

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS FOURTH QUARTER AND ANNUAL 2021 RESULTS

TORONTO, Ontario, February 22, 2022 – Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and year ended December 31, 2021. The financial statements and MD&A will be available on Chemtrade’s website at www.chemtradelogistics.com and on SEDAR at www.sedar.com.

During the fourth quarter Chemtrade closed the sale of its potassium chloride (“KCl”) and vaccine adjuvants businesses that generated net proceeds of \$182.7 million and a net gain of \$7.6 million.

Also, during the quarter Chemtrade recorded a non-cash impairment in the value of assets associated with the sodium chlorate business in the amount of \$130.0 million. Demand for sodium chlorate has been lower from the onset of the COVID-19 pandemic as people have worked from home leading to reduced usage of printing paper, an important demand source for sodium chlorate. The impairment was due to the decline in demand and an increase in competitive pressures that has reduced margins.

Revenue for the fourth quarter of 2021 was \$353.8 million, which was \$34.4 million higher than the fourth quarter of 2020. The increase in revenue for the fourth quarter is primarily due to the higher sales volumes and selling prices for chlor-alkali products in the Electrochemicals (“EC”) segment and higher selling prices and volumes of merchant and Regen acid in the Sulphur Products and Performance Chemicals (“SPPC”) segment, partially offset by lower sales volumes and selling prices of sodium chlorate in the EC segment and by the stronger Canadian dollar (\$8.4 million).

Adjusted EBITDA⁽¹⁾ (“EBITDA”) for the fourth quarter of 2021 was \$92.5 million, which was \$48.3 million higher than the fourth quarter of 2020. The increase in EBITDA for the three months ended December 31, 2021 was primarily due to the recovery of \$17.7 million on the settlement of a lawsuit and stronger results in the EC and SPPC segments, partially offset by the stronger Canadian dollar (\$2.9 million).

Net loss for the fourth quarter of 2021 was \$180.5 million, which was \$154.7 million higher than the fourth quarter of 2020. The increase in net loss for the three months ended December 31, 2021 was primarily due to the impairment in the sodium chlorate business, an income tax expense in 2021 compared with a recovery during 2020 and higher net finance costs, partially offset by higher EBITDA and a gain from the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021.

Cash flows from operating activities in the fourth quarter of 2021 were \$93.2 million, which was an increase of \$12.0 million compared with the same period in 2020. This was primarily due to higher EBITDA, partially offset by changes in working capital.

Distributable Cash after maintenance capital expenditures⁽¹⁾ for the fourth quarter of 2021 was \$25.7 million or \$0.25 per unit compared with (\$23.0) million or (\$0.25) per unit in 2020.

For the twelve months ended December 31, 2021, Distributable Cash after maintenance capital expenditures was \$84.1 million, or \$0.83 per unit compared with \$59.0 million, or \$0.64 per unit in 2020.

Revenue for the twelve months of 2021 was \$1.4 billion (2020: \$1.4 Billion); EBITDA was \$280.4 million (2020: \$265.3 million); adjusted cash flows from operating activities⁽¹⁾ were \$159.4 million (2020: \$133.4 million) and net loss was \$235.2 million (2020: \$167.5 million).

In the fourth quarter of 2021, the SPPC segment generated revenue of \$112.7 million, which was \$12.0 million higher than the same period in 2020. The increase in the fourth quarter of 2021 was primarily due to higher selling prices and volumes for merchant acid, Regen acid and sulphur products, partially offset by

the impact of the stronger Canadian dollar (\$3.0 million). EBITDA for the quarter was \$37.6 million, which was \$10.0 million higher than the same period of 2020. EBITDA was higher in the fourth quarter of 2021 due to higher selling prices and volumes for merchant acid, Regen acid and sulphur products, partially offset by the impact of the strong Canadian dollar (\$1.0 million).

