

[COVATA]

**AGM
MANAGEMENT
PRESENTATION**

22 NOVEMBER 2017



DISCLAIMER

This presentation is the property of Covata Limited (Covata). It is a presentation of non-specific background information about the current activities of Covata. It is information given in summary form and does not purport to be complete.

All persons should seek appropriate professional investment advice in reviewing or considering this presentation and all other information with respect to Covata, its business, financial performance and operations. Neither the provision of this presentation nor the information contained therein, or any associated communication to any person should be taken as constituting financial advice regarding the purchase or dealing of shares in Covata. This presentation does not purport to provide all information that might reasonably be required to complete a detailed assessment of Covata.

Individuals should conduct their own investigation of investment and financial parameters relevant to their personal requirements for investment purposes. The presentation may contain forward looking statements regarding the intentions of the Company, and these will be affected by many other factors beyond the control of the Company.

Forward-looking statements include, but are not limited to, statements concerning Covata's planned strategies and programs and other statements that are not historical facts. Although Covata believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The presentation must be considered in the light of these uncertainties and investments in Covata should be considered as speculative in nature.

This presentation does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment. This presentation does not constitute an offer or invitation in any jurisdiction anywhere, or to any person to whom, such an offer would be unlawful.

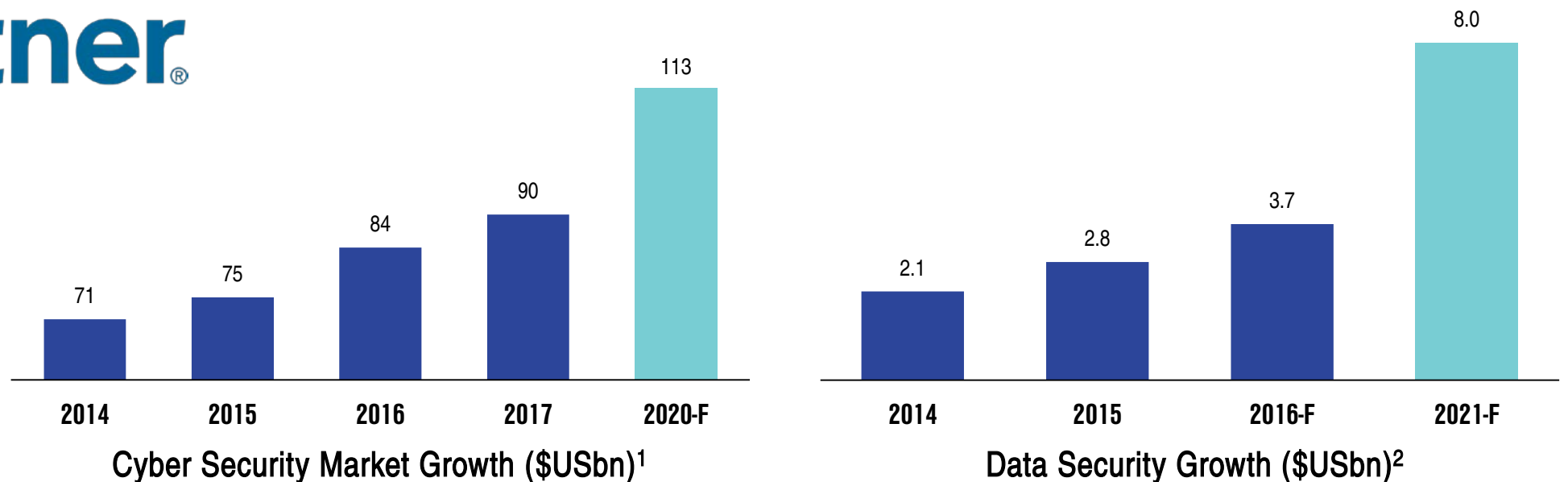


SECTION A
THE MARKET AND
OPPORTUNITY

THE REVENUE OPPORTUNITY IS LARGE AND GROWING

“Data breaches repeatedly prove the criticality of data security, and data security products need to continue to evolve”

Gartner Market Insight: The Future of Data Security (12 October 2017)

