REVLON INC /DE/
Form 10-K
February 25, 2010

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

o **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.)
237 Park Avenue, New York, New York	**10017**
(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 o No x

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 o No x

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 o

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 preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Yes o No x

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, 2009, the last business day of the registrant s most recently completed second fiscal quarter) was approximately $109,852,999.

As of December 31, 2009, 48,493,958 shares of Class A Common Stock and 3,125,000 shares of Class B Common Stock and 9,336,905 shares of Preferred Stock were outstanding. At such date, 37,544,640 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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Revlon, Inc. s definitive Proxy Statement to be delivered to shareholders in connection with its Annual Meeting of Stockholders to be held on or about June 3, 2010 are incorporated by reference into Part III of this Form 10-K.

Revlon, Inc. and Subsidiaries

Form 10-K

For the Year Ended December 31, 2009

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PART I

Item 1. Business

Background

Revlon, Inc. (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, Inc. is a direct and indirect majority-owned subsidiary of MacAndrews & Forbes Holdings Inc. (MacAndrews & Forbes Holdings and together with certain of its affiliates other than the Company, MacAndrews & Forbes), a corporation wholly-owned by Ronald O. Perelman.

The Company s vision is glamour, excitement and innovation through high-quality products at affordable prices. The Company operates in a single segment and manufactures, markets and sells an extensive array of cosmetics, women s hair color, beauty tools, anti-perspirants/deodorants, fragrances, skincare and other beauty care products. The Company is one of the world s leading cosmetics companies in the mass retail channel (as hereinafter defined). The Company believes that its global brand name recognition, product quality and marketing experience have enabled it to create one of the strongest consumer brand franchises in the world.

The Company s products are sold worldwide and marketed under such brand names as **Revlon**, including the **Revlon ColorStay**, **Revlon Super Lustrous** and **Revlon Age Defying** franchises, as well as the **Almay** brand, including the **Almay Intense i-Color** and **Almay Smart Shade** franchises, in cosmetics; **Revlon ColorSilk** in women s hair color; **Revlon** in beauty tools; **Mitchum** anti-perspirants/deodorants; **Charlie** and **Jean Naté** in fragrances; and **Ultima II** and **Gatineau** in skincare.

The Company s principal customers include large mass volume retailers and chain drug and food stores (collectively, the mass retail channel) in the U.S., as well as certain department stores and other specialty stores, such as perfumeries, outside the U.S. The Company also sells beauty products to U.S. military exchanges and commissaries and has a licensing business pursuant to which the Company licenses certain of its key brand names to third parties for complementary beauty-related products and accessories in exchange for royalties.

The Company was founded by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors over 75 years ago. Today, the Company has leading market positions in a number of its principal product categories in the U.S. mass retail channel, including color cosmetics (face, lip, eye and nail categories), women s hair color, beauty tools and anti-perspirants/deodorants. The Company also has leading market positions in several product categories in certain foreign countries, including Australia, Canada and South Africa.

The Company s Business Strategy

The Company s strategic goal is to profitably grow our business. The business strategies employed by the Company to achieve this goal are:

1. ***Building our strong brands.*** We continue to build our strong brands by focusing on innovative, high-quality, consumer-preferred brand offering; effective consumer brand communication; appropriate levels of advertising and promotion; and superb execution with our retail partners.

2. ***Developing our organizational capability.*** We continue to develop our organizational capability through attracting, retaining and rewarding highly capable people and through performance management, development planning, succession planning and training.

3. ***Driving our company to act globally.*** We continue to drive common global processes which are designed to provide the most efficient allocation of our resources.

4. ***Increasing our operating profit and cash flow.*** We continue to focus on increasing our operating profit and cash flow.

5. ***Improving our capital structure.*** We continue to improve our capital structure by focusing on strengthening our balance sheet and reducing debt.

Recent Debt Reduction Transactions

We reduced our long-term indebtedness by $81.3 million during 2009 and extended the maturity on a significant portion of our long-term debt primarily as a result of the following transactions:

2006 Term Loan Facility: In January 2009, Products Corporation made a required quarterly amortization payment of $2.1 million under its 2006 Term Loan Facility (as hereinafter defined). In February 2009, Products Corporation repaid $16.6 million in principal amount under its 2006 Term Loan Facility pursuant to the requirement under the 2006 Term Loan Agreement to repay term loan indebtedness with 50% of its 2008 excess cash flow (as defined under such agreement), which repayment satisfied Products Corporation s required quarterly term loan amortization payments of $2.1 million per quarter that would otherwise have been due on April 15, 2009, July 15, 2009, October 15, 2009, January 15, 2010, April 15, 2010, July 15, 2010, October 15, 2010 and $1.9 million of the amortization payment otherwise due on January 15, 2011. At December 31, 2009, the principal amount outstanding under Products Corporation s 2006 Term Loan Facility was $815.0 million.

