

ASX ANNOUNCEMENT

19 APRIL 2016



BUSINESS UPDATE & MARCH QUARTER CASHFLOW REPORT

COGSTATE RECORDS NEGATIVE CASHFLOW OF \$0.2M IN THIRD QUARTER
REAFFIRMS GUIDANCE FOR POSITIVE EBIT FOR 2016 FINANCIAL YEAR¹

SUMMARY

- **Revenue** of A\$7.3m realised in March 2016 quarter, up 82% on March 2015 quarter, and up 6% on the December quarter 2015.
- Net Operating Cash Outflow of A\$0.5m in the March quarter contributing to a **net cash decrease of A\$0.2m for the quarter**.
- US\$6.4m of new sales contracts signed for the quarter, taking **total sales contracts signed since 1 July 2015 to US\$23.0m**. Signalling continued growth, the value of quarterly contracts signed has exceeded quarterly revenue for the last seven consecutive quarters.

Cogstate (ASX.CGS) has today released its Quarterly Cash Flow Report (Appendix 4C) for the quarter ended 31 March 2016. The company reiterates its guidance for a return to positive EBIT with respect to the full year to 30 June 2016.¹

HIGHLIGHTS FOR THE PERIOD ENDED 31 MARCH 2016 (3Q16):

- **Continued increase in quarterly revenue:** Underlying revenue for 3Q16 of A\$7.3m (excluding pass-through cost recoveries) continued the growth in quarterly revenue as shown in the table below:

Quarter	Revenue (A\$m)
March 2015	3.05
June 2015	6.89
September 2015	6.08
December 2015	6.90
March 2016	7.29

- **A Net Operating Cash Outflow in the March quarter:** Cogstate reported a Net Operating Cash Outflow of A\$0.5m in the quarter ended 31 March 2016. Cash flow in the period was impacted by:
 - An increase in trade receivables of US\$0.5m (the increase in receivables was masked by a 5% appreciation in AUD\$ since 31 December 2015); and
 - Payment of some large one-off reimbursable customer costs for which reimbursement has not yet been received.
- Other significant cash movements during the quarter were:
 - Cash receipts from the exercise of employee options of A\$0.3m.
 - Cash payments for computer hardware of A\$0.2m, down from A\$0.8m for the December quarter.

1. FY16 guidance based on EBIT from continuing operations at 30 June 2015 exchange rates.

- **New sales contract signings:** Cogstate signed US\$6.4m (in A\$ terms A\$8.7m)² of new Clinical Trials sales contracts in 3Q16. This took the total value of sales contracts signed since 1 July 2015 to US\$23.0m (A\$31.9m).²
- New contract signings in 3Q16 of A\$8.7m exceeded the A\$7.1m of Clinical Trials revenue booked in the same period by **1.23x (Book-to-Bill ratio)**. This is the seventh consecutive quarter where new contract signings have exceeded revenue (Book to Bill ratio >1), indicating growth in the revenue pipeline.
- **Record revenue pipeline:** At 18 April 2016, Cogstate had A\$52.0m (PCP A\$35.4m) of contracted clinical trials revenue to be recognised in future periods, of which A\$23.4m (PCP A\$15.6m) will be recognised in FY16 – see table below for more detail.

Contracted Clinical Trials – Revenue³

	As at 18 April 2016		As at 30 June 2015		As at 28 April 2015	
Year 1	FY16	A\$23.4m	FY16	A\$10.9m	FY15	A\$15.6m
Year 2	FY17	A\$14.3m	FY17	A\$6.5m	FY16	A\$8.5m
Years 3 – 7	FY18 – FY22	A\$14.3m	FY18 – FY20	A\$4.0m	FY17 – FY20	A\$11.3m
Total		A\$53.3m		A\$21.4m		A\$35.4m

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

3. Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 18 April 2016 was 0.7655, 30 June 2015 was 0.765 and 28 April 2015 was 0.78.

