

ASX Announcement

23 April 2019



Business Update and March Quarter Cashflow (Appendix 4C)

Cogstate (ASX.CGS) has today released a business update and its Appendix 4C – Quarterly Cash Flow statement for the quarter ended 31 March 2019.

Summary of Results

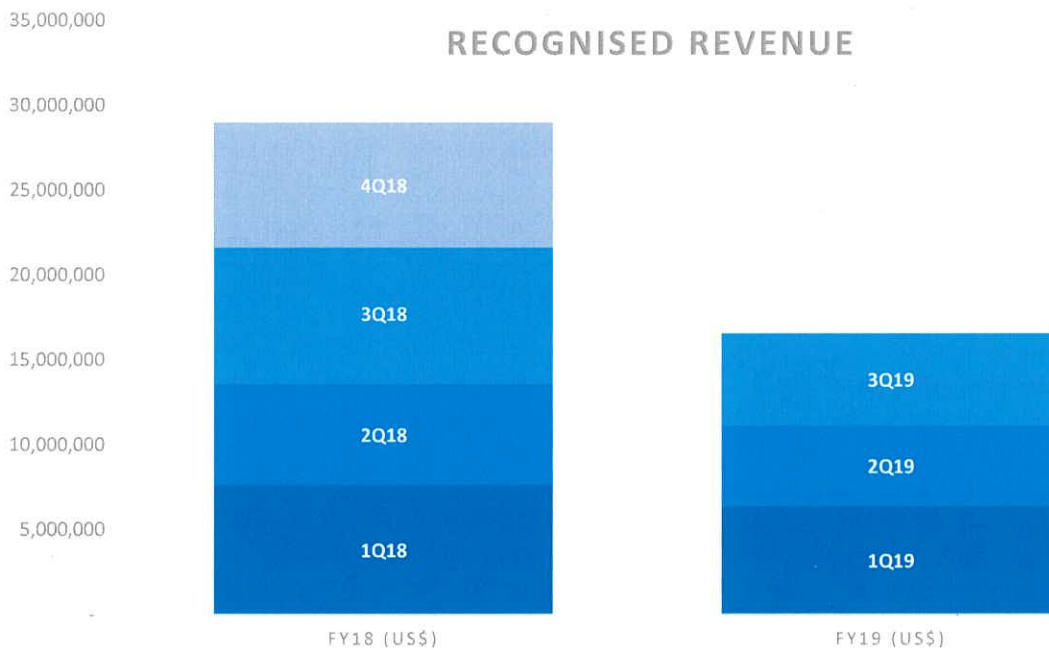
All figures are stated in US\$

Commentary:

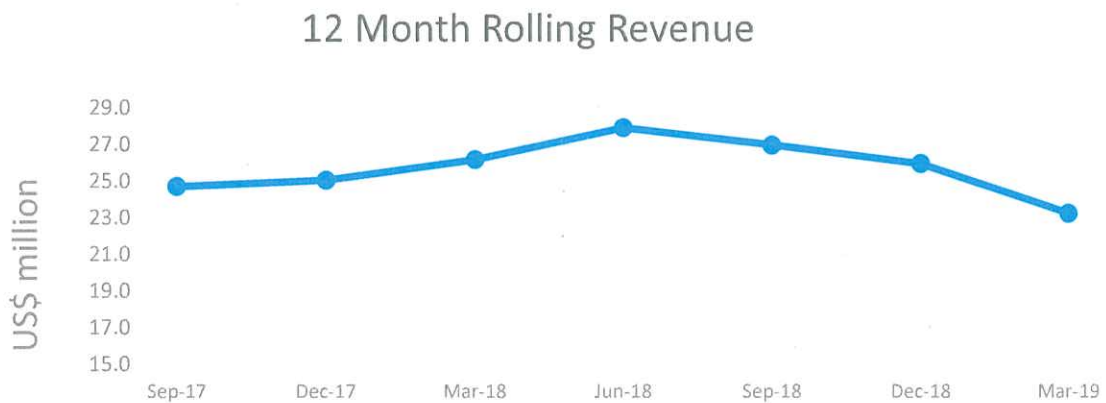
- Consistent with guidance provided 27 February 2019, the value of sales contracts executed for the quarter to 31 March 2019 underperformed compared to both current year budget and prior corresponding period. The sales result for the third quarter of the fiscal year is consistent with sales results from the first two quarters and reflects the way in which the recent failure of Alzheimer's disease clinical trials has negatively impacted the clinical trials services industry including, but not limited to, Cogstate.
- Over recent weeks, Cogstate has seen an increase in the level of sales activity and, as a result, Cogstate sales prospects have improved. As always, the timing of execution of sales contracts is subject to timing of our customers, but the improvement in trading conditions is promising and provides management with confidence of improved financial results in the coming periods.
- Sales prospects for the June 2019 quarter are much more promising than the March 2019 quarter and Cogstate management is confident of an improved sales result for the June 2019 quarter.
- As announced on 27 February 2019, Cogstate has entered into a debt facility with entities associated with Martyn Myer and David Dolby. That facility, combined with current cash reserves, are expected to meet forecast cash requirements of the business.
- In terms of the results for the quarter ended 31 March 2019, revenue, expenses and net loss were all in line with expectations.
- Cost savings as a result of restructure and associated reduction in staffing levels have reduced expenditure for the March quarter and will continue to do so for the June quarter. Quarterly gross cash outflows are detailed below, demonstrating the reduced expenditure:
 - Actual Sep 2018 \$9.65m
 - Actual Dec 2018 \$7.15m
 - Actual Mar 2019 \$6.74m
 - Forecast Jun 2019 \$6.22m

Recognised Revenue

- Revenue of \$5.4m achieved for 3Q19 (excluding pass-through cost recoveries), down \$2.6m in comparison to the previous corresponding period (3Q18); noting that revenue from the previous corresponding period was positively impacted by the high value of sales contracts executed during 2Q18 (\$14.1m).

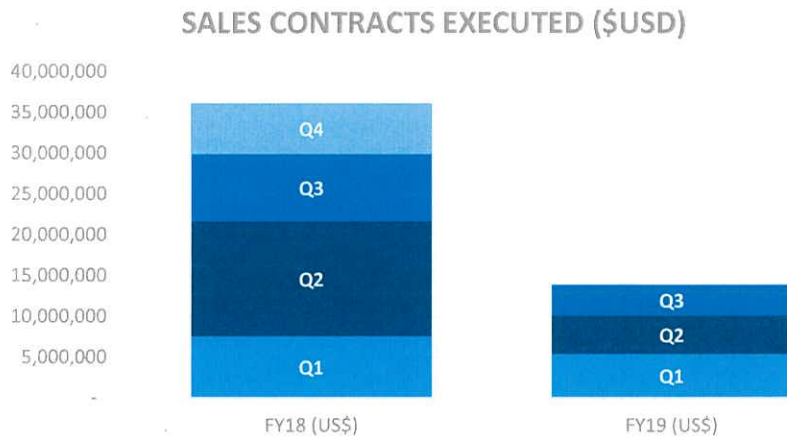


- Overall, the 12-month rolling Clinical Trials revenue (\$23.2m at 31 Mar 2019) has decreased by \$3.0m compared to the 31 Mar 2018 (\$26.2m).

