



# **BUSINESS UPDATE & H1 2016 FINANCIAL RESULTS**

## **INVESTOR PRESENTATION**

29 FEBRUARY 2016

# COGSTATE HIGHLIGHTS

- Cogstate is a leader in Cognitive Assessment
- Cognitive Assessment and Training Market is projected to grow from USD 2.4 Billion in 2015 to 7.5 Billion by 2020<sup>1</sup>
- 94% of revenue in H1FY16 comes from clinical trials, where revenue is driven by volume and size of trials
- Outsourcing growth trends to continue in Clinical Trials<sup>2</sup>
- Long life contracts (>12mths) provides revenue certainty
- Cogstate's customers are some of the world's largest pharmaceutical and biotech companies and CRO's
- Strong legacy of scientific excellence facilitating current focus on business development and product development
- H1 FY16 results highlight Cogstate has transitioned to profitability and that strong growth momentum continues

1. Market Research Report: Cognitive Assessment and Training Market by Assessment Type (Pen & Paper Based, Hosted, Biometrics), Service, Application (Clinical Trials, Classroom Learning, Brain Training, Corporate Learning, Academic Research), Vertical and Region - Global Forecast to 2020<sup>1</sup>, published by MarketsandMarkets
2. The global clinical trial service market predicted to reach more than \$64B by 2020, representing CAGR of 9% with close to 75% of trial predicted to be outsourced to CROs. Source: Research and Markets "The New Trends of Global Clinical Development Outsourcing Market" – 30 June 2015.





## CLINICAL TRIALS

### PHARMA

### BIOTECH

- Measure drug efficacy & safety
- Precision Recruitment
- Real-time monitoring
- Phase I - IV
- CNS (Alzheimer's disease, Mild Cognitive Impairment, Multiple Sclerosis, Schizophrenia, Depression), Oncology, Pediatric, Cardiometabolic



## HEALTHCARE

### PHYSICIANS

### HEALTHCARE SYSTEMS, PAYERS

- Easy to administer and interpret
- Dementia (Mild Cognitive Impairment, Mild and Moderate Alzheimer's disease), Depression, Concussion

## COGSTATE CORE CAPABILITIES



Computerised  
Cognitive Testing



Scientific  
Expertise



Reporting  
& Analysis

Flexibly configured for unique solution sets and outputs



## RESEARCH COLLABORATIONS

### ACADEMIC

### PUBLIC-PRIVATE PARTNERSHIPS

- Managed & self-serve studies
- De-identified datasets for many indications
- Validation of new tasks and indications



## BRAIN INJURY

### PROFESSIONAL & AMATEUR SPORTS

### MILITARY

- Concussion and Traumatic Brain Injury
- Assess and monitor
- Real-time, simple to Interpret reports

# CLINICAL TRIALS PORTFOLIO OF SERVICES FOR COGNITIVE ASSESSMENT IS THE DEEPEST IN THE INDUSTRY



DESIGN



RECRUIT



MEASURE



DELIVER



ANALYSE

“From well-validated computerised batteries to expert support for traditional paper-and-pencil tests, science, innovation and excellence in delivery are at the core of everything we do.”



# H1 FY16 RESULTS AT A GLANCE



Revenue of  
A\$13.0m (up  
109% PCP)



Gross Margin 57%  
(within target range  
57-60%)



Record pipeline of  
contracted future  
revenue A\$52.1m



EBIT of A\$1.1m,  
NPAT of A\$2.6m,  
EPS of \$0.024

|                                | FY16 H1<br>A\$ millions | FY15 H1<br>A\$ millions | Change<br>A\$ millions |
|--------------------------------|-------------------------|-------------------------|------------------------|
| <b>Clinical Trials Revenue</b> | 12.2                    | 5.6                     | 6.6                    |
| <b>Total Revenue</b>           | 13.0                    | 6.2                     | 6.8                    |
| <b>EBIT</b>                    | 1.1                     | -2.9                    | 4.0                    |
| <b>Net Profit After Tax*</b>   | 2.6                     | -2.7                    | 5.3                    |

\*FY16 H1 includes A\$1.5m Income Tax Benefit relating to the recognition of carried-forward tax losses, predominantly relating to tax losses in the USA group.

