

REVLON INC /DE/  
Form 10-K  
March 03, 2017

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

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FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

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 13-3662955  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One New York Plaza, New York, New York 10004  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 212-527-4000

Securities registered pursuant to Section 12(b) or 12(g) of the Act:  
Title of each class Name of each exchange on which registered  
Class A Common Stock New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

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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 x 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 x No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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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 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

The aggregate market value of the registrant's Class A Common Stock held by non-affiliates (using the New York Stock Exchange closing price as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$380,644,541.

As of December 31, 2016, 52,520,146 shares of Class A Common Stock were outstanding. At such date, 40,669,640 shares of Class A Common Stock were beneficially owned by MacAndrews & Forbes Incorporated and certain of its affiliates.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of Revlon, Inc.'s definitive Proxy Statement to be delivered to stockholders in connection with its Annual Stockholders' Meeting to be held on or about May 31, 2017 are incorporated by reference into Part III of this Form 10-K.

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REVLON, INC. AND SUBSIDIARIES  
 Form 10-K  
 For the Year Ended December 31, 2016  
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REVLON, INC. AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

Item 1. Business

Background

Revlon, Inc. ("Revlon" and together with its subsidiaries, the "Company") conducts its business exclusively through its direct wholly-owned operating subsidiary, Revlon Consumer Products Corporation ("Products Corporation") and its subsidiaries. Revlon is an indirect majority-owned subsidiary of MacAndrews & Forbes Incorporated (together with certain of its affiliates other than the Company, "MacAndrews & Forbes"), a corporation wholly-owned by Ronald O. Perelman.

The Company was founded over 85 years ago by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors. Today, the Company continues Revson's legacy by producing and marketing innovative products that address consumers' wants and needs for beauty and personal care products.

The Company operates in four reporting segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other. The Elizabeth Arden segment consists entirely of the business acquired pursuant to Products Corporation's September 7, 2016 acquisition of Elizabeth Arden, Inc. ("Elizabeth Arden," the "Elizabeth Arden Acquisition" and the "Elizabeth Arden Acquisition Date," respectively). The Professional segment consists entirely of the business acquired pursuant to Products Corporation's October 9, 2013 acquisition of The Colomer Group Participations, S.L., a Spanish company now known as Beautyge Participations, S.L. ("Colomer," the "Colomer Acquisition" and the "Colomer Acquisition Date," respectively). The Other segment includes the business acquired pursuant to the Company's April 2015 acquisition of the CBBeauty Group and certain of its related entities (collectively "CBB" and, such transaction, the "CBB Acquisition").

The Company is a leading global beauty company with an iconic portfolio of brands. The Company develops, manufactures, markets, distributes and sells worldwide an extensive array of beauty and personal care products, including color cosmetics, hair color, hair care and hair treatments, fragrances, skin care, beauty tools, men's grooming products, anti-perspirant deodorants and other beauty care products across a variety of distribution channels. The Company is building a combined organization that is entrepreneurial, agile and boldly creative, with a passion for beauty. The Company has strategic brand builders, developing a diverse portfolio of iconic brands that delight consumers around the world wherever and however they shop for beauty. The Company strives to be an ethical company that values inclusive leadership and is committed to sustainable and responsible growth.

The Company's Consumer segment is comprised of products that are marketed, distributed and sold in large volume retailers, chain drug and food stores, chemist shops, hypermarkets, general merchandise stores, the Internet/e-commerce, television shopping, department stores, one-stop shopping beauty retailers, specialty cosmetic stores and perfumeries in the U.S. and internationally under brands such as Revlon, Almay, SinfulColors and Pure Ice in cosmetics; Revlon ColorSilk in women's hair color; Revlon in beauty tools; and Mitchum in anti-perspirant deodorants. The Consumer segment also includes a skin care line under the Natural Honey brand and hair color line under the Llongueras brand (licensed from a third party), that are sold in large volume retailers and other retailers, primarily in Spain. In October 2015 and in May 2016, the Company completed the Cutex U.S. Acquisition and the Cutex International Acquisition (each as hereinafter defined) and the results of operations relating to the sales of Cutex nail care products are included within the Consumer segment.