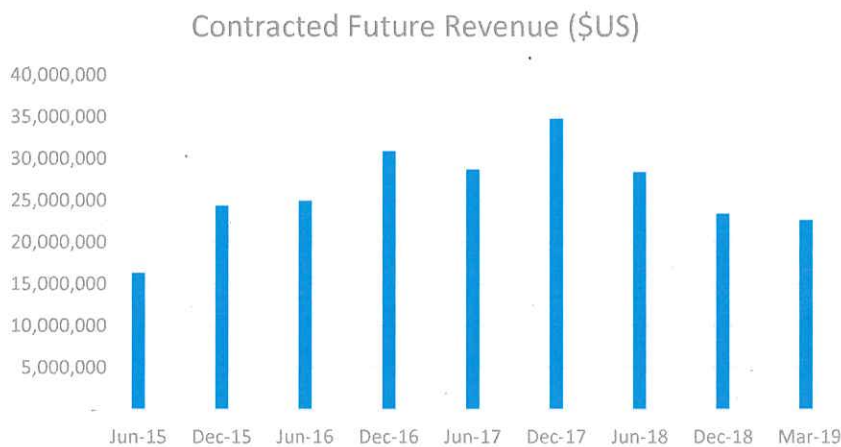


Sales and Contracted Future Revenue

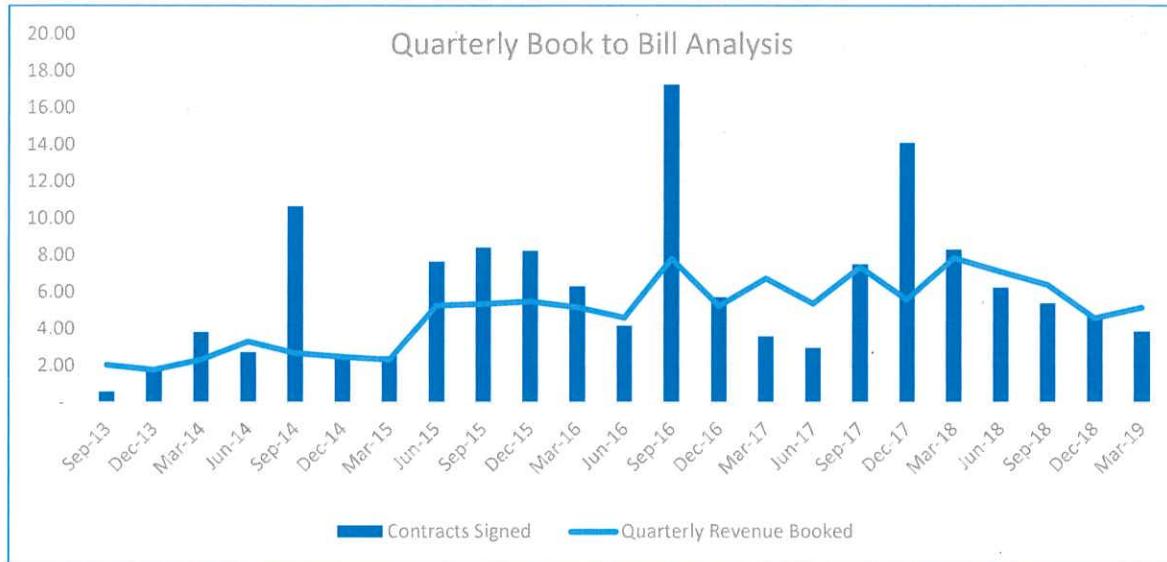
- Total value of sales contracts executed during 3Q19 was \$3.8m.
- In total, sales contracts executed year-to-date is \$13.8m, down 54% from the previous corresponding period (\$29.9m)
- As noted in the commentary on page 1 of this release, over recent weeks, Cogstate has seen an increase in the level of sales activity and, as a result, Cogstate sales prospects have improved. As always, the timing of execution of sales contracts is subject to timing of our customers, but the improvement in trading conditions is promising and provides management with confidence of improved financial results in the coming periods. Specifically, sales prospects for the June 2019 quarter are much more promising and Cogstate management is confident of an improved sales result for the June 2019 quarter.



- At 31 March 2019, Cogstate had \$22.7m of contracted Clinical Trials revenue to be recognised in FY19 and later years.
- The graph below shows contracted future revenue at various time points



- Book-to-bill ratio of 0.75 for March quarter.



