

Abcam plc

Investor Presentation

November 2020

abcam



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Abcam's mission

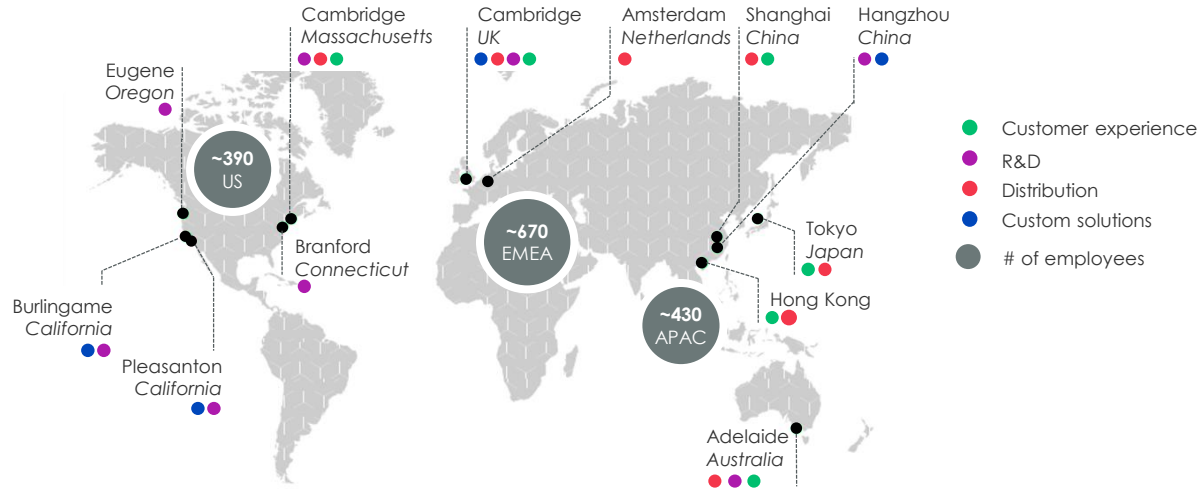
Our mission is to provide life science researchers with **highly validated products and services** to advance biological research and **achieve their goals faster**

A leading brand
for research use antibodies worldwide

Providing **antibodies, reagents and tools** to help researchers study biological pathways since 1998

#1 Share of global antibody citations in science research journals for 2019⁽¹⁾

Abcam today – a high-growth, global platform



FY 2020 Financials

Revenue £260m	'14-'20 Reported Revenue CAGR +13%
Adj. Operating Profit ¹ £45m	Adj. Operating Profit Margin ¹ 17%
Free Cash Flow ³ £19m	'14-20 Avg. ROCE ⁴ >18%

\$8bn TOTAL Addressable Market²

130+ COUNTRIES² Served Since 2001

~100,000 PRODUCTS² Available online with >300k SKUs

~20,000 IN-HOUSE² Recombinant products

~7,000 PRODUCTS² Shipped per week

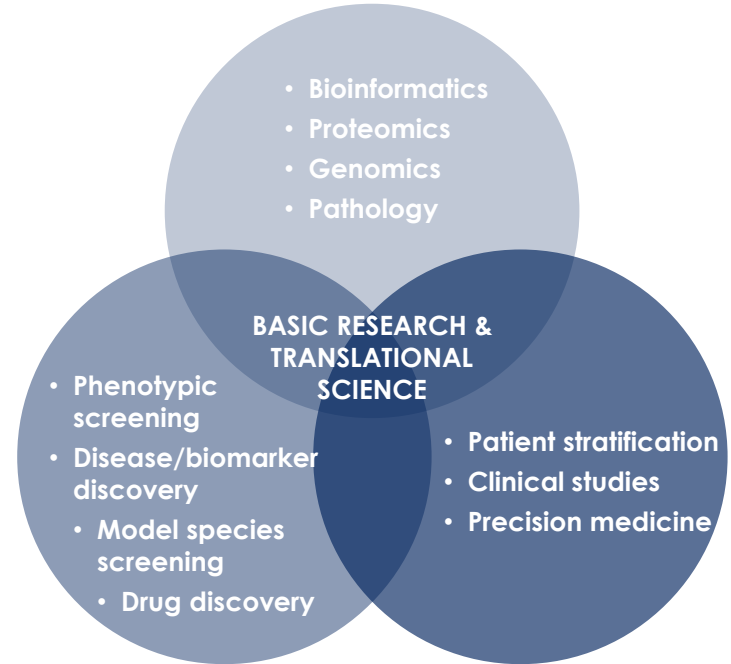
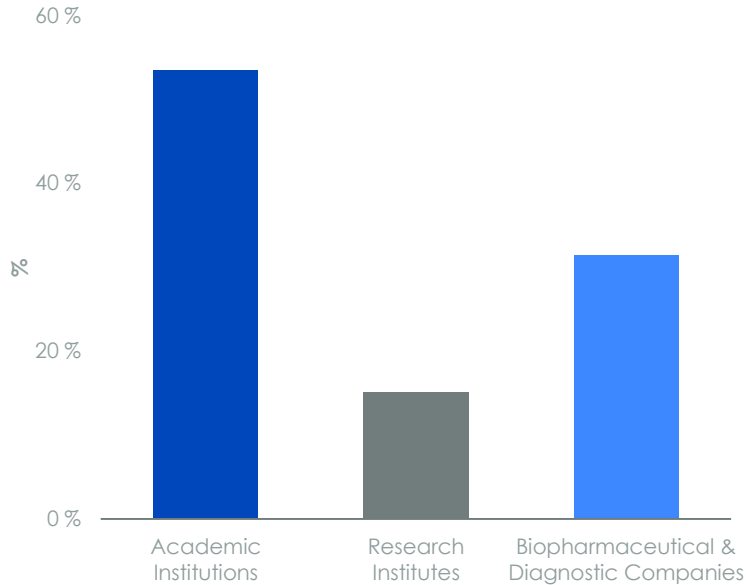
~750k CUSTOMERS² Life science researchers

~50% REVENUE² From in-house products

24-48 hrs TIME TO SHIP² Most products

Life scientists, researchers and biotechs all depend on Abcam

Split of FY19 Catalogue Revenue by Customer Type



Abcam's differentiated value proposition

Our customer-centric innovation allows us to identify breakthrough opportunities

- We are a **leading brand in research use only antibodies**
- We anticipate and **serve customer needs faster** through our:
 - Data analytics and distinctive insights
 - Powerful data-driven innovation platform, driving antibody discovery
- **Customers trust us** due to our:
 - High-quality products, ensuring conclusive, consistent and repeatable experiments
 - Extensive product validation
 - Personalized and swift global customer service



>200k³

Antibody citations¹



>2,000⁴

Custom projects undertaken with partners²



Products

In Clinical Applications

Global R&D



Clinical Breakthroughs

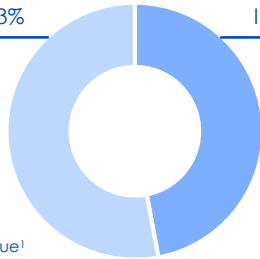
We offer customers a range of catalogue products and customized solutions...

