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REVLON INC /DE/  
Form S-3/A  
March 28, 2003

As filed with the Securities and Exchange Commission on March 28, 2003  
Registration No. 333-102969

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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AMENDMENT NO. 1  
TO

FORM S-3

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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REVLON, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3662955  
(I.R.S. Employer  
Identification Number)

625 MADISON AVENUE  
NEW YORK, NY 10022  
(212) 527-4000  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of  
registrant's principal executive offices)

ROBERT K. KRETZMAN, ESQ.  
REVLON, INC.  
625 MADISON AVENUE  
NEW YORK, NY 10022  
(212) 527-4000  
(Name, Address, Including Zip Code, and Telephone Number, Including Area  
Code, of Agent For Service)

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COPY TO:  
STACY J. KANTER, ESQ.  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
FOUR TIMES SQUARE  
NEW YORK, NEW YORK 10036  
(212) 735-3000

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FAX: (212) 735-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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EXPLANATORY NOTE

The subscription price for our shares of Class A common stock referred to in this Registration Statement shall be equal to eighty percent (80%) of the greater of the closing price per share of our Class A common stock on the New York Stock Exchange on (i) the trading day before the date that our board of directors approved this rights offering, which was \$2.88 per share, and (ii) the record date of this rights offering.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated March 28, 2003.

PROSPECTUS

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3,913,044 Shares

REVLON, INC.

CLASS A COMMON STOCK

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We are distributing at no charge to the holders of our Class A and Class B common stock transferable subscription rights to purchase up to an aggregate of 21,739,130 shares of our Class A common stock at a cash subscription price of \$ per share. This rights offering is comprised of an offering of subscription rights to purchase up to 3,913,044 shares of our Class A common stock to all holders of our Class A and Class B common stock, other than MacAndrews & Forbes, one of our affiliates, and the distribution to MacAndrews & Forbes of subscription rights to purchase up to 17,826,086 shares of our Class A common stock. However, MacAndrews & Forbes has agreed not to exercise or sell the subscription rights that it receives and has indicated that it does not intend to purchase any subscription rights on the open market. Instead, MacAndrews & Forbes has agreed to purchase the shares of our Class A Common Stock that it would otherwise have been entitled to receive pursuant to its basic subscription privilege in a private placement direct from us, under an investment agreement described in this prospectus. This rights offering is being made to help fund a portion of the costs and expenses of the stabilization and growth phase of our plan discussed in this prospectus.

The total purchase price of shares offered in this rights offering and the offering of shares to MacAndrews & Forbes described above will be approximately \$50,000,000. You will not be entitled to receive any subscription rights unless you are a stockholder of record as of the close of business on , 2003.

The subscription rights will expire if they are not exercised by 5:00 p.m., New York City time, on , 2003, the expected expiration date of this rights offering. We, in our sole discretion, may extend the period for exercising the subscription rights. We will extend the duration of the rights offering as required by applicable law, and may choose to extend it if we decide that the degree of participation in this rights offering by holders of our common stock other than MacAndrews & Forbes is less than the level we desire and we believe that extending the duration of this rights offering may increase the level of participation by such holders or if we decide that changes in the market price of our Class A common stock warrant an extension. However, because MacAndrews & Forbes has agreed to back-stop this rights offering, we will not need to extend the exercise period to increase the overall level of participation because the back-stop arrangement ensures that we will receive total gross proceeds of \$50 million. Subscription rights that are not exercised by the expiration date of this rights offering will expire and will have no value. You should carefully consider whether or not to exercise or sell your subscription rights before the expiration date.

Shares of our Class A common stock are quoted on the New York Stock Exchange under the symbol "REV." The last sale price of our Class A common stock on March 27, 2003 was \$2.80 per share. We anticipate that the subscription rights will be traded on the New York Stock Exchange under the symbol "REV.RT."

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	PER SHARE	AGGREGATE
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Subscription Price .....	\$	\$ 50,000,000 (1)
Estimated Expenses .....	\$	\$ 2,555,328
Net Proceeds to Revlon .....	\$	\$ 47,444,672

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(1) Includes proceeds from the purchase of shares by MacAndrews & Forbes under the Investment Agreement, including under the back-stop arrangement described elsewhere in this prospectus.

AN INVESTMENT IN OUR CLASS A COMMON STOCK INVOLVES RISKS. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 12 IN THIS PROSPECTUS BEFORE EXERCISING OR SELLING YOUR SUBSCRIPTION RIGHTS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities are not being offered in any jurisdiction where the offer is not permitted.

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The date of this prospectus is , 2003

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PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and may not contain all of the information that is important to you. This prospectus includes specific terms of this rights offering, as well as information regarding our business. We encourage you to read this prospectus in its entirety. You should pay special attention to the "Risk Factors" section of this prospectus. All references to "we," "our," "ours," and "us," or "Revlon" in this prospectus are to Revlon, Inc. and its subsidiaries, unless otherwise indicated. However, in the descriptions of the subscription rights and related matters, these terms refer solely to Revlon, Inc. and not to any of our subsidiaries. All U.S. market share and market position data herein for our brands are based upon retail dollar sales, which are derived from AC Nielsen data. AC Nielsen measures retail sales volume of products sold in the U.S. mass-market distribution channel. Such data represent AC Nielsen's estimates based upon data gathered by AC Nielsen from market samples and are therefore subject to some degree of variance. Additionally, as of August 4, 2001, AC Nielsen's data does not reflect sales volume from Wal-Mart, Inc.

OUR COMPANY

We manufacture, market and sell an extensive array of cosmetics and skin care, fragrances and personal care products. Revlon is one of the world's best-known names in cosmetics and is a leading mass-market cosmetics brand. We believe that our global brand name recognition, product quality and marketing experience have enabled us to create one of the strongest consumer brand franchises in the world. Our products are sold worldwide and are marketed under such well-known brand names as Revlon, Colorstay, Revlon Age Defying, Skinlights and Ultima II, as well as Almay in cosmetics; Almay Kinetin, Vitamin C Absolutes, Eterna 27, Ultima II, and Jeanne Gatineau in skin care; Charlie in fragrances; and High Dimension, Flex, Mitchum, Colorsilk, Jean Nate and Bozzano in personal care products.

Revlon was founded by Charles Revson, who revolutionized the cosmetics industry by introducing nail enamels matched to lipsticks in fashion colors over 70 years ago. Today, we have leading market positions in a number of our principal product categories in the U.S. mass-market distribution channel, including the lip, face makeup and nail enamel categories. We also have leading market positions in several product categories in certain markets outside of the U.S., including in Australia, Canada, Mexico and South Africa. Our products are sold in more than 100 countries across five continents.

The Company's Plan

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Our plan consists of three main components: (1) the cost rationalization phase; (2) the stabilization and growth phase; and (3) the accelerated growth phase.

### Phase 1 -- Cost Rationalization

In 1999 and 2000, we faced a number of strategic challenges. Accordingly, through 2001 we focused our plan on lowering costs and improving operating efficiency.

During 2001, we implemented several key elements of this phase of our plan. For example, we:

- o reduced departmental general and administrative expenses in our operations;
- o reduced manufacturing and warehousing square footage by approximately 55% during the period from November 2000 to December 31, 2001;
- o closed our in-house advertising division and consolidated all advertising for our Revlon and Almay brands with two prominent advertising agencies (and further consolidated into a single agency in 2002); and
- o implemented revised trade terms with our U.S. customers intended to increase sell-through of our products, reduce merchandise returns and claims for damages and drive market growth.

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We believe that our actions during 2000 and 2001 lowered our cost structure overall and improved our manufacturing and operating efficiency, creating a platform for the stabilization and growth stage of our plan.

### Phase 2 -- Stabilization and Growth

In February 2002, we announced the appointment of Jack L. Stahl, former president and chief operating officer of The Coca-Cola Company, as our new President and Chief Executive Officer.

Following the appointment of Mr. Stahl, we undertook an extensive review and evaluation of our business to establish specific integrated objectives and actions to advance the next stage in our plan. As a result of this review, we established three principal objectives:

- o creating and developing the most consumer-preferred brands;
- o becoming the most valuable partner to our retailers; and
- o becoming a top company where people choose to work.

We also conducted detailed evaluations and research of the strengths of

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the Revlon brand (and we are continuing to conduct similar evaluations and research for our other major brands); our advertising and promotional efforts; our relationships with our retailers and consumers; our retail in-store presence; and the strength and skills of our organization. As a result, we developed the following key actions and investments to support the stabilization and growth phase of our plan:

- o Increase advertising and media spending and effectiveness. We expect to increase our media spending and advertising support. We will also seek to improve the effectiveness of our marketing, including our advertising, by, among other things, ensuring consistent messaging and imagery in our advertising, in the graphics included in our wall displays and in our other marketing materials.
- o Increase the marketing effectiveness of our wall displays. Beginning in the first quarter of 2003, we intend to make significant improvements to our retail wall displays by streamlining our product assortment and reconfiguring product placement, which we believe will optimize cross-selling among our various product categories on the wall displays and make the displays easier to merchandise and stock. We also intend to continue to roll out our new wall displays, which we began in 2002. In addition, we intend to enhance merchandiser coverage to improve in-store stock levels and continue to develop our tamper evident program to reduce damages. We also intend to work with our retail customers to improve replenishment of our products on the wall displays and to minimize out-of-stocks at our customers.
- o Adopt revised pricing strategies. We believe that we can increase sales by selectively adjusting prices on certain stock keeping units, or SKUs, to better align our pricing with product benefits and competitive benchmarks.
- o Further strengthen our new product development process. We are developing a cross-functional new product development process intended to optimize our ability to bring to market our new product offerings to ensure that we have products in key trend categories.
- o Implement a comprehensive program to develop and train our employees. We are implementing a comprehensive program to further develop the management, leadership and communication skills of our employees, which we will regularly assess as part of our goal to become a top company where people choose to work.

In December 2002, we announced that we would accelerate the implementation of the stabilization and growth phase of our plan. We recorded charges of approximately \$100 million in the fourth quarter of 2002 and currently expect to record additional charges not to exceed \$60 million during 2003 and 2004. These charges relate to various aspects of the stabilization and growth phase of our plan, primarily stemming from sales returns and inventory writedowns from a selective reduction

of SKUs, reduced distribution of the Ultima II brand, allowances stemming from selective price adjustments on certain products, professional expenses associated with the development of, and research in relation to, and execution of the stabilization and growth phase of our plan and writedowns associated with reconfiguring existing wall displays at our retail customers.

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### Phase 3 -- Accelerated Growth

We intend to capitalize on the actions taken during the stabilization and growth phase of our plan, with the objective of increasing revenues and profitability over the long term.

