

Univar Solutions: Hidden Signals In Analyst Actions

May 24, 2022 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

In the previous article we wrote company called [Masonite International](#) and about how investors should react to changing reality and exercise plain common sense, without the need for too much of sophistication in order to achieve good results.

Univar Solutions is another example of a similar case, in our view.

Univar Solutions [reported](#) "record 2022 first quarter results" and raised full year 2022 guidance.

Univar Solutions is a leading global commodity and specialty chemical and ingredient distributor and provider of value-added services to customers across a wide range of diverse industries.

On May 11th, [Deutsche Bank](#) analyst [lowered](#) the price target on company to \$34 from \$35 but kept a Buy rating on shares. At the same time, analyst said that stock's valuation discount is "no longer warranted" because guidance was raised, and 2024 financial targets outlined previously were brought one year forward.

So, the question is, given excellent results reported by company, raised full year guidance, earlier achievement of financial targets, unwarranted discount of shares, given all this - why lower the share price target by one dollar only? Why this strange share price change?

Decide for yourself what is the meaning of this.

Company had \$9.5 bil in sales and Adjusted EBITDA of \$798 mil in last fiscal year. According to company's guidance, it aims to achieve \$1,025 mil in Adjusted EBITDA and generate \$425 mil in Free Cash Flow (mid-points of guidance) in FY 2022.

Company currently has a market capitalization of \$4,479 million, an Enterprise Value of \$7,101 million and is currently valued at an EV/EBITDA multiple of x6.93 (Adjusted EBITDA guidance for FY 2022).

Using our valuation assumptions and applying an EV/EBITDA valuation of multiple of x8 we believe that shares of Univar Solutions could be valued at \$58.9 per share in three years.

This would provide an upside of about 104% or approximately 35% percent annual return.

