

14 September 2023

THG PLC  
Interim results for the half-year ended 30 June 2023

Adjusted EBITDA and cash generation ahead of guidance in H1 2023  
Full year adjusted EBITDA guidance reiterated

- Continuing<sup>[1]</sup> adjusted EBITDA of £50.1m (+22.9%), above the top end of guidance (£47m to £50m), at a margin of 5.3% (H1 2022: 4.0%). **Adjusted EBITDA guidance unchanged for FY 2023.**
- Adjusted EBITDA of £47.1m (+45.7%), inclusive of recently disposed loss-making OnDemand business.
- Successful exit of loss-making discontinued categories and non-core assets generated a one-off non-cash charge of £26.2m<sup>[2]</sup>, increasing the operating loss to £99.5m (H1 2022: £89.2m). Without this charge, operating loss improved by £15.9m YoY.
- Strong LTM<sup>[3]</sup> cash performance, ahead of guidance. LTM cash outflow<sup>[4]</sup> of £20.6m is after £163.1m of capex, mainly in THG Ingenuity. This represents a £350m cash performance improvement on the LTM year on year.
- Strong balance sheet with £563m of cash and available facilities.
- Record H1 THG Nutrition revenue of £340.7m (+2.6%), with adjusted EBITDA of £47.1m (+71.9%).
- THG Beauty adjusted EBITDA of £10.6m (H1 2022: £17.7m), impacted by one-off industry de-stocking in manufacturing. Excluding manufacturing THG Beauty adjusted EBITDA was £9.7m (H1 2022: £7.3m). Encouragingly, since the start of August, the Beauty division has returned to growth.
- THG Ingenuity listed in the Gartner's Magic Quadrant™ for Digital Commerce. Continued focus on the Enterprise strategy with new client wins secured (including L'Oréal US prestige brands) and a strengthening pipeline.
- Continued prioritisation on gross margin and adjusted EBITDA margin growth.
- Q3 revenue exit momentum gives us confidence in full year continuing revenue growth of 0% to -5% (H1 2023: -6.1%).

**Matthew Moulding, CEO of THG, commented:**

*"Inflationary pressures provided significant challenges to consumers and businesses alike over the past 18 months. Our strategy of supporting our consumers through 2022, sacrificing margins in the short-term, is bearing fruit. This is reflected in the strong H1 results we've posted today, across adjusted EBITDA and cash.*

*"The cash performance of the Group has been strong in H1, but also over the last 12 months. Group cash flow performance improved by £350m compared to the previous 12 months, reflecting the completion of our global infrastructure roll-out program, with the Group now achieving significant operating leverage from a well invested, automated, global platform.*

*"Our Nutrition division delivered a record H1 revenue performance and, with inflationary pressures easing, posted substantially higher EBITDA margins year-on-year as we exited H1. The early results from the Myprotein rebrand are also encouraging as we've taken steps to further enhance the premium nature of the world's No1 online sports nutrition brand. These actions should provide for both increased partnership opportunities and category expansion, supporting our ambition of building Myprotein into a global lifestyle brand.*

"Recent progress within our Beauty division has been more encouraging, underpinned by strong performances in the Group's Perricone MD and ESPA brands, as well as across Cult Beauty. Margin improvements have steadily built through H1, as focus shifted to orders that deliver immediate profitability, where we benefit from the economies of scale associated with our local distribution hubs.

"The Beauty division was held back in H1 by short-term global de-stocking impacting manufacturing volumes. The situation has now started to reverse with the Beauty division returning to growth since August, at the same time margin progression continues.

"Finally, Ingenuity's pivot to larger, more complex Enterprise clients is gaining momentum, reflected in some key client wins and a strong pipeline. We were thrilled to be listed in the Gartner's Magic Quadrant™ for Digital Commerce, in recognition of our ability to provide an all-encompassing Direct-to-Consumer journey, cementing Ingenuity as a key partner for Enterprise clients seeking comprehensive commerce excellence."

## H1 2023 Group Trading Performance

£m	H1 2023	H1 2022 <sup>[5]</sup>	YoY <sup>[6]</sup> change	2 Year change
<b>Revenue</b>				
THG Beauty	538.7	601.2	-10.4%	+6.3%
THG Nutrition	340.7	332.1	+2.6%	+3.7%
THG Ingenuity	320.0	375.9	-14.9%	-3.4%
Inter-group elimination	(248.8)	(297.3)	-16.3%	-7.6%
<b>Group (continuing)<sup>[7]</sup></b>	<b>950.6</b>	<b>1,011.8</b>	<b>-6.1%</b>	<b>+5.9%</b>
Discontinued categories	18.7	57.4	-67.4%	-69.6%
<b>Group</b>	<b>969.3</b>	<b>1,069.2</b>	<b>-9.3%</b>	<b>+1.1%</b>
Gross Margin % <sup>[8]</sup> (adjusted)	43.8%	42.4%		
<b>Adjusted EBITDA<sup>[9]</sup></b>				
THG Beauty	10.6	17.7	-40.4%	
THG Nutrition	47.1	27.4	+71.9%	
THG Ingenuity	3.4	6.8	-50.8%	
Central	(10.9)	(11.2)	+2.6%	
<b>Group (continuing)<sup>7</sup></b>	<b>50.1</b>	<b>40.8</b>	<b>+22.9%</b>	
<b>Group</b>	<b>47.1</b>	<b>32.3</b>	<b>+45.7%</b>	
Adjusted EBITDA %	4.9%	3.0%		
Adjusted items	16.3	22.3		
Of which cash adjusted items	5.2	22.9		
Operating loss <sup>[10]</sup>	(99.5)	(89.2)		
<b>Net debt<sup>[11]</sup></b>	<b>(268.3)</b>	<b>(225.6)</b>		

### Half-year 2023 financial highlights

- **Group revenue:** £969.3m, -9.3% YoY, driven by the strategic exit of non-core divisions and discontinued categories, short-term volume reductions within THG Beauty manufacturing, the previously stated de-emphasis in certain beauty markets and the proactive pivoting of the THG Ingenuity strategy. Total sales in the UK broadly in line with H1 2022 for THG Beauty and THG Nutrition combined (excluding manufacturing).
- **THG Beauty:** The impact of industry-wide de-stocking has been material within THG Beauty manufacturing, impacting both revenue and profitability given its fixed cost base (a -£9.5m YoY EBITDA impact). Excluding THG Beauty manufacturing, adjusted EBITDA margin improvement was encouraging at +60bps relative to the prior year. As we enter the third quarter, cost saving initiatives predominantly within manufacturing implemented in the first half are supporting profitability improvements.
- **THG Nutrition:** Following the unwind of a period of unusually high whey commodity prices, THG Nutrition adjusted EBITDA margins improving substantially during the period to 13.8% (+560bps), ahead of medium-term guidance.
- **THG Ingenuity:** Revenue and adjusted EBITDA performance considered short-term (-14.9%, -80bps respectively), due to planned shift away from lower-value clients, reduction in volumes from internal clients (including the exits of OnDemand and ProBikeKit), and upfront investment in enterprise strategy which has a longer lead time between new contract agreements and the revenue benefits being realised.

- **Distribution costs:** Reduced 150bps reflecting continued investment in automation (with US launch in the period), and continued focus on driving operational efficiency and cost control.
- **Continuing Group adjusted EBITDA:** Reflects the improving profitability of THG Nutrition, effective management of costs to offset unprecedented inflationary cost pressures, and exit of loss-making categories and territories.
- **Reported Group adjusted EBITDA:** Increased YoY to £47.1m (H1 2022: £32.3m), with losses from discontinued categories reducing from £8.5m to £3.1m following the successful execution of the strategic review, determining a simpler, more profitable business for the future.
- **Operating loss:** £99.5m (vs H1 2022: £89.2m) following decisive management action to dispose of non-core assets and loss-making discontinued categories driving a £26.2m one-off charge.
- **Cash adjusted items:** Reduced significantly to £5.2m (H1 2022: £22.9m) following a decrease in transportation, delivery and fulfilment costs in relation to Covid-19 of £10.1m.
- **Cash generation:** Significantly stronger over the last 12 months with a modest outflow of £20.6m, ahead of previously stated guidance. The Group had cash on hand of £392.5m and an undrawn £170m RCF at the period end.

