14 September 2020

ABCAM PLC

Full year results

Delivered total revenues equal to the prior year, with in-house product revenue growth of over 6%, in spite of COVID-19

Proceeded with investment in all areas of five-year growth plan

Abcam plc ("Abcam", "the Group" or "the Company") AIM: ABC, a global leader in the supply of life science research tools, today announces its preliminary results for the 12 months ended 30 June 2020.

SUMMARY PERFORMANCE

	Reported		Adjusted[2]	
	2019/20 £m	2018/19 £m	**2019/20 £m**	2018/19 £m
Revenue	**260.0**	259.9	**260.0**	259.9
Gross profit margin, %	***69.3%***	*70.5%*	***69.3%***	*70.5%*
Operating profit	**10.5**	56.1	**44.5**	83.6
Profit Before Tax (PBT)	**8.4**	56.4	**42.4**	83.9
Diluted earnings per share (EPS) (pence)	**6.0p**	21.8p	**16.6p**	32.6p
Net Cash*	**80.9**	87.1	**80.9**	87.1

* Net Cash comprises cash and cash equivalents less borrowings.

GROUP FINANCIAL HIGHLIGHTS

- Total revenue flat on a reported basis and down 1.4% on a constant exchange rate (CER)[1] basis
  - In-house catalogue revenue growth of 7.5% on a reported basis (6.2% CER) to £114.4m (2018/19: £106.4m), comprising 47.1% of total catalogue revenue (2018/19: 43.8%)
- Reported operating profit of £10.5m (2018/19: £56.1m) and adjusted[2] operating profit of £44.5m (2018/19: £83.6m), equating to an adjusted operating profit margin of 17.1% (2018/19: 32.2%), reflecting planned investments to support long-term strategy, the impact of COVID-19, and anticipated step up in non-cash items including depreciation and amortisation and share-based payments
- Reported diluted EPS of 6.0 pence (2018/19: 21.8 pence) and adjusted[2] diluted EPS of 16.6 pence (2018/19: 32.6 pence)
- Net cash inflow from operating activities of £63.0m (2018/19: £70.2m); strong net cash position of £80.9m (2019: £87.1m) following £110m equity placing in April 2020
- Dividends of £25m distributed to shareholders during the year. Capital allocation reviewed by the Board with the intention to prioritise growth investment to maximise long-term value creation

STRATEGIC & OPERATIONAL HIGHLIGHTS

- Responded to COVID-19 to protect the health and wellbeing of our employees and support our customers
- Invested in all strategic areas of our five-year growth plan
- Innovated and published over 2,000 new in-house recombinant antibody products, ahead of target; launched in-house protein and engineered cell lines ranges
- Expanded our team and capabilities to serve biopharma and industry partners; executed over 50 partnership agreements in this area, including with Cancer Research UK
- Acquired, integrated and invested in four acquisitions that have brought new products, technologies and capabilities into the business, including the proteomics and immunology businesses of Expedeon
- Continued to strengthen senior team, including the appointment of Michael Baldock as CFO and Juan Carlos Sacristan as SVP of Data and Technology
- Completed sustainability review and established a working framework aligned with the UN Sustainable Development Goals

UPDATE ON POTENTIAL US SECONDARY LISTING

To further support the Group's plans, in July 2020, the Board announced its intention to explore a secondary listing in the United States. Further to subsequent discussions and analysis, the Board has concluded to pursue a proposed secondary listing on Nasdaq, supplementing the Group's existing listing on AIM. The proposed listing is expected to occur in the final calendar quarter of 2020, subject to market and other conditions.

CURRENT TRADING & LONG-TERM OUTLOOK

The improving trends in customer activity levels seen during the final quarter of our last fiscal year have continued into our new fiscal year as more laboratories continue to partially or fully reopen.

Given the ongoing COVID-19 pandemic and obvious risk around further outbreaks and potential for the re-introduction of more stringent lock-down measures, the Company is not providing full year guidance at this time.

Despite the heightened uncertainty that COVID-19 continues to bring to our near-term outlook, the fundamentals of our business remain strong and the medium- and long-term growth prospects attractive. Accordingly, our investment plans remain unchanged as we continue to focus on achieving our 2023/24 financial goals, comprising revenue of £450-500m; an adjusted operating margin of over 30% and a Return on Capital Employed of over 18%.

Alan Hirzel, Abcam's Chief Executive Officer, said:

"I am proud of our teams and what we have achieved during this unprecedented time. We have retained our focus on our life sciences customers in the most demanding circumstances, enabling them to perform their vital work faster. As I look to the future, I remain confident in our evolved strategy and the strong fundamentals that support the potential of our business. We are building Abcam to increase its positive impact on science and society and to generate long-term value for all our stakeholders. We have continued to invest heavily in future growth as we execute our strategy to again double the size of the business."

Analyst and investor meeting and webcast:

Abcam will host a conference call and webcast for analysts and investors today at 12:00 BST/ 0700 EDT. For details, and to register, please visit www.abcamplc.com/investors/reports-presentations.

For further details please contact FTI Consulting on + 44 (0) 20 3727 1000

A recording of the webcast will be made available on Abcam's website, www.abcamplc.com.

Notes:

1. Constant currency results (CER) are calculated by applying prior period's actual exchange rates to this period's results.
2. These preliminary results include discussion of alternative performance measures which are defined in further detail in note 8. These measures include adjusted financial measures, which are explained in note 1(c) and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 3 to the financial information. Further detail on the Group's financial performance is set out in the financial information and notes thereto.

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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This announcement shall not constitute an offer to sell or solicitation of an offer to buy any securities.

This announcement is not an offer of securities for sale in the United States, and the securities referred to herein may not be offered or sold in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended. Any public offering of such securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer, which would contain detailed information about the company and management, as well as financial statements.

Forward Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this release that do not relate to matters of historical fact should be considered forward-looking statements, including statements that include words such as 'believe', 'expect', 'estimate', 'intend', 'anticipate', 'may', 'should', 'plan' and similar statements of a future or forward-looking nature. These forward-looking statements are neither promises nor guarantees of future performance or results and involve risks and uncertainties, many of which are beyond the control of Abcam, and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. New risks emerge from time to time. It is not possible for Abcam to predict all risks, nor can Abcam assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that Abcam may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this release are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. In addition, the forward-looking statements made in this release relate only to events or information as of the date on which the statements are made in this release. Except as required by law, Abcam undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

CEO REVIEW

Strength from purpose

Despite everything happening in the world, we finished 2020 as we started it: energised by our mission; keenly aware of our influence and relevance to research and society; and hopeful about the sustainable future we are creating for all Abcam stakeholders. I have confidence in our potential and in the actions we are taking to build our business. I am also proud of how our team has responded to the extreme circumstances of the last nine months, supporting our customers and each other.

Whilst we have prioritised putting measures in place to safeguard the health and wellbeing of our team, the COVID-19 pandemic has reminded our team of Abcam's vital importance to research customers. Though many laboratories were closed over the period, there were researchers working to understand the virus and develop approaches to control the outbreak. Throughout the entire pandemic, in every region, we introduced new products to help researchers, we shipped products without interruption, and we forged collaborations to help fight this disease.

Our ambition is evident in the growth strategy that we set out during the year. Our experience this year has also shone a light on our culture and how it strengthens our team and resolve to achieve our ambitions. We continued to invest and initiate growth projects even in the most severe lock-down periods. Our team responded with agility and dedication. Together, they maintained the disciplines and focus that generate customer delight in the most demanding circumstances.

Overall, I am gratified by how Abcam performed during the year and proud of our team. We took care of our customers and our employees, and at the same time focused on driving our long-term growth potential when it would have been too easy to fall short of requirements on any one of those.

Our performance: A year of two halves for demand, with sustained investment in our growth aspirations

Group revenue for the year was £260.0m (2018/19: £259.9m). As expected, regional performance varied and was affected by the severity and timing of the global COVID-19 pandemic. Revenue trends correlated strongly to policy actions taken by governments and organisations around the world in response to the spread of the virus, and the resulting partial or full shutdowns, and subsequent reopening, of academic and biopharmaceutical research laboratories.

Our financial results reflect two dramatically different demand environments for the year. In the first half of the year, catalogue revenue growth of 9.1% (CER) was once again approximately double the underlying market rate, reflecting the sustained market share gains that have long supported Abcam's growth. Our proprietary in-house products again were an essential element of this outcome. In-house products grew by more than 13% (CER) and customers tell us that this broad range has excellent quality and performance.

