

*Private
Equity
Society*



Apollo's \$8.1bn Acquisition of Univar Solutions

Deal Overview

Acquirer

APOLLO



Target



Transaction details

August 2023

Closing Date

\$8.1bn

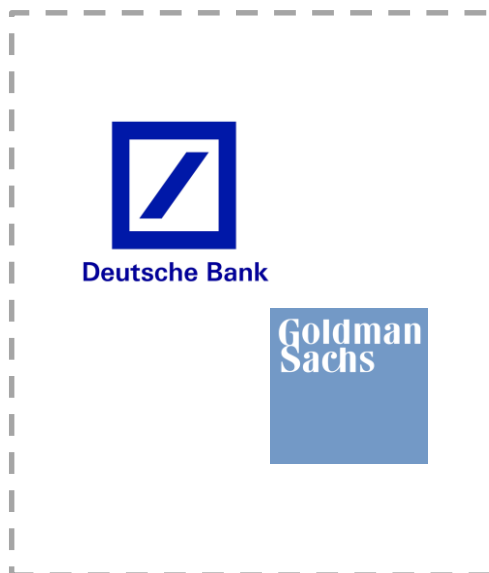
Total Transaction Value

*33.6%

Premium paid



Buy-side financial advisers



Sell-side financial advisers

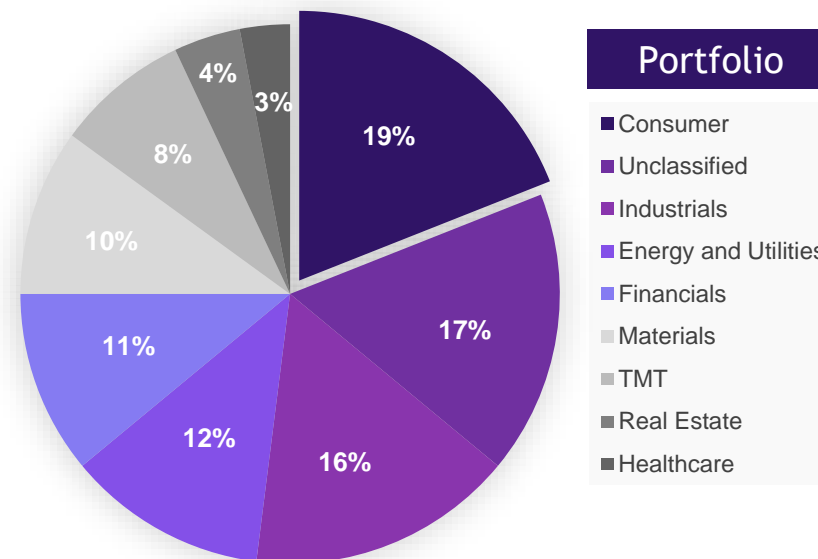
*To volume-weighted average price for the 30 trading days prior to November 22, 2022



LSE Private Equity Society

Apollo Global Management

- Founded in 1990 and headquartered in New York City
- **Specialisation:** buyouts, corporate carve-outs and distressed investments in a wide variety of sectors
- **Recent Transactions and Successful Deals**
 - Albertsons: bought stake at £1.4B (2021), sold to Kroger for £3.5B (2022)
 - ADT: Merged with Protection 1 - becoming significant home security industry player



610

Total Investments

\$631bn

Assets under Management (AUM)

210

Active investments



LSE Private Equity Society

Univar Solutions - Overview

Business

Univar Solutions Inc. (UNVR) is a global chemical and ingredients distributor and provider of specialty services

Background

Founded in 1924 as Van Waters & Rogers, UNVR is headquartered in Downers Grove, Illinois, USA

