

Oncodesign records positive profitability for the second straight year and doubles its operating profit within the context of the global health crisis



- **Operating profit of €1.5 million, double the 2019 figure**
- **Net profit of €2.1 million (+30%)**
- **Service revenue holds up and substantial improvement in Service BU EBITDA to 11.4%**
- **Operating income of €38.5 million (-3%), driven by 2020 Group revenue of €25.5 million (-5%), following exceptional growth of +34% in 2019**
- **Cash position of €28.8 million, including €15.9 million in State-Guaranteed Loan funding**
- **R&D efforts maintained, representing 40% of annual revenue**

Dijon, France, April 8, 2021, 6 pm CEST – ONCODESIGN (ALONC – FR0011766229), a biopharmaceutical group specialized in precision medicine, announces its FY 2020 financial results and its outlook for 2021 and beyond.

Philippe GENNE, Oncodesign’s Chairman and Chief Executive, says: “Oncodesign has not only proven its resilience and the strength of its economic model, the Company has also shown its agility, its ingenuity and its determination within the context of an unprecedented global public health crisis. Oncodesign has been able to cope with the challenges of a turbulent 2020, generating revenue of €25.5 million, similar to the figure recorded in 2019 – a record year that had seen growth of +34% - with €38.5 million in operating revenue and an operating profit twice that observed in 2019 at €1.5 million and a net profit of €2.1 million. We have achieved these results whilst maintaining our substantial R&D investments at €10.8 million, or 40% of revenue.

The Service BU recorded total revenue of €29.6 million, including €21.1 million generated with clients and €8.5 million recorded on behalf of the Biotech BU, with an EBITDA of 11.4% versus 3% in 2019. A record order book for the Service BU of €26 million (+36%, including €3 million associated with the new COVID-19 offer) is also worth noting. The substantial improvement in its EBITDA is proof of the total commitment of our teams to the strategy defined for 2023. Today, Oncodesign is capable of offering a continuum of services in Drug Discovery from patient data to the delivery of a drug candidate with its IND¹, in Oncology, Inflammation and COVID 19. Furthermore, our therapeutic approaches include chemical molecules, biological molecules and systemic targeted radiotherapy. We are well set to continue our planned growth through focused future acquisitions.

¹ Regulatory dossier prior to human investigations (IND: Investigational New Drug)

Recurring Biotech BU revenue is essentially based on the LRRK2 program undertaken in partnership with Servier laboratories, and totaled €3.4 million in 2020 versus €2.8 million in 2019, an increase of +20%. However, revenue associated with up-front/milestone payments was down, with a single milestone payment of €1 million received in February 2020 in the LRRK2 program. Our partnership with Servier is going as planned and making good progress, hinting at positive results expected in 2021. Oncodesign has opted to prioritize the development of its RIPK2 kinase inhibitor program, and notably the ODS 101 drug candidate, through to the end of the IND scheduled around mid-year 2021. Moreover, we have continued the MNK1,2 program whose objective was the selection of a preclinical candidate without as yet achieving the desired outcome according to the announced schedule, leading us to temporarily suspend this program in early 2021 in order to fully focus our investments on the RIPK2 program, consumer of important financial resources.

Artificial Intelligence is the technology chosen to support our innovation over the coming 5 to 10 years. The construction of a platform for selecting new therapeutic targets has started using data produced notably in the IMODI and OncoSnipe projects. This BU is seeking collaborative programs with public and private players to structure its activity and is not ruling out making innovation gains through external acquisitions. This technology should enable to increase the success rates and significantly shorten the development times of the Drug Discovery process (chemistry, pharmacology, DMPK...).”

Philippe GENNE adds: *“So considerable work was undertaken by the teams in 2020 to put in place, in just a few months, a new and efficient organization capable of underpinning the Company’s growth strategy. The Company is structured around three Business Units directly associated with an economic activity for the Service BU and Biotech BU and with our technological innovation efforts based on the use of AI. In these trying times, Oncodesign has been able to create the necessary momentum to achieve its ambitious 2023 targets: revenue of €50 million and EBITDA of between 15 and 20% for the Service BU, the progression of therapeutic and diagnostic programs towards the clinical phase and the integration of AI in the Drug Discovery process, notably to create a new platform for selecting novel therapeutic targets in Oncology”.*

Arnaud Lafforgue, Oncodesign’s Chief Financial Officer, concludes: *“Oncodesign’s performance this past year led to a doubling of our Operating Profit to €1.5 million despite the structure of our 2020 revenue being very different to that of 2019, as we only received €1 million in payments for reaching a milestone in the LRRK2 program compared with €3 million a year earlier, when the partnership agreement was signed. The introduction of financial management by BU has been very effective in the current uncertain environment and has enabled us to make our teams even more accountable and to clarify the real profitability of our businesses. Lastly, our cash position has reached an all-time high of €28.8 million, which allows us to approach the year with confidence and serenity”.*