### Strategic and operational highlights

- Active customers in THG Beauty (LTM: 8.6m, -10%) and THG Nutrition (LTM: 6.8m, -5%), reflects the strategic decision to deploy marketing investment in more profitable territories.
- App participation continues to build with orders representing 17.0% of Group D2C H1 2023 revenue (H1 2022: 11.4%), strengthening customer engagement and loyalty to our brands.
- Encouraging purchasing behaviour from existing THG Beauty and THG Nutrition customers continues, with stable order frequencies, average order values ("AOV"), and consistently strong repeat purchase rates of over 80%. Momentum has built throughout the half with active customers +5% in Q2 vs Q1 2023. Overall 3-year active customer growth +62% and 29% for THG Beauty and THG Nutrition respectively.
- **THG Beauty** continues to execute its market prioritisation strategy, whilst delivering UK online premium market share growth of c.4% to c.28% for Lookfantastic<sup>[12]</sup>, supported by record high Trustpilot scores for Lookfantastic and Cult Beauty.
- Following double-digit revenue growth for the two largest brands in H1, THG Beauty's prestige own brand portfolio is set to achieve further international recognition through a global licensing partnership with luxury hotel amenities supplier Vanity Group launching in 2024.
- **THG Nutrition** continues to expand into adjacent markets through localisation and collaboration with major brands and influencers to amplify brand awareness. Following category expansion within the licensing partnership with Iceland, Myprotein is also set to partner with global confectionary brand Chupa Chups and global spirits brand Southern Comfort to broaden flavour options across the product portfolio.
- **THG Ingenuity:** Substantial progress has been made on the ongoing strategy to partner with larger, higher value enterprise clients with high-quality recurring revenues, and for the first time, has been recognised in the Gartner Magic Quadrant™ for Digital Commerce.
- New and expanded partnerships agreed year to date include:
  - o *L'Oréal Group:* Powering D2C operations for two of L'Oréal's most prestigious brands; "Shu Uemura Art of Beauty" in the USA and Canada, and "Biotherm" in the USA.
  - o *L-Fashion Group:* USA site launch for the European apparel specialist, launching Rukka Pets in their next global expansion market.
  - o *Matalan:* Following their ecommerce platform migration, Matalan have commissioned a purpose-built environment for rapid production of their ecommerce photography at ICON studios.
  - o *Asda Stores Ltd:* Expanding digital services partnership to provide digital content and performance marketing for their Mobile division in addition to existing food packaging and social media content. As one of their Digital agencies across their Grocery, Money and Mobile divisions, the partnership has more than doubled in scale.
  - o *Maximo Group:* Major sites All Beauty and Fragrance Direct migrated to the Ingenuity platform in Q2. Operational services including fulfilment now activated, with mobile app and subscription programme launching this year.
- As a thought leader for digital commerce, ongoing innovation and platform enhancement is imperative to success. Through in house development of machine learning models, our ability to hyper personalise how we segment customers and tailor their site experience is constantly evolving. As a first party data collector across a broad set of sectors and locales, Ingenuity is uniquely positioned to deliver AI solutions to drive cost efficiencies, innovative

customer experience and incremental revenue opportunities including the use of Generative AI technology infused directly into the Ingenuity platform.

- The Group executed its plan of business simplification and operations streamlining with the full exit of both OnDemand and ProBikeKit for consideration of c.£4 million.

#### **Outlook and guidance**

- Overall sales trends, are gradually improving into the second half, with Q3 continuing revenue anticipated to be marginally ahead of Q2, with a notable step-on in THG Beauty and THG Ingenuity.
- Seeing the benefit of decisive management actions to prioritise profitable sales, and expect continuing revenue performance for the full year of 0% to -5%.
- The Board reiterates its expectation of FY 2023 Group Adjusted EBITDA in line with the company consensus (as dated 29.06.23 and available at [Analyst Consensus - The Hut Group \(THG\)](#)).
- Positive free cash generation expected in H2, resulting in free cash flow breakeven for FY 2023.
- For FY 2024, operational leverage, incremental cost efficiencies and commodity price improvements will support further margin recovery, underpinning the path to positive free cash flow.
- All other guidance remains unchanged.

#### **Analyst and investor conference call**

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

To register for the webcast, please use the below link:

<https://stream.brmedia.co.uk/broadcast/64da2315aa74fc619cf74a1e>

To ask questions, you must dial in via conference line using the below details:

- Confirmation password: THG Half year Results
- UK dial in: +44 (0) 33 0551 0200
- US dial in: +1 786 697 3501

A playback of the presentation will be available on THG's investor website at [www.thg.com/investor-relations](http://www.thg.com/investor-relations) later today.

#### **For further information please contact:**

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**ENDS**

#### **Notes to editors**

THG is a vertically integrated, digital-first consumer brands group, retailing its own brands in beauty and nutrition, plus third-party brands, via its complete digital commerce solution, Ingenuity, to an online and global customer base. THG's business is operated through the following divisions:

THG Beauty: A digital-first brand owner, retailer and manufacturer in the prestige beauty market, with a portfolio of own-brands across skincare, haircare and cosmetics. Through its retail websites, including Lookfantastic, Dermstore, Cult Beauty and the beauty subscription box brand GLOSSYBOX, it is a route to market globally for over 1,300 third-party premium brands. THG Beauty also operates prestige spa and experience venues, in addition to luxury clothing and homeware D2C sites.

THG Nutrition: A group of digital-first Nutrition brands, which includes the world's largest online sports nutrition brand Myprotein and its family of brands (Myvegan, Myvitamins, MP Activewear and MyPRO), with a vertically-integrated business model supported by global THG production facilities.

THG Ingenuity: Ingenuity provides a complete digital commerce solution for consumer brand owners across its three pillars of technology, digital marketing and operations. Being part of the THG group, Ingenuity is uniquely placed to bring relevant, practical and international expertise in every area of commerce.

#### Cautionary Statement

Certain statements included within this announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words and words of similar meaning as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "intends", "plans", "potential", "targets", "goal" or "estimates". By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the Company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this announcement reflect the knowledge and information available at the time of its preparation.

## THG PLC

### Interim results for the half-year ending 30 June 2023

#### Chief Financial Officer Review

We have made good progress in the first half of 2023 delivering improved profitability (EBITDA) supported by our programme of cost savings and strong cash control. These included the disposal of loss-making categories, following the successful execution of our strategic review. Rationalisation of capex alongside improved working capital and lower cash adjusting items have resulted in a free cash outflow of £20.6m for the 12 months to 30 June 2023 (vs. £271.5m outflow in H1 2022), which is ahead of both management expectations and previous market guidance.

Operating loss increased to £99.5m (vs H1 2022: £89.2m), this was a result of positive management actions taken in the period being the disposal of non-core assets and loss-making discontinued categories which generated a £26.2m one-off charge.

#### CONSOLIDATED INCOME STATEMENT

##### ALTERNATIVE PERFORMANCE MEASURES <sup>[13]</sup>

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Movement
Adjusted gross profit	424,157	452,881	
Gross margin % (adjusted)	43.8%	42.4%	+140bps
Adjusted distribution costs	(143,713)	(174,187)	
As a % of revenue	14.8%	16.3%	+150bps
Adjusted administrative costs	(233,349)	(246,375)	
As a % of revenue	24.1%	23.0%	-110bps
Adjusted EBITDA	47,095	32,319	
Adjusted EBITDA %	4.9%	3.0%	+190bps
EBITDA losses from discontinued categories	3,054	8,472	
Adjusted EBITDA before discontinued	50,149	40,791	

categories			
Adjusted EBITDA before discontinued categories %	5.3%	4.0%	+130bps

## STATUTORY RESULTS

	Six months ended 30 June 2023			Six months ended 30 June 2022 (restated)		
	Before Adjusted Items	Adjusted Items	Total	Before Adjusted Items	Adjusted Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	969,260	-	969,260	1,069,207	-	1,069,207
Cost of sales	(554,721)	(7,174)	(561,895)	(626,666)	-	(626,666)
Gross profit	414,539	(7,174)	407,365	442,541	-	442,541
Distribution costs	(152,504)	(3,715)	(156,219)	(186,495)	(13,418)	(199,913)
Administrative costs	(330,090)	(5,427)	(335,517)	(322,351)	(9,473)	(331,824)
Other operating expense	(15,081)	-	(15,081)	-	-	-
Operating loss	(83,136)	(16,316)	(99,452)	(66,305)	(22,891)	(89,196)

### Revenue

Group revenue decreased by 9.3% to £969.3m in the first half (H1 2022: £1,069.2m). This performance is a result of:

- A continuing uncertain macroeconomic environment;
- The Group exiting non-profitable categories and territories. Revenue generated from the discontinued categories has declined by £38.7m to £18.7m in H1 2023 compared to H1 2022;
- THG Beauty have consciously prioritised higher-margin sales leading to a decline in revenue where we have actively de-emphasised less-profitable markets;
- A one-time destocking across the beauty sector has led to a decline in revenue of THG Beauty manufacturing (reported within THG Beauty); and
- THG Ingenuity continues with its pre-announced strategic re-positioning which commenced in Q3 2022, focusing on higher value and higher margin clients which provide improved quality recurring revenue over the mid-long term. The short-term impact is a reduction in revenue as the re-positioning is executed.

THG Nutrition grew +2.6%, driven by the annualisation of prior year price increases in the first half.

Excluding the impact of the discontinued categories and THG Beauty manufacturing performance the decrease period-on-period would reduce to 4.8% which we view as a credible performance given the aforementioned pressures on the consumer as reflected in other online peers performances.

Whilst the effect of the above is a decline in revenue, the Group is pleased to report an improvement in both gross profit margin and Adjusted EBITDA metrics which, together with cash, have been a key management focus.

Detailed analysis is included within the segmental section later in this report.

### Gross profit

Adjusted gross profit was £424.2m (H1 2022: £452.9m) equating to an adjusted gross profit margin of 43.8% (H1 2022: 42.4%), an improvement of 140bps compared to H1 2022.

Gross profit on a statutory basis totalled £407.4m (H1 2022: £442.5m) also delivering an increased margin of 42.0% (H1 2022: 41.4%).

The cost environment in H1 has continued to be challenging with high levels of inflation. Despite this, an improved margin has been delivered from successful implementation of cost-reduction initiatives. In addition, the Group saw a substantially better margin within THG Nutrition, reflecting the partial unwind in the whey commodity price. In late 2021 and throughout 2022, THG chose to partially insulate the consumer from these increases as a long-term customer investment strategy.

