<u>CHEMTRADE LOGISTICS INCOME FUND</u>

<u>Q4 2021 Results Conference Call</u>

Rohit Bhardwaj, Chief Financial Officer

Good morning, everyone and thank you for joining us today. We also have Scott Rook, our CEO with us on the call this morning and like the last few calls each of us is in a different location.

The fourth quarter was eventful for Chemtrade. I will begin by mentioning a few large one-off events and then review the consolidated and segmented business results. This will help guide your understanding of some of the drivers for our performance in the quarter. Then Scott will follow with some remarks on the current state of our business and future growth. He will also provide additional insights into our 2022 full year earnings guidance and assumptions and key sensitivities for the business. Following that we will have a Q&A session.

Before I go further, I would like to remind you that our presentation contains certain forward-looking statements that are based on current expectations and are subject to a number of uncertainties and risks, and actual results may differ materially. Further information identifying risks, uncertainties and assumptions, and additional information on certain non-IFRS measures referred to in this call can be found in the disclosure documents filed by Chemtrade with the securities regulatory authorities, available at sedar.com.

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

Starting with the sale of the Potassium Chloride (KCl) and Vaccine Adjuvants businesses that were completed on November 2nd. These businesses were part of the Water Solutions and Specialty Chemicals (WSSC) segment. The sale generated net proceeds of $182.7 million and a net gain of $7.6 million. The net proceeds from the sale were used to pay down our credit facility. As a result of the sale of these businesses, Chemtrade is in the process of reconfiguring its operating segments which will be effective in the first quarter of 2022. Sulphur Products and Performance Chemicals (SPPC) will combine with the remaining Water Solutions and Specialty Chemicals (WSSC) segment businesses to form a new segment called Sulphur and Water Chemicals (SWC). This new organizational structure will be reflected starting with our next earnings release for the first quarter of 2022.

Also, during the fourth quarter, Chemtrade settled a lawsuit as the Plaintiff relating to Canexus Corporation's North American Terminal Operations (NATO) assets for $21.0 million. A net benefit of $17.7 million was recorded in corporate costs during the fourth quarter of 2021.

The Sodium Chlorate business has since the beginning of covid experienced lower demand especially due to a decline in demand for office paper, combined with an increase in competitive pressure that has reduced margins. As offices have remained closed and a recovery in demand is uncertain, during the fourth quarter of 2021, Chemtrade recorded an impairment in the value of assets associated with this business of $130 million. While we are hopeful that the business will continue to recover post-COVID this adjustment was necessary to reflect the current market conditions.

Results

Starting with the aggregate results for the fourth quarter of 2021, revenue was $353.8 million, which is $34.4 million higher than the fourth quarter of 2020. The increase in revenue for the fourth quarter is due to higher volumes and pricing for all Chlor-Alkali products in the Electrochemicals (EC) segment and higher sales volume and selling prices for Merchant and Regen Sulphuric Acid in the SPPC segment. This was partially offset by the lower volumes and pricing for Sodium Chlorate in the EC segment. Also, relative to the fourth quarter of 2020, the stronger Canadian dollar had a negative impact of $8.4 million.

Consolidated EBITDA for the fourth quarter was $92.5 million an increase of $48.3 million compared to the fourth quarter of 2020. Consolidated EBITDA for the fourth quarter benefited from the same factors that affected Revenue. Additionally, there was the benefit of the settlement of the NATO lawsuit of $17.7 million that was partially offset by $2.9 million due to the stronger Canadian dollar. Distributable Cash of $25.7 million was $48.7 million higher than the same period in 2020.

In the fourth quarter Chemtrade recorded a Net Loss of $180.5 million that is primarily due to the $130 million impairment to goodwill, intangible assets and property, plant and equipment (PPE) in the EC

Segment and a higher income tax expense and net finance costs. This was partially offset by higher consolidated EBITDA and a $7.6 million gain from the sale of the KCl and Adjuvants businesses.

As a reminder, every one cent of increase in the Canadian dollar versus the U.S. dollar is expected to reduce annual EBITDA by roughly $3.1 million and Distributable Cash by $2.2 million and vice-versa.

