Univar Inc.
Form 10-Q
August 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-37443

Univar Inc.
(Exact name of registrant as specified in its charter)

Delaware	26-1251958
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3075 Highland Parkway, Suite 200 Downers Grove, Illinois	60515
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (331) 777-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

At July 25, 2017, 140,617,059 shares of the registrant's common stock, $0.01 par value, were outstanding.

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PART I.
FINANCIAL INFORMATION

Item 1. Financial Statements

Univar Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in millions, except per share data)	Note	2017	2016	2017	2016
Net sales		$2,247.0	$2,262.5	$4,245.8	$4,261.5
Cost of goods sold		1,780.6	1,817.1	3,340.0	3,385.8
Gross profit		$466.4	$445.4	$905.8	$875.7
Operating expenses:					
Outbound freight and handling		71.9	73.3	142.9	144.6
Warehousing, selling and administrative		233.6	223.9	459.7	448.8
Other operating expenses, net	4	24.2	11.5	44.0	17.0
Depreciation		34.1	38.0	70.0	71.5
Amortization		16.5	23.3	33.2	45.3
Total operating expenses		$380.3	$370.0	$749.8	$727.2
Operating income		$86.1	$75.4	$156.0	$148.5
Other (expense) income:					
Interest income		0.8	1.0	1.7	1.9
Interest expense		(36.6)	(41.4)	(73.3)	(82.9)
Loss on extinguishment of debt		—	—	(0.8)	—
Other (expense) income, net	6	(11.7)	5.7	(20.8)	(7.7)
Total other expense		$(47.5)	$(34.7)	$(93.2)	$(88.7)
Income before income taxes		38.6	40.7	62.8	59.8
Income tax expense	7	7.3	0.9	8.9	6.0
Net income		$31.3	$39.8	$53.9	$53.8
Income per common share:					
Basic	8	$0.22	$0.29	$0.38	$0.39
Diluted	8	0.22	0.29	0.38	0.39
Weighted average common shares outstanding:					
Basic	8	140.1	137.6	139.8	137.6
Diluted	8	141.3	138.1	141.2	138.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Univar Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in millions)	Note	2017	2016	2017	2016
Net income		$31.3	$39.8	$53.9	$53.8
Foreign currency translation	9	45.0	(2.4)	63.2	66.7
Pension and other postretirement benefit adjustment	9	(0.1)	(1.2)	(0.1)	(3.0)
Total other comprehensive income (loss), net of tax		$44.9	$(3.6)	$63.1	$63.7
Comprehensive income		$76.2	$36.2	$117.0	$117.5

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Univar Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except per share data)	Note	June 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents		$321.8	$ 336.4
Trade accounts receivable, net		1,313.5	950.3
Inventories		817.3	756.6
Prepaid expenses and other current assets		151.6	134.8
Total current assets		$2,604.2	$ 2,178.1
Property, plant and equipment, net	11	1,008.8	1,019.5
Goodwill		1,800.5	1,784.4
Intangible assets, net	11	312.7	339.2
Deferred tax assets		24.0	18.2
Other assets		56.7	50.5
Total assets		$5,806.9	$ 5,389.9
Liabilities and stockholders’ equity			
Current liabilities:			
Short-term financing	10	$19.4	$ 25.3
Trade accounts payable		1,130.0	852.3
Current portion of long-term debt	10	99.3	109.0
Accrued compensation		72.6	65.6
Other accrued expenses		239.7	287.3
Total current liabilities		$1,561.0	$ 1,339.5
Long-term debt	10	2,895.5	2,845.0
Pension and other postretirement benefit liabilities		266.1	268.6
Deferred tax liabilities		17.7	17.2
Other long-term liabilities		106.9	109.7
Total liabilities		$4,847.2	$ 4,580.0
Stockholders’ equity:			
Preferred stock, 200.0 million shares authorized at $0.01 par value with no shares issued or outstanding as of June 30, 2017 and December 31, 2016		$—	$ —
Common stock, 2.0 billion shares authorized at $0.01 par value with 140.6 million and 138.8 million shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively		1.4	1.4
Additional paid-in capital		2,285.1	2,251.8
Accumulated deficit		(1,000.0)	(1,053.4)
Accumulated other comprehensive loss	9	(326.8)	(389.9)
Total stockholders’ equity		$959.7	$ 809.9
Total liabilities and stockholders’ equity		$5,806.9	$ 5,389.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Univar Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

