

ASX Announcement

22 August 2024

FY24 Financial Results & Business Outlook

All figures in US\$

Reporting Period: 30 June 2024. Prior Corresponding Period (PCP): 30 June 2023

Cogstate Ltd (ASX:CGS) has today released its Appendix 4E and Annual Report to Shareholders for the year ended 30 June 2024 (FY24). A summary of the FY24 result is provided below.

- **Group Revenue** of \$43.4m, up 7% on PCP
- **Group Profit before Tax** of \$7.1m, up 135% on PCP
- **Clinical Trials New Contract Sales** of \$27.0m, down 21% on PCP (\$34.0m) but includes key achievements for future growth including:
 - continued growth and diversification of the customer base in Alzheimer's disease trials with three new customers; and
 - 60% growth on PCP in the value of sales contracts from indications outside of Alzheimer's disease.
- **Contracted future revenue** of \$110.9m, down 16%.
- **Cash Flow/Balance Sheet:** Positive cash flow from operations of \$5.8m during FY24, compared to PCP of \$0.7m. Net cash balance at 30 June 2024 of \$29.4m (gross cash less cash received in advance for future pass-through costs).
- Re-acquired global rights to technology previously licensed to Eisai enabling Cogstate to push digital assessments directly into the community.
- **FY25 outlook:** Strong start to FY25 with net new contracts executed of \$9.3m as at 21st August (gross contracts \$29.6m), taking total revenue under contract to \$110.9m, of which \$33.6m relates to FY25.

Summary of FY24 Results *(All figures are stated in US\$)*

	30 June 2024 US\$	30 June 2023 US\$	MOVEMENT	
			US\$	%
Total revenue from ordinary activities	43,427,773	40,451,123	2,976,650	7
- Clinical Trials revenue	39,442,717	36,050,153	3,392,564	9
- Healthcare revenue	3,985,057	4,400,970	(415,913)	(9)
EBITDA	9,259,214	4,801,277	4,457,937	93
Profit Before Tax	7,101,491	3,025,111	4,076,380	135
Net Profit After Tax	5,449,884	3,567,733	1,882,151	53
EPS	0.032	0.021	0.011	54
Net operating cash flow	5,784,803	654,129	5,130,674	784

FY24 Segment Reporting

	Half Year 31 Dec 23 US\$	Half Year 30 June 24 US\$	Full Year 2024 US\$	Full Year 2023* US\$
Revenue from operations	20,168,909	23,258,864	43,427,773	40,451,123
Clinical Trials				
Revenue	17,920,459	21,522,257	39,442,717	36,050,153
Direct Cost (excluding direct depreciation)	(6,838,109)	(6,668,040)	(13,506,150)	(13,991,558)
Gross margin	11,082,350	14,854,217	25,936,567	22,058,595
SG&A	(2,061,870)	(2,143,848)	(4,205,718)	(4,326,716)
Clinical Trials Contribution	9,020,480	12,710,369	21,730,849	17,731,879
Contribution Margin	50%	59%	55%	49%
Healthcare				
Revenue	2,248,450	1,736,607	3,985,057	4,400,970
Direct costs	(462,808)	(647,645)	(1,110,453)	(1,285,873)
Healthcare Contribution	1,785,642	1,088,961	2,874,603	3,115,097
Contribution Margin	79%	63%	72%	71%
Other operating costs	(7,577,693)	(7,768,545)	(15,346,238)	(16,045,699)
EBITDA	3,228,429	6,030,785	9,259,214	4,801,277
Depreciation and amortisation	(1,429,428)	(1,309,142)	(2,738,570)	(2,594,942)
Profit before tax, interest and other income	1,799,001	4,721,643	6,520,644	2,206,335
Net interest	292,185	288,662	580,847	666,040
Other Income	-	-	-	152,736
Net profit before tax	2,091,186	5,010,305	7,101,491	3,025,111

* Former segment, Research, is now part of the Clinical Trials segment. Prior year contracted future revenue for Research has been included within Clinical Trials for comparison.

