UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **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: 001-36477

NEXEO SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**46-5188282**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3 Waterway Square Place, Suite 1000 **The Woodlands, Texas**	**77380**
(Address of principal executive offices)	(Zip Code)

(281) 297-0700
(Registrant's telephone number, including area code)

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 ☒ 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). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 ☒

As of August 4, 2017, there were 89,325,806 shares of the Company's common stock outstanding.

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Glossary

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2016 LTIP	The Nexeo Solutions, Inc. 2016 Long Term Incentive Plan
ABL Borrowers	Holdings, Sub Holding and Solutions together with Nexeo Solutions Canada Corporation
ABL Facility	The asset-based credit facility pursuant to that certain asset-based credit agreement by and among the ABL Borrowers, Bank of America, N.A., as administrative agent and the lenders party thereto and the other parties thereto
ADA Purchase Agreement	The Ashland Distribution Acquisition purchase agreement
ASC	The FASB Accounting Standards Codification
Ashland	Ashland Inc. and its subsidiaries
ASU	Accounting Standards Update issued by the FASB
Blocker	TPG Accolade Delaware, L.P.
Blocker Merger	The merger of Blocker Merger Sub into Blocker on June 9, 2016, immediately following the Company Merger, with Blocker continuing as the surviving entity
Blocker Merger Sub	Neon Acquisition Company LLC, which was a wholly-owned subsidiary of WLRH at the time of the Blocker Merger
Business Combination	The business combination between WLRH and Holdings pursuant to the Merger Agreement, which was consummated on the Closing Date
CAD	Canadian dollar
Canadian Tranche	Canadian tranche of the ABL Facility
Closing Date	June 9, 2016
Company / Successor / Nexeo	Nexeo Solutions, Inc. (f/k/a WL Ross Holding Corp.) and its consolidated subsidiaries
Company Merger	The merger of Company Merger Sub with and into Holdings consummated on June 9, 2016, with Holdings continuing as the surviving entity
Company Merger Sub	Neon Holding Company LLC, which was a wholly-owned subsidiary of WLRH at the time of the Company Merger
Credit Facilities	The ABL Facility and the Term Loan Facility, collectively
Deferred Cash Consideration	The deferred payment to be made in cash to the Selling Equityholders pursuant to the Merger Agreement, where such deferred cash payments will generally be in an amount equal to the Company's prevailing stock price at the time that the Company pays such deferred cash payments multiplied by the number of Excess Shares or as otherwise set forth in the Merger Agreement
Distribution Business	The global distribution business purchased by the Predecessor from Ashland
DTSC	California Department of Toxic Substances Control
EBITDA	Earnings before interest, tax, depreciation and amortization
EMEA	Europe, Middle East and Africa
ERP	Enterprise resource planning
Excess Shares	The 5,178,642 shares of Company common stock used to calculate the Deferred Cash Consideration payable to the Selling Equityholders pursuant to the Merger Agreement
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FILO Tranche	$30.0 million tranche within the ABL Facility for non-Canadian foreign subsidiaries to issue loans and letters of credit
Founder Shares	The 12,506,250 shares of Company common stock issued to the Sponsor at the time of the IPO
GDP	Gross domestic product
Holdings	Nexeo Solutions Holdings, LLC
IPO	The initial public offering of WLRH, consummated on June 11, 2014

Merger Agreement	Agreement and Plan of Merger, as amended, by and among WLRH, Blocker Merger Sub, Company Merger Sub, Holdings, Blocker, and New Holdco dated as of March 21, 2016
Mergers	The Company Merger and the Blocker Merger, collectively
Montgomery Lease	The Company's leased facility in Montgomery, Illinois commencing in the first fiscal quarter of 2017
NASDAQ	NASDAQ Stock Market
New Holdco	Nexeo Holdco, LLC
Nexeo Plaschem	Nexeo Plaschem (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company
NLRB	U.S. National Labor Relations Board
Notes	8.375% Senior Subordinated Notes of the Predecessor due 2018
Other Retained Remediation Liabilities	Under the ADA Purchase Agreement, Ashland agreed to retain other environmental remediation liabilities unknown at the closing of the Ashland Distribution Acquisition related to the Distribution Business for which Ashland receives notice prior to the fifth anniversary of the closing
Performance-Based Units	Units within the Predecessor Equity Plan that vest in accordance with a performance-based schedule
Peso	Mexican peso
Predecessor	Holdings and its subsidiaries for the periods prior to the Closing Date
Predecessor ABL Facility	Holdings asset-based credit facility which was terminated in connection with the Business Combination
Predecessor Equity Plan	Predecessor restricted equity plan
Predecessor Term Loan Facility	Holdings' senior secured term loan credit facility which was terminated in connection with the Business Combination
PSLRA	U.S. Private Securities Litigation Reform Act of 1995
PSU	Performance share unit issued under the 2016 LTIP
RCRA	U.S. Resource Conservation and Recovery Act
Retained Remediation Liabilities	Under the ADA Purchase Agreement, collectively, the Retained Specified Remediation Liabilities and the Other Retained Remediation Liabilities
RMB	Chinese renminbi
RSU	Restricted stock unit issued under the 2016 LTIP
Ryder	Ryder Truck Rental, Inc.
Ryder Lease	Lease agreement entered into by and between the Predecessor and Ryder in May 2015 for certain transportation equipment
SAFE	People's Republic of China State Administration of Foreign Exchange
SEC	U.S. Securities and Exchange Commission
Secured Net Leverage Ratio	The ratio of Consolidated Total Indebtedness divided by EBITDA (terms as defined in the Term Loan Facility agreement)
Securities Act	U.S. Securities Act of 1933, as amended
Selling Equityholders	The holders of equity interests in Holdings (other than Blocker) and the holders of equity interests in Blocker, in each case, as of the time immediately prior to the Business Combination
Solutions	Nexeo Solutions, LLC
Sponsor	WL Ross Sponsor LLC, the sponsor entity of WLRH prior to the Business Combination
Sub Holding	Nexeo Solutions Sub Holding Corp.
Term Loan Facility	Term loan credit facility pursuant to that certain credit agreement by and among Holdings, Solutions, Sub Holding, Bank of America, N.A., as administrative and collateral agent, the other agents party thereto and the lenders party thereto
Time-Based Units	Units issued under the Predecessor's Equity Plan
TLB Amendment No. 1	The amendment to the Term Loan Facility dated March 22, 2017
TPG	TPG Capital, L.P. together with its affiliates, including TPG Accolade
TPG Accolade	TPG Accolade, L.P.

TPG Restricted Stock Grants	Restricted stock agreements entered into between TPG and certain of the Company's officers and employees
TRA	The Tax Receivable Agreement entered into in connection with the Business Combination, by and between the Company and the Selling Equityholders, dated as of June 9, 2016
Ultra Chem Acquisition	The April 3, 2017 acquisition of the equity interests of the Mexico City, Mexico based chemicals distribution business of the Ultra Chem Group pursuant to the Ultra Chem Stock Purchase Agreement
Ultra Chem Closing Date	April 3, 2017
Ultra Chem Group	The Mexico City, Mexico based chemicals distribution business of Ultra Chem, S. de R.L. de C.V. and its related entities
Ultra Chem Stock Purchase Agreement	The Stock Purchase Agreement dated March 9, 2017 related to the purchase of the equity interests of Ultra Chem Group
U.S.	United States of America
USD	U.S. Dollar
U.S. GAAP	U.S. Generally accepted accounting principles
U.S. Tranche	U.S. Tranche of the ABL Facility
WLRH	WL Ross Holding Corp.

Forward-Looking Statements

Certain information and statements contained in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of the PSLRA codified at Section 27A of the Securities Act, and Section 21E of the Exchange Act. This statement is included for purposes of complying with the safe harbor provisions of the PSLRA. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “may,” “will,” “could,” “would” and similar expressions. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties, and we urge you not to place undue reliance on any forward-looking statements, which reflect management’s current expectations and assumptions about future events, and which are based on currently available information as to the timing and outcome of future events. Certain forward-looking statements are included in this Quarterly Report on Form 10-Q, principally in the section captioned “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 8, 2016.

These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. Unless otherwise indicated or the context otherwise requires, comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on our future results. Our future results will depend upon various other risks and uncertainties, including those described in the section captioned “Item 1A. Risk Factors” in Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 8, 2016. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement.

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PART I

Item 1. Financial Statements

Nexeo Solutions, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited, in millions, except share amounts and par value)

	June 30, 2017	September 30, 2016
Current Assets		
Cash and cash equivalents	$ 34.1	$ 47.5
Accounts and notes receivable (net of allowance for doubtful accounts of $1.7 million and $1.4 million, respectively)	555.5	474.8
Inventories	362.8	315.8
Other current assets	25.1	25.7
Total current assets	977.5	863.8
Non-Current Assets		
Property, plant and equipment, net	321.4	322.6
Goodwill	694.2	665.7
Other intangible assets, net of amortization	233.0	215.0
Deferred income taxes	1.9	1.1
Other non-current assets	8.9	10.7
Total non-current assets	1,259.4	1,215.1
Total Assets	$ 2,236.9	$ 2,078.9
Current Liabilities		
Short-term borrowings, current portion of long-term debt and capital lease obligations	$ 48.7	$ 47.7
Accounts payable	349.8	325.8
Accrued expenses and other liabilities	51.0	45.7
Due to related party pursuant to contingent consideration obligations	4.8	—
Income taxes payable	1.9	2.0
Total current liabilities	456.2	421.2
Non-Current Liabilities		
Long-term debt and capital lease obligations, less current portion, net	855.3	765.6
Deferred income taxes	22.8	23.1
Due to related party pursuant to contingent consideration obligations	139.0	118.4
Other non-current liabilities	9.4	5.8
Total non-current liabilities	1,026.5	912.9
Total Liabilities	1,482.7	1,334.1
Commitments and contingencies (see Note 13)		
Equity		
Preferred stock, $0.0001 par value (1,000,000 shares authorized, none issued and outstanding as of June 30, 2017 and September 30, 2016)	—	—
Common stock, $0.0001 par value (300,000,000 shares authorized; 89,281,617 shares issued and 89,272,041 shares outstanding as of June 30, 2017 and 89,286,936 shares issued and outstanding as of September 30, 2016)	—	—
Additional paid-in capital	763.1	758.9
Accumulated deficit	(8.8)	(9.6)
Accumulated other comprehensive loss	—	(4.5)
Treasury stock, at cost: 9,576 shares as of June 30, 2017 and none as of September 30, 2016	(0.1)	—
Total equity	754.2	744.8
Total Liabilities and Equity	$ 2,236.9	$ 2,078.9

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Nexeo Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited, in millions, except share and per share data)

	Successor				*Predecessor*	
	Three Months Ended June 30, 2017	**Nine Months Ended June 30, 2017**	**Three Months Ended June 30, 2016***	**Nine Months Ended June 30, 2016***	**April 1 Through June 8, 2016**	**October 1, 2015 Through June 8, 2016**
Sales and operating revenues	$ 942.7	$ 2,655.2	$ 214.3	$ 214.3	$ 650.2	$ 2,340.1
Cost of sales and operating expenses	840.0	2,365.9	195.5	195.5	574.8	2,068.2
Gross profit	102.7	289.3	18.8	18.8	75.4	271.9
Selling, general and administrative expenses	79.4	233.9	19.1	19.2	57.5	208.9
Transaction related costs	0.2	1.3	15.9	18.0	26.1	33.4
Change in fair value of contingent consideration obligations	(0.8)	19.8	(2.3)	(2.3)	—	—
Operating income (loss)	23.9	34.3	(13.9)	(16.1)	(8.2)	29.6
Other income, net	5.7	8.3	—	—	0.3	2.9
Interest income (expense)						
Interest income	—	0.2	0.3	0.9	—	0.1
Interest expense	(13.5)	(38.0)	(3.2)	(3.2)	(11.2)	(42.3)
Net income (loss) from continuing operations before income taxes	16.1	4.8	(16.8)	(18.4)	(19.1)	(9.7)
Income tax expense (benefit)	5.9	4.0	(1.3)	(1.3)	1.1	4.2
Net income (loss) from continuing operations	10.2	0.8	(15.5)	(17.1)	(20.2)	(13.9)
Net income from discontinued operations, net of tax	—	—	—	—	—	0.1
Net Income (Loss) Attributable to Nexeo Solutions, Inc.	$ 10.2	$ 0.8	$ (15.5)	$ (17.1)	$ (20.2)	$ (13.8)
Net income (loss) per share available to common stockholders						
Basic	$ 0.13	$ 0.01	$ (0.45)	$ (0.81)		
Diluted	$ 0.13	$ 0.01	$ (0.45)	$ (0.81)		
Weighted average number of common shares outstanding						
Basic	76,743,853	76,745,396	34,072,056	21,241,897		
Diluted	76,828,868	76,830,296	34,072,056	21,241,897		

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Nexeo Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, in millions)

	Successor				Predecessor	
	Three Months Ended June 30, 2017	**Nine Months Ended June 30, 2017**	**Three Months Ended June 30, 2016***	**Nine Months Ended June 30, 2016***	**April 1, 2016 Through June 8, 2016**	**October 1, 2015 Through June 8, 2016**
Net income (loss)	$ 10.2	$ 0.8	$ (15.5)	$ (17.1)	$ (20.2)	$ (13.8)
Unrealized foreign currency translation gain (loss), net of tax	11.9	4.9	(2.2)	(2.2)	(3.4)	(4.0)
Unrealized gain (loss) on interest rate hedges, net of tax	(0.7)	(0.4)	—	—	0.1	0.3
Other comprehensive income (loss), net of tax	11.2	4.5	(2.2)	(2.2)	(3.3)	(3.7)
Total comprehensive income (loss), net of tax attributable to Nexeo Solutions, Inc. (1)	$ 21.4	$ 5.3	$ (17.7)	$ (19.3)	$ (23.5)	$ (17.5)

(1) Tax effects for each component presented are not material.

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Nexeo Solutions, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(Unaudited, in millions, except share amounts)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at September 30, 2016	89,286,936	$ —	—	$ —	$ 758.9	$ (9.6)	$ (4.5)	$ 744.8
Issuance of restricted stock	5,434	—	—	—	—	—	—	—
Forfeiture of restricted stock award	(10,753)	—	—	—	—	—	—	—
Shares associated with employee tax withholding for vesting of certain equity awards	(9,576)	—	9,576	(0.1)	—	—	—	(0.1)
Equity-based compensation	—	—	—	—	4.2	—	—	4.2
Comprehensive income:								
Net income	—	—	—	—	—	0.8	—	0.8
Other comprehensive income	—	—	—	—	—	—	4.5	4.5
Balance at June 30, 2017	89,272,041	$ —	9,576	$ (0.1)	$ 763.1	$ (8.8)	$ —	$ 754.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Successor		*Predecessor*
	Nine Months Ended June 30, 2017	**Nine Months Ended June 30, 2016***	**October 1, 2015 Through June 8, 2016**
Cash flows from operations			
Net income (loss) from continuing operations	$ 0.8	$ (17.1)	$ (13.9)
Adjustments to reconcile to cash flows from operations:			
Depreciation and amortization	53.5	4.3	37.7
Debt issuance costs amortization, debt issuance costs write-offs and original issue discount amortization	3.1	(0.4)	6.1
Non-cash transaction costs	—	12.8	—
Provision for bad debt	(0.1)	0.1	1.2
Deferred income taxes	(0.8)	(1.9)	1.1
Equity-based compensation expense	4.2	0.3	2.7
Change in fair value of contingent consideration obligations	19.8	(2.3)	—
Gain on sale of property and equipment	—	—	(2.0)
Gain on debt extinguishment, net	—	—	(0.6)
Gain related to reimbursements of certain capital expenditures incurred	(8.1)	—	—
Changes in assets and liabilities:			
Accounts and notes receivable	(63.8)	(6.0)	34.4
Inventories	(34.9)	7.0	8.4
Other current assets	3.1	2.8	(4.1)
Accounts payable	11.7	(27.3)	13.4
Related party payable	—	—	(0.3)
Accrued expenses and other liabilities	(1.1)	(2.6)	(9.7)
Changes in other operating assets and liabilities, net	0.6	0.3	(4.9)
Net cash provided by (used in) operating activities from continuing operations	(12.0)	(30.0)	69.5
Net cash provided by operating activities from discontinued operations	—	—	0.1
Net cash provided by (used in) operating activities	(12.0)	(30.0)	69.6
Cash flows from investing activities			
Additions to property and equipment	(20.7)	(1.4)	(14.2)
Proceeds from the disposal of property and equipment	0.4	—	2.4
Proceeds from reimbursement of certain capital expenditures incurred	8.4	—	—
Proceeds withdrawn from trust account	—	501.1	—
Cash paid for asset and business acquisitions	(63.5)	(360.6)	—
Net cash provided by (used in) investing activities	(75.4)	139.1	(11.8)
Cash flows from financing activities			
Proceeds from issuance of common stock	—	234.9	—
Redemption of common stock	—	(298.5)	—
Proceeds from Sponsor convertible note and Sponsor promissory note	—	0.7	—
Repayment of Sponsor convertible notes and Sponsor promissory note	—	(1.0)	—
Repurchases of membership units	—	—	(0.1)
Proceeds from short-term debt	30.1	4.9	20.9
Repayments of short-term debt	(29.6)	(1.7)	(17.1)
Proceeds from issuance of long-term debt	611.6	823.6	292.1
Repayments of long-term debt and capital lease obligations	(536.7)	(41.0)	(417.3)
Repayment of Predecessor long-term debt	—	(767.3)	—
Payments of debt issuance costs	(1.3)	(25.3)	—
Net cash provided by (used in) financing activities	74.1	(70.7)	(121.5)

Effect of exchange rate changes on cash and cash equivalents	(0.1)	—	0.3
Increase (decrease) in cash and cash equivalents	(13.4)	38.4	(63.4)
Cash and cash equivalents at the beginning of the period	47.5	0.2	127.7
Cash and cash equivalents at the end of the period	$ 34.1	$ 38.6	$ 64.3
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	$ 33.9	$ 7.2	$ 32.9
Cash paid during the period for taxes	$ 4.3	$ 1.5	$ 3.4
Supplemental disclosure of non-cash operating activities:			
Non-cash payment of deferred underwriting fees	$ —	$ 18.3	$ —
Supplemental disclosure of non-cash investing activities:			
Non-cash capital expenditures	$ 16.0	$ 1.2	$ 16.5
Non-cash intangible assets acquired	$ 3.7	$ —	$ —
Supplemental disclosure of non-cash financing activities:			
Non-cash capital lease obligations, net	$ 13.6	$ —	$ 14.3

*The nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Nexeo Solutions, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited, currencies in millions, except per share amounts)

1. Basis of Presentation and Nature of Operations

Basis of Presentation

Nexeo Solutions, Inc. (together with its subsidiaries, the "Company") is the result of the business combination between WLRH and Holdings. WLRH was incorporated in Delaware on March 24, 2014 and was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. WLRH completed its IPO in June 2014, raising approximately $500.0 million in cash proceeds. WLRH neither engaged in any operations nor generated any revenue prior to the Business Combination.

On the Closing Date, WLRH and Holdings and certain other parties consummated the Business Combination, pursuant to the Merger Agreement. In connection with the closing of the Business Combination, WLRH changed its name from "WL Ross Holding Corp." to "Nexeo Solutions, Inc." and changed the ticker symbol for its common stock on NASDAQ from "WLRH" to "NXEO".

The Company's financial statement presentation distinguishes a "Predecessor" for the periods prior to the Closing Date and a "Successor" for the periods after the Closing Date. In the Business Combination, Holdings was identified as the acquiree and Predecessor and WLRH, subsequently renamed "Nexeo Solutions, Inc.", was identified as the acquirer and Successor. The Successor periods in the condensed consolidated financial statements as of June 30, 2016 and for the three and nine months ended June 30, 2016 include 22 days (June 9, 2016 through June 30, 2016) of the combined operating results, as well as the full three and nine months ended June 30, 2016 of WLRH's operating results, which reflect its financial activity including transaction costs and equity structure changes in preparation of the consummation of the Business Combination. As a result of the application of the acquisition method of accounting as of the Closing Date, the condensed consolidated financial statements for the Predecessor period and for the Successor period are presented on a different basis and are, therefore, not comparable. See Note 3 for further discussion of the Business Combination.

The Predecessor periods in the condensed consolidated financial statements represent the operating results of Holdings and its subsidiaries prior to the Business Combination.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. As such, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, except as disclosed herein) considered necessary for a fair statement have been included. Results of operations for the three and nine months ended June 30, 2017 are not necessarily indicative of results to be expected for the fiscal year ending September 30, 2017. Quarterly financial data should be read in conjunction with the consolidated financial statements and accompanying notes for the fiscal year ended September 30, 2016 included in the Company's Annual Report on Form 10-K filed with the SEC on December 8, 2016.

The consolidated financial data as of September 30, 2016 presented in these unaudited condensed consolidated financial statements were derived from the Company's audited consolidated financial statements, but do not include all disclosures required by U.S. GAAP.

Nature of Operations

The Company is a global distributor of chemicals products in North America and Asia and plastics products in North America, EMEA and Asia. In connection with the distribution of chemicals products, the Company provides value-added services such as custom blending, packaging and re-packaging, private-label manufacturing and product testing in the form of chemical analysis, product performance analysis and product development. The Company also provides environmental services, including waste collection, recovery and arrangement for disposal services and recycling in North America, primarily in the U.S., through its Environmental Services line of business.