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 cash outflow of \$0.51m for the March 2019 quarter
 - Net Operating Cash outflow was \$0.4m for the quarter.
- Cash balance of \$3.56m at 31 March 2019, down from \$4.06m at 31 Dec 2018
- Debtors balance of \$3.8m at 31 March 2019, down from \$4.6m at 31 Dec 2018
- Cost savings that have been implemented reduced overall expenditure during the March quarter.
- Gross cash outflows for the March quarter were higher than previously forecast as a result of the following factors:
 - Ongoing adjustment to staffing levels, which resulted in additional termination payments during the March quarter; and
 - A timing difference between expenditure and reimbursement of customer related pass-through costs – this is a timing issue only that has already reversed during the first weeks of April.

For further information contact:

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Quarterly Report – 31 March 2019

Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	31-Mar-19	31-Dec-18	31-Mar-18
	US\$ million	US\$ million	US\$ million
Revenue			
Clinical Trials revenue	5.15	6.49	7.89
Other Revenue	0.29	0.17	0.14
Sub-total	5.44	6.66	8.03
Pass-through Cost Recoveries	0.60	1.73	0.39
Total Revenue	6.04	8.39	8.42
Receivables			
Opening balance	4.64	5.38	6.18
Closing balance	3.80	4.64	5.26
Net Increase/(Decrease) in Receivables	(0.84)	(0.74)	(0.92)
Payables			
Opening balance	(4.20)	(2.11)	(2.71)
Closing balance	(4.00)	(4.20)	(2.35)
Net Increase/(Decrease) in Payables	(0.20)	2.09	(0.36)
Cash Flow			
Cash receipts from customers	6.33	8.69	10.02
Cash payments to employees	(4.70)	(4.13)	(5.67)
Cash payments to suppliers	(2.08)	(4.13)	(2.81)
Cash receipts, non-trading	0.03	0.27	0.00
Net Operating Cash In/(Out) Flows	(0.42)	0.70	1.54
Net Investing Cash In/(Out) Flows	(0.09)	(0.05)	(0.08)
Net Financing Cash In/(Out) Flows	0.00	0.02	0.02
Foreign exchange movement	-	-	-
Net Increase/(Decrease) in cash held	(0.51)	0.68	1.48

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 2019

Consolidated statement of cash flows	Current quarter \$US	Year to date (9 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	6,329,268	21,325,688
1.2 Payments for		
(a) Staff costs (incl R&D)	(4,704,722)	(16,042,140)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	26,642	(135,844)
(d) leased assets	(230,131)	(751,148)
(e) administration and corporate costs	(1,186,477)	(3,300,172)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	26,715	50,012
1.5 Interest and other costs of finance paid	(10,886)	(50,842)
1.6 Income taxes paid	76,891	(72,592)
1.7 Other Income	-	272,277
1.8 Other (provide details if material)		
Accounting & Audit	(162,866)	(666,559)
Computer costs	(420,058)	(961,103)
Legal costs, including patent costs	(12,072)	(155,400)
Listing fees & Associated costs	(9,484)	(110,936)
Travel Costs	(138,330)	(747,727)
1.9 Net cash from / (used in) operating activities	(415,510)	(1,346,486)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$US	Year to date (9 months) \$US
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(91,418)	(322,424)
(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	(91,418)	(322,424)

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	-	860,605
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	-	860,605

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (9 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	4,064,926	4,366,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(415,510)	(1,346,486)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(91,418)	(322,424)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	860,605
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,557,998	3,557,998

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	3,557,998	4,064,926
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)	3,557,998	4,064,926

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
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US

73,528

Nil

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	886,242	416,377
8.2 Credit standby arrangements	62,539	62,539
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\$45k) Trade finance facility (US\$502k) Bank Guarantee (A\$88k)

9. Estimated cash outflows for next quarter	\$US
9.1 Staff costs (incl R&D)	(4,256,628)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(61,890)
9.4 Leased assets	(267,596)
9.5 Administration and corporate costs	(954,743)
9.6 Other (provide details if material)	
Accounting & Audit	(136,518)
Computer costs	(275,157)
Legal costs, including patent costs	(31,959)
Listing fees & Associated costs	(29,383)
Travel Costs	(208,094)
9.7 Total estimated cash outflows	(6,221,968)

+ 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: 23 April 2019

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 accounting policy of the entity.