# CONTINUED FINANCIAL IMPROVEMENT

| SUMMARY FINANCIAL RESULTS                | FY16<br>1ST HALF<br>\$'000,000 | FY15<br>2ND HALF<br>\$'000,000 | FY15<br>1ST HALF<br>\$'000,000 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Clinical Trials                          |                                |                                |                                |
| · Revenue                                | 12.24                          | 9.62                           | 5.57                           |
| · Cost of Sales                          | -5.23                          | -3.78                          | -2.95                          |
| Gross Margin                             | 7.01                           | 5.84                           | 2.62                           |
| · 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                          |



# DRIVING THE MOMENTUM

## EXECUTING COMMERCIAL STRATEGY

## FAVOURABLE INDUSTRY TRENDS

## EXPANDING PORTFOLIO OF SOLUTIONS

- Targeted sales strategy delivering results – a **4x increase in proposals vs PCP**
- Fully resourced commercial team as of Oct 2015 + utilisation of scientific subject matter experts
- **Expanded reach:** Identification of RFPs in multiple indications across pharma, biotech and CROs
- Strong **operational delivery** driving repeat business



# DRIVING THE MOMENTUM

EXECUTING  
COMMERCIAL  
STRATEGY

FAVOURABLE  
INDUSTRY  
TRENDS

EXPANDING  
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- **Alzheimer's/Dementia:** Increased trial activity in early stage disease / prevention
- **Major Psychiatric Disorders (SZ, MDD):** Increase in research activity
- **Cognitive Safety Concerns:** Regulatory requirements in paediatric trials; neurotoxicity concerns in oncology and cardiometabolic drugs
- **Growing Interest in Computerised Assessments** and hybrid approaches vs. only Paper-and-Pencil





# DRIVING THE MOMENTUM

EXECUTING  
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- Breadth of services and expertise in Clinical Trials to provide full service support for computerised *or* P&P scales
  - Allows Cogstate to deliver cognitive outcome measures **regardless of the fit-for-purpose approach selected for the trial**
  - Key new hires in Scales Management, Rater Training, Paediatric Assessments
- **On-line pre-screening solutions for patient recruitment** –Precision Recruitment



# INVESTING IN GROWTH AREAS

**Cogstate has focused its R&D efforts towards specific indications that are expected to deliver commercial returns**

- For a number of years, Cogstate has supported academic KOLs (key opinion leaders) and their research in Alzheimer's disease
  - Alzheimer's related studies have accounted for approx. 45% of sales contract value in FY15 and FY16 YTD.
- In recent years, Cogstate has invested in the area of oncology
  - We have collaborated with KOLs and provided our tests to 5 major academic studies through institutions such as St Jude's Children's Research Hospital (world leaders in childhood cancer research) and a number of National Cancer Institute funded consortia such as the The Children's Oncology Group and Radiation Therapy Oncology Group.
  - These collaborations have been critical for validating our tools in these populations and have allowed us to better understand their utility in clinical trials.
  - In FY15, oncology trials made up just 5% of the value of sales contracts. In FY16 YTD, we've seen oncology trials make up 20% of the value of contracts signed.