Management

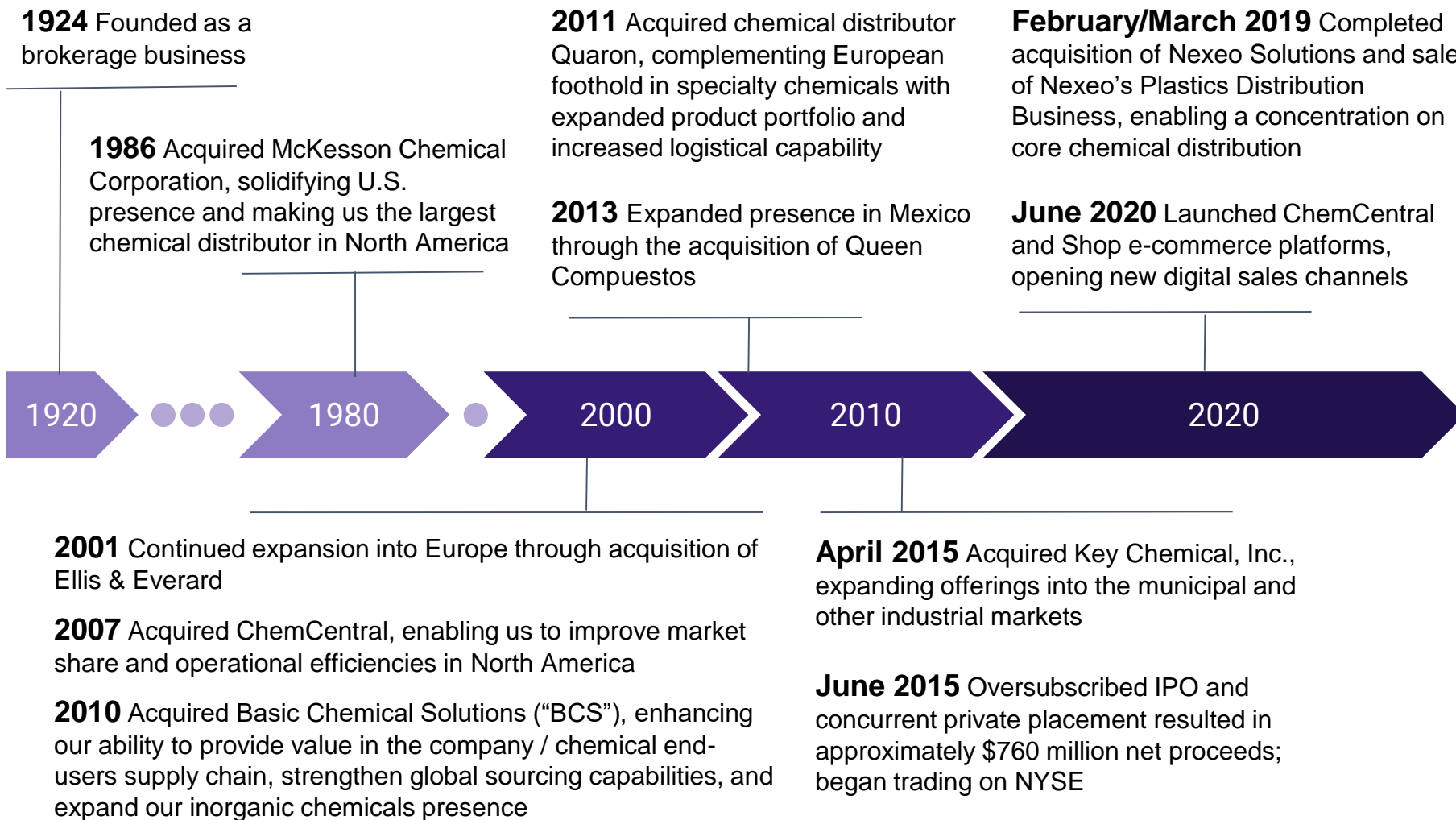
With a board average tenure of 6.4 years, the leadership team impresses with their profound industry expertise, extensive experience, and strategic acumen, which drives UNVR's success as #3 market leader globally and #1 in North America



Blue-chip supplier base



Univar Solutions - History



Univar Solutions - Multiples

TEV/TTM Revenue
0.63x

TEV/ TTM EBITDA
7.17x

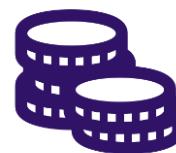
ROE 13.6%
vs
Industry 18.2%

ROA 6.9%
vs
Industry 8.1%

Debt Coverage
38.6%

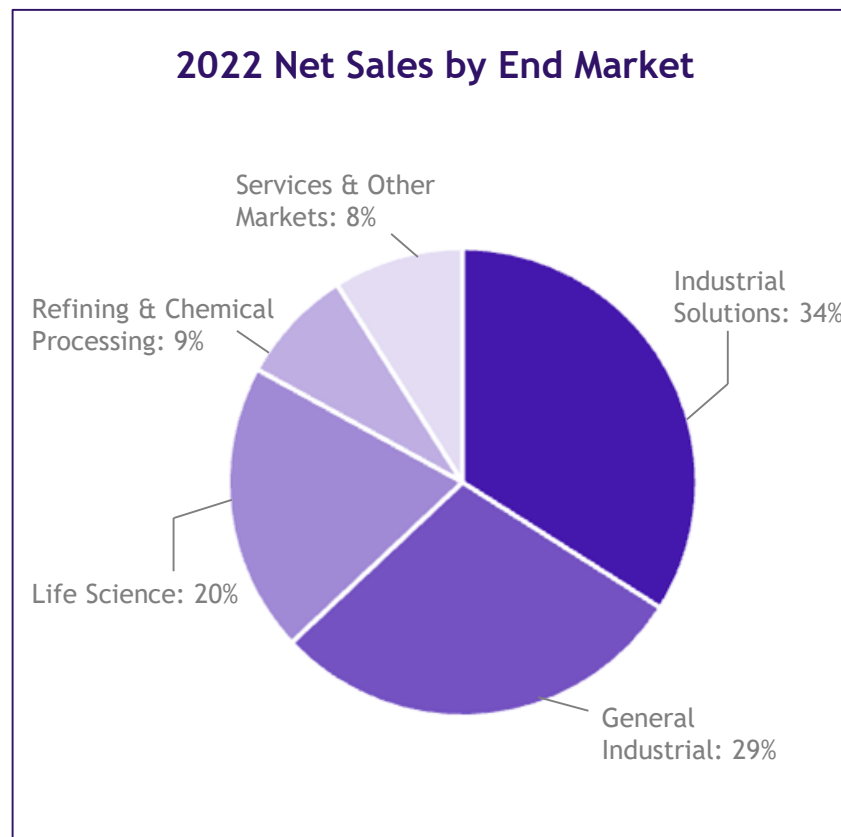
Interest Coverage
5.6x

Debt/Equity Ratio
0.86x



Univar Solutions - 2022 Financial Highlights and Net Sales

- **Revenue:** up 20% from the prior year to \$11.5bn
- **Adjusted EBITDA:** increased 31.1% to \$1,045.9mn
- **Adjusted EBITDA margin:** expanded 70 basis points from the prior year to 9.1%
- **Net income:** \$545.3mn compared to \$460.6mn in the prior year
- **Earnings per diluted share:** \$3.26 compared to \$2.69 in the prior year
- **Share repurchases:** Executed over \$400mn (2022)



Univar Solutions - Recent Financial Performance Evaluation

- Net Sales:** There's a decrease in net sales from \$2.882 billion in Q1 2022 to \$2.684 billion in Q1 2023, which is a 6.9% decrease on a reported basis and a 5.5% decrease on a constant currency basis. This suggests a contraction in the volume of business.
- Gross Profit:** The gross profit has decreased from \$729.5 million to \$639.3 million, which is a 12.4% decrease on a reported basis and an 11.1% decrease on a constant currency basis. This is indicative of increased cost of goods sold or decreased pricing power.
- Net Income:** There's a significant reduction in net income from \$180.8 million to \$83.1 million, which equates to a 54.0% decline.

