

ASX ANNOUNCEMENT

17 FEBRUARY 2016

2016 HALF-YEAR FINANCIAL RESULTS

SIGNIFICANT REVENUE GROWTH DELIVERS \$1.1M EBIT FOR FIRST HALF OF FINANCIAL YEAR 2016

SUMMARY OF FIRST HALF RESULTS FOR FINANCIAL YEAR 2016 (1H16)

- Revenue from ordinary activities up 109% to A\$13.0m compared to A\$6.2m in Previous Corresponding Period (PCP)
- EBIT of A\$1.1m (PCP: EBIT loss of -A\$2.9m)
- Net Profit after tax of A\$2.6m, including an income tax benefit of A\$1.5m (PCP: Net Loss after tax of -A\$2.7m)
- Record Clinical Trials sales contracts signed for the half-year of US\$16.6m (A\$23.1m)
- Since 1 January 2016, US\$4.0m (A\$5.6m) of Clinical Trials sales contracts have been signed, taking total sales contracts signed FYTD to US\$20.6m (A\$28.7m)
- Outlook: Strong contracted revenue position for both FY16 and FY17 years.
- Positive EBIT expected in 2H16

MELBOURNE, AUSTRALIA: Leading cognitive science company, Cogstate (ASX.CGS), has today released its Appendix 4D and financial results for the half-year ended 31 December 2015.

FINANCIAL RESULTS OVERVIEW

Metric	1H16 (A\$m) actual	1H15 (A\$m) actual	% change
Clinical Trials Revenue	12.2	5.6	120%
Total Revenue	13.0	6.2	109%
Profit Before Tax	1.1	-2.9	
Profit After Tax	2.6	-2.7	

Cogstate reported a substantial increase in half-on-half revenue, with underlying revenue (excluding pass-through cost recoveries) for 1H16 of A\$13.0m, up 109% on A\$6.2m in 1H15. The main revenue driver was the increase in Clinical Trials business, which accounted for A\$12.2m (92%) of underlying revenue. The increase in Clinical Trials revenue is attributed to an enhanced commercial business development team, strong operational delivery and positive industry trends. These factors have resulted in a significant increase in sales contracts over the last 18 months; including a record US\$16.6m (A\$23.1m) of new sales contracts signed during 1H16, compared to US\$13.4m (A\$14.4m) in 1H15.⁽¹⁾

Gross Profit of \$7.5m in 1H16 was up 224% on \$2.3m in PCP. This was largely driven by the strong performance from Clinical Trials (up \$4.3m), but also growth from Precision Recruitment (up \$0.4m). The Gross Profit margin for the Clinical Trials business of 57.3% in 1H16 was down on 60.7% recorded in 2H15 but within management's target range of 57-60%.

(1) Contracts are denominated in US\$. The A\$ equivalent is based on the prevailing spot rate at the time of signing the individual contracts

Cogstate reported an EBIT of A\$1.1m, an improvement of \$4.0m compared to the negative EBIT of A\$2.9m in PCP.

Looking forward, the company expects to report positive EBIT in 2H16 and continues to make good progress towards growing contracted future revenue with A\$15.3m already secured for FY17. Cogstate's total contracted revenue pipeline currently stands at A\$52.1m.

SUMMARY FINANCIAL RESULTS

	HALF JUST COMPLETED	PREVIOUS HALF	PREVIOUS CORRESPONDING HALF
	1ST HALF FY16 \$'000,000	2ND HALF FY15 \$'000,000	1ST HALF FY15 \$'000,000
Clinical Trials Revenue	12.24	9.62	5.57
Clinical Trials Cost of Sales	-5.23	-3.78	-2.95
Clinical Trials Gross Margin	7.01	5.84	2.62
Clinical Trials Net Recovery of Pass-through Costs	0.01	0.07	0.10
Total Clinical Trials Contribution	7.02	5.91	2.72
Precision Recruitment Contribution	0.60	0.21	0.23
Healthcare Contribution	-0.16	-0.13	-0.10
Sport Contribution	-0.03	-0.02	-0.09
Total Business Unit Contribution	7.42	5.97	2.76
Overhead Costs – Continuing Operations	-6.46	-6.71	-5.62
Overhead Costs – Discontinued Operations	-	-	-0.34
Other Income	0.10	0.70	0.43
EBITA	1.06	-0.04	-2.77
Amortisation	0.00	-0.14	-0.14
Impairment of Assets	0.00	-2.16	0.00
EBIT	1.06	-2.35	-2.92
Interest Income	0.04	0.04	0.08
Interest Expense	0.00	-0.04	-0.02
Profit / (Loss) Before Tax	1.10	-2.35	-2.86
Income Tax Benefit / (Expense)	1.46	-0.05	0.20
Profit / (Loss) After Tax	2.56	-2.40	-2.66

At 31 December 2015, Cogstate brought to account the future tax benefit associated with carry-forward losses from its USA operations. Predominantly the carry-forward losses relate to the operations of the Axon Sports business, the disposal of which was concluded in November 2014.

Cogstate's USA operations are no longer impacted by the losses from the Axon Sports business and the Clinical Trials operations in the USA are profitable. Therefore, the decision was made to recognize the income tax benefit associated with the carry-forward tax losses of A\$6.88m, which resulted in the recognition of a tax benefit of A\$1.46m in the half-year to 31 December 2015.

The Company reported an A\$0.2m cash inflow from operating activities in 1H16 and as at 31 December 2015 had cash holdings of A\$5.1m.

COMMENTARY

“These strong half-year financial results highlight that the upward momentum in our business continues”, said Brad O’Connor, Chief Executive of Cogstate. “We have grown our contracted revenue pipeline further in 2016, we have delivered a positive 1H16 EBIT in line with guidance, and we are on track to return to a positive full year EBIT in FY16.

