

Covata

Software

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Moving forward

Covata has raised A\$2m from institutional and retail investors, bolstering its cash position. The company is making progress with the development of its data security platform, and plans to launch a beta version by the end of the current quarter. New customer contracts have been signed for SafeShare and CipherPoint and the company has a growing sales pipeline.

Funds raised

The fund-raising announced by Covata in October raised A\$425k via an institutional placing (9.0m shares at 4.7c per share) and A\$1.637m via a retail offering (34.8m shares at 4.7c per share). Covata had net cash of A\$4.5m at the end of Q118; in Q218, it expects a total cash outflow of A\$2m (before revenues and interest income) and an R&D tax credit receipt of A\$1.5m. Based on these numbers, Covata should have a net cash position of at least A\$6.0m by the end of Q218.

Making progress with platform and contract wins

Covata expects to launch the beta version of its DSP platform, CovataSecure 1.0, by the end of Q218. It recently made SafeShare available on Microsoft's Azure cloud platform and has since signed up a new customer to use SafeShare via Azure on a three-year subscription. The Macquarie Telecom partnership agreement has been renegotiated – with 23 government departments using SafeShare via this agreement, we anticipate a positive impact on revenues from Q218.

CipherPoint contribution

The acquisition of US data security software company, CipherPoint, completed on 25 August. Covata's Q218 cash outflow forecast includes the CipherPoint cost base, and at the AGM management confirmed that it had generated revenues of US\$142k since acquisition. Earnout payments are based on CipherPoint generating revenues of at least US\$300k in H118 and US\$500k in FY18. In October the company announced that a US franchised sporting association had signed up for a CipherPoint Eclipse perpetual licence plus annual maintenance.

Tracking the milestones

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. The company has confirmed that it will shortly start reporting certain KPIs (customer and user numbers) and, in the longer term, will report additional SaaS-type metrics including churn and recurring revenues.

Price **A\$0.048**
Market cap **A\$28m**

Share price graph



Share details

Code CVT
 Listing ASX
 Shares in issue* 580.0m
 *Excludes 57.1m shares in employee loan share plan

Business description

Covata's SafeShare 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 22 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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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

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