



NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS THIRD QUARTER 2019 RESULTS

TORONTO, November 6, 2019 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and nine months ended September 30, 2019. 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, "Our results for the third quarter reflect a continuation of the operating conditions we experienced in the second quarter. In general, all our plants operated well. We are continuing to see the benefits of the initiatives we took last year to strengthen our operations and adjust to changing market conditions. This is most evident in our SPPC segment that continues to benefit from changes we made to our operations and from strong selling prices for sulphuric acid. In our WSSC segment, water treatment products continue to improve margins as pricing in contract renewals more than offset raw material cost increases. Our EC segment continued to be negatively affected by low caustic soda and HCl prices."

2019 results include the application of IFRS 16 at January 1, 2019. In relation to leases that were previously classified as operating leases, Chemtrade now recognizes depreciation and interest expense, instead of operating lease expense. This results in an increase in EBITDA, but it does not affect Distributable Cash after maintenance capital expenditures. Also, comparative information is not restated.

During the second quarter of 2018, a litigation reserve of \$65.0 million was established to cover the costs of resolving the civil actions commenced against General Chemical entities related to the anti-trust matter inherited with Chemtrade's 2014 acquisition of General Chemical. During the third quarter of 2018, this reserve was increased by \$35.0 million and during the first quarter of 2019 it was further increased by \$40.0 million. The litigation reserve is reflected in both EBITDA and Distributable Cash after maintenance capital expenditures for all the affected periods.

Revenue for the third quarter of 2019 was \$395.7 million, which was \$22.5 million lower than the third quarter of 2018. The decrease was primarily due to lower prices for caustic soda and hydrochloric acid ("HCl") in the Electrochemicals ("EC") segment that more than offset higher sales of water products in the Water Solutions and Specialty Chemicals ("WSSC") segment.

Net loss for the third quarter of 2019 was \$0.2 million, compared with net earnings of \$9.2 million in 2018. Net earnings for the third quarter of 2019 were lower than the third quarter of 2018 as there was a write-down of assets during the quarter, whereas there was a gain on sale of assets in the third quarter of 2018. Additionally, relative to the third quarter of 2018, during the third quarter of 2019, there were higher net finance costs partially offset by lower selling and administrative expenses.

Adjusted EBITDA⁽¹⁾ for the third quarter of 2019 was \$90.0 million compared with \$88.8 million in the third quarter of 2018, excluding the litigation reserve. The increase in Adjusted EBITDA was due to better results in the Sulphur Products & Performance Chemicals ("SPPC") segment and due to the adoption of IFRS 16, which had a positive impact of \$14.0 million. However, this was more than offset by lower results in the EC segment.

Cash flows from operating activities were \$80.5 million compared with \$102.6 million during the third quarter of 2018. Adjusted cash flow from operating activities⁽¹⁾ was \$56.8 million compared with \$36.2 million generated during the third quarter of 2018.

Distributable Cash after maintenance capital expenditures⁽¹⁾ for the third quarter of 2019 was \$37.1 million or \$0.40 per unit compared with \$54.0 million or \$0.58 per unit in 2018 (excluding the litigation reserve).

For the nine months ended September 30, 2019, excluding the litigation reserve, Distributable Cash after maintenance capital expenditures was \$120.6 million, or \$1.30 per unit compared with \$131.8 million, or \$1.42 per unit in 2018, excluding the litigation reserve and financing costs. Revenue for the nine months was \$1.2 billion (2018: \$1.2 billion). Excluding the litigation reserve, Adjusted EBITDA was \$265.3 million (2018: \$231.2 million). Adjusted cash flows from operating activities were \$126.5 million (2018: \$70.6 million).

In the third quarter of 2019, SPPC generated revenue of \$127.8 million compared to \$129.6 million in 2018. Adjusted EBITDA for the quarter was \$43.7 million, which was \$21.5 million higher than 2018. Although sales volumes were generally lower than last year, higher selling prices for merchant sulphuric acid combined with better operations resulted in significantly higher margins. While IFRS 16 contributed \$5.3 million to the improvement, most of the increased EBITDA came from improvements in the business itself.

The WSSC segment reported third quarter revenue of \$122.4 million compared with \$116.6 million in 2018. Adjusted EBITDA was \$24.3 million, including the positive IFRS 16 impact of \$1.1 million, compared with \$24.1 million generated in 2018, which included a \$2.2 million insurance recovery relating to an issue that occurred in 2016. Higher selling prices for water products more than compensated for higher raw material costs, however in aggregate, the segment generated lower EBITDA during the third quarter of 2019 compared with the third quarter of 2018 due to ongoing market weakness for some specialty chemicals.

