

16 September 2021

THG PLC

Interim results for the half-year ending 30 June 2021

Group revenue of £958.8m, +44.7% YoY and +95.0% 2 year growth (constant currency), with THG Beauty H1 revenue a highlight at +59.0% YoY growth. Adjusted Group EBITDA of £81.2m, +38.6% on H1 2020

Ahead of schedule for both the technical separation of each of the Group's key trading divisions and the exercise of the SB Management Limited ("SBM") Ingenuity investment option in 2022

Announcing today that THG Beauty is to be separated and listed on a public share-trading exchange in 2022

Nine companies across the SoftBank Group Corp. ("SoftBank") portfolio, including AutoStore, are partnering with THG Ingenuity, driving increased THG revenue and enhanced platform functionality, with a healthy pipeline going forward underpinning the collaboration agreement

Launch of FIR/ST, a global-innovation combining AutoStore's automated storage and recovery system with THG Ingenuity's warehouse management and courier system, creating a single, headless, end-to-end global fulfilment software solution

50 end-to-end, fully localised and serviced websites launched across 22 territories for existing and new THG Ingenuity clients, with over 95% of clients utilising THG's global fulfilment network, delivering +165.5% revenue growth in H1

THG PLC ("THG" or the "Group"), the proprietary technology platform specialising in taking brands direct to consumers ("D2C") globally, announces its interim results for the half-year ending 30 June 2021 ("H1 2021").

H1 2021 Group Trading Performance

£m	H1 2021	H1 2020	YoY ⁽¹⁾ Growth	YoY Growth CCY ⁽²⁾	2 Year Growth	2 Year Growth CCY
THG Beauty	460.8	295.6	+55.9%	+59.0%	+142.2%	+145.8%
THG Nutrition	328.4	258.0	+27.3%	+30.2%	+66.1%	+67.3%
THG Ingenuity	85.8	61.4	+39.7%	+42.5%	+40.5%	+43.9%
THG OnDemand	51.6	35.4	+45.6%	+48.7%	+133.5%	+136.2%
Other	32.2	25.3	+27.3%	+22.4%	+22.4%	+16.8%
Group Revenue	958.8	675.7	+41.9%	+44.7%	+92.7%	+95.0%
Gross Margin % ⁽³⁾	46.5%	45.2%				
Adj EBITDA⁽⁴⁾	81.2	58.6	+38.6%			
Adj EBITDA%	8.5%	8.7%				
Net Cash / (Debt)⁽⁵⁾	384.6	282.8				
Ingenuity Commerce Revenue	18.3	6.9	+165.5%	+165.5%	+621.2%	+621.2%

⁽¹⁾ YoY defined as year-on-year statutory sales growth

⁽²⁾ CCY defined as constant currency basis. Removing fluctuations arising from translation of foreign exchange by restating prior year numbers at current year exchange rates

(3) Gross Margin % is presented before the impact of depreciation and amortisation

(4) Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items, and after £1.0m of self-funded furlough costs in H1 2021 (H1 2020: £1.6m)

(5) Net Cash / (Debt) is cash and cash equivalents less debt before lease liabilities, on a hedged basis (see note 7 to the interim results)

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

"I am delighted to announce a strong first half performance across all divisions, as we continue to invest significantly in support of our strategic growth ambitions. This investment is across our entire business, including our infrastructure, namely our recently-opened ICON campus and our global distribution network, in our Ingenuity platform, in building leading digital brands, and most importantly, in our people."

"In May, we announced the financial and trading partnership opportunity with SoftBank, one of the world's leading technology investors. We are only at the start of this relationship, but we are pleased to have already established multiple live commercial partnerships between the SoftBank portfolio and our Ingenuity platform. We continue to see an acceleration in levels of enquiry from global enterprises looking to leverage the Ingenuity platform, and I believe the global growth opportunity for Ingenuity to be unparalleled."

"Today we also update on the roadmap to separating our key trading divisions, and announce our commitment to list THG Beauty in 2022, which we believe will create further value for our shareholders."

"We are also proud to be launching our 2030 sustainability strategy, outlining our key priorities and commitments in the coming weeks."

Half-year 2021 financial highlights

- During the first half THG shipped over 20 million orders to 195 countries. Notwithstanding more challenging comparatives in the second quarter of 2021, Group revenues increased by 44.7% on a constant currency basis to £958.8m, as consumers continued to positively migrate their shopping habits online.
- Returning customers generated 76% of direct-to-consumer H1 2021 Group revenues, reinforcing the repeat nature of our digital brands, Ingenuity's frictionless retailing environment and the enduring nature of consumer channel shift to online.
- Increasing US participation at 19% of Group revenue following strong organic growth across beauty and nutrition, and the acquisition of Dermstore, the leading specialty retailer of prestige skincare online in the US. Dermstore has now been fully migrated to the Ingenuity platform ahead of schedule, with all THG Beauty own brands expected to be available to purchase at www.dermstore.com by the end of the year. THG Beauty Highlights: <https://f.io/YF73tZz>
- Building on THG Nutrition's vertical integration capabilities, the canning and bottling expertise at Berryman's (acquired 29 December 2020) has expedited the launch of 14 new products in the first half of 2021, supporting YoY ready-to-drink revenue growth of +59%.
- Ingenuity Commerce revenues grew +165.5% to £18.3m during the period with over 70, end-to-end, fully localised and serviced brand sites scheduled to launch in H2 2021 (vs 50 in H1 2021), as the business development function continues to scale with commitments to build this global team to over 100 people by the year end.
- The Group's measure of gross profit margin at 46.5%, is +130bps ahead of H1 2020, with gross profit growth of +46.1% on H1 2020 driven by strong underlying trading margins in Nutrition, Beauty and Ingenuity Commerce.
- Adjusted EBITDA of £81.2m, at a margin of 8.5% (vs 8.7% in H1 2020, post self-funded furlough costs) reflects the initial dilutive impact of the Dermstore acquisition, which is expected to be neutral to the Group margin by the end of 2022 (as communicated at the time of acquisition).
- Strong liquidity with net cash of £384.6m at half-year end (excluding lease liabilities), with liquidity available of more than £1.0bn (including undrawn facilities).
- Before adjusted items in the period, the Group generated an operating profit of £11.2m (H1 2020: £13.4m).
- The Group has incurred an operating loss for the first-half of £17.4m impacted by certain non-recurring cash costs:
 - £15.6m of non-recurring Distribution costs (principally transportation, delivery and fulfilment costs associated with Covid-19, which are declining as expected and now running at half of the levels seen at the peak FY 2020 position);
 - £13.0m of Administrative costs (principally acquisition related costs including legal and professional fees) which are included within adjusted items reflecting the non-underlying nature of these costs.

Half-year 2021 strategic and operational highlights

- Over \$1.0 billion capital raised to support the continuation of the Group's disciplined M&A strategy, including the investment in Cult Beauty (acquired 4 August 2021), which will migrate fully onto the THG Ingenuity platform by the end of the year, delivering the overseas growth strategy through the platform's well-proven internationalisation capabilities.
- Integration of 2021 acquisitions Dermstore, Bentley Labs and Brighter Foods all on track.

