

# 1H21 Financial Results

25 February 2021



PRESENTED BY

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Chief Executive Officer



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# Cogstate Investment Case

## Record revenue pipeline with earnings leverage

- Momentum in Clinical Trials continues to build (record \$47.9m revenue backlog).
- Eisai partnership to deliver Royalties of \$10-30m over next 5-10yrs.
- Relatively stable cost base should see margins expand as revenues rise



## Significant leverage to an Alzheimer's treatment

- There are now a number of potential treatments in phase II and III clinical trials and one in front of the FDA.
- CGS is uniquely positioned to provide highly scalable digital tools for the early identification of patients



## Unique technology and large addressable markets

- Technology developed over 20 years, scientifically validated, approved by regulators and strong barriers to entry.
- Global healthcare represents a large addressable market.
- Launching new mHealth\* & telehealth products; opportunity to become the world's leading provider of digital brain health assessments



## Strong balance sheet

- Underpinned by a strong balance sheet – net cash position of \$18.5m\*\* as at 31 Dec 20

\*\* (Based on gross cash less borrowings. Has not deducted lease liabilities of \$2.1m.)



\*mHealth refers to the concept of mobile self-care — consumer technologies like smartphone and tablet apps that enable consumers to capture their own health data, without a clinician's assistance or interpretation

# Revenue Streams



## Clinical Trials

Technology and services provided to pharma/biotech to support cognition assessment in global clinical trials

Growing strongly on a project revenue model that provides great visibility and predictability of revenue

Our established business



## Healthcare

Cognitive health assessments for individuals and their physicians provided in-clinic or remotely

Software revenue model sold through a partner who has other revenue streams tied to adoption

Our next horizon



## Today

Cognitive assessment is mostly manual, burdensome, difficult to access and rarely performed

## Vision

Scalable digital solutions that can be performed routinely anywhere

1

## Significant commercial agreement in Healthcare

### Landmark license + upside from potential therapy launch

Exclusive global license agreement with international pharma company  
\$15m upfront royalty received Dec-20  
+ \$10m min royalties over initial 5 years  
+ \$20m min royalties over years 6-10\*  
*\*subject to right of termination after year 5*

Potential near-term launch of Alzheimer's treatment

Large addressable market (320m people over age 65 in key markets)

2

## Clinical Trials business continues to strengthen

### Strong result despite some Covid related revenue deferral

Revenue: \$12.6m up 52% on PCP

Record Contracted Future Revenue: \$49.7m up 34% on PCP

Segment Contribution: \$6.2m up 165% on PCP

Contribution Margin: 49%, up from 28% PCP

3

## Positioned for profit growth

### Future profit growth driven by:

#### Clinical Trials:

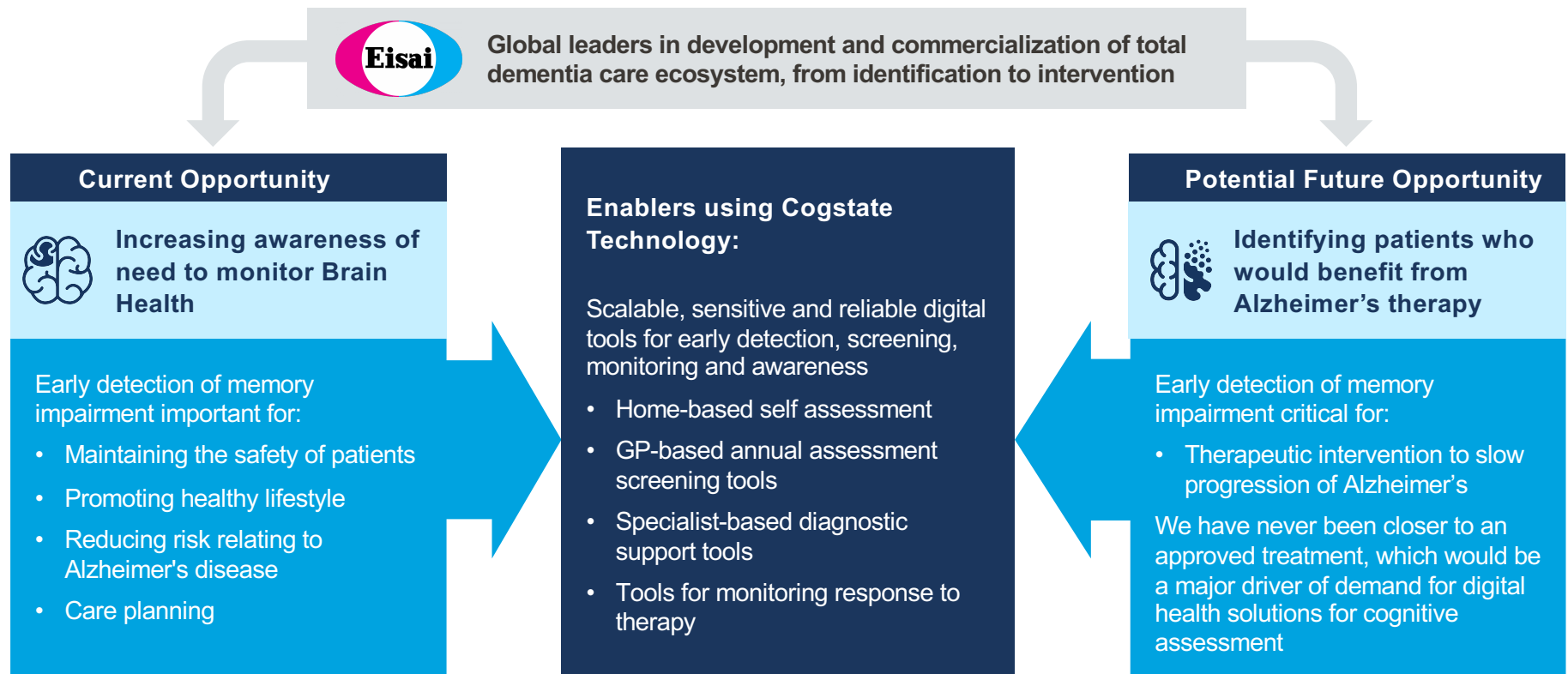
- Renewed sales momentum +
- Margin improvement over time +
- Long dated revenue contracts +
- Increased R&D spend by pharma