During the second half of the year, there was significant disruption across our markets as most laboratories shut down for a few months during the global COVID-19 pandemic. Despite this reduced activity, demand for our own products held up well on a relative basis, with total growth for the year across our in-house catalogue products of 6.2% (CER), compared with a decline of 6.9% for third-party products.

Total revenue from Custom Products & Licensing (CP&L), which comprises royalty and licence income as well as revenue from the supply of in-house products for in vitro diagnostic (IVD) use and the custom service business, declined 1.2% to £16.9m, accounting for 6.5% of revenue. Royalty income and the custom service business lines grew at double digit rates over the year, rising 18.5% and 12.7% respectively. We are pleased to see the downstream benefits from the last few years driving royalty growth. Customer purchasing delays of IVD products experienced in the first half of the year continued into the second half, resulting in a decline in IVD revenue for the year.

Importantly, during the year we initiated a growth plan and programme of investments across the business focused on sustaining long-term top-line growth whilst driving attractive margin and returns. Undoubtedly, COVID-19 has brought in a level of uncertainty with respect to our outlook, however our investment plans remain unchanged and we retain our ambition to reach sales of £450-500m, adjusted operating margins of above 30% and Return on Capital Employed of over 18% by 2023/24. We made good progress toward our plans in the year, investing across several areas including products and innovation, technology, people and enterprise that will enable us to increase our rate of innovation and sustain our growth. We also committed approximately £120m to tuck-in product and capability acquisitions. Those acquisitions, together with new partnerships and the investments we are making in the business are providing additional avenues to grow, new markets we can access, and the capability to scale more efficiently.

The investments we are making, together with the impact of COVID-19, resulted in an adjusted operating profit for the year of £44.5m (2018/19: £83.6m), whilst reported operating profit decreased to £10.5m (2018/19: £56.1m) including a non-cash impairment charge of £14.9m in respect of certain technologies relating to the acquisition of AxioMx. We continue to be highly cash generative, with net cash inflow from operating activities of £63.0m (2018/19: £70.2m) and ending the year with £187.3m in gross cash.

Progress toward our strategic goals

We aim to deliver consistent, durable growth and performance in a responsible way. Despite the disruption of COVID-19, the fundamentals of our business remain strong and the medium- and long-term prospects of our markets attractive. As a result, we continue to invest across the business to allow us to capitalise on our platform and competitive strengths and seize more of the market opportunities for growth and expect the operational leverage to unwind as the value of our investments are realised post-COVID-19.

We will continue to strengthen our position as the partner of choice for our customers and partners, sustaining our growth. Our strategy is guided by the following three goals:

1. Sustain and extend our antibody and digital leadership
2. Drive continued expansion into complementary market adjacencies
3. Build organisational scalability and sustain value creation

I summarise our progress and achievements for each of them, below:

Sustaining and extending leadership

Our growth strategy starts with our commitment to extend our leadership in research use antibodies. We pursue this outcome by listening to our customers' needs, continuously innovating and improving, and providing the tools, data and experience they desire. Our customers' success depends on rigorous product performance and reliability, and it's these factors that influence our innovation. During the year, we developed and introduced more than two thousand new recombinant antibody products. Products included recombinant RabMAb antibodies, antibody pairs, SimpleStep ELISA kits and new formulations that enable faster labelling and assay development.

In addition to product innovation, we also further improved product quality. Our award winning CRISPR gene knockout validation programme grew by approximately 20%, and we validated hundreds of antibodies in new applications to extend their utility for customers. Our acquisitions of Edigene's cell line portfolio and Applied Stem Cell's gene-editing platform significantly increased our access to disease relevant cell lines and brought gene-editing capability in-house. These additional capabilities have started us on the way to higher throughput antibody selection and stronger validation.

Product satisfaction rates rose to an all-time high over the last 12 months, whilst our antibody citation share rose more than 2 percentage points, to 23%. Our efforts to incorporate Abcam antibodies in ELISA kits also showed customer progress as citation share with those products rose 4 percentage points, to 18%. Finally, in the 2019 Biocompare Antibody Market Awards, Abcam was rated by scientists as their preferred supplier in 10 out of 11 categories, including best antibody specificity, most preferred antibody supplier and best website antibody experience.

These product innovations combined with Abcam's longstanding success in online marketing is a competitive advantage. Our website, search engine optimisation and data have helped us prioritise innovation and establish new customer relationships. We have continued to improve our current e-commerce platform during the year, adding functionality and improving the ease of use, whilst at the same time we have progressed plans to upgrade our digital platform to enable us to make step changes to the customer experience.

Expanding to adjacent markets

The second element of our growth strategy is to successfully expand our offering to provide our customers with additional solutions and further grow within our addressable markets. Our focus is on broadening our proprietary product offering into complementary life science reagents; extending the application of our products onto third-party instruments; and offering our technologies and capabilities to be a leading antibody discovery partner for biopharmaceutical and diagnostic organisations. We achieved progress toward each of these objectives during the year.

We acquired and integrated the proteomics and immunology businesses of Expedeon, which, when combined with our own antibody and protein strengths, has positioned us well to serve the growing need for antibody conjugation and multiplexing solutions. We built a proprietary proteins capability and published a range of high-quality, bioactive proteins on the catalogue and, through organic and inorganic investment we established an engineered cell lines capability. We also continued to develop and grow demand for our Fireplex products and solutions. Overall, these efforts meant that despite customer disruption due to COVID-19, we delivered ahead of our commercial plan across these new product lines for the year.

At the same time, we have continued to develop our 'Abcam Inside' strategy – that is, driving the adoption of our products for use on third party instrumentation platforms, or by partners for their use in the development of clinical products. This included a significant expansion of our commercial team, to enhance our service levels for major biopharmaceutical organisations.

Demand for our products in these areas is strong. We established four new platform partnerships during the year whilst expanding existing co-development programmes with current partners. We also grew our specialty antibody portfolio – signing over 50 new agreements with organisations that have the potential to lead to new diagnostic or therapeutic tools in years to come. Our recently announced partnership with Cancer Research UK illustrates the scale and breadth of influence that is possible. In all, over 450 of our antibodies are now validated for commercial use on third party platforms or as diagnostic tools, with hundreds more currently undergoing evaluation by our partners.

Building organisational scalability

The third element of our strategy is to build scalability into our operational infrastructure to allow us to deliver on our growth plans, increase efficiency and sustain value creation. This activity spans several areas across the business including our talent and team capability, our manufacturing and logistics footprint, and our IT backbone and digital capabilities.

During the year we deployed new manufacturing and screening processes to increase throughput and reduce development cycle time. Overall, over the last 36 months we have halved the time it takes us to get new products into the hands of scientists. We initiated an antibody lyophilization manufacturing project to support increased customer demand whilst reducing costs and improving delivery speed, and we have identified and started addressing key bottleneck constraints across our global logistics, operations, and product workflows.

Juan Carlos Sacristan joined us as SVP, Data and Digital in March and since joining has overseen the detailed design for the final stages of our ERP implementation and the plans for innovation in our customer facing systems.

We are expanding our global footprint with the construction of a new 100,000 sq. ft site in Waltham, MA, which will provide a more scalable, collaborative environment and an enlarged manufacturing facility. We have also begun implementation of additional site upgrades and expansions across our operations in California, Oregon and China.

Finally, alongside our organic investments, we made several acquisitions during the year that brought complementary products and technologies into the business. Integration of these businesses has gone as planned and we are already seeing benefits to Abcam from their teams, capabilities, and product offering. We will continue to selectively pursue strategic acquisitions that complement and scale our business, strengthen our competitiveness, and support our expansion into adjacent markets.

Our people

Our success arises from our dedicated team of approximately 1,500 colleagues around the world. Our purpose and culture inspire and motivate us all. These two factors remain an important differentiator for our success and help us to attract and retain the best people, which is essential to our future as we continue to grow. We have supported our employees with full employment throughout the COVID-19 pandemic and I'm particularly proud that we were recognised by Work180 as an employer of choice for Women and ranked #6 in Glassdoor's 2019 'Best Places to Work' Employers Choice in the UK, with a 98% approval rating. This external recognition is consistent with our internal engagement survey data and is more noteworthy given that we welcomed over 500 new colleagues during the year, including over 80 from Expedeon, Applied StemCell and Marker Gene Technologies, collectively.

We invest in our team through numerous development programs that build the skills needed to set them up for success. In 2020, we once again achieved record levels of training and development for our colleagues, including a significant expansion of our 'Performance with Purpose' coaching programme. Our leadership training programmes were extended to almost one-third of our total workforce and we continued our active involvement in the UK apprentice scheme.

