RNS Number : 9583J
THG PLC
10 April 2024

10 April 2024

THG PLC
Preliminary FY 2023 results

Continuing adjusted EBITDA of £120.4m (+6.1% margin), vs. January 2024 guidance of above £117.0m

Group adjusted EBITDA £114.1m, +78% YoY (FY 2022: £64.1m)

Free cash flow breakeven achieved

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

Q4 2023 Group revenue growth (+1.1%) accelerated in Q1 2024, Group guidance unchanged

THG PLC ("THG" or the "Group"), announces its preliminary results for the financial year ended 31 December 2023 ("FY 2023").

FY 2023 Group trading performance

£m	FY 2023	FY 2022	YoY[1] Growth	CCY Change[2]
THG Beauty	1,171.7	1,226.0	-4.4%	-4.2%
THG Nutrition	657.9	662.7	-0.7%	0.0%
THG Ingenuity (external)	154.1	159.6	-3.4%	-3.1%
Group (continuing) revenue	**1,983.7**	**2,048.3**	**-3.2%**	**-2.8%**
Discontinued revenue	61.7	191.0	-67.7%	-67.6%
Total revenue	**2,045.4**	**2,239.2**	**-8.7%**	**-8.4%**
Gross Margin %[3]	*42.8%*	*41.3%*	*+150bps*	
Continuing adj EBITDA	**120.4**	**81.2**	**+48.4%**	
Continuing adj EBITDA %	*6.1%*	*4.0%*	+210bps	
Adj EBITDA	**114.1**	**64.1**	**+78.0%**	
Adj EBITDA %	*5.6%*	*2.9%*	*+270bps*	
Adjusted items - Cash	*15.8*	*40.1*		
Adjusted items - Non-cash	*34.8*	*305.1*		
Operating loss[4]	185.4	495.6		
Net Cash / (Debt)[5]	***(218.2)***	***(180.6)***		

All comparative figures are continuing CCY unless otherwise stated, all numbers and tables subject to rounding

Matthew Moulding, CEO of THG, commented:
"In 2023, we made material progress against our strategic priorities, delivering significant profit growth following the support for our consumers through the cost-of-living crisis in 2022. This focus led to the Group delivering record EBITDA after cash-adjusting items in 2023, higher than at the peak of the pandemic.

"Having completed our recent infrastructure investment programme, the Group is now delivering operating leverage. Our fulfilment network is becoming increasingly optimised through a combination of robotics automation, AI and the onboarding of new Ingenuity clients utilising existing capacity.

"The return to Group revenue growth in Q4 was especially pleasing, and this momentum has continued into 2024."

Current trading and FY 2024 guidance

- As we enter FY 2024, overall Group revenue trends continue to improve, with notable momentum in Beauty following the strategic changes made during 2023. Whilst the Yen has weakened further in Q1 2024 impacting THG Nutrition, the Group's start to the year provides us with confidence in delivering in accordance with market consensus.

- Operating cashflow is expected to remain strong, supported by profit growth and lower capex (c.£100m to £110m), which will drive further free cash flow[6] progress.

Medium-term guidance unchanged

- The decisive actions taken as a business during 2022 and 2023 have provided a solid foundation supporting further margin recovery to our medium-term Group adjusted EBITDA margin target of c.9.0%.

FY 2023 segmental summary

£m	THG Beauty	THG Nutrition	THG Ingenuity	Other	Central	Inter-group elimination	Continuing Total	Discontinued categories	FY 2023 Total
Revenue	1,171.7	657.9	154.1	-	-	-	1,983.7	61.7	2,045.4
Inter-segment revenue	-	-	519.9	-	-	(519.9)	-	-	-
Total revenue	**1,171.7**	**657.9**	**673.9**	**-**	**-**	**(519.9)**	**1,983.7**	**61.7**	**2,045.4**
adj EBITDA	**44.2**	**88.9**	**9.0**	**-**	**(21.8)**	**-**	**120.4**	**(6.3)**	**114.1**
adj EBITDA %	*3.8%*	*13.5%*	*1.3%*		-	-	6.1%	*-10.3%*	*5.6%*

FY 2022 segmental summary

£m	THG Beauty	THG Nutrition	THG Ingenuity	Other	Central	Inter-group elimination	Continuing Total	Discontinued categories	FY 2022 Total
Revenue	1,226.0	662.7	159.6	-	**-**	**-**	2,048.3	191.0	2,239.2
Inter-segment revenue	-	-	597.4	-	-	(597.4)	-	-	-
Total revenue	**1,226.0**	**662.7**	**757.0**	**-**	**-**	**(597.4)**	**2,048.3**	**191.0**	**2,239.2**
adj EBITDA	**33.6**	**51.6**	**19.1**	**-**	**(23.2)**	**-**	**81.2**	**(17.1)**	**64.1**
adj EBITDA %	*2.7%*	*7.8%*	*2.5%*		-	-	*4.0%*	*-8.9%*	*2.9%*

FY 2023 financial highlights

- Total Group revenue declined 8.4% YoY primarily driven by the positive action to discontinue loss making categories. Group continuing revenue of £1,983.7m declined 2.8% as the Group prioritised profitable sales and territories reflected in the higher quality EBITDA.

- UK was our key growth market, although international sales remain a significant portion of Group sales at 54.2% (2022: 57.1%), and represent a material growth opportunity supported by our global fulfilment network.

- Adjusted gross margin expanded to 42.8% (FY 2022: 41.3%), despite high levels of inflation and currency headwinds.

- Improvements in distribution costs were driven primarily by the Group's use of automation, which will continue to annualise in FY 2024. Adjusted distribution costs substantially reduced year-on-year to 13.2% of revenue (FY 2022: 15.8%).

- Increased administrative costs primarily reflect marketing cost inflation. Greater app participation has partially mitigated this and we expect this ratio to continue to improve.

- Continuing adjusted EBITDA improved substantially to £120.4m (FY 2022: £81.2m), with a margin of 6.1% (FY 2022: 4.0%). The cost base of the business is well-positioned for further operational leverage.

- On a reported basis, adjusted EBITDA increased to £114.1m (2022: £64.1m), with a margin of 5.6% (2022: 2.9%).

- Group operating loss has also seen a substantial improvement to £185.4m (2022: £495.6m), primarily due to the one-off non-cash impairment charge of £275.4m in 2022 that did not reoccur in 2023.

- Free cash flow breakeven was achieved, reflecting improved profitability, well-controlled working capital driven by reduced stock cover and lower cash adjusting items.

- With the support of our banking partners, we extended our Revolving Credit Facility until May 2026.

- Liquidity position remains exceptionally strong with c.£600m of cash and available facilities at year end.

Business operational and strategic overview

<u>THG Beauty</u>

- The leading pureplay in online prestige beauty, one of the fastest growing categories in retail. A key partner for over 1,300 beauty brands through its retail sites including Lookfantastic, Cult Beauty and Dermstore, c.60% of sales are from the high-repeat skincare and haircare categories.

- THG Beauty generated revenue of £1.2bn in FY 2023, comprising online retail (c.80% of revenue), prestige own brand (c.10%) and manufacturing (c.10%). Within the online retail channel, over 50% of revenue is generated in the UK, with c. 20% in the US.

- Active customers have more than doubled since 2019 to 8.5m. Revenue from returning customers has increased to c.85% of online D2C revenue.

- Brand awareness continues to build, with 3.3m new app downloads in 2023 (+32% YOY) and a social media following of 9.5m. In the UK, app participation grew +4.9% YoY to 20.7%, with this expected to continue to grow across all geographies. App customers notably exhibit preferable behaviour, namely AOV and order frequency.

- In December, we strengthened our proposition with the acquisition of prestige skincare brand, Biossance. We will use our expertise and capabilities to leverage the brand's strong awareness and presence in offline beauty retailers to further drive growth.

- Through targeted curation, building out our higher margin retail media proposition and growing our beauty community, we firmly remain as the industry partner of choice.

<u>THG Nutrition</u>

- Premium sports nutrition brand with category leadership in both online (c.90% of revenue) and offline spaces across key markets such as UK, Europe and Asia. Its proven localisation model allows for rapid scaling internationally, with c.70% of online revenue overseas.

- D2C brand Myprotein is the world's largest online sports nutrition brand, now spanning performance and wellness. The market is underpinned by prominent tailwinds as health and wellness becomes an increasingly integral part of consumer lifestyles, with ecommerce becoming the winning channel due to breadth of range, convenience and advice.

- Vertically integrated manufacturing capabilities power innovation, new product development and speed to market. Local manufacturing will expand from UK, Europe and US into India and Japan in the second half of 2024, eliminating in part the future risk from FX volatility.

- Carefully curated licensing partnerships have unlocked incremental value through brand awareness, reaffirming Myprotein as one of the leading authorities in the market, at the forefront of innovation as trends and customer needs evolve.

- There remains a significant opportunity to build out the licensed product base and scale total brand sales through collaborations with major grocers and food and beverage brands. In the UK, we have delivered further retail penetration across over 2,500 stores, and you can now find Myprotein products on shelves in every major UK grocer.

- It is this expertise in entering new channels that has driven the brand to becoming the fastest growing sports nutrition brand in the UK retail market, further demonstrating our ability to scale, innovate and diversify - and ultimately tap into new audiences.

THG Ingenuity

- Comprising leading digital marketing, technology and fulfilment capabilities, Ingenuity utilises its experience in building category-leading brands to offer global ecommerce solutions for brand owners and retailers.

- The critical components of successful, profitable ecommerce include attracting new customers and driving traffic, a frictionless on-site experience and speed of delivery. Bringing together multiple suppliers in numerous territories is costly and complex. Our position as a brand owner offers a rare advantage as our infrastructure has been built through a customer-first lens.

- Through repositioning our focus towards clients seeking multi-service, longer-term solutions, monthly recurring revenue is building, underpinning our future growth.

- Since IPO we have built and monetised a fulfilment and courier management proposition to rival established players. Following investment in a best-in-class, automated distribution network, we are using our customer advantage to support brands and retailers to cost effectively acquire and retain customers with a market-leading delivery service.

- A selection of new clients and expanded partnerships announced during the year included: Holland & Barrett (UK ecommerce fulfilment and courier management services), Disney (media content for Shop Disney), L'Oreal (US D2C for prestige beauty brands) and Coca-Cola (UK D2C and fulfilment).

Financial reporting calendar

- The Group intends to issue a Q1 2024 trading update by the end of April.