		Six months ended June 30,	
(in millions)	Note	2017	2016
Operating activities:			
Net income		$53.9	$53.8
Adjustments to reconcile net income to net cash (used) provided by operating activities:			
Depreciation and amortization		103.2	116.8
Amortization of deferred financing fees and debt discount		3.9	4.0
Amortization of pension credit from accumulated other comprehensive loss	9	(0.1)	(4.5)
Loss on extinguishment of debt		0.8	—
Deferred income taxes		(5.3)	(3.6)
Stock-based compensation expense	4	11.5	3.5
Other		0.7	(0.4)
Changes in operating assets and liabilities:			
Trade accounts receivable, net		(321.6)	(274.1)
Inventories		(37.9)	18.3
Prepaid expenses and other current assets		(13.2)	27.7
Trade accounts payable		252.4	242.8
Pensions and other postretirement benefit liabilities		(19.2)	(20.2)
Other, net		(44.8)	(49.0)
Net cash (used) provided by operating activities		$(15.7)	$115.1
Investing activities:			
Purchases of property, plant and equipment		$(38.6)	$(45.2)
Purchases of businesses, net of cash acquired		(0.5)	(54.8)
Proceeds from sale of property, plant and equipment		—	2.9
Other		1.0	(1.7)
Net cash used by investing activities		$(38.1)	$(98.8)
Financing activities:			
Proceeds from issuance of long-term debt	10	$2,254.0	$20.5
Payments on long-term debt and capital lease obligations	10	(2,238.0)	(17.3)
Short-term financing, net	10	(11.9)	(5.4)
Financing fees paid		(4.4)	—
Taxes paid related to net share settlements of stock-based compensation awards		(7.5)	—
Stock option exercises		28.1	0.7
Other		0.5	0.3
Net cash provided (used) by financing activities		$20.8	$(1.2)
Effect of exchange rate changes on cash and cash equivalents		$18.4	$20.6
Net (decrease) increase in cash and cash equivalents		(14.6)	35.7
Cash and cash equivalents at beginning of period		336.4	188.1
Cash and cash equivalents at end of period		$321.8	$223.8
Supplemental disclosure of cash flow information:			
Non-cash activities:			
Additions of property, plant and equipment included in trade accounts payable and other accrued expenses		$7.5	$6.6
Additions of property, plant and equipment under a capital lease obligation		13.6	7.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Univar Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(in millions)	Common stock (shares)	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance, December 31, 2015	138.0	$ 1.4	$ 2,224.7	$ (985.0)	$ (424.4)	$ 816.7
Net loss	—	—	—	(68.4)	—	(68.4)
Foreign currency translation adjustment, net of tax $23.9	—	—	—	—	36.3	36.3
Pension and other postretirement benefits adjustment, net of tax $1.5	—	—	—	—	(1.8)	(1.8)
Stock option exercises	0.8	—	16.9	—	—	16.9
Stock-based compensation	—	—	10.4	—	—	10.4
Other	—	—	(0.2)	—	—	(0.2)
Balance, December 31, 2016	138.8	$ 1.4	$ 2,251.8	$ (1,053.4)	$ (389.9)	$ 809.9
Impact due to adoption of ASU, net of tax $0.2[1]	—	—	0.7	(0.5)	—	0.2
Net income	—	—	—	53.9	—	53.9
Foreign currency translation adjustment	—	—	—	—	63.2	63.2
Pension and other postretirement benefits adjustment, net of tax $0.0	—	—	—	—	(0.1)	(0.1)
Restricted stock units vested	0.6	—	—	—	—	—
Tax withholdings related to net share settlements of stock-based compensation awards	(0.2)	—	(7.5)	—	—	(7.5)
Stock option exercises	1.4	—	28.1	—	—	28.1
Employee stock purchase plan[2]	—	—	0.5	—	—	0.5
Stock-based compensation	—	—	11.5	—	—	11.5
Balance, June 30, 2017	140.6	$ 1.4	$ 2,285.1	$ (1,000.0)	$ (326.8)	$ 959.7

(1) Adjusted due to the adoption of ASU 2016-09 “Improvement to Employee Share-Based Payment Accounting” on January 1, 2017. Refer to “Note 2: Significant accounting policies” for more information.

(2) During November 2016, our Board of Directors approved the Univar Employee Stock Purchase Plan, or ESPP, authorizing the issuances of up to 2.0 million shares of the Company's common stock effective January 1, 2017. The total number of shares issued under the plan for the first offering period from January through June 2017 was approximately 18,000 shares.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Univar Inc.
Notes to Condensed Consolidated Financial Statements
As of June 30, 2017 and
For the Three and Six Month Periods Ended June 30, 2017 and 2016
(Unaudited)

1. Nature of operations

Headquartered in Downers Grove, Illinois, Univar Inc. (“the Company” or “Univar”) is a leading global chemicals and ingredients distributor and provider of specialty chemicals. The Company’s operations are structured into four operating segments that represent the geographic areas under which the Company manages its business:

- Univar USA (“USA”)
- Univar Canada (“Canada”)
- Univar Europe, the Middle East and Africa (“EMEA”)
- Rest of World (“Rest of World”)

Rest of World includes certain developing businesses in Latin America (including Brazil and Mexico) and the Asia-Pacific region.

2. Significant accounting policies

Basis of presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to interim financial reporting. Unless otherwise indicated, all financial data presented in these condensed consolidated financial statements are expressed in US dollars. These condensed consolidated financial statements, in the Company’s opinion, include all adjustments, consisting of normal recurring accruals necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, comprehensive income, cash flows and changes in stockholders’ equity. The results of operations for the periods presented are not necessarily indicative of the operating results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated if the Company has a controlling financial interest, which may exist based on ownership of a majority of the voting interest, or based on the Company’s determination that it is the primary beneficiary of a variable interest entity (“VIE”) or if otherwise required by US GAAP. The Company did not have any material interests in VIEs during the periods presented in these condensed consolidated financial statements. All intercompany balances and transactions are eliminated in consolidation.

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

Recently issued and adopted accounting pronouncements

In March 2016, the FASB issued ASU 2016-09 “Compensation – Stock Compensation” (Topic 718) – “Improvement to Employee Share-Based Payment Accounting.” The core principal of the guidance is to simplify several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within such fiscal years. The guidance is to be applied using a modified retrospective method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. The Company adopted the ASU as of January 1, 2017 which resulted in an increase of $0.5 million, net of tax $0.2 million in accumulated deficit and the offset of $0.7 million is recorded in additional paid-in capital within condensed consolidated balance sheet and statements of changes in stockholders' equity.

In October 2016, the FASB issued ASU 2016-17 “Consolidation” (Topic 810) - “Interests Held through Related Parties That Are under Common Control.” The core principle of the guidance is to provide amendments to the current consolidation guidance. The revised consolidation guidance modifies how a reporting entity that is a single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company adopted the ASU as of January 1, 2017 and the ASU is applied retrospectively

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to all relevant prior periods beginning with the fiscal year in which the amendments in ASU 2015-02 “Consolidation” (Topic 810) - “Amendments to the Consolidation Analysis” were applied. The adoption of this ASU had no material impact on the Company’s condensed consolidated financial statements.

Accounting pronouncements issued and not yet adopted

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers” (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) 605, “Revenue Recognition.” This new revenue standard creates a single source of revenue guidance for all companies in all industries and is more principles-based than the current revenue guidance. The standard will be effective for public entities for interim and annual reporting periods beginning after December 15, 2017. The core principle of the guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” In achieving this objective, an entity must perform five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations of the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. In addition, the standard requires additional new disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has established a project team who has completed a review of revenue streams and customer contracts to identify and evaluate the potential impacts of the provisions of ASC 606. The Company has accumulated information that will be necessary for implementation disclosures and is assessing the impact the adoption of ASU 2014-09 will have on its consolidated financial statements, related disclosures, and reporting processes. The Company is also in the process of identifying and drafting changes to processes and controls to meet the ASU's updated reporting and disclosure requirements and plans to update its assessment of the impact of the ASU through the date of adoption. Based on the analysis to date, the Company is revising its estimation processes related to arrangements that involve, among other items, potential returns of unused products, as well as revenue deferral where performance to date may have reached right to receive consideration. These changes could impact the timing of revenue recognition between quarters. The Company expects to adopt the new standard using the modified retrospective approach, under which the cumulative effect of initially applying the guidance is recognized as an adjustment to the opening balance of retained earnings in the first quarter of 2018 for contracts that still require performance by the entity, and disclose all line items in the year of adoption as if they were prepared under the old revenue guidance.

