

Abcam plc

Interim results for the six months
ended 31 December 2018

4th March 2019

abcam



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Becoming the most influential company for life scientists supporting research, diagnostic and therapeutic discovery



“ QIAGEN (Suzhou) and Abcam sign strategic MoU to co-develop companion diagnostic (CDx) and in vitro diagnostic (IVD) reagents and kits for the Chinese market.”

December 2018



“ Abcam acquires Calico Biolabs, expanding our expertise in recombinant rabbit monoclonal antibody development and custom solutions capabilities.”

January 2019



“ Abcam and the LouLou Foundation partner to develop key research tools for CDKL5 deficiency disorder.”

January 2019



“ Abcam launches new PBS-only antibodies, enabling more flexible research.”

October 2018



“ Leica Biosystems announce the global launch of a new PD-L1 antibody (clone 73-10) for use on their fully automated BOND IHC and ISH staining platform.”

November 2018



“ Roche announces the global launch of the VENTANA pan-TRK (EPR17341) Assay, the first automated in vitro diagnostic (IVD) IHC assay to detect tropomyosin receptor kinase (TRK) proteins in cancer.”

November 2018

Serving life scientists to achieve their mission faster

Abcam and the Michael J. Fox Foundation for Parkinson's Research

**Accelerating
Parkinson's research**
through the
development and
**provision of critical
reagents** to key
targets



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H1 2019 Financial Results

Solid financial performance delivered in H1 2019



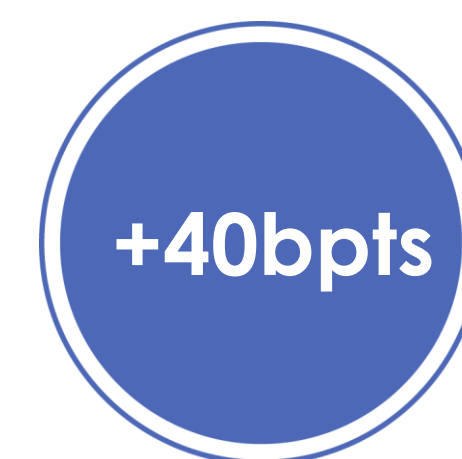
Total Revenue growth¹

Reported revenue
£124.7m, +10.8%
(H1 2018: £112.5m)



Catalogue Revenue growth¹

Reported revenue
£117.0m, +11.2%
(H1 2018: £105.2m)



Gross margin

Gross margin:
70.2%
(H1 2018: 69.8%)



Adjusted EBITDA² growth

Adjusted
EBITDA £44.4m
(H1 2018: £42.7m)



Adjusted diluted EPS³ growth

Adjusted diluted
EPS 16.3p
(H1 2018: 15.5p)



Dividend growth

Interim dividend
per share: 3.55p
(H1 2018: 3.42p)

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

Product revenue analysis: Recombinant antibody and Immunoassay growth support double-digit catalogue growth

	H1 2019 £m	H1 2018 £m	Constant Currency growth*
Catalogue revenue – product split:			
Primary and Secondary Antibodies	93.5	85.2	9.3%
of which Recombinant antibodies	27.2	22.4	21.1%
Other products¹	23.5	20.0	15.6%
of which Immunoassay products	8.8	7.0	25.8%
Catalogue revenue sub-total	117.0	105.2	10.5%
Custom Products and Licensing (CP&L) revenue ²	7.7	7.3	2.3%
Total revenue	124.7	112.5	10.0%

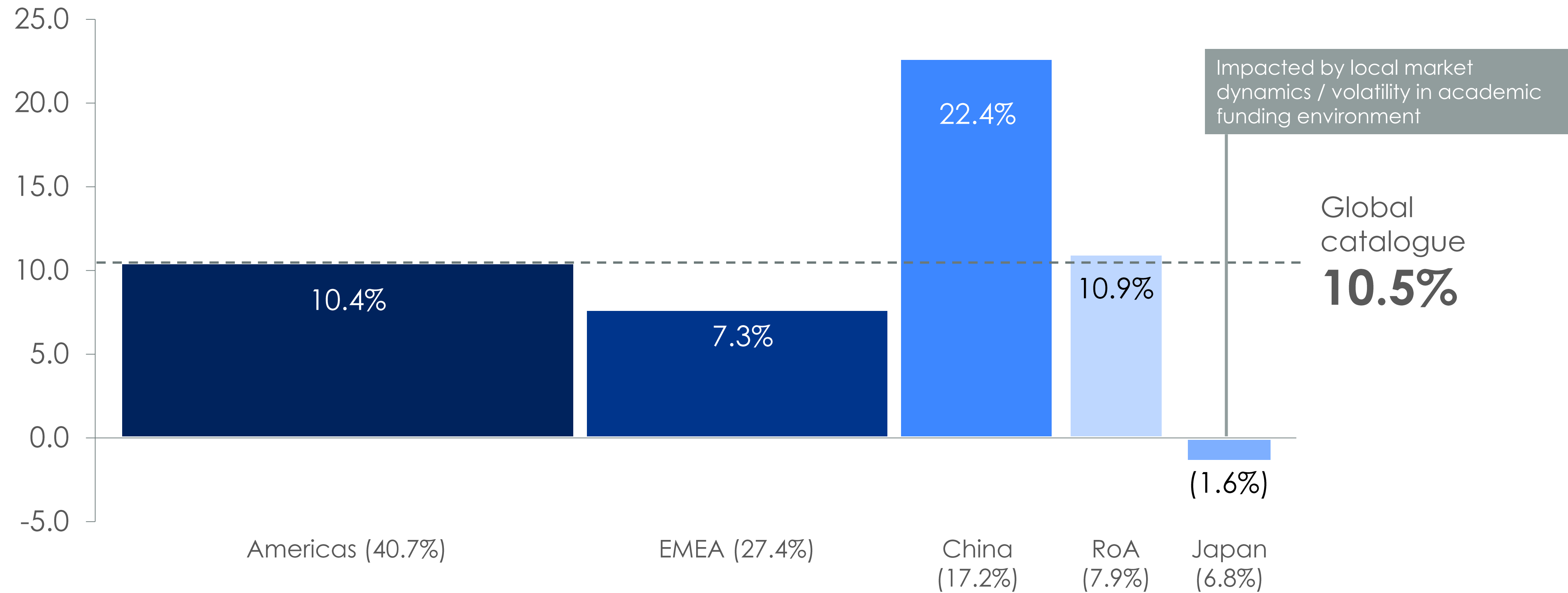
¹ Includes kits and assays, proteins, peptides, lysates and AAI products sold for research use

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)

