

ASX Announcement

20 July 2018



Earnings Guidance, Business Update and June Quarter Cashflow

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

Summary of Results

All figures are stated in US\$

Revenue Growth:

- FY18 revenue \$29.0m, up 9.6% from FY17 (\$26.5m)
- Contracted revenue backlog of \$34.8m at 30 June 2018 to be recognised in FY19 and beyond, up 21% since 30 June 2017

Sales Growth:

- Sales contracts executed of \$36.1m during FY18, up 22% on FY17
- Business development focus areas:
 - Additional scientific expertise added during FY18
 - Creation of Rare Disease and Paediatric Centre of Excellence

Stable cash & receivables position over FY17 & FY18:

- Cash balance impacted by timing of receipts from customers
- Combined cash & receivables at 30 June 2018 \$10.7m, consistent with prior periods (Jun-16 \$10.3m, Jun-17 \$11.0m)
- Cash balance of \$4.4m at 30 June 2018
- Cash outflow for the June quarter of \$1.3m, corresponding with an increase in receivables of \$1.1m for the same period.

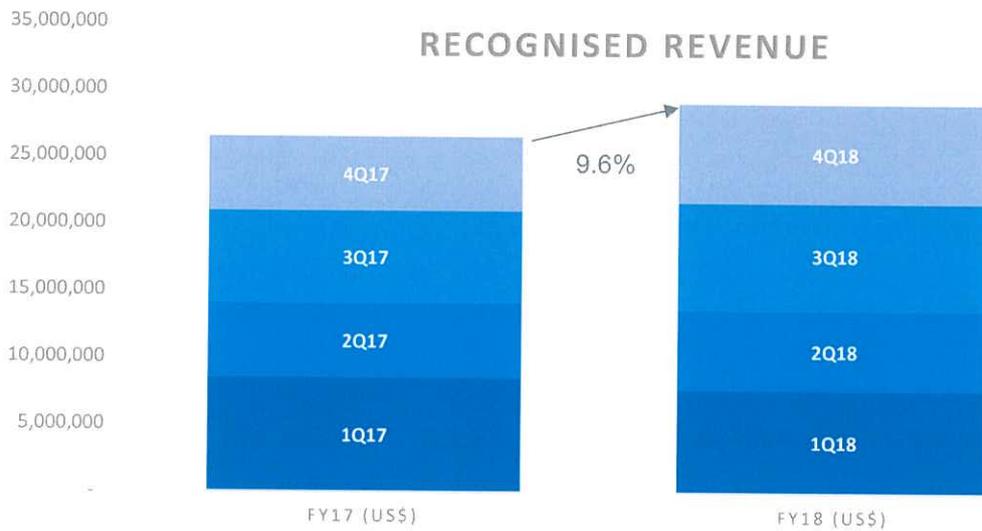
Earnings guidance:

- Recent termination of Alzheimer's disease studies by Cogstate customers will impact contracted future revenue (including FY19 revenue) and therefore FY19 earnings. Exact details are subject to finalisation of agreements with customers over the next 3 – 6 months
- The impact on FY18 earnings of the cancellations is still being calculated: see page 5 for further details. Full details will be released 13 August 2018

