

# Annual General Meeting

24 October 2018



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Introduction detailed in AGM running sheet.

# Board of Directors

		Audit, Risk & Compliance Committee	Remuneration & Nomination Committee	
<b>Martyn Myer</b>	Non-Exec Chairman	Yes	Chair	Founding Director and substantial shareholder
<b>Brad O'Connor</b>	Chief Executive Officer	N/A	N/A	CEO since December 2005
<b>Jane McAloon</b>	Independent Non-Exec Director	Chair	Yes	Experienced executive with extensive corporate and governance experience
<b>David Dolby</b>	Non-Exec Director	No	Yes	Substantial shareholder and significant supporter of Alzheimer's disease research and technology
<b>Rich Van Den Broek</b>	Independent Non-Exec Director	No	Yes	US fund manager with investment emphasis on small and mid-cap biotech public companies
<b>Dr. Richard Mohs</b>	Independent Non-Exec Director	Yes	Yes	Experienced scientist with extensive academic and industry (big-pharma) experience

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So to begin with our board of directors.

As I said, my name is Martyn Myer. Along with Dr David Darby and Dr Paul Maruff, I helped to found Cogstate in late 1999. I have been the Chairman since the formation of Cogstate and I have participated in every funding round that the Company has undertaken. My investment in Cogstate continues a family tradition of support of neuroscience in Australia.

Our CEO, Brad O'Connor, has been in the role since December 2005 and has overseen very significant growth during that time.

Also here in the room is Jane McAloon, who joined our Board in January 2017. Jane is a very experienced executive who was part of the Group Management Committee at BHP Billiton until 2015 as President Governance and Group Company Secretary. Prior to her time at BHP, she was part of the executive team at AGL. Jane holds a Bachelor of Economics and a Bachelor of Laws.

David Dolby, representing the Dolby family, joined the Cogstate board in November 2013 and joins us on the phone from San Francisco. The Dolby family have significant investment and philanthropic interests in Alzheimer's disease research and associated technologies. They are Cogstate's largest shareholder.

Also on the phone is Richard van den Broek from Connecticut. Richard joined the Cogstate board in August 2010. As a former healthcare analyst and now a fund manager in the healthcare space, Richard is a very valuable resource for the management team and Board with his intimate knowledge of the drug development programs within the pharma industry.

Finally, also on the phone from the United States is Richard Mohs, who also joined the Cogstate Board in January 2017. Richard is a very experienced and highly regarded neuropsychologist who retired from Eli Lilly in 2015 where he lead the global Alzheimer's drug development team. Prior to his time at Eli Lilly, Richard had an extensive academic career and has 350 scientific papers to his name.

# Alignment of Board & Management

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

## 44.2% Shareholding of current Board and management

17.97%	Dolby Family	<ul style="list-style-type: none"><li>▪ Related party to Non-Executive Director, David Dolby</li><li>▪ Shareholder since November 2013</li></ul>
17.95%	Martyn Myer AO	<ul style="list-style-type: none"><li>▪ Chairman</li><li>▪ Co-founder and shareholder since 1999 as provider of seed capital</li></ul>
8.28%	Other Board, CEO and other management	

## 22.5% Other significant shareholders

9.59%	Fidelity International Limited	<ul style="list-style-type: none"><li>▪ Substantial shareholder since Nov 2016</li></ul>
7.56%	Nebula Neuro (Dr. Alan Finkel AO)	<ul style="list-style-type: none"><li>▪ Currently Australia's Chief Scientist</li><li>▪ Previous Director of Cogstate</li><li>▪ Shareholder since 2006, substantial shareholder since May 2015</li></ul>
5.33%	Anacacia Pty Ltd	<ul style="list-style-type: none"><li>▪ Substantial shareholder since Nov 2017</li></ul>

As a demonstration of support for the Company's long term strategy, last month each of the Myer and Dolby families acquired an additional 1,615,000 shares at \$0.57 per share.

