

COMPANY / TICKER:		Revlon Inc. (REV)	
MARKET CAP:	\$1.3 billion	LTM REVENUE:	\$2.6 billion
SHARE PRICE:	\$24.00	TOTAL DEBT:	\$3.0 billion
SHARES OUT:	52.8 million	AVG DAILY VOLUME:	150,000 shares per day
TRADEABLE FREE FLOAT:	2.68 million shares	SHORT INTEREST:	2.7 million shares

Long Revlon (REV).

Revlon's short vs. float setup just became tighter than Tilray (TLRY)

Subject Company	Direction	Current Share Price	Expected Share Price	Timing
Revlon (REV)	LONG	\$24.00	\$30-\$40+	Very near term

Shares of Tilray (TLRY) have now spiked up by more than 10x from its recent IPO price. The reason is simply that the short interest became too high relative to the float (likely hitting as as much as 80% or more). As always, the Tilray "infinity squeeze" caught everyone by surprise. It always does.

In this report, I first illustrate the numbers which sparked the Tilray squeeze. I then show how and why infinity squeeze potential appears even more extreme at Revlon (REV) than it did at Tilray. This is specifically due to recent changes in ownership and short interest,

The float has always been very tight at Revlon, with billionaire Ron Perelman already owning over 84% of the company. A standstill agreement which precluded Perelman from taking his stake to over 90% of Revlon just EXPIRED over this past weekend.

In recent weeks, Ron Perelman has continued his purchases of Revlon, acquiring an additional 293,943 shares, above his earlier 84.65% stake paying up to around \$21.00.

The next two largest shareholders (Mittleman Brothers and Alberta Investment) have now acquired a total of 791,931 additional shares, further reducing the float. Mittleman has made clear in public filings that he has no intention of selling for years.

Against that, the short interest in Revlon has gradually increased from 1.8 million shares to 2.7 million shares since April.

As a result, the total shares remaining in the tradable float is now down to 2.68 million shares but short interest is over 2.7 million shares.

Mittleman has stated in SEC filings that the fair value for Revlon could exceed \$50. This is why Perelman is expected to buyout the remainder of Revlon.

For those who haven't noticed, the squeeze has already entered its early stages in recent days.

This is what causes the “infinity squeeze” – at Tilray and elsewhere

Since July, Shares of cannabis stock Tilray Inc (TLRY) have soared by 13x, quickly going from \$17 to over \$217 (despite Tilray’s very obvious problems). The initial spark for Tilray came without warning and did not require much of a catalyst. (This is quite standard)

A similar imbalance is what caused shares of automaker Volkswagen to briefly become the most valuable company in the world, briefly worth over \$1 trillion – during the middle of the Great Financial Crisis and when Volkswagen was facing potential bankruptcy.

Volkswagen’s short interest increased only moderately, but there was an unexpected reduction in float. This caused an imbalance between shares sold short and shares available to cover. For most of that time, shares short ***DID NOT*** actually exceed the tradable float, but the short did get to over 95% of the float.

Remember. Anytime shares are sold short, they **MUST** be repurchased at some point. If there are not enough shares available then mathematically the last investor stuck short can be stuck having to pay an “infinite amount” to cover (hence the name “infinity squeeze”). When this happens, it drives up the share price for everyone.

The point. *Anytime when an imbalance exists where number of shares short gets too close to number of shares in the tradable float, nothing matters other than supply and demand for those shares. In theory, shares can keep going higher without limit until the imbalance gets resolved*

- **Valuation does not matter, market cap does not matter, share price does not matter !!**
- **This is why Tilray is currently hitting \$21 billion in market cap !**

Over the past year I wrote about similar imbalances at Dillard’s (DDS), Hertz (HTZ), and Restoration Hardware (RH). Each of these rose by 80-100% following my reports (even though all of them had *obvious problems* and strong bear theses). The price spikes did not always come immediately after my reports. But the spikes often came with no warning.

Revlon (REV) has a short vs. float setup which is arguably even more extreme than Tilray (TLRY).

Revlon (REV) has seen recent developments which could spark a Tilray style squeeze.

I am very long Revlon (REV).

“Infinity Squeeze” - here is what sent Tilray up 10x in 10 weeks

See exhibits 1, 2 and 3 below for each of these bullets

1. With Tilray, there are 10.3 million shares in the float, following its IPO at \$17 in July (just 10 weeks ago)
2. As of August 31 (most recent reporting date) short interest stood at 3.499 million shares, which is 33.95% of stated float.
3. In early September, Tilray rose from \$65 to over \$100 (up 4-6x from IPO) – making it increasingly attractive as short. In the first two weeks of September, Tilray traded 145 million shares. It is likely that a significant amount of that volume was short selling (with the obvious limitation that there is only finite stock borrow).

