

31 January 2023

Kelso Group Holdings Plc ('Kelso')

Investment in THG Plc ('THG')

Kelso was established in 2022 to identify, engage and unlock trapped value in the UK stock market. Kelso's strategy is to invest in situations where there is an anomaly between the intrinsic value of a company and its stock market valuation. Kelso will offer its assistance to companies to help unlock that value. Kelso will, in particular, seek opportunities where it believes the value of the sum of the parts of a business is significantly greater than its current value.

Kelso is pleased to announce its first investment meeting its investment criteria with the purchase of 5.0m shares in THG at an average price of 54.5p, representing 0.4% of THG.

The Board of Kelso believes that THG is a hugely exciting but significantly undervalued business. Matthew Moulding the THG founder and CEO has built a business with true global scale in two global growth sectors of Nutrition and Beauty employing around c.8,000 employees with 18 fulfilment centres shipping to 195 destinations.

On 17 January 2023, THG announced record revenue for the year to December 2022 of £2.25bn, albeit with a reduced core adjusted EBITDA on a continuing basis of £100m, following EBITDA of £161m in FY21 and £151m in FY20. However, we believe this reduced EBITDA is temporary and will be enhanced with operational improvements and not least from deflation in certain input prices, for example in whey. We also regard THG's comment that Ingenuity is "in advanced discussions to provide long-term software solutions for several significant enterprise clients" as positive news.

Kelso believes that the THG Board's actions, through the new chairman Charles Allen, Lord Allen of Kensington CBE, to improve governance and expand the executive team will pay dividends in 2023. We think that the recent appointment of Damian Saunders as CFO, previously a senior partner at Deloitte, as announced on 24 January 2023, is positive, especially given his knowledge of THG having been involved with the 'separation' project which formally gave the three main divisions their own corporate independence.

Kelso believes that the separation provides THG with significant strategic optionality. The potential to separate parts of the business could provide THG shareholders with significant upside from the valuation of the business today. Kelso believes that the current stock market value does not reflect the underlying value of the sum of each of the main THG divisions.

In particular, Kelso believes that the Nutrition business, which incorporates the MyProtein and MyVegan brands, could alone be worth in excess of the entire current market capitalisation of THG. This is evidenced by the valuations of deals in that particular sector in the last few years, caused in part by the shift in consumption away from chocolate and sugar to health and nutrition, a trend which we believe will continue.

For the reasons above, Kelso believes this is an exciting first investment for its shareholders.

Background on THG

At the close of business on 30 January 2023, THG had a market capitalisation of £710m. THG was listed on the London Stock Exchange in September 2020 with a market capitalisation of £5.4bn, raising

£888m of new equity for the company at 500p and then a further \$1.05bn at 596p in May 2021. Post IPO, THG has reported acquisitions for a total consideration of c.£945m.

THG announced on 17 January 2023 record sales for the year ended 31 December 2022 of £2.25bn with the three principal divisions, being Beauty, Nutrition and Ingenuity contributing sales of £2.1bn with core adjusted EBITDA of £100m. Sales in the Beauty division were £1.2bn; the Nutrition division had sales of £672m, including the MyProtein, MyVegan and MyVitamin brands; and Ingenuity, THG's fulfilment business, had sales of £208m. Various of the brands within the Beauty and Nutrition divisions are global digital leaders in their own space, for example Lookfantastic.com is the world's leading online specialty beauty retailer. Also stated in the announcement was year-end net debt of c. £200m, reducing to c. £160m upon receipt of £40m of proceeds from non-core freehold asset disposals in H1 2023.

Since the IPO, there has been significant investment in acquisitions of many industry leading businesses. Following its IPO in September 2020, THG purchased Perricone, the global beauty brand, for £51m. In February 2021, it purchased Dermstore for £261m, the number 1 US online retailer of prestige skin care. In December 2020, it purchased Claremont Ingredients and David Berryman for a combined value of £69m. In May 2021, it purchased Brighter Foods for £44m a best-in-class bar formulation and production company.

In June 2021, THG purchased Bentley Laboratories for £180m, a US prestige beauty developer and manufacturer which worked with 70 global beauty brands. In August 2021, it purchased Cult Beauty, a niche beauty portal, for £291m.

In June 2022, the board of THG said that having received non-binding takeover approaches from numerous parties, that all of them were unacceptable as they significantly undervalued the company. The only price stated in those announcements referred to a non-binding offer of 170p.

Note: M&A transaction values sourced from THG annual reports

John Goold, CEO of Kelso commented:

"Matthew Moulding, a British entrepreneur, started THG from scratch in 2004, which has grown to over £2.0bn of revenue, employing c.8,000 employees the majority of which are in the UK. This transition from entrepreneurial start up to a large listed corporate is never easy but we think THG is now putting in all the building blocks to achieve the success it deserves."

For further information please contact:

Kelso Group Holdings Plc

John Goold, Chief Executive Officer
Mark Kirkland, Chief Financial Officer
Jamie Brooke, Chief Investment Officer

+44 (0) 75 4033 3933

Zeus (Broker)

Nick Cowles, Matt Hogg (Investment Banking)
Ben Robertson (Corporate Broking)

+44 (0) 20 3829 5000

About Kelso

Kelso was established in 2022 to identify, engage and unlock trapped value in the UK stock market. Kelso's strategy is to invest in situations where there is an anomaly between the intrinsic value and

prospects of a company and its stock market valuation. Kelso will, in particular, look for situations where it believes the sum of the parts of a business is greater than the current value. The company completed a fundraising of £3m in January 2023. Kelso believes that the current market conditions are such that there are situations where UK listed companies' valuations are not appropriately matched to their underlying intrinsic value. There may be instances where Kelso itself could be used as a vehicle by an undervalued company to spin off a subsidiary into its own listing. Such a transaction would undoubtedly constitute a reverse takeover for Kelso.