

ASX ANNOUNCEMENT

20 July 2016

BUSINESS UPDATE & JUNE QUARTER CASHFLOW REPORT

COGSTATE RECORDS POSITIVE CASHFLOW OF OVER \$2.5M IN FOURTH QUARTER

SUMMARY

- FY16 revenue was A\$27.3m, up 70% compared to FY15 revenue of A\$16.1m
- US\$28.5m sales contracts signed in FY16, an increase of 20% on FY15
- Record revenue pipeline totalling A\$33.9m (PCP A\$21.4m) of contracted revenue that will be recognised in future periods, of which A\$17.5m (PCP A\$10.9m) will be recognised in FY17
- Net Operating Cash Inflow of A\$3.0m in the June quarter contributing to a **net cash increase of A\$2.5m for the quarter** and a net cash inflow of A\$2.0m for the FY16 year.

Cogstate (ASX.CGS) has today released its Quarterly Cash Flow Report (Appendix 4C) for the quarter ended 30 June 2016. The company also released unaudited details of sales contracts and revenue for the year ended 30 June 2016, noting that its audited financial statements will be released on Wednesday 17th August 2016.

HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2016 (FY16):

Substantial increase in year on year revenue: Underlying revenue for FY16 of A\$27.3m (excluding pass-through cost recoveries) was up 70% on A\$16.1m recorded in FY15.

Increase in revenue from new products: Cogstate's Precision Recruitment solution delivered revenue of A\$1.6m during FY16, an increase of A\$1.1m or 207% compared to FY15.

Record sales contracts: For the year to 30 June 2016 Cogstate signed US\$28.5m of sales contracts for Clinical Trials and Precision Recruitment, up 20% on the US\$23.7m sales contracts signed during FY15.

Record revenue pipeline¹: At 30 June 2016, Cogstate had A\$33.9m (PCP A\$21.4m) of contracted clinical trials revenue to be recognised in future periods: further detail is provided in the table below.

	As at 30 June 2016		As at 30 June 2015	
Year 1	FY17	A\$17.5m	FY16	A\$10.9m
Year 2	FY18	A\$9.7m	FY17	A\$6.5m
Years 3 – 7	FY19 – FY22	A\$6.7m	FY18 – FY20	A\$4.0m
Total		A\$33.9m		A\$21.4m

1. Contracts are denominated in US\$. Spot rate at respective dates have been used to calculate the A\$ equivalent. The rate used at 30 June 2016 was \$0.743 and 30 June 2015 was \$0.765.

Strong cash position: As at 30 June 2016, Cogstate had cash reserves of A\$7.5m, an increase of A\$2.0m compared to the A\$5.5m held at 30 June 2015. Cogstate has no debt.

EBIT guidance: The Company is reiterating its previous guidance in respect of positive EBIT for the full 2016 financial year, noting however that it expects to record a small EBIT loss in the second half of the financial year. During the second half of the financial year, Cogstate increased staffing in two distinct areas:

- resources focused on delivery of clinical trials resulting in a slight reduction in the gross margin percentage for the second half of the financial year; and
- product development resources (predominantly software engineers and associated quality assurance and quality control roles) to speed development of its next generation of technology.

Further details of the increased expenditure during the second half of the financial year will be provided with the release of Cogstate's audited financial statements on Wednesday 17th August 2016.

HIGHLIGHTS FOR THE PERIOD ENDED 30 JUNE 2016 (4Q16):

- Underlying revenue for 4Q16 of A\$7.0m (excluding pass-through cost recoveries) was slightly down on the third quarter result, but continued the strong quarterly revenue as shown in the table below:

Quarter	Revenue (A\$m)
March 2015	4.04
June 2015	8.12
September 2015	6.08
December 2015	6.90
March 2016	7.29
June 2016	6.98

