abcam®

Abcam plc
Interim Report 2014/15

Discover More

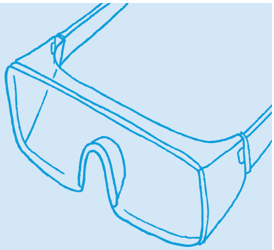
ABCAM MAKES, SOURCES AND SELLS LIFE SCIENCE RESEARCH TOOLS AND SERVICES FOR STUDYING PROTEINS AT A CELLULAR LEVEL.

- 16 YEARS' EXPERIENCE
- 137,000 HIGHLY VALIDATED PRODUCTS
- DETAILED, HONEST DATA

ENABLING SCIENTISTS TO DISCOVER MORE

We aspire to be the most recommended brand by life science researchers.

Abcam was created in 1998 to serve and enable science researchers, our consumers, to discover more in the growing life science research market.



We help these researchers around the world as they seek to understand basic biological mechanisms in diseases and as they publish their work, which is often used to create the next generation of diagnostics and pharmaceuticals. Our aspiration is to become their most recommended brand in our industry and doing so will help us achieve our ambitious goals.

INTERIM MANAGEMENT REPORT

We are pleased to have delivered a strong performance during the first six months of the year.

Performance in the period

The first six months of the year have seen the Group deliver a strong performance, both operationally and against our strategic initiatives. On a constant currency (underlying) basis (in which we assume exchange rates had remained unchanged from H1 2014) Abcam delivered significant double-digit product revenue growth of 16.7% and 13.8% growth in overall revenues, when compared to the same period last year. Overall reported revenues increased by 7.7% after the adverse effect of exchange rates.

All product categories and geographic areas are performing at levels above underlying market growth rates. We have achieved double-digit underlying growth in all of our geographic regions and in every product category in our portfolio over H1 2014, as summarised in the table below.

We have seen significant currency headwinds in the period with Sterling strengthening against all of the major currencies which impact our business compared to H1 2014. In particular, the strengthening of Sterling against the Japanese Yen has caused a decline in reported revenues for this region, despite solid underlying growth of 11.0%.

Historically we have delivered revenue growth rates in excess of that of general life science research funding growth, which has had limited impact on the overall performance of our business. Nevertheless, the return of more certain government funding levels around the world is welcome and has provided the liquidity for labs to purchase our products.

Our other revenues consist of three income streams: custom service, royalties/licence fees and in-vitro diagnostics (IVD) immunohistochemistry (IHC) sales. As expected, revenues have declined in the custom service business as we continue to right-size this part of our company. Royalties and licence fees growth was flat in the period; as previously explained, we expect this income stream to decline over time as these legacy agreements do not fit with our current strategy. IVD IHC revenues were also flat in the period following the transition in selling arrangements of IVD products to the ten year marketing agreement signed with Cell Marque, which has been de-stocking whilst we develop co-branded products.

	Reported revenue		Increase/ (decrease) in reported revenue	Underlying growth rate
	H1 2015 £000	H1 2014 £000		
Geographic split				
The Americas	**26,614**	24,669	7.9%	13.2%
EMEA	**20,734**	19,311*	7.4%	13.3%
Japan	**5,188**	5,306	(2.2)%	11.0%
China	**5,909**	3,609	63.7%	67.2%
Rest of Asia Pacific	**4,298**	3,951*	8.8%	13.8%
Product revenue	**62,743**	56,846	10.4%	16.7%
Other revenue	**4,003**	5,104	(21.6)%	(18.0)%
Total reported revenue	**66,746**	61,950	7.7%	13.8%
Product split				
Core primary antibodies	**42,414**	39,581	7.2%	13.3%
RabMAb® primary antibodies	**9,619**	8,512	13.0%	19.4%
Non-primary antibody products	**10,710**	8,753	22.4%	29.3%
Product revenue	**62,743**	56,846	10.4%	16.7%

* There have been certain regional reclassifications between EMEA and Asia Pacific during the period and comparatives have been restated to give a true year-on-year comparison.

We look forward to the co-launch of products later this month, giving us access to Cell Marque's established distribution channels to the global IVD market.

Gross margins at the product and geographic levels were broadly flat and in line with our expectations, whilst the reported gross margin decreased slightly to 70.4% (H1 2014: 70.9%), reflecting the impact of exchange rates.

The adjusted operating margin was 35.4% (H1 2014: 36.8%). This reflects our increased investment in product development, eCommerce, marketing and infrastructure, including an increase in the depreciation and amortisation charge to £2.2m (H1 2014: £1.6m). After taking into account acquisition costs and amortisation of acquisition-related intangibles, the reported operating margin was 32.8% (H1 2014: 34.1%). After finance income of £0.2m (H1 2014: £0.1m), adjusted PBT was £23.8m (H1 2014: £22.9m) and £22.1m on a reported basis (H1 2014: £21.2m).

