



KELSO

Unlocking trapped value in UK listed companies

KELSO will...

Actively engage and **align** with other stakeholders, taking stakes directly. Kelso aims to **effect change** where existing shareholders are often unable or unwilling to do so themselves



Identify
target



Engage
actively



Unlock
value



KELSO team



John Goold
CEO

- Chartered Accountant with 25+ years experience 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, corporate finance and broking with UBS
- 30+ years corporate and operational experience, held numerous senior roles in public and private companies
- NED of AEW UK REIT plc and Strix Group plc, adviser to DP World



Jamie Brooke
CIO

- Chartered Accountant with Deloitte
- 25+ years investment experience and a director on over 20 boards. Formerly lead Fund Manager at 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 having been Chairman
- Global Co-Chairman and Senior Partner and previously Global Co-CEO and Managing Partner of DLA Piper
- Knighthood in recognition of services to the legal industry



David Charters
Non-Executive Director

- Director of SG Warburg securities
- Previously Managing Director at Deutsche Bank
- Sits on numerous boards in the finance, security and business intelligence sectors, as well as being involved 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/prepared to act collectively to fix a problem



Traditional funds do not have the **time** and **resources** to resolve individual issues within portfolios



Internal **compliance** departments and **bureaucracy** make active engagement difficult at traditional funds



Market opportunity to unlock value is currently high

Recent market and economic pressure globally and in UK



Many portfolios **down significantly** from peak



Fund outflows and **low liquidity** driving selling pressure



Limited **growth** capital

Management teams demotivated, share options underwater – board inertia

Perfect storm: leaves significant value in UK small cap market



Good time to be **in market**



High **quality** companies



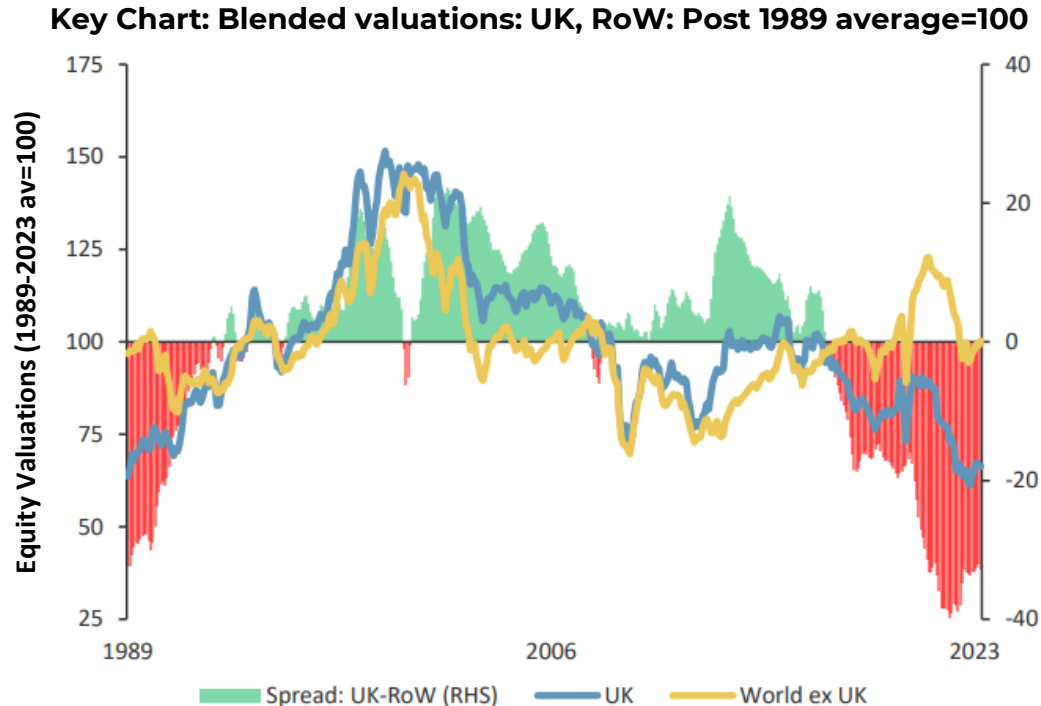
Must be **selective**



Must **activate change**



Market – Valuations at all time lows



- UK equities are trading around **<30%** than RoW blended valuations (*almost 50% down vs US market*)
- UK small caps trade at **[c.XX%]** discount to rest of UK market
- Divergence of return in UK Small cap is **[XX%]** between top and bottom quartile: selection is critical
- Increasing **M&A** activity is an indicator of the low value of UK equities

Why KELSO?



