Chemtrade Logistics Income Fund (TSX: CHE.UN; OTCQX: CGIFF) Q3 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 third quarter of 2026. We appreciate your continued interest.

Also, on November 16, 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 CEO, 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 our comments contain 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 these 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 the remarks, we may refer to Adjusted EBITDA simply as EBITDA. This format and disclaimer remain consistent with Chemtrade's recent earnings calls.

I will begin with a review of our third quarter 2026 financial results, segment performance, capital allocation, and financial position, followed by our outlook for the remainder of 2026. Scott will then provide additional commentary on our operating segments, key products, and growth initiatives.

Turning to our results.

Chemtrade delivered another stable quarter, with our diversified product mix continuing to demonstrate resilience amid ongoing volatility in commodity markets and elevated raw material costs.

Contributions from the acquisition of Polytec in the WS segment and sulphur products in the ASP segment, along with lower corporate costs were positive contributors to EBITDA, but were more than offset by the softness in EC segment products and higher input costs for water products in the WS segment. The weaker Canadian dollar relative to the U.S. dollar, positively affected revenue and EBITDA by approximately $7.5 and $2 million, respectively.

For the third quarter, consolidated revenue was 19% higher year-over-year to $633 million while EBITDA was 4% lower to $145 million. Excluding the impact of foreign exchange revenue was 17% higher and EBITDA 5.5% lower on a year-over-year basis.

Distributable Cash after Maintenance Capex of 68 cents per unit was in-line with last year reflecting lower maintenance capital and unit count that were offset by the lower EBITDA.

Turning now to our segments' results.

In the ASP segment, revenue growth of 29% after adjusting for foreign exchange was driven by higher selling prices for merchant and Regen acid as well as sulphur products. EBITDA growth of 2% after adjusting for foreign exchange was primarily driven by contribution from sulphur products.

As you may recall, ASP has an unusually strong comparative quarter with elevated volumes and prices due to competitive outages at that time.

Sulphur prices remain elevated relative to historical levels although they have eased off historical highs in Q4.

In the WS segment, the revenue increase of 32% after foreign exchange was driven by Polytec and higher selling prices for water products. However, elevated raw material costs remained a headwind on EBITDA, which was approximately 3% lower year-over-year after adjusting for foreign exchange.

As previously discussed, high input costs related to sulphur and aluminum, have negatively affected the profitably of water products. Throughout 2026, we have passed a substantial portion of the high raw material costs in water products as higher selling prices offset approximately 80% of the higher input costs. We expect a gradual normalization of raw material costs especially as sulphur prices have recently eased from the historical highs experienced during most of 2026.

WS remains the focus of our growth strategy tied to the Vision 2030 strategic framework.

Turning to Electrochemicals, or EC.

Results were below the prior-year period, primarily reflecting lower netbacks for chlor-alkali products as well as lower volumes for sodium chlorate.

As a reminder, prices for chlor-alkali products declined throughout last year implying difficult year-over-year comparables in 2026.

On a MECU basis, netbacks decreased by approximately $260 in Q3 with approximately 95% of the decline tied to hydrochloric acid and chlorine.

Excluding foreign exchange, EC Revenue was 4% lower while EBITDA was 22% lower on a year-over-year basis.

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

Corporate costs in the third quarter were lower year-over-year at $22 million versus $35 million in the third quarter of 2025. The decrease is primarily due to lower long-term incentive compensation accruals.

Note that corporate cost will see a small increase in Q4 related to expenses tied to the corporate conversion process.

Our capital allocation framework remains focused on a balanced approach between investing in attractive growth opportunities, returning capital to unitholders, and maintaining a prudent balance sheet.

During the quarter, Chemtrade invested approximately $9 million in organic growth projects. We were also active on our NCIB purchasing approximately 1 million units in the third quarter and approximately 4.7 million on a year-to-date basis.

Our balance sheet remains in sound shape with on-target leverage of 2.5x and plentiful liquidity of over $460 million. Subsequent to quarter end, we took steps to further strengthen our balance sheet by the issuance of $200 million of 5.75% coupon notes that mature in 2032. We also upsized our senior credit facility by US$100 million and extended the maturity by one year. It now matures in November 2031. These initiatives provide us with additional financial flexibility.

As previously discussed, we remain comfortable with our financial outlook and would consider extending our leverage into the high 2x range for strategic opportunities that fit our growth strategy.

