



IMMERSION INVESTMENTS

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Immersion Investment Partners, LP
2Q 2025 Partners Letter
July 2025

Net Returns as of June 30, 2025

	2Q25	YTD
Immersion Investment Partners, LP Net	28.13%	17.12%
Russell 2000 Index	8.50%	1.57%
Russell Microcap Index	15.51%	3.30%

Unaudited; assumes 2% management fee and 20% performance fee

See disclaimers

Dear Partners,

Immersion Investment Partners, LP gained 28.13% in the second quarter of 2025 vs. a 8.50% increase for the Russell 2000 Index and a 15.51% increase for the Russell Microcap Index. Please check your individual statements for your returns.

Based simply on performance, it appears that the market is once again liking our names. While this is welcome—and what we anticipated would happen—as we’ve mentioned in past letters, we focus on the fundamentals of our companies and what they are doing internally, rather than judging them based on quarterly stock price performance.

When the good news is not priced into our names quarter over quarter, it creates a coiled spring effect. More revenue growth, more free cash flow, more evidence of a successful strategy pivot—all tighten the spring. It coils tighter and tighter until it erupts violently once people begin to take notice. This effect can be even more pronounced in our names, which are smaller by market cap and often less followed and less liquid.

The inverse is also true. When a macro event shakes the markets, our names are often lumped into a giant “risk-off trade.” While this can lead to increased volatility in individual names, it also creates opportunity. The biggest trick the devil ever pulled wasn’t convincing people that he didn’t exist—it was convincing them that stock price volatility equals risk.

Going back in the financial time machine, as equity markets became more mainstream, a movement emerged around how to properly account for and measure risk. Volatility became a convenient proxy because it was easily measurable—after all, stock prices were readily available. Unlike other forms of risk that were harder to quantify—such as the risk of poor management or



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an unsuccessful strategy pivot—volatility was sold as an easy stand-in. Yet, this simplification came at a cost: namely, it provided the wrong definition of risk.

Risk, in its truest sense, is the possibility of a permanent loss of capital. Volatility, on the other hand, is merely a measure of price fluctuations over time. Conflating the two can leave investors holding the bag.

Lazy Man's Lobster:

When teaching Tim's boys basketball—ages 11 and 8—if one of them passes the ball without intent, we'll intercept the ball and call it "Lazy Man's Lobster." (Yes, this is a very New England basketball family.) Much like an 8-year-old's lazy pass, volatility as a measure of risk has persisted because it's easy to quantify, whereas fundamental risks require effort and more than a cursory glance at historical price data.

Assessing true risk requires deep analysis of a company's financials, competitive position, management quality, and the macroeconomic environment—all of which are time-consuming (read: more expensive). Volatility measures how much a stock's price moves, but says nothing about whether those movements reflect changes in the underlying value of the company. A stock may show high volatility due to market sentiment, speculation, or macroeconomic events, yet the company's core business may remain stable.

Perhaps an even more dangerous assumption is that low-volatility stocks are inherently "good" stocks. Looking at a stock's past price performance and concluding that it's a good investment because it doesn't deviate "that much" is the equivalent of buying a Yugo because it's the same shade of red as a Ferrari.

Volatility provides a false sense of control, as it can be quantified and modeled. True risk, with its uncertainty and unpredictability, is far more unsettling. By focusing on volatility, investors and institutions often avoid grappling with the messier realities and human nature of investing. True risk encompasses the potential for a permanent loss of capital—something that can only be assessed through fundamental investing.

Fund Business Update

As a reminder, we recorded and published our annual meeting in April. If you missed our initial communication, you can access the presentation and slide deck at the following links. We spend a significant portion of the presentation discussing current thoughts on our holdings and how each respective company's long-term strategy and business fundamentals should help them succeed in the current environment.