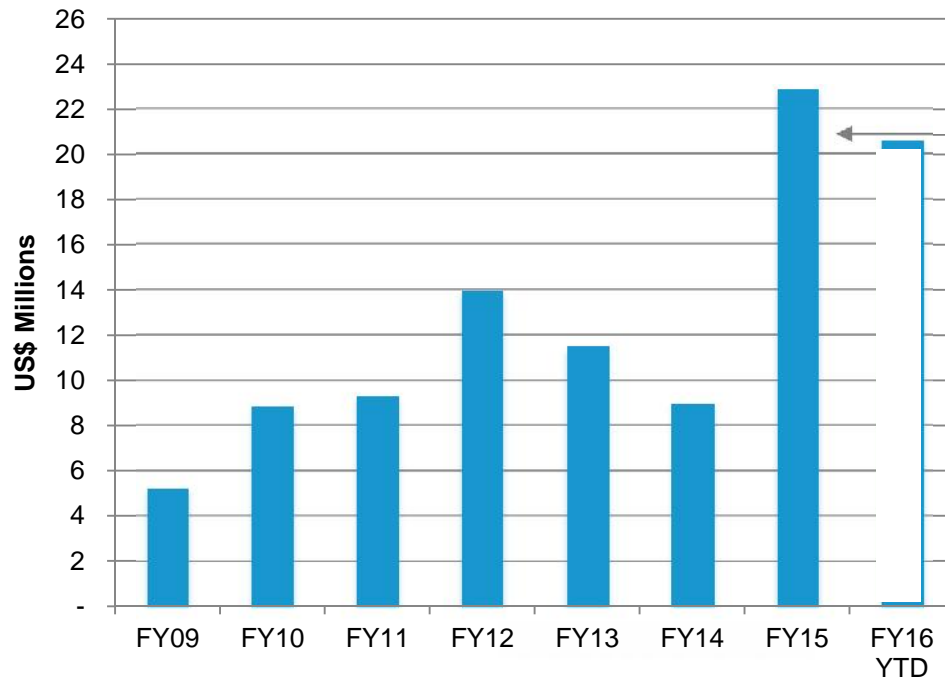
# CONTRACTED REVENUE CONTINUES TO GROW



Over the last six quarters, the growth in our pipeline of contracted future revenue has outpaced our strong revenue growth. This augurs well for ongoing positive revenue momentum in our business.”

# SALES MOMENTUM CONTINUES TO BUILD

## VALUE OF CLINICAL TRIALS CONTRACTS SIGNED



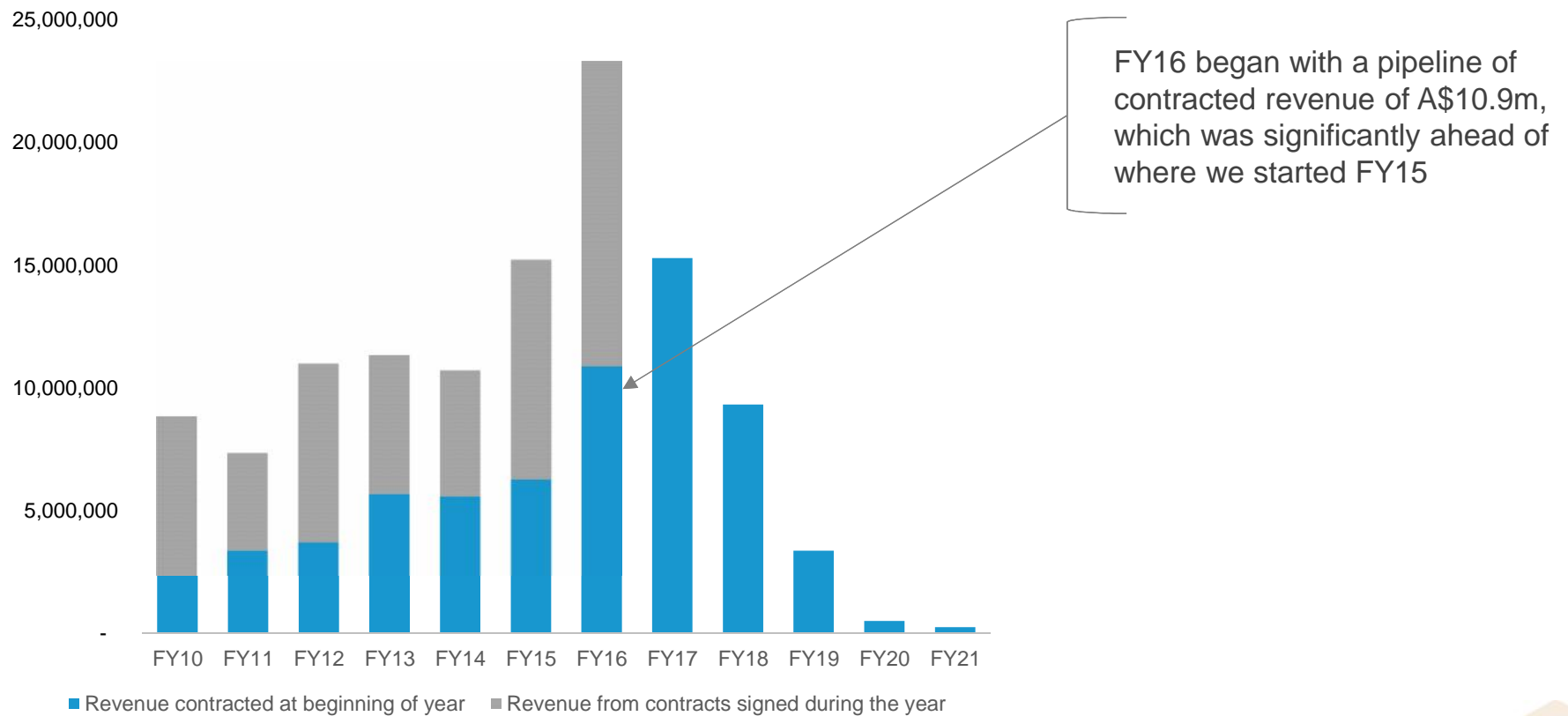
Record Clinical Trials sales contracts signed in FY15, totaling US\$23.7m, **an increase of 165%** (PCP US\$9.0m)

