REVLON INC /DE/
Form 10-Q
November 04, 2016

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

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FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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

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 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 x 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 x

As of September 30, 2016, 52,498,246 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.

REVLON, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2016 (Unaudited)	December 31, 2015 (as adjusted)[a]
ASSETS		
Current assets:		
Cash and cash equivalents	$ 99.2	$ 326.9
Trade receivables, less allowance for doubtful accounts of $11.0 and $10.5 as of September 30, 2016 and December 31, 2015, respectively	484.2	244.9
Inventories	519.1	183.8
Prepaid expenses and other	102.8	53.3
Total current assets	1,205.3	808.9
Property, plant and equipment, net of accumulated depreciation of $294.8 and $271.7 as of September 30, 2016 and December 31, 2015, respectively	312.0	215.3
Deferred income taxes	142.1	71.3
Goodwill	684.9	469.7
Intangible assets, net of accumulated amortization of $79.0 and $61.1 as of September 30, 2016 and December 31, 2015, respectively	657.4	318.0
Other assets	112.0	84.1
Total assets	$ 3,113.7	$ 1,967.3
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Short-term borrowings	$ 11.7	$ 11.3
Current portion of long-term debt	83.5	30.0
Accounts payable	307.9	201.3
Accrued expenses and other	344.8	272.4
Total current liabilities	747.9	515.0
Long-term debt	2,666.1	1,783.7
Long-term pension and other post-retirement plan liabilities	174.8	185.3
Other long-term liabilities	84.5	70.8
Stockholders' deficiency:		
Class A Common Stock, par value $0.01 per share; 900,000,000 shares authorized; 53,862,615 and 54,088,174 shares issued as of September 30, 2016 and December 31, 2015, respectively	0.5	0.5
Additional paid-in capital	1,031.2	1,026.3
Treasury stock, at cost: 1,006,808 and 859,921 shares of Class A Common Stock as of September 30, 2016 and December 31, 2015, respectively	(18.6)	(13.3)
Accumulated deficit	(1,341.1)	(1,355.7)
Accumulated other comprehensive loss	(231.6)	(245.3)
Total stockholders' deficiency	(559.6)	(587.5)
Total liabilities and stockholders' deficiency	$ 3,113.7	$ 1,967.3

(a) Adjusted as a result of the adoption of certain accounting pronouncements beginning on January 1, 2016. See Note 1, "Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements" for details of these adjustments.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	$604.8	$ 471.5	$1,533.3	$ 1,392.4
Cost of sales	243.4	167.8	568.8	471.4
Gross profit	361.4	303.7	964.5	921.0
Selling, general and administrative expenses	285.7	244.1	792.8	752.7
Acquisition and integration costs	33.5	0.6	39.5	6.5
Restructuring charges and other, net	0.5	4.0	2.3	0.9
Operating income	41.7	55.0	129.9	160.9
Other expenses, net:				
Interest expense	27.4	21.5	69.3	62.0
Amortization of debt issuance costs	1.7	1.4	4.6	4.2
Loss on early extinguishment of debt	16.9	—	16.9	—
Foreign currency losses (gains), net	1.2	(0.7)	6.3	7.3
Miscellaneous, net	(0.6)	0.3	(0.1)	0.5
Other expenses, net	46.6	22.5	97.0	74.0
(Loss) income from continuing operations before income taxes	(4.9)	32.5	32.9	86.9
(Benefit from) provision for income taxes	(0.4)	24.6	16.0	53.8
(Loss) income from continuing operations, net of taxes	(4.5)	7.9	16.9	33.1
Loss from discontinued operations, net of taxes	(0.2)	(1.7)	(2.3)	(1.8)
Net (loss) income	$(4.7)	$ 6.2	$14.6	$ 31.3
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax [a]	2.7	(2.5)	8.0	(15.1)
Amortization of pension related costs, net of tax [b][d]	1.8	1.9	5.6	5.4
Revaluation of derivative financial instruments, net of reclassifications into earnings [c]	0.8	(0.7)	0.1	(2.7)
Other comprehensive income (loss)	5.3	(1.3)	13.7	(12.4)
Total comprehensive income	$0.6	$ 4.9	$28.3	$ 18.9
Basic (loss) earnings per common share:				
Continuing operations	$(0.09)	$ 0.15	$0.32	$ 0.63
Discontinued operations	—	(0.03)	(0.04)	(0.03)
Net (loss) income	$(0.09)	$ 0.12	$0.28	$ 0.60
Diluted (loss) earnings per common share:				
Continuing operations	$(0.09)	$ 0.15	$0.32	$ 0.63
Discontinued operations	—	(0.03)	(0.04)	(0.03)
Net (loss) income	$(0.09)	$ 0.12	$0.28	$ 0.60
Weighted average number of common shares outstanding:				
Basic	52,498,246	52,440,580	52,498,840	52,422,660
Diluted	52,498,246	52,603,711	52,617,740	52,593,207

(a) Net of expense (benefit) of $0.7 million and ($3.5 million) for the three months ended September 30, 2016 and 2015, respectively, and $1.3 million and ($6.3 million) for the nine months ended September 30, 2016 and 2015, respectively.

(b) Net of tax expense of $0.4 million and $0.3 million for each of the three months ended September 30, 2016 and 2015, respectively, and $1.1 million and $1.0 million for each of the nine months ended September 30, 2016 and 2015.

(c) Net of tax expense (benefit) of $0.5 million and ($0.5 million) for the three months ended September 30, 2016 and 2015, respectively, and $0.1 million and ($1.7 million) for the nine months ended September 30, 2016 and 2015, respectively.

(d) This other comprehensive income component is included in the computation of net periodic benefit (income) costs. See Note 11, "Pension and Post-Retirement Benefits," for additional information regarding net periodic benefit (income) costs.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficiency
Balance, January 1, 2016	$ 0.5	$ 1,026.3	$ (13.3)	$ (1,355.7)	$ (245.3)	$ (587.5)
Treasury stock acquired, at cost [(a)]			(2.6)			(2.6)
Repurchase of common stock [(b)]			(2.7)			(2.7)
Stock-based compensation amortization		4.8				4.8
Excess tax benefits from stock-based compensation		0.1				0.1
Net income				14.6		14.6
Other comprehensive income, net [(c)]					13.7	13.7
Balance, September 30, 2016	$ 0.5	$ 1,031.2	$ (18.6)	$ (1,341.1)	$ (231.6)	$ (559.6)

(a) Pursuant to the share withholding provisions of the Fourth Amended and Restated Revlon, Inc. Stock Plan (the "Stock Plan"), certain senior executives, in lieu of paying certain withholding taxes on the vesting of restricted stock, authorized the withholding of an aggregate 73,992 shares of Revlon, Inc. Class A Common Stock during the nine months ended September 30, 2016, to satisfy certain minimum statutory tax withholding requirements related to the vesting of such shares. These withheld shares were recorded as treasury stock using the cost method, at a price per share of $35.00 during the nine months ended September 30, 2016, based on the closing price of Revlon, Inc. Class A Common Stock as reported on the NYSE consolidated tape on the vesting date, for a total of $2.6 million. See Note 15, "Stock Compensation Plan" to the Consolidated Financial Statements in Revlon, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on February 26, 2016 (the "2015 Form 10-K") for details regarding restricted stock awards under the Stock Plan.