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Since I helped to found Cogstate in 1999, it has grown to be a trusted supplier of many of the biggest pharmaceutical companies in the world, it employs over 150 dedicated staff on three continents, and generates almost US\$30m of revenue p.a.

Cogstate has been able to grow and succeed because of the strong conviction from long-term shareholders who have shared the view that the measurement of cognition is important and that, with better tools, the measurement of cognition can be made simpler.

The Dolby and Myer families are Cogstate's largest shareholders. David Dolby and I each speak for approximately 18% of Cogstate's issued capital. We are both directors of Cogstate and have good insight into both the opportunities and challenges facing Cogstate.

Last month, David and I each acquired a further 1.6 million shares in Cogstate. The acquisition of these shares, reflects our confidence in the short and long term prospects of Cogstate.

Why will Cogstate  
succeed?



It is worth considering the reasons for our confidence in Cogstate.

## Large & Growing Cognitive Assessment Market

**\$4.1  
BILLION**

Forecasted Market  
Size for **Cognitive  
Assessment and  
Training** in 2021

- Research Cosmos forecasts the market size for cognitive assessment and training in healthcare to grow from USD 962.0 Million in 2016 to USD 4,127.2 Million by 2021, at a CAGR of 33.8%.
- “The applications segment [represented in this forecast] includes clinical trials, screening & diagnostic, brain training, and academic research”
- The aging population and rise in brain fitness awareness are the major factors driving growth

Source: <https://www.researchcosmos.com/reports/global-cognitive-assessment-and-training-in-healthcare-market-analysis-and-forecast-to-2022-growth/3236899>

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Firstly, it is important to consider the size of the market opportunity.

The [cognitive assessment and training in healthcare market size](#) is forecast to grow from USD 962.0 Million in 2016 to 4.1 billion by 2021, at a Compound Annual Growth Rate (CAGR) of 33.8%.

Major factors contributing to the growth of the market include aging global population, increasing awareness about brain fitness, and advancements in technology.

“The applications segment includes clinical trials, screening & diagnostic, brain training, and academic research (including patient recruitment and patient engagement).”

## Large & Growing Cognitive Assessment Market

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- “The market is dominated by the following segments: Clinical Trials, Diagnostic, and Training. Clinical Trials is projected to be the largest segment in near-term at \$1.36B, followed by Diagnostic at \$1.36B and Training at \$1.36B. The market is growing rapidly due to the increasing demand for cognitive assessment and training in healthcare, and the growing awareness of the benefits of cognitive assessment and training in healthcare.”

**Clinical Trials  
projected to be  
largest segment in  
near-term at  
\$1.36B**

Source: <https://www.researchcosmos.com/reports/global-cognitive-assessment-and-training-in-healthcare-market-analysis-and-forecast-to-2022-growth/3236899>

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Clinical Trials is projected to be the largest segment of this market.

## Addressing an Unmet Need



For **drug candidates that cross the blood-brain barrier**, pharmaceutical researchers need reliable and valid measures to understand how these drugs impact human cognition



There are traditional, paper-and-pencil neuropsychological assessments available for the many cognitive domains of interest, but without careful adaptation, training and monitoring, **these measures break down when applied to large global studies** : Cogstate has the technology & skills to manage these issues

- *Due to factors like practice effects, patient population differences in culture, language and education, and administration or scoring errors by raters*



Cogstate computerized measures were **specifically designed by cognitive researchers for cognitive research** to address these exact limitations and dramatically improve the sensitivity to even subtle cognitive change

