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THG PLC
15 April 2021

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THG PLC
The Proprietary Digital Consumer Brands Group

PRELIMINARY FY20 RESULTS AND FIRST QUARTER TRADING STATEMENT

Full year 2020 £1.6bn of revenues (+42% YoY), £151m adjusted EBITDA (+35% YoY) after £2.6m of self-funded furlough costs

Statutory operating profit before adjusted items of £46m, £(482m) operating loss driven by one-off, non-cash items, principally equity awarded to our people

Strong Q1 2021 revenue momentum; +58% growth YoY, encouraging progress on Dermstore integration

Ingenuity Commerce continued revenue acceleration with Q1 2021 +188% sales growth

Reiterate recently upgraded 2021 revenue growth guidance of +30% to +35%

Matthew Moulding, Founder, Executive Chairman and CEO to donate £100m of THG PLC shares to charity

THG PLC ("THG" or the "Group"), the proprietary technology platform specialising in taking brands direct to consumers ("D2C") globally, announces its preliminary results for the financial year ending 31 December 2020 ("FY 2020"), together with its trading update for the three months ending 31 March 2021 ("Q1 2021").

FY 2020 and Q1 2021 Group Trading Performance

£m Unaudited	*FY 2020*	*FY 2019*	*FY Growth*
THG Beauty	751.6	478.3	57.1%
THG Nutrition	562.3	412.9	36.2%
THG Ingenuity	137.3	127.9	7.3%
THG OnDemand	101.3	59.9	69.1%
Other	61.1	61.3	(0.3%)
Group Revenue	**1,613.6**	**1,140.3**	41.5%
Gross Margin%(1)	*45.2%*	*44.8%*	
Adj EBITDA(2)	**150.8**	**111.5**	35.2%
Adj EBITDA%	*9.3%*	*9.8%*	
Net Cash / (Debt)(3)	***282.8***	***(431.1)***	
Ingenuity Commerce Revenue	*19.3*	*7.4*	*160.4%*

Q1 2021	*Q1 2020*	*Q1 Growth*
220.8	115.9	+90.4%
146.3	110.8	+32.1%
40.4	32.0	+26.1%
26.4	12.4	+114.0%
13.4	11.7	+14.9%
447.3	**282.7**	+58.2%
7.9	*2.8*	*+187.9%*

(1) Gross Margin% is presented before the impact of depreciation and amortisation

(2) Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items, and after £2.6m of self-funded furlough costs

(3) Net debt pre IFRS16 leases and on a hedged basis

Outlook and guidance

- Following a strong end to FY 2020, sales momentum has continued into FY 2021 across all divisions, revenue growth for the first-quarter of +58.2% is broad based, with stable margins in line with guidance.
- Ingenuity Commerce has been a highlight with 187.9% growth in the quarter, up from 160.4% in 2020 and 144.0% in the fourth-quarter 2020.
- The acquisition of Perricone MD in September 2020, further strengthened THG's leadership in specialty beauty retailing. The integration strategy remains on track to achieve double digit EBITDA margins by the end of FY 2021, as the brand pivots to a digital-first strategy.
- We have been collecting customer behaviour data throughout the pandemic as countries and regions moved in and out of restricted conditions. Accordingly, we have good confidence in the continuation of our customer behaviour metrics in 2021 and beyond. Whilst the pandemic is a one-off crisis, the underlying drivers supporting the continued shift and retention of online consumer retail spend have not changed for the past 15 years. Specifically; broader product ranging and availability given online has no

shelf-space limitations; greater product education with thousands of user-generated and professional posts accessible immediately online; and superior convenience and payment options.

- At this stage of the year the upgraded revenue and margin guidance given on 12 January 2021 remains unchanged at +30% to +35% revenue growth on FY 2020, at stable adjusted EBITDA margins, before taking into consideration the dilutive full year contribution of Dermstore. The Group announced on 29 December 2020 that whilst dilutive to margins in FY 2021, it would be in line with Group by the end of 2022 and our confidence in this remains high.
- Whilst it is early in the year to amend guidance given the current macro environment, Q1 2021 has been ahead of expectations, therefore our degree of confidence and visibility has increased.
- Capital expenditure for the Group is expected to be 10.0% - 12.0% of revenue (vs 14.8% in 2020), driven by an acceleration of growth plans to meet the demands of our own brands, Ingenuity clients and elevated sales levels entering 2021. As per the guidance communicated at IPO, capex is expected to fall to 5.5% to 6.5% over the medium term.
- The Group has been successful in growing through disciplined M&A activity and it will continue to be an important and complementary part of strategy. At the time of the IPO the company guided to spending £50m - £150m p.a. on strategic bolt on acquisitions. Given the number and nature of opportunities being presented by the economic environment, guidance is increased for bolt-on M&A to around £250m p.a. whilst continuing to be highly selective and disciplined.

FY 2020 financial highlights

- Strong revenue growth at +41.5% increasing Group revenues to £1.6bn with 61.4% international revenue participation, broadly spread across all major territories. Following the acquisition of Dermstore, US revenue participation is expected to account for over 20% of Group revenues.
- Ingenuity Commerce revenues grew +160.4% during the period with 324.0% growth in live sites, comprising fully managed and traded end-to-end online solutions of behalf of clients.
- THG OnDemand revenue surpassed £100m for the financial year, representing +69.1% growth year-on-year as personalisation and print on demand services were increasingly sought after by consumers and brand owners.
- Group gross profit margin at 45.2%, +40bps ahead of 2019, with gross profit +42.8% on 2019 driven by strong underlying trading margins in Nutrition, Beauty and Ingenuity Commerce.
- Adjusted EBITDA of £150.8m, is after £2.6m of self-funded furlough costs, £153.4m before this which equates to a 9.5% margin.
- THG funded the cost of paying employees in full whilst on furlough.
- Stable adjusted EBITDA margins for the full year, with a clear improvement on the first-half of 2020 (H1 2020: 9.0%).
- Robust operating cash generation of £177.0m (117.4% of adjusted EBITDA), with net cash of £282.8m at year end (excluding lease liabilities).
- The Group has incurred an operating loss in the year of £481.8m, driven by a significant proportion of non-recurring and non-cash events, specifically:
    - £331.6m non-cash share based payments charge (68.8% of the operating loss)
    - £105.1m non-cash impact of the impairment on assets held for sale, and sale and leaseback charges (21.8% of the operating loss)
    - £14.3m cash IPO fees (3.0% of the operating loss)
    - £39.2m cash COVID costs (8.1% of the operating loss)
- Excluding non-cash and one-off adjustments the Group generated an operating profit in the year of £45.5m (2019: £33.5m).

FY 2020 Strategic and operational highlights

- Significant growth in new customer numbers (+10.7m), beauty box subscribers (+39% year-on-year), and number of orders (+41% for Nutrition and +58% for Beauty) as consumers were increasingly engaged through digital channels enabling discovery of new products and emerging brands via curated content.
- Consistently strong repeat rates re-enforced by very encouraging new customer to repeat conversion metrics, supported by an increasing proportion of customers acquired via branded Apps.
- Through THG Society, influencer partnerships grew to over 19,000 via a dedicated recruitment programme, optimising marketing investment to support growth in active Beauty customers to 6.9m and 6.3m for Nutrition.
- Investment in people, fulfilment and manufacturing capacity within UK, Europe, US and Asia including the addition of >0.5m sq. ft. across 5 global locations and over 3,000 roles created.
- Launch of THG (eco), the driving force behind the Group's bold sustainability action plan, building towards a long-term vision for THG to operate in a closed-loop on all waste and environmental streams and footprints.
- THG Nutrition continued to lead by innovation and purpose through the launch of world's first clear vegan protein, and the certification of Myvegan as the world's first plastic neutral sports nutrition brand.

First quarter 2021 highlights

- The Group will shortly be opening its prestigious ICON studios in close proximity to its Manchester Head Office. Europe's largest content studio will house 2,000 people, offering high quality video production and photography capabilities for THG brands and Ingenuity clients. ICON will enable additional content creation opportunities for THG's influencers, supporting the Group's ambition for its proprietary influencer platform, THG Society, to become a global leader in the influencer marketing space.
- Commitment to further invest in 3.6 million sq. ft. of fulfilment and personalisation capacity in the medium-term at key locations globally to support THG's own-brands and Ingenuity clients.
- Significant progress in delivering Ingenuity Commerce ("THG Ingenuity") client wins, including:
    - **Pentland Brands Limited** ("Pentland") to manage the digital ecommerce experience for its portfolio of sports, outdoor and lifestyle brands. THG Ingenuity will completely re-platform the current ecommerce estate to become Pentland's leading ecommerce partner; in a deal that marks a significant step-change in Pentland's global ecommerce strategy.
    - Expanding the **L'Occitane Group** relationship following the successful Elemis global roll-out, organic beauty brand **Melvita** will use THG Ingenuity to expand its D2C reach in international markets. The partnership will initially use THG Ingenuity's full end-to-end capabilities to establish and grow the brand's reach in Hong Kong and Canada.

- o Further Ingenuity Commerce market penetration into Australia and New Zealand with well-established wellness brands Comvita and Live Verdure. New Zealand-based **Comvita** has agreed a D2C contract with THG Ingenuity to build its ecommerce presence in the UK and Europe. The brand, which is the global market leader in Manuka honey-based products, aims to expand its presence in Europe, which includes an ecommerce platform, fulfilment and digital brand-building services. **Live Verdure**, a fast-growing D2C Australian wellness company will launch two hemp-based brands into global markets (including USA, Canada and UK), via the partnership.
- o Dr Brandt and Obagi join a number of other beauty and wellness brands including **Spectrum X**, **Balmonds, Watermans Hair** and **BABOR** as Ingenuity further expands into the category. **Dr. BRANDT** skincare and THG Ingenuity are joining forces to launch the clinical skincare company's first UK-targeted D2C website. THG Ingenuity will provide world-class ecommerce, fulfilment and digital brand services to elevate Dr. BRANDT's UK consumer experience. The partnership kicks off the brand's long-term strategy of scaling its D2C business into other international markets. **Obagi** will partner with THG Ingenuity to enter 15 international markets over a ten-year deal. The global skincare brand will utilise a fully managed service solution, alongside fulfilment, payment and courier capabilities. The long-term partnership delivers on Obagi's strategy to create an omni-channel model by leveraging THG Ingenuity's strengths in ecommerce to build awareness, provide scientific education as well as drive professional consultation and trial.

