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October 10, 2022

Univar Solutions Inc.
3075 Highland Parkway Suite 200
Downers Grove, IL 60515
Attention: Board of Directors

Dear Members of the Boards of Directors:

Engine Capital LP (together with its affiliates, "Engine" or "we") is a shareholder of Univar Solutions Inc. ("Univar" or the "Company") with an ownership position of approximately 1% of the Company's outstanding shares. We invested in Univar because of the Company's global leadership in commodity and specialty chemical distribution, its strong and diverse supplier base, its digital capabilities, its demonstrated ability to utilize its scale to earn high returns on invested capital, and its strong management team led by Mr. David Jukes and Mr. Nicholas Alexos. We also believe Univar's shares are deeply undervalued in the public market and there are opportunities readily within the control of the board of directors (the "Board") to significantly increase shareholder value.

For context, Engine is a value-oriented investment firm launched in July 2013. Since its launch, Engine has negotiated board representation or settlements at 22 public companies and added 31 highly qualified new board members to these companies. Engine and its principals have significant experience investing in distributors including prior or current investments in Wesco Aircraft (a leading distributor and provider of comprehensive supply chain management services to the global aerospace industry) until its sale to Platinum Equity, Ferguson (the world's leading value-added distributor of plumbing and heating products), SIG plc (a leading supplier of insulation and sustainable building products and solutions to business customers across Europe), and Nexeo Solutions until its sale to Univar, at which point Engine became a shareholder of Univar. We have followed the Company for years and have had numerous conversations with management and investor relations.

Since its IPO in June 2015, the Board and management have worked hard to strengthen the Company's competitive position including acquiring Nexeo in March 2019 to become the largest chemical distributor in North America. Through this acquisition, the Company significantly increased its exposure to the higher value-added and more valuable specialty chemicals segment. Management has done a good job combining the two businesses – including the challenging process of integrating under a single ERP system (SAP) – and, as a result, has improved Univar's operational agility, sales capabilities, and digital capabilities, and has reduced costs. The Company also lowered its exposure to the energy and agricultural sectors, thus increasing its quality of earnings. Over this period, Univar has increased earnings per share from $0.14 to over $3 per share[1], increased Adjusted EBITDA by approximately 75%, and generated more than $1,300 million in free cash flows[2].

Unfortunately, despite all this hard work and the Company's strong financial performance, the intrinsic value of Univar is not being recognized in the public market. Univar is currently trading at an enterprise value (EV) to EBITDA of around 5.9x[3] after factoring in the cash the Company will generate in the second half of the year[4]. At these levels, Univar is being valued as a commodity chemicals company instead of the value-added distributor it is.

Univar has also been unable to generate adequate returns for investors when measured over long periods of time. As the table below highlights[5], Univar's total shareholder returns trail relevant benchmarks and peers over the last three years, five years, and since its IPO. The stock is also down around 10% since its first day of trading on June 18, 2015[6].

	Total Shareholder Return		
	3-Year	**5-Year**	**Since IPO**
UNVR	18.7%	-19.0%	-5.8%
S&P 500	27.4%	47.2%	76.5%
S&P 500 Chemicals	24.7%	21.9%	40.6%
Relative performance to S&P 500	-8.7%	-66.2%	-82.3%
Relative performance to S&P 500 Chemicals	-6.0%	-40.9%	-46.3%

To be clear, we do not attribute this relative underperformance and undervaluation to management's operational capabilities and believe Mr. Jukes and his management team have done a strong job managing through the pandemic environment.

Rather, at Engine, we believe the share price underperformance and the low valuation is more structural and as such we question whether Univar should ultimately remain a public company. We think Univar has and will continue to struggle as a public company because of the volatility of chemical prices which make Univar's earnings and cash flows difficult to predict in the short term. While Univar earns strong returns over longer time horizons, public market investors are concerned with quarterly volatility and thus embed significant risk in the share price. In other words, public market participants ascribe an artificially and unwarranted high cost of capital to Univar which affects its long-term share performance and valuation. This issue is exacerbated by the very small number of comparable public peers.

At the same time, Univar's financial characteristics make it ideally suited for investors with a longer-term horizon. It generates significant free cash flow over time, it is countercyclical, and

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[1] In 2015, the Company earned $0.14 of EPS while consensus estimate for 2022 is $3.34 per share per CapitalIQ
[2] Defined as cash flow from operations less capital expenditures
[3] Assumes 2023 EBITDA of $960 million per management guidance
[4] Based on management's guidance of $425 million of free cash flow in 2022
[5] Total shareholder return calculated as of 10/7/22 using CapitalIQ
[6] UNVR closed at $25.40 on its first day of trading on June 18, 2015

can be leveraged. It is therefore no coincidence that private equity has sought and paid high multiples for distribution assets with financial characteristics similar to Univar. M&A multiples in the distribution space have historically taken place between 8x and 11x EBITDA. In Appendix A, we have included a long list of relevant transactions that point to this range.

