

abcam

Serving science, sustaining growth
2019 Full Year Results and Strategy Update

9 September 2019

Topics covered today

Introduction

2018/19 financial review

Strategy update

2019/20 and long-term outlook

Q&A session

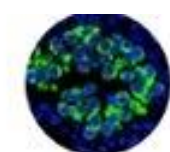
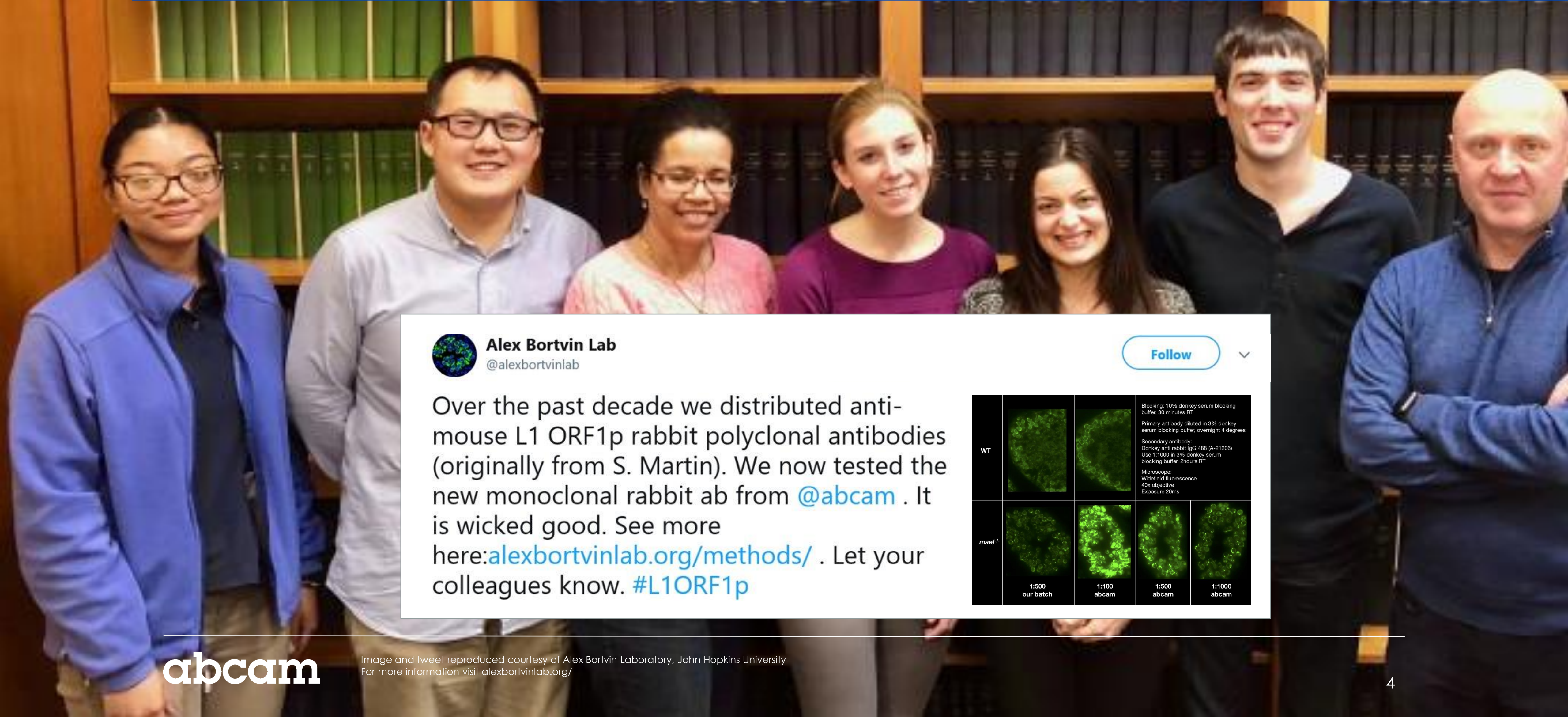


A photograph of two scientists in a laboratory. The scientist in the foreground is wearing safety glasses and a white lab coat, using a pipette to transfer liquid into a small vial. The scientist in the background is also wearing safety glasses and a white lab coat, looking down at a piece of equipment. The background is slightly blurred, showing laboratory equipment and shelves.

Our purpose is to serve life scientists to help them achieve their mission faster, by **listening** to their needs; continuously **innovating** and **improving**; and giving them the **tools, data** and **experience** they want.

Our ambition is to become **the most influential life science company for researchers worldwide** to support research, diagnostic and therapeutic applications.

Helping customers achieve their mission, faster

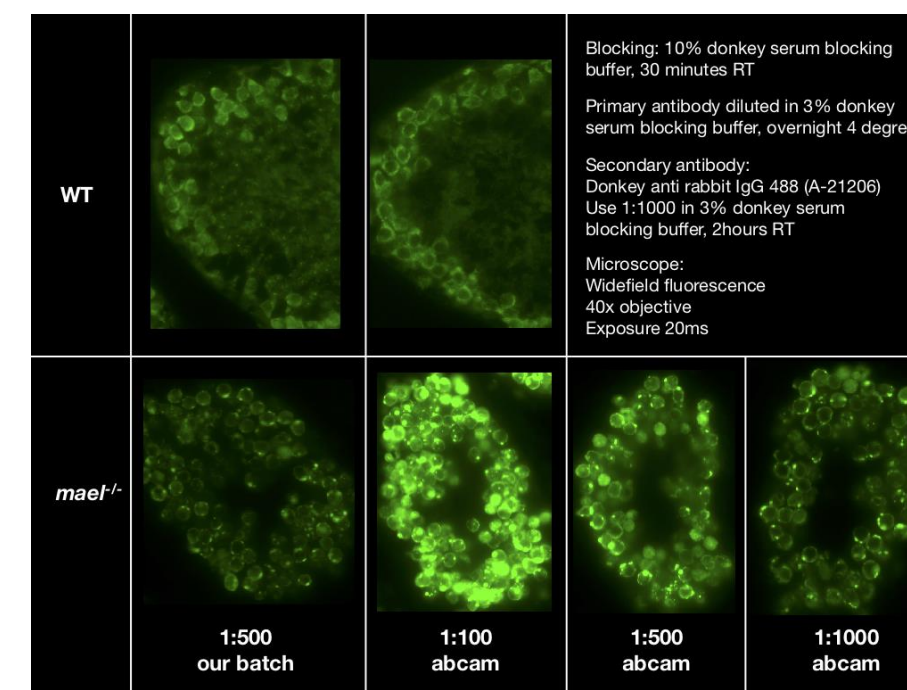


Alex Bortvin Lab

@alexbortvinlab

Follow

Over the past decade we distributed anti-mouse L1 ORF1p rabbit polyclonal antibodies (originally from S. Martin). We now tested the new monoclonal rabbit ab from @abcam . It is wicked good. See more here: alexbortvinlab.org/methods/ . Let your colleagues know. #L1ORF1p



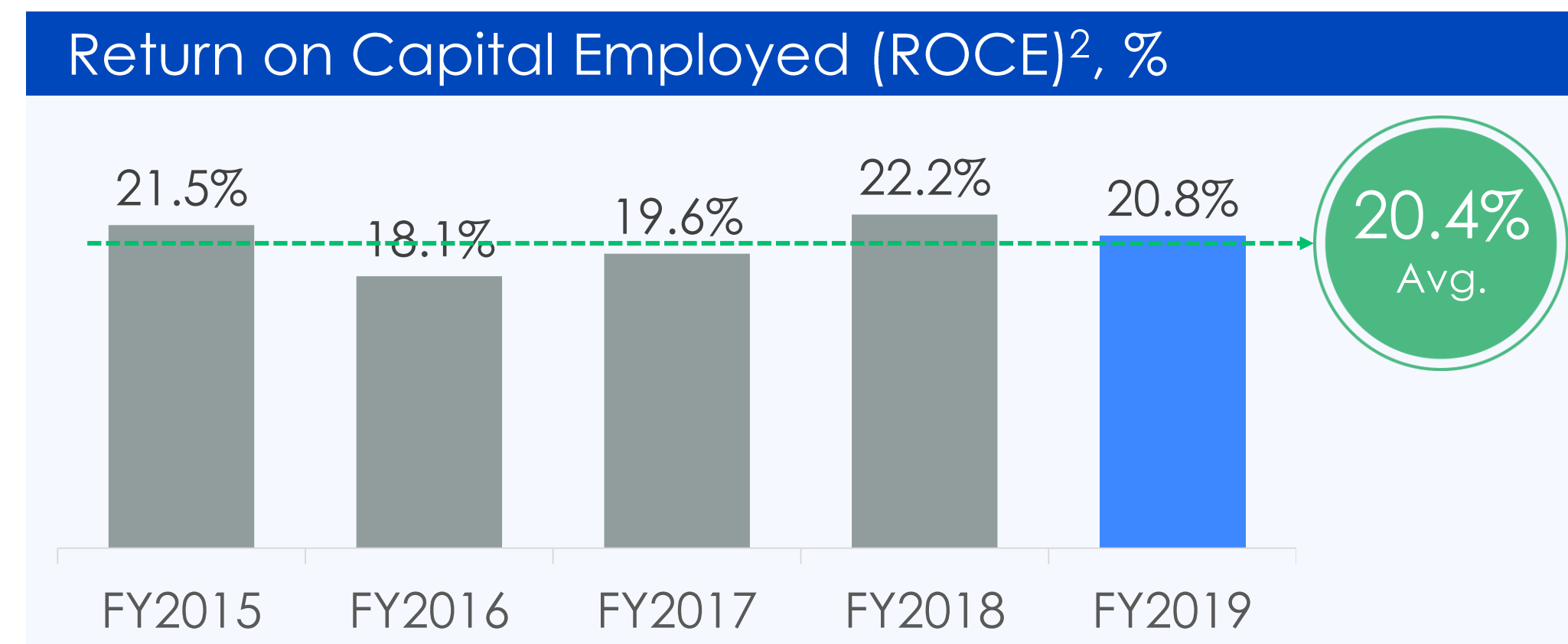
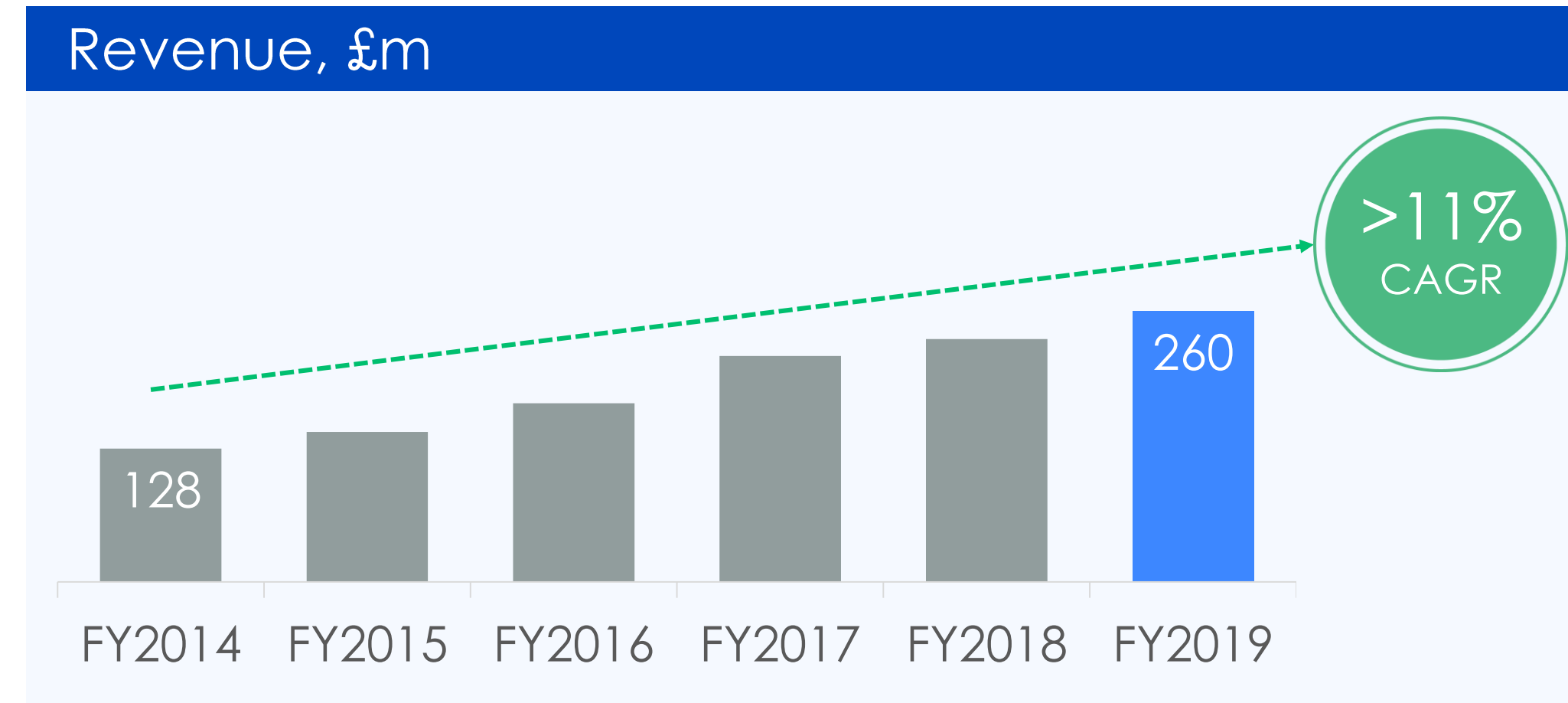
Our global team makes results possible



With investment, our team delivered results

Selected Achievements 2014-2019:

- Improved brand, customer experience and product range
- Upgraded organisation, systems, and facilities
- Gained market share, improved quality of revenue and doubled scale
- Completed five tuck-in acquisitions
- ROCE consistently > cost of capital¹
- Total shareholder return >3x³



Performance Headlines

Solid top line growth; continued investment in our business



Total Revenue growth¹

Reported revenue
£259.9m, +11.4%
(2017/18: £233.2m)



Catalogue Revenue growth¹

Reported revenue
£242.8m, +12.0%
(2017/18: £216.8m)



Gross margin

Gross margin:
70.5%
(2017/18: 69.9%)



Adjusted EBITDA² growth

Adjusted
EBITDA £92.4m
(2017/18: £88.3m)



Adjusted (diluted) EPS³ growth

Adjusted diluted
EPS 32.6p
(2017/18: 32.4p)



Free Cash Flow growth

Free cash flow:
£34.3m
(2017/18: £26.8m)

1. At constant exchange rates (applying prior period's actual exchange rates to this period's results)
2. Excludes system and process improvement costs, acquisition costs, one-off costs associated with the new Group headquarters
3. Excludes system and process improvement costs, acquisition costs, one-off costs associated with the new Group headquarters, amortisation of acquisition related intangible assets) and the tax effect of these adjusting items, the revaluation of deferred tax balances due to new US tax legislation and one-off tax charges due to new US tax legislation

Revenue by Product Type

Growth driven by in-house Recombinant Abs and Immunoassays

	FY 2018 £m	FY 2019 £m	Constant Currency growth*
Catalogue revenue product split:			
Primary and Secondary Antibodies	174.5	193.2	8.7%
<i>of which Recombinant antibodies</i>	48.0	59.1	22.4%
Other products ¹	42.3	49.6	14.7%
<i>of which Immunoassay products</i>	15.0	18.5	21.9%
Catalogue revenue sub-total	216.8	242.8	9.8%
Custom Products and Licensing (CP&L) revenue ²	16.4	17.1	0.4%
Total revenue	233.2	259.9	9.2%

