



CHEMTRADE



DECEMBER 2018

BUSINESS UPDATE



CAUTION REGARDING FORWARD- LOOKING STATEMENTS



Certain statements contained in this presentation constitute forward-looking statements within the meaning of certain securities laws, including the Securities Act (Ontario). Forward-looking statements can be generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “expected”, “intend”, “may”, “will”, “project”, “plan”, “should”, “believe” and similar expressions. Forward-looking statements in this presentation describe the expectations of Chemtrade Logistics Income Fund (“Chemtrade”) and its subsidiaries as of the date hereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the “RISK FACTORS” section of Chemtrade’s latest Annual Information Form and the “RISKS AND UNCERTAINTIES” section of Chemtrade’s most recent Management’s Discussion & Analysis. Although Chemtrade believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. Except as required by law, Chemtrade does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Further information can be found in the disclosure documents filed by Chemtrade with the securities regulatory authorities, available on www.sedar.com.

One of the non-IFRS measures referred to in this presentation is Adjusted EBITDA, which is EBITDA modified to exclude only non-cash items such as unrealized foreign exchange gains and losses. For simplicity, the presentation will just refer to it as EBITDA as opposed to Adjusted EBITDA. Both these terms are fully defined in our MD&A.





CHEMTRADE



Unique portfolio providing growth and yield



- Worldwide provider of industrial chemicals and services
 - Primarily industrial inorganic chemicals
 - Electrochemicals
 - Water and specialty chemicals
 - Critical but non-core services to industrial users or producers of chemicals
- Significant market shares; competitive advantages in niche specialty chemicals
- Business model mitigates typical commodity risks





CHEMTRADE



SINCE OUR IPO WE HAVE:

- Diversified our product portfolio
- Increased our geographic reach
- Enhanced quality of earnings
- Sustained distributions
- Maintained balance sheet strength



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CHEMTRADE LOCATIONS





1 Growth

Increased size, scale and diversity of earnings



2 Business Model

Mitigates Commodity Risks



3 Operational Excellence

Ensures sustainable earnings through improved operations, assets and people



4 Financial Prudence

Maintains distributions and balance sheet strength



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CHEMTRADE'S M&A TRACK RECORD

Chemtrade's Demonstrated Ability to Successfully Complete Acquisitions

CREATING A STRONGER, MORE RESILIENT BUSINESS



SHS Operation

Leading North American supplier of Sodium Hydrosulphite

2002
Dec



Pulp Chemicals

Leading regional supplier of sodium chlorate, toll processor of CTO

2003
Aug



Peak Chemicals

Expanded sulphuric acid business, diversified end markets

2005
Aug



Marsulex

Increased presence in core products, expanded geographic reach and enhanced quality of earnings

2011
Jun



General Chemical

Further strengthened and expanded Chemtrade's platform

2014
Jan



Canexus

Expands sodium chlorate capabilities, diversification through chlor-alkali product portfolio and Brazilian platform

2017
Mar



SPPC

- Sulphuric Acid (regen, ultra pure, merchant) and other sulphur products

WSSC

- Water Solution Chemicals (alum, PACl, ACH)
- Certain Specialties (KCl, sodium nitrite, P_2S_5)

EC

- Sodium Chlorate and Chlor-alkali (caustic soda, HCl, chlorine)



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BUSINESS MODEL FIT



SULPHUR PRODUCTS
AND PERFORMANCE
CHEMICALS (SPPC)

Approx 60% of revenue
based on risk shared
contracts



WATER SOLUTIONS
AND SPECIALTY
CHEMICALS (WSSC)

Wide diversity of sources
of earnings

Includes specialty
chemicals with distinct
barriers to entry



ELECTROCHEMICALS (EC)

Three sources
of earnings:

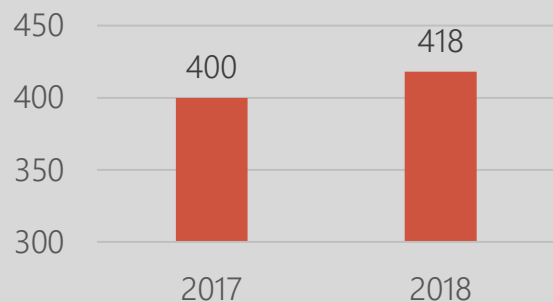
- NA sodium chlorate
- SA sodium chlorate
and chlor-alkali
- NA chlor-alkali