The EC segment reported revenue of \$145.4 million for the third quarter of 2019, which was \$26.6 million lower than the same period of 2018. Sales volumes of caustic soda were essentially level with last year; however, continued weakness in selling prices of HCl and caustic soda resulted in lower revenue. Chlorate volumes were lower than last year due to reduced demand from pulp mills. Adjusted EBITDA for the third quarter of 2019, including the \$7.3 million benefit from IFRS 16, was \$14.3 million lower than the same period of 2018. This was primarily due to lower selling prices for caustic soda and HCl.

Corporate costs during the third quarter of 2019 were \$20.8 million, compared with \$14.7 million in the third quarter of 2018, excluding the litigation reserve in 2018. The increase is due primarily to higher legal costs in 2019 and higher compensation accruals.

Mr. Davis said, "Our SPPC segment and water products continued to perform well in the third quarter. The biggest impediment to better financial results was caustic soda prices. Although current prices are disappointing, the long-term outlook remains positive."

Despite the near-term weakness in chlor-alkali products, Chemtrade is maintaining its Adjusted EBITDA guidance for 2019, although it expects that results will be at the low end of the range. Further details of this, including updated assumptions are contained in Chemtrade's third quarter Management's Discussion and Analysis.

Distributions

Distributions declared in the third quarter totalled \$0.30 per unit, comprised of monthly Distributions of \$0.10 per unit.

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, taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as gains and losses on the disposal and write-down of assets, 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 net earnings to EBITDA and Adjusted EBITDA is provided below:

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2019	2018	2019	2018
Net (loss) earnings	\$ (163)	\$ 9,194	\$ (87,057)	\$ (34,332)
Add:				
Depreciation and amortization	65,380	53,596	197,036	160,667
Net finance costs	22,675	13,092	75,997	48,863
Income tax recovery	(8,825)	(10,627)	(28,701)	(38,032)
EBITDA	79,067	65,255	157,275	137,166
Add:				
Impairment of goodwill	-	-	65,600	-
Loss (gain) on disposal and write-down of assets	9,917	(8,413)	10,522	(5,070)
Unrealized foreign exchange loss (gain)	1,046	(3,064)	(8,127)	(870)
Adjusted EBITDA	\$ 90,030	\$ 53,778	\$ 225,270	\$ 131,226

Segmented information

SPPC -

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2019	2018	2019	2018
Revenue	\$ 127,798	\$ 129,572	\$ 385,318	\$ 380,683
Gross Profit	11,086	15,006	45,894	27,018
Adjusted EBITDA	43,689	22,237	126,502	69,164
(Loss) gain on disposal and write-down of assets	(9,221)	8,413	(9,973)	5,070
EBITDA	\$ 34,468	\$ 30,650	\$ 116,529	\$ 74,234

WSSC -

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2019	2018	2019	2018
Revenue	\$ 122,432	\$ 116,601	\$ 343,330	\$ 327,869
Gross Profit	12,836	11,402	(34,457)	33,082
Adjusted EBITDA	24,335	24,114	63,261	65,371
Impairment of goodwill	-	-	(65,600)	-
Loss on disposal and write-down of assets	(1,661)	-	(1,657)	-
EBITDA	\$ 22,674	\$ 24,114	\$ (3,996)	\$ 65,371

EC -

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2019	2018	2019	2018
North American Sales Volumes:				
Sodium Chlorate Sales Volume (000's MT)	98	103	294	305
Chlor-alkali Sales Volume (000's MECU)	49	48	140	129
Revenue	\$ 145,423	\$ 172,021	\$ 448,992	\$ 496,395
Gross Profit	17,495	37,361	62,133	88,051
Adjusted EBITDA	42,804	57,121	137,298	147,246
(Loss) gain on disposal and write-down of assets	(178)	-	873	-
EBITDA	\$ 42,626	\$ 57,121	\$ 138,171	\$ 147,246

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:

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2019	2018	2019	2018
Cash flow from operating activities	\$ 80,462	\$ 102,567	\$ 78,818	\$ 164,611
Add (deduct):				
Lease Payments ⁽¹⁾	(14,131)	-	(42,616)	-
Changes in non-cash working capital and other items	(9,524)	(66,371)	90,291	(94,031)
<i>Adjusted cash flows from operating activities</i>	56,807	36,196	126,493	70,580
Less:				
Maintenance capital expenditure	19,668	17,210	45,872	46,216
<i>Distributable cash after maintenance capital expenditure</i>	37,139	18,986	80,621	24,364
Less:				
Non-maintenance capital expenditure ⁽²⁾	4,631	4,472	9,833	9,026
<i>Distributable cash after all capital expenditure</i>	\$ 32,508	\$ 14,514	\$ 70,788	\$ 15,338

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 long-term outlook; the long term outlook for caustic soda pricing; the Fund's expected adjusted EBITDA range and expected placement within that range for 2019. 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 third quarter 2019 results will be webcast live on Thursday, November 7, 2019 at 10.00 a.m. ET. To access the webcast [click here](#).

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