

## Onco design announces a 33% revenue increase in 2019 and the achievement of financial breakeven one year ahead of schedule

### *New organization of independent Business Units*

- Strong revenue growth of +33% to €26.7 million driven by the partnership with Servier to develop LRRK2 and the organic expansion of the Service BU
- Operating revenue up 18% to €38.7 million and breakeven achieved one year ahead of the target date
- Strong cash position: €7 million compared to €6.8 million in 2018, excluding the 2018 research tax credit of €3.6 million not yet received
- Service and Biotech activities now separated in independent business units as of January 2020

**Dijon, January 20, 2020 at 6:30pm CET** – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specialized in precision medicine, is reporting strong sales growth and is also announcing its expectation of 2019 positive net income and the implementation of a new organizational structure based around independent “Business Units” – Service, Biotech and Artificial Intelligence.

€ million	2019	2018	Change
<b>Consolidated data - unaudited</b>			
Service sales	20.9	19.1	+10%
Partnership sales	5.8	1.0	+464%
<b>Total sales</b>	<b>26.7</b>	<b>20.1</b>	<b>+33%</b>
Operating grants and subsidies	7.9	7.9	+0%
Research tax credit	3.2	3.6	-12%
Other revenue and subsidies	0.9	1.2	-20%
Other revenue and operating revenue	12.0	12.7	-5%
<b>Total operating revenue</b>	<b>38.7</b>	<b>32.8</b>	<b>+18%</b>
Cash (at December 31)	7.0	6.8	+3%
<b>Cash position including research tax credit</b>	<b>10.5</b>	<b>10.1</b>	<b>+5%</b>

“For the third consecutive year, our operating revenue reached another strong increase of 18%, to €38.7 million in 2019. We anticipate posting net income in positive territory, one year ahead of the target date. We are also reiterating our confidence in our ability to meet our 2020 objective of €40 million in sales, including €25-30 million in Service sales”, **commented Philippe Genne, Chairman, Chief Executive Officer and Founder of Oncodesign**. “This financial performance is a real feat of strength since we have in parallel successfully achieved our strategic objectives—selecting an initial drug candidate, the first-in-class RIPK2 kinase inhibitor, and inking a highly promising partnership with Servier to select a LRRK2 kinase inhibitor drug candidate for Parkinson disease. Lastly, we managed to keep a solid cash position while continuing to make hefty R&D investments, equivalent to 30% of our sales.”

#### **Service sales: €20.9 million, reflecting organic growth of 10%**

This performance, reflecting another impressive increase in the organic contribution with a CAGR of 16% over the 2017-19 period, was supported by the strategic service agreements sealed with partners such as Galderma, Erytech Pharma, EISAI and Ipsen in oncology.

The North American business (United States and Canada) recorded a 12% increase in its 2019 sales to €2.5 million. This advance illustrates the region’s pivotal role for the Service business and justifies its expansion over the coming years.

The group is working on new IDDS contracts that will soon be complemented by technologies brought in by business partners and the recruitment of specialized Business Developers to complete the existing team, particularly in North America. This new offer should help to accelerate the business as of the next financial year.

#### **Partnership sales: €5.8 million following the LRRK2 kinase inhibitor research agreement sealed with Servier**

The partnership with Servier began in March 2019 and already generated €5.8 million in sales over the year, consisting of a €3 million up-front payment received on signature and €2.8 million to cover the corresponding research costs. Following the completion of the Imakinib project, negotiations are underway with the new partner with a view to resuming clinical development of the mutated EGFR radiotracer this year. Under the agreement with Bristol-Myers Squibb (BMS), the development of the program based on the Nanocyclix platform continues internally. The MNK1/2 and ALK2 programs are still ongoing.

#### **Strong cash position at December 31, 2019 despite continuous R&D investments**

Cash available stood at €7 million at December 31, 2019 excluding the 2018 research tax credit. By comparison, cash available stood at €6.8 million at December 31, 2018 excluding the research tax credit.

After factoring in the €3.6 million research tax credit payable in respect of 2018, cash available totaled €10.5 million at December 31, 2019.<sup>1</sup>

<sup>1</sup> As a reminder, the RTC for a year is normally paid before the end of the following year. This year, the RTC for the year 2018 of Oncodesign in the amount of €3.6 million was not paid before 31.12.2019 due to the processing delays of the Regional Public Finance Department. It is due to be paid at the beginning of 2020.

