



KELSO

Unlocking trapped value in UK listed companies

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- ❖ Current market conditions have created a significant opportunity to unlock trapped value in UK small-mid caps
- ❖ UK public market valuations are at ~35 years lows relative to the RoW. ~30 companies with a market cap £50m-£1bn have been taken private since the start of 2023
- ❖ Kelso focuses on targets trading significantly below intrinsic value and frustrated institutional shareholder base. The minimum target IRR per investment is 20%
- ❖ Kelso engages with target's boards and major shareholders across strategy and IR, and corporate actions/structure to help unlock value
- ❖ Since Jan 2023, Kelso has raised £6 million across two fundraising rounds, appointed three NEDs and completed multiple investments
- ❖ Kelso has received a positive reception from fund managers, investment targets and management teams, as well as mainstream press coverage
- ❖ The current portfolio consists of THG, The Works, NCC Group and Angling Direct

Current market conditions have created a significant opportunity to unlock trapped value in publicly listed UK small-mid caps¹

Market
opportunity

Current market conditions

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 currently
- Management teams **demotivated**, share options underwater – board inertia

Opportunity

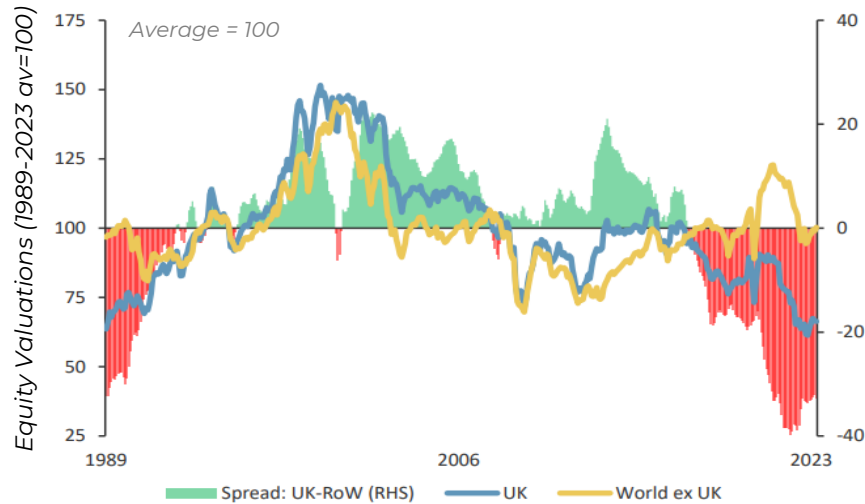
Perfect storm: leaves significant value in UK small-mid cap market

- **M&A exit potential** with peak PE “dry powder” and strong corporate balance sheets
- High quality companies trading at **historically high discount to intrinsic value**
- **Mansion House Reforms** will drive investment into UK small-mid caps
- Investors can **activate change**

Notes: (1) Classified as publicly listed companies with £50m-£1bn market cap
Source: Kelso research and analysis

UK public market valuations are at ~35 years lows relative to the RoW. ~30 companies with a market cap £50m-£1bn have been taken private since the start of 2023

Blended valuation: UK vs. RoW post-1989



- UK equities currently trade at a ~30% discount relative to the RoW on a blended valuation basis, and almost 50% down vs. the US market
- There has been a material de-rating since May 2021, with UK equities also undervalued relative to internal historic averages (EV/EBITDA 8.4x in 2023 vs. 12x 30-year average)

Select UK take private targets since 2023



- ~30 companies with a market cap have been taken private since the start of 2023, more than 2x the 14 take private transactions in the whole of 2022
- The average equity value offered per firm in Q3 2023 was ~25% the average ~£1 billion price offered over the last two years, at £252 million, evidencing how smaller companies are being targeted in 2023 amid a more cautious overall deal environment

Kelso is a permanent capital listed vehicle that invests in and engages with companies to help drive change that unlocks shareholder value

Why Kelso



Benefits

⚡ A **permanent** capital listed vehicle

⚡ Managed by a **senior team and board**

⚡ Directors own **21%**

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

⚡ Not a fund, **3-5 focused** positions at one time

⚡ **Drive change** for all shareholders

⚡ Holds **high conviction** investments

⚡ Provides **stability** from an ability to weather market cycles and avoid forced sell-offs