We are tightening our 2026 Adjusted EBITDA guidance to between $495 million to $515 million, subject to the updated assumptions outlined in our disclosure documents. The outlook reflects ongoing re-pricing and contribution from acquisitions in the WS segment, sulphur pricing in the ASP segment, and the ongoing pricing pressures in chlor-alkali products.

Despite the very dynamic macroeconomic and geopolitical factors that affected our products throughout 2026, our EBITDA guidance remains essentially unchanged at the guidance mid-point and, yet again, underscores the resiliency and stability of our diversified product mix.

With 2026 nearly complete, we expect a substantial improvement in the fourth quarter over the same period in 2025.

I will now turn it over to Scott to provide additional commentary on our operating performance, outlook, and strategic priorities.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Rohit.

Our third quarter performance reflects the resilience of Chemtrade's diversified portfolio and the continued dedication of our employees across North America and Brazil. We remain focused on safe and reliable operations, commercial excellence, and disciplined capital allocation.

Our strategy continues to be guided by our Vision 2030, which targets mid-cycle EBITDA of $550 million to $600 million by the end of the decade, supported by an average annual growth of 5% to 10% in EBITDA and Distributable Cash.

We continue to evaluate opportunities that will further improve our earnings' quality and resilience over time.

Within ASP, we continue to focus on operational reliability, pricing discipline, and maximizing cash generation across our acid and sulphur businesses.

Regen acid benefits from demand associated with refining activity, while merchant acid serves a broad range of industrial customers. Our contractual structures and commercial approach help mitigate movements in input costs, although market conditions and maintenance activity can influence quarterly results.

As previously highlighted, merchant acid's comparative quarter last year was particularly strong due to non-repeating volumes related to competitor outages at that time while regen will experience heavy maintenance activity at key customers during the second half of 2026.

Ultrapure acid remains a significant long-term opportunity. Our investments in Cairo, Ohio and Tulsa, Oklahoma are bearing fruit as I will discuss in our growth outlook.

Sulphur costs remain an important consideration for both ASP and Water Services. We continue to use pass-through mechanisms, contract renewals, and operating efficiencies to manage the impact on margins from the significantly elevated sulphur prices. On that note, we have seen sulphur prices ease from the peak in Q4 with softening expected into 2027.

Water Solutions remains a central pillar of our growth strategy. Demand across municipal and industrial markets continues to be supported by the essential nature of water treatment and tightening regulatory requirements.

Our 2025 acquisitions have expanded our customer reach and service capabilities. We remain focused on the smooth integration of Polytec and realizing further operational and commercial benefits.

Higher sulphur prices have created near-term margin pressures. As contracts renew, we expect to progressively recover these costs over the coming quarters particularly if sulphur returns closer to its historical pricing levels.

Organic growth remains a priority in water with expansion projects intended to address municipal and industrial customer demand for more specialized products. We also continue to evaluate inorganic opportunities that strengthen our existing platform, offer compelling strategic fit, and provide attractive returns.

In EC, market conditions remain dynamic and volatile, particularly across chlor-alkali products.

Caustic soda pricing continues to be influenced by oversupply in Asian markets although elevated shipping and freight costs provide an offset and support for Chemtrade's locally manufactured product. While near-term pricing is expected to remain soft to the end of 2026, industry forecasts indicate potential improvement in early 2027 and into 2028.

As a result, we have updated our pricing assumptions for the remainder of this year to reflect a Northeast Asia index level of approximately US$365 per tonne compared to our prior assumption of US$370 and the US$435 per tonne realized last year.

Chlorine pricing has been moderating while demand remains subject to market conditions especially in the low-seasonality fourth quarter.

Hydrochloric acid has seen generally steady-to-positive demand across North America due to geopolitical impacts on fracking activity. Chemtrade's customer base is more closely tied to Western Canadian oil and gas activity that has recently experienced a relative improvement in rig count as well as renewed interest and support from public and private sources.

We continue to expect flat to slightly moderating volumes for sodium chlorate this year. Although the industry remains affected from structural changes and curtailments in the pulp and paper industry, our low-cost production footprint supports a strong cash flow profile.

At the North Vancouver facility, our priorities remain unchanged as we seek to secure long-term liquid chlorine production. As previously disclosed in the second quarter update, preliminary estimates for the required capital investment are in the range of $75 million to $125 million.

