

Oncodesign: 2018 Annual Results

- Strong growth in operating revenue for the second year in a row: 27% to €32.76 million
- Improvement in operating income and net result by 12.5% and 37% respectively, thanks to tight cost control and optimization of R&D spending on the most promising strategic projects
- €10.1 million in net cash at December 31, 2018
- Turnover target confirmed of €40 million in 2020, including €30 million related to the Service activity

Dijon, France, April 11, 2019 at 6:30pm CEST – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specialized in precision medicine, is announcing its 2018 results and its outlook for 2019.

“For the second year in a row, our operating revenue recorded a very strong increase of 27%, supported by the steady increase of the turnover since the acquisition of the GSK research center at Les Ulis in 2016. The performance of the Service business is now a reality mainly thanks to the expansion of the range of services that positions Oncodesign as a new entrant in the drug discovery services market”, commented Philippe Genne, Chairman, Chief Executive Officer and Founder of Oncodesign.

“By restructuring and strengthening our teams, we have focused our R&D efforts on the four most promising projects in our pipeline, while keeping a tight grip on our costs. Thanks to this strategic positioning, we were able not only to reduce our net loss by close to 40% but also to sign a strategic partnership agreement after the close of the 2018 financial year with the international pharma group Servier concerning the development of LRRK2 kinase inhibitors in the treatment of Parkinson’s disease. This promising collaboration confirms the pharmaceutical industry’s interest in Oncodesign’s Nanocyclix[®] technology and will enable us to devote our financial resources to advancing three other proprietary programs—RIPK2, ALK1 and MNK1”. Philippe Genne concludes: “We are confidently reiterating our target of €40 million of turnover by 2020, including €30 million in the Service activity, while we accelerate the development of our strategic programs”.

In millions of euros	2018	2017	Change
Turnover	20.09	14.31	40.4%
Other operating income	12.68	11.61	9.2%
Operating revenue	32.76	25.91	26.5%
Purchases used	(16.55)	(14.37)	15.2%
Staff costs	(15.99)	(12.87)	24.2%
Other operating expenses	(0.47)	(0.16)	190.0%
Taxes	(1.01)	(1.31)	- 22.8%
Net depreciation and amortization	(2.56)	(1.57)	63.2%
Operating income/(loss)	(3.81)	(4.36)	- 12.5%

26.5% increase in 2018 operating revenue to €32.76 million

- **2018 Service turnover up 42% to €19.05 million**

In 2018, Service turnover grew 42% to €19.05 million (up 23% at comparable structure to €14.2 million). The significant increase in Service turnover reflects the extension of the Group's range of services (immuno-inflammation and infectious disease services, ADME/bioanalysis services and integrated drug discovery services), which represent major sources of growth for future years. In the second half of 2018, Oncodesign signed its first integrated drug discovery service agreement with Galderma, Nestlé Skin Health's medical unit. The contract firmly establishes Oncodesign as a newcomer in the drug discovery services market. The Service turnover also reflect the signature of several annual and multi-year service agreements, including with Erytech Pharma and EISAI, and the boost given to the partnership with Ipsen in oncology.

- **2018 Partnership turnover up 21% to €1 million**

2018 Partnership turnover rose 21% to €1 million. The sales figure reflects the contribution made by the various ongoing partnerships, including the continuing scientific partnership with BMS, while UCB is working internally on a pharmacological tool to demonstrate the benefits of their target.

All in all, the Service and Partnership activities generated a 40.4% increase in the Group's 2018 turnover to €20.09 million.

- **Other operating income up 9.2% to €12.68 million**

Complementing its global turnover, Oncodesign recorded GSK's annual subsidy payment of €7.9 million in 2018, reflecting its acquisition of the François Hyafil center. The annual subsidy will be paid until January 2020. The second significant component of other operating income is the expected research tax credit of €3.6 million in respect of 2018. Taking these factors into account, other operating income rose 9.2% to €12.68 million.

12.5% improvement in the operating income achieved by keeping costs under tight control and focusing R&D efforts on the most promising research projects

Operating expenses rose close to 21% to €36.6 million, reflecting a very tight grip on costs given the turnover growth of 40.4%. As a result, purchases used increased by just 15% to €16.6 million, demonstrating Oncodesign's major drive to keep a lid on purchasing costs. Staff costs, which moved up 24% to €16 million, also remained under control. Moreover, the increase was chiefly attributable to the full-year impact of the Bertin Pharma staff who joined the Group in September 2017 and the new jobs created in 2018. The average annual number of employees at Oncodesign was 232 at the end of 2018, compared with 180 at the end of 2017, an increase of +28%.