In March 2017, the FASB issued ASU 2017-07 “Compensation - Retirement Benefits” (Topic 715) - “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The ASU requires entities to disaggregate the service cost component from the other components of net periodic benefit costs and present it with other current compensation costs for related employees in the income statement, and present the other component elsewhere in the income statement and outside of income from operations if that subtotal is presented. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within such fiscal years. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The guidance is to be applied retrospectively for all periods presented. The Company is evaluating the impact of the ASU on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09 “Compensation - Stock Compensation” (Topic 718) - “Scope of Modification Accounting.” The ASU provides clarity and reduces both diversity in practice and cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within such fiscal years. Early adoption is permitted, including adoption in an interim period. The guidance is to be applied prospectively. The Company is evaluating the impact of the ASU on its consolidated financial statements.

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3. Employee benefit plans

The following table summarizes the components of net periodic benefit recognized in the condensed consolidated statements of operations:

	Domestic - Defined Benefit Pension Plans			
	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Service cost	$—	$—	$—	$—
Interest cost	7.7	8.0	15.4	16.0
Expected return on plan assets	(7.8)	(8.1)	(15.5)	(16.2)
Net periodic benefit	$(0.1)	$(0.1)	$(0.1)	$(0.2)

	Foreign - Defined Benefit Pension Plans			
	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Service cost	$0.6	$0.7	$1.2	$1.3
Interest cost	4.0	4.7	7.9	9.4
Expected return on plan assets	(6.4)	(7.5)	(12.7)	(14.9)
Net periodic benefit	$(1.8)	$(2.1)	$(3.6)	$(4.2)

	Other Postretirement Benefits			
	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Service cost	$ —	$ —	$ —	$ —
Interest cost	0.1	0.1	0.1	0.2
Prior service credits	—	(1.5)	—	(4.5)
Net periodic cost (benefit)	$ 0.1	$ (1.4)	$ 0.1	$ (4.3)

4. Other operating expenses, net

Other operating expenses, net consisted of the following activity:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Acquisition and integration related expenses	$0.5	$2.4	$0.7	$4.3
Stock-based compensation expense	5.1	1.3	11.5	3.5
Restructuring charges	1.8	5.5	3.5	6.5
Business transformation costs	11.5	—	20.6	—
Other	5.3	2.3	7.7	2.7
Total other operating expenses, net	$24.2	$11.5	$44.0	$17.0

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5. Restructuring charges

Restructuring charges relate to the implementation of several regional strategic initiatives aimed at streamlining the Company's cost structure and improving its operations. These actions primarily resulted in workforce reductions, lease termination costs and other facility rationalization costs. The following table presents cost information related to restructuring plans that have not been completed as of June 30, 2017 and does not contain any estimates for plans that may be developed and implemented in future periods.

(in millions)	USA	Canada	EMEA	ROW	Other	Total
Anticipated total costs						
Employee termination costs	$16.8	$ 5.5	$21.6	$5.1	$5.9	$54.9
Facility exit costs	23.5	—	3.7	0.2	—	27.4
Other exit costs	1.7	—	6.8	—	0.8	9.3
Total	$42.0	$ 5.5	$32.1	$5.3	$6.7	$91.6
Incurred to date costs						
Inception of plans through June 30, 2017						
Employee termination costs	$16.8	$ 5.5	$21.6	$5.1	$5.9	$54.9
Facility exit costs	21.8	—	3.7	0.2	—	25.7
Other exit costs	1.7	—	6.8	—	0.8	9.3
Total	$40.3	$ 5.5	$32.1	$5.3	$6.7	$89.9
Inception of plans through December 31, 2016						
Employee termination costs	$16.8	$ 5.2	$21.6	$4.4	$5.8	$53.8
Facility exit costs	19.6	—	3.5	0.2	—	23.3
Other exit costs	1.7	—	6.8	—	0.8	9.3
Total	$38.1	$ 5.2	$31.9	$4.6	$6.6	$86.4

The following table summarizes activity related to accrued liabilities associated with restructuring:

(in millions)	January 1, 2017	Charge to earnings	Cash paid	Non-cash and other	June 30, 2017
Employee termination costs	$ 6.9	$ 1.0	$ (4.0)	$ 0.3	$4.2
Facility exit costs	13.2	2.5	(3.5)	—	12.2
Other exit costs	—	—	—	—	—
Total	$ 20.1	$ 3.5	$ (7.5)	$ 0.3	$16.4

(in millions)	January 1, 2016	Charge to earnings	Cash paid	Non-cash and other	December 31, 2016
Employee termination costs	$ 31.0	$ 0.4	$(24.5)	$ —	$ 6.9
Facility exit costs	15.5	6.0	(8.3)	—	13.2
Other exit costs	0.1	0.1	(0.2)	—	—
Total	$ 46.6	$ 6.5	$(33.0)	$ —	$ 20.1

Restructuring liabilities of $7.4 million and $10.1 million were classified as current in other accrued expenses in the condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively. The long-term portion of restructuring liabilities of $9.0 million and $10.0 million were recorded in other long-term liabilities in the condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively, and primarily consists of facility exit costs that are expected to be paid within the next four years.

While the Company believes the recorded restructuring liabilities are adequate, revisions to current estimates may be recorded in future periods based on new information as it becomes available.

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6. Other (expense) income, net

Other (expense) income, net consisted of the following gains (losses):

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Foreign currency transactions	$(1.8)	$0.3	$(3.9)	$(2.4)
Foreign currency denominated loans revaluation	(5.4)	5.4	(8.4)	(9.3)
Undesignated foreign currency derivative instruments (1)	1.2	(0.9)	2.2	1.0
Undesignated interest rate swap contracts (1)	(4.8)	1.5	(4.8)	2.2
Debt amendment costs (2)	—	—	(4.2)	—
Other	(0.9)	(0.6)	(1.7)	0.8
Total other (expense) income, net	$(11.7)	$5.7	$(20.8)	$(7.7)

(1) Refer to "Note 13: Derivatives" for more information.
(2) Refer to "Note 10: Debt" for more information.

