficGuard publicly highlighted by Rappi.
- **4 September 2019** – An ad fraud awareness session in Sao Paulo in conjunction with TrafficGuard's agency client, MUV, a WPP Company.
- **27 September 2019** – TrafficGuard and Partnerize Digital Leaders Dinner, Jakarta. TrafficGuard co-hosted with campaign management platform partner, Partnerize, to provide an insightful discussion on the digital landscape of Southeast Asia, bringing together some of Jakarta's most innovative digital marketing professionals.

These events continue to increase awareness of the Company's unique TrafficGuard technology and expand the Company's sales pipelines.

#### [New Marquee Client](#)

The Company is delighted to have added GO-JEK as an additional global enterprise client during the September quarter.

Southeast Asian super app, GO-JEK, was on-boarded during the September quarter. A 12-month contract with minimum annual revenue of US\$210,000 was announced on 1 July 2019. With a valuation approaching US\$10 billion and backed by significant global investors including Visa, Google, KKR, Temasek, Blackrock and Tencent Holding, GO-JEK is one of the world's most highly valued and well-funded super apps.

#### [Contracted revenue upgrades](#)

After the quarter ended, the Company announced upgrades to two key customer 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).

The potential remains for ongoing contracted revenue upgrades with both these clients and also more widely across the customer portfolio.

### Technology Enhancements

During the September quarter, further improvements were made to TrafficGuard's portal user interface, reporting and functionality.

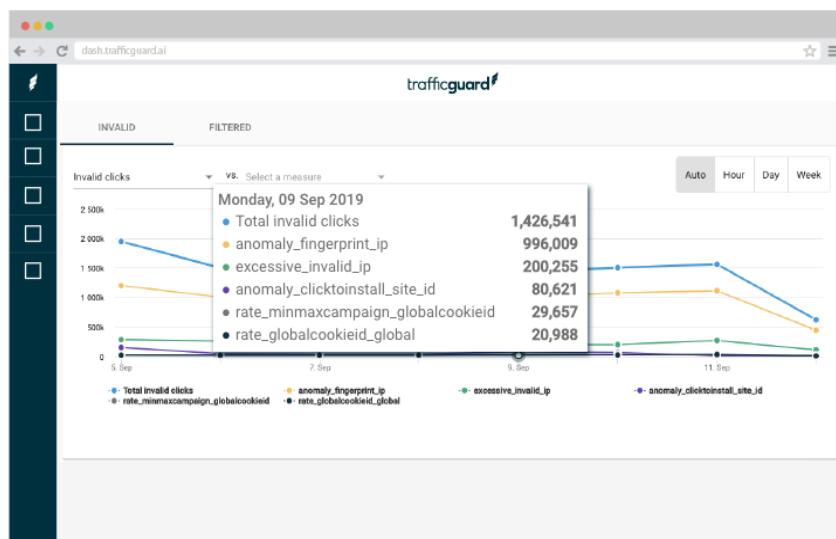
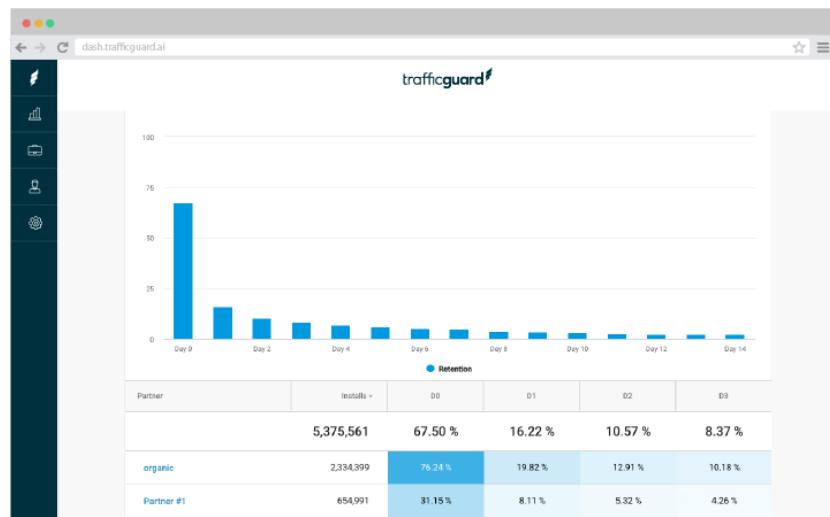
TrafficGuard's enhanced reporting enables its clients to accurately and rapidly identify growth opportunities whilst protecting them from advertising fraud. TrafficGuard clients can now receive an unprecedented level of granular data analysis regarding:

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

Given the immense volume of data that TrafficGuard processes, introducing new reports using real-time data is a substantial achievement. This has been enabled by the data foundations that have been established and continuously optimised by TrafficGuard's data and engineering teams over the last 5 years.

The Company's real-time analytics capability is a cornerstone of TrafficGuard's strategy and positioning, giving clients full transparency over their traffic quality. TrafficGuard's analytics reporting rivals that of widely used web analytics solutions in its ability to process data real-time to allow users to explore and drill into levels of detail.

