

Oncodesign: First-half 2019 results

- Significant increase in operating revenue—up 34% to €20 million—on the back of strong growth in the Service (up 17%) and Partnership (x7) businesses
- €0.51 million in operating income and no let-up in R&D spending
- Drug pre-candidate identified for the RIPK2 program
- €13.3 million in net cash at June 30, 2019

Dijon, le 26 septembre 2019 at 6:00pm CEST – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specialized in precision medicine, is today announcing its first-half 2019 results and publishing an update on its business activities.

“We are confidently reiterating our ability to meet our 2020 target of €40 million in turnover based on the strong top-line momentum we built up in the first half of the year. We can count on the success of our Service business, which recorded growth of 15% over the period, and on the quality of our R&D strategy, which supports our Drug Discovery programs and will underpin the foundations for future growth in our Partnership and Licensing business. We expect to have a preclinical drug candidate—a RIPK2 kinase inhibitor for the treatment of autoimmune diseases—ready by the end of the year after a pre-candidate was identified during the first half, demonstrating the effectiveness of our approach. In parallel to these investments, we managed to raise our profitability significantly, with operating income moving above its level in the first six months of 2018, thanks to the first payment we received from Servier,” commented Philippe Genne, CEO and founder of Oncodesign. “This strategic partnership to develop a kinase inhibitor to treat Parkinson’s disease speaks volumes about Oncodesign’s expertise in precision medicine. Our outlook to year-end 2020 is clear: we will continue to harness the benefits of our technology platform to support the development of the Service business and expansion of our own programs. Lastly, we remain fully focused on driving forward our existing partnerships and on looking for new partners so that we can push ahead with the Phase III development of our radiotracer in lung cancer, a program with the potential to create value for Oncodesign over the medium term.”

€ million	H1 2019	H1 2018
<i>consolidated figures under French accounting standards</i>		
Sales	14.10	9.24
Other revenue	5.95	5.78
Total operating revenue	20.06	15.02
Operating expenses	(19.55)	(18.55)
Operating income	0.51	(3.53)
Financial income and expense	(0.19)	(0.23)
Share of income/(losses) from associates	-	-
Badwill amortisation	0.50	0.30
Net income attributable to owners of the parent	0.73	(3.42)
Cash position (at 30 June)	13.3	9.76

First-half 2019 financial performance

Income statement

Oncodesign has recorded another strong increase in its turnover. It rose 52.6% to €14.10 million in the first six months of 2019 compared to the first half of 2018. This growth was powered by:

- **The 17% increase in Service turnover to €10.1 million** as a result of multi-year agreements, the more rapid pace of business development in North America (12%) and the extension of the product offering
- **Seven-fold growth in Partnership turnover to €4 million.** That includes the initial €3 million payment by Servier under the strategic partnership sealed in March 2019 to develop LRRK2 kinase inhibitors as a treatment for Parkinson's disease, which was received in full in the first half of 2019. It also reflects the pro rata recognition of €3 million in turnover in respect of the funding for research work paid every year (i.e. €1m recorded in the first half) the cost of which Oncodesign had borne alone since 2017. The partnership could potentially be worth up to €320 million, excluding sales royalties.

Other operating revenue remained stable compared to the first half of 2018 at €5.96 million (up 3%). This largely consists of the grant received from GSK in connection with the acquisition of the François Hyafil center, which amounted to €3.96 million in the first six months of 2019, and the research tax credit (€1,55 m in the first half). In addition, we have €0.3 million of capitalized production related to our internal tool development.

As a result, **operating revenue posted a strong rise of 34% to €20.06 million in the first half of 2019** from €15.02 million in the year-earlier period of 2018.

First-half 2019 operating expenses came to €19.55 million, compared to €18.55 million in the same period of 2018. This controlled increase of 5% was chiefly attributable to the 11% increase in staff costs reflecting the 24 new employees hired in 2019 and the 18% growth in purchases used, while external costs remained stable at €6.98 million.

Research and Development investments amounted to €4 million in the first half of 2019, compared with €5.6 million in the first half of 2018. This decrease is explained by the implementation of the LRRK2 partnership with Servier, which significantly mobilized the team during the first 3 months of 2019, reducing R&D expenses, as well as the strategic decision to stop Oncodesign's investments on the ALK1/2 program in oncology to find one or different partners and continue its development in other therapeutic indications, including Fibrodysplasia Ossificans Progressiva (FOP); efforts were mainly focused on the RIPK2 program in order to select a drug candidate by the end of the year, while a special effort was made on rationalizing and controlling costs.

Oncodesign posted positive operating income of €510 thousand in the period, compared to a loss of €3.53 million in the first half of 2018.