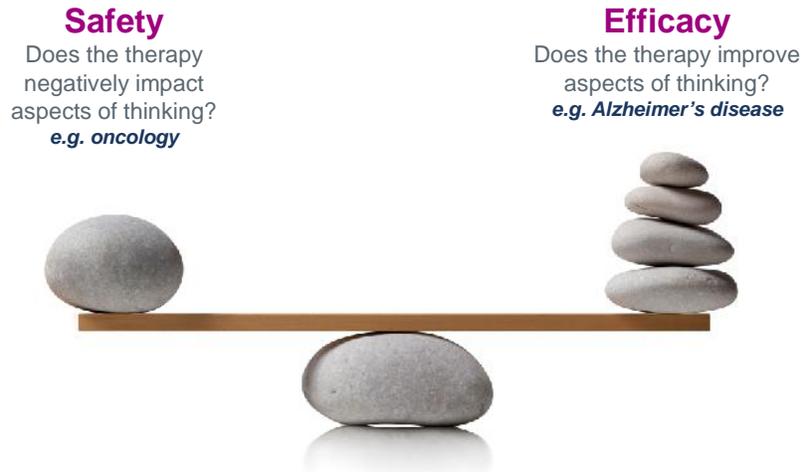
- *Standardized administration, automated scoring, global, repeatable, sensitive, extensively normed and validated through years of research*

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Cogstate has the technology and the expertise to help pharmaceutical companies to determine the impact that their therapy may have on cognition. This is a specialist skill set and Cogstate does not have a large number of competitors.

It is important to understand that measurement of cognition can take many forms. Invariably, helping a customer means working alongside the science team and / or the scientific advisory board to determine the most appropriate way to measure cognition. Cogstate has the technology solutions and the expertise to support multiple modalities, whether that be our own computerised tests of cognition or licensing, training and central monitoring of a standard paper and pencil test of cognition.

## Both Positive and Negative Change



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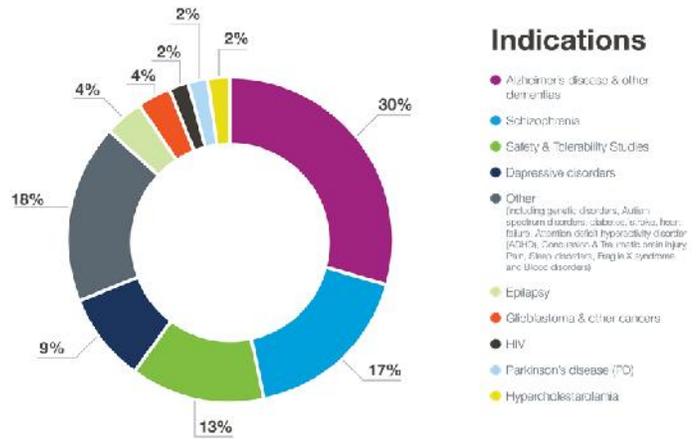
Drug development is usually seeking to weigh the positive, treatment-related effects of a drug with any potentially negative side effects. Cogstate supports both the safety and efficacy related cognitive assessments. In some disease areas, like pediatric oncology, where the drug isn't expected to have any cognitive enhancing properties, safety will be the only focus. And in other disease areas, particularly in CNS diseases, the clinical trials will seek to demonstrate both safety and efficacy as it relates to cognition.

Cogstate has seen an increase in concern by regulators about possible negative side-effects of a therapy with resulting demand for measurement of cognition to ensure that there is no detriment to cognition as a result of the therapy. This further expands the potential pool of indications and studies in which Cogstate is asked to work.

One example of a safety study on which Cogstate is working is a lipid lowering medication. The FDA has been investigating reports of cognitive impairment associated with the use of lipid-lowering medications for several years, and while they did not link statins and cognitive impairment in clinical and observational studies, a safety advisory was eventually required on the label for statin medications. In this particular example, Cogstate technology was selected in a global pediatric study of lipid lowering medication.

Other studies where Cogstate is currently supporting the assessment of cognitive safety include immunotherapies in oncology, major depressive disorder and multiple rare and pediatric disorders.

# Application in Alzheimer's Disease & Well Beyond



In the 2017 financial year, Cogstate tracked 136 different clinical trial opportunities in 41 different indications. With the addition of our pediatric and rare disease center of excellence those numbers increased significantly. During the 2018 financial year Cogstate tracked 170 different clinical trial opportunities in 51 different indications.

Cogstate solutions are scientifically and commercially validated for use in this wide range of conditions.

Cogstate will continue to support large pharma (currently work with 14 of the top 15 by R&D spend), but **small and mid-size pharma** also represent major growth potential.

- It's estimated that 60 to 80% of the intellectual property in the industry resides within these smaller companies\*
- We've established a strong commercial strategy and flexible, full-service solution to cater to these small and mid-sized companies -- providing them with the right level of support and services to conduct complex and global programs

Full suite of solutions for **single-site to large global studies**

- Expanded scientific leadership team in AD, pediatric and rare disorders for early-stage consultancy and trial design input
- New, more flexible technology platform to support more types of assessments
- Established key vendor alliances to provide a one-stop solution to sponsors

Continuing **and expanding our strategic academic partnerships** in high-growth areas, as we've done in AD and pediatric oncology. Cogstate's role in these studies puts us at the center of important KOL research.

\* Source: <http://www.contractpharma.com/issues/2017-05-01> 10

All of this comes together in Cogstate's short term strategy for Growth.

Presently, the majority of Cogstate's income comes from the work that we do with large pharmaceutical companies. Cogstate is focused on continuing to service its current customers but also growing its customer base. Cogstate has a team of business developments directors seeking to grow our customer base. In addition, Cogstate is partnering with a number of Contract Research Organisations (the companies that run clinical trials on behalf of pharma and biotech companies) to enable those companies to offer Cogstate's specialized services, thereby leveraging the business development teams of the Contract Research Organisations.

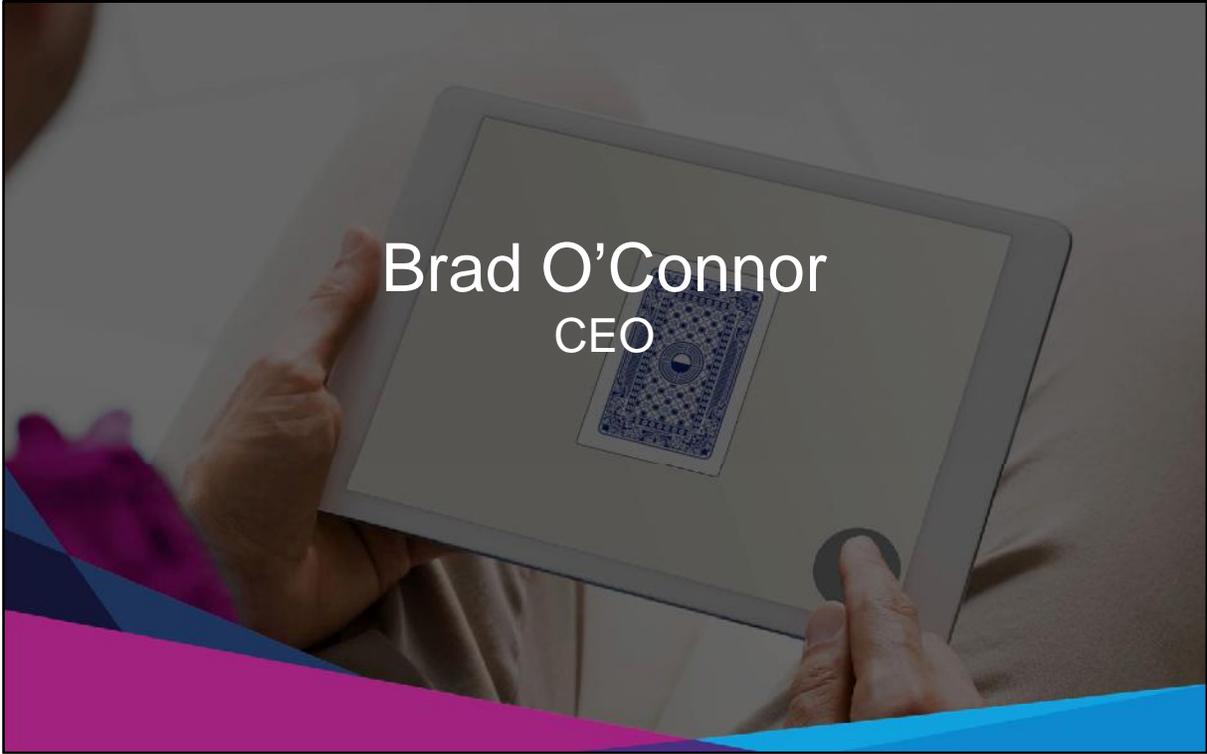
Cogstate has continued to expand its suite of solutions; from an enhanced science team to more flexible technology solutions, Cogstate has significantly enhanced its offering over the last 12 months. This has the effect of making Cogstate solutions applicable to a greater number of clinical trials