Shifting now to the individual segment results for the quarter, Sulphur Products and Performance Chemicals, or “SPPC” generated revenue of $112.7 million during the fourth quarter of 2021, which was $12.0 million higher than the fourth quarter of 2020. The increase in revenue is attributed to higher selling prices and sales volumes for regen and merchant acid and sulphur products. This was partially offset by the stronger Canadian dollar which had a negative $3.0 million impact. As a reminder we had an extended outage at one of our regen plants during the fourth quarter of 2020.

The improvement in EBITDA of $10 million was due to higher volume and price for merchant and regen acid. This more than offset higher sulphur costs and the impact of the stronger Canadian dollar of $1 million.

Our Water Solutions and Specialty Chemicals or “WSSC” segment reported fourth quarter revenue of $99.4 million which was similar to 2020. As we previously disclosed, Chemtrade sold the KCl and Adjuvants businesses that were part of the WSSC segment resulting in a decrease in revenue tied to those businesses compared to the fourth quarter of 2020. The loss of revenue from the sale was more than offset by higher selling prices for water solutions products.

EBITDA for the period was $16.0 million, which was $4.3 million lower than the same period in 2020, mainly due to the loss of $3.6 million of EBITDA related to the businesses that were sold early in the fourth quarter.

The Electrochemical or “EC” segment reported fourth quarter revenue of $141.7 million, reflecting a $22.4 million increase over the fourth quarter of 2020. The higher revenue was primarily due to higher sales volumes and selling prices for chlor-alkali products: Caustic Soda, Chlorine and hydrochloric acid (or HCl). Continued strong demand for Chlorine and HCl allowed our North Vancouver plant to run at high operating rates during the fourth quarter. As a reminder the North Vancouver plant took its biennial maintenance turnaround during the fourth quarter of 2020 which had a negative impact on results in that quarter. The improved results in chlor-alkali were partially offset by lower sales volumes and prices for sodium chlorate and the impact of the stronger Canadian dollar, which had a negative impact on revenue of $2.7 million.

The improved performance of chlor-alkali resulted in EBITDA for the period of $41.8 million which was $19.1 million higher than the fourth quarter of 2020. This is despite the approximately $4.5 million impact of the severe flooding in British Columbia during the fourth quarter of 2021 and a negative impact of approximately $2.0 million due to the stronger Canadian dollar.

Corporate costs for the fourth quarter of 2021 were $2.8 million compared to $26.4 million in the same period in 2020. The decrease in corporate costs was primarily due to the settlement of the NATO lawsuit which resulted in a net recovery of $17.7 million. Additionally, legal costs during the fourth quarter of 2021 were $4.5 million lower than the fourth quarter of 2020. Finally, realized foreign exchange gains during the fourth quarter of 2021 were $1.9 million higher than the fourth quarter of 2020.

Turning now to our balance sheet, during the fourth quarter we took several steps to improve our Balance sheet. The most significant was the closing of the sale of the KCl and Adjuvants businesses which reduced our leverage by approximately 0.7X. We also extended the maturity of our Credit Facility by two years to December 2026. And we reduced the size of the facility by US$200 million and converted the facility to a fully revolving facility. We eliminated the additional covenant room we had negotiated at the start of the pandemic as this was no longer required and doing so resulted in the pricing on our credit facility reverting to pre-pandemic levels. Finally, we issued a new series of convertible debentures that mature in August 2027 and announced the redemption of the 2023 debentures and therefore we have no debt maturities until 2024.

As of the end of the fourth quarter 2021, we maintain Senior Credit Facilities that consist of a US$650 million revolving credit line. We continue to maintain ample liquidity with US $339.1 million undrawn on our Credit Facility.

As of December 31, 2021, Chemtrade was compliant with all debt covenants contained in its credit agreement.

<u>Guidance</u>

I will now shift to our financial outlook. We issued our guidance for 2022 on January 26th and it's set out on the accompanying slide. Scott will provide some perspective on this guidance.