#### Healthcare:

- Contracted min revenue (5-10 years) +
- Software sale / high margin +
- Upside from potential therapy launch

Net cash balance of \$18.5m at 31-Dec  
(gross cash less borrowings)

# Expanded Eisai partnership takes Cogstate a step closer to realising its vision



Market Size = at risk age bracket = >65yrs old = Significant addressable market

**A disease modifying therapy will require early detection of cognitive decline in order to intervene and slow progression – creating a significant global market for scalable and sensitive dementia screening.**



### **320 million people over age 65, key markets only**

USA:	53.2 million people
EU:	71.5 million people
China:	160.3 million people
Japan	35.4 million people

World Bank staff estimates using the World Bank's total population and age/sex distributions of the United Nations Population Division's World Population Prospects: 2019 Revision.

A hand is shown from the wrist up, palm facing up, holding a glowing, wireframe brain model. The brain is composed of interconnected lines and points, with some points highlighted in yellow. The background is a solid dark blue.

**We have never  
been closer to the  
launch of potential  
disease modifying  
therapies for  
Alzheimer's**

## **Submitted application to FDA**

1. Aducanumab: Biogen / Eisai
  - FDA review date: 7 June 2021
  - Monoclonal antibody targeting aggregated amyloid- $\beta$
  - Also submitted applications to regulators in:
    - *Europe (announced Oct 2020) and*
    - *Japan (announced Dec 2020)*

## **Other late-stage potential candidates**

2. BAN2401: Biogen / Eisai
3. Gantenerumab: Roche / Genentech
4. Donanemab: Eli Lilly

**All promising antibodies that are following  
close behind Aducanumab**

# Eisai Deal Terms



## License

2 x 10-year licenses (Japan & Rest-of-World)

Eisai has launched in Japan & committed to launch within:  
USA: 1 year, EU: 3 years, China: 4 years

Eisai can terminate ROW after year 5 (specific conditions)

Includes all Cogstate technology (existing and future)

Excludes Clinical Trials market

## Eisai Responsibilities

Fund any software development work required under the collaboration

Manage all regulatory clearances and issues

Responsible for all sales and marketing activities

## Commercials

**Japan:** \$1m upfront (received 1H20) and 50/50 profit split

### Rest-of-World:

- US\$15m upfront – received in 2Q21
- Royalty on all revenue
- Minimum cumulative royalty over 10 years
  - \$10m over years 1-5
  - \$20m over years 6-10 (provided termination right not exercised)

## Data Ownership

All jointly owned (by Cogstate and Eisai)

# Treatment of Royalty Income Streams

## Revenue Recognition (Global ex Japan)

- US\$15m upfront payment + US\$10m minimum Royalty recognised on a straight-line basis over 6 years (5 year term + 12 months to commence)
- US\$20m minimum Royalty over years 6-10 has not been included in revenue or backlog at this stage given termination rights after 5 years under specific circumstances

## Cash Flow (Global ex Japan)

- Cash proceeds associated with the \$15m upfront payment were received in Dec 20.
- The ongoing Royalty cash payments (at least US\$10m over 5 years) will be received quarterly, commencing with the earlier of first commercial sale or 12 months, and calculated as greater of actual sales or minimums.