Sales **contracts signed FYTD totaling US\$20.6m**, including US\$16.6m signed in H1



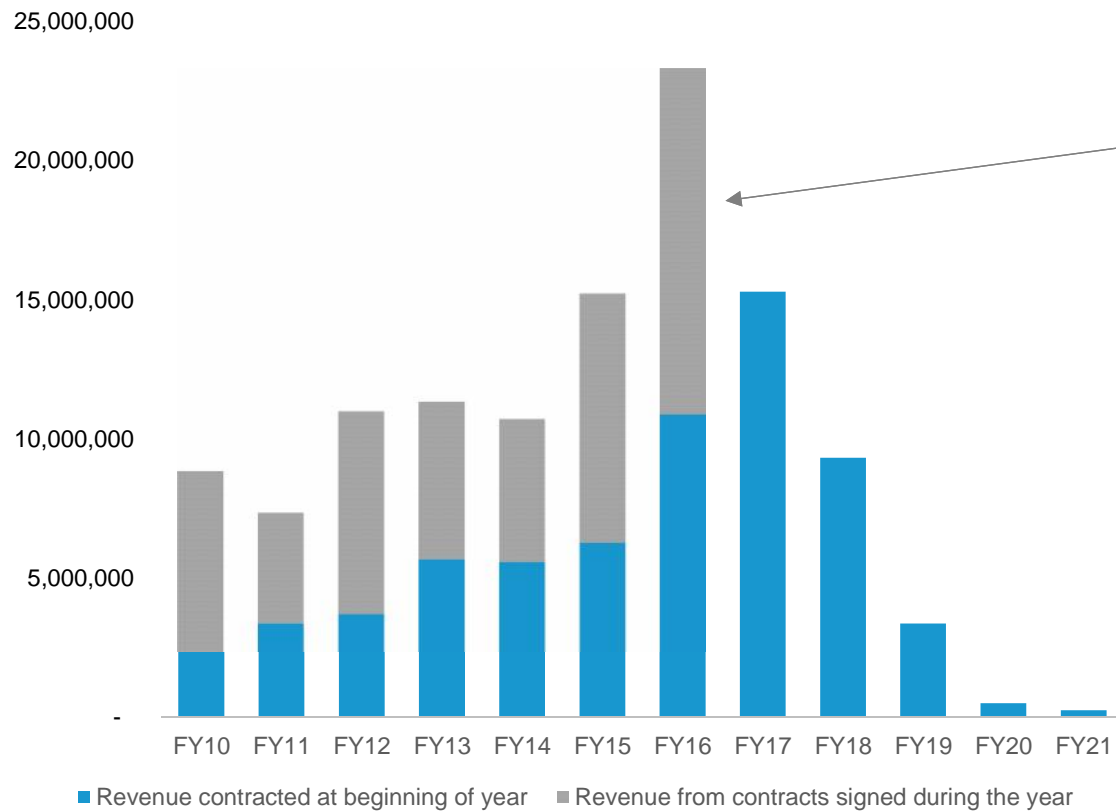
# DRIVING FUTURE REVENUE GROWTH

## CLINICAL TRIALS CONTRACTED REVENUE



# DRIVING FUTURE REVENUE GROWTH

## CLINICAL TRIALS CONTRACTED REVENUE

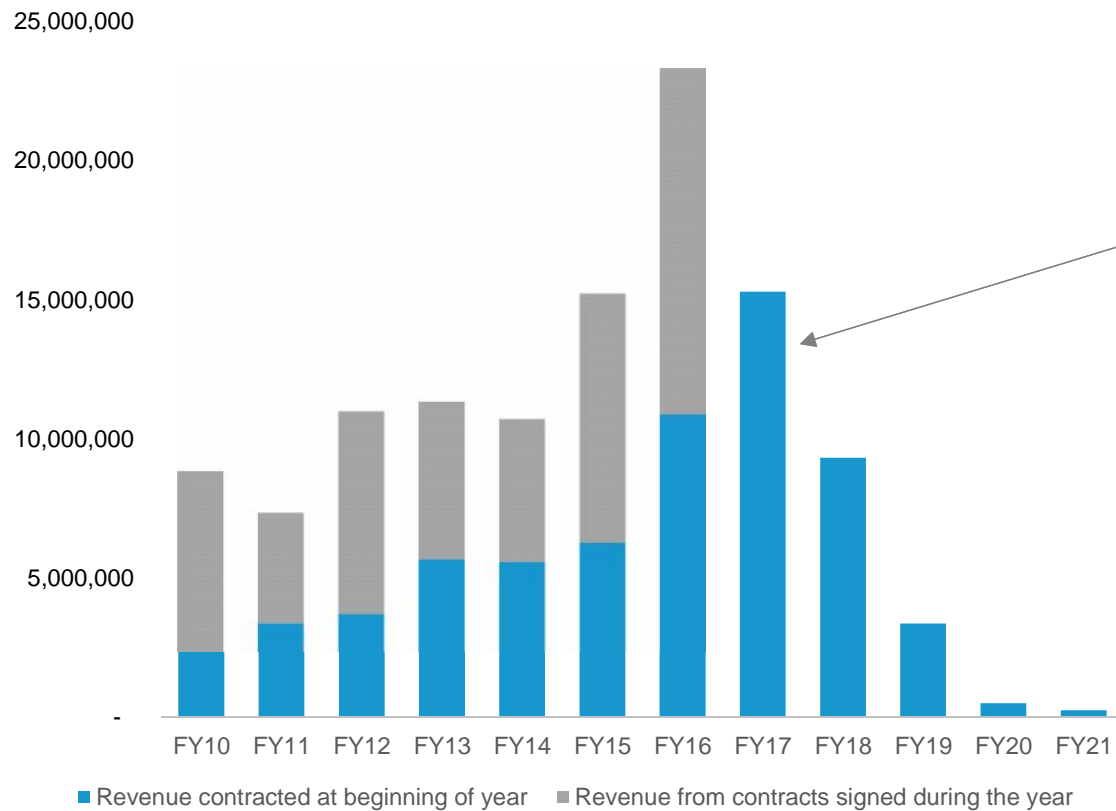


US\$20.6m of sales contracts signed since 1 July 2015 has added A\$12.4m to contracted FY16 revenue



# DRIVING FUTURE REVENUE GROWTH

## CLINICAL TRIALS CONTRACTED REVENUE



Cogstate now has a pipeline of contracted Clinical Trials revenue totaling **A\$15.3m to be recognised in FY17**

Contracted revenue for FY17 is already 40% ahead of where we started FY16



# BUSINESS OUTLOOK: H2 FY16



Maintain prior guidance for a **return to positive EBIT in FY16**, with positive EBIT also expected in 2H16



Management are targeting Gross Profit margins of 57%-60%



Based on contracted revenue position as well as positive market sentiment, management expects continued revenue growth in 2H16