Extension of the maturity of the Senior Subordinated Term Loan: In October 2009, Revlon, Inc. consummated its voluntary exchange offer (as amended, the Exchange Offer) in which Revlon, Inc. issued to stockholders (other than MacAndrews & Forbes and its affiliates) 9,336,905 shares of Series A preferred stock, par value $0.01 per share (the Preferred Stock), in exchange for the same number of shares of Class A Common Stock tendered for exchange in the Exchange Offer.

Each share of the Preferred Stock issued in the Exchange Offer has a liquidation preference of $5.21 per share and is entitled to receive a 12.75% annual dividend payable quarterly in cash and is mandatorily redeemable for $5.21 in cash on October 8, 2013. Each share of Preferred Stock entitles its holder to receive cash payments of approximately $7.87 over the four-year term of the Preferred Stock, through the quarterly payment of cash dividends and the liquidation preference at maturity (assuming Revlon, Inc. does not engage in one of certain specified change of control transactions), in each case to the extent that Revlon, Inc. has lawfully available funds to effect such payments.

Upon consummation of the Exchange Offer, MacAndrews & Forbes contributed to Revlon, Inc. $48.6 million of the $107.0 million aggregate outstanding principal amount of the Senior Subordinated Term Loan (as hereinafter defined) made by MacAndrews & Forbes to Products Corporation (the Contributed Loan), and the terms of the Senior Subordinated Term Loan Agreement were amended:

to extend the maturity date on the Contributed Loan which remains owing from Products Corporation to Revlon, Inc. from August 2010 to October 8, 2013;

to change the annual interest rate on the Contributed Loan from 11% to 12.75%;

to extend the maturity date on the $58.4 million principal amount of the Senior Subordinated Term Loan which remains owing from Products Corporation to MacAndrews & Forbes (the Non-Contributed Loan) from August 2010 to October 8, 2014; and to change the annual interest rate on the Non-Contributed Loan from 11% to 12%.

Refinancing of the 9½% Senior Notes: In November 2009, Products Corporation issued and sold $330.0 million in aggregate principal amount of 93/4% Senior Secured Notes due November 15, 2015 (the 93/4% Senior Secured Notes) in a private placement which was priced at 98.9% of par.

Products Corporation used the $319.8 million of net proceeds from the 93/4% Senior Secured Notes (net of original issue discount and underwriters fees), together with $42.6 million of other cash and borrowings under the 2006 Revolving Credit Facility (as hereinafter defined), to repay or redeem all of the

$340.5 million aggregate principal amount outstanding of Products Corporation s 91/2% Senior Notes due April 1, 2011 (the 91/2% Senior Notes), plus an aggregate of $21.9 million for accrued interest, applicable redemption and tender premiums and fees and expenses related to refinancing the 91/2% Senior Notes, as well as the amendments to the 2006 Credit Agreements required to permit such refinancing to be conducted on a secured basis.

Prior to their complete refinancing in November 2009, Products Corporation repurchased $49.5 million in aggregate principal amount of 91/2% Senior Notes at an aggregate purchase price of $41.0 million, which is net of the write-off of the ratable portion of unamortized debt discounts and deferred financing fees resulting from such repurchases.

(See further discussion in 2009 Refinancing Transactions within Financial Condition, Liquidity and Capital Resources 2009 Refinancing Transactions and in Note 9 Long-Term Debt and Redeemable Preferred Stock to the Consolidated Financial Statements).

Possible refinancing of the 2006 Credit Agreements: As part of the Company s strategy to continue to improve its capital structure, on February 25, 2010, the Company filed with the SEC a Current Report on Form 8-K disclosing that Products Corporation is exploring a possible refinancing of its existing 2006 Term Loan Facility and its 2006 Revolving Credit Facility, including disclosure of the possible principle terms and conditions of such refinancing. There can be no assurances that such refinancing will be finalized and closed. Products Corporation was in compliance with all applicable covenants under its 2006 Credit Agreements as of December 31, 2009 and the date of this filing.

Products

Revlon, Inc. conducts business exclusively through Products Corporation. The Company manufactures and markets a variety of products worldwide. The following table sets forth the Company s principal brands.

