

# ASX Announcement

## 9 April 2020

All figures are reported in US\$

## Business Update and March 2020 Quarter Cashflow (Appendix 4C)

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the quarter ended 31 March 2020.

### Summary of Results

	Quarter Ended 31 Mar 2020 (3Q20) US\$'000,000	Prior Quarter 31 Dec 2019 (2Q20) US\$'000,000	PCP* 31 Mar 2019 (3Q19) US\$'000,000
Sales contracts executed (clinical trials division) <sup>1</sup>	10.7	19.2	3.8
Contracted future revenue <sup>3</sup>	42.1	37.2	22.7
Total revenue <sup>2,4</sup>	6.3	4.7	5.4
Total cash & receivables	14.6	11.3	7.4
- Cash reserves	7.3	7.2	3.6
- Trade receivables	7.3	4.1	3.8

\* PCP = Prior Corresponding Period

### Highlights

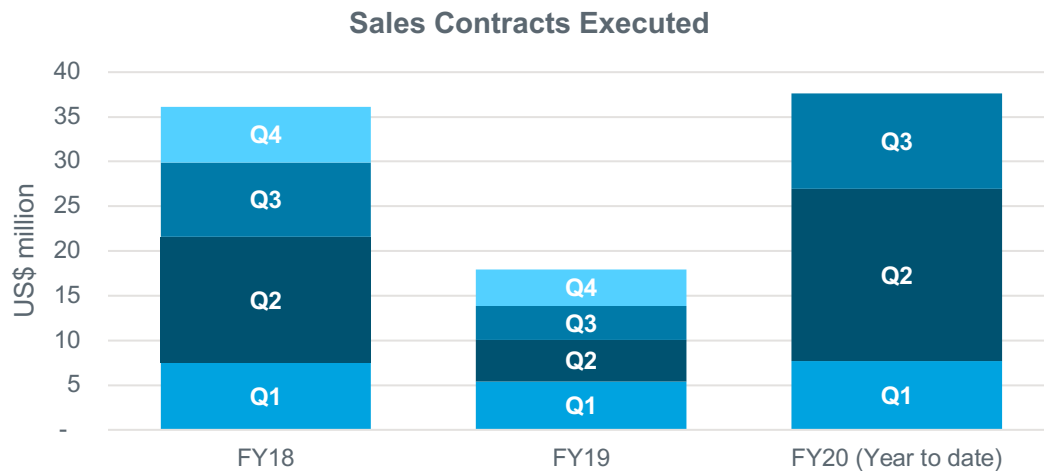
- **Record high sales contracts executed:** Clinical Trials sales contracts totalled \$10.7 million during 3Q20, taking the year to date total to \$37.6 million. This makes FY20 already the most successful financial year for Clinical Trials sales contracts executed, even with another quarter left to run.
- **Revenue increase:** As expected, the substantial increase in Clinical Trials sales contracts in the previous quarters resulted in an increase in revenue during 3Q20. Revenue of \$6.3 million for 3Q20 was a 34% increase on the prior quarter and a 17% increase on the prior corresponding period.
- **Future revenue backlog sets new record:** Notwithstanding the increase in 3Q20 revenue, the amount of contracted future revenue again increased to a new record total of \$42.1 million.
- **Cash positive quarter:** Cash reserves totalled \$7.3 million at 31 March 2020, an increase of \$0.1 million during 3Q20.
- **Increased receivables:** Trade receivables totalled \$7.3 million at 31 March 2020, an increase of \$3.2 million (78% increase) during 3Q20. The higher receivables balance at 31 March 2020 is expected to result in an increase in cash receipts from customers in the June quarter.
- **COVID-19 update:** At this time, the COVID-19 pandemic has not had a material positive or negative impact on the Company's trading performance. An update is provided in respect of business continuity planning and anticipated customer impact of the isolation and social distancing measures being adopted in different countries.