We've also continued to create a more inclusive environment, which is vital to realise the full potential of diversity in our workforce. We launched new Employee Resource Groups, enhanced our family leave policy and have tied senior management compensation to achieving gender equality.

We also recognise our role in supporting the next generation of scientists. As well as our active UK Apprenticeship Programme, our colleagues volunteer their time and expertise to inspire students at an early age, showing them rewarding opportunities in science, technology, engineering and maths (STEM).

Our impact – sustaining social and financial value creation

Our sustainability and growth objectives are intrinsically linked. Our impact flows from our vision and purpose, which ultimately lead to a positive impact on the world: helping the scientific community accelerate breakthroughs in human healthcare. The more successful we can be as a business, therefore, the greater the difference we can make in the world. That extends too, to doing business the right way. Our vision to be the most influential life sciences company comes with a commitment to the highest ethical standards, not just in our own conduct, but across our value chain.

Our stakeholders – customers, employees, partners, shareholders, communities and wider society – want to be associated with a company that delivers outstanding performance, responsibly. As we work to fulfil our purpose, we recognise our obligation to global sustainability. This applies to the way we manage our operations and how we source, manufacture and distribute our products.

This year we have reviewed the impact of our business operations and set out objectives, metrics and targets aligned to those areas we feel are most important to sustaining value creation for our stakeholders across four areas: Products; People; Partners and Planet.

Looking ahead with confidence

I thank our team, our customers and our partners who worked so hard to make this a positive year for the Group despite the challenges presented by COVID-19. Working with them to serve scientists and build a sustainable company is a rare privilege. Thank you.

As I look ahead, I remain confident in our strategy and potential. We are building our business to increase its positive impact on the world and generate long-term value for all our stakeholders. With energy and anticipation for the year ahead, we look forward to serving life scientists around the world to achieve their mission, faster.

Alan Hirzel

CEO

CFO Report and Financial Review

The CFO's Report and Financial Review includes discussion of alternative performance measures which are defined further in the Notes to the Preliminary Financial Information. These measures include adjusted financial measures, which are explained in note 1b and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 3. Further detail on the Group's financial performance is set out in the Preliminary Financial Information and notes thereto.

Constant exchange rates ("CER") growth is calculated by applying the applicable prior period average exchange rate to the Group's actual performance in the respective period.

Overview of Group performance

The following table summarises the Group's performance for each of the last two financial years on a reported and adjusted basis.

	Reported Results		Adjusted Results	
	Year ended 30 June		Year ended 30 June	
	2020 £m	2019 £m	2020 £m	2019 £m
Revenue	**260.0**	259.9	**260.0**	259.9
Gross profit	**180.2**	183.2	**180.2**	183.2
Gross profit margin (%)	*69.3%*	*70.5%*	*69.3%*	*70.5%*
Operating profit	**10.5**	56.1	**44.5**	83.6
Operating profit margin (%)	*4.0%*	*21.6%*	*17.1%*	*32.2%*
Net finance (costs) / income	**(2.1)**	0.3	**(2.1)**	0.3
Profit before Tax	**8.4**	56.4	**42.4**	83.9
Taxation	**4.1**	(11.4)	**(7.7)**	(16.5)
Profit after Tax	**12.5**	45.0	**34.7**	67.4
Earnings per share				
Basic earnings per share	**6.0p**	22.0p	**16.7p**	32.9p
Diluted earnings per share	**6.0p**	21.8p	**16.6p**	32.6p
Annual Dividend per share	**3.55p**	12.13p	**3.55p**	12.13p
Net cash at end of the year	**80.9**	87.1	**80.9**	87.1
Return on Capital Employed			**6.8%**	20.8%

After delivering growth of 10.8% in the first half of the financial year, Group revenue in the second half declined by 9.9%, impacted by the onset and spread of COVID-19. As a result, total revenue for the year overall was £260.0m, level with the prior year (2019: £259.9m). Although we saw a reduction in demand due to the ongoing COVID-19 pandemic, we have not observed any significant changes in our underlying customer base, and we have been and will continue to serve our customers as their activities return to normal. The impact on revenue seen in the second half reflects the underlying factors affecting demand, including the easing of lockdown restrictions and the partial or full reopening of academic and biopharmaceutical research laboratories around the world.

We are continuing to monitor closely how the pandemic and related response measures are affecting our business. Our production and manufacturing facilities are located around the world, so while certain facilities were shut down or operating at reduced capacity at certain times during our second half, our other locations were able to continue operating as normal.

In September 2019, the Group set out plans to increase the rate of investment across several areas of the business, including research and development, digital marketing and e-commerce, technology and global operations in order to achieve more and faster growth over the medium and long-term. Despite the impact of COVID-19, we have been pleased with our ability to make progress across a broad range of these areas in the year, and this progress, together with the effects of COVID-19 on revenue, can be seen on the Group's profitability, with reported operating profit of £10.5m (2018/19: £56.1m) and adjusted operating profit of £44.5m (2018/19: £83.6m). The Group's adjusted operating profit margin of 17.1% (2018/19: 32.2%) is expected to continue to be suppressed by the effects of COVID-19 and our investment plans in the short to medium-term, but in the longer term is expected to return above thirty per cent, as set out in our five-year plan in September 2019.

The Group was cash generative at the operating level with cash generated from operating activities of £63.0m (2018/19: £70.2m) and Free Cash Flow of £19.0m (2018/19: £34.3m). This, taken together with the proceeds of the £110m equity placing in April 2020, meant we ended the year with cash and cash equivalents of £187.3m and undrawn capacity of £93m on our revolving credit facility, providing us with the necessary liquidity to support our organic growth plans.

During the year, we deployed approximately £120m on strategic acquisitions (including acquisition and integration costs) in existing and adjacent customer markets. These acquisitions have brought new products, technologies and capabilities into the business, which are helping us to solidify existing market positions and expand into new markets. Foremost amongst these was the acquisition of the proteomics and immunology businesses of Expedeon AG (the "Expedeon Acquisition") in January 2020 for £104.2m.

Reported basic EPS declined to 6.0p (2018/19: 22.0p) with the effects of COVID-19 being a significant influencing factor but also the effects of adjusting items, which are described further below. Adjusted basic EPS declined to 16.7p (2018/19: 32.9p). Reported diluted earnings per share decreased to 6.0p (2018/19: 21.8p) and adjusted diluted earnings per share decreased to 16.6p (2018/19: 32.6p).

Revenue

	Reported revenue			
	2019/20	2018/19	Change in reported revenue	CER growth
	£'m	£'m		
Catalogue regional split:				
The Americas	**96.8**	101.3	(4.4)%	(6.7)%
EMEA	**68.4**	66.4	3.0%	3.4%
China	**39.1**	39.8	(1.8)%	(1.5)%
Japan	**18.8**	16.8	11.9%	6.2%
Rest of Asia Pacific	**20.0**	18.5	8.1%	6.4%
Catalogue revenue sub-total	**243.1**	242.8	0.1%	(1.2)%
Custom products and services	**6.3**	5.4	16.7%	12.7%
IVD	**4.7**	6.9	(31.8)%	(33.5)%
Royalties and licenses	**5.9**	4.8	22.9%	18.5%
Custom Products & Licensing sub-total	**16.9**	17.1	(1.2)%	(4.2)%
Total reported revenue	**260.0**	259.9	0.0%	(1.4)%

Catalogue product split:				
In-house products	**114.4**	106.4	7.5%	6.2%
OEM products	**128.7**	136.4	(5.6)%	(6.9)%
Catalogue revenue sub-total	**243.1**	242.8	0.1%	(1.2)%

Total reported revenue remained broadly flat year on year at £260.0m (2018/19: £259.9m) with the performance resulting mainly from the impact of the COVID-19 pandemic in the second half of the year, where we saw reduction in demand as research laboratories shut down temporarily or reduced activity. We continued to serve the needs of laboratories that remained open, but due to the demand reduction, monthly revenues decreased by 9% in March, 40% in April, 28% in May and 1% in June on a constant currency basis, resulting in an overall second half decline of 9.9% (-10.2% CER).

Sterling was weaker against the basket of foreign currencies in which the Group trades, which positively impacted our reported revenues. Adjusting for this weakening in Sterling, CER revenue growth was -1.4%.