For the full year 2022:

- EBITDA - $265-$295 million
- Maintenance Capex - $72-$77 million
- Lease Payments - $50-$55 million
- Cash Interest - $55-$60 million
- Cash Taxes - $6-$10 million

The Key assumptions driving that outlook are in our M, D&A and shown on the slide:
I will not read these out for you but will remind you that our caustic soda price, which is affected by but not equal to the NE Asia spot index, generally lags the Northeast Asia spot index by a quarter.

I would also like to point out that rather than provide our assumption for MECU production volume, we have started providing our sales volume assumption. This is consistent with the volume disclosed in the M,D&A where we discuss EC's operating results.

The Key Sensitivities that will have an annual impact on our EBITDA are shown on the slide: again, I will not read these out.

I'll now hand the call over to Scott for some additional insight on the outlook for Chemtrade's business.

Scott?

Scott Rook, President & Chief Executive Officer

Thank you, Rohit.

Good morning everyone and thank you for joining us today for the fourth quarter earnings call. I hope you are all doing well.

As you heard from Rohit's update on the fourth quarter, we had quite an eventful end to the year. Several positive things happened and we remain excited about the direction that we are headed.

I will provide some perspective on the EBITDA guidance we issued for this year and on current business conditions, followed by an update on the key initiatives that are in progress to drive sustainable growth and ESG.

Our business is much stronger as we head into 2022. A few points to highlight:

- The mid-point of our guidance for this year implies a roughly $31 million EBITDA improvement over 2021, once you normalize for the sale of KCl and Adjuvants businesses, and the lawsuit settlement. The improvement would have been even more pronounced if we didn't have the biennial turnaround at the North Vancouver facility which is scheduled for the second quarter and expected to have an $11 million impact on EBITDA
- We used the net proceeds of the sale of approximately $182.6 million to significantly reduce our leverage by 0.7X
- This results in $9 M lower annual interest payments
- We will invest $50 M CAD in our new UPA plant in Cairo OH between '22 & '23. As mentioned, we expect this plant to be in operation in 2024 and return 25% on our investment
- We are continuing to pursue additional Organic Growth opportunities across ultrapure acid and our by-product hydrogen.

Next, I'll share comments from our fourth quarter along with specific market outlook information.

Caustic Soda and Chlorine continued to have strong favorable market conditions that resulted in both higher sales volume and pricing. We anticipate that trend to continue in 2022. I will get into that in more detail on the next couple of slides.

We have also seen a significant rebound in the Ultrapure Sulphuric acid business. We have regained most of the sales volume that we lost at the beginning of the year and I look forward to seeing this business continue to improve this year.

In the third quarter our key supplier Vale had a strike that shutdown their smelting operations in Canada. This continued to create sulphuric acid supply disruption into the fourth quarter. We were able to mitigate some of the impact to our customers by procuring alternate sources of acid and diligently managing our network to keep the supply chain filled.

And as Rohit mentioned, we also felt the significant impact of the strong Canadian dollar on our financial results.

Despite these challenges, excluding the $17.7 million benefit from the settlement of the NATO lawsuit, we increased our EBITDA by $30.6 million, year-over-year while also making significant improvements to our balance sheet.

Transitioning to focus on the chlor-alkali markets,
During the fourth quarter we saw the price of Caustic Soda reach new historical highs. The price of caustic soda had been steadily increasing over the prior quarters however the spike in the fourth quarter was largely attributed to China's dual energy policy that curtailed production in their country impacting global supply and resulting in some panic buying. We have seen pricing come back down off those highs, although it's still well above where it was at the start of 2021.

The NE Asian spot index, a leading indicator for the market in Western Canada, was US$575/DMT in January reflecting an increase of $80/DMT versus December. In setting our guidance we have assumed that the index will average approximately US$440 per tonne for the twelve months ended September 30, this year, which is the period that will influence realized pricing in 2022.

The Chlorine market also continued to benefit from favourable market conditions. Capacity rationalization in 2021, particularly in the US Gulf Coast has tightened supply. We expect that the tightness in supply, combined with continued strength in Industrial and Construction related demand will help keep pricing at the current level through the next few quarters.

