

## NEWS RELEASE

### CHEMTRADE LOGISTICS INCOME FUND REPORTS FULL YEAR AND FOURTH QUARTER 2020 RESULTS

**TORONTO**, February 23, 2021 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and year ended December 31, 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).

Mark Davis, President and CEO said, "Due to COVID-19 and other broad issues, 2020 was a very challenging year, not just for Chemtrade, but for everyone. While we were not totally free from COVID-19, the Chemtrade team was generally able to keep itself healthy while continuing to keep our plants operating and meet customer's needs. I am confident that the team that could deliver results in the face of unique 2020 issues is well able to meet the challenges of the future."

Revenue for the fourth quarter of 2020 was \$319.4 million, a decrease of \$35.9 million from 2019. The decrease in revenue for the fourth quarter is primarily due to lower sales volumes and lower selling prices for caustic soda and hydrochloric acid ("HCl") and lower sales volumes of sodium chlorate in the Electrochemicals ("EC") segment and lower sales volumes of regen acid and merchant sulphuric acid in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Net loss for the fourth quarter of 2020 was \$25.8 million, compared with a net loss of \$12.6 million in 2019. The increase is primarily due to lower Adjusted EBITDA<sup>(1)</sup> ("EBITDA") and higher net finance costs. The increase in net finance costs is primarily due to a loss of \$3.6 million during the fourth quarter of 2020, compared with a gain of \$13.0 million during the same period of 2019 related to a change in the fair value of convertible unsecured subordinated debentures ("Debentures"). This was partially offset by \$4.5 million relating to transaction costs on the issuance of Debentures in 2019.

EBITDA for the fourth quarter of 2020 was \$44.2 million compared with \$70.3 million in the fourth quarter of 2019, a decline of \$26.1 million. The decline was primarily attributable to the EC segment and to higher long term incentive plan ("LTIP") accruals resulting from an increase in the value of Chemtrade's units towards the end of 2020. Weaker results in the SPPC segment were largely offset by stronger results reported by the Water Solutions and Specialty Chemicals ("WSSC") segment.

Cash flows from operating activities were \$73.2 million compared with \$60.7 million during the fourth quarter of 2019. Adjusted cash flow from operating activities<sup>(1)</sup> was \$10.9 million compared with \$38.3 million generated during the fourth quarter of 2019. Distributable Cash after maintenance capital expenditures<sup>(1)</sup> for the fourth quarter of 2020 was negative \$23.0 million, or negative \$0.25 per unit compared with \$1.4 million or \$0.02 per unit in 2019. Maintenance Capex for the fourth quarter was \$34.0 million, or 37-cents per unit. Maintenance Capex during the fourth quarter was unusually high and represented almost half of the amount spent in the whole year, as projects had been deferred from earlier in the year due to COVID-19 restrictions.

For the full year 2020, Distributable Cash after maintenance capital expenditures was \$59.0 million, or \$0.64 per unit compared with \$82.1 million, or \$0.89 per unit in 2019. Results for 2019 included a litigation

reserve of \$40.0 million. Distributable Cash after maintenance capital expenditures and before the litigation reserve for 2019 was \$122.1 million, or \$1.32 per unit.

Revenue for 2020 was \$1.4 billion (2019: \$1.5 billion). EBITDA was \$265.3 million (2019: \$295.6 million). Adjusted cash flow from operating activities was \$133.4 million (2019: \$164.8 million).

In the fourth quarter of 2020, SPPC generated revenue of \$100.7 million compared with \$117.3 million in 2019. The decrease was primarily due to the COVID-19 pandemic, which resulted in lower sales volumes for regen and merchant acid. EBITDA for the fourth quarter of 2020 was \$27.6 million, which was \$6.6 million lower than 2019.

