

ASX Announcement

23 July 2019



Business Update and June 2019 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 30 June 2019.

Summary of Results

All figures are stated in US\$

*The financial results provided remain subject to audit review.
Audited financial results will be released to the market on 28th August 2019.*

Sales Contracts:

- Sales contracts executed 4Q19: \$4.1m, taking full year total to \$18.0m (FY18 \$36.1m)
 - Current quarter (1Q20) has begun promisingly with execution of sales contracts that were held over from 30 June 2019 expected during the September quarter
- At 30 June 2019, Cogstate had \$20.3m of contracted Clinical Trials revenue to be recognised in FY20 and later years (FY18: \$28.4m)

Revenue:

- 4Q19 Revenue was \$5.3m, taking the unaudited full year total to \$21.8m (FY18 \$29.0m)

Expenditure:

- Quarterly gross cash outflows (excluding study specific 3rd party costs that are passed-through to the customer) are detailed below, demonstrating the reduced expenditure across the year:
 - Sep 2018 \$9.37m
 - Dec 2018 \$5.71m
 - Mar 2019 \$6.52m
 - Jun 2019 \$5.74m

Cash Flow and Cash Balance

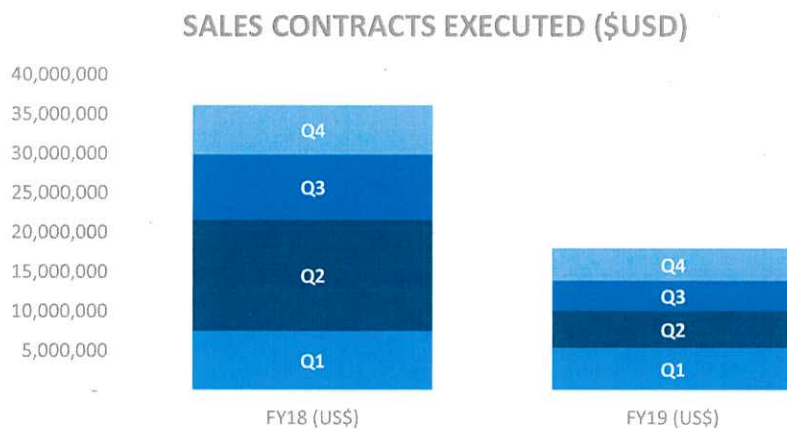
- Net operating cash outflow for the June quarter was \$0.2m, with total cash outflow \$0.35m inclusive of property, plant and equipment purchases.
- Cash balance of \$3.21m at 30 June 2019, down from \$3.56m at 31 Mar 2018
- Debtors balance of \$4.3m at 30 June 2019, up from \$3.8m at 31 Mar 2018
- As previously announced, on 8 July 2019 Cogstate raised \$2.8m (A\$4.0m) new capital via a private placement of 22,857,143 shares, thereby increasing the cash balance beyond the \$3.21m reported as at 30 June 2019.

Sales Contracts Executed and Future Revenue:

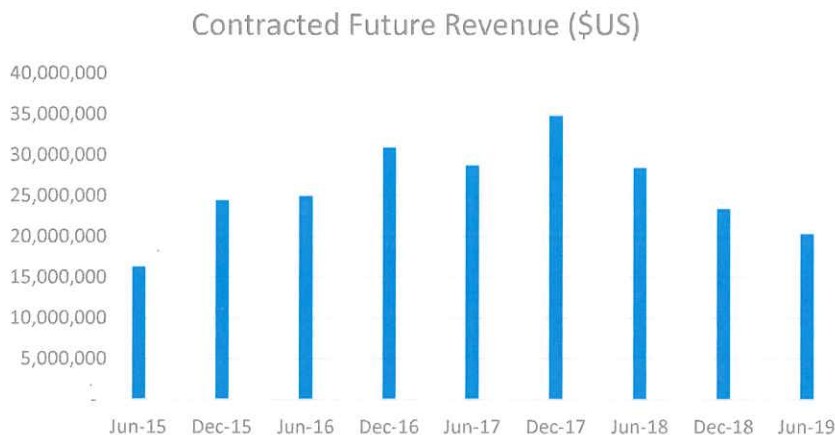
In Clinical Trials, Cogstate provides technology and services to biopharmaceutical companies to allow them to determine if their investigational compound is impacting cognition of the patient population. Revenue under each contract is recognised over the length of the study.

As previously announced, following the failure of a number of Alzheimer's disease clinical trials, and associated cancellations, Cogstate has experienced difficult trading conditions through the 2019 financial year. Cogstate's recent business updates noted that trading conditions were improving but noted that timing of execution of sales contracts is subject to timing of our customers. However, despite the increased activity, sales contracts executed during the June quarter (US\$4.1 million) were less than expected by management. The Company now anticipates that a number of these delayed sales opportunities will close in the September 2019 quarter.