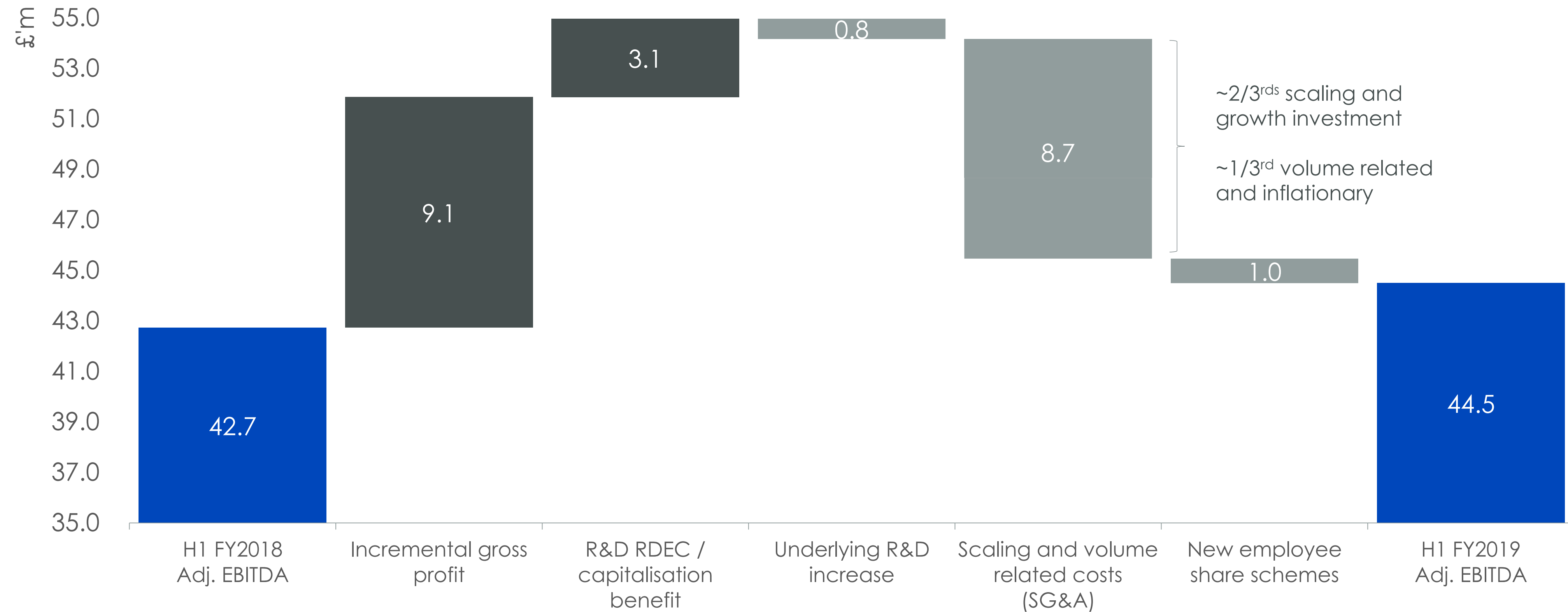
Regional revenue analysis: China remains fastest growing major region

H1 2019 Catalogue CER revenue growth rate, %¹



¹ Catalogue revenue growth at constant exchange rates (applying prior period's exchange rates to this period's results)
Figures in parenthesis indicate percentage of total reported catalogue revenue in H1 2019

Adjusted EBITDA¹ bridge: Investing for long-term growth



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

Ongoing investment in infrastructure to support scalability

Upgraded and expanded operations

- New global HQ on Cambridge Biomedical Campus completed on time and on budget
 - All UK employees on single site for first time in over a decade
 - State of the art, purpose built facilities
 - Total capital investment £24.4m (£21.8m spent up to H1)
- New EU based fulfilment centre to be operational by end March

Flexible and scalable IT platform

- HR and customer contact modules launched
- Executing phased roll-out of remaining modules
- Implementation of finance and non-stock procurement modules expected Summer 2019
- H1 2019 spend: £7.8m (of which capex £5.8m)
- FY estimated spend: ~£16m (Capex ~£12m)

Cash flow analysis:

Continued strong cash generation funding investment cycle

	H1 2019 £'m	H1 2018 £'m
Operating cash flows before w/c	41.0	39.5
Change in working capital	1.2	(3.1)
Tax paid	(5.8)	(3.5)
Net finance (costs) / income	0.3	0.1
Investing activities	(27.3)	(11.2)
Financing activities	(17.2)	(14.3)
Net change in cash and term deposits	(7.8)	7.5
Effect of FX rates	0.8	(0.7)
Opening cash and term deposits	90.2	84.8
Closing cash and term deposits	83.2	91.6
<i>Cash conversion ratio¹</i>	95%	85%

- Main investing activities:
 - ERP investment £5.9m
 - New Cambridge HQ £7.2m (£3.0m net of funds held in escrow)
 - New product development £3.9m
 - Global lab equipment £2.0m
 - £11.9m related to the Spring licensing agreement
- Financing activities mainly related to the payment of the final FY2018 dividend

RCF put in place to support acquisition strategy

- RCF put in place 1st February 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

1. Operating cash flow after w/c / Adjusted EBITDA

Outlook and financial guidance

- Outlook for biomedical research funding in major markets remains robust, with the exception of Japan
- Long-term investments support double-digit growth trajectory with attractive margins
- Short term continues to be impacted by Japan and phasing of CP&L custom service revenue

Total revenue growth (constant currency)¹

H1 2019 actual	FY2018/19e
10.0%	~10%

Adjusted EBITDA margin²

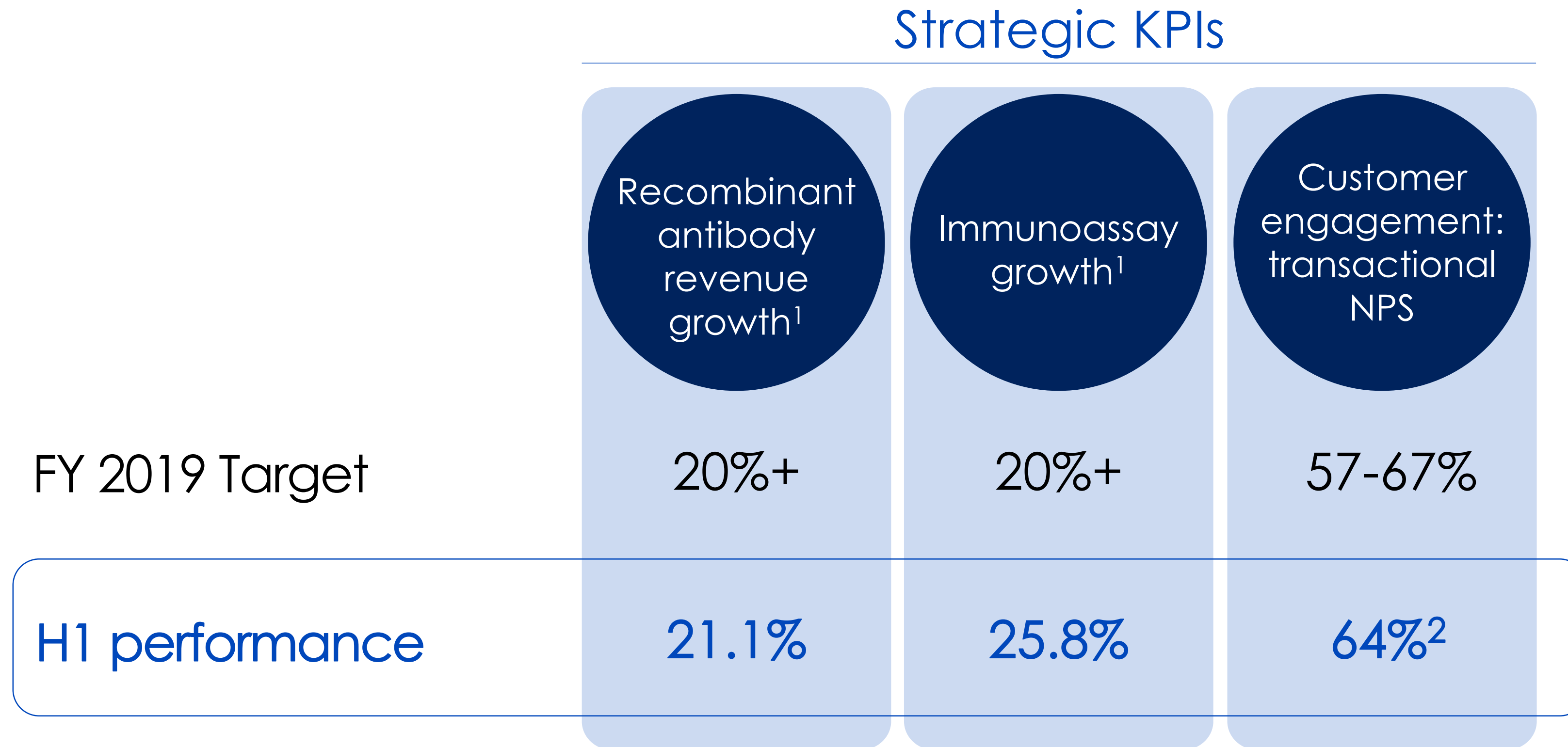
H1 2019 actual	FY2018/19e
35.6%	~35%

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

² Excludes system and process improvement costs relating to Oracle ERP implementation

