Serving scientists, sustaining growth.
Abcam at a glance

A global leader in the supply of life science research tools

Global locations

Catalogue products by type, 000s

<table>
<thead>
<tr>
<th>Primary products</th>
<th>Recombinant</th>
<th>Other 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antibodies</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Secondary antibodies</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>ELISAs and kits</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Proteins, peptides, lysates</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>AAAI</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

Group revenue, £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Recombinant antibodies</th>
<th>Other antibodies</th>
<th>Immunoassays</th>
<th>Other catalogue products</th>
<th>Custom Products &amp; Licensing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/19</td>
<td>59.1</td>
<td>134.1</td>
<td>18.5</td>
<td>31.3</td>
<td>17.1</td>
</tr>
<tr>
<td>2017/18</td>
<td>46.0</td>
<td>126.5</td>
<td>15.0</td>
<td>27.3</td>
<td>16.2</td>
</tr>
<tr>
<td>2016/17</td>
<td>40.4</td>
<td>125.1</td>
<td>15.4</td>
<td>24.8</td>
<td>14.7</td>
</tr>
</tbody>
</table>

Legend:
- Research and development
- Distribution
- Customer Services (Cx)
- Custom Solutions

Map showing global locations including Cambridge, United Kingdom; Hangzhou, China; Shanghai, China; Cambridge, Massachusetts; Eugene, Oregon; Branford, Connecticut; Burlingame, California; Pleasanton, California; Tokyo, Japan; Amsterdam, Netherlands; Shanghai, China; Hangzhou, China; Pleasanton, California; Hong Kong; Pleasanton, California.
Share of global primary antibody research citations (2018)\(^1\)

21%

Employees

1,155

PhDs

212

\(^1\) Source: CiteAb.

Cover image

Visualising PD-L1 in cells: PD-L1 is involved in suppressing certain immune responses and is a key target for cancer therapies. These therapies aim to reduce PD-L1 levels in cancer cells, preventing them from ‘hiding’ from the immune system.

Related investor presentations

Abcam plc regularly updates its stakeholders through the website.

Please visit abcamplc.com for further information.
Precision delivery of high-quality protein research tools for the life sciences industry

Operational and strategic highlights

All product categories growing above underlying market rates and all strategic performance targets achieved

Continued in-house innovation, with in-house product revenue growth of 13.6% (CER) and the introduction of the Group’s 18,000th recombinant antibody

Further enhancements to product quality through knockout validation, recombinant antibodies, and other quality initiatives

Ongoing development of our addressable market in custom products and licensing, with 57 new agreements entered into with biopharmaceutical and diagnostic partners and over 160 custom projects completed during the year

Implemented the financial and non-stock procurement modules of the Oracle Cloud ERP IT system

Successfully relocated to our new global headquarters

Acquisition of Calico Biolabs, expanding expertise in recombinant rabbit monoclonal antibody development

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Financial highlights

Total revenue

£259.9m +11.4%

2018/19 £259.9m
2017/18 £233.2m
2016/17 £217.1m

Gross margin

70.5% +0.6%pts

2018/19 70.5%
2017/18 69.9%
2016/17 70.1%

Adjusted EBITDA margin

35.6% -2.3%pts

2018/19 35.6%
2017/18 37.9%
2016/17 33.8%

Adjusted profit before tax

£83.9m +2.8%

2018/19 £83.9m
2017/18 £81.6m
2016/17 £56.4m

Reported profit before tax

£56.4m -18.4%

2018/19 £56.4m
2017/18 £69.1m
2016/17 £51.9m

Adjusted diluted earnings per share

32.6p +0.6%

2018/19 32.6p
2017/18 32.4p
2016/17 25.6p

Reported diluted earnings per share

21.8p -27.8%

2018/19 21.8p
2017/18 30.2p
2016/17 20.7p

Total dividends

12.13p +1.1%

2018/19 12.13p
2017/18 12.00p
2016/17 10.18p

Return on capital employed (ROCE)

20.8% -2.4%pts

2018/19 20.8%
2017/18 22.2%
2016/17 19.6%

Note:

Certain financial measures in this Annual Report and Accounts, including adjusted results above, are not defined under IFRS and are alternative performance measures as described on page 141. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the consolidated financial statements.
Our purpose – to serve life scientists to help them achieve their mission, faster – drives everything we do.

By providing life scientists with critical biological tools and reagents needed for research, drug discovery and diagnostics, we are helping advance scientific discovery, resulting in better health outcomes and improving lives.

We recognise that we succeed only because we help our customers achieve their goals, faster. We are committed to increasing and improving the ways in which we are able to support life scientists and achieving this in a way that benefits our shareholders and our other stakeholders.

As we continue to execute our strategy to deliver sustainable performance and growth, our culture will help drive success.

We will – continue to dedicate ourselves to our customers, anticipating and responding to their needs in order to deliver an exceptional experience; be audacious in our approach to innovation and in finding solutions to existing and new biological questions; and earn trust by delivering quality products and services with agility and speed, executing on our plans and, at all times, acting responsibly and with integrity.

Alan Hirzel
Chief Executive Officer
Dedicated to excellence

How Abcam’s scientists are helping the research community move closer to a cure for Parkinson’s disease.

Today, there are over six million people around the world living with Parkinson’s disease.

Through true partnership, Abcam and the Michael J Fox Foundation have shown unwavering commitment and dedication to co-creating innovative tools that are helping to accelerate Parkinson’s research across the global community.

To date, the partnership has put over 50 new antibodies into the hands of the global research community, which have been cited in over 150 peer-reviewed research papers.

This research is generating insights that will one day support finding a cure for this condition.

Visit abcam.com/neuroscience/parkinsons-disease to find out more
Purpose in action
Audacious innovation

How an audacious approach to innovation is helping advance research in rare disease areas with high unmet medical need.

Around the world, researchers and organisations are working hard to better understand the estimated 7,000 rare diseases that impact human health, defined as those that impact fewer than 1 in 2,000 people.

This bold, pioneering work is shedding new light on these disorders, informing and supporting the development of new therapies and treatment – although ready access to effective research tools is often a challenge, holding back faster progress.

One such organisation is the Loulou Foundation, which is focused on finding a cure for CDKL5 Deficiency Disorder (CDD), involving the mutation of a gene essential for normal brain development and function. The lack of quality research reagents for CDKL5 has been a significant hurdle to the understanding of the biology of this devastating disorder, and to the development of effective therapies.

By combining the technical expertise of our teams with the disease-specific expertise of groups, like the Loulou Foundation, we are helping to support effective rare disease research through the innovation of precision research tools.

Visit abcam.com/Loulou to find out more about Abcam’s partnership with The Loulou Foundation.
Embracing agility

How an agile approach to new product development is helping increase our knowledge of epigenetics.

Epigenetics is defined as the study of heritable changes of DNA, not involving changes in a DNA sequence, that regulate gene expression. Whilst the study of epigenetics has been around for many years, its impact on biology and human disease is still largely unknown. What is known is that epigenetics is disease agnostic, with new and varied biomarkers being identified on a daily basis that are common to diseases as diverse as cancer and neurodegeneration.

Abcam was proud to be one of the first reagent suppliers to bring antibodies to the market to assist the study of epigenetic modifications to RNA. These tools are enabling the global research community to uncover insights and unlock this complex area of biology.

During the year we launched 25 antibodies to modified RNA. These products join over 3,000 others across our various ranges that are helping to support the study of epigenetics. Interactive partnerships with leading academic experts have allowed us to respond at pace to meet this expanding demand.

Visit abcam.com/epigenetics to find out more about Abcam’s range of antibodies supporting epigenetics research.
It is my pleasure to introduce Abcam’s 2019 Annual Report, which sets out the continued financial and strategic progress made by the Company over the past 12 months, as well as our plans and priorities for the future.

Abcam has made good progress, both financially and strategically, over the past 12 months. We have continued to successfully implement our growth strategy whilst strengthening the organisation’s underlying capabilities to deliver further growth in the future.

Peter Allen
Chairman
I am pleased to report that Abcam has made good progress, both financially and strategically, over the past 12 months. We have continued to successfully implement our growth strategy whilst strengthening the organisation’s underlying capabilities to deliver further growth in the future.

Financial performance

We are pleased to report an 11.4% increase in revenue to £259.9m (2017/18: £233.2m), representing growth of 9.2% on a constant currency (CER) basis and an increase in adjusted profit before tax of 2.8% to £83.9m (2017/18: £81.6m).

On a reported basis, profit before tax declined by 18.4% to £259.9m (2017/18: £233.2m), representing growth of 9.2% on a constant currency (CER) basis and an increase in adjusted profit before tax of 2.8% to £83.9m (2017/18: £81.6m).

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Adjusted measures are reconciled to the most directly comparable measure in note 7 to the consolidated financial statements.

Free Cash Flow³ comprises net cash generated from operating activities less net capital expenditure and transfer of cash into escrow for future capital expenditure.

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Profit before tax of 2.8% to £83.9m (2017/18: £81.6m).

Implementing our strategy to sustain growth: Five-year plan to 2023/24

Investment in the business over the last five years, which has seen us deliver on our strategy and generate significant value to our shareholders, has laid the foundation for growth in 2019/20 and beyond, as well as highlighting numerous new opportunities.

To ensure we can take full advantage of these opportunities and remove constraints to growth, the Board conducted an in-depth review of our strategy and investment plans during the year. This resulted in a new five-year plan being developed, which provides for an increase in the pace of investment over the medium term.

The investment will see us increase our capacity for innovation and new product development, improve our IT infrastructure and global supply chain to meet the demands of a global business and enhance our digital platform and capabilities, improving our customers’ experience.

Thoughtful partnerships and acquisitions can accelerate this trend and we are confident that these organic and inorganic investments will drive further growth and value for shareholders over the coming years.

Dividend

The Group’s strong balance sheet and cash generation capability has allowed the Directors to propose an increase in the dividend for the year. Subject to approval at the AGM on 13 November 2019, the Board proposes to pay a final dividend of 8.58 pence (2017/18: 8.58 pence) per share.

Together with the interim dividend of 3.55 pence per share paid on 12 April, this makes a total dividend for the year of 12.13 pence (2017/18: 12.00 pence) per share, representing an increase of 1.1% compared to last year. If approved, the final dividend will be payable on 29 November 2019 to shareholders of record at the close of business on 8 November 2019. The ex-dividend date is 7 November 2019.

Board changes and governance

Following a rigorous recruitment process for a Non-Executive Director, Giles Kerr was appointed to the Board in December 2018. Giles brings extensive experience as both an Executive and Non-Executive Director. His appointment strengthens the Abcam Board as he brings experience of life sciences, finance and first-hand understanding of our academic research customers.

On 19 July 2019 Gavin Wood notified the Board of his intention to step down at the end of his notice period, or when we appoint a successor. The Board appreciates the work Gavin has achieved in the previous three years but recognises his desire to be closer to his family in Oxford.

On 6 September 2019 Sue Harris notified the Board that she would not be seeking re-election at the 2019 AGM. Sue has played an important role in chairing the Audit and Risk Committee to high standards over the last five years. The Board thanks her for support in performing this critical leadership role.

Abcam remains committed to high standards of governance and continues to comply with almost every principle and provision of the UK Corporate Governance Code. In addition, we maintain a robust framework of systems and controls to maintain high standards throughout the Company, more details of which can be found in the Directors’ Report.

The Board strongly believes that effective corporate governance assists us in the delivery of our corporate strategy, the sustainable generation of shareholder value and the safeguarding of our stakeholders’ long-term interests.

Recognition and thanks

Finally, I would to pay tribute to our colleagues around the world for their continued dedication and hard work, as well as our customers, suppliers, business partners and shareholders for their continued support over the last year.

Sincerely,

Peter Allen
Chairman
6 September 2019
Chief Executive Officer’s review and operational report

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.

