



KELSO

May 2023

INTRODUCTION

Kelso will identify, engage and unlock trapped value in UK listed companies. Through active engagement and alignment with other stakeholders, taking stakes directly, Kelso aims to effect change where existing shareholders are often unable or willing to do so themselves.



TEAM



John Goold - CEO

- Chartered Accountant in London with Touche Ross in 1996 before a 25 year career in the City
- Started out in corporate finance before moving into equity sales and corporate broking
- Raised over £5bn for his clients as CEO of Zeus Capital over the last ten years



Mark Kirkland - CFO

- Chartered Accountant with PwC
- Gained extensive corporate experience over 30 years having held numerous senior roles in public and private companies
- NED of AEW UK REIT plc, NED of Strix Group plc as well as an adviser to DP World



Jamie Brooke - CIO

- Qualified as a Chartered Accountant with Deloitte and read maths at Oxford University
- Over 25 years investment experience and a Director on over 20 boards. Formerly lead Fund Manager for the Hanover Catalyst Fund
- NED at Oryx International Growth Fund Ltd, Chapel Down Group plc and Flowtech Fluidpower plc



Sir Nigel Knowles – Non-Executive Chairman

- CEO of DWF
- Previously Global Co-Chairman, Senior Partner and previously Co-CEO and Managing Partner of DLA Piper
- Knighthood is recognition of services to the legal industry.



David Charters – Non-Executive Director

- Director of SG Warburg securities
- Previously Managing Director at Deutsche Bank
- Now sits on many boards in the finance, security and business intelligence sectors, as well as in the charity and non-profit world.



WHY IS THERE A LACK OF ACTIVISM IN THE UK?

- UK institutions often work in isolation and are not able or prepared to act collectively to fix a problem working together to fix a company problem is deemed a risky business from a compliance perspective
- Traditional funds do not have the time and resources to resolve individual issues within portfolios
- Absolute need to be compliant, experienced, trusted and well connected



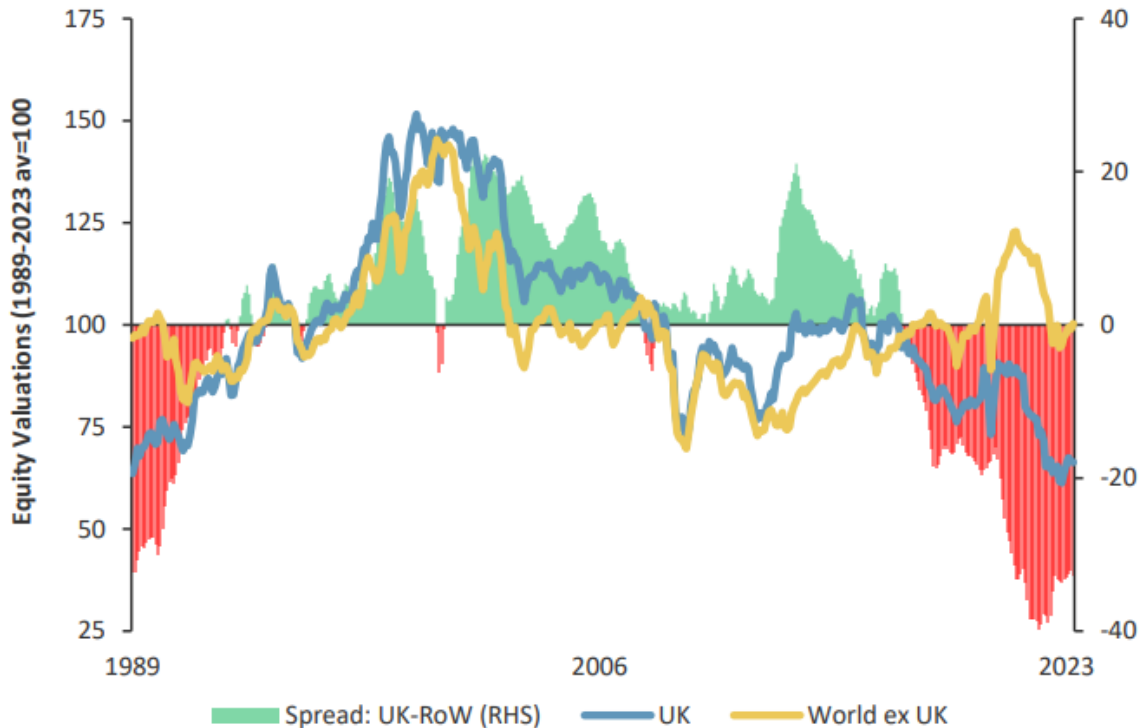
MARKET OPPORTUNITY TO UNLOCK VALUE IS VERY HIGH CURRENTLY

- Recent market turbulence leaves **significant value** in UK market
- **Perfect storm**; valuations low with fund outflows leaving huge value
- Liquidity - there are **forced sellers** into this significant value
- Management teams **demotivated**, share options **underwater**, **limited** growth capital
- **Vultures hovering** – US corporate & PE; a wall of capital
- Takeover Code makes window shopping for **UK plc unattractive & risky**
 - Rule 2.2 – being named when window shopping is dangerous
 - PUSU – too fast for many buyers
 - Rule of Six – Limited to six inside conversations
 - Often no chance to test register appetite for a bid
- UK non-exec inertia – **replacing NED positions not easy**



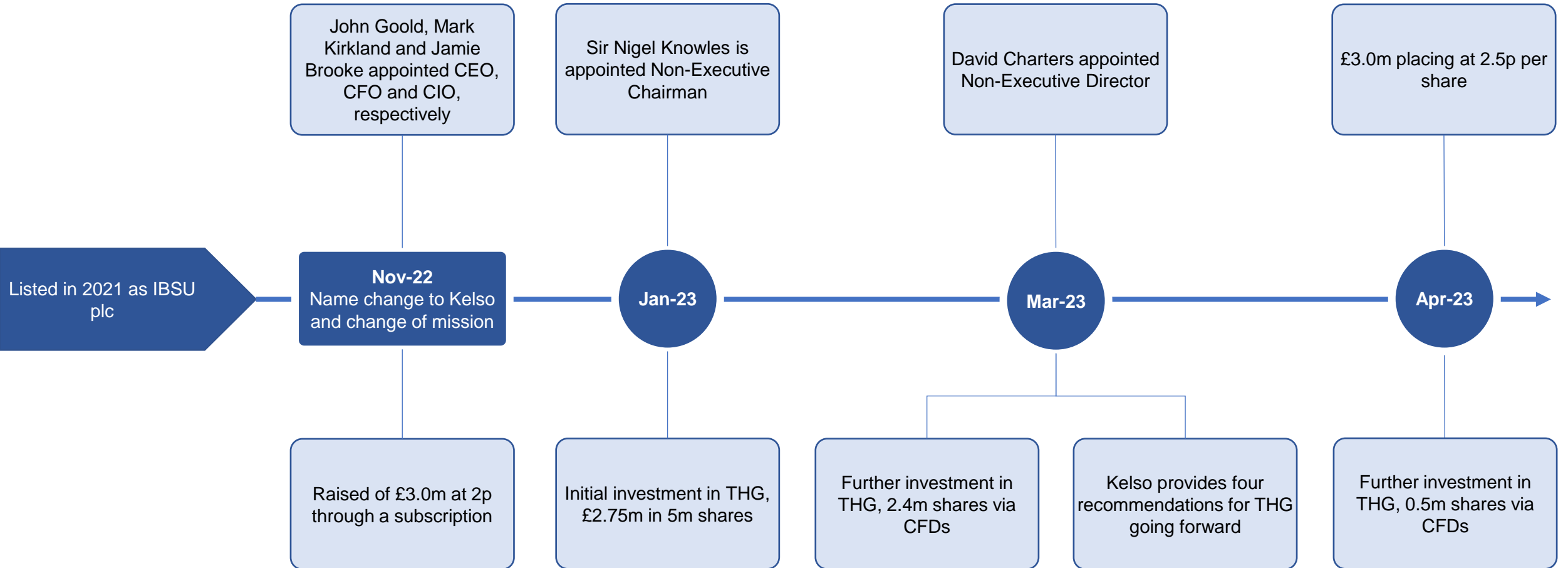
MARKET – VALUATIONS AT ALL TIME LOWS

Key Chart: Blended valuations: UK, RoW: Post 1989 average=100



- Throughout 2022 UK equities were **18%** below their global benchmark.
- 2023 earnings growth for FTSE100 is **-7.4%**
- 2023 earnings growth FTSE All-Share is **-5.5%**
- Increasing **M&A** activity is an indicator of the low value of UK equities
- UK headline valuation of **7.8x EV/EBITDA**

KELSO TIMELINE



AMBITION TO BE THE LEADING UK AGITATOR FOR CHANGE

- Kelso aims to **identify, engage** and **unlock** value in UK listed companies
- **Identify**; research & evaluate
- **Engage**; communicate and work with stakeholders and/or management
- **Unlock**; do what it takes to unlock the problem
 - Change balance sheet
 - Change strategy (corporate OR even investor relations strategy)
 - Change management OR perhaps their incentive package
 - Change stock market platform or go private
- Kelso is a permanent capital listed vehicle
- Focussed and experienced senior team
- Directors interests aligned with shareholders
- Kelso strategy is aligned with shareholders of investee companies
- Small number of concentrated positions



INVESTMENT CRITERIA

- Sector agnostic
- Focus on UK SMID <£1bn mkt cap
- Targets will ideally have:
 - a **frustrated** institutional shareholder base
 - A deep and clear **underappreciated** intrinsic value
- Each target project must have **clear runway** to completion
- Significant **share price underperformance**
- Minimum annual 25% absolute return per project BUT target return **2x**
- Each project will take maximum **6-24 months** to deliver results

