# Revolution Beauty share price plunges 40% amid deep revenue slump and funding concerns



Revolution Beauty has experienced a dramatic decline in its share value, plummeting by as much as 40% after announcing a significant drop in sales. The beauty retailer reported a staggering 26% decrease in revenue, falling to £141.6 million for the year ending February 28. This downturn is a reflection of various challenges, including a reduction in the product portfolio and difficulties within both online and US sales channels.

The company attributed its struggles to a combination of reduced consumer confidence, particularly in the US, and the impact of ongoing trade issues. With its operations heavily reliant on the US market—about 23% of sales generated there and approximately 60% of its US products imported from China—Revolution is keenly aware of how these dynamics affect its business. Recent de-escalations in US-China trade tensions have provided a glimmer of hope, as the firm looks towards potential price increases in response to impending tariffs.

Management is actively seeking to extend its £32 million credit facility, which is set to expire in October. With cash flow being a pressing concern, the board has indicated the need for a more robust capital structure to support its strategic objectives. “While the board has confidence in the future medium-term prospects for the company, cash management has been tight,” a representative stated. The urgent review of funding options underscores the precarious situation facing the retailer.

Moreover, Revolution Beauty's recent history has only compounded its challenges. In 2022, the company faced serious accounting irregularities which prompted a legal probe, leaving it in a precariously diminished state. The need for a turnaround is palpable, as reflected in an £11.3 million hit to earnings as a result of efforts to clear discontinued stock. The focus on simplifying its product range has led to a clearance strategy that has not yielded results as expected; revenues for the six months leading up to August showed a 20% decline, suggesting that the clearance of older inventory is more complex than anticipated.

Despite these setbacks, management remains optimistic about the future, forecasting a potential return to growth in the following financial year. They are committed to a streamlined product offering and have indicated a focus on continuously enhancing relationships with existing retailers. Interestingly, while overall sales remain down, analysts have noted that the sell-through rates for remaining products are holding steady, which could be seen as a positive indicator for recovery.

As Revolution Beauty faces this tumultuous period, it grapples not only with immediate financial pressures but also with the long-term implications of its operational strategies. The company’s trajectory is being closely monitored as it seeks to navigate these hurdles and restore confidence among investors and consumers alike.

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

## Bibliography

1. <https://www.independent.co.uk/news/business/revolution-beauty-shares-plunge-as-it-reviews-funding-options-b2749964.html> - Please view link - unable to able to access data
2. <https://www.thisismoney.co.uk/money/markets/article-13940549/Revolution-Beauty-takes-hit-clearing-discontinued-stock.html> - Revolution Beauty reported a £11.3 million hit to earnings due to clearing discontinued stock. The company is undergoing a turnaround after a 2022 probe found serious accounting irregularities, leading to legal battles and a near-collapse in valuation. The firm is focusing on cost-cutting and simplifying its product portfolio, resulting in a 20% year-on-year decline in revenues to £72 million over the six months to August 31. The decline also reflects significant stock clearance activity, with the group focused on clearing slow-moving discontinued inventory from previous years to generate cash.
3. <https://www.proactiveinvestors.co.uk/companies/news/1057932/revolution-beauty-tanks-after-sales-slump-worse-than-feared-1057932.html> - Revolution Beauty Group PLC shares dropped 12% after reporting a 20% decline in sales to £72 million in the six months to August. The company is focusing on selling off stock to refocus on a simplified product portfolio. Analysts noted that the revenue hit was worse than expected, with the clearance of non-core products not going as well as hoped. Despite this, the company maintained profit guidance, and the shift in strategy is progressing well with sell-through rates holding up.
4. <https://www.standard.co.uk/business/business-news/revolution-beauty-swings-to-loss-but-sees-encouraging-progress-b1194848.html> - Revolution Beauty reported pre-tax losses of £10.9 million for the half-year to August 31, compared to profits of £400,000 a year earlier. Sales plunged by 20% to £72.4 million as the company simplified its product offering and ramped up clearance promotions to shift old stock. The loss was also due to a £10.2 million write-off on old stock amid a strategy shake-up. Despite the loss, the company reported 'encouraging progress' in its revamp plan.
5. <https://www.retailgazette.co.uk/blog/2025/01/revolution-beauty-faces-sales-drop-in-fy25-but-eyes-strong-growth-ahead/> - Revolution Beauty warned of a 25% drop in sales for the financial year ending 28 February 2025, citing softness in digital channels and de-stocking from US retailers in December. Despite the challenges, the beauty retailer is predicting a return to growth in FY26 due to its ongoing transformation and key strategic initiatives. The company is focusing on a more streamlined and profitable set of products, discontinuing over 6,000 SKUs—around 75% of its original range.
6. <https://www.morningstar.co.uk/uk/news/AN_1737627971571650000/aim-winners--losers-revolution-beauty-warns-of-annual-sales-drop.aspx> - Revolution Beauty Group PLC shares plunged 27% after a profit warning, revealing a soft fourth quarter and delays to some new contracts. The company continues to make progress expanding its relationships with existing and new retailers, with launches into Walmart in the US and DM in Germany remaining on track for February 2025. Analysts adjusted revenue and EBITDA forecasts but maintained that the overall strategic direction remains unchanged, viewing the period as a transitional year.
7. <https://www.retailgazette.co.uk/blog/2024/04/revolution-beauty-claim/> - Revolution Beauty is set for a legal battle as a former investor has filed a claim of over £45 million, accusing the business of 'deceit'. Chrysalis Investments bought a £45 million stake in the company in July 2021 but sold its shares for £5.7 million in 2022 after Revolution’s value collapsed. The investor alleges 'deceit, negligent misstatement and/or misrepresentation' at the time of the share purchase and is seeking £39 million plus £6.2 million for 'consequential losses'. Revolution Beauty 'strongly contests' the claims and will consider a response with its legal advisors.