abcam

**Abcam plc** Interim Report 2017

# We aspire to be the most influential life sciences company for researchers worldwide

# About Abcam plc

As an innovator in reagents and tools, Abcam's purpose is to serve life science researchers globally to achieve their mission, faster. Providing the research and clinical communities with tools and scientific support, the Company offers highly validated biological binders and assays to address important targets in critical biological pathways.

Already a pioneer in data sharing and ecommerce in the life sciences, Abcam's ambition is to be the most influential company in life sciences by helping advance global understanding of biology and causes of disease, which, in turn, will drive new treatments and improved health. Two-thirds of the world's 750,000 life science researchers use Abcam's affinity binders, reagents, biomarkers and assays and the Company's products are mentioned in over 20,000 of the 56,000 peer-reviewed papers published each year in the life sciences.

By actively listening to and collaborating with researchers, the Company continuously advances its portfolio to address their needs. A transparent programme of customer reviews and datasheets, combined with an industry-leading validation initiative, gives researchers increased confidence in their results.

Abcam's twelve locations are in the world's leading life science research hubs, enabling local services and multi-language support. Founded in 1998 and headquartered in Cambridge, UK, the Company sells to more than 100 countries. Abcam was admitted to AIM in 2005 (AIM: ABC).

**To find out more, please visit www.abcam.com and www.abcamplc.com.**

*"We are pleased to have delivered double-digit sales growth and our profit goals in the first half. These results arise from the quality products and service our team offers researchers globally. Collectively, they are making it possible for Abcam to become the most influential life science company for researchers worldwide. We continue to invest in our teams, our systems and our facilities to allow us to grow; and, as we look to the traditionally stronger second half of this financial year, we remain confident in our long-term strategy and the progress we are making in achieving our annual goals."* **Alan Hirzel, Abcam's Chief Executive Officer**

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# Financial and Operational highlights

**Interim Results delivering double digit sales growth**

- Revenue growth of 30.4% (10.0% constant currency)[1] continued to exceed market growth
- Maintain guidance of 9–11% constant currency revenue growth for full year

Cambridge, UK: Abcam plc (AIM: ABC), a global leader in the supply of life science research tools announces its interim results for the six-month period ended 31 December 2016*.

## Financial highlights

- Total revenue growth of 30.4% on a reported basis to £102.5m (H1 2016: £78.6m) and 10.0% on a constant currency basis
- Catalogue revenue growth of 31.2% on a reported basis to £95.6m (H1 2016: £72.9m) and 10.7% on a constant currency basis
  - RabMAb® revenues grew by 50.0% to £19.2m on a reported basis and by 26.6% on a constant currency basis
  - Non-primary antibody revenues grew by 37.1% to £19.5m on a reported basis and by 15.6% on a constant currency basis
- Reported gross margin of 69.7% following the reclassification of certain expenses from operating expenses to gross margin. On a like-for-like basis, gross margin was 70.7% (H1 2016: 69.3%)
- EBITDA margin of 34.5% (H1 2016: 32.5%) and 35.1% (H1 2016: 34.5%) on an adjusted basis[2]
- Reported operating margin of 27.6% (H1 2016: 26.8%) and adjusted[3] operating margin of 31.2% (H1 2016: 30.7%). Profit before tax (PBT) on a reported basis was £25.1m (H1 2016: £20.9m) and £32.1m (H1 2016: £24.3m) on an adjusted basis[4]
- Reported diluted earnings per share (EPS) increased by 16.3% to 9.72 pence (H1 2016: 8.36 pence). Adjusted[5] diluted EPS increased by 33.4% to 12.86 pence (H1 2016: 9.64 pence)
- Interim dividend increased by 20.0% to 2.825 pence (2016: 2.354 pence)

## Operational highlights

- Leading industry discussions to develop industry quality standards; established new standards for quality through knockout validation and other techniques
- Used the Firefly platform to expand the kits/assays range by introducing 93 validated antibody pairs and validated a range of these pairs in multiplex immunoassays
- Further expanded our addressable market in custom products and licensing by providing 'Abcam Inside' for multiple diagnostic development partners, building on the success we established with PD-L1 last year
- Accelerated AxioMx technology milestone payments in recognition of technical success that the team demonstrated with the unique antibody development capabilities at AxioMx
- Completed the detailed design phase of the global ERP system, broadened the scope and moved into the build and deployment phases of the project
- Completed recruitment of the Executive Leadership Team with the addition of leaders in information technology and the newly formed manufacturing and supply chain organisation
- Planning permission granted and lease agreed for a new purpose-built facility for Abcam's global HQ at the expanding Biomedical Campus in Cambridge, UK, with expected occupancy in FY 2019

1. Constant currency is calculated by applying prior period's actual exchange rates to this period's results.
2. Excluding acquisition and integration costs, the change in fair value of contingent consideration and the initial incremental costs associated with the investment in systems and processes.

3. Excluding acquisition costs, the change in fair value of contingent consideration, amortisation of acquisition-related intangible assets, acquisition integration costs and the initial incremental costs associated with the investment in systems and processes.
4. Excluding acquisition costs, the change in fair value of contingent consideration, unwinding of discount factor on contingent consideration and fees, amortisation of acquisition-related intangible assets, acquisition integration costs and the initial incremental costs associated with the investment in systems and processes.
5. Excluding acquisition and integration costs, the initial incremental costs of system and process improvements, unwinding of discount factor on contingent consideration and fees, the change in fair value of contingent consideration, amortisation of acquisition-related intangible assets and the tax effect of adjusting items.

