

**IMPORTANT:** You must read the following disclaimer before continuing. This electronic transmission applies to the attached prospectus relating to THG Holdings plc (the "**Company**") dated 10 September 2020 (the "**Prospectus**"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached Prospectus whether electronically or otherwise to any other person.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED IN CONNECTION WITH "**OFFSHORE TRANSACTIONS**" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") AS DEFINED IN, AND PURSUANT TO, RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**") OR ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

ANY FORWARDING, DISTRIBUTION, REPRODUCTION OR PUBLICATION OF THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SHARES IN THE COMPANY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OR (2) IN AN "**OFFSHORE TRANSACTION**" AS DEFINED IN, AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF, REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE SHARES MAY NOT BE OFFERED OR SOLD IN CANADA, EXCEPT TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE SHARES MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION

NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

This electronic transmission and the attached Prospectus and the offer of the Shares (the "**Offer**") are only addressed to and directed at persons in member states of the European Economic Area who are "**qualified investors**" within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") ("**Qualified Investors**"). In the United Kingdom, this electronic transmission and the attached Prospectus is being distributed only to, and is directed only at, Qualified Investors who are (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and (iii) other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This electronic transmission and the attached Prospectus must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area, by persons who are not Qualified Investors. Any investment or investment activity to which the attached Prospectus relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area, Qualified Investors, and will be engaged in only with such persons.

**Confirmation of your Representation:** This electronic transmission and the attached Prospectus is delivered to you on the basis that you are deemed to have represented to Citigroup Global Markets Limited ("**Citi**"), J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) ("**JPM**"), Barclays Bank PLC ("**Barclays**"), Goldman Sachs International ("**GS**"), HSBC Bank plc ("**HSBC**"), Jefferies International Limited ("**Jefferies**") and Numis Securities Limited ("**Numis**" and, together with Citi, JPM, Barclays, GS, HSBC and Jefferies, the "**Underwriters**"), N.M. Rothschild & Sons Limited, the Company and the Selling Shareholders (as defined in Part XII 'Definitions' of the Prospectus) that you have understood and agree to the terms set out herein, and (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB (if you are in the United States) or (b) acquiring such securities in "**offshore transactions**", as defined in, and in accordance with Rule 903 or Rule 904 of, Regulation S; (ii) if you are in the United Kingdom, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the European Economic Area; (iii) if you are in any member state of the European Economic Area, you are a Qualified Investor and/or a Qualified Investor acting on behalf of relevant persons in the United Kingdom and/or Qualified Investors, to the extent you are acting on behalf of persons or entities in the European Economic Area; and (iv) you are an institutional investor that is eligible to receive this Prospectus and you consent to delivery of this Prospectus by electronic transmission.

You are reminded that you have received this electronic transmission and the attached Prospectus on the basis that you are a person into whose possession this electronic transmission and the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this electronic transmission or the attached Prospectus, electronically or otherwise, to any other person.

The attached Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the

process of electronic transmission and consequently neither the Company, the Selling Shareholders, the Underwriters nor any of their respective affiliates, directors, officers, employees, agents or advisers accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached Prospectus, you consent to receiving it in electronic form.

None of the Underwriters nor any of their respective affiliates, directors, officers, employees, agents or advisers accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by them, or on their behalf, in connection with the Company, the Offer or the Shares. To the fullest extent permitted by law, such persons accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by the Underwriters or any of their respective affiliates, directors, officers, employees, agents or advisers as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached Prospectus.

The Underwriters are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached Prospectus.

**Restriction:** Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this Prospectus via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 3 of Regulation (EU) 2017/1128 (the "**Prospectus Regulation**") relating to THG Holdings plc (the "**Company**"), prepared in accordance with the prospectus regulation rules (the "**Prospectus Regulation Rules**") of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000, as amended ("**FSMA**"). The Prospectus has been approved by the FCA as competent authority under the Prospectus Regulation. The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the ordinary voting shares in the capital of the Company with a nominal value of 0.5 pence each (the "**Ordinary Shares**").

Application will be made to the FCA and to London Stock Exchange plc (the "**London Stock Exchange**") respectively for admission of all of the Ordinary Shares: (i) to the standard listing segment ("**Standard Listing**") of the Official List of the FCA (the "**Official List**" and "**Admission to Listing**", respectively); and (ii) to the London Stock Exchange's main market for listed securities ("**Admission to Trading**", and together with Admission to Listing, "**Admission**"). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 September 2020. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, on the London Stock Exchange at 8.00 a.m. (London time) on 21 September 2020. **All dealings in the Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.** No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or traded on any other stock exchange.

The Company and the directors of the Company (together, the "**Directors**"), whose names appear in the section of this Prospectus headed "*Directors, Company Secretary, Registered Office and Advisers*", accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts, and the Prospectus makes no omission likely to affect its import.

**Investors should read this document in its entirety and, in particular, the section of this document headed "*Risk Factors*", when considering an investment in the Company.** Investors should be aware that an investment in the Company involves a high degree of risk and that, if certain of the risks described in this document occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters, and who are able to bear the loss of the whole of their investment.

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## THG HOLDINGS PLC

*(Incorporated under the Companies Act 1985 and registered under the laws of England and Wales with registered no. 06539496)*

**Offer of up to 376,273,998 Ordinary Shares at an Offer Price of 500p per Ordinary Share and admission to the standard listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange**

<b>Joint Global Co-ordinators</b>			
<i>Citigroup</i>	<i>JP Morgan</i>	<i>Barclays</i>	<i>Goldman Sachs</i>
<b>Joint Bookrunners</b>			
<i>HSBC</i>	<i>Jefferies</i>	<i>Numis</i>	
<b>Financial Adviser</b>			
<i>Rothschild &amp; Co</i>			

### ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Nominal Value	Number <sup>(1)</sup>
£0.005 each	970,646,554

<sup>(1)</sup> Assumes that the maximum number of New Shares subject to the Offer is subscribed for.

The Company is offering up to 184,000,000 new Ordinary Shares (the "**New Shares**") under the Global Offer to certain institutional, and other, investors, described in Part IX (*Details of the Offer*), and the Selling Shareholders (as defined in Part XII (*Definitions*)) are offering an aggregate of up to 192,273,998 existing Ordinary Shares (the "**Sale Shares**") under the Global Offer (the offering of the New Shares and the Sale Shares is referred to herein as the "**Global Offer**"). The Company is offering a limited number of individual investors in the United Kingdom and elsewhere pursuant to relevant private placement exemptions the opportunity to subscribe for up to 10,000,000 New Shares (the "**Direct Subscription**" and together with the Global Offer, the "**Offer**"). Any New Shares

subscribed for in the Direct Subscription will reduce the number of New Shares offered in the Global Offer, such that the aggregate number of New Shares offered in the Global Offer and the Direct Subscription will be up to 184,000,000 New Shares. A pricing statement (the "**Pricing Statement**") is expected to be published on or around 16 September 2020, which will confirm the number of Ordinary Shares subscribed for and purchased in the Offer. The Company will not receive any of the net proceeds of the sale of the Sale Shares, all of which will be paid to the Selling Shareholders.

The New Shares and the Sale Shares will, following Admission, rank *pari passu* in all respects with the other issued Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the issued Ordinary Shares after Admission.

#### **Reliance on this document**

In making any investment decision, each investor must rely on its own examination, analysis and enquiry of THG (as defined in Part XII (*Definitions*)) and the terms of the Offer, including the merits and risks associated with it. Investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, any of Citigroup Global Markets Limited, J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove), Barclays Bank PLC and Goldman Sachs International (together, the "**Joint Global Co-ordinators**") and HSBC Bank plc, Jefferies International Limited and Numis Securities Limited (together, the "**Joint Bookrunners**") and, together with the Joint Global Co-ordinators, the "**Underwriters**"), N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), the Directors and/or any of the Selling Shareholders.

Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation and Rule 3.4 of the Prospectus Regulation Rules, neither the delivery of this document nor any subscription or purchase of Ordinary Shares made pursuant to it shall, under any circumstances, create any implication that there has been no change in the affairs of THG since the date of this document, or that the information contained herein is correct at any time subsequent to its date.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, the Underwriters, Rothschild & Co or any of their respective representatives or affiliates that any recipient of this document should subscribe for, or purchase, Ordinary Shares in the Offer. Prior to making any decision as to whether to subscribe for or purchase Ordinary Shares in the Offer, investors should read this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it.

Investors who subscribe for, or purchase, Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters, Rothschild & Co or any person(s) affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning THG or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders, any of the Underwriters or Rothschild & Co.

None of the Company, the Directors, the Selling Shareholders, any of the Underwriters, Rothschild & Co or any of their respective representatives or affiliates is making any representation to any offeror, subscriber or purchaser of the Ordinary Shares regarding the legality of an investment by such offeror, subscriber or purchaser. The contents of this document are not to be construed as legal, tax, business and/or financial advice. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of subscribing for or purchasing Ordinary Shares.

#### **Advisers**

Each of Citigroup Global Markets Limited, J.P. Morgan Securities plc, Barclays Bank PLC, Goldman Sachs International and HSBC Bank plc is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the PRA and the FCA. Each of Rothschild & Co, Jefferies International Limited and Numis Securities Limited is authorised and regulated in the United Kingdom by the FCA. Each of the Underwriters and Rothschild & Co is acting exclusively for the Company and no one else in connection with the Global Offer. None of the Underwriters or Rothschild & Co will regard any other person(s) (whether or not a recipient of this document) as a client in relation to the Global Offer, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Global Offer or any transaction, matter, or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters or Rothschild & Co by FSMA or the regulatory regime established thereunder, none of the Underwriters, Rothschild & Co nor any of their respective representatives or affiliates, accepts any responsibility whatsoever for the contents of this document or its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, or by any other person(s) in connection with the Company, THG, the Ordinary Shares and/or the Global Offer. The Underwriters, Rothschild & Co and each of their respective representatives and affiliates each accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document and/or any such statement(s). No representation or warranty, express or implied, is made by any of the Underwriters, Rothschild & Co or any of their respective representatives or affiliates as to the accuracy, completeness or sufficiency of the information set out in this document.

In connection with the Global Offer, the Underwriters and/or any of their respective representatives and/or affiliates acting as an investor for its or their own account(s) may subscribe for, or purchase, Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Global Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing

by, the Underwriters or any of them and/or any of their representatives and/or affiliates acting as an investor for its or their own account(s). None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of the Underwriters, Rothschild & Co and any of their respective representatives and affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and/or other services for, the Company and the Selling Shareholders for which they would have received customary fees. Each of the Underwriters, Rothschild & Co and any of their respective representatives and affiliates may provide such services to the Company and/or the Selling Shareholders and/or any of their representatives and/or affiliates in the future. In addition, any of the Underwriters and/or any of their respective representatives and/or affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors, in connection with which such Underwriters and/or their respective representatives and/or affiliates may from time to time acquire, hold or dispose of Ordinary Shares.

#### **Notice to overseas investors**

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Ordinary Shares referred to in this document may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Underwriters, through their respective selling agents, may arrange for the Global Offer and resale of the Ordinary Shares in the United States only to persons reasonably believed to be qualified institutional buyers ("**QIBs**"), as defined in, and in reliance on, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Investors are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

This document is being furnished by the Company in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling an investor to consider the subscription for, or acquisition of, the Ordinary Shares described herein. The information contained in this document has been provided by the Company and other sources identified herein.

THE ORDINARY SHARES HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, INCLUDING THE US SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"). FURTHERMORE, SUCH AUTHORITIES, INCLUDING THE SEC, HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THE GLOBAL OFFER OF THE ORDINARY SHARES AND HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

No actions have been taken to allow a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan. The Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan or any other jurisdictions. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this document and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders, Rothschild & Co and/or the Underwriters to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required, or where doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

#### **Notice in connection with the United Kingdom and member states of the European Economic Area ("**Relevant States**")**

This document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers to the public of transferable securities. Accordingly, any person making or intending to make any offer within a Relevant State of Ordinary Shares should only do so in circumstances in which no obligation arises for the Company or any of the Underwriters to produce a prospectus for such offer. Neither the Company nor the Underwriters nor any of them have authorised, nor do they authorise, the making of any offer of Ordinary Shares through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of Ordinary Shares contemplated in this document.

#### **Available Information for investors in the United States**

The Company has agreed that, so long as any of the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, make available, upon request, to any holder or beneficial owner of Ordinary Shares, or to any prospective subscriber of an Ordinary Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

### **No incorporation of website information**

The contents of the Company's website (www.thg.com) does not form part of this document.

### **Information to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares (as defined below) have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

### **GENERAL**

Capitalised terms have the meanings ascribed to them in Part XII (*Definitions*) of this document.

This document is dated 10 September 2020.

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## SUMMARY INFORMATION

### 1. INTRODUCTION AND WARNINGS

#### 1.1 Name and ISIN of the securities

Name: Ordinary voting shares of in the capital of the Company with a nominal value of 0.5 pence each (the "**Ordinary Shares**") with ISIN: GB00BMTV7393.

#### 1.2 Identity and contact details of the issuer

The issuer's name is THG Holdings plc (the "**Company**" and, together with its subsidiaries and subsidiary undertakings, "**THG**"). Its registered office is at 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, M90 3DQ, United Kingdom. The Company's telephone number is +44 (0) 161 813 1716 and its LEI is 21380066N3SV9O8IDP37.

#### 1.3 Identity and contact details of the competent authority

This document has been approved by the Financial Conduct Authority, with its head office at 12 Endeavour Square, London E20 1JN, United Kingdom and telephone number +44 (0) 20 7066 1000.

#### 1.4 Date of approval of the Prospectus

10 September 2020

#### 1.5 Warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.

### 2. KEY INFORMATION ON THE ISSUER

#### 2.1 Who is the issuer of the securities?

##### *Domicile and legal form, LEI, applicable legislation and country of incorporation*

The Company is incorporated under the laws of England and Wales with its registered office in England and its Legal Entity Identifier ("**LEI**") is 21380066N3SV9O8IDP37. The Company was incorporated on 19 March 2008 under the Companies Act 1985 as a private company limited by shares and under the name Hallco 1611 Limited with registered number 06539496. On 1 October 2008, the Company changed its name to The Hut Group Limited. On 7 September 2020 the Company re-registered as a public limited company with the name THG Holdings plc. The principal law and legislation under which the Company operates is the Companies Act 2006.

##### *Principal activities*

Founded in 2004, THG is a vertically integrated digital-first consumer brands group, powered by *THG Ingenuity*, its proprietary end-to-end e-commerce technology and operating platform. In addition to powering the online operations of THG Own Brands, *THG Ingenuity* provides an end-to-end direct-to-consumer ("**D2C**") e-commerce solution for consumer brand owners under a Software as a Service ("**SaaS**") licensing model, in addition to stand-alone services, including hosting, content creation and translation. During the year ended 31 December 2019, more than 610 million visits were made to websites on the *THG Ingenuity* platform and more than 80 million units were dispatched using its infrastructure.

THG's business is operated through the following four businesses:

- *THG Ingenuity*: *THG Ingenuity* provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under SaaS licences, in addition to stand-alone digital services, including hosting, studio content and translation;
- *THG Nutrition*: A manufacturer and online D2C retailer of nutrition products and owner of the *Myprotein* brand, including its family brands *Myvegan*, *Myvitamins*, *MP Clothing* and *Myprotein Pro*;
- *THG Beauty*: A leading digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining THG's prestige portfolio of seven owned brands across skincare, haircare and cosmetics ("**THG Beauty Own Brands**"), with the provision of a global route to market for over 850 third-party beauty brands through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind* ("**THG Beauty Retail**") and the beauty subscription box brand *Glossybox*; and
- *Other*: This business consists of the THG Lifestyle (consumer and luxury products) and THG Experience (Hale Country Club in Cheshire, United Kingdom, and King Street Townhouse Hotel and the Great John Street Hotel, both in Manchester, United Kingdom) businesses.

THG is a leading strategic player within the prestige beauty industry globally, combining its portfolio of seven prestige owned brands across skincare, haircare and cosmetics with the provision of a critical route to market for over 850 third-party beauty brands sold through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind*. The Directors believe that it was the world's largest online pureplay prestige beauty retailer in 2019, based on revenue.

In the nutrition market, the Directors believe that THG's brand, *Myprotein*, including its family of sub-brands *Myvegan*, *Myvitamins* and *MP Clothing*, was the largest online D2C sports nutrition brand globally in 2019 based on revenue. *THG Ingenuity*, THG's proprietary e-commerce technology and operating platform, has been integral to the growth of its brands, including the *Lookfantastic* and *Myprotein* families of brands, with the platform facilitating sustained international sales growth.

For the year ended 31 December 2019, THG's revenue was £1,140.3 million, its operating loss was £15.0 million and its Adjusted EBITDA was £111.3 million. For the six months ended 30 June 2020, THG's revenue was £675.6 million, its operating loss was £25.6 million and its Adjusted EBITDA was £60.5 million.

### Major Shareholders

In so far as it is known to the Company as at the date of this document, the following persons will, on Admission, be directly or indirectly interested (within the meaning of the Companies Act) in 3 per cent. or more of the Company's issued share capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

Name of Shareholder	Immediately prior to Admission <sup>(1)</sup>		Immediately following Admission <sup>(2)</sup>	
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
KKR Gym (Cayman) Limited <sup>(3)</sup>	89,543,487	11.38	-	-
Balderton Capital IV, L.P	124,371,292	15.81	124,371,292	12.81
BlackRock-affiliated funds <sup>(4)</sup>	86,898,038	11.05	146,898,038	15.13
Sofina Capital S.A	82,709,800	10.51	82,709,800	8.52
Merian Global Investors <sup>(5)</sup>	68,972,130	8.77	86,972,130	8.96
Zedra Trust Company (Jersey) Limited <sup>(6)</sup>	66,748,455	8.49	10,035,522	1.03
Harbrook Limited <sup>(7)</sup>	25,570,685	3.25	25,570,685	2.63
West Coast Capital <sup>(8)</sup>	29,506,960	3.75	19,005,904	1.96
Total	574,320,847	73.01	495,563,371	51.04

<sup>(1)</sup> The interests in Ordinary Shares have been stated on the basis that the Reorganisation steps described in paragraph 5 (*Reorganisation of THG*) of Part XI (*Additional Information*) have been completed in full.

<sup>(2)</sup> Assumes the maximum number of New Shares subject to the Offer is subscribed for. Includes Cornerstone Commitments (for further information see paragraph 4 of Part IX (*Details of the Offer – Cornerstone Investors*)).

<sup>(3)</sup> KKR Gym (Cayman) Limited is an entity indirectly owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P.. KKR Gym (Cayman) Limited has also agreed to transfer 41,291,838 Ordinary Shares to the Founder and certain underlying investors in KKR Gym (Cayman) Limited.

<sup>(4)</sup> Includes various independently managed funds affiliated with BlackRock, Inc.

<sup>(5)</sup> Includes Ordinary Shares held by Merian Chrysalis Investment Ltd, an entity affiliated with Merian Global Investors.

<sup>(6)</sup> Zedra Trust Company (Jersey) Limited as trustee of the Oliver's Sebastian Led Trust 2011.

<sup>(7)</sup> Harbrook Limited is an entity ultimately beneficially owned and controlled by Mark Evans. Includes shares registered in the name of Mark Evans.

<sup>(8)</sup> Includes Ordinary Shares held by West Coast Capital Assets Limited and by West Coast Capital Holdings Limited.

## Key managing Directors

Matthew Moulding is the Chief Executive Officer and John Gallemore is the Chief Financial Officer.

## Statutory auditors

Ernst & Young LLP, whose registered address is at 1 More London Place, London SE1 2AF, United Kingdom.

## 2.2 What is the key financial information regarding the issuer?

Income Statement Information	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(£ 000)		
Revenue .....	675,644	497,489	1,140,260	915,758	735,652
Operating profit/(loss).....	(25,629)	(3,117)	(14,978)	3,723	(5,252)
Loss for the financial period.....	(44,357)	(14,992)	(48,190)	(10,163)	(10,296)
Balance Sheet Information	As at 30 June		As at 31 December		
	2020	2019	2019	2018	2017
			(£ 000)		
Total assets .....		1,786,734	1,691,618	1,134,433	863,851
Equity .....		333,796	403,852	315,266	265,811
Cash Flow Statement Information	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(£ 000)		
Net cash inflow/ (outflow) from operating activities.	60,686	(32,562)	54,722	45,255	16,523
Net cash used in investing activities.....	(46,624)	(93,754)	(139,963)	(142,838)	(230,353)
Net cash from financing activities.....	(37,558)	(38,855)	159,362	145,673	226,273

## Selected pro forma statement of net assets

The unaudited *pro forma* statement of net assets and accompanying notes (the *Pro forma* financial information) set out in Section B (*Unaudited Pro Forma Financial Information*) of Part VIII (*Unaudited Pro Forma Financial Information*) of this Prospectus have been prepared to illustrate the effect of the Propco Reorganisation, the Reorganisation and the application of the net proceeds of the placing of New Shares on THG's net assets as at 30 June 2020 as if they had been undertaken at that date.

## Unaudited Pro Forma Statement of Net Assets

	THG Net Assets as at 30 June 2020 <i>(note 1)</i> £'000	Adjustment		Net proceeds from placing of New Shares for subscription <i>(note 4)</i> £'000	Pro forma THG net assets as at 30 June 2020 <i>(note 5)</i> £'000
		Propco Reorganisation <i>(note 2)</i> £'000	Reorganisation <i>(note 3)</i> £'000		
<b>Non-current assets</b>					
Intangible assets .....	583,151	-	-	-	583,151
Property, plant and equipment .....	153,252	-	-	-	153,252
Right-of-use asset .....	179,609	-	-	-	179,609
Deferred tax asset .....	2,612	-	-	-	2,612
Other financial assets.....	22,936	-	-	-	22,936
	<b>941,560</b>	-	-	-	<b>941,560</b>
<b>Current assets</b>					
Inventories .....	243,144	-	-	-	243,144
Trade and other receivables .....	313,419	(162,785)	-	-	150,634
Current tax asset .....	3,167	-	-	-	3,167
Cash and cash equivalents .....	285,444	(1,010)	(3,598)	887,948	1,168,784
	<b>845,174</b>	<b>(163,795)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>1,565,729</b>
<b>Total assets .....</b>	<b>1,786,734</b>	<b>(163,795)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>2,507,289</b>
<b>Non-current liabilities</b>					
Borrowings .....	529,945	-	-	-	529,945
Lease liabilities.....	175,312	-	-	-	175,312
Derivative financial liability	2,339	-	-	-	2,339
	<b>707,596</b>	-	-	-	<b>707,596</b>

	Adjustment				Pro forma THG net assets as at 30 June 2020 (note 5) £'000
	THG Net Assets as at 30 June 2020 (note 1) £'000	Propco Reorganisation (note 2) £'000	Reorganisation (note 3) £'000	Net proceeds from placing of New Shares for subscription (note 4) £'000	
<b>Current liabilities</b>					
Contract liability.....	42,349	-	-	-	42,349
Trade and other payables.....	502,048	(77,910)	-	-	424,138
Borrowings.....	185,007	-	-	-	185,007
Lease liabilities.....	8,880	-	-	-	8,880
Provisions.....	2,051	-	-	-	2,051
Current tax liability.....	3,332	-	-	-	3,332
Derivative financial liability.....	1,675	-	-	-	1,675
	<b>745,342</b>	<b>(77,910)</b>	-	-	<b>667,432</b>
<b>Total liabilities</b> .....	<b>1,452,938</b>	<b>(77,910)</b>	-	-	<b>1,375,028</b>
<b>Net Assets</b> .....	<b>333,796</b>	<b>(85,885)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>1,132,261</b>

#### Notes:

- The net assets of THG as at 30 June 2020 have been extracted without material adjustment from the unaudited interim financial information for the six month period ended 30 June 2020.
  - The net assets of THG as at 30 June 2020 presented (Note 1.) exclude the historical property activities of THG Holdings plc, however certain steps within the Propco Reorganisation will impact the net asset position of THG. Adjustments for these steps are explained below:
    - The adjustments to Trade and other receivables and Trade and other payables relate to the waiver of related party balances as part of the Propco Reorganisation; and
    - The adjustment to Cash and cash equivalents includes a cash outflow of £1.0 million to settle stamp duty and stamp duty reserve tax amounts payable.
  - Certain steps that form part of the Reorganisation are shown as adjustments as they impact the net asset position of the Group, as set out below:
    - The adjustment to Cash and cash equivalents includes a cash inflow of £0.4 million to reflect cash received from option-holders upon the exercise of 59,241 outstanding share options over C shares prior to, but conditional upon Admission; and
    - The adjustment to Cash and cash equivalents includes a cash outflow of £4.0 million to settle employer's National Insurance contributions associated with the exercise of the share options over C shares.
  - This adjustment reflects the gross proceeds of the placing of New Shares for subscription that is part of the Offer of £920.0 million, net of estimated expenses of £32.0 million (including the maximum amount of any discretionary underwriting commissions, but excluding value added tax) in relation to the placing of New Shares.
- No adjustment is shown for the sale of Sale Shares as part of the Global Offer, because:
- THG will not receive any proceeds from the sale of Sale Shares; and
  - underwriting commissions and stamp duty or stamp duty reserve tax expenses associated with the sale of Sale Shares will be borne by the Selling Shareholders.
- The Pro forma Financial Information does not reflect any changes in the trading results or financial position of THG since 30 June 2020.

#### ***Audit reports on the historical financial information***

There are no qualifications to Ernst & Young LLP's accountant's report on the historical financial information of THG for the years ended 31 December 2017, 2018 and 2019.

#### **2.3 What are the key risks that are specific to the issuer?**

THG's efforts to retain existing customers and acquire new customers may not be successful, which could prevent THG from maintaining or increasing its revenue.

THG relies on search engines and social networking websites to attract a portion of its merchants and customers. If THG is not able to generate traffic to its websites through search engines and social networking websites, its ability to attract new merchants and customers may be impaired.

A deterioration in THG's brand or reputation could have a material adverse effect on THG.

THG's success depends, in part, on the quality, performance and safety of its products.

THG relies on third parties over whom THG has limited control for transportation, delivery and fulfilment of its orders.

THG relies on third parties for the provision of its payment services.

The price of some of THG's raw materials is commodity price-based and subject to price fluctuations.

*THG Ingenuity* may face significant competition in the business-to-business e-commerce industry and may be unsuccessful in maintaining its strong position in the market against future competitors.

If THG fails to improve and enhance the functionality, performance, reliability, design, security and scalability of its platforms in a manner that responds to its customers' evolving needs, THG's business may be adversely affected.

Any significant disruption in service on THG's websites or apps or in THG's computer systems could damage THG's reputation and result in a loss of customers, which would harm THG's business and results of operations.

### 3. **KEY INFORMATION ON THE SECURITIES**

#### 3.1 **What are the main features of the securities?**

##### *Type, class and ISIN of the securities*

When admitted to trading, the Ordinary Shares (which are ordinary voting shares) will be registered with International Securities Identification Number ("**ISIN**") GB00BMTV7393.

##### *Currency, denomination, par value, number of securities issued and term of the securities*

The Ordinary Shares are denominated in pounds sterling with par value of £0.005 each and an indefinite term. On Admission, assuming the maximum of New Shares subject to the Offer is subscribed for in full, the Company will have 970,646,554 Ordinary Shares in issue.

##### *Rights attached to the securities*

The New Shares will, when issued and fully paid, rank equally in all respects with the Ordinary Shares and have the following rights attaching to them:

- on a show of hands at a general meeting every member present in person has one vote and every proxy or representative present who has been duly appointed by a member entitled to vote has one vote; and on a poll every member (whether present in person or by proxy or representative) has one vote per Ordinary Share;
- the right to receive dividends on a *pari passu* basis; and
- if the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided amongst the members in the proportion to the capital which at the start of the winding-up is paid up on the Ordinary Shares held by them, respectively.

##### *Restrictions on free transferability of the securities*

The Ordinary Shares are free from any restriction on transfer, subject to compliance with applicable securities laws.

##### *Dividends and dividend policy*

The Company does not intend to pay any dividends as THG invests in growth. The Company intends to revisit its dividend policy in future years and may revise its dividend policy from time to time.

#### 3.2 **Where will the securities be traded?**

Application will be made to the FCA for the Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA, and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange ("**Admission**").

#### 3.3 **What are the key risks that are specific to the securities?**

The trading price of the Ordinary Shares may fluctuate in response to various factors, many of which are outside the Company's control.

Following Admission, the Founder and persons considered to be acting in concert with him will be in a position to be able to exert significant influence over the Company.

Future issuances of Ordinary Shares, including as a result of any conversion of the Retained Shares, D Shares and E Shares or in order to fund an acquisition, may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares.

Substantial future sales of Ordinary Shares could impact the trading price of the Ordinary Shares.

The Company may not pay dividends at all or at any particular level.

#### 4. KEY INFORMATION ON THE OFFER AND ADMISSION

##### 4.1 Under which conditions and timetable can I invest in this security?

###### *General terms and conditions*

Not applicable. This document does not constitute an offer or an invitation to any person to subscribe for or purchase any Ordinary Shares. The Ordinary Shares are not being offered to the public.

###### *Expected timetable*

Each of the following times and dates in the table below is indicative only and subject to change without further notice. All references to times in this document are to London times unless otherwise stated.

Announcement of the Offer Price	7.00 a.m. on 10 September 2020
Publication of this document	10 September 2020
Publication of the Pricing Statement <sup>(1)</sup>	16 September 2020
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange <sup>(2)</sup>	16 September 2020
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 a.m. on 21 September 2020
CREST accounts credited with uncertificated Ordinary Shares	8.00 a.m. on 21 September 2020
Dispatch of definitive share certificates, where applicable, for Ordinary Shares in certificated form	by 28 September 2020

<sup>(1)</sup> The number of Ordinary Shares in the Offer will be confirmed in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this document, but it will be published on the Company's website at [www.thg.com](http://www.thg.com).

<sup>(2)</sup> If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

###### *Details of admission to trading on a regulated market*

Application will be made to the FCA for the Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange.

###### *Plan for distribution*

On 10 September 2020, the Company (acting for itself and as agent on behalf of the Individual Selling Shareholders pursuant to the Deeds of Election entered into by the Individual Selling Shareholders), the Selling Shareholders, the Directors and the Underwriters (as defined below) entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Underwriters have severally agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure subscribers and purchasers for, and, failing which, to subscribe for or purchase themselves (in their relevant proportions) the New Shares and the Sale Shares subject to the Global Offer at an offer price of 500p per Ordinary Share (the "**Global Offer**").

The Company is offering up to 184,000,000 new Ordinary Shares (the "**New Shares**") to certain institutional, and other, investors, and the selling shareholders are offering an aggregate of up to 192,273,998 existing Ordinary Shares (the "**Sale Shares**") under the Global Offer. The Company is offering a limited number of individual investors in the United Kingdom and elsewhere pursuant to relevant private placement exemptions the opportunity to subscribe for up to 10,000,000 New Shares (the "**Direct Subscription**" and together with the Global Offer, the "**Offer**"). Any New Shares subscribed for in the Direct Subscription will reduce the number of New Shares offered in the Global Offer,

such that the aggregate number of New Shares offered in the Global Offer and the Direct Subscription will be up to 184,000,000 New Shares. A pricing statement (the "**Pricing Statement**") is expected to be published on or around 16 September 2020, which will confirm the number of Ordinary Shares subscribed for and purchased in the Offer. The Company will not receive any of the net proceeds of the sale of the Sale Shares, all of which will be paid to the Selling Shareholders.

#### ***Amount and percentage of immediate dilution resulting from the issue***

Pursuant to the Offer, existing Shareholders will experience a 18.96 per cent. dilution in their holdings of Ordinary Shares, assuming that the maximum number of New Shares subject to the Offer is subscribed for (that is, his or her proportionate interest in the Company will decrease by 18.96 per cent.).

#### ***Estimate of the total expenses of the issue***

The costs and expenses of, and incidental to, Admission and the Offer payable by the Company are estimated to amount to £38.4 million (including VAT), and include, amongst others, underwriting commissions (including the maximum amount of any discretionary commission), the FCA's fees, professional fees and the costs of printing and distribution of documents. No expenses will be charged by the Company or the Selling Shareholders to any subscribers or purchasers of Shares pursuant to the Offer.

#### ***Joint Global Co-ordinators and Joint Bookrunners***

Citigroup Global Markets Limited, J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove), Barclays Bank PLC and Goldman Sachs International are acting as joint global co-ordinators for the Global Offer (the "**Joint Global Co-ordinators**"). HSBC Bank plc, Jefferies International Limited and Numis Securities Limited are acting as joint bookrunners for the Global Offer (the "**Joint Bookrunners**" and, together with the Joint Global Co-ordinators, the "**Underwriters**").

#### **4.2 Why is this Prospectus being produced?**

##### ***Reasons for the Offer and use of proceeds***

The Directors believe that the Offer and Admission will position THG for the next stage of its development, including by further raising the profile of THG, assisting in retaining and incentivising senior management and key employees, and providing it with a platform for continued growth.

The Company intends to raise gross proceeds of approximately £920 million from the issue of New Shares pursuant to the Offer. After deducting underwriting commissions and other estimated fees and expenses incurred in connection with the Offer, the Company expects to receive net proceeds of approximately £888 million. The Company will not receive any proceeds from the sale of Sale Shares.

The principal uses of the net proceeds of the Offer received by the Company are as follows:

- future merger and acquisition opportunities, with a focus on beauty brands, technology and infrastructure; and
- other growth investments.

##### ***Material conflicts of interest***

Following Admission, as a result of the Propco Reorganisation, the Executive Chairman and Chief Executive Officer will also be the indirect owner of the Propco Group. THG will continue to use or occupy the properties held the Propco Group, pursuant to arm's length leases between the relevant members of THG (as lessee) and the members of the Propco Group (as lessors).

## RISK FACTORS

*Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, investors should carefully consider the factors and risks associated with any investment in the Ordinary Shares, the business of THG and THG's industries as a whole, together with all other information contained in this document, including in particular the risks described below, and consult with their professional advisers.*

*The following is not an exhaustive list or explanation of all risks that investors may face when making an investment in the Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to THG that are not currently known to the Directors, or that the Directors currently deem to be immaterial, could also, individually or cumulatively, have a material adverse effect on the business, reputation and brand, sales, results of operations, financial condition and/or prospects of THG and, if any such risks or uncertainties should materialise, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should carefully consider whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

### 1. RISKS RELATING TO THG

#### **Risks related to THG Beauty and THG Nutrition**

#### 1.1 ***THG's efforts to retain existing customers and acquire new customers may not be successful, which could prevent THG from maintaining or increasing its revenue.***

Revenue from returning customers represented 81 per cent. of THG's revenue from *Lookfantastic* and 84 per cent. of THG's revenue from *Myprotein* in the year ended 31 December 2019. If THG does not promote and sustain its brands and platforms through marketing and other tools, it may fail to retain existing customers or acquire the new customers required to maintain or increase THG's revenue. Promoting and positioning THG's brands and platforms, as well as the mix of third-party brands sold through its websites and platforms, will depend largely on the success of THG's marketing efforts, its ability to attract consumers cost-effectively and its ability to consistently provide high-quality products and a frictionless user experience. In order to acquire and retain customers, THG has incurred and will continue to incur substantial expenses related to advertising and other marketing efforts. THG's investments in marketing may not attract new customers, potential customers may decide not to buy through THG's platforms and the spend of customers that purchase from THG may not yield the intended return on investment, any of which could negatively affect THG's business, results of operations and financial condition. Furthermore, any new customers acquired and any reduction in the costs of customer acquisition during the COVID-19 lockdown may not remain or continue following the end of the lockdown period. THG's marketing activities also may fail to attract new customers and fail to engage THG's customers and third-party brands, which may have a material adverse effect on its business, results of operations and financial condition.

An important element of THG's customer acquisition strategy is providing a high-quality user experience and establishing a relationship of trust with its customers. If THG's customers are dissatisfied with the quality of the products sold on THG's platforms or the customer service they receive and their overall customer experience, THG customers may stop purchasing products from THG platforms. However, THG's ability to provide a high-quality user experience is also highly dependent on external factors over which THG may have little or no control, including, for instance, the reliability, performance and perception of THG third-party brands and third-party fulfilment partners. For instance, if a logistics provider cannot deliver products to THG customers in a timely manner or if it increases its rates, THG's customers may stop purchasing products from THG platforms. THG's failure to provide its customers with high-quality products for any reason could substantially harm THG's reputation and brand image, which could undermine new customer acquisition and customer retention and have a material adverse effect on THG's business, results of operations and financial condition.

#### 1.2 ***THG relies on search engines and social networking websites to attract a portion of its merchants and customers. If THG is not able to generate traffic to its websites through search engines and social networking websites, its ability to attract new merchants and customers may be impaired.***

Many of THG's customers locate THG's websites (which are powered through the *THG Ingenuity* platform) through internet search engines, such as Google, and advertisements on social networking websites, such as Facebook, Instagram and YouTube. The prominence of THG's websites in response to



internet searches also is a critical factor in attracting potential merchants to THG's platforms. If THG websites are listed less prominently or fails to appear in search results for any reason, visits to its website could decline significantly, and THG may not be able to replace this traffic.

Search engines revise their algorithms from time to time in an attempt to optimise their search results. If search engines modify their algorithms, THG's websites may appear less prominently or not at all in search results, which could result in reduced traffic to THG's websites. Additionally, search engines and social platforms, such as Baidu and WeChat, may block websites that are used for reviews and which generate traffic to THG's platforms.

If the price of marketing THG's websites or brands over search engines or social networking websites increases, THG may be required to increase its marketing expenses or to allocate a larger portion of its marketing spend to search engine marketing and its business and operating results could be adversely affected. Furthermore, competitors may in the future bid on the search terms that THG uses to drive traffic to THG's websites. Such actions could increase THG's marketing costs and/or result in decreased traffic to THG's websites. In addition, search engines or social networking websites may change their advertising policies from time to time. If any change to these policies delays or prevents THG from advertising through these channels or reduces the effectiveness of its advertising, THG could experience reduced traffic to its websites and reduced sales of its products. Furthermore, new search engines or social networking websites may develop, including in respect of individual jurisdictions or regions, which may result in reduced traffic on existing search engines and social networking websites, and if THG is not able to achieve prominence on these new search engines or social networking websites through advertising or otherwise, THG may not achieve significant traffic to its websites through these new platforms and THG's business, results of operations and financial condition could be adversely affected.

Additionally, customer complaints or negative publicity about THG's websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and THG's websites, could reduce consumer traffic to and use of THG's websites and result in harm to THG's brands. The Directors believe that some of the growth in its customer base to date has originated from its social media and influencer-driven marketing strategy. If THG is not able to develop and maintain positive relationships with its network of over 10,000 influencers, THG's ability to promote and maintain awareness of its websites and brands and leverage social media platforms to drive visits to its websites may be adversely affected.

1.3 ***A deterioration in THG's brand or reputation could have a material adverse effect on THG.***

Any failure to maintain a consistently high level of customer service, or a market perception that THG brands or platforms do not maintain high-quality customer service, could adversely affect the reputations of THG brands and platforms and the number of positive customer referrals that THG receives. THG may also lose existing customers and such customers account for, in aggregate, the vast majority of revenues across THG Beauty and THG Nutrition. Consumers value readily available information concerning retailers and their goods and services, and often act on such information without further investigation and without regard to its accuracy. THG's customers may engage with THG and its brands online through its social media platforms, including Facebook, Instagram, Pinterest, YouTube and Twitter, by providing feedback and public commentary about all aspects of its business. Information concerning THG brands and platforms, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on THG brands and platforms, including their reputation. This could undermine THG's efforts to attract new customers, which may have a material adverse effect on THG's business, results of operations and financial condition.

1.4 ***THG's success depends, in part, on the quality, performance and safety of its products.***

Any loss of confidence on the part of consumers in the ingredients used in brands owned by THG (including in the THG Beauty and THG Nutrition businesses "**THG Own Brands**"), in particular its nutrition brand products which are meant to be ingested, whether related to product contamination or product safety or quality failures, actual or perceived, or the inclusion of prohibited ingredients, could tarnish the image of that product's brand, and could cause consumers to choose other products. Allegations of contamination or other adverse effects on product safety or suitability by a particular consumer, even if untrue, may require THG to expend significant time and resources responding to such allegations and could, from time to time, result in a recall of a product from any or all of the markets in

which the affected product was distributed. Any such issues or recalls could negatively affect THG's business, results of operations and financial condition, as well as that product's brand image.

If any of THG Own Brands' products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet THG's customers' expectations, the appeal to customers of the THG Own Brands products could suffer, THG may need to recall some of its products and/or become subject to regulatory action, and THG could lose sales or market share or become subject to boycotts or liability claims. In addition, safety or other defects in the products of THG Own Brands' competitors could reduce consumer demand for THG Own Brands products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on THG's business, results of operations and financial condition.

Furthermore, if THG experiences any recalls, product liability claims or government investigations regarding product safety with respect to THG Own Brands products, the brand reputation and sales of such products could be harmed. THG Own Brand and third-party retailer products are subject to EU food safety and cosmetics regulations and similar UK and foreign regulations, and the products sold on THG platforms could be subject to involuntary recalls and other actions by relevant national authorities. Recalls and government, customer or consumer concerns about product safety could harm THG's reputation and reduce sales, either of which could have a material adverse effect on THG's business, results of operations and financial condition.

1.5 ***THG relies on third parties for the supply of raw materials for its nutrition products.***

THG relies on third parties to supply raw materials which are used to manufacture the THG Own Brand products, in particular whey, which is used in THG's *Myprotein* products. THG has a robust risk-based supplier approval and supplier monitoring programme in line with British Retail Consortium ("**BRC**") and International Organization for Standardization ("**ISO**") requirements. All suppliers are evaluated for their ability to meet the specifications of the materials they are supplying and to meet requirements for safety, quality and legality throughout the supply chain.

Nevertheless, relationships with raw material suppliers involve risks. Identifying, negotiating and documenting relationships with suitable raw material suppliers requires significant time and resources. Third-party raw material suppliers may choose to terminate their relationships with THG or to make material changes to their businesses, products or services. THG's competitors may be effective in providing incentives to raw material suppliers to supply them which could reduce available supply to THG. In addition, these suppliers may not perform as expected under THG's agreements, and THG may in the future have disagreements or disputes with such suppliers.

If THG loses access to products or services from a particular raw material supplier, or experiences a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on THG's business, results of operations and financial condition.

1.6 ***THG relies on third parties over whom THG has limited control for transportation, delivery and fulfilment of its orders.***

THG relies on suppliers and third-party brand owners to properly and promptly prepare products ordered by THG for shipment. Any failure by these suppliers to prepare such products for shipment to THG on a timely basis will have an adverse effect on the fulfilment of consumer orders, which could negatively affect the consumer experience and harm THG's business, results of operations and financial condition. THG also relies upon third-party carriers and transportation providers for substantially all of its merchandise shipments, including shipments of items from its retailers and brands, to THG's facilities for processing, shipments returning these items to THG's retailers and brands and the shipments to THG's consumers after purchase. THG's shipments also are subject to risks that could increase its distribution costs, including rising fuel costs and events such as labour disputes, inclement weather, pandemic restrictions or other disruptions at ports, which may impact the third party's ability to provide delivery services that adequately meet THG's needs. If THG needed to change third-party carriers or transportation providers, THG could face logistical difficulties that could adversely impact deliveries, and THG would incur additional costs and expend resources in connection with such change. Moreover, THG may not be able to obtain terms as favourable as those received from the independent third-party carriers and transportation providers it currently uses, which also would increase THG's costs. Any of these factors could result in reduced sales or cancelled orders, which may limit THG's growth and damage its

reputation, and may have a material adverse effect on its business, results of operations and financial condition. In addition, any increase in shipping or delivery costs or any other significant shipping or delivery difficulties or disruptions or any failure by THG's retailers, brands or third-party carriers to deliver high-quality products to THG's consumers in a timely manner or to otherwise adequately serve THG's consumers could damage THG's reputation and brand and may substantially harm its business, results of operations and financial condition.

THG's relationships with its third-party delivery and fulfilment providers also involve risks which could have a material adverse effect on THG's business, results of operations and financial condition. For example: (i) these third-party providers may choose to terminate their relationships with THG or to make material changes to their businesses, products or services; (ii) THG's competitors may be effective in providing incentives to third-party delivery and fulfilment providers to favour their products or services or to prevent or reduce subscriptions to THG's platforms; (iii) these providers may not perform as expected under THG's agreements; and (iv) THG may in the future have disagreements or disputes with such providers.

1.7 ***THG relies on third parties for the provision of its payment services.***

THG uses third-party payment service providers on all its platforms. If THG's third-party payment services were disrupted, THG could incur substantial delays and expenses in finding and integrating alternative third-party payment service providers, and the quality and reliability of such alternative payment service providers may not be comparable. Any long-term disruption that impedes the ability of THG customers to pay easily and securely on THG platforms could undermine THG's model of and aim to provide frictionless retail, and could have an adverse effect on THG's business, results of operations and financial condition.

1.8 ***The price of some of THG's raw materials is commodity price-based and subject to price fluctuations.***

Some of THG's raw material requirements expose THG to price fluctuations and supply uncertainties which are subject to factors such as commodity market price volatility and currency fluctuations. Underlying base material price changes may result in unexpected increases in raw material and production costs, and THG may be unable to fully reflect these increases by raising prices without suffering reduced volume, revenue and operating income. For example, whey protein is a significant raw material cost of THG's *Myprotein* brand products and whey is subject to price fluctuations. Although THG monitors its exposure to commodity prices and negotiates whey prices several quarters in advance, THG does not hedge against changes in raw materials or commodity prices, and thus is not fully protected against increases in specific raw material costs. Any long-term change in THG's raw material costs may impact THG's business, results of operations and financial condition.

**Risks related to THG Ingenuity**

1.9 ***THG Ingenuity may face significant competition in the business-to-business e-commerce industry and may be unsuccessful in maintaining its strong position in the market against future competitors.***

THG believes that *THG Ingenuity* occupies a strong position in the business-to-business market, offering an end-to-end direct-to-consumer sales platform for businesses. However, as retailers expand their digital and online sales capabilities, *THG Ingenuity* will face increased competition and may not be able to retain its strong market position and product offering.

*THG Ingenuity's* competitors also may be better capitalised or better positioned to acquire, invest in or partner with other domestic and international businesses. THG believes that companies with a combination of technical expertise, brand recognition, financial resources and e-commerce experience also may pose a significant threat of developing competing luxury beauty and nutrition distribution technologies. In particular, if incumbents in the e-commerce services or sales management space choose to offer competing services, they may devote greater resources than THG has available, have a more accelerated time frame for deployment and leverage their existing customer base and proprietary technologies to provide services or a user experience that *THG Ingenuity's* customers may view as superior. If *THG Ingenuity's* competitors are more successful in offering compelling products or in attracting and retaining consumers than THG, THG's business, results of operations and financial condition may be adversely affected.

If *THG Ingenuity* is unable to constantly develop and innovate new features, technology and services, or if THG is unable to monetise new features and services in a timely manner, *THG Ingenuity* may lose its strong position in the market. THG's ability to maintain its competitive advantage depends on a number of factors, many of which are beyond THG's control, including:

- THG's ability to manage the financial and operational aspects of developing and launching new technology, including making appropriate investments in its software systems, information technologies and operational infrastructure;
- THG's ability to secure required governmental permits and approvals;
- the level of commitment and interest from THG's actual and potential third-party suppliers;
- THG's competitors (including its existing retailers and brands who may launch competing technologies) developing and implementing similar or better technologies;
- THG's ability to effectively manage any third-party challenges to the intellectual property behind its technology;
- THG's ability to prevent damage to its key production and fulfilment sites;
- THG's ability to collect, combine and leverage data about its consumers collected online in compliance with existing and any new data protection laws; and
- general economic and business conditions affecting consumer confidence and spending and the overall strength of THG's and THG Ingenuity's customers' businesses.

Adverse developments with respect to one or more of the foregoing factors could adversely affect THG's business, results of operations and financial condition.

#### **Risks related to THG**

- 1.10 ***If THG fails to improve and enhance the functionality, performance, reliability, design, security and scalability of its platform in a manner that responds to its customers' evolving needs, THG's business may be adversely affected.***

THG relies on its technology platforms for sale of THG Own Brands and third-party brands internationally. Additionally, *THG Ingenuity* provides businesses with a technology platform and solution for them to market and sell directly to their customers. As a result, THG is heavily reliant on its technology platforms. These technologies are, however, characterised by constant change and innovation, and THG expects them to continue to evolve rapidly. THG's success has been based on its ability to identify and anticipate the needs of its merchants and customers and design a platform that provides them with the tools they need to operate their businesses and make purchases, respectively. THG's ability to improve its business, results of operations and financial condition will depend in large part on THG's ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform.

THG may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements to its technology platforms. Software development involves significant amounts of time and it can take THG's developers months to update, code and test new and upgraded solutions and integrate them into THG's technology platforms. THG must also continually update, test and enhance its software and make sure that its technology platform operates effectively across multiple devices, operating systems and internet browsers. For example, THG's design team spends a significant amount of time and resources incorporating various design enhancements, such as customised colours, fonts, content and other features, into its platforms and these formats can vary greatly across jurisdictions. The continual improvement and enhancement of THG's technology platform requires significant investment. To the extent THG is not able to improve and enhance the functionality, performance, reliability, design, security and scalability of its technology platform in a manner that responds to its own or its merchants' evolving needs, THG's business, results of operations and financial condition will be adversely affected.

1.11 ***Any significant disruption in service on THG's websites or apps or in THG's computer systems or damage to THG's key production or fulfilment sites could damage THG's reputation and result in a loss of customers, which would harm THG's business and results of operations.***

THG's brand, reputation and ability to attract and retain customers to use THG websites, platforms and services depend upon the reliable performance of THG's physical infrastructure, network infrastructure and content delivery processes. THG has experienced interruptions in these systems in the past, including server failures that temporarily slowed down or interfered with the performance of THG's websites and apps, or particular features of such websites and apps, and THG may experience interruptions in the future. For example, in January 2017, the majority of THG's websites were down for approximately 2 hours when a central storage device slowed down the performance of the virtual servers.

Interruptions in these systems, whether due to system failures, human input errors, computer viruses or physical or electronic break-ins, and denial-of-service attacks on THG or communications infrastructure, could affect the availability of THG's services and platforms and prevent or inhibit the ability of customers to access or complete purchases on THG's websites and apps. Significant damage to a key production or fulfilment site, such as the Omega warehousing site in the UK and the similar warehousing site in Poland, could also adversely affect THG's production, delivery and fulfilment. Changes in law or regulations applicable to data centres in various jurisdictions could also cause a disruption in service on THG's platforms. Volume of traffic and activity on THG's platforms spikes on certain days, such as during a Black Friday promotion, and any such interruption would be particularly problematic if it were to occur at such a high-volume time. Problems with the reliability of THG's systems could prevent THG from earning revenue and could harm THG's reputation. Damage to THG's reputation, any resulting loss of consumer, retailer or brand confidence and the cost of remedying these problems could negatively affect THG's business, results of operations and financial condition.

Substantially all of the communications, network and computer hardware used to operate THG's platforms are strategically located, for convenience and regulatory reasons, at various facilities. The retail technology platform is hosted predominantly in London and Manchester with the front-end components deployed globally across 12 of the 29 data centres used by THG. The hosting systems are in all 29 data centres. THG either leases or owns its servers and has service agreements with data centre providers. THG's systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to THG's systems and hardware or could cause them to fail completely, and THG's insurance may not cover such events or may be insufficient to compensate THG for losses that may occur. A system failure at one site could result in reduced platform functionality for THG's consumers, and a total failure of THG's systems could cause THG's websites or apps to be inaccessible by some or all of THG's consumers. Any errors, defects, disruptions or other performance problems with THG's platforms or services could harm its reputation and may have a material adverse effect on THG's business, results of operations and financial condition. Any of the above could have an adverse impact on THG's business, results of operations and financial condition.

1.12 ***If THG's software contains serious errors or defects, THG may lose revenue and market acceptance and may incur costs to defend or settle claims with its customers.***

THG's software may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when new software is introduced or when new versions or enhancements are released. Despite internal testing, THG's software may contain serious errors or defects, security vulnerabilities or bugs that THG may be unable to correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to a THG brand's reputation, any of which could have an adverse effect on THG's business, results of operations and financial condition.

Furthermore, *THG Ingenuity* is a multi-tenant, cloud-based system that allows THG to deploy new versions and enhancements to all of its *THG Ingenuity* customers simultaneously. THG uses this feature to send regular code updates to its platforms. To the extent THG deploys new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of its merchants simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of *THG Ingenuity* customers.

Customers of *THG Ingenuity* use THG's services for processes that are critical to their businesses, meaning that errors, defects, security vulnerabilities, service interruptions or bugs in THG's software could result in losses to *THG Ingenuity* customers. *THG Ingenuity* customers may seek significant compensation from THG for any losses they suffer or cease conducting business with THG altogether. Provisions that typically are included in THG's agreements with *THG Ingenuity* customers that attempt to limit THG's exposure to claims may not be enforceable or may be inadequate to protect THG from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against THG by any of its *THG Ingenuity* customers would likely be time-consuming and costly to defend and could seriously damage *THG Ingenuity's* reputation and brand, making it harder for THG to sell its software solutions. Any of the factors above could have an adverse impact on THG's business, results of operations and financial condition.

1.13 ***THG's failure to protect its customers' confidential or personal information could damage its reputation and brand and substantially harm THG's business, results of operations and financial condition.***

THG collects, maintains, transmits and stores data about THG's customers, retailers and brands, including credit card information and personally identifiable information, as well as other confidential information. THG relies on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information, and it takes steps such as the use of password policies and firewalls to protect the security, integrity and confidentiality of sensitive and confidential information that it and its third-party service providers store, process and transmit, but such measures may not be effective in protecting sensitive and confidential information. Advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of this technology to protect transaction data or other sensitive and confidential information from being breached or compromised. In addition, e-commerce websites are often attacked through compromised credentials, including those obtained through phishing and credential stuffing. THG's security measures, and those of its third-party payment service providers, may not detect or prevent all attempts to breach THG's systems, denial-of-service attacks, ransomware attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardise the security of information stored in or transmitted by THG's websites, networks and systems or that it or such third parties otherwise maintain, including payment service providers which may subject THG to fines or higher transaction fees or limit or terminate its access to certain payment methods. THG and such third parties may not be able to anticipate or prevent all types of attacks. Further, techniques used to obtain unauthorised access to, or to sabotage, systems change frequently, and may not be known until launched against THG or its third-party service providers. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by THG's employees or by third parties. These risks may increase over time as the complexity and number of technical systems and applications THG uses also increases.

Breaches of THG's security measures or those of THG's third-party service providers or other cybersecurity incidents could result in: unauthorised access to THG sites, networks and systems; unauthorised access to and misappropriation of sensitive and confidential consumer information, including customers' personally identifiable information, or other proprietary information of THG or third parties; viruses, worms, spyware or other malware being served from THG's websites, networks or systems; deletion or modification of content or the display of unauthorised content on its websites; interruption, disruption or malfunction of operations; costs relating to breach remediation, deployment of additional personnel and protection technologies, response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; and litigation, regulatory action and other potential liabilities. Any such attacks could have a material adverse effect on THG's business, results of operations and financial condition.

If any of these breaches of security should occur, the reputation of THG brands could be damaged, customers could develop the perception that THG's systems are not secure, its business may suffer, it could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and it could be exposed to a risk of loss, litigation or regulatory action and possible liability. THG's recovery protocols and backup systems may not be sufficient to prevent data loss. Actual or anticipated attacks may cause THG to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. Any compromise or breach of THG's security measures, or those of THG's third-party service providers, could violate applicable privacy, data protection, data security, network and information systems security

and other laws, and cause significant legal and financial exposure, adverse publicity and a loss of confidence in THG's security measures, which could have a material adverse effect on THG's business, results of operations, financial condition and prospects.

1.14 ***The COVID-19 pandemic, or other epidemics or pandemics, could have a material adverse effect on the Group's revenue and supply chain***

The spread of any contagious disease that may result in an epidemic or pandemic on a regional or global scale may have a negative impact on the operations and results of THG and the markets in which it operates. If one or more of the geographical areas in which THG operates are affected by contagious diseases that cause an epidemic or pandemic on a regional or global scale, the operations of THG and THG Ingenuity customers could be significantly affected. Since December 2019, there has been a rapid spread of the new respiratory virus Coronavirus 2019-nCoV ("**COVID-19**"), which has gradually spread from some regions of China to other countries on a global basis. Many countries in a first phase imposed particularly restrictive measures to limit the spread of the virus, including, among other things, the temporary interruption of production activities, commercial activities and restrictions on the movement of goods and people. In the following weeks, these restrictive measures, including, inter alia, restrictions on the movement of goods and people, the closure of most of the production and commercial activities and various social distancing provisions, were introduced for whole countries, including the UK. Some of these restrictions have increased the costs associated with THG's transportation, delivery and fulfilment of its orders during the period due to the impact of the cargo market pricing in the six months ended 30 June 2020. The growth in revenue experienced by THG during the first half of 2020 was due, in part, to the COVID-19 lockdown restrictions in place in many jurisdictions in which THG sells its products, and the resulting shift to online purchases as many shops and other retail outlets were closed or had limited operations. However, any new customers acquired and any reduction in the costs of customer acquisition during the COVID-19 lockdown may not remain or continue following the end of the lockdown period. Due to the continuation of the COVID-19 pandemic, it is not possible to predict for how long various restrictions will last or when or if they will be re-introduced. In general, the spread of COVID-19 could lead to a deterioration in the economies of the countries directly affected and at a global level, with possible negative effects on customers' purchasing power. Any further regional or global epidemics or pandemics or the further spread of COVID-19 may have an adverse effect on THG's business, results of operations and financial condition.

1.15 ***THG's business is susceptible to risks associated with international sales and the use of THG's platforms in various countries, and THG's exposure to these risks will increase as THG's business continues to expand.***

In 2019, THG delivered products into approximately 190 countries, offered its translation services into approximately 150 languages and invested in the continued localisation of its platforms and product offerings into new markets around the world. THG intends to continue to expand its global presence, including into new markets. Its international sales and the use of its platforms in various countries subjects THG to risks that it does not generally face with respect to domestic sales within the United Kingdom. As it enters new countries and markets, it must tailor its services and business model to the particular circumstances of such countries and markets, which can be complex, difficult, costly, divert management and personnel resources and may not yield the anticipated benefits. These risks include, but are not limited to:

- currency exchange rates;
- unreliability of local infrastructure, payment, postal and delivery fulfilment systems;
- greater difficulty in enforcing contracts, including THG's terms of service and other agreements;
- lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing laws in multiple jurisdictions and compliance therewith;
- uncertainty regarding liability for services and content, including uncertainty as a result of local laws and lack of precedent;
- exposure to local economic or political instability, threatened or actual acts of terrorism and security concerns in general;

- standards, regulatory requirements, tariffs, export controls and other barriers;
- data privacy laws which may require that merchant and customer data be stored and processed in a designated territory;
- difficulties in managing systems integrators and new technology partners;
- differing technology standards;
- slower adoption of the internet and mobile devices to pay for purchases, access social media, conduct commercial transactions, and lack of appropriate technological and legal infrastructure to support widespread and consistent internet and mobile device usage in those markets;
- potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems;
- restrictions on the repatriation of earnings;
- difficulties in attracting and retaining qualified employees in certain markets, as well as managing staffing and operations due to increased complexity, distance, time zones, language and cultural differences;
- reduced or uncertain protection for intellectual property rights in some countries; and
- new and different sources of competition.

These factors may cause THG's costs of doing business to increase materially and may also require significant management attention and financial resources. These factors may also slow or prevent the growth of THG's end-to-end product offering into new markets. Any negative impact from THG's international business efforts could adversely affect its business, results of operations and financial condition.

1.16 ***THG's business could be harmed if THG fails to manage its growth effectively.***

THG's growth has placed, and will likely continue to place, a strain on THG's managerial, administrative, operational, financial and other resources. THG has grown from 3,222 average employees in the year ended 31 December 2017 to 4,926 average employees in the year ended 31 December 2019. THG intends to further expand its overall business, including headcount, and its revenues may not continue to grow at a level consistent with its headcount growth or at all. As THG expands, it will be required to continue to improve its operational and financial controls and reporting procedures and THG's current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage its future operations, especially as THG employs personnel in many geographic locations.

In addition, THG believes that an important contributor to its success has been its corporate culture, which THG believes fosters innovation, teamwork, entrepreneurship and technologically advanced and well-crafted software. As THG continues to grow, it must effectively integrate, develop and motivate a growing number of new employees. As a result, THG may find it difficult to maintain its corporate culture, which could limit its ability to innovate and operate effectively. In addition, THG's ability to maintain its culture as a public company, with the attendant changes in policies, practices, corporate governance and management requirements, may be challenging. Any failure to preserve its culture could also negatively affect its ability to retain and recruit personnel, continue to perform at current levels or execute its business strategy, and THG's business, results of operations and financial condition could be affected.

1.17 ***THG's revenue may not grow at the same pace as its costs or at all, and its revenue growth rate may decline.***

THG may not generate sufficient revenue to offset the cost of maintaining its platform and maintaining and growing its business. Although THG's revenue grew from £735.7 million for the year ended 31 December 2017 to £1,140.3 million for the year ended 31 December 2019, and from £497.5 million for the six months ended 30 June 2019 to £675.6 million for the six months ended 30 June 2020, its revenue or revenue growth rate may decline in the future because of a variety of factors, including increased competition and the maturation of its business. In addition, the growth in revenue experienced during the



first half of 2020 was due, in part, to the COVID-19 lockdown restrictions in place in many jurisdictions in which THG sells its products, and the resulting shift to online purchases as many shops and other retail outlets were closed or had limited operations. The growth in revenue experienced in the first half of 2020 may not continue, or may continue at a reduced rate of growth, in future periods. If THG's revenue or revenue growth rate declines or its operating expenses exceed its expectations, THG's business, results of operations and financial condition could be adversely affected.

Additionally, THG expects its costs to increase in future periods, which could negatively affect its future operating results and ability to achieve and sustain profitability. THG expects to continue to expend substantial financial and other resources on acquiring and retaining customers, its technology infrastructure, research and development, including investments in the development of new features, sales and marketing, international expansion, and general administration, including expenses, related to being a public company. These investments may not result in increased revenue or growth in THG's business. If THG cannot successfully generate revenue at a rate that exceeds the costs associated with its business, it will not be able to achieve or sustain profitability or generate positive cash flow on a sustained basis and its revenue growth rate may decline. If THG fails to continue to grow its revenue and overall business, its business, results of operations and financial condition could be materially and adversely affected.

1.18 ***THG's key markets may not grow at the same pace they have historically or as fast as the forecasts indicate.***

THG's strategy is based on certain key trends and the projected growth of its key markets. However, historical trends may not be indicative of future trends and forecast or estimated growth rates may not be accurate, in whole or part, or ever materialise. Further, underlying markets could decline, overall growth rates in health, beauty and D2C e-commerce could be slower than anticipated and key anticipated trends such as continued beauty premiumisation could fail to materialise. If any of the assumptions underlying THG's strategy are inaccurate or fail to materialise that could have an adverse impact on THG's business, results of operations and financial condition.

1.19 ***THG may be subject to claims that activities of customers hosted on the THG Ingenuity platform or that items listed on THG websites, or their descriptions, are illegal or infringe intellectual property or other rights of others.***

THG from time to time receives communications alleging that items listed on THG's e-commerce platforms (including websites that it owns and/or operates as well as third-party websites that it hosts) infringe third-party copyrights, trademarks or other intellectual property rights. THG has intellectual property complaint and take-down procedures in place to address these communications. THG follows these procedures to review complaints and relevant facts to determine the appropriate action, which may include removal of the item from its websites and, in certain cases, discontinuing its relationship with a retailer, brand and/or third-party customer who repeatedly violates THG's policies. However, THG's procedures may not effectively reduce or eliminate its liability. Additionally, THG relies on third-party brands for information, including product characteristics and availability shown on THG's platforms, that may be inaccurate. In particular, THG may be subject to civil or criminal liability for activities carried out, including products listed for sale on THG's platforms (including in respect of websites that it owns and/or operates as well as third-party websites that it hosts). If a governmental authority determines that THG has aided and abetted the infringement or sale of counterfeit goods, THG could face regulatory, civil or criminal penalties. Successful claims by third-party rights owners could require THG to pay substantial damages or refrain from permitting any further listing of the relevant items. These types of claims could force THG to modify its business practices, which could lower its revenue, increase its costs or make its e-commerce platforms less user-friendly.

THG offers hosting services to third parties, and activities of merchants or the contents of their websites could subject THG to liability. THG's terms of service (including its Acceptable Use Policy) prohibit its third-party customers from using its platform (including servers it owns and/or operates to host third-party websites) to engage in illegal activities, and THG's terms of service (including its Acceptable Use Policy) permit THG to cease to host a third-party website if THG becomes aware of such illegal use. Third-party websites hosted by THG may nonetheless engage in prohibited or illegal activities or upload content in violation of applicable laws, which could subject THG to liability. THG does not proactively monitor or review the appropriateness of the content of third-party websites hosted by THG and it does not have control over such websites. The safeguards THG has in place may not be sufficient for it to avoid liability, which could adversely affect its business, results of operations and financial condition.

1.20 ***THG has in the past made and in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and otherwise disrupt THG's operations and adversely affect its business, results of operations and financial condition, and such acquisitions and investments may result in dilution to THG's shareholders.***

Acquisitions play an important part in THG's overall strategy, and, from time to time, THG evaluates potential strategic acquisition or investment opportunities. Any transactions that THG enters into could be material to its financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Additionally, shareholders will not have the opportunity to vote on or approve the acquisitions. Acquisitions and investments involve a number of risks, such as:

- diversion of management time and focus from operating the business;
- use of resources that are needed in other areas of the business;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems, IT systems and operations of the acquired company, including potential risks to THG's corporate culture;
- co-ordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto THG's platform and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- retention and integration of employees from the acquired company;
- unforeseen costs or liabilities;
- adverse effects on THG's existing business relationships with customers and merchants;
- adverse tax consequences;
- litigation or other claims; and
- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of acquisitions may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. Further, THG may not be able to identify acquisition or investment opportunities that meet its strategic objectives, or, to the extent such opportunities are identified, THG may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to it. In the future, if THG's acquisitions or investments do not yield expected returns, it may be required to take charges or impairments to its operating results based on this impairment assessment process, which could adversely affect THG's business, results of operations and financial condition.

1.21 ***Failure to adequately protect, maintain or enforce THG's intellectual property rights could substantially harm its business and results of operations.***

THG relies on a combination of trademark, copyright, confidential information, trade secrets and patent law and contractual restrictions to protect its intellectual property, but the protection offered by these has its limitations. Despite THG's efforts to protect and enforce its proprietary rights, unauthorised parties have, and may in the future, use THG's trademarks or similar trademarks, copy aspects of its website images, features, compilation and functionality or obtain and use information that THG considers as proprietary, such as the technology used to operate THG's websites or content.

THG does not have comprehensive registered protection for all of its intellectual property in all jurisdictions around the world. THG's pending trademark applications for any brand may not proceed to registration, and trademarks that are registered could be challenged by a third party, including by way of

revocation or invalidity actions. To the extent that trademarks and other intellectual property have overlapped with third parties in the past, THG has, where appropriate, entered into co-existence agreements with the relevant parties. THG's competitors have adopted, and other competitors may adopt, service and product names similar to THG's, thereby impeding its ability to build brand identity in a given market and possibly diluting its brand and leading to brand dilution or consumer confusion. In addition, there could be potential trade name or trademark ownership or infringement claims brought by owners of other rights, including registered trademarks, in THG's marks or marks similar to THG's. Any such claims, brand dilution or consumer confusion related to THG's brands (including its trademarks) could damage its reputation and brand identity, and substantially harm its business, results of operations and financial condition.

THG uses open source software in its proprietary software and systems and will use open source software in the future. The licences applicable to THG's use of open source software may require that source code that is developed using open source software be made available to the public, and that any modifications or derivative works to certain open source software continue to be licensed under open source licences. From time to time, THG may face claims from third parties claiming infringement of their intellectual property rights, or demanding the release or licensing of the open source software or derivative works that THG developed using such software (which could include its proprietary source code) or otherwise seeking to enforce the terms of the applicable open source licence. These claims could result in litigation and could require THG to purchase a costly licence, publicly release the affected portions of its source code, be limited in or cease using the implicated software unless and until THG can re-engineer such software to avoid infringement or change the use of, or remove, the implicated open source software. In addition to risks related to licensing requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, non-infringement or functionality). THG's use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach its website and systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on THG's business, results of operations and financial condition.

Litigation or similar proceedings may be necessary in the future to protect, register and enforce THG's intellectual property rights, to protect its trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Further, any changes in law or interpretation of any such laws, particularly intellectual property laws, may impact THG's ability to protect, register or enforce its intellectual property rights. Any litigation or adverse priority proceedings could result in substantial costs and diversion of resources, and could substantially harm THG's business, results of operations and financial condition.

In addition to THG's registered trademark protection, THG has two unpublished patent applications in the United Kingdom, Europe and internationally, for aspects of its proprietary technology and THG may file further patent applications in the future. These applications may not result in issued patents, and, even if these applications proceed to grant, any patents issued could be vulnerable to challenge by third parties, or their claims could be narrowed in scope by the issuing patent office such that they no longer adequately protect THG's proprietary technology. Further, THG may decide not to pursue a patent application for an innovation due to the high costs, diversion of management time and publication of the underlying innovation that arises from an application. The loss of THG's material intellectual property as a result of any claims or challenges, or the natural expiry of THG's intellectual property registrations, could have a material adverse effect on THG's business, results of operations and financial condition.

Domain names generally are regulated by internet regulatory bodies, and the regulation of domain names is subject to change. Regulatory bodies have and may continue to establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. THG may not be able to, or it may not be cost-effective to, acquire or maintain all domain names that utilise the names "*Lookfantastic*", "*THG Ingenuity*", "*Myprotein*" or other business brands in all of the countries in which THG currently conducts or intends to conduct business. If THG loses the ability to use a domain name, it could incur significant additional expenses to market its products within that country, including the development of new branding. This could substantially harm THG's business, results of operations and financial condition.

1.22 *A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect THG's business, results of operations and financial condition.*

THG's business, results of operations and financial condition could be adversely affected by changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to THG and its businesses, including those relating to the internet and e-commerce, including data protection and privacy, geo-blocking and other geographically based restrictions, internet advertising and price display, general consumer protection, product labelling (for example, California's Proposition 65), anti-corruption, antitrust and competition, economic and trade sanctions, tax, accounting standards, banking, data security and network and information systems security. As a result, regulatory authorities could prevent or temporarily suspend THG from carrying on some or all of its activities or otherwise penalise THG if its practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Any such changes or interpretations could decrease demand for THG's services, limit marketing methods and capabilities, affect its margins, increase costs or subject THG to additional liabilities.

For example, there are, and will likely continue to be, an increasing number of laws and regulations pertaining to the internet and e-commerce that may relate to liability for information retrieved from or transmitted over the internet, display of certain taxes and fees, online editorial and consumer-generated content, user privacy, data security, network and information systems security, behavioural targeting and online advertising, taxation, liability for third-party activities and the quality of services. Furthermore, the growth and development of e-commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally, including THG.

In particular, THG stores some personally identifiable information of its customers and is subject to data protection and privacy regulations such as the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**"). The GDPR, which came into force on 25 May 2018, implemented more stringent operational requirements for THG's use of personal data. These more stringent requirements include expanded disclosures to THG's customers in respect of how THG may use their personal data, increased controls on profiling customers and increased rights for customers to access, control and delete their personal data. THG faces stringent regulations in other jurisdictions as well, including under the California Consumer Privacy Act. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4 per cent. of global turnover for the preceding financial year. The UK's Network and Information Systems Regulations 2018, as amended from time to time, which came into force on 10 May 2018, apply to THG and place additional network and information systems security obligations on THG, as well as mandatory security incident notification in certain circumstances with penalties of up to £17 million.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies and similar technologies for online behavioural advertising, and laws in this area are also under reform. In the EU, current national laws that implement the ePrivacy Directive will be replaced by an EU regulation known as the ePrivacy Regulation. In the EU, informed consent is required for the placement of a cookie on a user's device and for direct electronic marketing, and the GDPR also imposes additional conditions in order to satisfy such consent, such as a prohibition on pre-checked consents. The draft ePrivacy Regulation retains these additional consent conditions and also imposes the strict opt-in marketing rules on direct marketing that is "presented" on a web page rather than sent by email, alters rules on third-party cookies and similar technology and significantly increases penalties for breach of the rules. Regulation of cookies and similar technologies may lead to broader restrictions on THG's marketing and personalisation activities and may negatively impact THG's efforts to understand users' internet usage, as well as the effectiveness of THG's marketing and its business generally. Such regulations may have a negative effect on businesses, including THG's, that collect and use online usage information for customer acquisition and marketing, may increase the cost of operating a business that collects or uses such information and undertakes online marketing, may also increase regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. In response to marketplace concerns about the usage of third-party cookies and web beacons to track user behaviours, providers of major browsers have included features that allow users to limit the collection of certain data generally or from specified websites, and the ePrivacy Regulation draft also advocates the development of browsers that block cookies by default. These developments could impair THG's ability to collect user information, including personal data and usage information, that helps THG provide more targeted advertising to

THG's current and prospective customers, which could adversely affect THG's business, given THG's use of cookies and similar technologies to target THG's marketing and personalise the consumer experience.

As the text of the ePrivacy Regulation is still under development, and as further guidance is issued and interpretation of both the ePrivacy Regulation and the GDPR develop, THG could incur substantial costs to comply with these regulations. The changes could require significant systems changes, limit the effectiveness of THG's marketing activities, adversely affect THG's margins, increase costs and subject THG to additional liabilities.

On 5 November 2019, the US Federal Trade Commission (the "**FTC**") released a publication, "Disclosures 101 for Social Media Influencers", to provide additional guidance for social media influencers and to help such influencers understand and apply the FTC's prior guidance in the area, namely, the FTC Endorsement Guides. The publication discusses how and when social media influencers are required to disclose sponsorships in posts and states that a social media influencer must disclose when it has "any financial, employment, personal, or family relationship" with a brand. Similar disclosure requirements are, or may be in the future, required in other jurisdictions. To the extent that THG's social media influencers are, or may be in the future, required to disclose any financial or other interest in the brand they are promoting, that may impact the effectiveness of the social media influencer in terms of marketing a particular brand or product or provoke adverse reactions from customers. If THG's social media influencers are made less effective as a result of regulation by the FTC or other regulatory bodies, that may have a material adverse effect on THG's business, results of operations or financial condition.

THG is also subject to numerous customs and international trade laws and regulations. THG's business is conducted worldwide, with goods imported from and exported to a substantial number of countries and the majority of products sold on THG's websites, such as *Lookfantastic* and *Myprotein*, are shipped internationally. In particular, THG may be subject to customs and import regulations regarding food and medical supplements, in conjunction with products sold under the *Myprotein* brand. THG's failure to comply with import or export rules and restrictions, or to properly classify items under tariff regulations and pay the appropriate duties, could expose it to fines and penalties. THG may be required to make significant expenditures or modify its business practices to comply with existing or future trade laws and regulations, which may affect its business, results of operations and financial condition.

Additionally, the SEC, the U.S. Department of Justice, the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Department of State, as well as other foreign regulatory authorities, continue to enforce economic and trade regulations and anti-corruption laws across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine as well as specifically targeted individuals and entities that are identified on U.S. and other blacklists, and those owned by them or those acting on their behalf. Anti-corruption laws, including the U.K. Bribery Act (the "**Bribery Act**") and the US Foreign Corrupt Practices Act of 1977 (the "**FCPA**"), generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, private persons to obtain or retain business or an improper business advantage. Some of THG's international operations are conducted in parts of the world where it is common to engage in business practices that are prohibited by these laws.

Although THG has policies and procedures in place designed to promote compliance with laws and regulations, which THG reviews and updates as it expands its operations in existing and new jurisdictions in order to proportionately address risks of non-compliance with applicable laws and regulations, THG's employees, partners or agents could take actions in contravention of its policies and procedures, or violate applicable laws or regulations. As regulations continue to develop and regulatory oversight continues to focus on these areas, THG's policies and procedures may not comply at all times with all applicable laws or regulations. In the event THG's controls should fail or THG is found to not be in compliance for other reasons, THG could be subject to monetary damages, civil and criminal monetary penalties, withdrawal of business licences or permits, litigation and damage to its reputation and the value of its brands. As THG expands its operations in existing and new jurisdictions internationally, THG will need to increase the scope of its compliance programmes to address the risks relating to the potential for violations of the Bribery Act and the FCPA and other anti-bribery and anti-corruption laws. Further, the promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavourably impact the ability or manner in which THG or its retailers and brands conduct business, could require THG to change certain aspects of its business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenue, increase costs or subject THG to additional liabilities. A failure to comply with current laws,

rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect THG's business, results of operations and financial condition.

1.23 ***THG may be subject to general litigation, regulatory disputes and government inquiries.***

As a growing company with expanding operations, THG has in the past faced and may in the future increasingly face the risk of claims, lawsuits, government investigations and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labour and employment, commercial disputes, services and other matters. The number and significance of these disputes and inquiries have increased as the political and regulatory landscape changes, as THG has grown larger and expanded in scope and geographic reach, and as THG's business operations have increased in complexity.

THG cannot predict the outcome of such disputes and inquiries, and such disputes or inquiries could have an adverse impact on THG because of legal costs, diversion of management resources, and other factors. Determining reserves for any litigation is a complex, fact-intensive process that is subject to judgement calls. For instance, in the case of antitrust claims, the European Commission is under a legal obligation to assess complaints, and unless a complaint is withdrawn, it must reject it by a formal decision where it takes the view that there are no grounds for action. Due to this process, complaints often remain open for several years. It is possible that a resolution of one or more such proceedings could require THG to make substantial payments to satisfy judgments, fines or penalties or to settle claims or proceedings, any of which could harm THG's business. Legal proceedings or inquiries could also result in reputational harm, criminal sanctions, consent decrees or orders preventing THG from offering certain products or services, or requiring a change in THG's business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies. Litigation and other claims and regulatory proceedings against THG could result in unexpected expenses and liabilities, which could have a material adverse effect on THG's business, results of operations and financial condition.

1.24 ***The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and THG's business, results of operations and financial condition.***

Under the terms of the ratified EU-UK article 50 withdrawal agreement (the "EUWA"), a transition period has now commenced which will last until 31 December 2020. During this period, most EU rules and regulations will continue to apply to, and in, the UK and negotiations in relation to a free trade agreement are ongoing. During the transition period, the UK and the EU may not reach agreement on the future relationship between them, or may reach a significantly narrower agreement than that envisaged by the political declaration of the European Commission and the UK Government. To minimise the risks for firms and businesses the UK Government continues preparations (including publishing further draft secondary legislation under powers provided in the EUWA) to ensure that there is a functioning statute book at the end of the transition period.

There are a number of uncertainties in connection with the future of the UK and its relationship with the EU. The negotiation of the UK's exit terms is likely to take a number of years. Lack of clarity about future UK laws and regulations, including financial laws and regulations, tax and free trade agreements, immigration laws and employment laws, could increase costs, depress economic activity and impair THG's ability to attract and retain qualified personnel. There is significant uncertainty about THG's future ability to employ EU nationals. If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or amongst the European Economic Area overall could be diminished or eliminated. In addition, the UK's withdrawal from the EU may have an impact on THG's financing arrangements (including the taxation thereof). Any of these factors may have a material adverse effect on THG's business, results of operations and financial condition.

1.25 ***General economic factors, natural disasters or other unexpected events may adversely affect THG's business, financial performance and results of operations.***

THG's business, financial performance and results of operations depend significantly on worldwide macroeconomic conditions and their impact on consumer spending. Recessionary economic cycles, higher interest rates, volatile fuel and energy costs, inflation, levels of unemployment, conditions in the residential real estate and mortgage markets, access to credit, consumer debt levels, unsettled financial

markets and other economic factors that may affect consumer spending or buying habits could materially and adversely affect demand for THG's products. In addition, volatility in the financial markets has had and may continue to have a negative impact on consumer spending patterns. A reduction in consumer spending or disposable income may affect THG more significantly than companies in other industries and companies with a more diversified product offering. In addition, the various market trends the Directors anticipate may not develop or at the speed which they expect, which could result in costs and capacity outpacing demand. In addition, negative national or global economic conditions may materially and adversely affect THG's suppliers' financial performance, liquidity and access to capital. This may affect their ability to maintain their inventories, production levels and/or product quality and could cause them to raise prices, lower production levels or cease their operations.

Economic factors such as increased commodity prices, shipping costs, inflation, higher costs of labour, insurance and healthcare, and changes in or interpretations of other laws, regulations and taxes may also increase the cost of sales, distribution costs and administrative costs, and otherwise adversely affect THG's financial condition and results of operations. Any significant increases in costs may affect its business disproportionately to that of its competitors. Changes in trade policies or increases in tariffs, including those recently enacted by the United States and proposed by China, may have a material adverse effect on global economic conditions and the stability of global financial markets and may reduce international trade.

Natural disasters and other adverse weather and climate conditions, public health crises, political crises, terrorist attacks, war and other political instability or other unexpected events, could disrupt THG's operations, internet or mobile networks or the operations of one or more of its third-party brands or suppliers. Such events may also impact consumer discretionary spending, including spending on nutrition and prestige beauty products. If any of these events occurs, THG's business, results of operation and financial condition could be adversely affected.

1.26 ***THG has experienced losses in the past, and THG may experience losses in the future.***

THG experienced losses after tax for the period of £44.4 million for six months ended 30 June 2020 and of £48.2 million in the year ended 31 December 2019, £10.2 million in the year ended 31 December 2018 and £10.3 million in the year ended 31 December 2017. THG may continue to incur significant losses in future periods.

1.27 ***Provisions of THG's debt instruments may restrict THG's ability to pursue its business strategies.***

THG's debt primarily consists of a €600 million institutional Term Loan B, and a £170 million revolving credit facility. THG's facilities require, and any debt instruments THG may enter into in the future may require, that it comply with various covenants that limit THG's ability to, amongst other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur indebtedness;
- encumber assets;
- pay dividends or make other distributions to holders of THG's Ordinary Shares;
- make specified investments;
- change certain key management personnel;
- engage in any business other than the businesses THG currently engages in; and
- engage in transactions with THG's affiliates.

Although, THG does not anticipate a default in the short term, if THG defaults under any of its debt in the medium or long term, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross-defaults under THG's other debt instruments. THG's

assets and cash flow may not be sufficient to fully repay borrowings under all of THG's outstanding debt instruments if some or all of these instruments are accelerated upon a default.

THG may also incur additional indebtedness in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than THG's existing debt instruments. If THG is unable to repay, refinance or restructure its indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness, as applicable, or force THG into bankruptcy or liquidation.

1.28 ***Fluctuations in exchange rates may adversely affect THG's results of operations.***

THG's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities, of its subsidiaries. In addition, THG trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Euros, US dollars and Japanese yen, as THG is exposed to transactional foreign exchange risk because it earns revenues and incurs expenses in a number of different foreign currencies relative to the relevant subsidiary's functional currency. As a result, THG generally designates cash flow hedges across a combination of forwards, swap agreements, and spot transactions. However, if THG does not adequately hedge its exposure or if the hedges fail, THG is exposed to fluctuations in exchange rates that could harm its business, results of operations and financial condition.

1.29 ***Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.***

The application of the tax laws of various jurisdictions to THG's international business activities is subject to interpretation. The taxing authorities of the jurisdictions in which THG operates may challenge its methodologies, including its transfer pricing, or determine that the manner in which THG operates its business does not achieve the intended tax consequences, which could increase its worldwide effective tax rate and adversely affect its financial position and results of operations.

Significant judgement and estimation are required in determining THG's worldwide tax liabilities. In the ordinary course of THG's business, there are transactions and calculations for which the ultimate tax determination is uncertain or otherwise subject to interpretation. Tax authorities in any of the countries in which THG operates may disagree with its intercompany charges, including the amount of, or basis for, such charges or cross-jurisdictional transfer pricing, and assess additional taxes.

As THG operates in numerous jurisdictions, the application of tax laws of these jurisdictions can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, amongst other things, whether a permanent establishment exists in a particular jurisdiction, transfer pricing, or the valuation of intellectual property. For example, if the taxing authority in one country where THG operates were to reallocate income from another country where it operates, and the taxing authority in the second country did not agree with the reallocation asserted by the first country, THG could become subject to tax on the same income in both countries. If taxing authorities were to allocate income to a higher tax jurisdiction, subject THG's income to double taxation or assess interest and penalties, it could increase THG's tax liability, which could adversely affect THG's financial position and results of operations.

Although THG believes its tax estimates and methodologies are reasonable, taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenues. This has contributed to an increase in audit activity and harsher stances by tax authorities. As such, additional taxes or other assessments may be in excess of THG's current tax reserves or may require THG to modify its business practices to reduce its exposure to additional taxes going forward, any of which may have a material adverse effect on its business, results of operations and financial condition.

1.30 ***Amendments to existing tax laws, rules or regulations or enactment of new unfavourable tax laws, rules or regulations could have an adverse effect on THG's business and financial performance.***

Many of the underlying laws, rules or regulations imposing taxes and other obligations were established before the growth of the internet and e-commerce. THG cannot predict the effect of current attempts to impose taxes on commerce over the internet. If such tax or other laws, rules or regulations were amended,



or if new unfavourable laws, rules or regulations were enacted, the results could increase THG's tax payments or other obligations, prospectively or retrospectively, subject it to interest and penalties, and decrease the demand for its services if it passes on such costs to the consumer. In addition, any such new laws, rules or regulations may result in increased costs to update or expand THG's technical or administrative infrastructure or effectively limit the scope of its business activities if it decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on THG's business, results of operations and financial condition.

In addition, various governments and intergovernmental organisations could introduce proposals for tax legislation, or adopt tax laws, that may have a significant adverse effect on THG's worldwide effective tax rate, or increase its tax liabilities, the carrying value of deferred tax assets, or its deferred tax liabilities. For instance, the Organisation for Economic Co-operation and Development continues to study tax challenges arising from the digitisation of the economy through the "base erosion and profit shifting" framework. Multiple jurisdictions, including some of the countries in which THG operates, have begun implementing recommended changes aimed at addressing perceived issues within their respective tax systems that may lead to increased tax liabilities amongst multinational companies. It is possible that other jurisdictions in which THG operates or do business could enact tax legislation that could adversely affect THG through increasing its tax liabilities which could thereby affect its business, results of operations and financial condition.

- 1.31 ***THG is dependent on the continued services and performance of its senior management and other key employees, the loss of any of whom could adversely affect THG's business, results of operations and financial condition.***

THG's future performance depends on the continued services and contributions of its senior management, including the Founder, and other key employees to execute THG's business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of THG's strategic objectives. From time to time, there may be changes in THG's senior management team resulting from the hiring or departure of executives, which could disrupt THG's business. THG does not maintain key person life insurance policies on any of its employees or Directors. The loss of the services of one or more of THG's senior management, Directors or other key employees for any reason could adversely affect THG's operations and reputation, and could require significant amounts of time, training and resources to find suitable replacements and integrate them within THG's business and could affect THG's corporate culture, which could adversely impact its business, results of operations and financial condition.

- 1.32 ***THG will incur increased costs and regulatory burden and devote substantial management time as a result of being a listed company.***

Prior to Admission, THG was not subject to the continuous and timely disclosure requirements of the London Stock Exchange. As a listed company, THG will incur increased legal, accounting and other costs it did not incur as a private company. Compliance with these requirements will increase the legal and financial compliance costs and will make some activities more time-consuming and costly.

In addition, THG's management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these listed company requirements. The individuals who now constitute the senior management team of THG have limited experience managing a publicly traded company and limited experience complying with the increasingly complex laws pertaining to public companies. The senior management team may not successfully or efficiently manage the transition to being a listed company subject to significant regulatory oversight and reporting obligations. THG has made, and will continue to make, changes to its financial management control systems and other areas to manage its obligations as a listed company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. Any of these costs or changes could have a material impact on its business, results of operations and financial condition.

- 1.33 ***Any change in THG's tax status or in taxation legislation or its interpretation could affect the value of the investments held in THG or THG's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.***

The tax rules and their interpretation relating to an investment in THG may change during the life of an investment. Any change in THG's tax status or in taxation legislation or its interpretation could affect the

value of investments held in THG or THG's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of THG and its investors are based upon current tax law and practice which is subject to change. Current and potential investors should obtain their own independent tax advice if they are in any doubt as to their tax status.

## 2. **RISKS RELATING TO THE ORDINARY SHARES AND THE OFFER**

### 2.1 ***The trading price of the Ordinary Shares may fluctuate in response to various factors, many of which are outside the Company's control***

Following Admission, the price of the Ordinary Shares could be subject to significant fluctuations and may not accurately reflect the underlying value of THG's business. The value of the Ordinary Shares may decrease as well as increase, and the value of the Ordinary Shares held by investors may be less than the original sum invested. The price that investors may realise for their holdings of Ordinary Shares, when they are able to do so, may be influenced by a large number of factors, including the possibility that the market for the Ordinary Shares is less liquid than for other equity securities, the relatively volatility of the price of the Ordinary Shares or any of the other factors referred to in these Risk Factors, as well as stock market fluctuations and general economic conditions that may adversely affect the trading price of the Ordinary Shares.

### 2.2 ***Following Admission, the Founder and persons considered to be acting in concert with him will be in a position to be able to exert significant influence over the Company***

Following Admission, the Founder will be the Chairman and Chief Executive Officer of the Company and the Founder and persons considered to be acting in concert with him will hold up to approximately 10.77 per cent. of the Ordinary Shares.

The Founder and persons considered to be acting in concert with him may, in the future, be entitled to receive additional Ordinary Shares if their respective holdings of Retained Shares, D ordinary shares, D Shares and E Shares convert to Ordinary Shares (in the case of the Retained Shares, upon the satisfaction of performance conditions and a hurdle) pursuant to the terms of certain THG employee incentive arrangements and the articles of association of the Company, which have been adopted conditional upon Admission (the "**New Articles of Association**"). Should all of the Retained Shares, D ordinary shares, D Shares and E Shares in issue at the time of Admission convert to Ordinary Shares, the Founder and persons considered to be acting in concert with him would hold a maximum of 28.92 per cent. of the Ordinary Shares (on the assumption that no other Ordinary Shares are issued following Admission).