7. Income taxes

The Company's tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, an estimate of the annual effective tax rate is updated should management revise its forecast of earnings based upon the Company's operating results. If there is a change in the estimated effective annual tax rate, a cumulative adjustment is made. The quarterly tax provision and forecast estimate of the annual effective tax rate may be subject to volatility due to several factors, including the complexity in forecasting jurisdictional earnings before tax, the rate of realization of forecasting earnings or losses by quarter, acquisitions, divestitures, foreign currency gains and losses, pension gains and losses, etc.

The income tax expense for the three and six months ended June 30, 2017 was $7.3 million and $8.9 million, resulting in an effective tax rate of 18.9% and 14.2%, respectively. The Company's effective tax rate for the three month and six month periods ended June 30, 2017 was lower than the US federal statutory rate of 35.0% primarily due to the mix of earnings in multiple jurisdictions, non-taxable interest income and the release of a valuation allowance on certain foreign tax attributes. Included in the $7.3 million and $8.9 million expense for the three and six months ended June 30, 2017 was a $1.3 million and $3.5 million benefit, respectively, related to excess tax benefits from share-based compensation.

The income tax expense for the three and six months ended June 30, 2016 was $0.9 million and $6.0 million, resulting in an effective tax rate of 2.2% and 10.0%, respectively. The Company's effective tax rate for three months ended June 30, 2016 was lower than the US federal statutory rate of 35.0% primarily due to the mix of earnings in multiple jurisdictions, non-taxable interest income and the release of a valuation allowance on certain foreign tax attributes. The Company's effective tax rate for the six months ended June 30, 2016 was lower than the US federal statutory rate primarily due to the mix of earnings in multiple jurisdictions, non-taxable interest income and the release of a valuation allowance on certain foreign tax attributes.

Canadian General Anti-Avoidance Rule matters

In 2007, the outstanding shares of Univar N.V., the ultimate public company parent of the Univar group at that time, were acquired by investment funds advised by CVC. To facilitate the acquisition and leveraged financing of Univar N.V. by CVC, a restructuring of some of the companies in the Univar group, including its Canadian operating company, was completed (the "Restructuring"). In February 2013, the Canada Revenue Agency ("CRA") issued a Notice of Assessment, asserting the General Anti-Avoidance Rule ("GAAR") against the Company's subsidiary Univar Holdco Canada ULC ("Univar Holdco") for withholding tax of $29.4 million (Canadian), relating to this Restructuring. Univar Holdco appealed the assessment, and the matter was litigated in the Tax Court of Canada in June 2015. On June 22, 2016, the Tax Court of Canada issued its judgment in favor of the CRA. The Company subsequently appealed the judgment and a trial in the Federal Court of Canada occurred on May 10, 2017. The Company has not yet received the Federal Court of Canada's decision on the matter. A $52.1 million (Canadian) Letter of Credit, covering the initial assessment of $29.4 million (Canadian) and interest of $22.7 million (Canadian), has been issued with respect to this assessment.

In September 2014, also relating to the Restructuring, the CRA issued the 2008 and 2009 Notice of Reassessments for federal corporate income tax liabilities of $11.9 million (Canadian) and $11.0 million (Canadian), respectively, and a departure tax liability of $9.0 million (Canadian). Likewise, in April 2015, the Company’s subsidiary received the 2008 and 2009 Alberta Notice of Reassessments of $6.0 million (Canadian) and $5.8 million (Canadian), respectively. These Reassessments reflect the additional tax liability and interest relating to those tax years should the CRA be successful in its assertion of the GAAR relating to the

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Restructuring described above. In accordance with the CRA's collection procedures, a $21.0 million (Canadian) Letter of Credit has been issued with respect to the federal assessment.
At June 30, 2017, the total Canadian federal and provincial tax liability assessed related to these matters, inclusive of interest of $41.5 million (Canadian), is $114.6 million (Canadian). The Company has not recorded any liabilities for these matters in its financial statements, as it believes it is more likely than not that the ruling will be reversed on appeal and the Company's position will be sustained, along with the release of all Letters of Credit currently provided to the CRA.

8. Earnings per share

The following table presents the basic and diluted earnings per share computations:

	Three months ended June 30,		Six months ended June 30,	
(in millions, except per share data)	2017	2016	2017	2016
Basic:				
Net income	$31.3	$39.8	$53.9	$53.8
Less: Earnings Allocated to Participating Securities	0.1	—	0.1	—
Earnings Allocated to Common Shares Outstanding	$31.2	$39.8	$53.8	$53.8
Weighted average common shares outstanding	140.1	137.6	139.8	137.6
Basic income per common share	$0.22	$0.29	$0.38	$0.39
Diluted:				
Net income	$31.3	$39.8	$53.9	$53.8
Less: Earnings Allocated to Participating Securities	—	—	—	—
Earnings Allocated to Common Shares Outstanding	$31.3	$39.8	$53.9	$53.8
Weighted average common shares outstanding	140.1	137.6	139.8	137.6
Effect of dilutive securities: Stock compensation plans (1)	1.2	0.5	1.4	0.4
Weighted average common shares outstanding – diluted	141.3	138.1	141.2	138.0
Diluted income per common share	$0.22	$0.29	$0.38	$0.39

(1) Stock options to purchase 0.9 million and 3.9 million shares of common stock were outstanding during the three months ended June 30, 2017 and 2016, respectively, but were not included in the calculation of diluted income per share as the impact of these stock options would have been anti-dilutive. Stock options to purchase 0.8 million and 4.2 million shares of common stock were outstanding during the six months ended June 30, 2017 and 2016, respectively, but were not included in the calculation of diluted income per share as the impact of these stock options would have been anti-dilutive.

