

ASX ANNOUNCEMENT

17 AUGUST 2016

2016 FINANCIAL YEAR RESULTS

MEETS GUIDANCE TO DELIVER POSITIVE EBIT OF \$1.0M

SUMMARY OF 2016 FINANCIAL YEAR RESULTS

- Revenue from ordinary activities up 69% to A\$27.3m
- Clinical Trials revenue up 68% to A\$25.6m
- Meets guidance to deliver positive EBIT A\$1.03m
- Net profit after tax of A\$2.6m, which includes tax benefit of \$1.6m
- Net cash inflow from operating activities of \$2.55m
- Record sales contracts signed totalling US\$28.5m, up 20% from FY15
- Contracted revenue at 30 June 2016 was A\$33.95m, of which A\$17.55m is expected to be recognised before 30 June 2017, up 60% from last year

MELBOURNE, AUSTRALIA: Leading cognitive science company, Cogstate (ASX.CGS), has today released its Appendix 4E and full year financial results for the financial year ended 30 June 2016.

FINANCIAL RESULTS OVERVIEW FOR THE YEAR ENDED 30 JUNE 2016

Metric	FY16 (A\$m)	FY15 (A\$m)	Improvement (A\$m)
Clinical Trials Revenue	25.6	15.2	10.4
Total Revenue	27.3	16.2	11.1
EBIT	1.0	(3.1)	4.1
Net Profit After Tax	2.6	(5.1)	7.7

Cogstate reported a substantial increase in year-on-year revenue, with underlying revenue for FY16 of A\$27.3 million, up 69% on A\$16.2 million in FY15.

The Clinical Trials business continues to be the main source of revenue with a 68% increase in revenue from A\$15.2m to A\$25.6m. The company's Precision Recruitment offering – an online tool for pre-screening clinical trial candidates, delivered a further A\$1.59 million revenue, representing an increase of 207%, in the second year since this product was launched.

In line with guidance, the company has returned to positive Earnings Before Interest & Tax (EBIT) in FY16. Cogstate reported an EBIT of A\$1.03 million (FY15: loss of \$3.06m) and a Net Profit After Tax (NPAT) of A\$2.6 million (FY15: loss of \$5.06m).

“We are very pleased with the strong momentum demonstrated by revenue growth, positive EBIT and return to profitability,” said Brad O’Connor, Chief Executive of Cogstate.

“For the second consecutive year we signed a record number of new Clinical Trials contracts, representing a 20% growth in sales contracts signed when compared to FY15. Over the course of the last two financial years, the value of sales contracts has grown from US\$9.0m in the 2014 financial year to US\$28.5m in the 2016 financial year. This growth is reflective of our increased focus on commercialisation over the past two years and has resulted in securing higher value contracts across a broader range of disease areas, which has bolstered our sales.

“The strong sales result also sets the foundation for the coming year. Because revenue from Clinical Trial contracts is recognised over the life of the trial, which can range from 9 to 48 months or longer, the increase in sales contracts has lifted the value of contracted future revenue at the beginning of the 2017 financial year. We enter FY17 with a record pipeline of clinical trials revenue that will be recognised in the coming year and beyond.”

Contracted Clinical Trials – Revenue

	As at 30 June 2016		As at 30 June 2015	
Year 1	FY17	A\$17.5m	FY16	A\$10.9m
Year 2	FY18	A\$9.7m	FY17	A\$6.5m
Years 3 – 6	FY19 – FY22	A\$6.7m	FY18 – FY20	A\$4.0m
Total		A\$33.9m		A\$21.4m

Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 30 June 2016 was 0.743, and 30 June 2015 was 0.765.

ANALYSIS OF RESULTS

The net contribution from the Clinical Trials business increased from \$7.6 million in the first half of the 2016 financial year to \$8.1 million in the second half. The increase in contribution was achieved notwithstanding some pressure on margins as resources were added to the Clinical Trials group to ensure consistent quality of delivery throughout the growing portfolio of studies being managed by the company.

Overhead costs, excluding costs associated with development of the new generation of technology, increased by \$0.6 million during FY16 to \$11.30 million, up from \$10.70 million in the 2015 financial year. The 5.6% increase in overhead costs is reflective of the general increase in the size and scale of the Company’s operations over the course of the last year.

