

26 October 2021

THG PLC

Third quarter trading statement for the period ended 30 September 2021

**Group revenue of £507.8m, +38.0% YoY and +93.8% 2 year growth (constant currency)**

**2022 Ingenuity Commerce revenue expectations increased by +20% to +25% to a range of £108.0m to £112.0m**

**Appointment of SoftBank Managing Director to the Board**

**Commencement of process to appoint an Independent Non-Executive Chair in preparation to step up to Premium listing**

THG PLC ("THG" or the "Group"), the proprietary technology platform specialising in taking brands direct to consumers ("D2C") globally, announces its third quarter results for the period ended 30 September 2021 ("Q3 2021").

**Q3 2021 Group Trading Performance**

<b>£m</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>YoY<sup>(1)</sup> Growth</b>	<b>YoY Growth CCY<sup>(2)</sup></b>	<b>2 Year Growth</b>	<b>2 Year Growth CCY</b>
THG Beauty	247.6	157.5	+57.2%	+61.1%	+127.9%	+135.7%
THG Nutrition	159.3	145.4	+9.5%	+13.4%	+56.4%	+64.1%
THG Ingenuity	51.1	35.4	+44.1%	+45.5%	+58.7%	+65.1%
THG OnDemand	30.1	24.0	+25.3%	+29.4%	+127.3%	+134.7%
Other	19.8	15.7	+25.7%	+24.7%	+17.5%	+19.9%
<b>Group Revenue</b>	<b>507.8</b>	<b>378.1</b>	<b>+34.3%</b>	<b>+38.0%</b>	<b>+86.2%</b>	<b>+93.8%</b>
<i>Ingenuity Revenue</i>						
<i>Commerce</i>	11.7	5.1	+131.0%	+131.0%	+526.8%	+526.8%

<b>£m</b>	<b>YTD 2021</b>	<b>YTD 2020</b>	<b>YoY Growth</b>	<b>YoY Growth CCY</b>	<b>2 Year Growth</b>	<b>2 Year Growth CCY</b>
THG Beauty	708.4	453.2	+56.3%	+59.7%	+137.0%	+142.2%
THG Nutrition	487.6	403.4	+20.9%	+24.2%	+62.8%	+66.3%
THG Ingenuity	136.9	96.9	+41.3%	+43.6%	+46.8%	+51.2%
THG OnDemand	81.6	59.4	+37.4%	+41.0%	+131.2%	+135.6%
Other	52.1	41.0	+27.1%	+23.3%	+20.5%	+18.0%
<b>Group Revenue</b>	<b>1,466.6</b>	<b>1,053.8</b>	<b>+39.2%</b>	<b>+42.3%</b>	<b>+90.4%</b>	<b>+94.6%</b>
<i>Ingenuity Commerce Revenue</i>						
	30.0	12.0	+149.9%	+149.9%	+578.5%	+578.5%

(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.

## **Matthew Moulding, CEO commented:**

*"We have delivered a strong trading performance in Q3 and enter our peak trading period with confidence. The recent successful migration of Cult Beauty onto the Ingenuity platform is testament to the resilience of the infrastructure and the expertise of our digital talent. In under 10 weeks we have seamlessly migrated Cult Beauty, whilst delivering significant website and customer user-experience improvements at the same time.*

*"I would like to thank all of our employees given how much they have achieved in the 12 months since IPO. Our talented workforce has grown considerably and as well as significantly outperforming the trading guidance provided at IPO, they have been tirelessly expanding the business model across all divisions. The appointment of two independent non-executive directors and four special advisors since IPO has been hugely beneficial to the Board, and we have real optimism for 2022 with the step-up to a Premium listing on the Main Market of the London Stock Exchange following the appointment of an independent Chair.*

*"Finally, we extend our warmest welcome to Dr. Andreas Hansson from the THG Board and management. Our experience with Andreas and the entire SoftBank team has been first-class and this appointment is testament to the strength and depth of the partnership that we have developed. The separation of Ingenuity remains on track for H1 2022."*

## **Q3 2021 highlights**

- During the third quarter, Group revenues increased by +38.0% on a constant currency basis ("CCY") to £507.8m, bringing year to date revenue growth to +42.3%.
- Further to the acquisition on 4 August 2021, Cult Beauty has been successfully migrated to the Ingenuity platform ahead of schedule, delivering immediate improvements including a 30% uplift in conversion rates, a 6% uplift in average order values, a 36% improvement in page load times and lower technology costs to serve. A highlight post re-platforming has been the success of the Cult Beauty Advent calendar which sold over 11,500 units in 2 hours with no website downtime.
- THG Nutrition revenue growth of +24.2% (CCY) year to date was broad based, with exceptional 2-year growth of +66.3%. The solid performance this quarter is against the highest growth quarter in 2020 for THG Nutrition and with over 80% of revenues coming from repeat customers our category conviction remains high. As a result of the international revenue mix THG Nutrition has seen the most marked impact from the FX environment this year. The integration of Brighter Foods and Claremont is on track, improving speed to market for new and localised products.
- Whilst logistics, labour and product inflation have persisted in Q3, the Group's vertically integrated business model, focus on cost control and increased automation have largely mitigated these pressures.
- Early phasing of buying and production means product availability is good ahead of peak trading.
- The Group has a very strong liquidity position as it enters its peak trading season, with available cash as at 30 September 2021 of c.£700m including long dated 3-5 year facilities.

