

# Covata FY16 Business Update Conference Call

August 2016



# Key Takeaways

---

## **Telco:**

- The Telco channel has challenges and opportunity. This was flagged in the last quarterly update. The Company remains confident and continues to support partners on identified revenue opportunities in the short to medium term, and strategically over the longer term. We are very focused.

## **Government:**

- The Government strategy has moved rapidly in the eight months since launching on G Cloud 7, and it's now in an elevated position on G Cloud 8. This represents high strategic value for the Company – both near and long term.

## **Platform:**

- The Cisco partnership was slow for the first half of FY16, also recognised in Q3 reporting. It has ramped up significantly over Q4 FY16 with the majority of the Cisco restructure complete and key Covata hires up and running in business development across Cisco.

## **Balance Sheet:**

- The successful AU\$13.2 million capital raise in June/July has placed Covata in a strong financial position relative to ASX listed peers.
- Capital underpins the targets across the three business divisions, set by board for FY17/18.

## **Market Capitalisation:**

- The Company appears to be underweight against known comparative private and public peers in the US market, referenced in this investor presentation.

# Q4FY16 Business Highlights

---

- Executive decision to scale back the Washington DC office to refocus people and capital, towards:
  - Opportunities in the UK Government out of the London office
  - Key-as-a-Service Data Security Service (DSS) product out of the Sydney and San Francisco offices.
- Relationship with the Multinational Aerospace & Defence 'Prime' strengthened as the transition from "as is" status to "future state" continued over the quarter.
- Advanced the Covata 'Whole of Government' direct sales negotiations with several Government Departments and Agencies across the UK.
- Covata signed a partnership with Taiwan's preeminent Telco Chunghwa.
- T-Systems signed a small enterprise deal with one of the world's leading trade fair companies Messe Berlin, with the account already showing growth from baseline licenses.
- Barmer rollout continues. The rollout is dictated by Barmer internal deployment requirement and broader program management; we cannot expedite it.
- Hired ex Cisco executive Pavan Singh to lead specific industry focused solution sales of the Covata Platform, to support the Cisco partnership.
- Covata Platform shortlisted in the 2016 Computing Vendor Excellence Awards for the Internet of Things Solution Award alongside industry veterans Darktrace and Jasper.
- Covata named in two Gartner reports, "Market Trends: Are Cloud Providers Becoming Security Vendors?" and "Simplify Operations and Compliance in the Cloud by Protecting Sensitive Data," published May 31st and June 2nd respectively.