Catalogue, 94%

Catalogue Revenue Split²

Third Party, 53%

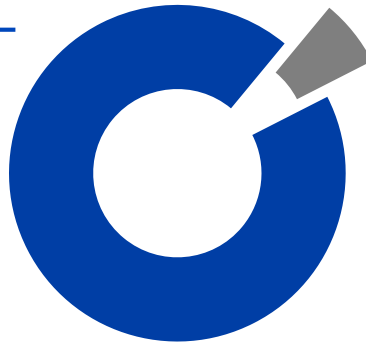
In-house, 47%



~100,000
products in catalogue¹

- Primary and secondary antibodies
- Conjugated antibodies and kits
- Singleplex and multiplex immunoassays
- Proteins and peptides
- Edited cell lines and lysates

FY20 Revenue Split

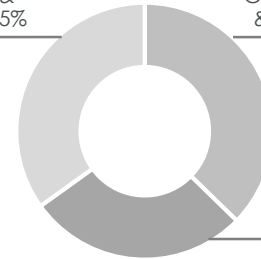


Custom Products and Licensing (CP&L), 6%

CP&L Revenue Split

Royalties & Licenses, 35%

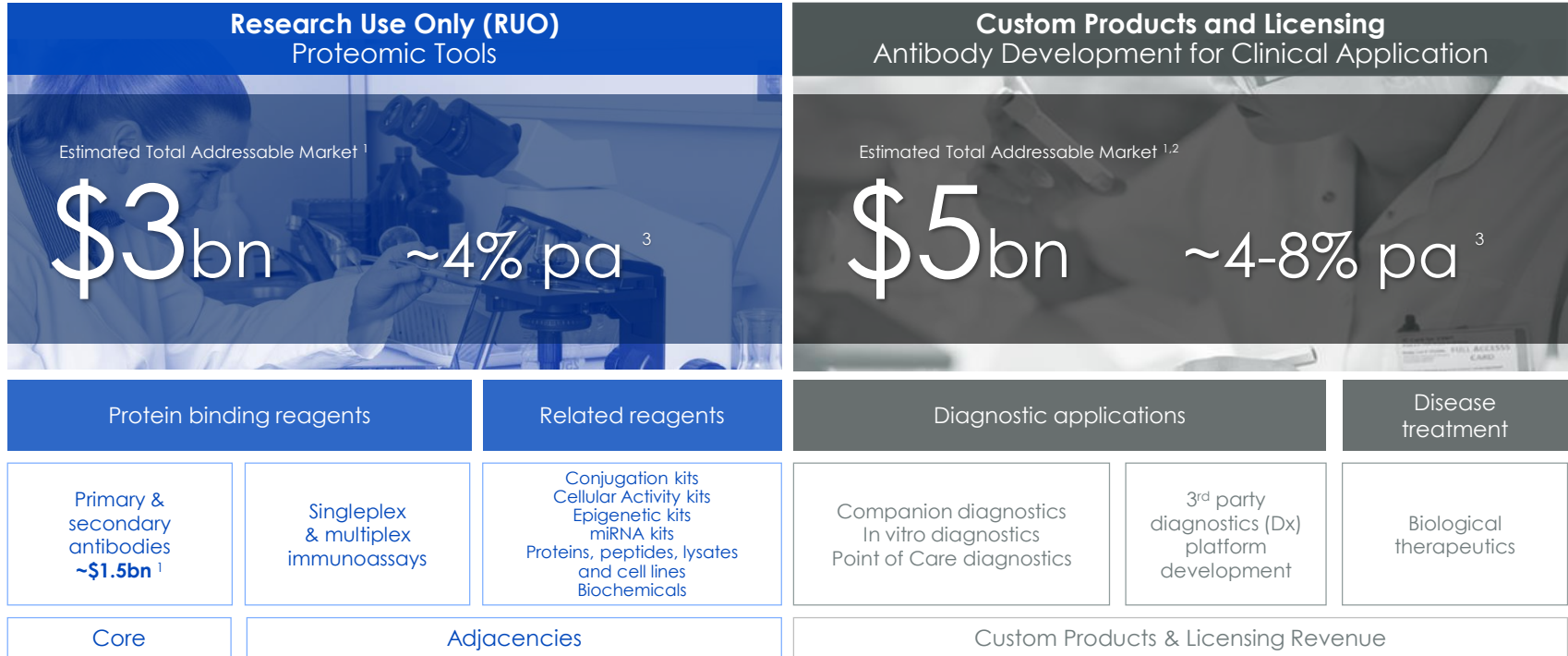
Custom Products & Services, 37%



IVD, 28%

- Custom antibody development
- Offering based on in-house developed products

...serving large and growing markets



1. As of 2019
 2. Total Addressable Market relates to the potential value attributable to the initial antibody development for use by diagnostic and biopharmaceutical partner organisations which result in clinical products, including in-vitro diagnostics (IVD), companion diagnostics, immunoassays and biological therapeutics
 3. Excluding the impact from COVID-19

Our market growth is driven by secular trends

Research Use Proteomic Tools

Long-term estimated market growth: ~4%^{1,2}

- ↑ Research funding (largely government)
- ↑ Population of scientists who can do the work
- ↑ Productivity
- ↑ Like-for-like price inflation

Antibody Development for Clinical Application

Long-term estimated market growth: ~4-8%^{1,2}

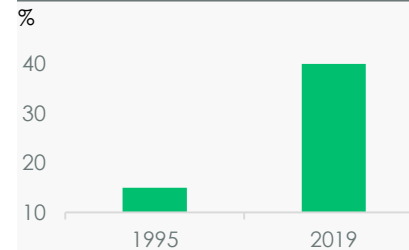
- ↑ Biopharma R&D spending
- ↑ Move to large-molecule biologics
- ↑ Rise of precision medicine
- ↑ Trend toward industry outsourcing

National Institute of Health (NIH) annual budget, \$bn



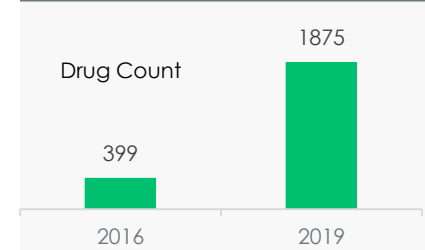
Source: NIH

Biological drugs as % of global drugs pipeline



Source: Pharamaprojects, January 2019

Rise of immuno-oncology as a therapeutic strategy for cancer



Source: Pharamaprojects, January 2019

Across our research markets, competitive dynamics increasingly favor scale in data analytics, validation, branding and distribution

