October 26, 2023

Dear Investors,

The Headwaters Capital Management, LLC ("Headwaters Capital," "Headwaters," or the "Firm") portfolio declined -7.6% (-7.8% net) for the third quarter of 2023 compared to a -4.7% return for the Russell Mid Cap Index. YTD performance for the Headwaters portfolio stands at +14.2% (+13.5% net) compared to a +3.9% return for the Russell Mid Cap Index. A brief discussion of the performance and trading activity during the quarter is presented below as well as an update on Danaher's proposed acquisition of Abcam.

Headwaters Capital Returns:

	Q1 '23	Q2 '23	Q3 23	YTD '23	LTM (9/30/23)	2021	2022	Since Inception (1/4/2021)
Headwaters Capital (Gross)	5.2%	17.4%	-7.6%	14.2%	22.4%	17.9%	-22.7%	4.0%
Headwaters Capital (Net)	5.0%	17.2%	-7.8%	13.5%	21.5%	17.1%	-23.4%	1.8%
Russell Mid Cap Index	4.1%	4.8%	-4.7%	3.9%	13.5%	22.6%	-17.3%	5.3%

**Performance for the Headwaters Capital portfolio has been calculated by Liccar Fund Services for the period presented above.*

***Individual SMA performance may differ from the results presented above.* [1]

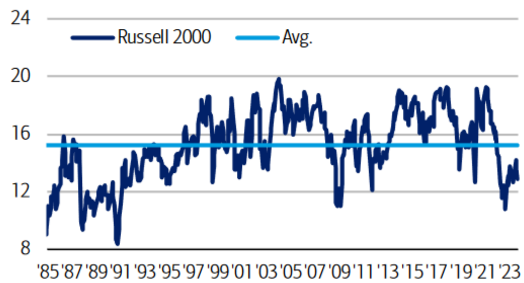
Q3 2023 Performance Discussion

Two themes dominated broad equity market performance during Q3 '23. The first theme was rising bond yields, which pressured valuations across all asset classes during the quarter. The US 10-year Treasury yield increased 75 bps during the quarter (and has increased another 45 bps so far in Q4), driving markets lower as discount rates increased. The second important theme was the perceived threat of GLP-1 weight loss drugs to a number of business models, but most acutely, healthcare companies (the Russell 2000 healthcare sector declined -15.1% in Q3). Healthcare stocks were negatively impacted as investors fear that the increasing adoption of weight loss drugs will lead to lower levels of obesity and a corresponding decline in broad medical treatments and procedures. This theme reverberated throughout the markets during Q3 as investors wrestled with the potential implications of widespread and durable weight loss drug adoption. HCM's exposure to healthcare stocks drove the underperformance relative to the index and was concentrated in two stocks (INSP, UFPT) discussed below.

My optimistic outlook for small caps has not changed since Q2 and is detailed here. What has changed since the presentation in May is the rapid rise in long-term treasury yields. In light of the recent move in yields, it's helpful to put current valuations in historical context given renewed fears around bond yields and appropriate multiples. As shown on the following page, current small cap valuations are below trough levels seen throughout 2000-2007, a period of time when bond yields fluctuated between 4-5%, or similar to today's yields. The implication is that the small cap part of the market has largely priced in the current move in bond yields and, has potentially overshot the valuation reset (the Russell 2000 has declined -17% from 7/31/23-10/26/23). For anyone who is interested in taking advantage of the recent weakness or learning more about Headwaters Capital, please contact me directly.

[1] The composite performance ("portfolio" or "strategy") is calculated using the return of a representative portfolio invested in accordance with Headwaters Capital's fully discretionary accounts under management opened and funded prior to January 1, 2021. The performance data was calculated on a total return basis, including reinvestments of dividends and interest, accrued income, and realized and unrealized gains or losses. The returns also reflect a deduction of advisory fees, commissions charged on transactions, and fees for related services. For further information about the total portfolio's performance, please contact Headwaters at the email address listed.

