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.

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 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.

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.

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.