COSMETICS	HAIR	BEAUTY TOOLS	FRAGRANCE	ANTI-PERSPIRANTS/ DEODORANTS	SKINCARE
Revlon	Revlon ColorSilk	Revlon	Charlie	Mitchum	Gatineau
Almay			Jean Naté		Ultima II

Cosmetics Revlon: The Company sells a broad range of cosmetics under its flagship **Revlon** brand designed to fulfill consumer needs, principally priced in the upper range of the mass retail channel, including face, lip, eye and nail products. Certain of the Company s products incorporate patented, patent-pending or proprietary technology. (See New Product Development and Research and Development).

The Company sells face makeup, including foundation, powder, blush and concealers, under the **Revlon** brand name. **Revlon Age Defying**, which is targeted for women in the over-35 age bracket, incorporates the Company s patented **Botafirm** ingredients to help reduce the appearance of lines and wrinkles. The Company s new **Revlon Age Defying Spa** foundation and concealer were introduced for 2009 to instantly revitalize and brighten, while protecting against the appearance of fine lines. The Company also markets a complete range of **Revlon ColorStay** liquid and powder face makeup with patented long-wearing ingredients and **SoftFlex** technology for enhanced comfort. The **Revlon ColorStay** Mineral collection includes **Revlon ColorStay** Mineral Mousse makeup and **Revlon ColorStay** Mineral foundation, as well as **Revlon ColorStay** Mineral pressed blush and bronzer. The **Revlon Beyond Natural** collection, focusing on a naturally glamorous look, offers skin-tone matching liquid foundation. For 2010, the Company launched

Revlon PhotoReady makeup, powder and finisher, all designed with innovative photochromatic pigments that bend and reflect light to give a flawless, airbrushed appearance in any light. The Company has also launched **Revlon Age Defying Spa** face illuminator, which uses light reflection to enhance skin and boost luminosity, producing a radiant and glowing effect.

The Company markets several different lines of **Revlon** lip makeup, including lipstick, lip gloss and lip liner, under several **Revlon** brand names. **Revlon Super Lustrous** is the Company s flagship wax-based lipcolor, offered in a wide variety of shades of lipstick and lip gloss, and has **LiquiSilk** technology designed to boost moisturization using silk dispersed in emollients. **Revlon ColorStay Soft & Smooth** lip color, with patented ingredients, offers long-wearing benefits while enhancing comfort with **SoftFlex** technology, while **Revlon ColorStay Overtime** lipcolor and **Revlon ColorStay Overtime Sheer** lip color use patented transfer resistant technology. The Company s **Revlon ColorStay** Mineral lipglaze is the Company s first long-wearing lip gloss with up to eight hours of wear. For 2009, the Company introduced **Revlon** Cremé Gloss, a lip gloss that provides deeply pigmented color with extreme gloss shine and **Revlon ColorStay Ultimate** liquid lipstick, the first and only lipcolor that has patented **ColorStay** long-wearing technology with comfortable food-proof wear for up to 12 hours in one simple step. For 2010, the Company launched **Revlon ColorBurst** lipstick, a luxurious lipstick available in 20 shades with **Elasticolor** technology that provides an instant burst of rich, true color that feels virtually weightless on lips.

The Company s eye makeup products include mascaras, eyeliners, eye shadows and brow products, under several **Revlon** brand names. In mascaras, key franchises include **Fabulash**, which uses a lash perfecting brush for fuller lashes, and **Revlon Lash Fantasy Total Definition**, a two-step primer and mascara with lash separating brushes for enhanced definition. In 2009, the Company launched **Revlon DoubleTwist** mascara featuring a revolutionary two-in-one patent-pending brush for massive volume and remarkable definition. In eyeliners, **Revlon Luxurious Color** liner uses a smooth formula to provide rich, luxurious color. In addition, in 2009, the Company introduced **Revlon Luxurious Color** kohl eyeliner for intense matte color. In eye shadow, **Revlon ColorStay** 12-Hour patented long-wearing eyeshadow enables color to look fresh for up to 12 hours. In 2009, the Company also introduced new **Revlon** Matte eye shadows, which provide high impact color combined with a soft matte finish. For 2010, the Company extended its eye shadow offering and introduced **Revlon Luxurious Color** eyeshadow in satin and perle finishes, which offer rich, smooth and velvety application.

The Company s nail color and nail care lines include enamels, treatments and cuticle preparations. The Company s core **Revlon** nail enamel uses a patented formula that provides consumers with improved wear, application, shine and gloss in a toluene-free, formaldehyde-free and phthalate-free formula.

Hair Revlon: The Company sells both hair color and haircare products throughout the world. In women s hair color, the Company markets brands, including **Revlon ColorSilk**, with patented ingredients which offer radiant, rich color with conditioning.

