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# ASX Announcement
# 27 October 2020

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All figures are reported in US$

## Business Update and September 2020 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 2020.

### Summary of Results

| | Quarter Ended 30 Sep 2020 (1Q21) US$'000,000 | Prior Quarter 30 Jun 2020 (4Q20) US$'000,000 | PCP* 30 Sep 2019 (1Q20) US$'000,000 |
|---|---|---|---|
| Sales contracts executed (clinical trials division) [1] | 8.3 | 8.4 | 7.7 |
| Contracted future revenue [3] | 42.1 | 39.4 | 24.5 |
| Total revenue [2,4] | 6.1 | 7.6 | 5.0 |
| Total cash & receivables | 12.4 | 14.6 | 7.0 |
| - *Cash reserves* | *7.4* | *10.3* | *4.7* |
| - *Trade receivables* | *5.0* | *4.3* | *2.3* |

** PCP = Prior Corresponding Period*

### Highlights

- **Sales contracts executed:** Clinical Trials sales contracts totalled $8.3 million during 1Q21, representing an increase of 7.8% on the prior corresponding period (September 2019).
- **Contracted future revenue:** Since 30 June 2020, contracted future revenue has increased to $42.1 million, an increase of $2.7 million during the September 2020 quarter.
- **Trading Conditions Update:** Since 1 October 2020, Cogstate has executed an additional US$2.0 million of Clinical Trials sales contracts.
- **Revenue:** 1Q21 Revenue ($6.1m) increased 22% on the prior corresponding period ($5.0m 1Q20).
- **Cash outflow:** A total cash outflow of $2.95 million for the September 2020 quarter, including net operating cash outflow of $2.22 million, which included a $3.6 million reduction in payables and a $0.8 million increase in receivables during the quarter.

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## Explanatory Notes

1. **Sales contracts:** In the Clinical Trials division, Cogstate enters into contracts ("sales contracts") with both pharmaceutical and biotechnology companies for the provision of Cogstate technology and services, for use in clinical research trials, to determine the extent to which their investigational compound is impacting the cognition of the patient population. The contract value will differ for each clinical trial, depending upon the scope of the technology and services provided by Cogstate, as well as the complexity and length of the trial. An increase in the total value of sales contracts executed will increase the revenue backlog and will, over time, result in an increase to revenue recognised by Cogstate.

2. **Calculation of revenue from Clinical Trials division:** Revenue from sales contracts is recognised over the life of the contract. The length of a clinical trial can vary from several months for a phase 1 study and up to 4-5 years for a phase 3 study. Revenue is recognised based upon achievement of pre-determined milestones. During each period, revenue may be recognised from (i) contracts in the backlog at the beginning of the period, as well as (ii) sales contracts executed during the period. Usually there is a time lag between an increase or decrease in the level of sales contracts executed and a corresponding change to recognised revenue.

3. **Contracted future revenue backlog:** Executed sales contract values that have not yet been recognised as revenue at period end are referred to as "contracted future revenue". The revenue from these contracts will be recognised upon achievement of pre-determined milestones throughout the clinical trials. The contracted future revenue figure provides insight into future revenue performance.

