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27 August 2020

The Hut Group Limited

Announcement of Intention to Publish a Registration Document and Expected Intention to Float on the London Stock Exchange

THG intends to publish today a Registration Document and is considering proceeding with an initial public offering (the “IPO” or the “Offer”). Should THG proceed with the Offer, the Company would apply for admission of its Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities (together, “Admission”).

THG Highlights

Matthew Moulding, founder, CEO and chairman of THG said:

“Our intention to float THG on the London Stock Exchange reflects the achievements of the past but also our strong belief in the significant potential for THG in the future. THG has enjoyed strong growth since being founded in 2004, employing more than 7,000 people and establishing a track record of consistent delivery for our customers. The brands we own today give us leading strategic positions in prestige beauty and nutrition, powered by Ingenuity, our differentiated proprietary direct-to-consumer e-commerce solution. Ingenuity powers not just our brands but those of many other leading consumer brand owners around the world creating a highly resilient, vertically integrated business with significant growth opportunities. In 2019 we achieved year-on-year revenue growth of 24.5 per cent. to reach £1.1 billion with adjusted EBITDA of £111.3 million.”

- THG is a vertically integrated digital-first consumer brands group, retailing its own brands in beauty and nutrition plus third party brands, via its proprietary technology platform to an online and global customer base.
- THG’s own brands, including *Myprotein* and *Lookfantastic*, make it a leading strategic player within the prestige beauty industry and online nutrition market globally, while THG also powers over 1,000 third party brands.
- THG is powered by THG Ingenuity, its proprietary end-to-end e-commerce technology, infrastructure and brand building platform.
- THG's operations span the entire product and customer journey, starting from proprietary product development and range building, progressing through to functions including manufacturing, content creation, marketing, digital commerce and customer service, through THG's leading websites and integrated global payment, hosting, courier and logistics networks.

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. In addition over 1,000 brands were retailed through the THG Ingenuity platform, generating over £1.1 billion in net revenue in the year ended 31 December 2019.

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

- **THG Ingenuity:** THG Ingenuity is THG's proprietary technology platform and operating ecosystem. In addition to powering the online operations of the THG's own category leading 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 standalone services, including hosting, content creation and translation. The e-commerce solution is positioned as a proven enablement platform for frictionless end-to-end digital commerce, combining deep brand building capability and end-to-end proprietary technology, and giving a one-business data view across all core functions. Ingenuity's clients include Nestlé, Procter & Gamble, Walgreens Boots Alliance, Coca Cola, Johnson & Johnson, Clorox, L'Occitane, Homebase and PZ Cussons. Ingenuity is rapidly scaling and secured £215 million in life-of-contract revenue from 1 January 2020 to 30 June 2020 across a wide range of categories including beauty, health care, pet care, confectionery, sports nutrition, baby, cleaning, gaming and homeware, which demonstrates the wide addressability of the solution.
- **THG Beauty:** THG is a leading strategic player within the online 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 of the Company (the "Directors") believe that it was the world's largest online pure-play prestige beauty specialty retailer in 2019, based on revenue.
- **THG Nutrition:** Online D2C brand and manufacturer of nutrition products. 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.
- **Other:** This business unit 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 has a compelling financial profile, which combines scale, rapid growth and high margins. For the year ended 31 December 2019, THG's revenue was £1.1 billion, up 24.5 per cent. year-on-year, and its Adjusted EBITDA was £111.3 million, representing an Adjusted EBITDA margin of 9.8 per cent. The Company has experienced an acceleration in growth during 2020, with revenue of £676 million, up 35.8 per cent. on the equivalent prior year period, achieved in the 6 months to 30 June 2020, which the Directors believe evidenced the non-discretionary nature of the nutrition and beauty categories.

