



ASX ANNOUNCEMENT

16 August 2017

Covata announces the acquisition of US based CipherPoint, and Covata's enhanced Data Security Platform strategy

Sydney, Australia – Covata Limited (ASX: CVT) would like to update the market on a number of initiatives.

Acquisition of CipherPoint

Covata is pleased to announce that it has entered into a binding agreement to acquire all of the issued capital of CipherPoint Software Inc. (CipherPoint). CipherPoint operates with resources in Denver Colorado, Austin Texas, and San Diego California.

Founded in 2010, CipherPoint provides data-centric audit and protection solutions which enable companies to search for and discover where sensitive information resides within their organisation, and secures unstructured information in platforms such as Microsoft SharePoint, Office 365, Google Drive and file servers. CipherPoint's data security suite ("CipherPoint Eclipse"), allows organisations to locate sensitive data, encrypt that information, centrally manage permissions to protect against unauthorised access, and log all permitted and denied access requests to secured sensitive data.

The acquisition consideration is predominantly stock based and any cash costs of the acquisition will be met from existing reserves. Further information on CipherPoint, and the terms of the acquisition are included in the annexure to this announcement. It is anticipated the acquisition will complete on or about 25 August 2017.

The potential benefits from this transaction include:

- key technology including extensive data discovery tools, protection of SharePoint files, Microsoft integrations and an API translator that will form part of Covata's data security platform (DSP);
- a strong core team;
- the acquisition of marquee customers including US Army, Arthur J. Gallagher & Co. DARPA, a US Space agency, Singapore Government agency and an industry leading partner in Dimension Data;
- faster integration with other Microsoft applications; and,
- greater geographic reach into the US, Europe and Asia.

CipherPoint recently launched its General Data Protection Regulation (GDPR) service offering to help meet European Union (EU) GDPR compliance. The EU GDPR applies to businesses both within and outside the EU that collect personal data belonging to EU citizens. This will benefit all of Covata's global customers with EU GDPR exposure and also Covata's Australian customers as they begin to prepare for mandatory data breach notification legislation to take effect in Australia within the next 12 months.



“The acquisition of CipherPoint will, on completion, represent a step change in delivering Covata’s strategy to become a leading DSP provider, and enabling customers to seamlessly secure information as it moves among data centre, private and public cloud environments. CipherPoint’s existing integrations into the Microsoft stack will improve integration with key applications used by our customers”, said Ted Pretty, MD and CEO of Covata.

CipherPoint’s five US-based employees will join Covata’s existing team. Milestone based components of the consideration payable to the CipherPoint vendors are dependent on CipherPoint delivering at least US\$300,000 of revenue in the six months to 31 December 2017, and a second separate milestone based on CipherPoint delivering at least US\$500,000 in revenue in the 12 months from 1 July 2017 to 30 June 2018.

Data Security Platform – Expanded & Enhanced Strategy

Covata will enhance its data security offering by building and deploying an integrated data security platform (DSP), or data-centric audit and protection platform. Our DSP platform (**Covata Secure**) is an evolution of the approach described in Covata’s EGM Presentation on 5 April 2017. The expanded offering includes features such as sensitive data discovery, access and policy control, classification, activity monitoring, data loss prevention, user behaviour analytics and GRC (Governance, Reporting, Compliance) reporting. The new platform will be able to be deployed in the Microsoft Azure public cloud, in private and hybrid clouds, or on-premises.

According to Gartner, “By 2020, data-centric audit and protection products will replace disparate siloed data security tools in 40 per cent of large enterprises, up from less than 5 per cent today.” Gartner also predict that Platform and AI are 2 of the 3 megatrends by 2020 – Covata is well placed to leverage these trends.

Mr Pretty said, “Covata’s pedigree as a data security company with well-developed IP sees us perfectly placed to advance from our secure collaboration product to become a leading DSP company. Covata Secure will enable customers to discover sensitive data, implement appropriate data security controls, ensure uniform enforcement of policies and significantly limit the impact of data breaches.”

- Ends -

About Covata

Covata Limited is a global technology brand, listed on the ASX, that provides data-level security solutions for enterprise, government and citizens. Our data-centric security platform discovers, protects, monitors and analyses sensitive information, however and wherever it’s shared.

We ensure security is never an afterthought. Our flagship solution, SafeShare, protects information at a data-level, from the start, and at every point of its journey. Safe and efficient sharing of data across internal and external stakeholders, devices, networks and geographic regions is enabled and encouraged. With SafeShare, you have total control, visibility and auditability of your sensitive information.

For further information, please visit Covata.com.



Investor Relations

Steven Bliim
Covata Limited
Head of Finance and Company Secretary
steven.bliim@covata.com
0457 600 052

Annexure A- CipherPoint Additional Information and Acquisition Terms

CipherPoint Product & Service Information

CipherPoint's Eclipse™ Data Security API is available in the Microsoft Azure Marketplace. With the Data Security API, organisations have the ability to identify, secure and audit any sensitive data in the Cloud. As businesses accelerate the adoption of Microsoft Azure for custom applications, SharePoint farms and other use cases, they can utilise CipherPoint Eclipse data security capabilities for any Azure workload or cloud application to maintain their data security and privacy compliance posture. CipherPoint Eclipse for Microsoft Office 365, which utilises the API, is available in the Microsoft SharePoint App Store.