## Explanatory Notes

1. **Sales contracts:** In the Clinical Trials division, Cogstate enters into contracts (“sales contracts”) with both pharmaceutical and biotechnology companies for the provision of Cogstate technology and services, for use in clinical research trials, to determine the extent to which their investigational compound is impacting the cognition of the patient population. The contract value will differ for each clinical trial, depending upon the scope of the technology and services provided by Cogstate, as well as the complexity and length of the trial. An increase in the total value of sales contracts executed will increase the revenue backlog and will, over time, result in an increase to revenue recognised by Cogstate.
2. **Calculation of revenue from Clinical Trials division:** Revenue from sales contracts is recognised over the life of the contract. The length of a clinical trial can vary from several months for a phase 1 study and up to 4-5 years for a phase 3 study. Revenue is recognised based upon achievement of pre-determined milestones. During each period, revenue may be recognised from (i) contracts in the backlog at the beginning of the period, as well as (ii) sales contracts executed during the period. Usually there is a time lag between an increase or decrease in the level of sales contracts executed and a corresponding change to recognised revenue.
3. **Contracted future revenue backlog:** Executed sales contract values that have not yet been recognised as revenue at period end are referred to as “contracted future revenue”. The revenue from these contracts will be recognised upon achievement of pre-determined milestones throughout the clinical trials. The contracted future revenue figure provides insight into future revenue performance.
4. **Healthcare revenue:** Cogstate has developed tools specifically designed to aid healthcare professionals, in general and specialist practice medicine, with objective assessments of cognition in patients. Cogstate’s Healthcare offering includes the system branded as Cognigram™, a medical device which allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors, including neurodegenerative diseases such as Alzheimer’s disease. In August 2019, Cogstate entered into an exclusive licensing agreement with pharmaceutical company Eisai, under which Eisai will market Cogstate technology as digital cognitive assessment tools in Japan targeting physicians, corporations, municipalities and also directly to consumers. Launch of Cogstate technology in Japan is expected to occur within the half year ending 30 June 2020. With an increased focus on brain health in the community and with the potential upcoming release of a disease modifying treatment in patients with early Alzheimer’s disease, Cogstate is focused on the growth opportunity that the Healthcare market provides.

## Sales Contracts Executed

For the quarter ended 31 March 2020, Cogstate executed \$10.7 million of Clinical Trials sales contracts – the best third quarter result ever recorded by Cogstate (*previous best \$8.3m recorded in third quarter FY18*). The 3Q20 result represented 182% growth on the prior corresponding period (March 2019).



Total Clinical Trials sales contracts executed financial year to date total \$37.6 million, making FY20 Cogstate's most successful year on record for Clinical Trials sales contracts, notwithstanding that there is another quarter left to run for the 2020 financial year.

For context, a history of Clinical Trials sales contracts executed, per quarter, since 1 July 2016 is provided:

	Sep Quarter \$m	Dec Quarter \$m	1 <sup>st</sup> Half \$m	Mar Quarter \$m	Jun Quarter \$m	2 <sup>nd</sup> Half \$m	Financial Year
<b>FY17</b>	\$17.3	\$5.7	\$23.0	\$3.6	\$3.0	\$6.6	\$29.6
<b>FY18</b>	\$7.5	\$14.1	\$21.6	\$8.3	\$6.2*	\$14.5	\$36.1
<b>FY19</b>	\$5.4	\$4.6	\$10.0	\$3.8	\$4.1	\$7.9	\$17.9
<b>FY20 (to date)</b>	\$7.7	\$19.2	\$26.9	\$10.7	n/a	n/a	n/a

\*Excludes \$6.4m of study cancellations that were recognised at 30 June 2018.

## Revenue

Total revenue of \$6.3 million for 3Q20 was a 34% increase on the prior quarter and a 17% increase on the prior corresponding period.

Revenue	1Q20 US\$ million	2Q20 US\$ million	3Q20 US\$ million
Clinical Trials	3.80	4.46	5.74
Healthcare	1.15	0.14	0.45
Research	0.06	0.08	0.10
<b>Total Revenue</b>	<b>5.01</b>	<b>4.68</b>	<b>6.29</b>

Additional Healthcare revenue recognised during 3Q20 predominantly relates to payments received from Eisai in respect of the license of Cogstate technology in Japan. The revenue reflects services provided by Cogstate to Eisai. Whilst product launch occurred in Japan at the end of 3Q20, profit share is not expected in the near term.

