



Nexeo Solutions Reports Fourth Quarter and Fiscal Year 2018 Financial Results

December 5, 2018

Fiscal Year 2018 Highlights (Versus Fiscal Year 2017)

- Revenue growth of 11%, driven by specialty growth and disciplined price execution in an inflationary environment
- Net income for the year was \$29.4 million, or \$0.38 per diluted share. Adjusted net income was \$57.0 million, or \$0.74 per diluted share
- Record full year gross profit of \$460.1 million increased 15.5% from prior year
- Record full year adjusted EBITDA of \$209.0 million increased 13.2% from prior year
- Net leverage of 3.5x, a decrease from 4.3x last year and 3.9x last quarter

THE WOODLANDS, Texas, Dec. 05, 2018 (GLOBE NEWSWIRE) -- Nexeo Solutions, Inc. (NASDAQ:NXEO) (the "Company" or "Nexeo Solutions"), today announced its consolidated financial results for the three months and twelve months ended September 30, 2018.

David Bradley, President and Chief Executive Officer of Nexeo Solutions stated, "Through the determination and resolve of our team, this year we achieved record levels of profitability. We have once again demonstrated the power of our business model, underpinned by our centralized operating platform, to deliver differential results. We believe the pending merger with Univar will demonstrate our system's scalability and power, enabling the combined entity to deliver industry-leading growth."

Sales and operating revenues were \$1,017.2 million and \$981.7 million for the three months ended September 30, 2018 and September 30, 2017, respectively. The increase in revenues was primarily attributable to an increase in average selling prices of 13.1% across all segments in all regions largely due to an inflationary pricing environment and a shift in portfolio mix to products with higher average selling prices. The increase was partially offset by an 8.7% decrease in volumes as well as a decrease of approximately \$5.3 million resulting from the weakening of exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year.

Gross profit was \$117.3 million and \$109.1 million for the three months ended September 30, 2018 and September 30, 2017, respectively. Gross profit increased primarily due to a favorable shift in product mix and continued specialty supplier growth. The increase in gross profit was partially offset by a decrease of approximately \$0.5 million resulting from the weakening of exchange rates of various currencies versus the USD compared to the same period in the prior fiscal year.

The Company reported a net loss of \$15.0 million for the three months ended September 30, 2018 and net income of \$13.6 million for the three months ended September 30, 2017. Adjusted EBITDA was \$53.5 million and \$52.7 million for the three months ended September 30, 2018 and September 30, 2017, respectively. For a description of adjusted EBITDA and a reconciliation to its most comparable GAAP financial measure, please read "Non-GAAP Financial Measures".

Fourth Quarter 2018 Performance

The results of the Company's operating performance are described below and, unless otherwise indicated, are a comparison of the three months ended September 30, 2018 with the three months ended September 30, 2017.

	Three Months Ended September 30,		Period Over Period		
	2018	2017	\$ Change	% Change	
Chemicals					
Sales and operating revenues	\$ 489.9	\$ 455.9	\$ 34.0	7.5	%
Gross profit	62.7	58.0	4.7	8.1	%
Plastics					
Sales and operating revenues	488.3	491.3	(3.0)	(0.6))%
Gross profit	47.9	42.3	5.6	13.2	%
Other					
Sales and operating revenues	39.0	34.5	4.5	13.0	%
Gross profit	6.7	8.8	(2.1)	(23.9))%
Consolidated					
Sales and operating revenues	1,017.2	981.7	35.5	3.6	%
Gross profit	117.3	109.1	8.2	7.5	%

Segment Highlights

Chemicals - Sales and operating revenues for the Chemicals line of business were \$489.9 million and \$455.9 million for the three months ended September 30, 2018 and September 30, 2017, respectively. The revenue increase was primarily attributable to a 13.9% increase in average selling prices largely as a result of an inflationary pricing environment and increased specialty product mix. This increase was partially offset by a decrease in volumes of 5.7% due to lower demand and specialty product supply constraints. Disciplined commercial execution to balance price and volume

resulted in the lower volumes, but yielded higher average selling prices.

Gross profit was \$62.7 million and \$58.0 million for the three months ended September 30, 2018 and September 30, 2017, respectively. Gross profit increased from a favorable shift in product mix, the addition of new specialty suppliers and strong commercial execution.