And we continue to seek out academic research partnerships that will keep Cogstate at the forefront of research into cognition.

In summary, we believe that the market opportunity is large and growing. We believe that Cogstate's technology and expertise provide a market leading position. Whilst Alzheimer's disease research is important to Cogstate's growth plans, the number of indications in which cognition is measured, as either an efficacy or a safety endpoint, continues to grow.

And finally, we believe that Cogstate's strategic focus will enable the Company to benefit from those positive market conditions.

Now, I would like to hand over to our Chief Executive, Brad O'Connor, to further discuss both the financial results as well as the strategic changes that have been implemented over recent months.



# Cogstate Commercial Strategy



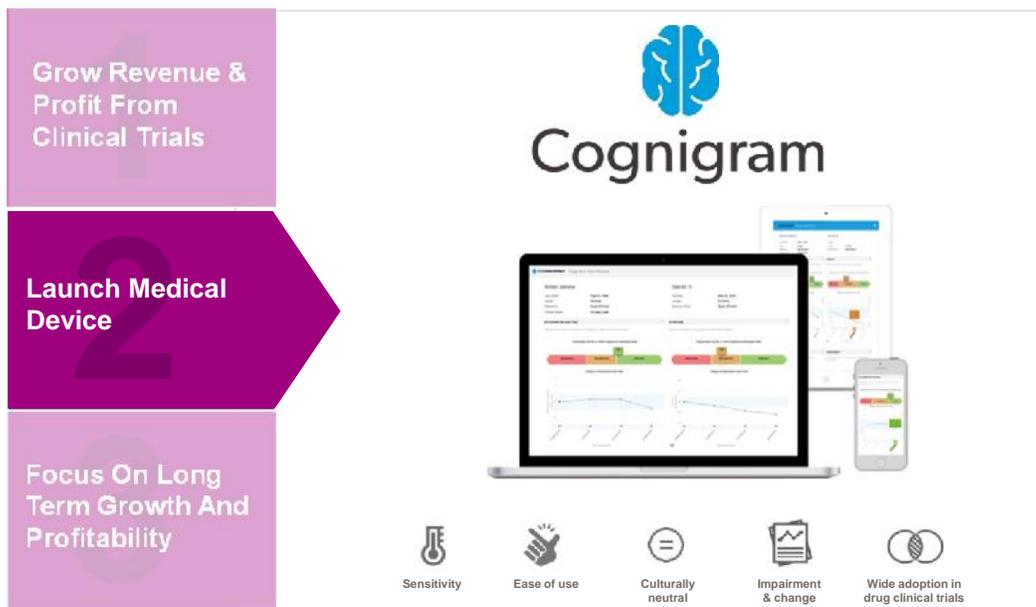
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Cogstate's has sought to commercialise its technology and associated services primarily in the support of clinical trials, where we aim to help pharma companies test their drug's efficacy in a cost effective manner whether through computerised tests or more conventional paper and pencil tests or a combination of both.

Cogstate has, year on year, continued to increase sales into the Clinical Trials market. For the 30 June 2018 year, sales contracts executed for the year of \$36.1m was up 22% of the previous year and continues a nice growth trend.

Revenue of \$29m was up 10% of the prior year and again continues a growth trend. Revenue has increased more than \$9m or 45% since the 2016 financial year

# Cogstate Commercial Strategy



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In the Healthcare segment, we have been focused on the regulatory clearance and then commercialization of the Cogstate technology as a medical device for use in doctors offices and hospitals.