## Illustration of revenue recognition of minimum royalties\* (US\$)

	1HFY21	2HFY21	FY21	FY22	FY23
Global (ex Japan)	0.78	2.06	2.84	4.16	4.16
Japan	0.05	0.05	0.10	0.10	0.10
<b>Total</b>	<b>0.83</b>	<b>2.11</b>	<b>2.94</b>	<b>4.26</b>	<b>4.26</b>

*\*Illustration does not include all minimum royalties, which run until FY27 (ROW) and FY30 (Japan).*

*Actual royalties paid in each period will be the higher of (i) royalty amount calculated based on sales of product or (ii) minimum annual royalty.*

# Clinical Trials Growth – Key Sources

## 1. Core business is strengthening

- Strong 1H21 sales result
- Record contracted future revenue (\$49.7m as at 31 Dec 20)

## 2. Market shift to remote assessment provides enhanced opportunities for digital assessment

- Successfully established innovation partnerships with multiple pharma companies to develop and implement remote assessment as reaction to COVID-19

## 3. Implementing technology integration to pursue channel partnerships

- In July 2020, ERT (a major data collection supplier to the Clinical Trials market) announced it will now market Cogstate solutions on its platform
- Cogstate will not incur substantial additional costs to facilitate or service the channel partnership
- Strengthening pipeline of joint opportunities are in advanced stages, aiming to finalise first joint contract wins in coming weeks

## 4. Broadening reach into clinical trials for a range of disease areas

- AD investment gains momentum with encouraging results from multiple anti-amyloid antibodies;
- Cogstate supporting trials across rare diseases, Autism, depression, pain, Parkinson's disease and Multiple Sclerosis.

**However, ongoing COVID disruptions remain a source of uncertainty for the timing of revenues from both new clinical trials and those underway**

A woman with blonde hair in a braid, wearing glasses and a dark blue patterned shirt, is writing on a whiteboard with a marker. The whiteboard is covered in handwritten notes and diagrams, including a pie chart and various text fragments. The background shows a classroom setting with a desk and other whiteboards.

# Financial Overview

## Profit & Loss

	1H21	1H20*	Movement	
	US\$	US\$	US\$	%
<b>Total Revenue</b>	<b>13.86</b>	<b>8.72</b>	<b>5.14</b>	<b>59%</b>
Direct Costs	-7.15	-6.46	-0.69	-11%
<b>Contribution</b>	<b>6.71</b>	<b>2.26</b>	<b>4.45</b>	<b>197%</b>
<i>Contribution margin</i>	48%	26%		
OPEX	-6.00	-5.19	-0.81	-16%
<b>EBITDA</b>	<b>0.71</b>	<b>-2.93</b>	<b>3.64</b>	<b>124%</b>
<i>Margin</i>	5.1%	-33.6%		
Depreciation & Amortisation	-1.07	-0.90	-0.17	-19%
<b>EBIT</b>	<b>-0.36</b>	<b>-3.83</b>	<b>3.47</b>	<b>91%</b>
<i>Margin</i>	-2.6%	-43.9%		
Interest	-0.03	-0.04	0.01	4%
<b>Profit Before Tax</b>	<b>-0.39</b>	<b>-3.87</b>	<b>3.48</b>	<b>90%</b>
Tax	-0.06	1.13	-1.19	N/A
<b>Net Profit After Tax</b>	<b>-0.45</b>	<b>-2.74</b>	<b>2.29</b>	<b>84%</b>
EPS	-0.003	-0.018	0.015	78%
Net operating cash flow	13.22	-1.19	14.40	1210%
Balance Sheet Net Cash**	18.45	7.80	10.65	137%

\*1H20 numbers have been restated following a review of the application of the Group's accounting policy in respect of revenue relating to the grant of licences, provision of supporting services and the provision of server access, in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (see explanatory notes and reconciliation table on p.28 of this release)

\*\* Cash net of borrowings. Excludes lease liabilities.