- Successful re-platform of Homebase.com website during March 2021, with incredibly strong initial results, delivering significantly ahead of expectations across all key operating and financial metrics.

THG (eco) update

- In 2020, the Group launched THG (eco), the driving force behind the Group's bold sustainability action plan, building towards a long-term vision to operate in a closed-loop on all waste and environmental streams and footprints.
- A significant area of focus continues to be reduction of energy use and related carbon footprint. In 2020, THG and our Ingenuity platform achieved CarbonNeutral® Company and Service certifications respectively. The certification was issued in accordance with The CarbonNeutral protocol, the leading global framework for carbon neutrality.
- Our own brands continue to focus on sustainability as a priority and have launched several initiatives during 2020 including Myvegan's *Sustainable September* campaign.
- THG's recycling scheme for hard-to-recycle beauty packaging, recycle:me is being rolled out across all of THG Beauty after it was launched for ESPA in 2020, to help ensure that end-of-life plastic is processed in an environmentally friendly way.
- 2021 THG (eco) initiatives are broad based including: plastic neutrality led by in-housing recycling technologies and know-how; reforestation carbon capture and offsetting; a solar energy rollout programme; and the launch of carbon-lite delivery options via Ingenuity. Further details will be provided in H2 2021 as the Group will publish its 2030 Sustainability Framework, detailing its key priorities across nature and environment, supply chain and employees.
- THG (eco) is available to all Ingenuity clients, enabling Ingenuity to deliver digital transformations sustainably.

Acquisition update

Strategic acquisitions play an important part in THG's overall strategy to build its portfolio of premium own brands, facilitate product and technology vertical integration and add additional capabilities to complement its brand building, digital commerce and ESG activities. THG has a strong and disciplined track record of successfully acquiring and scaling brands, both digitally and internationally. During the first quarter, the Group has continued this strategy with complementary investments in support of the Group's commitment to sustainability and innovation:

- In support of the Group's 2030 Sustainability Strategy, in Q1 21 THG acquired **Indigo Environmental Limited** ("Indigo"), a specialist recycler of plastics for £4.0m, rising to a maximum of £6.5m based on future performance. The acquisition is an important step towards THG's goal to operate in a closed-loop on all waste / environmental streams and footprints. The Group expects to undertake further investments in plastic recycling in 2021 as it builds in-house expertise across the hardest to recycle plastics commonly used in the Beauty industry. Through 2021 investments, the Group expects to be able to recycle c. 20,000 tonnes of plastic annually, representing over 2x its current plastic use.
- In addition, the Group acquired the entire share capital of Eco Credits Limited ("**ECO Credits**"), a web based tree planting and carbon off-set platform. Eco Credits provides B2B and D2C tree planting services, as well as selling carbon off-set certificates for consumers and businesses looking to reduce their environmental footprint. The business has partnerships with global reforestation projects and provides THG with the infrastructure to service its consumers and Ingenuity clients with tree planting and carbon off-set services. Initial consideration is £0.5m, with deferred consideration of up to £4.0m being paid based on future performance. The Group will scale this reforestation supply chain solution through check-out technology developments and other digital enhancements, in order to drive scale into a hugely important sustainability action.

While each of these investments will play an important role in the Group's strategic direction, none are expected to be material to the Group's near-term financial performance.

Matthew Moulding, Founder, Executive Chairman and CEO to donate £100m of THG PLC shares to charity

Ahead of THG's IPO in September 2020, Matthew Moulding notified the Board that he would not seek to profit from his employment at THG, and instead made the following charitable commitments:

- Waiving of salary with the Group making a charitable donation of similar value.
- Equivalent donation to charity of 100% of the profit Moulding Capital Limited ("PropCo") generates over the next 100 years, arising from its role as landlord of a proportion of THG's facilities.

The Board can confirm the following:

- Between IPO and the end of 2020, THG donated £300,000 to various charities, instead of paying Matthew Moulding and John Gallemore their base salaries as specified in their service contracts.
- THG's Remuneration Committee assessed Matthew Moulding's performance against agreed objectives and determined that the maximum bonus of 100% of salary would be payable. Matthew Moulding waived his bonus for the period as a listed business, equating to c. £187,500 for his performance in 2020.
- Matthew Moulding and his family established The Moulding Foundation ("the Foundation") in 2020, and he has notified THG of his immediate intention to transfer £100m worth of listed ordinary THG shares into the Foundation, with the intention to distribute proceeds to various charities.
- The Foundation is already active and recently pledged £5m to support the construction of a new campus at The Seashell Trust, a residential school for seriously disabled children based in the North West.
- The decision to donate £100m worth of listed THG ordinary shares was based on his calculation of today's value of 100 years of future profits from PropCo, addressing Matthew's commitment of profits going to charity.
- Ahead of the share transfer, Matthew and his wife hold 319.3m shares in THG (25% of the Group) on a fully diluted basis. It is anticipated that they will hold c. 305m shares (c. 24% of the Group) on a fully diluted basis post the transfer.

Matthew Moulding commented:
"We approach FY21 with confidence having navigated successfully through a milestone year in the Group's history. I am particularly proud of how our people have responded to the changing environment, displaying determination to make a difference across all aspects of our operations from new product development, to digital marketing, M&A, fulfilment and THG (eco).

"Our global D2C brand building capabilities and proprietary Ingenuity technology platform has enabled us to further develop both our external brand relationships, and our expanding portfolio of Beauty and Nutrition own brands. Leveraging the platform to build an impressive client base of blue-chip consumer brands has been a highlight of the year, supported by encouraging momentum in the current year Ingenuity Commerce pipeline.

"Management's purpose for the IPO was to step change THG's access to funding in order to capitalise on Covid-19 accelerated market changes. As we progressed through 2020, those changes became more apparent in terms of the volume and scale of opportunities available to the Group, as evidenced by the c. £400m committed to acquisitions since IPO, most notably the acquisition of Dermstore in the US.

"After highlighting our commitment to reducing the environmental impact of Group operations with the launch of THG (eco) in 2020, we have announced significant investment to support the Group's strategy to off-set existing usage and footprint. Plastics are a real and immediate problem for THG's operational sites, our consumers, and for Ingenuity partners. We are investing in best-in-class plastic recycling operations that at first help us off-set our plastic footprint, but in time enable us to close the loop and re-use the plastic we process within THG directly.

"We have delivered exceptionally well on our commitments at IPO and we move forward with purpose, to advance our strategy with investment in talent, infrastructure, THG (eco) and targeted M&A, and to continue to deliver growth on a global scale."

Analyst and investor conference call

THG PLC will today host a conference call and webcast for analysts and investors at 9.00am (UK time) via the following links:

To register for the webcast, please use the below link:
https://brrmedia.news/w34dy

To ask questions, you must dial in via conference line using the below details:
- Room number: 670095
- Participant pin: 2230
- UK dial in: +44 33 0606 1118
- US dial in: +1 646 813 7960
- International access numbers

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ENDS

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, end-to-end, e-commerce technology, infrastructure and brand-building platform (THG Ingenuity) to an online and global customer base. THG's business is operated through the following businesses:

THG Ingenuity: Ingenuity Commerce provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under 'Software as a Service' (SaaS) licences. The wider Ingenuity division provides stand-alone digital services, including hosting, studio content, translation services and beauty product development and manufacturing.

THG Beauty: The globally pre-eminent digital-first brand owner and retailer 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 1,000 third-party beauty brands through its portfolio of websites, including Lookfantastic, Dermstore, Skinstore and Mankind and the beauty subscription box brand GLOSSYBOX.

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 OnDemand: Personalisation and customisation is a key offering within THG OnDemand, enabling brands to offer unique products to a vast range of consumers across THG's global territories through websites including Zavvi, IWOOT and Pop in a Box.

Other: Luxury D2C websites including Coggles, AllSole and MyBag, in addition to THG Experience. The latter comprises prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and Great John Street Hotel, providing deeply experiential brand building environments, most notably in support of THG Society, the Group's proprietary influencer marketing platform.

THG (eco): THG (eco) is the driving force behind the Group's sustainability action plan. THG Eco covers the core pillars of THG's sustainability commitment: the planet, sustainable resources, people and livelihoods.

THG PLC ("the Group")
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PRELIMINARY FY20 RESULTS

Chief Executive Officer Overview

It has been a monumental 2020 for THG and we are less than a year into our life as a public listed company on the London Stock Exchange ("LSE"). The Executive Leadership Team have been fortunate to have strong, passionate people around them, who have been able to steer the business successfully through months of disruption caused by the Covid-19 global pandemic.

We are enthused by the accelerated shift to digital channels and are passionate about delivering on that opportunity. These are exciting times for THG, and we are making progress towards our strategic objectives. I am grateful to our employees, partners and investors for their support.

Our Purpose
THG's purpose is to reinvent how brands digitally connect to consumers globally; and to be best in class at building, growing and accelerating brands in order to deliver long-term sustainable growth for its shareholders. This is achieved through THG Ingenuity, our Beauty and Nutrition brands and our own e-commerce websites, whilst ensuring we use our position to promote responsible and sustainable retailing.

Landmark IPO
In September 2020, the Group's Initial Public Offering ("IPO") on the LSE was the largest UK IPO in five years, and we were delighted by the strong reception from investors.

Six months on, I am proud to report a record-breaking year for the Group, with growth across all divisions and all major geographies. We have delivered ahead of expectations set at the time of the IPO and remain committed to driving further value for our shareholders by investing for growth.

The IPO raised £920m of capital, which has allowed us to improve and grow our company, both through investment in our platform and through strategic acquisitions. It has also given us the ability to reward and motivate our employees, who are the driving force behind THG's success. The money raised in our IPO was crucial in enabling us to respond nimbly and effectively to the accelerated shift in consumer habits prompted by the COVID-19 pandemic.

Investment for growth
We have a proven track record of acquiring and scaling brands, both digitally and internationally, while investing in technology and assets to strengthen our vertically integrated model. Since our IPO, we have completed seven acquisitions ranging from Perricone MD and Dermstore, two category leading US based Beauty assets, to Claremont and Berryman's within our Nutrition division, each BRC AA grade accredited and contributing flavour house expertise and ready-to-drink innovation and production capabilities.

