Q1 2017 Results Conference Call (Script)

Mark Davis

Good morning, ladies and gentlemen. Thank you for joining us for our conference call and webcast today.

As usual, joining me today is Rohit Bhardwaj, our Chief Financial Officer.

Before I commence the review, I would remind you that our presentation contains certain forward-looking statements that are based on current expectations, and are subject to a number of uncertainties and risks, and actual results may differ materially. Further information identifying risks, uncertainties and assumptions, and additional information on certain non-IFRS measures referred to in this call can be found in the disclosure documents filed by Chemtrade with the securities regulatory authorities, available at sedar.com.

One of the non-IFRS measures that we will refer to in this call is Adjusted EBITDA, which is EBITDA modified to exclude only non-cash items such as unrealized foreign exchange gains and losses. For simplicity, we will just refer to it as EBITDA as opposed to Adjusted EBITDA. Both these terms are fully defined in our MD&A.

The biggest event in the quarter was closing our acquisition of Canexus. We will discuss this throughout the call, but there are a number of preliminary comments we need to make.

First, in order to give a clearer picture of the performance of our ongoing business, the discussion of first quarter 2017 EBITDA will exclude the Canexus Acquisition costs of $2.9 million incurred in the first quarter. Distributable cash will also exclude these costs and a foreign exchange loss of $18.3 million resulting from the repayment of US dollar bank debt associated with the financing for the Canexus acquisition.

Secondly, a reminder that Aglobis, our former International segment, is shown as discontinued operations in our statements. The sale of Aglobis is on track to close by the end of this month.

Finally, for reporting purposes, in light of the acquisition, we have made changes to our operating segments. A new segment, Electrochemicals, which we will refer to as EC, includes the Canexus businesses, plus our legacy sodium chlorate business that is based in Prince George, BC and formerly was part of our WSSC segment. So we now have four reporting segments – EC, SPPC, WSSC and Corporate.

It was a very busy first quarter for Chemtrade. The most important event was closing the acquisition of Canexus, which took place on March 10. While the Competition Bureau review limited the interactions we had with Canexus prior to closing, we were still able to put plans in place to ready ourselves for a rapid and smooth transition.

One key element of our pre-closing activities was the January issuance of 21.8 million subscriptions receipts at $18.35 per unit. This raised gross proceeds of approximately $400 million. The receipts were exchanged on a one-for-one basis for units of Chemtrade upon closing of the acquisition.

Rohit will now provide you with some additional details on the first quarter results.

Rohit Bhardwaj

Thank you, Mark and good morning everyone.

As Mark indicated, there is quite a bit of noise in our first quarter results. In general, operating conditions in the first quarter for our SPPC and WSSC segments were similar to those in the fourth quarter last year, although we did not have any plant turnarounds.

Revenue from continuing operations for the first quarter of 2017 was $274.6 million, a decrease of $5.8 million from 2016. This decrease was primarily due to lower sales volumes and selling prices for sulphuric acid in SPPC and lower volumes of some products in WSSC, offset by $35.6 million of revenues generated by the newly acquired businesses.

For the three months ended March 31, 2017, ignoring the foreign exchange loss and the acquisition related costs Mark mentioned, Distributable cash after maintenance capital expenditures from continuing operations was $29.8 million, or 40-cents per unit compared with $35.5 million or 54-cents per unit in 2016. Aggregate EBITDA from continuing operations for the first quarter of 2017, ignoring the acquisition related costs was $47.7 million compared with $51.4 million in the first quarter of 2016. The decrease is mainly attributable to the cessation of production at the Augusta plant and the temporary reduction in production at our Midlothian potassium chloride plant, offset by the contribution of $7.9 million from the new businesses, which comprised of $9.1 million from business EBITDA in the EC segment, and $1.2 million of costs included in the Corporate segment.

