

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS FIRST QUARTER 2020 RESULTS

TORONTO, Ontario, May 12, 2020 – Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months ended March 31, 2020. The financial statements and MD&A will be available on Chemtrade’s website at www.chemtradelogistics.com and on SEDAR at www.sedar.com.

Chemtrade President and Chief Executive Officer, Mark Davis, said, “As we announced in early April, Chemtrade’s operations were not significantly affected by COVID-19 in the first quarter of 2020. Our manufacturing facilities, which are considered essential under US State and Canadian Provincial orders, continued to operate. Our top priority was, and continues to be, employee health and safety and we have implemented appropriate safeguards.”

Revenue for the first quarter of 2020 was \$366.9 million, a decrease of \$18.4 million from 2019. The revenue decrease was primarily due to lower volumes of sulphuric acid in the Sulphur Products & Performance Chemicals (“SPPC”) segment, and lower prices for caustic soda and hydrochloric acid in the Electrochemicals (“EC”) segment. These decreases more than offset higher selling prices and higher sales volumes for water products in the Water Solutions and Specialty Chemicals (“WSSC”) segment.

Net loss for the first quarter of 2020 was \$97.9 million, compared with net loss of \$29.3 million in 2019. The increase was primarily due to a few non-cash items recorded during the first quarter of 2020: a \$56.0 million impairment of goodwill for water solutions products, higher net finance costs due to a \$47.4 million loss from the change in the fair value of convertible debentures, and an unrealized foreign exchange loss of \$9.6 million.

Adjusted EBITDA⁽¹⁾ (“EBITDA”) for the first quarter of 2020 was \$80.9 million compared with \$44.0 million in the first quarter of 2019, which included a \$40.0 million litigation reserve.

Cash flows from operating activities were \$31.2 million compared with cash flows used in operating activities of \$53.5 million during the first quarter of 2019. Adjusted cash flow from operating activities⁽¹⁾ was \$49.3 million compared with \$11.5 million generated during the first quarter of 2019. Distributable cash after maintenance capital expenditures⁽¹⁾ for the first quarter of 2020 was \$38.2 million or \$0.41 per unit compared with \$42.5 million or \$0.46 per unit in 2019 (excluding the Litigation Reserve).

In the first quarter of 2020, SPPC generated revenue of \$113.0 million compared with \$131.1 million in 2019. EBITDA for the quarter was \$34.6 million, which was \$2.9 million lower than 2019. Although substantially less by-product volume was available, higher selling prices for sulphuric acid enabled SPPC to maintain margins for acid products. For the segment as a whole EBITDA was slightly down from last year as the steady margins for acid products were reduced by lower contributions from sodium hydrosulphite.

The WSSC segment reported first quarter revenue of \$113.3 million compared with \$105.4 million in 2019. EBITDA improved to \$25.7 million from the \$18.1 million generated in 2019. Water products continued to improve, contributing about half of the segment’s year-over-year improvement. The improvement was driven by increased alum selling price and volume while raw material costs remained stable.

The EC segment reported revenue of \$140.5 million for the first quarter of 2020, which was \$8.2 million lower than the same period of 2019. The lower revenue was due to lower selling prices for caustic soda and lower volume and prices for hydrochloric acid. HCl volume continued to struggle due to the downturn in the fracking industry. EBITDA of \$32.9 million for the first quarter of 2020 was \$15.2 million lower than the same period of 2019. This was primarily due to lower selling prices for both caustic soda and HCl. The

Brazil chlor-alkali and sodium chlorate operation also reported lower EBITDA compared with the same period last year.

Corporate costs during the first quarter of 2020 were \$12.4 million, compared with \$59.7 million in the first quarter of 2019. The 2019 costs included a \$40.0 million litigation reserve. Excluding this reserve, 2020 costs were \$7.3 million lower primarily due to lower incentive compensation accruals.

Mr. Davis said, "Our first quarter results were not significantly affected by COVID-19. However we are seeing reduced demand for some of our products in the second quarter and expect this to continue for the balance of 2020. For Chemtrade the most significant effect is reduced gasoline demand stemming from a reduction in driving miles. The reduced gasoline demand has a material effect on our regen services. However, not all of our products are affected. For example we expect that demand for our water products should remain stable. While we have withdrawn our Guidance, the Financial Outlook section of the first quarter MD&A does include updates on certain Guidance assumptions while cautioning that the situation remains very fluid. The comments contained there are based on input from customers which can, and likely will, change over time.

Mr. Davis added "In addition to the operational steps we also took a number of financial steps. Our proactive reduction of our monthly distribution increased our liquidity by about \$55.0 million on an annual basis. In light of the current uncertain economic climate, we also negotiated an amended covenant package on our senior credit facility which provides us with additional covenant room over the next two years. The amendments will be filed on SEDAR in due course."

Distributions

Distributions declared in the first quarter totalled \$0.25 per unit, comprised of monthly distributions of \$0.10 per unit for January and February, and \$0.05 per unit for March.

