



## **ASX ANNOUNCEMENT | COVATA LIMITED**

### **Covata FY16 Business Update Conference Call**

#### **SYDNEY – 2 August, 2016 – Covata Limited (ASX: CVT) Transcript**

##### **Operator**

Good morning to our Australian participants and good evening to our attendees in the United States. Welcome to the Covata second half fiscal year 2016 business update conference call.

Joining us for today's presentation is Covata CEO Trent Telford, CFO Nick Chiarelli, VP and Business Head for Covata Key-as-a-Service Pavan Singh and VP of Growth & IR, Nikki Parker.

Following their remarks, we will open up the call for your questions and those submitted to Nikki Parker via email.

Then before we conclude today's call, I'll provide the necessary cautions regarding the forward-looking statements made by management during this call.

I would like to remind everyone that this call will be recorded and made available for replay via a link in the investors section of the Company's website.

Now, I would like to turn the call over to Covata chief executive officer, Mr. Trent Telford. Sir, please proceed.

##### **Trent Telford**

##### **Slide 1: Cover Page**

##### **Slide 2: Key Takeaways**

Good Afternoon from Covata's office in down-town San Francisco and thank you for taking the time to join the call. It is my privilege to provide this business update. Joining me on the call is Covata CFO Nick Chiarelli, Vice President and Business Head of KaaS Pavan Singh and Vice President of IR Nikki Parker.

This presentation is intended to reflect on the two quarters elapsed since our last investor call. I will elaborate on the challenges and achievements of the second half of FY16 for our



three business divisions - Telco, Government and the Platform Key-as-a-Service division. I will also provide some colour on the substantial opportunities I believe are in front of us for contracts and revenue in the two quarters ahead. I am dedicating particular time to Government today as it is the least understood and is fast growing. I won't go over the Telco division business model and partners as they are known from previous disclosures – however I will give a detailed progress update.

As an overarching comment, Telco has had some challenges but we've taken leadership responsibility within the partners and accordingly we are confident about the near to medium term. Government has gone ahead in leaps and bounds and the Platform business with Cisco has turned the corner in Q4. In parallel to this, we have a strong balance sheet, no debt and over \$15m in cash. This is critical for probity reasons in looking to close government and multi-national company licensing deals. I will also provide some colour on comparative valuations un-earthed during the recent cap raise in the US.

### **Slide 3: Q4FY16 Business Highlights**

Let's review the achievements and major decisions in Q3/Q4 that are important to building a strong base for scale-able growth. Firstly, we are winding back the DC office to focus on San Francisco, London and Sydney. Let's be clear, our customers are in London and San Francisco – and across the Internet with KaaS. Our technology team critical to success is in Sydney. More on this shortly.

Secondly, The 'Prime' contractor relates to a multi-year contract in excess of \$200m AUD. We are pushing as hard as we can to kick-off our anticipated stream but we must be patient, internally and externally – we cannot risk compromising the relationship for short-term external gain. It is a multi-agency collaboration requirement with sensitive information needing to be shared – Safe Share is the perfect solution and the G8 award only supports this further.

Thirdly, our whole of Government strategy is impressive, particularly given the short time frame it has taken to develop and given the size of our company – and I will unveil more of this shortly. You will hear from Pavan Singh on Cisco, as well as progress in Telco and Barmer. Up next is Nick Chiarelli, Covata's CFO, to comment on the capital and financials.

### **Nick Chiarelli**

### **Slide 4: Q4 FY16 Key Financials**



Thank you Trent. Hello everyone and thank you for joining us today.

As reported in the Appendix 4C which was lodged with the ASX last Friday, the Company held \$9.1 million in cash at 30 June 2016. This included \$5.4 million from the recently completed strategic equity placement conducted jointly by Ord Minnett in Sydney and Chardan Capital Markets in the US. The total equity placement raised \$13.2 million and included increased investment from the Company's No 1 and No 2 shareholders, TPG Telecom and Fidelity International and also a range of new investment from Institutional and sophisticated investors in Australia, the USA and Asia Pac.

The placement was executed in two tranches. The first Tranche of \$5.4 million, settled within Q4 under the Company's existing placement capacity under ASX Listing Rule 7.1 and the remaining \$7.8 million settled in Tranche two on July 14 after being approved by shareholders at an Extraordinary General Meeting. This placement puts the Company in a strong cash position going into FY17.

