Abcam plc

Interim results for the six months ended 31 December 2018

4th March 2019
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Becoming the most influential company for life scientists supporting research, diagnostic and therapeutic discovery

"Abcam launches new PBS-only antibodies, enabling more flexible research."  
October 2018

"Abcam acquires Calico Biolabs, expanding our expertise in recombinant rabbit monoclonal antibody development and custom solutions capabilities."  
January 2019

"Abcam and the LouLou Foundation partner to develop key research tools for CDKL5 deficiency disorder."  
January 2019

"QIAGEN (Suzhou) and Abcam sign strategic MoU to co-develop companion diagnostic (CDx) and in vitro diagnostic (IVD) reagents and kits for the Chinese market."  
December 2018

"Leica Biosystems announce the global launch of a new PD-L1 antibody (clone 73-10) for use on their fully automated BOND IHC and ISH staining platform."  
November 2018

"Roche announces the global launch of the VENTANA pan-TRK (EPR17341) Assay, the first automated in vitro diagnostic (IVD) IHC assay to detect tropomyosin receptor kinase (TRK) proteins in cancer."  
November 2018
Serving life scientists to achieve their mission faster
Abcam and the Michael J. Fox Foundation for Parkinson’s Research

Accelerating Parkinson's research through the development and provision of critical reagents to key targets

Discover more at www.abcam.com/abcamandMJFF
Solid financial performance delivered in H1 2019

**Total Revenue growth**
- +10.0%
- Reported revenue £124.7m, +10.8%
  (H1 2018: £112.5m)

**Catalogue Revenue growth**
- +10.5%
- Reported revenue £117.0m, +11.2%
  (H1 2018: £105.2m)

**Gross margin**
- +40bps
- Gross margin: 70.2%
  (H1 2018: 69.8%)

**Adjusted EBITDA growth**
- +4.0%
- Adjusted EBITDA £44.4m
  (H1 2018: £42.7m)

**Adjusted diluted EPS growth**
- +5.2%
- Adjusted diluted EPS 16.3p
  (H1 2018: 15.5p)

**Dividend growth**
- +3.8%
- Interim dividend per share: 3.55p
  (H1 2018: 3.42p)

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1. At constant exchange rates (applying prior period’s actual exchange rates to this period’s results)
2. Excludes system and process improvement costs, one-off costs associated with the new Group headquarters
3. Excludes system and process improvement costs, one-off costs associated with the new Group headquarters, amortisation of acquisition related intangible assets and the tax effect of these adjusting items
Product revenue analysis:
Recombinant antibody and Immunoassay growth support double-digit catalogue growth

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 £m</th>
<th>H1 2018 £m</th>
<th>Constant Currency growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Catalogue revenue – product split:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary and Secondary Antibodies</td>
<td>93.5</td>
<td>85.2</td>
<td>9.3%</td>
</tr>
<tr>
<td>of which Recombinant antibodies</td>
<td>27.2</td>
<td>22.4</td>
<td>21.1%</td>
</tr>
<tr>
<td>Other products¹</td>
<td>23.5</td>
<td>20.0</td>
<td>15.6%</td>
</tr>
<tr>
<td>of which Immunoassay products</td>
<td>8.8</td>
<td>7.0</td>
<td>25.8%</td>
</tr>
<tr>
<td><strong>Catalogue revenue sub-total</strong></td>
<td>117.0</td>
<td>105.2</td>
<td>10.5%</td>
</tr>
<tr>
<td>Custom Products and Licensing (CP&amp;L) revenue²</td>
<td>7.7</td>
<td>7.3</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>124.7</td>
<td>112.5</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

¹ Includes kits and assays, proteins, peptides, lysates and AAAI products sold for research use
² Includes royalty income, custom services, IVD/IHC, and licensing revenue

* At constant exchange rates (applying prior period’s exchange rates to this period’s results)
Regional revenue analysis: China remains fastest growing major region

H1 2019 Catalogue CER revenue growth rate, %

- Americas (40.7%): 10.4%
- EMEA (27.4%): 7.3%
- China (17.2%): 22.4%
- RoA (7.9%): 10.9%
- Japan (6.8%): (1.6%)