⚡ **Track record** in delivering strong returns for investors

⚡ Complete **alignment** with shareholders

⚡ **Unlocks shareholder value** through strategic company management changes

⚡ Potential for **outsized returns** vs. typical funds

⚡ **Builds trust** and aligns Kelso's goals with other shareholders

⚡ **In-depth understanding** and engagement with each investment

The senior team and board have significant experience across equity markets, investment management and shareholder activism



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



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' 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, 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



David Charters
Non-Executive
Director

- ◆ Diplomat turned investment banker, venture capitalist and author
- ◆ Previously a Director of SG Warburg Securities and a Managing Director of Deutsche Bank
- ◆ Sits on numerous boards in the finance, security and business intelligence and non-profit sectors



Sarah Rajani
Non-Executive
Director

- ◆ 25 years' experience in investor communications, shareholder activism and public affairs
- ◆ Previously Director Of Communications at Elliott Advisors for 15 years, as well as senior communications roles at Actis and Apax Partners
- ◆ Currently Vice President of Investor Relations & Communications at OCI Global

Kelso focuses on targets trading significantly below intrinsic value and frustrated institutional shareholder base. The minimum target IRR per investment is 20%



Screen for most attractive investment opportunities

- ❖ Proprietary screening tools and private equity style deep due diligence, alongside extensive market knowledge, to identify, research and evaluate targets
- ❖ Initial management and stakeholder discussions/review

Conduct focused due diligence and value creation plan

- ❖ Use of sector specialists and extensive network of brokers, investors and advisers
- ❖ Develop detailed plan for entry, value creation and exit

Build position, engage with stakeholders

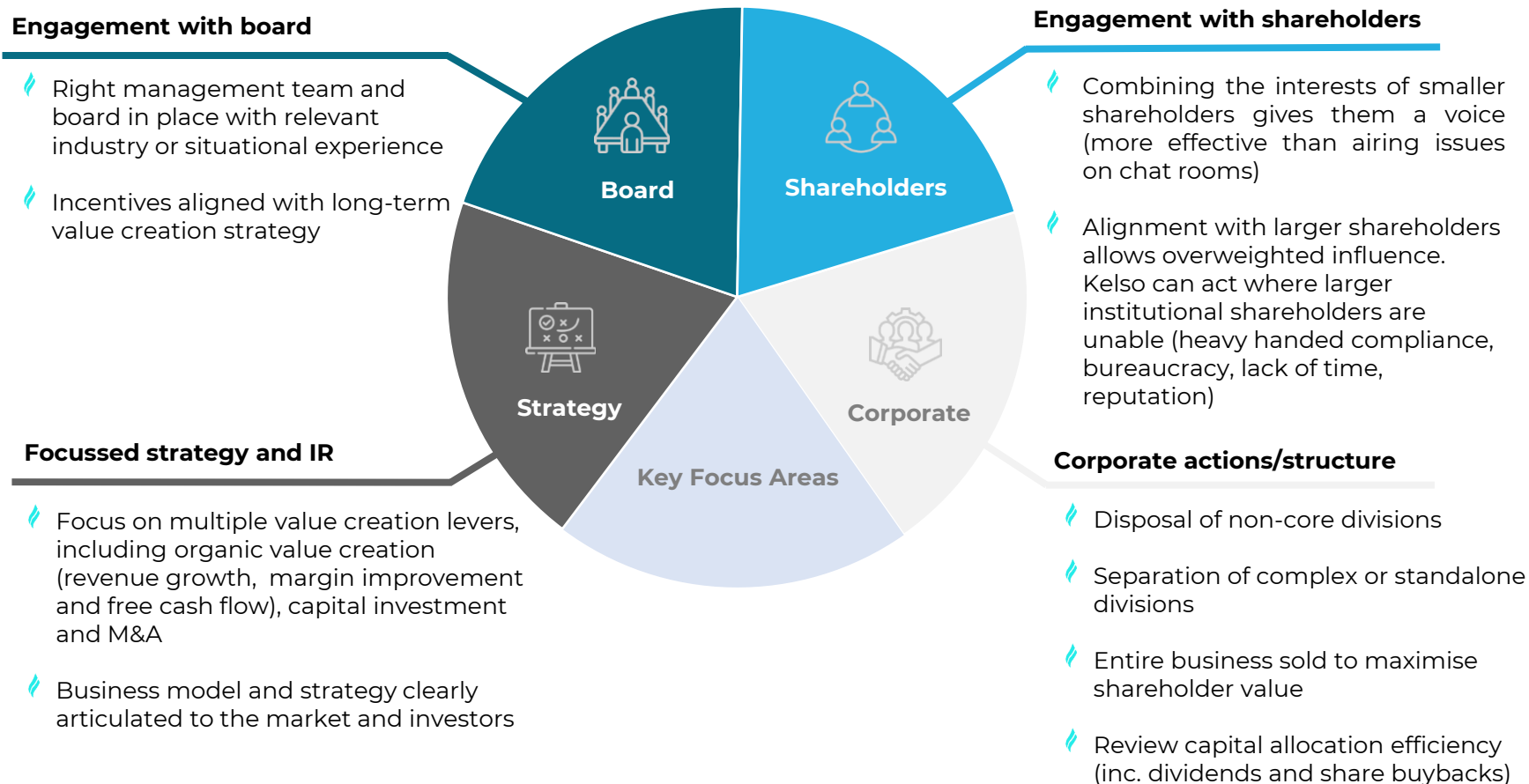
- ❖ Invest in the business, often illiquid so requires market knowledge to help build position
- ❖ Further discussions with management and shareholders
- ❖ Pressure to make required change
- ❖ Install “change makers” to enact change