Through our ESG focused investments since IPO, we have added UK leading in-house expertise across plastic recycling technologies, addressing the most difficult to recycle plastics most typically used by the Beauty industry, plus we have added reforestation supply chain know-how which will feature at check-out. All our ESG innovations and investments will support both our own brands plus our Ingenuity clients, helping THG to deliver digital transformations sustainably.

The investments since IPO each execute on our long-term acquisition strategy as outlined at IPO which remains unchanged. Specifically, THG is the leading digital beauty strategic globally, and we maintain a growing pipeline of attractive acquisition opportunities, targeting brands with compelling potential for rapid expansion through digital penetration and internationalisation. Acquisitions play an important role in our overall strategy, with a focus on beauty brands, vertical integration through best in class production facilities, technology assets encompassing both software and infrastructure, in addition to an expansive commitment on ESG.

Covid-19

In common with the rest of the world, the THG team has been saddened by the human toll taken by the Covid-19 pandemic. We have sought to support the communities we serve, with more than £10m committed to charitable causes during the year (£6.6m delivered in 2020, with the remainder to be delivered in 2021), in addition to opening up our accommodation for use by key workers.

The pandemic continues to impact both the online retail marketplace and the wider global economy. As consumers have stayed at home, a shift onto digital platforms has undoubtedly accelerated THG's revenue growth. Notwithstanding this, the reasons for long-term retail channel shift and repeat purchasing online remain unchanged and include, broader product availability given no shelf-space limitations, greater product education with thousands of user-generated and professional posts available online and greater convenience across delivery and payment options. The pandemic has, of course, posed challenges in ensuring that we can provide manufacturing and fulfilment in a safe and secure environment for our employees. THG has responded decisively, with the safety and wellbeing of colleagues of paramount priority at all times.

Reflections on 2020

THG has delivered superb revenue and adjusted EBITDA growth of 42% and 35% respectively, with headline revenue of £1.6bn, and adjusted EBITDA of £151m. Due to the unique circumstances occurring in connection to the IPO and the Covid-19 pandemic, the result includes one-off charges including significant non-cash expenses, resulting in an operating loss of £(482)m (91% non-cash). The biggest non-cash element was a £332m charge associated with equity awarded to staff in the years running up to the IPO, which vested in Q4 2020. While we are confident the Group is well positioned for future growth, we remain alert to emerging risks, and through our proprietary technology platform we are prepared and able to respond swiftly and decisively.

As well as adapting elements of our own business in response to the pandemic, changing consumer needs has accelerated a long-term trend towards e-commerce, creating a challenge for brands that lack a meaningful online presence. The Group's Ingenuity platform powered 89 D2C websites for Ingenuity Commerce clients at the end of 2020 - a more than fourfold increase on the 2019 total - providing frictionless end-to-end solutions for major consumer goods companies, brand owners and retailers. Whilst revenue contribution from Ingenuity Commerce remains below two per cent of the total Group, the growth rate is strong, and we are encouraged by the strength and diversity of pipeline opportunities, the highly accretive earnings margins and strong cash generation.

Our expertise as a digital brand builder is highly valued by our Ingenuity clients, underpinned by the continued successful growth of our own portfolio of 15 brands. Through considered M&A and a well-executed integration strategy, the Group has an established record of digitalising brands from largely offline channels. The addition of Perricone MD to the portfolio in September 2020 enhanced our prestige own brand offering, with the transition to the Ingenuity platform completed within a matter of weeks. We are very pleased with the progress of the acquisition as the brand pivots to a D2C, digital first model. Transforming brands in our own portfolio is testament to our ability and expertise to support third party brands with the same strategy.

In addition to our own brands, the Group's Beauty business has delivered phenomenal sales growth through Lookfantastic, our global reseller flagship brand and over 1,000 brands now partner with us. The breadth of range, convenience and educational content are key factors in high rates of repeat purchase and rising average order values. Beauty brand owners are increasingly analysing their own marketing spend, directing investment towards digital sampling and consumer engagement. Our subscription box model has seen significant growth in subscriber numbers as customers seek to stay at the forefront of emerging brands and trends across skincare, haircare and cosmetics.

As consumers seek healthier lifestyles, THG Nutrition's brand family is innovating to meet growing demand, through the launch of over two hundred new products with a focus on convenience, sustainability and education. Myprotein is a global aspirational health and wellness brand, with a strong sense of community and engagement, serving a broadening demographic as the family of brands evolves to serve large addressable markets aligned to its leading position within the D2C sports nutrition market.

Whilst our Beauty and Nutrition divisions have delivered exceptional growth during the year, we are equally proud to achieve the £100m revenue milestone within the OnDemand division. Personalisation is prized by many consumers, and we have pivoted the heritage brands within this division including Zavvi and IWOOT to meet this demand, often under exclusive product license (over 1,000 in the Group) or by customised 'print-on-demand' products.

Operational excellence

Global lockdown conditions provided a unique opportunity to acquire new customers efficiently, whilst continuing to serve existing customers from our global network of fulfilment centres. The launch of branded mobile apps at the end of 2019 has supported repeat purchase rates, with over 2.6 million users globally at the end of 2020, less than 18 months after launch.

The cost to serve customers globally as a result of Covid-19 related restrictions resulted in higher than anticipated adjusted item costs in FY20. In particular, commercial airlines have been unavailable to carry cargo, leading to an increase in freight costs. Strategically we made the decision to further progress investment in global warehousing and fulfilment infrastructure in anticipation of the continuing trend towards online channels which was evident prior to this financial year.

The Group's robust infrastructure and technology is able to manage in excess of 11 million daily website visitors and fulfilling over 50,000 orders per hour in peak trading periods. The Group's multi-continent operational footprint of data centres, warehouses and fulfilment sites continues to grow, enhancing our customer journey and realising operating cost efficiencies, whilst minimising the impact of Brexit.

Corporate governance
The Board recognises that good corporate governance underpins the long-term prospects of the Group. Since the IPO we have appointed two Independent Non-Executive Directors and four Special Advisors, exceeding the commitments we made at IPO. The Board has extended a warm welcome to Tiffany Hall and Damian Sanders, who both bring a wealth of plc and industry experience to THG. The Special Advisors are leading on specific projects with colleagues within the business across risk, sustainability and data protection.

Sustainability
We were particularly pleased to launch THG (eco) in 2020. At THG, we build, grow and accelerate world-class brands using innovative technology and solutions and our vertically integrated business, means that we are uniquely placed to embed sustainability best practice at the heart of product design, manufacture, delivery and the entire customer journey. We are committed to the development and expansion of sustainability across all our products and services to create enduring and permanent positive changes for our customers and THG Ingenuity partners. THG (eco) embodies our commitment to sustainability and innovation, and is dedicated to driving forward positive change.

Powered by THG Ingenuity, we continue to provide a world leading proposition as a sustainable, digital first consumer brands group.

Our culture
Our corporate culture fosters innovation, teamwork, entrepreneurship and technologically advanced and well-crafted software. We believe this culture is an important contributor to our success.

Intrinsic to this is a commitment to diversity and inclusion, which was a focus throughout the last 12 months' and will continue to be over the year ahead. We have established a D&I Committee to identify areas for improvement and drive positive cultural change.

Given the importance we place on our employees and the nature of our consumer-led business, diversity and inclusion is critical to THG. The Board recognises that failure to identify and respond to diversity issues could cause significant reputational damage to THG, our brands and compromise our partnerships. The Board and I acknowledge these challenges because it is the right thing to do and it is essential for our employees, stakeholders, consumers and partner brands.

Our people
I would personally like to welcome new colleagues to the Group and to thank everyone for their contribution to a successful year in a challenging working environment. The performance during 2020 continues to demonstrate the strength of our talent and business model and our collective ability to meet the demands of our consumers and partners, as they adapt their own businesses and undergo major transformations.

Our colleagues have demonstrated outstanding efforts and commitment. I look forward to their continued contribution in achieving the ambitions of the Group.

The year ahead
Fantastic opportunities lie ahead, and the Group has the capability to maintain and grow leading positions in its core markets of Technology, Beauty and Nutrition.

The first quarter of the new financial year has begun very positively, and we were pleased to complete the acquisition of Dermstore on 2 February 2021. The integration strategy is progressing in line with plan, providing further scale to our Group US operations, which as a market will now represent over 20% of Group revenue.

2020 has been a superb year for THG and I would like to take this opportunity to thank all THG employees for their outstanding dedication and diligence in these most testing times. The talent, passion and enthusiasm of the whole team at THG has enabled our strong performance. Delivery against the strategic plan remains robust and the Board are confident and excited by the long-term prospects for the Group.

THG PLC ("the Group")
The Proprietary Digital Consumer Brands Group

PRELIMINARY RESULTS FOR THE YEAR TO 31 DECEMBER 2020

Chief Financial Officer Review

It has been a momentous year for THG, with a major transaction in the form of the IPO, alongside dealing with the challenges presented by the Covid-19 pandemic and completing three strategic acquisitions.

			2020	2019
	Before Adjusted	Adjusted Items	Total	Before Adjusted

	Items £'000	£'000	£'000	Items £'000
Revenue	1,613,625	-	**1,613,625**	**1,140,260**
Cost of sales	(884,035)	-	**(884,035)**	**(629,397)**
Gross profit	**729,590**	**-**	**729,590**	**510,863**
Distribution costs	(284,741)	(55,240)	**(339,981)**	**(195,047)**
Administrative costs	(294,049)	(472,098)	**(766,147)**	**(204,358)**
EBITDA	**150,800**	**(527,338)**	**(376,538)**	**111,458**
Depreciation	(48,055)	-	**(48,055)**	(39,624)
Amortisation	(57,239)	-	**(57,239)**	(38,320)
Operating loss	**45,506**	**(527,338)**	**(481,832)**	**33,514**

Note the table above shows financial results before the impact of depreciation and amortisation, which are shown as separate lines below EBITDA. For statutory presentation, cost of sales includes charges of £16.4m (2019 £14.1m), whilst distribution and administrative costs include £10.3m (2019 £6.6m) and £78.6m (2019 £57.3m) of depreciation charges respectively**.**

Revenue
Group revenues increased 42% from £1,140m to £1,614m, as the wider consumer shift to digital channels continued apace. International sales accounted for 61% of total Group revenue. The Group has continued to deliver organic growth, complemented by strategic acquisitions in the second half of the year, along with the IPO readying the business for continued future success.