Catalogue revenue increased by £0.3m to £243.1m (2018/19: £242.8m) and comprised approximately 94% of total revenue. Within catalogue revenue, in-house products delivered a strong relative performance, increasing by 7.5% on a reported basis (6.2% CER) to £114.4m or 47.1% of total catalogue revenue (2018/19: 43.8%). Including CP&L revenue, discussed in more detail below, total revenue from in-house products and services increased 6.3% (4.7% CER) to £131.3m (2018/19: £123.5m), representing 50.5% of total revenue.

Regionally, all markets were adversely impacted by COVID-19 in our second half, with the Americas and China seeing the greatest impact, resulting in declines of 4.4% and 1.8% over the full year, respectively. EMEA, Japan and the rest of Asia Pacific fared better and overall, these regions delivered reported growth of 3.0%, 11.9% and 8.1% for the full year.

Custom Products & Licensing (CP&L) revenue, which comprises royalty and licence income as well as revenue from the supply of products for in vitro diagnostic (IVD) use and the custom service business, accounted for 6.5% of revenue. Custom products and services increased 16.7% (12.7% at CER) to £6.3m and royalties and licensing revenue increased 22.9% (18.5% at CER) to £5.9m, part of which was a result of the Expedeon Acquisition. IVD sales declined to £4.7m (2018/19: £6.9m), lower than expected due to the certain purchasing delays of IVD products experienced in the first half of the year and which continued into the second half.

Gross margin
Reported gross margin decreased by 120 basis points to 69.3% (2018/19: 70.5%). The decrease was primarily a result of weaker revenue and margins within CP&L, as well as an increase in direct costs, such as packaging and freight. This was partially offset by a favourable product mix in the catalogue.

Operating costs and expenses

	Reported			Adjusted*		
	2019/20 £m	2018/19 £m	% Change	**2019/20 £m**	2018/19 £m	% Change
Selling, general & administrative expenses	**131.4**	112.1	17.2%	**118.3**	88.9	33.1%
Research and development expenses	**38.3**	15.0	155.3%	**17.4**	10.7	62.6%
Total operating costs and expenses	**169.7**	127.1	33.5%	**135.7**	99.6	36.2%
Non-cash costs						
Depreciation and amortisation	**(29.9)**	(15.4)	94.2%	**(21.3)**	(8.8)	142.0%
Impairment	**(14.9)**	(12.8)	16.4%	-	-	-
Share-based compensation	**(9.3)**	(6.5)	43.1%	**(9.3)**	(6.5)	43.1%
Total operating costs and expenses excluding non-cash costs	**115.6**	92.4	25.1%	**105.1**	84.3	**24.7%**

* Details of items excluded from reported costs and expenses are provided in Adjusting Items below and in note 3 of the financial information.

Selling, general & administrative (SG&A) expenses
On a reported basis, after the impact of the year-on-year movement in exchange rates, expenses increased by £19.3m to £131.4m (2018/19: £112.1m) or 17.2%. On an adjusted basis, SG&A expenses rose by 33.1%. The year-on-year increase in reported costs includes the following key items:

- A £13.7m increase in salaries and salary-related costs, to £76.7m, predominantly due to increased headcount as well as increased untaken vacation accrual which arises from the impact of COVID-19. The figure also includes an increase in non-cash share-based compensation costs of £1.1m;
- An increase of £4.0m in general administrative costs, to £11.1m, with a key component being a full year's software license costs relating to the ERP system which went live in April 2019;
- An increase in depreciation and amortisation charges of £12.0m, to £20.0m, comprising £6.7m in respect of the implementation of IFRS16, £1.3m in respect of the annualization of depreciation on assets brought into use in the Group's new headquarters, and £2.3m owing to the increase in software amortisation costs, reflecting a full years' contribution from the ERP system modules, which deployed in April 2019;
- A £1.3m year-on-year foreign exchange related increase owing to the relative weakness of Sterling; and
- A total increase of £2.5m across integration and reorganisation costs and acquisition costs, with integration and reorganisation costs down £1.6m, to £2.1m, and acquisition costs of £4.1m (2018/19: nil), both of which are treated as adjusting items.

These increased costs were partially offset by £12.8m representing the absence of an impairment charge incurred in 2018/19 in respect of the ERP system and which was treated as an adjusting item.

Research & development expenditure (R&D)
R&D expenditure relates to the development of new products, as well as costs incurred in identifying and implementing production process improvements. These costs do not meet the requirements to be capitalised as an intangible asset and are therefore expensed through the income statement.

Reported R&D expenses increased by £23.3m to £38.3m, net of an R&D tax credit of £1.5m (2018/19: £1.9m). This increase was primarily due to:

- £4.3m increase in salary and related costs (which is net of an offset for amounts allocated to intangible fixed assets and inventories) with the increase being partly to acquisition related activity during the year, in particular Expedeon, which was purchased in January 2020 and also £1.7m of increased non-cash share-based compensation;
- £14.9m of impairment charges in respect of historically acquired technology relating to AxioMx and discussed further in adjusting items, below;
- £0.9m increase in depreciation and amortisation charges; and
- £1.7m increase in amortisation of acquisition intangible assets (included within adjusting items) which reflects mainly the new acquisition intangibles acquired with Expedeon.

Investment in systems, processes and infrastructure
We continued to invest in our IT systems, infrastructure and business processes to facilitate progress towards our strategic goals and enable operational scalability as the Group continues to grow.

Following the successful launch of the Finance and Non-stock procurement modules of the Oracle Cloud ERP programme in 2018/19, work continued during the year towards completion of the project with total spend in the year of £15.9m, comprising capital expenditure of £11.6m (2018/19: £11.6m) and operating costs of £4.3m (2018/19: £4.5m). In addition, amortisation charges relating to the ERP of £3.3m (2018/19: £1.0m) were incurred in the year, with the increase resulting from the modules implemented part way through 2018/19 being amortised for a full financial year.

We anticipate completion of the majority of the remaining modules during 2020/21 at an anticipated cost broadly level with 2019/20 and expect the final modules under this programme to be deployed in 2021/22. We also plan to increase investment in our broader digital platform in the year ahead, with a focus on our customer facing systems.

During the year, the Company also initiated the next stage of its global footprint expansion, encompassing its operations in the US and China. This capital investment, which will see the construction of a new 100,000 sq. ft site in Waltham, MA, as well as other site upgrades and expansions, is expected to amount to approximately £15m after landlord incentive payments and fall prominently into 2020/21.

Adjusting Items

	2019/20 £m	2018/19 £m
Impairment of intangible assets	**(14.9)**	(12.8)
System and process improvement costs	**(4.3)**	(4.5)
Acquisition costs	**(4.1)**	-
Integration and reorganisation costs	**(2.1)**	(3.7)
Amortisation of acquisition intangibles	**(8.6)**	(6.5)
Total adjusting items affecting operating profit before tax	**(34.0)**	(27.5)

Adjusting items in the year totalled £34.0m (2018/19: £27.5m), comprising:

- A £14.9m impairment of intangible assets relating to the AxioMx in Vitro monoclonal antibody production technology acquired in 2015, which although proving commercial feasibility, has not yet seen utilisation at sufficient scale to support the asset value;
- Systems and process improvement costs related to the Oracle Cloud ERP project (ineligible for capitalization) of £4.3m (2018/19: £4.5m);
- Acquisition costs of £4.1m, predominantly relating to the Expedeon Acquisition;
- Integration and reorganisation costs of £2.1m, relating partly to the integration of the Expedeon acquisition, as well as reorganisation costs in respect of the alignment of the Group's operational structure and global footprint; and
- £8.6m in costs relating to the amortisation of acquisition intangibles (2018/19: £6.5m), with the year-on-year increase predominantly due to the Expedeon acquisition.

Earnings, interest and tax
Reported operating profit was £10.5m (2018/19: £56.1m). Adjusted operating profit decreased to £44.5m (2018/19: £83.6m), representing an adjusted operating profit margin of 17.1% (2018/19: 32.3%) reflecting planned investment, the impact of COVID-19, and the step up in non-cash items including depreciation and amortisation and share-based payments.

Profit before tax on a reported basis was £8.4m (2018/19: £56.4m). This was after net finance costs of £2.1m (2018/19: net interest income of £0.3m). The increase in interest costs was due to lease liability costs of £1.5m following the implementation of IFRS16, and interest costs on the Group's revolving credit facility of £1.3m (2018/19: £0.3m).

The Group reported a net tax credit of £4.1m (2018/19: charge of £11.4m). As well as the reduction in taxable profits, the Group benefited from a tax credit of £6.0m received under the UK's 'Patent Box' regime, whereby a lower rate of tax is applied to profits on patented income. The figure of £6.0m includes a historical element of £4.6m for the financial years 2015/16 to 2018/19 which is shown within adjusting items.