- In addition to subscribing c. \$730m as part of a wider capital raising, THG and SB Management Limited, a wholly owned subsidiary of SoftBank Corp. ("SBM") entered into an Option and Collaboration agreement to explore commercial arrangements between the Group and SoftBank portfolio companies, whilst also granting SBM an option to subscribe for a 19.9% interest in THG Ingenuity for a \$1.6bn investment, at a \$6.3bn enterprise value.
- Commitment to invest in 3.6 million sq. ft. of additional fulfilment, production and personalisation capacity at key locations globally to support THG's own-brands and Ingenuity clients, equivalent to a c. 200% increase in fulfilment capacity over three years.
- Apps continue to be an efficient customer retention and acquisition tool:
 - o 7x increase in downloads vs H1 2020;
 - o over 5% of D2C sales are now accounted for by app purchases;
 - o the Lookfantastic app average order values ("AOVs") are c. 5% higher than non-app sales; and
 - o 10 day reduction in the repeat order cycle for returning Myprotein app customers.
- Further expansion of the THG Society influencer platform with over 26,000 global influencers onboarded, driving low cost engagement and customer acquisition to THG brands and Ingenuity clients, with influencers generating 11.0% of D2C sales in the period on a tracked^[1] basis (vs 8.5% in H1 2020).
- THG recognised as one of the 'Best Companies' *Top 25 Best Big Companies to Work for 2021*, alongside improved agile working practices across the Group.
- At Retail Risk's Fraud Awards, THG Detect, the Group's proprietary fraud prevention software supporting THG and Ingenuity brands, won the Most Innovative Online/Supply Chain Solution and was Highly Commended in the Loss Prevention Online/Supply Chain Team of the Year category.

^[1] Tracked is based on revenues via link last click attribution and codes which may have a last click attribution of other digital channels.

Ingenuity Commerce and SoftBank collaboration update

Ingenuity is rapidly diversifying its outreach through global, peer-to-peer, B2B partnerships to access pools of new clients. For example, THG Ingenuity is now partnering with the leading marketing, search and social network platforms, with the deepest US, UK & European and Asian penetration to promote Ingenuity services to their customers, either as an end-to-end full-service or headless components. Ingenuity has been selected as a preferred partner given its proven capabilities across e-commerce internationalisation, data intelligence, in-app payment methods, marketing and many more services.

THG Ingenuity has also partnered with leading beauty tech solutions provider **Perfect Corp.** to offer consumers across Ingenuity's sites the ability to preview products or experience services in their own environment via augmented reality and artificial technology. In its partnership with **StoryStream**, an artificial intelligence powered curation platform, Ingenuity is helping D2C brands display user-generated content across the e-commerce journey.

New client highlights for H1 2021 include:

- **Coca-Cola Europacific Partners ("CEP")** is taking advantage of THG Ingenuity's unique end-to-end offering, proven expertise, and speed of delivery to deliver a D2C site in Great Britain. The tie-up spans a full range of e-commerce services including hosting, trading, operations, and delivery, with the brand leveraging D2C to drive long-term brand loyalty and generate insight. The partnership aims to grow CEP's D2C offering at speed, with potential for international expansion in the future.
- A partnership with **Mondelez International**, whose global portfolio of household names includes Cadbury, Toblerone, Oreo and Philadelphia, to deliver personalisation for Toblerone. Following the UK launch, there is scope to expand the technology into further Mondelez International brands and Toblerone markets.
- Launch of a UK site for ZYN, a nicotine pouch brand owned by **Swedish Match**, one of the world's leading manufacturers of smoke-free products. THG Ingenuity is responsible for trading, marketing, strategy and operations as part of a 10-year end-to-end service partnership, with ambition to roll out the launch into multiple territories.
- Partnering with **William Grant & Sons ("WG&S")**, the independent distillers with a global reach, to launch Clinkspirit.com, a new e-commerce platform that gives consumers direct access to award-winning spirit brands and content. THG Ingenuity has collaborated with WG&S to create the entire Clink* brand, utilising the strategic expertise of THG Studios to launch in the UK.
- A long-term partnership to provide a complete end-to-end service including trading, marketing, strategy and operations for the new L'OR Japan D2C site, part of **JDE Peet's** portfolio of world leading coffee and tea brands.

The rapidly building awareness of Ingenuity on a global scale has led to keynote speaker participation at industry conferences hosted by technology peers and consultancies including Facebook, Yandex, KPMG, PwC and Citi.

In order to expand the Group's cloud based hosting capabilities, it has invested £1.4m for a c. 9.4% equity stake in Civo, a highly innovative, cloud technology business. This investment will provide THG with a public cloud product and technology which makes cloud based hosting simpler to deploy and materially more efficient, enabling THG Ingenuity to get significantly more operating leverage from its existing server infrastructure. In addition to the equity stake in Civo, THG is also acquiring a perpetual

license to Civo's technology and a call option that gives THG the right (but not the obligation) to acquire further tranches of the business as it scales in a highly disruptive and rapidly growing market.

SoftBank collaboration

Current and pipeline collaborations between THG Ingenuity and SoftBank portfolio companies, range from THG offering both end-to-end Ingenuity Commerce services and single service headless components of the Ingenuity stack, to bolting on enhancements to Ingenuity from across the SoftBank portfolio in marketing, payments, B2B financing, and fulfilment.

- Development of FIR/ST ("Fulfilment & Inventory Retrieval / Storage Technology"): a single, cross-border productised software solution formed through the integration of AutoStore's proprietary Automated Storage Recovery System ("AS/RS"), with headless elements of THG Ingenuity's proprietary infrastructure, specifically: Voyager, the Warehouse Management System ("WMS"), THG Delivered, the Global Courier Platform ("GCP"), and THG Orbit, the Global Customer Service Platform ("CSP").

There is no comparable product available in the market, addressing all FMCG product categories across a single unified distribution platform, providing a single view to optimise end-to-end WMS, AS/RS, GCP and CSP.

The benefits of developing this single, headless product include;

- § the fastest AS/RS with 99.6% uptime;
- § reduced fulfilment cost per unit;
- § increased implementation speed;
- § reduced integration risks;
- § global courier reach and international customer service; and
- § greater accountability given it is an end-to-end fulfilment, courier and customer services software solution.

FIR/ST will connect to all major 3rd party platforms globally, bringing these benefits to the entire addressable fulfilment market.

FIR/ST will go live in H1 2022 initially supporting Ingenuity merchants in the US and thereafter, Ingenuity clients globally via the Group's global, 3.6m sq. ft. distribution centre roll out in 2022 and 2023 in addition to supporting SoftBank portfolio companies (where applicable).

- In one of its first major partnerships with a Vision Fund II portfolio company, THG Ingenuity has partnered with **Clearco**, one of the world's largest funders of e-commerce businesses, to offer corporate clients the opportunity to finance their Ingenuity Commerce expansion. Through the innovative new partnership, brands will be able to pursue accelerated international digital transformation programmes through Ingenuity, without traditional funding constraints.
- Freight technology provider **Flexport** has agreed a partnership with Ingenuity to offer THG brands and Ingenuity clients data-driven supply chain visibility to maximise efficiencies across global logistics and trade.
- THG Beauty is integrated with **Contentsquare** to optimise its e-commerce site content delivery. Contentsquare's digital experience analytics cloud helps companies understand hidden customer behaviour, and use those insights to deliver an enhanced customer experience, increased website conversion and higher customer lifetime value.
- US delivery provider **Gopuff** is renowned for its 30-minute D2C local delivery service, powering global US-based grocery and CPG clients. Initially the partnership with THG will be focused on extending delivery options for Myprotein customers in the US, with the brand to be stocked in 80 local US fulfilment sites, enabling customers in select cities to have Myprotein delivered within an hour of order. The partnership will also support 3rd party Ingenuity merchants from 2022.