A **permanent** capital listed vehicle



Managed by an **experienced** senior team



No salaries, **board or management fees**, directors own 20%



Focus on **activism** to set companies up for success



Not a fund, **3-5 focused** positions



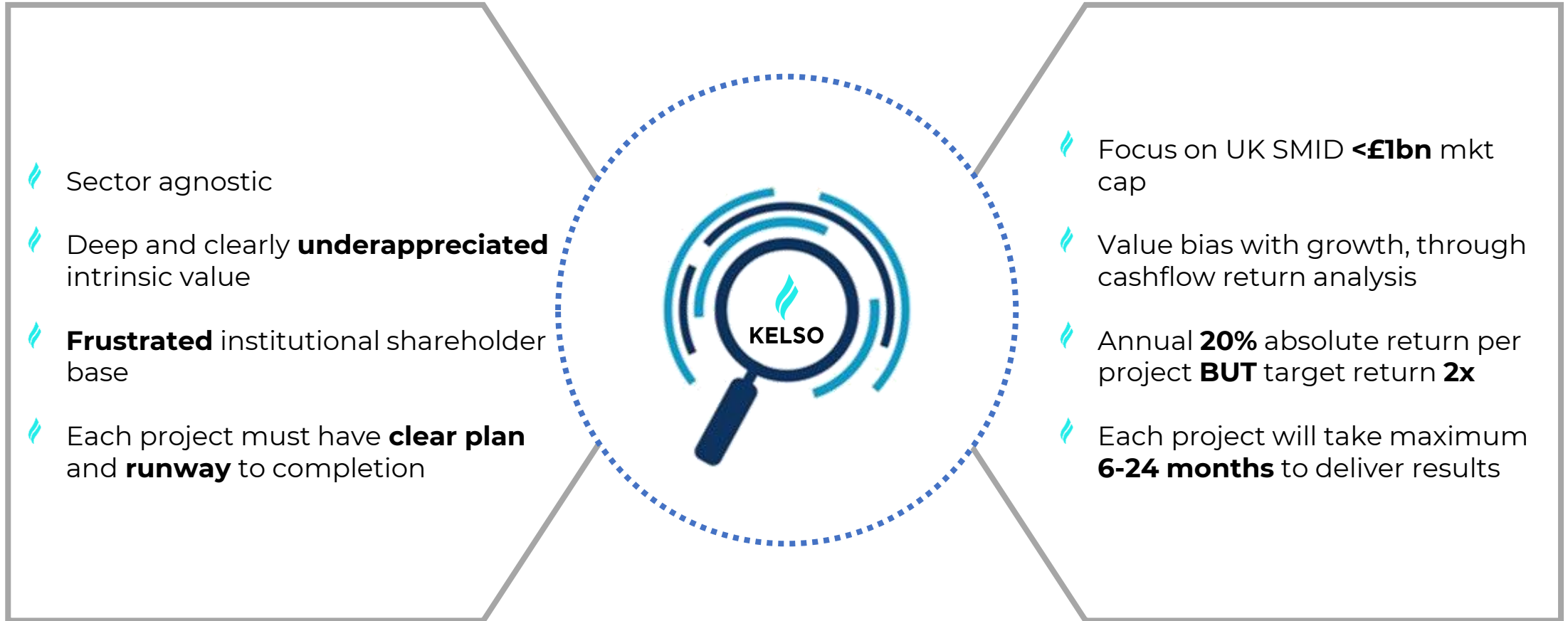
Amalgamate and **drive change** for all shareholders