The Company's Professional segment markets, distributes and sells professional products primarily to hair and nail salons and professional salon distributors in the U.S. and internationally under brands such as Revlon Professional in hair color, hair care and hair treatments; CND in nail polishes and nail enhancements, including CND Shellac and CND Vinylux nail polishes; and American Crew in men's grooming products. The Professional segment also includes a multi-cultural hair care line consisting of Creme of Nature hair care products, which are sold in both

professional salons and in large volume retailers and other retailers, primarily in the U.S.

The Elizabeth Arden segment markets, distributes and sells fragrances, skin care and color cosmetics to prestige retailers, specialty stores, the mass retail channel, distributors, perfumeries, department stores, boutiques, travel retailers and other retailers in the U.S. and internationally, as well as direct sales to consumers via its Elizabeth Arden Red Door branded retail stores, Elizabeth Arden.com e-commerce business and Elizabeth Arden Red Door Spa beauty salons and spas under brands such as Skin Illuminating, SUPERSTART, Prevage, Eight Hour Cream, Elizabeth Arden Ceramide and Visible Difference in the Elizabeth Arden skin care brands; Elizabeth Arden Red Door, Elizabeth Arden 5th Avenue, Elizabeth Arden Green Tea and UNTOLD in Elizabeth Arden fragrances; Juicy Couture, John Varvatos and Wildfox Couture in designer fragrances; and Curve, Elizabeth Taylor, Britney Spears, Christina Aguilera, Halston, Ed Hardy, Geoffrey Beene, Alfred Sung, Giorgio Beverly Hills, Lucky Brand, PS Fine Cologne for Men, White Shoulders and Jennifer Aniston in heritage fragrances.

The Other segment includes the operating results of the CBB business and related purchase accounting for the CBB Acquisition. CBB develops, markets and distributes fragrances and other beauty products under various celebrity, lifestyle and fashion brands

## REVLON, INC. AND SUBSIDIARIES

licensed from third parties, principally through department stores and selective distribution in international territories. The results included within the Other segment are not material to the Company's consolidated results of operations.

### Our Business Strategy for Value Creation

Our strategy is based on three key pillars:

**Strengthen Our Portfolio of Brands.** The Company intends to continue to develop the leadership and aspiration for our flagship brands; Revlon, Elizabeth Arden and Almay. The Company is continuing to develop our product offerings across beauty segments with a focus on large and/or fast growing categories. We are leveraging our creativity, insights and agility to accelerate innovation to develop trend-relevant and first-of-its kind beauty solutions. We aim to delight our customers with high performing products, superior services and unique experiences that exceed their expectations. And we will continue to communicate our brands' heritage, expertise and purpose to create authentic, meaningful and lasting connections with consumers of all ages.

**Strategically Expand Consumer's Access to Our Brands.** The Company is taking steps to ensure that consumers have real-time access to our brands wherever and however they shop for beauty. We are strengthening and diversifying our channels, especially direct to consumer. We are accelerating our development in high-growth channels, with a focus on specialty e-commerce and m-commerce. Our goal is to continue to win in traditional channels (including mass, drug, selective and department stores) and expand our combined reach into travel retail. The Company is taking actions to strengthen its position in the U.S., to ensure our growth base, and expand into untapped geographic regions, with a focus on growth in Asia.

**Develop a Cost Structure That Fuels Investment in Our Brands.** The Company aims to grow profitably, improve its operating performance and align its strategic investments behind the biggest growth opportunities and innovation that differentiates our brands. We continue to improve our category mix by shifting toward higher gross margin categories (e.g., skin care and fragrance) and we aim to reduce product returns, markdowns and inventory levels. Our objective is to optimize resource allocation.

