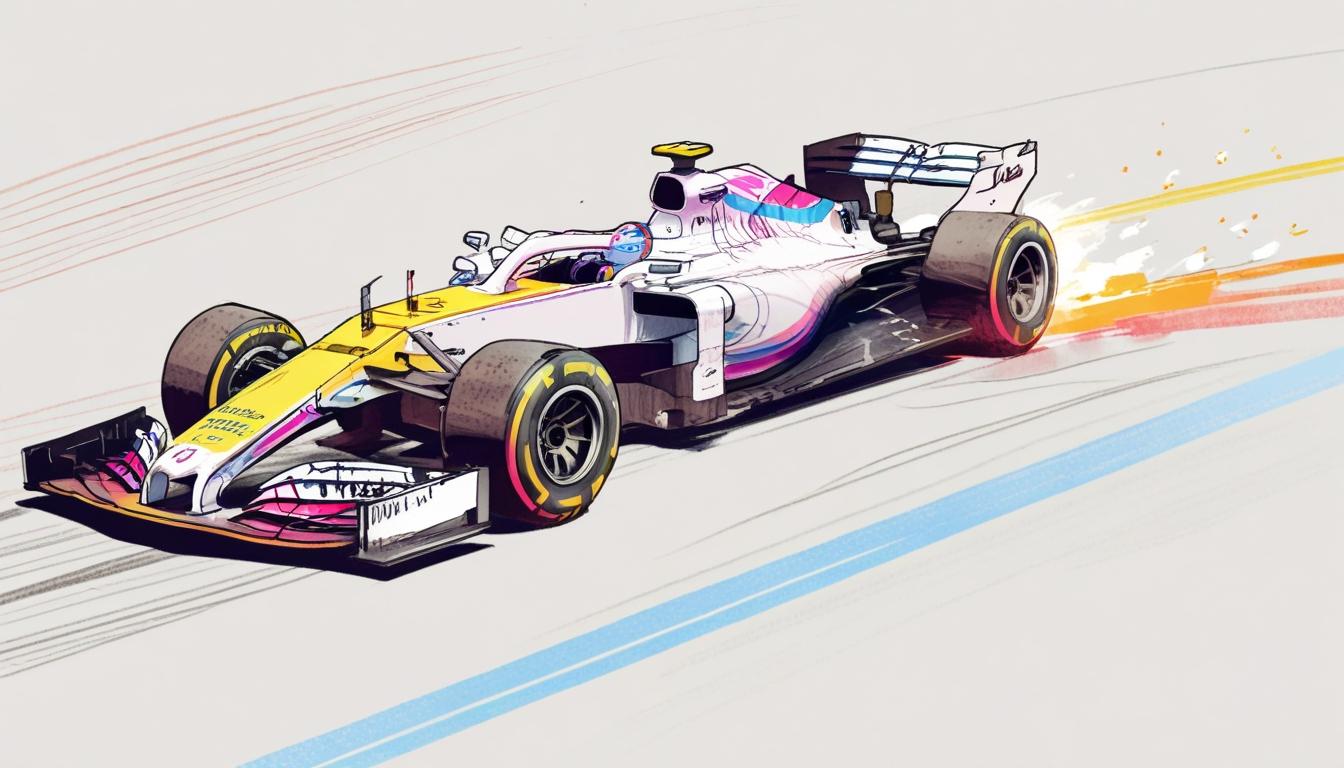
# THG writes off £7m as Williams Racing sponsorship falls short and hotels face heavy impairments



In October 2023, THG, a UK-listed retailer known for its products ranging from whey protein to lipstick, entered into a notable multi-year partnership with Formula 1 team Williams Racing. The partnership, described at the time as "ground-breaking," saw THG become an Official Partner to Williams Racing across areas including Nutrition, Technology & Ecommerce, and Sustainability. Both organisations, branded as dynamic British entities with strong legacies in innovation and global brand-building, intended to leverage their combined expertise and the vast global audience of Formula 1 to enhance performance both on and off the track for drivers, team members, and fans.

However, an update disclosed in THG’s annual report suggests that the sponsorship has underperformed financially. The report notes that the agreement "has not delivered the expected commercial returns" and has been classified as an onerous contract. Under the terms of this contract, THG is obligated to pay annual fees and potential termination costs. The company has issued notice to terminate the contract at the earliest possible date, which is 31 December 2025. The report highlights a £7 million write-off relating to these costs, which includes fees incurred from January 2024 onwards and other unavoidable committed expenses. This figure also includes costs tied to a halted Human Resources enterprise reporting platform implementation.

THG’s financial disclosures also reveal significant challenges in its hospitality ventures, particularly within its THG Experience segment. The company has paused refurbishment work on one asset, resulting in an impairment charge of £14.9 million for the year. This charge covers both the refurbishment costs and the expected expenses related to returning the property at the end of the lease term.

The hospitality holdings in question comprise several hotels acquired by THG before its 2020 public listing. These include the King Street Townhouse and Great John Street Hotel, both located in central Manchester, as well as the Hale Country Club and Spa near Manchester airport. Despite these properties being somewhat peripheral to THG’s core business of health and beauty products, hotel revenues were incorporated in the group’s Beauty segment post-flotation, justified as support for the Group’s influencer marketing activities.

In a strategic move in December 2024, THG divested its loss-making Ingenuity logistics division, a transaction facilitated by CEO Matt Moulding. This arrangement also involved "certain leased assets and operational activities" pertaining to THG Experience, though exact details were not disclosed at the time. Financial records filed with Companies House clarify that ownership of the Hale Country Club and King Street Townhouse transferred to Moulding, while THG shareholders retain responsibility for the Great John Street Hotel. The latter remains a continuing operation within the group and has been out of use since closing for refurbishment in 2022; contact numbers on its website have been disconnected, and social media accounts inactive for over four years.

Further explanation from the annual report elucidates that for assets classified under the disposal group, including those being divested, directors found no indicators necessitating impairment assessments for 2024. For remaining assets still held as continuing operations, an impairment review was undertaken for a specific asset where refurbishment had been paused. This evaluation led to a £14.5 million impairment charge, covering right-of-use assets, fixtures, fittings, and anticipated return costs for the property. The scale of this writedown contrasts with the 2023 financial statements of the subsidiary owning the asset, which listed property value at £5.8 million and right-of-use assets at £9 million.

The situation has prompted questions among investors, particularly since Hale Country Club—a profitable venture for 2023—is now under separate ownership held by CEO Matt Moulding, leaving shareholders to absorb losses associated with the Great John Street property.

While THG has not responded to requests for comment on these developments, its latest full-year results have nonetheless been described by corporate brokers Jefferies as a potential "turning point." They highlighted the completion of the Ingenuity demerger, diminishing external challenges, and a return to growth in the Nutrition division as factors improving the investment case for THG equity. Yet, the financial impacts of previous investments and partnerships, including those with Williams Racing and the hotel business, continue to affect the group's financial landscape.

The Financial Times is reporting on these developments as part of a broader analysis of THG’s strategic evolutions and financial performance hurdles.

Source: [Noah Wire Services](https://www.noahwire.com)

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