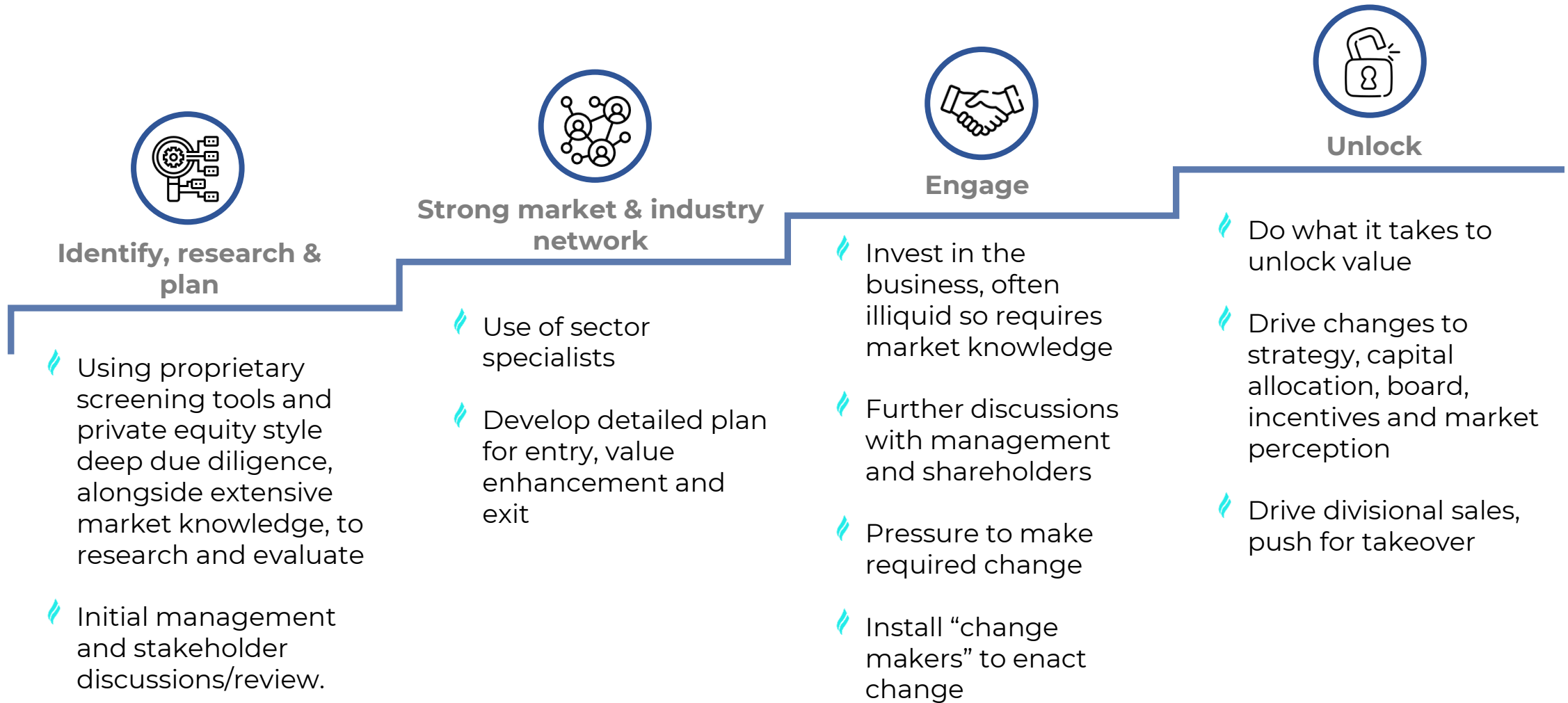
Holds high **conviction** investments



Investment criteria



Investment process



The KELSO approach to active engagement

Engagement with board

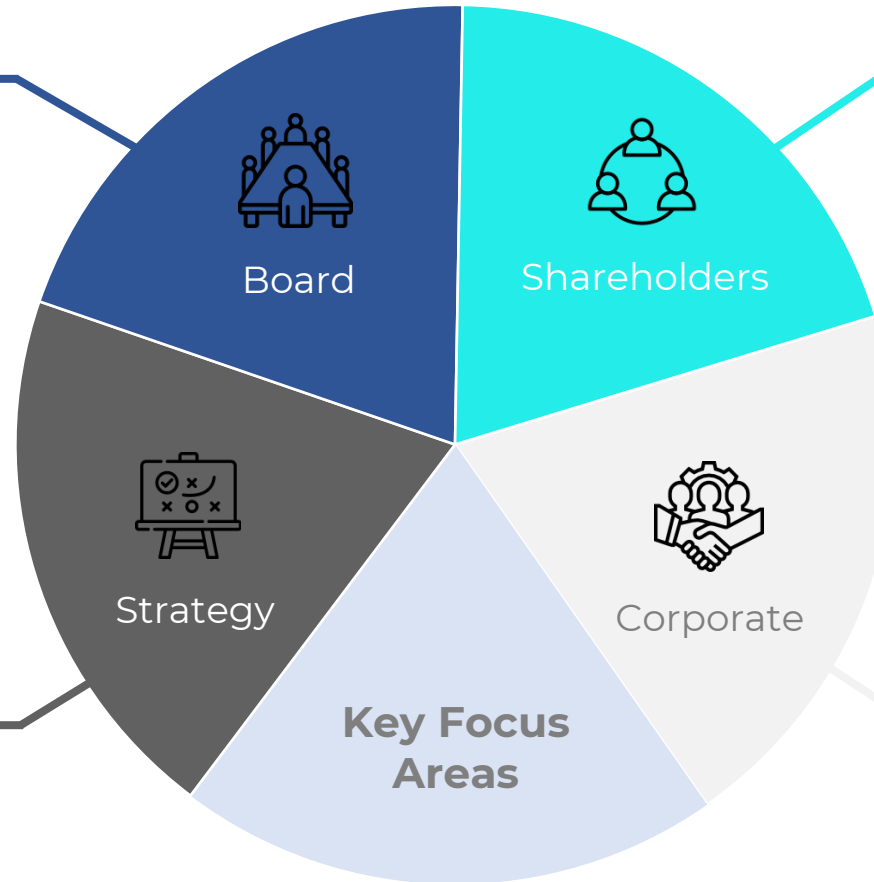
- Right team correctly incentivised

Engagement with shareholders

- Combining the interests of smaller shareholders gives them a voice (more effective than airing issues on chat rooms)
- Alignment with larger shareholders allows overweighted influence. Kelso can act where larger institutional shareholders are unable (heavy handed compliance, bureaucracy, lack of time, reputation)

Focussed strategy

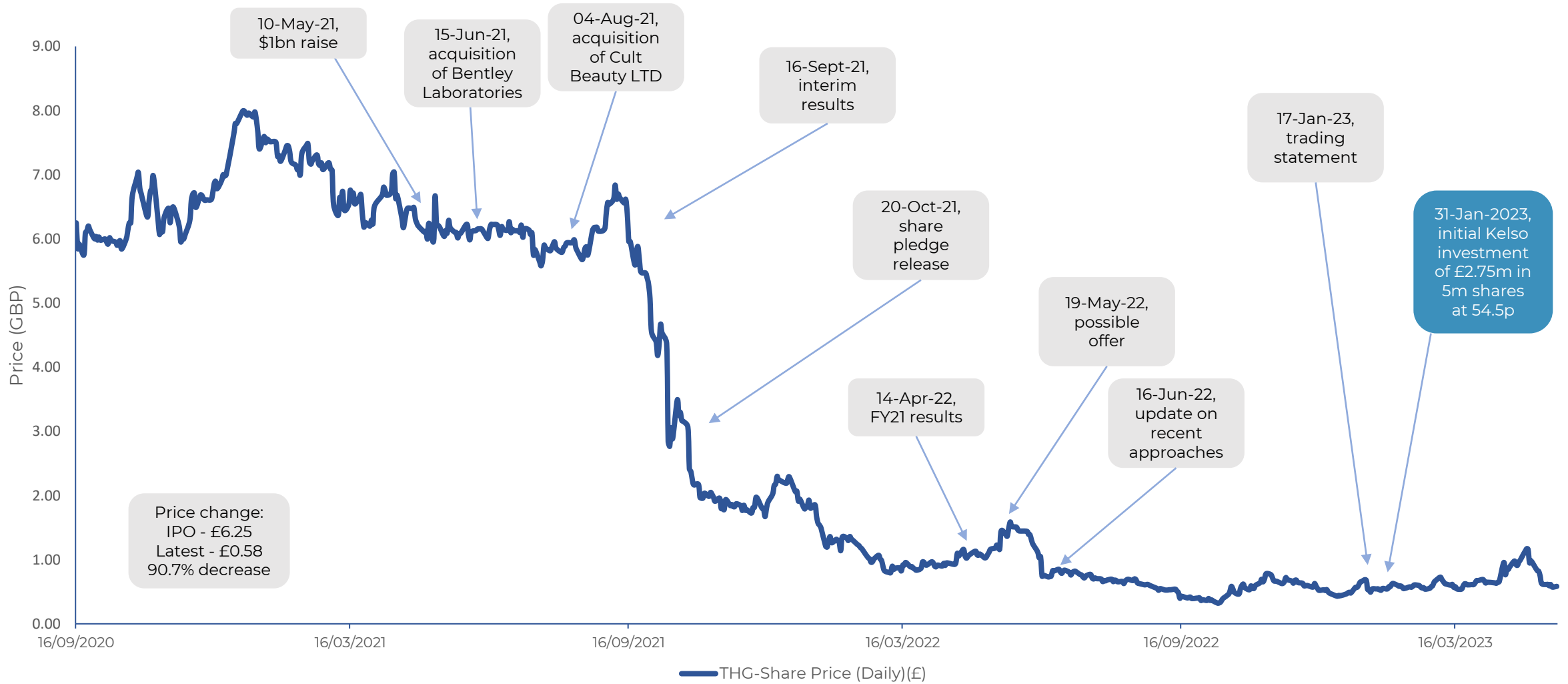
- Clearly articulated



Corporate actions

- Divisions sold/bought, focussed capital allocation, potential sale of whole

THG share price from IPO



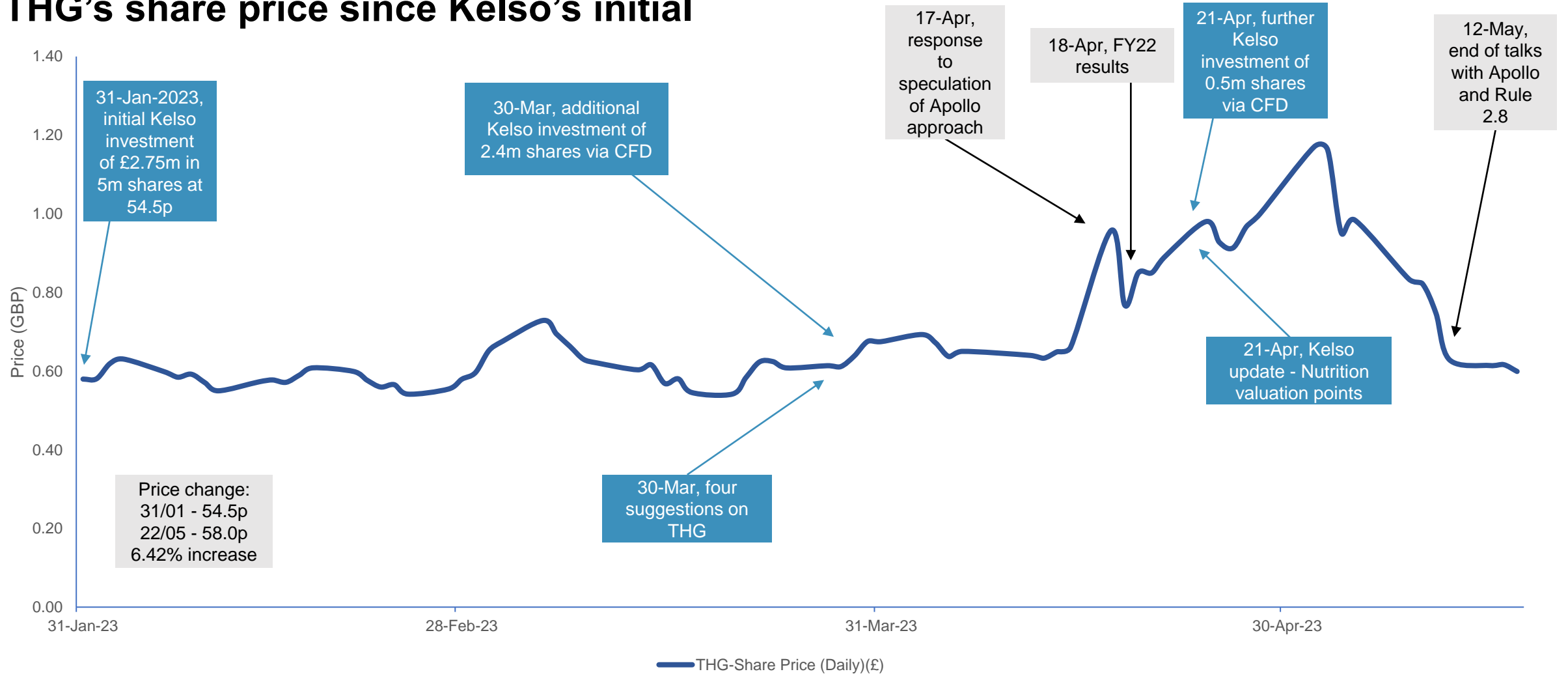
WHY THG?

