

REVOLUTION BEAUTY GROUP PLC

("Revolution Beauty", the "Group" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2024

Reigniting the Revolution strategy delivering growth in core SKUs and improved underlying profitability

FY25 underlying adjusted EBITDA expected to be at least in line with FY24

Revolution Beauty Group plc (AIM: REVB), the multi-channel mass beauty brand, today announces its unaudited Half Year Results for the six months ended 31 August 2024 ("H1 25" or the "Period").

Financial Highlights

	H1 25 £ million	H1 24 £ million	<i>Change</i>
Revenue	72.4	90.4	-20%
Gross profit	23.2	44.7	-48%
<i>Gross margin</i>	32.0%	49.4%	-17.4ppts
<i>Underlying gross profit marginⁱ</i>	46.2%	46.0%	+20bps
Operating costs ⁱⁱ	29.5	38.3	-23%
Underlying adjusted EBITDA ⁱⁱⁱ	3.9	3.3	+18%
<i>% of revenue</i>	5.4%	3.7%	+1.7ppts
Underlying Adjusted profit/(loss) before tax ^{iv}	0.3	(0.7)	+£1.0m
GAAP measures			
Operating Loss	(9.8)	(0.5)	-£9.3m
(Loss)/profit before tax	(10.9)	0.4	-£11.3m
Cash and cash equivalents	6.3	8.0	-£1.7m
Net (debt)	(25.5)	(23.8)	-£1.7m
Gross inventory	61.9	58.6	+£3.3m

ⁱ Underlying gross profit margin is an alternative performance measure as detailed in note 7. It is calculated as the gross profit as a percentage of sales before one-off charges related to the provision for non-strategic inventory in H1 FY25 and also adjusted to reflect the release of the stock provision related to stock clearance in H1 FY24 (see note 7).

ⁱⁱ Operating costs is defined as Distribution & Administrative costs excluding depreciation, amortisation, adjusting items set out in note 7 & share based payment charges.

ⁱⁱⁱ Underlying adjusted EBITDA is an alternative performance measure used by management to compare the underlying performance of the business, adjusting for certain non-cash, non-recurring and normalising items that are not considered to form part of underlying performance and also adjusted to reflect the release of the stock provision in the first half of FY24 of £3.1m (see note 7).

^{iv} Underlying Adjusted profit before tax is calculated as profit before tax, share-based payment charges and adjusting items (see note 7).

- Group revenue declined by 20% driven by the planned simplification of the product portfolio and the discontinuation of unproductive SKUs.
 - Decline also reflects significant stock clearance activity in the first half of FY24.
 - Revenue growth from core SKUs of 6% in H1 25 and accelerated to 16% in Q2.
- Underlying Adjusted EBITDA of £3.9m (FY24 £3.3m).
- Improvement in Underlying gross profit margin of 20bps.
- One off stock provision charges relating to non-core stock of £10.2m impacted statutory performance and GAAP measures due to focus on clearing slow-moving discontinued inventory from previous years to generate cash.
- Cost savings programme remains on track
 - Distribution costs decreased by 33% year on year.
 - Administrative costs decreased 30% year on year.

- o Marketing costs increased 2% year on year with investment in brand marketing to underpin the future growth of core products.
- Cash balances of £6.3m and net debt of £25.5m, including a fully drawn RCF of £32 million.

Operational Highlights

- Ongoing delivery of Reigniting the Revolution strategy.
 - o Rationalised portfolio from seven brands across eleven categories to three brands across seven categories, with core range of 1,058 SKUs.
 - o Improved service levels from c.70% to consistently over 90%.
 - o Targeted NPD process driven increase in NPD sales per SKU of over 40% year-on-year, with 177 SKUs set to be added in H2 2025.
- Encouraging progress with existing and new retailers.
 - o New relationship agreed with DM Germany with a launch in 850 stores in January 2025.
 - o Expansion into 250 new Boots stores in the UK in October 2024.
 - o Walmart US to carry full assortment of Revolution Beauty products in more than 1800 stores from January 2025.
 - o Launch of Amazon US first party business selling on a wholesale basis, performing well in early months of trading.
- Community awareness and engagement continues to build. Return to growth in Instagram followers, 3.5m and growing, reach and impressions and growing audience on TikTok 778k (+11% YoY).

Outlook

The Group reiterates its guidance that sales for FY25 are expected to decline year on year at a slightly lower rate than in H1, with a return to growth in the fourth quarter as several of the Group's new strategic growth initiatives take effect, and this growth is expected to accelerate through FY26.

With the continuing momentum in the underlying business, as gross margins strengthen in the second half of the year and as cost savings programmes continue to deliver, Underlying Adjusted EBITDA is expected to be at least in line with FY24 as previously guided, prior to the one-off stock provision announced on 9 October 2024.