Exhibit 1: Small cap forward P/E below the long-term average
Russell 2000 Forward P/E, 1985-9/30/2023



Source: BofA US Equity & Quant Strategy, FactSet
BofA GLOBAL RESEARCH

Abcam Update

In lieu of any new portfolio additions this quarter, I wanted to provide an update on Danaher's ("DHR") proposed acquisition of Abcam, which Headwaters Capital continues to oppose. Hopefully most investors saw the initial letter to shareholders on 9/21/23 outlining why Headwaters Capital is opposed to the transaction. On October 18, 2023, Headwaters released a follow-up letter in response to Abcam's Independent Directors' Q&A about how they arrived at the recommendation to sell to Danaher at a $24 price. The full letter is attached at the end of this letter.

Since the October letter was released, both DHR and Thermo Fisher ("TMO") have reported Q3 earnings. While these bellwether life science peers are dealing with COVID revenue declines, bioprocessing weakness and general declines in capital equipment spending that are negatively impacting their revenues and the broader life sciences tools industry, ABCM, on the other hand, has minimal exposure to any of this end market weakness. Instead, as noted by both DHR and TMO, the academic, government and life sciences end markets where ABCM is concentrated, continue to perform well.

> "Now if you think about this by end market, academic and life science research have held up well." – *Source: DHR Q3 2023 Conference Call*
>
> "In academic and government, we grew in the high single digits in the quarter. " - *Source: TMO Q3 2023 Conference Call*

Headwaters Capital continues to believe that DHR's offer of $24 per share materially undervalues ABCM as the purchase price does not reflect future revenue growth and margin improvement. A detailed discussion of financial assumptions and relevant trading multiples is discussed in the October letter to shareholders.

Q3 '23 Portfolio Review:

Top Contributor: Qualys ("QLYS") +18%: Qualys reported better than feared Q2 results as bookings were ahead of forecast. Despite broad IT budget pressure, cyber-security spend continues to be a priority for companies as global cyberattacks continue to proliferate. Additionally, M&A in the software space has provided valuation support for QLYS given the company's strong free cash flow profile and net cash position.

Top Detractor: Inspire Medical ("INSP") -39% : Inspire Medical was squarely in the cross-hairs of the weight loss drug fears during Q3. Investors are concerned that weight loss drugs will result in lower levels of obesity, the leading cause of sleep apnea, which will negatively impact INSP's sales. I believe this is a case of "shoot first, ask questions later" given that the ultimate impact is likely years away. However, I believe INSP is insulated from the GLP-1 fears even if there is broad adoption of these drugs. INSP's neurostimulation device for treating sleep apnea is not approved for patients with a body mass index ("BMI") > 40. As it stands today, there is a large population of CPAP patients that cannot be treated by INSP due to this label indication. If these patients with a BMI > 40 begin taking weight loss drugs and reduce BMI into the target indication range, this will add a new population of patients that INSP can treat. While INSP's sales funnel will also lose some patients who no longer need INSP therapy thanks to weight loss drugs, the net result is likely neutral to positive for INSP. Time will ultimately tell how this plays out, but I do believe current fears are overblown.

A quick note on UFPT, which was also impacted by weight loss drug fears and declined -16.7% during the quarter. A significant portion of UFPT's revenue is tied to single-use sterile drapes that are used as part of Intuitive Surgical's da Vinci robots. There is concern that lower levels of obesity will result in lower robotic surgery procedures, specifically bariatric procedures. Bariatric procedures account for ~5% of da Vinici procedures, so the ultimate impact to ISRG and, by association, UFPT is likely to be minimal even if there is widespread adoption of these drugs.

Trading Activity

Buys: Added to multiple existing positions during the quarter.

Sells: CYRX

Cyroport was sold during the quarter due to concerns that cell and gene therapy commercialization will continue to be slower than forecast.