[2025 Annual Meeting Presentation](#)

[2025 Annual Meeting Slide Deck](#)

Additionally, David presented **Red Violet (RDVT – Ugly Duckling)** at an investment conference in April. You can find the presentation here: [Red Violet Presentation](#)



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Portfolio Updates

At the end of July, our largest holdings (in alphabetical order) were **Celsius Holdings (CELH – Doubted Champion)**, **Mama's Creations (MAMA – Doubted Champion – *discussed below*)**, **Potbelly (PBPB – Underdog)**, **Red Violet (RDVT – Ugly Duckling)**, **UFP Technologies (UFPT – Doubted Champion)**.

Over 80% of net asset value is invested in our top five names. We currently own ten positions and maintain a basket of opportunistic shorts.

As always, thank you for your continued support and trust. Please reach out with any questions.

Sincerely,

David Polansky

Tim Delaney

Mama's Creations (MAMA – Doubted Champion)

Occasionally you run across an executive who is so outlandishly passionate about their job and the brand they represent, you can't help but take notice. We first met Adam Michaels (CEO of MAMA) more than a year ago at an investor conference. Clad in mulberry shoes and sport coat, the exact brand colors of MAMA, he told us how he would take what was historically a subscale meatball manufacturer in suburban New Jersey and make it into one of the largest prepared foods and deli brands in the world. Frankly, we thought he had too many screws loose. Nonetheless, we were intrigued by the business and the category. Fresh and prepared foods in grocery stores has been a growing category, catalyzed by consumer demand for healthier, fast, and affordable food options. Grocery stores have been increasingly dedicating more food space to the category. Today, it is one of only a couple of categories that are seeing volume growth.

We spent the next several months meeting with Michaels before realizing that he was the real deal. He is smart, dedicated, and the right kind of passionate. More importantly, he has spent the last two and a half years (he was appointed CEO in September 2022) building a world-class team. Michaels himself is no lightweight. He spent nearly a decade in a variety of roles at Mondelez from data analytics to leading M&A in its smaller brand venture portfolio. Since Michaels joined MAMA, he has hired Lauren Sella (former Chief Marketing Officer of Tate's Bake Shop) as CMO, Skip Tappan (former Chief Supply Chain Officer at Gordon Food Service) as COO, and Chris Darling (former Executive Vice President Sales at Boar's Head) as Chief Commercial Officer. CFO Anthony Gruber was appointed around the same time as Michaels, but our understanding is that Michael's was working unofficially behind the scenes at MAMA to help with senior hires up to nine months before his official start date.



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Mama's Creations is an easy business to understand. It sells pre-prepared foods to most major grocery and club chains (Walmart, Whole Foods, Publix, Costco, etc.), and has a growing presence in convenience stores. Its product portfolio consists of a wide array of proteins (meatballs, chicken, etc.), salads, pasta, olives, and sandwiches. The products are manufactured in two facilities in East Rutherford, NJ, and Farmingdale, NY. Today, Mama's Creations seems like a run-of-the-mill subscale food manufacturer - \$133 million in trailing twelve-month revenue, \$32 million gross profit, and \$11 million adjusted EBITDA. However, we believe they have several distinct advantages that make the stock a compelling investment. The first, as we discussed, is people. Michaels is fond of saying to us that if he were hit by a bus, the company would continue to execute without his intervention. To be certain, this is a suboptimal outcome, however, we do tend to agree that this is a team built to lead a billion-dollar business. Every member of management has significant credibility with customers and industry suppliers. Chris Darling is much more likely to be successful selling you a premade meatball or sausage than a random person who bought a beef processing machine and packaging line, especially when food safety is of paramount importance to your customer and you need to work with people you can trust.

