

CASE STUDY



COMPANY SPOTLIGHT



Market capitalisation at time of purchase £70m	Market capitalisation at time of sale £50.2m	Industry Sector Information Technology Services
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ADEPT TECHNOLOGY GROUP PLC (AIM: ADT)

Adept Technology Group is a UK-based provider of mission-critical IT services, including managed cloud hosting, connectivity, and infrastructure solutions. The company primarily served mid-sized enterprises requiring high-performance, secure, and scalable IT environments.

Adept operated in a high-retention business model underpinned by long-term contracts, offering a recurring revenue base and attractive unit economics. The company leveraged proprietary infrastructure, combined with customer-centric service delivery, to carve out a defensible niche in a competitive landscape.

WHY DID WE INVEST?

- Adept generated the majority of its revenue from long-term, recurring contracts tied to essential IT infrastructure. These services formed the backbone of client operations, delivering high retention and visibility of earnings.
- The shift to cloud infrastructure and outsourcing of IT functions presented a strong, multi-year growth opportunity. Mid-sized enterprises lacked in-house capabilities, driving demand for outsourced, managed services like those offered by Adept.
- As infrastructure costs are largely fixed, incremental revenue flowed through to earnings, resulting in strong margin expansion as the client base scaled. Capital efficiency was underpinned by a disciplined approach to infrastructure investment and customer acquisition.
- The leadership team had deep industry expertise and demonstrated strong operational execution, with a focus on delivering high service standards and maximizing customer satisfaction. Acquisitions were a prominent feature of the growth strategy, buying smaller IT managed services companies and bolting them onto the group, taking out back office costs.

ENTRY PRICE

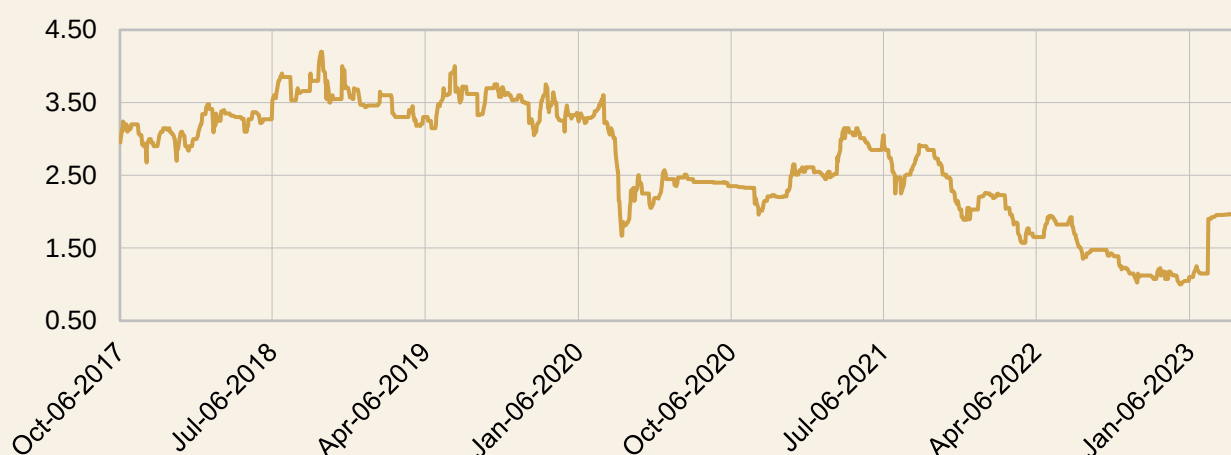
- Began initially purchasing shares in October 2017 at £3.03 and continued to purchase over time with an average purchase price of £3.00.

*Past performance is not indicative of future performance. This is general information only and should not be construed or relied upon as legal, financial or professional advice. Accordingly, the recipient should seek independent professional advice as to the risk, financial, taxation and other implications of investing.

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AdEPT Technology Group Limited (AIM:ADT) - Share Pricing



Source: S&P Capital IQ

WHY DID WE SELL – Acquisition by Wavenet Group

- By 2022, the business had matured and the pace of growth had slowed as the business saw underperformance of some of its larger acquisitions. The share price fell and was a handbrake on using scrip for further acquisitions. The debt to EBITDA ratio was also over 2x leverage and this was generally not well received by the UK investment community.
- On February 8, 2023, Wavenet Group announced a recommended all cash offer to acquire the entire issued share capital of Adept via a court sanctioned scheme of arrangement. The offer was priced at 201 pence per share, a significant premium to the pre-announcement share price.

INVESTMENT OUTCOME

- Began initially purchasing shares in October 2017 at £3.03 and continued to purchase over time with an average purchase price of £3.00.
- Received circa 19.55 pence in dividends per share over the investment period.
- Sold at an average sale price of €2.18 with the last sale in April 2023 via the scheme of arrangement.
- Loss of 21% on our investment over the period, equating to a money weighted IRR of approximately -5.0%.

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