

## NEWS RELEASE

### CHEMTRADE LOGISTICS INCOME FUND REPORTS THIRD QUARTER 2020 RESULTS AND TIMING OF CEO SUCCESSION

**TORONTO**, November 12, 2020 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and nine months ended September 30, 2020. The financial statements and MD&A will be available on Chemtrade's website at [www.chemtradelogistics.com](http://www.chemtradelogistics.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Chemtrade President and Chief Executive Officer, Mark Davis, said, "The COVID-19 pandemic continued to adversely affect the demand for some, but not all of our products. Demand for our water business was unaffected resulting in another strong quarterly performance. Once the economic effect of the pandemic eases we expect to see demand for the adversely affected products increase. Our highest priority continues to be the health and safety of our employees. I would like to thank them for their outstanding performance during these difficult times and for keeping our customers reliably supplied."

Revenue for the third quarter was \$345.9 million, a decrease of \$49.8 million from the third quarter of 2019. The decrease in revenue is primarily due to lower selling prices and sales volumes for hydrochloric acid ("HCl") and caustic soda in the Electrochemicals ("EC") segment, and lower sales volumes of regen and merchant sulphuric acid in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Net loss for the third quarter of 2020 was \$48.3 million, compared with a net loss of \$0.2 million in 2019. The increase is primarily due to lower Adjusted EBITDA<sup>(1)</sup> ("EBITDA"), higher net finance costs due to a higher loss from the change in the fair value of convertible unsecured subordinated debentures ("Debentures"), transaction costs related to the issuance of Debentures in the third quarter of 2020 partially offset by higher income tax recovery compared with the same period of 2019.

EBITDA for the third quarter of 2020 was \$64.7 million compared with \$90.0 million in the third quarter of 2019. EBITDA during the third quarter of 2020 was negatively affected by lower selling prices for caustic soda and HCl and by reduced demand for HCl. EBITDA was also negatively affected by reduced demand for acid products in the SPPC segment.

Cash flows from operating activities were \$90.9 million compared with \$80.5 million during the third quarter of 2019. Adjusted cash flow from operating activities<sup>(1)</sup> was \$29.4 million compared with \$56.8 million generated during the third quarter of 2019.

Distributable Cash after maintenance capital expenditures<sup>(1)</sup> for the third quarter of 2020 was \$12.1 million or \$0.13 per unit compared with \$37.1 million or \$0.40 per unit in 2019.

For the nine months ended September 30, 2020, Distributable Cash after maintenance capital expenditures was \$82.0 million, or \$0.89 per unit compared with \$80.6 million, or \$0.87 per unit in 2019. Results for the first nine months of 2019 included a litigation reserve ("Litigation Reserve") of \$40.0 million. Excluding the Litigation Reserve, Distributable Cash after maintenance capital expenditures was \$120.6 million, or \$1.30 per unit for the first nine months of 2019.

Revenue for the first nine months of 2020 was \$1.1 billion (2019: \$1.2 billion). EBITDA was \$221.1 million (2019: \$225.3 million). Adjusted cash flow from operating activities was \$122.4 million (2019: \$126.5 million).

In the third quarter of 2020, SPPC generated revenue of \$105.4 million compared with \$127.8 million in 2019. The decrease in revenue in the third quarter of 2020 was primarily due to lower sales volumes for regen and merchant sulphuric acid and other SPPC products as a result of the COVID-19 pandemic. EBITDA for the third quarter of 2020 was \$31.0 million, which was \$12.6 million lower than the same quarter of 2019.

The Water Products and Specialty Chemicals (“WSSC”) segment reported third quarter revenue of \$119.8 million compared with \$122.4 million in 2019. The slight decrease is due to lower sales volumes of water solutions products and lower sales volumes of specialty chemical products, partially offset by higher selling prices of water solutions products. EBITDA improved to \$29.2 million from the \$24.3 million generated in 2019. The improvement was due to higher margins for water products, which benefitted from higher selling prices and lower raw material costs.

The EC segment reported revenue of \$120.7 million for the third quarter of 2020, which was \$24.7 million lower than the same period of 2019. The lower revenue in the third quarter of 2020 was primarily due to lower sales volumes for HCl and caustic soda, a decrease of 30% in selling prices for HCl, and a decrease of 11% in selling prices for caustic soda. This was partially offset by a 4% increase in selling prices for chlorine. EBITDA of \$24.6 million for the third quarter of 2020 was \$18.2 million lower than the same period of 2019. This was primarily due to lower selling prices for both caustic soda and HCl, as well as the effect of operating the North Vancouver facility at reduced rates. The production rate was constrained by reduced demand for HCl. In the third quarter, netbacks, i.e., selling prices less freight, for HCl were 43% lower compared with the same period of 2019.

Corporate costs during the third quarter of 2020 were \$20.2 million, compared with \$20.8 million in the third quarter of 2019. The lower costs were primarily due to lower incentive compensation accruals.

During the third quarter Chemtrade commenced the process of redeeming the outstanding 5.25% Debentures that were set to mature in 2021 (the “2021 Debentures”). The redemption was partially funded by a public offering of \$86.3 million principal amount of Debentures, at a price of \$1,000 per Debenture, with an interest rate of 8.50% per annum. Those funds, plus availability under Chemtrade’s credit agreement, were used during and after the quarter’s end to complete the redemption of the 2021 Debentures at their face amount plus accrued interest for a total of \$128.3 million.

