

# ASX Announcement

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## 1H22 Financial Results & Business Update

All figures in US\$

PCP = Previous Corresponding Period

Cogstate Ltd (ASX:CGS) has today released its Appendix 4D – half year report for the six months ended 31 December 2021 (1H22).

### Highlights:

RECORD 1H22 REVENUE OF \$23.1M, UP 67% COMPARED TO PCP

- Clinical Trials revenue of \$20.8m, up 66% compared to PCP
- Healthcare revenue of \$2.2m, up 93% compared to PCP

1H22 SALES CONTRACTS EXECUTED OF \$54.5M, UP 141% COMPARED TO PCP

TOTAL REVENUE BACKLOG OF \$132.9 MILLION AT 31-DEC-21, UP 78% COMPARED TO PCP

- Clinical Trials revenue backlog of \$92.0m, up 85% compared to PCP
- Healthcare revenue backlog of \$40.9m

RECORD EBIT OF \$6.1M COMPARED TO PCP LOSS OF \$0.4M

NET CASH OF \$24.6M AT 31 DECEMBER 2021\*

- Cash inflow from operations of \$1.3m, including movements in passthrough costs paid on behalf of customers. Cash inflow was \$1.8m excluding the effect of passthrough costs.
- Net cash increased \$2.2m from \$22.4m at 30 June 2021, including proceeds from exercise of employee share options of \$1.4m

### FULL YEAR GUIDANCE

- Group FY22 revenue in the range of \$44-\$47m with FY22 Operating expenses to remain in the range of 31%-33% of revenue, taking FY22 EBIT margins to a range of 20%-24% (up from previous guidance of 15%-18%). Further details on page 5.

|  | 1H22<br>US\$m | 1H21<br>US\$m | Variance<br>% |
|--|---------------|---------------|---------------|
| Total revenue from ordinary activities | 23.1          | 13.9          | 67%           |
| - Clinical Trials revenue              | 20.8          | 12.6          | 66%           |
| - Healthcare revenue                   | 2.2           | 1.1           | 93%           |
| New contracts singings executed        | 54.5          | 22.6          | 141%          |
| Contracted future revenue              | 132.9         | 74.8          | 78%           |
| EBIT                                   | 6.1           | (0.4)         | 1,818%        |
| Net Profit before Tax                  | 6.1           | (0.4)         | 1,658%        |
| Net operating cash flow                | 1.3           | 13.2          | (90%)         |

\* Calculated as gross cash less borrowings and less cash receipts received in advance for future pass-through charges.

## CEO Commentary

**Commenting on the result, Cogstate’s CEO, Brad O’Connor, said: “Cogstate is continuing to deliver strong results, with a record level of sales, revenue and profitability.”**

“Clinical Trials sales contracts executed during 1H22 were \$54.5m, up 141% on the prior period. The growth reflecting the continued increase in investment in Alzheimer’s disease research by large pharmaceutical companies. The result takes Cogstate to a record future contracted revenue amount of \$92 million in Clinical Trials, an increase of 85% from a year ago. At 31 December 2021, Cogstate was working on 117 clinical trials, across more than 30 different indications and more than 45 customers. We remain positive on the future outlook given our confidence that large pharmaceutical companies will continue to invest in Alzheimer’s disease research and given that Cogstate is well positioned as the industry moves to more virtual (decentralised) clinical trials. We have added a dedicated Channel Manager to our business development team as we seek to expand our sales reach across the industry.”

“In our Healthcare segment, our partnership with Eisai continues to develop, with a primary focus on product launch. In January 2022, Eisai announced that Cogstate technology, branded as CogMate, will be marketed directly to consumers in Taiwan and Hong Kong, targeting municipalities and corporations. This is the first release of Cogstate technology in the Asian region, excluding Japan. Similar launches are expected in additional countries, including the USA, in 2022.”