For further information please contact:

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See Notes 7 and 13 for detailed reconciliations between reported and adjusted measures.

*This announcement, including any information included or incorporated by reference in this announcement, may contain forward-looking statements (including words such as ‘believe’, ‘expect’, ‘estimate’, ‘intend’, ‘anticipate’ and words of similar meaning) which are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Abcam Group. All statements other than statements of historical facts may be forward-looking statements and should not be treated as guarantees of future performance. These forward-looking statements involve risks and uncertainties, many of which are beyond the control of the Abcam Group, and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements speak only as at the date of this announcement and accordingly undue reliance should not be placed on such statements. The Abcam Group does not assume any obligation to, and does not intend to, revise or update these forward-looking statements, except as required pursuant to applicable law.

# Interim management report

## Performance in the period

On a constant currency basis (in which we assume exchange rates remain unchanged from H1 2016), Abcam delivered Catalogue revenue growth of 10.7% and 10.0% growth in total revenues when compared to the same period last year. Overall reported revenues increased by 30.4% in H1 2017.

For catalogue products, all geographic areas and main product categories are performing at levels above underlying market growth rates, with China continuing to be our fastest growing major market. Custom product and licensing revenues are in line with our expectations, with strong underlying growth in development and licensing programmes, with strategic customers offsetting the first stages of an expected decline in royalty income. As expected, royalty income will be lower in H2 as certain patents expire. We anticipate custom products and licensing revenue to return to growth in FY 2018.

| | Reported revenue | | | |
|---|---|---|---|---|
| | **H1 2017 £000** | H1 2016 £000 | Increase in reported revenue | Constant currency growth rate |
| Geographic split | | | | |
| The Americas | **40,058** | 30,967 | 29.4% | 8.5% |
| EMEA | **26,776** | 21,841 | 22.6% | 6.4% |
| Japan | **7,987** | 5,432 | 47.0% | 5.9% |
| China | **13,518** | 9,293 | 45.5% | 29.5% |
| Rest of Asia Pacific | **7,286** | 5,334 | 36.6% | 13.2% |
| Catalogue revenue | **95,625** | 72,867 | 31.2% | 10.7% |
| Other revenue* | **6,885** | 5,758 | 19.6% | 0.5% |
| Total reported revenue | **102,510** | 78,625 | 30.4% | 10.0% |
| Product split | | | | |
| Core primary antibodies | **56,920** | 45,839 | 24.2% | 4.8% |
| RabMAb® primary antibodies | **19,160** | 12,773 | 50.0% | 26.6% |
| Non-primary antibody products | **19,545** | 14,255 | 37.1% | 15.6% |
| Catalogue revenue | **95,625** | 72,867 | 31.2% | 10.7% |

*Includes royalty income, custom products and licensing revenue.

The Group benefited from the significant weakening of Sterling against the major currencies in which we operate (principally USD, Euro, Yen and RMB) following the UK's vote to leave the European Union on 23 June 2016.

Reported gross margins were 69.7%. This is following the reclassification of certain inbound expenses, which we believe are better included in gross margin due to their nature, but which had historically been included in operating expenses. On a like-for-like basis, gross margin was 70.7% (H1 2016: 69.3%). This increase in gross margin was driven by foreign exchange and a favourable product mix in H1 2017.

EBITDA was £35.5m (H1 2016: £25.6m). Adjusted EBITDA was £35.9m (H1 2016: £27.1m), giving an adjusted EBITDA margin of 35.1% (H1 2016: 34.5%). Note 13 gives a detailed reconciliation between operating profit, EBITDA and adjusted EBITDA.

PBT on a reported basis was £25.1m (H1 2016: £20.9m). Adjusted PBT was £32.1m (H1 2016: £24.3m), giving an adjusted PBT margin of 31.4% (H1 2016: 30.8%). Please refer to note 13 for a detailed reconciliation between reported and adjusted PBT.

Diluted EPS was 9.72 pence per share (H1 2016: 8.36 pence). Adjusted diluted EPS increased by 33.4% to 12.86 pence per share (H1 2016: 9.64 pence). Please refer to note 7 for a detailed reconciliation between reported and adjusted EPS.

Cash generated from operations increased to £40.0m (H1 2016: £26.0m), with a 38% increase in pre-working capital inflow combined with a decrease in working capital. Reduced cash absorbed in

receivables and expended in payables during H1 2017 provided £5.9m additional inflow versus H1 2016 due to good cash collection from a stronger year-end receivable position, coupled with one-off inflows from royalty receipts, landlord reimbursement for building improvements and a large custom service deposit.

Despite increases in capital expenditure in the period (£10.6m spend; H1 2016: £6.9m), mainly from £5.2m spend relating to the investment in new systems and processes, and £2.1m improvement in laboratory facilities and equipment across the Group, combined with further outflows of £7.4m (H1 2016: £nil) for contingent consideration payments and £13.3m (H1 2016: £12.0m) for the final dividend for FY 2016, closing cash still increased in the period to end at £76.4m.

## Dividend

An interim dividend of 2.825 pence per share will be paid on 13 April 2017 to shareholders whose names are on the register at close of business on 17 March 2017. The associated ex-dividend date will be 16 March 2017.