1. Includes kits and assays, proteins, peptides, lysates and AAI products sold for research use

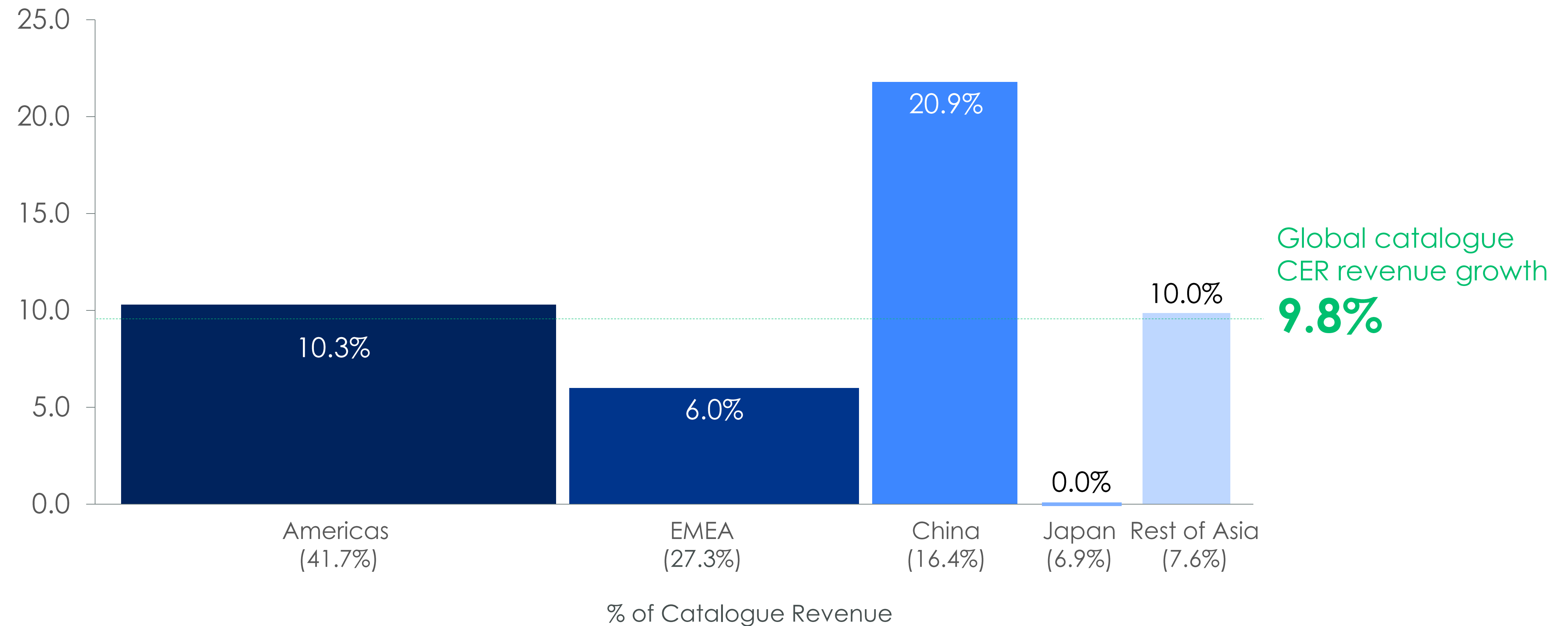
2. Includes royalty income, custom services, IVD/IHC, and licensing revenue

* At constant exchange rates (applying prior period's exchange rates to this period's results)

Catalogue Revenue Growth by Region

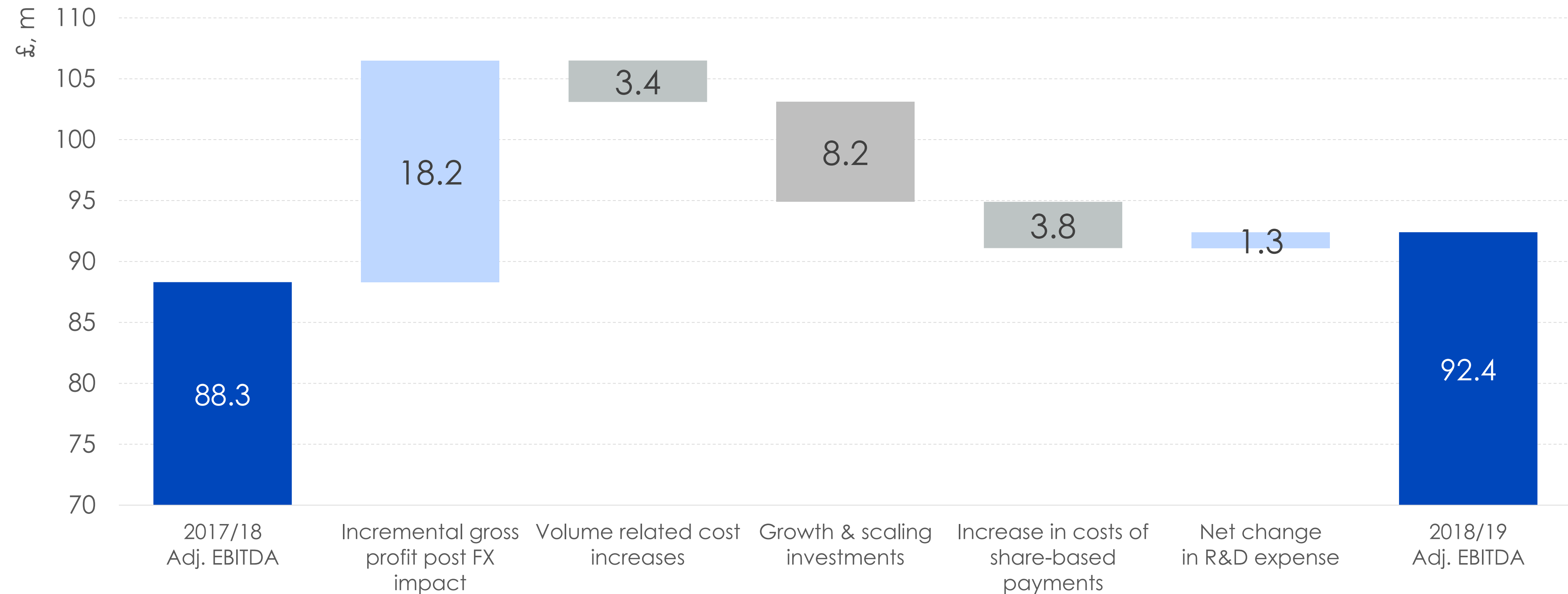
Market growth exceeded in all major regions

2018/19 Catalogue CER revenue growth rate, %¹



Continued investment to sustain growth

Adjusted¹ EBITDA bridge



1. Excludes system and process improvement costs, acquisition costs and costs associated with the Group's new headquarters

Continued progress against investment projects

Enabling growth and efficient scalability



- Successful occupation of new UK based HQ in February 2019
 - Final capex of £8.4m incurred in 2018/19
 - Total 3-year project spend of £23.6m, in line with original budget



- Project implemented during year to mitigate risks of no-deal BREXIT
- Plans successfully deployed in <6 months, becoming operational in March 2019



- Finance & non-stock procurement ERP modules successfully deployed in 2019
 - In year spend £16.1m (£11.6m capitalised)
- Evolving approach to future IT programme
 - £12.8m impairment to historic work
 - Detailed design underway

Cash flow analysis

Strong cash generation

Figures in £m unless indicated

	FY 2018	FY 2019
Operating cash flows before w/c	81.0	88.2
Change in working capital	(8.1)	(4.5)
Tax paid	(9.6)	(13.5)
Net finance income	0.3	0.6
Investing activities	(38.0)	(50.5)
Financing activities	(20.6)	(24.7)
Net change in cash and term deposits	5.0	(4.4)
Effect of FX rates	0.4	1.3
Opening cash and term deposits	84.8	90.2
Closing cash and term deposits	90.2	87.1
<i>Free cash flow¹</i>	26.8	34.3
<i>Cash conversion ratio²</i>	82.6%	90.6%
<i>Capex to revenue</i>	15.7%	13.8%

(1) Free cash flow comprises net cash generated from operating activities less net capital expenditure and transfer of cash into escrow for future capital expenditure

(2) Operating cash flow after w/c / Adjusted EBITDA

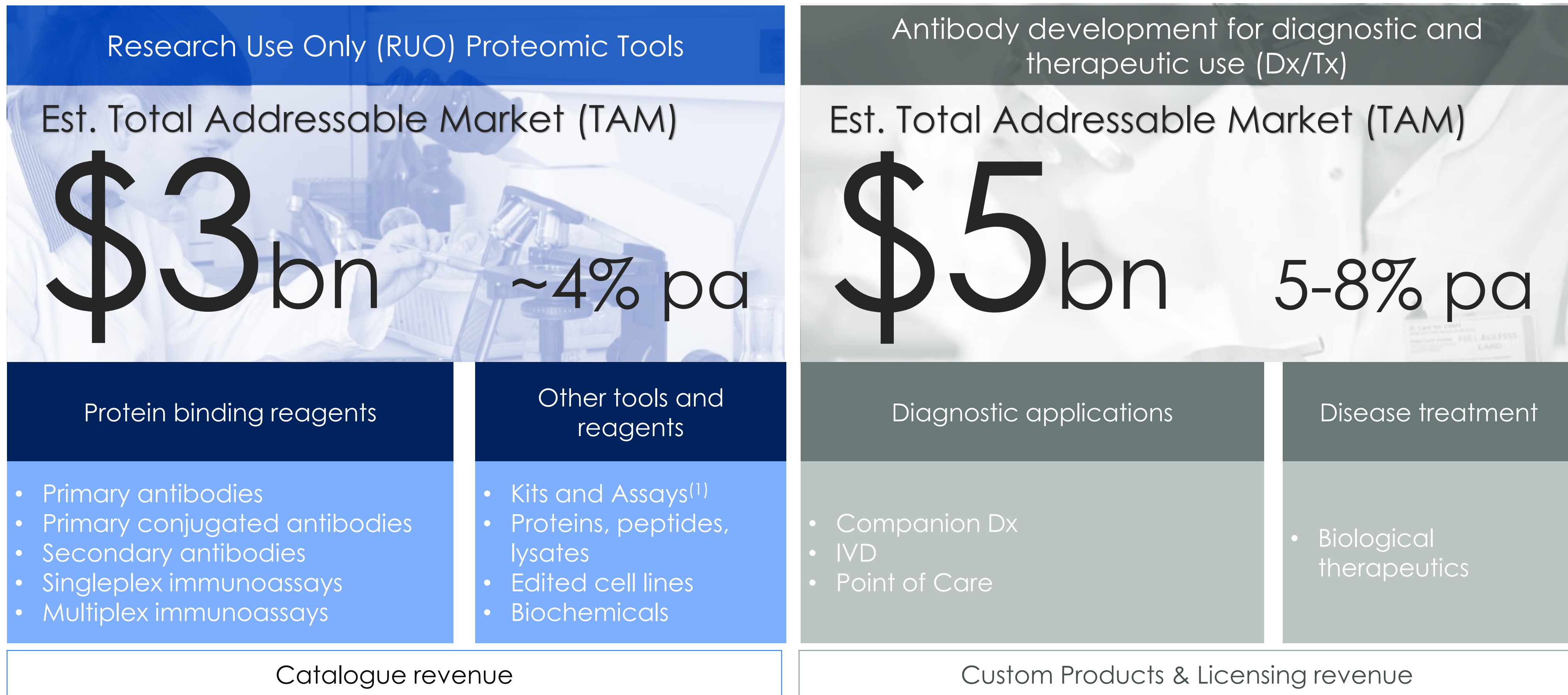
- Main areas of spend:
 - ERP investment £13.1m
 - New Cambridge HQ £9.6m
 - New product innovation £7.8m
 - Global lab and automation equipment £6.2m
 - Spring and Calico acquisitions
- Financing activities relate to the payment of dividends

RCF put in place to support acquisition strategy

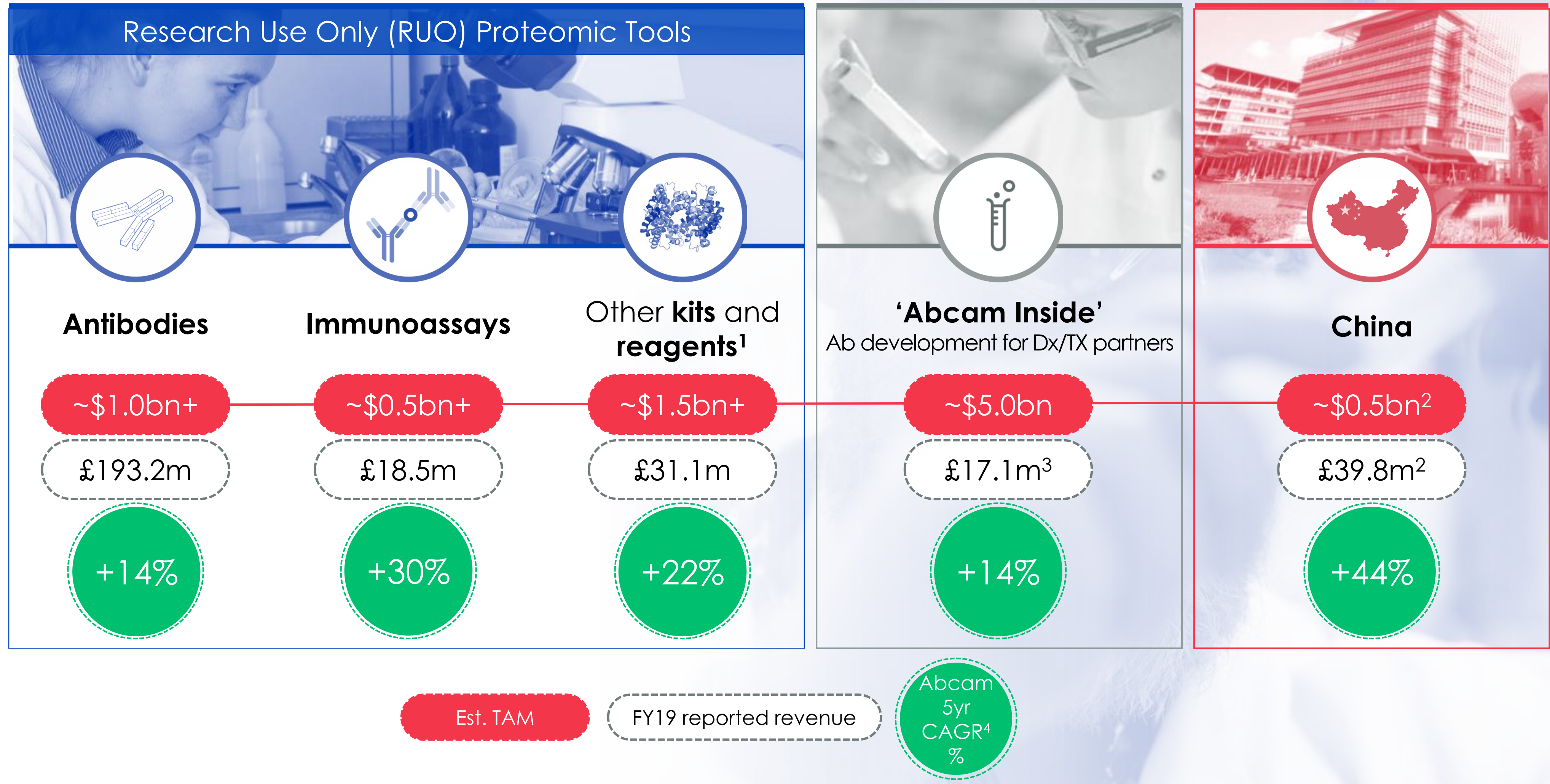
- RCF put in place during year to provide additional financial flexibility for future corporate transactions
- £200m with a £100m Accordion feature
- Initial term of 3 years, with option to extend by a further 2 years

Growth strategy in the context of a new era for biology

Our leadership in research antibodies is strengthening our competitive position in an \$8bn addressable market