Beauty Tools Revlon: The Company sells **Revlon** Beauty Tools, which include nail, eye and pedicure grooming tools, such as clippers, scissors, files, tweezers and eye lash curlers. **Revlon** Beauty Tools are sold individually and in sets. In 2009, the Company launched a full line of makeup brushes under the **Revlon** brand name.

Cosmetics Almay: The Company s **Almay** brand consists of hypo-allergenic, dermatologist-tested, fragrance-free cosmetics and skincare products. **Almay** products include face and eye makeup and makeup removers.

Within the face category, **Almay Smart Shade** offers patented ingredients for foundation, blush, bronzer and concealer that are designed to match consumer skin tones. Introduced for 2010, **Almay Smart Shade Anti-Aging** makeup matches skin tone while also fighting signs of aging. **Almay TLC Truly Lasting Color** makeup and pressed powder have long-wearing formulas that nourish and protect the skin for up to 16 hours of coverage.

In eye makeup, the flagship brand, **Almay Intense i-Color**, enhances and intensifies eyes through color-coordinated shades of shadow, liner and mascara for each eye color. In 2010, the Company extended the franchise to include **Almay Intense i-Color** with **Light Interplay Technology**. **Almay Bright Eyes** collection is a three-product, innovative and coordinated collection made up of eye base and concealer in one, eye shadow and a liner/highlighter duo. The collection helps eyes look refreshed and radiant due to Almay s expert formulas that work with light reflectors to naturally brighten and de-puff the look of the entire eye area. The **Almay One Coat** mascara franchise includes products for lash thickening and visible lengthening, and the patented **Almay Triple Effect** mascara offers a more dramatic look. **Almay** eye makeup removers are offered in a range of pads and towlettes.

Anti-perspirants/deodorants: In the anti-perspirants/deodorants product category, the Company markets **Mitchum** anti-perspirant products, with patented ingredients, in many countries.

Fragrances: The Company sells a selection of moderately-priced and premium-priced fragrances, including perfumes, eau de toilettes, colognes and body sprays. The Company s portfolio includes fragrances under globally-recognized brand names such as **Charlie** and **Jean Naté**.

Skincare: The Company sells skincare products in the U.S. and in global markets under internationally-recognized brand names, including **Revlon** and **Almay**, and under various regional brands, including the Company s premium-priced **Gatineau** brand, as well as **Ultima II**.

Marketing

The Company markets extensive consumer product lines principally priced in the upper range of the mass retail channel and certain other channels outside of the U.S.

The Company uses print, television and internet advertising, as well as point-of-sale merchandising, including displays and samples, coupons and other trial incentives. The Company s marketing emphasizes a uniform global image and product for its portfolio of core brands. The Company coordinates advertising campaigns with in-store promotional and other marketing activities. The Company develops jointly with retailers carefully tailored advertising, point-of-purchase and other focused marketing programs.

The Company also uses cooperative advertising programs, Company-paid or Company-subsidized demonstrators, and coordinated in-store promotions and displays. Other marketing materials designed to introduce the Company s newest products to consumers and encourage trial and purchase in-store include trial-size products and couponing. Additionally, the Company maintains separate websites, www.revlon.com, www.almay.com and www.mitchumman.com devoted to the **Revlon**, **Almay** and **Mitchum** brands, respectively. Each of these websites feature product and promotional information for the brands and are updated regularly to stay current with the Company s new product launches and other advertising and promotional campaigns.

New Product Development and Research and Development

The Company believes that it is an industry leader in the development of innovative and technologically-advanced cosmetics and beauty products. The Company s marketing and research and development groups identify consumer needs and shifts in consumer preferences in order to develop new products, introduce line extensions and promotions and redesign or reformulate existing products to satisfy such needs or preferences. The Company s research and development group is comprised of departments specialized in the technologies critical to the Company s various product categories. The Company has a global cross-functional product development process, including a rigorous process for the continuous development and evaluation of new product concepts, led by executives in marketing, sales, research and development, operations, law and finance. This process has improved the Company s new product commercialization process and created a comprehensive, long-term portfolio strategy and is intended to optimize the Company s ability to regularly bring to market innovative new product offerings and to manage the Company s product portfolio.

The Company operates an extensive cosmetics research and development facility in Edison, New Jersey. The scientists at the Edison facility are responsible for all of the Company s new product research and development worldwide and performing research for new products, ideas, concepts and packaging. The research and development group at the Edison facility also performs extensive safety and quality testing on the Company s products, including toxicology, microbiology, efficacy and package testing. Additionally, quality control testing is performed at each of the Company s manufacturing facilities.