<u>Analyst and investor conference call</u>

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

To register for the webcast, please use the below link:
https://stream.brrmedia.co.uk/broadcast/660be0e32eae5d4dcf2e63e5

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

- UK dial in: +44 (0) 330 551 0200
- Password: THG Results

For further information please contact:

Investor enquiries - THG PLC	
Greg Feehely, SVP Investor Relations	Investor.Relations@thg.com
Kate Grimoldby, Director of Investor Relations and Strategic Projects	
Media enquiries:	
Powerscourt - Financial PR adviser	Tel: +44 (0) 20 7250 1446
Victoria Palmer-Moore/Nick Dibden/Russ Lynch	thg@powerscourt-group.com
THG PLC	
Viki Tahmasebi	Viki.tahmasebi@thg.com

ENDS

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.

Chief Executive Officer's Statement

2023 was a year of material operational progress and execution for THG, as we continued to grow our category-leading, global brands through digital transformation, innovation and impactful partnerships. It was certainly not without its headwinds, but the Group responded proactively, and emerged stronger.

Following the challenging global environment in 2022, we repositioned our three businesses to focus our resources onto margin recovery and a return to sustainable revenue growth. Overall, the performance was highly encouraging, and although we have more work to do in 2024, I am confident we have the right people, capabilities and expertise to make further progress.

- We achieved a Group record EBITDA performance after cash adjusting items and anticipate further progress towards our medium-term targets during 2024, in line with historical performance.

- Our Beauty business displayed incredible resilience, despite the first half being affected by short-term global de-stocking affecting manufacturing volumes. Our focus on orders that delivered immediate profitability over ones with a longer payback, meant we fulfilled more orders closer to our global distribution hubs, driving further economies of scale.

- THG Nutrition achieved an impressive performance, and with inflationary pressures easing, posted substantially higher margin growth year-on-year. The early results from the major Myprotein rebrand are also encouraging as we've taken steps to further enhance the premium nature of the world's No.1 online sports nutrition brand.

- These actions should strengthen partnership opportunities as we expand our licensing and offline strategy. The new branding also lays the groundwork for selective category expansion, supporting our plan of building Myprotein into a truly global lifestyle brand.

- Across both our consumer businesses, our customer health remains robust with repeat purchase rates of above 80%.

- Ingenuity's pivot to larger, multi-service 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.

- In line with our guidance, substantial growth in Group profitability, along with improved inventory efficiency, led to the Group delivering £174m of operating cashflow[7] in 2023.

- This strong operating cash performance allowed the Group to continue to make £128m of Capex investments in the year, principally into the UK, while still delivering overall free cash flow breakeven for the year.

- Following the Group's solid adjusted EBITDA and operating cash performance, closing net leverage for FY 2023 was c.1.9x, compared to 2.8x for FY 2022. Continued positive momentum into FY 2024 provides confidence of further degearing.

- With the support of our long-term banking partners, we extended our revolving credit facility until May 2026. Whilst we haven't used this facility since IPO, it affords us continued significant financial flexibility during uncertain geo-political times.

- As noted in the Chair's Statement, we were delighted to welcome two further independent NEDs, Sue Farr and Helen Jones, as we expanded our independent Board, while thanking Iain McDonald for the significant contribution he made to the Company over many years.

- We celebrated our meritocratic culture in our Annual Awards, awarding £150,000 equity to Newcomer of the Year, Employee of the Year, and Outstanding Contribution, in addition to supporting many well-deserved promotions across the Group.

- Following the Group's strong performance, the Executive Directors would have been eligible for a bonus opportunity totalling in excess of £1m in 2023. It is likely that a material proportion of this would have been payable to me, however, in line with each financial year since IPO, the Executive Directors unanimously decided to waive their entitlement to a 2023 bonus. In recognition of this, the Group intends to make a charitable donation of £500,000 targeting homelessness in Manchester. I also waived my £750k salary in return for the Group making a charitable donation to The Moulding Foundation.

Business operational performance

As an authority in Beauty, we continue to attract, retain and develop our customer relationships, with our proposition refined and elevated by new technology and a best-in-class delivery service that enhances the customer experience.

Myprotein has evolved beyond sports and performance to broader health and wellness categories, expanding its addressable markets and catering for increased consumption occasions. Pivotal to this strategy has been creating ranges with prominent partners in distribution, grocery and chilled goods - expanding the reach of the brand into offline channels and, in turn, building awareness and engagement. Commodity challenges abated during the year and we were able to achieve significant profitability while undergoing an ambitious brand repositioning.

Our proprietary technology and operations platform, THG Ingenuity, is a multi-year development story, with our fulfilment and operational solutions business now winning clients in its own right, as the business accelerates the returns on investment in distribution capacity.

Finally we actively managed our portfolio through the exit of small legacy brands within Beauty and Nutrition, and through the sale of OnDemand and ProBikeKit delivering a cash return.

Financial performance

Much like the previous year, 2023 presented challenges for all businesses in the markets we operate in. Nevertheless, we are very pleased with how the Group has responded, making substantial progress towards the targets we communicated at the outset of the year.

We achieved revenue of £2bn, reflecting our efforts in executing our strategic review, as we repositioned several loss-making categories across the Group. This created strong momentum heading into 2024, and we expect to return to progressive revenue growth throughout the year.

We repositioned Beauty to materially improve profitability, with the businesses finishing the year in constant currency growth. In Nutrition, we set out to recapture the significant investment we made in margin during 2022, subsequently achieving an EBITDA margin in excess of our medium-term guidance. Ingenuity continued to execute its strategic pivot towards higher value clients, with new client wins and expanded partnerships accelerating monthly recurring revenue throughout the year.

We made notable margin improvements, in part due to the Group's excellent operational performance. Distribution costs were lower year-on-year, through an optimised fulfilment network consisting of increased automation and an improved delivery offering. We will continue to increase automation in our major hubs to further offset lingering inflation and move towards our goal of around half of customer orders being touched by automation.

Operational leverage also supported improvements in profitability, achieving continuing adjusted EBITDA of £120m - ahead of our previous guidance.

Our business has nearly doubled in revenue since IPO, with our growth capex investment phase already paying back. Investment in future years will remain at comparatively modest levels, though still extending and enhancing our proposition and competitive advantage while the market growth opportunity remains significant.

Following our strong operating cash performance in the second half of the year and our recently extended Revolving Credit Facility, we have a healthy liquidity position with c. £600m in cash and undrawn facilities providing substantial liquidity and flexibility, to capitalise on growth opportunities.

People and purpose
2023 was a year of transformation for our people as we prioritised attracting top talent, as well as retaining and nurturing our existing teams. From introducing wraparound support for working families, to increasing compassionate leave, we made significant investment in our people, their wellbeing, and their long-term development at THG.

We launched our social impact strategy, THG in the Community; our plan for creating positive social change and making an impact in our local communities. The strategy is underpinned by three pillars - championing inclusion, disrupting inequality, and creating opportunities - and revolves around three key initiatives, all of which have been introduced to give our people an opportunity to get involved and give back.

All businesses are accountable for maintaining a focus on closing the emissions gap. THG is rising to this challenge by committing a greater number of resources to its sustainability agenda, ensuring compliance with the ever-increasing legislative demands and making progress on our 2030 Sustainability Strategy.

Outlook
We expect long-term channel shift across our consumer markets to continue, supported by a track-record of consistently taking market share, and a global, expanding, high-repeat customer base.

We remain confident of a return to 9% adjusted EBITDA margins in the medium term, and progression into 2024 through:

- a return to revenue growth across the Group;
- operating leverage improvements across the fixed infrastructure, including automation; and
- further free cashflow progress.

With a strong balance sheet and category-leading positions within substantial end markets that continue to benefit from long-term structural growth, we have confidence in our ability to deliver long-term value for Shareholders.

Chief Financial Officer Review

We delivered substantial progress in our key focus areas in 2023 whilst responding well to challenging conditions across the globe, notably cash generation, profitability, with a significant reduction in distribution costs.

In 2023, we delivered free cash flow breakeven alongside a 78.0% improvement in Adjusted EBITDA to £114.1m (2022: £64.1m) as we rebuild margins to their historic levels. Following completion of the strategic review, we report a higher quality result, with significantly lower adjusting items year-on-year (£50.6m vs 2022: £345.8m) and an improvement in statutory operating loss of +62.6% to £185.4m (2022: £495.6m).

CONSOLIDATED INCOME STATEMENT

ALTERNATIVE PERFORMANCE MEASURES[8]
The following table provides adjusted measures. The Group believes that these alternative performance measures, which are not considered to be a substitute for IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is monitored and reported through internal management reporting to the Board.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000	Movement
Adjusted gross profit	**876,096**	925,488	
Gross margin % (adjusted)	*42.8%*	*41.3%*	+150bps
Adjusted distribution costs	**(270,694)**	(353,412)	
As a % of revenue	*13.2%*	*15.8%*	+260bps

Adjusted administrative costs	**(491,296)**	(507,962)	
As a % of revenue	*24.0%*	*22.7%*	-130bps
Adjusted EBITDA	**114,106**	64,114	
Adjusted EBITDA %	*5.6%*	*2.9%*	+270bps
EBITDA losses from discontinued categories	**6,343**	17,061	
Adjusted EBITDA (continuing)	**120,449**	81,175	
Adjusted EBITDA (continuing) %	**6.1%**	4.0%	+210bps

STATUTORY RESULTS

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before Adjusted Items £'000	**Adjusted Items £'000**	**Total £'000**	Before Adjusted Items £'000	Adjusted Items £'000	Total £'000
Revenue	**2,045,378**	**-**	**2,045,378**	2,239,229	-	2,239,229
Cost of sales	**(1,189,837)**	**(15,251)**	**(1,205,088)**	(1,333,737)	(25,517)	(1,359,254)
Gross profit	**855,541**	**(15,251)**	**840,290**	905,492	(25,517)	879,975
Distribution costs	**(293,910)**	**(5,061)**	**(298,971)**	(380,652)	(22,117)	(402,769)
Administrative costs	**(678,733)**	**(30,315)**	**(709,048)**	(674,626)	(298,145)	(972,771)
Other operating expense	**(17,664)**	**-**	**(17,664)**	-	-	-
Operating loss	**(134,766)**	**(50,627)**	**(185,393)**	(149,786)	(345,779)	(495,565)

Revenue

During 2023, two key factors impacted our headline sales performance, firstly the decision to exit several categories as part of the strategic review and secondly, the conscious prioritisation of higher margin sales.

Following the completion of the strategic review, we successfully executed our plan to exit several loss-making categories including the sale of THG OnDemand. With continuing sales declining by only 3.2% in the current macroeconomic environment and with margin pivot, this is particularly pleasing when considered against the backdrop of the total Group reported revenue which has decreased by 8.7% to £2,045.4m (2022: £2,239.2m).

Importantly, we continue to benefit from strong underlying customer metrics and behaviours (Active customers, total orders and average order values), positioning the group well for the future.