The Water Solutions and Specialty Chemicals (“WSSC”) segment reported fourth quarter revenue of \$99.4 million, which was similar to the same period in 2020. Revenue was similar in the fourth quarter of 2021 despite decreased revenue due to the sale of the KCl and vaccine adjuvant businesses as this was offset by higher revenue for water products. EBITDA for the quarter was \$16.0 million, which was \$4.3 million lower than 2020. Most of the reduction was due to the sale of the KCl and vaccine adjuvants business during the fourth quarter of 2021, as EBITDA from these businesses was \$3.6 million lower in 2021 relative to 2020.

The EC segment reported revenue of \$141.7 million for the fourth quarter of 2021, which was \$22.3 million higher than the same period of 2020. The higher revenue in the fourth quarter of 2021 was primarily due to higher sales volumes and selling prices for chlor-alkali products partially offset by lower sales volumes of sodium chlorate and the impact of the stronger Canadian dollar (\$2.7 million). EBITDA for the fourth quarter of 2021 was \$41.8 million, which was \$19.1 million higher than the same period of 2020. EBITDA during 2021 was higher due to higher sales volumes and selling prices for chlor-alkali products partially offset by lower sales volumes of sodium chlorate and the impact of the stronger Canadian dollar (\$2.0 million).

Corporate costs during the fourth quarter of 2021 were \$2.8 million, compared with \$26.4 million in the fourth quarter of 2020. The decrease in corporate costs during the fourth quarter of 2021 was primarily due to the settlement of a lawsuit resulting in a recovery of \$17.7 million. Additionally legal costs during the fourth quarter of 2021 were \$4.5 million lower than 2020 and realized foreign exchange gains in the fourth quarter of 2021 were \$1.9 million higher than 2020.

During the fourth quarter of 2021, Chemtrade took a number of steps to improve its balance sheet:

- i. closed the sale of the KCl and vaccine adjuvants businesses and used the proceeds to pay down its credit facility, thereby reducing its leverage ratio by approximately 0.7 turns;
- ii. amended its credit agreement by extending the term by two years to December 2026, lowered covenants and pricing to pre-pandemic levels, increased flexibility by converting the entire facility into a revolving facility and reduced the size of the facility by US\$200.0 million in order to save standby costs; and
- iii. completed a public offering of \$130.0 million convertible unsecured subordinated debentures maturing in August 2027 and announced the redemption of a series of debentures, with a principal amount of \$143.8 million which were maturing in August 2023. The proceeds of the new issuance along with borrowings from the credit facility were used to redeem the 2023 debentures in January 2022.

Scott Rook, President and CEO said, “2021 ended on a much stronger note than it started. We were able to significantly strengthen our balance sheet during the year. The fundamentals for several key products in our portfolio are very strong as we enter 2022. We are pursuing exciting organic growth opportunities in ultrapure sulphuric acid and byproduct green hydrogen. Finally, further to our objective of being an industry leader in Corporate Environmental, Social and Governance (“ESG”) matters, we have now established ESG targets that we will strive to achieve in the short and the long term.”

Distributions & Distribution Reinvestment Plan

Distributions declared in the fourth quarter totaled \$0.15 per unit, comprised of monthly distributions of \$0.05 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, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

(1) Non-IFRS and Other Financial Measures

Net loss, 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 EBITDA and Adjusted EBITDA to net loss is provided below:

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
Net loss	\$ (180,524)	\$ (25,784)	\$ (235,209)	\$ (167,478)
Add:				
Depreciation and amortization	60,068	56,346	239,622	253,912
Net finance costs	56,905	24,017	116,182	140,296
Income tax expense (recovery)	21,932	(14,838)	14,969	(47,464)
EBITDA	(41,619)	39,741	135,564	179,266
Add:				
Impairment of intangible assets	81,657	-	81,657	56,000
Impairment of PPE	48,343	-	48,343	-
Change in environmental liability	561	4,427	561	8,170
Net (gain) loss on disposal and write-down of PPE	(796)	1,639	(373)	20,999
Loss on disposal of assets held for sale	7,135	-	7,135	-
Unrealized foreign exchange (gain) loss	(2,746)	(1,597)	7,493	833
Adjusted EBITDA	\$ 92,535	\$ 44,210	\$ 280,380	\$ 265,268