We would like to highlight a few transactions in particular. The first one is recent and therefore highly relevant. In August 2022, Avient Corporation ("Avient") signed an agreement to divest its distribution business to H.I.G. Capital. Robert Patterson, President and Chief Executive Officer of Avient, made the following comments: *"As expected, there were multiple buyers interested in acquiring the distribution business, and it was a competitive process… Ultimately, we selected H.I.G. Capital based on the strength of their proposal, which values the business at approximately 10x LTM EBITDA and includes no financing contingencies…".* This divested business is primarily a distributor of plastics that does not require the same care and regulatory oversight when handling as the chemicals Univar distributes and therefore generally earns lower margins than Univar. Yet, Avient was able to sell this business for around 10x LTM EBITDA.

The other three transactions worth highlighting are directly connected to Univar. In September 2018, Univar purchased Nexeo Solutions for 9.4x 2018 EBITDA and in February 2019, Univar announced the sale of Nexeo's plastics distribution business to One Rock Capital Partners for the same multiple of 9.4x[7] LTM EBITDA. Finally in September 2010, Clayton, Dubilier & Rice acquired a 42.5% ownership interest in Univar from CVC Capital for 9.2x EBITDA[8].

Based on these numerous precedent transactions as well as our analysis of the Company's current business prospects, we believe Univar could conservatively be sold at a multiple between 9x and 10x 2023 Adjusted EBITDA. Based on management's guidance of $960 million 2023 Adjusted EBITDA, this multiple range would deliver a purchase price for shareholders between $41 and $47 per share[9], a premium of around 85% to the current share price[10] at the midpoint of this range. Given the struggle of Univar as a public company and the long-term share underperformance, we believe a sale at that price would be a far better option than the alternative of keeping the Company public, especially considering execution risk and time value of money. While we are believers in the Company, its scale advantages, its meaningful ability to continue taking market share from smaller competitors, and in management, it is far from clear that these advantages would result in share price outperformance given the dynamics explained above and as a result we urge the Board to take the following actions:

[7] Based on a purchase price of $640 million, LTM Nexeo Adj. EBITDA of $205 million and management's statements that around one-third of Nexeo EBITDA was attributable to the plastics division per Univar's earnings call for Q4 2018
[8] Per Nexeo merger proxy
[9] Includes 2022E cash flow generation of $425 million per management guidance
[10] Closing price as of 10/7/22

1. Significantly accelerate the share repurchase program

As we have highlighted in this letter, Univar trades at a steep discount to its intrinsic value. The Board should take advantage of this mispricing by deemphasizing M&A and significantly accelerating the Company's share repurchase program. During its 2021 analyst day, Univar highlighted its capital allocation policies and stated that it would target $300 to $400 million for M&A through 2024. On its Q2 2022 earnings call, management again reiterated its focus on inorganic growth. We believe Univar should be flexible and opportunistic in its capital allocation decisions depending on the valuation of M&A targets compared to the value of Univar's stock, the ultimate yardstick against which inorganic opportunities should be measured. At this juncture, we believe it makes little sense to allocate any capital towards M&A when Univar can repurchase its own shares at such a low multiple. We suspect that any M&A would be done at multiples that are higher than Univar's current trading multiple and would certainly carry more execution risk than simply repurchasing its own shares. **We note that if Univar were to allocate all of its free cash flow in the second half of 2022 and 2023 towards share repurchases, it could retire around 25% of its shares outstanding, which highlights the current undervaluation of the Company and how accretive these buybacks are at the current share price.**

2. Initiate a review of strategic alternatives

We believe a private buyer would be better suited to value the Company appropriately compared to short-term public market investors. Public market investors are currently skeptical that the Company's 2023 EBITDA guidance is sustainable (due to the chemical pricing dynamics highlighted before) and, even if they did, would not put the correct multiple on that EBITDA figure for all the reasons discussed above. By contrast, a private buyer would be able to gain access to the Company's books, properly underwrite the earnings potential of the business, diligence the $960 million EBITDA guidance, and value the Company correctly given its longer-term orientation. Shareholders would be able to monetize their investment at a large premium without having to take any execution risks.

We acknowledge that the debt market has become more challenging lately and it may not be advisable to start a process right away. That said, Univar benefits from a business model that generates cash flow countercyclically. In more challenging times, the business generates significant cash flow from its working capital. This characteristic makes the business much more attractive to lenders. At some point, the debt market will reopen, and transactions will happen. Therefore, we believe now is the right time for the Board to start having these discussions internally, hire the right investment bank, and put itself in a position to act decisively and in a timely fashion when the debt market reopens.

