

Covata

Software
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New customer wins

Covata recently signed up two new customers and signed an additional contract with an existing CipherPoint customer. After a busy quarter for product development, the company is moving closer to the beta launch of its data security platform (DSP).

New contracts for Eclipse and SafeShare

Covata has recently won two new contracts for CipherPoint's Eclipse software and one for SafeShare. Arthur J Gallagher & Co, a global insurer, has bought the Eclipse platform to support several internal software migrations in a contract worth US\$76k/A\$97k. A US subsidiary of a global German industrial company has bought an Eclipse perpetual licence in a contract worth US\$83k/A\$105k. In the UK, Open Banking has selected SafeShare to secure the monthly reporting by eight major banks in a contract worth £30k/A\$52k over three years.

Cash position strengthened in Q2 after fund-raise

Covata recently reported Q2 cash flows: customer receipts totalled A\$0.15m versus A\$0.17m in Q1. The company noted that an overdue receivable of A\$59k was received in early January. Outflows for costs totalled A\$1.85m. Net cash inflow for the quarter was A\$1.87m after taking into account the A\$2.0m fund-raise in November and the receipt of a A\$1.6m R&D tax credit. Net cash at the end of Q218 was \$A6.3m, up from A\$4.5m a quarter ago. The company expects a cash outflow for expenses of A\$2.08m in Q318, before any receipts from customers.

Product and sales focus

In Q2, the company released updates for SafeShare, Eclipse, and iOS and Android apps for partner MacTel, as well as deploying SafeShare on Azure. It also launched a beta version of its discovery tool, which is a key building block for the planned DSP. Marketing initiatives have increased the unweighted sales pipeline to US\$12m; in addition, the company expects to be able to announce progress with channel partners, including sales opportunities, in February.

Tracking the milestones

There are no forecasts available; to track progress we monitor contract wins, cash burn and, in the longer term, progress towards completing the DSP. The company has confirmed that Milestone One of the CipherPoint acquisition agreement (>US\$300k revenues in H118) was met – this will trigger the issue of 10m shares at a deemed price of A\$0.10, a significant premium to the current share price.

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

Price **A\$0.036**
Market cap **A\$21m**

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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