

ASX Announcement

24 October 2018



Earnings Guidance, Business Update and September Quarter Cashflow

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the quarter ended 30 September 2018.

Summary of Results

All figures are stated in US\$

Commentary:

- Results in line with expectations, which were reset following announced cancellation of Alzheimer's disease clinical trials (*ASX announcement 31-Jul-18*)
- Of the \$6.4m contract cancellations announced in July, \$2.4m has been recaptured following detailed reconciliation and negotiation with the respective customers
- Cost savings from the announced restructure (*ASX announcement 13-Aug-18*) will substantially reduce expenditure in the December, March and June quarters
- Staff costs detailed in the September quarter cash flow of \$7.2m (*page 6 of this release*) are expected to reduce to \$4.7m in the December quarter (*page 9 of this release*)
- September quarter sales contracts were \$5.4m, but current indicators suggest a stronger December quarter

Revenue:

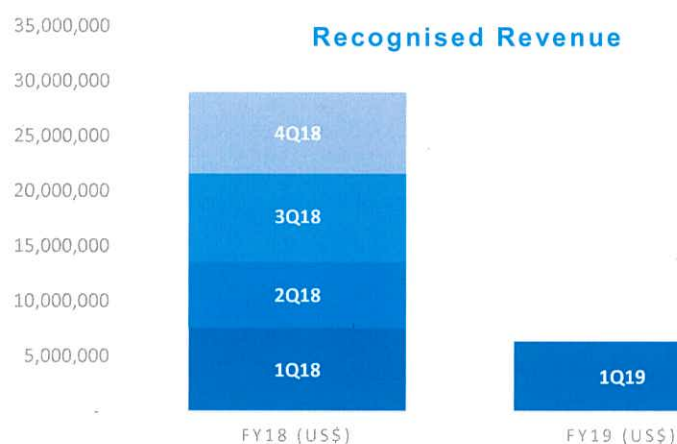
- 1Q19 revenue \$6.4m
- Contracted revenue backlog of \$29.8m at 30 September 2018 to be recognised in FY19 and beyond, up from \$28.4m at 30 June 2018

Cash & Receivables:

- Combined cash & receivables at 30 September 2018 \$8.8m, down from prior periods (Sep-17 \$10.7m, Jun-18 \$10.7m)
- Cash balance of \$3.4m at 30 September 2018
- Cash outflow for the September quarter of \$0.98m
- Cost savings will take effect during the December quarter, improving both cashflow and profitability

Recognised Revenue

- Revenue of \$6.4m achieved for 1Q19 (excluding pass-through cost recoveries), down \$1.2m in comparison to this time last year (1Q18).



- The decrease in the September quarter revenue, compared to the previous corresponding quarter, negatively impacted 12 month rolling revenue.



Sales and Contracted Future Revenue

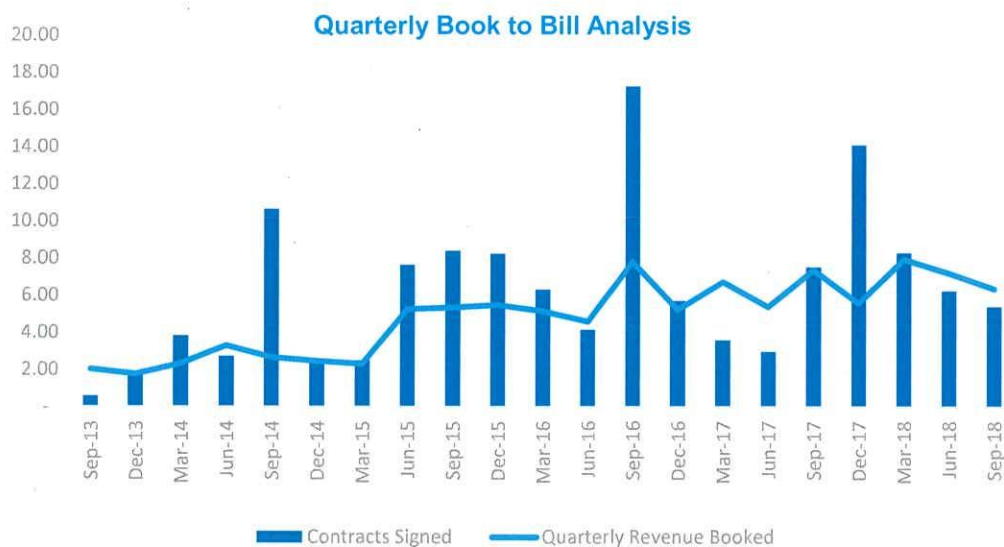
- Total value of contracts signed during 1Q19 is \$5.4m.



- At 30 September 2018, Cogstate had \$29.8m of contracted Clinical Trials revenue to be recognised in FY19 and later years.
- The graph below shows contracted future revenue at various time points



- Contracted future revenue at 30 June 2018 was reduced from \$34.8m to \$28.4m, reflecting cancellation of Alzheimer's disease studies that was announced in July 2018. Of the \$6.4m contract cancellations announced, \$2.4m has been recaptured following detailed reconciliation and negotiation with the respective customers
- Therefore, contracted revenue position has improved to \$29.8m at 30 September
- Book-to-bill ratio¹ of 0.85 for September quarter.



1: Book-to-bill ratio is new business wins (sales contracts) divided by the quarter's revenue and is widely used in the pharmaceutical services industry as a measure of demand. A figure over 1.0 is indicative of an increase in contracted future revenue backlog.

