



COGSTATE

# **BUSINESS UPDATE & 2016 FINANCIAL YEAR RESULTS**

**INVESTOR PRESENTATION**

SEPTEMBER 2016



We believe that **brain health is profoundly important to quality of life** and should be easier to measure.

That's why we so passionately apply our expertise, access to data and flexible technology **to simplify the measurement of cognition.**

It's our core focus, and we won't stop until cognitive assessment—**anyone, anytime, anyplace**—is a routine exercise across healthcare and clinical research.”



# COMPANY SNAPSHOT

## CAPITAL STRUCTURE

Share Price (2 September 2016)	\$0.80
Fully paid ordinary shares	112m
Market Capitalisation	\$86.1m
Net Cash (30 June 2016)	\$7.4m

## MANAGEMENT & BOARD

Brad O'Connor	CEO
Martyn Myer	Non-Executive Chairman
David Dolby	Non-Executive Director
David Simpson	Non-Executive Director
Richard Van Den Broek	Non-Executive Director

## SHAREHOLDERS

Board & Management	43.1%
Former Director (Finkel)	8.04%
Top 20	83.7%

## SHARE PRICE CHART





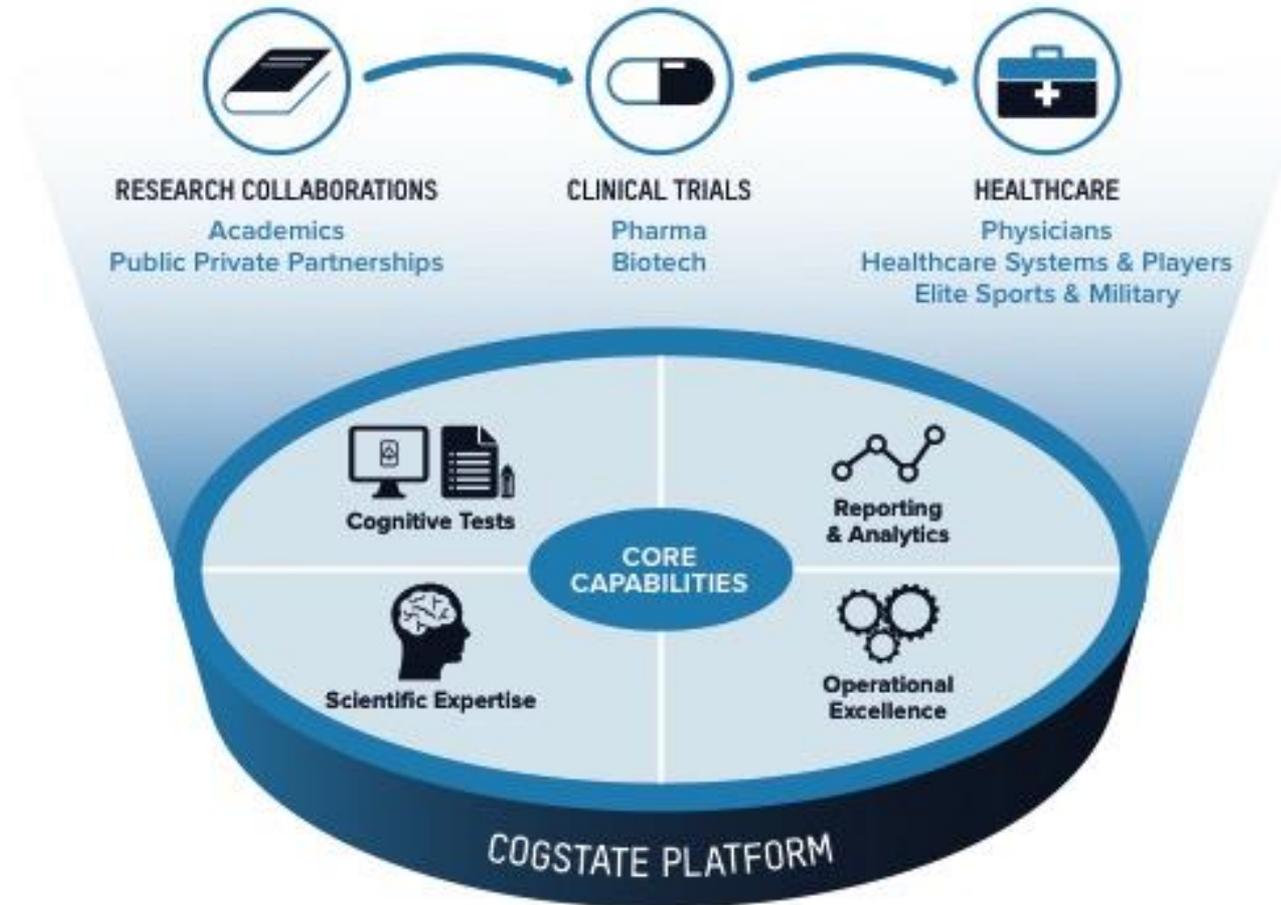
# COGSTATE HIGHLIGHTS

- Cogstate is a leader in Cognitive Assessment
- Cognitive Assessment and Training Market is projected to grow from USD 2.4 Billion in 2015 to 7.5 Billion by 2020<sup>1</sup>
- 99% of FY16 revenue comes from Clinical Trials and Precision Recruitment, where revenue is driven by volume and size of trials
- Outsourcing growth trends to continue in Clinical Trials<sup>2</sup>
- Long life contracts (>12mths) provides revenue certainty
- Cogstate's customers are some of the world's largest pharmaceutical and biotech companies and CRO's
- Strong legacy of scientific excellence facilitating current focus on business development and product development
- FY16 results highlight Cogstate has transitioned to profitability and that strong growth momentum continues

1. Market Research Report: Cognitive Assessment and Training Market by Assessment Type (Pen & Paper Based, Hosted, Biometrics), Service, Application (Clinical Trials, Classroom Learning, Brain Training, Corporate Learning, Academic Research), Vertical and Region - Global Forecast to 2020\*, published by MarketsandMarkets