The CipherPoint Eclipse data security platform which underlies the API includes a centralised security policy manager and the ability to enforce policies using software agents, cloud security gateways and API clients. The platform provides data discovery, transparent encryption at rest and in use, role-based and attribute-based access controls and real-time activity logging. CipherPoint seamlessly secures information as it moves among data centre, private and public cloud use cases.

Acquisition Terms

The Company has entered into a binding agreement to acquire all of the issued equity interests of CipherPoint, subject to the satisfaction of the conditions set out below.

The consideration payable to the CipherPoint vendors is as follows:

- \$1 million of CVT ordinary shares issued at completion of the acquisition at a deemed issue price equal to the higher of: (a) \$0.045 (4.5 cents); or (b) the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to the date of completion (**Completion Shares**). (A maximum of 22,222,223 CVT shares).
- \$1 million of CVT ordinary shares issued subject to CipherPoint achieving revenues between 1 July 2017 and 31 December 2017 of not less than US\$300,000 and conditional upon a key staff member of CipherPoint continuing to be employed by CipherPoint (or CVT or its group entities) at 31 December 2017 (subject to agreed exceptions, including termination without cause by CVT) (**Milestone One Shares**). The Milestone One Shares are to be issued at a deemed issue price equal to the higher of: (a) \$0.10 (10 cents); or (b) the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 January 2018. (A maximum of 10,000,000 CVT shares).

[COVATA]

- \$1,297,740 of CVT ordinary shares issued subject to CipherPoint achieving revenues between 1 July 2017 and 30 June 2018 of not less than US\$500,000 and conditional upon a key staff member of CipherPoint continuing to be employed by CipherPoint (or CVT or its group entities) at 30 June 2018 (subject to agreed exceptions, including termination without cause by CVT) (**Milestone Two Shares**). The Milestone Two Shares are to be issued at a deemed issue price equal to the higher of: (a) \$0.10 (10 cents); or (b) the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to 1 July 2018. (In any case, a maximum of, 12,977,400 CVT shares).

The vendors of CipherPoint have agreed that each of the tranches of shares above will be voluntarily escrowed for a period of 12 months from the respective issue dates. The Company intends to issue the consideration shares without shareholder approval under its existing placement capacity under ASX Listing Rule 7.1.

In addition to the above, as a term of the acquisition, the Company has agreed to:

- Issue \$510,760 of CVT ordinary shares for distribution amongst the holders of various derivative instruments and preference rights of CipherPoint to facilitate their agreement to participate in the acquisition. These shares are issued at a deemed issue price equal to the higher of: (a) \$0.045 (4.5 cents); or (b) the 5-day VWAP for the five days on which trades in the Company's shares were recorded prior to the date of completion. (In any case, a maximum of 11,350,223 CVT shares).
- Provide funding to satisfy payment of up to US\$150,000 of CipherPoint's existing creditors at completion. The Company has agreed that if the creditors are less than US\$150,000 at completion it will issue the vendors with ordinary CVT shares equal to the value of the difference (on a pro-rata basis) at a deemed issued price equivalent to the Completion Shares.

The acquisition remains conditional upon:

- There being no material adverse event affecting CipherPoint prior to completion.
- Covata completing, to its satisfaction, due diligence on the intellectual property of CipherPoint.
- Covata obtaining various third-party consents and agreements from CipherPoint employees to varied contractual terms and any required consents from counterparties to key major contracts.
- Covata obtaining any regulatory or third-party approvals or confirmations from ASX required for the transaction to proceed.

The Share Sale Agreement otherwise contains provisions usual for transactions of this nature including:

- Warranties and indemnities from: (a) the CipherPoint vendors relating to title to the sale shares and power and capacity; (b) members of CipherPoint's key management (**Warrantors**) relating to the nature and operation of the CipherPoint business (including in respect of capital structure, intellectual property, financial statements, litigation and insurance); and (c) CVT regarding its capital structure, power and capacity to issue the consideration shares and compliance with the ASX Listing Rules.

[COVATA]

- Limitations applicable to claims which may be made under the warranties and indemnities, including limitations as to time and quantum. In the case of the Company, these limitations include a requirement that claims are to be satisfied by, and are limited to, offset against: (a) in the case of the vendors' title and power warranties, the breaching vendors' entitlement to purchase price shares which remain in escrow at the time of the claim; (b) in the case of the broader business warranties, the aggregate of the vendors' milestone shares and the Warrantor's purchase price shares, to the extent those shares remain in escrow at the time of the claim.

Other terms typical to agreements of a similar kind, including provision for the resolution of disputes by arbitration, restraints of trade which apply to the members of CipherPoint's key management (being the Warrantors referred to above) and confidentiality restrictions.

For personal use only