# Half Year Financial Results

for the 6 months ended 31 December 2017

21 February 2018

# Cogstate Summary

Exchange: ASX
Ticker: CGS

Focused on **BRAIN HEALTH AND COGNITION**

- Robust and growing **CLINICAL TRIALS BUSINESS FOR MEASUREMENT OF COGNITION** - both efficacy *(e.g. Alzheimer's)* and safety *(e.g. pediatric)* endpoints; and
- FDA-approved **COMPUTER-BASED TEST, COGNIGRAM,** for testing individuals (assessment conducted in clinic/hospital or at home)

Summary of Results – all results US$

1H18 (half-year ended 31 Dec 2017)

- Revenue of US$13.4m for the 6 months ended 31-Dec-17
- Bookings of US$21.6m for the 6 months ended 31-Dec-17
- Contracted revenue backlog of $US35.0m at 31-Dec-17
- US$4.9m of additional bookings in the 6 weeks since 01-Jan-18 (YTD: US$26.5m)

Headquartered in **MELBOURNE, AUST** with **SIGNIFICANT US PRESENCE** (79% FTE in USA)

# Investment highlights

## A world-class cognitive science, technology and services company focused on optimising and monetising the measurement of cognition.

- In May 2017, Cogstate was **chosen to support all Alzhiemer's disease trials for Eli Lilly**. 1H18 result included first studies under that agreement.
- **Expansion of customer base**, with some significant wins in Alzheimer's disease
  - Diversified portfolio of customers
  - Ongoing studies represent trials being conducted by 31 different customers
- **FDA clearance** for USA Healthcare market in July 2017, clearing the way for commercial launch of Cognigram in FY18
- Working to **improve operational efficiencies**
  - New technology infrastructure in on track for delivery in Q4 FY18
- Addition of **key science resources** to support business development activities

# Clinical Trials Sales Contracts

- **US$26.5m of sales contracts** executed FY18 Year-To-Date
  - *US$21.6m : 1H18*
  - *US$4.9m : 01-Jan-18 through to 16-Feb-2018*
  - *Compares to FY17 full year result : US$29.5m…*
    - *positioned for strong growth in bookings and therefore growth in revenue backlog leading into FY19*
- **US$35.0m of contracted revenue backlog at 31-Dec-17**
  - Stronger contracted revenue position indicates an increase in revenue in the June 2018 half year, compared to the first half
  - Contracted revenue backlog for 2H18 = US$11.0m, which is US$2.8m better than the position at at the start of the previous half
    - *Contracted revenue to be recognised in upcoming half year:*
      - *2H18 : US$11.0m expected to be recognised*
      - *1H18 : $8.2m was contracted at the start of the half and subsequently recognised as part of total clinical trials revenue of US$12.8m in the half year to 31-Dec-17*
  - Continued growth in contracted revenue backlog leads to revenue growth in future periods


Financial Performance

# Half Year Segment Analysis

| FOR THE 6 MONTHS ENDED | | 31-Dec-16 US$'m | 30-Jun-17 US$'m | 31-Dec-17 US$'m |
|---|---|---|---|---|
| Clinical Trials | Revenue | 13.91 | 12.28 | 12.83 |
| | **Contribution** | **8.17** | **6.25** | **6.84** |
| | % | 58.7% | 50.9% | 53.3% |
| Healthcare | Revenue | 0.10 | 0.10 | 0.17 |
| | **Contribution** | **(0.23)** | **(0.70)** | **(0.83)** |
| R&D | Revenue | 0.00 | 0.01 | 0.37 |
| | **Contribution** | **(0.22)** | **(0.35)** | **(0.06)** |
| | | | | |
| Product Development* | | (2.18) | (1.96) | (1.15) |
| Other costs | | (4.67) | (4.49) | (5.43) |
| Other Income | | 0.05 | 0.04 | 0.04 |
| Foreign exchange gains/(losses) | | 0.18 | (0.55) | 0.06 |
| **Net Profit/(Loss) Before Tax** | | **1.10** | **(1.76)** | **(0.52)** |

* Product Development costs for the half year to 31-Dec-17 are net of $1.12m of costs that were capitalised – more detail in coming slides.
Also see note 6 on Page 22 of the financial statements