Progress against our goals

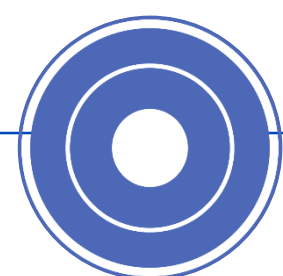
We remain on track to deliver our strategic goals for the year



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

2) July-Oct 2018 (tNPS provider changed during October 2018)

We are making good progress towards our FY2019 objectives



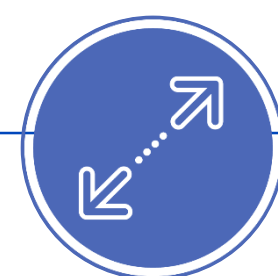
Sustain **antibody** and **digital marketing leadership**

- ~1,500 recombinant antibody products published ¹
- Knockout validation initiative now in over 1,800 products
- Two website releases deployed
- China growth v.2.0 project launched



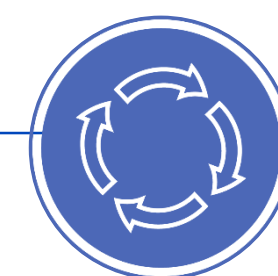
Expand in **related growth markets**

- >600 immunoassay kits published online²
- First multiplex immunoassay customer cohorts
- Continued development of 'Abcam Inside' pipeline, with 75+ projects initiated



Invest in operating capabilities for **2x 2016 scale by 2023**

- IT implementation progressing to plan
- Global employee share scheme launched
- Move to new UK HQ complete
- Further senior team appointments made



Sustain **attractive economics**

- New UK HQ delivered on time and budget
- First wave of manufacturing automation implemented
- Contingency plans initiated for no-deal Brexit



Supplement organic growth - **acquisitions and partnerships**

- Bolt-on acquisition of Calico Biolabs
- EVP of Corporate Development appointed
- Attractive pipeline of opportunities

Leadership in research use markets is strengthening our competitive position in an \$8bn addressable market

Estimated Total Addressable Markets



\$3bn ~4% pa

1 **Research Use (RUO) Proteomic Tools**

Protein binding reagents

Primary antibodies
Secondary antibodies
Immunoassays

Related reagents

Kits⁽¹⁾
Proteins, peptides,
lysates
Biochemicals



\$5bn 5-8% pa

2 **Antibody development for Dx/Tx use**

Diagnostic applications

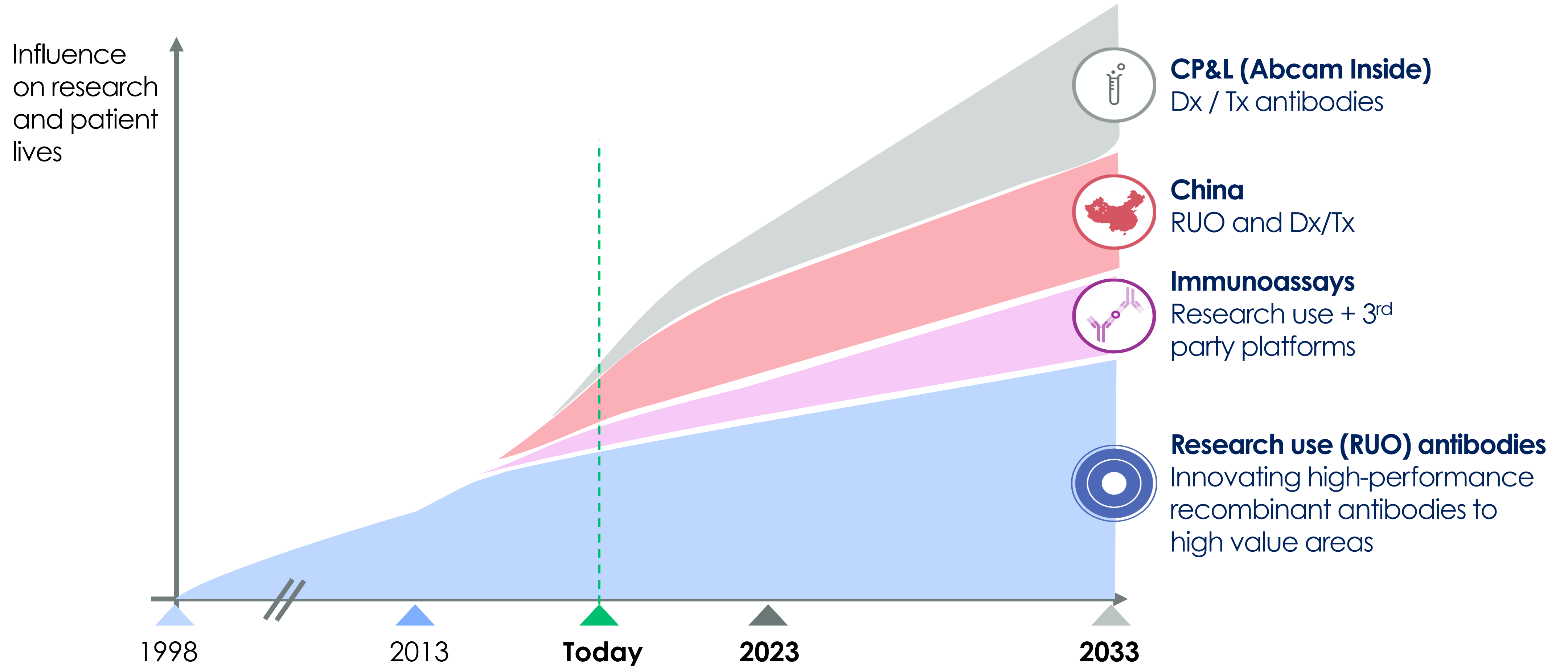
Companion Dx
IVD
Point of Care

Disease treatment

Biological
therapeutics

‘Abcam Inside’

