

Chemtrade Logistics Income Fund (TSX: CHE.UN; OTCQX: CGIFF)
Q1 2026 Transcript

PREPARED REMARKS

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Hello and thank you for listening to Chemtrade Logistics Income Fund's prepared remarks for the first quarter of 2026. Additionally, on May 12, 2026, we will hold a live question-and-answer call, which will be available via webcast and accessible on our investor relations website. We appreciate your continued interest and participation.

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

The update will include a recap of our first quarter 2026 financial results, segment performance, capital allocation and financial position, as well as the outlook for the balance of the year. Following my remarks, Scott will provide additional commentary on the outlook for our operating segments, key products, and growth initiatives.

Before we begin, I would like to remind listeners of forward-looking statements, which are based on current expectations and are subject to a number of risks and uncertainties. Actual results may differ materially from those expressed or implied by our comments. Additional information identifying these risks, uncertainties, and assumptions can be found in our disclosure documents filed on SEDAR+. We will also refer to Adjusted EBITDA throughout this call, which we will simply call EBITDA in our prepared remarks.

Looking at our overall results.

The first quarter of 2026 saw positive contributions from the acquisition of Polytec alongside merchant acid, Regen acid, and sulphur products. However, lower year-over-year prices and volumes of chlor-alkali products and sodium chlorate, as well as higher input costs in water products, more than offset the EBITDA gains. Additionally, the strengthening of the Canadian dollar relative to the U.S. dollar, negatively affected revenue and EBITDA by approximately \$18 and \$6 million, respectively.

First quarter revenue increased by 8% while EBITDA was lower by 6% primarily due to lower prices and volumes for products in the EC segment. Adjusting for foreign exchange, revenue increased by 12% and EBITDA was similar to last year.

Distributable Cash after Maintenance Capex of \$0.36 per unit was approximately \$0.18 lower year-over-year reflecting the change in EBITDA and higher maintenance capex, partially offset by the lower number of units. The distribution payout ratio of 38% for the last twelve months highlights the sustainability of Chemtrade's distributions and the flexibility of our capital allocation options.

Turning now to our segments' performance. I will begin with ASP, the Acid & Sulphur Products segment.

ASP was a key contributor to our first quarter performance with revenue and EBITDA increasing by 22% and 16% after excluding the impact of foreign exchange.

Revenues were driven by higher selling prices for merchant acid and sulphur products, and higher prices and volumes for Regen acid. Increases in the sulphur index were the main contributor to the higher selling prices, which more than offset the higher sulphur input costs.

While sulphur prices remain elevated relative to historical averages, we have successfully managed these increases through a combination of pass-through actions and operational discipline.

Turning to WS, our Water Solutions segment, which also delivered positive results despite higher input costs in a seasonally low quarter.

To help with the modelling of this new segment, note that demand for water products is seasonal. The third quarter traditionally has the seasonally highest demand, followed by the more balanced second quarter. The first and fourth quarters are seasonally low ones. The two middle quarters account for approximately 55% of the annual demand.

Excluding foreign exchange, WS Revenue and EBITDA increased by 33% and 18%, respectively largely due to the acquisition of Polytec. Higher selling prices for other products were able to offset higher input costs that were primarily related to the cost of sulphur.

As a reminder, we renew WS contracts on an ongoing basis, which provides opportunities to recoup higher input costs particularly as sulphur prices have continued to remain elevated.

WS is a central pillar of our long-term growth strategy, supported by strong secular demand drivers and attractive returns on capital.

Turning to the Electrochemicals segment, where results were below those achieved in the first quarter of the prior year. This was mainly due to lower prices and netbacks for chlor-alkali products as the relevant Northeast Asia Caustic Index declined approximately 14% year-over-year. Lower volumes across EC and slightly lower sodium chlorate prices also contributed to the results. As a reminder, prices for chlor-alkali products declined during 2025. Thus, the first half of 2026 has difficult comparables.

