

# Chief Executive Officer's review

## 18-month period to 31 December 2021

**The Group has changed its year end to 31 December and, as a result, this Annual Report covers the 18-month period from 1 July 2020 to 31 December 2021. The comparison to the previously reported 12 months ended 30 June 2020 therefore presents a substantial period-on-period increase due to the longer period of account in the current reporting period, providing little helpful insight into the underlying performance of the business. To assist shareholder understanding, commentary on the financial and operating performance of the business for the 12 months ended 31 December 2021 ("CY2021") is also provided, with comparison to the 12 months ended 31 December 2020 ("CY2020") where appropriate. The audited financial statements in the back of this report contain statutory results for the 18 months ended 31 December 2021 and a comparison to the year ended 30 June 2020.**

## Dear shareholder

### Moving forward with courage and hope

As we continue to grapple with the challenges of our times, I am even more convinced that for all of us in the science community, the only way to move forward is with courage and hope. Over the last several decades, the positive impact of life science on the human condition has been profound. For example, across every income level and every country where there has not been a catastrophe, life expectancy has increased by nearly 20 years since the 1960s.

Life science, medical discovery and innovation have been central to this progress. In the last two decades, since the sequencing of the human genome, research in life sciences has more than doubled, and with it the potential to make even more progress. New discoveries can take 10 years or more to make a tangible difference and I am hopeful that all of our children will reap greater benefits in health and lifespan in the years to come.

As I think about these inspiring achievements, alongside the development of our own business, I am even more determined to ensure Abcam continues to innovate and play a key role in helping our customers reach their scientific and career goals. We remain resolutely focused on enabling scientists to make breakthroughs faster, with better quality research tools and a passion for collaboration. It won't stop there either. We see a greater role for Abcam to accelerate the transition of discovery to clinical and social impact.

I have always believed in the power of collaboration and the global response to the pandemic has shown the benefits of such collaboration. With the challenges ahead we will find ways for researchers, funders, publishers, tools companies, translational researchers, clinicians, diagnostics companies, pharma and regulators to work together as one team. Improvements our business has made in product performance and consistency and our expanding network of commercial relationships are significantly reducing the time from first discovery to a better patient outcome.

We look to put more effort toward this collaborative approach as we build our business.

This collaborative spirit is also championed within our teams. Efforts we have been making to improve inclusion and diversity have amplified more voices through groups led by our people and outreach activities in our communities.

Despite everything we faced in 2021, and the disturbing geopolitical aggression in Europe at the start of 2022, we see this period as an exciting time for proteomics research. I remain confident that Abcam is well positioned to influence and improve the journeys from discovery to impact, while sustaining value creation for all stakeholders.

**"We aim to deliver consistent, durable growth and performance in a responsible way. Despite the continued disruption of COVID-19, we have seen sustained progress during the period as we continue to deliver on the growth strategy announced in November 2019"**

### Our performance

We achieved the major strategic, operational and financial goals we set for the business in the period and continued to make significant operational changes and to implement our growth strategy. Feedback from our customers was excellent, with a Customer tNPS of +56 (CY2021). Sales of our in-house products grew strongly as we scaled up our capability here. Because these are sold at a higher margin, we started to feel the benefits of increased operational leverage. The business transition to 2024 is nearly complete and we will soon be able to fully reap the benefits of what we have been building over recent years.

Indeed, the biggest contributor to Abcam's growth and value and the main reason why we are winning more market share is the portfolio of proprietary products developed and manufactured at Abcam. This burgeoning in-house library of recombinant antibodies, immunoassays, conjugation products, proteins, and cell lines is offering customers the right products, to the right pathways, with a promise to go the distance from discovery to clinic. Customer demand for this portfolio drove in-house product revenue to £174m in CY2021 (CY2020: £129m), equivalent to 41% annual CER growth (37% excluding BioVision). Our investment of 14% of revenue (own product) back into R&D (including capitalised product development) is helping us sustain the growth and higher customer satisfaction in these areas.