First-half net financial expense stood at €190 thousand compared to €230 thousand in the year-earlier period of 2018, largely as a result of the impact of changes in borrowing rates on leases (consolidation impact). The €110 thousand in net exceptional expense mainly reflected prior-period adjustments and accounting corrections made by the PK/PDesign subsidiary. Goodwill amortization reflected the positive impact of €500 thousand deriving from amortization of the negative goodwill associated with the François Hyafil center (€1 million p.a. over 7 years).

After these items, consolidated net income came to €730 thousand in the first half of 2019, compared to a loss of €3.42 million in the same period of 2018.

Cash position

Oncodesign held €13.3 million in cash at June 30, 2019, compared to €9.8 million at June 30, 2018 and €10.1 million at December 31, 2018. This increase of 36% after the substantial R&D spending during the period reflected the grant paid by GSK in January 2019 in connection with Oncodesign's acquisition of the François Hyafil center and Servier's initial payment. The spending chiefly covered new hires and patent filing costs related to Nanocyclix[®] technology. Note that the €3.3 million research tax credit due in respect of 2018 had not been received by June 30, 2019.

First-half 2019 business update and outlook

Oncodesign confirms its objective of reaching a global turnover of €40 million by 2020 with a positive operating result.

Services:

Oncodesign aims to enter into new multi-year Integrated Drug Discovery Services (IDDS) and Drug Discovery Service Agreement (DDSA) partnerships and is restating its target of €25-30 million in Service turnover by 2020.

Partnerships:

The partnership with UCB established to identify Nanocyclix[®] kinase inhibitors for a confidential neurological target came to an end in September 2019 for not demonstrating the target's therapeutic potential. Bristol-Myers Squibb integrated one of the compounds from Oncodesign's Nanocyclix platform as part of the strategic collaboration, and its development continues internally. To date, no other targets are under investigation. The IMAKINIB project has been stopped by mutual agreement between its members and BPI. It was declared successful because it met its objective of discovering a radiotracer for non-small cell lung cancer for which Phase I has been completed. Oncodesign is now actively looking for a partner to enter in phase III directly. In addition to this development program, Oncodesign plans to leverage its Pharmimage[®] technology platform to discover and develop new radiotherapies. Finally, the LRRK2 project in partnership with Servier is progressing according to expectations.

Licensing:

With its heavy R&D investment, Oncodesign continues the process of nurturing and bringing to fruition its pipeline of kinase inhibitor drug candidates. In June 2019, Oncodesign identified a RIPK2 inhibitor at the drug pre-candidate stage and hopes to validate the preclinical drug candidate by the end of this year. RIPK2 inhibition has great potential in the treatment of autoimmune diseases, and this novel proprietary development program represents a tremendous opportunity for Oncodesign to create value. In addition, Oncodesign continues its investment efforts in the selection of a MNK1/2 inhibitor pre-candidate in oncology. The decision is taken over the period to stop investments on the ALK1/2 program in oncology, to find one or different partners and continue its development in other therapeutic indications, including Fibrodysplasia Ossificans Progressiva (FOP). Finally, Oncodesign maintains its objective of bringing a therapeutic compound based on Nanocyclix technology into clinical trials by the end of 2021.

Next financial release: 2019 revenue, January 30, 2020 (after market close)

Oncodesign's first-half 2019 report is available in French, on the website at www.oncodesign.com

Upcoming financial and scientific events:

- Symposium Innovative Solution Providers for Immunotherapies, Paris, September 30
- Investir Day, Paris, October 3
- BIO Japan in Yokohama, Japan, October 9-11
- EANM in Barcelona, Spain, October 12-16
- Festival of Biologics in Basel, Switzerland, October 15- 17
- EORTC in Boston, US, October 26-30
- Drug Discovery 2019 - Looking Back To The Future in Liverpool, UK, November 5-6
- EBF in Barcelona, Spain, November 20-22

About ONCODESIGN: www.oncodesign.com

Founded over 20 years ago by Dr. Philippe Genne, the Company's CEO and Chairman, Oncodesign is a biopharmaceutical company dedicated to precision medicine. With its unique experience acquired by working with more than 600 clients, including the world's largest pharmaceutical companies, along with its comprehensive technological platform combining state-of-the-art medicinal chemistry, pharmacology, regulated bioanalysis, medical imaging and Artificial Intelligence, Oncodesign is able to predict and identify, at a very early stage, each molecule's therapeutic usefulness and potential to become an effective drug. Applied to kinase inhibitors, which represent a market estimated at over \$46 billion in 2016 and accounting for almost 25% of the pharmaceutical industry's R&D expenditure, Oncodesign's technology has already enabled the targeting of several promising molecules with substantial therapeutic potential, in oncology and elsewhere, along with partnerships with pharmaceutical groups such as Bristol-Myers Squibb. Oncodesign is based in Dijon, France, in the heart of the town's university and hospital hub, and within the Paris-Saclay cluster. Oncodesign has 232 employees and subsidiaries in Canada and the USA.

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