Lauren Brindley, Group Chief Executive Officer, said:

"This is a year of transformation for Revolution Beauty, and our performance in the first half reflects the steps we have taken to position the Group for long-term, profitable growth. Since launching our new strategy in February, we have substantially cut a long tail of unproductive SKUs, improved our operational delivery and made good progress with our cost savings programmes. Consequently, we now have a core portfolio that is growing globally with a significantly improved underlying gross margin.

"As we look to the second half and beyond, we have a strong pipeline of growth initiatives, including new and expanded retailer relationships, a reinvigorated pipeline of make-up innovation, the launch of our new Skincare range and the global expansion of our budget brand, Relove. As these initiatives start to take effect, we expect a return to growth in Q4 and anticipate that this will accelerate through FY26. With good momentum in the underlying business, I remain highly confident in the Reigniting the Revolution strategy and in our ability to become a top five mass beauty brand."

Presentation

A recorded management presentation from Lauren Brindley, CEO and Neil Catto, CFO will be available on the Company's website:

<https://www.investis-live.com/revolution-beauty/6733463d642e91000e309270/tjhr>

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About Revolution Beauty

Revolution Beauty is a global mass beauty and personal care business which operates a multi brand, multi category strategy and sells its products both direct-to-consumer (DTC) via its e-commerce operations, and in physical and digital retailers through wholesale relationships.

Today, the Group has a retail footprint of c.17,500 doors across leading retail chains in the UK, USA and other international markets. Revolution Beauty has access to a wide customer base, predominantly aged between 16 and 35, through its digital partners and own DTC platform. It has established and invested to streamline its supply chain with its own manufacturing facility in the UK, and third-party warehousing facilities across the UK, USA and Australia. The Group has offices in the UK, USA, New Zealand and Germany. Revolution Beauty currently employs 318 people.

Chief Executive Officer's Review

Introduction

This is our first set of results since the Group embarked on its new strategy to Reignite the Revolution, which we announced at our Capital Markets Day in February 2024. FY 2025 is a transformational year for the Group as we lay the foundations for future growth.

Reflecting on our first half performance, the simplification of the product portfolio and the associated discontinuation of unproductive SKUs has driven a 20% decline in revenue versus the prior year, which also reflects significant stock clearance activity in H1 2024. Our underlying business delivered an encouraging performance with our core SKUs delivering 6% growth in H1 25, accelerating to 16% in Q2. Underlying gross profit margin improved by 10bps with the Group delivering Underlying Adjusted EBITDA of £3.9m.

I remain confident that the optimisation of our product portfolio will deliver as we release resources and capital to invest in profitable global growth opportunities for our Masterbrand, Revolution Beauty, and our value brand, Relove. The potential is clear as we continue towards our ultimate goal of becoming a top five global mass beauty player by 2030.

The Masterbrand and Powering the Core

We have been sharply focused on simplifying our offering, which is now complete. We have rationalised our portfolio from seven brands across eleven categories to three brands: Revolution, I Heart and Relove, across seven categories, with a core range of 1,058 SKUs.

This simplification coupled with the strengthening of our operations is beginning to yield significant benefits. We have delivered an improvement in our customer service level from c.70% to consistently over 90%, with reduced lead times from our suppliers and therefore increasing the speed to market for our products. We also expect to have reduced our inventory by c. 15m units by year-end through a faster turn of core strategic SKUs and clearance of non-core product.

Moreover, a targeted and efficient new product development process has resulted in NPD sales per SKU increasing to over 40% year-on-year in the first half, with 177 SKUs set to be added in H2 2025. In January 2025, the Group is also set to launch a major skin innovation and relaunch Relove with a new operationally efficient model.

Within the Revolution Beauty Masterbrand, Face has delivered a strong performance with foundation sales up 50% year-on-year reflecting the successful launch of Skin Silk. The Group's top five SKUs were also all in growth in the

Period with Lip accelerating and delivering 50% growth in the year.

Awareness of and engagement with the Masterbrand continues to build, with a return to growth in followers, reach and impressions on Instagram, a growing audience and ranking on TikTok, and a significant increase in Earned Media Value as we continue to engage with the Revolution Beauty community across the World.

Focused global growth

The Group continues to secure new partnerships and expand existing relationships with brands and retailers in the UK and internationally. In October 2024, the Group's Masterbrand, Revolution Beauty expanded into 250 new Boots stores, which is already generating positive momentum and has returned to growth in Target, the number one retailer in the US.

In January 2025, the Masterbrand, Revolution Beauty will launch in more than 850 stores with DM Germany, Germany's number one mass beauty retailer, in a new partnership for the Group. In the US, also from January 2025, more than 1,800 Walmart Stores will carry a full assortment of Revolution Beauty products.