**Figure 1:**  
**New TrafficGuard reports helping clients understand user retention and fraud**





**TrafficGuard Lab** is an ongoing exercise to investigate how ad fraud is perpetrated in order to enrich fraud detection methodology. The Lab uses data accumulated in TrafficGuard operations to triangulate sources of ad fraud, explore bad actors and reverse engineer malware and payloads. TrafficGuard lab researchers uncovered over 3000 apps with malware designed to generate fake ad engagements. Stopping traffic from these malicious apps resulted in over 250 million blocked ad engagements in the September quarter.

#### Outlook

The Company is focussed on executing several sales strategies to continue driving ARR growth globally.

Contracted revenue upgrades from existing clients demonstrate client satisfaction as well as revenue upside potential across the client base. As clients become more familiar with TrafficGuard and observe its powerful anti-fraud capabilities, more volume tends to pass through TrafficGuard leading to a greater ROI for the client and a potential increase in contract value for TrafficGuard as clients exceed agreed quotas.

New sales contracts are expected during the December quarter, resulting from TrafficGuard's global sales and marketing efforts.

- ENDS -



## 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 \$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:

## Investor Enquiries

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+Rule 4.7B

## 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")**

September 2019

| <b>Consolidated statement of cash flows</b>                                       | <b>Current quarter</b><br>\$A'000 | <b>Year to date</b><br>(3 months)<br>\$A'000 |
|---|-----------------------------------|--|
|   |                                   |  |
| <b>1. Cash flows from operating activities</b>                                    |                                   |  |
| 1.1 Receipts from customers (see additional note 3)                               | 130                               | 130  |
| 1.2 Payments for:   |                                   |  |
| (a) research and development (see additional note 1)                              | (990)                             | (990)  |
| (b) product manufacturing and operating costs including cost of services rendered | (243)                             | (243)  |
| (c) advertising and marketing   | (199)                             | (199)  |
| (d) leased assets   | -                                 | -  |
| (e) staff costs (see additional note 2)   | (752)                             | (752)  |
| (f) administration and corporate costs  | (308)                             | (308)  |
| (g) other   | -                                 | -  |
| 1.3 Dividends received (see note 3)   | -                                 | -  |
| 1.4 Interest received   | 5                                 | 5  |
| 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  | 3                                 | 3  |
| <b>1.9 Net cash from / (used in) operating activities</b>                         | <b>(2,354)</b>                    | <b>(2,354)</b>                               |

| <b>Consolidated statement of cash flows</b>   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>2. Cash flows from investing activities</b>  |                                    |  |
| 2.1 Payments to acquire:  |                                    |  |
| (a) property, plant and equipment   | (6)                                | (6)  |
| (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                                 | 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   | -                                  | -  |
| <b>2.6 Net cash from / (used in) investing activities</b>   | <b>(23)</b>                        | <b>(23)</b>                                    |
| <b>3. Cash flows from financing activities</b>  |                                    |  |
| 3.1 Proceeds from issues of shares  | 1,571                              | 1,871  |
| 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   | (144)                              | (144)  |
| 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):<br>Capital raising funds received from director in advance of shareholder approval | 300                                | -  |
| <b>3.10 Net cash from / (used in) financing activities</b>  | <b>1,727</b>                       | <b>1,727</b>                                   |

| <b>Consolidated statement of cash flows</b>                                     | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |                                    |  |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date              | 2,047                              | 2,047  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (2,354)                            | (2,354)  |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | 23                                 | 23   |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | 1,727                              | 1,727  |
| 4.5 Effect of movement in exchange rates on cash held                           | 4                                  | 4  |
| <b>4.6 Cash and cash equivalents at end of quarter*</b>                         | <b>1,447</b>                       | <b>1,447</b>                                   |

| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances  | 1,447                              | 2,047                               |
| 5.2 Call deposits  | -                                  | -                                   |
| 5.3 Bank overdrafts  | -                                  | -                                   |
| 5.4 Other (Term Deposit)   | -                                  | -                                   |
| <b>5.5 Cash and cash equivalents at end of quarter* (should equal item 4.6 above)</b>  | <b>1,447</b>                       | <b>2,047</b>                        |

\* cash and cash equivalents at 30 September 2019 includes 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.

| <b>6. Payments to directors of the entity and their associates</b>                                       | <b>Current quarter<br/>\$A'000</b> |
|--|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 160                                |
| 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 |                                    |

| 7. Payments to related entities of the entity and their associates                                      |  | Current quarter<br>\$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<br><i>Add notes as necessary for an understanding of the position</i> |  | Total facility amount at quarter end<br>\$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   | 849   |
| 9.2   | Product manufacturing and operating costs including cost of services rendered (see additional note 4)  | 199   |
| 9.3   | Advertising and marketing  | 347   |
| 9.4   | Leased assets  | -   |
| 9.5   | Staff costs  | 662   |
| 9.6   | Administration and corporate costs   | 298   |
| 9.7   | Other  | -   |
| 9.8   | <b>Total estimated cash outflows</b>   | <b>2,355</b>                                    |
| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)                     |  | Acquisitions                                    |
| 10.1  | Name of entity   | n/a   |
| 10.2  | Place of incorporation or registration   | n/a   |
| 10.3  | Consideration for acquisition or disposal  | n/a   |
| 10.4  | Total net assets   | n/a   |
| 10.5  | Nature of business   | n/a   |
|   |  | Disposals                                       |

**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 October 2019

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.