Unlock trapped value

- ❖ Do what it takes to unlock shareholder value
- ❖ Drive changes to strategy, capital allocation, board, incentives and market perception
- ❖ Drive divisional sales or separation, push for takeover

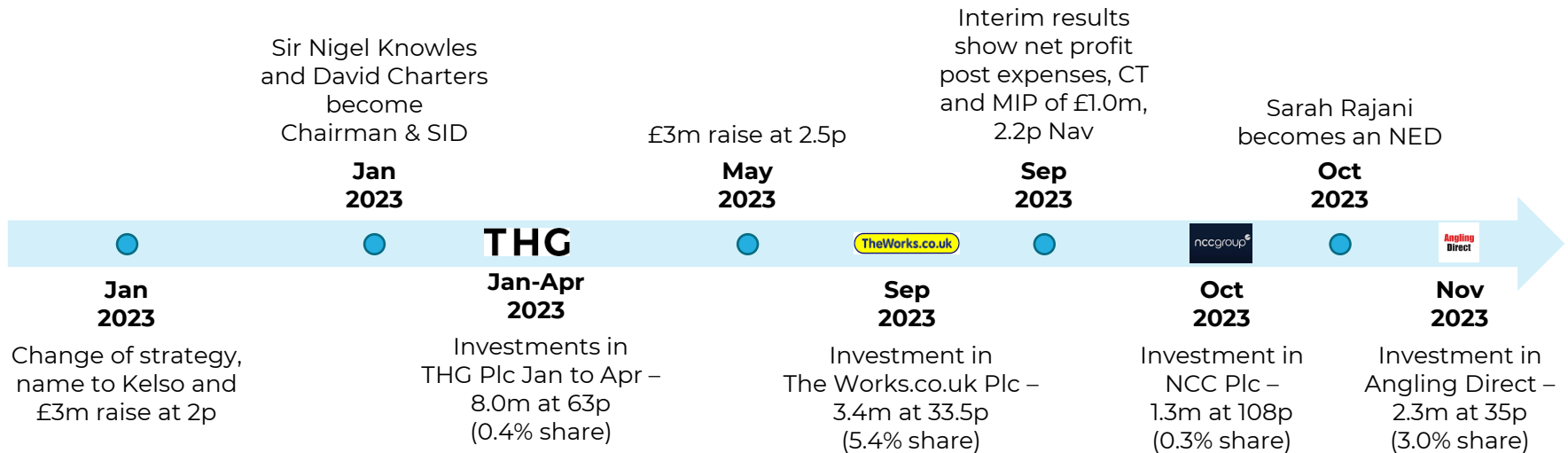
Kelso engages with target's boards and major shareholders across strategy and IR, and corporate actions/structure to help unlock value