Demand Researchers

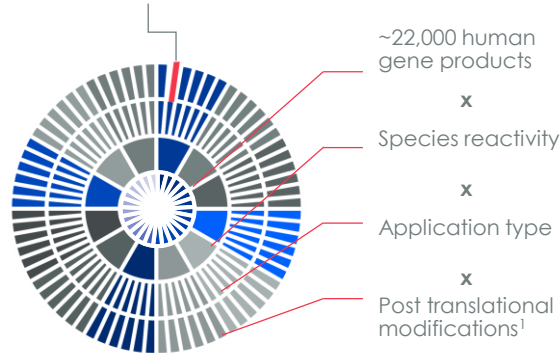
~750k²

Life science researchers

- Academic institutions
- Research institutions
- Biopharmaceutical and diagnostic companies

Products Universe of needs

- Proteome comprises **>1m protein combinations**
- **1,000s** of micro-battles
- Many combinations where no, or inadequate binders, exist to achieve the outcomes desired



Supply Reagent suppliers

>200³

Reagent Suppliers

>75%⁴

Market share of antibody citations of top 5 companies

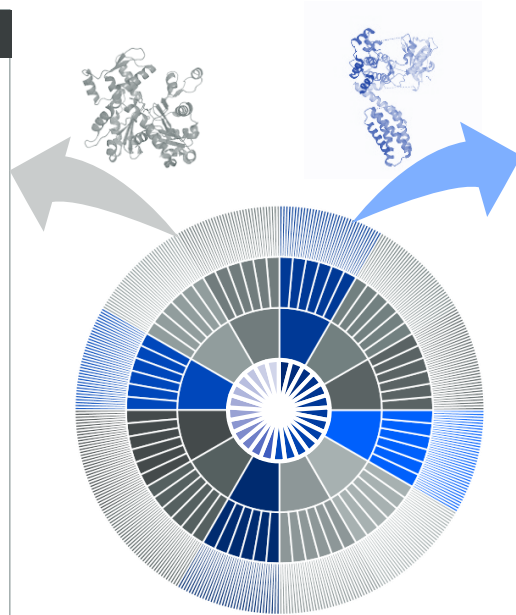
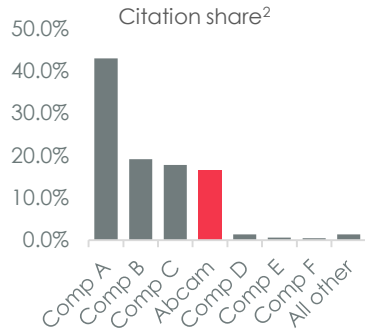
3m+³

Commercial antibodies available

Many of our products can be recognized as “gold standard” among life scientists for high value targets

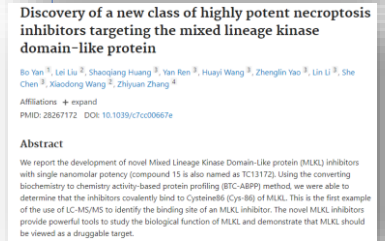
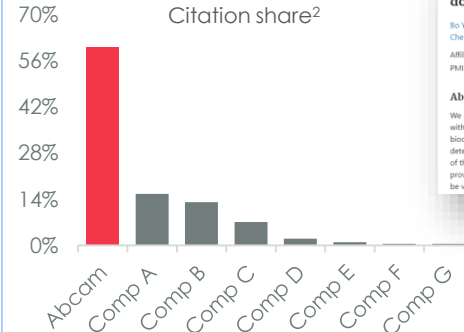
Low value: Actin, cytoplasmic ^{[1] 2}

- Protein used ubiquitously as a loading control¹
- Over 20,000 citations in 2018
- Limited capacity for performance differentiation
- Abcam ~16% market share



High value: MLKL Inhibitor ²

- MLKL plays a critical role in the programmed cell death process
- Abcam introduced Ab in 2016
- Identified as potential druggable cancer target in 2017
- ~200 total citations in 2018
- Abcam ~60% market share



1. Loading controls are usually proteins that exhibit high-level, constitutive expression in the cell type or sample being studied. Housekeeping genes are often chosen for use this purpose. Loading controls are essential to ensuring the reliability of data when comparing expression of a protein in different samples
 2. As of FY ended June 30, 2018

Revenue growth at ~3x¹ estimated annual market growth over the last 6 years



"ABCAM 1.0"

- Disruptive e-commerce platform revolutionizing the purchase of antibodies
- Extensive, open and transparent performance data
- Value-added distributor of third-party products

"ABCAM 2.0"

- Innovation engine
- Multiple technologies
- Increasing scale and throughput

*These are not projections; they are goals and are forward-looking, subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of Abcam and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. Nothing in this presentation should be regarded as a representation by any person that these goals will be achieved and Abcam undertakes no duty to update its goals

1. Based on total addressable market estimates shown on slide 10

Major drivers to sustain Abcam's growth



1.

Extend leadership in RUO antibodies



2.

Remove innovation constraints and launch new lines



3.

Be a leading discovery partner for bi-pharmaceutical organisations



4.

Be a leading digital company



5.

Remove scalability constraints and sustain value



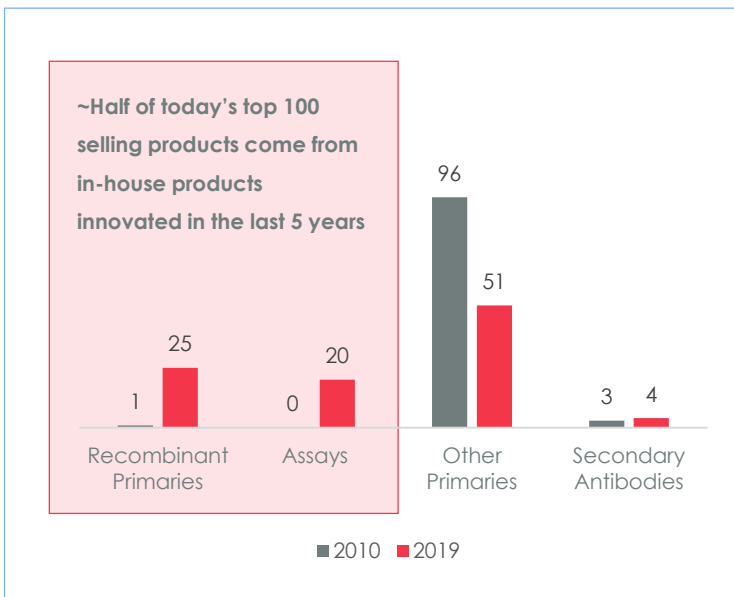
6.