On a MECU basis, netbacks decreased by approximately \$290 with approximately 70% of the decline tied to hydrochloric acid and chlorine.

Excluding foreign exchange, EC Revenue was 10% lower while EBITDA 14% lower compared to the first quarter of 2025.

Scott will discuss the outlook for key products in more detail but it is worth noting that, generally, a higher price energy environment is positive for EC products. Lastly, our North

Vancouver chlor-alkali facility successfully completed its biennial turnaround during the second quarter.

Corporate costs in the first quarter were slightly lower year-over-year at \$26 million versus \$28 million in Q1 2025. The year-over-year decrease is primarily due to lower realized FX losses partially offset by higher long-term incentive compensation.

From a capital allocation perspective, we continue to execute a disciplined and balanced approach of distributions, unit buybacks, and growth investments.

During the first quarter, Chemtrade generated \$40 million of distributable cash, comfortably covering the monthly distribution and providing cash to support the ongoing and balanced return of capital to unitholders. We were active on our NCIB acquiring approximately 2.3 million units through March and approximately 2.6 million units on a year-to-date basis.

Our balance sheet remains robust, with leverage of 2.5x and liquidity of over \$415 million at the end of the quarter, available to fund high-return organic growth opportunities. We also remain receptive to attractive opportunities to further optimize our capital structure and fixed-rate debt.

Looking ahead to the balance of 2026.

Due to geopolitical events and the high-price energy environment, prices for several key products that Chemtrade manufactures or uses as key inputs have seen both price increases and volatility in the last several weeks.

While this volatility makes forecasting results for the remainder of 2026 challenging, Chemtrade is maintaining its 2026 Adjusted EBITDA guidance unchanged and reiterates a range of \$485 to \$525 million. Achieving the midpoint of this range would represent a near record level of EBITDA for Chemtrade.

With that, I will now turn it over to Scott to provide an update on operational performance, outlook for key products, and strategic initiatives.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Rohit.

As the first quarter results demonstrate, our performance continues to reflect the strength of our diversified portfolio and the disciplined execution of our strategy. Over the past several years, we have made significant progress strengthening operations, improving reliability, and enhancing our ability to consistently generate strong cash flow.

These achievements have also built a solid foundation for Chemtrade to continue executing towards its goal of achieving mid-cycle EBITDA of \$550 million to \$600 million by 2030 through 5%-10% average annual growth in EBITDA and Distributable Cash.

Importantly, our focus is not only on growth, but on improving the quality, durability, and resilience of our earnings over time.

As Chemtrade continues to deliver towards Vision 2030, we will provide an updated outlook once we have more clarity on the North American trade negotiations and the long-term directionality of key products following current geopolitical events.

I would also like to recognize our employees across Canada, the United States, and Brazil whose dedication and focus enable the execution of our strategic vision.

Looking more closely at our segments, we expect ASP to remain overall highly cash generative despite significant price increases for sulphur, a key raw material.

Demand for regen acid continues to be supported by steady refinery activity, and our merchant acid business benefits from contractual structures that help mitigate volatility of input costs. Our disciplined operational and commercial approach provides earnings stability and growth.

Also, note that 2026 is expected to be maintenance heavy for acid assets particularly in the second half.

In Ultrapure Acid, we continue to make progress and are well on-track to achieve our commercial targets. I will provide more colour in our growth outlook.

Within Water Solutions, we continue to see momentum and view this segment as a key driver of future growth. Demand remains robust across both municipal and industrial markets, reflecting the essential nature of water treatment and tightening regulatory regulations.

In addition, our expanding portfolio of specialty products and services is allowing us to strategically move further up the value chain enabling a stronger competitive position over time.

However, raw material costs, particularly due to higher sulphur prices, have impacted margins during the seasonally low first quarter. As sulphur prices have risen further in the second quarter and remain elevated, their impact is expected to continue into the second quarter. However, we renew our contracts on a rolling basis and expect to capture these high input costs over the next 4-6 quarters.