SBM Option Agreement and divisional separation progress

Further to the announcement on 10 May 2021 where the Group committed to undertaking a review of its corporate structure as part of the intended separation of its key trading divisions, the Board is pleased to confirm that progress remains ahead of schedule for the separation in 2022. To deliver the separations, the Group originally guided to 15 calendar months from announcement, with a right to extend by up to a further 6 calendar months where reasonably required.

The anticipated completion of the divisional separation work in H1 2022 will enable THG to complete SBM's investment into Ingenuity for a minority 19.9% stake. Whilst immediately following the exercise of the SBM option Ingenuity will be a majority owned subsidiary of THG, the Group retains ultimate discretion and flexibility to determine any subsequent IPO, or other structural option for Ingenuity, with the objective to maximise value for all shareholders.

Furthermore, completion of the separation work will enable a listing of THG Beauty during 2022. This commitment reflects the continued strong organic growth of the division and its position as the industry's digital strategic partner globally, its growing US footprint, expanding global social media presence (>3 million Instagram followers) and vertically integrated model. A separate listing for THG Beauty will position the business very well to focus investment in its key growth areas, including own-brand portfolio expansion. The decision of whether to separately list THG Nutrition and the timing will remain under consideration.

The commercial details of the long-term, arms-length Ingenuity contracts with both THG Beauty and THG Nutrition will be disclosed during H1 2022.

The option is a derivative instrument and as a consequence of the market value being considered greater than the price to be paid by SBM, a non-cash charge has been incurred within Finance costs.

Outlook and guidance

Guidance is in line with the Group's statement on 4 August 2021 on a constant FX basis.

- Trading remains strong and we are confident in delivering FY 2021 Group revenue growth of between +38% to +41% on a constant currency basis (reported growth of +35% to +38%).
- Margin guidance remains unchanged at stable adjusted EBITDA margins on a constant FX basis, before taking into consideration the dilutive full year contribution of Dermstore (which is expected to be in line with Group margins by the end of 2022).
- FY 2021 capital expenditure guidance for the Group is between 10.0% to 12.0% of Group revenue (vs 14.8% in 2020). The continued level of expenditure is driven by an acceleration of growth plans to support our own brands, Ingenuity clients and reflecting investment in acquired assets.
- The Group continues to take a highly selective and disciplined approach to M&A, with strategic priorities remaining beauty brands, and assets that extend the Group's vertical integration, and expand its brand building and digital commerce activities. The capital raise in May 2021 provided >\$1 billion to support the Group's successful M&A strategy, with a select number of value-enhancing opportunities under evaluation.

Capital Markets Event

- The Group plans to host its inaugural Capital Markets Event on 12 October 2021, presenting its end-to-end technology platform, Ingenuity.

Analyst and investor conference call

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://webcasting.brmedia.co.uk/broadcast/611a66f4c97de6636c2d9577>

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

- Room number: 6175509
- UK dial in: +44 (0)330 336 9126
- US dial in: +1 929 477 0402

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ENDS

Notes to editors

THG (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 digital 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, Cult Beauty 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

This announcement may include "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. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, but are not limited to, those identified in the "Risk Management" section of the Group's 2020 Annual Report. 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.

Except as required by any law or regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. 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 Group 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 Group. Statements in this announcement reflect the knowledge and information available at the time of its preparation.

THG PLC

Interim results for the half-year ending 30 June 2021

Chief Financial Officer Review

Following a momentous 2020 for THG, the first half of 2021 has carried on the strong delivery with sales growing 44.7% year-on-year (on a constant currency basis) to £958.8m, supported by continued new contract wins in THG Ingenuity Commerce, strong organic sales growth and robust delivery through the acquisitions integrated in the first half of the year, including Dermstore - the US number one pure-play online retailer of prestige skincare and specialty beauty brands.

	Six months ended Jun-21			Six months ended Jun-20		
	Before Adjusted Items £'000	Adjusted Items £'000	Total £'000	Before Adjusted Items £'000	Adjusted Items £'000	Total £'000
Revenue	958,830	-	958,830	675,692	-	675,692
Cost of sales ⁽¹⁾	(512,559)	-	(512,559)	(370,132)	-	(370,132)
Gross profit⁽¹⁾	446,271	-	446,271	305,560	-	305,560
Distribution costs ⁽¹⁾	(164,683)	(15,566)	(180,249)	(118,592)	(24,241)	(142,833)
Administrative costs ⁽¹⁾	(200,373)	(13,043)	(213,416)	(128,391)	(13,911)	(142,302)
EBITDA	81,215	(28,609)	52,606	58,577	(38,152)	20,425
Depreciation	(28,554)	-	(28,554)	(20,559)	-	(20,559)
Amortisation	(41,445)	-	(41,445)	(24,646)	-	(24,646)
Operating profit/(loss)	11,216	(28,609)	(17,393)	13,372	(38,152)	(24,780)

⁽¹⁾ The table above shows financial results for cost of sales, distribution costs and administrative costs before the impact of depreciation and amortisation, which are shown as separate lines below EBITDA. For statutory presentation, cost of sales includes charges of £8.9m (2020: £7.7m), whilst distribution and administrative costs include £7.2m (2020: £3.3m) and £53.9m (2020: £34.2m) of charges respectively.

Revenue

Group revenues increased 45% year-on-year on a constant currency basis (42% growth on a reported basis) in the first half of 2021, an acceleration on full year 2020 growth as sales increased from £676m in H1 2020 to £959m in H1 2021. The wider consumer shift to digital channels continued at pace, partially supported by global disruption arising from the continuation of the Covid-19 pandemic alongside the strength of the THG Ingenuity platform. The Group has continued to deliver growth in all major channels with THG Beauty and THG Nutrition growing 59% and 30% year-on-year respectively (constant currency basis). The Group's largest market, the UK, grew 55% year-on-year and represented 41% of Group sales, whilst sales in the US more than doubled year-on-year supported by the acquisitions of Dermstore and Perricone.

Operating loss

The Group has incurred an operating loss in the period of £17.4m (H1 2020: operating loss of £24.8m), driven by adjusted items not related to the underlying performance of the business, principally £13.0m of acquisition related professional fees, restructuring and integration costs in addition to £15.6m of transportation, delivery and fulfilment costs in relation to Covid-19 and commissioning of new facilities. THG made an operating profit of £11.2m before these adjusted items (H1 2020: operating profit of £13.4m).

Gross profit (before depreciation and amortisation)

The Group achieved gross profit (before depreciation and amortisation) of £446m at a gross profit margin on this basis of 46.5%, 130bps higher than the previous year despite foreign exchange headwinds, reflecting robust underlying margin control. Gross margins increased year-on-year in both THG Beauty and THG Nutrition whilst the strong sales growth in THG Ingenuity supported the Group margin mix.

Operating expenses (before depreciation and amortisation)

Distribution costs (before depreciation and amortisation) as a percentage of revenue, excluding adjusted items, reduced by 40 bps on the comparative period totalling 17.2% of revenue despite substantial investment in the Group infrastructure with six more fulfilment centres in the Group network at the 30 June 2021, vs. the same time last year. THG's international mix remains strong supported by our end-to-end fulfilment model which utilises an extensive local courier network spanning over 115 services, all of which are fully integrated into the THG Ingenuity platform. The Group has built significant additional capacity in its global network to fuel future growth with our courier integrations providing optionality for the end customer and enhancing the customer experience through customised communications.

Administrative expenses (before depreciation and amortisation) as a percentage of revenue, excluding adjusted items increased by 190 bps year on year driven by a continued investment in people and additional regulatory and compliance costs, resulting from being a publicly listed company, whilst Marketing costs remained stable year on year. As with the 2020 results, within the underlying result are costs incurred from self-funding furlough costs for employees who were unable to work during the period totalling £1.0m (H1 2020: £1.6m).