Gross profit
The Group achieved gross profit of £730m at a gross profit margin of 45%, consistent with the previous year. Stock provisions increased over the course of 2020 from less than £7m to over £24m by the end of the financial year, reflecting the need to protect against stock risk given Brexit, Covid-19 and the impact of acquisitions. The Group continues to vertically integrate, manage its global supply chain and promote its THG Ingenuity product offering.

Operating expenses
Distribution costs, excluding adjusted items remain well controlled at 18% (2019: 17%) of sales. THG's strong international mix, illustrates the benefit of having an end-to-end fulfilment model utilising an extensive local courier network spanning over 195 services, all of which are fully integrated into our proprietary technology platform. The Group has built significant surplus capacity in its global network to fuel future growth with our courier integrations providing optionality for the end customer and enhancing the customer experience through customised communications.
Administrative expenses excluding adjusted items are maintained at 18% of sales at £294m, arising from strong operational efficiency balanced with a continued investment in people and additional regulatory and compliance costs, resulting from being a publicly listed company.

Within the underlying result are costs incurred from repaying furlough costs to the UK Government (c. £2.6m in 2020, 2019: nil).

Adjusted EBITDA
Adjusted EBITDA rose to £151m from £111m, representing an increase of 35% on 2019 and maintaining a c.9% EBITDA margin. Adjusted EBITDA is an alternative performance measure, the below table reconciles back to the nearest appropriate GAAP measure, operating loss:

£'m	2020	2019
Operating Loss	**(481,832)**	**(11,790)**
Adjustments for:		
Adjusted item - share-based payments	**331,624**	27,251
Adjusted item - impairment of assets held for sale and, sale and leaseback	**105,138**	-
Adjusted items - other	**90,576**	18,053
Depreciation	**48,055**	39,624
Amortisation	**57,239**	38,320
Adjusted EBITDA*	**150,800**	**111,458**

Depreciation and amortisation
Total depreciation and amortisation costs were £48m and £57m respectively (2019: £39m and £38m).
The Group continued to invest in its market leading end-to-end proprietary technology platform during the year to scale up globally and to address the ever-changing social trends of our customers across the world. £40m was invested in the Ingenuity platform, with the development of THG Detect further adding capability and features to our platform. The Group has continued to acquire brands and intellectual property to expand its international offering as part of the Group's long-term strategy.

Adjusted items
In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as adjusting items. These items principally relate to share-

based payment charges, impairments, restructuring costs, dual running costs and acquisition related costs. In 2020, further costs were incurred due to the ongoing Covid-19 pandemic, which are set out below:

	2020	2019
	£'000	£'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	**39,175**	-
Commissioning - new facilities	**15,907**	7,495
Decommissioning - legacy facilities	**158**	2,061
	55,240	9,556
Within Administrative costs		
Share-based payments (non-cash)	**331,624**	27,251
Restructuring and IPO fees	**14,308**	863
Impairment on assets held for sale, and sale and leaseback (non-cash)	**105,138**	-
Donations and other Covid-19 costs	**11,108**	-
Acquisitions - restructuring and integration	**5,736**	5,511
Acquisitions - legal and professional costs	**2,529**	1,075
Other legal and professional costs	**1,655**	1,048
	472,098	35,748
Within Finance costs		
Refinancing	**-**	7,951
Total adjusted items before tax	**527,338**	53,255

For full details on each category of adjusted item see note 4 to the financial statements.

Operating loss
The Group has incurred an operating loss in the year of £482m (2019: £12m), driven by significant events that have resulted in cash outflows and non-cash charges, the largest of which related to the vesting of share option schemes subsequent to the strong share price growth experienced post Admission.

Finance costs
Finance costs rose to £53m (2019: £26m), as the Group incurred a full year of interest on the Group's debt facilities, which were put in place in December 2019.

Loss before tax
Reported loss before tax was £535m (2019: £45m).

Earnings per share
Earnings per share was £(0.66) per share (2019: £(0.06) per share).

Cash flow
The Group continued to generate strong operating cash flows of £75m (2019: £54m), closing the year with cash generated from operations excluding adjusted items of £177m (2019: £71m). Working capital movements generated £26m of cash, as increasing inventory levels were offset by increasing trade and other payables.
The Group further invested c.£102m of cash in acquisitions to further its strategic objectives through key vertical integration and expansionary acquisitions, as well as repaying £168m of outstanding debt. The IPO bolstered the available cash pool of the Group, leaving the Group with a net increase in cash of £461m (2019: £77m), closing the year with £774m of cash on balance sheet, positioning the Group well to deliver long term value.

Net Cash / (Debt)
The Group's balance sheet continued to strengthen through the year, bolstered by the primary fund raise from the IPO along with positive cash generation from strong top line trading results, offset by an increase in lease liabilities recognised under IFRS 16. The Group closed 2020 with positive net cash levels of £47m (net cash before leases of £283m).

	2020	2019 (restated)
	£'000	£'000
Loans and other borrowings	**(526,159)**	(750,099)
Lease liabilities	**(236,185)**	(38,465)
Cash and cash equivalents	**773,581**	312,233
Sub-total	**11,237**	(476,331)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	**35,403**	6,738
Net cash / (debt)	**46,640**	(469,593)
Net cash / (debt) before leases liabilities	**282,825**	(431,128)

Unaudited consolidated statement of comprehensive income

		2020					2019 Restated
		Before Adjusted Items	Adjusted Items (note 4)	Total	Before Adjusted Items	Adjusted Items (note 4)	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2, 4	1,613,625	-	**1,613,625**	1,140,260	-	1,140,260
Cost of sales		(900,472)	-	**(900,472)**	(643,450)	-	(643,450)
Gross profit		**713,153**	**-**	**713,153**	**496,810**	**-**	**496,810**
Distribution costs		(295,020)	(55,240)	**(350,260)**	(201,621)	(9,556)	(211,177)
Administrative costs		(372,627)	(472,098)	**(844,725)**	(261,675)	(35,748)	(297,423)
Operating profit/(loss)	**3**	**45,506**	**(527,338)**	**(481,832)**	**33,514**	**(45,304)**	**(11,790)**
Finance income	6	205	-	**205**	133	-	133
Finance costs	6	(53,012)	-	**(53,012)**	(25,550)	(7,951)	(33,501)
(Loss)/profit before taxation		**(7,301)**	**(527,338)**	**(534,639)**	**8,097**	**(53,255)**	**(45,158)**
Income tax credit / (charge)		5,794	(3,784)	**2,010**	(4,200)	5,172	972
(Loss)/profit for the financial year		**(1,507)**	**(531,122)**	**(532,629)**	**3,897**	**(48,083)**	**(44,186)**
Other comprehensive (expense) / income:							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations, net of tax		(582)	-	**(582)**	(2,393)	-	(2,393)
Net (loss) / gain on cash flow hedges		(4,991)	-	**(4,991)**	(5,670)	-	(5,670)
Total comprehensive (expense) / income for the financial year		**(7,080)**	**(532,122)**	**(538,202)**	(4,166)	(48,083)	(56,249)
(Loss) / earnings per share (£'s)							
Basic				(0.66)			(0.06)
Diluted				(0.66)			(0.06)

Earnings before interest, taxation, depreciation, amortisation, impairment and adjusted items (Adjusted EBITDA)

	Notes	2020 £'000	2019 (restated) £'000
Operating loss		**(481,832)**	(11,790)
Adjustments for:			
Adjusted items - SBP	4	331,624	27,251
Adjusted items - other	4	195,714	18,053
Depreciation	9,15	48,055	39,624
Amortisation	8	57,239	38,320
Adjusted EBITDA*		150,800	111,458
Furlough costs		2,595	-
Adjusted EBITDA excluding the impact of furlough costs		153,395	111,458

(*)Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items. The results for the year are derived from continuing activities.
The comprehensive income/(expense) is 100% attributable to the owners of the Parent Company.

Unaudited consolidated statement of financial position

	Note	2020 £'000	2019 Restated £'000
Non-current assets			
Intangible assets	8	**674,293**	576,800
Property, plant and equipment	9	**240,221**	355,699
Right-of-use assets	15	**193,887**	37,973
		1,108,401	**970,472**
Current assets			
Inventories	10	**302,678**	204,073
Trade and other receivables	11	**246,546**	131,184

Current tax asset		**1,797**	4,251
Other financial assets		**15,849**	2,214
Cash and cash equivalents	12	**773,581**	312,233
		1,340,451	**653,955**
Total assets		**2,448,852**	**1,624,427**
Equity			
Ordinary shares		**6,061**	4,381
Share premium		**1,287,171**	230,718
Employee benefit scheme reserve		**-**	175
Merger reserve		**615**	615
Capital redemption reserve		**523**	523
Hedging reserve		**(18,003)**	(6,134)
Cost of hedging reserve		**7,342**	464
FX Reserve		**(822)**	(240)
Retained earnings		**(138,361)**	237,183
		1,144,526	**467,685**
Non-current liabilities			
Borrowings	14	**524,288**	602,567
Derivative financial liabilities		**2,563**	2,940
Lease liabilities	15	**207,274**	28,678
Deferred tax		**5,944**	8,039
		740,069	642,224
Current liabilities			
Contract liability		**32,912**	23,739
Trade and other payables	13	**499,698**	331,599
Borrowings	14	**1,871**	147,532
Lease liabilities	15	**28,911**	9,787
Provisions		**865**	1,861
		564,257	514,518
Total liabilities		**1,304,326**	**1,156,742**
Total equity and liabilities		**2,448,852**	**1,624,427**

Unaudited consolidated statement of changes in equity

	Note	Ordinary shares	Share premium	Employee Benefit Scheme reserve	Merger reserve	Capital Redemption reserve	FX reserve	Hedging reserve	Cost of Hedging reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019		**4,020**	**110,446**	**175**	**615**	**523**	**2,153**	**-**	**-**	**266,418**	**384,350**
Adjustment on correction of error (net of tax)		-	-	-	-	-	-	-	-	(4,832)	**(4,832)**
Balance at 1 January 2019 (restated)		**4,020**	**110,446**	**175**	**615**	**523**	**2,153**	**-**	**-**	**261,586**	**379,518**
Loss for the year (restated)		-	-	-	-	-	-	-	-	(44,186)	**(44,186)**
Other comprehensive expense:											
Impact of foreign exchange		-	-	-	-	-	**(2,393)**	-	-	-	**(2,393)**
Movement on hedging instruments (restated)		-	-	-	-	-	-	**(6,134)**	**464**	-	**(5,670)**
Total comprehensive expense for the period (restated)		-	-	-	-	-	**(2,393)**	**(6,134)**	**464**	**(44,186)**	**(52,249)**
Issue of ordinary share capital		361	120,272	-	-	-	-	-	-	-	**120,633**
Share buy-backs		-	-	-	-	-	-	-	-	(8,200)	**(8,200)**
Share-based payments	5	-	-	-	-	-	-	-	-	27,251	**27,251**
Deferred tax effect of share-based payments		-	-	-	-	-	-	-	-	732	**732**