Recent acquisitions are performing well: Thatcher Group volumes are now incorporated into our network, and the Polytec integration is progressing smoothly and in line with expectations. We are also seeing incremental benefits including stronger customer relationships and cross-selling opportunities.

There are multiple opportunities to grow the Water Solutions platform through both ongoing organic growth investments and targeted acquisitions in coming years.

In the Electrochemicals segment, market conditions were initially mixed but became more supportive towards the end of the first quarter due to the high-price energy environment.

While prices for caustic soda have been volatile into the second quarter, they have on average remained above early 2026 levels. Due to this volatility, our updated caustic soda pricing assumption for the remainder of 2026 reflects an index level of roughly US\$415 per tonne, which is approximately US\$20 per tonne lower compared to last year. However, industry forecasts on caustic soda contract pricing in Taiwan point to significant improvements in late 2026 and proceeding into 2029 providing a positive long-term view.

Turning to our other chlor-alkali products. Demand for merchant chlorine has increased ahead of seasonally higher demand with prices stable to moderating.

Hydrochloric acid is seeing stronger demand and tighter supply from geopolitical events while the Canadian oil & gas outlook remains steady to positive on expectations of new pipelines and Asian demand. Additionally, due to elevated sulphur prices, industry expectations point to potentially higher demand for hydrochloric acid that can be used as a substitute for sulphuric acid in mining and steelmaking industries.

We now expect slightly higher volumes for sodium chlorate primarily due to higher demand from our customers. Although demand is tied to pulp and paper industry volumes and curtailments, our low-cost production footprint enables a supportive outlook particularly in the current high-price energy environment.

Turning now to our North Vancouver facility where the biennial turnaround was successfully completed during the second quarter. As previously disclosed, we experienced a setback with the rezoning application that would have enabled safety upgrades and continued liquid chlorine production beyond 2030. Subsequent to this decision, the District of North Vancouver announced that the Mayor would bring forward a notice of reconsideration for Chemtrade's rezoning application. If the reconsideration is adopted, there could be a new public hearing. Chemtrade would aim to address certain Council concerns while securing continued liquid chlorine production.

We remain laser focused and continue to engage with multiple stakeholders and partners on the best path to secure continued liquid chlorine operations and uninterrupted municipal water safety in Western Canada.

Organic growth remains an important pillar of our strategy, and we continued to invest during the first quarter with approximately \$6 million versus a plan for \$35-\$55 million for 2026.

As discussed in prior updates, our 2026 organic growth investments will be primarily directed towards strategic projects in Water Solutions and are well-aligned with its secular demand growth.

Specifically, we're expanding capacity for a number of products as we continue to see strong demand in both municipal and industrial markets. While many of these projects are modest in scale individually, they collectively represent meaningful earnings potential.

A notable example is our new specialty chemical line in Augusta, Georgia, where permitting, construction, and commissioning has wrapped up and we have begun manufacturing a novel line of products to better service the needs of our customers. We expect these products to contribute to incremental growth in coming quarters.

In Ultrapure Acid, as discussed, the bulk of investments in both Cairo, OH and Tulsa, OK is now complete. We continue to make commercial progress with two of the four largest semiconductor manufacturers and are in the process of product qualification with two others. Commercial ramp-up is expected throughout the remainder of this year.

In addition to organic growth, we remain active in evaluating strategic acquisitions opportunities that add to our existing capabilities or enhance our market position. Although 2026 priorities are focused on organic initiatives and the integration of acquisitions, our pipeline of inorganic opportunities continues to be on water-focused acquisitions that offer strong strategic fit, clear synergies, and attractive returns.

As a reminder, all of the products that Chemtrade exports to the U.S. from Canada are CUSMA compliant and, to-date, we have not seen material direct impact from incremental tariffs.

