

Engine Capital Sends Letter to Avantor's Board of Directors Regarding Opportunities to Improve Governance and Unlock Shareholder Value

Believes Years of Self-Inflicted Issues Have Caused Avantor to Trade at a Meaningful Discount to its Intrinsic Value and Life Sciences Peers

Contends the Board Has Failed to Remedy Operating Underperformance, Ineffective Cost Controls and Poor Capital Deployment – Resulting in Significant Value Destruction Over Every Relevant Period

Makes Clear the Board Needs to Be Refreshed with New Directors with Successful Experience in Healthcare Distribution, Capital Allocation and Leadership at Relevant Companies

Sees Path to Realizing 100% Upside in Share Price by End of 2027 by Prioritizing Cost Discipline, Operational Improvements, Portfolio Optimization and Immediate Share Repurchases

NEW YORK--(BUSINESS WIRE)--Engine Capital LP (together with its affiliates, "Engine" or "we"), which owns approximately 3% of the outstanding shares of Avantor, Inc. (NYSE: AVTR) ("Avantor" or the "Company"), today sent a letter to the Company's Board of Directors outlining several opportunities to close Avantor's significant valuation gap and unlock value for shareholders.

August 11, 2025

Avantor, Inc.
Radnor Corporate Center, Building One, Suite 200
100 Matsonford Road
Radnor, PA 19087
Attention: The Board of Directors ("The Board")

Members of the Board:

Engine Capital LP (together with its affiliates, "Engine" or "we") is a significant shareholder of Avantor, Inc. ("Avantor" or the "Company") with ownership of approximately 3% of the Company. We invested in Avantor because of the long-term growth prospects of its bioprocessing division, the defensive nature of the consumables market, the Company's position as one of the few scaled global distribution platforms, the opportunity to transform its cost structure, its strong recurring revenue profile and our belief that its shares are deeply undervalued.

Avantor has a strong and profitable legacy, including generating equity returns of greater than 7x from 2010 to 2018 before executing the largest healthcare IPO to date in 2019.¹ However, over the past five years, Avantor has faced sustained operational and financial challenges, including repeated reductions to its financial guidance and consistent underperformance versus investor expectations. Most recently, in the first half of this year, the Company stepped back from its original 2025 guidance of 1% to 3% organic growth, stemming from share losses and margin challenges in its Laboratory Solutions segment ("LSS") and weaker performance of its Bioscience Production segment ("BPS") relative to peers. Avantor's difficulties have also been reflected in its earnings, which have fallen far short of the targets shared at its 2021 Investor Day. Today, the Company is not even tracking toward the revised long-term targets it

¹ *PE Hub* [article](#) entitled "Avantor marks home run investment for New Mountain amid \$3.8 billion public debut" (May 20, 2019).

introduced at its 2023 Investor Day, which included EBITDA margin above 20% and mid-single-digit organic growth.²

2021 Investor Day Forecast (left chart) vs. Reality (right chart)³



The result has been extreme shareholder value destruction and sustained share price underperformance versus peers – despite Avantor having a higher mix of recurring revenue and defensive consumables exposure.

Avantor Total Shareholder Returns vs. Peers and Benchmarks⁴

	Total Shareholder Return			
	YTD	1-Year	3-Year	5-Year
Life Science Tools Peers	-19%	-23%	-30%	-1%
S&P 500 Health Care (Sector)	-6%	-13%	-1%	22%
S&P 500 - Life Sciences Tools & Services	-13%	-22%	-24%	-2%
Avantor	-45%	-54%	-59%	-47%
Relative Performance to Life Science Tools Peers	-26%	-31%	-30%	-46%
Relative Performance to S&P Health Care Sector	-40%	-41%	-58%	-69%
Relative Performance to Life Sciences Index	-32%	-32%	-35%	-45%

We believe the Board is responsible for Avantor’s underperformance and has, in our opinion, failed to adequately oversee the Company’s operations, management, capital allocation and succession planning.