Add new content and capabilities through acquisitions and partnerships

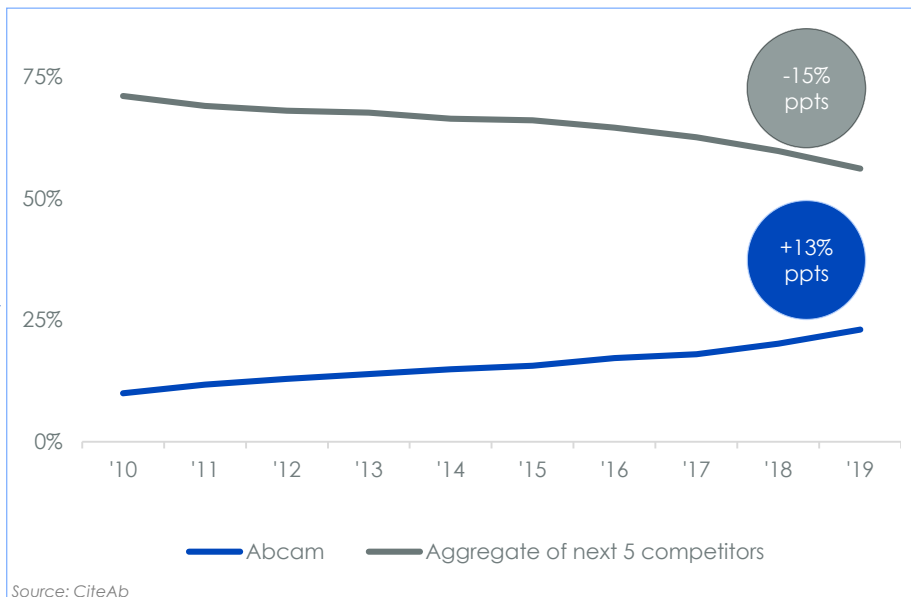


Our business model has evolved from an online distributor to an innovative partner for life scientists, sustaining our share gains

Top 100 Products by Type: 2010 vs. 2019



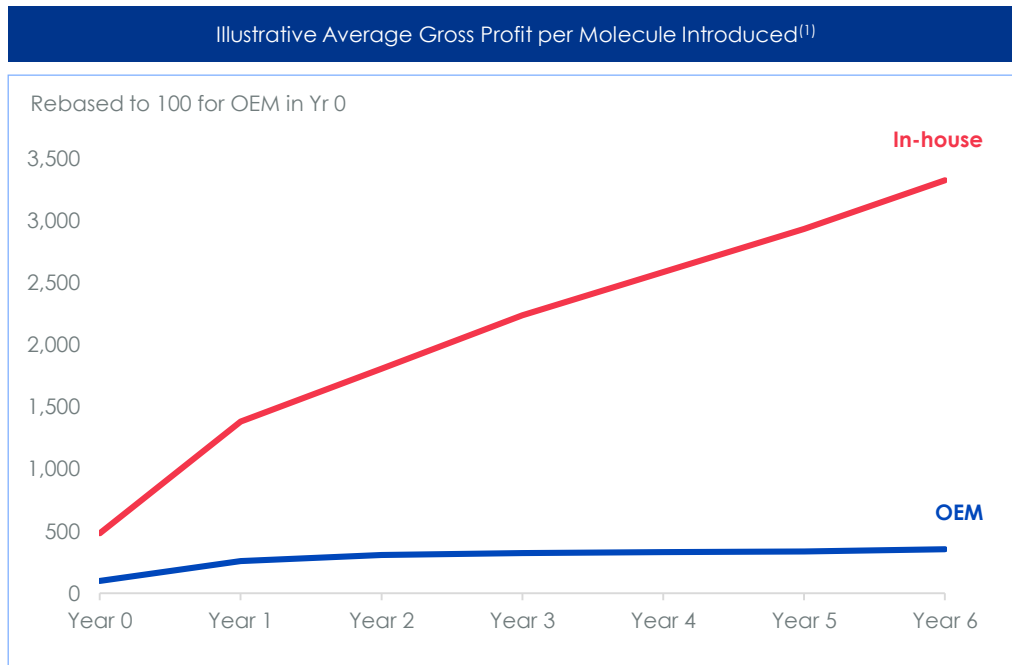
Global Share of Antibody Citations in Research





Attractive return on capital from the transition of supplying OEM products to innovating our own in-house products

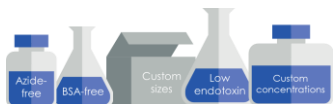
- Better rate of growth per molecule from own products using our data
- Significantly higher gross margins from own products
- Longer duration of revenue, as it moves from early stage research through to downstream uses



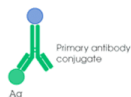


In-house antibodies unlock multiple avenues of growth by serving an increasing range of customer needs

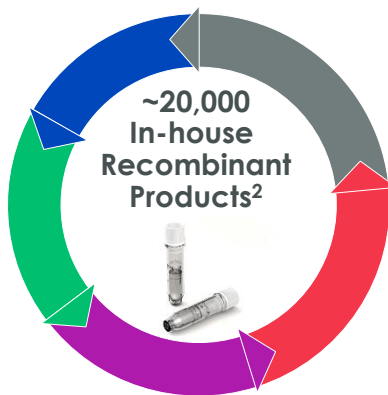
1. New formulations and applications



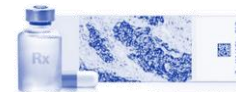
2. Primary conjugated antibodies



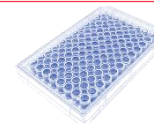
3. Antibody pairs and Immunoassays



5. Out-license for potential Dx/Rx¹



4. Content for platform partners¹





We are now pushing faster into in-house platform innovation to deliver more quality at scale

Antibody development innovation:

1. ENHANCED DISCOVERY

- Differentiated antibody discovery platform:
 - B-cell cloning
 - In vitro engineering
 - Next Generation Sequencing
- Higher innovation success rates

2. SCALE VALIDATION

- Largest knockout CRISPR gene editing program in the industry
 - Almost 3,000 products ¹
- Performance quality assured

