

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS FULL YEAR 2019 AND FOURTH QUARTER RESULTS

TORONTO, February 20, 2020 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and year ended December 31, 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 2019 reflect the successful execution of the initiatives we undertook in 2018 and 2019 to adjust to the changes in market conditions. Our ability to improve day-to-day operational execution bore substantial benefits. In general, our plants operated efficiently, and supply chain and logistics movements were executed well. The weakness in our aggregate financial results was due to the continuing low price for caustic soda."

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.

Revenue for the fourth quarter of 2019 was \$355.2 million, a decrease of \$35.6 million from 2018. The decrease was primarily due to lower prices for caustic soda and hydrochloric acid ("HCl") in the Electrochemicals ("EC") segment. These decreases more than offset higher selling prices for water products.

Net loss for the fourth quarter of 2019 was \$12.6 million, compared with \$97.2 million for the fourth quarter of 2018, which included a goodwill impairment of \$90.0 million related to the water products business.

Adjusted EBITDA⁽¹⁾ for the fourth quarter of 2019 was \$70.3 million compared with \$65.0 million in the fourth quarter of 2018. Strong results in the Sulphur Products & Performance Chemicals ("SPPC") and Water Solutions & Specialty Chemicals ("WSSC") segments were more than offset by the EC segment where Adjusted EBITDA was \$19.2 million lower than 2018, excluding the \$7.2 million benefit from IFRS 16.

Cash flows from operating activities were \$60.7 million compared with \$79.9 million during the fourth quarter of 2018. Adjusted cash flows from operating activities⁽¹⁾ were \$38.3 million compared with \$48.7 million generated during the fourth quarter of 2018. Distributable cash after maintenance capital expenditures⁽¹⁾ for the fourth quarter of 2019 was \$1.4 million or \$0.02 per unit compared with \$17.3 million or \$0.19 per unit in 2018.

For the full year 2019, consolidated revenue was \$1.5 billion, which was \$62.9 million lower than 2018. The decrease was due primarily to lower selling prices for caustic soda and hydrochloric acid, partially offset by higher selling prices and higher sales volumes for water products in WSSC and higher selling prices for sulphuric acid.

The full year results for 2019 and 2018 include a litigation reserve ("Litigation Reserve") of \$40.0 million and \$100.0 million, respectively, to cover the costs of resolving the civil actions commenced against General Chemical entities related to the anti-trust matter inherited with Chemtrade's acquisition of General Chemical in 2014. The 2018 results also include \$7.4 million of costs incurred to repay certain Chemtrade Electrochem (formerly, Canexus) Senior Notes and another small project financing loan that was inherited as part of another acquisition. Adjusted EBITDA and Distributable cash after maintenance capital expenditures for 2019 and 2018 include the Litigation Reserve, and distributable cash for 2018 includes the loan repayment costs.

Adjusted EBITDA for 2019 before the Litigation Reserve was \$335.6 million compared with \$296.2 million in the previous year. Distributable cash after maintenance capital expenditures and before the Litigation Reserve and loan repayment costs, was \$122.1 million, or \$1.32 per unit, compared with \$149.0 million, or \$1.61 per unit in 2018.

In the fourth quarter of 2019, the SPPC segment generated revenue of \$117.3 million compared with \$129.1 million in 2018. Adjusted EBITDA for the quarter was \$34.2 million, which was \$17.0 million higher than 2018. While IFRS 16 contributed \$5.8 million to the improvement, the majority of the increased Adjusted EBITDA came from improvements in the business itself. Despite sales volumes being lower than last year due to reduced by-product supply, higher selling prices for sulphuric acid combined with better operations resulted in significantly higher margins. There was also a lower than normal level of maintenance turnaround activity in 2019.

The WSSC segment reported fourth quarter revenue of \$101.8 million compared with \$102.4 million in 2018. Adjusted EBITDA improved to \$14.6 million, including the positive IFRS 16 impact of \$1.0 million, compared with \$11.9 million generated in 2018. The results reflected increased selling prices for water products, and stable raw material costs, resulting in expanded margins. This was partially offset by lower results for specialty chemicals.

The EC segment reported revenue of \$136.1 million for the fourth quarter of 2019, which was \$23.2 million lower than the same period of 2018. The lower revenue was due to lower selling prices for caustic soda and for HCl. For the fourth quarter of 2019, caustic soda prices were 15% lower than the fourth quarter of 2018. HCl selling prices and netbacks were lower by 21% and 27%, respectively. From an EBITDA perspective, excluding the \$7.2 million benefit from IFRS 16, Adjusted EBITDA for the fourth quarter of 2019 was \$19.2 million lower than the same period of 2018. This was primarily due to lower selling prices for both caustic soda and HCl. The week-long CN rail strike in November also had a negative impact on EBITDA of roughly \$3.0 million.

Corporate costs during the fourth quarter of 2019 were \$12.7 million, including a positive IFRS 16 impact of \$0.4 million, compared with \$10.4 million in the fourth quarter of 2018.