Second, the company has a pristine balance sheet and strong cash generation. MAMA is a rare commodity amongst microcap food manufacturers in this respect, with \$12 million in cash on the balance sheet, consistent \$10+ million in annual cash generation, and effectively zero long-term debt. We believe that MAMA's strong financial position and its public company cost of capital combined with category tailwinds make them a logical platform to acquire food service companies. The prepared foods category is \$40 billion but most companies in the space command less than a 1% market share. We believe there are hundreds of businesses that MAMA could rationally and safely acquire. We see a parallel between MAMA today and consolidators like J&J Snack Foods thirty years ago that achieved significant success by acquiring niche food service providers.

And, third, easily achievable organic growth. MAMA's primary distribution strategy is improving items per customer. We believe that the typical customer carries 2-to-3 units. MAMA rarely loses a customer and tends to grow over time. The most mature customers carry 8 to 10 items. We think this is a reasonable hurdle and could more than double MAMA's sales organically over the next five years. Importantly, MAMA is looking to grow through a branded product portfolio and is turning down private label business to avoid commoditization. Lastly, the company has had a very strong introduction into its first major convenience store customer, Sheetz, which has launched with its branded ready-to-eat panini. The C-store channel, due to the success of prepared foods offerings in brands like Buc-ee's and Sheetz, is looking to invest heavily in the category. Sheetz is a logical winner in the space should it execute on its early wins. Today, in both C-store and grocery, stores have to rely on multiple vendors and multiple trucks coming to a location every day, creating greater complexity and cost. As a consolidator within the deli/prepared foods category, MAMA is looking to become the one-stop-shop solution for its customers. This strategy is a win-win. Even if they pay higher prices, customers save significant amounts on administrative costs. Lastly, we believe MAMA's gross margin profile can inflect into the mid-30s (from mid-20s today). The mix benefit from MAMA's product launches and facility investments should yield material benefits over the next twelve-to-twenty-four months. This compares favorably to muted



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analyst expectations, which do not see gross margins exceeding 30% through fiscal 2027. This dynamic sets us up for a long series of beat and raises, which should benefit the stock price.

Supporting MAMA's growth is significant production capacity in its Farmingdale and East Rutherford facilities. Farmingdale doubled its grilled chicken trimming capacity (a project completed in late 2024) and East Rutherford is in the middle of an expansion to increase its space from 24,000 square feet to 43,000 square feet. The facility improvements, along with additional machinery and people investments, can allow the business to more than double in volume organically, without the need for significant capital expenditure.

We were given an excellent opportunity to start purchasing stock in mid-December after the company missed earnings estimates, attributable to construction complications and delays at the Farmingdale facility. They missed the street's EBITDA estimate by 47% but the first bullet point in the press release stated, "Following completion of strategic CapEx projects in September 2024, the company achieved a sequential step change in the preliminary unaudited gross margin profile in November 2024, which indicates a full reversal of the ~400 basis points of construction headwinds with significant room for further improvement." Regardless, the shares fell hard. Following this 'miss', the stock proceeded to drift down towards \$6 over the next several months, which we felt was a completely absurd overreaction to verifiable short-term issues.

An investment in Mama's Creations can most accurately be described as a "Jockey bet". The business is rather simple. Buy a handful of ingredients, make a product, sell the product, and ship the product. The secret to success lies in day-to-day execution and category tailwinds, both of which we have here. Over the next several years, we believe that revenue and gross profit can almost triple in size due to a combination of organic and inorganic growth, with minimal dilution to shareholders. Specifically, we are underwriting to \$225 million in organic sales and \$100 million of acquired sales. The gross margin should be substantially higher than it is today, due to the aforementioned gross profit benefit from higher branded product mix and the implied efficiency lift of selling more products into the same customers. We estimate 32% in fiscal 2027 vs. mid-20s today. To support that growth, the business will likely grow its general and administrative expenses to \$50 million vs. \$30 million today. This gets us to \$50 of adjusted EBITDA, which gives us significant upside vs. an enterprise value of \$350 million today. Growing food companies can achieve very large multiples in the public markets, anywhere from 15-to-30x EBITDA. Assigning just a 12x multiple to MAMA, gets us to nearly a \$20 stock price compared to \$9.50 at the time of this writing. The risk to our investment is the usual macro changes that affect customers' taste or pocketbook. On the company specific side, should Michaels or any senior member of management exit the company, this would raise the alarm bell for us and cause us to reevaluate our investments. There is another risk in the timing of the investment. Because the category is strong, and the company has a decent-sized book of business with significant manufacturing capacity, MAMA is very valuable to a strategic or financial buyer which could cause them to sell before their growth plans are fully executed.