Turning to segmented results for the quarter, SPPC generated revenue of $123.6 million compared to $159.5 million in 2016. EBITDA for the quarter was $28.9 million, which was $6.8 million lower than 2016. From a revenue perspective, the main reason for the year-over-year decrease was $24.7 million of lower revenues for sulphuric acid due to lower sales volumes, including the effect of the Fibrant shut down, and due to lower selling prices. We also had $8.9 million of lower revenue due to reduced volumes of liquid sulphur dioxide or SO_2. We discontinued manufacturing and selling SO_2 in eastern Canada towards the end of 2016 as demand had been declining. EBITDA was lower due to issues that we had mentioned previously, the first being the Fibrant closure and its effect on our Augusta plant. And the second being the impact of operational issues at two of our regen plants. Lower selling price of merchant acid did not have a material effect on EBITDA due to our risk shared contracts.

Our WSSC segment reported first quarter revenue of $102.1 million compared with $108.4 million in 2016. As noted earlier, the sodium chlorate business in Prince George is now part of EC, and all amounts for this year and prior periods have been adjusted to reflect that change. EBITDA was $22.1 million compared with $27.1 million generated in 2016. This difference is primarily due to the lingering effects of two operating issues that are not expected to continue in future quarters. One issue affected our water business and the other the specialty business. Our alum business continues to be stable, although some of this performance was masked by carry-over effects of the operating issues at one of our large water treatment chemicals sites we described last quarter. The other lingering issue, which we also described last quarter, affected production at our Midlothian KCl site as we continued to implement the expansion plan.

Our new reporting segment, EC, reported revenue of $48.9 million, $35.6 million of which is attributable to the newly acquired businesses. EBITDA was $12.9 million, with $9.1 million contributed by the new businesses.

Maintenance capital expenditures in the first quarter were $4.6 million. We expect maintenance capex in 2017 to be approximately $80 million, which includes the newly acquired business at an annual run rate of $30 million. Non-maintenance, or growth, capex in the first quarter was $1.6 million. As we have noted in the recent past, we are spending some small amounts of growth capex on the new PACl and ACH plants, and the adjuvants facility in New Jersey.

In addition to the $30 million sustenance run rate for our new assets, we also want to highlight a multi-year capex program we intend to implement at our newly acquired large, low-cost chlorate plant in Brandon, Manitoba. Mark will lay out this plan in his concluding remarks.

Excluding unrealized foreign exchange gains, Corporate costs during the first quarter of 2017 were $19.0 million, compared with $15.1 million in the first quarter of 2016. The primary reason for the difference was the $2.9 million of transaction costs related to the Canexus acquisition. Additionally, LTIP costs in the first quarter this year were $1.6 million higher than last year.

Finally, some comments on our balance sheet. We strengthened our balance sheet during the first quarter by issuing 21.8 million units that raised gross proceeds of approximately $400 million. At March 31, 2017 our senior credit facilities were comprised of a US$325.0 million five year term loan and a US$725.0 million revolving credit facility. At March 31 we had drawn down about US$509.7 million on our senior credit facility. Our term loan is fully drawn but we maintain about US$521.2 million of undrawn capacity, which provides us with ample liquidity. The credit facility matures in March 2022.

Since the end of the first quarter we have taken further initiatives to strengthen our financial position.

First, as required by the trust indentures, we made change of control offers for all outstanding unsecured Canexus Debentures and all high yield notes. In the case of the 5.75% Debentures we also announced we will redeem any debentures that don’t accept the offer to purchase. We also announced that we will be redeeming one series of our legacy convertible debentures which have a coupon of 5.75% and were maturing at the end of 2018. There was just under $80 million outstanding on this series.

Yesterday we announced the results of the Change of Control offers. 76.5% of the 5.75% debentures were tendered and the remaining ones will now be redeemed on May 15.

21.9% of the 6% debentures and 12.8% of the 6.5% debentures were tendered. The remainder of these debentures will continue to trade, but will be delisted on May 15 after which they will trade over the counter.

None of the Notes were tendered, so they remain outstanding.

To fund these offers and redemptions, we raised $201.25 million, including the underwriter's over-allotment option by way of a bought deal offering of 4.75% convertible unsecured debentures. That offering closed last week.

I'll now hand the call back to Mark.

