

# ASX ANNOUNCEMENT

## 11 JULY 2017



### FINANCIAL YEAR 2017 EARNINGS UPDATE

Cogstate Ltd (ASX.CGS) announced today that it expects to record a net loss, before tax, of approximately A\$1.0m for the full year ended 30 June 2017, subject to audit review.

Revenue from Clinical Trials for the year to 30 June 2017 is expected to be approximately A\$34.6m, an increase of 27% compared to the prior year (FY16 A\$27.2m). However, the level of revenue growth shown in the first half the 2017 financial year was not sustained throughout the second half. During the second half of the 2017 financial year, Cogstate is expected to recognise revenue from Clinical Trials of approximately A\$16.2m, a decrease of approximately A\$2.2m from the A\$18.4m Clinical Trials revenue recorded during the first half of the year.

Notwithstanding the expected loss, Cogstate recorded a net cash inflow from operations. Cash reserves at 30 June 2017 were A\$9.3m, an increase of A\$1.8m during the year. Non-cash expenses impacting the financial performance during the year included:

- Depreciation A\$1.0m (FY16 A\$0.9m)
- Share based payments (expense of employee equity grants) A\$1.0m (FY16 A\$0.2m)
- Unrealised foreign exchange loss A\$0.4m (FY16 A\$0.2m)

Cogstate's Clinical Trials business produced a strong financial result in the first half of the financial year (US\$23.0m of sales contracts executed, A\$18.4m of revenue recognised from Clinical Trials, and A\$1.5m profit before tax). However, in the second half of the financial year, Cogstate experienced delays in execution of sales contracts, despite an exceptionally strong sales pipeline – the total value of potential Clinical Trial sales opportunities has increased by more than 100% from this time last year, with the average value of each opportunity increasing by over 50%.

For the year to 30 June 2017, Cogstate executed US\$29.6m of Clinical Trials sales contracts, a 4% increase on US\$28.5m sales contracts executed in the year to 30 June 2016. Cogstate executed US\$9.2m of Clinical Trials sales contracts in the second half of the financial year (US\$6.6m net of study cancellations – see details below), compared to US\$23.0m in the first half of the financial year. The lower than expected level of sales contracts executed in the second half of the year impacted negatively on recognised revenue in the same period.

Customer delays impacted both contracts executed and revenue recognised in the second half of the 2017 financial year. Approximately US\$12m of sales contracts which were expected to be executed in the June 2017 quarter, and which were expected to generate over A\$2m of revenue for Cogstate in that same quarter, are still awaiting execution. The delayed contracts are now expected to be executed during the first half of the 2018 financial year.

Clinical Trials are always subject to the risk of cancellation or delay. During the June 2017 quarter, Cogstate experienced US\$2.6m of contract cancellations, with over 90% of that figure related to a single clinical trial. The cancellation was unrelated to Cogstate performance, but

rather was due to prioritization decisions made by the pharmaceutical company sponsoring the study. That study is expected to recommence within the next year. Cogstate has recorded the cancellation and reduced contracted revenue backlog accordingly. The study cancellations meant that over A\$1.5m of contracted revenue that had been expected to be recognised in the June 2017 quarter was not recognised.

During the 2017 financial year Cogstate has invested in Clinical Trials personnel (increased capability and enhanced skill sets) and new technology solutions, in order to enable future growth by demonstrating to Cogstate's customers (pharmaceutical companies) the capability and capacity to manage larger-scale projects. As a result, the total cost of the Clinical Trial delivery resources has increased over the course of the 2017 financial year, further impacting net earnings in the second half of the 2017 financial year.

Further details in respect of the 2017 financial year results will be released as follows:

- Appendix 4C Quarterly Cashflow Report , which was also released today, 11 July 2017;
- Appendix 4E Preliminary Final Report will be released on Tuesday 22 August 2017.

### **About Cogstate**

Cogstate Ltd (ASX:CGS) is a leading science and technology solutions provider dedicated to optimising the measurement of cognition in clinical trials, academic research and healthcare. Cogstate provides enabling technologies and professional services for higher quality neuropsychological assessments and is a pioneer in commercialising rapid, reliable and sensitive computerised cognitive tests. Cogstate customers include the world's leading biopharmaceutical companies; elite sporting organisations and military; physicians and patients; renowned academic institutions and public-private partnerships. For more information visit [www.cogstate.com](http://www.cogstate.com).

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