The Company connects a large network of suppliers with a diverse base of customers. The Company offers its customers products used in a broad cross-section of end markets including household, industrial and institutional, lubricants, performance coatings (including architectural coatings, adhesives, sealants and elastomers), automotive, healthcare, personal care, oil and gas and construction. The Company distributes products internationally through a supply chain consisting of owned, leased or third-party warehouses, rail terminals and tank terminals globally. The Company has a private fleet of tractors and trailers, primarily located in North America.

2. Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. The application of the amendments will require the use of a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company adopted this standard during the three months ended December 31, 2016 and the adoption did not have a material impact on the Company’s financial position or results of operations for the periods presented.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which revises the definition of a business. The amendments in this ASU specify for an acquisition to be considered a business, it must include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also further define outputs, and specify that an acquisition where the fair value of gross assets acquired is concentrated in a single asset or group of similar assets would not constitute a business. The Company adopted this standard during the three months ended December 31, 2016 on a prospective basis and applied the amendments to the asset acquisition that occurred during the three months ended December 31, 2016. See Note 3.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU removed step two of the goodwill impairment test and specified that an entity will recognize an impairment loss for the amount by which a reporting unit’s carrying amount exceeds its fair value. The Company adopted this guidance during the three months ended March 31, 2017 as part of its annual impairment test and the adoption did not have a material impact on the Company’s financial position or results of operations for the periods presented.

New Accounting Pronouncements Not Yet Adopted

In August 2014, the FASB issued ASU 2014–15, Presentation of Financial Statements — Going Concern (Subtopic 205 – 40): Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern. This standard requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The Company will adopt this standard as of September 30, 2017, and it is not expected to have a material impact on the Company’s financial position, results of operations, cash flows or disclosures.

The Company continues the evaluation of the potential effects on its financial position or results of operations of the accounting pronouncements disclosed in its consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K filed with the SEC on December 8, 2016, including ASU 2014-09, Revenue from Contracts with Customers, and ASU 2016-02, Leases.

3. Acquisitions

Ultra Chem Acquisition

On April 3, 2017, the Company completed the Ultra Chem Acquisition for approximately $56.8 million, net of cash acquired of $0.5 million, pursuant to the Ultra Chem Stock Purchase Agreement. This amount excludes the settlement of the final net working capital adjustment. Of the purchase price, approximately $10.7 million was placed in escrow. Of this amount, approximately $1.0 million was designated for the settlement of the final net working capital adjustment, expected to be completed in the fourth quarter of fiscal year 2017. The remaining balance of approximately $9.7 million may remain in escrow for a period of up to five years and relates to indemnification obligations under the Ultra Chem Stock Purchase Agreement. The escrow amount will be released as under the terms of the Ultra Chem Stock Purchase Agreement and related documentation. The Ultra Chem Acquisition was financed with approximately $58.0 million of borrowings under the ABL Facility. There is no contingent consideration related to the Ultra Chem Acquisition.

Preliminary Purchase Consideration Allocation

The Ultra Chem Acquisition is accounted for under the acquisition method, which requires the Company to perform an allocation of the preliminary purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the preliminary purchase consideration over the estimated fair values is recorded as goodwill. The following table summarizes the Company's preliminary allocation of the preliminary purchase consideration to assets acquired and liabilities assumed at the Ultra Chem Closing Date:

	Preliminary Purchase Consideration Allocation
Accounts receivable	$ 14.4
Inventory	10.5
Other current assets	2.0
Property and equipment	0.4
Customer-related intangible	22.0
Trade name	0.3
Non-compete agreements	3.7
Other non-current assets	0.4
Goodwill	22.5
Total assets acquired	76.2
Short-term borrowings	0.9
Accounts payable	13.0
Other current liabilities	4.1
Other non-current liabilities	1.4
Total liabilities assumed	19.4
Net assets acquired	$ 56.8

The total purchase consideration allocation above is preliminary as the Company has not yet completed the necessary fair value assessments, including the assessments of inventory, intangibles and the related tax impacts on these items. Any changes within the measurement period may change the amount of the purchase consideration allocable to goodwill. The fair value and tax impact assessments are to be completed within twelve months of the Ultra Chem Closing Date and could have a material impact on the components of the total purchase consideration allocation.

Transaction costs incurred by the Company associated with the Ultra Chem Acquisition were $0.3 million and $1.2 million during the three and nine months ended June 30, 2017, respectively. Of this amount, approximately $0.3 million and $0.5 million were recorded in *Transaction Costs* during the three and nine months ended June 30, 2017, respectively, and $0.7 million were recorded in S*elling, general and administrative expenses* during the nine months ended June 30, 2017 in the condensed consolidated statement of operations.

A summary and description of the acquired assets and assumed liabilities fair valued in conjunction with applying the acquisition method of accounting follows:

Accounts and Notes Receivable

Accounts and notes receivable consisted of receivables related to the customers of the acquired business, as well as various other miscellaneous receivables. The accounts receivable and other miscellaneous receivables were recorded at their approximate fair value based on expected collections of Ultra Chem. Accordingly, accounts receivable included an adjustment of $0.8 million to reduce gross receivables to their net value after consideration of expected uncollectable amounts at the Ultra Chem Closing Date.

Inventory

Inventory consisted primarily of finished products to be distributed to the acquired business's customers. The fair value of inventory was established through application of the income approach, using estimates of selling prices and costs such as selling and marketing expenses to be incurred in order to dispose of the finished products and arriving at the future profitability expected to be generated once the inventory is sold (net realizable value). The inventory fair value step up of $1.2 million was recognized in income during the three months ended June 30, 2017, which is included in *Cost of sales and operating expenses* in the condensed consolidated statements of operations. The Company's assessment of the fair value of inventory is preliminary, and will be completed within twelve months of the Ultra Chem Closing Date.

Other Current Assets

Other current assets consisted primarily of prepaid expenses and did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Property and Equipment

Property, plant and equipment acquired consists primarily of leasehold improvements, computer and office equipment as well as furniture and fixtures. The preliminary purchase price allocation for property, plant and equipment was based on the carrying value of such assets as it was determined to approximate fair value. The Company's assessment of fair value of the property and equipment is preliminary, and will be completed within twelve months of the Ultra Chem Closing Date.

Customer-Related Intangible

Customer relationships were valued through the application of the income approach. Under this approach, revenue, operating expenses and other costs associated with existing customers were estimated in order to derive cash flows attributable to the existing customer relationships. The resulting estimated cash flows were then discounted to present value to arrive at the fair value of existing customer relationships as of the valuation date. The value associated with customer relationships will be amortized on a straight-line basis over a ten-year period, which represents the approximate point in the projection period in which a majority of the asset's cash flows are expected to be realized based on assumed attrition rates. The Company recognized $22.0 million for these intangible assets as part of the preliminary allocation of the purchase consideration. The Company's assessment of the expected future cash flows related to the customer intangibles is preliminary, and will be completed within twelve months of the Ultra Chem Closing Date.

Trade Name

The "Ultra Chem" trade name was valued through application of the income approach, involving the estimation of likely future sales and an estimated royalty rate reflective of the rate that a market participant would pay to use the Ultra Chem name. The fair value of this asset will be amortized on a straight-line basis over a two-year period, estimated based on the period in which the Company would expect a market participant to use the name prior to rebranding. The Company recognized $0.3 million for this intangible asset as part of the preliminary allocation of the purchase consideration. The Company's assessment of the estimated future cash flows from the "Ultra Chem" trade name is preliminary and will be completed within twelve months of the Ultra Chem Closing Date.

Non-Compete Agreements

In connection with the Ultra Chem Acquisition, the former equityholders of the Ultra Chem Group agreed to non-compete agreements. The terms of the non-compete agreements prohibit the equityholders from competing in the chemical distribution space for three years after the Ultra Chem Closing Date. The income approach was used to value the non-compete agreements through a comparative discounted cash flow analysis based on the impact of competition absent these agreements. The Company recognized $3.7 million for this intangible asset as part of the preliminary allocation of the purchase consideration. This intangible is amortized on a straight-line basis over a three-year period. The Company's assessment of these comparative future cash flows is preliminary and will be completed within twelve months of the Ultra Chem Closing Date.

Other Non-Current Assets

Other non-current assets acquired represented certain long-term deposits and other assets, which did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Goodwill

Goodwill represents the excess of the total purchase price over the fair value of the underlying net assets, largely arising from synergies expected as a result of the Ultra Chem Acquisition. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. The Company does not expect any goodwill from the Ultra Chem Acquisition to be deductible for tax purposes. As the fair value assessments of the acquired assets and liabilities are finalized within twelve months of the Ultra Chem Closing Date, the amount of goodwill recognized as of the Ultra Chem Closing Date is subject to change.

Short-Term Borrowings

Short-term borrowings included short-term borrowings of Ultra Chem prior to the Ultra Chem Acquisition, which did not have a fair value adjustment as part of acquisition accounting as their carrying value approximated fair value. As described above, the balance was paid off immediately after the closing of the Ultra Chem Acquisition.

Accounts Payable

Accounts payable represented short-term obligations owed to the vendors of the acquired business, which were assumed in the Ultra Chem Acquisition. These obligations did not have a fair value adjustment as part of acquisition accounting as their carrying value approximated fair value.

Other Current Liabilities

Other current liabilities represented primarily accrued expenses, including accrued payroll, certain accrued taxes, the current portion of assumed tax-related contingent liabilities and various other liabilities arising out of the normal operations of the acquired business. The majority of these liabilities did not have a fair value adjustment as their carrying value approximated fair value.

Other Non-Current Liabilities

Other non-current liabilities represent assumed tax-related contingent liabilities. The Company's assessment of the fair value of these contingent liabilities is preliminary, and will be completed within twelve months of the Ultra Chem Closing Date.

Impact of the Ultra Chem Acquisition on the Company's Consolidated Financial Information

For the three and nine months ended June 30, 2017, the Company's consolidated sales and operating revenues and net income include $17.1 million and $0.2 million, respectively, related to the operations of the acquired business since the Ultra Chem Closing Date.

Asset Acquisitions

In December 2016, the Company completed an asset acquisition whereby it obtained certain customer contracts and a customer list. Additionally, in connection with this transaction, the Company entered into a supply agreement and a licensing agreement granting the Company the non-exclusive use of a certain trademark. The total consideration associated with this transaction was $8.5 million, of which $5.1 million was paid at closing. The remaining consideration will be paid in equal amounts on or before January 1, 2018 and January 1, 2019. The remaining consideration is included in *Accrued expenses and other liabilities* and *Other non-current liabilities* on the Company's condensed consolidated balance sheets. In connection with this transaction, the Company recognized intangible assets totaling $8.5 million which are included in *Other intangible assets, net of amortization* on the Company's condensed consolidated balance sheets. The acquired intangible assets will be fully amortized over estimated useful lives ranging between 10 and 13 years.

In April 2017, the Company completed an asset acquisition whereby it obtained certain customer contracts, a customer list and inventory. The total consideration associated with this transaction was approximately $1.9 million, with $1.6 million paid at closing. The remaining consideration is included in *Accrued expenses and other liabilities* on the Company's condensed consolidated balance sheet and will be paid on or before April 3, 2018, provided certain conditions are met. In connection with this transaction, the Company recognized an intangible asset related to the customer list of approximately $1.1 million which is included in *Other intangible assets, net of amortization* on the Company's condensed consolidated balance sheet. The customer list will be amortized over an estimated useful life of five years.

Business Combination

On June 9, 2016, the Company consummated the Business Combination pursuant to the Merger Agreement, whereby WLRH acquired Holdings (including the portion of Holdings held by Blocker) through a series of two mergers. As a result of the transactions contemplated by the Merger Agreement, Holdings and Blocker became wholly-owned subsidiaries of WLRH.

The purchase consideration for the Business Combination was as follows:

Cash	$	424.9
Less: cash acquired		(64.3)
Equity		276.7
Founder Shares transferred to Selling Equityholders		30.2
Contingent consideration - Fair value of Deferred Cash Consideration		45.4
Contingent consideration - Fair value of TRA[1]		89.8
Total purchase consideration[2]	$	802.7

[1] During the nine months ended June 30, 2017, the Company recorded adjustments of $5.6 million. See below.

[2] In addition to the total purchase consideration above, the Company assumed the outstanding indebtedness of the Predecessor, including related accrued interest through the Closing Date, totaling $774.3 million. The proceeds of the Credit Facilities were used to repay such indebtedness and accrued interest immediately following the consummation of the Business Combination.

Contingent Consideration - Deferred Cash Consideration

The contingent consideration associated with the Deferred Cash Consideration will be an amount in cash equal to the prevailing price of the Company's common stock at the time that the Company pays such deferred cash payment multiplied by the number of Excess Shares (5,178,642 Excess Shares as of June 30, 2017). Based on the terms of the Excess Shares, certain circumstances require the Company to pay all or a portion of the Deferred Cash Consideration to the Selling Equityholders, where such cash amount is calculated as set forth in the Merger Agreement, including (i) where the volume weighted average trading price of the Company's common stock for any period of 20 trading days in any 30 trading day period exceeds $15.00 per share, and (ii) if any Excess Shares remain on June 30, 2021. If any Excess Shares remain on June 30, 2021, the Company must elect to either (i) within five business days of such date, pay the Selling Equityholders an amount in cash equal to the product of the number of remaining Excess Shares multiplied by the volume weighted-average trading price for the 20 trading day period immediately preceding such date or (ii) use reasonable best efforts to sell such shares to a third party in a primary offering and pay the gross proceeds thereof (less any underwriting discounts and commissions) to the Selling Equityholders. However, to the extent the number of shares issued in such offerings does not equal the full amount of Excess Shares remaining at the time of the offering, the Company's obligations with respect to any remaining Excess Shares, including the obligation to continue to complete any necessary additional offerings, shall continue.

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. The estimated fair value of the Deferred Cash Consideration liability as of the Closing Date was $45.4 million. See Note 9.

Contingent Consideration - TRA

Concurrent with the completion of the Business Combination, the Company incurred the liability for the contingent consideration related to the TRA, which reflects amounts owed to the Selling Equityholders. This liability generally provides for the payment by the Company to the Selling Equityholders of 85% of the net cash savings, if any, in U.S. federal, state and local income taxes that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the Closing Date as a result of (i) certain increases in tax basis resulting from the Company Merger, (ii) certain tax attributes of Holdings existing prior to the Mergers, (iii) net operating losses and certain other tax attributes of Blocker available to the Company as a result of the Blocker Merger and (iv) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, payments the Company makes under the TRA. The Company will retain the benefit of the remaining 15% of the net cash savings, if any. The Company estimated the fair value of the TRA liability 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. During the three months ended March 31, 2017, the Company recorded a $2.0 million adjustment to the estimated fair value of the TRA liability as of the Closing Date, related to the assessments of the tax attributes associated with certain entities. The Company completed its fair value assessment of the TRA liability as of the Closing Date during the three months June 30, 2017, resulting in an additional increase to the TRA liability of $3.6 million. Including these adjustments, the estimated fair value of the TRA liability as of the Closing Date was $89.8 million. Including this adjustment, the undiscounted cash flows associated with the TRA liability as of the Closing Date were estimated to be approximately $215.0 million over the time period during which the tax benefits are expected to be realized, currently estimated at over 20 years.

The amount and timing of any payments due under the TRA will vary depending upon a number of factors, including the amount and timing of the taxable income the Company generates in the future and the U.S. federal, state and local income tax rates then applicable. In addition, payments made under the TRA will give rise to additional tax benefits for the Company and therefore additional potential payments due under the TRA. The term of the TRA commenced upon the consummation of the Mergers and will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless the Company exercises its right to terminate the TRA early. If the Company elects to terminate the TRA early, its obligations under the TRA would accelerate and it generally would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by it under the TRA, calculated in accordance with certain valuation assumptions set forth in the TRA.

The liabilities related to the Deferred Cash Consideration and the TRA are included in *Due to related party pursuant to contingent consideration obligations* on the Company’s condensed consolidated balance sheets.

Purchase Consideration Allocation

The Business Combination is accounted for under the acquisition method, with WLRH determined to be the accounting acquirer of Holdings, which requires the Company to perform an allocation of the purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase consideration over the estimated fair values is recorded as goodwill. The following table summarizes the Company’s allocation of the purchase consideration to assets acquired and liabilities assumed at the Closing Date:

		Purchase Consideration Allocation
Accounts receivable	$	470.0
Inventory		327.9
Other current assets		26.0
Property, plant and equipment		328.2
Customer-related intangible		201.0
Trade name		21.0
Below-market leases		0.7
Other non-current assets		3.2
Deferred tax assets		1.2
Goodwill		673.4
Total assets acquired		2,052.6
Short-term borrowings and current portion of capital leases		40.6
Accounts payable		335.9
Other current liabilities		52.8
Long-term portion of capital leases		23.0
Long-term debt		767.3
Deferred tax liability		24.8
Other non-current liabilities		5.5
Total liabilities assumed		1,249.9
Net assets acquired	$	802.7

During the nine months ended June 30, 2017, the Company completed its assessment of the fair values of the assets acquired and liabilities assumed in the Business Combination. The Company recorded adjustments to decrease the fair value of inventory by $0.6 million, property, plant and equipment by $0.1 million and an adjustment to accounts payable of $2.1 million, an adjustment to increase the fair value of other current assets by $0.2 million, and adjustments to deferred tax liabilities of $0.4 million. Goodwill was impacted by these adjustments as well as by the $5.6 million adjustment to the fair value of the TRA described above which increased the purchase consideration.

Transaction costs incurred by the Company associated with the Business Combination were $(0.1) million and $0.8 million during the three and nine months ended June 30, 2017, respectively. Transaction costs incurred by the Company associated with the Business Combination were $15.9 million and $18.0 million for the three and nine months ended June 30, 2016 for the Successor, respectively. Transaction costs incurred by the Predecessor associated with the Business Combination were $26.1 million and $33.4 million for the period from April 1, 2016 through June 8, 2016 and the period from October 1, 2015 through June 8, 2016, respectively.

A summary and description of the acquired assets and assumed liabilities fair valued in conjunction with applying the acquisition method of accounting follows:

Accounts Receivable

Accounts receivable consisted of receivables related to the customers of the acquired business, as well as various other miscellaneous receivables. The accounts receivable and other miscellaneous receivables were recorded at their approximate fair value based on expected collections of the Predecessor. Accordingly, accounts receivable included an adjustment of $4.1 million to reduce gross receivables to their net value after consideration of expected uncollectable amounts at the Closing Date.

Inventory

Inventory consisted primarily of finished products to be distributed to the acquired business's customers. The fair value of inventory was established through application of the income approach, using estimates of selling prices and costs such as selling and marketing expenses to be incurred in order to dispose of the finished products and arriving at the future profitability that is expected to be generated once the inventory is sold (net realizable value). The inventory fair value step up of $13.8 million was recognized in income during the fiscal year ended September 30, 2016, which is included in *Cost of sales and operating expenses* in the condensed consolidated statements of operations.

Other Current Assets

Other current assets consisted primarily of prepaid expenses, which did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Property, Plant and Equipment

Property, plant and equipment consisted primarily of: 42 owned distribution locations in the U.S., Puerto Rico and Canada; 11 leased locations in the U.S., Canada, Puerto Rico, Mexico, Europe and China (excluding third-party operated warehouses); office equipment and other similar assets used in the Predecessor's operations. The allocation of the purchase consideration for property, plant and equipment was based on the fair market value of such assets determined using the cost approach. The cost approach consisted of estimating the fixed assets' replacement cost less all forms of depreciation. The fair value of land was determined using the comparable sales approach. The fair value adjustment to property, plant and equipment was $96.0 million.

Customer-Related Intangible

Customer relationships were valued through the application of the income approach. Under this approach, revenue, operating expenses and other costs associated with existing customers were estimated in order to derive cash flows attributable to the existing customer relationships. The resulting estimated cash flows were then discounted to present value to arrive at the fair value of existing customer relationships as of the valuation date. The value associated with customer relationships will be amortized on a straight-line basis over a 12-year period, which represents the approximate point in the projection period in which a majority of the asset's cash flows are expected to be realized based on assumed attrition rates. The Company recognized $201.0 million for these intangible assets as part of the allocation of the purchase consideration.

Trade Name

The "Nexeo" trade name was valued through application of the income approach, involving the estimation of likely future sales and an estimated royalty rate reflective of the rate that a market participant would pay to use the Nexeo name. The fair value of this asset will be amortized on a straight-line basis over a four-year period, estimated based on the period in which the Company expects a market participant would use the name prior to rebranding and the length of time the name would be expected to maintain recognition and value in the marketplace. The Company recognized $21.0 million for this intangible asset as part of the allocation of the purchase consideration.

Below-Market Leases

The Company recognized an intangible asset related to favorable lease terms of certain properties under operating leases where rental payments were determined to be less than current market rates. The intangible asset will be amortized over the remaining life of the operating leases, which ranges from one to seven years. The Company recognized $0.7 million for this intangible asset as part of the allocation of the purchase consideration.