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Glossary – Ideal Immersion Setup (IIS)

1. The Underdog

The Underdog is overlooked and underappreciated by most investors. Generally, there are surface level reasons for being dismissed, which are transitory and serve as an impediment to ownership. For example, The Underdog is too small for many institutional investors to even consider and/or does not belong to a major market index such as the Russell 2000. This generally correlates to thin or no analyst coverage and little-to-no institutional ownership. Ultimately, this issue is corrected through a combination of continued growth, improved liquidity, and/or increased analyst coverage.

2. The Babushka Doll

The Babushka Doll has a hidden asset (or assets) inside of it that could be worth significantly more than the value being assigned to it by the market. The typical Babushka Doll takes the form of a large, legacy, no-growth business presently dominating the financials on the outside, but it contains a small, scrappy, subsidiary growing rapidly on the inside. Babushka Dolls are often overlooked investment opportunities because they do not screen well on surface level quantitative statistics of growth and/or profitability. Aligning ourselves with a management team willing to dedicate resources towards unlocking the value of the “hidden asset” can generate significant returns.

3. The Social Pariah

The Social Pariah is perceived to be a toxic asset by investors because the business is either misunderstood and/or suffering from transitory issues. Often The Social Pariah is labelled toxic for good reason but a change in that perception, due to better performance, management turnover, etc. can result in significant stock price appreciation.

4. The Ugly Duckling

The Ugly Duckling is a fundamentally good business which is not readily apparent in the financials due to significant investments in people and capital, which are masking underlying profitability. The Ugly Duckling is usually a sub-scale business early in its lifespan and growing rapidly. Over time, as the business grows up, investors will come to appreciate The Ugly Duckling and afford it a higher value per dollar of earnings. The Ugly Duckling, of course, turns into the swan.

5. The Doubted Champion

The Doubted Champion is a simple but effective investment. This type of business is one that is growing rapidly and exhibits strong financial characteristics (margins, returns on capital, etc.) but the market does not expect its performance to sustain. In other words, its further growth may be overly discounted. If we can correctly identify a Doubted Champion, we will be handsomely rewarded when the market realizes that the business can continue growing at an accelerated rate for far longer than originally anticipated.



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Important Information

Certain statements made have not been audited or verified by the Fund's auditor or third-party administrator. Please see your individual statements for your performance. Adjusted/modified performance disclosures are intended to give deeper insight into the Fund's performance but should never be substituted for actual net results, as reported by the administrator, and reflected in audited financial statements.

Results are compared to the performance of the Russell 2000 Index and Russell Microcap Index (the "**Comparative Indices**") for informational purposes only. The Fund's investment program does not mirror the Comparative Indices and the volatility of the Fund's investment program may be materially different from the volatility of the Comparative Indices. The securities included in the Comparative Indices are not necessarily included in the Fund's investment program and criteria for inclusion in the Comparative Indices are different than criteria for investment by the Fund. The performance of the Comparative Indices reflects the reinvestment of dividends, as appropriate.

The Immersion Investment Partners, LP Net Returns reflects the USD investment performance of an investor that committed capital at inception of the Fund (June 1, 2021) and is subject to a 2% management fee and 20% performance fee. Net returns will vary by investor. Each partner will receive individual statements showing returns from the Partnerships' administrator. Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. The portfolio is under the sole trading authority of the general partners. A portion of the trades executed may take place on non-U.S. exchanges.

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