Adjusted diluted EPS increased by 7.3% to 9.38 pence per share (H1 2014: 8.74 pence), reflecting a reduced effective tax rate on adjusted profits of 20.9% (H1 2014: 23.6%) as a result of the reduction in the UK corporation tax rate. Before adjustments, diluted EPS was 8.79 pence per share (H1 2014: 8.24 pence).

HIGHLIGHTS OF OUR HALF YEAR

Total revenue
£66.7M

Adjusted diluted earnings per share*
9.38 PENCE

Adjusted operating profit
£23.6M

Closing cash and term deposits
£62.5M

In the six months ended 31 December 2014:

- Product revenue increased to £62.7m (H1 2014: £56.8m), representing growth of 16.7% on a constant currency basis and 10.4% on a reported basis
- Total revenue increased to £66.7m (H1 2014: £61.9m), representing growth of 13.8% on a constant currency basis and 7.7% on a reported basis
- Gross margin was 70.4% (H1 2014: 70.9%), reflecting the currency headwind in the period
- After continued investment in the business to deliver strategic objectives and to drive future growth, adjusted operating margin* was 35.4% (H1 2014: 36.8%), and reported operating margin was 32.8% (H1 2014: 34.1%). EBITDA was £25.8m, growth of 5.8% over H1 2014 (£24.4m)
- Adjusted diluted earnings per share (EPS)* increased by 7.3% to 9.38 pence (H1 2014: 8.74 pence). Reported diluted EPS increased by 6.7% to 8.79 pence (H1 2014: 8.24 pence)
- Closing cash and term deposits of £62.5m (30 June 2014: £56.9m)
- Interim dividend increased by 7.5% to 2.29 pence (2014: 2.13 pence)
- Robust progress continues in executing our strategy and achievements against our specific strategic KPIs are at the top end of, or above, our full year targets
- Announced in January 2015, the acquisition of Firefly BioWorks Inc and the partnership with the Institute of Molecular and Cell Biology demonstrate our strategy in action, strengthening our fast-growing kits and assays business

* Excluding £1.7m (H1 2014: £1.7m) of acquisition costs and acquisition-related intangible amortisation and, in the case of EPS, the related tax effect.

INTERIM MANAGEMENT REPORT CONTINUED

Our performance in the period against our strategic key performance indicators reflects achievement at the top end of, or above, our full year targets.

Performance in the period continued

Operating cash flows increased to £27.7m (H1 2014: £24.4m) reflecting the strong growth in our business. The working capital outflow was £5.2m (H1 2014: £3.8m) due in part to the receipt of approximately £4.0m of duty and other tax balances included within trade and other receivables in the prior year, offset by a higher than normal increase in inventories of £3.3m. This increase is the result of a project to improve consumer service levels by increasing inventory of products to high-value targets, the stocking of a new range of directly conjugated antibodies and building up a stockholding at our office in Shanghai. After a significant outflow of £11.3m for the final dividend for 2013/14, corporation tax payments of £4.1m, capital investment of £3.1m and the positive impact of foreign exchange of £1.1m, net cash increased to £62.5m (30 June 2014: £56.9m; 31 December 2013: £38.2m).

Dividend

An interim dividend of 2.29 pence per share will be paid on 17 April 2015 to shareholders whose names are on the register at close of business on 20 March 2015. This represents an increase of 7.5% over last year's interim dividend of 2.13 pence per share, in line with the increase in adjusted diluted EPS over the same period.

Strategy

In addition to a strong year-on-year increase in underlying revenue growth, our performance in the period against our strategic key performance indicators (KPIs) reflects achievement at the top end of, or above, our full year targets, and we are confident of meeting these targets for the full year. This growth gives us confidence that we are doing the right things to attract and retain consumers to our business.

Milestones achieved within our five strategic goals

In September 2014, we made public five strategic goals that underpin actions we are taking to achieve our aspirations at Abcam. We have made progress against each of these over the last six months and, as we do so, performance against our KPIs has improved and we are identifying more growth opportunities. We set out below a brief description of some of the significant milestones achieved in the period.

Grow our core reagents business faster than the market

Our core reagents business has historically focused on primary antibodies for use in research, where we are already the global market leader. In the last few years we have added secondary antibodies, peptides, proteins, and a wide range of biochemicals to that core.

There are significant opportunities for us to continue to drive growth in these segments from our existing consumer base, as well as by attracting new consumers to our products. We continue to gain market share from our competitors by using our database, breadth of product, RabMAb® technology and industry award-winning digital marketing capabilities. Our approach is to use our data and insights to be increasingly consumer-centric, focusing our efforts in the areas of greatest scientific and commercial value.

