BLACKFINCH INVESTMENTS

BLACKFINCH ADAPT AIM INCOME & GROWTH PORTFOLIO

Investee Company Recommended Takeover

KITWAVE Wholesale group

The Alternative Investment Market (AIM) has long been a key platform providing access to capital for high-growth, entrepreneurial businesses in the UK. The market experienced volatility in the first half of 2025, largely due to unease from the evolving tariff situation. However, the second half of the year was more positive, reflecting easing tariff fears, and increased confidence around the potential for further interest rate cuts. This was followed by a positive response to the Autumn Budget. According to Allenby Capital's 2025 AIM Market update, funds raised on AIM continued to increase significantly year on year. Valuations remained undemanding, resulting in a total of 26 AIM companies experiencing takeovers in the year, with an average bid premium of 52%. The large majority of bids came from industry peers and private equity firms in equal amounts.

Kitwave Group is the latest of our portfolio holdings to experience a takeover approach. Kitwave is an independent wholesale business which operates in the ambient, frozen & chilled, and foodservice areas. The company is being acquired by OEP Capital Advisers, a private equity firm focused on the industrial, healthcare, and technology sectors. The offer comes in at 295 pence per share, representing a premium of approximately 33.5% to its closing price the day before the recommended cash acquisition announcement. OEP believes that it can support and accelerate Kitwave's growth given its already established nationwide network, and track record of organic and M&A expansion – it also notes that a broad product range, high delivery service levels, and diverse customer base are strong foundations for further long-term growth.

Since the initial public offering (IPO) in 2021, Kitwave has achieved strong revenue and operating margin growth, carrying out strategic bolt-on acquisitions to increase scale and achieve synergies. More recently, in July 2025, Kitwave lowered forward looking expectations, driven by rising cost headwinds and retendering of customer contracts in the challenging macroeconomic environment. We believed this led to an overselling of the stock given the long-term growth prospects, so subsequently added it to our Growth portfolio to take advantage of the lower valuation, and retained our holding in the Income portfolio. Soon after this, the bid was announced, with OEP also recognising the attractive valuation.

While we initially believed the offer was at a discount to the intrinsic value of the company, Kitwave subsequently announced a further deterioration of trading in February 2026. We decided to exit the position shortly after this announcement, and redeployed proceeds into investee companies with more attractive upside potential.

Looking forward, our outlook for AIM remains positive, as it continues to provide opportunities for long-term growth; in our view the diversity and current valuations of companies on the market present compelling arguments for further takeover potential as well as upside prospects. The Kitwave takeover is a prime example of recognising an oversold security and taking advantage of undervalued AIM stocks which demonstrate high long-term growth prospects. While we do note macroeconomic and geopolitical risks may continue to drive market returns in the short term, we believe our approach of identifying well managed, cash generative businesses trading below intrinsic value is well placed for capital appreciation over the medium term.

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Learn more about the Blackfinch Adapt AIM Portfolios at www.blackfinch.investments/aim/

IMPORTANT INFORMATION