

29 December 2020

THG Holdings plc

Acquisition of Dermstore.com and major investment in THG Nutrition product development capability

- **\$350m acquisition of Dermstore LLC ("Dermstore.com"), the US number 1 pure-play online retailer of prestige skincare & specialty beauty brands, subject to regulatory approval in the United States**
- **Two acquisitions in the THG Nutrition supply chain, investing £59.5m across in-house brand building, product innovation and manufacturing expertise**

THG Holdings plc ("THG" or the "Group"), the global technology platform company specialising in taking brands direct to consumers ("D2C"), announces that it has agreed to acquire Dermstore.com, the US number 1 pure-play online retailer of prestige skincare and specialty beauty brands for \$350m in cash from US retailer Target Corporation. The deal represents a c. 1.8x 12 months' forward revenue multiple and is subject to regulatory approval in the United States.

The Group has also acquired two of its long-standing UK-based nutrition product suppliers, Claremont Ingredients Limited ("Claremont") and David Berryman Limited ("Berryman's"), for a combined purchase price of £59.5m payable in cash.

Dermstore.com - Strategic rationale

Founded in 1999, Dermstore.com was established to provide online access to professional grade skincare in the US. Through curated, expert-driven content and a focused product assortment, Dermstore.com has established itself as the US authority for professional skincare brands online.

THG's stated ambition is to be the global digital partner of choice across the beauty industry, powering channel shift from offline to online. This strategy is based upon four key pillars:

1. Expanding Lookfantastic.com to become the global leader in online multi-brand distribution for the beauty industry
2. Supporting global beauty brands in addressing channel shift of marketing spend from offline (magazines, TV etc) to online, via its beauty box business (Glossybox.com and Lookfantastic.com)
3. Developing a unique, rapidly growing, digitally focused stable of its own prestige beauty brands, providing margin enhancement and differentiation (Perricone MD, ESPA, Christophe Robin, Grow Gorgeous, Illamasqua, Eyeko, Mio Skincare and Ameliorate)
4. Providing Ingenuity services directly to the beauty industry, enabling it to build successful global D2C channels to capitalise on the rapidly increasing channel shift

The Dermstore.com acquisition enhances these four pillars of THG's beauty strategy by substantially enhancing its relationships with the key global beauty brands. THG will be able to increase the scale of its beauty box business by accessing the Dermstore.com customer base, which will in turn unlock incremental marketing revenue. The Dermstore.com acquisition also provides the opportunity to accelerate the growth of THG's own beauty brands via a new and large US customer base.

Claremont and Berryman's - Strategic rationale

Claremont is the UK's leading independent flavour manufacturing and development laboratory for sports nutrition and beverages. Berryman's is recognised as one of the UK's foremost fruit-based ingredients specialists, with significant canning and bottling capabilities. Both Claremont and Berryman's are BRC AA Grade accredited manufacturers.

THG is committed to investing in and building best-in-class product innovation and manufacturing facilities in support of its THG Nutrition portfolio of global, digital-first brands including Myprotein, Myvegan, Myvitamins, Exante and Command. These acquisitions reflect a continuation of this vertical integration strategy and will transform its speed to market and level of product innovation in its performance nutrition brands.

Both Claremont and Berryman's will continue to generate revenue from third party customers, who will benefit from THG's investment commitment and scale sourcing benefits. The additional facilities will broaden the range of products that the Group can manufacture for its THG Ingenuity clients, providing an opportunity for brands to add THG developed and manufactured nutrition products to their online D2C websites.

Financial impact

Dermstore.com

Antitrust clearance is expected to be received in late January 2021. Dermstore.com is therefore expected to contribute for 11 months of THG's 2021 financial year, adding sales of c. \$180m (c. £135m) and adjusted EBITDA of c. \$4m (c. £3m).

Through delivery of planned synergies, management anticipate adjusted EBITDA margins to increase and move in-line with Group adjusted EBITDA margins within 18 to 24 months' post acquisition.

Claremont & Berryman's

The acquisitions of Claremont & Berryman's are expected to add sales of c. £15m and adjusted EBITDA of c. £4m in FY 2021.

THG will announce its Q4 trading update on Tuesday 12 January 2021.

Matthew Moulding, Chairman and CEO of THG commented:

"A key driver behind the decision to list THG on the London Stock Exchange just over three months ago was to enable the Group to make major global investments, such as Dermstore.com. Accessing capital through a London listing has enabled us to accelerate our growth plans and build out a global leadership position within the exciting beauty industry. We are delighted to welcome Dermstore.com into our growing portfolio of online beauty assets.

"We are also pleased to announce the acquisitions of Claremont and Berryman's. These two businesses are highly complementary, with Berryman's accelerating our capabilities in drinks range development for the individual brands within THG Nutrition. Claremont will play a key role in developing flavours tailored to local tastes across the globe. Together these acquisitions will enable THG to significantly accelerate the launch of further product innovation to global markets, while increasing the proportion of THG Nutrition products wholly manufactured in-house."

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Notes to editors

THG (www.thg.com) is a vertically integrated digital-first consumer brands group, retailing its own brands, in beauty and nutrition plus third-party brands, via its proprietary technology platform to an online and global customer base. THG is powered by THG Ingenuity, its proprietary end-to-end e-commerce technology, infrastructure and brand building platform. THG's business is operated through the following businesses:

THG Ingenuity: Provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under Software as a Service licences, in addition to stand-alone digital services, including hosting, studio content and translation services and Beauty product development and manufacturing.

THG Nutrition: A manufacturer and online D2C retailer of nutrition and wellbeing products and owner of the world's largest sports nutrition brand Myprotein, including its family of brands Myvegan, Myvitamins, Command, MP Clothing and Myprotein Pro.

THG Beauty: The globally pre-eminent digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining its prestige portfolio of nine owned brands across skincare, haircare and cosmetics, the provision of a global route to market for over 850 third-party beauty brands through its portfolio of websites, including Lookfantastic, Skinstore and Mankind and the beauty subscription box brand GLOSSYBOX.

THG Lifestyle: Consisting of consumer and luxury brands, including Coggles, AllSole and Mybag as well as Zavvi, IWOOT and Pop In A Box. Personalisation and customisation is a key offering within THG Lifestyle, enabling the brands to offer unique products to a vast range of consumers across THG's global territories.

THG Experience: Prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and the Great John Street Hotel providing deeply experiential brand building environments, most notably in support of THG Society, the Group's proprietary influencer marketing platform.

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