“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**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018/19 target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recombinant revenue growth¹</td>
<td>&gt;20%</td>
<td>22%</td>
</tr>
<tr>
<td>Immunoassay revenue growth¹</td>
<td>&gt;20%</td>
<td>22%</td>
</tr>
<tr>
<td>Customer engagement: tNPS²</td>
<td>57–67%</td>
<td>59%</td>
</tr>
</tbody>
</table>

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.
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.
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:

<table>
<thead>
<tr>
<th>Updated Strategic KPIs</th>
<th>2019/20 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalogue revenue growth from in-house products</td>
<td>12–15%</td>
</tr>
<tr>
<td>Customer engagement: transactional NPS</td>
<td>54–60%</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Financial Metric</th>
<th>2023/24 outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue1, 2</td>
<td>£450m–£500m</td>
</tr>
<tr>
<td>Adjusted operating profit margin3, 4</td>
<td>Low 30s %</td>
</tr>
<tr>
<td>Pre-tax Adjusted ROCE3</td>
<td>Above 18%</td>
</tr>
<tr>
<td>Total 2020–24 Capex4</td>
<td>£175m–£225m</td>
</tr>
</tbody>
</table>

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.
We live in a period of rapid expansion of biological knowledge. Daily breakthroughs are being made in mankind’s understanding of how cells operate in health and disease.

These advances are possible because of rapid growth in understanding of the role of proteins expressed by genes. This understanding is in turn powered by the provision of high-quality research tools and reagents in support of hundreds of thousands of scientists around the globe.

Today, the global market for research antibodies and reagents that Abcam serves is worth approximately $3bn¹ and growing at around 4% per annum. Within this figure primary antibodies contribute approximately $1bn, with related research reagents including secondary antibodies, kits, assays, proteins, lysates and cell lines comprising the balance.

In recent years, in partnership with biopharmaceutical and diagnostic companies, Abcam has begun to extend the commercial application of its antibodies into diagnostic and therapeutic markets. According to market research, the global monoclonal antibody-based therapeutics market is expected to double in size from 2017–23 and reach over $200bn. Similarly, the companion diagnostics market is forecast to expand rapidly, reaching some $25bn by 2022.

Abcam serves this market through the development of high-performance antibodies for diagnostic and biopharmaceutical organisations that have the potential to be used in clinical products, including in-vitro diagnostics (IVD), companion diagnostics, immunoassays and biological therapeutics.
## Proteomic research reagents

**Description**

Research reagents including primary and secondary antibodies, kits and assays, proteins, peptides, lysates, cell lines and biochemicals.

**Estimated addressable market size**

~$3bn\(^1,2\)

**Long-term estimated market growth trend**

~4%\(^2\)

**End markets**

- Academic labs located in universities, higher education and government research institutes.
- Clinical labs in pharma and biotech companies working in the drug discovery and diagnostic markets.
- Core facilities located in hospitals, research institutes, and other large organisations.

**Abcam sales**

Catalogue sales (RUO)

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## Diagnostics

**Description**

Antibodies and associated reagents are used to detect, quantify and modify proteins in scientific research experiments and thus enable conclusions to be drawn about the target molecule and pathway of interest. They are fundamental, irreplaceable tools for the work of life scientists.

Regulatory approval of research-grade antibodies is not required.

**Antibodies have become a critical component of many in vitro diagnostic (IVD) assays, including companion diagnostics. Uses include, but are not limited to, the detection of infections, recognition of allergies and the measurement of hormones, proteins and other markers in biological samples.**

**Antibody diagnostics generally require regulatory approval.**

**Estimated addressable market size**

~$5bn\(^2\)

**Long-term estimated market growth trend**

~5-8%\(^2\)

**End markets**

Clinical labs in pharma and biotech companies working in the drug discovery and diagnostic markets.

**Abcam sales**

Custom Products and Licensing

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## Therapeutics

**Description**

Antibodies can be used as therapeutic agents for the treatment of diseases including certain cancers and immune-related diseases.

**Antibody diagnostics generally require high levels of regulatory approval.**

**Estimated addressable market size**

- Monoclonal antibodies

\(^1\) Source: Pivotal Scientific, internal company estimates.

\(^2\) Source: Market research, internal company estimates.
Major trends in our markets

Major drivers of growth and change in our markets include:

Increased funding for biomedical research

Life science research funding continues to grow in many countries around the world, driven by increased investment into biomedical research from a combination of government, industry and private capital. Increased investment is funding translational research programmes associated with the development of next-generation therapies including immuno-oncology and immuno-therapy, treatments for chronic diseases associated with ageing populations, as well as rare and genetic diseases and the ongoing threat from infectious diseases such as HIV/AIDS, malaria and Ebola virus.

The increase in funding for industry-academia collaborations seen in recent years is expected to continue. Examples include the NIH’s BRAIN Initiative, Cancer Moonshot and the Precision Medicine Initiatives in the US and China.

Implications for Abcam

Increased funding for life science research serves to expand the number of projects undertaken, researchers employed and experiments conducted, increasing the requirement for Abcam’s products. In particular, a large percentage of Abcam’s revenues are derived from consumers who are publicly funded through research grants. The nature of the market means that it is difficult to give a precise measure, but it is thought to be somewhere around 70% of our revenue. Our remaining consumers are spread across the pharmaceutical, biotechnology and in-vitro diagnostic markets.

Abcam’s approach is to seek to understand and anticipate the evolving research and development (R&D) funding landscape across different regions and research areas in order that we can provide the most effective solutions and best serve consumer needs.

Growing significance of genomic and proteomic research

As technological innovation has driven a dramatic reduction in the cost of gene sequencing in recent years, its use has rapidly expanded, resulting in a commensurate increase in the identification of possible genetic targets and biomarkers for disease diagnosis. This has led to a proliferation in proteomic research in areas spanning stem cell research, gene editing, epigenetics, neuroscience and cancer.

All types of proteomics research are benefiting from this phenomenon, including protein separation, protein identification, protein quantification, protein sequence analysis, structural proteomics, interaction proteomics, protein modification and cellular proteomics.

At the same time, the market is also benefiting from increasing penetration of technologies enabling comprehensive and faster analysis of proteins, such as high-throughput immunoassay instruments. These developments are enabling scientists to increase productivity and achieve results faster, by processing hundreds of biological samples simultaneously.

Implications for Abcam

Abcam provides tools that are fundamental for proteomic research. A greater focus on research into protein function, together with an increased use of high-throughput platforms which require large volumes of reagents, is therefore linked to increasing demand for these products.

As our markets continue to innovate and change we constantly review opportunities to augment our existing products and services that will support the needs of our customers.
Structural growth in R&D investment in China

The Chinese government has placed scientific and technological innovation at the centre of the long-term socio-economic development of the country and is supporting this major initiative through funding, reform and societal status.

China now ranks second in the world in number of scientific papers produced and is the world’s second-most-cited source, behind the US. In 2019, the Chinese government said it has begun formulating its science plans for 2021 to 2035 and intends to step up its basic research efforts, enhance innovative capabilities, increase international cooperation and improve its supervision and regulation.

China increased spending on R&D by 11.6% in 2018 to $291bn or 2.18% of GDP, up from 1.14% in 2005 and is on track to reach its 2020 target of 2.5% a year early (Source: National Bureau of Statistics).

Implications for Abcam

The Chinese market contributed over 16% of Abcam’s catalogue sales in 2018/19, up from c.5% in 2013 and represents a significant long-term growth opportunity. Our expectation is that the Chinese market has the potential to be as large as the US for our business in the next 15 years and we are building up our capabilities in the country to reflect this.

Focus on research reproducibility and reagent quality

Antibodies have a vital role in biomedical research and across the industry there are calls for greater reproducibility of data in primary publications. Unreliable research reagents lead to wasted time and money, with one survey from Nature reporting that more than 70% of researchers have tried and failed to reproduce another scientist’s experiments, and more than half have failed to reproduce their own experiments.

High-quality research antibodies, providing high specificity, sensitivity and consistency, are needed to make critical progress on this issue – helping to increase confidence in research outcomes and reduce waste across the industry.

Implications for Abcam

As a leading provider of antibodies and research reagents, Abcam’s ability to provide scientists around the globe with products they can trust, that are of the highest integrity, along with the data needed to support and validate their research is vital to our continued success.

Our investment in innovative antibody manufacturing techniques, such as recombinant-based engineering, and powerful cell editing tools, such as CRISPR, are helping us to pioneer antibody quality and validation techniques and speed up the accuracy and pace of research.

Precision medicine and protein therapeutics

High unmet needs in the effective diagnosis and treatment of cancer and other diseases is driving demand for protein therapeutics and personalised medicines across the medical community.

By tailoring therapies to patients based on a particular genetic condition or the mutation profile of their cancer, patients are able to benefit from better outcomes whilst healthcare costs are reduced by preventing the prescription of costly, yet unnecessary, treatments. Antibody-based companion diagnostic tests are one way of identifying patients most suited to a treatment.

Similarly, the use of targeted monoclonal antibody treatments has been shown to have greater efficacy and precision than traditional chemo- and radio-therapies, reducing patient side effects. To date, just over 100 MAbs have been approved for therapeutic use by the US FDA, with many more in clinical trials.

Implications for Abcam

Abcam’s strong capabilities in the design and manufacture of the highest quality recombinant monoclonal antibodies is helping us build a reputation as an effective partner for biopharmaceutical, diagnostic and instrument companies.

We are working with many companies across the industry to develop antibodies and immunoassays that they will take to market for diagnostic and therapeutic applications.

Related material

Our strategic priorities – pages 28 to 31
How we create sustainable value for stakeholders over the long term

Inputs
The resources and relationships we need to run our business and create long-term value:

Our people
Our people are fundamental to our continued success. Their skill and dedication enable us to fulfil our purpose. We aim to create a safe, fair and high-quality working environment. We invest in the development of our employees and encourage the sharing of feedback and ideas. We actively promote our culture, which focuses on earning the trust of all our stakeholders.

Related content
Corporate responsibility – pages 22 to 27

Our data and data analytics
We analyse and interpret significant amounts of data in order to better understand what customers need. We use the insights gained to inform our product development pipeline in support of their research goals.

Research and development
We have leading antibody discovery, innovation and manufacturing capabilities that allow us to develop unique, reliable products and technologies which meet customer needs. We are investing in our R&D capabilities 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.

Our global footprint
We sell our products in over 140 countries through a variety of channels. Our global distribution network means that in most cases customers can have the product they need working in their lab within 48 hours of ordering. Our multilingual scientific support teams are on hand to help customers around the world with technical queries.

Our partners
We work with partners, including third-party suppliers who provide us with products, as well as distributors and industry partners who support the sale of our product portfolio. We are transparent about how we work in terms of ethics, quality, the environment and general business principles, and aim to build long-term collaborative relationships based on trust.

Our financial resources
We have an attractive financial profile and generate significant free cash flow. As a public listed company, we have access to capital through our shareholder base. We also have access to sources of third-party funding and capital through our relationships with banks and other financial institutions, including our $200m RCF facility.

How we create and capture value
From Abcam’s inception, we have increased the value of our products by adding performance data that is readily accessible to our consumers.

1. Gain insights into how our customers work and what they need
We maintain regular dialogue with key opinion leaders at industry events, conduct consumer surveys and focus groups and are continuously interacting with consumers through our scientific support teams and other customer touch points. This allows us to keep up with market and research trends and gain insights into our customers in both academia and industry. In addition to these opportunities to listen, we make extensive use of the data analytics from our website and other data sources to uncover unmet needs, and then apply these learnings, as appropriate, to our product development pipeline.

2. Prioritise high-value pathways and targets, tailor and extend product portfolio
We focus on the areas of greatest technical and commercial need and then innovate. This starts with an understanding of which biological pathways and research targets are most important to researchers. Once we have identified a consumer need, we use our portfolio of leading antibody and immunoassay technologies to create unique, effective solutions. We also offer a range of complementary products that are related to these pathways and targets. As we add more data, we add more value to the products and give researchers confidence that the products will work first time and every time.