2. The global clinical trial service market predicted to reach more than \$64B by 2020, representing CAGR of 9% with close to 75% of trial predicted to be outsourced to CROs. Source: Research and Markets "The New Trends of Global Clinical Development Outsourcing Market" – 30 June 2015.

# SIMPLIFYING THE MEASUREMENT OF COGNITION IN:



# VALIDATED THROUGH USE IN OVER 1,500 STUDIES ACROSS ACADEMIC AND CLINICAL RESEARCH



54  
COUNTRIES



88  
LANGUAGES  
& DIALECTS



70  
INDICATIONS



>400  
PEER REVIEWED  
PUBLICATIONS

Cognition disorders **Alzheimer's disease** Heart failure  
**Major depressive disorder** Multiple sclerosis (MS) **Hepatitis C**  
Parkinson's disease Diabetic peripheral neuropathy **Mild cognitive impairment**  
Insomnia **Schizophrenia** Overactive bladder Stroke  
Obsessive compulsive disorder **Alcohol Toxicity** **Familial Hypercholesterolemia**  
Attention deficit hyperactivity disorder **Epilepsy** Prostate cancer Lung carcinoma  
Bipolar disorder **Glioblastoma** Tourette's syndrome **Paediatric Hyponatremia**  
Autism spectrum disorders **Healthy Population** Anemia **HIV**  
**Pain** Fragile X **Cardiovascular Risk** NSCLC **Down syndrome** Depression



# BUSINESS MILESTONES



## RETURN TO PROFITABILITY

Delivered on our guidance to return to positive EBIT, recording EBIT of A\$1.0M for the 2016 financial year. Focused commercial strategy driving results.



## RECORD SALES CONTRACTS OF US\$28.5 MILLION

Another record year for contracts signed, with US\$28.5M signed in FY16, an increase of 20% on FY15.



## STRONG OPERATIONAL DELIVERY DRIVING REPEAT BUSINESS

76% of new contracts signed across the Clinical Trials customer base from repeat clients



## CONTRIBUTIONS FROM NEW PRODUCT

First full year contribution from Precision Recruitment.

Cogstate has invested significantly in the Product Development team during FY16 to increase the speed to market for the next generation product offering.