(b) On April 21, 2016, in connection with his separation from the Company, the Company repurchased 72,895 shares of Revlon, Inc. Class A Common Stock (representing vested shares of restricted stock) from Lorenzo Delpani, the Company's former President and Chief Executive Officer, at a price of $36.83 per share based upon the NYSE closing price of Revlon, Inc. Class A Common Stock on April 20, 2016, for a total purchase price of $2.7 million.

(c) See Note 13, "Accumulated Other Comprehensive Loss," regarding the changes in the accumulated balances for each component of other comprehensive income during the nine months ended September 30, 2016.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015 (as adjusted)[(a)]
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$14.6	$ 31.3
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	81.0	76.8
Foreign currency losses from re-measurement	5.5	10.5
Amortization of debt discount	1.1	1.1
Stock-based compensation amortization	4.8	3.8
Provision for deferred income taxes	6.9	34.6
Loss on early extinguishment of debt, net	16.9	—
Amortization of debt issuance costs	4.6	4.2
Loss (gain) on sale of certain assets	0.2	(6.5)
Pension and other post-retirement income	(0.5)	(1.6)
Change in assets and liabilities:		
Increase in trade receivables	(112.0)	(27.9)
Decrease (increase) in inventories	5.0	(62.4)
Increase in prepaid expenses and other current assets	(20.0)	(20.5)
(Decrease) increase in accounts payable	(3.5)	30.0
Decrease in accrued expenses and other current liabilities	(39.5)	(16.5)
Pension and other post-retirement plan contributions	(6.0)	(15.5)
Purchases of permanent displays	(25.9)	(32.5)
Other, net	(4.0)	(11.5)
Net cash used in operating activities	(70.8)	(2.6)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(33.1)	(27.0)
Business acquisitions, net of cash acquired	(1,028.7)	(34.2)
Proceeds from the sale of certain assets	0.5	5.8
Net cash used in investing activities	(1,061.3)	(55.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in short-term borrowings and overdraft	(2.6)	4.3
Repayments under the Acquisition Term Loan	(15.1)	(17.6)
Prepayments under the 2011 Term Loan	(11.5)	(12.1)
Repayment of Acquisition Term Loan	(658.6)	—
Repayment of 2011 Term Loan	(651.4)	—
Borrowings under the 2016 Term Loan Facility	1,791.0	—
Borrowings under the 2016 Revolving Credit Facility	65.4	—
Proceeds from the issuance of 6.25% Senior Notes	450.0	—
Payment of financing costs	(61.5)	—
Treasury stock purchased	(2.7)	—
Other financing activities	(2.2)	(3.0)
Net cash provided by (used in) financing activities	900.8	(28.4)
Effect of exchange rate changes on cash and cash equivalents	3.6	(7.7)

Net decrease in cash and cash equivalents	(227.7)	(94.1)
Cash and cash equivalents at beginning of period	326.9	275.3
Cash and cash equivalents at end of period	$99.2	$ 181.2
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	$68.4	$ 66.1
Income taxes, net of refunds	19.4	21.3
Supplemental schedule of non-cash investing and financing activities:		
Treasury stock received to satisfy certain minimum tax withholding liabilities	$2.6	$ 2.0

[a] Adjusted as a result of the adoption of certain accounting pronouncements beginning on January 1, 2016. See Note 1, "Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements" for details of these adjustments.

See Accompanying Notes to Unaudited Consolidated Financial Statements

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REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Item 1. Financial Statements

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, including Elizabeth Arden, Inc. ("Elizabeth Arden"). 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. We are a leading global beauty company with an iconic portfolio of brands. We manufacture, market and sell an extensive array of color cosmetics, hair color, hair care and hair treatments, fragrances, skincare, 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 operates in four reporting segments: the consumer division ("Consumer"); the professional division ("Professional"); Elizabeth Arden; and Other (each as described below). The Company manufactures, markets and sells worldwide an extensive array of beauty and personal care products, including color cosmetics, hair color, hair care and hair treatments, beauty tools, men's grooming products, anti-perspirant deodorants, fragrances, skincare and other beauty care products. The Company's principal customers for its products in the Consumer segment include 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 cosmetics stores and perfumeries in the U.S. and internationally. The Company's principal customers for its products in the Professional segment include hair and nail salons and distributors to professional salons in the U.S. and internationally.

On September 7, 2016 (the "Acquisition Date"), the Company completed the acquisition of Elizabeth Arden (the "Elizabeth Arden Acquisition"). Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden's principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The operating results and purchase accounting for the Company's Elizabeth Arden Acquisition are presented in the Elizabeth Arden segment. Refer to Note 2, "Business Combinations," for further details related to the Elizabeth Arden Acquisition.

The Other segment primarily includes the operating results of the CBBeauty Group and certain of its related entities, which the Company acquired in April 2015, (collectively "CBB" and such transaction, the "CBB Acquisition"). CBB develops, manufactures, markets and distributes fragrances and other beauty products under a variety of celebrity, lifestyle and fashion brands licensed from third parties, principally through department stores and selective distribution in international territories.

The accompanying Consolidated Financial Statements are unaudited. In management's opinion, all adjustments necessary for a fair presentation have been made. The Consolidated Financial Statements include the accounts of the Company after the elimination of all material intercompany balances and transactions.

The preparation of the Company's Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the

Consolidated Financial Statements in the period they are determined to be necessary. Significant estimates made in the accompanying Consolidated Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation reserves, expected sales returns and allowances, trade support costs, certain assumptions related to the valuation of acquired intangible and long-lived assets and the recoverability of goodwill, intangible and long-lived assets, income taxes, including deferred tax valuation allowances and reserves for estimated tax liabilities, restructuring costs, certain estimates and assumptions used in the calculation of the net periodic benefit (income) costs and the projected benefit obligations for the Company’s pension and other post-retirement plans, including the expected long-term return on pension plan assets and the discount rate used to value the Company’s pension benefit obligations. The Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and related notes contained in Revlon, Inc.'s 2015 Form 10-K.

The Company's results of operations and financial position for interim periods are not necessarily indicative of those to be expected for a full year.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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Certain prior year amounts in the Consolidated Financial Statements have been reclassified to conform to the current period's presentation.