Oncodesign group – Income statement

€ millions <i>Audited consolidated figures</i>	FY20	FY19	Change	
			%	€m
Turnover	25.5	26.9	- 5%	- 1.4
Other revenue and operating income	13.0	12.6	+ 3%	+ 0.4
Total revenue and operating income	38.5	39.5	- 3%	- 1.0
Purchases consumed	(16.0)	(16.9)	- 5%	+ 0.9
Personnel costs	(17.5)	(18.1)	- 3%	+ 0.6
Other operating expenses	(0.6)	(0.4)	+ 41%	- 0.2
Tax other than income tax	(1.1)	(0.9)	+ 19%	- 0.2
Net change in impairments and depreciation	(1.9)	(2.5)	- 26%	+ 0.7
Total operating expenses	(37.0)	(38.8)	- 5%	+ 1.8
Operating profit	1.5	0.7	+ 122%	+ 0.8
Financial expenses and income	(0.6)	(0.2)	+ 192%	- 0.4
Recurring profit of fully consolidated companies	0.9	0.5	+ 91%	+ 0.4
Exceptional expenses and income	(0.2)	(0.1)	+ 62%	- 0.1
Income tax	0.4	0.3	+ 47%	+ 0.1
Net profit from consolidated companies	1.1	0.6	+ 81%	+ 0.5
Share of profit from associates	-	-	-	-
Amortization of negative goodwill	1.0	1.0	+ 0%	+ 0.0
Consolidated net profit	2.1	1.6	+ 31%	+ 0.5
Minority interests	-	-	-	-
Attributable net profit	2.1	1.6	+ 31%	+ 0.5

Total revenue and operating income of €38.5 million (-3%) and turnover of €25.5million

Total revenue and operating income came to €38.5 million in 2020, a slight decrease of 3% compared with 2019, while the Group's 2020 turnover was €25.5 million, reflecting the good resistance of Oncodesign's business model, with a decrease of just 5% following the exceptional growth of +34% recorded in 2019.

The first half of 2020 was heavily impacted by the emergence of the public health crisis leading to global paralysis, the cancellation of scientific conferences, forums and the ability to meet with our clients, as well as a status quo or postponement regarding the signing of new business. We had to come up with new solutions for generating sales and marketing leads in liaison with our clients and partners (videoconferences, webinars, etc.), provide information on the business continuity plan put in place within the Company to keep our laboratories continuously open without any reduction in productivity and design – in record time – new offers including the COVID-19 offer.

In the second half of the year, our activity saw a significant upturn thanks to our ability to master digital set-ups, with web marketing campaigns, the success of the continuity plan adopted by the Company and the new Service offer regarding COVID-19 adapted to industrialists' requirements. This allowed us to reverse the trend and to maintain our turnover despite the global health crisis. In the second half of 2020, the Service BU thus generated revenue of €12 million, up +34% compared with the first half of the year (€9 million), which notably includes €1.5 million in revenue on COVID-19 studies generated in IDMIT infrastructures in partnership with the CEA related to the Covid-19 offer.

Other revenue and operating income hold up at €13 million

Other revenue and operating income totaled €13 million, up +3% compared with 2019. This figure notably includes the final payment of €7.9 million – received in January 2020 – of the GSK subsidy, following the agreement to take over the Les Ulis site, and Research Tax Credit of €4 million, including €3.2 million specifically for France. This figure varies according to our projects' eligibility for this tax credit and the split between our French or overseas clients, and lastly other revenue (capitalized production, day-to-day running income, cost transfers and reversals of provisions) totaled €1 million, a slight increase of +3%.

Operating profit doubles to €1.5 million

In 2020, Oncodesign recorded an operating profit of €1.5 million, just over twice the figure recorded in 2019.

This substantial improvement in our operating profit reflects the impact of the new BU organization, notably at Service BU level, the improvement in our profitability and good control of operating expenses, which were down 5% at €37 million in 2020 versus €38.8 million in 2019, an improvement of €1.8 million over the year.

The two main contributors to this reduction were:

- Purchases consumed, which were down 5.5% at €16 million in 2020 versus €17 million in 2019, and
- Personnel costs, which totaled €17.5 million in 2020 versus €18 million in 2019, a 3% reduction.

Part of these savings are a direct result of the public health crisis (travel expenses, partial unemployment measures, wage freeze in 2020, control of the payroll in 2020).

However, despite these effects of the pandemic, the Company has also continued its rationalization and cost-cutting efforts (efforts regarding purchases of consumables, equipment maintenance and subcontracting) and productivity efforts during the year.

