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Covata

Software

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New strategy showing progress

Covata reported its bookings intake for the first time, highlighting the benefit of a recent contract negotiation with one of its largest resellers, as well as contract wins for both SafeShare and CipherPoint. Development of the Data Security Platform (DSP) is ongoing, with beta launch expected later this year.

H118 results show revenue acceleration

Covata recently reported H118 results, with revenues of A$0.7m, an EBITDA loss of A$3.1m and a net loss of A$3.1m. Net cash outflow in H1 pre-equity raise was A$2.0m; net cash flow post the A$2.0m raise was effectively zero, to close H118 with a cash position of A$6.3m. The company expects a cash outflow for expenses of A$2.08m in Q318, before any receipts from customers. The CipherPoint acquisition contributed revenues of A$0.34m in H1, triggering the first milestone payment. If contracts are signed at a similar pace in H2, we would expect the second milestone (US$500k revenues in FY18) to be hit.

Bookings intake shows progress with new strategy

Covata reported a bookings intake of A$2.27m in H118. This includes all contracted revenues to be recognised within the next three years. A large component of this ($1.4m) arose from the renegotiation of the MaqTel contract, which should result in revenues of c A$0.47m pa over the next three years, a material uplift to the previous contract. Also included in this number are the recently announced CipherPoint contracts with Arthur J Gallagher, a German industrial company and a US sports franchise, totalling c A$0.3m, and previously announced SafeShare contracts totalling A$0.4m. We would expect future bookings intake to be more modest, as it will not have the benefit of the one-off MaqTel contract negotiation.

Product update

In Q2, Covata launched a beta version of its discovery tool, which is a key building block for the planned DSP and serves as a useful tool to demonstrate to customers the amount of sensitive data sitting on their systems. Covata expects to launch Eclipse for Microsoft Office 365 in H2, as well as the beta version of the DSP.

Tracking the milestones

There are no forecasts available; to track progress we continue to monitor contract wins, half-yearly order intake, cash burn and, in the longer term, progress towards completing the DSP.

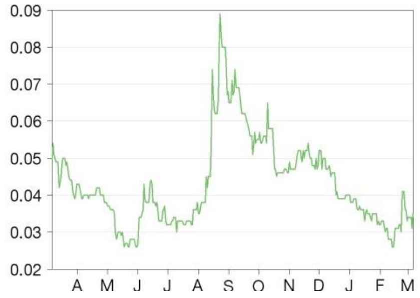
Historic financials

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

Price	A$0.033
Market cap	A$19m

Share price graph



Share details

Code	CVT
Listing	ASX
Shares in issue*	590.0m

*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 has 25 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

Katherine Thompson +44 (0)20 3077 5730

Bridie Barrett +44 (0)20 3077 5700

tech@edisongroup.com

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Frankfurt +49 (0)69 78 8076 960	**London** +44 (0)20 3077 5700	**New York** +1 646 653 7026	**Sydney** +61 (0)2 8249 8342
Schumannstrasse 34b	280 High Holborn	295 Madison Avenue, 18th Floor	Level 12, Office 1205
60325 Frankfurt	London, WC1V 7EE	10017, New York	95 Pitt Street, Sydney
Germany	United Kingdom	US	NSW 2000, Australia