# The ugly truth emerging about Revolution Beauty's fall

F
ortunately, you did not own shares in Revolution Beauty last year. How right you were. This self-styled "multi-brand, multi-category, multi-channel, mass beauty innovator with proven global scale" came to the AIM market in July 2021 at 160p, valuing the business at almost £500 million.

The existing shareholders (including private equity, of course) raised £190 million, and only £110 million went into the company. Things started to go wrong almost immediately, with the shares falling to a discount. It has been bad news all the way since then, in the usual slow-motion way of these financial disasters. Last August, results were delayed, but "management is not aware of any material issues that have been raised by the auditors".

Nine days later, "the auditors have subsequently raised certain accounting issues". On August 30, it was apparent that the game was up, and the shares were "temporarily" suspended at 19p. Temporary, here, is about as temporary as income tax.

Last week we learned the full gruesome picture. It's a classic. The story appears to contain almost every ingredient for, ahem, financial woe. It includes, in the order offered by the investigating accountants, the purchase of a business owned by the chairman and founder of Revolution, inflated orders to distributors on deferred terms towards the end of the financial year, undisclosed personal loans from directors to distributors, volume rebates from suppliers going back to 2019, the value of the stock, and "unusual" personal loans from directors to an employee.

Needless to add, there has been a bit of a clear-out of the board. The chairman and CEO have both "stepped away" to allow

them to “support the independent investigation”.

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After all that, it seems something of a miracle that the company is still trading, thanks to support from the banks. There may even be something for the shareholders, who presumably include the mystery buyer(s) of stakes from Chrysalis and Jupiter Asset Management, who cut their positions for pennies, off-market, in November.

The funds run by these two managers are unlikely to reveal how much falling for the glamour of Revolution Beauty has lost their unitholders.

Oh dear. Perhaps you were a shareholder after all.

**Neil Collins and Jonathan Ford are the authors of A Long Time In Finance, a weekly podcast. Get it every Friday on Acast, Spotify or Apple apps.**