Mark Davis

Thank you, Rohit.

As you have heard, the first quarter was extremely busy as we prepared for the acquisition of the Canexus businesses and arranged appropriate funding that would enable us to continue to have a strong and flexible balance sheet.

Operating conditions for some of our legacy businesses was difficult, but we believe they are for the most part transitory issues that are now behind us.

Let me finish with a few comments on the integration and how these new assets fit into Chemtrade.

The Canexus acquisition lined up well with our core strategic priorities.

Size, scale and diversity of earnings are critical for success in the chemical industry. The Canexus assets hit all of these factors. Additionally, this acquisition permitted us to grow by adding familiar products and customers, operations that fit our competencies, and businesses that fit our business model.

At a high level, our new assets produce inorganic chemicals similar to our legacy assets. Much of this production is in low-cost facilities that serve many of Chemtrade's existing customer base. Our cultures are also similar, which is an obvious aid to both integration and driving future value.

The acquisition added three strong operating businesses to Chemtrade's platform.

We added substantial sodium chlorate capacity to the capacity we already owned in Prince George, British Columbia. In particular, our sodium chlorate facility located in Brandon, Manitoba is considered to be one of the largest and lowest cost sodium chlorate facilities in the world. The new facilities, in combination with our plant in Prince George, expand us from being a regional supplier to a significant North American supplier of sodium chlorate.

Within North America we also added new products by acquiring a chlor-alkali business. This operation located in North Vancouver produces caustic soda, chlorine and hydrochloric acid. While several of these products are sold to customers we already serve, much of the chlorine and hydrochloric acid is sold in to industries and end markets that are new to us, adding further diversity to our earnings.

Finally, we acquired a business in Brazil. This operation produces both sodium chlorate and chlor-alkali at one site. It provides Chemtrade with earnings from new geographies and customers. This is again a further diversification but with products and industries we well understand. This is our first significant venture into South America. We are pleased with the business model fit since the majority of the earnings are derived from a long-term fixed US dollar margin earnings contract.

From a size and scale perspective we increase our revenues by about 50% on a pro forma basis. More importantly, our Adjusted EBITDA also increases by about 50% on the same basis.

We want to make two more specific comments about our new business.

First, the sodium chlorate business. This is an excellent business but we want to provide some additional detail to the capex that Rohit referenced.

In our public exchanges with Canexus we stated our belief that Canexus had been significantly underspending capital. As Rohit mentioned, we have increased their publicly stated sustenance capital run rate from $25 to $30 million annually. In addition, we intend to spend about $50 million over the next 5 years to restore Brandon to the state required to ensure it remains the long-term, reliable, lowest cost supplier of sodium chlorate. In general terms these capital projects will focus on four areas.

1. Rebuilding the front-end or brine treatment areas;
2. Improving and securing its electrical infrastructure ;
3. Rebuilding the drying/crystallization process; and
4. Rebuilding and improving the cooling systems.

We intend to provide separate updates on this spending and timing of the projects as they proceed. This spend was expected by us and included in our analysis of the transaction.

Secondly, as many of you know, we do not generally comment on individual products since our earnings are relatively stable due to our business model. However, the acquisition of the former Canexus assets may cause us to comment on certain of our new products from time to time. Generally, the North American chlorate business and our South American business will generate stable earnings. However, the earnings generated by our new chlor-alkali plant in North Vancouver will likely show more variability, which deserves comments. As a reminder, of the pro-forma $110 million of EBITDA we acquired from Canexus, earnings from North Vancouver represented only a relatively small portion of about $6 million.

North Vancouver generates earnings from its co-products caustic soda and chlorine, some of which is further upgraded into hydrochloric acid. Significant price or volume movements in any of these products can have a material effect on earnings. We can produce approximately 235,000 dry tonnes of caustic and 210,000 tonnes of chlorine with burner capacity to convert up to 132,000 tonnes of chlorine into 370,000 wet tonnes of HCl. Volume demand for both chlorine and hydrochloric acid are showing modest improvements, but what I really want to talk about this quarter is caustic.