Adjusted EBITDA

Adjusted EBITDA increased to £81.2m from £58.6m, representing an increase of 39% on the same period of 2020. This represents a margin of 8.5% (vs 8.7% H1 2020, post self-funded furlough costs) reflecting the initial dilutive impact of the Dermstore acquisition. Adjusted EBITDA is an alternative performance measure, the below table reconciles back to the nearest appropriate GAAP measure, operating loss:

£'000	6 months to Jun-21	6 months to Jun-20
Operating loss	(17,393)	(24,780)
Adjustments for:		
Adjusted items (see note 3)	28,609	38,152
Depreciation	28,554	20,559
Amortisation	41,445	24,646
Adjusted EBITDA	81,215	58,577

Depreciation and amortisation

Total depreciation and amortisation costs for the period were £70.0m (H1 2020: £45.2m), an increase of 55% on the same period in the prior year, as THG invested £35m in its market leading end-to-end proprietary technology platform during the period to address the ever-changing social trends of THG and THG Ingenuity customers across the world. Depreciation charges increased year-on-year reflecting the increased right of use assets acquired from business combinations in the period and the full impact of the sale and leaseback transaction entered into in H2 2020, whilst amortisation charges increased year-on-year primarily driven by the additional intangible assets that arose from the 11 acquisitions completed over the last 12 months.

Adjusted items

In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as adjusted items. These items

principally relate to acquisition related restructuring and integration costs, transportation, delivery and fulfilment costs in relation to Covid-19 and a non-cash loss on revaluation of the derivative within the SBM option agreement.

	Six months ended 30 June 2021	Six months ended 30 June 2020
	£'000	£'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	12,687	18,122
Commissioning - new facilities	2,879	5,960
Decommissioning - legacy facilities	-	159
	15,566	24,241
Within Administrative costs		
Acquisitions - legal and professional costs	7,578	119
Acquisitions - restructuring and integration	2,824	1,967
Restructuring and IPO fees	1,551	1,169
Donations and other Covid-19 costs	1,090	9,923
Other legal and professional costs	-	542
Share-based payments	-	191
	13,043	13,911
Within Finance costs		
Non-cash - revaluation of SBM option	38,120	-
	38,120	-
Total adjusted items before tax	66,729	38,152
Tax impact	(2,958)	(4,606)
Total adjusted items	63,771	33,546

For full details on each category of adjusted item see note 3 to the financial statements.

Finance costs

Finance costs (before adjusted items) rose to £25.9m (H1 2020: £25.1m), driven by further investment in physical infrastructure, predominantly lease charges, whilst the revolving credit facility (RCF) was undrawn in 2021 (partially drawn in 2020) providing a saving year-on-year. Total finance costs for the period are £64.1m (H1 2020: £25.1m) driven by the non-cash adjusted item relating to the recognition of the SBM option (note 7).

Loss before tax and tax

Reported loss before tax was £81.3m (H1 2020: reported loss before tax of £49.9m). The tax charge on profit before tax was £0.7m (2020: £1.8m credit) driven by a current tax charge of £3.5m arising from profits taxable overseas.

Earnings per share

Earnings per share was £(0.06) per share (2020: £(0.07) per share) on a basic and fully diluted basis.

Cash flow

The Group continued to generate strong operating cash flows with an £81.2m inflow (note 8) before adjusted items and working capital movements (H1 2020: £58.6m). The first half of each financial year typically leads to a working capital outflow as peak (Q4) stock is paid for and this led to a £65.9m outflow of cash, as inventory levels increased to support strong top-line sales growth, but trade payables reduced reflecting seasonality. Cash generated from operations totalled an inflow of £15.3m (H1 2020: inflow £124.8m). The prior year saw a less typical first half working capital profile as it was disrupted by the Covid-19 pandemic and an acceleration in sales growth post March 2020.

The Group further invested £497.6m across eight acquisitions in the first half of 2021 to further its strategic objectives through key vertical integration and expansionary acquisitions, with a further £89.6m invested in tangible fixed assets and the THG Ingenuity platform. The primary share issuance in May 2021 replenished the available cash pool of the Group, leading to a net increase in cash and cash equivalents in the first half of 2021 of £105.0m, (H1 2020: £15.8m net decrease).

Cash and cash equivalents and net cash before lease liabilities

The Group's balance sheet remains robust, strengthened by the primary fund raise completed in early May 2021 which generated £730m net of fees. This more than offset the £587m invested in acquisitions and non-current assets. The Group closed the half-year with positive net cash levels of £66m (net cash before leases of £385m).

	30 June 2021	31 December 2020
	£'000	£'000
Cash and cash equivalents	878,549	773,581
Loans and other borrowings	(504,019)	(526,159)
Lease liabilities	(318,352)	(236,185)
Sub-total	56,178	11,237
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	10,046	35,403
Net cash	66,224	46,640
Net cash before leases liabilities	384,576	282,825

Going concern

The Group remains in a strong cash position with cash and cash equivalents totalling £878.5m (2020: £773.6m) with net cash before lease liabilities totalling £384.6m (2020: £282.8m). At 30 June 2021, the Group had not drawn down on the £170m secured Revolving Credit Facility (RCF).

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress test scenarios were modelled to take into account severe but plausible impacts of Covid-19 and other potential operating impacts. The results of stress testing demonstrated that the combination of mitigating actions available including existing cash resources, level of discretionary spend and ability to utilise the RCF were sufficient for the Group to withstand such impacts. For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

Responsibility statement of the directors in respect of the condensed interim financial statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements for the half year ended 30 June 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the 2021 financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Matthew Moulding
Executive Chairman and Chief Executive Officer
15 September 2021

John Gallemore
Chief Financial Officer
15 September 2021

							2020
		Before Adjusted Items	Adjusted Items (note 3)	Total	Before Adjusted Items	Adjusted Items (note 3)	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	958,830	-	958,830	675,692	-	675,692
Cost of sales		(521,418)	-	(521,418)	(377,793)	-	(377,793)
Gross profit		437,412	-	437,412	297,899	-	297,899
Distribution costs		(171,912)	(15,566)	(187,478)	(121,929)	(24,241)	(146,170)
Administrative costs		(254,284)	(13,043)	(267,327)	(162,598)	(13,911)	(176,509)
Operating profit/(loss)		11,216	(28,609)	(17,393)	13,372	(38,152)	(24,780)
Finance income		112	-	112	47	-	47
Finance costs		(25,938)	(38,120)	(64,058)	(25,141)	-	(25,141)
Loss before taxation		(14,610)	(66,729)	(81,339)	(11,722)	(38,152)	(49,874)
Income tax (charge)/credit	5	(3,671)	2,958	(713)	(2,776)	4,606	1,830
Loss for the financial period		(18,281)	(63,771)	(82,052)	(14,498)	(33,546)	(48,044)
Other comprehensive (expense) / income:							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations, net of tax		(18,637)	-	(18,637)	6,033	-	6,033
Net gain / (loss) on cash flow hedges		7,328	-	7,328	(9,482)	-	(9,482)
Total comprehensive expense for the financial period		(29,590)	(63,771)	(93,361)	(17,947)	(33,546)	(51,493)
Loss per share (£'s)							
Basic				(0.06)			(0.07)
Diluted				(0.06)			(0.07)

Earnings before interest, taxation, depreciation, amortisation, impairment and adjusted items (Adjusted EBITDA)

		30 June 2021	30 June 2020
	Notes	£'000	£'000
Operating loss		(17,393)	(24,780)
Adjustments for:			
Amortisation	6	41,445	24,646
Depreciation	6	28,554	20,559
Adjusted items	3	28,609	38,152
Adjusted EBITDA*		81,215	58,577

(*) Adjusted EBITDA is defined as operating loss before depreciation, amortisation and adjusted items. The results for the period are derived from continuing activities. The comprehensive income/(expense) is 100% attributable to the owners of the Parent Company.