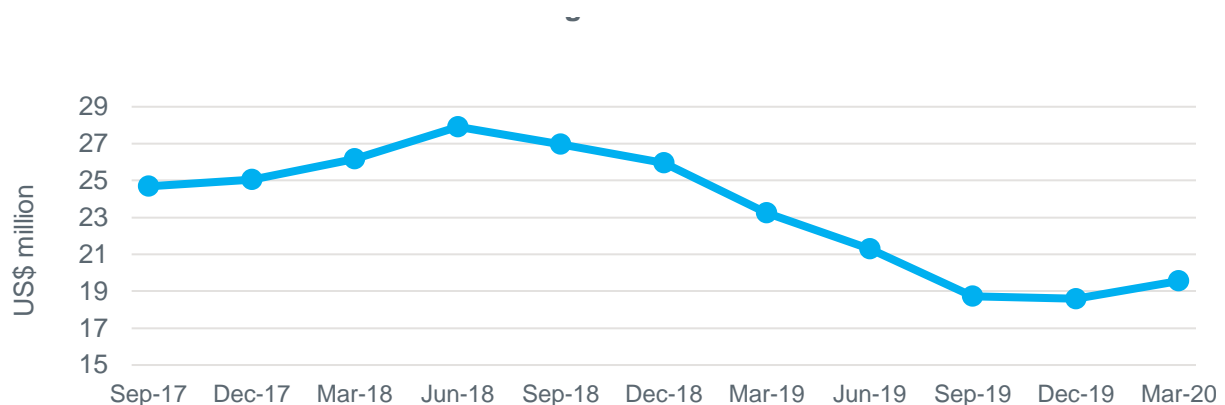
In line with previous guidance, the substantial increase in Clinical Trials sales contracts in the previous quarters resulted in an increase in Clinical Trials revenue totalling \$5.74 million for 3Q20, which was a 29% increase on the prior quarter and a 11% increase on the prior corresponding period.

In addition to the \$5.74 million Clinical Trials revenue recognised, a further amount of \$2.2 million has been invoiced to customers but recorded as a Current Liability (Revenue in Advance), to be recorded as revenue upon completion of Cogstate activities necessary to satisfy the accounting standard for revenue recognition. Almost all of that balance is expected to be recognised as revenue during the June 2020 quarter.

The graph below shows 12 month rolling revenue from the Clinical Trials segment only – it excludes revenue from both the Healthcare segment and the Research segment.

Following the cancellation of a number Alzheimer's disease clinical trials that occurred during the 2018 calendar year, Clinical Trials revenue began to decrease and continued that downward trend through FY19 due to the resulting lower level of Clinical Trials sales contracts executed during that financial year.

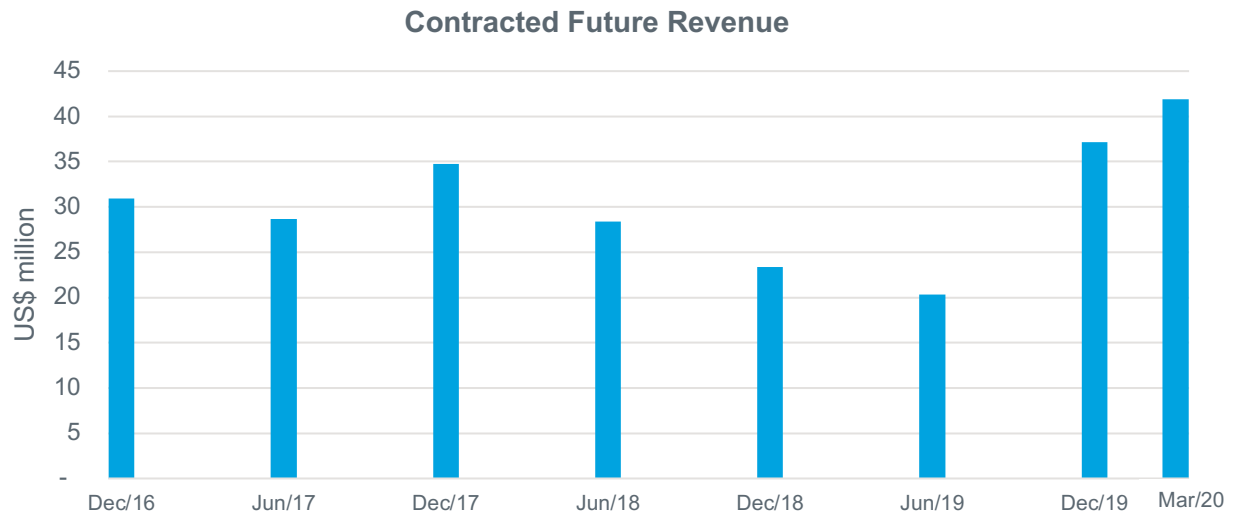
The substantial increase in Clinical Trials sales contracts executed over the last nine months has resulted in an increase in revenue in the March quarter.