Across our markets we are pursuing four large growth opportunities



Note: Chart for illustrative purposes only. Not to scale

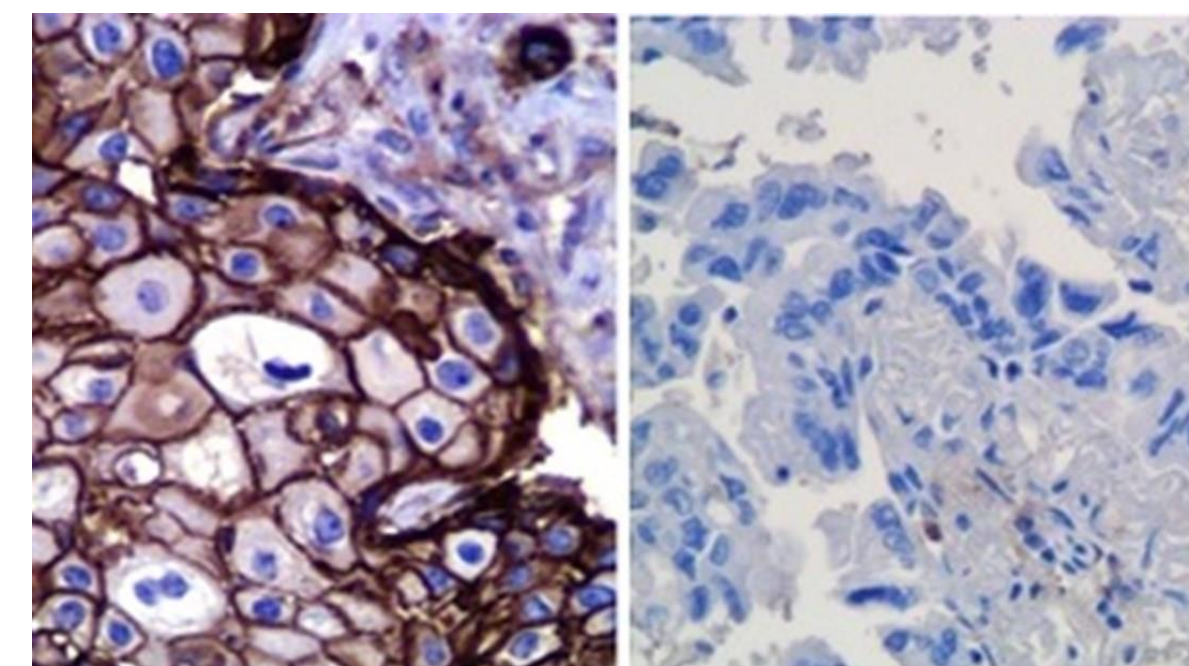
Supplementing organic growth through partnerships and acquisitions: Calico Biolabs

Bolt-on acquisition of Calico completed in January

- small portfolio of CAL™ clones optimised for IHC antibodies against key Immuno-oncology targets
- complementary propriety technology allows development of high quality antibodies without the use of traditional cell fusion and hybridoma methods

Aligned with our M&A criteria:

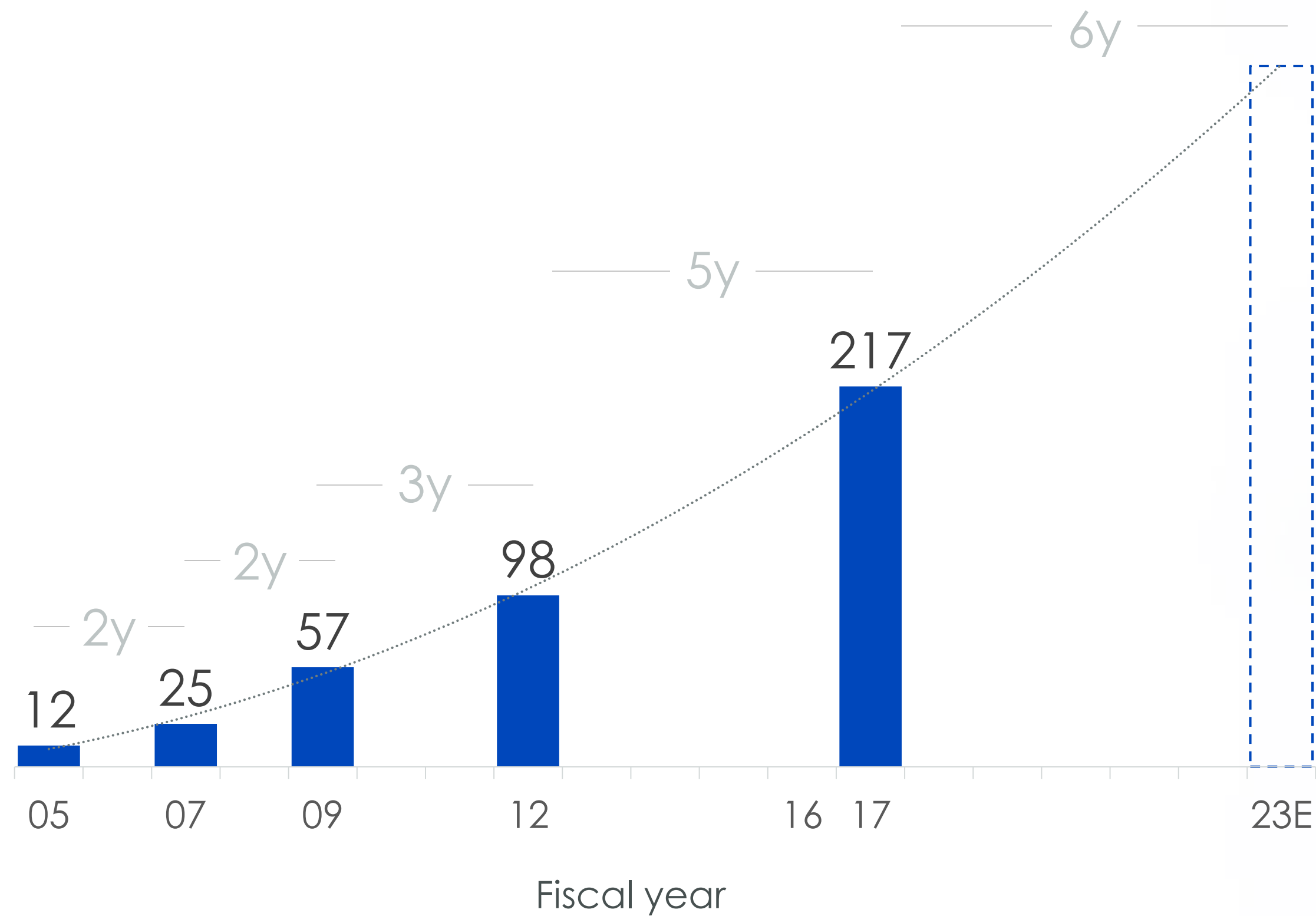
- ✓ “Gold standard” reagents to study biological pathways
- ✓ potential to drive further growth via digital platform and brand
- ✓ opportunity to create new propositions by combining with existing Abcam technology
- ✓ accretive deals with attractive return on capital / IRR



Formalin-fixed, paraffin-embedded NSCLC (Non-small-cell lung carcinoma) tissue stained for PD L1 using Anti-PD-L1 antibody [CAL10] (ab237726) at 0.3 µg/ml dilution in immunohistochemical analysis. Positive staining (Left panel) and negative staining (Right panel).

Confident in sustaining our long-term growth trajectory

Global Reported Revenue, £m

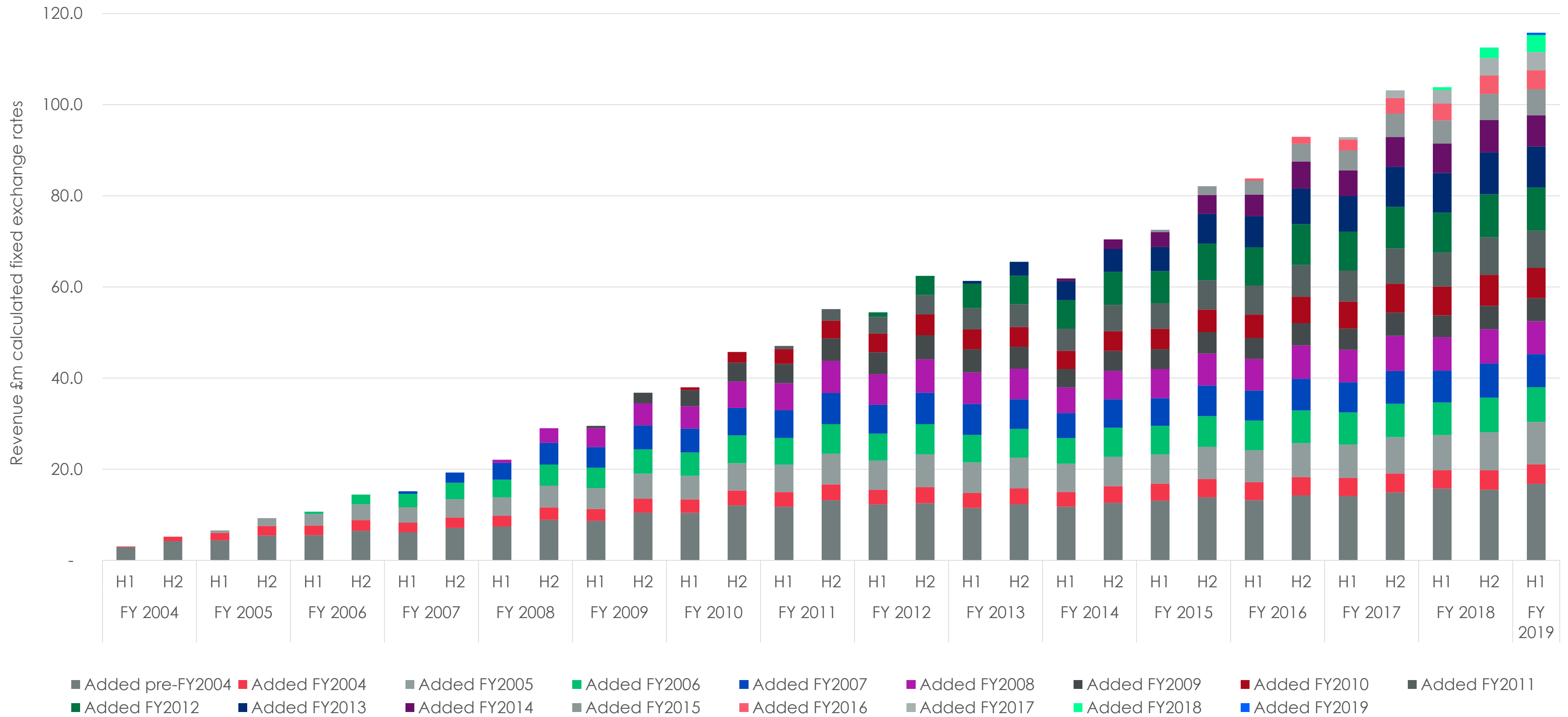


- Enduring demand for proteomic research tools
- Global market leader of research antibodies opening up new related markets
- Unique capabilities support continued share gains
- Focused on major growth opportunities in TAM of ~\$8bn
- Investing to support opportunity

Q&A

Additional Information

Cohort catalogue revenue by financial year



Foreign exchange – modest FX benefit in H1

+10.8%

Total reported revenue growth

H1 2019: £124.7m
H1 2018: £112.5m

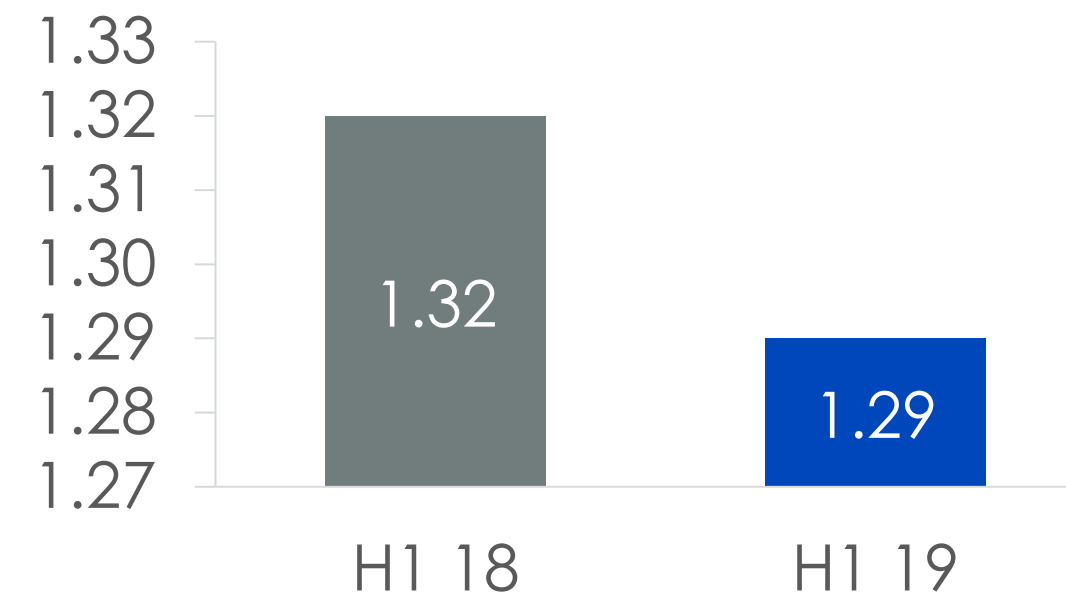
+11.2%

Reported Catalogue revenue growth

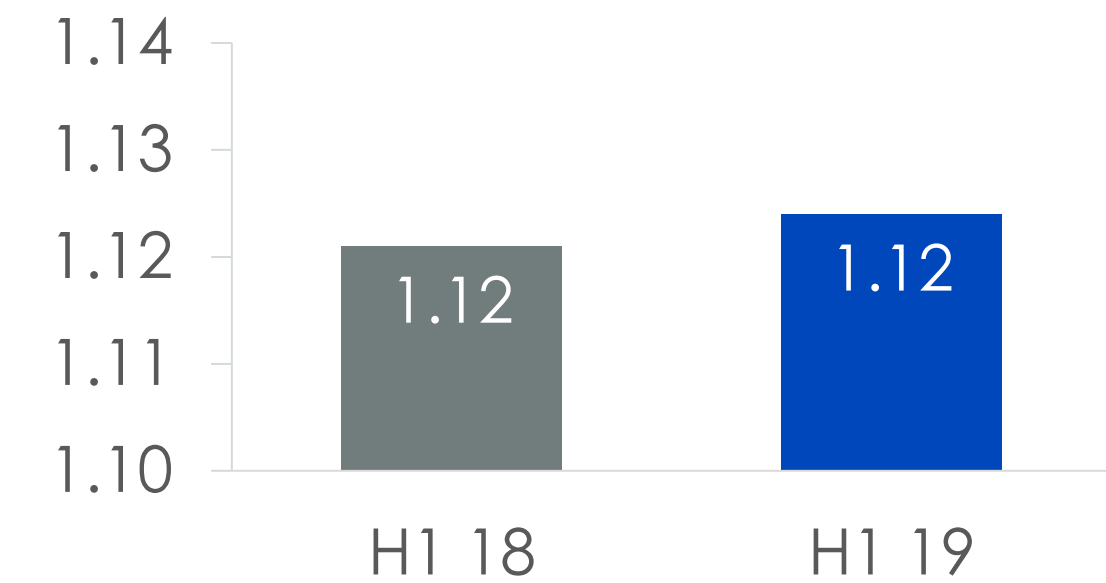
H1 2019: £117.0m
H1 2018: £105.2m

Foreign Currency Movements

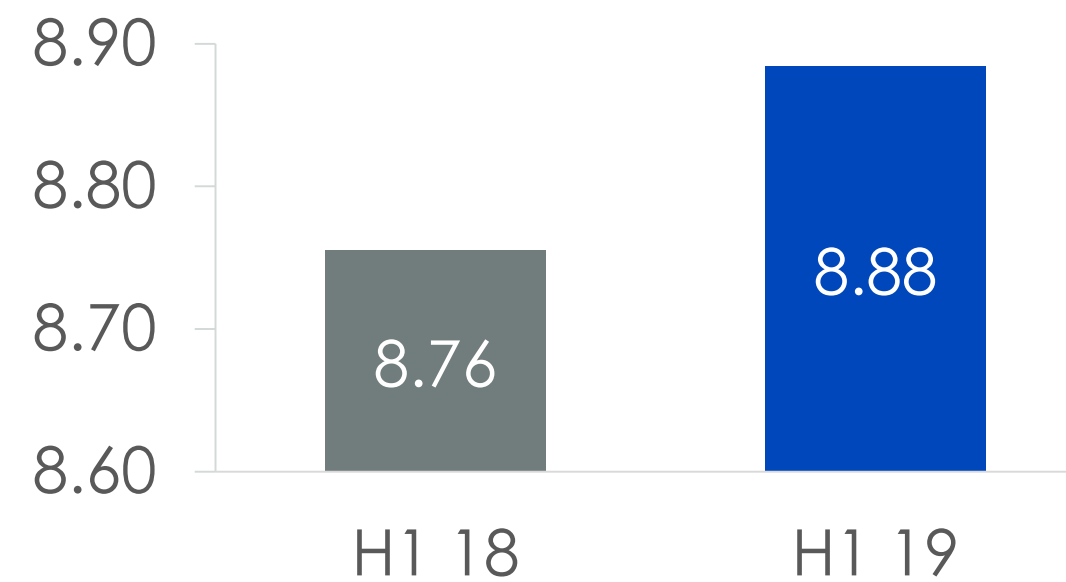
USD/GBP (48.6% of rev)



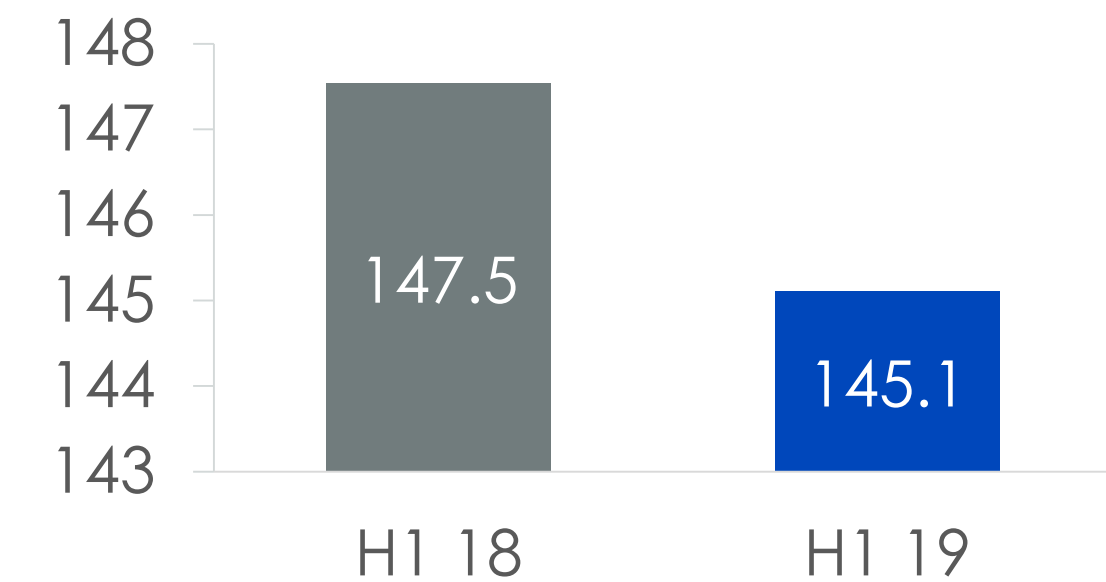
EUR/GBP (19.4% of rev)



RMB/GBP (16.1% of rev)