**Strong revenue growth** driven by significant increase in Clinical Trial contracts and initial contribution from Eisai Global partnership

**Revenue and earnings in PCP restated** lower by \$0.97m to reflect a change to the application of the revenue recognition policy

**Significant increase in contribution margin**, highlighting the leverage to higher revenue

**Staff Costs** (direct & indirect) increased 8% to \$11.4m

**One-off cost:** Results include \$0.5m costs relating to the Global Agreement with Eisai

**Positive EBITDA contribution**

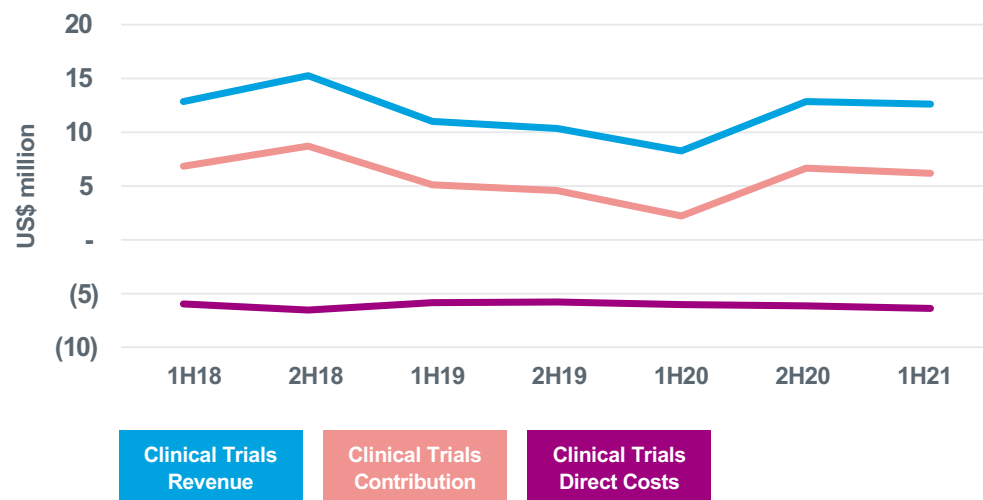
**Depreciation & Amortisation higher** due to amortisation of new database platform

**Operating cash flow and net cash position** boosted by upfront Royalty payment from Eisai (Eisai payment net US\$13.8m after fees and withholding tax)

# Clinical Trials Revenue & Contribution

- 1H21 results consistent with 2H20
- COVID-related delays to clinical trials resulted in deferral of revenue (expected catch-up in future periods)
- Contribution margin increased to 49% with control of direct costs resulting in leverage to higher sales. Direct costs have remained in a range of US\$5.8m-US\$6.6m over the last 7 half year periods.

All results presented in US\$ million

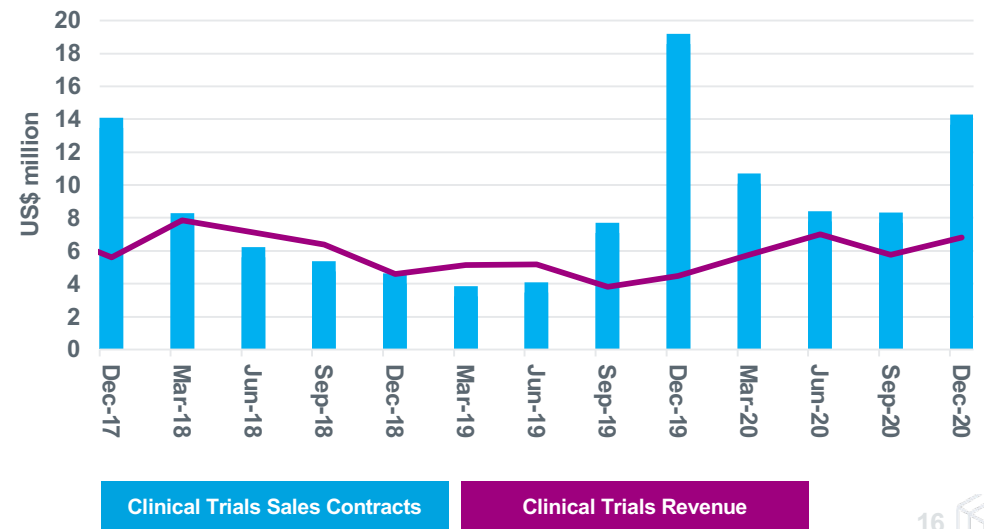
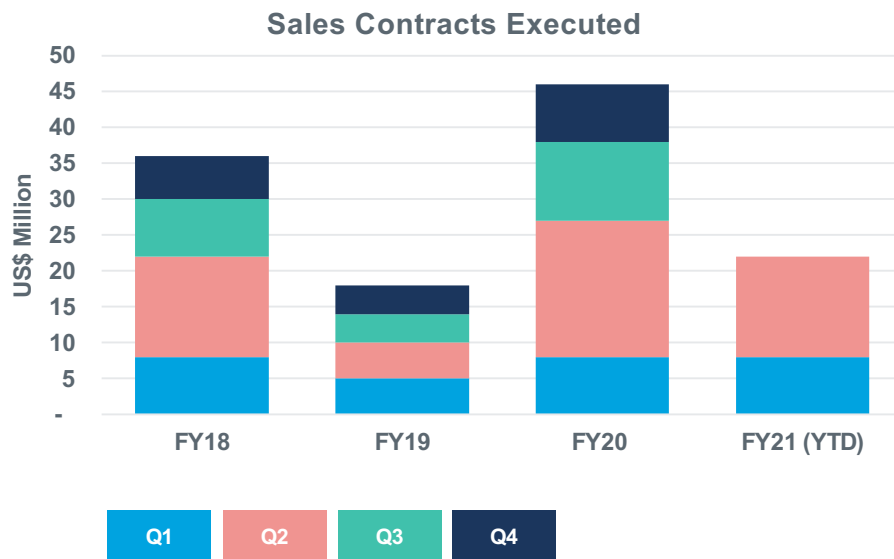


	1H21	1H20	Movement	
	US\$	US\$	US\$	%
Revenue	12.58	8.25	4.33	52.4
Direct Costs	-6.42	-5.93	-0.49	8.3
Contribution	6.16	2.32	3.84	164.9
Contribution margin	49.0%	28.2%		

# FY21 Clinical Trials Sales Contracts

- Excellent 1H21 result in the context of the risk environment.
- Q1 result impacted by slower R&D investment decision making due to ongoing uncertainty caused by COVID. Q2 result showed a strong recovery.
- The value of new contracts signed has now exceeded revenue realized in each of the last 6 consecutive quarters, resulting in record high Clinical Trials revenue backlog of US\$49.7m.

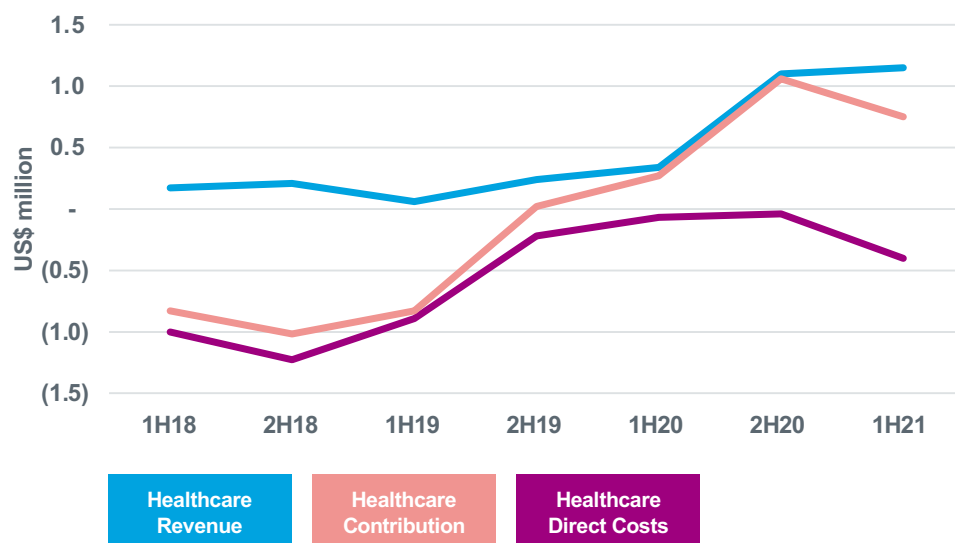
All results presented in US\$ million



# Healthcare Revenue & Contribution

- **FY20 Japan license revenue restated** (resulted in a US\$0.96m reduction 1H20 revenue and pre-tax earnings)\*
- **2H21 revenue will see a full 6 months Global (ex Japan) license fee contribution (vs. 2 months in 1H21)**
- **Minimum Royalty revenues from Eisai will be realised on a straight-line basis over 6 years for the Global (ex Japan) license and 10 years for the Japan license (equates to a total revenue backlog of US\$25.1m)\*\*.**

All results presented in US\$ million



	1H21	1H20	Movement	
	US\$	US\$	US\$	%
Revenue	1.15	0.33	0.82	245.2
Direct Costs	-0.40	-0.07	-0.33	471.2
Contribution	0.75	0.26	0.49	185.7
Contribution margin	65.5%	79.1%		

\* See slide 27 for a reconciliation of revenue as previously reported vs. restated in accordance with the adopted revenue recognition policy.

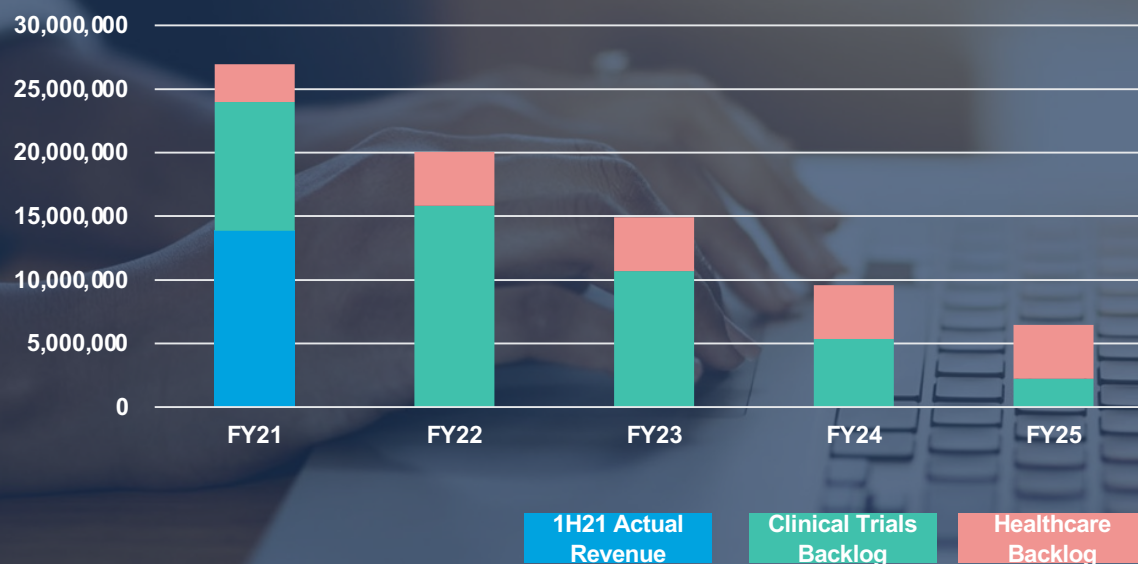
\*\* See slide 9 for greater detail on the timing of Royalty payments

### Contracted Future Revenue up 96% to \$74.8 million

	1H21	1H20	VARIANCE FAV/(UNFAV)	
	US\$	US\$	US\$	%
Contracted Clinical Trials Revenue	49,668,291	37,170,604	12,497,687	34
Eisai License – Global (commercial years 1-5)*	24,224,099	-	24,224,099	100
Eisai License – Japan (10 year license)	865,042	965,234	(100,192)	(10)
<b>Total Contracted Future Revenue</b>	<b>74,757,432</b>	<b>38,135,838</b>	<b>36,621,594</b>	<b>96</b>

\*Minimum royalties for commercial years 6-10 (totaling \$20 million) have not been included due to currently existing termination right after completion of commercial year 5.

### Revenue Backlog Run-off



## Revenue Backlog

All results provided in US\$

\$74.8m Revenue Backlog at 31 Dec 2020, expected to run-off as follows:

- 2H21 \$12.2m
  - Clinical Trials \$10.1m
  - Healthcare \$2.1m
- FY22 \$20.1m
- FY23 \$14.9m
- FY24 \$9.6m
- FY25 \$6.5m
- FY26-FY30 \$11.5m



## Business & Financial Outlook

### Clinical Trials

- \$10.1m contracted 2H21 revenue as at 01-Jan-21
- Will leverage remote assessment capabilities, strategic customer relationships and ERT channel partnership, to provide additional sales opportunities
- Expectation that 2H21 revenue will accelerate, but subject to site-based activity (and therefore subject to COVID in overseas markets)

### Healthcare

- Substantial commercial activity (Japan) and pre-launch activity (USA and Asia) underway with Eisai
- 2H21 will see a full 6mth contribution from the Eisai Global (ex Japan) license \$2.06m (vs. 2 months in 1H21 \$0.78m)

### Improved Financial Results

- COVID tempers expectations in respect of Clinical Trials revenue and therefore provides earnings uncertainty
- Positioned to show revenue and earnings growth provided that new and ongoing clinical trials not materially impacted by COVID
- Targeting positive FY21 profit before tax, subject to the above comments



