



## Trading Update

### **FY2016 revenue in line with guidance as Group drives to positive EBITDA**

- **Group on track to meet market expectations in FY2017**

**Cambridge, UK, 24 January 2017:** Horizon Discovery Group plc (LSE: HZD) (“Horizon” or the “Group”), the world leader in the application of gene editing technologies, today announces a trading update ahead of its full year results for the twelve months ended 31 December 2016. The Group intends to announce its preliminary full year 2016 results in May 2017.

In line with guidance, the Group is expected to report FY16 revenues of at least £24.0 million, representing growth of no less than 19% (FY15: £20.2 million), with gross margin increasing to the mid-50% range (FY15: 49%) driven by product sales volumes ahead of expectations and at reduced cost of goods sold.

The Group expects to report a full year loss after taxation in line with expectations (FY15: £10.5 million loss), having substantially completed the measures necessary to reduce the cost base by over £5.0 million in FY17 as part of the Group’s stated path to profit strategy. The Group has a robust working capital position with cash headroom of £11.0 million, represented by year end cash of £6.0 million and an undrawn debt facility of £5.0 million, supported by a strong short-term accounts receivable profile following a record final quarter sales performance.

#### **Products**

The Products business continues to perform very solidly, with reported revenue growth expected of at least 44% (FY15: £7.8 million) at a significantly increased gross margin of approximately 70% (FY15: 57%), driven by increased sales of molecular diagnostic reference standards, cell line catalogue and biomanufacturing cell lines, with strong momentum expected to continue in 2017.

#### **Services**

The Group expects to report Services revenue growth of no less than 4% (FY15: £12.2 million). Genetic screening, custom cell line development and discovery research services delivered a combined increase in revenue of at least 30% over FY15, offset by the previously announced temporary reduction in molecular screening service capacity resulting from the consolidation of Boston, USA operations into the Cambridge, UK site. Full molecular screening service capacity has now been restored moving into 2017.

The Group has created a world-leading Centre of Excellence for gene-editing, cell biology and high-throughput screening in its expanded Cambridge, UK headquarters. This streamlined operation is expected to provide run rate cost savings of approximately £3.0 million towards the overall reduction in cost base in 2017.



### **Research Biotech**

Progress continues in the Research Biotech division where the Group remains eligible to receive future R&D milestones of up to £208 million plus future product royalties, and equity upside through its Avvinity Therapeutics joint venture. The focus of the Group's efforts in immuno-oncology and cell and gene therapy positions the Group at the cutting edge of global academic, biotech and pharma R&D efforts.

### **Outlook**

Based on a strong order book with forward visibility already on more than 50% of expected FY2017 consensus revenue, the Group is confident it will deliver FY17 revenues in the range of £30-£35 million and reconfirms its strategy to deliver positive EBITDA in FY17.

**Dr. Darrin M. Disley, Chief Executive Officer of Horizon Discovery Group, commented:** *"Horizon is building a global life science business that exploits a world-leading position in gene editing to deliver the picks and shovels that support the new gold rush taking place in healthcare around the development of genetically-targeted medicines and cell and gene therapies. The Group is realising the benefits of this strategy through continued strong revenue growth, having invested for scale through 2016, and having implemented measures to transition to profitability thereafter. Early revenue indicators for 2017 already look encouraging thanks to a very robust sales order book. This, combined with having the products and services, global commercial resources and sales channels, and business systems needed to drive long term success all in place, reinforces our confidence in becoming a sustainably profitable company as we continue to deliver strong revenue growth."*

**ENDS**

### **Notes for Editors:**

#### **The Opportunity**

The life sciences are in the midst of a period of transformative change due to fundamental challenges facing the pharmaceutical industry. The cost of R&D in drug development continues to rise<sup>1</sup> (4.4% per year 2010-2016) while the average peak sales post launch is rapidly falling (-11.4% per year 2010-2016), and so extensive efforts are underway to find ways to reverse this trend. Part of the solution is to target populations where value can be maximised through a Personalised Medicine approach, translating the wealth of genetic information now available into increased numbers of low-cost "patient targeted" drug development programmes.

Horizon is a major participant in this gold rush, using a world-leading position in precision gene editing to build and apply cells to advance human healthcare, thereby providing the 'picks and shovels' that are enabling the academic research, drug discovery, and clinical diagnostics that define this new era. This is particularly true in some of the most exciting areas of scientific research and development including



immuno-oncology, precision medicine, and cell therapy, which promise to deliver cures to patients with both common and rare diseases that have been difficult or impossible to treat previously.