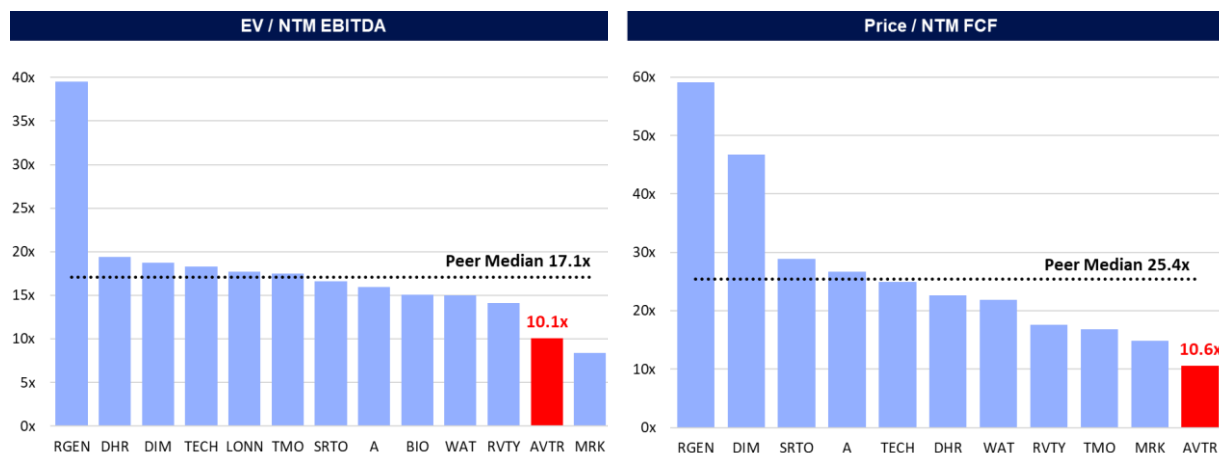
From a valuation perspective, Avantor’s multiples have significantly contracted and now trade at all-time lows and at a substantial discount to peers across the life sciences space.⁵ As further context, Avantor historically traded at an average NTM EBITDA multiple of approximately 16x while VWR (Avantor’s distribution business) historically traded at an average NTM EBITDA multiple of roughly 12x when it was a standalone public entity. Today, Avantor trades for approximately 10x NTM EBITDA.

² At the 2023 Investor Day, Avantor forecasted mid-single-digit organic revenue growth, 50-100 basis points of margin expansion per year culminating in EBITDA margins >20%, double-digit EPS growth and 90%+ cash conversion.

³ 2025E projection per 2021 Investor Day. 2025 earnings per share of \$0.96 represents the midpoint of Company’s guidance.

⁴ Life Science Tools Peers include DHR, WAT, TECH, TMO, MTD, RVTY, A, BRKR and DIM.

⁵ MRK is composed of three disparate divisions. According to Goldman Sachs 7/22/25 research, it values MRK’s Life Science division at 20x 2026 EBITDA.



Despite its operational challenges and abysmal shareholder returns, Avantor continues to have significant strategic value, well in excess of current trading prices. This strategic value is best underscored by Ingersoll Rand Inc.'s ("Ingersoll Rand") approach in 2023, which was recently disclosed in court filings.⁶ Based on share prices at the time and assuming a 20%-35% premium, Ingersoll Rand's offer for the Company would have been around \$25-\$28 per share. We are also aware of another approach from a separate competitor. These approaches were all rebuffed by the Board. We suspect Avantor's strategic value is lower today (between \$17 and \$19 per share, a premium of approximately 50% to current trading prices at the midpoint of this range) given the Company's recent underperformance and industry headwinds.

Today, the Company is at a crossroads as it is clear that the status quo under the current Board cannot continue. The remainder of this letter expands on these themes, outlines the Company's previous missteps and provides six recommendations for how the Board can give Avantor the best chance of succeeding: strengthen execution, instill a culture of cost discipline, improve capital allocation, evaluate the Company's portfolio, align executive compensation to shareholder value creation and refresh the Board.