As always, if you have any questions about the portfolio or the market, please do not hesitate to contact me.

Christopher Godfrey

Headwaters Capital Management, LLC Remains Opposed to the Sale of Abcam to Danaher

Headwaters Capital Responds to the Questions Posed by Abcam's Independent Directors About the Proposed Danaher Transaction

Headwaters Capital Sees Limited Near-Term Downside if the Transaction is Terminated, Significant Long-Term Upside as an Independent Company

Headwaters Capital Urges ISS to Reconsider and Glass-Lewis to Consider Abcam's Recent Investment Phase, In-Progress Profitability Improvement and Relevant Forward Valuation Metrics in Their Analysis of the Proposed Transaction

Atlanta, Georgia, October 18, 2023 -- Headwaters Capital Management, LLC ("Headwaters Capital" or "Headwaters" or the "Firm"), an Atlanta-based investment firm and a shareholder of Abcam PLC ("ABCM" or the "Company"), today issued the following statement to shareholders in response to the letter and presentation by the Company's Independent Directors recommending that shareholders vote in favor of Danaher's proposed acquisition of Abcam.

Headwaters Capital Management, LLC continues to believe that Danaher's ("DHR") proposed offer (the "Transaction") to acquire ABCM 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% to 54% above the current offer price. In response to the Independent Directors' Q&A about how they arrived at the recommendation to sell to Danaher at a $24 price, Headwaters Capital offers the following answers.

Board Question #1: Why Did the Board commence a review of strategic alternatives?

Headwaters Capital Response: The Independent Directors' assertion that the Board undertook a review of strategic alternatives as a result of Dr. Milner's activist campaign appears to be misleading. The Scheme Circular published by Abcam on October 5, 2023 clearly states that Abcam was in discussions with "Party A" in April, prior to Dr. Milner's initial 13-D filing on May 1, 2023. Regardless of why the process was initiated, it purposefully distracts from the fact that the process was conducted prior to the Company having achieved its long-term financial targets. 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 incurred over the last four years.

Board Question #2: Is this the best price?

Headwaters Capital Response: While the Independent Directors clearly outline why they believe that this was a rigorous and competitive sales process and that $24 per share is the best price Abcam received during the strategic alternatives process, they again miss the point that this is not the appropriate time for a sale of the company. 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 capital 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. Furthermore, the Independent Directors' justification for the transaction based on LTM 9/30/23 financial results and LTM precedent transaction multiples is a tacit acknowledgement that the Company is being sold on depressed financials as this time period includes lost revenue due to a poorly implemented enterprise resource planning software ("ERP") upgrade, which had a significant negative impact on EBITDA margins. Given a proposed closing in mid-2024, ABCM's valuation should reflect both the already achieved 2023 revenue growth and margin improvement as well as the additional revenue growth and margin achievement that was forecast to be achieved in ABCM's guidance issued on July 5, 2023 and reiterated in the Scheme Circular on October 5, 2023. Finally, management will receive their Profitable Growth Incentive Plan ("PGIP") bonus based on 2024 financial metrics and shareholders deserve to be compensated on the same forward metrics.

Board Question #3: What certainty does this offer shareholders, and what is the alternative?

Headwaters Capital Response: Headwaters Capital agrees with the independent directors that shareholders should consider the alternatives to DHR's bid; however, as outlined in detail below, Headwaters Capital disagrees with the independent directors' view that there is value in the certainty of DHR's offer and that there is potential for downside in the shares if the Transaction is terminated. Furthermore, the Independent Directors' statement that there is "Significant Execution Risk as a Standalone Company" raises serious questions about whether this Board and Management team have been effective. Shareholders should question why we should rely on this Board to protect our interests in this Transaction.