For personal use only

Explanatory Notes

- Sales contracts:** In the Clinical Trials division, Cogstate enters into contracts (“sales contracts”) with both pharmaceutical and biotechnology companies for the provision of Cogstate technology and services, for use in clinical research trials, to determine the extent to which their investigational compound is impacting the cognition of the patient population. The contract value will differ for each clinical trial, depending upon the scope of the technology and services provided by Cogstate, as well as the complexity and length of the trial. An increase in the total value of sales contracts executed will increase the revenue backlog and will, over time, result in an increase to revenue recognised by Cogstate.
- Calculation of revenue from Clinical Trials division:** Revenue from sales contracts is recognised over the life of the contract. The length of a clinical trial can vary from several months for a phase 1 study and up to 4-5 years for a phase 3 study. Revenue is recognised based upon achievement of pre-determined milestones. During each period, revenue may be recognised from (i) contracts in the backlog at the beginning of the period, as well as (ii) sales contracts executed during the period. Usually there is a time lag between an increase or decrease in the level of sales contracts executed and a corresponding change to recognised revenue.
- Contracted future revenue backlog:** Executed sales contract values that have not yet been recognised as revenue at period end are referred to as “contracted future revenue”. The revenue from these contracts will be recognised upon achievement of pre-determined milestones throughout the clinical trials. The contracted future revenue figure provides insight into future revenue performance.
- Healthcare revenue:** Cogstate has developed tools specifically designed to aid healthcare professionals, in general and specialist practice medicine, with objective assessments of cognition in patients. Cogstate’s Healthcare offering includes the system branded as Cognigram™, a medical device which allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors, including neurodegenerative diseases such as Alzheimer’s disease.
On 26 October 2020, Cogstate announced an exclusive global licensing agreement with pharmaceutical company Eisai (was previously just Japan), under which Eisai will market Cogstate technology as digital cognitive assessment tools targeting physicians, corporations, municipalities and also directly to consumers. On 2 April 2024, Cogstate announced that it had amended its global license agreement with Eisai (the “Amended Global License Agreement”). Effective 1 April 2024, Cogstate has re-acquired global rights to its technology previously exclusively licensed to Eisai (excluding for Japan). Under the Amended Global License Agreement, Eisai has been granted a non-exclusive license for Cognigram in the USA and CogMate in certain Asian countries until August 2031.

Under the 10-year global (ex-Japan) amended global license agreement between Eisai and Cogstate executed on 1 April 2024:

- In addition to the upfront payments from Eisai of US\$15 million, Cogstate is also due to receive an ongoing royalty on revenue derived by Eisai from the sale of Cogstate technology. Over the course of the 10-year global agreement, the contractual terms prescribe that the royalty payments shall not be less than an additional \$15 million (\$9 million over years 1-5 and \$6 million over years 6-10).
- The full \$30m (upfront payment of \$15m plus the minimum royalties of \$15m due over the course of the global license agreement) is being amortised on a straight-line basis over 11 years (10-year term + 12 months to commence). Actual cash royalties paid in each period will be the higher of (i) royalty amount calculated based on sales of product or (ii) minimum annual cash royalty, which ramp up over the contract period.

For personal use only

FY24 Analysis

Clinical Trials

- Clinical Trials revenue in FY24 increased 9% on PCP to \$39.4m (FY23 \$36.1m).
- Contribution margin in FY24 increased to 55% (PCP 49%), resulting from May 2023 restructuring actions and cost management, partially offset by low SW license mix.
- The value of sales contracts executed in FY24 was \$27m, down 21% on the \$34m achieved in FY23. Notwithstanding the decrease in value of sales contracts executed, important achievements for future growth were achieved during the year, including:
 - the signing of four different phase 2 Alzheimer's trials with four different large pharmaceutical companies, three of which were new customers; and
 - sales growth in other key indications of sleep disorders, mood disorders and rare disease, which combined grew 60% on PCP.
- Cogstate continues to win work across a number of different indications, but Alzheimer's disease and associated dementias represent the bulk of revenue backlog. At 30 June 2024, 24% (30 June 2023: 14%) of Clinical Trials revenue backlog related to indications other than Alzheimer's disease.
- With net new contract sales of \$9.3m (gross \$29.6m) as at 21st August 2024, Cogstate has Clinical Trials contracted revenue backlog of \$95.0m, with \$31.4m expected to be realised as revenue in FY25 (PCP \$27.7m)