Again, as a general statement, the Northwest part of the continent is short of caustic and obtains the product that is not locally produced from Northeast Asia. Accordingly, the pricing of this imported product has a large effect on the pricing we can obtain for our product. For a variety of reasons, caustic pricing in Asia has increased dramatically, which has resulted in significant price increases on both imported caustic and on the caustic we produce and sell. Industry publications indicate that prices have recently increased by about $90 per tonne. We have also implemented similar price increases and are now realizing pricing of about $90 per tonne higher than the prices realized during the time the $6 million pro forma number was generated. Additionally, industry publications have indicated that further price increases are being implemented this quarter. We cannot say how strong or how long this caustic cycle will last but we do not see anything in the near term that should change these dynamics.

One final point – while we are enjoying this cycle, Chemtrade does not seek cyclicality, nor does cyclicality last. As mentioned, we bought North Vancouver off a $6 million run rate and if it returns to those rates our thesis for buying Canexus remains intact.

We are very pleased with how these businesses fit with our existing operations and are excited about the contribution they and our new employees will make to Chemtrade.

I will have some additional comments on the new businesses at our annual meeting, which takes place in Toronto later this morning. If you are not able to be there, the full presentation will be posted to our website in the next few days.

Thank you for your attention. Rohit and I would now be pleased to answer questions.

Operator (Chris): Thank you. Ladies and gentlemen, we will now begin the question and answer session. Should you have a question, please press * followed by 1 on your touchtone phone. You will hear a 3 tone prompt acknowledging your request and your questions will be polled in the order they are received. If you are using a speakerphone, please lift the handset before pressing any keys. Your first question comes from Jacob Bout, CIBC. Jacob, please go ahead

Jacob: Good Morning

Mark & Rohit: Hi Jacob, good morning

Jacob: A few questions around Canexus, First, what are your thoughts about synergies right now? I know it’s a little bit early but…

Mark: As we indicated at the time, we thought we had $10 million of hard cost synergies we can realize. We're well on the way to realizing them and they should be noticeable in our run rate in the next 6 months or so. Probably got half of it, now we're working on the other half.

Jacob: Could it be materially higher than that?

Mark: Define material. Let me just say this; I've said this a few other times. Canexus had cut its SG&A substantially by the time we bought, so they were down to about a $20 million run rate. We said we can get half of that. Might we get more? We might, but it won't go to zero.

Jacob: And then Brandon; so doing a bit of work there; what I didn't hear or maybe I missed it is; what is the capacity expansion that you expect to see as a result of this work that you're doing there?

Mark: It's not significant. These are projects that in our view should have been undertaken a while ago to ensure the long term reliability. So, you ought to get some more volume based on reliability of the operation, maybe some incremental capacity but that's not why we're doing them. We're doing these capital fixes to bring essentially the front and back end up to the quality that the centre of the plant is operating at.

Jacob: What has it been operating at?

Rohit: It's operating at close to capacity, but the issue is that we believe that that's not a sustainable long term run rate because these investments have to be made to maintain that kind of capacity.

Jacob: And then just on North Vancouver; you talked a bit about the volatility and it looks like things may improve here on the caustic basis but as we know there's two different products there so, on an ECU basis that could move around. Could you talk a little bit about how you view this asset? Is it something that you consider putting up for sale or do you consider this a core part of your investment?

Mark: We don't anticipate selling this asset. The only thing that doesn't fit for us is the cyclical nature of the asset in Vancouver which was a little bit of a damper on our views on looking at Canexus historically. But as I said in our remarks; we're buying off a $6 million run rate that was in their proformas. We're quite happy if it cycles up and we don't think the downside off that run rate is actually material. As part of a bigger, broader Chemtrade, which we now are, we think we can handle that amount of cyclicality without disrupting the rest of the business.

Jacob: Thank you. I'll leave it there

Operator (Chris): Thank you. Your next question comes from Joel Jackson, BMO Capital Markets. Joel, please go ahead.