We continue to monitor these developments closely and will reassess in the event of material changes. We are optimistic that we will be able to work with our customers and suppliers to manage additional costs, if necessary. Additionally, we highlight the significant cost advantage of our export products.

In conclusion, Chemtrade is on a solid footing and has multiple growth opportunities, enabled by a diversified and solid cash flow base. We are actively addressing the chlor-alkali plant rezoning to ensure uninterrupted production of products that are crucial to the water safety of millions of Canadians.

Our focus remains on operational execution, disciplined capital allocation, growth, and returning capital to our unitholders through distributions and unit buybacks.

Thank you all for your continued support and interest in Chemtrade.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Thank you for joining the Q&A session of our first quarter 2026 results call. Our press release, financial statements, presentation and prepared remarks have been posted on our Investor Relations website at chemtradelogistics.com.

Before we proceed, I would like to remind everyone that today's 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 those expressed or implied.

Additional information regarding these risks, uncertainties, and assumptions, as well as information on certain non-IFRS and other financial measures referred to today, can be found in our disclosure documents, filed with the securities regulators, and available on sedarplus.com.

One of the non-IFRS measures we'll refer to today is adjusted EBITDA, which is EBITDA modified to exclude certain non-cash items such as unrealized foreign exchange legal losses. While our slide deck and disclosure documents refer to adjusted EBITDA, we may refer to it as EBITDA during the call.

With that, we would now like to open up the line for questions. Thank you. Operator?

OPERATOR

Ladies and gentlemen, we will now begin the question-and-answer session. Your first question comes from Hamir Patel from CIBC. Please go ahead.

HAMIR PATEL, CIBC CAPITAL MARKETS

Hi, good morning. Scott, with respect to the North Vancouver Council decision, can you speak more to what the company has done to address the Council's earlier concerns that may position you now, hopefully, for a more favorable outcome when it's next considered by Council?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Good morning, Hamir. So, what I will say is that we have been having active negotiations with the district, and we did modify our earlier proposal. That proposal will be coming out in public, but it's not out in the public yet.

But here's one of the issues that we addressed in there was related to the Mayor's comments at the last vote in April where he discussed one of his major concerns was that this approval would have given Chemtrade the operating rights in perpetuity to produce liquid chlorine.

That was one of the major points that I think the mayor and the district had. And so, that's been a point that we have negotiated. The details of that will be coming out, let's say in about two weeks, when the district makes that public. And so, for right now, I don't want to comment on specifically what's in there, but it's related to perpetuity, to having the right to produce liquid chlorine in perpetuity.

HAMIR PATEL, CIBC CAPITAL MARKETS

Right, okay, fair enough.

I just wanted to ask about the new Water Solutions segment breakdown. How much EBITDA for Water Solutions is embedded in that full-year \$485 million to \$525 million guidance? Given the rolling contract renewals there, and I know there's a reference to the next four to six quarters as a timeframe for capturing the higher sulphur input costs, what would steady-state EBITDA for Water Solutions look like once those costs are passed on?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

So, I think two things to say there. One is there is seasonality in the water business. Typically, Q3, the middle quarters are the strongest. Generally speaking, Q3 is the strongest. We have, so in our guidance range, we have taken into account the higher sulphur and other input costs like aluminum that have been factored in. And we have made some assumptions as to some moderation in sulphur as the year progresses.

Right now, sulphur is at a close to, if not, at an all-time high. We have made some assumptions around it. I don't even want to get into specifics around what a run-rate water EBITDA will be. But as we go through the year, we'll get a better sense of what the EBITDA is there.

HAMIR PATEL, CIBC CAPITAL MARKETS

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

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Thank you.

OPERATOR

Your next question comes from Nelson Ng from RBC Capital Markets. Please go ahead.

NELSON NG, RBC CAPITAL MARKETS

Great, thanks. Rohit, you talked about the elevated prices of sulphur and sulphuric acid. Can you just walk us through some of the kind of puts and takes related to that in your new segments, Water and ASP? I presume it benefits your, or it would seem to benefit to your acid business.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Yes. Sorry, go ahead.

