

Platform Specialty Products Corp
Form 10-Q
November 07, 2016

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-36272

(Exact name of Registrant as specified in its charter)

Delaware	37-1744899
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1450 Centrepark Boulevard, Suite 210	33401
West Palm Beach, Florida	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (561) 207-9600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer ☒ Accelerated filer ☐ Non-Accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	November 1, 2016
Common Stock, par value \$0.01 per share	278,470,487 shares

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Glossary of Defined Terms

Terms	Definitions
Platform; We; Us; Our; the Company	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively.
Acquisitions	Agriphar Acquisition, Alent Acquisition, Arysta Acquisition, CAS Acquisition, MacDermid Acquisition, OMG Acquisition and OMG Malaysia Acquisition, collectively.
Agriphar	Percival and its agrochemical business, Agriphar.
Agriphar Acquisition	Acquisition of a 100% interest in Agriphar, completed on October 1, 2014.
AIs	Active ingredients.
Alent	Alent plc, a formerly public limited company registered in England and Wales.
Alent Acquisition	Acquisition of a 100% interest in Alent, completed on December 1, 2015 under the U.K. Companies Act 2006, as amended.
Amended and Restated Credit Agreement	Platform's credit agreement dated April 12, 2007, as amended and/or restated on June 7, 2013, October 31, 2013 (Amendment No. 1), August 6, 2014 (Second Amended and Restated Credit Agreement and the further amendments pursuant to Amendment No. 2), October 1, 2014 (Incremental Amendment No. 1), February 13, 2015 (Amendment No. 3), December 3, 2015 (Amendment No. 4) and October 14, 2016 (Amendment No. 5).
Annual Report	Platform's annual report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 11, 2016.
AROs	Asset retirement obligations.
Arysta	Arysta LifeScience Limited, a formerly Irish private limited company.
Arysta Acquisition	Acquisition of a 100% interest in Arysta, completed on February 13, 2015.
Arysta Seller	Nalozo, L.P., an affiliate of the Original Arysta Seller who became the seller in the Arysta Acquisition pursuant to an amendment to the share purchase agreement dated February 11, 2015.
Asset-Lite, High-Touch	Platform's philosophy and business model focused on dedicating extensive resources to research and development and highly technical customer service teams, while limiting investments in fixed assets and capital expenditures.
ASU	Accounting Standards Update.
Board	Platform's board of directors.
CAS	The Chemtura AgroSolutions business of Chemtura.
CAS Acquisition	Acquisition of a 100% interest in CAS, completed on November 3, 2014.
Chemtura	Chemtura Corporation, a Delaware corporation.
Credit Facilities	The First Lien Credit Facility and the Revolving Credit Facility, collectively, available under the Amended and Restated Credit Agreement.
Domestication	Platform's change of jurisdiction of incorporation from the British Virgin Islands to Delaware on January 22, 2014.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EPS	Earnings per share.
ESPP	Platform Specialty Products Corporation 2014 Employee Stock Purchase Plan, adopted by the Board on March 6, 2014 and approved by Platform's stockholders at the annual meeting held on June 12, 2014.
E.U.	European Union.
Exchange Act	Securities Exchange Act of 1934, as amended.
Exchange Agreement	Exchange Agreement, dated October 25, 2013, between Platform and the fiduciaries of the MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
FASB	Financial Accounting Standard Board.
FCPA	Foreign Corrupt Practices Act of 1977.

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February 2015 Notes Offering	Platform's private offering of \$1.10 billion aggregate principal amount of 6.50% USD Notes due 2022 and €350 million aggregate principal amount of 6.00% EUR Notes due 2023, completed on February 2, 2015.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.