Joel: Hi, good morning

Mark: Hi Joel

Joel: As SPPC is running down year over year, of course you are transitioning in the quarter, some of the things as well. How do you see SPPC tracking for the rest of the year? Should you be flat year over year? I mean, you've got Augusta coming back, you've had some transient issues; you also have some things going on at Copper Cliff. How should we see the business tracking for the rest of the year versus the year before?

Rohit: I think as we said, Augusta will come back, but right now we're comparing against the first quarter of last year when Augusta was running full out. As we said, we don't expect to get all the way back there. But having said that, I think we do see SPPC for the remainder of 2017 be similar to '16 so we expect these issues would be gone and we should be back to those kind of operating levels by the end of the year.

Joel: Ok, Canexus is new for you but now you're a couple months in. We've seen a lot of strength in Caustic and chlorate's a new set of commodities for Chemtrade. Are you recognizing some of the increases we've seen in caustic prices in some of the markets in North America? How do you see in the increase in chlorate earnings for you, for Chemtrade now versus what the business was earning under Canexus last year?

Mark: Yes, we're actually seeing it and realizing it. In general terms, as I said, we can make a call of 220,000 tons of caustic in Vancouver and the prices that we're realizing are over $90/ton higher than the prices that generated the $6 million run rate we bought off of and we think there is more to come. The industry has announced more price increases and we intend to implement them and achieve those.

Rohit: And right now on a MECU basis, because the hydrochloric market seems pretty strong, those cost price increases should work out at an MECU basis. We don't expect weakness and the other stuff to pull those prices down.

Joel: The price of $90/ton and we're into Q2 here, how much have you been able to recognize that that $90/ton increase as of around now?

Mark: Substantial portion of that

Joel: Thank you very much

Mark: Thanks Joel

Operator (Chris): Thank you. Your next question comes from Steve Hansen, Raymond James. Steve, please go ahead

Steve: Good morning guys. Two questions on the Brandon expansion. Would there be any downtime associated with the maintenance projects you described over the next couple of years?

Mark: First, we'll call it the Brandon fix not the Brandon expansion.

Steve: Sorry, I apologize

Mark: It's ok, just want to make sure of that. We don't see significant downtime which is again, why we say we're going to spend this money over a 5 year cycle so that we can actually do it logically and with as little interruption to the operations as possible.

Steve: Ok, great. Even on the electrical systems, does that sound like it would be a more involved project?

Mark: Again, right now we don't see significant downtime associated with that.

Steve: Ok, great. Very helpful. And I apologize if I missed it in the commentary early on but can you just go back to the decision on the sulphur dioxide decision to halt sales. I just want to get back to the fundamentals there and what we should expect on a go forward basis.

Mark: The SO_2 market changed drastically over the last number of years. So, over the last couple of years we were frankly shipping SO_2 into Eastern Canada from great distances and not making much money on it.

Rohit: The comments we made was a lot to explain the down in revenue. So, revenue is down about $9 million but as Mark said, we weren't making much on the bottom line and it's a product that you don't want to ship large distances if you aren't getting enough rewards.

Mark: So, the model of go forward EBITDA basis for us; the fact that we exited the SO_2 market is a non-issue.

Steve: Helpful. And just one last one if I may, the Brazilian opportunity has always been an intriguing one, one that has a growth opportunity for the future. As you look at the operation as it stands today, how to do you sort of view the future of Brazil. Is it just sort of a status quo, learn about it, operate it and do well or will there be growth opportunity to contemplate as well?

Mark: We hope that there are growth opportunities. As a big general statement, we're essentially 3x as big as Canexus ever was which actually means we have more resources as well as bigger product portfolio etc. that may find some traction in Brazil. I think I've said before and I'll say it again is we don't yet know that we can actually grow in Brazil. We're going to try and we think we have a better possibility of succeeding than a smaller company would have had.

Steve: Ok, very helpful. Thank you

Mark: Thanks Steve

Operator (Chris): Thank you. Your next question comes from Nelson Ng, RBC Capital Markets. Nelson, please go ahead

Nelson: Great, thanks. Just a quick follow up on the Brandon facility. I think Rohit you mentioned that it was operating at pretty close to capacity which you felt was unsustainable. From your perspective, do you expect to reduce the operating rate going forward and reduce production?

