



**CHEM TRADE**



Responsible Care<sup>®</sup>  
Our commitment to sustainability



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**Q2 EARNINGS REVIEW | August 12, 2021**



- Q2 Financial Results Review
- 2021 Guidance & Assumptions
- Key Sensitivities
- State of the Business and Outlook



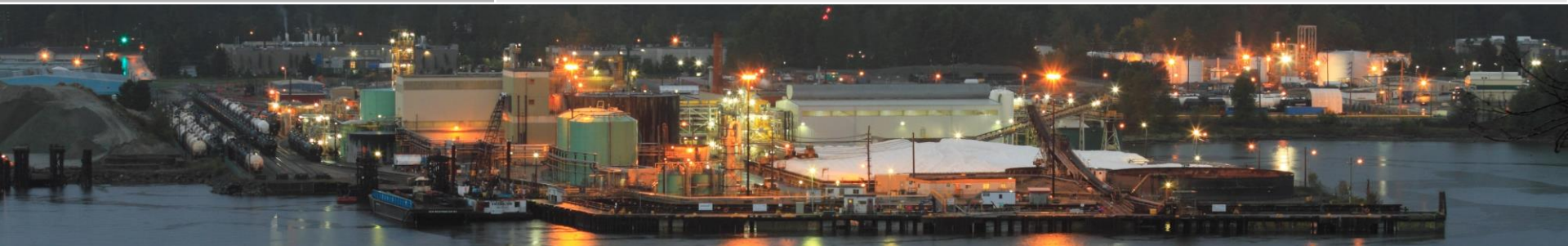


## CAUTION REGARDING FORWARD- LOOKING STATEMENTS



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](http://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.





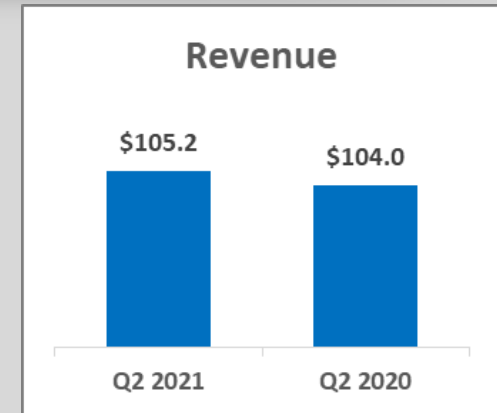
	Q2 2021	Q2 2020	FX Impact	Variance net of FX
Revenue	337.3	347.5	(29.4)	19.2
Adjusted EBITDA	65.2	75.5	(7.5)	(2.8)
Maintenance Capex	(15.6)	(12.1)	1.1	(4.6)
Lease Expense	(12.7)	(14.3)	1.3	0.3
Cash Interest	(16.5)	(16.6)	0.9	(0.8)
Cash Taxes	0.8	(0.9)	(0.1)	1.8
Distributable Cash	21.2	31.7	(4.3)	(6.2)
DCPU	\$0.21	\$0.34		





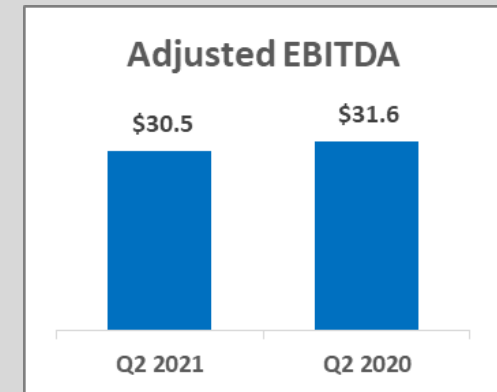
### Revenue:

- Higher sales volumes for Regen acid
- Higher selling prices for Regen and merchant
- Lower sales volumes for ultra pure acid
- Stronger Canadian dollar (-\$10.2 million)



