



adverty®

## Year-end report

January-December 2022  
Adverty AB (publ)

# ADVERTY DELIVERS A FANTASTIC QUARTER - SETS THE STAGE FOR STRONG GROWTH IN 2023

Summary	Fourth quarter		Full-year	
	2022-10-01	2021-10-01	2022-01-01	2021-01-01
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
(SEK thousands, unless otherwise stated)				
Total income	8 804	3 004	17 273	5 313
Gross profit	3 968	-101	5 322	-2 874
<i>Gross profit - margin</i>	45%	-3%	31%	-54%
Operating profit before depreciation/amortisation (EBITDA)	-2 929	-5 184	-19 390	-21 818
Operating profit after depreciation/amortisation (EBIT)	-4 294	-5 238	-24 263	-22 030
Profit before tax	-4 294	-5 246	-24 310	-22 040
Profit for the period	-4 294	-5 246	-24 310	-22 040
Cash flow for the period	-7 361	-1 720	-3 272	-12 278
Earnings per share, SEK *	-0,13	-0,23	-0,76	-0,97
Earnings per share, SEK **	-0,13	-0,16	-0,76	-0,69
Equity per share, SEK *	0,83	0,80	0,83	0,80
Equity per share, SEK **	0,83	0,57	0,83	0,57
Number of shares	31 811 688	22 641 771	31 811 688	22 641 771

\* Calculated on the actual number of shares outstanding at the end of each period.

\*\* Calculated on the number of shares outstanding at close of latest period.

## Significant events during the quarter

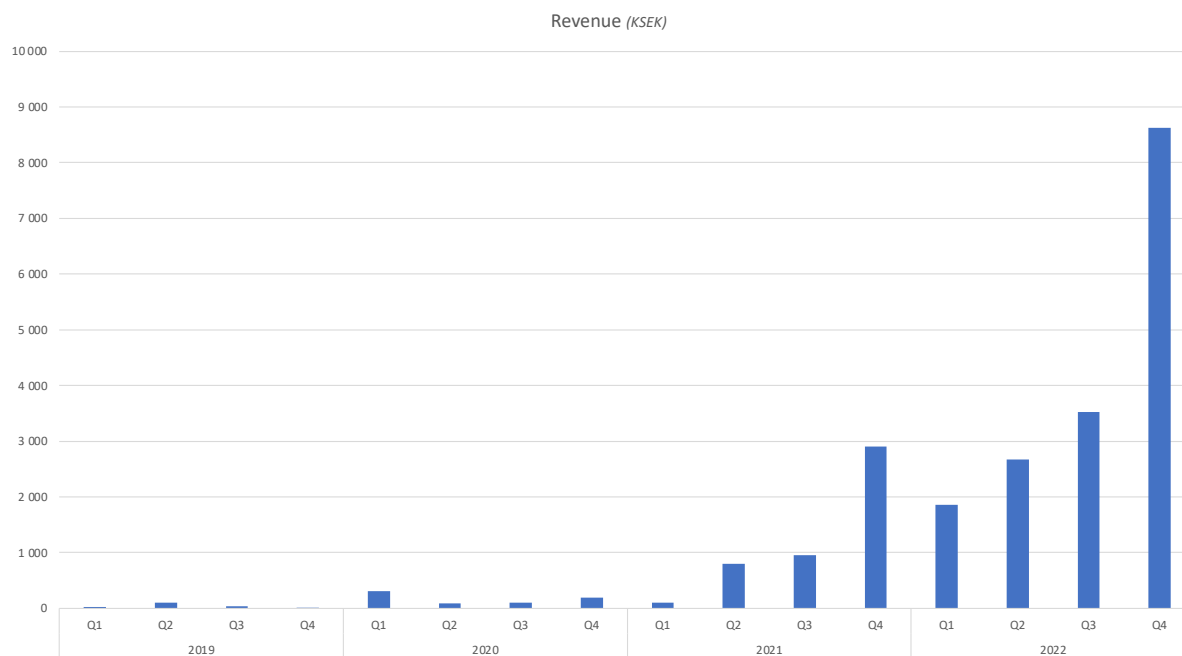
- The company and Apex Mobile Media announce partnership to offer In-Play gaming inventory in Canada
- The company explores corporate strategic possibilities

## Significant events after the end of the period

- The company unveils tremendous publisher growth
- The company obtains a bank loan in the amount of MSEK 8

## A word from the CEO

"All happy faces" is what I communicated earlier and, in retrospect, is exactly how we leave 2022. We ended Q4 with record-breaking revenue of MSEK 8.6, an increase of 197% compared to the same quarter last year. For the full year, revenue was MSEK 16.7, a massive 250% increase of last year.



