

# ASX Announcement 12 April 2018



## March Quarter - Business Update and Cashflow report

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow Statement for the quarter ended 31 March 2018.

*All figures are stated in US\$.*

### Summary of Results

#### Revenue Growth:

- 3Q18 revenue \$8.0m up 33% on 2Q18 (\$6.0m)
- Continued growth in 12 month rolling revenue

#### Stable cash position over FY17 & FY18:

- Total cash inflow of \$1.5m for 3Q18
- Combined cash & receivables consistently stable during FY17 & FY18
- Over the last 7 quarters combined, cash balance has increased by \$0.2m

#### Sales Growth:

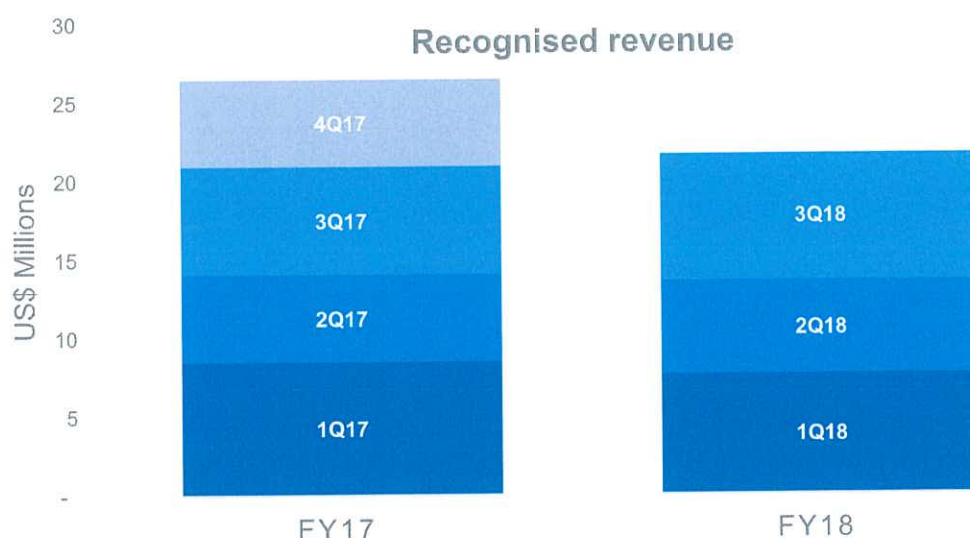
- \$8.3m of new sales contracts signed during 3Q18
- Total contracts signed FY18 year to date (\$29.9m) already exceeds FY17 full year (\$29.5m)
- Additional future growth expected as a result of:
  - Additional scientific expertise added during 3Q18, with business development focus
  - Creation of Rare Disease and Paediatric Centre of Excellence

#### Earnings guidance:

- As per previous guidance, improved earnings expected 2HFY18
- 3Q18 revenue reflects the expected improvement in revenue, with costs remaining consistent

### Recognised Revenue

- Total revenue increased to US\$8.0 million for 3Q18 representing a 33% increase on the prior quarter
- Year to date revenue totalled \$21.6m versus \$20.9m in 3Q17 YTD



- The improved revenue result in 3Q18 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 3 quarters is reflected in growth in rolling 12 month revenue.