### Adjusted EBITDA:

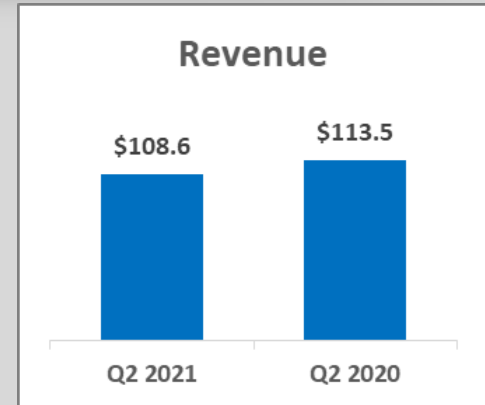
- Stronger Canadian dollar (-\$3.3 million)
- Lower sales volumes of ultra pure acid
- Higher sales volumes for Regen acid
- Higher selling prices for Regen and merchant





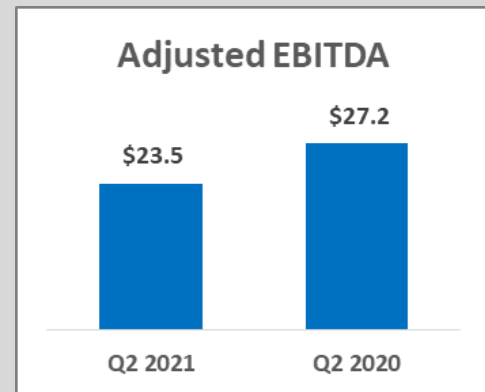
### Revenue:

- Stronger Canadian dollar (-\$10.7 million)
- Higher sales volumes and selling prices for water solutions products



### Adjusted EBITDA:

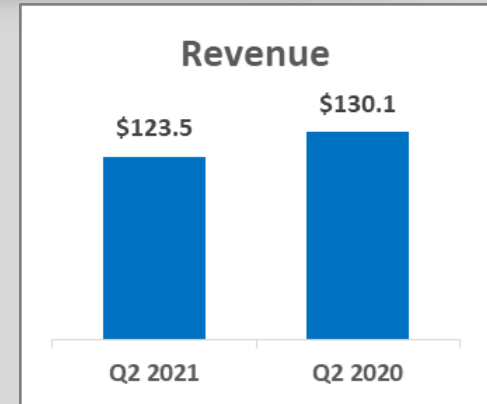
- Higher raw material costs
- Stronger Canadian dollar (-\$1.3 million).





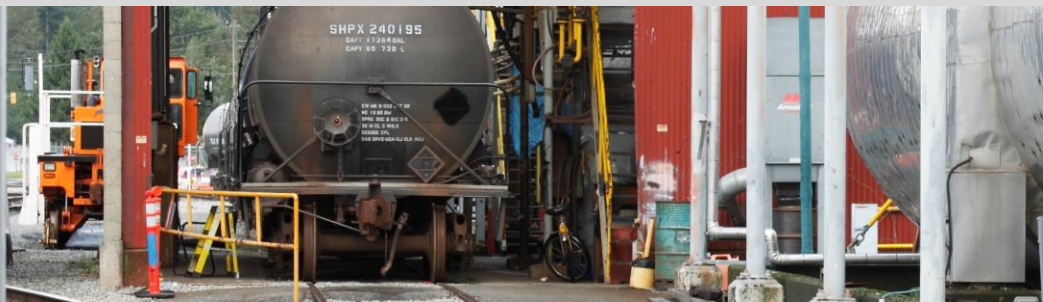
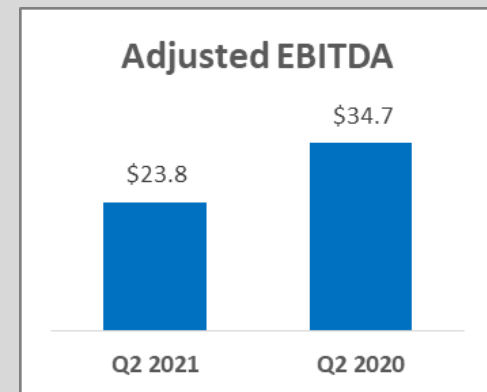
### Revenue:

- Stronger Canadian dollar (-\$8.5 million)
- Lower sales volumes and selling prices for sodium chlorate
- Lower selling prices for caustic soda (-12%)
- Higher sales volumes of HCl (+38%) and chlorine (+26%)