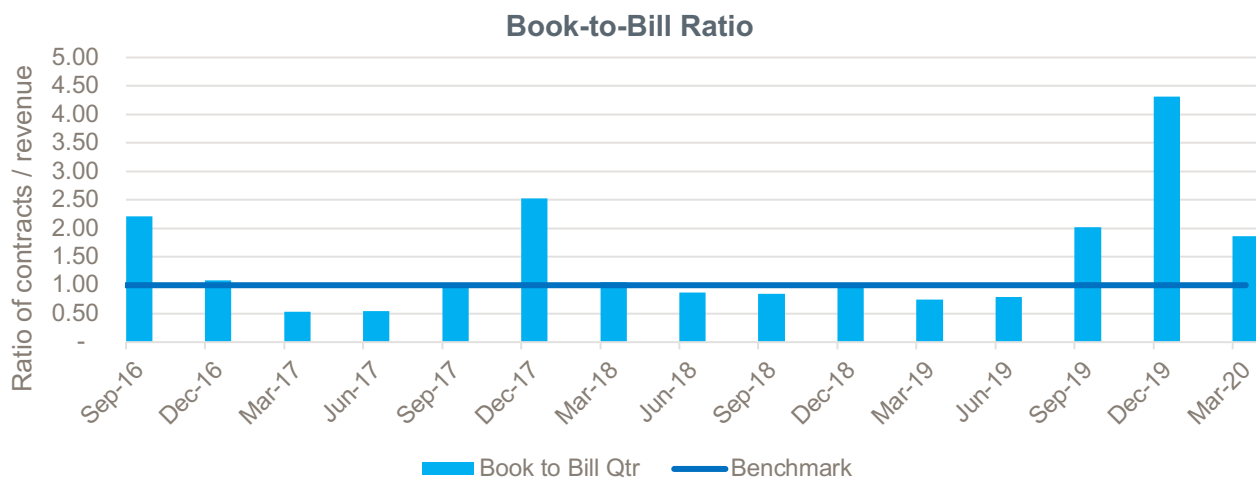
## Contracted Future Revenue

The contracted future revenue figure provides insight into future revenue performance. At 31 March 2020, Cogstate had \$42.1 million of contracted Clinical Trials revenue to be recognised in future periods – eclipsing the record balance of \$37.2 million that was set at 31 December 2019.