# Technology Developments

# Intangible Assets

## Software Development

- US$1.1m costs associated with development of new platform infrastructure has been capitalised during the half year ended 31-Dec-17
- These costs largely represent labour costs (internal) expended in building the new platform.
- The new platform will replace custom-built infrastructure that was launched in 2006, was inefficient to maintain and did not provide necessary functionality for future commercial plans
- The new platform is expected to provide:
  - Operational efficiency through better and easier management and reporting of data
  - A more scalable and flexible system
- The capitalised amount will be amortised over 3 years from the date of commercial launch of the new platform, which is expected in Q4 FY18
- The total amount of costs capitalised during 2H18 are expected to be less than those capitalised in the first half of the financial year

# Cogstate Technology Strategy

We are going to continue to build out our modular cognitive platform adding support for new therapeutic markets, channels and customer applications to deliver our Cogstate services to the market increasing speed, efficiency and quality.

- Additional eCOA[1] capabilities to support more complex scales[2] utilising pen based entry.
- Support the integration of Cogstate computerised tests onto other channel partner hardware.
- Build out scales and computerised tests to support expansion into Depression, Oncology, and Early Phase clinical trials.
- Innovate to build and support new test types, modalities (Audio, Virtual Reality, Wearables) and 3rd party created assessments.

End Goal: A single platform to deliver **all cognitive and functional assessments together on a single interface and a single data management solution** – resulting in time, cost and quality benefits to the sponsor and a better experience for the sites and patients.

*1: eCOA: electronic clinical outcome assessment – digital delivery of assessments and digital data capture*
*2: Scales: standardised cognitive assessments*


Leadership & Expertise

# Addition of key science personnel

In Feb 2018, Cogstate has added 3 senior experts to our team:

- The additional resources will be primarily focused on support of business development activities and customer deliverables
  - As such, all associated costs will fall within cost of sales, rather than overhead expenses
  - Additional costs are not expected to negatively impact gross margin % for the Clinical Trials segment
- Scientific expertise is an important differentiator from our competitors
- Earlier involvement leads to higher win rates on sales proposals
  - Scientific consulting provides Cogstate's earliest point of involvement in a potential clinical trial
  - Historically, early involvement (such as consultancy in respect of trial design) improves conversion rates from proposal to sale
- Additional resources removes potential growth limitation
  - Additional resources enables Cogstate to engage with more customers at early stage
- Broadening Cogstate's areas of expertise
  - Specific skills and experience added in respect of Alzheimer's disease (Cogstate's biggest market)
  - We have identified Pediatric clinical trials (studies in children) as a strategic growth area *(because regulators are beginning to insist upon measurement of cognition as a safety endpoint in some Pediatric trials)* and therefore we have added specific skills to address that market

This is an important next stage of development, in many ways similar to the addition of business development resources in FY15

# Eric Siemers, MD

- Distinguished Medical Adviser
  - Start date at Cogstate: February 2018, 1 day per week (0.2 FTE)
  - Support of Clinical Trials customers:
    - Advisory services, trials design (particularly AD), support of business development
  - Support of Cognigram
    - Promotion, in scientific and other public forums, of the link between regular cognitive screening (Cognigram) and better health outcomes.

- Bio
  - Joined Eli Lilly & Company in 1998, and most recently achieved the title of Distinguished Medical Fellow for the Alzheimer's Disease Global Development Team.
  - In his early career at Lilly, he was responsible for early phase clinical trials for Alzheimer's disease, and was heavily involved with the development of new biomarkers.
  - Until December 2017, he directed late stage clinical research efforts at Lilly concerning investigational treatments for Alzheimer's disease, and was more broadly involved with other neurological indications such as Parkinson's disease.
  - While at Lilly, participated in multiple industry groups and public-private partnerships (PPP).

- Other industry associations:
  - Founding member of the Alzheimer's Association Research Roundtable and is the immediate past chair. Cogstate is a member of the AD Research Roundtable.
  - Member of the Steering Committee for the Alzheimer's Disease Neuroimaging Initiative (ADNI). He served as the chair of the Industry Scientific Advisory Board for ADNI in 2007 and previously served as a member of the Resource Allocation Request Committee. Cogstate selected as computerised cognitive assessment in ADNI studies.
  - A4 Study – Dr Siemers was responsible for the Lilly participation in the A4 study. A4 is a landmark PPP funded by National Institute of Aging/NIH, Lilly and several philanthropic organisations. Cogstate technology is a cognitive endpoint in A4.
  - DIAN-TU – Dr Siemers was responsible for the Lilly participation in the DIAN-TU study. DIAN-TU is the world's first prevention randomized clinical trial for at-risk families with Dominantly Inherited Alzheimer's Disease. Cogstate technology is a cognitive endpoint in DIAN-TU.
  - Member of the NIA working group that proposed criteria for preclinical Alzheimer's disease in 2011, and is a member of the current working group developing a "Research Framework" for the AD continuum.
  - Past member of the Board of Directors of the American Society of Experimental Neurotherapeutics.

# Chris Edgar, PhD

- Senior Vice President, Clinical Science
  - Start date at Cogstate: Feb 2018, based in London, UK
  - At Cogstate, role will include:
    - Working within the Clinical Trials segment, supporting sales and business development activities
    - Scientific advisory in respect of measurement of cognition in clinical trials
- Bio:
  - 15 years industry experience
  - Last 4 years with Roche, Senior Scientist, Patient Centred Outcomes Research:
    - Delivering program level endpoint strategies for neuroscience
    - Expert in patient focused drug development
  - Prior to Roche, 8 years at Cognitive Drug Research (CDR) and then 2 years at Bracket
    - CDR was a Cogstate competitor that was acquired by Bracket

# Pam Ventola, PhD

- Senior Science Director, Pediatric and Rare Diseases
  - Start date at Cogstate: February 2018, based in New Haven, CT
  - At Cogstate, role will include:
    - Working within the Clinical Trials segment, supporting sales and business development activities in pediatric and rare diseases
    - Scientific advisory in respect of measurement of cognition in clinical trials, particularly pediatric trials
- Bio:
  - Has consulted to Cogstate for 7 years and is highly regarded and sought after by pharmaceutical companies developing therapies in pediatric and rare diseases
  - Most recently, Assistant Professor and Clinical Director of the center for Translational Developmental Neuroscience at the Yale Child Study Center
  - Primary research interests include autism spectrum disorders and other developmental disabilities.

# Financial Outlook

# Financial Outlook – to 30 June 2018

- Clinical Trials
  - Sales prospects remain strong
  - Good to start to March quarter with US$4.9m of contracts executed in the first 6 weeks
  - Revenue growth expected in 2H18 vs 1H18 (refer slide 4)
  - Maintenance of gross margin % in Clinical Trials segment
- Cognigram
  - Continue commercialization activities
  - Reaffirm previous guidance of US$2.5m negative contribution to the overall result in FY18 from Cognigram product launch, marketing and other commercialization activities
- Product development
  - Reaffirm previous guidance of total expenditure on product development of approximately US$5.2m for FY18 *(where "total expenditure" includes amounts capitalised as well as amounts expensed)*
  - The amount to be capitalized in 2H18 is expected to be less than 1H18, with new platform scheduled for Q4 FY18 release
- Cost control
  - Other costs are not expected to materially change from 1H18 to 2H18

# Cogstate


# Appendices:

# Corporate overview

## Strong conviction from long-term shareholders has enabled Cogstate to develop a unique technology platform, extensive validation and expanding supporting services.

### Highly credentialed and well aligned Board and management team holding >40% of Cogstate shares

| 42.2% | Shareholding of current Board and management | |
|---|---|---|
| 17.3% | **Dolby Family** | ▪ *Related party to Non-Executive Director, David Dolby*<br>▪ *Shareholder since November 2013* |
| 17.2% | **Martyn Myer AO** | ▪ *Chairman*<br>▪ *Co-founder and shareholder since 1999 as provider of seed capital* |
| 7.7% | **Other Board and management** | |

| 23.4% | Other significant shareholders | |
|---|---|---|
| 10.0% | **Fidelity International Limited** | ▪ *Substantial shareholder since Nov 2016* |
| 7.9% | **Nebula Neuro**<br>(Dr. Alan Finkel AO) | ▪ *Currently Australia's Chief Scientist*<br>▪ *Previous Director of Cogstate*<br>▪ *Shareholder since 2006, substantial shareholder since May 2015* |
| 5.5% | **Anacacia Pty Ltd** | ▪ *Substantial shareholder since Nov 2017* |

**Trading information**

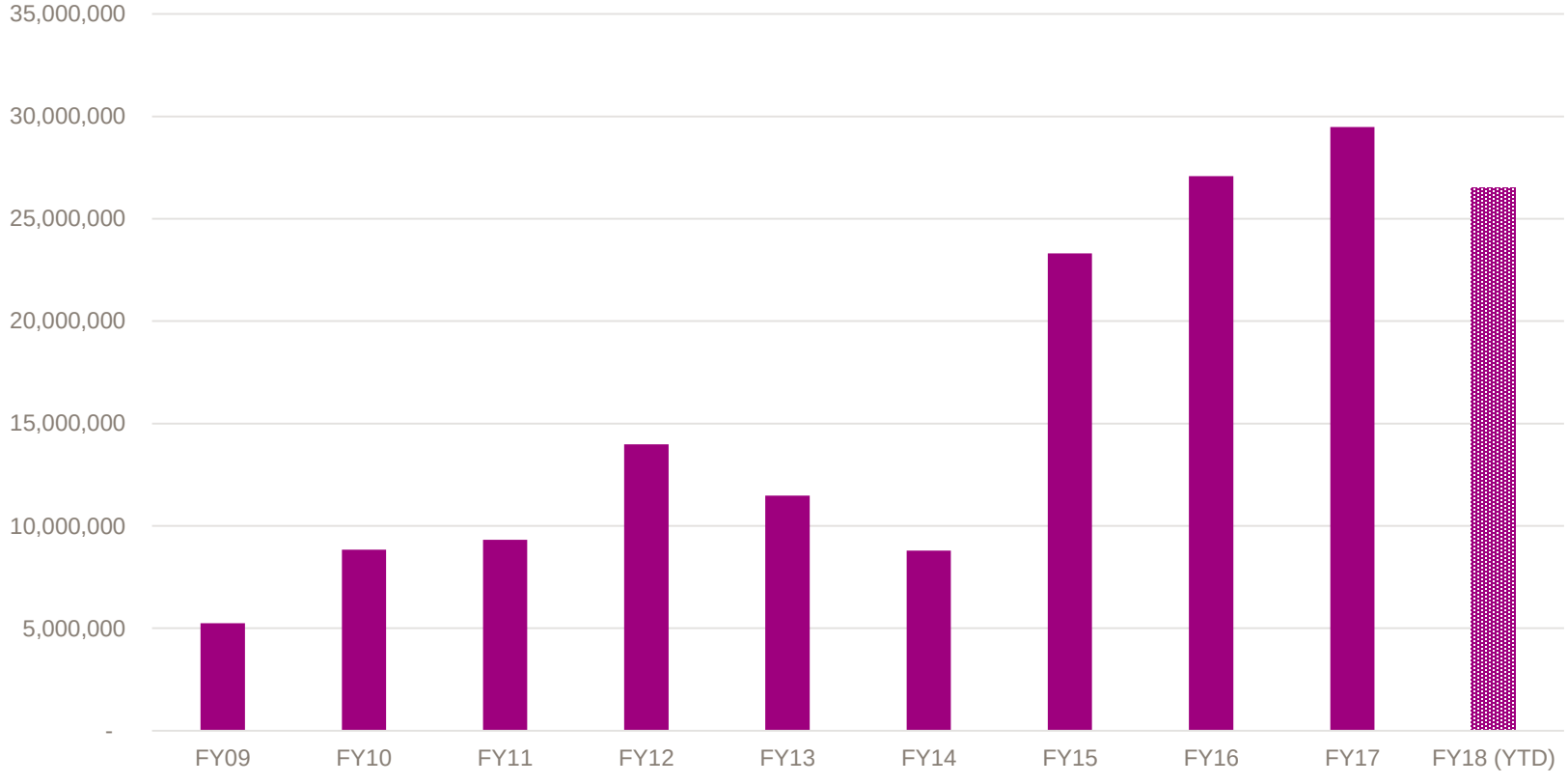
| | |
|---|---|
| Share price (16-Feb-18) | A$0.945 |
| Number of shares | 114.3m |
| **Market capitalisation** | **A$108m** |

**Board of directors**

| | |
|---|---|
| **Martyn Myer** | Non-Exec Chairman |
| **Brad O'Connor** | Chief Executive Officer |
| **David Dolby** | Non-Exec Director |
| **Rich Van Den Broek** | Independent Non-Exec Director |
| **Dr. Richard Mohs** | Independent Non-Exec Director |
| **Jane McAloon** | Independent Non-Exec Director |