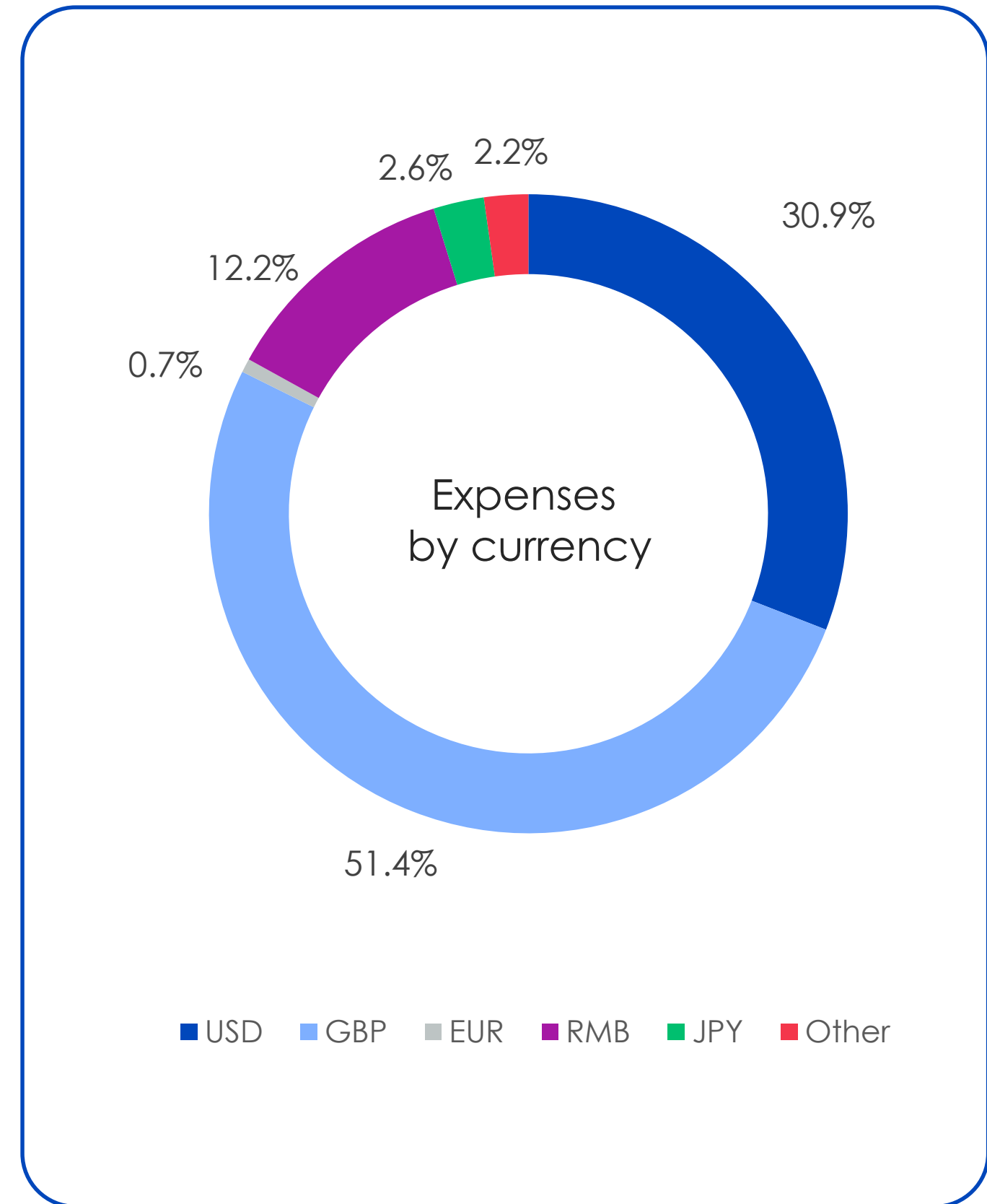
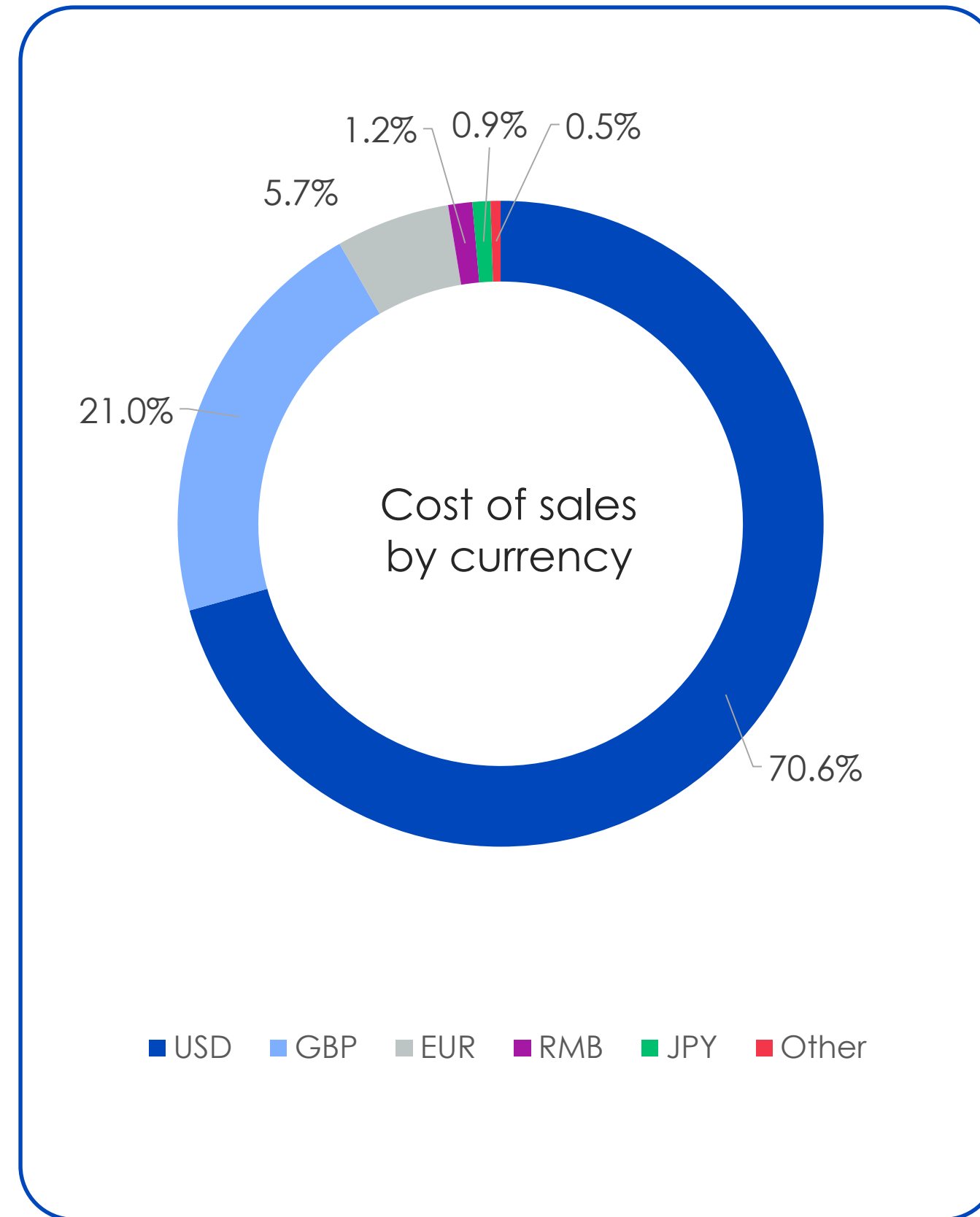
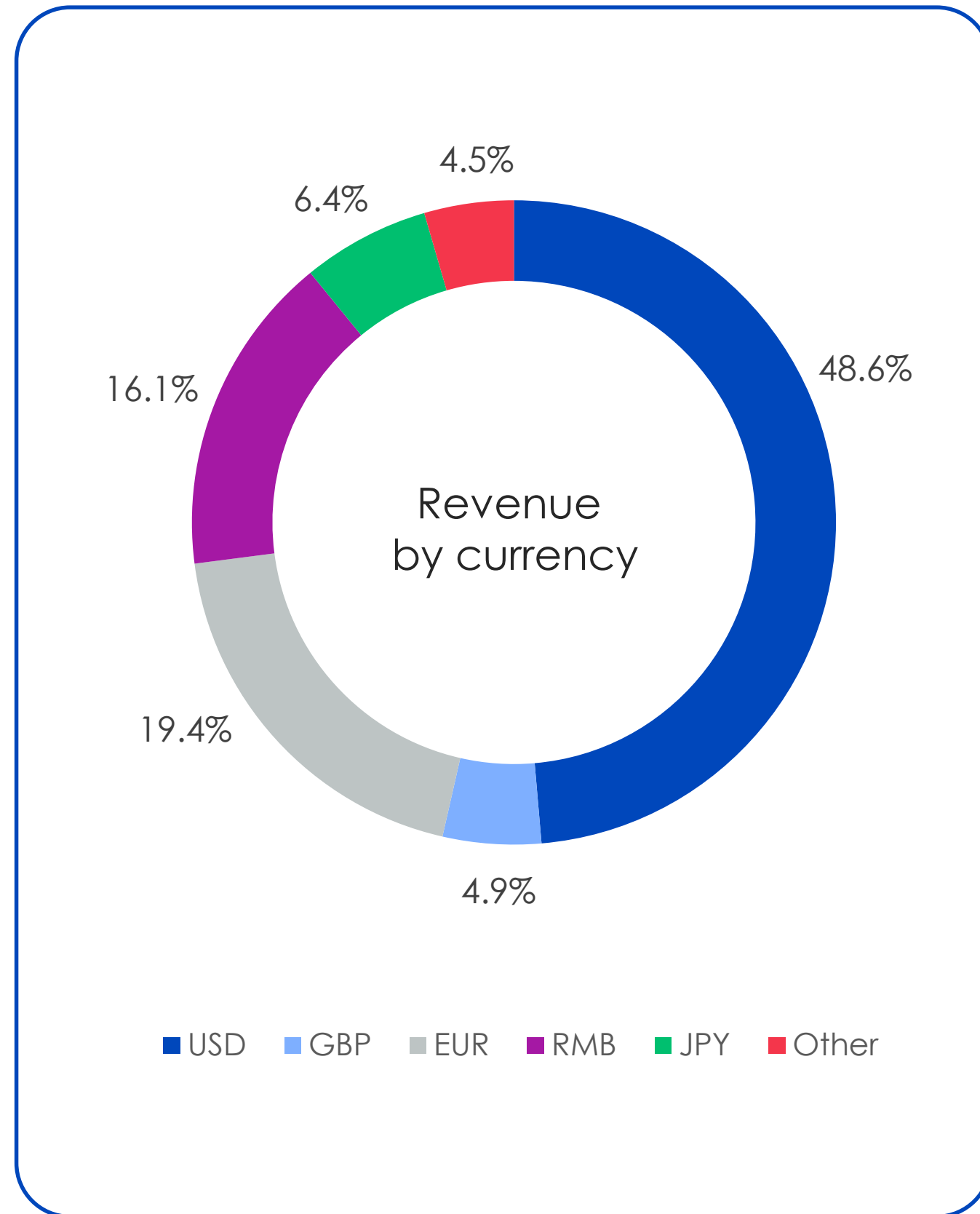