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We are now expanding how we add value by increasing the feedback mechanisms for consumers, acting on these insights and providing products for difficult targets.

**Outputs**

Generating long-term value for our stakeholders:

**Our customers**

Our portfolio of leading-edge antibody technologies, comprehensive consumer insights, personalised support, data, and continually growing range of high-quality research reagents help researchers around the world accelerate scientific discovery in the laboratory and apply those discoveries in the clinic.

**Our people**

Essential to our success is listening to our employees and recognising their achievements. Our people remain highly motivated by the opportunities we provide to gain additional skills and experience and to help advance their careers at Abcam.

**Our shareholders**

Operating transparently and responsibly, we regularly engage with our investors. We manage our business to generate attractive and sustainable long-term economic returns.

**Our partners**

Our product suppliers benefit from our global distribution network, digital platform and recognised brand to support the sales of their products. Our industry partners receive access to our products and technologies, supporting the development of antibodies and immunoassays that they are able to take to market for diagnostic and therapeutic use.

**Our communities**

We support a range of local initiatives and work with organisations to share best practice and knowledge in our sector. We support young people with employment opportunities, internships and work experience where possible.

**Our society**

Through the provision of high-quality research reagents we are supporting progress of the identification of biomarkers for disease diagnosis, disease-causing genes and drug interaction pathways, aiding the development and accurate prescription of the effective treatments for disease as well as reducing waste in research.

In addition, we create socio-economic benefits for a range of stakeholders including generating income for governments through our tax payments and providing employment across our supply chain and in the communities where we operate. In 2018/19 we paid Income taxes of £13.5m.

**Related content**

Corporate responsibility – pages 22 to 27
Behaving in a responsible and ethical way is central to the sustainable success of Abcam. We aspire to carry out our business activities to the highest ethical standards, act responsibly and make a positive impact in our interactions with all our stakeholders.
1. Delivering for our customers

Our primary purpose is to provide life scientists with the tools and reagents they need to support their goals. To ensure that we address their needs, it is critical that we listen to them and offer products and services that are of the highest quality, are effective and are convenient to access.

Our products are used around the world to advance the global understanding of biology and causes of disease which, in turn, is driving new treatments and improved health supporting the UN’s Sustainable Development Goal 3 (Good Health and Well-Being).

Whilst it is hard to quantitatively measure the societal benefits that flow from the use of our products, in 2018, Abcam’s antibodies were cited in over 45,000 research papers globally (source: CiteAb) and Abcam antibodies are now used in seven FDA approved companion diagnostic assays.

Major Corporate Responsibility priorities relating to our customers are based around ensuring:

- our products are effective and ethically produced;
- we understand the needs of our customers and provide support so that they get the most out of our products; and
- we safeguard user personal data that we manage as part of our activities.

Effective products

Antibodies have a vital role in biomedical research and scientific journals are calling for greater reproducibility of data in primary publications. Providing the highest quality products in terms of specificity, sensitivity and consistency, together with extensive product validation data is therefore a fundamental driver of improved customer loyalty and our reputation with life science researchers.

We strive to provide scientists with products they can rely on, which work as expected, avoiding wasted time and funding. To this end, we continue to invest in a variety of initiatives across the business to keep raising quality standards, including our ‘Knockout validation’ programme. As a result of this ongoing work, the level of product complaints fell again in 2018/19, to its lowest ever level.

Understanding needs and providing support

We continuously interact with consumers through our scientific support teams and other customer touch points including trade shows, surveys, focus groups and key opinion leaders. The feedback from these interactions is used to inform our innovation process and product development pipeline, as well as improve our service offering.

Providing pre- and post-sales support to customers to ensure they have what they need to carry out their research is fundamental to our proposition. We have continued to invest in our customer and scientific support teams during the year, ensuring they are able to provide 24/7 technical support to our customers.

Together, our support teams have dealt with 450,000 enquiries last year, responding to the vast majority within 24 hours. In the last 12 months we have also launched an online ‘Live Chat’ service available through our website to make it easier for customers to resolve issues.

We are able to measure real-time satisfaction levels through our transactional Net Promotor Score (tNPS), which is a strategic KPI of the business. Customers are encouraged to provide feedback after every interaction with us, with over 5,000 tNPS surveys completed last year. As valuable as the scores are the verbatim comments received, which give our teams actionable insights on what we can do to improve our products and service.

Over the year we achieved a tNPS score of 59% in 2018/19 (2017/18: 64%). The score reflects the impact of changing our survey provider in November 2018 to a more customer friendly format. 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.

Maintaining data privacy and security

We have defined and implemented relevant policies and procedures to ensure compliance with all applicable data protection legislation, including the EU General Data Protection Regulation (GDPR) which came into force in May 2018. Our data privacy policy is available on our website at www.abcam.com/content/privacy-policy.

"A simple ordering process, great customer service and delivery the next day, what more could I ask for? Oh, and the antibodies I ordered also worked perfectly!"

Customer feedback, tNPS survey

July 2019
2. Empowering our people

Attracting and retaining the best talent is crucial to the delivery of our strategy and sustainability as an organisation. Across our global locations we employ over 1,150 people, including over 300 who are focused on research and development. Our people priorities are focused on creating a positive, healthy and dynamic work environment where people feel valued, respected and treated fairly. We measure employee engagement annually and in the latest annual global employee survey, conducted in July 2019, we were delighted to see engagement levels rise for their fifth year in a row, to a record level.

During the year, we have continued to enhance our culture and make improvements to our performance, engagement and training and development activities in order to deliver against our goal of making Abcam an exceptional place to work.

**Inspiring and rewarding our people**

We aim to create a positive, collaborative culture and ensure everyone is aware of the contribution they can make. We want employees to be engaged and motivated and have opportunities to develop and progress. In 2017 we launched our global behaviours across the organisation – being Dedicated, Agile and Audacious – and have continued a programme of initiatives to champion these behaviours across our organisation over the last 12 months.

We recognise that rewarding employees fairly, equitably and competitively is crucial to attracting and maintaining a motivated workforce. In support of this, we undertake regular reviews of our reward data to ensure that any potential remuneration issues can be quickly detected and resolved.

In September 2018, we launched ‘AbShare’, an innovative share plan available to all permanent employees, globally. The plan, which won ‘Most Innovative & Creative Plan Design’ at the GEO 2019 awards, was designed to encourage broad-based share ownership across the world, creating alignment around the organisation and helping Abcam to attract and retain the highest calibre people. Take-up of the plan at launch was 88% across our global employee base.

Finally, we offer a range of incentives and management bonuses tied to Group and individual performance with alignment between an individual’s contribution and the delivery of our strategic goals.

500+ People attending leadership and management training programme

## Global people priorities

- **Inspiring and rewarding our people**
- **Strong in change**
- **A conversational organisation**
- **Leaders that love leading**
- **People join us for a career**
- **Development, development, development**

## Training and career development

The continuous development of our people remains a core pillar of our people strategy. Highlights of our training and development activities over the last 12 months include:

- Record online and offline training undertaken by global colleagues;
- Roll-out of new performance management approach ‘Performance with Purpose’, following a successful pilot in 2018;
- Leadership and management training programmes extended to over 500 employees;
- Continued expansion of our leading UK apprentice scheme, with 34 active apprenticeships across all levels, including seven Senior Leaders Masterships (MBA), making Abcam one of the top 3% of companies in the UK offering higher level apprenticeships.

In the latest employee survey, 69% of employees rated they felt ‘positive’ or ‘very positive’ about having their learning and development needs met.
Diversity and inclusion
It is important that our business includes people from different backgrounds and cultures who have diverse skills and experience. We are committed to providing equal opportunities for all potential and existing employees in a working environment which is free from discrimination.

Since reporting our first gender pay gap results in April 2018, we have continued to focus on achieving greater gender balance at all levels of our organisation through the action plan we shared at that time. We have set in motion a comprehensive review of our policies and practices for parental leave and flexible working based on employee feedback. We have implemented a recruitment target of at least one woman on every shortlist for senior leadership vacancies. Our Women in Leadership group continues to gain momentum and we have also established internal networks and mentorship programmes. We have also introduced a scientific approach to measuring potential with the aim of reducing unconscious and subjective bias in the development of our people.

Whilst our mean gender pay gap rose for the period to April 2019, the figures in the report were based on pay information from April 2018, meaning the action plan we committed to last year will not have had an impact on them. We have seen indications that these actions are starting to bear fruit, including in the last year:

- 67% of promotions to senior leadership positions were for women;
- 62% of external hires into our most senior job levels were women; and
- 87% of senior leadership vacancies had at least one female candidate on the shortlist during the recruitment process.

This year we also launched our global Diversity and Inclusion intranet site, providing a home for our Women in Leadership initiative, LGBTQ+, family networks and other groups.

Employee well-being, health and safety
We provide a safe work environment for employees and ensure we follow legal requirements and best practice standards. Employee participation in the delivery of our health and safety strategy is crucial and representatives from all offices are involved in championing healthy and safe working practices and supporting the annual safety audit. Last year we recorded five days of lost time due to accidents or injuries in the year.
3. Working responsibly with our partners

We aim to build long-term, mutually beneficial relationships with the partners, suppliers and distributors we rely on to meet the needs of our customers.

Behaving ethically and responsibly extends to those partners, and we therefore expect our suppliers and distributors to demonstrate a culture that reinforces ethical and lawful behaviours and ensure all aspects of their business complies with applicable laws and regulations, both in the country in which they operate, and in the country to which the services or products are supplied.

We select suppliers that adhere to high-quality and ethical standards, and monitor their performance through audits, reviewing the progress of any corrective action plans and measuring of key performance indicators.

All new suppliers and distributors are required to sign up to and abide by our Supplier and Distributor Codes of Conduct. Since launching new Codes in 2017/18 a programme has also been in place to transition all existing suppliers and distributors to these new Codes, which are available on our website and dedicated supplier web portal.

4. Behaving ethically across our business

Behaving in a socially responsible way and reducing our impact on the environment helps protect our reputation and underpins our long-term future.

All employees are required to undertake regular training across key topics such as Anti-bribery and Corruption and GDPR legislation, and our whistleblowing hotline and portal, ‘Speak-Up’, enables employees to provide feedback or raise concerns anonymously.

Our legal and compliance function works with the Audit and Risk Committee and the Board to provide visibility to our leadership of compliance initiatives and ensure Board oversight of adherence to Abcam’s ethical principles.

Reducing our impact on the environment

We recognise that, as a result of our business activities, we create negative impacts on the environment and understand that a damaged environment has broader consequences for the health and well-being of society. Operating sustainable practices is therefore important to Abcam’s long-term success and we continue to look at ways to reduce our environmental impact and improve resource efficiency.

As an online business, the biggest environmental impacts from our business are carbon emissions from customer deliveries, the running of our buildings, employee travel and waste from our packaging. We are focusing on these areas to improve operational and resource efficiency.

Initiatives to reduce our environment impact over the last 12 months include:

- Exploring alternative sustainable packaging options for our most common box size which accounts for 75% of our global customer shipments;
- Looking at ways to significantly reduce the amount of plastic in our shipments; and
- Trialling digital-only datasheets, with the potential of saving one million sheets of paper per year.

"Ethical conduct from each of us is essential and non-negotiable at Abcam. Doing so is the only path to being the trustworthy partner to help life scientists discover more, faster."

Alan Hirzel
Chief Executive Officer
5. Supporting our communities

Abcam has a long history of involvement with local communities by supporting and partnering with organisations that help advance life science research. We aim to help communities through programmes that inspire the next generation of scientists, and support life science research through corporate giving and fundraising activities. Last year we established a global Charity and Communities Policy, and a UK committee to maximise the impact of our support. This will be rolled out globally next year.