#### RECENT DEVELOPMENTS

In December 2002, our principal stockholder, MacAndrews & Forbes Holdings Inc. ("MacAndrews Holdings"), a corporation wholly owned through Mafco Holdings Inc. ("Mafco Holdings" and, together with MacAndrews Holdings, "MacAndrews & Forbes"), by Ronald O. Perelman, proposed providing us with up to \$150 million in cash in order to help fund a portion of the costs and expenses associated with implementing the stabilization and growth phase of our plan and for general corporate purposes. Our board of directors appointed a special committee of independent directors to evaluate the proposal made by MacAndrews & Forbes. The special committee reviewed and considered the proposal and negotiated enhancements to the terms of the proposal. In February 2003, the enhanced proposal was recommended to our board of directors by the special committee and approved by our full board.

This rights offering is part of the enhanced proposal. As a holder of our common stock, MacAndrews & Forbes will receive its pro rata subscription rights in this rights offering and would also be entitled to exercise an over-subscription privilege. However, MacAndrews & Forbes has agreed not to exercise either its basic or its over-subscription privilege. Instead, MacAndrews & Forbes has agreed to purchase the shares of our Class A common stock that it would otherwise have been entitled to receive pursuant to its basic subscription privilege (equal to approximately 83% of the subscription rights distributed in this rights offering, or \$41.5 million) in a private placement direct from us. In addition, if any shares remain following the exercise of basic subscription privileges and over-subscription privileges by other right holders, MacAndrews & Forbes will back-stop this rights offering by purchasing the remaining shares of Class A common stock offered but not purchased by other stockholders (up to approximately 17%, or an additional \$8.5 million), also in a private placement.

In accordance with the enhanced proposal, MacAndrews & Forbes has also provided a \$100 million term loan to our subsidiary, Revlon Consumer Products Corporation, referred to herein as "Products Corporation." If, prior to the consummation of this rights offering, Products Corporation has fully drawn the MacAndrews & Forbes \$100 million term loan and the implementation of the stabilization and growth phase of our plan causes us to require some or all of the \$50 million of funds that we would raise from this rights offering, MacAndrews & Forbes has agreed to advance us these funds prior to the closing of this rights offering by purchasing up to \$50 million of newly-issued shares of our Series C preferred stock, which would be redeemed with the proceeds we receive from this rights offering (this investment in our Series C preferred stock is referred to in this prospectus as the "\$50 million Series C preferred stock investment"). The MacAndrews & Forbes \$100 million term loan has a final maturity date of December 1, 2005 and interest on such loan of 12.0% is not payable in cash, but will accrue and be added to the principal amount each quarter and be paid in full at final maturity. We expect that we will issue the subscription rights and consummate this rights offering in the second quarter of 2003. Based on this expectation, we anticipate that we will draw on the MacAndrews & Forbes \$100 million term loan before this rights offering is consummated in order to continue the implementation of the stabilization and



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growth phase of our plan and for general corporate purposes. However, we do not currently anticipate that we will require that MacAndrews & Forbes make the \$50 million Series C preferred stock investment.

Additionally, MacAndrews & Forbes has also agreed to provide Products Corporation with an additional \$40 million line of credit during 2003, which amount will increase to \$65 million on January

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1, 2004, which we refer to as the "\$40-65 million line of credit", and which will be available to Products Corporation through December 31, 2004, provided that the MacAndrews & Forbes \$100 million term loan is fully drawn and MacAndrews & Forbes has purchased an aggregate of \$50 million of our Series C preferred stock (or if we have consummated this rights offering and redeemed any outstanding shares of Series C preferred stock). The \$40-65 million line of credit will be available through December 31, 2004 and will bear interest payable in cash at a rate of the lesser of (i) 12.0% and (ii) 0.25% less than the rate payable from time to time on Eurodollar loans under Products Corporation's existing credit agreement (which rate, after giving effect to the amendment to Products Corporation's existing credit agreement discussed below, is 8.25%, as of March 1, 2003). We do not currently expect that we will draw on the \$40-65 million line of credit during 2003.

In connection with the transactions with MacAndrews & Forbes described above, and as a result of our operating results for the fourth quarter of 2002 and the effect of the acceleration of the implementation of the stabilization and growth phase of our plan, we entered into an amendment in February 2003 of our existing credit agreement with our bank lenders and secured waivers of compliance with certain covenants under our existing credit agreement. In particular, EBITDA (as defined in our existing credit agreement) was \$35.2 million for the four consecutive fiscal quarters ended December 31, 2002, which was less than the minimum of \$210 million required under the EBITDA covenant of our credit agreement for that period, and our leverage ratio was 5.09:1.00, which was in excess of the maximum ratio of 1.4:1.00 permitted under the leverage ratio covenant of our credit agreement for that period. Accordingly, we sought and secured waivers of compliance with these covenants for the fourth quarter of 2002 and, in light of our expectation that the continued implementation of the stabilization and growth phase of our plan would affect our ability to comply with these covenants during 2003, we also secured an amendment to eliminate the EBITDA and leverage ratio covenants for the first three quarters of 2003 and a waiver of compliance with such covenants for the four quarters ending December 31, 2003 expiring on January 31, 2004.

The amendment to our existing credit agreement also included the substitution of a minimum liquidity covenant requiring us to maintain a minimum of \$20 million in liquidity from all available sources at all times through January 31, 2004 and certain other amendments to allow for the MacAndrews & Forbes \$100 million term loan, the \$40-65 million line of credit, this rights offering, and the implementation of the stabilization and growth phase of our plan, including specific exceptions from the limitations under the indebtedness covenant to permit such investments and to exclude the proceeds from such investments from the mandatory prepayment provisions of the credit agreement, and to increase the maximum limit on capital expenditures from \$100 million to \$115 million for 2003. The amendment also increased the applicable margin on loans under the existing credit agreement by 0.5%, the incremental cost of

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which to us, assuming the credit agreement is fully drawn, would be \$1.1 million from February 5, 2003 through the end of 2003.

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Our principal executive offices are located at 625 Madison Avenue, New York, New York 10022. Our telephone number at that address is (212) 527-4000.

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ORGANIZATION

The following sets forth a summary organizational chart for Revlon:

[FLOW CHART]

-----  
Mafco Holdings Inc.

|  
| 100%  
|

-----  
MacAndrews & Forbes  
Holdings Inc.\*

|  
| 100%  
|

-----  
REV Holdings LLC  
("REV Holdings")

|  
| 83%\*\*  
|

-----  
REVLON, INC.

|  
| 100%  
|

-----  
Revlon Consumer  
Products Corporation

|  
|  
|

-----  
Operating Subsidiaries of

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Revlon Consumer  
Products Corporation  
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- \* MacAndrews & Forbes Holdings Inc. is wholly owned through Mafco Holdings Inc. by Ronald O. Perelman.
  
- \*\* REV Holdings currently beneficially owns 11,650,000 shares of the Class A common stock, par value \$.01 per share, of Revlon, Inc. (representing approximately 57% of the outstanding shares of Class A common stock of Revlon, Inc.) and all of the outstanding 31,250,000 shares of Class B common stock, par value \$.01 per share (each of which is entitled to 10 votes), of Revlon, Inc., which together represent approximately 83% of the outstanding shares of common stock of Revlon, Inc. REV Holdings also currently beneficially owns all of the outstanding 4,333 shares of Series B Convertible Preferred Stock, par value \$.01 per share, of Revlon, Inc. (each of which is entitled to 100 votes and each of which is convertible into 100 shares of Class A common stock), which, together with the Class A and Class B common stock, represents approximately 97% of the combined voting power of the outstanding shares of common and preferred stock of Revlon, Inc.

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QUESTIONS AND ANSWERS ABOUT THE RIGHTS OFFERING

Q: What is this rights offering?

A: This rights offering is a distribution, at no charge, to holders of our Class A and Class B common stock of one transferable subscription right to purchase one additional share of our Class A common stock for each shares of Class A or Class B common stock owned as of \_\_\_\_\_, 2003 (or the "rights offering record date"), for a total of approximately subscription rights. The maximum gross proceeds of this rights offering will be \$50,000,000, including at least \$ from MacAndrews & Forbes in relation to the purchase of 17,826,086 shares pursuant to a private placement (excluding any proceeds received from it pursuant to the back-stop).

Q: What is a subscription right?

A: Each full subscription right is a right to purchase one share of our Class A common stock and carries with it a basic subscription privilege and an over-subscription privilege.

Q: How many shares may I purchase if I exercise my subscription rights?

A: You will receive one transferable subscription right for each \_\_\_ shares of Class A and Class B common stock that you owned on \_\_\_\_\_, 2003, the rights offering record date. Each subscription right contains the basic subscription privilege and the over-subscription privilege.

Q: What is the basic subscription privilege?

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A: The basic subscription privilege of each subscription right entitles you to purchase one share of our Class A common stock at the subscription price of \$\_\_\_\_\_ per share.

Q: What is the over-subscription privilege?

A: The over-subscription privilege of each subscription right entitles you, if you fully exercise your basic subscription privilege, to subscribe for additional shares of our Class A common stock at the same subscription price per share on a pro rata basis if any shares are not purchased by other holders of subscription rights (except MacAndrews & Forbes) under their basic subscription privileges as of the expiration date. "Pro rata" means in proportion to the number of shares of our Class A common stock that you and the other subscription rights holders have purchased by exercising your basic subscription privileges on your common stock holdings. Although MacAndrews & Forbes, as a holder of Class A and Class B common stock, would otherwise be entitled to this over-subscription privilege, to enhance your over-subscription privileges, it has agreed to waive this right to enhance the over-subscription privilege of our other stockholders.

Q: What if there are an insufficient number of shares to satisfy the over-subscription requests?

A: If there are an insufficient number of shares of our Class A common stock available to fully satisfy the over-subscription requests of rights holders, subscription rights holders who exercised their over-subscription privilege will receive the available shares pro rata based on the number of shares each subscription rights holder subscribed for under the basic subscription privilege. Any excess subscription payments will be returned, without interest or deduction, promptly after the expiration of this rights offering.

Q: Why are you engaging in this rights offering?

A: This rights offering is being made to help fund a portion of the costs and expenses of the stabilization and growth phase of our plan. MacAndrews & Forbes has proposed to provide us up to \$150 million to help fund a portion of the costs and expenses associated with implementing the stabilization and growth phase of our plan and for general corporate purposes in the form of various investments, including the purchase of our Class A common stock in connection with this rights offering. See "---Recent Developments."

The proceeds from these various investments will be used to fund the implementation of the stabilization and growth phase of our plan, which involves increasing advertising and media spending, increasing the marketing effectiveness of our wall displays, including by streamlining the number of our SKUs, selectively adjusting prices on certain of our products, optimizing product availability to consumers and further strengthening our new product development process.