Active engagement approach






Since Jan 2023, Kelso has raised £6 million across two fundraising rounds, appointed three NEDs and completed multiple investments

First year overview



Current portfolio

Current portfolio

Stock	Investment date	Shares (m)	Shares held (%)	In price (p)	Cost (£m)	Current price ¹ (p)	Current value (£m)	Change vs. cost (£m)	% change	% of NAV
THG	Jan-Apr 2023	5.0m	0.4%	61.4p	£3.1m	80p	£4.0m	+£0.9m	+30%	52%
 TheWorks.co.uk	Sep 2023	3.4m	5.4%	33.5p	£1.1m	28p	£0.9m	-£0.2m	-18%	12%
 nccgroup	Oct 2023	1.3m	0.3%	108.5p	£1.4m	120p	£1.6m	+£0.2m	+11%	20%
 Angling Direct	Nov 2023	2.3m	3.0%	35.2p	£0.8m	40p	£0.9m	+£0.1m	+16%	12%
Cash					£0.2m		£0.2m	-	-	3%
TOTAL					£6.6m		£7.6m	£1.0m	+15%	100%




🔥 **THG realisation:** 3.0m shares bought at an average price of 63p have been sold at average price of 86.6p per share, realising a gain of £708k. In combination with an ~£900k unrealised gain, the total realised and unrealised THG gains for Kelso are ~£1.6m

🔥 **Kelso shares :** There are currently 314m Kelso shares in issue

Note: (1) As at close of trading on 29th November 2023. Rounded to the nearest p
Source: London Stock Exchange, Kelso research and analysis

Achieving the price target for each investment would deliver a ~2x return on cost

Price target

Stock	In price (p)	Price target ¹ (p)	Target return (%)	Cost (£m)	Target value (£m)	Change vs. cost (£m)	% NAV
THG	61.4p	~120p	~90%	£3.1m	£6.0m	+£2.9m	58%
 TheWorks.co.uk	33.5p	~80p	~140%	£1.1m	£2.7m	+£1.6m	22%
 nccgroup	108.5p	~175p	~65%	£1.4m	£2.3m	+£0.9m	15%
 Angling Direct	35.2p	~70p	~100%	£0.8m	£1.6m	+£0.8m	9%
Cash				£0.2m	£0.2m	-	5%
TOTAL				£6.6m	£12.9m	+£6.3m	100%

 **Kelso shares** : There are currently 314m Kelso shares in issue

Note: (1) Based on Kelso's assessment
Source: Kelso research and analysis

Key stats

Ticker	Current share price ¹ (p)	Shares in issue ¹ (m)	Market cap ¹ (£m)	Investment date	Shares held (m/%)	Target return (%)
THG	80p	1,300m	£1,018m	Jan-Apr 2023	5.0m/0.4%	~90%

