CHEMTRADE LOGISTICS INCOME FUND Q2 2025 EARNINGS CALL

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Chemtrade Logistics Income Fund Participants

Scott Rook, President and Chief Executive Officer

Rohit Bhardwaj, Chief Financial Officer

Other Participants

Ben Isaacson – Scotiabank

Hamir Patel – CIBC Capital Markets

Joel Jackson – BMO Capital Markets

Nelson Ng – RBC Capital Markets

Steven P. Hansen – Raymond James

Zachary Evershed - National Bank Financial

Gary Ho – Desjardins Capital Markets

Operator

Good morning, ladies and gentlemen, and welcome to the Chemtrade Logistics Income Fund Second Quarter 2025 conference call. I would now like to turn the conference call over to Rohit Bhardwaj, Chief Financial Officer. Please go ahead.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

Hello and welcome to Chemtrade Logistics Income Fund's earnings conference call and webcast for the second quarter of 2025. Thank you all for joining us and for your continued interest in Chemtrade. Joining me on today's call is Chemtrade's President and CEO, Scott Rook.

Please note that this call has an accompanying slide deck, which we may reference during our prepared remarks and Q&A. This slide deck is available on our website at chemtradelogistics.com.

On today's call, we will first give a recap of our strong Q2 2025 financial results including business segment performance, financial position, and updated full-year 2025 guidance. I will then hand the call over to Scott, who will discuss our intention to acquire Polytec, Inc., which was announced alongside our financial results, as well as comment on our outlook. We will then open the call to analysts for Q&A.

Before proceeding, note that this call will contain certain forward-looking statements that are based on current expectations and are subject to a number of risks and uncertainties. Actual results may differ materially from expectations. Further information identifying risks, uncertainties and assumptions and additional information on certain non-IFRS and other financial measures referred to today can be found in the disclosure documents filed by Chemtrade with the securities regulatory authority available on sedarplus.com.

One of the measures that we'll refer to in this call is Adjusted EBITDA, which is EBITDA modified to exclude non-cash items such as unrealized foreign exchange gains and losses. While our slide deck and other disclosure documents refer to Adjusted EBITDA, we will simply refer to it as EBITDA in our prepared remarks.

Looking at our overall results, the second quarter of 2025 was a continuation of the strong performance we delivered in the first quarter with double digit year-over-year growth across revenue, EBITDA, and distributable cash. This is thanks, in large part, to the continued focus and execution of our dedicated employees, operational excellence and our diversified product mix.

Second quarter revenue increased by 11% while EBITDA increased by 20%, due to strong results in the Electrochemicals, or EC, segment. Relative to last year, Q2 results benefited from a weaker Canadian dollar and from the biennial turnaround at the North Vancouver chloralkali facility that occurred last year. Excluding the benefit of these two items, revenue and EBITDA increased by 7% and 2%, respectively, year-over-year.

We continue to generate strong cash flows, supporting the return of capital to unitholders during the quarter through our attractive monthly distribution and unit repurchases under our Normal Course Issuer Bid, or NCIB.

Distributable Cash after Maintenance Capex increased by approximately 50% primarily due to the higher EBITDA, and Distributable Cash after Maintenance Capex on a per unit basis increased 54% year-over-year. We also announced our intention to implement a new NCIB, subject to approval from regulatory authorities, as our earlier NCIB has expired.

Additionally, we also announced the acquisition of Polytec, a provider of water treatment solutions, which Scott will discuss in more detail.

Turning now to the segments' performance.

Excluding the impact of foreign exchange, the Sulphur and Water Chemical segment's (or SWC's) revenue grew by 12% driven primarily by higher prices and volumes for merchant acid, regen acid, and water products. SWC's EBITDA declined by 3% after excluding the impact of foreign exchange. This was due to lower margins for acid on higher input costs and maintenance turnaround spending that were partially offset by higher selling prices. Additionally, higher selling prices more than offset higher input costs in water and sulphur products.

Despite the price for sulphur, a key raw material in the SWC segment, almost tripling relative to 2024, we have been successful in largely offsetting it through improved pricing for several products as well as the risk-sharing mechanisms we have in place for merchant acid.

A notable exception in the SWC segment has been the Sodium Nitrite business where we recognized a $15 million non-cash impairment due to the lifting of U.S. anti-dumping protection resulting in a lower outlook for this product. We do have some initiatives to lower the operating cost for this business, which we expect to implement over the next few quarters.

Turning to the EC segment. Excluding the impacts of foreign exchange and the North Vancouver maintenance turnaround in the prior year period, EC revenue was similar to Q2 2024, while EC EBITDA increased by 8% year-over-year.

A significant contributor to the stronger underlying performance was higher realized caustic soda pricing. Our MECU netbacks in Q2 2025 were up by approximately $165 year-over-year, led by higher netbacks for caustic, while higher netbacks for HCl offset lower netbacks for chlorine.

We also realized higher selling prices for sodium chlorate year-over-year, helping to mitigate the impact of lower chlorate volumes from the customer production curtailments that took place during 2024. We also benefited from lower operating costs due to the consolidation of production from two sites into one.

