

ASX Announcement 22 January 2018



Business Update and December Quarter Cashflow

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow Statement for the quarter ended 31 December 2017.

All figures are stated in US\$. All figures are subject to completion of half year audit.

Additional details and analysis will be provided with release of the Appendix 4D Half Year Financial Report on Wednesday 21 February 2018. Following the release of the Half Year Financial Report, Cogstate will be holding an investor teleconference at 11:00am AEDT on Wednesday 21 February 2018, with joining details provided closer to that date.

Summary of Results

First Half Financial Year 2018 ("1H18")

Compared to

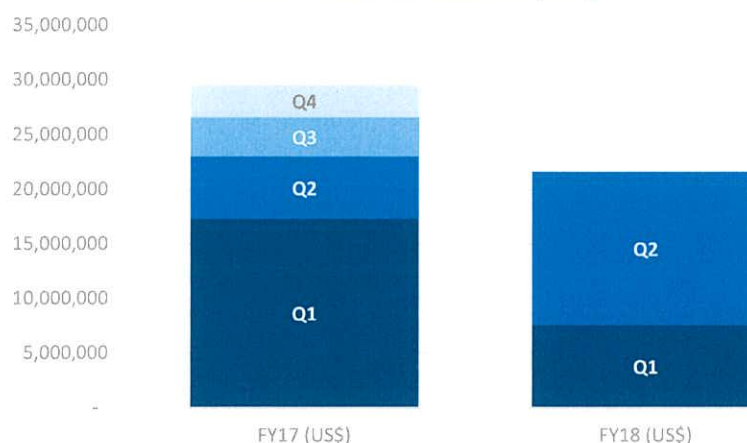
1H17 2H17

Sales contracts 1H18: \$21.6m (2Q18 \$14.0m)	Down 6%	Up 227%
Contracted future revenue backlog at 31-Dec-17: \$34.7m	Up 13%	Up 21%
Total revenue 1H18: \$13.6m (2Q18 \$6.0m)	Down 3%	Up 9%
Book-to-bill ratio 2Q18: 2.5x revenue		
Cash balance at 31-Dec-17: \$4.3m (2Q18 outflow \$0.3m)		
1H18 earnings guidance: Loss for the 1H18, improved earnings outlook for 2H18		

Sales and Contracted Future Revenue

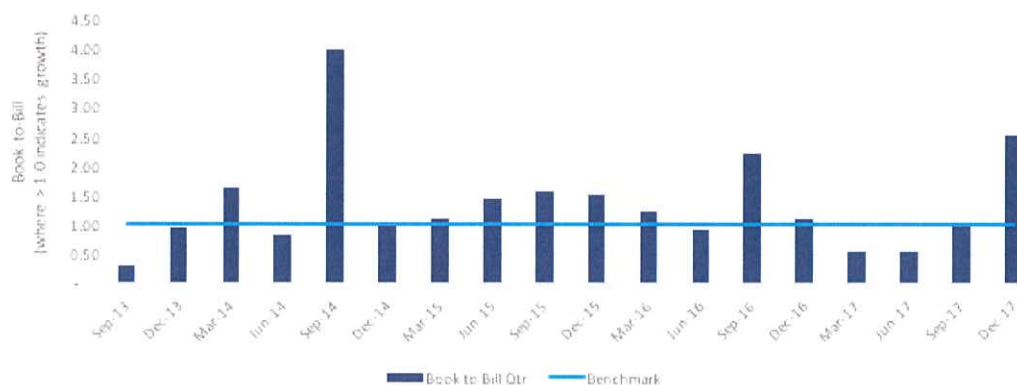
- Value of contracts signed for 2Q18 totalled \$14.0m², taking the total value of contracts executed in the half year to \$21.6m.
- Strong sales results for the half year reverses a disappointing sales result for the previous half year. Recent half-yearly sales figures: 1H17 \$23.0m, 2H17 \$6.6m, 1H18 \$21.6m.
- Cogstate management remains confident with the continued underlying growth trajectory of the Clinical Trials business and that 2H18 sales will outperform 2H17.

Sales Contracts Executed (\$US)



- 2Q18 book-to-bill ratio of 2.5 is an extremely strong growth indicator, reflecting both an excellent sales result but also slightly lower revenue for the quarter because of timing of revenue milestones, which will occur in the next period.
 - 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.