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Terms	Definitions
Founder Entities	Mariposa Acquisition, LLC and Berggruen Holdings Ltd. and its affiliates, collectively.
GAAP	Generally accepted accounting principles in the United States.
GBP	Platform's Global BioSolutions Portfolio within its Agricultural Solutions segment, which includes biostimulants, innovative nutrition and biocontrol products.
GVAP	Platform's Global Value Added Portfolio within its Agricultural Solutions segment, which includes products in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs.
June 2015 Equity Offering	Platform's underwritten public offering of 18,226,414 shares of its common stock at a public offering price of \$26.50 per share, which closed on June 29, 2015, raising gross proceeds of approximately \$483 million.
LTCB	Platform's Long Term Cash Bonus plan, established in March 2015.
MacDermid	MacDermid, Incorporated, a Connecticut corporation.
MacDermid Acquisition	Platform's acquisition on October 31, 2013 of substantially all of the equity of MacDermid Holdings, which, at the time, owned approximately 97% of MacDermid. As a result, Platform became a holding company for the MacDermid business. Platform acquired the remaining 3% of MacDermid on March 4, 2014, pursuant to the terms of the Exchange Agreement.
MacDermid Europe	MacDermid European Holdings, B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.
MacDermid Funding	MacDermid Funding LLC, a limited liability company organized under the laws of Delaware and a subsidiary of Platform.
MacDermid Holdings	MacDermid Holdings, LLC which, at the time of the MacDermid Acquisition, owned approximately 97% of MacDermid, a subsidiary of MacDermid Holdings.
MAS Holdings	MacDermid Agricultural Solutions Holdings B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.
NAV	Net asset value.
NAIP	Netherlands Agricultural Investment Partners LLC, a company organized under the laws of Delaware and a subsidiary of Platform.
NYSE	New York Stock Exchange.
November 2015 Notes Offering	Platform's private offering of \$500 million aggregate principal amount of 10.375% USD Notes due 2021, completed on November 10, 2015.
OMG	OM Group, Inc., a Delaware corporation.
OMG Businesses	OMG's Electronic Chemicals and Photomasks businesses, collectively, other than OMG Malaysia.
OMG Malaysia	OMG Electronic Chemicals (M) Sdn Bhd, a subsidiary of OMG located in Malaysia, acquired separately by Platform in the OMG Malaysia Acquisition.
OMG Acquisition	Platform's acquisition of 100% interest in the OMG Businesses completed on October 28, 2015.
OMG Malaysia Acquisition	Platform's acquisition of 100% interest in OMG Malaysia completed on January 31, 2016.
Original Arysta Seller	Nalozo S.à.r.l., a Luxembourg limited liability company and the original seller in the Arysta Acquisition.
PDH	Platform Delaware Holdings, Inc., a subsidiary of Platform.
PDH Common Stock	Shares of common stock of PDH.
Percival	Percival S.A., a société anonyme incorporated and organized under the laws of Belgium, acquired by Platform on October 1, 2014.
Quarterly Report	This quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2016.

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Retaining Holder	Each Holder of an equity interest of MacDermid Holdings immediately prior to the closing of the MacDermid Acquisition, not owned by Platform, who executed a RHSA.
Revolving Credit Facility	Revolving Credit Facility (in U.S. Dollars or multicurrency) available under the Amended and Restated Credit Agreement.
RHSA	Retaining Holder Securityholders' Agreement, dated as of October 31, 2013, entered into by and between Platform and each Retaining Holder pursuant to which they agreed to exchange their respective interests in MacDermid Holdings for shares of PDH Common Stock, at an exchange rate of \$11.00 per share plus (i) a proportionate share of the \$100 million contingent consideration and (ii) an interest in certain MacDermid pending litigation.

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Terms	Definitions
ROIC	Return on invested capital.
RSUs	Restricted stock units issued by Platform from time to time under the 2013 Plan.
SEC	Securities and Exchange Commission.
Security Agreement	Amended and Restated Pledge and Security Agreement, amended and restated as of October 31, 2013, as amended, supplemented and modified from time to time, entered into by Platform, MacDermid and the guarantors listed therein.
Second Amended and Restated Credit Agreement	Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, Platform, MacDermid Holdings, MacDermid, the subsidiaries of Platform and MacDermid Holdings from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent.
Senior Notes	Our 6.00% EUR Notes due 2023, 6.50% USD Notes due 2022 and 10.375% USD Notes due 2021, collectively.
September 2016 Equity Offering	Platform's underwritten offering of 48,787,878 shares of its common stock at a public offering price of \$8.25 per share, which closed on September 21, 2016, raising gross proceeds of approximately \$402.5 million.
Series A Preferred Stock	2,000,000 shares of Platform's Series A convertible preferred stock which were automatically converted from ordinary shares held by the Founder Entities upon the Domestication, and which are convertible into shares of Platform's common stock, on a one-for-one basis, at any time at the option of the Founder Entities.
Series B Convertible Preferred Stock	600,000 shares of Platform's Series B convertible preferred stock issued to the Arysta Seller in connection with the Arysta Acquisition on February 13, 2015, which are convertible into a maximum of 22,107,590 shares of Platform's common stock at the option of the Arysta Seller.
SERP	Supplemental Executive Retirement Plan for executive officers of Platform.
TSR	Total stockholder return.
2013 Plan	Platform Specialty Products Corporation Amended and Restated 2013 Incentive Compensation Plan adopted by the Board on October 31, 2013, as amended on December 16, 2013 and approved by Platform's stockholders at the annual meeting held on June 12, 2014.
2016 Q1 Form 10-Q	Platform's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2016, as filed with the SEC on May 10, 2016.
2016 Q2 Form 10-Q	Platform's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2016, as filed with the SEC on August 9, 2016.
6.00% EUR Notes due 2023	Platform's 6.00% senior notes due 2023 denominated in Euros issued in the February 2015 Notes Offering.
6.50% USD Notes due 2022	Platform's 6.50% senior notes due 2022 denominated in U.S. Dollars issued in the February 2015 Notes Offering.
10.375% USD Notes due 2021	Platform's 10.375% senior notes due 2021 denominated in U.S. Dollars issued in the November 2015 Notes Offering.