Plastics - Sales and operating revenues for the Plastics line of business were \$488.3 million and \$491.3 million for the three months ended September 30, 2018 and September 30, 2017, respectively. The revenue decrease was due to a decrease in volumes of 12.4% from the shedding of low margin business in North America and EMEA, as well as a decrease of approximately \$4.3 million resulting from the weakening exchange rates of various currencies versus the USD compared to the same period in the prior fiscal year. This decrease was partially offset by an increase in average selling price of 13.4% attributable to an inflationary pricing environment.

Gross profit was \$47.9 million and \$42.3 million for the three months ended September 30, 2018 and September 30, 2017, respectively. Gross profit increased primarily due to a favorable shift in product mix and strong commercial execution. The increase in gross profit was partially offset by a decrease of approximately \$0.4 million resulting from the weakening of exchange rates of various currencies versus the USD compared to the same period in the prior fiscal year.

Other - Sales and operating revenues for the Other segment were \$39.0 million and \$34.5 million for the three months ended September 30, 2018 and September 30, 2017, respectively. The increase in revenues was primarily due to growth in onsite services to existing customers.

Gross profit was \$6.7 million and \$8.8 million for the three months ended September 30, 2018 and September 30, 2017, respectively. The decrease was primarily due to a shift in service mix to lower margin business compared to the same period in the prior fiscal year.

Nexeo Solutions to Hold Earnings Conference Call

The Company will hold a conference call to discuss its fourth quarter and fiscal year 2018 earnings on Thursday, December 6, 2018 at 9:00 a.m. CT (10:00 a.m. ET). To participate in the conference call by telephone, please call one of the following telephone numbers and reference the below access passcode 10 minutes prior to the scheduled start time:

- Domestic: +1.844.412.1004
- International: +1.216.562.0451
- Passcode: 2695293

The conference call and presentation will also be broadcast live via the Internet. You may listen by accessing the Investor Relations section of the Company's website at www.nexeosolutions.com. You should connect to the website at least 15 minutes prior to the conference call to register, download and install any necessary audio software to ensure a successful user experience.

If you are unable to participate, a replay of the conference call will be available on December 6, 2018, beginning at 12:00 p.m. CT (1:00 p.m. ET), through December 13, 2018. The phone number for the conference call replay is +1.855.859.2056 (Domestic) or +1.404.537.3406 (International). The access passcode is 2695293. Additionally, the recorded conference call will be accessible through the Investor Relations section of the Company's website at www.nexeosolutions.com.

All individuals listening to the conference call or the replay are reminded that all conference call material is copyrighted by the Company and cannot be recorded or rebroadcast without the Company's express written consent.

Non-GAAP Financial Measures

Adjusted EBITDA and adjusted net income were derived based on methodologies other than in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company's management has included these measures because they believe they are indicative of the Company's operating performance, are used by investors and analysts to evaluate the Company and can facilitate comparisons across periods. As presented by the Company's management, these measures may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA and adjusted net income should be considered in addition to, not as a substitute for, financial measures presented in accordance with GAAP. Moreover, certain non-GAAP financial measures as presented for financial reporting purposes herein may differ from similarly titled measures in the applicable covenants in our credit facilities.

The Company evaluates performance on the basis of adjusted EBITDA, which it defines as its consolidated net income (loss), plus the sum of interest expense, net of interest income, income tax expense (benefit), depreciation, amortization, other operating expenses, net (which primarily consists of acquisition and integration-related expenses, employee stock-based compensation expense and other restructuring and transformational expenses), impairment charges, loss on extinguishment of debt and other income (expense), net, gains and losses on foreign currency transactions, debt refinancing costs and other non-operating activity. Management believes that adjusted EBITDA is indicative of the Company's operating performance and that it is used by investors and analysts to evaluate companies with similar capital structures. The Company believes that adjusted EBITDA is an important indicator of operating performance because:

- adjusted EBITDA excludes the effects of income taxes, as well as the effects of financing and investing activities by eliminating the effects of interest, depreciation and amortization;
- the Company uses adjusted EBITDA in setting performance incentive targets;
- the Company considers gains (losses) on the acquisition, disposal and impairment of assets as resulting from investing decisions rather than ongoing operations; and
- other significant one-time items, while periodically affecting the Company's results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of its results.

