

Dear Shareholder,

The life science industry is vibrant, with increased research funding and capital investment supporting collaborative and global discovery networks.

Those research discovery networks – spanning genomics, epigenetics, proteomics and metabolomics – are converting physical biology into data at an unprecedented rate at a time when we are approaching unconstrained computing power. The insights from this data are not fully realised, and yet this progress is already producing rapid advances in scientific discovery and improving patient lives. Indeed, we expect the impact of the endeavours of researchers today to redefine how we will be treated in the future.

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I am proud of what we have accomplished in 2019. Together, we successfully implemented our growth strategy to become a stronger partner for our customers. For our team, we continued to enhance our culture to be an even better place to work. For our shareholders, we delivered a solid financial performance, positioning our Company for an exciting future.

Alan Hirzel
Chief Executive Officer



In this context we are proud of the role Abcam plays in serving scientists and the success for our Company. We have achieved a great deal in the five years since the launch of our invest-to-grow strategy in 2014. Our commitment to product innovation, quality and our customers has seen us strengthen our position in our core markets and provide greater choice to researchers through the addition of new product lines. In doing so, we have doubled our revenue and delivered strong returns to our shareholders.

Driven by our purpose and with the confidence in our ability to sustain success, we have taken the opportunity to review our plans for the next phase of Abcam's development and growth. It is an exciting time for our industry, and we believe we are ideally positioned to increase our influence and impact whilst creating further value for our stakeholders.

Serving science; sustaining growth

Abcam exists to pursue two aims. The first is to realise our purpose: to serve life scientists to achieve their mission, faster. The second is to build a sustainable enterprise that creates value for all stakeholders and makes it possible for us to do more at a greater scale and wider impact.

As we seek to realise these aims, we take a multi-decade view of our strategy and objectives. Abcam's work to support customers on the cutting edge of discovery today is the seedbed for improvements to human health and lifestyles 10 to 20 years from now. With two decades behind us, we are now at a point where researchers know they can trust our capabilities and quality to accelerate the impact they will have on patients' lives.

A dedicated team delivering for customers

Our more than 1,150 colleagues around the world are vital to the delivery of our purpose and the continued success of our business. I am proud of what they have accomplished in 2019. Together, we successfully implemented our growth strategy to become a stronger partner for our customers. For our team, we continued to enhance our culture to be an even better place to work. And for our shareholders, we have delivered a solid financial performance, positioning our Company for an exciting future.

As our global impact and influence continues to grow, it encourages each of us to keep improving what we do for science and how we build our business. Everything we do is anchored in the belief that customers provide the urgency and direction for our business. It is this belief that drives us forward in our efforts to build a culture and implement a strategy that ensures we continue to delight our customers, develop our team and execute against our plans, at all times acting with responsibility and integrity.

Our performance in 2019

We delivered another solid financial performance in 2018/19, with total revenue growth of 11.4% on a reported basis and 9.2% on a constant currency basis. On a reported basis, Catalogue revenue rose 12.0% to £242.8m whilst Custom Products & Licensing revenue rose 4.3% to £17.1m.

Adjusted profit before tax rose 2.8% to £83.9m, whilst reported profit before tax decreased to £56.4m (2017/18: £69.1m) due mainly to the non-cash impairment charge of £12.8m relating to historical costs associated with the ERP system. We continue to be highly cash generative, with net cash inflow from operating activities of £70.2m (2017/18: £63.3m). Return on capital employed remained above 20%.

Sustained positive catalogue revenue growth came from continuing to gain share in each of our global markets. This part of our business is maintaining growth at approximately twice market rates. The drivers of this growth arose from our success in expanding our quality product range in recombinant antibodies and continuing to build out immunoassays as a new business line.

Whilst our overall revenue growth was impacted by Custom Products and Licensing (CP&L), two observations give us confidence we are on the right track for this part of our business:

1. The 'Abcam Inside' strategy is working – that is, allowing our products to be used by partners beyond research in the development of clinical products that will help patients across the globe. In 2018/19 we executed 57 agreements with diagnostic and biopharmaceutical organisations that have the potential to lead to new diagnostic tools and completed over 160 projects; and
2. It is still early in the development of the economic model. For the full year the increase in revenue from licences, royalties and supply agreements (contributing approximately 70% of CP&L revenue) was offset by a decline in revenue generated from custom projects.

Our successes, as well as our strength in customer engagement, are seen most clearly in our strategic performance indicators where the business achieved each of the targets it set out at the start of the year:

Strategic Performance Indicators

	2018/19 target	Actual
Recombinant revenue growth ¹	>20%	22%
Immunoassay revenue growth ¹	>20%	22%
Customer engagement: tNPS ²	57–67%	59%

¹ Constant exchange rate (CER).