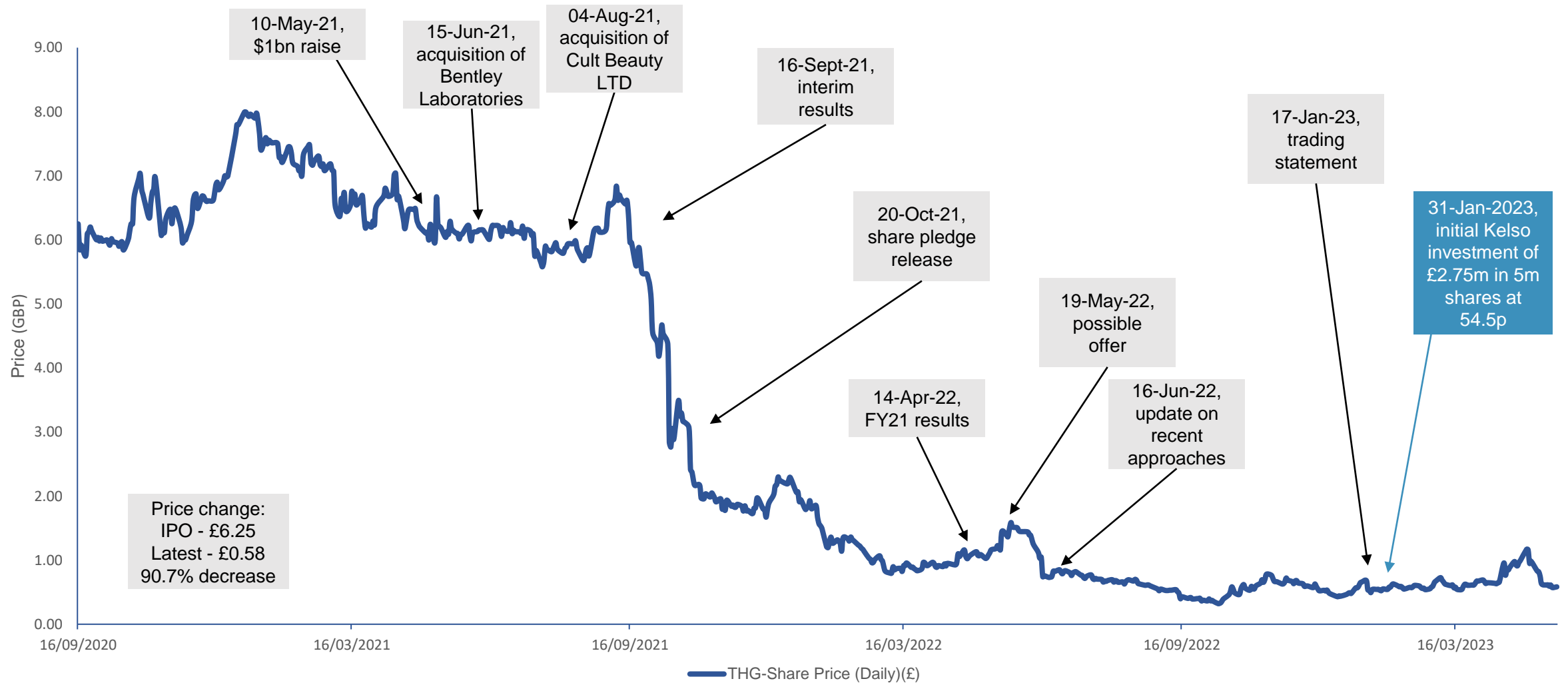


THE KELSO ARMOURY OF TOOLS TO CREATE CHANGE

- Use the **RNS** to highlight issues by virtue of being a public company
- Use the **Companies Act 2006** provisions to help make change
 - Section 303 CA 2006 – ability to appoint or remove directors (5%+ / 51% vote)
 - Section 321 – require a poll at general meeting
 - Section 527 – require to publish any matter of importance of a resigning auditor
 - Section 314 – require a statement to be circulated to members
 - Section 338 – require a resolution to be put before an AGM
- Work with top **registrars** on canvassing votes – a little known force
- Use **social media** to get points to retail shareholders
- Use high net worth & PE investor contacts to **underwrite** certain deals