Interim condensed consolidated statement of financial position as at 30 June 2021

		30 June 2021	31 December 2020 Audited
	Note	£'000	£'000
Non-current assets			
Intangible assets	6	1,212,671	674,293
Property, plant and equipment	6	290,055	240,221
Right-of-use assets	6	274,990	193,887
		1,777,716	1,108,401
Current assets			
Inventories		358,400	302,678
Trade and other receivables		263,622	246,546
Current tax asset		-	1,797
Other financial assets		4,338	15,849

Cash and cash equivalents	878,549	773,581
	1,504,909	1,340,451
Total assets	3,282,625	2,448,852
Equity		
Ordinary shares	6,684	6,061
Share premium	2,022,842	1,287,171
Merger reserve	615	615
Capital redemption reserve	523	523
Hedging reserve	(13,825)	(18,003)
Cost of hedging reserve	10,492	7,342
FX Reserve	(19,459)	(822)
Retained earnings	(217,993)	(138,361)
	1,789,879	1,144,526
Non-current liabilities		
Borrowings	500,598	524,288
Derivative financial liabilities	7 39,914	2,563
Lease liabilities	281,395	207,274
Deferred tax	70,218	5,944
	892,125	740,069
Current liabilities		
Contract liability	41,227	32,912
Trade and other payables	507,262	499,698
Borrowings	3,421	1,871
Lease liabilities	36,957	28,911
Other financial liabilities	10,039	-
Current tax liability	1,092	-
Provisions	623	865
	600,621	564,257
Total liabilities	1,492,746	1,304,326
Total equity and liabilities	3,282,625	2,448,852

Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2021

	Ordinary shares	Share premium	Employee Benefit Scheme reserve	Merger reserve	Capital Redemption reserve	FX reserve	Hedging reserve	Cost of Hedging reserve	Retained earnings	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	6,061	1,287,171	-	615	523	(822)	(18,003)	7,342	(138,361)	1,144,526
Loss for the period	-	-	-	-	-	-	-	-	(82,052)	(82,052)
Other comprehensive expense:										
Impact of foreign exchange	-	-	-	-	-	(18,637)	-	-	-	(18,637)
Movement on hedging instruments	-	-	-	-	-	-	4,178	3,150	-	7,328
Total comprehensive expense for the period	-	-	-	-	-	(18,637)	4,178	3,150	(82,052)	(93,361)
Issue of ordinary share capital	623	735,671	-	-	-	-	-	-	-	736,294
Deferred tax effect in equity	-	-	-	-	-	-	-	-	2,420	2,420
Balance at 30 June 2021	6,684	2,022,842	-	615	523	(19,459)	(13,825)	10,492	(217,993)	1,789,879
Balance at 1 January 2020	4,381	230,718	175	615	523	(240)	(6,134)	464	237,183	467,685

Loss for the period	-	-	-	-	-	-	-	-	(48,044)	(48,044)
Other comprehensive expense:										
Impact of foreign exchange	-	-	-	-	-	6,033	-	-	-	6,033
Movement on hedging instruments	-	-	-	-	-	-	(12,902)	3,420	-	(9,482)
Total comprehensive expense for the period	-	-	-	-	-	6,033	(12,902)	3,420	(48,044)	(51,493)
Issue of ordinary share capital	30	14,230	-	-	-	-	-	-	-	14,260
Share buy-backs	-	-	-	-	-	-	-	-	(1,361)	(1,361)
Share-based payments	-	-	-	-	-	-	-	-	191	191
Balance at 30 June 2020	4,411	244,948	175	615	523	5,793	(19,036)	3,884	187,969	429,282

Interim condensed consolidated statement of cash flows for the six months ended 30 June 2021

		For the six months ended	
		30 June 2021 £'000	30 June 2020 £'000
	Note		
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations	8	15,267	124,827
Income tax (paid) / received		(641)	1,567
Net cash generated from operating activities before adjusted cash flows		14,626	126,394
Cash flows relating to adjusted items		(25,144)	(40,444)
Net cash generated from operating activities		(10,518)	85,950
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	4	(497,614)	-
Purchase of property, plant and equipment		(48,443)	(64,541)
Purchase of intangible assets		(41,183)	(36,575)
Interest received		112	47
Net cash used in investing activities		(587,128)	(101,069)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		730,261	14,260
Share buy-backs		-	(1,361)
Interest paid		(12,701)	(16,267)
Repayment of bank borrowings		-	(30,132)
Proceeds from bank borrowings		-	38,344
Repayment of lease liabilities		(14,946)	(5,511)
Net cash flow from financing activities		702,614	(667)
Net increase/ (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		773,581	312,233
Cash and cash equivalents at the end of the period		878,549	296,447

Notes to the interim condensed 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 5th Floor, Voyager House, Chicago

Avenue, Manchester Airport, Manchester, England, M90 3DQ. 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 interim condensed consolidated financial statements of the Group for the six months ending 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 15 September 2021.

The annual financial statements for the year ended 31 December 2021 of the Group will be prepared in accordance with UK adopted IFRSs.

b. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. As disclosed in note 1a, the annual financial statements of the Group will be prepared in accordance with UK adopted IFRSs.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Going concern

The Group remains in a strong cash position with cash and cash equivalents totalling £878.5m (2020: £773.6m) with net cash before lease liabilities totalling £384.6m (2020: £282.8m). At 30 June 2021, the Group had not drawn down on the £170m secured Revolving Credit Facility (RCF).

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress test scenarios were modelled to take into account severe but plausible impacts of Covid-19 and other potential operating impacts. The results of stress testing demonstrated that the combination of mitigating actions available including existing cash resources, level of discretionary spend and ability to utilise the RCF were sufficient for the Group to withstand such impacts. For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

c. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Group's annual consolidated financial statements for the year ended 31 December 2020, with the addition of the judgement required in valuing the SBM option. The judgement in respect of accounting for the Propco Group divestment and share based payments are not applicable in the current period.

SBM option valuation

The Group entered into an Option and Collaboration agreement on 10 May 2021 with SBM. The SBM option agreement gives SBM the opportunity to invest \$1.6bn in THG Ingenuity for a 19.9% equity interest, implying an enterprise value of \$6.3bn for Ingenuity. The option is treated as a derivative instrument and significant judgement is required to estimate its fair value. The Group has used independent specialists to assist in this valuation. This has been fair valued using a Black-Scholes model utilising market corroborated inputs including comparable market multiples and future revenue forecasts. Judgement has been applied in selecting appropriate comparable market comparators and

when applying volatility and timing assumptions. The Option has been valued at £38m and included as an adjusted non-cash, finance charge at the half year.

d. Principal risks and uncertainties

The Board considers that the principal risks and uncertainties which could impact the Group over the remaining six months of the financial year to 31 December 2021 to be unchanged from those set out in the Annual Report and Accounts for the year to 31 December 2020.