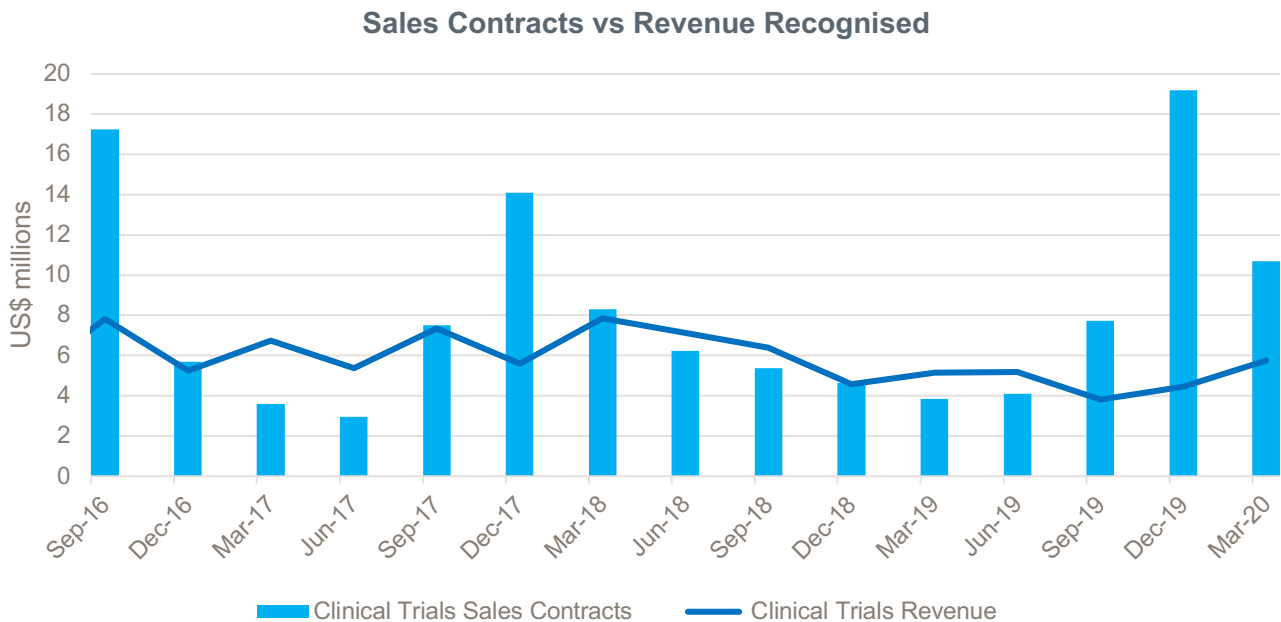
The graph below shows contracted future revenue as at the end of each half year period since December 2016, with the addition of the March 2020 result:



3Q20 Book-to-Bill ratio was 1.86 - the third consecutive quarter of growth. Book-to-bill ratio represents new business wins (Sales Contracts) divided by the quarter's revenue and is widely used in the pharmaceutical services industry as a measure of demand. A figure over 1.0 is indicative of an increase in contracted future revenue backlog.



The graph below shows a different analysis of the same data, both sales contracts and revenue, but raw numbers rather than a ratio as shown above.



### Operating Cash Flow and Balance Sheet

- Net cash inflow of \$0.15 million for the March 2020 quarter
  - Net Operating Cash inflow was \$0.06 million for the quarter.
  - Net Investing Cash outflow was \$0.12 million for the quarter.
  - Net Financing Cash inflow was \$0.21 million for the quarter.
- Cash balance of \$7.3 million at 31 March 2020, up from \$7.2 million at 31 December 2019
  - Trade Receivables balance of \$7.3 million at 31 March 2020, up from \$4.1 million at 31 December 2019
- Gross Operating Cash outflows of \$7.16 million for the March 2020 quarter, a decrease of \$0.5 million from the prior December 2019 quarter (\$7.66 million). This reduction in operating cash outflows is partly due to the reallocation of costs regarding financing leased assets; from *Operating Activities* to *Financing Activities* (refer to 1.2(d) and 3.9 within Appendix 4C below) as well as managing expenditure across all operating activities.
- Quarterly Gross Operating Cash outflows (excluding clinical trial specific 3<sup>rd</sup> party costs that are passed through to the customer) are detailed below:
  - Sep 2018 \$9.37m
  - Dec 2018 \$5.71m
  - Mar 2019 \$6.52m
  - Jun 2019 \$5.74m
  - Sep 2019 \$6.95m
  - Dec 2019 \$5.50m
  - Mar 2020 \$5.97m
- Proceeds from the issue of shares relates to exercise of employee options, predominantly 1,100,000 employee options exercised by Cogstate CEO, Brad O'Connor.

## COVID-19 Update

Business continuity strategies have been implemented, and all Cogstate staff have transitioned successfully to working from home. Cogstate's work processes and IT infrastructure have been long established for cross-border teams to work together, supporting ongoing, real-time communication, whether working in an office or remotely. As part of normal working arrangements, Cogstate staff do not travel to Clinical Trial sites, but provide all site training and other contact with site staff via online digital systems; therefore, all regular working arrangements can be delivered in a work-from-home environment.