NELSON NG, RBC CAPITAL MARKETS

Can you just talk about the sensitivity? I know that sulphur prices increased materially after the Iran conflict. But can you just talk about Q1 versus what you're seeing in Q2?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Yes. So firstly, it's very difficult to give a precise sensitivity because there are many other factors that come into play. As a general statement, the ASP segment does have a slight benefit from higher sulphur.

On the Water side, it really depends on the volatility. So, if it spikes up very quickly, then it is hard for us to pass that through in real time. We try and do it, but there's a bit of a lag. But keeping in mind that when it does moderate, then you make that profit on the back end. So, over a cycle, you definitely come out okay and maybe a little bit ahead.

In terms of where sulphur is today. If you look at sulphur historically, there have been in the last 15 years a couple of spikes in sulphur. Generally, those are very short-lived. They tend to be about two quarters and then it comes off rapidly. This time it's a little different because even pre-war, sulphur was starting to go up and our initial thought was that it would come down pretty quickly. But then with the war and the fact that about 20% of the world's sulphur comes through the Strait of Hormuz, this is persisting at a higher level than would be typical for sulphur.

The industry experts are expecting that there will be some moderation in the back half of the year that it's coming down, still above historic levels. We think it's going to take a bit longer because of this unique disruption that hasn't been experienced before. Even though it will be off the peaks, we expect that and so do the industry experts, it will still be quite a bit higher than historic levels.

NELSON NG, RBC CAPITAL MARKETS

Okay, got it. Thanks for the color.

And then just in terms of capital allocation, you have about, I think, \$25 million or so of your 2028 convertible debt outstanding. Can you just remind us whether you have the option of cleaning that up and calling the debt later this year?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Sure. So, the hard call is only next year, which would be 2027 July. There is a soft call provision. If you're trading for 20 trading days at 125% of the strike price or higher, strike price is \$12.85. So, if you do the math on that, if you're trading above \$16.10, call it, for 20 trading days, you'd have the right to call them. And that can be done, they can be redeemed after June 30th this year, if that condition is met.

Recognizing that the most likely outcome in that scenario would be a conversion because, rationally, people shouldn't tender at par when it's trading at, that debenture is trading at 140% right now. So yes, short answer is we stay at these current price levels, we will have the ability to call those in short order.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

I think it's also fair to say that our strategic priority has been to unwind our convertible debentures. That's been an initiative for us and so we plan to continue to keep that as an initiative.

NELSON NG, RBC CAPITAL MARKETS

Great. Thank you both, I'll leave it there.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you.

OPERATOR

Your next question comes from Steve Hansen from Raymond James. Please go ahead.

ROBERT MURPHY, RAYMOND JAMES

Oh yes, hi team, thanks for the time, this is Robert on for Steve. Just hoping to ask a question here on the ultra-pure side, I just wanted to see if we could get some more color on the Cairo, Ohio ramp-up going and on what timeline we should kind of expect operations to be at full ramp rates there. Thanks very much.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes. Hey, Robert. Good morning. We're very happy with how Cairo, the Cairo line, let's say, is progressing. We have shared, and I can share with you now, that we'll be selling to two of the fabs, two major fabs this year. We're very, very happy with that. And work is continuing to go on with other two as well.

So, we'll be selling this year, and that's into advanced node. Now the other material, we continue to sell into lower grade applications, but we've built that plant really to achieve the quality for the advanced node. When I talk about how we've got qualified, that is for advanced node. So, we'll be filling up that line over the next, I'll just say, couple of years. But we'll see pretty rapid pickup here over the next 12 months.

ROBERT MURPHY, RAYMOND JAMES

Okay, great. Thanks for the color.