### Recent Transactions

#### The Elizabeth Arden Acquisition

On the Elizabeth Arden Acquisition Date, the Company completed the Elizabeth Arden Acquisition for a total cash purchase price of \$1,034.3 million, pursuant to an agreement and plan of merger (the "Merger Agreement") by and among Revlon, Products Corporation, RR Transaction Corp. ("Acquisition Sub," then a wholly-owned subsidiary of Products Corporation), and Elizabeth Arden. On the Acquisition Date, Elizabeth Arden merged (the "Merger") with and into Acquisition Sub, with Elizabeth Arden surviving the Merger as a wholly-owned subsidiary of Products Corporation. The Company anticipates achieving growth through opportunities presented by the combined company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities. The results of operations of Elizabeth Arden are included in the Company's Consolidated Financial Statements commencing on the Elizabeth Arden Acquisition Date. For the net sales and segment profit related to Elizabeth Arden operations for the period from the Elizabeth Arden Acquisition Date through December 31, 2016, refer to the Elizabeth Arden segment disclosure in Note 19, "Segment Data and Related Information."

In December 2016, in connection with integrating the Elizabeth Arden and Revlon organizations, the Company determined to begin the process of implementing certain integration activities, including consolidating offices, eliminating certain duplicative activities and streamlining back-office support, (the "EA Integration Restructuring Program"). The EA Integration Restructuring Program is designed to reduce the Company's selling, general and administrative ("SG&A") expenses. As a result of the EA Integration Restructuring Program, the Company expects to eliminate approximately 350 positions worldwide and expects to recognize approximately \$65 million to \$75 million of total pre-tax restructuring and related charges (the "EA Integration Restructuring Charges"), consisting of: (i) approximately \$40 million to \$50 million of employee-related costs, including severance, retention and other



contractual termination benefits; (ii) approximately \$15 million of lease termination costs; and (iii) approximately \$10 million of other related charges.

As a result of the EA Integration Restructuring Program, as well as other actions related to integrating the Elizabeth Arden organization into the Company's business, the Company has identified annualized synergies and cost reductions of approximately \$190 million. The approximately \$190 million of expected annualized synergies and cost reductions are expected to be generated over a multi-year period, with approximately 90% expected to be achieved by the end of 2020. For 2016, the Company realized approximately \$3 million of these annualized cost reductions, which primarily benefited the Elizabeth Arden segment results.

See Note 2, "Business Combinations," and Note 3, "Restructuring Charges - EA Integration Restructuring Program," to the Consolidated Financial Statements in this Form 10-K for further details on the Elizabeth Arden Acquisition and the EA Integration Restructuring Program.

#### Acquisition of Cutex International

On May 31, 2016 (the "Cutex International Acquisition Date"), the Company completed the acquisition of certain international

## REVLON, INC. AND SUBSIDIARIES

Cutex businesses ("Cutex International") from Coty Inc. (the "Cutex International Acquisition"), which primarily operate in Australia and the United Kingdom (the "U.K."), and related assets for total cash consideration of \$29.1 million. Following the Company's October 2015 acquisition of the Cutex business and related assets in the U.S. (the "Cutex U.S. Acquisition"), combined with other Cutex businesses that the Company acquired in 1998, the Cutex International Acquisition completed the Company's global consolidation of the Cutex brand, enhancing and complementing the Company's existing portfolio of nail care products. The Cutex International results of operations are included in the Company's Consolidated Financial Statements commencing on the Cutex International Acquisition Date. See Note 2, "Business Combinations," to the Consolidated Financial Statements in this Form 10-K for further details related to the Cutex International Acquisition.

#### Debt-Related Transactions

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into (i) a 7-year \$1,800.0 million senior secured term loan facility (the "2016 Term Loan Facility" and such agreement being the "2016 Term Loan Agreement"); and (ii) a 5-year \$400.0 million senior secured asset-based revolving credit facility (the "2016 Revolving Credit Facility," with such agreement being the "2016 Revolving Credit Facility Agreement" and together with the 2016 Term Loan Agreement, the "2016 Credit Agreements" and with the 2016 Revolving Credit Facility together with the 2016 Term Loan Facility, being the "2016 Senior Credit Facilities"). As part of financing the Elizabeth Arden Acquisition, in August 2016, Products Corporation also completed the issuance of \$450.0 million aggregate principal amount of 6.25% Senior Notes due 2024 (the "6.25% Senior Notes" and the "6.25% Senior Notes Offering," respectively), which funds were released from escrow on the Elizabeth Arden Acquisition Date. In connection with entering into the 2016 Senior Credit Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed 2013 Interest Rate Swap (as hereinafter defined) based on a notional amount of \$400 million that previously applied to Products Corporation's Old Acquisition Term Loan (as defined below), which loan was refinanced in full in connection with Products Corporation's consummation of the 2016 Senior Credit Facilities and the 6.25% Senior Notes Offering.