R&D expenses declined 14% to €12 million in 2018, from €14 million in 2017. The Group's strategic decisions in 2018 led to a 7% reduction in purchasing costs, optimization of the teams dedicated to internal projects and refocusing of expenditure on the most promising research projects (LRRK2, RIPK2, ALK1 and MNK1/2) and collaborative projects.

The operating loss shrank 12.5% to €3.81 million from €4.4 million in 2017. This improvement reflects the introduction of a more effective pricing policy and implementation of a targeted offering that drove a steady rise in profitability, plus the refocusing of operations on the highest value-added projects. Further improvements are anticipated over the next few years.

Lastly, it is worth noting that the Service business has steadily improved its earnings contribution by generating an operating margin⁽¹⁾ of close to 30%.

In millions of euros	2018	2017	Change
Operating income/(loss)	(3.81)	(4.36)	- 12.5%
Financial income and expense	(0.25)	(0.16)	+ 61.4%
Recurring profit of fully consolidated companies	(4.06)	(4.52)	- 10.0%
Exceptional income and expense	0.11	(1.16)	- 109.7%
Income tax	(0.00)	(0.26)	- 99.7%
Net income/(loss) from consolidated companies	(3.95)	(5.94)	- 33.4%
Share of income/(losses) from associates	-	(0.07)	- 100.0%
Amortization of negative goodwill	0.80	1.00	- 20.0%
Consolidated net income/(loss)	(3.15)	(5.00)	- 37.0%
Net cash	10.1	11.5 ⁽²⁾	

Net loss reduced by close to 40%

After taking into account €0.25 million in financial expenses resulting from loan interest costs offset partially by investment income and €0.11 million in exceptional income, mainly related to site reorganization costs, the net loss from consolidated companies improved by 33.5% to €3.95 million. The reversal of the negative goodwill related to François Hyafil center trimmed these losses by €0.8 million. All in all, Oncodesign's 2018 net loss came to €3.15 million, down from €5 million in 2017. That represents a near-40% reduction in the net loss in just one year.

Net cash of €10.1 million at December 31, 2018

At December 31, 2018, Oncodesign's net cash stood at €10.1 million, compared to €11.5 million⁽²⁾ at December 31, 2017. This stable performance mostly reflects the increase in Service cash flows over the financial year, the collection of all the trade receivables from the previous financial year and the introduction of effective management tools.

¹ The operating margin tracked by Oncodesign is calculated by deducting direct external costs (purchases on Service studies) and direct internal costs (hours charged by scientific staff to the Service business) from Service sales.

² The reference net cash position for 2017 was €11.5 million (vs. a published figure of €9.8 million)

2019-2020 outlook

Oncodesign has restated its turnover target of €40 million in 2020, including €30 million from the Service business. Its roadmap is as follows:

- Continue to roll out its strategic technology drivers via its precision medicine technology platform
- Accelerate the pipeline's emergence and maturation while launching a clinical trial by year-end 2020 of one of the therapeutic compounds based on Nanocyclix technology
- Move the mutated anti-EGFR radiotracer (phase I completed) forward into phase III trials
- Increase the Service turnover by sealing several major partnerships, along the same lines as those entered into with Galderma, Erytech, Ipsen and EISAI.

Upcoming financial events:

- Knowledge for Growth 2019, Ghent, May 9
- MIDCAP Investor conference, Paris, May 14-15

Upcoming scientific events:

- ITOC6, Vienna, April 11-13
- Meet HIC, Paris, April 15
- 2nd Annual 3D Tissue Models Oncology, Boston, May 7-9
- 77th Annual SID Meeting, Chicago, May 8-11
- Meet2Win, Bordeaux, May 21-22
- Life Science R&D Innovation Summit - London, May 22-23
- Drug Discovery Summit, Berlin, June 11-12
- Bioheterocycles 2019 - XVIII International Conference on Heterocycles in Bioorganic Chemistry, Ghent, June 17-20
- WPW – World Pharma Week, Boston, June 17-20
- RICT 2019 - Interfacing Chemical Biology and Drug Discovery - 55th International Conference on Medicinal Chemistry, Nantes, July 3-5

Oncodesign's annual financial report is available on the website at www.oncodesign.com

Next report: First-half 2019 sales on July 25, 2019 (after market close)

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



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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 and UCB. 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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