As you might recall, following the curtailment of production from our Prince George chlorate plant's primary customer last year, we made the decision to cease sodium chlorate production in that facility. We converted the Prince George plant into a sodium chlorate dissolving operation while maintaining the optionality to restart production if market conditions improved. This quarter, our team concluded that the cessation of chlorate production at Prince George would be permanent, resulting in a $28.4 million non-cash impairment. To fulfill local demand, we will continue to dissolve sodium chlorate at this facility sourced from our large, low-cost Brandon, Manitoba chlorate plant.

On balance, the EC segment continues to deliver positive results, and we are pleased with its performance in the second quarter and the first half of 2025. We remain positive on the overall outlook for the EC segment.

Corporate costs in Q2 2025 were slightly higher year-over-year at $30.3 million versus $28.2 million in Q2 2024. Compared to the prior year period, we recorded higher short-term incentive compensation and legal costs partially offset by lower long-term incentive plan costs and foreign exchange. This performance was broadly in line with our expectations.

Moving on to our capital allocation and financial position. As of quarter-end, we remain disciplined in our balanced approach.

Chemtrade generated $71.5 million of distributable cash in Q2, up 50% year-over-year. Our cash generation continues to be well above our monthly distribution of 5.75 cents per unit, with our second quarter payout ratio at a very sustainable 27% or 33% on a trailing 12-month basis.

During Q2, we repurchased 2.2 million units and bought back a total of 11.2 million units overall under the NCIB that expired in June, close to the maximum amount authorized. We anticipate that unit repurchases will remain an important portion of Chemtrade's capital allocation strategy and have filed a notice of intention with the TSX to implement a new NCIB for up to 10% of the units outstanding.

We also continued to invest in growth during the quarter. This included $11 million of growth capex incurred during Q2, primarily directed to our water chemicals and the Ultrapure acid businesses.

During the second quarter, we also closed the previously announced acquisition of the water chemical customers of Thatcher group for US$30 million representing an attractive acquisition multiple of approximately 5x expected annual EBITDA. The integration is going well, and we are pleased with its progress to-date.

Alongside these continued investments in long-term, strategic growth and the return of capital to our unitholders, Chemtrade continues to maintain a strong balance sheet and significant financial flexibility. We exited the quarter with Net Debt / EBITDA of 2.0x, below our targeted threshold, and available liquidity of approximately $700 million.

I would like to highlight our successful leverage reduction strategy that has provided Chemtrade with the financial flexibility to successfully pursue a growth opportunity such as

Polytec while continuing to maintain a conservative balance sheet and leverage within our target range.

We remain on a strong financial footing to continue providing incremental unitholder value. Therefore, in addition to announcing the Polytec acquisition, we are also announcing our intent to redeem our 6.50% convertible debentures due October 31, 2026 using funds from our credit facilities. In addition to continuing to simplify and optimize our capital structure, the redemption will result in lower interest costs.

Looking now at our updated guidance for the full-year.

Although global trade tensions persist, the anticipated weakness in our business has not materialized; consequently, we have raised our Adjusted EBITDA guidance for 2025 to a range of $475M to $500M. This excludes earnings from Polytec as timing of closing the acquisition is uncertain and is also not expected to have a material impact on Adjusted EBITDA for 2025.

The updated guidance mid-point represents an approximately 10% increase to our initial guidance mid-point disclosed in early 2025 and positions 2025 as the second highest EBITDA in Chemtrade's history.

Alongside the updated EBITDA guidance, we have also updated several of our assumptions for the remainder of 2025. While you will find the full range of assumptions in our disclosure documents, we will highlight that, for 2025, we now expect: 1) North American MECU sales volume of 177, 000 (versus 168,500 prior); 2) a net year-over-year per MECU netback increase of CAD$60 (versus CAD$30 prior); and 3) Sodium Chlorate volumes of 270,000 tonnes (versus 254,500 tonnes prior).

2025 is positioned to be another very strong year for Chemtrade. Based on our updated guidance and assumptions, we expect to exit the year with a full-year mid-point payout ratio of approximately 38%.

I will now hand the call over to Scott to provide additional detail on the outlook for Chemtrade moving forward.

Scott Rook – Chemtrade Logistics Income Fund

Thank you, Rohit, and thank you to all our listeners for joining this morning's call.

As Rohit just finished highlighting, Chemtrade continues to deliver on our strategy. We are focused on consistently meeting challenges while acting on value-add opportunities across our business and executing with strength and diligence. We unveiled Chemtrade's

Vision 2030 earlier this year aiming to grow the mid-economic-cycle EBITDA to between $550 million and $600 million by 2030.

On a per unit basis, we expect growth to be further supplemented by additional unit repurchases. Unitholder returns will also be bolstered by our attractive monthly distribution.

We plan to drive this incremental growth across three areas: continued improvements in underlying business performance; organic growth; and strategic and accretive acquisitions.

We are happy to announce today that we are advancing this vision with the acquisition of Polytec for US$150 million cash in a debt-free transaction. A presentation outlining the transaction has also been posted on the Investor Relations section of our website.

The acquisition has been approved by our Board of Trustees and, subject to regulatory approvals and customary closing conditions, is expected to close in the fourth quarter. This transaction represents an exciting step in Chemtrade's ongoing strategy of expanding and enhancing our water treatment offerings in North America.