Further, the Company has an authority from Shareholders pursuant to the General Meeting to make purchases of up to 10 per cent. of its share capital. If the Company were to exercise that authority in full over the Ordinary Shares not held by the Founder and persons considered to be acting in concert with him (and, assuming that no such person had otherwise sold any Ordinary Shares to a third party, no further Ordinary Shares had been issued since Admission, and assuming the conversion of the Retained Shares, D ordinary shares, D Shares and E Shares in full), the Founder and persons considered to be acting in concert with him would hold a maximum of 32.13 per cent. of the Ordinary Shares.

Following Admission, as a result of the Propco Reorganisation (as defined below), the Founder will also be the indirect owner of Kingsmead Holdco, an entity whose subsidiary undertakings have entered into a number of leases (as lessors) with members of THG (as lessees) for properties which THG uses in order to carry out its business. The Founder will also be entitled to appoint a Director to the Board of the Company and to remove and replace that director pursuant to the terms of the Relationship Agreement (as defined below).

As a result of the above, the Founder and those considered to be acting in concert with him, will be in a position to exercise a significant degree of influence over the Company's management and operations. The interests of the Founder and those acting in concert with him may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

2.3 ***Following Admission, should the FIC Shareco Lender exercise the security held over the Company's shares, the FIC Shareco Lender may be in a position to exert significant influence over the Company***

The Founder (through a wholly owned company) and Steven Whitehead (through a wholly owned company) have formed FIC Shareco Limited, a Guernsey incorporated special purpose vehicle (the "**FIC Shareco**").

FIC Shareco has entered into a binding commitment with Barclays Bank plc (the "**FIC Shareco Lender**") under which the FIC Shareco Lender has agreed, subject to the satisfaction of certain conditions, to make available to FIC Shareco a loan facility up to an aggregate principal amount of £100,000,000 (the "**FIC Shareco Loan Facility**"). The Founder, Jodie Moulding and FIC Shareco have agreed to grant security to the FIC Shareco Lender over their respective holdings of Ordinary Shares held at Admission, representing 9.10 per cent. of the Ordinary Shares in issue at Admission, and their respective holdings of D ordinary shares, D Shares and E Shares held at Admission that represent a further 9.75 per cent. of the Ordinary Shares in issue. Each of the Founder, Jodie Moulding and FIC Shareco has also agreed to grant security over any Ordinary Shares which they each respectively acquire at, or following, Admission at any time prior to 1 September 2021, being 12 months from the date of the FIC ShareCo Loan Facility agreement and the termination date of that facility.

Any enforcement of this security by the FIC Shareco Lender following Admission could have a significant impact on the Company's shareholding structure. The enforcement of security, in whole or in part, by the FIC Shareco Lender would reduce the FIC Shareco's, the Founder's and Jodie Moulding's shareholding in the Company's share capital and could (in the circumstances referred to above) result in the FIC Shareco Lender (or one or more third parties who acquire the shares on enforcement of the security) having a direct interest in up to 18.85 per cent. of the Ordinary Shares (assuming no other Ordinary Shares are issued following Admission and no further security is granted to the FIC Shareco Lender over Ordinary Shares by each of the Founder, Jodie Moulding or FIC Shareco). The interests of the FIC Shareco Lender (or other third party purchaser(s)) may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

Furthermore, in the event that the FIC Shareco Lender enforces security over Ordinary Shares that represent 30 per cent. or more of the Company's then issued share capital at that time, the enforcement of that security may trigger an obligation on the FIC Shareco Lender to make a mandatory offer pursuant to Rule 9 of the Code. Rule 9.1 of the Code states that, except with the consent of the Panel, when a person (together with any persons acting in concert) is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any concert party, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he/she is interested, such person shall make a mandatory cash offer for such company. However, the Code also provides that, where shares are charged as security for a loan and, as a result of enforcement, the lender would otherwise incur an obligation to make a mandatory cash offer, the Panel will not normally require such an offer if sufficient interests in shares are disposed of within a limited period to persons unconnected with the lender, so that the percentage of shares carrying voting rights in which the lender, together with any persons acting in concert with it, is interested is reduced to the percentage held by those persons prior to the triggering acquisition being made. Any such disposal, or the perception that such disposal may occur, may depress the market price of the Ordinary Shares and could impair the Company's ability to raise capital through the sale of additional equity securities. In addition, in giving its consent, the Panel will require that, until such time as the interests in shares are disposed of, appropriate restrictions are imposed on the exercise of voting rights attaching to the shares in which the lender or persons acting in concert with the lender are interested.

2.4 ***Following Admission, the Founder will hold the Special Share, which, following a Change of Control of the Company, will provide the Founder with the ability (potentially for three years from Admission) to pass or prevent the passing of any shareholder resolution, regardless of the support any resolution may have or may not have from other Shareholders***

The Founder will, following Admission, also hold the Special Share. Should there be a Change of Control (as defined in Part XII (*Definitions*)) of the Company, the Special Share will automatically provide the holder thereof (for three years from Admission) with such number of voting rights on any resolution put to the Shareholders at a general meeting as shall be necessary to ensure the passing of that resolution (if those votes are cast by the holder of the Special Share in favour of that resolution), or to ensure the defeat

of that resolution (if those voting rights are cast by the holder of the Special Share against that resolution) and the number of voting rights held by Shareholders (other than the holder of the Special Share) will be diluted as a result. As the holder of the Special Share, the Founder will therefore have the ability, immediately following such a Change of Control of the Company (for three years from Admission), to pass or defeat any resolution proposed to Shareholders regardless of the support any such resolution may have or may not have from other Shareholders. The interests of the Founder may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

The voting rights provided to the Founder by means of the Special Share following a Change of Control of the Company and for three years from Admission will have the effect of making any transaction or other matter requiring Shareholder approval impossible during that period without the support of the Founder. In practical terms, this will also have the effect during that period of deterring any offeror from making an offer for THG without the Founder's support, thereby providing the Founder with a significant degree of influence over the terms, and likelihood, of any offer for THG. This could have a material adverse effect on the trading price of the Ordinary Shares.

Should the Founder support an offer for THG, the Founder may transfer the Special Share to the offeror or any other person, at which point the rights of the Special Share, including those set out above, shall cease.

2.5 ***The Special Share will be capable of being transferred to a beneficiary of the holder's estate upon the death of the holder and that beneficiary will be free to exercise the rights attaching to the Special Share***

The rights attributable to the Special Share will cease upon transfer from the Founder to any person except in relation to a transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) of the Special Share upon the death of the Founder to a recipient that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company and who does not subsequently become such a person, or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Following such a transfer, the subsequent holder of the Special Share will be able to exercise all of the voting rights of the Special Share. Additionally the Panel has confirmed that any such transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) of the Special Share will not trigger an obligation on the subsequent holder of the Special Share (or their concert party) to make a general offer to other Shareholders pursuant to Rule 9 of the Code.

Accordingly, if the Founder, as initial holder of the Special Share (or any beneficiary of the Founder who receives the Special Share), dies a third-party beneficiary of the holder's estate may become entitled to exercise the voting rights (prior to the expiry of the Special Share's rights) of the Special Share upon a Change of Control of the Company.

The identity of any such beneficiary is unknown and the interests of that beneficiary may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

2.6 ***Future issuances of Ordinary Shares, including as a result of any conversion of the Retained Shares, D Shares and E Shares or in order to fund an acquisition, may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares***

Current and former members of THG's management, including the Founder, may, in the future, be entitled to receive new Ordinary Shares, representing up to approximately 11.29 per cent. of the Ordinary Shares in issue at Admission, if their respective holdings of Retained Shares, D Shares and E Shares convert to Ordinary Shares (in the case of the Retained Shares, upon the satisfaction of performance conditions and a hurdle) pursuant to the terms of certain THG employee incentive arrangements and the New Articles of Association.

The Company may also issue additional Ordinary Shares to fund acquisitions. In the case of English companies such as the Company, statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareholders. Therefore, existing Shareholders may not be offered the right or opportunity to participate in any such future share issues (if such a special

resolution is approved by Shareholders or if further Ordinary Shares are issued for non-cash consideration), which may dilute existing shareholders' interests in the Company.

Any future issuance of new Ordinary Shares or securities convertible into Ordinary Shares, arising as a result of the above or otherwise, could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and impair THG's ability to raise capital through future issuances of equity securities.

**2.7 *The proposed Standard Listing of the Ordinary Shares will afford Shareholders a lower level of regulatory protection than a Premium Listing***

Application will be made for the Ordinary Shares to be admitted to a Standard Listing. A Standard Listing will afford Shareholders a lower level of regulatory protection than that afforded to investors in companies with a Premium Listing, where companies are subject to additional obligations under the Listing Rules. In particular, as a company with a Standard Listing, the Company will not be required to comply with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time (the "**UK Corporate Governance Code**"), following Admission. Shareholders will also not have the opportunity to vote on any future acquisitions, even if Ordinary Shares are being issued as consideration for such acquisitions, save to the extent Shareholder approval is required pursuant to the Companies Act to issue such Ordinary Shares. Similarly, the Company will not be required to comply with the requirements of Chapter 11 of the Listing Rules relating to the announcement and, in some cases, the approval, of related party transactions (as defined in the Listing Rules). In addition, a Standard Listing will not permit the Company to gain UK FTSE indexation, which may adversely affect the liquidity and trading of the Ordinary Shares.

**2.8 *Substantial future sales of Ordinary Shares could impact the trading price of the Ordinary Shares***

On Admission, several Shareholders, including the Founder, are expected to be considered major shareholders of the Company's issued share capital. The Ordinary Shares owned by many of these shareholders, including the Founder will be subject to various lock-up arrangements, subject to certain customary exceptions. However, sales of substantial amounts of Ordinary Shares by one or more investors, including by one of these major shareholders, including the Founder, following the expiration of the applicable lock-up periods or in accordance with the exceptions to such lock-up arrangements, or the perception that such sales were imminent, could adversely affect the prevailing trading price of the Ordinary Shares.

**2.9 *The Company may not pay dividends at all or at any particular level***

The current Company dividend policy is to not pay any dividends as it invests in growth. While the Company may revisit its dividend policy in the future the Company may not pay dividends at all or at any particular level. The Company's results of operations could fluctuate and the Company's ability to pay dividends will depend on, amongst other things, it and certain of its subsidiaries achieving sufficient distributable profits.

In addition, the Company may not pay dividends if the Directors believe the payment of dividends, or dividends at any particular level, would cause any member of THG to be inadequately capitalised or if for any other reason the Directors conclude it would not be in the best interests of the Company. Any dividends will depend on, amongst other things, THG's profits, financial position, accounting changes, general economic conditions and other factors that the Directors deem significant from time to time.

Should there be a Change of Control of the Company, the Special Share will automatically provide the holder thereof (for three years from Admission) with such number of voting rights on any resolution put to the Shareholders at a general meeting as shall be necessary to ensure the passing of that resolution (if those votes are cast by the holder of the Special Share in favour of that resolution), or to ensure the defeat of that resolution (if those voting rights are cast by the holder of the Special Share against that resolution). In the event that, following a Change of Control of the Company, a resolution for the approval of a proposed dividend was put to Shareholders, the holder of the Special Share would have the power to block any such resolution.

2.10 ***Exchange rate fluctuations may impact the value of the Ordinary Shares for those Shareholders whose principal currency is not pound sterling***

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pound sterling. An investment in Ordinary Shares by an investor whose principal currency is not pound sterling exposes the investor to foreign currency rate risk. Any depreciation of sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

2.11 ***Pre-emption rights for US and other non-UK holders of Ordinary Shares may be unavailable***

In the case of certain increases in the Company's issued share capital, existing holders of Ordinary Shares are generally entitled to pre-emption rights to subscribe for such shares, unless Shareholders waive such rights by a resolution at a shareholders' meeting. US holders of ordinary shares in UK companies are customarily excluded from exercising any such pre-emption rights they may have, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements thereunder is available. The Company does not intend to file any such registration statement, and the Company cannot assure prospective US investors that any exemption from the registration requirements of the Securities Act or applicable non-US securities law would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

2.12 ***Shareholders may be unable to enforce judgments obtained in US courts***

The Company is incorporated and registered in England and Wales, under the Companies Act 2006. Service of process upon the Directors and the officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most of the directly owned assets of the Company and the Directors are located outside the United States, any judgment obtained in the United States against it or them may not be enforceable outside of the United States, including without limitation judgments based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the US. In addition, an award or awards of punitive damages in actions brought in the US or elsewhere may be unenforceable in the UK. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the US, liabilities under US securities laws.

## IMPORTANT INFORMATION

### General

Investors should only rely on the information in this document. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of THG, the Directors, the Selling Shareholders, Rothschild & Co and/or any of the Underwriters. No representation or warranty, expressed or implied, is made by Rothschild & Co, any of the Underwriters and/or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or will be relied upon as, a promise or representation by any of the Underwriters or any selling agent as to the past, present or future. Without prejudice to any obligation of THG to publish a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation, neither the delivery of this document nor any subscription or sale of Ordinary Shares pursuant to the Offer will, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or THG since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

THG will update information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by investors of the Offer occurs prior to Admission or if this document contains a material mistake or inaccuracy. This document and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Regulation Rules. If a supplement to this document is published prior to Admission, investors shall have the right to withdraw their subscriptions for and/or purchases of Ordinary Shares made prior to the publication of such supplement. Such withdrawal must be made within the time limits set out in the supplement (if any) (which shall not be shorter than two clear Business Days after publication of such supplement).

The validity of this document will expire on 10 September 2021.

The contents of this document are not to be construed as legal, business, financial and/or tax advice. Each investor should consult its, his or her own lawyer, financial adviser, tax adviser or other advisers for legal, financial, business or other related advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of THG and the terms of the Offer, including the merits and risks involved.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of THG, the Directors, the Selling Shareholders, Rothschild & Co and/or any of the Underwriters and/or any of their respective representatives and/or affiliates that any recipient(s) of this document should subscribe for the Ordinary Shares. Prior to making any decision as to whether to subscribe for the Ordinary Shares, investors should read this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, Investors must rely upon their own examination of THG and the terms of this document, including the risks involved.

Investors who subscribe for or purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on Rothschild & Co and/or any of the Underwriters and/or any person(s) affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning THG or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by THG, the Directors, the Selling Shareholders, Rothschild & Co and/or any of the Underwriters.

None of the Company, the Directors, the Selling Shareholders, Rothschild & Co and/or any of the Underwriters and/or any of their respective representatives and/or affiliates is making any representation to any offeror or subscriber or purchaser of the Ordinary Shares regarding the legality of an investment by such offeror or subscriber or purchaser.

In connection with the Global Offer, the Underwriters and/or any of their respective representatives and/or affiliates, acting as investors for their own accounts, may subscribe for and/or purchase Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of THG or related investments in connection with the Global Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed for, acquired,

placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their representatives of affiliates acting as investors for their own accounts. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, certain of the Underwriters or their representatives or affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their representatives or affiliates) may from time to time acquire, hold or dispose of Ordinary Shares.

The Underwriters and Rothschild & Co are acting exclusively for the Company and no one else in connection with the Global Offer. They will not regard any other person (whether or not a recipient of this document) as their respective customers in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective customers or for giving advice in relation to the Global Offer or any transaction or arrangement referred to herein.

### **Forward-looking statements**

Certain statements contained in this document constitute "forward-looking statements". These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which THG will operate in the future. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances which may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Actual results, performance or achievements of THG, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition, even if the actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Key risks, uncertainties and other factors that could cause actual results to differ from those expected are set out more fully in the section of this document headed "*Risk Factors*". Potential investors should specifically and carefully consider these factors, which could cause actual results to differ, before making an investment decision.

Each forward-looking statement speaks only as of the date of the particular statement and is not intended to provide any representation, assurance or guarantee as to future events or results. To the extent required by the Prospectus Regulation, the Market Abuse Regulation (Regulation (EU) No 596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and other applicable regulation, THG will update or revise the information in this document. Otherwise, THG undertakes no obligation to update or revise any forward-looking statements or other information, and will not publicly release any revisions it may make to any forward-looking statements or other information that may result from events or circumstances arising after the date of this document.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this document.

### **Presentation of financial information**

#### *Historical Financial Information*

THG's combined historical financial information for the three years ended 31 December 2019 included in Section B (*Historical Financial Information*) of Part VII (*Historical Financial Information*) of this document has been prepared in accordance with the requirements of the Prospectus Regulation and the Listing Rules and in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and Annexure to SIR 2000 in relation to the preparation of combined historical financial information. The basis of



preparation and significant accounting policies are set out within Note 1 of THG's combined historical financial information in Section B (*Historical Financial Information*) of Part VII (*Historical Financial Information*).

The historical financial information for THG included in Section B (*Historical Financial Information*) of Part VII (*Historical Financial Information*) is covered by the accountants' report from Ernst & Young LLP ("EY") included in Section A (*Accountant's Report in respect of the Historical Financial Information*), which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

THG's unaudited interim financial information for the six months ended 30 June 2020 included in Section C (*Unaudited Interim Financial Information*) of Part VII (*Historical Financial Information*) of this document has been prepared in accordance with the relevant IFRS interim reporting standard (IAS 34 *Interim Financial Reporting*) and the Annexure to SIR 2000 in relation to the preparation of combined historical financial information.

None of the historical financial information used in this document has been audited in accordance with auditing standards generally accepted in the United States of America ("US GAAS") or auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the historical financial information in Part VII (*Historical Financial Information*) and the implications of differences between the auditing standards noted herein.

Unless otherwise stated, all financial information relating to THG in this document has been prepared in accordance with IFRS and the Annexure to SIR 2000 in relation to the preparation of combined historical financial information.

The financial information relating to THG contained in this document does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act.

#### *Propco Demerger*

As set out in paragraph 4 of Part XI (*Additional Information*), the Company will carry out a demerger of its subsidiary Kingsmead Holdco Limited ("**Kingsmead Holdco**" and together with its subsidiaries, the "**Propco Group**") by way of share for share exchange and a liquidation demerger pursuant to s.110 of the Insolvency Act 1986 (the "**Insolvency Act**") prior to Admission such that the Propco Group will no longer be consolidated going forward in the Company's financial statements (the "**Propco Reorganisation**"). As this document has been prepared in connection with the Company's application for Admission, the historical financial information set out in Section B (*Historical Financial Information*) of Part VII (*Historical Financial Information*) and Section C (*Unaudited Interim Financial Information*) of Part VII (*Historical Financial Information*) has been prepared on a carve-out basis that excludes the Propco Group. Should the Propco Reorganisation not complete, Admission will not take place.

#### *Reconciliation to historic statutory accounts*

The Company will carry out the Propco Reorganisation prior to Admission. Set forth below is a reconciliation showing the impact of the Propco Reorganisation on Adjusted EBITDA starting with Adjusted EBITDA calculated using THG's statutory accounts.

	For the year ended 31 December		
	2019	2018	2017
		(£ 000s)	
<b>Statutory Adjusted EBITDA</b> .....	<b>111,458</b>	<b>90,557</b>	<b>69,116</b>
Central costs recharged out of THG.....	575	213	93
Rent paid on related party properties .....	(690)	(4,522)	(4,522)
<b>Total carve-out adjustments to Adjusted EBITDA</b> .....	<b>(115)</b>	<b>(4,309)</b>	<b>(4,429)</b>
<b>Adjusted EBITDA</b> .....	<b>111,343</b>	<b>86,248</b>	<b>64,687</b>

THG's rent paid on related party properties as shown in the table above decreased in the year ended 31 December 2019 from the previous years as a result of the accounting treatment of these costs under IFRS 16, which was applied in 2019. IFRS 16 caused certain lease costs to be capitalised and therefore not included within Adjusted EBITDA (the treatment of IFRS 16 is in line with the adoption of the modified retrospective approach).

## **Alternative Performance Measures**

THG utilises a range of alternative performance measures ("**APMs**") to assess THG's performance and this document contains certain financial measures that are not defined or recognised under IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Free Cash Flow. The Board of Directors of the Company (the "**Board**") believes that these APMs provide valuable information to readers of the historical financial information because it enables the reader to, *inter alia*, understand how the Board manages THG's business, develops budgets and evaluates the performance of THG against those budgets. See Part V (*Selected Financial Information*) and Part VI (*Operating and Financial Review*).

The APMs used in this document should not be considered superior to, or a substitute for, measures calculated in accordance with IFRS. Readers should not consider these APMs in isolation, but in conjunction with measures calculated in accordance with IFRS. APMs reported by THG may not be comparable to similarly titled measures reported by other companies as those companies may define and calculate such measures differently from THG.

## **Market, Economic and Industry Data**

Unless the source is otherwise stated, the market, economic and industry data in this document constitutes THG's analysis and best estimates. THG does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or THG's future results of operations.

Where third-party information has been used in this document, the source of such information has been identified. THG confirms that all such data contained in this document has been accurately reproduced and, so far as THG is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

## **Currency presentation**

Unless otherwise indicated, all references in this document to "**pound sterling**", "**£**" or "**pence**" are to the lawful currency of the United Kingdom.

## **Rounding**

Certain figures contained in this document or incorporated into this document by reference, including financial and numerical information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document or incorporated into this document by reference may not conform exactly to the total figure given for that column or row.

## **Service of process and enforcement of civil liabilities**

The Company is incorporated and registered in England and Wales, under the Companies Act 2006. Service of process upon the Directors and the officers of the Company, all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, since most of the directly owned assets of the Company and the Directors are located outside the United States, any judgment obtained in the United States against it or them may not be enforceable outside of the United States, including without limitation judgments based upon the civil liability provisions under the US federal securities laws or the laws of any state or territory within the US. In addition, an award of punitive damages in actions brought in the US or elsewhere may be unenforceable in the UK. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the US, liabilities under US securities laws.

## CONSEQUENCES OF A STANDARD LISTING

**APPLICATION HAS BEEN MADE FOR THE ORDINARY SHARES TO BE ADMITTED TO THE STANDARD LISTING SEGMENT OF THE OFFICIAL LIST. A STANDARD LISTING AFFORDS SUBSCRIBERS AND PURCHASERS OF ORDINARY SHARES WITH A LOWER LEVEL OF REGULATORY PROTECTION THAN THAT AFFORDED TO INVESTORS IN COMPANIES WHOSE SECURITIES ARE ADMITTED TO THE PREMIUM LISTING SEGMENT OF THE OFFICIAL LIST, WHICH ARE SUBJECT TO ADDITIONAL OBLIGATIONS UNDER THE LISTING RULES.**

The Ordinary Shares will be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. THG will comply with listing principles 1 and 2 as set out in Chapter 7 of the Listing Rules, as required by the FCA.

An applicant that is applying for a Standard Listing of equity securities must comply with all the requirements listed in Chapter 2 of the Listing Rules, which specifies the requirements for listing for all securities, and there are a number of continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Company.

These include requirements as to:

- the forwarding of circulars and other documentation to the FCA for publication through the national storage mechanism, and related notification to a Regulatory Information Service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the Disclosure Guidance and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- Regulatory Information Service notification obligations in relation to a range of debt and equity capital issues; and
- compliance with, in particular, Chapters 4, 5 (if applicable) and 6 of the Disclosure Guidance and Transparency Rules.

While THG has a Standard Listing, it will not be required to comply with the provisions of, amongst other things:

- Chapter 6 of the Listing Rules containing additional requirements for the listing of equity securities, which are only applicable for companies with a premium listing;
- Chapter 7 of the Listing Rules, to the extent they refer to the premium listing principles;
- Chapter 8 of the Listing Rules regarding the appointment of, and consultation with, a sponsor to guide THG in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, THG is not required to appoint a sponsor in relation to the publication of this document or Admission;
- Chapter 9 of the Listing Rules containing provisions relating to transactions, including, amongst other things, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules regarding significant transactions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding dealings by THG in its own securities and treasury shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e., FTSE100, FTSE250, FTSE 350, FTSE All-Share, etc.). This may mean that certain institutional investors are unable or unwilling to invest in the Ordinary Shares.

## EXPECTED TIMETABLE FOR THE OFFER

Each of the following times and dates in the table below is indicative only and subject to change without further notice. All references to times in this document are to London times unless otherwise stated.

Announcement of the Offer Price	7.00 a.m. on 10 September 2020
Publication of this document	10 September 2020
Publication of the Pricing Statement <sup>(1)</sup>	16 September 2020
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange <sup>(2)</sup>	16 September 2020
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 a.m. on 21 September 2020
CREST accounts credited with uncertificated Ordinary Shares	8.00 a.m. on 21 September 2020
Dispatch of definitive share certificates, where applicable, for Ordinary Shares in certificated form	by 28 September 2020

<sup>(1)</sup> The number of Ordinary Shares in the Offer will be confirmed in the Pricing Statement. The Pricing Statement will not automatically be sent to persons who receive this document, but it will be published on the Company's website at [www.thg.com](http://www.thg.com).

<sup>(2)</sup> If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

## OFFER STATISTICS

The Offer statistics in this document are subject to change at the determination of THG and the Joint Global Co-ordinators.

Offer Price (per Ordinary Share)	500p
Maximum number of Ordinary Shares (up to 184,000,000 New Shares and up to 192,273,998 Sale Shares) included in the Offer	376,273,998
Number of Ordinary Shares in the Offer as a percentage of total number of Ordinary Shares in existence immediately after Admission <sup>(1)</sup>	39 per cent.
Estimated net proceeds of the Offer receivable by the Company <sup>(2)</sup>	£888.0 million
Estimated proceeds of the Global Offer receivable by the Selling Shareholders <sup>(3)</sup>	950.0 million
Number of Ordinary Shares in issue immediately following Admission <sup>(4)</sup>	970,646,554
Indicative market capitalisation of the Company immediately following Admission at the Offer Price <sup>(4)</sup>	£5,400.0 million

Note:

- <sup>(1)</sup> Assumes that the maximum number of New Shares subject to the Offer is subscribed for and that the maximum number of Sale Shares subject to the Global Offer is sold. Any New Shares subscribed for in the Direct Subscription will reduce the number of New Shares offered in the Global Offer, such that the aggregate number of New Shares offered in the Global Offer and the Direct Subscription will be up to 184,000,000 New Shares. The number of Ordinary Shares in the Offer will be confirmed in the Pricing Statement, which is expected to be published on 16 September 2020.
- <sup>(2)</sup> Approximate number. Assumes that the maximum number of New Shares subject to the Offer is subscribed for. The estimated net proceeds receivable by the Company are stated after the deduction of underwriting commissions (including the maximum amount of any discretionary commission) and other costs and expenses of, and incidental to, Admission and the Offer payable by the Company, and are expected to be approximately £38.4 million (including VAT). The Company will not receive any of the proceeds from the sale of the Sale Shares in the Global Offer.
- <sup>(3)</sup> Assumes that the maximum number of Sale Shares subject to the Global Offer is sold. The estimated proceeds receivable by the Selling Shareholders assumes that the maximum number of Sale Shares are purchased in the Global Offer and are stated before the deduction of underwriting commissions (including the maximum amount of any discretionary commission) and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Global Offer.
- <sup>(4)</sup> Assumes that the maximum number of New Shares in the Offer is subscribed for.

**DIRECTORS, COMPANY SECRETARY,  
REGISTERED OFFICE AND ADVISERS**

Directors .....	Matthew Moulding, Executive Chairman and Chief Executive Officer John Gallemore, Chief Financial Officer Zillah Byng-Thorne, Senior Independent Director Dominic Murphy, Independent Non-Executive Director Iain McDonald, Non-Executive Director Edward Koopman, Non-Executive Director
Company Secretary .....	James Pochin
Registered Office.....	5 <sup>th</sup> Floor, Voyager House Chicago Avenue, Manchester Airport, Manchester, M90 3DQ United Kingdom
Joint Global Co-ordinators .....	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom  J.P. Morgan Securities plc 25 Bank Street Canary Wharf London E14 5JP United Kingdom  Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom  Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU United Kingdom
Joint Bookrunners.....	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom  Jefferies International Limited 100 Bishopsgate London EC2N 4JL United Kingdom  Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
Financial Adviser to the Company .....	N.M. Rothschild & Sons Limited New Court

	St Swithin's Lane London EC4N 8AL United Kingdom
Legal Adviser to THG as to English and US law .....	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Legal Adviser to Joint Global Co- ordinators and the Joint Bookrunners as to English and US law .....	Gibson, Dunn & Crutcher UK LLP Telephone House 2-4 Temple Avenue London EC4Y 0HB United Kingdom
Auditor and reporting accountant .....	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Registrars.....	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA



## **PART I INDUSTRY**

*The following information relating to THG's industry has been provided for background purposes only. Unless indicated otherwise, the market, economic and industry data set out in this Part I (Industry) and in this document constitutes THG's analysis and best estimates. THG confirms that all third-party data contained in this document has been accurately reproduced and, so far as THG is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Investors should read this Part I (Industry) in conjunction with the more detailed information contained in this document including the "Risk Factors" section and Part VI (Operating and Financial Review).*

### **Introduction**

The Directors believe that THG holds global digital leadership positions in the beauty and nutrition categories. Further, these global end markets are very large, presenting THG with opportunities to grow within both existing markets, as customers increase online purchases, and in new markets, where THG has not yet scaled up its presence. The growth trends across both beauty and nutrition markets are structurally underpinned by ongoing consumer buying habits shifting online, with growth across numerous geographies and product categories as consumers are becoming more comfortable buying online and value the greater variety and convenience offered by e-commerce. This is further supported by intra-industry dynamics that are favourable to THG, such as what the Directors believe is the faster growth of the prestige beauty category versus that of the overall beauty market.

In addition, the demand for outsourced direct to consumer ("**D2C**") technology is increasing as brand owners are shifting sales to D2C in reaction to the ongoing consumer shift to e-commerce and the associated benefits that the direct customer relationship offers.

### ***THG Ingenuity***

The global outsourced D2C technology market within fast moving consumer goods ("**FMCG**") was estimated at £41 billion in 2018 and is forecast to grow to £114 billion in 2023, a 23 per cent. CAGR from 2018 to 2023 according to the Directors' estimates. Based on the Directors' estimate of the revenue opportunity available to D2C e-commerce service providers, the Directors believe this represented a £3 billion opportunity for *THG Ingenuity* in 2018, and expect that opportunity to grow to £9 billion in 2023 (representing a 23 per cent. CAGR). The Directors believe that the revenue opportunity across other relevant industry sectors, including those outside FMCG, amounted to approximately £30 billion in 2019, with existing relationships such as Nintendo and Daily Mail and General Trust demonstrating the addressability of opportunities in industry sectors outside of FMCG.

The Company estimates that each of the 10 individual markets that the *THG Ingenuity* business addresses are expected to grow rapidly, such as (i) managed hosting: £85 billion in 2019 with a 12 per cent. CAGR from 2019 to 2023, (ii) digital marketing services: £61 billion in 2019 with a 17 per cent. CAGR from 2019 to 2023, and (iii) digital payments: £3 billion in 2019 with a 17 per cent. CAGR from 2019 to 2023.

The acceleration of FMCG companies adopting a D2C strategy (thus requiring a reliable technology services offering) is underpinned by multiple structural tailwinds.

### ***Ongoing consumer shift to e-commerce***

Consumers are becoming more comfortable buying online and are looking to take advantage of the greater variety, convenience and information offered by e-commerce, which drives growth broadly across geographies and product categories. For example, the Directors believe global e-commerce transaction value grew at an 18 per cent. CAGR from 2014 to 2019. Further, online offers the benefit of greater education through user and in-house generated content.

### ***Brand owners recognise the importance of the D2C channel***

The shift to the D2C channel is underpinned by the structural online channel shift, with consumers being increasingly comfortable with online shopping. Brand owners with no D2C operations or less effective D2C operations risk losing market share and customers to brand owners that are more adept at capturing online customers. The Directors believe that this is reflected in an increasing shift to D2C amongst major brand owners, with Nestlé, Unilever and Danone expected by the Directors to reach 10 per cent., 9 per cent. and 9 per cent. of global sales as D2C in 2022, compared with 3 per cent., 0 per cent. and 0 per cent. in 2013, respectively.

The D2C channel also offers numerous benefits to brand owners, including increased control over the customer experience and the opportunity to develop a direct relationship with customers. For instance, D2C provides brand owners with greater control over their marketing content, enabling much closer control of their brand positioning than, for example, selling through non own-brand retail stores. In addition, the return on investment of digital marketing can be measured, which allows for more effective allocation of marketing spend. This is particularly relevant in the case of "influencers", one of the fastest growing marketing channels that the Directors believe can be three to four times more effective than paid media. Traditional retail channels are less able to measure increased sales generated by influencers, whereas with a D2C website a brand owner can, for example, track clicks and discount code redemptions on the website. D2C also enables subscription models and customised products, which can further enhance customer loyalty. As such, there has been a substantial increase in the number of influencer marketing platforms since 2015; the Directors believe there were 190 influencer marketing platforms in 2015, 335 in 2016, 420 in 2017 and 740 in 2018, representing a CAGR of 57 per cent.

With the data points gathered from D2C sales, companies are able to gain a detailed understanding of their customers at an individual, regional and global level. This data can be analysed to provide insights to inform new product development decisions, providing brand owners with quicker and more targeted development of new products. In addition, brand owners are able to target customers with bespoke marketing based on their purchase history and browsing habits.

In addition, the D2C channel enables brand owners the opportunity to deliver enhanced margins, as they are able to retain a greater share of the margin that would have otherwise gone to third parties across the value chain, such as distributors and third-party retailers.

Finally, the D2C channel also provides brands that were previously largely sold in the country of origin the ability to reach and serve customers across borders, as well as test new ideas or markets quickly (e.g., launch concepts in smaller geographies), which can lead to higher revenue growth.

The importance of the D2C channel has been accentuated during the COVID-19 lockdown, with many traditional retailers closing their shops and consumers switching to online sales channels.

### ***THG Ingenuity is differentiated from competing offerings through its broad services portfolio***

*THG Ingenuity's* competitors in the e-commerce platform services market differ in two critical ways. Firstly, they are typically modular, focusing on only developing a single function, or a few functions, of the e-commerce operating system (e.g., the front-end commerce platform), while requiring a number of plug-ins and APIs from alternative providers to develop into a fully-fledged international e-commerce operating platform. To develop a globally scalable e-commerce solution, brand owners following this approach would therefore typically build an e-commerce solution that brings together many fragmented components, serviced across many different third-party providers. This approach is costly to scale and creates execution risk owing to the need to integrate disparate systems, while also typically leading to sub-optimal results, due to lack of integrated data feeds across the various component parts. By contrast, *THG Ingenuity* is a proven enablement platform for frictionless end-to-end digital commerce, with all the required components for global digital commerce integrated into a single digital ecosystem.

Second, THG is not only a technology provider, but also a digital brand builder. THG's digital brand services span brand creation, product development, trading, digital marketing, data analytics, end-to-end content creation, translation and customer services, with all of these key services delivered in-house as part of a unified operating ecosystem. THG's digital experts trade, market and operate the platform, utilising proprietary tools and best practices used for THG Own Brands. This operating platform has been integral to the long-term development and growth of THG's category-leading brands and is a key differentiator in the e-commerce platform services market, with THG's major competitors generally being technology groups which the Directors believe offer customers limited or no expertise in digital brand services. Conversely, THG can offer its SaaS e-commerce customers access to the same deep brand building and digital capabilities that fostered the growth of THG Own Brands.

*THG Ingenuity's* higher value add offering, end-to-end capabilities and larger clients result in significantly higher average annual revenue per e-commerce client (approximately £800,000) versus competing platforms (approximately £20,000 or less) within the e-commerce technology platform space. The Directors believe that *THG Ingenuity* is differentiated from its peers in its integration of the following services in-house: core e-commerce platform, with detailed reporting, business intelligence and analytics; hosting; marketing services; marketing technology, including THG's eCRM, influencer platform and marketing automation; creative/content

services; translation services; trading and merchandising services; payments and check-out; digital anti-fraud engine; warehousing; courier platforms; and outsourced customer services.

### **THG Nutrition**

The Directors believe THG Nutrition's total addressable market, including the sports nutrition, vitamins, weight management products and sportswear categories, is estimated to amount to £274 billion globally. The Directors believe the current market size reflects a 6 per cent. CAGR from a total addressable market of £205 billion in 2014, and that the total addressable market will continue to grow, reaching approximately £371 billion by 2024, representing a 6.3 per cent. CAGR between 2019 and 2024. Due to the recent re-branding and brand extensions of *Myprotein*, THG Nutrition now operates a family of brands, with each targeting separate segments of this market. For instance, since the rebranding THG Nutrition also targets the vitamin and weight management markets, which the Directors believe in 2019 had total addressable market sizes of £85 billion and £14 billion, respectively. THG Nutrition primarily operates in the fast-growing global sports nutrition category, which the Directors estimated amounted to £16.9 billion in 2019, having almost doubled in size from 2014, when the Directors estimated it amounted to £8.8 billion. The Directors estimate that this category will reach approximately £25 billion by 2024, representing a CAGR of approximately 8 per cent. from 2019 to 2024. Further, THG has a proven track record of growing revenue at a faster rate than the overall online market, with its *Myprotein* brand having delivered a 45 per cent. revenue CAGR since it was acquired in 2011 (a revenue multiple of 19.2). The global sports nutrition category has experienced, and is expected by the Company to continue to experience, increasing online penetration. Directors estimated the category's online penetration has increased from 17.8 per cent. in 2014 to 23.6 per cent. in 2019, and they estimate that it will increase to approximately 31 per cent. by 2024, representing a CAGR of 14 per cent. over this period. Between 2014 and 2019, the online sports nutrition category grew from £1.6 billion to £4 billion, representing a growth rate of 21 per cent. per annum, the Directors estimate. The Directors believe that *Myprotein* is the leading D2C sports nutrition brand, underpinned by the scaled global technology and operating infrastructure of the *THG Ingenuity* platform, and is ideally placed to capture this forecast global online market growth.

The Directors believe that *Myprotein* is the world's leading D2C sports nutrition brand, with 95 per cent. of its sales coming from the online D2C channel in 2019. The competitive landscape is fragmented globally, comprising key brands of scale including *Myprotein*, Optimum Nutrition, USN, and Muscle Milk, and many smaller brands including The Protein Works and Grenade. The Directors believe the brand is differentiated from competitors through its digitally native, D2C-driven model, its global reach (80 per cent. of the brand's 2019 sales were outside the UK), the extent of its vertically integrated model (supported by its BRC AA grade manufacturing facility), and its broader focus, spanning the sports nutrition, vegan products, vitamins, bars and snacks and sportswear categories. The Directors believe the brand is currently the category leader (online and offline) in the UK and Western Europe, with 2019 market shares of approximately 15 per cent. and approximately 13 per cent., respectively, according to the Directors' estimates. Based on the rapid sales growth *Myprotein* has delivered in Asia (271 per cent. revenue CAGR from 2015 to 2019), the Directors believe there is a significant growth opportunity in Asia, where the sports nutrition category is believed to be currently underpenetrated and consumers are increasingly digitally enabled. Per capita spend on sports nutrition in Asia, at USD \$0.50 in 2019, was low compared to USD \$5.80 per capita spent on sports nutrition in Western Europe and USD \$2.80 on sports nutrition globally in 2019 based on the Directors' estimates.

### **THG Beauty**

THG Beauty operates in the global beauty category, estimated by the Directors to amount to £374 billion in 2019 with a focus on the prestige beauty market, estimated by the Directors to amount to £107 billion in 2019. The online segment of the global beauty category is growing, from an online beauty market of £16 billion (of a total category size of £279 billion) in 2014 to an online beauty market of £43 billion (of a total category size of £374 billion) in 2019, representing a 22 per cent. per annum growth rate, according to the Directors' estimates. Prestige beauty is the higher price point segment of the beauty market, with products retailed from approximately £20 and above typically being defined as "prestige". Prestige beauty experienced a 6.6 per cent. CAGR from a market size of £78 billion in 2014 to a market size of £107 billion in 2019, according to the Directors' estimates, as the overall beauty category underwent a period of "premiumisation", with consumers increasingly desiring products with efficacious, high-performance ingredients and with natural, artisanal and ethical qualities. The Directors believe that this trend is set to continue and that the prestige beauty market segment is expected to grow at approximately 7 per cent. per annum, to £150 billion, by 2024. The Directors estimate the online penetration of global beauty is currently 11.4 per cent., with a CAGR of 15.5 per cent. from an online penetration of 5.6 per cent. in 2014, and the Directors believe this will increase to approximately 18.5 per cent. by 2024, as both consumers and brand

owners continue to embrace the convenience, variety and mutual engagement allowed by e-commerce, with annual online market sales growth of 18 per cent. forecast by the Directors over this period.

Prestige beauty is characterised by selective distribution of brands across both online and offline channels, in order to allow brand owners to retain a higher degree of control over brand positioning and pricing architecture. Therefore, the online retail of prestige beauty brands is often limited to a select number of websites within each local market, including *Lookfantastic* and its related banners, which act as curators of prestige brand collections and serve as destinations for consumers seeking expert advice and education. Further, prestige beauty tends to enjoy lower return rates (typically less than 1 per cent.) and high customer repeat rates (81 per cent. of *Lookfantastic's* 2019 sales were from returning customers). The Directors believe the qualities of carefully controlled distribution, low returns and loyal customers enhance the competitive positioning of established websites, such as *Lookfantastic* and its related banners, and represent strong barriers to entry against new market entrants. The largest speciality beauty retailers globally have each been operating for over 30 years (Sephora: 40 years; Ulta: 30 years; Douglas; 110 years) with relatively few new entrants.

The online beauty competitive landscape comprises a small number of global operators, as most competitors tend to be limited to a certain geographical region (e.g., Douglas in Central Europe, Ulta in the US, Space NK in the UK and Mecca in Australia). The Directors believe that THG Beauty and Sephora are the category's two truly global retailers, and given Sephora's large physical store estate, that THG Beauty is the world's leading pure-play speciality beauty retailer and the industry's digital strategic.

## PART II BUSINESS

*The following information should be read in conjunction with the more detailed information appearing elsewhere in this document, including Part VI (Operating and Financial Review) and Part VII (Historical Financial Information) of this document. The financial information included in this Part II (Business) has been extracted without material adjustment from Part VII (Historical Financial Information) of this document, or has been extracted without material adjustment from THG's accounting records, which formed the underlying basis of the financial information in Part VII (Historical Financial Information) of this document.*

### Overview

Founded in 2004, THG is a vertically integrated digital-first consumer brands group, powered by *THG Ingenuity*, its proprietary end-to-end e-commerce technology and operating platform. In addition to powering the online operations of THG Own Brands, *THG Ingenuity* provides an end-to-end direct-to-consumer ("D2C") e-commerce solution for consumer brand owners under a Software as a Service ("SaaS") licensing model, in addition to stand-alone services, including hosting, content creation and translation. During the year ended 31 December 2019, more than 610 million visits were made to websites on the *THG Ingenuity* platform and more than 80 million units were dispatched using its infrastructure. Over 1,000 brands were retailed through the *THG Ingenuity* platform, contributing to over £1.1 billion in net revenue in the year ended 31 December 2019.

THG is a leading strategic player within the prestige beauty industry globally, combining its portfolio of seven prestige owned brands across skincare, haircare and cosmetics with the provision of a critical route to market for over 850 third-party beauty brands sold through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind*. The Directors believe that it was the world's largest online pure-play prestige beauty retailer in 2019, based on revenue.

In the nutrition market, the Directors believe that its brand, *Myprotein*, including its family of sub-brands *Myvegan*, *Myvitamins* and *MP Clothing*, was the largest online D2C sports nutrition brand globally in 2019 based on revenue. *THG Ingenuity*, THG's proprietary e-commerce technology and operating platform, has been integral to the growth of its brands, including the *Lookfantastic* and *Myprotein* families of brands, with this facilitating sustained international sales growth.

For the year ended 31 December 2019, THG's revenue was £1,140.3 million, its operating loss was £15.0 million and its Adjusted EBITDA was £111.3 million. For the six months ended 30 June 2020, THG's revenue was £675.6 million, its operating loss was £25.6 million and its Adjusted EBITDA was £60.5 million.

### History

THG was founded in 2004 as an online retailer. In 2005, it launched a technology platform, providing white label e-commerce services for offline retailers, and thereafter it focused on building this technology platform in the area of entertainment products. In December 2008, both Bank of Scotland and the Sunday Times awarded THG Britain's Entrepreneur of the Year, which secured THG access of up to £5 million of interest-free funding.

In 2010, THG began to apply its technology platform to, and to focus on, brand ownership and reselling, moving into the beauty D2C market with the acquisition of the online beauty retailer, *Lookfantastic*, and expanding into the nutrition D2C industry in 2011 with the acquisition of the UK sports nutrition brand, *Myprotein*.

THG began the internationalisation of its *THG Ingenuity* platform during the course of 2012, with the launch of further international websites (bringing the total to 15 at year-end) and the addition of international payment options. THG also launched its new data and analytics platform, which provides a single-business and real-time information view across all of THG's websites. THG also enhanced its third-party prestige brand portfolio through the acquisition of the intellectual property for the fashion retailer, *Coggles.com*.

THG won the 2014 Sunday Times-sponsored Profit Track Award, recognising private companies in the UK with the highest profit growth rates over the period 2008 to 2013. THG launched a further 25 trading websites, including 17 international websites, in 2014, taking the total to 63 websites on THG's platform by the end of 2014.

In 2015, THG moved into beauty brand ownership with the acquisition of its first own beauty brand, the UK- and US-based *Mio Skincare*. In that year, THG again won the Sunday Times-sponsored Profit Track Award.

In 2016, THG's warehousing and fulfilment capabilities increased, as its 1 million sq. ft. BRC AA grade food production and distribution facility in Cheshire, England and its food production and distribution facility in Kentucky, US, began operations. THG also began to operate the Hale Country Club, a health club and spa, which is used to promote THG's brands through influencer events ("**THG Experience**"). THG further developed its technology platform, launching 55 international websites in 2016, taking its total number of trading websites to 142. In 2016, THG continued its move into beauty brand ownership, with the acquisition of prestige haircare brand, *Grow Gorgeous*, as well as acquiring two additional beauty brand online retailers (the US-based *Skinstore.com* and *SkincareRx.com*).

In 2017, THG increased its *THG Ingenuity* infrastructure in hosting, through the acquisition of *UK2* (now "**THG Hosting**"), and content creation, through the acquisition of *Hangar Seven* (now "**THG Studios**"). THG also continued to build its portfolio of brands, acquiring the prestige spa and skincare brand, *ESPA*, the prestige colour cosmetics brand, *Illamasqua*, and the international beauty box retailer, *Glossybox*.

In 2018, THG invested in its beauty innovation and manufacturing capabilities with the acquisition of the BRC A grade and FDA-approved beauty product developer and manufacturer in Somerset, UK ("**Acheson & Acheson**"). THG also acquired *Language Connect* (now "**THG Fluently**") to support its continued international growth through continued localisation of its brands' content. THG also undertook a rebranding and repositioning of *Myprotein* and launched *Myvegan*, *Myprotein Pro*, *Myvitamins* and *MP clothing* as sub-brands. THG was awarded with the Queen's Award for Enterprise for 2018 for its track record of international sales growth.

In 2019, THG increased the commercialisation of the *THG Ingenuity* platform, with the scaling up of THG's SaaS business, "**THG E-Commerce**". In addition, in April 2019, THG expanded its portfolio of own beauty brands, with the acquisition of *Christophe Robin*, a luxury natural haircare brand, bringing the total number of own beauty brands to seven. Under THG Experience, THG also began to operate two luxury boutique hotels, the King Street Townhouse Hotel and the Great John Street Hotel, as a continuation of the strategy of hosting influencer events and brand partnership events in bespoke luxury events spaces to support online sales growth. During 2019, THG also began to operate its Polish fulfilment centre, progressed the development of its new content studio and head office in Manchester, United Kingdom ("**ICON**") and carried out further capital investment including on manufacturing, supply chain and office accommodation.

## **Key Strengths**

***THG is a proven digital brand builder, with THG Ingenuity driving global leadership positions across its digital prestige beauty and nutrition categories***

THG is a proven builder of next generation, digitally native brands, with over 15 years of experience in digital commerce, brand building and technology development. THG's ability to effectively scale brands has resulted in THG securing market leading positions in the digital beauty and nutrition categories, with this growth powered by *THG Ingenuity*, its proprietary technology platform and operating ecosystem.

### *Nutrition*

*Myprotein* is the world's leading digitally native sports nutrition brand, the Directors believe, with 95 per cent. of its revenue in 2019 from online D2C sales. Acquired in 2011, the brand has evolved under THG's ownership from a UK-focused business with £20 million of revenue, into a global leader with over £380 million of revenue in 2019, of which 80 per cent. was outside the UK. *THG Ingenuity* has been a critical enabler of this progression, with *Myprotein* operating 54 localised websites supported by fully localised content, product catalogues, trading, marketing, influencers, payment options, fulfilment and customer service. In addition, *Myprotein* is fully vertically integrated through in-house manufacturing, new product development, proprietary technology, brand development, content creation, marketing and fulfilment. This combined technology and operating ecosystem, powered by the *THG Ingenuity* platform, has proven to be highly effective and has facilitated rapid international growth, with *Myprotein* holding leading market shares in the UK and Western Europe, the Directors believe, while rapidly scaling up in Asia.

In the fourth quarter of 2018, THG undertook a comprehensive rebrand of *Myprotein* in order to enable THG to address specific customer preferences across the global nutrition market (based on the Directors estimate to amount to over £270 billion globally in 2019), such as vegan, vitamins and athleisure. As a consequence, the Directors believe that *Myprotein* is now optimally positioned for broad-based growth across all categories of the nutrition market, while meaningfully broadening the brand's global addressable market and customer

demographic. The repositioning of *Myprotein* illustrates THG's capabilities as a digital brand builder, with a commitment to evolve its brands and proactively capitalise upon developing market trends.

### *Beauty*

The Directors believe that through *Lookfantastic* and its family of related websites THG is the number one online pure-play specialist beauty retailer based on revenue. Offering over 850 premium brands, including Tom Ford, Laura Mercier, Estee Lauder, Jo Malone, Anastasia Beverly Hills and Natasha Denona, THG Beauty Retail's revenue has grown at a CAGR of over 40 per cent. from 2010, when *Lookfantastic* was acquired, to 2019. The principal driver of this growth has been the *THG Ingenuity* platform, which has enabled THG to gain international market share and create international demand for brands that had been previously largely sold in their country of origin. As a consequence, *Lookfantastic* represents a critical route to market for beauty brands seeking to grow, innovate and connect with global audiences.

THG also owns *Glossybox*, an international beauty subscription box business. Together, the *Glossybox* and *Lookfantastic* beauty box businesses had over 445,000 monthly subscribers as of July 2020. This active and engaged subscriber base provides THG with data insights that can be leveraged by THG and its brand partners for future brand development. In addition, it positions THG as a source of digital beauty education and product discovery for consumers, and also acts as a highly effective customer acquisition channel for THG Beauty retail websites, converting high-spending sampling customers (those who pay for premium subscription boxes) into *Lookfantastic* customers. For brand owners, *Glossybox* represents an increasingly important engagement channel, enabling their products to reach beauty consumers who are switching away from traditional forms of retail and media. THG Beauty also comprises seven prestige beauty brands which address consumer needs across skincare, haircare and cosmetics.

### ***THG Ingenuity powers THG and differentiates the business from its competitors***

*THG Ingenuity*, THG's proprietary technology platform and operating ecosystem, has been in development for over 15 years, and is the critical enabler of THG's brand building and digital commerce activities, with its success demonstrated by the digital growth and international leadership positions of the *Lookfantastic* and *Myprotein* brands. Since 2018, the platform has been commercialised externally to a blue chip customer base as an end-to-end SaaS offering, and *THG Ingenuity* currently is the fastest growing and highest margin business in THG.

*THG Ingenuity* is an end-to-end e-commerce ecosystem that spans the entire customer journey, from development and manufacture of nutrition and beauty products at bespoke in-house manufacturing facilities to delivery to a global customer base from THG's international warehouse network. As such, *THG Ingenuity* incorporates all of the components required to execute online direct to consumer retailing as part of a single ecosystem.

*THG Ingenuity* currently operates over 200 localised websites, supporting over 40 currencies and over 60 languages. These websites deliver over £1 billion of D2C sales (to THG or its clients through *THG Ingenuity*) annually and have over 6 million daily visitors during peak trade periods. The websites are delivered to consumers through THG's 29 global data centres, ensuring optimised website performance in all territories. The platform also supports over 50 payment options, ensuring local consumers can purchase products with the local payment method of their choice. *THG Ingenuity's* operating assets include 12 warehouses and fulfilment sites across four continents, supported by THG's proprietary warehouse management system ("**Voyager**"), with over 180 integrated local courier services, ensuring express delivery services in all key territories globally. This technology is developed wholly in-house, with over 850,000 developer hours and over 10,000 code releases in 2019.

THG's technology and operating ecosystems are supported by its end-to-end digital brand services ("**THG Digital**"). This includes six studios and a 300-person creative team, delivering over 10,000 assets (such as, images, videos, etc.) per annum ("**THG Studios**"), as well as in-house website trading and digital marketing services that are sold to brand owners under recurring SaaS contracts. The platform also incorporates translation and localisation capabilities through THG Fluently, which consists of a network of over 6,000 linguists, with over 25 million words translated for THG websites in 2019. This localised content is complemented by international customer service capabilities, enabling customers to correspond with THG in the language of their choice.

The platform also incorporates fully in-house digital marketing services, powered by THG's proprietary eCRM, and marketing and influencer platforms, which include access to a network of over 10,000 active influencers. THG has fully integrated real-time data feeds and an integrated single customer view, enabling optimised media spend across all brands and territories. This single business data view also enables deep data insights, which are

used to inform all brand, trading and marketing strategies, which also facilitate data-driven new product development, informed by millions of daily data insights from THG's global retail customer base.

The ecosystem has been integral to the growth of THG Own Brands and has supported the respective market positions of the *Myprotein* and *Lookfantastic* brands. An example of *THG Ingenuity's* localisation capabilities is the rapid growth of *Myprotein* in Japan, where online sales have increased from £1 million in 2016 to £46 million in 2018 and £76 million in 2019, with this growth driven by localisation, including localised content, marketing, promotional calendars, influencers, new product development, product catalogues and customer service. *Myprotein's* sales performance was accompanied by success at key trading periods, with period-on-period *Myprotein Japan* revenue up 272 per cent. on Singles' Day, up 212 per cent. on Black Friday and up 153 per cent. during Golden Week. This is one of many case studies of *THG Ingenuity* successfully localising a brand in a short timescale.

*THG Ingenuity's* peers in the e-commerce platform services market differ in two critical ways. First, they are typically modular, focusing on only developing a single or handful of functions of the e-commerce operating system (e.g., the front-end commerce platform), while requiring a number of plug-ins and APIs from alternative providers to develop into an end-to-end international e-commerce operating platform. Contrastingly, *THG Ingenuity* is a proven enablement platform for frictionless end-to-end digital commerce, with all the required components for global digital commerce integrated into a single, digital ecosystem. Secondly, THG is not only a technology provider, but also a digital brand builder. THG's digital brand services span brand creation, product development, trading, digital marketing, data analytics, end-to-end content creation, translation and customer services, with all of these key services delivered in-house as part of a unified operating ecosystem. This combination of in-house proprietary technology and digital services offers brands a frictionless, turnkey platform to build out the brands' global online D2C operations through a single SaaS relationship, enabling them to rapidly scale across multiple countries through THG's technology, while also leveraging THG's operating model. For example, since April 2018, *THG Ingenuity* has increased the number of digital commerce websites for a leading consumer packaged goods group from one to 64, expanding its D2C reach from one to 28 territories, and its brand offering from one to 13, as part of a 10-year contract expected to generate £98 million of revenue for THG over the life of the contract.

#### ***THG operates a vertically integrated business model***

THG's operations span the entire product and customer journey, starting from product development and progressing through to manufacturing, content creation, hosting and digital commerce, through THG's leading websites and integrated global payment, delivery, courier and logistics networks. THG has developed its critical infrastructure to manufacture and develop products in-house, and operates a system of production facilities, warehousing, fulfilment sites and data centres, with these being leveraged across all THG Own Brands and for *THG Ingenuity* customers.

THG currently manufactures in-house approximately 57 per cent. of THG Beauty Own Brand products, and 80 per cent. of *Myprotein* products across four production facilities. THG's two lead facilities are a BRC AA grade nutrition facility in Warrington, UK, and Acheson & Acheson. In-house product development and manufacturing are critical to THG's operating model, allowing for enhanced margins and reduced development timelines, with new product innovation informed by millions of daily demand insights from THG's retail customer base.

THG operates from 12 global fulfilment locations which, combined with Voyager and over 180 integrated courier services, allow THG and its partners to offer an express delivery service to all key territories globally. THG's Asian fulfilment network includes direct relationships with airlines in the region, shipping 140 tons of products on average every week, and 500 tons on average each week in peak trade periods. This has been supported by the launch of 'THG Air' in 2020, with THG now chartering cargo planes through a partnership with Singapore Airlines.

THG Studios provides end-to-end, professional grade, in-house content creation that is integral to THG's digital brand building capabilities, and from 2021 is expected to be based in ICON, THG's new landmark, 272,000 square feet state-of-the-art facility in Manchester, United Kingdom. This is further supported by THG Fluently localisation capabilities, with a network of over 6,000 linguists operating across over 150 languages, and who translated over 25 million words for THG in 2019. Together, these businesses enable THG to produce localised high-quality content at speed and scale.



THG Hosting operates 29 data centres and provides global hosting infrastructure, ensuring a seamless e-commerce experience and highly responsive websites in all territories. For instance, *Myprotein*'s Japan website is now one of the fastest and most responsive websites in THG.

Finally, through its THG Experience business, THG is able to utilise in-person events and trials at the Hale Country Club & Spa, and the King Street Townhouse and Great John Street hotels. These venues provide bespoke luxury spaces for hosting influencer and brand events, enhancing the recognition and promotion of THG Own Brands and third-party brand partners. The venues can accommodate up to five daily events at each location, generating access to millions of influencer followers with low marketing costs.

THG Experience has been crucial in supporting the growth of THG's influencer channel, which includes over 10,000 global influencers and accounted for approximately 9 per cent. of THG's online sales in 2019, which rose to 10 per cent. in May 2020.<sup>1</sup> THG's influencers have a global reach: as of 31 December 2019, 31 per cent. of THG's influencers were based in Europe, 44 per cent. in Asia and 35 per cent. split between the UK, US and the Rest of World.

### ***Strong track record of M&A and attractive opportunity pipeline***

THG has a strong track record of successfully acquiring and scaling brands, both digitally and internationally. For example, *Grow Gorgeous*, a prestige haircare brand, has experienced over 36 per cent. annual revenue growth (a revenue multiple of 3.4) from 2015 to 2019<sup>2</sup>, earned a 30 per cent. Adjusted EBITDA margin in the year ended 31 December 2019, and has expanded its product offering from one SKU in 2016 to 22 SKUs in 2019. This growth has been coupled with its transformation into a digital first brand with 83 per cent. of sales online D2C (from 9 per cent. in 2016) and with 79 per cent. of sales to markets outside the UK in 2019.

THG has also historically made strategic acquisitions to facilitate vertical integration and add additional capabilities to complement its brand building and digital commerce activities. For example, THG acquired *UK2*, (now THG Hosting) to add in-house website hosting capabilities, *Language Connect* (now THG Fluently) to provide translation services, and *Hangar Seven* (now THG Studios) to enhance THG's content creation abilities. These businesses continue to offer single service provision to their existing client bases, while also being sold to *THG Ingenuity* customers as part of a single end-to-end e-commerce solution.

In 2018, THG acquired Acheson & Acheson, a leading BRC A grade and FDA approved beauty product developer and manufacturer. The acquisition enhanced THG Beauty's vertically integrated offering by introducing in-house product development and manufacturing.

THG currently owns seven digitally native prestige beauty brands across the haircare, skincare and make-up categories. The Directors believe THG is the leading global digital beauty strategic, and THG has identified a pipeline of attractive acquisition opportunities targeting brands with strong potential for rapid expansion through increased digital penetration and internationalisation, which is to be facilitated through *THG Ingenuity*, THG's digital ecosystem and operating platform.

THG expects that acquisitions will play an important role in its overall strategy and that it will invest approximately £50 million to £150 million per annum on acquisitions, subject to opportunities. Historically THG's acquisitions have been a mix of beauty brands and assets that expand its vertical integration and its cumulative acquisition spend over the last three financial years is over £340 million.

### ***Consistent track record of strong financial performance***

THG has grown revenue from £1 million in 2004 to £1,140.3 million in 2019. More recently, revenue and Adjusted EBITDA CAGRs were 24.5 per cent. and 31.2 per cent. per annum, respectively, over the three-year period from 2017 to 2019. In 2019, Adjusted EBITDA was £111.3 million, representing an Adjusted EBITDA Margin of 9.8 per cent. Further, THG's business model is cash generative, as it is supported by high-margin categories, favourable structural working capital dynamics (through a predominantly online direct-to-consumer model) and relatively low maintenance capital expenditure requirements (22 per cent. of 2019 capital expenditure). THG has converted Adjusted EBITDA into Adjusted Free Cash Flow, before growth investments, at a ratio of approximately 40-60 per cent. over each of the last three financial years.

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<sup>1</sup> Includes revenue tracked through "last click" and influencer site codes only

<sup>2</sup> This excludes £660,000 of discontinued revenue to CVS in 2015.

### ***Highly experienced and dedicated management team***

THG's management team is highly experienced and dedicated to the continued success of THG. THG continues to be led by THG's co-founders, Matthew Moulding and John Gallemore, who have grown THG into a global digital e-commerce technology group and brand owner.

Matthew and John are supported by a team with extensive experience in brand building, e-commerce, commercial strategy and technology, and a long-term commitment to executing THG's strategy. As testament to this, THG's Group Commerce Director (Steven Whitehead) and General Counsel (James Pochin) each have over 10 years of service with THG, while THG's Chief Technology Officer (Schalk van der Merwe), THG Beauty CEO (Rachel Horsefield) and THG Nutrition CEO (Lucy Gorman), each have over six years of service with THG.

### ***Highly resilient business model that continues to outperform in the current environment.***

THG continues to exhibit strong performance in the current environment, notwithstanding the global disruption caused by COVID-19, with elevated revenue and profitability growth in the six months ended 30 June 2020 versus the same period last year. THG's warehouses and production facilities have remained operational throughout the lockdown periods in the jurisdictions in which they are located, allowing online sales to continue across all websites and brands throughout this period.

THG has experienced significant growth in online demand since the start of the COVID-19 lockdowns, with a 97 per cent. period-on-period increase in global traffic in April 2020 and 99 per cent. period-on-period increase in global traffic in May 2020. Additionally, THG had a 162 per cent. period-on-period increase in global new customers in April 2020 and a 165 per cent. period-on-period increase in global new customers in May 2020. This growth slowed to a 74 per cent. period-on-period increase in global traffic and a 102 per cent. period-on-period increase in global new customers in June 2020, although global traffic and new customer growth remained above pre-COVID-19 levels. Over this same period, the global cost of customer acquisition decreased. The Directors believe these trends reflect the continued acceleration of an online channel shift, driven in part by COVID-19's impact on consumer behaviour; the Directors believe that e-commerce penetration has increased to 31.8 per cent. in the UK as at 30 June 2020, from 18.7 per cent. as at 30 June 2019 (Source: Office for National Statistics).

The Directors believe that THG's strong trading performance in the six months ended 30 June 2020 reflected strong trading performance in all of its principal geographic regions. THG's trading performance at the group level (with an online period-on-period revenue increase of 48 per cent.) in the six months ended 30 June 2020, has been broadly spread, with period-on-period revenue increases in the six months ended 30 June 2020 of 70 per cent. in the UK, 37 per cent in Europe and 39 per cent. in the Rest of the World. In the beauty market, THG's *Beauty Brands* had a like-for-like online period-on-period revenue increase of 55 per cent. in the six months ended 30 June 2020.

In addition, the Directors believe the strong trading performance in the six months ended 30 June 2020 evidenced the non-discretionary nature of the nutrition and beauty categories. In the six months ended 30 June 2020, period-on-period online revenue increased by 64 per cent. for THG Beauty and by 35 per cent. for THG Nutrition. The non-discretionary nature of spending in the nutrition and beauty categories is further supported by both categories proving resilient during the global financial and European debt crises.

In addition to THG Beauty and THG Nutrition, the *THG Ingenuity* business benefited from increasing demand for its e-commerce services. This business significantly outperformed internal forecasts, with approximately £215 million in life-of-contract revenue having been secured during the period from 1 January 2020 to 30 June 2020. THG has seen a step change in the demand for digitisation across FMCG groups and brand owners. In the six months ended 30 June 2020, the THG E-Commerce business had a period-on-period revenue increase of 148 per cent., as THG continued to secure new clients on long-term SaaS recurring revenue contracts.

## **Strategy**

### ***General***

THG will continue to focus on building leading digital brands within beauty and nutrition.

THG holds global digital leadership positions in the beauty and nutrition categories. The global end markets for these categories are very large, while also rapidly moving online, presenting THG with opportunities to grow within both these existing markets and new markets as customers increase their online purchases. For example, THG Beauty delivered 52 per cent. revenue growth in the UK in 2019 compared to 2018 across its retail websites,

despite this being its largest and most mature market. In addition, overall group revenue in the UK grew by 79 per cent. between the years ended 31 December 2017 and 31 December 2019. Continued technological development and localisation is the enabler of new territory growth, with THG to continue to invest in its *THG Ingenuity* platform to facilitate growth in new markets.

The growth trends across both beauty and nutrition markets are underpinned by ongoing consumer buying habits shifting to e-commerce, with growth across numerous geographies and product categories as consumers are becoming more comfortable buying online and value the greater variety and convenience offered by e-commerce.

### **THG Nutrition**

THG expects to continue to capitalise on the growth of the nutrition market, which the Directors estimate had a total market value of £274 billion in 2019, driven by health and wellness trends. Following the creation of a *Myprotein* family of sub-brands in late 2018 (*Myprotein*, *Myvegan*, *Myvitamins*, *MP Clothing*, *Myprotein Pro*), THG has a broad platform to capture demand across the nutrition market, with each brand within the family supported by bespoke branding, content, marketing, influencer and new product development strategies. THG will continue to invest in the development of each of these brands, enabling the brands to evolve in response to emergent trends.

The Directors believe that THG is well-positioned to capture opportunities in ancillary nutrition categories and natural category extensions. As an online brand, THG Nutrition is not limited by physical shelf-space constraints faced by nutrition brands sold through traditional channels, and as a consequence offers over 2,300 SKUs across a comprehensive range of categories including powders, supplements, bars, snacks, vitamins and clothing. For instance, the Directors estimate the athleisure category amounted to £158 billion in 2019 and was forecast to grow 6.6 per cent. per annum, with this category addressed by a dedicated brand, *MP Clothing*, with over 1,300 SKUs. Similarly, the fast-growing vegan market is addressed by a dedicated brand, *Myvegan*, with a full suite of vegan products across protein, supplement, foods, bars, snacks and vitamins and minerals categories. The market for science-driven and workout-oriented proteins, vitamins and dietary supplements is addressed through *Myprotein Pro*.

The online market for nutrition continues to evolve at a rapid rate. For instance, the £16.9 billion sports nutrition market, of which the online market was estimated by the Directors to amount to £4.0 billion in 2019, is forecast to grow to become a £25.0 billion market in 2024, with an online market estimated to amount to £7.8 billion, according to the Directors' estimates. THG expects to continue to invest in the development of its brands to enable it to continue to meet this additional demand, in both current and new markets.

The Directors believe that there are also significant opportunities within international segments of the nutrition market, with the Asian markets in particular offering significant expansion opportunities. The Directors estimated the Asia sports nutrition market was a £1.55 billion market in 2019, with 28 per cent. online penetration, and was forecast to grow at a 11 per cent. CAGR from 2019 to 2024, with robust demand drivers including a growing middle-class population, an increasing propensity to exercise and a digitally enabled customer base. Powered by its *THG Ingenuity* platform, in Asia, THG is present with fully localised websites and infrastructure, supported by technology development across all key local access points, including search platforms, affiliate platforms, social and messaging platforms, influencers and marketplaces. This has been further supported by a localised approach to branding and new product development, with innovative new flavours developed in line with local tastes. *Myprotein's* Asia revenue has increased by 271 per cent. from 2015 to 2019. THG expects to continue with this successful strategy, investing further in technology and logistics infrastructure to better service Asia customers, while continuing to evolve its product range in line with local tastes.

### **THG Beauty**

The Directors estimate the prestige element of the beauty market has in recent years grown at a faster rate than the overall beauty market, growing at 6.6 per cent. CAGR from 2014 to 2019 compared with 6 per cent. for the overall beauty market. The Directors estimate that, in 2019, the prestige beauty market amounted to £107 billion, and they estimate it will grow to £150 billion by 2024 (7.0 per cent. CAGR compared with a 4 per cent. CAGR for the overall global beauty market). The Directors believe many third-party retail sites now focus on premium beauty products. The Directors believe that THG is well-placed to benefit from this continued shift towards the prestige segment. THG currently retails over 850 brands, with new brands added to its range every year, which in turn drives incremental revenue growth. As THG is not a physical store retailer, it is not confined by the shelf-space constraints of traditional retailers, which enables it to provide a comprehensive variety of brands, addressing consumer needs and preferences within the prestige beauty category.

The Directors estimate that, in 2019, the total online beauty market amounted to £43 billion, and they forecast it will grow to £84 billion by 2024 (a 14 per cent. CAGR from 2019 to 2024). This growth is expected to be driven by consumers becoming increasingly comfortable with buying beauty products online, while also valuing the greater variety and convenience offered by e-commerce. This is mirrored by the growth of online beauty education and discovery, which THG also participates in through editorials on *Lookfantastic* and through its monthly subscription boxes, provided by the *Glossybox* and *Lookfantastic* brands. THG Beauty has a long track record of growing at a faster rate than the overall market, with THG Beauty revenue having grown at a 46 per cent. revenue CAGR (2010 to 2019) since *Lookfantastic*, THG's lead retail website, was acquired. THG intends to continue to expand its brand portfolio, while continuing to invest in its *THG Ingenuity* platform to support further growth in new markets.

Approximately 64 per cent. of *Lookfantastic* sales in 2019 were outside the UK, reflecting the success of the *THG Ingenuity* platform in internationalising THG's portfolio of over 850 beauty brands. In 2019, THG Beauty Retail experienced strong growth across all territories, with 32 of the top 40 territories for THG Beauty Retail experiencing year-on-year revenue growth in excess of 30 per cent. in 2019 compared to 2018. THG Beauty Retail's growth was spread across both more mature markets (e.g., UK 52 per cent., Germany 36 per cent., Italy 91 per cent., and Spain 54 per cent.) and emerging markets (e.g., Korea 84 per cent., Singapore 72 per cent., Japan 167 per cent. and Thailand 280 per cent.), demonstrating that there is significant potential for growth in all markets. For instance, despite the UK being THG's most mature beauty market, THG's Beauty Retail's sales there grew at 52 per cent. from 2018 to 2019, as THG continued to gain market share from both online and traditional retail competitors.

THG is also building a disruptive portfolio of digitally native beauty brands through acquisition, with seven owned brands currently in the portfolio. THG has a strategy of internationalising and driving online D2C growth of acquired brands, both through brand D2C websites (e.g., *Espaskincare.com*) and THG retail websites (e.g., *Lookfantastic.com*). As a consequence, 47 per cent. of THG Own Brands revenue was through the online D2C channel in 2019, with 72 per cent. of revenue being international (non-UK), and with acquired brands demonstrating enhanced EBITDA margins once deployed on the *THG Ingenuity* platform. THG expects to pursue actively the acquisition of further beauty brands, with these acquisitions informed by THG's data insights powered from its base of approximately four million active beauty customers, enabling it to identify high-performing brands and categories.

THG Beauty has a vertically integrated operating model, with in-house new product development and manufacturing delivered through the capabilities in the *THG Ingenuity* business, primarily through Acheson & Acheson, a BRC A grade and FDA approved UK-based business, which THG acquired in 2018. THG uses Acheson & Acheson's best-in-class product development and innovation teams to oversee the future product development and brand positioning of all THG's own beauty brands, combining this with data insights from THG's data platform to deliver highly targeted new product development across the brand portfolio. THG has also seen the benefit of margin enhancement through moving manufacturing in-house. Additionally, the acquisition of Acheson & Acheson has deepened THG's relationships with third-party beauty brands, through being able to offer product development, product compliance, manufacturing, technology, retailing and fulfilment as part of a single operating model. THG expects to continue to invest in beauty product development and manufacturing.

THG acquired the beauty subscription box, *Glossybox*, in 2017, with the brand subsequently integrated into the *THG Ingenuity* platform. THG has expanded the brand organically through incremental product launches, such as Christmas Advent calendars and one-off partnership boxes, with brands such as *Elemis*, *NARS* and *La Mer*. The *Glossybox* subscription box platform has helped drive the growth of the organically created *Lookfantastic* Beauty Box, and, these subscription boxes had over 445,000 combined monthly subscribers as of July 2020. *Glossybox* has been a powerful addition to THG Beauty's operating model, enabling its brand partners to connect with new customers that they otherwise may have struggled to connect with through traditional channels. *Glossybox* is also becoming an increasingly influential source of beauty education, with 78 per cent. of *Glossybox* customers stating that they trusted *Glossybox* more than any magazine or customer review. *Glossybox* also acts as a highly cost-efficient customer acquisition channel for THG Beauty, with subscription box customers converted into purchasers on *Lookfantastic* through the *Glossycredits* loyalty scheme of products that they have sampled in subscription boxes. The *Glossybox* subscription platform is therefore highly synergistic across brand partners, THG Own Brands and customers. THG expects to continue to invest in its beauty subscription platform to further enhance its operating model in future years.

### ***THG expects to continue to commercialise its proprietary end-to-end e-commerce platform, THG Ingenuity***

As noted above, THG's core markets are expected to benefit from strong growth, including the continued expansion of online retail penetration and growth in the share of the online D2C channel. This structural demand shift underpins the markets in which the *THG Ingenuity* business operates, with the global outsourced D2C technology market estimated by the Directors to amount to £41 billion in 2018, and forecast by the Directors to grow at a 23 per cent. CAGR from 2018 to 2023.

Since launching THG E-Commerce, THG has seen a rapid uptake of these services across FMCG groups and brand owners. This reflects the differentiated positioning of its *THG Ingenuity* platform as an integrated end-to-end e-commerce technology solution, versus the modular approach taken by many competitors. It also reflects the value of THG's digital brand services, with brand owners looking to leverage the operating ecosystem that has facilitated the growth of *Myprotein* and *Lookfantastic*. THG expects to continue to invest in its *THG Ingenuity* platform, with this technological development being leveraged across both THG Own Brands and its THG E-Commerce customers.

THG has only been commercialising its *THG Ingenuity* platform for a relatively short period, with this currently representing the highest growth and highest margin business within THG. Given the scale of the e-commerce services market, and the differentiated nature of its platform and operating ecosystem, THG sees the growth of its SaaS e-commerce offering as one of the key growth drivers of THG. THG has significant momentum in this area currently, with approximately £215 million in life-of-contract revenue having been secured during the period from 1 January 2020 to 30 June 2020. THG sees significant opportunity in this area, owing to the number of brand owners that have yet to adopt a scalable D2C offering, or that have found the cost of building a scalable platform through a combination of third-party service providers prohibitively expensive.

In addition, THG sees significant growth opportunities with its existing brand partners, through the addition of further brands and further territories. For instance, a leading consumer packaged goods group has increased from one brand in a single territory at launch in April 2018, to nine brands across 14 territories under a new 10-year contract. THG is able to advise brands on the most suitable territories for expansion through use of data insights from its global customer base, with bespoke territory rollouts for each brand.

### ***THG plans to continue to invest in its influencer marketing strategy to drive marketing efficiencies***

THG's influencer platform connects brands with over 10,000 active influencers globally. THG's influencer strategy is differentiated through its data platform. THG is able to track influencer performance to revenue generated through clicks and discount code redemptions, enabling it to partner with the most successful influencers, while driving a higher return on investment across all brands. This contrasts with traditional retailers, who face challenges in attributing revenue to influencers. Through this data-centric approach, THG has been able to utilise influencers in a scalable and profitable manner, with influencers accounting for approximately 9 per cent. of revenue in 2019, which rose to 11 per cent. in May 2020<sup>3</sup>.

With the growing impact of social content creators and influencers on consumer product choices, THG is focused on becoming a global leader in connecting influencers with brands. THG has three luxury event spaces in the United Kingdom (King Street Townhouse, Great John Street Hotel and Hale Country Club & Spa) that are used to host immersive influencer and brand partnership events. These event spaces are a key differentiator, providing fully customisable environments within which to showcase THG's brands and to engage with influencers in the production of highly engaging THG Studios content.

### ***THG expects to continue to invest in THG Ingenuity, its proprietary technology platform and operating ecosystem***

In 2019, THG funded over 850,000 developer hours and over 10,000 individual code releases, as it continued to develop its proprietary technology platform, *THG Ingenuity*. This development is key to facilitating the international growth of THG's brands, with localised websites, marketing integrations, payment options and courier integrations being enablers of long-term international growth. Based on the success highlighted above, the Directors believe these investments have been beneficial and THG plans to continue to invest in its operating and marketing strategy.

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<sup>3</sup> Tracked last click and promotional codes only.

THG also expects to continue to invest in the rollout of its global infrastructure network, with four new distribution centres added in 2019. These distribution centres are supported by Voyager and over 180 integrated courier services, aiming to ensure optimised supply chain management and an express delivery service in all key territories. THG launched 'THG Air' in April 2020, with THG to begin chartering cargo planes through a partnership with Singapore Airlines.

THG expects to continue to invest in its best-in-class in-house production, which is led by a BRC AA grade nutrition facility and a BRC A grade and FDA-approved beauty facility. Together, these facilities manufacture approximately 80 million products annually, and are critical to THG's fully vertically integrated business model.

The *THG Ingenuity* platform is the critical enabler of THG's operating model. THG expects to continue to make further investments in its technology, production, warehousing, fulfilment and other capabilities to enhance its end-to-end offering and to facilitate the continued growth of THG's brands.

## Business

THG's business is operated through the following four businesses:

- **THG Ingenuity:** *THG Ingenuity* provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under SaaS licences, in addition to stand-alone digital services, including hosting, studio content and translation;
- **THG Nutrition:** A manufacturer and online D2C retailer of nutrition products and owner of the *Myprotein* brand, including its family brands *Myvegan*, *Myvitamins*, *MP Clothing* and *Myprotein Pro*;
- **THG Beauty:** A leading digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining THG's prestige portfolio of seven owned brands across skincare, haircare and cosmetics (the "**THG Beauty Own Brands**"), with the provision of a global route to market for over 850 third-party beauty brands through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind* ("**THG Beauty Retail**") and the beauty subscription box brand *Glossybox*; and
- **Other:** This business consists of the THG Lifestyle (consumer and luxury products) and THG Experience (Hale Country Club, King Street Townhouse Hotel and the Great John Street Hotel) businesses.

The table below sets out the revenue of each business of THG for the year ended 31 December 2019:

	Year ended 31 December 2019
	Revenue
	(£ 000)
THG Ingenuity.....	127,921
THG Nutrition .....	412,913
THG Beauty .....	478,260
Other.....	121,166
<b>Total</b> .....	<b>1,140,260</b>

THG operates across four continents and ships products to 195 countries. The table below sets out the geographic split (determined by the shipping destination of the customer) of the THG's revenue for the year ended 31 December 2019.

	Year ended 31 December 2019
	Revenue
	(£ 000)
United Kingdom .....	398,735
Europe (excluding the United Kingdom).....	277,687
Rest of the World.....	463,838
<b>Total</b> .....	<b>1,140,260</b>

## THG Brands

THG owns and operates a number of brands across its *THG Ingenuity*, THG Nutrition and THG Beauty businesses. The following table provides an overview of its material brands:

<b>Business Unit</b>	<b>Brand</b>	<b>Description</b>
THG Ingenuity	<i>THG Ingenuity</i>	THG's proprietary end-to-end e-commerce technology and operating platform, delivered on an SaaS basis
	<i>THG Studios</i>	THG's network of six studios, delivering end-to-end brand building and content creation, with a seventh to follow in early 2021
	<i>THG Hosting</i>	Dedicated hosting infrastructure across 29 global locations ensures seamless e-commerce experience with highly responsive websites in all key territories
	<i>THG Fluently</i>	THG's in-house translation agency, which provides localised content for all of THG's brands and websites
THG Nutrition	<i>Myprotein</i>	THG's sport nutrition range, including protein, bars and snacks, foods, clothing, blends, supplements, vitamins, including its sub-brands <i>Myvegan</i> , <i>Myvitamins</i> and <i>MP Clothing</i>
THG Beauty	THG Beauty Retail:	
	<i>Lookfantastic</i>	Believed by THG to be the world's #1 online pure-play Prestige Beauty retailer based on 2019 revenue
	<i>Skinstore</i>	A US pure-play Prestige Beauty retailer
	<i>RY</i>	Australia-based hair and skincare prestige beauty retailer
	<i>Glossybox</i>	A monthly subscription box brand, delivering beauty and cosmetics samples to an international customer base
	THG Beauty Own Brands:	
	<i>Illamasqua</i>	Cruelty-free, colour-intense professional-grade make-up
	<i>Christophe Robin</i>	Luxury haircare brand, focused on scalp and colour care
	<i>Ameliorate</i>	Prestige skincare brand, with a specialist range targeted at treating keratosis pilaris
	<i>ESPA</i>	Luxury, natural products and treatments for skin and body care
	<i>Mio</i>	Prestige skincare with naturally sourced ingredients, which includes a dedicated pregnancy skincare line
	<i>Eyekeo</i>	Specialist prestige eye make-up brand
	<i>Grow Gorgeous</i>	Prestige haircare brand including hair growth serums, treatments, shampoos and conditioners

## **THG Ingenuity**

### *Overview*

*THG Ingenuity* is focused on the sale of end-to-end e-commerce solutions to third-party clients looking to build and scale their international D2C capability, with these sales made on recurring SaaS contracts, as well as stand-alone digital services, including hosting, studio content and translation. In addition to providing services to third-party clients, *THG Ingenuity* also supports THG Nutrition's and THG Beauty's D2C operations.

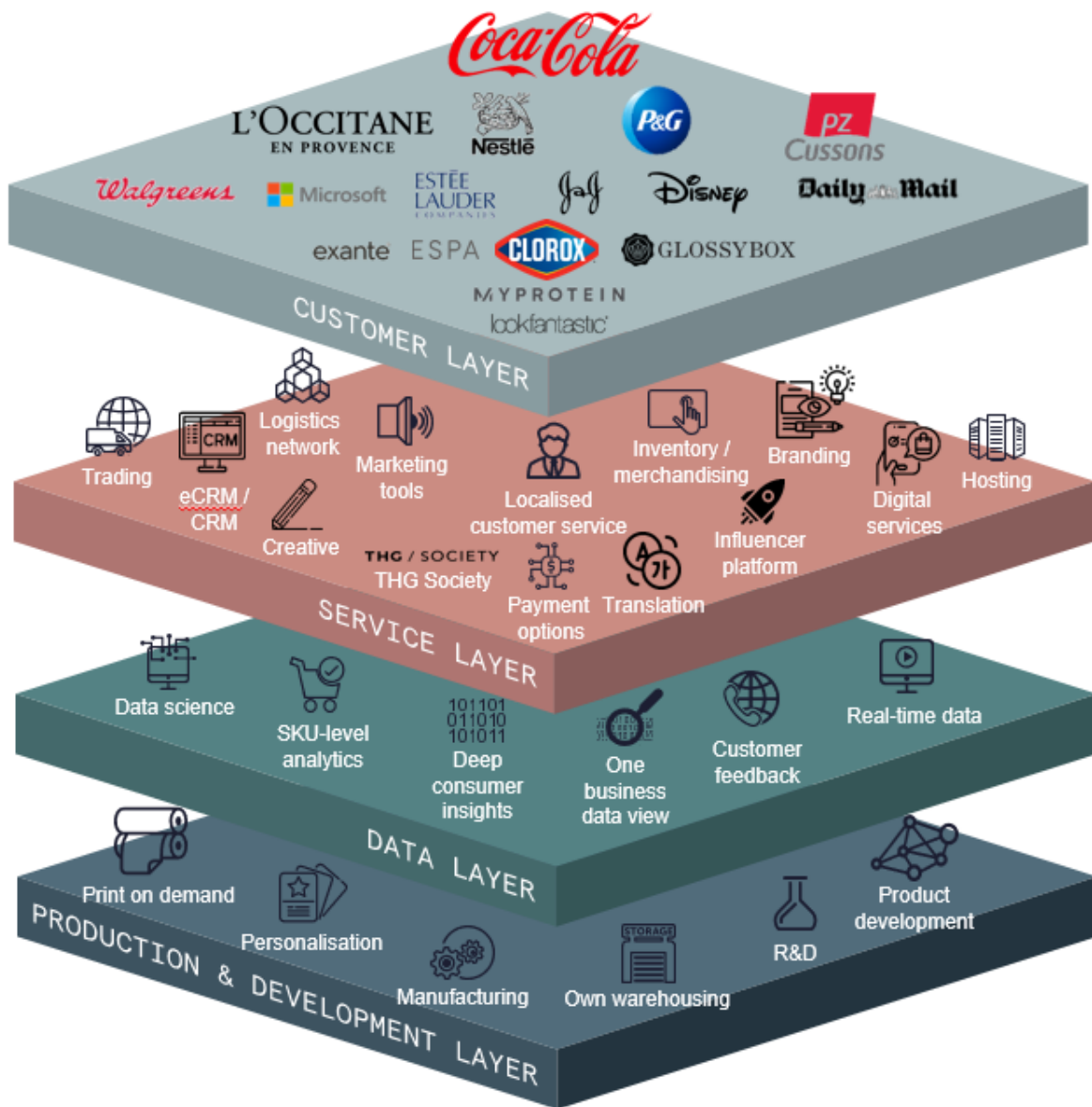
The *THG Ingenuity* business is operated through the following four businesses:

- THG E-Commerce: THG's SaaS business which operates the *THG Ingenuity* platform, THG's wholly in-house, proprietary technology and operating ecosystem;
- THG Hosting: provides dedicated hosting infrastructure across 29 global locations, ensuring smooth e-commerce experience with responsive websites in all key territories;
- THG Studios: a fully integrated end-to-end creative agency providing strategy, creative direction and content production, delivered through a network of six studios across the UK, US and Europe; and
- THG Fluently (formerly known as *Language Connect*): THG's in-house translation service enables THG and its customers to rapidly expand into new markets and deploy global advertising campaigns with localised transcreation to drive customer engagement.

For over 15 years, THG has been investing in the development of *THG Ingenuity*, its wholly in-house, proprietary technology and operating ecosystem, which is operated by THG E-Commerce and which draws together the multifaceted capabilities of THG Hosting, THG Studios and THG Fluently. The *THG Ingenuity* platform offers end-to-end e-commerce services, from physical hardware (such as hosting infrastructure) and operational assets (customer services, fulfilment and warehousing) to software (proprietary e-commerce engine, global courier platform, payment and check-out tools) and other complementary services (such as marketing, content creation, translation services and customer services). The Directors believe that *THG Ingenuity* combines integrated online D2C capabilities with experienced in-house talent and brand expertise in order to create a differentiated ecosystem with a compelling value proposition for *THG Ingenuity*'s clients.



The diagram below shows *THG Ingenuity's* operations structured by its layers:



This ecosystem spans the entire customer journey, from development and manufacture of nutrition and beauty products at bespoke in-house manufacturing facilities to delivery to a global customer base from THG's warehouse network, and incorporates all of the component parts required to execute online D2C retailing as part of a single ecosystem. This single ecosystem includes an e-commerce platform, trading and marketing services, business intelligence, electronic customer relationship management, marketing automation, warehouse management system, hosting, translation, branding, content creation, manufacturing, product development, payments, couriers, fulfilment and customer service. This ecosystem has been integral to the growth of THG Own Brands, and has supported the growth of the *Myprotein* and *Lookfantastic* brands since each joined the *THG Ingenuity* platform in 2011 (with *Myprotein* having achieved 45 per cent. CAGR and *Lookfantastic* having achieved 40 per cent. CAGR, respectively, from 2011 to 2019).

This integrated technology ecosystem provides organisations with everything they need to retail their brands online D2C, through a single managed service SaaS offering. Alternatively, brand owners need to build an e-commerce solution that brings together many separate e-commerce components, often serviced across different third-party providers, which can lead to higher costs, and greater execution risk in integrating disparate systems and data feeds. *THG Ingenuity* is a proven enablement platform for end-to-end digital commerce, with all the required components for global digital commerce integrated into a single digital ecosystem.

*THG Ingenuity* enables its clients to accelerate their D2C operations and, through having digital content creation, trading and marketing functions in-house, THG is able to apply the same best practices, market knowledge and technologies that have grown THG Own Brands to the websites of its *THG Ingenuity* clients, with THG typically performing website trading and digital marketing functions on the brand owner's behalf as part of the end-to-end e-commerce offering.

*THG Ingenuity's* suite of services and technology supports the THG Nutrition and THG Beauty businesses as well as over 1,000 third-party clients across a variety of technology solutions. *THG Ingenuity's* clients include large companies such as Estée Lauder, P&G, Coca-Cola, Nestlé, L'Occitane, Clorox, Johnson & Johnson, Disney, Microsoft, Walgreens, PZ Cussons and Daily Mail. Whilst many clients have in the past adopted a single element of the *THG Ingenuity* platform capability (such as hosting), THG is increasingly seeing clients adopt its end-to-end service, with an increased momentum seen in adoption in the first half of 2020, as compared with the same period in 2019.

In addition to THG's core end-to-end enterprise e-commerce solution, *THG Ingenuity*, THG has recently launched additional solutions to address the wider e-commerce platform market. The first of these is *Imagination*, which is targeted at SME clients looking for a self-service solution, while still offering the benefits of THG's end-to-end technology. The second new solution is *Dotable*, which is targeted at small business users and allows a customer to start a website within minutes. Additionally, THG is working on productising elements of the platform, which will enable customers to purchase a single element of the *THG Ingenuity* platform as a plug-in, thereby addressing the segment of the market that opts to use plug-ins as opposed to a single platform solution.

The suite of services provided by the *THG Ingenuity* platform includes the following:

#### ***Core e-commerce platform***

*THG Ingenuity's* core e-commerce platform ("**Elysium**") enables businesses to launch and run online stores conveniently, quickly and cost-effectively. Elysium has been developed by THG since 2004 and has supported the growth of clients' brands as well as THG Own Brands. The *THG Ingenuity* platform assists clients, who often lack the in-house capability to create their own e-commerce platform, by providing a fully outsourced international D2C solution with an end-to-end integrated platform that provides control over consumer data, performance metrics and customer experience, while connecting to all the other vital applications, which are then integrated within the *THG Ingenuity* platform.

