CHIEF EXECUTIVE OFFICER'S REVIEW

Delivering on our strategy

We are committed to transforming the business into a high-growth, pure-play tools and services company. Strategic restructuring and a number of new partnerships in the year have made Horizon a simplified, more robust and focused business that is poised for long-term growth.

"Our goal is to leverage our expertise in gene editing and modulation to provide customers with tools and services to transform human health."

TERRY PIZZIE, CHIEF EXECUTIVE OFFICER

DELIVERING ON OUR STRATEGIC GOALS

I am pleased to report on another year in which we delivered on the financial and operational goals that we set ourselves, as well as completing a number of key strategic initiatives that have helped us to continue our transformation into a high-growth, pure-play tools and services company.

These include the divestment of our non-core In Vivo business unit, and the establishment of a strategic collaboration with Mammoth Biosciences. Just after year-end, we exercised our option to exclusively license a novel base editing platform from Rutgers, The State University of New Jersey (U.S.), for use in therapeutic, diagnostic and service applications. In April 2020 we raised gross proceeds of £6.9m through a Placing in order to provide additional financial flexibility to protect and grow the business during the COVID-19 pandemic which emerged in the first quarter of 2020.

GROUP FINANCIAL PERFORMANCE

In December 2019, we completed the divestment of our non-core In Vivo business. In the period in the financial year that Horizon owned In-Vivo, the business unit generated revenues of £4.6 million. These are excluded from Continuing Operations in our FY19 results.

Revenues from Continuing Operations were £58.3 million (FY 2018: £54.1 million), £56.7 million on a constant currency basis. Reported revenues represent growth of approximately 7.8% against the prior year, approximately 4.8% on a constant currency basis.

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Adjusted EBITDA[1] on Continuing Operations was £3.9 million (FY18: £2.1M). Gross margin from Continuing Operations was 70.0% (FY 2018: 69.7%).

We report a loss for the year on continuing operations before tax of £11.5 million, representing an increase in the loss compared to the prior year (FY18: £6.6m loss). This is partly a result of the continued execution of our investing for growth strategy, as the Group invests in its commercial, marketing and research, development and operations functions, but particularly fees associated with a U.S. listing and the impairment of our joint venture in Avvinity.

PERFORMANCE BY BUSINESS UNIT

From the start of this year we implemented a new Business Unit structure to allow the Group to better develop and target the product and service offerings increasingly required by our evolving markets. As a result, we replaced the former reporting structure of Research Products, Applied Products and Services (reported as Products and Services at a Group level), with five market-aligned Business Units: Research Reagents, Screening, BioProduction, Diagnostics and In Vivo. Each of these business units comprise a mix of products and services that are tailored to the specific needs of their respective customer segments and end markets.

Further details of the composition of these Business Units and their performance for the full year are set out below (see pages 21 to 25) but in summary, revenue growth for the year was driven by a notably strong performance in the Research Reagents and Screening Business Units.

The Research Reagents Business unit generated revenues of £33.5 million up 8.4% on the prior year (FY18: £30.9 million). This is an encouraging performance, driven largely by strong growth in sales of RNAi and CRISPR Reagents.

Screening generated revenues of £11.4 million up 28.1% on prior year (FY18: £8.9 million). The primary driver of this increase was increased revenue from our CRISPR screening and molecular screening services.

BioProduction continued to perform well and enjoyed a strong second half performance but as expected, ended the year broadly flat year-on-year, generating revenues of £8.6 million for the year, just below the prior year (FY 18: £8.7 million). This was in line with our expectations and the in-line growth rate reflects the business unit's exceptionally strong prior-year comparator performance.

As previously reported, the Diagnostics Business Unit had a challenging first half of the year reporting revenues of £2.5 million, 28.6% down on prior year as a result of internal organisational challenges. The Group took prompt action to rectify the situation and under new leadership this business unit had a stronger second half, closing the period with revenues of £4.8m, down 14.3% on the prior year's performance (FY18: £5.6 million).

In December 2019 we completed the divestment of our In Vivo Business Unit to Envigo RMS LLC (see below).

STRATEGY

Our overarching goal is to leverage our leadership position in cell line engineering and expertise in innovation of gene editing and modulation applications to provide customers with tools and services to transform human health (see page 8 for more on Strategy).