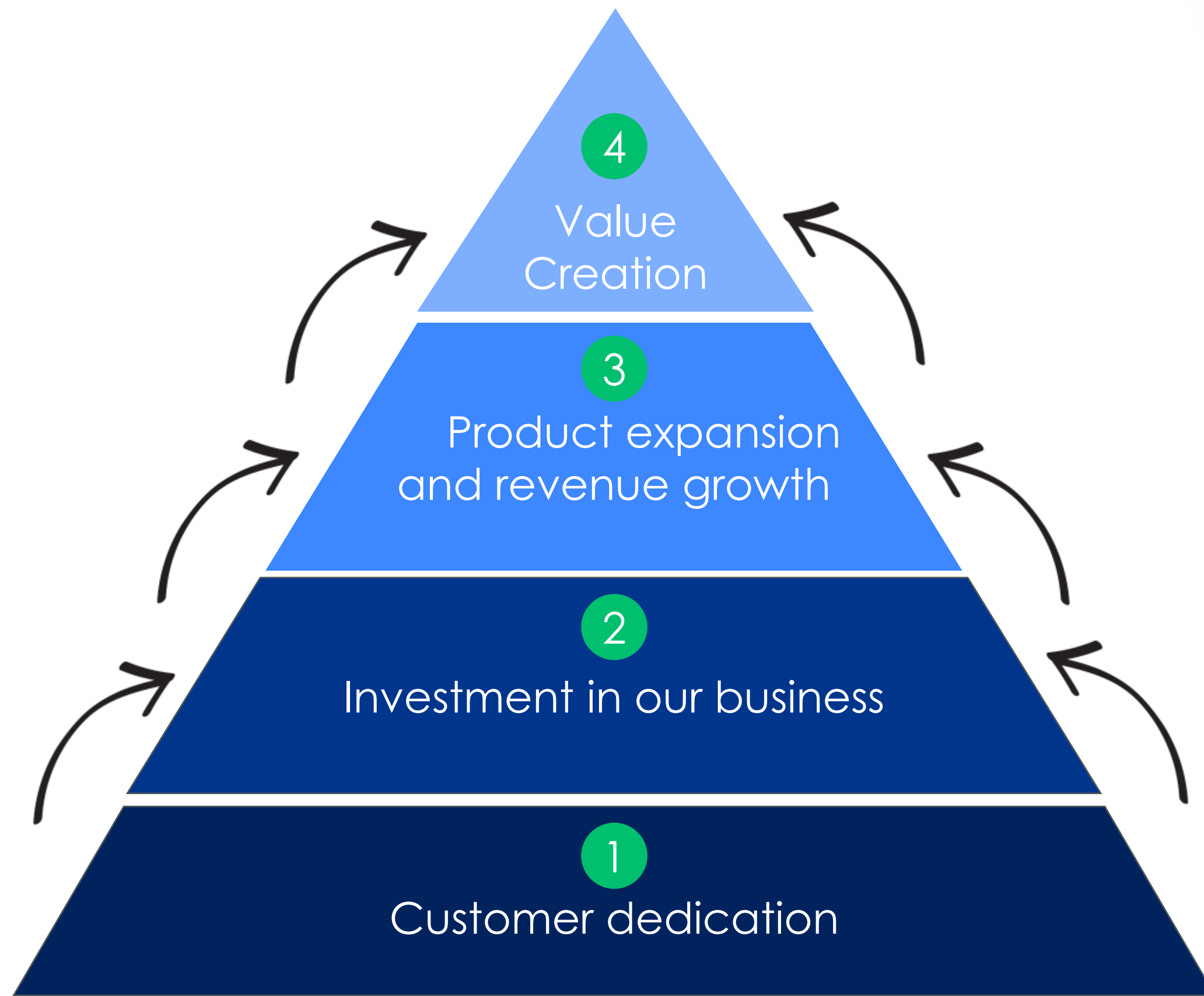


Since 2014, we have delivered growth within our markets

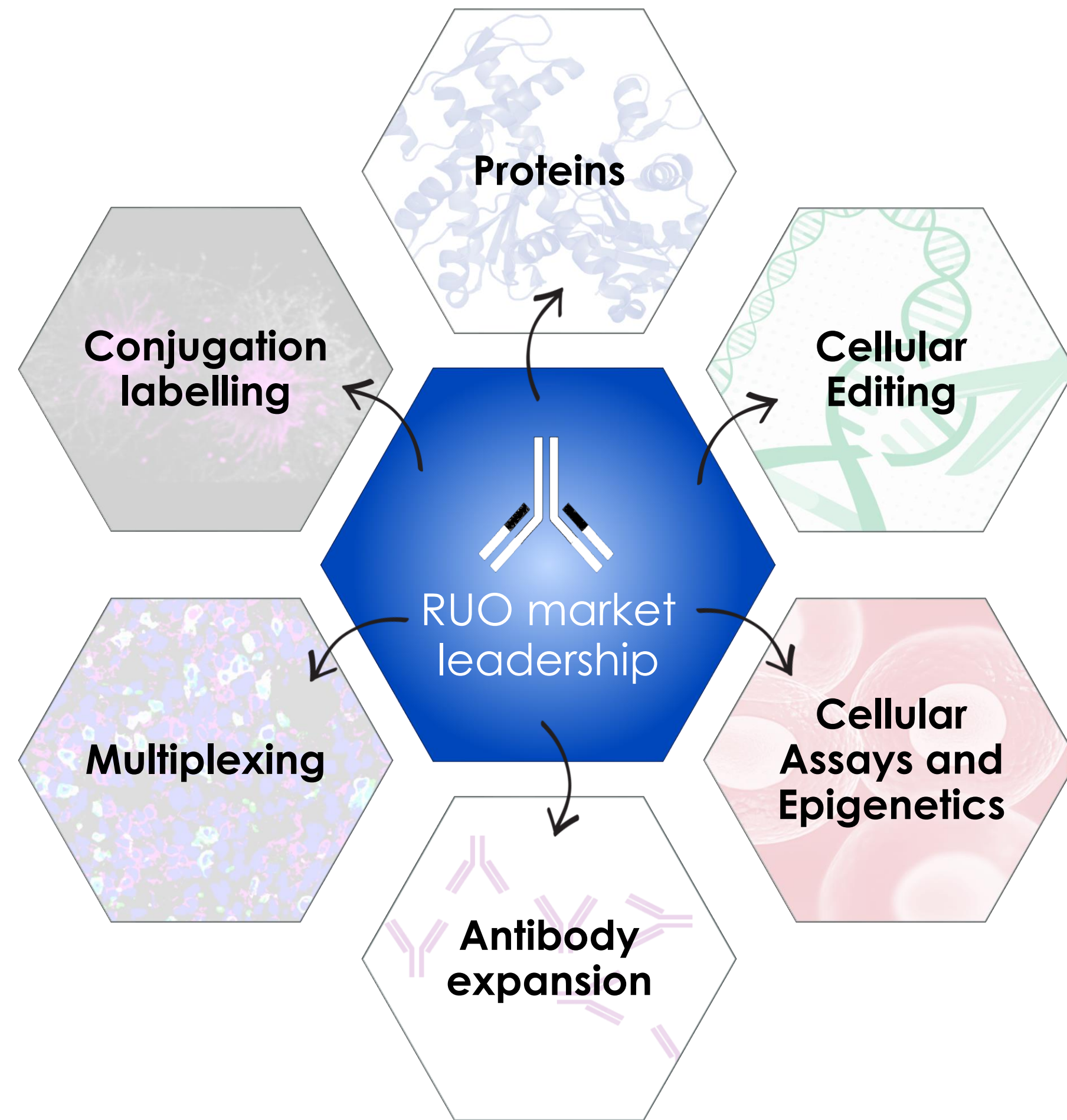


1) Includes proteins, peptides, lysates, kits and biochemicals
 2) RUO reagents only
 3) CP&L revenue (formerly Non-product revenue)
 4) FY2014-FY2019
 Note: all figures and growth rates calculated at reported rates in GBP

Our approach: Everything starts by dedicating ourselves to helping customers

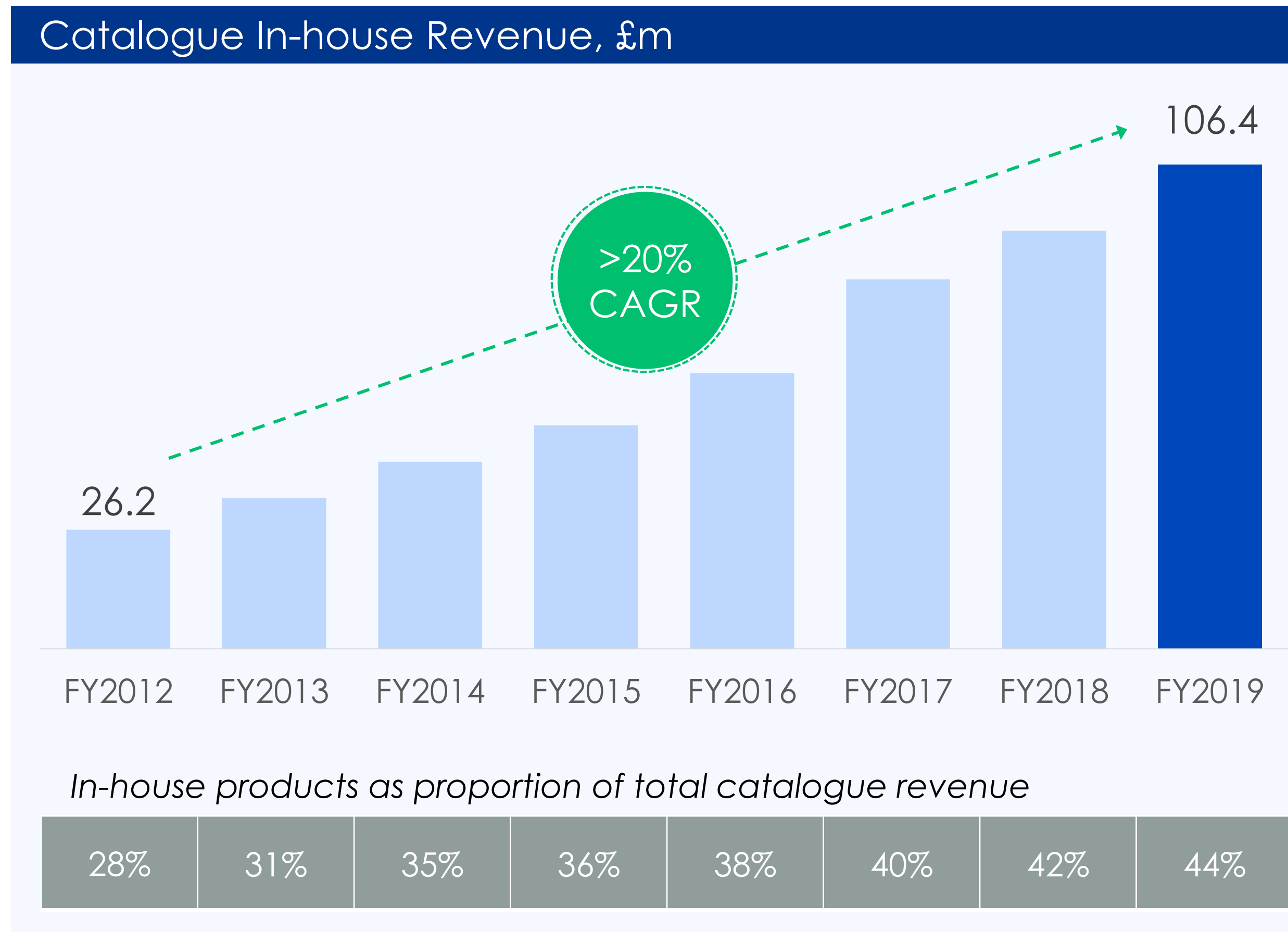


Research antibody leadership creates opportunities to follow customers to related markets



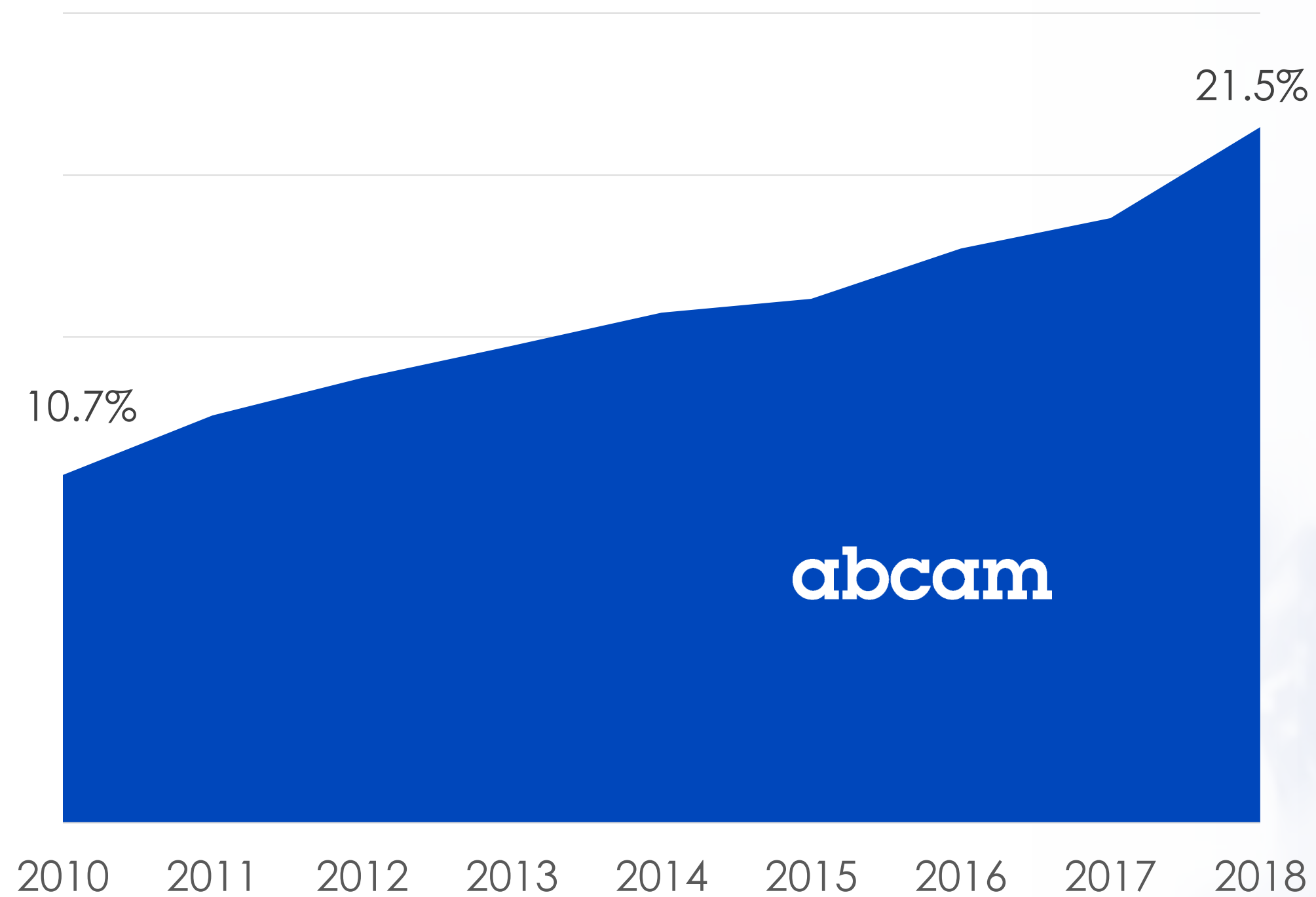
Creating proprietary products improves quality of revenue; opens strategic opportunities

- Higher quality revenue
- Superior GM%
- More flexibility for customers
- Full control over licensing
- Increased innovation from combining products + technology