Worth noting for new investors on the call, Covata's Top 10 shareholders currently hold over 47% of ordinary shares, with TPG and Fidelity holding approximately 14.5% and 10% respectively. Nine of the top ten shareholders have been in the top ten since at least the time of the ASX listing in November 2014. We're very happy with the level of support from our major shareholders who share our long-term view regarding the direction of the Company.

FY16, in particular Q3 and Q4 were challenging for Covata as indeed it was for many companies. A general cooling of sentiment towards the tech sector, global economic uncertainty and political instability in our key markets of the UK, USA and even Australia all contributed to a volatile environment. Being an early stage company with a relatively small profile only amplified the impact as we set about building a global team, rolling our EFSS product Safe Share out to our first international customers and begun developing and commercialising our new Key as a Service offering.

The recent Brexit referendum where Britain voted to leave the EU has had some impact, both positive and negative. So far we have seen the cost of doing business in the UK decrease by over 5% due to a weakening GBP against the AUD and a number of significant early stage sales opportunities have presented themselves as a direct consequence of the



Brexit vote. At the same time some smaller continental Europe sales opportunities have slowed but so far these have been relatively minor. As always we will continue to monitor macroeconomic conditions in our key markets and respond as best we can.

Being a software company we don't have large fixed costs. In fact around 60% of our operating costs relate to the cost of employees. Two of our offices, being London and San Francisco are located in possibly the two most competitive labour markets in the world, especially in the technology space. Competing for top talent is challenging and expensive. Despite all of this second half FY16 saw us grow our headcount to approx. 50 and a lot of those new employees are best in their field. We also formed some key partnerships and strengthened existing ones to greatly enhance our delivery, hosting and support capability. We did this whilst carefully managing our cash reserves and maintaining operating expenses within expectations. Operating expenses for Q4 averaged \$1.23 million per month compared to an average \$1.18 million for the full financial year. Operationally FY16 has been a big year for Covata. We've recapitalised and we're confident that the partnerships and the team that we've built throughout FY16 will deliver the next stage of growth and value for shareholders.

## **Trent Telford**

### **Slide 5: Covata Product and Organisational Structure**

Thank you Nick.

Upon listing in November 2014 we restructured the business streams to best align our technology, opportunities and resource allocation. As a small business operating on a global stage, with industry heavyweight partners and pipeline customers, it is vital that we are able to pivot resources to best target revenue generation in an agile manner. In Q4, whilst Telco grew modestly, we have seen substantial progress in two of our three channels, Government and Platform. Management have paid particular attention to the divisions and partners of the business that are imminent for winning contracts and qualifying out, or postponing, partners that will have longer Return on Equity payback.

### **Slide 6: Placeholder Telco Safe Share**

## **Slide 7: Telco Partner Update**

The Telco channel was designed to enable our small sales force to gain leverage across a wide number enterprises through Telco's; a so-called 'sales fire hose' for reselling Safe Share.

T Systems first; At the end of Q4, Covata had 3 full time resources dedicated to the T-Systems account to drive as much progress as possible. Despite this determination, T-Systems takes a highly fragmented approach to the inclusion and sale of products across their vertically focused account management team. This has resulted in our sales team needing to build individual relationships with sales executives across the key verticals in order to progress the pipeline. Enterprises want and need strong security – and accordingly they demand interaction with the vendor to understand the product technical aspects. This means it is taking longer to close deals than jointly anticipated, as we need to sell 'with' – not just 'through' T Systems. The Barmer rollout continues but it continues according to the program management office of a wider IT program within Barmer - and cannot be hurried by T Systems. Currently it is being rolled out at Exec level, with the Sales division to follow. This would bring total users on-board to circa 2000. We are well informed as to the strong Case Studies and when appropriate with Barmer, will publish them. T Systems signed Messa Berlin, a very large conference centre management company in June to Safe Share. The initial user numbers were low but a purchase order was received doubling the users within 2 weeks of on-boarding – demonstrating the value of a quality product to users. In summary, I can attest that the pipeline is there with multi-national names and large user bases - we continue to work with T Systems towards closure of deals.