“The combined effects of our enhanced commercial sales organisation and continued operational delivery, along with positive industry trends for research into Alzheimer’s disease and major psychiatric disorders have resulted in continued growth of Clinical Trials sales contracts. Having signed US\$16.6m of sales contracts in 1H16, we have signed an additional US\$4.0m of new contracts in the 6 weeks since 1 January 2016.

“At the date of this announcement, we have secured A\$23.3m of Clinical Trials revenue so far for the 2016 financial year, of which A\$12.2m was recorded in 1H16. Our contracted Clinical Trials revenue pipeline currently totals A\$52.1m, up 105% on the contracted revenue pipeline at this time last year. “

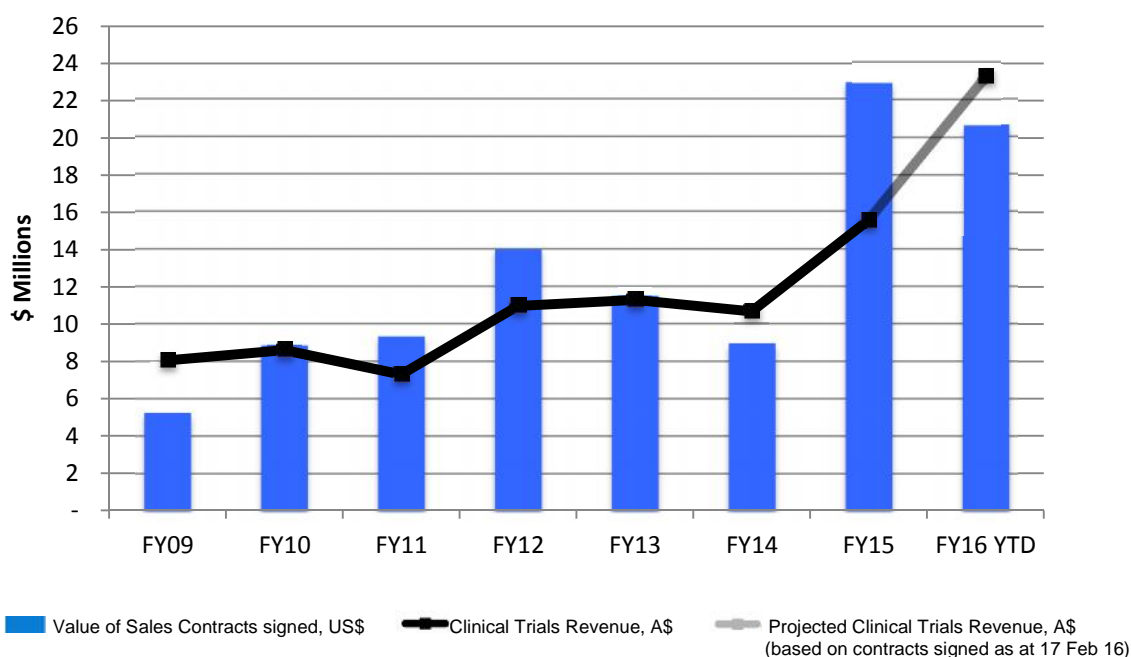
Contracted Clinical Trials Revenue²

	As at 17 February 2016		As at 30 June 2015		As at 18 February 2015	
Year 1	FY16	A\$23.3m	FY16	A\$10.9m	FY15	A\$12.0m
Year 2	FY17	A\$15.3m	FY17	A\$6.5m	FY16	A\$5.5m
Years 3 – 5	FY18 – FY21	A\$13.5m	FY18 – FY20	A\$4.0m	FY17 – FY19	A\$7.9m
Total		A\$52.1m		A\$21.4m		A\$25.4m

(2) Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 17 February 2016 was 0.718, 30 June 2015 was 0.765 and 18 February 2015 was 0.78.

In a release dated 22 December 2015, Cogstate announced that it had, at that time, A\$45.0m of contracted future Clinical Trials revenue, of which it expected A\$23.0m to be recognised in the FY16 year. Since that announcement, Cogstate has been advised of patient recruitment delays for three large clinical trials, which will impact Cogstate by delaying some activities, milestones and associated revenue. The delay in expected revenue recognition will push some revenue into the FY17 year. However, it is important to note that: 1) This is a timing issue only, with the full amount of contracted revenue still expected to be recognised for the studies affected; and 2) As the table above highlights, the amount of contracted revenue that is expected to be recognised in FY16 has increased to A\$23.3m, up from A\$23.0m as at 22 December 2015, with additional contract wins since that date more than offsetting the impact of study milestone delays.

Clinical Trials Contracts & Revenue



ABOUT COGSTATE

Cogstate Ltd (ASX:CGS) is a leading cognitive science company delivering software and services to optimise the measurement of cognition in clinical trials, academic research, healthcare and brain injury. Cogstate is a pioneer in commercialising rapid, reliable and highly sensitive computerised cognitive tests and provides expert support for traditional neurological assessments to drive higher quality outcome measures. Cogstate clients include the world's leading biopharmaceutical companies; military and elite sporting organisations; physicians and patients; renowned academic institutions and public-private partnerships. With more than 90 employees and a global network of expert neurophysiologist consultants across 25 countries, the unique intersection of science, innovation and delivery is at the core of everything we do.

In our clinical trials business, Cogstate provides both software and professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. Cogstate solutions span the clinical trial process from study design to final statistical analysis; and our latest innovation, Precision Recruitment™, is an online pre-screening portal that accelerates the identification of qualified clinical trial participants in high-need indications such as Alzheimer's disease.

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