COVATA

ASX ANNOUNCEMENT (ASX: CVT)

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INVESTOR AND ANALYST FREQUENTLY ASKED QUESTIONS

Covata Limited (ASX:CVT) ("Covata" or "the Company"), a leader in data centric security for enterprises and government, is pleased to present a summary of responses to frequently asked questions (FAQs) from investors and market analysts.

Covata CEO, Ted Pretty, said "It's been a little over 12 months since we began our transformation, so we thought it appropriate to provide the market with responses to the questions we typically receive, to convey our confidence in our strategy and explain why we believe the company is on the right journey to capitalise on its tremendous potential and be successful in the market".

-Ends-

About Covata

Covata is a leading provider of software solutions that enable continuous identification, classification and secure management of unstructured data across enterprise and the cloud and consolidates control into one place for companies to securely manage their data to be compliant, reduce risk, reduce costs and improve productivity.

Our Data Security Platform empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories with industry best security for Microsoft SharePoint & Office 365, Secure Enterprise File Sharing & Collaboration, and Access Security Broker capabilities through our API translator.

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

Further information

For further information, please visit covata.com.

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INVESTOR AND ANALYST FREQUENTLY ASKED QUESTIONS (FAQs)

1.   What is Covata's core value proposition?

We are an Enterprise software company with products that assist businesses and governments protect sensitive data, manage their regulatory compliance and reduce risk. We help these customers take back control of their data and how it is shared.

2.   What is your vision for Covata and how has the opportunity progressed since you started the transformation announced at the EGM in April last year?

Our vision is to provide solutions that help customers conduct their business and operations in a way that appropriately protects their most valuable asset – their data. In the beginning we were solely about providing a secure data vault with fine-grain access controls through our SafeShare product. This is great for governments generally and enterprises in sensitive industries like defence and aerospace. However, we quickly learned that customers also wanted solutions that worked with, and were agnostic across, common productivity and collaboration platforms such as Microsoft SharePoint, Google and others. So, in early FY18 we acquired the CipherPoint Eclipse platform in the US. Eclipse secures SharePoint installations. This is exciting because we know 2 out of 3 enterprise employees use SharePoint, over 100 million people are using it worldwide and it is growing at 20% every year, so the need to protect data in this and other document management systems is profound.

Late in FY18, we also acquired capability through our investment in the data discovery classification and archiving technology of dataglobal GmbH, Europe's leading data and mail archiving business. By acquiring discovery and classification capabilities we can manage security across the data lifecycle. We believe these initiatives are necessary to move ahead of the market, offer customers real differentiation and present Covata as an attractive partner or target for global IT integrators.

3.   What attributes of the business give you confidence that Covata can and will be successful?

Our products are ready to sell, and we are now also structured and resourced to sell. We have agile product development to meet customer need, we offer several competitively sustainable features and we can demonstrate a customer-centric roadmap. We are also aligned with market buying drivers such as increasing regulation around data protection and privacy and associated compliance obligations (like GDPR in EU, NDB in Australia and ITAR in the US). Most importantly, we know how to execute and have demonstrated this with sales wins already announced throughout FY18.

4.   What markets and customers segments are you targeting?

We are targeting the enterprise and government segments across developed markets in Europe, UK, Australia and the US. We provide both data security products and a data security console (DSC/DSP) that allow customers to discover, classify, control, protect and securely share data and preserve its value.

5. **What gives Covata a sustainable advantage and what is different about Covata's approach?**

Unlike other data security vendors, we manage security throughout the data lifecycle. This means finding where your sensitive data is, appropriately classifying it so it can be identified and tracked, and then controlling and protecting the data through its lifecycle, through to eventual deletion or archiving. We believe this is the only way to ensure best practice in security and compliance.

6. **How does Covata's revenue model work?**

Today we are in transition with part SaaS, part services and part perpetual licensing revenues, but this will be managed to the desired model. Typically, enterprise SaaS takes a little longer to scale than consumer SaaS but is generally stickier because of the commitment made by customers to deploy and rely upon the applications.

7. **You have been able to sign new customers and generate new income – how?**

The business now has the right settings and the right resources to market and sell our products. During FY18 we undertook multiple lead generation campaigns, created all new collateral including use cases, built a suitable sales pipeline, and rebalanced resources so that 25% of our staff are now focused on marketing, sales and presales. We also added new product use cases to generate new revenue streams.

8. **How do you think about the economics of the business model and the returns on investment?**

We operate like a lean start-up. Today the business operates with less than half the number of staff (24) than it did 18 months ago, has generated three times the revenues and significantly more cash receipts, albeit from a small base. Our target model is that of a typical enterprise SaaS company with our objective to achieve greater than 70% gross margins and 25% net margins.

9. **What were the operation and execution highlights of the FY18 year and why are these significant in building the business?**

In our first year of leaner operations our basic metrics improved significantly, with revenue up 239% year-on-year (YoY) and cash receipts up 1,093% YoY. Operating costs declined materially YoY, but new enterprise customers signed up and number of users grew across each of our products. These basic achievements were significant as they validated that our products had matured, were ready to sell and that with appropriate sales and marketing discipline could be successfully sold.

10.   What are your priorities for FY19 and what are your near-term metrics?

FY18 was about transformation, renewal and exploring options for growth. FY19 is about focus. Our priorities are simple and our metrics straightforward. Our priorities are replicate our MacTel reseller model offshore for SafeShare, sign new global marquee customers to our Eclipse SharePoint solution and successfully deliver our product roadmap for cloud deployment. Although we do not make forecasts, our target metrics are to maintain the growth rate on revenue whilst controlling current operating and development costs at our current (and lower) run rate.

11.   How is your capital and funding position given your growth ambitions?

We have just closed a modest funding round via a placement and rights issue to give us the capital needed to demonstrate a sound balance sheet and provide a solid runway. The focus now is on increasing revenue across each of our product lines.

12.   Where would you like to see Covata in three years' time?

Building an enterprise software business takes time and we see ourselves has having just successfully completed the first year of a multi-year journey. In three years' time I would like to see Covata with significantly more market share and profitable. We have an exciting product roadmap targeted at data protection solutions across all platforms and environments including existing and next generation cloud services.