In THG Beauty - online retail (principally Look Fantastic, Cult Beauty and Dermstore) saw gross margin expansion as a result of the de-prioritisation of lower margin sales and subtle tweaks to promotional strategy geographically.

### Operating expenses

Pleasingly distribution costs on a statutory basis further reduced as a percentage of sales by 260bps compared to H1 2022, culminating in a cost of £156.2m (H1 2022: £199.9m), which is 16.1% (H1 2022: 18.7%) of revenue. Statutory distribution costs include one off adjusted items of £3.7m, which has substantially reduced from the £13.4m reported in H1 2022.

As expected, in line with the reopening of air channels and the impacts of the pandemic lessening, the costs relating to incremental delivery fees in respect of Covid-19 have significantly decreased, totalling just £1.2m compared to £11.3m in H1 2022.

Adjusted distribution costs of £143.7m (H1 2022: £174.2m) were 14.8% (H1 2022: 16.3%) of revenue. This 150bps underlying improvement was driven by the Group's continued focus on network optimisation and the expanded usage of warehouse automation which have more than compensated for high levels of labour inflation in the market. This included the launch of the Group's second Autostore facility in North America in H1.

As a result of the Group's cost-reduction programme, a reduction in headcount of over 2,500 heads from the start of 2022 has been delivered through technology investment, automation and simplification of operations within its core divisions across THG Beauty, THG Nutrition and THG Ingenuity. This benefit continues to annualise throughout the year, benefitting both distribution costs and administrative costs.

Administrative costs on a statutory basis totalled £335.5m (H1 2022: £331.8m). A decrease from the reduction in the acquisitions - restructuring and integration costs of £5.7m, and the restructuring costs of the strategic review in H1 2023 of £1.9m was offset by the increase in the share based payment charge of £7.9m (H1 2022: £0.6m) and the one off non-cash loss on disposal of discontinued categories of £4.0m (H1 2022: £nil).

Adjusted administrative costs as a percentage of revenue totalled 24.1% of revenue (H1 2022: 23.0%).

Within administrative costs, the main increases have been seen within marketing due to intentional spend in certain areas and general inflation in paid channels. Greater app participation has partially mitigated rising marketing costs, with customers acquired at lower costs through this channel typically ordering more frequently, with higher AOVs due to regular engagement.

Other operating expense of £15.1m (H1 2022: £nil) relates to the loss on disposal of the planned sale of three non-core freehold assets in H1. These three disposals of assets no longer required by the Group generated cash proceeds of £52.0m.

#### **Adjusted EBITDA and Adjusted EBITDA (continuing)**

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
<b>Reconciliation from Operating loss to Adjusted EBITDA</b>		
<b>Operating loss</b>	<b>(99,452)</b>	<b>(89,196)</b>
Adjustments for:		
Amortisation	<b>35,832</b>	26,906
Amortisation of acquired intangibles	<b>25,503</b>	25,413
Depreciation	<b>45,927</b>	45,732
Adjusted items - cash	<b>5,192</b>	22,891
Adjusted items - non-cash loss on disposal of discontinued categories	<b>11,124</b>	-
Other operating expense - non-cash loss on disposal freehold assets	<b>15,081</b>	-
Share-based payments	<b>7,888</b>	573
<b>Adjusted EBITDA</b>	<b>47,095</b>	<b>32,319</b>
<i>Adjusted EBITDA %</i>	<i>4.9%</i>	<i>3.0%</i>
EBITDA loss from discontinued categories	3,054	8,472
<b>Adjusted EBITDA before discontinued categories</b>	<b>50,149</b>	<b>40,791</b>
<i>Adjusted EBITDA before discontinued categories %</i>	<i>5.3%</i>	<i>4.0%</i>

Adjusted EBITDA saw a strong improvement to £47.1m from £32.3m in H1 2022. This represents a margin of 4.9% (H1 2022: 3.0%), an improvement of 190bps, with the margin improvements delivered through the Group's cost-reduction programme and the exit of loss-making categories and territories.

This is an encouraging result against a tough macroeconomic backdrop with the cost base of the business fundamentally stronger and well positioned for operating leverage when consumer spending pressures abate.

#### **Discontinued categories**

On 17 January 2023, the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories within the THG OnDemand division. In July 2023, the trade and assets of THG OnDemand have been sold to a Newco led by the OnDemand management team. The Newco will continue to be a client of Ingenuity, with the provision of technology, operational and digital services.

In addition, specialist provider of cycling equipment 'ProBikeKit' was sold to Frasers Group PLC in Q2 2023. The combined consideration receivable through both transactions was c. £4 million.

The discontinued categories contributed £18.7m (H1 2022: £57.4m) of revenue and an adjusted EBITDA loss of £3.1m (H1 2022: loss of £8.5m).

We note the exit doesn't meet the criteria under IFRS 5: Discontinued operations, as these categories and territories are not a major component of the Group as defined by the accounting standard. However, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group these have been presented separately.

#### **Depreciation and amortisation**

Total depreciation and amortisation costs were £45.9m and £61.3m respectively (H1 2022: £45.7m and £52.3m). Included within amortisation is £25.5m relating to acquired intangibles (H1 2022: £25.4m).

Depreciation remained consistent as a result of the previous investment made across the network.

Amortisation increased following the continued investment in our proprietary technology platform during the period, as expected, more projects moved from work-in-progress to live in the period generating an increased amortisation charge. This investment is focused on the technology to support both internal and external customers and ensures that we continually enhance the functionality and capability of the platform.

#### **Operating loss**

Operating loss before adjusted items totals £83.1m (H1 2022: £66.3m). This loss was a result of the challenging macroeconomic environment combined with the above mentioned factors. The actions taken to exit loss-making categories and territories and a return to consumer spending are expected to reduce this loss position in the medium-term.

The Group incurred an operating loss in the period of £99.5m (H1 2022: £89.2m). This is primarily driven by one-off costs incurred during the first half, loss on disposal of loss-making discontinued categories totalling £11.1m (H1 2022: £nil) and share-based payment charges of £7.9m (H1 2022: £0.6m). In addition the other operating expense of £15.1m (H1 2022: £nil) relating to the non-cash loss on disposal following the sale of non-core freehold assets will not recur in future years.

#### **Finance costs net of finance income**

Finance costs net of finance income have increased to £33.6m (H1 2022: £19.0m) driven principally by higher interest rates, which have been caused by higher market rates and an increase in group leverage. Alongside drawing of the additional £156.0m facility in H2 2022 with no comparison in the previous half.

#### **Loss before tax and tax rate**

Reported loss before tax was £133.0m (H1 2022: £108.2m). The effective tax rate is -0.1% (H1 2022: 1.7%), based on a total tax charge of £0.1m (H1 2022: tax credit £1.8m). The effective tax rate differs from the average statutory rate of



23.5%. This is primarily due to a movement in deferred tax not recognised (-18.6%), and expenses not deductible (-5.1%). The non-deductible expenses principally comprise of the share-based payments charge and non-qualifying depreciation.

At 30 June 2023, the total net deferred tax liability is £71.7m (H1 2022: £70.7m). The deferred tax liability in respect of intangible assets recognised on consolidation was £142.4m (H1 2022: £141.6m). The deferred tax asset in respect of tax losses recognised was £51.5m (H1 2022: £54.8m). There were £74.4m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (H1 2022: £32.0m). This non-recognition has an impact on the income statement tax charge, and this is one of the primary reasons for the effective tax rate being below the statutory rate.

#### Earnings per share

Loss per share was (£0.10) per share (H1 2022: £(0.09) per share).

#### Cashflow

	H1 2023	LTM 2023	H1 2022
	£'000	£'000	£'000
<b>Adjusted EBITDA</b>	<b>47,095</b>	<b>78,890</b>	32,319
Working capital movements	(60,802)	120,043	(156,941)
Tax paid	(1,595)	(4,942)	(1,510)
Adjusted items	(5,282)	(23,060)	(27,293)
Net cash (used)/generated in operating activities	(20,584)	170,931	(153,425)
Purchase of property, plant and equipment	(28,758)	(76,966)	(46,646)
Purchase of intangible assets	(43,307)	(86,059)	(39,706)
Proceeds from sale of non-core freehold assets	52,000	52,000	-
Other	(38,084)	(80,517)	(31,698)
<b>Free cash flow</b> <sup>[14]</sup>	<b>(78,733)</b>	<b>(20,611)</b>	(271,475)
Acquisition of subsidiaries net of cash acquired	(2,504)	(8,504)	309
Proceeds from bank borrowings	-	156,000	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(81,237)</b>	<b>126,885</b>	(271,166)
Cash and cash equivalents at the beginning of the year	473,783	265,661	536,827
<b>Cash and cash equivalents at the end of the year</b>	<b>392,546</b>	<b>392,546</b>	265,661

Six month free cash flow totals an outflow of £78.7m (H1 2022: £271.5m) and £20.6m for the last twelve months (LTM). The AGM Trading statement released in June 2023 guided to a c£40m outflow for LTM, therefore we are pleased to report that we are ahead of this guidance by c£20m.

The total cash outflow for the period was £81.2m (H1 2022: £271.2m) with a cash inflow for the LTM of £126.9m reflecting the new senior secured facility that was drawn in October 2022.