Recently Adopted Accounting Pronouncements
In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires deferred income tax assets and liabilities to be classified as noncurrent within a company's balance sheet. Under previous guidance, the Company was required to separate deferred income tax assets and liabilities into current and noncurrent amounts. Netting deferred tax assets and deferred tax liabilities by tax jurisdiction is still required under ASU 2015-17. The Company adopted ASU No. 2015-17 beginning on January 1, 2016 and the Company's previously recorded deferred tax assets were adjusted to reflect the adoption of ASU No. 2015-17. The adoption of ASU No. 2015-17 resulted in no adjustment to the Company’s results of operations and stockholders’ deficiency and had the following impact on the previously reported Consolidated Balance Sheets for the fiscal year ended December 31, 2015 and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2015:

Consolidated Balance Sheets	Total as reported at 12/31/2015	Adjustment	Total as adjusted at 12/31/2015
Deferred income taxes - current	$ 58.0	$ (58.0)	$ —
Deferred income taxes - noncurrent	40.3	31.0	71.3
Other long-term liabilities	97.8	(27.0)	70.8

Consolidated Statements of Cash Flows	Total as reported at 9/30/2015	Adjustment	Total as adjusted at 9/30/2015
Increase in prepaid expense and other current assets	$ (20.3)	$ (0.2)	$ (20.5)
Decrease in accrued expenses and other current liabilities	(16.4)	(0.1)	(16.5)
Increase in other, net	(11.8)	0.3	(11.5)

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption permitted. The Company adopted ASU No. 2015-16 beginning on January 1, 2016 and the adoption of the new guidance did not have a material impact on the Company’s results of operations, financial condition and financial statement disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be presented in the financial statements as a deduction from the corresponding debt liability, consistent with the presentation of debt discounts. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption permitted, and is to be applied retrospectively. The Company adopted ASU No. 2015-03 beginning on January 1, 2016 and the Company's previously recorded other assets and long-term debt were adjusted to reflect the adoption of ASU No. 2015-03. The adoption of ASU No. 2015-03 resulted in no adjustment to the Company’s results of operations, cash flows and stockholders’ deficiency and had the following impact on the previously reported Consolidated Balance Sheets for the fiscal year ended December 31, 2015:

Consolidated Balance Sheets	Total as reported at 12/31/2015	Adjustment	Total as adjusted at 12/31/2015
Long-Term Debt	$ 1,803.7	$ (20.0)	$ 1,783.7
Other Assets	104.1	(20.0)	84.1

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REVLON, INC. AND SUBSIDIARIES
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In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," that will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures if conditions give rise to substantial doubt. According to ASU No. 2014-15, substantial doubt exists if it is probable that the entity will be unable to meet its obligations within one year after the issuance date. The likelihood threshold of "probable," similar to its current use in U.S. GAAP for loss contingencies, will be used to define substantial doubt. Disclosures will be required under ASU No. 2014-15 if conditions give rise to substantial doubt, including whether and how management's plans will alleviate the substantial doubt. The guidance is effective for annual periods beginning after December 15, 2015, with early adoption prohibited. The Company adopted ASU No. 2014-15 beginning January 1, 2016 and the adoption of the new guidance did not have a material impact on the Company’s results of operations, financial condition and financial statement disclosures.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, “Classification of Certain Receipts and Cash Payments” which aims to standardize how certain transactions are classified within the Statement of Cash Flows, including, among other issues, debt prepayment and extinguishment costs and contingent consideration payments made after a business combination. The guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company expects to adopt ASU No. 2016-15 beginning on January 1, 2018 and is in the process of assessing the impact that the new guidance will have on the Company’s results of operations, financial condition and financial statement disclosures.

In March 2016, the FASB issued ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which simplifies certain aspects of accounting for share-based payment transactions, including transactions in which an employee uses shares to satisfy the employer’s minimum statutory income tax withholding obligation, forfeitures and income taxes when awards vest or are settled. The guidance is effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company expects to adopt ASU No. 2016-09 beginning on January 1, 2017 and is in the process of assessing the impact that the new guidance will have on the Company’s results of operations, financial condition and financial statement disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" which requires lessees to recognize a right-of-use asset and a liability on the balance sheet for all leases, with the exception of short-term leases. The lease liability will be equal to the present value of lease payments and the right-of-use asset will be based on the lease liability, subject to adjustment such as for initial direct costs. Leases will continue to be classified as either operating or finance leases in the income statement. The guidance is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Company expects to adopt ASU No. 2016-02 beginning on January 1, 2019 and is in the process of assessing the impact that the new guidance will have on the Company’s results of operations, financial condition and financial statement disclosures.

2. BUSINESS COMBINATIONS

The Elizabeth Arden Acquisition

On the September 7, 2016 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. (then a wholly-owned subsidiary of Products Corporation), and Elizabeth Arden, Inc. On the Acquisition Date, Elizabeth Arden merged (the “Merger”) with and into RR Transaction Corp. (“Acquisition Sub”), with Elizabeth Arden surviving the Merger as a wholly-owned subsidiary of Products Corporation. Elizabeth Arden is a global prestige beauty products company with an iconic portfolio of brands that are highly complementary to the Company's existing brand portfolio and are sold worldwide. In North America, Elizabeth Arden’s principal customers include prestige retailers, the mass retail channel and distributors, as well as direct sales to consumers via its branded retail outlet stores and e-commerce business. Elizabeth Arden products are also sold through the Elizabeth Arden Red Door Spa beauty salons and spas. Internationally, Elizabeth Arden's portfolio of owned and licensed brands is sold to perfumeries, boutiques, department stores, travel retailers and distributors. The Company anticipates achieving additional growth through opportunities presented by the combined company's expanded sales channels and geographies, a broadened product portfolio and cost synergy opportunities.

Products Corporation financed the Elizabeth Arden Acquisition with the proceeds from (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"); (ii) $35.0 million of borrowings under a 5-year $400.0 million senior secured asset-based revolving credit facility (the "2016 Revolving Credit Facility" and such agreement being the "2016 Revolving Credit Agreement" and such facility, together with the 2016 Term Loan Facility, the "Senior Facilities"); (iii) $450.0 million aggregate principal amount of Products Corporation's 6.25% Senior

REVLON, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(except where otherwise noted, all tabular amounts in millions, except share and per share amounts)

Notes due 2024 (the “6.25% Senior Notes”); and (iv) approximately $126.7 million of cash on hand. Refer to Note 8, "Long-Term Debt" for further details related to financing the Elizabeth Arden Acquisition and related debt restructuring transactions.

The results of operations of Elizabeth Arden are included in the Company’s Consolidated Financial Statements commencing on the Acquisition Date. For the net sales and segment profit related to Elizabeth Arden operations for the period from the Acquisition Date through September 30, 2016, refer to the Elizabeth Arden segment disclosure in Note 14, "Segment Data and Related Information."