# Q4FY16 Financial Highlights

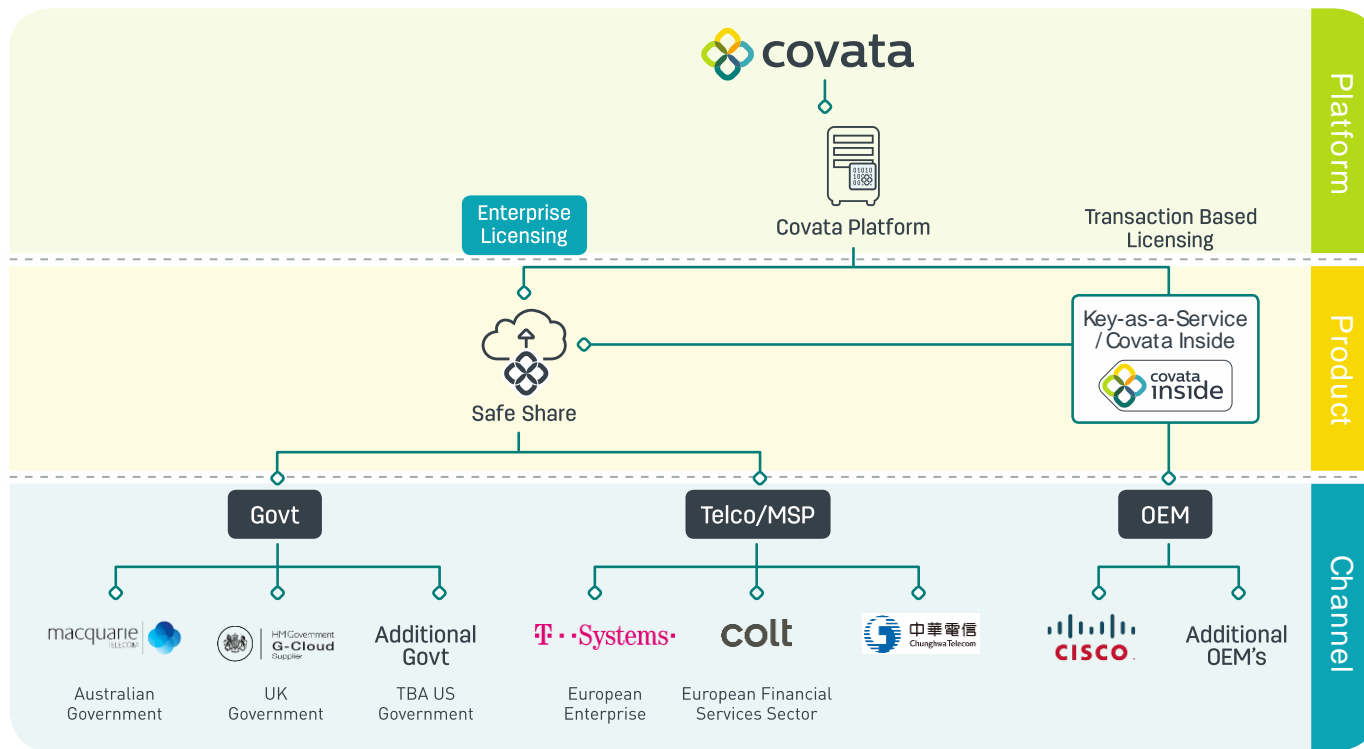
- The Company held \$9.1 million\* cash at 30 June 2016.
- Customer cash receipts increased from \$65,000 (Q3FY16) to \$81,000.
- Executed \$13.2 million capital raise across the USA, Asia and Australia, welcoming increased investment from major shareholders TPG Telecom and Fidelity International as well as new Institutional and sophisticated investors onto the register. The first Tranche of investment, \$5.4 million, was settled within the quarter, with the remaining \$7.8 million settled in Tranche two on July 14.
- The successful raise puts the Company in a strong cash position going into FY17.
- Covata's Top 10 Shareholders hold over 47% of ordinary shares, with TPG and Fidelity International holding approximately 14.5% and 10% respectively, and remained largely unchanged through 2016.

^ 30 June 2016 Annual Financial Report will be lodged by 31 August 2016, and the Annual General Meeting to be held by 30 November 2016 (exact date, time and venue TBC)

# Covata Product and Organisational Structure

At the time of listing Covata set out three go to market channels, "Government, Telco and OEM," and the structure of the business continues to support this strategy.

This Product and Organisational structure allows management to strategically allocate resources on a forward looking basis towards where the divisional demand is.



# Safe Share Telco Channel



# Current Telco Partner Update

---

The Company has shown, over a relatively short period of time (18 months), that it is able to partner with global Telco's. Whilst the pipeline continues to show strong promise, customer sales and rollout within the Telco channel have been more challenging than anticipated, which was acknowledged in the Q3FY16 CEO Letter and Business Update. A strong foundation has been set and the Company believes it will deliver material growth over FY17.

## T-Mobile Systems

Large Telco with a fragmented approach to the inclusion of product in any given vertical or account. As a result, Covata is having to build individual relationships with sales execs across the verticals and key accounts.

## colt

The Colt Financial Services Extranet, of which Covata Safe Share was one of the original products, has not been built out as originally anticipated by the partner. This is not anticipated to change in the near term.



Macquarie Telecom is low revenue because whilst there is a large number of departments and agencies using Safe Share the user numbers are generally limited to executive level, at this point in time. The Company does intend to review this with Macquarie Telecom in the near future. The Departments and Agencies using the product provide the Company with a strong case study to use within the UK Government and enterprise market.

# LatAm Telco Update

- The Company has further tightened its internal partner requirements checklist to ensure that any partnership it invests in has identified sales opportunities. We have moved from 'land-grab' focus to customer conversion in partners proving out a joint commitment to success.
- Covata had well qualified discussions with America Movil, Telefonica, Digicel, Avantel & Entel within the LatAm market in Q3FY16 and Q4FY16. This informed the decision making process.
- After extensive discussions with senior management at Digicel, the Company decided not to partner with the Telco at this stage due continuous management delays and low first year projected opportunities.
- The LatAm focus, whilst identified as a growth market, has been put on hold in the near term due to competing new priorities in Europe and Asia. The Company continues to monitor and engage with these large Telcos to assess future opportunities.



