Headwaters Capital Management, LLC Opposes Sale of Abcam to Danaher

Proposed Acquisition Significantly Undervalues ABCM and Deprives Shareholders of Value Created During the Company's Four-Year Investment Phase

Timing of Sale is Questionable Given that ABCM Recently Reiterated 2024 Financial Guidance that Implies Significant Near- to Medium-Term Margin Expansion

The Merger Enriches Management at the Expense of Shareholders Due to Mis-aligned Incentives

Dr. Milner's Proposal to Replace the Board and Management Will Lead to a More Focused Company that Can Attain Financial Performance In-Line with Peers

Atlanta, Georgia, September 21, 2023 -- Headwaters Capital Management, LLC, an Atlanta-based investment firm and a shareholder of Abcam PLC, today issued the following statement to shareholders about Danaher Corporation's proposed acquisition of Abcam PLC:

Fellow shareholders,

Headwaters Capital Management, LLC ("Headwaters Capital" or "Headwaters") believes that Danaher's ("DHR") proposed offer (the "Transaction") to acquire Abcam PLC ("ABCM" or the "Company") for $24 per share materially undervalues the Company. Headwaters Capital believes that the fair value of ABCM's shares is between $35-$37 per share, or 46%-54% above the current offer price. ABCM shareholders have patiently supported management's five-year plan, which included significant investments made to position the company for durable long-term growth and materially higher earnings following completion of this investment phase. As noted in the Company's 6-K filed on July 5, 2023, the Company believes that it is on the verge of realizing significant margin improvement that will result in the Company returning to previous levels of profitability with adjusted EBITDA margins of 42-46% in 2024. Despite being on the verge of significant financial improvement, on August 28, 2023, the Board announced that it had accepted DHR's acquisition offer, which was based on revenue and profitability materially below ABCM's guidance released less than two months prior to the Transaction announcement. <u>Headwaters Capital believes that selling the Company based on depressed financial metrics that are inconsistent with management guidance and broader industry commentary is not in the best interest of shareholders. Headwaters Capital intends to vote against the Transaction for the following reasons:</u>

- **<u>Shareholders Deserve to Realize the Value of ABCM's Investments Over the Last 4 Years.</u>** A sale of the Company prior to attaining long-term financial targets is not in shareholders' best interest. Shareholders have patiently supported a five-year strategic plan to "sustain long-term growth and value creation" that was outlined at the Company's 2019 Capital Markets Day. Central to this plan was a strategic investment phase, which temporarily depressed EBITDA margins, but would ultimately result in EBITDA margins at or above levels achieved prior to the investment phase. Abcam recently completed this heavy investment phase, yet the anticipated profitability improvement is expected to occur in 2024 per management's original guidance and guidance reiterated by management on July 5, 2023. A sale of the Company prior to attainment of these profitability goals deprives shareholders of significant value created during the investment phase.

- **<u>The Board's assertion that they ran "a thorough, competitive and comprehensive sales process" purposefully distracts shareholders from the fact that the sales process was run prior to attainment of long-term targets.</u>** What shareholders can glean from this hasty sales process is that ABCM is a highly strategic and scarce asset, as evidenced by interest from 20 strategic acquirers during the process. While this appears to be a robust sales process, it purposefully distracts from the fact that the process was conducted prior to attaining long-term financial targets. No matter how robust the sales process was, shareholders have no incentive to sell the company prior to attainment of long-term financial targets, for which the foundation has already been laid through the investments outlined above.

- **<u>The Merger Enriches Management at the Expense of Shareholders Due to Mis-aligned Incentives.</u>** Management's incentives are not aligned with shareholders' given that management's long-term incentive compensation is primarily tied to achievement of revenue targets under the Profitable Growth Incentive Plan ("PGIP"), which must be achieved by year-end 2024. The DHR transaction ensures that management receives payment on these awards, regardless of Abcam's 2024 revenue performance. Per the merger agreement, management will receive 5.2 million shares worth approximately $125 million at a $24 acquisition price. Headwaters Capital believes that the 5.2 million shares equates to the On-Target revenue performance metric (£483 million, or $608 million at current exchange rates). Using the assumptions that Abcam achieved this on-target revenue level in 2024, the midpoint of ABCM's EBITDA margin guidance (44%) and the same acquisition multiple that DHR outlined in their acquisition overview, this would imply a fair value for ABCM of $37.

- **<u>A Refreshed Board and Management Team Can Achieve Financial Targets; Founder's Activism Ensures Shareholders Protected.</u>** While Abcam has outlined the opportunity for significant margin improvement in 2024, Headwaters Capital believes there is an opportunity for even greater margin improvement beyond 2024. Comparable company margins combined with DHR's projection for significant cost synergies imply that Abcam's 2024 targets are easily achievable, and that additional progress can be made beyond 2024. Headwaters Capital believes that Dr. Milner's proposal to replace the existing Board and Management team, who have consistently underperformed original projections, will ensure that the Company has appropriate leadership to achieve financial targets and ultimately realize the full value of the Company for shareholders.

Note: This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card. Headwaters Capital is not able to vote your proxies, nor does this communication contemplate such an event.

The views expressed herein are those of Headwaters Capital as of the date hereof and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. This piece is for informational purposes and should not be construed as a research report.

Headwaters Capital conducted its own analysis based upon information available to it at the time of the analysis which may change at any time without notice and does not make any warranty as to the accuracy or completeness of any analysis, data point, assumption or opinion presented herein.

About Headwaters Capital

Headwaters Capital is a registered investment advisor based in Atlanta, Georgia that invests in small- and mid-cap equities. Headwaters Capital invests in a limited number of industry leading companies with sustainable competitive advantages and the opportunity to generate durable revenue and earnings growth over the long-term. Headwaters seeks to create a concentrated portfolio of these high-quality businesses that can maximize investor returns while balancing risk.