- 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



WHY THG?

THG's share price since Kelso's initial



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.”



Summary

- 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

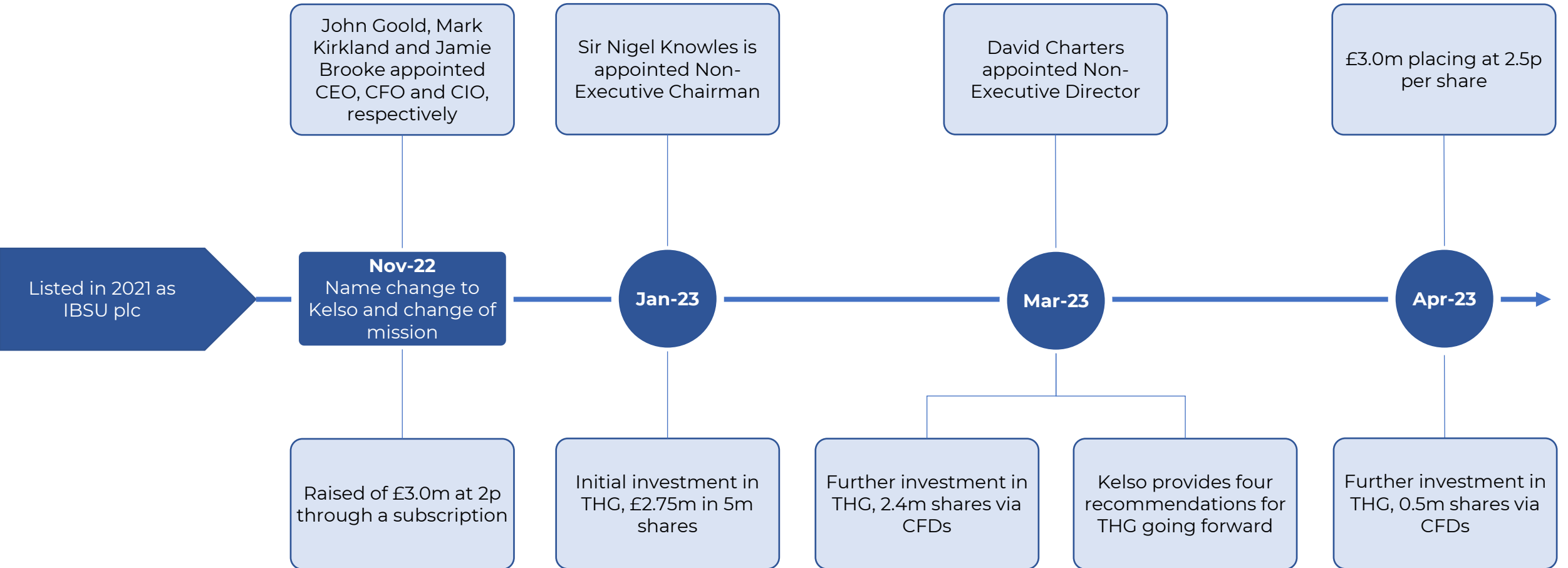
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The **KELSO** armoury of tools to create change

- Public announcements:
 - Use the **RNS** to highlight issues by virtue of being a public company
 - Use **social media** to get points to retail shareholders
- 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
- Relationships with PE and trade to drive corporate action



KELSO TIMELINE



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