# Covata welcomes Chunghwa as a Channel Partner

---



中華電信  
Chunghwa Telecom

After extensive due diligence from both companies, Covata and Chunghwa entered into a reseller agreement on the 27th of June, 2016, with go-to-market underway this quarter.

Go to market planning is underway, with an in person executive meeting scheduled in Taipei at the end of August.

Chunghwa Telecom is the largest telecommunication service provider in Taiwan and one of the largest in Asia in terms of revenue. Chunghwa also provides information and communication technology services to corporate customers throughout the region.

ICT Services, including cloud services, information security and IoT, have been identified as one of the key drivers for Chunghwa Telecom in 2015.

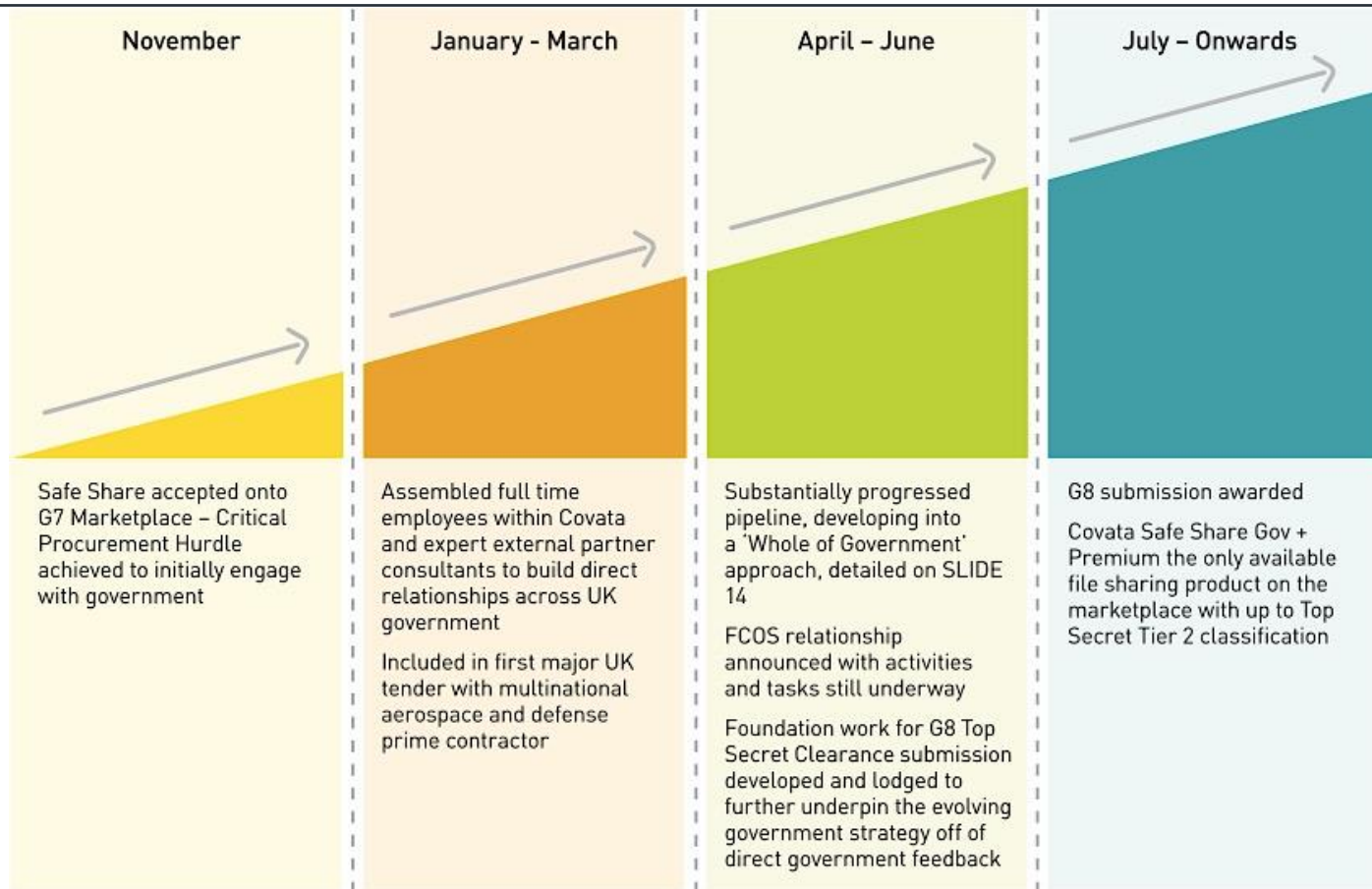
- To support their corporate and international customer base Chunghwa is building a world-class cloud data center in accordance with stringent international standards as it relates to electronic, mechanical and telecommunications infrastructure. .