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9. Accumulated other comprehensive loss

The following tables present the changes in accumulated other comprehensive loss by component, net of tax:

(in millions)	Defined benefit pension items	Currency translation items	Total
Balance as of December 31, 2016	$ 1.2	$ (391.1)	$ (389.9)
Other comprehensive income before reclassifications	—	63.2	63.2
Amounts reclassified from accumulated other comprehensive loss	(0.1)	—	(0.1)
Net current period other comprehensive (loss) income	$ (0.1)	$ 63.2	$ 63.1
Balance as of June 30, 2017	$ 1.1	$ (327.9)	$ (326.8)
Balance as of December 31, 2015	$ 3.0	$ (427.4)	$ (424.4)
Other comprehensive income before reclassifications	—	66.7	66.7
Amounts reclassified from accumulated other comprehensive loss	(3.0)	—	(3.0)
Net current period other comprehensive (loss) income	$ (3.0)	$ 66.7	$ 63.7
Balance as of June 30, 2016	$ —	$ (360.7)	$ (360.7)

The following is a summary of the amounts reclassified from accumulated other comprehensive loss to net income:

(in millions)	Three months ended June 30, 2017 (1)	2016 (1)	Location of impact on statement of operations
Amortization of defined benefit pension items:			
Prior service credits	$ (0.1)	$ (1.5)	Warehousing, selling and administrative
Tax expense	—	0.3	Income tax expense
Net of tax	$ (0.1)	$ (1.2)	
Total reclassifications for the period	$ (0.1)	$ (1.2)	

(in millions)	Six months ended June 30, 2017 (1)	2016 (1)	Location of impact on statement of operations
Amortization of defined benefit pension items:			
Prior service credits	$ (0.1)	$ (4.5)	Warehousing, selling and administrative
Tax expense	—	1.5	Income tax expense
Net of tax	$ (0.1)	$ (3.0)	
Total reclassifications for the period	$ (0.1)	$ (3.0)	

(1) Amounts in parentheses indicate credits to net income in the condensed consolidated statement of operations.

Refer to “Note 3: Employee benefit plans” for additional information regarding the amortization of defined benefit pension items.

Foreign currency gains and losses relating to intercompany borrowings that are considered a part of the Company’s investment in a foreign subsidiary are reflected in accumulated other comprehensive loss. There were no foreign currency gains and losses related to such intercompany borrowings for the three month period ended June 30, 2017 and there were $15.5 million in total foreign currency losses for the three month period ended June 30, 2016. Total foreign currency gains and losses related to such intercompany borrowings were $0.5 million in gains and $20.0

million in losses for the six month periods ended June 30, 2017 and 2016, respectively.

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10. Debt

Short-term financing

Short-term financing consisted of the following:

(in millions)	June 30, 2017	December 31, 2016
Amounts drawn under credit facilities	$10.4	$ 12.1
Bank overdrafts	9.0	13.2
Total short-term financing	$19.4	$ 25.3

As of June 30, 2017 and December 31, 2016, the Company had $179.4 million and $175.3 million in outstanding letters of credit and guarantees, respectively.

Long-term debt

Long-term debt consisted of the following:

(in millions)	June 30, 2017	December 31, 2016
Senior Term Loan Facilities:		
Term B Loan Due 2022, variable interest rate of 3.98% and 4.25% at June 30, 2017 and December 31, 2016, respectively	$2,189.0	$2,024.4
Euro Tranche Term Loan Due 2022, variable interest rate of 4.25% at June 30, 2017 and December 31, 2016	93.1	259.9
Asset Backed Loan (ABL) Facilities:		
North American ABL Facility Due 2020, variable interest rate of 2.97% and 4.25% at June 30, 2017 and December 31, 2016, respectively	222.5	152.0
North American ABL Term Loan Due 2018, variable interest rate of 4.05% and 3.75% at June 30, 2017 and December 31, 2016, respectively	50.0	83.3
Senior Unsecured Notes:		
Senior Unsecured Notes due 2023, fixed interest rate of 6.75% at June 30, 2017 and December 31, 2016	399.5	399.5
Capital lease obligations	66.1	63.4
Total long-term debt before discount	$3,020.2	$2,982.5
Less: unamortized debt issuance costs and discount on debt	(25.4)	(28.5)
Total long-term debt	$2,994.8	$2,954.0
Less: current maturities	(99.3)	(109.0)
Total long-term debt, excluding current maturities	$2,895.5	$2,845.0

The weighted average interest rate on long-term debt was 4.60% and 4.84% as of June 30, 2017 and December 31, 2016, respectively.

On January 19, 2017, Univar USA Inc. entered into an amended Term B loan agreement which replaced the existing US dollar denominated loans with new US dollar denominated loans in aggregate of $2.2 billion. The amendment also reduced the interest rate credit spread on the US dollar denominated loans by 50 basis points from 3.25% to 2.75% and removed the 1.00% LIBOR floor. The additional proceeds of $175.6 million received from the US dollar denominated loans were used to prepay a portion of the existing Euro denominated Term B Loans.

As a result of this debt amendment, the Company recognized debt refinancing costs of $4.2 million in other (expense) income, net in the condensed consolidated statements of operations during the six months ended June 30, 2017. Refer to “Note 6: Other (expense) income, net” for further information. In addition, the Company recognized a loss on extinguishment of debt of $0.8 million in the six months ended June 30, 2017.

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11. Supplemental balance sheet information

Property, plant and equipment, net

(in millions)	June 30, 2017	December 31, 2016
Property, plant and equipment, at cost	$1,887.6	$1,831.0
Less: accumulated depreciation	(878.8)	(811.5)
Property, plant and equipment, net	$1,008.8	$1,019.5

Capital lease assets, net

Included within property, plant and equipment, net are assets related to capital leases where the Company is the lessee. The below table summarizes the cost and accumulated depreciation related to these assets:

(in millions)	June 30, 2017	December 31, 2016
Capital lease assets, at cost	$84.9	$ 76.5
Less: accumulated depreciation	(20.7)	(14.5)
Capital lease assets, net	$64.2	$ 62.0

Intangible assets, net

The gross carrying amounts and accumulated amortization of the Company's intangible assets were as follows:

	June 30, 2017			December 31, 2016		
(in millions)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets:						
Customer relationships	$843.4	$ (550.1)	$293.3	$826.2	$ (514.3)	$311.9
Other	176.4	(157.0)	19.4	178.2	(150.9)	27.3
Total intangible assets	$1,019.8	$ (707.1)	$312.7	$1,004.4	$ (665.2)	$339.2

Other intangible assets consist of intellectual property trademarks, trade names, supplier relationships, non-compete agreements and exclusive distribution rights.

