

16 January 2024

THG PLC

Fourth quarter trading statement for the period ended 31 December 2023

Q4 and full year trading in line with expectations and guidance

Group returned to continuing revenue growth in Q4, at +1.1%

Free cash flow breakeven achieved for FY 2023

Strong balance sheet and liquidity, with c.£600m of cash and available facilities

New and expanded Ingenuity partnerships contributing c.£175m incremental GMV

Q4 2023 Group Trading Performance^[1]

Following the sale of the THG OnDemand division earlier in 2023, the Group completed its strategic review of non-core categories in H2, resulting in the discontinuation of small legacy brands within THG Beauty and THG Nutrition.

From Q4 2023, continuing revenue excludes the discontinuation of these brands, accounting for c.£40m (c.2%) of Group FY 2023 revenue (See Appendix for further details).

£m	Q4 2023			FY 2023		
	Q4 2023	YoY ^[2] change	CCY ^[3] change	FY 2023	YoY change	CCY change
THG Beauty	387.1	+0.5%	+2.6%	1,173.5	-4.6%	-4.3%
THG Nutrition	166.5	-6.0%	-3.9%	658.0	-0.7%	+0.0%
THG Ingenuity (external)	44.3	+5.8%	+8.1%	153.7	-3.7%	-3.3%
Group (continuing) revenue	597.9	-1.0%	+1.1%	1,985.3	-3.3%	-2.9%
Discontinued revenue ^[4]	9.9	-80.1%	-80.4%	58.9	-68.5%	-68.6%
Total revenue	607.8	-7.1%	-5.4%	2,044.2	-8.7%	-8.4%

THG Ingenuity internal revenue	153.4	-9.1%	-9.1%	519.7	-13.0%	-13.0%
THG Ingenuity total	197.7	-6.1%	-5.7%	673.4	-11.0%	-11.0%

All comparative figures are continuing CCY unless otherwise stated.

- Q4 best quarterly revenue performance of FY 2023: +1.1%.
- Pleasing Cyber performance, especially across THG Beauty, supported by accelerating growth in App penetration driving valuable first party customer data, reducing reliance on paid marketing channels.
- The Group delivered an excellent operational performance, with more orders processed YoY through automated facilities delivering significant cost savings per unit. Maintaining next day delivery through Cyber was a key factor in new customer acquisition and improving customer satisfaction.

- Q4 was another quarter of positive cash performance^[5], supporting free cash flow breakeven for the year (FY 2022 outflow: -£213m). Cashflow breakeven was delivered alongside c.£125m of capex investments, reflecting the Group's stronger profitability, improved inventory efficiency, and substantially lower cash adjusting items YoY.
- The Group has strong liquidity with c.£600m of cash and available facilities at the period end.

THG Beauty Q4 and FY 2023 highlights

Key Performance Indicators	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	YoY change	CCY change	4 Yr change
Total revenue (£m)	565.3	832.4	1,227.5	1,285.8	1,206.7	-6.2%	-6.0%	+113.5%
Continuing revenue (£m)	506.4	745.9	1,152.8	1,230.1	1,173.5	-4.6 %	-4.3%	+131.8%
Active customers ^{[6],[7]} (m)	4.1	6.9	9.2	9.2	8.5	-7.6%		+107.3%
Total orders (m)	8.3	13.1	17.1	17.5	16.8	-4.0%		+102.4%
Average order values (£)	51	55	60	63	64	+1.6%		+25.5%

- The Group's Beauty business built on positive Q3 exit momentum, delivering Q4 revenue growth of +2.6%. Some of the best performances came from THG's own beauty brands Perricone MD and ESPA, as well as our retail platform Cult Beauty.
- Performance in the UK (over half of total Beauty revenue) was especially strong, delivering c.+9% revenue growth in Q4. Continued improvements in delivery times through fulfilment automation, along with significant growth in both App participation (14.7% vs 10.8% Q4 2023) and new users (+95% YoY), have driven growth in our retail fascias, ahead of that of the total prestige beauty market in the UK in Q4.^[8]
- 2023's strategy of focusing on higher margin sales, reducing order volumes that do not deliver target profitability, continued into Q4. This has reduced some international order volumes in territories furthest away from local distribution hubs, where delivery costs are higher, but has supported a stronger Beauty margin performance.
- H1 challenges in Beauty manufacturing from industry-wide de-stocking faded in H2, with a return to growth achieved in the quarter (+11.6%).
- A combination of gross margin improvements, a return to growth in Beauty manufacturing, and significant cost savings from automation, resulted in a much-improved H2 EBITDA margin performance.
- The Group's \$20m acquisition of US beauty brand Biossance completed in late December 2023. The brand was successfully re-platformed onto Ingenuity technology on 10th January.