Taiwan's export focused economy has resulted in a heavy presence of multinational corporations in industries with clear IP security concerns. These enterprises reflect the identified target customer base for Safe Share.

# Safe Share Government Channel



# Government Channel: Fast Tracked to Success



# G Cloud 8 Submission & Successful Award (19th July)

---



HM Government  
**G-Cloud**  
Supplier

“Digital Marketplace”  
AKA G-Cloud is a cloud  
technology platform  
used exclusively by the  
UK Government

As a culmination of work carried out in May and June, Covata executed a G Cloud 8 submission for a new product: Gov + Premium to be made available to UK Government Departments and Agencies, alongside its UK Gov + offering.

Announced on the 29<sup>th</sup> of July, **Covata became the only secure file sharing product available to the UK Government on G Cloud 8 with Tier 2 Classification – up to Top Secret.**

**The Premium Service provides a file sharing collaboration service operating at up to Tier-2 Top Secret level.**

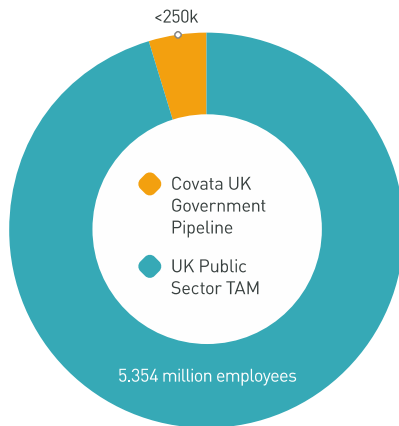
Safe Share UK Government + Premium will be offered to customers as a SaaS solution on a secure, government platform with service management. The service will be hosted on an Official Accredited Cloud platform and, depending on the classification, can be consumed by any government customer via the PSN or the Internet. Covata's infrastructure service is a significant differentiator for Covata within the G Cloud 8 marketplace.

# G Cloud 8: 'Gov +' & 'Gov + Premium' Pricing

## Safe Share Gov + Pricing

- Safe Share Standard meets 'Official Sensitive' government standards, hosting users in a UK based secure cloud environment.

Users	20-999	1,000+
Per Month	£10	£8



## Safe Share Gov + Premium Pricing

- Safe Share Premium meets all Tier 2 'Secret' government standards, hosting users in a Tier 2 accredited UK based secure cloud environment meeting required accreditations and clearances.