## Business commentary

Abcam's ongoing focus is to become the most influential life science company for researchers worldwide and the double-digit growth we have seen over recent years is testament to the successful execution of our strategy.

We are a global leader in the sale of research antibodies and, through in-house development, as well as through acquisitions and partnerships, we continue to provide scientists with the latest tools and technologies to advance their research. Alongside that, we have built up a reputation for providing comprehensive and open data, fast delivery, excellent customer service and expert technical support. We are always looking to improve customer experience in finding, buying and using our products and we continue to invest in big data and predictive analytics that enable us to serve customer needs better.

Over the past few years we have seen strong growth from the primary antibody part of our business, which continues to outpace market growth rates, largely driven by RabMAb® product revenue. China continues to be our fastest growing major market where we have been successful in growing both our non-primary as well as core primary businesses.

We have a history of growing through M&A as well as organically and we have seen good progress from our most recent acquisitions. Over the period, we have successfully transitioned the Firefly platform from miRNA detection to a biomarker analysis platform to detect changes in protein and miRNA levels. We have also launched our first multiplex immunoassay products and now have 100 analyte kits available to detect mouse and human targets. In addition, we have completed a number of milestones relating to R&D and intellectual property with our AxioMx objectives and continue to add products to the catalogue. In recognition of the technical progress, in November 2016 we accelerated the AxioMx technology milestone payments resulting in a saving of $4.5m from the maximum amounts payable under these milestones.

Beyond our expertise in the development and sale of research antibodies, we have strong capabilities in custom products, specifically custom antibodies and licensing of these antibodies into diagnostic applications, and in the treatment of disease. We are building on the success we have seen with the PD-L1 RabMAb® product (clone 28-8) that has now been approved as a diagnostic and is available on our catalogue where it has become one of the most cited antibodies of its type.

We have materially strengthened our commercial and development teams to support our custom product development capabilities. This has allowed us to initiate multiple development agreements with leading biopharmaceutical companies to support their clinical programmes. In addition, we have established a number of supply agreements with instrument partners to ensure that Abcam's differentiated content is available to scientists across the broadest range of innovative platforms. We are confident that our efforts in this area will open up multiple and sustainable revenue streams for the Company.

Abcam is a rapidly growing organisation and it is important that we have the infrastructure to support this growth, both from a systems and processes perspective. Key to this is the implementation of a global ERP system. After an extensive selection process, both of the platform and of an implementation partner, we selected Oracle Fusion as the core cloud-based ERP software provider. The detailed design phase of the project was completed during the period and we have moved into the build and deployment phases of the programme, with a phased approach to the roll-out of the system. We expect to complete the project in calendar year 2017 and for it to be fully embedded in 2018.

As we have moved through the design phase and into the build phase, we have chosen to adopt additional functionality, particularly a warehouse management system (WMS), as well as increasing testing, training and change management activities to provide further assurance on the quality of our ERP system at go live. We now expect that the cost of the project will be in the region of £35m to £37m, split between CAPEX of £22m to £24m and OPEX of £13m. We believe the ERP investment will give multiple advantages, including allowing us to scale the business without increasing the headcount by as much as would otherwise be the case; improving consumer interaction and conversion; better information for decision making; and a significant improvement in integrating and delivering value from any future strategic acquisitions or investments.

We have committed to the lease of our global headquarters on the Cambridge Biomedical Campus following the grant of planning permission. This will allow us to combine our three existing Cambridge-based facilities into a single state-of-the-art building. We expect occupancy in FY 2019. The total build cost will be in the region of £46.3m with Abcam contributing approximately £16m. Additionally, professional fees, laboratory and office design costs, and office fit out costs will be in the region of £8m.

Attracting and retaining the best talent is crucial to the success of our business and over the period we have completed the hiring of our Executive Leadership Team with the appointments of a Senior Vice President, Information Technology, and a Senior Vice President, Global Manufacturing and Supply Chain, and we are confident that we have the right team in place to drive the business and take advantage of the growth opportunities that we see. As our business grows we have continued our investments to improve the engagement of our people. This has included launching new communication channels, new learning and development offerings and better recruitment tools.

As well as growing organically, we continue to explore M&A opportunities where we think we can add products and solutions for our customers.

## Strategy

We are on track to meet or exceed all of our strategic key performance indicators (KPIs), with the exception of our non-primary antibodies revenue growth target. This exception was due to large volume orders in the previous period that did not repeat in H1 2017. Despite this, we are confident that we will achieve the Group's total revenue targets for the full year. We now expect growth of non-primary antibodies for the full year to be in the range of 15–20%. This lower than projected growth will be offset by higher growth in our RabMAb® product range, which we now expect to be in the range of 23–27% for the full year.

| Strategic KPIs | FY 2016 performance | H1 2017 result | FY 2017 original target | FY 2017 revised target |
|---|---|---|---|---|
| Growth in constant currency revenue from RabMAb® primary antibody range | 29.5% | 26.6% | 18–22% | 23–27% |
| Growth in constant currency revenue from non-primary antibody products | 30.3% | 15.6% | 20–25% | 15–20% |
| Net promoter score (NPS) | 26.0% | 24.0% | 24–30% | 24–30% |

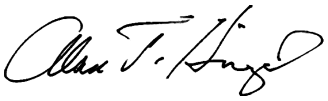
## Outlook

We have delivered a good overall financial performance in the first six months of the year and are on track to deliver against our full year guidance of constant currency revenue growth in the range of 9–11%. We believe we are well placed to continue to gain market share from our leadership position in research antibodies, continue to grow in China, as well as in new territories where we are exploring opportunities to sell direct to our customers.