The product, known as Cognigram, successfully achieved regulatory clearance in key markets – the US, EU, Canada and Australia during the 2018 financial year.

We executed \$700,000 of sales contracts during the 2018 year, which delivered approx.. \$400,000 of revenue.

# Cogstate Commercial Strategy



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The Board and management of Cogstate have always been focused on the long term opportunity for the Cogstate technology. We believe that, in time, there will be growing need for accurate and early detection of cognitive decline in general practice medicine and that doctors will need to rely on technology to provide such an accurate assessment in the limited time available.

The Clinical Trials segment is profitable and growing for Cogstate.

For the last couple of years, the profits from the clinical trials segment have been reinvested in Cogstate – in the development of a new technology platform as well as the launch of Cognigram.

Cogstate management have been instructed to live within our means; investing to the extent that the profitability of the clinical trials segment would allow. Thereby reducing the need for Cogstate to raise additional capital which would dilute shareholders interests.

## Adapting to New Information

- The impact of the failure of Alzheimer's trials
  - Reduction in contracted future revenue for Cogstate
  - Fear that we are further away from a treatment for Alzheimer's disease that would lead to demand for better diagnostic tools
- Medical device progressing, but changing behavior is slow and expensive
  - Regulatory clearance (USA: **FDA**, EU: **EMA**, Aus: **TGA**) clearance for Cognigram
  - Ramp up of business development team and some sales traction
  - Loss from operations \$1.9m and further investment required in FY19 and FY20
- Investment timeframe of Cogstate shareholders
  - Shareholders seeking greater financial leverage and short term profitability

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However, recent changes have caused the Board and management team to challenge the commercial strategy.

In July, Cogstate noted that it had received notification of cancellation of four clinical trials, stemming from the failure of two distinct investigational compounds. In total, the cancellations reduced the contracted future revenue by \$6.4 million, thereby reducing contracted future revenue at 30 June 2018 to \$28.4 million. Of the total cancellations, approximately \$3.1 million was expected to be recorded as revenue during the 2019 financial year.

Secondly, Notwithstanding the sales achieved by the Cognigram team in the 2018 financial year, the loss from Cognigram operations of just under \$2m was approximately double the loss from the previous year. This result was in line with our expectations. That said, the projected rate of increase in direct sales of Cognigram in coming years was not sufficient to achieve profitability for the healthcare segment in either the 2019 or 2020 financial years.

Finally, we heard from a number of shareholders, including some of our larger shareholders, that they wanted to see greater financial leverage in the business. That is, they wanted us to assess the balance of short term vs long term focus.

# Strategy Adjustment

- Annualised staff costs in excess of \$5m removed from the business through restructure implemented from April 2018 – July 2018
  - These costs accounted for \$3.46m of costs of sales and operating costs in FY18
- In total, 30 roles removed from the business
  - 17% of total staff headcount
- Significant strategy change in respect of Cognigram
  - Seeking distribution and licensing arrangements rather than direct selling
  - Immediate impact is to significantly reduce expenditure
  - Continue to support existing and new customers
  - Will continue to seek revenue growth, but through alternative distribution model
- Full impact of savings realised in 2<sup>nd</sup> half of FY19
  - Approx \$2m of non-recurring costs (salaries, severance payments and other close-out costs) will be incurred in the July – December 2018 half year
  - Non-recurring costs removed completely from January – June 2019 half year

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Over the last few months we have been working on a strategic change in respect of the sales and marketing strategy for Cognigram.

We have made a decision to move away from a direct sales model for Cognigram and seek to commercialize via distribution and licensing arrangements. This strategic change will remove substantial direct costs from the business in the 2019 financial year.

It is important to note that we remain committed to the Cognigram opportunity, but with an alternative distribution model. We are currently in discussions with potential distribution partners and hopeful of announcing such an agreement in the 2019 financial year.