# SUMMARY OF FY16 FINANCIAL PERFORMANCE



## RECORD REVENUES & POSITIVE EBIT

DELIVERED ON GUIDANCE WITH EBIT OF A\$1.0M



## MAINTAINED GROSS MARGIN

EVEN AS HEADCOUNT GREW TO KEEP PACE WITH DEMAND



## FINANCIAL LEVERAGE

THE INCREASE IN REVENUE HAS DELIVERED SIGNIFICANT EBIT IMPROVEMENT

	<b>FY16</b> A\$ millions	<b>FY15</b> A\$ millions	<b>Change</b> A\$ millions
<b>Clinical Trials &amp; Precision Recruitment Revenue</b>	27.14	15.70	11.46
<b>Total Revenue</b>	27.25	16.07	11.18
<b>EBIT</b>	1.04	-3.05	4.09
<b>Net Profit After Tax*</b>	2.64	-5.06	7.70

# FINANCIAL UPDATE- FY16 ANNUAL REPORT

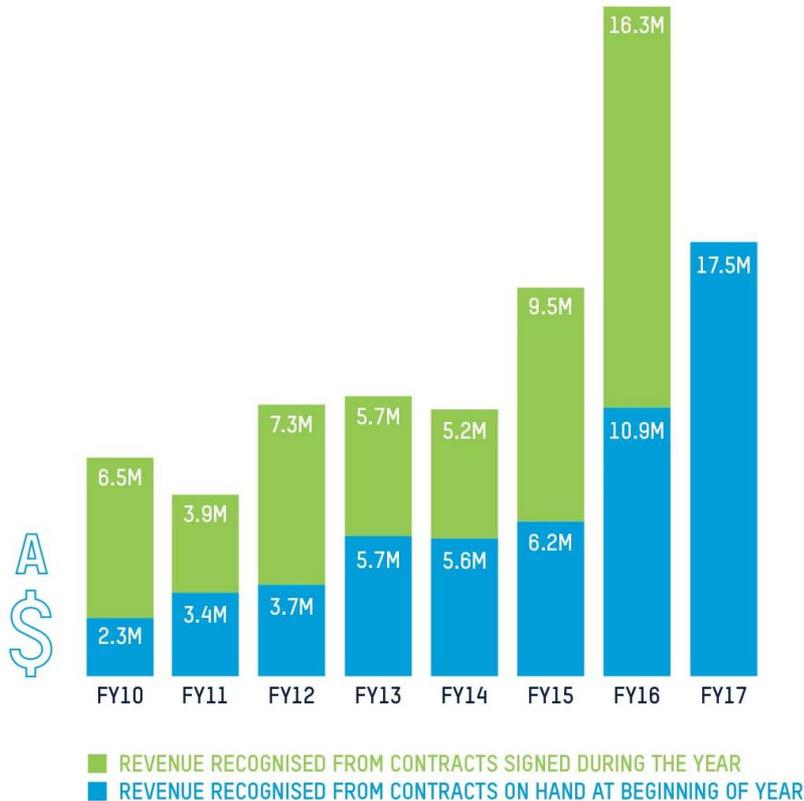
## STRONG GROWTH IN NEW SALES CONTRACTS



## STRONG GROWTH IN REVENUE & GROSS MARGIN



# POSITIVE FY17 BUSINESS OUTLOOK



## CONTRACTED REVENUE PIPELINE HIGHEST-TO-DATE

Started 2016 financial year with A\$10.9M of contracted revenue for FY16 and recognized an additional A\$16.3M from new contracts signed during the financial year.

Began 2017 financial year with A\$33.9M of contracted revenue (A\$17.5M of which to be recognized during the 2017 financial year, **an increase of 60% on FY16**).

# FULL SERVICE SOLUTION FOR MEASURING COGNITION IN CLINICAL TRIALS



DESIGN



RECRUIT



MEASURE



DELIVER



ANALYSE

“ From well-validated computerized batteries to expert support for traditional paper and pencil tests, science and excellence in delivery are at the core of everything we do. ”

# KEY FINANCIAL FEATURES OF CLINICAL TRIALS BUSINESS

99%

**Clinical Trials is our key revenue driver**– clinical trials and precision recruitment accounted for 99% of revenue in FY16.

