Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2025

Issued on 4th April 2025

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition and registered in Ireland, Germany, Italy, Spain, Sweden and Austria. The Fund size was GBP 235m as at 31st March. Total assets under management by Ennismore Fund Management were GBP 424m. The Fund continues to limit capacity by capping the maximum number of units in issue. There is currently a small amount of capacity available due to the natural rate of investor turnover. If you would like to invest, please contact Margaret Webb on +44 (0) 20 7368 4250 or email clients@ennismorefunds.com. The Fund is managed as an absolute return fund with the objective of generating positive returns irrespective of market conditions rather than performing relative to any benchmark index.

Performance as at 31st March 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	163.46	195.32	27.61	27.86	28.01
	% Change				
March 25	4.6	3.3	4.6	2.8	2.9
2025 to Date	5.4	4.1	5.4	3.7	3.7
Annualised return[3]	11.3	10.6	7.4	7.5	7.5
Since launch[3]	1565.5	1286.9	176.1	178.6	180.1
Note: All performance figures net of fees. **Past performance is not a guide to future returns.**					

Comments below on performance attribution refer to GBP NAV per share unless otherwise stated, exclude cash returns and are prior to expenses.

The Fund returned 4.6% in the month mainly led by the short book contributing 386bps with the long book adding a further 60bps.

Vossloh AG added 110bps to the fund as it reported inline full year results and gave an encouraging outlook for the current year including the soon to be closed Sateba acquisition. Vossloh AG will profit from increased spending into railways with the announced infrastructure investments in Germany. Our short position in a Swedish intellectual property licensor added 68bps to performance on no company news, although we believe US tariffs on Chinese imports are very likely to impact the supply chain of their headwear industry. Secure Trust Bank Plc had a strong month contributing 63bps, after they reported 2024 numbers and made their first quantification estimate on the car finance cases currently working their way through the Supreme Court. The size of the initial provisional estimate gave some comfort to the future risk from these legal cases. A short position in a UK technology hardware company also added 56bps on no company news.

On the negative side Trigano SA cost the fund 46bps after a second quarter trading update that led to earnings forecast reductions as they see inventory reductions in motorhome distributors continuing into the second half. The drop in estimates was more inline with our forecasts.

It has been a busy reporting period, however there was little change in estimates in most cases. Costain Group Plc reported another solid set of results as expected and post meeting management we feel confident in their earnings growth going forward. Amadeus Fire published a 2025 outlook which was below our and the market's expectations. We believe the new guidance to be on the cautious side, and we think the company may benefit from a potential improvement in business sentiment in Germany, so we slightly increased our position in the month. The French veterinary company Vetoquinol reported a stronger than expected profitability in the second semester of 2024. After a tough 2024, a Swiss machinery company proposed to waive the dividend and refrained from issuing guidance for 2025.

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[1]Source: Administrator, Net Asset Value, net income reinvested.
[2]Source: Administrator, Net Asset Value.
[3]Since inception of GBP A share class on 27/01/99 to date, GBP B share class on 19/01/11 to date, EUR A and EUR B share classes on 31/01/11 to date.

Top Five Contributors and Detractors for March 2025

Contributors	bps
Vossloh AG	110
Swedish intellectual property licensor	68
Secure Trust Bank Plc	63
UK technology hardware company	56
US beverage manufacturer	43

Detractors	bps
Trigano SA	-46
Deutsche Wohnen SE	-37
Celebrus Technologies Plc	-36
Severfield Plc	-34
Costain Group Plc	-21

Top Five Long Holdings as at 31st March 2025

Company	Country	Sector	% of NAV
Costain Group Plc	United Kingdom	Industrials	7.9
EVS Broadcast Equipment SA	Belgium	Information Technology	5.7
SThree Plc	United Kingdom	Industrials	3.2
SAF Holland SA	Germany	Consumer Discretionary	3.0
Academedia AB	Sweden	Consumer Discretionary	2.9
			22.6

Exposures as at 31st March 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
86.1 (92.7)	40.2 (44.8)	126.2 (137.5)	45.9 (48.0)

Figures in brackets refer to previous month end. All exposures are calculated on a delta adjusted basis. All calculations are subject to the impact of rounding.

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 31st March 2025

Country	Gross%	Net%
United Kingdom	41.0	24.7
Germany	25.6	18.2
Sweden	13.0	-2.2
France	12.5	7.9
Belgium	5.8	5.8
United States	5.1	-4.5
Italy	4.4	2.2
Switzerland	4.2	-2.7
Norway	2.9	-0.9
Hong Kong	2.1	-1.4
Finland	1.7	-0.9
Luxembourg	1.7	0.7
Austria	1.3	0.0
Other	4.9	-1.0

Market Cap	Gross%	Net%
>£5bn	6.8	-2.1
£1bn-£5bn	29.1	9.9
£250m-£1bn	63.7	17.6
<£250m	26.5	20.4

Positions	Mar	Feb
Long	80	81
Short	73	67
Longs Opened	3	1
Longs Closed	4	3
Shorts Opened	14	3
Shorts Closed	8	9

Sector	Gross%	Net%
Communication Services	5.0	4.0
Consumer Discretionary	25.8	6.9
Consumer Staples	5.2	-1.0
Financials	10.3	9.0
Health Care	2.8	1.5
Industrials	37.2	16.9
Information Technology	26.2	-1.4
Materials	7.2	6.8
Real Estate	4.9	4.8
Utilities	1.6	-1.6

Geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business.

Thermador Groupe – French distributor of fluid circulation (1.1% position size)

Thermador Groupe is a French distributor of fluid circulation, water management, and HVAC equipment with a market capitalization of circa EUR 600m. The company operates through 18 subsidiaries with strong market positions in niche end markets. The most mature of these subsidiaries have market shares above 30% and mid-cycle operating margins in the mid 20s. While 2024 was a difficult year for the business, the group had delivered consistently strong performance for a number of years in the run up to the most recent downturn. Organic revenue growth was nearly 7% per annum between 2015-2023, with additional growth from value-accretive M&A taking total revenue growth to 13% per annum over that period. Recent cyclical weakness in structurally growing end markets has resulted in a fall in the share price which we believe now offers an attractive entry at an enterprise value of around eleven times 2026 net operating profit after tax.

Thermador sells into residential, industrial, and commercial end markets. Of the EUR 504m 2024 turnover, 82% was derived from France with the remainder coming from other European countries. In terms of end markets, the largest exposure for the company was to residential fluid circulation (43% of sales), followed by industrial fluid circulation (26%), and thirdly residential pumps (17%). The company has a well-diversified supplier base, with approximately 800 suppliers, while the largest accounted for 7% of purchases. The customer base is even more fragmented, with over 33k customers, the largest of which accounted for 6% of sales. This fragmentation in suppliers and customers contributes to Thermador's competitive advantage since the lower-volume orders are difficult for original equipment manufacturers to service directly without Thermador's distribution network. That scale, and associated breadth of product offering, would be difficult for a new entrant to replicate. Additionally, Thermador leverages the benefits of scale across its comparatively small, independent operating subsidiaries, through a centralised logistics centre near Lyon.

Thermador has historically been a resilient business, with revenues only declining 5% in 2009 during the financial crisis and growing each year since, up until 2024. Operating profit margins have also been stable over time, ranging from 13% to 15% between 2014 and 2023, and translating into an attractive average post-tax return on invested capital in the mid teens.

The markets in which Thermador operates have experienced a cyclical downturn over the last 18 months with year-over-year sales declines since the second half of 2023 and a full year decline of 13% for the group as a whole in 2024, and operating margins reached their lowest point since the global financial crisis at 11.9%, two full points below the 13.9% reported in 2023. We believe there are a number of reasons for this. Firstly, the French energy renovation market has seen a slowdown due to delays in implementing the new process for awarding subsidies provided by the "MaPrimeRenov" programme. MaPrimeRenov is a French government grant designed to help homeowners finance energy renovation projects that improve the efficiency of energy consumption in their homes. Due to changes in the process of awarding this subsidy that increased administrative complexity and the number of eligibility criteria at the beginning of 2024, the number of applications and approvals fell sharply. Many of these changes have since been reversed and there is still significant Government support for the programme, evidenced by total funding for MaPrimeRenov continuing to grow over the last 2 years. Additionally, there has been cyclical weakness in French housing starts, a destocking cycle for wholesalers and retailers in the DIY market, deflationary pressure impacting pricing, as well as some subsidiary-specific issues relating to excessive rainfall reducing demand for irrigation products from the Jetly and Odrea subsidiaries.

While we acknowledge that the length of this downturn is difficult to forecast, we see the above issues as temporary rather than structural setbacks, and over the medium to long-term the company is well positioned to benefit from a number of tailwinds. Firstly, the increasing demand from homeowners and landlords to improve the energy and water efficiency of their homes as well as the government incentives in place to help prop up that demand should help drive volume growth. Secondly, the recent cyclical weakness should benefit Thermador given its strong competitive positioning and sound balance sheet, with a net cash position of approximately EUR 30m, as the company is well-positioned to take share from some of its smaller and less financially secure peers. Additionally, market weakness should also give the company a good opportunity to make value-accretive acquisitions at attractive prices. The company has a good M&A track record having made 15 acquisitions in the last 10 years, at an average price to sales multiple of 0.8 times. We estimate, on average, these acquired subsidiaries have low double digit operating margins. This level of valuation alongside tighter working capital controls and operational efficiency improvements post-acquisition mean inorganic growth tends to be value accretive for the group. The solid cash flow generation of the group doesn't only allow for these attractive acquisitions, but also supports an estimated current dividend yield or around 3%.