The summary financial results (provided in the table below) highlight the investment that Cogstate is making in the development of its new technology platform, which has been ongoing for more than a year now. Overhead costs associated with new product development totalled \$3.29 million for the year and increased progressively throughout the year. All expenses associated with the development work have been expensed in the period incurred, rather than capitalised. Cogstate’s product development team (software engineering and associated quality control and quality assurance functions) has increased to 32.8 full-time equivalent employees at 30 June 2016 with most of the new roles focussed on the next generation of technology offering aimed at the Healthcare and Clinical Trials markets.

SUMMARY FINANCIAL RESULTS

	1ST HALF \$'000,000	2ND HALF \$'000,000	FY16 \$'000,000	FY15 \$'000,000
Clinical Trials (incl. Precision Recruitment & Research)				
• Revenue	12.94	14.22	27.16	15.70
• Cost of Sales	(5.31)	(6.09)	(11.40)	(6.80)
Gross Margin	7.63	8.13	15.76	8.90
• Net Recovery of Pass-through Costs	0.01	(0.02)	(0.01)	0.16
Total Clinical Trials Contribution	7.64	8.11	15.75	9.06
Healthcare Contribution	(0.17)	(0.22)	(0.39)	(0.23)
Sport Contribution	(0.03)	(0.02)	(0.05)	(0.11)
Total Business Unit Contribution	7.44	7.87	15.31	8.72
Overhead Costs – new product development	(1.41)	(1.88)	(3.29)	(1.78)
Overhead Costs – other continuing operations	(5.03)	(6.27)	(11.30)	(10.70)
Overhead Costs – discontinued operations	0.00	0.00	0.00	(0.34)
Research & development grant rebate	0.00	0.55	0.55	0.48
Foreign exchange gain / (loss)	0.10	(0.33)	(0.23)	0.63
Other Income	0.00	(0.01)	(0.01)	(0.07)
EBIT	1.10	(0.07)	1.03	(3.06)
Net interest income / (expense)	0.01	0.00	0.01	0.01
Impairment of Assets	0.00	0.00	0.00	(2.16)
Income Tax Benefit	1.45	0.15	1.60	0.15
Profit / (Loss) After Tax	2.56	0.08	2.64	(5.06)

FY17 GUIDANCE

Sales contracts executed in the 2016 financial year grew by 20%, to US\$28.5 million (of which A\$16.3m was recognised as revenue in FY16 – refer to pages 5 and 6 of the Appendix 4E for more details). Based upon positive industry trends, a growing pipeline of sales prospects and a fully resourced commercial business development team, Cogstate is confident of achieving similar growth in sales contracts for the 2017 financial year.

Cogstate begins the 2017 financial year with contracted Clinical Trials revenue of A\$17.5 million expected to be recognised before 30 June 2017, an increase of 60% compared to the same time last year.

Based upon an assumption of continued sales growth, coupled with a stronger contracted revenue position at the beginning of the financial year, Cogstate expects to continue to significantly grow revenue throughout the 2017 financial year.

Cogstate will continue to invest in new product development in the 2017 financial year. The next generation of technology will be critical to support the Company's growth plans in the Healthcare and Clinical Trials markets. Cogstate expects that overhead costs associated with new product development will increase beyond the \$3.29 million costs incurred in the 2016 financial year. The annualised cost of the additional development roles added throughout FY16, along with a number of additional roles to be added in FY17, are expected to see the total costs of new technology development increase to A\$5.5 - A\$6.0 million in the 2017 financial year.

ABOUT COGSTATE

Cogstate Ltd (ASX:CGS) is a leading cognitive science company delivering software and services to optimise the measurement of cognition in clinical trials, academic research, healthcare and brain injury. Cogstate is a pioneer in commercialising rapid, reliable and highly sensitive computerised cognitive tests and provides expert support for traditional neurological assessments to drive higher quality outcome measures. Cogstate clients include the world's leading biopharmaceutical companies; military and elite sporting organisations; physicians and patients; renowned academic institutions and public-private partnerships. With more than 130 employees and a global network of expert neuropsychologist consultants across 25 countries, the unique intersection of science, innovation and delivery is at the core of everything we do.

In our clinical trials business, Cogstate provides both software and professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. Cogstate solutions span the clinical trial process from study design to final statistical analysis; and our latest innovation, Precision Recruitment™, is an online pre-screening portal that accelerates the identification of qualified clinical trial participants in high-need indications such as Alzheimer's disease.

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