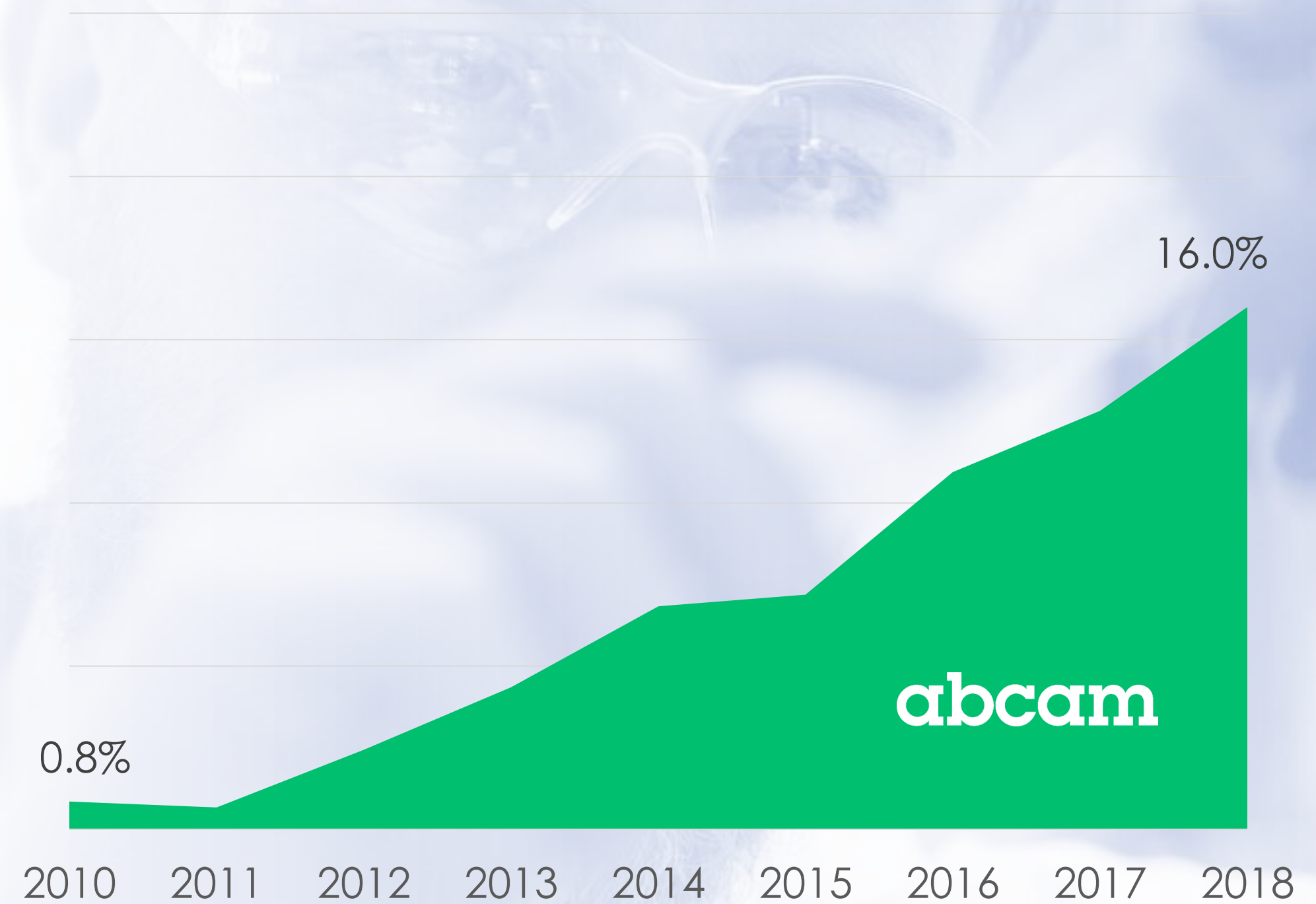


Our approach is generating market share gains

Share of global 1° antibody citations, %



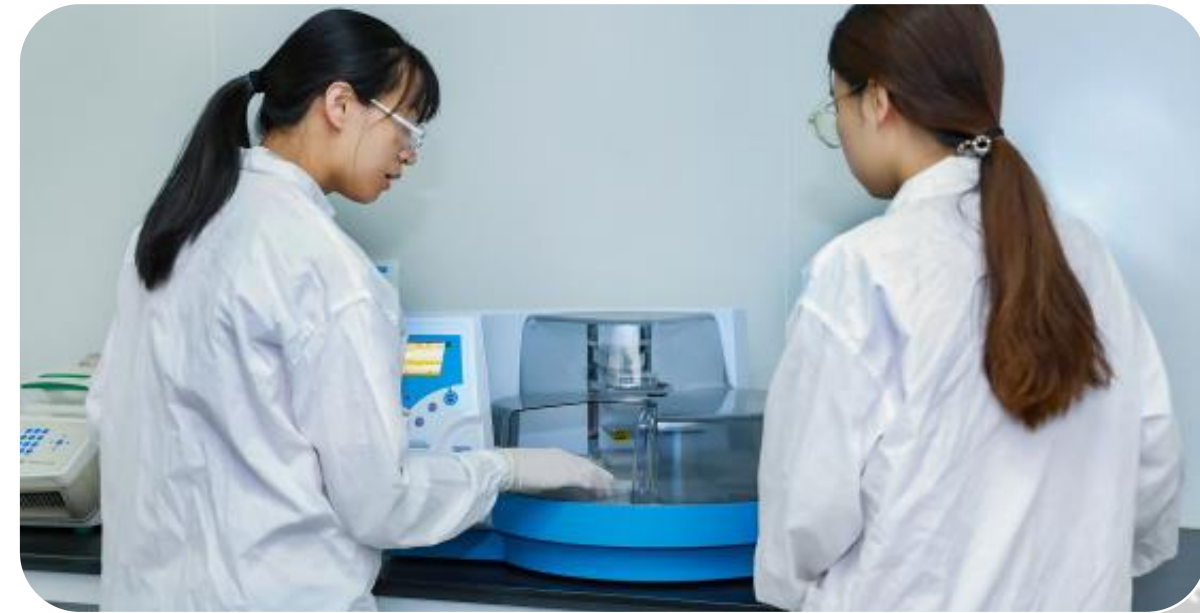
Share of global ELISA¹ citations, %



Source: CiteAb

¹ Enzyme-Linked Immunosorbent Assay (ELISA) is a common immunoassay test performed to detect the presence of a protein in a biological liquid sample

Market share gains arise from investments in innovation, organisation, systems, and facilities