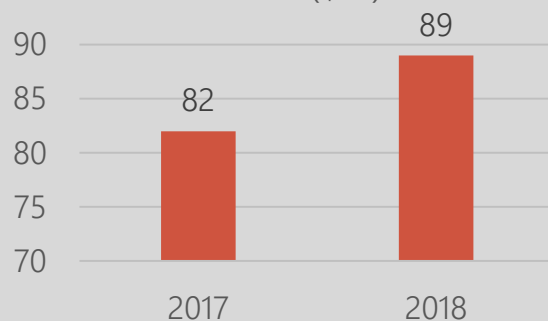
- A few items had a large impact on 2018 results
 - Litigation Reserve of \$100MM (for anti-trust litigation related to General Chemical). Main lawsuit has been settled, but a few smaller ones still outstanding
 - North Vancouver Chlor-alkali – poor rail service in Q1 and extended planned maintenance outage in Q2
 - Vale’s by-product sulphuric acid reduced by roughly 50%
 - Sodium bi-sulphite (SBS) (by-product of our acid manufacturing process) had a negative impact
 - Higher raw materials for water products squeezing margins as selling prices are not increasing as fast (mainly annual contracts)



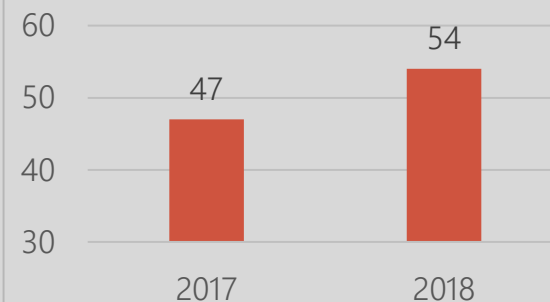
Revenue (\$M)



EBITDA (\$M)*



Distributable Cash (\$M)



- Adjusted EBITDA from continuing operations (excludes litigation reserve)

- **Revenue** - increase driven by higher sales volume & selling prices for water products. Higher price for sulphuric acid offset lower volume.
- **EBITDA** – WSSC improved from 2017, although higher raw materials cost squeezing margins. SPPC lower mainly due to SBS. EC was similar with higher prices offsetting lower volume. Corporate costs lower.



EQUITY (92.6M units) C \$1.2B

SENIOR SECURED CREDIT
(March 2023 maturity)

Total Drawn US \$524M
Available ~ US \$326M
Accordion (undrawn) US \$400M

BALANCE SHEET

(As at September 30, 2018)

CONVERTIBLE UNSECURED
SUBORDINATED DEBENTURES

Three series (Jun. 2021, Aug. 2023, Apr. 2024) C \$472M

CANEXUS DEBT:

Two series of convertible debentures C \$159M
(Dec. 2020, Dec. 2021)