Total adjusting items had a beneficial effect of £11.8m on the tax charge, resulting in an effective tax rate on adjusted profits of 18.0% (2018/19: 19.7%). At the Budget in March 2020, the Government announced that the UK corporate tax rate would remain at 19% until April 2022 rather than reduce to 17% as had previously been outlined. As a result the Group now anticipates that its effective tax will remain around 18% in the medium term, although this is subject to further changes to the UK corporate tax rate which are yet to be announced in respect of remedial actions taken by the Government to address the deficit caused by COVID-19 as well as equivalent changes which may occur in other in jurisdictions in which the Group operates.

The weighted average number of ordinary shares in issue increased by 2.6m in the year, predominantly due to the placing of new shares in April 2020. Accordingly, basic earnings per share (EPS) for the year was 6.0p (2018/19: 22.0p), with adjusted basic EPS of 16.7p (2018/19: 32.9p). Diluted EPS was 6.0p (2018/19: 21.8p) and adjusted diluted EPS was 16.6p (2018/19: 32.6p).

Foreign exchange

The results of the Group are impacted by movements in foreign exchange rates, particularly movements in Sterling against the US Dollar, Euro and Chinese Renminbi. In 2019/20, the impact of foreign exchange movements in the year was £3.7m favourable in revenue and £0.8m favourable in adjusted operating profit, after the impact of hedging.

Cash flow and net cash

	2019/20 £m	2018/19 £m
Operating cash flows before working capital	**61.4**	88.2
Change in working capital	**4.0**	(4.5)
Cash generated from operations	**65.4**	83.7
Income taxes paid	**(2.4)**	(13.5)
Net cash inflow from operating activities	**63.0**	70.2
Cash inflow from investing activities	**(148.1)**	(49.9)
Cash outflow from financing activities	**184.6**	(24.7)
Increase / (decrease) in cash and cash equivalents	**99.5**	(4.4)
Cash and cash equivalents at beginning of year	**87.1**	90.2
Effect of foreign exchange rates	**0.7**	1.3
Cash and cash equivalents at end of the year	**187.3**	87.1
Free Cash Flow *	**19.0**	34.3

* *Free Cash Flow comprises net cash generated from operating activities less net capital expenditure, cash flows relating to committed capital expenditure and outflows in respect of lease obligations*

Despite the impact of COVID-19, the Group remained cash generative at the operating level, although the decline in operating profit in the second half of the year meant that cash inflows from operating activities declined to £63.0m (2018/19: £70.2m), after a working capital inflow of £4.0m, where the Expedeon Acquisition was a contributory factor. After taxes paid, net capital expenditure and cash flows relating to committed capital expenditure, Free Cash Flow was £19.0m (2018/19: £34.3m).

Cash outflows on investing activities were £148.1m (2018/19: £49.9m), predominantly comprising payments for acquisitions and investments of £112.5m (2018/19: £14.6m), in particular the purchase of Expedeon in January 2020 for £104.2m, and net capital expenditure of £36.3m (2018/19: £35.9m). Major areas of capital expenditure included £7.0m in respect of laboratory equipment to support the Group's growth plans, £4.0m on cell lines (primarily in respect of the cell line and lysates portfolio acquired from EdiGene in July 2019) and £23.0m on intangible assets (2018/19: £22.7m). Intangible assets comprised £11.6m in respect of our ERP implementation project and £9.0m of internally developed technology relating to new in-house products.

Cash inflows from financing activities totalled £184.6m (2018/19: outflow of £24.7m). This figure was driven mainly by the net draw down of £107.0m on the Group's revolving credit facility together with the receipt of £110.0m from the placing of 10m new ordinary shares in April 2020, offset by £25.0m of dividend payments, and £1.7m of interest paid (including £0.9m in respect of the interest element of lease obligations settled).

The Group ended the year with a net cash position of £80.9m (2018/19: £87.1m).

Balance sheet

Key elements of change in the balance sheet during the year comprised the following:

<u>*Goodwill and Intangibles*</u>

Goodwill increased £71.9m to £192.8m (2019: £120.9m), with £61.7m relating to the Expedeon Acquisition. Other acquisitions included Marker Gene Technologies, and the gene editing and oncology business of Applied StemCell, which together accounted for a further £4.4m.

Intangible assets increased by £47.7m to £154.4m (2019: £106.7m) where again the Expedeon Acquisition was responsible for most of the increase. A further £15.0m related to software development, of which £11.6m was in respect of the Oracle Cloud ERP system and a further £9.0m related to the additions from internal development of the Group's product range, reflective of the cash flows described above. These additions were offset by the impairment charge of £14.9m in respect of the AxioMx in Vitro monoclonal antibody production technology, amortisation charges of £15.9m and small exchange rate movements.

Property, plant and equipment
Property, plant and equipment additions of £12.5m (2018/19: £16.8m) were made in the year, which was lower than 2018/19, which included £4.9m on the new Group headquarters. Included within current year additions was spend of £7.0m (2018/19: £7.2m) on laboratory equipment across our sites in the United Kingdom, the United States and China. The Group invested an additional £4.2m on edited cell lines, including those purchased from EdiGene in July 2019.

Leases: Right of use assets
The Group adopted IFRS16 on 1 July 2019 using the permitted transitional method whereby prior year figures have not been restated. At transition, £70.8m of assets, predominantly property and previously treated as operating leases, were brought onto the balance sheet as "right of use assets" together with a similar effect on liabilities resulting in a net decrease on the balance sheet of £1.5m. During the year a further £58.7m of assets were added as the Group transforms its property footprint in the United States, resulting in a net book value at 30 June 2020 of £121.4m. As at 30 June 2020, the outstanding balance sheet liability in respect of the right of use assets was £127.8m.

Borrowings
The Group's three-year revolving credit facility, which was entered into in February 2019, was drawn down by €120m during the year in order to fund the Expedeon Acquisition. Subsequent to the acquisition, the Group paid down part of this borrowing, before drawing down again in March 2020 following the escalation of the COVID-19 pandemic, in order to provide operational flexibility. The balance outstanding at 30 June 2020 was £107m, leaving £93m still undrawn, as well as an accordion option of up to £100m.

Dividend
The Board declared an interim dividend of 3.55 pence per share (2018/19: 3.55p) in March, which was paid to shareholders on 17 April 2020.

Following the interim results, the Group consulted with its major shareholders with regards to its dividend policy. As stated at that time, the Board sees significant opportunities for further profitable growth and attractive returns on investment and believes that the best way to maximise shareholder value over the long-term is to increase the Group's flexibility to invest in those opportunities as they arise. This view was endorsed by a significant majority of the Group's major shareholders and accordingly, the Board has decided not to declare a final dividend. The Board will continue to review the Group's capital allocation and dividend policy on an ongoing basis, with future distributions reflecting the Group's cash generation and capital needs.

Update on potential U.S. secondary listing
To further support the Group's plans, in July 2020, the Board announced its intention to explore a secondary listing in the United States. Further to subsequent discussions and analysis, the Board has concluded to pursue a proposed secondary listing on Nasdaq, supplementing the Group's existing listing on AIM. The proposed listing is expected to occur in the final calendar quarter of 2020, subject to market and other conditions.

Ongoing impact of COVID-19 and current trading
Scientists around the world continue to adapt their working conditions and the improving trend of activity we saw during the later stages of 2019/20 has continued into the new fiscal year.

Nevertheless, given the clear risk around further outbreaks and the potential for the re-introduction of more stringent lock-down measures, we are not providing full year guidance at this time.

Summary & long-term outlook
In 2019/20 the Group embarked on its new long-term growth plan, focused on investing across a range of initiatives to support the sustained growth of the business over the next five years and well beyond. These plans included an ambition to achieve revenue of £450-500m an adjusted operating profit margin of over 30%, and a Return on Capital Employed of over 18% by 2023/24. Undoubtedly, COVID-19 has brought in a level of uncertainty with respect to the near-term outlook, however we remain committed to the strategic investment plan we laid out in September 2019 and focused on achieving those financial goals.

We made good progress in many areas during the year, and whilst the short term returns on our core business have inevitably been reduced by both COVID-19 and these investments, I am confident in the potential return these investments will generate over the medium- and long-term, as we continue to build our business, serve our customers and increase our impact.