Avantor's Issues Are Widespread and Largely Self-Inflicted

To better understand Avantor's subpar performance, we spoke with more than 20 former senior employees and industry participants. As we outline below, these discussions made clear that many of the Company's issues are the result of poor decision-making and execution:

1. Material Underperformance at LSS and Lack of Transparency with Investors

LSS is currently one of the top three life sciences distributors in the world. Together, the three largest distributors – Thermo Fisher Scientific Inc. ("Thermo"), Merck KGaA ("Merck") and Avantor – account for approximately 35% of the market, followed by a long trail of distributors that represent an opportunity for share gains.⁷ As a leading life science distributor, Avantor was well positioned to employ a winning playbook: steadily expand its catalog through organic investments and acquisitions to increase its share of customer workflows and budgets. This strategy enhances customer stickiness and creates opportunities for product bundling, rebates and value-enhancing services. While Thermo is renowned for its successful execution of this strategy, Avantor has so far failed to replicate it. Since at least 2018, Avantor has lost significant market share as Merck and Thermo's competing businesses grew by roughly 3-5x as much as LSS over the same period, resulting in LSS losing approximately 4% of relative market share.

⁶ Per District Court, City and County of Denver Ingersoll-Rand, Inc.; ILC Dover, Inc.; and Astronaut Topco, L.P. v. Cory Walker and Avantor, Inc., "Ingersoll Rand attempted to purchase Avantor in the summer of 2023."

⁷ According to Avantor, LSS has an addressable market of greater than \$55 billion.

“Without exception in across the board, we’ve either maintained or grown share throughout 2023, and we would expect that to continue...whether it’s in the lab or whether it’s in the production, I think we’ve had another year of good share gains in ‘23.” – CEO Michael Stubblefield, 2023 Analyst Day, 12/8/2023

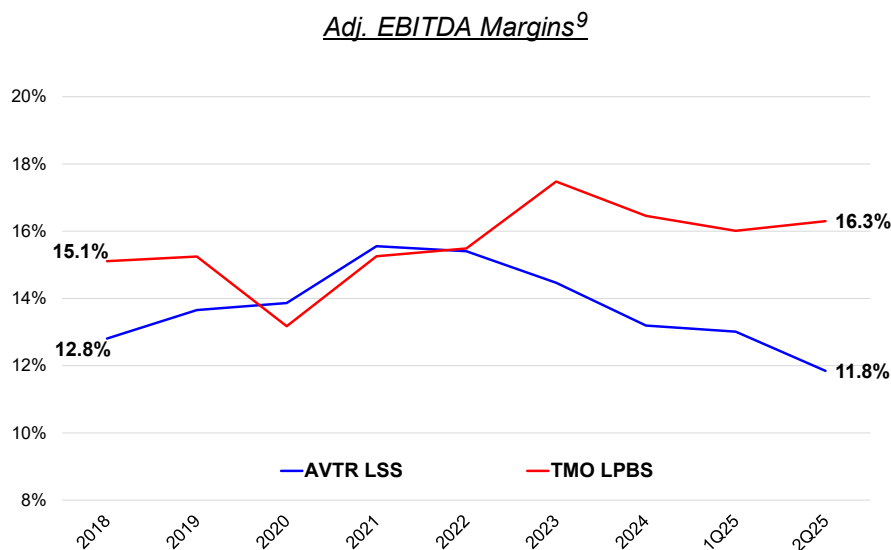
“We’re confident we certainly have a leading [lab solutions] platform here and we remain focused on leveraging our capabilities to continue to grow share. And I think there’s certainly a lot of data points here to support our view here that we’ve got a nice share story.” – CEO Michael Stubblefield, 3Q 2024 Earnings Call, 10/25/2024

“They have said for years [LSS] is not losing share, but do the math since 2018 when both were +/- \$5bn of revenue. TMO is now \$9bn and LSS is still <\$5bn.” – Sell-Side Analyst, May 2025

We believe that the disconnect between management’s messaging and observable market trends has eroded investor trust and further contributed to the Company’s valuation discount relative to peers.