Colt - Last year when Safe Share became the pioneering product on Colt's Financial Services Extranet, both companies, I believe, held high hopes for this new division of Colt. Since this announcement, Colt has undergone major changes including going private at the end of last year. Over the last six months we have seen a shift in Colt's focus - to their core networks and data centres and away from managed services - cloud. We still have ongoing communication with Colt through NSC, however the partnership poses growth challenges at present.



Macquarie Telecom; we have publicly stated that Mactel has been a low revenue earner for the Company as the product has largely been sold to executive level persons across more than 14 Australian government departments and agencies. Shareholders should not expect material revenue increases from Mactel in the short term, but our recent success in the UK, our history in the Australian Department of Defence, and new product upgrades gives us an opportunity to review the Australian market holistically in the near future. It should not be overlooked that the Macquarie reseller deal has provided us with compelling and reputable case studies to take into our UK government and enterprise sales – and thus contributes value beyond direct revenue.

As a whole, the Company acknowledges that signing enterprises within existing Telco's partnerships has been more challenging than expected. On the flip side, industry analysts and experts have commented on several occasions to management that the Company has made what they consider rapid progress in developing the channel since signing its first Telco in early 2015. We are confident of this channel in coming quarters.

### **Slide 8: LatAm Telco Update**

Latin America was identified as a target region at the start of FY16. The Company spent the first two quarters rapidly identifying a partner pipeline across the region and was at the negotiating table alongside senior decision makers at two of the largest Telco's within LatAm.

1. I attended very senior level meetings and dial in's with America Movil's enterprise team in Mexico City. This was discontinued due to a company wide deal with Dropbox on the consumer side. We continue to monitor this partnership and engage - the need for strong security in America Movil's enterprise division will remain – DropBox does not solve this in my opinion.
2. Telefonica in Brazil has not progressed however we continue to assess the potential for partnering through relationships at headquarters in Spain.
3. Avantel and Entel were both qualified out by Covata on a ROI basis
4. The Company, after experiencing continued management delays and low first year projections by Digicel, decided to not to partner with the Telco at this time. The cost of supporting Digicel in LATAM, particularly absent another major, was deemed to



high and thus we have made the tactical call to pause LATAM and focus our limited resources for FY17 on the higher value markets we now have traction in.

This is not to say the door is not open— it is - indeed I look forward to furthering this market at the appropriate time.

### **Slide 9: Covata Welcomes Chunghwa as a Channel Partner**

A good example of higher value near-term market is the Asia Pacific region, illustrated by our recent partnership with Taiwan's largest Telco, Chunghwa.

Both Companies carried out extensive due diligence before executing the agreement which required the approval of various departments heads – and the final signoff by the deputy CEO of Chunghwa.

In 2015 Chunghwa heightened their focus on the delivery of ICT Services, including cloud, information security and IoT.

Their publicized partnership with Microsoft is an example of where a Telco has partnered with a high quality collaboration tool but at the same time partnering with a specialist for secure file sharing – something Safe Share excels at like no other. Chunghwa have an identified early stage pipeline targets and we are fully focused on making our name in the Asian cyber-security market alongside Chunghwa. I am very positive about this in the coming quarters as this engagement has benefited from the learning's of onboarding and forecasting with other Telco partners.

### **Slide 10: Safe Share Government Placeholder Slide**

I would now like to discuss the rapid, and impressive development of our Government Channel.

What many people may not realise is that Covata's historical success has been in Government business. As I intimated earlier, the Company's first significant revenue producing customer was a branch of the Australian Government's Department of Defence. Back in 2010, the company generated over \$1m in annual revenue from Defense, and I am confident about this channel being a very big contributor to revenue. It is with these credentials behind us that we set out to target the UK Government.



### **Slide 11: Government Channel: Fast Tracked to Success**

In just over 8 months the Company has executed a substantial amount of work, built up strong relationships, partnerships and pipeline and been the only file share vendor product to achieve Tier 2 clearance for up to Top Secret clearance - for the whole of UK government in G Cloud.

The work undertaken to date has been strategically developed to pave the way for substantial sales through the Covata 'whole of government' strategy. It interlinks departments and seeks to maximise interoperability. Remember, governments departments are generally very siloed – our approach is seeking to break this barrier at all levels of classification for content sharing. This is a multi-billion dollar service industry for network and hardware incumbents ripe for disruption with software.