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## Strong balance sheet

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# Appendices

## Summary Balance Sheet

	31-Dec-20	30-Jun-20
Cash	21.33	10.33
Trade Receivables	5.49	4.28
Property plant and equipment	1.20	1.27
Intangibles	8.26	6.95
Other Assets	10.74	9.09
<b>Total Assets</b>	<b>47.01</b>	<b>31.92</b>
Trade and other payables	7.71	7.67
Deferred Revenue	16.13	1.18
Borrowings	2.88	2.53
Lease Liabilities	2.10	2.52
Other Liabilities	2.75	2.53
<b>Total Liabilities</b>	<b>31.56</b>	<b>16.43</b>
Capital	33.20	33.04
Retained Earnings	-16.69	-16.25
Reserves	-1.07	-1.30
<b>Total Equity</b>	<b>15.44</b>	<b>15.49</b>

- Cash was boosted by the upfront Royalty payment received by Eisai in Dec 20.
- Intangibles were higher reflecting capitalisation of a new database platform developed by Cogstate
- Deferred revenue increased significantly reflecting the new global contract with Eisai and the associated revision to Cogstate's revenue recognition policy (now recognised over the licence period rather than upfront).
- As at 31 Dec 20, Cogstate's net cash position was US\$18.5m pre lease liabilities (\$16.4m post lease liabilities)



## Summary Cash Flow

	1H21	1H20
<b>Cash flows from operating activities</b>		
Receipts from operating activities	29.52	12.47
Payments to suppliers and employees	-16.32	-13.62
Finance costs	-0.02	-0.04
Government grants and tax incentives	0.04	
<b>Net cash flows used in operating activities</b>	<b>13.22</b>	<b>-1.19</b>
<b>Cash flows used in investing activities</b>		
Purchase of property, plant and equipment	-0.21	-0.12
Capitalised software development costs	-1.71	-1.14
Other	0.00	-0.49
<b>Net cash flows used in investing activities</b>	<b>-1.92</b>	<b>-1.76</b>
<b>Cash flows used in financing activities</b>		
Proceeds from issue of shares	0.12	7.48
Principle portion of lease payments	-0.42	-0.42
Transaction costs of issue of shares		-0.13
<b>Net cash flows used in financing activities</b>	<b>-0.30</b>	<b>6.93</b>

# License Agreements



## Who is Eisai?

- Listed on Tokyo Exchange
- Market Cap approx. US\$22bn
- Revenue (year ended 31 March 2020) US\$6.6bn
- Focusing on dementia as global pioneer since Aricept launch in 1997
- Partnered with Biogen to jointly develop and commercialise Alzheimer's disease treatments, including key assets:
  - Aducanumab (Biogen)
  - BAN2401 (Eisai)

## Eisai – Cogstate License Agreements

- Rest-of-World license executed 26 October 2020
- ROW follows and expands upon Japan agreement executed 28 August 2019

## Eisai / Cogstate Current Activities



### Japan

- [www.NouKNOW.jp](http://www.NouKNOW.jp)
- NouKNOW™ (Know your brain) and consumer app (Digital brain performance app, Easiit™) that incorporate NouKNOW™ tests (Cogstate technology) launched.
- Planning for medical device registration for Cogstate's Cognigram assessment tool ahead of potential therapeutic launch

### USA

- Eisai's Cognigram pre-commercial activities ongoing
- US version of NouKnow under development
- Exploring use across customer needs in general health and wellness space

### China / East Asia

- Planning for launch on NouKNOW equivalent product throughout China and East Asia



## Eisai Partnership in Japan



### [nouknow.jp](http://nouknow.jp)

**NouKNOW™** means “know your brain”

- Cogstate tests embedded within the website
- In conjunction with Eisai, launch of awareness campaign in Japan
- Feedback includes meaningful intervention such as diet, exercise, and physician consultation
- Currently targeting:
  - *Municipalities providing health services to residents*
  - *Corporations providing health checks for employees*

### List of NouKNOW adopters

#### Companies:

- Kajima Corporation
- Bridge Co., Ltd.
- Euphorio Co., Ltd.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.