(in millions)	(Unaudited)				
	Three months ended March 31,				% change
	2023	2022	\$ change	% change	constant currency ⁽¹⁾
Segment External Sales⁽²⁾					
USA	\$ 1,729.2	\$ 1,843.2	\$ (114.0)	(6.2) %	(6.2) %
EMEA	514.1	562.2	(48.1)	(8.6) %	(3.1) %
Canada	274.2	293.4	(19.2)	(6.5) %	(0.2) %
LATAM	167.4	183.8	(16.4)	(8.9) %	(14.1) %
Total Consolidated Net Sales	\$ 2,684.9	\$ 2,882.6	\$ (197.7)	(6.9) %	(5.5) %
Gross Profit (exclusive of depreciation)⁽³⁾⁽⁴⁾					
USA	\$ 423.1	\$ 472.9	\$ (49.8)	(10.5) %	(10.5) %
EMEA	118.6	141.6	(23.0)	(16.2) %	(11.7) %
Canada	63.5	74.5	(11.0)	(14.8) %	(9.0) %
LATAM	34.1	40.5	(6.4)	(15.8) %	(20.5) %
Total Consolidated Gross Profit (exclusive of depreciation)⁽³⁾	\$ 639.3	\$ 729.5	\$ (90.2)	(12.4) %	(11.1) %
Total Consolidated Net Income	\$ 83.1	\$ 180.8	\$ (97.7)	(54.0) %	(54.4) %
Adjusted EBITDA⁽³⁾					
USA	\$ 145.8	\$ 209.2	\$ (63.4)	(30.3) %	(30.3) %
EMEA	44.3	63.8	(19.5)	(30.6) %	(25.7) %
Canada	25.4	36.7	(11.3)	(30.8) %	(25.9) %
LATAM	9.9	16.2	(6.3)	(38.9) %	(42.6) %
Other ⁽⁵⁾	(10.0)	(6.6)	(3.4)	(51.5) %	(51.5) %
Total Consolidated Adjusted EBITDA⁽³⁾	\$ 215.4	\$ 319.3	\$ (103.9)	(32.5) %	(31.2) %



Univar Solutions - Recent Financial Performance Evaluation

- **EPS:** The EPS has decreased from \$1.06 to \$0.52, which is over a 50% reduction.
- **Adjusted EBITDA:** Adjusted EBITDA saw a substantial decrease of 32.5% to \$215.4 million. The Adjusted EBITDA margin decreased from 11.1% to 8.0%, suggesting reduced operational efficiency.
- **Cash Flow:** There's an improvement in net cash used by operating activities, from using \$134.4 million in the prior year to using \$2.9 million, indicating better working capital management.
- **Leverage:** The leverage ratio increased from 2.0x to 2.3x, reflecting a higher level of debt compared to EBITDA, which might be a concern for the debt servicing ability of the company.

(in millions)	(Unaudited)				% change constant currency ⁽¹⁾
	Three months ended March 31,				
	2023	2022	\$ change	% change	
Segment External Sales⁽²⁾					
USA	\$ 1,729.2	\$ 1,843.2	\$ (114.0)	(6.2) %	(6.2) %
EMEA	514.1	562.2	(48.1)	(8.6) %	(3.1) %
Canada	274.2	293.4	(19.2)	(6.5) %	(0.2) %
LATAM	167.4	183.8	(16.4)	(8.9) %	(14.1) %
Total Consolidated Net Sales	\$ 2,684.9	\$ 2,882.6	\$ (197.7)	(6.9) %	(5.5) %
Gross Profit (exclusive of depreciation)⁽³⁾⁽⁴⁾					
USA	\$ 423.1	\$ 472.9	\$ (49.8)	(10.5) %	(10.5) %
EMEA	118.6	141.6	(23.0)	(16.2) %	(11.7) %
Canada	63.5	74.5	(11.0)	(14.8) %	(9.0) %
LATAM	34.1	40.5	(6.4)	(15.8) %	(20.5) %
Total Consolidated Gross Profit (exclusive of depreciation)⁽³⁾	\$ 639.3	\$ 729.5	\$ (90.2)	(12.4) %	(11.1) %
Total Consolidated Net Income	\$ 83.1	\$ 180.8	\$ (97.7)	(54.0) %	(54.4) %
Adjusted EBITDA⁽³⁾					
USA	\$ 145.8	\$ 209.2	\$ (63.4)	(30.3) %	(30.3) %
EMEA	44.3	63.8	(19.5)	(30.6) %	(25.7) %
Canada	25.4	36.7	(11.3)	(30.8) %	(25.9) %
LATAM	9.9	16.2	(6.3)	(38.9) %	(42.6) %
Other ⁽⁵⁾	(10.0)	(6.6)	(3.4)	(51.5) %	(51.5) %
Total Consolidated Adjusted EBITDA⁽³⁾	\$ 215.4	\$ 319.3	\$ (103.9)	(32.5) %	(31.2) %



Univar Solutions - Historic Financial Performance (1/3) - Income Statement

- Net Sales:** There has been a consistent increase in net sales over the three years, from \$8,2bn (2020) to \$11,47bn (2022). Indicating a growing demand for the company's products
- COGS:** The COGS increases are proportionally lower than the net sales increases, which shows improved cost efficiency or higher margins by Univar.
- Operational:** Operating expenses have risen over the three years, yet the growth rate of these expenses is lower than the growth rate of sales, which is a good sign for operational efficiency.
- Income:** The net income has increased immensely by 948% in the last 3 financial years, indicating strong overall financial performance.
- EPS:** EPS has shown a good upward trend: Basic 2020: \$0.31; 2022: \$3.29. This increase in EPS is a positive sign for investors as it represents an increase in the value of each share of Univar Inc.