### **Slide 12: G Cloud 8: Submission & Successful Award**

On the 19<sup>th</sup> of July Safe Share was successfully approved for sale on G Cloud 8 and was awarded an elevated position on the platform with the launch of Gov + Premium – which is now the only secure file sharing product available to the UK government sector that has Tier 2 accreditation on G Cloud. This is a phenomenal achievement and something, which elevates Covata's position within the product suite available to the UK government substantially.

Gov + Premium will be offered to government customers as a SaaS solution installed and hosted by an official accredited cloud platform. It is the infrastructure specification, combined with our software, that determines the level of clearance and underpins our 'whole of government' strategy. I have previously mentioned FCOS and we expect a forthcoming market announcement on this. I can assure all investors this relationship is strong – it is simply subject to extremely stringent public announcement conditions.

### **Slide 13: G Cloud Pricing**





As you can see from these pricing tables, the unique product features, additional Tier 2 certification and the infrastructure partnership, has resulted in the Company being able to list at significantly higher prices per user, per month. In fact, in the order of 5 to 19 times top-line delta on Telco per user.

We now offer two versions of Safe Share in the UK under G8 at two price points; 'UK Gov +' from £8 to £10 and 'UK Gov + Premium' from £25 to £29. This is in approximately \$16-\$58 AUD per user per month, and more importantly, will typically be sold as 'SaaS for Government' licenses on a multi-year basis with a minimum number of users required for any department.

What range would I consider success to look like in UK Government? For commercial and competitive reasons in this sector, we need to remain guarded in any statement. In the near term I would like to see contracted revenue in the order of low thousand's of users. In the medium term I would expect to convert 10-20% of the current pipeline. In the longer term, I would expect to be the dominant category vendor in UK Government with targeted 2 year plus contracts. For commercial reasons will not divulge, at this early stage, the predicted ratio of Gov + to Gov+ Premium licenses. We do however expect to see a metric of weighted average value per user over length of contract to evolve quickly over the coming quarters.

**Slide 14: Covata Safe Share is the only secure file sharing Solution Suitable to Service the whole of UK Government under G8 at low to high classification levels.**

I would like to take a few minutes now to explain this strategy, as it is what truly sets Covata apart in this highly sought after sector.

Over the last eight months we have taken Safe Share and ticked off the major milestones necessary to sell into the UK Government. We are now at the top of the pyramid you can see on the left hand side of the slide.

We have three internal employees focused on government sales who are supported by a number of ex senior government officials operating in official consultant capacity - including a recently retired Director General and Commander of the British Army. This team have diligently built out our industry relationships and established a strong sales pipeline, which



represents in the order of 250k public sector employees out of a total addressable market of 5m.

As you can see in the circles, we have focused on building relationships with “frontline” departments and agencies; such our strength is in assisting capability enablement in counter terrorism, law enforcement, emergency services, healthcare, diplomatic channels and the ‘Intel’ community. We have direct relationships into every aspect of this diagram in the UK government. Safe Share enables data to flow from these frontline agencies to other interrelated agencies, breaking down silos and enabling government to securely function like never before.

### **Slide 15: Safe Share: Key Security Features Attractive to the Government Sector**

It is not only Covata’s infrastructure partnership that makes Safe Share standout from the crowd, but it is the key security focused features that make it an attractive product for the Government sector.

Unlike file sharing applications that largely started with a consumer collaboration focus, Safe Share was developed with security baked into its Platform. Features such as on mobile encryption, centralised key storage, browser based encryption with no plugin and forced document classification controls are critical for entities looking for government grade security. Multi-tenancy, a distinctive feature of Safe Share, is essential for supporting departmental interoperability, and truly sets Safe Share apart.