The strategic change in respect of Cognigram, combined with other cost cutting initiatives that have been implemented over the last 4 months, will remove over \$5m of costs from the 2019 budget. These items accounted for \$3.46m of costs in the 2018 financial year.

The changes that have been implemented largely impact direct costs. 84% of the costs relate to either the change in strategy for Cognigram or other efficiencies that have been identified in the shared services areas of management, legal, finance and administrative functions.

A small % of the cost changes, 16%, relate to minor adjustment to resourcing within the clinical trials group – reported as cost of sales. This reflects an alignment of those cost of

sales resources against the changed contracted revenue position.

It is important to note that we have not reduced costs in the business development area for our clinical trials business. We continue to see good growth in the clinical trials business and, with the customer facing senior science resources that were added during the 2<sup>nd</sup> half of the 2018 financial year, we have significantly added to the business development resources from 2018 to 2019 financial years.

# Financial Analysis (US\$)

	Full Year Ended	
	30-Jun-17	30-Jun-18
<b>Revenue from operations</b>	<b>26,404,953</b>	<b>28,956,884</b>
<b>Clinical Trials</b>		
Revenue	26,187,137	28,080,187
<b>Clinical Trials EBITDA</b>	<b>14,861,048</b>	<b>15,905,193</b>
	56.7%	56.6%
<b>R&amp;D (incl. academic research studies, normative data studies and new technology validation)</b>		
<b>R&amp;D EBITDA</b>	<b>(568,061)</b>	<b>(326,981)</b>
Total Other Expenditure (Net)	(12,529,553)	(12,014,677)
<b>Adjusted EBITDA from continuing operations, excluding share based compensation</b>	<b>1,763,434</b>	<b>3,563,535</b>
Share based payments (expense of employee options)	(721,724)	(953,003)
Depreciation and Amortization	(771,593)	(651,718)
<b>Profit before tax from continuing operations</b>	<b>270,117</b>	<b>1,958,814</b>
<b>Investment in Cognigram (start-up)</b>		
<b>Cognigram EBIT</b>	<b>(931,562)</b>	<b>(1,852,597)</b>
<b>Net Profit / (Loss) before tax</b>	<b>(661,445)</b>	<b>106,217</b>

- Clinical Trials sales contracts \$36.1m, up 22%
- Revenue \$28.96m, up 10%
- Maintenance of margins within the Clinical Trials division
- Adjusted EBITDA from continuing operations \$3.56m (FY17 \$1.76m)
- Profit before tax from continuing operations \$1.96m (FY17 \$0.27m)
- Investment in Cognigram will significantly decrease in FY19 as a result of the restructure implemented

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If we look at this analysis of the 2018 financial year results, we can see the financial model that Cogstate is seeking to deliver into the future.

As a reminder, all Cogstate results are presented in US\$, which is our functional reporting currency.

For the 2018 financial year, Revenue for the year was \$29m, up 10% on 2017

Our gross margins in the clinical trials business was once again very consistent from year to year at 56.6%

Overall, we recorded a profit before tax of just over \$100,000, an improvement of \$768,000 on the prior year.

In this slide, we have provided some analysis of the financial results that takes account of the strategic changes implemented over recent months.

Adjusted EBITDA from continuing operations, was \$3.6m, double the 2017 result

Profit before tax, inclusive of the depreciation, amortization and share based payments amounts that were excluded from adjusted EBITDA, was \$2m, up from \$270,000 the year before.

The loss from the Cognigram commercialization was just under \$2m, approx. double the previous year

## FY19 Guidance

- Contracted revenue position is consistent with the prior year
  - Even after taking into account recent contract cancellations due to failure of two potential Alzheimer's disease therapies
- Sales growth prospects are good, but even at flat sales, profit is projected to increase due to restructure and associated cost reduction
- Specific guidance:
  - As a result of restructure, approx \$2m of non-recurring costs will be incurred in 1H19
  - 1H19 expecting to record a loss overall, inclusive of non-recurring costs
    - 1H19 profit if non-recurring costs are excluded
  - Much improved profitability in 2H19
    - Forecast revenue growth from 1H19 to 2H19
    - Full benefit of cost reduction measures delivered in 2H19
- Guiding for profit growth for FY19 year, inclusive of non-recurring costs

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Looking then to the 2019 financial year, we continue to see growth opportunities in the clinical trials business and we expect to again deliver growth in sales contracts and revenue.

