



IMMERSION INVESTMENTS

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Immersion Investment Partners, LP
3Q 2025 Partners Letter
October 2025

Net Returns as of September 30, 2025

	3Q25	YTD	1 Year	3 Year
Immersion Investment Partners, LP Net	18.40%	38.67%	53.21%	78.30%
Russell 2000 Index	12.39%	10.39%	10.76%	52.92%
Russell Microcap Index	17.03%	15.74%	22.56%	50.70%

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

See disclaimers

Dear Partners,

Immersion Investment Partners, LP gained 18.4% in the third quarter of 2025 vs. a 12.4% increase for the Russell 2000 Index. As a reminder, this performance data reflects performance for a day one investor in the fund. Please check your individual statements for your returns.

Because we invest in very few companies, our returns will always be lumpy and non-conforming to the index. Behind the scenes, we are working tirelessly to bring attention to our companies and the strategies they are implementing. But the question of “when?” our companies’ efforts not reflected in their stock price are recognized varies drastically. However, one thing remains unchanged, when they are recognized, we will have violent outperformance in that name.

We have written several times about the coiled spring effect. To help explain this, we have copied and pasted our opening two paragraphs from last quarter’s letter:

“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.”

It is vitally important that you read our letters to understand the qualitative behind the quantitative. If a company is performing and doing everything correctly, that does not mean that it is correctly valued. People and investors are emotional creatures that tend to exaggerate and over-extrapolate both good news and bad news, buying and selling at inopportune times. Markets remain undefeated in inefficiency. There are also structural market issues that allow for the



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dislocation of prices, such as tax loss harvesting, shunning small caps due to perceived issues in the economy, and indiscriminate sales by large shareholders re-balancing their portfolios in companies where they hold a large percentage of stock, but the company itself represents a very small holding in their fund.

With the benefit of six months of hindsight, we are again including Annual Meeting materials from our presentation recorded in April:

[2025 Annual Meeting Presentation](#)

[2025 Annual Meeting Slide Deck](#)

Portfolio Updates

At the time of this writing (mid-October), our three largest holdings (in alphabetical order) are **Celsius Holdings (CELH – Doubted Champion)**, **Mama's Creations (MAMA – Doubted Champion)**, and **Red Violet (RDVT – Ugly Duckling)**. We are in the midst of tax loss harvesting season, so we are only including the top three names here vs. the usual five.

Approximately 54% of net asset value is invested in our top three names. We currently hold six positions and maintain a basket of opportunistic shorts. We harvested losses on three names, which we intend to repurchase after thirty-one days.

As stated previously in the note we sent out in September, our largest position, Potbelly Sandwich Shop (PBPB – Underdog), was acquired by the convenience store chain Racetrac for \$17.12 per share. The acquisition closed on October 23rd. We wish the company and management team well on their new journey.

Additionally, there have been significant developments with two other large current holdings.

At the end of August, **Celsius Holdings (CELH – Doubted Champion)** announced an agreement covering a series of actions to strengthen their partnership with PepsiCo. As part of the agreement, Alani Nu, which was acquired by Celsius in February for \$1.8 billion, would move 100% of its North American distribution to Pepsi at the end of 2025. Pepsi also gave Rockstar Energy to Celsius and wrote them a \$585 million check (receiving convertible 5% preferred shares in exchange), taking Pepsi's ownership of Celsius to over 10%. Most importantly, Pepsi handed over full control of energy drink distribution to Celsius, meaning that Celsius has final say on what goes on Pepsi trucks and how it gets displayed on shelves. Our view is that this will dramatically improve Celsius' and Alani's market share almost immediately. Pepsi couldn't intentionally cannibalize Rockstar (the CEO of Pepsi who signed off on acquiring Rockstar in 2020 for nearly \$4 billion is still in charge) due to the optics of publicly admitting failure. Instead of killing it themselves, Pepsi basically gave Celsius permission to put the aging Rockstar in hospice. Due to Celsius' and Alani's dramatically faster shelf velocity vs. Rockstar, any shelf space reallocated to the former is likely to result in significantly higher sales. Additionally, Alani's move to the Pepsi distribution system could double sales over the next year, assuming distribution gains similar to what Celsius experienced when it switched to the Pepsi system and holding shelf velocity constant. We consider the amended Celsius/Pepsi agreement as highly favorable to Celsius and will result in accelerating sales and earnings growth over the next year, however, the stock hasn't really reflected this improvement, trading at similar EV/Sales and EV/EBITDA multiples to



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Monster, which commands a significantly slower growth outlook. To put an even finer point on it, we expect that the Alani brand, by itself, can generate \$300mm in adjusted EBITDA growth in 2026. This implies that the street is a full year behind and that 2027 numbers for Celsius Holdings (Adj. EBITDA of \$843mm) can be met in 2026. This exercise does not include further Celsius brand improvements. When this growth outlook becomes obvious, we consider the stock capable of regaining Spring 2024 highs.

Three days after the Celsius announcement, **Mama's Creations (MAMA – Doubtful Champion)** announced the acquisition of Crown I Enterprises, a small prepared foods division of Sysco. The acquisition came with \$56 million in sales and a recently upgraded 42,000 square foot production facility just 10 miles from Mama's existing facility in Farmingdale, NY. We think the deal is a slam dunk. Mama's was able to acquire the business for just \$17.5 million or 2x our estimate of gross profit, which we think can double over the next twelve months just through Mama consolidating protein purchases under their umbrella. We believe Mama was able to get the business so cheaply because Sysco viewed the business as an inconsequential part of their overall operation. Per management, Crown's only directive for the last several years was, "Stay out of the news." Crown had zero salespeople and was solely concerned with food safety vs. growth. The potential reputational damage to a company like Sysco from a food safety incident is more significant than the benefit of a \$50 million subsidiary doubling in size when the parent does \$81 billion. Adding Crown's capacity to Mama's existing sales team could result in material growth for the business.

More importantly, the deal gave legitimacy to MAMA's acquisition strategy: 1.) Have an existing product being sold to customers not known to MAMA. 2.) Have a tangential deli product that is being produced in-house with geographically advantageous locations. And 3.) Don't overpay.

Despite a significant jump in Mama shares over the past few months, the market and sell-side analysts have yet to catch up to the benefits of the Crown acquisition, which could result in \$30 million in consolidated adjusted EBITDA on a go-forward basis vs. current FY2027 street estimates of just \$21 million. The stock is still quite cheap, even more so if one were to give credit for future acquisitions, which management has indicated a desire for after the closing of the Crown deal. Regardless, we have a profitable business growing sales 20%+ with margin expansion opportunities, and a strong balance sheet to support future M&A activities. A low-teens EBITDA multiple on that setup is simply too cheap.

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

Sincerely,

David Polansky

Tim Delaney



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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 Doubtful Champion

The Doubtful 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 Doubtful 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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