We look forward to finalizing our lease agreement with the Port as well as development and building permits with the District of North Vancouver to secure continued liquid chlorine operations and uninterrupted municipal water safety in Western Canada. Further updates will be provided as appropriate.

We have continued to invest in organic growth with approximately $9 million during the third quarter and $26 million in 2026 year-to-date. Our full year organic growth investment plan remains approximately $35 to $45 million.

Organic growth is an important component of our Vision 2030 framework and we are expanding capacity in water 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 new plant in Augusta, Georgia is a notable example of these types of projects and we are happy to share that the plant is now producing commercial quantities of products intended for the poultry industry.

In Ultrapure Acid, we are selling commercially to two of the four largest semiconductor manufacturers and are actively moving through product qualification with two others. We

believe that Ultrapure Acid continues to represent a strategic growth opportunity, supported by increasing semiconductor manufacturing capacity in North America.

As previously shared, in addition to organic growth, we remain active in evaluating strategic acquisition opportunities with an active pipeline focused on water-products that provide strategic fit, synergies, and attractive returns.

Over the past few years, Chemtrade has transformed through reliability and productivity improvements, pricing discipline and organic growth investment as reflected in the significant step up in EBITDA and Distributable Cash.

We intend to continue this transformation by converting from an income trust to a corporation, which we believe will, among other benefits, broaden our investor base. Following the conversion, and subject to Board approval, we expect to continue our balanced approach to capital allocation, including eligible dividends, share repurchases, and growth investments. We encourage all unitholders to vote in favour of the conversion.

As previously discussed, all of the products that Chemtrade exports to the United States 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.

Chemtrade enters the final quarter of 2026 with a diversified portfolio, a strong operating foundation, and multiple opportunities to create long-term value.

Our priorities remain unchanged and focused on operational and commercial excellence, disciplined investment in organic growth, selective acquisitions, prudent balance sheet management, and meaningful return of capital to unitholders.

We believe these priorities position Chemtrade to navigate current market conditions while continuing to execute toward Vision 2030.

Thank you for your continued interest and support.

QUESTIONS AND ANSWERS

OPERATOR

Good morning, ladies and gentlemen, and welcome to Chemtrade Logistics Income Fund Third Quarter 2026 Q&A Portion of the Conference Call. At this time, note that all participant lines are in a listen-only mode. If anyone has any difficulty hearing the conference, please press star 0 for operator assistance at any time. And I would like to turn the conference over to Rohit Bhardwaj, Chief Financial Officer. Please go ahead.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Thank you, Sylvie. Thank you for joining the Q&A session of Chemtrade's third quarter 2026 results. 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, as the 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 regulator and available on sedarplus.com.

One of the non-IFRS measures we will refer to today 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 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. Thank you. Operator?

OPERATOR

Thank you.

Ladies and gentlemen, if you do have any questions, please press star followed by 1 on your touchtone phone. You will hear a prompt that your hand has been raised. And should you wish to decline from the polling process, please press star followed by 2. And if on a speakerphone, you will need to lift the handset first before pressing any keys. Please go ahead and press star 1 now if you have any questions. Thank you.

And your first question will be from Joel Jackson at BMO Capital Markets. Please go ahead.

JOEL JACKSON, BMO CAPITAL MARKETS

Hi, good morning, everyone. I know it's a little early for '27. I was wondering if you guys can give us a little bit of high-level puts and takes on the three businesses and corporate costs directionally, higher, lower, neutral, '27. What should we expect for the businesses and corporate costs relative to '26?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Hey, Joel. Good morning. This is Scott. I'll start with water chemicals, and I'll say that the biggest impact on the water business, we believe, for next year will be the impact of sulphur. So, we've already seen sulphur prices drop, and our anticipation is that sulphur is going to be lower in '27, and I think that's going to have a positive impact on the water business next year. Obviously, how much will depend on the impact of sulphur.

As you and others are aware, in water, we price our water treatment chemicals at a fixed price for the year. Sulphur is a major component of that and so our team has been raising price all year long tied to sulphur. Those prices now are good for one year. So, if sulphur drops, that will benefit the business. And then secondly, in water, we have continued to invest in our organic growth projects. And next year, we'll see the full year benefit of those organic growth projects.