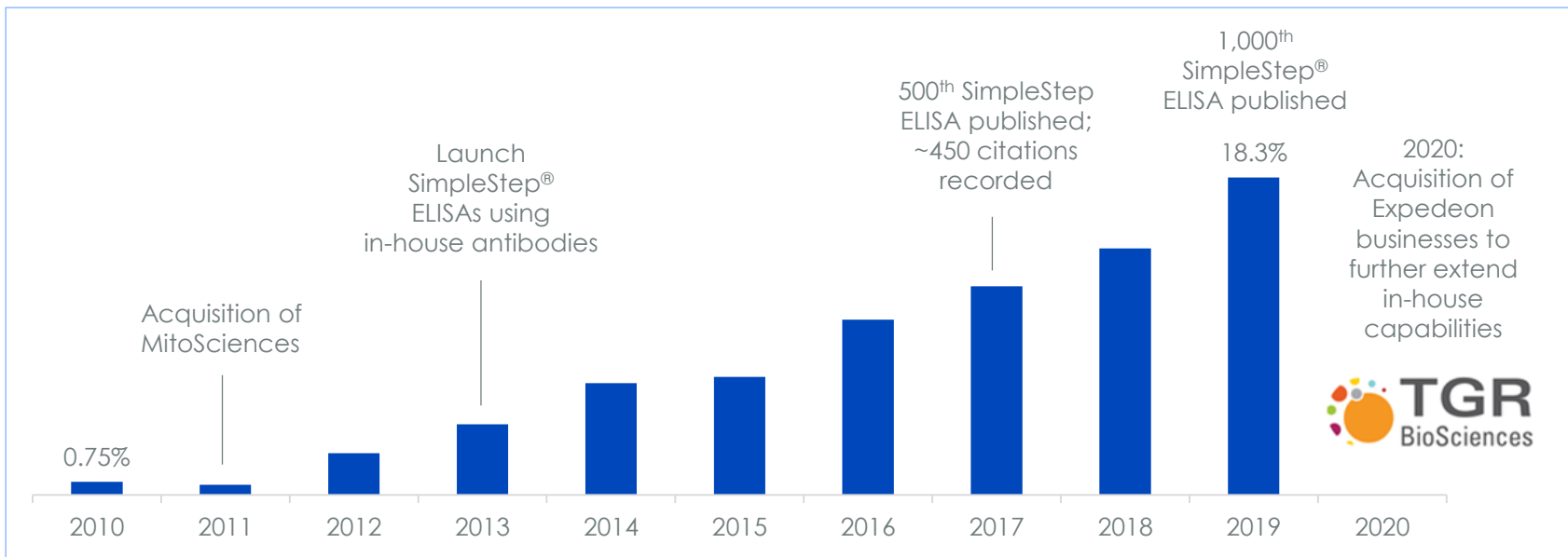
3. NPD THROUGHPUT

- 2-3k in-house products added pa¹
- Increasing efficiency and speed



Our immunoassay portfolio has developed over several years

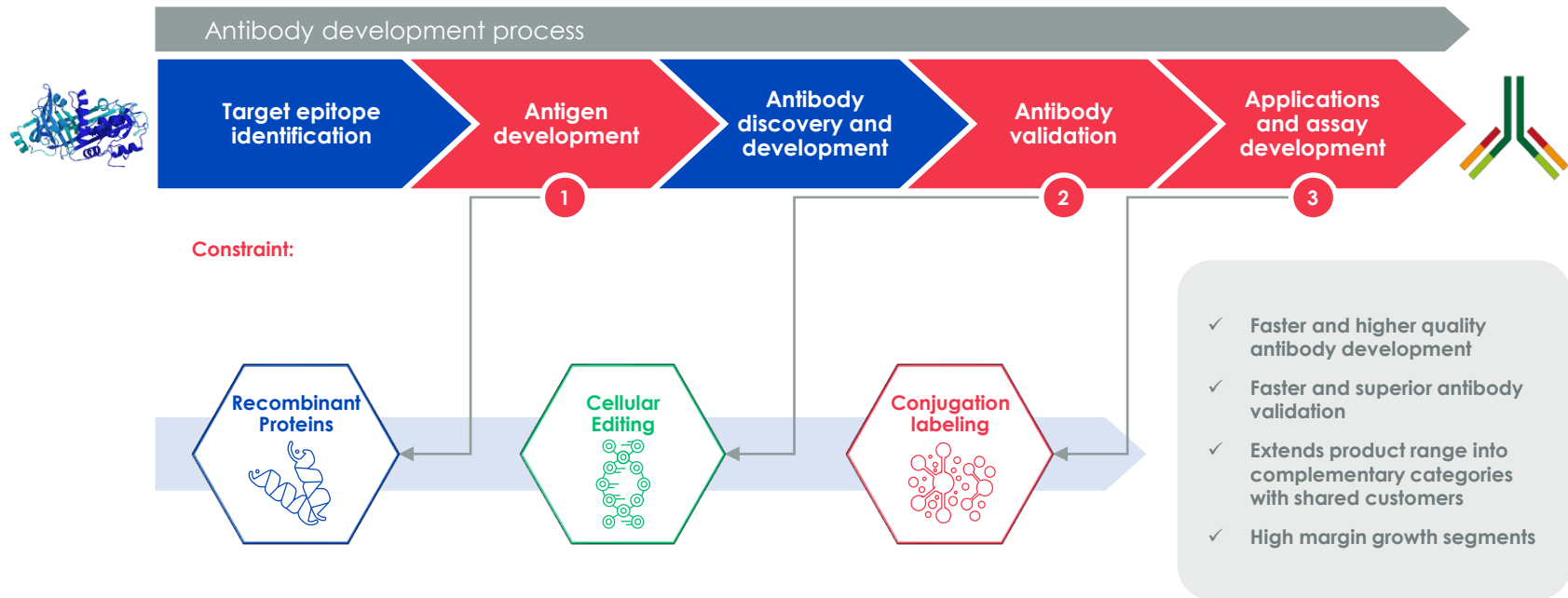
Abcam, Share of Global ELISA¹ Citations, %



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

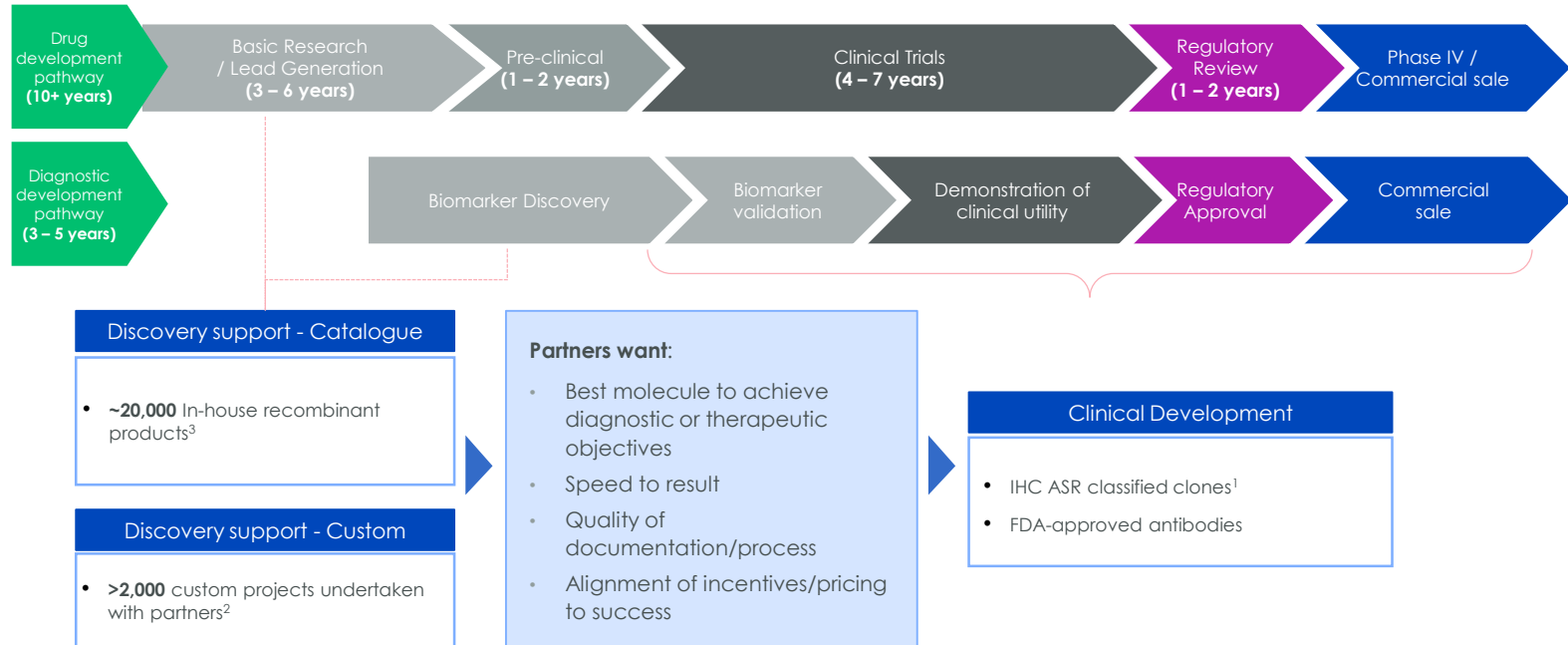


We are moving into logical new business areas to further accelerate our innovation