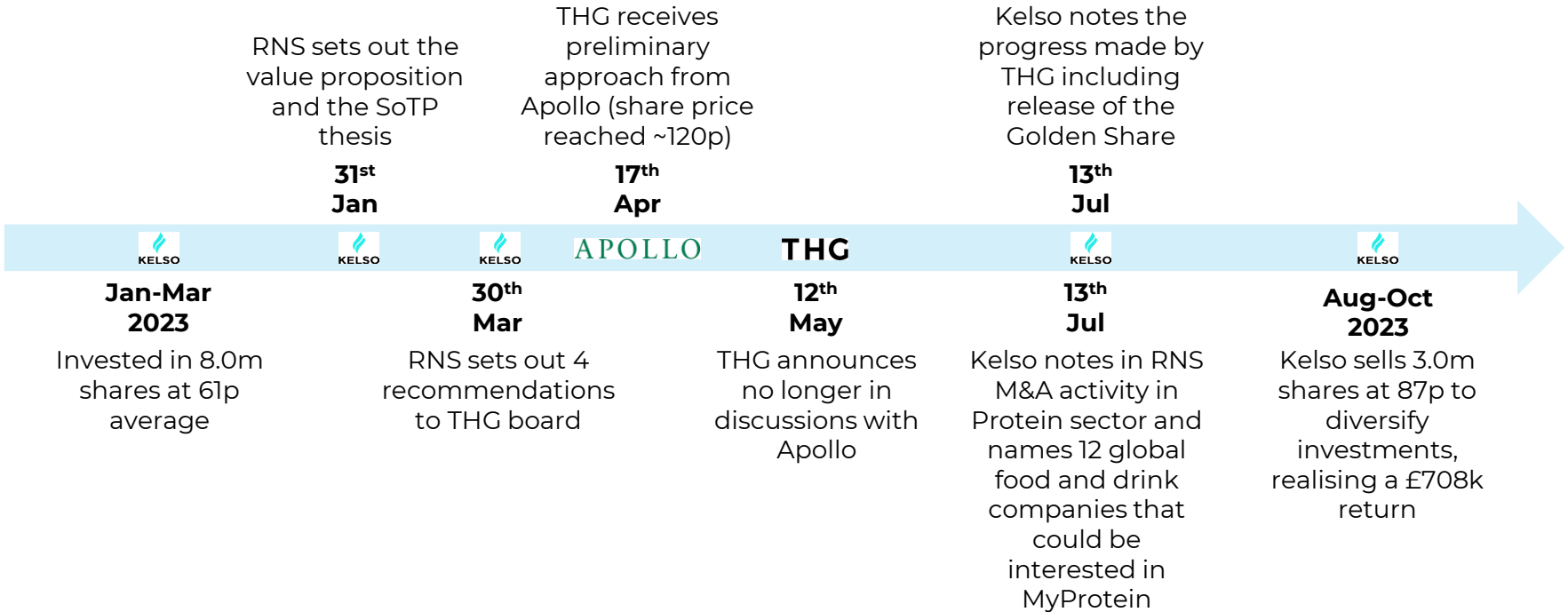
Company overview

- ❖ THG is a British e-commerce company that was founded in 2004 by current CEO Matt Moulding and John Gallemore
- ❖ The current market cap is ~£1bn, with FY23 net debt of ~£270m. Forecast revenue and EBITDA for FY23 are ~£2bn and £120m
- ❖ THG's three core operating divisions include THG Beauty, selling own-brand and third-party cosmetics; Ingenuity, offering e-commerce services; and THG Nutrition, which includes brands like MyProtein
- ❖ THG operates over 100 international websites that contribute ~60% revenue. The business has historically grown through acquisition, with ~£1bn spent on > 20 acquisitions since inception
- ❖ THG listed in September 2020 at a ~£5bn market cap, reaching a ~£10bn peak during 2021. The share price has fallen ~90% from its peak
- ❖ The board rebuffed an offer from Apollo in May 2023 following an offer the previous month

Investment thesis

- ❖ The nutrition and beauty divisions are each potentially individually valued at least at THG's current ~£1bn market cap. Liberum estimate the potential SoTP price at ~225p
 - *Nutrition*: Potential valuation at least ~£1.5bn+. ~£700m revenue and ~£100m EBITDA². Comparable companies valued at ~3-4x revenue
 - *Beauty*: Potential valuation at least ~£1bn+. ~£1.1bn revenue and ~£20m EBITDA². Comparable companies valued at ~3-5x revenue
 - *Ingenuity*: ~£150m external revenue. Existing customers include major brands such as Coke, Nestle, Mondelez, Kraft Heinz, L'Oreal, Elemis, P&G and General Mills
- ❖ THG's end-markets fast-growing due to an increasing consumer focus on health and wellness. As such, industry assets have continued to attract interest from both private equity and trade buyers
- ❖ Matthew Moulding relinquished his "golden share"; which allowed him to block any takeover attempt, in June 2023

Note: (1) As at close of trading on 29th November 2023. Rounded to the nearest p, (2) Pre-central costs
Source: London Stock Exchange, Kelso research and analysis



RNS – 31st January 2023

Kelso is pleased to announce its investment in THG with the purchase of 5.0m shares 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.

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.