### Adjusted EBITDA:

- Stronger Canadian dollar (-\$4.2 million)
- Lower sales volumes and selling prices for sodium chlorate
- Lower selling prices for caustic soda (-12%)
- Higher sales volumes of HCl (+38%) and chlorine (+26%)





### Corporate Costs:

- Realized foreign exchange (\$6.2 million)
- CEWS and CERS subsidies (\$1.0 million)
- Higher LTIP costs (\$2.9 million)







- Senior Credit Facility:
  - Term Loan - US\$325.0 Million
  - Revolving Facility - US\$525.0 Million
  - US\$246.0 Million available
- Senior Debt:EBITDA Ratio – approx. 3.8 (large portion of bank debt is in US\$, which provides FX hedge)
- No debt maturities until August 2023





- EBITDA - \$245-\$260 million
- Maintenance Capex - \$72-\$77 million
- Lease Expense - \$50-\$55 million
- Cash Interest - \$65-\$70 million
- Cash Taxes - \$4-\$8 million





- Stronger Canadian dollar (-\$20 million)
- Q1 2021 vs Q1 2020 (-\$25 million)
- 2020 includes North Vancouver biennial turnaround and major customer turnaround





Key Assumptions	2021 Assumption	2020 Actuals
Approximate North American MECU production volume	~185K	~140K
2021 average IHS NE Asia Caustic price index being higher per tonne than the 2020 average	↑ US\$10	N/A
North American production volume of sodium chlorate	~365KT	~375KT
There will be no North American lockdowns or stay at homes issued due to a resurgence of COVID-19 for the remainder of 2021		
None of the principal manufacturing facilities (as set out in Chemtrade's AIF) incurs significant unplanned downtime		
Vale's smelting operation in Sudbury, Ontario resumes normal operations by the beginning of September, negatively impacting EBITDA by \$5-\$10 million		
2021 average foreign exchange rate of US\$1 = CA\$1.234		





- Caustic Soda Price
  - change of US\$50/metric tonne = US\$10.5 million
- Sodium Chlorate Price
  - change of \$50/metric tonne = \$18.3 million
- CA\$/US\$ exchange rate
  - change of 1-cent = \$1.8 million
  - since bank debt is in USD, change of 1-cent changes debt by \$5.4 million so 3.0X EBITDA change







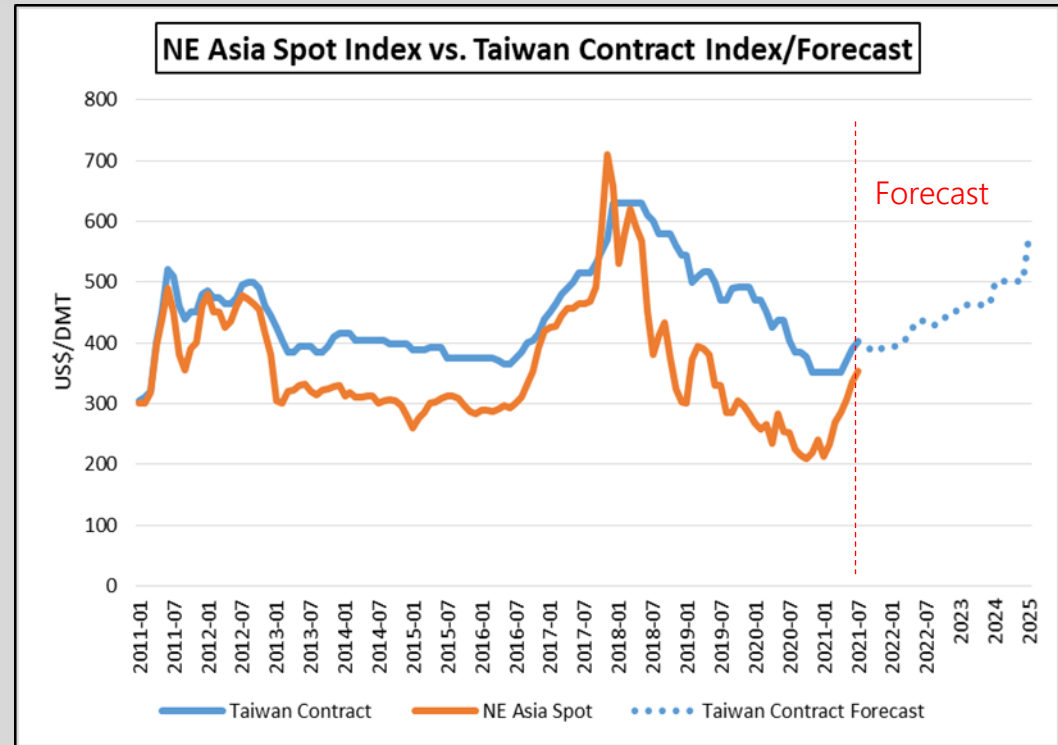
- Chemtrade's Long Term Strategy is to deliver sustained earnings growth and reward investors. This will be accomplished by three primary factors:
  - Market / COVID-19 Recovery
  - Organic Growth – for next 2-3 years
  - Operational Efficiencies - Productivity and Reliability
- Resulting in improvement to our balance sheet, and shareholder gains
- Additionally, Chemtrade will be a leading example for Corporate ESG Responsibility





