Immediate News Release

Unleashed!

Platform Specialty Completes Beneficial Shareholder Transaction

July 20, 2018

PAGOSA SPRINGS, Co., July 20, 2018 (News Release) – FMT Investment Advisory (FMT) provided an update on its largest advisory holding.

FMT Advisory Comments

Platform Specialty Products has monetized ArystaLife Sciences by selling it to Indian-based UPL. Significant shareholder value should be realized.

Since this news is behind us, we will discuss why Platform Specialty has been our largest holding across FMT Advisory.

With two separate and distinct business segments within Platform, we were essentially getting two stellar businesses for the price of one. Both segments are what the company referred to as "asset light, high touch," good RoC businesses.

Like any worthwhile wealth endeavor, the road to our fortuitous success *has taken patience.*

The company's price per share generally vacillated back and forth in the publicly-traded markets over the last year or so. On one hand, Platform's operations remained robust, with EBITDA growing nicely, and it was on track to grow from $820 million in 2017 to $870-$890 million in 2018 (incidentally, the *entire* marijuana industry is only expected to generate $1 billion in EBITDA in 2020. Think about that when looking into valuations in the marijuana industry!).

In any case, $870 million in EBITDA on an enterprise value of $7.9 billion placed Platform's multiple 35-50% cheaper than its most comparable peers. The reason it was selling so much cheaper was its balance sheet. Platform had higher turns of debt-to-EBITDA than its comps.

FMT believed this is what kept Platform's price per share from gaining significant traction, but we also knew it was fixable. It is also what presented the opportunity for us to add to our position for a wonderful all-in cost basis.

Since Platform was really two different businesses (both great) rolled into one, the idea to IPO out ArystaLife Sciences struck us as a fantastic one. Management started playing around with the idea at the end 2017. Management was vastly *intent* on creating shareholder value, which wasn't surprising.

After all, Martin E. Franklin, the chairman and super-investor behind Platform, has had an enormous amount of his own net worth in the company (it's his personal largest holding, *too*). Franklin had cashed out his entire position in Newell Rubbermaid and used some of those proceeds, on top of other money, out of pocket to keep buying shares of Platform. All told, Franklin owned 20+% of Platform and had over $300 million at stake in the company (it's much more now!).

In any case, our research on an IPO of Arysta led FMT to this conclusion: by issuing shares of Arysta in an IPO at a higher price (dilution, I know, but it works), the price per share would increase to its intrinsic value. How? To keep the math simple, assume there were 1,000 shares outstanding, selling at 0.50x intrinsic value at $10 per share on the whole company (a close approximation to my calculations). By issuing 500 shares of Arysta in an IPO at 1x intrinsic value ($20 per share), proceeds of $1,000 would provide a total market value of $2,000. With 1,500 shares outstanding and a total market value of $2,000, shareholder returns just got launched.

Once the IPO was finalized, management also wanted to use proceeds to get to their long-term objective of 4.5x turns of debt/EBITDA for the performance solutions business and 3.5x turns for Arysta. This would have easily targeted both segments of the company separately at 12X EBITDA (given the normalized ratios of debt/EBITDA), on top of manifesting leaner and more nimble companies as standalone entities.

In other words, **there would have been likely more returns to come, as the company's value would have surely continued to excel and rocket-launch forward after the IPO.**

Management felt that the shares were being undervalued because large institutions either wanted to buy an agricultural enterprise for their portfolios or they wanted to buy a performance solutions business, but not both under the same umbrella. The IPO thus made a lot of sense overall. FMT increased our position in the company after doing the math.

As 2018 progressed, Platform entered negotiations with multiple bidders that wanted to buy Arysta outright. It's certainly a good problem to have!

This is where having stellar and aligned management on your side pays in spades. Franklin and the board hired Rakesh Sachdev in 2016. Sachdev was the former head of the chemicals business, Sigma-Aldrich Corporation. The characteristics of Sigma and Platform were striking. They had a very similar set of circumstances, and as Sachdev took over Platform, revenues and operational improvements were almost a given.

The kicker, though, is that Indian-born Sachdev is also a shrewd deal maker (like Martin Franklin isn't!). Once Sachdev improved operations at Sigma-Aldrich, he worked on a deal that maximized shareholder value in an all-out transaction by selling to Merck KGaG for $17 billion. Shareholders made some serious shillin'.

Well, as it turns out, UPL is an Indian company. While management has been working hard and Sachdev was instrumental in the deal, UPL is a stellar home for ArystaLife Sciences. After studying UPL, there was no doubt the deal was going to go through.

One of the things that have hurt Platform's free cash flow (even as robust as it's been) is that while they are headquartered in Florida, their operations are inter-national. The currency fluctuations on their debt (held abroad) kept free cash flow from skyrocketing becasue *they reported in USD*. UPL paid for Arysta in a mostly cash deal with low leverage, and since they are domiciled in India, it was a no-brainer for them to consolidate Arysta. Under UPL, any future forex losses on USD repatriation are eliminated, and with less leverage, the cash flow skyrockets under UPL.

Arysta also aligns with UPL's mission of being the dominant, world-class Ag chemicals maker. UPL is a stellar business that is extremely well run. I'm a big fan and we'll see what we do next.

It's a good day. Go enjoy it with the things you love to do. FMT holds a lot of our proprietary research close to the vest throughout our ownership, but it is for strategic reasons. At the end of the day, we've owned a great business at great prices, with great management, and we should be even more rewarded. There is likely more to come.

Sincerely, your 100% aligned partner, Nicholas Green