Users	20-249	250-999	1,000 - 4,999	5,000+
Per Month	£29	£27	£25	POA

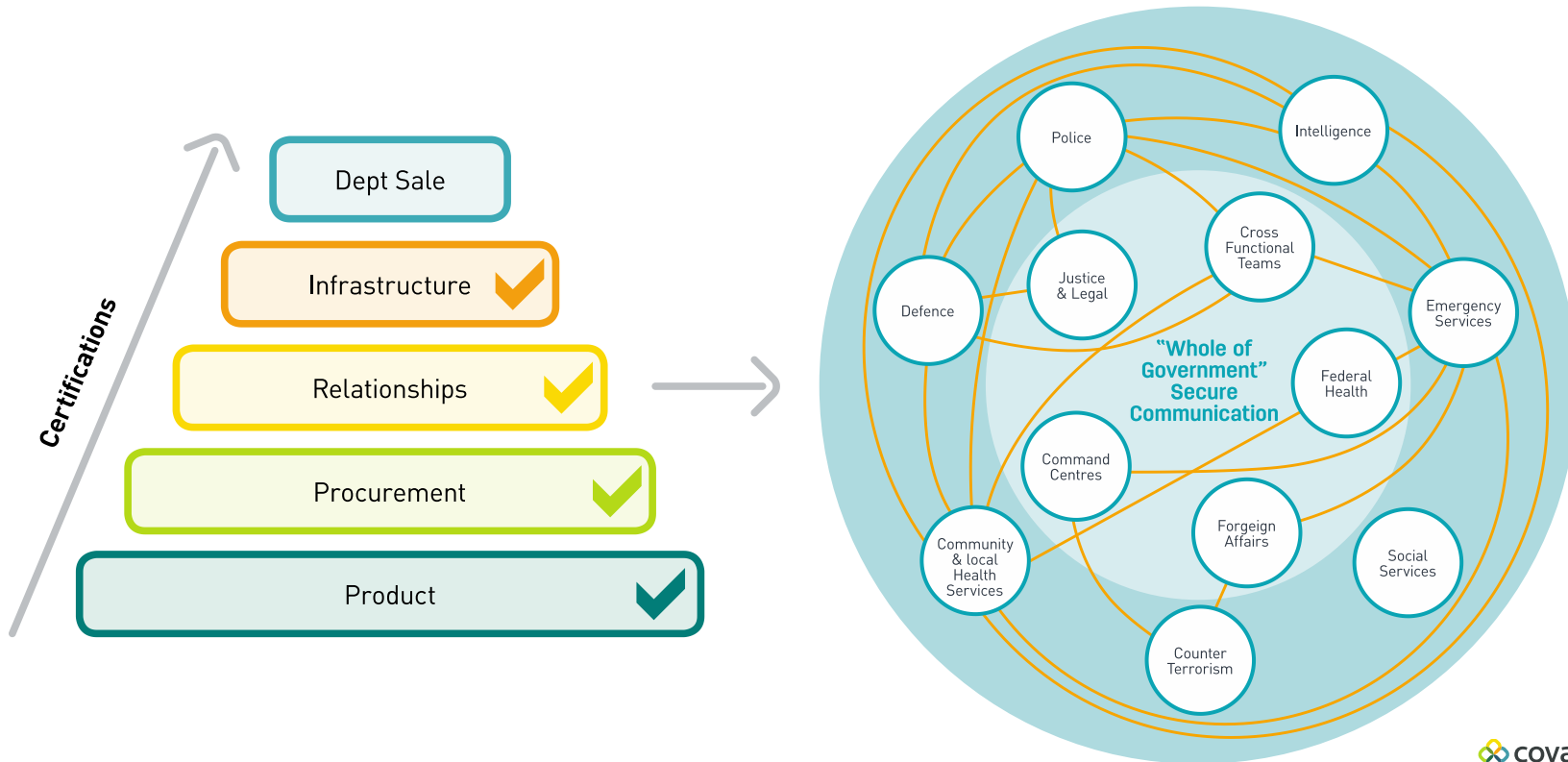
## G Cloud Comparative Product Pricing

	3,000 Users	35,000 Users	100,000 Users
Safe Share Gov +	£24,000 per month	£280,000 per month	£800,000 per month
Safe Share Gov + Premium	£75,000 per month	POA	POA






^ Targeted as 'blocks of users' as enterprise deal licenses

# Covata Safe Share is the only Secure File Sharing Solution suitable to service the 'Whole of Government' in the United Kingdom

Safe Share is able to breakdown departmental silos by facilitating secure and trusted communications



# Safe Share: Key Security Features Attractive to the Government Sector

	 covata	 box	 Dropbox	 ShareFile <sup>®</sup> by citrix	 EGN <sup>®</sup> TE
On-Premise Deployment	Yes	No	No	Yes	Yes
Multi-Tenancy*	Yes	No	No	No	No**
Read-Only (Secure View)	Yes	No	No	No	No
Watermarking/Fingerprinting	Yes	Yes	Some	Yes	No
Encrypt Files on Mobile	Yes	No	No	No	Yes
Custom White Label	Yes	Yes	No	Yes	Yes
Centralised Key Store	Yes	Some	No	No	Yes
White-Listing	Yes	Yes	No	Yes	No
Group Control	Some	Some	Yes	Some	Yes
Auditability	Yes	Yes	Yes	Yes	Yes
Ad-Hoc Users	Yes	Yes	Yes	Yes	Some
Comments/Messages	No	Yes	Yes	Some	Some
Browser-Based Encryption	Yes	No	No	No	Yes
Share Large Files	Yes	No	No	Yes	Yes
Windows/Mac (Desktop) and Android/iOS (Mobile)	Yes	Yes	Yes	Yes	Yes