As of December 31, 2009, the Company employed approximately 140 people in its research and development activities, including specialists in pharmacology, toxicology, chemistry, microbiology, engineering, biology, dermatology and quality control. In 2009, 2008 and 2007, the Company spent $23.9 million, $24.3 million and $24.4 million, respectively, on research and development activities.

Manufacturing and Related Operations and Raw Materials

During 2009, the Company s cosmetics and/or personal care products were produced at the Company s facilities in North Carolina, Venezuela, France and South Africa and at third-party facilities around the world.

The Company continually reviews its manufacturing needs against its manufacturing capacities to identify opportunities to reduce costs and operate more efficiently. The Company purchases raw materials and components throughout the world, and continuously pursues reductions in cost of goods through the global sourcing of raw materials and components from qualified vendors, utilizing its purchasing capacity to maximize cost savings. The Company s global sourcing strategy for materials and components from accredited vendors is also designed to ensure the highest quality and the continuity of supply of the raw materials and components. The Company believes that alternate sources of raw materials and components exist and does not anticipate any significant shortages of, or difficulty in obtaining, such materials.

Distribution

The Company s products are sold in more than 100 countries across six continents. The Company s worldwide sales force had approximately 220 people as of December 31, 2009. In addition, the Company utilizes sales representatives and independent distributors to serve certain markets and related distribution channels.

United States. Net sales in the U.S. accounted for approximately 58% of the Company s 2009 net sales, a majority of which were made in the mass retail channel. The Company also sells a broad range of consumer products to U.S. Government military exchanges and commissaries. The Company licenses its trademarks to select manufacturers for complimentary beauty-related products and accessories that the Company believes have the potential to extend the Company s brand names and image. As of December 31, 2009, twelve (12) licenses were in effect relating to eighteen (18) product categories, which are marketed principally in the mass-market distribution channel. Pursuant to such licenses, the Company retains strict control over product design and development, product quality, advertising and the use of its trademarks. These licensing arrangements offer opportunities for the Company to generate revenues and cash flow through royalties and renewal fees, some of which have been prepaid from time to time.

The Company s retail merchandisers stock and maintain the Company s point-of-sale wall displays intended to ensure that high-selling SKUs are in stock and to ensure the optimal presentation of the Company s products in retail outlets.

International. Net sales outside the U.S. accounted for approximately 42% of the Company s 2009 net sales. The five largest countries in terms of these sales were South Africa, Australia, Canada, U.K. and Venezuela, which together accounted for approximately 25% of the Company s 2009 consolidated net sales. The Company distributes its products through drug stores and chemist shops, hypermarkets, mass volume retailers, general merchandise stores, department stores and specialty stores such as perfumeries. At December 31, 2009, the Company actively sold its products through wholly-owned subsidiaries established in 14 countries outside of the U.S. and through a large number of distributors and licensees elsewhere around the world.

Customers

The Company s principal customers include large mass volume retailers and chain drug stores, including such well-known retailers as Wal-Mart, Walgreens, CVS and Target in the U.S., Shoppers

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DrugMart in Canada, A.S. Watson & Co. retail chains in Asia Pacific and Europe, and Boots in the United Kingdom. Wal-Mart and its affiliates worldwide accounted for approximately 23% of the Company s 2009 consolidated net sales. As is customary in the consumer products industry, none of the Company s customers is under an obligation to continue purchasing products from the Company in the future. The Company expects that Wal-Mart and a small number of other customers will, in the aggregate, continue to account for a large portion of the Company s net sales. (See Item 1A. Risk Factors The Company depends on a limited number of customers for a large portion of its net sales and the loss of one or more of these customers could reduce the Company s net sales and have a material adverse affect on the Company s business, financial condition and/or results of operations).

Competition

The consumer products business is highly competitive. The Company competes primarily on the basis of:

- developing quality products with innovative performance features, shades, finishes, components and packaging;
- educating consumers on the Company s product benefits;
- anticipating and responding to changing consumer demands in a timely manner, including the timing of new product introductions and line extensions;
- offering attractively priced products relative to the product benefits provided;
- maintaining favorable brand recognition;
- generating competitive margins and inventory turns for its retail customers by providing relevant products and executing effective pricing, incentive and promotion programs;
- ensuring product availability through effective planning and replenishment collaboration with retailers;
- providing strong and effective advertising, marketing, promotion and merchandising support;
- maintaining an effective sales force; and
- obtaining and retaining sufficient retail floor space, optimal in-store positioning and effective presentation of its products at retail.