Helping accelerate the transition from early discovery to clinical use through partnership with diagnostic and biopharma organizations





Opportunity to access multi-year agreements in clinical applications

- Opportunity to earn **multi-year revenue streams** from each completed project
- **Multiple framework agreements** put in place over last 3 years with **leading pharmaceutical and diagnostic companies**
- **Growing pipeline** of projects under new terms with Dx/Rx partners
- Allowing Abcam to secure **long-term royalties and greater customer exposure**



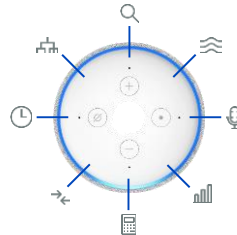
1. If generated as a custom product (vs. out-licensing of an existing catalogue product)



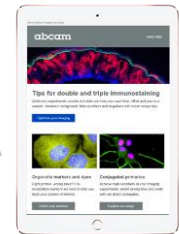
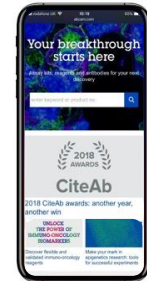
Be a leading digital company

Our digital goals:

- A highly personalized, digital relationship with customers
- A device agnostic, cloud-based platform, driven by artificial intelligence
- Enhanced ability to understand and anticipate researchers' needs



Our goal is to develop a personalized, intuitive, frictionless digital experience



We see opportunity to change the customer experience, driving increased engagement, conversion and sales



Investing to remove constraints to our growth and to ensure the scalability of our business



In-house innovation capabilities

- New labs, equipment and teams



Digital experience and e-commerce

- Reinvention of our digital channel
- Personalization of the browsing and shopping experience
- Upgraded buying experience
- Scaling up Data/Analytics/AI



Operational capacity and efficiency

- Expanding and improving global facilities
- New infrastructure and supply chain network improvements
- New engineering, technology and system enhancements



Other legacy IT

- Transforming our enterprise systems and processes
- Cloud based ERP replacing IT legacy systems

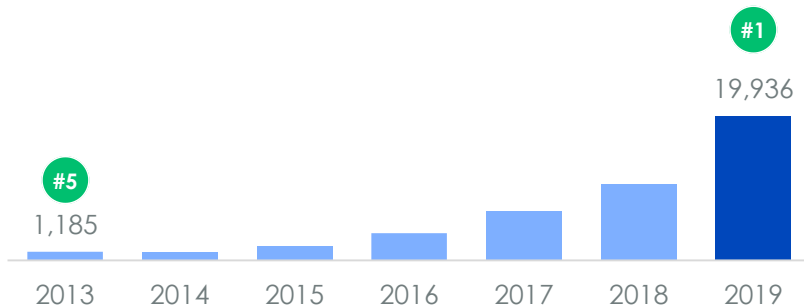
Strengthening global teams across all areas



Investing in China to extend leadership

- More opportunities to get closer to customers
- Enhanced content localization
- Improved digital experience
- Complex sales enablement

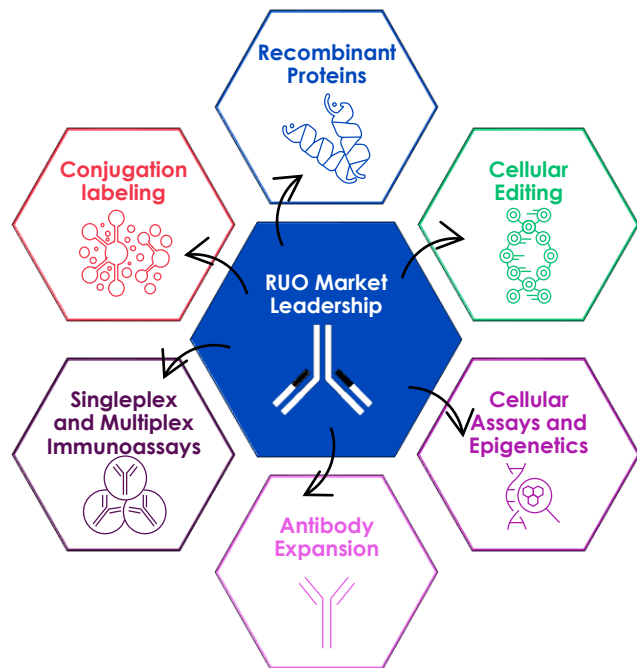
Abcam's number of citations in China⁽¹⁾



WeChat Educational Series



We focus on bolstering our organic strategy with strategic opportunities in related markets



Acquisition Criteria



High-quality biological portfolio



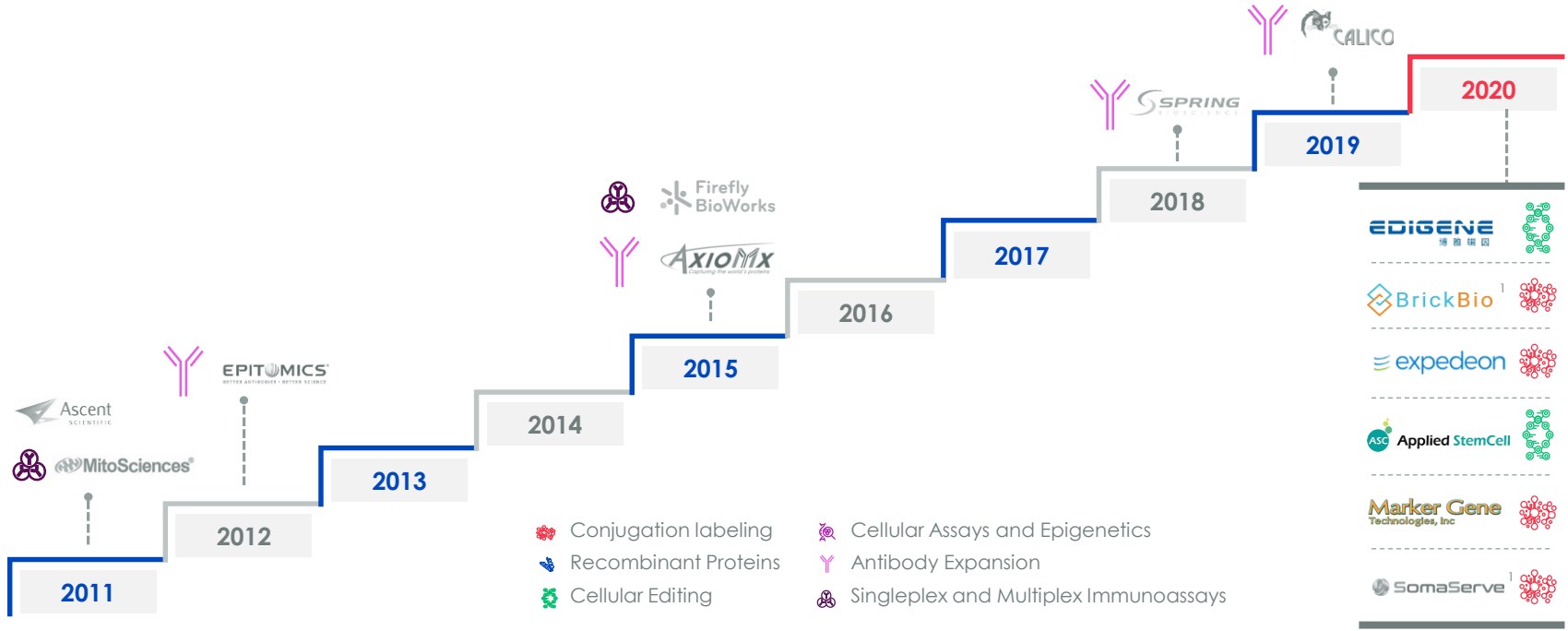
Focus on breakthrough innovation opportunities in areas where there are either few or no tools