Press coverage

 Proactive Investors

THG is first investment for new activist fund Kelso Group

Use of technology ... THG PLC (LSE:THG) has attracted investment from activist investors Kelso Group Holdings PLC (LSE:KLISO), which said the owner...

31 Jan 2023

 The Guardian

Kelso Group ups stake in THG and calls for spinoff of nutrition business

Kelso Group ups stake in THG and calls for spinoff of nutrition business ... The activist investor Kelso Group has upped its stake in THG and...

21 Apr 2023

 London South East

IN BRIEF: Kelso expresses disappointment in THG's lack of strategy | Financial News

Kelso Group Holdings PLC - London-headquartered investment company - Updates its shareholders on its investment in THG PLC, following the publication of...

14 Sept 2023

Key stats

Ticker	Current share price ¹ (p)	Shares in issue ¹ (m)	Market cap ¹ (£m)	Investment date	Shares held (m/%)	Target return (%)
WRKS	28p	62.5m	£17.3m	Sep-2023	3.4m/5.4%	~140%

Company overview

- ❖ The Works is a family-focused value retailer that sells books, art and craft materials, gifts, toys, games and stationery
- ❖ Private equity firm Endless acquired the business in 2008 after it went into administration. Dean Hoyle, founder of the Card Factory, invested in the business in 2015
- ❖ The current market cap is ~£17m, with H1 FY23 net cash of ~£10m (excluding lease liabilities). Forecast revenue and EBITDA for FY24 are ~£300m and ~£6m (pre-IFRS 16)
- ❖ The Works operates ~525 physical stores and a website across the UK and Ireland, with revenue split ~90:10. Historical growth has focused on new store roll-out and online. LFL store sales increased ~4% in H1 2023
- ❖ The business listed at a ~£100m market cap in 2018. The share price has fallen ~80% since IPO and ~50% since Q2 2022
- ❖ There have been significant movements in the shareholder base in 2023, with Hudson Management building a 15% position. The shareholder base is concentrated, with the top 5 owning > 50%

Note: (1) As at close of trading on 29th November 2023. Rounded to the nearest p
Source: London Stock Exchange, Kelso research and analysis

Investment thesis

- ❖ There is an opportunity to deliver significant operating improvements, increasing EBITDA margins to ~10%, with a three-year goal to 3x EBITDA to ~£20m
- ❖ The Works is focused on creating a “better not just bigger business” through brand development, improving the online proposition, optimising the store portfolio and improving the operating model
- ❖ A new management team, with highly relevant value retailing experience, has been installed since 2020
- ❖ The current market cap is only slightly greater than net cash (~£10m at H1 2023 end) plus net working capital (£~6m at H1 2023), and significantly discounted vs. peers (~1x EV/EBITDA vs. 6x plus)
- ❖ Kelso has engaged with major shareholders post investment, proposing a share buyback vs. dividend
- ❖ 38% of shareholders voted against a final dividend at the 2023 AGM

RNS – 25th September 2023

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/EBITDA¹ 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.

¹Excluding IFRS 16 lease liabilities

Press coverage

 Insider Media

The Works secures Kelso investment

The Works, a national retailer of arts and crafts, stationery, toys and books, has landed investment from Kelso. Listed investment company...

26 Sept 2023

 CityAM

Activist investor Kelso takes stake in 'undervalued' retailer The Works

Activist investor Kelso has snapped up a stake in retailer The Works today after a slump in its value over the past five years.

25 Sept 2023

 Home of Direct Commerce
<https://homeofdirectcommerce.com> › News ›

Kelso snaps up stake in The Works

26 Sept 2023 — **Kelso** has acquired two million ordinary shares in **The Works** which equates to 3.2 per cent of the issued share capital of the retailer.