Research & Development investments totaled €10.8 million despite the global economic context

Oncodesign has maintained its strong R&D efforts for the fifth straight year. For the record, since 2016, Oncodesign has invested €55 million into its programs, i.e. an average of €11 million a year.

In 2020, internal R&D investments focused on the flagship RIPK2 and MNK1/2 projects and the OncoSnipe project.

Following the selection of the ODS 101 drug candidate at end-2019, the RIPK2 program became a priority, moving into the regulatory preclinical development phase entirely financed by Oncodesign. Contrary to previous years, the work carried out requires less intervention from the Service BU than in the previous stages of lead optimization carried out internally, the work was therefore carried out by specialized subcontractors.

This program is incorporated to a lesser degree in the Service BU's internal revenue. This First-in-Class approach is of great interest to several leading Pharma and Biotech players, who are awaiting regulatory toxicology results and the IND.

The MNK1/2 program has continued its entirely internalized development through our chemistry and biology teams with the aim of selecting a preclinical candidate by the end of the year. Faced with the difficulty of achieving this result and the need to refocus on the RIPK2 program's development, in early 2021 the decision was made to temporarily suspend this program.

Moreover, all of intellectual property rights for the Florepizol project have been recovered and several discussions have been initiated with companies interested in this radiotracer.

Net profit of €2.1 million, up +30%

Oncodesign has improved its Net Profit, increasing it by 30% from €1.6 million in 2019 to €2.1 million in 2020.

Financial expenses increased primarily as a result of exchange rate losses that rose in line with the growing share of activity undertaken with our American clients. Exceptional expenses are up by +€100 thousand due to acquisition audit costs and expenses associated with the release of patents offset by exceptional income from the divestment of land on which the new building has been constructed. Lastly, the depreciation writebacks correspond to the share of goodwill associated with the lease of the Les Ulis building.

Service BU: EBITDA of 11.4%, up sharply on 2019, and total revenue of almost €30 million

The Service BU recorded total revenue of €29.6 million in 2020, a slight increase of +4% on 2019.

- External revenue totaled €21.1 million, stable compared with 2019. Following an exceptional year in 2019 with revenue growth of 34%, in 2020 Oncodesign was able to counter the effects of the global public health crisis through its international dynamism in Japan, South Korea and North America. On top of this, 2020 saw the emergence of our COVID-19 offer that alone accounted for €1.5 million in revenue.

Oncodesign is also continuing to deploy its strategy of developing new offers: InPACT and DRIVE, strategic multiyear service partnerships incorporating our Drug Discovery expertise of our technological platforms in oncology, inflammatory disorders and infectious diseases. These multiyear contracts guarantee visibility on our laboratories' medium- to long-term activity (12 to 18 months).

- Internal revenue totaled €8.5 million in 2020 and corresponds to work entrusted by the Biotech BU on our internal programs that the Service BU undertakes in full: MNK1/2 programs, back-up and followers of the RIPK2 program as well as resources expended for the LRRK2 program.

The Service BU has greatly improved its EBITDA, which now exceeds 11% in the first year of the new organization. In comparison, in 2019, when the service activity was not yet structured as a Business Unit, EBITDA was barely positive (3%).

The reduction in our expenses (Internal, Corporate and Business Development costs) was €2.3 million between 2019 and 2020. Part of this is a direct consequence of the health crisis with partial unemployment measures (-€200 thousand), rigorous control of the payroll (-€550 thousand), and savings because of the cancellation of forums, travel, etc. (-€300 thousand), i.e. a total of €1 million.

However, despite the impacts of this context, the Service BU generated €1.3 million in additional savings. This is a result of the effects of the new organization, the BU's teams being focused on the achievement of economic objectives, productivity and profitability, control of payroll and acceleration in operating savings achieved on purchases (running costs, consumables, equipment, etc..).

Service BU order book: €26 million, up +36%

This Business Unit's order book grew by +36%, booking €26 million in new orders in 2020, including €15 million in the second half of the year alone, a new record for Oncodesign.

We began 2021 with almost €13 million of revenue to realize, here again substantially up, by +52%, compared with the same time last year.

Asia and North America both significantly increased their share, accounting for 21% and 16% of the order book in 2020. Asia booked €5.4 million in orders in 2020, doubling its volume compared with 2019. North America is continuing to strengthen and accounted for €4 million in orders, versus €2.5 million in 2019 (+66%). Part of this fine sales performance can be explained by the new COVID-19 offer, launched in May 2020, which alone accounted for €3 million in orders booked in 2020, the vast majority with new clients.

Biotech BU: recurring revenue up +20% and further investments to take 3 drug candidates to clinical stage by 2023

The Biotech BU's recurring revenue (LRRK2 program) totaled €3.4 million in 2020, compared with €2.8 million in 2019, an increase of +20% essentially due to the "full-year" effect of the partnership in 2020 (the partnership was initiated in March 2019), but also to an acceleration in the program on the initiative of Servier laboratories.