The global end markets for THG's categories, beauty and nutrition, are very large, presenting THG with opportunities to grow within both existing markets, as customers increase online purchases, and in new markets, where THG is scaling its presence. THG has proven its ability to scale in international markets, with 65 per cent. of sales being international in 2019 and with an international sales CAGR of +45 per cent. (2015-2019), with this growth facilitated by the unique localisation capabilities of the Ingenuity platform. 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. In addition, brand owners are increasingly recognising the importance of D2C, which offers numerous benefits to brand owners, including increased control over the customer experience and the opportunity to develop a direct relationship with customers.

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

Expected Offer Highlights

Should THG proceed with an Offer, it is expected to have the following features:

- Admission to listing on the standard listing segment of the Official List of the FCA and admission to trading on the main market for listed securities of the London Stock Exchange.

- The Offer would be comprised of new Shares to be issued by the Company (raising gross proceeds of c.£920 million to target a net cash position at Admission of c.2.6x LTM Jun-20 EBITDA) and an offer of existing Shares to be sold by certain existing shareholders.
- Immediately following Admission, the Company intends to have a free float of at least 20 per cent. of the Company's issued share capital and a fixed offer price equating to £4.5 billion pre-money equity value.
- The Directors believe that the Offer would further support THG's growth plans by increasing THG's public profile and brand awareness as well as providing a base of long term shareholders whilst also providing potential liquidity opportunities for shareholders.

THG has engaged Citigroup Global Markets Limited ("**Citigroup**"), J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) ("**J.P. Morgan Cazenove**"), Barclays Bank PLC ("**Barclays**") and Goldman Sachs International ("**Goldman Sachs**") as Joint Global Co-ordinators, and HSBC Bank plc ("**HSBC**"), Jefferies International Limited ("**Jefferies**") and Numis Securities Limited ("**Numis**") as Joint Bookrunners, in the event the Offer proceeds. N.M. Rothschild & Sons Limited ("**Rothschild & Co**") is acting as the sole Financial Adviser to the Company.

A copy of the Registration Document will be submitted to the National Storage Mechanism and will be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism> once approved by the FCA. A copy of the Registration Document will also be available on THG's website at www.thg.com subject to certain access restrictions.

Investment Highlights

The Directors believe that THG benefits from a combination of competitive advantages, which positions THG to continue its growth trajectory from a position of strength. In particular, the Directors believe that THG benefits from the following 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, which are powered by THG Ingenuity, THG's internally developed, proprietary technology platform and operating ecosystem. The expertise accrued over the last 15 years has allowed THG to scale brands rapidly and effectively, and secure market-leading positions in the digital nutrition and beauty categories.
- In the nutrition market, the Directors believe that *Myprotein* was the largest online D2C sports nutrition brand globally in 2019 based on revenue. 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 and leading market shares in the UK and Western Europe, the Directors believe, while rapidly scaling in Asia.
- In beauty, the Directors believe that through *Lookfantastic* and its family of related websites ("**THG Beauty Retail**"), THG was the world's largest online pure-play prestige beauty specialty retailer in 2019, based on revenue, and represents a critical route to market for beauty brands seeking to grow, innovate and connect with global audiences. Offering over 850 premium brands, THG Beauty Retail's revenue has grown at a CAGR of over 40 per cent. from 2010, when *Lookfantastic* was acquired, until 2019.

THG Ingenuity powers THG and differentiates the business from its competitors

- THG's proprietary technology platform, Ingenuity, is differentiated from its competitors in that it incorporates all of the components required to execute online D2C retailing as part of a single, frictionless ecosystem. THG Ingenuity's peers are typically modular, only providing a limited number of functions (e.g. the front-end commerce platform) and requiring a number of external plug-ins to achieve end-to-end e-commerce capability. Further, unlike peers, THG Ingenuity is not only a technology provider, but also a digital brand builder providing its clients services spanning brand creation, product development, trading, digital marketing, data analytics, content creation, translation and customer services.
- Ingenuity is the critical enabler of THG's brand building and digital commerce activities, with its success demonstrated by the growth and leadership positions of *Myprotein* and *Lookfantastic*. THG Ingenuity currently operates over 200 localised websites, supporting over 40 currencies and over 60 languages, and delivers over £1 billion of D2C sales (for THG or its clients through THG Ingenuity) annually.
- 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 division in THG. As recognition grows of the critical role the THG Ingenuity platform can perform in scaling brands digitally, THG Ingenuity has recently seen a step change in demand, with approximately £215 million in life-of-contract revenue having been secured from 1 January 2020 to 30 June 2020.