When it comes to acid, we'll see on the regen side, continued strength in the business. We might see a bit of an uptick in volume, but basically steady and strong. That's positive. We'll see a pickup in ultrapure relative to other businesses. It'll be modest, but definitely a pickup. I've shared that we have two qualifications now We're very happy to report and we're working on others. So, a little uptick in ultrapure. And then with merchant acid, we'll probably see some moderation in merchant acid as sulphur prices decline.

And then in Electrochem, number one, we will not have a turnaround next year. So, that's positive. There's a lot of uncertainty in caustic. We know that CMA is forecasting for caustic prices to rise. That'll be a nice thing, but it's unknown right now. Chlorine, probably continued weakness. Don't see a lot of movement up or down in chlorine. And hydrochloric will be a function of fracking activity. So, to the extent that's strong, that'll be a pickup here.

But those are the major pieces, I think, that'll have an impact on our business next year.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

I think on the corporate side, as you asked, we expect it to be somewhat flat. We aren't expecting any big changes from year-to-year, from this year to next year. 2025, as you know, corporate costs were very high because we had the big run-up in the unit price. And obviously, another big run-up, that'd be a nice thing to have. But other than that, we don't expect much of a difference.

JOEL JACKSON, BMO CAPITAL MARKETS

Okay. And then my second question before I pass the baton here would be, we all know what's happened with North Van with the approvals. Can you update on, one of the lawsuits, I think that is going to go forward and any timelines, expectations? I know it's a public forum, but if you can provide the market to what we should expect.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Sure can. There has been a judicial review that's been filed against the district of North Vancouver. Chemtrade are not named in that judicial review. We are assisting the district, though, in that process. And so, we don't have a lot of specifics, but I can share that we are anticipating that will go in front of a judge around mid-year next year, and then after the judge hears the case, then the judge would have three to four months to write a decision and make that public. So, that's the timing of what we're saying. So, go in front of a judge, maybe mid-year, plus or minus a few months, and then three or four months for a decision.

JOEL JACKSON, BMO CAPITAL MARKETS

Just to follow up on that. Sorry. So, that would mean, I know you've talked about having the big CapEx there around safety and liquefaction in 2028 and 2030. Is that what you're still – you talk about a year here – but would that impact your '28, prior disclosure of your '28 plans, or is it right on pace?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

I would say it would be consistent with that we could still execute our '28 plans. Might have an impact. So, we would, in '27, we should be there are some pieces of equipment that we would basically order in advance, so long lead time items, and so we would have to check on that, which we're already working on, to see if we would feel comfortable ordering advanced long lead time items next year. But basically, our plan had scheduled to do the majority of the work in '28 and in '30, and so tie it into two of the annual turnarounds. Not the annual turnarounds, the biannual turnarounds.

JOEL JACKSON, BMO CAPITAL MARKETS

Okay. Thank you.

OPERATOR

Next question comes from Hamir Patel at CIBC Capital Markets. Please go ahead.

HAMIR PATEL, CIBC CAPITAL MARKETS

Hi, good morning. Just following up on that earlier question. Appreciate all the all the product details, Scott, you provided about 2027, but when you put all those pieces together, would that suggest arrow up for EBITDA next year?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

So, basically, yes. I think, Hamir, I won't comment on the magnitude of the arrow up because we'll be releasing the magnitude of the arrow up in January, but generally, yes, I think that points to arrow up next year.

HAMIR PATEL, CIBC CAPITAL MARKETS

Okay. Great. Thanks. And, Scott, on the ultrapure side, you referenced you're going through qualifications with, I think, two of the other four large semiconductor manufacturers. Any sense as to timing of when that process will likely complete?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Great question. And, hard to say, probably don't want to answer a specific because we're involved in that process. I would just say we are working, very, very closely with those OEMs and with samples and working on approval processes, and we are planning on more approvals. I'll just say, in 2027. And as the other two are ramping up their volume, we're expecting more approvals to come in. I'll just leave it there, if that's all right.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

I'll just add, using your arrow up comment, for ultrapure, we definitely expect the arrow to be up in '27 versus '26. The actual ramp will depend on how quickly these things happen, but we are expecting upward movement from a contribution margin perspective.

HAMIR PATEL, CIBC CAPITAL MARKETS

Okay. Fair enough. Thanks. I'll turn it over.

OPERATOR

Next question comes from Ben Isaacson at Scotiabank. Please go ahead.