Michael Baldock

CFO

Consolidated income statement

For the year ended 30 June 2020

	Note	Year ended 30 June 2020 Adjusted* £m	Adjusting items* £m	Total £m	Year ended 30 June 2019 Adjusted* £m	Adjusting items* £m	Total £m
Revenue	2	**260.0**	**—**	**260.0**	259.9	—	259.9
Cost of sales		**(79.8)**	**—**	**(79.8)**	(76.7)	—	(76.7)
Gross profit		**180.2**	**—**	**180.2**	183.2	—	183.2
Selling, general and administrative expenses		**(118.3)**	**(13.1)**	**(131.4)**	(88.9)	(23.2)	(112.1)
Research and development expenses		**(17.4)**	**(20.9)**	**(38.3)**	(10.7)	(4.3)	(15.0)
Operating profit		**44.5**	**(34.0)**	**10.5**	83.6	(27.5)	56.1
Finance income		**0.7**	**—**	**0.7**	0.6	—	0.6
Finance costs		**(2.8)**	**—**	**(2.8)**	(0.3)	—	(0.3)
Profit before tax		**42.4**	**(34.0)**	**8.4**	83.9	(27.5)	56.4
Taxation	5	**(7.7)**	**11.8**	**4.1**	(16.5)	5.1	(11.4)
Profit for the year attributable to the owners of the parent		**34.7**	**(22.2)**	**12.5**	67.4	(22.4)	45.0
Earnings per share							
Basic earnings per share (pence)		**16.7**		**6.0**	32.9		22.0
Diluted earnings per share (pence)		**16.6**		**6.0**	32.6		21.8

* Adjusted figures exclude impairment of intangible assets, systems and process improvement costs, acquisition costs, integration and reorganisation costs, amortisation of acquisition intangibles, the tax effect of adjusting items and certain individual specific tax items. Such excluded items are described as 'adjusting items'. Further information on these items is shown in note 3.

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit for the year	**12.5**	45.0
Items that may be reclassified to profit or loss in subsequent years		
Movement on cashflow hedges	**0.7**	(1.7)
Exchange differences on translation of foreign operations	**9.6**	7.0
Movement in fair value of investment	**4.0**	(0.1)
Tax relating to components of other comprehensive income	**(1.5)**	0.3
Other comprehensive (loss) / income for the year	**12.8**	5.5
Total comprehensive income for the year	**25.3**	50.5

Consolidated balance sheet

As at 30 June 2020

	30 June 2020 £m	30 June 2019 £m
Non-current assets		
Goodwill	**192.8**	120.9
Intangible assets	**154.4**	106.7
Property, plant and equipment	**43.3**	37.1
Right of use assets	**121.4**	—
Investments	**7.0**	0.8
Deferred tax asset	**13.7**	9.4
	532.6	274.9
Current assets		
Inventories	**40.7**	36.0
Trade and other receivables	**44.4**	43.1
Current tax receivable	**6.4**	5.4
Derivative financial instruments	**—**	0.2
Cash and cash equivalents	**187.3**	87.1
	278.8	171.8
Total assets	**811.4**	446.7
Current liabilities		
Trade and other payables	**(43.8)**	(41.8)
Derivative financial instruments	**(1.2)**	(2.0)
Lease Liabilities	**(7.3)**	—
Borrowings	**(106.4)**	—
Current tax liabilities	**(0.9)**	(1.5)
	(159.6)	(45.3)
Net current assets	**119.2**	126.5
Non-current liabilities		
Deferred tax liability	**(28.7)**	(16.5)
Lease Liabilities	**(120.5)**	—
Derivative financial instruments	**—**	(0.1)
	(149.2)	(16.6)
Total liabilities	**(308.8)**	(61.9)
Net assets	**502.6**	384.8
Equity		
Share capital	**0.4**	0.4
Share premium	**138.2**	27.0
Merger reserve	**68.6**	68.1
Own shares	**(2.5)**	(2.8)
Translation reserve	**42.9**	33.3
Hedging reserve	**(0.7)**	(1.3)
Retained earnings	**255.7**	260.1
Total equity attributable to the owners of the parent	**502.6**	384.8

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 July 2018	0.4	25.6	68.1	(3.2)	26.3	0.1	234.4	351.7
Profit for the year	—	—	—	—	—	—	45.0	45.0
Other comprehensive income	—	—	—	—	7.0	(1.4)	(0.1)	5.5
Total comprehensive income	—	—	—	—	7.0	(1.4)	44.9	50.5
Issue of ordinary shares	—	1.4	—	0.4	—	—	(0.4)	1.4
Share-based payments inclusive of deferred tax	—	—	—	—	—	—	6.3	6.3
Purchase of own shares	—	—	—	—	—	—	(0.2)	(0.2)
Equity dividends	—	—	—	—	—	—	(24.9)	(24.9)
Balance as at 30 June 2019 as previously reported	**0.4**	**27.0**	**68.1**	**(2.8)**	**33.3**	**(1.3)**	**260.1**	**384.8**
Implementation of IFRS 16	**—**	**—**	**—**	**—**	**—**	**—**	**(1.5)**	**(1.5)**
Balance as at 30 June 2019 as adjusted	**0.4**	**27.0**	**68.1**	**(2.8)**	**33.3**	**(1.3)**	**258.6**	**383.3**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**12.5**	**12.5**
Other comprehensive income	**—**	**—**	**—**	**—**	**9.6**	**0.6**	**2.6**	**12.8**
Total comprehensive income	**—**	**—**	**—**	**—**	**9.6**	**0.6**	**15.1**	**25.3**
Issue of ordinary shares	**—**	**111.2**	**0.5**	**0.3**	**—**	**—**	**(0.3)**	**111.7**
Share-based payments inclusive of deferred tax	**—**	**—**	**—**	**—**	**—**	**—**	**7.4**	**7.4**
Purchase of own shares	**—**	**—**	**—**	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Equity dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(25.0)**	**(25.0)**
Balance as at 30 June 2020	**0.4**	**138.2**	**68.6**	**(2.5)**	**42.9**	**(0.7)**	**255.7**	**502.6**

Consolidated cash flow statement

For the year ended 30 June 2020

		Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Cash generated from operations		8	**65.4**	83.7
Net income taxes paid			**(2.4)**	(13.5)
Net cash inflow from operating activities	*		**63.0**	70.2
Investing activities				
Interest income			**0.7**	0.6
Purchase of property, plant and equipment	*		**(12.7)**	(17.7)
Purchase of intangible assets	*		**(23.0)**	(22.7)
Transfer of cash from/(to) escrow in respect of future capital expenditure	*		**(0.6)**	4.5
Purchase of investments			**(2.2)**	—
Net cash outflow arising from acquisitions			**(110.3)**	(14.6)
Net cash outflow from investing activities			**(148.1)**	(49.9)
Financing activities				
Dividends paid			**(25.0)**	(24.9)
Principal element of lease obligations	*		**(6.8)**	—
Interest element of lease obligations	*		**(0.9)**	—
Interest paid			**(0.8)**	(0.1)
Proceeds on issue of shares			**111.2**	1.4
Facility arrangement fees			**—**	(0.9)
Utilisation of revolving credit facility	(i)		**127.0**	—
Repayment of revolving credit facility	(i)		**(20.0)**	—
Purchase of own shares			**(0.1)**	(0.2)
Net cash outflow from financing activities			**184.6**	(24.7)
Increase in cash and cash equivalents			**99.5**	(4.4)
Cash and cash equivalents at beginning of year			**87.1**	90.2
Effect of foreign exchange rates			**0.7**	1.3
Cash and cash equivalents at end of year	(ii)		**187.3**	87.1
Free Cash Flow	(iii)		**19.0**	34.3

(i) During the year, drawings on the Revolving Credit Facility (RCF) comprised an initial amount of €120.0m (£103.4m) to fund the purchase of Expedeon (as set out in note 9). In February 2020, a partial repayment amounting to £20.0m was made and the remaining borrowings redenominated into Sterling, leaving an outstanding balance of £82.0m. In March 2020, a subsequent drawing of £25.0m was made in order to provide operational flexibility in light of the COVID-19 pandemic bringing amounts drawn to £107.0m. The maximum amount drawn under the RCF during the year was £107.0m.

(ii) Within cash and cash equivalents is £0.9m of cash relating to employee contributions to the new Group share option scheme 'AbShare' which is reserved for the purpose of purchasing shares upon vesting.

(iii) Free Cash Flow comprises those items marked * and comprises net cash generated from operating activities less net capital expenditure and transfer of cash from/(to) escrow in respect of future capital expenditure and the principal and interest elements of lease obligations.

Notes to the Preliminary Financial Information
For the year ended 30 June 2020

1. Presentation of the financial statements

a) Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and extracts from the notes to the financial statements for the year ended 30 June 2020 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements incorporate the results of the Company and its subsidiary undertakings.