We have a strong balance sheet which enables Abcam to capitalise fully on the further opportunities available to it, including M&A, and we will continue to invest in R&D, information technology and our infrastructure to provide innovative, trusted and improved solutions.

We believe that Abcam is well positioned to continue to deliver long-term value for all of our stakeholders as we look to drive growth in our current markets, as well as explore opportunities in new markets, as we execute our strategy to double the scale of the Company.

**Murray Hennessy**
***Chairman***



**Alan Hirzel**
***Chief Executive Officer***

*3 March 2017*

# Responsibility statement

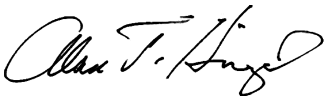
We confirm to the best of our knowledge:

- 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 2015/16 Annual Report except for the following changes:

As previously announced, Gavin Wood joined the Company as CFO-elect on 18 July 2016 and replaced Jeff Iliffe as CFO and Executive Director on 12 September 2016. Jeff stepped down from the Board on the same day. Additionally, also as previously announced, and highlighted on page 27 of the Annual Report, Jim Warwick retired from Abcam and stepped down from the Board on 31 December 2016. Anthony Martin and Michael Ross did not seek re-election as Non-Executive Directors at the AGM in November 2016, and left the Board on 31 October 2016.

By order of the Board



**Alan Hirzel**
***Chief Executive Officer***

**Gavin Wood**
***Chief Financial Officer***

*3 March 2017*

# Independent review report to Abcam plc

## Report on the condensed consolidated interim financial information

### *Our conclusion*

We have reviewed Abcam plc's condensed consolidated interim financial information (the "interim financial statements") in the interim report of Abcam plc for the six month period ended 31 December 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

### *What we have reviewed*

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 December 2016;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### *Our responsibilities and those of the Directors*

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim 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.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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.

### *What a review of interim financial statements involves*

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.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

**PricewaterhouseCoopers LLP**

***Chartered Accountants***

***Cambridge***

*3 March 2017*

a) The maintenance and integrity of the Abcam plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the interim 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 2016**

| | Notes | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|---|
| Revenue | | **102,510** | 78,625 |
| Cost of sales | | **(31,021)** | (24,172) |
| **Gross profit** | | **71,489** | 54,453 |
| Administration and management expenses | | **(33,419)** | (26,671) |
| Research and development expenses | | **(9,816)** | (6,740) |
| **Operating profit** | | **28,254** | 21,042 |
| Finance income | 5 | **144** | 99 |
| Finance costs | | **(3,308)** | (246) |
| **Profit before tax** | | **25,090** | 20,895 |
| Tax | 6 | **(5,277)** | (3,986) |
| **Profit for the period attributable to the owners of the parent** | | **19,813** | 16,909 |
| **Earnings per share** | | | |
| Basic | 7 | **9.80p** | 8.43p |
| Diluted | 7 | **9.72p** | 8.36p |

# Condensed consolidated statement of comprehensive income

**For the six months ended 31 December 2016**

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Profit for the period** | **19,813** | 16,909 |
| **Other comprehensive gains/(losses) that may be reclassified to profit or loss in subsequent years** | | |
| Movements on cash flow hedges | **4,186** | (3,635) |
| Movement on net investment hedge | **(1,028)** | — |
| Exchange differences on translation of foreign operations | **14,736** | 6,990 |
| Tax relating to components of other comprehensive income | **(801)** | 727 |
| **Other comprehensive income for the period** | **17,093** | 4,082 |
| **Total comprehensive income for the period** | **36,906** | 20,991 |