The Group maintains a good level of cash despite its sustained investments in R&D, which represent approximately 30% of sales. In addition, in late January 2020, Oncodesign's cash position will be strengthened by the final subsidy payment of €7.92 million due from GSK.

### Implementation of the new independent Business Unit organization

Oncodesign reviewed its organization structure into independent Business Units owing to the growth in the Service business and the emergence of a more mature product portfolio, including drug candidates under proprietary and partnership programs.

Previously, Oncodesign's organization was predicated on the integration of resources and skills along three axes of strategic innovation—Experimentation, Discovery and Etiology—forming the core pillars of its precision medicine platform. Through this approach the Group generated three types of income streams—Service, Partnership and Licensing—giving rise to a hybrid business model.

The quality and the growth potential of each of the assets have prompted Oncodesign to introduce a new organizational structure with business units (BUs)—Service, Biotech. The aim of the new structure, which took effect from the beginning of 2020, is to make the Group's business activities clearer for its employees, customers, partners and investors. Each of the BUs has its own objectives and resources.

In addition, like the Oncosnipe project launched three years ago, which helped to establish the Group's capacity for innovation by harnessing AI technologies, a third Artificial Intelligence BU will be set up during 2020 that aims to support the development of the "Drug Discovery" of the future. A senior executive is currently being hired to run it.

To finalize this new organization, Oncodesign will expand into a new building in December 2020 housing both the management team and the Biotech and AI BUs. Work on the new premises began in November next to the Group's research facility in Dijon.

*"We are confident in the growth potential of each business unit, as we look to build on the various successes already achieved through the precision medicine platform, the Service business and research partnership and licensing programs", commented Philippe Genne, Chairman, Chief Executive Officer and Founder of Oncodesign. "Our new organization should allow us to move forward smoothly over the next five years and harness the full growth potential of each business while improving the understanding and increasing the agility of the group as a whole".*

### Creation of two business units at the beginning of 2020

#### **Oncodesign Biotech:**

This BU includes the therapeutic and diagnostic portfolio derived from Nanocyclix<sup>®</sup>, aims to build on existing projects and partnerships and eventually to generate new ones with targets other than kinases.



Oncodesign's Drug Discovery programs led to the establishment of a portfolio of internal and partnership projects around the proprietary Nanocyclix<sup>®</sup> medicinal chemistry platform:

- the RIPK2 program for which an immuno-inflammation drug candidate was selected in late 2019
- the LRRK2 program in Parkinson's disease in partnership with Servier and the program in partnership with BMS
- the MNK1/2 oncology program, and
- the TEP radiotracer in lung cancer for which Oncodesign is looking for a partner with which to commence a phase III trial.

Oncodesign Biotech aims to have at least three products in clinical trials, including in oncology, by 2023.

The objectives of the Biotech BU will be to bring drug candidates into the clinical phase in accordance with the business plan.

A team of around ten program directors, experts in Drug Discovery and medicine development, joins the Biotech BU, which is led by Jan Hoflack, who remains the Group's CSO. The studies for these research programs will be carried out by the Service BU.

#### **Oncodesign Service:**

Over the past 25 years, Oncodesign Service has established itself as a credible force in the market for the preclinical assessment of therapeutic compounds. Oncodesign's Service activities have gained considerable traction, recording growth in excess of 60% over the past three years, with sales rising from €13.5 million in 2017 to €20.9 million in 2019 in an established market thanks to a portfolio of sustainable customers. The Service BU should help to pursue ambitious revenue growth, both organic and external, through the acquisition of contract research companies, while guaranteeing an EBITDA in line with the market average and without compromising on scientific excellence. As a result, Oncodesign is targeting Service revenues of €50 million with an EBITDA margin between 15 and 20% in 2023. Efforts will focus chiefly on the development of multi-year Drug Discovery Service Agreements (DDSAs) and Integrated Drug Discovery Services (IDDS) agreements.

The Service BU, which will oversee the Dijon and Les Ulis research centers, as well as responsibility for equipment, lab teams and sales, representing around 200 people in all, will be led by Fabrice Viviani.

**About ONCODESIGN:** [www.oncodesign.com](http://www.oncodesign.com)

Founded 25 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 800 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 233 employees and subsidiaries in Canada and the USA.

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