Progress in H1 2015 has included:

> Continued focus on high-value products to high-value targets, particularly where we can apply our proprietary RabMAb technology; we added 6,000 new products in the period;

Strategic KPIs	FY 2014 performance	**H1 2015 result**	FY 2015 target
Underlying growth in revenue from RabMAb® primary antibody range	17.1%	**19.4%**	15–20%
Underlying growth in revenue from non-primary antibody products	34.3%	**29.3%**	25–30%
Net Promoter Score (NPS)	18.0%	**25.0%***	20–22%

Market position – we also have a KPI to measure our relative market position in each of the main markets in which we operate, ascertained from market surveys. We will report our progress against this metric with our full year results in September 2015.

* NPS was measured via survey in January 2015 using a sample size of 2,175 respondents. We will provide an update in our year-end results based on a larger sample size.

- Expanded range of products in large and growing applications or fields of science, for example the launch of an exclusive range of highly validated directly conjugated RabMAb antibodies for use in key imaging applications including immunofluorescence, flow cytometry and fluorescent western blotting;
- Established a direct sales channel in Australia and New Zealand, allowing us to build closer relationships with our consumers in these countries and to have a direct influence on revenue growth in this region. These consumers now receive direct technical support and customer service from Abcam and delivery times have been reduced by up to 50%; and
- Added several new features to our public website to make it even easier for consumers to find the content and products they seek. For example we have created dedicated landing pages for some key areas of research interest which aggregate all products and resources of relevance to customers interested in those areas. We were delighted to win the award for 'Best use of digital media' at the Life Science Industry Awards in November 2014, which recognised our commitment to innovating through our digital channels.

Establish new growth platforms

We are constantly seeking growth platforms where we can use our core capabilities in new areas.

For the three areas of focus outlined in September 2014, we continue to see results:

- China: our Shanghai office improved our distribution and access to the Chinese market, where we achieved underlying revenue growth of 67.2% in the period. We remain excited about the opportunities to support scientific growth in China where we expect growth levels to moderate as our business becomes more established; in the medium term our expectation is that growth will remain above overall revenue growth.
- Kits and assays: we continued to introduce our high performance RabMAb pairs to our kits and assays portfolio as well as working with our supply partners to bring the most relevant products to our consumer base. These efforts generated underlying revenue growth of 35.6% in kits and assays in the period.
- Market segments: we added sales capabilities and resource to help us address market segments where our business has not historically focused.

Scale organisation capabilities

It is critical that we attract and retain high-calibre and experienced talent. We have worked hard to assemble a strong and experienced team who have a clear view of our strategy and what their role is in its delivery. In the period we have added particular skills and capacity in eCommerce, IT and sales, including the appointments of Chief Digital and Chief Information Officers, both of whom are senior and highly experienced individuals.

We also need to invest in our core IT systems to enable our growth plans, support our increased focus on consumers and provide the necessary data analysis and reporting tools. This is likely to be a multi-year project.

Sustain attractive economics

By ensuring that we optimise our operational efficiency and cost-effectiveness, we have been able to deliver sustainable, profitable growth. We remain focused on generating strong revenue growth and have delivered on this goal in the period with growth in excess of both underlying markets and that of our listed peers. We have achieved an adjusted operating margin of 35.4% whilst continuing to invest in support of our strategic growth priorities.

Selectively pursue partnerships and acquisitions

Our collaboration with Cell Marque, announced in September 2014, is progressing well. We expect to have co-branded IVD IHC product in the market later this month.

We have also made further progress since the period end, with the signing of a partnership agreement with the Institute of Molecular and Cell Biology (IMCB), a research institute under the Agency for Science, Technology and Research (A*STAR), Singapore, as well as completing the acquisition of Firefly BioWorks Inc (Firefly), announced on 21 January 2015.

Under our agreement with A*STAR, IMCB's biological research expertise will be combined with Abcam's RabMAb technology to enable rapid production of antibody pairs with a high level of affinity, specificity and validation against jointly selected targets.

INTERIM MANAGEMENT REPORT CONTINUED

We remain on track to meet both our financial and our four strategic goals for the full year.

Strategy continued

Milestones achieved within our five strategic goals continued

Selectively pursue partnerships and acquisitions continued

These will be used by both organisations in the development of immunoassays for life scientists working in both research and diagnostics and will include antibody pairs to some of the most important targets in cytokine research and to exciting novel proteins. The first antibody pairs are expected to be completed by August 2015 and to be available to the research market later in the year. This project represents the beginning of a planned multi-year collaboration between IMCB and Abcam.

