



**ASX Announcement**

22<sup>nd</sup> February 2013

**Transcript from Investor Briefing – Half Year Financial Results for the year ended 31 December 2012**

Please find attached a copy of the transcript from the investor briefing held on Wednesday 20 February 2013 – Half Year Financial Results for the year ended 31 December 2012, for release to the market.

A recording of the briefing can be heard via the following link -  
<http://www.openbriefing.com/OB/CogState-Ltd/948.aspx>

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Brad O'Connor: Morning everyone. Thanks for joining me to discuss CogState's financial results for the first half of the 2013 financial year. I think these calls are a really great opportunity for us to talk through our reported results, but also to provide you with a little more insight into our business.

For those that aren't familiar with the CogState story, we've developed and sell computerised tests for cognition. When we talk about cognition what we're really talking about is just the way that people think. The software that we've developed has been shown to be extremely sensitive to change. It's simple to administer and is universal in its application because it's largely free of language and cultural bias.

CogState operates three distinct business units. The Clinical Trials Business Unit, Axon Sports and our newly established Healthcare Unit. In Clinical Trials our technology has been widely accepted for commercial use. To date our revenue growth has been driven by the Clinical Trials Business Unit and in fact the Clinical Trials Business Unit has accounted for 94% of revenue for the first half of the financial year.

In Axon Sports our tool to assist doctors in the management of concussion has been accepted, especially in elite sports where it's been used by the likes of the AFL and the NRL here in Australia, as well as the NBA and NHL in North America. Additionally at Axon we've been developing sports specific cognitive training products and I'm excited to say that we saw the first revenues from those training products in the first half results.

But perhaps most excitingly the final business unit is our Healthcare business where CogState technology is used by doctors in a primary care setting allowing GPs and other specialists to identify subtle changes in cognition. It could be indicative of the early stages of neurodegenerative diseases such as Alzheimer's disease. We've partnered with pharmaceutical giant Merck to launch this product, marketed as Cognigram in Canada. And this is a really exciting development for us and we will see the first revenues from Cognigram in the second half of this financial year.

So on to the results themselves. For the first half ended 31 December 2012 we've reported overall revenues of \$6.14 million. While the revenue was down 15% on the same time last year the results are within our guidance which we upgraded only last month. In comparing to the last financial year we do need to be mindful of a very strong first half last year followed by a somewhat weaker second half of the financial year. We're really looking forward to a much more consistent result this financial year, especially from within our Clinical Trials Business Unit. With that in mind I note that we had \$10.5 million of Clinical Trial revenue contracted at 31 December 2012. Of which \$4.75 million will be recognised in the second half of this financial year.

So just looking at that \$4.75 million to be recognised. That compares to the last year figure of \$3.79 million. So we're around \$1 million dollars in front of where we were at the same time last year in respect of the second half of the year. Obviously all contracts - sales contracts signed in the Clinical Trials business in the second half of the financial year will add to that \$4.75 million of secured income. In addition to that, any revenues from Axon Sports and any revenues from the newly launched Cognigram product will also add to that \$4.75 million worth of income in the second half of the year. It's worth noting that from the sales contracts signed in the second half of the financial year, the amount that's brought to account as revenue will depend on both the terms of the contract and very much the timing of the contract in terms of what milestones are passed before 30 June.

It's important to note here that in looking at our results for the first half of the year we've invested additional sales resources in our Clinical Trials business and that we are seeing increased activity as a result of those additional resources in the Clinical Trials business.

When looking at the financial results on page 20 you'll see that we've provided greater visibility into the contribution made by each of our business units. When you look at the breakdown you'll notice that our net loss after tax of \$0.5 million includes net expenditure of almost \$900,000 in the Axon Sports and Healthcare businesses combined. Obviously this expenditure has an impact on our short term profitability but we really do believe that the commercial opportunity presented by both of these businesses is significant, and in the case of the Healthcare business, significantly larger than the commercial opportunity than we see within the existing Clinical Trials business.

So I just want to talk a little bit about the Healthcare business because it is both a significant and an immediate opportunity for CogState. In June last year we announced our partnership with Merck in Canada to make the technology available to primary care doctors. And just again to reiterate, what we're talking about here is a tool that can be used to identify subtle, early changes in cognition that could be caused by neurodegenerative diseases such as Alzheimer's disease. We're literally in the throes of commercial launch of this product in Canada at the moment. We've got some really good science supporting the use of our technology in that primary care setting, especially in Alzheimer's disease. Merck has been thoroughly reviewing our science, our papers, published materials in respect of the technology and all of their marketing claims that they'll be making will be on the back of that science.

The Healthcare market itself represents a significant opportunity for CogState. AD and dementia affect over - sorry, Alzheimer's disease I should say - and dementia represent over - effect, sorry over 35 million people worldwide. And that number is expected to grow rapidly especially when we're

talking about ageing western populations. We estimate that the healthcare market could be worth in excess of \$500 million per annum globally. The partnership with Merck is really our first step in the global commercialisation of this product. Since signing with us in June last year, Merck have collaborated with us to ready the product for market, conducting extensive market research, recruiting testing centres and training a sales force.

The product which I mentioned is being branded as Cognigram is literally being launched now and we expect to see revenues flow this financial year. Although this is a small delay in what we forecasted when we first announced the partnership, it's been necessary to lay the proper foundations for a successful launch and we think we've really done that now. What I do want to express is that to date Merck have been an excellent partner. I was in Montreal on Thursday last week and I can tell you that they are very engaged in the process. Their experience and market knowledge has been invaluable and they are really confident that Cognigram can be a commercial success. We hope to release further details surrounding the launch of the roll out of the Cognigram product in the coming weeks. We just want to give it some time to literally get out into the market.

Just in respect of the Axon business, last year we fully acquired 100% of the Axon Sports business and we're now making good progress in development of new products to that business unit. What most people will know Axon Sports for is the concussion testing and we've demonstrated growth in that market in the first half of this financial year, particularly at the elite level. The addition of the National Hockey League to the list of elite customers using Axon Sports has been really encouraging and it is establishing our credibility within that really important North American market.

The big opportunity we see for Axon Sports is with our sports' specific cognitive training products. This is already being used by a small number of elite organisations such as the University of Oregon and Brigham Young University in the US. Our co-marketing agreement with Eastern Sports which is a major sports company in the US - saw our baseball iPad app launched at the Little League World Series and that has significant reach within America. Whilst we're still very much in the R&D stage right now with the Axon Sports training products, we did see the first revenues from the training business in the first half of the financial year, which I think is really encouraging.

All of this puts us really in good stead for strong performance in the second half of the financial year. We're extremely excited about the launch of Cognigram product and we really do look forward to continuing to share our success with our valued investors and supporters.