The Group continues to generate momentum with third party digital channels, with its new Amazon US shop, which launched in H1 2025 growing ahead of plan and up 70% year-on-year, with growth delivered through the Amazon EU shop of over 18% in the first half.

Outlook and Summary

The Group reiterates its guidance that sales for FY25 are expected to decline year on year at a slightly lower rate than in H1, with a return to growth in the fourth quarter as several of the Group's new strategic growth initiatives take effect, and this growth is expected to accelerate through FY26.

With the continuing momentum in the underlying business, as gross margins strengthen in the second half of the year and as cost savings programmes continue to deliver, Underlying Adjusted EBITDA is expected to be at least in line with FY24 as previously guided, prior to the one-off stock provision.

I am encouraged by the progress that we have delivered since we announced the strategic shift in February, and we remain confident in the scale of the opportunity for the brand as we move forward.

Having been CEO of Revolution Beauty for over a year now, I continue to be impressed by the energy of our customer base and retail partners, the vibrancy of our community and, of course, the dedication and commitment of our team. The passion of our team amazes me on a daily basis and I would like to thank them for their continued hard work.

Financial Review

Revenue

Revenue for H1 24 was £72.4m, down 19.9% on H1 24. This reduction is driven by the planned simplification of the product portfolio and the associated discontinuation of unproductive SKUs. The decline also reflects significant stock clearance activity in the first half of FY24.

Global store group revenue declined 17% from £72.3m to £59.8m. Digital revenues declined by 30% from £18.1m to £12.7m. Digital wholesale revenue reduced by 20% reflecting clearance activity in H1 24, and temporarily reduced levels of innovation early in the year and the strategic discontinuation of brands and SKUs.

Geographically, UK sales declined by 32% to £21.3m. In the US, Store Groups declined by 17%. £1.0m of additional clearance activity in the prior period, when the Group was selling through excess inventory, contributed to the decline as well as currency exchange movements versus the prior year. In the Rest of the World, strategic discontinuation of brands, categories and SKUs had an effect, with distributor sales down 20% on an FY24 period including significant clearance of older inventory. In Australia, sales grew by 20% as the Group expanded distribution in the region.

Gross Margin

Gross margin in the Period was 32.0% (H1 FY24: 49.4%). This is after taking into account a one of additional stock provision charge of £7.9m, the details of which are explained in notes 7 and 9. Underlying gross profit margin, excluding the impact of stock provision charges and releases (see note7) was 46.1% (FY24 - 46.0%).

Adjusted EBITDA and Operating Loss

The adjusted EBITDA for the Period was a loss of £6.3m (H1 24 EBITDA profit £6.4m). However, profitability on an underlying basis improved. Underlying Adjusted EBITDA (see note 8) accounting for the impact of one-off stock provision charges and releases was £3.9m compared with £3.3m in the prior year.

The increase in underlying profitability has been achieved despite declining revenues as operating costs have decreased significantly as the group's cost saving plans have been effective. The reductions in operating costs are shown in the table below and have been possible as a result of the simplification of the brand and product portfolio.

	6 month period ended 31 August 2024 Unaudited £m	6 month period ended 31 August 2023 Unaudited £m	% change
Distribution costs	8.9	13.3	-33%
Marketing costs	9.7	9.5	+2%
Administrative costs	10.9	15.5	-30%
Total operating costs	<u>29.5</u>	<u>38.3</u>	<u>-23%</u>

Operating loss was £9.8m, against a loss of £0.5m in H1 24. There were material adjusting items, as detailed in note 7, relating to restructuring and legal and professional costs in the statement of comprehensive income, as well as a one-off stock provision charge (see note 9).

The loss before tax of £10.9m (FY24 - profit of £0.4m) resulted from the stock provision charges in the Period related to non-strategic stock as detailed in note 7. The Underlying adjusted PBT was £0.3m compared with a loss of £0.7m in the previous period.

The reported loss after tax was £10.9m against a profit of £0.4m in H1 24.

Cash

We ended the Period with a cash balance of £6.3m and gross borrowing amounted to £32.0m.

The company generated cash from operations of £1.2m. This was driven by movements in working capital totalling £7.8m offsetting cash operating losses. After taxes paid of £0.6m, capital expenditure of £1.1m, interest payments of £1.2m and payments related to lease liabilities of £0.5m, cash and cash equivalents decreased by £2.2m during the Period.

The Group has sufficient cash resources and covenant headroom to finance its current organic growth plans.

Regulator action

The Company informed shareholders on 21 July 2023 that the Financial Conduct Authority had notified Revolution Beauty that it had commenced an investigation into potential breaches of the Market Abuse Regulation (EU) 596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) in relation to certain matters in the Period from July 2021 to September 2022. Revolution Beauty continues to cooperate fully with the FCA and will provide updates as necessary.