We have also seen steady increases in the Rig Counts in the US and Canada which is positive for HCl. So, under the current chlorine and HCL market conditions we have the benefit of higher margins from pricing and high operating rates at the North Vancouver facility, thereby enabling us to sell more caustic soda.

As we have previously discussed, the single largest opportunity for organic growth is in our Ultrapure sulphuric acid that supplies the semiconductor industry. The long-term fundamentals for the semiconductor industry are strong. In fact, it is hard to point to another sector that has seen the growth that the semiconductor industry is experiencing. Just a few weeks ago leading semiconductor manufacturer, Intel, announced plans to invest $20B in a new Ohio campus with the potential to invest $100B over the next decade.

As I mentioned on our last earnings call, we are moving forward with an expansion of our ultrapure acid capacity at our Cairo, Ohio facility. That project is now in progress and we are actively looking at the next opportunity to add significant capacity in the US. We think we are well positioned to retain our market leadership position in North America.

We are also making solid progress in developing our co-production of hydrogen that is part of the sodium chlorate process. We currently have projects being developed that will allow us to fully monetize these hydrogen streams in Prince George and Brandon. We expect construction of the Price George hydrogen system later this year.

We are announcing 12 long term ESG targets in our 2022 AIF – which will be released in March. Today on the call, I plan to share 5 of our new targets.

1. GHG – we will reduce or offset 2021 Scope 1 GHG emissions from operations, private fleet and process by 50% by 2025
2. Energy Management – we will ensure a minimum of 85% of our electricity is from hydro electric or other renewable sources, including future acquisitions
3. Industrial Waste – we will reduce high clay alumina (HCA) landfill disposal by an additional 20% of 2021 baseline by 2025, through reuse and process efficiencies
4. Workforce Safety – we will target a 50% reduction of workplace injuries by 2025
5. Workforce Diversity - we will achieve a 50% black, indigenous and people of colour (BIPOC) and/or women in all management positions by end of 2025

Finally, these targets will be included in our management team's short term and long term incentive compensation.

So, in summary,
Our business conditions continued to improve during 2021. We enter the year with strong market conditions for most of our businesses, a better balance sheet, and great opportunities for Organic Growth. Additionally, we are pleased to share our new Corporate ESG targets with you.

In conclusion, we are happy with the progress we made last year and excited to continue that progress in 2022 with stronger earnings and organic growth will help us beyond 2022.

Thank you.
Rohit and I will now be happy to take any questions.

Q&A Session

Operator

Again. if you have a question, press star, one on your telephone keypad. Your first question is from Steve Hansen.

Steve Hansen, Raymond James

Good morning, guys. Just a couple for me. First, just on the organic expansion opportunity, Scott, I think you said you're already looking at your next opportunity. Can you just give us--frame maybe what that means a little bit. Just trying to understand--I understand--I think we all understand how quickly this industry is going to grow, but how close do you need to be the facilities? Do you need to co-locate? Can you move this product very far? Is this going to be organic versus--or sort of brownfield versus greenfield? Maybe just give us some context around what the future opportunities might look like versus just an expansion?

Scott Rook, President & Chief Executive Officer

Well, so look--what I can say for now is that--so from the market standpoint, the market demand is going to double or triple I think in the next five years. So, the market is going to need a significant expansion larger than what we are doing in Cairo. Cairo is a nice start. Cairo is also going to be the first plant, the first line in the United States with the quality level that would meet the new smaller node chip production that's going to be in North America.

So, what I can share right now is that the first expansions from TSMC and Intel are going to be in Arizona. And so I think it'll be advantageous for a supplier to be close to that facility, and so that's what I can share for now. And I think that that facility, the closer, the better. Also, sized and integrated would be better, as well. And so, I can't share too many details other than to say we are actively working on a program that will be significantly larger than Cairo. I hope to be sharing more details with you here in the next couple of months, but I think that's really all I can share for now.

Steve Hansen, Raymond James

Okay. Well, that's helpful. Maybe just looking at the Water business as it stands, Rohit, maybe--I'm not sure if it's question for you, but just trying to unpack the fact that there was still a little bit of the KCL and Adjuvants business in the quarter, I believe a month worth roughly. Is the margin profile we saw in Q4 generally reflective of what we should expect going forward? I'm just trying to understand, I guess, both margin profile and revenue. Revenue is roughly flat despite the sale of the business. So just trying to understand what the cadence of that business is going to look like on a standalone basis, I guess, before you repack it with the other consolidated segment now.