The transaction price implies a multiple of approximately 6.5x LTM Adjusted EBITDA.

Chemtrade will finance the acquisition by drawing on its credit facility. Although leverage will tick slightly up pro-forma and immediately following closing, we expect it to remain close to our long-term target of 2.5x with a clear line of sight of returning to the mid-point during 2026 considering any working capital variations in the interim.

Following the transaction, Chemtrade maintains plentiful liquidity of approximately CDN$500 million of pro-forma available credit facility and CDN$20 million of cash at hand.

The acquisition of Polytec represents an important step in advancing Chemtrade's Vision 2030 through financially prudent acquisitions that grow our distributable cash per share. We are committed to increasing unitholder returns by realizing EBITDA and DCPU growth of 5-10% per year and returning capital to our unitholders through buybacks and sustainable distributions.

Polytec brings a unique solutions platform which will complement Chemtrade's line of water solutions products. We intend to expand this platform and to generate synergies by leveraging our North American-wide customer footprint and internal business systems. There are multiple opportunities for cross-selling of products as well as for more efficient management of overall business systems.

Polytec is a provider of turnkey water treatment programs. It has a diverse range of customers, primarily in the food processing industry, but also several municipalities in the southern and southeastern United States. Polytec's products and services include systems that can automate certain aspects of water treatment.

Polytec was founded over 30 years ago by Jack Harmon, who continues to run the business. Jack will stay actively involved in the business in the months following closing to ensure a smooth transition for employees and customers.

The addition of Polytec products aimed at supporting the food-processing industry and the municipal water market represent a market expansion for Chemtrade. These new offerings will allow Chemtrade to expand the range of products and solutions available to our existing customers.

From its home-base and headquarters in North Carolina, over the last 30 years, Polytec has grown to well-established locations in Arkansas, Georgia, and Virginia. Chemtrade will accelerate this footprint in the surrounding states and across its customer base.

Overall, Polytec's sales are well-diversified, with a mix of top-tier food processing, industrial customers, and municipalities.

Lastly, Polytec has been a customer of Chemtrade for several years and we know the team well. We are thrilled to welcome all of the Polytec employees to Chemtrade and look forward to learning from their expertise and enjoying their continued commitment.

As an example, Magnesium Hydroxide is a product used primarily to lower acidity in water and to isolate heavy metals. It is a more efficient way to treat water, when compared to alternatives, but requires specialized handling and storing. Polytec provides and tailors this service for customers through unique technology to meet the specific requirements of municipal customers.

In closing, the companies complement each other with multiple opportunities for cross-selling, synergies, and growth as Polytec becomes an important contributor towards delivering on the external growth pillar of Chemtrade's Vision 2030.

We can't talk about our business outlook without discussing tariffs. We are continuing to actively monitor any tariff and trade developments that may have an impact on our business. However, to date, we have not seen any material direct impact from incremental tariffs, particularly as our products are compliant with the USMCA trade agreement.

While the situation is fluid, we remain confident that we will be able to manage or mitigate any impacts on our business in the future. We are positioned so that we can supply the majority of our U.S.-based customers through our U.S. based facilities, and we continue to take proactive steps to manage potential risks. We are optimistic that we will be able to work with our customers and suppliers to manage any additional costs, should they come to bear.

In the face of evolving macroeconomic and geopolitical dynamics, we remain focused on managing profitability with discipline and sustaining the high-level of service our customers have come to expect.

Looking at the back half of 2025 and into 2026, we remain positive given the strength and resilience of our SWC segment. Stable end-market demand, strategic risk management, and long-term growth drivers continue to position SWC as core to Chemtrade's broader corporate strategy and long-term value creation.

In Water Chemicals, demand remains strong across both municipal and private customers. These products are largely non-discretionary in nature and continue to see structurally increasing demand, regardless of broader economic conditions. While raw material costs, specifically sulphur, have increased in recent months, we have been successful in working with customers to pass through those higher costs. This is clearly evident in our Q2 performance.

In the first half of this year, we have made good progress on the construction of the new specialty water chemical line in Augusta, Georgia.

That being said, should sulphur costs continue to rise, we may see some short-term margin pressure until pricing resets through contract renewals. As we have seen previously, we expect any margin impact to normalize over time.

Although still early, we are seeing encouraging early momentum from our recent Thatcher Group acquisition that closed in the second quarter. As discussed, initial integration is progressing very well, further reinforcing our position as a leading supplier of coagulants in North America.

Turning to our sulphuric acid businesses. As we had previously communicated, Q2 included more maintenance turnaround activity compared to the prior year period. These turnarounds were completed successfully and we expect turnaround activity to return to a more typical level in the second half of the year.

For Regen Acid, the demand outlook remains steady, supported by healthy U.S. refining rates. This business has historically demonstrated resilience - even in periods of economic softness.

Similarly, for merchant acid, we have risk-sharing agreements that help to insulate Chemtrade from significant swings in pricing or input costs and expect to see continued resilient financial performance.

Finally, our Ultrapure Acid business remains a key long-term growth pillar as structural demand growth from new North American semiconductor production capacity continues to increase. Our Cairo, Ohio expansion is our first large project to capitalize on these strong dynamics. The facility continues to progress through startup, with commercial ramp up expected towards the end of this year. We believe this asset will be an important value driver in the years ahead.