Healthcare

- Healthcare revenue decreased in FY24 by 9% to \$4.0m (PCP \$4.4m). Healthcare primarily represents revenue recognised in relation to Eisai royalty payments and has decreased following the strategic renegotiation of the global licensing agreement, with Cogstate re-acquiring rights to Cogstate IP.
- The earnings contribution declined 12% on PCP to \$2.9m, representing a contribution margin of 72%. The decline in margin is as a result of the reduction in Eisai royalty payments and from activities undertaken to assess the go-to-market opportunities for the Healthcare market.

Future Revenue Backlog

The revenue backlog for both the Clinical Trials and Healthcare segments are highlighted in the table below.

	21-Aug-24	30-Jun-24	30-Jun-23
	US\$	US\$	US\$
Contracted Clinical Trials Revenue	94,978,205	85,643,497	97,951,714
Eisai License - Global	15,430,385	15,430,385	34,035,590
Eisai License - Japan	515,467	515,467	615,658
	<u>110,924,057</u>	<u>101,589,349</u>	<u>132,602,962</u>

Profit Before Tax

- Profit before Tax grew 135% to \$7.1m, up from PCP of \$3.5m (before non-recurring restructuring charges).
- Staff costs decreased 6% to \$24.5m.
- Profit growth resulted from the higher Clinical Trials revenue, lower salary costs and tight cost management throughout FY24. Lower salary costs through FY24 were consistent with the savings anticipated when Cogstate announced a staff restructure on 10 May 2023.
- Full time equivalent staff numbers increased to 167.1 at 30 June 2024, up from 162.4 at 30 June 2023.
- During FY24 \$1.2m of internal software development costs were capitalised and \$0.7m product development costs were reimbursed (FY23 \$1.1m).
- Depreciation and amortisation expense of \$2.7m in FY24, a 6% increase on PCP (\$2.6m), reflecting the ongoing investment in Cogstate technology.

Net Profit after tax

- The Company reported a net profit after tax in FY24 of \$5.4m compared to PCP of \$3.6m.
- A tax expense of \$1.7m was recognised in FY24 compared to a tax benefit of \$0.5m in FY23.

Cash Flow/Balance Sheet

- The Company reported a positive Net Operating Cash Flow of \$5.8m in FY24 compared to PCP \$0.7m. Operating cash flow included:
 - Cash receipts from customers of \$40.6m for FY24, up from \$39.6m in FY23, an increase of \$1.0m.
 - Payment to suppliers and employees of \$34.8m, down 11% from PCP of \$39.0, largely a result of the staff restructuring actions taken in May 2023.
- As at 30 June 2024, Cogstate had gross cash of \$30.1m, which included \$0.7m of cash held on behalf of customers for future pass-through payments. Excluding cash held for pass-through payments, Cogstate had a net cash balance of \$29.4m.

Share Buy-Back

As at 30 June 2024, the Group has purchased 4,393,730 ordinary shares for the total consideration of AUD\$6.4m (USD\$4.2m). The buy-back was conducted in the ordinary course of trading at an average price per share of AUD\$1.46. The shares bought back were subsequently cancelled. The purchase price of each share acquired, was allocated between share capital and retained earnings. The amount allocated to share capital per share acquired, was equivalent to the average issue price of shares residing in share capital. The excess of purchase price over this amount was allocated to retained earnings.

