

04 August 2021

THIS ANNOUNCEMENT INCLUDES INSIDE INFORMATION

**THG PLC**  
**The Digital Brands Group**

**ACQUISITION OF CULT BEAUTY LIMITED**

***£275m acquisition of UK-based pure-play online prestige beauty retailer***

***Highly complementary to THG Beauty's existing portfolio with compelling strategic benefits, adding c. 200 new brands, 1.7m highly engaged customers and 1.6m Instagram followers, whilst supporting deeper category penetration using THG's wide range of Ingenuity services***

***FY 2022 impact for THG of c. £140m Sales and c. £10m adjusted EBITDA***

***On a constant currency basis, FY 2021 Group sales growth now expected to be between +38% and +41%, representing an increased and tightened guidance range (previously between +30% to +35%)***

***FY 2021 reported Group sales growth guidance raised to +35% to +38% (£2.18bn to £2.23bn)***

***Good progress made under the Ingenuity collaboration agreement with SB Management Limited ("SBM"), a wholly owned subsidiary of SoftBank Group Corp.***

***Ahead of schedule for technical separation of each of the Group's key trading divisions in 2022***

THG PLC ("THG" or the "Group"), the proprietary technology platform specialising in taking brands direct to consumers ("D2C"), has agreed to acquire Cult Beauty Limited ("Cult Beauty"), the UK based online beauty retailer of prestige and emerging independent brands. The total consideration of £275m represents a c. 2.0x FY 2022 sales multiple.

**Strategic Impact**

- Cult Beauty's portfolio of emerging and independent 3<sup>rd</sup> party brands is a compelling addition for THG Beauty, the globally pre-eminent digital-first prestige brand owner, brand builder, manufacturer and retailer. THG x Cult Beauty: <https://f.io/w7xM7N2y>
- Cult Beauty is the authorised online retailer of c. 300 prestige 3<sup>rd</sup> party brands across skincare, haircare and cosmetics, including Charlotte Tilbury, Drunk Elephant and Huda Beauty, around two-thirds of which are not currently listed on existing THG Beauty sites, representing an opportunity to broaden consumer choice globally. Due to its distinguished brand portfolio, Cult Beauty will retain a very clear identity within THG Beauty.
- Currently less than 50% of Cult Beauty's sales are international, representing a compelling opportunity to accelerate overseas growth through the THG Ingenuity platform's well-proven internationalisation capabilities.
- THG Beauty's position as the industry's digital strategic partner globally provides a substantial opportunity to offer an enhanced service to Cult Beauty's brands across its beauty subscription box business and digital marketing services, new product innovation and manufacturing know-how, in addition to THG Ingenuity powering the D2C digital transformation goals of brand partners.

**Financial Impact**

- THG is acquiring Cult Beauty from private shareholders including majority investor Mark Quinn-Newall (co-founder of Net-a-Porter) and co-CEO Alexia Inge, for £275m on a cash and debt-free basis.
- Cult Beauty is expected to contribute sales of c. £60m and adjusted EBITDA of c. £3m for the remainder of FY 2021.
- Through delivery of planned synergies including re-platforming onto the THG Ingenuity platform, management anticipate adjusted EBITDA margins to increase and move in-line with Group adjusted EBITDA margins within 18 to 24 months, and contribute sales of c. £140m and adjusted EBITDA of c. £10m in FY 2022.
- The Group has continued to trade strongly and on a constant currency basis is ahead of prior management expectations, inclusive of the acquisitions of Bentley Laboratories LLC and Cult Beauty.

The Group is today announcing both a tighter and increased range of +38% to +41% revenue growth for FY 2021 on a constant currency basis, upgraded from Q1 2021 guidance of +30% to +35%. Taking into account foreign exchange movements since prior guidance, the Group expects to deliver reported revenue growth of +35% to +38% for FY 2021.