The preliminary financial information has been presented in Sterling and on the historical cost basis, except for the revaluation of certain financial instruments.

The financial information does not constitute statutory accounts within the meaning of Sections 434 to 436 of the Companies Act 2006, but are derived from those accounts. Statutory accounts for the financial year ended 30 June 2019 have been filed with the Registrar of Companies and those for the financial year ended 30 June 2020 were approved by the Board of directors on 11 September 2020 and will be delivered in due course. The auditor has reported on those accounts, their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

b) Adjusted performance measures

Adjusted performance measures are used by Directors in their review of the business and exclude certain cash and non-cash items which they believe are not reflective of the normal day to day operating activities of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for fuller understanding of performance from year to year. Adjusted performance measures may not be directly comparable with other similarly titled measures used by other companies. These measures are defined in further detail together with an explanation of the reasons for their use in note 3. A detailed reconciliation between reported and adjusted measures is presented in note 3 which also lists out the adjusting items individually.

c IFRS 16 'Leases'

IFRS 16 supersedes IAS 17 'Leases' and has been endorsed by the European Union. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee recognises a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) where recognition exemption applies or where the underlying asset value is low.

Right-of-use assets are measured at cost, less any accumulated depreciation and lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use assets are depreciated over the shorter of its estimated useful life and lease term. Right-of-use assets are also subject to impairment testing.

At the commencement of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at either the transition date or lease commencement date, if later, if the interest rate implicit in the lease is not readily determinable. After the transition or commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by payments made. The carrying amount of lease liabilities is remeasured if there is a modification or a change to the lease.

Before the adoption of IFRS 16, the Group classified its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Historically, all of the Group's leases have been classified as operating leases whereby the leased asset was not capitalised, and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

The Group has taken advantage of the modified retrospective transition method whereby on transition, a lease liability is recognised as the present value of future payments and an asset is recognised as the present value of the total lease payments at the lease inception and then depreciated on a straight-line basis from the transition fate or lease commencement date if later. The income statement and balance sheet for prior periods have not been restated. A transition adjustment of £1.5m is generated due to the difference between the value of the asset and liability.

The Group's income statement is impacted by the change in accounting standard as the fixed rental expense is replaced by a depreciation charge and an interest expense.

For the year ended 30 June 2020 theses changes increased operating profit by £2.4m in comprising an increase in depreciation of £6.7m offset by the reduction in rent expense of £9.1m relating to the previous treatment as operating leases. Finance costs increased by £1.5m relating to the additional lease liabilities recognised, resulting in an overall increase in profit before tax of £0.9m.

Based on its current lease portfolio, the long-term impact to the Group's reported profit after tax is expected to be immaterial with a 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.

On transition the weighted average incremental borrowing rate was 1.6%, which in turn takes advantage of the practical expedient on transition to apply a single discount rate to groups of leases with similar risk profiles. As such a single discount rate has been applied to leases in each country in which the Group operates.

The Group has no material lessor arrangements but does sublet space in multiple locations. Subleases are recognised by a reduction in the right of use asset and recognition of a lease receivable.

The impact of transitioning to IFRS 16 on the 1 July 2019 to each balance sheet line item is as follows:

	30 June 2019 as previously reported £m	IFRS 16 adjustments £m	1 July as adjusted £m
Right of use assets	**—**	70.8	**70.8**
Trade and other receivables	**43.1**	0.3	**43.4**
Current lease liabilities	**—**	(6.5)	**(6.5)**
Trade and other payables	**(41.8)**	3.6	**(38.2)**
Non-current lease liabilities	**—**	(69.7)	**(69.7)**
Retained earnings	**260.1**	(1.5)	**258.6**
Total attributable to equity shareholders of the parent	**384.8**	(1.5)	**383.3**

d) Going concern

The Group meets its day-to-day working capital requirements from the cash surpluses generated as a result of normal trading. In considering going concern, the Directors have reviewed the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including the effects of COVID-19. These show that the Group should be able to operate within the limits of its available resources.

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing its consolidated financial statements.

2. Operating segments

Products and services from which reportable segments derive their revenues

The Directors consider that there is only one core business activity and there are no separately identifiable business segments which are engaged in providing individual products or services or a group of related products and services which are subject to separate risks and returns. The information reported to the Group's Chief Executive Officer, who is considered the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment, which is 'sales of antibodies and related products'. The Group's revenue and assets for this one reportable segment can be determined by reference to the Group's income statement and balance sheet.

The Group has no individual product or customer which contributes more than 10% of its revenues.

Geographical information

Revenues are attributed to regions based primarily on customers' location. Historically, the Group has reported its revenues by country, however, in order to align to the manner in which the Group now reports its geographical splits internally, revenues are now presented more regionally, but with China and Japan still reported as countries to reflect the manner in which these are managed and reported. Comparative figures have been re-presented accordingly. The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax) is set out below:

	Revenue		Non-current assets	
	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m	**As at 30 June 2020 £m**	As at 30 June 2019 £m
The Americas	**112.4**	117.5	**224.8**	169.9
EMEA	**69.3**	67.1	**224.4**	91.6
China	**39.5**	39.9	**7.4**	3.8
Japan	**18.8**	16.9	**7.4**	0.1
Rest of Asia Pacific	**20.0**	18.5	**61.7**	0.1
	260.0	259.9	**518.9**	265.5

Revenue by type is shown below:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Catalogue revenue	**243.1**	242.8
Custom products and services	**6.3**	5.4
IVD	**4.7**	6.9
Custom products and licensing	**5.9**	4.8
	16.9	17.1
Total reported revenue	**260.0**	259.9

3. Adjusted Performance Measures

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	Year ended 30 June 2020			Year ended 30 June 2019		
	Adjusted £m	**Adjusting items £m**	**Total £m**	Adjusted £m	Adjusting items £m	Total £m
Operating profit	**44.5**	**(34.0)**	**10.5**	83.6	(27.5)	56.1
Finance income	**0.7**	**—**	**0.7**	0.6	—	0.6
Finance costs	**(2.8)**	**—**	**(2.8)**	(0.3)	—	(0.3)
Profit before tax	**42.4**	**(34.0)**	**8.4**	83.9	(27.5)	56.4
Tax	**(7.7)**	**11.8**	**4.1**	(16.5)	5.1	(11.4)
Profit for the period	**34.7**	**(22.2)**	**12.5**	67.4	(22.4)	45.0

		Year ended 30 June 2020 £m	**Year ended 30 June2019 £m**
Analysis of adjusting items			
Impairment of intangible assets	**(i)**	**(14.9)**	(12.8)
System and process improvement costs	**(ii)**	**(4.3)**	(4.5)
Acquisition costs	**(iii)**	**(4.1)**	—
Integration and reorganisation costs	**(iv)**	**(2.1)**	(3.7)
Amortisation of acquisition intangibles	**(v)**	**(8.6)**	(6.5)
Affecting operating profit and profit before tax		**(34.0)**	(27.5)
Tax effect of adjusting items		**7.2**	5.3
Credit arising from patent box claims	**(vi)**	**4.6**	—
Net tax effect of new US tax legislation		**—**	(0.2)
Affecting tax		**11.8**	5.1
Total adjusting items		**(22.2)**	(22.4)

(i) Comprises the full impairment of the acquisition intangible in respect of AxioMx in Vitro monoclonal antibody production technology and subsequent post acquisition expenditure capitalized. This has arisen following an appraisal of the ability to utilise at scale this technology whereby although technical feasibility remains valid, the challenges to realise material commercial returns have resulted in the conclusion not to pursue further active development and substantive utilization of this technology. The impairment charge is included within research and development expenses. The appraisal in respect of this technology was part of a wider review and appraisal of all acquisition intangible assets which were considered for any potential indicators of impairment, such as any underperformance against previous forecasts. In respect of the Firefly BioWorks Multiplex and assay technology, although the target set out in the prior year had been exceeded, this was by a relatively small margin and as a result, further scrutiny was applied to acknowledge this. A value in use (VIU) assessment was performed and it was concluded that with a surplus of VIU over the carrying value representing 77% of the carrying value, that no impairment was present. However, achieving the forecasts is important in maintaining this surplus and in considering in particular the high growth in revenues assumed, to the extent that actual results adversely differ from this, this could cause the VIU to fall below the carrying value. (2018/19: The strategic ERP project is a complex, multi year global business transformation with numerous phases extending across multiple Group functions. Following achievement of an implementation milestone in April 2019, a review was undertaken of historical expenditure incurred to that point on outstanding modules to assess whether each element remained appropriate to the business's needs. Following the review, it was concluded that as a result of changes in the scope and nature of the programme and the corresponding usability of historical work performed, software assets of £12.8m were impaired. The charge was included within selling, general and administrative expenses).