Part I. Financial Information

Item 1. Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except income (loss) per share)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015 (as restated)	2016	2015 (as restated)
Net sales	\$890.5	\$597.3	\$2,635.9	\$1,807.3
Cost of sales	515.4	354.6	1,524.1	1,088.8
Gross profit	375.1	242.7	1,111.8	718.5
Operating expenses:				
Selling, technical, general and administrative	274.3	194.8	823.5	593.2
Research and development	20.9	16.6	61.3	47.8
Total operating expenses	295.2	211.4	884.8	641.0
Operating profit	79.9	31.3	227.0	77.5
Other (expense) income:				
Interest expense, net	(98.5)	(52.7)	(289.7)	(143.2)
Loss on derivative contracts	(1.4)	(47.3)	(12.1)	(49.9)
Foreign exchange loss	(10.3)	(36.9)	(56.5)	(19.3)
Other income, net	116.6	1.4	120.4	19.8
Total other income (expense)	6.4	(135.5)	(237.9)	(192.6)
Income (loss) before income taxes and non-controlling interests	86.3	(104.2)	(10.9)	(115.1)
Income tax expense	(20.4)	(35.4)	(65.7)	(59.8)
Net income (loss)	65.9	(139.6)	(76.6)	(174.9)
Net loss (income) attributable to the non-controlling interests	5.9	(0.5)	4.7	(4.0)
Net income (loss) attributable to stockholders	71.8	(140.1)	(71.9)	(178.9)
Gain on amendment of Series B Convertible Preferred Stock	32.9	—	32.9	—
Net income (loss) attributable to common stockholders	\$104.7	\$(140.1)	\$(39.0)	\$(178.9)
Income (loss) per share				
Basic	\$0.45	\$(0.66)	\$(0.17)	\$(0.89)
Diluted	\$(0.15)	\$(0.66)	\$(0.71)	\$(0.89)
Weighted average shares outstanding				
Basic	234.4	210.9	231.2	198.6
Diluted	264.5	210.9	253.3	198.6

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In millions)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	(as restated)		(as restated)	
Net income (loss)	\$65.9	\$(139.6)	\$(76.6)	\$(174.9)
Other comprehensive (loss) income				
Foreign currency translation adjustments	(0.7)	(350.2)	451.8	(614.0)
Pension and post-retirement plans:				
Tax expense	—	—	—	(0.5)
Pension and post-retirement plan, net of tax	—	—	—	(0.5)
Unrealized (loss) gain on available for sale securities:				
Unrealized holding (loss) gain on available for sale securities	(0.2)	1.0	(2.5)	1.2
Tax benefit	0.1	—	0.8	—
Unrealized (loss) gain on available for sale securities, net of tax	(0.1)	1.0	(1.7)	1.2
Derivative financial instruments revaluation:				
Unrealized hedging gain (loss), net	1.4	(18.1)	(15.4)	(18.1)
Tax benefit	—	6.3	—	6.3
Derivative financial instruments revaluation, net of tax	1.4	(11.8)	(15.4)	(11.8)
Total other comprehensive income (loss), net of tax	0.6	(361.0)	434.7	(625.1)
Other comprehensive loss (income) attributable to the non-controlling interests	9.0	7.2	(12.7)	14.3
Other comprehensive income (loss) attributable to common stockholders	9.6	(353.8)	422.0	(610.8)
Comprehensive income (loss)	75.5	(493.4)	345.4	(785.7)
Comprehensive income attributable to the non-controlling interests	5.9	(0.5)	4.7	(4.0)
Comprehensive income (loss) attributable to stockholders	\$81.4	\$(493.9)	\$350.1	\$(789.7)