\*On-Premises or in the Telco's secure cloud

\*\*Limited multi-tenancy for small environments

# OEM Channel Covata Platform



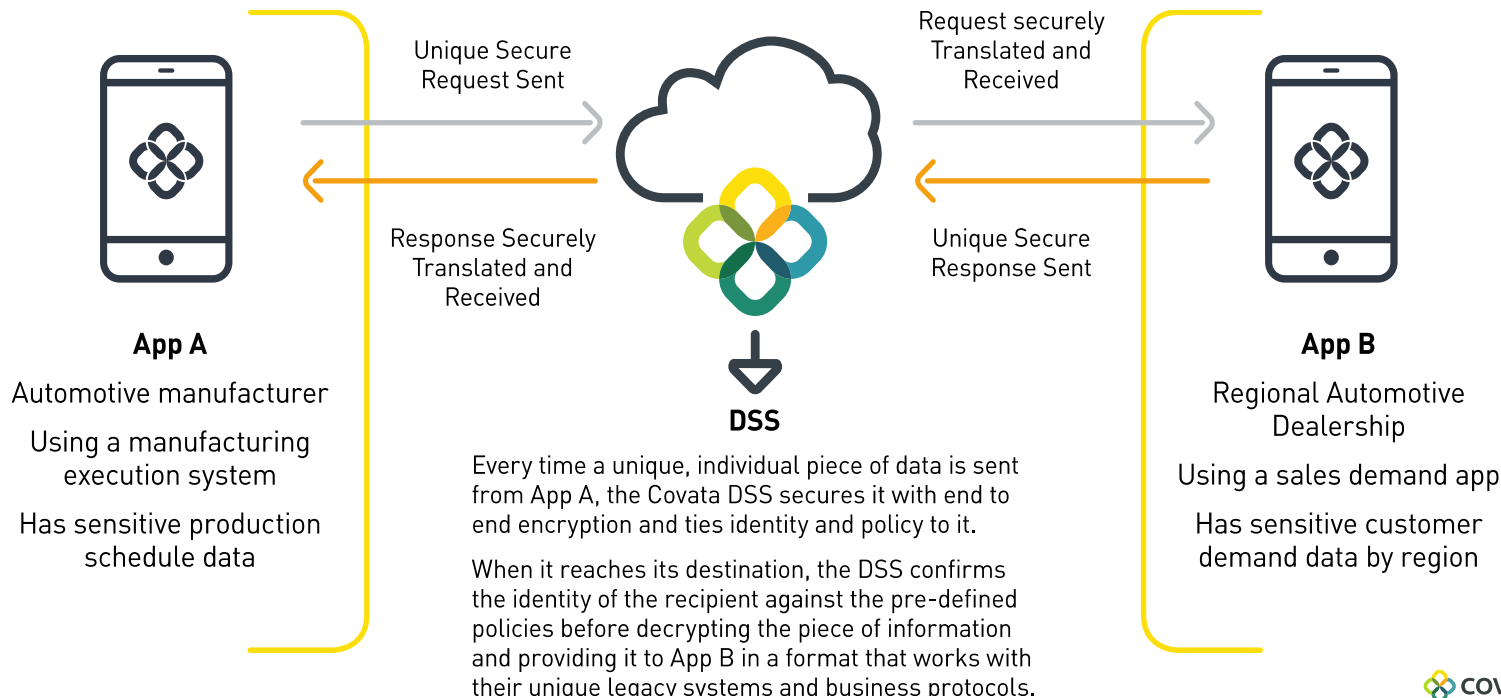




Few, if any, technologies  
have taken over our world  
as completely and quickly  
as the Internet.

# KaaS: Enterprise Data Security Service

The Covata DSS (KaaS) will use open/public API's to allow developers and business innovators to bake data security into their applications, services and business operations, allowing them to securely communicate with any relaying parties, irrespective of any legacy or proprietary boundaries in place.