### Caustic Soda:

- The 'trough' is behind us and market fundamentals improving
- Market analysts are bullish mid to long term
- Demand continues to grow, minimal new supply:
  - Aluminum
  - Lithium Ion Batteries
- Expect Taiwan contract prices to rise, AND expect the gap between Spot and Contract prices to shrink
- If NE Asia spot price for caustic remains at US\$ 350/t flat through 2022, roughly \$20 million improvement over 2021.



Every US\$50/to increase in Caustic Pricing is worth US\$10.5 million







### HCl

- Demand and pricing should continue to improve from extremely weak in 2020 as oil recovers and additional fracking activity picks up – particularly Western Canada

### Chlorine

- Demand and pricing should improve. Strong demand for PVC and bleach products coupled with capacity rationalization in the US

#### Long Term Market Demand

2018:	Oil WTI:	\$65/bbl
	US & Can Rigs:	1,200
2020:	Oil WTI:	\$39/bbl
	US & Can Rigs:	522
July 2021:	Oil WTI:	\$70/bbl
	US & Can Rigs:	622

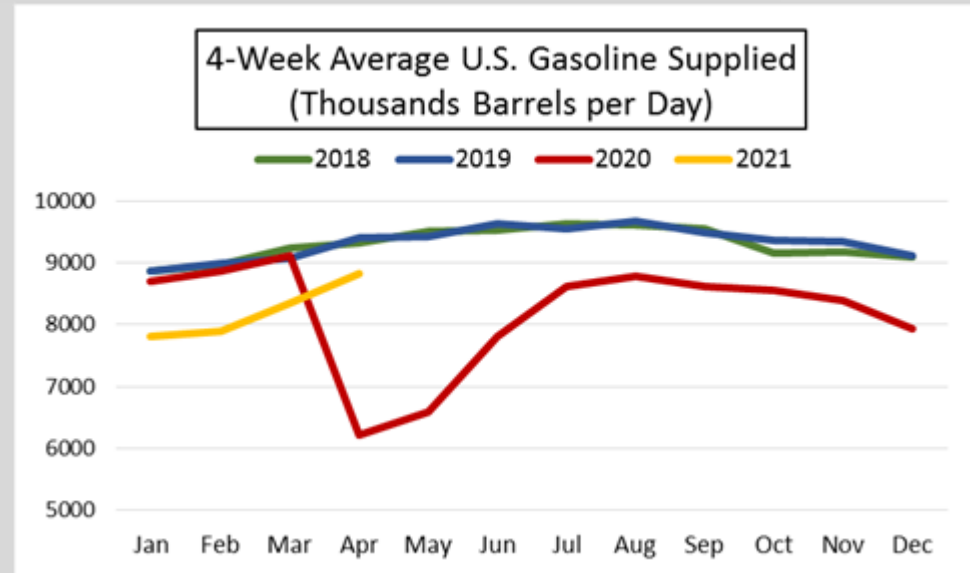
Source: Baker Hughes Rig Count





### Regen Acid:

- Recovery in refinery demand continues as miles driven increases across the US and Canada
- US weekly 'miles driven' has been steadily increasing with Q2 returning to pre-pandemic levels
- Refining rates should continue to pick up in H2 2021 and 2022 and then remain generally steady