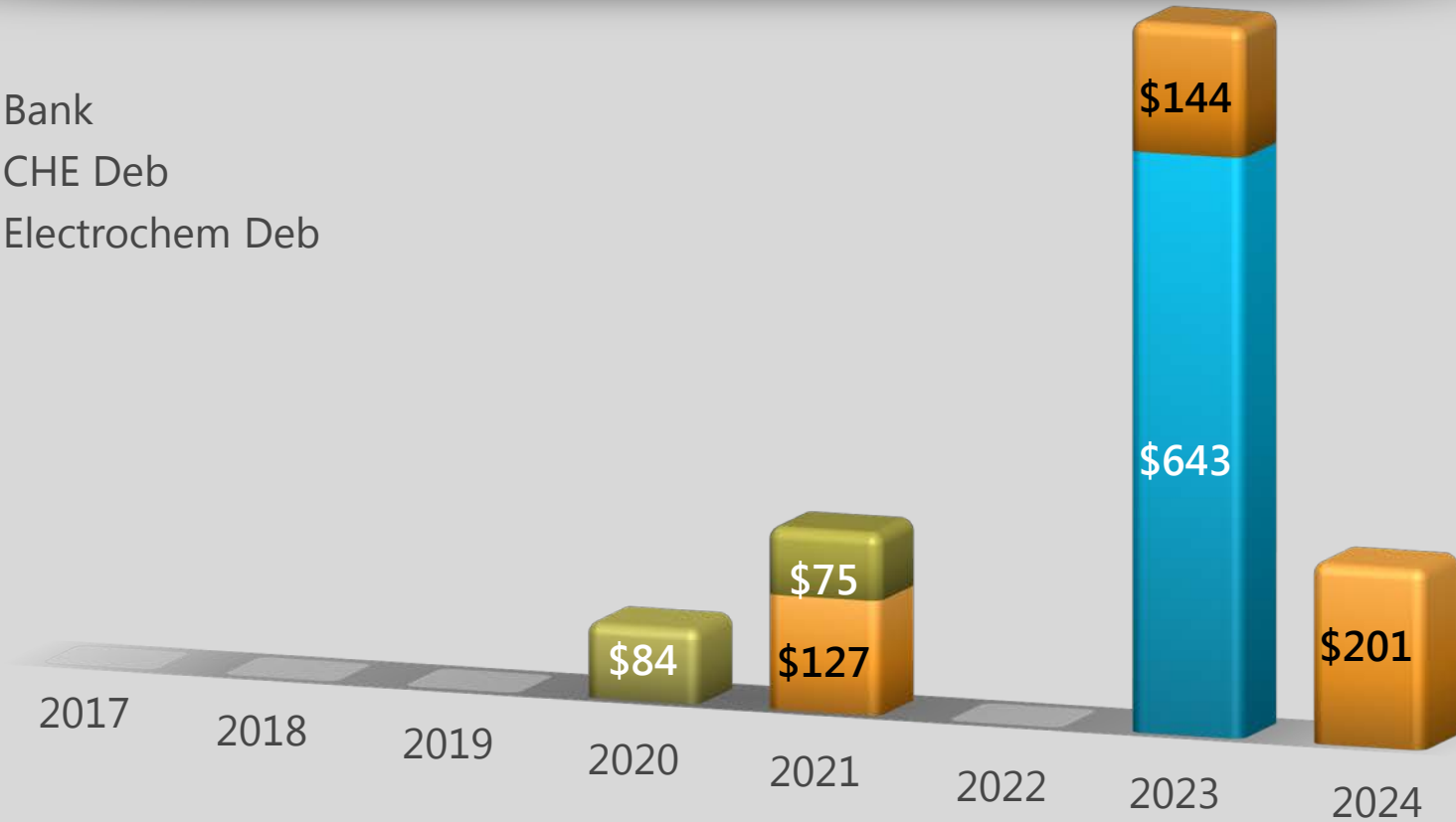


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DEBT MATURITY

C\$M

- Bank
- CHE Deb
- Electrochem Deb





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CONCLUDING REMARKS

CONFIDENT IN OUR
OUTLOOK FOR 2018 &
IMPROVEMENTS IN 2019

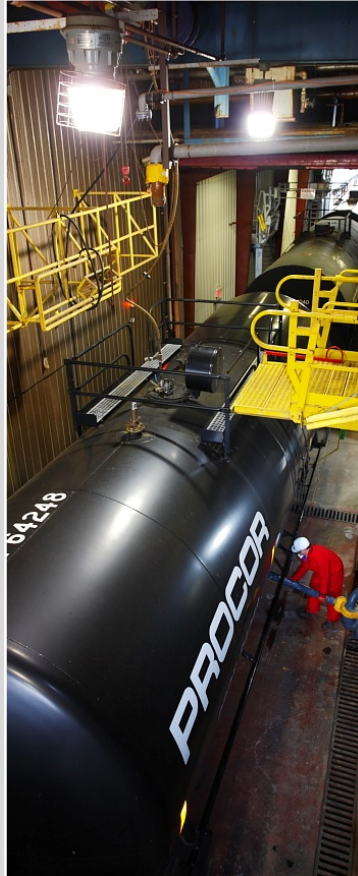


- Q4 tends to be seasonally lower
 - Regen (reduced gasoline demand) and this year, Beaumont's main pipeline-connected refinery is taking an extended outage
 - Demand for water products is lower in the winter months
 - In EC, chlorine demand is weaker and this leads to lower caustic soda production





CHEM TRADE



Responsible Care®
FOR CHEMICALS MANUFACTURERS



20

19

STEADY TO ROBUST MARKETS
EXPECTED TO CONTINUE



Particularly interested in caustic soda and hydrochloric acid markets in the north-west

HYDROCHLORIC ACID

- Regaining strength

CAUSTIC SODA

- Demand remains firm, pricing continues to have upward momentum (despite recent volatility)
- Strong pricing forecast at least through 2023

CHLOR-ALKALI MARKETS

Continuing strong with no long term sign of weakening (despite recent volatility)



- Pulp production remains strong, resulting in high utilization rates
- Improved market dynamics with closure of competitor plant in Quebec. Although selling price increases not fully reflecting improved fundamentals



SODIUM CHLORATE

Industry expected to continue to operate at high utilization rates



MERCHANT ACID

- Reduced supply from Vale (\approx 3% of merchant acid demand)
- Firm demand, reduced supply has led to price increases and positive momentum expected to continue in 2019
- SBS transitioning back to old distribution arrangement – positive impact on margins



SULPHURIC ACID

Demand for all products remains strong



ALUMINUM SULPHATE

- Alum demand is firm
- Prices increasing, although raw materials escalating & squeezing margins
- Margins expected to expand when raw materials stabilize



ALUMINUM SULPHATE
(ALUM)

Prices are increasing



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Non-IFRS Measures



Non-IFRS Measures

EBITDA and Adjusted EBITDA -

Management defines EBITDA as net earnings before any deduction for net finance costs, taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as gains and losses on the disposal and write-down of assets, and unrealized foreign exchange gains and losses. EBITDA and Adjusted EBITDA are metrics used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers Adjusted EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS or cash available for distribution.

EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. A reconciliation of EBITDA and Adjusted EBITDA to net earnings follows:



EBITDA/Adjusted EBITDA

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net earnings (loss) from continuing operations	\$ 9,194	\$ 22,413	\$ (34,332)	\$ 33,365
Add:				
Depreciation and amortization	53,596	52,411	160,667	148,567
Net finance costs	13,092	19,154	48,863	66,352
Income tax recovery	(10,627)	(12,754)	(38,032)	(31,228)
EBITDA from continuing operations	65,255	81,224	137,166	217,056
Add:				
(Gain) loss on disposal and write-down of assets	(8,413)	282	(5,070)	4,346
Unrealized foreign exchange (gain) loss	(3,064)	356	(870)	319
Adjusted EBITDA from continuing operations	\$ 53,778	\$ 81,862	\$ 131,226	\$ 221,721

**SPPC -**

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue	\$ 129,572	\$ 125,639	\$ 380,683	\$ 380,361
Gross profit	15,006	10,176	27,018	40,913
Adjusted EBITDA	22,237	25,215	69,164	88,567
Gain (loss) on disposal and write down of assets	8,413	(282)	5,070	(418)
EBITDA	30,650	24,933	74,234	88,149
Depreciation and amortization	(18,011)	(17,524)	(54,506)	(55,634)
Net finance costs	(3,659)	(4,275)	(10,139)	(15,512)
Income tax recovery	2,176	6,887	11,161	16,688
Net earnings	\$ 11,156	\$ 10,021	\$ 20,750	\$ 33,691

Segmented Results - WSSC

WSSC -

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue	\$ 116,601	\$ 103,055	\$ 327,869	\$ 316,761
Gross profit	11,402	11,908	33,082	44,927
Adjusted EBITDA	24,114	21,089	65,371	73,868
Loss on disposal and write-down of assets	—	—	—	(25)
EBITDA	24,114	21,089	65,371	73,843
Depreciation and amortization	(13,168)	(12,698)	(38,606)	(39,559)
Net finance costs	(4,642)	(5,103)	(12,776)	(15,075)
Income tax recovery	6,568	8,966	18,079	23,337
Net earnings	\$ 12,872	\$ 12,254	\$ 32,068	\$ 42,546



EC -

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	103	110	305	255
Chlor-alkali sales volume (000's MECU)	51	54	132	116
Revenue	\$ 172,021	\$ 171,810	\$ 496,395	\$ 385,347
Gross Profit	37,361	36,941	88,051	65,328
Adjusted EBITDA	57,121	55,430	147,246	109,957
Loss on write-down of assets	—	—	—	(3,903)
EBITDA	57,121	55,430	147,246	106,054
Depreciation and amortization	(22,417)	(22,189)	(67,555)	(53,374)
Net finance costs	(3,659)	(2,145)	(17,394)	(12,407)
Income tax expense	(3,556)	(3,552)	(11,442)	(8,271)
Net earnings	\$ 27,489	\$ 27,544	\$ 50,855	\$ 32,002



(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
Cash flow from operating activities	\$ 102,567	\$ 70,452	\$ 164,611	\$ 89,130
Less:				
Cash flow used in operating activities of discontinued operations	—	—	—	(3,809)
Cash flow from operating activities of continuing operations	102,567	70,452	164,611	92,939
Add:				
Changes in non-cash working capital and other items	(66,371)	(9,119)	(94,031)	53,175
<i>Adjusted cash flows from operating activities of continuing operations</i>	36,196	61,333	70,580	146,114
Less:				
Maintenance capital expenditure	17,210	14,550	46,216	31,977
<i>Distributable cash after maintenance capital expenditure from continuing operations</i>	18,986	46,783	24,364	114,137
Less:				
Non-maintenance capital expenditure ⁽¹⁾	4,472	1,461	9,026	5,817
<i>Distributable cash after all capital expenditure from continuing operations</i>	\$ 14,514	\$ 45,322	\$ 15,338	\$ 108,320

⁽¹⁾ Non-maintenance capital expenditures are: (a) pre-identified or pre-funded, usually as part of a significant acquisition and related financing; (b) considered to expand the capacity of Chemtrade's operations; (c) significant environmental capital expenditures that are considered to be non-recurring; or (d) capital expenditures to be reimbursed by a third party.