

Covata

Building data-centric security solutions

Covata is on the path to develop a data security platform, using its existing secure data-sharing software as the starting point. Recent restructuring has reduced the cost base and clarified the company's growth strategy in terms of technology roadmap and sales focus. Growing sales momentum for the core Safe Share product and recently acquired technology from CipherPoint will be the key short-term metric to track; progress in the creation of the data security platform will drive longer-term performance.

Building a data security platform (DSP)

Covata is an Australia-headquartered data security software business. Its core Safe Share solution enables secure data sharing within and across businesses and governments. The newly acquired US software company, CipherPoint, adds data discovery tools and better Microsoft integration. Covata is using its existing technology as the foundation to build a data security platform (DSP), which it intends to achieve through a process of in-house R&D, acquisitions and partnerships. Rather than a customer needing to buy a series of point solutions and integrating them together, the platform would offer a customer an end-to-end data security solution. The software is sold on a subscription basis (based on user numbers) and has mostly been deployed on premise. Responding to demand for a public cloud-based solution, the company has made its software available on Azure in Australia, with plans to roll out to Azure in the UK, Germany and the US.

Targeting enterprise and government users

Covata's software is currently used by 23 Australian government departments, as well as several enterprise customers. In July, the company signed up an Australian enterprise customer on a three-year contract worth A\$360k. Covata is targeting government and enterprise users in the 'Five Eyes' countries (Australia, Canada, New Zealand, UK and US) as well as other 'friendly' countries such as France, Germany and Japan. As well as selling directly, the company has several resellers including Macquarie Telecom in Australia and T-Systems in Germany.

Recent restructuring reduces cost base

Since the beginning of 2017, the new CEO Ted Pretty has refocused the business and reduced the cost base significantly. The company ended Q118 (to 30 September 2017) with a net cash balance of A\$4.5m and in Q218 expects cash costs of A\$2.0m and receipt of an A\$1.5m R&D tax credit. There are no forecasts available; to track progress we would look to monitor contract wins, user numbers and cash burn and, in the longer term, progress towards completing the DSP.

Historic financials

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/14	0.4	(9.8)	(4.4)	0.0	N/A	N/A
06/15	0.3	(27.5)	(8.4)	0.0	N/A	N/A
06/16	0.4	(14.1)	(3.1)	0.0	N/A	N/A
06/17	0.4	(10.2)	(2.0)	0.0	N/A	N/A

Source: Covata

Technology

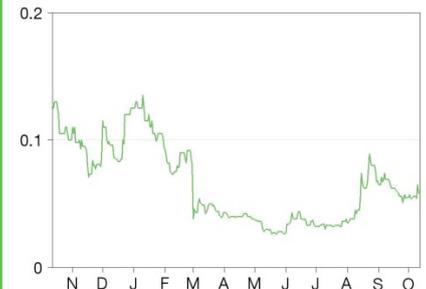
13 October 2017

Price **A\$0.058**

Market cap **A\$30m**

US\$0.782/A\$

Share price graph



Share details

Code	CVT
Listing	ASX
Shares in issue*	517.6m
*Excludes 27.6m shares in employee loan share plan	

Business description

Covata's Safe Share software enables users to share data securely within their businesses as well as with external parties. The software uses identity, policy and key management to protect data wherever it goes. The company is headquartered in Australia and post the CipherPoint acquisition has 19 employees.

Bull

- Established Australian government customers.
- Restructured cost base.
- Redefined product roadmap.

Bear

- Low level of revenues.
- Not yet cash flow positive.
- Acquisition risk.

Analysts

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