1. Only 10.3 million shares in float

TILRAY INC-CLASS 2 COMMON (TLRY US Equity)		
Calculation of Float		
Current Shares Outstanding - Stagnant Shares		
Components	Position	% Out
Float	10,308,384	13.479
Shares Outstanding	76,477,375	100.000
Stagnant Shares	66,168,991	86.521

2. But 3.49 million already old short. (only 6.8 million excess in float)

TLRY US Equity		97) Output to Excel	
1) Exchange Reported	1) Markit Securities Finance - Daily	1) S3 BLACKLIGHT Market Composite Rate	
Date	09/19/17 - 09/19/18	2) Sector Analysis SIA »	Markit SI Score 1
Short Interest	3,499,750	Short Interest Ratio .42	% Float 33.95
Change in Short Interest	1,722,847	Change in SI Ratio -.73	Change in % Float 16.07
Date	Short Interest	Closing Price	Average Daily Volume
08/31/2018	3,499,750	65.20	8.40 M
08/15/2018	1,776,903	29.10	1.55 M
07/31/2018	1,073,047	22.10	4.30 M

3. TLRY traded 145 million shares in 2 weeks in Sept with rising price

TLRY US Equity		96) Export	
Tilray Inc			
Range	08/03/2018 - 09/14/2018		
Market	Last Price	Volume	
View	Price Table		
Date	Last Price	Volume	
Fr 09/28/18			
Fr 09/21/18			
Fr 09/14/18 H	109.05	85,850,000	
Fr 09/07/18	77.89	59,670,000	
Fr 08/31/18	65.20	61,930,000	
Fr 08/24/18	43.86	33,940,000	
Fr 08/17/18	30.69	14,540,000	
Fr 08/10/18	25.82	4,080,000	
Fr 08/03/18 L	24.15	6,570,000	

REVLON- Understanding the “double whammy” at Revlon (REV)

Revlon’s float was always very tight due to Ron Perelman owning 84% of the shares...**but then....**

.....**Short interest GRADUALLY INCREASED by ≈1 million shares** since April

.....**At the same time, tradable float GRADUALLY DECREASED by ≈1.1 million shares**

Perelman now owns 44.86 million shares, while the next two shareholders recently took their stakes up to 4.3 million shares. Management owns 1 million shares.

This leaves just 2.68 million shares remaining in the tradable float vs. over 2.7 million shares sold short.
(Detailed breakdown on next page)

Since April, short interest has increased from 1.8 million to 2.7 million

REV US Equity		97) Output to Excel			
1) Exchange Reported		12) Markit Securities Finance - Daily		13) S3 BLACKLIGHT Market Composite Rate	
Date	09/19/17 - 09/19/18	2) Sector Analysis SIA »		Markit SI Score 2	
Short Interest	2,718,253	Short Interest Ratio	17.14	% Float	38.90
Change in Short Interest	-192,446	Change in SI Ratio	-2.60	Change in % Float	-2.40
Date↑	Short Interest	Closing Price	Average Daily Volume		
08/31/2018	2,718,253	21.75	158,588		
08/15/2018	2,910,699	17.50	147,451		
07/31/2018	2,809,689	15.60	113,294		
07/13/2018	2,614,403	17.35	67,486		
06/29/2018	2,546,413	17.55	178,817		
06/15/2018	2,533,394	18.90	238,280		
05/31/2018	2,297,648	17.25	145,557		
05/15/2018	2,045,891	16.85	133,574		
04/30/2018	1,922,010	22.80	105,192		
04/13/2018	1,843,083	21.20	68,848		

At the same time, the top three holders purchased nearly 1.1 million shares, reducing float

REVLO INC-CLASS A				
1) Current		2) Historical		3) Matrix
4) Ownership Summary		5) Insider Transactions		6) Optio
Search Name		All Holders, Sorted by Size		21) Save Search
Text Search		Holder Group		22) Delete Search
24) Color Legend		Last four quarters as of		2018 Q2
Holder Name	2017 Q4	2018 Q1	2018 Q2	Position↓
1. Perelman Ronald Owen	44,573,187	44,573,187	44,573,187	44,867,130
2. Mittleman Brothers LLC	3,030,653	2,957,865	3,352,585	3,352,585
3. Alberta Investment Man...	464,389	516,072	934,389	934,389

Shares purchased
293,943
321,931
470,000
1,085,874

Total short interest is now greater than the tradable float

Short interest vs. float. The most recent short interest data for Revlon shows that there are 2.7 million shares short. It is easily seen that the top three holders and management now own 50.1 million shares out of Revlon’s total share count of 52.8 million, leaving just 2.68 million in the tradable float.

The float numbers on Bloomberg only account for shares held by Perelman and management, which in total amount to 45.86 million shares. That equates to a stated short vs. float of 38.9% (6.9 million shares).