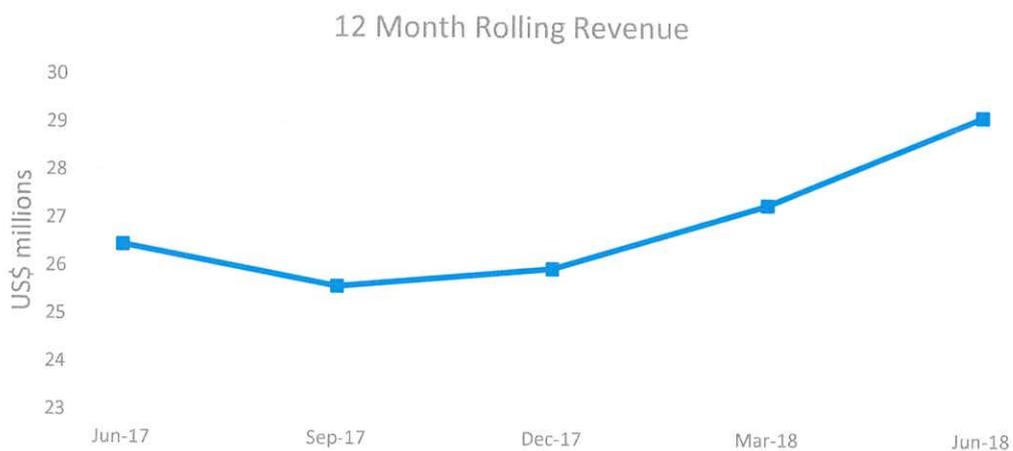
Note: All figures quoted in this release are based on unaudited financial results. Audited financial results will be released on 13 August 2018.

RECOGNISED REVENUE

- Revenue of \$7.4m achieved for 4Q18, resulting in record underlying revenue of \$29.0m (excluding pass-through cost recoveries) for full year FY18 (up 9.6% for FY17).

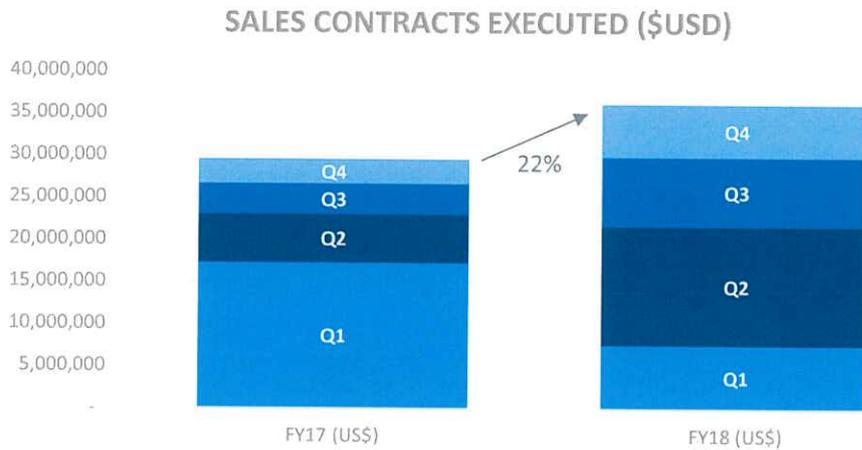


- The improved revenue result shown throughout the second half of the 2018 financial year is in line with guidance provided at the time of the Half Year reporting and reflects improved sales performance during FY18.
- The stronger sales performance over the last 4 quarters is reflected in growth in rolling 12 month revenue.



SALES AND CONTRACTED FUTURE REVENUE

- Total value of contracts signed during FY18 reached \$36.1m, a 22% increase on the prior year.
- Cogstate executed US\$6.2m of new sales contracts in 4Q17.