#### Municipalities:

- Misato Town, Shimane Prefecture
- Bunkyo-ku, Tokyo

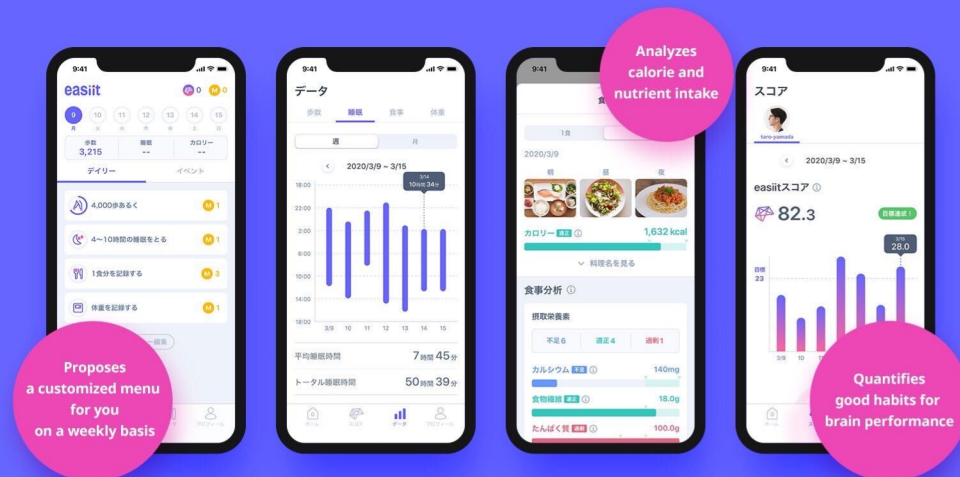
#### Universities:

- Hirosaki University

# Easiit Digital Brain Performance Application

- Eisai has launched Easiit application, a key element of the digital platform demonstrating their commitment to both Cogstate and to establishing a broader dementia care ecosystem
- Cogstate tests (mobile phone versions) embedded within the app (*development funded by Eisai*)

The app supports a routine.  
Increase your score and help maintain performance!



# Easiit Digital Brain Performance Application

## [www.easiit.com](http://www.easiit.com)

- Leveraging experience gained from development and marketing of Aricept® (symptomatic treatment for Alzheimer's disease)
- The planned ecosystem will deliver benefits to patients by collaborating with partners such as:
  - Medical organisations
  - Diagnostic development companies
  - Research organisations
  - Private insurance agencies
  - Finance companies
  - Fitness clubs
  - Automobile makers
  - Retailers
  - Care facilities



# Restatement of Prior Period

Due to the significance of the global licensing agreement, the group has reviewed the application of its accounting policy in respect of revenue relating to the grant of licenses, provision of supporting services and the provision of server access, in accordance with AASB 15 Revenue from Contracts with Customers. This has resulted in a change to the application of the previous policy. In the prior period, the group recognised all of the \$1 million upfront payment, received from Eisai, as revenue upon granting of the license for the Japan region. The group considers that recognising the upfront payment as revenue on a straight-line basis over the license period better reflects its performance in providing access to the license, continuing support services and servers. As required by the accounting standards, this change is applied retrospectively, and as a result, the group has restated comparative revenue figures. This restatement has no impact on cash.

	AS ORIGINALLY REPORTED		
	FY20 H1 US\$ m	FY20 H2 US\$ m	FY20 Full Year US\$ m
<b>Clinical Trials</b>			
Revenue	8.25	12.82	21.07
Direct Costs	(6.05)	(6.18)	(12.23)
Clinical Trials Contribution	2.20	6.64	8.84
<b>Healthcare</b>			
Revenue	1.30	1.05	2.35
Direct costs	(0.07)	(0.04)	(0.11)
Healthcare Contribution	1.23	1.01	2.24
<b>Research Solutions</b>			
Revenue	0.14	0.12	0.26
Direct costs	(0.47)	(0.47)	(0.94)
Research Contribution	(0.33)	(0.35)	(0.68)
Other Expenditure & Non-Operating Items	(6.00)	(6.48)	(12.48)
<b>Profit Before Tax</b>	<b>(2.90)</b>	<b>0.82</b>	<b>(2.08)</b>

	RESTATED		
	FY20 H1 US\$ m	FY20 H2 US\$ m	FY20 Full Year US\$ m
	8.25	12.82	21.07
	(6.05)	(6.18)	(12.23)
	2.20	6.64	8.84
	0.33	1.10	1.44
	(0.07)	(0.04)	(0.11)
	0.26	1.06	1.33
	0.14	0.12	0.26
	(0.47)	(0.47)	(0.94)
	(0.33)	(0.35)	(0.68)
	(6.00)	(6.48)	(12.48)
	<b>(3.87)</b>	<b>0.87</b>	<b>(2.99)</b>





Cogstate