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Q: What happens if I choose not to exercise my subscription rights?

A: You will retain your current number of shares of Class A common stock even if you do not exercise your subscription rights. However, if you do not exercise your subscription privileges, the percentage of our Class A common stock that you own will decrease, and your voting and other rights will be diluted to the extent that other stockholders exercise their basic and over-subscription rights.

Q: Can your board of directors cancel this rights offering?

A: Yes. Our board of directors may decide to cancel this rights offering at any time prior to the expiration of the rights offering and for any reason. If we cancel this rights offering, any money received from subscribing stockholders will be refunded promptly, without interest or deduction.

Q: When will this rights offering expire?

A: The subscription rights will expire, if not exercised, at 5:00 p.m., New York City time, on \_\_\_\_\_, 2003, unless we decide to extend this rights offering until some later time. See "The Rights Offering--Expiration of the Rights Offering and Extensions and Termination." The subscription agent must actually receive all required documents and payments before that time and date. There is no maximum duration for this rights offering.

Q: How do I exercise my subscription rights?

A: You may exercise your subscription rights by properly completing and signing your subscription rights certificate. Your subscription rights certificate, together with full payment of the subscription price, must be received by the subscription agent on or prior to the expiration date of this rights offering. If you use the mail, we recommend that you use insured, registered mail, return receipt requested. If you cannot deliver your subscription rights certificate to the subscription agent on time, you may follow the guaranteed delivery procedures described under "The Rights Offering--Guaranteed Delivery Procedures."

Q: May I transfer or sell my subscription rights if I do not want to purchase any shares?

A: Yes. The subscription rights will be evidenced by transferable subscription rights certificates. The subscription rights are transferable until the close of business on the last trading day preceding the expiration date of this rights offering. However, the subscription agent will only facilitate subdivisions or transfers of the actual subscription rights certificates until 5:00 p.m., New York City time, on \_\_\_\_\_, 2003, three business days prior to the expiration date. Furthermore, the subscription rights are a new issue of securities with no established trading market and we cannot assure you that a market for the subscription rights will develop, or if a market does develop, how liquid it will be. Therefore, we cannot assure you that you will be able to sell any of your subscription rights. See "The Rights Offering--Method of Transferring and Selling Subscription Rights."

Q: How may I sell my subscription rights?

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A: You may sell your subscription rights by contacting your broker or the institution through which you hold your Class A common stock. In addition, if you are a record holder of our common stock, you may sell your subscription rights through the subscription agent.

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Q: Will I be able to trade my subscription rights on the New York Stock Exchange?

A: Yes. We anticipate that the subscription rights will be listed for trading on the New York Stock Exchange, or NYSE, under the symbol "REV.RT" and we expect that the subscription rights may be purchased or sold until the close of business on the last trading day preceding the expiration date of this rights offering.

Our Class A common stock is listed on the NYSE. On \_\_\_\_\_, 2003, the last trading day before the date of this prospectus, the closing price of our Class A common stock on the NYSE was \$\_\_\_ per share.

Q: What should I do if I want to participate in this rights offering or sell my subscription rights but my shares are held in the name of my broker, custodian bank or other nominee?

A: If you hold shares of our common stock through a broker, custodian bank or other nominee, we will ask your broker, custodian bank or other nominee to notify you of this rights offering. If you wish to sell or exercise your subscription rights, you will need to have your broker, custodian bank or other nominee act for you. To indicate your decision, you should complete and return to your broker, custodian bank or other nominee the form entitled "Beneficial Owner Election Form." You should receive this form from your broker, custodian bank or other nominee with the other rights offering materials. You should contact your broker, custodian bank or other nominee if you do not receive this form, but you believe you are entitled to participate in this rights offering.

Q: What should I do if I want to participate in this rights offering or sell my subscription rights but my shares are held in the Revlon 401(k) plan?

A: If shares of our Class A common stock are held by our 401(k) plan for your account under our 401(k) plan as of the rights offering record date, you will be notified by us of this rights offering. If you wish to sell or exercise some or all of your subscription rights, you will need to notify the trustee of the 401(k) plan of your decision and the trustee will act for you. To indicate your decision, you should properly complete and return to the trustee by 5:00 p.m., New York City time, on \_\_\_\_\_, 2003 (which is seven days prior to the expiration date of this rights offering) the form entitled "401(k) Plan Participant Election Form." If you elect to exercise some or all of your subscription rights, you must ensure that the total amount of the funds required for such exercise have been allocated to an account created by you, or which you currently maintain, in the Stable Value Fund (an existing investment election under the 401(k) plan) no later than \_\_\_\_\_, 2003, seven days prior to the expiration date of this rights offering, in order to satisfy the subscription price payable by you upon exercise of your subscription rights. On \_\_\_\_\_, 2003, the trustee, to exercise subscription rights on your behalf in the rights offering, will transfer such funds from your Stable Value Fund account to the subscription agent. If these funds are insufficient to exercise all of

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your subscription rights in accordance with your election, the subscription rights will be exercised to the maximum extent possible with the amount you have invested in your Stable Value Fund account and, if an active trading market for the rights is maintained, the trustee will attempt to sell for your account any remaining rights that are not exercised because of insufficient funds. You should receive the "401(k) Plan Participant Election Form" with the other rights offering materials. You should contact the information agent if you do not receive this form but you believe you are entitled to participate in this rights offering with respect to shares held for your account under the 401(k) plan.

- Q: What should I do if I want to participate in this rights offering or sell my subscription rights, but I am a stockholder with a foreign address or a stockholder with an APO or FPO address?
- A: The subscription agent will not mail subscription rights certificates to you if you are a stockholder of record as of the rights offering record date with an address outside the U.S. or with an Army Post Office or a Fleet Post Office address. To exercise your subscription rights,

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you must notify the subscription agent on or prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 2003 and establish to the satisfaction of the subscription agent that you are permitted to exercise your subscription rights under applicable law. In addition, you must take all other steps that are necessary to exercise your subscription rights, on or prior to the date required for participation in this rights offering. The subscription agent will attempt to sell, if feasible, the subscription rights held on behalf of any foreign holder who fails to notify the subscription agent and provide acceptable instructions to it by such time (and assuming no contrary instructions are received). The net proceeds, if any, of any such sale, will be payable to the applicable foreign holder. Any proceeds remaining unclaimed on the second anniversary of the expiration date of this rights offering will be remitted to us.

- Q: Will I be charged a sales commission or a fee if I exercise my subscription rights?
- A: We will not charge a brokerage commission or a fee to subscription rights holders for exercising their subscription rights. However, if you exercise your subscription rights through a broker, custodian bank or nominee, you will be responsible for any fees charged by your broker, custodian bank or nominee. If you sell your subscription rights, you will be responsible for any commissions, taxes or brokers fees arising from any such sale. Any sales through the subscription agent will be deemed to be effected at the weighted average sales price of all subscription rights sold by the subscription agent on the relevant date of sale. See "The Rights Offering--Methods for Transferring and Selling Subscription Rights--Sale of Subscription Rights Through the Subscription Agent."
- Q: Are there any conditions to my right to exercise my subscription rights?
- A: Yes. This rights offering is subject to certain limited conditions. Please see "The Rights Offering--Conditions to the Rights Offering."

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Q: What is the recommendation of your board of directors regarding this rights offering?

A: Neither we, our board of directors nor its special committee are making any recommendation as to whether or not you should exercise or sell your subscription rights. You are urged to make your decision based on your own assessment of this rights offering and after considering all of the information in this prospectus, including the "Risk Factors" section of this prospectus and all of the information incorporated by reference in this prospectus. You should not view MacAndrews & Forbes' agreement to purchase from us in a private placement the full number of shares of our Class A common stock that it would otherwise have been entitled to subscribe for in this rights offering in accordance with its basic subscription privilege or to back-stop this rights offering as a recommendation or other indication that the exercise or sale of your subscription rights is in your best interests.

Q: How was the \$\_\_\_\_\_ per share subscription price established?

A: The subscription price per share for the rights offering was set by our board of directors based on the recommendation of the special committee of independent directors of our board of directors after negotiations between the special committee and MacAndrews & Forbes. The board set the subscription price at a formula equal to eighty percent (80%) of the greater of the closing price per share of our Class A common stock on the New York Stock Exchange on (i) the trading day before the date that our board of directors approved this rights offering, which was \$2.88 per share, and (ii) the record date of this rights offering. In determining the subscription price, the special committee and our board of directors considered a number of factors, including: our need for capital; our business prospects; the need to offer shares at a price that would be attractive to our investors relative to the current trading price of our Class A common stock; an analysis of prior rights offerings; the historic and current market price of our Class A common stock; general conditions in the securities market and the difficult market conditions prevailing for the raising of equity capital; our operating history; and the liquidity of our Class A common stock.

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Q: Is exercising my subscription rights risky?

A: The exercise of your subscription rights involves risks. Exercising your subscription rights means buying additional shares of our Class A common stock and should be considered as carefully as you would consider any other equity investment. You should carefully consider the information under the heading "Risk Factors" and all other information included or incorporated by reference in this prospectus before deciding to exercise or sell your subscription rights.

Q: Am I required to subscribe in this rights offering?

A: No.



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Q: After I exercise my subscription rights, can I change my mind and cancel my purchase?

A: No. Once you send in your subscription rights certificate and payment (or, in the case of a 401(k) plan participant, once you send to the trustee the form entitled "401(k) Plan Participant Election Form") you cannot revoke the exercise of your subscription rights, even if the market price of our Class A common stock is below the \$\_\_\_ per share subscription price. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our Class A common stock at a price of \$\_\_\_ per share. However, if our 401(k) plan holds our common stock for your account, see "The Rights Offering--Special Instructions for Participants in Our 401(k) Plan." Subscription rights not exercised prior to the expiration of this rights offering will have no value.

Q: What are the federal income tax consequences of exercising my subscription rights?

A: A holder should not recognize income or loss for federal income tax purposes in connection with the receipt or exercise of subscription rights in this rights offering. However, you should consult with your own financial and tax advisor. See "Certain United States Federal Income Tax Consequences."

Q: If this rights offering is not completed, will my subscription payment be refunded to me?

A: Yes. The subscription agent will hold all funds it receives in escrow until completion of this rights offering. If this rights offering is not completed, the subscription agent will return promptly, without interest or deduction, all subscription payments.

Q: How many shares of Class A and Class B common stock will be outstanding after this rights offering?

A: The number of shares of Class A and Class B common stock that will be outstanding immediately after the completion of this rights offering and the back-stop will be \_\_\_\_\_ shares and 31,250,000 shares, respectively. The number of shares of Class B common stock will not be affected by this rights offering.

Q: How will this rights offering affect MacAndrews & Forbes' ownership of our common stock?