2. Ineffective Cost Controls

According to former employees, Avantor’s lack of cost discipline stems from ineffective oversight by the Board. The below chart compares Thermo’s Laboratory Products and Biopharma Services (“LPBS”) margins with LSS’s margins over time. The chart shows that LSS’s margins have reached an all-time low, and are well below historical and Thermo’s levels. Secondly, Thermo’s LPBS has not experienced the margin degradation that LSS has experienced during the last few years. Unlike LSS, Thermo’s LPBS margins have been stable. Finally, while differences exist between Thermo’s LPBS and LSS, the margin gap between the two divisions are at an all-time high of ~450 basis points. While LPBS contains other businesses that add noise to the comparison, we believe the gap is too wide. Conversations with former employees confirm that the gap can be meaningfully closed through better commercial discipline and stronger cost controls.



⁹ Based on publicly available segment data for Avantor and Thermo as well as Engine’s analysis to adjust for comparability.

Other metrics also point to underperformance at Avantor. For example, the Company’s productivity in the U.S. declined by nearly 8% from 2019 to 2024, despite this period being marked by high product inflation. Additionally, productivity outside the U.S. could be meaningfully higher. While we recognize that additional staffing in EMEA is warranted due to geographic and language complexities, the gap is too large to be justified on that basis.

Revenue per Average Employee (\$ thousands)

	2019	2024	% Change
USA	688	634	-7.9%
Other Countries	378	385	1.8%
Total	503	485	-3.7%

SG&A also appears particularly bloated in the BPS segment, growing more than 13% since 2022 despite a 13% decline in sales and driving nearly 450 basis points of segment operating income margin compression.

3. Poor Capital Allocation and Lack of Accountability

The Board has demonstrated a poor track record of capital allocation. In 2020 and 2021, Avantor spent a total of \$3.8 billion to acquire Ritter GmbH, Masterflex and RIM Bio – businesses purchased through auction processes near the peak of COVID demand levels and at exceptionally high multiples. These acquisitions significantly underperformed revenue and EBITDA expectations in their first year under Avantor’s ownership, with the Company later acknowledging that it had misjudged the extent of COVID overearnings. If these businesses were valued at Avantor’s global multiple (approximately 10x EBITDA) as opposed to their acquisition multiples of around 28x EBITDA, this implies that **over \$2.4 billion of value has been destroyed**.

Historical M&A Has Destroyed Value

M&A: Expected vs. Realized Performance			
	2022 Expected	2022 Realized	Delta
Revenue	500	393	-21%
EBITDA	190	136	-28%
	Price Paid	Value Today	Delta
Enterprise Value	3,800	1,393	(2,407)
EV / EBITDA	28x	10x	(18x)

These acquisitions continue to weigh on the Company’s financial position. Absent these deals, Avantor would carry significantly less debt today and would have far greater flexibility. One of the reasons Avantor trades at a discount to peers in the life sciences sector is investors’ concerns about its ability to allocate capital effectively once it returns to below its 3x leverage target. The market is not fully crediting the Company’s future cash flow potential due to fears that future capital allocation decisions could continue to destroy value.

Beyond acquisitions, the Company’s pattern of poor capital allocation also extends to missed opportunities to sell the business. In 2023, the Board failed to capitalize on a chance to monetize the Company at an attractive valuation when approached by Ingersoll Rand. We also understand Avantor has received at least

one other offer from a separate competitor in the last couple of years. In each instance, the Board rebuffed the offer to the detriment of shareholders.

This pattern is particularly concerning because, in 2023, the Board should have known that Avantor’s LSS segment was losing share even before it became apparent to the market. At the time, Thermo had not begun reporting its distribution revenue separately, and Avantor was still publicly asserting that it had maintained share. The Board’s refusal to engage with Ingersoll Rand – despite internal knowledge of operational underperformance and market share losses at LSS – is simply inexcusable and contributes to a perception of insularity and a lack of accountability.

4. Excessive Turnover Among the Executive Leadership Team

Over the past five years, the Company has experienced material turnover among its executive leadership team, leading to instability and a lack of operational consistency, as the following graphic highlights:



Former employees were also very critical of Avantor’s geographically distributed leadership structure. They (as well as we) question how a company can be effectively run with the CEO working from Allentown, PA, senior leaders working from Boston, Washington D.C. or Radnor, PA, and legal being run out of the New York metro area. These organizational “inefficiencies” are yet another example of the Board’s lack of oversight.

