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CHAIRMAN'S SPEECH – 2018 ANNUAL GENERAL MEETING

Good morning everyone, my name is Bill McCluggage and I am Covata's Non-Executive Chairman.

On behalf of the Board and executive team, thank you for joining us at Covata's 2018 Annual General Meeting, and for your support during a year that has been a turning point for the Company as it continues to develop, grow and mature.

I'd like to introduce my colleagues on the Board, Lindsay Tanner and David Irvine, and the executive team, our CEO Ted Pretty and our CFO Steve Bliim.

We firmly believe that Covata is uniquely positioned to move forward as a leader in the global data-centric security market.

I think it is appropriate that I begin by taking shareholders through a brief operational review of Covata for the year that has just passed.

Covata began the 2018 financial year following management's reset of the business. At that stage our sole product, SafeShare, was being sold through only one major partner/reseller in Australia and had yielded very little traction in terms of revenue.

In July 2017, the team set out to secure new customers for SafeShare and the appointment of Derek Brown as Chief Commercial Officer in July 2017 was followed very swiftly with the Company's first sales win of a material licencing agreement to an Australian subsidiary of a global technology company.

Experience since that early win suggests that although customers are attracted by Covata's product base, relying on a pure product sales pitch is not in itself sufficient to win sales. It has been critical to develop compelling use cases that demonstrate how Covata's portfolio can help solve their business's urgent data security issues.

During mid-to-late 2017, the Company focused on identifying and addressing the technical debt in our sole SafeShare product while, at the same time, the executive team developed a strategy to build a world leading digital security platform. With this goal in mind, they started to evaluate ways to extend our product offerings. As a result, the Company approached and subsequently acquired US-based CipherPoint in August 2017 in a deal that was predominantly stock-based. The acquisition provided Covata with an additional product, CipherPoint Eclipse, which secures SharePoint data. In addition, the Company benefited from an expansion into the US market with an existing revenue-generating footprint.



It is probably worth noting that in 2017 Gartner reported that over 300,000 organisations were using Microsoft's SharePoint product, and this included 85% of Fortune 500 companies. By May this year, the official Microsoft figure had risen to 400,000 customer organisations and this supports the Company's decision to acquire CipherPoint.

Closing out the first quarter, the Company successfully restructured its arrangement with its local reseller; restructuring the agreement on more commercial terms and providing both parties with incentive to grow the customer base. The restructure has already achieved early success, demonstrated in a consistent 5% month-on-month growth in billable users.

In the second quarter, Covata focused on expanding the availability of our SafeShare product, with the launch onto Microsoft Azure's public cloud, along with the release of upgraded iOS and Android mobile apps. A beta version of the Company's data discovery tool was also launched, which allows customers to search, discover and subsequently classify sensitive information in unstructured data repositories. Once discovered, customers can secure this information with SafeShare or Eclipse.

The Company was also successful in securing contract wins in new industry verticals; the first with a Major US sporting association, followed by a US-subsiary of a global power generation, automation and medical diagnosis company, along with a material contract with global insurance broker Arthur J Gallagher & Co. These contract wins are the result of the sales team's lead generation campaigns, development of new and relevant collateral and communication of compelling use cases with the market. As I mentioned in my Chairman's report at last year's AGM, where I stated that the Board fully supported the CEO's approach of building a sustainable business customer by customer, securing these contracts underpins the Company's vision to continue building the business, sale by sale. It is also worth highlighting that the performance hurdles linked to the CipherPoint transaction were both achieved.

In November 2017 we conducted a modest placement and Share Purchase Plan to top up our cash reserves, which was generally well received by shareholders.

In the second half of the financial year, further product development milestones were achieved with major integration work with Microsoft 365 for SafeShare being completed, including the addition of three exciting features:

- 'Edit in Office Online' within SafeShare;
- 'Create' directly from SafeShare using Office Online; and
- a 'Share from Outlook' addon for Microsoft Email.

These features allow the user to work with Microsoft Office documents while remaining within SafeShare's secure perimeter.

The Company continued its focus on expanding its digital security platform capability with the IP acquisition and strategic alliance formed with German-based dataglobal GmbH in the third quarter. Covata was able to significantly bolster the capability of our data discovery tool with dataglobal's technology and, importantly, introduce machine learning to our product suite with the addition of the data classification product from the acquisition.



These product additions, coupled with improvements to user experience in both SafeShare and Eclipse, significantly increase the usability of Covata's products. As communicated with shareholders, Covata is in the process of building and deploying a product that offers features such as data discovery, automated data classification, access and policy control, audit and reporting and data archiving.

As I've already mentioned, this product has previously been defined as Covata's Data Security Platform, or DSP, but should more appropriately be thought of as a Data Security Console, or DSC. With the DSC, we will be able to manage Covata's existing product suite, while interoperating with existing productivity tools common in many work environments with as little friction as possible to the end user.

During the year, the team was also focused on securing a global marquee customer for its Eclipse SharePoint product. This has required over 9 months of effort by the entire sales and product team and we provided a solid update on progress in our recent (September) market update.

Following the deployment of SafeShare onto the US-based AWS GovCloud in the fourth quarter, Covata landed its first US-based sales of SafeShare. The use case in this instance was to assist qualified businesses that transact with the United States military to manage their compliance with the International Trafficking in Arms Regulations, or ITARs. These new sales demonstrate the value of our solutions for highly regulated industries and bodes well for continued growth into this market.

In July we conducted a placement and rights issue which sought to raise up to \$3-\$4m but we accepted around \$2m in commitments and the executive team has managed its cash accordingly.

From what can be described as a transformational year for Ted, Derek, Steve and the rest of the team, the Company has built and will continue to execute on a solid sales pipeline, ending the year with revenues increasing by over 244% from the year prior along with a significant improvement in the company's cash receipts from customers of almost 1,100%.

In summary, the 2018 financial year has been defined by the following key positive highlights:

1. Point One - The Company has demonstrated that our existing products work, solve our customers' use cases and have value, and we were able to develop and/or acquire new capability in line with the strategy outlined at last year's AGM;
2. Point Two - Real cash revenues were realised and continue to grow; and
3. Point Three - We demonstrated the capability of Covata's small and dedicated team in completing value-adding transactions.

In a relatively short amount of time, we are beginning to see the green shoots of the team's efforts appear. It is now more important than ever that we continue to receive ongoing support from you, our shareholders.

It is worthwhile noting that FY18 was the first full financial year for this Board and this management team.

As we continue with our journey into FY19 our priorities will be simple:



- We must continue year-on-year growth, selling more of what we already have;
- We must find new channel partners to help us target marquee customers; we'll do this by keeping the messages simple and use case driven;
- We must target key markets, which at this stage are the largely untapped markets in Europe and the US;
- We must maintain fiscal discipline; and
- We must continue our integration with most common sensitive data repositories and content applications.

The cybersecurity market is growing fast, the drivers and opportunities are compelling, and serious data breaches are on the rise. Covata is positioned well to meet the opportunity which lies ahead, with an existing global market for our products, proven customers in a range of different verticals, underpinned by unique technology that exploits the power of machine learning and will, in FY19, integrate private blockchain technology for use in maintaining data integrity and immutability.

The Board continues to support Ted's approach of building a sustainable business, customer by customer, and maintaining credibility with our shareholders by communicating the Company's strategy clearly and doing what we say we are going to do.

Now, I am aware that shareholders are wanting more in terms of sales and channel traction. Let me say clearly and unequivocally that the Board and management team are equally as impatient. We recognise the challenges that the executive team have faced over the past year and believe they are growing the business customer by customer. We want to see the Company significantly grow its revenue and remain optimistic about the future based on the early success of our strategy. Furthermore, we are confident in the ability of the team to deliver.

I would like to finish by thanking my fellow Board members for their support, as well as our 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 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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