# Condensed consolidated balance sheet

**At 31 December 2016**

| | Notes | (Unaudited) as at 31 Dec 2016 £000 | (Audited) as at 30 Jun 2016 £000 | (Unaudited) as at 31 Dec 2015 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 8 | **121,036** | 112,462 | 103,592 |
| Intangible assets | 8 | **75,528** | 70,208 | 64,608 |
| Property, plant and equipment | 8 | **21,125** | 17,623 | 15,035 |
| Deferred tax asset | | **10,976** | 9,615 | 4,123 |
| Derivative financial instruments | 11 | **230** | — | — |
| | | **228,895** | 209,908 | 187,358 |
| **Current assets** | | | | |
| Inventories | | **21,070** | 19,675 | 18,885 |
| Trade and other receivables | | **25,633** | 28,504 | 19,835 |
| Cash and cash equivalents | | **76,429** | 68,919 | 54,758 |
| Term deposits | | **—** | 1,748 | 1,696 |
| Derivative financial instruments | 11 | **408** | 11 | 543 |
| Deferred tax asset | | **—** | — | 976 |
| Available-for-sale asset | 11 | **862** | 797 | 718 |
| | | **124,402** | 119,654 | 97,411 |
| **Total assets** | | **353,297** | 329,562 | 284,769 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(21,987)** | (20,078) | (15,909) |
| Current tax liabilities | | **(3,176)** | (1,958) | (5,147) |
| Contingent consideration and fees | 11 | **(3,953)** | (1,990) | — |
| Derivative financial instruments | 11 | **(6,785)** | (9,267) | (1,693) |
| | | **(35,901)** | (33,293) | (22,749) |
| **Net current assets** | | **88,501** | 86,361 | 74,662 |
| **Non-current liabilities** | | | | |
| Deferred tax liability | | **(26,045)** | (22,938) | (21,674) |
| Contingent consideration and fees | 11 | **—** | (10,910) | (10,841) |
| Derivative financial instruments | 11 | **(74)** | (1,231) | (301) |
| | | **(26,119)** | (35,079) | (32,816) |
| **Total liabilities** | | **(62,020)** | (68,372) | (55,565) |
| **Net assets** | | **291,277** | 261,190 | 229,204 |
| **Equity** | | | | |
| Share capital | 9 | **407** | 405 | 405 |
| Share premium account | | **23,072** | 21,549 | 20,678 |
| Merger reserve | | **66,397** | 61,560 | 61,560 |
| Own shares | | **(3,927)** | (3,231) | (3,231) |
| Translation reserve | | **37,311** | 23,857 | 5,582 |
| Hedging reserve | | **(3,681)** | (7,066) | (1,150) |
| Retained earnings | | **171,698** | 164,116 | 145,360 |
| **Total equity attributable to the owners of the parent** | | **291,277** | 261,190 | 229,204 |

# Condensed consolidated statement of changes in equity

## For the six months ended 31 December 2016

| | Share capital £000 | Share premium account £000 | Merger reserve £000 | Own shares £000 | Translation reserve[1] £000 | Hedging reserve[2] £000 | Retained earnings[3] £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2016** | 405 | 21,549 | 61,560 | (3,231) | 23,857 | (7,066) | 164,116 | 261,190 |
| Profit for the period | — | — | — | — | — | — | 19,813 | 19,813 |
| Other comprehensive income | — | — | — | — | 13,454 | 3,385 | 254 | 17,093 |
| **Total comprehensive income for the period** | — | — | — | — | 13,454 | 3,385 | 20,067 | 36,906 |
| Issue of share capital | 2 | 1,523 | 4,837 | (921) | — | — | — | 5,441 |
| Own shares disposed of on release of shares | — | — | — | 225 | — | — | (225) | — |
| Credit to equity for share-based payments | — | — | — | — | — | — | 1,056 | 1,056 |
| Payment of dividends | — | — | — | — | — | — | (13,316) | (13,316) |
| **Transactions with owners, recognised directly in equity** | 2 | 1,523 | 4,837 | (696) | — | — | (12,485) | (6,819) |
| **At 31 December 2016 (unaudited)** | **407** | **23,072** | **66,397** | **(3,927)** | **37,311** | **(3,681)** | **171,698** | **291,277** |

## For the six months ended 31 December 2015

| | Share capital £000 | Share premium account £000 | Merger reserve £000 | Own shares £000 | Translation reserve[1] £000 | Hedging reserve[2] £000 | Retained earnings[3] £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 July 2015** | 402 | 19,522 | 56,513 | (2,812) | (1,266) | 1,758 | 139,987 | 214,104 |
| Profit for the period | — | — | — | — | — | — | 16,909 | 16,909 |
| Other comprehensive income | — | — | — | — | 6,848 | (2,908) | 142 | 4,082 |
| **Total comprehensive income for the period** | — | — | — | — | 6,848 | (2,908) | 17,051 | 20,991 |
| Issue of share capital | 3 | 1,156 | 5,047 | (547) | — | — | — | 5,659 |
| Own shares disposed of on release of shares | — | — | — | 128 | — | — | (128) | — |
| Credit to equity for share-based payments | — | — | — | — | — | — | 425 | 425 |
| Payment of dividends | — | — | — | — | — | — | (11,975) | (11,975) |
| **Transactions with owners, recognised directly in equity** | 3 | 1,156 | 5,047 | (419) | — | — | (11,678) | (5,891) |
| **At 31 December 2015 (unaudited)** | 405 | 20,678 | 61,560 | (3,231) | 5,582 | (1,150) | 145,360 | 229,204 |

1 Exchange differences on translation of overseas operations and net investment hedge instrument.

2 Gains and losses recognised on cash flow hedges and related deferred tax.

3 The share-based payment reserve and related tax reserve, which were previously shown separately, have been combined within retained earnings for presentational purposes.