Headwaters Capital's Analysis of Alternatives to DHR's Offer: Limited Near-Term Downside to ABCM's Share Price, Significant Long-Term Upside

1) **The Board's Assertions of a Weakening Global Economy and the Impacts on the Life Sciences Tools Market Obfuscate the fact that ABCM's academic and government end markets (ex China) are stable and healthy. ABCM's life-science tools peers, including Danaher, have publicly stated that the academic and government end markets are healthy and are expected to remain strong for the foreseeable future.**

    "Now from an end market perspective, we see the academic end market holding up well." *Source: DHR CEO on Q2 2023 Conference Call (7-25-23)*

    "But I think the trend will be largely, I think, maybe just like pre-COVID ,8% kind of numbers long term, I think, for academic growth. I think it will be safe for us." *Source: Bio-Techne CEO at 2023 Analyst Day (9-8-23)*

    "So in Europe, yes. There's the HORIZON project. And our academic performance in Europe has been very good in the past 3 quarters or 4 quarters, and we expect that to continue for foreseeable future. So in Europe, in particular, the academic is very strong. In the U.S., there's talks about NIH slowing down or maybe even going backwards a bit on funding, I'll just say this. When there was double-digit increases in NIH spend during COVID, I didn't hear any of our peers bragging about double-digit growth in academic and neither were we, okay? In fact, ironically the strongest 2 quarters we've had in the U.S. academic for our last 2 quarters during the COVID hangover and all the concerns about budgets going forward in academic. So why is that? My theory on it, and I've had some scientists I talked about they kind of they don't want to give me the idea this is how it works. It's for us it's almost arguably more important where the money is being spent than the absolute funding. Now higher funding lifts all boats. But as long as they keep budgets relatively flat, those double-digit increases went to support COVID research. That's not our strength. And so they keep dollars flat, that means that money is being redirected back to other traditional areas like oncology, neurology, immunotherapies, and that's where our strength is. So we -- I'm not signing up for it, but I'm saying we could actually see a stronger academic performance in the year to come even on flat NIH budgets if that redirection occurs." *Source: Bio-Techne CFO at Wells Fargo Conference (9-6-23)*

"Yes, Bob, I think this [academic] is an end market that is holding up reasonably well. I mean we're seeing that on a global basis, in most cases, with the exception being China, where the funding is there, the funding is stable. And it's been a positive surprise for us so far through this year..." *Source: Agilent CEO on Q3 2023 Conference Call (8-15-23)*

"And from what we're seeing, Puneet, is funding continue to be available and it's flowing from governments. I think they're seeing the strategic nature of many of the investments that they're making. And our expectation is that, that funding will continue." *Source: Agilent CFO on Q3 2023 Conference Call (8-15-23)*

2) China risk is limited given an estimated 15% revenue exposure, with the remainder of the Company growing greater than 10%. Additionally, China is a temporary 2023 headwind that represents significant upside potential in 2024/2025.

"Well, I guess, I'd go back to the same reasons why we're not predicting as dire this year as others are because a lot of the growth from some of these other companies came from the bioprocessing and CDMO. Areas which did have -- we were kind of jealous and envious that we weren't in that space for the past 3 or 4 years because it was rapidly growing so fast. But those companies who depended on that for growth, I think there could be a structural realignment there. And I can see why it now relying just on the academic side, where they had less exposure perhaps than we do, relatively speaking, that they won't see the growth rates. But again, we feel like not only the government's emphasis on good -- on strong health care, but our positioning within the key growth markets of life sciences that we will continue to have very strong growth in China. It will lead the world's regionally in growth, we believe." *Bio-Techne CFO in Response to China expectations for FY '24. Source: Robert W. Baird Conference (9-12-23)*
"We see it in the light end of the tunnel in China already as an example… And right now, all our current information is that they're still on track for funding infusion come October. And we'll be one of the first to see some of that, because we're at the reagents and the consumables end of the model. And the team feels pretty good about that. I don't think it's going back to 25% growth overnight, but we certainly expect double-digit run rates or better by the end of the fiscal year, and it should start beginning, we hope in October. As it was mentioned, we had decent growth last quarter, and we're really to quick in, quick out as we think, in China, partly because comps get very easy. Partly because we're not that big. And the funding impacts have a pretty big leverage effect for us." *Source: Bio-Techne CEO at 2023 Analyst Day (9-8-23)*