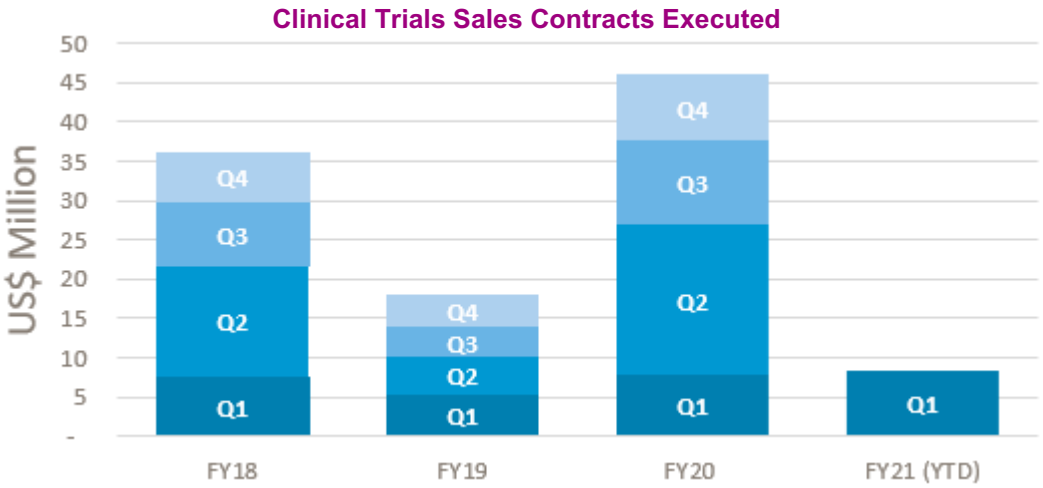
4. **Healthcare revenue:** Cogstate has developed tools specifically designed to aid healthcare professionals, in general and specialist practice medicine, with objective assessments of cognition in patients. Cogstate's Healthcare offering includes the system branded as Cognigram™, a medical device which allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors, including neurodegenerative diseases such as Alzheimer's disease. On 26 October 2020, Cogstate announced an exclusive global licensing agreement with pharmaceutical company Eisai, under which Eisai will market Cogstate technology as digital cognitive assessment tools targeting physicians, corporations, municipalities and also directly to consumers. With an increased focus on brain health in the community and with the potential upcoming release of a disease modifying treatment in patients with early Alzheimer's disease, Cogstate is focused on the growth opportunity that the Healthcare market provides.

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## Sales Contracts Executed

For the quarter ended 30 September 2020, Cogstate executed $8.3 million of Clinical Trials sales contracts. The 1Q21 result represented 7.8% growth on the prior corresponding period (September 2019).

The initiation of global clinical trials continues to be influenced by Covid-19 and the resulting isolation orders that have been in place in many parts of the world. Through the September quarter, Cogstate saw an increase in planning activity in respect of clinical trials. The level of sales contracts executing by Cogstate during the September quarter reflects these issues, with many trial sponsors continuing to consider strategies for "virtual visits" and other adjustments to trial design that will allow to flexibility to accommodate various isolation measures that may be applied during the study duration.




For context, a history of Clinical Trials sales contracts executed, per quarter, since 1 July 2017 is provided:

| | Sep Quarter $m | Dec Quarter $m | 1st Half $m | Mar Quarter $m | Jun Quarter $m | 2nd Half $m | Financial Year |
|---|---|---|---|---|---|---|---|
| **FY18** | $7.5 | $14.1 | $21.6 | $8.3 | $6.2 | $14.5 | $36.1(1) |
| **FY19** | $5.4 | $4.6 | $10.0 | $3.8 | $4.1 | $7.9 | $17.9 |
| **FY20** | $7.7 | $19.2 | $26.9 | $10.7 | $8.4 | $19.1 | $46.0 |
| **FY21 YTD** | $8.3 | | | | | | |

*(1) Does not take into account $6.4m of study cancellations that were recognised at 30 June 2018.*

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## Revenue

Total revenue of $6.1 million for 1Q21 was a 20% decrease on the prior quarter and a 22% increase on the prior corresponding period.