Strengthening global teams



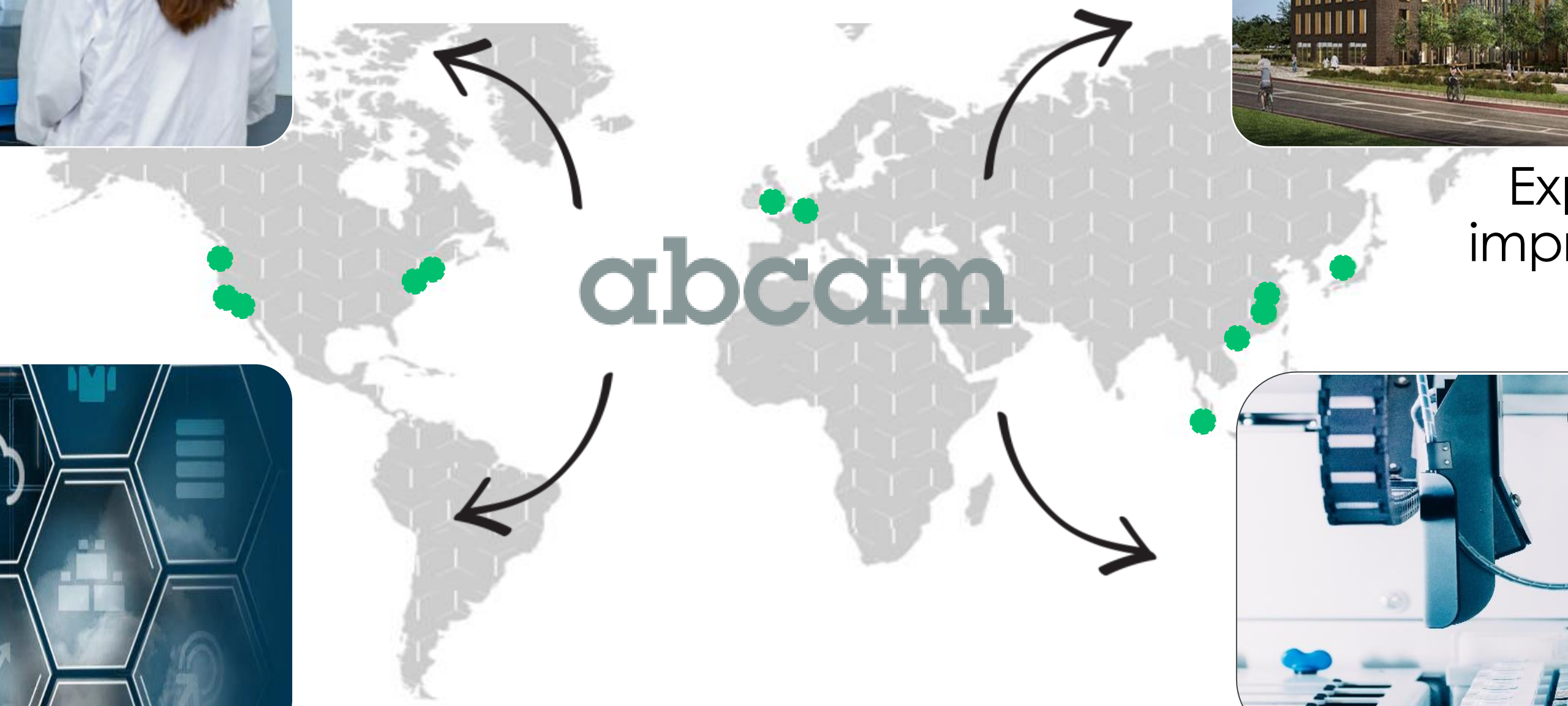
Expanding and improving facilities



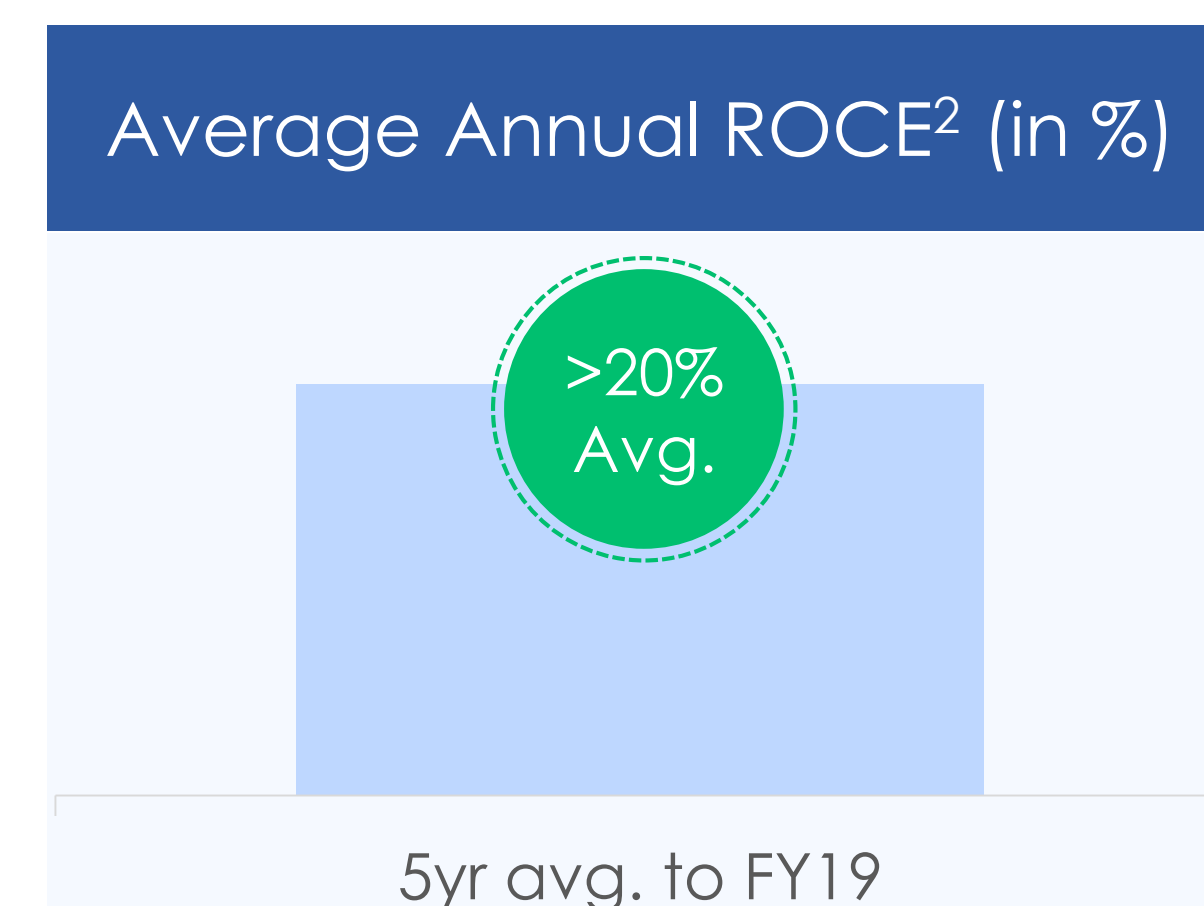
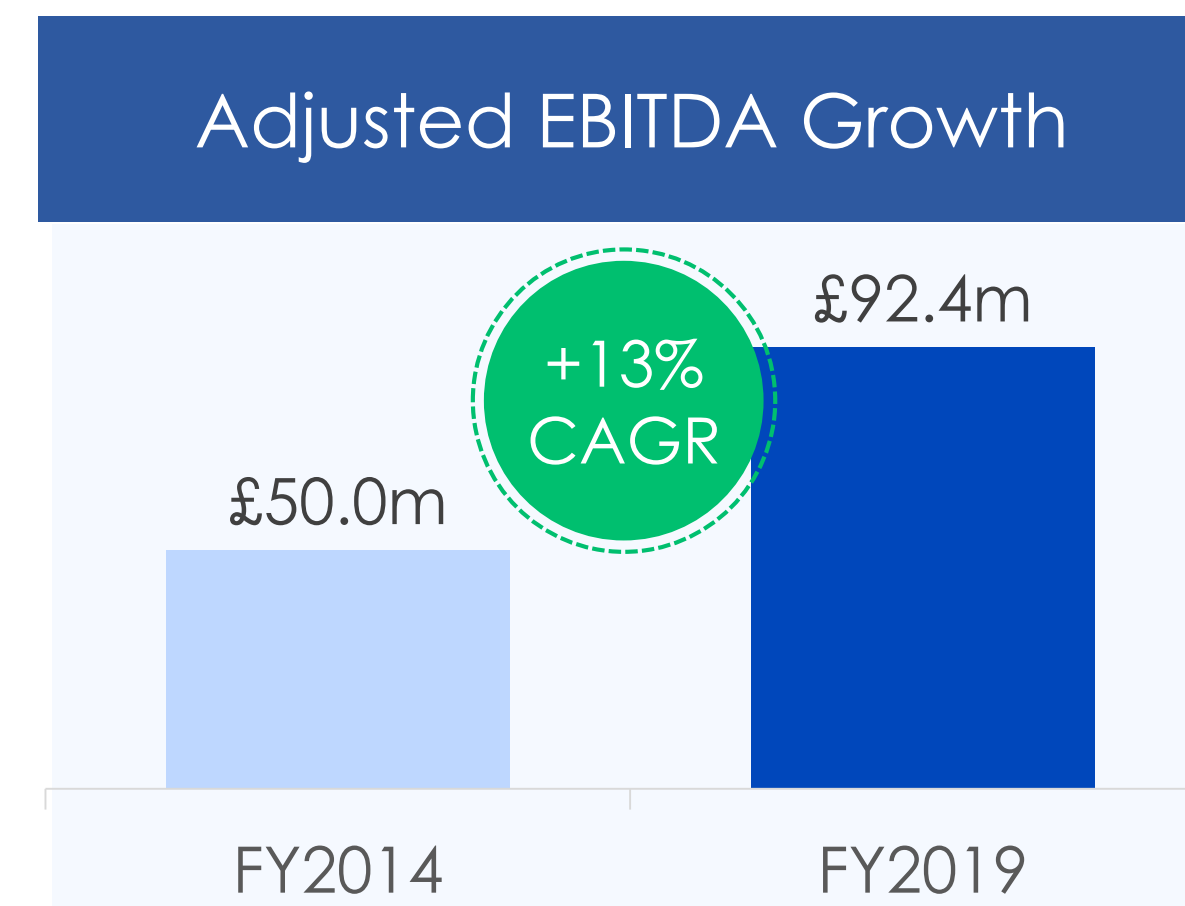
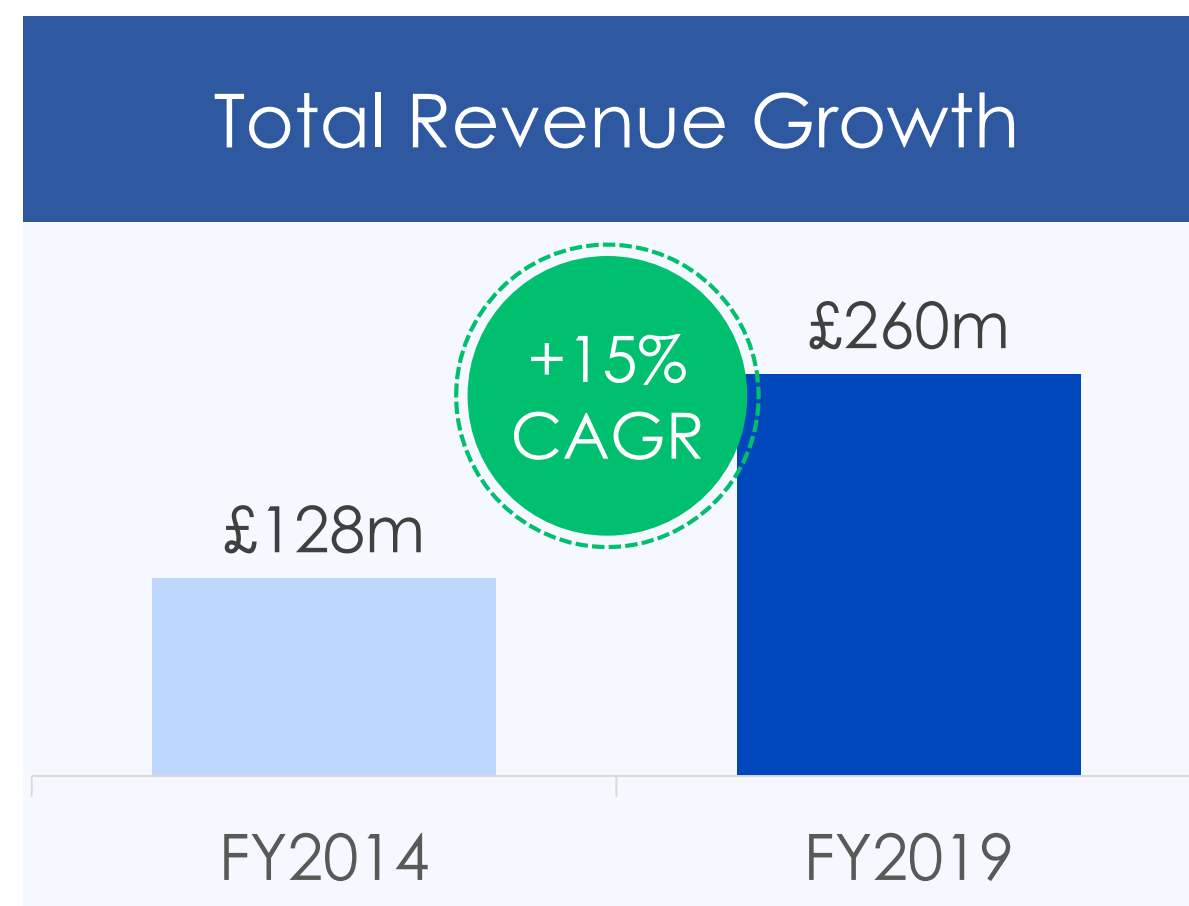
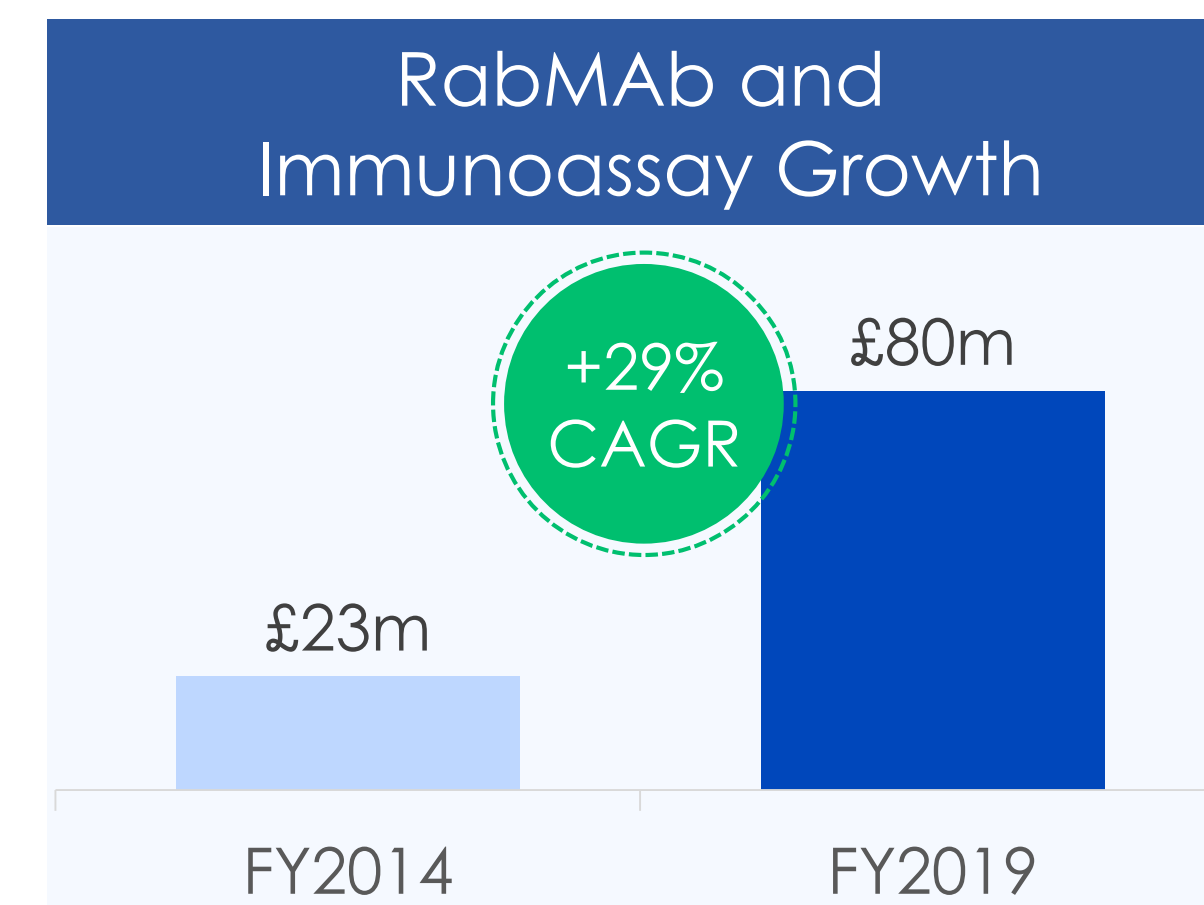
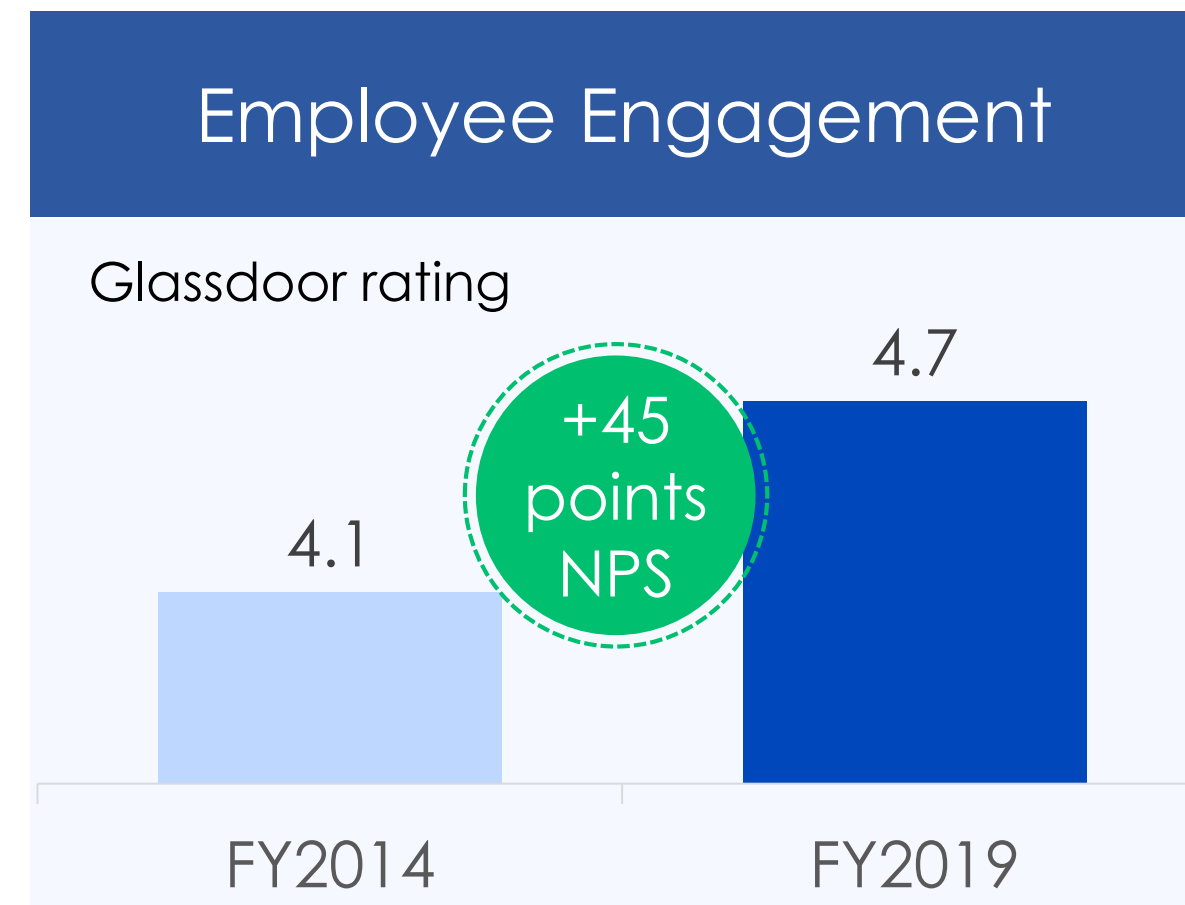
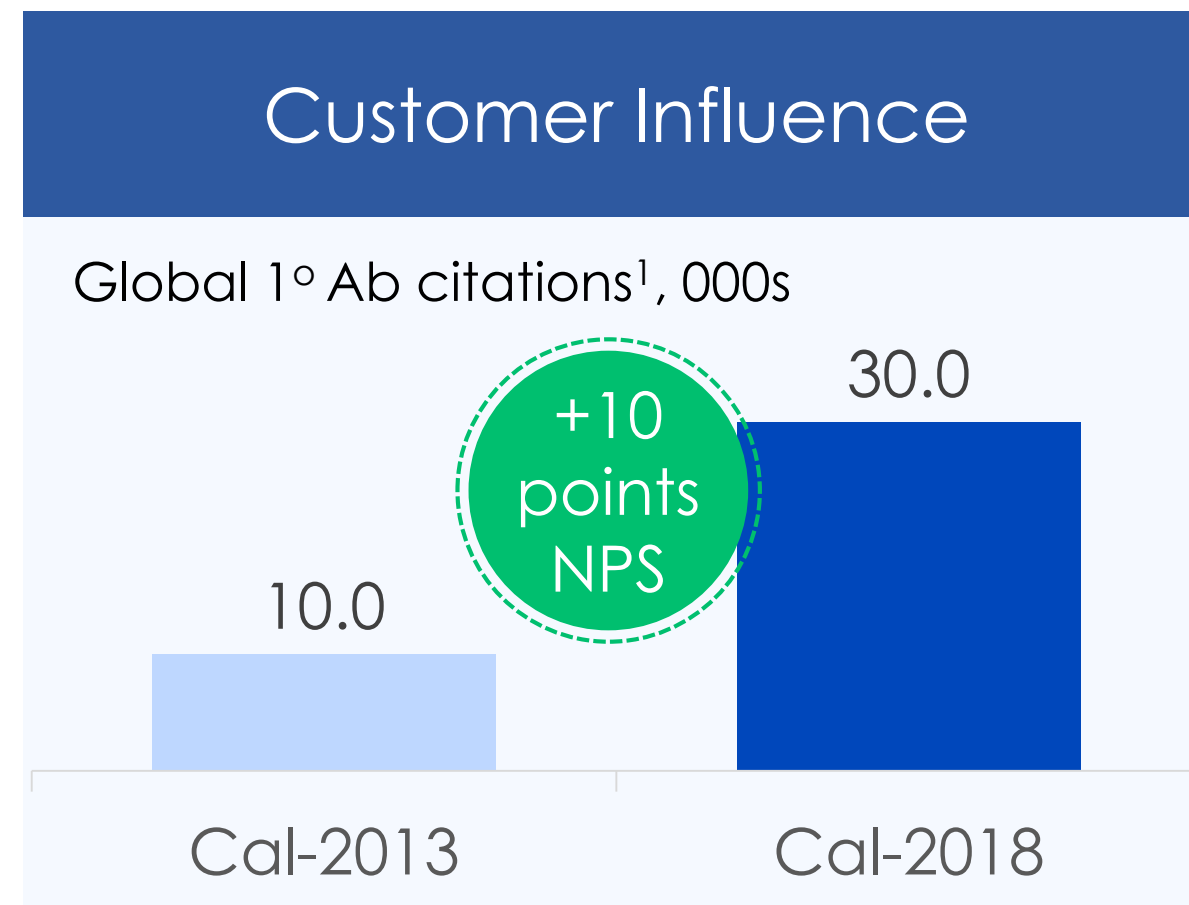
Upgrading legacy IT systems and processes



Wave 1 automation



Our results scorecard suggests we made good choices



(1) Source CiteAb

(2) ROCE calculated a pre-tax basis using adjusted operating profit. Capital employed is based on total assets less current liabilities.

abcam

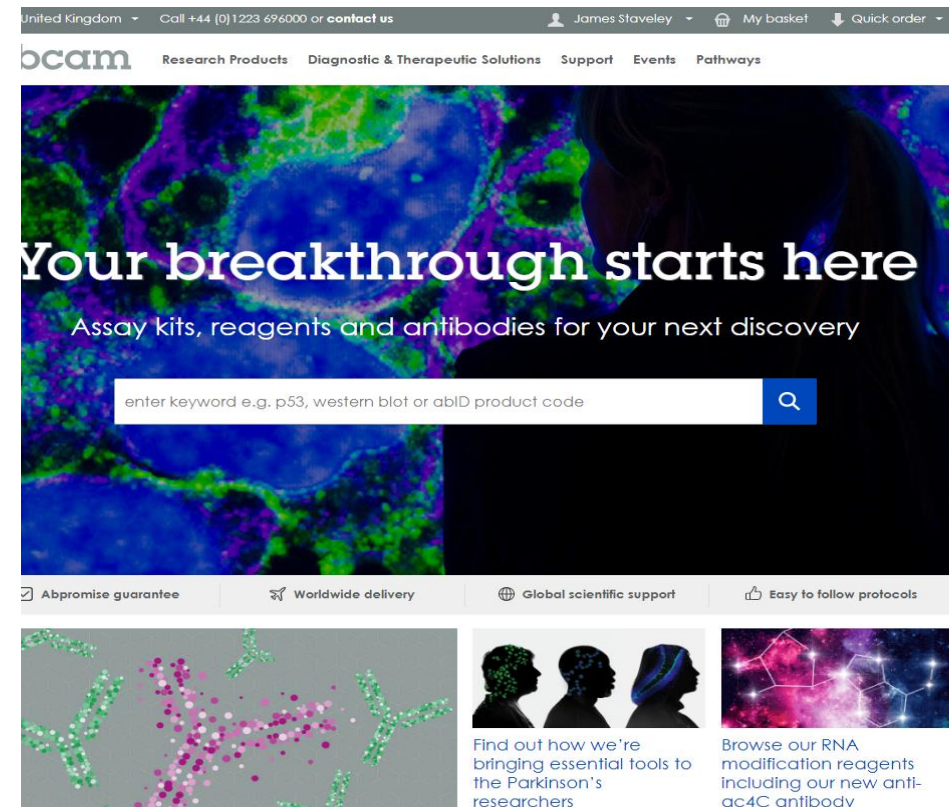
Question: What is holding Abcam back from doing more?