Firefly is a US-based developer of a new IP-protected multiplex immunoassay platform for the detection of biomarkers and has developed its first product for detection of microRNAs (miRNAs) which will strengthen Abcam's position in kits and assays, expand our market presence in RNA quantitation, and bring in a new technology platform to leverage our RabMAb technology.

miRNA is one of the fastest growing areas of biomarker and scientific research and this type of nucleic acid detection and measurement is rapidly growing in importance to Abcam's life science consumers. We also see further potential to combine Abcam's proprietary RabMAb technology with Firefly's assay capability to provide multiplex protein measurement.

After an initial period of modest investment, Firefly is expected to generate attractive returns in the longer term.

Board appointments

We have recently made a number of changes to Abcam's Board, which were outlined in detail in our 2014 Annual Report. In addition, in December 2014 we were delighted to welcome Sue Harris to the Board as a Non-Executive Director and Chair of the Audit Committee. Sue brings a wealth of finance and commercial skills, which, combined with her broad corporate experience and scientific background, make her an ideal person to further strengthen our Board.

On behalf of everyone at Abcam, we would like to thank Mike Redmond and Peter Keen, who both stepped down from the Board at the AGM in November, for their considerable contributions to the Company's development and success over the years they served.

Outlook

Abcam began in 1998, offering researchers online access to primary antibodies and their associated validation data and quickly created a valuable proposition by adding products and data faster than our competitors. Since then, this philosophy has remained at the core of what we do. In 2010 we began to add in earnest new product categories to the catalogue, such as immunoassays, secondary antibodies, proteins and biochemicals and to acquire manufacturing know-how such as RabMAb technology, as well as continuing with our core capability to add more products and data online. As we set out in September 2014, the next phase of our story is to utilise our assets and platform to make investments targeted at addressing unmet consumer needs in life science research, whilst continuing to build our online product and associated data portfolio. We have begun to execute this new and exciting phase of growth and, having seen a continuation of the positive trends into the second half of our financial year, we are pleased with the results we have seen so far.

We remain on track to meet both our financial and our four strategic goals for the full year: RabMAb primary products growth of 15–20%, non-primary antibody products growth of 25–30%, a Net Promoter Score of 20–22% and maintaining our position as the market leader in research antibodies whilst improving our strategic position in at least two other key markets.

Murray Hennessy
Chairman

Alan Hirzel
Chief Executive Officer
6 March 2015

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

> the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*;

> the Interim Management Report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

> the Interim Management Report includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period and also any changes in the related party transactions described in the last Annual Report that could do so.

At the date of this statement the Directors are those listed in the Group's 2013/14 Annual Report except for the following changes:

Mike Redmond resigned from the role of Chairman and the Board on 3 November 2014 and is replaced as Chairman by Murray Hennessy from that date.

Peter Keen resigned from his position of Non-Executive and Senior Independent Director on 3 November 2014. Louise Patten was appointed to the role of Senior Independent Director on the same date.

Sue Harris was appointed to the Board on 12 December 2014 as a Non-Executive Director. Sue also takes on the role of Chair of the Audit Committee.

By order of the Board

Alan Hirzel
Chief Executive Officer
6 March 2015

Jeff Iliffe
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ABCAM PLC

For the six months ended 31 December 2014

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014, which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Reconciliation of adjusted financial measures, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
6 March 2015

Notes:

(a) The maintenance and integrity of the Abcam plc website (www.abcamplc.com) is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2014

	Notes	**(Unaudited) Six months ended 31 Dec 2014 £000**	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Revenue		**66,746**	61,950	127,954
Cost of sales		**(19,754)**	(18,017)	(37,569)
Gross profit		**46,992**	43,933	90,385
Administration and management expenses		**(20,683)**	(18,631)	(37,018)
Research and development expenses		**(4,429)**	(4,181)	(10,054)
Operating profit		**21,880**	21,121	43,313
Finance income		**180**	104	238
Profit before tax		**22,060**	21,225	43,551
Tax	4	**(4,404)**	(4,724)	(9,506)
Profit for the period attributable to the owners of the parent		**17,656**	16,501	34,045
Earnings per share				
Basic	5	**8.84p**	8.31p	17.12p
Diluted	5	**8.79p**	8.24p	17.02p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Profit for the period	**17,656**	16,501	34,045
Items that may be reclassified to profit or loss			
Movements on cash flow hedges	**(1,443)**	2,899	2,491
Exchange differences on translation of foreign operations	**9,022**	(9,051)	(11,116)
Tax relating to components of other comprehensive income	**303**	(262)	(550)
Other comprehensive income for the period	**7,882**	(6,414)	(9,175)
Total comprehensive income for the period	**25,538**	10,087	24,870

RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

For the six months ended 31 December 2014

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Profit before tax	**22,060**	21,225	43,551
Acquisition costs	**150**	—	—
Amortisation of acquisition-related intangible assets	**1,608**	1,674	3,265
Profit before tax (adjusted)	**23,818**	22,899	46,816

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Notes	(Unaudited) As at 31 Dec 2014 £000	(Unaudited) As at 31 Dec 2013 £000	(Audited) As at 30 Jun 2014 £000
Non-current assets				
Goodwill	6	**79,959**	75,725	73,549
Intangible assets		**30,053**	32,440	30,176
Property, plant and equipment		**11,072**	8,046	8,502
Deferred tax asset		**4,632**	3,090	2,258
Term deposits		**1,641**	—	1,000
Derivative financial instruments		**130**	—	180
		127,487	119,301	115,665
Current assets				
Inventories		**17,550**	14,855	14,753
Trade and other receivables		**16,471**	19,069	17,843
Cash and cash equivalents		**60,836**	35,316	55,278
Term deposits		**—**	2,928	584
Derivative financial instruments		**1,406**	2,308	1,848
Available-for-sale asset		**683**	643	623
		96,946	75,119	90,929
Total assets		**224,433**	194,420	206,594
Current liabilities				
Trade and other payables		**(12,269)**	(11,477)	(14,036)
Current tax liabilities		**(3,445)**	(1,562)	(2,782)
Derivative financial instruments		**(1,654)**	(219)	(14)
		(17,368)	(13,258)	(16,832)
Net current assets		**79,578**	61,861	74,097
Non-current liabilities				
Deferred tax liability		**(9,056)**	(10,627)	(8,841)
Derivative financial instruments		**(138)**	—	(21)
		(9,194)	(10,627)	(8,862)
Total liabilities		**(26,562)**	(23,885)	(25,694)
Net assets		**197,871**	170,535	180,900
Equity				
Share capital	7	**402**	399	401
Share premium account		**18,701**	17,084	17,692
Merger reserve		**56,513**	56,513	56,513
Own shares		**(2,657)**	(2,251)	(2,143)
Translation reserve		**138**	(6,704)	(8,718)
Share-based payments reserve		**7,425**	6,215	6,441
Hedging reserve		**(247)**	1,230	893
Deferred tax reserve		**1,524**	939	(98)
Retained earnings		**116,072**	97,110	109,919
Total equity attributable to the owners of the parent		**197,871**	170,535	180,900

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2014	401	17,692	56,513	(2,143)	(8,718)	6,441	893	(98)	109,919	180,900
Profit for the period	—	—	—	—	—	—	—	—	17,656	17,656
Exchange differences on translation of foreign operations	—	—	—	—	8,856	166	—	—	—	9,022
Movements on cash flow hedges	—	—	—	—	—	—	(1,443)	—	—	(1,443)
Tax relating to components of other comprehensive income	—	—	—	—	—	—	303	—	—	303
Total comprehensive income for the period	—	—	—	—	8,856	166	(1,140)	—	17,656	25,538
Issue of share capital	1	1,009	—	(730)	—	—	—	—	—	280
Own shares disposed of on release of shares	—	—	—	216	—	—	—	—	(216)	—
Credit to equity for share-based payments	—	—	—	—	—	818	—	1,622	—	2,440
Payment of dividends	—	—	—	—	—	—	—	—	(11,287)	(11,287)
Balance as at 31 December 2014	**402**	**18,701**	**56,513**	**(2,657)**	**138**	**7,425**	**(247)**	**1,524**	**116,072**	**197,871**

1 Exchange differences on translation of overseas operations.

2 IFRS 2 charge for fair value of share options.

3 Gains and losses recognised on cash flow hedges.

4 Portion of deferred tax asset arising on outstanding share options and share options exercised.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares £000	Translation reserve[1] £000	Share-based payments reserve[2] £000	Hedging reserve[3] £000	Deferred tax reserve[4] £000	Retained earnings £000	Total £000
Balance as at 1 July 2013	399	16,395	56,513	(1,872)	2,203	5,893	(1,048)	1,252	90,542	170,277
Profit for the period	—	—	—	—	—	—	—	—	16,501	16,501
Exchange differences on translation of foreign operations	—	—	—	—	(8,907)	(144)	—	—	—	(9,051)
Movements on cash flow hedges	—	—	—	—	—	—	2,899	—	—	2,899
Tax relating to components of other comprehensive income	—	—	—	—	—	—	(621)	—	359	(262)
Total comprehensive income for the period	—	—	—	—	(8,907)	(144)	2,278	—	16,860	10,087
Issue of share capital	—	689	—	(484)	—	—	—	—	—	205
Own shares disposed of on release of shares	—	—	—	105	—	—	—	—	(105)	—
Credit to equity for share-based payments	—	—	—	—	—	466	—	(313)	—	153
Payment of dividends	—	—	—	—	—	—	—	—	(10,187)	(10,187)
Balance as at 31 December 2013	399	17,084	56,513	(2,251)	(6,704)	6,215	1,230	939	97,110	170,535