#### **Horizon's Markets:**

The markets Horizon participates in are large and growing, and combined were estimated to be worth in excess of £32 billion<sup>2</sup> in 2016, with the specific segments addressed by Horizon estimated to be worth a total of £1.6 billion by 2018.

#### **Academic Research**

Academic researchers are looking for predictive cell-based models of human disease to drive their research forward. To support this market, Horizon offers its catalogue of over 23,000 cell lines, animal models, and custom model development services when the model required isn't available from the catalogue. Horizon Directors estimate this market segment to be worth £300 million by 2018, growing at 10-12%.

#### **Drug Discovery**

The pharmaceutical industry is continually looking to identify new drug targets as the basis of novel programmes, or to 'personalise' programmes so that they more efficiently target the right patient populations and are more likely to succeed and less expensive to run. To these customers, Horizon offers a broad range of products and services including contract research, genetic and molecular screening, our catalogue of cell lines and animal models, and our molecular reference standards. Horizon Directors estimate this market segment to be worth £600 million by 2018, growing at 12-15%.

#### **Drug Manufacturing**

Biologic drug manufacturers such as pharmaceutical companies and contract manufacturing organisations seek to improve their processes so that the yield and purity of their drug is optimised. Doing so requires access to the best cell-based biologic drug 'factories', which are expensive and have been priced out of reach of much of the market. Horizon provides access to cutting-edge biomanufacturing cells engineered via proprietary precision gene editing under a highly disruptive business model that has proven very attractive. Horizon Directors estimate this market segment to be worth £200 million by 2018, growing at 8-10%.

#### **Clinical Diagnostics**

The clinical diagnostics market consists of two groups, diagnostic assay developers who are looking for ways to support the efficient development and validation of new tests, and the hospitals and clinical labs that run assays on patient samples which need tools to support assay set-up and ongoing quality control monitoring. To both these groups, Horizon provides our molecular reference standards, which consist of engineered cells made to look precisely like real patient samples. Horizon Directors estimate this market segment to be worth £500 million by 2018, growing at 12-15%.



## Glossary:

- Assay: a laboratory procedure measuring the presence, amount, or functional activity of a specific biomarker or analyte
- Avvinity: a joint venture between Horizon and Centauri Therapeutics to discover and develop novel immuno-oncology therapeutics for both solid tumors and leukaemias
- Biomanufacturing: A type of manufacturing that utilises biological systems to produce commercially important biomaterials and biomolecules for use in medicines
- Cell bank: A collection of cell lines
- Cell therapy: the administration of live whole cells (potentially gene edited) to a patient for the treatment of a disease
- Genetic screening platform: A platform used by Horizon to identify and validate genes as targets for novel therapeutics using CRISPR based screening and other approaches
- High-throughput molecular screening: A platform used by Horizon to rapidly look at large numbers of cell lines for a range of applications, including to look for drug interactions and for immuno-oncology screening
- Personalised medicine: a form of medicine that uses information about a person's genes, proteins, and environment to prevent, diagnose, and treat disease
- Immuno-oncology: therapeutic approaches that enable the immune system to selectively recognize and attack cancer cells
- Precision medicine: a medical model based on the customization of healthcare, with medical decisions, practices, and/or therapies being tailored to the individual patient
- Reference standard: a standardised substance (e.g. DNA, protein) which is used as a measurement base or control for an assay

1. *Balancing the R&D Equation, Deloitte, 2016*

2. *Markets and Markets Genomics Market by Products Global Forecast to 2018, January 2014; Visiongain Cell-Based Assays: World Market Prospects 2013-2023, February 2013; BCC Research Molecular Diagnostics: Technologies and Global Markets, March 2013*

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**About Horizon Discovery Group plc** [www.horizondiscovery.com/](http://www.horizondiscovery.com/)

Horizon Discovery Group plc (LSE: HZD) ("Horizon"), is a world-leading gene editing company that designs and engineers genetically-modified cells and then applies them in research and clinical applications that advance human health.

Horizon's core capabilities are built around its proprietary translational genomics platform, a highly precise and flexible suite of gene editing tools (rAAV, ZFN and CRISPR) able to alter almost any gene sequence in human or mammalian cell-lines.

Horizon offers over 23,000 catalogue products and related research services, almost all of which are based on the generation and application of cell and *in vivo* models that accurately recapitulate the disease-causing genetic anomalies found in diseases like cancer. Horizon's commercial offering has been adopted by c1,600 unique research organisations in over 50 countries as well as in the Group's own R&D pipeline to support a greater understanding of the genetic drivers of disease and the development of molecular, cell and gene therapies that can be prescribed on a personalised basis.

Horizon is headquartered in Cambridge, UK, and is listed on the London Stock Exchange's AIM market under the ticker "HZD".