Pursue opportunistic acquisitions in our existing and adjacent customer segments to accelerate our growth, expand geographic coverage and augment our capabilities and workflow solutions



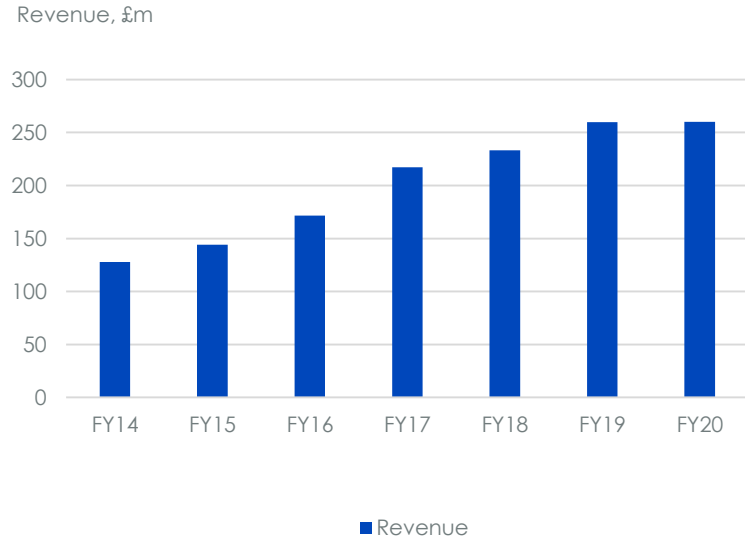
Strong track record of M&A discipline and integration



1. Equity investment

Our historical performance* demonstrates delivery track record

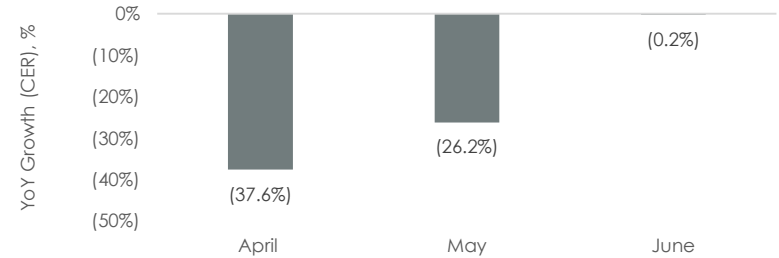
- Reported '14-20 revenue CAGR **~13%**
- Consistently high margins and returns
 - '14-20 average Gross margin **~70%**
 - '14-20 average ROCE¹ **>18%**
- The COVID-19 pandemic impacted 2H2020 performance, with a 10% decline in revenue relative to prior year



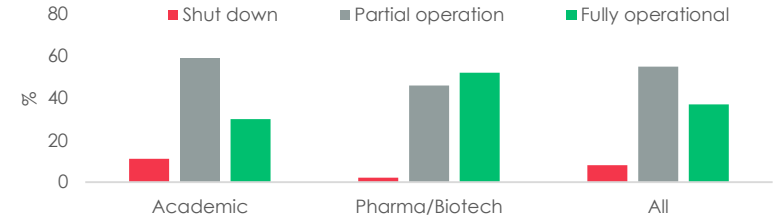
Current trading

- Global lab activity has continued to gradually improve in our new fiscal year
- Global lab activity has increased with a large portion of labs either fully or partially operational
- We remain confident in our long-term growth potential
- Our long-term investment plans and financial goals remain unchanged

Revenue Growth by Month (YoY)



Global Lab activity, September 1-15, 2020



Source: COVID-19 Research Lab Closures Tracker, bioinformatics

We are prioritizing Opex investments to support growth

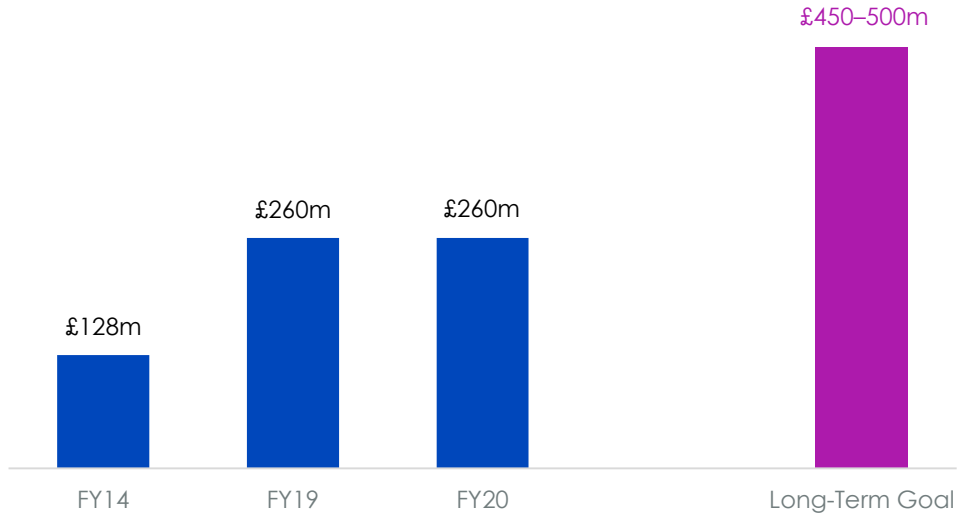
Growth Strategy

- 1 In-house innovation and R&D capabilities for faster and broader innovation
- 2 Selectively pursue acquisitions
- 3 Operational capacity and efficiency
- 4 IT transformation to upgrade legacy systems
- 5 Investment in people