The Company evaluates performance on the basis of adjusted net income, which it defines as its consolidated net income (loss), plus the change in fair value of contingent consideration obligation net of tax impact. Contingent consideration is comprised of two components, the Deferred Cash Consideration and the Tax Receivable Agreement ("TRA"), which have a non-cash impact and can change significantly quarter to quarter dependent

on key valuation inputs. In order to estimate the fair value of the Deferred Cash Consideration, the Company estimates the value of the Excess Shares using a Monte Carlo simulation model with the market price of the Company's common stock at each valuation date being a significant input to this model. Unobservable inputs to the valuation are the expected volatility during the applicable period as well as a marketability discount to reflect the illiquidity of the Excess Shares given their terms. The Company estimates the fair value of the liability for the contingent consideration related to the TRA based on a discounted cash flow model which incorporates assumptions of projected taxable income, projected income tax liabilities and an estimate of tax benefits expected to be realized as a result of the Business Combination. Key inputs to the valuation are prevailing tax rates and market interest rates impacting the discount rate. Management believes that adjusted net income is indicative of the Company's operating performance and that it is used by investors and analysts to evaluate companies with similar capital structures. The Company believes that adjusted net income is an important indicator of operating performance because:

- adjusted net income excludes the effects of the change in fair value of contingent consideration obligation net of tax impact, which have a non-cash impact and can change significantly quarter to quarter dependent on key valuation inputs.

A reconciliation of adjusted EBITDA and adjusted net income to net income (loss) from continuing operations for Nexeo Solutions, Inc. and Subsidiaries, the most comparable GAAP financial measure, is included at the end of this release.

About Nexeo Solutions, Inc.

Nexeo Solutions is a leading global chemicals and plastics distributor, representing products from world-class producers to a diverse customer base. From product specification to sustainable solutions, the Company goes beyond traditional logistics to provide value-added services across many industries, including chemicals manufacturing, oil and gas, coatings, personal care, healthcare, automotive and 3D printing. The Company leverages a centralized technology platform to identify efficiencies and create solutions to unlock value for suppliers and customers. Learn more at www.nexeosolutions.com.

Forward-Looking Statements

This press release contains statements related to the Company's future plans and expectations and, as such, includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those statements that are based upon management's current plans and expectations as opposed to historical and current facts and are often identified in this press release by use of words including but not limited to "may," "believe," "will," "project," "expect," "estimate," "anticipate," and "plan." Although the forward-looking statements contained in this press release reflect management's current assumptions based upon information currently available to management and based upon that which management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual results, performance prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: the Company's ability to achieve projected cost savings; consolidation of the Company's competitors; increased costs of products the Company purchases and its ability to pass on cost increases to its customers; disruptions to the supply of chemicals and plastics that the Company distributes or in the operations of the Company's customers; the Company's significant working capital requirements and the risks associated with maintaining large inventories; any disruptions to the Company's ERP system; the Company's ability to meet the demands of the Company's customers on a timely basis; risks and costs related with operating as a stand-alone company; risks related to the Company's supplier and customer contracts; risks related to the Company's substantial indebtedness; changes in state, federal or foreign laws affecting the industries in which we operate; the Company's ability to comply with any new and existing environmental and other laws and regulations; and general business and economic trends in the United States and other countries, including uncertainty as to changes and trends. The Company's future results will depend upon various other risks and uncertainties, including the risks and uncertainties discussed in the Company's SEC filings, including in the sections entitled "Risk Factors" in such SEC filings.

FOR FURTHER INFORMATION PLEASE CONTACT

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Nexeo Solutions, Inc. and Subsidiaries

Consolidated Balance Sheets

(in millions, except share amounts and par value)

	September 30, 2018	September 30, 2017
Current Assets		
Cash and cash equivalents	\$ 58.9	\$ 53.9
Accounts and notes receivable (net of allowance for doubtful accounts of \$4.2 million and \$2.2 million, respectively)	607.8	597.4
Inventories	338.8	315.5
Income taxes receivable	5.9	3.4
Other current assets	17.3	19.8
Total current assets	1,028.7	990.0
Non-Current Assets		
Property, plant and equipment, net	284.9	316.1
Goodwill	699.9	703.0
Other intangible assets, net of amortization	211.6	231.5

Deferred income taxes	2.3	2.3
Other non-current assets	16.2	10.6
Total non-current assets	1,214.9	1,263.5
Total Assets	\$ 2,243.6	\$ 2,253.5

Current Liabilities

Short-term borrowings, current portion of long-term debt and capital lease obligations	\$ 47.7	\$ 51.1
Accounts payable	380.1	384.2
Accrued expenses and other liabilities	67.2	58.4
Due to related party pursuant to contingent consideration obligations	14.7	12.5
Income taxes payable	2.9	3.2
Total current liabilities	512.6	509.4