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 functions including manufacturing, content creation, marketing and digital commerce, through THG's leading websites and integrated global payment, hosting, 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 57 per cent. of its owned beauty brand products, and 80 per cent. of *Myprotein* products across four production facilities. 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.

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. Acquired brands have enjoyed improved margins, enhanced D2C capabilities and faster growth after integration into THG's platform. For example, *Grow Gorgeous*, a prestige haircare brand, has experienced over 36 per cent. annual revenue growth from 2015 to 2019, and earned a 30 per cent. Adjusted EBITDA margin in the year ended 31 December 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 Translates**") to provide translation services, Hangar Seven (now "**THG Studios**") to enhance THG's content creation abilities and Acheson & Acheson to enhance 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 player, and THG has identified a pipeline of attractive acquisition opportunities of brands with strong potential for rapid expansion through increased digital penetration and internationalisation, with this to be facilitated through THG Ingenuity.

Consistent track record of strong financial performance

- THG has grown revenue from £1 million in 2004 to £1.1 billion in 2019. 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.
- THG's business model is cash generative, as it is supported by high-margin categories, favourable structural working capital dynamics (through a predominantly online D2C 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.

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 Commercial 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), Beauty CEO (Rachel Horsefield) and 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, as significant growth in online demand has resulted in 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.
- The Directors believe these trends reflect the continued acceleration of 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). In addition to driving stronger sales in THG Nutrition and THG Beauty, this channel shift has also benefitted THG Ingenuity, as there has been a step change in demand for digitalisation across FMCG groups and brand owners.

- In addition, the Directors believe this strong trading performance evidences 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.

Strategy

THG's general strategy centres around a continued focus on building leading digital brands within beauty and nutrition, where the global end markets are very large and rapidly moving online, the continued commercialisation of THG Ingenuity, to capture the significant opportunity presented by global brand owners adopting a direct to consumer offering, and continued investment in the THG's global infrastructure network. The core strategy of each business segment is outlined below:

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 many segments of 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 in each of these brands, enabling the brands to evolve in response to emerging trends.
- 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, particularly in Asian markets. The Directors estimate the Asia nutrition/sports nutrition market was worth £1.55 billion in 2019, with 28 per cent. online penetration, and was forecast to grow at an 11 per cent. CAGR from 2019 to 2024, due to robust demand drivers including a growing middle class population, an increasing propensity to exercise and a digitally enabled customer base. THG's localised approach to branding and new product development, with innovative new flavours developed in line with local tastes, has enabled *Myprotein's* Asia revenue to increase at a 271 per cent. CAGR from 2015 to 2019. THG expects to continue with this successful strategy, investing further in technology and logistics infrastructure to better service Asian customers, while continuing to evolve its product range in line with local tastes.

THG Beauty

- 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 4.0 per cent. CAGR for the global beauty market). Further, 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) as consumers become increasingly comfortable with buying beauty products online, and value the greater assortment and convenience offered by e-commerce. The Directors believe that THG is well positioned to benefit from the continued growth of the prestige beauty segment and its increasing online penetration. In addition, the Directors believe that THG's strong position as a critical route to market will allow the THG to add new brands to its assortment every year.
- Approximately 64 per cent. of *Lookfantastic* sales in 2019 were outside the UK, reflecting the success of the THG Ingenuity platform in internationalising brands. In 2019, *Lookfantastic* 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. Its 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 (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, *Lookfantastic'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 its 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*), both of which are higher gross margin channels. 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 leverage its category expertise and data deriving from its four million active beauty customers to identify and actively pursue the acquisition of high performing beauty brands

- Finally, the Directors view THG's beauty subscription boxes *Glossybox* and *Lookfantastic*, with currently over 445,000 combined monthly subscribers (as of July 2020), as powerful and highly synergistic channels for acquiring new customers and driving growth in both third party and owned beauty brand sales in a highly cost efficient manner. THG expects to continue to invest in its beauty subscription platform to further enhance its operating model in future years.

