

Oncodesign announces its results for the first half of 2021



- Turnover up by 34% at €15.9M in the first half of 2021
- Stable operating income and revenue of €18.4M (+2%) despite the discontinuation of the GSK subsidy as of this year (€3.9M in the first half of 2020)
- Continued investment in R&D at €5M in the first half of 2021, particularly in the context of the Biotech BU, mainly on the RIPK2 program (€3.7M)
- Net profit/loss at break-even point (-€0.1M)
- Service BU turnover for external customers up sharply by 40% at €12.6M
- 12% EBITDA for the Service BU (€1.8M) in the first half, showing an impressive increase
- Service BU order book up by 33% at €15.5M, guaranteeing a record total stock of €16.2M to be produced
- In 2022, Oncodesign's research will have allowed two kinase inhibitors to move on to clinical trials; one developed directly against RIPK2, and the other in partnership with Servier against LRRK2
- Cash position of €27M at June 30, 2021

In Dijon, France, on September 16, 2021, at 06:00 pm – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specializing in precision medicine, announces its results for the first half of 2021 and takes stock of its activities.

Philippe Genne, Chairman and CEO of Oncodesign, states: *"In what has been a complex period for the entire world, Oncodesign has demonstrated its extreme agility and the relevance of its business model, as well as the organic growth of its turnover combined with improvements to the profitability and productivity of the Service BU, thus ensuring the sustainability of the company. Oncodesign's turnover increased by 34%, with operating income and revenue of €18.4M, up slightly by 2% compared with 2020, smoothly taking over from the payment of the €3.9M GSK subsidy at the same period last year and enabling us to break even with regards to our net profit/loss (-€0.1M€). The growth demonstrated in the Service BU's turnover is the result of strong demand from our customers (sales +40%, order book +33%). The Service BU's EBITDA increased sharply to €1.8M, i.e. an EBITDA margin of +12% compared with less than 5% in the first half of 2020, which is well ahead of our objectives of achieving market standards of 15% to 20% in 2023. Furthermore, our R&D investments have been focused on the regulatory development of the RIPK2 project and have therefore been outsourced to specialized service providers. We will have two molecules from our clinical research in 2022, which is in line with our objectives as well. The Artificial Intelligence BU teams are working to develop our platform for selecting new therapeutic targets, with experimental validation of the first targets expected by the end of the year."*

Arnaud Lafforgue, Chief Financial Officer of Oncodesign, adds: “Our cash flow remains very high at €27M, which includes the French State-guaranteed loan of €16M. The first half of the year was notably marked by the receipt of the 2020 Research Tax Credit of almost €3M. This cash position allows us to calmly address our objectives: our RIPK2 program moving on to Phase 1, the external growth of our Service BU to drive the growth of the business towards €50M in turnover in 2023, and the continued development of our AI BU. Additionally, all the measures implemented by the government as part of the recovery plan are also a very positive sign of the Group’s ability to finance its development in the coming years. For the second half of the year, sales momentum is important, as evidenced by the 33% order book increase. Simultaneously, demand for COVID-19 studies is still not drying up and has enabled us to reach a record total stock level of €16.2M. The indicators show that this growth is expected to continue at the same pace throughout the rest of the year.”

Oncodesign Group - Income Statement

In €M Consolidated data	First half - '21	First half - '20	Evolution	
			In %	In value
Turnover	15.9	11.8	+34%	+4.1
Other operating income and revenue	2.5	6.3	-60%	-3.8
Total operating income and revenue	18.4	18.1	+2%	+0.3
Goods and raw materials purchased	(8.4)	(7.6)	+11%	-0.8
Personnel expenses	(9.1)	(9.2)	-1%	+0.1
Other operating expenses	(0.2)	(0.1)	+62%	-0.1
Taxes and duties	(0.5)	(0.5)	-16%	+0.1
Net changes in amortization and depreciation	(0.8)	(0.9)	-12%	+0.1
Total operating expenses	(19.0)	(18.4)	+3%	-0.6
Operating profit/loss	(0.6)	(0.3)	+98%	-0.3
Financial income and expenses	(0.0)	(0.3)	-	+0.2
Extraordinary income and expenses	(0.0)	0.2	-	-0.3
Taxes on profits	0.1	(0.1)	-	+0.2
Reversal of amortization	0.5	0.5	-	-
Consolidated net profit/loss	(0.1)	0.0	-	-0.2
Non-controlling interests	-	-	-	-
Net profit/loss (Group share)	(0.1)	0.0	-	-0.2