Non-Current Liabilities

Long-term debt and capital lease obligations, less current portion, net	752.4	794.0
Deferred income taxes	30.7	34.9
Due to related party pursuant to contingent consideration obligations	122.8	127.7
Other non-current liabilities	10.6	9.9
Total non-current liabilities	916.5	966.5
Total Liabilities	1,429.1	1,475.9

Commitments and contingencies

Equity

Preferred stock, \$0.0001 par value (1,000,000 shares authorized, none issued and outstanding as of September 30, 2018 and September 30, 2017)	—	—
Common stock, \$0.0001 par value (300,000,000 shares authorized, 89,747,062 shares issued and 89,727,546 shares outstanding as of September 30, 2018 and 89,353,641 shares issued and 89,344,065 shares outstanding as of September 30, 2017)	—	—
Additional paid-in capital	771.5	764.4
Retained earnings	34.2	4.8
Accumulated other comprehensive income	9.0	8.5
Treasury stock, at cost: 19,516 and 9,576 shares as of September 30, 2018 and September 30, 2017	(0.2) (0.1
Total equity	814.5	777.6
Total Liabilities and Equity	\$ 2,243.6	\$ 2,253.5

Nexeo Solutions, Inc. and Subsidiaries
Consolidated Statements of Operations
(in millions, except share amounts and par value)

Fiscal Year Ended September 30,

	2018	2017
Sales and operating revenues	\$ 4,034.2	\$ 3,636.9
Cost of sales and operating expenses	3,574.1	3,238.5
Gross profit	460.1	398.4
Selling, general and administrative expenses	352.6	312.9
Transaction related costs	2.8	1.9
Change in fair value of contingent consideration obligations	7.5	16.2
Operating income	97.2	67.4
Other income, net	1.0	8.3
Interest income (expense)		
Interest income	0.5	0.3
Interest expense	(52.6) (51.1
Net income before income taxes	46.1	24.9
Income tax expense	16.7	10.5
Net income	\$ 29.4	\$ 14.4
Net income per share available to common stockholders		
Basic	\$ 0.38	\$ 0.19
Diluted	\$ 0.38	\$ 0.19
Weighted average number of common shares outstanding		

Basic	76,803,187	76,752,752
Diluted	76,909,547	76,839,810

Nexeo Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in millions)

	Fiscal Year Ended September 30,	
	2018	2017
Cash flows from operations		
Net income	\$ 29.4	\$ 14.4
Adjustments to reconcile to cash flows from operations:		
Depreciation and amortization	74.9	73.1
Debt issuance costs amortization, debt issuance costs write-offs and original issue discount amortization	4.5	4.1
Provision for bad debt	1.9	(0.2)
Impairment charge due to natural disasters	—	1.5
Deferred income taxes	(6.9)	2.2
Equity-based compensation expense	7.1	5.5
Change in fair value of contingent consideration obligations	7.5	16.2
(Gain) loss from sales of property and equipment	(0.5)	0.2
Gain related to reimbursements of certain capital expenditures incurred	—	(8.1)
Changes in assets and liabilities:		
Accounts and notes receivable	(16.8)	(101.9)
Inventories	(25.8)	14.4
Other current assets	2.0	5.6
Accounts payable	(2.0)	43.7
Accrued expenses and other liabilities	12.3	6.1
Changes in other operating assets and liabilities, net	1.1	1.8
Net cash provided by operating activities	88.7	78.6
Cash flows from investing activities		
Additions to property and equipment	(18.6)	(27.6)
Proceeds from the disposal of property and equipment	3.4	0.6
Proceeds from reimbursement for certain capital expenditures incurred	—	8.4
Cash paid for asset and business acquisitions	(11.0)	(65.6)
Net cash used in investing activities	(26.2)	(84.2)
Cash flows from financing activities		
Cash paid to TPG related to TRA	(10.2)	—
Proceeds from short-term debt	54.6	40.6
Repayments of short-term debt	(56.1)	(39.3)
Proceeds from issuance of long-term debt	690.6	773.8
Repayments of long-term debt and capital lease obligations	(735.5)	(762.0)
Payments of debt issuance costs	(0.8)	(1.3)
Net cash provided by (used in) financing activities	(57.4)	11.8
Effect of exchange rate changes on cash and cash equivalents	(0.1)	0.2
Increase in cash and cash equivalents	5.0	6.4
Cash and cash equivalents at the beginning of the period	53.9	47.5
Cash and cash equivalents at the end of the period	\$ 58.9	\$ 53.9
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 48.2	\$ 46.1
Cash paid during the period for taxes (net of refunds)	\$ 20.9	\$ 6.9
Supplemental disclosure of non-cash investing activities:		
Non-cash capital expenditures	\$ 1.8	\$ 17.3
Non-cash intangible assets acquired	\$ —	\$ 3.7
Supplemental disclosure of non-cash financing activities:		
Non-cash capital lease obligations, net	\$ 0.3	\$ 15.3

