

REVLON INC /DE/
Form 10-Q
October 29, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-11178

REVLON, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3662955

(I.R.S. Employer
Identification No.)

237 Park Avenue, New York, New York

(Address of principal executive offices)

10017

(Zip Code)

212-527-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of September 30, 2009, 48,443,072 shares of Class A Common Stock and 3,125,000 shares of Class B Common Stock were outstanding at such date. 28,207,735 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Holdings Inc. and certain of its affiliates and all of the shares of Class B Common Stock were owned by REV Holdings LLC, a Delaware limited liability company and an indirectly wholly owned subsidiary of MacAndrews & Forbes Holdings Inc. (See Note 12, Subsequent Events).

REVLON, INC. AND SUBSIDIARIES

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REVLON, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share and per share amounts)

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 62.5	\$ 52.8
Trade receivables, less allowance for doubtful accounts of \$4.1 and \$3.3 as of September 30, 2009 and December 31, 2008, respectively	169.0	169.9
Inventories	136.4	154.2
Prepaid expenses and other	52.7	51.6
Total current assets	420.6	428.5
Property, plant and equipment, net	111.6	112.8
Other assets	87.3	89.5
Goodwill, net	182.5	182.6
Total assets	\$ 802.0	\$ 813.4
LIABILITIES AND STOCKHOLDERS DEFICIENCY		
Current liabilities:		
Short-term borrowings	\$ 1.7	\$ 0.5
Current portion of long-term debt	16.7	18.9
Accounts payable	71.4	78.1
Accrued expenses and other	225.4	225.9
Total current liabilities	315.2	323.4
Long-term debt	1,147.8	1,203.2
Long-term debt affiliates	107.0	107.0
Long-term pension and other post-retirement plan liabilities	209.3	223.7
Other long-term liabilities	66.1	68.9
Stockholders' deficiency:		
Class B Common Stock, par value \$.01 per share: 200,000,000 shares authorized, 3,125,000 issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	0.5	0.5

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Class A Common Stock, par value \$.01 per share: 900,000,000 shares authorized; 50,027,003 and 50,150,355 shares issued as of September 30, 2009 and December 31, 2008, respectively

Additional paid-in capital	1,005.5	1,000.9
Treasury stock, at cost: 362,649 and 256,453 shares of Class A Common Stock as of September 30, 2009 and December 31, 2008, respectively	(4.3)	(3.6)
Accumulated deficit	(1,891.5)	(1,927.5)
Accumulated other comprehensive loss	(153.6)	(183.1)
Total stockholders' deficiency	(1,043.4)	(1,112.8)
Total liabilities and stockholders' deficiency	\$ 802.0	\$ 813.4

See Accompanying Notes to Unaudited Consolidated Financial Statements

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REVLON, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net sales	\$ 326.2	\$ 334.4	\$ 951.3	\$ 1,012.6
Cost of sales	117.9	126.8	349.5	364.4
Gross profit	208.3	207.6	601.8	648.2
Selling, general and administrative expenses	155.4	187.5	471.9	548.5
Restructuring costs and other, net	2.6	0.3	21.4	(11.3)
Operating income	50.3	19.8	108.5	111.0
Other expenses (income):				
Interest expense	23.0	29.1	71.1	91.9
Interest income		(0.4)	(0.4)	(0.7)
Amortization of debt issuance costs	1.4	1.5	4.2	4.2
Gain on repurchase of debt	(0.3)		(7.8)	
Foreign currency losses (gains), net	0.2	1.6	4.7	(3.9)
Miscellaneous, net	0.4	0.8	0.7	0.8
Other expenses, net	24.7	32.6	72.5	92.3
Income (loss) from continuing operations before income taxes	25.6	(12.8)	36.0	18.7
Provision for income taxes	2.5	2.4	0.3	16.8
Income (loss) from continuing operations, net of taxes	23.1	(15.2)	35.7	1.9
Income from discontinued operations, net of taxes		44.4	0.3	44.7
Net income	\$ 23.1	\$ 29.2	\$ 36.0	\$ 46.6
Basic income (loss) per common share:				
Continuing operations	0.45	(0.30)	0.69	0.04
Discontinued operations		0.87	0.01	0.87
Net income	\$ 0.45	\$ 0.57	\$ 0.70	\$ 0.91
Diluted income (loss) per common share:				
Continuing operations	0.45	(0.30)	0.69	0.04
Discontinued operations		0.87	0.01	0.87