² In November 2018, the Company appointed a new tNPS survey partner. As a consequence of this, the mechanism by which customer feedback is obtained changed and resulted in a tNPS outcome that is approximately 10% lower than under the previous mechanism.

Chief Executive Officer's review and operational report continued

	Reported revenue		Increase	CER growth rate
	2019 £m	2018 £m		
Catalogue revenue by product:				
Primary and secondary antibodies	193.2	174.5	10.7%	8.7%
of which recombinant antibodies	59.1	48.0	23.1%	22.4%
Other products ¹	49.6	42.3	17.3%	14.7%
of which immunoassay products	18.5	15.0	23.3%	21.9%
Catalogue sub-total	242.8	216.8	12.0%	9.8%
Custom Products & Licensing (CP&L)²	17.1	16.4	4.3%	0.4%
Total reported revenue	259.9	233.2	11.4%	9.2%

1 Includes kits and assays, proteins, peptides, lysates and AAI products sold for research use.

2 Includes royalty income, custom products, IHC/IVD and licensing revenue.

Alongside delivery of our strategic goals, I am pleased with the successful accomplishment of many business building objectives for the year, including the following select highlights:

- Introduction of our 18,000th recombinant antibody to the market
- Successfully launched several projects and partnerships with biopharma and diagnostic customers that have the potential to take discoveries beyond research and into products that will help patients across the globe ('Abcam Inside'), including:
 - Licensed our Pan-TRK antibody (clone EPR1734) for use in Roche Diagnostics' IHC kit for N-TRK gene fusion positive cancers;
 - Licensed a second PD-L1 antibody (clone 73-10) in Leica's BOND platform;
 - Entered into a partnership with NanoString Technologies to supply Abcam's recombinant monoclonal antibodies for the GeoMx Digital Spatial Profiler platform; and
 - Entered a strategic agreement with Qiagen (Suzhou) to co-develop companion diagnostic and in-vitro diagnostic reagents and kits for the Chinese market;
- Expanded and enhanced our executive leadership team with the addition of Dr Cheri Walker as SVP of Corporate Development and Jac Price as SVP of Supply Chain and Manufacturing;
- Acquired and integrated Calico Biolabs, enhancing our antibody capabilities and expanding our recombinant antibody portfolio;
- Implemented an award-winning all-employee share ownership scheme;
- Successfully moved into our new global headquarters in Cambridge, UK, on budget and without disruption to customers; and
- Completed the transition of our financial and non-stock procurement operations to our cloud-based ERP platform.

Upgrading our IT systems

With the installation of the latest modules of our global ERP system, we have concluded the programme that initiated in 2015/16 to provide more scalable back-office systems at Abcam. Many global functional areas have been improved by the programme including process and data management in Human Resources, Customer Experience, Finance and non-stock Procurement. We are already seeing benefits to scale, better data and better controls from these changes.

Manufacturing and Warehouse Management remain functional areas not yet addressed by this IT upgrade programme. Following an extensive review of business requirements and the current state of Oracle Cloud software as well as other best in class software providers, we have decided to make some changes to the approach and software used in these areas.

As we also look to improve our customers' end-to-end experience, including our website, it would be a missed opportunity to address these areas discretely. Accordingly, we intend to integrate improvements in the remaining functional areas with enhancements to our front-end system to further improve our customers' overall experience.

Removing constraints and increasing the potential of our business

We are now five years into the strategy set out in 2014, which included the following five strategic objectives to guide our business activities and deliver efficient growth:

- Sustain antibody and digital marketing leadership;
- Expand in related growth markets;
- Invest in operating capabilities to double our scale;
- Sustain attractive economics; and
- Supplement organic growth through acquisitions and partnerships.

In the five years since, we have achieved much in the pursuit of those goals. Today, Abcam is the top cited company for approximately 40% of the 2,000 protein targets most studied in global academic research, up from 22% in 2013 (source CiteAb). We have doubled the revenue of the business, successfully launched adjacent product lines that our customers need, invested in our people, processes and operations and delivered healthy returns to our shareholders.

Whilst it is tempting to pause and celebrate our past, and I am certainly proud of what the team has accomplished, I prefer to look at the Company as if we were just getting started. We have a backlog of attractive ideas to grow our sales and global influence whilst creating value for shareholders, customers and other stakeholders.

When we talk about our business strategy and what it will take to remove constraints and do more, we focus on two main elements: converting ideas to innovation and scaling up efficiently to sustain growth.

Converting ideas to innovation: As the percentage of Abcam's total revenue from products developed internally (including CP&L) has grown from approximately 12% at the time of the Company's IPO in 2005 to almost 50% today, the nature of how we innovate has changed considerably. Abcam's scientific skills have grown exponentially in that period. Today, our main constraint tends to be putting the right scientific and commercial teams in place to bring new ideas successfully to market.