About Chemtrade

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

⁽¹⁾ Non-IFRS Measures

EBITDA and Adjusted EBITDA –

Management defines EBITDA as net earnings before any deduction for net finance costs, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, gains and losses on the disposal and write-down of property, plant and equipment, and unrealized foreign exchange gains and losses. EBITDA and Adjusted EBITDA are metrics used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers Adjusted EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS or cash available for distribution.

EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations.

A reconciliation of EBITDA and Adjusted EBITDA to net earnings is provided below:

(\$'000)	<u>Three months ended March 31</u>	
	2020	2019
Net loss	\$ (97,875)	\$ (29,318)
Add:		
Depreciation and amortization	63,917	67,464
Net finance costs	67,452	27,111
Income tax recovery	(21,121)	(17,534)
EBITDA	12,373	47,723
Add:		
Impairment of goodwill	56,000	-
Change in environmental liability	3,381	-
(Gain) loss on disposal and write-down of property, plant and equipment	(482)	303
Unrealized foreign exchange loss (gain)	9,608	(4,063)
Adjusted EBITDA	\$ 80,880	\$ 43,963

Segmented information

SPPC -

(\$'000)	<u>Three months ended March 31</u>	
	2020	2019
Revenue	\$ 113,022	\$ 131,079
Gross profit	14,461	16,483
Adjusted EBITDA	34,632	37,525
Gain on disposal and write- down of property, plant and equipment	49	2
EBITDA	\$ 34,681	\$ 37,527

WSSC -

(\$'000)	<u>Three months ended March 31</u>	
	2020	2019
Revenue	\$ 113,338	\$ 105,390
Gross (loss) profit	(42,370)	6,188
Adjusted EBITDA	25,706	18,067
Impairment of goodwill	(56,000)	-
Change in environmental liability	(3,381)	-
Gain on disposal and write-down of property, plant and equipment	457	2
EBITDA	\$ (33,218)	\$ 18,069

EC -

Three months ended March 31

(\$'000)			2020			2019
North American sales volumes:						
Sodium chlorate sales volume (000's MT)			102			101
Chlor-alkali sales volume (000's MECU)			36			39
Revenue	\$		140,541	\$		148,783
Gross profit			6,853			21,764
Adjusted EBITDA			32,933			48,094
Loss on disposal and write-down of property, plant and equipment			(24)			(4)
EBITDA	\$		32,909	\$		48,090

Cash Flow –

Management believes supplementary disclosure related to the cash flows of the Fund including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities provides useful additional information. A cash flows table presenting this information is included in the Fund's MD&A filed on SEDAR. The table is derived from, and should be read in conjunction with, the consolidated statements of cash flows. Certain sub-totals presented within the cash flows table, such as "Adjusted cash flows from operating activities", "Distributable Cash after maintenance capital expenditures" and "Distributable Cash after all capital expenditures", are not defined terms under IFRS. These sub-totals are used by Management as measures of internal performance and as a supplement to the consolidated statements of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the IFRS consolidated statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.

A reconciliation of these supplementary cash flow measures to cash flow from operating activities is provided below:

Three months ended March 31

(\$'000)			2020			2019
Cash flow from (used in) operating activities	\$		31,220	\$		(53,470)
Add (Less):						
Lease payments net of sub-lease receipts			(13,795)			(14,643)
Changes in non-cash working capital and other items			31,849			79,582
Adjusted cash flows from operating activities			49,274			11,469
Less:						
Maintenance capital expenditures			11,043			8,958
Distributable cash after maintenance capital expenditures			38,231			2,511
Less:						
Non-maintenance capital expenditures			746			2,442
Distributable cash after all capital expenditures	\$		37,485	\$		69

Caution Regarding Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements within the meaning of certain securities laws, including the Securities Act (Ontario). Forward-looking statements can be generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “expected”, “intend”, “may”, “will”, “project”, “plan”, “should”, “believe” and similar expressions. Specifically, forward-looking statements in this news release include statements respecting certain future expectations about: the impact of COVID-19 pandemic, including the expected continued reduced demand for some products and expected stable demand for water products. Forward-looking statements in this news release describe the expectations of the Fund and its subsidiaries as of the date hereof. These statements are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the “RISK FACTORS” section of the Fund’s latest Annual Information Form and the “RISKS AND UNCERTAINTIES” section of the Fund’s most recent Management’s Discussion & Analysis.

Although the Fund believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. With respect to the forward-looking statements contained in this news release, the Fund has made assumptions regarding: there being no significant disruptions affecting the operations of the Fund and its subsidiaries, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of the Fund to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with the Fund’s expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with the Fund’s expectations; the ability of the Fund to successfully access tax losses and tax attributes; the ability of the Fund to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with the Fund’s expectations; and global economic performance.

Except as required by law, the Fund does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Further information can be found in the disclosure documents filed by Chemtrade Logistics Income Fund with the securities regulatory authorities, available at www.sedar.com.

A conference call to review the first quarter 2020 results will be webcast live on Wednesday, May13, 2020 at 10:00 a.m. ET. To access the webcast [click here](#).

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