Source: EIA Annual Energy Outlook 2021







- Increased Semiconductor demand driven by consumer electronics, IoT, and greater digitalization of autos
- Investments are happening in the US - TSMC, Samsung, & Intel. Biden Administration investing \$50 Billion for chip production in the U.S.
- Technology moving to smaller node sizes (5-7nm) will require higher quality wet cleaning materials
- U.S. Ultrapure acid demand exceeds domestic supply
- Short-term headwinds due to a shift in customer mix. Expect to regain lost volume in 18-24 months

## Global Semiconductor Market



Source: International Business Strategies

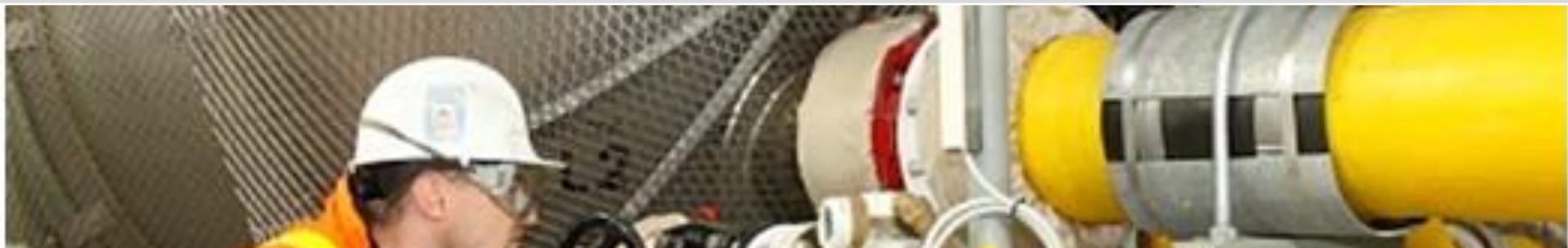




- Alum demand is flat / stable
- PAC/ACH demand is >5%/year
- Increasing regulations support greater market demand for coagulants across North America
- Margins should remain stable (short-term higher raw materials, but offset with higher prices)
- Organic growth opportunities:
  - Expanded Capacity PAC/ACH
  - New Specialized products
- Could consider smaller acquisitions in the future when our balance sheet improves

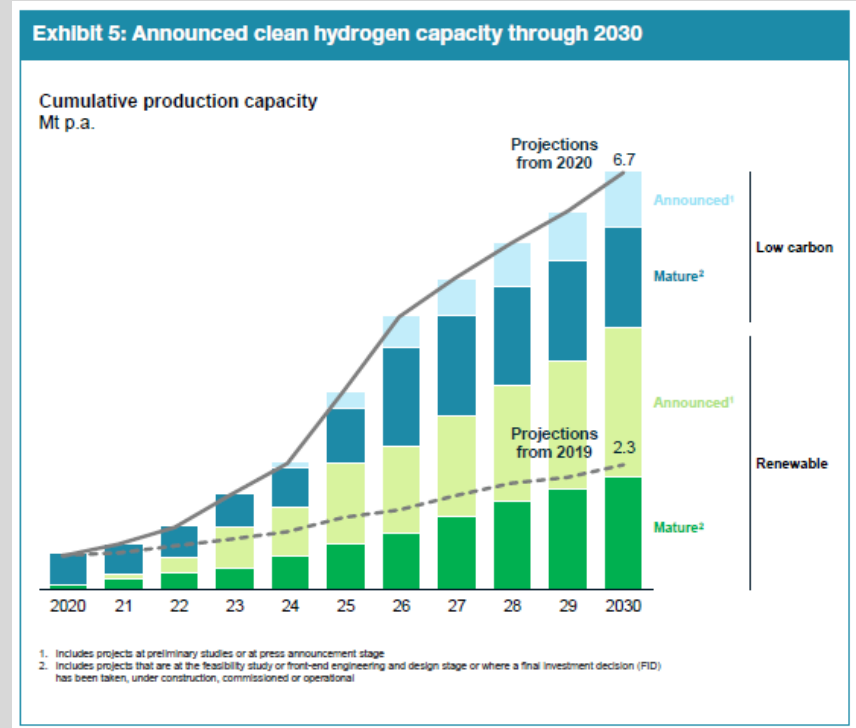
### Water Coagulant Market Demand

Municipal Drinking Water:	1-2% pa
Waste Water:	4-5% pa
Poultry Treatment:	10% pa
Pulp & Paper	-3% pa

