Chemtrade Logistics Income Fund (TSX: CHE.UN; OTCQX: CGIFF)
Q2 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 second quarter of 2026. We appreciate your continued interest.

Also, on August 13, 2026, we will hold a live question-and-answer call, which will be available via webcast accessible on our investor relations website. Scott Rook, our President and Chief Executive Officer, will provide comments later in this call.

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.

Before we begin, I would like to remind everyone that today's discussion contains 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 by today's comments. Additional information regarding these risks and uncertainties, as well as reconciliations of non-IFRS financial measures, can be found in our disclosure documents filed on SEDAR+. Throughout today's remarks, we will refer to Adjusted EBITDA simply as EBITDA. This format and disclaimer remain consistent with Chemtrade's recent earnings calls.

The update will include a recap of our second 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.

Turning to our results.

The second quarter represented another positive quarter for Chemtrade as our diversified portfolio once again demonstrated its resilience despite continued volatility across commodity and energy markets. Merchant and Regen acid in the ASP segment, alongside Polytec in the WS segment, were strong contributors that provided a significant, although partial, offset to some of the pricing trends in the EC segment and to the high-input cost environment for Water Solutions products. As the exchange rate between the Canadian and U.S. dollars was unchanged year-over-year, it did not have an impact on our results while the biennial maintenance turnaround in North Vancouver negatively affected EBITDA by approximately $7 million.

Overall, second quarter revenue was approximately 17% higher than the prior year while EBITDA was lower by approximately 8%. Excluding the impact of the North Vancouver turnaround, EBITDA was lower by approximately 3% year-over-year.

Distributable Cash after Maintenance Capex of 38 cents per unit was approximately 25 cents lower year-over-year reflecting the lower EBITDA and higher maintenance capex, partially offset by the lower number of units. The distribution payout ratio of 45% for the last twelve months highlights the sustainability of Chemtrade's distributions and the flexibility in our capital allocation options.

Turning now to our segments' results.

Beginning with ASP, our Acid & Sulphur Products segment once again achieved strong profitability and cash flow during the quarter.

ASP revenue increased approximately 32% meanwhile EBITDA increased approximately 22% versus the second quarter of 2025 driven by higher prices especially for merchant and Regen acid that more than offset the higher sulphur costs.

Sulphur prices remain elevated relative to historical levels. However, the combination of contractual pass-through mechanisms, disciplined commercial execution, and operational efficiencies continue to mitigate the higher Sulphur cost in the ASP segment.

Turning to WS, our Water Solutions segment, also delivered positive results despite higher input costs and their impact on margins.

WS Revenue and EBITDA increased by 31% and 13%, respectively year-over-year driven primarily by the acquisition of Polytec as higher selling prices for other Water Solutions products were not sufficient to fully offset the higher input costs. As a reminder, we renew WS contracts on an ongoing basis and continue to expect margin improvement on these renewals over the coming quarters.

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

Turning to the Electrochemicals segment, where results were below those achieved in the second quarter of 2025. This was mainly due to lower prices and netbacks for chlor-alkali products, lower volumes and prices for sodium chlorate as well as the biennial maintenance turnaround at the North Vancouver plant that was safely executed during the second quarter of 2026. As a reminder, prices for chlor-alkali products declined throughout last year implying difficult year-over-year comparables especially for the first half of 2026.

On a MECU basis, netbacks decreased by approximately $350 in the second quarter with approximately 80% of the decline tied to hydrochloric acid and chlorine.

Excluding the North Vancouver turnaround EBITDA impact of $7 million, EC Revenue was 7% lower while EBITDA 26% lower compared to the second quarter of 2025.

Scott will discuss the outlook for key products in more detail.

Corporate costs in the second quarter were lower year-over-year at $24 million versus $30 million in the second quarter of 2025. The decrease is primarily due to lower short-term and long-term incentive compensation.

Turning now to capital allocation and our financial position.

Chemtrade continues to execute a disciplined and balanced capital allocation framework focused on a balance of attractive growth opportunities, returning capital to unitholders, and maintaining a conservative balance sheet.

During the second quarter, we generated strong distributable cash of $42 million while investing approximately $11 million in organic growth projects.

We were active on our NCIB acquiring approximately 1 million units during the quarter and approximately 3.2 million units on a year-to-date basis.