1 Exchange differences on translation of overseas operations.

2 IFRS 2 charge for fair value of share options.

3 Gains and losses recognised on cash flow hedges.

4 Portion of deferred tax asset arising on outstanding share options and share options exercised.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2014

	Note	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Profit before tax		**22,060**	21,225	43,551
Finance income		**(180)**	(104)	(238)
Operating profit for the period		**21,880**	21,121	43,313
Adjustments for:				
Depreciation of property, plant and equipment		**1,219**	875	1,882
Amortisation of intangible assets		**2,675**	2,309	4,831
Impairment loss on intangible assets		**—**	—	454
Change in fair value of derivatives outstanding at period end		**805**	(344)	(655)
Non-cash foreign currency gains		**255**	—	—
Share-based payments charge		**880**	466	941
Operating cash flows before movements in working capital		**27,714**	24,427	50,766
(Increase)/decrease in inventories		**(3,265)**	414	252
Decrease/(increase) in receivables		**609**	(2,264)	(280)
(Decrease)/increase in payables		**(2,500)**	(1,985)	508
Cash generated by operations		**22,558**	20,592	51,246
Income taxes paid		**(4,125)**	(5,481)	(9,948)
Net cash inflow from operating activities		**18,433**	15,111	41,298
Investing activities				
Investment income		**172**	95	231
Purchase of property, plant and equipment		**(2,553)**	(2,007)	(3,828)
Purchase of intangible assets		**(551)**	(2,087)	(3,647)
Decrease in term deposits		**—**	—	1,187
Net cash used in investing activities		**(2,932)**	(3,999)	(6,057)
Financing activities				
Dividends paid	8	**(11,287)**	(10,187)	(14,455)
Proceeds on issue of shares		**280**	205	617
Increase in term deposits		**—**	(176)	—
Net cash used in financing activities		**(11,007)**	(10,158)	(13,838)
Net increase in cash and cash equivalents		**4,494**	954	21,403
Cash and cash equivalents at beginning of period		**55,278**	35,388	35,388
Effect of foreign exchange rates		**1,064**	(1,026)	(1,513)
Cash and cash equivalents at end of period		**60,836**	35,316	55,278

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 31 December 2014

1. General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2014 were approved by the Board of Directors on 8 September 2014 and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This consolidated interim financial information has been reviewed, not audited.

2. Accounting policies

Basis of preparation

The annual financial statements of Abcam plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The accounting policies, estimates and judgements adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2014 except where disclosed otherwise in this note.

Risks and uncertainties

Like every business, the Group faces risks in the undertaking of its day-to-day operations and in pursuit of its longer-term objectives. An outline of the key risks and uncertainties faced by the Group was described on pages 25–28 of the 2014 Annual Report and Accounts. Information on financial risk management was also given on pages 105–107 of the Annual Report, a copy of which is available on the Company's website www.abcamplc.com. The key risks and risk profile of the Group have not changed over the interim period and are not expected to change over the next six months, these remain as:

Risk area	Key risks
Strategic	Changing marketplace and competition
Commercial	Supplier relationships and product defensibility
Legal/regulatory/financial	Intellectual property, international trade regulation, health and safety and regulatory, distributor relationships, foreign currency exposure and complexity
Operational	Infrastructure, integration and staff recruitment and retention

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the half-yearly financial statements.

New standards, amendments and interpretations

The Group has adopted a number of new standards and interpretations, which have been assessed as having no financial impact or disclosure requirements at the interim.

There are no new standards that have been issued but are not yet effective for the financial year commencing 1 July 2014 that are expected to have a material impact on the Group.

3. Operating segments

The Group has only one reportable segment, which is 'sales of antibodies and related products'. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss since the last annual financial statements. The Group's revenue and assets for its 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 comprises more than 10% of its revenues. Sales of antibodies and related products are traditionally more heavily weighted towards the second half of the year.

NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED

For the six months ended 31 December 2014

4. Income tax

The major components of income tax expense in the income statement are as follows:

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Current tax	**5,333**	4,981	9,984
Deferred tax	**(929)**	(257)	(478)
	4,404	4,724	9,506

Corporation tax for the six month period is charged at 20.0% (six months ended 31 December 2013: 22.3%; year ended 30 June 2014: 21.8%), representing management's best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period. This effective tax rate reflects the receipt of R&D tax credits that result in a tax deduction for the Company.