THG Ingenuity

- Given the scale and growth of the e-commerce services market (£41 billion market in 2018, and forecast by the Directors to grow at a 23 per cent. CAGR from 2018 to 2023), and the differentiated nature of THG's platform and operating ecosystem, the Directors see THG's SaaS e-commerce offering as one of the THG's key growth drivers. The Directors see significant opportunity in this area, owing to the number of brand owners that have yet to adopt a scalable D2C offering, or have found the cost of building a scalable platform through a combination of third-party service providers prohibitively expensive.
- In addition, the Directors see significant growth opportunities with 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.
- The THG Ingenuity platform is the critical enabler of THG's operating model. In 2019, THG funded over 850,000 developer hours and over 10,000 individual code releases, as it continued to develop its Ingenuity platform. 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 continued growth.

Current trading and prospects

Outlook

THG's business plan sets out certain ambitions in respect of revenue growth for its Beauty, Nutrition and Ingenuity businesses as well as key financial items for THG. 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: Targeting overall revenue growth of c.20-25 per cent. over the medium term based on a strong growth trajectory in all segments
 - Beauty: Targeting revenue growth of c.25 per cent. over the medium term driven by the continued strong performance of *Lookfantastic* with accelerating channel shift underpinning growth. Subscription beauty boxes expected to continue to serve as a highly effective customer acquisition channel and to drive customer loyalty. THG's own beauty brand portfolio expected to benefit from premiumisation trends as well as the potential for rapid expansion through increased digital penetration and internationalisation driven by integration with the THG Ingenuity platform.
 - Nutrition: Targeting revenue growth of c.20 per cent. over the medium term, driven by *Myprotein*'s expansion into the underpenetrated Asian market as well as continued new product development building on the success of the 2018 re-branding and brand extensions. Nutrition now operates a family of brands with each sub-brand targeting a separate segment of the market (e.g. vegan, athleisure) and expanding the total addressable market.
 - Ingenuity: Targeting revenue growth of c.40 per cent. over the medium term, primarily as a result of increasing mix of E-Commerce revenues as global brand owners accelerate their adoption of D2C strategies thus requiring a reliable technology service offering. Ingenuity has recently seen a step change in demand, with approximately £215 million in life-of-contract revenue secured during the period from 1 January to 30 June 2020 underpinning growth. Stable / growing performance is expected in other services (including hosting, content creation and translation).

- THG is targeting a stable gross margin and Adjusted EBITDA margin over the medium term as growth and operating leverage benefits are reinvested for growth.
- Net finance costs are expected to increase to approximately £50 million per annum over the medium term, which include IFRS 16 adjustments.
- Cash taxes are expected to be notional over the medium term.
- Capital expenditures are expected to be between c.5.5 per cent. and 6.5 per cent. of revenue over the medium term

Supplemental Information for Bona-fide Unconnected Sell-Side Research Analysts

Bona fide unconnected research analysts may receive additional information on THG by requesting access from Instinctif Partners (uca.thg@instinctif.com).

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Notes to Editors

About

THG

The Hut Group (www.thg.com) is a vertically integrated digital-first consumer brands group, retailing its own brands, in beauty and nutrition plus third party brands, via its proprietary technology platform to an online and global customer base. THG is powered by THG Ingenuity, its proprietary end-to-end e-commerce technology, infrastructure and brand building platform.

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

- THG Ingenuity: Provides an end-to-end D2C 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 and wellbeing 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 its prestige portfolio of seven owned brands across skincare, haircare and cosmetics, 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**”), the beauty subscription box brand *Glossybox* and the product developer and manufacturer Acheson & Acheson; 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.

THG Alternative Performance Measures (APMs) and Financial Information

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. Each metric is described more fully below.

