

25 June 2025

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

AGM Trading Update

Kelso, the main market listed acquisition vehicle focused on value creation at the smaller end of the UK stock market, makes the following update ahead of the Company's Annual General Meeting.

Highlights:

- Since its last update on 23 April 2025, Kelso has seen an increase in the value of all five of its investments, with three delivering significant gains of c.20%.
 - The Works.co.uk plc ("**The Works**") announced a positive trading update, on 22 May 2025, upgrading its EBITDA guidance for the period. As a result, the share price has since risen 185.0%, from 20.7p to 59.0p.
 - Angling Direct plc ("**Angling Direct**") reported results slightly ahead of expectations on 13 May 2025, lifting its share price by 34.3%, from 35.0p to 47.0p.
 - NCC Group plc ("**NCC**") announced alongside its results on 19 June 2025, that it was exploring strategic options for its Escode division, including a potential sale and was in discussions with several interested parties. Since the announcement, its share price has increased by 4.1%, from 136.4p to 142.0p.
 - Selkirk Group plc ("**Selkirk**"), the AIM-listed cash shell continues to make good progress in line with its stated strategy, with the share price rising 19.7%, from 2.4p to 2.9p.
- We continue to believe that the UK stock market remains fundamentally undervalued, with UK small-caps presenting a potential generational opportunity for value creation.
- The Board remains confident in Kelso's outlook, underpinned by early signs of a sustained recovery in UK small-cap segment.

Investment Strategy and Portfolio Update

Kelso's strategy remains the same, to identify, engage, and unlock trapped value in the UK stock market through identifying fundamental value dislocations in small but established UK-listed businesses. Our team continues to constructively and actively engage with the management teams of its portfolio companies, focusing on areas such as strategic direction, capital allocation, and investor communications to catalyse change and unlock shareholder value.

Kelso's board has acquired significant market experience over several decades of working with UK smaller companies, alongside an extensive and valuable network, both are key contributing factors to delivering this strategy and maximising value for all shareholders. As conditions in the UK small-cap market improve, Kelso continues to innovate and adapt its approach to drive value added outcomes.

Since the Company's last results, Board ownership has increased to 22%, with directors having participated in all three funding rounds, at 2.0p, 2.5p, and 3.0p respectively, raising a total of c.£7.9 million in aggregate since Kelso's inception in January 2023.

Following the last portfolio update on 23 April 2025, and after active engagement with the management teams of its five investment companies, Kelso has seen valuation increases across its portfolio, including three significant moves at c.20% in the past six weeks alone:

- The Works: +185.0%
- Angling Direct: +34.3%
- Selkirk: +19.7%

In our view, each of these investments have considerable substantial further value uplift potential.

As at today's date, The Works has become Kelso's largest holding at 25.8%, with Selkirk at 23.6%, NCC at 21.7%, THG at 16.6% and Angling Direct at 12.3%.

Kelso is at an advanced stage in analysing future investment opportunities, each expected to meet or exceed its minimum return threshold of over 25% per annum. The Company currently holds five investments and anticipates expanding its number of holdings over the next period.

The Works

The Works is a UK value retailer with 500 stores and annual revenue of c.£280 million, specialising in creative toys, crafts, books and gifts. In an increasingly digital world, The Works offers products that enable simple, screen-free creativity and play.

The Works floated on the London Stock Exchange in July 2018 at 160p per share, with 62.5m shares in issue and a market capitalisation of £100.0m. In the year period after following IPO, The Works generated revenue of £217.0m and a £13.8 million EBITDA. Today The Works has a market capitalisation of £36.9 million, with the FY25 results being £277.0 million revenue and £9.5 million EBITDA (non-IFRS 16 basis). Based on house brokers^[1] forecasts, The Works is expected to achieve revenue of £287 million and EBITDA of £11 million in FY26.

We were pleased with The Works results announcement and trading update provided on 22 May 2025, in which the Board upgraded its EBITDA guidance from £8.5 million to £9.5 million to the end of April 2025, implying year-on-year EBITDA growth of almost 60%. The announcement went on to highlight this momentum is to continue into FY26 results, with an upgrade so early in the new financial year, this supports our view that the business is in good shape. The share price has risen 185.0% from 20.7p to 59.0p since Kelso's April update, with a market cap of £36.6 million and net cash at the year-end of £4.0 million. Based on current market data, The Works trades on a c.3x EV/EBITDA multiple (non-IFRS basis) for this financial year. We believe that this initial upgrade and share price movement is the start of a sustained share price recovery.

Kelso owns 4.0 million shares in The Works (6.2% of the ISC) and continues to believe the share price does not reflect the fundamental fair value of the business. John Goold and Mark Kirkland became Non-Executive Directors from 14 February 2024 until 1 October 2024, stepping down following the appointment of Steve Bellamy as the Chairman on 27 June 2024 and before the appointment of Simon Hathway on 1 November 2024.

