

abcam

**Annual
Report and
Accounts
2020**

Dear shareholder,

Strength from purpose

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

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

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

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

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

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

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

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

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

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

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

Progress toward our strategic goals

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

Chief Executive Officer's review continued

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

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

I summarise our progress for each of them, below:

Sustaining and extending leadership

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

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

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

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

Expanding to adjacent markets

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

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

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

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

Building organisational scalability

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

During the year we deployed new manufacturing and screening processes to increase throughput and reduce development cycle time. Overall, over the last 36 months we have halved the time it takes us to get new products into the hands of scientists. We initiated an antibody lyophilization manufacturing project to

support increased customer demand whilst reducing costs and improving delivery speed, and we have identified and started addressing key bottleneck constraints across our global logistics, operations, and product workflows.

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

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

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

Our people

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

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

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

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

Our impact – sustaining social and financial value creation

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

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

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

Looking ahead with confidence

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

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



Alan Hirzel
Chief Executive Officer
12 September 2020