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 AUGUST 2024

Note	6 months ended 31 August 2024	6 months ended 31 August 2023	Year ended 29 February 2024
	Unaudited €'000	Unaudited €'000	Audited €'000

		£'000	£'000	£'000
Revenue	5	72,424	90,399	191,287
Cost of sales		(49,192)	(45,733)	(102,932)
Gross profit		23,231	44,666	88,355
Marketing and distribution costs		(18,624)	(22,845)	(47,132)
Administrative expenses				
- General administrative expenses		(14,357)	(22,349)	(37,899)
- Impairment losses on financial assets		-	-	(1,035)
- Impairment of property, plant and equipment		-	-	(75)
- Provision for legal cases		-	-	(293)
Total administrative expenses		(14,357)	(22,349)	(39,302)
Other operating income		-	-	2,414
Operating (Loss)/Profit		(9,750)	(528)	4,335
Finance income		84	2,358	10,247
Finance costs		(1,230)	(1,464)	(3,139)
(Loss)/Profit before taxation		(10,896)	366	11,443
Income tax credit/(expense)		(7)	(21)	(743)
(Loss)/Profit for the year/period		(10,903)	345	10,700
Other comprehensive expense for the period, net of tax				
Exchange differences		188	829	153
Total comprehensive (Loss)/Income for the period		(10,715)	1,174	10,853
(Loss)/ earnings per share (p)	6	(3.4)	0.0	3.4
Diluted earnings per share (p)	6	(3.4)	0.0	3.2
Adjusted EBITDA	7	(6,271)	6,438	12,570
Underlying Adjusted EBITDA	7	3,943	3,338	Not reported

The total comprehensive loss for the period is entirely attributable to the owners of the parent company.

The above consolidated condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

REVOLUTION BEAUTY GROUP PLC

(Company Number: 11666025)

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2024

	Notes	31 August 2024	31 August 2023	29 February 2024
		Unaudited £'000	As restated Unaudited £'000	Audited £'000
ASSETS				
Non-current assets				
Intangible assets		4,628	5,116	4,934
Property, plant and equipment		8,981	7,399	9,242
Right-of-use assets		3,606	1,501	4,177
Other receivables		1,563	-	1,931
Deferred tax asset		490	-	496
		19,268	14,016	20,780
Current assets				
Inventories	9	40,517	42,320	40,775
Trade and other receivables	10	37,652	41,855	42,739
Corporation Tax Receivable		-	340	-
Reimbursement asset		-	4,079	6,122

Non-current assets	-	7,073	3,122
Cash and cash equivalents	6,292	8,006	8,636
Total current assets	84,461	96,600	98,272
Current liabilities			
Lease liabilities	(890)	(1,204)	(894)
Trade and other payables	11 (69,176)	(64,374)	(67,249)
Provisions	(897)	(6,815)	(6,622)
Borrowings	8 -	(31,807)	-
Corporation tax payable	39	-	(579)
Total current liabilities	(70,923)	(105,715)	(75,344)
Net current assets/ (liabilities)	13,538	(7,600)	22,928
Total assets less current liabilities	32,806	6,416	43,708
Non-current liabilities			
Lease liabilities	(3,005)	(708)	(3,481)
Borrowings	(31,848)	-	(31,785)
Deferred consideration	(8,264)	(16,137)	(8,264)
Deferred tax liabilities	-	91	-
Provisions	(40)	-	-
Total non-current liabilities	(43,157)	(16,754)	(45,530)
Net (liabilities)/ assets	(10,351)	(10,338)	178
Equity			
Share capital	3,185	3,183	3,185
Share premium	103,487	103,487	103,487
Warrant reserve	7,239	7,239	7,239
Merger reserve	14,860	14,860	14,860
Translation reserve	634	1,275	599
Retained earnings	(139,756)	(140,382)	(129,192)
Total equity	(10,351)	(10,338)	178

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Merger reserve £'000
Balance at 1 March 2023	3,097	103,487	7,239	14,860
Profit for the period	-	-	-	-
Other comprehensive expense net of taxation:				
Foreign operations - foreign currency translation differences	-	-	-	-
Total comprehensive loss for the period	-	-	-	-
Transactions with owners in their capacity as owners:				
Issue of shares, net of transaction costs	86	-	-	-
Share-based payments	-	-	-	-
Total transactions with owners	86	-	-	-