THG's financial APMs include:

	Six months ended 30		Year ended 31 December		
	June		2019	2018	2017
	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	106,082	98,706
Gross Profit	303,645	224,717	508,813	417,479	318,462
Adjusted EBITDA ⁽¹⁾	60,534	47,605	111,343	86,248	64,687
Adjusted EBITDA Margin (%) ⁽²⁾	9.0	9.6	9.8	9.4	8.8
Underlying Net Income ⁽³⁾	(12,129)	(4,457)	(208)	17,664	16,712
Adjusted Free Cash Flow (millions) ⁽⁴⁾	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		Year ended 31 December		
	June		2019	2018	2017
	2020	2019	2019	2018	2017
	£'000				
Profit / (loss) for the period	(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

	Six months ended 30		Year ended 31 December		
	June				
	2020	2019	2019	2018	2017
			£'000		
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
Plus adjusted items:					
Share based payments ^(a)	191	7,122	27,252	7,058	-
Adjusted Items ^(b)	38,738	5,693	17,951	23,991	31,623
Adjusted EBITDA	60,534	47,605	111,343	86,248	64,687

- (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.
- (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		For the year ended 31 December		
	30 June				
	2020	2019	2019	2018	2017
			£m		
Adjusted EBITDA⁽¹⁾.....	56	45	104	86	65
Working capital movement (NWC).....	35	(75)	(37)	(18)	(14)
Operating Cash Flow⁽²⁾.....	91	(30)	67	68	51
per cent. conversion (%).....	162	(68)	65	80	79
Normalised Capital Expenditures (maintenance capex only).....	(13)	(8)	(22)	(17)	(15)
Total Capital Expenditures ⁽³⁾	(47)	(46)	(92)	(77)	(70)
Adjusted Free Cash Flow⁽⁴⁾.....	78	(38)	45	51	36
per cent. normalised conversion (%).....	138	(85)	44	60	56
Free Cash Flow⁽⁵⁾.....	44	(76)	(25)	(9)	(19)
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		As at or for the year ended 31 December		
	months ended 30 June				
	2020	2019	2019	2018	2017
THG Beauty:					
Active Customers (millions) ⁽¹⁾	3.5	2.0	4.1	3.1	2.5
Website Visits ⁽²⁾	n/a	n/a	215	153	121
Number of Orders (thousands) ⁽³⁾	5,611	3,406	8,329	6,412	4,581
Average Order Value (£) ⁽⁴⁾	51.1	48.6	50.8	50.7	53.4

	As at or for the six months ended 30 June		As at or for the year ended 31 December		
	2020	2019	2019	2018	2017
	THG Nutrition:				
Active Customers (<i>millions</i>) ⁽¹⁾	3.8	2.6	4.3	3.8	3.6
Website Visits (<i>millions</i>) ⁽⁵⁾	n/a	n/a	168	163	149
Number of Orders (<i>thousands</i>) ⁽³⁾	5,872	4,216	8,666	7,645	7,523
Average Order Value (£) ⁽⁴⁾	46.1	45.5	45.8	45.6	45.5

- (1) 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.
- (2) Website Visits for THG Beauty is defined as the number of website visitors to the *Lookfantastic* family of websites within the period.
- (3) Number of Orders is defined as orders fulfilled within the period.
- (4) Average Order Value is defined as the average order value per customer order on a gross revenue basis.
- (5) Website Visits for THG Nutrition is defined as the number of website visitors to the *Myprotein* family of websites within the period.

Combined statement of comprehensive income data

	For the six months ended 30 June					
	2020			2019		
	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total	Before Adjusted Items	Adjusted Items ⁽¹⁾	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)
Operating profit/(loss)	13,300	(38,929)	(25,629)	9,698	(12,815)	(3,117)
Adjusted EBITDA	60,534	(38,738)	21,796	47,605	(5,693)	41,912
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)
Operating profit/(loss)	13,300	(38,929)	(25,629)	9,698	(12,815)	(3,117)
Finance income.....	77	-	77	62	-	62
Finance costs.....	(24,270)	-	(24,270)	(12,628)	-	(12,628)
Profit/(loss) before taxation	(10,893)	(38,929)	(49,822)	(2,868)	(12,815)	(15,683)
Income tax credit/(charge).....	(1,236)	6,701	5,465	(1,589)	2,280	691
Profit/(loss) for the period	(12,129)	(32,228)	(44,357)	(4,457)	(10,535)	(14,992)