The applicable risks are summarised as follows:

- Cyber threats;
- Key service disruption;
- Covid-19;
- Operational resilience;
- Brexit;
- Related parties;
- Liquidity risk;
- Currency risk;
- Regulatory compliance; and
- Sustainability and ethics.

These are set out in detail on pages 122 to 128 of the Group's Annual Report and Accounts for the year to 31 December 2020, a copy of which is available on the Group's website, www.thg.com.

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. The Directors concluded that the Group currently has one segment, as the THG Ingenuity platform underpins the Groups operations. The Chief Operating Decision Maker (CODM) is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the consolidated Group level and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

While the Group only has one operating segment, to increase transparency, the Group has included additional disclosure analysing revenue split by division. As indicated in our future outlook we anticipate segmental internal reporting to the CODM to evolve over the next 12 months and therefore anticipate a change in our future segmental reporting disclosures.

	Six months ended	Six months ended
	30 June 2021	30 June 2020
	£'000	£'000
THG Beauty	460,783	295,646
THG Nutrition	328,354	257,957
THG Ingenuity	85,802	61,435
THG OnDemand	51,550	35,394
Other	32,341	25,260
Total revenue	958,830	675,692

THG Beauty relates to website and business to business sales of owned and third-party beauty brands; THG Nutrition relates to sales of products from wholly owned nutrition brands. THG Ingenuity revenue relates to the provision of services relating to web-platform, alongside revenue generated from product development, marketing and warehouse costs for third-party clients (revenue recognised under IFRS 15), and revenue from webhosting (revenue recognised under IFRS 16). THG OnDemand relates to e-commerce sites which offer a selection of entertainment products and subscription services. Other relates to revenue generated from THG Experience and THG Luxury.

Below is an analysis of revenue by region (by destination):

	Six months ended	Six months ended
	30 June 2021	30 June 2020
	£'000	£'000
UK	392,915	253,760

USA	177,245	88,506
Europe	211,534	167,025
Rest of the world	177,136	166,401
	958,830	675,692

Rendering of services represents 6% of total revenue (2020: 7%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 1% of total revenue (2020: 3%) and represents revenue from leases under the scope of IFRS 16. As the Group operates as one segment, no measure of segmental assets or liabilities is disclosed in this note.

3. Adjusted items

	Six months ended 30 June 2021	Six months ended 30 June 2020
	£'000	£'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	12,687	18,122
Commissioning - new facilities	2,879	5,960
Decommissioning - legacy facilities	-	159
	15,566	24,241
Within Administrative costs		
Acquisitions - legal and professional costs	7,578	119
Acquisitions - restructuring and integration	2,824	1,967
Restructuring and IPO fees	1,551	1,169
Donations and other Covid-19 costs	1,090	9,923
Other legal and professional costs	-	542
Share-based payments	-	191
	13,043	13,911
Within Finance costs		
Non-cash - revaluation of SBM option	38,120	-
	38,120	-
Total adjusted items before tax	66,729	38,152
Tax impact	(2,958)	(4,606)
Total adjusted items	63,771	33,546

Revenue

The Covid-19 pandemic has accelerated the recent shift in consumer behaviour to digital channels. The Group has seen a benefit from this which is reflected in the strong revenue delivery of the Group in the period ended 30 June 2021. The Group is unable to distinguish the quantum impact of this benefit from that provided by organic growth and our investment in new customer acquisition.

Transportation, delivery and fulfilment costs in relation to Covid-19

Covid-19 has had a direct and measurable impact on the Group's cost to fulfil delivery of goods to customers across its global network, through reduced commercial flights and closures of key shipping lanes. The additional cost to complete these deliveries has been recognised as an adjusted item and while there is uncertainty around the length of disruption the pandemic will have on global supply chains, the Group doesn't consider this to be a recurring part of the Group's cost base. The costs incurred were as a result of the following:

- In order to maintain the Group's pre Covid-19 levels of customer experience, the Group had to address the challenges caused by commercial flights being reduced during the pandemic to minimal levels. The Group secured THG exclusive chartered flights in order to be able to uphold its service levels, generating an identifiable increase in costs versus non-exclusive passenger flights, which were used pre Covid-19.
- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic.
- Due to the impact of Covid-19 a number of key supply routes were disrupted or closed. This necessitated identifying and sourcing alternative viable routes to fulfil the obligations on the Group to serve its customers, which created identifiable external costs relating to alternative routes that had to be taken due to the impact of Covid-19 on the Group's courier and logistics providers' ability to operate in the pandemic.

Commissioning - new facilities

The Group has embarked on a strategic project to transform the Group's global infrastructure footprint and capability, moving away from the smaller sized facilities which were fit for purpose in the past, into larger purpose-built distribution facilities to support the strategic objectives of the Group.

Under this project, the Group has commissioned a number of these purpose-built facilities over the years, including sites in Warrington, UK ("Omega") and Kentucky, US, and sites in Singapore and Wrocław, Poland.

Due to the scale and complexity of these sites, commissioning of these facilities and integration into the Group's existing distribution network can span more than one accounting period, taking up to 18 months in total for a specific site, a relatively short period compared to the useful economic life of the asset. During the commissioning and integration period, costs relating to the set-up, integration and testing of the new facilities are included within adjusted items as these costs are not expected to be recurring for each specific site and do not reflect the underlying cost base of the Group. Such costs include:

- Additional costs are incurred relating to the period of testing and commissioning that is required to ensure a facility is operating as expected. Such costs are non-underlying and therefore included within adjusted items.
- Costs relating to the migration of production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production processes and resolution of any commissioning protocols required before production is fully operational.
- Bulk internal warehouse transfers from existing THG facilities are often required during the set up/commissioning period for a new facility. These costs are non-underlying in nature; and
- Additional shipping costs are incurred when the products within a single customer order is fulfilled by shipping from two different warehouses, due to stock being split across two sites during the commissioning period for a new facility. This results in duplicated postage costs on a single order.

The costs above are identified through internal process and controls which isolate the impact of commissioning new facilities. For some of these costs, the amounts included within adjusted items are calculated by taking the excess costs per unit versus the normalised rate, which is set based on historical information or third-party data.

Further material charges are anticipated as the respective projects are completed. The quantum of which is subject to change throughout the project as unforeseen events arise through to completion.

Decommissioning - legacy facilities

As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses swiftly to minimise excess capacity and cost. There is commonly a period of overlap of operations of both a legacy warehouse and the new facility designed to replace it and duplicated costs are recorded as adjusted items as they do not reflect the underlying cost base of the Group.

The costs associated with the decommissioning and closure of these facilities, from the period they are deemed to be surplus to the closure/exit date, are included within adjusted items. These costs are not expected to be recurring however they can span accounting periods. The costs include, but are not limited to, dilapidation costs, onerous contracts, rent and rates and other exit costs.

Acquisitions - legal and professional costs

The Group periodically considers and analyses potential acquisition targets and recognises there is inherent complexity and risk associated with acquisitions. The Group manages this by employing external professional advisors to perform legal, financial, commercial and tax due diligence on targets. These costs relate to opportunities the Group identifies and pursues, of which a portion result in successful acquisitions by the Group. Such legal and professional costs are classified as adjusted items as they relate to significant strategic transactions and, except for the transactions in question, the business would not have incurred these costs and as a result such items are deemed to be costs that do not relate to the underlying trading operations of the business.