Regarding revenue associated with up-front/milestone payments, the LRRK2 program, which targets Parkinson's disease, is progressing well and has reached a milestone of €1M received in February 2020 several months ahead of the initial target against €3M upfront at signature in March 2019.

The increase in direct costs corresponds to spending attributable to the Biotech BU to finance work on our programs: the RIPK2 inhibitor ODS 101 is at the stage of IND-enabling regulatory studies prior to the clinical investigations in men and saw an acceleration in external spending in 2020 of almost €1.7 million, this spending being internal in 2019, as well as services purchased from the Service BU.

Artificial Intelligence BU: initiation of its own activity, the aim being to increase the reliability of and shorten the Drug Discovery process

Created during the first half of 2020, the Artificial Intelligence BU has not yet developed revenue. Its direct costs specifically relate to the IMODI and OncoSnipe collaborative programs. Its internal costs comprise its team of specialists (7 data scientists) organized around the AI BU from early 2020 and the costs of its dedicated IT infrastructures.

This Business Unit is to support the innovation of "Drug Discovery" activities through the development of a platform for selecting new therapeutic targets in Oncology and increase the efficiency and success rate of this process. The AI BU is aiming to generate revenue of €5 million by 2023.

Cash position at December 31, 2020: a new record high

Oncodesign's cash position has reached a new record high of €28.8 million, a figure that includes €15.9 million in State-Guaranteed Loans granted in September 2020. Excluding this State-Guaranteed Loan financing, the Company's cash position would thus have been €12.9 million at December 31, 2020 versus €10.5 million at December 31, 20.

2021 outlook

For the current financial year, the Service BU's objective is to restore its revenue growth rate from before the 2020 crisis. In this respect, initial Q1 2021 elements allow us to be optimistic: the order book of €7.4 million is up +26% compared with 2020, and revenue of this year is moving towards growth of close to +20%. The teams are actively working on the identification and selection of external growth acquisition targets for this year.

Regarding the Biotech BU, as previously indicated, a number of large and medium Pharma companies are showing considerable interest in our RIPK2 program as we await the results of the regulatory toxicology phase and the IND application. Similarly, the LRRK2 program with Servier is continuing to progress to the drug candidate stage with significant potential associated milestones. These two programs were built during 2020 around a lead drug candidate, and de-risked by the implementation of the "Fast Followers" and "Backups" series strategy.

The Biotech team is also working to ink new early partnerships on programs associated with Nanocylix® which remains of great interest in several therapeutic areas. Regarding MNK1/2, for 2021 Oncodesign has made the decision to temporarily suspend this program in order to focus its resources on RIPK2. Lastly, the Florepizol project (radiotracer) is leading to discussions with a number of companies interested in financing phase III, that could eventually generate revenues for Oncodesign. It should be noted that Oncodesign has recovered all its industrial property rights to date on Florepizol.

The AI BU is continuing its development by expanding its team and expertise. Structuring public and private partnerships are being discussed around the selection of new therapeutic targets, based on assets developed over the last 4 years by Oncodesign.

Early 2021, Oncodesign has taken possession of a building newly built next to its research center in Dijon to house its head offices (corporate and support functions) and the Biotech and AI dedicated teams.

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 Servier. 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.

oncodesign.com



contacts

Oncodesign

Philippe Genne
Chairman and CEO
Tel. : +33 (0)380 788 260
investisseurs@oncodesign.com

NewCap

Investor Relations
Mathilde Bohin / Louis-Victor Delouvrier
Tel. : +33 (0)144 719 495
oncodesign@newcap.eu

NewCap

Media Relations
Arthur Rouillé
Tel. : +33 (0)144 710 015
oncodesign@newcap.eu

Disclaimer

This press release contains certain forward - looking statements and estimates concerning the Company’s financial condition, operating results, strategy, projects and future performance and the markets in which it operates. Such forward-looking statements and estimates may be identified by words such as “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “is designed to,” “may,” “might,” “plan,” “potential,” “predict,” “objective,” “should,” or the negative of these and similar expressions. They incorporate all topics that are not historical facts. Forward looking statements, forecasts and estimates are based on management’s current assumptions and assessment of risks, uncertainties and other factors, known and unknown, which were deemed to be reasonable at the time they were made but which may turn out to be incorrect. Events and outcomes are difficult to predict and depend on factors beyond the Company’s control. Consequently, the actual results, financial condition, performances and/or achievements of the Company or of the industry may turn out to differ materially from the future results, performances or achievements expressed or implied by these statements, forecasts and estimates. Owing to these uncertainties, no representation is made as to the

correctness or fairness of these forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates speak only as of the date on which they are made, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except as required by law.