

23 April 2024

THG PLC
First quarter trading statement for the period ended 31 March 2024

Group revenue growth acceleration to +4.5% (Q4 2023: +1.1%)

Growth progression in each of the past five consecutive quarters

Standout performance in THG Beauty +11.1% (Q4 2023: +2.6%)

Q1 2024 Group Trading Performance

£m	Q1 2024		
	Q1 2024	YoY ^[1] change	CCY ^[2] change
THG Beauty	267.6	+9.3%	+11.1%
THG Nutrition	150.8	-9.0%	-5.8%
THG Ingenuity (external)	37.0	+4.1%	+5.9%
Group (continuing) revenue	455.4	+2.1%	+4.5%
Discontinued revenue ^[3]	4.5	-80.6%	-80.1%
Total revenue	459.9	-2.0%	+0.3%

<i>THG Ingenuity internal revenue</i>	112.6	-8.0%	-8.0%
<i>THG Ingenuity total</i>	149.6	-5.3%	-4.9%

All comparative figures are continuing CCY unless otherwise stated.

- Overall Group sales continued to strengthen, with improvements made in each of the past five consecutive quarters. Notable strong momentum in Beauty offsetting continuing currency headwinds and previously announced rebrand transition in Nutrition.
- The strategic focus on higher-margin sales through FY 2023 has been rewarded, with continuing revenue growth of +4.5%, building on the +1.1% growth achieved in Q4 2023.
- THG Beauty delivered a standout Q1 performance with growth of +11.1% (Q1 2023: -12.4%), following targeted changes to geographic strategy through 2023, focusing on more profitable customers and territories closest to our global distribution hubs.

THG Beauty Q1 highlights

Key Performance Indicators	Q1 2023	Q1 2024	LTM Q1 2024	YoY change	LTM change
Continuing revenue (£m)	244.7	267.6	1,194.6	+9.3%	-0.5%
CCY growth	-12.4%	+11.1%			
Active customers ^{[4],[5]} (LTM) (m)	8.8	8.6		-2.8%	
Total orders (LTM) (m)	16.9	17.0		+0.5%	
Average order values (LTM) (£)	64	63		-1.0%	

- Positive momentum continued into Q1 with all channels in growth. THG Beauty channels are comprised of Retail (c.80% of revenue), own-brand (c.10%) and manufacturing (c.10%).
- Performance in the UK (over half of online Beauty revenue) was notably strong, ahead of the overall Beauty business at +11.1% growth.
- App participation grew to 24% of online revenue (Q1 2023: 15%), with particularly strong participation in the UK at 35%. Increased app revenue participation supports deeper relationships with our customers, providing valuable first party data and lessening the reliance on paid marketing channels.
- THG Beauty further increased market share in the UK total premium beauty market^[6], and further enhanced its fragrance credentials with 10 new brand launches.
- Customer health remains robust with active customer numbers back in growth (FY 2023: 8.5m), driven by UK and MENA territories, largely reflecting the success of our loyalty program which now has c.2.3m members, having launched in 2022.
- Biossance was migrated onto the Ingenuity platform in January. Early signs are positive and we are confident that Biossance will scale to become one of our largest own brands, with prominence in the US, both online and across major retailers.
- Manufacturing performance was robust through Q1, delivering sales growth through a materially reduced cost base following the savings initiatives completed in 2023.

THG Nutrition Q1 highlights

Key Performance Indicators	Q1 2023	Q1 2024	LTM Q1 2024	YoY change	LTM change
Continuing revenue (£m)	165.7	150.8	643.0	-9.0%	-4.3%
CCY growth	+3.7%	-5.8%			
Active customers (LTM) (m)	6.9	6.7		-2.8%	
Total orders (LTM) (m)	13.0	12.6		-2.7%	
Average order values (LTM) (£)	51	48		-5.3%	