Tax rates quoted above are the Group's reported tax rates. The adjusted tax rate is 20.9% (six months ended 31 December 2013: 23.6%; year ended 30 June 2014: 22.8%).

The UK government announced a reduction in the standard rate of UK corporation tax to 20%, effective 1 April 2015, which was substantively enacted in July 2014 and therefore has been reflected in this interim financial information.

5. Earnings per share

The calculation of basic and diluted EPS is based upon the following data:

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**17,656**	16,501	34,045
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	**199,619,400**	198,485,319	198,858,251
Effect of dilutive potential ordinary shares:			
– share options	**1,273,750**	1,766,330	1,159,930
Weighted average number of ordinary shares for the purposes of diluted EPS	**200,893,150**	200,251,649	200,018,181

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period. Own shares held by the Abcam Employee Share Benefit Trust are eliminated from the weighted average number of ordinary shares.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of 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 period.

5. Earnings per share continued

Adjusted earnings per share

The calculation of adjusted EPS excluding acquisition costs and amortisation of associated intangible assets is based on earnings of:

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**17,656**	16,501	34,045
Acquisition costs	**150**	—	—
Amortisation of associated intangible assets	**1,608**	1,674	3,265
Tax effect of adjusting items	**(563)**	(669)	(1,191)
Profit after tax excluding acquisition costs and amortisation of associated intangible assets	**18,851**	17,506	36,119

The denominators used are the same as those detailed above for both basic and diluted EPS.

Adjusted EPS after adding back acquisition costs and amortisation of associated intangible assets:

	(Unaudited) Six months ended 31 Dec 2014	(Unaudited) Six months ended 31 Dec 2013	(Audited) Year ended 30 Jun 2014
Adjusted basic EPS	**9.44p**	8.82p	18.16p
Adjusted diluted EPS	**9.38p**	8.74p	18.06p

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

6. Goodwill

	£000
Cost	
At 1 July 2014	73,549
Exchange differences	6,410
At 31 December 2014	**79,959**
Accumulated impairment losses	
At 1 July 2014 and 31 December 2014	**—**
Carrying amount	
At 30 June 2014	73,549
At 31 December 2014	**79,959**

NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED

For the six months ended 31 December 2014

6. Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	(Audited) Carrying value 1 Jul 2014 £000	Exchange differences* £000	**(Unaudited) Six months ended 31 Dec 2014 £000**	(Unaudited) Six months ended 31 Dec 2013 £000
Goodwill relating to the Abcam Group CGU	73,549	6,410	**79,959**	75,725

* Goodwill is converted at the exchange rate on the date of acquisition and retranslated at the balance sheet rate.

Following a reorganisation in 2013, the goodwill arising from acquisitions was allocated to a single CGU, which more accurately reflected the business structure and use of centralised support functions. There have been no changes to the Group organisation during the interim period which would require a reallocation.

This CGU is tested for impairment on a group-wide basis using the future forecast cash flows arising from the Abcam business as a whole.

The Group performs an annual test for goodwill impairment or more frequently if there are any indications that goodwill might be impaired.

Based on the positive performance and cash generation of the Group during the period, an interim impairment test is not considered required at this reporting date.

7. Share capital

Share capital as at 31 December 2014 amounted to £401,731. During the period, the Group issued 419,179 shares as a result of the exercise of share options. This increased the number of shares in issue from 200,446,300 to 200,865,479.

8. Dividends

	(Unaudited) Six months ended 31 Dec 2014 £000	(Unaudited) Six months ended 31 Dec 2013 £000	(Audited) Year ended 30 Jun 2014 £000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 30 June 2014 of 5.62 pence (2013: 5.10 pence) per share	**11,287**	10,187	10,187
Interim dividend for the year ended 30 June 2014 of 2.13 pence per share	**—**	—	4,268
Total distributions to equity holders in the period	**11,287**	10,187	14,455
Proposed interim dividend for the year ended 30 June 2015 of 2.29 pence (2014: 2.13 pence) per share	**4,600**	4,260	—
Proposed final dividend for the year ended 30 June 2014 of 5.62 pence per share	**—**	—	11,265

The proposed interim dividend of 2.29 pence per share was approved by the Board on 6 March 2015 and has not been recognised as a liability as at 31 December 2014. It will be recognised in equity attributable to owners of the parent in the year ended 30 June 2015.

9. Foreign currency

The Group continues to generate significant amounts of US Dollars, Euros and Japanese Yen in excess of payments in these currencies and has hedging arrangements in place to reduce its exposure to currency fluctuations.