Other accrued expenses

As of June 30, 2017, there were no other accrued expenses that were greater than five percent of total current liabilities. As of December 31, 2016, other accrued expenses that were greater than five percent of total current liabilities consisted of customer prepayments and deposits, which were $84.6 million.

12. Fair value measurements

Items measured at fair value on a recurring basis

The following table presents the Company's gross assets and liabilities measured on a recurring basis:

	Level 2		Level 3	
(in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Financial current assets:				
Forward currency contracts	$0.4	$ 0.5	$ —	$ —
Financial noncurrent assets:				
Interest rate swap contracts	3.5	9.8	—	—
Financial current liabilities:				
Forward currency contracts	0.5	0.3	—	—
Interest rate swap contracts	5.5	5.6	—	—
Contingent consideration	—	—	0.4	1.6
Financial noncurrent liabilities:				
Contingent consideration	—	—	0.5	5.9

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The net amounts related to forward currency contracts included in prepaid and other current assets were $0.2 million and $0.5 million as of June 30, 2017 and December 31, 2016, respectively. The net amounts related to foreign currency contracts included in other accrued expenses were $0.3 million as of June 30, 2017 and December 31, 2016. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by estimating the net present value of amounts to be paid under the agreement offset by the net present value of the expected cash inflows based on market rates and associated yield curves. Based on these valuation methodologies, these derivative contracts are classified as level 2 in the fair value hierarchy.
The fair value of the contingent consideration is based on a real options approach, which took into account management's best estimate of the acquiree's performance, as well as achievement risk. Based on the valuation methodology, contingent consideration is classified as level 3 in the fair value hierarchy.
The following table is a reconciliation of the fair value measurements that use significant unobservable inputs (Level 3), which consists of contingent consideration related to prior acquisitions.

(in millions)	Contingent consideration
Fair value as of December 31, 2016	$ 7.5
Fair value adjustments	(2.5)
Payments	(3.2)
Gain on settlement	(0.9)
Fair value as of June 30, 2017	$ 0.9

The change in the fair value and payments related to the contingent consideration are recorded in the other, net line item of the operating activities within the condensed consolidated statement of cash flows.
Financial instruments not carried at fair value
The estimated fair value of financial instruments not carried at fair value in the condensed consolidated balance sheets were as follows:

	June 30, 2017		December 31, 2016	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:				
Long-term debt including current portion (Level 2)	$2,994.8	$3,045.0	$2,954.0	$3,019.1

The fair values of the long-term debt, including the current portions, were based on current market quotes for similar borrowings and credit risk adjusted for liquidity, margins and amortization, as necessary.
Fair value of other financial instruments
The carrying value of cash and cash equivalents, trade accounts receivable, net, trade accounts payable and short-term financing included in the condensed consolidated balance sheets approximate fair value due to their short-term nature.

13. Derivatives
Interest rate swaps
The objective of the interest rate swap contracts is to offset the variability of cash flows in LIBOR indexed debt interest payments attributable to changes in the aforementioned benchmark interest rate related to the Term B Loan due 2022.
At June 30, 2017, the Company had interest rate swap contracts with a total notional amount of $2.0 billion whereby a fixed rate of interest (weighted-average of 1.70%) is paid and a variable rate of interest (three-month LIBOR) is received on the notional amount. The Company does not currently apply hedge accounting for the interest rate swap contracts, which will expire on June 30, 2020. The interest rate swap contracts initially included a LIBOR floor of 1.00%, which was removed on February 1, 2017, as part of the amendment to the interest rate swap contracts. The contracts were amended as a result of the amendment of Senior Term B loan agreement with US dollar denominated tranche on January 19, 2017. Refer to "Note 10: Debt" for additional information. As a result of the interest rate swap

contracts amendment, the Company realized a gain of $1.4 million in other (expense) income, net in the condensed consolidated statement of operations. Changes in fair value of the interest rate swap contracts are also recognized directly in other (expense) income, net in the condensed consolidated statement of operations. Refer to “Note 6: Other (expense) income, net” for additional information.

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The fair value of interest rate swaps is recorded either in prepaids and other current assets, other assets, other accrued expenses or other long-term liabilities in the condensed consolidated balance sheets. As of June 30, 2017 and December 31, 2016, a current liability of $5.5 million and $5.6 million was included in other accrued expenses, respectively. As of June 30, 2017 and December 31, 2016, a noncurrent asset of $3.5 million and $9.8 million was included in other assets, respectively.

The Company had interest rate swap contracts with a total notional amount of $1.0 billion which expired during June 2017.

Interest rate caps

The Company had interest rate caps with a notional amount of $800.0 million which expired during June 2017. As of June 30, 2017, the interest rate cap premiums have been fully amortized through interest expense within the condensed consolidated statements of operations.

Foreign currency derivatives

The Company uses forward currency contracts to hedge earnings from the effects of foreign exchange relating to certain of the Company’s intercompany and third-party receivables and payables denominated in a foreign currency. These derivative instruments are not formally designated as hedges by the Company and the terms of these instruments range from one to three months. Forward currency contracts are recorded at fair value in either prepaid expenses and other current assets or other accrued expenses in the condensed consolidated balance sheet, reflecting their short-term nature. The fair value adjustments and gains and losses are included in other (expense) income, net within the condensed consolidated statements of operations. Refer to “Note 6: Other (expense) income, net” for more information. The total notional amount of undesignated forward currency contracts were $98.2 million and $111.0 million as of June 30, 2017 and December 31, 2016, respectively.

Cash flows associated with derivative financial instruments are recognized in the operating section of the condensed consolidated statement of cash flows.

14. Commitments and Contingencies

Litigation

In the ordinary course of business the Company is subject to pending or threatened claims, lawsuits, regulatory matters and administrative proceedings from time to time. Where appropriate the Company has recorded provisions in the condensed consolidated financial statements for these matters. The liabilities for injuries to persons or property are in some instances covered by liability insurance, subject to various deductibles and self-insured retentions.