Several internal areas are still holding us back – we will invest to address these over the next 3-5 years

In-house capabilities for faster/broader innovation



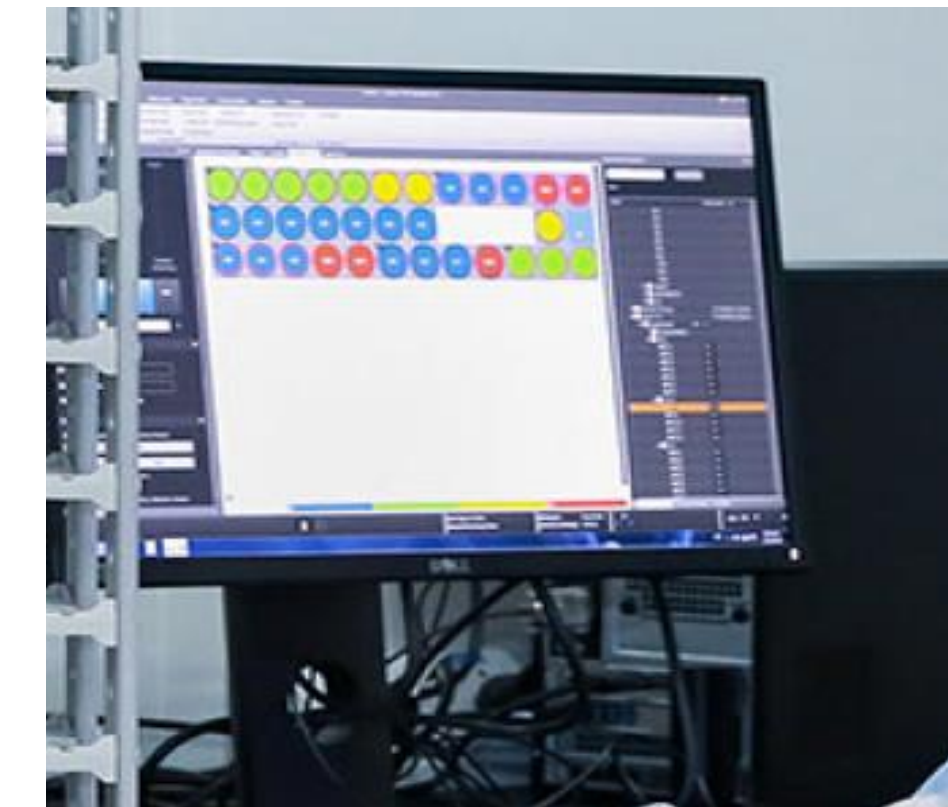
Digital marketing and e-commerce legacy



Operations optimisation and efficiency



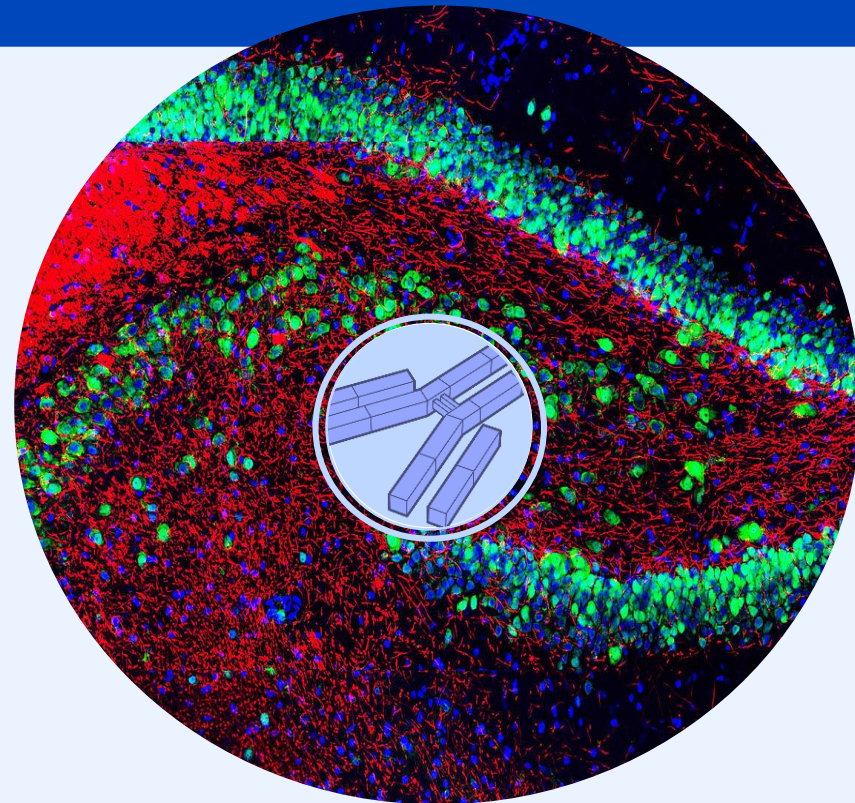
Other legacy IT



Organisation skill gaps underpin of all areas

Addressing these areas is important to Abcam's wider growth strategy:

Sustain and extend antibody and digital leadership



- Offer best binders for most important research needs
- Remove technical constraints to growth
- Increase own-produced content/IP
- Deliver a personalised digital customer experience

Drive continued expansion into complementary market adjacencies

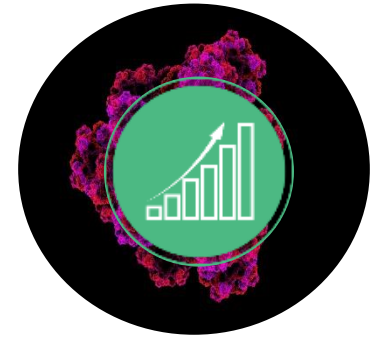


- Build out from antibody leadership into proteomic assays and related reagents
- Stay instrument agnostic
- Get Abcam proprietary content into platforms and clinical applications: 'Abcam Inside'

Build organisational scalability and sustain value creation

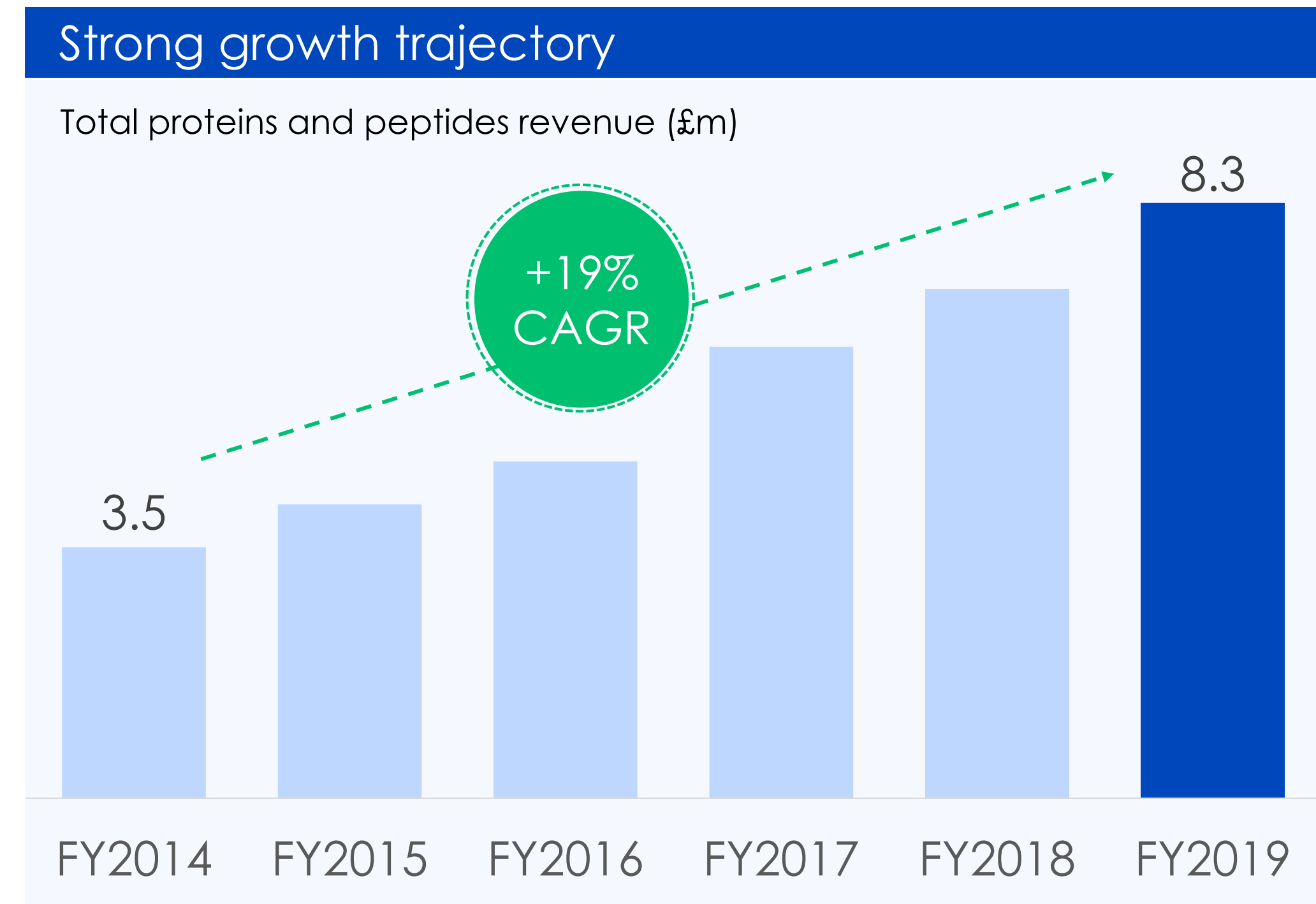


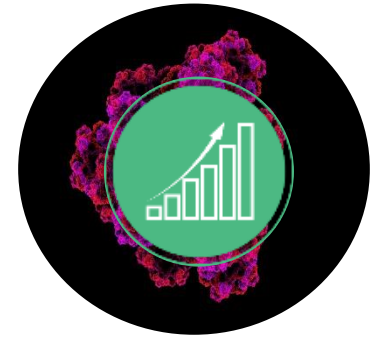
- Remove operational constraints to growth
- Build talent depth and fill capability gaps
- Complete legacy IT upgrades
- Realise operational improvements and efficiencies



Proteins case study: addresses a constraint and creates an adjacent market opportunity

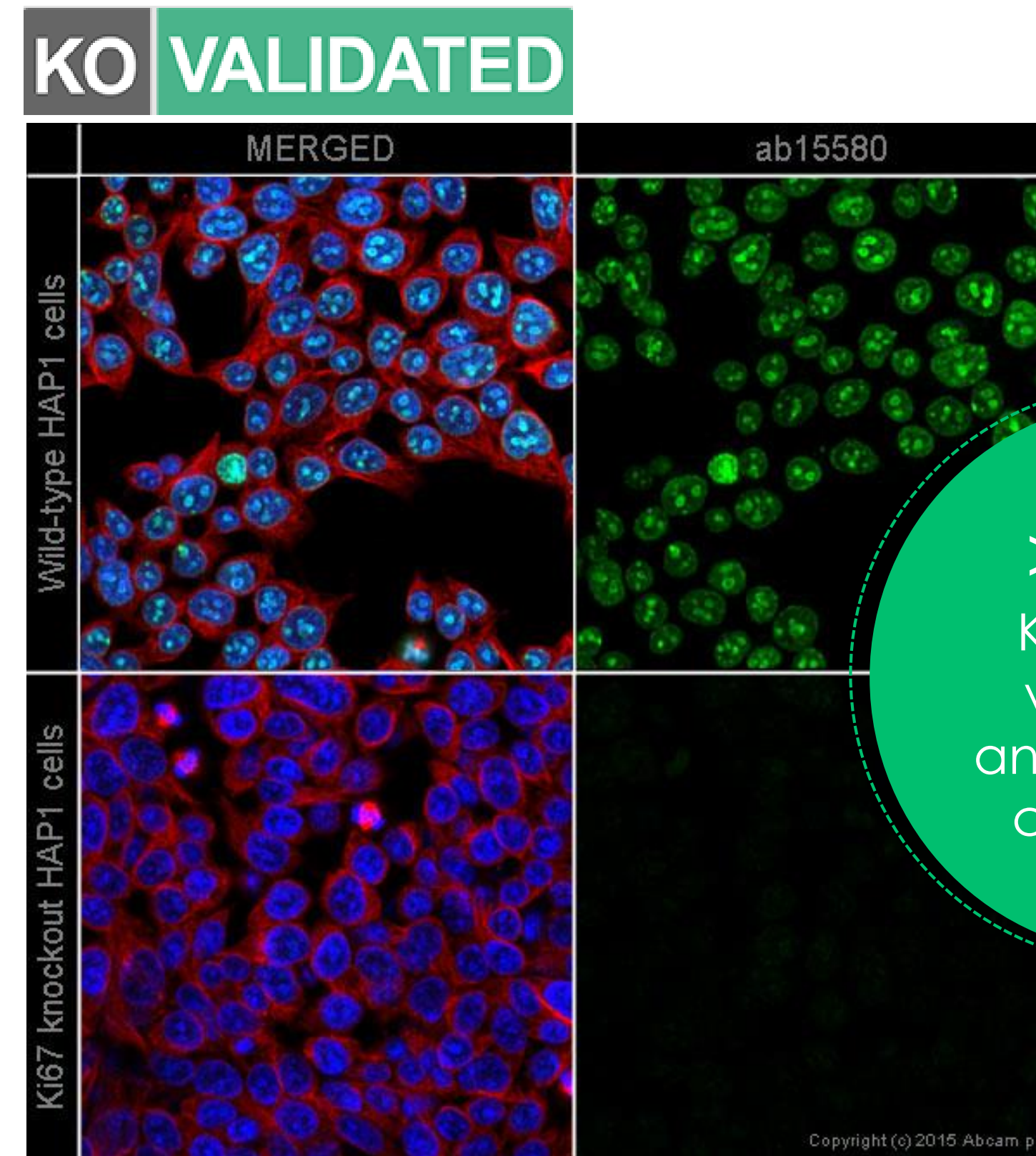
- Essential innovation input for proprietary antibodies
- Part of Abcam addressable market (~3% of FY19 revenue) with TAM ~\$500m+
- Built lab and team required for internal needs over past 12 months
- Planned investment to scale-up new line of business





Cellular editing case study: addresses a constraint and creates an adjacent market opportunity

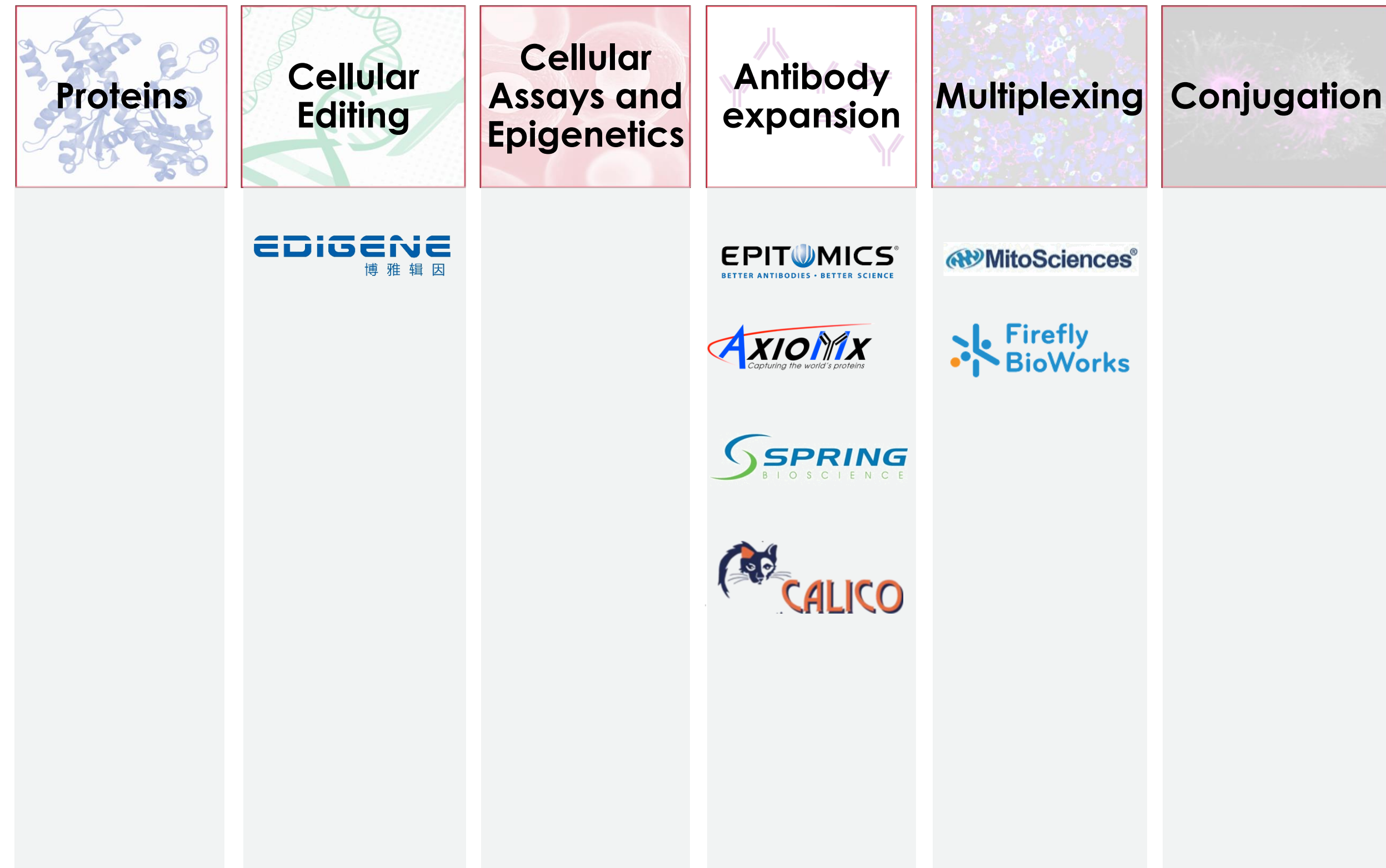
- Important tool for antibody validation – both at Abcam and in customer labs
- Addressable market of ~\$200m+ and growing rapidly
- Acquired 2,800 diploid knock-out cell lines from Edigene in July 2019
- Planned investment to scale-up new line of business



