

ASX Announcement

15 October 2019



Business Update and September 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 September 2019.

Summary of Results

All figures are stated in US\$

Clinical Trials Sales Contracts:

- Sales contracts executed during the quarter increased 43% compared to the previous corresponding period (PCP)
 - Sales contracts executed: 1Q20 \$7.7m compared to 1Q19 \$5.4m
- Contracted future revenue increased 21% from 30 June 2019
 - At 30 September 2019, Cogstate had \$24.5m of contracted Clinical Trials revenue to be recognised in FY20 and later years, compared to \$20.3m at 30 June 2019

Revenue:

- In accordance with guidance provided 02 Sep 2019, revenue growth is expected to lag sales growth.
- 1Q20 Revenue was less than 1Q19, which is consistent with prior expectations and stems from lower sales throughout FY19

Further specifics in respect of first quarter revenue to be provided 21 October 2019 at the AGM

Expenditure:

- Seasonality of cashflows: September quarter cash outflows are higher than the other quarters, reflecting payment of bonus and commission in respect of the previous financial year.
- 22% decrease in gross operating cash outflows in 1Q20 compared to 1Q19
 - 1Q20 \$7.53m compared to 1Q19 \$9.68m

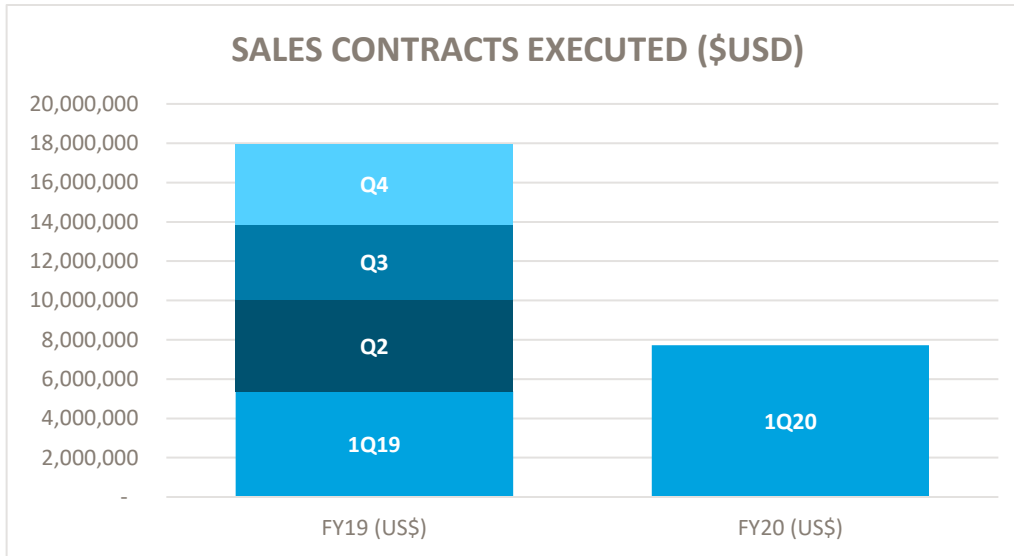
Cash Flow and Cash Balance

- Cash inflow of \$1.5m for the quarter
 - Cash balance of \$4.71m at 30 September 2019, up from \$3.21m at 30 June 2019
- Breakdown of quarterly cash flow
 - Net operating cash outflow (\$1.6m)
 - Repayment of short-term borrowing related to equipment finance (\$0.4m)
 - Purchase of equipment (\$0.1m)
 - Net proceeds from Share Placements \$3.6m

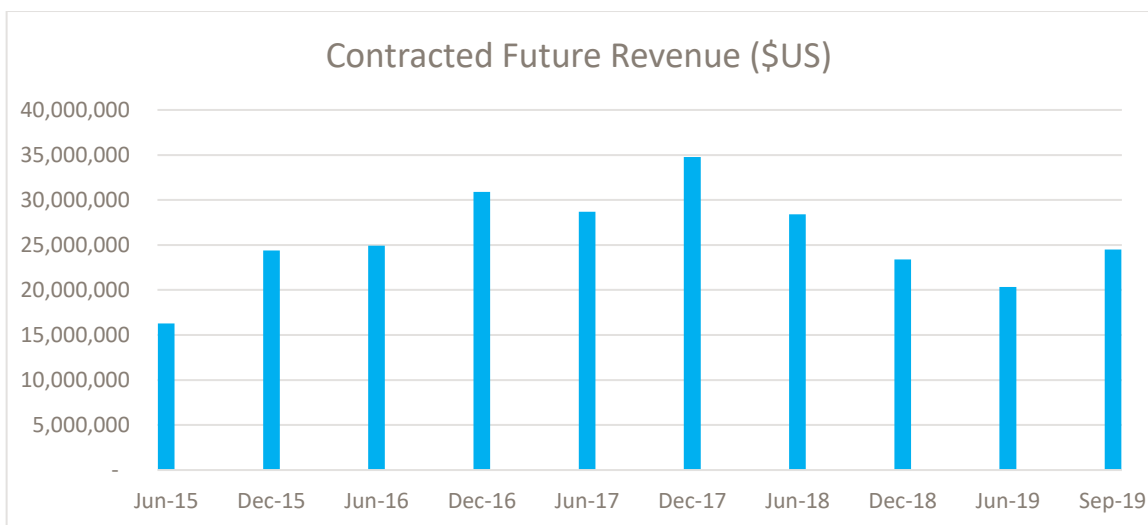
Sales Contracts Executed and Future Revenue:

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.

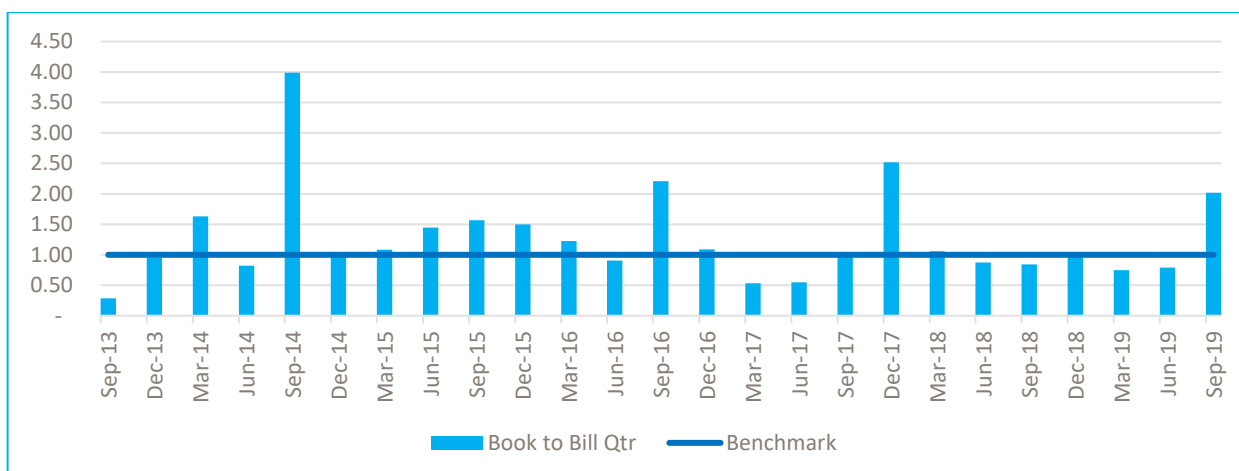
During the September 2019 quarter, Cogstate executed \$7.7 million of clinical trials sales contracts, up 43% from the previous corresponding period (\$5.4 million).



- At 30 September 2019, Cogstate had \$24.5m 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 2.02 for September 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.

Expenditure

- September quarter cash outflows are higher than the other quarters, reflecting payment of bonus and commission in respect of the previous financial year.
- Gross operating cash outflow of \$7.53 million for the September 2019 quarter was less than amount forecasted – as per Appendix 4C lodged 23 July 2019 (\$8.45m)
- Quarterly gross operating cash outflows (excluding study specific 3rd party costs that are passed-through to the customer) are detailed below:
 - Sep 2018 \$9.37m
 - Dec 2018 \$5.71m
 - Mar 2019 \$6.52m
 - Jun 2019 \$5.74m
 - Sep 2019 \$6.95m

Operating Cash Flow and Balance Sheet

- Net cash inflow of \$1.5m for the September 2019 quarter
 - Net Operating Cash outflow was \$1.57m for the quarter.
 - Net Investing Cash outflow was \$0.53m for the quarter.
 - Net Financing Cash inflow was \$3.60m for the quarter.
- Cash balance of \$4.71m at 30 September 2019, up from \$3.21m at 30 June 2019
 - Debtors balance of \$2.3m at 30 September 2019, down from \$4.3m at 30 June 2019
 - Payables balance of \$2.17m at 30 September 2019, down from \$4.76m at 30 June 2019
- Trade Finance Facility of \$0.4m at 30 June 2019 was fully repaid as at 30 September 2019

- The issue of new shares via private placements has raised additional funds totalling \$3.7m:
 - As announced on 8 July 2019, Cogstate issued 22,857,143 shares to Australian based fund manager, Australian Ethical Investments, at a price of A\$0.175 per share raising \$2.8m (A\$4m).
 - On 28 August 2019, Cogstate announced a placement of fully paid ordinary shares to Eisai Co., Ltd, based in Japan, part of which is subject to shareholder approval.