COGSTATE

ASSESS • MONITOR • IMPROVE

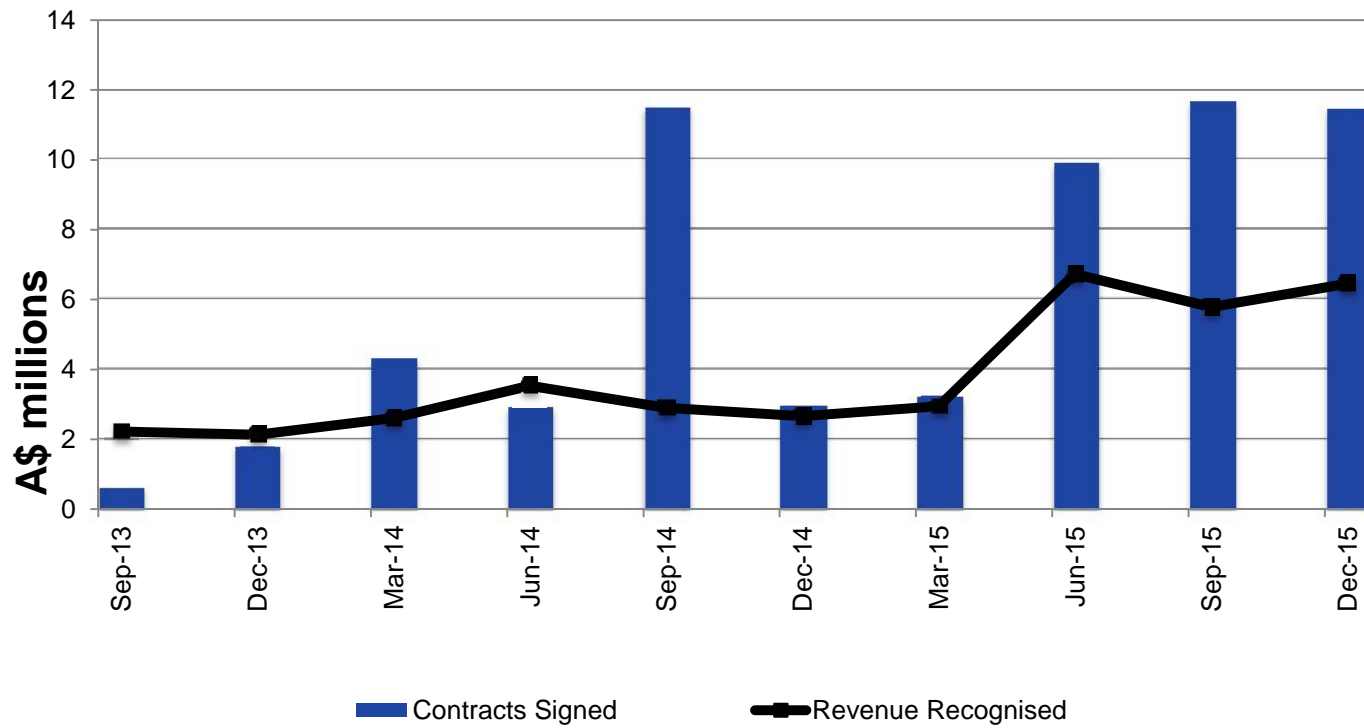
# APPENDIX 1 – CONTRACTED REVENUE PIPELINE

US\$20.6m of new sales contracts signed since 1 July 2015 have added an additional A\$12.4m to FY16 contracted revenue. This is in addition to the A\$10.9m that was secured at 1 July 2015:

|                 | As at<br>17 Feb 2016 |                 | As at<br>30 June 2015 |                 | As at<br>18 Feb 2015 |                 |
|-----------------|----------------------|-----------------|-----------------------|-----------------|----------------------|-----------------|
| <b>Year 1</b>   | FY16                 | A\$23.3m        | FY16                  | A\$10.9m        | FY15                 | A\$12.0m        |
| <b>Year 2</b>   | FY17                 | A\$15.3m        | FY17                  | A\$ 6.5m        | FY16                 | A\$ 5.5m        |
| <b>Year 3-5</b> | FY18-FY20            | A\$13.5m        | FY18-FY20             | A\$ 4.0m        | FY17-FY20            | A\$ 7.9m        |
| <b>Total</b>    |                      | <b>A\$52.1m</b> |                       | <b>A\$21.4m</b> |                      | <b>A\$25.4m</b> |