THG Nutrition Q4 and FY 2023 highlights

Key Performance Indicators	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	YoY change	CCY change	4 Yr change
Total revenue (£m)	412.9	562.3	659.5	675.1	664.4	-1.6%	-0.9%	+60.9%
Continuing revenue (£m)	399.8	544.1	641.2	662.7	658.0	-0.7%	+0.0%	+64.6%
Active customers (m)	4.3	6.3	7.2	7.0	6.7	-4.3%		+55.8%
Total orders (m)	8.7	12.3	13.9	13.2	12.8	-3.0%		+47.1%
Average order values (£)	48	47	46	50	49	-2.0%		+2.1%

- Full year revenue growth was flat as we managed the business throughout the year with a focus on profit margins. Following the normalisation of global commodity prices, strong margin progression has been delivered through the year with FY 2023 set to be a record THG Nutrition EBITDA performance, reaping the rewards from the prior year investment in pricing strategy.
- The margin potential of the business was further enhanced by expanding a royalty model with carefully chosen partners in key territories. Targeted offline Myprotein licensing deals were launched in our two largest markets: UK

(with major grocer, Iceland), and Japan (with leading distributor, Itochu). THG Nutrition is extensively involved in all aspects of the development of products being ranged.

- These offline partnerships have increased customer touchpoints and broadened the brand appeal of Myprotein, with further partnerships and category expansion planned in 2024 (including high protein pancakes, yoghurts and ready to drink chilled coffee).
- Revenue from Myprotein products sold under licensing arrangements scaled rapidly to over £36m (FY 2022: c.£2m). Under these arrangements, our licensing partners record the revenue from products sold i.e. £36m, with THG Nutrition receiving a royalty payment.
- Accordingly, the total global GMV of THG Nutrition brand sales in 2023 increased +5% YoY in 2023 (UK +22%, Japan -1%).
- Currency was something of a headwind during the financial year and this peaked in Q4 2023. More specifically the 13% decline in the Japanese Yen vs GBP impacted revenue in the Japanese market, which is c.15% of THG Nutrition revenue. However, at current rates, this negative revenue impact will begin to annualise in H2 2024 and should represent less of a headwind.
- Performance in the UK (over 30% of THG Nutrition revenue) remained strong in Q4, delivering c.+10% revenue growth. While c.86% of FY 2023 revenue was generated through direct-to-consumer channels, an increasing focus on offline partnerships led to Myprotein also being recognised as the fastest growing sports nutrition brand in the UK retail market. Recent launches include Sainsbury's, Asda & Iceland, whilst existing partnerships with Boots, Morrisons & Tesco have been extended.
- After a 2-year process, local manufacturing will launch in both Japan and India in 2024, improving delivery timelines, local product range development and securing significant cost savings. Local manufacturing in Japan will also largely eliminate future risk from Yen FX volatility and reverse the estimated impact of prolonged Yen weakness on EBITDA (estimated c.£20m negative impact in 2023 vs 2020).

THG Ingenuity Q4 and FY 2023 highlights

£m	Q4 2023			FY 2023		
	Q4 2023	YoY change	CCY change	FY 2023	YoY change	CCY change
External revenue	44.3	+5.8%	+8.1%	153.7	-3.7%	-3.3%
Internal revenue	153.4	-9.1%	-9.1%	519.7	-13.0%	-13.0%
Total THG Ingenuity revenue	197.7	-6.1%	-5.7%	673.4	-11.0%	-11.0%

- Q4 2023 was the first quarter to see the benefits of the decision taken in 2022 to pivot to more complex, higher margin Enterprise clients, with external clients delivering double-digit revenue growth in November and December).
- Progress in onboarding Enterprise clients continued throughout 2023, signing major brands including L'Oreal, Access Corporate Group and PepsiCo, while broadening partnerships with Asda and Mondelez.
- Today the Group also announces an agreement in principle to partner with the UK's leading wellness retailer Holland & Barrett to provide D2C operational services, taking advantage of THG's automated distribution facilities and extensive fulfilment and courier management services to support their rapidly scaling ecommerce business.
- Together these partnerships will add c.£175m of incremental GMV to the Ingenuity operations and technology platform during 2024.
- Monthly recurring revenue^[9] continued to build in December at +14.7% YoY, an acceleration on September's +7.6%.

- THG's Beauty and Nutrition divisions implemented profitability improvement plans through 2022 and 2023, which included the discontinuation of non-profitable categories. As these divisions return to growth, inter-group revenue will also benefit.