Elysium integrates software modules needed for running a successful web store, including a recommendation engine (Elysium's machine learning-driven recommendation system anticipates customers' preferences and gives personalised product suggestions), a content management system (which allows THG to quickly build and customise pages), promotions and loyalty (Elysium's digital marketing tool assists with driving customer retention) and product discovery engine (Elysium's bespoke product information management tool manages the information required to sell and market products, synchronising easily with new and existing product listings and making products searches easy with the aim of maximising conversion and upsells). Elysium's trading dashboards offer clients real-time views of their customers' behaviours, assisting management with the optimisation of marketing and the targeting of customers, while Elysium's technology connects customers to their closest server, designed to provide them with faster website load times. Elysium completes the end-to-end experience via a fully integrated check-out with global payment solutions across 40+ supported currencies.

Elysium is a combination of internally and externally sourced hardware and software with the majority of the component software internally developed and proprietary to THG, supported by a select number of external paid and open source suppliers.

Elysium removes the need for clients to integrate their e-commerce technology with other third-party services (such as check-out, logistics platform or marketing services) or expensive third-party plug-ins, as it provides an end-to-end service. It currently hosts over 1.5 million live SKUs. *THG Ingenuity's* clients benefit from THG's continuous support to optimise and update *THG Ingenuity*, with code released on a weekly basis for the benefit of all websites on the platform. In 2019 there were over 10,000 code releases per year supported by over 500 engineers.

The Directors estimated the global market opportunity for core commerce platform services was £4 billion in 2019, and they expect it to grow with a CAGR of 12 per cent. between 2019 and 2023.

## ***Hosting***

THG Hosting provides hosting services on a stand-alone basis and as part of the *THG Ingenuity* end-to-end offering. THG Hosting focuses on traditional and mass hosting, provided through a global network of 29 data centres (6 in Europe, 15 in North America, 1 in South America, 7 in Asia Pacific). Traditional hosting services offered include bare metal hosting (an on-demand service of physical servers for single tenant use with tenants maintaining control over server configuration), dedicated hosting (physical servers for single-tenant use where the service is generally paid for on a contracted basis, with more features that provide more customisation) and virtual private servers (similar to shared and dedicated web hosting). Other services include co-location (where customers' privately owned servers are housed in third-party data centres, with customers owning the servers and renting the physical space) and managed services (a service component that can be delivered on a stand-alone basis or bundled with infrastructure and application offerings where the managed service provider is bound by a contractual agreement that specifies the scope and expectations of the relationship with the client maintaining direct oversight of what is being managed). THG Hosting also offers mass hosting services including e-commerce apps, web presence and web hosting and email hosting services.

## ***Marketing***

*THG Ingenuity* offers a full-service digital marketing proposition across all digital media channels, supported by proprietary marketing technology and in-house creative/content services. THG's marketing initiatives have been effective in helping scale THG Own Brands for over 10 years, while also the Directors believe these marketing initiatives are comparatively low customer acquisition costs, and marketing costs represented less than 10 per cent. of revenue between the years ended 31 December 2017 and 2019.

*THG Ingenuity* has a team of marketing specialists dedicated to the overall planning and execution of performance marketing activities for clients' websites, across both "paid" and "free" media. Key services relating to paid media include pay per click optimisation services across both paid search results and display media, influencer strategy and campaigns (often working in tandem with THG's content/creation team) and paid advertising across social platforms and referrals from affiliate websites. THG's services relating to "free" media marketing can include a search engine optimisation strategy to drive organic search results, email marketing powered by proprietary technology tools and organic social media strategy and execution.

*THG Ingenuity's* marketing functions are automated via its proprietary systems such as the eCRM platform, used for email creation, broadcast and tracking. *THG Ingenuity's* marketing technology assets are designed to streamline and automate marketing performance: for example, by enabling clients to automatically segment and analyse the behaviour of customer groups, to target specific customers via email and social media, by utilising affiliate and influencer networks to significantly broaden the range of potential customers clients can market to, and by combining *THG Ingenuity's* own e-commerce data with third-party data from social media platforms. Affiliates include referrals from publishers and platforms, including articles with clickable links for which commission may be paid.

## ***Content creation***

THG Studios is a fully integrated end-to-end creative agency, providing strategy, creative direction and content production to deliver content across all digital channels on a stand-alone basis and as part of the *THG Ingenuity* platform. THG Studios' capabilities include creative, content and brand strategy, video and photography production, concept, storyboarding and art direction, content distribution and publishing, and influencer content creation.

THG Studios range of facilities and capabilities, across creative and design services, aims to convert content viewers into new retail customers for clients. THG Studios offers clients the benefits of over 250 producers, photographers, stylists, designers and creative directors, six studio locations across Europe, the US and Asia, THG Experience's luxury event spaces, a 140,000 sq. ft. photographic studio, e-commerce, SKU and lifestyle photography, web, UX and UI design, and dedicated food and creative sets.

THG expects to begin to operate a new studio, named ICON, in early 2021. ICON will house 2,000 people and will focus on video production and photography to be used across THG's and clients' digital offerings. THG expects that ICON will enable additional content creation opportunities for THG's influencers, supporting THG's ambition to become a global leader in the influencer marketing space.

The Directors estimated the global market for content creation services was £14 billion in 2019, and they expect it to grow at a 17 per cent. CAGR between 2019 and 2023.

### ***Translation services***

THG Fluently offers outsourced translation and localisation services as part of the *THG Ingenuity* platform and as a stand-alone service. *THG Ingenuity* operates over 200 localised websites, across 60 supported languages and generating over 600 million visits annually with local language translation services provided by THG Fluently.

THG Fluently specialises in complex, high-volume, short turnaround projects enabling rapid entry into new territories. THG Fluently has a network of over 6,000 native speaking, in-country linguists, delivering translations in over 150 languages and over 400 language combinations to a global client base, with 24/7 global service coverage.

Internationalisation forms an important part of THG Fluently' work, ensuring that clients' websites can engage with customers efficiently and deliver a consistent website experience wherever the end user may be. THG Fluently' localisation and transcreation services involve adapting not only words but video and images for the relevant target audience.

The Directors estimated the global market for outsourced translation services was £25 billion in 2019, and they expect the market to grow at a 7 per cent. CAGR between 2019 and 2023.

### ***Trading and merchandising services***

*THG Ingenuity's* trading and merchandising teams trade and merchandise websites on behalf of *THG Ingenuity's* clients as well as THG's own D2C websites. Such services include curating a localised product catalogue with prices set according to local market conditions, managing a promotional calendar that is locally tailored to the target market (e.g., Singles' Day in Asia), performing daily website trading and promotional activities which are adapted on a live basis (utilising the one business data view provided by the *THG Ingenuity* platform), creating compelling visual website placements with the aim of achieving high customer engagement, low shopping cart abandonment and a high rate of customer conversions. *THG Ingenuity's* trading and merchandising teams work in close synchronisation with its marketing teams to align trading and promotional activity with marketing campaigns. *THG Ingenuity's* trading, merchandising and marketing teams work with the benefit of the business intelligence provided by *THG Ingenuity's* core e-commerce platform.

### ***Payments gateway***

*THG Ingenuity* provides an integrated payments gateway solution built into its end-to-end e-commerce platform, offering over 50 global payment options across over 40 currencies. *THG Ingenuity* aims to present a unified experience to its users, irrespective of the payment method used, thus helping customers expand to new markets. In addition, *THG Ingenuity* aims to optimise the check-out process and drive higher conversion rates. The platform processes payment information in a secure environment and the check-out operates in an isolated Payment Card Industry ("PCI") Level 2-certified environment. *THG Ingenuity* also offers a "buy now pay later" service across all of THG's websites in the US, UK, Australia and New Zealand in partnership with Afterpay. THG's payments platform integrates with a number of leading global processing/acquiring partners (including Worldpay, Chase, Adven, Checkout.com, Stripe), in addition to direct integrations with major payment providers (including PayPal, Alipay, WeChatPay), buy-now-pay-later/instalment providers (including Klarna, Afterpay, Clearpay, Laybuy, Splitit), and with local connections, which allow it to optimise offerings, acceptance and cost in harder to reach/more complex markets (e.g. KCP in Korea). *THG Ingenuity's* proprietary check-out solution aims to make the check-out flow accessible and responsive and is optimised across devices including phones, tablets and desktop computers. *THG Ingenuity* supports multiple payment methods including VISA, Mastercard, Maestro, AMEX, JCB and PayPal, and includes functionality for recurring payments. Customer card data is encrypted at the application level and then at the database layer, to remove the risk of a privilege user taking a copy of the data at rest. THG was also one of a very select number of brand owners/e-commerce platforms involved with the Facebook checkout pilot program and one of the first brand owners/e-commerce platforms to launch Instagram checkout. THG recently launched Instagram checkout for *Illamasqua*, with more THG sites and brands to follow in the coming weeks. In 2021, THG expects to launch Instagram checkout for *THG Ingenuity* customers. THG is also one of the few official crossborder e-commerce partners of Facebook.

*THG Ingenuity* has the capability to localise international websites, tailoring the language, currency, payment providers and shipping options to the locale together with providing local duty and tax calculation as well as risk management procedures.

### ***Digital fraud engine***

*THG Ingenuity's* proprietary fraud prevention platform is a machine learning solution for digital fraud prevention featuring device fingerprinting, data matching against known fraud, API capability, and business intelligence tools to report on key fraud metrics. *THG Ingenuity* also has a team of fraud assessors review and take decisions on high-risk orders, and *THG Ingenuity's* business rules and models are frequently updated to identify fraud trends. *THG Ingenuity* has a charge-back team to challenge defensible charge-backs and provides consulting advice at all levels of fraud response and strategy.

The Directors estimated the global market for digital fraud engine services was £4 billion in 2019, and they expect it to grow with a 17 per cent. CAGR between 2019 and 2023.

### ***Warehousing***

*THG Ingenuity* offers clients fully integrated warehousing services, operating warehouses and fulfilment sites located in multiple locations globally. Warehousing services include order management (organising, tracking and monitoring customer orders as they move through the supply chain), kitting (the grouping of products that are often purchased together into "kits" to save time and cost in processing orders) and dynamic delivery options (allowing customers to choose where, when and with which service (one-day, express, etc.) their order will be delivered). Overall, the Directors believe that THG's in-house warehousing services enable customers to expand and scale international operations quickly, without the need to develop owned warehousing and fulfilment operations.

*THG Ingenuity's* warehousing capabilities are underpinned by Voyager, which was built specifically by THG for D2C e-commerce. Voyager provides a receiving and reporting model, stockholding management, a flexible replenishment system and an efficient fulfilment mechanism, and is critical to the successful operation of the core e-commerce business by supporting the fulfilment of customer orders, business to business orders, and the production of THG Nutrition and THG Beauty Retail products.

The Directors estimated the global market for warehousing services was £332 billion in 2019, and they project it to grow at a CAGR of 11 per cent. between 2018 and 2022.

### ***Manufacturing and development***

*THG Ingenuity* offers manufacturing and development capabilities which includes Acheson & Acheson, a British FDA and BRC A accredited product developer and manufacturer, which THG acquired in 2018. Acheson & Acheson manufactures approximately 57 per cent. of THG Beauty Own Brand products, with the remainder produced by third-party manufacturers. Acheson & Acheson also generates revenue from the manufacture of products for third-party brands, with the majority of these being brands that THG retails on *Lookfantastic*.

THG's acquisition of Acheson & Acheson enhanced THG's vertically integrated offering by introducing in-house product development and manufacturing. This has resulted in a fully vertically integrated business model, with full control over new product development and has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base.

Established in 1992, Acheson & Acheson has grown rapidly to its position as a manufacturer for prestige beauty brands, supported by its research and development, manufacturing, regulatory compliance, product design and product development functions. Acheson & Acheson has over 380 employees, which includes more than 50 people working exclusively on product development and innovation.

Acheson & Acheson offers an end-to-end service that runs from product/packaging design and development, formulation development, international sourcing, product testing to UK manufacturing, warehouse and distribution. The company also holds numerous accreditations, including being a certified BRC A grade supplier, SEDEX Members Ethical Trade audited, and COSMOS Organic / COSMOS Natural approved.

THG Beauty is now using Acheson & Acheson's product development and innovation teams to oversee the future product development and brand positioning of all of THG Beauty's brands, combining this with data insights from THG's data platform to deliver targeted new product development across the brand portfolio.

Additionally, the acquisition of Acheson & Acheson has strengthened THG's relationships with beauty brands, through being able to offer product development, product compliance manufacturing, technology, retailing and fulfilment as part of a single operating model.

Acheson & Acheson has a BRC A grade 78,000 sq. ft. manufacturing facility in Somerset, UK along with two other sites nearby – one being its head office and the other a site for product packaging, storage and distribution.

### ***Courier platforms***

*THG Ingenuity's* courier platform is a logistics solution which integrates with the end-to-end e-commerce solution and warehousing products to provide integration with multiple courier providers worldwide, allowing clients to incorporate multiple preferred providers. *THG Ingenuity's* courier platform also includes a range of delivery options (including next day delivery, express delivery, weekend delivery, standard delivery and click & collect), live shipment monitoring, messaging and last stage shipment dispatch messaging, live dashboard reporting with quarterly optimisation, a dedicated 24-hour in-house support centre and rapid new location implementation.

*THG Ingenuity's* courier platform enables customers access to over 195 shipping destinations through direct courier integrations, with same day/next day delivery in major territories. The platform is seamlessly integrated into the overall fulfilment process with a range of delivery providers (over 180 global courier services available) allowing clients access to these providers without the need to negotiate multiple contracts across various providers and geographies.

The Directors estimated the global market for courier platform services was £2 billion in 2019, and they expect it to grow with a 7 per cent. CAGR between 2018 and 2023.

### ***Customer services***

*THG Ingenuity* offers outsourced customer services with global coverage across various communication platforms. *THG Ingenuity* provides clients with global coverage, with UK-based staff and local agents in Australasia, North America and Asia Pacific. This offering includes integrated translation services and communication via email, live chat, iMessage, WhatsApp, Weibo, ABC, Revoo and other local platforms. *THG Ingenuity's* customer service staff have access to a single point customer view (with full order history, subscription details, etc.) to ensure targeted and efficient responses, and refunds and return management are performed through *THG Ingenuity's* contact centre. *THG Ingenuity* also provides bespoke reporting on KPIs to clients.

*THG Ingenuity's* customer services offering is powered by its proprietary tools, including its in-house eCRM platform that provides visibility of all customer information and transaction details and the integration of its in-house ticketing system which allows its customer services providers to hand over queries to the relevant departments, such as its Courier, Operational, Quality and Complaints teams, for resolution, all supported by *THG Ingenuity's* bespoke real-time services monitoring.

The Directors estimated the global market for outsourced customer services in 2019 was £69 billion, and they expect it to have grown at a 5 per cent. CAGR between 2015 and 2020.

### ***Pricing***

The pricing of services within *THG Ingenuity* varies by business and individual service offering, with the exact revenue model varying by client and service.

THG E-Commerce's contracts are typically annually recurring SaaS contracts, which include a fixed fee for each new website built, a monthly minimum licence fee for access to the core e-commerce platform at an agreed level of service functionality, an account fee for added services and, in some cases, an additional "revenue share" element that enables THG E-Commerce to capture upside from scaling revenue for its clients. THG E-Commerce's contracts are typically bespoke and are negotiated to varying degrees depending on the client and the services to be provided using its standard terms as a base. Such contracts cover the end-to-end services of the *THG Ingenuity* platform.

The sale of a typical THG E-Commerce technology package yields a high gross margin for THG. Given THG's core technology is proprietary, there are minimal direct costs relating to a new THG E-Commerce sale, resulting in a gross margin of approximately 99 per cent. For example, in 2019, after taking into account payroll (approximately 16 per cent.), marketing (approximately 1 per cent.) and other expenses (approximately 1 per cent.), THG E-Commerce typically had a gross margin of approximately 82 per cent..

Other services provided by *THG Ingenuity* are typically priced on a project-by-project basis. THG Hosting's customers are typically recurring in nature and pay a monthly fee linked to their specific requirements, including the customer's bandwidth usage and choice of hosting location(s) globally. Fees for *THG Ingenuity's* marketing services and marketing technology are usually charged on a headcount basis. THG Fluently' translation and content contracts are typically priced on an individual job basis, given that these are inherently more bespoke, *ad hoc* projects and pricing is a function of the scale and timeline of the project, as well as the languages to be translated. *THG Ingenuity's* content and creation services can also generate fees for one-off projects in addition to contracts for recurring work. Two models are typically employed for *THG Ingenuity's* trading and merchandising services with a profit sharing or account fee per trading resource, in addition to the *THG Ingenuity* platform licence fee. Fees for *THG Ingenuity's* payments gateway typically includes a combination of a small transaction fee and a fee based on the percentage of revenue handled, whereas fees for *THG Ingenuity's* digital fraud engine are typically provided through a per transaction fee and bundled into the payments processing fee. *THG Ingenuity's* warehousing fees are typically charged on a per shipment basis, while fees for *THG Ingenuity's* courier platform typically include a monthly account fee and an incremental fee per transaction. *THG Ingenuity* provides outsourced customer services on the basis of an account fee for an agreed amount of customer service hours, which incorporates a set number of hours into an initial fixed fee, with any additional hours above the set rate subject to additional fees.

### **Competition**

*THG Ingenuity's* relevant peers within the e-commerce platform market include BigCommerce, Salesforce, Magento and Shopify. However, the Directors believe that *THG Ingenuity* is distinguished from these competitors through its end-to-end proposition, enabling its customers to benefit from a comprehensive one-stop solution to establish (and scale) their e-commerce operations and THG's experience as a digital brand builder. Conversely, many of THG's integrated services are not provided by its major competitors, with customers instead needing to purchase other components from multiple external providers, which frequently results in a higher cost solution with increased execution risk.

### **THG Nutrition**

#### **Overview**

THG Nutrition comprises the *Myprotein* brand, which the Directors believe was the largest online D2C sports nutrition brand globally in 2019 based on revenue, as well as a small number of other nutrition brands, including *Exante Diet*. *Myprotein* product lines include protein powders, high-protein foods, snacks and clothing. In 2019, *Myprotein* delivered over 250 innovative new products across its brands, with these launches driven by demand insights from *Myprotein's* global customer base and tailored to local preferences.

For the year ended 31 December 2019, THG Nutrition generated £413 million of revenue, of which £383 million came from the sale of *Myprotein* products and 95 per cent. of *Myprotein* sales were through online D2C channels. For the year ended 31 December 2019, 76 per cent. of *Myprotein* customers were aged between 18 and 34, with 84 per cent. of *Myprotein* revenue from returning customers, and its average order value was £46. As of April 2020, 61 per cent. of *Myprotein's* customers were male.

The Directors believe that growth in THG Nutrition is supported by demand drivers such as greater interest in healthy lifestyles, increasing accessibility of and familiarity with sports nutrition products, demand for healthy snacks, ready-to-eat and vegan products, rising consumption in emerging markets, continued channel shift online and a desire for products with higher nutritional content.

#### **Markets**

The table below sets out THG Nutrition's revenue from the following geographies (determined by the shipping destination of the customer):

	<b>Year ended 31 December 2019</b>
	<b>Revenue</b>
	<i>(per cent.)</i>
United Kingdom .....	22
Europe (excluding the United Kingdom) .....	33
Asia Pacific.....	38

	Year ended 31 December 2019
	Revenue
	(per cent.)
North America.....	7
<b>Total.....</b>	<b>100</b>

## Brands

### Myprotein

THG acquired *Myprotein* in 2011. Since then *Myprotein* has achieved a high-growth trajectory: between 2011 and 2015, *Myprotein's* revenue grew from £20 million to £159 million. Using a model that leverages THG's in-house production, end-to-end technology, brand creation and marketing, logistics and D2C channels, *Myprotein* has now grown into what the Directors believe was the largest online D2C sports nutrition brand globally in 2019 based on revenue, with revenue of £383 million for the year ended 31 December 2019 (representing more than 90 per cent. of revenue for THG Nutrition). Between 2015 and 2019, revenue for *Myprotein* grew at a CAGR of 31.1 per cent. International (non-UK) sales are also expanding: in 2011, 10 per cent. of *Myprotein* revenue was based on international sales and, in 2019, 80 per cent. of revenue came from international sales. Customer acquisition is cost-efficient, with 53 per cent. of revenue from traffic originating from free sources in the year ended 31 December 2019. As a share of revenue for *Myprotein* from free marketing channels in the year ended 31 December 2019, direct marketing accounted for 14 per cent. of revenue, lead generation through eCRM for 16 per cent., organic for 17 per cent. and social media and referrals for 6 per cent. As a share of revenue for *Myprotein* from paid marketing channels in the year ended 31 December 2019, partnerships accounted for 14 per cent. of revenue and traditional paid media for 32 per cent. *Myprotein's* range of products include protein powders, such as Impact Whey, its flagship range, and *Myprotein Pro*, its most scientifically advanced formulated range, high-protein foods, nutrition supplements, protein bars and snacks. Following a rebranding exercise in 2018, a family of sub-brands was established under the *Myprotein* umbrella with the aim of developing the brand's customer base from "specialist gym-goer" to a broader "healthy lifestyle" audience. These sub-brands are:

- *Myvitamins*, a sports nutrition range of vitamins, minerals, supplements, and organic superfoods;
- *Myvegan*, a sports nutrition range which is 100 per cent. plant-based and 100 per cent. vegan;
- *MP Clothing*, gym-wear, clothing and accessories; and
- *Myprotein Pro*, a range of premium products, featuring some of the brand's latest innovations,

with each family of brands supported by individual brand building, product development, digital content, trading and marketing strategies. Growth in *Myprotein* has accelerated since the completion of the rebranding with 33 per cent. period-on-period online revenue growth recognised in the six months ended 30 June 2020. In the year ended 31 December 2019, *Myvegan* revenue grew 51 per cent. year-on-year and *Myvitamins.com* revenue grew 81 per cent. year-on-year. Following the rebrand, *Myprotein* has evolved from a single brand to a family of brands targeting all categories in the global wellbeing market, including sports nutrition, sportswear, weight management and vitamins, the Directors believe the rebranding and increased product range increased the target market size from £17 billion to £274 billion.

Overall, in the year ended 31 December 2019, the *Myprotein* brand family generated 168 million annual website visits and had 4 million active customers.

Revenues from returning customers for the year ended 31 December 2019 for *Myprotein* were 84 per cent. This reflected a trend of growth in active customers for the *Myprotein* brand family from 3.2 million in 2017 to 4.0 million in 2019. Additionally, the Directors believe that *Myprotein* enjoys a positive reputation amongst customers and in relation to its peers. Of 396,000 social media posts about *Myprotein* published between January 2016 and September 2019, 68 per cent. of the sentiment was positive, 29 per cent. was neutral and 3 per cent. was negative.

The *Myprotein* brand family is growing across its sub-brands. *Myprotein* had 150 SKUs in 2011 whereas it had 2,300 SKUs in 2019. *Myprotein's Core* range was 75 per cent. of *Myprotein's* revenue with £193 million in online gross revenue in the six months ended 30 June 2020, offers over 570 SKUs and had 77 per cent. period-on-period new customer growth in the six months ended 30 June 2020. *Myprotein Pro* was 4 per cent. of *Myprotein's* revenue with £9 million in online gross revenue in the six months ended 30 June 2020, offered over 40 SKUs and had 66 per cent. period-on-period new customer growth in the six months ended 30 June 2020. *Myvegan* was 4 per cent.



of *Myprotein's* revenue with £10 million in online gross revenue in the six months ended 30 June 2020, offered over 80 SKUs and had 138 per cent. period-on-period new customer growth in the six months ended 30 June 2020. *MP* was 9 per cent. of *Myprotein's* revenue with £22 million in online gross revenue in the six months ended 30 June 2020, offered over 1,300 SKUs and had 31 per cent. period-on-period new customer growth in the six months ended 30 June 2020. *Myvitamins* was 8 per cent. of *Myprotein's* revenue with £21 million in online gross revenue in the six months ended 30 June 2020, offered over 110 SKUs and had 94 per cent. period-on-period new customer growth in the six months ended 30 June 2020. *Bars, Foods & Snacks* (which is included within the above sub-brand categories) was 13 per cent. of *Myprotein's* revenue with £32 million in online gross revenue in the six months ended 30 June 2020, offered over 130 SKUs and had 91 per cent. period-on-period new customer growth.

### *Diet*

THG owns a number of diet brands, including *Exante Diet*, a UK diet brand. These are online D2C brands, enabling THG Nutrition to capture customers in the fast-growing digital segment of the diet market, and supported by the same operating model as the *Myprotein* brands.

### *Production*

THG operates three in-house production and product development facilities which are located in the Warrington, UK, Kentucky, US and Wrocław, Poland for the production of *Myprotein* products. These facilities provide control over product quality and new product development, with the main facility located in Warrington, UK, being a BRC AA grade-rated production facility which also has a five-star Environmental Health Office rating. For the year ended 31 December 2019, products representing approximately 80 per cent. of THG Nutrition's sales were manufactured in-house. Certain THG Nutrition products (cookies, flapjacks, clothing, nut butters, liquids and some vitamins) are produced by third parties.

THG Nutrition's warehousing and fulfilment activities include the THG facilities in Warrington, UK, Kentucky, US and Wrocław, Poland, which are the three key manufacturing sites for THG Nutrition. In addition, THG Nutrition uses select third-party warehouses globally, including in the US, Singapore and Australia. THG Nutrition produces powdered products and vitamins in Warrington and powdered products in Wrocław and Kentucky. Infrastructure for vitamin manufacturing is currently under construction at the Wrocław facility and is expected to be completed in early 2021.

### *Quality control*

THG Nutrition's in-house production facilities feature numerous detection techniques, including filtration systems, x-ray machines and near-infrared testing. The production team have checks in place throughout the production process, including raw material testing and finished product inspection, which are in line with industry standards and best practices, to help ensure consumer confidence. THG has a robust risk-based supplier approval and supplier monitoring programme in line with BRC and International Organization for Standardization ("ISO") requirements. All suppliers are evaluated for their ability to meet the specifications of the materials they are supplying and meet requirements for safety, quality and legality with the aim of ensuring such specifications and requirements are maintained throughout the supply chain.

### *Sourcing*

Raw materials used in THG Nutrition's products consist of ingredients and packaging materials purchased from local, regional and international suppliers. The principal ingredients include milk-based, whey-based and soy-based proteins and protein blends, with whey products for use in the US sourced exclusively in the United States and whey products for use elsewhere sourced globally. Primary packaging materials include septic foil and plastic-lined cardboard cartons, aseptic plastic bottles, plastic jars and lids, flexible film, cartons and corrugated cardboard. THG purchases ingredients in accordance with rigorous standards to assure quality and safety. These ingredients are generally available in adequate quantities from multiple suppliers. THG actively manages the cost and quality of key ingredients by visiting major suppliers to negotiate contract commitments and assure quality processes and standards during production. While the prices of whey products are not usually hedged, THG negotiates whey pricing one to two quarters in advance of purchase in order to confirm the pricing and security of raw material supply. THG also aims to link its longer term commitments to sweet whey powder market pricing (the closest correlated, openly traded dairy commodity to its whey specifications).

## ***Distribution***

Approximately 95 per cent. of THG Nutrition's revenue for the year ended 31 December 2019 was made on a D2C basis through a network of over 50 localised websites in 33 languages using *THG Ingenuity's* e-commerce vertically integrated infrastructure, as described in *Business – THG Ingenuity* above.

## ***Competition***

Competitors in the nutrition space include Optimum Nutrition, BSN and Nutrabolt. THG believes that these brands are marketed differently than THG Nutrition's brands in that they are predominantly retailed through third-party channels, whereas THG Nutrition's brands are retailed through the online D2C channel, powered by the *THG Ingenuity* platform.

## ***Innovation***

THG Nutrition has over 2,300 SKUs across its product ranges. New product development is performed in-house, with new products driven by demand insights from across THG's global customer base. Innovation is increasingly becoming localised, with new products tailored to local taste palates and preferences; for example, *Myprotein Japan* retails Hokkaido Milk, Hojicha Latte and Matcha Latte whey protein flavours.

## **THG Beauty**

THG Beauty focuses its operations on the premium segments of the skincare, haircare and cosmetic categories. The business is made up of THG Beauty Own Brands which comprises the development and retailing of seven owned prestige beauty brands and a Beauty Retail business, which is composed of THG's ownership of beauty retail websites selling third-party brands as well as THG Beauty Own Brands and beauty box subscription services. For the year ended 31 December 2019, 80 per cent of THG Beauty revenue came from THG Beauty Retail, 10 per cent. from THG Beauty Own Brands and 10 per cent. from subscription boxes. With its digital ecosystem and global retail platform, THG Beauty is a leading global digital beauty provider.

Supported by *THG Ingenuity*, THG Beauty has delivered rapid international growth for both THG Beauty Own Brands and third-party brands. Between 2015 and 2019, revenue for THG Beauty grew at a 56 per cent. CAGR. THG Beauty generated £478.3 million in revenue across its retail platforms, THG Beauty Own Brands and subscription boxes. Leveraging its end-to-end technology platform, data insights, digital content, performance marketing and influencer networks and events, THG Beauty's fully integrated digital model has enabled THG to create international demand for partner brands that had been previously largely sold in the country of origin. Consequently, THG Beauty now represents a critical route to market for some of the world's leading and emerging beauty brands, and THG expects this importance to grow as the shift to online channels continues and *Lookfantastic* continues to expand internationally.

## ***Markets***

The table below sets out THG Beauty's revenue from the following geographies (determined by the shipping destination of the customer):

	<b>Year ended 31 December 2019</b>
	<b>Revenue</b>
	<i>(per cent.)</i>
United Kingdom .....	35
Europe (excluding the United Kingdom) .....	24
Rest of World .....	41
<b>Total</b> .....	<b>100</b>

## ***THG Beauty Retail***

THG Beauty owns and operates *Lookfantastic* which it acquired in 2010. In 2010, *Lookfantastic* was a UK online retailer of predominantly salon brands, generating £20 million in revenue. Since being purchased by THG, *Lookfantastic* has experienced growth at rates well in excess of the overall beauty market. *Lookfantastic's* revenue increased from £20 million in 2010 to £383 million in the year ended 31 December 2019, with 64 per cent. of that revenue generated from international sales. The Directors believe *Lookfantastic* to be the world's largest online pure-play speciality beauty retailer for the year ended 31 December 2019, based on revenue. *Lookfantastic's* historical growth has been supported by the continued additions of new brands to its websites, growing from 265

brands retailed in 2010 to over 850 in 2019. Revenue is diversified across THG Beauty brands: no single brand has accounted for more than 10 per cent. of revenue in any year between 2016 and 2019. Between the year ended 31 December 2016 and 31 December 2019, THG Beauty Retail's active customers increased from 1.9 million to 3.9 million, orders increased from 3 million to 8 million and website visits increased from 85 million to 215 million. *Lookfantastic* provides a critical route to market for over 850 premium third-party brands across skincare, haircare, cosmetics, fragrance, body and men's care, representing over 25,000 SKUs across these six key categories. *Lookfantastic* is also the centrepiece of a family of over 30 operating websites (with 28 local variants) across 195 markets.

*THG Beauty* offers over 850 premium third-party brands, including Tom Ford, Laura Mercier, Estée Lauder, Jo Malone, Anastasia Beverly Hills and Natasha Denona, all of which are authorised and directly sourced from such brands through official channels, to approximately 4 million active customers in over 110 territories. *Lookfantastic* represents a critical route to market for beauty brands seeking to grow, innovate and connect with global audiences, and *Lookfantastic* was the top search result for "premium beauty" as of 11 June 2020 (Source: Google.co.uk).

Due to the selective online distribution of premium beauty brands, these websites have developed a highly loyal customer base, with 81 per cent. of revenue for the year ended 31 December 2019 in *Lookfantastic* generated coming from returning customers. *Lookfantastic*'s customers tend to be digitally native, female and young, with 83 per cent. of customers being female and 51 per cent. of customers being between the ages of 18 and 34 in the year ended 31 December 2019. The revenue of returning customers as a percentage of *Lookfantastic*'s revenue has gradually increased from 70 per cent. in the year ended 31 December 2013 to 81 per cent. in the year ended 31 December 2019.

*Lookfantastic*'s average order value was £51 for the year ended 31 December 2019.

Since acquiring *Lookfantastic*, THG has also undertaken selective acquisitions to enhance its global position, including *Skinstore* in the United States and *RY* in Australia. THG has also sought to align THG Beauty Retail's platforms and product offering with major market trends. For instance, THG caters to the market trend in men's grooming through its retail platform Mankind.com, which lists over 400 male beauty brands. *Lookfantastic* also offers men's grooming products and male shoppers comprise 15 per cent. of *Lookfantastic* web sessions. The Directors believe that THG Beauty Retail websites have delivered outstanding growth, with a three-year revenue CAGR of 37 per cent. Organic growth has been driven in part by cost-efficient customer acquisition; for example, 36 per cent. of revenue across *Lookfantastic* came from free traffic sources in the year ended 31 December 2019. Free marketing channels accounted for approximately 36 per cent. of *Lookfantastic*'s revenue in the year ended 31 December 2019, with direct marketing accounting for 7 per cent., lead generation through eCRM 15 per cent., organic 10 per cent. and social media and referrals 4 per cent. Of revenue from paid marketing channels, partnerships accounted for 33 per cent. and paid media for 30 per cent. of *Lookfantastic*'s revenue in the year ended 31 December 2019.

For the year ended 31 December 2019, growth was spread across mature markets, including the UK (52 per cent. year-on-year), where THG Beauty Retail continues to gain market share from online competitors and store-based retailers, and emerging markets (South Korea 84 per cent., Singapore 72 per cent., Japan 167 per cent. and Thailand 280 per cent. year-on-year), where continued technology development and localisation has enabled THG to rapidly gain market share and create international demand for brands that had been previously largely sold in their country of origin.

#### *Product sourcing*

All third-party brand products are sourced through direct relationships with brand owners and through authorised distributors. The majority of products are acquired on a supplier's standard terms of sale or on the basis of purchase orders under a framework agreement with the relevant supplier, in some cases with the negotiation of volume discounts and rebates, promotions and marketing support. THG orders products as needed, and does not agree to minimum order sizes or volume commitments. Products are sourced from a wide array of brand partners, both global and niche. THG currently retails over 850 third-party beauty brands across its websites.

#### *Third-party brand engagement*

As well as operating as a critical route to market through *Lookfantastic*, THG's relationships with beauty brands has become increasingly multifaceted as its operating ecosystem has scaled and evolved. In 2019, *Lookfantastic* began leveraging THG's bespoke luxury event spaces (part of the "THG Experience" business) to provide beauty

brands with new and innovative ways to connect with their digital consumers. These events have also been a way to engage THG Beauty Retail's network of over 4,700 global and local beauty influencers. THG is also increasingly powering the online D2C websites of beauty brands through its *THG Ingenuity* business, providing brands with a route to rapidly scale up both online and internationally. Further, through Acheson & Acheson, THG's product development and manufacturing business, THG is able to manufacture and develop innovative new products for its brand partners. For example, Acheson & Acheson has been integral to the building of category-leading brands such as Elemis. Acheson & Acheson has been the main manufacturer, and responsible for delivering all major new product innovation, for Elemis as part of a relationship spanning more than 10 years. Increasingly, THG is engaging with brands not only as a retailer, but also as a technology partner, product developer and manufacturer, with this being a differentiator in the beauty industry, and positioning THG as the digital beauty strategic.

### ***THG Beauty Own Brands***

THG Beauty Own Brands in the beauty business comprises seven prestige beauty brands and addresses consumer needs across skincare, haircare and cosmetics as described in section entitled "*THG Beauty*" of this Part II (*Business*) above. THG operates a vertically integrated model, with the majority of its own brands being developed and manufactured in-house, retailed on THG Beauty's retail websites, as well as each brand's own website and shipped directly to consumers globally by the *THG Ingenuity* platform.

THG Beauty Own Brands are scaled both online and internationally through its global online retail platform, *THG Ingenuity*, which has led to high levels of online D2C sales for all acquired brands. In the year ended 31 December 2019, THG Beauty Own Brands generated revenue of £48 million.

### ***Subscription Boxes***

THG also operates *Glossybox*, an international beauty box subscription retailer which the Directors believe is one of the leading beauty subscription providers in its key markets in Europe. *Glossybox* has grown since being acquired by THG in 2016, from close to break-even Adjusted EBITDA of £0.9 million in the year ended 31 December 2016 to an Adjusted EBITDA of £11.6 million in the year ended 31 December 2019 (including *Lookfantastic Beauty Box*) which represented an 18 per cent. Adjusted EBITDA margin in the year ended 31 December 2019.

Together, *Glossybox* and *Lookfantastic's* respective beauty box businesses have over 445,000 monthly subscribers, and a subscriber growth multiple of 19 since prior to *Glossybox's* acquisition in 2016 (22,000 subscribers). The beauty box businesses' subscriptions provide THG with authority as a source of digital beauty education and discovery, while also acting as a highly effective customer acquisition channel for THG Beauty Retail's websites, converting customers who receive sample-size products in the beauty boxes to purchasers of full-size products on *Lookfantastic*. The Directors believe that THG's beauty box businesses attract highly engaged and high-value customers, typically spending 37 per cent. more per transaction than non-beauty box customers. In the year ended 31 December 2019, THG Beauty's beauty box businesses generated £64 million in revenue with 70 per cent. of its revenues outside of the UK. In addition, *Glossybox* and *Lookfantastic* had 1.6 million social media followers as of 30 June 2020.

### ***Manufacturing and development***

Acheson & Acheson, THG Beauty's manufacturing and development business, is a part of the *THG Ingenuity* business. THG's acquisition of Acheson & Acheson enhanced THG's vertically integrated offering by introducing in-house product development and manufacturing. This has resulted in a fully vertically integrated business model, with full control over new product development and has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base, as described in *Business – THG Ingenuity – Manufacturing and development* above.

### ***Quality control***

Acheson & Acheson's internal sourcing system ensures that all processes, devices and network designs are fully documented. In addition, all Acheson & Acheson's business systems which are required to manufacture FDA products are validated in line with US FDA Title 21 CFR Part 11, meaning that all planning, development and control protocols are met and fully documented.

All products are manufactured in Acheson & Acheson's BRC Grade A accredited facility. Software is used throughout the production process to ensure ingredients are measured within a pre-identified tolerance and mixed in the correct order to ensure quality and reduce wastage.

### ***Distribution***

Beauty brands are scaled both online and internationally through THG Beauty Own Brands' websites, through THG Beauty's global retail websites (e.g., *Lookfantastic* and *Skinstore*) and through targeted beauty education and discovery through its beauty boxes (*Glossybox* and *Lookfantastic* beauty boxes). Sales which are made through THG Beauty Own Brands' websites are effected through THG's end-to-end platform, *THG Ingenuity*, as described in *Business – THG Ingenuity* above. These websites are THG Beauty's key strategic sales channels.

In addition, THG Beauty Own Brands continue to be sold through third-party brands, enhancing physical retail channels, including Harrods, Selfridges, Harvey Nichols, Sephora, Space NK, and leading hotels/spas including Corinthia Group, Gleneagles, Ritz-Carlton and The One and Only Group. THG Beauty Own Brands are also sold through own brand Tmall stores, with this being an important growth channel in the Asia region.

### ***Competition***

The online speciality beauty market is relatively fragmented, with different local competitors in each market. In the UK, for example, competitors include Feel Unique and Cult Beauty. The Directors believe THG Beauty was the largest pure-play prestige beauty retail platform in 2019 by revenue. At the global level, THG Beauty's major competitor is Sephora, a retailer that operates over 2,600 stores across 34 countries worldwide.

Similarly, THG Beauty Own Brands encounter different competitors in each local market, reflecting the scale and diversity of the global beauty market.

### ***Other***

This business consists of the THG Lifestyle (consumer and luxury) and THG Experience (Hale Country Club, King Street Townhouse Hotel and the Great John Street Hotel) businesses.

THG Lifestyle is focused on consumer and luxury products and includes the websites *Zavvi*, *IWOOT*, *My Geekbox*, *Pop in a Box*, *ProBikeKit*, *Preloved* and *Coggles*. The Luxury business is comprised of a collection of websites (*Coggles*, *The Hut*, *MyBag*, and *Allsole*) which retail over 200 luxury fashion brands. In the year ended 31 December 2019, 60 per cent. of revenue was international across THG Lifestyle.

THG's expertise in these categories is a consequence of its heritage in powering UK retailer entertainment sites from 2004 to 2009. Subsequently, these sites have been pivoting away from a focus on low margin entertainment products (such as video games) and towards higher margin licensed collectibles, granted by entertainment publishers. THG holds licences with a number of brand owners including Warner Brothers (including Harry Potter, DC Comics and Friends), Nintendo, Universal, Sony Pictures, BBC and Paramount. These licences are complemented with an in house product design team that produce bespoke collections, which are exclusive to THG. This model is currently being augmented to incorporate individual personalisation of products, further enhancing the range of exclusive products that THG can offer and acting as a further differentiator to competitors.

THG Experience operates two luxury boutique hotels: King Street Townhouse and Great John Street Hotel, as well as the Hale Country Club and Spa.

## **Information Technology**

### ***Software***

Elysium is THG's key proprietary software and is responsible for, amongst other functions, composing webpages and managing user sessions and shopping baskets, as described in *Business – THG Ingenuity* above.

### ***Security***

When expanding and operating its technology platform, THG constantly focuses on security and reliability. To this end, THG undertakes administrative and technical measures to protect its systems and the consumer data that those systems process and store (for example, cloud storage, data encryption, VPN networks).

THG has developed policies and procedures designed to manage data security risks (including disaster recovery systems, penetration and security testing), and implemented various security measures, including password security, firewalls, automated backup systems and high-quality antivirus software.

THG also stores proprietary information and business secrets, and it employs third-party service providers that store, process and transmit such information on its behalf, in particular payment details. THG also relies on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information. THG takes steps, such as the use of password policies and firewalls to protect the security, integrity and confidentiality of sensitive and confidential information that it and its third-party service providers store, process and transmit. The key steps undertaken on a daily basis from a security perspective include:

- *Vulnerability scanning*: THG performs external and internal scans on its network, with results reviewed and prioritised based on their risk level.
- *Logging and monitoring*: Activity and security logs are essential to THG's monitoring – all server time is centralised, to ensure log correlation. THG's monitoring is not restricted to security events and includes large amounts of THG's key metrics.
- *Information security operation centre*: THG has a team to review its security information and event management tool, and manage all security incidents; with a service desk also monitoring the tool on a 24/7 basis.
- *Communication security*: All internet access throughout THG is protected by at least one layer of firewall (two, in some cases), with firewalls managed by THG's in-house network engineering teams. Key areas of THG's network are segregated from one another to reduce risk. THG employs distributed denial-of-service protection mechanism in an always-on configuration. THG also has built-in intrusion detection systems capabilities in the firewalls and employs machine learning models into the application to detect and defend against bot attacks and to combat fraud.

THG has six information security units:

- *Governance Risk and Compliance ("GRC")*: Responsible for maintaining THG's policies and standards from an information security perspective. The GRC team manages all technology risks within THG's business and performs internal information security audits throughout the business. THG's standards follow ISO27001 and THG is PCI (level 2) compliant.
- *Application security*: The application security team's main function is to develop security tools, for internal and external use, and to increase the security practices of all development teams.
- *Red team*: THG's penetration testers continuously test its internally developed components, as well as third-party implementation, with tests conducted with THG's development team's support to improve development practices and knowledge. The red team also works with third-party penetration testers to benchmark THG's in-house capabilities.
- *Information security operation centre*: The operation team monitors THG's internal network, activity as well as its production environment.
- *Business continuity*: THG has a team to define, implement and test its business continuity plan.
- *Physical security*: THG has deployed CCTV and physical controls in all of its locations, which are further supported by a physical security team with whom the information security team works closely.

### **Backup**

THG's hosting requirements are predominantly served through 29 data centres worldwide, with the use of external hosting suppliers in select cases. THG's hosting architecture supports running the entire e-commerce system from either of two primary data centres in isolation (for disaster recovery) or spreading load across both sites in normal "active-active" configuration. THG's websites use select external providers for website acceleration services and network route optimisation, edge-caching of static resources, and other performance-improvements.

Across its data centre transaction databases, THG takes one full daily backup and a transactional backup every 15 minutes, with these backups automatically transferred off-site to the passive data centre. Monthly full backups are also copied to tape and moved off-site, and these backups are used for data corruption recovery. THG's high-availability database set-up, across data centres, replicates the data real time which enables it to achieve near-zero recovery point objectives in the case of a catastrophic failure of one of its data centres. THG runs its own on-site lifecycle tool with integrated deployment pipelines to enable traceability of deployment, with this depository being backed up daily.

### **Other redundancies**

THG's platform is based on an always-on, active-active, geographically redundant (Manchester and London), datacentre architecture. Either datacentre can run the full platform load, during peak loads. This is evidenced through its reliable performance, even during annual peak and the Covid trading period with 99.98% uptime during these periods. THG can take a data centre out of commission for maintenance and move websites between the data centres with zero downtime. This action is frequently undertaken, and a standard practice for THG's engineers, affording flexibility as well as data redundancies. Should data be corrupted, THG has several further layers of backup to disks and tape from which it can restore the system. The finance systems run in a separate redundant data centre set-up.

### **Intellectual Property**

THG owns trademarks and other proprietary rights that are important to its business, including proprietary technology relating to *THG Ingenuity*, as well as trademarks, trade secrets, copyrights, patents and other intellectual property. THG owns over 1,200 trademarks (including applications) in over 75 jurisdictions that are important to the success of its business, including *THG*, *THG Ingenuity*, *Lookfantastic* and *Myprotein*. THG's owned trademarks are, in most cases, protected through registration in the United Kingdom, the European Union, the United States, China, Japan and South Korea, as well as in many other countries where the related brands or products are sold. THG's intellectual property portfolio includes numerous domain names for websites that it uses in its business.

In addition, THG has copyrights, proprietary trade secrets, technology, know-how processes and other intellectual property rights that are not registered. THG's business and IT systems, including the *THG Ingenuity* system, and other key proprietary intellectual property generally, are not protected by patents or registered design rights. THG relies on a combination of trademark law, copyright law, trade secrets, non-disclosure and confidentiality agreements and provisions in agreements and other measures to establish and protect its proprietary rights to its products, packaging, processes and intellectual property.

### **Employees**

The table below sets out the average number of employees (including executive directors) of THG in the previous three financial years.

	For the year ended 31 December		
	2019	2018	2017
Retail .....	1,501	1,320	873
Administration .....	864	727	563
Distribution .....	2,007	1,710	1,261
Information Technology .....	554	482	525
<b>Total</b> .....	<b>4,926</b>	<b>4,239</b>	<b>3,222</b>

In the year ended 31 December 2019, THG had 7,010 employees (including agency staff and seasonal staff) during its peak trading period, with a diverse make up of 128 nationalities, 52 per cent. male to 48 per cent. female and an average age of 31. THG employed an average of 850 FTE agency employees during the year-ended December 2019.

In 2019, THG invested in its people functions, including the launch of new global people systems, the relaunch of its leadership academies, and further investment in its office infrastructure.

THG plans to expand on the success of the THG Academy, its in-house Learning & Development team which aims to inspire, motivate and develop THG's staff, by delivering training, and providing valuable learning opportunities, along with its Accelerator programme that aims to deliver technology leaders of the future. During

2019, THG engaged for the first time in the Sunday Times Best Places To Work programme, measuring employee engagement levels across the business and providing benchmarks versus wider industries.

In its 2018 gender pay report, THG's median pay gap reduced to 4 per cent., from 6 per cent. in 2017, which is below the national average of 17.3 per cent. for that year. When *THG Ingenuity* is excluded, its gender pay gap falls to -4 per cent., and in like-for-like roles, such as customer services adviser or warehouse operative, the difference is lower at +/- 0.5 per cent.

## Property

As described in paragraph 4 of Part XI (*Additional Information – Propco Reorganisation*) of this document, THG has undertaken steps, and will undertake certain further steps prior to Admission, to demerge certain of THG's property holdings by way of share for share exchange and a liquidation demerger pursuant to s.110 of the Insolvency Act. As part of the Propco Reorganisation, certain managers of THG will exchange their shares in The Hut Management Company Limited ("**THMCL**") for B ordinary shares in the Company in accordance with the articles of association of THMCL. Pursuant to the Reorganisation, B ordinary shares in the Company will convert into Ordinary Shares (for further information on the Reorganisation see paragraph 5 of Part XI (*Additional Information – Reorganisation of THG*) of this document). The Founder will acquire additional shares in the Company and THMCL and forgo his right to exchange a number of the shares he holds in THMCL for B ordinary shares in the Company. Instead, he will retain a stake in THMCL equal to the value of the Propco Group so that, on the occurrence of the liquidation demerger, THMCL can distribute Kingsmead Holdco (the holding company of the Propco Group) to a new company owned and controlled by the Founder prior to Admission.

THG has 14 leases with members of the Propco Group for certain properties which THG operates as part of its business, including Omega, its fulfilment centre in Warrington, United Kingdom, Jesionowa St, Magnice, its fulfilment centre in Wroclaw, Poland and King St Townhouse, Great John St Hotel and Hale Country Club which form part of THG Experience's operations. THG will also have four leases with the Propco Group for properties currently under construction or development. All such leases are on institutional arm's-length terms and, in the majority of cases, include current rental costs being based upon net initial yield valuations, with five yearly RPI-linked increases (1 per cent. to 3 per cent. cap and collars) and security of tenure through long-term lease lengths (15 to 25 years). For legally committed sites in development, THG will not be exposed to cost over-runs. Additional costs will only arise if THG requests build variations.

The following table lists the properties in relation to which THG has entered into leases with the Propco Group as at the date of this document.

<u>Name and Location</u>	<u>Type of Facility</u>	<u>Approximate area (square feet)</u>	<u>Term</u>	<u>Annual rent</u>
Omega, Skyline Drive, Warrington, WA5 3TP.....	Industrial	690,337	25 years from December 2019	£4,142,262
Acheson & Acheson, Building 1, Frome, Somerset, BA11 2FL.....	Industrial	109,557	15 years from December 2019	£535,000
Acheson & Acheson, Trowbridge, Wiltshire, BA14 0BP .....	Industrial	29,069	15 years from December 2019	£160,000
Primavera, Frome, Somerset, BA11 2FL..	Industrial	31,979	15 years from December 2019	£151,200
Unit 2A, Aintree Avenue, Trowbridge, Wiltshire, BA14 0XA.....	Industrial	20,932	15 years from December 2019	£108,000
King St Townhouse, 10 Booth Street, Manchester, M2 4AW .....	Hotel	40 beds	25 years from December 2019	£750,000
Great John St Hotel, Manchester, M3 4FD	Hotel	30 beds	25 years from December 2019	£650,000
Hale Country Club, Clay Lane, Hale, Altrincham, WA5 7AF.....	Health Club	37,746	25 years from December 2019	£950,000
Meridian House, Gadbrook Park, Northwich, Cheshire, CW9 7RA.....	Office	23,789	15 years from December 2019	£321,150
Kingsmead, Northwich, Gadbrook Park, Northwich, Cheshire, CW9 7RA.....	Office	12,030	15 years from December 2019	£180,450
The Stables, Northwich, Gadbrook Park, Northwich, Cheshire, CW9 7RJ .....	Office	9,182	15 years from December 2019	£137,730
Woodlands, Northwich, Gadbrook Park, Northwich, Cheshire, CW9 7RA.....	Office	6,120	15 years from December 2019	£91,800
Hartford House, Northwich, Gadbrook Park, Northwich, Cheshire, CW9 7RA.	Office	5,006	15 years from December 2019	£75,090



<u>Name and Location</u>	<u>Type of Facility</u>	<u>Approximate area (square feet)</u>	<u>Term</u>	<u>Annual rent</u>
Jesionowa St, Magnice, Kobierzyce commune (close to Wrocław), Dolnoslaskie Voivodship, Poland .....	Industrial	612,180	15 years from June 2016	€3,736,051
Icon 1 Industrial, Sunbank Lane, Manchester Airport, M90 5* .....	Industrial	168,000	25 years from September 2020	£1,176,000
Icon 1 Office, Sunbank Lane, Manchester Airport, M90 5* .....	Office	104,000	25 years from September 2020	£2,516,000
Icon 2, Sunbank Lane, Manchester Airport, M90 5* .....	Industrial	459,000	25 years from April 2021	£3,098,000
Icon 3, Sunbank Lane, Manchester Airport, M90 5* .....	Industrial	141,165	15 years from September 2020	£988,000

\* Denotes leases which have been signed, but whose term has yet to commence.

Consistent with THG's stated strategy set out above in *Key Strengths – THG operates a vertically integrated business model*, the Company intends to continue to use and operate the properties set out in the table above, notwithstanding the Propco Reorganisation having occurred. From Admission, a Related Party Committee of the Board, chaired by Zillah Byng-Thorne (the "**Senior Independent Director**"), will oversee and approve on behalf of the Board the terms of transactions between THG and the Propco Group. For further information, see Part III (*Directors, Senior Managers and Corporate Governance*).

The following table lists the material properties which THG leases from non-related parties as at the date of this document.

<u>Name and Location</u>	<u>Type of Facility</u>	<u>Tenure</u>	<u>Expiry date</u>	<u>Annual rent</u>	<u>Approximate floor area (square feet)</u>
Hangar 7, Olhao, Portugal ..	Photography	Leasehold	31 March 2022	£18,000	-
Hangar 7, Olhao, Portugal ..	Warehouse	Leasehold	20 March 2020*	€35,844	51,623
UK2, London, United Kingdom .....	Data Centre	Leasehold	29 July 2034	£154,000	16,612
THG, Kentucky, USA.....	Warehouse	Leasehold	30 September 2026	\$915,240	210,400

\* Subject to negotiation to align with lease for Olhao photography facility.

## Insurance

The principal risks covered by THG's insurance policies relate to property damage, business interruption, employers, product and public liability, and certain other claims consistent with customary practice in the industries in which THG operates. THG has not had any material insurance claims, nor has it suffered any material loss following any uninsured claim, in the last three years.

## Regulatory environment

THG is subject to laws and regulations in the jurisdictions in which it operates that affect companies conducting business on the internet, and manufacturing and supplying cosmetics and food products, including regulations related to product liability, health and safety, ingredients, consumer protection, unfair and deceptive practices laws, distance selling, privacy, data protection, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, telecommunications, manufacturing, advertising, taxation, economic and other trade prohibitions or sanctions, and online payment services.

THG's activities involving the use of consumer data are subject to consumer protection and data protection law and regulations and, in many of the jurisdictions in which it operates, such consumer protection and data protection laws and regulations have increased in recent years. For example, the **GDPR** and the UK Data Protection Act 2018 significantly changed the data protection landscape in the EU and the UK, strengthening the rights of individuals, imposing stricter controls over the processing of personal data, by both controllers and processors of personal data, and imposing stricter sanctions with substantial administrative fines and potential claims for damages from individuals for breach of their rights. GDPR also offers individuals the option to allow privacy organisations to litigate on their behalf, including collecting potential damages, which may result in a substantial increase in claims being brought. Should a serious data breach occur, the GDPR provides for increased obligations to notify regulators and individuals whose personal data has been compromised, and this may result in the imposition of significant sanctions and penalties, which require heightened escalation and notification processes with associated response plans.

As a producer and marketer of cosmetics, fragrances and hair care items, THG's operations are subject to regulation by various governmental agencies and bodies. For example, the EU is governed by Regulation (EC) no. 1223/2009 on cosmetics products and, *inter alia*, activities relating to the composition, labelling and packaging of cosmetics. Failure to comply with one or more regulatory requirements in any of the jurisdictions in which THG operates could result in a variety of sanctions, including monetary fines or compulsory withdrawals of products.

As a producer and distributor of goods for human consumption, THG must comply with stringent production, storage, recordkeeping, distribution, labelling and marketing standards in the jurisdictions in which it operates. In addition, some of THG's products are produced and marketed under contract as part of special certification programs, such as organic, vegetarian, vegan, cruelty-free or non-GMO, and must comply with the strict standards of national and third-party certifying organisations. Products that do not meet regulatory or third-party standards may be considered adulterated or misbranded and subject to withdrawal or recall.

THG is subject to environmental and health and safety laws and regulations in the jurisdictions in which it operates, relating to, amongst other matters, safe working conditions, product stewardship and environmental protection, including those relating to emissions to the air, discharges to land and surface waters, generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, and the registration and evaluation of chemicals. THG maintains policies and procedures to monitor and control environmental, health and safety risks, and to monitor compliance with applicable environmental, health and safety requirements. Compliance with such laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon THG's utilisation of its tangible fixed assets.

## **Social Responsibility**

### ***Sustainability***

THG recognises the importance of doing business responsibly and reducing any adverse impacts of its operations on the environment and of encouraging the same values through its entire supply chain. THG established a Sustainability Committee in 2020 to oversee its newly refreshed sustainability strategy and drive its integration throughout all levels of the business. THG's strategy is defined by four pillars of sustainability, which are underpinned by eight areas of focus, in recognition that sustainable business encompasses a broad range of topics:

- Commitment to the planet;
  - Reducing carbon and energy;
  - Eliminating waste;
- Commitment to sustainable resources;
  - Protecting natural resources;
  - Creating ethical supply chains;
- Commitment to people;
  - Improving physical and mental health;
  - Enhancing employee wellbeing;
- Commitment to livelihoods;
  - Giving back to communities; and
  - Generating a sustainable economy.

### ***THG in the Community***

On 2 April 2020, THG announced a £10 million aid package to support vulnerable communities, key workers and emergency services in Manchester, the UK and its international markets during the COVID-19 crisis.

As part of this package, THG pledged to donate £5 million of aid directly into the Manchester area, including a £1 million immediate cash donation and £4 million of critical products and services. The provision of critical products and services included: the transitioning of part of THG's manufacturing capability to produce hand sanitisers to help meet the exceptional global demand and plans to give £1 million of free hand sanitisers to people who otherwise could not access them; pledging all 70 rooms in both of its Manchester city centre hotels to NHS staff and Greater Manchester Police at no charge; the production of one million meal packages and food parcels for vulnerable people in the North West of England; and the provision to every THG employee at its Warrington facility of a ready-to-cook free meal for two people to take home at the end of each and every shift (estimated to equate to approximately 5,000 packages (approximately 10,000 meals) a week).

The package also included the pledge of £5 million of aid to areas outside of the North West, including international markets.

**PART III**  
**DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE**

**Directors**

THG's Directors are:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date appointed to Board</u>	<u>Notice Period</u>
Matthew Moulding .....	48	Executive Chairman and Chief Executive Officer	24 June 2008	12 months
John Gallemore.....	51	Chief Financial Officer	24 June 2008	12 months
Zillah Byng-Thorne .....	45	Senior Independent Director	22 November 2018	1 month
Dominic Murphy .....	53	Independent Non-Executive Director	7 August 2014	1 month
Edward Koopman.....	58	Non-Executive Director	3 May 2016	1 month
Iain McDonald.....	49	Non-Executive Director	27 March 2010	1 month

The business address of each of the Directors is 5th Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester M90 3DQ, United Kingdom.

The management expertise and experience of each of the Directors is set out below:

***Matthew Moulding, Executive Chairman and Chief Executive Officer***

Matthew Moulding is the Chief Executive Officer and Executive Chairman of the Company, which he founded in 2004. He has been instrumental to THG's growth, having evolved it from an entertainments reseller into a vertically integrated, global e-commerce technology group. Prior to setting up THG, he was Chief Financial Officer of 20:20 Mobile, the distribution division of the Caudwell Group, where he served for eight years before leading its sale to private equity for £365 million. Matthew studied Industrial Economics at the University of Nottingham before qualifying as a Chartered Accountant with Arthur Anderson in 1998.

***John Gallemore, Chief Financial Officer***

John Gallemore is the Chief Financial Officer of the Company, having joined as Chief Financial Officer in 2004 when it was founded. He previously held the role of Head of Finance in the Caudwell Group's International Trading division from 2001 to 2004. His early career was spent with Deloitte, where he qualified as a chartered accountant in 1994.

***Zillah Byng-Thorne, Senior Independent Director***

Zillah is currently the Chief Executive Officer and an Executive Director at Future Plc. She has been a Non-Executive Director of the Company since 2018 and also sits on the boards of GoCompare (where she is also the Audit Committee Chair) and Flutter (where she is also the Risk Committee Chair and a member of the Audit and Nomination Committees). She is also a member of The Chartered Institute of Management Accountants. In the past, Zillah has occupied various roles, such as Chief Financial Officer at Thresher Group, Chief Financial Officer at First Quench Group and Chief Executive Officer for Auto Trader. She holds a graduate degree from Henley Business School and a degree from the University of Glasgow.

***Dominic Murphy, Independent Non-Executive Director***

Dominic is a Managing Partner and Co-head of UK Investments at CVC Capital Partners, having joined in 2019. Prior to his position at CVC, Dominic was the Founding Partner and Chief Executive Officer of 8c Capital. Formerly a Partner at KKR, he was also a member of the firm's European Investment and Portfolio Management committees. He has been a Non-Executive Director of the Company since 2014. He also currently serves on the Board of Directors of Walgreens Boots Alliance (where he is also a member of the Finance Committee).

***Edward Koopman, Non-Executive Director***

Edward is currently Member of the Executive Committee and Head of Europe at Sofina. He has been a Non-Executive Director of the Company since 2016. He sits on the Board of Nuxe Group, a France-based international skincare brand, GL Events, a listed global player in event management, and Sofina Capital. He was previously a Founding Partner at Electra Partners / Cognetas Private Equity, a Manager at Bain & Co, and worked in investment banking at Baring Brothers and BNPP. He holds a degree from EM Lyon Business School.

### ***Iain McDonald, Non-Executive Director***

Iain is the Founder and Chief Investment Officer of Belerion Capital, which he established in 2018. Before forming Belerion, Iain worked as Chief Investment Officer of the William Currie Group. Notable investments have included ASOS, the Company, Boohoo, Metapack, Eagle Eye Solutions, Anatwine and Lifeworks. He has been a Non-Executive Director of the Company since 2010 and is also a non-executive director of Boohoo (where he is also the Chair of the Remuneration Committee and a member of Audit and Nomination Committees).

### ***Senior Managers***

In addition to the executive management on the Board of the Company, the following Senior Managers are considered relevant to establishing that THG has the appropriate expertise and experience for the management of its business:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Steven Whitehead.....	40	Group Commercial Director
Rachel Horsefield.....	33	THG Beauty Chief Executive Officer
Schalk van der Merwe.....	38	Chief Technology Officer
Lucy Gorman.....	29	THG Nutrition Chief Executive Officer
Matt Rothwell.....	42	Deputy Group Chief Financial Officer
James Pochin.....	43	General Counsel
Viki Tahmasebi.....	38	Group Communications & Portfolio Chief Executive Officer

The business address of each of the Senior Managers is 5<sup>th</sup> Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester M90 3DQ, United Kingdom.

The management expertise and experience of each of the Senior Managers is set out below:

#### ***Lucy Gorman, THG Nutrition Chief Executive Officer***

Lucy Gorman is currently the Chief Executive Officer of THG Nutrition and has been at THG for six years. She was previously Head of the *Glossybox* business.

#### ***Rachel Horsefield, THG Beauty Chief Executive Officer***

Rachel Horsefield is currently the Chief Executive Officer of THG Beauty and has been at THG for eight years. She was previously an E-commerce Manager at Boots.

#### ***James Pochin, General Counsel & Company Secretary***

James Pochin is currently the General Counsel and Company Secretary of THG and has been at THG for ten years. He was previously a Corporate Partner at Halliwell's LLP.

#### ***Matt Rothwell, Deputy Group Chief Financial Officer***

Matt Rothwell is currently the Deputy Group Chief Financial Officer of THG and has been at THG for three years. He was previously Chief Financial Officer at Booths Supermarkets and held a series of senior Finance leadership roles at Sainsbury's, including Group Financial Controller and Head of Food Commercial Finance, Matt is a member of the ICAEW having qualified as a Chartered Accountant with Arthur Anderson in 2002.

#### ***Viki Tahmasebi, Group Communications & Portfolio Chief Executive Officer***

Viki Tahmasebi is currently the Group Communications & Portfolio Chief Executive Officer of THG and has been at THG for four years. She was previously a Senior Account Manager at Label PR.

#### ***Schalk van der Merwe, Chief Technology Officer***

Schalk van der Merwe is currently the Chief Technology Officer of THG and has been at THG for six years. He was previously Head of Global Infrastructure at Betfair.

### ***Steven Whitehead, Group Commercial Director***

Steven Whitehead is currently the Group Commercial Director of THG and has been at THG for ten years. His previous roles were across private equity fund management and investment banking.

### ***Corporate Governance***

The Directors believe that the Company has a strong corporate governance track record as demonstrated by high calibre institutional shareholder representation on the Board (both in the past and at present), the experienced retail sector investors that have invested in THG, its experienced previous chairmen, and its establishment of audit and remuneration committees whilst a private company.

As a company with a Standard Listing, the Company will not be required to comply, or otherwise explain non-compliance, with the requirements of the UK Corporate Governance Code following Admission. However, the Board acknowledges the importance of good corporate governance and has decided, from Admission, voluntarily to comply with certain aspects of the UK Corporate Governance Code which the Board considers appropriate in light of the nature of THG's business and its strategy going forward.

Specifically, the Board intends voluntarily to comply with the following aspects of the UK Corporate Governance Code:

- the appointment of a senior independent director as described below; and
- the establishment of an audit and risk committee, a remuneration committee and a nomination committee (the "**Committees**").

Each Committee will be chaired by an independent non-executive director from Admission. Whilst, from Admission, the Committees will not meet the composition requirements of the UK Governance Code (save for the nomination committee), as they will comprise of a majority (rather than all) independent non-executive directors, and the chair of the remuneration committee will not have served on a remuneration committee for at least 12 months before appointment, the Board intends to appoint an additional independent non-executive director within 12 months of Admission and intends that such appointee will be appointed to each of the audit and risk committee and the remuneration committee. Following such appointment, the composition of each of the Committees is expected to be in accordance with the requirements of the UK Governance Code, save in relation to the chair of the remuneration committee having served on a remuneration committee for at least 12 months before appointment. Further details on the composition of each Committee are set out below in *-Committees of the Board* below.

In addition, the Company has entered into a relationship agreement (the "**Relationship Agreement**") with Matthew Moulding. Further information on the Relationship Agreement is set out in Part XI (*Additional Information – Material Contracts – Relationship Agreement*).

### ***The Board***

On Admission, the Board will be composed of six members, consisting of the Chairman and Chief Executive Officer, Matthew Moulding, one other Executive Director, being John Gallemore, and four non-executive directors, being Zillah Byng-Thorne, Dominic Murphy, Iain MacDonald and Edward Koopman (the "**Non-Executive Directors**"). The Directors regard Zillah Byng-Thorne and Dominic Murphy as being independent notwithstanding their past participation in certain of the Company's pre-Admission share incentive arrangements and in the case of Dominic Murphy, his expected interest in Ordinary Shares at Admission. For further information on the Directors' shareholdings in the Company and their participation in the Company's incentive arrangements, see Part XI (*Additional Information – Share Incentive Arrangements*). As noted above, it is the intention of the Board to appoint an additional independent non-executive director within 12 months of Admission. The Company expects that, over the medium term, the composition of the Board will change such that half the Board, excluding the Chairman and Chief Executive, will be independent.

Matthew Moulding has been appointed as the Chairman and Chief Executive Officer. The Directors believe that having Matthew in this combined role will assist THG with the implementation of its strategy following Admission, particularly given he is the founder of the business, and that he will continue to provide entrepreneurial drive whilst working with a wider base of shareholders.

Zillah Byng-Thorne will be appointed as the Senior Independent Director, with effect from Admission. The Senior Independent Director will be available to shareholders if they have concerns, which contact through the normal channels of chair or executive Directors has failed to resolve or for which such contact is inappropriate.

### ***Committees of the Board***

The Board has established Nomination, Remuneration, Audit and Related Party Committees, each with formally delegated duties and responsibilities with written terms of references. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

#### ***Nomination Committee***

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Nomination Committee is responsible for, amongst other matters, evaluating the balance of skills, experience, independence and knowledge on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board on such matters. The Nomination Committee also considers succession planning, taking into account the skills and expertise that will be needed on the board in the future.

The Nomination Committee is composed of Dominic Murphy (Chair), Zillah Byng-Thorne and Iain McDonald.

The Nomination Committee will meet formally twice a year and otherwise as required.

#### ***Remuneration Committee***

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including, amongst other matters, making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors.

The membership of the Remuneration Committee comprises Dominic Murphy (Chair), Zillah Byng-Thorne and Iain McDonald.

The Remuneration Committee will meet formally twice a year and otherwise as required.

#### ***Audit and Risk Committee***

The Audit and Risk Committee assists the Board in, amongst other matters, discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing THG's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors, and reviewing the effectiveness of THG's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit and Risk Committee is also responsible for (i) advising the Board on THG's risk strategy, risk policies and current risk exposures, (ii) overseeing the implementation and maintenance of the overall risk management framework and systems, and (iii) reviewing THG's risk assessment processes and capability to identify and manage new risks. The Audit and Risk Committee will meet with appropriate employees of THG at least once annually.

The membership of the Audit and Risk Committee comprises Zillah Byng-Thorne (Chair), Iain McDonald and Dominic Murphy. Edward Koopman has been granted observer rights at meetings of the Audit and Risk Committee.

The Audit and Risk Committee will meet formally four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

#### ***Related Party Committee***

The Related Party Committee, comprised of the independent directors of the Company and chaired by the Senior Independent Director, will oversee and approve on behalf of the Board the terms of transactions between THG and the Propco Group, other than those in the ordinary course of business. The Board may from time to time

resolve that in respect of certain categories of related party transactions, the Related Party Committee's views are not binding and are of a recommendatory nature

The membership of the Related Party Committee comprises Zillah Byng-Thorne, the Senior Independent Director (Chair) and Dominic Murphy.

The Related Party Committee will meet as required.

#### **Share Dealing Code**

Upon Admission, THG will adopt a code of securities dealings in relation to the Ordinary Shares in compliance with applicable regulation. The code adopted will apply to the Directors and other relevant employees of THG.



**PART IV**  
**CAPITALISATION AND INDEBTEDNESS STATEMENT**

**Capitalisation and Indebtedness**

The following tables set out the capitalisation and indebtedness of THG as at 30 June 2020. The information has been extracted without material adjustment from THG's unaudited interim financial information and as a result do not reflect the PropCo Reorganisation, the Reorganisation or the Offer.

	<b>As at 30 June 2020</b>
	<i>(£ 000)</i>
<b>Current debt</b>	
Guaranteed/Secured.....	155,013
Unguaranteed/Unsecured.....	38,874
<b>Non-current debt (excluding current portion of long-term debt)</b>	
Guaranteed/Secured.....	529,945
Unguaranteed/Unsecured.....	175,312
<b>Total indebtedness</b> .....	<b>899,144</b>

	<b>As at 30 June 2020</b>
	<i>(£ 000)</i>
<b>Capitalisation</b>	
Ordinary shares.....	4,448
Share premium.....	245,351
Employee benefit scheme reserve.....	175
Merger reserve.....	615
Capital redemption reserve.....	523
Hedging reserve.....	(18,948)
Invested capital.....	97,836
Cost of hedging reserve.....	3,796
<b>Total capitalisation</b> .....	<b>333,796</b>

The Guaranteed / Secured borrowings relate primarily to a €600 million seven-year term loan (£530 million, presented as non-current) and THG's five year revolving credit facility (£147 million, presented as current). The term loan and revolving credit facility are secured on a debenture over the shares of various THG subsidiaries, material bank accounts of THG and a floating charge over assets of certain operating companies within THG.

Within the Unguaranteed / Unsecured category is £184 million (£9 million current and £175 million non-current) that relates to lease liabilities arising from lease obligations recognised under IFRS 16.

Other than the Propco Reorganisation, and share issuances and share repurchases in August, which resulted in an increase in THG's ordinary shares from £4.4 million as at 30 June 2020 to £5.3 million as at the date of this document and an increase in THG's share premium from £245.4 million as at 30 June 2020 to £289.5 million as at the date of this document, the Reorganisation and Offer, there has been no material change in the capitalisation and indebtedness of THG since 30 June 2020. See Part VIII (*Unaudited Pro Forma Financial Information*) and Part XI (Additional Information) of this document for more information.

The following table sets out the net indebtedness of THG as at 30 June 2020. The information has been extracted without material adjustment from THG's unaudited interim financial information.

	<b>As at 30 June 2020</b>
	<i>(£ 000)</i>
Cash and cash equivalents.....	(285,444)
Trading securities.....	-
<b>Liquidity</b> .....	<b>(285,444)</b>
<b>Current financial indebtedness</b>	
Current bank debt.....	155,013
Current portion of non-current debt.....	-
Other current financial debt.....	8,880
Current financial debt.....	29,994
<b>Net current financial indebtedness</b> .....	<b>(91,557)</b>
<b>Non-current financial indebtedness</b>	
Non-current bank debt.....	529,945
Bonds issued.....	-
Other non-current bank debt.....	-

	<b>As at 30 June 2020</b>
	(€ 000)
Other non-current financial debt .....	175,312
Non-current financial debt .....	-
<b>Non-current financial indebtedness</b> .....	<b>705,257</b>
<b>Net financial indebtedness</b> .....	<b>613,700</b>

The majority of the carrying amount of non-current bank debt relates to THG's €600 million seven-year term loan. The carrying value presented is net of unamortised transaction costs incurred on the arrangement of the term loan and capitalised against the loan balance, and which are being amortised to profit and loss over the term of facility using the effective interest rate method. At 30 June 2020, the balance of unamortised arrangement fees was £17 million.

Foreign exchange risk on the principal of the term loan has been hedged for the next two years at an exchange rate of 1.186 through forward derivative instruments.

Other current financial debt and other non-current financial debt amounts relate solely to lease liabilities arising from lease obligations recognised under IFRS 16 (£9 million current and £175 million non-current).

THG has no indirect or contingent indebtedness.

**PART V**  
**SELECTED FINANCIAL INFORMATION**

Set forth below is selected financial information for THG for the periods indicated. The financial information for THG as at and for the six months ended 30 June 2020 and 2019 and as at and for each of the years ended 31 December 2019, 2018 and 2017, prepared in accordance with IFRS and Annexure to SIR 2000, in relation to the preparation of combined historical financial information, has been extracted without material adjustment from the Part VII (*Historical Financial Information*). The financial information for THG for the six months ended 30 June 2020 is not audited. This should be read in conjunction with "Presentation of financial information", Part VI (*Operating and Financial Review*) and Part VII (*Historical Financial Information*) appearing elsewhere in this document.

**Combined statement of comprehensive income data**

	For the six months ended 30 June					
	2020			2019		
	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total
	(£ 000)					
Revenue.....	675,644	-	675,644	497,489	-	497,489
Cost of sales.....	(371,999)	-	(371,999)	(272,772)	-	(272,772)
Gross Profit.....	303,645	-	303,645	224,717	-	224,717
Distribution costs.....	(121,750)	(28,068)	(149,818)	(87,948)	(3,232)	(91,180)
Administrative costs.....	(168,595)	(10,861)	(179,456)	(127,071)	(9,583)	(136,654)
<b>Operating profit/(loss).....</b>	<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
<b>Adjusted EBITDA.....</b>	<b>60,534</b>	<b>(38,738)</b>	<b>21,796</b>	<b>47,605</b>	<b>(5,693)</b>	<b>41,912</b>
Depreciation.....	(22,970)	-	(22,970)	(19,602)	-	(19,602)
Amortisation.....	(24,264)	-	(24,264)	(18,305)	-	(18,305)
Share-based payments.....	-	(191)	(191)	-	(7,122)	(7,122)
<b>Operating profit/(loss).....</b>	<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
Finance income.....	77	-	77	62	-	62
Finance costs.....	(24,270)	-	(24,270)	(12,628)	-	(12,628)
<b>Profit/(loss) before taxation.....</b>	<b>(10,893)</b>	<b>(38,929)</b>	<b>(49,822)</b>	<b>(2,868)</b>	<b>(12,815)</b>	<b>(15,683)</b>
Income tax credit/(charge).....	(1,236)	6,701	5,465	(1,589)	2,280	691
<b>Profit/(loss) for the period.....</b>	<b>(12,129)</b>	<b>(32,228)</b>	<b>(44,357)</b>	<b>(4,457)</b>	<b>(10,535)</b>	<b>(14,992)</b>

<sup>1</sup> Adjusted items are items which are material and non-recurring in nature and include costs relating to acquisitions, disposal and significant business restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. See Note 3 of Section C of Part VII (*Historical Financial Information*).

	For the year ended 31 December								
	2019			2018			2017		
	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total
	(£ 000)								
Revenue.....	1,140,260	-	1,140,260	915,758	-	915,758	735,652	-	735,652
Cost of sales.....	(631,447)	-	(631,447)	(498,279)	-	(498,279)	(417,190)	-	(417,190)
Gross Profit.....	508,813	-	508,813	417,479	-	417,479	318,462	-	318,462
Distribution costs.....	(201,140)	(9,556)	(210,696)	(154,926)	(9,545)	(164,471)	(123,646)	(15,315)	(138,961)
Administrative costs.....	(277,448)	(35,647)	(313,095)	(227,781)	(21,504)	(249,285)	(168,445)	(16,308)	(184,753)
<b>Operating profit/(loss).....</b>	<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
<b>Adjusted EBITDA.....</b>	<b>111,343</b>	<b>(17,951)</b>	<b>93,392</b>	<b>86,248</b>	<b>(23,991)</b>	<b>62,257</b>	<b>64,687</b>	<b>(31,623)</b>	<b>33,064</b>
Depreciation.....	(41,942)	-	(41,942)	(18,657)	-	(18,657)	(15,859)	-	(15,859)
Amortisation.....	(39,176)	-	(39,176)	(32,819)	-	(32,819)	(22,457)	-	(22,457)
Share-based payments.....	-	(27,252)	(27,252)	-	(7,058)	(7,058)	-	-	-
<b>Operating profit/(loss).....</b>	<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
Finance income.....	133	-	133	162	-	162	315	-	315
Finance costs.....	(26,261)	(7,951)	(34,212)	(14,171)	-	(14,171)	(6,377)	-	(6,377)
<b>Profit/(loss) before taxation.....</b>	<b>4,097</b>	<b>(53,154)</b>	<b>(49,057)</b>	<b>20,763</b>	<b>(31,049)</b>	<b>(10,286)</b>	<b>20,309</b>	<b>(31,623)</b>	<b>(11,314)</b>
Income tax (charge)/credit.....	(4,305)	5,172	867	(3,099)	3,222	123	(3,597)	4,615	1,018
<b>Profit/(loss) for the financial year.....</b>	<b>(208)</b>	<b>(47,982)</b>	<b>(48,190)</b>	<b>17,664</b>	<b>(27,827)</b>	<b>(10,163)</b>	<b>16,712</b>	<b>(27,008)</b>	<b>(10,296)</b>

<sup>1</sup> Adjusted items are items which are material and non-recurring in nature and include costs relating to acquisitions, disposal and significant business restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is

measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. See Note 4 of Section B of Part VII (*Historical Financial Information*).

## Combined statement of financial position data

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
		(£ 000)		
<b>Non-current assets</b>				
Intangible assets.....	583,151	580,105	516,618	434,824
Property, plant and equipment .....	153,252	147,869	132,089	110,534
Right-of-use assets.....	179,609	183,658	-	-
Deferred tax asset .....	2,612	-	-	-
Other financial assets.....	22,936	-	-	-
	<b>941,560</b>	<b>911,632</b>	<b>648,707</b>	<b>545,358</b>
<b>Current assets</b>				
Inventories.....	243,144	204,073	157,258	84,798
Trade and other receivables .....	313,419	260,508	89,154	43,733
Current tax assets.....	3,167	4,251	4,495	3,233
Other financial assets.....	-	2,214	-	-
Cash and cash equivalents .....	285,444	308,940	234,819	186,729
	<b>845,174</b>	<b>779,986</b>	<b>485,726</b>	<b>318,493</b>
<b>Total assets</b> .....	<b>1,786,734</b>	<b>1,691,618</b>	<b>1,134,433</b>	<b>863,851</b>
<b>Equity</b>				
Ordinary shares.....	4,448	4,381	4,020	3,746
Share premium.....	245,351	230,718	110,446	277,380
Employee benefit scheme reserve .....	175	175	175	175
Merger reserve.....	615	615	615	615
Capital redemption reserve .....	523	523	523	518
Hedging reserve.....	(18,948)	(6,134)	-	-
Invested capital.....	97,836	173,110	199,487	(16,623)
Cost of hedging reserve .....	3,796	464	-	-
	<b>333,796</b>	<b>403,852</b>	<b>315,266</b>	<b>265,811</b>
<b>Non-current liabilities</b>				
Borrowings .....	529,945	494,012	494,651	369,525
Derivative financial liability .....	2,339	2,940	-	-
Lease liabilities.....	175,312	172,297	-	-
Deferred tax liability.....	-	7,769	8,400	7,873
	<b>707,596</b>	<b>677,018</b>	<b>503,051</b>	<b>377,398</b>
<b>Current liabilities</b>				
Contract liability.....	42,349	23,739	25,889	14,326
Trade and other payables .....	502,048	428,620	281,954	198,401
Borrowings .....	185,007	140,533	6,001	7,090
Lease liabilities.....	8,880	15,995	-	-
Provisions.....	2,051	1,861	2,272	825
Current tax liability.....	3,332	-	-	-
Derivative financial liability .....	1,675	-	-	-
	<b>745,342</b>	<b>610,748</b>	<b>316,116</b>	<b>220,642</b>
<b>Total liabilities</b> .....	<b>1,452,938</b>	<b>1,287,766</b>	<b>819,167</b>	<b>598,040</b>
<b>Total equity and liabilities</b> .....	<b>1,786,734</b>	<b>1,691,618</b>	<b>1,134,433</b>	<b>863,851</b>

## Combined statement of cash flows data

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
			(£ 000)		
<b>Cash flows from operating activities</b>					
Cash generated from operations.....	95,534	(29,428)	71,713	68,856	50,648
Income tax received / (paid) .....	1,459	996	1	(243)	16
<b>Net cash generated from operating activities before adjusted cash flows</b> .....	<b>96,993</b>	<b>(28,432)</b>	<b>71,714</b>	<b>68,613</b>	<b>50,664</b>
Cash flows relating to adjusted items.....	(36,307)	(4,130)	(16,992)	(23,358)	(34,141)
<b>Net cash generated from operating activities</b> .....	<b>60,686</b>	<b>(32,562)</b>	<b>54,722</b>	<b>45,255</b>	<b>16,523</b>

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
			(£ 000)		
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries net of cash acquired .....	-	(41,681)	(41,681)	(65,807)	(160,639)
Purchase of property, plant and equipment .....	(19,391)	(21,372)	(42,421)	(35,666)	(37,165)
Proceeds from sale of property, plant and equipment .....	-	-	-	-	55
Purchase of intangible assets .....	(27,310)	(30,764)	(55,995)	(41,527)	(32,919)
Interest received.....	77	63	133	162	315
Net cash used in investing activities .....	<b>(46,624)</b>	<b>(93,754)</b>	<b>(139,963)</b>	<b>(142,838)</b>	<b>(230,353)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares net of fees ....	14,700	49,927	115,753	76,418	183,567
Share buy-backs.....	(1,384)	(7,480)	(8,200)	(23,732)	(4,440)
Interest paid .....	(14,828)	(9,062)	(46,402)	(14,923)	(7,709)
Repayment of bank borrowings .....	-	(630,318)	(1,217,367)	(571,946)	(772,015)
Proceeds from bank borrowings .....	38,872	612,000	1,365,836	697,000	837,500
Repayment of lease liabilities .....	(12,642)	(5,701)	(9,502)	-	-
Payments of obligations under finance leases .....	-	-	-	(2,066)	(2,313)
Invested capital.....	(62,276)	(48,221)	(40,756)	(15,078)	(8,317)
<b>Net cash from financing activities .....</b>	<b>(37,558)</b>	<b>(38,855)</b>	<b>159,362</b>	<b>145,673</b>	<b>226,273</b>
Net increase/ (decrease) in cash and cash equivalents.....	(23,496)	(165,171)	74,121	48,090	12,443
Cash and cash equivalents at the beginning of the period .....	308,940	234,819	234,819	186,729	174,286
<b>Cash and cash equivalents at the end of the period....</b>	<b>285,444</b>	<b>69,648</b>	<b>308,940</b>	<b>234,819</b>	<b>186,729</b>

## Alternative Performance Measures

THG utilises a range of alternative performance measures ("APMs") to assess THG's performance, and this document contains certain financial measures that are not defined or recognised under IFRS. Some of these are also key performance indicators ("KPIs"). The calculation or methodology for each APM is described more fully below. See also *Important Information – Non-IFRS financial information, Part VI (Operating and Financial Review – Key Performance Indicators)* and Note 2 to Part VII (*Historical Financial Information*).

The Directors consider Revenue, Gross Profit, Adjusted EBITDA, Adjusted EBITDA Margin, Underlying Net Income and Adjusted Free Cash Flow to be the financial KPIs used by THG to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors also consider certain KPIs on a business basis. These include:

- Beauty and Nutrition businesses: Revenue, Active Customers, Number of Orders, and Average Order Value; and
- THG Ingenuity: Revenue.

The Directors believe that these KPIs, in addition to IFRS measures, provide an enhanced understanding of THG's results and related trends, therefore increasing transparency and clarity of the core results of the business. The Directors believe these metrics are useful in evaluating THG's operating performance. For more information, see Part V (*Selected Financial Information – Alternative Performance Measures*).

THG's financial APMs include:

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			(£'000, except per cent. or millions)		
Revenue.....	675,644	497,489	1,140,260	915,758	735,652
THG Nutrition.....	257,957	197,721	412,913	351,140	344,170
THG Beauty .....	295,628	190,218	478,260	378,509	253,024
THG Ingenuity .....	61,434	61,054	127,921	80,028	39,752
Other .....	60,625	48,496	121,166	106,081	98,706
Gross Profit.....	303,645	224,717	508,813	417,479	318,462
Adjusted EBITDA <sup>(1)</sup> .....	60,534	47,605	111,343	86,248	64,687
Adjusted EBITDA Margin (%) <sup>(2)</sup> .....	9.0	9.6	9.8	9.4	8.8
Underlying Net Income <sup>(3)</sup> .....	(12,129)	(4,457)	(208)	17,664	16,712
Adjusted Free Cash Flow (millions) <sup>(4)</sup> .....	78	(38)	45	51	36

- (1) THG defines Adjusted EBITDA as: profit before financing costs, financing income, income tax charge and depreciation; and amortisation before adjusted items. Adjusted items are not considered to represent the underlying operational performance, and, based on their significance in size or nature, are presented separately to provide further understanding of the financial performance of THG. Examples of adjusting items include costs associated with acquisitions (either completed or aborted deals), refinancing costs, share based payment costs, and non-recurring costs associated with the setup and integration of THG's production and distribution facilities. The Directors view Adjusted EBITDA as a useful measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance. The following table provides a reconciliation from profit/(loss) for the financial year to Adjusted EBITDA for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2020	2019	2019	2018	2017
			£'000		
<b>Profit / (loss) for the period</b> .....	(44,357)	(14,992)	(48,190)	(10,163)	(10,296)
Income tax credit .....	(5,465)	(691)	(867)	(123)	(1,018)
Finance costs .....	24,270	12,628	34,212	14,171	6,377
Finance income.....	(77)	(62)	(133)	(162)	(315)
Depreciation .....	22,970	19,602	41,942	18,657	15,859
Amortisation .....	24,264	18,305	39,176	32,819	22,457
<b>Plus adjusted items:</b>					
Share based payments <sup>(a)</sup> .....	191	7,122	27,252	7,058	-
Adjusted Items <sup>(b)</sup> .....	38,738	5,693	17,951	23,991	31,623
<b>Adjusted EBITDA</b> .....	<b>60,534</b>	<b>47,605</b>	<b>111,343</b>	<b>86,248</b>	<b>64,687</b>

- (a) Share based payments consist of THG's share-based compensation plans over the years, under which THG receives services from employees as consideration for equity instruments (options or growth shares) of the Company. At each balance sheet date, THG revises its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period and records the fair value of the services provided as an expense for the period.
- (b) Adjusted items are items which are material and non-recurring in nature, and include costs relating to acquisitions, disposal and significant business restructuring programmes, some of which span multiple years. See Note 4 to Section B of Part VII (*Historical Financial Information*) and Note 3 to Section C of Part VII (*Historical Financial Information*).
- (2) THG defines Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue.
- (3) THG defines Underlying Net Income as profit/(loss) for the year before adjusted items.
- (4) THG defines Adjusted Free Cash Flow as cash flow from operating activities less maintenance capital expenditure. The Directors view Adjusted Free Cash Flow as a key liquidity measure, as it indicates the cash available to pay dividends, repay debt or make further investments in THG. The following table provides a reconciliation from cash flow from operating activities to Adjusted Free Cash Flow for the periods indicated.

	Six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
			£m		
<b>Adjusted EBITDA excluding IFRS 16 adjustment<sup>(1)</sup></b> .....	<b>56</b>	<b>45</b>	<b>104</b>	<b>86</b>	<b>65</b>
Working capital movement (NWC).....	35	(75)	(37)	(18)	(14)
<b>Operating Cash Flow<sup>(2)</sup></b> .....	<b>91</b>	<b>(30)</b>	<b>67</b>	<b>68</b>	<b>51</b>
per cent. conversion (%).....	162	(68)	65	80	79
Normalised Capital Expenditures (maintenance capex only).....	(13)	(8)	(22)	(17)	(15)
Total Capital Expenditures <sup>(3)</sup> .....	(47)	(46)	(92)	(77)	(70)
<b>Adjusted Free Cash Flow<sup>(4)</sup></b> .....	<b>78</b>	<b>(38)</b>	<b>45</b>	<b>51</b>	<b>36</b>
per cent. normalised conversion (%).....	138	(85)	44	60	56
<b>Free Cash Flow<sup>(5)</sup></b> .....	<b>44</b>	<b>(76)</b>	<b>(25)</b>	<b>(9)</b>	<b>(19)</b>
per cent. conversion (%).....	78	(172)	(24)	(10)	(30)

- (1) Adjusted EBITDA for the year ended 31 December 2019 was £111.3 million but in the table above excludes £7.7 million of IFRS 16 adjustment. Adjusted EBITDA for the six months ended 30 June 2019 was £47.6 million, but in the table above excludes £3.1 million of IFRS 16 adjustment. Adjusted EBITDA for the six months ended 30 June 2020 was £60.5 million, but in the table above excludes £4.3 million of IFRS 16 adjustment.
- (2) Excludes cash flows relating to foreign exchange gains / (losses) of £0.4 million for the six months ended 30 June 2020, (£2.1 million) for the six months ended 30 June 2019, £0.3 million for the year ended 31 December 2019, £0.1 million for the year ended 31 December 2018 and (£0.2 million) for the year ended 31 December 2017. Excludes cash flows relating to hedging instruments of (£3.4 million) for the year ended 31 December 2019.
- (3) For the year ended 31 December 2019, total capital expenditure excludes £6 million of trademark costs relating to the Christophe Robin acquisition, which management considers to be acquisition consideration rather than capital expenditure.
- (4) Adjusted Free Cash Flow is Operating Cash Flow less Normalised Capital Expenditures.
- (5) Free Cash Flow is Operating Cash Flow less Total Capital Expenditures.