Within our Electrochemicals segment, we continue to advance our efforts to secure the long-term future of our North Vancouver chlor-alkali facility. In Q2, we entered into a non-binding letter of intent with the Vancouver Fraser Port Authority to extend our land lease through to the end of 2044, under terms similar to the existing agreement.

We expect to submit our rezoning application to the District of North Vancouver during Q3, with the formal review process anticipated to begin in Q4. If approved, this would enable us to continue liquid chlorine production on the Chemtrade-owned portion of the site and allow us to move forward with targeted capital investments that improve safety and reliability. We view this as an important strategic initiative and will keep the market informed as developments progress.

At a product level, the dynamics with the EC segment remain mixed, but supportive overall.

Caustic soda pricing has remained at levels slightly above those of last year. Industry forecasts and contract pricing in Taiwan continue to point to a stable outlook for the balance of 2025. For the remainder of this year, our pricing will reflect an index level of roughly US$440 per tonne, which is up US$55 per tonne year-over-year. For added context, every US$50 per tonne change in caustic soda pricing equates to approximately $13.8 million of incremental annual EBITDA, holding all else equal.

On the chlorine side, pricing has softened year-to-date, and we expect some continued softness over the balance of the year.

As Rohit highlighted, for sodium chlorate, we now expect volumes to be in-line with last year that, combined with price increases implemented earlier this year, have contributed to sodium chlorate remaining a strong cash flow generator for Chemtrade.

Overall, while market conditions remain dynamic across the Electrochemicals portfolio, we believe the segment is well-positioned for the balance of the year and beyond. Continued year-over-year improvements in caustic soda pricing along with fracking-tied HCl demand are helping to offset pressures facing other products. The strategic progress at our North Vancouver facility is also supportive of long-term value generation within the segment.

As mentioned, we continued to invest in growth during Q2 to drive incremental long-term value for our unitholders. This included both internal growth projects as well as M&A. We also continue to evaluate additional opportunities for prudent and strategic growth investment, with a particular focus on opportunities that strengthen our core capabilities and offer strong risk-adjusted returns.

In 2025, our organic growth investments are being primarily directed towards strategic projects in our Water Chemicals and Ultrapure Acid business lines. These initiatives are well-aligned with the secular demand growth and are expected to be cumulative to earnings over time.

In our Water Chemicals business, we're expanding capacity for a range of products seeing sustained demand growth. While many of these projects are modest in scale individually, they collectively represent a meaningful step forward in earnings power and market reach. One notable example is our new specialty water chemical line in Augusta, Georgia where we expect construction to wrap up in Q4, with production start-up later this year.

In Ultrapure Acid, our Cairo, Ohio expansion and upgrade continues to progress well. We are now in the validation phase, running quality trials with key semiconductor customers. As a reminder, we expect commercial ramp up towards the end of this year, followed by initial earnings contribution. We continue to see this as a high-impact project aligned with structural demand growth from semiconductor manufacturing onshoring.

Overall, our growth investments are grounded in strong market fundamentals, clear visibility to returns, and a focused approach to capital deployment that supports long-term shareholder value. We look forward to continuing to keep you appraised on these and other growth opportunities over time.

Before concluding, thank you all once again for your continued support and interest in Chemtrade. As you have heard today, Chemtrade continues to deliver strong financial and operational performance while maintaining a disciplined approach to capital allocation and a clear focus on long-term value creation.

Our resilient business model, diversified portfolio, and leading market positions continue to serve us well in the face of evolving macroeconomic conditions.

We are encouraged by the momentum across our key growth platforms, and we remain confident in the strategic direction we've set through Vision 2030.

With a strong balance sheet, robust cash flow generation, and a healthy pipeline of organic and inorganic opportunities, Chemtrade is well-positioned to continue building on our track record of execution and driving sustained growth in EBITDA, distributable cash, and unitholder value.

With that, we would now be happy to open the line for questions.

Questions And Answers

Operator

Thank you, ladies and gentlemen. We will now begin the question-and-answer session.

Your first question is from Ben Isaacson from Scotiabank. Your line is now open.

Ben Isaacson – Scotiabank

Good morning and thank you very much.

I have two questions. First question is on the deal. I may have missed it, but I didn't see a synergy target on that 6.5x multiple. What do you think you can get that multiple down to over time? And the reason why I'm asking is because the multiple of six and a half times is a little higher than where the stock is trading on street estimates.

So, is the right way to think about this deal that the water business is generally at a higher multiple and the commodity businesses are generally at a lower multiple, and that's what justifies the six and a half times? Thanks.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

Okay, so I'll start. If you look at some deals that have happened in the water chemicals space, multiples are quite high relative to the rest of our business.

The big deal that took place last year was actually closer to 10x EBITDA. In our case, the six and a half is without factoring in synergies, and synergies are going to come mainly, I would say, as we expand the capabilities that we get with Polytec onto the rest of our business.

So, we are not disclosing a target right now, but you can expect that there will be synergies.

Scott Rook – Chemtrade Logistics Income Fund

Yes, Ben, Scott here. I'll add to that. And so we did not publish a synergy target. Obviously, we did that on purpose.