5. Botched Succession Planning

On June 21, 2024, Avantor announced the departure of Randy Stone and the hiring of Corey Walker to lead LSS. Shortly after the hiring announcement, Ingersoll Rand sued both Avantor and Mr. Walker for violating a non-compete agreement. Ingersoll Rand ultimately prevailed, with the court ruling that Mr. Walker could not begin working at Avantor until June 20, 2025. In keeping with a troubling pattern of limited transparency, Avantor has not publicly disclosed Mr. Walker’s actual start date – only stating during its 1Q 2025 earnings call on April 25, 2025 that “We are excited to have Corey Walker, President of Lab Solutions, fully onboarded.” According to a Jefferies research report, Mr. Walker began his employment approximately two months before the end of the non-compete period.¹⁰ If accurate, this would mean LSS was left without permanent leadership for nearly 10 months, a long period during which it continued to lose market share to Thermo.

Given LSS’s ongoing underperformance, it was critical for the new permanent leadership to initiate operational improvements without delay. Instead, the Board and CEO’s decisions left the business without

¹⁰ In an April 25, 2025 research report, Jefferies noted, “Recall that AVTR recently paid \$8 million to bring Corey back two months early as part of non-compete litigation with Ingersoll Rand.”

a permanent leader, delaying the turnaround and exposing the Company to unnecessary operational risks for an extended period during a crucial time.

Several Opportunities Exist for the Board to Improve Avantor

Given the widespread nature of the issues plaguing Avantor today, we believe the Board must prioritize the following initiatives to optimize the business and realize the Company’s full potential if it is to remain a standalone entity.

1. Strengthen Execution

New leadership needs to raise the bar in terms of commercial and operational discipline and change the culture from one of complacency to one of excellence. With regards to LSS, in particular, new management needs to quickly assess product gaps, service levels, pricing opportunities, areas that are subscale or unprofitable, technological capabilities of the ecommerce site and whether SKU rationalization is warranted.

Regarding that last point, it is worth highlighting that Avantor generates less than half the revenue per SKU as Thermo’s Research and Safety division.¹¹ In 2024, Avantor reported approximately \$6.8 billion of revenue on roughly 6 million SKUs, or around \$1,150 per SKU. In contrast, Thermo’s Research and Safety division achieved revenue of approximately \$6.4 billion on just 2.5 million SKUs, or around \$2,600 per SKU. This disparity suggests that Avantor may carry a large number of redundant or slow-moving SKUs. Former employees attribute this to an excessive number of SKUs per product category. SKU consolidation could enhance both capital efficiency and profitability. Concentrating purchases among fewer vendors could improve inventory turns, boost volume-based rebates and strengthen margins. It would also enhance Avantor’s value proposition to suppliers, who are more inclined to reward market share gains rather than purely distribution.

Former employees have also raised concerns that Avantor’s ecommerce platform lags peers. As digital channels become increasingly important to customer engagement and sales, bringing the platform up to best-in-class standards should be a strategic priority.

On the BPS side, the Company recently experienced extended downtime at a facility, leading to increased back orders. More generally, Avantor has meaningfully trailed competitors’ organic growth figures this year, as the table below highlights:

Ticker	Name	Segment	YTD Organic Growth
XTRA:MRK	Merck KGaA	Process Solutions	11.5%
RGEN	Repligen Corporation	Total	10.6%
DHR	Danaher Corporation	Biotechnology	6.5%
XTRA:SRT	Sartorius Aktiengesellschaft	Bioprocess Solutions	6.3%
TECH	Bio-Techne Corporation	Protein Sciences	5.5%
BIO	Bio-Rad Laboratories, Inc.	Life Science	0.2%
Comp. Average			6.8%
AVTR	Avantor, Inc.	BPS	0.6%

2. Instill a Culture of Cost Discipline

The Board has neglected the Company’s cost structure and allowed it to become bloated. Based on our discussions with former employees, there is substantial cost-cutting potential within the organization, but

¹¹ We suspect that revenue per SKU at LSS is even lower than for Avantor as a whole.

internal obstacles have hindered progress. Although management has finally started to address the issue by announcing \$400 million of cost-cutting initiatives, very little of these savings have reached the bottom line. For example, in 2024, SG&A as a percentage of revenue increased by approximately 120 basis points, despite the Company's claims of significant cost reductions totaling \$130 million. To progress toward the greater than 20% EBITDA margin target communicated at the 2023 Investor Day, management needs to go beyond the already disclosed cost-cutting initiatives and be more disciplined to prevent costs from increasing in other areas of the business.