The revenue decrease is driven by:

- the Group exiting non-profitable categories. Discontinued categories has resulted in a reduction in revenue of £129.3m;
- THG Beauty and THG Nutrition have consciously prioritised higher-margin sales and reduced order volumes that do not deliver target profitability leading to a decline in revenues, however we have benefitted from a stronger margin performance. This has focussed on reducing sales in territories furthest away from local distribution hubs, where delivery costs are higher;
- a one-time destocking across the beauty sector led to a decline in revenue of THG Beauty manufacturing (reported within THG Beauty) within the first half of the year which has faded in the second half and is not expected to recur in 2024;
- THG Ingenuity continues with its pre-announced strategic re-positioning that commenced in Q3 2022, focusing on higher value and higher margin clients which provide improved quality recurring revenue over the mid to long term. The short-term impact has been a reduction in non-recurring revenue as the re-positioning is executed; and
- a continuing uncertainty in the macroeconomic environment throughout the year.

Whilst the above has impacted revenue, the Group is pleased to report an improvement in both gross profit margin and absolute Adjusted EBITDA which, together with cash generation, have been a key management focus.

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

Gross profit

Adjusted gross profit was £876.1m (2022: £925.5m) equating to an adjusted gross profit margin of 42.8% (2022: 41.3%), an improvement of 150bps compared to 2022.

Gross profit on a statutory basis totalled £840.3m (2022: £880.0m) also delivering an increased margin of 41.1% (2022: 39.3%) and 180bps stronger than 2022.

The cost environment in 2023 has continued to be challenging with high levels of inflation combined with the currency headwinds, which continued to develop as we progressed through the year. More specifically the 13% decline in the Japanese Yen vs GBP impacted revenue and margin in the Japanese market within THG Nutrition. Overall, despite the decline in Japanese Yen, the Group saw a substantially better margin within THG Nutrition, reflecting the unwind of the price investment made in 2022 for customers and movements in the whey commodity price, which closed the year at below normalised levels. These commodity prices are expected to rise to normalised levels during 2024.

Japan is THG Nutrition's' second largest market and the devaluation in the Yen (from 135 Yen/£ at IPO in September 2020, to c. 180 Yen/£ at the close of 2023) has had a material impact on margins. Had the exchange rate been comparable in 2023 to that at IPO, THG would have made c. £20m more profit in the year. The Group also has continued to progress plans for in territory manufacturing in Japan to provide a longer-term hedge.

In THG Beauty, online retail (principally Look Fantastic, Cult Beauty and Dermstore) saw gross profit margin expansion as a result of the de-prioritisation of lower margin sales and subtle changes to promotional and geographic strategy. Manufacturing sales were also impacted by well documented de-stocking in the first half of the year, which also adversely impacted gross profit margins.

Pleasingly, the result of the factors above, alongside proactive implementation of cost saving initiatives, has led to the Group delivering a much improved margin year-on-year whilst exiting the year in constant currency sales growth.

Operating expenses

Distribution costs on a statutory basis further reduced as a percentage of sales by 340bps compared to 2022, culminating in a cost of £299.0m (2022: £402.8m), which is 14.6% (2022: 18.0%) of revenue, with total statutory costs improving by 25.8%. This is testimony to the benefits of the fulfilment automation deployed and is despite the adverse impact of national minimum wage increases and labour inflation in general.

Statutory distribution costs include one off adjusted items of £5.1m, which has substantially reduced from the £22.1m reported in 2022. As expected, in line with the reopening of air channels (specifically in Asia) and the impact of the pandemic lessening, the costs relating to incremental delivery fees in respect of Covid-19 have fallen away in 2023, totalling just £2.5m compared to £18.5m in 2022.

Adjusted distribution costs of £270.7m (2022: £353.4m) were 13.2% (2022: 15.8%) of revenue. This 260bps underlying improvement was driven by the Group's continued focus on network optimisation and the expanded use of warehouse automation, which has 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 during 2023. We continue to review the cost base and plan to continue with the roll out of further automation (all be it lighter touch) during 2024.

Administrative costs on a statutory basis totalled £709.0m (2022: £972.8m), an improvement year-on-year following the one-off non-cash impairment charge of £275.4m incurred in 2022.

Adjusted administrative costs as a percentage of revenue totalled 24.0% of revenue (2022: 22.7%). Within administrative costs, the main increases have been seen within marketing due to increased spend in certain areas, primarily brand investment and general media 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 AOV's due to regular engagement.

Other operating expense of £17.7m (2022: £nil) relates to the loss on disposal of three non-core freehold assets, as planned and completed in the first half of the year. These three disposals of assets, no longer required by the Group, generated cash proceeds of £55.5m.

Adjusted EBITDA and Adjusted EBITDA (continuing)

Reconciliation from Operating loss to Adjusted EBITDA	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
Operating loss	**(185,393)**	(495,565)
Adjustments for:		
Amortisation	**68,829**	58,581
Amortisation of acquired intangibles	**50,543**	50,394
Depreciation	**95,113**	94,191
Adjusted items - cash	**15,824**	40,090
Adjusted items - non-cash	**34,803**	305,689
Other operating expense - non-cash loss on disposal freehold assets	**17,664**	-
Share-based payments	**16,723**	10,734
Adjusted EBITDA	**114,106**	64,114
Adjusted EBITDA %	***5.6%***	*2.9%*
EBITDA loss from discontinued categories	**6,343**	17,061
Adjusted EBITDA (continuing)	**120,449**	81,175
Adjusted EBITDA (continuing) %	***6.1%***	*4.0%*

Adjusted EBITDA saw a strong improvement to £114.1m from £64.1m in 2022. This represents a margin of 5.6% (2022: 2.9%), an improvement of 270bps year-on-year, delivered through the Group's profit improvement 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 stripping out the EBITDA loss from discontinued categories, Adjusted EBITDA (continuing) totalled £120.4m (2022: £81.2m) with a margin of 6.1% (2022: 4.0%), an improvement of 210bps.

Depreciation and amortisation

Total depreciation and amortisation costs were £95.1m and £119.4m respectively (2022: £94.2m and £109.0m). Included within amortisation is £50.5m relating to acquired intangibles (2022: £50.4m). This is non-cash and is principally the depreciation of historic acquisition consideration through the Income Statement.

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, with more projects moving from work-in-progress (WIP) 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 £134.8m (2022: £149.8m). 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 combined with a return to sales growth are expected to reduce this loss position in the medium-term.

The Group incurred a much decreased operating loss in the year of £185.4m (2022: £495.6m). The decrease is largely as a result of the one-off non-cash impairment charge of £275.4m in 2022 that has not recurred in 2023.

The loss in 2023 includes one-off charges incurred during the year, being the loss on disposal of loss-making discontinued categories totalling £16.4m (2022: £29.3m) and share-based payment charges of £16.7m (2022: £10.7m). In addition, the other operating expense of £17.7m (2022: £nil) relates to the non-cash loss on disposal following the planned sale of non-core freehold assets which will not recur in future years, but which generated c.£55.5m of cash for the Group.

Finance costs net of finance income

Finance costs net of finance income have increased to £66.6m (2022: £54.2m). This is principally the result of the additional £156.0m facility obtained in September 2022 with the interest annualising in 2023.

Loss before tax and tax rate

Reported loss before tax was £252.0m (2022: £549.7m). The effective tax rate is 1.4% (2022: 1.8%), based on a total tax credit of £3.6m (2022: tax credit £9.8m). 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 (-16.2%), and the impact of expenses not deductible (-5.2%).

At the balance sheet date the total net deferred tax liability is £55.7m (2022: £76.6m). The deferred tax liability in respect of intangible assets recognised on consolidation was £135.3m (2022: £150.8). The deferred tax asset in respect of tax losses recognised was £29.8m (2022: £54.8m). There were £96.2m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (2022: £57.8m). This non-recognition has an impact on the income statement tax credit, 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 (£0.19) per share (2022: £(0.44) per share). Note that in the prior year, if the non-cash impairment charge was removed, the loss per share for 2022 would have been (£0.21) per share.

Cashflow

	2023	2022
	£'000	£'000
Adjusted EBITDA	**114,106**	64,114
Working capital movements	**48,152**	23,528
Tax paid	**(5,411)**	(4,857)
Net cash generated in operating activities before adjusted items	**156,847**	82,785
Adjusted items	**(15,040)**	(45,071)
Net cash generated in operating activities	**141,807**	37,714
Purchase of property, plant and equipment	**(46,289)**	(94,854)
Purchase of intangible assets	**(79,369)**	(81,564)
Proceeds from sale of non-core freehold assets	**55,450**	-
Other (primarily interest and lease repayments)	**(83,961)**	(74,649)
Acquisition of trade and assets and subsidiaries net of cash acquired	**(20,259)**	(5,691)
(Repayments)/proceeds of/from bank borrowings	**(25,000)**	156,000
Net decrease in cash and cash equivalents	**(57,621)**	(63,044)
Cash and cash equivalents at the beginning of the year	473,783	536,827
Cash and cash equivalents at the end of the year	**416,162**	473,783
Free cash flow[9]	**(1,135)**	(213,353)

The total cash outflow for the year was £57.6m (2022: £63.0m) driven by a cash inflow from operating activities of £141.8m (2022: £37.7m) due to increased Adjusted EBITDA, lower adjusting items, a well-controlled working capital cycle and the proceeds from the sale of non-core freehold assets. The improvements in working capital were seen through general tighter stock controls, reducing stock holding with no impact on availability as the stock portfolio normalises following a period of investment which supported the global warehousing rollout in previous periods.

Total cash adjusting items before tax have declined significantly to £15.8m from £40.1m in 2022. The cash reduction has been driven by lower transportation and delivery cash costs in relation to Covid-19 from £18.5m to £2.5m with air channels reopening in Asia. Also, acquisition costs in respect of restructuring and integration has decreased from £8.0m to less than £1m.

Through conscious, controlled, capital expenditure, there has been a reduction in the cash spend on the purchase of property, plant and equipment in 2023 to £46.3m compared to £94.9m in 2022. The deployment of our distribution network is now largely complete and continues to deliver efficiencies and benefits, reflected in lower distribution costs. Continued investment within intangible assets, mainly the Ingenuity platform continues at a similar rate to 2022 totalling £79.4m (2022: £81.6m). In 2023, £55.5m (2022: £nil) cash was received in relation to the sale of non-core freehold assets.

The combination of these cashflow improvements, has culminated in the group's ability to report free cash flow breakeven for 2023 (2022: outflow of £213.4m). This improvement of over £200m has come from strong operating cashflow improvements, and normalisation of capex expenditure.

During the year, some small, well considered acquisitions were undertaken to complement the THG Beauty and THG Ingenuity strategies. This generated a cash outflow of £20.3m (£5.7m) in 2023, primarily related to the acquisition of Biossance in December 2023 and City AM in July 2023.

In respect of loans and borrowings, a scheduled capital repayment of £25.0m (2022: £nil) was made in relation to the Group's bank borrowings. In 2022, cash inflows included £156.0m in respect of the new senior secured facility that was drawn in October 2022.

The Group ended the period with cash and cash equivalents of £416.2m (2022: £473.8m).

Segmental Summary

<u>Overview</u>

2023 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total[10]	Discontinued categories	FY 2023 Total
External revenue	1,171.7	657.9	154.1	-	-	1,983.7	61.7	2,045.4
Inter-segment revenue	-	-	519.9	-	(519.9)	-	-	-
Total revenue	**1,171.7**	**657.9**	**673.9**	**-**	**(519.9)**	**1,983.7**	**61.7**	**2,045.4**
Adjusted EBITDA	**44.2**	**88.9**	**9.0**	**(21.8)**	-	**120.4**	**(6.3)**	**114.1**
Adjusted EBITDA margin	3.8%	13.5%	1.3%	-	-	6.1%	-10.3%	5.6%

2022 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total	Discontinued categories	FY 2022 (Restated) Total
External revenue	1,226.0	662.7	159.6	-	-	2,048.3	191.0	2,239.2
Inter-segment revenue	-	-	597.4	-	(597.4)	-	-	-
Total revenue	**1,226.0**	**662.7**	**757.0**	**-**	**(597.4)**	**2,048.3**	**191.0**	**2,239.2**
Adjusted EBITDA pre SaaS costs	33.6	51.6	29.3	(23.2)	-	91.4	(17.1)	74.3
Adjusted EBITDA	**33.6**	**51.6**	**19.1**	**(23.2)**	**-**	**81.2**	**(17.1)**	**64.1**
Adjusted EBITDA margin	2.7%	7.8%	2.5%	-	-	4.0%	-8.9%	2.9%

THG Beauty [11]

£m	**2023**	2022 (Restated)	Change %
Revenue	**1,207.5**	1,285.9	-6.1%
Revenue (continuing)	**1,171.7**	1,226.0	-4.4%
Adjusted EBITDA (continuing)	**44.2**	33.6	31.7%
Adjusted EBITDA Margin %	**3.8%**	2.7%	+110bps

THG Beauty results mainly reflect the change in strategy to focus on higher margin sales and reducing order volumes that do not deliver target profitability. THG Beauty sales declined 6.1% to £1,207.5m, THG Beauty generated an increased Adjusted EBITDA (continuing) of £44.2m (2022: £33.6m) an 110bps improvement on margin to 3.8% (2022: 2.7%). This improvement was delivered by better quality sales improving gross margin, which more than offset the adverse impact from the one time destocking event seen in THG Beauty manufacturing in H1 2023. Following the completion of the strategic review, some small legacy brands within THG Beauty were discontinued, which will continue to improve the margin into 2024.

Challenges in THG Beauty manufacturing from industry-wide de-stocking reported in H1 2023, faded in H2, with a return to more normalised order levels being experienced into 2024.

Our prestige online retailing and THG owned-brands continued 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 aiding conversion, with a strong app participation.

AOV's continue to increase totalling £64 per basket for 2023 (2022: £63), 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.

In late December 2023, THG Beauty completed the acquisition of Biossance. The brand was successfully re-platformed onto Ingenuity technology in January 2024. This acquisition provides further opportunity for THG Beauty to embed new strategic partnerships and benefit from the significant levels of investment into the brand that were made under the previous ownership. Since inception in 2015, Biossance has generated global revenues of c. $300m and is currently stocked in over 1,600 stores globally including Sephora, Harrods, Space NK, Douglas and Selfridges plus online through www.biossance.com, Lookfantastic and Cult Beauty.

THG Nutrition

£m	**2023**	2022	Change %
Revenue	**664.3**	675.1	-1.6%
Revenue (continuing)	**657.9**	662.7	-0.7%
Adjusted EBITDA (continuing)	**88.9**	51.7	72.2%
Adjusted EBITDA Margin %	**13.5%**	7.8%	+570bps

THG Nutrition sales marginally decreased by 1.6% to £664.3m (2022: £675.1m) as we managed the business throughout the year with a focus on profit margins. An Adjusted EBITDA of £88.9m (2022: £51.7m) was delivered. This 570bps improvement on margin of 13.5% (2022: 7.8%) is a record THG Nutrition Adjusted EBITDA performance, reaping the rewards from the prior year investment in pricing strategy and, the effect of the decrease in whey commodity pricing.

The whey commodity prices saw substantial decreases in the year from abnormally high levels in 2022, these commodity prices are expected to rise initially then normalise during 2024.

Licensing arrangements continue to be a high-growth focus area of the business during 2023 and beyond, with revenue from Myprotein products sold under licensing arrangements scaling rapidly during the year. During 2023, targeted offline Myprotein licensing deals were launched in our two largest markets: UK (with major grocer, Iceland), and Japan (with leading distributor, Itochu). Such arrangements provide future enhanced margin potential for the business.

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).

2023 was a significant year in the evolution of the Myprotein brand, with a global rebrand launched in the second half of the year. The rebrand represents the latest step we've made in developing the brand and making it accessible to an increasingly broad audience since we acquired the brand in 2011.

AOV's marginally decreased to £49 (2022: £50).

Adjusted EBITDA margin is marginally above the medium-term guidance level previously communicated. Reflecting the recouping of investment consumer price protection in 2022.

THG Ingenuity

£m	2023	2022	Change %
External revenue	**154.1**	159.6	-3.4%
Internal revenue	**519.9**	597.4	-13.0%
Total revenue	**673.9**	757.0	-11.0%
Adjusted EBITDA	**9.0**	19.1	-52.7%
Adjusted EBITDA Margin %	**1.3%**	2.5%	-120bps

THG Ingenuity revenue from external customers decreased by 3.4% to £154.1m (2022: £159.6m). 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 multi-service 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 £9.0m with a margin of 1.3% (2022: £19.1m with a margin of 2.5%), being a 120bps reduction. There continued to be a strategic exit of smaller accounts and onboarding of multi-service enterprise clients throughout 2023. As revenue scales and the revenue mix evolves towards the technology product offering we anticipate margins will increase towards the Group's five-year aspirational target of 5%.

Cost-saving initiatives continue to remain on the agenda with a continued focus on automation rollout to implement further savings across the cost base into 2024 without impacting service delivery.

Internal revenue of £519.9m (2022: £597.4m) 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. As these businesses return to growth, inter-group revenue will also benefit.

Central costs

£m	2023	2022	Change %
EBITDA loss from central costs	**(21.8)**	(23.2)	+6.1%

Central costs relate primarily to the PLC Board remuneration, professional services fees, group finance, M&A, and governance costs that are not recharged to the businesses as they principally relate to the operations of the PLC holding company. The costs reduced in comparison to 2022 as the Group continued to focus on cost saving initiatives, more than offsetting increased investment in governance through new Board appointments and record high levels of macro-inflation in the economy.

Discontinued categories

£m	2023	2022	Change %
Revenue discontinued	**61.7**	191.0	-67.7%
Adjusted EBITDA from discontinued categories	**(6.3)**	(17.1)	+62.8%
Adjusted EBITDA Margin %	**-10.3%**	-8.9%	-140bps

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 THG OnDemand. In July 2023, the trade and assets of THG OnDemand were sold to a Newco led by the OnDemand management team. The Newco continues 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. £4m.

During H2, the Group completed its strategic review of non-core categories resulting in the discontinuation of small legacy brands within THG Beauty and THG Nutrition.

The discontinued categories contributed £61.7m (2022: £191.0m) of revenue and an adjusted EBITDA loss of £6.3m (2022: loss of £17.1m). Included within adjusted items are the losses on disposal of these categories including any write down of assets to their disposal value totalling £16.4m (2022: £29.3m).

We note the exits don't meet the criteria under IFRS 5: Non-current assets held for sale and 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 continuing revenue and Adjusted EBITDA of the Group these have been presented separately.

The prior year discontinued categories have been restated to include consistent categories disclosed in 2023 to provide a like-for-like comparison. (See note 2 within the financial statements).

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 costs relate to the non-cash loss on disposal of discontinued and loss making categories following the strategic review. Following the sale of the trade and assets of THG OnDemand in July 2023, along with the completion of the strategic review leading to the discontinuation of small legacy brands within THG Beauty and THG Nutrition, all assets have been written down to their recoverable amount expected on exit. This has led to inventory provisions (within cost of sales) and impairment of other assets, primarily property, plant and equipment (within administrative costs) being recognised.

	2023	2022
	£'000	£'000
Within Cost of sales		
Non-cash loss on disposal of discontinued and loss making categories	10,465	25,517
Inventory provision following strategic review	4,786	-
	15,251	25,517
Within Distribution costs		
Transportation and delivery costs in relation to Covid-19	2,456	18,504
Commissioning - new facilities	2,605	3,613
	5,061	22,117
Within Administrative costs		
Non-cash loss on property portfolio restructure	18,369	-
Loss on property portfolio restructure	851	-
Non-cash loss on disposal of (or exit from) discontinued and loss making categories	5,969	3,763
Other costs following the outcome of strategic review	1,515	6,942
Restructuring costs	2,708	6,803
Acquisitions - restructuring and integration	703	8,046
Other legal and professional costs	200	570
Donations	-	362
Non- cash impairment of assets	-	269,828
Non-cash impairment of non-core assets held for sale	-	1,831
	30,315	298,145
Within Finance costs		
Non-cash - revaluation of SBM option	**-**	(601)
Total adjusted items before tax	**50,627**	345,178
Tax impact	**(2,835)**	(11,634)
Total adjusted items	**47,792**	333,544
Cash adjusting items before tax [12]	**15,824**	40,090

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

Balance sheet

Cash and cash equivalents and net cash before lease liabilities

	2023	2022
	£'000	£'000
Loans and other borrowings	(650,037)	(679,189)
Lease liabilities	(344,977)	(334,376)
Cash and cash equivalents	416,162	473,783
Sub-total	**(578,852)**	(539,782)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	15,653	24,782
Net debt	**(563,199)**	(515,000)
Net debt before lease liabilities	**(218,222)**	(180,624)

The Group's balance sheet remains robust closing the period with cash balances of £416.2m (2022 at £473.8m). 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. Post year end, the Group extended its Revolving Credit Facility by 17 months to May 2026. There will be no changes to the financial covenants or interest margin beyond the existing maturity date. From December 2024, the facility will be £150 million. The extension affords the Group continued significant financial flexibility during uncertain geo-political times.