Commenting on Chemtrade’s future outlook, Mr. Davis said, “Demand for certain of our products will continue to be adversely affected as long as the COVID-19 pandemic restricts economic activity and travel. When the economic effect of the pandemic recedes we expect to see increasing demand for our products and higher earnings. Based on the novelty and severity of COVID-19’s effect on 2020, we expect that Chemtrade’s earnings will be higher in future years than they will be in 2020. With respect to the fourth quarter in particular, there will be two major plant turnarounds which will affect our fourth quarter results – the biennial maintenance turnaround of our North Vancouver chlor-alkali plant, which was moved from earlier in the year to the fourth quarter, and the turnaround of one of our regen plants which is tied to a once every five-year major maintenance turnaround at this plant’s refinery customer. While we have not reinstated our Guidance, the Financial Outlook section of the third quarter MD&A has additional information on our outlook.”

## **Mark Davis to retire February 28, 2021; Scott Rook to assume CEO role March 1, 2021**

As announced in August, Mark Davis is retiring as CEO after 20 years' service. The date for the transition has now been set, with Mr. Davis' retirement effective February 28, 2021 and Scott Rook assuming the role effective March 1, 2021. On the same date, Mr. Rook will be appointed to the Board of Trustees as Mr. Davis steps down from the Board.

## **Distributions & Distribution Reinvestment Plan**

Distributions declared in the third quarter totalled \$0.15 per unit, comprised of monthly Distributions of \$0.05 per unit. In July 2020, Chemtrade established a Distribution Reinvestment Plan that became available with the July distribution, which was payable at the end of August 2020. The plan provides a way for unitholders to accumulate additional Chemtrade units without fees and currently includes a 3% bonus distribution.

## **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, regen 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 (“PPE”), 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>	
	2020	2019	2020	2019
Net loss	\$ (48,318)	\$ (163)	\$ (141,694)	\$ (87,057)
Add:				
Depreciation and amortization	64,640	65,380	197,566	197,036
Net finance costs	46,121	22,675	116,279	75,997
Income tax recovery	(17,627)	(8,825)	(32,626)	(28,701)
EBITDA	44,816	79,067	139,525	157,275
Add:				
Impairment of goodwill	-	-	56,000	65,600
Change in environmental liability	-	-	3,743	-
Loss on disposal and write-down of PPE	19,829	9,917	19,360	10,522
Unrealized foreign exchange loss (gain)	5	1,046	2,430	(8,127)
Adjusted EBITDA	\$ 64,650	\$ 90,030	\$ 221,058	\$ 225,270

**SPPC -**

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2020	2019	2020	2019
Revenue	\$ 105,351	\$ 127,798	\$ 322,333	\$ 385,318
Gross (loss) profit	(8,298)	11,086	15,657	45,894
Adjusted EBITDA	31,041	43,689	97,287	126,502
Loss on disposal and write-down of PPE	(18,949)	(9,221)	(18,932)	(9,973)
EBITDA	\$ 12,092	\$ 34,468	\$ 78,355	\$ 116,529

**WSSC -**

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2020	2019	2020	2019
Revenue	\$ 119,789	\$ 122,432	\$ 346,583	\$ 343,330
Gross profit (loss)	19,195	12,836	(6,220)	(34,457)
Adjusted EBITDA	29,199	24,335	82,145	63,261
Impairment of goodwill	-	-	(56,000)	(65,600)
Change in environmental liability	-	-	(3,743)	-
Loss on disposal and write-down of PPE	(894)	(1,661)	(437)	(1,657)
EBITDA	\$ 28,305	\$ 22,674	\$ 21,965	\$ (3,996)

**EC -**

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2020	2019	2020	2019
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	87	98	283	294
Chlor-alkali sales volume (000's MECU)	42	49	111	140
Revenue	\$ 120,710	\$ 145,423	\$ 391,369	\$ 448,992
Gross (loss) profit	(3,508)	17,495	9,518	62,133
Adjusted EBITDA	24,594	42,804	93,561	137,298
Gain (loss) on disposal and write-down of PPE	14	(178)	9	873
EBITDA	\$ 24,608	\$ 42,626	\$ 93,570	\$ 138,171

*Cash Flow –*

The following table is derived from, and should be read in conjunction with the condensed consolidated interim statements of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of Chemtrade including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities. Certain sub-totals presented within the cash flows table below, 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 condensed consolidated interim 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 condensed consolidated interim 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.

(\$'000)	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	2020	2019	2020	2019
Cash flows from operating activities	\$ 90,866	\$ 80,462	\$ 188,763	\$ 78,818
Add (Less):				
Lease payments net of sub-lease receipts	(14,256)	(14,131)	(42,418)	(42,616)
Changes in non-cash working capital and other items	(47,168)	(9,524)	(23,910)	90,291
<b><i>Adjusted cash flows from operating activities</i></b>	<b>29,442</b>	<b>56,807</b>	<b>122,435</b>	<b>126,493</b>
Less:				
Maintenance capital expenditures	17,346	19,668	40,444	45,872
<b><i>Distributable cash after maintenance capital expenditures</i></b>	<b>12,096</b>	<b>37,139</b>	<b>81,991</b>	<b>80,621</b>
Less:				
Non-maintenance capital expenditures	743	4,631	2,283	9,833
<b><i>Distributable cash after all capital expenditures</i></b>	<b>\$ 11,353</b>	<b>\$ 32,508</b>	<b>\$ 79,708</b>	<b>\$ 70,788</b>

### 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 expected adverse effects on demand for certain products during the pandemic and expected increased demand for certain products and higher earnings once the pandemic’s economic effect eases; the expectation that future earnings will be higher than 2020 earnings; and the effects on fourth quarter results of plant turnarounds; and the timing of and transition of the CEO. 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](http://www.sedar.com).

A conference call to review the third quarter 2020 results will be webcast live on Friday, November 13, 2020 at 10:00 a.m. ET. To access the webcast [click here](#).

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