Cogstate staff are focused on delivering against the substantial increase in Clinical Trials sales contracts that have been executed over the last nine months. The current workload is large but manageable for the current team – all hiring decisions have been placed on hold for now and will be reviewed over the coming months based upon the level of new Clinical Trials sales contracts executed.

Cogstate customers are predominantly large pharmaceutical companies and therefore we do not anticipate that these customers will suffer from significant disruption to their revenue as a result of COVID-19 and associated isolation measures. Furthermore, the investment decisions in respect of research and development by the large pharmaceutical companies tend to have a long-term focus. Smaller biotech customers may be more impacted by COVID-19 and associated isolation measures.

During 3Q20, Cogstate did not see any substantial decrease in the amount of site-based activity (patient testing) in ongoing clinical trials, however there is an expectation of some disruption to site-based activity in 4Q20. Based upon ongoing conversations with Cogstate customers, we anticipate that COVID-19 will drive both positive and negative impacts to some revenue line items in 4Q20 for ongoing contracted clinical trials, although the quantum of the net impact cannot currently be quantified:

Revenue Type	Anticipated Impact
• Software license fees	<i>No impact expected</i>
• Data management and central monitoring fees	<i>Activities delayed and therefore revenue delayed</i>
• Alteration to study assessments (protocol amendment)	<i>Additional revenue due to software rebuild</i>
• Development of solutions for at-home assessment	<i>Additional revenue due to additional services</i>

The above assessment deals with ongoing, contracted clinical trials. What is unknown at this time is whether long-term isolation and social distancing measures will impact the preparedness of large pharmaceutical companies to plan and contract for upcoming clinical trials that are projected to commence later in the 2020 calendar year or early in the 2021 calendar year. We will continue to work closely with our customers as these determinations are made. Due to the inherent uncertainty regarding the length and severity of isolation measures in different countries, Cogstate is unable to comment on the likely impact of these measures on the expected value of Clinical Trials sales contracts executed in FY21. A further update will be provided as required.

To date, there has been no impact to the planned launch of Cogstate technology to businesses and consumers in Japan. On 31 March 2020, Cogstate's commercial partner in Japan, Eisai Co. Ltd., launched "NouKNOW", a digital tool for self-assessment of brain health based upon technology created by Cogstate. The Japanese product launch will initially target (i) municipalities providing health services to local residents and (ii) corporations providing health checks for employees.

This announcement was authorised for release by the Board of Directors of Cogstate Ltd.

## **About Cogstate**

Cogstate Ltd (ASX:CGS) is the neuroscience technology company optimising brain health assessments to advance the development of new medicines and to enable earlier clinical insights in healthcare. Cogstate technologies provide rapid, reliable and highly sensitive computerised cognitive tests across a growing list of domains and support electronic clinical outcome assessment (eCOA) solutions to replace costly and error-prone paper assessments with real-time data capture. The company's clinical trials solutions include quality assurance services for study endpoints that combine innovative operational approaches, advanced analytics and scientific consulting. For 20 years, Cogstate has proudly supporting the leading-edge research needs of biopharmaceutical companies and academic institutions and the clinical care needs of physicians and patients around the world. In the Healthcare market, Cogstate has recently entered into an exclusive licensing agreement with pharmaceutical company, Eisai, under which Eisai will market Cogstate technologies as digital cognitive assessment tools in Japanese markets. For more information, please visit [www.cogstate.com](http://www.cogstate.com).