# Condensed consolidated cash flow statement

**For the six months ended 31 December 2016**

| | Notes | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|---|
| **Profit before tax** | | **25,090** | 20,895 |
| **Finance income** | | **(144)** | (99) |
| Finance costs | | **3,308** | 246 |
| **Operating profit for the period** | | **28,254** | 21,042 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **2,374** | 1,761 |
| Amortisation of intangible assets | | **4,825** | 2,780 |
| Financial instruments at fair value through profit or loss | | **(80)** | (569) |
| Research and development expenditure credit | | **(255)** | — |
| Share-based payments charge | | **1,404** | 1,105 |
| Contingent consideration change in fair value | | **(1,004)** | — |
| Unrealised currency translation losses/(gains) | | **335** | (220) |
| **Operating cash flows before movements in working capital** | | **35,853** | 25,899 |
| (Increase)/decrease in inventories | | **(748)** | 1,151 |
| Decrease in receivables | | **3,706** | 746 |
| Increase/(decrease) in payables | | **1,141** | (1,842) |
| **Cash generated by operations** | | **39,952** | 25,954 |
| Income taxes paid | | **(4,584)** | (5,225) |
| **Net cash inflow from operating activities** | | **35,368** | 20,729 |
| **Investing activities** | | | |
| Investment income | | **139** | 97 |
| Purchase of property, plant and equipment | | **(5,341)** | (3,974) |
| Purchase of intangible assets | | **(5,246)** | (2,972) |
| Acquisition of subsidiary, net of cash and cash equivalents acquired | 11 | **(7,350)** | (6,258) |
| Decrease in term deposits | | **1,827** | — |
| **Net cash outflow from investing activities** | | **(15,971)** | (13,107) |
| **Financing activities** | | | |
| Dividends paid | 10 | **(13,316)** | (11,975) |
| Proceeds on issue of shares | | **602** | 1,158 |
| Purchase of own shares | | — | (228) |
| **Net cash outflow from financing activities** | | **(12,714)** | (11,045) |
| **Net increase/(decrease) in cash and cash equivalents** | | **6,683** | (3,423) |
| Cash and cash equivalents at beginning of period | | **68,919** | 57,059 |
| Effect of foreign exchange rates | | **827** | 1,122 |
| **Cash and cash equivalents at end of period** | | **76,429** | 54,758 |

# Notes to the interim financial information

**For the six months ended 31 December 2016**

## 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 2016 were approved by the Board of Directors on 9 September 2016 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. Basis of preparation

The annual financial statements of Abcam plc (the 'Group') are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations 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 interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

### *a Accounting policies*

The accounting policies, estimates and judgements adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2016, except for the following estimations:

#### *Provision for bad or doubtful debts*

A review of historic debtor default undertaken during the period showed a low trend of actual write-offs, thereby resulting in a revision of the expected collectability of the Group's debtor portfolio. Consequently, £700k of the provision has been released to the income statement in the period.

#### *Presentation of goods-in processing costs*

Goods-in processing costs relate to costs incurred in receiving, resizing, and storing bought-in product. These costs have previously been shown as operating expenses but, as the costs are only incurred in relation to selling product, management has concluded that it is more appropriate to include the costs in gross margin as a cost of sales to give a more accurate representation of the true cost of product sales. This has led to £970k being reclassified from operating expenses to cost of sales, a reduction in gross margin of 1.0%. The comparative costs for the period to 31 December 2015 were £846k, representing a gross margin reduction of 1.1%. The prior period income statement has not been restated on the grounds of immateriality.

#### *Tax*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit.

#### *New accounting standards and interpretations*

There are no new standards and interpretations adopted by the EU in the period which would have a material financial impact on, or disclosure requirement for, the Group's interim report.

The following standards and interpretations were in issue but are not yet effective, and therefore have not been applied in this interim report:

IFRS 9 – Financial Instruments (effective for reporting periods commencing on or after 1 January 2018).

IFRS 15 – Revenue (effective for reporting periods commencing on or after 1 January 2018).

IFRS 16 – Leases (effective for reporting periods commencing on or after 1 January 2019).

The Directors are still assessing the impact of the adoption of these Standards.

### *b 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 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 interim financial report.

## 3. 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 15 to 19 of the 2016 Annual Report and Accounts. Information on financial risk management was also given on pages 86 to 90 of the Annual Report, a copy of which is available on the Company's website, www.abcamplc.com. The principal 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 | Increased competition, rapidly evolving technological development and consumer needs, securing value-add acquisition, and investment opportunities |
| Commercial | Inadequate integration or leverage of acquired businesses, reputational risk and availability of research funding |
| Legal/regulatory/financial | Non-compliance with regulation or sudden changes to import/export regulations and significant exchange rate movements |
| Operational | Business growth is constrained by not having appropriate people, resources and infrastructure, cyber security risks including loss of data and website inaccessibility; and loss of output from manufacturing or logistics facilities |

## 4. 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.

## 5. Finance income and costs

| | **(Unaudited) six months ended 31 Dec 2016 £000** | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| Unwinding of discount on contingent consideration (note 11) | **(3,308)** | (246) |
| **Finance costs** | **(3,308)** | (246) |
| Interest income on cash and term deposits | **144** | 99 |
| **Finance income** | **144** | 99 |
| **Net finance costs** | **(3,164)** | (147) |

## 6. Income tax

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

| | **(Unaudited) six months ended 31 Dec 2016 £000** | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| Current tax | **5,880** | 4,171 |
| Deferred tax | **(603)** | (185) |
| | **5,277** | 3,986 |

Corporation tax for the six-month period is reported at 21.0% (six months ended 31 December 2015: 19.1%; year ended 30 June 2016: 17.6%). After removing one-off items, tax is charged at 19.7% on reported profits, 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.

Tax rates quoted above are the Group's reported tax rates. The adjusted tax rate is 18.4% (six months ended 31 December 2015: 19.7%; year ended 30 June 2016: 16%). After removing one-off items, adjusted tax is charged at 20.75% on adjusted profit before tax, representing management's best estimate of the average annual effective tax rate expected for the full year, applied to the adjusted profit of the six-month period.