Rohit: No, I think to be clear what we meant was that it's not sustainable in the long run. I mean, it's not something that's immediate but as you know, we have long term horizon on all our assets. And so, for us to maintain reliability for a long period of time we need to make investments but in the short run, we don't expect any changes in production or capacity. In the short term, this can still run at the same rates.

Nelson: Ok. And then I guess in terms of… you flagged at the previous management team at Canexus under-invested, but I presume they were also kind of operating on a basis of trying to maximize profits prior to the sale.

Rohit: They had a pretty stressed balance sheet

Mark: I think what you said is exactly right. They were operating to try to maximize profits and it doesn't necessarily maximize sustainable profits.

Nelson: So from an operations perspective, are you making any big picture changes?

Mark: Again, let me give you 100,000 foot view. By the way, if our balance sheet was as stressed we might have done the same thing. But culturally, they evolved to a culture where they would actually essentially run stuff until it breaks and then actually try to see how quickly they can fix it because they're trying to avoid spending any capital. Our culture as you know is to try and get ahead of that and actually do preventative maintenance and actually not have things break. Again, as you heard in Rohit's remarks, they have publicly indicated a $25 million a year sustenance Capex run rate. We'll spend about $30 million and we have these specific things that we think need to be done over the next 5 year at Brandon and ensure that it's long term sustainable.

Rohit: And there's no reflection on the people running the plant for the businesses. It was actually kind of a corporate mandate given the balance sheets. Part of the people who actually run these plants definitely understand the culture and actually like the culture we bring to the table. So, it was not a systemic issue, it was definitely a mandate from corporate.

Nelson: I see, and then just moving on to the SPPC business; are you able to bridge some of the year over year EBITDA change in terms of the Delta from as a result of Augusta versus I think you mentioned two facilities had operating issues and then general decline in volume?

Mark: Essentially you could assume half of it was Augusta and half of it was first quarter operating issues.

Nelson: And were those operating issues resolved by Q2?

Mark: One was and the other one is on its way to being. Not trying to be oblique. We had a rail company that wiped out a loading rack at a place in Texas, it took some while to rebuild, so that's actually fixed. And the other issues are under way.

Nelson: Got it, ok. And then just one last question on the Liquid SO_2 business; what industry was that serving and what was the end use? I was just wondering, you mentioned that that industry has declined. I was wondering, was it specific to one large customer or…

Mark: I'll try and do a short long winded answer. Historically, we served Eastern Canada with SO_2 that was made at Vale's plant in Sudbury and what was then Falconbridge's plant at Kidd Creek; both Falconbridge and Vale got out of manufacturing SO_2. So, the geographical logical manufacturing or production facilities eroded over the years. So, we maintain the market for the last number of years to determine whether or not we wanted to build a new manufacturing facility in Eastern Canada. Decided that the economics didn't work for us. Again, a long winded story to say is actually yes, revenue is down but it wasn't a profit generator for us over the last couple of years in any event.

Nelson: Ok, thanks Mark. Those are all my questions.

Operator (Chris): Thank you. Your next question comes from Benoit Laprade, Scotia Bank. Benoit, please go ahead

Benoit: Thank you, good morning gentlemen. Just wanted to go back on the Capex spending. Rohit, I think you mentioned $80 million for maintenance, that's for all of 2017?

Rohit: So, we said about $30 million from the new business and about $50 million for the legacy business. And we said all of '17 because reality is that pre acquisition, not a lot of money was spent in the acquired business. That's kind of our target and run rate; whether we actually hit that in 2017, we may not because we only closed the acquisition towards the beginning of March. But that is indicative of what a run rate should look like

Benoit: On the growth side?

Rohit: Growth side, we probably have about $10 million that we'll have in 2017.

Benoit: And how should we think of 2018 for both maintenance and growth?

Rohit: So, the $80 million still stands good for the sustenance. As Mark mentioned, we got Brandon that's going to be done over 5 years. So, that will be an addition to the sustenance.