Knock-out validation of Anti-Ki67 antibody (ab15580) in Immunocytochemistry / Immunofluorescence

The right acquisitions will be used to compliment our organic growth strategy across the portfolio

- “Gold standard” reagents to study biological pathways
- Potential to drive growth via Abcam’s platform and brand
- Opportunities to create unique propositions by combining with Abcam technology
- Accretive deals with attractive return on capital/IRR
- Technological tuck-ins to further differentiate product offering



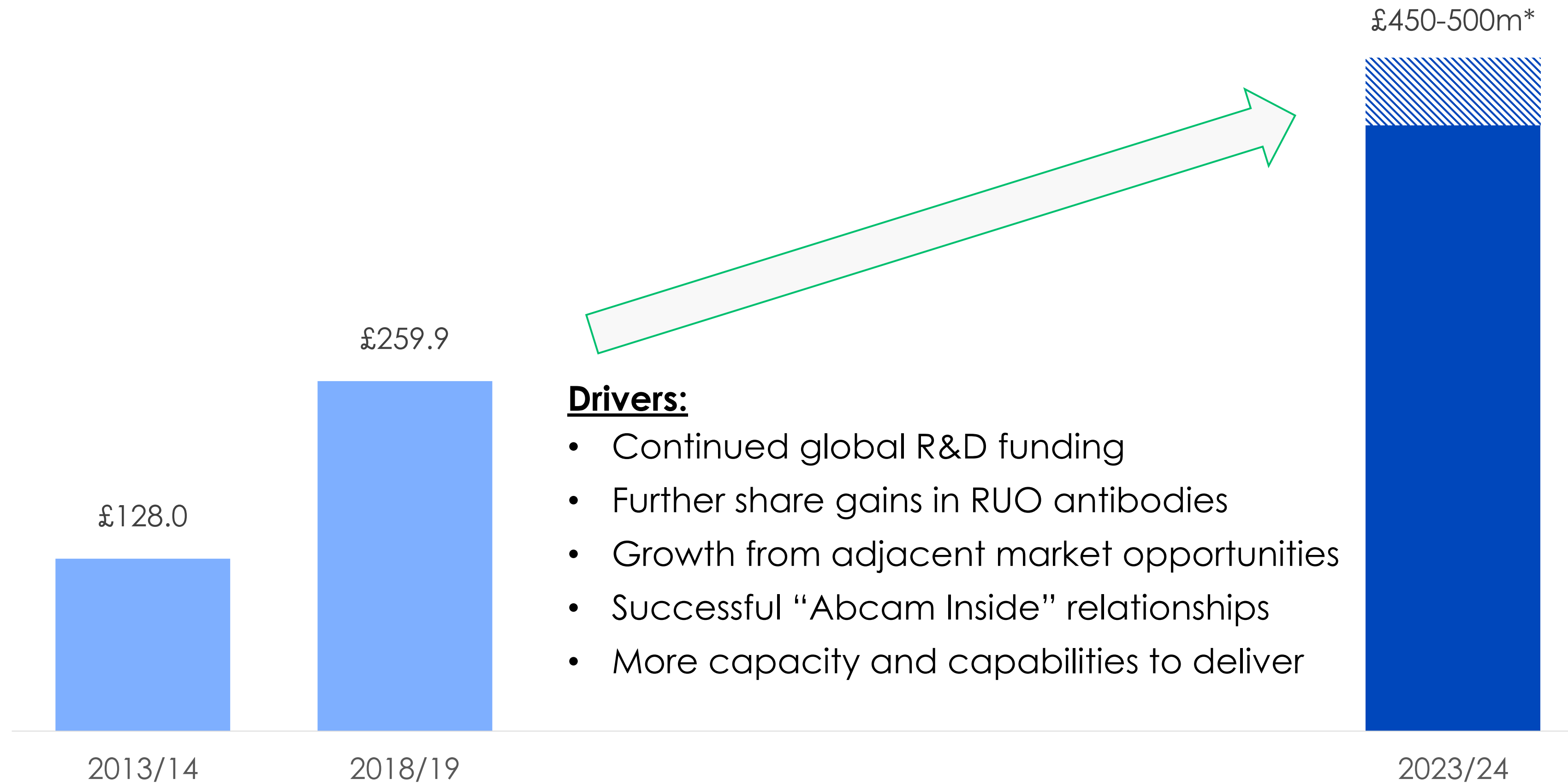
Updated strategic performance measures for 2019/20

	Strategic KPIs	
	In-house product revenue growth (Catalogue) ¹	Customer engagement: transactional Net Promotor Score (tNPS)
2019/20 target range	12 – 15%	54 – 60% ²
2018/19 Actual	13.6%	59%

(1) At constant exchange rates (CER, applying prior period's exchange rates to this period's results).

(2) Under new feedback mechanism. Equivalent to ~62-68% under prior mechanism

Implementing Abcam strategy ought to create incremental £200m+ in profitable revenue by 2024

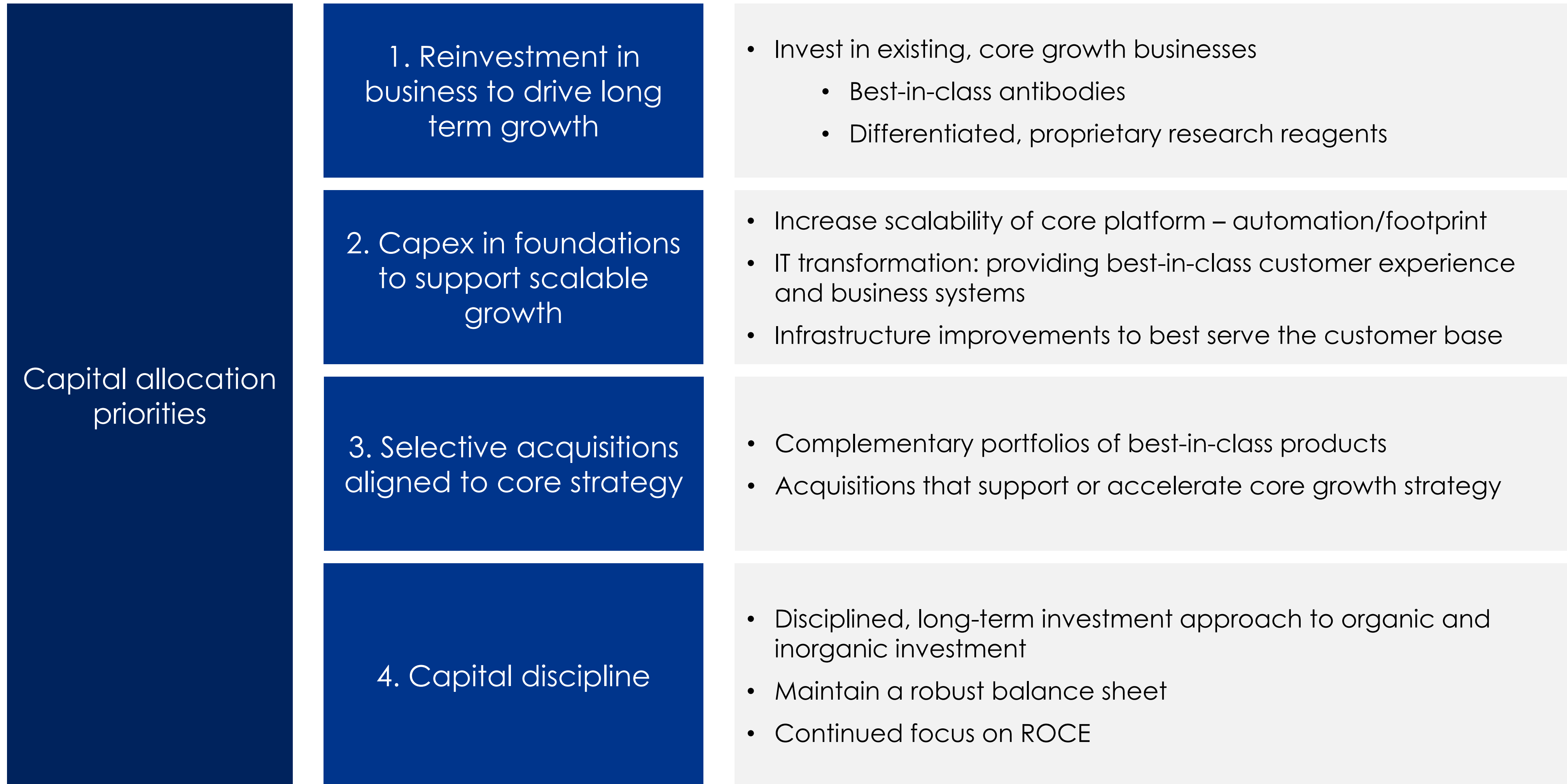


2019/20 and long-term outlook

Greater value creation potential for our shareholders



Capital Allocation Strategy



2019/20 and long-term outlook

	2018/19 Reported	2018/19 Restated for IFRS16	2019/20 Outlook	Long-term outlook to 2023/24
Revenue, £ (CER growth rate)	£259.9m (9.2%*)	£259.9m (9.2%*)	£288 – 294m ¹ (9-11%*)	£450m – £500m
Adjusted Operating Profit Margin, %	32.2%	32.4%	25 – 28% ²	Low thirties % ³
Adjusted Pre-tax ROCE	20.8%	18.1%		At or above 18% ²
Capex, £ (% of revenue)	£35.9m (13.8%)	£35.9m (13.8%)	£30 – 50m	£175 – 225m over FY20-24 period
Adjusted EBITDA Margin, %	35.6%	38.3%	32 – 35% ⁽³⁾	

(1) Based on internal budget rates to GBP as follows: USD 1.27; EUR 1.12; RMB 8.72; JPY 134.0

(2) Post impact of IFRS16 introduction

(3) Contingent upon the phasing of existing plans and future projects

* At Constant Exchange Rates (CER)

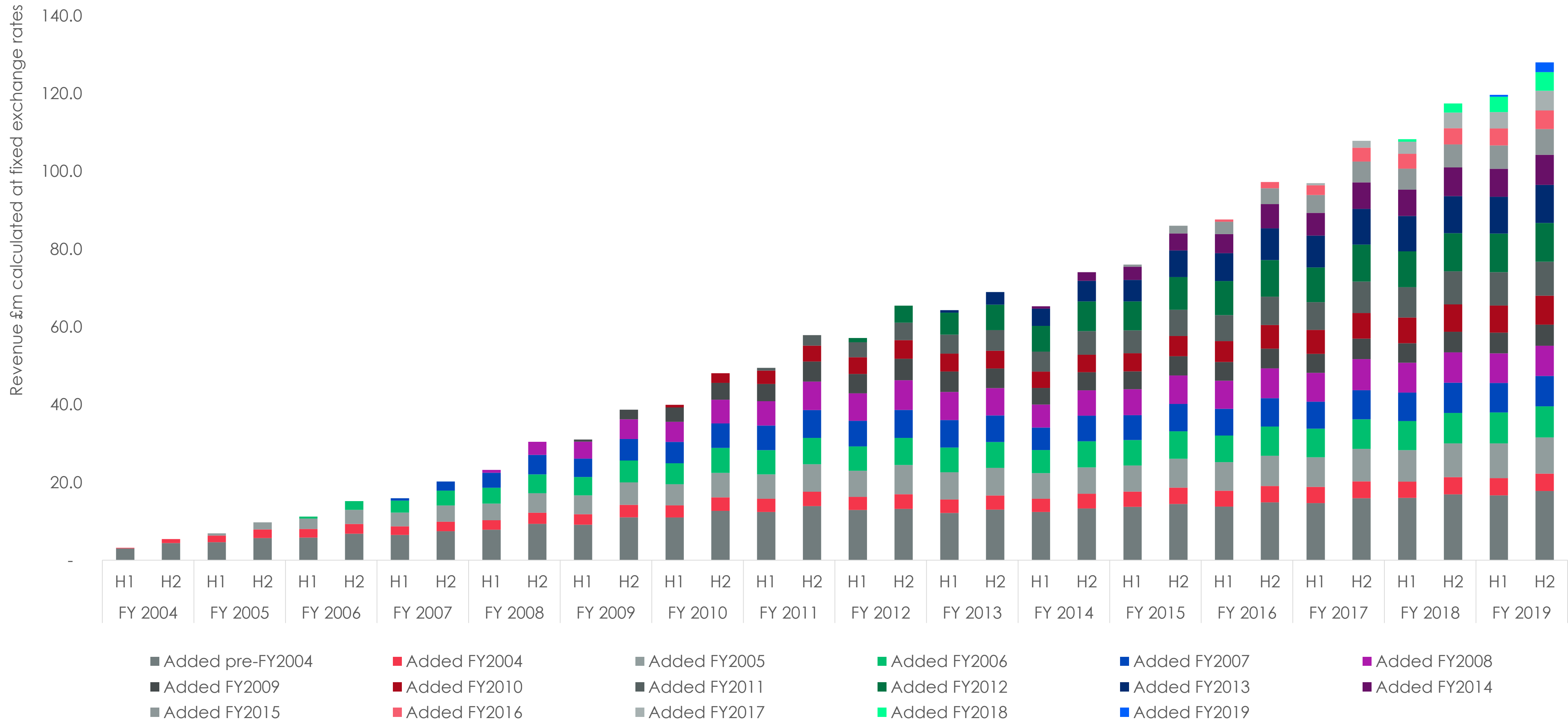
Summary and Wrap-up

- **Multiple growth opportunities** within attractive markets of \$8bn
- **Solid foundations built** – well placed to extend our leading position in research antibodies and related markets
- **Core business fundamentals remain appealing** - highly profitable and cash generative, providing capital to invest
- **Clear strategy going forward to sustain and increase our growth potential**, build the enterprise and deliver shareholder-value creation
- Capital Markets Event, 14 November in Cambridge, UK

Thank you for your attention.