Univar Solutions Inc. Consolidated Statements of Operations			
(in millions, except per share data)	Year ended December 31,		
	2022	2021	2020
Net sales	\$ 11,475.3	\$ 9,535.5	\$ 8,265.0
Cost of goods sold (exclusive of depreciation)	8,704.1	7,142.3	6,262.8
Operating expenses:			
Outbound freight and handling	476.8	403.7	344.4
Warehousing, selling and administrative	1,248.5	1,191.8	1,022.3
Other operating expenses, net	32.8	107.5	89.4
Depreciation	131.7	150.9	162.9
Amortization	48.2	52.5	60.0
Impairment charges	0.6	3.0	40.2
Total operating expenses	1,938.6	1,909.4	1,719.2
Operating income	832.6	483.8	283.0
Other (expense) income:			
Interest income	4.3	4.3	2.1
Interest expense	(107.2)	(101.5)	(114.5)
Gain (loss) on sale of business	—	88.2	(50.6)
Other income (expense), net	26.5	110.4	(61.0)
Total other (expense) income	(76.4)	101.4	(224.0)
Income before income taxes	756.2	585.2	59.0
Income tax expense	210.9	124.6	6.1
Net income	\$ 545.3	\$ 460.6	\$ 52.9
Income per common share:			
Basic	\$ 3.29	\$ 2.71	\$ 0.31
Diluted	\$ 3.26	\$ 2.69	\$ 0.31
Weighted average common shares outstanding:			
Basic	165.8	170.2	169.0
Diluted	167.4	171.4	169.8



Univar Solutions - Historic Financial Performance (2/3) - Balance Sheet

Assets

- **Cash and Cash Equivalents:** There is an increase from \$251.5 million in 2021 to \$385.3 million in 2022, suggesting improved liquidity.
- **Trade Accounts Receivable:** Slight increase from to \$1,489.9 million, indicating more sales on credit and slower turnover.
- **Inventories:** Over the year more stock is being held.
- **PPE:** Slight increase of 2%, slower investment in PPE.
- **Goodwill:** Decreased slightly to \$2,288.2 million, probably due to impairment or adjustments.
- **Total Assets:** Increased from \$6,777.8 million to \$7,145.7 million, indicating an overall growth in the company's asset base.

<u>(in millions, except share and per share data)</u>	December 31,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 385.3	\$ 251.5
Trade accounts receivable, net of allowance for doubtful accounts of \$13.1 and \$15.8 at December 31, 2022 and 2021, respectively.	1,489.9	1,539.5
Inventories	1,137.8	932.2
Prepaid expenses and other current assets	217.8	169.1
Total current assets	3,230.8	2,892.3
Property, plant and equipment, net	1,055.0	1,031.0
Goodwill	2,288.2	2,310.4
Intangible assets, net	167.0	211.7
Deferred tax assets	20.7	29.4
Other assets	384.0	303.0
Total assets	\$ 7,145.7	\$ 6,777.8
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 982.5	\$ 1,009.3
Current portion of long-term debt	38.9	41.5
Accrued compensation	204.7	196.4
Other accrued expenses	401.3	420.4
Total current liabilities	1,627.4	1,667.6
Long-term debt	2,426.9	2,223.5
Pension and other postretirement benefit liabilities	135.2	211.7
Deferred tax liabilities	106.2	56.1
Other long-term liabilities	355.8	326.4
Total liabilities	4,651.5	4,485.3
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 200,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 2,000,000,000 shares authorized, 173,237,533 and 171,199,938 shares issued at December 31, 2022 and 2021, respectively	1.7	1.7
Additional paid-in capital	3,046.0	3,048.5
Treasury stock at cost, 15,254,566 and 1,832,385 shares at December 31, 2022 and 2021, respectively	(409.1)	(50.0)
Retained earnings (accumulated deficit)	200.3	(345.0)
Accumulated other comprehensive loss	(344.7)	(362.7)
Total stockholders' equity	2,494.2	2,292.5
Total liabilities and stockholders' equity	\$ 7,145.7	\$ 6,777.8



Univar Solutions - Historic Financial Performance (2/3) - Balance Sheet

Liabilities & Equity

- **Trade Accounts Payable:** Suggests slightly better payment terms with suppliers and quicker payments.
- **Total Current Liabilities:** A small decrease has improved the company's short-term solvency.
- **Long-term Debt:** Increased from \$2,223.5 million to \$2,426.9 million, indicating higher debt levels for Univar and the maturation of existing liabilities.
- **Retained Earnings:** Increased from a deficit of \$345.0 million to a positive \$200.3 million, indicating profitable operations over the 3 year period.
- **Total Equity:** Increased, improving the company's financial health and potentially its ability to sustain future growth.