Global catalogue 10.5%

1 Catalogue revenue growth at constant exchange rates (applying prior period’s exchange rates to this period’s results)
Figures in parenthesis indicate percentage of total reported catalogue revenue in H1 2019

Impacted by local market dynamics / volatility in academic funding environment
Adjusted EBITDA$^1$ bridge:
Investing for long-term growth

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 FY2018 Adj. EBITDA</td>
<td>42.7</td>
</tr>
<tr>
<td>Incremental gross profit</td>
<td>9.1</td>
</tr>
<tr>
<td>R&amp;D RDEC / capitalisation benefit</td>
<td>3.1</td>
</tr>
<tr>
<td>Underlying R&amp;D increase</td>
<td>0.8</td>
</tr>
<tr>
<td>Scaling and volume related costs (SG&amp;A)</td>
<td>8.7</td>
</tr>
<tr>
<td>New employee share schemes</td>
<td>1.0</td>
</tr>
<tr>
<td>H1 FY2019 Adj. EBITDA</td>
<td>44.5</td>
</tr>
</tbody>
</table>

1. Excludes system and process improvement costs and costs associated with the Group’s new headquarters
Ongoing investment in infrastructure to support scalability

Upgraded and expanded operations

• New global HQ on Cambridge Biomedical Campus completed on time and on budget
  – All UK employees on single site for first time in over a decade
  – State of the art, purpose built facilities
  – Total capital investment £24.4m (£21.8m spent up to H1)
• New EU based fulfilment centre to be operational by end March

Flexible and scalable IT platform

• HR and customer contact modules launched
• Executing phased roll-out of remaining modules
• Implementation of finance and non-stock procurement modules expected Summer 2019
• H1 2019 spend: £7.8m (of which capex £5.8m)
• FY estimated spend: ~£16m (Capex ~£12m)
Cash flow analysis:
Continued strong cash generation funding investment cycle

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 £’m</th>
<th>H1 2018 £’m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating cash flows before w/c</strong></td>
<td>41.0</td>
<td>39.5</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>1.2</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(5.8)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Net finance (costs) / income</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(27.3)</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(17.2)</td>
<td>(14.3)</td>
</tr>
</tbody>
</table>

| **Net change in cash and term deposits** | (7.8) | 7.5 |
| Effect of FX rates           | 0.8   | 0.7 |
| Opening cash and term deposits| 90.2  | 84.8 |

| **Closing cash and term deposits** | 83.2 | 91.6 |

| Cash conversion ratio¹ | 95%  | 85%  |

1. Operating cash flow after w/c / Adjusted EBITDA

- Main investing activities:
  - ERP investment £5.9m
  - New Cambridge HQ £7.2m (£3.0m net of funds held in escrow)
  - New product development £3.9m
  - Global lab equipment £2.0m
  - £11.9m related to the Spring licensing agreement

- Financing activities mainly related to the payment of the final FY2018 dividend

**RCF put in place to support acquisition strategy**

- RCF put in place 1st February to provide additional financial flexibility for future corporate transactions
- £200m with a £100m Accordion feature
- Initial term of 3 years, with option to extend by a further 2 years
Outlook and financial guidance

- Outlook for biomedical research funding in major markets remains robust, with the exception of Japan
- Long-term investments support double-digit growth trajectory with attractive margins
- Short term continues to be impacted by Japan and phasing of CP&L custom service revenue

<table>
<thead>
<tr>
<th>Total revenue growth (constant currency)(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 2019 actual</strong></td>
</tr>
<tr>
<td>10.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA margin(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 2019 actual</strong></td>
</tr>
<tr>
<td>35.6%</td>
</tr>
</tbody>
</table>

\(^1\) At constant exchange rates (applying prior period’s exchange rates to this period’s results).
\(^2\) Excludes system and process improvement costs relating to Oracle ERP implementation.
Progress against our goals
We remain on track to deliver our strategic goals for the year

<table>
<thead>
<tr>
<th>Strategic KPIs</th>
<th>FY 2019 Target</th>
<th>H1 performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recombinant antibody revenue growth¹</td>
<td>20%+</td>
<td>21.1%</td>
</tr>
<tr>
<td>Immunoassay growth¹</td>
<td>20%+</td>
<td>25.8%</td>
</tr>
<tr>
<td>Customer engagement: transactional NPS</td>
<td>57-67%</td>
<td>64%²</td>
</tr>
</tbody>
</table>

1) At constant exchange rates (CER, applying prior period’s exchange rates to this period’s results).
2) July-Oct 2018 (tNPS provider changed during October 2018)
We are making good progress towards our FY2019 objectives

**Sustain antibody and digital marketing leadership**
- ~1,500 recombinant antibody products published
- Knockout validation initiative now in over 1,800 products
- Two website releases deployed
- China growth v.2.0 project launched

**Expand in related growth markets**
- >600 immunoassay kits published online
- First multiplex immunoassay customer cohorts
- Continued development of ‘Abcam Inside’ pipeline, with 75+ projects initiated

**Invest in operating capabilities for 2x 2016 scale by 2023**
- IT implementation progressing to plan
- Global employee share scheme launched
- Move to new UK HQ complete
- Further senior team appointments made

**Sustain attractive economics**
- New UK HQ delivered on time and budget
- First wave of manufacturing automation implemented
- Contingency plans initiated for no-deal Brexit

**Supplement organic growth - acquisitions and partnerships**
- Bolt-on acquisition of Calico Biolabs
- EVP of Corporate Development appointed
- Attractive pipeline of opportunities

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1) Includes primary antibodies, primary conjugates and PBS only (azide free) formulations
2) Includes ELISA kits, matched antibody pair kits, Fireplex multiplex panels and PBS only (azide free) formulations
Leadership in research use markets is strengthening our competitive position in an $8bn addressable market.

Estimated Total Addressable Markets

1. **Research Use (RUO) Proteomic Tools**
   - Protein binding reagents
     - Primary antibodies
     - Secondary antibodies
     - Immunoassays
   - Related reagents
     - Kits
       - Proteins, peptides, lysates
     - Biochemicals

2. **Antibody development for Dx/Tx use**
   - Diagnostic applications
     - Companion Dx
     - IVD
     - Point of Care
   - Disease treatment
     - Biological therapeutics

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(1) Includes Cellular Activity Kits, Epigenetic Kits, miRNA Kits
Across our markets we are pursuing four large growth opportunities

1. **CP&L (Abcam Inside)**
   - Dx / Tx antibodies

2. **China**
   - RUO and Dx/Tx

3. **Immunoassays**
   - Research use + 3rd party platforms

4. **Research use (RUO) antibodies**
   - Innovating high-performance recombinant antibodies to high value areas

**Note:** Chart for illustrative purposes only. Not to scale.
Supplementing organic growth through partnerships and acquisitions: Calico Biolabs

Bolt-on acquisition of Calico completed in January

- small portfolio of CAL™ clones optimised for IHC antibodies against key Immuno-oncology targets
- complementary propriety technology allows development of high quality antibodies without the use of traditional cell fusion and hybridoma methods

Aligned with our M&A criteria:

✓ “Gold standard” reagents to study biological pathways
✓ potential to drive further growth via digital platform and brand
✓ opportunity to create new propositions by combining with existing Abcam technology
✓ accretive deals with attractive return on capital / IRR

Formalin-fixed, paraffin-embedded NSCLC (Non-small-cell lung carcinoma) tissue stained for PD-L1 using Anti-PD-L1 antibody [CAL10] (ab237726) at 0.3 µg/ml dilution in immunohistochemical analysis. Positive staining (Left panel) and negative staining (Right panel).
Confident in sustaining our long-term growth trajectory

- Enduring demand for proteomic research tools
- Global market leader of research antibodies opening up new related markets
- Unique capabilities support continued share gains
- Focused on major growth opportunities in TAM of ~$8bn
- Investing to support opportunity
Q&A
Additional Information
Cohort catalogue revenue by financial year
Foreign exchange – modest FX benefit in H1

Total reported revenue growth
H1 2019: £124.7m
H1 2018: £112.5m

+11.2%

Reported Catalogue revenue growth
H1 2019: £117.0m
H1 2018: £105.2m

+10.8%

Foreign Currency Movements

<table>
<thead>
<tr>
<th>Currency</th>
<th>(as % of rev)</th>
<th>H1 18</th>
<th>H1 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/GBP</td>
<td>48.6%</td>
<td>1.32</td>
<td>1.29</td>
</tr>
<tr>
<td>EUR/GBP</td>
<td>19.4%</td>
<td>1.12</td>
<td>1.12</td>
</tr>
<tr>
<td>RMB/GBP</td>
<td>16.1%</td>
<td>8.76</td>
<td>8.88</td>
</tr>
<tr>
<td>JPY/GBP</td>
<td>6.4%</td>
<td>147.5</td>
<td>145.1</td>
</tr>
</tbody>
</table>