“In Japan, where NouKNOW has been established for some time, over 26,000 assessments have been performed through initial engagements with municipalities and businesses seeking to offer employees, residents, and customers easy-to-use digital solutions for understanding their brain health. Additionally, from February 2022, the Raku-Raku smartphone (developed by FCNT LIMITED) will be shipped with a version of NouKNOW pre-installed on the device. The Raku-Raku smartphone is marketed to the senior population in Japan and has shipped more than 7 million units.”

“We continue to remain positive on the future growth prospects in both Clinical Trials and Healthcare segments. The growing investment in Alzheimer’s disease research, along with the industry shift to decentralised trials, uniquely positions Cogstate for future growth. In addition, Cogstate, through its partnership with Eisai, is uniquely positioned to provide highly scalable, scientifically proven, digital tools required to identify the earliest signs of memory impairment, be it in support of new drugs coming to market, or for early diagnosis which is critical for meaningful intervention around care planning and symptomatic treatments.”

## 1H22 Segment Results

|  | <b>1H22</b>  | <b>1H21</b>  | <b>Variance</b> |
|--|--------------|--------------|-----------------|
|  | <b>US\$m</b> | <b>US\$m</b> | <b>%</b>        |
| Total revenue from operations                      | 23.1         | 13.9         | 67%             |
| <b>Clinical Trials</b>                             |              |              |                 |
| Revenue  | 20.8         | 12.6         | 66%             |
| Direct Cost <i>(excluding direct depreciation)</i> | (6.3)        | (4.9)        | (29%)           |
| <b>Gross Margin</b>                                | <b>14.5</b>  | <b>7.7</b>   | <b>89%</b>      |
| SG&A   | (1.6)        | (1.5)        | (3%)            |
| <b>Clinical Trials Segment Contribution</b>        | <b>12.9</b>  | <b>6.2</b>   | <b>110%</b>     |
| Contribution Margin                                | 62%          | 49%          |                 |
| <b>Healthcare</b>                                  |              |              |                 |
| Revenue  | 2.2          | 1.1          | 93%             |
| Direct Cost  | (0.4)        | (0.4)        | (13%)           |
| <b>Healthcare Segment Contribution</b>             | <b>1.8</b>   | <b>0.8</b>   | <b>135%</b>     |
| Contribution Margin                                | 80%          | 65%          |                 |
| <b>Research</b>                                    |              |              |                 |
| Revenue  | 0.01         | 0.1          | (90%)           |
| Direct Cost  | (0.4)        | (0.3)        | (27%)           |
| <b>Research Segment Contribution</b>               | <b>(0.4)</b> | <b>(0.2)</b> | <b>(100%)</b>   |
| Contribution Margin                                | (3,079%)     | (159%)       |                 |
| Other Operating Expense                            | (7.0)        | (6.0)        | (17%)           |
| <b>EBITDA</b>                                      | <b>7.3</b>   | <b>0.7</b>   | <b>919%</b>     |
| Depreciation & Amortisation                        | (1.1)        | (1.1)        | 5%              |
| <b>EBIT</b>  | <b>6.1</b>   | <b>(0.4)</b> | <b>1,818%</b>   |
| Net Interest                                       | (0.01)       | (0.04)       | 70%             |
| <b>Net Profit/(Loss) before tax</b>                | <b>6.1</b>   | <b>(0.4)</b> | <b>1,658%</b>   |
| Income Tax Expense                                 | (2.0)        | (0.1)        | (3,558%)        |
| <b>Net Profit/(Loss) after tax</b>                 | <b>4.1</b>   | <b>(0.4)</b> | <b>1,011%</b>   |

## 1H22 Analysis:

### Strong momentum continues in Clinical Trials

- Clinical Trials revenue in 1H22 increased 66% on pcp to \$20.8m (1Q22 \$11.1m, 2Q22 \$9.7m), resulting from continuing strong Clinical Trials sales over the last 6 quarters.
- Contribution margin in 1H22 increased to 62.0% from pcp of 49.0% through increased labour productivity and an higher software license mix. Software license revenue accounted for 23% of revenue in 1H22 compared to 17% in pcp.
- New sales contracts executed in 1H22 amounted to \$54.5m (1Q22 \$40.8m, 2Q22 \$13.7m) benefitting from a contract for a large Phase 3 Alzheimer's disease trial that was executed in 1Q22, but also from new customer acquisition across the half. Alzheimer's disease trials accounted for 90% of the value of new contracts executed in 1H22.
- At 31-Dec-2022, Cogstate has a record high Clinical Trials contracted revenue backlog of \$92.0m, with \$15.6m to be recognized in 2H22.