Mark: Probably another $10 million for Midlothian.

Rohit: So, the other one; the potassium chloride we had mentioned, some of it will be towards the end of '17 but a lot of it will be more in 2018. So, another 10-15 there.

Benoit: Ok, great. And I guess the Canexus transaction came with a significant pool of tax shield. Just curious if you are in a position to use it and I guess in a broader context, the real question is; what should we believe should be cash taxes for 2017/2018?

Rohit: So, firstly yes; in Canada, their tax shields were all Canadian. And with those, we can use them and so, we do not foresee paying any Canadian cash taxes for the foreseeable future, let's put it that way. There are taxes paid in Brazil so, if you look at Canexus's standalone statements, all the tax they paid was Brazil tax which would continue on at the similar rates. For the Chemtrade legacy business, we do pay taxes in the U.S. and we've said in 2017 probably $8 million would be a good number. In 2018, that may trend up by a couple of million and if nothing else changes, in about 4 years we might hit about $20 million of taxes in the U.S but that will depend a lot upon what tax change is. There's a lot of talk of tax reform and changes in the U.S so we don't know what that impact might be. That's kind of the pieces to the tax side.

Benoit: And you have looked into ways to maybe monetize those tax shields to accelerate the value?

Mark & Rohit: Not yet

Benoit: And, I guess in the same context; not too beat a dead horse but you know, with North Vancouver improving and with hopefully Brazil getting their problems solved or somewhat solving, do you still believe that Brazil and North Van fit as a core business or in due course, if the right price would be offered, would you consider monetizing those?

Mark: It's not high on our list to monetize those. As a general statement, as we've said is it's our belief that size, scale and diversity of earnings is beneficial for everybody. The 2 or 3 businesses we've sold, we've sold because there are specific reasons why, it didn't make sense for us to retain those. If somebody walked in and offered a big number for all of Chemtrade, guess what? We're for sale everyday on the TSX. We're in a business of actually adding size, scale and diversity, not in a business to monetize our assets.

Benoit: Understood. Thank you very much

Mark: Thanks

Operator (Chris): Thank you. Ladies and gentlemen, as a reminder should you have a question please press *1 on your touchtone phone. Your next question comes from Anoop Prihar, GMP Securities. Anoop, please go ahead

Anoop: Good morning. Mark, you talk about the volatility in North Van, I'm just wondering; would that implementation of some of your risk sharing contracts not address at least some of that issue?

Mark: Yes it would if we could actually find customers that are actually interested in doing it. Again, we are exactly two months into our ownership of Canexus. As a general statement, the folks that buy chlor alkali products aren't used to that kind of risk sharing model. But if we can implement that, for sure. It would actually flatten that out and we'll see what we can do over the years but it is not an industry that is used to that kind of concept whereas the regen business and a whole lot of other businesses are, chlor alkali buyers generally aren't.

Anoop: Ok, so it's going to take a bit of time

Mark: Yes

Anoop: Ok, and then just one housekeeping question for Rohit. The $18 million FX charge where does that show up on the income statement?

Rohit: That shows up in other comprehensive income.

Anoop: Ok. Alright, thank you

Operator (Chris): Thank you. Your next question comes from Joel Jackson, BMO Capital Markets. Joel, please go ahead

Joel: Hi, thanks. I just had a follow up. Mark/Rohit as you know, you inherited a claim on a break free for the failed Superior/Canexus transaction. What's the latest on that?

Mark: It hasn't progressed in the courts in the last little while. We are obviously getting our hands around a lot of things and the Superior claim is one of those. As I think I've said before, we think we have the better side of that claim and it will get resolved in due course sort of courts.

Joel: Thanks

Operator (Chris): Thank you. There are no further questions at this time, please proceed

Mark: Thank you everyone for your attention and we hope to see some of you at our AGM. Thanks very much.

Operator (Chris): Thank you. Ladies and gentlemen, this concludes your conference call for today. Thank you for participating and we ask that you please disconnect your lines.