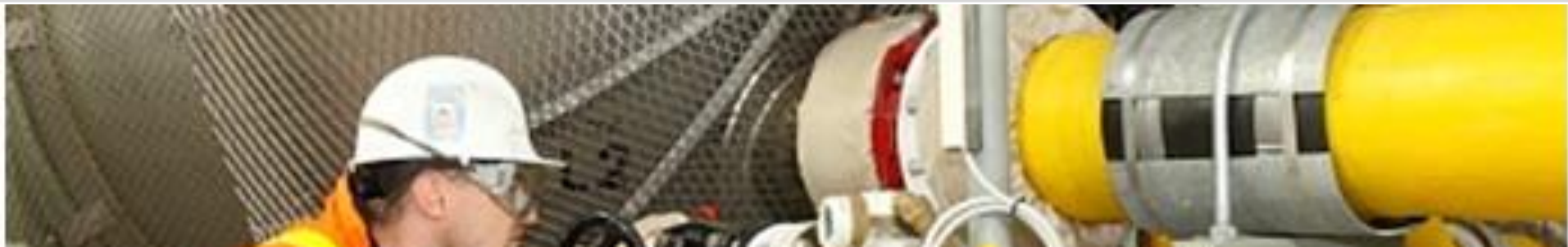




- Our Sodium Chlorate and to a lesser extent, Chlor-alkali manufacturing process generates hydrogen
- Our plants use hydro-electric power – so we generate 'Green Hydrogen'
- Announced a deal for one of our small Chlorate Plants in Prince George, BC – limited returns for first five years and then more significant
- Big opportunity for the Brandon, Manitoba facility as that's five times the size of the Prince George facility
- Important from an ESG perspective and financial return



Source: Hydrogen Insights Report 2021 – Hydrogen Council, McKinsey & Company







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# Operational Efficiencies Productivity and Reliability

- Launched both Productivity and Reliability initiatives in 2020
- Targeting to achieve ~ \$10 M in savings each year which will help to offset annual inflation
- Black and Green Belts leading projects using Lean Six Sigma Tools
- Implemented real time reporting of Availability and OEE data in order to focus on critical equipment for on-stream improvement
- Implementing maintenance excellence work process across the businesses
- Leveraging best practices/technology to improve performance, e.g. low cost on-stream vibration detection/monitoring and drone tank inspections



Building a Culture of Continuous Improvement







Approach and disclosure aligned to the four pillars of the Task Force on Climate Related Financial Disclosures (TCFD):

- Governance (Board and Management)
- Strategy
- Risk Management
- Metrics and Targets

We reviewed the Sustainability Accounting Standards Board's (SASB) metrics for the Chemical industry. In 2020, we conducted a materiality assessment to identify the sustainability topics that are most likely to affect the financial or operating performance of Chemtrade. The assessment was modelled after a five-factor test developed by the Sustainability Accounting Standards Board (SASB).





- We are developing company-wide tracking systems in 2021. Targets will be set and integrated into long-term strategic plans for the following:
- **Environmental:**
  - Greenhouse gas (GHG) and other air emissions
  - Industrial and hazardous waste management
  - Energy management
- **Social:**
  - Workforce health and safety
  - Operational safety, emergency preparedness and response
  - Employee engagement and diversity and inclusion
- **Governance:**
  - Corporate governance and business ethics
  - Management of legal and regulatory environment
  - governance of environmental and social issues





- In 2020, 96% of the electricity used at our 17 largest facilities was generated from renewable hydroelectric sources.
- Sale of hydrogen to Hydra Energy will reduce carbon dioxide equivalent (CO<sub>2</sub>e) emissions by 10% of our total CO<sub>2</sub> emissions (equivalent to the emissions from North Vancouver, our largest Canadian site) and will contribute over \$5 million in margin annually by 2028.
- Over 75% of our industrial waste is high clay alumina (HCA). In 2020, we repurposed 27% and reduced landfill costs. We are pursuing projects to repurpose an additional 30%.
- In 2020, employee injury frequency (excluding COVID-19) was at a seven-year low
- Employee retention rate in 2020 was 86.6%.
- Of the six members on our senior leadership team, two (33%) are women, and one (16.7%) is a visible minority.