Balance at 31 December 2019 (restated)		**4,381**	**230,718**	**175**	**615**	**523**	**(240)**	**(6,134)**	**464**	**237,183**	**467,685**
Balance at 1 January 2020		**4,381**	**230,718**	**175**	**615**	**523**	**(240)**	**(6,134)**	**464**	**237,183**	**467,685**
Loss for the year		-	-	-	-	-	-	-	-	(532,629)	**(532,629)**
Other comprehensive expense:											
Impact of foreign exchange		-	-	-	-	-	(582)	-	-	-	**(582)**
Movement on hedging instruments		-	-	-	-	-	-	(11,869)	6,878	-	**(4,991)**
Total comprehensive expense for the period		**-**	**-**	**-**	**-**	**-**	**(582)**	**(11,869)**	**6,878**	**(532,629)**	**(538,202)**
Issue of ordinary share capital		**2,079**	**1,056,453**	**-**	**-**	**-**	**-**	**-**	**-**	**(100,087)**	**958,445**
Share buy-backs		**(399)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,506)**	**(1,905)**
Share-based payments	5	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**331,624**	**331,624**
Deferred tax effect of share-based payments		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,966**	**2,966**
Impact of restructuring	17	**-**	**-**	**(175)**	**-**	**-**	**-**	**-**	**-**	**(75,912)**	**(76,087)**
Balance at 31 December 2020		**6,061**	**1,287,171**	**-**	**615**	**523**	**(822)**	**(18,003)**	**7,342**	**(138,361)**	**1,144,526**

Unaudited consolidated statement of cash flows

	Note	**2020**	2019 Restated
		£'000	£'000
(Loss) / profit before taxation		**(534,639)**	(45,158)
Adjustments for:			
Depreciation	9/15	**48,055**	39,624
Amortisation	8	**57,239**	38,320
Share-based payments	5	**331,624**	27,251
Adjusted items	4	**195,714**	26,004
Net finance costs	6	**52,807**	25,417
Increase in inventories		**(83,404)**	(47,078)
Increase in trade and other receivables		**(66,824)**	(22,272)
Increase in trade and other payables		**176,799**	29,068
(Decrease) / increase in provisions		**(996)**	(411)
Foreign exchange gain		**574**	269
Cash generated from operations before exceptional cash flows		**176,949**	71,034
Income tax received / (paid)		**(3,104)**	105
Net cash generated from operating activities before adjusted cash flows		**173,845**	71,139
Cash flows relating to adjusted items		**(98,277)**	(16,992)
Net cash generated from operating activities		**75,568**	54,147
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	7	**(101,949)**	(83,738)
Demerger of subsidiaries		**(10,003)**	-
Purchase of property, plant and equipment		**(174,886)**	(124,280)
Purchase of intangible assets		**(64,486)**	(55,995)
Interest received	6	**205**	133
Net cash used in investing activities		**(351,119)**	(263,880)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**905,823**	115,755
Share buy-backs	5	**(1,905)**	(8,200)
Interest paid		**(35,383)**	(47,109)
Repayment of bank borrowings		**(168,221)**	(1,245,187)
Proceeds from bank borrowings		**53,791**	1,481,390

Repayment of lease liabilities		**(17,206)**	(9,502)
Net cash flow from financing activities		**736,899**	287,147
Net increase in cash and cash equivalents		**461,348**	77,414
Cash and cash equivalents at the beginning of the year		**312,233**	234,819
Cash and cash equivalents at the end of the year	12	**773,581**	312,233

Notes to the Unaudited Consolidated Financial Statements

1. Basis of preparation

a. General information

THG PLC (company number 06539496) is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group. The address of its registered office is 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, England M90 3DQ. The Company is the parent and the ultimate parent of the Group, the financial statements comprises the results of the Company and its subsidiaries ("the Group"). The financial period presented here is for the 12 months ending 31 December 2020, and a prior period comparative of the 12 months ending 31 December 2019.

b. Basis of preparation

The consolidated financial statements of THG PLC ("the Company") and its subsidiaries (together "the Group" or "THG") have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of section 435 of the Companies Act (the "Act"). These unaudited Condensed Consolidated Financial Statements of THG PLC and its subsidiaries apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and were also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations. Statutory accounts for the 12 months ending 31 December 2020 will be delivered to the Registrar of Companies in advance of the Group's Annual general meeting.

The statutory accounts for the 12 months ending 31 December 2019 have been delivered to the registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 or part 16 of the Act. This report was unqualified and does not contain a statement under sections 498 (2) or (3) of the Act. As part of the IPO process, previous errors were identified and corrected, balances which have been adjusted are detonated as restated in the following statements. The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

The accounting policies adopted by the Group in the current year are consistent with those adopted during the year ended 31 December 2019, except for the adoption of new accounting standards and amendments to existing standards in 2020 as set out below:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 16 Covid-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting issued on 29 March 2018

The amendments noted above do not have a significant impact on the Group's financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective as they are not considered to have a material impact on the Group's financial statements.

2. Segmental reporting and revenue

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments', in order to identify operating segments within the Group. The Directors concluded that the Group has one segment, as the Ingenuity platform underpins the Groups operations. The Chief Operating Decision Maker (CODM) is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

While the Group only has one operating segment, to increase transparency, the Group has included additional voluntary disclosure analysing revenue split by division.

	2020	2019
	£'000	£'000
Beauty	751,621	478,260
Nutrition	562,327	412,913
Ingenuity	98,479	81,532
Other	162,402	121,166
Total revenue recognised under IFRS 15	**1,574,829**	**1,093,871**
Ingenuity revenue recognised under IFRS 16	38,796	46,389
Total revenue	**1,613,625**	**1,140,260**

Beauty relates to website and business to business sales of owned and third-party Beauty brands; Nutrition relates to sales of products from wholly owned nutrition brands. Ingenuity revenue (2020: £137.3m, 2019: £127.9m) relates to the provision of services relating to web-platform, alongside revenue generated from product development, marketing and warehouse costs for third-party clients (revenue recognised under IFRS 15), and revenue from webhosting (revenue recognised under IFRS 16). Other relates to revenue generated from THG On Demand, THG Experience and THG Luxury.

Below is an analysis of revenue by region:

	2020	2019
	£'000	£'000
UK	622,663	398,735
USA	207,835	146,111
Europe	397,216	277,687
Rest of the world	385,911	317,727
	1,613,625	**1,140,260**

Rendering of services represents 6% of total revenue (2019: 9%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 2% of total revenue (2019: 4%) and represents revenue from leases under the scope of IFRS 16.

As the Group operates as one segment, no measure of segmental assets or liabilities is disclosed in this note.

The Group's non-current assets by geography are as follows:

	2020	2019 (restated)
	£'000	£'000
UK	1,041,405	872,092
Europe	48,894	81,405
Rest of the world	18,102	16,975
	1,108,401	**970,472**

3. Operating loss

		2020	2019 (restated)
	Note	£'000	£'000
Operating loss has been arrived at after charging / (crediting):			
Employee costs		171,368	131,735
Share-based payments	5	331,624	27,251
Depreciation on fixed assets	9	33,813	30,852
Depreciation on right-of-use assets	15	14,242	8,772

Amortisation of intangibles	8	57,239	38,320
Government grants		(1,065)	(1,125)
Net foreign exchange gain		(574)	(269)

4. Adjusted items

These are items which are material in nature and include, but are not limited to, costs relating to acquisitions, disposals and significant events or programmes, some of which span multiple years. These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board.

	2020	2019
	£'000	£'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	39,175	-
Commissioning - new facilities	15,907	7,495
Decommissioning - legacy facilities	158	2,061
	55,240	**9,556**
Within Administrative costs		
Share-based payments	331,624	27,251
Restructuring and IPO fees	14,308	863
Impairment on assets held for sale, and sale and leaseback charges	105,138	-
Donations and other Covid-19 costs	11,108	-
Acquisitions - restructuring and integration	5,736	5,511
Acquisitions - legal and professional costs	2,529	1,075
Other legal and professional costs	1,655	1,048
	472,098	**35,748**
Within Finance costs		
Refinancing	-	7,951
Total adjusted items before tax	**527,338**	**53,255**
Tax impact	3,784	(5,172)
Total adjusted items	**531,122**	**48,083**

Revenue

The Covid-19 pandemic has accelerated the recent shift in consumer behaviour to digital channels. The Group has seen a benefit from this which is reflected in the strong revenue delivery of the Group in the year ended 31 December 2020. The Group is unable to distinguish the quantum impact of this benefit from that provided by organic growth and our investment in new customer acquisition.

Transportation, delivery and fulfilment costs in relation to Covid-19

Covid-19 has had a direct and measurable impact on the Group's cost to fulfil delivery of goods to customers across its global network, through reduced commercial flights and closures of key shipping lanes. The additional cost to complete these deliveries has been recognised as an adjusted item and while there is uncertainty around the length of disruption the pandemic will have on global supply chains, the Group doesn't consider this to be a recurring part of the Group's cost base. The costs incurred were as a result of the following:

- In order to maintain the Group's pre Covid-19 levels of customer experience, the Group had to address the challenges caused by commercial flights being reduced during the pandemic to minimal levels. The Group secured THG exclusive chartered flights in order to be able to uphold its service levels, generating an identifiable increase in costs versus non-exclusive passenger flights, which were used pre Covid-19.
- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic.
- Due to the impact of Covid-19 a number of key supply routes were disrupted or closed. This necessitated identifying and sourcing alternative viable routes to fulfil the obligations on the Group to serve its customers, which created identifiable external costs relating to alternative routes that had to be taken due to the impact of Covid-19 on the Group's courier and logistics providers ability to operate in the pandemic.