BEN ISAACSON, SCOTIABANK

Thank you very much, and good morning. Thank you for going straight to Q&A. It's a great best practice.

I have two questions. The first question is on your segments. If you were to assume bottom of the cycle commodity prices or margins, are each of those businesses free cash flow neutral or positive? And is that an ambition of yours if they're not? And can you just talk about that? Thank you.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

Yes. So, I'll give you the answer first, but I'll give you a bit of color afterwards. So, the answer is absolutely not even close to not being on the positive side. I think when you look at the segments, the ASP segment doesn't tend to have the full effect of cyclicality, because merchant acid is structured with risk-share contracts. So, it dampens the ups and downs. And on the regen side, it really does not if you look at refinery operating rates, they really don't cycle very much, in the sense that even in a recession, the demand is very resilient because people still drive a lot, and you may get a couple percent impact on refinery utilization rates. And given the nature of our contracts that are long-term and really

pass through of all costs with potential for margin improvement as contracts roll over, so that segment, you really don't worry too much about cyclicality.

On the water side, there is a bit of a cyclical impact which is counter-cyclical, because we have fixed-price, one-year fixed-price selling prices and costs can go up and down. But if you look at it over a cycle, once costs start to come down, we actually improved margins. So, again, not even close to being worried about it not being positive.

And then you've seen chlor-alkali, you've seen our assumptions of a good example is 2026. We are saying we're expecting our MECUs to be down by almost $285 per MECU, and you're still seeing, the numbers they're putting out. So, and I think it's very hard to argue that we're not at or very close to the bottom, even with noticing your cost ticket is at $300. So, yes, that's a little bit of more color for you, but I don't want to just give the answer yes or no, because I want to give you the answer that there's a huge buffer in the business, and that's not something to worry about.

BEN ISAACSON, SCOTIABANK

That's super helpful. Thank you, Rohit.

And then just my second question, I guess I want to ask Joel's question in a different way. If there were no changes to commodity prices, do, or even to margins, do each of your segments have a little bit of volume growth next year, or is that not the case?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

So, I'll comment on that and I would say no. If we look at chlorate which goes into the pulp and paper, we are not seeing volumes in pulp and paper increase. In fact, we continue to see slight volume reductions year-over-year in chlorate and so we'll anticipate that even as we go into next year.

With North Vancouver, with our chlor-alkali plant, we take a turnaround every other year but other than that, we see caustic volumes. We run the plant close to capacity and so our caustic volumes are relatively stable because we're running close to capacity and then we can shift our chlorine between chlorine and hydrochloric. Our preference is to sell as much hydrochloric. I've said that many times before, preference is to sell as much hydrochloric into the fracking industry as we can, and then we sell chlorine after that.

So, let's see what else, I think that covers that. Volume growth for sure in water, and then, yes, modest in regen, modest in merchant, and then ultrapure volumes will be up.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

And I guess I'll just add one thing to that, is just to pick up on what Scott was saying. There is a potential for favorable mix, if fracking starts to get stronger, then we could shift chlorine into HCl, and even though the overall volume stays the same, it's beneficial. And even in water treatment, we are focusing a lot on some of the more specialized

chemistries, and there, even if overall volume doesn't grow that much, you can pick up some margin on the higher-end products that we're trying to invest more in.

BEN ISAACSON, SCOTIABANK

Great. Thanks so much. I'll pass it on.

OPERATOR

Next question comes from Frederick Tremblay at Desjardins. Please go ahead.

FREDERICK TREMBLAY, DESJARDINS CAPITAL MARKETS

Good morning. Thanks for taking the questions.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Good morning.

FREDERICK TREMBLAY, DESJARDINS CAPITAL MARKETS

Good morning. As the $75 million to $125 million North Vancouver program ramps starting in the coming years, should we expect any meaningful trade-off with growth capital, acquisitions, buybacks, or potential distribution growth? Just curious how you think about capital allocation then.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes. Good question. What governs us with that is basically our overall strategy for Vision 2030, which is to grow our earnings and to keep our leverage roughly at the two and a half target level. That $75 million to $125 million is a number that will be spread out, between now and 2030. That's not going to be spent all in one year. That will be, to spread it out over four, possibly five years. It's a relatively modest number, but what will govern us, if you will, is making sure that we're delivering the earnings and our earnings growth that we've targeted as well as our leverage. But we intend to continue with the NCIB and continue to invest in organic growth, but we'll let our leverage guide us in terms of the magnitude.