The fundamental premise for this acquisition was that we believe that we can take Polytec products and services, which are primarily focused in the southern and southeast U.S., and we can introduce those products and services to our wide range of customers across North America.

So, we think there is a nice opportunity to take their products and introduce those products to our customers and, then in addition to that, there are there are several organic growth opportunities that I don't want to get into the details of those now but there are organic growth opportunities that collectively our teams will be working on for the future.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

I think the one thing I'll add is we are very well aware that it will be very difficult for us to buy anything at our multiple so we knew that if you want to do some modest acquisitions we would have to pay through our multiple and we have been de-levering to create that dry powder to be able to do it using cash and leverage as opposed to diluting unitholders by having to issue equity.

So, that was our strategy over the last couple of years to build up that dry powder, which we are now happy to use on such a strategic opportunity.

Ben Isaacson – Scotiabank

Great and then just one more for me.

I think your payout ratio is 30%, 35% in that kind of neighborhood and when I look at street estimates they have EBITDA about flat year-over-year and now you're adding the Polytec EBITDA on top of that.

So, at what point does that payout ratio start to become low and there's the possibility for an upside in your distribution?

Rohit Bhardwaj – Chemtrade Logistics Income Fund

We have, as you know, over the last two years, raised distributions by 10% and then 5%. So, with the low payout ratio we believe the dividend is very sustainable and our board and us discuss distribution strategies so there's definitely room for it to grow modestly but I think we leave it at that.

Ben Isaacson – Scotiabank

Okay, that's all for me. Thanks so much.

Operator

Thank you. Your next question is from Hamir Patel from CIBC Capital Markets. Your line is now open.

Hamir Patel – CIBC Capital Markets

Hi, good morning.

So, I know you don't want to disclose the level of synergies that you expect from Polytec but could you give us an indication of perhaps how long it would take to capture those synergies, which would sound like predominantly sales synergies?

Scott Rook – Chemtrade Logistics Income Fund

Yes, so our belief is that with the acquisition of Polytec we will be growing at or above market rates in the coming years. I am not going to disclose an exact date but we'll say it'll be sooner rather than later.

We believe that there are again some exciting opportunities for growth. That's the reason we did the deal. We, as well as the Polytec organization, believe that Chemtrade was a very logical buyer or acquirer of this business. They've got a very strong growth record over the past 10 years, really over the past 30 years.

They and Chemtrade are a very good fit from a culture standpoint. We'll continue the legacy that they've built with a lot of opportunities and synergies going forward.

Hamir Patel – CIBC Capital Markets

Thanks, Scott. That's helpful.

And how does the EBITDA margin profile of the Polytec business compare with your SWC segment?

Rohit Bhardwaj – Chemtrade Logistics Income Fund

It's not going to have a material impact on the SWC segment. It'll be in line with the SWC, you wouldn't see it actually make a material difference one way or the other.

Scott Rook – Chemtrade Logistics Income Fund

It's in line with the SWC segment.

Hamir Patel – CIBC Capital Markets

Okay, great. That's all I had. I'll turn it over. Thanks.

Operator

Thank you. Your next question is from Joel Jackson from BMO Capital Markets. Your line is now open.

Joel Jackson – BMO Capital Markets

Scott, Rohit, good morning.

In your Vision 2030, you talked about looking for $10 million to $50 million EBITDA. You're above the midpoint now. Are you basically done right now? You've got other capital allocation priorities you've been announcing the last 24 hours. Are you happy now for M&A? Are you going to be dabbling here or do you want more serious M&A going forward?

Scott Rook – Chemtrade Logistics Income Fund

So, Joel, I would say that we're done for a period of time. We're going to take some time.

We've had a small acquisition, obviously, with Thatcher at the end of Q1. Now, we have a larger one with Polytec. And so, our plan is to take some time and digest, bring these acquisitions into Chemtrade. We'll take some time, work on integration, building the teams.

The answer to your question is that there's nothing on the horizon that's coming anytime soon. But we'll take some time, work on these, and then it's certainly possible that as we get closer to 2030, there might be some in the longer term, but not anything short term.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

And I think from a capital allocation, we continue to believe even more so that we are significantly undervalued. So, while we've got the two-pronged approach is to grow earnings but then also be aggressive on the NCIB.

So, we are looking to get the new one going in the next couple of days and continue buying under that. And to Scott's point, we expect to leverage to, start coming down from the two and a half, which it will be at closing, and which will give us more flexibility down the road.

Joel Jackson – BMO Capital Markets

Yes. Second question, you're not going to guide us for 2026, but can you just give some building blocks for 2026?

So, I'll give some examples, right? If Polytec closes Christmas, you're going to have an extra $30 million something $32 million $33 million EBITDA from that, maybe more. You're going to have maybe some more ultra-pure sales, some chlor-alkali. You're going to have the North Van turnaround that takes maybe, what, $10 million out.

Like you just give some building blocks. And as part of that, maybe you could talk about different parts of the business that are over-earning, under-earning, or like goldilocks are just right in '25.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

So, I'll start, and then Scott may add to that.

So firstly, North Vancouver on revenue it's about $10 million but, on EBITDA, it's probably closer to $18 million $17 million, well, let's say between $17 million and $20 million. So got to keep that in mind.