However..., those float numbers **IGNORE** the holdings and recent purchases by the two major shareholders who have been buying ahead of an expected take private by Perelman. Mittleman has stated in SEC filings that he intends to hold for years. This is why those shares are not available for shorts to cover.

The Squeeze. Thus there are 2.7 million shares sold short, but only 2.6 million shares available to cover. And this could get worse if more buying comes into Revlon.

Illiquid trading. Moreover, the average daily volume to cover these 2.7 million shares short is only around 150,000 shares per day. If only those shorts were buying every share, every day, it would still take them 18 days to cover !

CONCLUSION: A very significant chance of a violent short squeeze in the near term.

THE TABLE BELOW IS SHOWN AGAIN ON THE NEXT TWO PAGES ALONG WITH BLOOMBERG SCREENSHOTS TO SHOW THE VALUES FOR EACH OF ITEMS “A” THROUGH “H”.

[This table repeated on three pages so as to show all Bloomberg data]

		Per Bloomberg	Bloomberg Float also excluding Mittleman and Alberta
Total shares outstanding	A	52,831,084	52,831,084
Less: shares held by Perelman		(44,867,130)	F (44,867,130)
Less: Shares held by other REV insiders	B	(995,510)	(995,510)
Less: shares held by Mittleman			G (3,352,585)
Less: shares held by Alberta			H (934,389)
Remaining shares in tradable public float	C	6,968,444	2,681,470
Shares short	D	2,718,253	2,718,253
Short interest % of float	E	39.0%	101.4%

Tradable float is now down to 2.68 million shares

Short interest is now 101.4% of the effective tradable float

Revlon short vs. tradable Float (Bloomberg data A thru E shown below)

Bloomberg quotes the float at 6.98 million shares. But they do not count the shares held by Mittleman and Alberta (which are have been acquired ahead of an anticipated take private by Perelman). Their recent purchases are shown on net page. .

[This table repeated on three pages so as to show all Bloomberg data below]

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Less: Shares held by other REV insiders	B	(995,510)	(995,510)
Less: shares held by Mittleman			G (3,352,585)
Less: shares held by Alberta			H (934,389)
Remaining shares in tradable public float	C	6,968,444	2,681,470
Shares short	D	2,718,253	2,718,253
Short interest % of float	E	39.0%	101.4%

Tradable float is now down to 2.68 million shares

Short interest is now 101.4% of the effective tradable float

A Shares outstanding = 52,831,084

B Bloomberg quoted float=6,968,444

C Stagnant shares = 45,862,640 (Perelman + Mgmt)
 (Perelman = 44,867,130)
 (Management = 995,510)

REVLON INC-CLASS A (REV US Equity)		
Calculation of Float		
Current Shares Outstanding - Stagnant Shares		
Components	Position	% Out
Float	6,968,444	13.190
- Shares Outstanding	52,831,084	100.000
+ Stagnant Shares	45,862,640	86.810

D Short Interest = 2,718,253

E % of float = 38.9%
 (table below rounded to 39.0%)

REV US Equity		97) Output to Excel	
1) Exchange Reported	12) Marit Securities Finance - Daily	13) S3 BLACKLIGHT Market Composite Rate	
Date	09/19/17 - 09/19/18	2) Sector Analysis SIA »	Markit SI Score 2
Short Interest	2,718,253	Short Interest Ratio 17.14	% Float 38.90
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08/15/2018	2,910,699	17.50	147,451
07/31/2018	2,809,689	15.60	113,294
07/13/2018	2,614,403	17.35	67,486

Revlon short vs. tradable Float (Bloomberg data F thru H shown below)

In the table below, there are 52.8 million shares outstanding. Taking out the shares held by Perelman, management, Mittleman and Alberta leaves only 2.681 million shares available to cover the short of 2.71 million shares. Any additional buying of REV shares by anyone would exacerbate this.

[This table repeated on three pages so as to show all Bloomberg data]

	Per Bloomberg	Bloomberg Float also excluding Mittleman and Alberta	
Total shares outstanding	A 52,831,084	52,831,084	
Less: shares held by Perelman	(44,867,130)	F (44,867,130)	
Less: Shares held by other REV insiders	B (995,510)	(995,510)	
Less: shares held by Mittleman		G (3,352,585)	
Less: shares held by Alberta		H (934,389)	
Remaining shares in tradable public float	C 6,968,444	2,681,470	<i>Tradable float is now down to 2.68 million shares</i>
Shares short	D 2,718,253	2,718,253	
Short interest % of float	E 39.0%	101.4%	<i>Short interest is now 101.4% of the effective tradable float</i>

REVLO INC-CLASS A

1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Optio

Search Name All Holders, Sorted by Size 21) Save Search 22) Delete Search 23)

Text Search Holder Group All Holders

24) Color Legend Last four quarters as of 2018 Q2

Holder Name	2017 Q4	2018 Q1	2018 Q2	Position ↓
1. Perelman Ronald Owen	44,573,187	44,573,187	44,573,187	44,867,130
2. Mittleman Brothers LLC	3,030,653	2,957,865	3,352,585	3,352,585
3. Alberta Investment Man...	464,389	516,072	934,389	934,389

F Perelman = 44,867,130

G Mittleman = 3,352,858

H Alberta = 934,389

Written correspondence between Revlon, Mittleman and Perelman

Mittleman will hold for years, stock should be at \$50 today.