Key stats

Ticker	Current share price ¹ (p)	Shares in issue ¹ (m)	Market cap ¹ (£m)	Investment date	Shares held (m/%)	Target return (%)
NCC	120	313m	£377m	Oct-2023	1.3m/0.3%	~65%

Company overview

- ❖ NCC Group was founded in 1999 and admitted to AIM in 2004 at a ~£55m market cap
- ❖ NCC Group has two main business segments; Escrow and Cybersecurity
- ❖ The current market cap is ~£370m, with FY23 net debt of ~£50m (excluding lease liabilities). FY23 revenue and EBITDA were ~£335m and ~£40m (post central costs)
- ❖ NCC Group serves over 15,000 clients globally and has grown through a mixture of organic growth and ~20 acquisitions
- ❖ NCC Group has a significant market presence in North America and the UK (~40% share in each market), and continental Europe (~17% share)
- ❖ The share price fell ~50% between Jan-Apr 2023 from ~200p to ~100p. The Chairman bought £500k of shares at 91p in Summer 2023, reflecting his confidence in the business

Investment thesis

- ❖ NCC is the market leader in software Escrow services in the UK and US
- ❖ An operational turnaround programme is underway to return Cybersecurity revenue growth and EBITDA margins to ~12-15%
- ❖ A new exec team is now in place, the commercial strategy has been relaunched and an offshore delivery capability has been established
- ❖ The board suspended a strategic review and potential plan to separate NCC into two businesses in August 2023, with each business potentially independently valued close to the current market cap
 - *Escrow*: Potential valuation at least ~£300m+. ~£65m revenue and ~£30m EBITDA² in FY24. Comparable companies valued at ~10x EBITDA
 - *Cybersecurity*: Potential valuation at least ~£400m+. ~£270m revenue and ~£15m EBITDA². Valuation potential strong post turnaround with comparable mid teen margin and growth companies valued at ~25-35x EBITDA

Note: (1) As at close of trading on 29th November 2023. Rounded to the nearest p, (2) Pre-central costs
Source: London Stock Exchange, Kelso research and analysis

RNS – 10th October 2023

Kelso, the main market listed investment company, announces that it has made an investment in NCC (LSE:NCC), having purchased 1.0 million ordinary shares at an average price of 108p, representing 0.3% of the issued share capital of NCC.

NCC is a London listed company, with a market capitalisation of £347 million, with two divisions, Software Reliance (Escrow) and Assurance (Cyber Security). Operating across Europe, North America and Asia Pacific, employing c.2,000 people, the group for the year ended 31 May 2023 had unaudited revenue of £335.1 million and Adjusted EBITDA of £41.4 million.

Software Reliance (Escrow), is a Global leader, providing software escrow services to businesses, protecting the development, supply and use of business-critical technology and software applications, with unaudited revenue for the year to 31 May 2023 of £64.3 million. Assurance (Cyber Security) operates in the global cyber security market, which expects CAGR of 10% between 2022 and 2027, as the global cyber threat continues to grow. The business provides cyber security consultancy services as well as managed services to businesses, which includes continuous detection and response and other cyber services, on a contract model, with unaudited revenue for the year ended 31 May 2023 of £270.8 million.

Having previously initiated a strategic review of Software Resilience (Escrow), on 22 June 2023, as part of the post-close trading and strategic update, NNC announced that it had stopped the strategic review of the Software Resilience (Escrow) business and will revisit this later in the calendar year.

As NCC highlights, the two businesses are operationally distinct and have no synergies as part of the same group.

John Goold, CEO of Kelso, said:

"NCC is a special company on the UK stock market with two distinct businesses. There is an experienced management team assembled and we support them to deliver shareholder value."

Press coverage

BC Business Cloud

Activist investor snaps up NCC Group shares

Kelso Group Holdings Plc, vocal since investing in online retail giant THG at start of year, purchases a million shares for around £1.1m.

1 month ago

B Business Live

THG activist investor buys stake in global cyber security firm NCC Group

Kelso Group is chaired by former DLA partner Sir Nigel Knowles while other investors include Luke Johnson, Nigel Wray and Umar Kamani.

1 month ago

•• The Business Desk

THG and NCC stalker Kelso hires expert in 'executing successful campaigns' | TheBusinessDesk.com

Activist investor Kelso, the cash shell stalking THG and now NCC group, has appointed Sarah Rajani, an experienced corporate raider,...