The Company competes in selected product categories against a number of multi-national manufacturers. In addition to products sold in the mass retail channel and demonstrator-assisted channels, the Company s products also compete with similar products sold in prestige and department stores, television shopping, door-to-door, specialty stores, the internet, perfumeries and other distribution outlets. The Company s competitors include, among others, L Oréal S.A., The Procter & Gamble Company, Avon Products, Inc. and The Estée Lauder Companies Inc. (See Item 1A. Risk Factors Competition in the consumer products business could materially adversely affect the Company s net sales and its share of the mass retail channel and could have an adverse affect on the Company s business, financial condition and/or results of operations).

Patents, Trademarks and Proprietary Technology

The Company s major trademarks are registered in the U.S. and in over 150 other countries, and the Company considers trademark protection to be very important to its business. Significant trademarks include **Revlon**, **ColorStay**, **Revlon Age Defying** makeup with **Botafirm**, **Revlon Super Lustrous**, **Almay**, **Almay Smart Shade**, **Mitchum**, **Charlie**, **Jean Naté**, **Revlon ColorSilk** and, outside the U.S., **Gatineau** and **Ultima II**. The Company regularly renews its trademark registrations in the ordinary course of business.

The Company utilizes certain proprietary, patent-pending or patented technologies in the formulation, packaging or manufacture of a number of the Company s products, including, among others, **Revlon ColorStay** cosmetics, including **Revlon ColorStay Soft & Smooth** and the **Revlon ColorStay** mineral

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collection; **Revlon Age Defying** cosmetics; the **Revlon Beyond Natural** collection; **Fabulash** mascara; classic **Revlon** nail enamel; **Almay Smart Shade** makeup; **Revlon ColorSilk** hair color; **Mitchum** anti-perspirant; and the **Revlon Pedi-Expert** pedicure tool. The Company also protects certain of its packaging and component concepts through patents. The Company considers its proprietary technology and patent protection to be important to its business.

The Company files patents in the ordinary course of business on certain of the Company s new technologies. Patents in the U.S. are effective for up to 20 years and international patents are generally effective for up to 20 years. The patents that the Company currently has in place expire at various times between 2010 and 2030 and the Company expects to continue to file patent applications on certain of its technologies in the ordinary course of business in the future.

Government Regulation

The Company is subject to regulation by the Federal Trade Commission (the FTC) and the Food and Drug Administration (the FDA) in the U.S., as well as various other federal, state, local and foreign regulatory authorities, including those in the European Union (the EU), Canada and other countries in which the Company operates. The Company s Oxford, North Carolina manufacturing facility is registered with the FDA as a drug manufacturing establishment, permitting the manufacture of cosmetics that contain over-the-counter drug ingredients, such as sunscreens and anti-perspirants. Compliance with federal, state, local and foreign laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, a material effect on the Company s capital expenditures, earnings or competitive position. Regulations in the U.S., the EU, Canada and in other countries in which the Company operates that are designed to protect consumers or the environment have an increasing influence on the Company s product claims, ingredients and packaging.

Industry Segments, Foreign and Domestic Operations

The Company operates in a single segment. Certain geographic, financial and other information of the Company is set forth in the Consolidated Statements of Operations and Note 20, Geographic, Financial and Other Information , to the Company s Consolidated Financial Statements.

Employees

As of December 31, 2009, the Company employed approximately 4,800 people. As of December 31, 2009, approximately 20 of such employees in the U.S. were covered by collective bargaining agreements. The Company believes that its employee relations are satisfactory.

Available Information

The public may read and copy any materials that the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information in the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at http://www.sec.gov. The Company s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports, are also available free of charge on our internet website at http://www.revloninc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Item 1A. Risk Factors

In addition to the other information in this report, investors should consider carefully the following risk factors when evaluating the Company s business.

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Revlon, Inc. is a holding company with no business operations of its own and is dependent on its subsidiaries to pay certain expenses and dividends. In addition, shares of the capital stock of Products Corporation, Revlon, Inc. s wholly-owned operating subsidiary, are pledged by Revlon, Inc. to secure its obligations under the 2006 Credit Agreements and the 93/4% Senior Secured Notes.