Other Non-Current Assets

Other non-current assets acquired represented certain long-term deposits, which did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Goodwill

Goodwill represents the excess of the total purchase consideration over the fair value of the underlying net assets acquired, largely arising from the workforce and extensive efficient distribution network that has been established by the acquired business. Of the total amount of goodwill recognized as part of the preliminary allocation of the purchase consideration above, the Company expects approximately $253.4 million to be deductible for tax purposes as of June 30, 2017.

Short-Term Borrowings and Current Portion of Capital Leases

Short-term borrowings and current portion of capital leases included short-term borrowings of Nexeo Plaschem and the current portion of capital leases, which did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Accounts Payable

Accounts payable represented short-term obligations owed to the vendors of the acquired business, which were assumed in the Business Combination. These obligations did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Other Current Liabilities

Other current liabilities represented primarily accrued expenses, including accrued payroll, accrued interest on long-term debt, certain accrued taxes and various other liabilities arising out of the normal operations of the acquired business. The majority of these liabilities did not have a fair value adjustment because their carrying value approximated fair value. However, no fair value was recognized for certain recorded liabilities that did not meet the definition of a liability under the acquisition method of accounting.

Long-Term Portion of Capital Leases

The long-term portion of capital leases included the non-current portion of capital leases for machinery and equipment, which did not have a fair value adjustment as part of acquisition accounting since their carrying value approximated fair value.

Long-Term Debt

Long-term debt represented the outstanding principal balance at the Closing Date of the Predecessor Term Loan Facility and the Notes which did not have a fair value adjustment as part of acquisition accounting as the carrying value approximated fair value.

Deferred Taxes

Deferred tax assets and liabilities are attributable to the difference between the estimated fair values allocated to inventory, property, plant and equipment and identified intangibles acquired for financial reporting purposes and the amounts determined for tax reporting purposes and give rise to temporary differences. The deferred tax assets and liabilities will reverse in future periods or have reversed as the related tangible and intangible assets are amortized, acquired inventory is sold, or if goodwill is impaired. Additionally, the Company's entity structure includes several partnerships. The amounts recorded for deferred taxes reflect the evaluation of the tax basis of each individual partner's interest in the partnerships.

Unaudited Consolidated Pro Forma Financial Information

The consolidated pro forma results presented below include the effects of the Business Combination as if they had occurred as of October 1, 2014, the beginning of the fiscal year prior to the year the Business Combination was consummated, and the Ultra Chem Acquisition as if it had occurred as of October 1, 2015. The consolidated pro forma results reflect certain adjustments related to these acquisitions, primarily reflecting a full period of Ultra Chem Group's results of operations for each period presented, the estimated changes in fair value of the contingent consideration liability from the Business Combination, amortization expense associated with estimates for the acquired intangible assets, depreciation expense based on the new fair value of property, plant and equipment, the effects of inventory step ups from the acquisitions, transaction costs, interest expense and income taxes.

The consolidated pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the Business Combination been completed on October 1, 2014 or the Ultra Chem Acquisition on October 1, 2015.

	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2016
Sales and operating revenues	$ 942.6	$ 2,690.4	$ 879.4	$ 2,598.5
Operating income	25.3	39.6	15.6	32.9
Net income from continuing operations	11.2	3.8	5.0	1.5
Net income	11.2	3.8	5.0	1.5
Basic and diluted net income per share	0.15	0.05	0.07	0.02
Pro forma weighted average number of common shares outstanding				
Basic	76,743,853	76,745,396	76,746,168	76,746,168
Diluted	76,828,868	76,830,296	76,810,686	76,800,051

For all periods presented above, the pro forma weighted average number of common shares outstanding were computed assuming all shares issued as a result of the Business Combination would have been issued on October 1, 2014. There were 12,476,250 Founder Shares not included in the basic or diluted computations because market conditions are assumed to be not satisfied. Additionally, 1,567,000 outstanding PSU awards were not included in the computation of diluted shares outstanding because performance targets and/or market conditions are assumed not to have been met for these awards. Diluted shares outstanding also did not include 25,012,500 shares based on the exercise of 50,025,000 warrants because the warrants were out-of-the-money. The impact of unvested restricted stock awards issued to directors shortly after the Business Combination was included in all diluted share calculations above. The 24,500 of outstanding RSUs as of June 30, 2017 were not included in the computation of pro forma diluted shares outstanding for the three and nine months ended June 30, 2016 as they were awarded subsequent to the Business Combination.

4. Certain Balance Sheet Information

Cash and Cash Equivalents

Cash and cash equivalents were $34.1 million as of June 30, 2017 and $47.5 million as of September 30, 2016. These amounts included the following:

	June 30, 2017	September 30, 2016
Cash held by foreign subsidiaries	$ 29.6	$ 41.9
Non-USD denominated currency held by foreign subsidiaries	$ 26.5	$ 36.9
Currency denominated in RMB	$ 1.2	$ 6.5

Non-USD denominated currency held by foreign subsidiaries was primarily in CAD and RMB. While the RMB is convertible into USD, foreign exchange transactions are subject to approvals from SAFE. The Company does not anticipate any significant adverse impact to overall liquidity from potential limitations on the transfer or conversion of cash and cash equivalents.

Inventories

Inventories at June 30, 2017 and September 30, 2016 consisted of the following:

	June 30, 2017	September 30, 2016
Finished products	$ 358.2	$ 311.7
Supplies	4.6	4.1
Total	$ 362.8	$ 315.8

The Company’s inventories in the U.S. and Canada are collateral under the Credit Facilities.

Other Non-Current Assets

Other non-current assets at June 30, 2017 and September 30, 2016 consisted of the following:

	June 30, 2017	September 30, 2016
Debt issuance costs of the ABL Facility	$ 5.4	$ 6.4
Other	3.5	4.3
Total	$ 8.9	$ 10.7

Amortization of debt issuance costs related to the ABL Facility recorded in *Interest expense* in the condensed consolidated statements of operations was $0.7 million and $1.0 million for the three and nine months ended June 30, 2017, respectively. Amortization of debt issuance costs related to the ABL Facility recorded in *Interest expense* in the condensed consolidated statements of operations was $0.1 million for the three and nine months ended June 30, 2016 for the Successor. Amortization of debt issuance costs related to the Predecessor ABL Facility recorded in interest expense was $0.6 million and $2.1 million for the periods from April 1, 2016 through June 8, 2016 and from October 1, 2015 through June 8, 2016, respectively.

5. Property, Plant and Equipment

Property, plant and equipment at June 30, 2017 and September 30, 2016 consisted of the following:

	June 30, 2017	September 30, 2016
Land	$ 50.8	$ 50.4
Plants and buildings[1]	105.3	89.8
Machinery and equipment [2]	148.1	130.5
Software and computer equipment	59.5	49.0
Construction in progress	6.4	16.5
Total	370.1	336.2
Less accumulated depreciation [3]	(48.7)	(13.6)
Property, plant and equipment, net	$ 321.4	$ 322.6

[1] Includes $13.7 million as of June 30, 2017 related to facilities acquired under capital leases.
[2] Includes $25.6 million and $25.2 million, respectively, related to equipment acquired under capital leases.
[3] Includes $3.3 million and $1.1 million, respectively, related to facilities and equipment acquired under capital leases.

Depreciation expense recognized on the property, plant and equipment described above was as follows:

	Successor				*Predecessor*	
	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*	April 1, 2016 Through June 8, 2016	October 1, 2015 Through June 8, 2016
Depreciation expense	$ 12.2	$ 35.5	$ 3.0	$ 3.0	$ 7.5	$ 27.1

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

Included in the carrying value of property, plant and equipment in the Company's condensed consolidated balance sheets are certain closed facilities located in the U.S., which collectively have a carrying value of $1.1 million as of June 30, 2017 and $1.2 million as of September 30, 2016. The facilities do not currently meet the criteria for held-for-sale classification; accordingly, they remain classified as held and used.

Facility Lease

The Company's sale of its Franklin Park facility to the Illinois Tollway Authority under an eminent domain proceeding was completed in September 2016.

As a result of the sale of this facility, the Company relocated operations to a new leased facility in Montgomery, Illinois. The Montgomery Lease has a term of 15 years, with annual payments beginning at $1.1 million per year, excluding executory costs, and annual escalations of 2.5% per year. The Montgomery Lease includes three, five-year renewal options. The Montgomery Lease was accounted for as a capital lease and began in the first quarter of fiscal year 2017 at an initial cost of $13.2 million. In connection with the relocation of these operations, the Company incurred certain capital expenditures for which it has received reimbursements from the Illinois Tollway Authority. During the three and nine months ended June 30, 2017, the Company recorded a gain of $5.4 million and $8.1 million, respectively, related to such capital expenditures incurred and reimbursed to date, which is included in *Other Income* on the condensed consolidated statements of operations.

6. Goodwill and Other Intangibles

Goodwill

The following is a progression of goodwill by reportable segment:

	Chemicals	Plastics	Other	Total
Balance at September 30, 2016	$ 331.6	$ 271.1	$ 63.0	$ 665.7
Measurement period adjustment	2.7	1.2	0.5	4.4
Ultra Chem Acquisition	22.5	—	—	22.5
Foreign currency translation	0.1	1.5	—	1.6
Balance at June 30, 2017	$ 356.9	$ 273.8	$ 63.5	$ 694.2

Goodwill amounts by reportable segment at June 30, 2017 are based on the allocation of the purchase consideration of the Business Combination as of the Closing Date and the preliminary allocation of the purchase consideration of the Ultra Chem Acquisition as of the Ultra Chem Closing Date. Accordingly, the amounts allocated to goodwill from the Ultra Chem Acquisition are subject to adjustments to reflect the completion of the purchase price allocation, which will be completed within twelve months of the Ultra Chem Closing Date and could have a material impact on total goodwill and goodwill by reportable segment. See Note 3.

Goodwill Impairment Test

Goodwill is tested for impairment annually as of March 31 and whenever events or circumstances make it more likely than not that an impairment may have occurred. Goodwill is reviewed for impairment at the reporting unit level, or operating segment, for the Company. As of March 31, 2017, the Company tested the goodwill recorded at each of its operating segments and concluded that goodwill was not impaired. For purposes of the annual impairment testing of the Company's recognized goodwill, fair value measurements were determined using the income approach, based largely on inputs that are not observable to active markets, which would be deemed Level 3 fair value measurements as defined in Note 9. These inputs include management's expectations about future revenue growth and profitability, working capital needs and capital expenditures. Inputs also include estimates of a market participant's expectations for 1) a discount rate at which the cash flows should be discounted in order to determine the fair value of such expected cash flows, and 2) an estimated income tax rate. The Company also considered a market approach using the comparable company method, which resulted in a fair value estimate of each reporting unit that was comparable to the income approach. The Company's valuation based on the income approach is considered to be an appropriate valuation methodology for the annual goodwill impairment test.

As of the Company's last annual impairment test, the fair values of the Company's reporting units were determined to exceed their respective carrying amount by more than 20%, with the exception of the Plastics line of business, for which the fair value of the reporting unit exceeded its carrying value by approximately 2%. Holding all other assumptions consistent, if the estimated discount rate fluctuated by approximately 50 basis points, the fair values of the individual reporting units would fluctuate between 6% and 10% in the opposite direction. Additionally, material increases or decreases in the expectations for revenue growth and profitability for a prolonged period of time could also impact the fair value of the reporting units in the same direction. Holding all other assumptions consistent, if gross profit margins of the individual reporting units fluctuated by 50 basis points each year over the entire valuation period, the fair values of the individual reporting units would fluctuate between 3% and 15% in the same direction.

During the three months ended June 30, 2017, the Company evaluated whether events or circumstances had occurred that would make it more likely than not that an impairment may have occurred. In this evaluation, the Company analyzed the impact of any updates to the inputs discussed above and concluded that no triggering events had occurred.

The annual evaluation of goodwill requires the use of estimates about future operating results of each reporting unit to determine its estimated fair value. Changes in forecasted operations can materially affect these estimates, which could materially affect the Company’s results of operations. The estimate of fair value requires significant judgment and is based on management’s fair value estimates on assumptions that are believed to be reasonable; but that are unpredictable and inherently uncertain, including: estimates of future growth rates, operating margins and assumptions about the overall economic climate as well as the competitive environment for the reporting units. There can be no assurance that these estimates and assumptions made for purposes of the goodwill testing as of the time of testing will prove to be accurate predictions of the future. If assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, the Company may be required to record goodwill impairment charges in future periods, whether in connection with future annual impairment testing, or earlier, if an indicator of an impairment is present prior to the next annual evaluation.

Other Intangible Assets

During the nine months ended June 30, 2017, the Company recognized two new intangible asset classes. See Note 3. Definite-lived intangible assets at June 30, 2017 and September 30, 2016 consisted of the following:

		June 30, 2017			September 30, 2016		
	Estimated Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer-related	5-13	$ 229.5	$ (18.5)	$ 211.0	$ 200.3	$ (5.2)	$ 195.1
Supplier-related	10	1.5	(0.1)	1.4	—	—	—
Trade name	2-10	22.2	(5.7)	16.5	21.0	(1.7)	19.3
Below-market leases	1-7	0.7	(0.3)	0.4	0.7	(0.1)	0.6
Non-compete agreements	3-10	4.0	(0.3)	3.7	—	—	—
Total		$ 257.9	$ (24.9)	$ 233.0	$ 222.0	$ (7.0)	$ 215.0

Amortization expense recognized on the intangible assets described above was as follows:

	Successor				*Predecessor*	
	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*	April 1, 2016 Through June 8, 2016	October 1, 2015 Through June 8, 2016
Amortization expense	$ 6.7	$ 18.0	$ 1.3	$ 1.3	$ 2.8	$ 10.6

*The three and nine months ended June 30, 2016 include 22 days of the acquired business’ operating activities as a result of the consummation of the Business Combination on June 9, 2016.

7. Debt

Short-term borrowings outstanding and the current portion of long-term debt and capital lease obligations at June 30, 2017 and September 30, 2016 are summarized below:

	June 30, 2017	September 30, 2016
Short-term borrowings	$ 39.4	$ 38.4
Current portion of long-term debt and capital lease obligations	9.3	9.3
Total short-term borrowings and current portion of long-term debt and capital lease obligations, net	$ 48.7	$ 47.7

Long-term debt outstanding at June 30, 2017 and September 30, 2016 is summarized below:

	June 30, 2017	September 30, 2016
ABL Facility	$ 199.7	$ 117.7
Term Loan Facility	648.5	653.4
Capital lease obligations (1)	36.5	24.8
Total long-term debt	884.7	795.9
Less: unamortized debt discount (2)	(2.8)	(3.2)
Less: debt issuance costs (3)	(17.3)	(17.8)
Less: current portion of long-term debt and capital lease obligations	(9.3)	(9.3)
Long-term debt and capital lease obligations, less current portion, net	$ 855.3	$ 765.6

(1) Capital lease obligations exclude executory costs and interest payments associated with the underlying leases. See "Capital Lease Obligations" below.
(2) The unamortized debt discount is related to the Term Loan Facility and amortized to interest expense over the life of the instrument using the effective interest rate method.
(3) See discussion below under Term Loan Facility and Debt Issuance Cost Amortization.

Short-Term Borrowings

The Company's short-term borrowings are associated with the Company's operations in China and are summarized below:

	Facility Limit	Outstanding Borrowings Balance	Weighted Average Interest Rate on Borrowings	Outstanding LOC and Bankers' Acceptance Bills	Remaining Availability
June 30, 2017					
Bank of America - China (1)	$ 24.3	$ 24.0	4.3%	$ —	$ 0.3
Bank of Communications - China (2)	22.1	15.4	5.3%	3.2	3.5
Total	$ 46.4	$ 39.4		$ 3.2	$ 3.8
September 30, 2016					
Bank of America - China (1)	$ 28.4	$ 27.3	4.0%	$ —	$ 1.1
Bank of Communications - China (2)	22.5	11.1	5.2%	10.5	0.9
Total	$ 50.9	$ 38.4		$ 10.5	$ 2.0

(1) The borrowing limit of this facility is denominated in USD. This line of credit is secured by a standby letter of credit drawn on the ABL Facility covering at least 110% of the facility's borrowing limit amount. Borrowings under the line of credit are payable in full within 12 months of the date of the advance.
(2) The borrowing limit of this facility is denominated in RMB. This line of credit is secured by a standby letter of credit drawn on the ABL Facility covering at least 100% of the facility's borrowing limit amount. Borrowings under the line of credit are payable in full within 12 months of the date of the advance.

Long-Term Debt

ABL Facility

The ABL Facility provides for committed revolving credit financing including a U.S. Tranche of up to $505.0 million, a Canadian Tranche of up to the USD equivalent of $40.0 million and a FILO Tranche up to $30.0 million. Provided no default or event of default then exists or would arise therefrom, the ABL Borrowers have the option to request that the ABL Facility be increased by an aggregate amount, when included with any incremental borrowings issued under the Term Loan Facility, not to exceed $175.0 million.

Borrowings under the U.S. Tranche and the Canadian Tranche of the ABL Facility bear interest, at the ABL Borrowers' option, at either an alternate base rate or Canadian prime rate, as applicable, plus an applicable margin (ranging from 0.25% to 0.75% pursuant to a grid based on average excess availability) or LIBOR or Canadian BA rate (as defined therein), as applicable, plus an applicable margin (ranging from 1.25% to 1.75% pursuant to a grid based on average excess availability). Loans under the FILO Tranche, within the ABL Facility, bear interest at an alternate base rate plus an applicable margin (ranging from 1.00% to 1.50% pursuant to a grid based on average excess availability) or LIBOR plus an applicable margin (ranging from 2.00% to 2.50% pursuant to a grid based on average excess availability). In addition to paying interest on outstanding principal amounts under the ABL Facility, the ABL Borrowers are required to pay a commitment fee in respect of the unutilized commitments, which commitment fee is 0.250% or 0.375% per annum and is determined based on average utilization of the ABL Facility (increasing when utilization is low and decreasing when utilization is high). The ABL Borrowers are required to pay customary letters of credit fees.

The weighted average interest rate on borrowings under the ABL Facility was 2.58% at June 30, 2017. Solutions had the USD equivalent of $71.3 million in outstanding letters of credit under the ABL Facility at June 30, 2017. The collective credit availability under the U.S. and Canadian Tranches of the ABL Facility was the U.S. equivalent of $215.7 million at June 30, 2017. There was $5.0 million availability under the FILO Tranche at June 30, 2017. The ABL Facility matures on June 9, 2021.

Obligations under the ABL Facility are secured by a first priority lien on all ABL Facility first lien collateral, including eligible inventory and accounts receivable of the ABL Borrowers, and a second priority lien on all Term Loan Facility first lien collateral including outstanding equity interests of the Borrower and certain of the other subsidiaries of Holdings, in each case, subject to certain limitations; provided, that no ABL Facility first lien collateral or Term Loan Facility first lien collateral owned by the Canadian Borrower secure the obligations owing under the U.S. Tranche of the ABL Facility. These accounts receivable and inventory totaled $660.9 million in the aggregate as of June 30, 2017.

Fees paid to the lenders during the fiscal year ended September 30, 2016 in connection with the ABL Facility totaled $6.8 million and were recorded as debt issuance costs in *Other non-current assets* on the condensed consolidated balance sheets to be amortized as interest expense over the remaining term of the ABL Facility. See Note 4.

As of June 30, 2017, the ABL Borrowers were in compliance with the covenants of the ABL Facility.

Term Loan Facility

The Term Loan Facility provides secured debt financing in an aggregate principal amount of up to $655.0 million and the right, at Solutions' option, to request additional tranches of term loans in an aggregate principal amount, when included with any incremental borrowings issued under the ABL Facility, of up to $175.0 million, plus unlimited additional amounts such that the aggregate principal amount of indebtedness outstanding at the time of incurrence does not cause the Secured Net Leverage Ratio, calculated on a pro forma basis, to exceed 4.1 to 1.0. Availability of such additional tranches of term loans is subject to the absence of any default and, among other things, the receipt of commitments by existing or additional financial institutions.

On March 22, 2017, the Company completed TLB Amendment No. 1 amending the current Term Loan Facility. TLB Amendment No. 1 reduced the interest rate margin applicable to outstanding term loans by 50 basis points from 4.25% to 3.75% for LIBOR loans and from 3.25% to 2.75% for base rate loans. In addition, the 1% LIBOR floor was eliminated. TLB Amendment No.1 provides a prepayment premium equal to 1% of the amount of the term loan applicable to certain repricing transactions occurring on or prior to six months from the effective date of TLB Amendment No. 1.

Commencing with the quarter ended September 30, 2016, Solutions is required to make scheduled quarterly payments in an aggregate annual amount equal to 1.0% of the aggregate principal amount of the initial term loans made on the Closing Date of the Mergers, with the balance due at maturity. The average interest rate for the Term Loan Facility was 4.88% at June 30, 2017. The Company amortized $0.1 million and $0.4 million of debt discount to interest expense during the three and nine months ended June 30, 2017, respectively. The Term Loan Facility matures on June 9, 2023.

Additionally, the Term Loan Facility agreement requires Solutions to make mandatory principal payments on an annual basis, with the first required calculation determined at fiscal year-end (September 30, 2017), if cash flows for the year, as defined in the Term Loan Facility exceed certain levels specified in the Term Loan Facility. Solutions generally has the right to prepay loans in whole or in part, without incurring any penalties for early payment.