There was a seasonal outflow from working capital movements totalling £60.8m (H1 2022: outflow £156.9m) primarily driven by a reduction of the group's payables, which typically relates to the peak trading period at the end of 2022. The key driver to this was general tighter working capital controls, particularly reducing stock holding with no impact on availability following a period of investment in the global fulfilment network roll out.

Total cash adjusting items has declined significantly to £5.3m from £27.3m in H1 2022. The loss on discontinued categories in H1 2023 is non-cash. The cash reduction has been driven by lower transportation, delivery and fulfilment cash costs in relation to Covid-19 from £11.3m to £1.2m with air channels reopening in Asia. Also acquisition costs decreased from £6.2m to less than £1m.

There has been a reduction in the cash spend on the purchase of property, plant and equipment in H1 2023, as the fitout of our current distribution network is largely complete. This investment continued to deliver efficiencies and a benefit reflected in lower distribution costs. Continued investment within intangible assets, mainly the Ingenuity platform continues at a similar rate to H1 2022 totalling £43.3m (H1 2022: £39.3m).

During H1 2023, management executed the planned sale of three non-core freehold assets that were no longer required by the Group. The sales proceeds generated a £52.0m cash inflow.

The Group ended the period with cash and cash equivalents of £392.5m (H1 2022: £265.7m, 31 December 2022: £473.8m).

#### Segmental Summary

##### Overview

H1 2023 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total	Discontinued categories	30 June 2023 Total
External revenue	538.7	340.7	71.2	-	-	950.6	18.7	969.3
Inter-segment revenue	-	-	248.8	-	(248.8)	-	-	-
<b>Total revenue</b>	<b>538.7</b>	<b>340.7</b>	<b>320.0</b>	<b>-</b>	<b>(248.8)</b>	<b>950.6</b>	<b>18.7</b>	<b>969.3</b>
<b>Adjusted EBITDA</b>	<b>10.6</b>	<b>47.1</b>	<b>3.4</b>	<b>(10.9)</b>	<b>-</b>	<b>50.1</b>	<b>(3.1)</b>	<b>47.1</b>
Adjusted EBITDA margin	2.0%	13.8%	1.0%	-	-	5.3%	-16.3%	4.9%

H1 2022 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total	Discontinued categories	30 June 2022 (restated) Total
External revenue	601.2	332.1	78.5	-	-	1,011.8	57.4	1,069.2



Inter-segment revenue	-	-	297.3	-	(297.3)	-	-	-
<b>Total revenue</b>	<b>601.2</b>	<b>332.1</b>	<b>375.9</b>	<b>-</b>	<b>(297.3)</b>	<b>1,011.8</b>	<b>57.4</b>	<b>1,069.2</b>
<b>Adjusted EBITDA</b>	<b>17.7</b>	<b>27.4</b>	<b>6.8</b>	<b>(11.2)</b>	<b>-</b>	<b>40.8</b>	<b>(8.5)</b>	<b>32.3</b>
Adjusted EBITDA margin	2.9%	8.2%	1.8%	-	-	4.0%	-14.8%	3.0%

### THG Beauty <sup>[16]</sup>

£m	H1 2023	H1 2022 (restated)	Change %
Revenue	538.7	601.2	-10.4%
Adjusted EBITDA	10.6	17.7	-40.4%
Margin %	2.0%	2.9%	-90bps
<i>Adjusted EBITDA excluding THG Beauty manufacturing</i>	<i>9.7</i>	<i>7.3</i>	<i>+32.1%</i>
<i>Margin excluding THG Beauty manufacturing</i>	<i>2.0%</i>	<i>1.4%</i>	<i>+60bps</i>

Mainly reflecting the change in strategy to reduce low-margin sales, THG Beauty sales declined 10.4% to £538.7m. THG Beauty delivered Adjusted EBITDA of £10.6m (H1 2022: £17.7m) with a margin of 2.0% (H1 2022: 2.9%), being a 90bps reduction on H1 2022. The reduction in margin is entirely driven by the lower sales within THG Beauty manufacturing, resulting from a one-time destocking across the Beauty industry. The Adjusted EBITDA in THG Beauty manufacturing has declined by £9.5m compared to H1 2022. Excluding this result, Adjusted EBITDA margin would have improved by 60bps. We expect this destocking activity to be short-term in nature, and anticipate a return to previously achieved margins in the medium-term.

Our prestige online retailing and THG owned-brands continue to perform strongly, despite the challenging backdrop, benefitting from the growth within the prestige beauty market alongside the continued trend of digital channel shift and THG Ingenuity platform services.

AOVs continue to increase totalling £62 per basket for 2023 (H1 2022: £61), arising from a focus on customer loyalty (with the launch of LF Beauty+) and continued investment to drive increased customer engagement in both third party and THG own brands.

### THG Nutrition

£m	H1 2023	H1 2022	Change %
Revenue	340.7	332.1	+2.6%
Adjusted EBITDA	47.1	27.4	+71.9%
Margin %	13.8%	8.2%	+560bps

THG Nutrition sales grew 2.6% in the period to £340.7m, driven by the annualisation of prior year price increases in the first half resulting from commodity inflation, despite THG partially insulating the consumer from some of this impact. AOVs totalled £50 (H1 2022: £48). Emerging regions of Australia and Middle East continue to be in double-digit growth.

THG Nutrition delivered an Adjusted EBITDA of £47.1m (H1 2022: £27.4m) with a margin of 13.8% (H1 2022: 8.2%), being a 560bps increase reflecting the unwind of a period of unusually high whey commodity prices which we expect to continue throughout 2023. The Group continues to invest in its customer proposition through partnerships and retail outlets and gyms as part of its demand generation strategy.

Adjusted EBITDA margin is marginally above the medium-term guidance level previously communicated.

### THG Ingenuity

£m	H1 2023	H1 2022	Change %
External revenue	71.2	78.5	-9.3%
Internal revenue	248.8	297.3	-16.3%
Total revenue	320.0	375.9	-14.9%
Adjusted EBITDA	3.4	6.8	-50.8%
Margin %	1.0%	1.8%	-80bps

THG Ingenuity revenue from external customers decreased by 9.3% to £71.2m (H1 2022: £78.5m). Strategic re-positioning commenced in Q3 2022, focusing on higher value and higher margin clients which provide improved quality

recurring revenue principally through, Software-as-a-Service licence fees, monthly brand building fees, infrastructure service fees, revenue share, translation and creative services.

Following an intentional phase of investment in headcount and expertise to deliver the re-positioned strategy, new enterprise client wins have been secured and onboarding is progressing. Due to this pivot in strategy, as expected, THG Ingenuity delivered an Adjusted EBITDA of £3.4m with a margin of 1.0% (H1 2022: £6.8m with a margin of 1.8%), being a 80bps reduction compared to the prior half. There continues to be a strategic exit of smaller accounts which will continue throughout 2023. As revenue scales and the revenue mix evolves towards the technology product offering we anticipate margins will increase towards the Groups 5-year aspirational target.

Internal revenue of £248.8m (H1 2022: £297.3m) relates to services provided to the wider THG Group including platform fees, customer services, fraud detection services, THG Studios, fulfilment, postage and marketing services. This revenue is eliminated on consolidation. Internal revenue declined due to the wider Group exiting loss-making categories and territories along with lower group-wide sales, this in turn generated lower volumes for THG Ingenuity.

#### **Central costs**

<b>£m</b>	<b>H1 2023</b>	H1 2022	Change %
EBITDA loss from central costs	(10.9)	(11.2)	+2.6%

Central costs relate primarily to the PLC Board remuneration, professional services fees, group finance, M&A, risk (insurance) and governance costs that are not recharged to the divisions as they principally relate to the operations of the PLC holding company. The costs reduced vs H1 2022 as the Group cost saving initiatives continue to flow into the results, more than offsetting increased investment in governance through new Board appointments and record high levels of macro-inflation in the economy.

#### **Discontinued categories**

<b>£m</b>	<b>H1 2023</b>	H1 2022	Change %
Revenue discontinued	18.7	57.4	-67.4%
Adjusted EBITDA from discontinued categories	(3.1)	(8.5)	+63.9%
Margin %	-16.3%	-14.8%	-150bps

At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. On 17 January 2023, the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories within the THG OnDemand division. In July 2023, the trade and assets of THG OnDemand have been sold to a Newco led by the OnDemand management team. The Newco will continue to be a client of Ingenuity, with the provision of technology, operational and digital services.

In addition, specialist provider of cycling equipment 'ProBikeKit' was sold to Frasers Group PLC in Q2 2023. The combined consideration receivable through both transactions is c. £4 million, with the majority relating to OnDemand sale in July 2023 therefore not included within the H1 2023 cash at 30 June 2023.

The exit doesn't meet the criteria under IFRS 5: Discontinued operations, as these categories and territories are not a major component of the Group as defined by the accounting standard. However, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group these have been presented separately. The discontinued categories contributed £18.7m of revenue and an Adjusted EBITDA loss of £3.1m in H1 2023.

#### **Adjusted items**

In order to understand the underlying performance of the Group, certain costs included within cost of sales, distribution, administrative and finance costs have been classified as adjusted items. All material classes of adjusted items reduced period-on-period.

The largest cost included within adjusted items is the non-cash loss on discontinued categories £11.1m in respect of the exit of discontinued categories.