- Myprotein continues to be the fastest growing sports nutrition brand across UK retailers with the brand's Q1 retail GMV more than doubling YoY^[7]. We extended distribution by over 1,000 stores in Q1 with launches across sports nutrition and vitamins ranges in Asda, Boots and Tesco taking UK retail doors to c. 5,000^[8].
- The Myprotein rebrand roll-out, the biggest in its 20-year history, made good progress through Q1, with c.40% of products available now under the new branding in the UK and Europe. Early results from the rebrand are very promising, with strong brand awareness growth in the UK, moving from 48% (Aug'23) to 52% (Mar'24)^[9], supported by the launch of high-performance range 'Origin'. Elevating the brand in this way will position it well for global offline and licensing opportunities.
- Q1 Nutrition revenue growth was held back by a c.16% devaluation of the Japanese Yen YoY (15% of THG Nutrition revenues), as well as expected availability gaps as the product range transitions to the new branding.
- Continued devaluation risk with the Japanese Yen is being addressed with the launch of local manufacturing in H2, as well as through licensing agreements, where local partners recognise full revenue value and THG receives a percentage as a royalty.
- Local manufacturing in India successfully launched in Q1, allowing products to be more quickly tailored to the needs of the local market, while reducing lengthy supply chains in the movement of goods from the UK to India. We expect India to become a key market for Nutrition over the next three years.
- We further expanded our category reach with Iceland and our UK licensing partnerships with ready-to-drink (Jimmy's coffee) and chilled goods (Bakeaway). Physical customer touchpoints supporting UK brand awareness now includes c.1,500 retail doors via licensed products, enabling us to enter new in-store locations.
- Internationally, a physical presence through c.20,000 stores across Europe, Japan and the US is expected to help drive the mix of total GMV from brand sales towards 25% offline over the medium-term.
- The contribution from licensing partnerships improved THG Nutrition's total GMV in Q1 2024 to -3.5%, with UK total brand sales +6.2% YoY.

- Overall customer numbers in growth since December 2023, underpinned by the store channel performance with online active customer numbers in-line with year-end, with notable growth in UK, India and MENA.

THG Ingenuity Q1 highlights

£m	Q1 2024		
	Q1 2024	YoY change	CCY change
External revenue	37.0	+4.1%	+5.9%
Internal revenue	112.6	-8.0%	-8.0%
Total THG Ingenuity revenue	149.6	-5.3%	-4.9%

- *THG Ingenuity external revenue:* Monthly recurring revenue^[10] continued to build in March at +26.3% YoY, an acceleration on December (+14.7% YoY).
- The first dispatches under the Holland & Barrett partnership completed in March as part of an eight week phased migration project, demonstrating speed and accuracy of execution while maintaining full stock availability and a full suite of delivery services.
- During Q1 THG Ingenuity delivered numerous contract wins, including a partnership with fashion and lifestyle brand White Stuff on their brand re-launch into Germany. Through a fully localised technology, digital marketing and fulfilment strategy to better serve White Stuff's growing German customer base, the relaunch delivered +75% YoY revenue growth (Feb'23 to Feb'24).
- Our fulfilment network is becoming increasingly optimised through automation and AI to drive best-in-class delivery and customer service (86% of THG brand Trustpilot reviews rated 5* in Q1).
- *THG Ingenuity internal revenue:* The Group implemented profitability improvement plans through 2022 and 2023, which included the discontinuation of non-profitable categories in addition to the sale of OnDemand. As both Beauty and Nutrition return to growth, internal revenue will also benefit, albeit at a slower rate than external sales, given anticipated volume of contract wins.

Outlook and guidance

- Expectations for FY 2024 and medium-term guidance remain unchanged from the FY 2023 Preliminary results statement on 10 April 2024, with a continued focus on revenue growth, margin progression and cash generation.
- Group revenue growth in H1 is anticipated to be in the range of +2.0% to +5.0% on a continuing basis (-1.0% to +2.0% reported), moving towards high single digits in the second half, reflective of the onboarding of new contracts within Ingenuity, growth in offline sales within THG Nutrition and full Myprotein rebrand product availability.
- Following developments in the Middle East, the Group continues to monitor the situation, with Israel accounting for c. 1% of Group sales, weighted towards Nutrition.

Matthew Moulding, CEO of THG commented:

"Following the Group's return to revenue growth in Q4 2023, it's pleasing to report an acceleration in Q1, which is testament to the hard work and dedication of our people, who've remained focused on the task in hand despite the tough macro-economic backdrop.