Acquisitions - restructuring and integration

Where the Group completes acquisitions, it derives value by achieving synergies in the post-acquisition period by restructuring the acquired businesses and integrating them into the Group. During this restructuring and integration phase there are a number of costs that are not related to the underlying trading operations of the Group which are classified as adjusted items. These costs include, but are not limited to:

- Duplicated costs whilst the integration plan is executed. These often relate to termination of pre-acquisition agreements that were in place and exit costs associated (such as closure of old facilities or head offices);
- As part of the integration plan itself, additional non-recurring costs may be incurred which do not relate to the underlying trading operations of the Group, including, but are not limited to, system integration testing and validation, costs of moving equipment to new sites and department relocation or set up costs; and
- Costs of staff exiting the business, including redundancy costs, earnouts or bonus payments relating to the integration plan. Integration plans can often result in moving offices geographically, a change in management structure or redefining the roles and needs of departments or individuals. As a result, some employee redundancy costs are incurred. Payments are also made to employees for successful delivery of integration plans.

Depending on the size and nature of the acquisition and the complexity of the integration plan, acquisition restructuring and integration costs can be incurred for up to 12 months post acquisition.

Restructuring, SBM option and IPO fees

The Group has undertaken significant financing, restructuring and related activities during 2020 and 2021.

In 2021, the Group has recognised a £38m charge in relation to the revaluation of the call option entered into with SBM, that allows them to invest directly into a 19.9% stake in THG Ingenuity for \$1.6bn. This implies a value of \$6.3bn (£4.5bn) for THG Ingenuity. This is a derivative instrument, an option that holds value for SBM and consequently falls under the provisions of IFRS9 (Financial Instruments). The liability represents the difference between the fair value of the call option today, and its value at grant date. Given the upside opportunity for SBM and the value in the derivative, the Option represents an asset to SBM and a liability on THG's balance sheet. This is a material, non-recurring transaction and thus the revaluation effects of this option have been presented as an adjusted item.

In 2020, the Group undertook a number of restructuring actions in order to prepare the Group for Admission onto the London Stock Exchange. These actions were focused on simplification of the Group structure. The Group also incurred costs in relation to the IPO listing in September 2020 which include legal and professional fees and listing fees. £1.0m has been recognised in 2021. The IPO

related costs are material, non-recurring expenditure, as a result of the Group's listing on the London Stock Exchange and have therefore been presented within adjusted items.

Donations and other Covid-19 related costs

As part of its Covid-19 response, the Group made several charitable donations to the local region, totalling £1.1m in the period to 30 June 2021. This is expected to be non-recurring.

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, costs associated with equity raises that occurred before the IPO, and other fees associated with investor activities.

Share-based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense and included within adjusted items. Due to the nature of these schemes, they can run over multiple years and can be considered to be recurring. The charge relating to share-based payments has been treated as an adjusted item as the underlying driver for the share awards (e.g. the IPO) was also an adjusted item. There are no share-based payment charges in the current period.

4. Business combinations

Eight acquisitions have been made in the six months ended June 2021, continuing the Group's strategic acquisition focus. Dermstore and Bentley Laboratories enhance the Group's North America presence and ability to serve the US Beauty market, with Private Label Nutrition and Brighter Foods bringing key manufacturing abilities into the THG Nutrition business. Indigo Environmental, More Trees, and Preston Plastics provide capability for THG to deliver on its carbon neutral THG(eco) plan, whilst Arrow Films further expands the motion picture capabilities, all enhancing the THG Ingenuity offering. All acquisitions were for 100% of the share capital of the subsidiaries.

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration £'000	Percentage ownership
Dermstore	USA	Professional skin care production and online retailing	2 February 2021	260,898	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	7,123 ^a	100%
Arrow Film	England and Wales	Motion picture distribution activities	5 March 2021	18,446 ^b	100%
More Trees	England and Wales	Tree planting	1 April 2021	4,488 ^c	100%
Private Label Nutrition	England and Wales	Vitamin, mineral and supplement manufacturer	16 April 2021	4,493 ^d	100%
Preston Plastics	England and Wales	Recycling provider	27 April 2021	18,846 ^e	100%
Brighter Foods	England and Wales	Manufacturing and developing cold-pressed and cold form snack bars	11 May 2021	44,388 ^f	100%
Bentley Laboratories	USA	Professional skin care manufacturing	15 June 2021	179,955	100%

a. Includes £2.5m of contingent consideration dependent upon performance targets post acquisition

b. Includes £3.0m of contingent consideration dependent upon performance targets post acquisition

c. Includes £4.0m of contingent consideration dependent upon performance targets post acquisition

d. Includes £1.8m of contingent consideration dependent upon performance targets post acquisition

e. Includes £6.0m of contingent consideration dependent upon performance targets post acquisition

f. Includes £2.0m of contingent consideration dependent upon performance targets post acquisition

The contingent consideration arrangement requires the Group to pay the former owner based on a performance target post acquisition. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £19.3m.

The fair value of the contingent consideration arrangements of £19.3m was estimated by applying the probability of the hurdles being reached. The fair value estimates are based on an assumed probability of 100%.

The following provisional values of intangible assets were recognised at acquisition:

	Dermstore	Indigo	Arrow	More	Private	Preston	Brighter	Bentley	Total
		Environmental	Film	Trees	Label	Plastics	Foods	Laboratories	
					Nutrition				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets - brands	219,509	1,470	4,795	-	1,531	2,899	1,200	19,988	251,392
Intangible assets - customer lists	-	474	5,360	-	669	976	24,400	26,014	57,893
Intangible assets - other IP	-	-	-	-	-	-	-	3,119	3,119
Total fair value on acquisition (provisional)	219,509	1,944	10,155	-	2,200	3,875	25,600	49,121	312,404

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

Provisional fair values	Dermstore	Indigo	Arrow	More	Private	Preston	Brighter	Bentley	Total
		Environmental	Film	Trees	Label	Plastics	Foods	Laboratories	
					Nutrition				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	219,509	1,944	10,234	-	2,200	3,875	25,600	49,121	312,483
Property, plant and equipment	-	1,439	50	-	598	3,462	5,218	5,301	16,068
Inventories	24,478	275	814	-	508	97	2,695	14,896	43,763
Trade and other receivables	1,195	1,397	2,059	-	131	1,635	1,378	10,297	18,092
Cash and cash equivalents	9,698	581	7,479	11	477	178	2,646	703	21,773
Trade and other payables	(24,551)	(1,145)	(5,466)	(32)	(611)	(521)	(2,966)	(9,475)	(44,767)
Deferred tax	(57,072)	(707)	(2,394)	-	(532)	(1,352)	(6,135)	503	(67,689)
Net assets acquired	173,257	3,784	12,776	(21)	2,771	7,374	28,436	71,346	299,723
Goodwill	87,641	3,339	5,670	4,509	1,722	11,472	15,952	108,609	238,914
Purchase consideration	260,898	7,123	18,446	4,488	4,493	18,846	44,388	179,955	538,637
Transactions costs	1,978	333	435	731	177	410	583	731	5,378

Purchase consideration comprised cash totalling £519.4m and contingent consideration totalling £19.3m. Transactions costs comprises mainly of advisor fees, including financial, tax and legal due diligence costs and these are included in acquisition - legal and professional costs in the adjusted items in note 3.

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from incorporating the businesses into the Group's platform. This will support existing operations and particularly in the case of Bentley Laboratories, includes the expertise and skillset of the workforce which will lead to a further enhancement of our presence in the divisions in which the Group operate. Bentley has an industry-leading research and development team of 25 who are at the forefront of its clients' innovation strategies, with over 650 unique formulations and over 700 new product launches since 2017. The goodwill for all acquisitions apart from Bentley Laboratories is not deductible for tax purposes.