I am also pleased to highlight that at the end of the second quarter, in a capital structure milestone, Chemtrade removed all convertible debt from its balance sheet.

Our balance sheet remains robust, with second quarter leverage of 2.55x and liquidity of over $400 million to support both internal investments and disciplined acquisition opportunities should they arise.

Looking ahead at the balance of 2026.

Due to geopolitical events and the high-price energy environment, prices for several Chemtrade products have seen both price increases and volatility in the first six months of 2026.

As highlighted in our updated guidance, chlor-alkali products are expected to continue seeing price pressures in the second half of 2026. However, reflecting the resilience and stability of our diversified product mix, 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.

It is also worth highlighting that the timing of maintenance capex in 2026 is significantly different than 2025. During 2025, approximately two-thirds of the annual maintenance capex was incurred during the second half of the year, whereas less than half is expected to be incurred in the second half of 2026.

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.

Our second quarter results demonstrate the resilience of Chemtrade's business model and reinforce our confidence in the long-term strategy we outlined through Vision 2030. While market conditions continue to evolve across several of our product lines, our diversified portfolio, disciplined commercial execution, and focus on operational excellence continue to position Chemtrade to generate attractive returns throughout the economic cycle.

These achievements will enable Chemtrade to continue executing towards the 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, none of this would be possible without our employees. Across North America and Brazil, our teams continue to operate our facilities reliably, safely, and efficiently. Their commitment remains the foundation of our success, and I would like to thank every member of the Chemtrade team.

Let me now provide some additional perspective on each of our operating segments.

Beginning with our Acid & Sulphur Products, we continue to view this business as a key growth and cash-generating platform within Chemtrade.

We entered 2026 expecting a more normalized environment following the exceptional conditions experienced last year. However, the business has continued to perform very well. Our teams continue to focus on maximizing margins through pricing discipline, customer relationships, and operational reliability.

Demand for Regen acid continues to be supported by refinery activity across North America. Regen has consistently demonstrated its resilience throughout varying economic environments and we expect stable strong demand going forward.

Merchant acid continues to see healthy demand and benefits from contractual structures that help mitigate volatility of input costs.

Also, note that 2026 is expected to be maintenance heavy for acid assets.

In Ultrapure Acid, we continue to make progress both commercially and technically and are well on track to achieve our targets. I will provide more colour in the growth outlook section.

Sulphur is a key raw material in the ASP segment and prices have increased significantly since the end of 2025. We expect prices to soften slightly but to remain above historical levels in the second half of this year.

Within Water Solutions, we continue to see robust demand in both municipal and industrial markets reflecting non-discretionary use and tightening regulations for these products regardless of broader economic conditions.

However, raw material costs, particularly due to higher sulphur prices, have continued to impact margins in the second quarter. As sulphur prices have risen further in the third quarter and remain elevated, their impact is expected to continue into the second half of this year. However, we renew our contracts on a rolling basis and expect to capture the current high input costs over the course of the next several quarters.

The integration of Polytec is progressing in-line with expectations and we continue to see and respond to multiple growth opportunities.

Across the Water Solutions segment, we have identified and are executing on a number of organic growth projects while maintaining an active acquisition pipeline.

In the Electrochemicals segment, market conditions have been volatile during the first half, and we expect price pressures in chlor-alkali to continue into the second half of this year.

As a result, we have updated our pricing assumptions for the remainder of 2026 to reflect a Northeast Asia index level of approximately US$370 per tonne compared to our prior assumption of US$415 per tonne and the US$435 per tonne realized last year. However, current industry forecasts on caustic soda contract pricing in Taiwan point to improvements starting later this year and continuing into 2029.

Turning to other chlor-alkali products.

Demand for merchant chlorine is relatively steady in the seasonally stronger warmer months while prices are 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. Additionally, industry expectations point to potentially higher demand for hydrochloric acid that can be used as a substitute for sulphuric acid in certain industries.

We continue to expect flat volumes for sodium chlorate in 2026 as demand from the ongoing operations of some of our customers is offset by mill closures. Although disappointing, industry volume curtailments are incorporated into our long-term business plan. Our low-cost production footprint enables a supportive outlook particularly in a high-price energy environment.

Turning now to our North Vancouver chlor-alkali facility where the biennial turnaround was successfully completed during the second quarter. As previously disclosed, Chemtrade’s amended rezoning application received final adoption on July 20th. It allows for continued production of liquid chlorine for another 20 years subject to a new lease with the Port of Vancouver and Chemtrade’s compliance with conditions outlined in the covenants agreed with the District.

