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## NEW INVESTMENT - THEWORKS.CO.UK PLC

### [KELSO GROUP HOLDINGS PLC](#)

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#### **Kelso Group Holdings Plc ("Kelso" or the "Company") Investment in TheWorks.co.uk plc ("TheWorks")**

Kelso, the main market listed investment company, is pleased to announce that it has made its second investment, having purchased 2.0 million ordinary shares in TheWorks (LSE: WRKS) at an average price of 31.3p, representing 3.2% of the issued share capital of TheWorks.

TheWorks is the UK's leading family friendly retailer of value gifts, arts and crafts, toys and books and stationery products with 12 of its own brands, representing c.30% of revenue. It has a clear purpose of inspiring people to read, learn, create and play. Established in 1981, with currently 525 stores across the UK and Ireland, it was floated on the London Stock Market in July 2018 with a valuation of approximately £100 million at 160p per share.

On 30 August 2023, TheWorks reported its preliminary results for the year ended 30 April 2023 with revenue of £280.1 million, Adjusted EBITDA of £9.0 million and Adjusted PBT of £10.1 million. It also reported net cash of £10.2 million. For the year to date, TheWorks reported store like for like sales growth of 3.1% and an Adjusted EBITDA guidance for the current year to April 2024 of £10.0 million. The current share price is c.36.5p resulting in a market capitalisation £22.8 million.

Kelso believes that the business proposition of TheWorks is strong with its focus on affordability and that the valuation is highly attractive at an EV/EBITDA<sup>1</sup> of c.1.2x. Kelso is supportive of the current board and has voted for all of the resolutions proposed at the forthcoming general meeting on 4 October 2023, save for the resolution proposing a final dividend of 1.6p per share equating to £1.0 million. Kelso believes that at such valuation levels TheWorks' cash is better served by buying its shares back for cancellation rather than paying dividends.

Kelso believes strongly in the strategy and product range of The Works. Arts and craft, puzzles, games and books have an important place in life especially when focussed at the value end of the product spectrum. We are very excited about our new investment and helping restore the intrinsic valuation of The Works which we believe is significantly higher than the current price.

<sup>1</sup>Excluding IFRS 16 lease liabilities

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#### **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. 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.

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