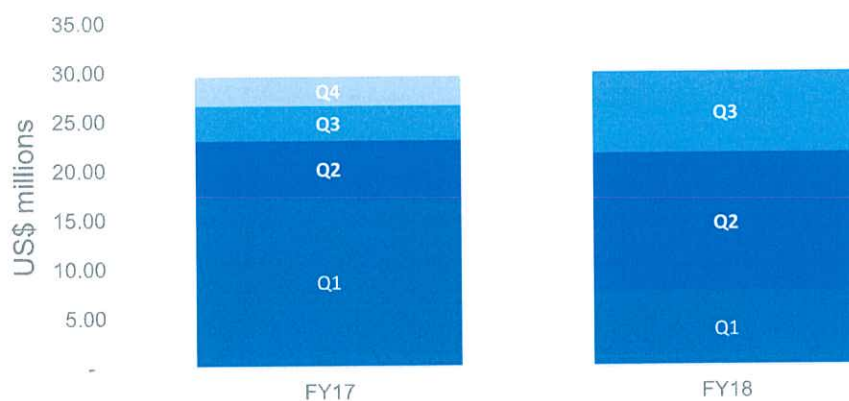
### 12 Month Rolling Revenue



### Sales and Contracted Future Revenue

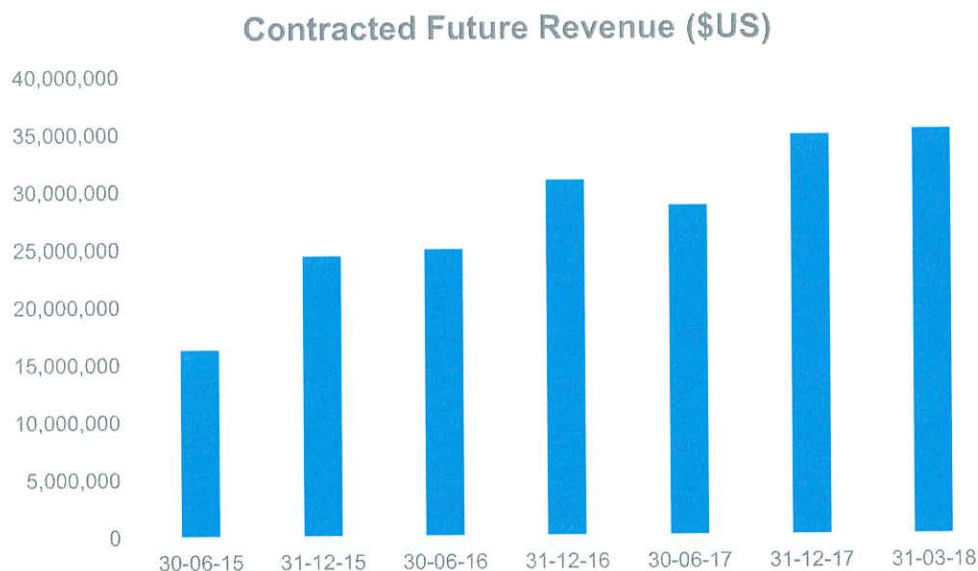
- An additional \$8.3 million worth of contracts were signed during 3Q18
- Value of contracts signed year to date \$29.9m, 12% improvement on 3Q17 result of \$26.6m and already exceeding FY17 full year result of \$29.5m

### Sales Contracts Executed



*Sales contracts executed already exceeding FY17 full year result*

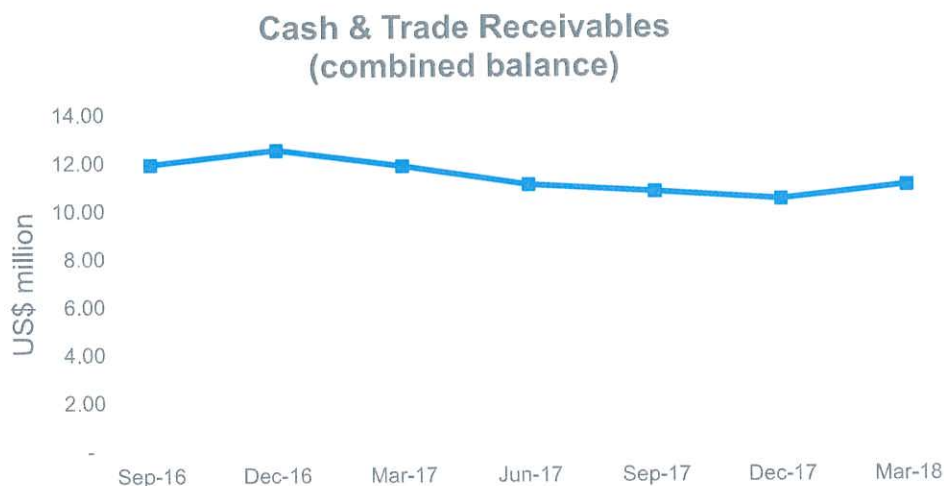
- Cogstate's initiatives resulted in further growth in its contracted future revenue during the quarter
  - As at 31 March 2018, Cogstate had \$35.3m of contracted revenue that will be recognised in future periods (excluding all revenue recognised prior to 31 March 2018)
  - Sustainable growth has continued through the financial year with a 3Q18 book-to-bill ratio<sup>1</sup> of 1.0x and 1.38x over the last three quarters
- The graph below shows contracted future revenue at various time points



