

AUSTRALIAN

# RESEARCH



## Contents

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# CogState Limited (CGS)



Sector	Industry Group	Sub Industry	Disease Target
Healthcare	Healthcare Software	Diagnostic Testing	Neuro-degenerative Diseases (e.g., Alzheimer's Disease)

## Company Overview

CogState specialises in the development and commercialisation of rapid, computerised tests for the measurement of cognition (brain function).

CogState's products address a variety of markets, the primary market being cognitive testing in clinical trials, where the technologies are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials conducted by pharmaceutical, biotechnology, nutraceutical and functional food companies. Other markets include concussion management for elite and amateur athletes, memory monitoring and alertness testing for the workplace.

CogState began selling tests of cognition into the clinical trials market in 2004 and since that time CogState has secured agreements with international organisations, including Pfizer, the Centers for Disease Control (USA), ALZA Corporation (a member of the Johnson and Johnson group) and Organon USA.

## Strategy

CogState plans to grow sales in the US and Europe. CogState has increased sales and marketing personnel in both its US and European offices to service an increased number of customers in each location.

Cogstate's on-line testing and analysis of results provides significant advantages over competitor tests. These are:

- Rapidity and ease of testing
- Real time scoring and centralised reporting of results
- Validation of tests via scientific papers from clinical trials in more than 20 conditions, including fatigue, low blood sugar and coronary surgery
- Sensitivity to small changes in cognition

Over the next 12 months, CogState will target sales from 4-5 pharmaceutical companies with strong pipelines of central nervous system drug candidates.

## Key Executives

**Martyn Myer** (BE, MEd, MSM), Chairman, Chair of Remuneration and Nomination Committee; Director, Coles Myer, Diversified United Investment.

**Brad O'Connor** (BBus CA), Chief Executive Officer, Chartered Accountant. Held positions with PricewaterhouseCoopers, Nextec Strategic Capital, Spherion Group, Australian Wine Exchange.

**Prof Paul Maruff** (PhD, MPsyCh), Chief Scientific Officer, Co-founder of CogState; Neuropsychologist with expertise in identification and measurement of subtle behavioural and cognitive dysfunction; published over 100 peer-reviewed articles.

**Assoc Prof David Darby** (MBBS, FRACP, PhD), Chief Medical Officer, Neurology and neuropsychology specialist; published over 40 research papers in intl peer-reviewed scientific journals; Director, Behavioural Neurology Lab at Mental Health Research Inst.

**Dr Alex Collie** (PhD), Senior Scientist (UK and EU), Cognitive neuroscientist and Snr Fellow for Neuroscience, Melbourne Uni; Recognised intl expert in aging, mild cognitive impairment, sports concussion and mild traumatic brain injury.

**Prof Peter Snyder** (PhD), Senior Scientist (US); Former Senior Scientist at Pfizer; Professor, Dept of Psychology (Neuropsychology and Cognitive Neuroscience), Uni of Connecticut; published over 120 peer-reviewed articles.

## Key investment information

Market Cap: \$8.9M

### Capital Structure (M)

Ord shares on issue: 44.5

Options (fully diluted): 10.7

Convertible notes/other: 0.0

Price as at 28-Apr: \$0.20

12 month H/L: \$0.07 - \$0.27

Market turnover (pa): \$2.2M

Official listing date: Feb-04

### Substantial Shareholders

Perpetual Trustees Nominees Ltd 18.7%

MF Custodians Ltd 9.1%

Asia Union Investments Ltd 7.3%

### Cash Position

Cash (as at Mar-06): \$2.8M

Years with planned expenditure: n/a

R&D as % expenditure: n/a

### Company contact



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Chief Executive Officer

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## Main Company R&D Projects - Major Technology & Market

### 1: Services for Clinical Trials

CogState supplies some of the world's largest pharmaceutical and functional-food companies with cognitive testing. Pfizer, the US Centers for Disease Control and Prevention (CDC) and other customers have conducted 34 paid studies.

### 2: Sports Concussion – Professional

CogSport is trusted by professional and elite athletes in 10 countries and 10 sports to help doctors make return to play decisions following concussions. It is mandatory for all UK jockeys and is used extensively by professional rugby players. Customers include Olympic and world champions.

### 3: Sports Concussion – Amateurs

Launched in July 2004, Concussion Sentinel was the subject of sponsorship deal with Schutt Sports, the world's largest manufacturer of gridiron helmets. Offered free to all US high schools and colleges in 2004/5, over 500 institutions from 44 states signed up for the offer.

### 4: Memory Monitoring in the Clinic

The CogHealth product is used to measure and monitor memory over time. It can provide early warning of memory loss, many years before conventional tests, without expensive brain-scans.

### 5: Fitness for Work

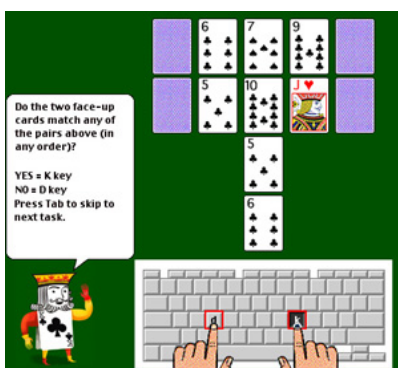
The Alert 4 Work product is used to establish fitness-to-work in the workplace. Unlike drug and alcohol testing, the product measures impairment directly, and is also sensitive to fatigue, which would otherwise go undetected.

## Aegis Equities Comments

**Market Position:** CGS restructured in the Sep-05 quarter to emphasise its software tests of cognitive function. The primary focus remains clinical trials for pharmaceutical, biotechnology and food companies to quantify the effects of drugs and food on memory and brain functions. Sports, work safety (fitness to operate) and direct-to-consumer are three other markets being developed. CGS plans to out-license its early-stage drug pipeline to complete its transition to software specialist.

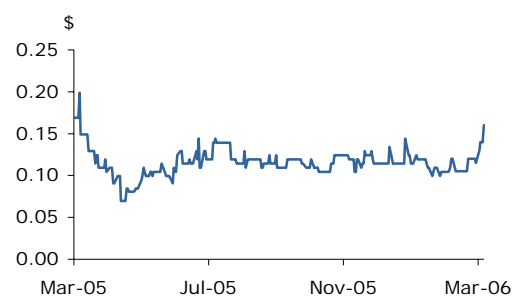
**Milestone Record:** In the Mar-06 quarter CGS signed a A\$0.4M 15 month deal with a European food company hoping to document cognitive benefits of a dietary product. A deal was also signed granting Health Solutions, which is run by the ex-regional VP for J&J, exclusive rights to distribute CogHealth and CogSport in Japan. CGS will receive US\$0.5M over 2 years followed by royalties. These successes follow 2H CY05 deals with Pfizer (for A\$1.3M) to further develop its dementia test and to develop a cognitive test for children, a European food products company (A\$0.3M) and Alza (a J&J subsidiary).

**Risk Profile:** Carving out the drug development activities has reduced CGS' risk and cash burn. By focusing on brain function tests, CGS is capitalising on the strong endorsement of its software by blue chip repeat clients, such as Pfizer. CGS ended Mar-06 with \$2.8M in cash (with another \$0.4M of Rights money received in Apr-06). Cash risk has been greatly reduced by the strong revenue growth, which has brought CGS close to operating cashflow breakeven.



Source: CogState Limited

### Share price performance



Source: IRESS



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