The most significant factor that negatively affected EBITDA during the fourth quarter of 2020 was lower sales volumes for regen acid, due to an extended turnaround at a Chemtrade plant. This plant's main refinery customer took an extended once-every-five-years turnaround. Also, Government orders restricting non-essential travel and people working from home continued to reduce demand for gasoline, resulting in refineries operating at low utilization rates, which led to the reduced demand for regen services. Merchant acid demand was lower due to the reduced level of economic activity.

The WSSC segment reported fourth quarter revenue of \$99.3 million compared with \$101.8 million in 2019. The slight decrease was due to lower sales volumes of water solutions products. EBITDA improved to \$20.3 million from the \$14.6 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 \$119.3 million for the fourth quarter of 2020, which was \$16.7 million lower than the same period in 2019. The lower revenue in the fourth quarter of 2020 was primarily due to a 21% decrease in chlor-alkali sales volumes, a decrease of 12% in selling prices for caustic soda, a decrease of 12% in selling prices for HCl and lower sales volumes of sodium chlorate. During the fourth quarter, the biennial maintenance turnaround at the North Vancouver chlor-alkali plant resulted in lower production. In addition, weakness in HCl demand from the oil and natural gas fracking industry constrained chlor-alkali production levels. Sodium chlorate sales volumes also continued to be lower than 2019 due to people working from home during the pandemic, which led to reduced demand for paper and thus bleached pulp production. From an EBITDA perspective, EBITDA for the EC segment of \$22.3 million for the fourth quarter of 2020 was \$11.8 million lower than the same period of 2019. This was primarily due to the lower selling prices for both caustic soda and HCl, as well as the effect of operating the North Vancouver facility at reduced rates due to the turnaround and the reduced demand for HCl. In the fourth quarter, netbacks, i.e., selling prices less freight, for HCl were 23% lower compared with the same period of 2019.

Corporate costs during the fourth quarter of 2020 were \$26.0 million, compared with \$12.7 million in the fourth quarter of 2019. Several items contributed to the higher costs. An increase in the value of Chemtrade's units towards the end of 2020 resulted in LTIP costs being \$7.3 million higher during the fourth quarter of 2020 relative to 2019. Additionally, incentive compensation costs in the fourth quarter of 2020 were \$2.6 million higher than the fourth quarter of 2019, when this expense was unusually low.

During the fourth quarter Chemtrade redeemed the remaining \$26.5 million principal amount of the Fund 2014 5.25% Debentures that were set to mature in 2021 at a total aggregate redemption price of \$26.9 million.

Scott Rook, who becomes Chemtrade's President and Chief Executive Officer on March 1, 2021, said, "The year has started with some weather-based challenges and the continuing uncertainty about the duration and extent of the pandemic's effects on the economy. The pandemic uncertainty means that the outlook for some of our businesses is difficult to predict for 2021, although we are confident that our Water Solutions business should continue to perform well."

“Despite the possibility of continued pandemic-related soft demand, we are continuing our emphasis on plant and supply chain reliability and have initiated a Productivity Program across the company.

“When the pandemic is under control and our customers’ businesses return to more normal operations, we believe we will be well-positioned to serve those customers and improve our bottom line. While we have not reinstated our Guidance, the Financial Outlook section of the fourth quarter MD&A has additional information on our outlook.

“Finally, I would like to thank our employees for working diligently and safely during these difficult times and for keeping our customers reliably supplied.”

### **Distributions & Distribution Reinvestment Plan**

Distributions declared in the fourth quarter totaled \$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. 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, net 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 loss to EBITDA and Adjusted EBITDA is provided below:

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2020	2019	2020	2019
Net loss	\$ (25,784)	\$ (12,597)	\$ (167,478)	\$ (99,654)
Add:				
Depreciation and amortization	56,346	65,422	253,912	262,458
Net finance costs	24,017	12,490	140,296	88,487
Income tax (recovery) expense	(14,838)	4,410	(47,464)	(24,291)
EBITDA	39,741	69,725	179,266	227,000
Add:				
Impairment of goodwill	-	-	56,000	65,600
Change in environmental liability	4,427	-	8,170	-
Net loss on disposal and write-down of PPE	1,639	3,268	20,999	13,790
Unrealized foreign exchange (gain) loss	(1,597)	(2,660)	833	(10,787)
Adjusted EBITDA	\$ 44,210	\$ 70,333	\$ 265,268	\$ 295,603