Scaling up to sustain growth: This is Abcam's capacity as an organisation to scale efficiently, grow and lead successful change; both in bringing innovation to market and in business building. As a high growth business this capacity is always constrained, with solutions that may have worked in the past requiring rapid improvement or replacement.

Investing in our future: new five-year plan to 2024

The fundamentals of our business are strong, and the medium- and long-term prospects of our markets are attractive. As a result, we are challenging ourselves to increase our rate of investment to accelerate the implementation of initiatives that will allow us to seize more of the market opportunities for growth. These initiatives and our investment priorities are focused on the following long-term goals, representing our three-pillar strategy for sustainable growth:

1. Sustain and extend antibody and digital leadership

- Antibody innovation and validation: supporting the creation of best in class binders to high value targets, pathways and research areas; and
- E-commerce and digital: Our website, search engine optimisation and data have been a major strategic advantage. We now see opportunities to make step changes to improve the customer experience and enhance our competitive position over the next five years.

Group revenue

£259.9m

2018/19	£259.9m
2017/18	£233.2m
2016/17	£217.1m
2015/16	£171.7m
2014/15	£144.0m
2013/14	£128.0m

Revenue from in-house products (catalogue)

£106.4m

2018/19	£106.4m
2017/18	£91.9m
2016/17	£81.2m
2015/16	£60.6m
2014/15	£49.2m
2013/14	£41.1m

Chief Executive Officer's review and operational report continued

2. Drive continued expansion into complementary market adjacencies

- Immunoassays: further development of our proprietary portfolio of high-performance products;
- Proteomic reagent innovation: extending our proprietary offering in adjacent life science reagents where doing so will also strengthen our antibody development capabilities, for example in recombinant proteins, cell lines and lysates, and imaging and multiplexing consumables; and
- 'Abcam Inside': building our reputation and leveraging our unique capabilities as an antibody discovery partner for biopharmaceutical and diagnostic organisations.

3. Build organisational scalability and sustain value creation

- Removing operational constraints to growth: including replacing the final areas of legacy IT systems, automation at process bottlenecks, simplification of our global facilities footprint and enhancement of our talent; and
- Realising operational improvements and efficiencies.

At the same time, we will continue to focus on the selective pursuit of acquisitions to supplement our organic growth and fill capability gaps. We are excited by the potential impact on biomedical research, human health and the financial returns these investments will have over the long term.

Looking forward

The dynamics of the markets we serve remain positive. The investments we have made and will continue to make are enabling Abcam to sustain profitable growth and achieve the strategic and financial targets we have set for ourselves.

I am confident that the investments we are making will generate long-term value for our shareholders whilst helping us serve life scientists around the world to achieve their mission, faster.

Sincerely,



Alan Hirzel
Chief Executive Officer
6 September 2019

Updated Strategic Performance Indicators, new long-term and 2019/20 outlook

Updated Strategic Performance Indicators:

Aligned to these plans, we have revised our strategic performance indicators moving into 2019/20 to reflect the strategic direction of the business and our updated goals:

Updated Strategic KPIs	2019/20 target
Catalogue revenue growth from in-house products ¹	12–15%
Customer engagement: transactional NPS	54–60%

1 At constant exchange rates.

Long-term outlook to 2023/24:

We are also providing the following long-term outlook which demonstrates our focus on growing our businesses while continuing to aim for attractive margins and returns:

Financial Metric	2023/24 outlook
Revenue ^{1,2}	£450m–£500m
Adjusted operating profit margin ^{3,4}	Low 30s %
Pre-tax Adjusted ROCE ³	Above 18%
Total 2020–24 Capex ⁴	£175m–£225m

1 At constant exchange rates.

2 With an accelerating level of growth through the period.

3 Proforma for impact for IFRS 16.

4 Contingent upon the phasing of existing plans and future projects.

2019/20 outlook:

The new financial year has started in line with our expectations and for the full year we currently expect revenues to be between £288–294m¹, equivalent to a constant currency growth rate of approximately 9–11%. Whilst profit margins over the next few years will be partially dependent on the phasing of investment behind our plans, we anticipate our adjusted operating profit margin in 2019/20 to be 25–28% as a result of planned scaling and growth investments, whilst capital expenditure is expected to be £30–50m.

1 At the following budgeted foreign exchange rates to Pound Sterling: USD: 1.27; EUR: 1.12; RMB: 8.72; JPY: 134.

Related material

Our strategic priorities – pages 28 to 31

Related content

Key performance indicators – pages 32 to 35