3) **Stand-Alone Value for ABCM Insulates Shareholders from Near-Term Downside Risk if Deal is Terminated**

Headwaters Capital continues to believe that uncertainty around 2023 and 2024 financials has limited impact on the intrinsic value of ABCM. However, in an effort to address the question of alternatives to DHR's bid, Headwaters Capital has outlined below why the current standalone value for ABCM should limit near-term downside if shareholders vote against the Transaction.

<u>Central to Headwaters Capital's belief that there is limited near-term downside to ABCM's shares is the fact that financial results have improved materially since the strategic review process was announced and these improved financial results provide visibility into the path to higher revenues and profitability in 2024. Valuing ABCM on a forward basis, as opposed to the LTM 9-30-23 analysis that included temporary revenue disruptions, recognizes the significant value creation that has been unlocked at ABCM during 2023 and that the company is on track to achieve into 2024. For reference, Management's 2024 adjusted EBITDA guidance provided on July 5, 2023 and reiterated in the Scheme Circular on October 5, 2023 is +53% higher than the</u>

LTM 9/30/23 adjusted EBITDA on which Abcam's financial advisors have justified the DHR transaction. Headwaters Capital believes the downside scenario for ABCM implies a valuation of $20.63, or -10% downside from the current share price of $22.80. (see Appendix for complete details of assumptions).

Will ABCM shares see short-term weakness if shareholders vote against the Transaction causing merger arb funds to sell their shares? Absolutely. However, Headwaters Capital believes that ABCM's shares will see strong interest from long-term shareholders who recognize improving financial performance, valuation support and broad strategic interest in ABCM as disclosed as part of the Strategic Alternatives process. As outlined in the Appendix, a reasonable financial scenario analysis combined with current valuation multiples supports a share price only slightly below the current price. Additionally, ABCM will be in a net cash position by the end of 2023 providing the Company an opportunity to pursue share repurchases should the share price remain depressed. Headwaters Capital reiterates that this is a downside scenario analysis of the short-term value for ABCM and does not reflect Headwaters Capital's view of the long-term intrinsic value of ABCM. Moreover, this downside scenario is well below both the financial projections ABCM laid out in the Scheme Circular and the financial metrics on which management is being compensated as part of the PGIP plan.

4) Long-Term Shareholders Still Positioned to Capture Value Creation Through Revenue Growth and Margin Expansion as Originally Outlined in Management's 5 Year Plan.

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 over time and that additional financial improvement can be achieved beyond 2024. Headwaters Capital believes that Dr. Milner's proposal to replace the existing Board and Management team will ensure that the Company has appropriate leadership to achieve financial targets and ultimately realize the full value of the Company for shareholders.

Appendix – Financial Analysis Details

Prior to outlining assumptions for the remainder of 2023 and 2024, it is helpful to level set readers on 2022 financial performance. Of critical importance is that 2H 2022 financial results were negatively impacted by the combination of revenue disruptions associated with an ERP implementation (£21 million) and COVID lockdowns in China (£9 million). The table below shows both actual results and pro forma results adjusting for both of these negative impacts.

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Headwaters Capital Downside Valuation Scenario Analysis