Financial results for the first half of 2021

Group turnover in the first half of 2021 amounts to €15.9M, which is up by 34% compared with the first half of 2020 thanks to the double effect of the increase in turnover for both the Service BU (+40%, at €12.6M) and the Biotech BU (+16%, at €3.2M), including the payment of €2M made by Servier for the latest milestone in the selection of the LRRK2 inhibitor drug candidate.

Other operating income and revenue, which amounted to €2.5M in the first half, fell by €3.9M, corresponding to the discontinuation of the GSK subsidy (*prorata temporis*) compared with the first half of 2020. Other income and expenses, including the Research Tax Credit (€1.7M), remained stable.

Operating expenses, amounting to €19M, increased by 3%. This increase is partly due to the recovery in turnover growth, with goods and raw materials purchased increasing by 11%, particularly purchases of external subcontracting services and other operating expenses, and business travel resuming. On the other hand, we are continuing to control the payroll, which remains stable; we are managing to maintain our existing workforce numbers as the business grows through productivity gains and the better allocation of resources internally.

Investments in Research and Development represent €5M in the first half of 2021, compared with €5.4M as at June 30, 2020. This effort is a priority for preparing the future of the Group, and is mainly based on the RIPK2 program, which alone represented €3.7M in investments in external services in the first half. As already announced, the MNK1/2 program was abandoned due to the lack of short-term results. The other promising area of investment for the Group is the AI BU, in which Oncodesign invests in human resources, infrastructure and data.

As a result of the combined effect of the sharp increase in turnover and cost control, our **operating profit/loss was -€0.6M** compared to -€0.3M last year.

Oncodesign managed to break even once again in this first half, with net profit/loss of -€0.1M, and financial income, extraordinary profit/loss and reversals of amortization (restatement of goodwill resulting from the sell and lease-back of the Ulis building showing an income of €500K in the consolidated financial statements) varying only slightly overall compared to last year.

In terms of both operating profit/loss and net profit/loss, Oncodesign demonstrated the strength of its model through the record growth in its external Service BU turnover (+40%) with an EBITDA of 12% making up for the loss of revenue caused by the discontinuation of the of GSK operating subsidy. The Group's ability to achieve a profitable turnover will offset the discontinued subsidy by the end of the year, and even more so by 2023, without forcing the Group to reduce its R&D investments and ambitions.

Furthermore, the Group was subject to an accounting audit for the 2016, 2017 and 2018 financial years regarding the Research Tax Credit; this audit is currently in progress and only covers a total of €50K. Additionally, the company has benefited from the conclusions of the dispute regarding the qualification of the Ulis building, and the consequences in terms of Property Tax and the Company Property Contribution.

Cash flow

Available cash as at June 30, 2021 amounted to €27M, up by 7% compared to June 30, 2020, without slowing the pace of the Group's R&D investments. It should be recalled that this cash flow includes the 2020 Research Tax Credit of €3M and the French State-guaranteed loan of €15.9M, but not the €2M milestone paid by Servier (expected in September 2021).

Service BU: External turnover up sharply by 40% and EBITDA at 12%

Service BU - Income Statement

In €M Analytical data	First half - '21	First half - '20	Evolution	
			In %	In value
External turnover	12.6	9.0	+40%	+3.6
Internal turnover	2.4	5.0	-52%	-2.6
Turnover	15.0	14.0	+7%	+1.0
Direct costs	(3.2)	(2.8)	+12%	-0.3
Gross margin	11.7	11.2	+5%	+0.6

Internal costs	(9.1)	(9.6)	-5%	+0.5
Net margin	2.6	1.6	+65%	+1.0
Other costs and income	(0.9)	(0.9)	-6%	+0.1
EBITDA	1.8	0.7	+165%	+1.1

The Service BU achieved a total turnover of €15M by combining the “external” turnover, corresponding to the turnover generated with Oncodesign customers, and the “internal” turnover,¹ generated through the execution of work related to our therapeutic projects via the Biotech BU.