Book-to-Bill Ratio

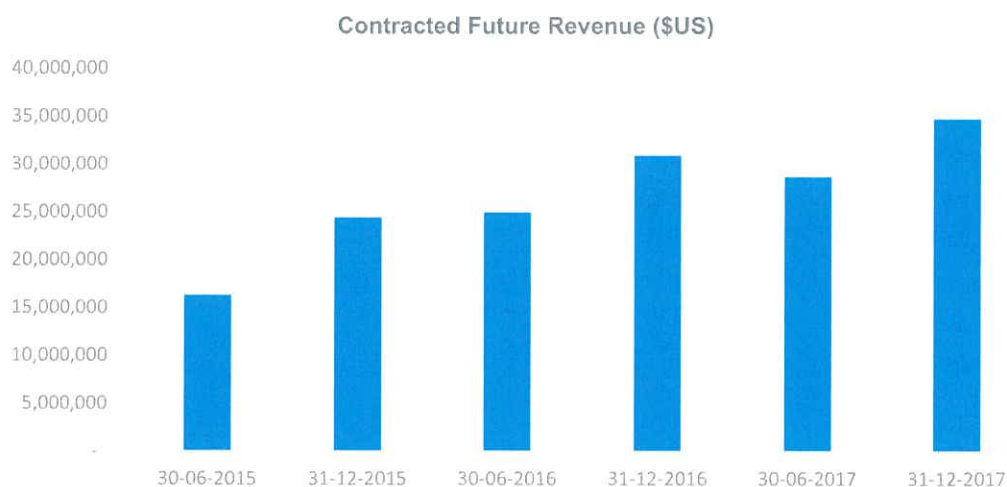


- Analysis of sales contracts executed and revenue recognised per quarter shows lower revenue for the December 2017 quarter, which has impacted half yearly profitability. Notwithstanding strong sales during the December 2017 quarter, much of the revenue from those sales contracts will be generated in the second half of the 2018 financial year and subsequent periods. As a result of the strong growth in sales contracts, revenue is expected to increase in the second half of the 2018 financial year.

Contracts Signed vs. Revenue

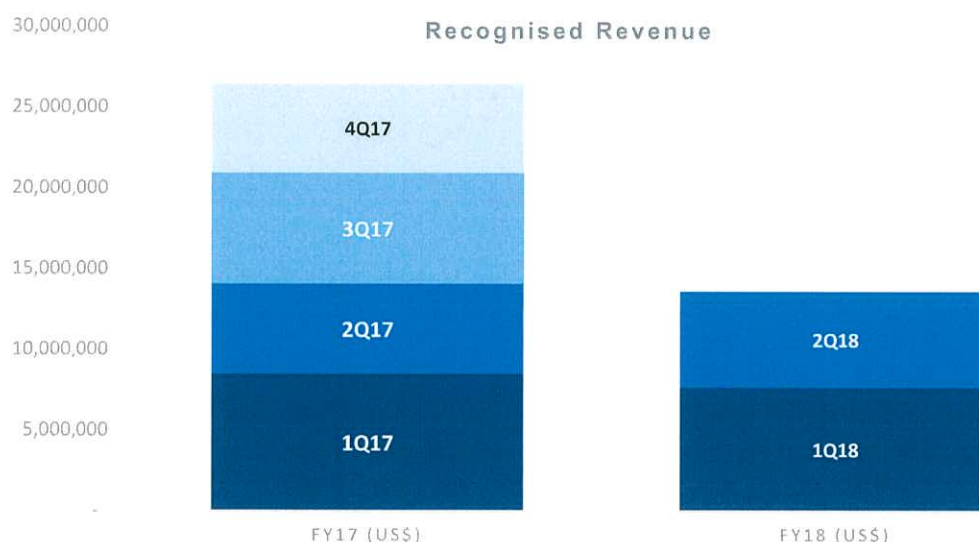


- At 31 December, Cogstate had \$34.7m^{1,2} of contracted revenue that will be recognised in future periods (*excluding all revenue recognised prior to the reporting date*).
- The graph below shows contracted future revenue at various time points and demonstrates the strong growth trend over the last 2.5 years.



Recognised Revenue³

- Revenue of US\$13.6m recognised 1H18 (2Q18: \$6.0m), which was down 3% compared to the previous corresponding half year but up 9% on the most recent, June, half year. The revenue result for 1H18 was impacted by the lower contracted revenue backlog at the start of the period (30 June 2017).
- The strong 1H18 sales result gives great confidence of an improved revenue result for the second half of the 2018 financial year.



Note: as per accounting standards, exchange rates at the end of the period are used for converting contracted revenue, while exchange rates at the point of execution and recognition are used for sales contracts executed and recognised revenue

1. Cogstate received notification that one study had been put on hold and is expected to reinitiate in 2018. This contracted revenue (US\$2.4m) has been excluded from the analysis above and will be included when the study is reinitiated
2. Contracts are denominated in US\$.
3. Recognised revenue includes other revenue from Research, Sport/Brain Injury, Healthcare and other activities

Operating Cash Flow and Balance Sheet

- Net Operating Cash Outflow was \$0.3m in 2Q18.
- Cash balance of US\$4.3m at the end of the quarter was down from US\$4.6m at 30 September 2017, a total cash outflow of \$0.3m.
- Trade receivables at 31 December 2017 were US\$6.1m, consistent with US\$6.2m at 30 September 2017.