Link: [Mittleman's standstill demand to Revlon's board \(Aug 2017\)](#)

"Our intention is to hold a stake for years to come as we believe that the shares are severely undervalued, and that the current weakness in North American consumer sales will prove transitory...."

...the Board's fiduciary duties of loyalty and care extend to all shareholders, including minority shareholders. So if the Board determines that a threat or potential threat to minority shareholder value exists due to overreaching or abuse by a controlling shareholder, the Board must take defensive action that would be effective and proportionate...

Revlon is at \$17.15 today, and we believe that at parity with Coty's (COTY \$19.55) EV/EBITDA multiple of 14.5x on calendar 2018 estimated EBITDA, **Revlon's stock price would be about \$50 today, and we don't see Coty as having performed any better than Revlon over the past couple of years, nor can we discern that it has better growth prospects.**

Perelman's "standstill agreement" expired on September 15th (last week)

Link: [Perelman's response to Mittleman. Standstill agreement. \(Sep 2017\)](#)

"MacAndrews & Forbes **presently** does not intend to increase its beneficial ownership above 89% of the issued and outstanding Revlon Class A Common Stock ("Common Stock") or to undertake transactions to take Revlon private. **Should MacAndrews & Forbes determine to undertake transactions** to increase its beneficial ownership above 89% of the issued and outstanding Common Stock or to take Revlon private, MacAndrews & Forbes agrees to: (1) notify the Board at least **5 business days in advance of such transactions**; and, prior to consummating such transactions, (2) convene a Board meeting; (3) support the creation of a special committee of independent directors empowered to select its own advisors; and (4) negotiate with that special committee regarding the terms of such transactions by MacAndrews & Forbes, in order to promote the interests of all shareholders, including minority shareholders. The agreement in this paragraph shall **terminate on the first anniversary** of the date hereof, unless extended in writing by MacAndrews & Forbes prior to such date.

"For the avoidance of doubt, this letter should not be construed as an admission by MacAndrews & Forbes that any of the assertions made in the Mittleman Letter have any merit whatsoever."

Link: [Mittleman's response to Perelman's "standstill agreement" \(Sep 2017\)](#)

We disagree, and believe that the fractional accommodation (the "September 15 Agreement") made by Mr. Perelman in response to our request for a justified increase in minority shareholder protection is clearly inadequate to that end, for reasons we explain herein.

Another short-coming in the September 15 Agreement is that **while seeming to grant minority shareholders reprieve from a short-form merger in the absence of a negotiated price for one year, it does not preclude a tender offer in the interim, which if coercively timed to coincide with a low point in operating performance and stock price, could be just as destructive to minority shareholder value as a short-form merger by itself.**

His [Perelman's] stake in Revlon has now increased by 7.35% of shares outstanding from 77.3% to 84.65%, in just over 4.5 months. And while such a forceful show of confidence in the share value is undoubtedly encouraging, especially when the buyer has such an outstanding track record as an investor as Mr. Perelman does, it also raises red flags as to what his ultimate intent may be with regard to minority shareholders. **So presumably if the stock were to fall back to the recent lows, maybe upon release of another weak quarterly report, we might wake up to find a \$30 take-over offer versus a \$15 then-current stock price, when in three to five years we might reasonably expect \$100 per share to be attainable.**

Mr. Perelman offers assurances in the September 15 Agreement **that if he was to change his mind and decide to buy-out minority shareholders in Revlon in such a manner or otherwise, it would only be done with five business days advance notice to the Board**, a Board meeting, creation of a special committee of independent directors empowered to select its own advisors, and negotiation with that special committee regarding terms of any such transaction(s). And while such "checking all the boxes" in terms of establishing an ostensibly proper process might get the transaction through legal challenges in Delaware Chancery Court, as we recounted in our August 21 Letter referencing the Perelman take-private of M&F Worldwide ("MFW") in 2011, **such adherence to ostensibly proper protocols does not insure that minority shareholder value is protected from the possibility of predatory coercion by a better-informed controlling shareholder taking advantage of a short-term weakness in operating results and share price.**

A "better informed controlling shareholder taking advantage of short term weakness"