In order to comply with the Port lease LOI and the covenants agreed with the District, capital investments are required, including upgrades to the on-site safety of liquid chlorine and new chlorine liquification facilities on the portion of land owned by Chemtrade. While engineering assessment is ongoing, we have preliminary estimates of an investment range of $75 to $125 million.

We recently became aware of the filing of a petition for a judicial review of the District's decision regarding Chemtrade's rezoning application. Chemtrade disputes the legal and factual basis of the Petition and will vigorously oppose the relief sought in the Petition. We also look forward to finalizing our lease agreement with the Port and building permits with the District of North Vancouver to secure continued liquid chlorine operations and uninterrupted municipal water safety in Western Canada.

Organic growth remains an important pillar of our strategy and, as discussed in prior updates, 2026 organic growth investments will be primarily directed towards strategic projects in Water Solutions. We invested approximately $11 million during the second quarter and $17 million during the first half of this year versus a full year plan of $40 to $60 million.

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. The plant in Augusta, Georgia is a notable example of these types of projects, and we are happy to share that the plant is running well and expect that it contributes to incremental growth in coming quarters.

In Ultrapure Acid, we continue to make commercial progress with two of the four largest semiconductor manufacturers and have already met their specifications. We have also passed several important qualifications steps and are actively progressing through the qualification process with two other leading semiconductor manufacturers.

In addition to organic growth, we remain active in evaluating strategic acquisition 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 is active and focused on water-products acquisitions that offer strategic fit, 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 any additional costs, if necessary. Additionally, we highlight the significant cost advantage of our export products.

In conclusion, Chemtrade remains on a solid footing with a product mix that provides the cash flow stability to advance multiple growth opportunities. We similarly remain on track to deliver on Vision 2030 targets as organic growth projects and acquisitions will more than offset the pullback we have seen in the chlor-alkali market.

Our priorities remain unchanged and focused on operational and commercial excellence, identifying and executing on growth opportunities, and maintaining a conservative balance sheet while returning capital to our unitholders.

Thank you once again for your support and continued confidence in Chemtrade.

OPERATOR

Good morning, ladies and gentlemen and welcome to Chemtrade Logistics Income Fund second quarter 2026 Q&A portion of the conference call. At this time, all lines are in listen-only mode. If at any time during this call you require immediate assistance, please press star 0 for the operator.

This call is being recorded on Thursday, August 13, 2026. I would now like to turn the conference over to Rohit Bhardwaj, Chief Financial Officer. Please go ahead.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Thank you, Vincent. Good morning, everyone. Thank you for joining the Q&A session of Chemtrade's second quarter 2026 results.

Our news 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 non-cash items that have unrealized foreign exchange gains and 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 your questions. Vincent, can you open up the line for Q&A?

OPERATOR

Ladies and gentlemen, for questions, you have to press star 1 on your telephone keypad to queue up. Again, that will be star, then the number 1 on your telephone keypad to queue up.

Your first question comes from Steve Hansen from Raymond James.

Please go ahead.

ROBERT MURPHY, RAYMOND JAMES

Hi, team. Thanks for the time. It's Robert on here for Steve.

So, just wanted to start off on the water solution side. You noted that sulfur has risen further in Q3, although you're seeing some softening through the balance of the year. So, just given the lag in repricing the water solutions book, when do you now expect the maximum margin pressure from sulfur to kind of occur?

And then, as contracts roll over, when should we expect the margin profile to begin showing a meaningful sequential recovery?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

I'll take that. Good morning, Robert. So, appreciate that.

This is Scott. Sulfur, as we know, has risen. It's jumped up considerably close to all-time highs.

The outlook for sulfur is that – the outlook is that it's at its peak. And then, at some point here before long, it's going to come down. We obviously don't know that, we'll see. Our expectations are that sulfur is not going to go higher. That's our expectation, and that it will fall.

We are – as you know and others know – as we sell to city municipalities across North America, we sell on annual fixed prices. And we sell to over 1,000 customers. Our contracts are being renewed all the time, every month. The contracts that are being renewed right now are built and based off of our outlook for sulfur, which is at close to an all-time high. Those contracts are rolling on, and they'll be good for a year. We work very aggressively to raise price as we can based on raw materials.