Mr. Davis said, "We continue to pursue further improvements in all areas of our operations. The main impediment to improved near-term financial results is the disappointing price for caustic soda. The longer-term outlook for caustic soda pricing is favourable and we are well-positioned to take advantage of the recovery when it occurs. Other factors that are expected to affect our results in 2020 are the continued weakness in HCl prices and a larger number of plant turnarounds in 2020 relative to 2019."

Chemtrade's guidance for Adjusted EBITDA in 2020 is \$300.0 million to \$350.0 million. Further details of this, including updated assumptions, are contained in Chemtrade's fourth quarter Management's Discussion and Analysis.

Mr. Davis also commented on two macro factors that could have a significant impact on Chemtrade's operations and results.

"The first is a disruption in rail service as a result of blockades in various parts of Canada. We and our suppliers and customers rely on rail to transport a large portion of our products and in most cases, there is no viable alternative mode of transportation. The second is the effect of the COVID-19 virus on the Asian chlor-alkali industry and the broader global economy. Recent reports show that the virus is resulting in a reduction in the operating rates for the chlor-alkali industry in Asia. The price we realize for caustic soda is heavily influenced by the North East Asia spot price for caustic soda. Due to the nature of both these issues, it is difficult for us to estimate their effect on our operations and financial results."

Distributions

Distributions declared in the fourth 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 and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, sodium hydrosulphite 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 December 31</u>		<u>Year ended December 31</u>	
	2019	2018	2019	2018
Net loss	\$ (12,597)	\$ (97,185)	\$ (99,654)	\$ (131,517)
Add:				
Depreciation and amortization	65,422	53,840	262,458	214,507
Net finance costs	12,490	25,263	88,487	74,126
Income tax expense (recovery)	4,410	(10,648)	(24,291)	(48,680)
EBITDA	69,725	(28,730)	227,000	108,436
Add:				
Impairment of goodwill	-	90,000	65,600	90,000
Loss (gain) on disposal and write-down of assets	3,268	1,031	13,790	(4,039)
Unrealized foreign exchange (gain) loss	(2,660)	2,696	(10,787)	1,826
Adjusted EBITDA	\$ 70,333	\$ 64,997	\$ 295,603	\$ 196,223

Segmented information

SPPC -

(\$'000)	<u>Three months ended December 31</u>				<u>Year ended December 31</u>			
	2019		2018		2019		2018	
Revenue	\$	117,286	\$	129,082	\$	502,604	\$	509,765
Gross Profit		14,313		1,023		60,207		28,041
Adjusted EBITDA		34,242		17,254		160,744		86,418
(Loss) gain on disposal and write-down of assets		(966)		(1,031)		(10,939)		4,039
EBITDA	\$	33,276	\$	16,223	\$	149,805	\$	90,457

WSSC -

(\$'000)	<u>Three months ended December 31</u>				<u>Year ended December 31</u>			
	2019		2018		2019		2018	
Revenue	\$	101,845	\$	102,442	\$	445,175	\$	430,311
Gross Profit		3,601		(88,188)		(30,856)		(55,106)
Adjusted EBITDA		14,642		11,929		77,903		77,300
Impairment of goodwill		-		(90,000)		(65,600)		(90,000)
Loss on disposal and write-down of assets		(2,313)		-		(3,970)		-
EBITDA	\$	12,329	\$	(78,071)	\$	8,333	\$	(12,700)

EC -

(\$'000)	<u>Three months ended December 31</u>				<u>Year ended December 31</u>			
	2019		2018		2019		2018	
North American Sales Volumes:								
Sodium Chlorate Sales Volume (000's MT)		98		101		392		406
Chlor-alkali Sales Volume (000's MECU)		38		43		178		172
Revenue	\$	136,084	\$	159,276	\$	585,076	\$	655,671
Gross Profit		5,839		25,797		67,972		113,848
Adjusted EBITDA		34,101		46,196		171,399		193,442
(Loss) gain on disposal and write-down of assets		(167)		-		706		-
EBITDA	\$	33,934	\$	46,196	\$	172,105	\$	193,442

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 December 31</u>		<u>Year ended December 31</u>	
	2019	2018	2019	2018
Cash flow from operating activities	\$ 60,659	\$ 79,853	\$ 139,477	\$ 244,464
Add (deduct):				
Lease Payments	(14,199)	-	(56,815)	-
Changes in non-cash working capital and other items	(8,142)	(31,105)	82,149	(125,136)
Adjusted cash flows from operating activities	38,318	48,748	164,811	119,328
Less:				
Maintenance capital expenditure	36,871	31,474	82,743	77,690
Distributable cash after maintenance capital expenditure	1,447	17,274	82,068	41,638
Less:				
Non-maintenance capital expenditure	3,723	5,650	13,556	14,676
Distributable cash after all capital expenditure	\$ (2,276)	\$ 11,624	\$ 68,512	\$ 26,962

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 for caustic soda pricing; our ability to take advantage of a recovery in caustic soda pricing; the Fund's expected Adjusted EBITDA range for 2020; the impact of the rail service disruptions; and the impact of the COVID-19 virus. 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 fourth quarter 2019 results will be webcast live on Friday, February 21, 2020 at 9:30 a.m. ET. To access the webcast [click here](#).

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