

Covata

Software
13 June 2018

Funding the European opportunity

Covata has raised A\$1.5m from a share placement and is also targeting a raise of up to A\$1.8m from an ongoing entitlement offer. The company intends to use the proceeds to strengthen its sales and technical resources in Europe, for product development and for general working capital. The recently acquired dataglobal data classification technology should be available to use in Covata solutions from Q119.

Placement completed, entitlement offer underway

Covata has placed 53.6m shares at A\$0.028 with institutional shareholders, bringing in gross proceeds of A\$1.5m. For every three new shares placed, shareholders received one option (exercise price A\$0.055, exercisable by 6 June 2020). The company has also launched an entitlement offer, whereby shareholders can subscribe for one share at A\$0.028 for every 11 shares held (maximum number of shares to be issued: 64.064m). Shareholders who subscribe will be given one option for every three new shares, on the same terms as the placement options. Full take-up of the entitlement offer would result in gross proceeds of A\$1.79m. The ex-rights date is 13 June, the closing date is 28 June and the new shares are due to be issued on 5 July.

Proceeds to fund European sales & product development

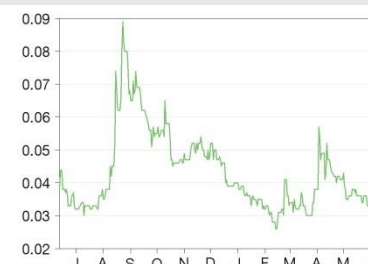
The recent strategic alliance with dataglobal, as well as the implementation of GDPR, has opened up more opportunities for Covata in Europe, particularly in the DACH region. Integration of dataglobal's data classification technology into Covata's solutions is nearly complete and should be available from Q119. The company is keen to strengthen its sales and technical capability in Europe to take advantage of these new opportunities. The company is also looking to develop virtual data room (VDR) functionality based on its SafeShare platform, to build AI and machine learning tools for data classification, and develop a new tender/offer platform (SecureTender) for emerging markets. Proceeds are also expected to be used for general working capital purposes.

Tracking the milestones

There are no forecasts available; to track progress we continue to monitor contract wins, half-yearly order intake, cash burn and the development of the data security platform (DSP).

Price **A\$0.027**
Market cap **A\$17m**

Share price graph



Share details

Code CVT
 Listing ASX
 Shares in issue* 643.5m
 *Excludes 61.2m shares in employee loan share plan

Business description

Covata's SafeShare and Eclipse 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

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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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