- Earnings Growth Driven by:
  - Market / COVID-19 Recovery
  - Organic growth
    - Ultrapure acid
    - Water
    - Hydrogen
  - Productivity and Reliability
- And, be a leading example for Corporate ESG Responsibility

**Conclusion**





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# APPENDIX





### *EBITDA and Adjusted EBITDA –*

Management defines EBITDA as net earnings before any deduction for net finance costs, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of property, plant and equipment, 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 is provided below:

	Three months ended June 30	
(\$'000)	2021	2020
Net (loss) earnings	\$ (14,078)	\$ 4,499
Add:		
Depreciation and amortization	60,571	69,009
Net finance costs	19,122	2,706
Income tax (recovery) expense	(6,615)	6,122
EBITDA	59,000	82,336
Add:		
Change in environmental liability	-	362
Net loss (gain) on disposal and write-down of property, plant and equipment	404	13
Unrealized foreign exchange loss (gain)	5,760	(7,183)
Adjusted EBITDA	\$ 65,164	\$ 75,528





	Three months ended June 30	
(\$'000)	2021	2020
Revenue	\$ 105,193	\$ 103,960
Gross profit	11,355	9,494
Adjusted EBITDA	30,492	31,614
Net (loss) gain on disposal and write- down of property, plant and equipment	(232)	(32)
EBITDA	\$ 30,260	\$ 31,582







	Three months ended June 30	
(\$'000)	2021	2020
Revenue	\$ 108,592	\$ 113,456
Gross profit	15,112	16,955
Adjusted EBITDA	23,514	27,240
Change in environmental liability	-	(362)
Net loss on disposal and write-down of property, plant and equipment	(194)	-
EBITDA	\$ 23,320	\$ 26,878





(\$'000)	Three months ended June 30	
	2021	2020
North American sales volumes:		
Sodium chlorate sales volume (000's MT)	91	94
Chlor-alkali sales volume (000's MECU)	45	33
Revenue	\$ 123,485	\$ 130,118
Gross (loss) profit	(2,200)	6,173
Adjusted EBITDA	23,761	34,689
Net gain on disposal and write-down of property, plant and equipment	22	19
EBITDA	\$ 23,783	\$ 34,708





Management believes supplementary disclosure related to the cash flows of the Fund including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities provides useful additional information. A cash flows table presenting this information is included in the Fund's MD&A filed on SEDAR. The table is derived from, and should be read in conjunction with, the condensed consolidated interim statements of cash flows. Certain sub-totals presented within the cash flows table, such as "Adjusted cash flows from operating activities", "Distributable Cash after maintenance capital expenditures" and "Distributable Cash after all capital expenditures", are not defined terms under IFRS. These sub-totals are used by Management as measures of internal performance and as a supplement to the condensed consolidated interim statements of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the IFRS condensed consolidated interim statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.





A reconciliation of these supplementary cash flow measures to cash flow from operating activities is provided below:

(\$'000)	Three months ended June 30	
	2021	2020
Cash flow from operating activities	\$ 50,846	\$ 66,913
Add (Less):		
Lease payments net of sub-lease receipts	(12,671)	(14,367)
Changes in non-cash working capital and other items	(1,361)	(8,827)
Adjusted cash flows from operating activities	36,814	43,719
Less:		
Maintenance capital expenditures	15,583	12,055
Distributable cash after maintenance capital expenditures	21,231	31,664
Less:		
Non-maintenance capital expenditures	974	794
Distributable cash after all capital expenditures	\$ 20,257	\$ 30,870