	For the year ended 31 December								
	2019			2018			2017		
	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total	Before Adjusted Items	Adjusted Items ⁽¹⁾	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)	(123,641)	(15,315)	(138,961)
Administrative costs.....	(277,448)	(35,647)	(313,095)	(227,781)	(21,504)	(249,285)	(168,445)	(16,308)	(184,753)
Operating profit/(loss)	30,225	(45,203)	(14,978)	34,772	(31,049)	3,723	26,371	(31,623)	(5,252)
Adjusted EBITDA	111,343	(17,951)	93,392	86,248	(23,991)	62,257	64,687	(31,623)	33,064
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)	-	-	-

	For the year ended 31 December								
	2019			2018			2017		
	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total	Before Adjusted Items	Adjusted Items ⁽¹⁾	Total
	(£ 000)								
Operating profit/(loss)	30,225	(45,203)	(14,978)	34,772	(31,049)	3,723	26,371	(31,623)	(5,252)
Finance income.....	133	-	133	162	-	162	315	-	315
Finance costs	(26,261)	(7,951)	(34,212)	(14,171)	-	(14,171)	(6,377)	-	(6,377)
Profit/(loss) before taxation	4,097	(53,154)	(49,057)	20,763	(31,049)	(10,286)	20,309	(31,623)	(11,314)
Income tax (charge)/credit.....	(4,305)	5,172	867	(3,099)	3,222	123	(3,597)	4,615	1,018
Profit/(loss) for the financial year	(208)	(47,982)	(48,190)	17,664	(27,827)	(10,163)	16,712	(27,008)	(10,296)

- (1) 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.

Combined statement of financial position data

	As at 30 June		As at 31 December		
	2020	2019	2018	2017	
	(£ 000)				
Non-current assets					
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	-	-	-	
	941,560	911,632	648,707	545,358	
Current assets					
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	
	845,174	779,986	485,726	318,493	
Total assets	1,786,734	1,691,618	1,134,433	863,851	
Equity					
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	-	-	
	333,796	403,852	315,266	265,811	
Non-current liabilities					
Borrowings	559,938	494,012	494,651	369,525	
Derivative financial liabilities.....	2,339	2,940	-	-	
Lease liabilities	175,312	172,297	-	-	
Deferred tax liability.....	-	7,769	8,400	7,873	
	737,589	677,018	503,051	377,398	
Current liabilities					
Contract liability	42,349	23,739	25,889	14,326	
Trade and other payables	502,048	428,620	281,954	198,401	
Borrowings	155,014	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	-	-	-	
	715,349	610,748	316,116	220,642	

	As at 30 June	As at 31 December		
	2020	2019	2018	2017
	(£ 000)			
Total liabilities	<u>1,452,938</u>	<u>1,287,766</u>	<u>819,167</u>	<u>598,040</u>
Total equity and liabilities.....	<u>1,786,734</u>	<u>1,691,618</u>	<u>1,134,433</u>	<u>863,851</u>

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)				
Cash flows from operating activities					
Cash generated from operations.....	95,534	(29,428)	71,713	68,856	50,648
Income tax received / (paid)	1,459	996	1	(243)	16
Net cash generated from operating activities before adjusted cash flows.....	96,993	(28,432)	71,714	68,613	50,664
Cash flows relating to adjusted items.....	(36,307)	(4,130)	(16,992)	(23,358)	(34,141)
Net cash generated from operating activities.....	60,686	(32,562)	54,722	45,255	16,523
Cash flows from investing activities					
Acquisition of subsidiaries net of cash acquired	-	(41,681)	(41,680)	(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	(46,624)	(93,754)	(139,963)	(142,838)	(230,353)
Cash flows from financing activities					
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)
			(1,217,367)		
Repayment of bank borrowings	-	(630,318)	-	(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)
Net cash from financing activities	(37,558)	(38,855)	159,362	145,673	226,273
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
Cash and cash equivalents at the end of the period.....	285,444	69,648	308,940	234,819	186,729