THG's non-financial APMs include:

	As at or for the six months ended 30 June		As at or for the year ended 31 December		
	2020	2019	2019	2018	2017
<b>THG Beauty:</b>					
Active Customers ( <i>millions</i> ) <sup>(1)</sup> .....	3.5	2.0	4.1	3.1	2.5
Website Visits ( <i>millions</i> ) <sup>(2)</sup> .....	n/a	n/a	215	153	121
Number of Orders ( <i>thousands</i> ) <sup>(3)</sup> .....	5,611	3,406	8,329	6,412	4,581
Average Order Value (£) <sup>(4)</sup> .....	51.1	48.6	50.8	50.7	53.4
<b>THG Nutrition:</b>					
Active Customers ( <i>millions</i> ) <sup>(1)</sup> .....	3.8	2.6	4.3	3.8	3.6
Website Visits ( <i>millions</i> ) <sup>(5)</sup> .....	n/a	n/a	168	163	149
Number of Orders ( <i>thousands</i> ) <sup>(3)</sup> .....	5,872	4,216	8,666	7,645	7,523
Average Order Value (£) <sup>(4)</sup> .....	46.1	45.5	45.8	45.6	45.5

<sup>(1)</sup> Active Customers is defined as customers who have purchased at least once within the period. Calculated year to date in respect of the six month periods.

<sup>(2)</sup> Website Visits for THG Beauty is defined as the number of website visitors to the *Lookfantastic* family of websites within the period.

<sup>(3)</sup> Number of Orders is defined as orders fulfilled within the period.

<sup>(4)</sup> Average Order Value is defined as the average order value per customer order on a gross revenue basis.

<sup>(5)</sup> Website Visits for THG Nutrition is defined as the number of website visitors to the *Myprotein* family of websites within the period.

## PART VI OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis of THG's combined results of operations and financial condition for the six months ended 30 June 2020 and 2019 and for the years ended 31 December 2019, 2018 and 2017 should be read in conjunction with the whole of this document, including THG's combined historical financial information and the related notes included in Sections B (Historical Financial Information) and C (Unaudited Interim Financial Information) of Part VII (Historical Financial Information) and Section A (Accountant's Report in respect of the Unaudited Pro Forma Information) of Part VIII (Unaudited Pro Forma Financial Information), and should not just rely on the key or summarised information contained in this Part VI (Operating and Financial Review) and the "Risk Factors" section. THG's combined historical financial information was prepared in accordance with IFRS and Annexure to SIR 2000 in relation to the preparation of combined historical financial information. The financial information in this Part VI (Operating and Financial Review) has either been extracted without material adjustment from Part VII (Historical Financial Information) or Part VIII (Unaudited Pro Forma Financial Information) of this document, or has been extracted without material adjustment from the Company's accounting records. THG's combined historical financial information for the three years ended 31 December 2019, set out in Section B (Historical Financial Information) of Part VII (Historical Financial Information), is reported on in the accountants' report from EY included in Section A (Accountant's Report in respect of the Historical Financial Information) of Part VII, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. THG's interim financial information for the six months ended 30 June 2020 and 2019, set out in Section C (Unaudited Interim Financial Information) of Part VII (Historical Financial Information), and any other financial information which has been extracted from the Company's accounting records has not been audited or reported on.*

*The following discussion contains "forward looking statements". Those statements are subject to risks, uncertainties and other factors that could cause the Company's future results of operations or financial condition to differ materially from the results of operations or financial condition expressed or implied in such forward looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section and the "Forward Looking Statements" section of this document.*

### 1. **Overview**

Founded in 2004, THG is a vertically integrated digital-first consumer brands group, powered by *THG Ingenuity*, its proprietary end-to-end e-commerce technology and operating platform. In addition to powering the online operations of THG Own Brands, *THG Ingenuity* provides an end-to-end direct-to-consumer ("D2C") e-commerce solution for consumer brand owners under a Software as a Service ("SaaS") licensing model, in addition to stand-alone services, including hosting, content creation and translation. During the year ended 31 December 2019, more than 610 million visits were made to websites on the *THG Ingenuity* platform and more than 80 million units were dispatched using its infrastructure. Over 1,000 brands were retailed through the *THG Ingenuity* platform, contributing to over £1.1 billion net revenue in the year ended 31 December 2019.

THG is a leading strategic player within the prestige beauty industry globally, combining its portfolio of seven prestige owned brands across skincare, haircare and cosmetics with the provision of a critical route to market for over 850 third-party beauty brands sold through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind*. The Directors believe that it was the world's largest online pureplay prestige beauty retailer in 2019, based on revenue.

In the nutrition market, the Directors believe that its brand, *Myprotein*, including its family of sub-brands *Myvegan*, *Myvitamins* and *MP Clothing*, was the largest online D2C sports nutrition brand globally in 2019 based on revenue. *THG Ingenuity*, THG's proprietary e-commerce technology and operating platform, has been integral to the growth of its brands, including the *Lookfantastic* and *Myprotein* families of brands, with this facilitating sustained international sales growth.

For the year ended 31 December 2019, THG's revenue was £1,140.3 million, its operating loss was £15.0 million and its Adjusted EBITDA was £111.3 million. For the six months ended 30 June 2020, THG's revenue was £675.6 million, its operating loss was £25.6 million and its Adjusted EBITDA was £60.5 million.



## 2. Outlook

THG's business plan sets out certain targets and ambitions in respect of revenue growth for its THG Beauty, THG Nutrition and *THG Ingenuity* businesses as well as key financial items for the Group. These are forward-looking statements, based on assumptions that THG believes are reasonable, but which may turn out to be incorrect or different than expected, and THG's ability to achieve them will depend on a number of factors, many of which are outside THG's control, including significant business and economic uncertainties and risks. As a result, THG's actual results may vary from the targets and ambitions set out below and those variations may be material.

THG is targeting revenue growth of approximately 20 to 25 per cent. over the medium term. More specifically THG is targeting medium-term revenue growth of approximately 25 per cent., 20 per cent. and 40 per cent. in THG Beauty, THG Nutrition and *THG Ingenuity* businesses, respectively. The Directors expect this will be driven: (i) in the THG Beauty business by the continued strong performance of *Lookfantastic* (with accelerating channel shift underpinning growth), with subscription beauty boxes continuing to serve as a customer gateway and driving brand / customer loyalty and by the owned brand portfolio continuing to benefit from market trends (e.g. premiumisation of beauty) and integration into the Ingenuity platform; (ii) in the THG Nutrition business, by further *Myprotein* expansion into Asia / other new territories, with continued new product development, building on the success of the 2018 rebrand, with sub-brands (i.e. core, vegan, athleisure) allowing THG to take advantage of a broader addressable market; and (iii) in the *THG Ingenuity* business, by increasing its mix of SaaS / e-commerce revenues as global brand owners accelerate their D2C plans, the approximately £215 million of life-of-contract revenue secured during the period from 1 January 2020 to 30 June 2020, and stable or growing performance in other services (although THG is targeting 0 to 10 per cent. medium term growth in other services). THG is targeting stable gross margins and Adjusted EBITDA margins over the medium term and operating leverage benefits are expected to be reinvested for growth. However, THG expects net finance costs to increase to approximately £50 million per annum over the medium term, which include IFRS 16 adjustments, while cash taxes are expected to be notional over the medium term. Capital expenditures are targeted to be between approximately 5.5 per cent. and 6.5 per cent. of revenue over the medium term. THG is returning to its natural negative working capital, but expects a broadly neutral working capital for the full year 2020. Lease costs currently equate to approximately £11 million per annum for the current Propco portfolio (approximately 1.6 million square feet in total). Propco lease costs are expected to grow as the portfolio of real estate assets utilised by THG expands, with a further approximately 1.2 million square feet of assets currently in development, which includes the building out of *THG Ingenuity's* (ICON) campus. Lease costs from existing non-Propco assets are expected to remain at similar levels to those in the financial year ended 31 December 2019. Adjusted items for the six months ended 30 June 2020 were £38.9 million. The Directors expect adjusted items for the six months ended 31 December 2020 to be materially higher driven by IPO costs and the continuation of COVID-19 related expenses. The Directors expect the share based payments charge in 2020 to be approximately £10 million, which equates to roughly a three month period of the Long-term Incentive Plan (LTIP) being in place.

## 3. Significant Factors Affecting THG's Results of Operations

THG's financial condition and results of operations have been, and will continue to be, affected by a number of important factors, including the following:

### 3.1 *Growth of online penetration and D2C*

The Group's revenues are primarily driven by the number of active customers, the number of orders and the average order values. As THG is primarily a D2C channel, these metrics are influenced by the growth of e-commerce. Consumers are becoming more comfortable buying online as they recognise the greater variety, convenience, and information offered by e-commerce, which drives growth in the Group's revenues broadly across geographies and product categories. For example, global e-commerce transaction value grew at an 18 per cent. CAGR from 2014 to 2019 according to Company analysis of third-party sources. Further, online shopping offers the benefit of greater education through user- and in-house generated content.

The shift to the D2C channel is underpinned by the structural shift to online shopping. Brand owners with no D2C operations or less effective D2C operations risk losing market share and customers to brand owners that are more adept at capturing online customers. The Directors believe that this is reflected in an increasing shift to D2C amongst major brand owners, with Nestlé, Unilever and Danone expected to

reach 10 per cent., 9 per cent. and 9 per cent. of global sales as D2C in 2022, compared with 3 per cent., 0 per cent. and 0 per cent. in 2013, respectively, according to Company analysis of third-party sources. *THG Ingenuity* revenue has grown as these brands seek a D2C channel and expand their existing relationship with THG.

The growth of active customers and orders in THG Beauty and THG Nutrition is set out in the table below.

	For the six months ended 30 June		For the year ended 31 December		
	2020	2019	2019	2018	2017
<b>THG Beauty:</b>					
Active Customers ( <i>millions</i> ) <sup>(1)</sup> .....	3.5	2.0	4.1	3.1	2.5
Number of Orders ( <i>thousands</i> ) <sup>(2)</sup> .....	5,611	3,406	8,329	6,412	4,581
Average Order Value (£) <sup>(3)</sup> .....	51.1	48.6	50.8	50.7	53.4
<b>THG Nutrition:</b>					
Active Customers ( <i>millions</i> ) <sup>(1)</sup> .....	3.8	2.6	4.3	3.8	3.6
Number of Orders ( <i>thousands</i> ) <sup>(2)</sup> .....	5,872	4,216	8,666	7,645	7,523
Average Order Value (£) <sup>(3)</sup> .....	46.1	45.5	45.8	45.6	45.5

<sup>(1)</sup> Active Customers is defined as customers who have purchased at least once within the period. Calculated year to date in respect of the six month periods.

<sup>(2)</sup> Number of Orders is defined as orders fulfilled within the period.

<sup>(3)</sup> Average Order Value is defined as the average order value per customer order on a gross revenue basis.

The increases in active customers and number of orders in THG Beauty shown in the table above were slightly offset by a decline in Average Order Value from 2017 to 2018 due to a reduction in the sales of electronic items (which had a higher average selling price) and faster sales growth in the UK (which is a lower Average Order Value territory). Average Order Value in THG Beauty has increased slightly since 2018, while remaining below the 2017 level. However, THG has increased Average Order Value throughout the historical period in THG Nutrition, which partly reflects increased sales to Asia where average order sizes are higher. Average Order Value increases have also been driven by premiumisation following the global rebrand in 2018, which has facilitated higher prices for existing items and a greater participation of more premium, higher priced items.

These factors have helped drive an increase in revenue in THG Beauty from £253 million in the year ended 31 December 2017 to £478 million in the year ended 31 December 2019 and in THG Nutrition from £344 million in the year ended 31 December 2017 to £413 million in the year ended 31 December 2019.

### 3.2 *Cost of Consumer Acquisition and Retention of THG's Customers*

THG's financial performance also depends on the expenses THG incurs to attract and retain customers. THG has been able to grow its customer base across all businesses and regions while maintaining marketing cost as a percentage of revenue consistently below 10 per cent. Marketing costs as a percentage of revenue were 8.6 per cent., 8.7 per cent. and 8.8 per cent. for the years ended 31 December 2017, 2018, and 2019, respectively. THG's marketing channels can be through either free or paid channels with some paid channels sales based and others not sales based. The free channels include:

- *Direct*: direct visits to THG's websites by customers;
- *CRM*: direct lead generation focussing on relevant target audiences, leveraging THG's comprehensive database of over 23 million customers across email, SMS and apps;
- *Organic*: traffic from search engine results that is "earned", not paid (users clicking on search results that best match their parameters); and
- *Social and Referral*: traffic generated through global and local social media platforms and third-party content

The table below shows the different customer acquisition channels as a percentage of revenue for the respective brand for the year ended 31 December 2019.

	For the year ended 31 December 2019	
	Myprotein	Lookfantastic
	(% of revenue)	
<b>Free:</b>		
Direct.....	14	7
CRM.....	16	15
Organic.....	17	10
Social and Referral.....	6	4
<b>Pay (Sales based):</b>		
Partnerships.....	14	33
<b>Pay (Non-sales based):</b>		
Paid Media.....	32	30

One of the ways THG acquires new customers is through its influencer platform which connects brands with over 10,000 active influencers globally. In December 2019, THG's influencer base was spread 31 per cent., 44 per cent and 35 per cent. across Europe, Asia and UK/US/Other, respectively. THG's influencer strategy is differentiated through its data platform. THG is able to track influencer performance to revenue generated through clicks and promotional code redemptions, enabling it to partner with the most successful influencers, while driving a higher return on investment across all brands. This contrasts with traditional retailers, who face challenges in attributing revenue to influencers. Through this data-centric approach, THG has been able to utilise influencers in a scalable and profitable manner, with influencers accounting for approximately 9 per cent. of revenue in 2019 (representing sales tracked through last-click and promotional code redemptions only), which rose to 11 per cent. in May 2020.

While THG continues to acquire new customers, the share of revenue from existing customers has also increased over time. For the year ended 31 December 2019, the percentage of revenue from returning customers in *Lookfantastic* and *Myprotein* was 81 per cent. and 84 per cent., respectively. Further, based on THG's internal models, the average three year revenue value of a new customer in *Myprotein* in 2019 is estimated to be 12 times the customer acquisition cost. THG's internal models utilise past lifetime value and purchase history data back to 2013 for the brand in question, accounting for current purchasing frequency run rates, and is weighted towards similar cohort retention profiles.

THG expects growth in new customers to be driven by further D2C penetration of the prestige beauty and nutrition markets, including in emerging markets, such as Asia and South America.

### 3.3 *Distribution and Manufacturing Costs*

To facilitate and grow THG's sales across its retail websites globally, in addition to further enhancing its technology platform capabilities, THG has invested in developing its fulfilment and manufacturing centres worldwide. THG has grown to four manufacturing sites, 12 warehouse sites, 7 studios (including the ICON studios expected to open in early 2021) and 29 data centres as of 30 June 2020. As at 30 June 2020, THG manufactures 57 per cent. of its THG Owned Beauty Brand products and 80 per cent. of *Myprotein* products in house across four production facilities in UK, USA and Poland. THG's Omega site is a £140 million development warehouse and fulfilment centre (BRC Grade AA) based in Warrington, UK. In 2018, THG invested in its beauty innovation and manufacturing capabilities with the acquisition of the BRC A grade and FDA-approved beauty product developer and manufacturer Acheson & Acheson. THG also has a warehouse and manufacturing facility in Wroclaw, Poland. This facility replicates Omega, providing both Brexit contingency optionality and faster and more efficient delivery to European customers. Fully integrated global warehouse services combined with proprietary warehouse management software ("**Voyager**") allows THG to optimise its supply chain and to provide express delivery services in all key territories.

THG has invested £78 million over the three years ended 31 December 2019 in expansionary property capital expenditures, relating to the fit out and development of THG offices and warehouses, which included the development of a warehousing, fulfilment and Nutrition production facility in Poland. Expansionary tangible capital expenditures also included investment in data centres, with £16 million of investment over the three years ended 31 December 2019, including £9 million in the year ended 31 December 2019.

The integration and commissioning of distribution facilities are continuing, and costs relating to the set-up, integration and testing of the facilities continue to be included within adjusted items. THG recorded distribution costs of £9.6 million, £9.5 million and £15.3 million for food production and its distribution facilities as adjusted items for the years ended 31 December 2019, 2018 and 2017, respectively. These costs included dual running costs and other costs incurred through the commissioning phase that temporarily impacted operational efficiency. In 2019, these costs related primarily to bringing the Poland warehouse online and fully integrated into the Group's global fulfilment network. Similarly, in 2018 and 2017, costs were incurred to get the Cheshire facility fully operational. These costs are not expected to be recurring, however, they can span accounting periods and, typically, depending on the scale of the facility, be incurred for up to 18 months.

In 2019, 65 per cent. of THG's sales were international. The expansion into new territories has caused some margin compression due to increased postage costs. THG has developed a comprehensive cross-border network for delivery, provided by leading third-party partners globally as part of the consumer proposition and to provide a frictionless experience. This included expanding warehousing footprint in key locations, including Asia, North America and Oceania, integrating directly with international payment providers and the launch of 'THG Air' in April 2020, with THG chartering exclusive cargo planes through a partnership with Singapore Airlines. THG has invested significant resources into developing this network, and this has created a significant competitive advantage and control over its cargo capacity requirements. THG now operates two THG-developed fulfilment centres (Warrington, UK and Wroclaw, Poland), which are bespoke facilities with in-house nutrition production, and a number of THG micro-sites globally, which are third party facilities but have Voyager (THG's proprietary warehouse management system) installed, enabling THG to communicate with these warehouses as it would a bespoke fulfilment centre, but with the benefit of reduced cost and increased agility. The benefits of this infrastructure include full flexibility and control of structure, services provided, and availability of facilities; direct relationship with carriers and other providers to allow for improved negotiation position, allowing efficient pricing and ability to negotiate product offerings such as next-day deliveries on THG's terms; and no additional margin due to the use of third party intermediaries.

Before adjusted items, distribution costs have been relatively stable as a percentage of revenue in 2017, 2018 and 2019. However, with the new warehouses and facilities online and operational, THG expects to be able to leverage these for future economies of scale. THG recorded £28.1 million of adjusted items in distribution costs for the six months ended 30 June 2020, £21.6 million of which related to increased costs of fulfilment, transportation and delivery of products to customers as a result of restrictions on movements of people and goods as a result of COVID-19.

#### 3.4 *Investment in, and Scaling, THG's Global Platform*

*THG Ingenuity* is focused on the sale of end-to-end e-commerce solutions to third party clients looking to build and scale their international D2C capability. The majority of THG E-Commerce revenue (consisting of 9 per cent. of *THG Ingenuity* revenue for the six months ended 30 June 2020) is under recurring SaaS technology contracts and the majority of THG Digital revenue (consisting of 4 per cent. of *THG Ingenuity* revenue for the six months ended 30 June 2020) is recurring e-commerce brand building covering website trading, digital marketing and digital content creation services. In addition, THG offers singles service provision of content creation, hosting, translation and manufacturing services to third party clients (included in "**Other services**").

THG E-Commerce revenue growth has been driven by new customer wins, along with continued expansion in services for existing customers. In 2020, THG has seen an increasing recognition of the need for digitalisation across FMCG groups and brand owners, which has contributed to the business outperforming its forecasts, with approximately £215 million in life-of-contract revenue having been secured during the period from 1 January 2020 to 30 June 2020. As a result, THG will continue to invest in people, product and infrastructure to maintain and grow the *THG Ingenuity* platform and to drive technological innovation. THG's technology investment has increased as THG continues to recruit additional personnel and to develop THG's technology expertise across the full spectrum of engineering, architecture, infrastructure, data engineering, integrations, security, project management, and information systems and planning. As of 31 December 2019, THG had over 550 full-time technology and infrastructure employees and a further 450 *THG Ingenuity* employees, representing over 20 per cent. of THG's total headcount.

Since 1 January 2017, THG made four synergistic acquisitions to enhance its capabilities in hosting, content production, language translation and manufacturing with these businesses providing services to THG's brands, while also being offered to *THG Ingenuity* customers as part of a single end-to-end e-commerce solution. This investment is expected to help provide *THG Ingenuity's* customers with a differentiated product offering and localised consumer experience. *THG Ingenuity's* end-to-end operations include in-house content creation to achieve a high rate of customer engagement, fully localised websites, multilingual customer service, secure payment methods and seamless customs clearance and tariffs navigation. THG expects its operational expenses to increase as *THG Ingenuity* continues to grow. However, THG expects such expenses to decrease as a percentage of revenue over time as *THG Ingenuity* continues to achieve economies of scale and deliver operating leverage.

Key drivers of growth since 1 January 2017 have been:

- THG E-Commerce - Continued acceleration of the THG E-Commerce business, which is the fastest growing element of *THG Ingenuity* (148 per cent. revenue growth in the six months ended 30 June 2020 compared to the same period in the prior year);
- THG Hosting - revenue growth driven by a number of new customer wins and the opening of additional data centres, which has facilitated growth with existing customers;
- THG Fluently - revenue growth since its acquisition, and during the year ended 31 December 2019, THG Fluently translated over 25 million words for THG Own Brands (these are recorded as intercompany revenue and excluded from reported revenue), as well as provided specialist professional grade translations for UK financial, legal, governmental and professional advisory institutions like the National Health Service and a number of other sector leading groups (Kantar, Ipsos, Hilton, ExxonMobil and Thomson Reuters); and
- Manufacturing: THG acquired the beauty manufacturer and product developer Acheson & Acheson in August 2018. THG Beauty has a vertically integrated model following the acquisition of Acheson & Acheson, with full control over new product development and significantly reduced development timelines. Acheson & Acheson has long term manufacturing relationships with Elemis and Bulldog, with continued growth of these brands being the key driver of historical growth of Acheson & Acheson.

### 3.5 *Foreign currency fluctuations*

The global nature of THG's business means that it earns revenue and incurs expenses in a number of different currencies, and the currency of the revenue may not match the currency of the expense. THG trades internationally earning revenue in a variety of currencies, however, its costs are primarily in British pounds, Euros and US dollars which creates exchange rate risk. Movements in exchange rates therefore impact its results and cash flows. THG's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities. THG does not hedge translation risk.

THG's general policy is to "naturally hedge" its transactional exposure wherever possible (i.e. matching customer receipts with same denomination costs); however, THG also uses forward foreign exchange contracts where this cannot be achieved (for example, Japanese Yen where customer receipts far outweigh Japanese Yen denominated supply costs). THG's approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements, and spot transactions. Fair value is calculated using forward interest rate points to restate the hedge to fair market value.

As at 31 December 2019, THG held €600 million notional of forward contracts in respect of its Euro-denominated debt expiring in December 2022 (2018 & 2017: nil).

### 3.6 *Acquisitions*

THG has a strong track record of successfully acquiring and scaling brands, both digitally and internationally. As part of its strategy going forward, THG intends to expand or enhance the business through acquisitions, which are expected to affect THG's results of operations. Acquired brands have historically enjoyed improved margins, enhanced D2C capabilities and faster growth after integration into THG's platform.

THG historically has also made strategic acquisitions to facilitate vertical integration and add additional capabilities to complement its brand building and digital commerce activities. THG expects that acquisitions will play an important role in its overall strategy and that it will invest approximately £50 million to £150 million per annum in acquisitions, subject to opportunities. Historically THG's acquisitions have been a mix of beauty brands and assets that expand its vertical integration and its cumulative acquisition spend over the last three financial years was over £340 million. Since 1 January 2017 these include:

- in May 2019, Eddie Rockers Limited which primarily consists of the King Street Townhouse Hotel and the Great John Street Hotel, for £39.9 million and which are a part of the Other business;
- in April 2019, Christophe Robin, a luxury natural haircare brand for £44.7 million and is part of the THG Beauty business;
- in August 2018, Acheson & Acheson, a BRC A grade and FDA-approved beauty product developer and manufacturer in Somerset, UK for £52.8 million and is part of the *THG Ingenuity* business;
- in July 2018, Language Connect, a translation services company, for £12.7 million and is now known as THG Fluently and is a part of the *THG Ingenuity* business;
- in May 2018, Eyeko, a specialist prestige eye make-up brand, for £16.5 million and is part of the Beauty business;
- in October 2017, Illamasqua, a cruelty-free, colour-intense professional-grade make-up company, for £16.9 million and is part of the THG Beauty business;
- in September 2017, ESPA, a luxury, natural products and treatments for skin and body care brand, for £68.2 million and is part of the THG Beauty business;
- in August 2017, RY.com.au, an Australia-based hair and skincare prestige beauty retailer, for £6.8 million and is part of the THG Beauty business;
- in August 2017, Glossybox, a monthly subscription box brand, delivering beauty and cosmetics samples, for £17.5 million and is part of the THG Beauty business;
- in May 2017, UK2 Limited, a hosting platform, for £58.0 million and is now known as THG Hosting and is a part of the *THG Ingenuity* business; and
- in April 2017, Hangar Seven, a content creation company, for £9.2 million and is now known as THG Studios and is a part of the *THG Ingenuity* business.

THG's future acquisitions may involve the purchase of businesses or business lines (similar to those in which THG already operates) from a seller seeking to divest its assets in a specific country or region. THG will seek to capture synergies through the integration of acquired businesses into THG's operations as a whole, including the benefits from THG's supply arrangements, supply chain and distribution channels. Each of these synergies and benefits may take time to realise, and may therefore have the effect of depressing unit margins during the integration period (however, depending on the circumstances, one-off integration costs may be treated as adjusted items). Separately, because THG achieves varied margins depending on the business, acquisitions may affect THG's overall product and service mix and, therefore, margins as a whole.

Additionally, the type of market in which acquisitions are made may also affect THG's margins. Further, THG's selling and marketing costs and general and administrative cost may initially increase as a result of acquisition expenses. THG's income tax expense may also be affected when it acquires businesses in countries with different corporate or other tax rates. As a result of each of these factors, THG's profit for the period in which an acquisition was completed may not increase immediately in proportion with the increase in THG's revenues.

THG currently owns seven digitally native prestige beauty brands across the haircare, skincare and make-up categories. The Directors are focused on THG becoming the leading global digital beauty strategic

resource, and THG has identified a pipeline of attractive acquisition opportunities targeting brands with strong potential for rapid expansion through increased digital penetration and internationalisation, with this to be facilitated through *THG Ingenuity*, THG's digital ecosystem and operating platform.

Legal, financial and taxation due diligence costs related to acquisition activities in the year are included within adjusted items, given that the costs incurred are deemed inherently non-recurring. Post-acquisition reorganisation and restructuring costs, costs associated with dual site and technology costs, redundancies, onerous lease costs and other costs of a one-off nature, including store closures, are all typically included as adjusted items.

### 3.7 **COVID 19**

The importance of the D2C channel has been accentuated during the COVID-19 lockdown, with many traditional retailers closing their shops, and consumers switching to online sales channels.

As a result, THG has performed strongly during this period, with revenue for the six months ended 30 June 2020 increasing by 35.8 per cent. compared to the same period in 2019. However, growth began to stabilise but remained above pre-COVID-19 levels in June 2020 as global economies started to reopen. For example, THG acquired 976 thousand new customers in April 2020 and a further 1.1 million in May 2020, which then slowed to 824 thousand in June 2020. Additionally, global customer acquisition costs ("CAC") decreased 33 per cent. in April 2020 compared with April 2019, with the lockdown period proving to be an opportunity to achieve cost effective new customer generation. This continued as CAC decreased 28 per cent. in May 2020 and 14 per cent. in June compared the same periods in the prior year, respectively.

The Directors believe the period-on-period growth rates have been supported by a shift towards e-commerce during the COVID-19 period, and also expects that the digital shift driven, in part, by COVID will continue to provide increased revenue to the extent THG is able to retain customers acquired during this period.

This growth in online D2C sales growth was partially offset by decreases in revenue in B2B sales and service industry closures (such as THG's hotels). Additionally, some of the jurisdictional restrictions on movements of people and goods implemented during recent periods have increased the costs associated with THG's transportation, delivery and fulfilment of its orders during the period mainly due to the impact of the cargo market pricing in the six months ended 30 June 2020. Whilst the company continues to incur a number of these COVID related costs, the Directors believe their impact is outweighed by the pandemic's acceleration of the positive, structural trends underpinning THG's growth (e.g., channel shift online, increased D2C outsourcing), strengthening its competitive position in resilient categories which the Directors believe are non-discretionary (e.g., beauty and nutrition).

### 3.8 **Change in Revenue Mix**

THG's gross profit margin increased from 43.3 per cent. to 44.6 per cent. between 2017 and 2019, principally as a result of THG continuing to drive supply cost economies of scale and sell higher margin products (such as THG Own Brands) in THG Nutrition and THG Beauty, along with improved marketing revenue and vertical integration in THG Beauty, as well as by the pricing increase and volume growth in *Myprotein* on account of the comprehensive rebranding of undertaken in 2018 which enabled THG to more effectively target and develop products for the various individual segments of the nutrition market (including the vitamins, vegan and athleisure sub markets). This increase was partially offset by increased postage and fulfilment costs as THG continued to expand internationally, the change in sales mix driven by accelerating growth in third party beauty retail demand from UK customers (which is typically a lower gross margin territory reflecting lower than average basket sizes) and the acquisition of Acheson & Acheson, which is a lower gross margin business compared to THG's blended group margin. The acquisition has however provided THG with control over new product development and significantly reduced development timelines, transitioning THG towards a fully vertically integrated business model in THG Beauty.

THG E-Commerce had a gross margin of approximately 99 per cent. in the six months ended 30 June 2020, primarily due to the licence fee element leveraging THG's existing platform spend. In addition, certain THG Digital services such as content creation, website trading and performance marketing, are

also all delivered at higher margins, leading to a blended Adjusted EBITDA margin of approximately 70 per cent. across THG Digital and THG E-Commerce combined.

### 3.9 ***Refinancing and restructuring costs***

THG restructured its debt financing in 2019, obtaining a €600 million institutional Term Loan B, and a £150 million revolving credit facility (the "**2019 Refinancing**"), which was increased by a further £20 million to £170 million during the six months ended 30 June 2020. As part of this process, initial arrangement fees from terminated facilities have been included within adjusted items in 2019, as these are deemed non-recurring costs by the Board. These items are non-cash in nature as they were cash-settled over the previous period.

### 3.10 ***Expenses Related to the Reorganisation and Admission***

THG incurred a number of expenses in relation to the Reorganisation, Admission and its preparation to be a public company. For the six months ended 30 June 2020 Adjusted Items were £38.9 million (consisting primarily of COVID-19 related expenses), although the Directors expect Adjusted Items to be materially higher in the six months ended 31 December 2020 driven by costs associated with the Reorganisation and Admission, as well as the continuation of COVID-19 related expenses. Following the year ended 31 December 2020, THG does not expect any further material Adjusted Items associated with the Reorganisation, although, it does anticipate there will be ongoing costs each year as a consequence of THG's expected ongoing compliance obligations post-Admission.

### 3.11 ***Adjusted items***

THG records in its combined statements of comprehensive income data as adjusted items certain costs which are material and non-recurring in nature, including costs relating to acquisitions, legal and professional costs, tax effects, disposals and significant business restructuring programmes, some of which span multiple years.

Within distribution costs, adjusted items include costs related to (i) commissioning new facilities, (ii) decommissioning legacy facilities and (iii) transportation, delivery and fulfilment costs. The costs of commissioning and integrating distribution facilities include all the continuing costs relating to the set-up, integration and testing of the facilities. These costs are not expected to be recurring, however, they can span accounting periods and typically, depending on the scale of the facility, be incurred for up to 18 months. As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses to minimise excess capacity and cost. There often is 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, also are included within adjusted items. The ongoing COVID-19 pandemic has resulted in the Group incurring a series of material and non-recurring costs in connection with the fulfilment, transportation and delivery of products to customers. These costs principally represent incremental postage costs that have been incurred to deliver the Group's products to customers globally, particularly Asia, where due to the impact of COVID-19 on air freight, the costs of delivery have increased substantially. These increased costs have been incurred as a result of COVID-19 and treated as adjusted items within distribution costs, as they are not expected to recur.

Within administrative costs, adjusted items include share-based payments, acquisition costs, restructuring costs, other legal and professional costs, donations and other COVID-19 related costs and workforce costs. THG operates share-based compensation plans under which THG 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 reported as an adjusted item. See Note 4 of Section B of Part VII (*Historical Financial Information*) and Note 3 of Section C of Part VII (*Historical Financial Information*).



#### 4. **Business Units**

THG operates in four businesses.

- **THG Nutrition** – A manufacturer and online D2C retailer of nutrition products and owner of the *Myprotein* brand, including its family brands *Myvegan*, *Myvitamins*, *MP Clothing* and *Myprotein Pro*;
- **THG Beauty** – THG Beauty is a leading digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining THG's portfolio of seven prestige owned brands across skincare, haircare and cosmetics with the provision of a global route to market for over 850 third-party beauty brands through its portfolio of websites, including *Lookfantastic*, *Skinstore* and *Mankind*, and the beauty subscription box brand, *Glossybox*.
- **THG Ingenuity** – THG Ingenuity provides an end-to-end direct-to-consumer e-commerce solution for consumer brand owners under SaaS licences, in addition to stand-alone digital services, including hosting, studio content and translation. This business also includes THG's in-house beauty product development and contract manufacturing business, *Acheson & Acheson*.
- **Other** – This business consists of the THG Lifestyle (consumer and luxury products) and THG Experience (Hale Country Club, King Street Townhouse Hotel and the Great John Street Hotel) businesses.

#### 5. **Key Performance Indicators**

The Directors consider Revenue, Gross Profit, Adjusted EBITDA, Underlying Net Income and Adjusted Free Cash Flow to be the financial KPIs used by THG to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors also consider certain KPIs on a business by business basis, which include:

- THG Beauty and THG Nutrition businesses
  - Revenue
  - Active Customers
  - Number of Orders
  - Average Order Value
- THG Ingenuity
  - Revenue

The Directors believe that these KPIs, in addition to IFRS measures, provide an enhanced understanding of THG's results and related trends, therefore increasing transparency and clarity of the core results of the business. The Directors believe these metrics are useful in evaluating THG's operating performance. For more information, see Part V (*Selected Financial Information – Alternative Performance Measures and Key Performance Indicators*).

#### 6. **Description of Line Items in THG's Statement of Comprehensive Income**

##### 6.1 **Revenue**

Revenue consists primarily of internet sales, which are sales recorded net of an appropriate deduction for actual and expected returns and sales taxes and are recognised at a point in time when the customer receives the item. The transaction price is allocated to performance obligations on a relative stand-alone selling price basis.

Revenue for services provided is recognised over time as the services promised are transferred to the customers. THG uses an input method to measure progress towards complete satisfaction of a performance obligation, because the customers simultaneously receive and consume the benefits

provided by THG and there is a direct relationship between THG's effort (i.e., labour hours incurred) and the transfer of service to the customers. Fees recognised in respect of memberships are recorded on a straight-line basis over the membership period.

When THG acts as principal in sale of goods and services, revenue from customers and costs with suppliers are reported on a gross basis. When THG acts as agent in sale of goods and services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned. Whether THG is acting as principal or agent depends on management's analysis of both the legal form and substance of the agreement between THG and its business partners. Revenue for internet hosting contracts and domain renewal services is recognised on a straight-line basis over the relevant period. Income which is invoiced in advance is recorded as deferred income on the balance sheet and released to the profit and loss account over the periods in which the services are provided.

## 6.2 *Cost of sales*

Cost of sales consists of the direct costs associated with the delivery of a product or service, the nature and composition of which varies by business.

Cost of sales includes the cost of raw materials and packaging for goods manufactured internally (e.g., Nutrition or internally manufactured THG Brands), in addition to the costs incurred with manufacturing the product (principally labour). This line item also includes the cost of purchasing third-party brand products retailed on THG Beauty websites, such as *Lookfantastic* and *Skinstore*.

Within Ingenuity, the cost of sales includes the cost of freelancer translators and the variable costs within the hosting business (including power and bandwidth), in addition to the direct costs associated with delivery of E-commerce contracts.

## 6.3 *Distribution costs*

Distribution costs primarily consist of the costs associated with fulfilling orders, including transportation, postage and fulfilment costs, in addition to merchant transaction fees on processing card transactions.

## 6.4 *Administrative costs*

Administrative costs consist of the costs not already captured within the cost of sales or distribution cost lines, and include THG's marketing, employee and office lease costs.

## 6.5 *Depreciation*

Depreciation relates to the annual write down of THG's fixed assets over their respective estimated useful life. The policy for calculating the annual charge varies by category as follows;

- Plant and machinery – 5 – 10 years
- Fixtures and fittings – 3 – 20 years
- Computer equipment and software – 1 – 10 years
- Freehold buildings – 20 – 50 years
- Motor vehicles – 3 – 7 years
- Leasehold improvements – lower of lease term or asset life

## 6.6 *Amortisation*

Amortisation relates to the annual write down in the value of THG's intangible assets, with the annual charge being calculated on a straight-line basis over their estimated useful economic life. The estimates of useful economic lives are reviewed on an annual basis, and any changes are reflected as changes in amortisation period and are treated as changes in accounting estimates.

The following useful economic useful lives are applied;

- Platform development costs – 1 – 5 years
- Brands – 5 years – indefinite
- Intellectual property (including customers lists, domain and trade names) – 2 – 10 years
- Computer software – 1 – 10 years

#### 6.7 ***Share-based payments***

THG operates share-based compensation plans, under which THG 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 recorded as an adjusted item.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, THG revises its estimates of the number of equity instruments that are expected to vest based on non-market vesting conditions, along with taking account of any equity instruments that may have been cancelled or modified in the period. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Share subscriptions by employees in the Company that holds the growth shares are included within the employee benefit scheme reserve. When the equity instruments are exercised or growth shares in THG are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credited to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credited to the share premium account. Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. THG has an employee benefit trust (EBT) which facilitates an internal market for participants in employee share schemes to sell their shares in the Company. Shares held are recognised at cost as a deduction from shareholding equity. Subsequent consideration received for the sale of such shares is also recognised in equity.

#### 6.8 ***Finance income***

Finance income primarily consists of the interest received on THG's cash deposits.

#### 6.9 ***Finance costs***

Finance costs primarily relates to the interest and amortisation of arrangement fees on THG's borrowings, in addition to the implicit interest charges on lease liabilities.

#### 6.10 ***Income tax (charge) / credit***

Income tax (charge) / credit relates to the taxation as a result of THG's operations globally, with the relevant amounts calculated on an individual territory basis, where applicable.

### 7. **Results of Operations**

The table below presents THG's results of operations for the periods indicated, and has been extracted without material adjustment from the historical financial information set out in Part VII (*Historical Financial Information*).

	For the six months ended 30 June					
	2020			2019		
	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total
	(£ 000)					
Revenue.....	675,644	-	675,644	497,489	-	497,489
Cost of sales.....	(371,999)	-	(371,999)	(272,772)	-	(272,772)
Gross Profit.....	303,645	-	303,645	224,717	-	224,717
Distribution costs.....	(121,750)	(28,068)	(149,818)	(87,948)	(3,232)	(91,180)
Administrative costs.....	(168,595)	(10,861)	(179,456)	(127,071)	(9,583)	(136,654)
<b>Operating profit/(loss).....</b>	<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
<b>Adjusted EBITDA.....</b>	<b>60,534</b>	<b>(38,738)</b>	<b>21,796</b>	<b>47,605</b>	<b>(5,693)</b>	<b>41,912</b>
Depreciation.....	(22,970)	-	(22,970)	(19,602)	-	(19,602)
Amortisation.....	(24,264)	-	(24,264)	(18,305)	-	(18,305)
Share-based payments.....	-	(191)	(191)	-	(7,122)	(7,122)
<b>Operating profit/(loss).....</b>	<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
Finance income.....	77	-	77	62	-	62
Finance costs.....	(24,270)	-	(24,270)	(12,628)	-	(12,628)
<b>Profit/(loss) before taxation.....</b>	<b>(10,893)</b>	<b>(38,929)</b>	<b>(49,822)</b>	<b>(2,868)</b>	<b>(12,815)</b>	<b>(15,683)</b>
Income tax (charge)/credit.....	(1,236)	6,701	5,465	(1,589)	2,280	691
<b>Profit/(loss) for the period.....</b>	<b>(12,129)</b>	<b>(32,228)</b>	<b>(44,357)</b>	<b>(4,457)</b>	<b>(10,535)</b>	<b>(14,992)</b>

<sup>1</sup> Adjusted items include refinancing and restructuring costs, share-based payments, food production and distribution facility costs, acquisition and legal and professional costs and other exceptional items that are not considered to represent the underlying operational performance, and, based on their significance in size or nature, are presented separately to provide further understanding of the underlying financial performance of THG. See Note 3 of Section C of Part VII (*Historical Financial Information*).

	For the year ended 31 December								
	2019			2018			2017		
	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total	Before Adjusted Items	Adjusted Items <sup>(1)</sup>	Total
	(£ 000)								
Revenue.....	1,140,260	-	1,140,260	915,758	-	915,758	735,652	-	735,652
Cost of sales.....	(631,447)	-	(631,447)	(498,279)	-	(498,279)	(417,190)	-	(417,190)
<b>Gross Profit.....</b>	<b>508,813</b>	-	<b>508,813</b>	<b>417,479</b>	-	<b>417,479</b>	<b>318,462</b>	-	<b>318,462</b>
Distribution costs.....	(201,140)	(9,556)	(210,696)	(154,926)	(9,545)	(164,471)	(123,646)	(15,315)	(138,961)
Administrative costs.....	(277,448)	(35,647)	(313,095)	(227,781)	(21,504)	(249,285)	(168,445)	(16,308)	(184,753)
<b>Operating profit/(loss).....</b>	<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
<b>Adjusted EBITDA.....</b>	<b>111,343</b>	<b>(17,951)</b>	<b>93,392</b>	<b>86,248</b>	<b>(23,991)</b>	<b>62,257</b>	<b>64,687</b>	<b>(31,623)</b>	<b>33,064</b>
Depreciation.....	(41,942)	-	(41,942)	(18,657)	-	(18,657)	(15,859)	-	(15,859)
Amortisation.....	(39,176)	-	(39,176)	(32,819)	-	(32,819)	(22,457)	-	(22,457)
Share-based payments.....	-	(27,252)	(27,252)	-	(7,058)	(7,058)	-	-	-
<b>Operating profit/(loss).....</b>	<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
Finance income.....	133	-	133	162	-	162	315	-	315
Finance costs.....	(26,261)	(7,951)	(34,212)	(14,171)	-	(14,171)	(6,377)	-	(6,377)
<b>Profit/(loss) before taxation.....</b>	<b>4,097</b>	<b>(53,154)</b>	<b>(49,057)</b>	<b>20,763</b>	<b>(31,049)</b>	<b>(10,286)</b>	<b>20,309</b>	<b>(31,623)</b>	<b>(11,314)</b>
Income tax (charge)/credit ...	(4,305)	5,172	867	(3,099)	3,222	123	(3,597)	4,615	1,018
<b>Profit/(loss) for the financial year.....</b>	<b>(208)</b>	<b>(47,982)</b>	<b>(48,190)</b>	<b>17,664</b>	<b>(27,827)</b>	<b>(10,163)</b>	<b>16,712</b>	<b>(27,008)</b>	<b>(10,296)</b>

<sup>1</sup> Adjusted items are items which are material and non-recurring in nature and include costs relating to acquisitions, disposal and significant business restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of THG. See Note 4 of Section B of Part VII (*Historical Financial Information*).

## 7.1 Comparison of results of operations for six months ended 30 June 2020 and 30 June 2019

### Revenue

THG's revenue for the six months ended 30 June 2020 was £675.6 million, an increase of £178.1 million, or 35.8 per cent., compared with £497.5 million for the six months ended 30 June 2019. The increase was principally a result of continued growth in THG Beauty and THG Nutrition e-commerce sales (with an online group period-on-period revenue increase of 48 per cent.).

The below table shows THG's revenue by business for the periods indicated.

	For the six months ended 30 June	
	2020	2019
	<b>Revenue</b>	
	(£ 000s)	
THG Nutrition.....	257,957	197,721
THG Beauty.....	295,628	190,218
THG Ingenuity.....	61,434	61,054
Other.....	60,625	48,496
<b>Total</b> .....	<b>675,644</b>	<b>497,489</b>

### THG Nutrition

THG Nutrition revenue for the six months ended 30 June 2020 was £258.0 million, an increase of £60.3 million, or 30.5 per cent., compared with £197.7 million for the six months ended 30 June 2019. The increase was principally a result of continued growth in sales globally, which has been supported by the *Myprotein* rebranding exercise undertaken in the fourth quarter of 2018 and a shift towards e-commerce throughout the COVID-19 lockdown period.

### THG Beauty

THG Beauty revenue for the six months ended 30 June 2020 was £295.6 million, an increase of £105.4 million, or 55.4 per cent., compared with £190.2 million in the six months ended 30 June 2019. The increase was principally a result of accelerating product sales globally across a variety of channels and brands, which was partially supported by a shift towards e-commerce throughout the COVID-19 lockdown period. In THG Beauty, THG's Beauty Brands had an online period-on-period revenue increase of 55 per cent. in the six months ended 30 June 2020.

### THG Ingenuity

THG Ingenuity revenue for the six months ended 30 June 2020 was £61.4 million, an increase of £0.3 million, or 0.5 per cent., compared with £61.1 million for the six months ended 30 June 2019. The increase was principally a result of the new contracts secured for the THG E-Commerce business, in addition to those secured during 2019 beginning to scale, which was partially offset by a decline in manufacturing for third parties as a result of the impact that the COVID-19 pandemic had on the division's customer base (particularly prestige brands that were impacted by widespread store closures).

### Other

Other revenue for the six months ended 30 June 2020 was £60.6 million, an increase of £12.1 million, or 24.9 per cent., compared with £48.5 million for the six months ended 30 June 2019. The increase was principally a result of continued growth of THG's Lifestyle and Luxury product sales, which were partially offset by a reduction in THG Experience revenue in light of its site closures during the COVID-19 lockdown period in the UK.

The below table shows THG's revenue by geographic region for the periods indicated.

	For the six months ended 30 June	
	2020	2019
	<b>Revenue</b>	
	(£ 000s)	
United Kingdom.....	254,455	174,935
Europe (excluding the United Kingdom).....	168,143	127,095
Rest of the world.....	253,046	195,459
<b>Total</b> .....	<b>675,644</b>	<b>497,489</b>

THG's revenue in the six months ended 30 June 2020 reflected strong trading performance in all of its principal geographic regions. THG's revenue growth in the six months ended 30 June 2020, has been broadly spread, and period-on-period revenue increased 45.5 per cent. in the UK, 32.3 per cent in Europe and 29.4 per cent. in the Rest of the World.

### *Cost of Sales*

THG's cost of sales for the six months ended 30 June 2020 was £372.0 million, an increase of £99.2 million, or 36.4 per cent., compared with £272.8 million for the six months ended 30 June 2019. The increase was principally a result of the increase in revenue during the period and the corresponding increase in the costs of the products sold.

### *Gross profit*

THG's gross profit for the six months ended 30 June 2020 was £303.6 million, an increase of £78.9 million, or 35.1 per cent., compared with £224.7 million for the six months ended 30 June 2019. THG's gross profit margin for the six months ended 30 June 2020 was 44.9 per cent. compared with 45.2 per cent. for the six months ended 30 June 2019. The slight gross margin decline was principally a result of accelerating growth in third-party beauty sales to UK-based customers during the COVID-19 lockdown period, with the UK being a lower margin territory in comparison to other key markets, such as Asia. The decline in gross margin was partially offset by an increase in *THG Ingenuity's* gross margin which was supported by growth in THG E-Commerce (THG's e-commerce platform) revenue, which is the highest margin business of THG.

### *Distribution costs*

THG's distribution costs for the six months ended 30 June 2020 was £149.8 million, an increase of £58.6 million, or 64.3 per cent., compared with £91.2 million for the six months ended 30 June 2019. Distribution costs for the six months ended 30 June 2020 included costs of £28.1 million recorded as adjusted items, which included £21.6 million related to transportation, delivery and fulfilment costs which were associated with COVID-19. Distribution costs for the six months ended 30 June 2019 included costs of £3.2 million recorded as adjusted items, which were principally related to the costs associated with commissioning the new distribution centres in Poland and Singapore. THG's distribution costs before adjusted items for the six months ended 30 June 2020 were £121.8 million, an increase of £33.9 million, or 38.6 per cent., compared to £87.9 million for the six months ended 30 June 2019. The increase was principally a result of the variable nature of these costs, combined with the continued increase in revenue.

### *Administrative costs*

THG's administrative costs for six months ended 30 June 2020 were £179.5 million, an increase of £42.8 million, or 31.3 per cent., compared with £136.7 million for the six months ended 30 June 2019. Administrative costs for the six months ended 30 June 2020 included costs of £10.9 million recorded as adjusted items, which were principally related to one-off costs caused by COVID-19, principally donations and work-related costs. Administrative costs for the six months ended 30 June 2019 included costs of £9.6 million recorded as adjusted items, which were principally related to share based payment charges and the costs associated with acquisitions and the 2019 Refinancing. THG's administrative costs before adjusted items for the six months ended 30 June 2020 were £168.6 million, an increase of £41.5 million, or 32.7 per cent., compared with £127.1 million for the six months ended 30 June 2019. The increase was principally as a result of the continued investment in the employee base and the associated staff costs arising from the increased headcount, as well as an increase in marketing investment.

### *Operating profit/loss*

THG's operating loss for the six months ended 30 June 2020 was £25.6 million, an increase of £22.5 million, compared with £3.1 million for the six months ended 30 June 2019. Operating losses for the six months ended 30 June 2020 included costs recorded as adjusted items of £38.9 million as discussed above. Operating losses for the six months ended 30 June 2019 included costs recorded as adjusted items of £12.8 million as discussed above. THG had an operating profit before adjusted items for the six months ended 30 June 2020 of £13.3 million, an increase of £3.6 million, or 37.1 per cent., compared with an operating profit before adjusted items of £9.7 million for the six months ended 30 June 2019. The increase was principally a result of the revenue growth due to a shift to e-commerce during the COVID-19 lockdown period.

### *Adjusted EBITDA*

THG's Adjusted EBITDA for the six months ended 30 June 2020 was £60.5 million, an increase of £12.9 million, or 27.1 per cent., compared with £47.6 million in the six months ended 30 June 2019. The increase reflected the increase in the Group's revenue and gross profit.

### *Depreciation*

THG's depreciation for the six months ended 30 June 2020 was £23.0 million, an increase of £3.4 million, or 17.3 per cent., compared with £19.6 million for the six months ended 30 June 2019. This was principally a result of the continued tangible asset investment in the six months ended 30 June 2019 and 2020, thus increasing the period's depreciation charge.

### *Amortisation*

THG's amortisation for the six months ended 30 June 2020 was £24.3 million, an increase of £6.0 million, or 32.8 per cent., compared with £18.3 million in the six months ended 30 June 2019. The increase was principally a result of continued intangible asset investment in 2020, thus increasing the period's amortisation charge.

### *Share-based payments*

THG's share-based payments for the six months ended 30 June 2020 were £0.2 million, a decrease of £6.9 million, compared with £7.1 million for the six months ended 30 June 2019. The decrease was principally a result of the expiry of old share schemes.

### *Finance costs*

THG's finance costs for the six months ended 30 June 2020 were £24.3 million, an increase of £11.7 million, compared with £12.6 million for the six months ended 30 June 2019. The increase was principally a result of the higher quantum of interest-bearing debt and the associated interest terms following the 2019 Refinancing.

### *Profit/loss before taxation*

THG's loss before taxation for the six months ended 30 June 2020 was £49.8 million, an increase of £34.1 million, compared with £15.7 million for the six months ended 30 June 2019. Losses before taxation for the six months ended 30 June 2020 included costs of £38.9 million recorded as adjusted items as discussed above. Losses before taxation for the six months ended 30 June 2019 included costs of £12.8 million recorded as adjusted items as discussed above. THG's loss before taxation before adjusted items for the six months ended 30 June 2020 of £10.9 million, an increase of £8.0 million, compared with a loss before taxation before adjusted items of £2.9 million in the six months ended 30 June 2019. The increase was principally a result of an increase in finance costs as a result of the 2019 Refinancing.

### *Income tax credit*

THG's income tax credit for the six months ended 30 June 2020 was £5.5 million, an increase of £4.8 million, compared with £0.7 million for the six months ended 30 June 2019. Income tax credits for the six months ended 30 June 2020 included credits of £6.7 million recorded as adjusted items. Income tax credits for the six months ended 30 June 2019 included credits of £2.3 million recorded as adjusted items. THG had an income tax charge before adjusted items for the six months ended 30 June 2020 of £1.2 million, a decrease of £0.4 million, compared with an income tax charge before adjusted items of £1.6 million for the six months ended 30 June 2019.

### *Loss for the period*

THG's loss for the period for the six months ended 30 June 2020 was £44.4 million, an increase of £29.4 million, compared with £15.0 million for the six months ended 30 June 2019. The loss for the period for the six months ended 30 June 2020 included costs of £32.2 million recorded as adjusted items as discussed above. The loss for the period for the six months ended 30 June 2019 included costs of £10.5 million recorded as adjusted items as discussed above. THG's loss for the period before adjusted items was £12.1

million, an increase of £7.6 million, compared with £4.5 million for the six months ended 30 June 2019. The increase was principally a result of an increase in finance costs as a result of the 2019 Refinancing.

## 7.2 *Comparison of results of operations for year ended 31 December 2019 and 31 December 2018*

### *Revenue*

THG's revenue for the year ended 31 December 2019 was £1,140.3 million, an increase of £224.5 million, or 24.5 per cent., compared with £915.8 million for the year ended 31 December 2018. The increase was principally a result of organic growth of the THG Beauty, THG Nutrition and *THG Ingenuity* businesses. Revenue growth was also due in part by acquisitions undertaken during 2019, in addition to the full-year impact of acquisitions undertaken during 2018.

The below table shows THG's revenue by business for the periods indicated.

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>Revenue</b>	
	(£ 000s)	
THG Nutrition.....	412,913	351,140
THG Beauty.....	478,260	378,509
<i>THG Ingenuity</i> .....	127,921	80,028
Other.....	121,166	106,081
<b>Total</b> .....	<b>1,140,260</b>	<b>915,758</b>

### THG Nutrition

THG Nutrition revenue for the year ended 31 December 2019 was £412.9 million, an increase of £61.8 million, or 17.6 per cent., compared with £351.1 million for the year ended 31 December 2018. The increase was principally a result of THG's increased growth across its Asian markets. The sales growth was supported by *Myprotein's* comprehensive rebrand undertaken in the fourth quarter of 2018, which enabled THG to more effectively target and develop products for the various individual segments of the THG Nutrition market (including the vitamins, vegan and athleisure sub-markets).

### THG Beauty

THG Beauty revenue for the year ended 31 December 2019 was £478.3 million, an increase of £99.8 million, or 26.4 per cent., compared with £378.5 million for the year ended 31 December 2018. The increase was principally a result of organic growth in the business's third-party beauty and *Glossybox* sites, which was supported further by the underlying global beauty market trends (including an ongoing shift to e-commerce and premiumisation within the beauty space). The full year effect of the 2018 acquisition *Eveko*, in addition to the *Christophe Robin* acquisition in 2019, also contributed to the business's revenue growth.

### THG Ingenuity

*THG Ingenuity* revenue for the year ended 31 December 2019 was £127.9 million, an increase of £47.9 million, or 59.9 per cent., compared with £80.0 million for the year ended 31 December 2018. The increase was principally a result of the acquisitions of Acheson & Acheson and Language Connect in 2018, with a full year's revenue for both being realised in 2019. In addition, the increase in revenue during 2019, was due in part to revenues from several new *THG Ingenuity* contracts secured during the year continuing to scale.

### Other

Other revenue for the year ended 31 December 2019 was £121.2 million, an increase of £15.1 million, or 14.2 per cent., compared with £106.1 million for the year ended 31 December 2018. The increase was principally a result of continued organic revenue growth in THG's Lifestyle and Luxury retail businesses, in addition to the acquisition of Eclectic Hotels in 2019.



The below table shows THG's revenue by geographic region for the periods indicated.

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>Revenue</b>	
	( <i>£ 000s</i> )	
United Kingdom .....	398,735	307,891
Europe (excluding the United Kingdom) .....	277,687	240,676
Rest of the world.....	463,838	367,191
<b>Total</b> .....	<b>1,140,260</b>	<b>915,758</b>

THG's revenue the year ended 31 December 2019 reflected strong trading performance in all of its principal geographic regions. THG's revenue in the year ended 31 December 2019 in particular benefited from the expansion of *Myprotein*, most notably in Asia, and the growth of *Lookfantastic*, most notably in the UK.

#### *Cost of Sales*

THG's cost of sales for the year ended 31 December 2019 was £631.4 million, an increase of £133.1 million, or 26.7 per cent., compared with £498.3 million for the year ended 31 December 2018. The increase was principally a result of the continued sales growth in the business and the corresponding increase in the costs of the products sold.

#### *Gross profit*

THG's gross profit for the year ended 31 December 2019 was £508.8 million, an increase of £91.3 million, or 21.9 per cent., compared with £417.5 million for the year ended 31 December 2018. THG's gross profit margin for the year ended 31 December 2019 was 44.6 per cent. compared to 45.6 per cent. in the year ended 31 December 2018.

THG's gross profit margin decreased in 2019 due primarily to changes in its sales mix and revenue growth in THG Beauty, which reflected rapid acceleration of third-party brand sales largely driven by UK customers. Sales of third-party brands typically result in a lower gross margin than sales of THG Beauty Own Brands. The gross margin percentage decline was also partially driven by the impact of the Acheson & Acheson acquisition (which is a lower gross margin business compared to THG's overall gross margin).

#### *Distribution costs*

THG's distribution costs for the year ended 31 December 2019 were £210.7 million, an increase of £46.2 million, or 28.1 per cent., compared to £164.5 million for the year ended 31 December 2018. Distribution costs for the year ended 31 December 2019 included costs of £9.6 million recorded as adjusted items, which included the costs associated with commissioning the new distribution centres in Poland and Singapore. Distribution costs for the year ended 31 December 2018 included costs of £9.5 million recorded as adjusted items, which were principally related to the costs associated with the commissioning of the Cheshire distribution centre. THG's distribution costs before adjusted items for the year ended 31 December 2019 were £201.1 million, an increase of £46.2 million, or 29.8 per cent., compared to £154.9 million for the year ended 31 December 2018. The increase was principally a result of the continued sales growth in the business and the variable nature of these costs.

#### *Administrative costs*

THG's administrative costs for the year ended 31 December 2019 were £313.1 million, an increase of £63.8 million, or 25.6 per cent., compared to £249.3 million for the year ended 31 December 2018. Administrative costs for the year ended 31 December 2019 included costs of £35.6 million recorded as adjusted items, which were principally related to share based payment charges and the costs associated with acquisitions and the 2019 Refinancing. Administrative costs for the year ended 31 December 2018 included costs of £21.5 million recorded as adjusted items, which were principally related to acquisitions and legal restructuring costs. THG's administrative costs before adjusted items for the year ended 31 December 2019 were £277.4 million, an increase of £49.6 million, or 21.8 per cent., compared with £227.8 million for the year ended 31 December 2018. The increase was principally a result of THG's continued investment in its employee base and the associated costs with the increase in headcount, in addition to a marketing investment to drive customer acquisition.

### *Operating profit/loss*

THG's operating loss for the year ended 31 December 2019 was £15.0 million compared with an operating profit of £3.7 million in the year ended 31 December 2018. Operating losses for the year ended 31 December 2019 included costs of £45.2 million recorded as adjusted items as discussed above. Operating profit for the year ended 31 December 2018 included costs of £31.0 million recorded as adjusted items as discussed above. THG had operating profit before adjusted items for the year ended 31 December 2019 of £30.2 million, a decrease of £4.6 million, or 13.2 per cent., compared with operating profit before adjusted items of £34.8 million for the year ended 31 December 2018. This was principally a result of the increase in depreciation and amortisation.

### *Adjusted EBITDA*

THG's Adjusted EBITDA before adjusted items for the year ended 31 December 2019 was £111.3 million, an increase of £25.1 million, or 29.1 per cent., compared with £86.2 million for the year ended 31 December 2018. The increase was principally a result of the aforementioned increases in revenue and gross profit, which were partially offset by the increases in the operational cost base. Adjusted EBITDA in 2019 was also impacted by the introduction of IFRS 16, which resulted in certain lease costs being capitalised and therefore not included in the Adjusted EBITDA presented (the treatment of IFRS 16 is in line with the adoption of the modified retrospective approach). Adjusted EBITDA for the year ended 31 December 2019 included costs of £18.0 million recorded as adjusted items as discussed above. Adjusted EBITDA for the year ended 31 December 2018 included costs of £24.0 million recorded as adjusted items which were related to the reasons outlined above.

### *Depreciation*

THG's depreciation for the year ended 31 December 2019 was £41.9 million, an increase of £23.2 million, or 124.1 per cent., compared with £18.7 million for the year ended 31 December 2018. The increase was principally a result of the continued tangible asset investment in 2018 and 2019, thus increasing the annual depreciation charge.

### *Amortisation*

THG's amortisation for the year ended 31 December 2019 was £39.2 million, an increase of £6.4 million, or 19.5 per cent., compared with £32.8 million for the year ended 31 December 2018. The increase was principally a result of the continued intangible asset investment in 2018 and 2019, thus increasing the annual amortisation charge.

### *Share-based payments*

THG's share-based payments for the year ended 31 December 2019 were £27.3 million, an increase of £20.2 million, or 284.5 per cent., compared with £7.1 million in the year ended 31 December 2018. This was principally as a result of the achievement in 2019 of the conditions associated with the share schemes. Share-based payments are treated as adjusting items.

### *Finance costs*

THG's finance costs for the year ended 31 December 2019 were £34.2 million, an increase of £20.0 million, or 140.8 per cent., compared with £14.2 million for the year ended 31 December 2018. Finance costs for the year ended 31 December 2019 included costs of £8.0 million recorded as adjusted items which were related to the non-cash write-off of previous arrangement fees as a result of the 2019 Refinancing. THG's finance costs before adjusted items for the year ended 31 December 2019 were £26.3 million, an increase of £12.1 million, or 85.2 per cent., compared with £14.2 million for the year ended 31 December 2018. The increase was principally a result of increasing interest costs associated with the higher levels of average debt throughout the year.

### *Profit/Loss before taxation*

THG's loss before taxation for the year ended 31 December 2019 was £49.1 million, an increase of £38.8 million, compared with a loss before taxation of £10.3 million in the year ended 31 December 2018. Losses before taxation for the year ended 31 December 2019 included costs of £53.2 million recorded as adjusted items as discussed above. Losses before taxation for the year ended 31 December 2018 included

costs of £31.0 million recorded as adjusted items as discussed above. THG had a profit before taxation before adjusted items for the year ended 31 December 2019 of £4.1 million, a decrease of £16.7 million, or 80.3 per cent., compared with a profit before taxation before adjusted items of £20.8 million in the year ended 31 December 2018. The increase was principally a result of higher depreciation and amortisation expenses in the year ended 31 December 2019.

#### *Income tax charge/credit*

THG's income tax credit for the year ended 31 December 2019 was £0.9 million, an increase of £0.8 million, compared with a credit of £0.1 million in the year ended 31 December 2018. The income tax credit for the year ended 31 December 2019 included credits of £5.2 million recorded as adjusted items which were principally related to the adjusting items associated with the warehouse rollout. The income tax charge for year ended 31 December 2018 included credits of £3.2 million recorded as adjusted items which were principally related to the adjusting items associated with the warehouse rollout. THG's income tax charges before adjusted items for the year ended 31 December 2019 were £4.3 million, an increase of £1.2 million, or 38.7 per cent., compared with charges of £3.1 million for the year ended 31 December 2018. This was principally as a result of the change from a profit before taxation in 2018 to a loss before taxation in 2019.

#### *Profit/Loss for the financial year*

THG's loss for the financial year for the year ended 31 December 2019 was £48.2 million, an increase of £38.0 million, compared with £10.2 million for the year ended 31 December 2018. The loss for the financial year for the year ended 31 December 2019 included costs of £48.0 million recorded as adjusted items as discussed above. The loss for the financial for the year ended 31 December 2018 included costs of £27.8 million recorded as adjusted items as discussed above. THG recorded £0.2 million in loss for the financial year before adjusted items for the year ended 31 December 2019, compared with a profit for the financial year of £17.7 million in the year ended 31 December 2018. This was principally as a result of the increase in costs during the year ended 31 December 2019.

### 7.3 ***Comparison of results of operations for year ended 31 December 2018 and 31 December 2017***

#### *Revenue*

THG's revenue for the year ended 31 December 2018 was £915.8 million, an increase of £180.1 million, or 24.5 per cent., compared with £735.7 million for the year ended 31 December 2017. This was principally as a result of continued organic growth in THG's Beauty business, in addition to the full-year impact in 2018 of the acquisitions undertaken during 2017, including THG Hosting, *Glossybox* and *ESPA*.

The below table shows THG's revenue by business for the periods indicated.

	<b>For the year ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>Revenue</b>	
	( <i>£ 000s</i> )	
THG Nutrition.....	351,140	344,170
THG Beauty.....	378,509	253,024
THG Ingenuity.....	80,028	39,752
Other.....	106,081	98,706
<b>Total.....</b>	<b>915,758</b>	<b>735,652</b>

#### THG Nutrition

THG Nutrition revenue for the year ended 31 December 2018 was £351.1 million, an increase of £6.9 million, or 2.0 per cent., compared with £344.2 million in the year ended 31 December 2017. This was principally as a result of continued growth across THG's D2C channels, which accelerated following the successful rebrand of *Myprotein* in the fourth quarter of 2018. The increase was partially offset by THG's decision to remove a selection of B2B customers and pause new product development and brand marketing while the rebrand took place, which impacted revenue growth during the year.

### THG Beauty

THG Beauty revenue for the year ended 31 December 2018 was £378.5 million, an increase of £125.5 million, or 49.6 per cent., compared with £253.0 million for the year ended 31 December 2017. The increase was principally a result of continued organic growth in the business's third-party beauty sales through sites such as *Lookfantastic*, in addition to the full-year impact in 2018 of the acquisitions undertaken during 2017, including *Glossybox*, *ESPA* and *Illamasqua*, in addition to the acquisition of *Eyeoko* in 2018.

### THG Ingenuity

*THG Ingenuity* revenue for the year ended 31 December 2018 was £80.0 million, an increase of £40.2 million, or 101.0 per cent., compared with £39.8 million for the year ended 31 December 2017. The increase was principally a result of the full-year effect in 2018 from the acquisitions of THG Hosting and Hangar Seven in 2017, in addition to the acquisitions of THG Fluently and Acheson & Acheson in 2018.

### Other

Other revenue for the year ended 31 December 2018 was £106.1 million, an increase of £7.4 million, or 7.5 per cent., compared with £98.7 million for the year ended 31 December 2017. The increase was principally a result of growth in the Consumer and Luxury retail businesses.

The below table shows THG's revenue by geographic region for the periods indicated.

	For the year ended 31 December	
	2018	2017
	<b>Revenue</b>	
	(£ 000s)	
United Kingdom .....	307,891	223,017
Europe (excluding the United Kingdom) .....	240,676	214,020
Rest of the world .....	367,191	298,615
<b>Total</b> .....	<b>915,758</b>	<b>735,652</b>

The Group's increase in revenue in the UK and the Rest of the word was principally a result of continued organic growth in THG Beauty. Growth in the UK was also aided by the full-year impact in 2018 of UK business acquired during 2017, which included *ESPA* and *Illamasqua*, and of UK businesses acquired in 2018, which included Acheson & Acheson and Language Connect. Sales growth outside the UK was aided by the acquisitions of *Glossybox* and *UK2*, which each principally have a non-UK customer base.

### *Cost of Sales*

THG's cost of sales for the year ended 31 December 2018 was £498.3 million, an increase of £81.1 million, or 19.4 per cent., compared with £417.2 million for the year ended 31 December 2017. The increase was principally a result of continued revenue growth and the corresponding increase in the costs of the products sold.

### *Gross profit*

THG's gross profit for the year ended 31 December 2018 was £417.5 million, an increase of £99.0 million, or 31.1 per cent., compared with £318.5 million for the year ended 31 December 2017. The increase was principally a result of the continued revenue growth in the business. THG's gross profit margin for the year ended 31 December 2018 was 45.6 per cent. compared with 43.3 per cent. for the year ended 31 December 2017.

The increase in gross profit margin was primarily driven by margin improvements in both the Nutrition and Beauty businesses, as THG continued to drive supply cost economies of scale and higher margin product sales (such as THG Beauty Own Brands).

### *Distribution costs*

THG's distribution costs for the year ended 31 December 2018 were £164.5 million, an increase of £25.5 million, or 18.3 per cent., compared with £139.0 million for the year ended 31 December 2017. Distribution costs for the year ended 31 December 2018 included costs of £9.5 million recorded as

adjusted items which were principally related to the commissioning of new distribution facilities. Distribution costs for the year ended 31 December 2017 included costs of £15.3 million recorded as adjusted items which were principally related to the commissioning of new distribution facilities. THG's distribution costs before adjusted items for the year ended 31 December 2018 were £154.9 million, an increase of £31.3 million, or 25.3 per cent., compared with £123.6 million for the year ended 31 December 2017. This was principally as a result of continued revenue growth and the variable nature of these costs.

#### *Administrative costs*

THG's administrative costs for the year ended 31 December 2018 were £249.3 million, an increase of £64.5 million, or 34.9 per cent., compared with £184.8 million for the year ended 31 December 2017. Administrative costs for the year ended 31 December 2018 included costs of £21.5 million recorded as adjusted items which were related to acquisition related costs. The year ended 31 December 2017 included costs of £16.3 million recorded as adjusted items which were related to acquisition related costs. THG's administrative costs before adjusted items for the year ended 31 December 2018 were £227.8 million, an increase of £59.4 million, or 35.3 per cent., compared with £168.4 million in the year ended 31 December 2017. This was principally a result of the continued investment in the Company's employee base and the associated headcount costs.

#### *Operating profit/loss*

THG's operating profit for the year ended 31 December 2018 was £3.7 million, compared with a loss of £5.3 million for the year ended 31 December 2017. Operating profit for the year ended 31 December 2018 included costs of £31.0 million recorded as adjusted items as discussed above. Operating loss for the year ended 31 December 2017 included costs of £31.6 million recorded as adjusted items as discussed above. THG's operating profit before adjusted items for the year ended 31 December 2018 was £34.8 million, an increase of £8.4 million, or 31.8 per cent., compared with a profit before adjusted items of £26.4 million for the year ended 31 December 2017. This was principally as a result of the continued revenue growth of the business.

#### *Adjusted EBITDA*

THG's Adjusted EBITDA before adjusted items for the year ended 31 December 2018 was £86.2 million, an increase of £21.5 million, or 33.2 per cent., compared with £64.7 million for the year ended 31 December 2017. The increase was principally a result of the aforementioned revenue and gross profit increases, partially offset by an increase in THG's cost base. Adjusted EBITDA for the year ended 31 December 2018 included costs of £24.0 million recorded as adjusted items as discussed above. Adjusted EBITDA for the year ended 31 December 2017 included costs of £31.6 million recorded as adjusted items as discussed above.

#### *Depreciation*

THG's depreciation expense for the year ended 31 December 2018 was £18.7 million, an increase of £2.8 million, or 17.6 per cent., compared with £15.9 million for the year ended 31 December 2017. The increase was principally a result of continued tangible asset investment during 2018 and 2017, thus increasing the annual depreciation charge.

#### *Amortisation*

THG's amortisation expense for the year ended 31 December 2018 was £32.8 million, an increase of £10.3 million, or 45.8 per cent., compared with £22.5 million for the year ended 31 December 2017. The increase was principally a result of continued intangible asset investment during 2018 and 2017, thus increasing the annual amortisation charge.

#### *Share-based payments*

THG's share-based payments for the year ended 31 December 2018 were £7.1 million compared with £nil for the year ended 31 December 2017. Share-based payments are treated as adjusted items.

### *Finance costs*

THG's finance costs for the year ended 31 December 2018 were £14.2 million, an increase of £7.8 million, or 121.9 per cent., compared with £6.4 million for the year ended 31 December 2017. The increase was principally a result of the costs associated with the higher average debt outstanding in 2018 compared with 2017.

### *Profit/Loss before taxation*

THG's loss before taxation for the year ended 31 December 2018 was £10.3 million, a decrease of £1.0 million, or 8.8 per cent., compared with a loss before taxation of £11.3 million in the year ended 31 December 2017. The loss before taxation for the year ended 31 December 2018 included costs of £31.0 million recorded as adjusted items as discussed above. The loss before taxation for the year ended 31 December 2017 included costs of £31.6 million recorded as adjusted items as discussed above. THG had profit before taxation before adjusted items for the year ended 31 December 2018 of £20.8 million, an increase of £0.5 million, or 2.5 per cent., compared with a profit before taxation before adjusted items of £20.3 million for the year ended 31 December 2017. This was principally as a result of continued revenue growth in the business partially offset by the increase in finance costs.

### *Income tax charge/credit*

THG recorded income tax credits of £0.1 million for the year ended 31 December 2018, a decrease of £0.9 million, compared with income tax credits of £1.0 million for the year ended 31 December 2017. Income tax charges for the year ended 31 December 2018 included credits of £3.2 million recorded as adjusted items. Income tax charges for the year ended 31 December 2017 included credits of £4.6 million recorded as adjusted items. THG's income tax charges before adjusted items for the year ended 31 December 2018 were £3.1 million, a decrease of £0.5 million, or 13.9 per cent., compared with income tax charges before adjusted items of £3.6 million for the year ended 31 December 2017. The decrease was principally as a result of a decrease in UK corporate tax rate from 19.25% in 2017 to 19.0% in 2018.

### *Profit/Loss for the financial year*

THG's loss for the financial year for the year ended 31 December 2018 was £10.2 million, a decrease of £0.1 million, or 1.0 per cent., compared with £10.3 million for the year ended 31 December 2017. The loss for the financial year for the year ended 31 December 2018 included costs of £27.8 million recorded as adjusted items as discussed above. The loss for the financial year for the year ended 31 December 2017 included costs of £27.0 million recorded as adjusted items as discussed above. THG had a profit for the financial year before adjusted items for the year ended 31 December 2018 of £17.7 million, an increase of £1.0 million, or 6.0 per cent., compared with a profit for the financial year before adjusted items of £16.7 million for the year ended 31 December 2017. This was principally as a result of the reason discussed above.

## 8. **Liquidity and Capital Resources**

### 8.1 ***Overview***

THG's primary sources of liquidity are the cash flows generated from its operations, along with its £170 million revolving credit facility (described below) and short term working capital facilities available to THG's operating entities. The primary use of this liquidity is to fund THG's operations and capital expenditure requirements.

### 8.2 ***Cash flows***

The table below presents a summary of THG's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Part VII (*Historical Financial Information*).

	<b>For the six months ended</b>		<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(£ 000s)</i>		<i>(£ 000s)</i>		
Net cash generated from operating activities.....	60,686	(32,562)	54,722	45,255	16,523
Net cash flow used in investing activities .....	(46,624)	(93,754)	(139,963)	(142,838)	(230,353)

	For the six months ended		For the year ended 31 December		
	30 June				
	2020	2019	2019	2018	2017
	(£ 000s)		(£ 000s)		
Net cash inflow / (outflow) from financing activities .....	(37,558)	(38,855)	159,362	145,673	226,273
Cash and cash equivalents at the beginning of the period.....	308,940	234,819	234,819	186,729	174,286
Cash and cash equivalents at the end of the period .....	285,444	69,648	308,940	234,819	186,729

#### *Net cash generated from operating activities*

THG's net cash generated from operating activities for the six months ended 30 June 2020 was £60.7 million compared with net cash outflows of £32.6 million for the six months ended 30 June 2019. This was a result of the period's increase in Adjusted EBITDA, combined with the net working capital inflow during the period, which was partially offset by the period's increase in cash outflows due to adjusted items.

THG's net cash generated from operating activities for the year ended 31 December 2019 was £54.7 million, an increase of £9.4 million, or 20.8 per cent., compared with £45.3 million for the year ended 31 December 2018. This was principally as a result of the period's increase in Adjusted EBITDA and a decrease in cash outflows relating to adjusted items, partially offset by the net working capital outflow during the period.

THG's net cash generated from operating activities for the year ended 31 December 2018 was £45.3 million, an increase of £28.7 million, or 174.5 per cent., compared with £16.5 million for the year ended 31 December 2017. This was principally as a result of the period's increase in Adjusted EBITDA and a decrease in cash outflows relating to adjusted items, partially offset by the net working capital outflow during the period.

#### *Net cash flow used in investing activities*

THG's net cash used in investing activities for the six months ended 30 June 2020 was £46.6 million, which principally consisted of the continued investment in THG's technology and the *THG Ingenuity* platform, and the purchase of property, plant and equipment.

THG's net cash used in investing activities for the year ended 31 December 2019 was £140.0 million, which principally consisted of the continued investment in the *THG Ingenuity* platform, the purchase of property, plant and equipment, and the acquisition of Eclectic Hotels and *Christophe Robin* in May and April 2019, respectively.

THG's net cash used in investing activities for the year ended 31 December 2018 was £142.8 million, which principally consisted of the continued investment in the *THG Ingenuity* platform, the purchase of property, plant and equipment, and the acquisition of Acheson & Acheson in August 2018, Language Connect in July 2018 and *Eyeko* in May 2018.

THG's net cash used in investing activities for the year ended 31 December 2017 was £230.4 million, which principally consisted of the continued investment in the *THG Ingenuity* platform, and the purchase of property, plant and equipment, and the acquisition of Illamasqua in October 2017, *ESPA* in September 2017, *Ry.com.au* in August 2017, *Glossybox* in August 2017, *UK2* in May 2017 and *Hangar Seven* in April 2017.

#### *Net cash flow from financing activities*

THG's net cash outflow from financing activities for the six months ended 30 June 2020 was £37.6 million, which principally consisted of the net proceeds from bank debt raised of £38.9 million in addition to equity proceeds raised from shareholders during the period of £14.7 million, which was partially offset by £14.8 million in interest paid.

THG's net cash from financing activities for the year ended 31 December 2019 was £159.4 million, which principally consisted of the net proceeds from bank debt raised of £1,365.8 million in addition to equity

proceeds raised from shareholders during the year of £115.8 million, which was partially offset by £1,217.4 million in the repayment of bank borrowings.

THG's net cash from financing activities for the year ended 31 December 2018 was £145.7 million which principally consisted of the net proceeds from bank debt raised of £697.0 million in addition to equity proceeds raised from shareholders during the year of £76.4 million, which was partially offset by £571.9 million in repayments of bank borrowings.

THG's net cash from financing activities for the year ended 31 December 2017 was £226.3 million which principally consisted of the net proceeds from bank debt raised of £837.5 million in addition to equity proceeds raised from shareholders during the year of £183.6 million, which was partially offset by £772.0 million in repayments of bank borrowings.

### 8.3 *Indebtedness*

The table below presents a breakdown of THG's interest-bearing loans and borrowings, including lease liabilities, as at the dates indicated.

	<b>As at 30 June</b>	<b>As at 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>(£ 000s)</i>		
<b>Current</b>				
Bank borrowings.....	185,007 <sup>(1)</sup>	140,533 <sup>(1)</sup>	5,054	5,000
Lease liabilities .....	8,880	15,995	-	-
Finance leases .....	-	-	947	2,090
<b>Total current .....</b>	<b>193,887</b>	<b>156,528</b>	<b>6,001</b>	<b>7,090</b>
<b>Non-current</b>				
Bank borrowings.....	529,945	494,012	493,928	368,961
Lease liabilities .....	175,312	172,297	-	-
Finance leases .....	-	-	723	564
<b>Total non-current.....</b>	<b>705,257</b>	<b>666,309</b>	<b>494,651</b>	<b>369,525</b>
<b>Total debt.....</b>	<b>899,144</b>	<b>822,837</b>	<b>500,652</b>	<b>376,615</b>

(1) Current bank borrowings in these periods consist of the New RCF.

Borrowings as at 31 December 2017 and 2018 related to a senior facility and acquisition facility provided by Barclays, HSBC, Santander, Citibank, JPM, RBS, Lloyds Bank, Bank of Ireland, Silicon Valley Bank and PDL Europe. Senior facility bank borrowings carried an interest rate of 2.15 per cent. (2017: 2.35 per cent.) plus London Interbank Offered Rate ("**LIBOR**") and 3.75 per cent. (2017: n/a) plus LIBOR on the acquisition facility bank borrowings.

THG restructured its debt financing in 2019, obtaining a €600 million institutional Term Loan B (the "**TLB**") which was fully drawn, and a £150 million revolving credit facility (the "**New RCF**"), which increased by a further £20 million to £170 million during the six months ended 30 June 2020 when BNP Paribas was added to the syndicate (the "**2019 Refinancing**"). As part of this process, unamortised arrangement fees from the terminated facilities were written off and these costs have been included within adjusted items in 2019 as these are deemed non-recurring costs by the Board.

As at 31 December 2019 and 30 June 2020, borrowings related predominantly to the seven-year €600 million TLB and the five-year New RCF. The New RCF was provided by Banco Santander S.A., London Branch, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and National Westminster Bank PLC. The TLB carried an interest rate of 4.50 per cent. plus EURIBOR and the revolving credit facility 3.75 per cent. plus LIBOR. In 2018, the senior facility bank borrowings carried an interest rate of 2.15 per cent. plus LIBOR and 3.75 per cent. plus LIBOR on the acquisition facility bank borrowings. All obligor companies registered in England and Wales under the term loan B facility have granted a debenture to Barclays Bank plc (as security agent).

As at 26 August 2020, €600 million was outstanding under Facility B and £144.9 million was outstanding under the New RCF.



If interest rates during 2019 had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £4.9 million (2018: £3.1 million) lower/higher as a result of the higher/lower interest expense which would have been payable.

The contractual maturity of bank borrowings is as follows:

	For the year ended 31 December		
	2019	2018	2017
		(£ 000s)	
Within one year.....	140,533	5,000	5,000
Between one to two years	-	494,083	369,083
Between two and five years .....	-	-	-
Over five years.....	505,860	-	-
<b>Total</b> .....	<b>646,393</b>	<b>499,083</b>	<b>374,083</b>

#### 8.4 *Pension liabilities*

During the year ended 31 December 2019, THG operated an auto-enrolment pension scheme. The scheme is managed by independent fund managers, and THG contributes in accordance with statutory requirements. In addition to the auto-enrolment scheme, a subsidiary company operates a defined contribution pension scheme which is also managed by independent fund managers and its assets/liabilities are held separately from that of THG. The pension charge represents the amount paid by THG and amounted to £2.3 million (2018: £1.4 million). There were no outstanding contributions due to the fund at year end 2019.

#### 8.5 *Dividend policy*

The Company does not intend to pay an annual dividend for the short to medium term, with surplus cash generated to be reinvested in the business. The dividend policy will be revisited in the future years.

#### 9. **Capital expenditure**

The most significant element of THG's tangible capital expenditure during the period under review was expansionary property capital expenditures, relating to the fit out and development of THG offices and warehouses, which included the development of a warehousing, fulfilment and nutrition production facility in Poland.

The Directors believe THG has a prudent approach to capitalisation coupled with conservative amortisation policy. Maintenance capital expenditures represented 22% of total capital expenditures in the year ended 31 December 2019, with the balance representing discretionary investment primarily targeted towards technology development of the Ingenuity platform. The Directors believe expansionary intangible capital expenditures could easily be scaled back with a very limited short term impact on growth, given that current demand in existing markets is addressed by the existing technology, warehousing and office infrastructure.

The table below sets out the breakdown of THG's tangible and intangible capital expenditures for the years ended 31 December 2019, 2018 and 2017.

	For the year ended 31 December		
	2019	2018	2017
		(£ m)	
Maintenance intangible capital expenditure.....	13	11	9
Expansionary intangible capital expenditure.....	43	31	23
Maintenance tangible capital expenditure .....	8	6	5
Expansionary tangible capital expenditure.....	34	29	32
<b>Total</b> .....	<b>98</b>	<b>77</b>	<b>69</b>

#### *Tangible capital expenditures*

Since 1 January 2017, THG has invested £78 million in expansionary property capital expenditures, relating to the fit out and development of THG offices and warehouses, which included the development of a warehousing, fulfilment and Nutrition production facility in Poland. Expansionary tangible capital expenditures also included investment in data centres, with £16 million of investment since 1 January 2017, including £9 million in the year ended 31 December 2019. Maintenance tangible capital

expenditure (£8 million in the year ended 31 December 2019) related to the maintenance of THG warehouses and offices (purchase of IT equipment (e.g. laptops) for staff, software licenses, warehouse racking and forklifts).

#### *Intangible capital expenditures*

Expansionary intangible capital expenditures (£43 million in the year ended 31 December 2019) has historically related to investment in development of the *THG Ingenuity* technology platform, with this capability leveraged through the sale of platform services to third parties (as evidenced through the growth in the THG E-commerce business). Maintenance intangible capital expenditures (£13 million in the year ended 31 December 2019) included costs relating to changes to website functionality. Certain maintenance intangible capital expenditures are capitalised and recorded in line with IAS38. IT infrastructure projects expected not to be successful are expensed, these typically represent development work ahead of acquisitions which have subsequently been aborted.

#### *Future capital expenditures*

Capital expenditures as a percentage of revenue is expected to reduce from approximately 8 to 10 per cent. during the three years ended 31 December 2019 to a target of between approximately 5.5 per cent. and 6.5 per cent. of revenue over the medium term. For the year ended 31 December 2020, THG expects capital expenditures relating to be approximately 10 per cent. of revenue declining to 8 per cent. of revenues for the year ended 31 December 2021. It is worth noting that THG's existing warehousing and office and technology infrastructure is sufficient to fulfil current business needs; expansion of this infrastructure is being made to support the anticipated growth of the business and can be scaled or increased as and when required.

THG expects to generate operating leverage through utilising its technology across an increasing number of brands and territory websites. Future capital expenditure is expected to be weighted towards intangible assets (e.g., technology platform development) with a focus on the THG Ingenuity platform.

#### **Contractual commitments and contingent liabilities**

In addition to its bank borrowings described above, THG has the following contractual commitments. The table below sets out THG's capital commitments as at 31 December 2019.

	Total	Less than 1 year	1-2 years	2 – 5 years	More than 5 years
	(£ '000)				
Bank borrowings.....	646,393	140,533	-	-	505,860
Lease liabilities .....	267,825	21,470	36,843	53,658	155,854
Contract liabilities.....	23,739	23,739	-	-	-
<b>Total.....</b>	<b>937,957</b>	<b>185,742</b>	<b>36,843</b>	<b>53,658</b>	<b>661,714</b>

Bank borrowings are split into less than 3 months, which represents the New RCF, and more than 5 years, which relates to the TLB (repayable in December 2026). Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services.

#### 10. **Off-balance sheet arrangements**

THG did not have any material off-balance sheet arrangements as at 30 June 2020.

#### 11. **Quantitative and Qualitative Disclosures about Market Risks**

##### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group regularly forecasts cash flows and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

### Foreign currency risk

The Group trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Euros, US dollars and Japanese yen. The Group's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The Groups approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements, and spot transactions. The Group is also exposed to EUR:GBP exchange rate risk on a €600 million loan within the group, and mitigate this risk through the use of hedging instruments such as foreign exchange forward contracts.

As at 31 December 2019, the Group held €600 million notional of forward contracts expiring in December 2022 (2018 & 2017: nil)

The Group's foreign exchange exposure is predominantly Euro and US Dollars. The table below shows if the closing exchange rate was 10% lower, the Groups P&L and equity would be impacted as follows for the periods indicated:

	<b>Impact on P&amp;L</b>	<b>Impact on equity</b>
	<i>(£ '000)</i>	
<b>31 December 2017</b>		
USD .....	(47)	(164)
Euro .....	(11)	(806)
<b>31 December 2018</b>		
USD .....	(12)	(14)
Euro .....	(136)	(131)
<b>31 December 2019</b>		
USD .....	(386)	178
Euro .....	1,083	(910)

### Interest rate risk

The group is exposed to EURIBOR and LIBOR through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 31 December 2019, the Group held EUR 600 million expiring December 2022 through to December 2026, and £85 million expiring December 2024 (2018 & 2017: nil).

## 12. Critical Accounting Policies

For a description of THG's critical accounting judgements and key sources of estimation uncertainty, see Note 1 of Section B of Part VII (*Historical Financial Information*) and Note 1 of Section C of Part VII (*Historical Financial Information*).

**PART VII**  
**HISTORICAL FINANCIAL INFORMATION**

**SECTION A:  
ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION**

The Directors  
THG Holdings plc  
5<sup>th</sup> Floor, Voyager House  
Chicago Avenue  
Manchester Airport  
Manchester  
M90 3DQ

10 September 2020

Dear Sirs/Madam

**The operating business of THG Holdings plc, excluding its property activities (the "Group")**

We report on the financial information set out in section B of Part VII for the years ended 31 December 2017, 2018 and 2019 (the "**Financial Information**"). This Financial Information has been prepared for inclusion in the prospectus ("**Prospectus**") dated 10 September 2020 of THG Holdings plc (the "**Company**") on the basis of the accounting policies set out in note 1. This report is required by item 18.3.1 of Annex 1 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

**Responsibilities**

The Directors of the Company are responsible for preparing the Financial Information in accordance with the basis of preparation set out in note 1 to the Financial Information.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Financial Information gives, for the purposes of the Prospectus dated 10 September 2020, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1.

