

CHEMTRADE LOGISTICS INCOME FUND

AGM

Mark Davis

Good morning, ladies and gentlemen.

In these truly unprecedented circumstances, I hope all of you are safe and well. We thank you for joining us today.

Chemtrade, as you may be aware, is classified as an essential business under US State and Canadian Provincial orders. Our employees' health and safety have been our highest priority as all of our operations have continued. We have implemented measures to ensure that our employees can continue their work safely and that we can continue to supply our customers. I would like to start this call by thanking each member of our workforce for their dedication and performance during these trying times. Specifically, I want to acknowledge and thank them for their adherence to all the safety precautions we put in place, for continuing to watch out for each other, and for their individual efforts in the communities where they live. They have been outstanding.

As we became aware of the potential economic effects of COVID-19 we moved aggressively to position Chemtrade for this downturn. After 13 years of maintaining a distribution rate of 10 cents per month, we reduced our monthly distribution by 50%. This increased our liquidity by about \$55 million on an annual basis. In light of the current uncertain economic climate, we also negotiated an amended covenant package on our senior credit facility which provides us with additional covenant room over the next two years. The amendments have been filed on SEDAR.

Since the chemical industry is an essential industry, our facilities have continued to operate. Our team has done an outstanding job throughout this pandemic, operating safely, overcoming obstacles, and keeping our customers supplied. In our case, it's not a question of whether we are permitted to operate or whether there will be demand for our products. The question is how much will demand be affected by the shut down or slowdown of much of the economy and how long will this state last?

At the highest level our two largest concerns caused by COVID are its effect on gasoline demand, and the ability for Chemtrade and its customers to perform maintenance turnarounds safely during COVID. Other segments of our business, such as our products that help purify drinking water, are not suffering from reduced demand during this pandemic.

In a typical recession, cheaper crude oil and hence cheaper gasoline prices at the pump somewhat mitigate the effect of the recession and therefore the reduction in refinery utilization rates is not too significant. Clearly, it's different this time. With very few cars on the road, gasoline production is down substantially. It is very expensive for our major refinery customers to completely shut down. Therefore, although we expect refineries to run at historically low rates, we believe they will continue to operate. This affects our regen business. We believe that refineries will operate in Q2 at rates approximately 35% lower than last year, which is essentially the lowest rate our refinery customers can operate without fully shutting down their facilities. We expect a slight improvement in Q3, and for Q4, which is a seasonally weaker quarter, to be about 15% lower than what we originally expected.

The positive side is that as the economy regains its footing and people start driving more, we expect that refineries' production rates will increase and with that, our regen earnings will improve. We believe this is a direct COVID-related downturn and it will be remedied as the effect of the pandemic lessens.

Our second largest concern is the ability of Chemtrade and its customers to find the necessary contractors to provide required maintenance activities. We announced last month that we had postponed the major turnaround of our North Vancouver plant. Postponements are also happening at our other plants, and at our customers' plants. A plant turnaround requires outside workers as well as a supply chain of parts and equipment. Until the COVID environment stabilizes, most of heavy industry has deferred what maintenance work they can. We are conducting whatever work we can to ensure that our operations can operate safely. However, we do have a concern that as turnarounds are delayed, reliability of our plants and of our customers' plants could suffer.

While I have highlighted the areas that are most of concern to us, it's important to remind you that there are portions of our business that fare quite well in a recession, including during this pandemic.

First is our water products, which are primarily used to treat drinking water. Not surprisingly, we have seen no reduction in demand as demand is not discretionary. This business continues to experience improved performance over its 2019 results.

Second is sodium chlorate, which is used to bleach pulp. Bleached pulp is used to make paper but also for tissue, diapers and similar uses. So, while paper demand is down as more people are working from home, demand from tissue and other applications is up. Overall, we expect somewhat lower demand, but it's relatively modest.

In a typical recession, and this one is no different in this regard, the Canadian dollar tends to weaken against the U.S. dollar. This is beneficial to us as we have a significant U.S. presence, and are also a net exporter to the U.S.

For those interested we provided additional details in our recent MD&A and conference call which you can find on our website.

On balance, we are in better shape than many. Our businesses continues to operate and our products are key elements, even in a restricted economy. Our largest negative financial effect is tied to less driving and gasoline demand. We believe that driving is an activity that will increase faster than many other normal course activities. When that happens our business will improve.

In the meantime, we again thank all of our employees for their efforts. Please continue to remain safe and healthy and we look forward to returning to a more normal life, when that time is appropriate.