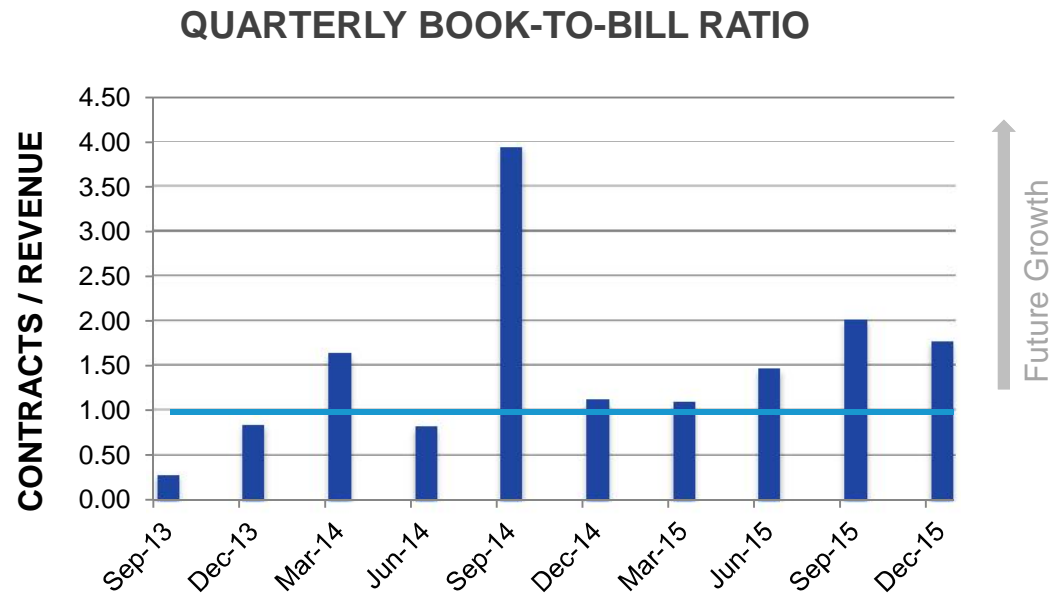
1. Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 17 February 2016 was 0.718, 30 June 2015 was 0.765 and 18 February 2015 was 0.78.

# APPENDIX 2 – CONTRACTS SIGNED VS. REVENUE



## APPENDIX 3 – CONTRACTS SIGNED VS. REVENUE

New contract signings in 2Q16 of A\$11.4m exceeded the A\$6.5m of revenue in the same period by **1.77x (Book-to-Bill ratio)**. This is the sixth consecutive quarter where new contract signings have exceeded revenue (Book-to-Bill ratio >1), indicating ongoing growth in the revenue pipeline.



*At 1.00, contracts signed = revenue and future contracted revenue is constant.*

*When Book-to-Bill > 1.00 contracted future revenue increases.*



# APPENDIX 4 - SUMMARY BALANCE SHEET

|                                 | 31 DEC 2015<br>A\$'000,000 | 30 JUN 2015<br>A\$'000,000 |
|---------------------------------|----------------------------|----------------------------|
| <b>Assets</b>                   |                            |                            |
| - Cash and cash equivalents     | 5.09                       | 5.50                       |
| - Trade and other receivables   | 6.68                       | 4.90                       |
| - Other current assets          | 1.15                       | 0.46                       |
| - Property, plant and equipment | 1.99                       | 1.12                       |
| - Deferred tax assets           | 3.55                       | 1.94                       |
| - Intangible assets             | 0.40                       | 0.40                       |
| <b>Total Assets</b>             | <b>18.86</b>               | <b>14.31</b>               |
| <b>Liabilities</b>              |                            |                            |
| - Trade and other payables      | 3.72                       | 2.55                       |
| - Provisions                    | 1.35                       | 1.15                       |
| - Deferred tax liabilities      | 0.58                       | 0.49                       |
| <b>Total Liabilities</b>        | <b>5.65</b>                | <b>4.19</b>                |
| <b>Net Assets</b>               | <b>13.21</b>               | <b>10.11</b>               |



# APPENDIX 5 - BOARD OF DIRECTORS

- **MARTYN MYER AO** - Chairman  
*Founder with long history of supporting neurosciences in Aust.*
- **DAVID DOLBY** - Non-Executive Director  
*Director Dolby Laboratories Inc. and Dolby Family Ventures, an early stage venture firm focused on building great technology companies.*
- **DAVID SIMPSON** - Independent Non-Executive Director  
*Previously Senior Partner at Doremus Communications, the largest US business to business advertising agency. From 1985 to 2001 he held a series of senior management positions in Asia, South Africa and North America as well as Australia for the multinational advertising agency, J.Walter Thompson.*
- **RICHARD VAN DEN BROEK** - Independent Non-Executive Director  
*Founder and managing partner of HSMR Advisors LLC, a U.S. based fund manager with an investment emphasis on small and mid-cap biotech public companies*
- **BRAD O'CONNOR** – CEO  
*CEO since December 2005*

