

Chairman and CEO AGM Address

Cogstate Chairman, Martyn Myer AO

To get started, please allow me to take you back to the formation of Cogstate in 1999.

In the late 90's, around the same time as my mother was suffering from Alzheimer's disease, an old school friend of mine, Dr. David Darby, came to me with the basic outline of an idea to use technology to simplify the measurement of cognition. He said the technology he was seeking to develop would allow for repeat assessment with highly sensitive measures. Further, he explained that the use of the technology would allow initial cognitive testing to be taken out of the hands of expensive specialist medical practitioners (such as neurologists and neuropsychologists) and allow trained staff to administer the tests.

To me, this sounded amazing. The technology would allow us to take cognitive assessment beyond specialty centers and into the community where it could help meet the need for early detection of memory impairment. Our ambition was to make regular cognitive assessment as simple and common place as measuring blood pressure – something that everyone should do periodically as part of good healthcare. We wanted to avoid the problems that plague traditional cognitive assessments and ensure that our tests were repeatable and didn't discriminate based upon the language or culture of the individual being tested. In other words, we wanted to be able to test anyone, anywhere at any time.

When I, and a handful of others, provided the original seed capital to start Cogstate in December 1999, our investment thesis centered around the idea that, in an aging population, with an increasing incidence of Alzheimer's disease, technology would play a vital role in identifying patients that would benefit from new treatments that were sure to come onto market eventually.

After 20 patient years, with yesterday's announcement of the worldwide license of Cogstate technology to Eisai, our vision is becoming a reality, and I am very proud to have the opportunity to share this exciting news with you.

Since first launching our technology in the clinical trials market in 2004, the majority of Cogstate's revenue has come from this business segment, where our customers are pharmaceutical companies seeking to determine the impact that their investigational compounds have on cognition.

The Healthcare segment represents the original investment thesis that I mentioned earlier. In this market our technology is used to help answer the question, "doctor, is there anything wrong with my memory?" In August 2019, we announced that we had partnered with Eisai to launch our technology to consumers, employers, government and physicians in Japan. With the looming potential of a disease modifying therapy to treat patients with Alzheimer's disease, we see huge opportunity for Cogstate technology in the Healthcare segment.

In both of these segments, Cogstate relies on data and more than 600 peer reviewed publications that comes from decades of collaboration between academic researchers and the Cogstate scientific team, led by our Chief Science Officer, Dr Chris Edgar and our Chief Innovation Officer, Dr Paul Maruff.

Today, Cogstate works across a range of different indications, but there is no doubt that the application of our technology as a screening tool for memory loss that may be associated with Alzheimer's disease represents an enormous opportunity.

Globally, Alzheimer's disease is a huge societal problem that strains healthcare budgets, reduces quality of life for an increasing number of older people and places an enormous burden on loved ones who must become care givers.

Alzheimer's disease is the most significant untreatable chronic disease in the world today.

The number of people living with Alzheimer's disease increases every year and, to date, there has been no therapeutic treatment that could alter the course of the disease.

As the world's population rapidly ages, the societal impact of Alzheimer's disease and related dementias is staggering. Early detection of cognitive impairment is critical for meaningful intervention around care planning, lifestyle modifications, and symptomatic treatments. And it will be especially critical with the advent of an approved therapy that could change the course of this devastating disease – and as an industry we've never been closer to a disease modifying therapy than we are now with multiple promising monoclonal antibodies in late stage development and one under priority review with the FDA now.

Therefore, it is with great pride that I announce that Cogstate has entered into a worldwide licensing arrangement with global pharmaceutical company, Eisai, to market Cogstate technologies in the Healthcare market.

The agreement with Eisai, that was executed over the weekend and announced yesterday, represents the expansion of a partnership that began more than two years ago when Cogstate and Eisai began to explore the possibility of working together. After a number of small, initial pilot projects, in August 2019, the two companies agreed to a 10-year license of Cogstate technology in Japan. At that time, Eisai also became a Cogstate shareholder and today they own just under 7% of Cogstate issued shares.

We are now very pleased to be able to expand our agreement with Eisai to enable the global launch of our technology in the Healthcare market.

The exclusive agreement with Eisai provides Cogstate with an upfront payment of US\$15m plus an ongoing royalty stream linked to retail price of Cogstate technology. Additionally, Eisai will fund important development of Cogstate technology as well as funding the commercial and marketing teams in each country.

Brad will provide more specifics in respect of the deal terms. However, before I hand over to Brad, I would like to play you a short video where we'll hear the perspective of prescribers, drug developers and Eisai leadership to provide additional context for the significance of this licensing agreement and the role of technology—more specifically Cogstate technology—in transforming brain health assessment

Cogstate CEO, Brad O'Connor

As Martyn has mentioned, the global deal announced yesterday expands upon the agreement entered into by the two parties last year. In that time, Eisai have proven to be a supportive partner that is committed to building an entire ecosystem for dementia patients and their families – with solutions targeting everything from identification of the first signs of memory loss to the development of therapeutic treatments, as well as a range of lifestyle factors in between.

