

BLACKFINCH ADAPT AIM INCOME PORTFOLIO

Investee Company Recommended Takeover



Over the last 12 to 18 months, the team that manages the Blackfinch Adapt AIM Income Portfolio has seen an increase in takeover activity within the Alternative Investment Market (AIM), with bids often at large premiums to companies' recent trading ranges.

This typically occurs when market valuations become more attractive to private equity or trade buyers, and can prove to be a catalyst for equities in general.

Smart Metering Systems, the fully integrated energy infrastructure company, recently announced it had reached agreement on an acquisition offer from KKR, an investment firm with assets of approximately \$528bn. Shareholders will be entitled to receive 955p in cash per share, which represents a 40.4% premium to the previous close price before the announcement.

Smart Metering Systems was added to the Blackfinch Adapt AIM Income portfolio in December 2020, at an initial share price of 645p. Over the past three years it has impressively grown both its smart metering pipeline and install base, as well as making progress on installing significant grid-scale

battery capacity. The company's management team has followed a robust capital allocation policy, ensuring growth capital is deployed into these assets. Dividends have also been a key feature, increasing at a compound annual growth rate of 10% since 2020. To ensure its balance sheet remained strong, the company conducted periodic small asset sales, with the proceeds used to continue the asset rollout and support an increasing dividend.

The AIM team view the takeover price, which equates to an enterprise value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA) multiple of 20x, as fair for shareholders in the current climate.

The AIM team has therefore decided to exit the investment in Smart Metering Systems, using the proceeds to increase holdings in other companies in the Income portfolio. This decision is principally driven by the valuation of the portfolio being attractive at these levels, along with continuing improving market sentiment following lower than expected inflation.

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

IMPORTANT INFORMATION

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