Obligations under the Term Loan Facility are secured by a first priority lien on all Term Loan first lien collateral, including outstanding equity interests of the Borrower and certain of the other subsidiaries of Holdings, and a second priority lien on all ABL Facility first lien collateral, including accounts receivable and inventory of the loan parties under the Term Loan Facility, subject to certain limitations.

Fees paid to the lenders during the fiscal year ended September 30, 2016 in connection with the Term Loan Facility totaled $18.5 million and were recorded as a reduction of the debt balance to be amortized as interest expense over the remaining term of the Term Loan Facility.

As of June 30, 2017, Solutions was in compliance with the covenants of the Term Loan Facility.

Debt Issuance Cost Amortization

Amortization expense included in interest expense related to debt issuance costs of the Term Loan Facility was $0.7 million and $1.8 million for the three and nine months ended June 30, 2017, respectively. As a result of TLB Amendment No. 1, the Company incurred debt issuance costs of $1.3 million during the nine months ended June 30, 2017, which will be amortized throughout the remaining life of the Term Loan Facility. Amortization expense included in interest expense related to debt issuance costs of the Term Loan Facility was $0.1 million for the three and nine months ended June 30, 2016. Amortization expense included in interest expense related to debt issuance costs of the Predecessor Term Loan Facility and the Notes was $0.8 million and $3.0 million for the periods from April 1, 2016 through June 8, 2016 and from October 1, 2015 through June 8, 2016, respectively.

Capital Lease Obligations

The capital lease obligation balance of $36.5 million as of June 30, 2017 is primarily associated with the Ryder Lease and the Montgomery Lease. The Ryder Lease obligation excludes decreasing annual interest payments ranging from $1.0 million to $0.1 million, for aggregate interest payments totaling $4.0 million. The Montgomery Lease obligation excludes decreasing annual interest payments ranging from $1.0 million to $0.1 million, for aggregate interest payments of $13.9 million. See Note 5.

8. Derivatives

During the three months ended March 31, 2017, the Company entered into four interest rate swap agreements with a combined notional amount of $300.0 million to help mitigate interest rate risk related to the variable-rate Term Loan Facility. The swap agreements expire at various dates from February 2020 through March 2022 and are accounted for as cash flow hedges. Gains or losses resulting from changes in the fair value of the swaps are recorded in other comprehensive income to the extent that the swaps are effective as hedges. Gains and losses resulting from changes in the fair value applicable to the ineffective portion, if any, are reflected in income. Gains and losses recorded in other comprehensive income are reclassified into and recognized in income when the interest expense on the Term Loan Facility is recognized.

On June 29, 2017, the Company removed the interest rate floor component of the interest-rate swaps to align the swaps with the Term Loan Facility terms after the modification of the Term Loan Facility in March 2017 with TLB Amendment No. 1. In connection with the modification of the swaps' terms, the Company received cash proceeds of $0.5 million. During the three and nine months ended June 30, 2017, the Company recognized approximately $0.6 million of interest expense related to ineffectiveness of the interest-rate swaps prior to June 29, 2017. The interest rate swaps continue to be accounted for as cash flow hedges and there was no material ineffectiveness related to the swaps after the modification of the terms described above.

Derivative assets and liabilities at June 30, 2017 and September 30, 2016 consisted of the following:

	Recorded to	June 30, 2017	September 30, 2016
Long-term derivative asset	*Other non-current assets*	$ 0.1	$ —
Short-term derivative liability	*Accrued expenses and other liabilities*	$ 1.5	$ —
Long-term derivative liability	*Other non-current liabilities*	$ 0.4	$ —
Other Comprehensive Income/Loss	*Accumulated other comprehensive loss*	$ 0.4	$ —

Prior to the Business Combination, the Predecessor was a party to interest rate swap agreements to mitigate the exposure to interest rate risk related to the variable-rate Predecessor Term Loan Facility. The agreements had varying expiration dates through March 2017, and were accounted for as cash flow hedges. Accordingly, gains or losses resulting from changes in the fair value of the swaps were recorded in other comprehensive income to the extent that the swaps are effective as hedges. Gains and losses resulting from changes in the fair value applicable to the ineffective portion, if any, were reflected in income. Gains and losses recorded in other comprehensive income were reclassified into and recognized in income when the interest expense on the Predecessor Term Loan Facility was recognized.

Gains and losses (net of reclassifications into income, including any ineffective portion) related to the interest rate swaps of the Company and the Predecessor were as follows:

		Successor		*Predecessor*	
	Recorded to	**Three Months Ended June 30, 2017**	**Nine Months Ended June 30, 2017**	**April 1 Through June 8, 2016**	**October 1, 2015 Through June 8, 2016**
Realized loss	*Interest expense*	$ 1.2	$ 1.5	$ 0.1	$ 0.3
Unrealized gain (loss), net of tax	*Other comprehensive income(loss)*	$ (0.7)	$ (0.4)	$ 0.1	$ 0.3

Unrealized losses related to the interest-rate swaps for the three and nine months ended June 30, 2017 were net of a tax benefit impact of $0.3 million. There was no material tax impact for the Predecessor periods presented. At June 30, 2017, $1.3 million in unrealized losses were expected to be realized and recognized in income within the next twelve months.

See Note 9 for additional information on the fair value of the Predecessor's derivative instruments.

9. Fair Value Measurements

The accounting standard for fair value measurements establishes a framework for measuring fair value that is based on the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2—Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3—Prices or valuation models that require inputs that are both significant to the fair value measurement and less observable for objective sources (i.e., supported by little or no market activity).

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term borrowings approximate their fair value due to the short-term maturity of those instruments.

The carrying values of borrowings outstanding under the Credit Facilities approximate fair value at June 30, 2017 and September 30, 2016, primarily due to their variable interest rate. The estimated fair value of these instruments is classified by the Company as a Level 3 measurement within the fair value hierarchy due to the varying interest rate parameters as outlined in the respective loan agreements.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

In addition to the financial instruments that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a non-recurring basis as required by U.S. GAAP. Generally, assets are recorded at fair value on a non-recurring basis as a result of impairment charges or as part of a business combination. As discussed in Note 3, during the nine months ended June 30, 2017, the Company recorded non-recurring fair value measurements related to the Ultra Chem Acquisition and its asset acquisitions. In addition, in the fiscal year ended September 30, 2016, the Company recorded non-recurring fair value measurements related to the Business Combination. These fair value measurements were classified as Level 3 within the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Contingent Consideration

The fair value of the contingent consideration related to the Deferred Cash Consideration as discussed in Note 3 was $40.4 million and $35.0 million as of June 30, 2017 and September 30, 2016, respectively. The measurement of the contingent consideration related to the Deferred Cash Consideration is classified by the Company as a Level 3 measurement within the fair value hierarchy. 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. An increase in the market price of the Company's common stock has the same directional effect on the value of the liability related to the Deferred Cash Consideration. An increase in the volatility and marketability discount will lower the value of the liability related to the Deferred Cash Consideration.

The fair value of the liability for the contingent consideration related to the TRA as discussed in Note 3 was $103.4 million and $83.4 million as of June 30, 2017 and September 30, 2016, respectively. The liability for the contingent consideration related to the TRA is classified by the Company as a Level 3 measurement within the fair value hierarchy. 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. An increase in the discount rate will lower the value of the liability related to the TRA and an increase in prevailing tax rates will increase the value of the liability related to the TRA.

During the nine months ended June 30, 2017, the Company recorded a $5.6 million adjustment to the estimated fair value of the TRA liability as of the Closing Date, related to the assessments of the tax attributes associated with certain entities.

Changes in the fair value of the contingent consideration obligations for the nine months ended June 30, 2017 were as follows:

	TRA	Deferred Cash Consideration	Total Fair Value
Contingent consideration as of September 30, 2016	$ 83.4	$ 35.0	$ 118.4
Measurement period adjustment	5.6	—	5.6
Change in fair value of contingent consideration[(1)]	14.4	5.4	19.8
Contingent consideration as of June 30, 2017	$ 103.4	$ 40.4	$ 143.8

(1) Included in *Operating income (loss)* in the condensed consolidated statements of operations.

Significant changes in the estimates and inputs used in determining the fair value of the contingent consideration could have a material impact on the amounts recognized as a component of *Operating income (loss)* in future periods.

Interest Rate Swaps

The Company classifies interest rate swaps within Level 2. During the three months ended March 31, 2017, the Company entered into four interest rate swap agreements to help mitigate interest rate risk related to the variable-rate Term Loan Facility. On June 29, 2017, the Company removed the interest rate floor component of the interest-rate swaps to align the swaps with the Term Loan Facility terms after the modification of the Term Loan Facility in March 2017 with TLB Amendment No. 1. The agreements expire at various dates through March 2022. At June 30, 2017, the Company recorded $0.1 million in *Other non-current assets,* $1.5 million in *Accrued expenses and other liabilities* and $0.4 million in *Other non-current liabilities* in the condensed consolidated balance sheet related to these instruments.

Prior to the Business Combination, the Predecessor was a party to interest rate swap agreements to mitigate the Predecessor's interest rate risk related to its variable-rate Predecessor Term Loan Facility. The agreements had varying expiration dates through March 2017. As a result of the Business Combination, the Predecessor Term Loan Facility was extinguished and the related interest rate swap agreements were terminated and an early termination payment of $0.3 million was made and recorded in *Transaction related costs* in the condensed consolidated statements of operations.

During the nine months ended June 30, 2017 and 2016, the Company and the Predecessor did not have any transfers between Level 1, Level 2 or Level 3 fair value measurements.

10. Share-based Compensation and Employee Benefit Plans

On June 8, 2016, the Company's stockholders approved the 2016 LTIP, with an effective date of March 30, 2016, covering approximately a ten-year period. No awards may be granted after March 20, 2026. The 2016 LTIP permits the grant of up to 9,000,000 shares of common stock for various types of awards to employees, directors and consultants of the Company or its subsidiaries, including incentive and non-incentive stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, stock awards, conversion awards and performance awards.

Vesting conditions of awards under the 2016 LTIP are determined by the Compensation Committee of the Board of Directors of the Company, including treatment upon the occurrence of a change of control of the Company. Upon a change of control, the Compensation Committee has the discretion to remove forfeiture restrictions, accelerate vesting, require recipients of awards to surrender the awards for cash consideration, cancel unvested awards without payment of consideration, cause any surviving entity to assume and continue any outstanding awards, or make other such adjustments as the Compensation Committee deems appropriate to reflect such change of control.

If any change is made to the Company's capitalization, appropriate adjustments will be made by the Compensation Committee as to the number and price of shares awarded under the 2016 LTIP, the securities covered by such awards, the aggregate number of shares of common stock of the Company available for the issuance of awards under the 2016 LTIP and the maximum annual per person compensation limits on share-based awards under the 2016 LTIP.

Other than in connection with a change in capitalization or other transaction where an adjustment is permitted or required under the terms of the 2016 LTIP, the Compensation Committee is prohibited from making any adjustment or approving any amendment that reduces or would have the effect of reducing the exercise price of a stock option or stock appreciation right previously granted under the 2016 LTIP unless the Company's stockholders have approved such adjustment or amendment.

In each calendar year during any part of which the 2016 LTIP is in effect, an employee may not receive awards under the plan in excess of 1,000,000 shares of common stock, or a value of greater than $12.0 million if an award is to be paid in cash or if settlement is not based on shares of common stock, in each case, multiplied by the number of full or partial calendar years in any performance period established with respect to an award, if applicable. A non-employee member of the Board of Directors of the Company may not be granted awards with a cumulative value of greater than $1.0 million during any calendar year for services rendered in their capacity as a director. This limit does not apply to grants made to a non-employee director for other reasons not related to their services as a director.

During the nine months ended June 30, 2017, the Company granted 212,000 PSUs to employees. The performance aspect of the PSUs vests on June 30, 2019, entitling the recipient to receive a certain number of shares of the Company's common stock, based on the Company's achievement of the performance goals included in the PSUs. Depending on the performance of the Company's common stock during the approximate three-year performance period, a recipient of the award is entitled to receive a number of common shares equal to a percentage, ranging from 0% to 200%, of the initial award granted, with a 35% total shareholder return entitling the recipient to receive 100% of the award granted. As a result, the Company may issue up to 424,000 shares of the Company's common stock related to these awards. If the Company's total shareholder return for the performance period is negative, then the number of units ultimately awarded is based on the Company's achievement of its cumulative Adjusted EBITDA target, as defined by the PSU agreement, during the performance period. If total shareholder return is between negative 15% and 0%, a recipient is entitled to receive a number of shares of stock between 50% and 70% of the number of PSUs granted. If the cumulative Adjusted EBTIDA target is not met, or the total shareholder return is less than negative 15%, no shares of the Company's common stock will be issued. The Company used the Monte Carlo simulation model to estimate the fair value of the PSU awards at the grant date, considering the probability of satisfying the various performance criteria. The resulting grant date fair value is recognized as expense on a straight-line basis from the grant date through the end of the performance period. The assumptions used in the Monte Carlo simulation model for PSUs included an expected stock price volatility of 40% based on a peer group of similar companies, an expected dividend yield of 0%, an expected term of between two and three years, and a risk-free interest rate of between 0.93% and 1.3%.

The following table summarizes PSU award activity during the nine months ended June 30, 2017:

	PSUs	Average Grant Date Fair Value Per Unit
Unvested PSUs at September 30, 2016	1,542,500	$ 9.12
Grants	212,000	7.66
Vested	—	—
Forfeited/Canceled	(187,500)	9.05
Unvested PSUs at June 30, 2017	1,567,000	$ 8.93

The PSU awards are accounted for as equity instruments, and the Company recognized compensation expense of $1.3 million and $3.5 million as a component of *Selling, general and administrative expenses* on the condensed consolidated statements of operations for the three and nine months ended June 30, 2017, respectively, and $0.3 million of compensation expense during the three and nine months ended June 30, 2016, related to the PSUs. As of June 30, 2017, the outstanding PSUs had a weighted-average remaining contract life of 2.0 years. As of June 30, 2017, there was $8.6 million of total unrecognized compensation expense related to non-vested PSUs.

During the fiscal year ended September 30, 2016, the Company also granted 64,518 shares of restricted stock to certain of the Company's non-employee directors under the 2016 LTIP. The restricted stock will vest on the anniversary of the grant date provided the director continues his services as a director of the Company. The fair value of the restricted stock was determined by the closing price of the Company's common stock on the date of grant.

The following table summarizes restricted stock activity during the nine months ended June 30, 2017:

	Shares of Restricted Stock	Average Grant Date Fair Value Per Unit
Restricted stock at September 30, 2016	64,518	$ 9.27
Grants	5,434	9.02
Vested	—	—
Forfeited/Canceled	(10,753)	9.27
Restricted stock at June 30, 2017	59,199	$ 9.25

The restricted stock awards are accounted for as equity instruments, and the Company recognized compensation expense of $0.1 million and $0.4 million as a component of *Selling, general and administrative expenses* on the condensed consolidated statements of operations during the three and nine months ended June 30, 2017, respectively, related to the restricted stock. As of June 30, 2017, there was less than $0.1 million of total unrecognized compensation expense related to restricted stock, and a weighted average remaining life of 0.1 years.

During the fiscal year ended September 30, 2016, the TPG Restricted Stock Grants were awarded with respect to 100,000 shares of Company common stock owned by TPG. These awards vest in equal amounts over a three-year period provided that the recipients of such grants continue their employment with the Company. During the three months ended June 30, 2017, 33,333 shares of these awards vested and 9,576 shares were transferred to the Company (reflected as treasury stock) to satisfy the officers' and employees' tax withholding obligations in connection with the vesting. The Company recognized compensation cost of $0.1 million and $0.3 million as a component of *Selling, general and administrative expenses* on the condensed consolidated statements of operations during the three and nine months ended June 30, 2017, respectively, related to these awards. As of June 30, 2017, there was $0.6 million of total unrecognized compensation cost related to these awards, and a weighted average remaining life of 1.9 years.

While these awards were not made pursuant to the 2016 LTIP, they constitute equity-based compensation and therefore will count against the 2016 LTIP's share reserve to the extent the awards vest.

During the nine months ended June 30, 2017, the Company granted certain employees a total of 28,000 RSUs that vest equally over a three-year period on the anniversary of the grant date provided the employee remains employed by the Company. Upon vesting, the recipients will receive a share of common stock in the Company for each RSU awarded. The fair value of these RSUs was determined based on the closing price of the Company's stock on the grant date.

The following table summarizes RSU award activity during the nine months ended June 30, 2017:

	RSUs	Average Grant Date Fair Value Per Unit
Unvested RSUs at September 30, 2016	—	$ —
Grants	28,000	7.28
Vested	—	—
Forfeited/Canceled	(3,500)	7.28
Unvested RSUs at June 30, 2017	24,500	$ 7.28

The RSUs are accounted for as equity instruments, and the Company recognized compensation cost of less than $0.1 million as a component of *Selling, general and administrative expenses* on the condensed consolidated statements of operations during the three and nine months ended June 30, 2017 related to the RSUs. As of June 30, 2017, there was $0.1 million of total unrecognized compensation cost related to the RSUs, and a weighted average remaining life of 2.4 years.

The Company also awarded 10,500 phantom RSUs and 10,000 phantom PSUs to certain non-U.S. employees. The phantom RSUs vest equally over a three-year period on the anniversary of the grant date while the phantom PSUs vest under the same conditions as the PSU awards described above. During the three months ended June 30, 2017, the phantom PSUs were forfeited. Upon vesting and provided the employee remains employed by the Company at that time, the awards will be settled in cash. In accordance with ASC 718, these specific phantom RSU and phantom PSU awards are accounted for as a liability, with the awards re-measured at the end of each reporting period based on the closing price of the Company's common stock or using a Monte Carlo simulation model, as applicable. Compensation expense is recognized ratably on a straight-line basis over the requisite service period. An immaterial amount of compensation expense was recognized during the three and nine months ended June 30, 2017 related to these awards.

As of June 30, 2017, there were 7,238,801 shares of the Company's common stock available for issuance under the 2016 LTIP.

Defined Contribution Plans

Qualifying employees of the Company are eligible to participate in the Solutions 401(k) Plan. The 401(k) Plan is a defined contribution plan designed to allow employees to make tax deferred contributions as well as company contributions, designed to assist employees of the Company and its affiliates in providing for their retirement. The Company matches 100% of employee contributions up to 4.0%. The Company makes an additional contribution to the 401(k) Plan of 1.5%, 3.0%, or 4.5%, based upon years of service of one to ten years, eleven to twenty years and twenty-one years or more, respectively. A version of the 401(k) Plan is also available for qualifying employees of the Company in its foreign subsidiaries.

The following summarizes contributions to the plans described above:

	Successor				Predecessor	
	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*	April 1, 2016 Through June 8, 2016	October 1, 2015 Through June 8, 2016
Contributions recorded as a component of cost of sales and operating expenses	$ 1.0	$ 3.0	$ 0.2	$ 0.2	$ 0.8	$ 2.7
Contributions recorded as a component of selling, general and administrative expenses	1.6	4.8	0.4	0.4	1.5	4.8
Total contributions	$ 2.6	$ 7.8	$ 0.6	$ 0.6	$ 2.3	$ 7.5

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

Predecessor Equity Plan

The Predecessor previously issued unregistered Series B units in Holdings to directors and certain officers and employees. The units issued were initially unvested, and with respect to units issued to certain officers and employees, 50% of the Series B units would vest 20% annually over a five-year period ("Time-Based Units") and 50% of the Series B units would vest in accordance with a performance-based schedule that was divided into five separate and equal twelve month periods ("Performance-Based Units"). The Board of Directors of the Predecessor established EBITDA-based performance targets for purposes of determining vesting of the Performance-Based Units. Further, all Performance-Based Units would automatically vest upon a liquidity event, provided the award holder remained employed through the date of the liquidity event.

Immediately prior to and in connection with the closing of the Business Combination, certain Series B units vested, including 368,136 units granted to Directors, and as a result, the Predecessor recognized $2.0 million of expense related to Performance-Based Units during the period from April 1, 2016 to June 8, 2016, which is included in *Transaction related costs* in the condensed consolidated statement of operations. The Predecessor recognized an additional $0.1 million and $0.7 million of compensation expense as a component of *Selling, general and administrative expenses* in the condensed consolidated statements of operations related to the Time-Based Units during the period from April 1, 2016 through June 8, 2016 and from October 1, 2015 through June 8, 2016, respectively.

All vested and unvested Series B units in existence as of the closing of the Business Combination were exchanged for equity interests of New Holdco, which received a portion of the consideration paid to the Selling Equityholders in the Company Merger in exchange for such Series B Units.

11. Equity

Common Stock

The authorized common stock of the Company consists of 300,000,000 shares. Holders of the Company's common stock are entitled to one vote for each share of common stock. As of June 30, 2017, there were 89,281,617 shares of common stock issued and 89,272,041 shares of common stock outstanding, which includes the 12,476,250 Founder Shares.