- **Appreciation of the AUD:** Cogstate sales contracts, debtors and the majority of payables are denominated in USD, however Cogstate's functional currency is denominated in AUD, therefore fluctuations in exchange rates have an impact on cash, debtors and payables balances every month. Also note that there is a natural hedge in that approximately 78% of Cogstate's costs are denominated in USD and therefore the recent appreciation of the AUD will also be reflected in a decrease of the AUD reporting of USD costs. The USD rate moved from 0.729 at 31 December to 0.765 at 31 March, a 5% appreciation the rate in 3 months.

Quarterly Report – 31 March 2016
Summary Financial Table

	Quarter Just Completed 31-Mar-16 A\$ million	Previous Quarter 31-Dec-15 A\$ million	Previous Corresponding Quarter 31-Mar-15 A\$ million
<u>Receivables</u>			
Opening balance	6.62	6.14	2.47
Closing balance	6.23	6.62	2.72
Net Increase/(Decrease) in Receivables	(0.39)	0.48	0.25
<u>Payables</u>			
Opening balance	(4.54)	(2.80)	(2.87)
Closing balance	(3.72)	(4.54)	(3.04)
Net Increase/(Decrease) in Payables	(0.82)	1.74	0.17
<u>Cash Flow</u>			
Cash receipts from customers	8.29	7.36	3.67
Cash payments to employees	(4.82)	(4.38)	(3.51)
Cash payments to suppliers	(4.02)	(2.00)	(1.87)
Cash receipts, non-trading	0.00	0.03	0.00
Net Operating Cash In/(Out) Flows	(0.55)	1.01	(1.71)
Net Investing Cash In/(Out) Flows	(0.18)	(0.80)	(0.05)
Net Financing Cash In/(Out) Flows	0.33	0.51	0.00
Foreign exchange movement	0.24	0.25	(0.11)
Net Increase/(Decrease) in cash held	(0.16)	0.97	(1.87)

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Cogstate Limited

ABN

80 090 975 723

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (9 months)
	\$A	\$A
1.1 Receipts from customers	8,290,193	22,456,209
1.2 Payments for		
(a) staff costs (incl R&D)	(4,823,074)	(13,887,782)
(b) advertising and marketing	(272,952)	(572,445)
(c) research and development (direct external costs)	(20,639)	(48,129)
(d) leased assets	(192,130)	(549,511)
(e) other working capital	(2,816,504)	(6,111,976)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20,522	60,247
1.5 Interest and other costs of finance paid	(3,134)	(7,289)
1.6 Income taxes paid	82,066	(23,457)
1.7 Other (provide details if material)		
Accounting & Audit	(31,191)	(108,383)
Computer costs	(436,792)	(584,704)
Legal Costs, including patent costs	(69,349)	(102,040)
Listing fees & assoc. costs	(33,880)	(89,379)
Travel costs	(246,627)	(732,981)
Grant Income	-	2,889
Net operating cash flows	(553,491)	(298,731)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A	Year to date (9 months) \$A
1.8 Net operating cash flows (carried forward)	(553,491)	(298,731)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(178,247)	(1,360,670)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(178,247)	(1,360,670)
1.14 Total operating and investing cash flows	(731,738)	(1,659,401)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	325,692	838,988
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings – convertible notes	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	325,692	838,988
Net increase (decrease) in cash held	(406,046)	(820,413)
1.21 Cash at beginning of quarter/year to date	5,089,973	5,444,943
1.22 Exchange rate adjustments to item 1.20	243,656	303,053
1.23 Cash at end of quarter	4,927,583	4,927,583

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	67,563
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A	Amount used \$A
3.1	Loan facilities	\$500,000	Nil
3.2	Credit standby arrangements	N/A	N/A

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
4.1 Cash on hand and at bank	2,098,430	2,273,814
4.2 Deposits at call	2,829,153	2,816,159
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,927,583	5,089,973

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 19 April 2016
 Company Secretary

Print name: Claire Newstead-Sinclair

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.