

5 October 2026

Kelso Group Holdings Plc

("Kelso" or the "Company")

Update on investment in Saga plc following Kelso's recent fundraise

Kelso Group Holdings PLC, the main market listed investment vehicle, announced its investment in Saga plc ("Saga") on 6 January 2026 with an initial holding of 400,000 shares purchased at an average cost price of 387p per share. Kelso has since increased its holding, including the recent purchase of a further 100,000 shares following Saga's interim results on 30 September 2026, and now holds 600,000 shares with an average cost of 446p per share. This holding, with Saga's shares trading at 760p and a market capitalisation of £1.1bn, is valued at £4.6m being approximately 20% of Kelso's total investments.

Saga's interim results were excellent on several points. As Kelso has consistently stated, a strong focus on efficient capital allocation and investor relations is key to unlocking value in UK listed companies. Kelso believes Saga's management is clearly committed to both. Furthermore, there is a high level of detail in Saga's results statement which is extremely helpful to investors.

Debt Reduction

In the six months to 31 July 2026, Saga announced a 98% increase in underlying pre-tax profit to £46.6m which produced £101m of underlying available operating cash flow, helping to reduce leverage to 2.7x from 4.3x a year earlier. This compares with an average of 7.9x since COVID and prior to Kelso's investment, and a peak of 12.3x in July 2021 which Kelso highlighted in its January announcement. We commend management for this achievement, and for their continued focus on cash generation, which has turned Saga from uninvestable for most institutions into, in Kelso's view, an attractive investment.

Kelso does not look at this overall current level of debt in Saga but rather focusses on the two very different types of debt within the company's balance sheet; one of which is quite expensive and one which is quite inexpensive.

Debt Structure

At 31 July 2026, Saga had net debt of £429m after £210m of cash which excludes £102m of restricted cash. Of these borrowings, £262m is inexpensive debt secured on its two cruise ships at fixed rates averaging only around 3.7%. With around £55m a year of cruise ship debt repaid from cash flow, this cruise ship debt will be fully repaid by 2032. Kelso deems Saga's net debt as at 31 July 2026 of £429m, excluding this inexpensive ship debt of £262m, to be around £169m.

This remaining, more expensive borrowing is principally the £335m Term Loan, priced at 6.25% to 7% over SONIA, which currently stands at around 3.7%. This gives an all-in rate of around 10% to 10.75% which Kelso estimates costs Saga roughly £35m a year in interest on this loan alone. The interest return on Saga's gross cash of £312m, of which only £210m is deemed available cash, will be quite low in comparison. This current annual interest cost of £35m on the Term Loan is equivalent to around half of Saga's upgraded full-year underlying pre-tax profit guidance of £65m to £70m. With leverage falling at pace, Kelso believes the Term Loan will at some point be able to be refinanced on significantly better terms, or progressively repaid from cash flow, with every £10m of interest saved adding around 15% to underlying pre-tax profit.

New Products

Kelso considers Saga's principal asset to be its database of approximately 9.3m of the UK's 27m over-50s, a demographic that holds a significant share of the nation's wealth and disposable income. Saga states that 7.8m

of this database can be directly marketed to. Saga's trusted brand and high standards of customer service, reflected in a 64% repeat customer rate in travel and an exceptional net promoter score of 82 in Ocean Cruise, support a level of cross-selling that few consumer businesses achieve. Kelso therefore welcomes the new pet insurance product, to be launched later this year in partnership with Allianz UK. As with motor and home insurance through Ageas, Saga will earn broking income without underwriting or balance sheet risk.

Investor Relations

Kelso welcomes the growing analyst coverage of Saga. According to Bloomberg, since Kelso first invested, Singer Capital Markets has more than doubled its price target from 515p to 1082p, Deutsche Bank has tripled its target from 285p to 855p, and Berenberg has initiated coverage at 1025p and since raised it to 1130p. The four City analysts' share price targets average 979p, around 29% above the current share price of 760p. Adjusted for its 2020 capital raise and share consolidation, Saga's share price peaked at £30 in September 2016.

Sir Nigel Knowles, Chairman of Kelso, commented:

'We were delighted by Saga's strong interim results particularly as management sees the turnaround as still at a relatively early stage. We commend management, and all Saga staff, for the excellent operational management of the business alongside the focus on efficient capital allocation and improving investor relations. Saga is the third Kelso investment to double in value during 2026, alongside Filtronic plc and The Works plc. Kelso believes in running its winners which is why we bought more shares in Saga following these results.'

About Kelso

Kelso Group Holdings Plc ("Kelso") is a main market investment vehicle, backed by around 80 investors known to the Board alongside a small number of institutions. The Board own approximately 16.2 per cent of Kelso and between them have more than 150 years of experience in UK listed companies, across fund management, private equity, corporate finance, law and M&A advisory. Kelso's strategy is to hold a concentrated portfolio of fewer than ten UK companies, each of which it considers to be among the most attractive opportunities in the UK small and mid-cap market. Kelso invests only in established, profitable businesses, predominantly market leaders with strong balance sheets. Kelso does not invest in early stage, speculative or highly cyclical businesses and does not seek resources sector exposure.

Kelso's aim is to generate market leading compounded annual returns for shareholders. The Board is closely aligned with shareholders through its substantial equity ownership. Kelso was established in January 2023 and has raised equity at 2p, 2.5p, 3p on three occasions and most recently at 3.3p.

A copy of the original RNS announcing Kelso's original investment in Saga plc on 6 January 2026 is attached below.
[New investment in Saga plc - 07:00:05 06 Jan 2026 - KLSO News article | London Stock Exchange](#)

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