THG Case Study

THG share price from IPO

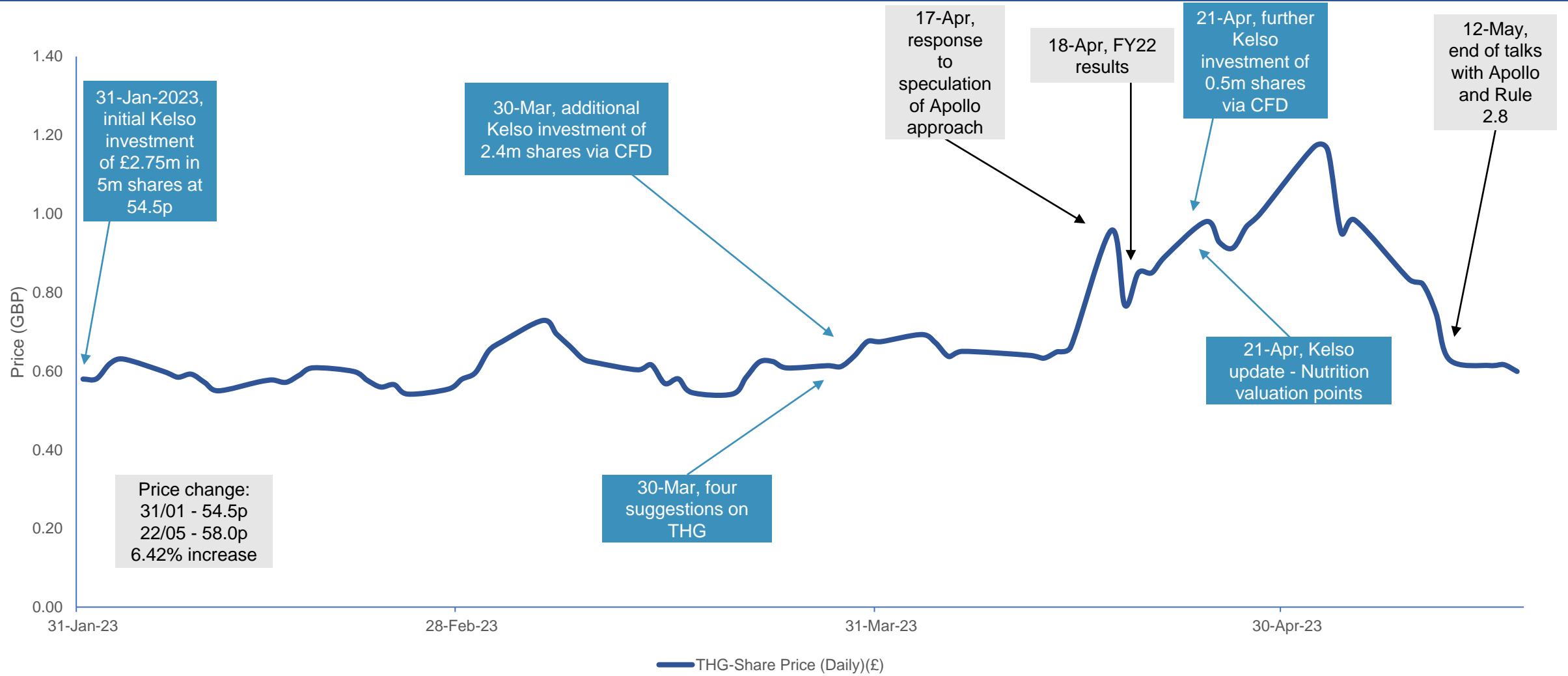


WHY THG?

- Deep underlying value based on **SOTP**
- Trading headwinds turning **to tailwinds** in 2023
 - Historic investment will start to reap rewards
- **90% fall in share price** following highly feted IPO
 - Partially environment, partially perception
- Board has ability to unlock value through **corporate action**
 - Several simple options to unlock value
- **Highly aligned management** with substantial shareholdings
 - Core support from large shareholders
 - BUT some similar smaller shareholders disillusioned
 - Underheld by institutions, potential to attract new shareholders



THG's share price since Kelso's initial investment



INITIAL INVESTMENT IN THG – 31 JANUARY 2023

“First investment meeting Kelso’s investment criteria with the purchase of £5.0m shares in THG at an average price of 54.5p, representing 0.4% of THG.”

Current value does not reflect underlying value of the SOTP

“On January 2023, THG announced record revenue for the year to December 2022 of £2.25bn.”

“The ‘separation’ project which formally gave the three main divisions their own corporate independence”



KELSO RECOMMENDATIONS RNS – 30 MARCH 2023

“The transition of THG from the Standard List to the Premium List of the London Stock Exchange would be significantly accretive to shareholder value”

“We urge THG to continue to review strategic options, alongside focussing on cash generation to ensure underlying value is realised in a practicable timeframe.”

“We urge THG to consider a share buyback programme soon after the pending preliminary results”

“Kelso believes that THG’s relationship and communications with the investment community needs reinvigorating”



RNS WITH 'NUTRITION VALUATION POINTS' – 21 APRIL 2023

“Investors are engaging with the worlds largest food manufacturers too promote changes in their strategy from over-reliance on sales of less healthy products”

“12 global food and beverage companies that it believes could be deemed overlay focussed on sales of chocolate or high sugar content products”

“MyProtein’s direct to consumer digital model would be highly attractive to many of these companies”

“THG’s nutritional business is likely ultimately to end up being owned by one of the global food and beverage companies.”

Conclusion

- Kelso is a new vehicle for activist investing
 - Highly experienced, well-connected team / shareholders
 - Amalgamates the power of retail investors
 - Works alongside institutional investors
- Ultra-focused with significant opportunities
- THG is the first of a number of targets
- As track record builds, value in Kelso builds





KELSO

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