Foreign exchange continues to be a variable, which is hard to call right now.

And then the other thing is the caustic. We saw caustic rise at the beginning of the year. It's backed off a little bit now. So again, you'll have to, in the next couple of months, look at where the industry experts have caustic slated for next year. So that's a variable.

Fracking in Canada seems to be strong. We'll have to look at again, that's a variable that drives HCl.

And then finally, chlorine is also another variable where prices have peaked and they have backed off a little bit. So, we'll have to watch carefully as to what happens there.

But you're right on the other building blocks. Yes, we should have a full year of Polytec. We should start to see some ultra-pure EBITDA coming in next year. And, as we can see, the Regen demand stays stable. Merchant acid stays stable.

Although Sulphur has spiked, as we said, it's tripled, which is a very big spike, which so far, we've been able to withstand and offset. But that's something we're going to watch too.

So yes, there are a few moving parts, but I don't think there's anything major that's of concern here.

But Scott, if you want to add something to that.

Scott Rook – Chemtrade Logistics Income Fund

I think Rohit had pretty much covered it.

The chlor-alkali, what we shared with the comments, caustic has been doing fine, somewhat strong. And I think the outlook continues to look like that. HCl tied to fracking, still pretty good, pretty strong. Chlorine has softened. I think our view is that that could continue to happen if we put all that together. I think the biggest impact on chlor-alkali next year will be the turnaround.

Chlorate, we should expect to see similar, slight reductions in volume, and we're working to offset that with price.

The regen and merchant acid are strong, but they're not growing that much, but still doing quite well.

And then the growth next year, we have our organic growth projects and water we've executed on. We'll continue to do that. We'll have the startup of our new specialty product, the new specialty line in Augusta, Georgia, and we'll have Polytec, and we'll have Thatcher, and we'll have some ultra-pure acid business that'll be coming in as well.

And then the unknowns right now that we have to think about. Unknowns would be what's going to happen with the USMCA and it's possible that that could get renegotiated. We don't know in summer of next year, but that's an unknown.

And then watching the Canadian pulp and paper, that's a bit of an unknown as well.

Joel Jackson – BMO Capital Markets

Thank you.

Operator

Thank you. And your next question is from Nelson Ng from RBC Capital Markets. Your line is open.

Nelson Ng – RBC Capital Markets

Great. Thanks, and good morning, everyone. I wanted to ask a few background questions on Polytec in terms of the acquisition.

So, I presume it was a competitive auction process. Can you just talk about that and also why the business was being sold?

Scott Rook – Chemtrade Logistics Income Fund

Yes. So, Polytec has been a longtime customer to Chemtrade. We've had an excellent relationship over the years, and we have known their owner and founder. I say we, including myself, we've known their owner and founder for many years. Their owner and founder was looking to retire. I don't want to get into a lot of details, but he was looking to retire. And what I will say is that as we had discussions with him, we both felt that Chemtrade was a very, not only a logical buyer for his business, but also a great cultural fit.

He was looking for a company to come in and buy the business, but to continue the strong growth trajectory that he's delivered over 30 years. Bring in, basically, to have someone with a similar culture and that would have the focus on the growth projects that he's been working on.

And so, I think he believed that Chemtrade would be a great partner. We believe the same. So, we were able to put that deal together.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

I can add just one thing. So, you got so you got a picture of somebody who built a business from scratch and is now looking to retire and monetize.

But the motivation of someone like that has many facets to it. Clearly, the money has to be appropriate. But as Scott said, building on the legacy that he has built is very important, as you can imagine, for someone who founded a business from scratch and who cares about their employees and all the other stakeholders. So, it was just a perfect match here.

Scott Rook – Chemtrade Logistics Income Fund

The owner, Jack Harmon, has agreed to stay on and work with us for an undisclosed period of time. So, he's going to stay on, actually, full time for a period of time.

And then after that period of time, we have an agreement that he will come in and help advise from time to time as we work on the growth projects together.

So, we're very happy about this acquisition. We think it's a great fit for Polytec and for Chemtrade and for the market. And we think it's going to be a very good deal for Chemtrade investors.

Nelson Ng – RBC Capital Markets

Got it. That's great background. So, it's more of a bilateral process.

And I think, Rohit, you talked about the high water transaction multiples you've seen last year. I don't want to go into too many details. But is there a reason why this multiple, like a fair price for this transaction, is a multiple that was much lower than we saw in the market last year?

Rohit Bhardwaj – Chemtrade Logistics Income Fund

So, I think, again, without getting into too many specifics, I think in this case, the multiple is appropriate because of the unique expectations and desires of the owner, where it's more about building on the legacy.

The water multiples are high. This is a very good quality business that actually is providing solutions as opposed to just products. So, I think it was a fair negotiation here. And we ended up at a good price for both sides.

So, I think everyone's satisfied with the transaction.

Nelson Ng – RBC Capital Markets

Okay. And then you both talked about the long growth track record of this business. Can you just provide a bit of background on how, let's say, EBITDA has been growing in this business for the past, I don't know, like five years, or whatever period you think is appropriate?

Scott Rook – Chemtrade Logistics Income Fund

Let's say, so I don't think it's appropriate to comment on the track record for this business prior to us having it. But let's say we were impressed with the growth trajectory, not only over the past five years, but really over 30 years.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

I think as Scott said, we expect to grow this business at above market rates, so it's fair to assume that that was also occurring in the last many years.