And just wanted to flip to chlorine quickly. You mentioned that chlorine demand has improved here, sounds like for seasonal reasons. Just wondering if you could provide a bit more color here on some of the factors driving this improvement overall, and then should we expect prices to kind of remain stable here for the balance of 2026?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes, so with chlorine, two things going on. We're going into the seasonally higher demand period for chlorine. So, in the summer, there's more water treatment as snowfall, and rain, over the winter melts. There's seasonally more demand. Also, people are preparing pools, and all of that goes into water treatment and the demand for chlorine. That's part of it, which is normal.

The other part is that due to the Middle East crisis, there is an increased demand for PVC in the U.S., and we've seen prices for PVC jump up. It looks like the U.S. is beginning to see exports of PVC going over to Asia, going over to other regions, and so that's creating a pull for chlorine, particularly in the U.S. That pull for chlorine is added to the seasonal demand for chlorine.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Just keep in mind one thing, if you look at our guidance assumptions, what we said is that in 2026, we expect our MECU netbacks, which is the combination of, chlorine, HCl, and caustic, to be \$195 lower than last year.

If you look at our assumption for Northeast Asia, which is a good guide to, how we price our business, that's only down by US\$20 year-over-year. So, you see that big disconnect between the \$195 and the US\$20. That is coming from HCl and chlorine. And we give you a rough idea. Like, for example, in Q1, that represented 70% of the year-over-year decline.

Our guidance does assume weaker chlorine, HCl for this year versus last year.

ROBERT MURPHY, RAYMOND JAMES

Okay, great. Thanks for the color. I'll pass the line here.

OPERATOR

Your next question comes from Joel Jackson from BMO Capital Markets. Please go ahead.

EVAN MCCAUL, BMO CAPITAL MARKETS

Hi, good morning. It's Evan, on for Joel. Thanks for your time.

I just wanted to ask on your caustic price assumption. You guys used the CMA forecast for the year, and obviously no one knows the rate, et cetera, and how it could be affected, but do you have a house view on if the cost of forecast from CMA are reasonable or conservative?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Well, it is...

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

They are the experts.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

They are the experts. A couple things that I'll share about our view and CMA's view. Number one is there is a lot of volatility that we and the world are seeing in caustic soda prices. So, in Q1 of this year, what we all saw was that Northeast Asia had an average price of about US\$350 per ton. That was about US\$100 below our assumption for the year. So that was obviously not a good thing.

As the war progressed, we saw caustic soda prices in Asia jump US\$200 a ton. It jumped up to US\$550, and it looked like that they may stay there for a while. But as this is playing out, China has increased, it looks like, their coal-based PVC production of which caustic is a by-product for that. So, for a period of time, they've ramped up that. And there have been deals done at the US\$350 level, which was a surprise and a shock, I think, to a lot of people.

In addition to that, the Korean government has stepped in with subsidies, we understand. I understand CMA talks about this as well. The Korean government has put in subsidies to support their PVC producers and chlor-alkali industry. Because they, particularly Korea and Taiwan, are experiencing difficulties in getting natural gas coming from the Middle East. They're really strained, and the Korean government is helping them.

The bottom line is, there's volatility, a lot of volatility, and so we've chosen to use the CMA outlook. That's the best information that we can get. It's going to be very tricky to be accurate, I think, on a quarterly basis. The important message is that CMA and Argus both call out that by 2028, their view is that caustic soda should be US\$200 or so higher than what it is, and so US\$200 higher than what it is right now. The timing of that's going to be, well, it'll be almost impossible to get the timing of that right, but that's the direction that it's headed in their view.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

If you look at this year, our guidance assumptions for Northeast Asia index is about US\$415. And keeping in mind that when we price our caustic, we have a roughly a quarter lag, so what that suggests is that we are expecting the remainder of the year to be in line with where it is today, which is at roughly US\$450 mark. We're not expecting that the upswing which the industry experts are calling for in the longer run as much, and it's difficult to predict over a very short period of time. We are being quite realistic in our outlook for this year. There may be some upside, but we'll have to see how it plays out.