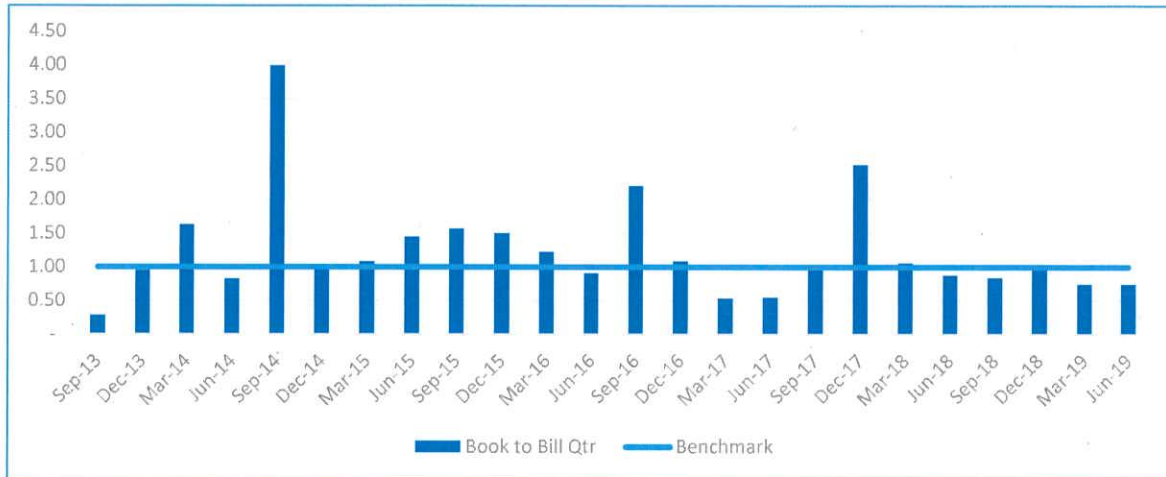
- Total value of sales contracts executed during 4Q19 was \$4.1m.
- In total, sales contracts executed year-to-date is \$18.0m, down 50% from the previous corresponding period (\$36.1m)



- At 30 June 2019, Cogstate had \$20.3m of contracted Clinical Trials revenue to be recognised in FY20 and later years.
- The graph below shows contracted future revenue at various time points



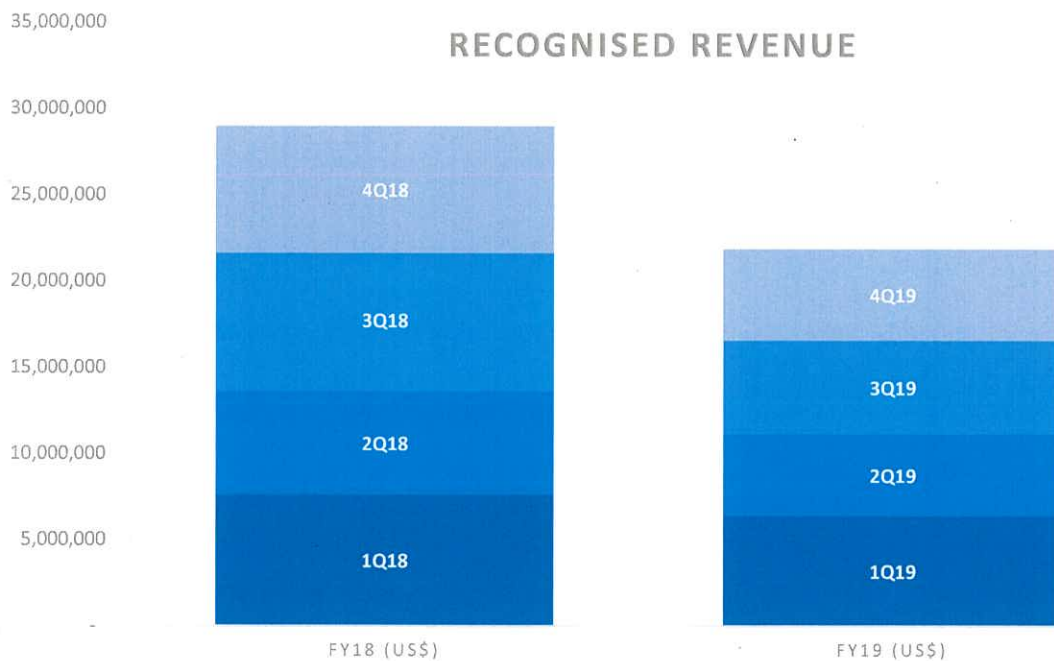
- Book-to-bill ratio of 0.74 for June quarter.



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.

Recognised Revenue

- Revenue of \$5.3m achieved for 4Q19 (excluding pass-through cost recoveries), down \$2.1m in comparison to the previous corresponding period (4Q18); 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 (\$21.3m at 30 Jun 2019) has decreased by \$6.6m compared to 30 Jun 2018 (\$27.9m) reflecting the cancellations of the Alzheimer's disease studies in June 2018 from the Cogstate future contracted revenue as well as the impact of the cancellations on the clinical trials services industry as a whole and associated new sales contracts.