### **Slide 16: OEM Channel Placeholder Slide**

### **Slide 17: The Internet**

Before introducing Covata’s new Vice President, ex Cisco executive, Pavan Singh, I would like to quickly reflect on the event we held with Cisco on February 4<sup>th</sup> for the launch of KaaS. We are at the precipice of a new Internet revolution – the Internet of Everything – where connectivity will skyrocket at unprecedented rates. The Internet was originally designed as an information sharing protocol, which focused on removing barriers to communication. As it began to be used more heavily by businesses the need for security



became apparent and we have spent the decades since retrofitting security into a by design unsecure protocol. With the dawn of this new IOT revolution the IT industry is looking to overcome the past by seeking out new standards at the software layer - standards where the data security is the focus – not just the network. The Covata Platforms holistic, device agnostic and platform agnostic scalable data security process is a revolutionary. It is able to support developers and businesses as they begin to build this new interconnected world. After an extensive courting process with the company, Pavan Singh connected with my vision, and I have great pleasure in introducing him as the Business Head of our KaaS Data Security Service (DSS). I will hand over to Pavan to tell you more about the exciting work that is underway.

## **Pavan Singh**

### **Slide 17 Cont.: The Internet**

Good afternoon from San Francisco. It is an absolute pleasure to be here with you today. My name is Pavan Singh I am excited to be driving the Data Security Service Opportunity for Covata. I have joined Covata after more than 16 years in the technology world. Out of which the last six years were with Cisco Systems where I held numerous leadership roles across global marketing, strategic sales and new business incubation. In my last role, I built an organization from the ground up, driving the Go-To-Market for an Internet of Things solution. And I am excited to be bringing this experience to Covata..

Before we jump into Data Security service, I want to discuss two very interesting trends that keep on coming in my discussions with customers and partners , firstly, with the cost of sensors, compute and bandwidth decreasing rapidly more real-time data is being harvested from the 'Internet of Things' than ever before and secondly, this data is being converted into new insights and actions that are then disrupting and transforming not just businesses but entire industries. And you can see that today across industries such as manufacturing, retail, fintech, and transportation, to name a few



So what we are seeing is a boom in data driven processes, across all facets of business.

And the number one challenge in fully leveraging this real-time data - is data security – securing data holistically and consistently, knowing who uses the data and where it is, meeting compliance requirements and managing risk.

Today's rigid information structures are built on legacy applications that don't talk to each other – because of security concerns we are terrified to break down the data walls and silos. As a result this valuable data remains locked in proprietary systems.

And with Covata's technology, businesses can finally make the leap to converting their data into differentiation – new revenue, decreased costs and lower risk.

Covata's solution enables connected businesses and applications to communicate securely, in a common language. The intelligent exchange promotes the fluidity and openness of the Internet yet ensures the security and integrity of all data. Our customers and their applications will get the unbridled business benefits of the digital transformation era but with minimal risk.

### **Slide 18: KaaS a Revolutionary Enterprise Data Security Service**

Let's understand how it will work in the real world. Consider the case of an automotive manufacturer that needs to tightly align the production data with the market demand. On the slide the left side represents the production scheduling application and the right side represents the regional automotive dealership. Now both the production data on the left and the sales data on the right are sensitive with both parties. But the manufacturing side needs the sales data to plan their production schedule and the sales side needs the production data to ramp their sales up and down. Using Covata, both these application can share their data securely. Every time a unique, individual piece of data is sent from one



application to another, the Covata DSS secures it with end-to-end encryption and ties identity and policy to it.

When the data reaches the receiving app, the DSS confirms the identity of the recipient against the pre-defined policies before decrypting the piece of information.

And going back to this example, by using Covata DSS, the automotive manufacturer, on the left side, is able to optimize their production schedule to maximize efficiency and the automotive dealership, on the right side, is able to match the demand and supply with sales investments.

### **Slide 19: Covata's Cloud Data Security Service Unwrapped**

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.

This is the key enabler for our customers to securely communicate with any customers, partners and suppliers, irrespective of any legacy or proprietary boundaries in place.

It includes a cloud service offering, which generates, stores and manages keys and data mappings based on a 'cents per key' business model. Cisco is our first partner and will be focused on cloud applications and IoT. I am delighted to say I have already been intimately involved in the first round of customer engagements. And my objective is to turn these engagements into paid Proof-of-concept opportunities.

### **Slide 20: Go to Market Strategy**

To launch and build success around DSS we will be executing a tiered go-to-market strategy, targeting the developer ecosystem as well as enterprises active in app development ultimately leading to a data centric ecosystem of partners, advocates and



evangelists. The Covata approach to data centric security has the potential to create a standard for the way we send and receive information on the Internet and this go to market strategy will support us in achieving this status.