EVAN MCCAUL, BMO CAPITAL MARKETS

Okay. Thanks so much for the color.

Just one more thing. So, would you mind talking about the magnitude of increase you saw in caustic quarterly pricing in Q2? I guess you kind of just touched on it versus Q1, and then what this might look like if prices hold.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Okay. So, a couple things. As Rohit called out, in quarter two, as we work with our customers to agree on prices for Q2, that's based on the average for caustic from the prior quarter. In Q2, that would be based on what we saw that the higher prices in Q1, which the average would have been above US\$500. However, we had the turnaround in Q2, so really, that had an impact for us of over four weeks of production. You'll have to factor that in, the turnaround. We have used the CMA outlook as we look at the second half of this year, and so we have average...

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

About US\$450, which is today's. So, when you look at the spot price, it's typically a range that's given, and so we are looking at the midpoint. The range is as high as US\$550 on the high end, but I think closer to US\$390 on the lower end. Typically, we go close to the middle. We do have negotiations with customers, and so some a little bit above, some a little bit below, but it's safe to use the midpoint. We are currently assuming that that midpoint remains in place.

And just the one comment in Q1, while prices spiked towards the end of the quarter, the first couple of months were pre-war, unaffected, so that did bring down the average for Q1 a little bit as well.

EVAN MCCAUL, BMO CAPITAL MARKETS

Okay. Thank you.

OPERATOR

Your next question comes from Gary Ho from Desjardins Capital Markets. Go ahead.

GARY HO, DESJARDINS CAPITAL MARKETS

Thanks. Good morning. Thanks for taking my questions. The first one, you made a comment that while you kept your guidance, it's been a bit more challenging to forecast. I was just wondering if you can maybe elaborate whether that you're specifically addressing maybe one or two different chemicals, or is it just overall, just wanted to get some update on that comment, if possible?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes, sure. This is Scott. The biggest, let's say, the most difficult thing to forecast for us right now is caustic soda, and so we are relying on the experts, the market experts for that, but by far, that would create, let's say, not volatility, but that's the hardest thing that could have the biggest impact on us, and that's number one.

If you, as we move to the acid business, what I can share is that demand for our regen is strong, pricing is strong, so that's good. Our merchant acid business typically does better when sulphur prices run up. We're able to recover and expand our margins in merchant acid, so we see that. We feel good about that. At some point, we do see sulphur prices, we think sulphur prices are going to drop down. Getting the timing of that it's going to be a challenge.

So, regen is very strong. Merchant will do better than average because of the run-up in sulphur prices. Water, on the other hand, we have the acquisition in Polytec, and so that's going smoothly. We have our organic growth projects. Those are going well. So, we feel good about the water business, but water is dealing with the significant increase in sulphur and also a significant increase in aluminum. So, those two together, our team are passing on those price increases to our customers. And again, as we've said many times before, our prices are annual contracts. They come in and come out every month. So, our team is very actively involved with repricing materials to the customer, but that's a bit of a headwind between sulphur and aluminum.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

And keep in mind on the ASP segment, we had said that the back half of 2025 did have some unusual benefits because some of our competitors had supply disruptions. So, we were able to participate in the swap market and make a higher margin. So, when you're looking at the whole year, just keep that in mind as well. But that does provide a bit of an offset to the benefits you're getting.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Well, the other thing is that, as we've said, just reiterating, what's different this year is we had our turnaround in North Vancouver. The turnaround is over. It was a very successful turnaround. And then we also have upcoming turnarounds in our acid business in the second half of this year. So, we've called that out as well.

GARY HO, DESJARDINS CAPITAL MARKETS

Okay. Great. And then my second question, maybe you can elaborate on your capital allocation priorities. You've been very busy on your NCIB front. Also, maybe just giving us an update on your M&A pipeline. I know there's a preference for water solutions opportunities. Polytec, I think, was done at very attractive multiples, but I know there was an existing relationship there. Any other candidates like those within your pipeline?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

In terms of our capital allocation, we will continue to allocate capital, obviously, towards our distribution. We have been active in the NCIB. We have shared a long-term target of bringing our unit count down to roughly 100 million units. And we're on that path as long as we believe that our units are undervalued, and we believe that's currently the case. So, we'll continue with our NCIB.