We don't expect much of a recovery in Thermador's end markets this year. However, we anticipate a modest recovery for 2026, where we expect sales growth of around 7-8%, some of which will be driven by a recovery in the Jetly, Isocel, and most importantly, Thermador subsidiaries, the last of which experienced a year-on-year revenue decline of 32% (the largest across the group) in 2024. All of these subsidiaries have materially higher margins than the group average and, as a result, we expect some operating margin recovery too.

Overall, we believe Thermador represents a compelling investment in a temporarily weakened sector and our ability to look through short-term volatility means we can take advantage from the recent weakness in the share price. With a strong capital allocation track record, an attractive returns profile, and long-term structural tailwinds, we believe the company should be able to grow profitably for many years to come. Valuing the business at 16 times net operating profit after tax gives us 65% upside to the end to 2026.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2025	-1.7	2.5	4.6										**5.4**
2024	1.9	-2.4	1.2	2.1	-0.7	0.9	0.2	0.7	-3.6	-1.5	-3.8	-1.4	**-6.5**
2023	-2.8	-0.1	-0.4	2.9	-3.0	-2.6	-1.6	3.1	3.0	1.1	1.1	1.7	**2.1**
2022	1.1	-2.6	0.2	1.4	-0.9	0.7	-3.1	1.9	-1.2	2.2	3.0	1.0	**3.7**
2021	-5.2	1.7	4.5	4.7	3.4	1.0	2.8	0.7	-0.1	-1.8	1.8	1.5	**15.8**
2020	-2.4	-2.8	-5.7	-0.8	-1.6	4.0	-3.8	-2.5	0.8	-3.1	9.6	4.5	**-4.8**
2019	1.4	-0.2	1.5	0.7	2.2	-0.7	0.6	0.6	0.6	0.2	-1.4	1.2	**6.9**
2018	-2.0	-0.8	0.0	0.7	0.9	2.0	0.3	1.1	0.3	-1.0	2.3	0.2	**4.0**
2017	1.2	-0.2	0.9	1.0	2.2	-0.6	2.7	1.5	-1.2	-1.2	0.4	2.6	**9.6**
2016	2.2	2.8	0.9	0.4	-1.2	2.3	1.3	2.3	1.6	1.9	-2.7	1.9	**14.5**
2015	-0.7	-3.1	0.0	2.2	2.2	0.8	1.9	0.8	0.5	0.5	0.7	3.8	**9.7**
2014	1.1	0.5	2.9	1.5	-1.4	-2.0	0.2	1.1	-0.2	0.8	2.0	-0.2	**6.4**
2013	6.5	2.7	1.5	-0.9	1.8	-0.9	2.8	1.2	1.6	4.2	1.2	2.3	**26.6**
2012	0.5	2.8	0.0	-1.4	-1.9	1.6	-2.0	2.5	-0.1	2.9	2.6	0.7	**8.4**
2011	2.9	0.5	5.3	0.5	-0.2	4.4	-0.7	-0.2	-0.2	2.9	-4.0	-1.4	**9.8**
2010	0.9	3.0	2.0	1.0	-1.6	-0.3	2.4	-1.5	3.4	2.3	-0.4	6.0	**18.4**
2009	-3.7	-1.6	-2.1	-6.5	4.0	-2.5	0.3	4.5	7.0	-1.1	2.0	-0.9	**-1.6**
2008	-1.4	3.4	0.1	1.8	-0.5	-2.9	-0.2	1.5	-8.5	-7.6	2.1	7.5	**-5.7**
2007	-2.2	1.3	2.4	2.9	0.5	1.5	0.5	-1.5	1.4	-0.3	-0.9	3.4	**9.1**
2006	4.0	2.3	4.8	4.2	-3.9	-4.0	-0.7	-1.4	-0.8	1.4	1.0	1.7	**8.4**
2005	3.2	4.2	0.4	-2.4	2.1	4.7	6.6	3.2	3.3	-5.2	2.5	4.9	**30.4**
2004	2.8	2.7	-0.5	2.1	-1.5	4.6	-0.9	1.5	1.7	1.9	2.8	4.4	**23.5**
2003	-1.5	2.8	1.4	4.9	4.7	0.0	3.3	1.5	2.2	0.9	2.1	3.8	**29.3**
2002	1.3	2.2	3.2	1.5	2.7	-1.0	-5.3	0.6	-4.1	3.3	2.5	-0.5	**6.2**
2001	2.4	0.7	-7.8	2.2	1.4	-0.7	0.4	1.8	-4.6	0.9	2.7	2.8	**1.5**
2000	11.8	20.7	-0.3	-4.6	2.5	1.8	1.0	0.1	-2.5	-3.0	2.6	3.2	**35.7**
1999	-0.3	1.0	0.8	6.6	1.4	3.3	4.6	1.4	-1.8	2.6	8.6	13.4	**49.0**

Risk Warning

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