Net debt before lease liabilities and adjusted for the impact of hedging was £218.2m (2022: £180.6m) driven by movements in the loans and other borrowings balance and cash balance.

Net debt was £563.2m (2022: £515.0m). The increase in net debt year-on-year includes an increase in lease liabilities, following the restructure of the property portfolio in the year, with non-core assets being sold via a sale and leaseback arrangement and subsequently sublet, generating positive cash flow for the Group.

Non-current assets

Property, plant and equipment totalled £273.2m (2022: £360.0m). Intangible assets totalled £1,207.4m (2022: £1,275.8m). The movement in the period was driven by continued investment in the THG Ingenuity platform and 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.

Consolidated statement of comprehensive income

		2023	2022
		Total	Total
	Note	**£'000**	£'000
Revenue	2	**2,045,378**	2,239,229
Cost of sales		**(1,205,088)**	(1,359,254)
Gross profit		**840,290**	879,975
Distribution costs		**(298,971)**	(402,769)
Administrative costs		**(709,048)**	(972,771)
Other operating expense		**(17,664)**	-
Operating loss	3	**(185,393)**	(495,565)
Finance income	6	**13,329**	2,359
Finance costs	6	**(79,900)**	(56,522)
Loss before taxation		**(251,964)**	(549,728)
Income tax credit		**3,592**	9,771
Loss for the financial year		**(248,372)**	(539,957)
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax		**(46,255)**	62,953
Net (loss) / gain on cash flow hedges		**(5,220)**	9,753
Total comprehensive expense for the financial year		**(299,847)**	(467,251)
Basic and diluted loss per share (£)		**(0.19)**	(0.44)

Adjusted EBITDA

		2023	2022
	Note	**£'000**	£'000
Operating loss		**(185,393)**	(495,565)
Adjustments for:			
Amortisation	7	**68,829**	58,581
Amortisation of acquired intangibles	7	**50,543**	50,394
Depreciation	8, 14	**95,113**	94,191
Adjusted items - cash	4	**15,824**	40,090
Adjusted items - non-cash	4	**34,803**	305,689
Other operating expense - non-cash loss on disposal freehold assets		**17,664**	-
Share-based payments	5	**16,723**	10,734
Adjusted EBITDA[13]		**114,106**	64,114

Consolidated statement of financial position

		2023	2022
	Note	**£'000**	£'000
Non-current assets			
Intangible assets	7	**1,207,383**	1,275,762

	Note		
Property, plant and equipment	8	**273,171**	360,041
Right-of-use assets	14	**303,635**	294,309
Investments		**1,400**	1,400
Other financial assets		**7,999**	21,567
		1,793,588	1,953,079
Current assets			
Assets held for sale	8.2	**-**	21,397
Inventories	9	**297,143**	373,271
Trade and other receivables	10	**271,782**	264,949
Other financial assets		**1,915**	301
Current tax asset		**-**	2,377
Cash and cash equivalents	11	**416,162**	473,783
		987,002	1,136,078
Total assets		**2,780,590**	3,089,157
Equity			
Ordinary shares		**7,072**	6,903
Share premium		**2,024,824**	2,024,452
Merger reserve		**615**	615
Capital redemption reserve		**523**	523
Hedging reserve		**(20,020)**	(6,221)
Cost of hedging reserve		**25,283**	16,704
FX reserve		**15,604**	61,859
Retained earnings		**(1,032,234)**	(803,096)
		1,021,667	1,301,739
Non-current liabilities			
Borrowings	13	**621,011**	648,197
Other financial liabilities		**-**	4,189
Lease liabilities	14	**301,440**	290,381
Provisions		**22,130**	18,840
Deferred tax		**55,698**	76,598
		1,000,279	1,038,205
Current liabilities			
Contract liability		**22,864**	34,256
Trade and other payables	12	**638,350**	636,440
Borrowings	13	**29,026**	30,992
Current tax liability		**1,266**	-
Lease liabilities	14	**43,537**	43,995
Provisions		**3,838**	3,530
Other financial liabilities		**19,763**	-
		758,644	749,213
Total liabilities		**1,758,923**	1,787,418
Total equity and liabilities		**2,780,590**	3,089,157

Consolidated statement of changes in equity

	Note	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Capital Redemption reserve £'000	FX reserve £'000	Hedging reserve £'000	Cost of Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		**6,684**	**2,022,311**	**615**	**523**	**(1,094)**	**(12,964)**	**13,694**	**(274,015)**	**1,755,754**
Loss for the year		-	-	-	-	-	-	-	(539,957)	(539,957)
Other comprehensive income:										
Impact of foreign exchange		-	-	-	-	62,953	-	-	-	62,953
Movement on hedging instruments		-	-	-	-	-	6,743	3,010	-	9,753
Total comprehensive (expense)/ income for the period		**-**	**-**	**-**	**-**	**62,953**	**6,743**	**3,010**	**(539,957)**	**(467,251)**
Issue of ordinary share capital		219	2,141	-	-	-	-	-	-	2,360
Share-based payments	5	-	-	-	-	-	-	-	10,734	10,734
Deferred tax effect in		-	-	-	-	-	-	-	142	142

equity										
Balance at 31 December 2022		**6,903**	**2,024,452**	**615**	**523**	**61,859**	**(6,221)**	**16,704**	**(803,096)**	**1,301,739**
Balance at 1 January 2023		**6,903**	**2,024,452**	**615**	**523**	**61,859**	**(6,221)**	**16,704**	**(803,096)**	**1,301,739**
Loss for the year		-	-	-	-	-	-	-	(248,372)	(248,372)
Other comprehensive income:										
Impact of foreign exchange		-	-	-	-	(46,255)	-	-	-	(46,255)
Movement on hedging instruments		-	-	-	-	-	(13,799)	8,579	-	(5,220)
Total comprehensive (expense)/ income for the period		**-**	**-**	**-**	**-**	**(46,255)**	**(13,799)**	**8,579**	**(248,372)**	**(299,847)**
Issue of ordinary share capital		169	372	-	-	-	-	-	-	541
Share-based payments	5	-	-	-	-	-	-	-	16,723	16,723
Deferred tax effect in equity		-	-	-	-	-	-	-	2,511	2,511
Balance at 31 December 2023		**7,072**	**2,024,824**	**615**	**523**	**15,604**	**(20,020)**	**25,283**	**(1,032,234)**	**1,021,667**

Consolidated statement of cash flows

	Note	**2023** **£'000**	2022 £'000
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations		**162,258**	87,642
Income tax paid		**(5,411)**	(4,857)
Net cash generated from operating activities before adjusted cash flows		**156,847**	82,785
Cash flows relating to adjusted items		**(15,040)**	(45,071)
Net cash generated from operating activities		**141,807**	37,714
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**(20,259)**	(5,691)
Proceeds from sale of non-core freehold assets		**55,450**	-
Purchase of property, plant and equipment		**(46,289)**	(94,854)
Purchase of intangible assets		**(79,369)**	(81,564)
Interest received	6	**13,329**	2,359
Net cash used in investing activities		**(77,138)**	(179,750)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**-**	(73)
Interest paid		**(47,803)**	(27,923)
(Repayment of) / proceeds from bank borrowings		**(25,000)**	156,000
Repayment of lease liabilities	14	**(49,487)**	(49,012)
Net cash flow from financing activities		**(122,290)**	78,992
Net decrease in cash and cash equivalents		**(57,621)**	(63,044)
Cash and cash equivalents at the beginning of the year		**473,783**	536,827
Cash and cash equivalents at the end of the year	11	**416,162**	473,783

Notes to the 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, United Kingdom, 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 financial period presented here is for the 12 months ending 31 December 2023, and a prior period comparative of the 12 months ending 31 December 2022.

b. **Basis of preparation**

The consolidated financial statements, have been prepared in accordance with UK-adopted international accounting standards ("IFRS") and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of section 435 of the Companies Act (the "Act"). These Condensed Consolidated Financial Statements of THG PLC and its subsidiaries apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and were also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The statutory accounts for the 12 months ending 31 December 2023 were approved by the Board of Directors on 09 April 2024. The Auditors of the Group made a report thereon under Chapter 3 or part 16 of the Act. This report was unqualified and does not contain a statement under sections 498 (2) or (3) of the Act.

The statutory accounts for the 12 months ending 31 December 2022 have been delivered to the registrar of Companies, and the Independent Auditors of the Group made a report thereon under Chapter 3 or part 16 of the Act. This report was unqualified and does not contain a statement under sections 498 (2) or (3) of the Act.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

The accounting policies adopted by the Group in the current year are consistent with those adopted during the year ended 31 December 2022.

There have been no new or amended accounting standards or interpretations adopted during the year that have had a significant impact on the Group's financial statements.

There are no standards, interpretations or amendments to IFRS that have been issued but are not yet effective that are expected to have a material impact on the Group's financial statements.

2. Segmental reporting and revenue

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. For the year to 31 December 2022, the Group's activities were divided into the following segments THG Beauty, THG Nutrition, THG Ingenuity, THG OnDemand (disclosed under the discontinued categories segment), THG Luxury and THG Experience. The THG Luxury and THG Experience segments were aggregated due to being below the quantitative thresholds as set out in IFRS 8 and were reported separately under Other Central costs.

During 2023, THG Luxury and THG Experience have been reported to the Chief Operating Decision Maker (CODM) as part of the THG Beauty segment. On this basis, the Directors have concluded that for 2023, the Group has four operating segments. The prior year segmental analysis has been represented to provide a like-for-like comparison.

The following table describes the main activities for each reportable operating segment:

Segment	Activities
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	THG 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. THG Ingenuity also includes media related services.
Discontinued categories	During the year, certain loss-making categories and territories primarily within THG OnDemand along with some additional small legacy brands within THG Beauty and THG Nutrition have been approved for disposal, or exited. These exits do not meet the criteria under IFRS 5: Discontinued operations at the balance sheet date, as these categories and territories are not a major component of the Group as defined by the accounting standard, however, management began to report the financial results of these categories separately in their reporting to the CODM, as such the result has also been shown in the same format within this note.

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 CODM is the executive Board directors, who makes key operating decisions for the business. The CODM receives daily financial information at the combined Group level, along with monthly information at a business level and uses this information to allocate resources, make operating decisions and monitor the performance of each of the businesses.

The measure of the Group's profit or loss used by THG's management team is Adjusted EBITDA comprising operating loss less interest, tax, depreciation, amortisation, shared-based payments and adjusted items. This is reconciled to the nearest IFRS measure (loss before tax) in the below table.