Commissioning - new facilities

The Group has embarked on a strategic project to transform the Group's global infrastructure footprint and capability, moving away from the smaller sized facilities which were fit for purpose in the past, into larger purpose-built distribution facilities to support the strategic objectives of the Group.

Under this project, the Group has commissioned a number of these purpose-built facilities over the years, including sites in Warrington, UK ("Omega") and Kentucky, US, and sites in Singapore and Wroclaw, Poland.
Due to the scale and complexity of these sites, commissioning of these facilities and integration into the Group's existing distribution network can span more than one accounting period, taking up to 18 months in total for a specific site, a relatively short period compared to the useful economic life of the asset. During the commissioning and integration period, costs relating to the set-up, integration and testing of the new facilities are included within adjusted items as these costs are not expected to be recurring for each specific site and do not reflect the underlying cost base of the Group. Such costs include:

- Additional costs are incurred relating to the period of testing and commissioning that is required to ensure a facility is operating as expected. Such costs are non-underlying and therefore included within adjusting items.
- Costs relating to the migration of production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production processes and resolution of any commissioning protocols required before production is fully operational.

- Bulk internal warehouse transfers from existing THG facilities are often required during the set up/commissioning period for a new facility. These costs are non-underlying in nature; and
- Additional shipping costs are incurred when the products within a single customer order is fulfilled by shipping from two different warehouses, due to stock being split across two sites during the commissioning period for a new facility. This results in duplicated postage costs on a single order.

The costs above are identified through internal process and controls which isolate the impact of commissioning new facilities. For some of these costs, the amounts included within adjusted items are calculated by taking the excess costs per unit versus the normalised rate, which is set based on historical information or third-party data.

Further material charges are anticipated as the respective projects are completed. The quantum of which is subject to change throughout the project as unforeseen events arise through to completion.

Decommissioning - legacy facilities
As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses swiftly to minimise excess capacity and cost. There is commonly a period of overlap of operations of both a legacy warehouse and the new facility designed to replace it and duplicated costs are recorded as adjusted items as they do not reflect the underlying cost base of the Group.

The costs associated with the decommissioning and closure of these facilities, from the period they are deemed to be surplus to the closure/exit date, are included within adjusted items. These costs are not expected to be recurring however they can span accounting periods. The costs include, but are not limited to, dilapidation costs, onerous contracts, rent and rates and other exit costs. The costs incurred in the current period relate to the decommissioning of Reno Logistics, USA, which has now been fully exited. As such, no further costs are expected in relation to this legacy facility.

Share-based payments
The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense and included within adjusted items. Due to the nature of these schemes, they can run over multiple years and can be considered to be recurring. The charge relating to share-based payments has been treated as an adjusting item as the underlying driver for the share awards (e.g. the IPO) is also an adjusting item. Any share-based payment charges relating to employee reward and retention remain as an underlying cost. Full details on the schemes in place can be found in note 5. This is a non-cash expense.

Restructuring and IPO fees
The Group has undertaken significant restructuring activities during the years ended 31 December 2019 and 2020. In 2020, the Group undertook a number of restructuring actions in order to prepare the Group for Admission onto the London Stock Exchange. These actions were focused on simplification of the Group structure. The Group also incurred costs in relation to the IPO listing in September 2020 which include legal and professional fees and listing fees. The IPO related costs, amounting to £14m are material, non-recurring expenditure, as a result of the Group's listing on the London Stock Exchange and have therefore been presented within adjusted items.

In 2019, these costs related to restructuring of departments, divisions and businesses within the Group and are included within adjusted items as these costs are not expected to be recurring as they relate to discrete restructuring events. Most restructuring projects are expected to be completed within 12 months, however due to the commencement date of the activities, they can span accounting periods.

Impairment on assets held for sale, and sale and leaseback
During the year, a number of the Group's freehold properties were being marketed for sale. These properties were required to be treated as held for sale assets in line with IFRS 5 'Non-current assets held for sale and discontinued operations. As a result of this, the Group has recognised an impairment for the difference between the fair value of the assets held for sale and their historic carrying value. The need for the impairment was driven by declining property values arising due to the impact of Covid-19, resulting in a £29.3m impairment, and construction obligations to complete the build of some properties to the required specification, resulting in a £35.1m impairment. Subsequently these assets were disposed of on 11 September 2020. The remainder of the charge relates to sale and leaseback transactions. This reflects a reduction in the right of use asset held in accordance with IFRS 16 and is driven by the derecognition of freehold assets, that have been replaced with leases which have a shorter useful economic life.

Donations and other Covid-19 related costs
As part of its Covid-19 response, the Group made several charitable donations to the local region, totalling £6.6m including £1.0m in cash to Manchester charities, with the remainder relating to additional costs incurred as part of making the business Covid-19 secure (temperature sensors, PPE etc) for its people and customers. This is expected to be non-recurring.

Acquisitions - restructuring and integration
Where the Group completes acquisitions, it derives value by achieving synergies in the post-acquisition period by restructuring the acquired businesses and integrating them into the Group. During this restructuring and integration phase there are a number of non-recurring costs incurred by the Group as the businesses which are classified as adjusted items. These costs include, but are not limited to:

- Duplicated costs whilst the integration plan is executed. These often relate to termination of pre-acquisition agreements that were in place and exit costs associated (such as closure of old facilities or head offices);
- As part of the integration plan itself, additional non-recurring costs may be incurred which do not relate to the underlying trading operations of the Group, including, but are not limited to, system integration testing and validation, costs of moving equipment to new sites and department relocation or set up costs; and
- Costs of staff exiting the business, including redundancy costs, earnouts or bonus payments relating to the integration plan. Integration plans can often result in moving offices geographically, a change in management structure or redefining the roles and needs of departments or individuals. As a result, some employee redundancy costs are incurred. Payments are also made to employees for successful delivery of integration plans.

Depending on the size and nature of the acquisition and the complexity of the integration plan, acquisition restructuring and integration costs can be incurred for up to 12 months' post acquisition.

Other legal and professional costs
The Group incurs legal and professional costs that are non-recurring, one off in nature and not related to trading activities. These costs are included as adjusted items and can include, but are not limited to, costs associated with equity raises that occurred before the IPO, and other fees associated with investor activities.

Acquisitions - legal and professional costs
The Group periodically considers and analyses potential acquisition targets and recognises there is inherent complexity and risk associated with acquisitions. The Group manages this by employing external professional advisors to perform legal, financial, commercial and tax due diligence on targets. These costs relate to opportunities the Group identifies and pursues, of which a portion result in successful acquisitions by the Group. Such legal and professional costs are classified as adjusting items as they relate to significant strategic transactions and, except for the transactions in question, the business would not have incurred these costs and

as a result these costs are deemed to be non-recurring costs that do not relate to the underlying trading operations of the business.

Refinancing
The Group restructured its debt financing in 2019, obtaining a €600m institutional Term Loan B, £150m revolving credit facility and a £197m secured debt and development funding. As part of this process, initial arrangement fees from terminated facilities, have been included within adjusted items within 2019.

5. Share-based payments

The Group operates share-based compensation plans over the years, under which the Group receives services from employees, including directors, as consideration for equity instruments (options or growth shares) of the Company. At each balance sheet date, the Group revises its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in adjusted items. Due to the strong performance of the Group stock on the London Stock Exchange post IPO, all the share schemes detailed below have vested in full. There are no active schemes as at the 31 December 2020.

All the share-based compensation plans are equity-settled and valued by a Monte Carlo simulation. The details of these plans are given below:

2017 growth share scheme - E ordinary shares:
A Long-term Incentive Plan (LTIP) was introduced during 2018. Under this scheme, the Group issued equity settled management shares. The scheme was only exercisable on an exit (non-market condition), had EPS targets based on adjusted EBITDA (non-market performance condition), had an exit hurdle price (market condition). The scheme has service condition requiring employees to remain in employment for three years from grant until the date each of the EBITDA targets is met. In 2020, these shares vested fully, triggered by the IPO.

2020 schemes: 3 new schemes were issued in 2020 prior to the IPO, with all being subject to a post IPO market capitalisation hurdle of £6.5bn.

F ordinary shares: under this scheme, the Group issued equity settled management shares. The scheme runs over 3 years to 2022, vesting equally across those 3 years as EBITDA targets are met. The scheme also contained a hurdle that vested all the shares in the event of an IPO that attained a market capitalisation of greater than £5.25bn.

G ordinary shares: this scheme represents equity settled management shares that vest over a 3 year period to 2022 based on market capitalisation targets, starting at 75% vested at a market capitalisation of £6.5bn, and further vesting in 8.3% increments each £0.25bn of further market capitalisation.

H ordinary shares: this scheme represents equity settled management shares, that vest based on the £6.5bn market capitalisation hurdle noted above.

The equity instruments granted in the period were valued based on the below inputs.

	Issued in 2020
Exercise / subscription price £	£49 - £61
Expected volatility %	35%
Expected term	1 - 3 years
Risk-free interest rate %	0.05%
Fair value £	£357-£372

The fair value of equity instruments was calculated using a Monte Carlo simulation. The implied volatility was estimated based on historical volatility based on observable equity raises, with reference to external market participants.

A reconciliation of equity instrument movements, and weighted average exercise price ("WAEP") is shown below:

	2020 Number	**2020 WAEP**	**2019 Number**	**2019 WAEP**
Outstanding at 1 January	589,101	22.97	477,124	18.14
Granted	897,811	51.99	112,824	43.25
Cancelled	(5,259)	3.61	(847)	3.75
Exercised options	(318,341)	2.99	-	-
Split of shares	214,803,742	-	-	-
Vested due to listing	(215,967,054)	-	-	-
Outstanding at 31 December	-	-	589,101	22.97

All the share options outstanding pre-IPO have vested during the year at an equity valuation of £4.5bn which makes the weighted average share price at the date of exercise at £927.