Charitable causes and local projects

Globally, we support and run many local charity and community projects which are decided upon by local employee teams. From charity events to extreme sports activities to raise money for our local communities around the world and are an important way of enabling our employees to feel engaged and connected with those communities. Local stories are shared and celebrated regionally and across our organisation through a variety of employee communication channels. We also make donations to local, national and international charities.

Partnering with In2Science to encourage the next generation of scientists

In2Science is an award-winning charity founded by research scientists with the mission to help young people from under-represented backgrounds progress to science degrees and into professions while promoting diversity and equal opportunities.

Abcam’s involvement with In2Science began in 2016 and continued throughout this year, with the launch of the Abcam In2Science Scholars programme, where five secondary school students joined a year-long educational programme based in Cambridge, UK.
Our strategy is designed to increase growth and improve our long-term financial performance.

An overview of the strategic and operational milestones reached in 2018/19 and our future priorities are provided in the following tables:
Sustain antibody and digital marketing leadership

**Long-term objective**
Generate above market revenue growth in our core research antibody market

**Priorities for 2018/19**
- Develop new products focused on high-value areas, based on customers’ research needs
- Enhance our product validation and raise product quality standards across the catalogue
- Implement the next phase of our China growth strategy

**What we achieved**
- Delivered primary antibody revenue growth ahead of the global market growth rate
- Published over 7,000 high-performance recombinant antibodies, including new formulations, increasing our range to over 18,000
- Further enhanced our target selection process to increase the success of new products
- Continued to work with suppliers to add validation data as well as delivering improvements in our own range through enhanced antibody validation and production techniques
- Continued to grow and enhance our digital footprint, driving better engagement and conversion
- Further expanded electronic catalogue connections to large-volume customers

**Link to KPIs**
- Total revenue growth (CER)
- Recombinant revenue growth (CER)
- tNPS

**Link to Principal Risks**
1. Increased competition
3. Availability of research funding
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
9. Reputational risk
11. Non-compliance with laws and regulations

Expand in related growth markets

**Long-term objective**
Generate value through the addition of new product ranges and services and by extending our geographic penetration

**Priorities for 2018/19**
- Grow our immunoassay business in line with multi-year aspiration
- Expand the number of CP&L ‘Abcam Inside’ projects and framework agreements
- Launch teams to develop one to two new capability areas

**What we achieved**
- Published over 250 new SimpleStep ELISA® immunoassay products on the catalogue
- Further developed FirePlex® multiplex platform, validating over 170 pairs of antibodies and launching a high throughput product (Fireplex®-HT) to simplify and speed up workflows
- Continued to expand addressable market in custom products & licensing, including completing over 160 projects and executing over 50 agreements with pharmaceutical and diagnostic development partners
- Launched protein science team to expand our recombinant protein production capability

**Link to KPIs**
- Total revenue growth (CER)
- Immunoassay revenue growth (CER)

**Link to Principal Risks**
3. Availability of research funding
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
9. Reputational risk
11. Non-compliance with laws and regulations

Invest in operating capabilities for 2x 2016 scale by 2023

**Long-term objective**
Invest in our people, systems and infrastructure to ensure we have the appropriate capabilities to support our business as it grows

**Priorities for 2018/19**
- Successfully deploy next phases of Oracle Cloud ERP
- Roll-out equity participation scheme to global employees
- Successfully move UK team to the new headquarters on the Cambridge Biomedical Campus
- Continue to fill or enhance our capabilities across supply chain and manufacturing, IT and new growth projects

**What we achieved**
- Successfully transitioned the financial and non-stock procurement modules of the Group’s Oracle ERP system
- Successfully launched a global employee share ownership scheme, with strong employee take up of 88%
- Completed the construction of our global headquarters on the Cambridge Biomedical Campus on budget
- Further investment in our global teams, including corporate development, product development, digital marketing and global supply chain and manufacturing functions – including new SVPs of Corporate Development and Supply Chain and Manufacturing

**Link to KPIs**
- Adjusted Profit Before Tax

**Link to Principal Risks**
3. Availability of research funding
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
9. Reputational risk

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Sustain attractive economics

**Long-term objective**
Maintain operational efficiency and cost effectiveness to support sustainable, profitable growth

**Priorities for 2018/19**
- Continue to realise productivity gains
- Move to direct distribution in at least one more market

**What we achieved**
- Identified and delivered operating efficiencies and productivity gains
- Continued to increase sales of higher margin products, supporting an increase in gross product margin of 0.6%, to 70.5%
- Delivered our new global headquarters in the UK on budget
- Executed contingency plans to ensure customer disruption is minimised in the event the UK leaves the EU without a withdrawal agreement

**Link to KPIs**
- Adjusted Profit Before Tax
- Return on Capital Employed

**Link to Principal Risks**
1. Increased competition
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
8. Inadequate acquisition integration
9. Reputational risk
10. Foreign exchange movements
11. Non-compliance with laws and regulations

Supplement organic growth – acquisitions and partnerships

**Long-term objective**
Make selected partnerships and acquisitions that add to our competitive advantage and supplement our organic revenue growth

**Priorities for 2018/19**
- Continue to strengthen relationships for future deals

**What we achieved**
- Appointed new SVP Corporate Development to lead delivery of acquisition strategy
- Completed the tuck-in acquisition of Calico Biolabs
- Entered £200m RCF, providing additional financial flexibility for future corporate transactions
- Continued to strengthen relationships and expand the opportunity set across the industry

**Link to KPIs**
- Total revenue growth (CER)
- Adjusted Profit Before Tax

**Link to Principal Risks**
1. Increased competition
2. Execution of acquisitions
4. ERP project/IT infrastructure
7. Inadequate resources
8. Inadequate acquisition integration
9. Reputational risk
10. Foreign exchange movements
11. Non-compliance with laws and regulations
## Future strategic priorities

### Sustain and extend antibody and digital marketing leadership

**Long-term objective**
Generate above market revenue growth in our core research antibody market

**Priorities**
- Develop best in class binders to high value targets, pathways and research areas
- Expand industry leading quality and validation initiatives
- Execute our China growth strategy to maintain regional leadership
- Reinvent our digital channel to add value for customers

**Link to KPIs**
- Total revenue growth (CER)
- Revenue growth (CER) from in-house products (Catalogue)
- tNPS

**Link to Principal Risks**
1. Increased competition
2. Availability of research funding
3. ERP project/IT infrastructure
4. Cyber security
5. Loss of output
6. Inadequate resources
7. Reputational risk
8. Non-compliance with laws and regulations

### Drive continued expansion into complementary market adjacencies

**Long-term objective**
Generate value through the addition of new product ranges and services for our customers

**Priorities**
- Become a leader in Immunoassays through continued innovation and development of our proprietary portfolio
- Build on our position as a leading antibody discovery partner for biopharma
- Invest in internal innovation capabilities to support further portfolio development across proteomic research tools and reagents

**Link to KPIs**
- Total revenue growth (CER)
- Revenue growth (CER) from in-house products (Catalogue)
- tNPS

**Link to Principal Risks**
1. Increased competition
2. Execution of acquisitions
3. Availability of research funding
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
8. Reputational risk
9. Non-compliance with laws and regulations

### Build organisational scalability and sustain value creation

**Long-term objective**
Invest in our people, systems and infrastructure to ensure we have the appropriate capabilities to support our business as it grows whilst driving operational efficiency

**Priorities**
- Drive productivity improvements across our operations to enhance margins and cash flow
- Build talent depth and invest in the potential of our teams
- Complete IT transformation
- Optimise facilities footprint and automate manufacturing processes

**Link to KPIs**
- Total revenue growth (CER)
- Adjusted Profit Before Tax
- Return on Capital Employed

**Link to Principal Risks**
3. Availability of research funding
4. ERP project/IT infrastructure
5. Cyber security
6. Loss of output
7. Inadequate resources
9. Reputational risk
How we measure success

We measure our performance against a number of strategic and financial KPIs. Success against our strategic KPIs forms a component of the Executive Directors’ and senior management’s remuneration.

Performance of our KPIs in the last 12 months are as follows:

**Strategic KPIs**

<table>
<thead>
<tr>
<th>Recombinant antibody CER revenue growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>22%</strong></td>
</tr>
<tr>
<td>2018/19 target: 20%+</td>
</tr>
</tbody>
</table>

**Description**

Constant currency revenue growth of all recombinant antibodies published in our catalogue.

Recombinant antibodies are synthesised from modified DNA in an artificial system that permits rapid production. There are over 18,000 recombinant antibodies published on our catalogue.

**Why this metric is important:**

Recombinant antibodies, which can offer several benefits to our customers, including improved consistency, sensitivity and specificity, are a fundamental contributor to our growth strategy.

**How we performed:**

Recombinant revenues grew 22.4% in the year, achieving the target set at the start of the year of over 20%.

**Alignment to 2018/19 strategy**

1 2 3 4 5

**Linked to Executive Management remuneration?**

Yes. Performance against the Group’s strategic KPI’s determines part of management’s Annual Bonus Plan (ABP) payout.

**Related material**

Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86
Our five strategic priorities

1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships

Imunoassay CER revenue growth

22%
2018/19 target: 20%+

Description
Constant currency revenue growth of all Immunoassay products published on our catalogue.

Immunoassays are multi-component products comprising antibodies and other reagents that are used to detect and quantify a wide range of biological molecules.

Why this metric is important:
Immunoassays remain a strategically important growth opportunity for Abcam and we continue to invest and innovate to increase the use of our market-leading antibodies in these products as rapidly as possible.

How we performed:
Immunoassay CER revenue growth was 21.9%, achieving the target set at the start of the year of over 20%.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group’s strategic KPI’s determines part of management’s ABP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Transactional Net Promoter Score (tNPS)

59%
2018/19 target: 57–67%

Description
Transactional (often referred to as ‘touchpoint’) Net Promoter Score (tNPS) is an industry standard benchmark used to gauge the loyalty of our customer relationships based on their interactions with us.

Why this metric is important:
Allows us to monitor customer satisfaction on a timely basis, helping to determine the likelihood of consumers recommending Abcam to a colleague.

How we performed:
We achieved a 12-month tNPS score of 59% in the year.

In November 2018, the Company appointed a new tNPS survey partner. As a consequence, 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.

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
Yes. Performance against the Group’s strategic KPI’s determines part of management’s ABP payout.

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86
### Total CER revenue growth

**9.2%**

2017/18: 10.7%
2016/17: 9.9%

**Description**
Total revenue growth of the business on a constant exchange rate basis (CER). CER is achieved by applying the prior year’s actual exchange rates to the current year’s results.

**Why this metric is important:**
Total revenue growth is a key metric for monitoring the Group’s performance and ability to drive growth. Calculating growth on a CER basis allows management to identify the relative year-on-year performance by removing the impact of currency movements which are outside of management’s control.

**How we performed:**
Growth of 9.2% was below last year’s rate of 10.7%, reflecting lower growth in EMEA and Japan. CP&L performance also impacted the overall growth rate.

**Alignment to 2018/19 strategy**
1 2 3 4 5

**Linked to Executive Management remuneration?**
Yes. Performance against the Group’s strategic KPI’s determines part of management’s LTIP payout.

**Related material**
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

### Adjusted Profit Before Tax

**£83.9m**

2017/18: £81.6m
2016/17: £64.6m

**Description**
Profit Before Tax based on the related IFRS measure but excluding adjusting items (see note 7 of the consolidated financial statements for more information).

**Why this metric is important:**
The Board considers this measurement of profitability a viable alternative to underlying profit. It represents a key metric of overall business profitability.

**How we performed:**
Adjusted Profit Before Tax grew by 2.8% in the year.

**Alignment to 2018/19 strategy**
1 2 3 4 5

**Linked to Executive Management remuneration?**
Yes. Performance against the Group’s strategic KPI’s determines part of management’s LTIP payout.