Revlon, Inc. is a holding company with no business operations of its own. Revlon, Inc. s only material asset is all of the outstanding capital stock of Products Corporation, Revlon, Inc. s wholly-owned operating subsidiary, through which Revlon, Inc. conducts its business operations. As such, Revlon, Inc. s net income (loss) has historically consisted predominantly of its equity in the net income (loss) of Products Corporation, which for 2009, 2008 and 2007 was approximately $58.8 million, $65.8 million and $(9.0) million, respectively, which excluded approximately $9.5 million, $7.7 million and $7.0 million, respectively, in expenses primarily related to Revlon, Inc. being a public holding company. Revlon, Inc. is dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay Revlon, Inc. s expenses incidental to being a public holding company and to pay any cash dividend or distribution on its Class A Common Stock and its Preferred Stock that may be authorized by Revlon, Inc. s Board of Directors. Products Corporation may not generate sufficient cash flow to pay dividends or distribute funds to Revlon, Inc. because, for example, Products Corporation may not generate sufficient cash or net income; state laws may restrict or prohibit Products Corporation from issuing dividends or making distributions unless Products Corporation has sufficient surplus or net profits, which Products Corporation may not have; or because contractual restrictions, including negative covenants contained in Products Corporation s various debt instruments, may prohibit or limit such dividends or distributions.

The terms of the 2006 Credit Agreements, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes (the 93/4% Senior Secured Notes Indenture) and the Senior Subordinated Term Loan Agreement generally restrict Products Corporation from paying dividends or making distributions to Revlon, Inc. except in limited circumstances (including, without limitation, that Products Corporation is permitted to pay dividends and make distributions to Revlon, Inc. to enable Revlon, Inc., among other things, to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal, accounting and insurance fees, regulatory fees, such as SEC filing fees, NYSE listing fees and other expenses related to being a public holding company and, subject to certain limitations, to pay dividends, if any, on Revlon, Inc. s outstanding securities or make distributions in certain circumstances to finance the purchase by Revlon, Inc. of its Class A Common Stock in connection with the delivery of such Class A Common Stock to grantees under the Third Amended and Restated Revlon, Inc. Stock Plan). This limitation therefore restricts Revlon, Inc. s ability to pay dividends on its Class A Common Stock. Revlon, Inc. expects that quarterly dividends on its Preferred Stock will be funded by cash interest payments to be received by Revlon, Inc. from Products Corporation on the Contributed Loan (the $48.6 million portion of the Senior Subordinated Term Loan that was contributed to Revlon, Inc. by MacAndrews & Forbes). Additionally, Revlon, Inc. expects to pay the liquidation preference of the Preferred Stock on October 8, 2013 with the cash payment to be received by Revlon, Inc. from Products Corporation in respect of the maturity of the Contributed Loan. The payment of such interest and principal under the Contributed Loan to Revlon, Inc. by Products Corporation is permissible under the 2006 Credit Agreements, the Senior Subordinated Term Loan Agreement and the 93/4% Senior Secured Notes Indenture. Under the Delaware General Corporation Law, Revlon, Inc. is permitted to pay dividends only from its surplus, which is the excess of its total assets over the sum of its liabilities plus the aggregate par value of its outstanding capital stock, or if Revlon, Inc. has no surplus, out of its net profits for the year in which a dividend is declared and for the immediately preceding fiscal year. Additionally, Revlon, Inc. is permitted to redeem the Preferred Stock only from its surplus. In the event that Revlon, Inc. fails to pay any required dividends on the Preferred Stock, the amount of such unpaid dividends will be added to the amount payable to holders of the Preferred Stock upon redemption. (See The Preferred Stock ranks senior to Revlon, Inc. s Common Stock and is subordinate to the Company s indebtedness. However, pursuant to the Senior Subordinated Term Loan Agreement, the Preferred Stock is senior in right of payment to the payment of principal under such loan prior to its respective maturity dates.)

All of the shares of the capital stock of Products Corporation held by Revlon, Inc. are pledged to secure Revlon, Inc. s guarantee of Products Corporation s obligations under the 2006 Credit Agreements and the 93/4% Senior Secured Notes. A foreclosure upon the shares of Products Corporation s common stock would result in Revlon, Inc. no longer holding its only material asset and would have a material adverse effect on the holders of Revlon, Inc. s Common Stock and Preferred Stock and would be a change of control under Products Corporation s other debt instruments.

Products Corporation s substantial indebtedness could adversely affect the Company s operations and flexibility and Products Corporation s ability to service its debt.

Products Corporation has a substantial amount of outstanding indebtedness. As of December 31, 2009, the Company s total indebtedness was $1,248.1 million, primarily including $815.0 million aggregate principal amount outstanding under the 2006 Term Loan Facility, $330.0 million in aggregate principal face amount outstanding of Products Corporation s 93/4% Senior Secured Notes and $58.4 million under the Non-Contributed Loan. Also, Revlon, Inc. has $48.6 million in liquidation preference of Preferred Stock to be paid by Revlon, Inc. at maturity. While Revlon, Inc. achieved net income of $48.8 million (with $48.5 million of income from continuing operations) and $57.9 million (with $13.1 million of income from continuing operations) for the years ended December 31, 2009 and 2008, respectively, the Company has a history of net losses prior to 2008 and, in addition, if it is unable to achieve sustained profitability and free cash flow in future periods, it could adversely affect the Company s operations and Products Corporation s ability to service its debt.