The placement is currently being conducted in two tranches:

- **[Tranche 1]** As announced on 2 September 2019, Cogstate issued 6,700,000 shares to Eisai Co., Ltd, at a price of A\$0.20308 per share by way of a placement, raising \$0.9m (A\$1.36m).
- **[Tranche 2]** Subject to receipt of shareholder approval, which is being sought at Cogstate's 2019 annual general meeting on the 21st October 2019, the second tranche of Shares will be issued to Eisai under a further placement to raise approx. US\$1.0million (A\$1.5 million) at a price equal to the volume weighted average price of Cogstate Shares over the 5 days prior to (but not including) the date of issue of the Shares.

For further information contact:

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Quarterly Report – 30 September 2019

Summary Financial Table

	Quarter Just Completed	Previous Quarter	Previous Corresponding Quarter
	30-Sep-19	30-Jun-19	30-Sep-18
	US\$ million	US\$ million	US\$ million
Receivables			
Opening balance	4.28	3.80	6.34
Closing balance	2.15	4.28	5.38
Net Increase/(Decrease) in Receivables	(2.13)	0.48	(0.96)
Payables			
Opening balance	(4.76)	(4.00)	(2.55)
Closing balance	(2.17)	(4.76)	(2.11)
Net Increase/(Decrease) in Payables	(2.59)	0.76	(0.44)
Cash Flow			
Cash receipts from customers	5.93	6.76	7.93
Cash payments to employees	(4.88)	(3.47)	(7.21)
Cash payments to suppliers	(2.64)	(3.50)	(2.47)
Cash receipts, non-trading	0.02	0.01	0.02
Net Operating Cash In/(Out) Flows	(1.57)	(0.20)	(1.73)
Net Investing Cash In/(Out) Flows	(0.53)	(0.15)	(0.09)
Net Financing Cash In/(Out) Flows	3.60	0.00	0.84
Foreign exchange movement	-	-	-
Net Increase/(Decrease) in cash held	1.50	(0.35)	(0.98)

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 September 2019

Consolidated statement of cash flows	Current quarter \$US	Year to date (3 months) \$US
1. Cash flows from operating activities		
1.1 Receipts from customers	5,933,358	5,933,358
1.2 Payments for		
(a) Staff costs (incl R&D)	(4,883,807)	(4,883,807)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(117,449)	(117,449)
(d) leased assets	(432,065)	(432,065)
(e) administration and corporate costs	(1,341,265)	(1,341,265)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20,660	20,660
1.5 Interest and other costs of finance paid	(27,779)	(27,779)
1.6 Income taxes paid	(97,198)	(97,198)
1.7 Other Income	-	-
1.8 Other (provide details if material)		
Accounting & Audit	(149,516)	(149,516)
Computer costs	(336,024)	(336,024)
Legal costs, including patent costs	(43,416)	(43,416)
Listing fees & Associated costs	(28,048)	(28,048)
Travel Costs	(70,848)	(70,848)
1.9 Net cash from / (used in) operating activities	(1,573,397)	(1,573,397)

+ See chapter 19 for defined terms.

Consolidated statement of cash flows	Current quarter \$US	Year to date (3 months) \$US
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(92,483)	(92,483)
(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)		
Repayment of short-term borrowings	(433,394)	(433,394)
2.6 Net cash from / (used in) investing activities	(525,877)	(525,877)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,684,220	3,684,220
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(88,974)	(88,974)
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	3,595,246	3,595,246

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$US	Year to date (3 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	3,216,019	3,216,019
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,573,397)	(1,573,397)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(525,877)	(525,877)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,595,246	3,595,246
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,711,991	4,711,991

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	4,711,991	3,216,019
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)	4,711,991	3,216,019

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	70,865
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	867,821	11,558
8.2 Credit standby arrangements	59,557	59,557
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)	(4,268,873)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(75,467)
9.4 Leased assets	(250,347)
9.5 Administration and corporate costs	(1,190,669)
9.6 Other (provide details if material)	
Study specific third-party costs that will be reimbursed by the customer	(750,000)
Accounting & Audit	(104,401)
Computer costs	(330,934)
Legal costs, including patent costs	(50,631)
Listing fees & Associated costs	(58,879)
Travel Costs	(213,710)
9.7 Total estimated cash outflows	(7,293,911)

+ 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: 15 October 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.