Balance at 31 August 2023

3,183 103,487 7,239 14,860

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 AUGUST 2024

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Merger reserve £'000
Balance at 1 March 2024	3,185	103,487	7,239	14,860
Loss for the period	-	-	-	-
Other comprehensive expense net of taxation:				
Foreign operations - foreign currency translation differences	-	-	-	-
Total comprehensive loss for the period	-	-	-	-
Transactions with owners in their capacity as owners:				
Issue of shares, net of transaction costs	-	-	-	-
Share-based payments	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 August 2024	3,185	103,487	7,239	14,860

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 AUGUST 2024

	6 months ended 31 August 2024	6 months ended 31 August 2023	Year ended 29 February 2024
	Unaudited £'000	Unaudited £'000	Audited £'000
Cash flow from operating activities			

Cash flows from operating activities			
Profit/ (Loss) for the financial period	(10,903)	345	10,700
<i>Adjustments for:</i>			
Taxation	(7)	21	743
Finance costs	1,230	1,464	3,139
Finance income	-	(2,358)	(10,247)
Depreciation of property, plant and equipment	2,064	2,100	4,208
Impairment of property, plant and equipment	-	-	75
Amortisation of intangible assets	345	462	897
Loss/(profit) on disposal of property, plant and equipment	1	5	2
Loss/(profit) on disposal of intangible assets	-	-	28
Equity settled share-based payment expense	339	1,537	2,372
Proceeds from reimbursement assets	6,122	-	-
Provisions movement	(5,725)	(245)	(201)
<i>Movements in working capital:</i>			
Movement in inventories	258	5,285	6,933
Movement in receivables	3,679	9,339	3,523
Movement in payables	3,805	(18,346)	(14,900)
Cash used in operating activities	1,208	(391)	7,272
Income tax refunded/(paid)	(619)	(516)	(753)
Net cash used in operating activities	589	(907)	6,519
Cash flows from investing activities			
Purchase of intangible assets	(190)	(128)	(270)
Purchase of property, plant and equipment	(897)	(896)	(4,265)
Finance income	-	-	3
Net cash used in investing activities	(1,087)	(1,024)	(4,532)
Cash flows from financing activities			
Interest paid	(1,230)	(1,199)	(2,634)
Proceeds from issue of shares	-	-	88
Payment of lease liabilities	(480)	(1,102)	(2,172)
Net cash generated from financing activities	(1,710)	(2,301)	(4,718)
Cash and cash equivalents			
Net (decrease) in the period	(2,208)	(4,232)	(2,731)
Cash and cash equivalents at the beginning of the period	8,636	11,044	11,044
Effects of exchange rate changes	(136)	1,194	323
Cash and cash equivalents at the end of the period	6,292	8,006	8,636

REVOLUTION BEAUTY GROUP PLC

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 AUGUST 2024

1. General information

Revolution Beauty Group Plc ("the Company") is a company limited by shares and is registered and incorporated in England and Wales. The registered office is 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT.

The group ("the Group") consists of Revolution Beauty Group Plc and all of its subsidiaries.

The Board of Directors approved this unaudited interim financial information on 18 November 2024.

2. Material accounting policies

The condensed consolidated unaudited interim financial statements ("interim financial statements") for the period 1 March 2024 to 31 August 2024 are unaudited. The group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial information. The condensed

consolidated interim financial statements incorporate unaudited comparative figures for the interim period from 1 March 2023 to 31 August 2023 and the audited financial year ended 31 March 2024.

The Interim financial statements for the six months ended 31 August 2024 have been prepared on the basis of the accounting policies expected to be adopted for the year ended 28 February 2025. These are in accordance with the accounting policies as set out in the Group's last annual consolidated financial statements for the year ended 29 February 2024.

The comparative figures for the year ended 31 March 2024 do not constitute the Group's statutory accounts for 2024 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2024 have been delivered to the Registrar of Companies. The Independent Auditor's report on the Annual Report and Financial Statements for 2024 was qualified in and contained a statement by way of emphasis in respect of going concern. The independent auditor's report for 2024 filed with the Registrar of Companies contains information in respect of each matter that has contributed to a qualified opinion.

These Condensed Consolidated Interim Financial Statements do not include all the information required for full Annual Financial Statements and should be read in conjunction with the Annual Financial Statements of the Group as at and for the year ended 29 February 2024.

Tax charged within the 6 months ended 31 August 2024 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 29 February 2024.

The interim financial statements have been prepared on the historical cost basis except for, where disclosed in the accounting policies, certain financial instruments that are measured at fair value. The interim financial statements are prepared in Sterling, which is the functional currency and presentational currency of the parent Company and primary operating subsidiary. Monetary amounts in these interim financial statements are rounded to the nearest £1,000.

New Policies and Standards

At the date of authorisation of these Condensed Consolidated Interim Financial Statements, several new standards and amendments to existing standards have been issued, some of which are effective. None of these standards and amendments have a material impact on the Group.