And then, in our water business especially, we tend to hold on to those price increases over time as raw materials fall. We're not expecting future increases, but every contract that's coming on is based off of the latest high raw material profile.

ROBERT MURPHY, RAYMOND JAMES

Okay. Got it. Thanks.

That's great. Great colour there. Just shifting to North Van quickly.

So, of that $75 million to $125 million capital requirement that you disclosed, can you help us just frame the expected phasing of that spend over the next several years? And then, how much should we think of that balance as truly incremental capital versus maintenance or growth spending that would otherwise have kind of been incurred there in North Van over those years?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our plan had been to deploy that capital over roughly a four-year period, and that would be done primarily in conjunction with our turnarounds, which would be every other year. So, our plan had been to deploy that capital primarily in ‘28 and in ‘30.

As we deploy that capital, we would also be spending a little bit less on our maintenance capital there. There is some overlap between the capital that we have for the safety upgrades as well as, let's say, our normal turnaround costs.

With the injunction that's been filed, what we're expecting is that there's going to be a hearing based on that injunction, we believe, next year in ‘27, and then a decision would come four to six months after that. If the decision is favorable that would still work out for us with the plan that we had to deploy capital in ‘28 and ‘30. If that timing did not work out, then that could have an impact on the ‘28 spend.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

I think the one thing I'll add to that is part of our capital that we have put in place is to put in liquefaction capabilities on our own land. So, that'll be brand new equipment, and we'll stop using the older equipment on the port side. So, that just tells you in the future that it will require less maintenance for the first several years because of the brand new equipment.

ROBERT MURPHY, RAYMOND JAMES

Okay, great. Thanks for the colour. I'll pass the line. Thank you.

OPERATOR

Your next question comes from Joel Jackson from BMO Capital Markets.

Please go ahead.

JOEL JACKSON, BMO CAPITAL MARKETS

Hi. If we did that CapEx plan at North Van in ‘28, 2030, kind of lumpy, would we expect CapEx for the next four years to look like something like $185 million next year, $235 million in ‘28, $185 million in ‘29, what did I say, $235 million in 2030, something like that?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Joel, one of the things is there'll be one disconnect between us recording CapEx and cash flow because we may be ordering some long lead time items, et cetera. So, it's hard to tell you exactly how the cash flows will line up, but as we get further into the engineering in the next few months, we can definitely provide a little bit more granular timing for you to model it out.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yeah, that's right. I think we can be clear with that, but I do want to emphasize that the spend, particularly in '28, will be impacted based on the outcome of the injunction or the hearing that would be next year.

JOEL JACKSON, BMO CAPITAL MARKETS

Okay. So, your guidance is that EBITDA would be about flat with last year. You're trailing down, I think, $15M to $20M EBITDA year-over-year for the first half of the year.

So, you have to make that up in the second half of the year. Can you talk about which of the business, segments are you going to see that EBITDA growth the most? And maybe you can talk about Q3 versus Q4 cadence for the growth.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

I think one thing to keep in mind is in the EC segment, prices for chlor-alkali were trending down all through last year, so all through 2025, which means that the first half comparisons in 2026 were up against tougher comparables in 2025. But as those prices were declining during the back half of 2025, and now they're kind of stable, we're picking up some of that gap just because those lower prices were reflected in the second half of 2025. So, most of what we are talking about, that normalization will happen within the EC segment.

We expect right now that the Acid segment will continue to outperform last year. So, there'll be some of that coming from there, but a big chunk of that will come from EC.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

And to add on to that, we had a relatively heavy turnaround schedule in the first half of this year. That will be lighter, and that's in our news release as well as we look at the second half of this year.

JOEL JACKSON, BMO CAPITAL MARKETS

Just to sneak one more in. If we think about 2027, just building blocks for our bridge. We don't know what cost to price will be and things like that, but can you think of things that are clear for bridge items, like of course, the $7 million for the North Van. The turnaround won't be there next year. We'll be getting up from ultrapure.

Can you just give some building blocks for what 2027 puts and takes, ignoring commodity investments?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

That's right. So, I'll start with water, and I think that based on the movement of raw materials and the fact that where our contracts are, and what's happening with contracts that are rolling on right now, I think it's fair to say that the outlook for water will be strong. So, I think as you build your model, I would start with that.

I would also build and say that, as we've highlighted, ultrapure, we are ramping up supply to two fabs, two chip producers in the second half of this year. So, that goes in there.