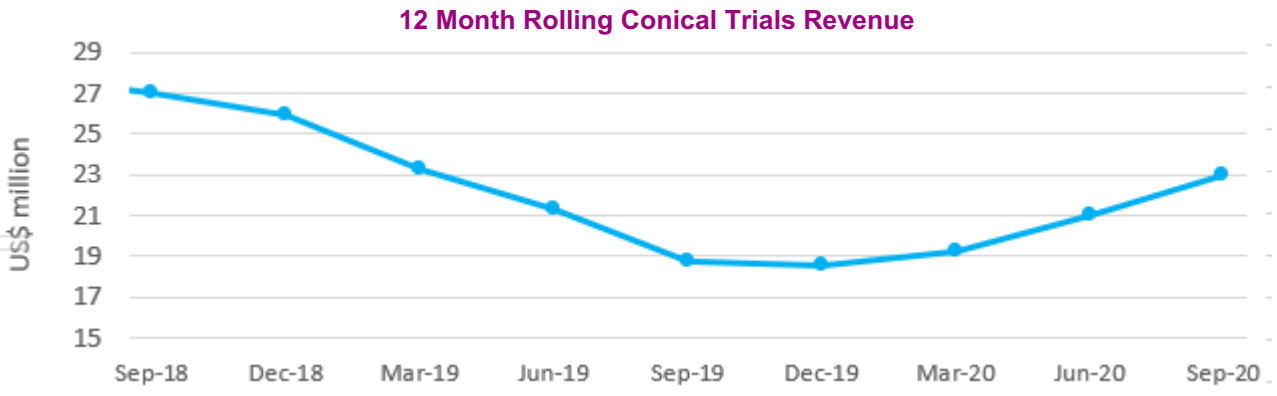
| Revenue | 1Q21 US$ m | 1Q20 US$ m | 2Q20 US$ m | 3Q20 US$ m | 4Q20 US$ m | FY20 US$ m | FY19 US$ m |
|---|---|---|---|---|---|---|---|
| Clinical Trials | 5.76 | 3.80 | 4.46 | 5.73 | 7.02 | **21.01** | **21.35** |
| Healthcare | 0.29 | 1.15 | 0.14 | 0.46 | 0.60 | **2.35** | **0.30** |
| Research | 0.08 | 0.06 | 0.08 | 0.10 | 0.02 | **0.26** | **0.18** |
| **Total Revenue** | **6.13** | **5.01** | **4.68** | **6.29** | **7.64** | **23.62** | **21.83** |

The substantial increase in Clinical Trials sales contracts in FY20 resulted in Clinical Trials revenue totalling $5.76 million for 1Q21, which was a 52% increase on the prior corresponding period (1Q20 $3.80m), but an 18% decrease from the most recent quarter (4Q20 $7.02m). However, September quarter Clinical Trials revenue excludes $1.0 million of unearned revenue – amounts invoiced that, under Cogstate's revenue recognition policy, will be recognised once the corresponding software has been released to the customer.

The graph below shows 12 month rolling revenue from the Clinical Trials segment only – it excludes revenue from both the Healthcare segment and the Research segment.

Following the cancellation of a number Alzheimer's disease clinical trials that occurred during the 2018 calendar year, Clinical Trials revenue began to decrease and continued that downward trend through FY19 due to the resulting lower level of Clinical Trials sales contracts executed during that financial year.

The substantial increase in Clinical Trials sales contracts executed in recent periods has resulted in an increase in revenue in the March, June and September 2020 quarters.



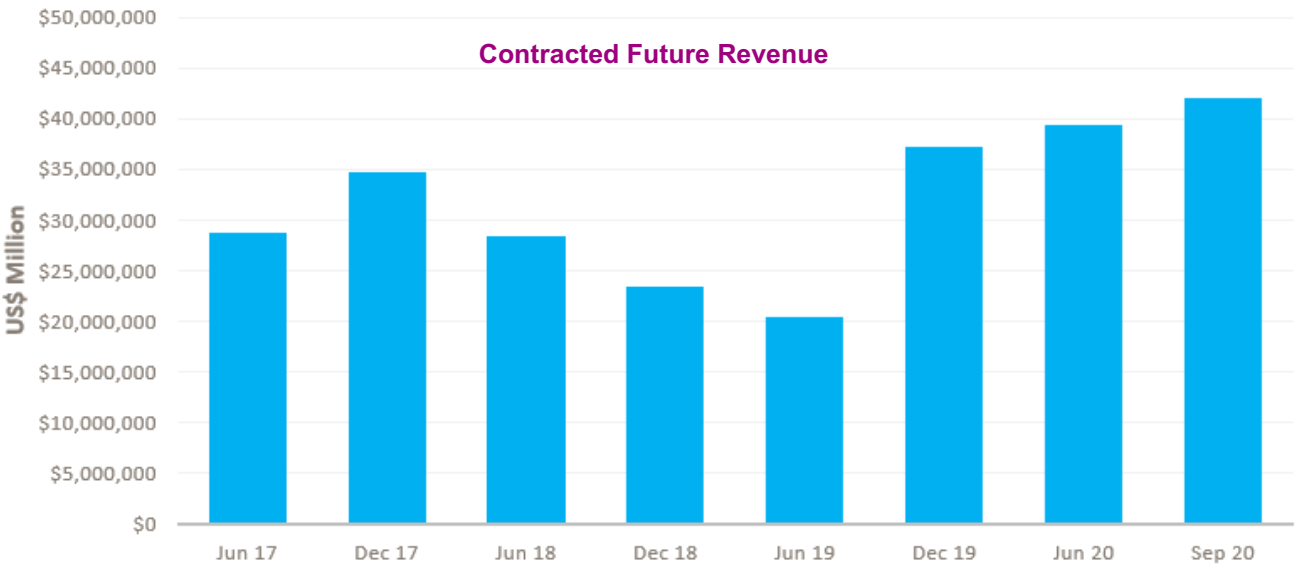
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## Contracted Future Revenue

