

Oncodesign: first-half 2020 results

- Solidity of the activity and results, despite the health crisis and increase in R&D investments
- Cash position of €19.9 million at June 30, 2020, excluding the State-Guaranteed Loan
- Order book up 14% despite the health crisis
- Successful roll-out of the new model based on 3 Business Units, in accordance with the Group's new strategy

Dijon, France, October 1, 2020, 5:45 pm CEST – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specialized in precision medicine, announces its results for the first half of 2020 and issues a business update.

Philippe GENNE, Chairman and Chief Executive Officer of Oncodesign, says: *“Within a context marked by an unprecedented global public health crisis in the first semester, Oncodesign has deployed a business continuity plan that has enabled to remain operational to serve clients, drive projects forward and continue the strategic development. The Group has shown resilience, with operating revenue of €18.1 million and a net profit at June 30, 2020. Our total revenue, on a like-for-like basis (excluding upfront and milestone payments), of €11.8 million in the first half of 2020 has held up, with a record cash position of €19.9 million. The first half was also marked by the success of our collaboration with Servier's laboratories on the LRRK2 project that provided us with a €1 million milestone payment. The RIPK2 project with its First-in-class ODS 101 inhibitor, is following its development plan to the letter, and its IND is still scheduled for June 2021. We are now equipped to meet the targets we have set for 2023: i.e. pursue the clinical development of our drug candidates, support the development of Drug Discovery while consolidating our multi-year Drug Development service partnership offer (DDSA) and Integrated Drug Discovery (IDDS) offer to drive Service revenue and EBITDA growth. The Oncodesign teams and I are more than ever focusing on the Group's future, as illustrated by the stakes recently acquired by members of the Company's Senior Management team”.*

Arnaud LAFFORGUE, Chief Financial Officer of Oncodesign, continues: *“From the start of the year, we implemented the growth plan for the next five years and structured our company into three Business Units. Lastly, despite this unprecedented context in which Business Development has been directly penalized, we have recorded a 14% increase in incoming orders compared to last year, to €11.6 million, driven by the signing of a number of multi-year contracts in Asia and Europe. Also, in the first half of the year, we have launched the integrated Drug Discovery service offer, DRIVE, including in partnership with Chinese company Hitgen, and a new service offer dedicated to COVID-19 in association with IDMIT, providing a response to the high level of demand on this market, the latter leading to a substantial order book with revenue prospects on this offer in the second half of 2020. In addition, for the first time, the income statements of 2 main BUs are presented, namely the Service BU and the Biotech BU for the first half of 2020 compared to the homogeneous figures for the first half of 2019 in order to better highlight the performance and challenges of its activities.”*

€ millions <i>Consolidated figures under French accounting standards</i>	H1 2020	H1 2019
Sales	11.81	14.10
Other revenue	6.29	5.96
Total operating revenue	18.10	20.06
Operating expenses	(18.42)	(19.55)
Operating profit	(0.32)	0.51
Financial income and expenses	(0.25)	(0.19)
Exceptional income and expenses	0.24	(0.11)
Income Taxes	(0.13)	0.03
Share of profit/(loss) from associates	-	-
Amortization of goodwill	0.50	0.50
Attributable net profit	0.04	0.73
Cash position (at June 30)	19.9	13.3

First-half 2020 financial results

The Group generated revenue of €11.8 million in the first half of 2020, down 16% compared with H1 2019, due to both the decrease in Biotech revenue, with a milestone payment of €1 million in H1 2020 versus an upfront of €3 million over the same period last year, and, for the Service revenue, resulting from the public health crisis.

Other operating revenue, which totaled €6.29 million in the first half, was up by 5.5% compared with the first half of 2019, and consisted primarily of the following:

- the subsidy received from GSK, within the framework of the acquisition of the François Hyafil center, which amounted to €3.96 million in the first half of 2020 (6 months pro rata temporis). The final payment was carried out in January 2020;
- the 12% increase in French and Canadian Research Tax Credit to €1.66 million, directly associated with investments in internal programs (RIPK2, MNK1/2) and on AI.

Operating expenses totaled €18.42 million, down because of the reduction in variable costs such as purchases of external subcontracting services and business trips because of the pandemic. Personnel expenses were stable at €9.2 million (+1.3%) as a result of the decision taken at the start of the year, given the first effects of the pandemic on the economy, to freeze all wage increases that normally take place at this time of the year. However, it is worth noting the effect of the full presence over the first half of the year of the new staff recruited during the second half of 2019, i.e. an additional 9 people.