**Related material**
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86
Return on Capital Employed

20.8%
2017/18: 22.2%
2016/17: 19.6%

Description
Return on Capital Employed (ROCE) is calculated by dividing adjusted operating profit by total capital employed at the end of the period.

Capital employed is calculated by subtracting the Group’s current liabilities from its total assets.

Why this metric is important:
The Board believes that ROCE is a key tool in measuring the Group’s financial efficiency and ability to create future growth in value.

The Group attempts to maintain ROCE at a level well above the Group’s estimated Weighted Average Cost of Capital (WACC).

How we performed:
The Group’s ROCE was 20.8% for the year, a modest decline on last year but significantly above the Group’s estimated Weighted Average Cost of Capital (WACC).

Alignment to 2018/19 strategy
1 2 3 4 5

Linked to Executive Management remuneration?
No

Related material
Principal risks and uncertainties – pages 39 to 44
Chief Executive Officer’s review and operational report – pages 10 to 14
Remuneration Report – pages 75 to 86

Our new Strategic KPIs
We have revised our KPIs moving into 2019/20 to reflect the direction of the business and strategy for sustainable growth:

<table>
<thead>
<tr>
<th>Revised KPIs for 2019/20:</th>
<th>2019/20 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth from in-house products1,2</td>
<td>12%–15%</td>
</tr>
<tr>
<td>Customer engagement: transactional NPS (tNPS)</td>
<td>54%–60%</td>
</tr>
</tbody>
</table>

1 At constant exchange rates.
2 Catalogue only.

1 Sustain antibody and digital marketing leadership
2 Expand in related growth markets
3 Invest in operating capabilities for 2x 2016 scale by 2023
4 Sustain attractive economics
5 Supplement organic growth – acquisitions and partnerships
Abcam’s risk management framework, policies and procedures are designed to identify, prevent and mitigate risks in the execution of the Group’s strategy and day-to-day operations. Although no system of risk management can completely eliminate uncertainty, Abcam aims to ensure it is only exposed to appropriate risks which are managed effectively in accordance with the Group’s risk appetite.

Risk management at Abcam
Effective risk management is essential to safeguarding Abcam’s ongoing commercial success. It is embedded in our culture and code of conduct ‘How we do things at Abcam’. The diagram illustrates the structure of the framework.

The key elements of Abcam’s risk management framework are:

- **Risk governance and culture**
  The Board has overall responsibility for Abcam’s approach to risk management. This includes embedding an appropriate risk culture throughout the organisation and exercising governance and oversight over Abcam’s risk management and internal control systems. The Board delegates certain risk management activities to the Audit and Risk Committee (ARC).

- **Management**
  Management takes responsibility for day-to-day risk management in line with the policies, responsibilities and accountabilities set by the Board. The Executive Leadership Team (ELT) and senior management are accountable for the identification and evaluation of risks across the business, and the implementation and monitoring of risk responses.

The Board aims to embed an appropriate risk culture through implementing policies and risk appetites which limit situations that could be detrimental to the organisation. The risk culture encourages all levels of the organisation to take responsibility for risk management. This message is underpinned by Abcam’s Code of Conduct, ‘How we do things at Abcam’, which seeks to foster an environment in which a high level of integrity and ethical behaviour is expected and required in all aspects of Abcam’s operations.

- **Risk appetite**
  Risk appetite describes the types and amount of risks that the Board is willing to take in the achievement of Abcam’s strategic and operational objectives, serving as a boundary to strategy. In setting risk appetite, the Board has considered the entrepreneurial and collaborative spirit that has supported the rapid growth of the business to date.

  Scalability of the business is supported by setting appropriate risk appetite and reinforcing policies and controls which ensure growth. Abcam is committed to maintaining high ethical standards and complying with the applicable laws and regulations of the countries in which we operate. Furthermore, the Group has no appetite for significant reputational risk or for not providing appropriate facilities and tools for its staff to operate effectively.

During the year, the Board has considered and approved risk appetite in relation to each principal risk, together with mitigating actions. Risk appetite statements are embedded in the risk register, risk policy and everyday risk management.
Identification and evaluation of risk
The Board has identified the principal risks which could affect the achievement of its strategy and business objectives, including risks that would threaten Abcam’s business model, solvency or liquidity. A formal process has been established for the ELT to identify and manage risks on an ongoing basis, supported by Group Finance through regular risk interviews and questionnaires.

Using a centrally maintained risk register, risks are assessed and prioritised by severity, using a pre-defined scoring matrix of likelihood and impact for effective comparison and prioritisation.

Responding to risk
Risk response strategies are selected by management to ensure risks are appropriately mitigated and their severity is reduced to an acceptable level. The Board reviews and agrees the risk response strategies, monitoring them regularly for effectiveness and ensuring actions taken remain sufficient. Where appropriate, certain areas of risk are further mitigated by external insurance.

Internal control and assurance
Abcam has established a framework of controls which ensures the accuracy and reliability of financial planning and reporting. These controls extend across all functions and help to ensure the management and safeguarding of assets. The control framework for finance has been enhanced through the implementation of the financial reporting and compliance module within the recently implemented Oracle Cloud ERP. In addition, all business areas review controls regularly and during the year incremental investment has been made in the area of cyber security.

The risk management framework is further supported by Abcam’s internal audit function which is outsourced to KPMG LLP. The internal audit function reviews the operation of controls and supports the identification, monitoring and reporting on key areas of risk.

Risk monitoring and reporting
Management regularly monitors Abcam’s portfolio view of risk and undertakes appropriate reporting to the ARC. The reporting uses dashboards and heat maps which illustrate the relative severity of existing risks (including any changes) and emerging risks. Agreed risk response strategies are also reported which enable challenge of the adequacy of any mitigating controls and actions.

The Board monitors the effectiveness of Abcam’s risk management and internal control systems. In so doing it considers the FRC’s ‘Guidance on Risk Management, Internal Control and Related Financial and Business Reporting’, taking into account the nature, size and complexity of the Group. Further information on the process applied by the Board in reviewing the effectiveness of Abcam’s system of risk management and internal control is set out in the Audit and Risk Committee Report on pages 70 to 74.

Having considered all the elements of the risk management framework described above, the Board has concluded that it has taken all reasonable steps to satisfy itself that the risk management framework is effective and has addressed all material risks up to the date of approval of the Annual Report and Accounts 2019.

Principal risks
Abcam faces many risks and uncertainties in the delivery of its strategy. We recognise that taking risk is an inherent part of doing business, but that competitive advantage can be gained through effective management of these risks. The most material risks, as determined by the Board, are designated as principal risks.

During the year, the Board has carried out a robust assessment of the principal risks facing the Company. Whilst the Group is exposed to many risks, the Board has determined that all the principal risks previously reported in the 2018 Annual Report and Accounts remain the most significant. In reaching this conclusion the Board has considered the UK Corporate Governance Code 2016 (the 2016 Code) requirements to give due regard to risks to the Group’s strategy. The new UK Corporate Governance Code 2018 (the 2018 Code) is applicable for the financial year ending 30 June 2020. The Group intends to comply with the provisions of the 2018 Code in a manner that is at least equivalent to Abcam’s compliance with the 2016 Code. Details of compliance with the 2016 Code are set out in the Statement on Governance on page 89.

As noted in the prior year, Brexit and the American political landscape continue to cause uncertainty in the business environment, however, these uncertainties are considered to be covered within the breadth of the existing principal risks. In order to address the business risks associated with Brexit, the Group has set up an additional distribution hub in the Netherlands to ensure that deliveries to European customers in the event of a “hard Brexit” are maintained. The Group continues to monitor developments in respect of Brexit and how these might affect the business.

Further additional information on the Group’s financial risk management activities can be found in note 23 to the financial statements.

There may be other risks and uncertainties which are unknown to the Group or which could become material in the future. These risks may cause the Group’s results to vary materially from historical and expected results. The Group monitors regularly any emerging risks.

The principal risks, their linkage to Abcam’s strategy and an explanation of how the Group mitigates each risk are set out on pages 39 to 44.
## Summary of risk management in pursuit of our strategic objectives

<table>
<thead>
<tr>
<th>Risk categories</th>
<th>Strategic priorities</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic risks</td>
<td>Increased competition: specifically pinpointed to disruptive developments</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Strategic risks</td>
<td>Identification, valuation and pursuit of acquisitions and investments</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic risks</td>
<td>Availability of research funding</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Operational risks</td>
<td>ERP project/IT infrastructure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Operational risks</td>
<td>Cyber security risks including loss of data and website inaccessibility</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational risks</td>
<td>Loss of output at any Group manufacturing or logistics facility</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational risks</td>
<td>Business growth is constrained by not having appropriate people, resources and infrastructure in place</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Operational risks</td>
<td>Inadequate integration or leverage of acquired businesses</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputational risks</td>
<td>Reputational risk</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Financial risks</td>
<td>Significant exchange rate movements</td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance risks</td>
<td>Non-compliance with laws and regulations</td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk categories

- **Strategic risks**
  - Increased competition: specifically pinpointed to disruptive developments
  - Identification, valuation and pursuit of acquisitions and investments
  - Availability of research funding

- **Operational risks**
  - ERP project/IT infrastructure
  - Cyber security risks including loss of data and website inaccessibility
  - Loss of output at any Group manufacturing or logistics facility
  - Business growth is constrained by not having appropriate people, resources and infrastructure in place
  - Inadequate integration or leverage of acquired businesses

- **Reputational risks**
  - Reputational risk

- **Financial risks**
  - Significant exchange rate movements

- **Compliance risks**
  - Non-compliance with laws and regulations
Strategic risks

Increased competition: specifically pinpointed to disruptive developments

Change in year

Principal risk and relevance
The risk of competitors introducing new technologies, channels and workarounds to better respond to rapidly evolving scientific and technological developments, consumer needs, strengthening product offerings and routes to market.

Abcam operates in a fragmented and competitive market. To maintain Abcam’s position as the market leader in primary antibodies and to gain share in the other markets in which Abcam operates, it is essential to stay at the forefront of industry developments.

Potential impacts
- Demand for Abcam products adversely affected
- Inability to achieve long-term growth
- Inability to expand into adjacent markets

Key mitigating activities
- Maintain market knowledge and monitor competitor developments and technologies
- Maintain large network of product suppliers and collaborators
- Well-established and progressive product content, datasheets, supply channels and logistic network
- Maintain investment in R&D and consumer insight programmes
- Appropriate intellectual property registrations and enforcement
- Continuous improvement in product quality to better meet customer needs
- Hiring and developing the right and talented people
- Continued measurement of Abcam brand strength
- Continuous commitment to product differentiation through innovation
- Predictive analytics used to identify high-value targets

Identification, valuation and pursuit of acquisitions and investments

Change in year

Principal risk and relevance
Abcam fails to acquire businesses which could bring added value.

Risks within acquisition targets are not fully identified which affects the valuation or acquisition rationale.

The valuation of acquired businesses is not justified as a result of failure to hit technical or commercial targets.

Potential impacts
- Dilution of the Abcam brand and/or distraction of management from more valuable initiatives
- Commercial underperformance and/or the absorption of resource which affects existing operations
- Investment returns not achieved and shareholder value eroded

Key mitigating activities
- External communications maintained with advisors and owners/management of businesses to ensure Abcam achieves sufficient visibility of businesses/potential transactions across the market
- Investment in internal M&A capabilities including hiring new SVP Corporate Development*
- Potential targets prioritised to ensure sufficient time and care spent on diligence
- Rigorous due diligence process conducted using internal and external experts to ensure Abcam fully evaluates the costs and benefits expected to accrue before any business purchase
- Business case for acquisition articulated clearly and key assumptions (financial, technical and operational) identified and stress-tested to ensure sufficient contingency in the acquisition process
- Specialist reviews of technology and business developments in the market continue
- Development of financing strategy, including £200m Revolving Credit Facility (RCF) entered into to provide additional flexibility for corporate transactions*

*New or expanded mitigation.