A: As of the date of this prospectus, MacAndrews & Forbes indirectly owns approximately 57% of our Class A common stock and 100% of our Class B common stock, together representing approximately 83% of our combined outstanding common stock and approximately 97% of the combined voting power of our Class A and Class B common stock.

If no other subscription rights holders exercise their subscription rights in this rights offering, after giving effect to MacAndrews & Forbes' back-stop, MacAndrews & Forbes will beneficially own approximately \_\_\_% of our outstanding Class A common stock, 100% of our outstanding Class B common stock and approximately \_\_\_% of the combined voting power of our Class A and Class B common stock.

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If all subscription rights holders fully exercise their subscription rights in this rights offering, MacAndrews & Forbes will beneficially own approximately 57% of our outstanding Class A common stock, 100% of our outstanding Class B common stock and approximately \_\_\_% of the combined voting power of our Class A and Class B common stock.

Q: If I exercise my subscription rights, when will I receive shares of Class A common stock purchased in this rights offering?

A: We will deliver to the recordholders who purchase shares in this rights offering certificates representing the shares of our Class A common stock purchased as soon as practicable after the expiration date of this rights offering and after all pro rata allocations and adjustments have been completed. We will not be able to calculate the number of shares to be issued to each exercising holder until 5:00 p.m., New York City time, on the third business day after the expiration date of this rights offering, which is the latest time by which subscription rights certificates may be delivered to the subscription agent under the guaranteed delivery procedures described under "The Rights Offering--Guaranteed Delivery Procedures."

Q: Who is the subscription agent for this rights offering?

A: The subscription agent is American Stock Transfer & Trust Company. The address for delivery to the subscription agent is as follows:

By mail, hand delivery or overnight courier to:

American Stock Transfer & Trust Company  
59 Maiden Lane, Plaza Level  
New York, New York 10038.

Your delivery to an address or other than by the methods set forth above will not constitute valid delivery. You may call the subscription agent at (718) 921-8200.

Q: What should I do if I have other questions?

A: If you have questions or need assistance, please contact D.F. King & Co., Inc., the information agent for this rights offering, at: (800) 949-2583.

Banks and brokerage firms please call collect at: (212) 269-5550.

For a more complete description of this rights offering, see "The Rights Offering" section included elsewhere in this prospectus.

### RISK FACTORS

An investment in our Class A common stock involves risks. You should carefully consider the following factors and all of the information contained elsewhere in this prospectus and in the documents incorporated by reference

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herein before deciding to exercise or sell your subscription rights.

### RISKS RELATED TO THE COMPANY

We have a limited operating history under our plan and cannot assure you that it will be successful or enable us to achieve or maintain profitable operations.

We have recently implemented material changes in our plan intended to improve operating results, and we are in the process of implementing the stabilization and growth phase of our plan. We expect to experience significant increases in sales as a result of implementing the stabilization and growth phase of our plan. If we fail to successfully execute the stabilization and growth phase of our plan effectively, we may not achieve expected increases in sales, which could adversely affect our liquidity. Additionally, it is possible that the changes may have unanticipated consequences that could be adverse to our business. The stabilization and growth phase of our plan involves a number of significant changes, including:

- o increasing our advertising and media spending and effectiveness;
- o increasing the marketing effectiveness of our wall displays to optimize cross-selling and make the wall displays easier to merchandise, and continuing to roll out our new wall displays which we began in 2002;
- o streamlining our product assortment and reconfiguring product placement on our wall displays;
- o selectively adjusting prices on certain products;
- o enhancing merchandiser coverage and working with our retail customers to improve in-store stock levels;
- o further strengthening our new product development process; and
- o implementing a comprehensive program to develop and train our employees.

Each of these components of the stabilization and growth phase of our plan carries significant risks, as well as the possibility of unexpected consequences. Potential risks include:

- o increased advertising and media expenses and our attempts to make such advertising and media more effective may fail to achieve their intended effects;
- o our changes to our wall displays may fail to achieve their intended effects;
- o we may experience returns exceeding our expectations as a result of our reduction of SKUs;
- o we may incur costs exceeding our expectations as a result of the roll out of our new wall displays or the new wall displays may fail to achieve their intended effects;
- o our selective price adjustments may fail to achieve their intended effect of increasing sales of those products;
- o we will incur increased costs arising from the stabilization and growth phase of our plan to increase in-store merchandiser coverage, and the

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- increased merchandiser coverage may not achieve its intended effect;
- o our strengthened new product development process may not be as successful as we contemplated, and consumers may not accept our new product offerings to the degree we envisioned;
- o our competitors could increase their spending on advertising and media and increase their new product development spending or take other steps in response to the stabilization and

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growth phase of our plan, which could impact the effectiveness of the stabilization and growth phase of our plan and our ability to achieve our objective of increased revenues and profitability over the long term; and

- o we may experience difficulties or delays in implementing a comprehensive program to develop and train our employees.

We are a holding company with no business operations of our own and are dependent on our subsidiaries to pay certain expenses and dividends.

We are a holding company with no business operations of our own. Our only material asset is all of the outstanding capital stock of Products Corporation, through which we conduct our business operations. As such, our net (loss) income has historically consisted predominantly of our equity in the net (loss) income of Products Corporation, which for 2000, 2001 and 2002 was approximately \$(128.0) million, \$(152.2) million and \$(281.8) million, respectively, which excluded approximately \$1.7 million, \$1.5 million and \$4.7 million, respectively, in expenses primarily related to being a public holding company. We will be dependent on the earnings and cash flow of, and dividends and distributions from, Products Corporation to pay our expenses incidental to being a public holding company. We cannot assure you that Products Corporation will generate sufficient cash flow to pay dividends or distribute funds to us because, for example, Products Corporation may not generate sufficient cash or net income because of decreases in its revenues or increases in its expenses; state laws may restrict or prohibit the issuance of dividends or making of distributions unless Products Corporation has sufficient surplus or net profits, which Products Corporation may not have; or contractual restrictions, including negative covenants contained in our various debt instruments, may prohibit or limit such dividends or distributions.

The terms of Products Corporation's existing bank credit agreement, the 12% Senior Secured Notes due 2005 (the "12% Notes"), the 9% Senior Notes due 2006 (the "9% Notes"), the 8 1/2% Senior Notes due 2006 (the "8 1/2% Notes"), 8 5/8% Senior Subordinated Notes due 2008 (the "8 5/8% Notes"), the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit generally restrict Products Corporation from paying dividends or making distributions, except that Products Corporation is permitted to pay dividends and make distributions to us, among other things, to enable us to pay expenses incidental to being a public holding company, including, among other things, professional fees such as legal and accounting fees, regulatory fees such as SEC filing fees, fees associated with this filing and other miscellaneous expenses related to being a public holding company and, subject to certain

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limitations, to pay dividends or make distributions in certain circumstances to finance the purchase by Revlon of its Class A common stock in connection with the delivery of such Class A common stock to grantees under the Revlon, Inc. Fourth Amended and Restated 1996 Stock Plan, or the "Stock Plan."

Our substantial indebtedness could adversely affect our operations and flexibility, our ability to service our debt and your investment in our Class A common stock.

We have a substantial amount of outstanding indebtedness. As of December 31, 2002, our total indebtedness was approximately \$1,775.1 million. In addition, on February 5, 2003, MacAndrews & Forbes agreed to provide Products Corporation with the MacAndrews & Forbes \$100 million term loan through December 1, 2005. Additionally, MacAndrews & Forbes has agreed to provide Products Corporation with the additional \$40-65 million line of credit through December 31, 2004. We anticipate that we will draw on the MacAndrew & Forbes \$100 million term loan before this rights offering is consummated in order to continue the implementation of the stabilization and growth phase of our plan and for general corporate purposes, although we do not currently anticipate that we will draw on the \$40-65 million line of credit during 2003.

We have substantial debt maturing in 2005 that will require refinancing, consisting of \$246.3 million (assuming the maximum amount is borrowed) under our existing credit agreement and \$363.0 million of Products Corporation's 12% Notes, as well as amounts, if any, borrowed under the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit. We are subject to the risks normally associated with substantial indebtedness, including the risk that our operating

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revenues will be insufficient to meet required payments of principal and interest, and the risk that we 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. Our substantial indebtedness could also:

- o limit our ability to fund the costs and expenses of implementing the stabilization and growth phase of our plan, future working capital, capital expenditures, advertising or promotional expenses, new product development costs, purchases of wall displays, acquisitions, investments, restructuring programs and other general corporate requirements;
- o require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for the implementation of the stabilization and growth phase of our plan and other general corporate purposes;
- o place us at a competitive disadvantage compared to our competitors that have less debt;
- o limit our flexibility in responding to changes in our business and the industry in which we operate; and

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- o make us more vulnerable in the event of adverse economic conditions or a downturn in our business.

Restrictions and covenants in debt agreements limit our ability to take certain actions and impose consequences in the event of failure to comply.

The indentures governing Products Corporation's outstanding indebtedness and its existing bank credit agreement and the agreements governing the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit contain a number of significant restrictions and covenants that limit our ability, among other things, to:

- o borrow money;
- o use assets as security in other borrowings or transactions;
- o pay dividends on stock or purchase stock;
- o sell assets;
- o enter into certain transactions with affiliates; and
- o make certain investments or acquisitions.

In addition, our existing bank credit agreement further requires us to maintain certain financial ratios, meet certain financial tests and restricts our ability and the ability of our subsidiaries to make capital expenditures. These financial covenants affect our operating flexibility by, among other things, restricting our ability to incur expenses and indebtedness that could be used to fund the costs of implementing the stabilization and growth phase of our plan and to grow our business, as well as to fund general corporate purposes. For example, it was necessary to amend our existing bank credit agreement to permit this rights offering, the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit.

Our ability to service our debt and meet our cash requirements depends on many factors.