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Net income	\$	0.45	\$	0.57	\$	0.70	\$	0.91
Weighted average number of common shares outstanding:								
Basic		51,567,164		51,311,234		51,538,730		51,216,814
Diluted		51,583,491		51,311,234		51,550,584		51,298,603

See Accompanying Notes to Unaudited Consolidated Financial Statements

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REVLON, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIENCY
AND COMPREHENSIVE INCOME (LOSS)
(dollars in millions)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders Deficiency
Balance, January 1, 2009	\$ 0.5	\$ 1,000.9	\$ (3.6)	\$ (1,927.5)	\$ (183.1)	\$ (1,112.8)
Stock option compensation		0.2				0.2
Amortization of deferred compensation for restricted stock		4.4				4.4
Treasury stock acquired, at cost ^(a)			(0.7)			(0.7)
Comprehensive income:						
Net income				36.0		36.0
Revaluation of financial derivative instruments ^(b)					3.0	3.0
Currency translation adjustment					9.0	9.0
Amortization of pension related costs ^(c)					8.9	8.9
Pension re-measurement ^(d)					(0.6)	(0.6)
Pension curtailment gain ^(d)					9.2	9.2
Total comprehensive income						65.5
Balance, September 30, 2009	\$ 0.5	\$ 1,005.5	\$ (4.3)	\$ (1,891.5)	\$ (153.6)	\$ (1,043.4)

(a) Pursuant to the share withholding provisions of the Third Amended and Restated Revlon, Inc. Stock Plan (the Stock Plan), certain employees and executives, in lieu of paying withholding taxes on the vesting of certain restricted stock, authorized the withholding of an aggregate 84,623; 313; and 21,260 shares of Revlon, Inc. Class A Common Stock (as hereinafter defined) during the first, second and third quarters of 2009, respectively, to satisfy the minimum statutory tax withholding requirements related to such vesting. These shares were recorded as treasury stock using the cost method, at a weighted average price per share of \$7.14, \$5.36 and \$5.22, respectively, based on the closing price of Revlon, Inc. Class A Common Stock as reported on the NYSE consolidated tape on the respective vesting dates, for a total of \$0.7 million.

(b) Amount relates to (1) the change in net unrealized losses of \$1.4 million on the Interest Rate Swaps (as hereinafter defined) (See Note 10, Financial Instruments) and (2) the reversal of amounts recorded in Accumulated Other Comprehensive Loss pertaining to net settlement receipts of \$0.8 million and net settlement payments of \$5.2 million on the Interest Rate Swaps.

(c) The amortization of pension related costs of \$8.9 million includes a non-cash curtailment gain of \$0.8 million recognized in earnings in the second quarter of 2009 related to the recognition of previously unrecognized prior service costs resulting from the May 2009 Pension Plan Amendments (as defined in Note 2, Post-retirement Benefits). (See Note 6, Comprehensive Income).

- (d) The \$0.6 million increase in pension liabilities recorded within Accumulated Other Comprehensive Loss is the result of the re-measurement of the pension liabilities performed in the second quarter of 2009 in connection with the May 2009 Pension Plan Amendments, as well as the May 2009 Program (as defined in Note 7, Restructuring Costs and Other, Net). In connection with the May 2009 Pension Plan Amendments, the Company also recognized a curtailment gain of \$9.2 million in the second quarter of 2009, which reduced its pension liability and was recorded as an offset against the net actuarial losses previously reported within Accumulated Other Comprehensive Loss. (See Note 2, Post-retirement Benefits).

See Accompanying Notes to Unaudited Consolidated Financial Statements

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REVLON, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Nine Months Ended	
	September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 36.0	\$ 46.6
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of taxes	(0.3)	0.5
Depreciation and amortization	49.7	69.2
Amortization of debt discount	0.5	0.5
Stock compensation amortization	4.6	5.4
Loss on early extinguishment of debt		0.7
Gain on repurchase of debt	(7.8)	
Gain on disposal of discontinued operations		(45.2)
Gain on sale of certain assets including a non-core trademark	(1.6)	(12.5)
Change in assets and liabilities:		
Decrease in trade receivables	8.3	14.7
Decrease (increase) in inventories	24.0	(19.3)
Decrease (increase) in prepaid expenses and other current assets	0.8	(7.7)
(Decrease) increase in accounts payable	&	