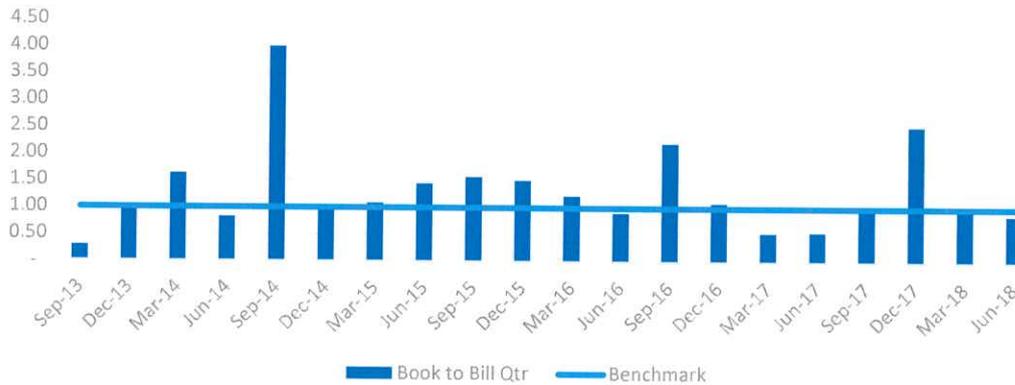


- At 30 June 2018, Cogstate had \$34.8m of contracted Clinical Trials revenue to be recognised in FY19 and later years.
- The graph below shows contracted future revenue at various time points



- It should be noted that contracted future revenue will be negatively impacted by recent cancellations of Alzheimer's disease studies. The exact impact cannot be quantified at this time as details are still to be finalised with the relevant pharmaceutical companies. Final contract amendments are expected to be executed before 31 December 2018.

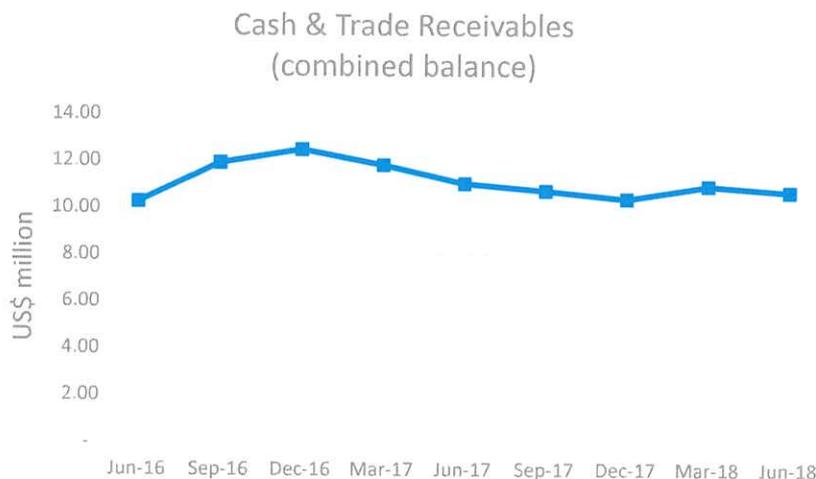
- Book-to-bill ratio¹ of 0.9 for June quarter, but 1.3 over the full 2018 financial year reflecting a strong result overall for the year.



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 Operating Cash outflow was \$1.3m for the June 2018 quarter.
- Cash balance of \$4.4m at 30 June 2018.
- Stable overall cash position throughout financial years 2017 and 2018:
 - Analysis of cash and trade receivables, on a quarterly basis, show that the combined balances have been very consistent over the last 8 quarters (see graph below)



- Variability in cash balance from quarter to quarter is primarily driven by receipts from customers rather than variable accounting revenue streams.
- Over the last 8 quarters, total net cash outflow has been \$1.2m, while the total increase in receivables over the same period was \$1.6m. The trendline in the table below (dotted line) demonstrates the overall stability of cash over that period.



FINANCIAL YEAR 2018 EARNINGS UPDATE

In line with previous guidance provided, operating financial performance for the second half of the financial year was stronger than the first half of the year.

Cogstate recorded improved revenue performance during the second half of the financial year. H218 Clinical Trials revenue of \$15.3m representing growth of \$2.4m or 18.9% compared to the first half of the year. The improved revenue result, combined with cost control, resulted in a \$1.9m (27%) improvement in Clinical Trials gross margin for the second half of the financial year (1H18 \$7.0m, H218 \$8.9m).

Start-up activities in respect of regulatory clearance and commercial launch of Cognigram during the 2018 financial year have resulted in a net loss from those activities of approximately \$1.9m – an increase in net loss of approximately \$1.0 million compared to the 2017 financial year.