Purchase Price of the Elizabeth Arden Acquisition
The components of the purchase price for the Elizabeth Arden Acquisition are as follows:

	As of September 7, 2016
Purchase price of Elizabeth Arden common stock (1)	$ 431.5
Repayment of Existing Elizabeth Arden senior notes (2)	350.0
Repayment of Elizabeth Arden revolving credit facility, including accrued interest (3)	142.5
Repayment of Elizabeth Arden Second lien credit facility, including accrued interest (3)	25.0
Repurchase of Elizabeth Arden preferred stock (4)	55.0
Payment of accrued interest and call premium on Elizabeth Arden Existing Senior Notes (5)	27.4
Payment of Elizabeth Arden dividends payable at Acquisition Date (6)	2.9
Total Purchase Price	$ 1,034.3

(1) All of Elizabeth Arden’s issued and outstanding common stock was canceled and extinguished on the Acquisition Date and converted into the right to receive $14.00 in cash, without interest, less any required withholding taxes, and was paid by Products Corporation upon the completion of the Acquisition. The $431.5 million purchase price for Elizabeth Arden common stock includes the settlement of all outstanding Elizabeth Arden stock options and all outstanding Elizabeth Arden restricted share units at the Acquisition Date for a total cash payment of $11.1 million.

(2) The purchase price includes the repurchase of the entire $350.0 million aggregate principal amount outstanding of Elizabeth Arden’s 7.375% senior notes due 2021 (the “Elizabeth Arden Existing Senior Notes”).

(3) The purchase price includes the repayment of the entire $142.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden’s $300.0 million revolving credit facility and the entire $25.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's second lien credit facility;

(4) The purchase price includes $55.0 million that was paid to retire the $55.0 million liquidation preference of all of the issued and outstanding 50,000 shares of Elizabeth Arden preferred stock, par value $0.01 per share (the “Elizabeth Arden Preferred Stock”), which amount includes a $5.0 million change of control premium.

(5) Interest on the Elizabeth Arden Existing Senior Notes accrued at a rate of 7.375% per annum and was payable semi-annually on March 15 and September 15 of every year. The approximately $12.3 million of accrued and unpaid interest was calculated based on 176 days of accrued interest as of the Acquisition Date. Pursuant to the terms of the indenture governing the Elizabeth Arden Existing Senior Notes, upon a change in control, such notes were subject to repurchase at a price equal to 103.69% of their principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of such repurchase. The repurchase of the Elizabeth Arden Existing Senior Notes was consummated on October 7, 2016.

(6) The purchase price includes the payment of approximately $2.9 million in accrued dividends payable at the Acquisition Date to the holders of Elizabeth Arden Preferred Stock.

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Purchase Price Allocation

The Company accounted for the Elizabeth Arden Acquisition as a business combination during the third quarter of 2016 and, accordingly, the total consideration of $1,034.3 million has been recorded based on the respective estimated fair values of the net
assets acquired on the Acquisition Date with resulting goodwill, as follows:

	Amounts Recognized at September 7, 2016
Cash	$ 41.1
Accounts Receivable	132.6
Inventories [a]	342.5
Prepaid expenses and other current assets	30.7
Property and equipment	91.2
Deferred taxes, net [b]	68.7
Intangible assets	332.8
Goodwill	202.0
Other assets	21.1
Total assets acquired	1,262.7
Accounts payable	(116.0)
Accrued expenses	(109.3)
Other long-term liabilities	(3.1)
Total liabilities acquired	(228.4)
Total consideration transferred	$ 1,034.3

[a] The Company recorded a $40.7 million step-up for the estimated fair value of Elizabeth Arden’s inventory, which has been determined based upon the estimated selling price of the inventories less the remaining manufacturing and selling costs and normal profit margin on those manufacturing and selling efforts. Following the Elizabeth Arden Acquisition, the step-up in fair value will increase cost of sales over approximately seven months, as the acquired inventory is sold. For the three and nine months ended September 30, 2016, the Company recognized a $4.2 million charge within cost of sales related to this step-up.

[b] Deferred tax assets acquired in the Elizabeth Arden Acquisition primarily relate to approximately $107.3 million of tax loss carryforwards which the Company preliminarily estimates it will be able to realize in future periods, of which $0.5 million are foreign and $106.8 million are domestic (federal).

The fair values of the net assets acquired in the Elizabeth Arden Acquisition were based on management’s preliminary estimate of the respective fair values of Elizabeth Arden’s net assets. The estimated fair values of net assets and resulting goodwill are subject to the Company finalizing its analysis of the fair value of Elizabeth Arden’s assets and liabilities as of the Acquisition Date and may be adjusted upon completion of such analysis. In addition, information unknown at the time of the Elizabeth Arden Acquisition could result in adjustments to the respective fair values and resulting goodwill within the year following the Elizabeth Arden Acquisition Date.

In determining the fair values of net assets acquired in the Elizabeth Arden Acquisition and resulting goodwill, the Company considered, among other factors, the analyses of Elizabeth Arden's historical financial performance and an estimate of the future performance of the acquired business, as well as the intended use of the acquired assets.

The estimated fair value of the accounts receivable acquired in the Elizabeth Arden Acquisition was determined to be $132.6 million. The gross amount due is $165.0 million and the Company estimates that approximately $32.4 million is uncollectible.

The estimated fair value of inventory acquired in the Elizabeth Arden Acquisition was determined using the income approach, specifically, the net realizable value ("NRV") approach, which calculates the estimated selling price of such inventory in the ordinary course of business, less the reasonable costs of completion, disposal and holding. The estimated fair value of acquired property and equipment was determined using the cost approach.

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The intangible assets acquired in the Elizabeth Arden Acquisition based on the estimate of the fair values of the identifiable intangible assets are as follows:

	Amounts Recognized at September, 7 2016	Remaining Useful Life (in years)
Trademarks, indefinite-lived	$ 142.0	Indefinite
Trademarks, finite lived	15.0	15.0
Technology	2.5	10.0
Customer relationships	117.0	16.0
License agreements	24.0	19.0
Distribution rights	31.0	18.0
Favorable lease commitments	1.3	3.0
Total acquired intangible assets	$ 332.8	

The estimate of the fair values of acquired indefinite-lived and finite-lived trade names and technology IP was determined using a risk-adjusted discounted cash flow approach, specifically the relief-from-royalty method. The relief-from-royalty method requires identifying the hypothetical cash flows generated by an assumed royalty rate that a third party would pay to license the trade names and IP, and discounting them back to the Acquisition Date. The royalty rate used in such valuation was based on a consideration of market rates for similar categories of assets. The indefinite-lived trade names includes the Elizabeth Arden brand trade name. The finite-lived trade names includes, among others, owned heritage fragrance trade names such as Curve, Halston and Giorgio Beverly Hills and the Prevage skin care brand.