<u>(in millions, except share and per share data)</u>	December 31,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 385.3	\$ 251.5
Trade accounts receivable, net of allowance for doubtful accounts of \$13.1 and \$15.8 at December 31, 2022 and 2021, respectively.	1,489.9	1,539.5
Inventories	1,137.8	932.2
Prepaid expenses and other current assets	217.8	169.1
Total current assets	3,230.8	2,892.3
Property, plant and equipment, net	1,055.0	1,031.0
Goodwill	2,288.2	2,310.4
Intangible assets, net	167.0	211.7
Deferred tax assets	20.7	29.4
Other assets	384.0	303.0
Total assets	\$ 7,145.7	\$ 6,777.8
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 982.5	\$ 1,009.3
Current portion of long-term debt	38.9	41.5
Accrued compensation	204.7	196.4
Other accrued expenses	401.3	420.4
Total current liabilities	1,627.4	1,667.6
Long-term debt	2,426.9	2,223.5
Pension and other postretirement benefit liabilities	135.2	211.7
Deferred tax liabilities	106.2	56.1
Other long-term liabilities	355.8	326.4
Total liabilities	4,651.5	4,485.3
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 200,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 2,000,000,000 shares authorized, 173,237,533 and 171,199,938 shares issued at December 31, 2022 and 2021, respectively	1.7	1.7
Additional paid-in capital	3,046.0	3,048.5
Treasury stock at cost, 15,254,566 and 1,832,385 shares at December 31, 2022 and 2021, respectively	(409.1)	(50.0)
Retained earnings (accumulated deficit)	200.3	(345.0)
Accumulated other comprehensive loss	(344.7)	(362.7)
Total stockholders' equity	2,494.2	2,292.5
Total liabilities and stockholders' equity	\$ 7,145.7	\$ 6,777.8



Univar Solutions - Historic Financial Performance (3/3) - Cash Flow Statement

Operating Activities:

- **D&A:** A decrease from \$222.9 million in 2020 to \$179.9 million in 2022 shows a lower charge over time, which is be due to a reduction in depreciable assets.
- **Impairment Charges:** Indicates fewer asset write-downs.
- **Changes in Operating Assets and Liabilities:** There's been a significant variation over the three years, affecting the net cash provided by operating activities.
- **Net Cash Provided by Operating Activities:** Shows a trend of improvement (more than doubled until 2022).

(in millions)	Year ended December 31,		
	2022	2021	2020
Operating activities:			
Net income	\$ 545.3	\$ 460.6	\$ 52.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	179.9	203.4	222.9
Impairment charges	0.6	3.0	40.2
Amortization of deferred financing fees and debt discount	5.7	6.2	6.5
(Gain) loss on sale of business	—	(88.2)	50.6
Gain on sale of property, plant and equipment	(2.8)	(10.1)	(23.7)
Pension mark to market (gain) loss	(17.7)	(75.9)	52.8
Deferred income taxes	29.0	6.4	(32.4)
Stock-based compensation expense	34.3	25.4	14.5
Fair value adjustment for warrants	—	(33.8)	0.8
Other	0.8	3.4	5.4
Changes in operating assets and liabilities:			
Trade accounts receivable, net	22.9	(328.6)	(66.0)
Inventories	(220.5)	(270.2)	126.0
Prepaid expenses and other current assets	(12.7)	(35.0)	1.2
Trade accounts payable	(6.8)	255.1	(139.3)
Other, net	(11.6)	168.6	(85.5)
Net cash provided by operating activities	546.4	290.3	226.9
Investing activities:			
Purchases of property, plant and equipment	(153.8)	(110.9)	(111.3)
Purchases of businesses, net of cash acquired	(16.7)	(28.7)	(4.6)
Proceeds from sale of property, plant and equipment	7.8	29.0	46.5
Proceeds from sale of business	—	136.5	37.3
Other	1.0	(2.3)	(9.2)
Net cash (used) provided by investing activities	(161.7)	23.6	(41.3)
Financing activities:			
Proceeds from the issuance of long-term debt, net	199.6	995.0	—
Payments on long-term debt and finance lease obligations	(87.7)	(1,440.5)	(205.3)
Proceeds under revolving credit facilities	2,238.7	2,732.4	2,150.0
Payments under revolving credit facilities	(2,186.9)	(2,700.0)	(2,084.5)
Debt issuance costs	(2.1)	(1.0)	—
Taxes paid related to net share settlements of stock-based compensation awards	(7.8)	(2.6)	(2.9)
Purchases of treasury stock	(409.1)	(50.0)	—
Stock option exercises	23.9	13.4	1.1
Proceeds from the exercise of warrants	—	27.1	—
Other	(1.3)	1.6	1.6
Net cash used by financing activities	(232.7)	(424.6)	(140.0)
Effect of exchange rate changes on cash and cash equivalents	(18.2)	(24.4)	10.7
Net increase (decrease) in cash and cash equivalents	133.8	(135.1)	56.3
Cash and cash equivalents at beginning of period	251.5	386.6	330.3
Cash and cash equivalents at end of period	\$ 385.3	\$ 251.5	\$ 386.6
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ 189.7	\$ 98.0	\$ 51.3
Interest, net of capitalized interest	88.7	88.0	104.7
Non-cash activities:			
Other liabilities related to the purchase of businesses	\$ 1.4	\$ 23.0	\$ —
Additions of property, plant and equipment included in trade accounts payable and other accrued expenses	8.5	14.8	5.5
Additions of property, plant and equipment under a finance lease obligation	34.5	31.8	61.4
Additions of assets under an operating lease obligation	96.0	63.1	62.1



Univar Solutions - Historic Financial Performance (3/3) - Cash Flow Statement

Investing Activities:

- **Purchase of PPE:** Shows a consistent investment in PPE over the three years, though slightly decreased in 2022.
- **Proceeds from PPE:** Increased in 2021, indicating a significant sale of assets.
- **Net Cash (Used):** There's a negative flow, which is typical for businesses investing in growth, but it decreased from -\$41.3 million in 2020 to -\$161.7 million in 2022, reflecting increased investment activities.

Financing Activities:

- **Issuance of Long-term Debt:** Decreased significantly
- **Payments on Long-term Debt:** Increased from 2020 to 2021 but then decreased in 2022, reflecting a changing strategy in debt management from the company.
- **Treasury Stock:** Increased drastically from -\$50.0 million in 2021 to -\$409.1 million in 2022, suggesting aggressive share buyback activity during the last few years

(in millions)	Year ended December 31,		
	2022	2021	2020
Operating activities:			
Net income	\$ 545.3	\$ 460.6	\$ 52.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	179.9	203.4	222.9
Impairment charges	0.6	3.0	40.2
Amortization of deferred financing fees and debt discount	5.7	6.2	6.5
(Gain) loss on sale of business	—	(88.2)	50.6
Gain on sale of property, plant and equipment	(2.8)	(10.1)	(23.7)
Pension mark to market (gain) loss	(17.7)	(75.9)	52.8
Deferred income taxes	29.0	6.4	(32.4)
Stock-based compensation expense	34.3	25.4	14.5
Fair value adjustment for warrants	—	(33.8)	0.8
Other	0.8	3.4	5.4
Changes in operating assets and liabilities:			
Trade accounts receivable, net	22.9	(328.6)	(66.0)
Inventories	(220.5)	(270.2)	126.0
Prepaid expenses and other current assets	(12.7)	(35.0)	1.2
Trade accounts payable	(6.8)	255.1	(139.3)
Other, net	(11.6)	168.6	(85.5)
Net cash provided by operating activities	546.4	290.3	226.9
Investing activities:			
Purchases of property, plant and equipment	(153.8)	(110.9)	(111.3)
Purchases of businesses, net of cash acquired	(16.7)	(28.7)	(4.6)
Proceeds from sale of property, plant and equipment	7.8	29.0	46.5
Proceeds from sale of business	—	136.5	37.3
Other	1.0	(2.3)	(9.2)
Net cash (used) provided by investing activities	(161.7)	23.6	(41.3)
Financing activities:			
Proceeds from the issuance of long-term debt, net	199.6	995.0	—
Payments on long-term debt and finance lease obligations	(87.7)	(1,440.5)	(205.3)
Proceeds under revolving credit facilities	2,238.7	2,732.4	2,150.0
Payments under revolving credit facilities	(2,186.9)	(2,700.0)	(2,084.5)
Debt issuance costs	(2.1)	(1.0)	—
Taxes paid related to net share settlements of stock-based compensation awards	(7.8)	(2.6)	(2.9)
Purchases of treasury stock	(409.1)	(50.0)	—
Stock option exercises	23.9	13.4	1.1
Proceeds from the exercise of warrants	—	27.1	—
Other	(1.3)	1.6	1.6
Net cash used by financing activities	(232.7)	(424.6)	(140.0)
Effect of exchange rate changes on cash and cash equivalents	(18.2)	(24.4)	10.7
Net increase (decrease) in cash and cash equivalents	133.8	(135.1)	56.3
Cash and cash equivalents at beginning of period	251.5	386.6	330.3
Cash and cash equivalents at end of period	\$ 385.3	\$ 251.5	\$ 386.6
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ 189.7	\$ 98.0	\$ 51.3
Interest, net of capitalized interest	88.7	88.0	104.7
Non-cash activities:			
Other liabilities related to the purchase of businesses	\$ 1.4	\$ 23.0	\$ —
Additions of property, plant and equipment included in trade accounts payable and other accrued expenses	8.5	14.8	5.5
Additions of property, plant and equipment under a finance lease obligation	34.5	31.8	61.4
Additions of assets under an operating lease obligation	96.0	63.1	62.1



LBO Model

FCF Projections	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	9,536	11,475	10,518	11,478	12,607	13,939	15,512	17,373
% Growth	15.37%	20.34%	-8.34%	9.12%	9.84%	10.56%	11.28%	12.00%
EBITDA	484	833	618	697	826	981	1,166	1,390
Margin	5.07%	7.26%	5.88%	6.07%	6.55%	7.03%	7.52%	8.00%
Interest	102	107	659	643	626	610	593	577
Debt Balance	2,224	2,427	7,927	7,729	7,531	7,332	7,134	6,936
Effective Interest Rate	4.56%	4.42%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
CapEx	111	154	135	145	163	178	198	223
% of Revenue	1.16%	1.34%	1.28%	1.26%	1.30%	1.28%	1.28%	1.28%
Change in NWC		(379)	193	(161)	(137)	(190)	(209)	(256)
NWC Balance	1,225	1,603	1,410	1,571	1,708	1,898	2,107	2,363
% of Revenue	12.84%	13.97%	13.41%	13.69%	13.55%	13.62%	13.58%	13.60%
FCF			17	(252)	(100)	2	166	334

Paper LBO	2023	2024	2025	2026	2027	2028	Returns Calculation
Equity Contribution	(2,600)	-	-	-	-	-	IRR
FCF	17	(252)	(100)	2	166	334	MoM
Debt Repayment	-	(198)	(198)	(198)	(198)	(7,134)	
Exit Proceeds	-	-	-	-	-	16,678	
Net Cash Flow	(2,583)	(450)	(299)	(196)	(33)	9,878	

- The displayed 5-year LBO projects an IRR of c.25% and a MoM of 3.43x, indicating attractive potential returns for Apollo
- Key assumptions:
 - Exit FY28 EBITDA multiple at 12x
 - Principal repayment of 2.5% per annum
 - Revenue growth normalization to 12% by exit year
 - EBITDA margin expansion to 8% by exit year
 - Effective volume-weighted interest rate of 8.32%



Short-term Effects

1

Focus on long-term goals: Univar has no obligation to meet quarterly earning expectation requirements imposed by NYSE (no regulatory requirements related to being listed on a public market)

2

Privacy advantage: No longer required to publish financial reports so there is a privacy advantage over publicly listed competitors such as Brenntag, IMCD, Olin Corporation, and Dow Chemical Company.

3

Elevated vulnerability to default risk: Fitch downgraded Univar Solutions' long-term Issuer Default Rating (IDR) from BB+ to BB-, as well as the company's ABL revolver and term loan ratings from BBB- to BB+. In comparison, Univar Solutions' competitors (IMCD, Olin Corp. and Dow Inc.) have IDRs that reflect better investment grade credit quality as they fluctuate between BBB- and BBB+.



Long-term Effects (1/3): Apollo will benefit by improving ESG compliance

1

Univar Solutions recently declared that it will build a Scope 3 emissions reduction roadmap, targeting net-zero emissions by 2050. This coincides with Apollo's clean transition PE strategy, which aims to deploy \$50 billion by 2028 to assist businesses in their shift towards low and no-carbon energy alternatives.

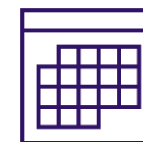
Univar aims to invest \$3 million annually in low-carbon technology



Univar aims to have 20% reduction in CO2 by 2025 and 40% by 2023



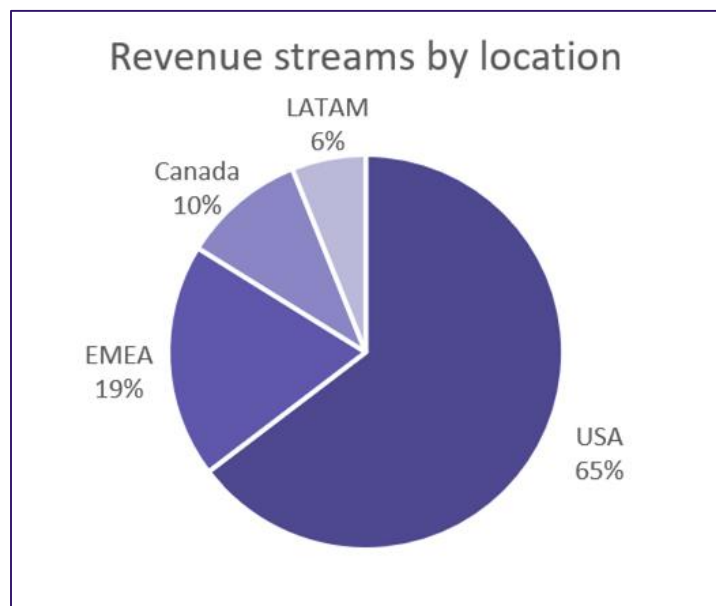
Apollo has deployed \$23 billion toward clean energy over past 5 years



Long-term Effects (2/3): Univar internal expansion

2

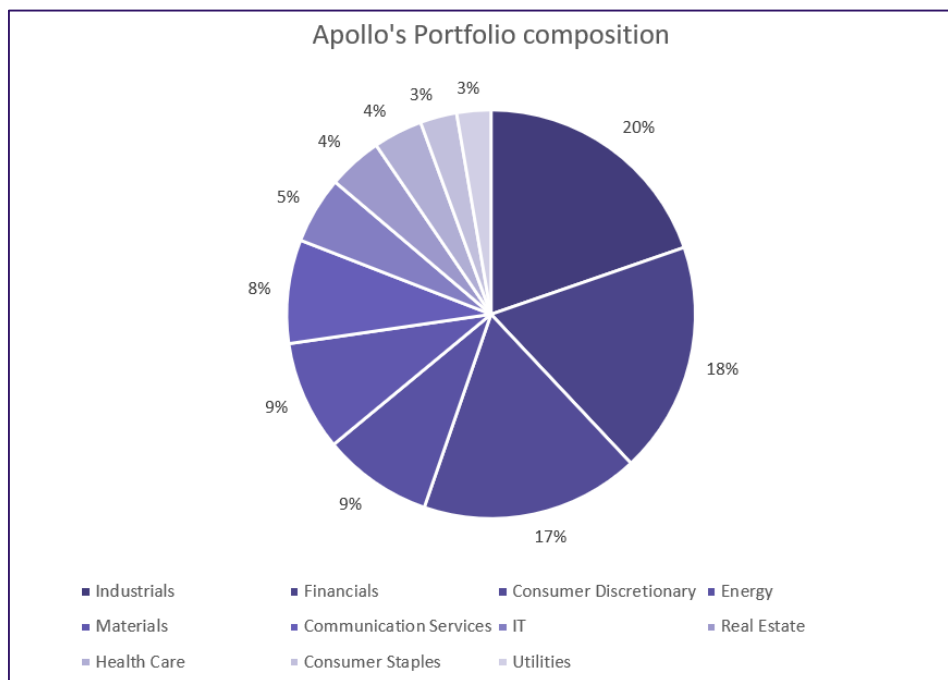
Seeking to increase impact across global markets and boost international sales (sales in the past 2 years have increased by 12.4% and 4.4% in Canada). However, despite good sales performance, the Gross Profit margin and Adjusted EBITDA for Univar's Canadian subsidiaries have decreased in 2022.



Long-term Effects (3/3): Apollo's subsidiaries benefit from cost/revenue synergies

3

Synergies can be achieved Univar Solutions' cooperation with other companies in Apollo's portfolio (e.g. industrial capital goods and transportation). However, there is a cost disadvantage as bringing these synergies into effect may impact future returns and profit margins.