Financial Year Ending	Number of Ordinary Shares Acquired & Cancelled	Total Cost (AUD\$)	Average Cost per Share (AUD\$)
30 June 2023	552,496	\$862,802	1.56
30 June 2024	3,841,234	\$5,541,422	1.44
	4,393,730	\$6,404,224	\$1.46

The Board has resolved to suspend the Share Buy-Back until further notice.

FY25 Outlook

FY25 has started encouragingly, with the execution of clinical trials sales contracts to the net value of \$9.3m. Total contracts executed by 21 August 2024 was \$29.6m, though offset by the reorganisation of multiple ongoing phase 3 trials into a single larger trial.

The reorganisation of trials involved multiple phase 3 trials being conducted by the same customer, with the same drug, but will now be undertaken under a single new protocol for a larger contract value. The reorganised trials were first contracted during FY23 but uncertainty in respect of the program meant that Cogstate did not generate significant revenue from the trials during either FY23 or FY24. The larger trial is currently in accelerated start-up mode and is currently generating revenue for Cogstate.

Clinical Trials sales contracts in Alzheimer's disease fell in FY24 to \$13 million (FY23 \$26m, FY22 \$74m). During FY25, Cogstate expects to see growth in this indication beyond the FY24 result, as supported by the contracts already executed year to date as well as ongoing customer engagement in respect of planned Alzheimer's programs.

There also continues to be significant opportunity across other indications with particular emphasis in mood disorders, sleep disorders and rare diseases.

Management expects to grow revenue and profit in FY25, but no specific guidance is provided at this time, pending execution of sales contracts to provide greater certainty in respect of timing of revenue.

A further update will be provided at the company's AGM on Wednesday 23 October 2024.

Cogstate Investor Webcast

Investors are invited to join Cogstate CEO, Brad O'Connor for a live webcast and Q&A presenting the annual financial results today, Thursday 22 August 2024, at 8:30am Australian eastern standard time.

Investors can register via the following weblink to join the live event or receive the recording if unable to attend: <https://attendeegotowebinar.com/register/1561058463047040604>

Additionally, a video recording of the presentation will be available later today at the Cogstate Investor Centre homepage: <https://www.cogstate.com/investors/>

This announcement was authorised for release by the Board of Directors of Cogstate Ltd.

About Cogstate

Cogstate Ltd (ASX:CGS) is the neuroscience technology company optimising brain health assessments to advance the development of new medicines and to enable earlier clinical insights in healthcare. Cogstate technologies provide rapid, reliable and highly sensitive computerised cognitive tests across a growing list of domains and support electronic clinical outcome assessment (eCOA) solutions to replace costly and error-prone paper assessments with real-time data capture. The company's clinical trials solutions include quality assurance services for study endpoints that combine innovative operational approaches, advanced analytics and scientific consulting. For over 20 years, Cogstate has proudly supported the leading-edge research needs of biopharmaceutical companies and academic institutions and the clinical care needs of physicians and patients around the world. In the Healthcare market, Cogstate seeks to provide primary care physicians and consumers with brief, accurate and scientifically validated digital measures of cognition, with a focus on easy to use, self-administered tests that inform patients and save physician time. In this market, Cogstate has partnered with pharmaceutical company, Eisai, to distribute Cogstate assessments in the USA & Asia. For more information, please visit www.cogstate.com.

For further information contact:

Brad O'Connor, Chief Executive Officer, boconnor@cogstate.com

Important Notices*Past performance*

Past performance is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Cogstate's views on its future financial performance or condition. Past performance of Cogstate cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of Cogstate. Nothing contained in this announcement nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future.

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Cogstate, its directors and management. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Cogstate's business strategies, including the that the results of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. For example, Cogstate's performance in any one financial period is sensitive to whether or not contracts are signed in that period, or a subsequent period, and the rate of enrolment in trials of its customers which are influenced by factors that are outside of Cogstate's control.

Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Cogstate, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Cogstate as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Cogstate, its representatives or advisers undertakes any obligation to provide any additional or updated information, whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.