

21 April 2023

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

**Update on THG Investment and Placing**

Kelso today announces that it has acquired further interests in shares in THG plc ("THG"), through a Contract for Difference ("CFD"), taking Kelso's total economic interest in THG shares (held through a mix of ordinary shares and CFDs) to 8.0 million shares.

One of the key drivers for Kelso's investment in THG, as announced on 31 January 2023 (the "January Announcement"), was around the significant intrinsic value of the nutrition business (referred to going forward as "MyProtein"), which in part, we referred to in the January Announcement is caused 'by the shift in consumption away from chocolate and sugar to health and nutrition'.

We note yesterday's public statement by the Healthy Markets Initiative, a group of 26 global institutional investors with assets under management of over \$5.3 trillion as outlined by Alistair Gray's article in the Food and Beverage section of the Financial Times and on the BBC website on 19 April 2023. These investors are engaging with the world's largest food manufacturers to promote changes in their strategy away from an over-reliance on sales of less healthy products. The Financial Times article refers to potential 'systemic risk' to companies that are over reliant on sales of these unhealthy foods. This article encapsulates exactly what Kelso referred to as the 'chocolate and sugar problem' and the need for these companies to diversify their revenues into healthier products for long term success. In our view, this strategic shift is akin to the major oil companies diversifying into renewable energy and highlights the huge relevance and underlying value of THG Nutrition.

Kelso has identified 12 global food and beverage companies<sup>1</sup> that it believes could be deemed overly focussed on sales of chocolate or high sugar content products. The average market capitalisation of the 10 listed companies identified is \$96.1 billion with an average revenue of \$30.5 billion, the remaining 2 businesses being private. Kelso calculates that the average enterprise value to sales of these companies is 4.3x. THG has announced this week the sales of its nutrition business, including MyProtein, as being c\$800m for the year ended 31 December 2022.

Kelso identifies two listed pure play global health nutrition companies, being Celsius Inc ("Celsius") and Bellring Brands Inc ("Bellring"). Celsius, with sales of \$654 million, trades on an EV/Sales of 10.8x and Bellring, with sales of \$1.4 billion, on 3.9x.

Matthew Moulding, the CEO and founder of THG, has consistently tried to explain the true value of the nutritional business. In addition, the food and beverage companies we refer to above have vast offline global distribution networks that could significantly increase the offline sales of MyProtein. In return, we strongly believe, that MyProtein's direct to consumer digital model would be highly attractive to many of these companies.

Any forthcoming offers for THG as a whole must clearly reflect this underlying value and in the event that an acceptable offer is not forthcoming then a separation of MyProtein should be considered, alongside a potential partnership and minority investment from companies such as those highlighted. Kelso believes that THG's nutritional business is likely ultimately to end up being owned by one of the large global food and beverage companies, all of which have already begun investing in nutritional, wellness and healthier assets to improve the mix of their sales between nutrition and chocolate or sugar products. All those transactions again support Kelso's sum of the parts view of THG.

Kelso will provide an update on its Proposed Placing as announced on 20 March 2023, next week alongside

Kelso will provide an update on its Proposed Placing, as announced on 30 March 2023, next week alongside the issue of its financial statements for the period ended 31 December 2022. It is expected that current shareholders will subscribe for the majority of the raise.

<sup>1</sup>Nestle, Coca Cola, Pepsi, Mondelez, Mars\*, Hershey, Ferrero\*, General Mills, Lotus Bakeries, Monster, Kraft Heinz, Keurig Dr Pepper \*Denotes private

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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 look for situations where it believes the sum of the parts of a business is greater than the current value. The Company completed a fundraising of £3.0 million in January 2023. 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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