Board of Directors

Should the Company proceed with an Offer, it is expected that the board of directors of the Company (the “Board”) will be chaired by Matthew Moulding and consist of Matthew Moulding as CEO, John Gallemore as CFO, Zillah Byng-Thorne as Senior Independent Director, Dominic Murphy as Independent Non-Executive Director and Ian McDonald and Edward Koopman as Non-Executive Directors. THG will appoint an additional Independent Non-Executive Director within 12 months of Admission, should it proceed with an Offer.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Matthew Moulding.....	48	Executive Chairman and Chief Executive Officer
John Gallemore	51	Chief Financial Officer
Zillah Byng-Thorne.....	45	Senior Independent Director
Dominic Murphy	53	Independent Non-Executive Director
Iain McDonald	49	Non-Executive Director
Edward Koopman.....	58	Non-Executive Director

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)

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protections afforded to their respective clients, nor for providing advice in relation to the Offer or any transaction, matter, or arrangement referred to in this announcement or the Registration Document to be published in connection with the Offer.

This announcement is only addressed to and directed at specific addressees who: (A) if in member states of the European Economic Area (the “**EEA**”), are persons who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended) (“**Qualified Investors**”); and (B) if in the United Kingdom, are Qualified Investors who are: (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (C) are other persons to whom it may otherwise lawfully be communicated (all such persons referred to in (B) and (C) together being “**Relevant Persons**”). This announcement must not be acted 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 activity to which this announcement relates (i) in the United Kingdom is available only to, and may be engaged in only with, Relevant Persons; and (ii) in any member state of the EEA is available only to, and may be engaged in only with, Qualified Investors.

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This announcement may include forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target”, “believe”, “expect”, “aim”, “intend”, “may”, “anticipate”, “estimate”, “plan”, “project”, “will”, “can have”, “likely”, “should”, “would”, “could” and any other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and its investments, including, among other things, the development of its business, trends in its operating environment, and future capital expenditures and acquisitions. The forward-looking statements in this announcement speak only as at the date of this announcement. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and none of the Company, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Barclays Bank PLC, Goldman Sachs International, HSBC Bank plc, Jefferies International Limited or Numis Securities Limited (together, the “**Banks**”) nor N.M. Rothschild & Sons Limited nor any member of THG, nor any of such person's affiliates or their respective directors, officers, employees, agents and/or advisors, nor any other person(s) accepts any responsibility for the accuracy or fairness of the opinions expressed in this announcement or the underlying assumptions. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur. No representation or warranty is made that any forward-looking statement will come to pass. No one undertakes to update, supplement, amend or revise any forward-looking statements. You are therefore cautioned not to place any undue reliance on forward-looking statements.

Any subscription or purchase of Shares in the possible Offer should be made solely on the basis of information contained in the Prospectus which may be issued by the Company in connection with the Offer. The information in this announcement is subject to change. Before subscribing for or purchasing any Shares, persons viewing this announcement should ensure that they fully understand and accept the risks which will be set out in the Prospectus, if published. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. Neither this announcement, nor anything contained in the Registration Document, shall constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to acquire, whether by subscription or purchase, any Shares or any other securities, nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

THG may decide not to go ahead with the possible Offer and there is therefore no guarantee that a Prospectus will be published, the Offer will be made or Admission will occur. Potential investors should not base their financial decision on this announcement. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making investments should consult an authorised person specialising in advising on such investments. Neither this announcement, nor the Registration Document, constitutes a recommendation concerning a possible offer. The value of shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of a possible offer for the person concerned.

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For the avoidance of doubt, the contents of the Company's website, including the websites of the Company's business units, are not incorporated by reference into, and do not form part of, this announcement.