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group's latest Annual Financial Statements for the year ended 29 February 2024, which are available via Revolution Beauty Group plc's website, set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those Financial Statements.

Going concern

The Directors have completed a full assessment of forecast and banking arrangements to consider going concern.

The Group's revenue growth, margin improvement and return to positive Underlying Adjusted EBITDA in H1 all represent key improvement in the Group's financial stability since the previous assessment. Steps taken to improve the financial position of the Group include the amendment of lending arrangements and rationalising the Group's core number of SKUs.

Having considered the information available and recent changes to the business, the directors are satisfied that the base case supports the application of the going concern assumption in preparation of the financial statements.

However, the directors also recognise the challenges the business has faced since its listing on AIM and the underperformance of sales versus previous expectations, as well as the uncertainty in the wider economy. The strength of the Group's brand and recent strategic changes have enabled

the wider economy. The strength of the Group's brand and recent strategic changes have enabled the Group to continue its recovery from this challenging period. The Directors are working to build on this period of stabilisation with the renewed strategy to keep the Group on a stable financial footing on a long-term basis.

In the event that revenue falls below the level forecast in the base case scenario, the Directors are also confident that they are able to take mitigating actions to reduce controllable costs further on a timely basis, in order to maintain compliance with the EBITDA and minimum liquidity covenant tests.

The Directors acknowledge that, in the event either a financial or non-financial covenant were to be breached, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, the Group would be reliant on its lenders not requiring immediate repayment of the outstanding loan or obtaining alternative finance in order to continue to operate as a going concern.

The lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications of their audit report on the FY 24 financial statements.

The Group's Revolving Credit Facility matures in October 2025. The Group is currently discussing the life of the facility with its banking partners, with the intention to extend the facility for a period of 12 months beyond the current maturity. The board is confident that the discussion will result in an extension of the facility. Whilst the board has confidence in the process and lenders remain supportive, there is uncertainty in the extension of the current facility until a further agreement is signed. Were an agreement for an extension not to be reached the Group would need to find additional financing upon maturity of the RCF, the board is confident that this would be achievable.

These factors, in conjunction with the sensitivity identified in the severe but plausible downside scenario with respect to the recently agreed Adjusted EBITDA covenant, represents a material uncertainty which may cast significant doubt over the Group's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

3. Correction of prior period errors

The Directors have identified a number of balances which were previously classified as trade and other payables which should have been offset against the trade receivables and other receivables. These balances are deductions from revenue, relating to shortages and damages, that are payable to the customer from whom the revenue was recognised. This adjustment is solely a balance sheet reclassification, and therefore only has an impact on the Statement of Financial Position. The total of £1,515k has been reclassified as at 31 August 2023, resulting in a decrease to both trade and other receivables and trade and other payables.

Impact on the Statement of Financial Position

Extract	6 month period ended 31 August 2023		6 month period ended 31 August 2023
	Reported £'000	Adjustments £'000	Restated £'000
Trade and other receivables	43,370	(1,515)	41,855
Total current assets	98,115	(1,515)	96,600
Trade and other payables	(65,889)	1,515	(64,374)
Total current liabilities	(105,715)	1,515	(104,200)
Net assets/ (liabilities)	(10,338)	-	(10,338)
Total equity	(10,338)	-	(10,338)

4. Segmental reporting

IFRS 8 Operating Segments requires that operating segments be identified on the basis of internal reporting and decision making. The Group identifies operating segments based on internal

reporting and decision-making. The Group identifies operating segments based on internal management reporting that is regularly reported to and reviewed by the board of directors, which is identified as the chief operating decision maker. Management information is reported as one operating segment, being revenue from sales of products.

5. Revenue

An analysis of the Group's revenue is as follows:	6 month period ended 31 August 2024 Unaudited £'000	6 month period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 £'000
<i>Revenue analysed by class of business</i>			
Digital	12,659	18,098	42,347
Store Groups	59,765	72,301	148,940
	<u>72,424</u>	<u>90,399</u>	<u>191,287</u>
<i>Revenue analysed by geographical location</i>			
United Kingdom	21,302	31,397	62,514
United States of America	18,431	23,619	44,207
Rest of World	32,691	35,383	84,566
	<u>72,424</u>	<u>90,399</u>	<u>191,287</u>

6. Earnings per share

The Group reports basic and diluted earnings per common share. Basic earnings per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options.