The Company is not aware of any claims, lawsuits, regulatory matters or administrative proceedings, pending or threatened, that are likely to have a material effect on its overall financial position, results of operations or cash flows. However, the Company cannot predict the outcome of any claims or litigation or the potential for future claims or litigation.

The Company is subject to liabilities from claims alleging personal injury from exposure to asbestos. The claims result primarily from an indemnification obligation related to Univar USA Inc.’s 1986 purchase of McKesson Chemical Company from McKesson Corporation (“McKesson”). Univar USA is also a defendant in a small number of asbestos claims. As of June 30, 2017, there were fewer than 278 asbestos-related claims for which the Company has liability for defense and indemnity pursuant to the indemnification obligation. The volume of such cases has decreased in recent quarters. Historically, the vast majority of the claims against both McKesson and Univar USA have been dismissed without payment. The Company does incur costs in defending these claims. While the Company is unable to predict the outcome of these matters, it does not believe, based upon currently available facts, that the ultimate resolution of any of these matters will have a material effect on its overall financial position, results of operations or cash flows. However, the Company cannot predict the outcome of any present or future claims or litigation and adverse developments could negatively impact earnings or cash flows in a particular future period.

Environmental

The Company is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively “environmental remediation work”) at approximately 129 locations, some that are now or were previously Company-owned/occupied and some that were never

Company-owned/occupied (“non-owned sites”).

The Company’s environmental remediation work at some sites is being conducted pursuant to governmental proceedings or investigations. At other sites, the Company, with appropriate state or federal agency oversight and approval, is conducting the environmental remediation work voluntarily. The Company is currently undergoing remediation efforts or is in the process of active review of the need for potential remediation efforts at approximately 106 current or formerly Company-owned/occupied sites. In addition, the Company may be liable for a share of the clean-up of approximately 23 non-owned sites. These non-owned sites are typically (a) locations of independent waste disposal or recycling operations with alleged or confirmed contaminated soil and/or groundwater to which the Company may have shipped waste products or drums for re-conditioning, or (b) contaminated

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non-owned sites near historical sites owned or operated by the Company or its predecessors from which contamination is alleged to have arisen.

In determining the appropriate level of environmental reserves, the Company considers several factors such as information obtained from investigatory studies; changes in the scope of remediation; the interpretation, application and enforcement of laws and regulations; changes in the costs of remediation programs; the development of alternative cleanup technologies and methods; and the relative level of the Company's involvement at various sites for which the Company is allegedly associated. The level of annual expenditures for remedial, monitoring and investigatory activities will change in the future as major components of planned remediation activities are completed and the scope, timing and costs of existing activities are changed. Project lives, and therefore cash flows, range from 2 to 30 years, depending on the specific site and type of remediation project.

Although the Company believes that its reserves are adequate for environmental contingencies, it is possible due to the uncertainties noted above; that additional reserves could be required in the future that could have a material effect on the overall financial position, results of operations, or cash flows in a particular period. This additional loss or range of losses cannot be recorded at this time, as it is not reasonably estimable.

Changes in total environmental liabilities are as follows:

	Six months ended June 30,	
(in millions)	2017	2016
Environmental liabilities at beginning of period	$95.8	$113.2
Revised obligation estimates	6.9	5.1
Environmental payments	(10.0)	(9.7)
Foreign exchange	0.3	(0.1)
Environmental liabilities at end of period	$93.0	$108.5

Environmental liabilities of $29.0 million and $30.2 million were classified as current in other accrued expenses in the condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively. The long-term portion of environmental liabilities is recorded in other long-term liabilities in the condensed consolidated balance sheets.

Customs and International Trade Laws

In April 2012, the US Department of Justice ("DOJ") issued a civil investigative demand to the Company in connection with an investigation into the Company's compliance with applicable customs and international trade laws and regulations relating to the importation of saccharin from 2002 through 2012. The Company also became aware in 2010 of an investigation being conducted by US Customs and Border Patrol ("CBP") into the Company's importation of saccharin. Finally, the Company learned that a civil plaintiff had sued the Company and two other defendants in a Qui Tam proceeding, such filing having been made under seal in 2012, and this plaintiff had requested that the DOJ intervene in its lawsuit.

The US government, through the DOJ, declined to intervene in the Qui Tam proceeding in November 2013 and, as a result, the DOJ's inquiry related to the Qui Tam lawsuit and its initial investigation demand are now finished. On February 26, 2014, the Qui Tam plaintiff also voluntarily dismissed its lawsuit against the Company.

CBP, however, continued its investigation on the importation of saccharin by the Company's subsidiary, Univar USA Inc. On July 21, 2014, CBP sent the Company a "Pre-Penalty Notice" indicating the imposition of a penalty against Univar USA Inc. in the amount of approximately $84.0 million. Univar USA Inc. responded to CBP that the proposed penalty was not justified. On October 1, 2014, the CBP issued a penalty notice to Univar USA Inc. for $84.0 million and has reaffirmed this penalty notice. On August 6, 2015, the DOJ filed a complaint on CBP's behalf against Univar USA Inc. in the Court of International Trade seeking approximately $84.0 million in allegedly unpaid duties, penalties, interest, costs and attorneys' fees. Discovery is underway in this matter. The Company continues to defend this matter vigorously. Univar USA Inc. has not recorded a liability related to this investigation as the Company believes a loss is not probable. Although the Company believes its position is strong it cannot guarantee the outcome of this or other litigation.

15. Segments

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Management evaluates performance on the basis of Adjusted EBITDA. Adjusted EBITDA is defined as consolidated net income, plus the sum of: interest expense, net of interest income; income tax expense; depreciation; amortization; impairment charges; other operating expenses, net; and other (expense) income, net.

Transfer prices between operating segments are set on an arms-length basis in a similar manner to transactions with third parties. Corporate operating expenses that directly benefit segments have been allocated to the operating segments. Allocable

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operating expenses are identified through a review process by management. These costs are allocated to the operating segments on a basis that reasonably approximates the use of services. This is typically measured on a weighted distribution of margin, asset, headcount or time spent.

Other/Eliminations represents the elimination of inter-segment transactions as well as unallocated corporate costs consisting of costs specifically related to parent company operations that do not directly benefit segments, either individually or collectively.

