

REVLON INC /DE/
Form 10-Q
November 07, 2006

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, 2006

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)
237 Park Avenue, New York, New York
(Address of principal executive offices)

13-3662955
(I.R.S. Employer
Identification No.)
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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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, 2006, 381,450,845 shares of Class A Common Stock and 31,250,000 shares of Class B Common Stock were outstanding. 217,444,170 shares of Class A Common Stock and all of the 31,250,000 shares of Class B Common Stock were beneficially owned directly and indirectly by MacAndrews & Forbes Holdings Inc. and its affiliates.

REVLON, INC. AND SUBSIDIARIES

INDEX

PART I – Financial Information

Item 1.	Financial Statements	
	Consolidated Balance Sheets as of September 30, 2006 (Unaudited) and December 31, 2005	2
	Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2006 and 2005	3
	Unaudited Consolidated Statements of Stockholders' Deficiency and Comprehensive Loss for the Nine Months Ended September 30, 2006	4
	Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005	5
	Notes to Unaudited Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	36
Item 4.	Controls and Procedures	37

PART II – Other Information

Item 1A.	Risk Factors	43
Item 6.	Exhibits	43
	Signatures	44

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

REVLON, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in millions, except per share amounts)

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23.9	\$ 32.5
Trade receivables, less allowances of \$14.4 and \$18.9 as of September 30, 2006 and December 31, 2005, respectively	166.9	282.2
Inventories	206.9	220.6
Prepaid expenses and other	56.5	56.7
Total current assets	454.2	592.0
Property, plant and equipment, net	119.1	119.7
Other assets	165.2	146.0
Goodwill, net	186.1	186.0
Total assets	\$ 924.6	\$ 1,043.7
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings	\$ 10.2	\$ 9.0
Current portion of long-term debt	8.1	—
Accounts payable	99.8	133.1
Accrued expenses and other	343.7	328.4
Total current liabilities	461.8	470.5
Long-term debt	1,446.8	1,413.4
Other long-term liabilities	241.0	255.7
Stockholders' deficiency:		
Class B Common Stock, par value \$.01 per share; 200,000,000 shares authorized, 31,250,000 issued and outstanding as of September 30, 2006 and December 31, 2005, respectively	0.3	0.3
Class A Common Stock, par value \$.01 per share; 900,000,000 shares authorized and 383,665,513 and 344,472,735 shares issued as of September 30, 2006 and December 31, 2005, respectively	3.8	3.4
Additional paid-in capital	883.5	764.8
Treasury stock, at cost; 429,666 and 236,315 shares of Class A Common Stock as of September 30, 2006 and December 31, 2005, respectively	(1.4)	(0.8)
Accumulated deficit	(1,987.7)	(1,741.9)
Accumulated other comprehensive loss	(123.5)	(121.7)
Total stockholders' deficiency	(1,225.0)	(1,095.9)
Total liabilities and stockholders' deficiency	\$ 924.6	\$ 1,043.7

See Accompanying Notes to Unaudited Consolidated Financial Statements

2

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net sales	\$ 305.9	\$ 275.3	\$ 952.5	\$ 894.5
Cost of sales	148.9	117.0	404.2	350.1
Gross profit	157.0	158.3	548.3	544.4
Selling, general and administrative expenses	200.4	190.6	645.3	577.6
Restructuring costs and other, net	13.8	—	23.3	1.5
Operating loss	(57.2)	(32.3)	(120.3)	(34.7)
Other expenses (income):				
Interest expense	38.3	33.2	109.4	94.7
Interest income	(0.2)	(1.4)	(1.0)	(4.8)
Amortization of debt issuance costs	2.0	1.8	5.6	5.1
Foreign currency gains, net	(0.2)	(2.7)	(1.4)	(1.4)
Loss on early extinguishment of debt	—	—	0.4	9.0
Miscellaneous, net	0.1	(0.1)	0.5	1.5
Other expenses, net	40.0	30.8	113.5	104.1
Loss before income taxes	(97.2)	(63.1)	(233.8)	(138.8)
Provision for income taxes	3.3	2.3	12.0	9.2
Net loss	\$ (100.5)	\$ (65.4)	\$ (245.8)	\$ (148.0)
Basic and diluted loss per common share	\$ (0.24)	\$ (0.17)	\$ (0.61)	\$ (0.40)
Weighted average number of common shares outstanding:				
Basic and diluted	412,642,997	374,396,137	401,260,132	373,876,139

See Accompanying Notes to Unaudited Consolidated Financial Statements

3

Table of Contents

REVLON, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
 AND COMPREHENSIVE LOSS

(dollars in millions)

	Common Stock	Additional Paid-In- Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficiency
Balance, January 1, 2006	\$ 3.7	\$ 764.8	\$ (0.8)	\$ (1,741.9)	\$ (121.7)	\$ (1,095.9)
Net proceeds from Rights Offering	0.4	106.8				107.2
Treasury stock acquired, at cost ⁽¹⁾			(0.6)			(0.6)
Stock option compensation		6.5				6.5
Exercise of stock options for common stock		0.2				0.2
Amortization of deferred compensation for restricted stock		5.2				5.2
Comprehensive loss:						
Net loss				(245.8)		(245.8)
Revaluation of foreign currency forward exchange contracts					0.8	0.8
Currency translation adjustment					(2.6)	(2.6)
Total comprehensive loss						(247.6)
Balance, September 30, 2006	\$ 4.1	\$ 883.5	\$ (1.4)	\$ (1,987.7)	\$ (123.5)	\$ (1,225.0)

⁽¹⁾Amount relates to 193,351 shares of Revlon, Inc. Class A Common Stock withheld from certain executives to satisfy the minimum statutory tax withholding requirements related to the vesting of shares of restricted stock (see Note 2, "Stock Compensation Plan" to the Unaudited Consolidated Financial Statements).

See Accompanying Notes to Unaudited Consolidated Financial Statements

4

Table of Contents

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

Nine Months Ended
 September 30,
 2006 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

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Net loss	\$ (245.8)	\$ (148.0)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	84.2	75.3
Amortization of debt discount	0.4	0.1
Stock compensation amortization	11.7	4.4
Loss on early extinguishment of debt	0.4	9.0
Change in assets and liabilities:		
Decrease in trade receivables	115.5	38.4
Decrease (increase) in inventories	14.1	(74.6)
Decrease (increase) in prepaid expenses and other current assets	1.2	(3.1)
Increase (decrease) in accounts payable	(26.0)	6.5
Decrease in accrued expenses and other current liabilities	(24.3)	(3.1)
Purchase of permanent displays	(81.4)	(38.7)
Other, net	25.2	17.9