We currently anticipate that operating revenue, cash on hand, funds available for borrowing under our existing bank credit agreement and under the MacAndrews & Forbes \$100 million term loan, the proceeds from this rights offering (which may be advanced to us as a result of the \$50 million Series C preferred stock investment prior to the consummation of this rights offering if we have fully drawn the MacAndrews & Forbes \$100 million term loan) and the \$40-65 million line of credit, will be sufficient to cover our operating expenses, including cash requirements in connection with our operations, the stabilization and growth phase of our plan and our debt service requirements for 2003. The MacAndrews & Forbes \$100 million term loan, the \$40-65 million line of credit and the proceeds from this rights offering are intended to help fund the stabilization and growth phase of our plan and to decrease the risk that would otherwise exist if we would fail to meet our debt and

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ongoing obligations as they become due in 2003. However, if our anticipated level of revenue growth is not achieved because of, for example, decreased consumer spending in response to weak economic conditions or weakness in the cosmetics category, increased competition from our competitors or because our marketing plans are not as successful as we anticipate, or if our expenses associated with implementation of the stabilization and growth phase of our plan exceed the anticipated level of expenses, our current sources of funds may be insufficient to meet our cash requirements. Additionally, in the event of a decrease in demand for our products or reduced sales or lack of increases in demand and sales as a result of the stabilization and growth phase of our plan, such development, if significant, could reduce our operating revenues and could adversely affect our ability to achieve certain financial covenants under the credit agreement. If such funds are insufficient to cover our expenses, we could be required to adopt one or more alternatives listed below. For example, we could be required to:

- o delay the implementation of or revise certain aspects of the stabilization and growth phase of our plan;
- o reduce or delay purchases of wall displays or advertising and promotional expenses;
- o reduce or delay capital spending;
- o delay, reduce or revise restructuring programs;
- o sell additional equity securities;
- o sell assets or operations;
- o restructure our indebtedness;
- o seek additional capital contributions or loans from MacAndrews & Forbes, our other affiliates and/or third parties; and/or
- o reduce other discretionary spending.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and/or results of operations, including our ability to grow our business. In addition, we cannot assure you that we would be able to take any of these actions because of a variety of commercial or market factors or constraints in our debt instruments, including, for example, the possibility that we would not reach an agreement with our bank lenders on refinancing terms that are acceptable to us before the waiver of certain of our financial covenants expires on January 31, 2004, market conditions being unfavorable for an equity or debt offering, or that the transactions may not be permitted under the terms of our various debt instruments then in effect because of restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable us to satisfy our cash requirements if the actions do not generate a sufficient amount of additional capital. Should any such risks materialize, they could materially and adversely affect your investment in our Class A common stock. Other than MacAndrews & Forbes' obligations pursuant to the Investment Agreement described in this prospectus, the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit, none of our affiliates has any obligation to contribute or loan to us any capital.

We recently had to obtain amendments to, and waivers under, our existing credit agreement and we expect that we will need to seek further amendments to, or waivers of, certain covenants under our existing credit agreement in 2004.

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As a result of this rights offering, the MacAndrews & Forbes \$100 million term loan, the \$40-65 million line of credit and the Series C preferred stock investment, if any, and as a result of our operating results for the fourth quarter of 2002 and the effect of acceleration of our implementation of the stabilization and growth phase of our plan, we recently secured waivers of compliance with the EBITDA and leverage ratio covenants under our credit agreement for the four quarters ended December 31, 2002 and, in light of our expectation that the continued implementation of the stabilization and growth phase of our plan would affect our ability to comply with these covenants during 2003, we also secured an amendment to eliminate the EBITDA and leverage ratio covenants

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for the first three quarters of 2003 and a waiver of compliance with such covenants for the four quarters ending December 31, 2003 expiring on January 31, 2004. In addition, the amendment to our credit agreement also included, among other things, the substitution of a minimum liquidity covenant requiring us to maintain a minimum of \$20 million of liquidity from all available sources at all times through January 31, 2004 and an amendment to increase the maximum limit on our capital expenditures from \$100 million to \$115 million for 2003. We do not expect that our operating results, including after giving effect to various actions under the stabilization and growth phase of our plan, will allow us to satisfy the minimum EBITDA and leverage ratio covenants for the four consecutive fiscal quarters ending December 31, 2003. The minimum EBITDA required to be maintained by Products Corporation under the credit agreement is \$230 million for each of the four consecutive fiscal quarters ending on December 31, 2003 (which covenant was waived through January 31, 2004), March 31, 2004, June 30, 2004 and September 30, 2004, and \$250 million for any four consecutive fiscal quarters ending December 31, 2004 or thereafter. The leverage ratio covenant under the credit agreement will permit a maximum ratio of no more than 1.10:1.00 for any four consecutive fiscal quarters ending on or after December 31, 2003 (which limit was waived through January 31, 2004 for the four fiscal quarters ending December 31, 2003). This means that we expect that we will need to seek a further amendment to our existing credit agreement or waiver of such financial covenants or take one or more further actions referred to below before January 31, 2004.

While we expect that our bank lenders will consent to such amendment or waiver request, we cannot assure you that they will or that they will do so on terms which are favorable to us. If we fail to secure the amendment or waiver we could be required to take one or more of the following actions:

- o refinance the existing credit agreement;
- o sell additional equity securities and repay the credit agreement;
- o sell assets or operations and repay the credit agreement; and/or
- o seek additional capital contribution and/or loans from MacAndrews & Forbes, our other affiliates and/or third parties and repay the credit agreement.

In the event that we were unable to secure such a waiver or amendment and we were not able to refinance or repay the credit agreement, our inability to meet the financial covenants for the four consecutive fiscal quarters ending



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December 31, 2003 would constitute an event of default under the credit agreement, which would permit the bank lenders to accelerate the credit agreement, which in turn would constitute an event of default under the indentures governing our debt if the amount accelerated exceeds \$25.0 million and such default remains uncured within 10 days of notice from the trustee under the applicable indenture.

We depend on our Oxford, North Carolina facility for production of a substantial portion of our products and disruptions to this facility could affect our sales in the U.S. and, to a lesser extent, in Latin America, Europe and the Far East.

Following our rationalization and consolidation of our global manufacturing, a substantial portion of our products were produced at our Oxford, North Carolina facility. Significant unscheduled downtime at this facility due to equipment breakdowns, power failures, natural disasters or any other cause could adversely affect our ability to provide products to our customers, which may affect our sales in the U.S. and, to a lesser extent, in Latin America, Europe and the Far East. Although we maintain insurance, including business interruption insurance, that we consider to be adequate under the circumstances, there can be no assurance that we will not incur losses beyond the limits or outside the coverage of our insurance.

We depend on a supply agreement with a Maesteg, Wales facility for production of our products for the European market and loss of the agreement, or disruption to the facility, could adversely affect our sales in Europe.

In July 2001, we sold our principal European manufacturing facility in Maesteg, Wales and entered into a long-term supply contract with the purchaser under which the purchaser produced

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substantially all Revlon color cosmetics and other products for the European market. In October 2002, after experiencing production difficulties with this supplier, we and the supplier terminated the long-term supply agreement and entered into a new agreement. This new agreement has significantly reduced volume commitments and, among other things, we agreed to loan such supplier approximately \$2.0 million and the supplier can earn performance-based payments of approximately \$6.3 million over a four-year period contingent on the supplier achieving specific production service level objectives. As a part of this new arrangement, we and the supplier agreed that the manufacturing of certain product lines would transfer from the Maesteg, Wales facility to our other plants or other third party suppliers. If the supplier is unable to fulfill its obligations under this new supply contract because of manufacturing difficulties or disruption at the Maesteg, Wales facility or for any other reason, or if we encounter difficulties in transferring certain product lines out of the Maesteg, Wales facility to our other plants or other third party suppliers, this could adversely affect our sales in the European market, which could have an adverse effect on our overall results of operations and financial condition.

We depend on a limited number of customers for a large portion of our net sales and the loss of one or more of these customers could reduce our net sales.

For 2000, 2001 and 2002 Wal-Mart, Inc. and its affiliates accounted for approximately 16.5%, 19.7% and 22.5%, respectively, of our net sales. We expect that for 2003 and future periods, Wal-Mart and a small number of other

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customers will, in the aggregate, account for a large portion of our net sales. The loss of Wal-Mart or one or more of our other customers that may account for a significant portion of our net sales, or any significant decrease in sales to these customers or any significant decrease in our retail display space in any of these customers' stores, could reduce our net sales and therefore could have a material adverse effect on our business, financial condition and results of operations.

In January 2002, Kmart Corporation filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On January 24, 2003, Kmart announced that it had filed its proposed plan of reorganization with the U.S. Bankruptcy Court and that it was positioned to emerge from bankruptcy on or about April 30, 2003. Throughout 2002 and continuing into 2003, Kmart continued to close underperforming stores. Kmart accounted for less than 5% of our net sales in 2002. Although we plan to continue doing business with Kmart for the foreseeable future and, based upon the information currently available, believe that Kmart's bankruptcy proceedings and store closings will not have a material adverse effect on our business, financial condition or results of operations, there can be no assurances that further deterioration, if any, in Kmart's financial condition will not have such an effect on us.

Competition in the consumer products business could materially adversely affect our net sales and our market share.

The consumer products business is highly competitive. We compete on the basis of numerous factors. Brand recognition, product quality, performance and price, product availability at the retail stores, and the extent to which consumers are educated on product benefits have a marked influence on consumers' choices among competing products and brands. Advertising, promotion, merchandising and packaging, and the timing of new product introductions and line extensions also have a significant impact on buying decisions, and the structure and quality of the sales force, as well as consumer consumption of our products, affect in-store position, wall display space and inventory levels in retail outlets. An increase in the amount of competition that we face could have a material adverse effect on our market share. We experienced declines in our market share in the U.S. mass-market in color cosmetics since the end of the first half of 1998 through the first half of 2002, including a decline in our color cosmetics market share from 32.0% in the second quarter of 1998 to 22.3% in the second quarter of 2002, and there can be no assurance that declines in market share will not occur in the future. In addition, we compete in selected product categories against a number of multinational manufacturers, some of which are larger and have substantially greater resources than we do, and which may therefore have the ability to spend more aggressively on advertising and marketing and more flexibility to respond to changing business and economic conditions than we do. Some of our

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competitors have increased their spending on discounting and advertising and promotional activities in U.S. mass-market cosmetics. In addition to products sold in the mass-market and demonstrator-assisted channels, our products also compete with similar products sold door-to-door or through mail-order or telemarketing by representatives of direct sales companies.

Our foreign operations are subject to a variety of social, political and economic risks and we may be affected by foreign currency fluctuation.

As of December 31, 2002, we had operations based in 17 foreign countries.

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We are exposed to the risk of changes in social, political and economic conditions inherent in operating in foreign countries, including those in Asia, Eastern Europe and Latin America. Such changes include changes in the laws and policies that govern foreign investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment. In addition, fluctuations in foreign currency exchange rates may affect the results of our operations and the value of our foreign assets, which in turn may adversely affect reported earnings and, accordingly, the comparability of period-to-period results of operations. During 2002, our operations in Latin America contributed 8.4% of our total net sales, have been adversely affected by political and economic conditions and foreign currency devaluations. Changes in currency exchange rates may affect the relative prices at which we and foreign competitors sell products in the same market. Our net sales outside of the U.S. and Canada for 2000, 2001 and 2002 were 38.0%, 31.9% and 32.1%, respectively, of our total net sales. In addition, changes in the value of relevant currencies may affect the cost of certain items required in our operations. We enter into forward foreign exchange contracts to hedge certain cash flows denominated in foreign currency. At December 31, 2002, the notional amount of our foreign currency forward exchange contracts was \$10.8 million. We can offer no assurances as to the future effect of changes in social, political and economic conditions on our business, results of operations and financial condition.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other attacks, acts of war or military actions, such as military actions in Iraq, may adversely affect the markets in which we operate, our operations and our profitability.