Nelson Ng – RBC Capital Markets

Okay. That makes sense.

And then just I guess switching gears a little bit, like in the U.S., we hear a lot about power demand, growth in power demand, particularly from data centers and pushing power prices higher. You obviously use a lot of power, especially on the Electrochemicals side.

Are you seeing any pricing pressure from higher power prices? Obviously, your Canadian assets are doing well, but in the U.S. are you seeing any pressure?

Scott Rook – Chemtrade Logistics Income Fund

So, by far the significant and dominant amount of our power comes from Canada and its Canadian hydroelectric power, and that's at our electrochemical facilities. And that is I will just say that's by far the majority of our power requirements. And so, we're maybe seeing modest impact on utilities at the other sites, but it's not material for us on our bottom line in terms of our earnings in material.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

Yes, if I can add, I think Manitoba and BC are both regulated environments, hydroelectric. There's a utilities commission that approves rates. They have been very stable, and we don't anticipate any changes there.

In the U.S. our regen plants consume a bunch of natural gas, but our contracts with regen customers pass through natural gas. So even though gas is relatively low right now, but as it rises, there is no issue because that's how contractually it's been structured.

Nelson Ng – RBC Capital Markets

Okay. And then just one last kind of big picture question.

You obviously move a lot of products on rail. Do you have any initial thoughts on the proposed Union Pacific Norfolk Southern proposed merger? I know it's still early days.

Scott Rook – Chemtrade Logistics Income Fund

I would say no, we don't see that as having a material impact. We work with all of the rail companies closely, and so we've heard that this will improve service and we hope that's the case.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

And if rates do change, these are industry-wide changes, and we actually think we are probably really good at optimizing rates. So, if anything, we may not be concerned because it's going to affect everybody, and we think we're pretty good at optimizing logistics.

Nelson Ng – RBC Capital Markets

Okay, great. Thanks a lot. I'll leave it there.

Operator

Thank you.

And your next question is from Steve Hansen from Raymond James. Your line is now open.

Steven P. Hansen – Raymond James

Yes, good morning. Thanks for the time.

Just a couple of different items here. So, Scott, I think you referenced the potential for rising sulphur prices to impact your SWC margins. That's all logical on the surface.

But I think the most acute surge in sulphur really occurred through 2Q. We've actually seen it didn't really didn't really seem to impact your numbers that much. I mean, are you worried about a further rise that would impact margins? Or is there a lagging mechanism that we should be mindful of here that that might roll into the numbers to the back half?

Scott Rook – Chemtrade Logistics Income Fund

No, look, I would say sulphur prices have tripled. So, we've hit we have we have absorbed those. And we certainly don't expect, and calling sulphur is difficult, but we certainly don't expect any similar type of price increases with sulphur.

So, the sulphur prices have hit us and in our businesses work those through the rising sulphur hits us primarily in the acid business. And then with regen that that's passed through with our pricing mechanisms. On merchant acid we have price sharing and then and then we price on a shorter-term basis.

Sulphur also has an impact on our water business. But when we have annual contracts and we work to pass those through. We have I think we've absorbed the blow, so to speak. And I think we've come out pretty well. Our team is better and better at pricing strategy and I think passing through anticipated costs to customers.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

And frankly, it's actually better when there's a big spike because it gets the attention of every industry player. Because these are not small hikes that someone may be willing to absorb it, but there's such dramatic moves. The market has to pay attention to them and we factored that into our revised guidance as well.

Steven P. Hansen – Raymond James

Okay, that's helpful. If I'm just looking at Polytec for a minute and I look at the product set that they've got, you described some of the revenue synergies that are there.

It just looks like, on the surface anyways, there is a number of common products and also a number of incremental ones. What are the product lines specifically that you're most excited about here within the portfolio for cross selling the polymers, the bacteria and enzymes? I'm just trying to get a sense for where that incremental opportunity lies.

Scott Rook – Chemtrade Logistics Income Fund

So, a couple of things that they have a very strong position in in food and industrial, so a stronger position in food than we have.

We think that's a very nice opportunity for Chemtrade to get more involved with our products in the food and industrial space. And then, as I mentioned earlier, taking their products and services and introducing those to our municipalities across North America, that's strong as well.

They sell coagulants, they sell flocculants, they have other chemicals that they sell, and then they're a solutions provider to their customers. And the solutions provider is a new space for Chemtrade, and I think we're very excited about opportunities for solutions supplies to our customers.

Steven P. Hansen – Raymond James

Just to understand that latter point, can you just simplify it or dumb it down for me? What do you mean by solutions provider? Like commodities or index.

Scott Rook – Chemtrade Logistics Income Fund

So, the solutions provider would be - so q customer whether that's a poultry processing plant or a city, they'll need to - as they test their water, they'll need to add into their water a coagulant that's going to serve a certain purpose, a flocculant, and there are two to three other chemicals to adjust the pH, to do other clarifying agents, other things like that. So, there are maybe two, three, four, five chemicals that need to be blended together and then blended with the water.

