



COGSTATE
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ASX Announcement

Friday, May 6, 2014

Cogstate provides business update and guidance on FY14 results

Highlights

- Anticipated full year revenue in the range of \$11.4 - \$12.0 million
- Net loss, before tax, in the range of \$4.5 - \$5.0 million
- Cogstate has \$8.8 million in future contracted revenue as of May 31 to be recognised beyond FY14, compared to \$7.9 million at the same time last year.
- Future growth driven by expected imminent contract signings and new revenue line – Precision Recruitment – for clinical trials customers.
- Cost saving measures and planned sale of Axon Sports business being implemented to minimise expenditure.

MELBOURNE, AUSTRALIA: Cognition technology company Cogstate (CGS.ASX) has today provided guidance on its financial results for the year ended June 30, 2014.

Based on current forecasts, the company expects to report revenue in the range of \$11.5 - \$12.0 million and a loss in the range of \$4.5 - \$5.0 million for the full year.

Revenue, which is derived largely from the clinical trials business, has seen a small decline due to the number of new contracts signed during the current financial year, and the completion of a number of existing contracts.

Despite this, the company expects revenue to grow in FY15 based on the strength of its current pipeline. A number of new contracts are in the final stages of execution and are expected to be signed within the next two months. There is also a larger pool of contracted revenue derived from milestone payments on existing contracts to be recognised in FY15 and beyond. As of May 31, 2014, Cogstate had \$8.8 million in contracted revenue to be recognised in future periods. Of this, \$4.2 million will be recognised in FY15.

Finally the launch of a new revenue line – Precision Recruitment – is expected to add new revenues in FY15. Precision Recruitment is a web-based tool designed to reduce the cost and time incurred for drug companies when recruiting patients for clinical trials. Cogstate has already been awarded its first sale of the tool, with contracting completing currently.

Cogstate has made the decision to divest the Axon Sports business and is currently seeking expressions of interest. Once complete, the planned sale of Axon Sports is expected to reduce cash burn and enhance the cash position of the company. The sale will not include the Company's sport concussion testing product.

During the 2014 financial year, a number of cost saving initiatives were put in place to offset short term revenue decline in the clinical trials business.

“While softening revenue in 2014 has been disappointing, our outlook for FY15 remains positive based on the strength of our future revenue pipeline and the size and nature of the clinical trial contracts we are signing,” Cogstate CEO Brad O’Connor said.

“We have seen a fundamental shift this year in the nature of clinical trial contracts being signed, where we are now signing larger and longer term contracts. This has made a short term impact on our sales process and earnings, but in the long term it provides our business with greater stability and a smoother earnings profile as we develop opportunities to leverage our unique cognition testing technology.

“I’m also encouraged by the early response to our new Precision Recruitment product.

“From a broader business perspective, we are taking steps to reduce risk and focus on the elements of the core business. As a result, we are divesting the Axon Sports business.

“The role the Cogstate tests can play in the early detection of Alzheimer’s disease underpins a significant opportunity across many aspects of our business including COGNIGRAM, and new tools such as Precision Recruitment.”

The Company’s cashflow report for quarter ending June 30, 2014 will be released on July 22, while audited financial statements for FY14 will be released on August 20, 2014.

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About Cogstate

Cogstate Ltd (ASX: CGS) is a multi-faceted cognitive assessment and training company, focused on the development and commercialisation of rapid, computerised tests of cognition (brain function). It has three distinct business units:

Clinical Trials: In the clinical drug trial market, Cogstate technology and associated services are used by pharmaceutical and biotechnology companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials.

Concussion: In the area of sports related concussion, Cogstate’s technology has been used by a number of highly regarded institutions and sporting organisations around the world for almost 10 years.

Healthcare: In the primary care or general practice setting, COGNIGRAM™ assesses cognition in patients and the reports generated on the basis of this assessment can allow physicians to identify subtle changes that could be indicative of the early stage of a neurodegenerative disease, such as Alzheimer’s disease.