On September 11, 2001, the U.S. was the target of terrorist attacks of unprecedented scope. These attacks have contributed to major instability in the U.S. and other financial markets and reduced consumer confidence. These terrorist attacks, the military response and future developments, or other military actions, such as the recent ongoing military actions in Iraq, may adversely affect prevailing economic conditions, resulting in reduced consumer spending and reduced demand for our products. These developments subject our worldwide operations to increased risks and, depending on their magnitude, could reduce our net sales and therefore could have a material adverse effect on our business, results of operations and financial condition.

Shares of our common stock and the capital stock of Products Corporation are pledged to secure various of our and our affiliates' obligations and foreclosure upon these shares could result in the acceleration of debt under our bank credit agreement and could have other consequences.

The capital stock of Products Corporation held by us is pledged to secure our guarantee under Products Corporation's existing bank credit agreement and Products Corporation's 12% Notes. A foreclosure upon any shares of our or Products Corporation's common stock could constitute a change of control under the indenture governing the 12% Notes and the indentures governing Products Corporation's other outstanding indebtedness. A change of control constitutes an event of default under Products Corporation's existing bank credit agreement, which would permit the lenders to accelerate Products Corporation's existing bank credit agreement. In addition, holders of Products Corporation's 12% Notes, 9% Notes, 81/8% Notes and 85/8% Notes may require Products Corporation to repurchase its notes under those circumstances. Products Corporation may not have sufficient funds at the time of the change of control to repay in full the borrowings under Products Corporation's existing bank credit agreement or to repurchase the 12% Notes and the other outstanding notes.

As of December 31, 2002, 4,186,104 shares of our Class A common stock owned by REV Holdings were pledged by REV Holdings to secure \$80.5 million

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principal amount of REV Holdings'

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12% Senior Secured Notes due 2004. From time to time, additional shares of our Class A common stock or shares of intermediate holding companies between us and Mafco Holdings may be pledged to secure obligations of Mafco Holdings or its affiliates. A default under REV Holdings' obligations which are secured by the shares pledged by REV Holdings could cause a foreclosure with respect to such shares of our Class A common stock pledged by REV Holdings.

Attempting to accomplish all of the elements of the stabilization and growth phase of our plan simultaneously may prove to be burdensome and may cause disruption or difficulties in our business.

We have recently implemented the stabilization and growth phase of our plan, which includes increasing advertising and media spending and effectiveness, increasing the marketing of our wall displays, including by streamlining the number of our SKUs, selectively adjusting prices on certain products, optimizing product availability to consumers and further strengthening our new product development process. Attempting to accomplish all of these elements simultaneously may prove to be a financial and operational burden on us. If we are unable to successfully accomplish all of the elements of the stabilization and growth phase of our plan simultaneously, it could delay or impede our achieving our objectives of increasing revenues and could therefore have a material adverse effect on our business, results of operations and financial condition.

MacAndrews & Forbes has the power to direct and control our business and Delaware law provisions and control by MacAndrews & Forbes could make a third-party acquisition of our company difficult.

MacAndrews & Forbes currently indirectly owns approximately 83% of our outstanding Class A and Class B common stock and controls approximately 97% of the combined voting power of our common stock, and could own as much as % of our outstanding Class A and Class B common stock and control as much as % of the combined voting power of our common stock after this rights offering, assuming the back-stop is exercised in full. MacAndrews & Forbes currently has, and after the rights offering will continue to have, the ability to elect all of the members of our board of directors, and, after this rights offering, will continue to be able to direct and control our policies and those of our subsidiaries, including mergers, sales of assets and similar transactions. Control by MacAndrews & Forbes may discourage certain types of transactions involving an actual or potential change of control of Revlon, including transactions in which the holders of our common stock might receive a premium for their shares over prevailing market prices.

We are a Delaware corporation. The Delaware General Corporation Law contains provisions that could make it more difficult for a third party to acquire control of our company.

Future sales of our Class A common stock may depress our stock price.

No prediction can be made as to the effect, if any, that future sales of

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our Class A common stock, or the availability of Class A common stock for future sales, will have on the market price of our Class A common stock. Sales in the public market of substantial amounts of our Class A common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our Class A common stock. Pursuant to the Investment Agreement, MacAndrews & Forbes was granted registration rights with respect to any shares of our Class A common stock that it acquires when it purchases in a private placement the number of shares it would have otherwise been entitled to purchase in this rights offering and under the back-stop. Pursuant to an existing registration rights agreement, MacAndrews & Forbes has the right to require us to register all or part of our Class A common stock owned by it and shares of our Class A common stock issuable upon conversion of our Class B common stock and Series B preferred stock owned by it. If MacAndrews & Forbes exercises these registration rights and the shares that it owns are registered and become freely tradable, the number of shares of our Class A common stock that are available for sale will be substantially increased, which could adversely affect the prevailing market prices for our Class A common stock.

### RISKS RELATED TO THE RIGHTS OFFERING

Stockholders who do not fully exercise their subscription rights will have their interests diluted by MacAndrews & Forbes and those other stockholders who do exercise their subscription rights.

If you choose not to exercise your basic subscription right in full, your relative ownership interest in us will be diluted to the extent other stockholders exercise their basic subscription and

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over-subscription rights. This rights offering and the private placement of shares to MacAndrews & Forbes will result in our issuance of up to an additional 21,739,130 shares of our Class A common stock. In addition, although MacAndrews & Forbes has agreed not to exercise its over-subscription right, they have committed to back-stop this rights offering by purchasing, in a private placement from us, all of the shares of Class A common stock that are not purchased by other stockholders in this rights offering, which would increase their overall ownership position. If no subscription rights holders other than MacAndrews & Forbes exercise their subscription rights in this rights offering, the transactions contemplated by the Investment Agreement, including the MacAndrews & Forbes back-stop, will result in the issuance of an additional 21,739,130 shares of our Class A common stock to MacAndrews & Forbes. Subscription rights holders who do not exercise or sell their subscription rights will lose any value in their subscription rights.

The subscription price determined for this rights offering is not an indication of our value.

The subscription price per share for the rights offering was set by our board of directors based on the recommendation of the special committee of independent directors of our board of directors after negotiations between the special committee and MacAndrews & Forbes. The board set the subscription price at a formula equal to eighty percent (80%) of the greater of the closing price per share of our Class A common stock on the New York Stock Exchange on (i) the

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trading day before the date that our board of directors approved this rights offering, which was \$2.88 per share, and (ii) the record date for this rights offering. In determining the subscription price, the special committee and our board of directors considered a number of factors, including: our need for capital; our business prospects; the need to offer shares at a price that would be attractive to our investors relative to the current trading price of our Class A common stock; an analysis of prior rights offerings; the historic and current market price of our Class A common stock; general conditions in the securities market and the difficult market conditions prevailing for the raising of equity capital; our operating history; and the liquidity of our Class A common stock. The subscription price does not necessarily bear any relationship to the book value of our assets, past operations, cash flows, losses, financial condition or any other established criteria for value. You should not consider the subscription price as an indication of the value of our Class A common stock. After the date of this prospectus, our Class A common stock may trade at prices above or below the subscription price.

You may not revoke your subscription exercise and could be committed to buying shares above the prevailing market price.

Once you exercise your subscription rights, you may not revoke the exercise. The public trading market price of our Class A common stock may decline before the subscription rights expire. If you exercise your subscription rights and, afterwards, the public trading market price of our Class A common stock decreases below the subscription price, you will have committed to buying shares of our Class A common stock at a price above the prevailing market price. Our Class A common stock is traded on the NYSE under the symbol "REV" and the last reported sales price of our Class A common stock on the NYSE on March 27, 2003 was \$2.80 per share. Moreover, you may be unable to sell your shares of Class A common stock at a price equal to or greater than the subscription price you paid for such shares.

If we cancel this rights offering, neither we nor the subscription agent will have any obligation to you except to return your subscription payments.

If we elect to withdraw or terminate this rights offering, neither we nor the subscription agent will have any obligation with respect to the subscription rights except to return, without interest or deduction, any subscription payments we or the subscription agent received from you.

If you do not act promptly and follow subscription instructions, your exercise of subscription rights may be rejected.

Stockholders who desire to purchase shares in this rights offering must act promptly to ensure that all required forms and payments are actually received by the subscription agent prior to \_\_\_\_\_, 2003, the expiration date of this rights offering. If you are a beneficial owner of shares, you must act promptly to ensure that your broker, custodian bank or other nominee acts for you and that all

required forms and payments are actually received by the subscription agent prior to \_\_\_\_\_, 2003. We shall not be responsible if your broker, custodian or nominee fails to ensure that all required forms and payments are actually received by the subscription agent prior to the \_\_\_\_\_, 2003 expiration date of this rights offering. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the

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subscription procedures that apply to your exercise in this rights offering, the subscription agent may, depending on the circumstances, reject your subscription or accept it only to the extent of the payment received. Neither we nor our subscription agent undertakes to contact you concerning an incomplete or incorrect subscription form or payment, nor are we under any obligation to correct such forms or payment. We have the sole discretion to determine whether a subscription exercise properly follows the subscription procedures.

If you are a participant in our 401(k) plan, you must act promptly to ensure that all required forms are received by the trustee and that the total amount of the funds required for an exercise of your subscription rights have been allocated to an account created by you, or which you currently maintain, in the Stable Value Fund no later than \_\_\_\_, 2003, which is seven days prior to the expiration date of this rights offering. See "The Rights Offering--Special Instructions for Participants in Our 401(k) Plan."

No prior market exists for the subscription rights.

The subscription rights are a new issue of securities with no established trading market and we cannot assure you that a market for the subscription rights will develop or, if a market does develop, as to how liquid it will be. The subscription rights are transferable until the close of business on the last trading day prior to the expiration date of this rights offering, at which time they will cease to have any value. If you wish to sell your subscription rights or the subscription agent or trustee tries to sell subscription rights on your behalf in accordance with the procedures discussed in this prospectus but such rights cannot be sold, and either you subsequently provide the subscription agent or trustee with instructions to exercise the subscription rights and your instructions are not timely received by the subscription agent or trustee or you do not provide any instructions to exercise your subscription rights, then the subscription rights will expire and will have no further value.

If you make payment of the subscription price by personal check, your check may not have cleared in sufficient time to enable you to purchase shares in this rights offering.