Research & Development investments amounted to €5.41 million in the first half of 2020, versus €4.0 million at June 30, 2019. This acceleration in spending (+35%) was primarily associated with the RIPK2 program's regulatory preclinical phase, entirely financed by Oncodesign.

Thanks to good management of operating expenses, down €1.1 million (-6%), **there was an operating loss of -€320k**, a controlled decrease of €830k compared with the first half of 2019 in view of the investment efforts undertaken over the period.

The net profit remained close to zero (+€40k), despite a financial income deteriorated due to the effect of exchange rate fluctuations (US\$) for €125k. In addition, the restatement of goodwill, following the sell and lease-back of the *Les Ulis* building, enabled income of €500k to be recognized in consolidated accounts.

Cash position

The Company had cash and cash equivalents of €19.9 million at June 30, 2020, a substantial increase of +50% compared with June 30, 2019 (€13.3 million) despite the Group's considerable R&D investments. This figure includes the €1.0 million milestone payment received from Servier, the €7.92 million GSK subsidy received for 2020 and the Research Tax Credit for 2018 (€3.5 million not redeemed at the end of 2019 and regularized in April 2020) and 2019, €3.2 million and usually received at the end of the following year. Lastly, it should be noted that this cash position was achieved without, as yet, incorporating the State-Guaranteed Loan.

First-half 2020 business update and outlook

SERVICE BU

Income Statement - Service BU Data in millions of euros	H1'20	H1'19	Évolution
Sales	14.00	13.76	+ 1.8%
Direct costs	(2.85)	(2.86)	- 0.3%
Gross margin	11.16	10.90	+ 2.3%
Internal costs	(9.56)	(10.18)	- 6.1%
Net margin	1.60	0.72	+ 121.6%
Other costs and revenues	(0.93)	(1.87)	- 50.0%
EBITDA	0.67	(1.15)	+1.8M€

Following completion of the new organization, the Service BU, which has 203 employees, realizes a total revenue of 14M€ by cumulating the "External" revenues corresponding to the sales realized with Oncodesign's customers, and the "Internal" revenues¹ carried out for the execution of work related to our therapeutic projects for the Biotech BU (RIPK2, LRRK2, MNK1/2). It is stable compared to last year at the same date (+260 K€).

- External revenues amounted to €9.03 million over the period, a decrease of 10% in the first half of the year, following the economic slowdown associated with the global health crisis. Oncodesign SA (worldwide clients excluding the USA and Canada) recorded a 13.6% decrease in revenue to €7.71 million, while revenue generated

¹ Internal revenues are neutralized in consolidated data since they are offset by direct costs in the Biotech BU's income statement

in North America (USA and Canada) remained dynamic, increasing by 18.4% to €1.4 million. The latter's growing weight – with it now accounting for 16% of revenue compared to 10% in 2019 – demonstrates its strategic role for the Service Business Unit, thus justifying its development over the coming years. Moreover, activity recorded in Asia (Japan and South Korea) has also grown rapidly over the last 3 years, with this region now accounting for 7% of total first-half 2020 revenue compared to just 2% in 2018. This international development reflects the substantial investments undertaken by the Company, and notably the strengthening of the sales teams.

- Internal revenues increased by 30% to almost €5 million following the acceleration of our programs for the Biotech BU.

In terms of EBITDA, the BU achieves an increase of €1.8 million to reach €0.67 million in the first half of 2020, representing an improvement in EBITDA margin of 13.1% from -8.3% to +4.8% (thanks to good cost control and increased productivity as a result of the new BU organization). This performance illustrates the Service BU's ability to improve its operational performance by optimizing its productivity and internal organization. These figures give us confidence in the Service BU's ability to achieve its profitability objectives at term.

The objectives of the Service BU are to accelerate the development of the sale of integrated and long-term service contracts for growth in Service revenues and EBITDA.

A COVID-19 offer has been developed in association with IDMIT. This offer is seeing very high demand in the current context, particularly as few companies have the infrastructure and expertise to undertake this type of service. This offer has promising revenue potential, both for the short term in H2 and for the coming years.

Impact of the Covid pandemic: the activation of our Business Continuity Plan and the continuation of activity on our sites and in our laboratories allows us to undertake the work entrusted to us by our clients. To date, we have not recorded widespread order cancellations from our clients. The procurement of supplies is still possible for most of our consumables/raw materials; delivery times are occasionally longer but this isn't blocking our work. Lastly, the nature of our portfolio of offers, notably multi-year programs, guarantees us a level of recurrent activity scheduled over the long term. In contrast, the booking of orders for one-off and non-recurrent offers could be penalized, with the cancellation of conferences and ongoing travel restrictions impeding the fieldwork of our sales staff, without us currently being able to assess the precise impact.