The proceeds of Products Corporation's 6.25% Senior Notes Offering and the 2016 Term Loan Facility, together with approximately \$35.0 million of borrowings under the 2016 Revolving Credit Facility, and approximately \$126.7 million of cash on hand, were used: (A) to fund the Elizabeth Arden Acquisition including: (i) repurchasing the entire \$350.0 million aggregate principal amount outstanding of Elizabeth Arden's then-existing Senior Notes (the "Elizabeth Arden Senior Notes"); (ii) repaying the entire \$142.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's \$300.0 million revolving credit facility (which facility was terminated upon such repayment); (iii) repaying the entire \$25.0 million aggregate principal amount of borrowings outstanding as of the Elizabeth Arden Acquisition Date under Elizabeth Arden's second lien credit facility (which facility was terminated upon such repayment); and (iv) retiring the entire \$55.0 million liquidation preference of all 50,000 shares of Elizabeth Arden's issued and outstanding preferred stock (which amount included a \$5.0 million change of control premium); and (B) to completely refinance and repay all of the \$651.4 million in aggregate principal balance outstanding under Products Corporation's then-existing 2011 term loan (the "2011 Term Loan") and all of the \$658.6 million in aggregate principal balance outstanding under Products Corporation's 2013 term loan that was incurred in connection with completing the Colomer Acquisition (each of which facilities were terminated upon such repayment) (the "Old Acquisition Term Loan" and together with the 2011 Term Loan, the "Old Term Loan Agreement" and the "Old Term Loan Facility," respectively). The Company did not incur any material early termination penalties in connection with repaying the Old Term Loan Facility or the Elizabeth Arden indebtedness and preferred stock.

In February 2016, Products Corporation prepaid \$23.2 million of indebtedness, then outstanding under the Old Term Loan Facility, representing 50% of its 2015 "excess cash flow" as defined by, and as required under, the Old Term Loan Agreement. The prepayment was applied on a ratable basis between the principal amounts outstanding under the 2011 Term Loan and the Old Acquisition Term Loan. The amount of the prepayment that was applied to the 2011 Term

Loan reduced the principal amount outstanding by \$11.5 million to \$651.4 million (as all amortization payments under the 2011 Term Loan had been paid). The \$11.7 million that was applied to the Old Acquisition Term Loan reduced Products Corporation's future annual amortization payments such loan on a ratable basis from \$6.9 million prior to the prepayment to \$6.8 million after giving effect to the prepayment.

See Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources – Long-Term Debt Instruments” for further discussion of the above debt transactions.

REVLON, INC. AND SUBSIDIARIES

Products

Revlon conducts business exclusively through Products Corporation. The Company develops, manufactures, markets, distributes and sells a variety of beauty and personal care products worldwide. The following table sets forth the Company's principal brands that are included in its Consumer, Professional, Elizabeth Arden and Other segments by product category:

Segment	COSMETICS	HAIR	MEN'S GROOMING	BEAUTY TOOLS	FRAGRANCES		ANTI-PERSPIRANT DEODORANTS	SKIN CARE / BODY CARE
					Owned	Licensed*		
Consumer	Revlon	Revlon ColorSilk		Revlon	Charlie		Mitchum	Gatineau
	Almay	Llongueras*			Jean Naté			Natural Honey
	SinfulColors Pure Ice Cutex							
Professional	CND	Revlon Professional Intercosmo Orofluido UniqOne	American Crew d:fi					