Alignment to strategy

1 2 3 4 5 6 7 8 9 10
### Principal risks and uncertainties continued

#### Table of principal risks
The direction of change during the year is illustrated by the arrow in the ‘Change’ column. Please note that this refers to the overall change in the risk to the Group following mitigating actions.

- Increased risk
- No change to risk
- Decreased risk

#### Strategic risks

<table>
<thead>
<tr>
<th>Availability of research funding</th>
<th>3</th>
</tr>
</thead>
</table>

**Change in year**

**Principal risk and relevance**
The risk of a substantial reduction in funding for life sciences research as a response to a fiscal contraction in one of Abcam’s significant territories. Brexit continues to cause some uncertainty in European markets and the US future research funding position also remains less predictable than historically.

**Potential impacts**
- Demand for Abcam products adversely affected

**Key mitigating activities**
- Mitigated to an extent given that Abcam trades globally and such issues are likely to be country or region specific
- Our products are used as research consumables, which are more resilient to budget cuts than large capital investment projects
- Further expansion into high-growth markets and/or high-margin products
- Continued geographic penetration to diversify revenues from any single government funding source
- Proactive monitoring of government spending plans and consideration of the impact on strategy
- Abcam Inside expanding reach outside of academic markets
- European distribution hub set up in the Netherlands to ensure that deliveries to our European customers in the event of a “hard Brexit” are maintained*
- Ongoing evaluation and monitoring of geographical trends including Brexit and US political conditions

**Alignment to strategy**

*New or expanded mitigation.

#### Operational risks

<table>
<thead>
<tr>
<th>ERP project/IT infrastructure</th>
<th>4</th>
</tr>
</thead>
</table>

**Change in year**

**Principal risk and relevance**
The risk that Abcam does not continue to develop its external facing and internal IT infrastructure.

**Potential impacts**
- Failure of legacy systems which are not replaced
- Resourcing elsewhere in the business affected
- Decline in customer service levels resulting in a loss of revenue
- Suboptimal operational efficiency
- Additional cost and extra time required to maintain systems
- Disruption to business or lack of expected benefits during transition to new systems

**Key mitigating activities**
- Multi-year investment programme in place to upgrade the Group’s enterprise IT systems and retire legacy systems
- Finance and indirect (non-stock) procurement modules of Oracle Cloud Fusion went live in April 2019*. Next phase will focus on external Digital Experience together with supply chain and manufacturing
- Effective governance structure and senior leadership in place to oversee delivery of IT programme
- Detailed designs and planning undertaken to assess “best in class” solutions for external and IT infrastructure supported by industry experts*
- Key personnel hired with extensive relevant experience to support programmes*
- Use of experienced third party systems integrator and other third party providers to support the design phase of the programme
- Regional roll out adopted, reducing the risks associated with a single global deployment and enabling a more focused and manageable process
- Planned delivery approach for each stage of the programme to ensure quality and emphasis on business readiness, change management and training*
- The Board is kept appraised of progress and key issues at each Board meeting with additional detail provided as required

**Alignment to strategy**

*New or expanded mitigation.
Cyber security risks including loss of data and website inaccessibility

Change in year

Principal risk and relevance
The risk that Abcam’s critical IT infrastructure is compromised or subject to cyber attack.

Potential impacts
- Disruption to operations and/or lost sales
- Leak of commercially sensitive information
- Reputational damage
- Fines or penalties

Key mitigating activities
- Physical and software safeguards in place including maintaining latest patch levels, software versions and firmware updates, external firewall and advanced anti-virus protection*
- Dedicated internal cyber security resource with detailed long-term plan to combat growing global cyber security risk
- Appointment of outsourced security service during the year*
- Improved protection around access to key internal company data*
- Continued extensive investment in IT systems
- Business-wide security awareness and training campaign with continued investment in training
- Monitoring of evolving threats and anticipation of risks. Regular security reviews including penetration testing by external experts
- Cyber security maturity assessment carried out by external experts and action plan implemented
- IT disaster recovery processes
- Cyber security insurance policy
- Regular public website failure testing

Alignment to strategy
1 2 3 4 5

Loss of output at any Group manufacturing or logistics facility

Change in year

Principal risk and relevance
The risk that a disruptive event or disaster occurs at a key facility.

Disruption to operations could arise from many different sources including environmental, health and safety or contamination issues, or interruption in service from key suppliers.

Potential impacts
- Disruption to manufacturing operations
- Disruption to sales operations and ability to serve customers

Key mitigating activities
- Manufacturing facilities across the world are spread across six facilities
- Business continuity planning and disaster recovery plans
- Saleable stocks of finished products held in logistics hubs globally
- Production stocks are stored in more than one location and related sequencing is backed up regularly
- Diversification of suppliers for key manufacturing inputs
- Strict quarantine procedures for cell lines with tested procedures for responding to mycoplasma infection
- Cryogenic storage and fridges are covered by alarms
- Significant proportion of catalogue revenues come from OEM suppliers
- Inbound quality control procedures
- Health and safety policies and procedures
- Business interruption insurance

*New or expanded mitigation.
### Table of principal risks

The direction of change during the year is illustrated by the arrow in the ‘Change’ column. Please note that this refers to the overall change in the risk to the Group following mitigating actions.

<table>
<thead>
<tr>
<th>Increased risk</th>
<th>No change to risk</th>
<th>Decreased risk</th>
</tr>
</thead>
</table>

#### Operational risks

**Business growth is constrained by not having appropriate people, resources and infrastructure in place**

**Change in year**

**Principal risk and relevance**

Abcam has enjoyed rapid growth, increasing the size of operations and the number of people employed. Abcam’s operational and IT infrastructure needs to be robust, efficient and scalable for the Group to continue to manage its growth; the contribution made by Abcam’s highly skilled and dedicated staff has been, and will continue to be, essential to Abcam’s future success.

**Potential impacts**

- Adverse effect on ability to grow and scale the business

**Key mitigating activities**

- Extensive investment in IT to maximise scalability, security and usability*
- Global content delivery partner used to increase reliability and access speed for static website content
- Dynamic website content served from an external, fully supported data centre
- Investment in global premises to ensure they are fit to support current operations and medium-term growth plans, including a new state-of-the-art global headquarters in the UK which was achieved on budget and on time*
- Increased financing capacity following, £200m Revolving Credit Facility (RCF) entered into to provide additional flexibility for corporate transactions*
- In-house development of employees to continually up-skill, supplemented with key external hires
- Significant opportunities for learning and development, and leadership training
- Open employee communication including employee NPS monitoring and improvement
- New global share ownership plan rolled out during the year with nearly 90% of employees being members*
- Detailed resource planning and succession planning for key roles
- Focus on developing a strong and consistent culture across the organisation

*New or expanded mitigation.

#### Inadequate integration or leverage of acquired businesses

**Change in year**

**Principal risk and relevance**

The risk of misjudging key elements of an acquisition or failing to integrate in an efficient and timely manner.

**Potential impacts**

- Disruption of existing operations
- Reduced return on investment

**Key mitigating activities**

- Detailed integration plan and dedicated integration teams in place prior to acquisition
- Regular communication on progress highlighting variations and remedial action taken
- IT investments expected to enhance ability to integrate acquisitions
- Senior management with significant previous experience lead the assessment, planning and integration process
- Acquisitions in 2017/18 and 2018/19 have been less complex and do not present a significant integration risk*

*New or expanded mitigation.

#### Alignment to strategy

1 2 3 4 5
Reputational risk

Principal risk and relevance
The risk of not meeting internal high standards of quality and ethical business practice.

Potential impacts
- Adverse effect on consumer trust and demand for Abcam products
- Increased cost of finance
- Staff hiring/retention impacted
- Difficulties in dealing with new and existing suppliers

Key mitigating activities
- Continued drive for improved product quality, including product testing using knockout validation
- Transactional Net Promoter Score (tNPS) measured regularly
- Life Sciences Survey and consumer interactions monitored and addressed
- Consumer complaints and Abcam’s responses are monitored at a senior level
- Codes of Conduct in place for employees, suppliers and distributors
- Robust health and safety policies and procedures
- Product quality in the catalogue used as a differentiator
- Formal quality management system covering process documentation, competency and training
- Rigorous ongoing due diligence process for key suppliers including supplier visits
- Mandatory online training for all staff on anti-bribery and corruption and General Data Protection Regulation (GDPR) with additional in-person briefings in Asia operations

Alignment to strategy
1 2 3 4 5

Financial risk

Significant exchange rate movements

Principal risk and relevance
The risk of significant unfavourable foreign exchange movements.

The Group reports its results and pays dividends in Sterling. Operating and manufacturing companies trade in local currency. Main exposures are against the US Dollar, Euro, Japanese Yen and Chinese Renminbi.

Potential impacts
- Adverse effect on profitability and ability to meet financial targets
- Currency volatility has continued as a result of global macro-economic and political factors including Brexit and in the US

Key mitigating activities
- Clear communications strategy for results to ensure Group’s currency exposures and hedging policies are understood
- Forward cover where appropriate and in line with the Group hedging policy
- Continued use of US Dollar, Euro, Japanese Yen and Chinese Renminbi forward contracts
- Where possible, natural hedges created to match sales and costs in the same currency

Alignment to strategy
1 2 3 4 5

Our five strategic priorities
1. Sustain antibody and digital marketing leadership
2. Expand in related growth markets
3. Invest in operating capabilities for 2x 2016 scale by 2023
4. Sustain attractive economics
5. Supplement organic growth – acquisitions and partnerships
Principal risks and uncertainties continued

Non-compliance with laws and regulations

Principal risk and relevance
The risk of insufficient evaluation and non-compliance with legislation and regulation in the markets and countries in which Abcam operates.

Potential impacts
- Inability to manufacture or ship products
- Closure of a location
- Reputational damage
- Fines or late filing penalties
- Inability to report externally

Key mitigating activities
- Compliance with legislation and codes of best practice
- Regular external health and safety audits, checks and reporting
- External audits of quality management systems (ISO9001)
- Subscription to available databases and use of health and safety and import/export experts to ensure Abcam is up to date
- Ongoing training on key regulation such as anti-bribery and corruption and GDPR
- Legal department monitors changes to laws and regulations and oversees actions to ensure compliance
- Targeted internal audit reviews to ensure policies and training are embedded
- Focus on low risk tax strategy
- Code of Conduct, anti-bribery and associated training for all staff

Alignment to strategy
1 2 3 4 5
Longer-term viability statement

The UK Corporate Governance Code requires the Board to assess the prospects of the Group over a period longer than the 12 months required by going concern provisions and to issue a ‘viability statement’. The Board has selected a five-year assessment period for the viability statement as this aligns with our innovation pipeline and strategic planning window, and also covers the period of large cash outflows on major capital projects.

The process adopted to assess viability involved collaborative input from a range of business functions to model a series of theoretical ‘stress test’ scenarios linked to the Group’s principal risks. Particular focus was given to business growth being constrained by not having appropriate people, resources and infrastructure, significant exchange rate movements and the availability of research funding. These scenarios included both significant adverse financial outcomes and operational failures. Consideration was given to the impact of mitigations as well as their inter-dependencies. The Audit and Risk Committee reviewed the process before the viability evaluation was provided to the Board to assist in its assessment.