It is important to note that we start the year in much the same shape as we started the 2018 financial year, notwithstanding the recent news about cancellations of contracts.

The cost reductions implemented will deliver much improved earnings leverage for the business.

During the first half of the 2019 financial year, Cogstate will incur approximately \$2m of non-recurring costs as we implement the strategic changes announced earlier. Most of these costs have been incurred in the September quarter and therefore, from October, we will now get a clean run at improving both our profitability and cashflow position.

Therefore, inclusive of non-recurring costs, we are providing guidance for a loss before tax in the first half of the 2019 financial year.

However, in the second half of the year, where we will see the full benefit of the cost reduction measures, we are expecting a profit before tax.

Over the course of the full year, we are providing guidance of growth in profit before tax, inclusive of all non-recurring expenses.

# FY19 Q1 Results

## Results in line with re-set expectations

- \$5.4m Clinical Trial sales contracts signed
  - *Current indicators suggest a stronger December quarter*
- \$29.8m of contracted future revenue at 30 Sep 2018
  - Up from \$28.4m announced in July
  - Of \$6.4m cancellations announced, \$2.4m has been recaptured reflecting detailed reconciliation
- Quarterly revenue \$6.4m
- Cash outflow for the quarter of \$0.98m
  - Savings from the announced restructure start to take effect in October 2018
  - Cash outflow related to staff costs were \$7.2m in the September quarter, reducing to \$4.7m in the December quarter
- Loss for the September quarter in line with budget and expectations
- No change to previous guidance

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For the September quarter, both sales and revenue were down on the previous corresponding quarter, but in line with our revised expectations, following the cancellation of the previously mentioned AD trials.

The cash outflow of \$1m for the quarter was, again, as budgeted.

We note that the announced cost saving measures have now begun to take effect and staff costs will reduce dramatically in the December quarter and beyond.

Overall, the loss for the September quarter was in line with our forecasts, which took into account the cancellation of the AD studies.

We are confident of achieving a much stronger result in December – both in terms of improved revenue but also reduced costs. We expect that improvement to continue into the 2<sup>nd</sup> half of the financial year.

Therefore, we have made no change to our previous guidance.

With that, I'd like to provide an opportunity for any questions.



We will now move to formal portion of the meeting including the various resolutions to be considered today.

Can I begin by noting that I have signed the minutes of the previous Annual General Meeting of Cogstate Ltd as Chairman of that meeting and a copy of the minutes are available for inspection.

Before moving to the various resolutions to be outlined today, I will now briefly outline the meeting and voting procedures for today's meeting.

## Resolution 2

### Adoption of the Remuneration Report (Non-binding Vote)

For	27,239,531
Against	337,356
Abstain	48,606

*118,266 open votes are held by the Chairman*

# Resolution 3a

## Re-election of Martyn Myer

For	52,928,840
Against	263,685
Abstain	21,480,391

*108,135 open votes are held by the Chairman*

# Resolution 3b

## Re-election of David Dolby

For	53,000,037
Against	268,885
Abstain	21,403,994

*108,135 open votes are held by the Chairman*

# Resolution 4

## Issue of Options to CEO

For	70,088,864
Against	356,359
Abstain	43,045

*114,666 open votes are held by the Chairman*

# Resolution 5

## Approval of Additional 10% Placement Facility

For	74,306,925
Against	334,188
Abstain	19,103

*120,835 open votes are held by the Chairman*

Members are invited to join the  
directors and staff for light  
refreshments.

I thank you all for your attendance.

Members are invited to join the Directors and Staff for light refreshments.



Cogstate