The estimate of the fair value of the customer and distributor relationships and distribution rights acquired in the Elizabeth Arden Acquisition were determined using a risk-adjusted discounted cash flow model, specifically, the excess earnings method which considers the use of other assets in the generation of the projected cash flows of a specific asset to isolate the economic benefit generated by the customer and distribution relationships and distribution rights. The contribution of other assets, such as fixed assets, working capital, workforce and other intangible assets, to overall cash flows was estimated through contributory asset capital charges. Therefore, the value of the acquired customer relationship is the present value of the attributed post-tax cash flows, net of the return on fair value attributed to tangible and other intangible assets.

There are significant judgments inherent in a discounted cash flow approach, including, the selection of appropriate discount rates, hypothetical royalty rates, contributory asset capital charges, estimating the amount and timing of estimated future cash flows and identification of appropriate terminal growth rate assumptions. The discount rates used in the discounted cash flow analyses are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

The Company recorded a $59.2 million deferred tax liability related to the $332.8 million of acquired intangible assets outlined in the above table. This deferred tax liability represents the tax effect of the difference between the $332.8 million estimated assigned fair value of the intangible assets and the $148.6 million tax basis of such assets. The goodwill and intangibles acquired in the Elizabeth Arden Acquisition are not expected to be deductible for income tax purposes.

Goodwill of $202.0 million represents the excess of the purchase price paid by Products Corporation for the Elizabeth Arden Acquisition over the fair value of the identifiable net assets acquired by Products Corporation in the Elizabeth Arden Acquisition. Factors contributing to the purchase price resulting in the recognition of goodwill include estimated annualized synergies and cost reductions, expanded category mix, channel diversification and a broader geographic footprint.

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Unaudited Pro Forma Results

The following table presents the Company's pro forma consolidated net sales and income from continuing operations, before income taxes for the three and nine months ended September 30, 2016 and 2015, respectively. The unaudited pro forma results include the historical consolidated statements of operations of the Company and Elizabeth Arden, giving effect to the Elizabeth Arden Acquisition and related financing transactions as if they had occurred at the beginning of the earliest period presented. As stated below, the Company also acquired certain international Cutex businesses ("Cutex International"); however the Company has not included the Cutex International results prior to its acquisition date in these pro forma results as the impact would not have been material to the Company's financial results.

	Unaudited Pro Forma Results			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net sales	$745.1	$737.5	$2,058.2	$2,025.5
Income (loss) from continuing operations, before income taxes	(4.3)	9.2	(22.4)	(86.3)

The pro forma results, prepared in accordance with U.S. GAAP, include the following pro forma adjustments related to the Elizabeth Arden Acquisition:

(i) as a result of a $40.7 million increase in the fair value of acquired inventory at the Acquisition Date, the Company recognized a $4.2 million increase in the cost of sales during the three and nine months ended September 30, 2016 in the consolidated financial statements. The pro forma adjustments include an adjustment to reverse the $4.2 million recognized in the third quarter of 2016 within cost of sales because it will not have a recurring impact;

(ii) a pro forma increase in depreciation and amortization expense as a result of the preliminary fair value adjustments to property and equipment of $2.6 million and acquired finite-lived intangible assets of $1.0 million recorded in connection with the Elizabeth Arden Acquisition for the three and nine months ended September 30, 2016, respectively;

(iii) a pro forma decrease in depreciation and amortization expense as a result of the preliminary fair value adjustments to property and equipment of $1.4 million and acquired finite-lived intangible assets of $5.0 million recorded in connection with the Elizabeth Arden Acquisition for the three and nine months ended September 30, 2015, respectively;

(iv) the elimination of $58.4 million of acquisition costs and $65.1 million of integration costs recognized by the Company and Elizabeth Arden during the three and nine months ended September 30, 2016, respectively; and

(v) a pro forma increase in interest expense and amortization of debt issuance costs, related to financing the Elizabeth Arden Acquisition and related debt restructuring transactions as summarized in the following table. Refer to Note 8, "Long-Term Debt" for further details on financing the Elizabeth Arden Acquisition and related debt refinancing transactions.

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($ in millions)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Interest Expense				
Pro forma interest on New Senior Facilities and 6.25% Senior Notes	$26.7	$26.9	$79.4	$79.9
Reversal of Elizabeth Arden’s historical interest expense	(5.2)	(6.5)	(18.2)	(19.2)
Company historical interest expense, as reflected in the historical consolidated financial statements	(12.5)	(12.8)	(37.6)	(38.2)
Total Adjustment for Pro Forma Interest Expense	$9.0	$7.6	$23.6	$22.5
Debt issuance costs				
Pro forma amortization of debt issuance costs	$1.8	$1.8	$5.3	$5.3
Company historical amortization of debt issuance costs, as reflected in the historical consolidated financial statements	(1.1)	(1.3)	(3.3)	(3.3)
Reversal of Elizabeth Arden’s historical amortization of debt issuance costs	(0.4)	(0.4)	(1.3)	(1.1)
Total Adjustment for Pro Forma Amortization of Debt Issuance Costs	$0.3	$0.1	$0.7	$0.9

The unaudited pro forma results do not include: (1) any incremental revenue generation or cost reductions that may be achieved as a result of the Elizabeth Arden Acquisition; or (2) the impact of non-operating or non-recurring items directly related to the Elizabeth Arden Acquisition. In addition, the unaudited pro forma results do not purport to project the future consolidated operating results of the combined company.

The Cutex International Acquisition

On May 31, 2016 (the "Cutex International Acquisition Date"), the Company completed the acquisition of certain international Cutex businesses ("Cutex International") from Coty Inc. (the "Cutex International Acquisition"), which primarily operate in Australia and 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. from Cutex Brands, LLC, the Cutex International Acquisition completed the Company's global consolidation of the Cutex brand and enhances and complements the Company's existing brand portfolio of nail care products. Cutex International's results of operations are included in the Company’s Consolidated Financial Statements commencing on the Cutex International Acquisition Date. Pro forma results of operations have not been presented, as the impact of the Cutex International Acquisition on the Company’s consolidated financial results is not material.

The Company accounted for the Cutex International Acquisition as a business combination in the second quarter of 2016. The table below summarizes the allocation of the total consideration of $29.1 million paid on the Cutex International Acquisition Date, as well as adjustments that have been made to the preliminary estimate of fair values during the third quarter of 2016:

	Amounts Recognized at May 31, 2016 (Provisional) (a)	Adjustments	Amounts Recognized at May 31, 2016 (Adjusted)
Inventory	$ 0.8	$ —	$ 0.8
Purchased Intangible Assets (b)	19.7	(0.2)	19.5
Goodwill	8.6	0.2	8.8
Total consideration transferred	$ 29.1	$ —	$ 29.1

(a) As previously reported in Revlon's second quarter 2016 Form 10-Q.

(b) Purchased intangible assets include customer networks fair valued at $13.5 million, intellectual property fair valued at $0.9 million, which are amortized over useful lives of 15 and 10 years, respectively, and indefinite lived trade names fair valued at $5.1 million.