## **Ingenuity Commerce Update**

- Momentum continued to build during the third quarter, with reported revenue growth of +131.0% year-on-year, with a record number of clients acquired in the quarter (+50% vs Q2 2021). The 44 new clients won in Q3 cover: a broad range of consumer sectors; re-platforming from existing technology solutions and new market launches; 3 to 10-year agreements; productised components of the stack, such as fulfilment-only services, in addition to end-to-end services; and penetrating new CPGs, including supporting Kao Group, the Japanese Beauty and Household products conglomerate, with a 5 year multi-brand (including Molton Brown), multi territory roll out (UK & international).
- 59% of Q3 revenue was recurring in nature, providing strong visibility on FY 2022. Our confidence is further supported by a strong pipeline of new client wins expected to complete during the fourth quarter of 2021, and a substantial order book of over 280 new websites for existing clients, which will see the total number of live websites increase from 163 to 400 by the end of 2022.
- Annual Revenue Run-rate ("ARR") is the annualised recurring revenue from live websites plus the 12 months trailing non-recurring revenue. ARR at the end of the third quarter of £44m rises to £53m inclusive of websites scheduled to go live in Q4 2021. Note that non-recurring revenue for Ingenuity Commerce is highly predictable as whilst costs are one-off for clients, they are always incurred on new site launches (whether for existing or new clients) and so are recurring in nature for THG.

- Based on deployment of 85% of the website order book during 2022, we have visibility of c. £112m ARR at Q4 2022, assuming £170,000 revenue per site and the 60% of recurring revenue is grossed up to include the 40% of non-recurring revenues (such as site build fees).
- In addition to the existing website order book underpinning the £112m ARR, we expect the ARR to increase over the next 15 months through the business development function. Accordingly, we have a high degree of confidence that consensus estimates for 2021 will be achieved and that FY 2022 consensus reported revenue of c.£90m revenue will be exceeded by +20% to +25%.

#### **Ingenuity Commerce KPI's methodology statement**

- KPI methodology statement: in order to address and support longer-term visibility of Ingenuity Commerce, the Group is providing new, regular KPI metrics, which coupled with already publicly disclosed financial information, will enable an improved understanding of the high repeat, high growth nature of the Ingenuity Commerce revenue model.
- *A slide pack providing additional information on the revenue model and KPIs entitled "Ingenuity Commerce Q3 2021 Update" is available in the Results, Reports and Presentations section of THG.com.*

	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2022 Target</b>
Number of live client websites <sup>(1)</sup>	133	163	400
Average recurring revenue per website <sup>(2)</sup> (£m)	0.17	0.17	0.17
Recurring Revenue % <sup>(3)</sup>	55%	59%	60%
Annual Revenue Run-Rate <sup>(4)</sup> (£m)	37	44	112 <sup>(5)</sup>

(1) Number of websites defined as website with a specific domain name/URL live at end of period

(2) Average recurring revenue per website is presented on an annual basis

(3) Based on total Ingenuity Commerce revenue

(4) Annual Revenue Run-rate is based on annualised recurring revenue and trailing 12 months non-recurring revenue

(5) Q4 2022 Annual Revenue Run-rate calculated 15 months in advance by aggregating the annualised recurring revenue from the 400 sites expected to be live, representing 60% of the revenue mix and the implied non-recurring revenue at 40% of the mix.

#### **Outlook and guidance**

- As reiterated at the Group's interim results, FY 2021 Group revenue guidance is growth of between +38% to +41% on a constant currency basis (reported growth of +35% to +38%).
- The Group remains on target to trade comfortably ahead of IPO expectations set out in September 2020. At IPO the Group guided to FY 2021 revenue growth of between +20% to +25%. For FY 2021, we expect M&A to contribute c.£260m to revenue.
- Management believes the impact of the recent inflationary environment and rising commodity costs can be largely offset by increased logistics automation and an ongoing cost improvement programme.
- Margin guidance therefore 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).
- As noted above, revenue for Ingenuity Commerce is expected to be in the range of £108.0m to £112.0m in FY 2022.

#### **Corporate Governance**

On 18 October 2021, the Group announced its intention to step-up to the Premium segment of the Main Market of the London Stock Exchange in 2022, with Matthew Moulding confirming his intention to cancel his Special Share rights. Further to its ongoing review of corporate governance arrangements in conjunction with its application to step-up, the Board has appointed Russell Reynolds Associates to undertake a search for a new Independent Chair for the Company. This will align THG to the recommendations of the UK Corporate Governance Code.

#### **Non-Executive Board appointment**

On 10 May 2021, THG announced that SB Management Limited ("SBM"), a subsidiary of SoftBank Group Corp., had subscribed for approximately \$730m of ordinary shares in THG and that SBM had signed a collaboration and option agreement with THG.

The partnership between THG and SBM has developed positively, and THG is pleased to announce the appointment of Dr. Andreas Hansson to the Group's Board as a Non-Executive Director with immediate effect.

Dr. Hansson serves as a Managing Director at SB Management, having first joined SoftBank Group in 2017. Until August 2020 he was a Partner at SoftBank Investment Advisers. Dr. Hansson serves on the Board of a number of SoftBank investments, including AutoStore, the leading automated storage and retrieval system provider and as Chairman of the Board of Kahoot!, a leading EdTech platform. Before joining SoftBank, Dr. Hansson held multiple positions at Arm Ltd., where he served as technical adviser to the Executive Vice President and the CTO, leading strategic activities around business development and incubation.

Dr. Andreas Hansson, Non-Executive Director at THG, commented:

*"I am delighted to be joining the THG Board. Since our initial investment, the technological capability of Ingenuity has proven compelling for several portfolio companies. There is a clear need for a global, purpose-built and end-to-end e-commerce platform, we believe that Ingenuity has the right suite of products to serve this market, and we continue to be confident about our investment in THG and the Ingenuity investment opportunity."*

### **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://brrmedia.news/7edhzs>

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

- Room number: 7302787
- UK dial in: +44 (0)330 336 9127

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## **ENDS**

### **Notes to editors**

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 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.

**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.*

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