2023	THG Beauty £'000	THG Nutrition £'000	THG Ingenuity £'000	Central PLC £'000	Inter-group elimination £'000	Result before discontinued categories (1) £'000	Discontinued categories £'000	2023 Total £'000
External revenue	1,171,742	657,911	154,052	-	-	1,983,705	61,673	2,045,378
Internal revenue	-	-	519,871	-	(519,871)	-	-	-
Total revenue	**1,171,742**	**657,911**	**673,923**	**-**	**(519,871)**	**1,983,705**	**61,673**	**2,045,378**
Adjusted EBITDA	44,238	88,929	9,039	(21,757)	-	120,449	(6,343)	114,106
Margin %	3.8%	13.5%	1.3%	-	-	6.1%	-10.3%	5.6%
Depreciation								(95,113)
Amortisation								(119,372)
Share-based payments								(16,723)
Adjusted items								(50,627)
Other operating expense								(17,664)
Operating loss								**(185,393)**
Finance income								13,329
Finance costs								(79,900)
Loss before taxation								**(251,964)**

1. *During 2022, and 2023 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.*

An element of THG Ingenuity revenue is contract based and therefore is recognised over time; all other revenue streams are recognised at a point in time. Of the total revenues recognised for THG Ingenuity, £67.7m (2022: £73.8m) is recognised over time.

Segment assets and liabilities are not disclosed because they are not regularly reported or reviewed by the Board.

2022	(Restated) THG Beauty £'000	(Restated) THG Nutrition £'000	THG Ingenuity £'000	Central PLC £'000	Inter-group elimination £'000	Result before discontinued categories £'000	(Restated) Discontinued categories £'000	2022 Total £'000
External revenue	1,225,977	662,737	159,541	-	-	2,048,255	190,974	2,239,229
Internal revenue	-	-	597,420	-	(597,420)	-	-	-

Total revenue	**1,225,977**	**662,737**	**756,961**	**-**	**(597,420)**	**2,048,255**	**190,974**	**2,239,229**
Adjusted EBITDA pre SaaS costs	33,585	51,647	29,304	(23,178)	-	91,358	(17,061)	74,297
Adjusted EBITDA	**33,585**	**51,647**	**19,121**	**(23,178)**	**-**	**81,175**	**(17,061)**	**64,114**
Margin %	2.7%	7.8%	2.5%	-	-	4.0%	-8.9%	2.9%
Depreciation								(94,191)
Amortisation								(108,975)
Share-based payments								(10,734)
Adjusted items								(345,779)
Operating loss								**(495,565)**
Finance income								2,359
Finance costs								(56,522)
Loss before taxation								**(549,728)**

The segmental result for 2022 has been restated within the above table. There is no change to the previously reported Total revenue, Adjusted EBITDA, Operating loss or Loss before taxation. During FY22, THG Luxury and THG Experience were reported separately (within 'Other'). From 1 January 2023, these results have been internally reported as part of THG Beauty. The results for THG Beauty and THG Nutrition have also been restated for the discontinued categories to show a like-for-like comparison for all categories reported internally as discontinued in 2023.

The result of both of these adjustments is that for 2022, segmental revenue has been restated as follows; THG Beauty £(9.0)m, THG Nutrition £(12.4)m, Other £(50.9)m and discontinued categories £72.3m. Segmental Adjusted EBITDA has been restated as follows; THG Beauty £0.7m, THG Nutrition £(0.1)m, Other £1.9m and discontinued categories £(2.5)m.

The Group has provided an analysis of external revenue by region (by destination):

	2023	2022
	£'000	£'000
UK	**937,125**	960,535
USA	**379,977**	446,542
Europe	**427,713**	449,783
Rest of the world	**300,563**	382,369
	2,045,378	2,239,229

The Group has provided an analysis of external continued revenue by region (by destination):

	2023	2022
	£'000	£'000
UK	**918,351**	899,656
USA	**348,414**	370,330
Europe	**421,032**	423,905
Rest of the world	**295,908**	354,364
	1,983,705	2,048,255

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

	2023	2022
	£'000	£'000
UK	**1,189,386**	1,257,689
Europe	**120,459**	145,057
Rest of the world	**475,744**	550,333
	1,785,589	1,953,079

3. Operating loss

		2023	2022
	Note	**£'000**	£'000
Operating loss has been arrived at after charging / (crediting):			
Adjusted items - cash	4	**15,824**	40,090
Adjusted items - non-cash	4	**34,803**	305,689
Other operating expense - non-cash loss on disposal freehold assets	8	**17,664**	-

Employee costs		**253,446**	275,145
Share-based payments	5	**16,723**	10,734
Depreciation on fixed assets	8	**55,691**	50,896
Depreciation on right-of-use assets	14	**39,422**	43,295
Amortisation	7	**68,829**	58,581
Amortisation of acquired intangibles	7	**50,543**	50,394
Government grants		**(1,598)**	(1,752)
Net foreign exchange (loss) / gain		**(201)**	1,424

4. Adjusted items

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

	2023	2022
	£'000	£'000
Within Cost of sales		
Non-cash loss on disposal of discontinued and the exiting of loss making categories	10,465	25,517
Inventory provision following strategic review	4,786	-
	15,251	**25,517**
Within Distribution costs		
Transportation and delivery costs in relation to Covid-19	2,456	18,504
Commissioning - new facilities	2,605	3,613
	5,061	**22,117**
Within Administrative costs		
Non-cash loss on property portfolio restructure	18,369	-
Loss on property portfolio restructure	851	-
Non-cash loss on disposal of (or exit from) discontinued and loss making categories	5,969	3,763
Other costs following the outcome of strategic review	1,515	6,942
Restructuring costs	2,708	6,803
Acquisitions - restructuring and integration	703	8,046
Other legal and professional costs	200	570
Donations	-	362
Non- cash impairment of assets	-	269,828
Non-cash impairment of non-core assets held for sale	-	1,831
	30,315	**298,145**
Total adjusted items before finance costs	**50,627**	**345,779**
Within Finance costs		
Non-cash - revaluation of SBM option	-	(601)
Total adjusted items before tax	**50,627**	**345,178**
Tax impact	(2,835)	(11,634)
Total adjusted items	**47,792**	**333,544**
Cash adjusting items before tax[14]	**15,824**	**40,090**

Non-cash loss on disposal of (or exit from) discontinued and loss making 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 primarily within THG OnDemand. In July 2023, the trade and assets of THG OnDemand were sold to a Newco led by the existing OnDemand management team. This resulted in adjustments in respect of inventory provisions recognised within cost of sales and impairment of other assets, primarily property, plant and equipment included within administrative costs being recognised, and therefore an overall loss on disposal, to reflect the recoverable value of the associated assets.

During the second half of the year, the Group completed its strategic review of non-core categories. As a result in January 2024, approval was obtained for further discontinuation of some additional small legacy brands within THG Beauty and THG Nutrition.

This resulted in adjustments in respect of inventory provisions recognised within cost of sales and impairment of other assets, primarily property, plant and equipment within administrative costs being recognised to reflect the recoverable value of the associated assets.

The total costs incurred regarding these loss making categories are £16.4m (2022: £29.3m) recognised within cost of sales and administrative costs respectively at £10.5m (2022: £25.5m) and £5.9m (2022: £3.8m).

These costs are deemed to be one-off, non-cash losses to enable and complete the exit of loss making areas of the business.

Associated income in respect of costs arising for discontinued categories has been set out in note 2.

Inventory provision following strategic review of business operations

Following the strategic review including THG Beauty manufacturing, efficiencies were identified that would support long-term cost savings. Consistent with this a one-off provision was recognised in respect of inventory that is no longer required to drive forward the operations. This is a one-off item that will not recur following the completion of this review.

Transportation and delivery 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 during 2022, with costs reducing further throughout 2023 as prices have normalised back to pre-covid levels. This item will not continue into 2024.

The impact of rising costs was not fully passed on to customers. On this basis, it is not possible to reliably measure any associated revenues associated with the operational costs.

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. Associated costs are expected to have been fully incurred by the end of the first half of 2024.

Loss on property portfolio restructure

During the year, as part of the cost reduction programme, the Group completed a review of the properties held within its portfolio, streamlining space where possible to gain efficiencies. Following consolidation of warehousing and offices across the Group, some properties across the portfolio are now vacant and not currently being utilised to generate economic benefits for the group.

Where possible assets held in leased properties have been sold or repurposed. However, residual leasehold improvement assets in respect of vacated properties have been fully impaired, being a one- off loss arising from the streamlining exercise undertaken. A provision has also been included for such unavoidable costs that are expected on these vacant leased properties over the remaining life of the lease.

Other costs following the outcome of strategic review

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.
- 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.

Restructuring costs

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. Current year costs relate directly to one-off costs arising following the decision to discontinue certain categories which are not expected to recur.

Acquisitions - restructuring and integration

On 26 July 2023 the Group purchased City AM. The costs incurred during the year relate to the integration of the acquisition within the wider THG Group and the dual running of warehouse facilities of businesses acquired in recent years. 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 further reduce in 2024.

Other legal and professional costs

The Group incurs legal and professional costs that are non-recurring, one off in nature and not related to trading activities. These costs are included as adjusted items and can include, but are not limited to, legal costs for one off matters and other fees associated with investor activities. The legal and professional costs incurred during 2023 relate directly to the purchase of City AM and Biossance.

Donations

There has been no donations recognised in adjusted items within 2023.

Whilst there have been donations in 2023 totalling £0.3m, these items have been included within the normal course of trade and therefore recognised outside of adjusted items. In 2022, in addition to donations made in the normal course of trade, the Group donated £0.4m related to aid in the form of nutrition and hygiene products to charities assisting with the war in Ukraine which was deemed to be a one off item and was therefore recorded in adjusted items and have not recurred.

Impairment of assets

In 2022, an impact of the divisional reorganisation was that the assets and cash flows of each division were separately identifiable. The result being the identification of additional cash-generating-units ('CGUs'). This more granular review, combined with significant acquisitions within THG Beauty division generating a substantial amount of intangible assets; the market price for many technology businesses falling; and the macroeconomic, inflationary and interest rate pressures in the wider market generated one-off impairment charges of £183m within the THG Beauty CGU and £87m within the THG Ingenuity CGU.

No impairment has occurred in 2023.

Impairment of non-core assets held for sale

No impairment of non-core assets held for sale has occurred in 2023.

In 2022, an impairment charge of £1.8m was recognised against non-core assets that met the criteria to be classified as held for sale under IFRS 5. The net book value of these assets was reclassified to current assets and an impairment charge has been recognised for the difference between the selling price and the carrying value.