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The Company reacquired the Cutex trade name from Coty, which had previously provided Coty with an exclusive right to manufacture, market and sell Cutex branded products for an initial term and perpetual automatic 20-year renewals. Based on the terms and conditions of the existing license agreements and other factors, the Cutex trade name was assigned an indefinite-life and, therefore, will not be amortized.

In determining the estimated fair values of net assets acquired and resulting goodwill related to the Cutex International Acquisition, the Company considered, among other factors, the analysis of Cutex International's historical financial performance and an estimate of the future performance of the acquired business, as well as the intended use of the acquired assets. Factors contributing to the purchase price resulting in the recognition of goodwill include the anticipated benefits that the Company expects to achieve through the expansion of its nail product portfolio. Both the intangible assets acquired in the Cutex International Acquisition and goodwill are not deductible for income tax purposes.

3. RESTRUCTURING CHARGES

2015 Efficiency Program

In September 2015, the Company initiated certain restructuring actions to drive certain organizational efficiencies across the Company's Consumer and Professional segments (the "2015 Efficiency Program"). These actions, which commenced during 2015 and are planned to occur through 2017, are expected to reduce general and administrative expenses within the Consumer and Professional segments. Of the $1.5 million of restructuring and related charges recognized in the first nine months of 2016 for the 2015 Efficiency Program, $0.6 million related to the Consumer segment and $0.5 million related to the Professional segment, with the remaining charges included within unallocated corporate expenses. The Company expects to recognize total restructuring and related charges for the 2015 Efficiency Program of $12.0 million by the end of 2017, of which $7.0 million is expected to relate to the Consumer segment, $4.2 million is expected to relate to the Professional segment and the remaining charge relates to unallocated corporate expenses.

A summary of the restructuring and related charges incurred through September 30, 2016 in connection with the 2015 Efficiency Program is presented in the following table:

	Restructuring Charges and Other, Net		
	Employee Severance and Other Personnel Benefits	Other	Total Restructuring Charges
Charges incurred through December 31, 2015	$ 9.4	$ 0.1	$ 9.5
Charges incurred in the nine months ended September 30, 2016	0.9	0.6	1.5
Cumulative charges incurred through September 30, 2016	$ 10.3	$ 0.7	$ 11.0
Total expected charges	$ 10.3	$ 1.7	$ 12.0

Of the cumulative $11.0 million of restructuring and related charges recognized through the third quarter of 2016 related to the 2015 Efficiency Program, $6.6 million related to the Consumer segment, $3.7 million related to the Professional segment and the remaining charges related to unallocated corporate expenses.

The Company expects that cash payments will total approximately $12 million in connection with the 2015 Efficiency Program, including $0.2 million for capital expenditures (which capital expenditures are excluded from total restructuring and related charges expected to be recognized for the 2015 Efficiency Program), of which $2.7 million was paid in the nine months ended September 30, 2016 and $2.8 million was paid in 2015. A total of $4.2 million is expected to be paid during the remainder of 2016, with the remaining balance expected to be paid in 2017.

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Restructuring Reserve
The related liability balance and activity for each of the Company's restructuring programs are presented in the following table:

	Balance Beginning of Year	(Income) Expense, Net	Foreign Currency Translation	Utilized, Net Cash	Utilized, Net Non-cash	Balance End of Period
2015 Efficiency Program:						
Employee severance and other personnel benefits	$ 6.6	$ 0.9	$ —	$ (2.3)	$ —	$ 5.2
Other	0.1	0.6	—	(0.4)	(0.1)	0.2
Integration Program:[a]						
Employee severance and other personnel benefits	0.8	—	—	(0.8)	—	—
Other	0.1	—	—	(0.1)	—	—
December 2013 Program:[b]						
Employee severance and other personnel benefits	1.2	—	—	—	—	1.2
Other	—	—	—	—	—	—
Other immaterial actions: [c]						
Employee severance and other personnel benefits	2.3	2.0	—	(2.8)	—	1.5
Other	0.7	0.6	—	(0.6)	—	0.7
Total restructuring reserve	$ 11.8	$ 4.1	$ —	$ (7.0)	$ (0.1)	$ 8.8

[a] Following Products Corporation's October 2013 acquisition of The Colomer Group Participations, S.L. ("Colomer" and the "Colomer Acquisition"), the Company implemented actions to integrate Colomer's operations into the Company's business which reduced costs across the Company's businesses and generated synergies and operating efficiencies within the Company's global supply chain and consolidated offices and back office support (all such actions, together, the "Integration Program"). The Integration Program was substantially completed as of December 31, 2015.

[b] In December 2013, the Company announced restructuring actions that primarily included exiting its direct manufacturing, warehousing and sales business operations in mainland China (the "December 2013 Program"). The December 2013 Program resulted in the elimination of approximately 1,100 positions in 2014, primarily in China.

[c] Includes $1.8 million in charges related to the program that Elizabeth Arden commenced prior to the Elizabeth Arden Acquisition to further align their organizational structure and distribution arrangements for the purpose of improving its go-to-trade capabilities and execution and to streamline their organization (the "Elizabeth Arden 2016 Business Transformation Program").

At September 30, 2016, $8.8 million of the restructuring reserve balance was included within accrued expenses and other in the Company's Consolidated Balance Sheet. At December 31, 2015, $11.8 million of the restructuring reserve balance was included within accrued expenses in the Company's Consolidated Balance Sheet.

4. DISCONTINUED OPERATIONS
On December 30, 2013, the Company announced that it was implementing the December 2013 Program, which primarily included exiting its direct manufacturing, warehousing and sales business operations in mainland China.

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The results of the China discontinued operations are included within Loss from discontinued operations, net of taxes, and relate entirely to the Consumer segment. The summary comparative financial results of discontinued operations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	$ —	$ —	$ —	$ —
Loss from discontinued operations, before taxes	(0.2)	(1.7)	(2.3)	(1.8)
Provision for income taxes	—	—	—	—
Loss from discontinued operations, net of taxes	(0.2)	(1.7)	(2.3)	(1.8)

Assets and liabilities of the China discontinued operations included in the Consolidated Balance Sheets consist of the following:

	September 30, 2016	December 31, 2015
Cash and cash equivalents	$ 1.7	$ 2.0
Trade receivables, net	0.2	0.2
Total current assets	1.9	2.2
Total assets	$ 1.9	$ 2.2
Accounts payable	$ 0.6	$ 0.7
Accrued expenses and other	3.4	3.6
Total current liabilities	4.0	4.3
Total liabilities	$ 4.0	$ 4.3

5. INVENTORIES

	September 30, 2016	December 31, 2015
Raw materials and supplies	$ 90.6	$ 58.2
Work-in-process	33.2	8.3
Finished goods	395.3	117.3
	$ 519.1	$ 183.8

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The following table presents the changes in goodwill by segment during the nine months ended September 30, 2016:

	Consumer	Professional	Elizabeth Arden	Other	Total
Balance at January 1, 2016	$ 210.1	$ 240.7	$ —	$ 18.9	$ 469.7
Goodwill acquired [(a)]	15.1	—	202.0	—	217.1
Foreign currency translation adjustment	—	0.3	—	(2.2)	(1.9)
Balance at September 30, 2016	$ 225.2	$ 241.0	$ 202.0	$ 16.7	$ 684.9

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[a] On May 31, 2016 and September 7, 2016, the Company completed the Cutex International Acquisition and the Elizabeth Arden Acquisition, respectively. See Note 2, "Business Combinations," to the Unaudited Consolidated Financial Statements in this Form 10-Q for details related to the Elizabeth Arden Acquisition and the Cutex International Acquisition.