FREDERICK TREMBLAY, DESJARDINS CAPITAL MARKETS

Perfect. Thanks for that. And I wanted to ask about the potential M&A, specifically in Water. Just following Polytec, what sort of capabilities or geographies are you most interested in terms of the water solution segment, and how should we think about valuation thresholds for potential M&A going forward?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Alright. Well, so the, yes, our strategy has been clear that we want to grow our earnings 5% to 10% per year. And from when we announced that a year and a half ago, we said that as

we're moving towards our target, roughly half of our growth would be expected to come from our organic growth investments, and the other half would come from our acquisitions.

So, our acquisitions are, have been and will continue to be, targeted in the water treatment space. We're already a very strong producer in inorganic coagulants. We made two acquisitions in water last year. One was in coagulants. That was a smaller one. And then we bought Polytec, which was more service. So, as we look to future acquisitions, we have a very strong position supplying city municipalities all across North America, Canada and the U.S. We like that position. I could see us continuing to add some new products to our portfolio, if you will, but focused in on our strong position to city municipalities.

We also like the service space, which is where Polytec sits. So, I think we could be looking at both of those. But there are a number of different chemistries that are different than ones we produce. There are a number of different chemistries that we could look at, that we continue to look at adding to our portfolio.

FREDERICK TREMBLAY, DESJARDINS CAPITAL MARKETS

Thanks very much. I will pass the line.

OPERATOR

Next question comes from Zachary Evershed at National Bank. Please go ahead.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Good morning, everyone. Thanks for taking my questions.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Sure.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Compared to the assumptions at the start of the year, electrochemical pricing was, obviously, a good deal weaker, but you were still able to keep the same guidance midpoint. Would you target the offsetting strength versus your initial assumptions mainly in acid or in water?

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

So, I can look at that. So, basically, it's really coming from the ASP segment. Merchant acid has been performing really well. When sulphur goes up, we are able to pass through those costs and pick up a little bit additional because some of our product is not generated by burning sulphur, but as a byproduct. So, it's really coming from that side. And I think as you see, our corporate costs are down quite a bit from where they were last year as well.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Got it. Thanks. And then obviously we see the CMA forecasts, how do you square those industry forecasts for caustic pricing versus the behavior of producers out of Asia, can you reconcile that outlook with the reality of pricing you're seeing today?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes. I'll take that one. There's just a lot of volatility. CMA is forecasting that caustic soda prices coming out of Asia are going to go up. And one of the main reasons that, that they have that forecast is that roughly 70% of the variable cost to produce caustic soda in Asia is the cost of electricity and that electricity is coming from natural gas, it's coming from coal and others, but if you look at the cost of electricity coming from, again, natural gas and coal, those prices are going up.

So, CMA is looking at that and with the input cost up, we're going to, that has to lead eventually to higher caustic prices. We believe them at some point that's going to happen. Getting the exact timing is of those increases, has proven to be difficult. Caustic soda is part of the chlor-alkali, which is tied into PVC, and so China has some different technology for PVC that they have restarted, they're running harder than they have in the past couple of years, and so that's having an impact. And so, with general construction weakness and other weakness in Asia, that's causing, what I hope is temporarily, for caustic soda prices to be low, but it's proven to be a very difficult thing to get the timing of changes to be accurate.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

But I think, I just want to add that at least the belief is that at these current prices in Asia, they're really not sustainable and either they are at cash costs or even maybe slightly below cash costs. So, when you talk to the industry experts, they don't, they believe that this is not sustainable at these low prices.

ZACHARY EVERSHED, NATIONAL BANK OF CANADA

Great color. Thanks. I'll turn it over.

OPERATOR

Once again, ladies and gentlemen, a reminder to please press star 1 should you have any questions. Thank you. Next will be Steve Hansen at Raymond James. Please go ahead.

STEVEN P. HANSEN, RAYMOND JAMES

Yes. Good morning, guys. Thanks for the time. I want to go back to chlor-alkali that you see. I think you've already described a few different of the puts and takes out there, but I'm just curious how the net back economics has shifted over the last two, three years as we've dealt with lower caustic prices, even chlorine. It doesn't feel like the netbacks have

suffered that much. And maybe just help us understand a bit better just how you've been able to protect those netbacks and how the economics have shifted within the different product sets, thanks.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes. I'll make some comments. Rohit can come in with some more details in specific. But look, caustic soda, we have seen, we've seen caustic sodas, even if we go back before COVID, it was really low. And then after COVID, we saw caustic soda prices jump up to $700. They moderated down into the $350 to $400 range. And over the last quarter or so that they had been below $350. And so that's bounced around quite a bit.