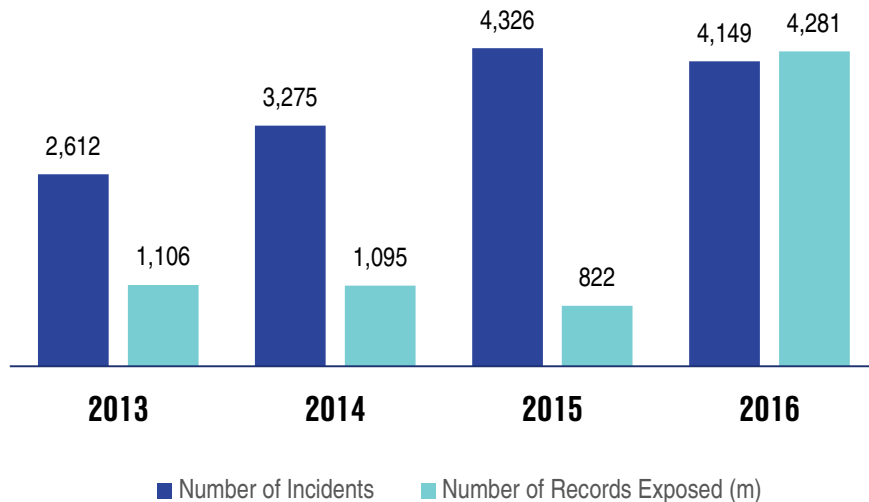


¹ Gartner Research Reports

² Markets and Markets: Cyber Security Market - Global Forecast to 2021 (2016)

DATA BREACHES AND REGULATION DRIVE PRODUCT DEMAND

Reported breaches¹



Stricter compliance and regulatory requirements



General Data Protection Regulation (EU)

個人情報保護委員会
Personal Information Protection Commission
法人番号: 4000012010025

Personal Information Protection Commission (Japan)



Sarbanes-Oxley Act (SOX) (US)



PCI Security Standards (Global)



Data Privacy Legislation (Australia)



Health Insurance Portability and Accountability Act (US)

GLOBAL COST TO BUSINESS: **US\$6 TRILLION** BY 2021²

¹ Risk Based Security: Data Breach QuickView Report (January 2017)

² Cybersecurity Ventures: The Official 2017 Cybercrime Report (October 2017)



SECTION B
ABOUT COVATA

COVATA IS AT THE CENTRE OF THE DATA SECURITY MARKET

We are an Australian software company that delivers innovative data-centric security solutions for sensitive and regulated information, however it's shared and wherever it travels

CVT SNAPSHOT¹



Shares on issue	572.15M
Share price	5.1c
Market cap	A\$30.9M
Cash at bank (zero debt) (Excludes R&D tax rebate)	A\$3.4M

