

ASX ANNOUNCEMENT

14 JULY 2015



BUSINESS UPDATE AND JUNE QUARTER CASHFLOW

COGSTATE EXPECTS A RETURN TO POSITIVE EBIT IN FY16

SUMMARY

- **FY15 revenue was up 42%** to A\$16.1m compared to FY14
- **Record clinical trials sales** contracts signed in FY15 totalling US\$23.7m, an increase of 163% on FY14
- **Record revenue pipeline** totalling A\$21.4m (PCP A\$10.7m) of contracted clinical trials revenue that will be recognised in future periods, of which A\$10.9m (PCP A\$6.2m) will be recognised in FY16¹
- June quarter saw a **return to positive Net Operating Cash Flow**
- Guiding to a return to **positive EBIT in FY16**²

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the quarter ended 30 June 2015. The company expects a return to positive EBIT in FY16².

Highlights for the period ended 30 June 2015:

- **Substantial increase in year on year revenue:** Underlying revenue for FY15 of A\$16.1m (excludes pass-through cost recoveries) was up 42% on A\$11.3m in FY14. Including pass-through cost recoveries; headline revenue of A\$19.9m in FY15 was up 62% on A\$12.3m reported in FY14.
- **Record sales contracts:** For the year ending 30 June 2015 Cogstate signed US\$23.7m (A\$27.5m) of clinical trials sales contracts, up 163% on US\$9.0m (A\$9.6m) during the year ending 30 June 2014.³

1. Contracts are denominated in US\$. Spot rate at 30 June has been used to calculate the A\$ equivalent. The rate used at 30 June 2015 was 0.765. The rate used at 30 June 2014 was 0.9.

2. EBIT from continuing operations at 30 June 2015 exchange rates.

3. Contracts are denominated in US\$. The A\$ equivalent is based on the prevailing spot rate at the time of signing the individual contracts.

- **Record revenue pipeline:** At 30 June 2015, Cogstate had A\$21.4 million (PCP A\$10.7m) of contracted clinical trials revenue to be recognised in future periods; further detail is provided in the table below. As in the past, Cogstate expects that total revenue in FY16 will exceed the amount contracted for that year at the start of the period (eg, at 30 June 2014 contracted clinical trials revenue for FY15 was A\$6.2m, actual clinical trials revenue recorded for FY15 was A\$15.2m).

Contracted Clinical Trials – Revenue⁴

	As at 30 June 2015		As at 30 June 2014	
Year 1	FY16	A\$10.9m	FY15	A\$6.2m
Year 2	FY17	A\$6.5m	FY16	A\$3.1m
Years 3 – 5	FY18 – FY20	A\$4.0m	FY17 – FY20	A\$1.3m
Total		A\$21.4m		A\$10.7m

- **A return to positive Net Operating Cash Flow in June quarter:** Cogstate reported a Net Operating Cash Inflow of A\$0.2m in the quarter ended 30 June 2015, the first positive Net Operating Cash Flow result since the quarter ended 31 Dec 2012.
- **Key drivers of improving business momentum:**
 - Fully resourced commercial sales team (put in place in October 2014)
 - Favourable industry trends driving increased demand, including
 - Increased trial activity looking at early stage disease in Alzheimer's / Dementia
 - New regulatory requirements for cognition testing in Paediatrics
 - Increased research activity in major psychiatric disorders
 - Revenue growth from Precision Recruitment (A\$0.52m in FY15 up from A\$0.09m in FY14)
 - Exit of Axon Sports, completed 30 November 2014
- **Cogstate expects a return to positive EBIT from continuing operations in FY16, at 30 June 2015 exchange rates.**
- **New director appointment:** Private placement raised \$2 million, in conjunction with appointment of Dr Alan Finkel AO to the Board of Directors.

QUARTERLY CASH FLOW REPORT – 30 JUNE 2015

Summary cash flow results for the quarter included:

- Net Operating Cash inflow of \$0.21 million for the quarter ended 30 June 2015
- Recognised sales revenue of \$8.12 million for the June quarter, contributing to total cash receipts from customers of \$6.30 million for the quarter
- Year-to-date cash receipts from customers were \$17.99 million, an increase of 45% compared to June 2014
- Total of \$2.07 million in capital raised by Cogstate in the 12 months to 30 June 2015
- \$10.34 million of combined cash and debtors at 30 June 2015, an increase of \$4.33 million for the quarter from the \$6.01 million at 31 March 2015, and a small increase for the year from 30 June 2014 (\$10.24m):
 - Cash reserves of \$5.44 million (March 2015: \$3.24m June 2014: \$7.13m)
 - Trade debtors of \$4.90 million (March 2015: \$2.77m June 2014: 3.11m)
- At 30 June 2015, current liabilities were approximately \$3.44 million (compared to \$3.53 million at 31 March 2015)