More specifically, external turnover increased by 40% to reach €12.6M, and internal turnover for our Biotech BU amounted to €2.4M. It should be recalled that, since the selection of ODS 101, the molecule has entered the regulatory development phase, meaning that investments are devoted mainly to external services and are therefore no longer considered as part of the internal turnover of the Service BU. The internal resources mobilized for the Biotech BU’s programs have thus been divided by two, from approximately 40 FTE² to around 20 FTE. These additional resources support the strong growth in external turnover of the Service BU and the profitability of the company.

EBITDA amounted to 12%, i.e. €1.8M, up sharply by €1.1M compared with the first half of 2020, thus coming close to market standards for a Service activity. For the second consecutive year, this strong growth illustrates the Service BU’s ability to improve its operational performance by optimizing its productivity and internal organization and confirms the beneficial effects of the new organization implemented within our BUs.

This trend, once again confirmed, further reaffirms our ability to reach EBITDA levels of 15% to 20% in 2023 (excluding the Research Tax Credit).

The impressive growth observed in the Service BU’s order book (+33%) in the first half, following that of 2020 (+33%), is a very strong indicator of the sustainability of the company’s organic growth. The healthcare industry massively outsources its R&D to technology enabled CROs. Oncodesign is particularly well positioned in this field.

Based on this observation, our attention is focused on external growth to accelerate our development, with our innovation model supporting our acquisition strategy.

The Service BU’s objectives remain the same: to accelerate the development of the sale of integrated, long-term service contracts in order to ensure growth in the Service BU’s turnover and EBITDA. Oncodesign’s objectives for 2023 are, in particular, for the Service BU to achieve a turnover of €50M, and EBITDA levels of between 15% and 20%.

Biotech BU: Turnover up by 16% and controlled expenditure

Biotech BU - Income Statement

In €M Analytical data	First half - '21	First half - '20	Evolution	
			In %	In value
Turnover	3.2	2.8	+16%	+0.4
Direct costs	(3.7)	(5.7)	-35%	+2.0
Gross margin	(0.5)	(2.9)	-84%	+2.4

¹ Internal turnover is neutralized in the consolidated data since it has its counterpart in direct costs in the Biotech BU’s Income Statement.

² Full-Time Equivalent

Internal costs	(0.4)	(0.4)	+5%	-0.0
Net margin	(0.9)	(3.3)	-72%	+2.4
Other costs and income	0.4	0.0	+1318%	+0.3
EBITDA	(0.6)	(3.3)	-83%	+2.7

The Biotech BU's turnover consists mainly of the sale of early partnerships targeting kinase inhibitors, and licensing agreements based on our portfolio: in the short term, up-fronts and/or milestones and covering the research costs of the Servier LRRK2 Partnership.

In the first half of 2021, the Biotech BU's turnover amounted to €3.2M, including the payment of the €2M milestone and research expenditure made by Servier, as part of the strategic partnership signed in March 2019 for the development of LRRK2 kinase inhibitors for Parkinson's disease. Servier has selected a drug candidate for this program and is directly responsible for the next stages of development with the objective of moving this candidate to Phase 1 in June 2022. These next steps will result in significant new milestones being paid.

The RIPK2 program is coming along, with Oncodesign having notably provided the back-up program and validated the follower compounds³. No major problems related to the toxicity of the product likely to stop development have been identified to date. After intensive discussions with several pharmaceutical companies, Oncodesign has chosen to develop this promising compound internally through to Phase 1, which will take place in 2022. Funding for the next steps has already been secured; the remaining objective is to ensure the out-licensing of the compound under the best conditions.

The recovery of all intellectual property rights relating to the Florepizol radiotracer opens a new window of opportunity to license this compound. The product portfolio will refocus on oncology, with the discovery of new kinase inhibitors, systemic radiotherapy compounds and in-licensing.

The objectives of the Biotech BU are: to continue to ensure the ramp-up of the pipeline through, on the one hand, the selection of kinase inhibitor candidate drugs derived from Nanocyclix® technology and, on the other hand, external opportunities on other targets. Oncodesign aims to have three products entered into clinical trials by 2023.