¹As at 21 November 2017

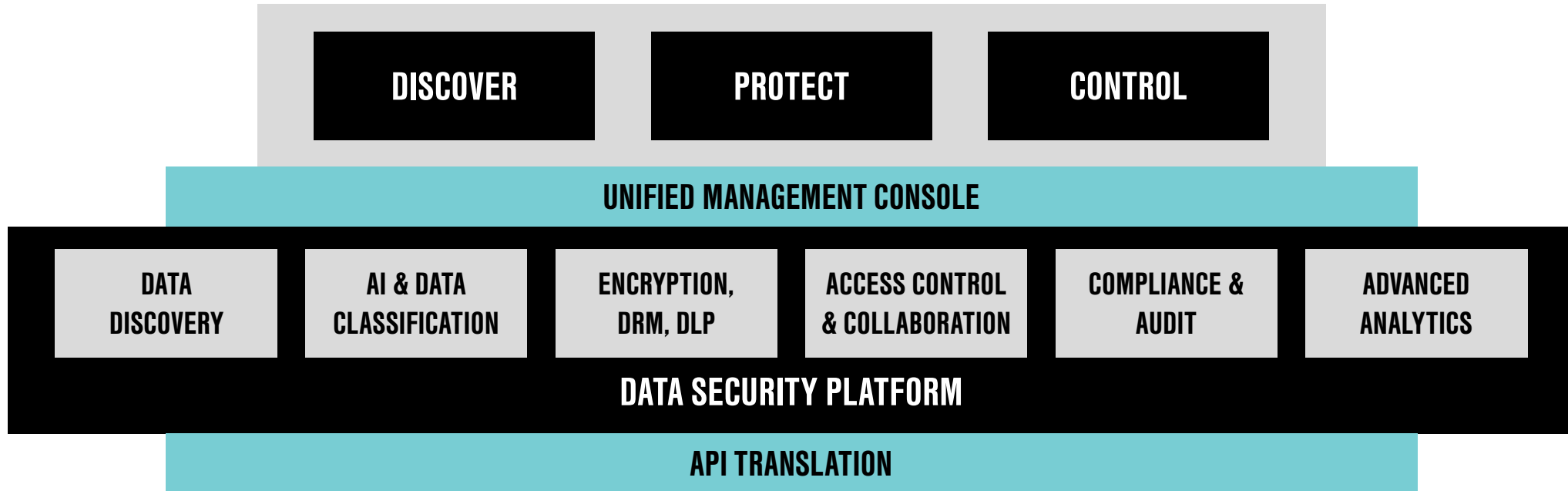


COVATA UNDERSTANDS THE KEY MARKET TRENDS

INTEGRATION	END USERS AND EASE OF USE	EMERGING TECHNOLOGIES
<ul style="list-style-type: none">• A data security platform to combine encryption and access control with enterprise digital rights management, data loss prevention, user and entity behaviour analytics, privileged access management, data masking• Integration of the DSP with industry leading data repositories	<ul style="list-style-type: none">• Single pane of glass or unified management console for security management• Seamless integration with cloud productivity tools e.g. Microsoft• Multiple deployment options including cloud (Azure or AWS) or on-premises	<ul style="list-style-type: none">• AI and Machine Learning for automatic data classification• Advanced Security Analytics• Extension of key management by using Blockchain technologies for application security in IoT and big data

Source: Gartner Market Insight: The Future of Data Security (12 October 2017)

AND THE FUTURE IS BUILDING OUR DSP



CURRENT



ROADMAP



WE ARE FOLLOWING A PROVEN BUSINESS MODEL

RECURRING LICENCE MODEL	DIRECT AND VIA STRONG PARTNERS	TARGET CUSTOMERS
<ul style="list-style-type: none"> ▪ Transition from perpetual plus maintenance into an Enterprise subscription and/or SaaS based pricing model ▪ Options of cloud, hybrid, and on-premises deployments ▪ Feature upsell ▪ Support options 	 <p>Microsoft</p> <p>Microsoft Azure</p> <p>T-Systems</p> <p>macquarie TELECOM</p>	<p>Initial target: Enterprise</p> <ul style="list-style-type: none"> ▪ Higher touch, Beta version of products acceptable ▪ Total Contract Value (TCV) and Annual Recurring Revenue (ARR) are higher (>\$50K) ▪ 6-9 months to close ▪ Covata-configured solution <p>Extend to SME</p> <ul style="list-style-type: none"> ▪ Light touch, SaaS product featuring self-service and configuration ▪ TCV / ARR <\$2-\$10K pa but could be much less ▪ Sales cycle ranges from 2-3 days up to 4 months

OUR TARGETED MARKETING IS BUILDING LEADS

Campaigns underway and showing solid results

UK – GDPR



USA – ITAR



- Exponential increase in outbound marketing campaigns
- GDPR campaign 'click rate' best performing at 45%
- Substantive product evaluations currently underway

Events are being tracked for leads and sales

SINET

26-27 September,
Sydney

AISA Australian Information
Security Association

National Conference
10-12 October, Sydney

 **InnovationAus.com**
Public Policy and Innovation in Australia

Cyber Leadership forum
26 October, Melbourne

 **IDC**
Analyze the Future

CIO Summit
1 November, Melbourne

 **Microsoft**

Summit 2017
14-17 November, Sydney

WE ALREADY HAVE QUALITY CUSTOMERS

[COVATA]



GOVERNMENT





Australian Government
24 Departments

ENTERPRISE



AND WE ACTIVELY PARTICIPATE IN THOUGHT LEADERSHIP



IDC VENDOR FOCUS

Data is the New Endpoint

October 2017
Sponsored by Covata

Introduction

Data centric security is an emerging market segment that IDC has been observing for some time; a range of vendors are focusing their efforts on discovering, classifying and protecting, usually through the use of encryption, the critical asset that the would-be hacker is trying to steal – data.

To be clear, data security is only a part of an organisation's cyber security. There will still be a need for traditional security products such as network and endpoint protection, application level security, virus and malware protection, identity and privileged access management, data loss prevention and so on. This layered approach to security has long been at the core of government and enterprise toolkits as they attempt to detect and block breaches and remediate their impact. However, wrapping data and files with persistent security is now emerging as a key focus. IDC believes it is an area that will receive greater attention in the coming years, especially as cyber attacks become more sophisticated and users place increasing demands on their suppliers to protect their sensitive data, backed by a more stringent regulatory framework.

The challenge, as always, for the IT security team is around selecting a solution that can secure the information at rest, in transit and during collaboration, whilst not imposing too high a degree of friction that might prevent sensible use. Appropriate solutions need to deliver a mix of access control, policy management and flexible remediation options such as encryption, masking or obfuscation. At the same time, due to the current complexity of IT security operations, any such solution needs to seamlessly integrate with the existing applications such as standard business and productivity tools both on-premise and in a multi-cloud environment.