The Directors have assessed the Group’s prospects and resilience with reference to its current financial position, its recent and historical financial performance and forecasts, the Board’s risk appetite, and the principal risks and mitigating factors. The Group is operationally and financially strong and has a track record of consistently generating profits and cash, and this is expected to continue.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.
Double-digit revenue growth delivered; continue to prioritise investment in long-term growth

Financial highlights

- Total revenue increased by 11.4% on a reported basis and 9.2% on a constant exchange rate (CER) basis
- Gross margin improved by 60 basis points to 70.5%
- EBITDA margin of 32.4% (2017/18: 35.0%) and Adjusted EBITDA margin of 35.6% (2017/18: 37.9%), reflect planned strategic investments made during the year
- Reported operating profit margin of 21.6% (2017/18: 29.5%), after impact of £12.8m non-cash impairment charge, and Adjusted operating margin of 32.2% (2017/18: 34.9%)
- Reported diluted EPS decreased by 27.8% to 21.8p as a result of the non-cash impairment charge and adjusted diluted EPS grew 0.6% to 32.6p
- Strong cash generation continued, with net cash inflow from operating activities of £70.2m (2018/19: £63.3m)
- Proposed final dividend of 8.58 pence (2017/18: 8.58 pence), taking the proposed total annual dividend to 12.13 pence per share, an increase of 1.1%
- £200m Revolving Credit Facility secured, providing additional flexibility for future corporate transactions

The Chief Financial Officer’s Report and Financial Review includes discussion of alternative performance measures which are defined in further detail in the investor information section on page 141 and which are considered by the Board and management in reporting, planning and decision making. These measures include adjusted financial measures, which are explained in note 1(c) and reconciled to the most directly comparable measure prepared in accordance with IFRS in note 7 to the financial statements. Constant exchange rates (CER) growth is calculated by applying the applicable prior period average exchange rates to the Group’s actual performance in the respective period. Further detail on the Group’s financial performance is set out in the financial statements and notes thereto.

"The Group delivered another solid financial performance in 2019, underpinning our continued investment in long-term growth."

Gavin Wood
Chief Financial Officer
Summary of 2018/19 performance

The following table summarises the Group’s performance for each of the last two years on a reported and adjusted basis.

<table>
<thead>
<tr>
<th></th>
<th>Reported results</th>
<th></th>
<th>Adjusted results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended 30 June</td>
<td></td>
<td>Year ended 30 June</td>
<td></td>
</tr>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>Growth</td>
<td>£m</td>
</tr>
<tr>
<td>Revenue</td>
<td>259.9</td>
<td>233.2</td>
<td>11.4%</td>
<td>259.9</td>
</tr>
<tr>
<td>Gross profit</td>
<td>183.2</td>
<td>163.0</td>
<td>12.4%</td>
<td>183.2</td>
</tr>
<tr>
<td>Gross profit margin (%)</td>
<td>70.5%</td>
<td>69.9%</td>
<td></td>
<td>70.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>84.3</td>
<td>81.7</td>
<td>3.2%</td>
<td>92.4</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>32.4%</td>
<td>35.0%</td>
<td></td>
<td>36.6%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(15.4)</td>
<td>(12.9)</td>
<td>19.4%</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(12.8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>56.1</td>
<td>68.8</td>
<td>(18.5%)</td>
<td>83.6</td>
</tr>
<tr>
<td>Operating profit margin (%)</td>
<td>21.6%</td>
<td>29.5%</td>
<td></td>
<td>32.2%</td>
</tr>
<tr>
<td>Net finance income</td>
<td>0.3</td>
<td>0.3</td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>56.4</td>
<td>69.1</td>
<td>(18.4%)</td>
<td>83.9</td>
</tr>
<tr>
<td>Taxation</td>
<td>(11.4)</td>
<td>(6.9)</td>
<td>65.2%</td>
<td>(16.5)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>45.0</td>
<td>62.2</td>
<td>(27.7%)</td>
<td>67.4</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>22.0p</td>
<td>30.5p</td>
<td>(27.9%)</td>
<td>32.9p</td>
</tr>
<tr>
<td>Diluted</td>
<td>21.8p</td>
<td>30.2p</td>
<td>(27.8%)</td>
<td>32.6p</td>
</tr>
<tr>
<td>Annual Dividend per share</td>
<td>12.13p</td>
<td>12.00p</td>
<td>1.1%</td>
<td>12.13p</td>
</tr>
<tr>
<td>Net cash at end of period</td>
<td>87.1</td>
<td>90.2</td>
<td>(3.4%)</td>
<td>87.1</td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>14.0%</td>
<td>18.8%</td>
<td></td>
<td>20.8%</td>
</tr>
</tbody>
</table>

* EBITDA = Earnings before interest, tax, depreciation and amortisation.

2018/19 performance

I am pleased to report that Abcam delivered another solid financial performance in the year and at the same time we have continued to execute our long-term ‘invest-to-grow’ strategy. Revenues grew 11.4% to £259.9m (CER 9.2%), and after gross margin expanded by 60 basis points, benefiting from an increasing mix of in-house products, gross profit grew by £20.2m or 12.4%, to £183.2m (2017/18: £163.0m).

After planned strategic investments made during the year, Adjusted EBITDA rose £4.1m or 4.6% to £92.4m (2017/18: £88.3m), representing an Adjusted EBITDA margin of 35.6% (2017/18: 37.9%). Adjusted operating profit rose £2.3m to £83.6m, equivalent to an Adjusted operating profit margin of 32.2%, whilst diluted earnings per share (adjusted EPS) grew 0.6% to 32.6p. In 2019/20 the Group’s Adjusted operating profit margin is expected to be in the mid- to high-twenties, dependent on the phasing of our strategic investment plans, before returning to the low-thirties range by the end of the next five-year period.

On a reported basis EPS declined 27.8% to 21.8p, predominantly reflecting the impairment charge relating to historical work on the Group’s Oracle Cloud ERP system, following a detailed review of this programme undertaken during the year.
The Group continues to be highly cash generative, with net cash generated from operating activities of £70.2m (2017/18: £63.3m) whilst returns on capital remain healthy, at over 20% (adjusted-ROCE). The Group ended the year with cash of £87.1m and during the year entered into a Revolving Credit Facility (RCF) of £200m with a £100m additional Accordion option, providing additional financial flexibility for future acquisitions. In March 2019, the Board declared an interim dividend of 3.55 pence per share and has proposed a final dividend of 8.58 pence per share, equating to total annual dividends of 12.13 pence for the year (2017/18: 12.00 pence).

Investing to increase scalability and sustain our growth
During the year we invested further in our Oracle Cloud ERP system and successfully went live with Oracle Fusion Finance and non-stock Procurement modules on time and within the budget set at the start of this financial year. Whilst we are early in the post go-live phase of the implementation of these modules, I am confident they will provide us with the ability to grow and scale more efficiently in these areas in the future.

We successfully completed another major capital project when we moved into our new global headquarters in Cambridge, UK. Again, I am pleased to report that this multi-year project was completed in line with the budget and the move was completed without any disruption to our customers or operations.

In Autumn 2018, we launched a new global, all employee share scheme (‘Abshares’) and this has been well received by our colleagues around the world. Finally, in March 2019, we opened a new distribution centre in the Netherlands as part of our Brexit contingency planning that has quickly become an integral part of our global supply chain.

Accounting standards
During the year, the Group has applied certain changes in accounting standards. These were (i) IFRS 9, Financial Instruments: Classification and Measurement (ii) IFRS 15, Revenue from Contracts with Customers. Their adoption has not had a financial impact on our results.

In addition, the Group has evaluated the impact of the changes of IFRS 16, Leases, which is effective from 1 July 2019. The Group has conducted a review of its lease contracts and based on the leases in place at 30 June 2019 expects a decrease in net assets of £2.1m on transition at 1 July 2019. A right-of-use asset of £69.9m will be recognised as of 1 July 2019 with a corresponding lease liability of £75.8m. For the year to 30 June 2020, we expect operating profit to increase by approximately £1m offset by an increase in interest expense within finance costs of approximately £1m as a result of the adoption of IFRS 16.

Looking forward
The fundamentals of the business remain strong and we remain committed to delivering against our long-term growth strategy. The addressable markets we serve are large, at over $8bn, and growing. The returns on our core business are good and we expect to make healthy returns on the incremental investments we are making in our long-term future. We therefore believe that the best use of our capital is to redeploy it in the business to drive incremental growth as well as in selected acquisitions that advance our strategy.

This position is reflected in our five-year plans and financial goals, incorporating a planned expansion of investment in the implementation of initiatives that will allow us to seize more of the market opportunities for growth we see around us, thereby sustaining our long-term growth potential, enabling us fully our purpose of serving life scientists to achieve their mission, faster, and generating long-term value for all our stakeholders.

Gavin Wood
Chief Financial Officer
6 September 2019
Total reported revenues for the year increased by 11.4% to £259.9m. Sterling was weaker against the basket of foreign currencies in which the Group trades which positively impacted our reported revenues. Adjusting for this weakening in Sterling, CER revenue growth was 9.2%.

Catalogue revenue grew by 12.0% on a reported basis and 9.8% CER. From a product perspective, the key drivers of growth were Recombinant antibodies, which grew 23.1% to £59.1m (22.4% at CER), and Immunoassays, which grew 23.3% (21.9% at CER) to £18.5m. Together, these categories contributed 32.0% (2017/18: 29.1%) of Catalogue sales.

Regionally, China continued to be our fastest growing major market, with revenue up 20.6% (20.9% CER) to £39.8m, contributing 16.4% of Catalogue revenue. Americas and Rest of Asia Pacific performed well, delivering double-digit growth in the period, whilst EMEA sales grew by 6.1%. Japan rose 3.7% on a reported basis but was flat on a CER basis, reflecting market wide challenges in that country.

Custom Products & Licensing (CP&L), comprising revenue from custom antibody development services, in vitro-diagnostic (IVD)/immunohistochemistry (IHC) sales and royalty and licence income, continues to remain an area of focus and investment for the Group, but remains relatively early in its development. Full year revenues increased by 4.3% (0.4% CER) to £17.1m (2017/18: £16.4m), with an increase in revenue from royalties, licences and IVD supply agreements (contributing approximately 70% of CP&L revenue) partially offset by a decline in revenue generated from custom services due to the timing and phasing of certain projects.

Gross margin

Reported gross margin increased by 60 basis points to 70.5% (2017/18: 69.9%) in the year, predominantly due to the increasing contribution of Catalogue sales from higher margin products. We anticipate further gradual improvements to gross margin over time, driven by continued product mix and productivity improvements to our manufacturing sites as we introduce more automation.
Operating costs and expenses

<table>
<thead>
<tr>
<th></th>
<th>Reported 2019 £m</th>
<th>Reported 2018 £m</th>
<th>% Change</th>
<th>Adjusted* 2019 £m</th>
<th>Adjusted* 2018 £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative expenses</td>
<td>112.1</td>
<td>78.2</td>
<td>43.4%</td>
<td>88.9</td>
<td>69.8</td>
<td>27.4%</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>15.0</td>
<td>16.0</td>
<td>(6.3%)</td>
<td>10.7</td>
<td>11.9</td>
<td>(10.0%)</td>
</tr>
<tr>
<td><strong>Total operating costs and expenses</strong></td>
<td>127.1</td>
<td>94.2</td>
<td>34.9%</td>
<td>99.6</td>
<td>81.7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(15.4)</td>
<td>(12.9)</td>
<td>19.4%</td>
<td>(8.8)</td>
<td>(7.0)</td>
<td>25.7%</td>
</tr>
<tr>
<td>Impairment</td>
<td>(12.8)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating costs and expenses excluding depreciation and amortisation</strong></td>
<td>98.9</td>
<td>81.3</td>
<td>21.6%</td>
<td>90.8</td>
<td>74.7</td>
<td>21.6%</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>6.5</td>
<td>3.4</td>
<td>91.2%</td>
<td>6.5</td>
<td>3.4</td>
<td>91.2%</td>
</tr>
</tbody>
</table>

* Details of items excluded from reported costs and expenses to arrive at Adjusted costs and expenses are provided in Adjusting items below and in note 7 to the consolidated financial statements.

Selling, general and administrative expenses

On a reported basis, after the impact of the year-on-year movement in exchange rates and including the impairment charge of £12.8m, expenses increased by £33.9m or 43.4%. On an adjusted basis SG&A expenses rose by 27.4%.