- **A Net Operating Cash Inflow in the June quarter:** Cogstate reported a Net Operating Cash Inflow of A\$3.0m in the quarter ended 30 June 2016. Cash flow in the period was impacted by:
 - Total cash receipts from customers of \$8.7m for the quarter;
 - R&D Tax Rebate of \$0.5m received during the quarter;
- Other significant items relating to the cash movements include:
 - Cash receipts from customers during the year to 30 June 2016 were \$31.1m, an increase of 72.9% compared to cash receipts during the 2015 financial year;
 - \$13.8m combined cash and debtors at 30 June 2016:
 - an increase of \$2.6m for the quarter from the \$11.2m at 31 March 2016
 - an increase of \$3.4m for the year from the \$10.4m at 30 June 2015
- **New sales contract signings:** Cogstate signed US\$ 5.0m (A\$6.6m)² of new Clinical Trials sales contracts in 4Q16. This took the total value of sales contracts signed since 1 July 2015 to US\$28.5m (A\$39.2m).²
- New contract signings in 4Q16 of A\$6.6m was less than the A\$7.0m of Clinical Trials revenue booked in the same period by **0.94x (Book-to-Bill ratio)**. This is the first quarter since June 2014 where new contract signings have not exceeded revenue (Book to Bill ratio >1).

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

Quarterly Report – 30 June 2016
Summary Table

	Q4	Q3	Q2	Q1	FY16	FY15	Year – Year
	Jun-16	Mar-16	Dec-15	Sep-15			% Change
	A\$ m	A\$ m	A\$ m	A\$ m			
Cash Flow							
Cash receipts from customers	8.66	8.29	7.36	6.81	31.12	18.00	73%
Cash payments to employees	(4.92)	(4.82)	(4.38)	(4.68)	(18.80)	(12.99)	45%
Cash payments to suppliers	(1.28)	(4.02)	(2.00)	(2.96)	(10.26)	(8.68)	18%
Cash receipts, non-trading	0.54	0.00	0.03	0.00	0.57	0.60	(5%)
Net Operating Cash In/(Out) Flows	3.00	(0.55)	1.01	(0.83)	2.63	(3.08)	185%
Net Investing Cash In/(Out) Flows	(0.29)	(0.18)	(0.80)	(0.36)	(1.63)	(0.74)	120%
Net Financing Cash In/(Out) Flows	0.02	0.33	0.51	0.00	0.86	2.07	(58%)
Foreign exchange movement	(0.19)	0.24	0.25	(0.19)	0.11	0.07	57%
Net Increase/(Decrease) in cash held	2.54	(0.16)	0.97	(1.38)	1.97	(1.68)	217%

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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")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (12 months) \$A
1.1 Receipts from customers	8,659,523	31,115,732
1.2 Payments for		
(a) staff costs (incl R&D)	(4,917,113)	(18,804,893)
(b) advertising and marketing	(186,194)	(758,639)
(c) research and development (direct external costs)	(7,375)	(55,504)
(d) leased assets	(192,893)	(742,404)
(e) other working capital	(390,114)	(6,578,460)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	22,103	82,350
1.5 Interest and other costs of finance paid	(3,134)	(10,423)
1.6 Income taxes paid	(85,0147)	(108,474)
1.7 Other (provide details if material)		
Accounting & Audit	(106,520)	(214,903)
Computer costs	(21,950)	(606,654)
Legal Costs, including patent costs	(30,189)	(132,229)
Listing fees & assoc. costs	(22,529)	(111,907)
Travel costs	(256,077)	(989,058)
Grant Income	543,154	546,043
Net operating cash flows	3,005,674	2,630,577

+ See chapter 19 for defined terms.

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

		Current quarter	Year to date (12 months)
		\$A	\$A
1.8	Net operating cash flows (carried forward)	3,005,674	2,630,577
	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	(293,399)	(1,629,958)
	(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	(293,399)	(1,629,958)
1.14	Total operating and investing cash flows	2,712,275	1,000,619
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	23,200	862,188
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	23,200	862,188
	Net increase (decrease) in cash held	2,735,475	1,862,807
1.21	Cash at beginning of quarter/year to date	4,927,583	5,497,197
1.22	Exchange rate adjustments to item 1.20	(191,774)	111,280
1.23	Cash at end of quarter	7,471,284	7,471,284

+ 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	4,619,221	2,098,430
4.2 Deposits at call	2,852,063	2,829,153
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	7,471,284	4,927,583

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: 20 July 2016
Company Secretary

Print name: Abby Moore

+ 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.