	Six months ended 30 June 2023	Six months ended 30 June 2022
	£'000	£'000
<b>Within Cost of sales</b>		
Non-cash loss on disposal of discontinued categories	7,174	-
	<b>7,174</b>	-
<b>Within Distribution costs</b>		
Transportation, delivery and fulfilment costs in relation to Covid-19	1,228	11,332
Commissioning - new facilities	1,431	2,086
Decommissioning legacy facilities in relation to acquisitions	1,056	-
	<b>3,715</b>	13,418
<b>Within Administrative costs</b>		
Non-cash loss on disposal of discontinued categories	3,950	-
Acquisitions - restructuring and integration	454	6,169
Restructuring costs	1,023	2,943
Donations	-	361
	<b>5,427</b>	9,473
<b>Total adjusted items before finance costs</b>	<b>16,316</b>	22,891
<b>Within Finance costs</b>		
Non-cash SoftBank option	-	(601)
Total adjusted items before tax	<b>16,316</b>	22,290
Tax impact	<b>(1,220)</b>	(3,797)
<b>Total adjusted items</b>	<b>15,096</b>	18,493
<b>Cash adjusting items before tax</b> <a href="#">[17]</a>	<b>5,192</b>	22,891

For full details on each category of adjusted item see note 3 to the financial statements.

## Balance sheet

### Cash and cash equivalents and net cash before lease liabilities

	30 June 2023	30 June 2022	31 December 2022
	£'000	£'000	£'000
Loans and other borrowings	(671,884)	(502,099)	(679,189)
Lease liabilities	(321,312)	(363,805)	(334,376)
Cash and cash equivalents	392,546	265,661	473,783
<b>Sub-total</b>	<b>(600,650)</b>	<b>(600,243)</b>	<b>(539,782)</b>
<b>Adjustments:</b>			
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	11,074	10,871	24,782
<b>Net debt</b>	<b>(589,576)</b>	<b>(589,372)</b>	<b>(515,000)</b>
<b>Net debt before lease liabilities</b>	<b>(268,264)</b>	<b>(225,567)</b>	<b>(180,624)</b>

The Group's balance sheet remains robust closing the period with cash balances of £392.5m, £126.8m up on H1 2022 (H1 2022: £265.7m). The €600m Term Loan B matures in December 2026 and the incremental £156m facility matures in Q4 2025. The Group revolving credit facility of £170m remains undrawn and has not been drawn post IPO.

Net debt before lease liabilities and adjusted for the impact of hedging was £268.3m (H1 2022: £225.6m, 31 December 2022: £180.6m).

The increase in net debt period-on-period is driven by seasonal working capital cash outflow of £60.8m and the net cash investment in property, plant and equipment, leases and intangible assets in the period totalling £72.1m less proceeds of £52.0m. With free cash outflow of (£20.6m) in the last 12 months.

## Non-current assets

Property, plant and equipment totalled £298.6m (H1 2022: £359.3m, 31 December 2022: £360.0m). Intangible assets totalled £1,224.9m (H1 2022: £1,557.3m, 31 December 2022: £1,275.8m). The movement in the period was driven by continued investment in the THG Ingenuity platform following new client wins within Ingenuity Commerce and continued investment in the Group's global warehouse expansion programme which is now nearing completion. These were offset by the sale of the non-core freehold assets along with depreciation and amortisation charges incurred.

### Going concern

The Group remains in a strong cash position with cash and cash equivalents totalling £392.5m (H1 2022: £265.7m). As noted above, this is ahead of previous management guidance with a free cash outflow of only £20.6m in the 12 months ended 30 June 2023. Net debt before lease liabilities at this date totalled £268.3m (H1 2022: £225.6m). At 30 June 2023, the Group had a total of £170m in undrawn facilities.

In making their assessment of going concern, the Directors reviewed financial projections until 30 September 2024. Stress test scenarios were modelled to take into account severe but plausible impacts of a combination of the principal risks occurring simultaneously, as well as a reverse stress test.

In response to the ongoing uncertainty in the macroeconomic market, high inflation and global recessions, Management modelled stress tests across multiple scenarios. These included adjusting for a reduction in revenue across all divisions, impacting both direct to consumer and business to business markets, along with an increase in cost base across key inputs, with the focus being on commodity prices. The results of stress testing demonstrated that the combination of mitigating actions available including existing cash resources, level of discretionary spend, working capital optimisation and ability to utilise the RCF were sufficient for the Group to withstand such impacts.

A reverse stress test was modelled to identify the point at which liquidity is exhausted. The model would have to see a significant decline in revenue and margins compared with the stress test set out above. Such a scenario, and the sequence of events which could lead to it, is considered to be remote.

For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

### Responsibility statement of the directors in respect of the condensed interim financial statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements for the half year ended 30 June 2023 has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:
  - o DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the 2023 financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - o DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**Matthew Moulding**  
**Chief Executive Officer**  
**13 September 2023**

**Damian Sanders**  
**Chief Financial Officer**  
**13 September 2023**

### Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2023

		30 June 2023	30 June 2022 (Restated <a href="#">[18]</a> )
	Note	£'000	£'000
Revenue	2	969,260	1,069,207

Cost of sales		(561,895)	(626,666)
<b>Gross profit</b>		<b>407,365</b>	<b>442,541</b>
Distribution costs		(156,219)	(199,913)
Administrative costs		(335,517)	(331,824)
Other operating expense	6	(15,081)	-
<b>Operating loss</b>		<b>(99,452)</b>	<b>(89,196)</b>
Finance income		5,476	792
Finance costs		(39,040)	(19,782)
<b>Loss before taxation</b>		<b>(133,016)</b>	<b>(108,186)</b>
Income tax (charge)/credit	4	(67)	1,835
<b>Loss for the financial period</b>		<b>(133,083)</b>	<b>(106,351)</b>
<b>Other comprehensive expense:</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(26,687)	76,201
Net gain on cash flow hedges		6,704	10,399
<b>Total comprehensive expense for the financial period</b>		<b>(153,066)</b>	<b>(19,751)</b>
<b>Loss per share (£'s)</b>			
Basic		(0.10)	(0.09)
Diluted		(0.10)	(0.09)

**Earnings before interest, taxation, depreciation, amortisation, impairment, adjusted items and share-based payment charges (Adjusted EBITDA)**

		30 June 2023	30 June 2022
	Notes	£'000	£'000
<b>Operating loss</b>		<b>(99,452)</b>	<b>(89,196)</b>
Adjustments for:			
Amortisation	6	35,832	26,906
Amortisation of acquired intangibles	6	25,503	25,413
Depreciation	6	45,927	45,732
Adjusted items - cash	3	5,192	22,891
Adjusted items - non-cash loss on disposal of discontinued categories	3	11,124	-
Other operating expenses -non-cash loss on disposal of freehold assets	6	15,081	-
Share-based payments	5	7,888	573
<b>Adjusted EBITDA</b>		<b>47,095</b>	<b>32,319</b>

**Interim condensed consolidated statement of financial position as at 30 June 2023**

		30 June 2023	30 June 2022	31 December 2022 Audited
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				
Intangible assets	6	1,224,914	1,557,266	1,275,762
Property, plant and equipment	6	298,582	359,257	360,041
Right-of-use assets	6	281,443	319,799	294,309
Investments		1,400	1,400	1,400
Other non-current financial assets		17,988	-	21,567
		<b>1,824,327</b>	<b>2,237,722</b>	<b>1,953,079</b>
<b>Current assets</b>				
Assets held for sale	6.1	1,100	-	21,397
Inventories		328,983	456,443	373,271
Trade and other receivables		267,313	267,508	264,949
Other financial assets		5,222	14,451	301
Current tax asset		-	-	2,377
Cash and cash equivalents	7	392,546	265,661	473,783
		<b>995,164</b>	<b>1,004,063</b>	<b>1,136,078</b>
<b>Total assets</b>		<b>2,819,491</b>	<b>3,241,785</b>	<b>3,089,157</b>
<b>Equity</b>				
Ordinary shares		7,072	6,808	6,903

Share premium		2,024,824	2,023,081	2,024,452
Merger reserve		615	615	615
Capital redemption reserve		523	523	523
Hedging reserve		(3,771)	(5,715)	(6,221)
Cost of hedging reserve		20,958	16,844	16,704
FX Reserve		35,172	75,107	61,859
Retained earnings		(927,221)	(379,782)	(803,096)
		<b>1,158,172</b>	<b>1,737,481</b>	<b>1,301,739</b>
<b>Non-current liabilities</b>				
Borrowings		631,789	500,753	648,197
Other financial liabilities		-	-	4,189
Lease liabilities		275,942	316,681	290,381
Provisions	9	18,087	16,772	18,840
Deferred tax		71,692	70,695	76,598
		<b>997,510</b>	<b>904,901</b>	<b>1,038,205</b>
<b>Current liabilities</b>				
Contract liability		25,808	39,314	34,256
Trade and other payables		531,775	493,338	636,440
Borrowings		40,095	1,346	30,992
Current tax liability		1,952	5,573	-
Lease liabilities		45,370	47,124	43,995
Other financial liabilities		15,974	10,008	-
Provisions	9	2,835	2,700	3,530
		<b>663,809</b>	<b>599,403</b>	<b>749,213</b>
<b>Total liabilities</b>		<b>1,661,319</b>	<b>1,504,304</b>	<b>1,787,418</b>
<b>Total equity and liabilities</b>				
		<b>2,819,491</b>	<b>3,241,785</b>	<b>3,089,157</b>

#### Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2023

	Ordinary shares	Share premium	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
<b>Balance at 1 January 2023</b>	<b>6,903</b>	<b>2,024,452</b>	<b>615</b>	<b>523</b>	<b>61,859</b>	<b>(6,221)</b>	<b>16,704</b>	<b>(803,096)</b>	<b>1,301,739</b>
Loss for the period	-	-	-	-	-	-	-	(133,083)	(133,083)
<b>Other comprehensive expense:</b>									
Impact of foreign exchange	-	-	-	-	(26,687)	-	-	-	(26,687)
Movement on hedging instruments	-	-	-	-	-	2,450	4,254	-	6,704
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,687)</b>	<b>2,450</b>	<b>4,254</b>	<b>(133,083)</b>	<b>(153,006)</b>
Issue of ordinary share capital	169	372	-	-	-	-	-	-	541
Share-based payments	-	-	-	-	-	-	-	7,888	7,888
Deferred tax effect in equity	-	-	-	-	-	-	-	1,070	1,070
<b>Balance at 30 June 2023</b>	<b>7,072</b>	<b>2,024,824</b>	<b>615</b>	<b>523</b>	<b>35,172</b>	<b>(3,771)</b>	<b>20,958</b>	<b>(927,221)</b>	<b>1,158,172</b>
<b>Balance at 1 January 2022</b>	<b>6,684</b>	<b>2,022,311</b>	<b>615</b>	<b>523</b>	<b>(1,094)</b>	<b>(12,964)</b>	<b>13,694</b>	<b>(274,015)</b>	<b>1,755,754</b>
Loss for the period	-	-	-	-	-	-	-	(106,351)	(106,351)
<b>Other comprehensive expense:</b>									
Impact of foreign exchange	-	-	-	-	76,201	-	-	-	76,201
Movement on hedging instruments	-	-	-	-	-	7,249	3,150	-	10,399
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,201</b>	<b>7,249</b>	<b>3,150</b>	<b>(106,351)</b>	<b>(19,751)</b>
Issue of ordinary share capital	124	770	-	-	-	-	-	-	894
Deferred tax effect in equity	-	-	-	-	-	-	-	11	11
Share-based payments	-	-	-	-	-	-	-	573	573
<b>Balance at 30 June 2022</b>	<b>6,808</b>	<b>2,023,081</b>	<b>615</b>	<b>523</b>	<b>75,107</b>	<b>(5,715)</b>	<b>16,844</b>	<b>(379,782)</b>	<b>1,737,481</b>

## Interim condensed consolidated statement of cash flows for the six months ended 30 June 2023

		30 June 2023	30 June 2022
	Note	£'000	£'000
<b>Cash flows from operating activities before adjusted cash flows</b>			
Cash used in operations	8	(13,707)	(124,622)
Income tax paid		(1,595)	(1,510)
<b>Net cash used in operating activities before adjusted cash flows</b>		<b>(15,302)</b>	<b>(126,132)</b>
Cash flows relating to adjusted items		(5,282)	(27,293)
<b>Net cash used in operating activities</b>		<b>(20,584)</b>	<b>(153,425)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries net of cash acquired		(2,504)	309
Purchase of property, plant and equipment		(28,758)	(46,646)
Proceeds from sale of property, plant and equipment		52,000	-
Purchase of intangible assets		(43,307)	(39,706)
Interest received		5,476	792
<b>Net cash used in investing activities</b>		<b>(17,093)</b>	<b>(85,251)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares net of fees		-	(18)
Interest paid		(18,385)	(9,183)
Repayment of lease liabilities		(25,175)	(23,289)
<b>Net cash flow used in from financing activities</b>		<b>(43,560)</b>	<b>(32,490)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(81,237)</b>	<b>(271,166)</b>
Cash and cash equivalents at the beginning of the period		473,783	536,827
<b>Cash and cash equivalents at the end of the period</b>		<b>392,546</b>	<b>265,661</b>

### Notes to the interim condensed 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 Icon 1 7-9, Sunbank Lane, Ringway Altrincham, Manchester, WA15 0AF. 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 interim condensed consolidated financial statements of the Group for the six months ending 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 13 September 2023.

The annual financial statements for the year ended 31 December 2023 of the Group will be prepared in accordance with UK adopted IFRSs.

##### b. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial



statements for the year ended 31 December 2022. As disclosed in note 1a, the annual financial statements of the Group will be prepared in accordance with UK adopted IFRSs.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The IASB has adopted amendments exempting entities from accounting for deferred taxes arising from Pillar Two legislation and these have now been endorsed by the UK Endorsement Board (UKEB). THG PLC will apply the mandatory temporary exception from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Pillar Two rules are expected to apply from January 2024, at which time THG PLC is expected to fall within scope. To date, THG PLC does not materially operate in low tax jurisdictions and will continue to monitor application of the rules and the potential impact on the Group.

Total H1 2022 revenue has been restated by £7.6m being a reclassification correction which had overstated revenue and cost of sales. This relates only to the THG Beauty segment. The position reflects the full year reported revenue figure to 31 December 2022. Refer to note 2, segmental reporting and revenue.

#### *Going concern*

The Group remains in a strong cash position with cash and cash equivalents totalling £392.5m (H1 2022: £265.7m, 31 December 2022 £473.8m). Net debt before lease liabilities at this date totalled £268.3m (H1 2022: net debt before lease liabilities £225.6m, 31 December 2022: £180.6m). At 30 June 2023, the Group had a total of £170m in undrawn facilities.

In making their assessment of going concern, the Directors reviewed financial projections until 30 September 2024. Stress test scenarios were modelled to take into account severe but plausible impacts of a combination of the principal risks occurring including reducing divisional sales and gross profit margins to levels significantly below historic actuals and current budgets. A reverse stress test was also separately modelled. The results of stress testing demonstrated that the combination of mitigating actions available including existing cash resources, level of discretionary spend and ability to utilise the RCF were sufficient for the Group to withstand such impacts. For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

#### **c. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

## **2. Segmental reporting and revenue**

The Group's activities were divided into the following segments: THG Beauty, THG Nutrition, THG Ingenuity, Discontinued categories (primarily THG OnDemand) and Central PLC costs.

The results of each division are reported to the Board of Directors and are treated as reportable operating segments. The following table describes the main activities for each reportable operating segment:

<b>Segment</b>	<b>Activities</b>
THG Beauty	A digital-first brand owner, retailer and manufacturer in the prestige beauty market, with a portfolio of own-brands across skincare, haircare and cosmetics. Through its retail websites, including Lookfantastic, Dermstore, Cult Beauty and the beauty subscription box



Amortisation	(52,319)
Share-based payments	(573)
Adjusted items	(22,891)
<b>Operating loss</b>	<b>(89,196)</b>
Finance income	792
Finance costs	(19,782)
<b>Loss before taxation</b>	<b>(108,186)</b>

Below is an analysis of revenue by region (by destination):

	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)
	£'000	£'000
UK	429,714	457,931
USA	183,209	211,507
Europe	207,748	216,432
Rest of the world	148,589	183,337
	<b>969,260</b>	<b>1,069,207</b>

Below is an analysis of revenue before discontinued categories by region (by destination):

	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)
	£'000	£'000
UK	418,536	435,808
USA	180,045	187,578
Europe	205,983	207,107
Rest of the world	145,986	171,311
	<b>950,550</b>	<b>1,011,804</b>

### 3. Adjusted items

	Six months ended 30 June 2023	Six months ended 30 June 2022
	£'000	£'000
<b>Within Cost of sales</b>		
Non-cash loss on disposal of discontinued and loss making categories following strategic review	7,174	-
	<b>7,174</b>	<b>-</b>
<b>Within Distribution costs</b>		
Transportation, delivery and fulfilment costs in relation to Covid-19	1,228	11,332
Commissioning - new facilities	1,431	2,086
Decommissioning	1,056	-
	<b>3,715</b>	<b>13,418</b>
<b>Within Administrative costs</b>		
Non-cash loss on disposal of discontinued and loss making categories following strategic review	3,950	-
Acquisitions - restructuring and integration	454	6,169
Restructuring	1,023	2,943
Donations	-	361
	<b>5,427</b>	<b>9,473</b>
<b>Total adjusted items before finance costs</b>	<b>16,316</b>	<b>22,891</b>
<b>Within Finance costs</b>		
Non-cash - revaluation of SBM option	-	(601)
	-	(601)
<b>Total adjusted items before tax</b>	<b>16,316</b>	<b>22,290</b>
Tax impact	(1,220)	(3,797)

<b>Total adjusted items</b>	<b>15,096</b>	18,493
<b>Cash adjusting items before tax</b> <sup>[21]</sup>	<b>5,192</b>	22,891

#### *Non-cash loss on disposal of discontinued and loss-making categories following strategic review*

On 17 January 2023 the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories primarily within the THG OnDemand division. Post period end, in July 2023, the trade and assets of THG OnDemand have been sold to a Newco led by the existing OnDemand management team. The Newco will continue to be a client of THG Ingenuity, with the provision of technology, operational and digital services.

The assets sold include property, plant and equipment and inventories. The carrying value at 30 June 2023 has been written down to the consideration value. This has led to a loss on disposal being recognised. This is a one-off, non-cash loss to enable the exit of a loss making area of the business.

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

The Group was severely impacted by high surcharges from suppliers in respect of routes travelling through and into Asia during the covid-19 pandemic and extended lockdown periods. However, this impact lessened in H2 2022, with costs reducing further throughout H1 2023. It is expected that this trend will continue in H2 2023 as prices normalise back to pre-covid levels.