Note: average exchange rates in period

USD/GBP: (48.6% of rev)
EUR/GBP: (19.4% of rev)
RMB/GBP: (16.1% of rev)
JPY/GBP: (6.4% of rev)
Breakdown of H1 2019 revenue, cost of sales and expense by currency
Capex ratio expected to start to reduce from above average levels from 2019/20

D&A expense expected to increase in 2018/19 and again in 2019/20 as a result of implementation of Oracle Cloud ERP, completion of UK HQ, and the introduction of IFRS16 in 2020.

(1) Includes capitalised R&D, laboratory equipment, office & computer equipment
(2) Adjusted for £0.6m reclassification in 2016/17
(3) Details provided in additional information section
IFRS 16 impact from FY2019/20

- IFRS16, ‘Leases’ is effective from the Group’s 2019/20 financial year and has the most significant impact for lessees.
- The most significant changes are that the Group will recognise an asset and a corresponding liability for all leases currently accounted for as operating leases. Exceptions are leases for a short period (less than 12 months) or where the underlying asset value is low.
- The operating lease cost which the Group currently incurs will be replaced by a depreciation charge on the asset (over the term of the lease) as well as an interest charge on the liability over the same period.
- The Group therefore anticipates that the adoption of IFRS16 will have a significant impact on the primary financial statements, which will impact on operating profit, profit before tax, total assets and total liabilities lines.
- The Group has conducted a review of its lease contracts and based on the operating leases in place at 30 June 2018, including the new Group HQ as well as judgements over expected extension options on all of its leases.
- At transition, the Group expects a decrease in net assets of up to £5m. In the years after transition the impact on the Group’s income statement will be an increase in operating profit as a result of removing the operating lease expense net of the new depreciation charge. The overall impact to the Group’s reported profit after tax is expected to be immaterial, with a small net decrease in the initial years after transition which will reverse in later years as the leases in existence at transition come closer to ending.
- The final transition impact may differ from the above guidance depending on business decisions made during the period to 30June 2019.

**Estimated impact on P&L (all figures approximate)**

<table>
<thead>
<tr>
<th></th>
<th>£’m</th>
<th>FY20e</th>
<th>FY21e</th>
<th>FY22e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>~6.0</td>
<td>~6.0</td>
<td>~6.0</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>~6.0</td>
<td>~6.0</td>
<td>~6.0</td>
<td></td>
</tr>
<tr>
<td>Operating expenses - depreciation</td>
<td>~(4.7)</td>
<td>~(4.5)</td>
<td>~(4.3)</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>~1.3</td>
<td>~1.5</td>
<td>~1.7</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>~(2.3)</td>
<td>~(2.0)</td>
<td>~(2.0)</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>~(1.0)</td>
<td>~(0.5)</td>
<td>~(0.3)</td>
<td></td>
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</tbody>
</table>

**Estimated impact on Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>£’m</th>
<th>FY20e</th>
<th>FY21e</th>
<th>FY22e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>~50</td>
<td>~45</td>
<td>~40</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>~55</td>
<td>~50</td>
<td>~46</td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td>~(5)</td>
<td>~(5)</td>
<td>~(6)</td>
<td></td>
</tr>
</tbody>
</table>

Note: The final transition impact may differ from the above guidance depending on business decisions made during the period to 30 June 2019. Figures assume all leases up for renewal over the forecast period are extended on current normal market terms.
Facts about our business:

- Abcam makes, sources and sells a range of highly validated biological binders and assays to help study important targets in critical biological pathways
- We offer over 110,000 products to research protein targets across antibodies, proteins, lysates, biochemicals, kits and assays
- ~47% of our revenue is generated from our own products and innovation
- >50% of our top-selling products are innovations from, and manufactured by, Abcam
- Team of 1,100 working globally across eleven locations, including five production sites