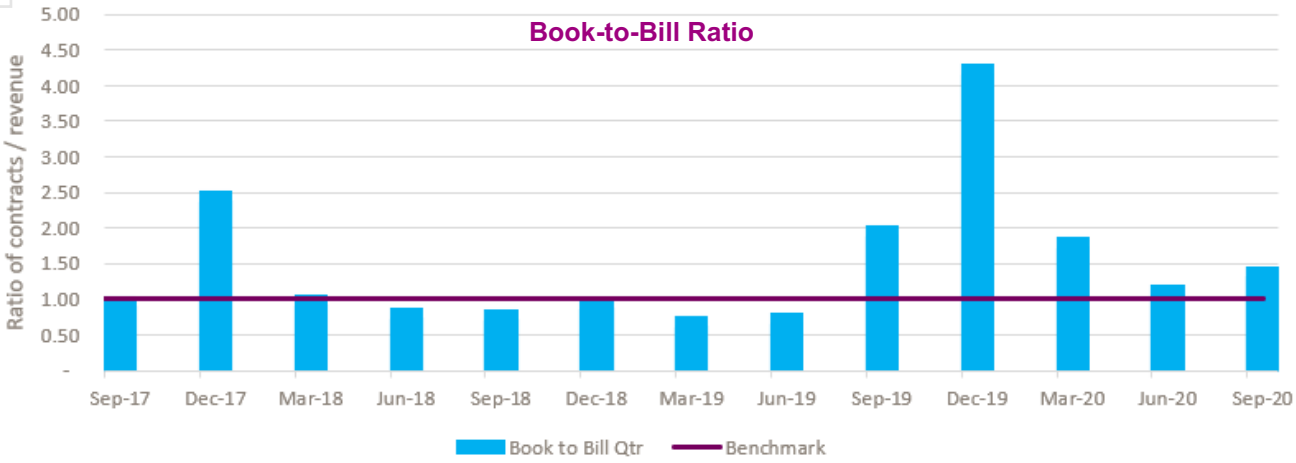
The contracted future revenue figure provides insight into future revenue performance.

Contracted future revenue increased during the quarter – the value of contracts executed ($8.3m) exceeded the amount of Clinical Trials revenue recognised ($5.76m).

The graph below shows contracted future revenue as at the end of each half year period since June 2017, as well as the current quarter September 2020:

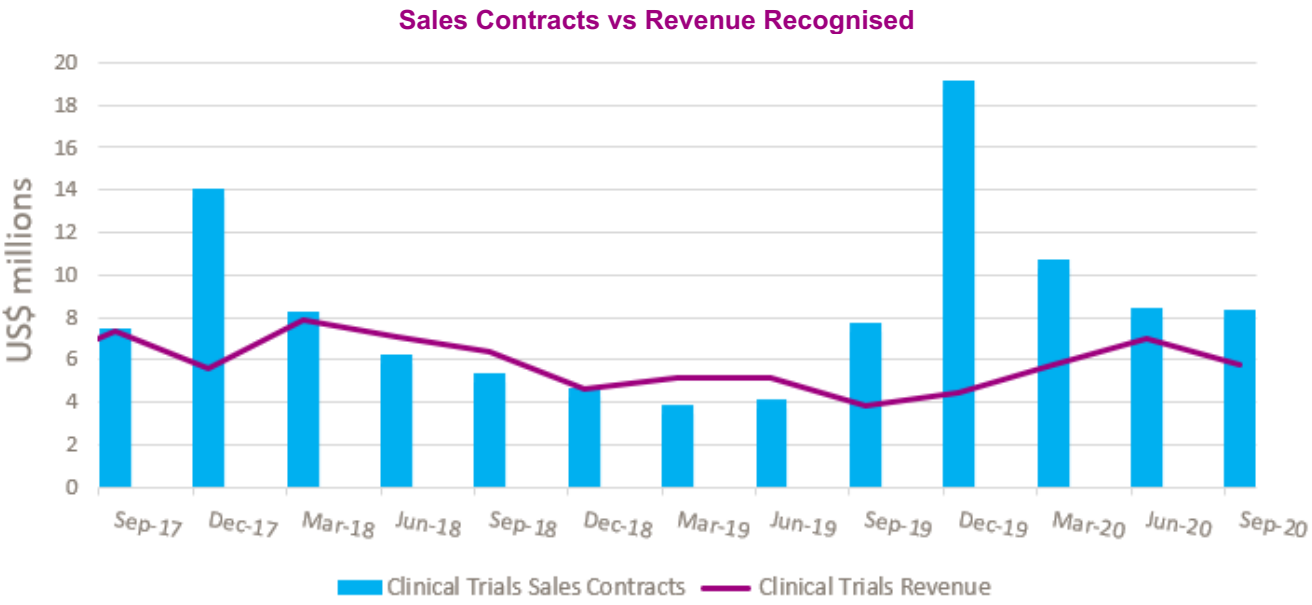



1Q21 Book-to-Bill ratio was 1.44 - the fifth consecutive quarter of growth. Book-to-bill ratio represents new business wins (Sales Contracts) divided by the quarter's revenue and is widely used in the pharmaceutical services industry as a measure of demand. A figure over 1.0 is indicative of an increase in contracted future revenue backlog.



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The graph below shows a different analysis of the same data, both sales contracts and revenue, but raw numbers rather than a ratio as shown above.




## Operating Cash Flow

- A total cash outflow of $2.95 million for the September 2020 quarter, including net operating cash outflow of $2.22 million.
- Cash receipts from customers of $7.2 million for the quarter. Trade receivables balance increased from $4.2 million at 30 June to $5.0 million at 30 September 2020.
- Staffing levels and staff costs have not varied substantially from March to September. Cash outflows relating to staff costs for the September quarter ($5.01m) were higher than the March and June 2020 quarters, reflecting:
    - Based on 2 weekly pay-cycle in the USA, the September quarter included an additional pay run (approx. $0.5 million per USA pay cycle) in July 2020; and
    - Payment of annual bonuses in July 2020 (approx. $0.84 million).
    - With reference to item 6.1 within the Appendix 4C (page 11), staff costs include payments to related parties and associates. Specifically, they relate to quarterly Directors' fees paid to; Martyn Myer, David Dolby, Richard Mohs, Richard van den Broek and Ingrid Player.
- Government grant funds received in the September quarter ($26,929) relate to the temporary cash flow support provided by the Australian government to small and medium businesses as credits on Business Activity Statements lodged as part of COVID-19 support measures.

## Investing Cash Outflow

- Investing cash outflow of $0.55 million includes capitalised software development costs of $0.53 million:

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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 supporting 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, Cogstate has recently entered into an exclusive licensing agreement with pharmaceutical company, Eisai, under which Eisai will market Cogstate technologies as digital cognitive assessment tools. For more information, please visit www.cogstate.com.

**For further information contact:**
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Cogstate Chief Executive Officer
boconnor@cogstate.com

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# Quarterly Report – 30 September 2020

