



ONCODESIGN

| Healthcare
| Biotech

CORPORATE

Fair Value EUR13
Share price EUR7.76
EPS 3Y Cagr NM

On track to reach 2020 revenue target

Strong growth in revenues and tight control of costs

Oncodesign has reported a strong 2018 with another a significant increase in revenues (+27% y-on-y). In the meantime, the company has managed to lower its costs while optimizing its R&D spending (-13.6% y-on-y), allowing it to improve significantly both operating income and net result (+12.5% and +37%, respectively). While management has not guided to a breakeven horizon, we believe that Oncodesign should report a positive net result as of next year (note our forecasts include one-off upfronts and milestones). Supported by growth of both business lines (Service and Partnership & Licensing), we believe that the company is well on track to achieve its revenue target of EUR40m of turnover by 2020, excluding one-offs and including EUR30m brought by the Service business.

Service business remains Oncodesign's powerhouse

Indeed, this activity has grown by 42% y-on-y (+23% y-on-y at comparable structure) supported by the extension of Oncodesign's range of services (as reported in our initiation report), especially in Integrated Drug Discovery Services (IDDS), a USD14.5bn market. In 2018, the company has announced a multi-year service partnership agreement with Galderma, aimed at validating new therapeutic targets and generating new skincare drug candidates. While the financials have not been disclosed, we see this partnership as a confirmation of Oncodesign's ability to sign this kind of contract allowing it to consolidate its position as a key player in this field. On top of that, this growth also reflects the signature of several annual and multi-year service agreements, including with Erytech Pharma and EISAI.

Collaboration with Servier is a big win for the Licensing franchise

While 2018 Partnership revenues rose 21% to EUR1m thanks to current collaborations with UCB and BMS, we believe that the main achievement of the Partnership & Licensing franchise is the recently-announced collaboration with Servier in Parkinson's disease on an LRRK2 inhibitor derived from the Nanocyclix platform. With a EUR3m upfront payment and EUR320m in potential milestones (+ eventually sales royalties), it is the most significant deal in Oncodesign's history. On top of that, the company is entitled to EUR3m of annual funding for conducting the research program up to the selection of preclinical candidates.

What's next in 2019?

We believe that the current growth in the Service business should continue this year, supported by the industry-wide R&D outsourcing trend that should lead to almost half of drug discovery spending being outsourced by 2020. On top of that, we expect further news on the current collaborations with BMS and UCB, as well as additional details on the anti-EGFR radiotracer, historically developed with Cyclopharma. We reiterate our FV of EUR13 per share.

Market Data

Bloomberg / Reuters	ALONC FP/ALONC.PA
Market Cap.	EUR52,908k
E.V.	EUR52,911k
Free Float	-
Avg. Daily volume (6m)	5.20
12m high / low	EUR11.3 / EUR6.3
Ytd Perf.	18.7%

EURK	12/18	12/19e	12/20e	12/21e
Sales	32.8	42.3	49.1	46.6
% Change		29.0%	16.1%	-5.1%
EBITDA	-1.3	5.1	8.9	3.2
% Change		NS	73.8%	-63.8%
EBIT	-3.8	2.3	6.0	0.2
% Change		NS		-97.1%
Net Income	-3.2	1.7	4.9	-0.2
% Change		NS		
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	1612.4x	1250.3x	1076.6x	1134.7x
EV/EBITDA	NS	10327.6	5943.5x	16441.1
EV/EBIT	NS	22563.5	8871.4x	310431.1
EPS	-0.46	0.26	0.71	-0.03
% change		NS		
P/E	NM	30.4x	10.9x	NM
Div Yield	%	%	%	%

Next Catalysts :

June (shareholders' meeting),
25/07/2019: H1 numbers

Last Reports:

[2019-3-18, Planets are aligning](#)

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EPS 3Y CAGR	NM

Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
Financial Summary					
EPS (EUR)	-0.73	-0.46	0.26	0.71	-0.03
Restated EPS (EUR)	-0.73	-0.46	0.26	0.71	-0.03
% change	-886.5%	-37.0%	-	179.6%	-104.3%
Net dividend (EUR)	0.00	0.00	0.00	0.00	0.00
Average yearly Price	17.42	12.69	9.91	-	-
Avg. Number of shares, diluted (m)	6.82	6.82	6.82	6.82	6.82
Historical Enterprise value (EURm)	-	-	-	-	-
Valuation (x)					
EV/Sales	-	-	NS	NS	NS
EV/EBITDA	-	-	NS	NS	NS
EV/EBIT	-	-	NS	NS	NS
P/E	-	-	30.39x	10.87x	NM
FCF yield (%)	-	-	-	-	-
Net dividend yield (%)	-	-	-	-	-
Profit & Loss Account (EURm)					
Revenues	25.9	32.8	42.3	49.1	46.6
Change (%)	77.3%	26.7%	29.0%	16.1%	-5.1%
R&D	-13.9	-12.0	-12.6	-13.2	-13.9
Adjusted EBITDA	-2.8	-1.3	5.1	8.9	3.2
EBIT	-4.4	-3.8	2.3	6.0	0.2
Change (%)	-48.5%	-12.7%	-	154.3%	-97.1%
Financial results	-0.2	-0.3	-0.6	-0.5	-0.5
Pre-Tax profits	-4.5	-4.1	1.7	5.4	-0.3
Tax	-0.3	0.0	-0.1	-0.7	0.0
Net profit	-5.0	-3.2	1.7	4.9	-0.2
Restated net profit	1	-5,002,	-2,350,	4	7
Change (%)	-	-	-	-	-
Cash Flow Statement (EURm)					
Operating cash flows	-6.1	-0.1	1.7	4.9	-0.2
Change in working capital	-3.1	1.8	0.0	0.0	0.0
Capex, net	-4.2	-1.5	-2.7	-2.8	-2.9
Free Cash flow	-139,	-10,258,	-1,390,	2	5
Dividends	0	0	0	0	0
Change in net debt	-	-6,573,	5	5	-1,840,
Net debt (+)/cash (-)	1.8	3.3	4.3	2.2	5.3
Balance Sheet (EURm)					
Tangible fixed assets	0.6	1.0	2.9	4.8	6.9
Intangibles assets	13.2	12.3	13.1	13.9	14.8
Cash & equivalents	11.5	10.1	7.8	8.6	4.5
current assets	26.6	23.4	24.8	29.5	29.5
Total assets	43.2	39.6	43.7	51.2	54.1
L & ST Debt	26.2	26.7	29.1	31.7	34.8
Provisions	7.5	6.2	6.2	6.2	6.2
Shareholders' funds	13	8	5	9	16
Total Liabilities	33.7	32.9	35.2	37.9	40.9

Source: Company Data; Bryan, Garnier & Co ests.

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