And so, Polytec brings a system together to test the water and then make the blends and treat the water. That's what I mean by solutions provider, and that is new and a nice opportunity for Chemtrade to grow.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

If you think about it, we are one step removed – they are one step closer to the customer than us. So, we supply the coagulants. In fact, in many cases, Polytec was buying those coagulants from us, but then they customized the solution for the customer, so they have closer contact with the customer, adding bit more - adding more value than just a product supplier.

So, that's how, you know, we're hoping to take that and then do that across our customer base.

Steven P. Hansen – Raymond James

That's actually very helpful. Thank you for that.

And this is going to be the last one just on the related space. Just like how fragmented - sorry, with the footprint that you've bought, is there still geographical space that you don't have that you would want to replicate? They're very Southeast-centric. Can you still service and provide these additional services to other regions, or do you need to - would you need to acquire, in theory, other white space to broaden the workflow, and for how well positioned? And for how well-positioned this position is for the future.

Scott Rook – Chemtrade Logistics Income Fund

Yes, so I understand. I think that for now, there are four sites are in good shape to supply the customer base. But as we go forward, there's certainly potential to expand in regions where we are strong and they are not.

We do not have plans in the short term to add any new Polytec site locations. But it's certainly possible that it could make sense in a couple of years.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

But that would be organic growth as opposed to M&A. We can just replicate these organically.

Steven P. Hansen – Raymond James

I see. Okay. Very helpful. Thank you.

Scott Rook – Chemtrade Logistics Income Fund

Thank you.

Operator

Thank you. And your next question is from Zachary Evershed from National Bank Financial. Your line is now open.

Zachary Evershed - National Bank Financial

Good morning, everyone. Congrats on a quarter.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

Thank you.

Zachary Evershed - National Bank Financial

So, following up on the previous question, is that Polytec blending solution equipment a bit of a razor blade model?

Rohit Bhardwaj – Chemtrade Logistics Income Fund

It's got some similarities.

Scott Rook – Chemtrade Logistics Income Fund

Yes. I'd rather not discuss the details of the pricing strategy.

Let's just leave it that they're a solutions provider, and they've been very successful with that model.

Zachary Evershed - National Bank Financial

Understood. Thanks. And you did mention some spare capacity in your network to service Thatcher Group's water customers. With the addition of Polytec, how do you see your utilization after the acquisition?

Scott Rook – Chemtrade Logistics Income Fund

Yes. So, we still have plenty of capacity across our system. And so, you're exactly right. With Thatcher, we picked up all of the volume with our existing capacity.

And with the acquisition of Polytec, we're set as well. That being said, as we look at our organic growth projects over the next couple of years, part of that is continuing to add capacity and debottleneck across our network.

I won't get more specific than that, but we'll keep the organic growth target at roughly the similar amount, and we'll be de-bottlenecking where we need to.

Zachary Evershed - National Bank Financial

Understood. Thanks. And last one for me, very happy to hear about the early redemption of the 2026 converts. Looking out farther to 2027, those are exercisable at $10 a unit. What are your thoughts around another SIB, seeing as they're in the money?

Rohit Bhardwaj – Chemtrade Logistics Income Fund

So, I guess I'll start by saying that as we have articulated, we want to get out of the convertible business, so we will be looking at ways to exit there.

Right now, they are not in any hard call period, of course, the soft call probably starts in a few months. But, yes, we're looking at all our options to see how we can eliminate all our convertible debentures.

Zachary Evershed - National Bank Financial

Thank you very much, I'll turn it over.

Operator

Thank you. Your next question is from Gary Ho from Desjardins Capital Markets. Your line is now open.

Gary Ho – Desjardins Capital Markets

Thanks. Sorry, I jumped on the call late, so maybe this was asked already. So just on the M&A, it feels like there's a couple that you've done more recently. How's the pipeline?

And second, when you looked at the opportunity set, are you kind of staying within the product set that, you're currently offering or potential clients, or would you kind of branch out to other platforms as well? Thank you.

Scott Rook – Chemtrade Logistics Income Fund

Hey, Gary. Scott here, we actually did cover that a little bit earlier. But just to catch you up. Yes, this year, we concluded the agreement with Thatcher and Polytec.

And so, for now, we're, I would say we're done certainly for the short term. We're going to take some time and integrate those businesses. We will bring our leverage down. With this acquisition, we've let our leverage bump up a bit. And so, we're going to take some time, bring that down. As we bring our leverage down over the next couple of years, we could begin to look at that.

We do have, I will say we do have a pipeline of potential people that we're speaking with. But that's not anything that we're going to execute, or that we would plan to execute anywhere near the short term.

Rohit Bhardwaj – Chemtrade Logistics Income Fund

And we continue to allocate capital to buying back units. So, we just are getting into new NCIB now for the next 12 months. So that remains a priority as well.

Gary Ho – Desjardins Capital Markets

Okay, great. That's my questions. Thank you.

Operator

Thank you. There are no further questions at this time, please proceed.

Scott Rook – Chemtrade Logistics Income Fund

All right. Thank you, Jenny. I'd like to thank everyone for their time today. Thanks for your interest in Chemtrade and have a great rest of the day. Thank you.

Operator

Thank you, ladies and gentlemen. The conference has now ended. Thank you all for joining. You may all disconnect your lines.