**Declaration**

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f), we are responsible for this report as part of the prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

**SECTION B:  
HISTORICAL FINANCIAL INFORMATION**

**Combined statement of comprehensive income – THG Holdings plc**

	Note	2019			2018			2017		
		Before Adjusted Items	Adjusted items (note 4)	Total	Before Adjusted Items	Adjusted items (note 4)	Total	Before Adjusted Items	Adjusted items (note 4)	Total
						£'000				
Revenue .....	2	1,140,260	-	1,140,260	915,758	-	915,758	735,652	-	735,652
Cost of sales .....		(631,447)	-	(631,447)	(498,279)	-	(498,279)	(417,190)	-	(417,190)
<b>Gross profit</b> .....		<b>508,813</b>	-	<b>508,813</b>	<b>417,479</b>	-	<b>417,479</b>	<b>318,462</b>	-	<b>318,462</b>
Distribution costs .....		(201,140)	(9,556)	(210,696)	(154,926)	(9,545)	(164,471)	(123,646)	(15,315)	(138,961)
Administrative costs .....		(277,448)	(35,647)	(313,095)	(227,781)	(21,504)	(249,285)	(168,445)	(16,308)	(184,753)
<b>Operating profit / (loss)</b> .....	3	<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
<b>Adjusted EBITDA</b> .....		111,343	(17,951)	93,392	86,248	(23,991)	62,257	64,687	(31,623)	33,064
Depreciation .....	11	(41,942)	-	(41,942)	(18,657)	-	(18,657)	(15,859)	-	(15,859)
Amortisation .....	10	(39,176)	-	(39,176)	(32,819)	-	(32,819)	(22,457)	-	(22,457)
Share-based payments .....		-	(27,252)	(27,252)	-	(7,058)	(7,058)	-	-	-
<b>Operating profit / (loss)</b> .....		<b>30,225</b>	<b>(45,203)</b>	<b>(14,978)</b>	<b>34,772</b>	<b>(31,049)</b>	<b>3,723</b>	<b>26,371</b>	<b>(31,623)</b>	<b>(5,252)</b>
Finance income .....	7	133	-	133	162	-	162	315	-	315
Finance costs .....	7	(26,261)	(7,951)	(34,212)	(14,171)	-	(14,171)	(6,377)	-	(6,377)
<b>Profit / (loss) before taxation</b> .....		<b>4,097</b>	<b>(53,154)</b>	<b>(49,057)</b>	<b>20,763</b>	<b>(31,049)</b>	<b>(10,286)</b>	<b>20,309</b>	<b>(31,623)</b>	<b>(11,314)</b>
Income tax (charge) / credit .....	8	(4,305)	5,172	867	(3,099)	3,222	123	(3,597)	4,615	1,018
<b>Profit / (loss) for the financial year</b>		<b>(208)</b>	<b>(47,982)</b>	<b>(48,190)</b>	<b>17,664</b>	<b>(27,827)</b>	<b>(10,163)</b>	<b>16,712</b>	<b>(27,008)</b>	<b>(10,296)</b>
<b>Other comprehensive (loss) / income</b>										
<i>Items that may be subsequently reclassified to profit or loss:</i>										
Exchange differences on translating foreign operations, net of tax		(1,798)	-	(1,798)	3,423	-	3,423	(1,209)	-	(1,209)
Net (loss) / gain on cash flow hedges		(5,670)	-	(5,670)	-	-	-	-	-	-
<b>Total comprehensive (expense) / income for the financial year</b>		<b>(7,676)</b>	<b>(47,982)</b>	<b>(55,658)</b>	<b>21,087</b>	<b>(27,827)</b>	<b>(6,740)</b>	<b>15,503</b>	<b>(27,008)</b>	<b>(11,505)</b>
<b>(Loss) / earnings per share (£'s)</b>										
Basic	24			(12.60)			(2.84)			(3.23)
Diluted	24			(12.60)			(2.84)			(3.23)

## Combined statement of financial position– THG Holdings plc

	Note	2019	2018	2017
			<i>£'000</i>	
<b>Non-current assets</b>				
Intangible assets.....	10	580,105	516,618	434,824
Property, plant and equipment .....	11	147,869	132,089	110,534
Right-of-use asset .....	21	183,658	-	-
		<b>911,632</b>	<b>648,707</b>	<b>545,358</b>
<b>Current assets</b>				
Inventories.....	12	204,073	157,258	84,798
Trade and other receivables .....	14	260,508	89,154	43,733
Current tax asset .....		4,251	4,495	3,233
Other financial assets.....	13	2,214	-	-
Cash and cash equivalents .....	15	308,940	234,819	186,729
		<b>779,986</b>	<b>485,726</b>	<b>318,493</b>
<b>Total assets .....</b>		<b>1,691,618</b>	<b>1,134,433</b>	<b>863,851</b>
<b>Equity</b>				
Ordinary shares.....		4,381	4,020	3,746
Share premium.....		230,718	110,446	277,380
Employee benefit reserve.....		175	175	175
Merger reserve.....		615	615	615
Capital redemption reserve .....		523	523	518
Hedging reserve.....		(6,134)	-	-
Cost of hedging reserve		464		
Invested capital.....		173,110	199,487	(16,623)
		<b>403,852</b>	<b>315,266</b>	<b>265,811</b>
<b>Non-current liabilities</b>				
Borrowings .....	17	494,012	494,651	369,525
Other financial liabilities .....		2,940	-	-
Lease liabilities.....	21	172,297	-	-
Deferred tax .....	20	7,769	8,400	7,873
		<b>677,018</b>	<b>503,051</b>	<b>377,398</b>
<b>Current liabilities</b>				
Contract liability.....	19	23,739	25,889	14,326
Trade and other payables .....	16	428,620	281,954	198,401
Borrowings .....	17	140,533	6,001	7,090
Lease liabilities.....	21	15,995	-	-
Provisions .....	18	1,861	2,272	825
		<b>610,748</b>	<b>316,116</b>	<b>220,642</b>
<b>Total liabilities .....</b>		<b>1,287,766</b>	<b>819,167</b>	<b>598,040</b>
<b>Total equity and liabilities.....</b>		<b>1,691,618</b>	<b>1,134,433</b>	<b>863,851</b>



## Combined statement of changes in equity – THG Holdings plc

	Ordinary shares £'000	Share premium £'000	Employee benefit scheme reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Cost of Hedging reserve £'000	Hedging reserve £'000	Invested capital £'000	Total £'000
t									
Balance at 1 January 2017	3,299	94,260	175	615	518	-	-	(28,396)	70,471
Total comprehensive expense	-	-	-	-	-	-	-	(11,505)	(11,505)
Issue of ordinary share capital	447	183,120	-	-	-	-	-	-	183,567
Cancellation and settlement of equity awards	-	-	-	-	-	-	-	(2,466)	(2,466)
Share-based payments	-	-	-	-	-	-	-	-	-
Deferred tax effect recognised in equity	-	-	-	-	-	-	-	3,742	3,742
Invested capital	-	-	-	-	-	-	-	22,002	22,002
<b>Balance at 31 December 2017</b>	<b>3,746</b>	<b>277,380</b>	<b>175</b>	<b>615</b>	<b>518</b>	<b>-</b>	<b>-</b>	<b>(16,623)</b>	<b>265,811</b>
<i>Effect of adoption of new accounting standards (IFRS 15)</i>		-	-	-	-	-	-	(2,255)	(2,255)
Balance at 1 January 2018	3,746	277,380	175	615	518	-	-	(18,878)	263,556
Total comprehensive expense	-	-	-	-	-	-	-	(6,740)	(6,740)
Issue of ordinary share capital	304	83,066	-	-	-	-	-	-	83,370
Cancellation and settlement of equity awards	(30)	-	-	-	5	-	-	(23,707)	(23,732)
Share-based payments	-	-	-	-	-	-	-	7,058	7,058
Capital reduction	-	(250,000)	-	-	-	-	-	250,000	-
Deferred tax effect recognised in equity	-	-	-	-	-	-	-	3,662	3,662
Invested capital	-	-	-	-	-	-	-	(11,908)	(11,908)
<b>Balance at 31 December 2018</b>	<b>4,020</b>	<b>110,446</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>199,487</b>	<b>315,266</b>
<i>Effect of adoption of new accounting standards (IFRS 16)</i>		-	-	-	-	-	-	(3,190)	(3,190)
<b>Balance at 1 January 2019</b>	<b>4,020</b>	<b>110,446</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>196,297</b>	<b>312,076</b>
Total comprehensive expense	-	-	-	-	-	464	(6,134)	(49,988)	(55,658)
Issue of ordinary share capital	361	120,272	-	-	-	-	-	-	120,633
Cancellation and settlement of equity awards	-	-	-	-	-	-	-	(8,200)	(8,200)
Share-based payments	-	-	-	-	-	-	-	27,252	27,252
Deferred tax effect recognised in equity	-	-	-	-	-	-	-	732	732
Invested capital	-	-	-	-	-	-	-	7,017	7,017
<b>Balance at 31 December 2019</b>	<b>4,381</b>	<b>230,718</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>464</b>	<b>(6,134)</b>	<b>173,110</b>	<b>403,852</b>

## Combined statement of cash flows – THG Holdings plc

	Note	2019	2018	2017
			£'000	
<b>Cash flows from operating activities</b>				
Cash generated from operations .....	23	71,713	68,856	50,648
Income tax received / (paid) .....		1	(243)	16
<b>Net cash generated from operating activities before adjusted cash flows</b> .....		<b>71,714</b>	<b>68,613</b>	<b>50,664</b>
Cash flows relating to adjusted items .....		(16,992)	(23,358)	(34,141)
<b>Net cash generated from operating activities</b> .....		<b>54,722</b>	<b>45,255</b>	<b>16,523</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries net of cash acquired .....	9	(41,681)	(65,807)	(160,639)
Purchase of property, plant and equipment .....	11	(42,421)	(35,666)	(37,165)
Proceeds from sale of property, plant and equipment .....	11	-	-	55
Purchase of intangible assets .....	10	(55,995)	(41,527)	(32,919)
Interest received .....		133	162	315
<b>Net cash used in investing activities</b> .....		<b>(139,963)</b>	<b>(142,838)</b>	<b>(230,353)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares net of fees .....		115,753	76,418	183,567
Cancellation and settlement of equity awards .....		(8,200)	(23,732)	(4,440)
Interest paid .....		(46,402)	(14,923)	(7,709)
Repayment of bank borrowings .....		(1,217,367)	(571,946)	(772,015)
Proceeds from bank borrowings .....		1,365,836	697,000	837,500
Repayment of lease liabilities .....		(9,502)	-	-
Payments of obligations under finance leases .....		-	(2,066)	(2,313)
Net transfers to/ (from) Invested capital .....		(40,756)	(15,078)	(8,317)
		<b>159,362</b>	<b>145,673</b>	<b>226,273</b>
<b>Net increase in cash and cash equivalents</b> .....		<b>74,121</b>	<b>48,090</b>	<b>12,443</b>
Cash and cash equivalents at the beginning of the year .....		234,819	186,729	174,286
<b>Cash and cash equivalents at the end of the year</b> .....	15	<b>308,940</b>	<b>234,819</b>	<b>186,729</b>

## Notes to the combined Historical Financial Information

### 1. Basis of preparation

The Group at the point of Admission will constitute the operating activities which previously formed part of the THG Holdings plc group, excluding property activities (the "**Group**"). The property activities of THG Holdings plc ("**THG**") will not form part of the Group at Admission and are therefore excluded from the historical financial information. The Group did not comprise a separate legal entity or group of entities during the three years ended 31 December 2019.

The combined Historical Financial Information for the three years ended 31 December 2019 has been prepared specifically for the purposes of this Prospectus and in accordance with Commission Delegated Regulation (EU) 2019/980 and in accordance with this basis of preparation.

The basis of preparation describes how the combined Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), except as described below.

IFRS does not provide for the preparation of combined financial information and accordingly in preparing the combined Historical Financial Information certain accounting conventions commonly used for the preparation of financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 *Standards for Investment Reporting applicable to public reporting engagements on historical financial information*, issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following material departures from IFRS. In all other material respects, IFRS has been applied.

- The combined Historical Financial Information of the Group is not prepared on a consolidated basis and therefore does not comply with the requirements of IFRS 10 Consolidated Financial Statements. The combined Historical Financial Information has been prepared on a basis that combines the results, cash flows, assets and liabilities of the operating activities of THG that constitutes the Group, derived from the accounting

records of THG, by applying the principles underlying the consolidation procedures of IFRS 10.

The following summarises the key accounting and other principles applied in preparing the combined Historical Financial Information:

- The Group did not comprise a separate legal entity or group of entities during the three years ended 31 December 2019 due to the exclusion of the property activities of THG Holdings plc in all periods. Where carve out adjustments have been made to reflect the exclusion of the property activities as at 31 December 2019, 31 December 2018 and 31 December 2017 and the opening balance sheet as at 1 January 2017, these adjustments are reflected within "Invested Capital" in equity.
- Transactions and balances between entities within the Group have been eliminated. All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on combination. Transactions and balances between the Group and the property entities or assets that have been excluded from the Group represent third party transactions and balances from the perspective of the Group. They have been presented alongside all other third-party transactions and balances in the appropriate financial statement line items of the combined Historical Financial Information to which such transactions and balances relate and disclosed as related party transactions.
- Freehold building assets comprising the THG properties utilised by the Group have been excluded from the combined Historical Financial Information, as such assets do not form part of the Group. Where internal rental amounts were charged for use of these properties, these internal rental charges have been recognised in the combined Historical Financial Information. Where internal rental amounts were not charged, the depreciation charges for properties have been retained in the combined Historical Financial Information to represent to the cost to the Group for their utilisation of these properties. The internal rent recognised was £0.8m in 2019, £4.8m in 2018, and £4.5m in 2017. In the year ended 31 December 2019, where internal rental charges were documented as leases, IFRS 16 *Leases* was applied to such leases from 1 January 2019 in accordance with the accounting policies for leases set out in note 1.
- THG has not historically allocated internal central staffing costs between the Group and the property entities or assets that do not form part of the Group. Adjustments have been made to apportion such costs between the Group and the property assets, with amounts allocated to the property assets excluded from the combined Historical Financial Information. Allocated costs include costs for senior executive time, along with finance, tax, accounting, treasury, legal and merger & acquisition-related costs. Expenses allocated to the property entities or assets, excluded from the Group, total £0.6m for the year ended 31 December 2019, £0.7m for the year ended 31 December 2018 and £0.5m for the year ended 31 December 2017. The central costs retained by the Group are not necessarily representative of the costs that may be incurred if the Group were a stand-alone entity.
- The combined Historical Financial Information includes borrowings and associated finance costs where the borrowings are not specifically secured on property assets but relate to the operating activities of THG. Where borrowings were secured on property assets, these borrowings have been excluded from the combined Historical Financial Information along with related finance costs and cash flows. Property-secured borrowings excluded totalled £115.6m as at 31 December 2019, £27.9m as at 31 December 2018, and £30.1m as at 31 December 2017 with excluded finance costs of £(1.8)m, £(0.8)m and (£0.8)m in these years respectively.
- Deferred tax assets and liabilities were determined based on the analysis of THG group's current temporary differences at each period end and assessment of which relate directly to the Group. Balances relating to the property assets are excluded.
- The Group's current tax expense / income recognised in the combined Statement of Comprehensive Income has been unaltered by the carve out adjustments above.

The combined Historical Financial Information is presented in pounds sterling and all values are in thousands (£'000) except where otherwise indicated.

The combined Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

The combined Historical Financial Information has been prepared on a going concern basis and under the historical cost convention, except for certain areas where fair value measurement is required, as identified in the accounting policies below.

The directors of the Group have reviewed the Group's cash flow forecasts and trading budgets in the light of the recent COVID-19 pandemic, including but not limited to:

- Consideration around the Groups estimates of the potential upside in sales resulting from increased shift of consumers to digital platforms, along with increased costs to ship and other one-off COVID related costs such as PPE spend;
- Stress test scenarios involving: significant sales decline; rise in absenteeism; warehouse closures; increase in fulfilment costs; change in consumer behaviours; and fluctuations in other market factors;
- Any mitigating actions available to protect working capital and strengthen balance sheet, including deferring non-essential capital expenditure and increased cost control.

The refinancing that occurred in December 2019 has given THG substantial cash reserves available to draw down upon, and management consider THG to be in a strong position to weather any further uncertainty. The vast majority of the workforce have moved to a remote working model, supported by THG's investment in technology and development. The Group's strong cash flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably the proprietary platform. Trading to date in 2020 has been in line with or in excess of management's forecasts.

In considering the above, the directors have formed the view that the Group will generate sufficient cash to meet its ongoing requirements for at least the next 12 months; accordingly, the going concern basis of preparation has been adopted.

#### 1.1 Accounting policies

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 January 2019 and have been applied to historical comparatives where applicable.

##### (a) **Business combinations**

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired, and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values. These fair values can be re-assessed for a period of 12 months from the date of acquisition based on information available at the date of acquisition. Goodwill is stated after separate recognition of other identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If

the fair values of identifiable net assets exceed the sum calculated above, the excess amount (*i.e.* gain on a bargain purchase) is recognised in profit or loss immediately.

(b) **Revenue**

Revenue consists primarily of internet sales along with business to business (B2B) sales, which are sales recorded net of an appropriate deduction for actual and expected returns and sales taxes and following the adoption on 1 January 2018 of IFRS 15, recognised at a point in time when the customer obtains the control. The transaction price is allocated to performance obligations on a relative stand-alone selling price basis at the point the customer obtains control.

Expected sales returns are estimated based on historical return data applied to forecast sales. A refund liability is recognised for the goods that are expected to be returned (*i.e.*, the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Prior to 1 January 2018, sales were recorded net of an appropriate deduction for actual and expected returns, fair value of loyalty points and sales taxes and are recognised upon dispatch from the warehouse at which point title and risk passes to third parties.

After 1 January 2018, revenue for services provided is recognised over time as the services promised are transferred to the customers. The Group uses an input method to measure progress towards complete satisfaction of a performance obligation, because the customers simultaneously receive and consume the benefits provided by the Group and there is a direct relationship between the Group's effort (*i.e.* labour hours incurred) and the transfer of service to the customers. Fees recognised in respect of memberships are recorded on a straight-line basis over the membership period.

When the Group acts as principal in sale of goods and services, revenue from customers and costs with suppliers are reported on a gross basis. When the Group acts as agent in sale of goods and services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners. Revenue for internet hosting contracts and domain renewal services are recognised on a straight-line basis over the relevant period. Income which is invoiced in advance is recorded as deferred income on the balance sheet and released to the profit and loss account over the periods in which the services are provided.

Prior to 1 January 2018, revenue for services provided is recognised by reference to the stage of completion as at the balance sheet date. Fees recognised in respect of memberships are recorded on a straight-line basis over the membership period.

Revenue for internet hosting contracts and domain renewal services (UK2) are recognised on a straight-line basis over the relevant period. Income which is invoiced in advance is recorded as deferred income on the balance sheet and released to the profit and loss account over the periods in which the services are provided.

(c) **Adjusted Items**

The business is managed and measured on a day-to-day basis using underlying results (Adjusted EBITDA). To arrive at underlying results, certain adjustments are made for items that are individually important and which could, if included, distort the understanding of the performance for the year and the comparability between periods.

Management applies judgement in determining which items should be excluded from underlying performance.

### *Recurring items*

These are items which occur regularly but which management judge to have a distorting effect on the underlying results of the Group. These items relate mainly to acquisition, legal, professional costs and share based payment charges as well as other merger and acquisition ("**M&A**") related activity, although other types of recurring items may arise. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

### *Non-recurring items*

These are items which are non-recurring and are adjusted on the basis of either their size or their nature. These items can include, but are not restricted to, refinancing costs, new fulfilment commissioning costs and restructuring related costs. As these items are one-off or non-operational in nature, management considers that they would distort the Group's underlying business performance.

This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. These items are presented separately to improve comparability of the Group's underlying profitability with peer companies.

#### (d) ***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 in adjusted items. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions, along with taking account of any equity instruments that may have been cancelled or modified in the period. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Share subscriptions by employees in the Company that holds the growth shares, are included within the employee benefit scheme reserve. When the equity instruments are exercised or growth shares in the Group are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credit to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credit to the share premium account. Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has an employee benefit trust (EBT) which facilitates an internal market for participants in employee share schemes to sell their shares in the Company. Shares held are recognised at cost as a deduction from shareholding equity.

Subsequent consideration received for the sale of such shares is also recognised in equity.

#### (e) ***Intangible assets***

##### *Goodwill*

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed

for any indications of impairment at least annually. Any impairment is recognised immediately in the income statement. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a *pro rata* basis.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

*Other intangible assets*

Other intangible assets include internally developed software, separately acquired customer lists, domain and trade names, brands and other intellectual property, including customer lists, acquired as part of business combinations.

Separately acquired intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The costs of acquiring and developing the platform and websites is capitalised separately as an intangible asset. Capitalised website costs include direct costs of materials, services, directly attributable overheads, payroll and payroll-related costs for employees who are directly associated with website development projects.

Other internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which expenditure is incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful economic life. Amortisation is included within administrative expenses in the income statement in the period to which it relates. The estimates of useful economic lives are reviewed on an annual basis and any changes are reflected as changes in amortisation period and are treated as changes in accounting estimates.

Brands with indefinite lives are reviewed for impairment on an annual basis. The useful economic life is reviewed on an annual basis to confirm that the indefinite life continues to be supportable.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight-line basis over the useful life of the software.

The following useful economic lives are applied:

Platform development costs .....	1-5 years
Brands.....	5 years-indefinite
Intellectual property (including customer lists, domain and trade names).....	2-10 years
Computer software.....	1-10 years

(f) ***Property, plant and equipment***

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis over its estimated useful life.

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant

cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to profit or loss in the period in which it occurs.

Plant and machinery.....	5-10 years
Fixtures and fittings .....	3-20 years
Computer equipment and software .....	1-10 years
Freehold buildings .....	20-50 years
Motor vehicles .....	3-7 years
Leasehold improvements .....	Lower of lease term or asset life

(g) ***Borrowing costs***

Borrowing costs incurred in relation to bringing into use both qualifying tangible and intangible assets are capitalised as the expenditure is incurred on such assets and subsequently depreciated in line with the useful economic life of the relevant asset.

(h) ***Inventories***

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts. A provision is made to write down any slow-moving or obsolete inventory to net realisable value.

(i) ***Financial instruments***

The Group performed analysis for financial instruments under the scope of IFRS 9 'Financial Instruments' and concluded that the assessment of the requirements of IFRS 9 did not have a significant impact to the Group. The following policies are applicable post 1<sup>st</sup> January 2018, the effective date of IFRS 9.

*Financial assets*

Financial assets within the scope of IFRS 9 are classified as loans and receivables, or other assets depending on the nature of the item.

*Derivative financial instruments*

The Group uses derivative financial instruments, such as foreign currency swaps, to hedge its foreign currency risks. Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The sale and purchase of derivative financial instruments are non-speculative.

*Cash flow hedges*

Where a derivative financial instrument is designated as a hedge against the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, any gain or loss on the effective part of the derivative financial instrument is recognised in other comprehensive income and accumulated within the hedging reserve. The gain or loss on any ineffective portion of the hedge is recognised immediately in the income statement. Hedge accounting is discontinued when the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs. The cumulative gain or loss in the hedging reserve is transferred to the income statement in the same period that the hedged item affects profit or loss. These are presented on the balance sheet as 'Other financial assets / liabilities'.



#### *Trade and other receivables*

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less loss allowance. Group measures the loss allowance at an amount equal to lifetime expected credit losses.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

#### *Financial liabilities*

Financial liabilities excluding cash flow hedges, within the scope of IFRS 9 are classified as financial liabilities at amortised cost. The Group has no financial liabilities at fair value through profit and loss.

#### *Trade and other payables*

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### *Bank borrowings*

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Prior to 1<sup>st</sup> January 2018, the Group applied IAS 39, through the below:

#### *Derivative financial instruments*

The Group uses derivative financial instruments, such as foreign currency swaps, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives are not designated as hedges and accordingly, any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

#### *Trade and other receivables*

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

### *Financial liabilities and equity instruments*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Group has no financial liabilities at fair value through profit and loss and has no derivatives designated as hedging instruments.

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(j) ***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(k) ***Leased assets***

In 2019, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. Refer to Changes in accounting policies section below for further details.

Prior to this, the Group applied IAS 17 and recognised leases as either Finance or Operating leases:

#### *Finance leases*

Where assets are financed by leasing agreements that give rights approximating to ownership, the amount representing the outright purchase price is capitalised and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the Group's depreciation policy or over the lease term if shorter.

Net finance charges, calculated on the reducing balance method, are included in finance costs.

#### *Operating leases*

Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease.

(l) ***Onerous contracts***

A provision is made for onerous contracts, discounted at a risk-free rate. This includes provision for future lease costs on leasehold properties before the adoption of IFRS 16 on 1<sup>st</sup> January 2019, based on management's best estimate of future rental costs and, if appropriate, rental income from sub-lease arrangements that could reasonably be obtained.

(m) ***Taxation***

The tax expense included in the statement of comprehensive income and statement of changes in equity comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities. Current and deferred tax is charged or credited in the statement of comprehensive income, except

when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled, or the asset is realised.

Tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

(n) ***Foreign currency translation***

*Functional and presentational currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The combined financial statements are presented in Sterling.

*Transactions and balances*

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are taken to the income statement.

*Group companies*

On combination, the assets and liabilities of foreign operations are translated into Sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in profit or loss.

(o) ***Government grants***

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(p) ***Earnings per share***

Basic earnings per share (EPS) is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, to the extent that the inclusion of such shares is not anti-dilutive.

(q) ***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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most critical accounting judgements or key sources of estimation uncertainty are detailed as follows:

*Key Sources of Estimation Uncertainty:*

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Notwithstanding this, Management consider the below to be key in understanding the policies of the Group:

*Goodwill and intangible asset impairment reviews*

The Group is required to review goodwill, brands and intellectual property with indefinite lives annually to determine if any impairment has occurred. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted a cash-generating unit is determined based on value-in-use calculations prepared based on management's assumptions and estimates. Refer to note 11 for further details of the value-in-use calculations.

*Key areas of accounting Judgement:*

*Capitalisation and amortisation of platform development costs*

Costs capitalised as platform development costs include direct external costs, such as consultancy costs and internal payroll costs. The capitalisation of internal costs is based on the amount of time spent by employees on capital projects. Judgement is applied in determining which costs meet the criteria for capitalisation as development costs. Refer to note 11 for details of capitalised platform development costs. The useful economic life of the platform is between one and five years dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

(r) **Changes in accounting policies**

*IFRS 16 "Leases"*

In 2019, the Group applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's combined financial statements is described below. The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach.

*Impact of the new definition of a lease*

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. This contrasts with the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

*Impact on Lessee Accounting*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases the Group: a) Recognises right-of-use assets and lease liabilities in the combined statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii) b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the combined statement of profit or loss; c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the combined statement of cash flows. Lease incentives (*e.g.* rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases under IAS 17.

- The Group has applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The impact of adopting IFRS 16 on the combined statement of comprehensive income and the combined statement of financial position, respectively, is as follows:

Right-of-use assets of £183.6m were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of £0.7m that were reclassified from property, plant and equipment. Additional lease liabilities of £187.6m were recognised measured at the present value of the remaining lease payments. Deferred tax liabilities decreased by £34k because of the deferred tax impact of the changes in assets and liabilities. Rent expenses, amounting to a total of £11.2m, recognised in cost of sales, distribution and administrative costs were replaced with depreciation and interest expense, £11.7m and £3.6m respectively.

The following tables show the adjustments recognised for only the line items that were affected by the changes. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

#### Combined income statement

	2019 As reported	Effect of change due to IFRS 16	2019 Without adoption
		<i>£'000</i>	
Revenue .....	1,140,260	-	1,140,260
Cost of sales .....	(631,447)	(2,089)	(633,536)
<b>Gross profit</b> .....	<b>508,813</b>	<b>(2,089)</b>	<b>506,724</b>
Distribution costs .....	(201,140)	(992)	(202,132)
Administrative costs .....	(277,448)	7,137	(270,311)
<b>Operating profit / (loss)</b> .....	<b>30,225</b>	<b>4,056</b>	<b>34,281</b>
<b>Adjusted EBITDA*</b> .....	<b>111,343</b>	<b>(7,662)</b>	<b>103,681</b>
Depreciation .....	(41,942)	11,718	(30,224)
Amortisation .....	(39,176)	-	(39,176)
<b>Operating profit / (loss)</b> .....	<b>30,225</b>	<b>4,056</b>	<b>34,281</b>
Finance income .....	133	-	133
Finance costs .....	(26,261)	3,624	(22,637)
<b>Profit before taxation</b> .....	<b>4,097</b>	<b>7,680</b>	<b>11,777</b>
Income tax (charge) .....	(4,305)	(9)	(4,314)
<b>Profit / (loss) for the financial year</b> .....	<b>(208)</b>	<b>7,671</b>	<b>7,463</b>

#### Combined statement of financial position

	2019 As reported	Effect of change due to IFRS 16	2019 Without adoption
		<i>£'000</i>	
Property plant and equipment .....	147,869	705	148,574
Right-of-use asset .....	183,658	(183,658)	-
<b>Total assets</b> .....	<b>1,691,618</b>	<b>(182,953)</b>	<b>1,508,665</b>
Deferred tax liability .....	7,769	34	7,803
Trade and other payables .....	428,620	(5,491)	423,129
Lease liabilities .....	188,292	(187,597)	695
<b>Total liabilities</b> .....	<b>1,287,766</b>	<b>(193,054)</b>	<b>1,094,712</b>
<b>Equity</b> .....	<b>403,852</b>	<b>10,101</b>	<b>413,953</b>

### IFRS 9 "Financial Instruments"

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has completed an assessment of IFRS 9 and adopted the new accounting standard during \*the financial year starting from 1 January 2018.

The adoption does not have a significant impact on the results or financial position of the Group.

### IFRS 15 "Revenue from contracts with customers"

IFRS 15 addresses the recognition of revenue from customer contracts and impacts on the amounts and timing of the recognition of such revenue.

The standard introduces a five-step approach to revenue recognition – identifying the contract; identifying the performance obligations in the contract; determining the transaction price; allocating that transaction price to the performance obligations and finally recognising the revenue as those performance obligations are satisfied. The core principle of IFRS 15 is that revenue is recognised when the customer obtains control over the goods and services.

The Group adopted the new accounting standard during the financial year starting from 1 January 2018 and performed an assessment of the impact of adoption based on the Group's trading upon transition to IFRS 15. The Group has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. The Group has also elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application.

The revenue from the sales for which the control of the goods hasn't been transferred to the customers are derecognised in the statement of comprehensive income and the consideration received from the customers is recognised as contract liability in the statement of financial position. Correspondingly, related cost of sales is derecognised from the statement of comprehensive income. The increase in inventory is in relation to the goods in transit whose control is still to be transferred to the customers. The overall impact to the Group is not material, the following tables show the adjustments recognised for only the line items that were affected by the changes. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

The impact of adopting IFRS 15 on the combined statement of comprehensive income and the combined statement of financial position, respectively, is as follows:

	<b>2018</b>	<b>Effects of</b>	<b>2018</b>
	<b>As reported</b>	<b>change due</b>	<b>Without</b>
		<b>to IFRS 15</b>	<b>adoption</b>
		<i>£'000</i>	
Revenue .....	915,758	2,165	917,923
Cost of sales .....	(498,279)	(1,803)	(500,082)
<b>Gross profit</b> .....	<b>417,479</b>	<b>362</b>	<b>417,841</b>
<b>Operating profit</b> .....	<b>34,772</b>	<b>362</b>	<b>35,134</b>
<b>EBITDA</b> .....	<b>86,248</b>	<b>362</b>	<b>86,610</b>
<b>Total comprehensive income for the financial</b> .....	<b>21,087</b>	<b>362</b>	<b>21,449</b>

	<b>31 December</b>	<b>Effects of</b>	<b>31 December</b>
	<b>2018</b>	<b>change due</b>	<b>2018</b>
	<b>As reported</b>	<b>to IFRS 15</b>	<b>2018</b>
		<i>£'000</i>	
Inventories .....	157,258	(10,764)	146,494
<b>Total assets</b> .....	<b>1,134,433</b>	<b>(10,764)</b>	<b>1,123,669</b>
Retained earnings .....	199,487	2,617	202,104
<b>Equity</b> .....	<b>315,266</b>	<b>2,617</b>	<b>317,883</b>
Contract liabilities .....	25,889	(13,381)	12,508
<b>Total liabilities</b> .....	<b>819,167</b>	<b>(13,381)</b>	<b>805,786</b>

New standards not yet implemented:

The International Accounting Standards Board (IASB) and IFRS IC have issued the following new or amended standards with an effective date for financial periods ending on or after the dates disclosed below. These standards and interpretations share an effective date of adoptions of 1 January 2020.

The Group does not consider that the below proposed changes will have a material impact.

<b>Name</b>	<b>Date of implementation</b>
IFRS 3 Business Combinations Amendments to clarify the definition of a business....	01/01/2020
IFRS 7 Financial Instruments: Disclosures Amendments regarding pre-replacement issues in the context of the IBOR reform .....	01/01/2020
IFRS 9 Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform.....	01/01/2020
IAS 1 Presentation of Financial Statements Amendments regarding the definition of material.....	01/01/2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Amendments regarding the definition of material.....	01/01/2020

## 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 has one segment. The Chief Operating Decision Maker is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level, and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Nutrition .....	412,913	351,140	344,170
Beauty .....	478,260	378,509	253,024
Ingenuity .....	127,921	80,028	39,752
Other .....	121,166	106,081	98,706
<b>Total</b>	<b>1,140,260</b>	<b>915,758</b>	<b>735,652</b>

Nutrition relates to sales of products from wholly owned nutrition brands. Beauty relates to website sales of owned and third-party Beauty brands. Ingenuity relates to the provision of services relating to web-platform. Other relates to revenues not captured above, including revenue generated from hotels and spa facilities.

Below is an analysis of revenue by region:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
		<i>£'000</i>	
UK.....	398,735	307,891	223,017
Europe.....	277,687	240,676	214,020
Rest of the world .....	463,838	367,191	298,615
	<b>1,140,260</b>	<b>915,758</b>	<b>735,652</b>

Rendering of services represents 9% of total revenue in 2019 (2018: 7%, 2017: 6%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 4% of total revenue (2018: 5%, 2017: 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.



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

	2019	2018	2017
	<i>£'000</i>		
UK .....	863,079	632,788	534,367
Europe .....	31,520	5,697	641
Rest of the world .....	17,033	10,222	10,350
	<b>911,632</b>	<b>648,707</b>	<b>545,358</b>

### 3. Operating profit / (loss)

	Note	2019	2018	2017
		<i>£'000</i>		
Operating profit / (loss) has been arrived at after charging / (crediting): .....				
Employee costs .....	5	134,335	133,642	97,401
Share-based payments .....	6	27,252	7,058	-
Depreciation on fixed assets .....		27,885	18,657	15,859
Depreciation on right of use assets .....		14,057	-	-
Government grants (RDEC) .....		(1,125)	(1,072)	(633)
Profit on disposal of property, plant and equipment .....		-	-	10
Amortisation .....	10	39,176	32,819	22,457
Net foreign exchange (gain) / loss .....		(269)	(143)	188

The IFRS 2 'Share-based Payments' charge for the year relating to the shares and share options is £27.3m (2018: £7.1m, 2017: nil) based on the best available estimate of the number of equity instruments expected to vest.

### 4. Adjusted items

Underlying profit is shown before adjusted items on the face of the income statement. These are items which are material and non-recurring in nature and include costs relating to acquisitions, disposal and significant business restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. These items are presented separately to improve comparability of the Group's underlying profitability with peer companies.

	2019	2018	2017
	<i>£'000</i>		
Within Distribution costs			
Commissioning - new facilities .....	7,495	9,497	11,923
Decommissioning - legacy facilities .....	2,061	48	3,392
	<b>9,556</b>	<b>9,545</b>	<b>15,315</b>
Within Administrative costs			
Share-based payments (SBP) .....	27,252	7,058	-
Acquisitions - legal and professional costs .....	1,075	4,566	7,373
Acquisitions - restructuring and integration .....	5,409	6,807	8,413
Restructuring costs .....	863	2,272	-
Other legal and professional costs .....	1,048	801	522
	<b>35,647</b>	<b>21,504</b>	<b>16,308</b>
Within Finance costs			
Refinancing .....	7,951	-	-
<b>Total adjusted items before tax .....</b>	<b>53,154</b>	<b>31,049</b>	<b>31,623</b>
<b>Tax impact .....</b>	<b>(5,172)</b>	<b>(3,222)</b>	<b>(4,615)</b>
<b>Total adjusted items .....</b>	<b>47,982</b>	<b>27,827</b>	<b>27,008</b>

#### *Commissioning - new facilities*

During the three years ended 31 December 2019, the Group has embarked on a strategic programme 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 programme, the Group has commissioned a number of these purpose-built facilities during the three years ended 31 December 2019, including sites in Warrington, UK ("Omega") and Kentucky, US, each commissioned during the two years ended 31 December 2018, and sites in Singapore and Wroclaw, Poland in the year ended 31 December 2019.

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 adjusting items;
- Costs relating to the migrate production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production process 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. These duplicated postage costs.

Further material charges are anticipated as the programme is completed. The quantum of which is subject to change throughout the programme as decisions are taken in relation to the needs of the business in meeting the ever-changing requirements of customers in an e-commerce retail environment.

#### ***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.

The legacy sites primarily driving these costs, include four facilities in the UK which were replaced in FY17 by the new Omega facility. The FY19 costs relate to UK and USA sites that were exited as those operations transitioned into Omega (UK) and Kentucky (US) respectively.

#### ***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 adjusting items as they relate to significant strategic transactions and but for the transactions in question the business would not have incurred these costs and as a result these costs are deemed to be non-recurring 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 non-recurring costs incurred by the Group as the businesses 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;
- 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. The key acquisitions driving these costs included Christophe Robin and Eddie Rockers in 2019; Hangar 7, UK2 and ESPA in 2018 and Glossybox and Ideal Shape in 2017.

### ***Restructuring***

The Group has undertaken significant restructuring activities during the years ended 31 December 2018 and 2019. These costs related to restructuring of departments, divisions and businesses within the Group and are included within adjusted items as these costs are not expected to be recurring as they relate to discrete restructuring events. Most restructuring projects are expected to be completed within 12 months, however due to the commencement date of the activities, they can span accounting periods.

### ***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 and 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. The charge in FY19 includes the underlying share-based payments charge being spread over the vesting period for grants under active schemes, as well as a non-recurring additional charge of £7.0m, for existing awards where conditions were waived at the Board's discretion.

### ***Refinancing***

The Group restructured its debt financing in 2019, obtaining a €600m institutional Term Loan B, £150m revolving credit facility and a £197m secured debt and development funding. As part of this process, initial arrangement fees from terminated facilities, have been included within adjusted items. These items are non-cash in nature as they were cash settled over previous period.

## 5. Employee costs and Directors' remuneration

	Note	2019	2018	2017
			£'000	
Wages and salaries .....		145,604	141,896	107,717
Social security costs.....		14,865	14,438	10,401
Pension costs .....		2,266	1,408	483
Share-based payments .....	7	27,252	7,058	-
		<b>189,987</b>	<b>164,800</b>	<b>118,601</b>

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £28.4m (2018: £24.1m, 2017: £21.2m).

Historically, the Group has provided shared finance, legal, treasury and tax services to the property entities that have been spun out of the Group. These are recharged annually under a master services agreement. The amount recharged relating to staff costs not adjusted for in the above table for 2019 was £0.6m (2018: £0.2 m, 2017: £0.1m).

The costs incurred in respect of the Directors, who are regarded as the only key management personnel, were as follows:

	2019	2018	2017
		£'000	
Directors' emoluments .....	2,127	1,475	1,364
Highest paid director .....	546	588	488

No retirement benefits are accruing to any of the Directors at 31 December 2019 (2018 and 2017: nil).

The average number of employees (including executive directors) during the year was:

	2019	2018	2017
		Number	
Retail .....	1,501	1,320	873
Administration.....	864	727	563
Distribution.....	2,007	1,710	1,261
Information technology .....	554	482	525
	<b>4,926</b>	<b>4,239</b>	<b>3,222</b>

## 6. Share-based payments

The Group operates share-based compensation plans over the years, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. At each balance sheet date, the Group revises its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in adjusted items.

All the share-based compensation plans are equity-settled and valued by Monte Carlo simulation. The details of these plans are given below:

2010 EMI options:

In 2010, the Group issued two tranches of share options under an Enterprise Management Incentive (EMI) scheme approved by HMRC. The Board has granted options over shares in the Hut Group Ltd to employees of the Group. Options were granted with a different strike price each and exercisable on a sale or listing of the Group (non-market condition).

2013 growth share scheme – ManCo shares:

In November 2013, a new management incentive growth share scheme was introduced. An intermediate holding company, The HUT IHC Limited (IHC), was inserted into Group structure

as a subsidiary of the Company, owning 100% of the remaining subsidiary companies. Employees within the scheme have subscribed for shares in a new company, The Hut Management Company Limited (Manco) which owns 10% of the share capital in IHC. The scheme was only exercisable on an exit (non-market condition), had an exit hurdle price (market condition) and had service condition requiring employees to remain in employment for three years.

#### Unapproved options 2013:

In November 2013 the Group issued further share options to employees under the previous EMI scheme. The scheme was only exercisable on an exit (market condition), had an exit hurdle price (market condition) and had service condition requiring employees to remain in employment for three years.

#### Unapproved options 2016:

During the year 2016, the Group issued a number of Employee Share Scheme (ESS) shares to a select group of senior employees. The ESS shares were issued as part of a new government approved scheme that allows employees to agree to waive/vary certain statutory employment rights in exchange for at least £2,000 worth of newly issued shares which benefit from potentially significant tax breaks. The scheme was only exercisable on an exit (non-market condition), had an EPS performance condition (non-market performance condition), had an exit hurdle price (market condition) and service condition requiring employees to remain in employment for three years.

#### 2017 growth share scheme – E ordinary shares:

A new Long-term Incentive Plan (LTIP) was introduced during 2018. Under this scheme, the Group issued equity settled management shares which were valued using Monte Carlo simulation. The scheme was only exercisable on an exit (non-market condition), had EPS targets based on adjusted EBITDA (non-market performance condition), had an exit hurdle price (market condition). The scheme has service condition requiring employees to remain in employment for three years from grant until the date each of the EBITDA targets met. During 2019, more employee share awards were granted under this scheme with additional service conditions.

All the equity instruments were granted through the 3-year period and were valued based on the below inputs.

	<u>Issued in 2019</u>	<u>Issued in 2018</u>
Exercise/subscription price £ .....	43.25	43.25
Expected volatility % .....	47	47
Expected term.....	9 years	10 years
Risk-free interest rate % .....	0.70	1.20
Fair value £.....	162.5	175.1

The fair value of equity instruments was calculated using a Monte-Carlo simulation. The implied volatility was estimated based on historical volatility based on observable equity raises, with reference to external market participants, taking into account an illiquidity premium.

A reconciliation of equity instrument movements, and weighted average exercise price ("WAEP") over the year is shown below:

	<u>Number</u>	<u>WAEP</u>
Outstanding at 1 January 17.....	383,894	5.19
Granted.....	-	-
Cancelled.....	(38,930)	4.25
<b>Outstanding at 31 December 17.....</b>	<b><u>344,964</u></b>	<b><u>5.29</u></b>
Outstanding at 1 January 2018.....	344,964	5.29
Granted.....	160,568	43.25
Cancelled.....	(28,408)	4.01
<b>Outstanding at 31 December .....</b>	<b><u>477,124</u></b>	<b><u>18.14</u></b>
Outstanding at 1 January 19.....	477,124	18.14
Granted.....	112,824	43.25
Cancelled.....	(847)	3.75
<b>Outstanding at 31 December 19.....</b>	<b><u>589,101</u></b>	<b><u>22.97</u></b>

The lowest exercise/subscription price of equity instruments outstanding at the end of the period was £1.00 (2018 and 2017: £1.00) and the highest was £43.25 (2018: £43.25, 2017: £8.25).

7. **Finance income and cost**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
<b>Finance income</b>			
Bank interest receivable.....	133	162	315
<b>Finance costs</b>			
Bank interest payable and charges.....	22,132	14,134	6,358
Hedging costs.....	464	-	-
Interest on lease liabilities.....	3,665	37	19
	<u><b>26,261</b></u>	<u><b>14,171</b></u>	<u><b>6,377</b></u>

8. **Income tax**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
<b>Current tax</b>			
Tax charge for the year.....	2,355	933	730
Adjustments in respect of prior year.....	133	(434)	(652)
	<u>2,488</u>	<u>499</u>	<u>78</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences.....	(4,105)	(1,581)	(1,281)
Adjustments in respect of prior year.....	507	1,211	185
Change in tax rate.....	243	(252)	-
	<u>(3,355)</u>	<u>(622)</u>	<u>(1,096)</u>
<b>Total income tax (credit) / charge.....</b>	<u><b>(867)</b></u>	<u><b>(123)</b></u>	<u><b>(1,018)</b></u>

The effective tax rate has varied through the historical period, and is explained as:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Loss before tax.....	(49,057)	(10,286)	(11,314)
	19%	19%	19.25%
Loss before tax at 19.00% (2017: 19.25%).....	(9,321)	(1,954)	(2,178)
Tax effects of:.....			
Adjustments in respect of prior year.....	640	(64)	(467)
Non-qualifying depreciation.....	882	1,111	737
Expenses not deductible / non-taxable income.....	905	1,448	1,357
Share-based payment charge.....	5,177	1,341	-
Effect of different tax rates in other jurisdictions.....	607	216	307
Movement in losses not recognised.....	-	(2,094)	(1,026)
Effect of change in tax rate.....	243	(127)	252
	<u><b>(867)</b></u>	<u><b>(123)</b></u>	<u><b>(1,018)</b></u>

The standard rate of Corporation Tax in the UK is 19%. The effective tax rate is higher mainly due to non-deductible share-based payment costs, non-qualifying depreciation, disallowable acquisition costs, other non-deductible items in the UK, prior year adjustments (mostly in the UK and US) and overseas tax rates.

All deferred tax balances as at 31 December 2019 have been calculated at 17% (2018: 17%, 2017: 17%), being the enacted rate applicable at this date. Changes in tax laws and rates may affect deferred tax assets and effective tax rate in the future. In March 2020 the UK removed the future corporation tax rate of 17%. Because a change in the tax law is accounted for in the period of enactment, the retroactive effects cannot be enacted in 2019 accounts and instead will be reflected in the 2020 results. The closing deferred tax liability recognise will increase by £0.3m in respect of the deferred tax rate increasing by 2% to 19%.

Regarding US tax, the US corporate tax rate is 21% (from 1 January 2019). This rate has been used to calculate any deferred tax.

9. **Business combinations**

Details of these acquisitions are as follows:

<b>Business</b>	<b>Country of incorporation</b>	<b>Nature of activity</b>	<b>Date of acquisition</b>	<b>Consideration (£'000)</b>	<b>Percentage ownership</b>
Eddie Rockers Limited.....	UK	Hotels Designing and commercialising hair care products	01-May-19	39,894	100
Christophe Robin Acheson & Acheson .....	France	Manufacturing	30-Apr-19	44,693	100
Language Connect .....	UK	Translation and	16-Jul-18	12,690	100
Eyecko.....	UK	Online retailing	03-May-18	16,532	100
Illamasqua .....	UK	Online retailing	05-Oct-17	16,926	100
ESPA .....	UK	Online retailing	06-Sep-17	68,191	100
RY.com.au.....	Australia	Online retailing	22-Aug-17	6,842	100
Glossybox.....	Germany	Online retailing	11-Aug-17	17,467	100
UK2 Limited.....	UK	Webhosting	24-May-17	58,035	100
Hangar Seven .....	UK	Producer of Visual Content	12-Apr-17	9,191	100

All entities were acquired via direct investment in the share capital of the targets.

The carrying amount of assets and liabilities in the books of the acquires at the dates of acquisition were as follows:

	<b>Christophe Robin</b>	<b>Eddie Rockers Limited</b>	<b>Eyecko</b>	<b>Language Connect</b>	<b>A&amp;A</b>	<b>Hangar7</b>	<b>UK2</b>	<b>RY</b>	<b>Glossybox</b>	<b>ESPA</b>	<b>Illamasqua</b>
	<i>£'000</i>										
Intangible assets.....	-	-	-	127	282	189	1,201	119	-	40,466	194
Property, plant and equipment .....	348	12,211	113	143	12,655	364	8,205	215	279	2,922	503
Other long-term assets.....	-	-	-	513	-	-	371	-	-	-	-
Inventories.....	3,387	-	336	-	11,057	90	-	826	2,803	4,246	1,323
Trade and other receivables .....	3,893	4,927	2,123	2,688	11,727	2,564	13,778	73	2,998	5,490	1,779
Cash and cash equivalents .....	273	576	-	823	516	376	2,918	372	3,479	4,903	174
Trade and other payables .....	(5,778)	(8,452)	(1,499)	(1,509)	(16,511)	(2,783)	(14,362)	(920)	(9,977)	(30,412)	(3,550)
Non-current payables .....	-	-	(3)	-	-	-	(3,811)	-	-	-	(658)
Deferred tax .....	-	(55)	-	-	(277)	(19)	1,026	-	-	(30)	-
<b>Total carrying amount .....</b>	<b>2,123</b>	<b>9,207</b>	<b>1,070</b>	<b>2,785</b>	<b>19,449</b>	<b>781</b>	<b>9,326</b>	<b>685</b>	<b>(418)</b>	<b>27,585</b>	<b>(235)</b>

The following intangible assets were recognised at acquisition:

	<b>Christophe Robin</b>	<b>Eyecko</b>	<b>Language Connect</b>	<b>A&amp;A</b>	<b>Hangar 7</b>	<b>UK2</b>	<b>RY</b>	<b>Glossybox</b>	<b>ESPA</b>	<b>Illamasqua</b>
	<i>£'000</i>									
Intangible assets brands .....	15,907	2,752	2,600	13,053	4,770	8,715	2,537	5,110	12,892	419
Intangible assets – customer lists .....	7,850	644	512	2,408	662	4,090	797	844	2,557	599
Deferred tax .....	(4,039)	(577)	(529)	(2,628)	(923)	(2,177)	(567)	(1,012)	(2,626)	(173)
<b>Total carrying amount .....</b>	<b>19,718</b>	<b>2,819</b>	<b>2,583</b>	<b>12,833</b>	<b>4,509</b>	<b>10,628</b>	<b>2,767</b>	<b>4,942</b>	<b>12,823</b>	<b>845</b>

No intangible assets were recognised on the purchase of Eddie Rockers in 2019.

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

	<b>Christophe Robin</b>	<b>Eddie Rockers Limited</b>	<b>Eyecko</b>	<b>Language Connect</b>	<b>A&amp;A</b>	<b>Hangar7</b>	<b>UK2</b>	<b>RY</b>	<b>Glossybox</b>	<b>ESPA</b>	<b>Illamasqua</b>
	<i>£'000</i>										
Intangible assets.....	23,757	-	3,396	3,112	15,461	5,432	12,805	3,334	5,954	15,449	1,017
Property, plant and equipment .....	43	41,627	27	148	12,660	364	8,205	5	223	3,449	503
Other long-term assets.....	-	-	-	202	-	-	-	-	-	-	-
Inventories.....	1,755	-	462	-	11,057	-	-	663	1,122	4,246	1,251
Trade and other receivables .....	2,359	6,073	1,818	2,604	11,724	2,342	7,193	55	1,761	4,338	1,779

	Christophe Robin	Eddie Rockers Limited	Eyekeo	Language Connect	A&A	Hangar7	UK2	RY	Glossybox	ESPA	Illamasqua
<i>£'000</i>											
Cash and cash equivalents .....	273	576	137	923	510	376	2,872	21	3,475	4,903	174
Trade and other payables .....	(4,642)	(8,328)	(2,074)	(1,649)	(15,995)	(3,109)	(14,472)	(1,106)	(12,886)	(32,374)	(4,461)
Non-current payables .....	-	-	-	-	-	-	(3,811)	-	-	-	(658)
Deferred tax .....	(4,039)	(54)	(577)	(529)	(2,628)	(923)	(2,177)	(567)	(1,012)	(2,626)	(173)
<b>Net assets acquired</b>	<b>19,506</b>	<b>39,894</b>	<b>3,189</b>	<b>4,811</b>	<b>32,789</b>	<b>4,482</b>	<b>10,616</b>	<b>2,405</b>	<b>(1,363)</b>	<b>(2,615)</b>	<b>(568)</b>
<b>Goodwill .....</b>	<b>25,187</b>	<b>-</b>	<b>13,343</b>	<b>7,879</b>	<b>19,983</b>	<b>4,710</b>	<b>47,419</b>	<b>4,437</b>	<b>18,830</b>	<b>70,806</b>	<b>17,493</b>
<b>Purchase Consideration</b>	<b>44,693</b>	<b>39,894</b>	<b>16,532</b>	<b>12,690</b>	<b>52,772</b>	<b>9,192</b>	<b>58,035</b>	<b>6,842</b>	<b>17,467</b>	<b>68,191</b>	<b>16,926</b>
<b>Transactions costs</b>	<b>86</b>	<b>198</b>	<b>134</b>	<b>225</b>	<b>375</b>	<b>17</b>	<b>792</b>	<b>447</b>	<b>2,622</b>	<b>605</b>	<b>511</b>

Purchase consideration was cash for all acquisitions. 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 4.

A number of acquisitions contained properties that have been excluded from the combined Historical Financial Information as detailed in the Basis of Preparation note. Those properties and their fair values at acquisitions are set out below. The properties were excluded from the combined Historical Financial Information at their fair value:

	Eddie Rockers Limited	A&A	ESPA
<i>£'000</i>			
Freehold Property .....	<b>42,357</b>	<b>11,413</b>	<b>3,500</b>

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 IT platform and supporting operations.

Amounts that the acquisitions contributed to both Group profit in the year of acquisitions are as follows:

Acquisition	Year of acquisition	Revenue contributed in year of acquisition	PBT contributed in year of acquisition	Full year revenue of year of acquisition	Full year PBT of year of acquisition
Hangar7	2017	11,082	348	14,842	(117)
UK2	2017	24,574	670	40,403	(6,951)
RY	2017	2,797	(227)	9,138	394
Glossybox	2017	16,994	422	53,078	(5,364)
ESPA	2017	6,892	801	24,953	(3,002)
Illamasqua	2017	1,457	(1,997)	6,841	(4,500)
Eyekeo	2018	4,331	1,240	5,971	(76)
Language Connect	2018	5,472	519	13,461	676
A&A	2018	15,100	2,213	32,462	2,194
Christophe Robin	2019	5,738	596	8,607	895
Eddie Rockers Limited	2019	6,197	1,626	8,624	1,985

#### 10. Intangible assets

	Goodwill	Platform development costs	Intellectual property	Brands	Total
<i>£'000</i>					
<b>Cost or valuation</b>					
<b>At 1 January 2017</b> .....	<b>147,125</b>	<b>56,090</b>	<b>29,265</b>	<b>29,121</b>	<b>261,601</b>
Additions .....	-	24,802	7,240	-	<b>32,042</b>
Business combinations .....	157,915	1,201	9,044	34,517	<b>202,677</b>
Currency translation differences .....	(1,069)	(20)	74	254	<b>(761)</b>
<b>At 31 December 2017</b> .....	<b>303,971</b>	<b>82,073</b>	<b>45,623</b>	<b>63,892</b>	<b>495,559</b>
<b>At 1 January 2018</b> .....	<b>303,971</b>	<b>82,073</b>	<b>45,623</b>	<b>63,892</b>	<b>495,559</b>
Additions .....	-	29,404	12,402	-	<b>41,806</b>
Business combinations .....	43,802	-	7,380	19,536	<b>70,718</b>
Currency translation differences .....	2,206	(1,123)	1,697	1,088	<b>3,868</b>
Disposals .....	-	-	(90)	-	<b>(90)</b>
<b>At 31 December 2018</b> .....	<b>349,979</b>	<b>110,354</b>	<b>67,012</b>	<b>84,516</b>	<b>611,861</b>



	Goodwill	Platform development costs	Intellectual property £'000	Brands	Total
<b>At 1 January 2019</b> .....	<b>349,979</b>	<b>110,354</b>	<b>67,012</b>	<b>84,516</b>	<b>611,861</b>
Additions .....	-	36,966	19,029	-	55,995
Business combinations .....	22,022	-	7,244	19,503	48,769
Currency translation differences .....	(1,317)	(500)	(115)	(807)	(2,739)
Disposals .....	-	-	(1)	-	(1)
<b>At 31 December 2019</b> .....	<b>370,684</b>	<b>146,820</b>	<b>93,169</b>	<b>103,212</b>	<b>713,885</b>
<b>Accumulated amortisation</b>					
<b>At 1 January 2017</b> .....	<b>270</b>	<b>25,245</b>	<b>10,298</b>	<b>2,604</b>	<b>38,417</b>
Amortisation .....	-	13,816	7,226	1,415	22,457
Currency translation differences .....	-	4	(18)	(125)	(139)
<b>At 31 December 2017</b> .....	<b>270</b>	<b>39,065</b>	<b>17,506</b>	<b>3,894</b>	<b>60,735</b>
<b>At 1 January 2018</b> .....	<b>270</b>	<b>39,065</b>	<b>17,506</b>	<b>3,894</b>	<b>60,735</b>
Amortisation .....	-	16,415	12,175	4,229	32,819
Currency translation differences .....	-	23	1,160	535	1,718
Disposals .....	-	-	(29)	-	(29)
<b>At 31 December 2018</b> .....	<b>270</b>	<b>55,503</b>	<b>30,812</b>	<b>8,658</b>	<b>95,243</b>
<b>At 1 January 2019</b> .....	<b>270</b>	<b>55,503</b>	<b>30,812</b>	<b>8,658</b>	<b>95,243</b>
Amortisation .....	-	21,903	13,298	3,975	39,176
Currency translation differences .....	-	(510)	(17)	(112)	(639)
<b>At 31 December 2019</b> .....	<b>270</b>	<b>76,896</b>	<b>44,093</b>	<b>12,521</b>	<b>133,780</b>
<b>Net book amount</b>					
At 1 January 2017 .....	<b>146,855</b>	<b>30,845</b>	<b>18,967</b>	<b>26,517</b>	<b>223,184</b>
At 31 December 2017 .....	<b>303,701</b>	<b>43,008</b>	<b>28,117</b>	<b>59,998</b>	<b>434,824</b>
At 31 December 2018 .....	<b>349,709</b>	<b>54,851</b>	<b>36,200</b>	<b>75,858</b>	<b>516,618</b>
<b>At 31 December 2019</b> .....	<b>370,414</b>	<b>69,924</b>	<b>49,076</b>	<b>90,691</b>	<b>580,105</b>

#### Impairment tests for goodwill and other intangible assets

The Group's intangible assets include acquired brands and intellectual property, some of which are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows. The assessment of an indefinite life considers the market position and the Group's commitment to maintaining the brand. Goodwill, brands and intellectual property that have indefinite useful lives are subject to annual impairment testing, or more frequent testing if there are indications of impairment. Intangible assets and goodwill are allocated to the appropriate cash-generating units ("CGUs") based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific intangible asset. The recoverable amounts of the CGUs are determined from value-in-use calculations that use amounts from approved budgets, and projections over an initial period of 3-10 years (2018: 3-10 years, 2017: 3 – 5 years) and pre-tax cash flows projected forward assuming a perpetual growth rate of 2% (2018 and 2017: 2%). The discount rate applied to the cash flow projections was 6.1% on a post-tax basis (2018: 9.1%, 2017: 8.5%). Where budget periods greater than 5 years have been used, these are deemed to be robust, accurate and reliable. The use of this extended period is considered by management to provide a more accurate representation of future cash flows for those CGUs, due to the varying level of activity expected within these CGUs. The basis for this conclusion is supported by management's historical accuracy when comparing budgeted results to actuals. The average per-annum growth rate applied to the initial period ranged from 2% to 25% dependent on the maturity of the CGU and is based on recent actual and expected performance of the Group. The specific assumptions for material CGU's are as follows:

**Sports Nutrition:** average growth rate of 12.4% over 10 years

**Beauty Retail:** average growth rate of 13.2% over 10 years

**ESPA:** average growth rate of 18.2% over 10 years

**Hosting:** average growth rate of 7.7% over 10 years

The net book value of goodwill, brands and intellectual property with indefinite lives allocated to CGUs for the purposes of impairment testing is as follows:

	2019		2018		2017	
	Goodwill	Brands	Goodwill	Brands	Goodwill	Brands
	£'000					
Sports Nutrition .....	52,123	5,527	52,208	5,527	50,464	5,527
Beauty Retail .....	36,360	-	36,738	-	36,545	-
Diet .....	28,396	-	29,083	-	29,083	-
Beauty Brands .....						
Mio .....	2,131	-	2,229	-	2,069	-
Glossybox .....	18,830	-	18,830	-	18,830	-
ESPA .....	70,806	-	70,806	-	70,806	-
Illamasqua .....	17,493	-	17,493	-	17,493	-
Eyeko .....	13,343	-	13,343	-	-	-
A&A .....	19,984	-	19,984	-	-	-
Christophe Robin .....	25,187	-	-	-	-	-
Ingenuity .....						
Hangar Seven .....	8,211	-	8,211	-	7,433	-
Hosting .....	42,053	-	42,053	-	41,592	-
Language Connect .....	39,882	-	7,344	-	-	-
Other Retail .....						
Iwantoneofthose .....	1,965	-	1,965	-	1,965	-
The Hut .....	2,568	-	2,568	-	2,568	-
ProBikeKit .....	8,475	-	8,475	-	8,475	-
PIAB / MGB .....	42	-	42	-	42	-
Other .....						
Preloved .....	4,267	-	4,267	-	4,267	-
Hale CC .....	16,424	-	16,424	-	16,424	-
	<b>408,540</b>	<b>5,527</b>	<b>352,063</b>	<b>5,527</b>	<b>308,056</b>	<b>5,527</b>

A sensitivity analysis has been performed around the base assumptions in each year, being operating profit and sales growth, with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the goodwill and brands with indefinite lives to be less than the carrying value. A 10% reduction in the discounted cash flows would not result in an impairment being required.

During 2018, Sport Nutrition and Beauty Retail CGU Groups have been formed following the merge of the brands relating to that market segment.

#### 11. Property, plant and equipment

	Motor vehicles	Plant and machinery	Fixtures and fittings	Computer equipment and software	Freehold buildings	Total
		£'000				
<b>Cost</b>						
<b>At 1 January 2017 .....</b>	<b>1,882</b>	<b>60,916</b>	<b>18,376</b>	<b>11,454</b>	<b>1,387</b>	<b>94,015</b>
Additions .....	124	10,262	19,190	7,099	483	37,158
Business combinations .....	31	163	836	6,746	1,275	9,051
Currency translation differences ...	(4)	(163)	(106)	(86)	(80)	(439)
Disposals .....	-	(64)	-	-	-	(64)
<b>At 31 December 2017 .....</b>	<b>2,033</b>	<b>71,114</b>	<b>38,296</b>	<b>25,213</b>	<b>3,065</b>	<b>139,721</b>
<b>At 1 January 2018 .....</b>	<b>2,033</b>	<b>71,114</b>	<b>38,296</b>	<b>25,213</b>	<b>3,065</b>	<b>139,721</b>
Additions .....	41	12,028	14,568	8,675	354	35,666
Business combinations .....	150	2,702	193	68	(1)	3,112
Currency translation differences ...	-	1,416	687	138	61	2,302
Disposals .....	(175)	(358)	(374)	(219)	-	(1,126)
<b>At 31 December 2018 .....</b>	<b>2,049</b>	<b>86,902</b>	<b>53,370</b>	<b>33,875</b>	<b>3,479</b>	<b>179,675</b>
<b>At 1 January 2019 .....</b>	<b>2,049</b>	<b>86,902</b>	<b>53,370</b>	<b>33,875</b>	<b>3,479</b>	<b>179,675</b>
Impact from adoption of IFRS 16 ..	-	(2,220)	-	(681)	-	(2,901)
Additions .....	139	4,093	12,980	25,158	50	42,420
Business combinations .....	-	-	1,240	22	328	1,590
Currency translation differences ...	-	(983)	(258)	(144)	(83)	(1,468)
Disposals .....	(23)	(99)	(46)	(58)	(253)	(479)
<b>At 31 December 2019 .....</b>	<b>2,165</b>	<b>87,693</b>	<b>67,286</b>	<b>58,172</b>	<b>3,521</b>	<b>218,837</b>
<b>Accumulated depreciation</b>						
<b>At 1 January 2017 .....</b>	<b>283</b>	<b>6,892</b>	<b>2,117</b>	<b>5,018</b>	<b>82</b>	<b>14,392</b>

	Motor vehicles	Plant and machinery	Fixtures and fittings	Computer equipment and software	Freehold buildings	Total
				£'000		
Depreciation (note 3) .....	334	3,855	4,042	6,224	388	<b>14,843</b>
Currency translation differences ...	(1)	(12)	(10)	(14)	(2)	<b>(39)</b>
Disposals .....	-	(9)	-	-	-	<b>(9)</b>
<b>At 31 December 2017</b> .....	<b>616</b>	<b>10,726</b>	<b>6,149</b>	<b>11,228</b>	<b>468</b>	<b>29,187</b>
<b>At 1 January 2018</b> .....	<b>616</b>	<b>10,726</b>	<b>6,149</b>	<b>11,228</b>	<b>468</b>	<b>29,187</b>
Depreciation .....	274	7,494	5,108	4,573	109	<b>17,558</b>
Currency translation differences ...	-	1,040	67	78	4	<b>1,189</b>
Disposals .....	(90)	(72)	(130)	(56)	-	<b>(348)</b>
<b>At 31 December 2018</b> .....	<b>800</b>	<b>19,188</b>	<b>11,194</b>	<b>15,823</b>	<b>581</b>	<b>47,586</b>
<b>At 1 January 2019</b> .....	<b>800</b>	<b>19,188</b>	<b>11,194</b>	<b>15,823</b>	<b>581</b>	<b>47,586</b>
Impact from adoption of IFRS 16	-	(1,207)	-	(534)	-	<b>(1,741)</b>
Depreciation .....	308	12,549	6,429	5,929	1,156	<b>26,371</b>
Currency translation differences ...	-	(605)	(73)	(74)	(77)	<b>(829)</b>
Disposals .....	(23)	(99)	(31)	(13)	(253)	<b>(419)</b>
<b>At 31 December 2019</b> .....	<b>1,085</b>	<b>29,826</b>	<b>17,519</b>	<b>21,131</b>	<b>1,407</b>	<b>70,968</b>
<b>NBV</b>						
At 1 January 2017 .....	1,599	54,024	16,259	6,436	1,305	79,623
At 31 December 2017 .....	1,417	60,388	32,147	13,985	2,597	110,534
At 31 December 2018 .....	1,249	67,714	42,176	18,052	2,898	132,089
<b>At 31 December 2019</b> .....	<b>1,080</b>	<b>57,867</b>	<b>49,767</b>	<b>37,041</b>	<b>2,114</b>	<b>147,869</b>

As referenced in Note 1 - Basis of Preparation, the depreciation charge on certain THG properties utilised by the Group have been retained in the Historical Financial Information in order to reflect the cost for use of those property assets by the Group. This charge was £1.5m for 2019 (2018: £1.1m, 2017: £1.0m).

## 12. Inventories

	2019	2018	2017
		£'000	
Goods in transit .....	<b>5,010</b>	10,764	-
Goods held for resale .....	<b>197,082</b>	144,477	84,798
Right of return assets .....	<b>1,981</b>	2,017	-
	<b>204,073</b>	<b>157,258</b>	<b>84,798</b>

Goods in transit are in relation to the adoption of IFRS 15 and relate to goods whose control is still to be transferred to the customers as of the reporting date. The cost of inventories recognised as an expense and included in cost of sales amounted to £629m (2018: £498m, 2017: £417m).

The right of return asset relates to the value of stock that management have estimated as being highly probably to be returned, as described in note 1.1(b).

## 13. Financial assets and liabilities

	2019	2018	2017
	£'000	£'000	£'000
<b>Assets as per balance sheet - loans and receivables</b> .....			
Trade and other receivables excluding prepayments .....	193,911	51,160	20,785
Cash and cash equivalents .....	308,940	234,819	186,729
<b>Assets as per balance sheet - held at fair value through OCI</b> .....			
Derivative financial instruments designated as hedging instruments .....	2,214	-	-
	<b>505,065</b>	<b>285,979</b>	<b>207,514</b>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Liabilities as per balance sheet – other .....</b>			
financial liabilities at amortised cost.....			
Bank borrowings .....	627,807	526,957	404,043
Finance leases .....	188,292	1,670	2,654
Trade and other payables excluding non-financial liabilities .....	428,620	281,954	198,401
<b>Liabilities as per balance sheet - other financial liabilities at fair value.....</b>			
Derivative financial instruments designated as hedging instruments.....	2,940	-	-
	<u><b>1,247,659</b></u>	<u><b>810,581</b></u>	<u><b>605,098</b></u>

\* 'Leases' in the table above refers to Finance leases in 2017 and 2018, and lease liabilities per IFRS 16 in 2019.

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. The contractual maturity of bank borrowings and finance lease liabilities is provided in note 17 and 21.

The derivative financial instruments designated as hedging instruments have been recognised at Fair Value Through Other Comprehensive Income. Hedging instruments used are measured based on observable inputs and have been classified as Level 2 hierarchy level in line with IFRS 13 Fair value measurement.

<b>2019</b>	<b>Notional</b>	<b>Impact on OCI</b>	<b>Recycled through Profit and Loss</b>
		<i>£'000</i>	
Derivatives hedging foreign exchange risk on borrowings .....	€600,000,000	8,996	6,274
Derivatives hedging interest rate risk on borrowings.....	€600,000,000	219	-
Derivatives hedging foreign exchange risk on future cash flows .....	£126,635,589	(2,214)	-

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group regularly forecasts cash flows and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

### Foreign currency risk

The Group trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Euros and US dollars. The Group's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The Groups approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements, and spot transactions, whose fair value is based on the observable Market value of the respective instrument, taking into account interest rates, foreign exchange rates and market volatility at the balance sheet date.

The Group is also exposed to EUR:GBP exchange rate risk on a €600m loan within the group, and mitigate this risk through the use of hedging instruments such as FX forward contracts.

As at 31 December 2019, the group held €600m notional of forward contracts expiring in December 2022 (2018 & 2017: nil)

The Group's foreign exchange exposure is predominantly Euro and US Dollars. If the closing exchange rate was 10% lower, the Groups P&L and equity would be impacted as follows:

	<u>Impact on P&amp;L</u>	<u>Impact on Equity</u>
	<i>£'000</i>	<i>£'000</i>
<b>31 December 2017</b> .....		
USD.....	(47)	(164)
Euro.....	(11)	(806)
<b>31 December 2018</b> .....		
USD.....	(12)	(14)
Euro.....	(136)	(131)
<b>31 December 2019</b> .....		
USD.....	(386)	178
Euro.....	1,083	(910)

#### Interest rate risk

The group is exposed to EURIBOR and LIBOR through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 31 December 2019, the Group held EUR 600m expiring December 2022 through to December 2026, and £85m expiring December 2024 (2018 & 2017: nil).

#### 14. Trade and other receivables

Trade and other receivables are principally denominated in sterling.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Trade receivables.....	49,758	36,796	13,290
Less provision for impairment.....	(1,254)	(576)	(51)
	<u>48,504</u>	<u>36,220</u>	<u>13,239</u>
Amounts due from related parties.....	128,147	-	-
Prepayments.....	18,251	14,004	12,429
Accrued income.....	29,179	17,504	10,412
Other tax and social security.....	19,167	6,486	107
Other receivables.....	17,260	14,940	7,546
	<u><b>260,508</b></u>	<u><b>89,154</b></u>	<u><b>43,733</b></u>

The ageing of trade receivables was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Not due.....	29,092	19,872	6,061
0 to 3 months overdue.....	20,191	15,557	3,751
3 to 6 months overdue.....	475	665	2,254
Over 6 months overdue.....	-	702	1,224
	<u><b>49,758</b></u>	<u><b>36,796</b></u>	<u><b>13,290</b></u>

The movement in the allowance for expected credit loss of trade receivables was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
At 1 January.....	<b>576</b>	<b>51</b>	<b>58</b>
Write-off.....	(1,080)	(800)	(96)
Provision for expected credit loss.....	1,758	1,325	89
<b>At 31 December</b>	<u><b>1,254</b></u>	<u><b>576</b></u>	<u><b>51</b></u>

#### 15. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Cash and cash equivalents.....	<u>308,940</u>	<u>234,819</u>	<u>186,729</u>

#### 16. Trade and other payables

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Trade creditors.....	173,870	162,306	108,429

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Amounts due to related parties	78,057	-	-
Accruals.....	144,533	100,669	82,465
Government grants .....	2,896	2,422	1,555
Returns recognised under IFRS 15 .....	1,981	2,017	-
Corporation tax .....	1,543	478	444
Other taxation and social security.....	24,350	6,184	1,800
Other creditors.....	1,390	7,878	3,708
	<u>428,620</u>	<u>281,954</u>	<u>198,401</u>

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

The Returns recognised under IFRS15 represents the liability for potential returns from customers.

#### 17. Interest-bearing loans and borrowings

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
<b>Current</b>			
Bank borrowings .....	140,533	5,054	5,000
Finance leases under IAS 17.....	-	947	2,090
	<u>140,533</u>	<u>6,001</u>	<u>7,090</u>
<b>Non-current</b>			
Bank borrowings .....	494,012	493,928	368,961
Finance leases under IAS 17.....	-	723	564
	<u>494,012</u>	<u>494,651</u>	<u>369,525</u>

In 2019, borrowings relate predominantly to the 7-year Euro term loan B and 5-year revolving credit facility. The revolving credit facility is provided by Banco Santander S.A., London Branch, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and National Westminster Bank PLC. The term loan B carried an interest rate of 4.50% *plus* EURIBOR and the revolving credit facility 3.75% *plus* LIBOR. In 2018 the senior facility bank borrowings carried an interest rate of 2.15% *plus* LIBOR and 3.75% *plus* LIBOR on the acquisition facility bank borrowings. All obligor companies registered in England and Wales under the term loan B facility have granted a debenture to Barclays Bank plc (as security agent).

If interest rates during the year had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £4.9m (2018: £3.1m, 2017:£2.4m) lower/higher as a result of the higher/lower interest expense which would have been payable.

In 2018 and 2017, borrowings related to a senior facility and acquisition facility provided by Barclays, HSBC, Santander, Citibank, JPM, RBS, Lloyds Bank, Bank of Ireland, Silicon Valley Bank and PDL Europe. Senior facility bank borrowings carried an interest rate of 2.15% (2017: 2.35%) *plus* LIBOR and 3.75% (2017: n/a) *plus* LIBOR on the acquisition facility bank borrowings.

Lease liabilities are measured at the present value of lease payments to be made over the lease term. The contractual maturity of bank borrowings is as follows:

The contractual maturity of bank borrowings is as follows:

<u>Bank borrowings</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Contractual amount</u>				<u>More than 5 years</u>
			<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	
31 December 2019	634,545	646,393	140,533	-	-	-	505,860
31 December 2018	498,982	499,083	1,250	3,750	494,083	-	-
31 December 2017	373,961	374,083	1,250	3,750	369,083	-	-

Bank borrowings are split into less than 3 months, which represents an RCF facility, coupled with More than 5 years, which relates to the 7-year term loan B facility (repayable in December 2026).

## 18. Provisions

	Onerous leases	Customer loyalty points	Dilapidations	Other provisions	Total
			£'000		
<b>At 1 January 2017</b> .....	41	724	-	-	765
Utilisation .....	-	(650)	-	-	(650)
Created .....	-	710	-	-	710
<b>At 31 December 2017</b> .....	<b>41</b>	<b>784</b>	<b>-</b>	<b>-</b>	<b>825</b>
<b>At 1 January 2018</b> .....	<b>41</b>	<b>784</b>	<b>-</b>	<b>-</b>	<b>825</b>
Utilisation .....	-	(1,170)	-	-	(1,170)
Acquired .....	301	-	813	-	1,114
Transferred .....	-	-	150	-	150
Created .....	-	1,246	-	107	1,353
<b>At 31 December 2018</b> .....	<b>342</b>	<b>860</b>	<b>963</b>	<b>107</b>	<b>2,272</b>
<b>At 1 January 2019</b> .....	<b>342</b>	<b>860</b>	<b>963</b>	<b>107</b>	<b>2,272</b>
Reclassified to RoU asset on adoption of IFRS 16 .....	(301)	-	-	-	(301)
Released .....	(41)	(1)	-	(68)	(110)
<b>At 31 December 2019</b> .....	<b>-</b>	<b>859</b>	<b>963</b>	<b>39</b>	<b>1,861</b>

The onerous lease provisions relate to vacant leasehold properties mainly acquired as part of acquisitions.

The loyalty points provision relates to unredeemed points which entitle customers to discounts on future purchases to the extent the Group believes that they will be redeemed.

Dilapidation provisions relate to properties mainly acquired as part of acquisitions. Other provisions are primarily related to bank guarantees given.

## 19. Contract liabilities

	2019	2018	2017
		£'000	
<b>Contract liabilities</b> .....	<b>23,739</b>	<b>25,889</b>	<b>14,326</b>

Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services. 100% of the transaction price allocated to the unsatisfied contracts as at 31 December are recognised as revenue in the next reporting period.

## 20. Deferred tax

The deferred tax balance comprises:

	2019	2018	2017
		£'000	
Accelerated capital allowances .....	(2,248)	1,649	(717)
USA accelerated capital allowances .....	2,084	-	202
Short term timing differences .....	(7,216)	(6,796)	(3,731)
Tax losses carried forward and other deductions .....	(3,482)	(2,349)	(309)
Business combinations .....	18,664	15,896	12,428
Other balance sheet amounts .....	(33)	-	-
	<b>7,769</b>	<b>8,400</b>	<b>7,873</b>

The Group has unrecognised deferred tax assets relating to losses of £5.8m (2018: £5.7m, 2017: £6.1m), which have not been recognised due to the unpredictability of when these assets will be realised.

The movement on the deferred tax liability during the year is as follows:

	2019	2018	2017
		£'000	
At 1 January .....	8,400	7,873	6,913
Business Combinations .....	4,786	4,811	5,798
Recognised in the income statement .....	(3,355)	(622)	(1,096)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Recognised in the other comprehensive income	(1,330)	-	-
Recognised in equity .....	(732)	(3,662)	(3,742)
<b>At 31 December</b> .....	<u>7,769</u>	<u>8,400</u>	<u>7,873</u>

## 21. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and associated lease liabilities (included under interest-bearing loans and borrowings) together with their movements in 2019:

	<u>Motor vehicles</u>	<u>Plant and machinery</u>	<u>Computer equipment and software</u>	<u>Land and buildings</u>	<u>Total</u>
			<i>£'000</i>		
<b>Right-of-use assets</b>					
Transition impact .....	143	1,014	56	81,525	82,738
Additions in the period .....	497	167	-	80,763	81,427
Amortisation and depreciation .....	(103)	(336)	(40)	(13,578)	(14,057)
Recalculation due to termination.....	-	-	-	33,550	33,550
<b>Closing balance</b> .....	<u>537</u>	<u>845</u>	<u>16</u>	<u>182,260</u>	<u>183,658</u>
<b>Lease liabilities:</b>					
Transition impact .....	147	904	331	84,715	86,097
Additions in the period .....	497	167	-	80,413	81,077
Lease payment .....	(116)	(322)	(276)	(14,680)	(15,394)
Interest cost.....	22	39	5	3,599	3,665
Recalculation due to termination.....	-	-	-	33,550	33,550
Translation.....	(12)	(9)	(1)	(681)	(703)
<b>Closing Balance</b> .....	<u>538</u>	<u>779</u>	<u>59</u>	<u>186,916</u>	<u>188,292</u>

The maturity analysis of lease liabilities is:

	<u>Carrying amount</u>	<u>Total</u>	<u>Contractual amount</u>				
			<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
Lease liabilities	188,292	267,825	5,445	16,025	36,843	53,658	155,854

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.8%.

The following are the amounts recognised in 2019 in the combined income statement:

	<i>£'000</i>
Unrecognised rental expense from cost of sales .....	(2,089)
Unrecognised rental expense from administrative costs .....	(2,522)
Unrecognised rental expense from distribution costs.....	(6,546)
Unrecognised rental expense from adjusted items .....	(1,019)
Depreciation expense on right-of-use assets .....	14,057
Interest expense on lease liabilities.....	3,665
	<u>5,546</u>

In 2019, the Group paid £9.5m in respect of its lease liabilities.

Prior to 1 January 2019, the group applied IAS 17 'Leases'.

For 31 December 2017 and 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<u>Land and buildings 2018</u>	<u>Land and buildings 2017</u>
		<i>£'000</i>
Within one year .....	7,489	4,117
Between two and five years .....	14,069	8,291



	<b>Land and buildings 2018</b>	<b>Land and buildings 2017</b>
	<i>£'000</i>	
After five years .....	2,563	980
	<b>24,121</b>	<b>13,388</b>

The minimum lease payments and associated present values under finance leases for 31 December 2018 and 31 December 2017 were as follows:

	<b>Minimum lease payments</b>		<b>Present value of future minimum lease payments</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>£'000</i>		<i>£'000</i>	
Expiring within one year .....	979	2,152	947	2,090
Expiring between two and five years .....	790	577	723	564
	1,769	2,729	1,670	2,654
Less interest payable .....	(99)	(75)	-	-
<b>Finance lease liability .....</b>	<b>1,670</b>	<b>2,654</b>	<b>1,670</b>	<b>2,654</b>

## 22. Pension Commitments

During the year, the Group operated an auto-enrolment pension scheme. The scheme is managed by independent fund managers and the Group contributes in accordance with the statutory requirements. In addition to the auto enrolment scheme, a subsidiary company operates a defined contribution pension scheme which is also managed by independent fund managers and its assets/liabilities are held separately from that of the Group. The pension charge represents the amount paid by the Group and amounted to £2.3m (2018: £1.4m, 2017: £0.5m). There were no outstanding contributions due to the fund at the year end.

## 23. Cash flow generated from operations

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>£'000</i>		
<b>Loss before taxation .....</b>	<b>(49,057)</b>	<b>(10,286)</b>	<b>(11,314)</b>
Adjustments for:			
Depreciation .....	41,942	18,657	15,859
Amortisation .....	39,176	32,819	22,457
Share-based payments .....	27,252	7,058	-
Adjusted items .....	25,902	23,991	31,623
Net finance costs .....	26,128	14,009	6,062
<b>Operating cashflow before adjusted items and before movements in working capital and provisions .....</b>	<b>111,343</b>	<b>86,248</b>	<b>64,687</b>
Increase in inventories .....	(45,097)	(49,962)	(18,606)
Increase / (decrease) in trade and other receivables .....	(22,272)	(16,449)	(6,801)
Increase in trade and other payables .....	27,881	47,429	11,496
Increase / (decrease) in provisions .....	(411)	1,447	60
Foreign exchange gain / (loss) .....	269	143	(188)
<b>Cash generated from operations before adjusted cash flows .....</b>	<b>71,713</b>	<b>68,856</b>	<b>50,648</b>

## 24. Earnings per share

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>£'000</i>		
Loss for the financial year .....	(48,190)	(10,163)	(10,296)
Weighted average number of ordinary shares for basic EPS .....	3,824,801	3,573,375	3,190,044

	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<i>£'000</i>	
Weighted average number of ordinary shares adjusted for the effect of dilution.....	5,032,823	4,640,361	4,015,032
Basic EPS.....	(12.60)	(2.84)	(3.23)
Diluted EPS.....	(12.60)	(2.84)	(3.23)

## 25. Ultimate parent company

THG Holdings plc ('the Company') is the ultimate parent Company of a group of companies that form the Group presented in these financial statements. The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company is controlled by the Board of Directors.

## 26. Related party transactions

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

	<u>Ordinary shares 2019</u>	<u>Ordinary shares 2018</u>	<u>Ordinary shares 2017</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>
M J Moulding.....	548,169	548,169	553,071
J A Gallemore.....	22,227	22,227	24,678
D P Murphy.....	47,118	47,118	47,118
I McDonald.....	17,300	17,300	17,300
A Monro.....	11,577	11,577	11,577
R Horsefield.....	975	975	2,200
J P Pochin.....	6,879	6,879	10,797
Z Byng-Thorne.....	750	750	750
S Whitehead.....	17,478	-	0
	<u>672,473</u>	<u>654,995</u>	<u>667,491</u>

The Directors had the following interests in shares under incentive arrangements at the balance sheet date.

			<u>2019</u>	<u>2018</u>	<u>2017</u>
	<u>Date of award</u>	<u>Subscription/ exercise price £</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
M J Moulding.....	Oct-10	7.5	14,545	14,545	29,090
M J Moulding.....	Nov-13	5	87,920	87,920	87,920
M J Moulding.....	Mar-18	43.25	138,796	138,796	-
M J Moulding.....	Dec-19	43.25	95,000	-	-
J A Gallemore.....	Oct-10	7.5	14,545	14,545	14,545
J A Gallemore.....	Nov-13	5	10,962	10,962	15,154
J A Gallemore.....	Dec-19	43.25	1,000	-	-
A Monroe.....	Nov-13	5	35,168	35,168	35,168
R Pennycook.....	Nov-13	5	35,168	35,168	35,168
J P Pochin.....	Oct-10	7.5	9,800	9,800	9,800
J P Pochin.....	Dec-19	43.25	1,000	-	-
R Horsefield.....	Nov-13	1	1,171	1,171	1,171
R Horsefield.....	Apr-18	43.25	5,500	5,500	-
R Horsefield.....	Dec-18	43.25	1,833	1,833	-
D P Murphy.....	Dec-19	43.25	2,000	-	-
I McDonald.....	Dec-19	43.25	1,000	-	-
Z Byng-Thorne.....	Dec-19	43.25	1,000	-	-
V Tahmasebi.....	Dec-18	43.25	917	917	-
V Tahmasebi.....	Oct-19	43.25	917	-	-
S Whitehead.....	Oct-10	7.5	13,333	13,333	13,333
S Whitehead.....	Dec-19	43.25	1,000	-	-
			<u>472,575</u>	<u>369,658</u>	<u>241,349</u>

The Group has provided interest free loans of £0.8m (2018: £0.8m, 2017: £0.9m) to the Directors for them to subscribe for shares as part of the employee benefit scheme. The loans are repayable in the event of a sale or listing of the Group. The share-based payments expense associated with the Directors was £22.4m (2018: £4.6m, 2017: £0.7m). At 31 December 2019, Matthew Moulding controlled 25.7% of THG's fully diluted share capital. This comprised shares held outright and

under incentive arrangements. The controlled management equity represents less than 5.4% of THG's fully diluted share capital.

As part of the carve out discussed in the basis of preparation note, the below related party transactions are related to the property activities of THG Holdings plc (Kingsmead HoldCo Ltd and its subsidiaries) and have impacted the respective balance sheets for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Amounts payable arising from rent .....	13,545	7,500	3,566
Amounts receivable from Property entities created in 2019.....	128,147	-	-
Amounts payable from Property entities created in 2019 .....	(78,057)	-	-
Amounts received under a Master Service Agreement with the Property entities.....	575	213	93

The rental expense charged to the income statements in relation to property assets detailed in the basis of preparation note in for 2019 was £4.5m (2018: £4.5m, 2017: £4.5m).

See note 5 for further information relating to key management personnel.

## 27. Share capital and reserves

The Company has the following authorised, allotted, issued, fully paid and partly-paid ordinary share capital:

<b>Class</b>	<u>2019</u> <b>Number</b>	<u>2018</u> <b>Number</b>	<u>2017</u> <b>Number</b>
A ordinary .....	457,095	459,169	461,620
B ordinary.....	3,469,271	3,203,437	2,856,746
C ordinary.....	7,719	3,789	3,289
D ordinary .....	438,087	458,920	459,118
E ordinary.....	273,667	160,568	-
A2 shares .....	-	-	52,068
A4 shares .....	-	-	153,904
Deferred shares.....	33,515	33,515	33,515
£1 nominal value ordinary shares*	4,679,354	4,319,398	4,020,260

### *A ordinary shares, A2 shares, A4 shares and B ordinary shares*

The holders of A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A ordinary shares and B ordinary shares are non-redeemable. The holders of such shares have on a show of hands one vote and on a poll have one vote for each such share held by them. On a return of capital, the holders of such shares have different rights to receive any surplus assets remaining after the payment of liabilities ("Net Proceeds").

In 2018, 52,068 A2 shares and 153,904 A4 shares were converted into and redesignated as B ordinary shares.

### *C ordinary shares*

The holders of C ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are entitled to receive Net Proceeds.

### *D ordinary shares*

The holders of D ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

### *E ordinary shares*

The holders of E ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

### *Deferred shares*

The holders of deferred shares have no right to receive a dividend and no voting rights. The deferred shares are non-redeemable. On a return of capital, the holders of deferred shares are entitled to receive the amount paid up or credited as paid up on such shares once the holders of all the other shares have received the sum of £100,000 per share.

## 28. **Post balance sheet events**

Covid-19 has introduced uncertainty into the market and is deemed to be a non-adjusting post balance sheet event. Management have assessed the impact to date and remain confident in the resilience of the Group to be able to continue to operate successfully in this environment. Considerations as part of this assessment were as follows:

- Stress test scenarios involving: dramatic sales decline; rise in absenteeism; warehouse closures; increase in fulfilment costs; change in consumer behaviours; and fluctuations in other market factors;
- The refinancing that occurred in 2019 has given THG substantial cash reserves available to draw down upon, and management consider THG to be in a strong position to weather any further uncertainty. The vast majority of the workforce have moved to a remote working model, supported by THG's investment in technology. The Group's strong cash flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably the proprietary platform.
- If required, further mitigation measures are available, including: reduction in capital investment spend; reduction in overheads; consolidation of warehouses and deferral of tax payments with the agreement from relevant authorities.