#### *Commissioning - new facilities*

Consistent with strategic priorities which include warehouse optimisation, the Group has continued its commissioning of the campus at Manchester Airport, UK ("Icon") and New Jersey, US. Both warehouses are now operational, although further automation continues to be implemented in both sites to further efficiency gains. The majority of the costs incurred during the period relate to the Autostore automation of the New Jersey warehouse and the transfer of stock to this facility. The programme is expected to be completed in H2 2023.

#### *Decommissioning*

As part of the strategic review the Group has consolidated acquired warehouses into the existing THG network. The costs that have been incurred as part of this process, include:

- Those incurred to relocate the stock across the fulfilment network.
- Contractual costs borne in existing leased premises.
- Restructuring costs associated with the dual running of facilities, severance payments and other third party costs such as rent and utilities.

All costs recognised within adjusted items are from the point of management's decision to exit the acquired warehouse. The costs associated with the decommissioning of these warehouses are considered to be one-off costs and are incremental to the ongoing trading of the group.

#### *Acquisitions - restructuring and integration*

The costs relate to the dual running of warehouse facilities of businesses acquired in 2021. The size and nature of acquisitions and the complexity of the integration plan has led to costs being incurred over an extended post-acquisition period. It is expected that the costs will continue to reduce through H2 2023.

#### *Restructuring*

Costs within restructuring are those incurred in executing and embedding the Group's simplification project which was previously announced as part of the strategic review. This review is expected to complete by the end of 2023.

#### *Donations and Non-cash revaluation of SBM option*

In H1 2022 donations totalled £0.4m and Non-cash revaluation of SBM option (£0.6m). These items did not recur in H1 2023.

#### **4. Income tax**

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

	<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
	<b>£'000</b>	£'000
<b>Current tax</b>		
Tax charge for the period	<b>6,137</b>	4,591
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(6,070)</b>	(6,426)
<b>Total income tax charge/(credit)</b>	<b>67</b>	(1,835)

#### **5. Share-based payments**

The Group operates a share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Company. A total of 43,352,699 shares were issued in the 12 months to 31 December 2022 across two schemes. On 27 January 2023 a total of 35,072,376 options were granted in relation to these schemes. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in the Statement of Comprehensive Income with the corresponding increase to equity. All awards vest in three equal tranches, with the first being 31 December following the date of grant. The second and third tranches for each separate grant will vest on 31 December in the following two years respectively. Of the 60,353,486 shares held at 30 June 2023, 58,970,270 will vest based on continuous employment with 1,383,216 of the shares only vesting if targets linked ESG (Environmental, Social and Governance) matters are met.

<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
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	£'000	£'000
Expense arising from equity-settled share-based payment transactions	7,888	573

The following table shows the shares granted and outstanding at the beginning of the year and at half-year:

	2023
	Number of shares
As at 1 January	29,248,600
Granted during the year	35,072,376
Exercised during the year	(1,522,592)
Forfeited during the year	(2,444,898)
As at 30 June	60,353,486

## 6. Non-current assets

	Intangible assets £'000	Property, plant and equipment £'000	Right-of-use asset £'000
1 January 2023	1,275,760	360,041	294,309
Additions	43,308	15,933	5,942
Disposals	(25)	(46,729)	-
Non-cash loss on disposal of discontinued categories (note 3)	-	(2,312)	-
Depreciation / Amortisation	(61,335)	(26,201)	(19,726)
Transfer to assets held for sale	-	(1,100)	-
Currency translation differences	(32,794)	(1,050)	918
<b>30 June 2023</b>	<b>1,224,914</b>	<b>298,582</b>	<b>281,443</b>

	Intangible assets £'000	Property, plant and equipment £'000	Right-of-use asset £'000
1 January 2022	1,506,292	335,620	310,282
Additions	39,257	44,008	23,671
Business combinations	1,649	-	-
Disposals	-	(3)	-
Depreciation / Amortisation	(52,319)	(24,402)	(21,330)
Currency translation differences	62,387	4,034	7,176
<b>30 June 2022</b>	<b>1,557,266</b>	<b>359,257</b>	<b>319,799</b>

Disposals to property, plant and equipment include the sale of non-core freehold assets which were not consummate to the Group's strategic priorities and resulting in a non-recurring and non-cash loss on disposal of £15.1m.

IAS 36 states that an entity is required to assess at each reporting date whether there are any indications of impairment, with an impairment test itself being carried out if there are such indications. Goodwill and indefinite life assets are also required to be tested annually for impairment. The Group's impairment review is undertaken annually in Q4. In assessing whether there are impairment triggers at the reporting date, management has taken into account economic performance including macroeconomic factors that have impacted the markets in which the Group operates. Whilst there has been a decline in overall revenues, this is largely due to the impact of business discontinuation which was initiated as part of the strategic review. Despite this gross profit margin, adjusted EBITDA metrics and cash have seen substantial improvement since on 31 December 2022. As such, management has concluded that there are no impairment triggers at 30 June 2023.

## 6.1 Assets held for sale

In July 2023, the sale of trade and assets of THG OnDemand was completed (note 11). In accordance with IFRS 5: Non-current assets held for sale and discontinued operations, where relevant, assets were classified as held for sale on the Group statement of financial position at 30 June 2023. Immediately before the classification as an asset for sale, the recoverable value was estimated and an impairment loss of £2.3m was recognised to reduce the carrying amount of the assets to their recoverable value. This was recognised within administrative costs as an adjusted item (note 3) - non-cash loss on disposal of discontinued and loss making categories following strategic review as this was a one-off charge outside the normal course of business.

## 7. Financial assets and liabilities

	30 June 2023	30 June 2022	31 December 2022
	£'000	£'000	£'000
<b>Assets as per balance sheet - financial assets</b>			
Trade and other receivables excluding non-financial assets	139,213	160,717	162,835
Cash and cash equivalents	392,546	265,661	473,783
Investments	1,400	1,400	1,400
<b>Assets as per balance sheet - held at fair value through OCI</b>			
Derivative financial instruments designated as hedging instruments	22,910	14,151	21,567
Derivative financial instruments held at fair value through profit and loss	300	300	301
	<b>556,369</b>	<b>442,229</b>	<b>659,886</b>
<b>Liabilities as per balance sheet - other financial liabilities at amortised cost</b>			
Bank borrowings	671,884	502,099	679,189
Lease liabilities	321,312	363,805	334,376
Trade and other payables excluding non-financial liabilities	461,115	457,824	574,994
<b>Liabilities as per balance sheet - other financial liabilities at fair value</b>			
Derivative financial instruments designated as hedging instruments	15,974	10,008	4,189
	<b>1,470,285</b>	<b>1,333,736</b>	<b>1,592,748</b>
<b>Derivative financial instruments designated as hedging instruments</b>			
FX forwards hedging foreign exchange risk on borrowings	(15,974)	(10,008)	(3,377)
Interest rate swaps	17,988	12,001	21,567
FX forwards hedging foreign exchange risk on highly probable future cash flows	4,921	2,150	(812)
	<b>6,935</b>	<b>4,143</b>	<b>17,378</b>

- Financial instruments included within current assets and liabilities, excluding borrowings, are generally short-term in nature and accordingly their fair values approximate to their book values. Bank borrowings are initially recorded at fair value net of direct issue costs.
- The derivative financial instruments designated as hedging instruments have been recognised at fair value through Other Comprehensive Income. Hedging instruments are valued based on significant observable inputs and have been classified at Level 2 hierarchy level in line with IFRS 13 Fair Value Measurement.

Net debt consists of loans and lease liabilities, less cash and cash equivalents. For the purposes of the Group's net debt calculation, loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net cash is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below:

	<b>30 June 2023</b>	30 June 2022	31 December 2022
	<b>£'000</b>	£'000	£'000
Loans and other borrowings	<b>(671,884)</b>	<b>(502,099)</b>	(679,189)
Lease liabilities	<b>(321,312)</b>	<b>(363,805)</b>	(334,376)
Cash and cash equivalents	<b>392,546</b>	<b>265,661</b>	473,783
<b>Sub-total</b>	<b>(600,650)</b>	<b>(600,243)</b>	(539,782)
Adjustments:			
Retranslate debt balance at swap rate where hedged by FX derivatives	<b>11,074</b>	<b>10,871</b>	24,782
<b>Net debt</b>	<b>(589,576)</b>	<b>(589,372)</b>	(515,000)
<b>Net debt before lease liabilities</b>	<b>(268,264)</b>	<b>(225,567)</b>	(180,624)

## 8. Cash flow generated from operations

		<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
	Note	<b>£'000</b>	£'000
<b>Loss before taxation</b>		<b>(133,016)</b>	(108,186)
Adjustments for:			
Depreciation	6	<b>45,927</b>	45,732
Amortisation	6	<b>35,832</b>	26,906
Amortisation - acquired intangibles	6	<b>25,503</b>	25,413
Share-based payment	5	<b>7,888</b>	573
Adjusted items	3	<b>16,316</b>	22,290
Other operating expense	6	<b>15,081</b>	-
Net finance costs		<b>33,564</b>	19,591
<b>Operating cash flow before adjusted items and before movements in working capital and provisions</b>		<b>47,095</b>	32,319
Decrease in inventories		<b>33,188</b>	20,808
(Increase) / decrease in trade and other receivables		<b>(5,497)</b>	1,224
Decrease in trade and other payables		<b>(86,780)</b>	(180,341)
(Decrease) / increase in provisions		<b>(1,448)</b>	131
Foreign exchange (loss) / gain		<b>(265)</b>	1,237
<b>Cash used in operations before adjusted items</b>		<b>(13,707)</b>	(124,622)

## 9. Provisions

	<b>Dilapidations £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 January 2023	20,805	1,565	22,370
Utilisation	(380)	(525)	(905)
Released	(333)	-	(333)
Discount unwind	103	-	103
FX on translation	(313)	-	(313)
<b>At 30 June 2023</b>	<b>19,882</b>	<b>1,040</b>	<b>20,922</b>
Current	2,076	759	2,835
Non-current	17,806	281	18,087



Dilapidations provisions relate to leased properties. Dilapidations provisions are made based on the best estimate of the likely committed cash outflow and discounted to net present value. Future costs are expected to be incurred over the term of the existing lease arrangements at the reporting date, which is a period of up to 25 years.