## 7. Earnings per share

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

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted EPS, being net profit attributable to equity holders of the parent | **19,813** | 16,909 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic EPS | **202,199,940** | 200,653,747 |
| Effect of dilutive potential ordinary shares: | | |
| – Share options | **1,582,995** | 1,661,880 |
| **Weighted average number of ordinary shares for the purposes of diluted EPS** | **203,782,935** | 202,315,627 |

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares in issue during the year, excluding ordinary shares purchased or issued by the Company and held by Equiniti Share Plan Trustees Limited.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares that have been granted to employees as 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.

### *Adjusted earnings per share*

The calculation of adjusted EPS is based on earnings of:

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Net profit attributable to equity holders of the parent – profit after tax** | **19,813** | 16,909 |
| Acquisition costs | **(64)** | 373 |
| Integration costs | **(34)** | 203 |
| System and process improvement costs | **1,891** | 939 |
| Unwinding of discount factor on contingent consideration and fees | **3,308** | 246 |
| Amortisation of acquisition-related intangible assets | **2,954** | 1,617 |
| Contingent consideration fair value adjustment | **(1,004)** | — |
| Tax effect of adjusting items | **(651)** | (788) |
| **Adjusted profit after tax** | **26,213** | 19,499 |

The adjusted EPS information is provided to allow a clear method for year-on-year comparison. The denominators used are the same as those detailed above for both basic and diluted EPS.

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| Basic EPS | **9.80p** | 8.43p |
| Diluted EPS | **9.72p** | 8.36p |
| Adjusted basic EPS | **12.96p** | 9.72p |
| Adjusted diluted EPS | **12.86p** | 9.64p |

## 8. Goodwill, intangible assets and property, plant and equipment

### *a) Goodwill*

The movement in goodwill is foreign exchange retranslation of goodwill denominated in foreign currencies.

### *b) Intangible assets*

Intangible assets consists of £63.4m acquired assets and £12.1m internally generated assets (30 June 2016: £61.4m and £8.8m respectively).

£5.2m of software costs were capitalised in the period in relation to the Group's system and process improvement project. Amortisation totalled £4.8m, offset by a £4.9m gain in value from foreign exchange retranslation of assets denominated in foreign currencies.

### *c) Property, plant and equipment*

The closing net book value was £21.1m (30 June 2016: £17.6m). £5.3m of additions were recorded in the period which included £1.1m lab equipment and fit out costs, £2.1m capitalised Hybridoma costs, £1.6m spent on the Branford and new head office sites, and other additions of £0.5m. Depreciation charge for the period was £2.4m and foreign exchange translation gains on assets held in foreign currency subsidiaries was £0.6m.

## 9. Share capital

Share capital as at 31 December 2016 amounted to £407,173. During the period, the Group issued 280,963 shares as a result of the exercise of share options, 109,516 for the free share element of the SIP scheme and a further 594,545 in relation to the settlement of contingent consideration following the successful completion of certain milestones. This increased the number of shares in issue from 202,601,452 to 203,586,476.

## 10. Dividends

| | **(Unaudited) six months ended 31 Dec 2016 £000** | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| Amounts recognised as distributions to the owners of the parent in the period: Final dividend for the year ended 30 June 2016 of 6.556 pence (2015: 5.92 pence) per share | **13,316** | 11,975 |
| **Total distributions to owners of the parent in the period** | **13,316** | 11,975 |
| Proposed interim dividend for the year ended 30 June 2017 of 2.825 pence (2016: 2.354 pence) per share | **5,752** | 4,754 |

The interim dividend of 2.825 pence per share was approved by the Board on 3 March 2017 and has not been recognised as a liability as at 31 December 2016. It will be recognised in equity attributable to owners of the parent in the year ended 30 June 2017.

## 11. Financial instruments and risk management

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 2016. There have been no changes to the risk management policies since the year ended 30 June 2016.

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).

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

| **31 December 2016** | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | — | 638 | — | 638 |
| Available-for-sale asset | — | — | 862 | 862 |
| **Total assets** | **—** | **638** | **862** | **1,500** |
| **Liabilities** | | | | |
| Derivative financial instruments | — | (6,859) | — | (6,859) |
| Contingent consideration and fees | — | — | (3,953) | (3,953) |
| **Total liabilities** | **—** | **(6,859)** | **(3,953)** | **(10,812)** |

| 30 June 2016 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | — | 11 | — | 11 |
| Available-for-sale asset | — | — | 797 | 797 |
| **Total assets** | — | 11 | 797 | 808 |
| **Liabilities** | | | | |
| Derivative financial instruments | — | (10,498) | — | (10,498) |
| Contingent consideration and fees | — | — | (12,900) | (12,900) |
| **Total liabilities** | — | (10,498) | (12,900) | (23,398) |

There were no transfers between levels during the period.

The Group's Level 2 financial instruments consist of:

- Forward foreign exchange contracts fair valued using forward exchange rates that are quoted in an active market.