1 month ago

Key stats

Ticker	Current share price ¹ (p)	Shares in issue ¹ (m)	Market cap ¹ (£m)	Investment date	Shares held (m/%)	Target return (%)
ANG	40p	77m	£31m	Nov-2023	2.3m/3.0%	~100%

Company overview

- Angling Direct was founded in 1986 and is the UK's largest fishing tackle retailer
- The current market cap is ~£31m, with FY24E net cash of ~£18m (excluding lease liabilities). FY24E revenue and EBITDA are ~£83m and ~£2.7m (pre-IFRS 16)
- The business sells a broad range of own brand and third-party fishing tackle and related products through a network of 46 retail stores and its own website, with revenue split ~55:45
- Angling Direct also operates in Europe (currently 100% online) with an option to potentially develop a physical presence in 2024 (subject to review)
- The business IPO'd in 2018 at a ~£27m market cap (revenue and EBITDA at IPO were ~£21m and ~£0.8m) and has subsequently raised more than ~£24m in external investment (~£32m in total)

Investment thesis

- Angling Direct is ~8x larger than the next nearest UK competitor with ~12% market share. The business has grown its market share over time from small independent retailers. There is a further opportunity to grow market share to ~20%
- Angling Direct's current market cap is only marginally higher than at IPO (~£32m vs. ~£27m), despite the number of stores, revenue and EBITDA all increasing ~3x during the period, and raising a further ~£24m of investment
- The shareholder base is concentrated, with the top four investors owning ~66%. The top two investors include Gresham House (21%) and BGF (15%)
- Kelso also believes the company should define and begin a share buyback programme with net cash currently ~6x EBITDA
- Europe is expected to break-even in the medium term, although growth needs to be monitored pre further expansion and significant capital investment

Note: (1) As at close of trading on 29th November 2023. Rounded to the nearest p
Source: London Stock Exchange, Kelso research and analysis

RNS - 29th November 2023

New investment in Angling Direct Plc ("Angling")

Kelso is pleased to announce that it purchased 2.32 million ordinary shares in Angling, at an average price of 35.1p, representing 3.0% of the total issued share capital in the company.

Angling is the largest specialist fishing retailer in the UK with an estimated UK market share of 12%, according to the company, being approximately 8x larger than any other UK competitor. From IPO in 2017 to today, Angling has grown its stores from 15 to 46, with revenue growth from £21 million¹ to £83 million¹ expected for the year ending January 2024, with EBITDA growth from £0.8 million¹ to an expected £2.7 million¹. Despite the fact that revenue is expected to have grown 4x since IPO and EBITDA is expected to grow c.2.4x to the current year end, Angling's current share price of 40p is less than two thirds of the issue price of 64p. Its current market cap, of which c.60% (£17.6m) is in net cash, is almost exactly the same market cap as on IPO, and lower than the capital raised since IPO. Since IPO, Angling has successfully grown its portfolio and there continues to be significant opportunity for Angling to grow its UK business towards 20% of the UK market. The European business is early stage and approaching break-even; despite Europe being a potential opportunity, the commitment to this part of the business, particularly given its own shares trade on such a low multiple, needs to be reviewed before further significant capital investment.

Kelso also believes that Angling has surplus capital and that some of the £17.6 million of net cash, being c.60% of the market cap, should be used to buy back a portion of its equity whilst the shares are at or close to the current level.

John Goold commented:

"Kelso is delighted to become a small shareholder in Angling Direct whilst acknowledging that the top 4 holders control 66% of the company. Given the potential growth of the business and current low valuation, a sustained investor relations strategy along with a buy back would, in our view, significantly enhance value for shareholders."

Press coverage

 London South East

IN BRIEF: Kelso buys 3% stake in Angling Direct and calls for buybacks | Financial News

Kelso Group Holdings PLC - invests in undervalued London-listed companies - Buys 2.3 million shares of Angling Direct PLC at 35.1 pence per...

Kelso has made significant progress in the first year of operation

- ⚡ Current UK small-mid cap market offers a significant opportunity for investment
- ⚡ Kelso offers a focused opportunity for significant returns
- ⚡ The Directors own 21% and are fully aligned
- ⚡ Kelso is fully invested in four current positions
- ⚡ The launch has been at an opportune time and having been well received, Kelso needs to grow and capitalise on continuing opportunities