	1H '22	2H '22	2022	1H '23	Y/Y Growth	2H '23	Y/Y Growth	2023	Y/Y Growth	2024	Y/Y Growth
ABCM Revenue (ex. China) (£)	154	145	298	170	*11%*	184	*27%*	354	*19%*	382	*8%*
ABCM China Revenue (£)	32	31	63	33	*4%*	30	*-3%*	63	*1%*	70	*10%*
Total ABCM Revenue (£)	**185**	**176**	**361**	**203**	*10%*	**214**	*22%*	**417**	*16%*	**452**	*8%*
Adjusted EBITDA (£)	**59**	**51**	**110**	**73**	***23%***	**81**	***61%***	**154**	***40%***	**181**	***17%***
Adjusted EBITDA Margin	32%	29%	30%	36%		38%		37%		40%	
*Pro Forma Financials Adjusted for ERP & China COVID Impacts**											
Pro Forma ABCM Revenue (ex. China) (£)	154	166	319	170	*11%*	184	*11%*	354	*11%*	382	*8%*
Pro Forma ABCM China Revenue (£)	32	40	72	33	*4%*	30	*-25%*	63	*-12%*	70	*10%*
Total ABCM Revenue (£)	**185**	**206**	**391**	**203**	***10%***	**214**	***4%***	**417**	***7%***	**452**	***8%***
Adjusted EBITDA (£)	**59**	**73**	**132**	**73**	***23%***	**81**	***11%***	**154**	***16%***	**181**	***17%***
Adjusted EBITDA Margin	32%	36%	184%	36%		38%		37%		40%	
£/$ Exchange Rate	$ 1.21	$ 1.21	1.21	$ 1.21		$ 1.21		$ 1.21		$ 1.21	
Adjusted EBITDA ($'s)	**$ 71**	**$ 89**	**$ 160**	**$ 88**	***23%***	**$ 98**	***11%***	**$ 186**	***16%***	**$ 219**	***17%***
Stand-Alone EBITDA Multiple										21.1x	
ABCM Enterprise Value										$ 4,609	
Net Debt/(Cash)										$ (138)	
Equity Value										$ 4,747	
Shares O/S										230	
Downside Standalone Value/Share										**$ 20.63**	
Upside/(Downside) From Current Share Price										**-10%**	

** ABCM Disclosed that China COVID lockdowns had a $9mm drag on 2H '22 revenue and revenue disruptions from difficulties with the ERP upgrade had a $21mm negative impact on 2H '22 revenue. Headwaters assumes that these revenues carried a 75.5% gross margin, in-line with company average for 2H '22)*

Other assumptions include:

1) 2023 key assumptions:
   a. 2H 2023 revenues are negatively impacted by China weakness, which is forecast to decline by -25% from pro forma 2H 2022 numbers. ABCM's other revenue maintains it's 11% growth rate experienced in 1H 2023, which is in-line with industry commentary highlighted above. 2H 2023 revenues of £214 million are -6% below the mid-point of management's most recent guidance.
   b. EBITDA margins of 37% fall short of management's guidance of 38% due to the revenue shortfall.
2) 2024 key assumptions
   a. China returns to +10% growth due to budget refresh and easy comps; rest of world grows +8%, which is below ABCM's historical growth rate. Revenues of £452 million are -10% below ABCM's most recent guidance.
      i. Stable end markets, as highlighted by commentary from competitors, provide confidence that revenues will grow in 2024.
   b. EBITDA margins are forecast to improve to 40% compared to 38% in 2H 2023 due to management's previously outlined cost savings and ongoing revenue growth. This is well below the most recent guidance which called for 42-46% EBITDA margins in 2024.
3) Standalone forward EBITDA multiple of 21.1x is derived from the historical trading discount to its closest peer, Bio-Techne ("TECH"). ABCM has traded at a -14% historical discount to TECH since listing on Nasdaq in 2020. Note that this is a standalone valuation with no premium embedded for a change in control.
4) Net cash position also provides backstop for shares as the company has ample liquidity to repurchase shares.

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.

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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.

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Investing in small- and mid-size companies can involve risks such as less publicly available information than larger companies, volatility, and less liquidity. Investing in a more limited number of issuers and sectors can be subject to greater market fluctuation. Portfolios that concentrate investments in a certain sector may be subject to greater risk than portfolios that invest more broadly, as companies in that sector may share common characteristics and may react similarly to market developments or other factors affecting their values.

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