## 29. **Subsidiary undertakings**

At the balance sheet date, the following subsidiaries were controlled by the Group:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
The Hut.com Limited**	England and Wales	Online retailing
The Hut Platform Limited**	England and Wales	Provision of website development services
The Hut Holdings Limited**	England and Wales	Dormant
The Hut.com (Trading) Limited**	Jersey	Online retailing
Cend Limited**	England and Wales	Online retailing
Guco Internet Supplies Limited**	Guernsey	Holding company
Iwantoneofthose Limited**	Guernsey	Dormant
The Hut Entertainment SL**	Spain	Dormant
Ensco 818 Limited**	England and Wales	Holding company
Mankind Holdings Limited**	Guernsey	Holding company
Mankind Direct Limited**	England and Wales	Procurement company
Moo Limited**	England and Wales	Online advertising
Active Nutrition International OY**	Finland	Online retailing
Lookfantastic Group Limited**	England and Wales	Holding company
Lookfantastic.com. Ltd**	England and Wales	Online retailing

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
Lookfantastic Franchising Limited**	England and Wales	Franchising and consultancy services
Lookfantastic London Limited**	England and Wales	Dormant
Lookfantastic Salons Limited**	England and Wales	Hairdressing salon
The Hut IHC Limited*	England and Wales	Holding company
The Hut Management Company Limited***	England and Wales	Activities of Head Office
Exante Diet Limited**	England and Wales	Dormant
Bike Kit Limited**	England and Wales	Dormant
CNP Professional Holdings Limited**	Guernsey	Procurement company
MyVitamins Limited**	England and Wales	Dormant
HQ Hair Limited**	Guernsey	Holding company
Cend International Limited**	England and Wales	Online retailing
THGPP LLC**	USA	Dormant
THG International LLC**	USA	Warehouse and distribution
Mama Mio Limited**	England and Wales	Online retailing
Mama Mio Distribution Limited**	England and Wales	Dormant
Mama Mio US Inc.**	USA	Online retailing
Hale Country Club Limited**	England and Wales	Retail and leisure company
Gadbrook Limited**	England and Wales	Dormant
THG International Limited**	England and Wales	Dormant
The Hut Group International (Shanghai) Co Limited**	China	License holding company
PC Beauty Inc.**	USA	Holding company
Ideal Shape LLC**	USA	Marketing company
Performance Supplements LLC**	USA	Marketing company
Inteladerm LLC**	USA	Online retailing
Salu Australia PTY Limited**	Australia	Holding company
Skincarestore Australia PTY Limited**	Australia	Online retailing
Salu Beauty Inc.**	USA	Online retailing
UK2 Limited**	England and Wales	Webhosting
Another.com Limited**	England and Wales	Webhosting
Virtual Internet Holdings Limited**	England and Wales	Holding company
Hosting Services Inc.**	USA	Webhosting
UK2 Ukraine LLC**	Ukraine	Webhosting
Virtual Internet (UK) Limited**	England and Wales	Webhosting
The Hut.com (Poland) sp. z.o.o.**	Poland	Warehouse and distribution
RY.com.au Pty Limited**	Australia	Online retailing
Hangar Seven Limited** & Media Ark Limited**	England and Wales	Visual content producer
H7P Portugal Unipessoal LDA**	Portugal	Visual content producer
Illamasqua (Holdings) Limited**	England and Wales	Holding company
Illamasqua Limited**	England and Wales	Online retailing
Beauty Box Beteiligungen GmbH**	Germany	Holding company
Beauty Trend Holding GmbH** & Beauty Trend GmbH**	Germany	Online retailing
Jade 1150. GmbH**	Germany	Holding company
Beauty Trend S.A.S France**	France	Online retailing

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
GlossyBox Sweden Holding UG**	Germany	Holding company
GlossyBox Sweden AB**	Sweden	Online retailing
GlossyBox United Kingdom Holding GmbH**	Germany	Holding company
Beauty Trend UK Limited**	England and Wales	Online retailing
VRB GmbH & Co. B-149 KG**	Germany	Holding company
Beauty Trend USA Inc.**	USA	Online retailing
EI Spa Holdings (UK) Limited**	England and Wales	Holding company
ESPA International (UK) Limited**	England and Wales	Online retailing
Primavera Aromatherapy Limited**	England and Wales	Manufacturing
ESPA International (US) Inc.**	USA	Online retailing
ESPA International FZE**	UAE	Online retailing
Make Money Limited**	England and Wales	Holding company
M Beauty Limited**	England and Wales	Online retailing
Language Connect International Ltd**	England and Wales	Translation and interpretation
Language Connect, Inc.**	USA	Translation and interpretation
Language Connect Singapore Pte. Limited**	Singapore	Translation and interpretation
Acheson & Acheson Limited**	England and Wales	Manufacturing
1010 Products Limited**	England and Wales	Dormant
Ameliorate Skincare Limited**	England and Wales	Dormant
Eddie Rockers Limited**	England and Wales	Holding company
Great John Street Hotel Limited**	England and Wales	Hotel operator
King Street Investments Limited**	England and Wales	Hotel operator
THG Trustee Limited**	England and Wales	Trustee of EBT
THG MP, Inc. **	USA	Dormant
Myprotein Japan K.K. **	Japan	Online retailing
Colorist Christophe Robin S.A.S. **	France	Online retailing
Colorist Christophe Robin US, Inc. **	USA	Online retailing
THG Intermediate OpCo Limited**	England and Wales	Holding company
THG Operations Holdings Limited**	England and Wales	Holding company

\* 90% owned by THG Holdings plc and 10% by The Hut Management Company Limited

\*\* 100% owned by The Hut IHC Limited either directly or indirectly.

\*\*\* 0.01% owned by THG Holdings plc, however THG Holdings plc has a separate class of share in The Hut Management Company Limited which gives it the right to control the appointment of Board Directors.

**SECTION C:  
UNAUDITED INTERIM FINANCIAL INFORMATION**

**Interim condensed combined statement of comprehensive income for the six months ended 30 June 2020**

	Note	Six months ended					
		30 June 2020 Unaudited			30 June 2019 Unaudited		
		Before Adjusted Items	Adjusted Items (note 3)	Total	Before Adjusted Items	Adjusted Items (note 3)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue.....	2	675,644	-	675,644	497,489	-	497,489
Cost of sales .....		(371,999)	-	(371,999)	(272,772)	-	(272,772)
<b>Gross profit .....</b>		<b>303,645</b>	<b>-</b>	<b>303,645</b>	<b>224,717</b>	<b>-</b>	<b>224,717</b>
Distribution costs.....		(121,750)	(28,068)	(149,818)	(87,948)	(3,232)	(91,180)
Administrative costs .....		(168,595)	(10,861)	(179,456)	(127,071)	(9,583)	(136,654)
<b>Operating profit / (loss) .....</b>		<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
<b>Adjusted EBITDA*</b> .....		<b>60,534</b>	<b>(38,738)</b>	<b>21,796</b>	<b>47,605</b>	<b>(5,693)</b>	<b>41,912</b>
Depreciation .....		(22,970)	-	(22,970)	(19,602)	-	(19,602)
Amortisation.....		(24,264)	-	(24,264)	(18,305)	-	(18,305)
Share-based payments .....		-	(191)	(191)	-	(7,122)	(7,122)
<b>Operating profit / (loss) .....</b>		<b>13,300</b>	<b>(38,929)</b>	<b>(25,629)</b>	<b>9,698</b>	<b>(12,815)</b>	<b>(3,117)</b>
Finance income.....		77	-	77	62	-	62
Finance costs .....		(24,270)	-	(24,270)	(12,628)	-	(12,628)
<b>Loss before taxation.....</b>		<b>(10,893)</b>	<b>(38,929)</b>	<b>(49,822)</b>	<b>(2,868)</b>	<b>(12,815)</b>	<b>(15,683)</b>
Income tax credit / (charge)		(1,236)	6,701	5,465	(1,589)	2,280	691
<b>Loss for the period.....</b>		<b>(12,129)</b>	<b>(32,228)</b>	<b>(44,357)</b>	<b>(4,457)</b>	<b>(10,535)</b>	<b>(14,992)</b>
<b>Other comprehensive (expense) / income</b>							
<i>Items that may be subsequently reclassified to profit or loss:</i>							
Exchange differences on translating foreign operations, net of tax .....		419	-	419	(2,170)	-	(2,170)
Net (loss) / gain on cash flow hedges .....		(9,482)	-	(9,482)	-	-	-
<b>Total comprehensive expense for the period.....</b>		<b>(21,192)</b>	<b>(32,228)</b>	<b>(53,420)</b>	<b>(6,627)</b>	<b>(10,535)</b>	<b>(17,162)</b>
(Loss) / earnings per share - Basic ..	8			(11.36)			(4.07)
(Loss) / earnings per share - Diluted	8			(11.36)			(4.07)

\* Adjusted EBITDA is defined as operating profit 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 combined statement of financial position as at 30 June 2020**

	Note	30 June 2020 Unaudited	31 December 2019 Audited
		£'000	£'000
<b>Non-current assets</b>			
Intangible assets .....	4	583,151	580,105
Property, plant and equipment.....	4	153,252	147,869
Right-of-use assets .....		179,609	183,658
Deferred tax asset .....		2,612	-
Other financial assets.....	5	22,936	-
		<b>941,560</b>	<b>911,632</b>
<b>Current assets</b>			
Inventories.....		243,144	204,073
Trade and other receivables.....		313,419	260,508
Current tax asset .....		3,167	4,251
Other financial assets.....	5	-	2,214
Cash and cash equivalents .....		285,444	308,940
		<b>845,174</b>	<b>779,986</b>
<b>Total assets .....</b>		<b>1,786,734</b>	<b>1,691,618</b>
<b>Equity</b>			
Ordinary shares .....	7	4,448	4,381
Share premium .....		245,351	230,718
Employee benefit scheme reserve.....		175	175
Merger reserve.....		615	615
Capital redemption reserve .....		523	523
Hedging reserve.....		(18,948)	(6,134)
Invested capital.....		97,836	173,110
Cost of hedging reserve .....		3,796	464

	Note	30 June 2020 Unaudited £'000	31 December 2019 Audited £'000
<b>Non-current liabilities</b>		<b>333,796</b>	<b>403,852</b>
Borrowings.....	5	529,945	494,012
Lease liabilities.....	5	175,312	172,297
Deferred tax liability.....		-	7,769
Derivative financial liability.....	5	2,339	2,940
		<b>707,596</b>	<b>677,018</b>
<b>Current liabilities</b>			
Contract liability.....		42,349	23,739
Trade and other payables.....		502,048	427,077
Borrowings.....	5	185,007	140,533
Lease liabilities.....	5	8,880	15,995
Provisions.....		2,051	1,861
Current tax liability.....		3,332	1,543
Derivative financial liability.....	5	1,675	-
		<b>745,342</b>	<b>610,748</b>
<b>Total liabilities</b> .....		<b>1,452,938</b>	<b>1,287,766</b>
<b>Total equity and liabilities</b> .....		<b>1,786,734</b>	<b>1,691,618</b>

### Interim condensed combined statement of changes in equity for the six months ended 30 June 2020

	Ordinary shares £'000	Share premium £'000	Employee benefit scheme reserve £'000	Merger reserve £'000	Capital Redemptio n reserve £'000	Cost of Hedging Reserve £'000	Hedging reserve £'000	Invested Capital £'000	Total equity £'000
<b>Balance at 1 January 2020</b>	<b>4,381</b>	<b>230,718</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>464</b>	<b>(6,134)</b>	<b>173,110</b>	<b>403,852</b>
Total comprehensive expense for the period.....	-	-	-	-	-	3,965	(15,820)	(43,938)	(55,793)
Invested capital.....	-	-	-	-	-	-	-	(30,347)	(30,347)
Issue of ordinary share capital Cancellation and settlement of equity awards.....	67	14,633	-	-	-	-	-	-	14,700
Share-based payments.....	-	-	-	-	-	-	-	(1,384)	(1,384)
Deferred tax effect of share- based payments.....	-	-	-	-	-	-	-	191	191
Deferred tax effect of derivatives.....	-	-	-	-	-	-	-	204	204
	-	-	-	-	-	(633)	3,006	-	2,373
<b>Balance at 30 June 2020 (unaudited)</b>	<b>4,448</b>	<b>245,351</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>3,796</b>	<b>(18,948)</b>	<b>97,836</b>	<b>333,796</b>
<b>Balance at 1 January 2019</b>	<b>4,020</b>	<b>110,446</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>196,297</b>	<b>312,076</b>
Total comprehensive expense for the period.....	-	-	-	-	-	-	-	(17,162)	(17,162)
Invested capital.....	-	-	-	-	-	-	-	(34,168)	(34,168)
Issue of ordinary share capital Cancellation and settlement of equity awards.....	111	49,816	-	-	-	-	-	-	49,927
Share-based payments.....	-	-	-	-	-	-	-	(7,480)	(7,480)
Deferred tax effect of share- based payments.....	-	-	-	-	-	-	-	7,122	7,122
Deferred tax effect of derivatives.....	-	-	-	-	-	-	-	181	181
	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2019 (unaudited)</b>	<b>4,131</b>	<b>160,262</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>144,790</b>	<b>310,496</b>

### Interim condensed combined statement of cash flows for the six months ended 30 June 2020

	For the six months ended	
	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000
<b>Cash flows from operating activities</b>		
Cash inflow / (outflow) from operations (note 6).....	95,534	(29,428)
Income tax received.....	1,459	996
<b>Net cash inflow / (outflow) from operating activities before cash flows relating to adjusted items</b>	<b>96,993</b>	<b>(28,432)</b>
Cash flows relating to adjusted items.....	(36,307)	(4,130)
<b>Net cash inflow / (outflow) from operating activities</b> .....	<b>60,686</b>	<b>(32,562)</b>



	For the six months ended	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	£'000	£'000
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries net of cash acquired .....	-	(41,681)
Purchase of property, plant and equipment .....	(19,391)	(21,372)
Purchase of intangible assets .....	(27,310)	(30,764)
Interest received .....	77	63
<b>Net cash used in investing activities .....</b>	<b>(46,624)</b>	<b>(93,754)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares net of fees .....	14,700	49,927
Share buy-backs .....	(1,384)	(7,480)
Interest paid .....	(14,828)	(9,062)
Repayment of bank borrowings .....	-	(630,318)
Proceeds from bank borrowings .....	38,872	612,000
Repayment of lease liabilities .....	(12,642)	(5,701)
Net transfer to / (from) Invested capital .....	(62,276)	(48,221)
<b>Net cash inflow / (outflow) from financing activities .....</b>	<b>(37,558)</b>	<b>(38,855)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(23,496)</b>	<b>(165,171)</b>
Cash and cash equivalents at the beginning of the period .....	308,940	234,819
<b>Cash and cash equivalents at the end of the period .....</b>	<b>285,444</b>	<b>69,648</b>

## Notes to the interim combined financial statements

### 1. Basis of preparation

The Group at the point of Admission will constitute the operating activities which previously formed part of the THG Holdings plc group, excluding property activities (the "**Group**"). The property activities of THG Holdings plc ("**THG**") will not form part of the Group at Admission and are therefore excluded from the interim financial information.

These condensed set of historical financial information for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, specifically for the purposes of this prospectus and in accordance with Commission Delegated Regulation (EU) 2019/980, and in accordance with this basis of preparation. The accounting policies and methods of computation used are consistent with those used in the Group's Historical Financial Information for the year ended 31 December 2019. Accordingly, these financial statements are to be read in conjunction with the Historical Financial Information for the three years ended 31 December 2019. The Interim Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

IFRS does not provide for the preparation of combined financial information and accordingly in preparing the combined Interim Financial Information certain accounting conventions commonly used for the preparation of financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 Standards for Investment Reporting applicable to public reporting engagements on historical financial information, issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following material departures from IFRS. In all other material respects, IFRS has been applied.

- The combined Interim Financial Information of the Group is not prepared on a consolidated basis and therefore does not comply with the requirements of IFRS 10 Consolidated Financial Statements. The combined Interim Financial Information has been prepared on a basis that combines the results, cash flows, assets and liabilities of the operating activities of THG that constitutes the Group, derived from the accounting records of THG, by applying the principles underlying the consolidation procedures of IFRS 10.

The following summarises the key accounting and other principles applied in preparing the combined Interim Financial Information:

- The Group did not comprise a separate legal entity or group of entities during the six month period to 30 June 2020 and six month period to 30 June 2019, due to the exclusion of the property activities of THG Holdings plc in all periods. Where carve out adjustments have been made to reflect the

exclusion of the property activities as at 30 June 2020, 31 December 2019 and 30 June 2019 and the opening balance sheet as at 1 January 2018, these adjustments are reflected within "Invested Capital" in equity.

- Transactions and balances between entities within the Group have been eliminated. All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on combination. Transactions and balances between the Group and the property entities or assets that have been excluded from the Group represent third party transactions and balances from the perspective of the Group. They have been presented alongside all other third party transactions and balances in the appropriate financial statement line items of the combined Interim Financial Information to which such transactions and balances relate and disclosed as related party transactions.
- Freehold building assets comprising the THG properties utilised by the Group have been excluded from the combined Interim Financial Information, as such assets do not form part of the Group. Where internal rental amounts were charged for use of these properties, these internal rental charges have been recognised in the combined Interim Financial Information. Where internal rental amounts were not charged, the depreciation charges for properties have been retained in the combined Interim Financial Information to represent to the cost to the Group for their utilisation of these properties. The internal rent recognised was nil in the six months to 30 June 2020 (2019: £0.4m). In the six month periods ended 30 June 2020 and 30 June 2019, where internal rental charges were documented as leases, IFRS 16 Leases was applied to such leases from 1 January 2019.
- THG has not historically allocated internal central staffing costs between the Group and the property entities or assets that do not form part of the Group. Adjustments have been made to apportion such costs between the Group and the property assets, with amounts allocated to the property assets excluded from the combined Interim Financial Information. Allocated costs include costs for senior executive time, along with finance, tax, accounting, treasury, legal and merger & acquisition-related costs. Expenses allocated to the property assets, excluded from the Group, total £0.2m for the six month period ended 30 June 2020 (2019: £0.3m). The central costs retained by the Group are not necessarily representative of the costs that may be incurred if the Group were a stand alone entity.
- The combined Interim Financial Information includes borrowings and associated finance costs where the borrowings are not specifically secured on property assets but relate to the operating activities of THG. Where borrowings were secured on property assets, these borrowings have been excluded from the combined Interim Financial Information along with related finance costs and cash flows. Property-secured borrowings excluded totalled £83m as at 30 June 2020 (2019: £64.8m) with excluded finance costs of £(2.1)m (2019: £(0.7)m).
- Deferred tax assets and liabilities were determined based on the analysis of THG group's current temporary differences at each period end and assessment of which relate directly to the Group. Balances relating to the property assets are excluded.
- The Group's current tax expense / income recognised in the interim condensed combined Statement of Comprehensive Income has been unaltered by the carve out adjustments above.

The interim financial information is presented in pounds sterling and all values are in thousands (£'000) except where otherwise indicated.

As explained in Note 5, the classification between the Group's current and non-current borrowings as at 30 June 2020 has been restated compared to the amounts as previously set out in section C of Part VI (Historical Financial Information) of the Registration Document dated 27 August 2020. This reclassification has resulted in a decrease of £29,994,000 to non-current borrowings and an increase of £29,994,000 to current borrowings. There is no impact on the total borrowings amount.

## **Going concern and Covid-19 impact**

The combined interim financial information has been prepared on a going concern basis and under the historical cost convention, except for certain areas where fair value measurement is required, as identified in the accounting policies below.

The directors of the Group have reviewed the Group's cash flow forecasts and trading budgets in the light of the recent COVID-19 pandemic, including but not limited to:

- Consideration around the Groups estimates of the potential upside in sales resulting from increased shift of consumers to digital platforms, along with increased costs to ship and other one-off COVID related costs such as PPE spend;
- Stress test scenarios involving: dramatic sales decline; rise in absenteeism; warehouse closures; increase in fulfilment costs; change in consumer behaviours; and fluctuations in other market factors;
- Any mitigating actions available to protect working capital and strengthen balance sheet, including deferring non-essential capital expenditure and increased cost control.

The refinancing that occurred in December 2019 has given THG substantial cash reserves available to draw down upon, and management consider THG to be in a strong position to weather any further uncertainty. The vast majority of the workforce have moved to a remote working model, supported by THG's investment in technology and development. The Group's strong cash flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably the proprietary platform. Trading to date in 2020 has been in line with or in excess of management's forecasts.

In considering the above, the directors have formed the view that the Group will generate sufficient cash to meet its ongoing requirements for at least the next 12 months; accordingly the going concern basis of preparation has been adopted.

## **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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most critical accounting judgements or key sources of estimation uncertainty are detailed as follows:

### *Key Sources of Estimation Uncertainty*

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notwithstanding this, Management consider the below to be key in understanding the policies of the Group:

### *Goodwill and intangible asset impairment reviews*

The Group is required to review goodwill, brands and intellectual property with indefinite lives annually to determine if any impairment has occurred. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted a cash-generating unit is determined based on value-in-use calculations prepared based on management's assumptions and estimates.

Management has assessed the impact of Covid-19 on its cash generating units (CGU's), and judged any impact of this is short term in nature and does not compromise the value of any of its intangible assets

therefore no impairment has been recognised. This is evident in the strong trading the Group has seen on 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.

#### *Capitalisation and amortisation of platform development costs*

Costs capitalised as platform development costs include direct external costs, such as consultancy costs and internal payroll costs. The capitalisation of internal costs is based on the amount of time spent by employees on capital projects. Judgement is applied in determining which costs meet the criteria for capitalisation as development costs. The useful economic life of the platform is between one and five years dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

## 2. Segments

The Group has one segment in accordance with IFRS 8 (Operating Segments). The Chief Operating Decision Maker (CODM) is the Chief Executive Officer, who makes the key operating decisions on a day to day basis. The CODM receives daily financial information at the combined Group level, and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

The Group has reported the disclosures under IFRS 8 'Operating Segments' below.

	For the six months ended 30 June	
	2020	2019
	<b>Revenue</b>	
	(£ 000s)	
THG Nutrition.....	257,957	197,721
THG Beauty.....	295,628	190,218
THG Ingenuity.....	61,434	61,054
Other.....	60,625	48,496
<b>Total</b> .....	<b>675,644</b>	<b>497,489</b>

	For the six months ended 30 June	
	2020	2019
	<b>Revenue</b>	
	(£ 000s)	
United Kingdom.....	254,455	174,935
Europe (excluding the United Kingdom).....	168,143	127,095
Rest of the world.....	253,046	195,459
<b>Total</b> .....	<b>675,644</b>	<b>497,489</b>

Nutrition relates to sales of products from wholly owned nutrition brands. Beauty relates to website sales of owned and third party Beauty brands. Ingenuity relates to the provision of services relating to web-platform. Other relates to revenues not captured above, including revenue generated from hotels and spa facilities.

Rendering of services represents 7% of total revenue (2019: 9%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 3% of total revenue (2019: 5%).

## 3. Adjusted items

Underlying profit is shown as 'Adjusted EBITDA' before adjusted items on the face of the Interim Condensed Combined Statement of Comprehensive Income for the six months ended 30 June 2020.

Adjusted items	Six months ended 30 June	
	2020	2019
	£'000	£'000
Distribution costs		
Commissioning - new facilities.....	6,213	2,715
Decommissioning – legacy facilities.....	290	517
Transportation, delivery and fulfilment costs.....	21,565	-
	<b>28,068</b>	<b>3,232</b>

Adjusted items	Six months ended 30 June	
	2020	2019
	£'000	£'000
<b>Administrative costs</b>		
Share-based payments (SBP) .....	191	7,122
Acquisitions - legal and professional costs .....	2,156	280
Acquisitions - restructuring and integration .....	-	1,553
Restructuring costs .....	985	351
Other legal and professional costs .....	828	277
Donations and other Covid-19 related costs .....	3,980	-
Workforce costs .....	2,721	-
	<b>10,861</b>	<b>9,583</b>
<b>Total adjusted items before tax</b> .....	<b>38,929</b>	<b>12,815</b>
Tax effect .....	(6,701)	(2,280)
<b>Total adjusted items</b> .....	<b>32,228</b>	<b>10,535</b>

### Commissioning - new facilities

Since Brexit, the Group has embarked on a strategic programme 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 programme, the Group has commissioned a number of these purpose-built facilities, including sites in Singapore and Wroclaw, Poland in the year ended 31 December 2019. 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 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 adjusting 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 process 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 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. These are duplicate postage costs.

Further material charges are anticipated as the programme is completed. The quantum of which is subject to change throughout the programme as decisions are taken in relation to the needs of the business in meeting the ever changing requirements of customers in an e-commerce retail environment.

### 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, rates and other exit costs.

The legacy sites primarily driving these costs in the six month period ended 30 June 2020, include costs relating to UK and USA sites that were exited as those operations transitioned into Omega (UK) and Kentucky (US) respectively.

#### **Transportation, delivery and fulfilment costs**

The ongoing Covid-19 pandemic has resulted in the Group incurring a series of one-off costs in connection with the fulfilment, transportation and delivery of products to customers. These costs principally represent incremental postage costs that have been incurred to deliver our products to customers globally, particularly Asia, where due to the impact of Covid-19 on air freight, the costs of delivery have increased substantially. These increased costs have been incurred as a direct result of Covid-19 and treated as adjusted items within distribution costs, as they are not expected to recur.

#### **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 adjusting items as they relate to significant strategic transactions and but for the transactions in question the business would not have incurred these costs and as a result these costs are deemed to be non-recurring 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 non-recurring costs incurred by 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;
- 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; and
- 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. The key acquisitions driving these costs in the six month period ended 30 June 2019 were Christophe Robin and Eddie Rockers.

#### **Restructuring**

The Group has undertaken significant restructuring activities during the year ended 31 December 2019 and the six month period ended 30 June 2020. These costs related to restructuring of departments, divisions and businesses within the Group and are included within adjusted items as these costs are not expected to be recurring as they relate to discrete restructuring events. Most restructuring projects are expected to be completed within 12 months, however due to the commencement date of the activities, they can span accounting periods.

## 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 and 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. The charge in FY19 includes the underlying share-based payments charge being spread over the vesting period for grants under active schemes, as well as an additional charge of £7.0m, for existing awards where conditions were waived at the Board's discretion.

## Donations and other Covid-19 related costs

The Group has provided significant charitable donations during the Covid-19 pandemic. The costs included donations to the NHS, which included, but was not limited to, donations of cash, personal protective equipment (PPE) equipment and use of the Group's hotels by key workers. These costs were deemed to be adjusting items relating to one off expenditure as a direct result of Covid-19.

## Workforce costs

Workforce-related costs, incurred as a result of Covid-19, and recognised within administrative expenses include the following:

- Costs have been incurred where certain businesses within the Group have been prevented from trading, whilst the Group has continued to support its employees in these businesses through this difficult time by providing additional financial support, including furlough costs, none of which was funded by the government; and
- Other Covid-19 costs were incurred and treated as adjusting items, such as the cost of implementing social distancing measures, including but not limited to, provision of masks, gloves, hand sanitisers and protective screens.

These costs were deemed to be adjusting items relating to one off expenditure as a direct result of Covid-19.

## 4. Non-current assets

Through the period, the Group continued to invest in its non-current asset base:

	<u>Intangible assets</u>	<u>Property, plant and equipment</u>	<u>Right-of-use asset</u>
	£'000	£'000	£'000
1 January 2020 .....	580,105	147,869	183,658
Additions .....	27,310	19,391	4,913
Depreciation / Amortisation .....	(24,264)	(14,008)	(8,962)
<b>30 June 2020 .....</b>	<b>583,151</b>	<b>153,252</b>	<b>179,609</b>

The tangible fixed asset additions were driven by continuing investment in datacentre fit outs and reacting to the new Covid-19 office infrastructure requirements, as the business continues to react to government guidelines for safe working. 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 on 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.

## 5. Financial assets and liabilities

	30 June 2020	31 December 2019
	£'000	£'000
<b>Assets as per balance sheet – loans and receivables</b>		
Trade and other receivables excluding prepayments .....	247,654	193,911
Cash and cash equivalents .....	285,444	308,940
	<b>533,098</b>	<b>502,851</b>
<b>Assets per balance sheet - other financial assets held at fair value</b>		
Derivative financial instruments designated as hedging instruments .....	<b>22,936</b>	<b>2,214</b>
<b>Liabilities as per balance sheet - other financial liabilities at amortised cost</b>		
Bank borrowings .....	<b>714,952</b>	627,807
Lease liabilities .....	<b>184,192</b>	188,292
Trade and other payables excluding non-financial liabilities.....	<b>502,048</b>	428,620
	<b>1,401,192</b>	1,244,719
<b>Liabilities per balance sheet - other financial liabilities held at fair value</b>		
Derivative financial instruments designated as hedging instruments .....	<b>4,014</b>	2,940
<b>Derivative financial instruments designated as hedging instruments</b>		
Exchange rate forwards .....	<b>22,936</b>	(2,721)
Interest rate swaps .....	<b>(2,339)</b>	(219)
Cash flow hedges .....	<b>(1,675)</b>	2,214
	<b>18,922</b>	(726)

2020	Notional	Impact on OCI	Recycled through Profit and Loss
		£'000	£'000
Derivates hedging foreign exchange risk on borrowings .....	€600,000,000	<b>5,696</b>	31,354
Derivates hedging interest rate risk on borrowings .....	€600,000,000	<b>2,121</b>	-
Derivates hedging foreign exchange risk on future cash flows.....	£128,067,417	<b>3,889</b>	-
		<b>11,706</b>	<b>31,354</b>

Borrowings have increased since the year ended 31 December 2019 following an increase in the Groups facilities with the addition of BNP Paribas to our banking syndicate.

The classification between the Group's current and non-current borrowings as at 30 June 2020 has been restated compared to the amounts as previously set out in section C of Part VI (Historical Financial Information) of the Registration Document dated 27 August 2020. This reclassification has resulted in a decrease of £29,994,000 to non-current borrowings and an increase of £29,994,000 to current borrowings. There is no impact on the total borrowings amount.

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.

The derivative financial instruments designated as hedging instruments have been recognised at Fair Value through Other Comprehensive Income. Hedging instruments used are measured based on observable inputs and have been classified at Level 2 hierarchy level in line with IFRS 13 Fair value measurement.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group regularly forecasts cash flows and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

In response to Covid-19, the Group has drawn down the revolving credit facility in full, whilst the €600m Term Loan B (TLB) is a 7-year facility that commenced in December 2019. The Group has sufficient liquidity to continue to operate in the current environment with £285m cash on the balance sheet at 30 June 2020.



## Foreign currency risk

The Group trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Euros and US dollars. The Group's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The Groups approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements and spot transactions. Fair value is calculated using forward interest rate points to restate the hedge to fair market value.

The Group is also exposed to EUR:GBP exchange rate risk on the €600m TLB and mitigate this risk through the use of hedging instruments such as FX forward contracts.

As at 30 June 2020, the group held €600m notional of forward contracts expiring in December 2022.

## Interest rate risk

The Group is exposed to EURIBOR and LIBOR through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 30 June 2020, the Group held €600m expiring December 2022 through to December 2026, and £85m expiring December 2024.

## 6. Cashflow from operations

	<b>6 months ended 30 June 2020</b>	<b>6 months ended 30 June 2019</b>
	<i>£'000</i>	<i>£'000</i>
Loss before taxation .....	<b>(49,822)</b>	<b>(15,683)</b>
Adjustments for:.....		
Depreciation .....	<b>22,970</b>	19,602
Amortisation .....	<b>24,264</b>	18,305
Share-based payments.....	<b>191</b>	7,122
Adjusted items (note 3) excl. share-based payments .....	<b>38,738</b>	5,693
Net finance costs .....	<b>24,193</b>	12,566
Operating cashflow before adjusted item .....		
and before movements in working capital .....		
and provisions .....	<b>60,534</b>	<b>47,605</b>
Increase in inventories.....	<b>(39,071)</b>	(22,497)
(Increase) / decrease in trade and other receivables.....	<b>(18,320)</b>	8,959
Increase / (decrease) in trade and other payables.....	<b>91,783</b>	(60,914)
Increase / (decrease) in provisions.....	<b>190</b>	(411)
Foreign exchange gain / (loss) .....	<b>419</b>	(2,170)
Cash generated from / (used in) operations before .....		
cash flows relating to adjusted items .....	<b>95,534</b>	<b>(29,428)</b>

## 7. Share capital and reserves

The Company has the following authorised, allotted, issued, fully paid and partly-paid ordinary share capital.

	30 June 2020	31 December 2019
	Number	Number
Class		
A ordinary.....	457,095	457,095
B ordinary.....	3,499,271	3,469,271
C ordinary.....	40,414	7,719
D ordinary.....	438,087	438,087
E ordinary.....	277,592	273,667
Deferred shares .....	33,515	33,515
£1 nominal value ordinary shares*.....	4,745,974	4,679,354

During the 6 months to 30 June 2020, the Group issued 30,000 B ordinary shares at a nominal value of £1 for cash considerations of £15m, net of fees. During the period the Group also issued 3,925 partly paid E ordinary shares pursuant to its Long-Term incentive plan.

## A ordinary shares and B ordinary shares

The holders of A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A ordinary shares and B ordinary shares are non-redeemable. The holders of such shares have on a show of hands one vote and on a poll have one vote for each such share held by them. On a return of capital, the holders of such shares have different rights to receive any surplus assets remaining after the payment of liabilities ("**Net Proceeds**").

## C ordinary shares

The holders of C ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are entitled to receive Net Proceeds.

## D ordinary shares

The holders of D ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

## E ordinary shares

The holders of E ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

## Deferred shares

The holders of deferred shares have no right to receive a dividend and no voting rights. The deferred shares are non-redeemable. On a return of capital, the holders of deferred shares are entitled to receive the amount paid up or credited as paid up on such shares once the holders of all the other shares have received the sum of £100,000 per share.

## 8. Earnings per share

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

	6 months ended 30 June 2020	6 months ended 30 June 2019
<b>Loss for the period from continuing operations (£'000)</b>	<b>(44,357)</b>	(14,992)
Weighted average number of ordinary shares for basic EPS .....	<b>3,903,811</b>	3,682,911
Weighted average number of ordinary shares adjusted for the effect of dilution.....	<b>4,955,065</b>	4,708,192
<b>Basic earnings per share.....</b>	<b>(11.36)</b>	(4.07)
<b>Diluted earnings per share.....</b>	<b>(11.36)</b>	(4.07)

## 9. Related party transactions

As part of the carve out discussed in the basis of preparation note, the below related party transactions (with Kingsmead HoldCo Limited and its subsidiaries) are related to the property activities of THG Holdings plc and have impacted the respective balance sheets.

	30 June 2020 £'000	31 December 2019 £'000
Amounts payable arising from rent.....	<b>(19,495)</b>	(13,545)
Amounts receivable from Property entities.....	<b>162,785</b>	128,147

Amounts payable from Property entities .....	(77,911)	(78,057)
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Amounts payable arising from rent, relate to properties carved out of the Group which need to be recognised in the accounts following the carve out. Where rental charges were documented as a lease, IFRS 16 Leases, was applied in accordance with accounting policies set out in note 1. The rental expense charged to the income statements in relation to property assets detailed in the basis of preparation note in for the six months ended 30 June 2020 was £5.9m (2019: £2.8m). A management service arrangement of £238k has been credited to the interim condensed combined statement of comprehensive income for the six months ended 30 June 2020 (2019: £287k), for the purpose of employment and support services provided to the carved out business.

10. **Significant events in the period and post balance sheet events**

Covid-19 continues to impact the global economic outlook and inject uncertainty into the market. The impact of this has been as follows:

- upside in sales resulting from increased shift of consumers to digital platforms and a change in consumer behaviours;
- temporary closure of THG Experience facilities (Hotels and Spa);
- increased transportation and fulfilment costs and other one-off Covid-19 related costs such as PPE spend; and
- rise in absenteeism, amending warehouse facilities to incorporate social distancing measures and maintain safe working environments.

Overall the Group's resilience and adaptability has enabled it to continue to operate effectively throughout this period.

**PART VIII**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**SECTION A:  
ACCOUNTANT'S REPORT IN RESPECT OF THE UNAUDITED PRO FORMA  
INFORMATION**

The Directors  
THG Holdings plc  
5<sup>th</sup> Floor, Voyager House  
Chicago Avenue  
Manchester Airport  
Manchester  
M90 3DQ

10 September 2020

A20.3

Dear Sirs

We report on the *pro forma* financial information (the "**Pro Forma Financial Information**") set out in Section B of Part VIII of the prospectus dated 10 September 2020 (the "**Prospectus**"), which has been prepared on the basis described in the notes to the *Pro Forma* Financial Information, for illustrative purposes only, to provide information about how the group reorganisation of THG Holdings plc (the "**Company**") including certain property-related reorganisation steps, and the net proceeds of the placing of New Shares for subscription that is part of the Offer might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the historical financial information of the operating business of the Company, excluding its property activities for the period ended 31 December 2019. This report is required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that section and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the *Pro Forma* Financial Information in accordance with Sections 1 and 2 of Annex 20 of Commission Delegated Regulation (EU) 2019/980.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro Forma* Financial Information has

been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- the *Pro Forma* Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

**SECTION B:  
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma statement of net assets and accompanying notes (the Pro forma financial information) set out in Section B of this Part VIII (*Unaudited Pro Forma Financial Information*) has been prepared to illustrate the effect of (i) the effects of the Propco Reorganisation; (ii) the effects of the Reorganisation; and (iii) the net proceeds of the placing of New Shares for subscription that is part of the Offer, on THG's net assets as at 30 June 2020 as if these events had been undertaken at that date.

The Pro forma financial information has been prepared in accordance with Annex 20 of the Commission Delegated Regulation (EU) 2019/980, and in a manner consistent with the accounting policies adopted by THG in preparing its Historical Financial Information for the year ended 31 December 2019. It has been prepared on a voluntary basis and for illustrative purposes only and, the hypothetical position shown in the Pro forma financial information may differ from THG's actual financial position or results.

In addition, the Pro forma financial information does not purport to represent what THG's financial position actually would have been if the Propco Reorganisation, the Reorganisation and the placing of New Shares for subscription that is part of the Offer had been completed on the date indicated, nor does it purport to represent the financial condition of THG at any future date.

The Pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the Pro forma financial information contained in this Part VIII (*Unaudited Pro Forma Financial Information*).

Ernst & Young LLP's report on the Pro forma financial information is set out in Section A of this Part VIII (*Unaudited Pro Forma Financial Information*).

**Unaudited pro forma statement of net assets**

	THG Net Assets as at 30 June 2020 <i>(note 1)</i> £'000	Adjustment		Net proceeds from placing of New Shares for subscription <i>(note 4)</i> £'000	Pro forma THG net assets as at 30 June 2020 <i>(note 5)</i> £'000
		Propco Reorganisati on <i>(note 2)</i> £'000	Reorganisati on <i>(note 3)</i> £'000		
<b>Non-current assets</b>					
Intangible assets .....	583,151	-	-	-	583,151
Property, plant and equipment.....	153,252	-	-	-	153,252
Right-of-use asset.....	179,609	-	-	-	179,609
Deferred tax asset.....	2,612	-	-	-	2,612
Other financial assets .....	22,936	-	-	-	22,936
	<b>941,560</b>	-	-	-	<b>941,560</b>
<b>Current assets</b>					
Inventories.....	243,144	-	-	-	243,144
Trade and other receivables.....	313,419	(162,785)	-	-	150,634
Current tax asset.....	3,167	-	-	-	3,167
Cash and cash equivalents.....	285,444	(1,010)	(3,598)	887,948	1,168,784
	<b>845,174</b>	<b>(163,795)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>1,565,729</b>
<b>Total assets.....</b>	<b>1,786,734</b>	<b>(163,795)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>2,507,289</b>
<b>Non-current liabilities</b>					
Borrowings.....	529,945	-	-	-	529,945
Lease liabilities .....	175,312	-	-	-	175,312
Derivative financial liability	2,339	-	-	-	2,339
	<b>707,596</b>	-	-	-	<b>707,596</b>

	THG Net Assets as at 30 June 2020 <i>(note 1)</i> £'000	Adjustment		Net proceeds from placing of New Shares for subscription <i>(note 4)</i> £'000	Pro forma THG net assets as at 30 June 2020 <i>(note 5)</i> £'000
		Propco Reorganisati on <i>(note 2)</i> £'000	Reorganisati on <i>(note 3)</i> £'000		
<b>Current liabilities</b>					
Contract liability .....	42,349	-	-	-	42,349
Trade and other payables.....	502,048	(77,910)	-	-	424,138
Borrowings.....	185,007	-	-	-	185,007
Lease liabilities .....	8,880	-	-	-	8,880
Provisions.....	2,051	-	-	-	2,051
Current tax liability .....	3,332	-	-	-	3,332
Derivative financial liability.....	1,675	-	-	-	1,675
	<b>745,342</b>	<b>(77,910)</b>	-	-	<b>667,432</b>
<b>Total liabilities</b> .....	<b>1,452,938</b>	<b>(77,910)</b>	-	-	<b>1,375,028</b>
<b>Net Assets</b> .....	<b>333,796</b>	<b>(85,885)</b>	<b>(3,598)</b>	<b>887,948</b>	<b>1,132,261</b>

#### Notes:

- The net assets of THG as at 30 June 2020 have been extracted without material adjustment from the unaudited interim financial information for the six month period ended 30 June 2020.
- The net assets of THG as at 30 June 2020 presented (Note 1.) exclude the historical property activities of THG Holdings plc, however certain steps within the Propco Reorganisation will impact the net asset position of THG. Adjustments for these steps are explained below:
  - The adjustments to Trade and other receivables and Trade and other payables relate to the waiver of related party balances as part of the Propco Reorganisation; and
  - The adjustment to Cash and cash equivalents includes a cash outflow of £1.0 million to settle stamp duty and stamp duty reserve tax amounts payable.
- Certain steps that form part of the Reorganisation are shown as adjustments as they impact the net asset position of the Group, as set out below:
  - The adjustment to Cash and cash equivalents includes a cash inflow of £0.4 million to reflect cash received from option-holders upon the exercise of 59,241 outstanding share options over C shares prior to, but conditional upon Admission; and
  - The adjustment to Cash and cash equivalents includes a cash outflow of £4.0 million to settle employer's National Insurance contributions associated with the exercise of the share options over C shares.
- This adjustment reflects the gross proceeds of the placing of New Shares for subscription that is part of the Offer of £920.0 million, net of estimated expenses of £32.0 million (including the maximum amount of any discretionary underwriting commissions, but excluding value added tax) in relation to the placing of New Shares.

No adjustment is shown for the sale of Sale Shares as part of the Global Offer, because:

  - THG will not receive any proceeds from the sale of Sale Shares; and
  - underwriting commissions and stamp duty or stamp duty reserve tax expenses associated with the sale of Sale Shares will be borne by the Selling Shareholders.
- The Pro forma Financial Information does not reflect any changes in the trading results or financial position of THG since 30 June 2020.



## **PART IX DETAILS OF THE OFFER**

### **1. SUMMARY**

The Company is offering up to 184,000,000 New Shares in the Global Offer (including 123,000,000 Ordinary Shares that the Cornerstone Investors have agreed to subscribe for), and the Selling Shareholders are offering an aggregate of up to 192,273,998 Sale Shares in the Global Offer, in each case at the Offer Price. The Company is offering a limited number of specific individual investors in the United Kingdom and elsewhere pursuant to relevant private placement exemptions the opportunity to subscribe for up to 10,000,000 New Shares in the Direct Subscription. Any New Shares subscribed for in the Direct Subscription will reduce the number of New Shares offered in the Global Offer, such that the aggregate number of New Shares offered in the Global Offer and the Direct Subscription will be up to 184,000,000 New Shares. The Company will not receive any of the net proceeds of the sale of the Sale Shares, all of which will be paid to the Selling Shareholders.

The New Shares will represent approximately 19.56 per cent. of the Ordinary Shares immediately following Admission, assuming the maximum number of New Shares in the Offer is subscribed for, and the Sale Shares will represent approximately 19.81 per cent. of the Ordinary Shares immediately following Admission.

The Global Offer is being made: (i) to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in compliance with applicable laws; and (ii) in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Direct Subscription is being made available to a limited number of individual investors in the United Kingdom and elsewhere pursuant to relevant private placement exemptions.

The number of Ordinary Shares in the Offer will be confirmed in the Pricing Statement which is expected to be published on or around 16 September 2020.

Certain restrictions that apply to the distribution of this document and the Ordinary Shares being issued and sold under the Global Offer are described in paragraph 9 below of this Part IX (*Details of the Offer*).

The Global Offer is underwritten by the Underwriters, in accordance with the terms of the Underwriting Agreement, and is subject to satisfaction of the conditions set out in the Underwriting Agreement, including Admission occurring and becoming effective by no later than 8.00 a.m. on 9 October 2020 or such later time and/or date as the Company and the Joint Global Co-ordinators may agree, and to the Underwriting Agreement not having been terminated in accordance with its terms. Further details of the Underwriting Agreement are set out in the paragraph headed "Underwriting Arrangements" below and in paragraph 2 of Part XI (*Additional Information*) of this document. The Direct Subscription is not underwritten.

The Ordinary Shares are registered with ISIN number GB00BMTV7393 and Stock Exchange Daily Official List number BMTV739 and trade under the symbol "THG". The rights attaching to the Ordinary Shares, including the Ordinary Shares issued or sold pursuant to the Offer, will be uniform in all respects.

Immediately following Admission, it is expected that in excess of 20 per cent. of the Ordinary Shares of the Company will be held in public hands (within the meaning of paragraph 14.2.2 of the Listing Rules). LR14.2.2

The terms of the Offer are subject to change, and any terms to be varied shall be agreed between the Company and the Joint Global Co-ordinators (on behalf of the Underwriters).

### **2. REASONS FOR THE OFFER AND USE OF PROCEEDS**

The Directors believe that the Offer and Admission will position THG for the next stage of its development, including by further raising the profile of THG, assisting in retaining and

incentivising senior management and key employees, and providing it with a platform for continued growth.

The Global Offer will also provide the Selling Shareholders with an opportunity for a partial, or in the case of the KKR Shareholder, full, realisation of their shareholding in the Company.

The Company intends to raise gross proceeds of approximately £920.0 million from the issue of New Shares pursuant to the Offer. After deducting underwriting commissions and other estimated fees and expenses incurred in connection with the Offer, the Company expects to receive net proceeds of approximately £888.0 million. The Company will not receive any proceeds from the sale of Sale Shares. The Selling Shareholders expect to receive proceeds of approximately £950.0 million before deduction of underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Global Offer.

The principal uses of the net proceeds of the Global Offer received by the Company are as follows:

- future merger and acquisition opportunities, with a focus on beauty brands, technology and infrastructure; and
- other growth investments.

### 3. ALLOCATIONS

Allocations under the Global Offer will be determined at the discretion of the Company, following consultation with the Joint Global Co-ordinators. Allocations under the Direct Subscription will be determined at the discretion of the Company. A number of factors will be considered in determining the basis of allocation, including the level and nature of demand for Ordinary Shares in the Offer and the objectives of encouraging an orderly and liquid after-market in the Ordinary Shares, and establishing an investor profile consistent with the long-term objectives of the Company. If there is excess demand for Ordinary Shares, allocations may be scaled down at the discretion of the Company, following consultation with the Joint Global Co-ordinators. There is no obligation to allocate Ordinary Shares proportionately.

Investors in the Global Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. Upon accepting any allocation, investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

All Ordinary Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price.

### 4. CORNERSTONE INVESTORS

On (i) 3 September 2020, the Company entered into cornerstone investment agreements with funds and accounts managed by BlackRock ("**BlackRock**"), Henderson Global Investors Limited ("**Janus Henderson**"), funds managed by Merian Global Investors (UK) Limited ("**Merian**") and QH Oil Investments LLC, a wholly-owned subsidiary of Qatar Investment Authority ("**QIA**"); and (ii) 8 September 2020, the Company entered into a cornerstone investment agreement with Dragoneer Investment Group, LLC ("**Dragoneer**") together, (the "**Cornerstone Investors**") who have, subject to certain conditions, agreed to subscribe for New Shares as part of the Global Offer (the "**Cornerstone Investment Agreements**"). Subject to the terms of the Cornerstone Investment Agreements, the Cornerstone Investors have agreed to subscribe for, in aggregate, £615 million of New Shares at the Offer Price, consisting of a commitment of £300 million from BlackRock, £100 million from Janus Henderson, £90 million from Merian, £75 million from QIA and £50 million from Dragoneer (each a "**Cornerstone Commitment**").

The following table sets out the number of New Shares each Cornerstone Investor will subscribe for pursuant to its Cornerstone Commitment.

	<u>Number of New Shares</u>	<u>Percentage interest in the Company</u>
BlackRock .....	60,000,000	6.18
Dragoneer .....	10,000,000	1.03
Janues Henderson .....	20,000,000	2.06
Merian .....	18,000,000	1.85
QIA.....	15,000,000	1.55
<b>Total.....</b>	<b>123,000,000</b>	<b>12.67</b>

For further information on BlackRock's and Merian's interests in the Company see paragraph 15 of Part XI (*Additional Information – Major Shareholders*).

The Cornerstone Investors will, subject to certain conditions, subscribe for New Shares pursuant to, and as part of, the Global Offer. The New Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* with the other Ordinary Shares issued in the Global Offer. No special rights have been granted to the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. The Cornerstone Investment Agreements contain customary certifications and undertakings from each Cornerstone Investor as to such Cornerstone Investor's identity and its ability to subscribe for the New Shares. The Cornerstone Investment Agreements also contain certain representations, warranties and undertakings from the Company in favour of the relevant Cornerstone Investors. The Cornerstone Investment Agreements will, amongst other things, terminate if the Underwriting Agreement has not become unconditional in accordance with its terms and Admission has not occurred occur on or before 9 October 2020. The Cornerstone Investment Agreements are governed by English law. For more information, see "*Material Contracts – Cornerstone Investment Agreements*" in Part XI (*Additional Information*) of this document.

## 5. **ADMISSION, DEALING AND SETTLEMENT ARRANGEMENTS**

The Global Offer is subject to the satisfaction of the conditions set out in the Underwriting Agreement, including Admission occurring and becoming effective by no later than 8 a.m. on 9 October 2020 or such later date and/or time as the Company and the Joint Global Co-ordinators may agree, and to the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in the paragraph headed "Underwriting Arrangements" below and in paragraph 20.1 of Part XI (*Additional Information*) of this document. The Direct Subscription is conditional upon Admission occurring and becoming effective by no later than 8.a.m. on 9 October 2020.

Application will be made to the FCA and London Stock Exchange for Admission. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 September 2020. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 21 September 2020. All dealings in the Ordinary Shares before the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place. Such dealings will be at the sole risk of the parties concerned.

Each investor in the Global Offer will be required to pay the Offer Price for the Ordinary Shares issued or sold to such investor in such manner as shall be directed by the Joint Global Co-ordinators. No expenses will be charged by the Company or the Selling Shareholders to any subscribers or purchasers of Ordinary Shares pursuant to the Global Offer.

It is expected that Ordinary Shares allocated to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned. It is expected that Ordinary Shares allocated to investors in the Direct Subscription will be delivered in certificated form.

In connection with the Global Offer, each of the Underwriters and any of their respective affiliates may take up a portion of the Ordinary Shares in the Global Offer as a principal position, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and any other securities of the Company or related investments in connection with

the Global Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt with should be read as including any issue, offer, subscription, acquisition, dealing or placing by the Underwriters and any of their affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Underwriters intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

6. **CREST**

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The New Articles of Association permit the holding of the Ordinary Shares in the CREST system. Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission.

Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. As noted above, it is expected that settlement of the Ordinary Shares in the Global Offer will take place through CREST. CREST is a voluntary system, and holders of Ordinary Shares who wish to receive and retain share certificates following Admission will be able to do so.

7. **UNDERWRITING ARRANGEMENTS**

The Underwriters have entered into commitments under the Underwriting Agreement, pursuant to which they have severally agreed (in such proportions as set out in the Underwriting Agreement), subject to certain conditions, to (i) use reasonable endeavours as agent for the Company to procure subscribers for the New Shares to be issued by the Company in the Global Offer, and (ii) to use reasonable endeavours as agent for the Principal Selling Shareholders and the Company (acting as agent on behalf of the Individual Selling Shareholders pursuant to the Deeds of Election) to procure purchasers for the Sale Shares to be sold by the Selling Shareholders in the Global Offer, and to the extent that such New Shares and/or Sale Shares are not so subscribed or purchased, to subscribe for or purchase themselves such Ordinary Shares, as the case may be, at the Offer Price. The Direct Subscription is not underwritten. The Underwriting Agreement contains provisions entitling the Joint Global Co-ordinators to terminate the Global Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Global Offer and these arrangements will lapse, and any moneys received in respect of the Global Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid a commission in respect of the New Shares and the Sale Shares. Any commissions received by the Underwriters may be retained, and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.

The Underwriters and/or their respective affiliates may have, from time to time, been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or certain Selling Shareholders (or any parties related to the Company and/or certain Selling Shareholders) for which they have received, or may in the future receive, customary compensation, fees and/or commissions. Certain such activities are detailed in paragraph 2.3 of the section of this document headed "*Risk Factors*", in paragraph 17 of Section B (*Historical Financial Information*) of Part VII (*Historical Financial Information*) and in paragraph 20 of Part XI (*Additional Information*).

As a result of acting in the capacities described above, the Underwriters may have interests that may not be aligned, or could potentially conflict, with investors' and/or the Company's and/or certain of the Selling Shareholders' interests.

Further details of the terms of the Underwriting Agreement are set out in paragraph 2 of Part XI (*Additional Information*) of this document. Certain selling and transfer restrictions are set out below.

## 8. LOCK-UP AND ORDERLY MARKET ARRANGEMENTS

### *Lock-ups*

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain customary exceptions, from the date of the Underwriting Agreement until 180 days from the date of Admission (both dates inclusive), it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. The foregoing undertaking shall not apply to: (a) the issue and offer by or on behalf of the Company of the New Shares; (b) the grant by the Company of any option or other award to an employee under any of the employee incentive schemes in existence at the date of Admission as disclosed in paragraph 14 of Part XI (*Additional Information – Share Incentive Arrangements*) of this document, and the issue by the Company of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares pursuant to any such option or award; and (c) the issue of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares, in connection with the Reorganisation.

Pursuant to the Underwriting Agreement, the Principal Selling Shareholders (other than the KKR Shareholder) have agreed that, subject to certain exceptions, from the date of the Underwriting Agreement until the later of (i) 180 days from the date of Admission, and (ii) the date the Company's annual financial statements for the year ended 31 December 2020 are published (all dates inclusive), they will not (and will procure that their connected persons will not), without the prior written consent of the Joint Global Co-ordinators and the Company, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (other than in respect of Ordinary Shares acquired in the Offer or Ordinary Shares acquired subsequent to Admission by the relevant Principal Selling Shareholder) or any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Exceptions to this restriction include certain customary matters and, in addition, the granting by FIC Shareco of security interests in connection with the FIC Shareco Loan Facility in respect of all Ordinary Shares held by FIC Shareco (together with any Ordinary Shares received on conversion of any Retained Shares held by it and any Ordinary Shares acquired following Admission), together with the disposal of such shares in connection with the enforcement of such security interests.

Pursuant to the Underwriting Agreement, the Directors have agreed that, subject to certain exceptions, from the date of the Underwriting Agreement until the later of (i) 180 days from the date of Admission, and (ii) the date the Company's annual financial statements for the year ended 31 December 2020 are published (all dates inclusive), they will not (and will procure that their connected persons will not), without the prior written consent of the Joint Global Co-ordinators, offer, sell, or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (other than in respect of Ordinary Shares acquired in the Offer or Ordinary Shares acquired following Admission by the relevant Director) or any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Exceptions to this restriction include certain customary matters and, in addition, the granting by the Founder and his connected persons (as defined in the Companies Act) of security interests in connection with the FIC Shareco Loan Facility in respect of all Ordinary Shares held by the Founder and his spouse (together with any Ordinary Shares received on conversion of any Retained Shares held by them and any Ordinary Shares acquired following Admission), together with the disposal of such shares in connection with the enforcement of such security interests.

Pursuant to the Deeds of Election, Terry Leahy, Iain McDonald, Angus Monro, John Gallemore and the Other Individual Selling Shareholders have agreed that, subject to customary exceptions, from the date of the Underwriting Agreement until the later of (i) 180 days from the date of Admission, and (ii) the date the Company's annual financial statements for the year ended 31

December 2020 are published (all dates inclusive), they will not (and will procure that their connected persons will not), without the prior written consent of the Company (and, in the case of Terry Leahy, the Joint Global Co-ordinators), offer, sell, or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (other than in respect of Ordinary Shares acquired in the Offer or Ordinary Shares acquired by the relevant shareholder subsequent to the date of their Deed of Election) or any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Balderton Lock-up Deed dated the date of this document, Balderton Capital IV, L.P., acting as nominee for Balderton Capital IV, L.P. and related individuals ("**Balderton**") has agreed that, subject to certain exceptions, from the date of this document until 360 days from the date of Admission (both dates inclusive) (the "**Balderton Restricted Period**"), it will not (and will procure that their connected persons will not), without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, the number of Ordinary Shares or of any securities convertible into or exchangeable for or substantially similar to Ordinary Shares held by it at the time Admission takes place (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Exceptions to this restriction include certain customary matters and, in addition, Balderton is permitted to carry out such transactions:

- (i) on or after the date of this document until the later of (i) 180 days from the date of Admission, and (ii) the date the Company's annual financial statements for the year ended 31 December 2020 are published, of up to 20 per cent. of the Ordinary Shares held by it at the time Admission takes place with the prior written consent of the Company;
- (ii) between the later of (i) the 181st day of the Balderton Restricted Period or (ii) the date immediately following the date of publication of the Company's annual financial statements for the year ended 31 December 2020 and the 270th day of the Balderton Restricted Period (both dates inclusive) in respect of up to 20 per cent. of the Ordinary Shares held by it at the time Admission takes place, provided that such transactions are notified in writing in advance to the Company and the Joint Global Co-ordinators; and in addition for such a transaction carried out between the 181st day and the 210th day of the Balderton Restricted Period (both dates inclusive), after coordination with the Company such that Balderton will not sell ahead of any management intended sale during such 30 day period without the consent of the Company, and
- (iii) between the 271st day and the 360th day of the Balderton Restricted Period (both dates inclusive), in respect of up to 20 per cent. of the Ordinary Shares held by it at the time Admission take place, provided that such transactions are notified in writing in advance to the Company.

Pursuant to the Sofina Lock-up Deed dated the date of this document, Sofina Capital S.A. ("**Sofina**") has agreed that, subject to certain customary exceptions, from the date of this document to the later of (i) 180 days from the date of Admission, and (ii) the date the Company's published annual financial statements for the year ended 31 December 2020 are published (all dates inclusive), it will not (and will procure that their connected persons will not), without the prior written consent of the Joint Global Co-ordinators and the Company, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of, any Ordinary Shares (or any interest therein or in respect thereof), other than in respect of Ordinary Shares acquired in the Offer or following Admission by Sofina) or of any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Individual Shareholder Lock-up Deeds, certain employee and other shareholders have agreed that, subject to customary certain customary exceptions, from the date of this document until the later of (i) 180 days from the date of Admission, and (ii) the date the Company's annual financial statements for the year ended 31 December 2020 are published (all dates inclusive), they will not (and will procure that their connected persons will not), without the prior written consent of the Company, offer, sell, or contract to sell, or otherwise transfer or dispose of, directly

or indirectly, or announce an offer of, any Ordinary Shares (other than in respect of Ordinary Shares acquired in the Offer or Ordinary Shares acquired by the relevant shareholder subsequent to the date of the Employee Lock-up Deeds) or any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Furthermore, Jodie Moulding, James Pochin, Steven Whitehead and David Moore have the benefit of exceptions to this restriction in relation to the granting of security interests over Ordinary Shares they hold (together with, in the case of Jodie Moulding, any Ordinary Shares received on conversion of any Retained Shares held by her and any Ordinary Shares acquired subsequent to the date of the Underwriting Agreement) in connection with the FIC Shareco Loan Facility including in respect of the disposal of such shares in connection with the enforcement of such security interests.

#### ***Orderly market arrangements***

Zedra Trust Company (Jersey) Limited, Sofina and Terry Leahy (together the "**OMA Shareholders**") have entered into an orderly market agreement with the Company (the "**Orderly Market Agreement**") such that sales of Ordinary Shares by the OMA Shareholders may, subject to customary exceptions, be coordinated and conducted in an orderly manner for the period beginning on the last day of their lock-up period pursuant to the Underwriting Agreement, in the case of Zedra, the Sofina Lock-up Deed, in the case of Sofina, and his Deed of Election, in the case Terry Leahy (as described above), and ending on the date falling 180 days after the last day of such period (both dates inclusive) (the "**OMA Period**"). Pursuant to the terms of the Orderly Market Agreement, any initial sale of Ordinary Shares (other than any Ordinary Shares acquired in the Global Offer or following Admission) by some or all of the OMA Shareholders during the OMA Period must be consented to by the Company. The Company also has the right to appoint the lead bookrunner in connection with such initial sale and on any subsequent sale which, in aggregate, is greater than 1 percent of the number of Ordinary Shares in issue at such time, assuming a bookbuild or block trade is utilised. Following the completion of a sale by any of the OMA Shareholders during the OMA Period, no further sales are permitted by any OMA Shareholder for the earlier of (i) the end of the OMA Period, or (ii) 90 days from completion of such sale. In the event that an OMA Shareholder carries out a sale of Ordinary Shares during the OMA Period, such OMA Shareholder undertakes to the Company to enter into a market standard lock-up for at least 90 days from completion of the relevant sale (inclusive of both dates) with the relevant bookrunners appointed in connection with such sale. In the event that an OMA Shareholder does not sell Ordinary Shares in a sale during the OMA Period, such Shareholder undertakes to the Company not to carry out a sale from the date it receives notice of a sale pursuant to the terms of the Orderly Market Agreement until the date falling 90 days after the completion of such sale (inclusive of both dates). If an OMA Shareholder and/or any of its affiliates disposes, sells, assigns or transfers any Ordinary Shares, including in connection with the Offer, which results in such Shareholder (together with its affiliates) holding less than 1 per cent. of the Ordinary Shares in issue, the Orderly Market Agreement will terminate with immediate effect with respect to such OMA Shareholder.

West Coast Capital Assets Limited and West Coast Capital Holdings Limited (each a "**West Coast Shareholder**") have entered into an orderly market deed with the Company dated the date of this document and pursuant to which, subject to certain exceptions, from the date their lock-up period as Principal Selling Shareholder pursuant to the Underwriting Agreement (as described in *Lock-ups* above) ends until the date falling 360 days after Admission (both dates inclusive) (the "**West Coast Restricted Period**") they will not (and will procure that their connected persons will not), without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce the intention to do any of the foregoing in respect to, the number of Ordinary Shares held by it at the time Admission takes place or of any securities convertible into or exercisable or exchangeable for or substantially similar to Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Exceptions to this restriction include certain customary matters and, in addition, each West Coast Shareholder is permitted to carry out such transactions:

- (i) from the 1st day of the West Coast Restricted Period until the 270th day after Admission (both dates inclusive), for up to 25 per cent. of the Ordinary Shares held by it at the time Admission takes place, provided that such transactions are notified in writing in advance

to the Company and the Joint Global Co-ordinators; and in addition for a transaction carried out between the 1st day and the 30th day (both dates inclusive) of the West Coast Restricted Period, after coordination with the Company such that the West Coast Shareholder will not sell ahead of any management intended sale during such 30 day period without the consent of the Company; and

- (ii) between the 271st day after Admission and the 360th after Admission (both dates inclusive), in respect of up to 25 per cent. of the Ordinary Shares held by it at the time Admission takes place, provided that such transactions are notified in writing in advance to the Company.

## 9. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

Each investor and, in the case of sub-paragraph (g) below of this Part IX (*Details of the Offer*), any person confirming agreement to subscribe for and/or purchase Sale Shares and/or New Shares on behalf of an investor or authorising the Underwriters to notify an investor's name to the Registrar (as defined below) in connection with the Global Offer, is deemed to represent, warrant and undertake to each of the Underwriters, the Registrar, the Selling Shareholders and the Company that:

- (a) in agreeing to subscribe for and/or purchase Sale Shares and/or New Shares pursuant to the Global Offer, the investor is relying on this document, any supplementary prospectus, and any regulatory announcement issued by the Company on or after the date hereof, and not on any other information or representation concerning the Company, the Ordinary Shares, the Sale Shares, the New Shares or the Global Offer, such investor agrees that none of the Company, the Selling Shareholders, Rothschild & Co, the Underwriters, the Registrar, nor any of their respective employees, directors, officers, agents, advisers and/or affiliates will have any liability for any such other information or representation; and such investor irrevocably and unconditionally waives any rights it may have in respect of any other information or representation; provided that this paragraph shall not exclude any liability for fraudulent misrepresentation;
- (b) the contents of this document are exclusively the responsibility of the Company and its directors, and none of the Selling Shareholders, Rothschild & Co, the Underwriters, the Registrar nor any person acting on behalf of any of them nor any of their respective employees, directors, officers, agents, advisers and/or affiliates is responsible for, or shall have any liability for, any information or representation contained in this document or any information published by or on behalf of the Company, and none of the Selling Shareholders, Rothschild & Co, the Underwriters, the Registrar nor any person acting on behalf of any of them nor any of their respective employees, directors, officers, agents, advisers or affiliates will be liable for any decision by an investor to participate in the Global Offer based on any information or representation contained in this document, any supplementary prospectus or otherwise;
- (c) the investor has not relied on the Underwriters, Rothschild & Co nor any of their respective employees, directors, officers, agents, advisers and/or affiliates in connection with: (i) any investigation in relation to the Company, the Ordinary Shares or any other matter; (ii) any investigation of the accuracy of any information contained in this document, any supplementary prospectus or any other document; (iii) the investor's investment decision; or (iv) any other matter;
- (d) the Underwriters and Rothschild & Co are acting for the Company and no one else in connection with the Global Offer, and will not be responsible to anyone other than their respective clients for the protections afforded to their respective clients, nor for providing advice in relation to the Global Offer, the contents of this document or any transaction, arrangements or other matters referred to herein, or in respect of any representations, warranties, undertakings or indemnities contained in the Underwriting Agreement or for the exercise or performance of any of the Underwriters' rights and obligations under the Underwriting Agreement, including, without limitation, any right to waive or vary any condition or exercise any termination right contained therein;



- (e) it is a person to whom it is lawful for the offer of Sale Shares and/or New Shares to be made under the laws of the jurisdiction in which the investor is located;
- (f) it is entitled to subscribe for and purchase Sale Shares and/or New Shares under the laws of all relevant jurisdictions which apply to it; it has fully observed such laws and obtained all governmental and other consents which may be required under such laws and complied with all necessary formalities; it has paid all issue, transfer or other taxes due in connection with its subscription for and/or purchase of the Sale Shares and/or New Shares in any jurisdiction; and it has not taken any action or omitted to take any action which will or may result in any of the Selling Shareholders, the Company Rothschild & Co, the Underwriters, the Registrar and/or any of their respective affiliates, directors, officers, agents, employees and/or advisers acting in breach of the legal and regulatory requirements of any jurisdiction in connection with the Global Offer or, if applicable, its acceptance of or participation in the Global Offer;
- (g) in the case of a person who confirms to the Underwriters on behalf of an investor an agreement to subscribe for and/or purchase Sale Shares and/or New Shares and/or who authorises the Underwriters to notify the investor's name to the Registrar, that person represents and warrants that it has authority to do so on behalf of the investor;
- (h) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the UK Finance Act 1986 (depository receipts and clearance services);
- (i) it will pay to the Underwriters (or as they may direct) any amounts due from it in accordance with this document on the due time and date set out herein; and
- (j) the Company, the Selling Shareholders, Rothschild & Co, the Underwriters and the Registrar will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

#### 10. **SELLING RESTRICTIONS**

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

##### ***European Economic Area and the United Kingdom***

Members of the public are not eligible to take part in the Offer. In relation to each Relevant State, no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in

accordance with the Prospectus Regulation, except that offers of the Ordinary Shares may be made to the public in that Relevant State at any time:

- (a) to persons who are qualified investors as defined in the Prospectus Regulation ("**Qualified Investors**");
- (b) to fewer than 150 natural or legal persons (other than Qualified Investors); or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

**provided that** no such offer of the Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares.

In the case of any Ordinary Shares being offered to a "financial intermediary", as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Global Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public, other than their offer or resale in a Relevant State to Qualified Investors or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Ordinary Shares in the Global Offer.

In addition, in the United Kingdom, the Offer is addressed to, and directed only at, Qualified Investors who are (i) persons who have professional experience in matters relating to investments and who fall within the definition of "investment professionals" in Article 19(5) of the Order, (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) other persons to whom this document may otherwise lawfully be communicated (all such persons referred to in (i), (ii) and (iii) together being referred to as "**relevant persons**"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons in the United Kingdom and will be engaged in only with such persons.

#### ***United States***

The Ordinary Shares have not been and will not be registered under the Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold outside the United States in "offshore transactions" as defined in and in reliance on Regulation S.

In addition, until 40 days after the commencement of the Global Offer, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Global Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

The Underwriting Agreement provides that the Underwriters may directly, or through their respective United States broker-dealer affiliates, arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

Each acquirer of Ordinary Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision, and that:

- (a) it is (i) a QIB within the meaning of Rule 144A, (ii) acquiring the Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) acquiring the Ordinary Shares for investment purposes, and not with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial owner of the Ordinary Shares has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (b) it understands that the Ordinary Shares are being offered and sold in the United States only in transactions not involving any public offering within the meaning of the Securities Act, and that the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred except (i) to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (c) it further (i) understands that the Ordinary Shares may not be deposited into any unrestricted depository receipt facility in respect of the Ordinary Shares established or maintained by a depository bank, (ii) acknowledges that the Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and (iii) understands that no representation is made as to the availability of the exemption from registration provided by Rule 144 for resales of the Ordinary Shares;
- (d) it understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY

UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SHARES REPRESENTED HEREBY FROM SUCH HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

- (e) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

### *Canada*

This document constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Ordinary Shares. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Ordinary Shares and any representation to the contrary is an offence.

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that we and the bookrunners provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

The offer and sale of the Ordinary Shares in Canada is being made on a private placement basis only and is exempt from the requirement that we prepare and file a prospectus under applicable Canadian securities laws. Any resale of Ordinary Shares acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Ordinary Shares outside of Canada.

Each Canadian purchaser who purchases the Ordinary Shares will be deemed to have represented to the Underwriters and to each dealer from whom a purchase confirmation is received, as applicable, that the purchaser (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 Prospectus Exemptions ("NI 45-106") or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian purchaser when deciding to purchase the Ordinary Shares and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Ordinary Shares or with respect to the eligibility of the Ordinary Shares for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Ordinary Shares described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

***United Arab Emirates (excluding the Dubai International Financial Centre)***

This document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this document, you should consult an authorised financial adviser.

By receiving this document, the person or entity to whom it has been issued understands, acknowledges and agrees that this document has not been approved by or filed with the UAE Central Bank, the UAE Securities and Commodities Authority (the "SCA") or any other authorities in the United Arab Emirates ("UAE") (outside of the financial free zones established pursuant to UAE Federal Law No. 8 of 2004), nor have the Underwriters received authorisation or licensing from the UAE Central Bank, SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that any of the Underwriters is a licensed broker, dealer or investment adviser under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Ordinary Shares are not intended for circulation or distribution in or into the UAE, other than to persons who are "Qualified Investors" within the meaning of the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organisation of Promotion and Introduction to whom the materials may lawfully be communicated. This does not constitute a public offer of securities in the UAE in accordance with the SCA Chairman of the Board Resolution No. 11/R.M of 2016 on the Regulations for Issuing and Offering Shares of Public Joint Stock, or otherwise.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

***Dubai International Financial Centre***

The Ordinary Shares have not been offered and will not be offered to any persons in the Dubai International Financial Centre except on that basis that an offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "DFSA"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

The DFSA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Ordinary Shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Ordinary Shares offered should conduct their own due diligence on the Ordinary Shares. If you do not understand the contents of this document, you should consult an authorised financial adviser.

### ***Qatar***

The Ordinary Shares have not been, and will not be, offered, sold or delivered, at any time directly or indirectly in the State of Qatar in a manner that will constitute a public offering. The Ordinary Shares have not been, and will not be registered with the Qatar Financial Centre Regulatory Authority (the "**QFCRA**") as shares of a collective investment scheme nor with the Qatar Central Bank (the "**QCB**") as shares of a mutual investment fund. This document has not been, and will not be, registered with, or approved by, the QCB, the QFCRA, the Qatar Financial Markets Authority (the "**QFMA**"), or any other authority in Qatar and may not be publicly distributed. This document is intended only for the original recipient and must not be provided to any other person. This document shall not be generally circulated in the State of Qatar and may not be reproduced or used for any other purpose. This document is not governed by Qatar law nor by the Qatar Financial Centre (the "**QFC**") rules and regulations and will not be submitted to the jurisdiction of any courts in the State of Qatar and/or within the QFC, which has its own set of laws.

### ***Japan***

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). The Ordinary Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

In respect of the solicitation relating to the Ordinary Shares in Japan, no securities registration statement under Article 4, Paragraph 1 of the FIEL has been filed since this solicitation constitutes a solicitation targeting QIIs, as defined in Article 23-13, Paragraph 1 of the FIEL.

Any investor desiring to acquire the Ordinary Shares must be aware that the Ordinary Shares may not be Transferred to any other person unless such person is a QII.

As used herein:

- "**QII**" means a qualified institutional investor as defined in the Cabinet Ordinance Concerning Definitions under Article 2 of the FIEL.
- "**Transfer**" means a sale, exchange, transfer, assignment, pledge, hypothecation, encumbrance or other disposition of all or any portion of shares, either directly or indirectly, to another person. When used as a verb, the terms "Transfer" and "Transferred" shall have correlative meanings.
- "**Resident of Japan**" means a natural person having his/her place of domicile or residence in Japan, or a legal person having its main office in Japan. A branch, agency or other office in Japan of a non-resident, irrespective of whether it is legally authorized to represent its principal or not, shall be deemed to be a resident of Japan even if its main office is in any other country than Japan.

### ***Switzerland***

This document is not intended to constitute an offer or solicitation to purchase or invest in the Ordinary Shares. The Ordinary Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**"), except to professional clients within the meaning of article 4(3) FinSA, and no application has or will be made to admit the Ordinary Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material

relating to the Ordinary Shares (i) constitutes a prospectus pursuant to the FinSA or (ii) has been approved by a Swiss review body pursuant to article 52 of the FinSA, and neither this document nor any other offering or marketing material relating to the Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland.

### ***Hong Kong***

The Ordinary Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Ordinary Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Singapore***

This document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Ordinary Shares may not be circulated or distributed, nor may the Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

The Company has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Ordinary Shares are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).



**PART X**  
**THE SPECIAL SHARE, APPLICATION OF THE CODE AND THE CONCERT PARTY**

**1. THE SPECIAL SHARE**

Subject to and conditional upon Admission, it is proposed that the Founder will be issued with the Special Share.

The Special Share is (save as noted below) a non-voting share that carries no economic rights. It is intended to permit the holder to deter an unwelcome acquisition of the Company that would not, in the holder's opinion, deliver sufficient value when compared with what the holder considers could be generated by THG in the three years following Admission.

The New Articles of Association set out the rights of the Special Share; the principal rights in respect of which are as follows:

- The Special Share will not entitle its holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.
- The holder of the Special Share will have the right to attend and speak at any general meeting of the Company. However, the Special Share will carry no voting rights (other than in respect of a separate class meeting of the Special Share (as a separate class)), until a Change of Control of the Company.
- Immediately on a Change of Control of the Company, the Special Share will automatically carry such number of votes on any resolution put to the Shareholders at a general meeting as shall be necessary to ensure the effective passing of such Shareholder resolution if those votes are cast by the holder of the Special Share in favour of, or to ensure the defeat of such Shareholder resolution if those votes are cast by the holder of the Special Share against, such Shareholder resolution.

A Change of Control of the Company is defined in the New Articles of Association (and that definition is set out below in Part XII (*Definitions*)) and broadly will arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with him/her are interested) carry more than 50 per cent. of the voting rights exercisable by the Shareholders on a poll in a general meeting (excluding those attributable to the Special Share).

In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (i) on a scheme of arrangement under Part 26 of the Companies Act, at the point at which the scheme of arrangement becomes effective; and (ii) on a takeover offer under Part 28 of the Companies Act, at the point at which the takeover offer becomes unconditional in all respects.

- The Special Share will be capable of transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) upon death of the Founder to a Permitted Transferee, being any person that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share.
- The rights attributable to the Special Share will cease (and the Special Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (i) the date falling three years after the date of Admission; (ii) the transfer of the Special Share by the Founder to any other person (save to a Permitted Transferee upon the death of the holder); and (iii) if a person who has become the holder of the Special Share on the death of the current holder ceases to qualify as a Permitted Transferee.

Shareholders should therefore be aware that, as a consequence of the Special Share, the Founder will have the right, on a Change of Control of the Company, to prevent the passing of any Company shareholder resolution or to pass any Company shareholder resolution for three years from

Admission (unless the rights attributable to the Special Share cease before that date as described above).

In practical terms, this will have the effect during that period of deterring any offeror from making an offer for the Company without the Founder's support.

Further, such rights are capable of being transferred to and exercised by a third-party beneficiary in the event of the Founder's death prior to the date that is three years from Admission.

## 2. APPLICATION OF THE CODE TO THE SPECIAL SHARE

### *The Code*

The Code applies to the Company.

Under Rule 9 of the Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his/her concert parties during the previous 12 months.

A similar obligation to make such a mandatory offer would also arise when a person who (together with any persons acting in concert) was interested in shares which in aggregate carried not less than 30 per cent. of the voting rights of the Company but did not hold shares which carried more than 50 per cent. of such voting rights acquired an interest in any other shares which increased the percentage of shares carrying voting rights in which he/she was interested.

If a person (or group of persons acting in concert) holds shares carrying more than 50 per cent. of the voting rights in the Company, that person (or any person(s) acting in concert with him) may acquire further shares without incurring any obligation under Rule 9 to make a mandatory offer, although individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold, without Panel consent.

### *Application of Rule 9*

Having been consulted, the Panel has confirmed that the issue of the Special Share and the exercise by the holder of its voting rights following a Change of Control of the Company will not trigger an obligation on the holder (or his/her concert party) to make a general offer to Shareholders pursuant to Rule 9 of the Code, nor will any transfer by transmission (or any onward transfer by that transmittee to the holder's intended beneficiary) of the Special Share to a Permitted Transferee upon the death of the Founder (or any subsequent holder of the Special Share) trigger an obligation on such Permitted Transferee (or his/her concert party) to make a general offer to Shareholders pursuant to Rule 9 of the Code.

Following Admission (and prior to any Change of Control of the Company), the voting rights of the Special Share will not be taken into account when calculating the interest of any Shareholder or group of Shareholders acting in concert in the voting rights of the Company, and, accordingly, will not be taken into account in determining whether an obligation to make a mandatory offer under Rule 9 of the Code has been triggered.

If an obligation to make a general offer for the Company under Rule 9 were to arise in the above circumstances, the voting rights of the Special Share would not be taken into account in formulating a condition as to acceptances for the purposes of Rule 9.3(a) of the Code. Accordingly, any such offer must be conditional only upon the offeror having received acceptances in respect of Ordinary Shares which, together with the Ordinary Shares acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding more than 50 per cent. of the Ordinary Shares then in issue.

**Shareholders should note that, in the event of such a mandatory offer, the Founder would be under no obligation to sell the Special Share, notwithstanding the offer becoming unconditional. In fact, if such an offer became unconditional in all respects, it would**

**constitute a Change of Control of the Company under the New Articles of Association, leaving the Founder, as the holder of the Special Share, with the ability to prevent the passing of, or to pass, any Company shareholder resolution. The Founder would therefore retain control of the Company through the rights attributable to the Special Share potentially for three years from Admission.**

*Application of Rule 10*

Rule 10 of the Code states that it must be a condition of any offer for voting equity share capital, which, if accepted in full, would result in the offeror holding shares carrying over 50 per cent. of the voting rights of the offeree company, that the offer will not become or be declared unconditional as to acceptances unless the offeror has acquired or agreed to acquire shares carrying over 50 per cent. of the voting rights.

Following Admission (and prior to any Change of Control of the Company), if a qualifying offer were to be made for the voting equity share capital of the Company, the voting rights of the Special Share would not be taken into account in formulating a condition as to acceptances for the purposes of Rule 10. Accordingly, Rule 10 would apply so that any offer for the voting equity share capital of the Company would be required to include a condition that the offer would not be declared unconditional as to acceptances unless the offeror has acquired or agreed to acquire (either pursuant to the offer or otherwise) more than 50 per cent. of the Ordinary Shares then in issue.

**Shareholders should note that, in the event of such an offer, the Founder would be under no obligation to sell the Special Share, notwithstanding the offer becoming unconditional. In fact, if such an offer became unconditional in all respects, it would constitute a Change of Control of the Company under the New Articles of Association, leaving the Founder, as the holder of the Special Share, with the ability to prevent the passing of, or to pass, any Company shareholder resolution. The Founder would therefore retain control of the Company through the rights attributable to the Special Share, potentially for three years from Admission.**

3. **THE CONCERT PARTY**

*Concert Party*

Under the Code, a "concert party" arises, *inter alia*, when persons, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. "Control" in this context means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control. In this context, "voting rights" means all the voting rights attributable to the capital of the company which are currently exercisable at a general meeting.

Under the Code, shareholders in a private company, who, following the re-registration of that company as a public company in connection with an initial public offering, or who otherwise become shareholders in a company to which the Code applies, are additionally presumed to be acting in concert in respect of that company unless the contrary is established.

Applying this presumption, all of the Company's current shareholders would be presumed to be acting in concert with the Founder and each other. However, the Company has agreed with the Panel that a number of the Company's shareholders should not be considered part of the Concert Party. The members of the Concert Party, their respective expected holdings following the Global Offer and Admission, and details of the reason for their membership of the Concert Party are set out in the table below.

<i>Concert Party</i>		Ordinary Shares held immediately after Admission <sup>4</sup>		Ordinary Shares held following conversion of Retained Shares, D Shares and E Shares <sup>5</sup>		Ordinary Shares held following exercise of Buyback Authority <sup>6</sup>	
		Number of Ordinary Shares	Percentage of Issued Ordinary Shares	Number of Ordinary Shares	Percentage of Issued Ordinary Shares	Number of Ordinary Shares	Percentage of Issued Ordinary Shares
Name	Reason for inclusion						
Matthew Moulding (Founder)	Founder, Group Chief Executive Officer and Executive Chairman and a Director of THG, holder of the Special Share and co-investor in FIC Shareco	75,085,223 <sup>7</sup>	7.77	309,450,824 <sup>8</sup>	24.76	309,450,824 <sup>9</sup>	27.51
Jodie Moulding	Wife of Matthew Moulding	9,834,879	1.02	9,834,879	0.79	9,834,879	0.87
Michael Moulding	Father of Matthew Moulding	199,758	0.02	199,758	0.02	199,758	0.02
Nicholas Moulding	Brother of Matthew Moulding	199,758	0.02	199,758	0.02	199,758	0.02
Susan and Ron Thomson	Family friends of Matthew Moulding	199,758	0.02	199,758	0.02	199,758	0.02
Harry Moulding	Nephew of Matthew Moulding	10,016	0.00	10,016	0.00	10,016	0.00
Ben Moulding	Nephew of Matthew Moulding	10,016	0.00	10,016	0.00	10,016	0.00
Matt Langstrot h	Nephew of Matthew Moulding	10,016	0.00	10,016	0.00	10,016	0.00

<sup>4</sup> Includes New Shares expected to be issued to members of the Concert Party in the Direct Subscription. Following the publication of this document, one or more members of the Concert Party, as well as persons who would be deemed part of the Concert Party if they held shares in the Company, may subscribe for further New Shares in the Direct Subscription.

<sup>5</sup> Assuming no further Ordinary Shares issued or sold since Admission and satisfaction of all relevant performance conditions and hurdles.

<sup>6</sup> Assuming no further Ordinary Shares issued or sold since Admission and conversion of all Retained Shares, D Shares and E Shares into Ordinary Shares.

<sup>7</sup> The legal title to 32,458,346 of these Ordinary Shares are held by FIC Shareco.

<sup>8</sup> The legal title to 20,197,808 F Shares, 30,296,620 G Shares and 89,612,680 H Shares are held by FIC Shareco.

<sup>9</sup> Assuming no changes to the ownership of the relevant shares following Admission, the legal title to 32,458,346 of these Ordinary Shares would be held by FIC Shareco.

<i>Concert Party</i>		Ordinary Shares held immediately after Admission <sup>4</sup>		Ordinary Shares held following conversion of Retained Shares, D ordinary shares, D Shares and E Shares <sup>5</sup>		Ordinary Shares held following exercise of Buyback Authority <sup>6</sup>	
		Number of Ordinary Shares	Percentage of Issued Ordinary Shares	Number of Ordinary Shares	Percentage of Issued Ordinary Shares	Number of Ordinary Shares	Percentage of Issued Ordinary Shares
Name	Reason for inclusion						
Tom Langstroth	Nephew of Matthew Moulding	10,016	0.00	10,016	0.00	10,016	0.00
John Gallemore	Co-founder of THG, Director of THG	1,191,870	0.13	12,856,101	1.03	12,856,101	1.14
David Moore .....	Long term shareholder and acquaintance	4,549,361	0.47	4,549,361	0.36	4,549,361	0.40
Steven Whitehead.....	Group Commercial Director of THG, owner of Harriemore Limited and co-investor in FIC Shareco	8,994,709 <sup>10</sup>	0.93	16,348,101 <sup>11</sup>	1.31	12,811,421 <sup>12</sup>	1.46
James Pochin.....	General Counsel of THG	3,807,716	0.39	7,778,577	0.62	7,778,577	0.69
<b>TOTAL</b> <sup>13</sup>		104,103,106	10.77	361,457,181	28.92	361,457,181	32.13

Accordingly, on Admission the Concert Party would hold, in aggregate 104,103,106 Ordinary Shares (representing 10.77 per cent. of the Issued Share Capital, excluding the Special Share of the Company's issued Ordinary Shares).

The Retained Shares, D ordinary shares, D Shares and E Shares (as set out in more detail in paragraph 14 of Part XI (*Additional Information*)) will remain unlisted and will continue to be held by the relevant shareholders following Admission. The Retained Shares, D ordinary shares, D Shares and E Shares are subject to put options contained in the Articles of Association, which shall

<sup>10</sup> The legal title to 2,985,074 of these Ordinary Shares are held by FIC Shareco.

<sup>11</sup> The legal title to 1,570,428 F Shares and 2,355,734 G Shares are held by Harriemore Limited.

<sup>12</sup> Assuming no changes to the ownership of the relevant shares following Admission, the legal title to 2,985,074 of these Ordinary Shares would be held by FIC Shareco.

<sup>13</sup> Includes New Shares expected to be issued to members of the Concert Party in the Direct Subscription. Following the publication of this document, one or more members of the Concert Party, as well as persons who would be deemed part of the Concert Party if they held shares in the Company, may subscribe for further New Shares in the Direct Subscription. Assuming all New Shares issued pursuant to the Direct Subscription are issued to members of the Concert Party, on Admission, the Concert Party may hold up to 11.10 per cent. of the Ordinary Share capital of the Company (or, assuming the conversion of the Retained Shares, D ordinary shares, D Shares and E Shares in full, a maximum of 29.18 per cent., and assuming also the exercise of the Buyback Authority in full, a maximum of 32.42 per cent.).

allow the Retained Shares (upon the satisfaction of performance conditions and a hurdle), D ordinary shares, D Shares and E Shares to be converted into Ordinary Shares after Admission.

Accordingly, after Admission, if the Retained Shares (assuming that the relevant performance conditions and hurdle are met in full), D ordinary shares, D Shares and E Shares are accordingly converted into Ordinary Shares in full (and assuming that no member of the Concert Party had otherwise sold any Ordinary Shares to a third party and no further Ordinary Shares had been issued since Admission), the Concert Party would hold in aggregate a maximum of 361,457,181 Ordinary Shares (representing 28.92 per cent. of the Company's issued Ordinary Shares).

#### *Buyback Authority*

Additionally, the Company has an authority from Shareholders pursuant to the general meeting of the Company held at No 1. Hardman Street, Manchester, M3 3EB on 9 September 2020 (the "**General Meeting**") to make purchases of up to 10 per cent. of its share capital (the "**Buyback Authority**"). If the Company were to exercise the Buyback Authority in full over the Ordinary Shares not held by members of the Concert Party (and, assuming that no member of the Concert Party had otherwise sold any Ordinary Shares to a third party, no further Ordinary Shares had been issued since Admission, and assuming the conversion of the Retained Shares, D ordinary shares, D Shares and E Shares in full), the Concert Party would hold in aggregate a maximum of 32.13 per cent. of the Company's issued Ordinary Shares.

#### *Direct Subscription*

Following the publication of this document, one or more members of the Concert Party, as well as persons who would be deemed part of the Concert Party if they held shares in the Company, may subscribe for further Ordinary Shares in the Direct Subscription. As at the date of this document, 11.10 per cent. of the Ordinary Share capital of the Company is expected to be held by members of the Concert Party on Admission, including as a result of the Direct Subscription, assuming the maximum number of New Shares subject to the Offer is subscribed for. Assuming all of the 3,192,100 New Shares being made available pursuant to the Direct Subscription are subscribed for by members of the Concert Party, on Admission the Concert Party will hold 107,295,206 Ordinary Shares, equivalent to 11.10 per cent. of the Ordinary Share capital of the Company at Admission (or, assuming the conversion of the Retained Shares, D ordinary shares, D Shares and E Shares in full, a maximum of 29.18 per cent, and assuming also the exercise of the Buyback Authority in full, a maximum of 32.42 per cent.). Any such additions to the membership of the Concert Party will be disclosed in the Pricing Statement.

#### *Application of Rule 9*

Under Rule 9 of the Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his/her concert parties during the previous 12 months.

A similar obligation to make such a mandatory offer would also arise when a person who (together with any persons acting in concert) was interested in shares which in aggregate carried not less than 30 per cent. of the voting rights of the Company but did not hold shares which carried more than 50 per cent. of such voting rights acquired an interest in any other shares which increased the percentage of shares carrying voting rights in which he/she was interested.

Under Rule 37 of the Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purpose of Rule 9 of the Code. A Shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9 of the Code in these circumstances.

If a person (or group of persons acting in concert) holds shares carrying more than 50 per cent. of the voting rights in the Company, that person (or any person(s) acting in concert with him) may

acquire further shares without incurring any obligation under Rule 9 to make a mandatory offer, although individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold, without Panel consent.

