

ASX Announcement

24 February 2023

Business Update & FY23 Guidance

All figures in US\$

Cogstate will release its half year report for the period ending 31 December 2022 (Appendix 4D) to ASX on 28 February 2023. As part of customary processes undertaken in preparing that release, Cogstate has assessed its current trading environment and performance, including against guidance it provided to the market last year in November at the time of its AGM, and provides the following updates.

Trading Update

Revenue Recognition

In its releases to the market as part of its 4 November 2022 AGM, the company advised that 1H23 revenue and profit were expected to be impacted by slower than expected enrolment of patients by pharmaceutical companies in a small number of their large Alzheimer's trials, with such enrolment rates expected to cause delays to Cogstate's revenue recognition.

Since the AGM, the number of patients enrolled each month has increased. However, taking into account this growth rate and the most recent enrolment projections provided by Cogstate's customers, Cogstate is now expecting that the rate of enrolment will not catch up to the initial projections provided by Cogstate's customers and enrolment will continue into FY24. Therefore the resulting revenue delays are expected to continue to impact earnings in 2H23, with some revenue from those impacted trials now expected to be recognized in FY24.

For context, at 01 July 2022, Cogstate had contracted future revenue of \$139.1m, of which it expected \$29.7m to be recognized as revenue in FY23. Cogstate now expects approximately \$5m of that FY23 contracted revenue to be recognized in FY24 (\$3.3m from 1H23 and the remainder expected to impact 2H23).

Timing of execution of Clinical Trials Sales Contracts

In its releases to the market as part of its 4 November 2022 AGM, the company also noted more confidence in respect of Clinical Trials sales contracts that were expected to positively impact revenue and profitability in 2H23. Current expectations are that some of the larger value contracts are now expected to execute late in 2H23 and therefore will contribute less revenue and profit in FY23 than previously expected, with a larger revenue contribution in FY24, assuming execution.

1H23 Results

Cogstate expects to report the following for the half year ended 31 December 2022:

- Clinical Trials revenue of \$17.1m, down 12% on the prior half (4/Nov/22 guidance of down 10% - 12%); and
- Clinical Trials contribution margin of 46% (slightly below 4/Nov/22 guidance of 48% -51%) reflecting staffing levels in the Clinical Trials department being maintained by Cogstate in order to deliver on the large trials that Cogstate is seeking to win. That cost base is relatively fixed, causing margin contraction when revenue is delayed, but also providing the opportunity to benefit from considerable financial leverage as revenue grows.

Cogstate advises it expects to report breakeven profit before tax for 1H23. Cogstate executed \$27.9m of Clinical Trials sales contracts during 1H23, consistent with the result for the most recent half year of 2H22, taking contracted future revenue at 31 December 2022 to \$146.7m (up from \$139m at 30 June 2022).

FY23 Full Year Guidance

The factors summarised in the trading update above impact the timing of when Cogstate is able to perform its cognitive assessments and therefore recognise revenue. To a significant extent, these factors are driven by the requirements, and informed by the actions, of the pharmaceutical companies that Cogstate has contracted with or is seeking to contract with.

Based upon current information, the Company provides the following updated guidance in respect of the full year ended 30 June 2023:

- 2H23 revenue expected to increase over 1H23, but FY23 revenue expected to be approximately 6-9% below FY22;
- EBITDA is expected to be in the range of 12-15% of revenue (4/Nov/22 guidance of 27-29%);
- EBIT is expected to be in the range of 6-8% of revenue (4/Nov/22 guidance of 20-24%); and
- Cash balance as at 31 December 2022 of \$29m; expect positive operating cash flow for 2H23.

Notwithstanding the above factors which are impacting the timing of when Cogstate is able to perform its cognitive assessments, the company remains confident that it is well positioned for further growth with strong contracted future revenue, the potential launch of Alzheimer's therapies expected to drive demand for cognitive assessment in the community, and the adoption of decentralized trial designs and our channel partner strategy having the potential to create new sales opportunities. Cogstate's combination of scientifically validated digital cognitive assessments along with the specialised service offering for data quality (rater training, central rating and central monitoring services) is attractive and, in the context of the expected future growth in the amount of research and investment in potential treatments for central nervous system diseases, positions Cogstate as a valuable partner for customers and other industry partners.

Expected financial results for 1H23 presented in this release are unaudited (being subject to ongoing audit processes to be finalised prior to release of final half year results on 28 February 2023), and the final 1H23 results remain subject to approval by the Board of Cogstate, and consequently may vary from those presented above.

This announcement has been approved for release by the Board of Cogstate Ltd.

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). For more information, please visit www.cogstate.com.

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Important Notices

Past performance

Past performance is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Cogstate's views on its future financial performance or condition. Past performance of Cogstate cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of Cogstate. Nothing contained in this announcement nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future.

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Cogstate, its directors and management. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Cogstate's business strategies, including the that the results of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. For example, Cogstate's performance in any one financial period is sensitive to whether or not contracts are signed in that period, or a subsequent period, and the rate of enrolment in trials of its customers which are influenced by factors that are outside of Cogstate's control.

Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Cogstate, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Cogstate as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Cogstate, its representatives or advisers undertakes any obligation to provide any additional or updated information, whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.
