

ASX Announcement

26 August 2020

FY20 Financial Results & Business Outlook

Cogstate Ltd (ASX:CGS) has today released its annual financial report for the year ended 30 June 2020, including Appendix 4E and Annual Report to Shareholders. A summary of results is provided below.

Also provided below is commentary in respect of expectations for the business and financial outlook – please see pages 3 and 4.

Summary of Results

All figures are stated in US\$

	30 June 2020 US\$	30 June 2019 US\$	Movement	
			US\$	%
Total revenue from ordinary activities	23,686,608	21,834,374	1,852,234	8.5%
- Clinical Trials revenue	21,075,922	21,353,341	(277,419)	-1.3%
- Healthcare revenue	2,350,910	296,384	2,054,526	693.2%
- Research revenue	259,776	184,649	75,127	40.7%
Loss before income tax	(2,079,178)	(3,850,719)	1,771,541	46.0%
- Loss before income tax (First Half Year)	(2,902,454)	(2,802,081)	(100,373)	-3.6%
- Profit/(loss) before income tax (Second Half Year)	823,275	(1,048,638)	1,871,914	178.5%
Loss after tax (from ordinary activities) for the period attributable to members	(1,315,796)	(2,495,767)	1,179,971	47.3%

	Half Year 31 Dec 2019 US\$	Half Year 30 June 2020 US\$	Full Year 2020 US\$	Full Year 2019 US\$
Revenue from operations	9,687,302	13,999,306	23,686,608	21,834,374
Clinical Trials				
Revenue	8,252,878	12,823,044	21,075,922	21,353,341
Cost of sales (excluding direct depreciation)	(4,354,786)	(4,431,027)	(8,785,813)	(8,566,200)
Gross margin	3,898,092	8,392,017	12,290,109	12,787,142
SG&A	(1,701,032)	(1,748,830)	(3,449,862)	(3,097,228)
Clinical Trials Segment Contribution	2,197,060	6,643,187	8,840,247	9,689,914
	26.6%	51.8%	41.9%	45.4%
Healthcare Solutions				
Revenue	1,298,315	1,052,595	2,350,910	296,384
Direct costs	(69,482)	(45,236)	(114,718)	(1,106,276)
Healthcare Solutions Segment Contribution	1,228,833	1,007,359	2,236,192	(809,892)
Research Solutions				
Revenue	136,109	123,667	259,776	184,649
Direct costs	(466,193)	(470,525)	(936,718)	(822,860)
Research Solutions Segment Contribution	(330,084)	(346,858)	(676,942)	(638,211)
Other operating costs	(5,079,020)	(5,481,881)	(10,560,901)	(11,535,800)
EBITDA excluding share based compensation	(1,983,211)	1,821,807	(161,404)	(3,293,989)
Share based payments (expense of employee options)	17,956	99,710	117,666	(50,975)
Depreciation and amortisation	(899,562)	(1,108,642)	(2,008,204)	(495,439)
Profit/(loss) before tax, interest and other income	(2,864,818)	812,876	(2,051,942)	(3,840,403)
Interest income	11,862	127	11,989	19,574
Interest expense	(49,498)	(58,437)	(107,935)	(29,890)
Government Income	-	68,710	68,710	-
Net profit/(loss) before tax	(2,902,454)	823,276	(2,079,178)	(3,850,719)

Commentary in respect of FY20 results:**Clinical Trials Sales Contracts Deliver Improved Second Half Performance**

Growth in Clinical Trials sales contracts during the year (FY20 \$46m, FY19 \$18m) delivered Clinical Trials revenue growth in the second half of FY20 (2H20 \$12.82m, 1H20 \$8.25m), thereby resulting in an increase in the Clinical Trials segment contribution in the second half of the year (2H20 \$6.64m, 1H20 \$2.20m).

Healthcare Segment Delivers Maiden Positive Segment Contribution

The increase in Healthcare revenue during the year (FY20 \$2.35m, FY19 \$0.30m) was mostly generated via the commercial partnership with Eisai Co., Ltd in Japan, which was executed in August 2019. A very low cost base for the Healthcare segment, resulting from the restructure of operations undertaken in FY19, provided for the maiden positive Healthcare segment contribution (FY20 \$2.24m, FY19 loss of \$0.81m).

Profit Before Tax for the Second Half of FY20

A Profit Before Tax of \$0.82 million was recorded for the second half of the year. Revenue increase in the second half of the year of \$4.3 million (1H20 \$9.7m, 2H20 \$14.0m) resulted in an improvement in Profit Before Tax of \$3.7 million (1H20 loss of \$2.9m, 2H20 profit of \$0.8m).

Business & Financial Outlook:**Clinical Trials Sales Contracts and Revenue Expectations**

Clinical Trials revenue is a function of revenue from contracts secured in prior periods that have revenue milestones in the 2021 financial year, as well as revenue recognised from new sales contracts executed throughout the 2021 financial year. At 30 June 2020, Cogstate has over \$39 million of Clinical Trials revenue secured by customer contracts, which will be recognised in future periods as technology and services are provided by Cogstate in accordance with the contracts. Of that amount, over \$15 million is expected to be recognised in the 2021 financial year; an improvement of more than 40% on the prior period.

Since 01 July 2020, Cogstate has executed \$6.5 million of Clinical Trials sales contracts in a positive start to the FY21 year.

However, Cogstate's ability to secure new Clinical Trials contracts will be somewhat dependent upon the ongoing impact of the global coronavirus pandemic and the impact that it may have on initiation of new clinical trials. Therefore, management remains cautious in respect of sales expectations.

Healthcare Revenue and Licensing Opportunities

During the 2021 financial year, Cogstate, in conjunction with commercial partner Eisai, will continue commercialisation of Cogstate technology in the Healthcare segment in Japan. Based on current forecasts, Cogstate does not expect to receive a profit distribution from the Japanese deployment in the 2021 year, as sales and marketing costs (borne by Eisai) are expected to exceed gross revenue from technology sales.

Cogstate will seek to expand commercial opportunities in other geographies outside of Japan, although there can be no guarantee that such opportunities will be secured during the 2021 financial year. The potential commercial opportunities are expected to involve strategic relationships with distribution partners, similar in structure to the relationship with Eisai in Japan.

Management is not in a position to be more specific in respect of our expectations for the Healthcare segment at this time.

Earnings Expectations

Uncertainty related to the ongoing coronavirus pandemic tempers management expectations in respect of Clinical Trials revenue for FY21 and therefore provides uncertainty in respect of FY21 earnings.

Cogstate is well positioned to show revenue and earnings growth provided that the coronavirus pandemic does not overly impact the initiation of new clinical trials or the conduct of ongoing clinical trials.

Cogstate Investor Webcast

Investors are invited to join Cogstate CEO, Brad O'Connor for a live webcast and Q&A presenting the annual financial results today, Wednesday 26 August 2020, at 11am Australian eastern standard time.

Investors can register via the following weblink to join the live event or receive the recording if unable to attend: <https://bit.ly/3ivmHZr>.

Additionally, a video recording of the presentation will be available later today at the Cogstate Investor Centre homepage: <https://www.cogstate.com/investors/>.

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 supported 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, in August 2019 Cogstate entered into an exclusive licensing agreement with the pharmaceutical company Eisai, under which Eisai will market Cogstate technologies as digital cognitive assessment tools in Japanese markets. The product, branded as NouKNOW, launched in Japan on 31 March 2020 (nouknow.jp). For more information, please visit www.cogstate.com.

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