Other provisions relate to onerous contracts.

## 10. Related Party Transactions

Moulding Capital Limited ("Propco") is wholly owned by the Group's CEO. Propco owns property assets occupied and utilised by THG and its operating businesses.

The Group has in place an agreement on commercial terms with Moulding Capital Limited to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generated £90,693 (H1 2022: £134,509) for the Group recognised within administrative expenses. This balance reduced period-on-period as Moulding Capital Limited required less services from THG.

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

	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>£'000</b>	<b>£'000</b>
Right-of-use asset	156,864	160,318
Lease liability	175,297	182,022
Depreciation arising on right-of-use assets	6,673	6,499
Expense recognised in financing costs	3,687	4,354

The table below gives further detail around the leases in place:

<b>Number of properties</b>	<b>Residual lease term at date of divestment</b>	<b>H1 2023 rent (£'000)</b>	<b>H1 2022 rent (£'000)</b>
9	0-5 years	481	481
0	5-10 years	-	1,580
12	10-15 years	1,643	1,643
7	15-25 years	4,961	4,961
<b>28</b>		<b>7,085</b>	<b>8,665</b>

The following table sets out amounts payable to related parties which include balances in relation to lease agreements and where the Group has paid suppliers on behalf of the Propco Group, or vice versa. Such situations arise due to Propco suppliers using legacy details to submit invoices or where payments are made on behalf of THG by Propco for property-related costs rechargeable to THG as a tenant per lease:

	<b>Amounts owed to related parties</b>
	<b>£'000</b>
Aghoco 1422 Ltd	100
Allenby Square Ltd	159
THG Alpha Propco Ltd	161
THG Gadbrook PropCo Ltd	242
THG GJS PropCo Ltd	195
THG HCC PropCo Ltd	285
THG Icon S.à.r.l	1,101
THG Icon Unit 2 PropCo Ltd	958
THG Icon Unit 4 PropCo Ltd	217
THG KS PropCo Ltd	225
	<b>3,643</b>

## 11. Events after the reporting period

### Disposal of loss-making categories per the strategic review

On 17 January 2023 the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories within the THG OnDemand division. The Group has continued to execute on this plan and following an extensive market-testing process to secure optimal value for shareholders, on 21 July 2023, the trade and assets of THG OnDemand have been sold to a Newco led by the existing OnDemand management team and funded by Gordon Brothers, the advisory and investment firm. The Newco will continue to be a client of Ingenuity, with the provision of technology, operational and digital services.

In addition, specialist provider of cycling equipment 'ProBikeKit' was sold to Frasers Group PLC in Q2 2023. The combined consideration payable through both transactions is c. £4 million.

The FY 2023 financial impact is incorporated into existing market guidance (inclusive of one-off costs), with discontinued revenues non-recurring after Q3 2023. Discontinued categories collectively contributed to an EBITDA loss of £14.6 million in FY 2022.

The sale has resulted in a non-cash loss on disposal of £9.8m which has been recognised within adjusted items - non-cash loss on disposal of THG OnDemand. The non-current assets have been classified as held for sale and all assets are recorded at their recoverable value.

### Acquisition of City AM

On 26 July 2023, the Group acquired the trade and assets of London's City AM newspaper for £1.5m. This is considered to be a non-adjusting post balance sheet event and has no impact on the financial results as at 30 June 2023.

### Principal risks and uncertainties

The Board considers that the principal risks and uncertainties which could impact the Group over the remaining six months of the financial year to 31 December 2023 to be unchanged from those set out in the Annual Report and Accounts for the year to 31 December 2022.

The applicable risks are summarised as follows:

- Cyber security and data privacy;
- Third party reliance;
- Talent;
- Ingenuity e-commerce platform;
- Customer needs;
- Infrastructure and supply chain;
- Innovation;
- Legal and regulatory compliance;
- Product safety and quality;
- Health and safety;
- Climate change, environmental and social responsibility;
- Geopolitical and economic uncertainty;
- Culture;
- Liquidity and funding; and
- Strategic optionality.

These are set out in detail on page 87 in the Group's Annual Report and Accounts for the year to 31 December 2022, a copy of which is available on the Group's website, [www.thg.com](http://www.thg.com).

## **Conclusion**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023, which comprises: the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cashflows, along with the supporting notes for the six months ended 30 June 2023. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

## **Conclusions Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however, future events or conditions may cause the entity to cease to continue as a going concern.

## **Responsibilities of the directors**

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the review of the financial information**

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to

Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

London

13 September 2023

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[1] Adjusted EBITDA before discontinued categories

[2] £26.2m includes non-cash loss on disposal of discontinued categories of £11.1m and non-cash loss on disposal freehold assets of £15.1m

[3] Last twelve month period ending June 2023

[4] Group free cash flow is calculated after working capital, net capital expenditure, adjusting items, tax and financing (prior to debt capital repayments and deferred consideration on acquisitions)

[5] H1 2022 THG Beauty revenue restated to reflect previously reported restatement of revenue (see note 2)

[6] YoY change defined as year-on-year statutory sales growth. 2 Year change defined as 2 year statutory sales growth

[7] Group (continuing) refers to before discontinued categories (see note 2). Discontinued categories do not represent a discontinued operation under the accounting standard

[8] Gross Margin % (adjusted) is presented before the impact of adjusted items, depreciation and amortisation. H1 2022 restated to reflect previously reported restatement of revenue (see note 2). No change to prior definition

[9] Adjusted EBITDA is defined as operating profit before depreciation, amortisation, share-based payments and adjusted items

[10] See CFO report for a reconciliation to adjusted EBITDA

[11] Net debt is cash and cash equivalents less debt before lease liabilities, on a hedged basis (see note 7)

[12] According to management estimates and NPDP, part of Circana Group for the period H1 2020 to H1 2023

[13] The table shows financial results for gross profit, distribution costs and administrative costs before the impact of adjusted items, depreciation, amortisation and share-based payments. The impact is as follows:

- For statutory presentation gross profit includes charges of £7.2m (H1 2022: £nil) for adjusted items and £9.6m (H1 2022: £10.3m) for amortisation and depreciation.
- For statutory presentation distribution costs include charges of £3.7m (H1 2022: £13.4m) for adjusted items and £8.8m (H1 2022: £12.3m) for amortisation and depreciation.
- For statutory presentation administrative costs include charges of £5.4m (H1 2022: £9.5m) for adjusted items and £88.9m (H1 2022: £75.4m) for amortisation and depreciation and £7.9m (H1 2022: £0.6m) for share-based payments.

[14] Free cash flow is defined as total cash flow before proceeds/(repayment) from bank borrowings and acquisition of subsidiaries net of cash acquired

[15] During 2022, certain loss-making categories and territories within non-core divisions were placed under strategic review and subsequently management has exited these areas. The exit doesn't meet the criteria under IFRS 5: Discontinued operations as these categories and territories are not a major component of the Group as defined by the accounting standard, however, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group the result of these operations has been presented separately in the above table.

[16] THG Experience and THG Luxury results are reported within the THG Beauty segment following a change in internal reporting. These results were included within the Other segment in 2022.

[17] Cash adjusting items before tax total £5.2m (H1 2022: £21.9m) reflect the total cash before tax expected to be paid. This differs from the interim condensed consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in H1 2023 totalled £5.3m.

[18] Total H1 2022 revenue has been restated by £7.6m being a reclassification correction which had overstated revenue and cost of sales. This relates only to the THG Beauty segment. The position reflects the full year reported revenue figure to 31 December 2022. For more detail refer to the Basis of Preparation in Note 1.

The results are derived from continuing activities.

[19] During FY22, THG Luxury and THG Experience were reported separately (within 'Other') and Acheson & Acheson revenues were reported within THG Ingenuity. From 1 January 2023, these results are now internally reported as part of THG Beauty to the CODM. The prior period comparative for THG Beauty has been restated to include an additional £56.0m, the Other segment is no longer reported and THG Ingenuity H1 2022 revenue restated by £25.6m.

[\[20\]](#) Total H1 2022 revenue has been restated by £7.6m being a reclassification correction which had overstated revenue and cost of sales. This relates only to the THG Beauty segment. The position reflects the full year reported revenue figure to 31 December 2022.

[\[21\]](#) Cash adjusting items before tax total £5.2m (H1 2022: £21.9m) reflect the total cash before tax expected to be paid. This differs from the interim condensed consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in H1 2023 totalled £5.3m.

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