Cogstate received notification of cancellation of four clinical trials over recent weeks, stemming from the failure of two distinct investigational compounds. Work is ongoing with Cogstate customers to quantify the impact of the cancellations, with contract amendments expected to be finalized before 31 December 2018. While the cancellations will not directly impact FY18 revenue, at 30 June 2018 Cogstate will provide for expected restructure costs that will result from the cancellations.

Further details in respect of the 2018 financial year results will be released as follows:

- Appendix 4E Preliminary Final Report will be released on Monday 13 August 2018.

Quarterly Report – 30 June 2018

Summary Financial Table

	Quarter Just Completed	Previous Quarter
	30-Jun-18 US\$ million	31-Mar-18 US\$ million
Revenue		
Clinical Trials revenue	7.11	7.89
Other Revenue	0.27	0.14
Sub-total	7.38	8.03
Pass-through Cost Recoveries	0.00	0.39
Total Revenue	7.38	8.42
Receivables		
Opening balance	5.26	6.18
Closing balance	6.34	5.26
Net Increase/(Decrease) in Receivables	1.08	(0.92)
Payables		
Opening balance	(2.35)	(2.71)
Closing balance	(2.55)	(2.35)
Net Increase/(Decrease) in Payables	0.20	(0.36)
Cash Flow		
Cash receipts from customers	7.27	10.02
Cash payments to employees	(5.25)	(5.67)
Cash payments to suppliers	(3.21)	(2.81)
Cash receipts, non-trading	0.00	0.00
Net Operating Cash In/(Out) Flows	(1.19)	1.54
Net Investing Cash In/(Out) Flows	(0.16)	(0.08)
Net Financing Cash In/(Out) Flows	0.00	0.02
Foreign exchange movement	-	-
Net Increase/(Decrease) in cash held	(1.35)	1.48

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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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$US	Year to date (12 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	7,272,577	30,118,571
1.2 Payments for		
(a) Staff costs (incl R&D)	(5,250,843)	(21,739,946)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(234,546)	(445,377)
(d) leased assets	(319,103)	(1,104,798)
(e) administration and corporate costs	(1,504,952)	(5,999,092)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8,629	43,014
1.5 Interest and other costs of finance paid	(10,492)	(18,948)
1.6 Income taxes paid	51,569	(67,140)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Accounting & Audit	(137,011)	(311,640)
Computer costs	(602,564)	(1,646,501)
Legal costs, including patent costs	(38,254)	(106,556)
Listing fees & Associated costs	(63,353)	(149,804)
Travel Costs	(357,177)	(1,035,139)
1.9 Net cash from / (used in) operating activities	(1,185,520)	(2,463,356)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$US	Year to date (12 months) \$US
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(159,907)	(481,096)
(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	(159,907)	(481,096)

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	-	153,724
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	-	153,724

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (12 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	5,711,730	7,157,031
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,185,520)	(2,463,356)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(159,907)	(481,096)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	153,724
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,366,303	4,366,303

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	4,366,303	5,711,730
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)	4,366,303	5,711,730

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	76,682
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	1,544,719	12,772
8.2 Credit standby arrangements	65,222	65,222
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\$90k) Trade finance facility (US\$1.5m) Bank Guarantee (A\$89k)		

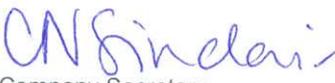
9. Estimated cash outflows for next quarter	\$US
9.1 Staff costs (incl R&D)	(6,265,308)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(99,390)
9.4 Leased assets	(277,596)
9.5 Administration and corporate costs	(1,381,431)
9.6 Other (provide details if material)	
Accounting & Audit	(72,323)
Computer costs	(327,821)
Legal costs, including patent costs	(31,959)
Listing fees & Associated costs	(18,269)
Travel Costs	(227,536)
9.7 Total estimated cash outflows	(8,701,635)

+ 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:  Date: 20 July 2018
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 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

+ See chapter 19 for defined terms.