The BioVision acquisition in October 2021 added one of our largest suppliers to the in-house portfolio, with strengths in biochemical and cell-based assay kits. Business integration is moving ahead as planned and we expect it to provide further innovation opportunities within this portfolio.

Risks around the global pandemic remain – as evidenced by the emergence of the Omicron variant in late 2021 – but data suggest that overall lab activity increased consistently during 2021 in our largest markets.

### Progress toward our strategic goals

We aim to deliver consistent, durable growth and performance in a responsible way. Despite the continued disruption of COVID-19, we have seen sustained progress during the period as we continue to deliver on the growth strategy announced in November 2019. Strategic KPI performance (in-house product revenue growth and customer transactional net promoter score) was positive, feedback on our products has never been stronger, and we continue to make market share gains worldwide. At the same time, we are focused on ensuring the significant investment made in our innovation capabilities, systems and processes, facilities, and people support our long-term growth aspirations.

As we seek to further strengthen our position as the partner of choice for our customers and partners, we have made further progress against each of the following strategic goals to drive sustained organic growth set out in 2019:

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

### Innovation and our impact on scientific progress

Our product portfolio enables breakthrough proteomics discovery by our customers and partners. They are working to innovate and discover proteomic mechanisms such as the role of signaling and regulatory proteins in biological pathways – ultimately leading to diagnostics and treatments for diseases such as cancer and immune deficiency disorders. Their success depends on rigorous product performance and reliability, and it's these factors that continue to guide our innovation efforts.

Since 2019, we have put more resources into innovating faster in antibodies and immunoassays, and we have complemented these areas with new product categories such as conjugation kits, proteins/cytokines, engineered cell lines, and now a range of BioVision cellular and biochemical assays. In total, new products introduced since 2019 represented approximately 7% of 2021 revenue (CY2021) and our own-product revenues (including Custom Products & Licencing) contributed over 60% of total revenue in the last 12 months. We are confident that our customer data insights and our approach to innovation and marketing underly this strong growth driver from internal innovation.

In CY2021, our teams developed and launched over 2,500 high-quality antibody products, including recombinant RabMAb antibodies, antibody pairs, SimpleStep ELISA kits and new formulations that enable faster labelling and assay development. These new product introductions combined to meet two objectives for our new product development: fill

unmet needs in research and increase product quality. As we have developed our high throughput innovation capability, we have also made bolder moves to delist third party supplied product that doesn't meet our customer quality needs. Together, these actions have substantially improved Abcam's quality and our overall brand preference.

According to the most recently available industry data, these innovations and other initiatives have led Abcam to become the most cited antibody company worldwide. Abcam products were cited more than 70,000 times in scientific journals in 2020 and the business now has a citation share of over 22%, up approximately two percentage points on the previous year (source: CiteAb, based on over 300,000 recorded citations for 2020 as of February 2022). Most importantly, we have seen a continued strengthening of customer feedback during the period, with product satisfaction rates at all-time highs (rolling 12-month period to 31 December 2021).

Extending Abcam's leadership in research antibodies has provided a strong foundation to expand into adjacent product categories used in protein research. We took our first adjacent product category move in 2014 with the introduction of proprietary immunoassays. In total these (non-primary antibody) product categories now contribute over 30% of total revenue. In the 12 months to 31 December 2021, total CER revenue growth from these categories was 32% demonstrating the progress made developing these capabilities and the growing customer interest in these high-quality product portfolios. Other, newer product categories have had less time to develop than either our antibody or immunoassay portfolio, but we are seeing similar growth performance and opportunities here.

### Extending the impact of our innovation through partnership and collaboration

Across the translational research, drug discovery and clinical markets, we are focused on strengthening our position as a leading discovery partner to organisations looking to access high quality antibodies and antibody expertise for commercial use within their products and assays – a philosophy we refer to as 'Abcam Inside'.

The period has seen good progress in this regard, with continued growth in the adoption of our products for use on third party instrumentation platforms, or by partners for their use in the development of clinical products.

