

17 October 2023

## THG PLC

### Third quarter trading statement for the period ended 30 September 2023

**Q3 2023 Group revenue performance of -4.4% (-2.1% CCY), +480bps improvement on Q2 CCY**

**Group returned to CCY revenue growth in September at +3.2% (-0.3% reported)**

**Positive free cash generation of +£5m over LTM**

**Full year revenue and adjusted EBITDA guidance unchanged**

#### Q3 2023 Group Trading Performance

£m	Q3 2023	YoY <sup>[1]</sup> change	CCY <sup>[2]</sup> change	YTD 2023	YoY change	CCY change
THG Beauty	272.0	-4.4%	-2.0%	810.7	-8.5%	-8.9%
THG Nutrition	156.2	-4.6%	-2.3%	496.9	0.2%	0.4%
THG Ingenuity	155.7	-8.8%	-8.4%	475.7	-13.0%	-13.0%
Inter-group elimination	-117.4	-10.5%	-3.9%	-366.3	-14.5%	-7.7%
<b>Group (continuing) revenue</b>	<b>466.5</b>	<b>-4.4%</b>	<b>-2.1%</b>	<b>1,417.0</b>	<b>-5.5%</b>	<b>-5.7%</b>

#### Quarterly Revenue Performance

Group (continuing) revenue change	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Reported	-6.3%	-5.6%	-6.5%	-4.4%
Constant currency	-11.3%	-8.1%	-6.9%	-2.1%

#### **Q3 2023 highlights**

- Best quarterly revenue performance in the last year: -4.4% on a continuing basis (-2.1% CCY).
- Performance improved each month in the quarter, with the Group returning to CCY growth in September (-0.3% reported, +3.2% CCY). Full year revenue guidance of 0% to -5% remains unchanged.
- Each division continues to make progress against its stated strategy to return to sales growth and rebuild margins:
  - o The impact of global de-stocking on our beauty manufacturing business has eased, supporting a return to growth for THG Beauty in September (+1.7%, +5.1% CCY). The strategy of focusing on higher margin sales while reducing orders that do not deliver an immediate return has supported a much-improved Q3 margin performance.

- o THG Nutrition revenue performance reflects the rebrand launch, temporarily reducing new product launches while the new branding is being rolled out. Notwithstanding this brief interruption, the division delivered a record Q3 adjusted EBITDA, reaping the rewards from the investment in pricing strategy made during peak inflation.
- o Whilst Enterprise sales cycles have been longer than anticipated in THG Ingenuity, progress is reflected in September sales performance (-2.3%), from H1 (-14.9%). Monthly recurring revenue<sup>[3]</sup> continued to build in September at +7.6%, an acceleration on June's +6.2%, underpinned by growth in existing clients, and new business.
- Growth in UK active customers in THG Beauty and THG Nutrition was supported by investment in the customer proposition with extended next day delivery cut offs and UK delivery times at their fastest ever level (17% quicker than Q3 2021).
- Group stock levels have continued to normalise whilst retaining improved availability, supporting another quarter of strong cash performance<sup>[4]</sup>, contributing to a £5m inflow for the LTM<sup>[5]</sup>.
- Revenue, adjusted EBITDA and cash generation guidance remains unchanged for FY 2023.
- Successful completion of the Group's three-year global infrastructure roll-out, and the strong efficiencies these investments are delivering, means we now anticipate FY 2024 capex spend will be c.£30m less than previously guided at £100m to £110m (FY 2023 guidance c.£135m).
- In addition, we continue to monitor the FCA listing regime review in respect of the move to the Premium segment, with our preparation and focus on the implementation of the outcome when the conclusion is announced.

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

*"Q3 has been another strong quarter of progress across the Group, with each division delivering improved performances. The pivots made within each division to ensure they thrive in a high inflation global environment are bearing fruit."*

*"The momentum with which we exited Q3 was especially pleasing, with the Group returning to positive constant currency revenue growth of +3.2% in September, driven by a strong performance across our Beauty division."*

*"We remain focussed on restoring margins to pre-inflation levels while continuing to focus on cash generation. This is reflected in a best ever Q3 profit performance from our Nutrition division. Our cash discipline has been excellent, reflected in delivering positive free cash flow of £5m, despite making c.£140m of capex investments, over the last twelve-month period. The steps we have taken will further underpin the future cash generation of the Group."*

*"Both our operations and inventory are well positioned ahead of peak trading, with the benefits of our investment in UK and US automated fulfilment centres enhancing the customer proposition through accelerated delivery times, positively influencing customer contact rates and overall satisfaction."*

*"The Group is exceptionally well invested with a strong balance sheet, with each division well positioned to grow market share in any market conditions."*

**Analyst and investor conference call**

THG will today host a conference call for analysts and institutional investors at 8:30am (UK time) via the following link:

<https://stream.brmedia.co.uk/broadcast/650d93e739ad9f961be9df87>

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

- Confirmation password: THG - Q3 Update
- UK dial in: +44 (0) 33 0551 0200
- US dial in: +1 786 697 3501

**For further information please contact:**

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**APPENDIX**

<i>Reported revenue change %</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
THG Beauty	16.7%	19.2%	3.0%	-9.4%	-10.7%	-10.2%	-4.4%
THG Nutrition	9.8%	-5.8%	3.0%	4.2%	4.5%	0.2%	-4.6%
THG Ingenuity	17.9%	11.1%	-2.5%	-14.1%	-14.3%	-15.4%	-8.8%
Inter-group elimination	10.6%	10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%
<b>Group (continuing) revenue</b>	<b>16.6%</b>	<b>9.4%</b>	<b>3.0%</b>	<b>-6.3%</b>	<b>-5.6%</b>	<b>-6.5%</b>	<b>-4.4%</b>
Other (Discontinued)	-10.1%	-2.7%	-17.6%	-34.9%	-58.8%	-76.3%	-97.6%
<b>Group revenue</b>	<b>14.9%</b>	<b>8.6%</b>	<b>1.6%</b>	<b>-8.3%</b>	<b>-8.3%</b>	<b>-10.3%</b>	<b>-9.5%</b>

<i>Constant currency change %</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
THG Beauty	21.5%	15.2%	-4.7%	-14.5%	-13.8%	-10.5%	-2.0%
THG Nutrition	12.4%	-8.5%	-3.1%	-1.2%	3.1%	0.3%	-2.3%
THG Ingenuity	18.2%	10.7%	-3.4%	-14.7%	-14.6%	-15.4%	-8.4%
Inter-group elimination	10.6%	10.2%	-4.2%	-14.0%	-9.7%	-9.2%	-3.9%
<b>Group (continuing) revenue</b>	<b>20.5%</b>	<b>6.1%</b>	<b>-3.9%</b>	<b>-11.3%</b>	<b>-8.1%</b>	<b>-6.9%</b>	<b>-2.1%</b>
Other (Discontinued)	-10.9%	-2.7%	-17.9%	-35.0%	-58.8%	-76.3%	-97.6%
<b>Group revenue</b>	<b>18.2%</b>	<b>5.7%</b>	<b>-4.8%</b>	<b>-13.0%</b>	<b>-10.9%</b>	<b>-10.4%</b>	<b>-7.4%</b>

**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.*

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[1] YoY defined as year-on-year statutory sales growth.

[2] CCY defined as constant currency basis

[3] Monthly Recurring Revenue comprises software-as-a-Service license fees, monthly brand building fees, infrastructure service fees, revenue share, translation and creative services.

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

[5] Last twelve month period ending September 2023.

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