

UPDATE ON THG INVESTMENT

[KELSO GROUP HOLDINGS PLC](#)

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Kelso Group Holdings Plc ("Kelso" or the "Company")

Update on THG Investment

Kelso, the main market listed investment company and an investor in THG Plc ("THG"), today released the following statement.

Over recent weeks, the market has seen a growing and concerning trend of high-quality smaller UK companies exiting the London Stock Exchange ("LSE"). As such, more than ever Kelso urges boards and management teams to do everything they can to recognise and address vulnerabilities, and to maximise shareholder value.

On 30 October 2023, Kelso wrote to the Board of Directors at THG outlining its conviction in the substantial value creation opportunity at the company. Kelso firmly believes that THG's sum of the parts is worth significantly more than the Company's current market capitalisation, and specifically that a demerger announcement is the most compelling route to resolving the inherent disparity between THG's share price and its fundamental fair value. As Kelso has stated previously, many of the larger global peers for THG's Nutrition business trade on over 3-7x sales valuation multiples, while several of the larger global Beauty brands trade on 3-5x sales. By comparison, THG trades on around 0.5x sales. Kelso believes that the UK stock market will not ascribe a sum of the parts valuation to THG, until the company publicly confirms its intention to demerge its businesses. Such a demerger would allow each part of the business better access to capital to deliver further growth and build upon their market leading positions. There are several good examples of such demerger confirmations on the LSE, including Whitbread's demerger of Costa Coffee in April 2018 and GSK's Consumer Healthcare business in July 2021. Kelso remains agnostic as to how THG chooses to prosecute the demerger strategy.

John Goold, CEO of Kelso commented:

"We believe that the market would respond well to a formal confirmation of a demerger of THG. Whilst there are a multitude of reasons why the valuation of many smaller companies remains at very low levels, companies need to ensure that they have clear strategies in place to maximise shareholder value and to avoid unwanted predatory interest at the wrong levels. We hope that THG adopts our beliefs and announces a strategy for the demerger of its three stand-out global businesses without further delay".

Letter to THG plc

30 October 2023

Dear Board of Directors of THG Plc ("THG")

I write to you today as CEO of Kelso Group Holdings Plc to request that you work actively and rapidly towards addressing the inherent disparity between THG's share price and true value. Specifically, we request you make an announcement, as detailed below, and conduct a shareholder review. I assume you feel the same frustration as shareholders and that you are keen to solve this issue rapidly. Kelso remains a supportive but increasingly frustrated shareholder.

Kelso continues to believe strongly that the three distinct businesses within THG are worth considerably more, as separate businesses, than the current market capitalisation of THG. Liberum continues to highlight this disparity in their research. Some of the world's largest companies operate in the beauty and F&B sectors and typically, due to the quality of their business, brand value and focus, trade on relatively high multiples. The stock market does not value diversified conglomerates, which THG is deemed to be. We are not aware of any global companies that operate in both the beauty and F&B sectors. Many of these companies have historically been extremely acquisitive and in particular F&B companies are growing their presence in nutritional and wellness.

Kelso believes that the stock market will not ascribe a sum of the parts valuation to THG until the board confirms, by way of an RNS announcement, that its stated intention is to demerge the three divisions. Demerging the businesses could be done via full, majority or minority disposals of each division, most likely sequentially (we refer to any of these options as the "demerger"). We do not propose to suggest the order of events, merely that it is made clear to shareholders that all options are being considered. Such an announcement would, in our view, help to close the valuation gap and so enhance the ability to achieve the true value in any of the demerger options. Our confidence in this approach was recently enhanced by the positive share price move resulting from the CEO Matthew Moulding's strategic optionality comments in the Q&A part of the Q3 trading statement. However, we believe comments alone do not go far enough, and that the market wants to hear formal confirmation of, and articulation of possibilities regarding the company's intention to demerge. THG's real strategic optionality is enhanced as the share price increases.

Furthermore, whilst the share price remains low, THG is susceptible to an opportunistic bid; this is a real risk without a supportive shareholder base. Another benefit is that such a statement will significantly reduce your share price volatility making THG a more attractive investment for traditional long only funds and stop hedge funds profiting from and driving the current volatility.

Liberum's price target is 225p per share but only when a sum of the parts valuation becomes relevant. We think that more analysts would consider increasing their target prices if a formal demerger intention announcement was made. We also

believe that such a demerger would be highly advantageous to the valuation of Ingenuity in turning its internal revenues to external ones, enhancing its ability to win third party contracts.

In summary, we believe it would be extremely helpful to THG's valuation if it publicly included the following on an RNS announcement:

1. The board's intention is to demerge the businesses in the medium term.
2. The demerger could be by way of separate listings with THG retaining majority or minority ongoing control, or outright disposals potentially with THG retaining an interest.
3. The board is open to strategic partnerships as part of this strategy.

We acknowledge fully that Kelso is a small shareholder, but we believe that many other shareholders, both small and large, share our view, having become increasingly frustrated and impatient. We urge you to engage an independent third party now to canvas shareholders for their views, so you can understand which actions your shareholders wish their board to act on. We believe a demerger announcement will be one of their principal requirements.

Yours sincerely

John Goold, CEO

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