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 35,529,895 shares were issued in the 12 months to 31 December 2023. The shares issued during the year are as follows:

- On 27 January 2023 a total of 34,969,541 options were granted with 234,929 of these shares only vesting if targets linked to ESG are met. 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.
    - 1,410,209 shares vested on 31 December 2023;
    - The remaining awards vest in two equal tranches. The second and third tranches for each separate grant will vest on 31 December in the following two years respectively.
- On 1 December 2023 a further 560,283 options were granted. The 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.

	2023	2022
	£'000	£'000
Expense arising from equity-settled share-based payment transactions	**16,723**	10,734

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

	2023 Number of shares	**2023 Weighted average exercise price**	2022 Number of shares	2022 Weighted average exercise price
As at 1 January	**41,796,012**	**£0.06**	-	£0.00
Granted during the year	**35,529,824**	**£0.01**	43,352,699	£0.05
Forfeited during the year	**(5,324,678)**	**£0.00**	(1,556,687)	£0.02
Exercised during the year	**(3,283,098)**	**£0.00**	-	£0.00
As at 31 December	**68,718,060**	**£0.03**	41,796,012	£0.06
Exercisable as at 31 December	**19,975,803**	**£0.00**	12,308,805	£0.10

The key inputs to calculate the charge are the share price at the date of grant and an assumption around those not remaining in continued employment, spread across the vesting period. Achievement of performance conditions have been considered where appropriate. The range of exercise prices are £0.00 to £0.10, and the weighted average remaining contractual life is 8.8 years. The weighted average share price at date of exercise of shares exercised during the year was £0.75.

6. Finance income and cost

	2023	2022
	£'000	£'000
Finance income		

Bank interest receivable	**13,329**	2,359
Finance costs		
Bank interest payable and charges	**65,140**	42,791
Interest on lease liabilities	**14,760**	14,332
Revaluation of SBM option	**-**	(601)
	79,900	56,522

7. Intangible assets

	Goodwill £'000	Platform development costs £'000	Intellectual property £'000	Brands £'000	New Product Development £'000	Total £'000
Cost or valuation						
At 1 January 2022	**755,082**	**218,827**	**197,590**	**607,358**	**8,671**	**1,787,528**
Transfers	-	2,592	-	-	-	**2,592**
Additions	-	55,513	20,736	353	4,513	**81,115**
Business combinations	2,375	-	-	-	-	**2,375**
Currency translation	33,520	348	6,110	33,045	29	**73,052**
Disposals	-	(9,031)	(464)	-	-	**(9,495)**
At 31 December 2022	**790,977**	**268,249**	**223,972**	**640,756**	**13,213**	**1,937,167**
At 1 January 2023	**790,977**	**268,249**	**223,972**	**640,756**	**13,213**	**1,937,167**
Transfers	-	-	(1,627)	103	1,524	**-**
Additions	-	60,775	19,988	83	798	**81,644**
Business combinations	2,318	-	1,816	4,329	-	**8,463**
Currency translation	(18,901)	(199)	(8,730)	(17,606)	(8)	**(45,444)**
Disposals	(1,175)	(31,226)	(24,078)	(376)	(310)	**(57,165)**
At 31 December 2023	**773,219**	**297,599**	**211,341**	**627,289**	**15,217**	**1,924,665**
Accumulated amortisation						
At 1 January 2022	**33,629**	**137,083**	**61,350**	**46,273**	**2,901**	**281,236**
Transfers	-	-	-	-	-	**-**
Amortisation	-	39,837	28,980	38,274	1,884	**108,975**
Impairment loss	271,003	-	2,194	20	373	**273,590**
Currency translation	-	443	3,263	3,386	7	**7,099**
Disposals	-	(9,031)	(464)	-	-	**(9,495)**
At 31 December 2022	**304,632**	**168,332**	**95,323**	**87,953**	**5,165**	**661,405**
At 1 January 2023	**304,632**	**168,332**	**95,323**	**87,953**	**5,165**	**661,405**
Transfers	-	97	(130)	33	-	**-**
Amortisation	-	38,520	26,893	52,474	1,485	**119,372**
Impairment loss	-	240	-	-	-	**240**
Currency translation	(1,651)	766	(5,418)	(2,437)	(2)	**(8,742)**
Disposals	-	(30,853)	(23,468)	(362)	(310)	**(54,993)**
At 31 December 2023	**302,981**	**177,102**	**93,200**	**137,661**	**6,338**	**717,282**
NBV						
At 1 January 2022	721,453	81,744	136,240	561,085	5,770	1,506,292
At 31 December 2022	486,345	99,917	128,649	552,803	8,048	1,275,762
At 31 December 2023	**470,238**	**120,497**	**118,141**	**489,628**	**8,879**	**1,207,383**

Included within intellectual property is £5.4m (2022: £4.4m) of capitalised costs incurred to obtain a contract with a customer. The costs relate to sales commissions paid to sales personnel upon initial acquisition of a customer contract. Amortisation of £1.0m (2022: £0.8m) was recognised in the period in relation to these assets.

No impairment has been recognised during the year.

8. Property, plant and equipment

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment and software £'000	Leasehold improvements and freehold buildings £'000	Total £'000
Cost						
At 1 January 2022	**2,332**	**126,448**	**107,450**	**100,474**	**123,003**	**459,707**
Additions	12	16,370	40,461	21,446	17,309	**95,598**
Transfers to assets held for sale	-	-	(6,831)	-	(17,071)	**(23,902)**
Transfers	-	(2,592)	-	-	-	**(2,592)**
Currency translation differences	-	3,137	2,461	2,031	478	**8,107**
Disposals	(27)	(263)	(2,148)	(5,232)	-	**(7,670)**
At 31 December 2022	**2,317**	**143,100**	**141,393**	**118,719**	**123,719**	**529,248**
At 1 January 2023	**2,317**	**143,100**	**141,393**	**118,719**	**123,719**	**529,248**
Additions	111	11,209	6,707	12,224	2,829	**33,080**
Business combinations	-	-	8	11	19	**38**
Transfers	-	5,430	(37,869)	3,009	29,430	**-**
Currency translation differences	-	(302)	743	(532)	(515)	**(606)**
Disposals	(165)	(6,474)	(4,117)	(281)	(45,875)	**(56,912)**
At 31 December 2023	**2,263**	**152,963**	**106,865**	**133,150**	**109,607**	**504,848**
Accumulated depreciation						
At 1 January 2022	**1,291**	**26,185**	**28,339**	**38,010**	**30,262**	**124,087**
Depreciation (note 3)	323	16,238	9,799	21,018	3,518	**50,896**
Impairment of assets held for sale	-	-	1,831	-	-	**1,831**
Transfers to assets held for sale (note 8.2)		-	(1,831)	-	(674)	**(2,505)**
Currency translation differences	-	840	409	1,083	131	**2,463**
Disposals	(27)	(160)	(2,148)	(5,230)	-	**(7,565)**
At 31 December 2022	**1,587**	**43,103**	**36,399**	**54,881**	**33,237**	**169,207**
At 1 January 2023	**1,587**	**43,103**	**36,399**	**54,881**	**33,237**	**169,207**
Depreciation (note 3)	340	14,494	13,489	21,310	6,058	**55,691**
Impairment loss	-	1,064	987	115	10,950	**13,116**
Currency translation differences	-	(342)	232	(581)	(187)	**(878)**
Disposals	(170)	(1,949)	(51)	(257)	(3,032)	**(5,459)**
At 31 December 2023	**1,757**	**56,370**	**51,056**	**75,468**	**47,026**	**231,677**
NBV						
At 1 January 2022	1,041	100,263	79,111	62,464	92,741	335,620
At 31 December 2022	730	99,997	104,994	63,838	90,482	360,041
At 31 December 2023	**506**	**96,593**	**55,809**	**57,682**	**62,581**	**273,171**

8.2 Assets held for sale

During 2022, the Group committed to a plan to sell some non-core freehold buildings that were no longer in use by the Group and not required to execute its future strategy. In accordance with IFRS 5: Non-current assets held for sale and discontinued operations, the assets were classified as held for sale on the Groups statement of financial position at 31 December 2022.

During 2023, the assets held for sale were sold generating cash proceeds of £13.5m.

There were no assets held for sale as at 31 December 2023.

	2023	2022
Assets classified as held for sale	**£'000**	£'000

Transfer from property, plant and equipment (note 8)	-	21,397
	-	21,397

9. Inventories

	2023	2022
	£'000	£'000
Goods held for resale	**225,600**	296,133
Raw materials	**67,427**	72,327
Goods in transit	**4,116**	4,811
	297,143	373,271

Goods in transit relate to goods whose control is still to be transferred to the customers as of the reporting date. The cost of inventories recognised as an expense and included in cost of sales amounted to £1,079.9m (2022: £1,272.9m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £5.1m (2022: £8.6m). Within goods held for resale is a £2.4m (2022: £3.0m) right to recover asset which represents the carrying value of inventory expected to be received back from customers as returns.

10. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	**110,912**	121,122
Less: loss allowance	**(2,056)**	(1,805)
Net trade receivables	**108,856**	119,317
Prepayments	**28,483**	28,362
Accrued income	**36,428**	40,004
Other taxation and social security	**59,185**	33,748
Other receivables	**38,830**	43,518
	271,782	264,949

Trade and other receivables are principally denominated in Sterling.

11. Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash and cash equivalents	**416,162**	473,783

Cash and cash equivalents includes amounts receivable of £3.5m (2022: £3.1m) from banks and £16.7m (2022: £17.4m) from payment providers, for credit and debit card transactions. Such amounts clear the bank shortly after the transaction takes place.

12. Trade and other payables

	2023	2022
	£'000	£'000
Trade payables	**368,855**	321,709
Accruals	**182,922**	244,553
Other taxation and social security	**82,351**	58,811
Other payables	**-**	1,880
Government grants	**2,343**	2,635
Contingent consideration on acquisitions	**1,879**	6,852
	638,350	636,440

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

Contingent consideration on acquisitions is measured at fair value using unobservable inputs (level 3 of the fair value hierarchy). The unobservable inputs used in the fair value calculation include internal data such as forecasts, budgets and actual results to date. The fair values are sensitive to changes in EBITDA or revenue given that these key metrics are what the performance targets are based on. The reduction year-on-year is driven by payments made of £3.4m.

Included within trade payables is £43.1m (2022: £53.7m) due to suppliers that participate in the Group's supply chain financing agreement. The agreement does not change the suppliers agreed payment terms directly with the Group.