**Through the disclosure provided in this document, the Panel has confirmed that any obligation on the Concert Party to make a general offer pursuant to Rule 9 or Rule 37 of the Code that would otherwise arise through the increase in the percentage of shares carrying voting rights in which the members of the Concert Party are interested up to a maximum of 364,649,281 Ordinary Shares, equivalent to 32.42 per cent. of the Ordinary Share capital of the Company at Admission, as a result of (i) the conversion of any or all of the Retained Shares, D ordinary shares, D Shares and E Shares into Ordinary Shares; (ii) the Company exercising the Buyback Authority in full over the Ordinary Shares not held by members of the Concert Party (assuming that the number of Ordinary Shares held by the Concert Party does not increase as a result of the exercise of the Buyback Authority); and/or (iii) further participation by the Concert Party in the Direct Subscription, is waived.**

**PART XI  
ADDITIONAL INFORMATION**

**1. RESPONSIBILITY STATEMENT**

1.1 The Company and the Directors, whose names appear in the section entitled "*Directors, Company Secretary, Registered Office and Advisers*", accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect its import.

**2. COMPANY DETAILS**

2.1 The Company is incorporated under the laws of England and Wales. The Company was incorporated on 19 March 2008 under the Companies Act 1985 as a private company limited by shares and under the name Hallco 1611 Limited with registered number 06539496.

2.2 On 1 October 2008, the Company changed its name to The Hut Group Limited. On or around 7 September 2020, the Company was re-registered as a public limited company as THG Holdings plc. The principal legislation under which the Company operates, and under which the New Shares will be issued, is the Companies Act and the regulations made thereunder.

2.3 The registered office of the Company is at 5<sup>th</sup> Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester M90 3DQ, United Kingdom.

2.4 The telephone number of the Company is +44 (0) 161 813 1716.

2.5 The legal entity identifier of the Company is 21380066N3SV9O8IDP37.

2.6 The website of THG is www.thg.com. The contents of THG's website do not form part of this document.

**3. ISSUED SHARE CAPITAL**

3.1 The issued share capital of the Company as at the date of this document is as follows:

	<b>Issued</b>			
	<b>Nominal Value (£)</b>	<b>Number</b>	<b>Amount (£)</b>	<b>Amount paid up (£)</b>
A ordinary shares.....	1 each	457,095	457,095	457,095
B ordinary shares.....	1 each	3,610,015	3,610,015	3,610,015
C ordinary shares.....	1 each	35,984	35,984	35,984
D ordinary shares.....	1 each	383,630	383,630	36,640
E ordinary shares.....	1 each	277,299	277,299	4,882.5
F ordinary shares.....	1 each	164,323	164,323	208
G ordinary shares.....	1 each	246,414	246,414	208
H ordinary shares.....	1 each	483,149	483,149	1
Deferred shares.....	1 each	33,516	33,516	33,516

3.2 The issued share capital of the Company immediately following Admission, assuming the maximum number of New Shares subject to the Offer is subscribed for, is expected to be as follows:

	<b>Issued</b>			
	<b>Nominal Value (£)</b>	<b>Number</b>	<b>Amount (£)</b>	<b>Amount fully paid up (£)</b>
Ordinary Shares.....	0.005 each	970,646,554	4,853,233	4,853,233
D Shares.....	0.005 each	59,415,474	297,077	6,169
D ordinary shares.....	1 each	20,302	20,302	20,302
E Shares.....	0.005 each	51,432,377	257,162	4,883
F Shares.....	0.005 each	30,478,009	152,390	208
G Shares.....	0.005 each	45,703,944	228,520	208
H Shares.....	0.005 each	89,612,680	448,063	1
Special Share.....	1 each	1	1	1
Deferred 2 shares.....	0.005 each	21,563,860	107,819	37.97

LR 2.2.4(2)



- 3.3 On incorporation, the share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each.
- 3.4 As at 1 January 2017, the first day covered by the historical financial information included in Part VII (*Historical Financial Information*), the issued share capital of the Company was: 80,654 A shares; 213,419 A1 shares; 605,660 A2 shares; 254,037 A3 shares; 153,904 A4 shares; 113,596 A5 shares; 594,884 A6 Shares; 520,645 A ordinary shares; 519,013 B ordinary shares; 483,704 D ordinary shares and 33,515 deferred shares.
- 3.5 Between 1 January 2017 and the date of this document, there have been the following changes in the issued share capital of the Company:
- (a) On 30 March 2017, the Company issued 3,289 C ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 80,654 A Shares, 213,419 A1 shares, 605,660 A2 shares, 254,037 A3 shares, 153,904 A4 shares, 113,596 A5 shares, 594,884 A6 Shares, 520,645 A ordinary shares, 519,013 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (b) On 13 April 2017, the Company converted 53,612 A5 shares of £1 each, credited as fully paid, into 53,612 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 80,654 A Shares, 213,419 A1 shares, 605,660 A2 shares, 254,037 A3 shares, 153,904 A4 shares, 59,984 A5 shares, 594,884 A6 Shares, 520,645 A ordinary shares, 572,625 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (c) On 31 May 2017, the Company issued 197,622 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 80,654 A Shares, 213,419 A1 shares, 605,660 A2 shares, 254,037 A3 shares, 153,904 A4 shares, 59,984 A5 shares, 594,884 A6 Shares, 520,645 A ordinary shares, 770,247 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (d) On 10 July 2017, the Company issued 26,117 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 80,654 A Shares, 213,419 A1 shares, 605,660 A2 shares, 254,037 A3 shares, 153,904 A4 shares, 59,984 A5 shares, 594,884 A6 Shares, 520,645 A ordinary shares, 796,364 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (e) On 5 September 2017, the Company converted 80,654 A Shares, 213,419 A1 shares, 553,592 A2 shares, 254,037 A3 shares, 59,984 A5 shares, 594,884 A6 Shares and 59,025 A ordinary shares, all of £1 each and credited as fully paid, into 1,815,595 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,611,959 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (f) On 5 September 2017, the Company issued 220,201 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,832,160 B ordinary shares, 3,289 C ordinary shares, 483,704 D ordinary shares and 33,515 deferred shares.
  - (g) On 13 October 2017, the Company converted 6,830 D ordinary shares of £1 each, credited as fully paid, into 6,830 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,838,990 B ordinary shares, 3,289 C ordinary shares, 476,874 D ordinary shares and 33,515 deferred shares.
  - (h) On 16 October 2017, the Company converted 17,756 D ordinary shares of £1 each, credited as fully paid, into 17,756 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,856,746 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares and 33,515 deferred shares.

- (i) On 22 February 2018, the Company issued 69,729 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,926,475 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares and 33,515 deferred shares.
- (j) On 2 March 2018, the Company issued 138,796 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 52,068 A2 shares, 153,904 A4 shares, 461,620 A ordinary shares, 2,926,475 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares, 138,796 E ordinary shares and 33,515 deferred shares.
- (k) On 16 March 2018, the Company converted 52,068 A2 shares of £1 each, credited as fully paid, and 153,904 A4 shares of £1 each, credited as fully paid, into 205,972 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 461,620 A ordinary shares, 3,132,447 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares, 138,796 E ordinary shares and 33,515 deferred shares.
- (l) On 29 March 2018, the Company issued 73,329 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 461,620 A ordinary shares, 3,205,776 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares, 138,796 E ordinary shares and 33,515 deferred shares.
- (m) From 19 April to 30 May 2018, the Company issued 15,086 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 461,620 A ordinary shares, 3,205,776 B ordinary shares, 3,289 C ordinary shares, 459,118 D ordinary shares, 153,882 E ordinary shares and 33,515 deferred shares.
- (n) On 9 November 2018, the Company repurchased and cancelled 4,790 B ordinary shares of £1 each, credited as fully paid, and 198 D ordinary shares of £1 each, credited as being fully paid, bringing the issued share capital of the Company to 461,620 A ordinary shares, 3,200,986 B ordinary shares, 3,289 C ordinary shares, 458,920 D ordinary shares, 153,882 E ordinary shares and 33,515 deferred shares.
- (o) On 3 December 2018, the Company issued 500 C ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 461,620 A ordinary shares, 3,200,986 B ordinary shares, 3,789 C ordinary shares, 458,920 D ordinary shares, 153,882 E ordinary shares and 33,515 deferred shares.
- (p) On 20 December 2018, the Company converted 2,451 A ordinary shares of £1 each, credited as fully paid, into 2,451 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,203,437 B ordinary shares, 3,789 C ordinary shares, 458,920 D ordinary shares, 153,882 E ordinary shares and 33,515 deferred shares.
- (q) On 21 December 2018, the Company issued 6,686 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,203,437 B ordinary shares, 3,789 C ordinary shares, 458,920 D ordinary shares, 160,568 E ordinary shares and 33,515 deferred shares.
- (r) On 8 January 2019, the Company issued 275 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,203,437 B ordinary shares, 3,789 C ordinary shares, 458,920 D ordinary shares, 160,843 E ordinary shares and 33,515 deferred shares.
- (s) On 10 January 2019, the Company issued 3,289 C ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,203,437 B ordinary shares, 7,078 C ordinary shares, 458,920 D ordinary shares, 160,843 E ordinary shares and 33,515 deferred shares.
- (t) On 24 January 2019, the Company converted 20,833 D ordinary shares of £1 each, credited as fully paid, into 20,833 £1 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,224,270

B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 160,843 E ordinary shares and 33,515 deferred shares.

- (u) On 25 January 2019, the Company issued 550 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 459,169 A ordinary shares, 3,224,270 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 161,393 E ordinary shares and 33,515 deferred shares.
- (v) On 17 May 2019, the Company converted 1,574 A ordinary shares of £1 each, credited as fully paid, into 1,574 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,595 A ordinary shares, 3,225,844 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 161,393 E ordinary shares and 33,515 deferred shares.
- (w) On 17 May 2019, the Company converted 500 A ordinary shares of £1 each, credited as fully paid, into 500 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,226,344 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 161,393 E ordinary shares and 33,515 deferred shares.
- (x) From 17 May 2019 to 20 May 2019, the Company issued 111,110 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 161,393 E ordinary shares and 33,515 deferred shares.
- (y) On 6 August 2019, the Company issued 3,575 £1 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 164,968 E ordinary shares and 33,515 deferred shares.
- (z) On 22 August 2019, the Company issued 276 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,078 C ordinary shares, 438,087 D ordinary shares, 165,244 E ordinary shares and 33,515 deferred shares.
- (aa) On 23 August 2019, the Company issued 641 C ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 165,244 E ordinary shares and 33,515 deferred shares.
- (bb) On 28 August 2019, the Company issued 138 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 165,382 E ordinary shares and 33,515 deferred shares.
- (cc) On 7 October 2019, the Company issued 917 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,337,454 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 166,299 E ordinary shares and 33,515 deferred shares.
- (dd) On 5 December 2019, the Company issued 131,817 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,469,271 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 166,299 E ordinary shares and 33,515 deferred shares.
- (ee) On 23 December 2019, the Company issued 12,368 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,469,271 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 178,667 E ordinary shares and 33,515 deferred shares.
- (ff) On 27 December 2019, the Company issued 95,000 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares,

3,469,271 B ordinary shares, 7,719 C ordinary shares, 438,087 D ordinary shares, 273,667 E ordinary shares and 33,515 deferred shares.

- (gg) On 17 January 2020, the Company issued 32,695 C ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,469,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 273,667 E ordinary shares and 33,515 deferred shares.
- (hh) On 4 May 2020, the Company issued 1,497 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,469,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 275,164 E ordinary shares and 33,515 deferred shares.
- (ii) On 8 May 2020, the Company issued 2,428 E ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,469,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 277,592 E ordinary shares and 33,515 deferred shares.
- (jj) On 18 June 2020, the Company issued 21,000 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,490,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 277,592 E ordinary shares and 33,515 deferred shares.
- (kk) On 19 June 2020, the Company issued 1,000 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,491,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 277,592 E ordinary shares and 33,515 deferred shares.
- (ll) On 30 June 2020, the Company issued 8,000 B ordinary shares of £1 each, credited as fully paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,499,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 277,592 E ordinary shares and 33,515 deferred shares.
- (mm) On 19 August 2020, the Company issued 164,323 F ordinary shares of £1 each, partly paid, 246,414 G ordinary shares of £1 each, partly paid, and 483,149 H ordinary shares of £1 each, partly paid, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,499,271 B ordinary shares, 40,414 C ordinary shares, 438,087 D ordinary shares, 277,592 E ordinary shares, 164,323 F ordinary shares, 264,414 G ordinary shares, 483,149 H ordinary shares and 33,515 deferred shares.
- (nn) On 24 August 2020, the Company repurchased and cancelled 4,430 C ordinary shares of £1 each, 54,457 D ordinary shares of £1 each and 293 E ordinary shares of £1 each, bringing the issued share capital of the Company to 457,095 A ordinary shares, 3,499,271 B ordinary shares, 35,984 C ordinary shares, 383,630 D ordinary shares, 277,299 E ordinary shares, 164,323 F ordinary shares, 264,414 G ordinary shares, 483,149 H ordinary shares and 33,515 deferred shares.

- 3.6 There are no shares in the Company's share capital that do not represent capital. The Company does not hold any shares in treasury.
- 3.7 Pursuant to the Offer, existing Shareholders will experience a 18.96 per cent. dilution of their holdings of Ordinary Shares as a result of the issue of the 184,000,000 New Shares, assuming the maximum number of New Shares subject to the Offer is subscribed for (that is, his or her proportionate interest in Ordinary Shares will decrease by 18.96 per cent.), following which they will hold approximately 81.04 per cent. of the enlarged Ordinary Shares capital of the Company.
- 3.8 Employees and the Executive Chairman and Chief Executive Officer hold/will hold shares in the Company and in THMCL under various share incentive arrangements which may be converted or exchanged for Ordinary Shares immediately prior to, on or after Admission (see further details at paragraphs 3.9 and 14 below).

- 3.9 Immediately prior to or on Admission, the Company may issue ordinary shares pursuant to its share incentive arrangements as follows:
- (a) C ordinary shares to Employees who exercise their share options under the Company's share option scheme (see paragraph 14.1 below (*Additional Information – Share Incentive Arrangements*)), which convert into B ordinary shares and then Ordinary Shares on Admission;
  - (b) B ordinary shares and then Ordinary Shares to certain Employees and the Executive Chairman and Chief Executive Officer in exchange for some or all of their shares in THMCL; and
  - (c) B ordinary shares and then Ordinary Shares in exchange for D ordinary shares and E ordinary shares which certain Employees hold pursuant to the 2015 and 2017 long term incentive plans (see paragraphs 14.3 and 14.4 below (*Additional Information – Share Incentive Arrangements*)).
- 3.10 After Admission, Employees who hold F Shares, G Shares and H Shares under the LTIP or continue to hold D ordinary shares (ESS), D Shares (non-ESS) and E Shares pursuant to the New Articles of Association may convert their shares into Ordinary Shares per paragraph 14 below (*Additional Information – Share Incentive Arrangements*). There are no other acquisition rights or obligations in relation to the issue of ordinary shares in the capital of the Company, nor any undertaking to increase the capital of the Company.
- 3.11 Certain Employees currently hold share options under the Company's share option scheme which may be exercised immediately prior to Admission and convert into B Shares and then Ordinary Shares on Admission (further details at paragraph 12.2 below (*Additional Information – Directors' and Other Interests*)).
- 3.12 Employees who, on Admission, hold D ordinary shares (ESS), D Shares (non-ESS), E Shares, F Shares, G Shares and H Shares will be able to convert their shares into Ordinary Shares at some point after Admission. Further details are in paragraph 14.5 below (*Additional Information – Share Incentive Arrangements*).

#### 4. **PROPCO REORGANISATION**

##### 4.1 **Introduction**

In preparation for Admission, pursuant to the Propco Reorganisation, THG has undertaken steps, and will undertake certain further steps prior to Admission, to demerge certain of THG's property holdings by way of share for share exchange and a liquidation demerger pursuant to s.110 of the Insolvency Act.

As part of the Propco Reorganisation, the Founder will acquire additional shares in the Company and THMCL and forgo his right to exchange a portion of the shares he holds in THMCL for B ordinary shares in the Company, such that he retains a stake in THMCL immediately prior to the liquidation demerger. Pursuant to the liquidation demerger, THMCL will distribute Kingsmead Holdco to a new entity owned and controlled by the Founder, FIC Holdings Limited ("**FIC Holdings**") as set out further in paragraphs 4.2(b) and 4.2(c) below. The result of the Propco Reorganisation will be that, at Admission, the Propco Group will be held by FIC Holdings. Following Admission, THG will continue to use or occupy the properties held the Propco Group, pursuant to arm's-length leases between the relevant members of THG (as lessee) and the members of the Propco Group (as lessors).

##### 4.2 **Propco Reorganisation Steps**

###### *Intercompany debt consolidation and write-off*

- (a) THG has assigned and novated a number of intercompany balances such that there remains only one net intercompany balance between Kingsmead Holdco and the Company. The Company has waived certain intercompany balances owed to it by Kingsmead Holdco and The Hut IHC Limited ("**The Hut IHC**").

### *Share for share exchange*

- (b) Prior to the share for share exchange, the Company and certain managers of THG held shares in THMCL. Pursuant to the share for share exchange, the Founder acquired shares in the Company and THMCL held by certain manager shareholders. The remaining manager shareholders, with the exception of the Founder, will exchange all of their shares in THMCL for B ordinary shares in the Company in accordance with the articles of association of THMCL. At the same time, the Founder will exchange a portion of his shares in THMCL for B ordinary shares in the Company in accordance with the articles of association of THMCL, but will forgo his right of exchange under the articles of association of THMCL in relation to a portion of shares, of a value equal to the value of Kingsmead Holdco, which the Founder will retain. Pursuant to the Reorganisation, B ordinary shares in the Company will convert into Ordinary Shares (for further information on the Reorganisation see paragraph 5 below). As a result of this share exchange, prior to Admission, and based on the Offer Price, the Company will hold approximately 75 per cent. of the share capital of THMCL, THMCL will be held by the Company and The Founder.

### *Distribution of Kingsmead Holdco Limited and Liquidation Demerger*

- (c) Prior to Admission, The Hut IHC will be placed in members voluntary liquidation pursuant to which it will distribute the entire issued share capital of Kingsmead Holdco to THMCL and distribute its shares in its subsidiary, THG Intermediate Opco Limited ("**THG Intermediate Opco**") to THMCL and the Company. Following these distributions and prior to Admission, THMCL will be put into members voluntary liquidation and undergo a liquidation demerger pursuant to s.110 of the Insolvency Act. Pursuant to the requirements of the scheme of reconstruction under the liquidation demerger, THMCL will distribute certain assets to newly incorporated companies owned by its shareholders, the Founder and the Company. Specifically, in accordance with the scheme of reconstruction, the entire issued share capital of Kingsmead Holdco will be immediately distributed to FIC Holdings, which will in turn issue shares to the Founder as consideration. At the same time, THMCL will distribute the shares it holds in THG Intermediate Opco to a newly incorporated company ("**Demerger Newco**") wholly owned by the Company, which will, in turn, issue shares to the Company as consideration. These liquidation demerger steps will occur prior to Admission and will result in: (i) the entire share capital of Kingsmead Holdco being held by FIC Holdings; and (ii) the entire share capital of THG Intermediate Opco being held by Demerger Newco and the Company.

## 5. **REORGANISATION OF THG**

In preparation for Admission, THG has undertaken certain steps as part of the Reorganisation. A summary of the key steps of the Reorganisation is described below.

### 5.1 **Reorganisation step carried out as at the date of this document**

On or around 7 September 2020, the Company re-registered as a public limited company with the name THG Holdings plc.

### 5.2 **Pre-Admission Reorganisation steps**

The following steps will be carried out under the Reorganisation prior to Admission.

- (a) The Company will transfer its entire shareholding in the capital of THG Intermediate Opco to Demerger Newco, in exchange for ordinary shares in the capital of Demerger Newco. Following this transfer, THG Intermediate Opco will become a wholly-owned subsidiary of Demerger Newco.
- (b) Immediately prior to, and conditional on, Admission, options over 88,350 C ordinary shares in the capital of the Company will be exercised.
- (c) Immediately following the step in sub-paragraph (b) and prior to Admission, all of the issued A ordinary shares and C ordinary shares in the capital of the Company and a portion

of the non-ESS D ordinary shares and E ordinary shares in the capital of the Company (comprising in aggregate, 457,095 A ordinary, 124,334 C ordinary shares, 42,988 D ordinary shares and 6,793 E ordinary shares) will be re-designated as 631,210 B ordinary shares in the capital of the Company.

- (d) Immediately following the step in sub-paragraph (c) and prior to Admission:
  - (i) all of the B ordinary shares in the capital of the Company shall be sub-divided into 200 B Shares (and a proportion of such B Shares shall be re-designated (pro-rata to the proportion of shares re-designated in accordance with paragraph 5.2(d)(vii) below) into deferred shares in the capital of the Company);
  - (ii) all of the remaining non-ESS D ordinary shares in the capital of the Company shall be sub-divided into 320,340 D Shares;
  - (iii) all of the remaining E ordinary shares in the capital of the Company shall be sub-divided into 200 E Shares;
  - (iv) all of the F ordinary shares in the capital of the Company shall be sub-divided into 200 F Shares;
  - (v) all of the G ordinary shares in the capital of the Company shall be sub-divided into 200 G Shares;
  - (vi) all of the H ordinary shares in the capital of the Company shall be sub-divided into 200 H Shares; and
  - (vii) a proportion (pro-rata to the proportion of shares re-designated in accordance with paragraph 5.2(d)(i) above) of the D ordinary shares, E ordinary shares, F ordinary shares, G ordinary shares and H ordinary shares in the capital of the Company shall be re-designated as deferred 1 shares and deferred 2 shares in the capital of the Company.
- (e) Immediately following the step in sub-paragraph (d) and prior to Admission, all of the deferred 1 shares in the capital of the Company shall be repurchased by the Company in accordance with the Company's existing articles of association (the "**Articles of Association**") for £1 in aggregate, and such deferred shares shall be cancelled.
- (f) Immediately following the step in sub-paragraph (e) and prior to Admission, the Company shall issue the Special Share to the Founder.
- (g) Immediately prior to Admission, the B Shares will convert into Ordinary Shares. The D Shares, E Shares, F Shares, G Shares, H Shares and deferred 2 shares shall remain unlisted. Should the steps in sub-paragraphs (a) to (g) not complete, Admission will not take place.

## 6. SHARE CAPITAL AUTHORITIES

6.1 The shareholders of the Company resolved at the General Meeting that, conditional upon, and with effect from, Admission:

- (a) the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:
  - (i) up to an aggregate nominal amount of £2,233,258; and

(ii) comprising equity securities (as defined in section 560(1) of the Companies Act) up to an aggregate nominal amount of £2,233,258 in connection with an offer by way of a rights issue:

- (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (B) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, and legal, regulatory or practical problems in, or under the laws of, any territory, or any other matter,

such authorities to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 9 December 2021) but, in each case, so that the Company may make offers and enter into agreements before the authority expires, which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires, and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired;

(b) the Directors be generally empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560(1) of the Companies Act) for cash pursuant to the authority referred to in sub-paragraph (a) above and/or pursuant to section 573 of the Companies Act to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act, such power to be limited:

(i) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority referred to in sub-paragraph (a)(ii) above, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

- (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (B) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) to the allotment of equity securities and/or sale of treasury shares for cash (in each case otherwise than in the circumstances set out in sub-paragraph 6.1(b)(i) above) up to a nominal amount of £334,989 (calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights),

such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 9 December 2021) but so that the Company may make offers and enter into agreements before the power expires, which would, or might, require equity securities to be allotted after the power expires, and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.



(c) in addition to any authority granted under resolution 6.1(b), and subject to the passing of resolution 6.1(a), the Directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority granted by resolution 6.1(a) and/or pursuant to section 573 of the Companies Act 2006 to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be:

- (i) limited to the allotment of equity securities and/or sale of treasury shares for cash up to an aggregate nominal amount of £334,989 (calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights); and
- (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such power to apply until the next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 9 December 2021) but so that the Company may make offers and enter into agreements before the authority expires, which would, or might, require equity securities to be allotted (and/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.

(d) the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act) and off-market purchases (within the meaning of section 693(2) of the Companies Act) of Ordinary Shares each subject to the following conditions:

- (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is £669,978 (representing 10 per cent. of the Company's issued Ordinary Share capital immediately following Admission);
- (ii) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.005 (being the nominal value of an Ordinary Share);
- (iii) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
  - (A) 105 per cent. of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five Business Days immediately preceding the date on which the Ordinary Shares are contracted to be purchased; and
  - (B) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and
- (iv) the authority shall expire at the end of the next annual general meeting of the Company (or, if earlier, at close of business on 9 December 2021) so that the Company may, before the expiry of the authority enter into a contract to purchase Ordinary Shares which will, or may be, executed wholly or partly after the expiry of such authority; and
- (v) a contract to purchase Ordinary Shares under this authority may be made before the expiry of this authority, and concluded in whole or in part after the expiry of this authority;

- (e) the Company and all companies that are its wholly-owned subsidiaries at any time during the period for which this resolution has effect be generally and unconditionally authorised to:
  - (i) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the Companies Act) not exceeding £100,000 in aggregate;
  - (ii) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Companies Act) not exceeding £100,000 in aggregate; and
  - (iii) incur political expenditure (as such term is defined in section 365 of the Companies Act) not exceeding £100,000 in aggregate,

**provided that** the aggregate of all expenditure under sub-paragraphs (i), (ii) and (iii) above shall not exceed £100,000 in total and this amount may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate;

- (f) the authority shall expire at the end of the next annual general meeting of the Company (or, if earlier at close of business on 9 December 2021), unless previously renewed, varied or revoked by the Company in general meeting;
- (g) the Company was authorised in accordance with the New Articles of Association to call general meetings other than an annual general meeting on 14 clear days' notice; and
- (h) the New Articles of Association be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Articles of Association.

6.2 Save as disclosed above and in paragraphs 14 and 15 below of this Part XI (*Additional Information*):

- (a) no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Global Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
- (c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

6.3 The Company remains subject to the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) which will apply to any further issuances of share capital of the Company, save to the extent disapplied as referred to in paragraph 6.1(b) above.

## 7. INFORMATION ON THE ORDINARY SHARES

### 7.1 Description of the type and class of securities to be admitted

The Ordinary Shares are ordinary voting shares in the share capital of the Company with a nominal value of 0.5 pence each. The ISIN of the Ordinary Shares is, and the ISIN of the New Shares will be, GB00BMTV7393. The Ordinary Shares have been, and the New Shares will be, created under the Companies Act and the Articles of Association. On Admission, the Company will have one class of ordinary voting shares. In addition, the Company will have a special share, D ordinary shares (ESS), D Shares (non-ESS), E Shares, F Shares, G Shares and H Shares.

The New Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and will rank in full for all dividends and distributions on the ordinary share capital of the Company declared, made or paid with reference to a record date falling on or after the date of Admission.

## 7.2 **Admission**

Application will be made to the FCA and to the London Stock Exchange respectively for admission of all of the Ordinary Shares: (i) to the standard listing segment of the Official List; and (ii) to the London Stock Exchange's main market for listed securities.

Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 16 September 2020. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 21 September 2020.

No application will be made for the Ordinary Shares to be admitted to listing or dealt with on any other stock exchange. The Ordinary Shares will not be admitted to trading on any stock exchange other than the London Stock Exchange's main market for listed securities.

## 7.3 **Form and currency of the Ordinary Shares**

The Ordinary Shares are in registered form and, from Admission, will be capable of being held in uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

The New Shares will be issued in registered form and will be capable of being held in certificated form and being recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST ("**uncertificated**", or being held in "**uncertificated form**").

Title to the certificated New Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Shares will be evidenced by entry in the operator register maintained by Euroclear UK & Ireland Limited, the operator of CREST ("**Euroclear**") (which forms part of the register of members of the Company). Equiniti Limited, with its registered office at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (the "**Registrar**") is the registrar of the Company.

The Ordinary Shares are, and the New Shares will be, denominated in pound sterling.

## 7.4 **Dates of issue and settlement**

The New Shares are expected to be issued and allotted on Admission, which is expected to occur on 21 September 2020 and those entitled to the Ordinary Shares are expected to be entered on the Company's register of members on that day.

## 7.5 **Description of restrictions on free transferability**

Save as set out in this document, the Ordinary Shares are, and the New Shares will be, freely transferable.

The Company may, under the New Articles of Association and the Companies Act send out statutory notices to those it knows, or has reasonable cause to believe, have an interest in its shares, asking for details of those who have an interest, and the extent of their interest, in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to a court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any certificated Ordinary Shares which are not fully paid.

8. **ARTICLES OF ASSOCIATION**

8.1 Set out below is a summary of the provisions of the New Articles of Association adopted subject to and conditional on Admission pursuant to a resolution passed at the General Meeting:

8.2 The New Articles of Association adopted pursuant to a special resolution passed at a general meeting of the Company held on 9 September 2020 subject to and conditional upon Admission contain provisions to the following effect:

(a) **Objects**

The objects of the Company, in accordance with s.31(1) of the Companies Act, are unrestricted.

(b) **Limited Liability**

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

(c) **Rights Attaching to Shares**

(i) *Special Share*

The Special Share is (save as noted below) a non-voting share that carries no economic rights.

Immediately on a Change of Control of the Company, the Special Share will automatically carry such number of votes on any resolution put to the members of the Company as shall be necessary to ensure the effective passing or defeat of that resolution.

The rights attributable to the Special Share will cease on the earlier of: (i) the date falling three years after the date of Admission; (ii) the transfer of the Special Share to any person other than as explained below, by means of a transfer by transmission (or an onward transfer by that transmittee to the holder's intended beneficiary) upon the death of its holder to a Permitted Transferee; and (iii) if a person who has become the holder of the Special Share in the event of the holder's death ceases to qualify as a Permitted Transferee. In the case of (ii), (iii) and (iv), the Company may purchase or cancel the Special Share as permitted by the Companies Act.

The Special Share will retain its rights on a transfer by transmission upon death of its holder to a Permitted Transferee, being any person that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company, or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Similarly, in the event that the transmittee is not the holder's intended beneficiary, a transmittee who produces to the board of the Company evidence of entitlement to the Special Share may choose to have the Special Share transferred to another person who is the intended beneficiary of the holder's estate, so long as that person is also a Permitted Transferee.

(ii) *D ordinary shares (ESS), D Shares (non-ESS) and E Shares*

The D ordinary shares, D Shares and E Shares are non-voting ordinary shares and do not carry the right to participate in dividends.

The holders of D ordinary shares, D Shares and E Shares may convert their D ordinary shares, D Shares and E Shares into Ordinary Shares (on the basis of one Ordinary Share per D Share or E Share or 185 Ordinary Shares per D ordinary share, as set out in paragraphs 14.3 and 14.4) below (*Additional Information – Share Incentive Arrangements*)).

(iii) *Retained Shares*

The Retained Shares are non-voting ordinary shares and do not carry the right to participate in dividends.

Subject to the satisfaction of the relevant performance conditions and Hurdle, the holders of Retained Shares may exercise put options to convert the Retained Shares into Ordinary Shares (on the basis of one Ordinary Share per Retained Share), as set out in paragraph 14.5) below (*Additional Information – Share Incentive Arrangements*). The put options may be exercised for a period of 10 years from the end of the performance period (which ends on 31 December 2022).

Some of the F Shares and G Shares are subject to leaver provisions. If a holder of F Shares or G Shares to which leaver provisions apply ceases to be employed or otherwise engaged within THG at any time during the performance period, then, at the discretion of the Board, the consideration payable for their F Shares and G Shares will be:

- (A) the market value of the shares at the time of leaving, if the holder is a Good Leaver (as defined in their subscription agreement); or
- (B) an amount determined by the Board, if the holder is a Bad Leaver (as defined in their subscription agreement).

(iv) *Deferred 1 shares and deferred 2 shares*

The deferred 1 shares and deferred 2 shares are non-voting ordinary shares and do not carry the right to participate in dividends.

The deferred 1 shares and deferred 2 shares may be purchased by the Company, provided it is lawful for the Company to purchase them, for an aggregate sum of £1.

(v) *Voting Rights of Members*

Subject to any special terms as to voting for the time being attached to any class of shares (including those noted in (i) above) and subject to disenfranchisement in the event of non-payment of any call or other amount due and payable in respect of any share or non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares, on a show of hands every member present in person or by proxy has one vote, and on a poll every member present in person or by proxy has one vote for every share of which he is a holder.

(vi) *Dividends*

Subject to the Companies Act and the New Articles of Association, the Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors, and no dividend may be declared or paid unless it is in accordance with members' respective rights.

Unless the members' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, the dividend must be paid by reference to each members' holdings of shares on the date of the resolution or decision to declare or pay it.

Subject to the provisions of the Companies Act and rights attached to shares, the Company or the Directors may fix any date as the record date for a dividend. The record date may be on or at any time before or after a date on which the dividend is declared or paid.

Except as otherwise provided by the New Articles of Association or the rights attached to, or the terms of issue of, any shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

All dividends or other sums which are payable in respect of shares and unclaimed after having been declared, or become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. If 12 years have passed from the date on which a dividend or other sum became due for payment and the distribution recipient has not claimed it, the distribution recipient is no longer entitled to that dividend or other sum, and it ceases to remain owing by the Company.

The Directors may pay any dividend (including any dividend payable at a fixed rate) if it appears to them that the profits available for distribution justify the payment. If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

Subject to the New Articles of Association, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or distribution payable in respect of a share by transferring non-cash assets of equivalent value (including shares or other securities in any company).

The Special Share does not entitle its holder to receive any dividend or other distribution of the Company, whether out of profits or on a winding up of the Company or otherwise.

(vii) *Return of Capital*

A liquidator may, on obtaining any sanction required by law, divide amongst the members in kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division is carried out as between the members or different classes of members.

(d) **Transfer of Shares**

(i) Subject to the New Articles of Association, shares of the Company are free from any restriction on transfer. In exceptional circumstances approved by the FCA, the Directors may refuse to register a transfer (other than an enforcement transfer) of certificated shares, **provided that** such refusal would not disturb the market in those shares.

(ii) Certificated shares may be transferred by means of an instrument of transfer in writing in any usual form or any other form approved by the Directors, which is executed by or on behalf of:

(A) the transferor; and

(B) (if any of the shares is partly paid) the transferee.

(iii) Subject to the CREST Regulations, the transferor remains the holder of a share until the transferee's name is entered in the register of members as the holder of it.

(iv) The Directors may also, in their absolute discretion, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment of a share unless all of the following conditions are satisfied:

(A) it is in respect of only one class of shares;

- (B) it is in favour of (as the case may be) a single transferee or renounee or not more than four joint transferees or renounees;
  - (C) it is duly stamped (if required); and
  - (D) it is delivered for registration to the registered office of the Company or such other place as the Directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a person to whom the Company is not required by sections 769, 776, 777 or 778 of the Companies Act to issue a certificate, or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing, and the due execution by him/her of the transfer or renunciation, or, if the transfer or renunciation is executed by some other person on his/her behalf, the authority of that person to do so.
- (v) If the Directors refuse to register the transfer of a certificated share or renunciation of a renounceable letter of allotment, the instrument of transfer or renunciation must be returned to the transferee or renounee as soon as practicable and in any event within two months of the date on which the transfer or renunciation was lodged with the Company with the notice of refusal and reasons for refusal unless they suspect that the proposed transfer or renunciation may be fraudulent.
  - (vi) In accordance with and subject to the provisions of the CREST Regulations, the operator of the relevant system ("**Operator**") shall register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form unless the CREST Regulations permit the Operator of the relevant system to refuse to register such transfer in certain circumstances, in which case the said Operator may refuse such registration.
  - (vii) In accordance with the CREST Regulations, if the Operator of the relevant system refuses to register the transfer of an uncertificated share, or of any such uncertificated renounceable right of allotment of a share, it must, as soon as practicable and in any event within two months after the date on which the relevant system-member instruction or issuer instruction (as the case may be) was received by the Operator, send notice of the refusal to the relevant system-member or participating issuer (as the case may be).
  - (viii) In accordance with, and subject to the provisions of the CREST Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, the Company as participating issuer must register the transfer in accordance with the relevant Operator-instruction, but so that the Company may refuse to register such a transfer in any circumstance permitted by the CREST Regulations.
  - (ix) In accordance with the CREST Regulations, if the Company as participating issuer refuses to register the transfer of title to an uncertificated share transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, it must, as soon as practicable, and in any event within two months after the date on which the Operator instruction was received by the Company, send notice of the refusal to the transferee.
- (e) **Variation of Rights**

Subject to the Companies Act, the rights attached to a class of shares may be varied or abrogated (whether or not the Company is being wound up) either (i) with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or (ii) with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the New Articles of Association.

The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Companies Act.

The rights attached to the Special Share are not capable of being varied or abrogated in any respect whatsoever without the prior written consent of the holder of the Special Share.

The rights conferred upon the holder of the Special Share shall be deemed to be varied by:

- (i) the creation, allotment or issue of any further Special Share
- (ii) the passing of a resolution by the Company, the effect of which would be to attach or authorise the attachment to any share of any voting rights which are not identical in all respects to those attached to the Ordinary Shares;
- (iii) any variation or amendments of the articles in the New Articles of Association relating to the Special Share (including, without limitation, by virtue of the introduction of provisions conflicting with or seeking to supersede those articles), or any act, matter or omission in breach of, or contrary to articles in, the New Articles of Association relating to the Special Share;
- (iv) the purchase or redemption of the Special Share otherwise than in accordance with the New Articles of Association; and
- (v) the passing of a resolution by the Company, or the making of an order by a court of competent jurisdiction, for the winding-up or dissolution of the Company.

(f) **Company's Lien on Partly Paid Shares**

The Company has a lien (the "**Company's lien**") over every share which is partly paid for any part of that share's nominal value and any premium at which it was issued, which has not been paid to the Company, and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it. The Company's lien over a share takes priority over any third-party's interest in that share and extends to any dividend or other money payable by the Company in respect of that share and (if that lien is enforced and the share is sold by the Company) the proceeds of sale of that share.

The Directors may at any time decide that a share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part. Unless otherwise agreed with the transferee, the registration of a transfer of a share operates as a waiver of the Company's lien (if any) on that share solely for the purposes of the transfer. The Company's lien shall not apply in respect of any charged shares.

(g) **Forfeiture**

If a person is liable to pay a call and fails to do so by the due date for payment, the Directors may issue a notice of intended forfeiture to that person and, until the call is paid, that person must pay the Company interest on the call from the due date for payment to the actual date of payment (both dates inclusive) at the relevant rate. A notice of intended forfeiture must be in writing, may be sent in respect of any share in respect of which a call has not been paid as required by a call notice, must be sent to the holder of that share or a person entitled to it by reasons of the holder's death, bankruptcy or otherwise, must require payment of the call and any accrued interest (and all costs, charges and expenses incurred by the Company by reason of non-payment) by a date which is not less than 14 days after the date of the notice, must state how the payment is to be made, and must state that if notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

If a notice of intended forfeiture is not complied with before the date by which payment (including interest, costs, charge and expenses) of the call is required in the notice of intended forfeiture, the Directors may decide that any share in respect of which it was



given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

If a person's shares have been forfeited, that person remains liable to the Company for all sums payable by that person under the New Articles of Association at the date of forfeiture in respect of those shares, including any interest at the relevant rate (whether accrued before or after the date of forfeiture) and costs, charges or expenses.

Failure to give notice to the relevant holder of the share will not invalidate the forfeiture. Forfeited shares shall become the property of the Company.

(h) **Redeemable Shares**

Subject to the Companies Act, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

(i) **General Meetings**

At least 21 clear days' notice must be given to call an annual general meeting. Subject to the Companies Act, at least 14 clear days' notice must be given to call all other general meetings.

The notice of a general meeting must be given to the members (other than those who, under the provisions of the New Articles of Association or the terms of allotment or issue of shares, are not entitled to receive notice) to the Directors, to the beneficial owners nominated to enjoy information rights under the Companies Act and to the Company's auditors. The accidental omission to give notice of a general meeting or to send, supply or make available any document or information relating to a meeting to, or the non-receipt of any such notice by, a person entitled to receive any such notice shall not invalidate the proceedings at that meeting.

All members present in person, and their duly appointed proxy or proxies shall be entitled to attend and to speak at all general meetings of the Company and, such proxy or proxies are entitled to vote instead of such member both on a show of hands and on a poll. A proxy need not also be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided each proxy is appointed to exercise the rights attached to different shares held by that member.

(j) **Notices and Communications**

Save where the New Articles of Association expressly require otherwise, any notice, document or information to be sent or supplied by or to the Company may be sent or supplied in accordance with the Companies Act (whether authorised or required to be sent or supplied by the Companies Act or otherwise) in hard copy form, in electronic form or by means of a website.

In the case of joint holders of a share, a notice, document or information shall be validly sent or supplied to all joint holders if sent or supplied to whichever of them is named first in the register in respect of the joint holding. Anything to be agreed or specified in relation to a notice, document or information to be sent or supplied to joint holders, may be agreed or specified by the joint holder who is named first in the register in respect of the joint holding.

A notice, document or information sent by post and addressed to a member at his/her registered address or address for service in the United Kingdom is deemed to be given to or received by the intended recipient 24 hours after it was put in the post if prepaid as first class post and 48 hours after it was put in the post if prepaid as second class post. In proving such service, it shall be sufficient to prove that the envelope containing the notice, document or information was properly addressed, pre-paid and posted.

A notice, document or information sent or supplied by electronic means to an address specified for the purpose by the member is deemed to have been given to or received by the intended recipient 24 hours after it was sent, and in proving service it is sufficient to prove that the communication was properly addressed and sent.

A notice, document or information sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when (i) the material was first made available on the website or (ii) if later, when the recipient received (or is deemed to have received) notification of the fact that the material was available on the website.

(k) **Directors**

(i) *Number of Directors*

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate Directors) must not be less than two and must not be more than 8.

(ii) *Appointment*

Subject to the Companies Act, a person can be appointed (or remain) a director regardless of his/her age.

Subject to the New Articles of Association, any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution at a general meeting, by a decision of the Directors or under the New Articles of Association if the Company has only one director.

(iii) *Remuneration*

Unless otherwise determined by ordinary resolution, Directors (but not alternate Directors) are entitled for their services to such total fees as the Directors determine. The total fees paid to Directors must not exceed £5 million per annum, or any other amount as decided by ordinary resolution. The total fees will be divided amongst the Directors in the proportions that the Directors decide or, if no decision is made, the total fees will be divided equally.

Subject to the Companies Act and to the New Articles of Association, the Directors' fees may be payable in any form and, in particular, the Directors may arrange for part of a fee payable to be provided in the form of fully-paid shares of the Company. The amount of the fee will be applied to purchase or subscribe for shares on behalf of a director.

The Directors can pay additional remuneration (whether by way of salary, percentage of profits or otherwise) and expenses to any director who at the request of the Directors makes a special journey for the Company, performs a special service for the Company or works abroad in connection with the Company's business.

The Company may repay any reasonable travelling, hotel and other expenses which a director properly incurs in performing his/her duties as director in connection with his/her attendance at Directors' meetings, committee meetings, general meetings or separate meetings of the holders of a class of shares or debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of his/her responsibilities in relation to the Company. Subject to the Companies Act, the Directors may make arrangements to provide a director with funds to meet expenditure incurred (or to be incurred) by him/her for the purposes of the Company or for the purpose of enabling him/her properly to perform his/her duties as an officer of the Company or to enable him/her to avoid incurring any such expenditure.

The Directors may decide whether to pay or provide (by insurance or otherwise) pensions, retirement or superannuation benefits, death, sickness or disability benefits, gratuities or other allowances to any person who is or who was a director of (i) the Company, (ii) a subsidiary undertaking of the Company, (iii) any company which is or was allied to or associated with the Company or any of its subsidiary undertakings, or (iv) a predecessor in business of the Company or of any of its subsidiary undertakings (or, in each case, to any member of his/her family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose, the Directors may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Directors may arrange for this to be done either by the Company alone or in conjunction with another person.

(iv) *Indemnity*

To the extent permitted by the Companies Act, and without prejudice to any indemnity to which he or she may otherwise be entitled, every person who is or was a director or other officer of the Company or an associated Company (other than any person (whether or not an officer of the Company or an associated Company) engaged by the Company or an associated Company as auditor) shall be, and shall be kept, indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by him or her (whether in connection with any negligence, default, breach of duty or breach of trust by him or her or otherwise as a director or such other officer of the Company or an associated Company) in relation to the Company or an associated Company or their affairs, other than in respect (broadly) of any liability incurred by such person to the Company or to an associated Company, any criminal or regulatory fine or the costs of defending any criminal proceedings in which such person is convicted.

(v) *Removal of Directors*

In addition to any power of removal under the Companies Act, the Company can by ordinary resolution remove a director even though his/her time in office has not ended (without prejudice to a claim for damages for breach of contract or otherwise) and subject to the New Articles of Association, by ordinary resolution appoint a person to replace a director who has been removed in this way. A person appointed to replace a director who has been removed will be due to retire when the director he/she replaces would have been due to retire. A director may also be removed from office by the service on him/her of a notice to that effect signed by or on behalf of all his/her co-Directors.

(vi) *Annual re-election of Directors*

At the end of each annual general meeting all the Directors shall retire from office unless appointed or reappointed at the meeting.

Subject to the Companies Act and the New Articles of Association, the Directors required to retire at an annual general meeting (as necessary to obtain the required number) are: first, any director who wants to retire and who does not want to be reappointed; second, those Directors who have been Directors longest since they were last appointed or reappointed.

A director who retires at an annual general meeting can be reappointed by members. If he/she is not reappointed (or deemed to be reappointed), he/she may remain a director until the meeting appoints someone in his/her place or, if it does not appoint anyone, until the end of the meeting.

Subject to the New Articles of Association, if the Company does not fill the vacancy of a director who retires at an annual general meeting, the retiring director (if willing) will be deemed reappointed unless it is expressly resolved not

to fill the vacancy or a resolution for reappointment of the director is put to the meeting and lost.

(vii) *Directors' Interests*

The Directors may authorise any matter proposed to them which would, if not so authorised, involve a breach of duty by a director under section 175 of the Companies Act. Any such authorisation will be effective only if any requirement as to the quorum at the meeting or part of the meeting at which the matter is considered is met without counting the director in question or any other Directors interested in the matter under consideration, and the matter was agreed to without such Directors voting or would have been agreed to if such Directors' vote had not been counted.

A director shall be under no duty to the Company with respect to any information which he/she obtains or has obtained otherwise than as a director of the Company and in respect of which he/she owes a duty of confidentiality to another person.

A director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company must declare the nature and extent of his/her interest to the other Directors before the Company enters into the transaction or arrangement. Such declaration may (but need not) be made at a meeting of the Directors or by notice in writing in accordance with section 184 of the Companies Act or by general notice in accordance with section 185 of the Companies Act.

A director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company must declare the nature and extent of his/her interest to the other Directors as soon as is reasonably practicable (unless the interest has already been declared as above). Such declaration must be made at a meeting of the Directors or by notice in writing in accordance with section 184 of the Companies Act or by general notice in accordance with section 185 of the Companies Act.

Subject to the Companies Act, and provided he/she has declared to the Directors the nature and extent, if any, of his/her direct or indirect interest in accordance with the New Articles of Association, a director may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is directly or indirectly interested or may act by himself/herself or through his/her firm in a professional capacity for the Company (otherwise than as auditor) and in any such case on such terms as to remuneration and otherwise as the Directors may decide, or may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, any body corporate in which the Company is directly or indirectly interested.

A director shall not, by reason of his/her office, be accountable to the Company for any remuneration or other benefit which he/she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate, the acceptance, entry into or existence of which has been authorised by the Directors under the New Articles of Association or which he/she is permitted to hold or enter into by virtue of the New Articles of Association.

The Company may, by ordinary resolution, suspend or relax the provisions in the New Articles of Association relating to Directors' interests to any extent. Subject to the Companies Act, the Company may, by ordinary resolution, ratify any transaction or arrangement not properly authorised by reason of a contravention of the provisions in the New Articles of Association relating to Directors' interests.

(viii) *General Voting and Quorum Requirements*

Save as otherwise provided by the New Articles of Association, a director shall not vote on or be counted in any quorum in relation to a resolution of the Directors or a committee of the Directors concerning a matter in which he/she has a direct or indirect interest which is, to his/her knowledge, a material interest (otherwise than by virtue of his/her interest in shares, debentures or other securities of, or otherwise in, or through the Company).

This prohibition does not apply to a resolution concerning any of the following matters:

- (A) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (B) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (C) a transaction or arrangement concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;
- (D) a transaction or arrangement to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which such director or any person connected with him or her is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise, **provided that** he/she and any persons connected with him/her do not to his/her knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Companies Act) representing one per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) in the relevant company or of the voting rights available to members of the relevant company;
- (E) a transaction or arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him/her a privilege or benefit not generally awarded to the employees to whom it relates; or
- (F) a transaction or arrangement concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

A director shall not vote on or be counted in the quorum in relation to any resolution of the Directors or committee of the Directors concerning his/her own appointment (including fixing or varying the terms of his/her appointment or its termination) as the holder of an office or place of profit with the Company or any body corporate in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any body corporate in which the Company is directly or indirectly interested, such proposals may be divided and a separate resolution considered in relation to each director, in which case

each of the Directors concerned (if not otherwise debarred from voting under the New Articles of Association) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his/her own appointment.

The Directors may in their discretion exercise (or cause to be exercised) the powers conferred by shares of another company held (or owned) by the Company or a power of appointment to be exercised by the Company.

(ix) *Executive Directors*

Subject to the Companies Act, the Directors may appoint one or more of the Directors to hold an executive office within the Company for such term and on such other terms and conditions as (subject to the Companies Act) the Directors think fit.

The Directors may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the director and the Company or otherwise.

The salary or other remuneration of a director appointed to hold employment or executive office in accordance with the New Articles of Association may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Directors, and may be in addition to or instead of a fee payable to him/her for his/her services as director pursuant to the New Articles of Association.

(l) **Failure to Disclose Interests in Shares**

Where notice is served by the Company under section 793 of the Companies Act (a "**section 793 notice**") on a member, or another person appearing to be interested in shares held by that member, and the member or other person has failed in relation to any shares (the "**default shares**", which expression includes any shares allotted or issued after the date of the section 793 notice in respect of those shares) to give the Company the information required within the prescribed period from the date of service of the section 793 notice, the following sanctions apply, unless the Directors otherwise decide:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person, by proxy or by corporate representative) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll; and
- (ii) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class (excluding any shares of their class held as treasury shares) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it, and the member shall not be entitled to elect, under the New Articles of Association, to receive shares instead of a dividend; and no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer or the member is not himself/herself in default in supplying the information required, and the member proves to the satisfaction of the Directors that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

9. **THE SPECIAL SHARE**

Subject to and conditional upon Admission, it is proposed that the Founder will be issued with the Special Share. Further information on the Special Share is set out in Part X (*The Special Share, Application of the Code and the Concert Party*).

10. **OTHER DIRECTORSHIPS**

In addition to their directorships of the Company (in the case of the Directors) and its subsidiaries and subsidiary undertakings, the Directors and the Senior Managers hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

<b>Name</b>	<b>Current directorships / partnerships</b>	<b>Past directorships / partnerships</b>
<b>Directors</b>		
Matthew Moulding .....	FIC Holdings Limited FIC Shareco Limited FIC Propco Limited	-
John Gallemore.....	-	-
Zillah Byng-Thorne .....	The Surelight Project Limited Future Plc GoCompare.com Group plc Flutter PLC Ascent Publishing Limited Future Holdings 2002 Limited Future Publishing (Overseas) Limited Future Publishing Holdings Limited Future Publishing Limited Newbay Media Europe Limited Newbay Media UK Holdco Limited Professional Publishers Association Ltd Sapphire Bidco Limited Sapphire Holdco Limited Sapphire Midco Limited Sapphire Topco Limited TI Media Limited Barcroft Studios Limited Barcroft Productions Limited Barcroft Media Limited	One Rebel Limited A&S Publishing Company Limited Byng & McKenzie Consultants Limited Centaur Consumer Exhibitions Limited CTW Media Limited Etihad Topco Limited Future New1 Limited Futurefolio Limited Maxza Enterprises Limited MCV Media UK Limited Mobile Entertainment Limited Miura (Holdings) Ltd Skaro (Holdings) Ltd Fascination (Holdings) Ltd Imagine Publishing Group Limited Imagine Publishing Limited
Dominic Murphy .....	Walgreens Boots Alliance, Inc. CVC Capital Partners 8C Capital LLP	Northstar Holding Limited Northstar Midco Limited Northstar Investments Limited Kohlberg Kravis Roberts & Co. Partners LLP LGC Science Group Holdings Limited Elwy 3 Limited Elwy 2 Limited Mehiläinen Oy Ambea AB Value Ventures Limited Art-I-Check Ltd Mersen Corporate Services SAS
Edward Koopman.....	Sofina Capital S.A. GL Events S.A./Polygone S.A. NUXE Group	Mysale Group PLC Fishing Republic PLC Belvedere Schools Limited Infusion 2002 Limited. Houseology Design Group Limited Anatwine Limited Maison 7 Limited Connex One Limited
Iain McDonald.....	Boohoo.com UK Limited CentralNic Group PLC Belerion Capital Group Ltd Belerion Capital Limited Online Retail Trade Representation Limited	Mysale Group PLC Fishing Republic PLC Belvedere Schools Limited Infusion 2002 Limited. Houseology Design Group Limited Anatwine Limited Maison 7 Limited Connex One Limited
<b>Senior Managers</b>		
Steven Whitehead.....	Harriemore Limited	-
Rachel Horsefield .....	-	-
Schalk van der Merwe .....	-	-
Lucy Gorman.....	-	41NR LTD
Matt Rothwell.....	-	Sainsbury's Supermarkets Limited E.H.Booth & Co., Limited Booths Riversway Limited Booths (Lytham) Limited Sainsbury's Planet Limited
James Pochin .....	-	-
Viki Tahmasebi .....	-	-

- 10.1 Within the period of five years preceding the date of this document, none of the Directors or Senior Managers:
- (a) has had any convictions in relation to fraudulent offences;
  - (b) has been a member of the administrative, management or supervisory bodies or a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership, liquidation or putting into administration of such company; or
  - (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director or member of an administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of a company.
- 10.2 Save as set out below, none of the Directors or Senior Managers has any actual or potential conflicts of interests between their duties to the Company and their private interests or other duties.

Following Admission, as a result of the Propco Reorganisation, the Executive Chairman and Chief Executive Officer will also be the indirect owner of the Propco Group. THG will continue to use or occupy the properties held the Propco Group, pursuant to arm's length leases between the relevant members of THG (as lessee) and the members of the Propco Group (as lessors). For further information, see Part II (*Business - Property*) and "*- Material Contracts - Property Management and Services Agreement (long form)*" below.

## 11. **DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

Set out below is information on the employment and remuneration arrangements for the Directors.

### 11.1 **Directors' terms of employment**

The Directors and their functions are set out in Part III (*Directors, Senior Managers and Corporate Governance*). In advance of Admission, each of the Executive Directors have entered into a service agreement with the Company and each of the Non-Executive Directors have entered into a letter of appointment with the Company.

### 11.2 **Executive Directors**

On 27 August 2020, Matthew Moulding and John Gallemore entered into new service agreements with the Company for the positions of Executive Chairman and Chief Executive Officer and Chief Finance Officer respectively, which will come into effect on Admission.

Matthew Moulding will receive a salary of £750,000 per annum and John Gallemore will receive a salary of £450,000 per annum. The salaries (inclusive of director fees) will be reviewed annually by the Remuneration Committee and any increase will be at the discretion of the Remuneration Committee.

Each Executive Director will continue to be eligible to participate in the Company's discretionary bonus plan, which provides an annual cash award of up to 100 per cent. of base salary depending on performance, and will be entitled to participate in such long-term incentive plans as the Company may establish in the future. Any incentives or compensation payable to the Executive Directors will be subject to limitation or modification to the extent reasonably deemed necessary by the Remuneration Committee of the Company, including in order to remain consistent with Company's shareholder approved remuneration policy from time to time.

The Executive Chairman and Chief Executive Officer has agreed for the time being that he will waive the majority of his base salary and any bonus that becomes due in return for the Company making a charitable donation.



Each Executive Director is entitled to 30 (exclusive of bank holidays) days' paid holiday per annum (the statutory minimum is 28 days inclusive of bank holidays). Each Executive Director is entitled to medical insurance benefits, permanent health insurance, life assurance, private security cover and is entitled to contributions by the Company in line with the wider workforce to a personal pension scheme nominated by the Executive Director and agreed by the Company. In lieu of the Company's pension contribution, part or all of that amount may be provided as a cash allowance.

Each Executive Director's service agreement will be terminable by either the Company or the Executive Director on not less than 12 months' written notice. The Company will also be entitled to terminate an Executive Director's service agreement with immediate effect by payment in lieu of notice equal to the basic annual salary the Executive Director would have been entitled to receive during the notice period, payable in 12 equal monthly instalments which are reduced if the Executive Director secures alternative employment/engagement within that period (the Executive is contractually obliged to use his/her best endeavours to secure alternative employment/engagement). The Executive Directors can be placed on garden leave for part or all of their notice period.

Each of the Executive Directors is subject to a confidentiality undertaking without limitation in time and intellectual property restriction and non-competition, non-solicitation and non-dealing restrictive covenants which seek to apply for a period of 12 months after the termination of their respective employment arrangements. The period of the post-termination restrictive covenants is reduced by any time spent on garden leave.

The Executive Directors benefit from Directors' and officers' liability insurance under the policy maintained by the Company from time to time and they will be indemnified as provided for in the New Articles of Association.

### 11.3 Non-Executive Directors

The Company will have appointed four non-executive directors at the time of Admission, two of whom are independent, with an additional independent non-executive director to be appointed within 12 months of Admission. Each of the Non-Executive Directors has entered into a letter of appointment with the Company effective from Admission as follows:

<u>Non-Executive Director</u>	<u>Title and Roles</u>	<u>Date of Appointment</u>	<u>Base Fee</u>
Zillah Byng-Thorne	Senior Independent Director, Chair of the Audit and Risk Committee, Chair of the Related Party Committee and member of the Remuneration Committee and the Nomination Committee	Originally appointed on 22 November 2018. Appointment under terms of new appointment letter commences on Admission	£70,000
Dominic Murphy	Independent Non-Executive Director, Chair of the Nomination Committee, Chair of the Remuneration Committee, member of the Audit and Risk Committee and the Related Party Committee	Originally appointed on 7 August 2014. Appointment under terms of new appointment letter commences on Admission	£70,000
Edward Koopman	Non-Executive Director	Originally appointed on 3 May 2016. Appointment under terms of new appointment letter commences on Admission	£35,000
Iain McDonald	Non-Executive Director, member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee	Originally appointed on 27 March 2010. Appointment under terms of new appointment letter commences on Admission	£35,000

Each appointment is for a fixed term ending on the Company's third annual general meeting following Admission, but each Non-Executive Director may be invited by the Company to serve for a further period or periods. In any event, each appointment is subject to annual re-election by the Company at each annual general meeting of the Company, and the Non-Executive Directors' appointments may be terminated at any time by either party giving the other one month's written notice (or payment of fees in lieu of notice) or in accordance with the New Articles of Association.

Non-Executive Directors will be paid additional fees as follows: £12,000 per annum for chairing the Audit and Remuneration Committees; £8,000 per annum for chairing the Related Party and Nomination Committees; and £5,000 per annum for membership of the Audit and Risk, Related Party, Nomination and Remuneration Committee. Half of any fees payable to a Non-Executive Director may be paid in Ordinary Shares. Any remuneration payable to the Non-Executive Directors will be subject to limitation or modification to the extent reasonably deemed necessary by the Remuneration Committee of the Company, including in order to remain consistent with Company's shareholder-approved remuneration policy from time to time.

In addition, the Non-Executive Directors will be entitled to reimbursement of reasonable and properly-incurred expenses. The Non-Executive Directors may also, at the Company's expense, obtain external independent professional advice reasonably necessary to enable them to carry out their duties.

The Non-Executive Directors will benefit from Directors' and officers' liability insurance under the policy maintained by the Company from time to time, and they will be indemnified as provided for in the New Articles of Association.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time and non-competition and non-solicitation restrictive covenants which seek to apply for a period of six months after the termination of their respective appointments.

#### 11.4 Termination benefits

Save as set out in paragraph 11 of this Part XI (*Additional Information*), there are no existing or proposed service agreements between any Director and any member of THG providing for benefits upon termination.

## 12. DIRECTORS' AND OTHER INTERESTS

12.1 The table below sets out the interests of the Directors and the Senior Managers (all of which are beneficial and include interests of persons connected to them) in the share capital of the Company at the date of this document and immediately following Admission.

Name	A ordinary shares held at the date of this document		A ordinary shares held immediately after Admission	
	Number of A ordinary shares	Percentage of A ordinary shares	Number of A ordinary shares	Percentage of A ordinary shares
Matthew Moulding .....	248,216	54.30	-	-

Name	B ordinary shares held at the date of this document		B ordinary shares held immediately after Admission	
	Number of B ordinary shares	Percentage of B ordinary shares	Number of B ordinary shares	Percentage of B ordinary shares*
Matthew Moulding .....	6,072	0.17	-	-
Dominic Murphy .....	67,750	1.88	-	-
Iain McDonald.....	17,300	0.48	-	-

\* Includes B ordinary shares held following the conversion of shares held in THMCL (see "*Propco Reorganisation – Propco Reorganisation steps*" above).

Name	C ordinary shares* held at the date of this document		C Ordinary shares held immediately after Admission	
	Number of C ordinary shares	Percentage of C ordinary shares	Number of C ordinary shares	Percentage of C ordinary shares**
Steven Whitehead.....	13,333	37.05	-	-

Name	D ordinary shares held at the date of this document		D Shares held immediately after Admission		D ordinary shares held immediately after Admission	
	Number of D ordinary shares	Percentage of D ordinary shares *	Number of D Shares	Percentage of D Shares*	Number of D ordinary shares	Percentage of D ordinary shares*
Matthew Moulding .....	272,904	71.14	50,550,450	82.47	360	1.77
John Gallemore.....	22,227	5.79	3,533,879	5.77	3,174	15.63
Steven Whitehead.....	17,478	4.56	2,373,540	3.87	1,707	8.41
James Pochin .....	6,879	1.79	959,283	1.57	1,707	8.41
Rachel Horsefield .....	975	0.25	-	-	975	4.80
Schalk van der Merwe .....	2,497	0.65	-	-	2,497	12.30
Zillah Byng-Thorne .....	750	0.20	-	-	750	3.69

\* Includes ESS and non-ESS shares.

Name	E ordinary shares held at the date of this document		E Shares held immediately after Admission	
	Number of E ordinary shares	Percentage of E ordinary shares	Number of E Shares	Percentage of E Shares
Matthew Moulding .....	253,293	84.85	43,641,266	84.85
John Gallemore.....	1,000	0.36	185,476	0.36
Steven Whitehead.....	1,000	0.36	185,476	0.36
James Pochin .....	1,000	0.36	185,476	0.36
Rachel Horsefield .....	7,333	2.64	1,020,119	1.98
Schalk van der Merwe .....	5,295	1.91	932,946	1.81
Zillah Byng-Thorne .....	1,000	0.36	98,673	0.19
Lucy Gorman.....	1,284	0.46	178,614	0.35
Viki Tahmasebi .....	1,834	0.66	255,030	0.50
Dominic Murphy .....	2,000	0.72	370,953	0.72
Iain McDonald.....	1,000	0.36	185,476	0.36
Matt Rothwell.....	917	0.33	127,608	0.25

Name	F ordinary shares held at the date of this document		F Shares held immediately after Admission	
	Number of F ordinary shares	Percentage of F ordinary shares	Number of F Shares	Percentage of F Shares
Matthew Moulding .....	108,897	66.27	20,197,808	66.27
John Gallemore.....	14,379	9.65	2,942,395	9.65
Steven Whitehead .....	8,467	5.15	1,570,428	5.15
James Pochin .....	5,412	3.29	1,003,798	3.29
Rachel Horsefield .....	2,397	1.46	444,587	1.46
Schalk van der Merwe .....	2,610	1.59	484,093	1.59
Lucy Gorman.....	1,733	1.05	321,430	1.05
Viki Tahmasebi .....	1,301	0.79	241,305	0.79
Matt Rothwell.....	651	0.4	120,745	0.40

Name	G ordinary shares held at the date of this document		G Shares held immediately after Admission	
	Number of G ordinary shares	Percentage of G ordinary shares	Number of G Shares	Percentage of G Shares
Matthew Moulding .....	163,345	66.29	30,296,620	66.29
John Gallemore.....	21,569	9.66	4,413,779	9.66

Name	G ordinary shares held at the date of this document		G Shares held immediately after Admission	
	Number of G ordinary shares	Percentage of G ordinary shares	Number of G Shares	Percentage of G Shares
Steven Whitehead .....	12,701	5.15	2,355,734	5.15
James Pochin .....	8,118	3.29	1,505,696	3.29
Rachel Horsefield .....	3,596	1.46	666,973	1.46
Schalk van der Merwe .....	3,916	1.59	726,325	1.59
Lucy Gorman.....	2,600	1.06	482,238	1.06
Viki Tahmasebi .....	1,952	0.79	362,050	0.79
Matt Rothwell.....	976	0.4	181,025	0.40

Name	H ordinary shares held at the date of this document		H Shares held immediately after Admission	
	Number of H ordinary shares	Percentage of H ordinary shares	Number of H Shares	Percentage of H Shares
Matthew Moulding	483,149	100	89,612,680	100

Name	Deferred shares held at the date of this document		Deferred 2 shares held immediately after Admission	
	Number of deferred shares	Percentage of deferred shares	Number of deferred 2 shares	Percentage of deferred 2 shares
John Gallemore.....	3,657	10.91	813,345	3.77
Matthew Moulding .....	20,111	60	18,346,774	34.20
Dominic Murphy .....	-	-	29,047	0.13
Iain McDonald.....	-	-	14,524	0.07
James Pochin .....	-	-	286,147	1.33
Lucy Gorman.....	-	-	76,918	0.36
Matt Rothwell.....	-	-	33,622	0.16
Rachel Horsefield .....	-	-	166,921	0.77
Schalk van der Merwe .....	-	-	167,836	0.78
Steven Whitehead.....	-	-	200,384	0.93
Viki Tahmasebi .....	-	-	67,215	0.31
Zillah Byng-Thorne .....	-	-	7,727	0.04

Name	Ordinary Shares held immediately prior to Admission		Ordinary Shares held immediately after Admission	
	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Ordinary Shares*	Percentage of Ordinary Shares
Matthew Moulding .....	52,461,765	6.67	41,628,653	4.29
John Gallemore.....	1,191,870	0.15	104,237	0.01
Zillah Byng-Thorne .....	86,803	0.01	-	-
Dominic Murphy .....	12,566,016	1.60	14,566,016	1.50
Edward Koopman .....	-	-	-	-
Iain McDonald.....	3,208,739	0.41	2,189,039	0.23
Steven Whitehead.....	3,024,561	0.38	5,458,029	0.56
Rachel Horsefield .....	557,171	0.07	114,855	0.01
Schalk van der Merwe .....	49,151	0.01	-	-
Lucy Gorman .....	105,907	0.01	24,709	-
Matt Rothwell.....	42,474	0.01	-	-
James Pochin .....	1,817,667	0.23	3,204,918	0.33
Viki Tahmasebi .....	85,134	0.01	-	-

\* Assumes the maximum number of New Shares subject to the Offer is subscribed for. Includes Ordinary Shares subscribed for and disposed of in the Offer. Includes

Name	Special Shares held at the date of this document		Special Shares held immediately after Admission	
	Number of Special Shares	Percentage of Special Shares	Number of Special Shares	Percentage of Special Shares*
Matthew Moulding .....	-	-	1	100

- 12.2 The following Directors and Senior Managers have options, including options of persons connected to them, outstanding under the Company's share option scheme:

<b>Name of Director or Senior Manager</b>	<b>Date of grant</b>	<b>No. of C ordinary shares</b>	<b>Option price</b>	<b>Exercise/vesting period</b>
Matthew Moulding .....	15 October 2010	29,090	£7.50	On Admission
John Gallemore.....	15 October 2010	14,545	£7.50	On Admission
James Pochin .....	15 October 2010	9,800	£7.50	On Admission
Rachel Horsefield.....	15 November 2013	1,171	£1.00	On Admission
Lucy Gorman.....	19 February 2016	250	£1.00	On Admission

### 13. DIRECTORS' AND SENIOR MANAGERS' COMPENSATION

- 13.1 In the year ended 31 December 2019, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors and the Senior Managers by members of THG was £7,346,353. Of this amount, £5,422,024 was paid to the Directors as set out below and £1,924,329 was paid to the Senior Managers:

<b>Name</b>	<b>Fees/basic salary</b>	<b>Bonus</b>	<b>Pension</b>	<b>Share-based awards</b>	<b>Benefits</b>	<b>Total</b>
Matthew Moulding.....	317,650	227,092	1,188	(£) 4,108,750	1,514	4,656,194
John Gallemore .....	314,170	202,094	1,188	43,250	2,128	562,830
Zillah Byng-Thorne.....	30,000	Nil	Nil	43,250	Nil	73,250
Dominic Murphy .....	Nil	Nil	Nil	86,500	Nil	86,500
Edward Koopman.....	Nil	Nil	Nil	Nil	Nil	Nil
Iain McDonald .....	Nil	Nil	Nil	43,250	Nil	43,250

The total amount set aside or accrued by THG to provide pension, retirement or other benefits to the Directors or the Senior Managers in the year ending 31 December 2019 was nil.

#### Remuneration policy

The Company's Directors' remuneration policy will be submitted for Shareholder approval at the Company's annual general meeting in 2021 in compliance with section 439A of the Companies Act 2006.

The Executive Directors (the Executive Chairman and Chief Executive Officer and the CFO) will each be remunerated through a combination of fixed pay and variable pay. Fixed pay will comprise of: (a) base salary; (b) benefits; and (c) pension. Variable pay will initially be in the form of a discretionary annual bonus only. Material terms of the Executive Directors' service agreements with the Company are described in paragraph 11 above (*Additional Information – Directors' Service Agreements and Letters of Appointment*).

Details of the fees which the Non-Executive Directors are entitled to receive, and the material terms of their appointment are described in paragraph 11 above (*Additional Information – Directors' Service Agreements and Letters of Appointment*).

### 14. SHARE INCENTIVE ARRANGEMENTS

The Company has operated a number of share incentive arrangements since 2010 under which Employees have acquired shares, or been awarded a right to receive shares, in the Company.

The Company currently has no intention to adopt any new incentive arrangements on or immediately after Admission for the Executive Directors.

#### Pre-Admission share incentive arrangements

##### 14.1 Share option scheme

Under the Company's share option scheme, enterprise management incentive scheme options (under Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003) and unapproved options

over C ordinary shares have been granted to selected Employees. All outstanding options will either be exercised (in which case Employees will hold Ordinary Shares on Admission) or lapse shortly before or on Admission.

#### 14.2 **2013 long term incentive plan**

Under the 2013 long term incentive plan, certain Employees and the Executive Chairman and Chief Executive Officer hold shares in THMCL. The shares in THMCL held by the Employees will be exchanged for Ordinary Shares immediately prior to Admission. The Executive Chairman and Chief Executive Officer will exchange a portion of his shares in THMCL for Ordinary Shares prior to Admission and, based on the Offer Price, will continue to hold approximately 25 per cent. of the share capital of THMCL. See paragraph 4 of this Part XI (*Additional Information*) for a summary of the Propco Reorganisation.

#### 14.3 **2015 long term incentive plan**

Under the 2015 long term incentive plan, certain Employees hold D ordinary shares (a portion of which are employee shareholder status ("ESS") shares), some of which are partly paid. These Employees have been given the choice to either:

- (a) convert their D ordinary shares into Ordinary Shares on Admission; or
- (b) continue to hold their D ordinary shares, on an unlisted basis (either as D Shares and deferred 2 shares (after the subdivision referred to in paragraph 5.2 of this Part XI (*Additional Information*) for non-ESS shares) or, in the case of any ESS shares, as D ordinary shares), and convert these into Ordinary Shares (on the basis of one Ordinary Share per D Share or 185 Ordinary Shares per D ordinary share) at some point after Admission, as set out in the Articles of Association.

On conversion, the D ordinary shares and D Shares will be required to be fully paid-up. The D ordinary shares represent 6.58 per cent. of the current fully diluted share capital of the Company (assuming all outstanding awards under the Company's incentive arrangements, including the D ordinary shares, have vested and been exercised in full). This represents 4.96 per cent. of the fully diluted share capital of the Company immediately after Admission (applying the same assumption and assuming 184,000,000 New Shares are issued).

The D ordinary shares and D Shares may not be transferred other than as permitted by the Articles of Association and do not carry voting rights or the right to participate in dividends.

#### 14.4 **2017 long term incentive plan**

Under the 2017 long term incentive plan, certain Employees hold E ordinary shares partly paid. These Employees have been given the choice to either:

- (a) convert their E ordinary shares into Ordinary Shares on Admission; or
- (b) continue to hold their E ordinary shares (as E Shares and deferred 2 shares (after the subdivision referred to in paragraph 5.2 of this Part XI (*Additional Information*))), on an unlisted basis, and convert these into Ordinary Shares (on the basis of one Ordinary Share per E Share) at some point after Admission, as set out in the Articles of Association.

On conversion, the E Shares will be required to be fully paid-up. The E ordinary shares represent 4.76 per cent. of the current fully diluted share capital of the Company (assuming all outstanding awards under the Company's incentive arrangements, including the E ordinary shares, have vested and been exercised in full). This represents 3.94 per cent. of the fully diluted share capital of the Company immediately after Admission (applying the same assumption and assuming 184,000,000 New Shares are issued).

The E ordinary shares / E Shares may not be transferred other than as permitted by the Articles of Association and do not carry voting rights or the right to participate in dividends.

#### 14.5 **2020 long term incentive plan (the "LTIP")**

One-off awards were made under the LTIP to Employees who were selected to participate at the discretion of the Board earlier this year. The Executive Chairman and Chief Executive Officer holds 66.27 per cent. of the F ordinary shares, 66.29 per cent. of the G ordinary shares and 100 per cent. of the H ordinary shares awarded under the LTIP and the balance are held by the Participants in each case partly paid.

Following Admission, the Retained Shares will be unlisted and will continue to be held by the Participants in accordance with the Articles of Association. The Retained Shares may not be transferred other than as permitted by the Articles of Association and do not carry voting rights or the right to participate in dividends.

The F ordinary shares, G ordinary shares and H ordinary shares represent c. 2.82 per cent., 4.23 per cent. and 8.29 per cent., respectively of the current fully diluted share capital of the Company (assuming all outstanding awards under the Company's incentive arrangements, including the Retained Shares, have vested and been exercised in full). This represents 2.39 per cent., 3.59 per cent. and 7.03 per cent., respectively, of the fully diluted share capital of the Company immediately after Admission (applying the same assumption and assuming 184,000,000 New Shares are issued).

Further awards may be made under the LTIP to Employees over a maximum of 9,917,601 F Shares and 14,889,292 G Shares following Admission. This represents 0.80 per cent., and 1.19 per cent., respectively, of the fully diluted share capital of the Company immediately after Admission (applying the same assumption as above and assuming the maximum number of New Shares subject to the Offer is subscribed for).

The Retained Shares will be subject to put options contained in the Articles of Association which, subject to the satisfaction of the relevant performance conditions and Hurdle, entitle the Participants to convert the Retained Shares into and be re-designated as Ordinary Shares (on the basis of one Ordinary Share per Retained Share (after the subdivision referred to in paragraph 5.2 of this Part XI (*Additional Information*)). The put options may be exercised for a period of 10 years from the end of the performance period. On conversion the Retained Shares will be required to be fully paid-up.

##### *Performance conditions, hurdle and vesting*

Retained Shares are subject to the performance conditions set out in the Participants' respective subscription agreements and a hurdle set out in the Articles of Association.

A Participant may exercise their put option on meeting the Hurdle, which will be met if, by 31 December 2022, the equity value of the Company (including both listed and unlisted shares) is £6,500,000,000 or more. The Hurdle is determined by reference to a 15-day volume weighted average price.

The number of Retained Shares in respect of which a Participant may exercise their put option on vesting will be determined by the extent to which certain performance conditions specific to the class of Retained Share are satisfied. The Board has discretion to adjust or waive the performance conditions at any time.

If the applicable performance conditions or the Hurdle are not met, the F Shares, G Shares and / or H Shares, as applicable, will lapse and be converted into deferred shares and acquired by the Company from each relevant Participant for an aggregate sum of £1. In these circumstances the Company would not expect the holders of the Retained Shares to pay up the balance of the subscription price on those shares.

The performance conditions are as follows:

##### **F Shares**

The F Shares will vest in full on Admission if the equity value of the Company (including both listed and unlisted shares) is £5,250,000,000 or more on Admission.

If this equity value is not obtained, the F Shares will vest to the extent the adjusted EBITDA targets set out in the table below are met over a period of three financial years running from 1 January 2020 to 31 December 2022. Where the adjusted EBITDA target for the specified financial year is not met in that financial year, the specified number of F Shares may still vest if the adjusted EBITDA target for subsequent financial years is exceeded by the shortfall in adjusted EBITDA to meet the target in any previous year. In addition, if the adjusted EBITDA is equal to or greater than £556,726,272 at the end of the performance period, the F Shares will vest in full.

	Financial year ending 31/12/2020	Financial year ending 31/12/2021	Financial year ending 31/12/2022
Adjusted EBITDA target (£).....	142,080,000	181,862,400	232,783,872
Proportion of F Shares that vest.....	1/3	1/3	1/3

Adjusted EBITDA constitutes operating profit before depreciation, amortisation, share-based payments and other exceptional items. The Adjusted EBITDA target for 2020 includes EBITDA from acquisitions during the relevant financial year, produced for the full financial year as if the acquisition happened on 1 January, along with cost savings, expense reductions, cost synergies and revenue synergies.

### G Shares

The percentage of G Shares that vest will depend on the extent to which the Milestones, as set out in the table below, are met during the performance period which ends on 31 December 2022. The Milestones will be tested on Admission and throughout the performance period using a 15-day volume weighted average price.

Equity value Milestone	Percentage of the G Shares that are entitled to participate
£0-£4,499,999,999 .....	0 per cent.
£4,500,000,000-£4,749,999,999 .....	8.333 per cent.
£5,000,000,000-£5,249,999,999 .....	16.667 per cent.
£5,000,000,000-£5,249,999,999 .....	25 per cent.
£5,250,000,000-£5,499,999,999 .....	33.333 per cent.
£5,500,000,000 -£5,749,999,999 .....	41.667 per cent.
£5,750,000,000-£5,999,999,999 .....	50 per cent.
£6,000,000,000-£6,249,999,999 .....	58.333 per cent.
£6,250,000,000-£6,499,999,999 .....	66.667 per cent.
£6,500,000,000-£6,749,999,999 .....	75 per cent.
£6,750,000,000-£6,999,999,999 .....	83.333 per cent.
£7,000,000,000-£7,249,999,999 .....	91.667 per cent.
£7,250,000,000+ .....	100 per cent.

### H Shares

H Shares will vest in full on Admission, but will continue to be subject to the Hurdle.

If after Admission, the Executive Chairman and Chief Executive Officer and his wife (and any investment vehicle or trust of which they are the beneficiaries) (together, the "connected persons") hold more than 25.1 per cent. of the Ordinary Shares (calculated immediately after Admission on the assumption all Retained Shares vest in full), the number of H Shares he holds will be reduced by automatically converting a portion of those H Shares into deferred shares to ensure that his, and his connected persons', total shareholding in the Company is no more than 25.1 per cent..

### Leavers

There are no leaver provisions attaching to the H ordinary shares. However, the F ordinary shares and G ordinary shares (or F Shares and G Shares, respectively, after the subdivision referred to in paragraph 5.2 above (*Additional Information – Reorganisation of THG*)) held by certain Participants are subject to leaver provisions. If a Participant with leaver provisions attaching to any of their Retained Shares ceases to be employed or otherwise engaged within THG at any time during the performance period (which ends on 31 December 2022), then, at the discretion of the Board, the consideration payable for their Retained Shares will be:

- (a) the market value of the Retained Shares at the time of leaving, if the Participant is a Good Leaver (as defined in the Participant's subscription agreement); or



- (b) an amount determined by the Board, if the Participant is a Bad Leaver (as defined in the Participant's subscription agreement).

## 15. MAJOR SHAREHOLDERS

- 15.1 As at the date of this document, in so far as the Company is aware, the following persons (other than Directors and Senior Managers) are, or immediately following Admission will be, directly or indirectly, interested in 3 per cent. of more of the voting rights of the Company (being the threshold for notification of voting rights under Rule 5 of the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA's handbook of rules and guidance (the "**FCA Handbook**")), as amended from time to time (the "**Disclosure Guidance and Transparency Rules**")):

Name of Shareholder	Immediately prior to Admission <sup>(1)</sup>		Immediately following Admission <sup>(2)</sup>	
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
KKR Gym (Cayman) Limited <sup>(3)</sup> .....	89,543,487	11.38	-	-
Balderton Capital IV, L.P.....	124,371,292	15.81	124,371,292	12.81
BlackRock-affiliated funds <sup>(4)</sup> .....	86,898,038	11.05	146,898,038	15.13
Sofina Capital S.A.....	82,709,800	10.51	82,709,800	8.52
Merian Global Investors <sup>(5)</sup> .....	68,972,130	8.77	86,972,130.00	8.96
Zedra Trust Company (Jersey) Limited <sup>(6)</sup> .....	66,748,455	8.49	10,035,522	1.03
Harbrook Limited <sup>(7)</sup> .....	25,570,685	3.25	25,570,685	2.63
West Coast Capital <sup>(8)</sup> .....	29,506,960	3.75	19,005,904	1.96
Total.....	574,320,847	73.01	495,563,371	51.04

<sup>(1)</sup> The interests in Ordinary Shares have been stated on the basis that the Reorganisation steps described in paragraph 5 (*Reorganisation of THG*) of this Part XI (*Additional Information*) have been completed in full.

<sup>(2)</sup> Assumes the maximum number of New Shares subject to the Offer is subscribed for. Includes Cornerstone Commitments (for further information see paragraph 4 of Part IX (*Details of the Offer – Cornerstone Investors*)).

<sup>(3)</sup> KKR Gym (Cayman) Limited is an entity indirectly owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P.. KKR Gym (Cayman) Limited has also agreed to transfer 41,291,838 Ordinary Shares to the Founder and certain underlying investors in KKR Gym (Cayman) Limited. Further details are set out in paragraph 21 of Part XI (*Additional Information – Related Party Transactions*).

<sup>(4)</sup> Includes various independently managed funds affiliated with BlackRock, Inc.

<sup>(5)</sup> Includes Ordinary Shares held by Merian Chrysalis Investment Ltd, an entity affiliated with Merian Global Investors.

<sup>(6)</sup> Zedra Trust Company (Jersey) Limited as trustee of the Oliver's Sebastian Led Trust 2011.

<sup>(7)</sup> Harbrook Limited is an entity ultimately beneficially owned and controlled by Mark Evans. Includes shares registered in the name of Mark Evans.

<sup>(8)</sup> Includes Ordinary Shares held by West Coast Capital Assets Limited and by West Coast Capital Holdings Limited.

- 15.2 Save as disclosed above, the Company is not aware of any person who, as at the date of this document, directly or indirectly, has a holding of Ordinary Shares which is notifiable under United Kingdom law.
- 15.3 Following Admission, the Founder will hold approximately 4.29 per cent. of the enlarged issued Ordinary Share capital and will be the holder of the Special Share. The Founder will enter into the Relationship Agreement with the Company (see paragraph 6.2 below (*Additional Information – Material Contracts – Relationship Agreement*)).
- 15.4 Save as set out above, the Company and the Directors are not aware of any persons who, as at the date of this document, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor are they aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
- 15.5 None of the Shareholders referred to in this paragraph has different voting rights from any other Shareholder in respect of any Ordinary Shares held by them.

## 16. THE SELLING SHAREHOLDERS

- 16.1 The Directors consider that the Selling Shareholders have an interest that is material to the Global Offer by virtue of their participation in the Global Offer. The Directors do not consider that this interest is a conflicting interest, or that there are other interests that are material to the Global Offer.
- 16.2 In addition to the New Shares that will be issued by the Company pursuant to the Offer, Sale Shares will be sold by the Selling Shareholders pursuant to the Global Offer. The Selling Shareholders comprise the Principal Selling Shareholders, the Individual Selling Shareholders (together, the "**Selling Shareholders**"). The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission and immediately following Admission are set out below.

	Immediately prior to Admission <sup>(1)</sup>		Number of Ordinary Shares to be sold in the Global Offer <sup>(1)</sup>		Immediately following Admission <sup>(1)</sup>	
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
KKR Gym (Cayman) Limited <sup>(2)</sup> .....	89,543,487	11.38	89,543,487	11.38	-	-
West Coast Capital <sup>(3)</sup> .....	29,506,960	3.75	10,501,056	1.33	19,005,904	1.96
Zedra Trust Company (Jersey) Limited <sup>(4)</sup> .....	66,748,455	8.49	56,712,933	7.21	10,035,522	1.03
D.C. Thomson & Company Limited <sup>(5)</sup> .....	2,885,269	0.37	1,153,559	0.15	1,731,710	0.18
FIC Shareco Limited <sup>(6)</sup> .....	43,291,458	5.50	10,833,112	1.38	32,458,346	3.34
Belerion I L.P. Incorporated <sup>(7)</sup> .....	8,927,529	1.13	4,599,959	0.58	4,327,570	0.45
Meadowside Nominees Limited <sup>(8)</sup> .....	1,236,570	0.16	308,876	0.04	927,694	0.10
Angus Monro <sup>(9)</sup> .....	8,670,088	1.10	927,000	0.12	7,743,088	0.80
Terry Leahy <sup>(9)</sup> .....	16,987,029	2.16	3,396,157	0.43	13,590,872	1.40
Carl Houghton <sup>(9)</sup> .....	692,939	0.09	426,049	0.05	266,890	0.03
Iain McDonald <sup>(9)</sup> .....	3,208,739	0.41	1,019,700	0.13	2,189,039	0.23
Terry Green <sup>(9)</sup> .....	3,710,824	0.47	1,236,247	0.16	2,474,577	0.25
John Gallemore <sup>(9)</sup> .....	1,191,870	0.15	1,087,633	0.14	104,237	0.01
Other Individual Selling Shareholders <sup>(10)</sup> .....	17,720,970.0	2.25	10,528,230	1.34	7,192,740	-
<b>Total .....</b>	<b>294,322,187</b>	<b>37.41</b>	<b>192,273,998</b>			

<sup>(1)</sup> The interests in Ordinary Shares have been stated on the basis that the Reorganisation steps described in paragraph 5 (*Reorganisation of THG*) of this Part XI (*Additional Information*) have been completed in full. Assumes that the maximum number of New Shares subject to the Offer is subscribed for and that the maximum number of Sale Shares subject to the Global Offer is sold.

<sup>(2)</sup> KKR Gym (Cayman) Limited is an entity indirectly owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P.. The business address of KKR Gym (Cayman) Limited is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. KKR Gym (Cayman) Limited has also agreed to transfer 41,291,838 Ordinary Shares to the Founder and certain underlying investors in KKR Gym (Cayman) Limited. Further details are set out in paragraph 21 of Part XI (*Additional Information – Related Party Transactions*).

<sup>(3)</sup> Includes 112,424 B ordinary shares held by West Coast Capital Assets Limited and 21,000 B ordinary shares held by West Coast Capital Holdings Limited. The business address of each of West Coast Capital Assets Limited and West Coast Capital Holdings Limited is Marathon House, Olympic Business Park, Drybridge Road, Dundonald, KA2 9AE.

<sup>(4)</sup> The business address of Zedra Trust Company (Jersey) Limited is 50 La Colomberie, St Helier, Jersey, JE2 4QB.

<sup>(5)</sup> The business address of D.C. Thomson & Company Limited is Courier Buildings, 2 Albert Square, Dundee, Scotland, DD1 9QJ.

<sup>(6)</sup> FIC Shareco is a Guernsey special purpose vehicle incorporated by the Founder (through a wholly owned company) and Steven Whitehead (through a wholly owned company). FIC Shareco will sell Sale Shares (the ultimate beneficial owner of which is the Founder pursuant to the terms of a shareholders' agreement) in the Global Offer in order to partially fund the Founder's participation in the Propco Reorganisation. FIC Shareco will separately subscribe for New Shares in the Global Offer (the ultimate beneficial owner of which will be Steven Whitehead pursuant to the terms of a shareholders' agreement). The Business address of FIC Shareco Limited is Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA.

<sup>(7)</sup> The business address of Belerion I L.P. Incorporated is Gategny Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 4EW.

<sup>(8)</sup> The business address of Meadowside Nominees Limited is 22 Meadowside, Dundee, Scotland, DD1 1LN

<sup>(9)</sup> Angus Monro, Terry Leahy, Carl Houghton, Iain McDonald, Terry Green and John Gallemore have a business address at 5<sup>th</sup> Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, M90 3DQ.

<sup>(10)</sup> There are 139 Other Individual Selling Shareholders. The business address of the Other Individual Selling Shareholders is 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, M90 3DQ.