Key to the delivery of this strategic goal is the "Investing for Growth" strategy that was launched in late 2018. It includes investments in automation to increase production capacity, in Laboratory Information Management Systems (LIMS) to improved data handling, in Business Intelligence to add customer and business insight, and in digitisation to enhance customer experience through our eCommerce channel. Alongside this, we are continuing to invest in commercially led, scientific innovation in order to stay at the forefront of emerging technologies and maintain our market-leading position.

In the first year of this investment programme, we achieved all of the goals we set for ourselves. For example, by re-engineering existing processes, we delivered a tripling of capacity in Cell Line Engineering with no additional headcount. Since then we have increased this further through the addition of automation which, by the end of the first quarter of 2020, resulted in a five-fold increase in capacity compared to the start of 2019. We expect the benefits of the increased capacity and the launch of our new integrated eCommerce-enabled website to come through more strongly in the first half of 2020.

In October 2019, we also completed our "OneWeb" eCommerce project that saw us consolidate what were formerly two separate web sites (Horizon and Dharmacon) into a single platform. This has provided an enhanced customer experience and created new opportunities for cross-selling across the Group's entire portfolio.

1 We define this as loss for the year from continuing operations before taxation, finance costs, investment income, amortisation and depreciation and items which are non-recurring and do not form part of our underlying year to year expense base. Adjusted EBITDA incorporates a positive £2.5m impact of IFRS 16 which was adopted on 1 January 2019.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

We expect these investments to generate significant payback in the short and long-term, by reducing costs, increasing capacity and operating leverage, whilst also opening up new avenues of growth.

DELIVERING A MORE FOCUSED BUSINESS

Since my appointment as CEO, and the completion of our strategic review in late 2018, we have been focused on transforming the business into a high-growth, pure-play tools and services company. Our focus has been on doubling down on the highest growth areas of our core markets where we believe there is the potential to establish strong market leading position and exiting business areas that were subscale or no longer aligned to our core pharma and biotech focus.

Our In Vivo unit has for some time been facing some difficult market headwinds and whilst we have been working hard to optimise the Business unit's performance, the challenge has always been that it did not offer the same high-growth prospects as the Group's other Business Units.

We were therefore pleased to complete the divestment of In Vivo to Envigo in December 2019, which provides an opportunity for the business to flourish within a larger, market-leading company and also maintains continuity for its many customer relationships. Significantly, both parties remain committed to an ongoing collaboration to support growing opportunities with in-vivo CRISPR screening. This will enable Horizon to continue crucial aspects of its animal model screening work in conjunction with Envigo, and to generate additional business opportunities of benefit to both companies.

MAINTAINING MARKET LEADERSHIP

Horizon is committed to investing in partnerships and high-value technologies that maintain the Group's market leadership positions. By extending our scientific and IP capabilities through such partnerships, Horizon will be able to more fully support our pharma, biotech and academic partners in the delivery of better cell therapy solutions to patients.

During the year the Group signed a number of significant new partnerships:

RUTGERS UNIVERSITY AND BASE EDITING

In January 2019, Horizon signed a strategic partnership with Rutgers, The State University of New Jersey (U.S.), to develop and commercialise base editing, a novel technology platform that has the potential to provide more accurate gene editing and fewer unintended genomic changes than currently available gene editing methodologies.

Base editing could therefore potentially help to target many diseases that to date have no treatment.

In January 2020, following a detailed twelve-month evaluation of the technology, Horizon exercised its option to exclusively license Rutgers' base editing technology for use in all therapeutic applications. This is potentially transformative for our business. There is significant latent demand for access to base editing and currently we believe we are one of only two commercial entities with the ability to enable base editing in therapeutic applications, and the only entity making this technology available to the market broadly.

We expect to refine this technology over the next 18 months ahead of full commercialisation. We are currently seeking early access customers to assess and shape the development of this technology, which we believe could enable customers' development of novel therapeutics that rely on engineering cells either directly in the body (gene therapy), or externally before transplanting back into the patient (cell therapy).

COLLABORATION WITH MAMMOTH BIOSCIENCES

In December 2019, we signed a strategic collaboration agreement with Mammoth Biosciences that will see us jointly develop a next-generation, technologically disruptive suite of CHO cell lines which have been optimised to solve challenges in biologic drug development.