We have seen chlorine prices moderate over the past couple of years. But as chlorine has moderated, we've seen hydrochloric acid increase. So, there's been both increased demand and increased pricing for hydrochloric acid, all tied into fracking activity. So, I think those are the movers. And then, we also we focus a lot on operational excellence at all of the Chemtrade plants. That's a key part of us. So, we have had productivity projects, reliability projects, and so we keep a very close eye on that, and that's helped us as well.

ROHIT BHARDWAJ, CHIEF FINANCIAL OFFICER

I'll just add a few comments. So, if you look at our commentary, we say that in Q3, 95% of the decline in the MECU was led by chlorine and HCl, and not by caustic, and the year-to-date is 80% with chlorine and HCl. So, what's happening with the caustic side is two things. One is, it's getting, it's a lot more expensive to shift caustic across the ocean and so we obviously get the benefit of that. And the other thing our commercial team has been doing a very good job is really trying to decouple kind of domestic pricing with the index. Now, the index is always going to be there. It's going to be, you can't ignore it. But our team is looking to see how the dynamics can be shifting towards more domestic-led pricing, as opposed to just defaulting to the index. So, those are things that have also benefited us quite a bit when you look at the last couple of years.

STEVEN P. HANSEN, RAYMOND JAMES

Okay. That's helpful. Thanks. And I just wanted to jump over to ultrapure. It's been a process. It's taken time. I think you've described it already. You've got two commercial customers shipping now, more to come in '27. But there's also been a lot of development in the broader landscape here domestically since you first announced the expansion. And I just wanted to go back to the idea of where a greenfield opportunity might exist, if ever, versus, again, maybe another brownfield expansion in the future, just looking at all the capacity that continues to evolve your facility, Terafab and others. But I mean, it sounds like there's demand is continuing to improve here pretty markedly. Just want to understand how you're going to evolve with that landscape from here. Thanks.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yes. Hey, great question. So, after two to three years of more modest, well, I'll say that there was construction of the fabs, but the fabs did not come on at the rate, I'll say that the industry was three to four years ago. Now, if you move to where we are today, that is not true. Now the fabs are coming online, and they're coming online rather quickly. And if we look out over the next 10 years, the expansions that already have steel in the ground, already under construction, there's significant, significant fabs, and that's really not even counting the Terafab, which is a whole other significant add. So, we are looking at it closely. We're spending a lot of time looking at it. We will continue to look at adding capacity at our sites, but we're also beginning to look and ask ourselves, what would we need to be convinced of in order to restart our efforts out in Arizona?

I wouldn't read too much into that. I just wanted to say we're spending a lot of time looking at it, and we think there's definitely market opportunity for a world-scale plant.

STEVEN P. HANSEN, RAYMOND JAMES

And maybe just follow up for may squeeze in just quick here is, I think one of the hesitations in the past was sort of the CapEx sort of intensity fears and the willingness maybe of those customers to pay for that. But with the CapEx dollars flowing today, do you think the environment has shifted sufficiently such that they value that domestic supply chain and are willing to help pay or compensate suppliers to invest the capital or take the risk? Has that shifted that sentiment given the AI push and everything else going on?

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

I think it is beginning to shift. I would say that it's not completely there, but I will say that 100% of the fabs strongly, and I'll just say they strongly, want domestic supply for sulphuric acid. They do believe that the suppliers, particularly in Taiwan and Korea, have world-class quality. But I will share with you we believe and we're being told that the quality of acid is also world-class coming out of our plants and so it's very encouraging.

STEVEN P. HANSEN, RAYMOND JAMES

Okay. Very good. Appreciate the color. Thanks.

OPERATOR

Thank you. And at this time we have no other questions registered. I would like to turn the call over to Scott Rook.

SCOTT ROOK, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Alright. Well, listen, I'd like to say thank you to everyone for joining the call. I'd like to thank all of our employees for their continued hard work and great results and wish everyone a great rest of the day. Thank you.

OPERATOR

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time, we do ask that you please disconnect your lines.