## 17. SUBSIDIARIES

The table below sets out the significant subsidiaries of THG at Admission, the percentage ownership, the percentage of voting power held (if different from the percentage ownership) and whether the subsidiary is directly or indirectly held:

<b>Name</b>	<b>Country of Incorporation/ Residence</b>	<b>Percentage ownership</b>	<b>Percentage of voting rights held</b>	<b>Directly/ Indirectly held</b>
The Hut.com Limited .....	England	100 per cent.	100 per cent.	100 per cent.
<i>Lookfantastic</i> Group Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Virtual Internet Holdings Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Cend International Limited.....	England	100 per cent.	100 per cent.	100 per cent.
<i>Lookfantastic.com</i> .Ltd .....	England	100 per cent.	100 per cent.	100 per cent.
Hangar Seven Limited .....	England	100 per cent.	100 per cent.	100 per cent.
UK-2 Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Virtual Internet (UK) Limited.....	England	100 per cent.	100 per cent.	100 per cent.
<i>ESPA</i> International (UK) Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Illamasqua Limited.....	England	100 per cent.	100 per cent.	100 per cent.
M Beauty Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Language Connect International Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Acheson & Acheson Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Cend Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Illamasqua (Holdings) Limited.....	England	100 per cent.	100 per cent.	100 per cent.
EI Spa Holdings (UK) Limited .....	England	100 per cent.	100 per cent.	100 per cent.
The Hut IHC Limited .....	England	100 per cent.	100 per cent.	100 per cent.
THG Intermediate OpCo Limited.....	England	100 per cent.	100 per cent.	100 per cent.
THG Operations Holdings Limited.....	England	100 per cent.	100 per cent.	100 per cent.
The Hut.com (Trading) Limited .....	Jersey	100 per cent.	100 per cent.	100 per cent.
Moo Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Mama Mio Limited.....	England	100 per cent.	100 per cent.	100 per cent.
Hale Country Club Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Beauty Trend UK Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Primavera Aromatherapy Limited .....	England	100 per cent.	100 per cent.	100 per cent.
King Street Investments Limited .....	England	100 per cent.	100 per cent.	100 per cent.
Great John Street Hotel Limited .....	England	100 per cent.	100 per cent.	100 per cent.
THG International LLC .....	England	100 per cent.	100 per cent.	100 per cent.
Ideal Shape LLC.....	US	100 per cent.	100 per cent.	100 per cent.
Hosting Services Inc. ....	US	100 per cent.	100 per cent.	100 per cent.
Beauty Trend USA Inc. ....	US	100 per cent.	100 per cent.	100 per cent.
<i>ESPA</i> International (US) Inc.....	US	100 per cent.	100 per cent.	100 per cent.
Language Connect Inc. ....	US	100 per cent.	100 per cent.	100 per cent.
Colorist <i>Christophe Robin</i> US Inc. ....	US	100 per cent.	100 per cent.	100 per cent.
Beauty Trend GmbH .....	Germany	100 per cent.	100 per cent.	100 per cent.
Colorist <i>Christophe Robin</i> S.A.S.....	France	100 per cent.	100 per cent.	100 per cent.
<i>Glossybox</i> Sweden AB .....	Sweden	100 per cent.	100 per cent.	100 per cent.
The Hut.com (Poland) sp. z.o.o. ....	Poland	100 per cent.	100 per cent.	100 per cent.
Bike Kit Limited.....	England	100 per cent.	100 per cent.	100 per cent.
PC Beauty Inc.....	US	100 per cent.	100 per cent.	100 per cent.
Beauty Trend Holding GmbH.....	Germany	100 per cent.	100 per cent.	100 per cent.
Beauty Box Beteiligungen GmbH .....	Germany	100 per cent.	100 per cent.	100 per cent.

## 18. UNITED KINGDOM TAXATION

### 18.1 General

Investors should be aware that the tax legislation of the investor's jurisdiction and/or the tax legislation of the United Kingdom may have an impact on the income received from the Ordinary Shares. Investors who are in any doubt as to their tax position should seek independent professional advice on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their jurisdiction and/or state of citizenship, domicile or residence.

The following paragraphs are intended as a general guide only for the beneficial owners of Ordinary Shares who are resident in the United Kingdom for tax purposes. However, all prospective subscribers for, or purchasers of, Ordinary Shares should note the comments at paragraph 18.5 of this Part XI (*Additional Information*).

Any prospective subscriber for, or purchaser of, Ordinary Shares who is in any doubt about his or her tax position or who is subject to taxation in a jurisdiction other than the United Kingdom should consult his or her own professional adviser immediately.

The statements do not constitute tax advice and are intended only as a general guide. Furthermore, this information applies only to Ordinary Shares that are held as capital assets and does not apply to all categories of Shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes or shareholders who have, or who are deemed to have, acquired their shares by virtue of an office or employment. Furthermore, the following paragraphs do not apply to:

- (a) potential investors who intend to acquire Ordinary Shares as part of a tax avoidance arrangement or otherwise with a purpose of avoiding tax; or
- (b) persons with special tax treatment such as pension funds or charities.

This summary is not exhaustive and Shareholders and investors should consult their own tax advisers as to the tax consequences in the United Kingdom or other relevant jurisdictions of this offering, including the acquisition, ownership and disposition of Ordinary Shares.

Unless otherwise stated, the information in these paragraphs is based on current tax law and published tax authority practice in the United Kingdom as at the date of this document. Prospective Shareholders should note that tax law and interpretation can change (potentially with retrospective effect) and that, in particular, the rates, basis of, and reliefs from, taxation may change. Such changes may alter the tax treatment of an investment in the Company.

## 18.2 **The Company**

It is expected that the Company will be subject to UK corporation tax at a rate of 19 per cent. on income and gains less relief for allowable expenses and losses, subject to the availability of certain exemptions. It will not be an investment trust company for the purposes of section 1158 of the Corporation Tax Act 2010.

## 18.3 **Shareholders**

### **Taxation of Dividends**

#### **UK resident and domiciled or deemed domiciled individual shareholders**

Individual Shareholders have the benefit of an annual dividend allowance of £2,000 (for the fiscal year ended 5 April 2021, "2020/2021") (the "Nil Rate Amount"), meaning that they will pay no UK income tax on the first £2,000 of dividend income received in the 2020/2021 tax year.

Dividend income in excess of this allowance (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2020/2021: 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax; 32.5 per cent. to the extent that it falls above the threshold for higher rate income tax and below the additional rate band; and 38.1 per cent. to the extent that it falls above the threshold for the additional rate band.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount count towards an individual's basic and higher rate limits for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

#### **Corporate shareholders within the charge to UK corporation tax**

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of the UK taxation of dividends legislation will not generally be subject to UK tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company, provided the dividends fall within an exempt class and certain conditions are

met. Most dividends received by corporate Shareholders should fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company and who would be entitled to less than 10 per cent. of the profits or assets of the Company available for distribution.

However, the exemptions are not comprehensive and are subject to anti-avoidance rules and other conditions. If the conditions for exemption are not met, a Shareholder within the charge to corporation tax will be subject to UK corporation tax on dividends received from the Company at 19 per cent. Such shareholders should seek independent advice with respect to their tax position.

### **Withholding tax**

Under current United Kingdom tax legislation, no tax is withheld from dividends paid by the Company to Shareholders.

### **Taxation of Capital Gains**

The amount paid for the Ordinary Shares will generally constitute the base cost of a Shareholder's holding. A disposal of all or any of the Ordinary Shares by UK resident Shareholders or Shareholders who carry on a trade in the UK through a branch, agency or permanent establishment, and whose investment in the Company is used for the purposes of the branch, agency or permanent establishment, depending on the circumstances of the relevant Shareholder and subject to any available exemption of relief, gives rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains.

#### **UK resident individual Shareholders**

Where an individual Shareholder who is tax resident in the UK disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds (taking into account any other taxable gains realised in that tax year) the annual exemption (£12,300 for 2020/2021), and after taking account of any capital losses or exemptions available to the individual.

For such individuals, capital gains tax will be charged at 10 per cent. (to the extent the gains fall within the basic rate band) or 20 per cent. (to the extent the gain falls within the higher or additional rate band).

Where an individual Shareholder who is resident in the UK disposes of Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances, the loss may be available to offset against taxable income in the current year.

#### **UK resident corporate Shareholders**

Where a Shareholder is within the charge to UK corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss), depending on the circumstances and subject to any available exemption or relief.

Corporation tax is charged on chargeable gains at the rate applicable to that company (currently 19 per cent.), as stated above.

## **18.4 Inheritance Tax**

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile).

Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift, and particular rules apply

to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares, bringing them within the charge to inheritance tax.

Holders of Ordinary Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through such a company or trust arrangement, or in a situation where there is potential for a charge both to United Kingdom inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their United Kingdom inheritance tax position.

#### 18.5 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Investors should note that certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

##### *Issue*

No stamp duty or SDRT will arise on the issue of the Ordinary Shares. Where Ordinary Shares are credited to CREST, no liability to stamp duty or SDRT will generally arise.

##### *Sale Shares*

The transfer of, or agreement to transfer, Sale Shares will generally give rise to a liability to stamp duty and/or SDRT at the rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders have agreed to meet such liability.

##### *Subsequent Transfers of Shares Registered on the Principal Share Register*

Subject to an exemption for certain low value transactions, the transfer on sale of Ordinary Shares held outside CREST will generally give rise to a liability, usually met by the purchaser, to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of consideration paid. An agreement to transfer such shares which is or becomes unconditional will generally give rise to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid, such SDRT generally being payable by the transferee or purchaser. The liability to SDRT will generally be cancelled or any SDRT paid refunded if the agreement is completed by a duly stamped transfer within six years of either the date of the agreement or, if the agreement was conditional, the date when the agreement became unconditional.

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST, **provided that**, in the case of SDRT, the transfer is not for money or money's worth. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, which will be collected and accounted for to Her Majesty's Revenue and Customs ("**HMRC**") by CREST (such SDRT generally being payable by the transferee or purchaser). If the transferee is a company connected with the seller (or a nominee of such a company), stamp duty or SDRT (as appropriate) may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the rights acquired.

##### *Shares Held Through Clearance Systems or Depositary Receipt Arrangements*

Special rules apply where shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent., with subsequent transfers within the clearance service or transfers of depositary receipts then being free from SDRT or stamp duty. However, following decisions of the Court of Justice of the European Union and the First-Tier Tribunal, HMRC accepts that this charge is in breach of EU law in so far as it applies to new issues of shares that are an integral part of raising new capital, although this view has not yet been reflected in a change in UK tax legislation. It was confirmed in the Autumn 2017 budget that the UK Government intends to continue this approach following the UK's exit from the EU ("**Brexit**").

HMRC's published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement, although this has been disputed. Further litigation indicates that certain transfers to clearance services in connection with listing, which are integral to raising new capital, are also not chargeable. In view of the continuing uncertainty, specific professional tax advisers should be engaged before incurring a 1.5 per cent. stamp duty or SDRT charge in any circumstances.

The statements in paragraph 18.5 of this Part XI (*Additional Information*) apply to Shareholders irrespective of their residence and are intended to be a general guide to the current stamp duty and SDRT position.

**Shareholders should obtain their own independent tax advice if they are in any doubt as to their tax status.**

## 19. US TAXATION

### **Certain U.S. Federal Income Tax Considerations**

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Ordinary Shares by a U.S. Holder (as defined below). This discussion is limited to U.S. Holders that acquire the Ordinary Shares pursuant to this offering document and that will hold the Ordinary Shares as capital assets for U.S. federal income tax purposes (generally, property held for investment).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- certain former citizens and residents of the United States;
- tax consequences attributable to persons required to accelerate the recognition of any item of gross income with respect to the Ordinary Shares as a result of such income being recognised on an applicable financial statement;
- U.S. Holders whose functional currency is not the U.S. dollar;
- persons that actually or constructively own 10 per cent. or more (by vote or value) of stock in the Company; or
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described below, possibly on a retroactive basis. No rulings have been requested from the U.S. Internal Revenue Service (the "**IRS**") and there can be no guarantee that the IRS would not challenge, possibly successfully, the treatment described below. This discussion does not address any other U.S. federal income tax laws (such as the alternative minimum tax or the Medicare contribution tax on net investment income). Persons considering the purchase of the Ordinary Shares should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons" have the authority to control all substantial decisions of the trust.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes invests in Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships investing in Shares should consult their own tax advisers regarding the tax consequences of their investment.

The Company expects, and other than with respect to the discussion below under "*Passive Foreign Investment Company Rules*", this summary assumes, that the Company was not and will not be a PFIC for U.S. federal income tax purposes for its most recent taxable year, for the current taxable year or in the foreseeable future. See "*Passive Foreign Investment Company Rules*".

#### **Distributions on Shares**

The U.S. dollar value of distributions will be includible in a U.S. Holder's income as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The Company does not expect to calculate its earnings and profits in accordance with U.S. federal income tax principles, and, accordingly, U.S. Holders should expect that a distribution will generally be treated as a dividend. Such dividends will not be eligible for the dividends-received deduction allowed to U.S. corporations for dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, dividends may be taxed at the lower capital gain rates applicable to "qualified dividend income", provided the Company is eligible for the benefits of the treaty between the United Kingdom and the United States. U.S. Holders should consult their tax advisers regarding the availability of the lower capital gain rates applicable to qualified dividend income for dividends paid with respect to the Ordinary Shares.

U.S. Holders should consult their own tax advisers regarding how to account for dividends that are paid in a currency other than the U.S. dollar.

#### **Sale, Exchange or Disposition of the Ordinary Shares**

A U.S. Holder will generally recognise gain or loss on the sale, exchange or disposition of a Share equal to the difference between the U.S. dollar amount realised on the sale, exchange or disposition and the U.S. Holder's basis in the Share. A U.S. Holder's basis in a Share will generally be the U.S. dollar value of the acquisition cost of the Share. Any gain or loss that a U.S. Holder recognises upon the sale, exchange or other disposition of a Share generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of disposition, the U.S. Holder's holding period for the note is more than one year. The deductibility of capital losses is subject to limitations.

U.S. Holders should consult their own tax advisers regarding how to account for gain or loss on the sale, exchange or disposition of the Ordinary Shares that are paid in a currency other than the U.S. dollar.



## **Passive Foreign Investment Company Rules**

In general, a corporation organised or incorporated outside the U.S. is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is classified as "passive income" or (ii) at least 50 per cent. of the average quarterly value attributable to its assets produce, or are held for the production of, passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from the disposition of assets that produce or are held for the production of passive income.

Based on the present nature of its activities and the present composition of its assets including the proceeds of the Offer and of other cash the Company will hold and generate during the ordinary course of business, the Company believes that it was not a PFIC for its preceding taxable year and does not expect to be a PFIC for the current year or for any future taxable year. There can be no assurances, however, that the Company will not be considered a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined based on a company's income and assets for a given year (which could change significantly during the course of a taxable year). If the Company is classified as a PFIC in any year that a U.S. Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, U.S. Holders could be subject to materially negative U.S. tax consequences, including but not limited to potentially being subject to materially greater amounts of tax on gains and certain distributions and being subject to additional US tax reporting requirements. U.S. Holders should consult their own tax adviser about the application of the PFIC rules.

## **Information Reporting and Backup Withholding**

Information returns may be filed with the IRS in connection with payments of dividends in respect of the Ordinary Shares and the proceeds from sale, exchange or disposition of the Ordinary Shares held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their advisers regarding any additional tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Ordinary Shares. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

## **20. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of THG either: (i) within the period of two years immediately preceding the date of this document which are or may be material to THG; or (ii) which contain any provisions under which any member of THG has any obligation or entitlement which is, or may be, material to THG as at the date of this document.

### **20.1 Underwriting Agreement**

On 10 September 2020, the Company, the Principal Selling Shareholders, the Directors and the Underwriters entered into the Underwriting Agreement pursuant to which, on the terms and subject to the conditions contained therein:

- the Company has agreed, subject to certain conditions, to issue the New Shares at the Offer Price;

- the Principal Selling Shareholders and the Company (acting as agent on behalf of the Individual Selling Shareholders pursuant to the Deeds of Election entered into by the Individual Selling Shareholders) (each as to the number of Sale Shares agreed pursuant to the Underwriting Agreement) have agreed, subject to certain conditions, to sell the Sale Shares at the Offer Price;
- the Underwriters have severally agreed (in such proportions as set out in the Underwriting Agreement), subject to certain conditions, to use reasonable endeavours to procure subscribers and purchasers for, and, failing which, to subscribe for or purchase themselves (in their relevant proportions) the New Shares forming part of the Global Offer and the Sale Shares at the Offer Price. The Direct Subscription is not underwritten;
- the obligations of the Company (acting on its own behalf and as agent on behalf of the Individual Selling Shareholders pursuant to the Deeds of Election entered into by the Individual Selling Shareholders) and the Principal Selling Shareholders to issue or sell, as applicable, the New Shares forming part of the Global Offer and the Sale Shares and the obligations of the Underwriters to procure subscribers or purchasers for, or failing which, to subscribe for or purchase themselves, such Ordinary Shares are conditional upon certain conditions that are customary for an agreement of this nature; in addition, the Joint Global Co-ordinators have the right, exercisable in certain circumstances, to terminate the Underwriting Agreement prior to Admission. The termination rights for the Joint Global Co-ordinators in the Underwriting Agreement are customary for an agreement of this nature;
- the Company has agreed to pay to the Underwriters a commission of 1.5 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of New Shares;
- the Company has agreed to pay (as agent on behalf of each of the Individual Selling Shareholders) to the Underwriters a commission of 1.5 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of Sales Shares sold by the Individual Selling Shareholders;
- each Principal Selling Shareholder has severally agreed to pay to the Underwriters a commission of 1.5 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of Sale Shares sold and delivered by it;
- the Company may, at its absolute discretion, pay to the Underwriters an additional commission of up to 0.5 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of New Shares;
- the Company may (as agent for each of the Individual Selling Shareholders), at its absolute discretion, pay an additional commission of up to 0.5 per cent. of an amount equal to the Offer Price multiplied by the aggregate number of Sales Shares sold by the Individual Selling Shareholders;
- each Principal Selling Shareholder may, at the absolute discretion of the Company, pay to the Underwriters an additional commission of up to 0.5 per cent. of an amount equal to the Offer Price multiplied by the number of Sale Shares sold by such Principal Selling Shareholder pursuant to the Underwriting Agreement.
- the Company has agreed to pay all costs, charges, fees and expenses in connection with or incidental to the Global Offer (including any value added tax payable in accordance with the Underwriting Agreement); the Selling Shareholders have agreed on a several basis to pay any stamp duty and/or stamp duty reserve tax arising on the sale of their Sale Shares to purchasers procured by the Underwriters or, where relevant, to the Underwriters as principals, subject to certain exceptions;
- the Company, the Principal Selling Shareholders and the Directors have each given certain customary representations, warranties and undertakings to the Underwriters, and the Company has given an indemnity to the Underwriters on customary terms; the Individual Selling Shareholders have each given certain customary representations, warranties and

undertakings to the Underwriters pursuant to the Deeds of Election; the liability of the Company pursuant to the Underwriting Agreement is unlimited by time and amount, whereas the liability of the Selling Shareholders and the Directors is several and limited by both time and amount; and

- each of the Company, the Selling Shareholders (other than the KKR Shareholder) and the Directors has agreed to certain lock-up arrangements; further details of the lock-up arrangements are set out in paragraph 8 of Part IX (*Details of the Offer*).

If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Underwriting Agreement is terminated prior to, Admission, the applications for Admission will be withdrawn from the FCA and the London Stock Exchange and Admission will not occur (and the Offer will not proceed as a result).

## 20.2 **Cornerstone Investment Agreements**

On 3 September 2020 (in the case of BlackRock, Janus Henderson, Merian and QIA) and 8 September 2020 (in the case of Dragoneer), in each case in connection with the Global Offer, the Company and the Cornerstone Investors entered into the Cornerstone Investment Agreements.

Subject to the terms of the Cornerstone Investment Agreements, the Cornerstone Investors have agreed to subscribe for, in aggregate, £615 million of New Shares at the Offer Price, consisting of a commitment of £300 million from BlackRock, £100 million from Janus Henderson, £90 million from Merian, £75 million from QIA and £50 million from Dragoneer (each a "**Cornerstone Commitment**").

Each of the Cornerstone Investment Agreements has been entered into on substantially the same terms. A summary of the material terms of the Cornerstone Investment Agreements is as set out below:

Each Cornerstone Investment Agreement contains, amongst others, the following provisions:

- (a) the obligation of the Company to deliver, and the obligation of the Cornerstone Investor to acquire and pay for, the number of New Shares it has agreed to subscribe for which is equal to the number of New Shares resulting from dividing its Cornerstone Commitment by the Offer Price pursuant to the relevant Cornerstone Investment Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include:
  - (i) the Pre New Money Market Capitalisation on Admission being within £4,499,975,000 to £4,500,025,000 (inclusive). "**Pre New Money Market Capitalisation**" means the amount in Pounds Sterling equal to the product of (a) the total number of Ordinary Shares in issue at Admission less any New Shares; and (b) the Offer Price;
  - (ii) this document containing no amendments which are materially adverse to the interests of the Cornerstone Investor as compared to an earlier draft;
  - (iii) the Underwriting Agreement having been entered into, not having been terminated and having become unconditional in accordance with its terms;
  - (iv) the approval by the FCA, and publication, of this Prospectus; and
  - (v) Admission having occurred,(together, the "**Conditions**");
- (b) The agreement may be terminated:
  - (i) if the Conditions have not been fulfilled on or before 9 October 2020 (or such other date as may be agreed between the Company and the Cornerstone Investor (or their specified representative));

- (ii) by the Company in the event there is a material breach of the agreement by the Cornerstone Investor;
  - (iii) by the Cornerstone Investor in the event there is a material breach of this agreement by the Company; and
  - (iv) with the written consent of all the parties to the agreement.
- (c) each of the parties has given certain customary representations and warranties to the other, in particular regarding compliance with laws and regulations affecting the entry into of the relevant Cornerstone Investment Agreement in relevant jurisdictions. The terms of each Cornerstone Investment Agreement do not limit the liability of the parties for breach of contract as to time or amount;
- (d) the Company has represented and warranted to each of the Cornerstone Investors that upon the publication of this document, the Company shall have publicly disclosed all inside information (as defined in the Market Abuse Regulation) delivered to the Cornerstone Investor by the Company in connection with the transaction contemplated by the relevant Cornerstone Investment Agreement; and

the agreement is governed by English law.

### 20.3 Relationship Agreement

- (a) On 10 September 2020, the Company entered into the Relationship Agreement with the Founder which will, conditional on Admission, regulate the on-going relationship between the Company and the Founder following Admission.
- (b) The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of the Founder and all transactions and arrangements between the Company and Founder will be conducted on arm's length terms and on normal commercial terms.
- (c) The provisions of the Relationship Agreement imposing obligations on the Founder will remain in full force and effect, in respect of the Founder, for so long as:
- (i) the rights of the Special Share remain in force; and/or
  - (ii) either:
    - (A) the Founder beneficially owns, together with any of his associates, at least 5 per cent. of the fully diluted share capital of the Company; or
    - (B) the Founder beneficially owns, together with any of his associates, at least 10 per cent. of the Ordinary Shares,
 (save that either party may terminate the Relationship Agreement if the Company ceases to be admitted to listing on the Official List).
- (d) Under the Relationship Agreement, the Founder has agreed that:
- (i) transactions and arrangements between him or (to the extent the Founder is able to so procure) any of his associates on the one hand and the Company or any of its subsidiaries on the other hand will be conducted at arm's length and on normal commercial terms;
  - (ii) neither he nor, to the extent the Founder is able to so procure, any of his associates, shall take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or the Disclosure Guidance and Transparency Rules;
  - (iii) neither he nor, to the extent the Founder is able to so procure, any of his associates, shall propose or procure the proposal of a shareholder resolution of the Company

which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

- (iv) he shall, and shall procure that any Founder Director shall, abstain from taking part in any assessment of a related party transaction pursuant to DTR 7.3.4R (of the Disclosure Guidance and Transparency Rules); and the Board's consideration of, or voting on, any resolution to approve a material related party transaction (as defined in DTR 7.3.7R(3)) pursuant to DTR 7.3.8R; and
- (e) For so long as: (i) the rights of the Special Share remain in force; and/or either: (A) the Founder beneficially owns, together with any of his associates, at least 5 per cent. of the fully diluted share capital of the Company; or (B) the Founder beneficially owns, together with any of his associates, at least 10 per cent. of the Ordinary Shares, then the Founder shall be entitled to appoint (and remove and reappoint) one non-executive director to the Board (such appointee the "**Founder Director**"). This right has not yet been exercised and accordingly none of the Non-Executive Directors is a Founder Director.
- (f) If at any time the Founder ceases to be entitled to nominate a Founder Director for appointment to the Board, then the Founder shall inform the Board accordingly and (whether or not he so informs the Board) procure, if so requested by the Board in writing and in so far as it is legally able to do so, that any Founder Director resigns forthwith without seeking compensation for loss of office and waiving all claims that such Founder Director may have against the Company in connection thereto.
- (g) Subject to applicable law and regulation, the Founder will have the benefit of certain information rights for the purposes of his tax, accounting and other regulatory requirements. In addition, to the extent permitted by applicable law and regulation, any Founder Director shall be entitled to disclose to the Founder information he/she receives as a director of the Company.
- (h) The Relationship Agreement is governed by and construed in accordance with English law.

#### 20.4 **Term Sheet with respect to a Property Management and Services Agreement**

The Hut.com Limited and Kingsmead Holdco have agreed to enter into an arm's length property management and services agreement to govern the terms on which The Hut.com Limited will provide various property management and construction related services with respect to the properties owned by the Propco Group which are occupied by THG (the "**PMSA**"). A term sheet setting out the key commercial terms of the PMSA was agreed on 18 August 2020 (the "**Term Sheet**").

It is anticipated by the Term Sheet that the PMSA will have a duration of five years, unless terminated earlier by either party in accordance with the terms of the PMSA. The Hut.com Limited will provide the services (outlined below, the "**Services**") to Kingsmead Holdco.

- Property management services: general property management, finance, compliance, strategic business management, treasury and tax assistance and setting policies and procedures for Kingsmead Holdco and any other services that may be agreed between it and The Hut.com Limited.
- Facilities management: inspections, property maintenance, planned preventive maintenance and reactive call outs.
- Project management/development management: providing general management services in connection with the development of certain properties.

The Hut.com Limited will charge for the Services (the "**Charges**") and Kingsmead Holdco will pay the Charges annually in arrears. The Charges will be as follows:

- Property management services: a fixed fee of £250,000 per annum

- Facilities management: a fixed fee of £85,000 per annum.
- Project management/development management: a fixed fee of £300,000 per annum.

The Hut.com Limited and Kingsmead Holdco anticipate entering into the PMSA by no later than 31 August 2020. Until such time as the PMSA is entered into, the Term Sheet is not intended to be legally binding between the parties except where specifically stated. The Term Sheet is governed by English law.

#### 20.5 **Property Management and Services Agreement (long form)**

On 27 August 2020, The Hut.com Limited and Kingsmead Holdco entered into an arm's length property management and services agreement which governs the terms on which The Hut.com Limited will provide various property management and construction related services with respect to the properties owned by the Propco Group which are occupied by THG (the "**PMSA**").

The PMSA will have a duration of five years, unless terminated earlier by either party in accordance with the terms of the PMSA. The Hut.com Limited will provide the services (outlined below, the "**Services**") to Kingsmead Holdco.

- Property management services: general property management, finance, compliance, strategic business management, treasury and tax assistance and setting policies and procedures for Kingsmead Holdco and any other services that may be agreed between it and The Hut.com Limited.
- Facilities management: inspections, property maintenance, planned preventive maintenance and reactive call outs.
- Project management/development management: providing general management services in connection with the development of certain properties.

The Hut.com Limited will charge for the Services (the "**Charges**") and Kingsmead Holdco will pay the Charges annually in arrears. The Charges will be as follows:

- Property management services: a fixed fee of £250,000 per annum
- Facilities management: a fixed fee of £85,000 per annum.
- Project management/development management: a fixed fee of £300,000 per annum.

The PMSA is governed by English law and the parties submit to the exclusive jurisdiction of the English courts.

#### 20.6 **Lease for Omega**

On 12 December 2019, THG entered into a lease with a member of the Propco Group for Omega, its 690,337 sq. ft fulfilment centre in Warrington, United Kingdom, for an initial term of 25 years to expire on 11 December 2044 (the "**Omega Lease**"). Under the Omega Lease, THG currently pays an annual rent of £4,142,262. The rent will next be reviewed during 2024 and every fifth year thereafter during the term, and will increase in line with the United Kingdom's retail prices index. The Omega Lease does not contain any break rights in favour of either the landlord or the tenant.

#### 20.7 **Wroclaw lease**

Pursuant to a lease agreement dated 14 October 2017 (as amended on 9 July 2018 and 19 March 2019, the "**Wroclaw Lease**"), THG Wroclaw sp. z o.o. (a limited liability company under Polish law registered in the Polish National Court Register under no 600914, previously named Goodman Luna Logistics (Poland) sp. z o.o.), acting as the landlord, leased to The Hut.com (Poland) sp. z.o.o. (a limited liability company under Polish law registered in the Polish National Court Register under no 648776), acting as the tenant, the warehouse, production building with ancillary office and social areas (the "**Building**") together with the truck and car parking spaces and external infrastructure including a car park and a yard (the "**Infrastructure**"), together with underlying land

on which the Building and Infrastructure are located. The underlying land constitutes the plot of land no. 1/26 with an area of 155,917 sq. m. (0014 precinct), located in Magnice, Kobierzyce municipality, Dolnośląskie voivodship, Poland, for which the District Court for Wrocław-Krzyków in Wrocław, IV Land and Mortgage Registry keeps land and mortgage register book no. WR1K/00354035/0 (the "**Land**"). The Wrocław Lease was governed by Polish law.

The Building, Infrastructure and the Land (together, the "**Lease Object**") were leased for the initial term of ten years (calculated from the lease commencement date), to expire on 12 September 2028. On 28 August 2020, the Wrocław Lease was terminated and replaced by the Revised Wrocław Lease (as defined below).

## 20.8 **Revised Wrocław lease**

On 28 August 2020, THG Wrocław sp. z o.o. (a limited liability company under Polish law registered in the Polish National Court Register under no 600914), acting as the landlord, entered into a lease agreement (the "**Revised Wrocław Lease**") with The Hut.com (Poland) sp. z o.o. (a limited liability company under Polish law registered in the Polish National Court Register under no 648776), acting as the tenant with respect to the Lease Object which were leased for 15 years to expire on 28 August 2035. The Revised Wrocław Lease is governed by Polish law.

The annual rent is EUR 3,736,051 (net amount) payable monthly in advance by the first working day of each calendar month. The applicable Polish VAT is payable in PLN (Polish zloty).

The annual rent will be reviewed on each anniversary of the term start date i.e. 28 August 2020 (the "**Rent Review Date**"), according to the price increase documented by the Harmonised Index of Consumer Prices (all items), published by Eurostat ((European Union Harmonised Index of Consumer Prices HICP Euro area (19 countries)) (the "**HICP Index**") for the period of full twelve calendar months ending three (3) months preceding the Rent Review Date. There shall be no downward indexation of the annual rent and the increase of annual rent shall not be less than 1 per cent. and not more than 3 per cent.

In addition to the rent, the tenant is required to pay the costs of all service charges including, among others, relevant property tax and the cost of the relevant insurance of the Lease Object. The tenant is responsible for keeping the Lease Object in good repair and condition, except for damage caused by insured risks (with certain exceptions) and caused by uninsured risk. The permitted use of the Lease Object is exclusively for the purposes of conducting the tenant's commercial activity, consisting of the production and storage of consumer goods, cosmetics and food with ancillary accommodations such as office space and social rooms. Any change to the permitted use requires prior written consent of the landlord which shall not be unreasonably refused, withheld or delayed.

The Revised Wrocław Lease permits the tenant to assign its rights and obligations, to sublease and to grant the use of the Lease Object (entire or the relevant permitted part), subject to certain conditions which are set out in the Revised Wrocław Lease (among others, in majority of the cases, the prior landlord written consent is required and such consent shall not be unreasonably refused, withheld or delayed). The Revised Wrocław Lease does not contain any break option in favour of either the landlord or the tenant, however, under specific circumstances, the Revised Wrocław Lease is subject to earlier termination rights of the landlord or tenant. The Company has guaranteed certain of the tenant's obligations under the Revised Wrocław Lease.

## 20.9 **Senior Facilities**

### *Senior Facilities Agreement*

On 10 December 2019, THG Intermediate Opco Limited (the "**OpCo Parent**") as parent and THG Operations Holdings Limited (the "**OpCo Company**") as company, as original borrower and as original guarantor, each subsidiaries of THG Holdings plc, entered into a senior facilities agreement with Banco Santander S.A., London Branch, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and National Westminster Bank PLC as arrangers, the financial institutions named therein as original lenders and Barclays Bank PLC as agent (the "**Agent**") and as security agent (the "**Security Agent**") (as amended and/or restated from time to time on or prior to the date of this document, the "**Senior Facilities Agreement**").

Pursuant to the Senior Facilities Agreement, the following facilities have been made available:

- a euro term loan facility in an initial aggregate amount equal to EUR600,000,000 to the OpCo Company ("**Facility B**"); and
- a multicurrency revolving credit facility in an initial aggregate amount equal to GBP150,000,000, and increased to GBP170,000,000 on 26 June 2020 pursuant to an incremental facility notice dated 26 June 2020, to the OpCo Company and certain of its restricted subsidiaries (the "**Original Revolving Facility**" and, together with Facility B, the "**Senior Facilities**").

Facility B was utilised in full on 11 December 2019 (the "**SFA Closing Date**"). The Original Revolving Facility may be utilised by way of loans, letters of credit and ancillary facilities (including fronted ancillary facilities) (each an "**Ancillary Facility**"), with all amounts borrowed thereunder to be applied towards the general corporate and working capital purposes of the OpCo Company and its restricted subsidiaries (the "**OpCo Group**"), including permitted acquisitions, capital expenditure and restructuring expenditure. The ability to utilise the Original Revolving Facility is generally conditioned upon, amongst other things, the delivery of required utilisation requests, the accuracy of certain representations and warranties contained in the Senior Facilities Agreement and the absence of any default or event of default under the Senior Facilities Agreement. As at 9 September 2020, EUR600,000,000 was outstanding under Facility B and GBP144,850,000 was outstanding under the Original Revolving Facility.

Subject to certain conditions, without requiring the consent of the then existing lenders (but subject to the receipt of commitments), Facility B and/or the Original Revolving Facility may be increased by, or additional term loan and/or revolving credit facilities may be added in, an aggregate amount not exceeding the sum of (i) the greater of 50 per cent. of Consolidated EBITDA (as defined in the Senior Facilities Agreement) and GBP56,000,000, (ii) the aggregate amount of all prior voluntary prepayments, debt purchase transactions, loan buybacks and commitment reductions of the Senior Facilities and any other indebtedness ranking on a *pari passu* basis with the Senior Facilities or that is otherwise taken into account in the calculation of the Consolidated Secured Leverage Ratio (as defined in the Senior Facilities Agreement) (and, with respect to any prepayment or commitment reduction of or in respect revolving loans, to the extent accompanied by a permanent reduction in such revolving commitments) and (iii) an unlimited incurrence-based amount so long as the Consolidated Secured Leverage Ratio (as defined in the Senior Facilities Agreement), on a *pro forma* basis for draw down in full of all commitments with respect thereto and use of the relevant proceeds (whether directly or indirectly), would not exceed 4.60:1 (each such increase or additional facility being an "**Incremental Facility**"). Certain material conditions include (i) the delivery by the OpCo Company to the Agent of a duly completed notice in a specified form, executed by the relevant parties thereto, within a specified time and setting out certain key terms and conditions of the relevant Incremental Facility, (ii) compliance with certain restrictions as to (a) the identity/identities of the borrower(s), (b) the effective yield, (c) the final maturity date and/or weighted average life to maturity and (d) the guarantee(s) and/or security that may be granted in favour, in each case, of the relevant Incremental Facility, (iii) where applicable, the performance by the Agent of all necessary "know your customer" or similar checks (if any) under all applicable law and regulations in relation to the provision of the relevant Incremental Facility by the relevant lender(s), (iv) the absence of any event of default after giving effect to the relevant Incremental Facility and (v) compliance with a requirement that, except as otherwise required or permitted in the Senior Facilities Agreement, all other terms of the relevant Incremental Facility, if not consistent with the terms of the existing Senior Facilities, shall be reasonably satisfactory to the relevant borrower(s) and the Agent.

Each loan under the Senior Facilities bears, or will bear, interest at a floating rate which is a base reference rate (being EURIBOR or LIBOR) applicable to the currency in which such loan is incurred for a specified interest period plus a margin, subject to a base reference rate floor of 0 per cent.. The opening margin applicable to loans under Facility B is 4.50 per cent. per annum. The opening margin applicable to loans under the Original Revolving Facility is 3.75 per cent. per annum. **Provided that** a period of at least nine months has expired since the SFA Closing Date, (i) the margin applicable to loans under Facility B may vary between a range of 4.00 per cent. and 4.50 per cent. per annum and (ii) the margin applicable to loans under the Original Revolving Facility may vary between a range of 2.75 per cent. and 3.75 per cent. per annum, in each case,



depending on the Consolidated Secured Leverage Ratio (as defined in the Senior Facilities Agreement) at the relevant time.

The following fees are, or will be, applicable with respect to the Original Revolving Facility:

- a commitment fee on the unutilised portion of the Original Revolving Facility at the rate of 35 per cent. of the applicable margin per annum with respect to the Original Revolving Facility;
- a letter of credit fronting fee at the rate of 0.125 per cent. (or such other percentage rate as may be agreed between the OpCo Company and the relevant issuing bank) per annum on the outstanding amount which is counter-indemnified by the other lenders of each letter of credit requested by a borrower;
- a letter of credit fee at the rate equal to the applicable margin per annum with respect to the Original Revolving Facility on the outstanding amount of each letter of credit requested by a borrower; and
- certain other customary fees and expenses.

Customary agency fees are payable to the Agent. Customary security agency fees are payable to the Security Agent.

Each loan made under Facility B shall be repaid in full on the date falling 84 months from the SFA Closing Date. Each loan made under the Original Revolving Facility shall be repaid on the last day of such loan's then current interest period, subject to a borrower's right to request one or more rollover loans in the customary manner. The interest period of a loan made under any Senior Facility may be one, two (but solely in relation to loans denominated in sterling), three or six months, or any other period agreed between the OpCo Company and the Agent. In addition, a borrower may select an interest period of (in relation to Facility B) a period necessary so that the last day of the relevant interest period matches any relevant payments under any hedging arrangement entered into for the purposes of hedging interest rate and foreign exchange liabilities in relation to Facility B. The termination date of the Original Revolving Facility is the date falling 60 months from the SFA Closing Date.

A borrower may, upon prior notice to the Agent, voluntarily prepay the whole or any part of any outstanding utilisation without premium or penalty (but subject to any break costs).

In addition to customary provisions relating to illegality of a lender or an issuing bank, the Senior Facilities Agreement contains the following mandatory prepayment provisions:

- a change of control or the sale of all or substantially all of the assets of the OpCo Group, triggering an individual lender right to cancel its commitments and declare that its participations in all outstanding utilisations, together with accrued interest and all other amounts accrued to it, in each case, in connection with the Senior Facilities, are immediately due and payable; a change of control being triggered upon any of (i) the OpCo Company becoming aware of any person or group of related persons, other than one or more permitted holders specified in the Senior Facilities Agreement, being or becoming the beneficial owner, directly or indirectly, of more than 50 per cent. of the total voting power of the voting stock of the OpCo Company, (ii) the OpCo Parent ceasing to directly own 100 per cent. of the total issued share capital of the OpCo Company, and (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction) of all or substantially all of the assets of the OpCo Group taken as a whole to a person, other than a restricted subsidiary or one or more permitted holders specified in the Senior Facilities Agreement;
- a percentage, ranging between 0 per cent. to 50 per cent. depending on the Consolidated Secured Leverage Ratio (as defined in the Senior Facilities Agreement) at the relevant time, of Excess Cash Flow (as defined in the Senior Facilities Agreement) for the relevant financial year to be applied in mandatory prepayment of the Senior Facilities, subject to certain adjustments including the deduction of an amount equal to the greater of

GBP12,000,000 and 10 per cent. of Consolidated EBITDA (as defined in the Senior Facilities Agreement); and

- 100 per cent. of the net cash proceeds of certain asset dispositions to be applied in mandatory prepayment of the Senior Facilities and/or, subject to certain conditions, certain other indebtedness (other than with respect to any asset disposition of a major brand, namely, the *lookfantastic* and *Myprotein* trademarks) subject to certain reinvestment rights and other exceptions.

Subject to the principles applicable to guarantees and security scheduled to the Senior Facilities Agreement (the "**Security Principles**"), the obligations of the OpCo Parent and the obligors regarding the Senior Facilities are, or will be, guaranteed by the OpCo Company and certain of its restricted subsidiaries. Under the Senior Facilities Agreement, subject to the Security Principles, on an annual basis, the aggregate EBITDA (for the purposes of this paragraph, as defined in the Senior Facilities Agreement) of the guarantors (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the OpCo Group) shall comprise not less than 80 per cent. of Consolidated EBITDA (as defined in the Senior Facilities Agreement) (excluding (i) from the denominator, EBITDA attributable to any member of the OpCo Group which is not a guarantor and which cannot or is not otherwise required to, in each case, in accordance with the Security Principles, accede as a guarantor and (ii) from the numerator, the EBITDA of any member of the OpCo Group with negative EBITDA). In addition, under the Senior Facilities Agreement, subject to the Security Principles, on an annual basis, each (i) wholly-owned member of the OpCo Group which has EBITDA (calculated on an unconsolidated basis and excluding all intra-group items and investments in subsidiaries of any member of the OpCo Group) representing 5 per cent. or more of Consolidated EBITDA (as defined in the Senior Facilities Agreement but, for these purposes, excluding the EBITDA of any member of the OpCo Group with negative EBITDA) and (ii) wholly-owned direct holding company (that is a member of the OpCo Group) of any company referred to in the immediately preceding sub-paragraph (i), shall accede as a guarantor.

Subject to the Security Principles, the obligations of the OpCo Parent and the obligors regarding the Senior Facilities are, or will be, secured by (i) security over any material intercompany receivables of the OpCo Parent and each obligor, (ii) security over the material intellectual property of each obligor, (iii) security over the shares in each obligor (other than any entity which is a guarantor solely by virtue of being a direct holding company of another guarantor), (iv) security over the material bank accounts of each obligor and (v) floating charges granted by each relevant obligor incorporated in England and Wales (or the equivalent, if any, in any jurisdiction other than England and Wales where the impact on the OpCo Group is not more onerous than a floating charge under English law).

Notwithstanding the foregoing, subject to other exceptions and the Security Principles, no guarantees or security shall be required to be granted by (or over shares, ownership interests or investments in) (i) any unrestricted subsidiaries, (ii) any joint venture or similar arrangement, any minority interest or any member of the OpCo Group that is not wholly-owned by another member of the OpCo Group or (iii) any member of the OpCo Group incorporated, established or organised in the People's Republic of China, India or Russia (and no security shall be required to be granted by any member of the OpCo Group with regards to any asset located in any such jurisdiction).

The Senior Facilities Agreement contains representations and warranties made, or to be made, by the OpCo Parent, the OpCo Company and/or other obligors that are customary for agreements relating to facilities in the nature of the Senior Facilities.

The Senior Facilities Agreement contains negative covenants that are customary for agreements relating to facilities in the nature of the Senior Facilities including, without limitation, limitations on the ability of any member of the OpCo Group to incur indebtedness, make restricted payments (including the payment of dividends or distributions, the conducting of share buybacks, the payment of amounts relating to shareholder funding and certain subordinated indebtedness and the making of acquisitions, loans and other investments), grant liens on property or assets, make asset dispositions (with additional requirements being applicable to dispositions of major brands, namely, the *lookfantastic* and *Myprotein* trademarks), enter into or conduct affiliate transactions, merge or consolidate with other persons or impair any security interest granted in favour of the

lenders. The Senior Facilities Agreement also imposes certain limitations on the OpCo Parent including, without limitation, limitations on the ability of the OpCo Parent to grant liens on any of its property or assets subject, or to be subject, to security in favour of the lenders or impair any such security interests and holding company limitations.

With regards to the Original Revolving Facility, commencing with the 12 month period ending on the last day of the third complete financial quarter after the SFA Closing Date, subject to certain equity cure provisions, the Senior Facilities Agreement requires the OpCo Company to ensure that the Consolidated Secured Leverage Ratio (as defined in the Senior Facilities Agreement) in respect of each 12-month period ending on the last day of each financial quarter shall not exceed 7.60:1 as at close of business on such date **provided that** the OpCo Company shall not be required to ensure compliance with such "springing" financial covenant if, as at close of business on such date, the relevant test condition is not met; the relevant test condition being met if the aggregate outstanding principal amount of (i) all utilisations under the Original Revolving Facility (excluding (a) any undrawn letters of credit issued under the Original Revolving Facility that are not issued as collateral with respect to any indebtedness and (b) any amounts utilised for flex, ticking fees, syndication costs or other similar or related payments) plus (ii) all cash borrowings under any Ancillary Facility established under the Original Revolving Facility, exceeds 40 per cent. of the total commitments under the Original Revolving Facility at such time.

The Senior Facilities Agreement contains affirmative covenants that are customary for agreements relating to facilities in the nature of the Senior Facilities including, without limitation, delivery of financial and other information to the Agent and/or the lenders, notice to the Agent upon the occurrence of certain material events (including any default), obtaining and maintenance of authorisations, compliance with laws, payment of material taxes, preservation of assets, maintenance of customary insurances, granting access to sites, books and records for inspection by the Agent and/or the Security Agent, preservation and maintenance of material intellectual property, further assurance, provision of additional guarantees and security and compliance with sanctions and applicable anti-corruption and anti-money laundering regimes.

The Senior Facilities Agreement provides that, upon the occurrence of certain events of default, the obligations thereunder may be accelerated and the commitments thereunder may be terminated. Such events of default include, without limitation, non-payment of amounts owing to the lenders, non-compliance with "springing" financial covenant or other obligations, cross-payment default and cross-acceleration to other indebtedness, commencement of voluntary and involuntary insolvency and similar proceedings, failure to pay final judgments, unlawfulness and invalidity of obligations, material inaccuracies of representations, repudiation and rescission of finance documents, material expropriation events and other events of default that are customary for agreements relating to facilities in the nature of the Senior Facilities, in each case, where applicable and customary, subject to threshold, notice, qualification and grace period provisions.

The Senior Facilities Agreement is governed by English law **provided that**, without prejudice to the foregoing, certain information undertakings, negative covenants, events of default and definitions, in each case, in the Senior Facilities Agreement shall, where customary for agreements relating to facilities in the nature of the Senior Facilities, be interpreted in accordance with the law of the State of New York.

#### ***Intercreditor Agreement***

On 10 December 2019, the OpCo Parent as parent and as third-party security provider, the OpCo Company as company and as intra-group lender and the OpCo Company, Cend Limited, LookFantastic.com.Ltd, Mankind Direct Limited, The Hut.com Limited and Mama Mio Limited as original debtors (together with any other entity which accedes to the Intercreditor Agreement (as defined below) as a debtor, the "**Debtors**") entered into an intercreditor agreement with Banco Santander S.A., London Branch, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and National Westminster Bank PLC as senior arrangers, the financial institutions named therein as senior lenders, the financial institutions named therein as original hedge counterparties, Barclays Bank PLC as original senior agent and the Security Agent (as amended and/or restated from time to time on or prior to the date of this document, the "**Intercreditor Agreement**").

The Intercreditor Agreement sets out, amongst other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments may be made in respect of certain indebtedness of the Debtors, when enforcement action may be taken in respect of certain indebtedness of the Debtors, the terms pursuant to which certain indebtedness of the Debtors will be subordinated upon the occurrence of certain insolvency events and certain turnover provisions.

The Intercreditor Agreement is governed by English law.

#### ***Ancillary Facilities***

Certain Ancillary Facilities are in force as at the date of this document, including an Ancillary Facility made pursuant to a supply chain programme agreement dated 8 September 2015 between, amongst others, Santander UK PLC ("**Santander**") and Cend Limited, LookFantastic.com.Ltd, Mankind Direct Limited, The Hut.com Limited and Mama Mio Limited (the "**Santander Clients**"), as amended on 8 December 2015, 19 January 2016, 10 December 2019, 16 June 2020 and 16 July 2020 and as may be further amended and/or restated from time to time on or prior to the date of this document, pursuant to which Santander has provided, or will provide, certain payment services to the Santander Clients in respect of certain invoices issued by certain suppliers for the provision of goods and/or services to, or to the order of, a Santander Client and submitted by a Santander Client to Santander, **provided that** the aggregate amount outstanding of all such invoices that are subject to such payment services does not, at any time, exceed GBP25,000,000 (or such other amount as may be agreed between Santander and the Santander Clients).

#### **Other Facilities**

The following facilities have been made available by HSBC UK Bank plc ("**HSBC UK**"):

- an uncommitted bank guarantee facility to The Hut.com Limited pursuant to a facility letter dated 7 May 2020 from HSBC UK to The Hut.com Limited, as amended by a side letter dated 3 July 2020 between HSBC UK and The Hut.com Limited and by a variation letter dated 11 August 2020 from HSBC UK to The Hut.com Limited and countersigned by The Hut.com Limited on 14 August 2020 and as may be amended and/or restated from time to time on or prior to the date of this document, pursuant to which HSBC UK has issued, or may issue, bank guarantees, subject to a facility limit of GBP3,250,000; and
- an uncommitted sterling overdraft facility to The Hut.com Limited pursuant to a facility letter dated 27 April 2020 from HSBC UK to The Hut.com Limited and countersigned by The Hut.com Limited on 28 April 2020, as may be amended and/or restated from time to time on or prior to the date of this document, pursuant to which The Hut.com Limited may make withdrawals from a certain account of The Hut.com Limited with HSBC UK subject to the debit balance on such account not exceeding GBP30,000,000.

#### 20.10 **Polish Facilities**

On 20 March 2019, The HUT.com (Poland) sp. z o.o. as borrower (the "**Polish Borrower**") and THG Wrocław sp. z o.o. as additional guarantor (the "**Polish Guarantor**"), entered into a facilities agreement with Intesa Sanpaolo S.p.A. acting through its branch Intesa Sanpaolo S.p.A. Spółka Akcyjna Oddział w Polsce as the arranger, the agent, the security agent and the original lender and Banca IMI S.p.A., London Branch as co-ordinator and documentation co-ordinator relating to the Polish Borrower's acquisition of shares in the Polish Guarantor, which was amended and restated in accordance with the amendment and restatement agreement dated 18 April 2019, and as a result the facilities agreement was between the Polish Borrower as borrower, the Polish Guarantor as additional guarantor Intesa Sanpaolo S.p.A. acting through its branch Intesa Sanpaolo S.p.A. Spółka Akcyjna Oddział w Polsce as arranger, paying agent, security agent and the original lender, mBank S.A. as increase lender, Banca IMI S.p.A. as agent and Banca IMI S.p.A., London Branch as co-ordinator and documentation co-ordinator (the "**Polish Facilities Agreement**").

Pursuant to the Polish Facilities Agreement, the following facilities were made available:

- a euro term loan A facility in an initial aggregate amount equal to EUR17,000,000 (the "**Original Polish Facility A**"); and
- a euro term loan B facility in an initial aggregate amount equal to EUR3,000,000 (together with the Original Polish Facility A, the "**Original Polish Facilities**").

The Original Polish Facilities were utilised in full on or about 22 March 2019. On 18 April 2019, the commitments under the Original Polish Facilities were increased in accordance with the Polish Facilities Agreement by EUR20,000,000 and, as a result, the following facilities were made available pursuant to the Polish Facilities Agreement:

- a euro term loan A facility in an initial amount equal to EUR17,000,000, as increased by EUR17,000,000 (the "**Polish Increased Facility A**") to an aggregate amount equal to EUR34,000,000 (the "**Polish Facility A**"); and
- a euro term loan B facility in an initial amount equal to EUR3,000,000, as increased by EUR3,000,000 (together with the Polish Increased Facility A, the "**Polish Increased Facilities**") to an aggregate amount equal to EUR6,000,000 (the "**Polish Facility B**" and, together with the Polish Facility A, the "**Polish Facilities**").

The Polish Increased Facilities were utilised in full on or about 23 April 2019. The Polish Facilities Agreement was governed by Polish law. The Polish Facilities were repaid and discharged in full on 30 June 2020.

#### 20.11 **Shareholders' Agreement**

The Company, the Founder and certain of its direct and indirect shareholders are party to a shareholders' agreement dated 14 April 2010 (as amended and/or restated from time to time, the "**Shareholders' Agreement**"). The Shareholders' Agreement contains provisions that govern matters such as: decision making as between the Company's shareholders; restrictive covenants on the part of shareholders; limitations of shareholders' rights to mortgage, pledge or dispose of their interests in the Company; and provisions governing the transfer of shares in the Company. The Shareholders' Agreement will terminate on Admission, save for certain restrictive covenants on the part of certain shareholders. The Shareholders' Agreement is governed by English law.

#### 21. **RELATED PARTY TRANSACTIONS**

21.1 On 12 December 2019, the Company and the KKR Shareholder entered into an option deed pursuant to which the KKR Shareholder granted the Company the right to require the sale by the KKR Shareholder of all of its shares in the Company (being 705,402 B ordinary shares (the "**Option Shares**")) to a purchaser or purchasers identified by the Company (the "**Option**"). The Option expires on 12 September 2020. On 11 February 2020, the Company agreed with the Founder to irrevocably nominate the Founder (or his nominee) as the purchaser of the Option Shares under the Option Deed (the "**Nomination Agreement**") on the basis that the Company would exercise the Option at the direction of the Founder.

21.2 On 9 September 2020, the Company, the KKR Shareholder and the Founder entered into an agreement to vary the arrangements in the Option Deed, pursuant to which the KKR Shareholder agreed to: (i) enter into an underwriting agreement (subject to such agreement meeting specified criteria which have been met by the Underwriting Agreement), pursuant to which it would sell the Agreed Number (as defined below) of B ordinary shares of £1 each in the capital of the Company (or the number and class of shares that represent such shares at the time of such sale) on admission of the ordinary voting share capital of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities (subject to such admission meeting specified criteria which are expected to be met); and (ii) transfer 175,000 B ordinary shares of £1 each in the capital of the Company (or the number and class of shares that represent such shares at the time of transfer) to the Founder on such admission. These transactions are in consideration for the Company agreeing not to exercise the Option, and the Founder agreeing that he shall not have any further rights to have transferred to him (or any nominee) the Option

Shares under the Nomination Agreement or under any other agreement or arrangement. The "**Agreed Number**" is 509,770 or such lower number (not being less than 482,776) as is notified by the KKR Shareholder to the Company. On 9 September 2020, the KKR Shareholder notified the Company that the Agreed Number would be 482,776.

- 21.3 The KKR Shareholder has agreed to transfer to certain underlying investors in the KKR Shareholder the balance of its shareholding in the Company, being (after allowing for the transactions referred to above) 47,626 B ordinary shares of £1 each in the capital of the Company (or the number and class of shares that represent such shares at the time of such transfer). Such investors include Dominic Murphy. Further information regarding Dominic Murphy's interest in the Company is set out in paragraph 12 above (*Additional Information – Directors' and Other Interests*).
- 21.4 Save as described above, in paragraph 4 above (*Additional Information – Propco Reorganisation*), in paragraph 20.4 (*Addition Information – Material Contracts - Term Sheet with respect to a Property Management and Services Agreement*), paragraph 20.5 (*Addition Information – Material Contracts - Property Management and Services Agreement*) and in THG's historical financial information for the six months ended 30 June 2020 and the three years ended 31 December 2019, 2018 and 2017 as set out in Note 25 of Part VII (*Historical Financial Information*), there were no related party transactions entered into by THG or any member of THG during the six months ended 30 June 2020 or the financial years ended 31 December 2019, 2018 or 2017, or during the period from 30 June 2020 up to the date of this document.
- 21.5 The Company expects to enter into an agreement with FIC Holdings giving the Company a right to match any offer to acquire Kingsmead Holdco received by the Founder or FIC Holdings in the two year period following Admission. For further information on the Propco Reorganisation, see paragraph 4 above (*Additional Information - Propco Reorganisation*). If the Company elects not to match such offer, then any uplift between the enterprise value of Kingsmead Holdco on its acquisition by the Founder and (ii) its subsequent sale by the Founder or FIC Holdings, in each case on a cash and debt free basis and after deducting (i) any sums invested by the Founder, and (ii) any tax incurred on the sale by either the Founder or FIC Holdings, shall be paid to the Company.

## 22. **LEGAL AND ARBITRATION PROCEEDINGS**

There are no, nor have there been any, governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the last 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the Company's and/or THG's financial position or profitability.

## 23. **WORKING CAPITAL**

In the opinion of the Company, taking into account the committed facilities available to THG, THG has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this document.

## 24. **NO SIGNIFICANT CHANGE**

There has been no significant change in the financial position or financial performance of THG since 30 June 2020, being the end of the last financial period for which unaudited interim financial information, set out in Part VII (*Historical Financial Information*) of this document, has been published, to the date of this document.

## 25. **MANDATORY TAKEOVER BIDS, SQUEEZE-OUT RULES, SELL-OUT RULES AND TAKEOVER BIDS**

### 25.1 **Mandatory takeover bids**

The Code applies to the Company. Under the Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except

with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his/her concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise when a person who (together with any persons acting in concert) was interested in shares which in aggregate carried not less than 30 per cent. of the voting rights of the Company, but did not hold shares which carried more than 50 per cent. of such voting rights acquired an interest in any other shares which increased the percentage of shares carrying voting rights in which he/she was interested.

Through the disclosure provided in this document, the Panel has confirmed that the issue of the Special Share and the potential subsequent amendment of its voting rights on a Change of Control of the Company, and any subsequent transfer by transmission (or any onward transfer by that transmittee to the holder's intended beneficiary) of the Special Share to a Permitted Transferee upon the death of the Founder (or any subsequent holder of the Special Share), will not trigger an obligation on the Founder (or his concert party) or the new holder of the Special Share (or their concert party) (as applicable) to make a general offer to Shareholders pursuant to Rule 9 of the Code. Further, the Panel has confirmed that any obligation on the Concert Party to make a general offer pursuant to Rule 9 of the Code that would otherwise arise through the increase in the percentage of shares carrying voting rights in which the members of the Concert Party are interested as a result of (i) the conversion of any or all of the Retained Shares, D Shares and E Shares into Ordinary Shares, and/or (ii) the Company exercising the Buyback Authority in full over the Ordinary Shares not held by members of the Concert Party (assuming that the number of Ordinary Shares held by the Concert Party does not increase as a result of the exercise of the Buyback Authority), is waived.

Further, in the event an acquirer and persons acting in concert with it trigger the obligation to make a mandatory offer for the Company as described in the first paragraph above, and the offer becomes unconditional in all respects, this will constitute a Change of Control of the Company under the New Articles of Association, leaving the Founder (or, where applicable, a Permitted Transferee), as the holder of the Special Share, with the ability to prevent the passing of, or the ability to pass, any Company shareholder resolution. Further details on the rights of the Special Share are provided in Part X (*The Special Share, Application of the Code and the Concert Party*).

## 25.2 **Squeeze-out rules**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "**Takeover Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

## 25.3 **Sell-out rules**

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the

offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

**25.4 Takeover bids**

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

**26. COSTS AND EXPENSES**

The aggregate costs and expenses of the Offer and Admission (including the listing fees of the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) payable by the Company are estimated to amount to £38.4 million (including VAT).

**27. STATUTORY AUDITORS**

EY of 1 More London Place, London SE1 2AF, is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. EY are the statutory auditors of THG and have audited the consolidated statutory financial statements for THG as at and for the years ended 31 December 2017, 2018 and 2019.

**28. CONSENTS**

28.1 EY has given, and has not withdrawn, its written consent to the inclusion in this document of its accountant's report set out in Section A (*Accountant's Report in respect of the Historical Financial Information*) of Part VII (*Historical Financial Information*) and its accountant's report set out in Section A (*Accountant's Report in respect of the Unaudited Pro Forma Information*) of Part VIII (*Unaudited Pro Forma Financial Information*) and has authorised the contents of this report as part of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) and item 1.3 of Annex 1 of Commission Delegated Regulation (EU) 2019/980.

**29. GENERAL; AND DOCUMENTS AVAILABLE FOR INSPECTION**

29.1 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect THG's utilisation of its tangible fixed assets.

29.2 Copies of the following documents will be available for inspection for a period of 12 months following Admission on the Company's website at [www.thg.com](http://www.thg.com):

- (a) the Articles of Association and the New Articles of Association;
- (b) EY's accountant's report set out in Section A (*Accountant's Report in respect of the Historical Financial Information*) of Part VII (*Historical Financial Information*) and its accountant's report set out in Section A (*Accountant's Report in respect of the Unaudited Pro Forma Information*) of Part VIII (*Unaudited Pro Forma Financial Information*);
- (c) the consent letter referred to in paragraph 28 above of this Part XI (*Additional Information*); and
- (d) this document.



## **PART XII DEFINITIONS**

The definitions set out below apply throughout this document, unless the context requires otherwise.

<b>"2020/2021"</b>	means the fiscal year ended 5 April 2021;
<b>"acting in concert"</b>	shall have the meaning given to it in the Code;
<b>"Admission"</b>	means Admission to Listing and Admission to Trading;
<b>"Admission to Listing"</b>	means admission of all of the Ordinary Shares to the standard listing segment of the Official List of the FCA;
<b>"Admission to Trading"</b>	means admission of all of the Ordinary Shares to the London Stock Exchange's main market for listed securities;
<b>"Articles of Association"</b>	means the articles of association of the Company;
<b>"Associate"</b>	in respect of the Founder has the meaning given to the term in the Listing Rules when used in the context of a controlling shareholder who is an individual;
<b>"Auditing Practices Board"</b>	means the Auditing Practices Board Limited, part of the Financial Reporting Council;
<b>"Balderton Lock-up Deed"</b>	means the lock-up agreement entered into between Balderton Capital IV, L.P., acting as nominee for Balderton Capital IV, L.P. and related individuals, the Company and certain of the Joint Global Co-ordinators dated 10 September 2020;
<b>"Barclays"</b>	means Barclays Bank plc;
<b>"B Shares"</b>	means the B ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"Blackrock"</b>	means funds and accounts managed by BlackRock;
<b>"Board"</b>	means the board of Directors of the Company;
<b>"Brexit"</b>	means the UK's exit from the EU;
<b>"Bribery Act"</b>	means the U.K. Bribery Act;
<b>"Business Day"</b>	means a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal banking business;
<b>"Buyback Authority"</b>	means an authority from Shareholders pursuant to the General Meeting to make purchases of up to 10 per cent. of the Company's share capital;
<b>"Change of Control"</b>	means the acquisition by any person (other than the holder of the Special Share or any persons acting in concert with him/her) of an interest in shares in the Company which (when taken together with shares in which that person and any persons acting in concert with him/her are interested) carry more than 50 per cent. of the voting rights exercisable by members of the Company on a poll in a general meeting (excluding any voting rights attached to the

Special Share) and, without prejudice to the generality of the forgoing, if such an acquisition is effected by means of a:

- (a) scheme of arrangement under Part 26 of the Companies Act, a Change of Control shall take place at the point at which the scheme of arrangement becomes effective; and
- (b) takeover offer under Part 28 of the Companies Act, a Change of Control shall take place at the point at which the takeover offer becomes unconditional in all respects.

For the avoidance of doubt, a person will not be deemed to have "acquired" an interest in shares carrying voting rights by virtue of:

- (a) the issue by the Company of new shares to that person or to a person acting in concert with that person;
- (b) the purchase or redemption by the Company of its own shares in accordance with the Companies Act, with a commensurate increase in the proportion of voting rights held by that person; or
- (c) by virtue of a change in identity of those persons that are acting in concert with that person from time to time,

**provided that** in each case, this is also not accompanied with another connected transaction in which an interest in shares in the Company is acquired.

For these purposes, an "interest" in shares means that a person:

- (a) is the registered holder;
- (b) is not the registered holder, but is entitled to exercise voting rights conferred by the holding of those shares or to control any exercise of any such voting rights; or
- (c) where an interest of shares is comprised in property held on trust, he is a beneficiary of that trust (and, in this case, every beneficiary of the trust shall be treated as having an interest in those shares),

**provided, in each case, that** a person shall not be considered to have an interest in shares if and to the extent that a person is:

- (a) acting as a nominee or custodian for another person, in which case the person on whose behalf that person is so acting will be considered to be so interested;
- (b) interested by reason of his appointment as a proxy to vote at a specific general meeting or class meeting of the Company, or his authorisation by a corporation to act as its representative at any general meeting or class meeting of the Company;
- (c) a bank and is interested by reason of the taking of security over shares or other securities in the normal course of its business;

- (d) a borrower of shares under a stock borrowing arrangement, provided that such a borrower does not exercise the voting rights attributable to those shares; or
- (e) interested by virtue of receiving an irrevocable commitment to accept or reject a specified takeover offer for shares or to vote in relation to a general meeting or class meeting of the Company or other meeting of shareholders of the Company necessary to implement a specified scheme of arrangement under Part 26 of the Companies Act;

<b>"Citigroup"</b>	means Citigroup Global Markets Limited;
<b>"Code"</b>	means the City Code on Takeovers and Mergers;
<b>"Committees"</b>	means an audit and risk committee, a remuneration committee and a nomination committee to be established by the Company;
<b>"Companies Act"</b>	means the Companies Act 2006 as from time to time amended;
<b>"Company"</b>	means THG Holdings plc, a company incorporated in England and Wales, with registered number 06539496 and its registered office at 5th Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester M90 3DQ, United Kingdom.;
<b>"Concert Party"</b>	means the concert party for the purposes of the Code;
<b>"Cornerstone Investment Agreements"</b>	means the cornerstone investment agreements entered into between the Company and each of BlackRock, Janus Henderson, Merian, QIA dated 3 September 2020 and between Dragoneer and the Company dated 8 September 2020;
<b>"Cornerstone Investors"</b>	means BlackRock, Janus Henderson, Merian, QIA and Dragoneer;
<b>"CREST"</b>	means a computerised system for the paperless settlement of sales and purchases of securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
<b>"CREST Regulations"</b>	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;
<b>"D Shares"</b>	means the D ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"Deed of Election"</b>	means each share sale election deed entered into by an Individual Selling Shareholder in the agreed form;
<b>"Direct Subscription "</b>	means the direct subscription being made available by the Company to a limited number of individual investors in the United Kingdom and elsewhere pursuant to relevant private placement exemptions the opportunity to subscribe for New Shares;
<b>"Directors"</b>	means the directors of the Company as at the date of this document, and <b>"Director"</b> means one of them;

<b>"Disclosure Guidance and Transparency Rules"</b>	means the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
<b>"Dragoneer"</b>	means Dragoneer Investment Group, LLC;
<b>"ePrivacy Directive"</b>	means EU Privacy and Electronic Communications Directive 2002/58/EC on Privacy and Electronic Communications;
<b>"ePrivacy Regulation"</b>	means the proposal for a Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC;
<b>"E Shares"</b>	means the E ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"Employees"</b>	means employees of THG;
<b>"ESS"</b>	means employee shareholder status;
<b>"Euroclear"</b>	means Euroclear UK & Ireland Limited, the operator of CREST;
<b>"EU"</b>	means the European Union;
<b>"EUWA"</b>	means the article 50 withdrawal agreement (the European Union (Withdrawal) Act 2018 as amended by the European Union (Withdrawal Agreement) Act 2020);
<b>"Executive Chairman and Chief Executive Officer"</b>	means Matthew Moulding;
<b>"Executive Directors"</b>	means the Executive Chairman and Chief Executive Officer and John Gallemore;
<b>"EY"</b>	means Ernst & Young LLP;
<b>"F Shares"</b>	means the F ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"FCA" or "Financial Conduct Authority"</b>	means the Financial Conduct Authority, granted powers as a regulator under FSMA;
<b>"FCA Handbook"</b>	means the FCA's handbook of rules and guidance;
<b>"FCPA"</b>	means the US Foreign Corrupt Practices Act of 1977;
<b>"FDA"</b>	means Food and Drug Administration;
<b>"FIC Holdings"</b>	means FIC Holdings Limited, a limited liability company incorporated in Guernsey, an entity owned and controlled by the Founder which, at Admission, will hold the Propco Group;
<b>"FIC Shareco"</b>	means FIC Shareco Limited, a Guernsey special purpose vehicle incorporated by the Founder (through a wholly owned company) and Steven Whitehead (through a wholly owned company);
<b>"FIC Shareco Lender"</b>	means Barclays Banks plc;

<b>"FIC Shareco Loan Facility"</b>	means a loan facility of up to an aggregate principal amount of £100,000,000 pursuant to a facilities agreement between FIC Shareco and the FIC Shareco Lender;
<b>"Founder"</b>	means Mr. Matthew Moulding, the Executive Chairman and Chief Executive Officer and a founder of THG and a Shareholder;
<b>"Founder Director"</b>	means the non-executive director appointed by the Founder to the Board pursuant to the Relationship Agreement
<b>"FSMA"</b>	means the Financial Services and Markets Act 2000 as amended from time to time;
<b>"G Shares"</b>	means the G ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"GDPR"</b>	means the General Data Protection Regulation (EU) 2016/679;
<b>"General Meeting"</b>	means the general meeting of the Company held at No 1. Hardman Street, Manchester, M3 3EB on 9 September 2020;
<b>"Global Offer"</b>	means the offering of up to 184,000,000 New Shares by the Company and up to 192,273,998 Sale Shares by the Selling Shareholders described in Part IX ( <i>Details of the Offer</i> );
<b>"Goldman Sachs"</b>	means Goldman Sachs International;
<b>"HMRC"</b>	means Her Majesty's Revenue and Customs;
<b>"H Shares"</b>	means the H ordinary shares of £0.0005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the New Articles of Association;
<b>"HSBC"</b>	means HSBC Bank plc;
<b>"Hurdle"</b>	means the hurdle, which will be met if, by 31 December 2022, the equity value of the Company (including both listed and unlisted shares) is £6,500,000,000 or more, measured by reference to a 15 day volume weighted average price;
<b>"IFRS"</b>	means the International Financial Reporting Standards as adopted for use by the European Union;
<b>"Independent Non-Executive Directors"</b>	means Zillah Byng-Thorne and Dominic Murphy;
<b>"Individual Selling Shareholders"</b>	means John Gallemore, Terry Green, Carl Houghton, Terry Leahy, Iain McDonald, Angus Monro and the Other Individual Selling Shareholders.
<b>"Individual Shareholder Lock-up Deeds"</b>	means the lock-up agreements entered into between certain employee and other individual Shareholders and the Company dated 10 September 2020;
<b>"Insolvency Act"</b>	means the Insolvency Act 1986 as from time to time amended;
<b>"ISIN"</b>	means International Securities Identification Number;
<b>"IT"</b>	means information technology;
<b>"Janus Henderson"</b>	means Henderson Global Investors Limited;

<b>"Jefferies"</b>	means Jefferies International Limited;
<b>"Joint Global Co-ordinators"</b>	means Citigroup, J.P. Morgan, Barclays and Goldman Sachs;
<b>"J.P. Morgan"</b>	means J.P. Morgan Securities plc (which conducts its investment banking activities as J.P. Morgan Cazenove);
<b>"KHL" or "Kingsmead Holdco"</b>	means Kingsmead Holdco Limited;
<b>"KKR Shareholder"</b>	means KKR Gym (Cayman) Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands with registered number 289391 that is indirectly owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P.
<b>"LEI"</b>	means Legal Entity Identifier;
<b>"LIBOR"</b>	means London Interbank Offered Rate;
<b>"Listing Rules"</b>	means the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook) as amended from time to time;
<b>"London Stock Exchange"</b>	means London Stock Exchange plc;
<b>"LTIP"</b>	means the 2020 long term incentive plan operated by the Company;
<b>"Merian"</b>	means funds managed by Merian Global Investors (UK) Limited;
<b>"Milestones"</b>	means the equity value milestones that must be met for a G Share to vest, measured by reference to a 15 day volume weighted average price;
<b>"New Articles of Association"</b>	means the new articles of association to be adopted by the Company with effect from Admission, as approved by the Shareholders at the General Meeting, and as described in paragraph 6 of Part XI ( <i>Additional Information</i> ) of this document;
<b>"New Shares"</b>	means up to 184,000,000 Ordinary Shares proposed to be issued by the Company pursuant to the Offer;
<b>"Nil Rate Amount"</b>	means a tax-free allowance threshold;
<b>"Non-Executive Director"</b>	means Zillah Byng-Thorne, Edward Koopman, Iain McDonald and Dominic Murphy;
<b>"Numis"</b>	means Numis Securities Limited;
<b>"Offer"</b>	means the Direct Subscription and the Global Offer;
<b>"Offer Price"</b>	means 500 pence;
<b>"Order"</b>	means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended from time to time;
<b>"Ordinary Shares"</b>	means ordinary voting shares in the capital of the Company with a nominal value of 0.5 pence;
<b>"Other Individual Selling Shareholders"</b>	means certain current and former Employee shareholders and other individual Shareholders who have elected to sell Ordinary Shares pursuant to the Offer;

<b>"Panel"</b>	means the Panel on Takeovers and Mergers;
<b>"Participant"</b>	means the Directors and certain key Employees and members of the Company's management team who hold Retained Shares under the LTIP;
<b>"Permitted Transferee"</b>	means any person that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company, or (ii) a person acting in concert with any person listed in (i) above at the time of transfer or transmission of the Special Share pursuant to article 69.7 of the New Articles of Association;
<b>"PFIC"</b>	means a passive foreign investment company;
<b>"PRA "</b>	means the Prudential Regulation Authority;
<b>"Premium Listing"</b>	means a premium listing under Chapter 6 of the Listing Rules;
<b>"Pricing Statement"</b>	means the pricing statement expected to be published by the Company on or around 16 September 2020, which will confirm the number of Ordinary Shares in the Offer;
<b>"Principal Selling Shareholders"</b>	means the KKR Shareholder, Belerion I L.P. Incorporated, Zedra Trust Company (Jersey) Limited, West Coast Capital Holdings Limited, West Coast Capital Assets Limited, D.C. Thomson & Company Limited, Meadowside Nominees Limited and FIC Shareco Limited;
<b>"Propco Group"</b>	means Kingsmead Holdco and its subsidiaries, with together hold the Property Business;
<b>"Propco Reorganisation"</b>	means the reorganisation of certain of THG's property holdings which will take place prior to Admission, as described in paragraph 4 of Part XI ( <i>Additional Information</i> );
<b>"Property Business"</b>	means certain property assets, which are used or occupied by the Company and members of THG under leases between the relevant member of THG and the relevant subsidiaries of Kingsmead Holdco;
<b>"Prospectus Regulation"</b>	means Regulation (EU) No 2017/1129;
<b>"Prospectus Regulation Rules"</b>	means the prospectus regulation rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook) as amended from time to time;
<b>"QIA"</b>	QH Oil Investments LLC, a wholly-owned subsidiary of Qatar Investment Authority;
<b>"QIBs"</b>	has the meaning given in Rule 144A;
<b>"Qualified Investors"</b>	means persons who are qualified investors as defined in the Prospectus Regulation;
<b>"Registrar"</b>	means Equiniti Limited with its registered office at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
<b>"Regulation S"</b>	means Regulation S under the Securities Act;
<b>"Regulatory Information Service"</b>	means one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;

<b>"Related Persons"</b>	means, in relation to an entity, its subsidiary undertakings and affiliates (as defined in rule 501(b) of Regulation D of the Securities Act) and each of their respective Directors, officers, employees, advisers and agents;
<b>"Relationship Agreement"</b>	means the relationship agreement to be entered into by the Founder and the Company effective upon Admission;
<b>"relevant persons"</b>	means Qualified Investors who are (i) persons who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Order, (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) other persons to whom this document may otherwise lawfully be communicated;
<b>"Relevant State"</b>	means each member state of the European Economic Area and the United Kingdom;
<b>"Reorganisation"</b>	means the reorganisation of THG described in paragraph 5 of Part XI ( <i>Additional Information</i> ) of this document;
<b>"Retained Shares"</b>	means the F Shares, G Shares and H Shares;
<b>"Rothschild &amp; Co"</b>	means N.M. Rothschild & Sons Limited;
<b>"Rule 144A"</b>	means Rule 144A under the Securities Act;
<b>"Rule 9"</b>	means Rule 9 of the Code;
<b>"Sale Shares"</b>	means Ordinary Shares offered for sale by the Selling Shareholders;
<b>"Securities Act"</b>	means the United States Securities Act of 1933 as amended from time to time;
<b>"Selling Shareholders"</b>	means those persons who are proposing to sell Sale Shares in the Global Offer, whose names and addresses are set out in paragraph 16 of Part XI ( <i>Additional Information</i> ) of this document;
<b>"Senior Independent Director"</b>	means Zillah Byng-Thorne;
<b>"Senior Managers"</b>	means those persons named as senior managers in Part III ( <i>Directors, Senior Managers and Corporate Governance</i> );
<b>"Shareholders"</b>	means holders of Ordinary Shares from time to time;
<b>"Sofina Lock-up Deed"</b>	means the lock-up agreement entered into between Sofina Capital S.A., the Company and the Underwriters dated 10 September 2020;
<b>"Special Share"</b>	means the "special" share of £1.00 in the capital of the Company, to be issued to the Founder;
<b>"Standard Listing"</b>	means a standard listing under Chapter 14 of the Listing Rules;
<b>"Standards for Investment Reporting"</b>	means investment reporting standards applicable to public reporting engagements on financial information reconciliations under the Listing Rules, published by the Auditing Practices Board;



<b>"subsidiaries" or "subsidiary"</b>	has the meaning given in section 1159 of the Companies Act;
<b>"subsidiary undertakings"</b>	has the meaning given in section 1162 of the Companies Act;
<b>"Takeover Offer Shares"</b>	means shares subject to a takeover offer as defined in section 974 of the Companies Act;
<b>"The Hut IHC"</b>	means The Hut IHC Limited;
<b>"THMCL"</b>	means The Hut Management Company Limited;
<b>"THG"</b>	means THG Holdings plc and its subsidiaries and subsidiary undertakings from time to time (excluding the Propco Group), and where the context permits, each of them, in relation to which the historical financial information included in this document has been prepared in accordance with the basis of preparation and significant accounting policies set out within Note 1 of the combined historical financial information in Section B ( <i>Historical Financial Information</i> ) of Part VII ( <i>Historical Financial Information</i> );
<b>"UAE"</b>	means the United Arab Emirates;
<b>"UK Corporate Governance Code"</b>	means the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time;
<b>"uncertificated" or "in uncertificated form"</b>	in relation to shares, means recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>"Underwriters"</b>	means Citigroup, J.P. Morgan, Barclays, Goldman Sachs, HSBC, Jefferies, and Numis;
<b>"Underwriting Agreement"</b>	means the agreement among the Company, the Directors, the Principal Selling Shareholders and the Underwriters dated 10 September 2020;
<b>"United Kingdom" or "UK"</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>"United States" or "US" or "U.S."</b>	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction; and
<b>"U.S. dollar"</b>	means United States Dollars, the official currency of the United States of America.

All times referred to are London time unless otherwise stated.

All references to legislation in this document are to the legislation of the United Kingdom unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

### **PART XIII GLOSSARY**

"API"	means application programming interface;
"B2B"	means business-to-business;
"BRC"	means British Retail Consortium
"CAGR"	means compound annual growth rate;
"CVS"	means CVS Pharmacy;
"D2C"	means direct-to-consumer;
"eCRM"	means electronic customer relationship management;
"Elysium"	means <i>THG Ingenuity's</i> core e-commerce platform;
"Hangar Seven"	means new THG studios;
"ICON"	means THG's new content studio and head office in Manchester, United Kingdom;
"ISO"	means International Organization for Standardization;
"KPIs"	means key performance indicators;
"Lifestyle"	means consumer and luxury products business;
"Luxury"	means, in the context of goods, products at the highest end of the market in terms of price and perceived quality with high income elasticity of demand;
"Prestige"	means, in the beauty market, products characterised by a higher price point and selective distribution of brands across both online and offline channels in order to allow brand owners to retain a higher degree of control over brand positioning and pricing architecture;
"returning customer"	means a customer who has placed at least two orders;
"SaaS"	means software as a service;
"SKU"	means stock-keeping unit;
"THG Experience"	means THG's in-person events business;
"THG Hosting"	means THG's in-house website hosting business;
"THG Beauty"	means THG's beauty retail and products business;
"THG Beauty Own Brands"	means THG's prestige portfolio of seven owned brands across skincare, haircare and cosmetics;
"THG Lifestyle"	means THG's consumer and luxury products business;
"THG Nutrition"	means THG's health food and beverage business;
"THG Own Brands"	means brands owned by THG;
"THG Studios"	means THG's content creation studios;

**"THG Fluently"** means THG's language translation business;  
**"UI"** means user interface;  
**"UX"** means user experience; and  
**"VPN"** means a virtual private network.

## APPENDIX 1 SCHEDULE OF CHANGES

The registration document published by the Company on 27 August 2020 (the "**Registration Document**") contained the information required to be included in a registration document for equity securities by Annex 1 of Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation (the "**Delegated Prospectus Regulation**"). The Prospectus, which otherwise contains information extracted without material amendment from the Registration Document (except as set out below), also includes information required to be included in a securities note for equity securities as prescribed by Annex 11 of the Delegated Prospectus Regulation and summary information for equity securities as prescribed by Article 7 of the Prospectus Regulation. The Prospectus updates and replaces in whole the Registration Document. Any investor participating in the Global Offer should invest solely on the basis of the Prospectus, together with any supplement thereto.

This schedule of changes to the Registration Document (the "**Schedule of Changes**") sets out, refers to, or highlights material updates to the Registration Document.

Capitalised terms contained in this Schedule of Changes shall have the meanings given to such terms in the Prospectus unless otherwise defined herein.

### **Purpose**

The purpose of this Schedule of Changes is to:

- (a) highlight material changes made in the Prospectus, as compared with the Registration Document;
- (b) highlight the new disclosure made in the Prospectus to reflect information required to be included in a securities note; and
- (c) highlight the new disclosure made in the Prospectus to reflect information required to be included in a summary.

### **1. Registration Document Changes**

- 1.1 A new risk factor entitled "*THG will incur increased costs and regulatory burden and devote substantial management time as a result of being a listed company*" has been added into the Prospectus, describing the effects on THG of complying with the disclosure requirements of the London Stock Exchange. Please see page 18 of the Prospectus.
- 1.2 A new risk factor entitled "*Any change in THG's tax status or in taxation legislation or its interpretation could affect the value of the investments held in THG or THG's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders*" has been added into the Prospectus, describing the potential effects of a change in THG's tax status or in taxation legislation or its interpretation. Please see pages 18 to 19 of the Prospectus.
- 1.3 A new heading entitled "*Service of process and enforcement of civil liabilities*" has been added into the Prospectus, describing the difficulties associated with obtaining service of process and enforcement of actions within the US. Please see page 27 of the Prospectus.
- 1.4 The information under the section "*Directors, Company Secretary, Registered Office and Advisers*" on page 21 of the Registration Document has been updated in the Prospectus to reflect the details of the Directors of the Company. Please see pages 32 to 33 of the Prospectus.
- 1.5 The information under the heading "*Corporate Governance*" on page 57 of the Registration Document has been amended and replaced in its entirety in the Prospectus to reflect the Company's expected corporate governance structure following Admission, which reflects the implementation of changes to Titan's corporate governance arrangements appropriate for a listed company. Please see page 71 of the Prospectus.
- 1.6 The information under the heading "*The Board*" on page 57 of the Registration Document has been amended and replaced in its entirety in the Prospectus to reflect the Company's expected board composition on Admission. Please see pages 71 to 72 of the Prospectus.

- 1.7 The information under the heading "*Board Committees*" on page 57 of the Registration Document has been amended and replaced in its entirety in the Prospectus to reflect the Company's expected committees following Admission. Please see pages 72 to 73 of the Prospectus.
- 1.8 A new paragraph entitled "*Share Dealing Code*" has been added into the Prospectus, describing Titan's adoption of a code of securities dealings on Admission. Please see page 73 of the Prospectus.
- 1.9 The information under the heading "*Combined statement of financial position data*" on page 59 of the Registration Document has been amended in the Prospectus, Please see page 77 of the Prospectus.
- 1.10 A new paragraph entitled "*Expenses Related to the Reorganisation and Admission*" has been added into the Prospectus, describing the aggregate costs and expenses of the Reorganisation and Admission. Please see page 89 of the Prospectus.
- 1.11 The paragraph entitled "*Indebtedness*" on pages 85 to 86 of the Registration Document has been amended in the Prospectus. Please see pages 105 to 106 of the Prospectus.
- 1.12 The information under the heading "*Interim condensed combined statement of financial position as at 30 June 2020*" on pages 133 to 134 of the Registration Document has been amended in the Prospectus. Please see pages 152 to 153 of the Prospectus.
- 1.13 A new paragraph entitled "*The Special Share*" has been added into the Prospectus, describing the issue of the Special Share. Please see page 186 to 187 of the Prospectus.
- 1.14 A new section entitled "*The Special Share, Application of the Code and the Concert Party*" has been added into the Prospectus, describing the Special Share, application of the Code to the Special Share and shareholders of the Company presumed to be acting in concert. Please see pages 186 to 192 of the Prospectus.
- 1.15 The paragraph entitled "*Issued Share Capital*" on pages 146 to 151 of the Registration Document has been updated in the Prospectus, to reflect the Company's expected share capital structure immediately prior to and immediately following Admission. Please see pages 193 to 198 of the Prospectus.
- 1.16 The paragraph entitled "*Propco Reorganisation Steps*" on pages 151 to 152 of the Registration Document has been updated in the Prospectus to describe the share for share exchange that will occur prior to Admission. Please see pages 198 to 199 of the Prospectus.
- 1.17 A new paragraph entitled "*Reorganisation of THG*" has been added into the Prospectus to reflect the corporate reorganisation undertaken by THG following publication of the Registration Document. Please see pages 199 to 200 of the Prospectus.
- 1.18 A new paragraph entitled "*Share Capital Authorities*" has been added into the Prospectus to describe resolutions passed by the shareholders of the Company. Please see pages 200 to 203 of the Prospectus.
- 1.19 A new paragraph entitled "*Information on the Ordinary Shares*" has been added into the Prospectus, describing the issue of the Special Share subject to and conditional upon Admission. Please see pages 203 to 204 of the Prospectus.
- 1.20 The paragraph entitled "*Articles of Association*" on pages 152 to 157 of the Registration Document has been amended and replaced in its entirety in the Prospectus, to reflect the articles of association of the Company that will take effect from Admission. Please see pages 205 to 215 of the Prospectus.
- 1.21 The paragraph entitled "*Other Directorships*" on pages 157 to 159 of the Registration Document has been amended in the Prospectus to reflect the other directorships held by the Directors and Senior Managers of the Company within the past five years and at the date of this document. Please see pages 216 to 217 of the Prospectus.

- 1.22 The paragraph entitled "*Non-Executive Directors*" on page 160 of the Registration Document has been updated in the Prospectus to describe the additional fees to be paid to the Non-Executive Directors of the Company. Please see pages 218 to 219 of the Prospectus.
- 1.23 The paragraph entitled "*Directors' and Other interests*" on pages 161 to 162 of the Registration Document has been updated in the Prospectus, to reflect the interests of the Directors and the Senior Managers in the share capital of the Company at the date of this document and immediately following Admission. Please see pages 219 to 222 of the Prospectus.
- 1.24 A new paragraph entitled "*Remuneration Policy*" has been added into the Prospectus, describing the Company's Directors' remuneration policy. Please see page 222 of the Prospectus.
- 1.25 The paragraph entitled "*Share Incentive Arrangements*" on pages 162 to 165 of the Registration Document has been updated in the Prospectus to reflect the Company's expected share incentive arrangements prior to and following Admission. Please see pages 222 to 226 of the Prospectus.
- 1.26 The paragraph entitled "*Major Shareholders*" on page 166 of the Registration Document has been updated in the Prospectus to reflect the Company's expected major shareholders immediately prior to and immediately following Admission. Please see page 226 of the Prospectus.
- 1.27 The paragraph entitled "*Subsidiaries*" on pages 166 to 167 of the Registration Document has been updated in the Prospectus to reflect the significant subsidiaries of THG at Admission. Please see page 228 of the Prospectus.
- 1.28 Changes have been made to the paragraph entitled "Material contracts" on page 167 of the Registration Document, including the addition of the following new material contracts: (i) Underwriting Agreement; (ii) Relationship Agreement; (iii) Term Sheet with respect to a Property Management and Services Agreement; (iv) Lease for Omega; (v) Wroclaw Lease; (vi) Revised Wroclaw Lease; (vii) Senior Facilities; (viii) Polish Facilities; and (ix) Shareholders' Agreement. Please see pages 234 to 246 of the Prospectus.

## 2. **Securities Note Information**

- 2.1 A new section entitled "*Risks Relating to the Ordinary Shares and the Global Offer*" has been added into the Prospectus to describe the risks relating to the Global Offer and the Ordinary Shares, including fluctuation in the trading price of the Ordinary Shares; the exertion of significant influence over the Company by the Founder, persons considered to be acting in concert with the Founder and the FIC Shareco Lender; the ability of the Founder to pass or prevent the passing of any shareholder resolution; the ability of the Special Share to be transferred to a beneficiary of the holder's estate upon death of the holder; the dilution of the holdings of Shareholders and the depression of the price of the Ordinary Shares; a lower level of regulatory protection afforded to Shareholders; adverse effects on the prevailing trading price of the Ordinary Shares; non-payment of dividends; foreign currency rate risk; the unavailability of pre-emption rights for US and other non-UK holders of Ordinary Shares; and the inability of Shareholders to enforce judgements obtained in US courts. Please see pages 19 to 23 of the Prospectus.
- 2.2 New sections entitled "*Consequences of a Standard Listing*", "*Expected Timetable for the Offer*", "*Offer Statistics*" and "*Details of the Offer*" have been added into the Prospectus, describing the means through which the Ordinary Shares will be offered pursuant to the Global Offer. Please see pages 28 to 31 and pages 170 to 185 of the Prospectus.
- 2.3 A new section entitled "*Capitalisation and Indebtedness Statement*" has been added into the Prospectus, describing the capitalisation and indebtedness of the Company as at 30 June 2020. Please see pages 74 to 75 of the Prospectus.
- 2.4 A new section entitled "*Unaudited Pro Forma Financial Information*" has been added into the Prospectus. Please see pages 165 to 169 of the Prospectus.
- 2.5 A new paragraph entitled "*The Selling Shareholders*" has been added into the Prospectus setting out the interests of the Selling Shareholders in the Ordinary Shares immediately prior to and immediately following the Global Offer. Please see pages 227 to 228 of the Prospectus.

- 2.6 New paragraphs entitled "*United Kingdom Taxation*" and "*US Taxation*" have been added into the Prospectus to provide a general guide to certain UK and US tax considerations relevant to the acquisition, ownership and disposition of Ordinary Shares. Please see pages 228 to 232 of the Prospectus.
- 2.7 A new paragraph entitled "*Working capital*" has been added into the Prospectus, in relation to THG's working capital. Please see page 247 of the Prospectus.
- 2.8 New paragraphs have been added into the Prospectus describing certain provisions under the Takeover Code as applicable to the Company from Admission. Please see paragraphs 25.1 to 25.4 of Part XI (*Additional Information*) on pages 247 to 249 of the Prospectus.
- 2.9 A new paragraph entitled "*Costs and expenses*" has been added into the Prospectus, setting out the aggregate costs and expenses of the Global Offer and Admission. Please see page 249 of the Prospectus.

3. **Summary Information**

A new section entitled "*Summary Information*" has been added into the Prospectus, to reflect the addition of a summary as required by Article 7 of the Prospectus Regulation. Please see pages 1 to 7 of the Prospectus.