

Edgar Filing: Platform Specialty Products Corp - Form 10-Q

Platform Specialty Products Corp
Form 10-Q
May 03, 2018
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 March 31, 2018

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.

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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	April 27, 2018
Common Stock, par value \$0.01 per share	288,125,974 shares

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
Platform; We; Us; Our; the Company; PSP AIs	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively.
Amended and Restated Credit Agreement	Active ingredients. Platform's Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, Platform, MacDermid Holdings, LLC, MacDermid, the subsidiaries of Platform and MacDermid Holdings, LLC from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent, as amended and restated from time to time.
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 Nalozo S.à.r.l., a Luxembourg limited liability company and the original seller in the Arysta Acquisition.
ASU Board	Accounting Standards Update. Platform's board of directors.
Credit Facilities	The First Lien Credit Facility and the Revolving Credit Facility, collectively, available under the Amended and Restated Credit Agreement.
DuPont	E.I. du Pont de Nemours and Company, now known as DowDuPont Inc.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
ESPP	Platform Specialty Products Corporation 2014 Employee Stock Purchase Plan.
Exchange Act	Securities Exchange Act of 1934, as amended.
FASB	Financial Accounting Standard Board.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.
Founder Entities	Mariposa Acquisition, LLC and Berggruen Holdings Ltd. and its affiliates, collectively.
GAAP	Generally accepted accounting principles in the United States.
MacDermid	MacDermid, Incorporated, a Connecticut corporation. Platform's acquisition on October 31, 2013 of substantially all of the equity of MacDermid Holdings, LLC, 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, dated October 25, 2013, between Platform and the fiduciaries of the MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
MacDermid Acquisition	
MacDermid Printing	MacDermid Printing Solutions LLC, now known as MacDermid Graphics Solutions LLC.
NYSE	New York Stock Exchange.
PDH Common Stock	Shares of common stock of Platform Delaware Holdings, Inc., a subsidiary of Platform.
Proposed Separation	Platform's proposed separation of its Agricultural Solutions and Performance Solutions businesses, expected to be completed in 2018.
Quarterly Report	This quarterly report on Form 10-Q for the three months ended March 31, 2018.
Retaining Holder	Each Holder of an equity interest of MacDermid Holdings, LLC 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.

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RSUs	Restricted stock units issued by Platform from time to time under the 2013 Plan.
SEC	Securities and Exchange Commission.
Senior Notes	Platform's 5.875% USD Notes due 2025, 6.00% EUR Notes due 2023 and 6.50% USD Notes due 2022, collectively.
Series A Preferred Stock	2,000,000 shares of Platform's Series A convertible preferred stock held by the Founder Entities and convertible into shares of Platform's common stock, on a one-for-one basis, at any time at the option of the Founder Entities.

GLOSSARY OF DEFINED TERMS

Terms	Definitions
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. At December 31, 2016, none of the Series B Convertible Preferred Stock remained outstanding.
TJCA	Tax Cuts and Jobs Act of 2017
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.
2017 Annual Report	Platform's annual report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 28, 2018.
5.875% USD Notes Indenture	The indenture, dated as of November 24, 2017, governing the 5.875% USD Notes due 2025.
5.875% USD Notes due 2025	Platform's 5.875% senior notes due 2023, denominated in U.S. dollars, issued in the 2017 Notes Offering.
6.00% EUR Senior Notes due 2023	Platform's 6.00% senior notes due 2023 denominated in Euros issued in the February 2015 Notes Offering.
6.50% USD Senior Notes due 2022	Platform's 6.50% senior notes due 2022 denominated in U.S. Dollars issued in the February 2015 Notes Offering.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements that can be identified by words such as "expect," "anticipate," "project," "will," "should," "believe," "intend," "plan," "estimate," "predict," "believe," "seek," "continue," "outlook," "may," "might," "should," "can have," "likely," "potential," "target," and variations of such words and similar expressions. Examples of forward-looking statements include, but are not limited to, statements, beliefs, projections and expectations regarding the Proposed Separation and its anticipated benefits, costs related to the Proposed Separation, the impact of new accounting standards and accounting changes, the impact of the TCJA, our dividend policy, the effects of global economic conditions on our business and financial condition, our hedging activities, results of legal matters, filling of the anticipated vacancy on the Board, our goodwill and other intangible assets, price volatility and cost environment, our liquidity, our funding sources, our capital expenditures, our debt, off-balance sheet arrangements and contractual obligations, general views about future operating results, our risk management program, our business and management strategies, future prospects, and other events or developments that we expect or anticipate will occur in the future.

Forward-looking statements are not guarantees of future performance, actions or events, and are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying beliefs and assumptions prove to be incorrect, actual results may differ materially from those contemplated by these statements. Forward-looking statements regarding the anticipated impact of the TCJA on the Company's businesses consist of provisional amounts, which are based on currently available information as well as management's current interpretations, assumptions and expectations relating to the TCJA, and are subject to change, possibly materially, as the Company completes its analysis. A discussion of such risks and uncertainties include, without limitation, the risks set forth in Part I, Item 1A, "Risk Factors" of our 2017 Annual Report. Any forward-looking statement made by us in this Quarterly Report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Please consult any further disclosures we make on related subjects in the Company's Form 10-K, 10-Q and 8-K reports filed with the SEC.

Non-GAAP Financial Measures

This Quarterly Report contains the following non-GAAP financial measures: Adjusted EBITDA, operating results on a constant currency basis and organic sales growth. Non-GAAP financial measures should not be considered in isolation from, as a substitute for, or superior to, performance measures calculated in accordance with GAAP. For definitions of these non-GAAP financial measures and additional information on why we present them, their respective limitations and reconciliations to the most comparable applicable GAAP measures, see "Non-GAAP Financial Measures" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in Part I, Item 2, and Note 16, Segment Information, to the unaudited interim Condensed Consolidated Financial Statements, both included in this Quarterly Report.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Net sales	\$964.1	\$861.8
Cost of sales	559.4	483.4
Gross profit	404.7	378.4
Operating expenses:		
Selling, technical, general and administrative	277.0	257.4
Research and development	23.5	21.6
Total operating expenses	300.5	279.0
Operating profit	104.2	99.4
Other expense:		
Interest expense, net	(78.2)	(89.4)
Foreign exchange gain (loss)	58.0	(12.6)
Other income (expense), net	19.0	(2.3)
Total other expense	(1.2)	(104.3)
Income (loss) before income taxes and non-controlling interests	103.0	(4.9)
Income tax expense	(65.0)	(18.7)
Net income (loss)	38.0	(23.6)
Net income attributable to the non-controlling interests	(0.7)	(0.8)
Net income (loss) attributable to common stockholders	\$37.3	\$(24.4)
Earnings (loss) per share		
Basic	\$0.13	\$(0.09)
Diluted	\$0.13	\$(0.09)
Weighted average common shares outstanding		
Basic	287.9	284.5
Diluted	293.8	284.5

See accompanying notes to the Condensed Consolidated Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES