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Univar, Inc. (UNVR)

Q3 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Univar's Third Quarter 2018 Earnings Conference Call. My name is Matthew, and I'll be your host operator on this call. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time. [Operator Instructions]

I will now turn the meeting over to your host for today's call, David Lim, Vice President of Corporate Development and Investor Relations at Univar. Please go ahead, David.

David Lim

Vice President-Corporate Development & Investor Relations, Univar, Inc.

Thank you and good morning. Welcome to Univar's third quarter 2018 conference call and webcast. Joining our call today are David Jukes, Chief Executive Officer; and Carl Lukach, Executive Vice President and Chief Financial Officer.

This morning, we released our financial results for the quarter ended September 30, 2018 along with a supplemental slide presentation. The slide presentation should be viewed along with the earnings release, both of which have been posted on our website at univar.com.

During this call, we will refer to certain non-GAAP financial measures, for which you can find the reconciliation to the comparable GAAP financial measures in our earnings release and the supplemental slide presentation.

As referenced on slide 2, we will make statements about our estimates, projections, outlook, forecasts or expectations for the future. All such statements are forward-looking and while they reflect our current estimates, they involve risks and uncertainties, and are not guarantees of future performance. Please see our SEC filings for a more complete listing of the risks and uncertainties inherent in our business and our expectations for the future.

On today's call, David will first provide an overview of our business performance in the quarter. Then, Carl will walk through our financial metrics, and David will close with an update on our announced acquisition of Nexeo.

With that, please turn to slide 3, and I'll now turn the call over to David for his opening remarks.

David C. Jukes

President, Chief Executive Officer & Director, Univar, Inc.

Thank you, David, and good morning, everyone. I'd like to spend some time on our performance in the quarter, but the really big news of the period that will significantly accelerate our growth trajectory was the announcements of our agreements to buy Nexeo Solutions. I can't adequately express my excitement for this deal and the abundant opportunities for growth that will come from it, but more of that later after Carl and I discuss our third quarter results.

As you saw in our report this morning, net income grew 28% in the third quarter to $50 million and GAAP earnings per share rose 25% to $0.35, while adjusted earnings per share rose 11% to $0.40. We had solid performance with double-digit adjusted EBITDA growth across all of our segments with the exception of Canada. Even there though, we saw double-digit growth in our core chemical distribution business, but encountered a greater than expected decline in market demand for crop protection chemicals, further compounded by the partial plant shutdown at one of our largest global customers. We expect both of these headwinds to be temporary.

Our adjusted EBITDA for the quarter grew 8% on a currency neutral basis and marks our eighth consecutive quarter of solid EBITDA growth and ninth consecutive quarter of EBITDA margin expansion since we began to execute our new strategic plan. We remain disciplined and prudent with our spending and leveraged our operating expenses, expanding our conversion ratio by 70 basis points.

While we've faced some unexpected headwinds during the quarter, the operational momentum in our business clearly demonstrates that our growth plan is working and we are executing well against the factors that are within our control. We used our strong operating cash flow to continue to strengthen our balance sheet by further reducing our leverage ratio, while continue to make high return investments in our business for future growth.

During the quarter, we saw demand environment that whilst stable is exhibiting some softness in certain markets. Our customers have expressed uncertainty as a result of trade and tariff concerns and inflationary pressures. We saw demand slowdown in September across a number of our markets which continued into early-October. Like many industrials, we're watching the market carefully and it's too early to call this a trend.

We've seen a number of periods like this in the past, where our customers go into wait-and-see mode for a short period of time before restocking their inventory. But with the small share we have of the $200 billion global chemical distribution market, we ought to be a company that can grow our business in any macroeconomic environment. Rising freight costs remain a challenge, one that we're addressing further.

As you may well know, we sell to our customers on a freight delivered basis. But I honestly think we need to do a better job of keeping pace with increases as we can't afford to absorb them. Accordingly, we've implemented additional price increases in October, and we're optimizing the mix of private fleets, dedicated carriers, and common carriers to reduce costs, while continuing to provide outstanding service to our customers.

With all that said, the good news is that our business model is asset-light, our cost base is more variable than fixed, and our working capital is countercyclical. We can be resilient and nimble in response to economic conditions, and are well-positioned to ride out any [indiscernible] (00:05:58) market, if it indeed develops. More importantly, with our transformation plan, we have multiple levers within our control to grow our business and create shareholder value. And our next chapter will provide even more value creation opportunities, as we integrate with Nexeo and reap the additional benefits that come with increased scale in our industry.

During the quarter, we advanced our USA transformation plan with clear signs of success, which I'll discuss in a moment. I have great confidence in our strategy and ability to execute, but there is still much more to do. As you've heard me say before, we're in the early innings and culture change is difficult and takes time. Whilst I'm impatient for it to move faster, it's equally as important to get it right. And the transformation is solid, sustained, and gathering momentum.

Our Sales Training Programs are working. Our Counselor Sales Program is now been attended by 86% of our sellers in the U.S. These sellers have seen a marked year-over-year increase in their average book of business, demonstrating the improvements in their effectiveness. We've also worked to improve the efficiency of our sellers. Since beginning of the year, we have more than doubled our average weekly calls to customers starting at around 2,000 per week to now running close to 4,500 a week. These increased touch points help us better understand our customers' needs and lead to more closed business.

We've taken steps to institutionalize the commercial disciplines needed to drive sustainable growth and delight our customer and supplier partners, and are holding weekly sales leader meetings to share ideas and sharpen our execution. Our pipeline of new opportunities continues to increase and we're winning new business. Our win/loss ratio is improving, but it's still not where it needs to and ultimately will be. We recognize that our sales force transformation whilst strong needs to move faster and we're making the adjustments to quicken our pace. We've made changes to our field leadership and have rolled out additional technology tools to help our sellers identify and capture new opportunities.

On the supplier side, we're encouraged by the number of new supplier partner authorizations we have secured in 2018 to enhance our growth rate in 2019. We are actively engaged in discussions with supplier partners, and have a healthy pipeline of potential new product line additions from people who really understand and value our differentiated consultative sales approach. You can expect to see additional announcements over the coming months.

Our operational execution is improving and it's helping us to work through a difficult freight environment. Although the labor market to commercial drivers remains tight, we have been able to consistently fill positions and are at our historical low for open roles. I want Univar to be a place where the best people want to work and this is especially true for our driver population who are an important part of our relationship with the customer.

In a tight market, Univar has been able to demonstrate that we're a company where drivers want to work. We operate a safe fleet. They get continuous on-the-job training, get to go home every night, and are highly-valued members of our team. That team is excited about the abundant growth opportunities we have in front of us and the progress we are making against our growth initiatives.

Now, let me turn the call over to Carl, who'll walk you through our third quarter results in detail.

Carl J. Lukach

Executive Vice President & Chief Financial Officer, Univar, Inc.

Thanks, David, and good morning, everyone. I'll begin on slide 4. In the third quarter, net income increased 28% to $50 million and GAAP earnings per share rose 25% to $0.35. Adjusted earnings per share of $0.40 grew 11% despite a headwind of $0.08 per share from a higher tax rate and additional pressure from FX translation rates. Outside of the adversely impacted quarter in Canada, our global business adjusted EBITDA grew double-digits. Our profitability per pound increased for the ninth quarter in a row, reflecting our strategy to improve our business mix. Gross profit growth combined with diligent cost management resulted in a conversion ratio increase of 70 basis points to 33.5%. And as David mentioned earlier, adjusted EBITDA margin improve for the ninth quarter in a row, increasing 10 basis points to 7.4% due to the good operating leverage.

Turning now to slide 5. Our balance sheet continues to strengthen. Net debt at quarter end was $2.5 billion, a reduction of $153 million versus the prior year. Gross debt principal has been reduced $361 million since September 2017 from repatriation of cash and efficient cash management resulting in lower cash interest expense. Our leverage ratio at quarter end was just under 3.9 times for our debt covenant calculation compared to 4.6 times at the third quarter of 2017. We continue to earn a superior return on investment. Our return on assets deployed increased 270 basis points to 24.6% from 21.9% a year ago. Other return on capital metrics like ROIC, CROCI, and our internal Univar value-added metric, all showed similar increases. We expect these metrics to continue to increase as we implement our plan.

Turning to our consolidated results on slide 6. Gross profit dollars increased 5% currency neutral to $469 million. Growth was the result of several factors, including sales force actions to win profitable business. Our new sellers continue to increase the value of their prospect pipeline, improve their execution, and are building relationships with valued customers. This can be attributed to the investments in training that David mentioned, and the redesigned and improved sales incentive plan that rewards them for their success. Disciplined targeted cost management generated good operating leverage to the bottom line as our conversion ratio increased in every segment except Canada. Operational productivity improvements are tracking well and we will reinvest these savings in high return investments for long-term value creation, especially in digitization.

Let me walk you through now each of our segments beginning with the USA on slide 7. We had another quarter of strong top line growth as revenues grew 9%, 7% came from higher average selling price and 2% from higher volumes. This was the second consecutive quarter of volume growth as our sales force matures and discovers new ways to add long-lasting value to our customers. Our USA win/loss ratio continued its gradual improvement in the third quarter and we are taking actions to quicken our pace. USA adjusted EBITDA grew healthy 10% to just under $100 million.

As in the second quarter, we saw strong market demand for our bulk chemical line of business led by caustic soda and hydrochloric acid. This resulted in an increased proportion of sales coming from our bulk chemical line of business compared to last year's third quarter. This mix shift led to a slight decline in gross margins compared to a year ago, but a 40-basis-point sequential improvement from second quarter this year. USA operating leverage remained strong as 80% of incremental growth in delivered gross profit dollars flowed through to adjusted EBITDA, and our conversion ratio increased 119 basis points to 34.2%. Our pipeline of new supplier authorizations continues to build and we look forward to grow from those authorizations in 2019 in our Focused Industries line of business.

Let's look at our results in Canada on slide 8. Adjusted EBITDA for the segment fell 24% or 18% currency neutral. In the industrial markets, our Eastern Canada business was the bright spot, and maintained its momentum with another strong quarter of double-digit growth supported by excellent sales force execution and higher margins. However, this growth was more than offset by the absence of recovery we expected in the weather disrupted agriculture market.

Early snow in Alberta and parts of the Central Plains significantly reduced late season demand for the usual fall treatments that farmers apply to protect their crops from weeds, fungus, and insecticides. This compounded the full inventory situation that exists across the ag supply chain in Canada from last year's drought conditions. We also had lower sales to one of our largest customers in Western Canada as a result of their temporary but significant partial plant shutdown. Reduced sales to this customer have continued into the fourth quarter.

On slide 9, Europe, Middle East, and Africa segment was our strongest growth region in the third quarter. Adjusted EBITDA grew 21% currency neutral as a result of double-digit growth in Focused Industries, favorable mix, and improved sales force execution. Reported growth in adjusted EBITDA was 15% reflecting the strengthening of the U.S. dollar against the euro. Delivered gross profit and EBITDA margins expanded as did our conversion ratio which improved 293 basis points to 33%. We see strong acceptance of our go-to-market strategy and are building on our momentum with new supplier authorizations and extensions.

Moving then to our Rest of the World (sic) [Rest of World] (00:17:03) segment on slide 10. We had strong core performance in the segment driven by growth in the Brazilian personal care and cosmetic markets, and increased profitability in our Asia Pacific operations. Adjusted EBITDA grew 13% on a currency neutral basis, but fell 2% on a reported basis due again to change in FX translation rates versus last year to reflect the stronger U.S. dollar. Gross margin improved 90 basis points due to favorable product and market mix, and our EBITDA margin grew 40 basis points to 9.1%.

Moving now to cash flow on slide 11. Cash flow in the quarter benefited from higher EBITDA and lower interest expense, pension contributions, CapEx, and other operating activity. Change in net working capital, however, was a cash outflow of $60 million compared to $32 million outflow last year. Our 13-month average net working capital as a percentage of sales increased sequentially from 12.7% to 12.9% primarily because of higher agriculture related net working capital in Canada. Excluding Canada agriculture, net working capital as a percentage of sales was 12.3%, in line with the third quarter last year. We are actively managing the increase in Canadian net working capital this year and continue to expect a $50 million to $100 million investment in working capital for the full year.

Turning to CapEx. We're lowering our CapEx outlook this year to $90 million from our prior guidance of $115 million as we adjust our investment plans, especially digital, in light of our Nexeo acquisition.

Moving on to taxes, our effective tax rate for adjusted EPS in the quarter was 28%, higher than last year due to a change in geographic mix of pre-tax income and utilization of net operating loss carryforwards in the prior year. The higher tax rate was a headwind of $0.08 per share in the quarter. For the full year, we continue to track towards the low $60 million in cash taxes for the year and expect that, for financial reporting purposes, our effective tax rate for adjusted EPS will be approximately 28%. Our strong free cash flow supports continued deleveraging, which will translate into lower interest expense and higher growth in adjusted earnings per share relative to revenue and EBITDA growth.

Let's turn then to our outlook for 2018 on slide 12. At the end of the third quarter, our company is much better positioned to deliver long-term sustainable growth than it was when we began executing our growth plan two years ago. Our sales force is maturing and securing new wins, new supplier authorizations are increasing, our digital footprint is expanding, and there is a high degree of accountability to execute. Year-to-date adjusted

EBITDA growth of 11% and adjusted earnings per share growth of 23%, however, will likely be dampened in the fourth quarter by lower Canadian results and foreign currency translation headwinds.

In addition, we are incorporating some of the early signs of softness we saw in September and October into our guidance. For the fourth quarter, we now expect adjusted EBITDA to be essentially flat with last year. As a result, we're revising our prior expectation for full year low-double-digit adjusted EBITDA growth to high-single-digit growth. And we're revising our outlook for adjusted earnings per share to approximately $1.60 per share, up $0.21 or 15% from last year, despite an expected $0.28 headwind from a higher tax rate. One last administrative point, I'd like to call to your attention that we filed SEC Form S-4 last Friday regarding our acquisition of Nexeo and we will file SEC Form 10-Q later this week.

With that, I'll turn it back to you, David.

David C. Jukes

President, Chief Executive Officer & Director, Univar, Inc.

Thanks, Carl. We're making significant strides in our journey to become the world's most valuable chemical and ingredient distributor. Each day, we're uncovering new market opportunities, making the right investments, finding ways to improve our cost productivity, and attracting the right people who want to grow their careers at Univar.

At our inaugural Investor Day 18 months ago, we presented you with the key elements of our plan to grow the value of Univar and become a 10% operating margin company. Since that time, we've executed successfully against many of those key elements. As we eagerly look forward to the near-term closing on Nexeo acquisition, unlocking the tremendous growth opportunities it brings, I'd like to outline for you where we stand today against that growth plan and how we intend to move forward.

First, we are a greatly improved company from our 2015 debut as a public company. As a result of our directional changes and clear market-focused strategy, we have extended our competitive advantages on our stronger business and have higher quality earnings. We have moved to a business model that augments our strength in commodities with specialty product offerings from the world's finest suppliers, providing deep industry and application expertise. We have a sales force that is energized, better trained, and properly incentivized.

Our business mix has significantly improved with overall profitability per pound nearly 20% higher than two years ago. We're capturing productivity and efficiency gains, and our conversion ratios are more than 80 basis points higher during that same period and tracking well with our targets we communicated to you. Our earnings and cash flow are advancing and more sustainable. Our balance sheet is stronger as our leverage ratio continues to decline and we're growing profitable share. Our global growth strategy is clearly defined and our regional action plans are aligned.

Secondly, while we've accomplished much, we remain focused on completing the plans we've been sharing with you over the past 18 months, and we have exceptional opportunities for further profit expansion through share gains, efficiency improvements, and further consolidation. But now, I'd like to spend some time on that hugely exciting development that we announced in the quarter that brings an extraordinary opportunity for our customers, suppliers, our people, and shareholders.

In September, we announced the signing of a definitive agreement to acquire Nexeo Solutions, a leading global distributor of chemicals and plastics. This truly synergistic combination will allow us to accelerate and accentuate the transformation of our company by combining our catalogs, our teams of industry experts, and our skilled sales forces. We will offer supplier partners the largest sales force in North America. We'll offer customers the very best service available.

We are highly confident that this acquisition will empower us to accelerate the remaining elements of our transformation. Together, we can extend our market reach, accelerate digital innovation to redefine the flow of information between the customer, Univar and our supplier partners, and leverage scale throughout our supply chain with significantly improved asset utilization.

With nearly 1,000 chemical and ingredient sellers, we can reach segments of the markets and service customers that we simply couldn't reach before. This is a powerful combination of benefits that will allow us to accelerate our drive for profitable growth. Since we announced the deal, I've spoken to many of our customers, suppliers and investors, who share my enthusiasm for the future opportunities that the combined organization will present.

Now, many CEOs talk about the synergy opportunities of acquisitions, but this truly is a unique opportunity to have a one plus one equals three combination that ensures we are well-positioned to go after the treasure chest of opportunities in this massive and still highly fragmented chemical and ingredient distribution market.

We are confident in capturing at least $100 million of net annual operating cost reductions, which is net of dis-synergies, and at least $15 million of annual CapEx savings. These bottom-up synergies were analyzed with a detail lens on a function by function basis. They are real and achievable. We did not use broad-based transaction averages, but rather broke down the synergy analysis into more than 10 different functional areas. We revised our savings estimates several times and feel very confident in our ability to achieve them.

Since the announcement, we created an Integration Management Office which is staffed with senior proven executives from both companies and augmented with outside advisers. Transition teams have been formed to ensure a smooth integration at close and synergy capture post close. We're taking the same position that we employed doing the due diligence and applying it to integration planning. Our integration planning efforts have three primary goals: day one readiness, value capture, and building our new company together utilizing the best of the best from both. Charters are written, detailed timelines have been developed, and we are well-positioned for a strong start. We anticipate closing the transaction during the first half of 2019, assuming we receive the approval of both Univar and Nexeo shareholders, receipts of regulatory approvals, and satisfaction of other customary conditions.

This acquisition will also accelerate the execution against our vision to establish Univar as the digital leader in chemical and ingredient distribution, moving from a highly manual company to becoming an agile, digitized, cost and service-efficient enterprise. And we've made good progress in digitizing our commercial interface with suppliers and customers. In an industry that is digitally immature, MyUnivar platform is industry leading, and our customer adoption and utilization is increasing every day. But our underlying systems need upgrading, if we are to truly leverage these platforms.

By acquiring Nexeo, we'll transition our business to Nexeo's more modern distribution optimized ERP system and thereby avoid a multiyear, arduous, costly and somewhat risky path to a new ERP system. With that complete, we'll be well-positioned to accelerate our digital plans and create sustainable competitive advantage. We will become the number one destination for digital content and commerce in our space, enabling us to enhance the Univar customer experience, making us the easiest to do business with. That will drive increased customer preference and customer loyalty, which in turn will accelerate our profitable growth.

We will likewise deliver a superior supplier experience providing the low cost of transactions for our supplier partners, unmatched market reach, and access to downstream market insights to provide superior supply chain solutions that act as an extension of their own supply chain. We'll automate and digitize our supply chain, decreasing cost per transaction, which will help our total OpEx as a percentage of sales. And we'll leverage new access to valuable data and insights to create new services and income streams. To us, the acquisition looks better every week. I've been delighted by the warm welcome that dealers received from both organizations, and the eagerness of the teams to take two good companies and build one truly great one. It's an exciting time to be at Univar.

As we look to the future, we are energized by the rich opportunities that lie before us in this massive and highly fragmented chemical industry. The growth and margin expansion opportunities for Univar have not changed nor have the fundamental elements of our strategy. We can and will continue to grow the profitability of our company, while simultaneously growing our market share, transforming not only our company, but also our industry. What has changed is the speed at which we can achieve that growth.

Thanks for your attention. And with that, we'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. David, you referenced some softening in your end markets. Can you discuss which end markets in particular, which geographies, and what are you seeing now that we're into November here?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Hi, David. Thanks for the question. Look, I think we saw across a number of markets, number of manufacturing markets, look at the coatings and adhesive markets, some softness. We saw strength in markets which should be strong right now, like personal care and food ingredients, and it was fairly broad-based across all regions. So, we're looking at that, we're recognizing that, we're hearing a bit of that from our suppliers as well. We're seeing them say that they saw a partial slowdown in September and October.

I mean, these things kind of happen from time to time. And I think with chemical prices at an all-time high – I don't know if all-time high, but very high right now, with inflation in the economy with money getting a little tighter, and with all the uncertainty that's going on in the marketplace, it's not unsurprising that customers choose to just buy a little less, just wait and see. No one wants to be left with their tanks full if the price goes down. So, I think we're seeing some of that. If you look at our average order size, our average order size is down a little. Our customers aren't, still customer numbers are good, but the average order size is down a little, and it is a bit spotty.

We have really good days and we have less good days. So, we've seen that, we're recognizing that, we're adjusting our business accordingly, but customers haven't stopped buying. We're not losing customers. Right now, they're just buying less. And again, we've seen this kind of thing before. It happens when product prices are high, inflation is in the system, and customers are uncertain about what the future is going to bring. They just – as

I said, no one wants to be left with their tanks full if the prices go down. So, we don't see anything extraordinary at the moment, it's just something we've observed on many occasions, and it's happening in September and into the early part of October.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Very good. And just on Canada, western agricultural activity, should this weakness bleed into 2019 as well, given elevated inventories?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

We don't think so in terms of the ag business. I think our expectations for the ag business will be for a more normalized season. I think we've seen the supply chain run outs through to 2018 from 2017 stock. The weather just hasn't been kind to what's in that ag business this year at all. So, we don't expect it to be an ongoing headwind. We wouldn't be planning for a bumper season, but we wouldn't expect that in the ag. In terms of the large customer that impacted us, I mean, it's one of our largest global customers. They've had a temporary shutdown of one of their units for mechanical reasons. So, the business hasn't gone away. And when that comes back up, we know we'll get that demand back and that will come back. So, we feel very positive about that as it feeds into our 2019 numbers.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Operator: Our next question comes from the line of Allison Poliniak from Wells Fargo. Your line is open.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities

Q

Hi, guys. Good morning.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Hi, Allison.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities

Q

David, I wanted to go back to your comment about the win/loss ratio. Maybe it was hard to tell if it's progressing as it should or maybe a little slower than you expected. And if it is, what's holding that back right now? What are the big issues on that win/loss ratio at this point?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Sure. So, I think if I look globally, our win/loss ratio is improving and I think it's contributing a lot to our double-digit growth in EMEA, 21% growth in EMEA; it's contributing a lot to that. So, we are seeing steady improvement. In the U.S., it's getting to be positive. It's not as fast as I would like. It really isn't as fast as I would like. So, I think we're a little off the pace, although, the strategy is clearly working. We are seeing an increase in the number of calls to customers. We are seeing growth from our sellers who have been through our training program and most of them have through the training program now. We are seeing growth in the pipelines. We are making some adjustments to the field sales and the field sales management, where we think the performance could be improved.

So, we're being – we're right on that. We're staying on top of that. The teams are absolutely laser-focused on that, because the win/loss ratio is a significant portion of the driver of top line growth for us for 2019 and beyond, but it is getting better. It just needs to pick up the pace. So, as I said, we've adjusted some of the managements in there. We're putting some new tools to help the sellers better identify the opportunities as they arise. So, we're using our AI investments to be able to predict where customers are going to be buying next, so we can be at the right place at the right time. But underlying that we have a much improved sales force who are growing their portfolio business and we've more than doubled the amounts of customer calls per week we're making, calls equal orders, that would drive the win/loss ratio to increase.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities

Q

Great. That's helpful. And then the second, obviously, the mix shift in the U.S. is a little less favorable at this point just given the progression of the sales force in, obviously, the industrial market. Just given the authorizations out there, do you have visibility when that shift should be more favorable on the gross profit side?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Yes. I mean we think that's going to come true in 2019. I think that we've said before there are a couple of things going on, there is our BCD business, our bulk chemical business, which is probably the most stable of our organization, it's the one that's had the least amount of sales turnover, has done very well this year. It's performed very well and we expect it to continue to perform well in 2019. And also, as you start to get confidence back from customers, customers are going to buy the more commoditized products before they buy the more specialty products, and the specialty ones take time to get specified into customers' formulations.

So, we think that shift will happen in the second half of – second quarter, third quarter of 2019. The new supplier authorizations we have will start to really feed through in 2019 in a substantive way. We think they'll add a couple of percent to top line growth next year. So, we're very confidence about then delivering that 2019 growth for us, but I'll again, we're just impatience at the pace that we're operating at right now. The strategy is clearly working. All the indicators tell us the strategy is clearly working. It just needs to pick up the pace.

Allison A. Poliniak-Cusic
Analyst, Wells Fargo Securities

Q

Great. Thanks so much.

Operator: Our next question comes from the line of Robert Koort with Goldman Sachs. Your line is open.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning. David, you mentioned that the sort of buying adjustment as you've seen many times. What would that tell you about the duration, and what are your daily sales trends showed you as you've gone through October and into November?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Hi, Bob. I mean, as I said earlier on, the daily sales are kind of up and down. Today was a good day. I've seen the numbers this morning. We open them every morning and decide whether we have a good mood or a bad mood for the day. We actually finished in September quite strongly. October started a little more sluggishly. And typically what these things – I think if it's a destocking, we'll see this feed through in January. We'll see things pick up again in January. I think people are – I, one man's view having been through this several times is this looks a lot like destocking rather than a fundamental disaster or recession.

It looks like a destocking program. And if that's the case, come quarter one, it will come back, and I see nothing to counter that view at the moment. If I look at it, our customers are still buying and all of them are still buying, but just buying a little less, and that's classically what happens when they're unsure about what's going to happen to price. And with price being pushed and inflation being pushed through all year and cash being tight, customers are managing their cash towards the year end as well. So, I'd expect this to come through this in quarter one. If quarter one turns out that it hasn't picked up, then there's something bigger going on, but right now, it looks a lot like destocking to me.

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Got it. And then, on your Nexeo transaction, how do you handicap or how many of your suppliers may not want to share their distributer with their competitors? In other words, is there going to be a meaningful dis-synergy where maybe a supplier chose Nexeo or Univar because one of their competitors was at the other distributor and so that's going to create some dis-synergy?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Sure. So, I mean a couple of things. I think firstly, I've been really, really encouraged by the reaction from customers and suppliers, and our people and investors to the Nexeo deal. It really is a transformational deal which will accelerate our growth. And I think it's – I'm just so excited for that deal and what it will do for our combined companies. We talked about $100 million in net synergies. We built into that some factors around what the dis-synergies might be from exactly what you've said, from suppliers who don't want to share and – or who have exclusive relationships one or with the other. And there's going to be some choices either on their part or our part about who we go with.

I mean overall, what we get is a much, much stronger portfolio, particularly in that home and industrial care business, particularly in the personal care business, and particularly in the metal treatment business, which really are value-added businesses where we'll have a great portfolio of suppliers now on a great offering. And I think that more compelling offering will encourage more supplies to stay with us than to leave. But we have factored that into our thinking, in that $100 million of net dis-synergies, and there's nothing I've seen so far that would give me any cause for alarm that we've got our maths wrong.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

I'll just add...

Robert Koort
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks very much.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Bob, this is Carl. I'll just add to that that we did that calculation not with some academic average from a consultant. It was bottom-up, supplier by supplier from both companies, and it was reviewed quite a number of times. So, we have a good degree of confidence in that factor on this deal.

Operator: Our next question comes from the line of Laurence Alexander with Jefferies. Your line is open.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Hi, guys. It's Dan Rizzo on for Laurence. Given the slower than...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Hi, Dan.

Daniel Rizzo
Analyst, Jefferies LLC

Q

How are you? Given the slower than expected...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

I'm fine. Thank you. How are you?

Daniel Rizzo
Analyst, Jefferies LLC

Q

I'm good. I'm good. Given the slower than expected improvement in win/loss ratio and the destocking headwinds that might left until the end of the year, I mean, what does that mean for the 2019 targets that you guys previously kind of laid out there, is it still attainable and is Nexeo part of that?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

So, yeah, let me address that. I mean, if you remember, when we laid out our Investor Day targets, we assumed stable economic growth and no commodity price inflation and small bolt-on acquisitions. And really what's changed since May of 2017, on the positive side, we haven't done small bolt-on, we've done a large transformational acquisition; on the downside, we've seen inflation come through, we've seen the freight market tightness, and now we're seeing this kind of destocking or patchy softness.

With that said, we continue to aggressively execute on our growth plan and we see our pathway to deliver 2019 results maybe at the lower end of what we set in our Investor Day target, but that's without the Nexeo acquisition. We expect conditions in Canada to normalize, and we expect those new supplier authorizations to flow through and add 2%, 3% to our top line growth, we expect the U.S. productivity to continue to deliver and to accelerate, and that win/loss ratio to feed through as well. We expect margin improvement from mix enrichment. We also intend to take steps to further increase our operating efficiency and our productivity in line with those financial targets. So, we can still see a pathway to those without Nexeo. If you add Nexeo in, what that means is, in May 2017, we talked about being a $1 billion EBITDA company, well, now we can get there faster.

Daniel Rizzo
Analyst, Jefferies LLC

Q

That's actually very helpful. Thank you very much. And then, just one another question, just what do you see as the run rate for noncash adjustments in 2019, that's before adjusting for Nexeo?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Well, I'm going to have that one to Carl.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Cash adjustments, you mean the items excluded from adjusted EBITDA, Dan?

Daniel Rizzo
Analyst, Jefferies LLC

Q

Yeah.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yeah. We're coming down the mountain since our IPO. We're at a run rate of $25 million to $35 million. It would be a good range to assume going forward, and it's taking into account restructuring, the acquisition cost on the small bolt-on. Those are the main items.

Daniel Rizzo
Analyst, Jefferies LLC

Q

$25 million to $35 million annually?

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yes. Yes, annually. And now that excludes the one-time cost that we talked about with the Nexeo transaction.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Right.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

We look at those over a three-year time period, roundly $150 million, but we expect to offset perhaps all of that with gains on asset sales and one-time improvements from working capital. So, net-net, zero at the end of the three years of integration.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Okay. Thank you very much.

Operator: Our next question comes from the line of Laurent Favre with Exane. Your line is open.

Laurent Favre
Analyst, Exane

Q

Yes. Good morning, guys. Two questions on my side. One is on – coming back to Canada. Can you remind us how big an anomaly would be in terms of delivered gross profit or gross profit versus what you think it will end up being in 2018? And the related question, I guess, is around the inventory levels. I think, David, you said that inventories were not that high, and therefore, we should assume an okay year for next year. But I'm a bit surprised, because earlier this year, I think there was an issue on the weather and basically there was no fungicide supply, and then you said that the later part of the season didn't happen. So, I'm surprised by your comment that inventories are low. Actually, that's the first question.

And the second question, I guess for Carl, on the CapEx reduction, you talked about the $25 million reduction related to the Nexeo, I suppose, IT capabilities. I think in the Nexeo slides, you talked about $15 million of savings around CapEx. So, I'm just wondering should we take the $15 million guidance up from the CapEx synergies on Nexeo or is it just that this year is a bit abnormal. Thank you.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Okay. Thanks, Laurent. Okay.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Sure. So, I mean, I think in a – we do normally expected EBITDA to increase in Canada by a couple of million dollars over last year's $25 million overall. And we ended up down $6 million in the quarter between ag and the customer shutdown. I mean, I think our ag business is overall something like 5% of our...

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Well, about a third of our annual sales in Canada.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Okay. It's about a third of our annual sales in Canada. So, that's how it is.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yeah. [indiscernible] (00:48:26) to the $8 million, about $8 million to $9 million, if you're trying to size, Laurent, the impact in the quarter of Canada...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Yeah. It's about an $8 million to $9 million impact.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

...yeah, $8 million to $9 million, call it, $0.04 a share of headwind...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Yeah.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

...in the quarter on top of the other headwinds we had, like taxes and FX.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

And so, that in terms of stock, I mean I think that we went into the year with stock from 2017. We haven't bought inventory or anything like the inventory in 2018 that we would normally do, because the sales as you rightly pointed out haven't been there. There have been sales, but it's at a much lower level, and it has been right throughout the season. So, right now, we're probably carrying a little higher inventory than we would normally do, but we would – all that means is, we're going to be buying a lot less when it comes to the new season. Now, throughout the supply chain, we're not seeing the supply chain completely stacked. So, I think that that's why we'd have a degree of confidence that we won't have another aberration in 2019 like we've had in 2018 in the ag business.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yeah.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

I mean it might not be a bumpy year, don't know yet, it depends on the weather.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yeah.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

But we don't expect it to be the aberration we've seen this year.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

I think a lot will also come down to what the farmers do, literally this quarter, in November and December. Those farmers that were in a climate zone that had a good season, there were some of that out there, maybe able to buy, pre-buy their product like they normally do, but those that had rough seasons may not. So, we're trying to judge the fourth quarter that way. A lot of the next year's buy will depend on how that shakes out.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.
A

Yeah. I think overall, though – I mean, I think we're really obviously massively disappointed by what's happened in the ag business and what's happened with our large customer. But I have to say, if I look at our core chemical distribution in Canada, it grew double-digits. So, the team there, they're a good strong team, executing on the plan really well. These exogenous events – I mean, they really hurt us. They really did. But I think fundamentally, the business there is strong and is sound, and delivered double-digit growth, and I think that's a great achievement.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

On your second question, Laurent, about CapEx, I think the two topics you're raising are separate. Let's take first the calendar year 2018 CapEx. We're reducing that outlook from $115 million down – as you said, the $25 million down to $90 million. That's coming from us stopping inflate projects, ones that have just started or would inflate, where we know we now have a different direction with the Nexeo acquisition. Some of them are...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.
A

Yeah. If you look at what the – the CapEx was done to go on a couple of things. One was continuing to maintain and improve the existing ERP system in the U.S. Clearly, we've stopped that right now. We don't need to do that anymore. The second piece was then around some continued advancements and enhancements to the digital MyUnivar catalog and we've paused that for the moment, because what we're going to have to do is morph that to a new ERP system some time very soon in – after the close of the deal. The good news is that the system is the same as Nexeo use already, so morphing across would be fairly straightforward, but it's no point building out the functionality, because some of it's going to be duplicative with what we're going to find over there.

So, our focus now moves to really taking that platform into the next region it can deliver in, which is EMEA. The great thing about the Nexeo acquisition bolted on to our ERP, our my digital – MyUnivar digital platform is not only does it provide customers an easier channel, but it will allow us to reduce our transaction costs and reduce our operating expenses significantly. And that's something which was proving to be difficult and would approve to be difficult on our existing ERP platform in the U.S. So, I think the $15 million that we put in there for the savings, the ongoing savings for the synergies, a good chunk of that is around not having as many sites to maintain, not having as many sites to invest in, not necessarily all IT CapEx investments.

Laurent Favre
Analyst, Exane
Q

That's great. Thank you.

Operator: Our next question comes from the line of Jim Sheehan with SunTrust. Your line is open.

Peter Osterland
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Good morning. This is Pete Osterland on for Jim.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Good morning, Pete.

Peter Osterland
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Does Nexeo's approach to logistics or securing carrier capacity significantly differ from where Univar is currently at? And are there any synergies that could help you with the currently challenging environment in the freight market?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

So, their approach isn't significantly different. But what the combined company will have is two things which will really add to our competitive advantage and make us – make our faith more in our own hands and controllable. Firstly, we'll have a greater density of business and greater density of customers through the sites that we have. As we consolidate some of the sites, it will allow a much greater density of customers. So, a much greater efficiency from our own fleet. Secondly, it adds 46% to our existing fleet capacity. So, we're going to get trucks and drivers which will increase our overall fleet capacity.

Right now, we're working very hard to manage more through our own fleets, and actually, we're starting to be able to do that to manage more freight through our own fleet. Why? Because it helps us control the controllables and that's what we're really focused on particularly in this – in challenging freight market, we need to control the controllables better. So, I don't think they do anything very different, but I think the density of customers, the route density then for trucks, and a truck fleet nearly half as big as we have already will really add to our competitive advantage in that space.

Peter Osterland
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Great. Thanks. And then, how does the merger impact your strategy around improving your specialty product mix? Are there any areas you could call out where you see revenue growth synergies?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Well, I think that the acquisition of Nexeo is entirely in line with our strategy. It fits exactly with our strategy of really improving the quality of our earnings, improving our operational effectiveness, and growing in those differentiated chemistries. Nexeo come with some really interesting suppliers that when you combine them with our suppliers give us great strength in terms of product portfolio and a really compelling value proposition for customers, particularly in personal care, particularly now in home and industrial care and detergency, particularly in metal treatments and finishing, and I think also in the coatings and adhesives space. So, it brings a richer portfolio of catalogs there. It brings more sellers into those, so allows us to reach deeper into those markets. And we can combine our technical capabilities. They have some great lab capabilities that we can combine with ours to really improve the value proposition there as well. So, I think it helps massively.

Don't forget, the combined company is going to have just under 1,000 sellers in North America, which is going to be the largest sales force of any distributor in this marketplace. That just allows us to prospect for more business, reach into parts of the marketplace we couldn't get to before, I'd say that then omni-channel approach with our increased and improved teleselling, telemarketing and digital channels, I think that we can really reach more into the marketplace than we ever could, and that will really help us accelerate sales growth. But combining those catalogs, combining those sellers, combining that technical and application development lab support, really makes us a much more compelling supplier into some of those key industry verticals that we're focused on.

Peter Osterland
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Operator: Our next question comes from the line of Duffy Fischer with Barclays. Your line is open.

Michael Leithead
Analyst, Barclays Capital, Inc.

Q

Hey, guys. It's Mike Leithead on for Duffy this morning. I was hoping...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Hey, Mike.

Michael Leithead
Analyst, Barclays Capital, Inc.

Q

Good morning. I was hoping maybe you could just talk about your customer or supplier concentration? I guess I was a little surprised to see that much of a dent from one customer's partial plant outage in Canada. So, maybe you could highlight how much of your sales or EBITDA comes from the top three or five customers in each region?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Yeah. I'm not sure I can give you that off the top of my head. We can do that in a follow-up.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Yeah.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

But I'm not sure I can give you that off the top of my head. I mean, I think generally speaking, we have lots and lots and lots and lots of customers, and none of them significant in – I mean this happens to be one of our largest global customer, and yes, its impact is material to the Canadian business, and then couple that with the ag, and it hurts us overall. I think just on its own, it wouldn't have hurt us too much. But I mean globally, our top 10 customers are about 10% of our sales. That's a pretty broad spread of business that we have and a pretty broad spread of products that we have with those customers. But I mean, the strength of the business, the robustness of the business overall is we have tens of thousands of small, medium-sized customers.

Michael Leithead
Analyst, Barclays Capital, Inc.

Q

Got it. That's helpful. And then, just on the freight and logistics inflation that you've called out in the quarter, could you maybe touch on two or three things you're doing to help manage that headwind?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Yeah. Sure. I mean, I'm not happy with where we are on freight. I think it's – we have a lag in passing along freights and freight surcharges. So, I don't think we've been on pace with it and doesn't make me very happy. Tactically, we've raised prices again in October. So, that's one thing we've done. Strategically, as I said before, we're working to utilize our internal fleet more. We have dedicated resources to that now. So, we're now making much greater use of our internal fleet, which is a lower cost option for us, but also allows us to control the controllables much better.

Michael Leithead
Analyst, Barclays Capital, Inc.

Q

Great. Thank you.

Operator: Our next question comes from the line of Kevin McCarthy with Vertical Research. Your line is open.

Matthew DeYoe
Analyst, Vertical Research Partners LLC

Q

Good morning. It's Matt on for Kevin.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Good morning, Matt.

Matthew DeYoe
Analyst, Vertical Research Partners LLC

Q

Good morning. So, revenues in North America I think grew about 8%, but if I'm not correct I think comps were fairly easy to do with Hurricane Harvey last year. So, what were volumes in North America in 3Q?

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

Well, we saw in the third quarter our second consecutive quarter of profitable volume growth. So, volume was up 2% in the quarter which is, as I said, the second consecutive quarter of profitable volume growth. Our win/loss ratio trended – tended towards the positive again. So, I think there's underlying things which make us happy that we got a 10% EBITDA growth in the U.S.

Matthew DeYoe
Analyst, Vertical Research Partners LLC

Q

Yeah.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

And then to go to North America, Matt. Canadian volumes were down 10% for the quarter...

Matthew DeYoe
Analyst, Vertical Research Partners LLC
Q

Okay.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

...and that reflects the ag...

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.
A

The ag and the lost customer.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

...and the customer. So, if you put that to the side, in Eastern Canada, the industrial markets, our volumes were in line with USA [ph] of course (01:01:26).

Matthew DeYoe
Analyst, Vertical Research Partners LLC
Q

Yeah. Sorry, I misspoke a little bit on – I guess I said North America, I think I meant USA. But that clarifies it. And then, on the ongoing logistics inflation, just to maybe tap one more time on it. I mean, do you have any numbers that you can give us on the magnitude of the net cost price headwinds that you're seeing here? And you mentioned lags in the surcharges. You announced one in May. Is that fully implemented by now? You announced another one in October. When should we expect that to be fully implemented? Like, can we get a little bit more idea around how these lags time out and when we should start to see them recover in the financials?

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.
A

Let me – I think I heard you asked about product inflation first and then freight, no.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.
A

No, I think...

Matthew DeYoe
Analyst, Vertical Research Partners LLC
Q

All logistics, all logistics inflation. So, I guess, the net cost price headwind being, i.e., cost you're taking in versus prices you're trying to push through.

Carl J. Lukach
Executive Vice President & Chief Financial Officer, Univar, Inc.

A

Okay. So, with diesel fuel up 25%-ish in the quarter, our cost for unit of delivery per pound was up in the USA about 9%, 9% compared to last year, that's a mix of third-party freight and our own fleet. So, that takes into account that over half of that freight cost is internal fleet with our own drivers and more of the inflation has been on the 3PL side.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

But I think to give you a bit of comfort, let me tell you – let me say three things. Firstly, we're not happy. So, we're not trying to defend it. Secondly, we have been successful in recruiting drivers. We have the lowest number of vacancies we've had for drivers. So, we now have more drivers available for our own fleet. And thirdly, we're managing our own fleet better. We've dedicated resources to manage our own fleet better, because albeit, we've had a 25%-ish increase in diesel and albeit we've had a driver wage inflation as well.

Putting products on to third-party is a more expensive route than putting it onto our own fleet. The more we can work our own fleet and sweat our own fleet, the more cost efficient we can become, and we started to improve on that. We got better on that through October. We'll continue to get better on that. We monitor that weekly. So, we're looking at that and that's really how we intend to remain competitive and as to get competitive advantage in this tricky freight environment.

Matthew DeYoe
Analyst, Vertical Research Partners LLC

Q

Sure. And I appreciate that. I guess margins were uneven particularly in the U.S., but actually a little bit better than we were looking for. So, I don't necessarily view it as a huge headwind versus our numbers on the quarter. I'm just wondering if you announced the surcharge in October 1, does that kind of effective immediately or does that take time for that to take action, take course, and for us to see it in the financials.

David C. Jukes
President, Chief Executive Officer & Director, Univar, Inc.

A

So, it depends – so, not all of it will go immediately, some customers – some of the larger corporate accounts would probably have a 30 days grace on that. So, you'd see a part of that feed through in October, you'd see a part of that feed through in November. But by the end of November, you should see all of that.

Matthew DeYoe
Analyst, Vertical Research Partners LLC

Q

All right. That's helpful. I appreciate it.

Operator: There are no further questions at this time. I'll now turn it back over to David Lim.

David Lim
Vice President-Corporate Development & Investor Relations, Univar, Inc.

Thank you, ladies and gentlemen, for your interest in Univar. This does conclude today's call. If you have any follow-up questions, please reach out to the Investor Relations team and have a great day.

Operator: This concludes today's conference call. You may now disconnect.