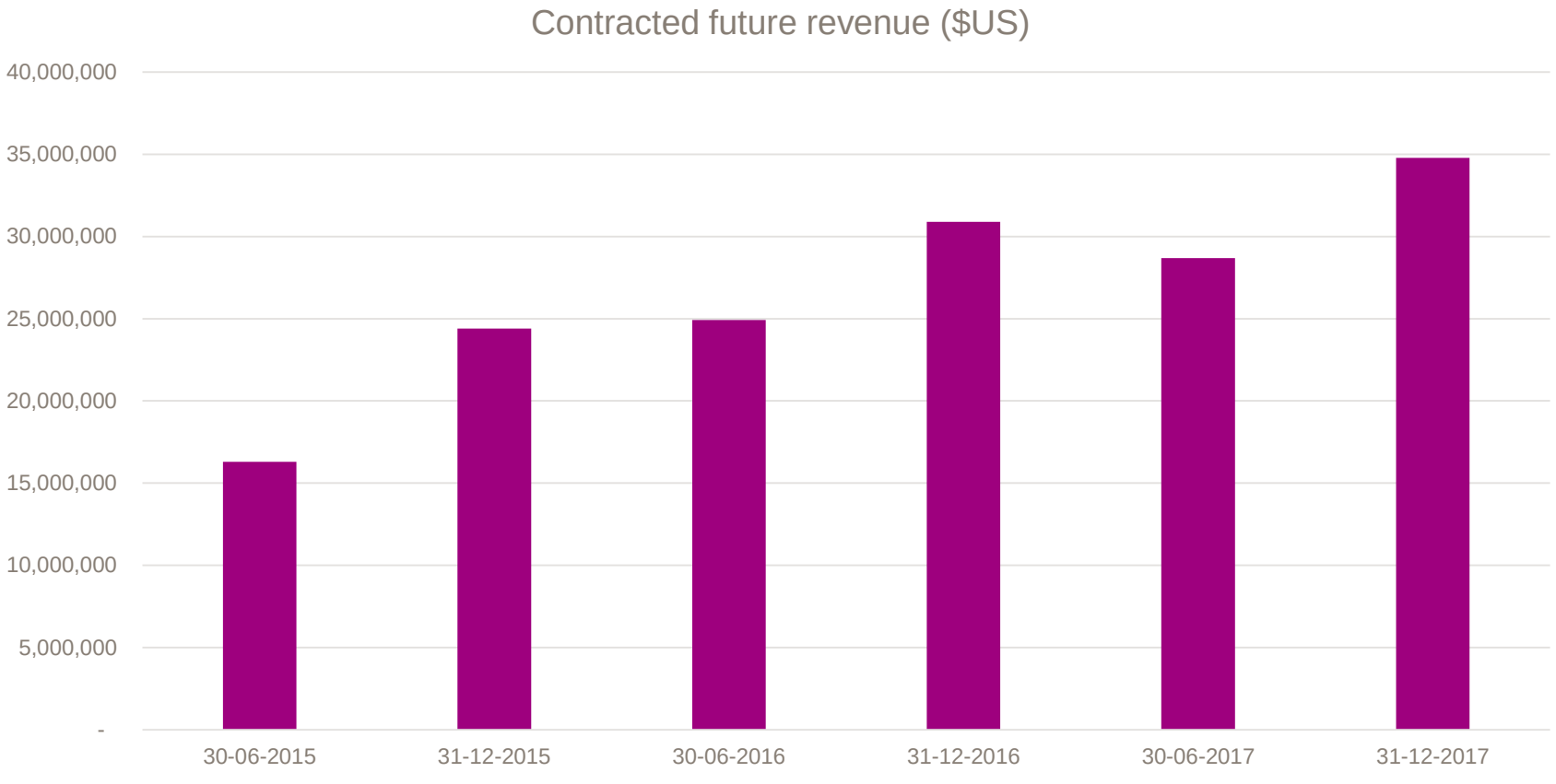
Source: IRESS, company information

# Clinical Trial Sales Contracts




Notes:
Financial Year runs 1 July – 30 June
FY18 (YTD) represents the period from 1 July 2017 to 16 February 2018

# Contracted Revenue Backlog



# Clinical Trials: Book-to-Bill Analysis