Financial information for the Company's segments is as follows:

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations (1)	Consolidated
	Three Months Ended June 30, 2017					
Net sales:						
External customers	$1,191.1	$492.4	$463.7	$99.8	$—	$ 2,247.0
Inter-segment	35.0	2.3	1.2	0.2	(38.7)	—
Total net sales	$1,226.1	$494.7	$464.9	$100.0	$ (38.7)	$ 2,247.0
Cost of goods sold	950.4	427.2	360.2	81.5	(38.7)	1,780.6
Gross profit	$275.7	$67.5	$104.7	$18.5	$—	$ 466.4
Outbound freight and handling	47.3	9.2	13.8	1.6	—	71.9
Warehousing, selling and administrative	136.4	21.5	54.6	12.0	9.1	233.6
Adjusted EBITDA	$92.0	$36.8	$36.3	$4.9	$ (9.1)	$ 160.9
Other operating expenses, net						24.2
Depreciation						34.1
Amortization						16.5
Interest expense, net						35.8
Other expense, net						11.7
Income tax expense						7.3
Net income						$ 31.3
Total assets	$3,643.1	$2,129.5	$972.2	$223.7	$ (1,161.6)	$ 5,806.9

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations (1)	Consolidated
	Three Months Ended June 30, 2016					
Net sales:						
External customers	$1,212.8	$485.4	$459.9	$104.4	$—	$ 2,262.5
Inter-segment	25.0	1.7	1.0	—	(27.7)	—
Total net sales	$1,237.8	$487.1	$460.9	$104.4	$ (27.7)	$ 2,262.5
Cost of goods sold	974.7	426.5	357.8	85.8	(27.7)	1,817.1
Gross profit	$263.1	$60.6	$103.1	$18.6	$—	$ 445.4
Outbound freight and handling	48.2	8.4	14.8	1.9	—	73.3
Warehousing, selling and administrative	131.7	20.7	55.3	12.5	3.7	223.9
Adjusted EBITDA	$83.2	$31.5	$33.0	$4.2	$ (3.7)	$ 148.2
Other operating expenses, net						11.5
Depreciation						38.0
Amortization						23.3
Interest expense, net						40.4
Other income, net						(5.7)
Income tax expense						0.9
Net income						$ 39.8

Total assets	$4,012.8	$1,997.8	$990.3	$242.7	$(1,289.2)	$ 5,954.4

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(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations (1)	Consolidated
	Six Months Ended June 30, 2017					
Net sales:						
External customers	$2,342.0	$799.7	$903.4	$200.7	$—	$ 4,245.8
Inter-segment	66.2	4.1	2.5	0.3	(73.1)	—
Total net sales	$2,408.2	$803.8	$905.9	$201.0	$(73.1)	$ 4,245.8
Cost of goods sold	1,869.6	680.5	699.4	163.6	(73.1)	3,340.0
Gross profit	$538.6	$123.3	$206.5	$37.4	$—	$ 905.8
Outbound freight and handling	94.1	18.4	27.2	3.2	—	142.9
Warehousing, selling and administrative	270.8	43.3	107.1	22.6	15.9	459.7
Adjusted EBITDA	$173.7	$61.6	$72.2	$11.6	$(15.9)	$ 303.2
Other operating expenses, net						44.0
Depreciation						70.0
Amortization						33.2
Interest expense, net						71.6
Loss on extinguishment of debt						0.8
Other expense, net						20.8
Income tax expense						8.9
Net income						$ 53.9
Total assets	$3,643.1	$2,129.5	$972.2	$223.7	$(1,161.6)	$ 5,806.9

(in millions)	USA	Canada	EMEA	Rest of World	Other/ Eliminations (1)	Consolidated
	Six Months Ended June 30, 2016					
Net sales:						
External customers	$2,400.3	$758.1	$897.3	$205.8	$—	$ 4,261.5
Inter-segment	51.9	4.0	2.4	—	(58.3)	—
Total net sales	$2,452.2	$762.1	$899.7	$205.8	$(58.3)	$ 4,261.5
Cost of goods sold	1,926.2	650.9	700.4	166.6	(58.3)	3,385.8
Gross profit	$526.0	$111.2	$199.3	$39.2	$—	$ 875.7
Outbound freight and handling	95.9	16.2	28.8	3.7	—	144.6
Warehousing, selling and administrative	266.1	41.8	109.2	23.4	8.3	448.8
Adjusted EBITDA	$164.0	$53.2	$61.3	$12.1	$(8.3)	$ 282.3
Other operating expenses, net						17.0
Depreciation						71.5
Amortization						45.3
Interest expense, net						81.0
Other expense, net						7.7
Income tax expense						6.0
Net income						$ 53.8
Total assets	$4,012.8	$1,997.8	$990.3	$242.7	$(1,289.2)	$ 5,954.4

(1) Other/Eliminations represents the elimination of intersegment transactions as well as unallocated corporate costs consisting of costs specifically related to parent company operations that do not directly benefit segments, either

individually or collectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our operations are structured into four operating segments that represent the geographic areas under which we operate and manage our business. These segments are Univar USA ("USA"), Univar Canada ("Canada"), Univar Europe and the Middle East and Africa ("EMEA"), and Rest of World ("Rest of World"), which includes developing businesses in Latin America (including Brazil and Mexico) and the Asia-Pacific region.

We monitor the results of our operating segments separately for the purposes of making decisions about resource allocation and performance assessment. We evaluate performance on the basis of Adjusted EBITDA, which we define as our consolidated net income, plus the sum of interest expense, net of interest income, income tax expense, depreciation, amortization, loss on extinguishment of debt, other operating expenses, net (which primarily consists of acquisition and integration related expenses, employee stock-based compensation expense, restructuring charges, business optimization, and other unusual or non-recurring expenses) and other (expense) income, net (which consists of gains and losses on foreign currency transactions and undesignated derivative instruments, debt refinancing costs, and other nonoperating activity). We believe that Adjusted EBITDA is an important indicator of operating performance because:

- we report Adjusted EBITDA to our lenders as required under the covenants of our credit agreements;
- 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 expenses;
- we use Adjusted EBITDA in setting performance incentive targets;
- we consider gains (losses) on the acquisition, disposal and impairment of assets as resulting from investing decisions rather than ongoing operations; and