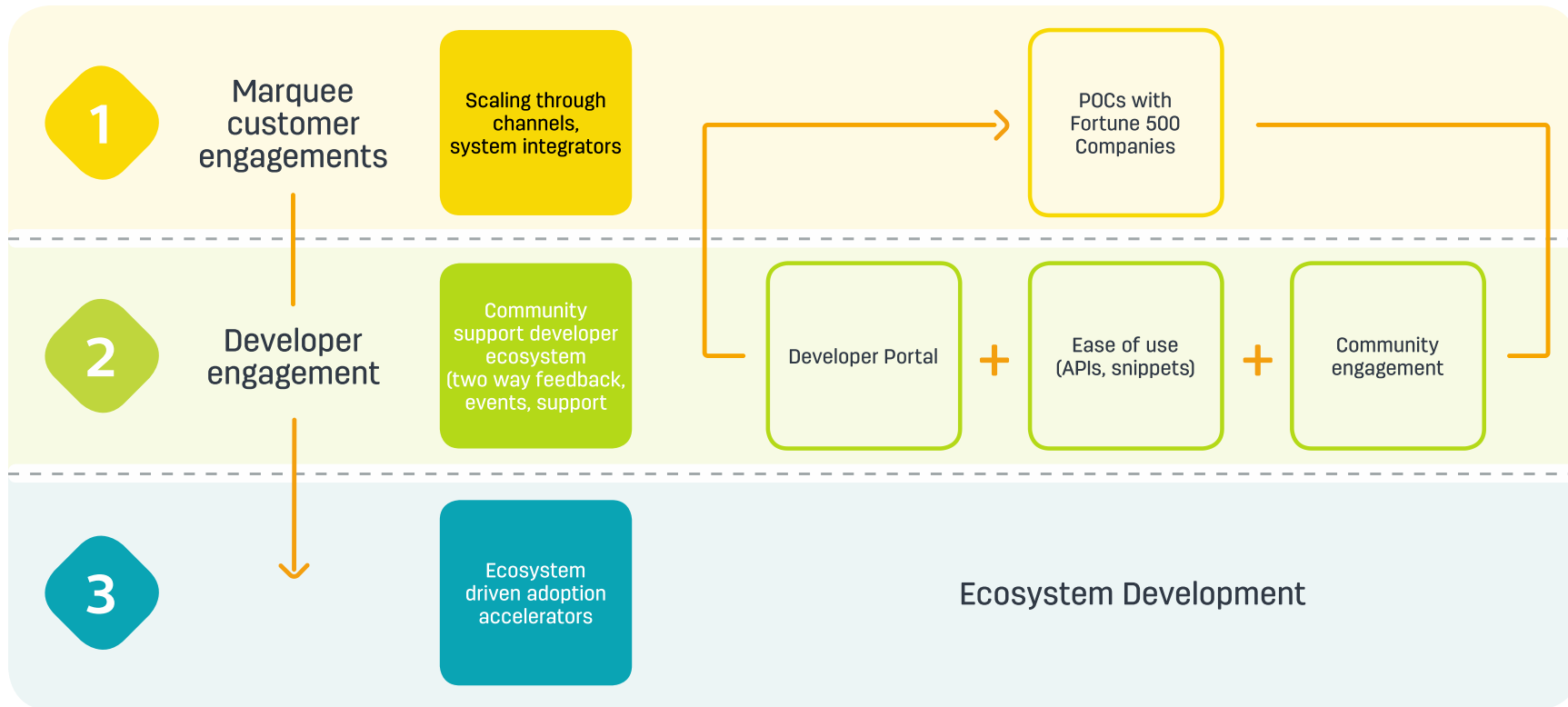
# Covata's Cloud Data Security Platform Unwrapped

---

- Covata Data Security Platform is to be offered as a [subscription service to developers and business innovators](#) - from 2 person app-developers to global enterprises and government.
- It includes a data security service offering the [exchange and aggregation of data based on a 'cents per exchange' business model](#).
- It will offer [open/public API's](#) to allow anyone to subscribe to the cloud service, pay for storage, sharing encryption keys and data mappings over the Internet to any relying party.
  - The relying party can then receive the key to open the encrypted data based on [identity and policy-based conditions](#).
  - It is a [light-weight](#), client-side API that easily integrates into any end point processes; from a tiny Raspberry Pi board to complex enterprise applications, to mobile apps.
- It relies on open API's to foster [interoperability](#) - regardless of industry, location or application.
- Cisco is the first partner with Covata on a 10 year deal focused on cloud applications and IoT.
- The market opportunity for the Data Security Platform is directly linked to the [opportunities in IoT and secure business transaction](#).

Put simply, it is a key service, hosted and managed independently in various places around the world allowing for a standards-based approach to key management; truly enabling standards based encrypted data sharing over the internet.

# Go-to-Market Strategy





## Business Opportunity Manufacturing

- 99% of data is trapped in machines & robots
- Single downtime event in a factory costs \$22K per min
- Security concerns limit optimization potential

## With Covata Data Security Platform:

- Machine data shared securely with vendors, suppliers, machine builders
- Predictive Maintenance minimizes downtime
- OEE is dramatically improved with process optimization

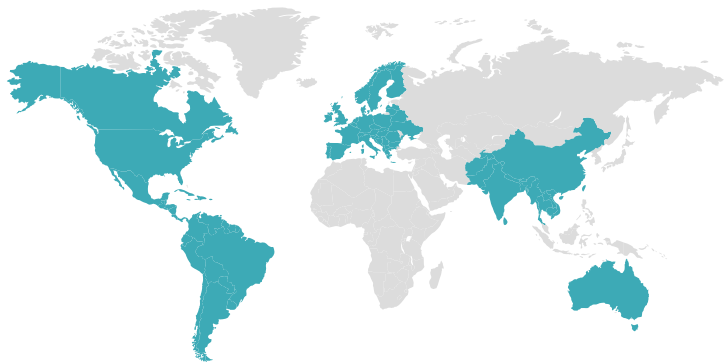
# Outlook



# Office Locations Focused on Identified Opportunities

---

The office restructure has been executed after extensive strategic planning and business road mapping to ensure that capital raised is sufficient to reach meaningful revenue.