Founder Shares

As of June 30, 2017 there were 12,476,250 Founder Shares. These Founder Shares are subject to forfeiture on the tenth anniversary of the Closing Date unless:

- with respect to 50% of such Founder Shares, the last sale price of the Company's common stock as quoted on NASDAQ equals or exceeds $12.50 per share (as adjusted for stock splits, dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30 trading day period; and
- with respect to the remaining 50% of such Founder Shares, the last sale price of the Company's common stock equals or exceeds $15.00 per share (as adjusted for stock splits, dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30 trading day period; or
- the post-combination company completes a liquidation, merger, stock exchange or other similar transaction that results in all or substantially all of its stockholders having the right to exchange their shares of common stock for consideration in cash, securities or other property or any transaction involving a consolidation, merger, proxy contest, tender offer or similar transaction in which the post-combination company is the surviving entity which results in a change in the majority of the Company's board of directors or management team or the Company's post-combination stockholders immediately prior to such transaction ceasing to own a majority of the surviving entity immediately after such transaction.

The Founder Shares will not participate in dividends or other distributions with respect to the shares prior to these targets being met, whereupon the Founder Shares shall be entitled to all dividends and distributions paid on the common stock after the Business Combination as if they had been holders of record entitled to receive distributions on the applicable record date.

Warrants

As of June 30, 2017 there were 50,025,000 warrants outstanding to purchase 25,012,500 shares of common stock at an exercise price of $11.50 per share.

Preferred Stock

The authorized preferred stock of the Company consists of 1,000,000 shares. As of June 30, 2017, there were no shares of preferred stock issued and outstanding.

Treasury Stock

During the three months ended June 30, 2017, in connection with the vesting of one third of the TPG Restricted Stock Grants, 9,576 shares of common stock with an aggregate fair market value of $0.1 million were transferred to the Company to satisfy the officers' and employees' tax withholding obligations in connection with the vesting. Following the transfer, these shares were not canceled and are therefore classified as treasury stock.

12. Earnings per Share

A reconciliation of the numerators and denominators of the basic and diluted per share computation follows. No such computation is necessary for the Predecessor period as the Predecessor was organized as a limited liability company and did not have publicly traded common shares.

	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*
Basic:				
Net income (loss)	$ 10.2	$ 0.8	$ (15.5)	$ (17.1)
Weighted average number of common shares outstanding during the period	76,743,853	76,745,396	34,072,056	21,241,897
Net income (loss) per common share - basic	$ 0.13	$ 0.01	$ (0.45)	$ (0.81)
Diluted:				
Net income (loss)	$ 10.2	$ 0.8	$ (15.5)	$ (17.1)
Denominator for diluted earnings per share:				
Weighted average number of common shares outstanding during the period	76,743,853	76,745,396	34,072,056	21,241,897
Incremental common shares attributable to outstanding unvested restricted stock and unvested restricted stock units	85,015	84,900	—	—
Denominator for diluted earnings per common share	76,828,868	76,830,296	34,072,056	21,241,897
Net income (loss) per common share - diluted	$ 0.13	$ 0.01	$ (0.45)	$ (0.81)

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

For the three and nine months ended June 30, 2017 and 2016, there were 12,476,250 Founder Shares excluded from the basic and diluted computations because such shares were subject to forfeiture and 1,567,000 and 1,547,500 PSU awards, respectively, which were not included in the computation of diluted shares outstanding because performance targets and/or market conditions were not yet met for these awards. Diluted shares outstanding also did not include 25,012,500 shares of common stock issuable on the exercise of 50,025,000 warrants because the warrants were out-of-the-money for the three and nine months ended June 30, 2017 and 2016. As of the three and nine months ended June 30, 2017, the 59,199 shares of unvested restricted stock awards issued to directors and 24,500 shares of restricted stock units awarded to employees were included in the diluted share calculation. There were no restricted stock units or restricted stock awards as of the three or nine months ended June 30, 2016.

13. Commitments, Contingencies and Litigation

Operating Leases

The Company is a lessee of office buildings, transportation equipment, warehouses and storage facilities, other equipment, facilities and properties under operating lease agreements that expire at various dates. Rent expense (including rentals under short-term leases) was $6.1 million and $19.2 million for the three and nine months ended June 30, 2017, respectively, and $0.6 million for the three and nine months ended June 30, 2016 for the Successor, and $4.9 million and $17.1 million for the three and nine months ended June 30, 2016, respectively, for the Predecessor.

Future minimum non-cancellable rental payments as of June 30, 2017 are as follows:

2018	$	15.3
2019		12.6
2020		8.4
2021		6.2
2022		5.2
Thereafter		4.2
Total	$	51.9

Capital Leases

The Company leases certain equipment and facilities under capital lease agreements. As of June 30, 2017 future minimum lease payments under capital leases were as follows:

2018	$	7.7
2019		7.5
2020		7.5
2021		7.0
2022		7.1
Thereafter		37.3
Total minimum capital lease payments		74.1
Less amount representing executory costs		(18.3)
Less amount representing interest		(18.5)
Present value of net minimum capital lease payments	$	37.3

Environmental Remediation

Due to the nature of its business, the Company is subject to various laws and regulations pertaining to the environment and to the sale, handling, transportation and disposal of chemicals and hazardous materials. These laws pertain to, among other things, air and water, the management of solid and hazardous wastes, transportation and human health and safety.

On March 31, 2011, the Predecessor purchased certain assets of the global distribution business (the "Distribution Business") from Ashland (the "Ashland Distribution Acquisition"), evidenced by the ADA Purchase Agreement. In the ADA Purchase Agreement, Ashland agreed to retain all known environmental remediation liabilities ("the Retained Specified Remediation Liabilities") and other environmental remediation liabilities unknown at the closing of the Ashland Distribution Acquisition related to the Distribution Business for which Ashland received notice prior to the fifth anniversary of the closing (the "Other Retained Remediation Liabilities") (collectively, the "Retained Remediation Liabilities"). Ashland’s liability for the Retained Remediation Liabilities is not subject to any claim thresholds or deductibles other than expenses the Predecessor incurs arising out of the Other Retained Remediation Liabilities. Had the Predecessor incurred expenses arising out of the Other Retained Remediation Liabilities, Ashland’s indemnification obligation would have been subject to an individual claim threshold of $0.2 million and an aggregate claim deductible of $5.0 million. Ashland’s indemnification obligations under the ADA Purchase Agreement as described above terminated as of March 31, 2016, other than for the Retained Remediation Liabilities. As a result, any environmental remediation liabilities reported to the Company after March 31, 2016 and not arising out of a Retained Remediation Liability will be liabilities of the Company. In addition, the Company is obligated to indemnify Ashland for any remediation liabilities, other than the Retained Remediation Liabilities, received by Ashland after March 31, 2016.

In July 2014, Ashland filed a lawsuit numbered Ashland Inc. v. Nexeo Solutions, LLC, Case No. N14C-07-243 JTV CCLD, in the Superior Court for the State of Delaware in and for New Castle County. In the suit, Ashland seeks a declaration that, pursuant to the ADA Purchase Agreement, Solutions is obligated to indemnify Ashland for losses Ashland incurs pertaining to the Other Retained Remediation Liabilities, up to the amount of the aggregate $5.0 million deductible applicable for expenses incurred by Solutions, whether or not Solutions incurs any expenses or obtains any indemnity from Ashland. Ashland further alleges that Solutions has breached duties related to the ADA Purchase Agreement by not having so indemnified Ashland for amounts Ashland has incurred for Other Retained Remediation Liabilities at sites where Ashland disposed of wastes prior to the Ashland Distribution Acquisition, and on that basis seeks unspecified compensatory damages, costs and attorney's fees. On June 21, 2017, the Company's Motion for Summary Judgment for this lawsuit was granted. Ashland appealed the ruling on July 20, 2017. The Company will continue to vigorously defend the lawsuit on appeal. The Company does not currently have any environmental or remediation reserves for matters covered under the ADA Purchase Agreement.

The Company's reserves will be subject to numerous uncertainties that affect its ability to accurately estimate its costs, or its share of costs if multiple parties are responsible. These uncertainties involve the legal, regulatory and enforcement parameters governing environmental assessment and remediation, the nature and extent of contamination, the extent of required remediation efforts, the choice of remediation methodology, availability of insurance coverage and, in the case of sites with multiple responsible parties, the number and financial strength of other potentially responsible parties.

Other Legal Proceedings

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities, including product liability claims. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

Other Contingencies

In June 2014, the Predecessor self-disclosed to the DTSC that an inventory of its Fairfield facility had revealed potential violations of RCRA and the California Health and Safety Code. Although no formal proceeding has been initiated, the Company expects the DTSC to seek payment of fines or other penalties for non-compliance. The Company does not expect the amount of any such fine or other penalty to have a material adverse effect on its business, financial position or results of operations.

14. Related Party Transactions

Contingent Consideration Obligations Pursuant to the TRA and the Merger Agreement

Subsequent to the Business Combination, TPG beneficially owns approximately 35% of the Company's common stock, including Founder Shares, and is considered a related party of the Successor. In connection with the Business Combination, TPG became a party to the TRA and obtained the right to receive the Deferred Cash Consideration pursuant to the Merger Agreement. The fair value of these contingent consideration liabilities was $143.8 million as of June 30, 2017, of which $139.0 million is recorded in *Due to related party pursuant to contingent consideration obligations* in Non-current Liabilities and $4.8 million is recorded in *Due to related party pursuant to contingent consideration obligations* in Current Liabilities on the Company's condensed consolidated balance sheets. See Note 3 and Note 9.

Predecessor - Other Agreements with TPG

The Predecessor entered into agreements with TPG, including a management services agreement pursuant to which the Predecessor paid TPG management fees and also consulting fees for services provided. The fees incurred in connection with this agreement were recorded in *Selling, general and administrative expenses* in the condensed consolidated statements of operations. As a result of the Business Combination on the Closing Date, TPG and the Predecessor terminated the management services agreement and their rights and obligations thereunder.

The table below summarizes activity recorded during the respective periods related to the items described above:

	Successor				Predecessor	
	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*	April 1, 2016 Through June 8, 2016	October 1, 2015 Through June 8, 2016
Sales to related entities:						
TPG	$ 0.8	$ 2.3	$ 0.3	$ 0.3	$ 1.3	$ 3.1
Entities related to members of the Board of Directors	$ 0.1	$ 0.1	$ —	$ —	$ —	$ —
Purchases from related entities:						
Entities related to members of the Board of Directors	$ 0.5	$ 1.5	$ —	$ —	$ —	$ —
Amounts included in *Selling, general and administrative expenses*						
Management fees to TPG	$ —	$ —	$ —	$ —	$ 0.5	$ 2.1
Consulting fees to TPG	$ —	$ —	$ —	$ —	$ 0.2	$ 0.4
Amounts included in *Transaction related costs*						
Fee paid in connection with the Business Combination	$ —	$ —	$ —	$ —	$ 9.9	$ 9.9

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

There were no purchases from TPG related entities in the Successor or Predecessor periods.

TPG related entities owed the Company $0.4 million at June 30, 2017 and $0.6 million at September 30, 2016 which were included in *Accounts and notes receivable* in the Company's condensed consolidated balance sheets. The Company owed $0.1 million at June 30, 2017 to entities related to members of the Board of Directors which was included in *Accounts payable* in the Company's condensed consolidated balance sheet.

15. Income Taxes

For all periods, the Company computed the provision for income taxes based on the actual year-to-date effective tax rate by applying the discrete method. Use of the annual effective tax rate, which relies on accurate projections by legal entity of income earned and taxed in foreign jurisdictions, as well as accurate projections by legal entity of permanent and temporary differences, was not considered a reliable estimate for purposes of calculating year-to-date income tax expense.

Income tax expense for the three months ended June 30, 2017 was $5.9 million on pre-tax income of $16.1 million for the Successor compared to the income tax benefit of $1.3 million on pre-tax loss of $16.8 million for the three months ended June 30, 2016 for the Successor and income tax expense of $1.1 million on pre-tax loss of $19.1 million for the period from April 1, 2016 through June 8, 2016 for the Predecessor. The current period tax expense was largely attributable to deferred taxes on profitable U.S. operations. The prior period tax expense was largely attributed to foreign income tax expense on profitable foreign operations.

Income tax expense for the nine months ended June 30, 2017 was $4.0 million on pre-tax income of $4.8 million for the Successor compared to the income tax benefit of $1.3 million on pre-tax loss of $18.4 million for the nine months ended June 30, 2016 for the Successor and income tax expense of $4.2 million on pre-tax loss of $9.7 million for the period from October 1, 2015 through June 8, 2016 for the Predecessor. The current period tax expense was largely attributed to foreign income tax expense on profitable foreign operations. The prior period tax expense was largely attributed to foreign income tax expense on profitable foreign operations.

At June 30, 2017 and September 30, 2016, the valuation allowance was $3.2 million and $2.8 million, respectively, primarily relating to Nexeo Plaschem operations. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon management's expectations at June 30, 2017, management believes it is more likely than not that it will realize the majority of its deferred tax assets.

Uncertain Tax Positions

During the third quarter of fiscal year 2017, the Company recorded approximately $1.3 million for certain income tax-related uncertainties assumed in connection with the Ultra Chem Acquisition as the Company determined that the recognition threshold was met. The Company's assessment of the value of these obligations is preliminary and will be completed within twelve months of the Ultra Chem Closing Date. The ultimate outcome of these uncertainties may be covered by indemnification provisions under the Ultra Chem Stock Purchase Agreement. However, the Company's evaluation of these indemnification provisions is ongoing and it has not recognized indemnification assets in connection with the recognition of these income tax-related uncertainties.

The Company recognizes interest and penalties related to uncertain tax positions, if any, as a component of *Income tax expense* in the condensed consolidated statements of operations. There was an insignificant amount of interest and penalties recognized during all periods. As of June 30, 2017 and September 30, 2016, the Company had $1.9 million and $1.2 million, respectively, related to uncertain tax positions, including related accrued interest and penalties. This net increase was related to the addition of the Ultra Chem income tax uncertainties and offset by the release of uncertain tax provisions from the prior year and lapses in statutory tax periods.

16. Segment and Geographic Data

The Company operates through three lines of business, or operating segments: Chemicals, Plastics and Environmental Services, which market to different sets of customers operating in an array of industries, with various end markets and customer segments within those industries. For segment presentation and disclosure purposes, the Chemicals and Plastics lines of business constitute separate reportable segments while the Environmental Services line of business, which does not meet the materiality threshold for separate disclosure and the historical composites products sales in Asia are combined in an "Other" segment.

Each line of business represents unique products and suppliers, and each line of business focuses on specific end markets within its industry based on a variety of factors, including supplier or customer opportunities, expected growth and prevailing economic conditions. Across the Chemicals and Plastics lines of business there are numerous industry segments, end markets and sub markets that the Company may choose to focus on. These end markets may change from year to year depending on the underlying market economics, supplier focus, expected profitability and the Company's strategic agenda.

The Chemicals, Plastics and Environmental Services lines of business compete with national, regional and local companies throughout North America. Additionally, the Chemicals and Plastics lines of business compete with other distribution companies in Asia. The Plastics line of business also competes with other distribution companies in EMEA. Competition within each line of business is based primarily on the diversity of the product portfolio, service offerings, reliability of services and supply, technical support, price and delivery capabilities. The accounting policies used to account for transactions in each of the lines of business are the same as those used to account for transactions at the corporate level.

The Chemicals and Plastics lines of business are distribution businesses, while the Environmental Services line of business provides hazardous and non-hazardous waste collection, recovery, recycling and arrangement for disposal services.

A brief description of each segment follows:

Chemicals. The Chemicals line of business distributes specialty and industrial chemicals, additives and solvents to industrial users via railcars, barges, bulk tanker trucks and as packaged goods in trucks. The Company's chemical products are distributed in more than 50 countries worldwide, primarily in North America and Asia. In connection with the distribution of chemicals products, the Company provides value-added services such as custom blending, packaging and re-packaging, private-label manufacturing and product testing in the form of chemical analysis, product performance analysis and product development. While the Chemicals line of business serves multiple end markets, key end markets within the industrial space are household, industrial and institutional, performance coatings (including architectural coatings, adhesives, sealants and elastomers), lubricants, oil and gas and personal care.

Plastics. The Plastics line of business distributes a broad product line consisting of commodity polymer products and prime engineering resins to plastics processors engaged in blow molding, extrusion, injection molding and rotation molding via railcars, bulk trucks, truckload boxes and less-than-truckload quantities. The Company's plastics products are distributed in more than 50 countries worldwide, primarily in North America, EMEA and Asia. The Plastics line of business serves a broad cross section of industrial segments with a current focus on the healthcare and automotive end markets.

Other. The Environmental Services line of business, in connection with certain waste disposal service companies, provides customers with comprehensive on-site and off-site hazardous and non-hazardous waste collection, recovery and arrangement for disposal services or recycling in North America, primarily in the U.S. These environmental services are offered through the Company’s network of distribution facilities which are used as transfer facilities or through a staff of dedicated on-site waste professionals.

The Chief Executive Officer is the Chief Operating Decision Maker. The Chief Operating Decision Maker reviews operating results in order to make decisions, assess performance and allocate resources to each line of business. In order to maintain the focus on line of business performance, certain expenses are excluded from the line of business results utilized by the Company’s Chief Operating Decision Maker in evaluating line of business performance. These expenses include certain depreciation and amortization, selling, general and administrative expense, corporate items such as transaction related costs, interest and income tax expense. These items are separately delineated to reconcile to reported net income. No single customer accounted for more than 10% of revenues for any line of business for each of the periods reported. Intersegment revenues were insignificant.

Certain assets are aggregated at the line of business level. The assets attributable to the Company’s lines of business, that are reviewed by the Chief Operating Decision Maker, consist of trade accounts receivable, inventories, goodwill and any specific assets that are otherwise directly associated with a line of business. The Company’s inventory of packaging materials and containers as well as property, plant and equipment are generally not allocated to a line of business and are included in unallocated assets.

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Summarized financial information relating to the Company's lines of business is as follows:

	Successor				Predecessor	
	Three Months Ended June 30, 2017	Nine Months Ended June 30, 2017	Three Months Ended June 30, 2016*	Nine Months Ended June 30, 2016*	April 1 Through June 8, 2016	October 1, 2015 Through June 8, 2016
Sales and operating revenues						
Chemicals	$ 443.9	$ 1,211.3	$ 94.2	$ 94.2	$ 298.7	$ 1,066.4
Plastics	466.2	1,350.4	109.9	109.9	329.8	1,192.2
Other	32.6	93.5	10.2	10.2	21.7	81.5
Total sales and operating revenues	$ 942.7	$ 2,655.2	$ 214.3	$ 214.3	$ 650.2	$ 2,340.1
Gross profit						
Chemicals	$ 54.3	$ 147.6	$ 9.6	$ 9.6	$ 38.8	$ 136.2
Plastics	43.1	124.9	6.7	6.7	32.2	117.6
Other	5.3	16.8	2.5	2.5	4.4	18.1
Total gross profit	$ 102.7	$ 289.3	$ 18.8	$ 18.8	$ 75.4	$ 271.9
Selling, general & administrative expenses	79.4	233.9	19.1	19.2	57.5	208.9
Transaction related costs	0.2	1.3	15.9	18.0	26.1	33.4
Change in fair value related to contingent consideration obligations	(0.8)	19.8	(2.3)	(2.3)	—	—
Operating income (loss)	23.9	34.3	(13.9)	(16.1)	(8.2)	29.6
Other income	5.7	8.3	—	—	0.3	2.9
Interest income (expense)						
Interest income	—	0.2	0.3	0.9	—	0.1
Interest expense	(13.5)	(38.0)	(3.2)	(3.2)	(11.2)	(42.3)
Income (loss) before income taxes	$ 16.1	$ 4.8	$ (16.8)	$ (18.4)	$ (19.1)	$ (9.7)

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

	June 30, 2017	September 30, 2016
IDENTIFIABLE ASSETS		
Chemicals	$ 775.0	$ 656.8
Plastics	780.5	708.7
Other	85.0	85.0
Total identifiable assets by reportable segment	1,640.5	1,450.5
Unallocated assets	596.4	628.4
Total assets	$ 2,236.9	$ 2,078.9

Goodwill amounts by reportable segment at June 30, 2017 are based on an allocation of the purchase consideration of the Business Combination as of the Closing Date and the preliminary allocation of the purchase consideration of the Ultra Chem Acquisition as of the Ultra Chem Closing Date. Accordingly, the amounts allocated to goodwill from the Ultra Chem Acquisition are subject to adjustments that could have a material impact on total goodwill and goodwill by reportable segment. See Note 3.

Revenues by geographic location, based on the jurisdiction of the subsidiary entity receiving revenue credit for the sale, are presented below:

	Successor				*Predecessor*	
	Three Months Ended June 30, 2017	**Nine Months Ended June 30, 2017**	**Three Months Ended June 30, 2016***	**Nine Months Ended June 30, 2016***	**April 1 Through June 8, 2016**	**October 1, 2015 Through June 8, 2016**
U.S.	$ 699.1	$ 1,970.7	$ 161.7	$ 161.7	$ 498.2	$ 1,779.4
Canada	43.3	126.9	9.1	9.1	27.5	102.4
Other North America	29.7	54.9	3.6	3.6	10.2	35.4
Total North America Operations	$ 772.1	$ 2,152.5	$ 174.4	$ 174.4	$ 535.9	$ 1,917.2
EMEA	120.9	342.2	29.3	29.3	78.8	291.9
Asia	49.7	160.5	10.6	10.6	35.5	131.0
Total	$ 942.7	$ 2,655.2	$ 214.3	$ 214.3	$ 650.2	$ 2,340.1

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Company's financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 8, 2016. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Forward-Looking Statements" elsewhere in this Quarterly Report on Form 10-Q.