Cash flows arising from the acquisitions were as follows:

	Dermstore	Indigo	Arrow	More	Private	Preston	Brighter	Bentley	Total
		Environmental	Film	Trees	Label	Plastics	Foods	Laboratories	
					Nutrition				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Purchase consideration	260,898	4,623	15,446	488	2,743	12,846	42,388	179,955	519,387
Cash and cash equivalents acquired	(9,698)	(581)	(7,479)	(11)	(477)	(178)	(2,646)	(703)	(21,773)
Net cash flows	251,200	4,042	7,967	477	2,266	12,668	39,742	179,252	497,614

Amounts of revenue and profit before tax (PBT) of the acquirees since the acquisition date, and the revenue and PBT of the combined entities for the current reporting period as though each acquisition had been acquired at the beginning of the reporting period, have not been disclosed. The acquisitions benefit from the use of shared service and Group functions which are not recharged at an acquisition

level. The results of these acquisitions are not reported to the CODM outside of the division and therefore this disclosure would be impracticable.

5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of comprehensive income are:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	£'000	£'000
Current tax		
Tax charge for the period	3,457	4,546
Deferred tax		
Origination and reversal of temporary differences	(4,882)	(8,798)
Adjustments in respect of prior period	830	-
Change in tax rates	1,308	2,422
	(2,744)	(6,376)
Total income tax charge/(credit)	713	(1,830)

6. Non-current assets

	Intangible assets £'000	Property, plant and equipment £'000	Right-of-use asset £'000
1 January 2021	674,293	240,221	193,887
Additions	34,483	54,907	94,584
Business Combinations	551,318	16,068	-
Disposals	-	(1,758)	(374)
Depreciation / Amortisation	(41,445)	(16,571)	(11,983)
Currency translation differences	(5,571)	(2,816)	(1,124)
Transfers	(407)	4	-
30 June 2021	1,212,671	290,055	274,990

The property, plant and equipment additions were driven by major investment in the automation of THG fulfilment centres in the UK and Poland to increase operational efficiency. The intangible asset additions were driven by capitalisation of platform development costs. Management continue to assess its assets for impairment on a regular basis, including the impact of Covid-19 on the operations of the Group. The impact is viewed as short term, and temporary in nature, and therefore has not triggered the impairment of non-current assets. This is evident in the strong trading the Group has seen from its e-commerce businesses since Covid-19 lockdown began, alongside the re-opening of its physical sites as lockdown has been eased in the UK and globally.

7. Financial assets and liabilities

	30 June 2021	31 December 2020
	£'000	£'000
Assets as per balance sheet - financial assets		
Trade and other receivables excluding non-financial assets	189,014	147,211
Cash and cash equivalents	878,549	773,581
Assets as per balance sheet - held at fair value through OCI		
Derivative financial instruments designated as hedging instruments	4,338	15,849

	1,071,901	936,641
Liabilities as per balance sheet - other financial liabilities at amortised cost		
Bank borrowings	504,019	526,159
Lease liabilities	318,352	236,185
Trade and other payables excluding non-financial liabilities	485,616	478,603
Liabilities as per balance sheet - other financial liabilities at fair value		
Derivative financial instruments designated as hedging instruments	11,833	2,563
Derivative financial instruments held at fair value through profit and loss	38,120	-
	1,357,940	1,243,510
Derivative financial instruments designated as hedging instruments		
FX forwards hedging foreign exchange risk on borrowings	(10,039)	13,405
Interest rate swaps	(1,794)	(2,563)
FX forwards hedging foreign exchange risk on highly probable future cash flows	4,338	2,444
	(7,495)	13,286

- Financial instruments included within current assets and liabilities, excluding borrowings, are generally short-term in nature and accordingly their fair values approximate to their book values. Bank borrowings are initially recorded at fair value net of direct issue costs.
- The derivative financial instruments designated as hedging instruments have been recognised at fair value through Other Comprehensive Income. Hedging instruments are valued based on significant observable inputs and have been classified at Level 2 hierarchy level in line with IFRS 13 Fair Value Measurement.
- Derivative financial instruments held at fair value through profit and loss relate solely to the option to invest in THG Ingenuity held by SBM, announced on the 10 May 2021. This allows an investment of c. \$1.6bn for a 19.9% of THG Ingenuity equity once THG Ingenuity has been separated into an investable entity.

The derivative is recognised at fair value and has been valued based on a Black-Scholes model utilising market-corroborated inputs and has been classified as Level 2. This has been recognized within finance costs reflecting the nature of the liability.

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

	30 June 2021	31 December 2020
	£'000	£'000
Loans and other borrowings	(504,019)	(526,159)
Lease liabilities	(318,352)	(236,185)
Cash and cash equivalents	878,549	773,581
Sub-total	56,178	11,237
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	10,046	35,403
Net cash	66,224	46,640
Net cash before leases liabilities	384,576	282,825

8. Cash flow generated from operations

		For the six months ended	
		30 June 2021	30 June 2020
	Note	£'000	£'000
Loss before taxation		(81,339)	(49,874)
Adjustments for:			
Depreciation	6	28,554	20,559
Amortisation	6	41,445	24,646
Adjusted items	3	66,729	38,152
Net finance costs		25,826	25,094
Operating cash flow before adjusted items and before movements in working capital and provisions		81,215	58,577
Increase in inventories		(12,383)	(34,839)
(Increase) / decrease in trade and other receivables		(509)	5,190
(Decrease) / increase in trade and other payables		(52,475)	95,520
(Decrease) / increase in provisions		(242)	190
Foreign exchange (loss) / gain		(339)	189
Cash generated from operations before adjusted items		15,267	124,827

9. Related Party Transactions

On 27 August 2020, the Group entered into a 5-year agreement on commercial terms with Moulding Capital Limited (previously named Kingsmead Holdco Limited) to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generates £635,000 of Other Income for the Group per annum.

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 and Chair. The Propco Group owns property assets occupied and utilised by THG and its operating businesses.

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

	2021 £'000
Right-of-use asset	218,282
Lease liability	260,139
Depreciation arising on right-of-use assets	5,533
Expense recognised in financing costs	5,229
THG Group income for services provided	318

Number of properties	Residual lease term date divestment	Rent per annum (£'000)	H1 2021 rent (£'000)
9	0-5 years	962	481
1	7 years	3,737	1,617
12	13-15 years	3,285	1,673
8	19-25 years	14,065	5,444
30		22,049	9,215

Cash paid in the settlement of obligations under these related party leases was £9.2m, the table below gives further detail around the leases in place.

The following table shows the amounts recognised on the balance sheet at 30 June 2021 where the Group has paid suppliers on behalf of the Propco Group, or vice versa

Related party	Amounts owed by related parties	Amounts owed to related parties
---------------	---------------------------------	---------------------------------

	£'000	£'000
THG Wroclaw Sp.Z.o.o	-	777
Icon 3 Holdco Ltd	371	-
THG Icon Unit 3 Propco S.à r.l.	118	-
Allenby Square Ltd	-	169
	489	946

10. Events after the reporting period

On 4 August 2021, the Group announced the acquisition of 100% of the issued share capital of Cult Beauty Limited, a UK based online prestige beauty retailer, for the total consideration of £275m. Cult Beauty's portfolio of emerging and independent 3rd party brands is highly complementary to THG Beauty's existing portfolio. The provisional fair values of the assets and liabilities acquired, including goodwill arising from the acquisition are not yet available at the date of this report.

INDEPENDENT REVIEW REPORT TO THG PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and consolidated statement of cash flows. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Manchester
15 September 2021

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