Acid will continue to be strong. Regen should continue to be strong.

We're obviously not going to have a turnaround in North Vancouver.

I think it's fair to say we don't know, and no one knows what's going to happen with chlor-alkali, in particular caustic pricing. But what we can share is what the industry experts look at and what we know is that caustic pricing over time, it has a very high correlation with oil, naphtha, and natural gas prices coming out of the Middle East.

There's very high correlation there. So, that would lead to some general, let's say, the outlook is that there will be some modest pickup with caustic, and I think that's a reasonable assumption.

JOEL JACKSON, BMO CAPITAL MARKETS

Okay. Thank you.

OPERATOR

The next question comes from Hamir Patel with CIBC Capital Markets. Please go ahead.

HAMIR PATEL, CIBC CAPITAL MARKETS

Hi. Good morning. Scott, the potential hydrochloric acid demand-growth that you pointed to as a substitute for sulfuric acid in certain industries, how meaningful could that be?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Hamir, so the substitute for hydrochloric, I'm trying to think what comment I might have made.

HAMIR PATEL, CIBC CAPITAL MARKETS

I can follow up with Rohit after on that. But the other question I wanted to ask about was, I know Canfor is closing their Northwood mill later this year.

I'm guessing you're freight advantage to have been a supplier there. So, what percent of your EC volumes would likely need to be repositioned, and I'm guessing, perhaps, less favorable margins on wherever else you have to position it?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

We won't comment on any specifics with customers, but what we will say is that, as we shared in our guidance, our volume outlook for chlorate for this year is generally flat, maybe slightly ahead, and that's unchanged for the rest of this year. And as we look out into next year, we won't give specific comments other than to say that it is in the news that Canfor is closing the Northwood mill. It's possible that some of that volume might be moved to one of Canfor's other mills.

But we, and the industry, have seen mills continue to close, you know, one to a couple a year for the past many years. And so, that has continued to be built into our model.

And over the past several years, the industry has been rational, and I would expect that to continue to happen.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

And the only thing I'll add is, as you may recall from last year, we actually did discontinue producing sodium chlorate at Prince George, which is on site with Canfor. And that was a decision we took last year. And so, we are supplying chlorate from our one plant that is in Brandon, Manitoba.

We do some dissolving, as we had said, in Prince George but the trade advantage that you referred to is not as significant because we did discontinue producing at Prince George.

HAMIR PATEL, CIBC CAPITAL MARKETS

Okay. Fair enough. Thanks. That's all I had. I'll turn it over.

OPERATOR

Your next question comes from Gary Ho from Desjardins. Please go ahead.

GARY HO, DESJARDINS CAPITAL MARKETS

Thanks. Good morning. I just wanted to go back to the North Van injunction and hearing. Just curious if you can elaborate who the other party is. You know, is it residents of the region or someone else? Just wanted to see how confident you are in getting a favorable decision there.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

So, what we can do, we can point you to the application for judicial review is actually a public document that you can look at. I don't think we want to get into the specifics other than saying that what we said in the news release is that, we will, we intend to become joined to that action and basically defend it and oppose the relief being sought. But I don't think we want to get more specific than that.

But if you are unable to find the judicial review, we can, after the call, we can send you a link to it. But it is public information.

GARY HO, DESJARDINS CAPITAL MARKETS

Okay. Great. And then maybe just going back to the $75, $125 million CapEx. Any risk of that CapEx spend moving higher or cost overruns, et cetera.

Just wanted to see, you know, the work you've done to lock down the scope and our pricing just as you spend this over the next couple of years.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yeah. So, Gary, I would say that we feel comfortable with that range. That's a fairly broad range and we do feel comfortable with that.

That's an initial number. We are, right now, our team is moving ahead and we're pretty far along in the design phase of that capital, of those several capital projects. And then the next step after the design phase is to move into what we call the detailed engineering. And from that, we get a cost estimate and we would start to pinpoint that number with a more narrow range than what we have there. So, with that, we have, I think we feel comfortable with that range. We are moving ahead with the detailed engineering work.

We are also moving ahead to request the building permits from the district. So, we want to go ahead and move quickly, request the building permits, get those approvals, and then make decisions about how we move forward with that spend primarily for ‘28.