Intangible Assets, Net

The following tables present details of the Company's total intangible assets:

	September 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Trademarks and Licenses	$187.6	$ (46.1)	$ 141.5
Customer relationships	249.1	(26.2)	222.9
Patents and Internally-Developed IP	20.4	(5.7)	14.7
Distribution rights	34.0	(1.0)	33.0
Other	1.3	—	1.3
Total finite-lived intangible assets	$492.4	$ (79.0)	$ 413.4
Indefinite-lived intangible assets:			
Trade Names	$244.0	$ —	$ 244.0
Total indefinite-lived intangible assets	$244.0	$ —	$ 244.0
Total intangible assets	$736.4	$ (79.0)	$ 657.4

	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Trademarks and Licenses	$145.0	$ (36.0)	$ 109.0
Customer relationships	118.8	(20.5)	98.3
Patents and Internally-Developed IP	16.8	(4.0)	12.8
Distribution rights	3.5	(0.6)	2.9
Total finite-lived intangible assets	$284.1	$ (61.1)	$ 223.0
Indefinite-lived intangible assets:			
Trade Names	$95.0	$ —	$ 95.0
Total indefinite-lived intangible assets	$95.0	$ —	$ 95.0
Total intangible assets	$379.1	$ (61.1)	$ 318.0

Amortization expense for finite-lived intangible assets was $6.2 million and $6.0 million for the three months ended September 30, 2016 and 2015, respectively. Amortization expense for finite-lived intangible assets was $18.2 million and $16.4 million for the nine months ended September 30, 2016 and 2015, respectively.

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The following table reflects the estimated future amortization expense, a portion of which is subject to exchange rate fluctuations, for the Company's finite-lived intangible assets as of September 30, 2016:

	Estimated Amortization Expense
2016	$ 8.6
2017	36.1
2018	35.3
2019	32.2
2020	31.2
Thereafter	270.0
Total	$ 413.4

7. ACCRUED EXPENSES AND OTHER

	September 30, 2016	December 31, 2015
Sales returns and allowances	$ 47.2	$ 61.1
Compensation and related benefits	68.0	75.6
Advertising and promotional costs	65.1	38.4
Taxes	35.3	20.8
Interest	12.2	12.4
Restructuring reserve	8.8	11.8
Other	108.2	52.3
	$ 344.8	$ 272.4

8. LONG-TERM DEBT

	September 30, 2016	December 31, 2015
2016 Term Loan Facility: 2016 Term Loan due 2023, net of discounts and debt issuance costs (see (i) below)	$ 1,750.9	$ —
Amended Term Loan Facility: Acquisition Term Loan due 2019, net of discounts and debt issuance costs (a)	—	662.1
Amended Term Loan Facility: 2011 Term Loan due 2017, net of discounts and debt issuance costs (a)	—	658.5
2016 Revolving Credit Facility, due 2021 (see (ii) below)	65.4	—
6.25% Senior Notes due 2024, net of debt issuance costs (see (iii) below)	439.2	—
5.75% Senior Notes due 2021, net of debt issuance costs (b)	493.5	492.5
Spanish Government Loan due 2025 (c)	0.6	0.6
	2,749.6	1,813.7
Less current portion (*)	(83.5)	(30.0)
	$ 2,666.1	$ 1,783.7

(*) At September 30, 2016, the Company classified $83.5 million as the current portion of long-term debt, comprised of $65.4 million outstanding on the 2016 Revolving Credit Facility at September 30, 2016 and $18.0 million of amortization payments on the 2016 Term Loan scheduled to be paid over the next four calendar quarters. At December 31, 2015, the Company classified $30.0 million as the current portion of long-term debt, which was comprised of a $23.2 million required “excess cash flow” prepayment (as defined under the Amended Term Loan

Agreement, as hereinafter defined) that was paid on February 29, 2016, and the Company’s regularly scheduled $1.7 million quarterly principal amortization payments (after giving effect to such prepayment) due in 2016.

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(a) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding Products Corporation's Amended Term Loan Agreement as of December 31, 2015, which facility was comprised of: (i) the term loan due November 19, 2017 in the original aggregate amount of $675.0 million (the "2011 Term Loan"); and (ii) the term loan due October 8, 2019 in the original aggregate amount of $700.0 million (the "Acquisition Term Loan") which, respectively, had $651.4 million and $658.6 million in aggregate principal balance outstanding upon their complete refinancing on the September 7, 2016 Elizabeth Arden Acquisition Date (together, the "Amended Term Loan Facility" and the "Amended Term Loan Agreement," respectively). In connection with the Elizabeth Arden Acquisition and related financing transactions, the 2011 Term Loan and Acquisition Term Loan were completely refinanced on the Elizabeth Arden Acquisition Date. See below for 2016 debt related transactions.

(b) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding Products Corporation's 5.75% Senior Notes that mature on February 15, 2021. The aggregate principal amount outstanding at September 30, 2016 was $500 million. Such notes remain outstanding following the Elizabeth Arden Acquisition and related financing transactions.

(d) See Note 11, "Long-Term Debt," to the Consolidated Financial Statements in Revlon, Inc.'s 2015 Form 10-K for certain details regarding the euro-denominated loan payable to the Spanish government that matures on June 30, 2025.

The Company completed several debt transactions during the nine months ended September 30, 2016.

In connection with and substantially concurrently with the closing of the Elizabeth Arden Acquisition, Products Corporation entered into the 2016 Term Loan Facility and the 2016 Revolving Credit Facility (or the Senior Facilities). Additionally, Products Corporation's 6.25% Senior Notes, which closed on August 4, 2016 (the "6.25% Senior Notes Offering"), were released from escrow (the "Escrow Release"). In connection with entering into the Senior Facilities, Products Corporation maintained on the 2016 Term Loan Facility its existing floating-to-fixed interest rate swap based on a notional amount of $400 million that previously applied to Products Corporation's Acquisition Term Loan. 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 to fund the Elizabeth Arden Acquisition (including: (i) repurchasing the entire $350.0 million aggregate principal amount outstanding of the Elizabeth Arden Existing Senior Notes; (ii) repaying the entire $142.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's $300.0 million revolving credit facility; (iii) repaying the entire $25.0 million aggregate principal amount of borrowings outstanding as of the Acquisition Date under Elizabeth Arden's second lien credit facility; and (iv) retiring $55.0 million liquidation preference of all of the issued and outstanding 50,000 shares of Elizabeth Arden Preferred Stock, which amount includes a $5.0 million change of control premium) and to completely refinance and repay all of the $651.4 million in aggregate principal balance outstanding under Products Corporation's 2011 Term Loan and $658.6 million in aggregate principal balance outstanding under Products Corporation's Acquisition Term Loan. The Company did not incur any material early termination penalties in connection with repaying such facilities.