[1] Singer Capital Markets

Angling Direct

Angling Direct is the UK's leading fishing and angling retailer, with 55 stores and annual revenue of c.£85 million. We are not aware of any other dedicated fishing group in the UK with more than five stores, thus giving Angling Direct significant economies of scale advantage in one of the UK's largest participation sports.

In recent years, Angling Direct established a successful YouTube channel to support its business, with 400,000 members part of its fishing club. Angling Direct expanded its presence into Holland 12 months ago with its first physical store in the region, which remains loss-making and is currently depressing the Group's overall profitability.

Angling Direct floated on the London Stock Exchange in July 2017 at 64.0p per share, with 15 stores and £21.0 million in revenue. Since then, the number of stores, revenue and EBITDA have all nearly quadrupled, yet the share price remains at 26.6% below its IPO price.

We were pleased with Angling Direct's year-end results released on 13 May 2025, which were slightly ahead of expectations, with net cash of £12.1 million. In particular, an impressive 17.1% reported like-for-like revenue growth for Q1. The share price rallied 34.3%, from 35p to 47.0p since Kelso's April results, resulting in a market capitalisation today of £34.7 million.

Based on current market data, Angling Direct trades on a historic EV/EBITDA multiple of 5.6x, however adjusting for the losses in its early-stage European business (only 5% of total revenue), this multiple reduces to 5.1x. We believe Angling Direct remains significantly undervalued, with Kelso owning 2.4 million shares (3.6% of ISC).

NCC

NCC operates two divisions: Global Cyber Security, in which the division generated revenue last year of £263.2 million and an EBITDA of £26.1 million, and Escode, its marketing-leading software escrow unit, that achieved revenue of £66.0 million and EBITDA of £28.4 million. Recent well documented cyber-attacks in the UK have highlighted the importance of cyber protection, a key growth driver for the sector, which we expect to continue to grow at a high single digit percentage growth rate annually. In our view, Escode has one of the highest quality earnings and cashflows in the UK stock market, with nearly c.20 years of consistent revenue and profit growth.

Kelso owns 1.4 million shares in NCC (0.4% of ISC) and firmly believes that combined value of the two divisions materially exceeds its current market capitalisation. On 19 June 2025 NCC confirmed it is in discussions with several interested parties regarding a potential sale of its Escode division. Kelso believes that if such a disposal was achieved, it would be materially enhancing to the NCC share price.

THG plc ("THG")

Post the demerger of Ingenuity, THG now comprises of two principal divisions. The first being Beauty, where it owns the global beauty portals of Lookfantastic, Cult Beauty and Dermstore, alongside several beauty brands such as Espa, Perricone and Biossance. Revenue of the Beauty division to 31 December 2024 was c.£1.1 billion. The second division is Nutrition, where THG owns the MyProtein, MyVitamin and MyVegan brands. Revenue for the Nutrition division was c.£580.0 million to 31 December 2024.

It is Kelso's strong belief that these two divisions are worth significantly more than THG's current market capitalisation of £391.1 million. We are particularly encouraged by MyProtein's recent shift into offline retail and its product extension into MyProtein meals and snacks, including a new partnership with Muller. We believe that the market underappreciates this distribution-led growth potential of this offline move nor the scale of distribution, with products now sold in all of the UK's leading supermarkets and several large supermarket chains in Europe and America.

On 23 April 2025, the THG Board confirmed that it had received a proposal from Selkirk to acquire MyProtein, valuing the business at between £400 million and £600 million. The Board of THG rejected this proposal, citing a fundamental undervaluation of MyProtein. Kelso owns 5.4 million shares in THG (0.4% of ISC).

Selkirk

Selkirk, an AIM-listed cash shell co-founded by Kelso in partnership with Belerion Capital, floated in November 2024, targeting a high-growth acquisition in the consumer sector. Kelso is the largest shareholder of Selkirk owning 75.4 million shares (18% of ISC). As per Selkirk's latest update, the Board continues to actively pursue its current pipeline in line with its stated investment strategy. It is well-capitalised with c.£7.0 million of net cash as at 31 December 2024, and is supported by a high-quality shareholder register including several successful entrepreneurs.

Outlook

The Board of Kelso believes there is significant latent value across each of its current five current investments.

Several new investment opportunities are at an advanced stage of diligence, each of which we believe could exceed our minimum return threshold of 25% per annum. Kelso continues to explore new potential sectors for its next cash shell as we envisage to continue to work with industry partners following the successful model used with Belerion Capital on Selkirk within the consumer sector.

During 2025, Kelso plans to expand its advisory board, which is currently chaired by Oliver Hemsley and whose support we greatly appreciate.

Kelso is currently backed by over 50 business contacts of the Board from the UK small-cap world and is grateful to all our shareholders for their patient support as we build Kelso into a differentiated value creating investor. The recovery in UK small caps is beginning to take shape, evidenced by increasing retail investor activity, inflows into small-cap funds, and broader market performance.

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About Kelso

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 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.

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