

AGM TRADING UPDATE

KELSO GROUP HOLDINGS PLC

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

AGM Trading Update

Kelso, the main market listed acquisition vehicle, makes the following update ahead of the Company's Annual General Meeting.

Sir Nigel Knowles, Non-Executive Chairman, commented:

Kelso's first full year of operation has been successful. We delivered an IRR of 55% on our investments, significantly surpassing our 25% target. Having started 2023 with c.£0.2m, we raised £6.0m during the last financial year and a further £1.8m after the period ended in January 2024. We are grateful to our shareholders for their support and are excited about the opportunities ahead in 2024.

Market Review

The UK appears to be increasingly recognised as one of the best value countries in the world for equities. Takeover approaches continue and in May 2024 alone, XP Power Plc and Keywords Studios Plc both received £2bn+ cash offers at 70%+ premiums. Simultaneously, we are encouraged to see Boards taking a longer-term view of value potential and rejecting bid approaches that undervalue the company, Hargreaves Lansdowne Plc and Wood Group Plc being recent examples. Reducing outflows within UK equity funds clearly help these decisions, as investors do not require the cash from takeovers to fund redemptions. Reassuring and positive trading statements, which give investors confidence that the worst is over, are also delivering significant share price reactions. For example, BT Plc shares rose 18% and Future Plc shares increased by 22% in a day, both off the back of positive trading updates. UK market values are beginning to bounce back, closing the valuation gap, and we hope this momentum continues.

Investments

Kelso has an increasingly balanced but concentrated pool of four core investments and will provide a more detailed market update in July 2024, following our June interim period end.

This month, we increased our holding in NCC Group Plc, the cybersecurity and software escrow business, to 2.5m shares with a total average in price of 119.5p. We were encouraged by NCC's software escrow division's capital markets day last month and look forward to their cyber security division's capital markets day in June. We believe the intrinsic value of the business units is considerably greater than the current market capitalisation.

Kelso's largest holding is THG Plc ("THG"), which we believe trades at a significant discount to its sum of the parts value. Specifically, we believe that enough credit has not been given to some of the brand value that it has been building on a global scale. The brands are within two growth sectors, Nutrition and Beauty. The Nutrition sector has benefited from larger companies who have been overly focussed on sugar and chocolate products, diversifying into healthier options as the world becomes more health conscious. Some of the world's most valuable brands in the Food, Beverage and Beauty sectors trade at high single-digit revenue multiples, whereas the entirety of THG trades on just over 0.5x revenue. We believe that MyProtein, MyVegan and MyVitamin specifically merit increased values with revenue at \$875m dollars last year and are now extending their product ranges and geographical footprint, partly through global third-party partnerships. Additionally, we believe that the Beauty portal brands of Lookfantastic, Cult Beauty and Dermstore, with 8.5m active customers and over \$1.0bn revenue, are very valuable assets in the global beauty arena. These portals sit alongside THG's own beauty brands.

On 21 May 2024, Kelso announced its intention to vote against Resolution 5, the re-election of the Chair, at the upcoming THG AGM. Kelso strongly believes that shareholder value would be significantly enhanced if THG were to fulfil its commitment to move to the Premium List from the Standard List, as promised on 18 October 2021, and provide clarification of the Group's future structure.

We are pleased with Angling Direct Plc's and The Works Plc's recent trading statements which were issued after our results announcement on 30 April 2024. Both companies appear well-positioned and are, in our view, extremely undervalued in a moderately improving UK consumer environment.

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About Kelso - <https://kelsopl.com/>

Kelso was established in November 2022 to identify, engage and unlock trapped value in the UK stock market. Kelso's strategy is to invest in situations where it believes 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. The Kelso team is led by an experienced and well-invested Board and management team with a track record of identifying and creating value in the UK small and mid-cap public markets. The board of Kelso owns 20.5% of the equity having invested in each of the last three fundraising rounds.

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