12 Month Clinical Trials Rolling Revenue



- Cost savings as a result of restructure and associated reduction in staffing levels have reduced expenditure in recent quarters. The June quarter had in an increase in customer related pass-through expenditure which is offset by an associated customer receipt. Quarterly gross cash outflows are detailed below, demonstrating the reduced expenditure across the year:

Gross cash outflows for the quarter ended:	Inclusive of pass-through costs	Excluding pass-through costs
Sep 2018	\$9.65m	\$9.37m
Dec 2018	\$7.15m	\$5.71m
Mar 2019	\$6.74m	\$6.52m
Jun 2019	\$6.96m	\$5.74m

Operating Cash Flow and Balance Sheet

- Net cash outflow of \$0.35m for the June 2019 quarter
 - Net Operating Cash outflow was \$0.2m for the quarter.
- Cash balance of \$3.21m at 30 June 2019, down from \$3.56m at 31 Mar 2018
- Debtors balance of \$4.3m at 30 June 2019, up from \$3.8m at 31 Mar 2018
- Cost savings that have been implemented continue to reduce overall expenditure.
- As announced on 27 February 2019, Cogstate has entered into a debt facility with entities associated with Martyn Myer and David Dolby. That facility has not been drawn down on.
- As announced on 8 July 2019, Cogstate issued 22,857,143 shares to Australian based fund manager, Australian Ethical Investments, at a price of \$0.175 per share raising \$2.8m (*A\$4m*).

For further information contact:

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Quarterly Report – 30 June 2019

Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	30-Jun-19	31-Mar-19	30-Jun-18
	US\$ million	US\$ million	US\$ million
Revenue			
Clinical Trials revenue	5.17	5.15	7.11
Other Revenue	0.12	0.29	0.27
Sub-total	5.29	5.44	7.38
Pass-through Cost Recoveries	1.22	0.06	1.95
Total Revenue	6.51	5.50	9.33
Receivables			
Opening balance	3.80	4.64	5.26
Closing balance	4.28	3.80	6.34
Net Increase/(Decrease) in Receivables	0.48	(0.84)	1.08
Payables			
Opening balance	(4.00)	(4.20)	(2.35)
Closing balance	(4.76)	(4.00)	(2.55)
Net Increase/(Decrease) in Payables	0.76	(0.20)	0.20
Cash Flow			
Cash receipts from customers	6.76	6.33	7.27
Cash payments to employees	(3.47)	(4.70)	(5.25)
Cash payments to suppliers	(3.50)	(2.08)	(3.21)
Cash receipts, non-trading	0.01	0.03	0.00
Net Operating Cash In/(Out) Flows	(0.20)	(0.42)	(1.19)
Net Investing Cash In/(Out) Flows	(0.15)	(0.09)	(0.16)
Net Financing Cash In/(Out) Flows	0.00	0.00	0.00
Foreign exchange movement	-	-	-
Net Increase/(Decrease) in cash held	(0.35)	(0.51)	(1.35)

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")

30 June 2019

Consolidated statement of cash flows	Current quarter \$US	Year to date (12 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	6,761,664	28,087,353
1.2 Payments for		
(a) Staff costs (incl R&D)	(3,473,225)	(19,515,365)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(46,577)	(182,421)
(d) leased assets	(259,082)	(1,010,230)
(e) administration and corporate costs	(2,586,831)	(5,887,005)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12,688	62,700
1.5 Interest and other costs of finance paid	(7,906)	(58,747)
1.6 Income taxes paid	121,334	48,741
1.7 Other Income	-	272,277
1.8 Other (provide details if material)		
Accounting & Audit	(100,858)	(767,417)
Computer costs	(411,627)	(1,372,729)
Legal costs, including patent costs	(61,866)	(217,266)
Listing fees & Associated costs	(8,002)	(118,938)
Travel Costs	(134,933)	(882,660)
1.9 Net cash from / (used in) operating activities	(195,221)	(1,541,707)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (12 months) \$US
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(146,758)	(469,182)
	(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	(146,758)	(469,182)

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 (12 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	3,557,998	4,366,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(195,221)	(1,541,707)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(146,758)	(469,182)
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	3,216,019	3,216,019

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	3,216,019	3,557,998
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)	3,216,019	3,557,998

6.	Payments to directors of the entity and their associates	Current quarter \$US
6.1	Aggregate amount of payments to these parties included in item 1.2	72,760
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
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	882,209	441,032
8.2 Credit standby arrangements	61,886	61,886
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)	(5,352,004)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(75,467)
9.4 Leased assets	(248,884)
9.5 Administration and corporate costs	(2,010,186)
9.6 Other (provide details if material)	
Accounting & Audit	(104,401)
Computer costs	(330,934)
Legal costs, including patent costs	(37,936)
Listing fees & Associated costs	(80,271)
Travel Costs	(213,710)
9.7 Total estimated cash outflows	(8,453,793)

+ 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:  Date: 23 July 2019
 Company Secretary

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.

+ See chapter 19 for defined terms.