Artificial Intelligence BU

AI BU - Income Statement

In €M Analytical data	First half - '21	First half - '20	Evolution	
			In %	In value
Turnover	-	-	-	-
Direct costs	(0.1)	(0.2)	-68%	+0.1
Gross margin	(0.1)	(0.2)	-68%	+0.1
Internal costs	(0.3)	(0.3)	+5%	-0.0
Net margin	(0.4)	(0.5)		
Other costs and income	(0.0)	(0.0)	+391%	-0.0
EBITDA	(0.5)	(0.5)	-14%	+0.1

³ Back-up and follower compounds are molecules that have the same mode of action on RIPK2 and fall respectively within the same chemical genus as the lead candidate or a different chemical genus, thus de-risking the program.

With the aim of developing a platform for selecting new therapeutic targets and commissioning it by the end of 2021, Oncodesign continues to invest in human resources (with an existing team of seven and the expected recruitment of two new employees) as well as equipment and data. The OncoSNIPE project (Investments for the Future Program PSPC/2017) is forging ahead with the sustained recruitment of patients for the three selected indications (lung, breast, pancreas). This observational trial makes it possible to collect quality data in order to quickly train algorithms and isolate populations of resistant patients. To date, Oncodesign has structured the process for selecting new targets internally. Since the launch of the OncoSNIPE project in 2016 and the creation of the AI BU in 2020, a total of €4M has been invested in AI, funded entirely by the Group.

This BU aims, by 2023, to build a platform for identifying and validating new therapeutic targets, to improve reliability and reduce the time needed for the Drug Discovery process, all while developing its turnover within the industry.

Oncodesign's mission is to discover effective therapies to fight cancer thanks to its precision medicine platforms and innovative model, and through three strategic activities: Experimentation, Discovery and Etiology. Each BU brings its own respective technology to the table with the aim of generating innovative therapeutic products and targets, and thus fulfilling Oncodesign's mission together.

Oncodesign's three techno-scientific challenges for 2025 are:

- To develop an innovative and effective drug discovery platform based on precision medicine
- To constitute a portfolio of therapeutic products focused on oncology
- To build an effective platform for selecting new therapeutic targets in oncology

Oncodesign's economic model is built upon the various business models implemented in its BUs, each in line with specific markets. This integrative vision lies at the very foundation of our ability to adapt and affords us extreme agility in an ever-evolving environment.

The 2021 Half-Year Financial Report will be available on the company's website www.oncodesign.com on Thursday, September 30, 2021. *The consolidated financial statements have been reviewed; the Statutory Auditors' report will be issued shortly.*

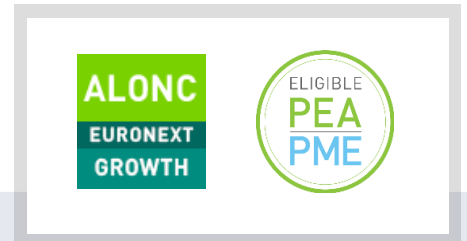
Next Investor meetings:

- Investor Access – September 27-28, 2021
- European Midcap Event – October 21-22, 2021
- VFB – October 23, 2021
- Investir Day - Paris – November 23, 2021

About ONCODESIGN: www.oncodesign.com

Oncodesign is a biopharmaceutical company dedicated to precision medicine, founded in 1995 by its current CEO and majority shareholder, and has been listed on Euronext Growth Market since April 2014. Its mission is the discovery of effective therapies to fight cancer and other diseases without therapeutic solutions. With its unique experience acquired by working with more than 800 clients, including the world’s largest pharmaceutical companies, along with its unique technological platform combining Artificial Intelligence, state-of-the-art medicinal chemistry, pharmacology, regulated bioanalysis, medical imaging, Oncodesign is able to select new therapeutic targets, design and develop potential preclinical candidates through to clinical phases. Oncodesign has configured its organization to offer innovative services to its customers and to license its proprietary molecules. 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 global pharmaceutical groups. 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 within 3 Business Units (BU): Service, Biotech, Artificial Intelligence and subsidiaries in Canada and the USA. www.oncodesign.com

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