### **For further information contact:**

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Cogstate Chief Executive Officer  
[boconnor@cogstate.com](mailto:boconnor@cogstate.com)



## Quarterly Report – 31 March 2020

### Summary Financial Table

	Quarter Just Completed 31-Mar-20 US\$ million	Previous Quarter 31-Dec-19 US\$ million	Previous Corresponding Quarter 31-Mar-19 US\$ million
<b>Receivables</b>			
Opening balance	4.13	2.15	4.64
Closing balance	7.32	4.13	3.80
<b>Net Increase/(Decrease) in Receivables</b>	<b>3.19</b>	<b>1.98</b>	<b>(0.84)</b>
<b>Payables</b>			
Opening balance	(4.53)	(2.17)	(4.20)
Closing balance	(5.04)	(4.53)	(4.00)
<b>Net Increase/(Decrease) in Payables</b>	<b>0.51</b>	<b>2.36</b>	<b>(0.20)</b>
<b>Cash Flow</b>			
Cash receipts from customers	7.23	6.54	6.33
Cash payments to employees	(5.28)	(4.47)	(4.70)
Cash payments to suppliers	(2.12)	(3.19)	(2.08)
Cash receipts, non-trading	0.23	(0.01)	0.03
<b>Net Operating Cash In/(Out) Flows</b>	<b>0.06</b>	<b>(1.13)</b>	<b>(0.42)</b>
<b>Net Investing Cash In/(Out) Flows</b>	<b>(0.12)</b>	<b>(0.10)</b>	<b>(0.09)</b>
<b>Net Financing Cash In/(Out) Flows</b>	<b>0.21</b>	<b>3.71</b>	<b>0.00</b>
Foreign exchange movement	-	-	-
<b>Net Increase/(Decrease) in cash held</b>	<b>0.15</b>	<b>2.48</b>	<b>(0.51)</b>

## Appendix 4C

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

**Name of entity**

Cogstate Limited

**ABN**

80 090 975 723

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

31 March 2020

Consolidated statement of cash flows		Current quarter \$US	Year to date (9 months) \$US
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		7,225,978	19,694,565
1.2 Payments for			
(a) research and development		(39,300)	(65,402)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(11,651)	(152,246)
(d) leased assets		-	-
(e) staff costs		(5,276,104)	(14,600,781)
(f) administration and corporate costs		(1,440,624)	(4,380,953)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		4,378	13,755
1.5 Interest and other costs of finance paid		(82,877)	(112,335)
1.6 Income taxes paid		(84,889)	(208,172)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)			
Grant funds received (non-Government)		226,667	226,667
Accounting & Audit		(103,649)	(386,441)
Computer costs		(73,888)	(1,110,727)
Legal costs, including patent costs		(26,632)	(181,512)
Listing fees & Associated costs		(15,863)	(89,354)
Travel Costs		(240,269)	(677,755)
<b>1.9 Net cash from / (used in) operating activities</b>		<b>61,277</b>	<b>(2,030,691)</b>

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (9 months) \$US
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(171,965)	(294,262)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) Repayment of short-term borrowings	51,239	(448,761)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(120,726)</b>	<b>(743,023)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,460,805
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	184,953	213,144
3.4	Transaction costs related to issues of equity securities or convertible debt securities	50,862	(129,803)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (9 months) \$US
3.9	Other (provide details if material)	(30,050)	(639,684)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>205,765</b>	<b>6,904,462</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>7,200,450</b>	<b>3,216,019</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	61,277	(2,030,691)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(120,726)	(743,023)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	205,765	6,904,462
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,346,767</b>	<b>7,346,767</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 \$US</b>	<b>Previous quarter \$US</b>
5.1	Bank balances	7,346,767	7,200,450
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,346,767</b>	<b>7,200,450</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	64,838
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$US</b>	<b>Amount drawn at quarter end \$US</b>
7.1 Loan facilities	836,538	453,848
7.2 Credit standby arrangements	54,491	54,491
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>891,029</b>	<b>508,339</b>

7.5 **Unused financing facilities available at quarter end** **382,690**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Bank overdraft (A\$500k)  
Credit cards (A\$45k)  
Trade finance facility (US\$500k)  
Bank Guarantee (A\$88k)

<b>8. Estimated cash available for future operating activities</b>	<b>\$US</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	61,277
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,346,767
8.3 Unused finance facilities available at quarter end (Item 7.5)	382,690
8.4 Total available funding (Item 8.2 + Item 8.3)	7,729,457
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	126.14

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

## 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.

Date: 9 April 2020



Authorised by:  
By the Board of Cogstate Ltd

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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+ See chapter 19 for defined terms.