### **Slide 21: Business Opportunity: Manufacturing**

Consider the example of manufacturing. Today the data on a manufacturing floor is trapped in machines, resulting in avoidable downtime. And downtime is expensive, about \$22k per min of downtime for an automotive manufacturer.

The data is kept contained because of security concerns for trade secrets or the fear of hackers causing equipment damage. With Covata's technology, the machine data can finally be made available to vendors, suppliers and machine builders. Machine builders can deliver predictive maintenance that can eliminate downtime and even optimize maintenance schedules. Analytics providers can suggest process improvements based on historical data and market predictions. But all of that is contingent on the ability to securely and confidently share real-time and historical data across value chain players – which is why Covata's solution is so attractive!

Thank you for your time today and I look forward to keeping you updated on our progress over the months ahead.

**Trent Telford**

### **Slide 22: Outlook placeholder**

Thank you Pavan. It is great to have you as part of the team and I am sure everyone on the call is as excited as we are about the future potential for the Covata Platform.

### **Slide 23: Office Locations Focused on Identified Opportunities**

As mentioned earlier, to better support and strengthen the business, we are re-structuring certain locations. We will be winding down the Washington DC office to only a small presence over the remainder of the year. At the same time we will be fortifying our Sydney, London and San Francisco offices to better build up the Government and Platform divisions of the business whilst still efficiently executing on Telco enterprise opportunities from Sydney and London.

To allay any concerns, DC is a legacy office from the previous management team in place from 2011-2013. We are an Australian technology company with a strong baseline team now in place in London and San Francisco. Sydney is the financial and technical heart beat. This restructure has begun and will continue through till November. It does not make good financial sense to base management in DC and renew multi-year contracts and leases that are expiring over the coming months. The whole company is acutely focused on FY 17/18 contracts, revenue and the opportunities within striking distance to achieve it. We do not foresee material net costs in doing this as we offset inefficiencies with gains and associated revenue. My family (and I), will relocate back to Sydney and I will split my time between Sydney, SF and London – as I largely do now. Finance, PR and IR will also become Sydney based.

I firmly believe the commercial and structural aspects of the company are now in the best commercial position since listing - and directly tied to Return On Equity as per my opening comments. This focus is further supported by the following two slides around industry comparables.

### **Slide 24: Industry Comparables**

Shareholders often ask us about comparable valuations and offerings. The next couple of slides address this. Covata has always identified itself, as first and foremost a Platform security company with unparalleled technology and IP; this underpins our two products; Safe Share and the Covata KaaS Data Security Service. These two product streams sit within two distinct divisions of the security and technology landscape. Whilst there are big network security players, like FireEye, Barracuda and Palo Alto Networks, distinct to this are security companies who focus specifically on providing a data centric security service. As far as we are aware, there is only one other known player in this space, a recent



company from Atlanta called Ionic. Details on their products and customers are slim, but they are the best known 'claimed' comparable for the Platform business. In the more crowded file sharing space, we are well differentiated from consumer products, like Box and Dropbox. We do however often compete against the likes of Citrix's Share File and Egnyte.

#### **Slide 25: Ionic**

As Ionic is the only claimed data centric Platform vendor on the list of comparables, I thought it interesting to include information around their recent raises, investors and subsequent valuations. It should be noted that anecdotal evidence from banker sources has their revenue at 5-10m USD range.

As I mentioned, despite limited available information on the Company, there appear to be similarities in the focus on data-centric security. We have struggled to date with a comparable Platform peer – now investors can see that Covata is well advanced in our vision and others are chasing it at big valuations. I see this less of a threat, rather as evidence of a new segment of cyber-security emerging – and we are at the forefront with quality partners and substantial IP, including our strong 'Secure Objects' US patent that underpins our Covata Platform.