Outlook and guidance

- FY 2023 continuing adjusted EBITDA expected to be above £117m, with Group adjusted EBITDA over 75% higher YoY.
- Exit momentum from 2023 underpins our confidence in all divisions delivering growth in FY 2024. A more detailed update on the outlook for FY 2024 will be provided alongside the Group's Preliminary results in April.
- FY 2024 should be another year of strong operating cashflow, c.£100m to £110m of which is planned to be reinvested into capex initiatives (FY 2023: c.£125m) to underpin long-term growth and competitive advantage.
- The Group continues to monitor developments in the Red Sea region and anticipates minimal impact on stock availability. To date, the financial impact is not considered to be material.

Strategic update

The Group operates 3 distinct businesses in THG Beauty, THG Nutrition and THG Ingenuity, each scaled from the UK to hold global leading positions in their respective sectors. In 2021 the Board set out the Group's strategy to provide each division with its own growth and capital platform, through individual public market listings or partnerships, with THG retaining significant majority ownership.

This strategy remains unchanged, with readiness work ongoing to ensure the Group has full optionality. The Group remains on target to deliver c.9% adjusted EBITDA margins in the medium term.

Matthew Moulding, CEO of THG commented:

"2023 was a year that threw up many challenges for all businesses, and I'm delighted in how the Group not only responded to these challenges, but grew stronger through the year."

"A combination of automation and significant cost initiatives delivered in 2022, in addition to a receding inflationary environment, each played a key role in the Group delivering an expected record EBITDA performance after cash-adjusting items during 2023. This strong EBITDA profitability and efficient stock management generated positive operating cashflow of c.£170m."

"Despite consciously reducing capex levels from previous years, we still made significant investments in the Group's long-term future and extend competitive advantages. In 2023 we reinvested c.£125m of the Group's positive operating cashflow into capex initiatives, mainly within the UK economy."

"The return to revenue growth for both our Beauty & external Ingenuity clients were clear Q4 highlights, especially given the number of changes made to their business models over the past 18 months. But arguably the most pleasing performance came from our recently automated global fulfilment network. Q4 order volumes were delivered in record times, with average global delivery times reduced by 1 day. These widespread service improvements were achieved alongside a meaningful reduction in the cost of fulfilment."

"The decision in 2022 to support consumers through the cost-of-living crisis, sacrificing near term profits for long-term customer loyalty, bore fruit in 2023. This, and the easing of commodity inflation, will help Nutrition to deliver a record profit performance in the year, despite a 13% devaluation in the Japanese Yen in 2023 - Nutrition's second biggest market."

"Whilst the economic background remains uncertain there are some optimistic signs, with consumer cost of living pressures set to ease further in 2024. We are confident that the investments and decisions made throughout the year position the Group well to build upon the positive exit momentum."

Corporate governance update

THG also today announces an update on the structure of its Remuneration Committee. Helen Jones has succeeded Dean Moore as Chair of the Committee. Helen has been a director on the THG Board and a member of the Remuneration Committee since July 2023. Dean Moore remains on the Committee alongside Sue Farr (Senior Independent Director) and Gillian Kent (Independent Non-Executive Director).

We continue to monitor the FCA listing regime review in respect of the move to the Premium segment.

Analyst and Institutional 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/6581acb1eefadbc2f3e42521>

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

- Confirmation password: THG Q4 Update
- UK dial in: +44 (0) 33 0551 0200
- US dial in: +1 786 697 3501

For further information please contact:

Investor enquiries - THG PLC

Greg Feehely, SVP Investor Relations
Kate Grimoldby, Director of Investor Relations and Strategic Projects

Investor.Relations@thg.com

Media enquiries:

Powerscourt - Financial PR adviser

Victoria Palmer-Moore/Nick Dibden/Nick Hayns/Russ Lynch

Tel: +44 (0) 20 7250 1446

thg@powerscourt-group.com

THG PLC

Viki Tahmasebi

Viki.tahmasebi@thg.com

APPENDIX

Quarterly reported revenue growth rates, adjusted for additional discontinued categories