6. Finance income and cost

	2020	2019 (restated)
	£'000	£'000
Finance income		
Bank interest receivable	205	133
Finance costs		
Bank interest payable and charges	48,491	24,407
Interest on lease liabilities	4,521	1,143
	53,012	**25,550**

7. Business combinations

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration (£'000)	Percentage ownership
Perricone MD	USA and England and Wales	Design and sale of science-led, luxury skincare products	29 September 2020	51,038	100%
David Berryman	England and Wales	Fruit ingredients product developer and manufacturer	8 December 2020	7,517	100%
Claremont	England and Wales	Flavouring solutions and products	10 December 2020	61,083	100%

The following intangible assets were recognised at acquisition:

	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Intangible assets - brands	5,479	587	478
Intangible assets - customer lists	10,814	814	13,516
Intangibles - other intellectual property	-	-	7,740
Deferred tax	(4,073)	(266)	(4,129)
Total fair value on acquisition	**12,220**	**1,135**	**17,605**

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

	Note	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Intangible assets	8	16,292	1,402	21,734
Property, plant and equipment	9	150	1,342	105
Inventories		13,417	908	749
Trade and other receivables		16,475	4,375	2,268
Cash and cash equivalents		6,235	136	10,768
Trade and other payables		(15,059)	(4,137)	(836)
Deferred tax		(4,118)	(266)	(4,129)
Net assets acquired		**33,392**	**3,760**	**30,659**
Goodwill	**8**	**17,646**	**3,757**	**30,424**
Purchase consideration		**51,038**	**7,517***	**61,083**
Transactions costs		**1,210**	**28**	**643**

* Note within the £7.5m consideration for David Berryman, £0.5m is deferred consideration dependent upon performance targets post acquisition.

Purchase consideration was cash for all acquisitions. Transactions costs comprises mainly of advisor fees, including financial, tax and legal due diligence costs and these are included in acquisition - legal and professional costs in the adjusted items in note 4.

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from incorporating the businesses into the Group's platform and supporting operations.

Cash flows arising from the acquisitions were as follows:

	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Purchase consideration	51,038	6,967	61,083
Cash and cash equivalents acquired	(6,235)	(136)	(10,768)
Net cash flows	**44,803**	**6,831**	**50,315**

Amounts of revenue and profit before tax (PBT) of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period, and the revenue and PBT of the combined entities for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period are as follows:

£'000	Revenue contributed in year of acquisition	PBT contributed in year of acquisition	Full year revenue of year of acquisition	Full year PBT of year of acquisition
Perricone MD	25,770	6,286	76,161	(1,145)
David Berryman	324	(81)	9,388	(619)
Claremont	281	56	9,322	4,252

During 2020, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2019, resulting in a decrease of £0.1m in net assets and a corresponding increase in goodwill.

8. Intangible assets

	Goodwill £'000	Platform development costs £'000	Intellectual property * £'000	Brands £'000	New Product Development £'000	Total £'000
Cost or valuation						
At 1 January 2019 (restated)	349,979	107,132	67,011	84,517	1,112	609,751
Additions (restated)	-	33,304	19,029	-	1,464	53,797
Business combinations (note 7)	22,022	-	7,244	19,503	-	48,769
Currency translation differences	(1,317)	(499)	(115)	(806)	-	(2,737)
Disposals	-	-	(1)	-	-	(1)
At 31 December 2019 (restated)	**370,684**	**139,937**	**93,168**	**103,214**	**2,576**	**709,579**
At 1 January 2020	370,684	139,937	93,168	103,214	2,576	709,579
Additions	1,115	39,917	21,857	743	2,189	65,821
Business combinations (note 7)	51,827	-	32,884	6,544	-	91,255
Currency translation differences	(1,942)	(112)	(1,160)	(331)	-	(3,545)
At 31 December 2020	**421,684**	**179,742**	**146,749**	**110,170**	**4,765**	**863,110**
Accumulated amortisation						
At 1 January 2019 (restated)	**270**	**54,851**	**30,812**	**8,658**	**508**	**95,099**
Amortisation (note 3) (restated)	-	20,924	13,298	3,975	123	38,320
Currency translation differences	-	(510)	(18)	(112)	-	(640)
At 31 December 2019 (restated)	**270**	**75,265**	**44,092**	**12,521**	**631**	**132,779**
At 1 January 2020	270	75,265	44,092	12,521	631	132,779
Amortisation (note 3)	-	28,451	18,309	9,745	734	57,239
Currency translation differences	-	(276)	(780)	(145)	-	(1,201)
At 31 December 2020	**270**	**103,440**	**61,621**	**22,121**	**1,365**	**188,817**
NBV						
At 1 January 2019 (restated)	**349,709**	**52,281**	**36,199**	**75,859**	**604**	**514,652**
At 31 December 2019 (restated)	**370,414**	**64,672**	**49,076**	**90,693**	**1,945**	**576,800**
At 31 December 2020	**421,414**	**76,302**	**85,128**	**88,049**	**3,400**	**674,293**

* Included within Intellectual property are costs relating to the fulfilment of contracts under IFRS 15 with an NBV of £2.0m at 31 December 2020 (2019: £nil).

9. Property, plant and equipment

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment and software £'000	Freehold buildings £'000	Total £'000
Cost						
At 1 January 2019 (restated)	2,394	74,984	42,599	43,319	115,007	278,303
Transfers*	-	(2,220)	-	(681)	-	(2,901)
Additions (restated)	139	8,020	27,681	25,678	64,959	126,477
Business combinations	-	-	1,240	22	40,408	41,670
Currency translation differences	-	(983)	(258)	(144)	104	(1,281)
Disposals	(23)	(99)	(46)	(58)	(253)	(479)
At 31 December 2019 (restated)	**2,510**	**79,702**	**71,216**	**68,136**	**220,225**	**441,789**
At 1 January 2020	2,510	79,702	71,216	68,136	220,225	441,789
Additions	320	27,860	13,513	13,609	161,653	216,955
Business combinations	-	1,383	169	25	20	1,597
Currency translation differences	-	(374)	(169)	(1,257)	1,204	(596)
Disposals	(775)	(38,491)	(10,294)	(13,571)	(279,351)	(342,482)
At 31 December 2020	**2,055**	**70,080**	**74,435**	**66,942**	**103,751**	**317,263**
Accumulated depreciation						
At 1 January 2019 (restated)	1,145	21,532	12,603	16,886	6,061	58,227
Transfers*	-	(1,207)	-	(534)	-	(1,741)
Depreciation (note 3) (restated)	308	12,815	7,379	8,029	2,321	30,852
Currency translation differences	-	(605)	(73)	(74)	(77)	(829)
Disposals	(23)	(99)	(31)	(13)	(253)	(419)
At 31 December 2019 (restated)	**1,430**	**32,436**	**19,878**	**24,294**	**8,052**	**86,090**
At 1 January 2020	1,430	32,436	19,878	24,294	8,052	86,090
Depreciation (note 3)	317	13,552	7,803	8,466	3,675	33,813
Impairment	-	-	-	-	29,367	29,367
Currency translation differences	-	(152)	(125)	(1,009)	2	(1,284)
Disposals	(652)	(36,798)	(7,114)	(13,273)	(13,107)	(70,944)
At 31 December 2020	**1,095**	**9,038**	**20,442**	**18,478**	**27,989**	**77,042**
NBV						
At 1 January 2019 (restated)	1,249	53,452	29,996	26,433	108,946	220,076
At 31 December 2019 (restated)	1,080	47,266	51,338	43,842	212,173	355,699
At 31 December 2020	**960**	**61,042**	**53,993**	**48,464**	**75,762**	**240,221**

*Transfers in 2019 are due to the Group adopting IFRS 16 and are reclassifications to leases.

Disposals include amounts relating to the Propco divestment as detailed in note 17 of this report.

As the Covid-19 lockdown in the UK significantly impacted the commercial property sector, management reviewed both the value in use and the market value of assets held for sale. As a result, the assets were written down to their fair value. Refer to note 4 for further details.

10. Inventories

	2020	2019 (restated)
	£'000	**£'000**
Goods held for resale	247,841	166,611
Raw materials	46,554	32,452
Goods in transit	8,283	5,010
	302,678	**204,073**

Goods in transit relate to goods whose control is still to be transferred to the customers as of the reporting date. The cost of inventories recognised as an expense and included in cost of sales amounted to £884m (2019: £629m).

11. Trade and Other receivables

	2020	2019
	£'000	**£'000**
Trade receivables	76,643	50,168
Less: loss allowance	(1,945)	(1,539)
Net trade receivables	**74,698**	**48,629**
Prepayments	14,757	17,011
Accrued income	45,414	29,179
Other taxation and social security	39,164	19,311
Other receivables	72,513	17,054
	246,546	**131,184**

Trade and other receivables are principally denominated in Sterling.

12. Cash and cash equivalents

	2020	2019
	£'000	**£'000**
Cash and cash equivalents	773,581	312,233

Cash and cash equivalents includes £26.5m (2019: £3.5m) of amounts receivable from banks for credit and debit card transactions, which clear the bank shortly after the transaction takes place.

13. Trade and other payables

	2020	2019 (restated)
	£'000	£'000
Trade creditors	254,637	168,442
Accruals	220,415	142,235
Other taxation and social security	18,577	16,632
Other creditors	3,001	1,394
Government grants	2,518	2,896
Deferred consideration on acquisitions	550	-
	499,698	**331,599**

The Directors consider the carrying amount of trade and other payables approximates to their fair value when measured by discounting cash flows at market rates of interest as at the balance sheet date.

14. Interest bearing loans

	Note	2020	2019 (Restated)
		£'000	£'000
Current			
Bank Borrowings		1,871	147,532
Lease Liabilities	15	28,911	9,787
		30,782	**157,315**
Non-Current			
Bank Borrowings		524,288	602,567
Lease Liabilities	15	207,274	28,678
		731,562	**631,245**

Bank borrowings relate predominantly to the 7 year Euro term loan B and undrawn down 5year revolving credit facility. The revolving credit facility is provided by Barclays, HSBC, Santander, Citibank, NatWest and JPM. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility 3.75% plus LIBOR. The floating element of the term loan B is hedged by interest rate derivatives. Management note that EURIBOR is being reformed as a benchmark rate and are in dialogue with its lending and hedging partners to minimise the impact on the Group as transition occurs.

If interest rates moved by 10bps, the Group's loss before tax would be c.£0.7m higher / lower and the subsequent move on the derivative valuation would cause equity to be c. £2m higher / lower as a result of the same move.

Net debt consists of loans and lease liabilities, less cash and cash equivalents, defined as referenced in note 15. Loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net cash/(debt) is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below:

	2020	2019 (restated)
	£'000	£'000
Loans and other borrowings	(526,159)	(750,099)
Lease liabilities	(236,185)	(38,465)
Cash and cash equivalents	773,581	312,233
Sub-total	**11,237**	**(476,331)**
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	35,403	6,738
Net cash / (debt)	46,640	(469,593)
Net cash / (debt) before leases liabilities	**282,825**	**(431,128)**

Lease liabilities are measured at the present value of lease payments to be made over the lease term.

15. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and movements during the period:

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Land and buildings £'000	Total £'000
As at 1 January 2019	**143**	**-**	**-**	**22,669**	**22,812**
Additions	497	1,181	56	22,199	23,933
Depreciation (note 3)	(103)	(336)	(40)	(8,293)	(8,772)
As at 31 December 2019	**537**	**845**	**16**	**36,575**	**37,973**
As at 1 January 2020	**537**	**845**	**16**	**36,575**	**37,973**

Additions	179	154	-	183,144	183,477
Depreciation (note 3)	(164)	(328)	(16)	(13,734)	(14,242)
Lease modifications	-	-	-	2,019	2,019
Disposals	-	-	-	(15,335)	(15,335)
Currency translation differences	(13)	(6)	-	14	(5)
As at 31 December 2020	**539**	**665**	**-**	**192,683**	**193,887**

Set out below are the carrying amounts of lease liabilities (included under note 14 interest-bearing loans and borrowings) and the movements during the period:

	2020 £'000	2019 £'000
As at 1 January	**38,465**	**25,251**
Additions	223,896	22,082
Accretion of interest	4,521	1,143
Payments	(17,206)	(9,903)
Lease modifications	2,019	-
Disposals	(15,308)	-
Currency translation differences	(202)	(108)
As at 31 December	**236,185**	**38,465**
Current	**28,911**	**9,787**
Non-current	**207,274**	**28,678**

The Group had total cash outflows for leases of £17.2m in 2020 (2019: £9.9m).

The following are the amounts recognised in the year in the consolidated income statement:

	2020 £'000	2019 £'000
Depreciation expense on right-of-use assets	14,242	8,722
Interest expense on lease liabilities	4,521	1,143

16. Earnings per share

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2020	2019 (restated)
Loss for the financial year (£'000)	(532,629)	(44,186)
Weighted average number of ordinary shares for basic EPS	804,280,441	724,298,445
Basic and Diluted EPS (£'s)	(0.66)	(0.06)

The basic loss per share has been calculated by dividing the loss attributable to the Group by the weighted average number of ordinary shares in issue. The weighted average number of shares has been restated to take into account a share split that took place during the year.

The diluted loss per share has been calculated by adjusting the weighted average number of shares for the effects of the D, E, F, G and H shares, assuming full vesting of all potentially dilutive shares.

There was no change in the diluted earnings per share since the effect of all potentially dilutive shares outstanding was anti-dilutive.

17. Related Party Transactions

The Directors' interests in the share capital of the Company at the balance sheet date are detailed below:

	£ per share	Ordinary shares 2020 Number	Ordinary shares 2019 Number
M J Moulding	0.005	135,470,561	-
M J Moulding	1	361	548,169

J A Gallemore	0.005	3,638,116	-
J A Gallemore	1	3,174	22,227
D P Murphy	0.005	14,566,016	-
D P Murphy	1	-	47,118
I McDonald	0.005	2,189,039	-
I McDonald	1.000	-	17,300
Z Byng-Thorne	1	750	750
(Including 1 special share for MM at £1 nominal value)		**155,868,017**	**635,564**

The Directors had the following interests in vested shares under previous incentive arrangements at the balance sheet date.

		2020	2019	2020	2019
	Date of award	**Subscription/ exercise price £**	**Subscription/ exercise price £**	**Number**	**Number**
M J Moulding	Oct-10	-	7.5	-	14,545
M J Moulding	Nov-13	-	5	-	87,920
M J Moulding	Mar-18	-	43.25	-	138,796
M J Moulding	Dec-19	0.23	43.25	43,641,266	95,000
M J Moulding	Aug-20	0.33	-	20,197,808	-
M J Moulding	Aug-20	0.28	-	30,296,620	0
M J Moulding	Aug-20	0.26	-	89,612,682	-
J A Gallemore	Oct-10	-	7.5	-	14,545
J A Gallemore	Nov-13	-	5	-	10,962
J A Gallemore	Dec-19	0.23	43.25	185,476	1,000
J A Gallemore	Aug-20	0.33	-	2,666,963	-
J A Gallemore	Aug-20	0.28	-	4,000,537	0
D P Murphy	Dec-19	0.23	43.25	370,953	2,000
I McDonald	Dec-19	0.23	43.25	185,476	1,000
Z Byng-Thorne	Dec-19	0.23	43.25	98,673	1,000
				191,256,454	**366,768**

The Group has provided interest free loans of £0.3m (2019: £0.8m) to the Directors for them to subscribe for shares as part of the employee benefit scheme. The loans are repayable in the event of a sale or listing of the Group. The share-based payments expense associated with the Directors was £293.6m (2019: £22.4m). At 31 December 2020, Matthew Moulding controlled 25.7% of THG's fully diluted share capital. This comprised shares held outright and under incentive arrangements. The controlled management equity represents less than 5.4% of THG's fully diluted share capital.

On 27 August 2020, the Group entered into a 5 year agreement on commercial terms with Moulding Capital Limited (previously named Kingsmead Holdco Limited) to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generates £635,000 of Other Income for the Group per annum.

As part of the IPO readiness process, the Board approved the divestment of the Propco Group and its sale to FIC Holdco Limited, an entity wholly owned by the Group's CEO and Chairman. To determine the fair value, the Group assessed the fair value of the Propco Group using: various external data points from the external property market; property experts; our in-house certified property expert; and feedback obtained from shareholders and external advisors. Accordingly, the market value was £75.9m and the consideration received was the cancellation of vested share options, accounted for in accordance with IFRS, resulting in an adjustment to reserves. In advance of the sale, these assets were categorised as assets held for sale in line with IFRS 5 'Non-current assets held for sale and discontinued operations'.

The balance sheet of the disposed group at disposal date is detailed below:

	2020
	£'m
Non-current assets	
Property, plant and equipment - Land and buildings	165.0

Property, plant and equipment - Other	111.9
	276.9
Current assets	
Trade and other debtors	9.6
Cash and cash equivalents	10.0
	19.6
Total assets	**296.5**
Equity	**75.9**
Non-current liabilities	
Borrowings	138.8
Current liabilities	
Trade and other payables	52.6
Deferred consideration	29.2
	81.8
Total liabilities	**220.6**
Total equity and liabilities	**296.5**

Subsequent to Admission, transactions with Propco were limited to a) amounts payable relating to the settlement of obligations under the ongoing commercial lease agreements and b) balances paid on behalf of Propco that are recoverable from Propco. These amounts relate to balances charged by suppliers invoiced to an incorrect legal entity during the period of the divestment and are fully recoverable.

The amounts recognised on the Group's balance sheet and in the income statement in relation to the leases with Propco in the year are as follows:

	2020
	£'000
Right-of- use asset	174,249
Lease liability	215,951
Depreciation arising on right-of- use assets	3,697
Expense recognised in financing costs	3,187

Cash paid in the settlement of obligations under these related party leases was £5.7m, the table below gives further detail around the leases in place.

Number of properties	Residual lease term date divestment	Rent per annum (£'000)	FY20 rent (£'000)
9	0-5 years	962	241
1	8 years	3,378	1,126
11	14 - 15 years	2,906	834
7	20-25 years	10,887	3,535
		18,133	**5,736**

The Group has also entered into further lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are £2.3m within one year, £12.4m within five years and £65.8 thereafter

The following table shows the amounts recognised on balance sheet at the 31 December 2020 where the Group has paid suppliers on behalf of the Propco Group, or vice versa

Related party	**Amounts owed by related parties**	**Amounts owed to related parties**
	£'000	**£'000**
Aghoco 1442 Ltd	13	98

Icon 3 Holdco Ltd	253	-
FIC Shareco Ltd	5	-
THG HQ PropCo Ltd	30	-
Allenby Square Ltd	71	302
THG Alpha PropCo Ltd	-	20
THG Omega PropCo Ltd	-	1,120
THG Icon Unit 3 Propco S.à r.l.	-	267
THG Gadbrook PropCo Ltd	-	218
THG Icon Unit 4 PropCo Ltd	-	195
THG PV PropCo Ltd	-	41
THG A&A PropCo Ltd	-	217
THG GJS PropCo Ltd	-	401
THG HCC PropCo Ltd	-	315
THG KS Propco Ltd	-	269
THG Unit 3 PropCo S.à r.l.	2,310	-
	2,682	**3,463**

18. Post Balance Sheet Events

After the end of reporting period, the Group has acquired the following businesses. Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration (£'000)	Percentage ownership
Dermstore	USA	Professional skincare production and online retailing	1 February 2021	263,172	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	4,613 (*)	100%
Arrow Films	England and Wales	Motion picture distribution activities	5 March 2021	15,472 (**)	100%
More Trees	England and Wales	Tree planting	1 April 2021	512 (***)	100%

(*) There is further deferred consideration payable over three years at total maximum earnout of £2.5m.

(**) There is further deferred consideration payable over three years at total maximum earnout of £3.0m.

(***) There is further deferred consideration payable over five years at total maximum earnout of £4.0m.

The carrying amount of assets and liabilities in the books of the acquirees at the dates of acquisition were as follows:

	Dermstore (£'000)	Indigo Environmental (£'000)	Arrow Films (£'000)	More Trees (£'000)
Intangible assets	4,769	-	-	-
Property, plant and equipment	153	1,127	132	-
Inventories	23,380	305	816	-
Trade and other receivables	1,355	904	3,360	1
Cash and cash equivalents	9,035	243	6,305	9
Trade and other payables	(23,273)	(845)	(4,687)	(20)
Deferred tax	(716)	(26)	-	-
Net assets	**14,703**	**1,708**	**5,926**	**(10)**

The information on provisional fair values of the assets and liabilities acquired, intangible assets recognised and the associated goodwill arising from the acquisition are still under review as the accounting for the business combination is ongoing at the point of signing these financial statements.

The Dermstore acquisition provides Group with a much-strengthened position in the US online beauty market as discussed in the Strategic Report. Indigo Environmental and More Trees are going to form the part of THG (eco) which puts sustainable business practice at the core of Group's vertically integrated business model and Ingenuity offering. The acquisition of Arrow Films, a motion picture distribution studio, provides THG OnDemand with vertical integration of physical and digital film content.