Market Drivers for Data Security

Data breaches and increasingly tougher regulation are driving demand



InnovationAus recently caught up with Covata CEO, Ted Pretty, to hear his thoughts on the shortage of skilled workers in the cybersecurity industry. Ted sees the glass as "half full" and there is opportunity for Australia to attract and retain top talent from around the world.



Attracting a skilled workforce for the nation's cybersecurity industry requires a new way of thinking. "Covata chief executive Ted Pretty has called for a radical overhaul of the skilled visa program to make it easier to bring top cyber talent into the country."



Australasia Conference
Cybersecurity Panel
13 November 2017

PANEL: Cybersecurity as a Business Advantage – Shifting the paradigm

Presented by TrustedImpact

Moderator: Tom Crampton (CEO, Trusted Impact)

- Mikhail Lopushanski (Chief Security Officer, Australian Prudential Regulation Authority)
- Neil Campbell (Chief Operating Officer, SVX Group)
- Ted Pretty (CEO & MD, Covata)
- Matthew Hyland (CEO, UltraServe)



EDISON TV

EDISON TV

Ted Pretty
CEO, Covata



Could you give us an introduction to Covata?

PLAYLIST

Covata

Learn TV's Technology | 04/10/2017

Executive interview - Covata

Covata is an ASX-listed security software supplier. Its Safe Share software enables users to share data securely within their own organisation and with external users. The company recently acquired CorePoint, a US security software company, as part of its strategy to build a data security platform.

In this video, CEO Ted Pretty introduces Covata. He explains the security issues that Covata's software is designed to solve and outlines the company's recently revised technology roadmap. He describes the types of organisations and the key geographies that the company is targeting. Finally, he outlines the key milestones that investors should look for over the coming 12 months.

A Covata overview & latest research





SECTION C
OPERATIONAL
UPDATE

WE ARE MOVING TO A SUSTAINABLE OPERATING MODEL

SALES	<ul style="list-style-type: none">▪ Q1 FY18 largest revenue quarter to date▪ Credible opportunity pipeline built US\$6M+ (unweighted)
R&D	<ul style="list-style-type: none">▪ FY17 Australian R&D receipt \$1.5M due Q2 FY18▪ We intend to leverage incentives and invest in R&D
CAPITAL RAISE	<ul style="list-style-type: none">▪ SPP raised a net of circa A\$1.6M and the placement A\$425K for a total in excess of A\$2M▪ A strong balance sheet is important for customer confidence, recruiting and to invest
CASH	<ul style="list-style-type: none">▪ A\$3.4M in cash 21 November 2017 (excluding capital raise and R&D)▪ Notional cash including capital raise and R&D of approximately A\$7M (before Q2 FY18 costs)
LEAN MODEL	<ul style="list-style-type: none">▪ Costs and cash outflows for Q1 FY18 were lower than Q4 FY17▪ Our focus is to maintain a lean operating model without restricting R&D

AND WE ARE BUILDING A BETTER BUSINESS

CUSTOMERS	<ul style="list-style-type: none">▪ Macquarie Government agreement renewed▪ New technology customer for A\$360K over 3 years▪ CipherPoint secures major US sports contract
MARKETING	<ul style="list-style-type: none">▪ Refreshed brand and collateral▪ GDPR & ITARs (International Traffic in Arms Regulations) digital marketing campaigns
TECHNOLOGY	<ul style="list-style-type: none">▪ Implemented quarterly product release cycle: SafeShare 3.5 SP2, Eclipse X.1.1▪ DSP platform CovataSecure 1.0 beta launch late Q2 FY18▪ Azure – commercial launch in November
DISCIPLINE	<ul style="list-style-type: none">▪ Cost control▪ Investment in new releases and platform▪ Tighter market communications
PEOPLE	<ul style="list-style-type: none">▪ Refreshed development team in place▪ Sales capability hired and working well

OUR FY18 OPPORTUNITY PIPELINE IS GROWING

OPPORTUNITIES

- Qualified opportunity pipeline building – now in excess of **US\$6m for next 3-4 quarters**, 20+ qualified opportunities in next 90 days
- Expect 10%+ conversion rate, increasing over time
- In Q3 expect contribution uplift from Macquarie Government and T-Systems
- New Partners/Channels discussions are underway across all territories with Global document management providers and Cyber Insurance underwriters

CHALLENGES

- Typical sales cycle is 6-9 months – only shorter when a breach occurs or a ‘sensitive data discovery’ test reveals data leakage
- Channel set up time



Source: <https://www.business.com>

CONTACT

Steven Bliim
Head of Finance and Company Secretary

P + 61 2 8412 8200

M + 61 457 600 052

E steven.bliim@covata.com

THANK YOU