The Group continues to generate significant amounts of US Dollars, Euros, Japanese Yen and Chinese Yuan 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 | | Chinese Yuan | |
|---|---|---|---|---|---|---|---|---|
| Maturing in | Sell $000 | Average rate | Sell €000 | Average rate | Sell ¥000 | Average rate | Sell ¥000 | Average rate |
| Period ending 30 June 2017 | 16,820 | 1.46 | 20,688 | 1.31 | 972,553 | 163.02 | 28,497 | 8.76 |
| Year ending 30 June 2018 | 21,053 | 1.31 | 26,075 | 1.19 | 1,131,799 | 140.09 | — | — |

The Group's Level 3 financial instruments consist of:

- A US Dollar-denominated equity investment admitted to the Taiwan Emerging Stock Board (TESB) stated at original cost less any provision for impairment. There has been no further progress toward full Taiwanese Stock Exchange listing in the period and therefore no change in measurement basis. The movement in value in the period is due to currency translation.
- Contingent consideration and fees payable recognised as part of the AxioMx acquisition in November 2015. The fair value is calculated based on management's best estimate of the likelihood and timing of achievement of specific patent and research and development milestones. The movement in the fair value in the period is shown below:

| | £000 |
|---|---|
| At 1 July 2016 | 12,900 |
| Unwind of discount[1] | 3,308 |
| Settlement of consideration[2] | (12,279) |
| Change in fair value[3] | (1,004) |
| Exchange differences | 1,028 |
| **At 31 December 2016** | **3,953** |

1 Includes £2.7m accelerated unwind due to early achievement and settlement of certain milestones and change in estimated timing of the remaining milestones.

2 Consists of £7.4m cash settlement and £4.9m equity settlement.

3 Negotiation to settle certain milestones early for commercial purposes was concluded in the period and the related obligation for those milestones settled in full at £2.4m less than the original liability estimate. Management has also reassessed the probability of achievement of the remaining milestones and increased the fair value of the liability by £1.4m. These fair value changes have been recorded within administration and management expenses.

## 12. Related party transactions

*Directors' transactions*

During the six-month period the Group made total sales of £17,586 to companies of which Jonathan Milner is the chairman or significant investor.

The Group also made a net payment of £137,994 to Horizon Discovery Group Plc, of which Jonathan Milner is a non-executive director. This payment comprised £110,000 for access to knockout cell lines, £32,180 for royalty payments and a receipt of £4,186 for sales of antibodies.

In addition, the Group sold antibodies to 3Scan for £914, a company of which Mara Aspinall is a non-fiduciary advisor.

## 13. Consolidated adjusted financial measures

Adjusted financial measures are used by management in its review of the business and exclude certain cash and non-cash items which management believes are not reflective of the normal course of business of the Group. Management 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.

The calculation of the Group's key adjusted measures are presented below:

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Profit before tax** | **25,090** | 20,895 |
| Unwinding of discount factor on contingent consideration and fees | **3,308** | 246 |
| Contingent consideration – change in fair value | **(1,004)** | — |
| Amortisation of acquisition-related intangible assets | **2,954** | 1,617 |
| System and process improvement costs | **1,891** | 939 |
| Acquisition costs | **(64)** | 373 |
| Integration costs | **(34)** | 203 |
| **Adjusted profit before tax** | **32,141** | 24,273 |
| | | |
| **Adjusted profit before tax margin[1]** | **31.4%** | 30.8% |

1 Adjusted profit before tax margin is adjusted profit before tax divided by revenue.

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Operating profit** | **28,254** | 21,042 |
| Contingent consideration – change in fair value | **(1,004)** | — |
| Amortisation of acquisition-related intangible assets | **2,954** | 1,617 |
| System and process improvement costs | **1,891** | 939 |
| Acquisition costs | **(64)** | 373 |
| Integration costs | **(34)** | 203 |
| **Adjusted operating profit** | **31,997** | 24,174 |
| | | |
| **Operating margin[1]** | **27.6%** | 26.8% |
| **Adjusted operating margin[1]** | **31.2%** | 30.7% |

1 Operating margin is operating profit divided by revenue and adjusted operating margin is adjusted operating profit divided by revenue.

## 13. Consolidated adjusted financial measures continued

| | (Unaudited) six months ended 31 Dec 2016 £000 | (Unaudited) six months ended 31 Dec 2015 £000 |
|---|---|---|
| **Operating profit** | **28,254** | 21,042 |
| Depreciation and amortisation | **7,199** | 4,541 |
| **EBITDA[1]** | **35,453** | 25,583 |
| Contingent consideration – change in fair value | **(1,004)** | — |
| System and process improvement costs | **1,582** | 939 |
| Acquisition costs | **(64)** | 373 |
| Integration costs | **(34)** | 203 |
| **Adjusted EBITDA** | **35,933** | 27,098 |
| **Adjusted EBITDA margin[2]** | **35.1%** | 34.5% |

1 EBITDA is earnings before interest, tax, depreciation and amortisation.

2 Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

## 14. Post balance sheet events

Subsequent to the period end, the remaining two milestones in relation to the AxioMx Inc acquisition contingent consideration were successfully achieved. A total of $5m will be settled before the year end (60% cash, 40% equity) which will crystallise and fulfil the remaining contingent consideration obligation under the acquisition agreement.

In addition, the lease for a new head office building on the Cambridge Biomedical Campus was agreed to in February 2017 following the grant of planning permission. The 20-year formal lease agreement will start during the year commencing 1 July 2018. The signing of the pre-lease has committed the Company to contributing approximately £16m over the next two years to the build costs.

## 15. Date of approval of interim financial statements

The interim financial statements cover the period 1 July 2016 to 31 December 2016 and were approved by the Board on 3 March 2017.

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