Margin Normalization Driven by Growth Strategy

- 1 Expansion of revenues through operations in high growth and high value markets
- 2 Improving operating leverage
- 3 Growth in portfolio of in-house products with better margin profile due to expansion of in-house innovation and R&D capabilities

Our long-term goal is to drive an incremental £200m+ in profitable revenue*



REVENUE DRIVERS

- Continued global R&D funding
- Further market share gains in RUO antibodies
- Growth from adjacent product lines
- Successful "Abcam Inside" relationships
- More capacity and capabilities to deliver

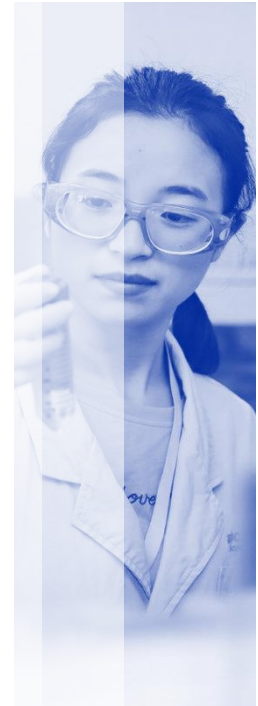
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Capital allocation strategy remains focused on generating long-term value

- 1** Reinvestment in business to drive long term growth
 - Invest in existing, core growth businesses:
 - Best-in-class antibodies
 - Differentiated, proprietary research reagents
- 2** Capex in foundations to support scalable growth
 - Increase scalability of core platform – automation/footprint
 - IT transformation: aiming to provide best-in-class customer experience and business systems
 - Infrastructure improvements to better serve the customer base
- 3** Selective acquisitions aligned to core strategy
 - Complementary portfolios of high quality products
 - Acquisitions that support or accelerate core growth strategy
- 4** Capital discipline
 - Disciplined, long-term investment approach to organic and inorganic investment
 - Maintain a robust balance sheet
 - Continued focus on ROCE

Summary investment case

- Clear purpose and vision, with a talented team and strong culture
- Growth opportunities within a total addressable market of approximately \$8bn¹
- A strong business model – well placed to extend our leading position in research use antibodies and related markets
- Appealing business fundamentals – profitable and cash generative, providing capital to invest
- Disciplined organic investment plans developed to sustain and increase our growth potential with attractive return profile, build the enterprise and deliver shareholder-value creation
- Durable mission and financial value creation



Appendix

Adjusted Operating Profit Reconciliation

	FY 2020 £m	FY 2019 £m
Profit for the year	12.5	45.0
Tax (credit)/charge	(4.1)	11.4
Finance Income	(0.7)	(0.6)
Finance costs	2.8	0.3
Impairment of intangible assets ^(a)	14.9	12.8
System and process improvements costs ^(b)	4.3	4.5
Acquisition costs ^(c)	4.1	-
Integration and reorganisation costs ^(d)	2.1	3.7
Amortisation of acquisition intangibles ^(e)	8.6	6.5
Adjusted Operating Profit ^(f)	44.5	83.6
Adjusting items:		
ERP development costs	(4.3)	(4.5)
Impairment of certain historic ERP development costs	(14.9)	(12.8)
Acquisition related costs	(4.1)	-
Integration and reorganisation costs	(2.1)	(3.7)
Amortization of acquisition intangibles	(8.6)	(6.5)
Reported Operating Profit	10.5	56.1

- a) Consists of the full impairment of the acquisition intangible in respect of AxioMx In Vitro monoclonal antibody production technology and subsequent post acquisition expenditure. This has arisen following an appraisal of the ability to utilise this technology at scale. Although technical feasibility remains valid, the challenges to realize material commercial returns have resulted in the conclusion not to pursue further active development and substantive utilization of this technology. (FY 2019: Consisted of an impairment of software assets under construction as a result of changes in the scope and nature of the ERP program and the corresponding usability of historical work performed on certain outstanding modules).
- b) Consists of costs of our ERP program implementation that do not qualify for capitalization.
- c) Consists of legal and other professional fees associated with the acquisition of Expedeon as well as agreed settlements of Expedeon employee share incentive schemes.
- d) Relates partly to the integration of the acquired Expedeon business, which consists mainly of retention and severance costs as well as employee backfill costs for those involved in the integration and consultancy costs, and reorganization costs in respect of alignment of our operational structure and geographical footprint to our strategic goals (FY 2019: related to the reorganization costs consisted of those associated with our new headquarters, including depreciation of assets not yet brought into use prior to occupation of the building).
- e) Consists of amortization of acquisition intangibles included within research and development expenses of £6.0m (FY 2019: £4.3 m) with the remaining £2.6m (FY 2019: £2.2m) included within selling, general and administrative expenses.
- f) We define Adjusted Operating Profit as profit for the year before taking account of finance income, finance costs, tax, exceptional items and amortization of acquisition intangibles. Exceptional items consist of certain cash and non-cash items that we believe are not reflective of the normal course of our business. We identify and determine items to be exceptional based on their nature and incidence or by their significance. As a result, the composition of exceptional items may vary from year to year. Exceptional items currently consist of impairment of intangible assets, systems and process improvement costs, acquisition costs, integration and reorganization costs, and amortization of acquisition intangibles. Adjusted Operating Profit is included in this presentation because it is a key metric used internally to assess our financial performance, and we believe that disclosing Adjusted Operating Profit enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Adjusted Operating Profit is not an IFRS measure of our financial performance and should not be considered as an alternative to profit for the year, or as an alternative to any other performance measure derived in accordance with IFRS.

Free Cash Flow Reconciliation

	FY 2020 £m	FY 2019 £m
Net cash inflow from operating activities	63.0	70.2
Purchase of property, plant and equipment	(12.7)	(17.7)
Purchase of intangible assets	(23.0)	(22.7)
Transfer of cash from / (to) escrow in respect of future capital expenditure	(0.6)	4.5
Principal and interest in respect of lease obligations	(7.7)	-
Free Cash Flow ^(a)	19.0	34.3

a) Free Cash Flow comprises net cash inflow from operating activities less net capital expenditure, transfer of cash from/(to) escrow in respect of future capital expenditure and the principal and interest elements of lease obligations. Free Cash Flow is included in this presentation because it is a key metric used internally to assess our liquidity. Free Cash Flow is not an IFRS measure of our financial performance and should not be considered as an alternative to net cash inflow from operations as a measure of liquidity, or as an alternative to any other performance measure derived in accordance with IFRS.

ROCE Reconciliation

	FY 2020 £m	FY 2019 £m
Adj. Operating Profit	44.5	83.6
Total Assets	811.4	446.7
Current Liabilities	(159.6)	(45.3)
ROCE ^(a)	6.8%	20.8%

a) ROCE is defined as Adjusted Operating Profit divided by capital employed, which is defined as total assets less current liabilities. ROCE is included in this presentation because it is a key metric used internally to assess our financial performance. ROCE is not an IFRS measure of our financial performance and should not be considered as an alternative to profit for the year or as an alternative to any other performance measure derived in accordance with IFRS.

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