

**BLACKFINCH ADAPT AIM GROWTH PORTFOLIO**

# Investee Company Recommended Takeover

## INSPIRED

**The Alternate Investment Market (AIM) plays an important role in supporting the UK economy, representing a platform for smaller companies to access capital that is fundamental to their growth. According to London Stock Exchange's 2025 update, it is the most active growth market in Europe, sourcing 53% of all the capital raised in European growth markets over the last five years<sup>1</sup>. Despite challenging economic conditions, AIM has seen increased levels of activity in 2025 with £1.96bn raised as of July (July 2024: £942.3m). AIM continues to be an attractive market for takeover activity, as seven private equity backed acquisitions worth £5bn took place in 2024, driven by discounted valuations.**

This activity has been evidenced by the takeover of Inspired plc, previously one of our Growth portfolio holdings. Inspired is the UK's leading commercial energy and sustainability adviser, delivering practical solutions across cost control, energy consumption, and carbon emissions. Inspired consists of six differentiated service brands, which have grown, through both merger and acquisition and organic strategies, to work with approximately 3,500 clients.

In 2024, the company warned that full-year results would not meet expectations. The company noted that its high-value optimisation projects had slipped into the next financial year, and which impacted both profitability and its debt position. In response, Inspired agreed with banking partners to temporarily relax the covenant requirements of the banking facility. Following this, we were encouraged to see Inspired complete fundraising in December 2024, which raised gross proceeds of £21.25m at a small premium of 40p per share. This gave the company much-needed strength behind its balance sheet, stabilising the conversion of projects from its growing pipeline and helping the company to relieve previous borrowing concerns. These developments highlighted both the company's potential and the risks it continues to navigate.

In April 2025, improved sentiment towards Inspired was reflected in a cash offer to acquire all of the company's outstanding shares. The offer came from Regents Group, a long-term shareholder with a significant stake in the company, and entitled shareholders to 68.5p per share, representing only a 12.3% premium to the previous closing price. We agreed with Inspired that this fundamentally undervalued the company, which advised shareholders to reject the offer.

The company subsequently received a superior proposal from HGGC, a private equity firm with \$8bn assets under management (AUM). The offer put forward a price of 81.0p per share, constituting an 18.2% premium to the value of Regent's cash offer, and a 32.8% premium to the closing price on the last business day before Regent's proposal.

From our perspective, we believe the true value of Inspired is greater than the price shareholders are entitled to as per the offer, with various organic growth opportunities on the horizon. However, a cash exit at a premium to the company's share price does validate our decision to remain invested at the lows. Also, the takeover would enable us to redeploy the proceeds in other companies that we believe are well positioned for growth, would further diversify the portfolio, and potentially provide additional upside over the longer-term. This is particularly important in the current climate, where many AIM-listed companies look undervalued and are primed for a rebound.

For the moment, the outlook for AIM remains uncertain – at least until the Autumn Budget – as investors look to understand what changes the UK government may make to meet its fiscal rules. In the meantime, AIM remains one of the most attractively valued segments of the UK market. The strength of our investee companies, supported by innovative products, sound finances, and increased takeover interest, should offer some protection if further volatility arises from UK government action. In the meantime, AIM is likely to remain sensitive to changes in sentiment and wider economic pressures.

<sup>1</sup>**Source:** London Stock Exchange, Discussion Paper April 2025



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