#### **Slide 26: M&A Continues**

And from an industry perspective, M&A in the security sector continues to be a hive of activity. What is becoming of increasing interest is an analysis of who is doing the acquiring. Whilst it has always been, and continues to be, large technology companies, like Cisco or IBM, we are increasingly seeing the major defence players throw their hats in the ring. Across the board, government and defence budgets are being allocated to include cyber capabilities, which means if defence contractor's/SI's don't have these capabilities; they are losing a significant piece of the pie. We engage in ongoing discussion with these type of UK/US defence/aerospace companies, one publicly stated being the 'Prime'. The G8 certification only fortifies our position. I reiterate that Covata is well placed within the industry and amongst our peers as pace continues to pick up.

#### **Slide 27: Milestones Ahead**

With that being said, what are the near term milestones I would suggest investors look out for?





The milestones we anticipate across each of our business divisions:

1. The launch of KaaS developer community website for the Internet,
2. Naming our government Prime tenderer and related contractual aspects
3. Securing first and subsequent government sales under G8 and our infrastructure partner.
4. The first sale within Chunghwa
5. First revenue generating POC (Proof of Concepts) projects in IoT out of Cisco

– all these will continue to validate the business structure in place.

We are acutely focused on winning revenue-producing contracts this quarter and next, and are well advanced in this. Winning multiple licensing deals (TCV) delivers quarterly revenue growth. Contracts for licenses will have varying start dates – but they bake in the revenue recognition for each reporting period. In addition to these we are seeking NRE (non-recurring revenue) for IoT Proof of Concepts with large customers – as Pavan alluded to. The high value trailing transaction-based revenue will fall-out from the multi-year KaaS service contracts that follow into production, at scale, from POC's.

My last point is to address the omnipresent issue of share price. As Nick said, our major shareholders remain behind us. We do not control market sentiment, and its harder to do so in small to mid cap land. We are conscious that the first proof of government and Cisco contracts, alongside Telco, is a major marker. We intend to deliver this and should anyone be in doubt, I would encourage shareholders to review the executive and management incentive scheme. In Covata, the options granted were struck at a price range of 20 cents to low 30 cents. Accordingly, we have a sharp focus on the timely delivery of the KPI's above, which I personally believe will increase value substantially.

So in summary, it is my opinion that the Company is in the best commercial position it has been in since listing - with measurable foundations set across all three divisions of the business. We have been upfront about challenges but also take these front on with full disclosure, and ensure it is balanced with fast growth in parallel divisions. Like any company there will be ebbs and flows in the company's individual divisions on a quarterly basis, but the three divisions should collectively smooth this over time and therefore I



remain confident in the current and forthcoming quarters. I look forward to seeing shareholders at the AGM in late November accordingly.

I would now like to open the call to your questions.

Operator, please open the line for Q & A.

**[Q&A]**

**Operator**

Before we conclude today's call, I would like to provide Covata's safe harbor statement that includes important cautions regarding forward-looking statements made during this call.

Legal and Regulatory note: The above statistics and facts do not represent a forecast and as such should not be relied upon for future success. Any statement, which expresses or involves discussions with respect to objectives, targets, goals, assumptions or future events or performance are not statements of fact. Any forward looking statements are based on expectations and estimates at the time the statement is made and involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated.

Finally, I would like to remind everyone that a recording of today's call will be available for replay immediately after the call and through October 1, 2016. Please refer to the company's investor website: [www.covata.com](http://www.covata.com) for dial-in instructions.

Thank you for joining us today for our presentation. You may now disconnect.

**[END]**



The conference call will be broadcast live and available for replay at <http://public.viavid.com/index.php?id=120424> and via the investor relations events section of the Company's website at [www.covata.com](http://www.covata.com).

A telephone replay will be available approximately two hours after the call and will run through 11:59 p.m. ET on October 1, 2016.

|                          |                              |
|--------------------------|------------------------------|
| U.S. toll-free:          | 1-888-203-1112               |
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## **About Covata**

Covata Limited (ASX: CVT) enables true ownership and control over your data in the cloud and over mobile services. We deliver data-centric security solutions without compromising simple usability, providing true end-to-end security. Your data is always protected wherever it may travel – inside your network, beyond the domain, to mobile devices and to the cloud – with granular access controls that extend to external users, view-only restrictions, real-time revocation and complete visibility and auditability. Own Your Data, control your data and choose where it is stored – with complete assurance that it is protected and secure. For further information, please visit [Covata.com](http://Covata.com).