The terms "the Company," "us," "our" and "we" and similar terms in this report refer to Nexeo Solutions, Inc. and its consolidated subsidiaries.

Overview

The Company is the result of the Business Combination between WLRH and Holdings that closed on June 9, 2016 and is referred to as the "Successor." The "Predecessor" financial information reflects the operations of Holdings prior to the Closing Date of the Business Combination.

We are a global distributor of chemicals products in North America and Asia and plastics products in North America, EMEA, and Asia. In connection with the distribution of chemicals products, we provide value-added services such as custom blending, packaging and repackaging, private-label manufacturing and product testing in the form of chemical analysis, product performance analysis and product development. We also provide environmental services, including waste collection, recovery and arrangement for disposal services and recycling in North America, primarily in the U.S., through our Environmental Services line of business.

We have long-standing relationships with major chemicals and plastics producers and suppliers, a strong geographic presence and supply chain network and a relatively stable customer base that benefits from the service and distribution value we provide. The products we distribute are used in a broad cross section of manufacturing industries, in various end markets and customer segments within those industries, including the household, industrial and institutional, lubricants, performance coatings (including architectural coatings, adhesives, sealants and elastomers), automotive, healthcare, personal care, oil and gas and construction end markets.

We distribute our broad product portfolio internationally through a supply chain consisting of owned, leased or third-party warehouses, rail terminals and tank terminals globally. We have a private fleet of tractors and trailers, primarily in North America.

Segment Overview

We are organized into three lines of business, or operating segments: Chemicals, Plastics and Environmental Services. Our lines of business market to different sets of customers operating in an array of industries, with various end markets and customer segments within those industries. For segment presentation and disclosure purposes, our Chemicals and Plastics lines of business constitute separate reportable segments while the Environmental Services line of business, which does not meet the materiality threshold for separate disclosure is included in the "Other" segment.

A brief description of each of our lines of business follows:

Chemicals. The Chemicals line of business distributes specialty and industrial chemicals, additives and solvents to industrial users via railcars, barges, bulk tanker trucks, and as packaged goods in trucks. While our chemicals products are distributed in more than 50 countries worldwide, we primarily distribute our chemicals products in North America and Asia. In connection with the distribution of chemicals products, we provide value-added services such as custom blending, packaging and re-packaging, private-label manufacturing and product testing in the form of chemical analysis, product performance analysis and product development. While our Chemicals line of business serves multiple end markets, key end markets within the industrial space are household, industrial and institutional, performance coatings (including architectural coatings, adhesives, sealants and elastomers), lubricants, oil and gas and personal care.

Plastics. The Plastics line of business distributes a broad product line consisting of commodity polymer products and prime engineering resins to plastics processors engaged in blow molding, extrusion, injection molding and rotation molding via railcars, bulk trucks, truckload boxes and less-than-truckload quantities. While our plastics products are distributed in more than 50 countries worldwide, we primarily distribute our plastics products in North America, EMEA and Asia. The Plastics line of business serves a broad cross section of industrial segments with a current focus on the healthcare and automotive end markets.

Environmental Services. The Environmental Services line of business, in connection with certain waste disposal service companies, provides customers with comprehensive on-site and off-site hazardous and non-hazardous waste collection, recovery and arrangement for disposal services or recycling in North America, primarily in the U.S. These environmental services are offered through our network of distribution facilities which are used as transfer facilities or through a staff of dedicated on-site waste professionals.

Key Factors Affecting our Results of Operations and Financial Condition

General and regional economic conditions. The consumption of chemicals and plastics in the broad industry segments and end markets that we serve generally corresponds to the level of production of goods and services in the global economy, amplified by the regional economies where we have commercial operations. As a result, when general economic conditions improve or deteriorate, our volumes tend to fluctuate accordingly. We manage our cost structure in line with general economic conditions, but our volumes and profitability are ultimately correlated with the underlying demand for the end-products of the industries we serve.

Price fluctuations. The prices at which we resell the products we distribute in our Chemicals and Plastics lines of business generally fluctuate in accordance with the prices that we pay for these products. Product prices we pay are largely driven by the underlying global and regional economic conditions that drive the prices of two primary raw materials of production: crude oil (primarily naphtha) and natural gas (primarily ethane). These two raw material sources are used in the production of propylene and ethylene which are key feedstocks used in over 90% of organic-based commodity and specialty chemicals, as well as in the subsequent production of the intermediate plastics products we distribute. The prices of these feedstocks are also affected by other factors including choices made by feedstock producers for uses of these feedstocks (e.g., as an ingredient in gasoline versus a feedstock to the chemical industry), the capacity devoted to production of these feedstocks and other macroeconomic factors that impact the producers. As a distributor, the prices of these feedstocks are not in our control. However, we are generally able to pass on finished good price increases and decreases to our customers in accordance with the fluctuations in our product costs and transportation-related costs (e.g., fuel costs). As a result, movements in our sales revenue and cost of sales tend to correspond with changes in our product prices. Additionally, as capacity or demand patterns change, we typically experience a corresponding change in the average selling prices of the products we distribute. Our gross profit margins generally decrease in deflationary price environments because we are selling inventory that was previously purchased at higher prices. Alternatively, our gross profit margins generally increase during inflationary price environments because we are able to sell inventory that was previously purchased at lower prices. The extent to which profitability increases or decreases, however, also depends on the relative speed at which selling prices adjust in relation to inventory costs. As a logistics provider, oil price movements also typically impact our transportation and delivery costs.

Volume based pricing. We generally procure chemicals and plastics raw materials through purchase orders rather than under long-term contracts with firm commitments. Our arrangements with key producers and suppliers are typically embodied in agreements that we refer to as framework supply agreements. We work to develop strong relationships with a select group of producers and suppliers that complement our strategy based on a number of factors, including price, breadth of product offering, quality, market recognition, delivery terms and schedules, continuity of supply and each producer’s strategic positioning. Our framework supply agreements with producers and suppliers typically renew annually and, while they generally do not provide for specific product pricing, some, primarily those related to our Chemicals line of business, include volume-based financial incentives through supplier rebates, which we earn by meeting or exceeding target purchase volumes.

Inflation. Our average selling prices generally rise in inflationary price environments as producers and suppliers raise the market prices of the products that we distribute. During inflationary periods our customers maximize the amount of inventory they carry in anticipation of even higher prices. Consequently, this environment of excess demand favorably impacts our volumes sold, revenues and gross profit due to the lag between rising prices and our cost of goods sold. The reverse is true in deflationary price environments. Deflationary forces create an environment of overcapacity, driving market prices of products downward, and we must quickly adjust inventories and buying patterns to respond to price declines. Our primary objective is to replace inventories at lower costs while maintaining or enhancing unit profitability.

Some of our assets and liabilities, primarily cash, receivables, inventories and accounts payable, are impacted by commodity price inflation because they are indirectly affected by market prices of raw materials for our products. However, to the extent that we are able to manage our working capital in periods of changing prices, the overall impact of inflation on our net working capital is generally not significant.

Currency exchange rate fluctuations. We conduct our business on an international basis in multiple currencies. A portion of our sales and costs of sales are denominated in currencies other than the functional currency of our subsidiaries. Strengthening of our subsidiaries' functional currency relative to the other currencies in which some transactions are denominated creates a negative impact on sales, but a positive impact on costs. Additionally, because we report our consolidated results in USD, the results of operations and the financial position of our local international operations, which are generally reported in the relevant local currencies, are translated into USD at the applicable exchange rates for inclusion in our condensed consolidated financial statements. Strengthening of the USD relative to our subsidiaries' functional currencies causes a negative impact on sales but a positive impact on costs.

Outlook

General. We have operations in North America, EMEA and Asia. As a result, our business is subject to broad, global and regional macroeconomic factors. These factors include:

- the general state of the economy, specifically inflationary or deflationary trends, GDP growth rates and commodity/feedstock price movements;
- unemployment levels;
- government regulation and changes in governments;
- fiscal and monetary policies of governments, including import and export tariffs, duties and other taxes;
- general income growth and the consumption rates of products; and
- rates of technological change in the industries we serve.

We monitor these factors routinely for both strategic and operational impacts.

Our operations are most impacted by regional market price fluctuations of the primary feedstock materials, including crude oil and natural gas, and the downstream derivatives of these primary raw materials. Market price fluctuations of these primary raw materials directly impact the decisions of our product suppliers, specifically the manufacturing capacity made available for production of the products we distribute. As capacity or demand patterns change, we may experience a corresponding change in the average selling prices of the products we distribute.

The global markets stabilized during fiscal year 2017 and have begun to show some growth as shown by the increases in GDP, oil prices and U.S. Industrial Production index.

The following is a summary of GDP, oil price and U.S. Industrial Production Index fluctuations in our various regions of operations by fiscal quarter.

	Q3 17 v Q3 16	Q2 17 v Q2 16	Q1 17 v Q1 16	Q4 16 v Q4 15
North America				
U.S. GDP Growth	2.1%	2.0%	1.8 %	1.5 %
U.S. Industrial Production Index	1.9%	0.6%	(0.1)%	(1.2)%
West Texas Intermediate Crude Oil Average Price Increase (Decrease)	7.1%	54.0%	16.9 %	(3.4)%
EMEA				
Euro Area GDP Growth	2.1%	1.9%	1.9 %	1.7 %
Brent Crude Oil Average Price Increase (Decrease)	8.1%	55.1%	14.3 %	(8.4)%
Asia				
China GDP Growth [1]	6.9%	6.9%	6.7 %	6.7 %

[1] As reported by the Chinese government.

Overall GDP growth has increased in many of the countries in which we operate. As a result we have shown an increase in volumes. In terms of currency, the USD has continued to strengthen over the prior comparable period against most other currencies in which we transact. As a result of these factors, reported dollar revenues and gross profit have been negatively impacted in many of our regional operations.

North America

The North American economic environment continued to improve during the third quarter of fiscal year 2017. U.S. GDP has increased in the third fiscal quarter of 2017 as compared to third fiscal quarter of 2016, and the inflation rate has increased to 1.6% in the third fiscal quarter of 2017 over the same period in the prior year, driven by higher energy prices.

In terms of currency, the CAD weakened when compared against the USD for the third fiscal quarter of 2017 following slight declines during the fiscal year ended September 30, 2016. The Peso weakened in value against the USD through fiscal year 2017.

EMEA

In Europe, we conduct business primarily in the Western European countries. Economic growth in Europe is expected to pick up through 2018 as the global recovery is expected to gain momentum.

In terms of currency, the euro and the majority of other European currencies weakened versus the USD in the third fiscal quarter of 2017 following declines during fiscal year 2016, which affected among other items, the reported dollar revenues and gross profit from our European operations.

The market prices for the products we sell in Europe are typically correlated to the cost of Brent Crude as these operations are primarily based on the distribution of commodity plastics products and most products are sourced in Europe. Consistent with the increase in oil prices through fiscal year 2017, we have begun to see an increase in pricing.

Asia

Our operations in Asia are concentrated mainly in China. Recent GDP growth in China, as reported by the Chinese government, has increased slightly, primarily due to a rise in industrial output, retail sales and fixed-asset investment with an increase in fiscal spending.

In terms of currency, the RMB continued to decline against the USD during fiscal year 2017 following declines during fiscal year 2016, which affected, among other items, the reported dollar revenues and gross profit from our operations in China.

Certain Factors Affecting Comparability to Prior Period Financial Results

Prior to the Business Combination, WLRH operated as a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses or assets. After the Business Combination our results of operations are not directly comparable to historical results of the operations for the periods presented, primarily because:

- In connection with the Business Combination, certain assets and liabilities had fair value adjustments applied to the Predecessor's condensed consolidated financial statements on the Closing Date, most notably:
  - Intangible assets;
  - Plant, property and equipment;
  - Goodwill; and
  - Taxes

- Further, in connection with the Business Combination, we have recognized certain contingent liabilities. See Note 3 to our condensed consolidated financial statements.

- The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

As a result of the factors listed above, historical results of operations and other financial data, as well as period-to-period comparisons of these results, may not be comparable or indicative of future operating results or future financial condition.

In April 2017, the Company completed the Ultra Chem Acquisition. Accordingly the consolidated results of operations for the three and nine months ended June 30, 2017 include the results of the acquired operations since the Ultra Chem Closing Date, as described further below under "*Results of Operations*". The acquired operations are primarily included in our Chemicals line of business.

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Results of Operations

(in millions)	Successor: Three Months Ended June 30, 2017	Successor: Nine Months Ended June 30, 2017	Successor: Three Months Ended June 30, 2016*	Successor: Nine Months Ended June 30, 2016*	Predecessor: April 1 Through June 8, 2016	Predecessor: October 1, 2015 Through June 8, 2016
Sales and operating revenues						
Chemicals	$ 443.9	$ 1,211.3	$ 94.2	$ 94.2	$ 298.7	$ 1,066.4
Plastics	466.2	1,350.4	109.9	109.9	329.8	1,192.2
Other	32.6	93.5	10.2	10.2	21.7	81.5
Total sales and operating revenues	$ 942.7	$ 2,655.2	$ 214.3	$ 214.3	$ 650.2	$ 2,340.1
Gross profit						
Chemicals	$ 54.3	$ 147.6	$ 9.6	$ 9.6	$ 38.8	$ 136.2
Plastics	43.1	124.9	6.7	6.7	32.2	117.6
Other	5.3	16.8	2.5	2.5	4.4	18.1
Total gross profit	$ 102.7	$ 289.3	$ 18.8	$ 18.8	$ 75.4	$ 271.9
Selling, general and administrative expenses	79.4	233.9	19.1	19.2	57.5	208.9
Transaction related costs	0.2	1.3	15.9	18.0	26.1	33.4
Change in fair value of contingent consideration obligations	(0.8)	19.8	(2.3)	(2.3)	—	—
Operating income (loss)	23.9	34.3	(13.9)	(16.1)	(8.2)	29.6
Other income	5.7	8.3	—	—	0.3	2.9
Interest expense, net	(13.5)	(37.8)	(2.9)	(2.3)	(11.2)	(42.2)
Income (loss) before income taxes	16.1	4.8	(16.8)	(18.4)	(19.1)	(9.7)
Income tax expense (benefit)	5.9	4.0	(1.3)	(1.3)	1.1	4.2
Net income (loss) from continuing operations	10.2	0.8	(15.5)	(17.1)	(20.2)	(13.9)
Net income from discontinued operations, net of tax	—	—	—	—	—	0.1
Net income (loss)	$ 10.2	$ 0.8	$ (15.5)	$ (17.1)	$ (20.2)	$ (13.8)

*The three and nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

Three Months Ended June 30, 2017 (Successor) compared with Three Months Ended June 30, 2016 (Successor) and April 1, 2016 through June 8, 2016 (Predecessor)

The Successor period ended June 30, 2017 includes operating results for the full three months, and the Successor period ended June 30, 2016 includes operating results from June 9, 2016 through June 30, 2016; whereas, the Predecessor period includes the operating results from April 1, 2016 through June 8, 2016.

Sales and operating revenues

Sales and operating revenues for the three months ended June 30, 2017 were $942.7 million, including $17.1 million in revenues from Ultra Chem, and $214.3 million for the three months ended June 30, 2016 for the Successor, and were $650.2 million for the Predecessor period from April 1, 2016 through June 8, 2016. Excluding the impact of Ultra Chem, the increase in revenues was driven by a 6.0% increase in average selling price primarily due to inflation and an increase in volume of 1.0% in the current period. This increase was partially offset by a decline of approximately $6.9 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year.

Chemicals

Sales and operating revenues for the Chemicals line of business for the three months ended June 30, 2017 were $443.9 million, including $17.1 million in revenues from Ultra Chem, and $94.2 million for the three months ended June 30, 2016, for the Successor, and were $298.7 million for the Predecessor period from April 1, 2016 through June 8, 2016. Revenues were driven by an 8.8% increase in the average selling price primarily due to inflation, with flat volume in the current period. This increase was partially offset by a decline of $1.1 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year.

Plastics

Sales and operating revenues for the Plastics line of business for the Successor were $466.2 million and $109.9 million for the three months ended June 30, 2017 and June 30, 2016, respectively, and were $329.8 million for the Predecessor period from April 1, 2016 through June 8, 2016. The increase in revenue was driven by a 3.5% increase in average selling price during the current period throughout the regions, as well as a 2.4% increase in volume driven primarily by regional strength in EMEA and Asia. These increases were partially offset by a decline of approximately $5.8 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year. North America revenues continued to be negatively impacted due to a supplier disruption which has limited the availability to us of certain products we distribute on a regular basis.

Other

Sales and operating revenues for the Other segment for the Successor were $32.6 million and $10.2 million for the three months ended June 30, 2017 and June 30, 2016, respectively, and were $21.7 million for the Predecessor period from April 1, 2016 through June 8, 2016. The increase in revenues was primarily driven by price increases during the current period.

Gross profit

Gross profit for the Successor was $102.7 million, or 10.9% and $18.8 million, or 8.8%, for the three months ended June 30, 2017 and June 30, 2016, respectively, and was $75.4 million, or 11.6%, for the Predecessor period from April 1, 2016 through June 8, 2016. The increase in gross profit was driven by the increase in average selling prices across the Chemicals and Plastics lines of business as previously discussed. As compared to the same period in the prior fiscal year, gross profit was negatively affected by the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $0.7 million and additional depreciation expense of approximately $1.4 million due to the step up in fair value of the property, plant and equipment as a result of the Business Combination. Gross profit in the current period includes $1.2 million related to the inventory step up as a result of the Ultra Chem Acquisition, whereas, the same period in the prior year includes $6.9 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected during the current quarter by an increase in common carrier transportation costs.

Chemicals

Gross profit for the Successor was $54.3 million, or 12.2%, and $9.6 million, or 10.2%, for the three months ended June 30, 2017 and June 30, 2016, respectively, and was $38.8 million, or 13.0%, for the Predecessor period from April 1, 2016 through June 8, 2016. The increase in gross profit was primarily due to the increase in average selling price as discussed. As compared to the same period in the prior fiscal year, gross profit was negatively affected by the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $0.2 million and additional depreciation expense of approximately $1.0 million due to the step up in fair value of property, plant and equipment as a result of the Business Combination. Gross profit in the current period includes $1.2 million related to the inventory step up as a result of the Ultra Chem Acquisition, whereas, the same period in the prior year includes $3.0 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected by an increase in common carrier transportation costs.

Plastics

Gross profit for the Successor was $43.1 million, or 9.2%, and $6.7 million, or 6.1%, for the three months ended June 30, 2017 and June 30, 2016, respectively, and was $32.2 million, or 9.8%, for the Predecessor period from April 1, 2016 through June 8, 2016. The increase in gross profit was primarily due to the increase in average selling price as discussed and market expansion in EMEA. As compared to the same period in the prior fiscal year the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $0.5 million and by additional depreciation expense of approximately $0.4 million affecting gross profit due to the step up in fair value of the property, plant and equipment as a result of the Business Combination as compared to the same quarter in the prior fiscal year. Gross profit in the same period in the prior year includes $3.9 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected by an increase in common carrier transportation costs and North America continued to be impacted from a supplier disruption which has limited the availability to us of certain products we distribute on a regular basis.

Other

Gross profit for the Successor was $5.3 million, or 16.3%, and $2.5 million, or 24.5%, for the three months ended June 30, 2017 and June 30, 2016, respectively, and was $4.4 million, or 20.3%, for the Predecessor period from April 1, 2016 through June 8, 2016. As compared to the same period in the prior fiscal year, gross profit was negatively affected by an increase in common carrier transportation costs and a shift in service mix toward on-site services.

Selling, general and administrative expenses

Selling, general and administrative expenses for the Successor were $79.4 million, or 8.4%, and $19.1 million, or 8.9%, for the three months ended June 30, 2017 and June 30, 2016, respectively, and were $57.5 million, or 8.8%, for the Predecessor period from April 1, 2016 through June 8, 2016. The primary drivers were attributable to higher depreciation and amortization expense of $2.2 million, higher employee costs of $2.3 million and higher travel, insurance and marketing costs of $0.5 million, and partially offset by decreased foreign exchange losses of $2.1 million and a decrease in consulting costs of $0.7 million. The increase in depreciation and amortization expense was driven by the effect of the Business Combination of $1.3 million, as well as $0.9 million as a result of the Ultra Chem Acquisition. The increase in employee costs was driven by stock compensation expense of $1.1 million, as well as additional employee cost of $0.8 million as a result of the Ultra Chem Acquisition, offset by cost management and productivity initiatives. Foreign exchange losses were primarily driven by fluctuations in the RMB to the USD and Peso to USD.

Transaction related costs

The Successor incurred transaction related costs of $0.2 million and $15.9 million for the three months ended June 30, 2017 and June 30, 2016, respectively, and $26.1 million was incurred by the Predecessor for the period from April 1, 2016 through June 8, 2016. The prior period costs were primarily related to the Business Combination.

Changes in fair value of contingent consideration

The Successor incurred a gain of $0.8 million and $2.3 million for the three months ended June 30, 2017 and June 30, 2016, respectively, related to the contingent consideration associated with the Deferred Cash Consideration and TRA from the Business Combination. See Notes 3 and 9 to our condensed consolidated financial statements.