	6 month period ended 31 August 2024 Unaudited	6 month period ended 31 August 2023 Unaudited	Year ended 29 February 2024
Loss attributable to shareholders (£'000)	(10,903)	345	10,700
Weighted average number of shares ('000)	318,794	311,776	315,003
Basic earnings per share (p)	<u>(3.4)</u>	<u>0.0</u>	<u>3.4</u>
Total comprehensive expense attributable to the owners of the company (£'000)	345	345	10,700
Weighted average number of shares ('000)	318,794	311,776	315,003
Dilutive effect of share options	-	-	19,724
Diluted earnings per share (p)	<u>(3.4)</u>	<u>0.0</u>	<u>3.2</u>

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

7. Adjusted performance measures

The Group uses a number of Alternative Performance Measures ("APMs") in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group.

The APMs are used internally in the management of the Group's business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other management throughout the Group. The APMs are also presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance. Where items of profits or costs are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or costs of the Group.

The Group's Alternative Performance Measures are set out below.

Adjusted EBITDA

Adjusted EBITDA is defined as Operating Profit adjusted for depreciation and amortisation, impairments and reversals of impairment, profits and losses on the disposal of assets, share based payment charges and releases and adjusting items.

	6 month period ended 31 August 2024 Unaudited £'000	6 month period ended 31 August 2023 Unaudited £'000	Year ended 29 February 2024 £'000
Operating profit / (loss)	(9,750)	(528)	4,335
Amortisation of intangible assets	345	462	897
Depreciation of property, plant and equipment	2,064	2,100	4,208
Impairment of property, plant and equipment	-	-	75
Loss on disposal of asset	1	5	(6)
Share-based payments	339	1,640	2,372
<i>Operating items adjusted for:</i>			
Settlement Income	-	-	(2,414)
Restructuring costs	154	440	1,439
Provision for settlement of legal cases	-	-	(1,644)
Non-recurring legal fees	576	2,319	2,917
Non-recurring audit fees	-	-	391
Adjusted EBITDA	(6,271)	6,438	12,570
Depreciation, amortisation and impairments	(2,409)	(2,562)	(5,174)
Adjusted EBIT	(8,680)	3,876	7,396
Net finance income/ (costs)	(1,146)	894	7,107
Adjusting items:			
Gain on amendment of deferred consideration	-	(2,370)	(10,243)
Adjusted PBT	(9,826)	2,400	4,260

Underlying gross profit and underlying gross profit margin

Underlying gross profit is defined as reported gross profit adjusted for non-recurring charges or releases related to inventory provisions. During the period, an additional inventory provision was recognised, as set out in note 9. In addition to this increase, a charge of £2.3m has been incurred on additional provision for non-strategic SKUs during H1 of FY25.

6 month period ended 31 August 2024	6 month period ended 31 August 2023
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	Unaudited £'000	Unaudited £'000
Reported gross profit	23,231	44,666
Provision charge on non-strategic inventory at the end of the period	7,914	-
Provision charges during the period related to non-strategic inventory	2,300	-
Provision releases in FY24 related to aged inventory sold	-	(3,100)
Underlying gross profit	33,445	41,566
Underlying gross profit margin as a percentage of revenue	46.2%	46.0%

Underlying Adjusted EBITDA

Underlying Adjusted EBITDA is defined as Operating Profit adjusted for depreciation and amortisation, impairments and reversals of impairment, profits and losses on the disposal of assets, share based charges and releases and exceptional items including and adjustment for the one-off provision charges related to non-strategic stock and the release of the stock provision in FY24 related to the sale of aged stock.

	6 month period ended 31 August 2024 £'000	6 month period ended 31 August 2023 £'000
Underlying Adjusted EBITDA		
Adjusted EBITDA	(6,271)	6,438
Provision charge on non-strategic inventory at the end of the period	7,914	-
Provision charges during the period related to non-strategic inventory	2,300	-
Provision releases in FY24 related to aged inventory sold	-	(3,100)
Underlying Adjusted EBITDA	3,943	3,338
Depreciation, amortisation and impairments	(2,409)	(2,562)
Underlying Adjusted EBIT	1,534	776
Net finance income/(costs)	(1,146)	894
Adjusting items:		
Gain on amendment of deferred consideration	-	(2,370)
Underlying adjusted PBT	338	(700)

Operating adjusting items

During the period, the Group incurred legal fees associated with the following matters, each of which were determined to be exceptional and outside the normal course of business, these included the ongoing regulator investigation in relation to certain matters in the period from July 2021 to September 2022, the uninsured element of the settlement of a legal claim made for copyright infringement on music rights in the US. Costs were also incurred on other legal claims contested in the period and the extension of the Group's financing facility.

During the period the Group incurred £154k in restructuring and redundancy costs.

During the period, an additional inventory provision was recognised, as set out in note 9. In addition to this increase, a charge of £2.3m has been incurred on additional provision of £7.9m for non-strategic SKUs during H1 of FY25.