Rohit Bhardwaj, Chief Financial Officer

Yeah, sure. So, couple of points - one is, yes, the specialty chemical, as you would expect, would have had a higher margin profile. So, once you pull that out, yes, the margin would go down. But the two things to consider - Q4 is seasonally a weak quarter for water. So, if you look at the margin percent in Q4 versus let's say Q3, you will see a decline, not just because of the specialty chemical being removed, but also because the seasonality and you've got your fixed cost, etc., that you don't cover when the volume is lower.

And the second thing to consider is, when we see a big spike in raw materials, and we are able to--we are passing those more and more over to our customers. But what that does is, even though from a

EBITDA dollar perspective, you are hoping to be even, when you look at the margin, your margin actually gets compressed because you've got a higher cost being added to your revenue.
And so, when you look at a margin percentage, when the raw materials are high, your margin percentage comes down. But our hope is to be able to make the actual dollars. And so once you strip out the impact in this Q4 of the specialty chemicals going out, water was pretty flat to Q4 last year. So we have been successful more and more to pass through those raw material costs over to customers.

Steve Hansen, Raymond James

Okay. That's helpful. But--so just to think about it going forward though, those price increases are still rolling through, so to start to improve then because we've had a bit of a drag for about a year now?

Rohit Bhardwaj, Chief Financial Officer

They should start to improve, but the issue is that sulfur again spiked early in '22. So, we may still not see a big improvement in '22. It'll depend on how sulfur evolves over the next few months.

Steve Hansen, Raymond James

Okay. Very good. Thank you. I'll jump back in the queue.

Operator

Your next question is from Jacob Bout with CIBC.

Jacob Bout, CIBC

Morning

Rohit Bhardwaj, Chief Financial Officer

Morning

Jacob Bout, CIBC

I had a couple of questions on the chlor-alkali outlook. Maybe just to start with on the caustic price and what you're assuming in your 2022 guidance of $440 a ton, you mentioned that the $575 a ton for contract pricing in January. I think spot is closer to $670. So, the assumption here is that you're expected a meaningful deterioration in pricing for the remainder of the year. I'm just trying to understand how conservative your approach is to guidance here.

Scott Rook, President & Chief Executive Officer

Well, so I would say the caustic pricing over the past four to five years has been a very difficult product to forecast pricing for, and especially when you're looking at a spot price. We saw a rapid run up in the second half of last year in caustic prices. Quite a bit of that was possibly coming from restrictions that were in place in China.

Now again, that's even hard to say, but we know that China limited their electricity production particularly using coal fire plants, and as they've limited production of coal fire electricity plants, then electricity was limited, and then caustic prices spiked.

Right now, now that the Olympics have been completed, China has already announced last week that they were going to resume to full production with coal fire plants. So, we'll see. It's really a very difficult thing to predict. I'm certainly not going to say that we know. We're being very open with our guidance. Where we sit right now today, it's possible that the guidance looks a little conservative, but where it's going to be 60 days or 90 days, that's really hard to say.

Jacob Bout, CIBC

Okay. And then my next question is just on HCL. Perhaps you can provide a little color on the amount of chlorine you're converting to HCL, what it's been historically, and what your expecting for 2022. And then just on pricing, what is your realized price for HCL been? How does that compare to a year ago and expectations going forward, especially as drilling activities improve?

Rohit Bhardwaj, Chief Financial Officer

Okay. So let me give you the answer that I think I can give you on this call. So firstly, in terms of how much chlorine do we convert into HCL - at the peak in let's say 2018, 2017, we were getting up to 40%. We had the capacity to go to 60%, but we got to about 40%. Then, as fracking went down, we were in the 20s, and then last year, we ended the whole year at about 30%. And we expect to be maybe a little bit better than that. Now let's see with the current spike in oil and what that does for fracking activity because fracking has lagged. I think we have some slides that we show that, when oil was at a certain level three years ago, fracking was double what it was now. And so, while '22, there’s some recovery expected, we aren't counting on a big recovery. But having said that, what's important to know is, as

Scott mentioned, chlorine has been doing really well. So, the lift we get from converting chlorine to HCL is not as pronounced as it used to be because chlorine itself has gone much higher.