Other income

Other income for the three months ended June 30, 2017 was $5.7 million for the Successor, and was primarily due to the gain related to reimbursements received for certain capital expenditures incurred in connection with the relocation of certain operations. See Note 5 to our condensed consolidated financial statements.

Interest expense, net

Interest expense, net for the Successor was $13.5 million and $2.9 million for the three months ended June 30, 2017 and June 30, 2016, respectively, and was $11.2 million for the Predecessor period from April 1, 2016 through June 8, 2016. Current period interest expense is related to the Credit Facilities including the amortization of the costs associated with issuing the debt. Predecessor interest expense was related to the Predecessor Credit Facilities and the Notes, along with the amortization of the costs associated with issuing the debt. The decrease in the current period compared to the same period in the prior fiscal year was primarily due to the redemption of the Notes in connection with the Business Combination, which resulted in the decrease in debt balance and related weighted average interest rate.

Income tax expense

Income tax expense for the Successor was $5.9 million and income tax benefit was $1.3 million for the three months ended June 30, 2017 and June 30, 2016, respectively. The current period tax expense was largely attributable to deferred taxes on profitable U.S. operations. Income tax expense of $1.1 million for the Predecessor period from April 1, 2016 through June 8, 2016 was due to profitable foreign operations, primarily Puerto Rico and EMEA. Successor and Predecessor income taxes are generally not comparable as the Predecessor was organized as a limited liability company and taxed as a partnership for U.S. income tax purposes.

Nine Months Ended June 30, 2017 (Successor) compared with Nine Months Ended June 30, 2016 (Successor) and October 1, 2015 through June 8, 2016 (Predecessor)

The Successor period ended June 30, 2017 includes operating results for the full nine months, and the Successor period ended June 30, 2016 includes operating results from June 9, 2016 through June 30, 2016; whereas, the Predecessor period includes the operating results from October 1, 2015 through June 8, 2016.

Sales and operating revenues

Sales and operating revenues for the nine months ended June 30, 2017 were $2,655.2 million, including $17.1 million from Ultra Chem, and $214.3 million for the nine months ended June 30, 2016, for the Successor, and were $2,340.1 million for the Predecessor period from October 1, 2015 through June 8, 2016. Excluding the impact of Ultra Chem, the increase in revenues were affected by a 1.4% increase in average selling price primarily due to an inflationary environment and a 1.8% increase in volume driven by the Plastics line of business. These increases were partially offset by a decline of approximately $18.6 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year.

Chemicals

Sales and operating revenues for the Chemicals line of business for the nine months ended June 30, 2017 were $1,211.3 million, including $17.1 million from Ultra Chem, and $94.2 million for the nine months ended June 30, 2016, for the Successor, and were $1,066.4 million for the Predecessor period from October 1 through June 8, 2016. Excluding the impact of Ultra Chem, the increase in revenues was driven by a 3.6% increase in average selling price during the current period due to an inflationary environment as volumes were essentially flat. The increase was partially offset by a decline of approximately $1.4 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year.

Plastics

Sales and operating revenues for the Plastics line of business for the Successor were $1,350.4 million and $109.9 million for the nine months ended June 30, 2017 and June 30, 2016, respectively, and were $1,192.2 million for the Predecessor period from October 1, 2015 through June 8, 2016. The increase in revenues was driven by an increase in volume of 5.0% driven primarily by regional strength in EMEA and Asia partially offset by a 1.2% decrease in average selling price during the current period. The increases were partially offset by a decline of approximately $17.2 million as a result of the weakening of the exchange rates of various currencies versus the USD as compared to the same period in the prior fiscal year. North America revenues continued to be negatively impacted due to a supplier disruption which has limited the availability to us of certain products we distribute on a regular basis.

Other

Sales and operating revenues for the Other segment for the Successor were $93.5 million and $10.2 million for the nine months ended June 30, 2017 and June 30, 2016, respectively, and were $81.5 million for the Predecessor period from October 1, 2015 through June 8, 2016. The increase in revenues was primarily driven by price increases during the current period.

Gross profit

Gross profit for the Successor was $289.3 million, or 10.9% and $18.8 million, or 8.8%, for the nine months ended June 30, 2017 and June 30, 2016, respectively, and was $271.9 million, or 11.6%, for the Predecessor period from October 1, 2015 through June 8, 2016. Gross profit in the Chemicals and Plastics lines of business increased due to the increase in average selling prices and volumes as discussed above, offset by the decrease in the Other segment. As compared to the same period in the prior fiscal year, gross profit was negatively affected by the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $1.7 million and by additional depreciation expense of approximately $5.0 million due to the step up in fair value of the property, plant and equipment as a result of the Business Combination. Gross profit in the current period includes $1.2 million related to the inventory step up associated with the Ultra Chem Acquisition, whereas, the same period in the prior year includes $6.9 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected by an increase in common carrier transportation costs.

Chemicals

Gross profit for the Successor was $147.6 million, or 12.2% and $9.6 million, or 10.2%, for the nine months ended June 30, 2017 and June 30, 2016, respectively, and was $136.2 million, or 12.8%, for the Predecessor period from October 1, 2015 through June 8, 2016. The increase in gross profit was primarily driven by the increase in average selling prices as previously discussed. As compared to the same period in the prior fiscal year, gross profit was negatively affected by the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $0.3 million and by additional depreciation expense of approximately $3.6 million due to the step up in fair value of property, plant and equipment as a result of the Business Combination. Gross profit in the current period includes $1.2 million related to the inventory step up associated with the Ultra Chem Acquisition, whereas, the same period in the prior year includes $3.0 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected by an increase in common carrier transportation costs.

Plastics

Gross profit for the Successor was $124.9 million, or 9.2%, and $6.7 million, or 6.1%, for the nine months ended June 30, 2017 and June 30, 2016, respectively, and was $117.6 million, or 9.9%, for the Predecessor period from October 1, 2015 through June 8, 2016. The increase in gross profit was primarily driven by the increase in volume as previously discussed. As compared to the same period in the prior fiscal year, gross profit was negatively affected by the impact of the weakening of the exchange rates of various currencies versus the USD of approximately $1.4 million and by additional depreciation expense of approximately $1.4 million due to the step up in fair value of the property, plant and equipment as a result of the Business Combination. Gross profit in the same period in the prior year includes $3.9 million related to half of the inventory step up associated with the Business Combination. Additionally, gross profit was negatively affected by an increase in common carrier transportation costs, and North America continued to be impacted from a supplier disruption which has limited the availability to us of certain products we distribute on a regular basis.

Other

Gross profit for the Successor was $16.8 million, or 18.0%, and $2.5 million, or 24.5%, for the nine months ended June 30, 2017 and June 30, 2016, respectively and was $18.1 million, or 22.2%, for the Predecessor period from October 1, 2015 through June 8, 2016. As compared to the same period in the prior fiscal year, gross profit was negatively affected by an increase in common carrier transportation expense and a shift in service mix toward on-site services.

Selling, general and administrative expenses

Selling, general and administrative expenses for the Successor were $233.9 million, or 8.8%, and $19.2 million, or 9.0%, for the nine months ended June 30, 2017 and June 30, 2016, respectively, and were $208.9 million, or 8.9%, for the Predecessor period from October 1, 2015 through June 8, 2016. The primary drivers were attributable to higher depreciation and amortization expense of $4.9 million, higher employee costs of $2.7 million and higher travel, insurance and marketing costs of $0.5 million, and partially offset by decreases in foreign exchange losses of $0.8 million and a decrease in consulting costs of $1.8 million. The increase in depreciation and amortization expense was driven by the effect of the Business Combination as well as $0.9 million as a result of the Ultra Chem Acquisition. The increase in employee costs was driven by stock compensation expense of $3.2 million, as well as additional employee expense of $0.8 million as a result of the Ultra Chem Acquisition, offset by cost management and productivity initiatives. Foreign exchange gains were primarily driven by fluctuations in the Peso to USD.

Transaction related costs

The Successor incurred transaction related costs of $1.3 million and $18.0 million for the nine months ended June 30, 2017 and June 30, 2016, respectively, and $33.4 million was incurred by the Predecessor for the period from October 1, 2015 through June 8, 2016. The prior period costs were primarily related to the Business Combination. Current period transaction related costs were primarily due to the Business Combination and the Ultra Chem Acquisition.

Changes in fair value of contingent consideration

The Successor incurred a loss of $19.8 million and a gain of $2.3 million for the nine months ended June 30, 2017 and June 30, 2016, respectively, related to the contingent consideration associated with the Deferred Cash Consideration and TRA from the Business Combination. See Notes 3 and 9 to our condensed consolidated financial statements.

Other income

Other income for the nine months ended June 30, 2017 was $8.3 million for the Successor, and was primarily due to the gain related to reimbursements received for certain capital expenditures incurred in connection with the relocation of certain operations. Other income for the Predecessor for the period from October 1, 2015 through June 8, 2016 was $2.9 million, and was primarily due to a gain of $2.0 million in the sale of old private fleet tractors under the Ryder lease and a $0.6 million gain on the repurchase of $9.5 million of Notes. See Note 5 to our condensed consolidated financial statements.

Interest expense, net

Interest expense, net for the Successor was $37.8 million and $2.3 million for the nine months ended June 30, 2017 and June 30, 2016, respectively, and was $42.2 million for the Predecessor period from October 1, 2015 through June 8, 2016. Current period interest expense was related to the Credit Facilities, including the amortization of the costs associated with issuing the debt. Predecessor interest expense was related to the Predecessor Credit Facilities and the Notes, along with the amortization of the costs associated with the issuing of the debt. The decrease in the current period was primarily due to the redemption of the Notes in connection with the Business Combination.

Income tax expense

Income tax expense for the Successor was $4.0 million and income tax benefit was $1.3 million for the nine months ended June 30, 2017 and June 30, 2016, respectively. The current period tax expense was largely attributed to foreign income tax expense on profitable foreign operations. Income tax expense of $4.2 million for the Predecessor period from October 1, 2015 through June 8, 2016 was due to profitable foreign operations, primarily Canada, EMEA, Puerto Rico and Mexico. Successor and Predecessor income taxes are generally not comparable as the Predecessor was organized as a limited liability company and taxed as a partnership for U.S. income tax purposes.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash flows generated from our operations and our borrowing availability under the ABL Facility. Cash flows generated from our operations are influenced by seasonal patterns of our business and other timing circumstances that can result in increases or decreases in working capital requirements for any given period during the course of our fiscal year. Our ability to generate sufficient cash flows from our operating activities will continue to be primarily dependent on purchasing and distributing chemical and plastic materials. Additionally, our ability to generate cash flows in the normal course of business can be significantly influenced by changing global and regional macroeconomic conditions. Borrowing availability under the ABL Facility is subject to a borrowing base generally comprised of eligible inventory, accounts receivable and cash and cash equivalents held in certain accounts and certain subsidiaries. Our availability under the ABL Facility is, therefore, potentially subject to fluctuations, depending on the value of the eligible assets in the borrowing base on a given valuation date. An inability to borrow under the ABL Facility may adversely affect our liquidity, results of operations and financial condition.

Our operating cash requirements consist principally of inventory purchases, trade credit extended to customers, labor, occupancy costs and transportation and delivery costs. Non-operating cash requirements include debt service requirements, acquisition-related costs and capital expenditures.

Capital Expenditures

Cash capital expenditures for the nine months ended June 30, 2017 were $20.7 million and related primarily to facility improvements and additional information technology investments. We expect our aggregate capital expenditures for fiscal year 2017 (excluding acquisitions and assets acquired via capital leases) to be approximately $25.0-$30.0 million. These expenditures are expected to be primarily related to fixed asset replacements, improvements to our information technology infrastructure and additions of equipment and vehicles.

We are a party to the Montgomery Lease. The Montgomery Lease has a term of 15 years, with annual payments beginning at $1.1 million per year. The Montgomery Lease is accounted for as a capital lease and began in the first quarter of fiscal year 2017 with an initial cost and capital lease obligation of $13.2 million. Our total capital lease obligations balance was $36.5 million as of June 30, 2017 and is primarily associated with the Ryder Lease and the Montgomery Lease. See Note 7 to our condensed consolidated financial statements.

Credit Facilities

ABL Facility

The ABL Facility provides for committed revolving credit financing including a U.S. Tranche of up to $505.0 million, a Canadian Tranche of up to the USD equivalent of $40.0 million, and a FILO Tranche up to $30.0 million. The ABL Facility matures on June 9, 2021. Provided no default or event of default then exists or would arise therefrom, the ABL Borrowers have the option, at the beginning of each quarter, to request that the ABL Facility be increased by an aggregate amount, when included with any incremental borrowings issued under the Term Loan Facility, not to exceed $175.0 million.

Obligations under the ABL Facility are secured by a first priority lien on all ABL Facility first lien collateral, including certain eligible inventory and accounts receivable of the ABL Borrowers, and a second priority lien on all Term Loan Facility first lien collateral including outstanding equity interests of the Borrower and certain of the other subsidiaries of Holdings, in each case, subject to certain limitations; provided, that no ABL Facility first lien collateral or Term Loan Facility first lien collateral owned by the Canadian Borrower secure the obligations owing under the U.S. Tranche of the ABL Facility.

The ABL Facility includes a letter of credit sub-facility, which permits up to $200.0 million of letters of credit under the U.S. Tranche (which may be denominated in USD, euros or other currencies approved by the administrative agent and the issuing bank) and up to the USD equivalent of $10.0 million of letters of credit under the Canadian Tranche (which may be denominated in CAD only). The ABL Facility also contains a FILO Tranche which can be used by any non-Canadian foreign subsidiary for loans or letters of credit up to an aggregate amount not to exceed $30.0 million.

At June 30, 2017, we had $199.7 million in borrowings outstanding under the ABL Facility. Outstanding borrowings on the ABL Facility included approximately $58.0 million drawn for the closing of the Ultra Chem Acquisition on April 3, 2017. Interest expense related to the ABL Facility, excluding amortization of debt issuance costs, was $2.0 million and $4.8 million for the three and nine months ended June 30, 2017, respectively.

As of June 30, 2017, we were in compliance with the covenants of the ABL Facility.

Term Loan Facility

The Term Loan Facility provides secured debt financing in an aggregate principal amount of up to $655.0 million and the right, at our option, to request additional tranches of term loans in an aggregate principal amount, when included with any incremental borrowings issued under the ABL Facility, amount up to $175.0 million, plus unlimited additional amounts such that the aggregate principal amount of indebtedness outstanding at the time of incurrence does not cause the consolidated Secured Net Leverage Ratio, calculated on a pro forma basis, to exceed 4.1 to 1.0. Availability of such additional tranches of term loans is subject to the absence of any default, and among other things, the receipt of commitments by existing or additional financial institutions.

On March 22, 2017, the Company completed TLB Amendment No. 1 amending the current Term Loan Facility. TLB Amendment No. 1 reduced the interest rate margin applicable to outstanding term loans by 50 basis points from 4.25% to 3.75% for LIBOR loans and from 3.25% to 2.75% for base rate loans. In addition, the 1% LIBOR floor was eliminated. TLB Amendment No.1 provides a prepayment premium equal to 1% of the amount of the term loan applicable to certain repricing transactions occurring on or prior to six months from the effective date of TLB Amendment No. 1. TLB Amendment No. 1 will result in an estimated $3.3 million reduction to the Company's annual cash interest expense for each of the next six years, while all other terms of the Term Loan Facility remain unchanged. There were no changes to the total or secured leverage ratios.

Obligations under the Term Loan Facility are secured by a first priority lien on all Term Loan Facility first lien collateral, including outstanding equity interests of the Borrower and certain of the other subsidiaries of Holdings, and a second priority lien on all ABL Facility first lien collateral, including accounts receivable and inventory of the loan parties under the Term Loan Facility, subject to certain limitations.

At June 30, 2017, we had $648.5 million in borrowings outstanding under the Term Loan Facility. We are required to make mandatory principal payments on an annual basis, commencing with the fiscal year ending September 30, 2017, if cash flows for the year, as defined in the agreement, exceed certain levels specified in the agreement. Interest expense related to the Term Loan Facility, excluding original issue discount amortization and amortization of debt issuance costs, was $8.0 million and $25.3 million for the three and nine months ended June 30, 2017, respectively.

As of June 30, 2017, we were in compliance with the covenants of the Term Loan Facility.

Liquidity

The following table summarizes our liquidity position as of June 30, 2017 and September 30, 2016:

	June 30, 2017	September 30, 2016
Cash and cash equivalents	$ 34.1	$ 47.5
ABL Facility availability	215.7	273.8
Total liquidity	$ 249.8	$ 321.3

Cash and Cash Equivalents

At June 30, 2017, we had $34.1 million in cash and cash equivalents of which $29.6 million was held by foreign subsidiaries, $26.5 million of which was denominated in currencies other than the USD, primarily in CAD and RMB. At June 30, 2017, we had $1.2 million in China denominated in RMB. While the RMB is convertible into USD, foreign exchange transactions are subject to approvals from the SAFE. We do not anticipate any significant adverse impact to overall liquidity from potential limitations on the transfer or conversion of cash and cash equivalents.

ABL Facility

Under the ABL Facility, if as of any date of determination when Trigger Event Excess Availability (as defined in the ABL Facility) is below certain thresholds or upon certain defaults, we will be required to deposit cash on a daily basis from certain depository accounts in a collection account maintained with the administrative agent, which will be used to repay outstanding loans and cash collateralized letters of credit. At June 30, 2017, Trigger Event Excess Availability under the ABL Facility was $215.7 million, which was $169.5 million in excess of the $46.2 million threshold that would trigger the foregoing requirements.

Based on current and anticipated levels of operations, capital spending projections and conditions in our markets, we believe that cash on hand, together with cash flows from operations and borrowings available under the ABL Facility, are adequate to meet our working capital and capital expenditure needs as well as any debt service and other cash requirements for at least twelve months.

In addition to operating and non-operating cash requirements previously described, our longer-term liquidity needs are primarily related to our final maturity debt payments due in 2021 and 2023. Depending on market conditions and other factors, we may also consider alternative financing options, including, but not limited to, issuance of equity, issuance of new debt or refinancing of our existing debt obligations.

Cash Flows

The following table sets forth the major categories of our cash flows for the nine months ended June 30, 2017 and June 9, 2016 through June 30, 2016 for the Successor and from October 1, 2015 through June 8, 2016 for the Predecessor:

Major Categories of Cash Flows	***Successor***		***Predecessor***
(in millions)	**Nine Months Ended June 30, 2017**	**Nine Months Ended June 30, 2016***	**October 1, 2015 Through June 8, 2016**
Net cash provided by (used in) operating activities from continuing operations	$ (12.0)	$ (30.0)	$ 69.5
Net cash provided by operating activities from discontinued operations	—	—	0.1
Net cash provided by (used in) operating activities	(12.0)	(30.0)	69.6
Net cash provided by (used in) investing activities	(75.4)	139.1	(11.8)
Net cash provided by (used in) financing activities	74.1	(70.7)	(121.5)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	—	0.3
Increase (decrease) in cash and cash equivalents	(13.4)	38.4	(63.4)
Cash and cash equivalents at the beginning of period	47.5	0.2	127.7
Cash and cash equivalents at the end of period	$ 34.1	$ 38.6	$ 64.3

*The nine months ended June 30, 2016 include 22 days of the acquired business' operating activities as a result of the consummation of the Business Combination on June 9, 2016.

Nine Months Ended June 30, 2017 (Successor) Compared to Nine Months Ended June 30, 2016 (Successor) and October 1, 2015 through June 8, 2016 (Predecessor)

Cash flows from operating activities

Net cash used in operating activities for the nine months ended June 30, 2017 for the Successor was $12.0 million. Net income of $0.8 million, adjusted for the gain related to reimbursement for certain capital expenditures incurred in connection with the relocation of certain operations, and significant non-cash items such as depreciation and amortization expenses, amortization of debt issuance costs, provision for bad debt, deferred income taxes, equity based compensation expense, and changes relating to contingent consideration liabilities collectively totaling $71.6 million, resulted in $72.4 million of cash inflow during the nine months ended June 30, 2017. Additionally, cash flow was negatively impacted by an increase in accounts and notes receivable of $63.8 million and inventories of $34.9 million, partially offset by an $11.7 million increase in accounts payable. The increase in accounts and notes receivable was driven primarily by higher sales volumes and rising average selling prices experienced during the current period as well as timing of collections at period end. There were no significant changes in billing terms or collection processes during the current period. The increase in accounts payable was primarily driven by higher volumes and purchase prices during the current period. Additionally, there was a decrease in accrued expenses and other liabilities of $1.1 million which included the payment of the annual employee incentive compensation, and a decrease in other current assets of $3.1 million. Other assets and liabilities contributed $0.6 million to net cash provided by operating activities.

Net cash used in operating activities for the nine months ended June 30, 2016 was $30.0 million based on a 22-day operating period. Net loss of $17.1 million, adjusted for significant non-cash items such as depreciation and amortization expenses, debt issuance costs, transaction costs paid in stock, equity based compensation, and changes relating to contingent consideration liabilities, collectively totaling $12.9 million, resulted in $4.2 million of cash outflow from continuing operations during the nine months ended June 30, 2016. Additionally, cash flow from continuing operations was negatively impacted by an increase in accounts and notes receivable of $6.0 million, an increase in inventories of $7.0 million, a decrease in accounts payable of $27.3 million and a decrease in accrued expenses and other liabilities of $2.6 million, partially offset by the decrease in other current assets of $2.8 million and a decrease in other assets and liabilities of $0.3 million.