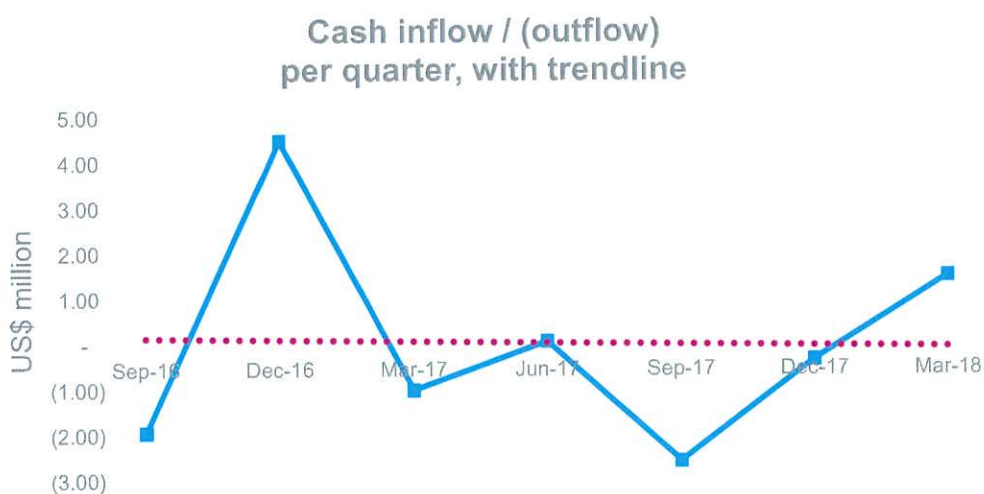
1: Book-to-bill ratio is new business wins (sales contracts) divided by the quarter's revenue and is widely used in the pharmaceutical services industry as a measure of demand. A figure over 1.0 is indicative of an increase in contracted future revenue backlog.

#### Operating Cash Flow and Balance Sheet

- Cogstate balance sheet remained strong with a closing cash balance of US\$5.7m at the end of the quarter, up from US\$4.2m at 31 December 2017, a total cash inflow of \$1.5m.
- Net Operating Cash Inflow was \$1.5m in 3Q18.
- Analysis of cash and trade receivables, on a quarterly basis, show that the combined balances have been very consistent over the last 7 quarters



- Variability in cash balance from quarter to quarter is primarily driven by receipts from customers rather than variable accounting revenue streams
  - For example trade receivables at 31 March 2018 were \$5.3m, a decrease of \$0.9m from \$6.2m at 31 December 2017, and generating an equivalent cash inflow in the quarter
- Stable overall cash position throughout financial years 2017 and 2018 – over the last 7 quarters, total net cash inflow has been \$0.2m. The trendline in the table below (dotted line) demonstrates the overall stability of cash over that period.