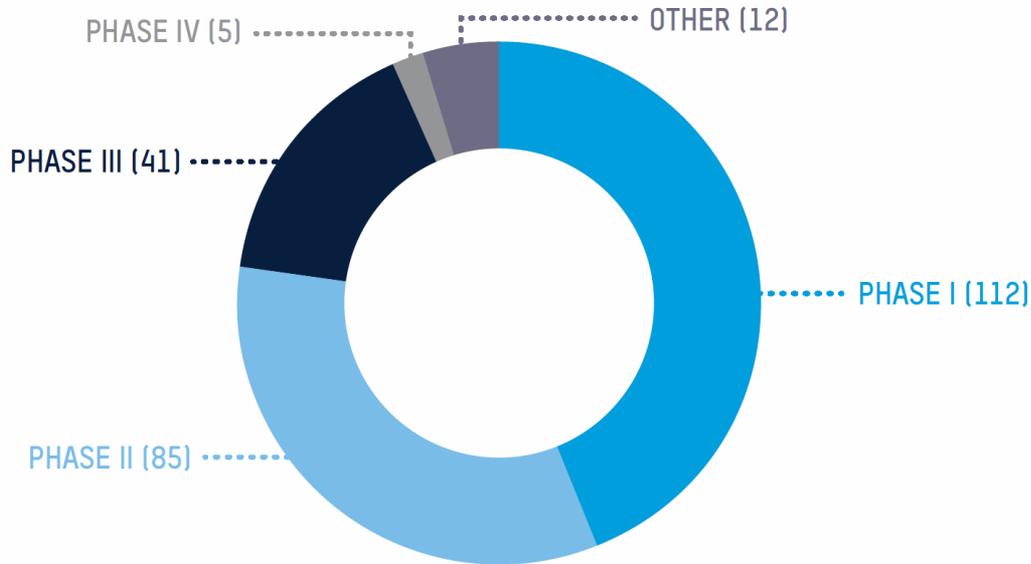


**Our revenue is driven by the volume of clinical trials, not their success.** *This differentiates Cogstate to many other companies in this space.*



**Contract life (often beyond 12 months) provides security of revenue into future years.** *Cogstate contracts with some of the largest pharmaceutical and biotech companies in the world*

# COGSTATE CLINICAL TRIALS EXPERIENCE



- Over time, increasing use in phase II and phase III
- Higher contract value in later stage studies

# DRIVING THE MOMENTUM

## EXECUTING COMMERCIAL STRATEGY

## FAVOURABLE INDUSTRY TRENDS

## EXPANDING PORTFOLIO OF SOLUTIONS

- Targeted sales strategy delivering results – a **4x increase in proposals vs PCP**
- Fully resourced commercial team as of Oct 2015 + utilisation of scientific subject matter experts
- **Expanded reach:** Identification of RFPs in multiple indications across pharma, biotech and CROs
- Strong **operational delivery** driving repeat business

# DRIVING THE MOMENTUM

EXECUTING  
COMMERCIAL  
STRATEGY

FAVOURABLE  
INDUSTRY  
TRENDS

EXPANDING  
PORTFOLIO OF  
SOLUTIONS

- **Alzheimer's/Dementia:** Increased trial activity in early stage disease / prevention
- **Major Psychiatric Disorders (SZ, MDD):** Increase in research activity
- **Cognitive Safety Concerns:** Regulatory requirements in paediatric trials; neurotoxicity concerns in oncology and cardiometabolic drugs
- **Growing Interest in Computerised Assessments** and hybrid approaches vs. only Paper-and-Pencil

# DRIVING THE MOMENTUM

EXECUTING  
COMMERCIAL  
STRATEGY

FAVOURABLE  
INDUSTRY  
TRENDS

EXPANDING  
PORTFOLIO OF  
SOLUTIONS

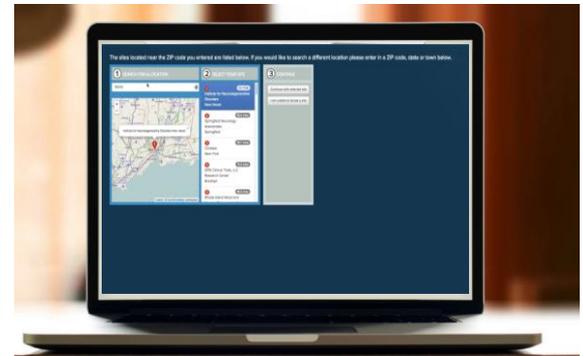
- Breadth of services and expertise in Clinical Trials to provide full service support for computerised *or* paper-and-pencil scales
  - Allows Cogstate to deliver cognitive outcome measures **regardless of the fit-for-purpose approach selected for the trial**
  - Key new hires in Scales Management, Rater Training, Paediatric Assessments
- **On-line pre-screening solutions for patient recruitment** –Precision Recruitment

# PRECISION RECRUITMENT™

AD trials seeking to enroll participants at the earliest stages of disease must advertise trials to the general public with memory concerns. This advertising has led to a great influx of “the worried well” who fail screening at the study site, creating costly inefficiencies and study delays.

**Cogstate’s online pre-screener streamlines and accelerates clinical trial recruitment using remote cognitive assessment.**

- Employs computerized cognitive tests to qualify appropriate subjects and direct them to a nearby site.
- Optimized and validated for unsupervised administration
- Leverages a lower cost, digital pre-screen built on Cogstate’s validated computerized battery of cognitive function tests
- Reduces the volume of non-qualifying participants presenting to the clinical site for full screening
- Compatible with existing recruitment workflows



# THE COGSTATE BRIEF BATTERY

**EXAMPLE: ONE BACK TASK**

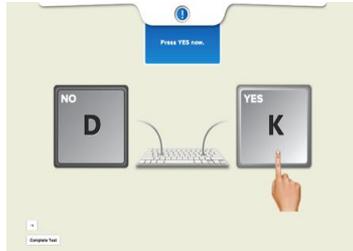
**Objective:** *Is it the same as previous?*

Test Name	Question	Task Paradigm	Main Domain Measured
Detection	Has the card turned over?	Simple Reaction Time	<b>Psychomotor Function</b>
Identification	Is the card red?	Choice Reaction Time	<b>Attention</b>
One Card Learning	Have you seen this card before?	Pattern Separation Learning	<b>Learning</b>
One Back	Is this card the same as the previous card?	N-back	<b>Working Memory</b>

**STANDARDIZED | RAPID | GLOBAL | REPEATABLE | SENSITIVE**

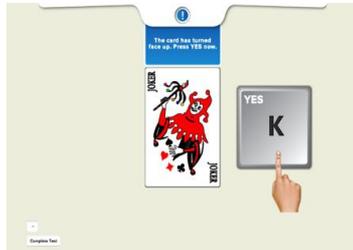
*Validated in Hundreds of Clinical Trials and Peer Reviewed Publications*

# OPTIMIZE COGSTATE BRIEF BATTERY TESTS FOR UNSUPERVISED AND ONLINE ASSESSMENT



## MINIMAL DEPENDENCE ON INSTRUCTIONS

Task stimuli and response requirements are trained dynamically



## DYNAMIC INTRODUCTION OF TASK RULES

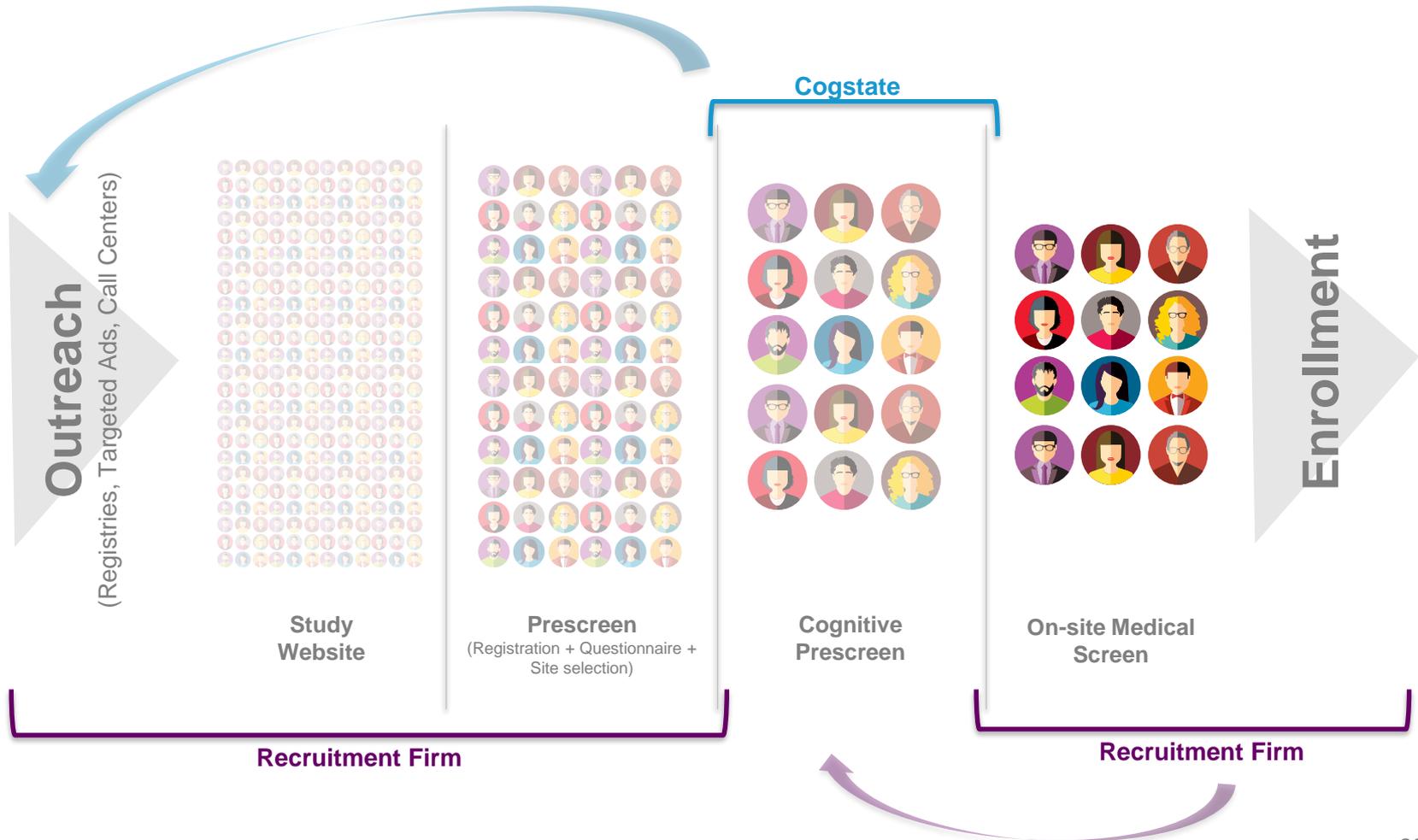
Once individual demonstrates understanding of requirements then rules for task performance are introduced, again dynamically



## INCREASE TASK DIFFICULTY

Once simple tasks have been acquired and performed. Introduce the more complex rules for memory and working memory tasks.

# HOW PRECISION RECRUITMENT WORKS



# STUDY SPONSOR BENEFITS

## ACCELERATE THE PACE AND PRECISION OF THE RECRUIT

- Reduced on-site screen fail rate and cost
- Quick access to a targeted pool of participants in the Cognition Registry

## FULLY COMPATIBLE WITH EXISTING CLINICAL TRIAL RECRUITMENT WORKFLOW

- Scalable and modular functionality
- Flexible integration with clinical trial sponsor, CRO, or clinical site

## PARTNERSHIP WITH COGSTATE BASED ON SHARED INTEREST AND ALIGNED INCENTIVES

- Pricing structure driven by number of enrolled participants who were channeled through Precision Recruitment
- Ongoing project management, scientific advisory, and IT assistance

# BUSINESS OUTLOOK FOR FY2017



## CONTRACTED REVENUE PIPELINE HIGHEST-TO-DATE

WE BEGIN THE 2017 FINANCIAL YEAR WITH A\$33.9M OF CONTRACTED REVENUE, AN INCREASE OF 58% ON THE START OF FY16.



## FAVOURABLE OUTLOOK FOR CLINICAL TRIALS GROWTH

POSITIVE INDUSTRY GROWTH TRENDS: INDEPENDENT RESEARCH FIRM\* PREDICTS THE COGNITIVE ASSESSMENT AND TRAINING MARKET WILL CONTINUE TO GROW AT AN AVERAGE OF 25.6%P.A UNTIL 2020.



## R&D INVESTMENT FOCUSED ON GROWING MARKETS

CONTINUED ACADEMIC RESEARCH SUPPORT, PARTICULARLY IN ALZHEIMER'S DISEASE, ONCOLOGY AND PAEDIATRICS, EXPECTED TO RESULT IN FURTHER PRODUCT DEVELOPMENT INSIGHTS AND DATA FOR INFORMING CLINICAL TRIALS BUSINESS.

## NEXT GENERATION SOLUTIONS

FULLY SUPPORTED ROLLOUT OF PRECISION RECRUITMENT™ TO CONTINUE FURTHER DIVERSIFYING REVENUE STREAMS. PRODUCT DEVELOPMENT IS FOCUSED ON UPGRADING THE CORE PRODUCT SUITE TO DELIVER OPERATIONAL EFFICIENCIES AND ENHANCEMENTS THAT CAN BE APPLIED ACROSS OTHER PRODUCTS, INCLUDING DEVICE INDEPENDENCE, UNSUPERVISED ASSESSMENT, AND EXPANDED LIBRARIES OF TRANSLATIONS AND TEST MENUS.



COGSTATE

ASSESS • MONITOR • IMPROVE

# APPENDIX 1 - BOARD OF DIRECTORS

- **MARTYN MYER AO** - Chairman  
*Founder with long history of supporting neurosciences in Aust.*
- **DAVID DOLBY** - Non-Executive Director  
*Director Dolby Laboratories Inc. and Dolby Family Ventures, an early stage venture firm focused on building great technology companies.*
- **DAVID SIMPSON** - Independent Non-Executive Director  
*Previously Senior Partner at Doremus Communications, the largest US business to business advertising agency. From 1985 to 2001 he held a series of senior management positions in Asia, South Africa and North America as well as Australia for the multinational advertising agency, J.Walter Thompson.*
- **RICHARD VAN DEN BROEK** - Independent Non-Executive Director  
*Founder and managing partner of HSMR Advisors LLC, a U.S. based fund manager with an investment emphasis on small and mid-cap biotech public companies*
- **BRAD O'CONNOR** – CEO  
*CEO since December 2005*

# APPENDIX 2 – CONTRACTED REVENUE PIPELINE

	As at 30 June 2016		As at 30 June 2015	
Year 1	FY17	A\$17.5m	FY16	A\$10.9m
Year 2	FY18	A\$ 9.7m	FY17	A\$ 6.5m
Year 3-5	FY19-FY22	A\$ 6.7m	FY18-FY20	A\$ 4.0m
<b>Total</b>		<b>A\$33.9m</b>		<b>A\$21.4m</b>

1. Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 30 June 2016 was 0.743 and 30 June 2015 was 0.765.

# APPENDIX 3 - SUMMARY BALANCE SHEET

	30 JUNE 2016 A\$'000,000	30 JUN 2015 A\$'000,000
<b>Assets</b>		
- Cash and cash equivalents	7.47	5.50
- Trade and other receivables	5.26	4.90
- Other current assets	0.94	0.46
- Property, plant and equipment	1.71	1.12
- Deferred tax assets	3.85	1.94
- Intangible assets	0.40	0.40
<b>Total Assets</b>	<b>19.63</b>	<b>14.31</b>
<b>Liabilities</b>		
- Trade and other payables	3.39	2.55
- Provisions	1.72	1.15
- Deferred tax liabilities	0.72	0.49
<b>Total Liabilities</b>	<b>5.83</b>	<b>4.19</b>
<b>Net Assets</b>	<b>13.80</b>	<b>10.11</b>

# APPENDIX 4 - SUMMARY CASH FLOW

	30 JUNE 2016 A\$'000,000	30 JUN 2015 A\$'000,000
<b>Cash flows from operating activities</b>		
- Receipts from customers	31.11	18.05
- Payments to suppliers and employees	(29.11)	(21.31)
- R&D Rebate received	0.55	0.48
<b>Net cash inflow / (outflow) from operating activities</b>	<b>2.55</b>	<b>(2.78)</b>
<b>Cash flows from investing activities</b>		
- Payments for property, plant & equipment	(1.63)	(1.06)
- Interest received	0.08	0.12
<b>Net cash outflow from investing activities</b>	<b>(1.55)</b>	<b>(0.92)</b>
<b>Cash flows from financing activities</b>		
- Proceeds from the issue of shares	0.86	2.06
- Interest payments	0.00	(0.06)
<b>Net cash inflow from financing activities</b>	<b>0.86</b>	<b>2.00</b>
<b>Net increase / (decrease) in cash</b>	<b>1.86</b>	<b>(1.70)</b>