Mammoth is a San Francisco-based biotech company aiming to provide a CRISPR-based platform in order to democratise disease detection with an easy and affordable point-of-care test that allows real time and simultaneous detection of multiple conditions. The company has the broadest CRISPR IP portfolio of any company, which is powered by its proprietary CRISPR protein discovery engine, and focused on uncovering and developing novel Cas systems. Using this platform Mammoth has characterised new Cas enzymes that are similar to Cas9 (the predominant protein used in gene editing) but without the complex royalty burden.

Under the terms of the agreement, Horizon and Mammoth will collaborate to identify and optimise one of the company's novel proteins for use under license by Horizon, in a novel gene editing tool. This will then be deployed for the development of the Group's next generation of engineered CHO cell lines.

> "We are committed to investing in partnerships and high-value technologies to maintain the Group's market leadership positions."

Having secured more than 70 licensing engagements and supported five successful Investigational New Drug (IND) filings, Horizon is now a highly credible player in the BioProduction market. We are now committed to delivering the next generation of CHO cell lines to an industry where greater flexibility, increased speed to market and cost reduction are key drivers. We believe that with a combination of Mammoth's technology and our cell engineering expertise, we have the opportunity to address many of these issues and become a disruptive provider of best in class engineered CHO cells.

CELYAD LICENSING AGREEMENT

In October 2018, we announced a partnership with Celyad a clinical-stage biopharmaceutical company, which has licensed our optimised SMARTvector™ shRNA technology for use in CYAD-02, the company's novel autologous NKG2D based CAR-T cell therapy. In early July 2019, Celyad secured FDA Acceptance of an Investigational New Drug (IND) application which triggered a milestone payment. On the 13 January 2020, Celyad announced that it had commenced the Phase 1 trial of CYAD-02, with the dosing of the first patient.

PLANS FOR A U.S. PUBLIC OFFERING

On 4 February 2020, Horizon announced that it had confidentially submitted a draft registration statement on Form F-1 with the Securities and Exchange Commission (the "SEC") relating to the proposed initial U.S. public offering. The U.S. Listing process is currently delayed due to market volatility, but the Company intends to pursue this when market conditions are considered to be more favourable. The Placing will support Horizon's aim to pursue a dual-listing from a position of strength.

PLACING

In April 2020, the Group raised £6.9m gross through a non-pre-emptive placing of 6,764,365 Placing Shares, representing approximately 4.5% of the current issued share capital of the Company. The net proceeds of the Placing will be used to strengthen the Group's balance sheet, working capital and liquidity position. Significantly, the improved liquidity will also allow Horizon to continue its investment in strategic projects including commercialising its base editing technology, e-commerce enhancements and its collaboration with Mammoth Biosciences even in the event of a prolonged period of economic disruption as a result of the COVID-19 pandemic.

BUILT BY OUR PEOPLE

You cannot build a world-class organisation without world-class people, and we are blessed with many in our organisation. I thank them all for their dedication and hard work during the year.

SUMMARY AND OUTLOOK

2019 was a year that the Group embedded the new strategy focusing investment on our high-growth opportunities. The divestment of our In Vivo business has enabled us to focus on our core areas of growth. Our enhanced corporate and financial governance, investment in automation and IT infrastructure will provide a robust platform for continued, sustainable revenue growth. The additional investment in base editing and our collaboration with Mammoth Biosciences will strengthen the Group's core competence in cell-line engineering (which underpins all of our business units).

Horizon has moved into 2020 with a simplified, more robust and focused business. The Group is now well positioned as a world-leading expert in cell-based technologies with a unique and high value portfolio of tools and services which, combined with our commercial reach, provides the basis for a sustainable competitive advantage.

Following our recent Placing the Group has a robust balance sheet, which when combined with the mitigating actions described previously (see impact of COVID-19 on page 12), will mean the business has a sufficient working capital and liquidity position providing protection in the event of a prolonged COVID-19 related economic downturn.

The Group's order book is growing which underpins confidence for H1 2020, but given the ongoing uncertainty around the scope, duration and impact of the pandemic, Horizon is unable to predict the full year consequences of the coronavirus pandemic. The Group does not expect to be in a position to provide revised guidance until the duration and extent of the market disruptions from the COVID-19 pandemic are known.

However, the vast majority of the Group's products and services support and enable critical elements of the drug development and therapeutic value chain, particularly in the area of precision medicine. We believe the fundamental drivers of the pharma-biotech market remain strong and will continue to support the growth of our business for the long-term. The Board therefore looks forward to the future with cautious confidence.

TERRY PIZZIE
CHIEF EXECUTIVE OFFICER