The Company is subject to the risks normally associated with substantial indebtedness, including the risk that the Company s operating revenues will be insufficient to meet required payments of principal and interest, and the risk that Products Corporation will be unable to refinance existing indebtedness when it becomes due or that the terms of any such refinancing will be less favorable than the current terms of such indebtedness. Products Corporation s substantial indebtedness could also have the effect of:

- limiting the Company s ability to fund (including by obtaining additional financing) the costs and expenses of the execution of the Company s business strategy, future working capital, capital expenditures, advertising, promotional or marketing expenses, new product development costs, purchases and reconfigurations of wall displays, acquisitions, investments, restructuring programs and other general corporate requirements;

- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on Products Corporation s indebtedness, thereby reducing the availability of the Company s cash flow for the execution of the Company s business strategy and for other general corporate purposes;

- placing the Company at a competitive disadvantage compared to its competitors that have less debt;

- limiting the Company s flexibility in responding to changes in its business and the industry in which it operates; and

- making the Company more vulnerable in the event of adverse economic conditions or a downturn in its business.

Although agreements governing Products Corporation s indebtedness, including the 2006 Credit Agreements, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes and the Senior Subordinated Term Loan Agreement, limit Products Corporation s ability to borrow additional money, under certain circumstances Products Corporation is allowed to borrow a significant amount of additional money, some of which, in certain circumstances and subject to certain limitations, could be secured indebtedness. To the extent that more debt is added to the Company s current debt levels, the risks described above may increase.

Products Corporation s ability to pay the principal of its indebtedness depends on many factors.

The 2006 Bank Credit Agreements mature in January 2012, the Contributed Loan under the Senior Subordinated Term Loan matures in October 2013, the Non-Contributed Loan under the Senior Subordinated Term Loan matures in October 2014, and the 93/4% Senior Secured Notes mature in November 2015. Products Corporation currently anticipates that, in order to pay the principal amount of its outstanding indebtedness upon the occurrence of any event of default, to repurchase its 93/4% Senior Secured Notes if a change of control occurs or in the event that Products Corporation s cash flows from operations are insufficient to allow it to pay the principal amount of its indebtedness at maturity, the Company may be required to refinance Products Corporation s indebtedness, seek to sell assets or operations, seek to sell additional Revlon, Inc. equity, seek to sell Revlon, Inc. debt securities or Products Corporation debt securities or seek additional capital contributions or loans from MacAndrews & Forbes or from the Company s other affiliates and/or third parties. The Company may be unable to take any of these actions, because of a variety of commercial or market factors or constraints in Products Corporation s debt instruments, including, for example, market conditions being unfavorable for an equity or debt issuance, additional capital contributions or loans not being available from affiliates and/or third parties, or that the transactions may not be permitted under the terms of the various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and/or related party transactions. Such actions, if ever taken, may not enable the Company to satisfy its cash requirements or enable the Company to comply with the financial covenants under the 2006 Credit Agreements if the actions do not result in sufficient savings or generate a sufficient amount of additional capital, as the case may be.

None of the Company s affiliates are required to make any capital contributions, loans or other payments to Products Corporation regarding its obligations on its indebtedness. Products Corporation may not be able to pay the principal amount of its indebtedness if the Company took any of the above actions because, under certain circumstances, the indenture governing Products Corporation s outstanding 93/4% Senior Secured Notes or any of its other debt instruments (including the 2006 Credit Agreements and the Senior Subordinated Term Loan Agreement) or the debt instruments of Products Corporation s subsidiaries then in effect may not permit the Company to take such actions. (See Restrictions and covenants in Products Corporation s debt agreements limit its ability to take certain actions and impose consequences in the event of failure to comply).

Additionally, the economic conditions during the latter part of 2008 and in 2009 and the volatility in the financial markets contributed to a substantial tightening of the credit markets and a reduction in credit availability, including lending by financial institutions. Although Products Corporation was able to successfully refinance its 91/2% Senior Notes with the issuance of its new 93/4% Senior Secured Notes in November 2009, the future state of the credit markets could adversely impact the Company s ability to refinance or replace Products Corporation s outstanding indebtedness at or prior to their respective maturity dates, which would have a material adverse ef