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share amounts)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$714.1	\$432.2
Restricted cash	0.9	0.3
Accounts receivable, net of allowance for doubtful accounts of \$28.7 and \$14.4 at September 30, 2016 and December 31, 2015, respectively	1,141.0	1,023.0
Inventories	564.3	517.5
Note receivable	—	125.0
Prepaid expenses and other current assets	180.3	172.5
Total current assets	2,600.6	2,270.5
Property, plant and equipment, net	472.7	491.6
Goodwill	4,366.3	4,021.9
Intangible assets, net	3,393.2	3,314.3
Other assets	93.9	91.9
Total assets	\$10,926.7	\$10,190.2
Liabilities and Stockholders' Equity		
Accounts payable	\$394.8	\$450.3
Current installments of long-term debt and revolving credit facilities	81.4	54.7
Accrued salaries, wages and employee benefits	78.0	78.1
Accrued income taxes payable	100.6	65.1
Preferred stock redemption liability	504.0	—
Accrued expenses and other current liabilities	409.4	414.2
Total current liabilities	1,568.2	1,062.4
Long-term debt and capital lease obligations	5,196.9	5,173.6
Long-term retirement benefits, less current portion	75.8	80.5
Long-term deferred income taxes	696.7	678.8
Long-term contingent consideration	75.0	70.7
Other long-term liabilities	253.8	205.0
Total liabilities	7,866.4	7,271.0
Commitments and contingencies (Note 15)		
Redeemable preferred stock - Series B	—	645.9
Stockholders' Equity		
Preferred stock - Series A	—	—
Common stock 400,000,000 shares authorized, 278,420,786 and 229,464,157 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	2.8	2.3
Additional paid-in capital	3,921.1	3,520.4
Accumulated deficit	(571.6)	(532.7)
Accumulated other comprehensive loss	(464.1)	(886.1)
Total stockholders' equity	2,888.2	2,103.9
Non-controlling interests	172.1	169.4
Total equity	3,060.3	2,273.3
Total liabilities, redeemable preferred shares and stockholders' equity	\$10,926.7	\$10,190.2

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2016	2015 (as restated)
Cash flows from operating activities:		
Net loss	\$(76.6)	\$(174.9)
Reconciliation of net loss to net cash flows (used in) provided by operating activities:		
Depreciation and amortization	254.9	176.3
Deferred income taxes	(57.8)	(52.3)
Manufacturer's profit in inventory adjustment	11.7	58.0
Foreign exchange loss	47.8	57.5
Other, net	(53.9)	26.4
Changes in assets & liabilities, net of acquisitions:		
Accounts receivable	(61.9)	(68.5)
Inventories	(34.1)	(63.2)
Accounts payable and accrued expenses	(56.8)	195.6
Other changes in assets and liabilities, net	2.7	(23.8)
Net cash flows (used in) provided by operating activities	(24.0)	131.1
Cash flows from investing activities:		
Change in restricted cash	(0.5)	599.7
Capital expenditures	(32.8)	(32.1)
Investment in registrations of products	(22.4)	(26.2)
Proceeds from disposal of property, plant and equipment	12.5	12.1
Acquisition of businesses, net of acquired cash	1.3	(2,857.9)
Other, net	4.4	(1.4)
Net cash flows used in investing activities	(37.5)	(2,305.8)
Cash flows from financing activities:		
Debt proceeds, net of discount and premium	—	2,085.6
Change in revolving credit facilities, net	18.9	4.7
Repayments of borrowings	(26.0)	(15.5)
Proceeds from issuance of common stock, net	391.5	469.5
Payment of debt financing fees	(0.7)	(45.5)
Change in factored liabilities	(45.5)	(16.8)
Other, net	(0.8)	(1.0)
Net cash flows provided by financing activities	337.4	2,481.0
Effect of exchange rate changes on cash and cash equivalents	6.0	(21.6)
Net increase in cash and cash equivalents	281.9	284.7
Cash and cash equivalents at beginning of period	432.2	397.3
Cash and cash equivalents at end of period	\$714.1	\$682.0
Non-cash Investing Activities		
Settlement of Note Receivable in exchange for OMG Malaysia	\$125.0	\$—
OMG Malaysia Acquisition through the settlement of Note Receivable	\$(125.0)	\$—

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES