



ASX ANNOUNCEMENT (ASX: CVT)

22 November 2017

Chairman's speech – 2017 Annual General Meeting

Good morning everyone and thank you for joining us at Covata's 2017 Annual General Meeting, and for your support during a year that has been transformative.

My name is Bill McCluggage and I am Covata's Non-Executive Chairman. I became a Director of Covata Ltd just over a year ago and assumed the role of Chairman following last year's AGM. It has been a year of remarkable change as the Board, Chief Executive and the management team have transformed the company. The Board and our executive team firmly believe that Covata is now better focused, more financially solid and able to move forward to become a leader in the global data-centric security market.

The growth of the global digital market has driven the development of a cybersecurity market that is predicted to grow at a rapid rate. The drivers and opportunities associated with the new digital economy and cyber security marketplace are compelling, and serious data breaches are on the rise. The latest estimates are that cybercrime will cost approximately US\$6.0 trillion by 2021, and that the industry will be worth about US\$202 billion. An estimated total of over 4,000 breaches in 2016, exposing more than 4.2 billion records, coupled with mounting regulatory pressure, illustrate the clear need for data security solutions that encompass encryption.

In their June 2017 report on organised crime, the UK's National Crime Agency stated that *"Cyber criminals still rely on the exploitation of basic security vulnerabilities and human vulnerabilities through social engineering. The availability of 'as a service' toolkits has further lowered the barrier to entry for Cyber criminals."*

The report goes on to say that *"Cyber threat actors continue to display agility to adjust their business models to target novel and less well defended targets in order to chase greater returns."*

With technology acting as a key enabler for organisations to protect against and manage the rise of cybersecurity breaches and risk, Covata has existing products to assist organisations to protect their most valuable asset - sensitive data. We also have a clearly defined strategy to build a next generation Data Security Platform (DSP) designed to help CEOs, CISOs and security professionals defend their organisations against the pernicious effects of growingly sophisticated cybercrime capabilities.

As you know, the Company's new Managing Director and CEO, Ted Pretty, joined in January this year. Immediately following his commencement, Ted undertook a strategic review of the business with the intention to reset and rebuild. The reset involved some projects and initiatives of the prior management team being qualified out, and others paused, as we focused on tangible near-term opportunities. Monthly operating costs were cut by 50 per cent to extend cash runway out to late 2018. These steps were both necessary and sensible.

Our focus since that time has been the effective commercialisation of Covata's solutions.

The Board supports Ted's approach of building a sustainable business customer by customer, and rebuilding credibility by only making substantive and timely announcements as and when it is appropriate to do so. I understand this has been a difficult adjustment for the market, but it has been necessary.

Ted and his team have built a solid sales pipeline, and I am pleased with the sales momentum that continues to improve. Recent client wins include a A\$360,000 agreement for a three-year period for our SafeShare product with the Australian subsidiary of a global technology company. Additionally, we announced an upfront perpetual licence of US\$46,000 including maintenance, and US\$10,000 annually for ongoing maintenance after year one, for our CipherPoint Eclipse product, with a major US national sporting association. We are confident other wins will follow.

Significant effort has been undertaken to identify and address any technical gaps in our product offering. We are now building new connectors and are seeking to integrate our existing flagship product SafeShare with the most common content applications.

We have reconnected with existing channel partner T-Systems, and will support them in both Germany and South Africa. We have also renegotiated a more supportive, inclusive and financially lucrative arrangement with Macquarie Telecom, which currently resells our SafeShare solution under its white labelled SIGBOX brand. It provides services to 24 government departments, with growing user numbers. We are appreciative of this support from Macquarie Telecom and look forward to our continuing partnership.

In addition, we are excited by Covata's recent acquisition of US based CipherPoint, which has enabled us to expand the Company's footprint, secure new clients, and obtain highly skilled resources. This acquisition complements Covata's existing overseas presence in the UK, and the appointment of a new UK sales lead. Covata has a defined and focused business development strategy to revisit and further progress existing opportunities in the region, focus on current trials, and explore new opportunities. We believe this will see Covata gain momentum in the UK market, although patience is needed as we can only proceed at a pace set by our prospective customers.

In September this year, Covata deployed SafeShare on Microsoft's Azure Cloud platform, and it is now available to customers as a dedicated instance. By deploying SafeShare on Azure, it provides a range of deployment options to fit with client infrastructure preferences. Covata is pleased to now support on-premises installations and cloud based deployment via Azure and AWS.

SafeShare's position on Azure will provide Covata with access to a broader range of enterprise customers including government agencies across Australia, the US and the UK, and provide a better user experience for users of Microsoft applications running from Azure. I was particularly pleased to see the announcement on 8 November that we had signed the first SaaS customer on the SafeShare Microsoft Azure Cloud instance.

While SafeShare has been the Company's flagship product, and we have also acquired CipherPoint's product set, we are now moving forward to position Covata as a leading data security brand with a next generation Data Security Platform (DSP).

Covata intends to build and deploy a platform that offers features such as data discovery, automated data classification, access and policy control, activity monitoring, data loss prevention, user behaviour analytics, and compliance reporting.

We are optimistic about our future based on our new strategy and focus. We will also continue to review other potential acquisition options to complement our organic growth strategy.

It is important that as we deliver, we receive ongoing support from you, our shareholders. This may extend to further capital to support our strategy, maintain a solid balance sheet or, provide appropriate incentives to attract, motivate and retain the best employees. The Board particularly appreciates the support shown by shareholders by way of participation in our recent Placement and Share Purchase Plan.

I would like to finish by thanking my fellow Board members; Ted Pretty, Lindsay Tanner and David Irvine, for their support, as well as the team of Covata employees who continue to work hard for the Company and contribute towards its success.

To our valued shareholders, both longstanding and new - thank you for your support. We will continue to strive to be open, transparent and available. I look forward to serving as your Chairman over the coming year.

-Ends-

About Covata

Covata is a leading provider of software solutions that protect data and enable secure collaboration. Our data-centric security platform empowers governments and businesses to discover, protect and control their sensitive information. Our products and platform support multiple use cases including search, governance and compliance, user behavior and analytics and file synchronization and sharing.

Covata also provides data discovery, transparent data encryption, centralised permissions management, and activity logging for sensitive and regulated information in SharePoint.

With offices and resources in the US, UK Europe and Australia and coverage in all other regions our customers span the public sector and defense, aerospace, technology, finance, media and sports industries.

We ensure security is never an afterthought, protecting information and ensuring the safe and efficient sharing of data across internal and external stakeholders, devices, networks and geographic regions providing organizations with control, visibility and auditability of their sensitive information.

For further information, please visit covata.com.

Covata Investor Relations contact:

Steven Bliim
Covata Limited
Head of Finance and Joint Company Secretary
steven.bliim@covata.com