Under the terms of the license, Eisai will be responsible for marketing Cogstate technology in all countries – including all existing technology and all future improvements. The agreement will exclude the clinical trials market, where Cogstate will continue to offer our technology and services independently.

The license has a term of 10-years on a country by country basis from the date of commercial launch in each country. Eisai have committed to launch within the USA inside 1 year, EU within 3 years and China within 4 years.

Eisai will have the option to terminate the agreement after 5 years under certain specific conditions.

Under the license, Eisai will pay Cogstate minimum payments totalling \$45m across 10 years including a US\$15m upfront license fee and \$30m minimum royalties. The minimum royalties, which increase from year to year, will total at least US\$10 million for the period of years one to five, and at least US\$20 million for the period of years six to ten.

Similar to the agreement in respect of Japan, Eisai will fund any software development work required to further develop, improve or alter the product for use within each country. Eisai will also manage all regulatory issues and will be responsible for all sales and marketing activities.

The resulting data from use of the technology will be jointly owned by Eisai and Cogstate.

Notwithstanding the substantial opportunity that exists in the Healthcare market, it is our firm belief that the potential launch of disease modifying treatment in AD, and the expanded use of Cogstate technology for the early detection of cognitive decline amongst individuals in the community will both be very positive developments for our Clinical Trials business.

Now begins a new era for Cogstate. In collaboration with an incredibly dedicated and focused commercial partner like Eisai, we now have the opportunity to become the leading measure of cognitive health for individuals around the world.

We'll now briefly turn our attention to the financial results for the 2020 financial year as well as the quarter just finished.

For the year to 30 June 2020, Cogstate recorded a loss before tax of just over \$2m, which was a 46% improvement on the prior year loss. However, more important than the annual result, was the improvement we saw in the financial results in the second half of the financial year.

During FY20, Cogstate executed \$46m of clinical trials sales contracts. The result was an improvement of over 150% on the prior year and 28% improvement on the previous record set in FY18. It took some time for the improved sales to deliver an increase in revenue and, therefore, in the first half of the 2020 year, the contribution from the clinical trials segment fell significantly as a result of the decrease in revenue, which was in line with our expectations. However, in the second half of the year, the improved sales results began to deliver an increase in revenue, which in turn improved the contribution from the clinical trials segment.

Combined with another positive contribution for the Healthcare segment in the 2nd half of the year, and cost control from year to year, Cogstate was able to deliver a profit before tax of \$823,000 for the second half of the year.

I note that a detailed presentation in respect of the FY20 results is available via the Investor Centre section of the Cogstate website and we encourage you to regularly visit the Investor Centre to get access to the most up to date news and analysis.

Having spent considerable time talking about the Healthcare segment, we will focus now on the September quarter results for the clinical trials business.

The conduct of clinical trials, and the ability of trial participants to participate in planned in-person site visits, continues to be impacted to varying degrees by Covid-19 and the associated social distancing

measures. This is not impacting Cogstate's business significantly, but it is causing some delays to assessment, which can result in delays to revenue recognition.

For the quarter ended 30 September, Cogstate executed \$8.3m of clinical trials sales contracts – consistent with the previous quarter and approximately 8% better than the previous corresponding period.

Due to some delays with respect of revenue recognition, during the September 2020 quarter, the value of contracted future revenue increased by \$2.7m to \$42.1m. This is a positive sign for future revenue recognition expectations.

Clinical Trials revenue was up 52% compared to the previous corresponding period, but due to the revenue recognition delays that I mentioned earlier we did see an 18% decrease in Clinical Trials revenue compared to the most recent June quarter.

Overall, revenue was up 22% on the previous corresponding period. It is important to note that the previous corresponding period, being September 2019, included over \$1m of Healthcare revenue, which predominantly related to the upfront payment received from Eisai in respect of the Japan license that was entered into last year.

So, to summarise.

As I stated earlier, we will now begin a new era for Cogstate. In collaboration with an incredibly dedicated and focused commercial partner like Eisai, we now have the opportunity to become the leading measure of cognitive health for individuals around the world.

Our clinical trials business has shown significant growth over the last 18 months and, subject to the uncertainty caused by Covid, we are confident that we can continue that trend.

Our cash position, which was already strong, will be significantly enhanced by the \$15m upfront payment that will be received in the coming weeks.

Taken together, we are confident that Cogstate will deliver a profitable FY21 and we are well placed to be able to deliver value creation for our shareholders into the future.