Other Developments

- Cogstate notes that its functional currency changed to US dollars from 1 July 2017 onwards, bringing reporting in line with the fundamentals of Cogstate's business (approximately 98%+ of Cogstate's revenues and 80%+ of costs are in US dollars). All figures in this report are stated in US\$.

Earnings Guidance

- Cogstate expects to record a loss for the half year ended 31 December 2017. Full details and further analysis will be provided with release of the Appendix 4D Half Year Financial Report on Wednesday 21 February 2018.
- Following the release of the Half Year Financial Report, Cogstate will be holding an investor teleconference at 11:00am AEDT on Wednesday 21 February 2018, with full details provided closer to that date.
- Based on the stronger contracted revenue position at 31 December 2017, combined with the management expectations of market conditions throughout the coming six months, Cogstate expects earnings to improve during the second half of the financial year.

Quarterly Report – 31 December 2017

Summary Financial Table

	Quarter Just Completed 31-Dec-17 US\$ million	Previous Quarter 30-Sep-17 US\$ million	Half Just Completed 31-Dec-17 US\$ million
Revenue			
Clinical Trials revenue	5.62	7.38	13.00
Other Revenue	0.33	0.22	0.55
Sub-total	5.95	7.60	13.55
Pass-through Cost Recoveries	1.85	0.10	1.95
Total Revenue	7.80	7.70	15.50
Receivables			
Opening balance	6.17	3.89	3.89
Closing balance	6.18	6.17	6.18
Net Increase/(Decrease) in Receivables	0.01	2.28	2.29
Payables			
Opening balance	(1.44)	(2.59)	(2.59)
Closing balance	(2.71)	(1.44)	(2.71)
Net Increase/(Decrease) in Payables	(1.27)	1.15	(0.12)
Cash Flow			
Cash receipts from customers	6.91	5.88	12.79
Cash payments to employees	(4.79)	(6.05)	(10.84)
Cash payments to suppliers	(2.53)	(2.31)	(4.84)
Cash receipts, non-trading	0.00	0.00	0.00
Net Operating Cash In/(Out) Flows	(0.35)	(2.48)	(2.83)
Net Investing Cash In/(Out) Flows	(0.08)	(0.16)	(0.24)
Net Financing Cash In/(Out) Flows	0.08	0.06	0.14
Foreign exchange movement	-	-	-
Net Increase/(Decrease) in cash held	(0.35)	(2.58)	(2.93)

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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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$US	Year to date (6 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	6,941,625	12,821,724
1.2 Payments for		
(a) Staff costs (incl R&D)	(4,758,012)	(10,812,855)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(11,611)	(140,518)
(d) leased assets	(231,548)	(517,708)
(e) administration and corporate costs	(1,641,904)	(2,655,766)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18,389	26,549
1.5 Interest and other costs of finance paid	(3,337)	(4,666)
1.6 Income taxes paid	4,134	(124,134)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Accounting & Audit	(148,246)	(229,008)
Computer costs	(324,040)	(613,546)
Legal costs, including patent costs	3,027	(39,295)
Listing fees & Associated costs	(68,949)	(88,144)
Travel Costs	(126,863)	(450,989)
1.9 Net cash from / (used in) operating activities	(347,335)	(2,828,352)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (6 months) \$US
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(75,120)	(236,237)
	(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	(75,120)	(236,237)

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	77,135	137,475
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	77,135	137,475

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (6 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	4,575,234	7,157,028
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(347,335)	(2,828,352)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(75,120)	(236,237)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	77,135	137,475
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,229,914	4,229,914

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	4,229,914	4,575,234
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)	4,229,914	4,575,234

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	82,144
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		

+ See chapter 19 for defined terms.

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	1,603,076	510,231
8.2 Credit standby arrangements	69,598	69,598
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\$1.5m) Bank Guarantee (A\$89k)		

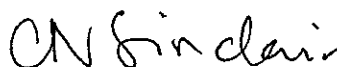
9. Estimated cash outflows for next quarter	\$US
9.1 Staff costs (incl R&D)	(4,598,673)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(216,895)
9.4 Leased assets	(260,033)
9.5 Administration and corporate costs	(1,891,014)
9.6 Other (provide details if material)	
Accounting & Audit	(56,951)
Computer costs	(412,914)
Legal costs, including patent costs	(28,791)
Listing fees & Associated costs	(34,427)
Travel Costs	(316,521)
9.7 Total estimated cash outflows	(7,816,219)

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: 22 January 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