(ii) Comprises costs of the strategic ERP implementation which do not qualify for capitalisation. Such costs are included within selling, general and administrative expenses.

(iii) Comprises legal and other professional fees associated with the acquisition of Expedeon as well as agreed settlements of Expedeon employee incentive schemes. Such costs are included within selling, general and administrative expenses.

(iv) Integration and reorganisation costs relate partly to the integration of the acquired Expedeon business as described in note 9 (comprising mainly retention and severance costs as well as employee backfill costs for those involved in the integration and consultancy costs) and reorganisation costs in respect of alignment of the Group's operational structure and geographical footprint to its strategic goals (2018/19: Related to costs associated with major office fit outs, including the new Group headquarters, including dual running costs and depreciation prior to the building being occupied). Such costs are included within selling, general and administrative expenses.

(v) £6.0m (2018/19: £4.3m) of amortisation of acquisition intangibles is included within research and development expenses, with the remaining £2.6m (2018/19: £2.2m) included within selling, general and administrative expenses.

(vi) Comprises a credit for historical periods in respect of the initial recognition of benefit from the lower rate of tax applied to profits on patented income under HMRC's 'patent box' regime following successful registration of patents during the year.

4. Finance income and costs

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Interest receivable	**0.7**	0.6
Finance income	**0.7**	0.6
Interest expense on lease liabilities*	**(1.5)**	—
Borrowing costs	**(1.3)**	(0.3)
Finance costs	**(2.8)**	(0.3)
Net finance (costs) / income	**(2.1)**	0.3

* On 1 July 2019, the Group adopted IFRS 16: 'Leases' using the modified retrospective method and as a result, prior year comparative figures have not been restated.

5. Taxation

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Current tax	**3.9**	9.9
Deferred tax	**(8.0)**	1.5
Total income tax (credit) / charge	**(4.1)**	11.4
Adjusted income tax charge*	**7.7**	16.5

* Adjusted income tax charge excludes the tax effects of adjusting items and the impact on tax arising from new US tax legislation, both of which are set out in note 3.

The Group reported a net tax credit of £4.1m (2018/19: charge of £11.4m). This decrease was partially due to a reduction in profit before tax to £8.4m (2018/19: £56.4m) and also from a credit of £6.0m representing the initial recognition 'patent box' benefit where a lower rate of tax is applied to profits on patented income and also includes a historical element of £4.6m for years 2016 to 2019 which is shown within adjusting items. The adjusting items have a beneficial effect of £11.8m on the tax charge which results in an effective tax rate on adjusted profits of 18.0% (2018/19: 19.7%). This is lower than 2018/19 and also lower than the U.K. statutory rate of 19.0%, due mainly to the £1.4m patent box benefit applicable to the current year.

The UK corporation tax rate for the year was 19.0% (2019: 19.0%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In line with Finance Act 2016, from April 2020, the UK corporate tax rate was to reduce to 17.0%. The Government announced in the Budget on 11 March 2020, that the rate applicable from 1 April 2020 would remain at 19.0% rather than reduce to 17.0% and this was enacted on 17 March 2020. This 19% rate has been applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be recovered.

6. Earnings per share

The calculation of the basic and diluted EPS, shown below the income statement, is based on the following data:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Earnings		
Profit attributable to equity shareholders of the parent – adjusted	**34.7**	67.4
Adjusting items (note 3)	**(22.2)**	(22.4)
Profit attributable to equity shareholders of the parent – reported	**12.5**	45.0

	Million	Million
Number of shares		
Weighted average number of ordinary shares in issue	**208.0**	**205.4**
Less ordinary shares held by Equiniti Share Plan Trustees Limited	**(0.4)**	**(0.5)**
Weighted average number of ordinary shares for the purposes of basic EPS	**207.6**	**204.9**
Effect of potentially dilutive ordinary shares: Share options and awards	**2.0**	**1.8**
Weighted average number of ordinary shares for the purposes of diluted EPS	**209.6**	**206.7**

Basic EPS and adjusted EPS are calculated by dividing the earnings attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the year. Diluted EPS and adjusted EPS are calculated on the same basis as basic EPS but with a further adjustment to the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. Such potentially dilutive ordinary shares comprise share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and any unvested shares which have met, or are expected to meet, the performance conditions at the end of the year.

	Year ended 30 June 2020	Year ended 30 June 2019
Basic EPS	**6.0p**	**22.0p**
Diluted EPS	**6.0p**	**21.8p**
Adjusted basic EPS	**16.7p**	**32.9p**
Adjusted diluted EPS	**16.6p**	**32.6p**

7. Dividends

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Amounts recognised as distributions to the equity shareholders in the year:		
Final dividend for the year ended 30 June 2018 of 8.58 pence per share	**—**	17.6
Interim dividend for the year ended 30 June 2019 of 3.55 pence per share	**—**	7.3
Final dividend for the year ended 30 June 2019 of 8.58 pence per share	**17.7**	—
Interim dividend for the year ended 30 June 2020 of 3.55 pence per share	**7.3**	—
Total distributions to owners of the parent in the period	**25.0**	24.9

8. Note to the cash flow statement

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Operating profit for the year	**10.5**	56.1
Adjustments for:		
Depreciation of property, plant and equipment	**7.3**	4.8
Depreciation of right of use assets	**6.7**	—
Amortisation of intangible assets	**15.9**	10.6
Impairment of intangible assets	**14.9**	12.8
Derivative financial instruments at fair value through profit or loss	**—**	0.4
Research and development expenditure credit	**(1.5)**	(1.9)
Share-based payments charge	**9.3**	6.5
Unrealised currency translation (gains) / losses	**(1.7)**	(1.1)
Operating cash flows before movements in working capital	**61.4**	88.2
Increase in inventories	**(1.1)**	(6.1)
Decrease/(increase) in receivables	**2.7**	(6.1)
Increase in payables	**2.4**	7.7
Cash generated from operations	**65.4**	83.7

9. Business Combinations

During the year, the Group made a number of acquisitions for total consideration of £113.0m, the most significant of which was Expedeon, details of which are set out below.

Expedeon

On 1 January 2020, the Group acquired 100% of the share capital of Expedeon Holdings Limited, including certain subsidiaries and certain other assets from Expedeon AG. This represented the proteomics and immunology business of Expedeon and was for total cash consideration of €122.5m (£104.2m).

This acquisition accelerates Abcam's ambitions within the complementary antibody conjugation and labelling market and provides opportunities to combine technologies to create new value adding products to support customer needs.

The provisional fair value of identifiable assets acquired was as follows:

	£m
Non-current assets	
Intangible assets	47.7
Other non-current assets	0.8
Net current assets	5.9
Non-current liabilities	
Deferred tax on intangibles	(11.9)
Total identifiable assets acquired	42.5
Goodwill	61.7
Total consideration	104.2

	£m
Net cash outflow on acquisition	
Consideration paid in cash	104.2
Acquired cash and cash equivalents	(2.3)
	101.9

Other net current assets comprised inventory of £2.8m, cash of £2.3m, trade and other receivables of £1.9m and trade payables of £1.1m.

10. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore non-GAAP (or alternative) performance measures. These are set out as follows:

- CER is a measure which allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control.
- Margin percentages (which are calculated by dividing the relevant profit figure by revenue) for each of the relevant profit metrics provide management with an insight into relative year on year performance.
- Adjusted profit measures, as described in note 1(c) to the financial information, are believed by the Directors to enable a reader to obtain a fuller understanding of underlying performance since they exclude items which are not reflective of the normal course of business. Furthermore, such measures are reflective of how performance is measured internally including targets against which compensation is determined. Adjusted profit measures are derived and reconciled to their reported IFRS equivalent on the face of the consolidated income statement as well as in note 3 to the financial information.

  The key adjusted profit measure is adjusted operating profit.

  Adjusting items (which are excluded to arrive at adjusted performance measures) are also described on the face of the income statement and in note 3 to the financial information.
- Adjusted earnings per share measures are derived from adjusted profit before tax with the rationale for their use being the same as for adjusted profit metrics and are reconciled to their IFRS equivalent in note 6 to the financial information.
- Free Cash Flow is defined on the face of the consolidated cash flow statement and provides management with an indication of the amount of cash available for discretionary investing or financing after removing capital related items.