We'll continue with our organic growth expenditures. We have been averaging roughly \$50 million the last several years. That money previously went to our ultra-pure upgrades and expansions. Those are largely complete. For the past year or two, our focus has been more on the water side. Our plan is to continue to invest in organic growth opportunities, primarily water. There could be some additional expenditures in ultra-pure, but those would be the two main focus segments.

We had two acquisitions last year. Those acquisitions are going well. This year, what we're doing is getting those integrated into our system, running well. Then our goal is to bring our leverage back down. As our leverage comes down, we will look at another acquisition. We shared that I don't see anything on the horizon this year that would be significant. We could be looking at the next year or two in '27 or '28 but tied to bringing our leverage down. We do have a pipeline of opportunities that we're looking at, pretty much all in water. Again, we like the water space. We see water becoming an even larger part of our portfolio. That will be enabled by our organic growth expenditures, as well as some M&A.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Keep in mind that we've set our target for leverage is 2.5x or lower. At this stage, we're around that level. We have also said that for something strategic, we could let that get into the higher twos, so long as we have a view to bringing it down quickly after something. Next year, there should be some room, but we also have said as we're undervalued, we have no intention of raising equity. That does put a bit of a governor on the size of something we can do, but at this stage, we have the flexibility to focus on the pillars that Scott mentioned, the distribution, the organic growth, and NCIB.

GARY HO, DESJARDINS CAPITAL MARKETS

Great. Okay. Thank you very much. Thanks for those comments.

OPERATOR

Your next question comes from Zachary Evershed from National Bank Capital Markets. Please go ahead.

ZACHARY EVERSLED, NATIONAL BANK CAPITAL MARKETS

Good morning, everyone. Thanks for taking my questions. With the raw material cost pressures within the water segment, how are you balancing the pricing conversations in Polytec or with Thatcher customers, given it's still the first year of integration? You might not want to rock the boat too much in terms of customer retention with the change in ownership.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Well, I would say in the chemical industry, that's a routine thing as your raw materials go up. I think regardless of who the owner of the business is, you have to pass those through.

Yes, we have made those acquisitions. Customers are new to us in those cases, but the relationships, even though we are new to Polytec, those relationships have been in place for many years. And the customers of Polytec and Thatcher understand that as raw materials go up, those have to be passed through. Those customers are also buying from other companies, so they're seeing those same exact increases.

So, you are right. We are spending more time, and the Chemtrade team is spending plenty of time with the Polytec team. Our teams are fully integrated. Chemtrade has done a very good job, in my opinion and our opinion, with our pricing strategies and being effective with that with our customers. We're also working with the Polytec team on that but strengthening those relationships and focused on growth as well as pricing.

ZACHARY EVERSLED, NATIONAL BANK CAPITAL MARKETS

Got it. Thanks. And then, with the turnaround of the North Van plant successfully completed, what was the EBITDA impact there for the four-week shutdown?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

We've given the guidance in the past that it's in that \$15 million range. Now, some of it does depend on what's happening in caustic markets, etc. That's probably still a good ballpark number to use. We will give you more insight when we release our Q2, but at this stage, you can use that as a rough guide.

ZACHARY EVERSLED, NATIONAL BANK CAPITAL MARKETS

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

OPERATOR

There are no further questions, I'll turn the call back over to Scott.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Well, I'd like to thank everyone for their time this morning. I will remind everyone that we have our Annual Shareholder Meeting starting at 10 a.m. At the TSX Center. So, anyone that is available, we would invite you to come join us for that. Thank you for your time this morning. I'd like to also say thanks to our Chemtrade employees and have a good rest of the day.