The following table details the forward exchange contracts outstanding as at the period end:

	US Dollars		Euros		Japanese Yen	
	Sell $000	Average rate	Sell €000	Average rate	Sell ¥000	Average rate
Six months ending 30 June 2015	20,556	1.67	15,704	1.22	639,680	171.44
Year ending 30 June 2016	29,680	1.64	23,072	1.24	807,768	172.82

An analysis of the foreign currency components of revenue and cost of sales together with average exchange rates used in the period is given in the table below:

	Average exchange rates used for revenue		Average exchange rates used for cost of sales		Percentage currency contribution	
	H1 2015 £	H1 2014 £	**H1 2015 £**	H1 2014 £	**H1 2015 revenue %**	**H1 2015 cost of sales %**
US Dollar	**1.642**	1.571	**1.641**	1.574	**49.9**	**60.1**
Euro	**1.266**	1.178	**1.265**	1.178	**22.4**	**5.9**
Japanese Yen	**177.253**	156.170	**177.135**	157.513	**7.8**	**1.0**
Hong Kong Dollar	**12.736**	12.178	**12.752**	12.191	**0.5**	**0.3**
Canadian Dollar	**1.811**	1.640	**—**	—	**2.4**	**—**
Chinese Renminbi	**10.036**	—	**10.164**	—	**9.1**	**10.6**
Australian Dollar	**1.818**	—	**1.824**	—	**0.8**	**0.3**
New Zealand Dollar	**2.034**	—	**—**	—	**0.1**	**—**
Sterling	**1.000**	1.000	**1.000**	1.000	**7.0**	**21.8**
					100.0	**100.0**

The exchange rates reported for sales in the second half of last year were £1: $1.669, €1.215, ¥171.260.

10. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks that include currency risk, interest rate risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's financial statements as at 30 June 2014. There have been no changes to the risk management policies since the year ended 30 June 2014.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

> Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

> Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

> Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED

For the six months ended 31 December 2014

10. Financial risk management and financial instruments continued

The following table presents the Group's assets and liabilities carried at fair value by valuation method.

31 December 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Derivative financial instruments	—	1,536	—	1,536
Available-for-sale asset	—	—	683	683
Total assets	**—**	**1,536**	**683**	**2,219**
Liabilities				
Derivative financial instruments	—	(1,792)	—	(1,792)
Total liabilities	**—**	**(1,792)**	**—**	**(1,792)**

30 June 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Assets				
Derivative financial instruments	—	2,028	—	2,028
Available-for-sale asset	—	—	623	623
Total assets	—	2,028	623	2,651
Liabilities				
Derivative financial instruments	—	(35)	—	(35)
Total liabilities	—	(35)	—	(35)

There were no transfers between levels during the period.

Level 2 derivative financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

The Level 3 available-for-sale asset is an unlisted equity instrument stated at cost less any provision for impairment. The Directors believe that no reasonably foreseeable changes to key assumptions would result in a significant change in fair value.

The Group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values. It reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the finance team at least once every six months, in line with the Group's reporting dates.

11. Post-balance sheet event

Following a period of due diligence, and subsequent to the balance sheet date, the Group made a cash offer of $28m (£18.8m) on a debt-free basis for 100% equity of Firefly Bioworks Inc, a private company incorporated in the United States specialising in novel assay technologies. The acquisition completed on 23 January 2015.

Firefly is not expected to provide a significant impact on the Group's results in the 2014/15 financial year.

Acquisition costs of £0.15m out of an expected total of £0.40m have been reflected in these accounts, being the costs incurred as at the balance sheet date.

12. Date of approval of interim financial statements

The interim financial statements cover the period 1 July 2014 to 31 December 2014 and were approved by the Board on 6 March 2015.

Further copies of the interim financial statements are available from the Company's registered office, 330 Cambridge Science Park, Cambridge CB4 0FL, and can be accessed on the Abcam plc investor relations website, www.abcamplc.com.

BOARD OF DIRECTORS

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Chairman

Alan Hirzel, MBA
Chief Executive Officer

Jeff Iliffe, ACA
Chief Financial Officer

Jim Warwick, MA
Chief Operating Officer

Jonathan Milner, PhD
Deputy Chairman

Sue Harris, ACMA
Non-Executive Director

Anthony Martin, PhD
Non-Executive Director

Louise Patten, MA
Non-Executive and Senior Independent Director

Michael Ross, MA
Non-Executive Director

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谢谢 Köszönöm Danke

Grazie d'akujem 감사합니다

THANK YOU!

ありがとう آپ کا شکریہ Obrigado

děkuji Gracias

Merci σας ευχαριστώ

Once again, we would like to thank our employees, who are essential to our continued success.

Their skill and dedication has been invaluable in making Abcam what it is today.

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