3. Improve corporate governance, board composition and management compensation framework

We believe that Univar should adhere to corporate governance best practices. In particular, we note that the Board is large (11 members) and two of its members are former employees of the

Company, which is highly unusual and not best practice. We also note that one of the Board members has been on the Board for 15 years, an unusually lengthy period of time. We believe that after such a long period of time on the board of directors of a company, a director's independence and objectivity can be compromised. While ISS does not currently have a voting policy relating to director tenure, its views on the topic are clear through its QuickScore governance rating system, which states that *"limiting director tenure allows new directors to the board to bring fresh perspectives. A tenure of more than nine years is considered to potentially compromise a director's independence and as such QuickScore will consider tenure > 9 years excessive."*

Clearly, the Board has an opportunity to become smaller, refreshed, and strengthened through the addition of new directors with different backgrounds. In particular, we note that there is not a single director with capital allocation and investment experience. Given the capital allocation, capital market, and valuation topics we have raised in this communication with the Board, Engine thinks it is important to add at least one new Board member with these skillsets.

We were also struck by the low level of insider buying among the directors of the Company. Over the last three years, with the exception of Mr. Pappas, the level of insider buying has been de minimis among Board members despite Univar's stock reaching very low level during that period, which is disappointing and gives us concern regarding the culture of stock ownership at the Company. We were also surprised by the large number of sales by Mr. Jukes who seems to be a constant seller in the $32 range. Mr. Newlin and Mr. Fox also seem to be sellers in the $27 to $32 range. The fact that most directors don't have the confidence to buy shares of UNVR but instead are sellers every time the stock ticks higher is another data point supporting an ultimate sale of the business. As discussed earlier in his letter, we have no doubt that a private equity buyer would pay well above $32 per share, where at least three directors have sold shares recently.

Finally, regarding management compensation framework, Engine notes that Adjusted EBITDA is the primary metric used to determine management's annual cash incentives under the Univar Solutions Incentive Plan ("UIP"), with a 75% weighting. By using this metric, the Board signals to management the importance of increasing EBITDA and therefore the total value of the business. However, the Board should instead incentivize management to create value <u>per share</u>. Using Adjusted EBITDA as the primary metric can incentivize management to pursue M&A at the expense of share repurchases since repurchasing shares does not lead to any additional Adjusted EBITDA, despite the fact that share repurchases can create more value <u>per share</u>. Management should ultimately be incentivized to create as much value <u>per share</u> as possible. We would therefore recommend that the Board change the current metric to Adjusted EBITDA <u>per share</u>. Such a metric would provide management with more balanced incentives regarding capital allocation decisions.

In conclusion, the value creation opportunity is significant and there are meaningful levers for the Board to significantly enhance shareholder value. We request a meeting with members of the Board at your earliest convenience to discuss the matters and initiatives we have set forth in this private letter. On behalf of Engine, we look forward to working cooperatively with you to increase long-term shareholder value.

Sincerely,

Arnaud Ajdler	Brad Favreau
Managing Partner	Partner

Appendix A: Precedent Transactions

Month/Year Announced	Acquiror	Target	EV/EBITDA Multiple
August 2022	H.I.G. Capital	Avient Corporation	10.0x
February 2019	One Rock Capital Partners	Nexeo Plastics	9.4x
May 2015	IMCD N.V.	The M.F. Cachat Company	9.3x
May 2015	Apax Partners	Quality Distribution, Inc.	9.0x
February 2014	Wesco Aircraft Holdings, Inc	Haas Group Inc.	12.6x
July 2012	Olin Corp.	K.A. Steel Chemicals Inc.	10.6x
May 2012	GS Capital / P2 Capital	Interline Brands, Inc.	9.7x
December 2010	Bain Capital	IMCD N.V.	9.3x
November 2010	TPG Capital	Ashland Inc.	10.4x
October 2010	Univar Inc.	Basic Chemical Solutions, L.L.C.	9.8x
September 2010	Clayton Dubilier & Rice, LLC	Univar Inc.	9.2x
July 2010	Brenntag AG	EAC Industrial Ingredients Ltd. A/S	9.5x
May 2008	Carlyle Group	Neochimiki S.A.	9.4x
July 2007	CVC Capital Partners Ltd.	Univar Inc.	8.8x
March 2007	Univar Inc.	Chemcentral Inc.	9.3x
July 2006	BC Partners Holdings Limited	Brenntag AG	8.8x
June 2006	Ravago S.A.	Muehlstein Holding Corporation	8.4x
October 2000	Brenntag AG	Holland Chemical International N.V.	9.1x

Average	**9.6x**
Median	**9.4x**

Source: Nexeo Solutions, Inc. Proxy Related to Merger dated 1/30/19, Univar investor materials, Avient Corporation press release dated 8/12/22, Wesco Aircraft investor materials