

# ASX ANNOUNCEMENT

## 28 APRIL 2015



### BUSINESS UPDATE

#### FORECASTING PROFITABLE SECOND HALF

##### SUMMARY

- Cogstate expects to record positive EBITDA for the second half of financial year 2015, based on existing contracted revenue
- Updated total value of clinical trials contracts signed FYTD is US\$21.9m
- Cogstate expects to recognise revenues of A\$15.58m from existing sales contracts for FY2015, 46% growth on the previous year
- Signed Clinical Trials sales contracts in place will generate A\$9.97m revenue for the second half of the financial year
- Current pipeline indicates additional contracts will be executed prior to June 30

Medical technology company, Cogstate Ltd (ASX.CGS), has today provided guidance that it expects to record a positive EBITDA for the second half of the financial year. The earnings upgrade is a result of the significant increase the revenue from the Clinical Trials business.

FINANCIAL PERIOD	SOFTWARE & SERVICES REVENUE (\$'000,000)	PASS-THROUGH COST RECOVERIES (\$'000,000)	TOTAL CLINICAL TRIALS REVENUE (\$'000,000)
<b>FY 2014</b>	<b>10.69</b>	<b>0.94</b>	<b>11.63</b>
First Half FY 2015	5.61	1.58	7.19
Second Half FY 2015	9.97	0.99	10.96
<b>Full FY 2015</b>	<b>15.58</b>	<b>2.57</b>	<b>18.15</b>

## CLINICAL TRIALS SALES CONTRACTS

The total value of sales contracts signed FYTD is US\$21.9 million, making this Cogstate's most successful financial year for sales contracts. The result is a 143.3% improvement on the US\$9 million of sales contracts signed during the previous financial year to 30 June 2014.

## CLINICAL TRIALS CONTRACTED REVENUE

The signed contracts in place will generate Clinical Trials revenue of A\$9.97 million for the second half of this financial year (1 Jan- 30 June 2015).

In total, the amount of contracted future revenue across all Clinical Trials contracts totals A\$29.82 million and is expected to be recognised as follows:

Jan – Jun 2015	A\$9.97 million
2016 Financial Year	A\$8.54 million
2017 Financial Year	A\$5.51 million
2018 – 2020 Financial Years	A\$5.80 million

*NB: Cogstate ordinarily contracts in US dollars and these future revenues have been calculated using an exchange rate of A\$1 = US\$0.78. It is noted that Cogstate used an exchange rate of A\$1 = US\$0.825 in the update released on January 8, 2015. The exchange rate has been updated to reflect to movement in the Australian dollar. It is also noted that the majority of Cogstate expenses are also denominated in US dollars and therefore the decrease in the relative value of the Australian dollar also increases US denominated costs for Cogstate.*

## PRECISION RECRUITMENT UPDATE

In September 2014, Cogstate provided guidance of its goal to reach \$3 - \$6m million of signed contracts for Precision Recruitment during the 2015 financial year. To date, two contracts have been signed with two different pharmaceutical companies to use Precision Recruitment. A third pharmaceutical company has, this month, agreed to pilot the technology in a small exploratory study to enable it to assess the benefit of Precision Recruitment. As a result, Cogstate is on track to achieve the guidance provided in September about the value of Precision Recruitment contracts signed during the 2015 financial year (although revenues will be recognised over the course of the contract).

At the time that the initial contracts for Precision Recruitment were signed, the technology was in beta mode. Over the last six months, considerable resources have been devoted to producing the required commercial version of the technology. Version 2.0 of Precision Recruitment was released to our customers in April 2014 and those customers are now working on incorporating Precision Recruitment into their own study specific recruitment efforts.

For the three quarters to 31 March 2015, Cogstate has recorded A\$0.3 million of Precision Recruitment revenue. It is expected that the majority of revenue from the contracts in place will be recognised in the 2016 financial year.

It should be noted that neither Precision Recruitment revenue, nor the value of those contracts, is included in the Clinical Trials reporting above.

## **CASH REPORTING AT 31 MARCH 2015**

Cogstate recorded a net operating cash outflow of \$1.72 million for the quarter ended 31 March 2015. The combined balance of cash and debtors at 31 March 2015 was \$5.96 million, comprised of:

- Cash reserves of \$3.24 million (June 2014: \$7.13 million); and
- Trade debtors of \$2.72 million (June 2014: \$2.77 million).

With the significant increase in Clinical Trials sales contracts, invoices to customers will increase in the period April – June 2015. As a result of the increase in invoices and payment terms afforded to customers, Cogstate expects an increase in trade debtors over the same period and the subsequent payment of those trade debtors to increase cash reserves.

### **For further information contact:**

Brad O'Connor

Cogstate Chief Executive Officer

+61 3 9664 1300 or 0411 888 347

[boconnor@cogstate.com](mailto:boconnor@cogstate.com)

## **ABOUT COGSTATE**

Cogstate Ltd (ASX:CGS) is a leading cognitive science company focused on optimising the measurement of cognition to guide decision-making. Cogstate commercializes rapid, reliable, and highly sensitive computerized cognitive tests for clinical trials, academic research and healthcare.

In its Clinical Trials business, Cogstate provides both novel technologies and expert professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. Delivering solutions spanning the continuum from study design to final statistical analysis, Cogstate's latest Clinical Trials offering, Precision Recruitment™ is a powerful solution based on an online pre-screening portal to accelerate the identification and engagement of qualified candidates for clinical trials in high-need indications such as Alzheimer's disease.