Included in the year-on-year movement in reported expenses are the following key items:

- £9.2m increase in costs relating to further investment in teams to support the Group’s growth plans, including a £2.6m increase in non-cash share-based compensation to £5.5m;
- £4.8m increase in premises-related costs, reflecting the move to the new global headquarters during the year. This figure includes £3.7m of dual rent and other moving costs which are excluded from adjusted profit, (as detailed in note 3 in the Preliminary Financial Information);
- A net £11.2m increase in costs associated with the work performed on the Oracle Cloud ERP project, to £17.3m (2017/18: £6.1m) including a £12.8m impairment charge (see Investment in systems, processes and infrastructure for further detail);
- £2.9m year-on-year foreign exchange related increase owing to the relative weakness of Sterling. This comprises £1.0m of costs denominated in the currency of the Group’s overseas entities (which, when translated into weaker Sterling results in higher charges to expenses), £1.3m of year-on-year net costs from forward selling currency contracts and £0.6m of translational currency impacts.

Within reported expenses, depreciation and amortisation expenses increased by £1.9m in the year to £8.2m, including £2.2m related to the amortisation of acquisition intangibles (2017/18: £1.8m). The Group’s amortisation and depreciation expense is expected to increase in 2019/20, reflecting the annualisation of charges associated with the finance and non-stock procurement ERP modules and the Group’s UK headquarters. The depreciation charge will also be impacted in 2019/20 as a result of accounting changes required by the introduction of IFRS 16 as described in note 2 to the consolidated financial statements.

Research & development expenditure (R&D)

R&D expenditure relates to the development of new products, as well as costs incurred in identifying and implementing production process improvements. We continue to focus on developing new products to serve our customers’ needs as well as improving the quality of our existing catalogue. These costs do not meet the requirements to be capitalised as an intangible asset and are therefore expensed through the income statement.

Reported R&D expenses decreased by £1.0m or 6.3%, to £15.0m (2017/18: £16.0m), as a result of the successful completion of key technology milestones on the AxioMx platform which resulted in £2.7m of R&D costs being capitalised this year. Overall, capitalised R&D costs rose by £3.7m to £8.0m (2017/18: £4.3m) and also include £1.0m of non-cash share-based compensation charge.

R&D-related depreciation and amortisation charges were £0.6m higher in the year, at £7.2m, including £4.3m related to the amortisation of acquisition intangibles (2017/18: £4.1m) which are excluded from adjusted costs. The amortisation of acquisition intangibles predominantly relates to the acquisition of Epitomics in 2012.
Investment in systems, processes and infrastructure
We continued to invest in our people, IT systems, infrastructure and business processes during the year to enable operational scalability as the Group continues to grow. Major areas of investment in the year included:

Enterprise Resource Planning (ERP) programme
In 2018/19 the Finance and Non-stock procurement modules of the Oracle Cloud ERP programme were implemented in line with the estimated cost of approximately £16m set out at the start of the year, comprising capital expenditure of £11.6m (2017/18: £17.5m) and operating costs of £4.5m (2017/18: £6.1m). In addition, depreciation charges relating to the ERP of £1.0m were incurred in the year, including £0.5m relating to the Finance and Non-stock procurement modules implemented at the end of April 2019.

With the installation of these latest modules and following a detailed review of the project, we have taken the decision to conclude the programme that initiated in 2015/16 to provide improved and more scalable back-office systems. Over the course of this programme we have successfully implemented Oracle in a number of functional areas including Human Resources, Customer Experience, Finance and Non-stock Procurement. Manufacturing and Warehouse Management remain functional areas not yet addressed by this IT programme. After an extensive review of business requirements and the current functionality of Oracle Cloud software as well as other best-in-class software providers, we have decided to make some changes to our approach and the software used in these areas. We have also taken this opportunity to extend the scope of the programme to integrate improvements in these functional areas with front-end system enhancements to improve the customer’s end-to-end experience from website, through logistics and ultimately into manufacturing. The design phase of this new programme is underway.

As a result of the changes in the scope and nature of the programme and the usability of historical work performed, software development costs capitalised to date of £12.8m, have been impaired.

New global headquarters, Cambridge, UK
Construction of the Group’s new headquarters on the Cambridge Biomedical Campus was completed during the year and we moved in without disruption to our customers or operations during February 2019. Final capitalised costs of £8.4m were incurred in 2018/19, bringing the total capital cost of the project to £23.6m, in-line with the original budget set at the start of this project. Depreciation costs of £0.4m relating to building were taken during the year, reflecting five months of occupancy.

Adjusting items

<table>
<thead>
<tr>
<th></th>
<th>2019 £m</th>
<th>2018 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>System and process improvement costs</td>
<td>(4.5)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Costs associated with the new Group headquarters</td>
<td>(3.7)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>—</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Amortisation of acquisition intangibles</td>
<td>(6.5)</td>
<td>(5.9)</td>
</tr>
<tr>
<td>Impairment of capitalised system and process improvement costs</td>
<td>(12.8)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total adjusting items affecting operating profit and before tax</strong></td>
<td><strong>(27.5)</strong></td>
<td><strong>(12.5)</strong></td>
</tr>
</tbody>
</table>

System and process improvement costs related to our Oracle Cloud ERP project decreased by £1.6m in the year to £4.5m. In addition, as discussed in the ‘Investment in systems, processes and infrastructure’ section above, following proposed changes to the approach and nature of the ERP programme, an impairment charge of £12.8m has been made against assets relating to historical development work.

The Group also incurred £3.7m in dual rent and other costs relating to the move to the Group’s new headquarters in Cambridge, UK.
Earnings and tax
Reported earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) was £84.3m (2017/18: £81.7m). Adjusted EBITDA rose 4.6% to £92.4m (2017/18: £88.3m), representing an adjusted EBITDA margin of 35.6% (2017/18: 37.9%).

After the non-cash impairment charge of £12.8m and depreciation and amortisation of £15.4m (2017/18: £12.9m), reported operating profit was £56.1m (2017/18: £68.8m).

Profit Before Tax (PBT) on a reported basis was £56.4m (2017/18: £69.1m). This was after net finance income of £0.3m (2017/18: £0.3m). Adjusted PBT was £83.9m (2017/18: £81.6m).

The Group’s reported effective tax rate was 20.2% (2017/18: 10.0%) and has increased due to the non-reoccurrence of one-off impacts of US tax reforms in the prior year. The effective rate on adjusted profits was 19.7% (2017/18: 18.3%) with the increase mainly due to adjustments related to the disposal of assets from the Group’s former UK headquarters. Notwithstanding further tax changes in the jurisdictions in which we operate, the effective rate is expected to be around 17% to 18% in the medium term, predominantly resulting from the anticipated reduction in the UK corporate tax rate to 17% from April 2020.

Basic earnings per share (EPS) was 22.0p (2017/18: 30.5p), with adjusted basic EPS of 32.9p (2017/18: 32.7p). Diluted Earnings Per Share (EPS) was 21.8p (2017/18: 30.2p). Adjusted diluted EPS increased by 0.6% to 32.6p (2017/18: 32.4p).

Foreign exchange
The results of the Group are impacted by movements in foreign exchange rates, particularly movements in Sterling against the US Dollar, Euro and Chinese Renminbi. In 2019, the impact of foreign exchange movements in the year was £5.2m favourable in revenue and £2.4m in adjusted EBITDA, after the impact of hedging.

Cash flow and net cash

<table>
<thead>
<tr>
<th></th>
<th>2019 £m</th>
<th>2018 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flows before working capital</td>
<td>88.2</td>
<td>81.0</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>(4.5)</td>
<td>(8.1)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>83.7</td>
<td>72.9</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(13.5)</td>
<td>(9.6)</td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>70.2</td>
<td>63.3</td>
</tr>
<tr>
<td>Cash outflow of investing activities</td>
<td>(49.9)</td>
<td>(37.7)</td>
</tr>
<tr>
<td>Cash outflow from financing activities</td>
<td>(24.7)</td>
<td>(20.6)</td>
</tr>
<tr>
<td>(Decrease)/increase in cash and cash equivalents</td>
<td>(4.4)</td>
<td>5.0</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>90.2</td>
<td>84.8</td>
</tr>
<tr>
<td>Effect of foreign exchange rates</td>
<td>1.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>87.1</td>
<td>90.2</td>
</tr>
<tr>
<td>Free Cash Flow*</td>
<td>34.3</td>
<td>26.8</td>
</tr>
</tbody>
</table>

* Free Cash Flow comprises net cash generated from operating activities less net capital expenditure and cash flows relating to committed capital expenditure.

The Group remains strongly cash generative, with cash inflow from operating activities of £70.2m (2017/18: £63.3m) and Free Cash Flow of £34.3m (2017/18: £26.8m), after change in working capital of £4.5m.

Cash outflow on investing activities of £49.9m (2017/18: £37.7m) included £11.8m in relation to the 2018 acquisition of the exclusive licence agreement from Roche, £2.8m relating to the acquisition of Calico Biolabs and net capital expenditure of £35.9m. Major capital expenditure items included £13.1m and £9.6m on the Oracle Cloud ERP and new Group headquarters, respectively, as well as £6.2m on laboratory equipment to support future product innovation and £7.8m internally developed technology, predominantly novel recombinant antibodies.

After net cash outflows from financing activities of £24.7m, relating to dividend payments, together with a small foreign exchange impact, the Group ended the year with closing cash of £87.1m (2017/18: £90.2m).
Balance sheet

Goodwill and Intangibles

Goodwill was £120.9m (2017/18: £114.2m) with the increase relating to exchange rate movements and the acquisition of Calico Biolabs.

Intangible assets were £106.7m (2017/18: £106.3m). Spend of £11.6m in respect of investments made in our new ERP system and £8.0m relating to the additions from internal development of the Group’s product range were offset by the impairment charge against the historical capitalised costs of the ERP system of £12.8m, amortisation of £10.6m and exchange rate movements.

Property, plant and equipment

Property, plant and equipment additions of £16.8m (2017/18: £18.3m) have been made in the year, comprising £8.4m (2017/18: £13.5m) associated with the construction of our new Group headquarters and £8.4m of other investments (2017/18: £4.8m). These other investments include £6.5m spent on laboratory equipment and testing assets across our sites in the UK, the US and China.

Trade and other payables

Trade and other payables were £41.8m (2017/18: £45.8m) with the decrease due to the reduction of £11.8m in other payables arising from settlement of deferred consideration on the Spring Bioscience acquisition made in 2017/18, offset by an increase in accruals and future contract liabilities of £8.3m, inclusive of rent accruals on the Group’s new headquarters.

Dividends

The Board declared an interim dividend of 3.55 pence per share which was paid to shareholders on 12 April 2019. The Board has proposed a final dividend of 8.58 pence per share, taking the total dividend for the year to 12.13 pence per share, a 1.1% increase on the previous year and equating to approximately £24.9m. The final dividend is subject to shareholder approval at the forthcoming AGM. If approved, the final dividend will be payable on 29 November 2019 to shareholders of record at the close of business on 8 November 2019. The ex-dividend date is 7 November 2019.

The Group has an established track record of consistently generating cash which is expected to continue for the foreseeable future. The ability of the Group to make dividend payments is determined by the availability of distributable retained earnings and liquid cash resources as well as the requirements for these to be held at the Company level. At 30 June 2019, the Company held retained earnings of £268.6m, the majority of which is distributable. The Group has cash resources of £87.1m at 30 June 2019, of which £57.9m was held by the Company.

Principal risks which may restrict profitability and cash generation, and therefore fund future dividend growth and payments, are described in ‘Risk overview’ and ‘Principal risks and uncertainties’ on pages 36 to 44. Notwithstanding these risks, the Group has an established track record of consistently generating cash which is expected to continue for the foreseeable future.

Gavin Wood
Chief Financial Officer
6 September 2019