These charges are recorded through costs of sales, but do not relate to the ongoing sell out of goods through the business. Therefore, they do not represent part of the underlying cost base of the business, or the expected gross profit margin achievable on the strategic assortment. Therefore, these charges will be recognised and disclosed as adjustments to Adjusted EBITDA, outside of the Group's underlying performance in the financial statements.

8. Borrowings

	31 August 2024 Unaudited £'000	31 August 2023 Unaudited £'000	29 February 2024 £'000
Bank revolving credit facility	31,848	31,807	31,785

	31,848	31,807	31,785
Payable within one year	-	31,807	-

9. Inventories

	31 August 2024 Unaudited £'000	31 August 2023 Unaudited £'000	29 February 2024 £'000
Finished goods and goods for resale	40,517	42,320	40,775
Value of inventory provided for at period end	(20,676)	(18,512)	(15,056)
Value of inventory written down/(written back) during period	5,620	(14,926)	(17,914)

The total cost of inventories recognised as an expense in cost of sale in the period was £49,192,000 (Period ended August 2023: £45,673,000, full year ended February 2024: £123,131,000).

As set out in note 3 to the financial statements in the Group's Annual Report. The Group's inventory provision methodology is made up of a net realisable value (NRV) component and a slow-moving component. The slow-moving component includes a provision for inventory that has recently been launched and therefore has limited sales history and also for more mature inventory, which is assessed based on its sales cover, which gives rise to the key source of estimation uncertainty.

The NRV provision is determined by assessing the latest sales price of a Stock Keeping Unit ("SKU"), less the cost of selling it, against the cost of purchasing it. There is judgment applied in assessing the costs included in selling each SKU. The Group determines cost to sell on an average basis across all SKUs. The cost to sell includes the incremental costs of selling, such as commissions, as well as non-incremental selling costs including expected marketing costs and expected costs to hold the inventory until the anticipated time of sale.

During the current period, following the rationalisation of the Group's SKU assortment, it was determined that, where a SKU no longer forms part of the Group's strategic selling assortment, recent selling price is no longer an appropriate measure of the value a SKU can be sold for going forward. This is due to discontinued SKUs no longer being sold through primary channels.

Therefore, it has been determined that, for non-strategic SKU that will not form a part of the Group's strategic assortment going forward, where excess units are on hand above the amount forecast to be required for the coming three months, clearance prices achievable should be used in place of recent selling prices in calculating the NRV provision required.

This increased provision resulted in an additional charge of £7.9m during the period, which when added to the £2.3m described in note 7 above, results in an additional charge of £10.2m.

10. Trade and Other Receivables

	31 August 2024 Unaudited £'000	31 August 2023 As restated Unaudited £'000	29 February 2024 £'000
Trade Receivables	36,554	39,394	37,733
Other Receivables	454	364	2,412
Prepayments	2,420	2,097	2,594

	39,428	41,855	42,739
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11. Trade and Other Payables

Trade and other payables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income. Cost is considered to approximate fair value.

	31 August 2024	31 August 2023	29 February 2024
	Unaudited £'000	as restated Unaudited £'000	£'000
Trade Payables	46,321	37,480	40,256
Other Taxation and Social Security	1,478	1,044	1,206
Other Payables	80	60	201
Accruals and Contract Liabilities	21,297	25,790	25,586
	<u>69,176</u>	<u>64,374</u>	<u>67,249</u>

12. Contingent Liabilities

FCA Investigation

The Group announced on 21 July 2023 that the Financial Conduct Authority ("FCA") had commenced an investigation into potential breaches of the Market Abuse Regulation (EU) 596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) in relation to certain matters in the period from July 2021 to September 2022. The Group is cooperating fully with the FCA. Until such time as more information is available on the outcome of the investigation, no assessment can be made of any potential liabilities that may arise from it.

Chrysalis Investments Limited

As previously announced, the Group received notice from Chrysalis Investments Limited ("Chrysalis") on 22 November 2023, stating that Chrysalis believed it had certain potential claims against the Group in relation to its purchase of Revolution Beauty Plc shares in July 2021 and the sale of those shares in late 2022. Chrysalis had not commenced formal legal proceedings at this point.

On 19 April 2024, the Group received a further letter from Chrysalis's legal advisers, including draft particulars of Chrysalis's alleged claims and details of the quantum of Chrysalis' thereof. These were stated as a claim of £39m, together with a claim for consequential losses of a further £6.2m. Further to this additional letter, no claim has yet been filed with the court.

The Company strongly contests the Chrysalis allegations and believes that the claim is fundamentally flawed in a number of respects. Nonetheless, the Company continues to engage with Chrysalis and its advisers, as it is required to do under the UK's civil procedure rules, with a view to reaching a resolution of this matter.

13. Events after the reporting period

No reportable events arose between to the 31 August 2024 and the release of this statement.



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