Oncodesign's 2023 targets are notably, for the Service BU, to achieve revenue of €50 million and EBITDA of between 15% and 20%.

BIOTECH BU

Income Statement - Biotech BU	H1'20	H1'19
Data in millions of euros		
Sales	2.78	4.00
Direct costs	(5.71)	(5.58)
Gross margin	(2.93)	(1.58)
Internal costs	(0.42)	(0.97)
Net margin	(3.34)	(2.55)
Other costs and revenues	0.02	0.43
EBITDA	(3.32)	(2.12)

Biotech revenues consist mainly of the sale of partnerships and licensing resulting from Nanocyclix: so in the short term from Up-fronts / Milestones and the coverage of research costs of the Servier Partnership for LRRK2. Thus, its sales reached €2.8 million in the first half of 2020, versus last year's figure of €4 million that included the initial €3 million payment by Servier, within the framework of the strategic partnership sealed in March 2019 to develop LRRK2 kinase inhibitors as a treatment for Parkinson's Disease. Revenue relating to work on LRRK2 increased by +78% to €1.8 million and the program is progressing rapidly in accordance with its initial schedule.

Costs in the Biotech BU are under control thanks to our efforts to rationalize our expenses, in connection with the new allocation of scientific staff and the control of our purchases.

However, the medium-term trend of this BU, whose programs are progressing according to their development plan, should enable it to achieve milestones in the coming semesters.

The objectives of the Biotech BU are to continue to ensure the ramping up of our pipeline via the selection of, on the one hand, kinase inhibitor drug candidates resulting from Nanocyclix technology and, on the other hand, external opportunities on other targets.

Biotech's prime focus is to develop the maturity of our therapeutic pipeline by taking our molecules to the clinical development stage: RIPK2, LRRK2 and MNK1/2 inhibitors in oncology.

At the end of 2019, the substantial investment efforts undertaken in R&D enabled Oncodesign to select a First-in-Class drug candidate, a RIPK2 kinase inhibitor, for autoimmune and inflammatory diseases, which represents a first step in the creation of expected value. As a reminder, Oncodesign initially planned to finance the development of ODS 101 up to the IND (significant risk-limiting step on the inhibitor by regulatory multi-species toxicity studies), programmed in June 2021, while looking for a Pharma partner.

In February 2020, Servier and Oncodesign announced that they had reached a major milestone several months ahead of schedule, within the framework of their strategic partnership in the research and development of drug candidates to treat Parkinson's disease (LRRK2 program). Oncodesign received a first milestone payment of €1 million associated with the program's first success.

Moreover, discussions are ongoing with new partners to enable the resumption of the clinical development of the mutated EGFR radiotracer. Regarding the partnership with Bristol-Myers Squibb (BMS), after the internalization of the program at the end of 2018, the company decided to stop the program for toxicity reasons related to the target. The intellectual property concerning the molecules has been returned to Oncodesign, which is free to exploit them. Lastly, the MNK1/2 program is continuing to move forward, the aim being to reach the pre-candidate stage by the end of 2020.

Impact of the Covid pandemic: for the Biotech Business Unit, as a result of our autonomy on work programs, the pandemic has had little impact on our activity or the ramping up of our pipeline. However, we are observing a slowing down of Big Pharma decision-making and therefore partner research processes for RIPK2.

Oncodesign is aiming to take 3 products to the clinical phase by 2023.

ARTIFICIAL INTELLIGENCE BU

The objective of the AI BU is to continue the development of our strategic technological pillars using AI: structure the Precision Medicine platform of the 21st century

On the basis of the Oncosnipe™ project, whose launch 3 years ago initiated the application of AI technologies to the detection of new therapeutic targets and enabled the creation of an internal center of expertise on this subject, a third Business Unit dedicated to Artificial Intelligence was created in April 2020, under the direction of Stéphane Gérard.

Impact of the Covid pandemic: the Oncosnipe™ project was penalized by the public health crisis in the first half, as it relies on a clinical trial whose patient enrollments had to be suspended during this period. In return, we opened 5 new clinical centers and received the associated BPI subsidy of €0.4 million at the end of June within the framework of the PSpC competitive cluster structuring project.

This BU is aiming to build, by 2023, a platform to identify and validate new therapeutic targets and to increase the Drug Discovery process' reliability and reduce its development times, while developing revenue streams by providing research services to industry.

Oncodesign's first-half 2020 financial report is available in French on the Company's website:
www.oncodesign.com

Next investor meeting: *Investir - Direct Dirigeants* event in Paris on Tuesday October 6, 2020

About ONCODESIGN: 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 \$65 billion by 2027 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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