13. Interest bearing loans and borrowings

	Note	**2023** £'000	2022 £'000
Current			
Bank borrowings		**29,026**	30,992
Lease liabilities	14	**43,537**	43,995
		72,563	74,987
Non-current			
Bank borrowings		**621,011**	648,197
Lease liabilities	14	**301,440**	290,381
		922,451	938,578

Bank borrowings relate predominantly to the 7-year Euro term loan B, undrawn 5-year revolving credit facility and an incremental facility obtained during the prior year. The revolving credit facility is provided by Barclays, HSBC, Santander, Citibank, NatWest and JPM. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility interest rate is SONIA. The Group increased its bank borrowings in 2022 with an incremental facility obtained plus Commercial Facility Loan. This loan is provided by the Groups existing lenders and carries a base rate of Daily RFR (SONIA). The floating element of the term loan B is hedged by interest rate derivatives. Management note that EURIBOR is being reformed as a benchmark rate and are in dialogue with its lending and hedging partners to minimise the impact on the Group as transition occurs. If interest rates moved by 100bps, the Group's loss before tax would be c.£7.3m higher / lower (2022: c.£3.7m) and the subsequent move on the derivative valuation would cause equity to be c.£15.5m higher / lower (2022: c.£18.5m) as a result of the same move.

Net debt consists of loans and lease liabilities, less cash and cash equivalents, defined as referenced in note 14. For the purpose of the Group's net debt calculation, loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net (debt)/cash is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below:

	2023 **£'000**	2022 £'000
Loans and other borrowings	**(650,037)**	(679,189)
Lease liabilities	**(344,977)**	(334,376)
Cash and cash equivalents	**416,162**	473,783
Sub-total	**(578,852)**	(539,782)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	**15,653**	24,782
Net debt	**(563,199)**	(515,000)
Net (debt)/cash before lease liabilities	**(218,222)**	(180,624)

14. Leases

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

	Motor vehicles £'000	**Plant and machinery £'000**	**Computer equipment and software £'000**	**Land and buildings £'000**	**Total £'000**
As at 1 January 2022	**378**	**374**	**2**	**309,528**	**310,282**
Additions	-	-	-	13,608	**13,608**
Depreciation (note 3)	(173)	(213)	(1)	(42,908)	**(43,295)**
Lease modifications	-	-	(1)	17,856	**17,855**
Disposals	-	-	-	(11,426)	**(11,426)**

Currency translation differences	5	3	-	7,277	**7,285**
As at 31 December 2022	**210**	**164**	**-**	**293,935**	**294,309**
As at 1 January 2023	**210**	**164**	**-**	**293,935**	**294,309**
Additions	1,920	(3)	-	59,475	**61,392**
Depreciation (note 3)	(568)	(45)	-	(38,809)	**(39,422)**
Lease modifications	98	-	-	(10,377)	**(10,279)**
Disposals	-	-	-	-	**-**
Currency translation differences	(4)	(3)	-	(2,358)	**(2,365)**
As at 31 December 2023	**1,656**	**113**	**-**	**301,866**	**303,635**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023	2022
	£'000	£'000
As at 1 January	**334,376**	349,173
Additions	**56,708**	6,620
Accretion of interest	**14,641**	14,130
Payments	**(49,487)**	(49,012)
Lease modifications	**(8,864)**	17,820
Disposals	**-**	(13,510)
Currency translation differences	**(2,397)**	9,155
As at 31 December	**344,977**	334,376
Current	**43,537**	43,995
Non-current	**301,440**	290,381

The Group had total cash outflows for leases of £49.5m in 2023 (2022: £49.0m).

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

	2023	2022
	£'000	£'000
Depreciation expense on right-of-use assets	**39,422**	43,295
Interest expense on lease liabilities	**14,641**	14,130
	54,063	57,425

15. Earnings per share

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

	2023	2022
Loss for the financial year (£'000)	**(248,372)**	(539,957)
Weighted average number of ordinary shares for basic EPS	**1,296,925,602**	1,239,485,253
Basic and Diluted EPS (£'s)	**(0.19)**	(0.44)

In 2022, if the impact of impairment charges in the year was removed, the Basic and Diluted EPS would have been £(0.21).

The basic loss per share has been calculated by dividing the loss attributable to the Group by the weighted average number of ordinary shares in issue.

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

Basic and diluted earnings per share are equal since the effect of all potentially dilutive shares outstanding was anti-dilutive.

16. Related Party Transactions

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

	£ per share	**Ordinary Shares 2023 Number**	Ordinary Shares 2022 Number
M J Moulding	0.005	**249,294,545**	249,294,545
M J Moulding	1	**360**	361
J A Gallemore	0.005	**4,216,826**	3,638,116
J A Gallemore	1	**3,174**	3,174
I McDonald	0.005	**2,505,943**	2,505,943
D Sanders	0.005	**21,926**	21,926
C Allen	0.005	**2,400,000**	2,400,000
S Farr	0.005	**67,397**	n/a
		258,510,171	257,864,065

In addition to the shareholdings noted above, the Directors had the following interests in vested Shares issued under previous incentive arrangements at the balance sheet date. These shares carry no voting rights.

		2023	2022	**2023**	2022
	Date of award	**Subscription/exercise price £**	Subscription/exercise price £	**Number**	Number
M J Moulding	Dec-19	**0.23**	0.23	**43,641,266**	43,641,266
M J Moulding	Aug-20	**0.33**	0.33	**20,197,808**	20,197,808
M J Moulding	Aug-20	**0.28**	0.28	**7,733,792**	7,733,792
M J Moulding	Aug-20	**0.26**	0.26	**-**	-
J A Gallemore	Dec-19	**0.23**	0.23	**185,476**	185,476
J A Gallemore	Aug-20	**0.33**	0.33	**2,666,963**	2,666,963
J A Gallemore	Aug-20	**0.28**	0.28	**4,000,537**	4,000,537
I McDonald	Dec-19	**0.23**	0.23	**185,476**	185,476
				78,611,318	78,611,318

The Group has not provided any interest free loans to the Directors in 2023 (2022: none). In previous years the Group provided £0.3m of interest free loans to the Directors for them to subscribe for shares as part of the employee benefit scheme which remain outstanding at the balance sheet date.

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 £307,720 (2022: £269,017) for the Group recognised within administrative expenses.

Prior to the IPO which took place in September 2020, THG divested the Propco Group, an entity now wholly owned by the Group's CEO. The Propco Group owns property assets occupied and utilised by THG and its operating businesses.

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

	2023	2022
	£'000	£'000
Right-of-use asset	**154,682**	159,000
Lease liability	**174,457**	178,694

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

	2023	2022
	£'000	£'000
Depreciation arising on right-of-use assets	**10,066**	11,277
Expense recognised in financing costs	**7,198**	8,182
Impairment arising on property plant and equipment	**9,663**	-

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

Number of properties	Residual lease term date divestment	FY23 rent £'000
9	0-4 years	962
12	12-14 years	3,285
7	18-24 years	9,923
28		**14,170**

The following table shows the amounts receivable from or payable to Propco which are outstanding at the balance sheet date. These 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.

	2023		2022	
Related party	**Amounts owed by related parties**	**Amounts owed to related parties**	Amounts owed by related parties	Amounts owed to related parties
	£'000	**£'000**	£'000	£'000
Aghoco 1442 Ltd	**-**	**29**	-	100
Allenby Square Ltd	**-**	**7**	-	190
MCL Alpha PropCo Ltd	**-**	**-**	-	161
MCL Icon Unit 3 PropCo S.à r.l.	**-**	**74**	-	296
MCL Gadbrook PropCo Ltd	**-**	**34**	-	242
MCL Icon Unit 4 PropCo Ltd	**-**	**45**	-	217
MCL PV PropCo Ltd	**-**	**-**	-	45
MCL A&A PropCo Ltd	**-**	**-**	-	241
MCL GJS PropCo Ltd	**-**	**35**	-	195
MCL HCC PropCo Ltd	**-**	**75**	-	285
MCL KS PropCo Ltd	**-**	**63**	-	225
Moulding Capital Limited	**-**	**-**	-	10,454
MCL Wroclaw sp. Z.o.o	**-**	**1**	-	-
MCL ICON S.à r.l	**-**	**170**	-	1,101
MCL Icon Unit 2 PropCo Limited	**-**	**292**	-	953
	-	**825**	-	14,705

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

[2] *CCY defined as constant currency basis*

[3] *Gross Margin % is presented before the impact of depreciation and amortisation*

[4] *See CFO report for a reconciliation to adjusted EBITDA*

[5] *Net Cash / (Debt) is cash and cash equivalents less debt before lease liabilities, on a hedged basis (see note 13)*

[6] *Free cash flow is defined as total cash flow for the group adjusting for debt (repayments) / proceeds and acquisitions cash flows and in respect of FY 2023 the inclusion of a cash receipt of £11.2m from HMRC which was remitted to the Group in December 2023 but physically cleared the bank on the first working day of 2024. For presentation purposes, this is considered to be free cash flow as at 31 December 2023 as a result of the remittance advice received*

[7] *Defined as cash generated from operations including a cash receipt of £11.2m from HMRC which was remitted to the Group, but physically cleared the bank on the first working day of 2024*

[8] *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 £15.3m (2022: £25.5m) for adjusted items and £20.6m (2022: £20.0m) for amortisation and depreciation*
- *For statutory presentation, distribution costs include charges of £5.1m (2022: £22.1m) for adjusted items and £23.2m (2022: £27.2m) for amortisation and depreciation*

- *For statutory presentation, administrative costs include charges of £30.3m (2022: £298.1m) for adjusted items and £170.7m (2022: £155.9m) for amortisation and depreciation and £16.7m (2022: £10.7m) for share-based payments*

[9] *Free cash flow is defined as total cash flow for the group adjusting for debt (repayments) / proceeds and acquisitions cash flows and in respect of FY23 the inclusion of a cash receipt of £11.2m from HMRC which was remitted to the Group in December 2023 but physically cleared the bank on the first working day of 2024. For presentation purposes, this is considered to be free cash flow as at 31 December 2023 as a result of the remittance advice received*

[10] *During 2022, and 2023 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*

[11] *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. The 2022 result for THG Beauty has been restated to provide a like-for-like comparison to 2023*

[12] *Cash adjusting items before tax total £15.8m (2022: £40.1m), reflecting the total cash before tax expected to be paid. This differs from the Consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in 2023 totalled £15.0m*

[13] *Adjusted EBITDA is defined as operating profit before depreciation, amortisation, share-based payments, other operating expense - non-cash loss on disposal freehold assets and adjusted items. The comprehensive expense is 100% attributable to the owners of the Parent Company*

[14] *Cash adjusting items before tax total £15.8m (2022: £40.1m) reflecting the total cash before tax expected to be paid. This differs from the Consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in 2023 totalled £15.0m*

END

FR XKLLBZZLZBBD