## Summary Financial Table

| | Quarter Just Completed<br>30-Sep-20<br>US$ million | Quarter Just Completed<br>30-Jun-20<br>US$ million | Previous Corresponding Quarter<br>30-Sep -19<br>US$ million |
|---|---|---|---|
| **Receivables** | | | |
| Opening balance | 4.21 | 7.32 | 4.28 |
| Closing balance | 5.00 | 4.21 | 2.15 |
| **Net Increase/(Decrease) in Receivables** | **0.79** | **(3.11)** | **(2.13)** |
| **Payables** | | | |
| Opening balance | (7.05) | (5.04) | (4.76) |
| Closing balance | (3.41) | (7.05) | (2.17) |
| **Net Increase/(Decrease) in Payables** | **(3.64)** | **2.01** | **(2.59)** |
| **Cash Flow** | | | |
| Cash receipts from customers | 7.19 | 9.61 | 5.93 |
| Cash payments to employees | (5.01) | (4.37) | (4.88) |
| Cash payments to suppliers | (4.43) | (4.69) | (2.64) |
| Cash receipts, non-trading | 0.03 | 0.54 | 0.02 |
| **Net Operating Cash In/(Out) Flows** | **(2.22)** | **1.09** | **(1.57)** |
| **Net Investing Cash In/(Out) Flows** | **(0.55)** | **(0.34)** | **(0.53)** |
| **Net Financing Cash In/(Out) Flows** | **(0.18)** | **2.23** | **3.60** |
| **Foreign exchange movement** | **-** | **-** | **-** |
| **Net Increase/(Decrease) in cash held** | **(2.95)** | **2.98** | **1.50** |

# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

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| Name of entity | |
|---|---|
| Cogstate Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 80 090 975 723 | 30 September 2020 |

| 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 | 7,192,099 | 7,192,099 |
| 1.2 | Payments for | | |
| | (a) research and development | (982) | (982) |
| | (b) product manufacturing and operating costs | - | - |
| | (c) advertising and marketing | (176,566) | (176,566) |
| | (d) leased assets (refer to 3.9) | - | - |
| | (e) staff costs | (5,013,916) | (5,013,916) |
| | (f) administration and corporate costs* | (3,488,235) | (3,488,235) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 106 | 106 |
| 1.5 | Interest and other costs of finance paid | 5,908 | 5,908 |
| 1.6 | Income taxes paid | (40,961) | (40,961) |
| 1.7 | Government grants and tax incentives | 26,929 | 26,929 |
| 1.8 | Other (provide details if material) | | |
| | Grant funds received (non-government) | - | - |
| | Accounting & Audit | (236,364) | (236,364) |
| | Computer costs | (416,812) | (416,812) |
| | Legal costs, including patent costs | (40,787) | (40,787) |
| | Listing fees & Associated costs | (18,918) | (18,918) |
| | Travel Costs | (16,942) | (16,942) |
| **1.9** | **Net cash from / (used in) operating activities** | **(2,225,441)** | **(2,225,441)** |

*Current quarter includes $0.97m in clinical trial specific 3rd party costs (that are passed through to the customer).

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (22,736) | (22,736) |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) capitalised software development | (528,100) | (528,100) |
| 2.2 | Proceeds from disposal of: | | |
| | (g) entities | - | - |
| | (h) businesses | - | - |
| | (i) property, plant and equipment | - | - |
| | (j) investments | - | - |
| | (k) intellectual property | - | - |
| | (l) 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) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(550,836)** | **(550,836)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | - | - |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | 49,068 | 49,068 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 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 | Principal portion of lease payments | (227,250) | (227,250) |
| **3.10** | **Net cash from / (used in) financing activities** | **(178,182)** | **(178,182)** |

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| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
|---|---|---|---|
| 4.1 | Cash and cash equivalents at beginning of period | **10,330,777** | **10,330,777** |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (2,225,441) | (2,225,441) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (550,836) | (550,836) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (178,182) | (178,182) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| **4.6** | **Cash and cash equivalents at end of period** | **7,376,318** | **7,376,318** |

| 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 | 7,376,318 | 10,330,777 |
| 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)** | **7,376,318** | **10,330,777** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $US |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 74,634 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | Nil |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

| | Answer: |
|---|---|

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $US** | **Amount drawn at quarter end $US** |
|---|---|---|---|
| 7.1 | Loan facilities | | |
| 7.2 | Credit standby arrangements | 91,823 | 65,611 |
| 7.3 | Other (please specify) | | |
| 7.4 | **Total financing facilities** | **91,823** | **65,611** |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | **26,212** |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Credit cards (A$45k)
Bank Guarantee (A$88k)

| 8. | **Estimated cash available for future operating activities** | **$US** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (2,225,441) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 7,376,318 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | 26,212 |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 7,402,530 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | 3.3 |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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## 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.

Date: 27 October 2020

Authorised by: 
By the Board of Cogstate Ltd

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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