Univar Takes Rival Nexeo for $2 Billion

Univar is to acquire rival distributor Nexeo Solutions for around $2 billion including debt, boosting its presence in the North American market and creating a chemical distribution giant with nearly $12.5 billion in annual sales.

The deal will combine the world’s second and fifth largest distributors. Univar had sales of $8.25 billion in 2017 – just behind Brenntag with sales of around $14 billion – while Nexeo reported sales of $3.6 billion last year.

Univar’s president CEO David Jukes said the “transformational combination” is designed to create the premier global chemical and ingredients distributor. “Together we will drive growth and shareholder value with the largest North American sales force in chemical and ingredients distribution, the broadest product offering and most efficient supply chain network in the industry,” he said.

Under the agreement, Nexeo shareholders will receive 0.305 shares of Univar stock and $3.29 in cash, subject to adjustment at closing.

Nexeo brings a strong global footprint with more than 50 facilities in North America and more than 30 across Europe and Asia. Jukes said that Nexeo adds capabilities in the North American personal care, household and industrial cleaning and lubricants markets, while Univar will bring a range of inorganic chemicals that Nexeo does not have.

The combination will also increase Univar’s North American chemical sales force by 45% to just below 1,000 staff and expand its fleet of trucks by 46%.

The deal, which has been unanimously approved by the boards of directors of both companies, is anticipated to complete in the first half of 2019, subject to the approval of both Univar and Nexeo shareholders along with regulatory clearance and other customary closing conditions. Nexeo said its key shareholders TPG and First Pacific have already agreed to give their consent.

The merger is expected to deliver annual run-rate cost savings of $100 million by the third year following closure and immediately cut capital expenditure by $15
Carl Lukach, Univar’s chief financial officer and executive vice president, said the synergies will mostly come from optimizing its facilities network and assets, IT and infrastructure, and consolidating business support functions.

He envisaged that around $25 million would be saved in the first year, rising cumulatively to $60 million by the end of the second year and reaching $100 million by the end of the third year.

Univar may, however, sell off Nexeo’s plastics business, which currently accounts for half of sales and one third of EBITDA. Jukes said Univar has hired an external advisor to evaluate strategic alternatives for the plastics business, which may include a potential divestiture. “We’re looking whether we are the right home and whether we can offer the support and financing it needs to fulfill its outstanding potential,” commented Jukes.

The plastics business would represent less than 10% of the combined entity’s earnings. The review is expected to be completed concurrent with the transaction’s closure.

**Autor(en)**

Elaine Burridge, freelance journalist

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