## **Washington DC**

- Wind down to small presence and refocus resources, primarily people, to our other global offices where opportunities will originate from

## **Sydney**

Teams: Executive Management, Engineering & Asia Pac Sales

Opportunity:

- Regional opportunity Chunghwa being primarily driven out of the Sydney office given time zones and technical capabilities.
- R&D Rebates and government issued incentives – lower costs

## **San Francisco**

Teams: Pre-sales Engineers & Sales

Opportunity:

- Close to current industry partner Cisco
- Pre-sales engineers and sales able to be embedded in the security, cloud and IoT ecosystems to drive sales and brand awareness











## **London**

Teams: Safe Share European Enterprise and Government Sales

Opportunity:

- Clear competitive advantage in the potentially lucrative UK Government market
- Able to continue to drive European sales from the London office

# Covata Product Streams: Industry Comparable

Enterprise Data Protection Platform	Traditional Security	Consumer Enterprise File Sync & Share	Secure Enterprise File Sharing
 	  	  	  



# Data Security Platform Comparable Receives Strong Valuation from Tech Industry's Leading VC's



Ionic Security: **US\$122.44M raised** to date, giving the Company a **\$517.5m valuation** according to US sources

Date	Amount/Round	Pre Money Valuation	Notable Investors	No of Investors
Jun, 2016	\$45M / Series D	\$517.5m Generating Revenue, Amount Unknown	Amazon, Goldman Sachs	8
Sep, 2015	\$400k / Venture	Unknown Generating Revenue, Amount Unknown	Hayman Capital, Google Ventures	6
Jan, 2015	\$40.1M / Series C	\$74.4m	Meritech Capital Partner	5
Apr, 2013	\$9.4M / Series A	\$30.73m	Kleiner Perkins Caufield & Byers	10
May, 2012	\$2.04M / Series A	Unknown		9

# M&A within the Cyber-Security Space Continues

Tech Company	Security Acquisition	Defence & Aerospace	Security Acquisition
	2013: Acquired Sourcefire for \$2.7b 2015: Acquired OpenDNS for \$635m		2015: Acquired Vormetric for \$400m
	2013: Acquired Trusteer for rumored \$1b 2016: Acquired Resilient Systems. Price undisclosed.		2015: Acquired Websense for \$1.9b
	2014: Acquired Mandiant for \$1b 2016: Acquired iSight Partners for \$200m		2014: Acquired Industrial Defender. Price undisclosed.

“Our focus is on acquiring high quality enterprise licensing deals. These deals will result in on-going booked revenue, providing capital markets with the confidence to assess the growth trajectory of our three business channels.”

Trent Telford, CEO

---

## Q1 & Q2 FY17 Channel Milestones

### Platform Channel

- Launch of developer community portal
- Release of business model for subscribers for Internet scale appeal; from one man app developers to fortune 500 companies
- Evidence of major appeal of the KaaS DSS service to global industry sectors through developer engagement (Covata) and paid POCs (Cisco).

### Government Channel

- Infrastructure partnership details announced
- Name Prime Tenderer and sign a multi-year contract
- Sale of first enterprise license under G8 pricing that proves out the high value ‘whole of government’ model

### Telco Channel

- Activate go-to-market launch of Safe Share to Chunghwa’s customers
- Sale of first enterprise license to a Chunghwa customer
- Increase pace of conversion within T-Systems pipeline

**Safe Share**, a product to help solve  
the immediate threat of data breaches.



The **Covata Platform**, the data security solution to  
underpin an interconnected world.

## Contact

Covata

Nichola Parker

Vice President, Covata

[Nichola.parker@covata.com](mailto:Nichola.parker@covata.com)

+1(571)353-4723

MZ

Chris Tyson

Managing Director, MZ North America

[chris.tyson@mzgroup.us](mailto:chris.tyson@mzgroup.us)

+1(949)491-8235