Nexeo Solutions, Inc. and Subsidiaries
Segment Information
(in millions)

	Fiscal Year Ended September 30,	
	2018	2017
Chemicals		
Sales and operating revenues	\$ 1,904.5	\$ 1,667.2
Gross profit	248.0	205.6
Plastics		
Sales and operating revenues	1,980.0	1,841.7
Gross profit	186.4	167.2
Other		
Sales and operating revenues	149.7	128.0
Gross profit	25.7	25.6
Consolidated		
Sales and operating revenues	4,034.2	3,636.9
Gross profit	460.1	398.4

Nexeo Solutions, Inc. and Subsidiaries
Adjusted Net Income Reconciliation
(Unaudited, in millions except per share data)

	Fiscal Year Ended September 30,			
	2018		2017	
	Amount	Per Share	Amount	Per Share
Net income	\$ 29.4	\$ 0.38	\$ 14.4	\$ 0.19
Change in fair value related to contingent consideration obligations	7.5	0.10	16.2	0.21
Management add-backs ⁽¹⁾	17.4	0.23	10.6	0.14
Transaction related costs ⁽²⁾	2.8	0.04	1.9	0.02
Non-recurring tax adjustment	1.4	0.02	—	—
Estimated net tax impact	(1.5)	(0.02)	0.9	0.01
Adjusted net income	\$ 57.0	\$ 0.74 *	\$ 44.0	\$ 0.57

Note: Per share amounts based on diluted shares

*Per share amount does not equal the total due to rounding

⁽¹⁾ Management adjustments associated with integration, restructuring, transformational activities and asset impairments

⁽²⁾ Includes professional and transaction costs related to acquisitions and other business combination related items

Nexeo Solutions, Inc. and Subsidiaries
Adjusted EBITDA Reconciliation
(Unaudited, in millions)

	Three Months Ended September 30,		Fiscal Year Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (15.0)	\$ 13.6	\$ 29.4	\$ 14.4
Interest expense, net	13.3	13.0	52.1	50.8
Income tax expense	1.1	6.5	16.7	10.5
Depreciation and amortization	17.3	19.6	74.9	73.1
Other operating expenses, net ⁽¹⁾	36.8	—	35.9	35.8
Adjusted EBITDA	\$ 53.5	\$ 52.7	\$ 209.0	\$ 184.6

⁽¹⁾ See Other Operating Expenses, Net table for additional detail

Nexeo Solutions, Inc. and Subsidiaries
Other Operating Expenses, Net
(Unaudited, in millions)

	Three Months Ended September 30,		Fiscal Year Ended September 30,	
	2018	2017	2018	2017
Management add-backs ⁽¹⁾	\$ 9.0	\$ 2.5	\$ 17.4	\$ 10.6

Change in fair value related to contingent consideration obligations	22.2	(3.6)	7.5	16.2
Foreign exchange (gains) losses, net ⁽²⁾	1.1	(0.6)	1.1	0.6
Compensation expense related to management equity plan (non-cash)	1.8	1.3		7.1	5.5
Inventory step up	—	(0.2)	—	1.0
Transaction related costs ⁽³⁾	2.7	0.6		2.8	1.9
Other operating expenses, net	\$ 36.8	\$ —		\$ 35.9	\$ 35.8

⁽¹⁾ Management adjustments associated with integration, restructuring, transformational activities and asset impairments

⁽²⁾ Includes the impact of net realized and unrealized foreign exchange gains and losses related to transactions in currencies other than the functional currency of the respective legal entity for the purpose of evaluating the Company's performance and facilitating more meaningful comparisons of performance to other fiscal periods

⁽³⁾ Includes professional and transaction costs related to acquisitions and other business combination related items



Source: Nexeo Solutions, Inc.