Operating Cash Flow and Balance Sheet

- Net cash outflow of \$0.98m for the September 2018 quarter
 - Net Operating Cash outflow was \$1.7m for the quarter.
 - Employee share options exercised during the quarter raised \$0.84m in additional capital
- Cash balance of \$3.4m at 30 September 2018.
- Cost savings have been implemented during the September quarter and will have effect during the December quarter
 - Staff costs of \$7.2m reported in the September quarter, include both restructure costs as well as the bonuses paid in respect of the year to 30 June 2018
 - Staff costs are expected to decrease by \$2.5m for the December quarter (\$4.7m compared to the \$7.2m September quarter cash impact),

Quarterly Report – 30 September 2018

Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	30-Sep-18	30-Jun-18	30-Sep-17
	US\$ million	US\$ million	US\$ million
Revenue			
Clinical Trials revenue	6.33	7.11	7.38
Other Revenue	0.03	0.27	0.22
Sub-total	6.36	7.38	7.60
Pass-through Cost Recoveries	0.92	1.95	0.01
Total Revenue	7.28	9.33	7.61
Receivables			
Opening balance	6.34	5.26	3.89
Closing balance	5.38	6.34	6.17
Net Increase/(Decrease) in Receivables	(0.96)	1.08	2.28
Payables			
Opening balance	(2.55)	(2.35)	(2.59)
Closing balance	(2.11)	(2.55)	(1.44)
Net Increase/(Decrease) in Payables	(0.44)	0.20	(1.15)
Cash Flow			
Cash receipts from customers	7.93	7.27	5.88
Cash payments to employees	(7.21)	(5.25)	(6.05)
Cash payments to suppliers	(2.47)	(3.21)	(2.31)
Cash receipts, non-trading	0.02	0.00	0.00
Net Operating Cash In/(Out) Flows	(1.73)	(1.19)	(2.48)
Net Investing Cash In/(Out) Flows	(0.09)	(0.16)	(0.16)
Net Financing Cash In/(Out) Flows	0.84	0.00	0.06
Foreign exchange movement	-	-	-
Net Increase/(Decrease) in cash held	(0.98)	(1.35)	(2.58)

For further information contact:

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Cogstate Limited

ABN

80 090 975 723

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$US	Year to date (3 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	7,927,156	7,927,156
1.2 Payments for		
(a) Staff costs (incl R&D)	(7,209,557)	(7,209,557)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(53,177)	(53,177)
(d) leased assets	(228,461)	(228,461)
(e) administration and corporate costs	(1,177,046)	(1,177,046)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17,824	17,824
1.5 Interest and other costs of finance paid	(31,102)	(31,102)
1.6 Income taxes paid	(85,560)	(85,560)
1.7 Government grants and tax incentives	7,105	7,105
1.8 Other (provide details if material)		
Accounting & Audit	(222,082)	(222,082)
Computer costs	(216,247)	(216,247)
Legal costs, including patent costs	(108,234)	(108,234)
Listing fees & Associated costs	(53,544)	(53,544)
Travel Costs	(295,468)	(295,468)
1.9 Net cash from / (used in) operating activities	(1,728,393)	(1,728,393)

Consolidated statement of cash flows		Current quarter \$US	Year to date (3 months) \$US
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	(90,152)	(90,152)	
(b) businesses (see item 10)	-	-	
(c) investments	-	-	
(d) intellectual property	-	-	
(e) other non-current assets	-	-	
2.2 Proceeds from disposal of:			
(f) property, plant and equipment	-	-	
(g) businesses (see item 10)	-	-	
(h) investments	-	-	
(i) intellectual property	-	-	
(j) other non-current assets	-	-	
2.3 Cash flows from loans to other entities	-	-	
2.4 Dividends received (see note 3)	-	-	
2.5 Other (provide details if material)	-	-	
2.6 Net cash from / (used in) investing activities	(90,152)	(90,152)	

3. Cash flows from financing activities			
3.1 Proceeds from issues of shares	-	-	
3.2 Proceeds from issue of convertible notes	-	-	
3.3 Proceeds from exercise of share options	837,251	837,251	
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-	
3.5 Proceeds from borrowings	-	-	
3.6 Repayment of borrowings	-	-	
3.7 Transaction costs related to loans and borrowings	-	-	
3.8 Dividends paid	-	-	
3.9 Other (provide details if material)	-	-	
3.10 Net cash from / (used in) financing activities	837,251	837,251	

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (3 months) \$US
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,366,303	4,366,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,728,393)	(1,728,393)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(90,152)	(90,152)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	837,251	837,251
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,385,009	3,385,009

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US	Previous quarter \$US
5.1	Bank balances	3,385,009	4,366,303
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,385,009	4,366,303

6.	Payments to directors of the entity and their associates	Current quarter \$US
6.1	Aggregate amount of payments to these parties included in item 1.2	74,928
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
N/A		

7. Payments to related entities of the entity and their associates	Current quarter \$US
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US	Amount drawn at quarter end \$US
8.1 Loan facilities	897,043	509,924
8.2 Credit standby arrangements	63,731	63,731
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
Bank overdraft (A\$500k) Credit cards (A\$45k) Trade finance facility (US\$502k) Bank Guarantee (A\$89k)		

9. Estimated cash outflows for next quarter	\$US
9.1 Staff costs (incl R&D)	(4,656,045)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(99,390)
9.4 Leased assets	(267,596)
9.5 Administration and corporate costs	(583,811)
9.6 Other (provide details if material)	
Accounting & Audit	(66,518)
Computer costs	(250,657)
Legal costs, including patent costs	(31,959)
Listing fees & Associated costs	(45,368)
Travel Costs	(202,489)
9.7 Total estimated cash outflows	(6,203,833)

+ See chapter 19 for defined terms.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


Company Secretary

Date: 24 October 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the a