Net cash provided by operating activities during the period October 1, 2015 through June 8, 2016 for the Predecessor was $69.5 million, based on a 252-day operating period. Net loss from continuing operations of $13.9 million, adjusted for significant non-cash items such as depreciation and amortization expenses, debt issuance costs, bad debt, equity based compensation, deferred income taxes, gain on the sale of property and equipment and gain on debt extinguishment, collectively totaling $46.2 million, resulted in $32.3 million of cash inflow from continuing operations for the period October 1, 2015 through June 8, 2016. Additionally, cash flow from continuing operations was positively impacted by a decrease in accounts and notes receivable of $34.4 million, increase in accounts payable of $13.4 million and a decrease in inventory of $8.4 million. These amounts were offset by a decrease in accrued expenses and other liabilities of $9.7 million and a change in other current assets and other operating assets and liabilities of $9.0 million.

Cash flows from investing activities

Investing activities used $75.4 million of cash during the nine months ended June 30, 2017, primarily due to $63.5 million paid to effect asset and business acquisitions, and the additions of property and equipment of $20.7 million mainly related to facility improvements and additional information technology investments, partially offset by $8.4 million of cash proceeds related to the reimbursement for certain capital expenditures incurred in connection with the relocation of certain operations.

Investing activities provided $139.1 million of cash during the nine months ended June 30, 2016, primarily due to withdrawing $501.1 million from the trust account offset by the cash paid to effect the Business Combination, net of cash acquired of $360.6 million and the additions of property and equipment of $1.4 million mainly related to facility improvements, additional information technology and vehicle additions.

Investing activities used $11.8 million during the period October 1, 2015 through June 8, 2016 for the Predecessor, primarily due to capital expenditures of $14.2 million through the period mainly related to facility improvements, additional information technology investments and vehicle additions. These expenditures were partially offset by net proceeds from the sale of assets of $2.4 million.

Cash flows from financing activities

Financing activities provided $74.1 million of cash during the nine months ended June 30, 2017, primarily as a result of net borrowings on the ABL Facility of $81.9 million and net borrowings on short-term debt of $0.5 million, partially offset by payments on the Term Loan Facility of $4.9 million, capital lease payments of $2.1 million, and the payment of debt issuance costs of $1.3 million related to TLB Amendment No. 1. Net borrowings on the ABL Facility included approximately $58.0 million drawn for the closing of the Ultra Chem Acquisition on April 3, 2017.

Financing activities used $70.7 million of cash during the nine months ended June 30, 2016, primarily as a result of repaying Predecessor long-term debt of $767.3 million, repayment of long-term debt of $41.0 million and the payment of debt issuance costs of $25.3 million. These were offset by the issuance of long-term debt of $823.6 million and proceeds of short-term debt of $4.9 million. The Company also issued common stock as consideration for the Business Combination of $234.9 million and redeemed stock of $298.5 million.

Financing activities used $121.5 million of cash during the period October 1, 2015 through June 8, 2016 for the Predecessor, primarily as a result of repaying long-term debt and capital leases of $417.3 million and the repayment of short-term debt of $17.1 million. These were offset by the issuance of long-term debt of $292.1 million and proceeds of short-term debt of $20.9 million.

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Contractual Obligations and Commitments

As of June 30, 2017, amounts due under our contractual commitments were as follows:

	Payments Due by Period (in millions)				
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Total
Short-term and long-term debt obligations [(1)]	$ 46.0	$ 13.0	$ 212.7	$ 615.9	$ 887.6
Estimated interest payments on long-term debt obligations [(2)]	42.0	82.6	72.8	31.9	229.3
Capital lease obligations [(3)]	7.7	15.0	14.1	37.3	74.1
Operating lease obligations [(4)]	15.3	21.0	11.4	4.2	51.9
Employee benefit obligations	—	—	—	2.7	2.7
Contingent Consideration [(5)]	4.8	29.0	85.2	134.6	253.6
Other obligations [(6)]	6.1	1.8	0.1	0.1	8.1
Total	$ 121.9	$ 162.4	$ 396.3	$ 826.7	$ 1,507.3

(1) Short-term obligations primarily include the payment of $39.4 million outstanding under credit facilities available to Nexeo Plaschem, and $6.6 million in principal installment payments under our Term Loan Facility. Long-term debt obligations include (i) the payment of $199.7 million in outstanding principal (as of June 30, 2017) under our ABL Facility and (ii) the payment of $641.9 million in outstanding principal under our Term Loan Facility. See Note 7 to our condensed consolidated financial statements.

(2) Estimated interest payments include cash interest payments and estimated commitment fees on long-term debt obligations. Variable rate interest payments were estimated using interest rates as of June 30, 2017 held constant to maturity.

(3) Capital lease obligations represent future payments on capital lease agreements, including lease payments on all tractors under the Ryder Lease and the Montgomery Lease. The amounts above include executory costs under these capital leases of $2.4 million per year, for aggregate executory costs totaling $18.3 million. Additionally, the amounts include decreasing annual interest payments ranging from $2.3 million to $0.1 million, for aggregate interest payments totaling $18.5 million on all capital leases. We are permitted to terminate the lease of an individual tractor under the Ryder Lease on the anniversary of its delivery date, provided that certain conditions are met. In the event we terminate the lease of an individual tractor in accordance with the terms of the Ryder Lease, we may elect to purchase the individual tractor at a predetermined residual value or return the tractor to Ryder, subject to an adjustment based on the then-current market value of the individual tractor. See Notes 5 and 7 to our condensed consolidated financial statements.

(4) Operating lease obligations represent payments for a variety of facilities and equipment under non-cancellable operating lease agreements, including office buildings, transportation equipment, warehouses and storage facilities and other equipment.

(5) Liabilities for contingent consideration are related (i) to the TRA that we entered into with the Selling Equityholders and (ii) the Deferred Cash Consideration that will be paid to Selling Equityholders pursuant to the Merger Agreement. The amount included in the table above for the Deferred Cash Consideration is based on the undiscounted expected value of the payment and is currently included in the 4-5 Years column based on the final payment date of June 9, 2021 as defined in the Merger Agreement. However, as further defined in the Merger Agreement, payments could be required to be made by the Company prior to June 9, 2021. The timing of payments associated with the liability for the contingent consideration related to the TRA is based on expected undiscounted cash flows in future periods, and may change based on actual results. See Notes 3 and 9 to our condensed consolidated financial statements.

(6) Other obligations are related to (i) non-cancellable equipment orders, (ii) certain IT-related contracts, (iii) estimated obligation costs to relocate employees or new hires in various U.S. locations, primarily to The Woodlands, Texas and (iv) remaining payments related to the asset acquisitions completed during the nine months ended June 30, 2017 (see Note 3 to our condensed consolidated financial statements). The relocations are assumed to be completed within one year, although it is not practicable to establish definite completion dates for each employee's relocation.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements, as defined in Item 303(a) (4) (ii) of Regulation S-K, at June 30, 2017.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Commodity and Product Price Risk

Our business model is to buy and sell products at current market prices in quantities approximately equal to estimated customer demand. Energy costs are a significant component of raw materials that are included in our product costs. Rising or volatile raw material prices for our suppliers, especially those of hydrocarbon derivatives, may cause our costs to increase or may result in volatility in our profitability. Although we do not speculate on changes in the prices of the products we sell, because we maintain inventories in order to serve the needs of our customers, we are subject to the risk of reductions in market prices for products we hold in inventory. We do not use derivatives to manage our commodity price risk because of the large number of products we sell and the large variety of raw materials used in the production of those products. Inventory management practices are focused on managing product price risk by generally purchasing our inventories via our ERP system which helps us forecast customer demand based on historical practices. Global inventory balances can fluctuate based on variations in regional customer demand forecasts. We collaborate directly with customers in all regions to enhance the ongoing accuracy of these forecasts in order to reduce the number of days sales held in inventories, as well as lower the amount of any slow moving and older inventories. In addition, we are generally able to pass on price increases to our customers, subject to market conditions, such as declining or otherwise volatile market prices for feedstocks, the presence of competitors in particular geographic and product markets and prevailing pricing mechanisms in customer contracts. We believe that these risk management practices reduce our exposure to changes in product selling prices or costs; however, significant unanticipated changes in market conditions or commodity prices could adversely affect our results of operations, financial condition and cash flows, as the prices of the products we purchase and sell are volatile.

Credit Risk

We are subject to the risk of loss arising from the credit risk related to the possible inability of our customers to pay for the products we resell and distribute to them. We attempt to limit our credit risk by monitoring the creditworthiness of our customers to whom we extend credit and establish credit limits in accordance with our credit policy. We perform credit evaluations on substantially all customers requesting credit. With the exception of Nexeo Plaschem's operations, we generally do not require collateral with respect to credit extended to customers; however, we will not extend credit to customers for whom we have substantial concerns and will deal with those customers on a cash basis. Nexeo Plaschem offers billing terms that allow certain customers to remit payment during a period of time ranging from 30 days to nine months. These notes receivables ($6.7 million at June 30, 2017) are supported by banknotes issued by large banks in China on behalf of their customers.

At June 30, 2017, no individual customer represented greater than 5.0% of the outstanding accounts receivable balance.

Interest Rate Risk

Interest rate risks can occur due to changes in market interest rates. This risk results from changes in the fair values of fixed-interest rate financial instruments or from changes in the cash flows of variable-interest rate financial instruments. The optimal structure of variable and fixed interest rates is determined as part of interest rate risk management. It is not possible to simultaneously minimize both kinds of interest rate risk. We take steps to mitigate interest rate risk in part by entering into interest rate swap agreements as described under "Fair Value Measurements" below. Also, see Note 8 to our condensed consolidated financial statements.

Borrowings under the U.S. Tranche and the Canadian Tranche of the ABL Facility bear interest, at our option, at either an alternate base rate or Canadian prime rate, as applicable, plus an applicable margin (ranging from 0.25% to 0.75% pursuant to a grid based on average excess availability) or LIBOR or Canadian BA rate (as defined in the ABL Facility), as applicable, plus an applicable margin (ranging from 1.25% to 1.75% pursuant to a grid based on average excess availability). Loans under the FILO Tranche within the ABL Facility will bear interest, at an alternate base rate plus an applicable margin (ranging from 1.00% to 1.50% pursuant to a grid based on average excess availability) or LIBOR plus an applicable margin (ranging from 2.00% to 2.50% pursuant to a grid based on average excess availability).

Borrowings under our ABL Facility bear interest at a variable rate, which was a weighted average rate of 2.58% for the three months ended June 30, 2017. For each $100.0 million drawn on the ABL Facility, a 100 basis point increase in the interest rate would result in a $1.0 million increase in annual interest expense.

On March 22, 2017, the Company completed TLB Amendment No. 1 amending the current Term Loan Facility. TLB Amendment No. 1 reduced the interest rate margin applicable to outstanding term loans by 50 basis points from 4.25% to 3.75% for LIBOR loans and from 3.25% to 2.75% for base rate loans. In addition, the 1% LIBOR floor was eliminated. TLB Amendment No.1 provides a prepayment premium equal to 1% of the amount of the term loan applicable to certain repricing transactions occurring on or prior to six months from the effective date of TLB Amendment No. 1.

Changes in market interest rates will have an effect on the Term Loan Facility interest expense. A 100 basis point increase/decrease in the interest rate would result in an increase/decrease of $6.5 million in annual interest expense based on the Term Loan Facility balance.

Fair Value Measurements

As a result of the Business Combination, we incurred liabilities related to contingent consideration payable to the Selling Equityholders, which are required to be adjusted to fair value at each reporting period. These measurements are considered Level 3 measurements within the fair value hierarchy. Projected taxable income, current interest rates, current tax rates and the market price of our common stock are key inputs used to estimate the fair value of these liabilities. As a result, any changes in these inputs will impact the fair value of these liabilities and could materially impact the amount of income or expense recorded each reporting period.

The fair value of the liability for the contingent consideration related to the TRA was $103.4 million as of June 30, 2017. The calculation of the liability for the contingent consideration related to the TRA uses a cash flow model which incorporates current interest rates in the discount rate used to discount the obligation to present value. A 100 basis point increase in the discount rate compared to the discount rate used at the June 30, 2017 valuation would have resulted in a decrease of approximately $0.9 million in the value of the liability for the contingent consideration related to the TRA. Additionally, this cash flow model is sensitive to changes in applicable tax rates. A 100 basis point increase in the tax rate compared to the tax rate used at the June 30, 2017 valuation would have resulted in an increase of approximately $2.9 million in the value of the liability for the contingent consideration related to the TRA.

The fair value of the liability for the contingent consideration related to Deferred Cash Consideration was $40.4 million as of June 30, 2017. The liability for the contingent consideration related to the Deferred Cash Consideration is highly sensitive to the price of our common stock at each valuation date. A $1.00 increase/decrease in the price of our common stock from its June 30, 2017 price would have increased/decreased the fair value of the liability for the Deferred Cash Consideration by approximately $4.9 million.

During the three months ended March 31, 2017, the Company entered into four interest rate swap agreements with a combined notional amount of $300.0 million to help mitigate interest rate risk related to the variable-rate Term Loan Facility. The swap agreements expire at various dates from February 2020 through March 2022 and are accounted for as cash flow hedges. Gains or losses resulting from changes in the fair value of the swaps are recorded in other comprehensive income to the extent that the swaps are effective as hedges. Gains and losses resulting from changes in the fair value applicable to the ineffective portion, if any, are reflected in income. Gains and losses recorded in other comprehensive income are reclassified into and recognized in income when the interest expense on the Term Loan Facility is recognized. On June 29, 2017, the Company removed the interest rate floor component of the interest-rate swaps to align the swaps with the Term Loan Facility terms after the modification of the Term Loan Facility in March 2017 with TLB Amendment No. 1. During the three and nine months ended June 30, 2017, the Company recognized approximately $0.6 million of interest expense related to ineffectiveness of the interest-rate swaps prior to June 29, 2017. The interest rate swaps continue to be accounted for as cash flow hedges and there was no material ineffectiveness related to the swaps after the modification of the terms described above.

During the nine months ended June 30, 2017, we classified into income and recognized a realized loss on the interest rate swaps of $1.5 million, which was recorded in interest expense. During the nine months ended June 30, 2017, we recorded an unrealized loss on the interest rate swaps (net of taxes and reclassifications into income) of $0.4 million, which was recorded in other comprehensive income. As of June 30, 2017, $1.3 million in unrealized losses were expected to be realized and recognized in income within the next twelve months.

Foreign Currency Risk

We may be adversely affected by foreign exchange rate fluctuations since we conduct our business on an international basis in multiple currencies. A portion of our sales and costs of sales are denominated in currencies other than the functional currency of our subsidiaries, exposing us to currency transaction risk. Additionally, because we report our consolidated results in USD, the results of operations and the financial position of our local international operations, which are generally reported in the relevant local currencies, are translated into USD at the applicable exchange rates for inclusion in our condensed consolidated financial statements, exposing us to currency translation risk. Further, we have exposure to foreign exchange fluctuations arising from the remeasurement of certain foreign operations where the USD is the functional currency but accounting records are kept in local currency. In this respect, we are vulnerable to currency remeasurement gains and losses to the extent that monetary assets and liabilities denominated in local currency do not offset each other when remeasured into USD.

We currently do not utilize financial derivatives to manage our foreign currency risk, but we continue to monitor our exposure to foreign currency risk, employ operational strategies where practical and may consider utilizing financial derivatives in the future to mitigate losses associated with these foreign currency risks.

Included in our condensed consolidated statements of operations for the nine months ended June 30, 2017 is a $1.2 million net loss related to foreign exchange rate fluctuations, including $0.8 million in net remeasurement gains. The most significant currency exposures during this period were to the RMB, CAD and the Peso versus the USD. These currencies fluctuated to various degrees but such fluctuations did not exceed approximately 5% from their respective values since September 30, 2016. Assuming the same directional fluctuations as occurred during the nine months ended June 30, 2017, a hypothetical 10.0% weakening/strengthening in the average exchange rates of these currencies from that date would have generated a net loss/gain of $4.0 million in our condensed consolidated statements of operations for the nine months ended June 30, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on the evaluation performed, our management, including the principal executive officer and principal financial officer, concluded that the disclosure controls and procedures were effective as of June 30, 2017.

Changes in Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer evaluated the changes in our internal control over financial reporting that occurred during the quarterly period covered by this Quarterly Report on Form 10-Q. Based on their evaluation, it is concluded that there had been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2017 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We are not currently a party to any legal proceedings that, if determined adversely against us, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations or cash flows.

In July 2014, Ashland filed a lawsuit -- Ashland Inc. v. Nexeo Solutions, LLC, Case No. N14C-07-243 JTV CCLD, in the Superior Court for the State of Delaware in and for New Castle County. In the suit, Ashland seeks a declaration that Solutions is obligated to indemnify Ashland for losses Ashland incurs pertaining to the Other Retained Remediation Liabilities, up to the amount of a $5.0 million deductible, which Ashland contends applies pursuant to the ADA Purchase Agreement. Ashland further alleges that Solutions has breached duties related to that agreement by not having so indemnified Ashland for amounts Ashland has incurred for the Other Retained Remediation Liabilities at sites where Ashland disposed of wastes prior to the Ashland Distribution Acquisition, and on that basis seeks unspecified compensatory damages, costs and attorney's fees. On June 21, 2017 the Company's Motion for Summary Judgment in this lawsuit was granted. Ashland appealed the ruling on July 20, 2017. The Company will continue to vigorously defend the lawsuit on appeal.

In April and November 2011, two local unions each filed an unfair labor practice charge against us with the NLRB, alleging that we should be considered a successor of Ashland and, as such, we were obligated to bargain to agreement or impasse with the unions before changing the employment terms that were in effect before commencing operations, including continuing to cover employees under the union-affiliated multi-employer pension plans in which the employees participated as employees of the Distribution Business. In November 2011, the NLRB filed a complaint against us with respect to both cases, and a consolidated hearing was held before an administrative law judge in April and May of 2012. On June 28, 2012, the NLRB administrative law judge found substantially in our favor, holding that we were not obligated to continue to cover employees in the multi-employer pension plans. We reached a settlement with one of the unions resulting in a collective bargaining agreement that keeps the employees in our 401(K) plan. The NLRB approved that settlement and, in May of 2014, dismissed the case with respect to that local union. We reached a settlement with the remaining union, which also resulted in a collective bargaining agreement keeping the employees in our 401(K) plan, which was approved by the NLRB on June 19, 2017.

In June 2014, we self-disclosed to the DTSC that an inventory of our Fairfield facility had revealed potential violations of RCRA and the California Health and Safety Code. Although no formal proceeding has been initiated, we expect the DTSC to seek payment of fines or other penalties for non-compliance. We do not expect the amount of any such fine or penalty to have a material adverse effect on our business, financial position or results of operations.

From time to time, we are party to ongoing legal proceedings in the ordinary course of business. While the outcome of these proceedings cannot be predicted with certainty, we do not believe the results of these proceedings, other than as is disclosed elsewhere in this Quarterly Report on Form 10-Q, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operation or liquidity.

Item 1A. Risk Factors

We are subject to certain risks and hazards due to the nature of the business activities we conduct. For a discussion of these risks, see “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 filed with the SEC on December 8, 2016. These risks could materially and adversely affect our business, financial condition, cash flows and result of operations. There have been no material changes to the risk factors described in the Form 10-K described above. We may experience additional risks and uncertainties not currently known to us or, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides information concerning our repurchase of shares of our common stock during the three months ended June 30, 2017:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchase as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
June 9, 2017	9,576	$ 8.69	—	—
Total	9,576	$ 8.69	—	—

(1) Shares transferred to the Company to satisfy the officers’ and employees’ tax withholding obligations in connection with the vesting of the TPG Restricted Stock Grants.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Nexeo Solutions, Inc.	
August 9, 2017	By:	/s/ Ross J. Crane
		Ross J. Crane
		Executive Vice President and Chief Financial Officer (Principal Financial Officer)

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Exhibit Index

Exhibit Number	Description
31.1†	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1††	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T.

† Filed herewith.

†† Furnished herewith.

* Pursuant to Rule 406T of Regulation S-T, the interactive data files included in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, David A. Bradley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2017 of Nexeo Solutions, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 9, 2017	By:	/s/ David A. Bradley
		Name:	David A. Bradley
		Title:	Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Ross J. Crane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2017 of Nexeo Solutions, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 9, 2017	By:	/s/ Ross J. Crane
		Name:	Ross J. Crane
		Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2001, 18 U.S.C. § 1350

In connection with the Quarterly Report of Nexeo Solutions, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on August 9, 2017 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David A. Bradley, Chief Executive Officer, Nexeo Solutions, Inc., and Ross J. Crane, Chief Financial Officer, Nexeo Solutions, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(a) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 9, 2017	By:	/s/ David A. Bradley
		Name:	David A. Bradley
		Title:	Chief Executive Officer (Principal Executive Officer)

Date:	August 9, 2017	By:	/s/ Ross J. Crane
		Name:	Ross J. Crane
		Title:	Chief Financial Officer (Principal Financial Officer)