Any personal check used to pay for shares to be issued in this rights offering must clear prior to the expiration date of this rights offering, and the clearing process may require five or more business days. If you choose to exercise your subscription rights, in whole or in part, and to pay for shares by personal check and your check has not cleared prior to the expiration date of this rights offering, you will not have satisfied the conditions to exercise your subscription rights and will not receive the shares you attempted to purchase and you will lose the value of your subscription rights.

### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements. Such statements include, without limitation, our expectations and estimates (whether qualitative or quantitative) as to:

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- o increases of our advertising and media spending, as well as improving the effectiveness of our advertising;
- o the introduction of new products and further strengthening of our new product development process;
- o our plans to update our retail presence and improve the marketing effectiveness of our retail wall displays by installing newly-reconfigured wall displays and reconfiguring existing wall displays at our retail customers (and our estimates of the costs of such wall displays, the effects of such plans on the accelerated amortization of existing wall displays and the estimated amount of such amortization);
- o our plans to streamline our product assortment and reconfigure product placement on our wall displays, selectively adjust prices on certain of our products and improve customers' stock levels by enhancing merchandiser coverage and reducing damages by continuing to develop our tamper evident program;
- o our plans to implement comprehensive programs to develop and train our employees;
- o our future financial performance;
- o the effect on sales of political and/or economic conditions, adverse currency fluctuations, military actions and competitive activities;
- o our plans to accelerate the implementation of the stabilization and growth phase of our plan and the charges and the cash costs resulting from implementing such plan and the timing of such costs as well as our expectations to capitalize on the actions taken during the stabilization and growth phase of our plan with the objective of increasing our revenues and profitability over the long term;
- o restructuring activities, restructuring costs, and benefits from such activities;
- o our expectation that operating revenues, cash on hand, cash available from this rights offering and the \$50 million Series C preferred stock investment, if any, and availability of borrowings under the MacAndrews & Forbes \$100 million term loan, the \$40-65 million line of credit, and our existing bank credit agreement, will be sufficient to satisfy our cash requirements in 2003, the availability of funds from restructuring indebtedness, selling assets or operations, capital contributions or loans from MacAndrews & Forbes, our other affiliates and/or third parties and the sale of additional shares of our common stock, and our expectation that we will not require MacAndrews & Forbes to make the \$50 million Series C preferred stock investment and that we will not draw on the \$40-65 million line of credit during 2003;
- o uses of funds, including amounts required for implementing the stabilization and growth phase of our plan, including the purchase and reconfiguration of wall displays (including by streamlining our product assortment), increases in advertising and media, selectively adjusting prices on certain SKUs and our estimates of operating expenses, working capital expenses, wall display costs, capital expenditures, restructuring



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costs and debt service payments;

- o the effects of the loss of one or more customers, including, without limitation, Wal-Mart, and the status of our relationship with our customers;
- o the effects of competitive responses to the implementation of the stabilization and growth phase of our plan;

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- o our ability to effectively execute the various elements of the stabilization and growth phase of our plan;
- o our plan to refinance our debt maturing in 2005;
- o our plan to secure a further waiver or amendment of our credit agreement, including the EBITDA and leverage ratio covenants or refinancing or to repay such debt before January 31, 2004, if such amendment or waiver is not secured; and
- o our ability to consummate the rights offering and the timing thereof.

In addition, the documents incorporated in this prospectus by reference contain other forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as "believes," "expects," "estimates," "projects," "forecast," "may," "will," "should," "seeks," "plans," "scheduled to," "anticipates" or "intends" or the negative of those terms, or other variations of those terms or comparable language, or by discussions of strategy or intentions. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. In addition to factors that may be described in our filings with the SEC, including this filing, the following factors, among others, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us:

- o difficulties or delays in developing and/or presenting our increased advertising programs and/or improving the effectiveness of our advertising;
- o difficulties or delays in developing and introducing new products or failure of customers to accept new product offerings and/or in further strengthening our new product development process;
- o difficulties or delays or unanticipated costs associated with improving the marketing effectiveness of our wall displays;
- o difficulties or delays in implementing our plans to streamline our product assortment and reconfigure product placement on our wall displays, adjust prices of our products and/or improve customers' stock levels by enhancing merchandiser coverage and reducing damages by continuing to develop our tamper evident program;

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- o difficulties or delays in implementing comprehensive programs to develop and train our employees;
- o unanticipated circumstances or results affecting our financial performance, including changes in consumer preferences, such as reduced consumer demand for our color cosmetics and other current products, and actions by competitors, including business combinations, technological breakthroughs, new products offerings, promotional spending and marketing and promotional successes, including increases in market share;
- o effects of and changes in political and/or economic conditions, including inflation, monetary conditions and military actions, and in trade, monetary, fiscal and tax policies in international markets;
- o unanticipated costs or difficulties or delays in completing projects associated with the stabilization and growth phase of our plan or difficulties or delays in capitalizing on the actions taken during the stabilization and growth phase of our plan to increase our revenues and profitability over the long term;
- o difficulties, delays or unanticipated costs or less than expected savings and other benefits resulting from our restructuring activities;
- o lower than expected operating revenues, the inability to secure capital contributions or loans from MacAndrews & Forbes, our other affiliates and/or third parties or the unavailability of

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funds under our existing bank credit agreement, the MacAndrews & Forbes \$100 million term loan, the \$50 million Series C preferred stock investment, if any, the \$40-65 million line of credit, if any, from restructuring indebtedness, selling assets or operations or the sale of additional shares of our common stock or our cash flow requirements differing from our expectations that would require us to have MacAndrews & Forbes make the \$50 million Series C preferred stock investment and/or require us to draw on some or all of the \$40-65 million line of credit or from this rights offering;

- o higher than expected operating expenses, working capital expenses, wall display costs, capital expenditures, restructuring costs or debt service payments;
- o combinations among significant customers or the loss, insolvency or failure to pay debts by a significant customer or customers;
- o difficulties or delays in responding to competitive responses to the implementation of the stabilization and growth phase of our plan;
- o difficulties, delays or unanticipated costs in the execution of elements of the stabilization and growth phase of our plan;

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- o an inability to refinance our debt maturing in 2005;
- o difficulties in, or an inability to execute, our plan to secure a further waiver or amendment of our credit agreement; and
- o difficulties or delays in consummating this rights offering.

You should consider the areas of risk described above, as well as those set forth in other documents we have filed with the SEC and which are incorporated by reference into this prospectus, in connection with any forward-looking statements that may be made by us. Forward-looking statements speak only as of the date they are made, and, except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any additional disclosures we make in our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K to the SEC (which, among other places, can be found on the SEC's website at [www.sec.gov](http://www.sec.gov), as well as on our website at [www.revloninc.com](http://www.revloninc.com).) See "Where You Can Find More Information." The cautionary discussion of risks and uncertainties under "Risk Factors" are factors that we think could cause our actual results to differ materially from expected results. Factors other than those listed above could cause our results to differ materially from expected results. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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### UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following sets forth the historical consolidated financial data for the year ended December 31, 2002, as adjusted to give pro forma effect to this rights offering and amendments to the credit agreement, the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit as if such transactions had been consummated on January 1, 2002, and balance sheet data as of December 31, 2002, as adjusted to give pro forma effect to the rights offering and amendments to the credit agreement, the MacAndrews & Forbes \$100 million term loan and the \$40-65 million line of credit as if such transactions had occurred on December 31, 2002. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. The pro forma financial data do not purport to represent our results of operations or our financial position that actually would have occurred had such transactions been consummated on the aforesaid dates.

The financial data should be read in conjunction with our consolidated financial statements and the notes to those financial statements included in the documents incorporated by reference in this prospectus.

YEAR ENDED DECEMBER 31, 2002  
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	ACTUAL	AS ADJUSTED
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	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	
STATEMENT OF OPERATIONS (A):		
Operating loss .....	\$ (114.9)	\$ (114.9)
Interest expense, net .....	155.5	156.3
Net loss .....	(286.5)	(288.6)
Weighted average number of shares outstanding (b) .....	52,199,468	
Basic and diluted loss per common share .....	\$ (5.49)	
BALANCE SHEET DATA (C):		
Total assets .....	\$ 939.5	\$ 942.6
Total stockholders' deficiency .....	(1,640.8)	(1,593.4)

- (a) Pro forma results reflect the increase in interest expense of \$0.8 million or \$ pro forma basic and diluted loss per common share and the incremental amortization of debt issuance costs of \$1.3 million or \$ pro forma basic and diluted loss per common share for the year ended December 31, 2002, as if the amendments to the credit agreement, the MacAndrews and Forbes \$100 million term loan and the \$40-65 million line of credit were entered into on January 1, 2002.

The MacAndrews & Forbes \$100 million term loan and \$40-65 million line of credit are not assumed to be drawn for pro forma purposes, nor is the \$50 million Series C preferred stock investment expected to be advanced. Therefore, no adjustments to pro forma net loss and pro forma basic and diluted net loss per common share are reflected for the year ended December 31, 2002. Additionally, no adjustments to pro forma net loss and pro forma basic and diluted net loss per common share are reflected for \$0.4 million of certain costs associated with the amendments to the credit agreement that will be charged to expense as incurred. We expect to draw on the MacAndrews & Forbes \$100 million term loan during 2003. If such term loan were fully drawn at January 1, 2002, we would have incurred \$12.6 million of additional pro forma interest expense during 2002.

- (b) Pro forma basic and diluted loss per common share include adjustments to reflect the number of additional shares issued for the excess of the subscription price of \$ per share over the fair value of our Class A common stock (the closing price per share of our Class A common stock on the NYSE on the last day on which the shares are traded, together with the rights, of \$ per share). This difference is reflected in a manner similar to a stock dividend in accordance with

FASB Statement No. 128, "Earnings per Share." As a result, pro forma basic and diluted loss per common share reflect a decrease in loss per common share of \$ for the year ended December 31, 2002.

If at the time of the consummation of this rights offering, the fair value of our shares is more than the subscription price determined pursuant to

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the formula described on page 9, basic and diluted loss per common share will be restated for all prior periods, similar to a stock dividend.

- (c) The pro forma balance sheet as of December 31, 2002 reflects the additional deferred debt issuance costs related to the MacAndrews & Forbes \$100 million term loan and \$40-65 million line of credit and amendments to the credit agreement of \$3.1 million and net proceeds of \$47.4 million for the issuance of shares of our common stock pursuant to this rights offering.

The MacAndrews & Forbes \$100 million term loan is not assumed to be drawn for pro forma purposes. We do not currently anticipate that the \$40-65 million line of credit will be drawn in 2003 or that we will require the \$50 million Series C preferred stock investment based upon our expectation that the rights offering will be consummated in the second quarter of 2003. Therefore, no adjustments to the pro forma balance sheet are reflected as of December 31, 2002.