We remain confident in the Group's underlying markets and the continuation of our customer behaviour metrics as outlined in the Q1 trading statement.

Matthew Moulding, Executive Chairman and CEO of THG, commented:

*"Cult Beauty is frequently the partner of choice for emerging indie brands due to its personalised, content-led approach and enthusiastic consumer base who are continually seeking new, innovative solutions to complement their beauty routines.*

*"Cult Beauty's first-to-market reputation makes the brand an exciting fit for our THG Beauty division. When retailing brands to consumers THG Beauty will run with two unique fascias within our main continents: THG will principally service customers within North America via our Dermstore and Lookfantastic brands, while in the UK, Europe, Asia and the Rest of the World the key brands will be Lookfantastic and Cult Beauty.*

*"We anticipate fully migrating Cult Beauty onto the THG Ingenuity platform by the end of the year (within the first six months of acquisition), giving the brand access to the global digital features to underpin significant future growth. Further to the announcement made on 2<sup>nd</sup> February 2021, we are also pleased to confirm the Dermstore integration strategy remains on plan with the migration to Ingenuity already completed ahead of schedule."*

#### **SBM update and Financial Calendar**

Further to the announcement made on 10<sup>th</sup> May 2021, the Group is pleased to report progress ahead of schedule for the separation of each of the Group's key trading divisions in 2022, having previously guided up to 15 calendar months from announcement, with a right to extend by up to a further six calendar months where reasonably required.

The Group expects to deliver a further update alongside its Interim Results in mid-September 2021.

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**ENDS**

#### **Notes to editors**

**Cult Beauty** ([www.cultbeauty.com](http://www.cultbeauty.com)) was launched in London in 2008 by co-founders Jessica DeLuca and Alexia Inge as an online specialist retailer of emerging, prestige beauty brands across skincare, haircare and cosmetics. Over 70% of brands are independent, with Cult Beauty's strong on-site content and social media presence (1.6m Instagram followers), acting as an educational source for beauty enthusiasts searching for the newest trends and products, as well as providing guidance for beauty novices.

Cult Beauty's brand portfolio is curated by an in-house team that actively seek out "cult status" brands and products with a strong track record of exclusive UK launches. Cult Beauty has delivered strong growth in the recent historical period which accelerated during Covid as online participation in the category increased, supporting robust repeat purchase rates.

THG ([www.thg.com](http://www.thg.com)) is a vertically integrated, digital-first consumer brands group, retailing its own brands in beauty and nutrition, plus third-party brands, via its proprietary, end-to-end, e-commerce technology, infrastructure and brand-building platform (THG Ingenuity) to an online and global customer base. THG's business is operated through the following businesses:

**THG Ingenuity:** Ingenuity Commerce provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under 'Software as a Service' (SaaS) licences. The wider Ingenuity division provides stand-alone services, including hosting, studio content, translation services and beauty product development and manufacturing.

**THG Beauty:** The globally pre-eminent digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining its prestige portfolio of eight owned brands across skincare, haircare and cosmetics, the provision of a global route to market for over 1,000 third-party beauty brands through its portfolio of websites, including Lookfantastic, Dermstore, Skinstore and Mankind and the beauty subscription box brand GLOSSYBOX.

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

**THG OnDemand:** Personalisation and customisation is a key offering within THG OnDemand, enabling brands to offer unique products to a vast range of consumers across THG's global territories through websites including Zavvi, IWOOT and Pop in a Box.

**Other:** Luxury D2C websites including Coggles, AllSole and MyBag, in addition to THG Experience. The latter comprises prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and Great John Street Hotel, providing deeply experiential brand building environments, most notably in support of THG Society, the Group's proprietary influencer marketing platform.

**THG (eco):** THG (eco) is the driving force behind the Group's sustainability action plan. THG (eco) covers the core pillars of THG's sustainability commitment: the planet, sustainable resources, people and livelihoods.

**Cautionary Statement**

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

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