(i) 2016 Term Loan Facility
Principal and Maturity: On the Acquisition Date, Products Corporation entered into the 2016 Term Loan Agreement, for which Citibank, N.A. acts as administrative and collateral agent and which has an initial aggregate principal amount of $1,800.0 million and will mature on the earlier of (x) the seventh anniversary of the Closing Date and (y) the 91st day prior to the maturity of Products Corporation's 5.75% Senior Notes due 2021 (the "5.75% Senior Notes") if, on that date (and solely for so long as), (i) any of Products Corporation's 5.75% Senior Notes remain outstanding and

(ii) Products Corporation's available liquidity does not exceed the aggregate principal amount of the then outstanding 5.75% Senior Notes by at least $200.0 million. The loans under the 2016 Term Loan Facility were borrowed at an original issue discount of 0.5% to their principal amount. The 2016 Term Loan Facility may be increased by an amount equal to the sum of (x) the greater of $450.0 million and 90% of Products Corporation's pro forma consolidated EBITDA, plus (y) an unlimited amount to the extent that (1) the first lien leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt that is not junior or subordinated to the liens of the Senior Facilities to EBITDA) is less than or equal to 3.5 to 1.0 (for debt secured pari passu with the 2016 Term Loan Facility) or (2) the secured leverage ratio (defined as the ratio of Products Corporation's net senior secured funded debt to EBITDA) is less than or equal to 4.25 to 1.0 (for junior lien or unsecured debt), plus (z) up to an additional $400.0 million if the 2016 Revolving Credit Facility has been repaid and terminated.

Guarantees and Security: Products Corporation and the restricted subsidiaries under the 2016 Term Loan Facility, which include Products Corporation's domestic subsidiaries, including Elizabeth Arden and its domestic subsidiaries (collectively, the "Restricted

Group"), are subject to the covenants under the 2016 Term Loan Agreement. The 2016 Term Loan Facility is guaranteed by each existing and future direct or indirect wholly-owned domestic restricted subsidiary of Products Corporation (subject to various exceptions), as well as by Revlon, on a limited recourse basis. The obligations of Revlon, Products Corporation and the subsidiary guarantors under the 2016 Term Loan Facility are secured by pledges of the equity of Products Corporation held by Revlon and the equity of the Restricted Group held by Products Corporation and each subsidiary guarantor (subject to certain exceptions, including equity of first-tier foreign subsidiaries in excess of 65% of the voting equity interests of such entity) and by substantially all tangible and intangible personal and real property of Products Corporation and the subsidiary guarantors (subject to certain exclusions). The obligors and guarantors under the 2016 Term Loan Facility and the 2016 Revolving Credit Facility are identical. The liens securing the 2016 Term Loan Facility on the accounts, inventory, equipment, chattel paper, documents, instruments, deposit accounts, real estate and investment property and general intangibles (other than intellectual property) related thereto (the "Revolving Facility Collateral") rank second in priority to the liens thereon securing the 2016 Revolving Credit Facility. The liens securing the 2016 Term Loan Facility on all other property, including capital stock, intellectual property and certain other intangible property (the "Term Loan Collateral"), rank first in priority to the liens thereon securing the 2016 Revolving Credit Facility, while the liens thereon securing the 2016 Revolving Credit Facility rank second in priority to the liens thereon securing the 2016 Term Loan Facility.

Interest and Fees: Interest accrues on term loans under the 2016 Term Loan Facility at a rate per annum of Adjusted LIBOR (which has a floor of 0.75%) plus a margin of 3.50% or an alternate base rate plus a margin of 2.50%, at Products Corporation's option, and is payable quarterly, at a minimum. Products Corporation is obligated to pay certain fees and expenses in connection with the 2016 Term Loan Facility.

Affirmative and Negative Covenants: The 2016 Term Loan Agreement contains certain affirmative and negative covenants that, among other things, limit the Restricted Group's ability to: (i) incur additional debt; (ii) incur liens; (iii) sell, transfer or dispose of assets; (iv) make investments; (v) make dividends and distributions on, or repurchases of, equity; (vi) make prepayments of contractually subordinated or junior lien debt; (vii) enter into certain transactions with their affiliates; (viii) enter into sale-leaseback transactions; (ix) change their lines of business; (x) restrict dividends from their subsidiaries or restrict liens; (xi) change their fiscal year; and (xii) modify the terms of certain debt. The negative covenants are subject to various exceptions, including an "available amount basket" based on 50% of Products Corporation's cumulative consolidated net income, plus a "starter" basket of $200.0 million, subject to Products Corporation's compliance with a 5.0 to 1.0 ratio of Products Corporation's net debt to Consolidated EBITDA (as defined in the 2016 Term Loan Agreement), except such compliance is not required when such baskets are used to make investments. While the 2016 Term Loan Agreement contains certain customary representations, warranties and events of default, it does not contain any financial maintenance covenants.

Prepayments: The 2016 Term Loan Facility is subject to mandatory prepayments from: (i) the net proceeds from the issuance by Products Corporation or any of its restricted subsidiaries of certain additional debt; (ii) commencing with the excess cash flow calculation with respect to fiscal year ending December 31, 2017, 50% of excess cash flow, with step-downs to 25% and 0% upon achievement of certain first lien leverage ratios and reduced by voluntary prepayments of loans under the 2016 Term Loan Facility and revolving loans under the 2016 Revolving Credit Facility to the extent commitments thereunder are permanently reduced; and (iii) asset sale proceeds of certain non-ordinary course asset sales or other dispositions of property that have not been reinvested to the extent in excess of certain minimum amounts. Products Corporation may voluntarily prepay the 2016 Term Loan Facility without premium or penalty unless Products Corporation prepays a term loan within six months after the Closing Date in connection with a repricing transaction (in which case a 1.00% premium is payable).

During the third quarter of 2016, the Company incurred approximately $45.0 million of fees and expenses in connection with the 2016 Term Loan Facility, of which $39.1 million were capitalized and are being amortized over the remaining term of the 2016 Term Loan Credit Agreement using the effective interest method. The Company expensed the remaining $5.9 million of fees and expenses and wrote-off $10.9 million of unamortized debt discount and deferred financing costs related to the 2011 Term Loan and the Acquisition Term Loan. These amounts, totaling $16.8 million, were recognized within loss on early extinguishment of debt in the Company’s Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2016.