EBITDA by segment is as follows:

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
SPPC	\$ 37,318	\$ 26,034	\$ 128,955	\$ 104,389
WSSC	9,378	15,890	80,444	37,855
EC	(88,225)	22,642	(3,729)	113,828
Corporate	(60)	(24,825)	(70,106)	(76,806)
EBITDA	\$ (41,619)	\$ 39,741	\$ 135,564	\$ 179,266

Adjusted EBITDA by segment is as follows:

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
SPPC	\$ 37,591	\$ 27,626	\$ 129,548	\$ 124,913
WSSC	15,993	20,313	87,044	102,458
EC	41,757	22,693	126,401	113,870
Corporate	(2,806)	(26,422)	(62,613)	(75,973)
Adjusted EBITDA	\$ 92,535	\$ 44,210	\$ 280,380	\$ 265,268

Segmented information

SPPC -

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
Revenue	\$ 112,679	\$ 100,694	\$ 419,070	\$ 423,027
Gross profit	19,469	6,649	55,648	22,306
Adjusted EBITDA	37,591	27,626	129,548	124,913
Net loss on disposal and write-down of PPE	(273)	(1,592)	(593)	(20,524)
EBITDA	\$ 37,318	\$ 26,034	\$ 128,955	\$ 104,389

WSSC -

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
Revenue	\$ 99,402	\$ 99,314	\$ 426,163	\$ 445,897
Gross profit	464	7,162	48,563	942
Adjusted EBITDA	15,993	20,313	87,044	102,458
Impairment of goodwill	-	-	-	(56,000)
Change in environmental liability	(561)	(4,427)	(561)	(8,170)
Net gain (loss) on disposal and write-down of PPE	1,081	4	1,096	(433)
Loss on disposal of assets held for sale	(7,135)	-	(7,135)	-
EBITDA	\$ 9,378	\$ 15,890	\$ 80,444	\$ 37,855

EC -

(\$'000)	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	2021	2020	2021	2020
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	87	92	361	375
Chlor-alkali sales volume (000's MECU)	43	30	181	141
Revenue	\$ 141,685	\$ 119,346	\$ 523,246	\$ 510,715
Gross (loss) profit	(113,984)	964	(108,058)	10,482
Adjusted EBITDA	41,757	22,693	126,401	113,870
Impairment of intangible assets	(81,657)	-	(81,657)	-
Impairment of PPE	(48,343)	-	(48,343)	-
Net (loss) gain on disposal and write-down of PPE	(12)	(51)	(130)	(42)
EBITDA	\$ (88,255)	\$ 22,642	\$ (3,729)	\$ 113,828

Cash Flow –

The following table is derived from, and should be read in conjunction with the consolidated statements of cash flows. A cash flows table presenting this information is included in the Fund's MD&A filed on SEDAR. 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. 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>	
	2021	2020	2021	2020
Cash flows from operating activities	\$ 93,229	\$ 81,221	\$ 219,039	\$ 270,183
(Less) Add:				
Lease payments net of sub-lease receipts	(12,764)	(13,592)	(51,563)	(56,010)
(Decrease) increase in working capital	(23,651)	(60,910)	(10,078)	(80,041)
Changes in other items	4,769	4,225	1,972	(753)
Adjusted cash flows from operating activities	61,583	10,944	159,370	133,379
Less:				
Maintenance capital expenditures	35,906	33,967	75,265	74,411
Distributable cash after maintenance capital expenditures	25,677	(23,023)	84,105	58,968
Less:				
Non-maintenance capital expenditures	3,606	394	10,876	2,677
Distributable cash after all capital expenditures	\$ 22,071	\$ (23,417)	\$ 73,229	\$ 56,291

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: Chemtrade's ability to achieve its ESG targets in the short and long term. 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.

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 2021 results will be webcast live on Wednesday, February 23, 2022 at 10:00 a.m. ET. To access the webcast [click here](#).

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