Catalogue revenue growth

Revenue by product cohort since 2004

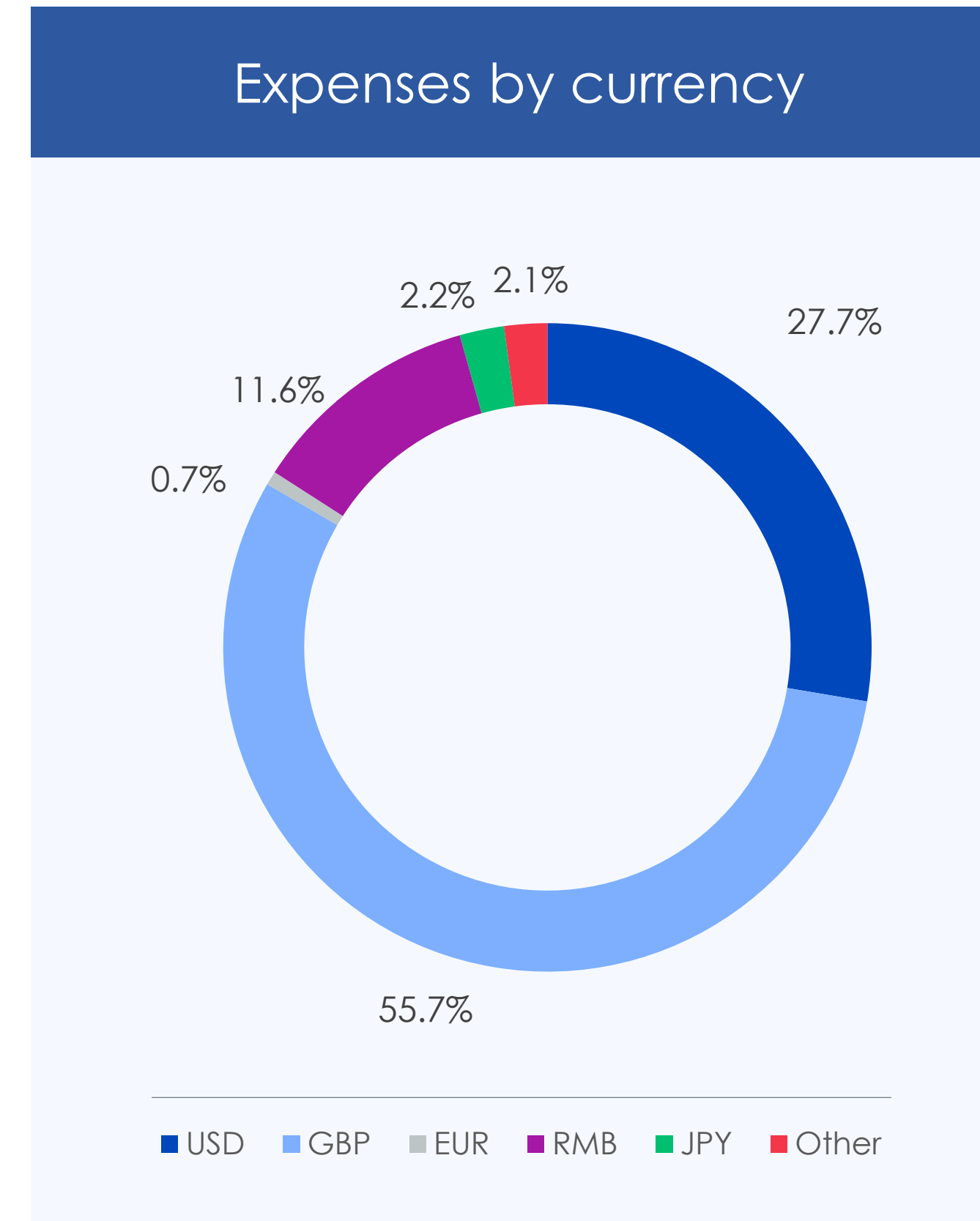
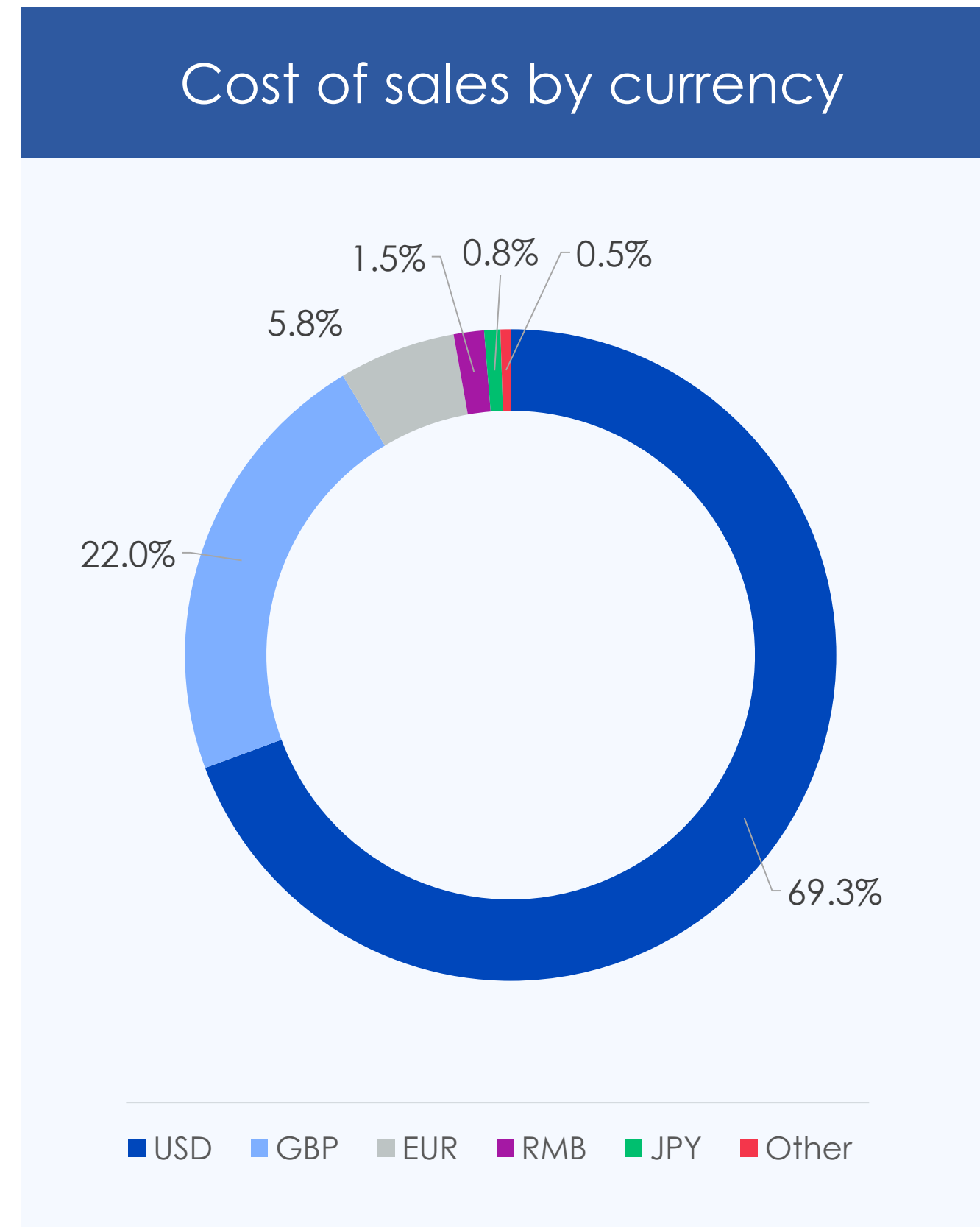
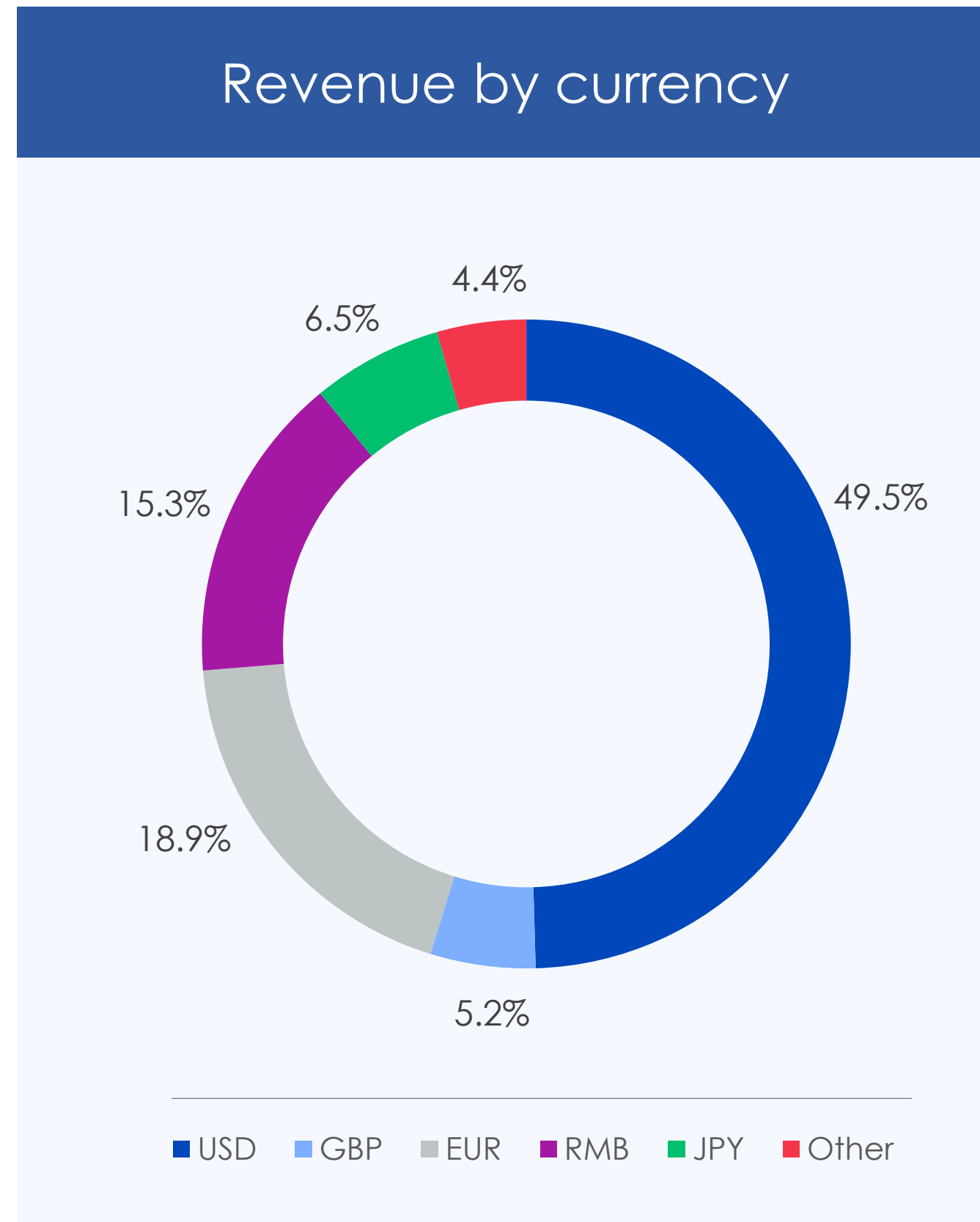


Adjusting items and reported results

	FY 2018 £m	FY 2019 £m
Adjusted EBITDA	88.3	92.4
<i>Depreciation and amortisation¹</i>	<i>(7.0)</i>	<i>(8.8)</i>
Adjusted Operating Profit	81.3	83.6
Adjusting items:		
ERP development costs	(6.1)	(4.5)
Impairment of certain historic ERP development costs	-	(12.8)
One-off costs associated with new Group headquarters	(0.3)	(3.7)
Amortisation of acquisition intangibles	(5.9)	(6.5)
Acquisition related costs	(0.2)	-
Reported Operating Profit	68.8	56.1

¹ Excluding amortisation of acquisition intangibles and depreciation of Group headquarters

2018/19 currency analysis



IFRS 16, 'Leases' - effective from 1 July 2019

- The Group has conducted a review of its lease contracts and based on the leases in place at 30 June 2019 expects a decrease in net assets of £2.1m on transition at 1 July 2019.
- This is the combination of a £5.9m decrease driven by the recognition of liabilities over asset values offset by the release of deferred rent accruals and prepayments of £3.8m.
- In the years post transition, there would also be an impact on the Group's income statement as the fixed rental expense is replaced by a depreciation charge and an interest expense.
- This will lead to an increase of approximately £1m in operating profit as a result of removing the operating lease expense net of the new leased asset depreciation charge.
- The overall impact to the Group's reported profit after tax is expected to be immaterial with a small net decrease in the initial years after transition which will reverse in later years as the leases in existence at transition come closer to ending.

Estimated impact on P&L (all figures approximate)

£'m	FY20e	FY21e	FY22e
Reduction in operating expenses (ex. D&A)	~7	~7	~5
Increase in EBITDA	~7	~7	~5
Increase in depreciation	~(6)	~(6)	~(4)
Increase in operating profit	~1	~1	~1
Increase in finance costs	~(1)	~(1)	~(1)
Impact on Profit before tax	nm	nm	nm

Estimated impact on Balance Sheet

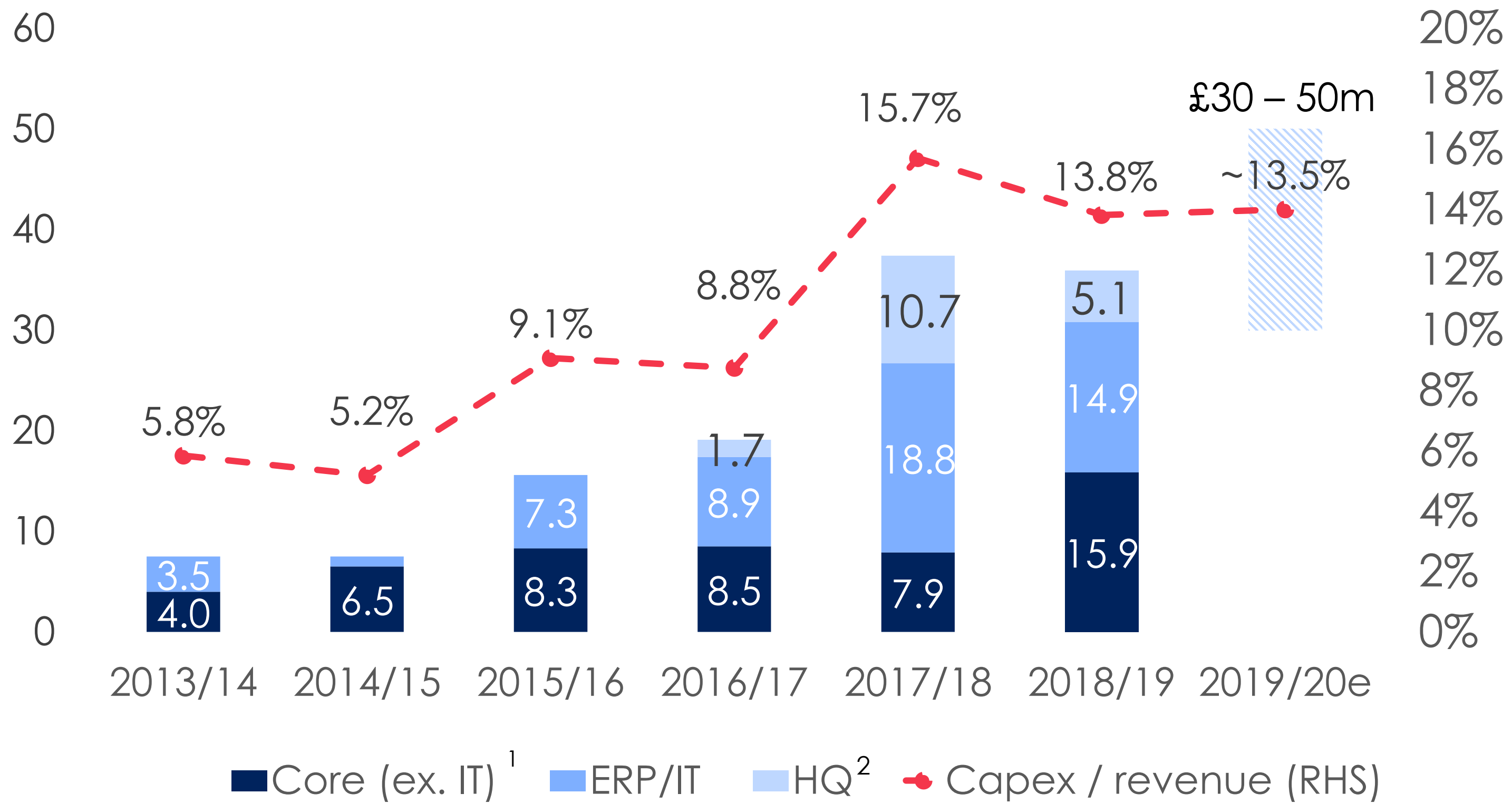
£'m	FY20e	FY21e	FY22e
Total Assets	~64	~58	~54
Total Liabilities	~(70)	~(64)	~(60)
Net Assets	~(6)	~(6)	~(6)

Trajectory by business line

	Catalogue (RUO)	CP&L
Sales growth FY20-24	Double-digit+ CER % Accelerating through period	Projects ~0% trend growth Low double-digit growth from Supply and Licence agreements
Gross margin, %	Gradual improvement, benefitting from in-house product mix and as CP&L mix shifts to more supply / license revenue over medium- to long-term, partially offset by regional mix	
Key drivers and building blocks	Continued share gains in antibody markets RUO immunoassays Other proteomic research reagents	Fixed internal capacity to conduct customer projects IVD, Royalty, Licensing growth dependent on downstream success

Cash Capex Trajectory

Total capex spend, £m



(1) Includes capitalised R&D, laboratory equipment, office & computer equipment

(2) Adjusted for £0.6m reclassification in 2016/17

(3) Details provided in additional information section



Five-Year Return on Capital Employed

Consistently delivering strong returns on capital

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2019 <i>Restated for IFRS16</i>
Net Cash	57.1	68.9	84.8	90.2	87.1	87.1
Total Assets	249.9	329.6	361.7	414.8	446.7	516.6
<i>Less Current Liabilities</i>	<i>21.1</i>	<i>33.3</i>	<i>32.6</i>	<i>49.0</i>	<i>45.3</i>	<i>51.8</i>
Total Capital Employed (end of period)	228.8	296.3	329.1	365.8	401.4	464.8
Adjusted Operating Profit	49.2	53.6	64.4	81.3	83.6	84.2
Adj. ROCE¹	21.5%	18.1%	19.6%	22.2%	20.8%	18.1%