The revenue backlog for both the Clinical Trials and Healthcare segments are highlighted in the table below.

|  | 31 Dec 21          | 30 Sep 21          | 31 Dec 20         |
|--|--------------------|--------------------|-------------------|
|  | US\$               | US\$               | US\$              |
| Contracted Clinical Trials Revenue             | 91,982,782         | 88,015,983         | 49,668,291        |
| Eisai License – Global (commercial years 1-10) | 40,150,572         | 41,180,936         | 24,224,099        |
| Eisai License – Japan (10 year license)        | 765,125            | 790,309            | 865,042           |
| <b>Total Contracted Future Revenue</b>         | <b>132,898,479</b> | <b>129,987,228</b> | <b>74,757,432</b> |

### Healthcare continues focus on partnership with Eisai

- Healthcare revenue in 1H22 increased 93% to \$2.2m. This revenue primarily reflects the amortization of deferred revenue from the Eisai licensing agreement (upfront cash receipts of \$16m in prior periods).
- Eisai has launched product in Taiwan and Hong Kong using Cogstate technology, branded as CogMate, targeting municipalities and corporations. This is the first release of Cogstate technology in the Asian region, excluding Japan, with similar launches planned for additional countries, including the USA, in 2022.
- In Japan, where NouKNOW has been established for some time, over 35,000 assessments have been performed through initial engagements with municipalities and businesses seeking to offer employees, residents, and customers easy-to-use digital solutions for understanding their brain health. Additionally, from February 2022, the Raku-Raku smartphone (developed by FCNT LIMITED) will be shipped with a version of NouKNOW pre-installed on the device. The Raku-Raku smartphone is marketed to the senior population in Japan and has shipped more than 7 million units.
- In 2Q22, Cogstate has commenced invoicing Eisai for minimum quarterly cash royalty payments under the Global Agreement (excl. Japan). Such invoices will be issued quarterly for the 10 year life of the license agreement.

### Record EBIT performance

- Cogstate recorded a record EBIT of \$6.1m compared to a loss of (\$0.4m) in the prior year.
- Staff costs increased 15% on pcp, attributable to growth in the Clinical Trials business (revenue up 66% on pcp), Capitalisation of employee development expenditure was \$0.06m in 1H22 compared to \$1.19m in 1H21. This reduction was due to a focus on development of Eisai product in 1H22 (and reimbursement of those costs by Eisai) and does not represent a change in capitalization policy. Staff numbers increased moderately from 164 FTE's at 31 Dec 2020 to 171 FTE's at 31 Dec 2021.
- Depreciation and amortization expense has increased by \$0.1m, up 5% on pcp, resulting from the ongoing amortization on prior investment in a database platform.

### Net Profit after Tax

- Cogstate recorded a profit after tax of \$4.1m compared to a loss after tax of (\$0.4m) in the prior period.
- A tax expense of \$2.0m was incurred in 1H22 compared to a tax expense of \$0.1m in the prior period.

### Cash Flow / Balance Sheet

- Cogstate recorded a net cash inflow from operations of \$1.3 million during the quarter, which includes (\$0.5m) related to pass-through costs, giving a gross total cash inflow from operations of \$1.8m million.
- Net cash, excluding amounts held on behalf of customers for payment of pass-through expenses, increased to \$24.6 million as at 31 December 2021, compared to \$18.5m as at 31 December 2020.