4. Contracts are denominated in US\$. Spot rate at 30 June has been used to calculate the A\$ equivalent. The rate used at 30 June 2015 was 0.765. The rate used at 30 June 2014 was 0.9

Financial Results Summary:

	Qtr Ended 30 Sep 14	Qtr Ended 31 Dec 14	Qtr Ended 31 Mar 15	Qtr Ended 30 June 15	Year ended 30 Jun 15	Year ended 30 Jun 14	YTD % Change
Recognised Sales Revenue	\$3,767,963	\$3,959,185	\$4,035,612	\$8,117,710	\$19,880,470	\$12,265,432	62%
Cash Receipts from Customers	\$3,351,347	\$4,690,126	\$3,661,937	\$6,295,818	\$17,999,228	\$12,439,686	45%
Cash Payments to Employees	(\$2,758,033)	(\$2,717,627)	(\$3,512,827)	(\$4,006,082)	(\$12,994,569)	(\$9,934,515)	(31%)
Cash Payments to Suppliers	(\$2,009,992)	(\$2,212,278)	(\$1,895,505)	(\$2,567,050)	(\$8,684,825)	(\$6,956,853)	(25%)
Cash Receipts non trading	\$19,268	\$71,413	\$25,387	\$487,757	\$603,825	\$562,247	7%
Net Operating Cash In/(Out)flows	(\$1,397,410)	(\$168,366)	(\$1,721,011)	\$210,443	(\$3,076,344)	(\$3,889,435)	21%
Net Investing Cash In/(Out)flows	(\$227,725)	(\$241,921)	(\$44,634)	(\$226,823)	(\$741,103)	(\$216,391)	(242%)
Net Financing Cash In/(Out)flows	\$19,333	\$2,400	\$2,568	\$2,040,787	\$2,065,088	\$7,754,252	(73%)
Net Increase/ (Decrease) in Cash held (net of foreign exchange movements)	(\$1,663,533)	(\$343,557)	(\$1,876,961)	\$2,202,248	(\$1,681,803)	\$3,734,131	(145%)

For further information contact:

Brad O'Connor
Cogstate Chief Executive Officer
+613 9664 1300 or 0411 888 347
boconnor@cogstate.com

Kyahn Williamson
Buchan Consulting
0401 018 828
kwilliamson@buchanwe.com.au

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

CogState Limited

ABN

80 090 975 723

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (12 months)
		\$A	\$A
1.1	Receipts from customers	6,295,818	17,999,228
1.2	Payments for		
	(a) staff costs (incl R&D)	(4,006,082)	(13,044,941)
	(b) advertising and marketing	(279,000)	(1,014,705)
	(c) research and development (direct external costs)	(4,218)	(41,346)
	(d) leased assets	(198,685)	(685,858)
	(e) other working capital	(1,504,154)	(4,910,773)
1.3	Dividends received		-
1.4	Interest and other items of a similar nature received	9,772	120,382
1.5	Interest and other costs of finance paid	(19,903)	(59,530)
1.6	Income taxes paid	12,088	11,719
1.7	Other (provide details if material)		
	Accounting & Audit	(108,729)	(238,444)
	Computer costs	(121,939)	(375,413)
	Legal Costs, including patent costs	(69,215)	(334,406)
	Listing fees & assoc. costs	5,116	(56,053)
	Travel costs	(278,412)	(924,189)
	Grant Income	477,985	477,985
Net operating cash flows		210,443	(3,076,344)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A	Year to date (12 months) \$A
1.8 Net operating cash flows (carried forward)	210,443	(3,076,344)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		-
(b) equity investments		-
(c) intellectual property		-
(d) physical non-current assets	(228,176)	(749,631)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	1,353	8,528
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Cash acquired from acquisition of remaining 50% of Axon Sports Joint Venture		
Net investing cash flows	(226,823)	(741,103)
1.14 Total operating and investing cash flows	(16,380)	(3,817,447)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	2,040,787	2,065,088
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings – convertible notes	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	2,040,787	2,065,088
Net increase (decrease) in cash held	2,024,407	(1,752,359)
1.21 Cash at beginning of quarter/year to date	3,242,696	7,126,749
1.22 Exchange rate adjustments to item 1.20	177,841	70,554
1.23 Cash at end of quarter	5,444,943	5,444,943

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	67,083
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions	
	N/A	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A	Amount used \$A
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A	Previous quarter \$A
4.1	Cash on hand and at bank	2,664,890	1,066,081
4.2	Deposits at call	2,780,053	2,176,615
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		5,444,943	3,242,696

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A
5.2	Place of incorporation or registration	USA
5.3	Consideration for acquisition or disposal	Nil
5.4	Total net assets	(\$17,158)
5.5	Nature of business	Axon Sports training business is to research, develop and deliver cutting edge tools to assess, monitor and improve the athletic brain.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 14 July 2015
 Company Secretary

Print name: Claire Newstead-Sinclair

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.