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
THG Beauty	+20.8%	+21.9%	+4.1%	-8.2%	-9.3%	-8.6%	-2.8%	+0.5%	-4.6%
THG Nutrition	+11.3%	-5.0%	+4.0%	+4.9%	+5.7%	+1.3%	-3.8%	-6.0%	-0.7%
THG Ingenuity	+17.9%	+11.1%	-2.5%	-14.1%	-14.3%	-15.4%	-8.8%	-6.1%	-11.0%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.1%	-13.0%
Group (continuing) revenue	+19.6%	+11.0%	+4.0%	-5.2%	-4.3%	-5.1%	-3.2%	-1.0%	-3.3%
Other (discontinued)	-18.8%	-10.8%	-18.5%	-34.2%	-51.8%	-63.8%	-77.8%	-80.2%	-68.5%
Group revenue	+14.9%	+8.6%	+1.6%	-8.3%	-8.3%	-10.3%	-9.5%	-7.1%	-8.7%

Quarterly constant currency revenue growth rates, adjusted for additional discontinued categories

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
THG Beauty	+16.1%	+9.2%	-10.0%	-18.7%	-12.8%	-8.8%	+0.1%	+2.6%	-4.3%

THG Nutrition	+9.8%	-10.5%	-4.9%	-1.8%	+4.2%	+1.4%	-1.4%	-3.9%	+0.0%
THG Ingenuity	+18.2%	+10.7%	-3.4%	-14.9%	-14.6%	-15.4%	-8.4%	-5.7%	-11.0%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.1%	-13.0%
Group (continuing) revenue	+16.4%	+2.1%	-7.5%	-14.4%	-7.1%	-5.5%	-0.5%	+1.1%	-2.9%
Other (discontinued)	+40.9%	+70.6%	+37.9%	+6.0%	-50.7%	-63.8%	-78.3%	-80.4%	-68.6%
Group revenue	+18.2%	+5.7%	-4.8%	-13.1%	-10.9%	-10.4%	-7.4%	-5.4%	-8.4%

Quarterly revenue growth rates (as per Q3 2023 trading statement discontinuation)

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
THG Beauty	+16.7%	+19.2%	+3.0%	-9.4%	-10.7%	-10.2%	-4.4%	-1.0%	-6.2%
THG Nutrition	+9.8%	-5.8%	+3.0%	+4.2%	+4.5%	+0.2%	-4.6%	-6.5%	-1.6%
THG Ingenuity	+17.9%	+11.1%	-2.5%	-14.1%	-14.3%	-15.4%	-8.8%	-6.1%	-11.0%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.1%	-13.0%
Group (continuing) revenue	+16.6%	+9.4%	+3.0%	-6.3%	-5.6%	-6.5%	-4.4%	-2.1%	-4.5%
Other (discontinued)	-10.1%	-2.7%	-17.6%	-34.9%	-58.8%	-76.3%	-97.6%	-100.0%	-83.7%
Group revenue	+14.9%	+8.6%	+1.6%	-8.3%	-8.3%	-10.3%	-9.5%	-7.1%	-8.7%

Quarterly constant currency revenue growth rates (as per Q3 2023 trading statement discontinuation)

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
THG Beauty	+21.5%	+15.2%	-4.7%	-14.8%	-13.8%	-10.5%	-2.0%	+0.7%	-6.0%
THG Nutrition	+12.4%	-8.5%	-3.1%	-0.5%	+3.1%	+0.3%	-2.3%	-4.5%	-0.9%
THG Ingenuity	+18.2%	+10.7%	-3.4%	-14.9%	-14.6%	-15.4%	-8.4%	-5.7%	-11.0%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.1%	-13.0%
Group (continuing) revenue	+20.5%	+6.1%	-3.9%	-11.3%	-8.1%	-6.9%	-2.1%	-0.2%	-4.2%
Other (discontinued)	-10.9%	-2.7%	-17.9%	-35.0%	-58.8%	-76.3%	-97.6%	-99.9%	-83.7%
Group revenue	+18.2%	+5.7%	-4.8%	-13.1%	-10.9%	-10.4%	-7.4%	-5.4%	-8.4%

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Notes to editors

THG PLC operates 3 distinct businesses in Beauty, Nutrition and Ingenuity, each scaled from the UK to hold global leading positions in their respective sectors.

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.

- [1] *All figures throughout this release are presented on an unaudited basis.*
- [2] *YoY defined as year-on-year statutory sales growth.*
- [3] *CCY defined as constant currency basis.*
- [4] *Discontinued revenue also comprises OnDemand and ProBikeKit (2023 disposals)*
- [5] *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).*
- [6] *THG Beauty KPIs exclude Glossybox beauty subscriptions and THG Luxury.*
- [7] *Active customers is defined as customers who have purchased at least once within the period.*
- [8] *As per third-party data and management estimates.*
- [9] *Monthly Recurring Revenue comprises software-as-a-Service license fees, monthly brand building fees, infrastructure service fees, revenue share, translation and creative services.*

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