## FY22 Guidance and Outlook:

### Clinical Trials:

- 2H22 revenue range of \$19m-\$22m; FY22 revenue range of \$40-\$43m
- 2H22 gross contribution margin in the range of 54%-57%; FY22 contribution margin in the range of 58%-61% (upgrade from prior guidance of 54% for FY22)
- 2H22 revenue dependent on the value of new sales contracts executed in 2H22, but supported by strong sales pipeline
- Possible upside to gross contribution margin depending on software license revenue mix in 2H22

### Healthcare

- 2H22 revenue of \$2.2M; FY22 revenue of \$4.4M
- 2H22 and FY22 gross contribution margin of 75%-80%

### Research

- FY22 gross contribution of (\$0.7M) (increased from previous guidance of \$0.5m loss)

### Group Results

- 2H22 revenue range of \$21-\$24m, FY22 revenue range of \$44-\$47m
- Operating Expense expected to remain with previous guidance of 31%-33% of revenue, an improvement of 5% to 7% percentage points on FY21
- EBIT margins of 20% - 24%, providing for FY22 EBIT in the range of \$8.8m to \$11.3m (upgraded from previous guidance of 15%-18%) due to stronger 1H22 performance and improved outlook for 2H22 Clinical Trials contribution margins.
- Operating Cash Flow for 2H22 expected to be at least \$4m, taking Operating Cash Flow for FY22 to at least \$5m

### Longer term outlook

We remain excited by the longer term demand outlook for our Clinical Trials and Healthcare solutions.

In our established Clinical Trials business, we see growth in demand for our software and services solutions driven by:

- An expected increase in Alzheimer's disease research over coming years as approved treatment(s) provide a regulatory path to market (we have seen such trends historically in other indications following approval of an initial treatment);

- Increased adoption of decentralised trial designs providing additional sales opportunities for our digital assessments; and
- Increasingly, we see that regulators may request drug developers to provide data to show the cognitive safety of new therapeutics, particularly in pediatric populations where they are seeking to establish that the new therapy does not impact cognitive development (even where the condition may not impact the central nervous system).

In our emerging Healthcare business we see demand for our scalable digital technology driven by:

- Increasing awareness of the need to monitor Brain Health amongst our ageing population (at risk age bracket >65yrs);
- Breakthrough Alzheimer's treatments expected to create demand for cognitive assessment in the community; and
- Impending launch of Cogstate technology, by Eisai, in multiple countries to feed into that demand.

Cogstate's technology platform is clinically validated, accepted by regulators and is based on 20+ years of investment and a proprietary data base of cognitive indicators. We remain excited about the opportunity that our scalable digital technology solutions present to simplify the assessment of brain health for all.

Authorised for release by the Board of Directors of Cogstate Ltd.

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### **About Cogstate**

Cogstate Ltd (ASX:CGS) is the neuroscience technology company optimising brain health assessments to advance the development of new medicines and to enable earlier clinical insights in healthcare. Cogstate technologies provide rapid, reliable and highly sensitive computerised cognitive tests across a growing list of domains and support electronic clinical outcome assessment (eCOA) solutions to replace costly and error-prone paper assessments with real-time data capture. The company's clinical trials solutions include quality assurance services for study endpoints that combine innovative operational approaches, advanced analytics and scientific consulting. For 20 years, Cogstate has proudly supported the leading-edge research needs of biopharmaceutical companies and academic institutions and the clinical care needs of physicians and patients around the world. In the Healthcare market, in August 2019 Cogstate entered into an exclusive licensing agreement with the pharmaceutical company Eisai, under which Eisai will market Cogstate technologies as digital cognitive assessment tools in Japanese markets. In October 2020, Cogstate extended its agreement with Eisai to the Rest of the World. The product, branded as NouKNOW, launched in Japan on 31 March 2020 ([nouknow.jp](http://nouknow.jp)). For more information, please visit [www.cogstate.com](http://www.cogstate.com).

### **For further information contact:**

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