GARY HO, DESJARDINS CAPITAL MARKETS

Okay. And then maybe as a related question, as this construction and upgrades are being done, any risk that the facility needs to be paused as you're doing these upgrades or business as usual?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our plan is to be business as usual. So, the plan that we have would be to do, our plan has been to do the majority of the work in ‘28 and ‘30, as I mentioned. And with our plan there would be minimal to no impact on our regular business cycle.

GARY HO, DESJARDINS CAPITAL MARKETS

Okay. And if I can sneak just one more in. Scott, you mentioned just on the caustic side, very high-level comments, but anything else that you can share in terms of dynamics there, expectations for pricing recovery later this year into next year, et cetera?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yeah. The outlook is for gradual and modest increase in caustic soda, which I think makes sense and is rational, and we'll see as that plays out. The caustic market has been somewhat volatile.

A lot of the volatility has been coming from increased production of PVC in China, and we don't need to go into too many details there, but if you have questions, we could follow up with that. But there has been an increase in production for what we've seen in China in PVC, and that has been having an impact. As you and others know, in May of this year, we saw caustic prices jump by $150 a ton.

So, they had been at $350 or a little lower in Q1. After the campaign in Iran started, those prices jumped up to $500, and that there was a view that that was going to be in place for a while. And then what we saw is that China got involved in the market, particularly with PVC, and then in caustic prices have fallen. So, I'll just leave it with that.

The outlook is for gradual increase in caustic soda prices, and we're hopeful that that's the case, and if you want to discuss that further, we can certainly follow up with you.

GARY HO, DESJARDINS CAPITAL MARKETS

Okay. Great. Those are my questions. Thank you.

OPERATOR

Again, if you would like to ask a question, please press star then the number one on your telephone keypad.

Your next question comes from Zachary Evershed with National Bank of Canada. Please go ahead.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Good morning, everyone. Thanks for taking my question. Understanding that you wouldn't want to speculate on potential outcomes at this point, can you maybe comment on why you weren't named as a respondent in the judicial review?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

The judicial review is, what the applicant is asking for is the court’s judicial review into the decision-making of the city council. So, we are not part of that decision-making, so that's why we were not named, but we are going to be asked to be joined to that, but in the end, it does pertain to our facility. It's not unexpected that we wouldn't be named because it's really a review of the decision-making of the council.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Understood. Thanks. And then with the last of the convertible debentures eliminated, do you plan to accelerate your buybacks under the NCIB?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

So, when we look at our capital allocation, you know, we look at organic growth opportunities in front of us. We look at our distribution policy and we look at obviously for buybacks and we look at leverage. So, we were buying very aggressively when our leverage was 1.7x, but then we obviously did a very value-added acquisition of Polytec. So, our leverage now is 2.5x. So, you know, when we allocate stuff, we do balance the whole thing. So, at this point, we feel the current rate of buying is consistent with our leverage targets and all the other uses of capital we have, but that's the only reason why we've tempered it a little bit from where we were with 1.7x levered.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Gotcha. Thanks. I'll turn it over. Thank you.

OPERATOR

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

ROBERT MURPHY, RAYMOND JAMES

Hi, guys. Thanks for the quick follow-up here. So, just on Cairo, how should we think about the utilization ramp there kind of over the next – and through the back half of this year into next year?

And then the release mentioned that you're progressing with a couple additional fab manufacturers. How should we think about that as far as, like, do you need those customers basically to hit your return utilization metrics, or is your existing kind of book of business sufficient to hit that? Thanks.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

The colour that I'll add is we are ramping up in the second half of this year sales to two of the advanced node chip producers in North America. We're very excited with that.

I think this puts us on the schedule that we had for the ramp-up of the plant. I think that's exciting news. We're qualified, if you will, to supply acid to the most advanced chips that are being produced in North America.

I'm not going to share comments in terms of what's going to be the rate of the facility. But as we go into 2027 and into '28, our view is that Cairo will be filling up quickly. I'll just leave it at that.

But it's very exciting to be selling those to two of the most advanced node producers in North America. And then we continue to work with others. And we would expect that we'll have other qualifications as we move into 2027.

ROBERT MURPHY, RAYMOND JAMES

Okay, great. Thank you very much. Okay.

OPERATOR

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

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Vincent. And I'd just like to say thanks to everyone for joining the call today. Thanks to the Chemtrade team for the very strong results in Q2 and wish everyone a nice day. Thanks.

OPERATOR

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.