Risks and Uncertainties

1

Cost of Borrowing: Univar Solutions will no longer be able to collect capital from investors to finance its investments. In addition, its downgraded credit rating will increase the cost of borrowing from lenders, as its IDR falls into the speculative bonds category (company might struggle financing future investments)

2

Regulation changes and revenue streams: Univar is likely to be forced to undertake additional revenue expenditures to meet the EU's new environmental regulations (20% of Univar's revenue is derived from EMEA chemical distribution). This will negatively affect one of its major global revenue streams, as well as the warehousing of chemicals, due to special storage requirements for most of the substances.

3

Market conditions: Apollo's CEO Mark Rowan states that the tailwinds, present in the equity business for the last decade, in the form of money-printing, pulling forward of demand, fiscal stimuli and zero rates, are now absent. On the contrary, we find ourselves in an environment of higher interest rates, slower economic growth and the retreat of globalisation. The stated factors directly internal concerns that may arise e.g. Apollo has been experiencing fundraising issues by falling short of its \$25 billion target in the most recent collection round (August 2023)



Risks and Uncertainties

Delayed exits

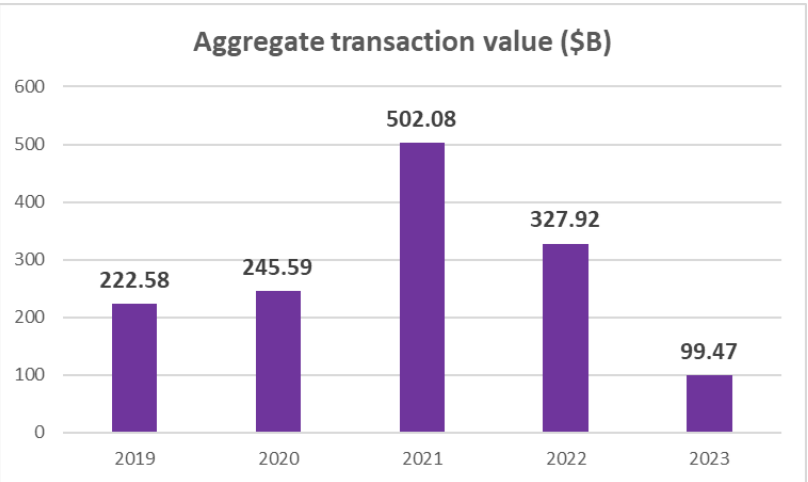
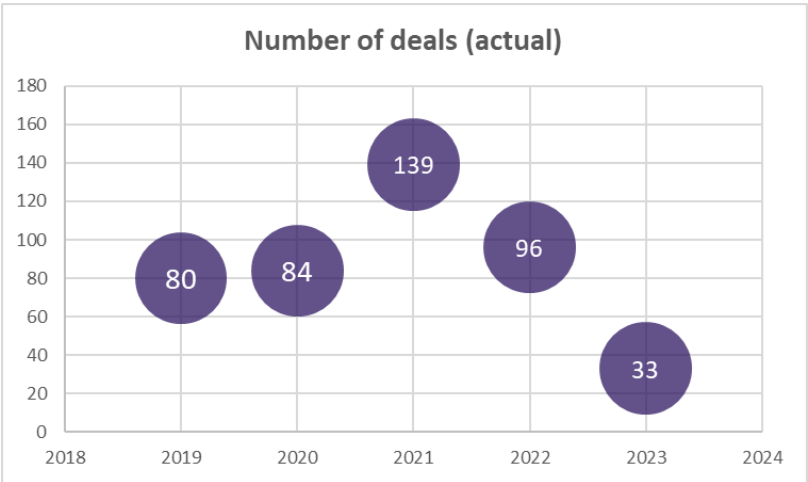
PE firms are delaying exits from existing investments due to the current poor macroeconomic conditions. Apollo needs to “reformulate its strategy ... in the new environment” to capitalize on its advantages to combat the upcoming headwinds.

Prepped for the future

According to the CEO, Apollo is currently in a position resilient to macroeconomic tribulations thanks to its discipline with purchase prices. Few portfolio positions will require dry powder for fixing. This allows Apollo to use the conserved cash for new acquisitions.

Deceleration in appreciation of portfolio investments

Apollo’s investments have appreciated only by 2.1% in the second quarter and only by 2.7% in the third quarter, in comparison to the first quarter when the portfolio appreciated 5.1%.



Editor's Comments

Benefits for UNVR

The \$36.15 per share cash offer represents a 33.6% premium over UNVR's market price, providing substantial value to shareholders

Delisting grants UNVR privacy advantages over publicly-listed competitors whereas its credit rating was downgraded due to vulnerability to default risk

While UNVR has handled its debt fairly comfortably, Apollo's capital infusion will strengthen its balance sheet and improve liquidity with the existing high level of debt

Benefits for Apollo

Apollo benefits from UNVR's broad product offering and enhanced presence in target growth end markets, well-positioned to create shareholder value by capitalizing on synergies and further market penetration of subsidiaries abroad

Apollo potentially benefits from UNVR's exit through value creation in sustainable practices

Impact on the industry

The acquisition potentially leads to industry consolidation in Canada & LATAM as UNVR leverages Apollo's global footprint in the value chain (industrial capital goods & transportation companies) to negotiate more favorable terms with suppliers, further improving customer satisfaction and enhancing brand reputation and loyalty

Chemical distributors will compete on the promotion and distribution of green chemicals and the adoption of digital technologies (e-commerce, AI, blockchain) to improve efficiency and transparency in the supply chain