Gross profit also increased strongly to MSEK 4.0 (-0.1), resulting in a gross margin of 45% (-3%) in the fourth quarter. For the full year, gross profit was MSEK 5.3 (-2.9), with a gross margin of 31% (-54%). This shows a very clear scalability in our revenue model.

This strong development is a result of brands and media buyers beginning to understand why they should actively include the gaming segment more widely in their media mix, which we will see even more of this year.

It should also be added that we have recently streamlined and updated processes within the company and reviewed how we work with our product. In the process of streamlining the company, we have reviewed the entire cost structure during the quarter and analyzed every cost item within the business, from staff to supplier contracts, resulting in a cost saving of almost MSEK 10 for 2023 compared to 2022.

With a sales forecast of over MSEK 50 for 2023, I would like to provide a deeper insight into some focus areas and strategies that will bring the company cash flow positive before the end of the year.

The platform has been significantly optimized during the year to enable more profitable ad delivery. As a result, the resource requirements for technology development have also been reduced, resulting in a slightly smaller tech team during the quarter. With the current team, work continues on both existing and new customers, as well as further development of features such as programmatic video and support for more game engines beyond Unity.

One of our key decisions and the strategy we will stick to going forward is to focus only on our own exclusive games portfolio. As the previously announced Roblox collaboration neither uses our technology nor can be sold programmatically, its packaging with our own game portfolio has been complicated and thus unscalable, which has led us not to pursue that collaboration going forward.

The supply team has been streamlined in recent months. With an optimized and smaller team under new leadership, we are already seeing positive results and a fantastic momentum with as many as 77 new game apps launched in the last quarter.

Our sales increased significantly in the second half of 2022, and we have also entered into several new strategic partnerships during the year. These have already shown strong growth - Yazle for the Middle East, Apex Media for Canada and Pushfire for the German market. We have also integrated our platform with Adform and OpenX and made new prebid integrations with both PubMatic and Smaato. The integrations we made during the year accounted for half of our programmatic revenue in the fourth quarter of this year.

At ad campaign level, we have seen a significant increase quarter by quarter. In 2022, the highest number of campaigns activated in a quarter was 66 and the lowest was 24, compared to an average of about 7 campaigns per quarter in 2021. This is a testament to both the incredible capabilities of our Ad Ops team and platform, and the fact that we are getting larger and larger shares of campaigns that previously went into other channels. With a healthy split of around 60/40 between programmatic and partner sales, we are very well placed for further strong growth going forward.

In the last quarter we invested more in the US market with a new employee in place, laying the groundwork for more active sales efforts similar to what we are doing on this side of the Atlantic. There is huge growth potential in the US and we are already having promising discussions with major brands and local partners as part of our growth in 2023.

The exploratory work that Carlsquare began in the autumn has resulted in a handful of companies that will be assessing our business more closely over the course of the year. With all the exciting things happening and with the potential we see this year, we want to fund the business going forward through loans rather than new share issues, based on the best interests of shareholders. Therefore, we have now raised a loan of MSEK 8 to take the business forward towards our goals for the year.

Finally, I would like to thank everyone involved in our successes over the past year and say in true cliffhanger spirit that good things come to those who wait.

Jonas Söderqvist  
CEO

Keep it simple - Ask questions - Follow the money



**Adverty in brief**

Swedish advertising technology company Adverty has launched the world's first programmatic platform for automated, seamless in-game advertising.

The platform is based on patented technology which, among other things, is based on studies of the eye, its field of vision and perceptual capacity. The advertising platform is available on some of the world's largest trading venues for automated trading of digital ads.

The operations are headquartered in Stockholm, Sweden with technological development being performed in Ukraine. Sales and business development are also conducted in countries including US, UK, and Turkey. We also have reseller partners in various countries across the world.

This report pertains to the Company's operations during the period 1 January to 31 December 2022.

**Sales and earnings**

Net sales amounted to SEK 16,685 thousand (4,769) for the full year, and to SEK 8,630 thousand (2,903) for the fourth quarter. The reported loss for the full year amounted to SEK 24,310 thousand (22,040), and to SEK 4,294 thousand (5,246) for the fourth quarter, essentially as budgeted and planned.

Earnings per share for the full year amounted to a loss of SEK 0.76 (0.69) and to a loss of SEK 0.13 (0.16) in the fourth quarter, with a comparable number of shares.

**Investments**

Adverty's investments over the full year amounted to SEK 8,086 thousand (5,774), and to SEK 2,275 thousand (1,701) in the fourth quarter. The investments pertain mostly to intangible assets in the form of capitalized development expenses.

**Depreciation/amortisation**

Earnings for the full year were burdened by SEK 4,873 thousand (212) in depreciation/amortisation, and to SEK 1,365 thousand (54) for the fourth quarter. These items pertain primarily to the amortization of intangible assets.

**Liquidity and financing**

At the end of the period, the Company held SEK 1,908 thousand (5,181) in cash and cash equivalents. As of the reporting date, the Company held other non-current liabilities of SEK 577 thousand (457).

**Equity, share capital and number of shares**

As of 31 December 2022, Adverty's equity amounted to SEK 26,349 thousand (18,035). The share capital is divided between 31,811,688 shares with a quotient value of SEK 0.047 per share. All shares are of a single series, conveying equal entitlement to vote and participate in the Company's earnings.

**The share**

Adverty's shares are traded on NGM SME under the symbol ADVT and bear the ISIN code SE0011724889.

**Employees**

As of 31 December 2022, Adverty had a total of 23 employees, of whom 9 were directly employed by the Company and 14 of whom were full-time consultants based in Sweden, Germany, UK, Ukraine, Turkey, and the US. Of the 23 employees, 7 are women and 16 are men. Adverty's objective is to increase the number of women employees.

**Transactions with related parties**

No transactions with related parties occurred during the reporting period.

**Accounting policies**

This interim report has been prepared in accordance with the Swedish Accounting Standards Board's guideline BFNAR 2012:1 Annual and Consolidated Financial Statements, K3. The Company's assets and liabilities are stated at cost and nominal value, respectively, unless otherwise stated.

**Review**

This report has not been reviewed by the Company's auditors.

**Future report dates**

Adverty will publish recurring financial information in accordance with the following schedule:

5 April 2023	Publication of Annual Report on Company website
17 May 2023	Interim report, January – March 2023
7 June 2023	Annual General Meeting
16 August 2023	Interim report, January – June 2023
15 November 2023	Interim report, January – September 2023
14 February 2024	Year-end report, January – December 2023

**Adverty AB (publ), 1 February 2023**  
***Board of Directors***

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**Publication**

This is information such that Adverty AB (publ) is required to publish under the EU Market Abuse Regulation. The information was submitted for publication under the auspices of the aforementioned contact, for publication on 1 February 2023.

## Income statement

(SEK thousands)	Fourth quarter		Full-year	
	2022-10-01	2021-10-01	2022-01-01	2021-01-01
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
<b>Operating income</b>				
Net sales	8 630	2 903	16 685	4 769
Other operating income	174	101	588	544
<b>Total operating income</b>	<b>8 804</b>	<b>3 004</b>	<b>17 273</b>	<b>5 313</b>
<b>Operating expenses</b>				
Raw materials and consumables	-4 836	-3 105	-11 951	-8 187
Other external expenses	-2 932	-2 383	-11 013	-8 118
Personnel costs	-3 827	-2 590	-13 138	-10 565
Depreciation/amortisation	-1 365	-54	-4 873	-212
Other operating expenses	-138	-109	-561	-261
<b>Total operating expenses</b>	<b>-13 098</b>	<b>-8 242</b>	<b>-41 536</b>	<b>-27 344</b>
<b>Operating profit</b>	<b>-4 294</b>	<b>-5 238</b>	<b>-24 263</b>	<b>-22 030</b>
<b>Profit from financial items</b>				
Interest income and similar income items	0	0	0	0
Interest expenses and similar income items	0	-9	-47	-10
Exchange rate gains/losses	0	0	0	0
<b>Total profit from financial items</b>	<b>0</b>	<b>-9</b>	<b>-47</b>	<b>-10</b>
<b>Profit before tax</b>	<b>-4 294</b>	<b>-5 246</b>	<b>-24 310</b>	<b>-22 040</b>
Tax	0	0	0	0
<b>Profit for the period after tax</b>	<b>-4 294</b>	<b>-5 246</b>	<b>-24 310</b>	<b>-22 040</b>

## Balance sheet

(SEK thousands)

### ASSETS

#### Fixed assets

Intangible assets	22 512	19 332
Tangible assets	26	38
Financial assets	45	0
<b>Total fixed assets</b>	<b>22 583</b>	<b>19 370</b>

#### Current assets

Inventory	0	0
Other current assets	9 450	3 906
Cash and cash equivalents	1 908	5 181
<b>Total current assets</b>	<b>11 358</b>	<b>9 087</b>

### TOTAL ASSETS

<b>33 941</b>	<b>28 456</b>
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### EQUITY AND LIABILITIES

<b>Equity</b>	<b>26 349</b>	<b>18 035</b>
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#### Non-current liabilities

Non-current liabilities to credit institutions	577	457
<b>Total non-current liabilities</b>	<b>577</b>	<b>457</b>

#### Current liabilities

Accounts payable	3 343	1 832
Other current liabilities	680	5 398
Accrued expenses and prepaid income	2 992	2 735
<b>Total current liabilities</b>	<b>7 015</b>	<b>9 964</b>

### TOTAL EQUITY AND LIABILITIES

<b>33 941</b>	<b>28 456</b>
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## Cash flow statement

(SEK thousands)	Fourth quarter		Full-year	
	2022-10-01	2021-10-01	2022-01-01	2021-01-01
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
<b>OPERATING ACTIVITIES</b>				
Operating profit	-4 294	-5 238	-24 263	-22 030
Depreciation/amortisation	1 365	54	4 873	212
Interest received	0	0	0	0
Interest paid	0	-9	-47	-10
Exchange rate fluctuations	0	0	0	0
Tax expense paid	0	0	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-2 929</b>	<b>-5 193</b>	<b>-19 437</b>	<b>-21 828</b>
<b>Cash flow from changes in working capital</b>				
Increase (-) / decrease (+) in operating receivables	-4 460	-2 142	-5 544	-3 028
Increase (+) / decrease (-) in operating liabilities	2 302	7 316	-2 949	8 242
<b>Cash flow from operating activities</b>	<b>-5 086</b>	<b>-19</b>	<b>-27 930</b>	<b>-16 614</b>
<b>INVESTING ACTIVITIES</b>				
Acquisitions of intangible assets	-2 275	-1 776	-8 042	-5 818
Acquisitions of tangible assets	0	0	0	-30
Acquisitions of financial assets	0	75	-45	75
<b>Cash flow from investing activities</b>	<b>-2 275</b>	<b>-1 701</b>	<b>-8 087</b>	<b>-5 774</b>
<b>FINANCING ACTIVITIES</b>				
Change in non-current loans	0	0	120	294
New share issues	0	0	32 624	9 816
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>32 744</b>	<b>10 110</b>
<b>Cash flow for the period</b>	<b>-7 361</b>	<b>-1 720</b>	<b>-3 272</b>	<b>-12 278</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9 271</b>	<b>6 901</b>	<b>5 180</b>	<b>17 458</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 908</b>	<b>5 180</b>	<b>1 908</b>	<b>5 180</b>

## Change in equity

<b>Fourth quarter 2022 (SEK thousands)</b> <b>1 Oct 2022 – 31 Dec 2022</b>	<b>Share capital</b>	<b>Development expenditure fund</b>	<b>Other capital contributions</b>	<b>Accum. profit and profit for the year</b>	<b>Total equity</b>
Amount at beginning of period	1 601	21 284	110 666	-102 908	30 643
Bonus/new share issue	-106	0	106,461	0	0
Provision, development expenditure func	0	964	0	-964	0
Profit for the period	0	0	0	-4 294	-4 294
Amount at end of period	1 495	22 248	110 773	-108 167	26 349

<b>Fourth quarter 2021 (SEK thousands)</b> <b>1 Oct 2021 – 31 Dec 2021</b>	<b>Share capital</b>	<b>Development expenditure fund</b>	<b>Other capital contributions</b>	<b>Accum. profit and profit for the year</b>	<b>Total equity</b>
Amount at beginning of period	1 064	17 140	78 580	-73 502	23 282
Bonus/new share issue	0	0	0	0	0
Provision, development expenditure func	0	1 760	0	-1 760	0
Profit for the period	0	0	0	-5 246	-5 246
Amount at end of period	1 064	18 900	78 580	-80 509	18 035

<b>Full-year 2022 (SEK thousands)</b> <b>1 Jan 2022 – 31 Dec 2022</b>	<b>Share capital</b>	<b>Development expenditure fund</b>	<b>Other capital contributions</b>	<b>Accum. profit and profit for the year</b>	<b>Total equity</b>
Amount at beginning of period	1 064	18 900	78 580	-80 509	18 035
Bonus/new share issue	431	0	32 193	0	32 624
Provision, development expenditure func	0	3 348	0	-3 348	0
Profit for the period	0	0	0	-24 310	-24 310
Amount at end of period	1 495	22 248	110 773	-108 167	26 349

<b>Full-year 2021 (SEK thousands)</b> <b>1 Jan 2021 – 31 Dec 2021</b>	<b>Share capital</b>	<b>Development expenditure fund</b>	<b>Other capital contributions</b>	<b>Accum. profit and profit for the year</b>	<b>Total equity</b>
Amount at beginning of period	958	13 116	68 871	-52 684	30 260
Bonus/new share issue	106	0	9 709	0	9 816
Provision, development expenditure func	0	5 784	0	-5 784	0
Profit for the period	0	0	0	-22 040	-22 040
Amount at end of period	1 064	18 900	78 580	-80 509	18 035