"It's also clear that the accelerated infrastructure investments made during 2019-2022, specifically into our fulfilment network and tech capabilities, are playing a significant part in delivering competitive advantage. With this major capex program behind us, these investments will continue delivering meaningful savings, which accelerate further as new Ingenuity partners are onboarded.

"The Q1 performance of our largest business THG Beauty, is especially encouraging. The operating model changes made throughout 2023, including focusing on more profitable territories and customers, temporarily impacted growth for

much of last year, however, since Q4, we are seeing tangible benefits from these actions. This is reflected in THG Beauty's loyalty membership reaching 2.3m people at the end of Q1, less than two years after launch.

"Beauty delivered double digit growth in the quarter, with a high-quality, loyal customer base bringing greater profitability per order across a more efficient cost base.

"Ingenuity, having pivoted towards larger, multi-service partners, is now also seeing the benefits of its own model changes. Another quarter of solid external revenue growth at +5.9%, is underpinned by monthly recurring revenue growth of +26.3%.

"The response to the Myprotein elevation rebrand has been fantastic. While these changes naturally impact short term revenues as old and new branded products are swapped out, the strong positive response from online consumers and offline retail partners alike underpins confidence once full product availability is restored."

Analyst and Institutional investor conference call

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

<https://stream.brmedia.co.uk/broadcast/6620e6b140524def7b49c88e>

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

- Confirmation password: THG Q1 Results
- UK dial in: +44 (0) 33 0551 0200
- US dial in: +1 786 697 3501

For further information please contact:

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APPENDIX

Quarterly reported revenue growth rates

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
THG Beauty	+21.2%	+22.1%	+4.1%	-8.1%	-9.3%	-8.4%	-2.6%	+0.8%
THG Nutrition	+11.3%	-5.0%	+4.0%	+4.9%	+5.7%	+1.3%	-3.8%	-6.0%
THG Ingenuity	+17.9%	+11.1%	-2.5%	-14.1%	-14.3%	-15.4%	-8.8%	-5.8%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.0%
Group (continuing) revenue	+19.8%	+11.0%	+4.1%	-5.1%	-4.3%	-5.0%	-3.1%	-0.8%
Other (discontinued)	-19.2%	-11.0%	-18.2%	-34.1%	-51.0%	-63.3%	-77.2%	-79.2%
Group revenue	+14.9%	+8.6%	+1.6%	-8.3%	-8.3%	-10.3%	-9.5%	-6.9%

Quarterly constant currency revenue growth rates

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
THG Beauty	+25.4%	+18.4%	-3.3%	-13.3%	-12.4%	-8.5%	-0.3%	+2.5%
THG Nutrition	+14.8%	-8.0%	-2.0%	+2.0%	+3.7%	+2.0%	-1.4%	-4.0%
THG Ingenuity	+18.2%	+10.6%	-3.3%	-14.9%	-14.7%	-15.4%	-8.5%	-5.4%
Inter-group elimination	+10.6%	+10.2%	-4.2%	-14.0%	-15.5%	-17.1%	-10.5%	-9.0%
Group (continuing)	+23.7%	+7.8%	-2.6%	-10.1%	-7.0%	-5.1%	-0.8%	+1.1%

revenue								
Other (discontinued)	-19.2%	-11.0%	-18.2%	-34.2%	-51.0%	-63.3%	-77.2%	-79.2%
Group revenue	+18.0%	+5.9%	-4.3%	-12.7%	-11.0%	-10.1%	-7.6%	-5.3%

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Notes to editors

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

Cautionary Statement

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

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

[2] CCY defined as constant currency basis

[3] The Group completed its strategic review of non-core categories in H2 2023, resulting in the discontinuation of small legacy brands within THG Beauty and THG Nutrition

[4] THG Beauty KPIs exclude Glossybox beauty subscriptions and THG Luxury

[5] Active customers is defined as customers who have purchased at least once within the period

[6] As per third-party data and management estimates

[7] Nielsen data, sports nutrition brands, total coverage, data to 23/03/2024

[8] Nielsen data, sports nutrition brands, total coverage, data to 23/03/2024

[9] Source: YouGov Brand Tracker, March '24

[10] Monthly Recurring Revenue comprises Software-as-a-Service license fees, managed service fees, revenue share, fulfilment and creative services

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