We established several new platform partnerships during the period while significantly expanding existing co-development programmes with current partners, including recently announced strategic partnerships with Alamar and Nautilus Biotechnology. We also grew our specialty antibody portfolio – signing over 85 new outbound commercial agreements in CY2021 with organisations that have the potential to lead to new diagnostic or therapeutic tools in years to come.

To date, approximately 1,000 of our antibodies are now validated for commercial use on third party platforms or as diagnostic tools, with over 3,000 more currently undergoing evaluation by our partners. We believe both areas remain significant long-term opportunities for the Group.

### Building a scalable enterprise

Over the last two years our teams have been putting ideas, know-how, and capital to work installing new capabilities as we build scalability into our operational infrastructure, including our manufacturing and logistics footprint and IT backbone and digital capabilities to support our growth.

At the same time, global supply chains have faced significant challenges primarily as a result of the COVID-19 pandemic. These additional pressures have been resolved by additional investment in manufacturing equipment and processes, while also introducing additional shift patterns in order to achieve better use of our resources. Further progress is expected as we pursue changes to our processes, including quality control, kit development and logistics as well as benefits expected from our integrated business planning process.

We also completed a number of important global footprint initiatives in the period, with site moves or upgrades completed in Boston, Fremont, and Eugene in the USA; Hangzhou and Shanghai in China; Adelaide in Australia; Amsterdam in the Netherlands as well as relocating our Hong Kong operations to Singapore. These initiatives enable more efficient customer service, manufacturing, supply chain and logistics processes; create additional capacity needed to meet our growth objectives; and reduce risks that were identified in our ongoing risk management process.

Across our IT and digital infrastructure, roll-out of the final stages of Oracle ERP programme continued, covering manufacturing and supply chain. Systems have now been successfully deployed across the Group's major manufacturing hubs, with final deployments in other small sites due for completion in 2022. At the same time, development of the next generation of our customer-facing digital platform has continued. The new platform is being designed to enable a step change to the customer experience, supporting dynamic content, a more personalised experience and driving enhanced search and traffic. Beta-testing in select markets was launched during the year and we remain on track to launch the new site in 2022.

### Sustaining social and financial value creation

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. 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.

We have made further progress against each of our four priority areas (those seen as most important to sustaining value creation, namely: Products; People; Partners; and Planet) and we were pleased to be ranked first by Sustainalytics, a leading ESG ratings agency, across its universe of more than 1,000 healthcare companies globally. Full details of our commitments, performance and progress will be provided in our forthcoming 2021 Impact Report, which will be made available on our corporate website ([corporate.abcam.com/sustainability](http://corporate.abcam.com/sustainability)).

Of course, the ability of Abcam and our industry to continue to thrive will depend on future generations of scientists and so it's exciting to see that more young people than ever are taking STEM subjects. I am proud of Abcam's support in this area through our work with In2Science UK and The Henrietta Lacks Foundation.


We have also made significant progress on our diversity and inclusion during the period. A new D&I strategy was launched alongside the establishment of multiple Employee Resource Groups, an enhanced family leave policy, and the introduction of diversity and inclusion targets that are tied to senior management compensation. These and other initiatives ensure that we are building an exceptional workplace for our teams, and it was pleasing to once again be recognised by Glassdoor as one of the top five employers in the UK in 2021.

### Attractive outlook

We remain on track to achieve the five-year plan that we described in 2019. In 2022, we will complete a few large-scale tasks to help us scale the business over the next decade. Once those are complete, the agenda for the year will largely focus on refining what we have installed, learning from the market, and making adjustments to drive double digit revenue growth and improve profit margins.

With the addition of BioVision and adjustments for ongoing revenue, plus our confidence in the performance of the business, we have raised our revenue target for 2024 to a range of £450m-£525m, representing growth rates that are two to three times our underlying market and reflect the durable growth story of Abcam.

None of this attractive outlook could happen without great energy and effort by everyone involved. I thank our colleagues for their unwavering dedication, our customers for the trust they place in us, and our board of directors and our shareholders for their continued support.



**Alan Hirzel**  
CEO