**SPPC -**

(\$'000)	<u>Three months ended December 31</u>			<u>Year ended December 31</u>		
	2020	2019		2020	2019	
Revenue	\$ 100,694	\$ 117,286	\$	423,027	\$ 502,604	\$
Gross profit	6,649	14,313		22,306	60,207	
Adjusted EBITDA	27,626	34,242		124,913	160,744	
Net loss on disposal and write-down of PPE	(1,592)	(966)		(20,524)	(10,939)	
EBITDA	\$ 26,034	\$ 33,276	\$	104,389	\$ 149,805	\$

**WSSC -**

(\$'000)	<u>Three months ended December 31</u>			<u>Year ended December 31</u>		
	2020	2019		2020	2019	
Revenue	\$ 99,314	\$ 101,845	\$	445,897	\$ 445,175	\$
Gross profit (loss)	7,162	3,601		942	(30,856)	
Adjusted EBITDA	20,313	14,642		102,458	77,903	
Impairment of goodwill	-	-		(56,000)	(65,600)	
Change in environmental liability	(4,427)	-		(8,170)	-	
Net gain (loss) on disposal and write-down of PPE	4	(2,313)		(433)	(3,970)	
EBITDA	\$ 15,890	\$ 12,329	\$	37,855	\$ 8,333	\$

**EC -**

(\$'000)	<u>Three months ended December 31</u>			<u>Year ended December 31</u>		
	2020	2019		2020	2019	
North American sales volumes:						
Sodium chlorate sales volume (000's MT)	92	98		375	392	
Chlor-alkali sales volume (000's MECU)	30	38		141	178	
Revenue	\$ 119,346	\$ 136,084	\$	510,715	\$ 585,076	\$
Gross (loss) profit	964	5,839		10,482	67,972	
Adjusted EBITDA	22,308	34,101		115,869	171,399	
Net (loss) gain on disposal and write-down of PPE	(51)	(167)		(42)	706	
EBITDA	\$ 22,257	\$ 33,934	\$	115,827	\$ 172,105	\$

*Cash Flow –*

The following table is derived from, and should be read in conjunction with the consolidated 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 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.

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2020	2019	2020	2019
Cash flows from operating activities	\$ 73,191	\$ 60,659	\$ 261,954	\$ 139,477
Add (Less):				
Lease payments net of sub-lease receipts	(13,592)	(14,199)	(56,010)	(56,815)
Changes in non-cash working capital and other items	(48,655)	(8,142)	(72,565)	82,149
<b>Adjusted cash flows from operating activities</b>	<b>10,944</b>	<b>38,318</b>	<b>133,379</b>	<b>164,811</b>
Less:				
Maintenance capital expenditures	33,967	36,871	74,411	82,743
<b>Distributable cash after maintenance capital expenditures</b>	<b>(23,023)</b>	<b>1,447</b>	<b>58,968</b>	<b>82,068</b>
Less:				
Non-maintenance capital expenditures	394	3,723	2,677	13,556
<b>Distributable cash after all capital expenditures \$</b>	<b>(23,417) \$</b>	<b>(2,276) \$</b>	<b>56,291 \$</b>	<b>68,512</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 Fund’s ability to overcome future challenges, serve customers and improve the bottom line; future performance of the Water Solutions business and the duration and scope of the pandemic’s effects on the economy. 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 fourth quarter 2020 results will be webcast live on Wednesday, February 24, 2021 at 10:00 a.m. ET. To access the webcast [click here](#).

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