JPY/GBP (6.4% of rev)



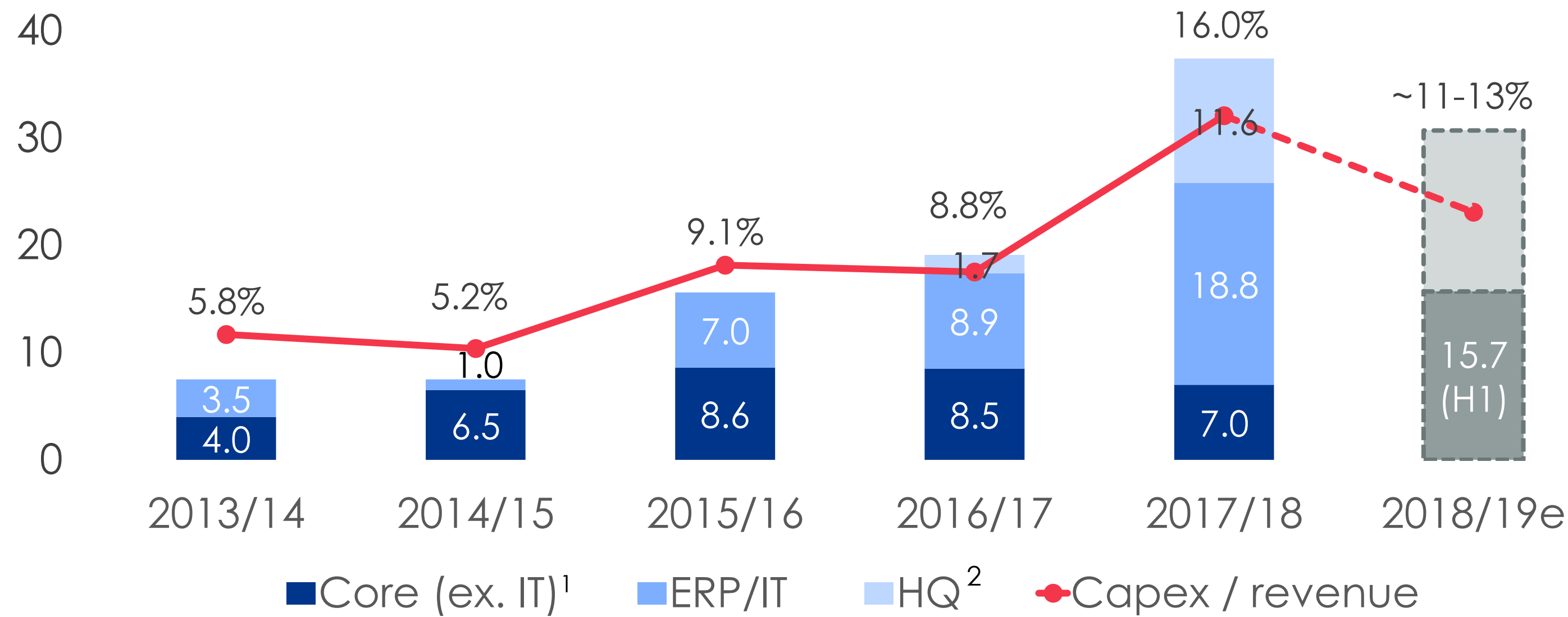
Note: average exchange rates in period

Breakdown of H1 2019 revenue, cost of sales and expense by currency



Capex ratio expected to start to reduce from above average levels from 2019/20

Total capex spend, £m



» D&A expense expected to increase in 2018/19 and again in 2019/20 as a result of implementation of Oracle Cloud ERP, completion of UK HQ, and the introduction of IFRS16 in 2020³

(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



Capacity expansion across global R&D and S&M operations



New headquarters, Cambridge, UK



New global ERP



Investment in automation and product development

IFRS 16 impact from FY2019/20

- IFRS16, 'Leases' is effective from the Group's 2019/20 financial year and has the most significant impact for lessees.
- The most significant changes are that the Group will recognise an asset and a corresponding liability for all leases currently accounted for as operating leases. Exceptions are leases for a short period (less than 12 months) or where the underlying asset value is low.
- The operating lease cost which the Group currently incurs will be replaced by a depreciation charge on the asset (over the term of the lease) as well as an interest charge on the liability over the same period.
- The Group therefore anticipates that the adoption of IFRS16 will have a significant impact on the primary financial statements, which will impact on operating profit, profit before tax, total assets and total liabilities lines.
- The Group has conducted a review of its lease contracts and based on the operating leases in place at 30 June 2018, including the new Group HQ as well as judgements over expected extension options on all of its leases.
- At transition, the Group expects a decrease in net assets of up to £5m. In the years after transition the impact on the Group's income statement will be an increase in operating profit as a result of removing the operating lease expense net of the new 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.
- The final transition impact may differ from the above guidance depending on business decisions made during the period to 30 June 2019.

Estimated impact on P&L (all figures approximate)

£'m	FY20e	FY21e	FY22e
Operating expenses	~6.0	~6.0	~6.0
EBITDA	~6.0	~6.0	~6.0
Operating expenses - depreciation	~(4.7)	~(4.5)	~(4.3)
Operating profit	~1.3	~1.5	~1.7
Finance costs	~(2.3)	~(2.0)	~(2.0)
Profit before tax	~(1.0)	~(0.5)	~(0.3)

Estimated impact on Balance Sheet

£'m	FY20e	FY21e	FY22e
Total Assets	~50	~45	~40
Total Liabilities	~55	~50	~46
Net Assets	~(5)	~(5)	~(6)

Note: The final transition impact may differ from the above guidance depending on business decisions made during the period to 30 June 2019. Figures assume all leases up for renewal over the forecast period are extended on current normal market terms.

Facts about our business:

- Abcam makes, sources and sells a range of highly validated biological binders and assays to help study important targets in critical biological pathways
- We offer over 110,000 products to research protein targets across antibodies, proteins, lysates, biochemicals, kits and assays
- ~47% of our revenue is generated from our own products and innovation
- >50% of our top-selling products are innovations from, and manufactured by, Abcam
- Team of 1,100 working globally across eleven locations, including five production sites