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### THE RIGHTS OFFERING

#### REASONS FOR THE RIGHTS OFFERING

On February 5, 2003, we announced that our board of directors, at the recommendation of its special committee of independent directors, had discussed and authorized:

- o the MacAndrews & Forbes \$100 million term loan, the \$50 million Series C preferred stock investment, if any, and the \$40-65 million line of credit from MacAndrews & Forbes to Products Corporation;
- o the commencement of this rights offering; and
- o the Investment Agreement under which MacAndrews & Forbes agreed to take certain actions with regard to this rights offering, including, without limitation, its agreement to make the \$50 million Series C preferred stock investment if, prior to closing this rights offering, we have fully drawn the MacAndrews & Forbes \$100 million term loan.

This rights offering is being made in connection with the stabilization and growth phase of our plan, which involves, among other things, increasing advertising and media spending, making certain changes to our new in-store wall displays and reconfiguring existing wall displays at our retail accounts, streamlining the number of our SKUs, selectively adjusting prices on certain products, optimizing product availability to consumers and further strengthening our new product development process. If this rights offering is canceled, any funds we or the subscription agent have received from you will be promptly refunded, without interest or deduction.

In reaching its conclusion, our board of directors considered a number of factors, including:

- o our needs for cash to help fund a portion of the costs and expenses of the stabilization and growth phase of our plan and to help satisfy anticipated obligations arising from the implementation of such plan;

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- o the opportunity that this rights offering allows all of our stockholders on the rights offering record date to participate and acquire additional shares of our Class A common stock at a discount to the market price or, alternatively, to realize value from the sale of the subscription rights if a stockholder does not have the means or the interest in exercising the subscription rights;
- o concerns as to the availability of other financing alternatives, in light of the difficulties faced by the company in raising equity capital or debt on terms as favorable as the MacAndrews & Forbes proposal in light of the current state of the capital markets and our business;
- o the subscription price relative to our Class A common stock's historical and recent trading price and pricing policies customary for transactions of this type;
- o MacAndrews & Forbes' willingness to purchase in a private placement the full number of shares of our Class A common stock it would otherwise have been entitled to subscribe for in this rights offering in accordance with its basic subscription privilege and to purchase all of the shares of our Class A common stock not subscribed for by our other stockholders pursuant to their basic subscription privileges and their over-subscription privileges, which ensured that the maximum of \$50 million would be raised in this rights offering, as well as its willingness to subordinate its over-subscription rights that it otherwise would be entitled to exercise in order to enhance the over-subscription privileges of our other stockholders;
- o the potential impact of this rights offering on relative voting and ownership interests of our stockholders as described under "--Effects of Rights Offering on the MacAndrews & Forbes' Securities and Ownership" included elsewhere in this prospectus; and
- o the potential tax consequences of this rights offering.

Neither our board of directors nor its special committee is making any recommendation as to whether or not you should exercise or sell your subscription rights.

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### THE RIGHTS

We will distribute to each holder of our Class A and Class B common stock who is a record holder of our Class A and Class B common stock on the rights offering record date, which is 5:00 p.m., New York City time, on \_\_\_\_\_, 2003, at no charge, one transferable subscription right for each \_\_\_\_\_ shares of Class A and Class B common stock owned, for a total of approximately \_\_\_\_\_ subscription rights. The subscription rights will be evidenced by transferable subscription rights certificates. Each subscription right will allow you to purchase one share of our Class A common stock at a price of \$ \_\_\_\_\_. If you elect to exercise your basic subscription privilege in full, you may also subscribe, at the subscription price, for additional shares of our Class A common stock under your over-subscription privilege to the extent that other

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stockholders (except MacAndrews & Forbes) do not exercise their basic subscription privileges in full. If a sufficient number of shares of our Class A common stock is unavailable to fully satisfy the over-subscription privilege requests, the available shares of Class A common stock will be sold pro rata among subscription rights holders who exercised their over-subscription privilege based on the number of shares each subscription rights holder subscribed for under the basic subscription privilege. If a sufficient number of shares of our Class A common stock is unavailable to fully satisfy the over-subscription privilege requests, the available shares of Class A common stock will be sold pro rata among subscription rights holders who exercised their over-subscription based on the number of shares of our Class A common stock each subscription rights holder subscribed for under the basic subscription privilege. MacAndrews & Forbes has agreed not to exercise its over-subscription privilege in order to enhance the over-subscription privileges of our other Class A common stockholders. We have not engaged an underwriter in connection with this rights offering.

If you hold your shares in a brokerage account or through a dealer or other nominee, please see the information included below the heading "--Beneficial Owners." If our 401(k) plan holds shares of our common stock for your account, please see the information included below the heading "--Special Instructions for Participants in our 401(k) Plan."

### NO FRACTIONAL RIGHTS

We will not issue fractional subscription rights or cash in lieu of fractional subscription rights. Fractional subscription rights will be rounded down to the nearest whole number, with such adjustments as may be necessary to ensure that we will receive gross proceeds of \$50 million from this rights offering.

You may request that the subscription agent divide your subscription rights certificate into transferable parts, for instance, if you are the record holder for a number of beneficial holders of our common stock. However, the subscription agent will not divide your subscription rights certificate so that you would receive any fractional subscription rights. The subscription agent will only facilitate subdivisions or transfers of subscription rights certificates until 5:00 p.m., New York City time, on \_\_\_\_\_, 2003, three business days prior to the expiration date.

### EXPIRATION OF THE RIGHTS OFFERING AND EXTENSIONS, AMENDMENTS AND TERMINATION

You may exercise your subscription rights at any time before 5:00 p.m., New York City time, on \_\_\_\_\_, 2003, the expiration date for this rights offering. We may, in our sole discretion, extend the time for exercising the subscription rights. If the commencement of this rights offering is delayed for a period of time, the expiration date of this rights offering will be similarly extended.

We will extend the duration of the rights offering as required by applicable law, and may choose to extend it if we decide that the degree of participation in this rights offering by holders of our common stock other than MacAndrews & Forbes is less than the level we desire and we believe that extending the duration of this rights offering may increase the level of participation by such holders or if we decide that changes in the market price of our Class A common stock warrant an extension. However, because MacAndrews & Forbes has agreed to back-stop this rights offering, we will not need to extend the exercise period to increase the overall level of participation because the back-stop

arrangement ensures that we will receive total gross proceeds of \$50 million. We may extend the expiration date of this rights offering by giving oral or written notice to the subscription agent and information agent on or before the scheduled expiration date. If we elect to extend the expiration of this rights offering, we will issue a press release announcing such extension no later than 9:00 a.m., New York City time, on the next business day after the most recently announced expiration date.

We reserve the right, in our sole discretion, to amend or modify the terms of this rights offering.

If you do not exercise your subscription rights before the expiration date of this rights offering, your unexercised subscription rights will be null and void and will have no value. We will not be obligated to honor your exercise of subscription rights if the subscription agent receives the documents relating to your exercise after this rights offering expires, regardless of when you transmitted the documents, except if you have timely transmitted the documents under the guaranteed delivery procedures described below.

#### SUBSCRIPTION PRIVILEGES

Your subscription rights entitle you to a basic subscription privilege and an over-subscription privilege.

**Basic Subscription Privilege.** With your basic subscription privilege, you may purchase one share of our Class A common stock per subscription right, upon delivery of the required documents and payment of the subscription price of \$ per share. You are not required to exercise all of your subscription rights unless you wish to purchase shares under your over-subscription privilege. We will deliver to the recordholders who purchase shares in this rights offering certificates representing the shares purchased with a holder's basic subscription privilege as soon as practicable after this rights offering has expired.

**Over-Subscription Privilege.** In addition to your basic subscription privilege, you may subscribe for additional shares of our Class A common stock, upon delivery of the required documents and payment of the subscription price of \$ per share, before the expiration of this rights offering. You may only exercise your over-subscription privilege if you exercised your basic subscription privilege in full and other holders of subscription rights (except MacAndrew & Forbes) do not exercise their basic subscription privileges in full.

**Pro Rata Allocation.** If there are not enough shares of our Class A common stock to satisfy all subscriptions made under the over-subscription privilege, we will allocate the remaining shares of our Class A common stock pro rata, after eliminating all fractional shares, among those over-subscribing rights holders. "Pro rata" means in proportion to the number of shares of our Class A common stock that you and the other subscription rights holders have purchased by exercising your basic subscription privileges. If there is a pro rata allocation of the remaining shares of our Class A common stock and you receive an allocation of a greater number of shares than you subscribed for under your over-subscription privilege, then we will allocate to you only the number of



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shares for which you subscribed. We will allocate the remaining shares among all other holders exercising their over-subscription privileges.

MacAndrews & Forbes will not be allocated any additional shares of our Class A common stock as part of its over-subscription privilege because it has agreed in the Investment Agreement not to exercise its over-subscription privilege.

Full Exercise of Basic Subscription Privilege. You may exercise your over-subscription privilege only if you exercise your basic subscription privilege in full. To determine if you have fully exercised your basic subscription privilege, we will consider only the basic subscription privileges held by you in the same capacity. For example, suppose that you were granted subscription rights for shares of our Class A common stock that you own individually and shares of our Class A common stock that you own collectively with your spouse. If you wish to exercise your over-subscription privilege with respect to the subscription rights you own individually, but not with respect to the subscription rights you own collectively with your spouse, you only need to fully exercise your basic subscription privilege with

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respect to your individually owned subscription rights. You do not have to subscribe for any shares under the basic subscription privilege owned collectively with your spouse to exercise your individual over-subscription privilege.

When you complete the portion of your subscription rights certificate to exercise your over-subscription privilege, you will be representing and certifying that you have fully exercised your subscription privileges as to shares of our Class A common stock that you hold in that capacity. You must exercise your over-subscription privilege at the same time you exercise your basic subscription privilege in full.

Return of Excess Payment. If you exercised your over-subscription privilege and are allocated less than all of the shares of our Class A common stock for which you wished to subscribe, your excess payment for shares that were not allocated to you will be returned to you by mail, without interest or deduction, as soon as practicable after the expiration date of this rights offering. We will deliver to the recordholders who purchase shares in this rights offering certificates representing the shares of our Class A common stock that you purchased as soon as practicable after the expiration date of this rights offering and after all pro rata allocations and adjustments have been completed.

If you are a participant in our 401(k) plan, all subscription payments received by the subscription agent from the trustee on your behalf and not applied to the purchase of shares of our Class A common stock will be returned to your Stable Value Fund account established under the 401(k) plan, without interest or deduction, where the funds will remain subject to your further investment directions in accordance with the terms of the 401(k) plan.

### CONDITIONS TO THIS RIGHTS OFFERING

We may terminate this rights offering, in whole or in part, if at any time before completion of this rights offering there is any judgment, order, decree,

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injunction, statute, law or regulation entered, enacted, amended or held to be applicable