### Earnings Guidance

- The March quarter revenue result reflected the expected improvement in revenue, with costs remaining consistent. The company continues to focus on operational efficiencies.
- Cogstate reiterates guidance provided in January 2018 with earnings expected to improve during the second half of the 2018 financial year primarily driven by
  - A stronger contracted revenue position at 31 December 2017; and
  - Management expectations of market conditions throughout the second half of the 2018 financial year
- Cogstate continues to focus on growing sales and therefore revenue, with a number of recent business development hires during the March quarter laying the ground work for future sales momentum without negatively impacting gross margins

### 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\$.



## Quarterly Report – 31 March 2018

### Summary Financial Table

	Quarter Just Completed	Previous Quarter
	31-Mar-18 US\$ million	31-Dec-17 US\$ million
<b>Revenue</b>		
Clinical Trials revenue	7.89	5.62
Other Revenue	0.14	0.33
<b>Sub-total</b>	<b>8.03</b>	<b>5.95</b>
Pass-through Cost Recoveries	0.39	1.85
<b>Total Revenue</b>	<b>8.42</b>	<b>7.80</b>
<b>Receivables</b>		
Opening balance	6.18	6.17
Closing balance	5.26	6.18
<b>Net Increase/(Decrease) in Receivables</b>	<b>(0.92)</b>	<b>0.01</b>
<b>Payables</b>		
Opening balance	(2.71)	(1.44)
Closing balance	(2.35)	(2.71)
<b>Net Increase/(Decrease) in Payables</b>	<b>(0.36)</b>	<b>1.27</b>
<b>Cash Flow</b>		
Cash receipts from customers	10.02	6.91
Cash payments to employees	(5.67)	(4.79)
Cash payments to suppliers	(2.81)	(2.53)
Cash receipts, non-trading	0.00	0.00
<b>Net Operating Cash In/(Out) Flows</b>	<b>1.54</b>	<b>(0.35)</b>
<b>Net Investing Cash In/(Out) Flows</b>	<b>(0.08)</b>	<b>(0.08)</b>
<b>Net Financing Cash In/(Out) Flows</b>	<b>0.02</b>	<b>0.08</b>
Foreign exchange movement	-	-
<b>Net Increase/(Decrease) in cash held</b>	<b>1.48</b>	<b>(0.35)</b>

#### For further information contact:

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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 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US</b>	<b>Year to date (9 months) \$US</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10,024,270	22,845,994
1.2 Payments for		
(a) Staff costs (incl R&D)	(5,673,967)	(16,489,103)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(70,313)	(210,831)
(d) leased assets	(267,986)	(785,695)
(e) administration and corporate costs	(1,768,164)	(4,494,142)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7,835	34,384
1.5 Interest and other costs of finance paid	(3,790)	(8,455)
1.6 Income taxes paid	5,425	(118,709)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
Accounting & Audit	54,379	(174,628)
Computer costs	(430,391)	(1,043,937)
Legal costs, including patent costs	(29,006)	(68,301)
Listing fees & Associated costs	(80,717)	(86,451)
Travel Costs	(226,974)	(677,962)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,540,601</b>	<b>(1,277,836)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US</b>	<b>Year to date (9 months) \$US</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) property, plant and equipment	(84,951)	(321,189)	
(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)	-	-	
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(84,951)</b>	<b>(321,189)</b>	
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares	-	-	
3.2 Proceeds from issue of convertible notes	-	-	
3.3 Proceeds from exercise of share options	16,249	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)	-	-	
<b>3.10 Net cash from / (used in) financing activities</b>	<b>16,249</b>	<b>153,724</b>	

+ See chapter 19 for defined terms.

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US</b>	<b>Year to date (9 months) \$US</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,239,831	7,157,031
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,540,601	(1,277,836)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(84,951)	(321,189)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,249	153,724
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,711,730</b>	<b>5,711,730</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US</b>	<b>Previous quarter \$US</b>
5.1	Bank balances	5,711,730	4,239,831
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,711,730</b>	<b>4,239,831</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

**Current quarter  
\$US**

79,524

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	1,952,235	307,853
8.2 Credit standby arrangements	67,640	67,640
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)	(5,862,341)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(148,275)
9.4 Leased assets	(219,159)
9.5 Administration and corporate costs	(788,787)
9.6 Other (provide details if material)	
Accounting & Audit	(46,951)
Computer costs	(385,914)
Legal costs, including patent costs	(28,791)
Listing fees & Associated costs	(34,427)
Travel Costs	(302,153)
9.7 Total estimated cash outflows	(7,816,798)

+ 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: 12 April 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