

# ASX Announcement

28 August 2019



## FY19 Full Year Results

Cogstate (ASX.CGS) has today released its Appendix 4E – Preliminary Financial Report for the year ended 30 June 2019.

### Summary of Results

*All figures are stated in US\$*

#### Financial Results:

- Revenue: \$21.8m (FY18 \$28.9m). Revenue has been impacted by the recent failures of Alzheimer's disease clinical trials.
- Net loss before tax: \$3.8m: \$2.6m before non-recurring restructure costs (FY18 profit of \$0.1m). Current financial year includes \$1.2m restructure costs incurred as part of a cost-cutting program
- Sales contracts executed during the period: \$18.0m (FY18 \$36.1m)
- Contracted future revenue to be recognised in future periods: \$20.3m (June 2018 \$28.4m)

#### Commentary:

- As previously advised to shareholders, the recent failure of Alzheimer's disease clinical trials has negatively impacted the clinical trials services industry including, but not limited to, Cogstate. These failures have negatively impacted Cogstate revenue in the reporting period as well as new sales contracts executed during the period, which in turn has impacted the contracted future revenue of the Company.
- A significant cost-cutting exercise was undertaken at the beginning of the financial year. Non-recurring restructure costs (\$1.2m), predominantly associated with staff reduction, were expensed during the period. Total costs removed from the business as part of the restructure exceed \$5m on an annualised basis (with the full benefit being realised from H2 FY2019 onwards).
- As part of this restructure, a strategic decision was made to seek distribution or licensing arrangements to commercialise Cognigram, rather than the direct sales model employed previously. The business has continued to work to find partners to take the product to market as a screening tool within the community, and the first of those arrangements, with pharmaceutical company, Eisai Co. Ltd., in Japan, has been announced today.
- Cogstate continues to explore opportunities from indications other than Alzheimer's disease and is firmly focused on converting those opportunities in the short term. Management has been pleased with the level of interest in paediatric and rare diseases; an area that Cogstate has expanded into within the last year. Management also sees growth in oncology, depression and schizophrenia markets in the short term – with optimism based on recent cognition data analysis from clinical trials, where Cogstate was an endpoint in the relevant trials.
- Across the pharmaceutical industry, the amount of investment in new Alzheimer's disease clinical trials is presently less than previous years. However, an effective Alzheimer's disease therapy continues to represent an enormous unmet societal health need. Cogstate management believes that the level of investment in new Alzheimer's disease clinical trials will return to prior levels in the medium term.
- Over the last two years, Cogstate has been developing a more flexible technology platform that will provide better usability for our customers, allow the Company to support different types of assessments in a range of indications and offer efficiency savings in the management of clinical trials. This technology platform has now been released into commercial production and has begun contributing to revenue generation in FY2020.

## Summary Financial Results

Please see the Summary Financial Results presented below. Please note that the summary presented is a proforma P&L, which details separately the non-recurring costs, thereby providing a better guide of the cost base going forward.

### Proforma P&L excluding non-recurring costs

	Half Year 31 December 2018 US\$	Half Year 30 June 2019 US\$	Full Year 2019 US\$
<b>Revenue from operations</b>	11,107,900	10,726,474	21,834,374
<b>Clinical Trials</b>			
Revenue	10,976,669	10,376,672	21,353,341
Cost of sales (excluding direct depreciation)	(4,059,552)	(4,312,136)	(8,371,688)
<b>Gross margin</b>	<b>6,917,117</b>	<b>6,064,536</b>	<b>12,981,653</b>
SG&A	(1,598,452)	(1,498,776)	(3,097,228)
Pass through costs, net of recovery	-		
<b>Clinical Trials EBITDA</b>	<b>5,318,665</b>	<b>4,565,760</b>	<b>9,884,425</b>
	48%	44%	46%
<b>R&amp;D (incl. academic research studies, normative data studies &amp; technology validation)</b>			
Revenue	67,712	116,937	184,649
Cost of sales & SG&A	(159)	(10,577)	(10,735)
Other operating expenditure - salaries and wages	(356,148)	(455,976)	(812,124)
<b>R&amp;D EBITDA</b>	<b>(288,595)</b>	<b>(349,616)</b>	<b>(638,210)</b>
<b>Total other expenditure (net)</b>	<b>(6,316,686)</b>	<b>(4,930,087)</b>	<b>(11,246,774)</b>
<b>Adjusted EBITDA from continuing operations, excluding share based compensation</b>	<b>(1,286,616)</b>	<b>(713,943)</b>	<b>(2,000,559)</b>
Share based payments (expense of employee options)	133,021	(183,996)	(50,975)
Depreciation (direct and indirect) and amortisation	(230,892)	(264,547)	(495,439)
<b>Profit/(loss) before tax from continuing operations</b>	<b>(1,384,487)</b>	<b>(1,162,486)</b>	<b>(2,546,973)</b>
<b>Investment in Cognigram (start-up)</b>			
<b>Cognigram EBITDA</b>	<b>(225,003)</b>	<b>123,815</b>	<b>(101,188)</b>
Interest income	10,750	8,824	19,574
Interest expense	(11,099)	(18,791)	(29,890)
<b>Net profit/(loss) before tax and before non-recurring costs</b>	<b>(1,609,839)</b>	<b>(1,048,638)</b>	<b>(2,658,477)</b>
<b>Non-recurring costs</b>			
- Clinical Trials cost of sales	(194,511)	-	(194,511)
- Cognigram	(708,704)	-	(708,704)
- Administration	(289,027)	-	(289,027)
<b>Net profit/(loss) before tax</b>	<b>(2,802,081)</b>	<b>(1,048,638)</b>	<b>(3,850,719)</b>

**For further information contact:**

Brad O'Connor

Cogstate Chief Executive Officer

+613 9664 1300 or 0411 888 347

[boconnor@cogstate.com](mailto:boconnor@cogstate.com)

**About Cogstate**

Cogstate Ltd (ASX:CGS) is a leading science and technology solutions provider dedicated to optimizing the measurement of cognition in clinical trials, academic research and healthcare. Cogstate provides enabling technologies and professional services for higher quality neuropsychological assessments and is a pioneer in commercializing rapid, reliable and highly sensitive computerized cognitive tests. Cogstate customers include the world's leading biopharmaceutical companies; elite sporting organizations and military; physicians and patients; renowned academic institutions and public-private partnerships. For more information, please visit [www.cogstate.com](http://www.cogstate.com).