Based on our discussions with former employees as well as with management, we believe there are additional steps leadership can take to go beyond the previously announced cost reductions. This should be a priority for new CEO Emmanuel Ligner and CFO Brent Jones. Given the potential growth in BPS and LSS, combined with the significant cost-saving opportunities, Avantor has a clear opportunity to accelerate EPS and free cash flow growth in a very meaningful way.

3. Improve Capital Allocation

As a consequence of its poor M&A history and operational execution, the Company finds itself slightly above its leverage target. We believe the Company will finally achieve its leverage target (3.0x net debt-to-EBITDA) in the first half of 2026, at which point it will have more capital allocation flexibility. That said, we believe Avantor should not wait until then to start executing on a share repurchase. The current stock price is so dislocated that the Company should immediately start using a portion of its cash flow to repurchase shares (e.g., 50% with the other 50% for debt paydown) until it reaches its leverage target – at which point 100% of its free cash flow should be used to repurchase shares. This deleveraging process could be accelerated through non-core asset sales, as we discuss in the next section.

When it comes to pursuing M&A, given its low valuation, Avantor has a higher cost of capital and is therefore in a disadvantaged position relative to its higher-valued peers. In other words, the Board needs to assess the attractiveness of future M&A relative to the attractiveness of repurchasing its own shares. At today's levels, that is a very high threshold and it is unlikely the Company finds any M&A opportunities that pass this test. This simply means that for the time being, the Board should focus on share repurchases and it should not pursue any M&A until it has regained a more appropriate multiple.

4. Evaluate the Portfolio

To accelerate the deleveraging process and generate cash to take advantage of its undervalued stock, the Board should evaluate some non-core asset sales – for example, distribution assets in smaller geographies where LSS is subscale (and could be worth more to a competitor) or Ritter, which has not performed in line with its investment case. While not as obvious given its strong growth profile, margin contribution and likely tax leakage, we believe NuSil should also be considered and would transact at a very high multiple – potentially as high as 20x.

Additionally, if Avantor continues to trade at a meaningful discount to intrinsic value, we believe a deeper review of the portfolio should be done to examine whether the Company is the best owner of its various assets. At 10x NTM EBITDA, Avantor trades at a distributor multiple (in fact, even below where VWR traded as a public entity) with the market providing no additional value to BPS despite bioprocessing peers trading at a median EV/NTM EBITDA multiple of ~17x.¹² If the multiple disconnect persists, the Board should consider whether shareholder value can be created by selling LSS and becoming a pure play bioprocessing company. We note VWR was purchased by Avantor for roughly \$6.5 billion, which is nearly the Company's current market capitalization.

¹² See chart on page 3 of this letter.

We recognize that Thermo is a strong competitor that benefits from having a range of proprietary products and uses bundling strategies to gain market share, which may put Avantor at a strategic disadvantage. It may therefore make sense for LSS to be part of a larger organization with a wider range of products and equipment to better replicate Thermo's strategy. We suspect this was part of the reason why Ingersoll Rand, as well as at least one other competitor, approached Avantor in the past.

Finally, it is worth recognizing that the life sciences industry is consolidating. Customers and suppliers are becoming bigger, and it may be beneficial for Avantor to ultimately be part of a larger entity.

5. Align Executive Compensation to Shareholder Value Creation

Aligning management incentives with shareholder value creation is critical to driving long-term value. We are concerned that Avantor's executive compensation program does not include any return on capital metrics. We believe it is essential to incorporate at least one such metric to ensure that the Company's resources are being allocated efficiently. This is especially important given Avantor's recent shift toward a more aggressive competitive posture in LSS. We have heard reports of contracts being entered into at unattractively low renewal rates simply to meet revenue and EBITDA targets – at the expense of appropriate return on capital.

We also question whether annual incentive targets are being set appropriately. In 2024, despite organic revenue declining by 2%, consolidated operating margins contracting by 134 basis points and the share price falling by 7% (below most benchmarks), the Board awarded Mr. Stubblefield 110% of his target annual bonus. This type of compensation framework corroborates what we have heard from former employees regarding a complacent, self-congratulatory culture in the face of poor results. We strongly encourage the Board to incorporate return-based metrics in management's compensation framework and ensure bonus payouts are better aligned with satisfactory operating results.

6. Refresh the Board

As is obvious from this letter, a lot has gone wrong at Avantor under the current directors. While the Board's past shortcomings could be defended individually, when taken together, they highlight a history of poor decision-making and lack of oversight. The scale of value destruction caused by overpaying for acquisitions and then subsequently rebuffing multiple offers at significant premiums to the current share price is so large that we believe a significant overhaul of the Board is warranted. Based on our conversations, shareholders are deeply frustrated.

As part of a refresh, we believe it is critical for the Board to add directors with the following skillsets:

- a) Senior Executive Leadership:** We believe the Board is lacking directors who have been CEOs of large and relevant organizations and who could mentor the new leadership. Based on our review of the current directors, only one director seems to fit the bill (Greg Summe).
- b) Capital Allocation:** The decision to deploy \$3.8 billion of shareholder capital ineffectively at the peak of the market followed by the rejection of premium bids (including from Ingersoll Rand) is deeply concerning and raises questions about the judgment of the directors involved in those events. The Board needs to find new directors with significant capital allocation experience, ideally individuals with an investor mindset who understand levers of value creation.
- c) Distribution Expertise:** While several directors have biopharmaceutical backgrounds, none bring significant healthcare distribution expertise – an area where the Company has faced ongoing challenges.

Given the significant value destruction under his leadership, it is evident a new non-executive Chair needs to be appointed, ideally a former CEO with a proven record of operational excellence who can support the incoming CEO. This change would signal a decisive break from the past and, hopefully, the start of a new chapter for the Company.

The Value Creation Opportunity at Avantor Is Significant

While not easy, the path to value creation is relatively straightforward: focus the organization on commercial and operational excellence, demonstrate organic growth, reduce costs, optimize the portfolio and use free cash flow to repurchase stock. This will take time and there are execution risks. If the Company pursues this standalone path, follows our recommendations and makes the necessary changes, we believe the stock could be worth between \$22 and \$26 per share at the end of 2027.¹³ Alternatively, the Board could consider monetizing the Company at its strategic value today, which we believe would result in a sale between \$17 and \$19 per share. Engine believes both paths are acceptable and we urge the Board to consider the best risk-adjusted outcome for shareholders.

Illustrative Valuation if Targets Achieved in 2028		
	<u>2028E</u>	<u>vs. 2025E</u>
Revenue	7,458	+ 13%
EBITDA	1,414	+ 30%
EBITDA Margin	19.0%	+ 240bps
Free Cash Flow	912	+ 65%
EV / EBITDA	12x - 14x	~ 2x - 4x expansion
Target Price	\$22 - \$26	~ 97% to 134% upside

In conclusion, we believe the value creation potential at Avantor is significant, but the Board must act decisively to put the Company back on a sustainable path. We request a meeting with the Board to share our perspective and discuss the matters and initiatives we have set forth in this letter. On behalf of Engine, we look forward to working with you to increase long-term shareholder value.

Sincerely,

Arnaud Ajdler
Managing Partner

Brad Favreau
Partner

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

Contacts

For Investors:

¹³ 2025 to 2028 forecast assumptions: 6% BPS revenue CAGR at ~42% incremental EBITDA margins; 2.7% LSS revenue CAGR at ~25% incremental EBITDA margins; incremental margins assume ~1/2 of remaining cost savings are realized. Year-end 2027 target price is based on 12x to 14x 2028 EBITDA multiples.

Engine Capital LP
212-321-0048
info@enginecap.com

For Media:

Longacre Square Partners
Greg Marose / Bela Kirpalani, 646-386-0091
gmarose@longacresquare.com / bkirpalani@longacresquare.com