



## ASX ANNOUNCEMENT (ASX: CVT)

18 July 2019

- **RECORD QUARTERLY RESULT**
- **STRONG OPERATING PERFORMANCE**
- **APPENDIX 4C FOR THE QUARTER ENDED 30 JUNE 2019**

Covata Limited (**Covata** or the **Company**) (ASX: CVT) is pleased to provide the following quarterly business update and Appendix 4C.

### Quarter Financial Highlights

Financial highlights for the quarter were:

- Receipts from customers were a record \$882K, compared with the prior corresponding quarter of \$396K, resulting in receipts of \$1.87M for the 12 months to June 2019. Revenues by product were:
  - SafeShare/SafeShare for ITAR - \$1.18M
  - Eclipse - \$639K
  - Discover & Classify - \$53K
- Underlying operating costs for the June quarter were \$1.82M compared to \$1.70M for the March quarter. Overall cash costs included \$359K of non-operating costs associated with the material transactions referred to below.
- A deposit of \$150K was secured during the quarter for the sale of the SafeShare business to Cybr5, with the balance of the proceeds to be settled in the next quarter.
- In June and July, the Company raised a further \$0.5M through the issue of additional convertible notes, of which \$295K was received during the quarter. This is in addition to \$1.4M raised in February. These notes were assumed by Cybr5 as part of the consideration of the SafeShare disposal.
- The Company held \$979K in cash as at 30 June 2019.

The June quarter was significant for the Company with both new sales in the US for our SafeShare for ITAR product as well as our first major European sale of our Eclipse SharePoint security product. Additional service revenues were also booked for our new Data Discovery and Classification solutions.

Managing Director and CEO Mr Ted Pretty said, "This quarterly result has been the Company's best ever and demonstrates that the team has created positive momentum across new and existing products both in Australia and overseas."

### Appendix 4C

The Company's June Appendix 4C is attached. Following the change of the Company's financial year announced to the ASX on 2 April 2019, the attached Appendix 4C reflects the first quarter's activities of the Company's new financial year commencing 1 April 2019.

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Subject to the following qualification relating to material transactions, estimated underlying operating cash outflows for the September 2019 quarter is anticipated to be \$971K.

### **Material Transactions**

As shareholders would be aware, the Company entered into an agreement to divest its SafeShare business (operated through its subsidiary Cocoon Data Holdings Pty Limited). This transaction was completed on 16 July 2019.

Covata has retained the Eclipse SharePoint security product and our new Data Discovery and Classification solutions which we have built utilising the IP secured via licence from dataglobal GmbH.

Further, the Company has also entered into an agreement to acquire dataglobal GmbH. On 26 June 2019 the Company lodged a prospectus to raise \$13.7m associated with that acquisition. In the event that the capital raise under the prospectus is successfully completed, the cash position of the Company will materially and favourably improve.

### **September Quarter Outlook**

Cash at bank as at 17 July is \$2.2M, management will continue to closely manage the Company's operations in line with available resources.

The September quarter will be impacted by a number of operating and non-operating adjustments including:

- the Company will not be incurring any operating costs in respect of the SafeShare business from the date of Completion. This will reduce overall underlying operating expenses; and
- significant non-operational transactional expenses will be incurred in connection with the Prospectus and the acquisition of dataglobal GmbH. This will be offset against cash inflows should the raise be successful.

Further updates will be provided to shareholders as and when appropriate.

– Ends –

## **About Covata**

Covata is a leading provider of software solutions that enable continuous identification, classification and secure management of unstructured data across enterprise and the cloud and consolidates control into one place for companies to securely manage their data to be compliant, reduce risk, reduce costs and improve productivity.

Our Data Security Console empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories with industry best security for Microsoft SharePoint & Office 365, Secure Enterprise File Sharing & Collaboration, and Access Security Broker capabilities through our API translator.

Our customers & partners span the public sector and defence, aerospace, technology, automotive, manufacturing, finance, media and sports industries.

## **Further information**

For further information, please visit [covata.com](http://covata.com).

## **Covata investor relations contacts:**

Steven Bliim  
Covata Limited  
Chief Financial Officer, Director and Joint Company Secretary  
[steven.bliim@covata.com](mailto:steven.bliim@covata.com)  
+61 2 8412 8200

Michael Brown  
Pegasus Advisory  
[mbrown@pegasusadvisory.com.au](mailto:mbrown@pegasusadvisory.com.au)  
+61 400 280 080

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Covata Limited

**ABN**

61 120 658 497

**Quarter ended ("current quarter")**

30 June 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	882	882
1.2 Payments for		
(a) research and development	(160)	(160)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(31)	(31)
(d) leased assets	-	-
(e) staff costs	(893)	(893)
(f) administration and corporate costs	(738)	(738)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(940)</b>	<b>(940)</b>

**2. Cash flows from investing activities**

2.1 Payments to acquire:

- (a) property, plant and equipment
- (b) businesses (see item 10)
- (c) investments

	-	-
	-	-
	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	150	150
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other – return of credit card facility deposit</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>150</b>	<b>150</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	295	295
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>295</b>	<b>295</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,503	1,503
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(940)	(940)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	150	150
4.4 Net cash from / (used in) financing activities (item 3.10 above)	295	295

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(29)	(29)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>979</b>	<b>979</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	979	979
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months notice)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>979</b>	<b>979</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

(218)

-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

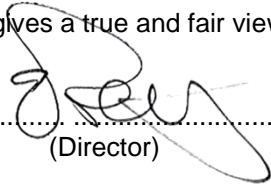
9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(12)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(27)
9.4 Leased assets	-
9.5 Staff costs	(652)
9.6 Administration and corporate costs	(280)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(971)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		Cocoon Data Holdings Pty Limited
10.2 Place of incorporation or registration		Victoria
10.3 Consideration for acquisition or disposal (share-based consideration)		\$5 million
10.4 Total net assets		(\$141K)
10.5 Nature of business		Data Security (Software)

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: ..... 18 July 2019 .....

(Director)

Print name: ..... Edward Pretty .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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