In terms of your question on what's realized pricing on HCL, that's one I wouldn't want to get into, but I can tell you that we will--we've given you some--in the MD&A, we give you some idea of percentage change in pricing, but I think I'd like to not get too specific on pricing, but hopefully, that answers the question.

Jacob Bout, CIBC

Okay. Well, if you can't answer the question on the HCL pricing, maybe you can answer it this way - if we think about--because these are obviously very local markets, but from an HCL pricing perspective versus chlorine, historically, has it lagged? And when you've seen chlorine and oil prices move, does HCL follow fairly quickly after?

Rohit Bhardwaj, Chief Financial Officer

So, allot of the HCL - there's a lot of by-product HCL out there. So it's not always kind of following the chlorine molecule because chlorine gets into different applications etc. So I wouldn't say that HCL and chlorine have always been that correlated. And particularly where we get the benefit in HCL is best in Canada, which is quite diverse from the more Gulf Coast, big chlorine market. So for us, if the Canadian fracking picks up, that's where we get the biggest benefit, and got nothing to do with what's happening with chlorine in the Gulf Coast.

Jacob Bout, CIBC

Fair enough. Thank you very much.

Rohit Bhardwaj, Chief Financial Officer

Welcome.

Operator

Your next question is from David Newman with Desjardins.

David Newman, Desjardins

Just first question is on aluminum, aluminum skyrocketing on the back of the Ukrainian conflict and inventory tightness. Could caustic remain elevated for some period of time on the back of the aluminum prices rising? And conversely, as you look at that as an input as a raw material into the water alum production, could that extend the time to recovery?

Scott Rook, President & Chief Executive Officer

So, the answer is yes, I would say. So, it's certainly possible that, with the high aluminum prices and high demand for aluminum, that that will keep a strong pull on caustic. So that's certainly possible.
As I mentioned earlier with caustic, I think the other thing that you have to watch is production of electricity in China. So, there's the demand piece for aluminum, but also the production and the electricity supply coming out of China. I think that's there. And your point about with aluminum going up, the impact on water, yes, but the impact in the water business is really on our more specialty products, the ACH material. So that's the impact there. But, yes, as we've shared numerous times, our pricing to city municipalities is done in annual contracts.

David Newman, Desjardins

I was just going to ask, at the end of the day, aluminum rising, is it a net benefit or a net cost you?

Rohit Bhardwaj, Chief Financial Officer

So, I think if the aluminum pricing is going up on the back of increased demand for aluminum in Asia, because that's really where we are most focused, that would be probably a net benefit for us because that'll dwarf the impact on the water business. But it would have to really be--and then to counter that act, because what really affects us is the imbalance between chlorine and caustic in Asia. So, if aluminum is going up, demand is going up, but so is demand for chlorine derivatives due to maybe more energy intensive users, then that doesn't really help us that much.

David Newman, Desjardins

Got it. And do you have any other chemicals that could be affected in terms of pricing, etc., coming out of a potential conflict in the Ukraine?

Scott Rook, President & Chief Executive Officer

No, we don't. I'm just going to reiterate what Rohit said is that I would say that the impact of rising caustic prices dwarfs any impact on the water business, much, much stronger benefit.

David Newman, Desjardins

That's what I would've thought--

Scott Rook, President & Chief Executive Officer

Much, much--yeah, magnitudes different.

David Newman, Desjardins

Okay. And then the last one for me, guys, is just the sodium chloride write down, which is understandable obviously in the environment that we are in right now. But I would've thought with the sale of ERCO to Birch Hill, that there would've been a little bit more rationality in the market, and you flag some of the competitive dynamics in there. So what's going on the chlorate market on the competitive side? I understand the demand side, but just on the competitive, on the pricing side?

Scott Rook, President & Chief Executive Officer

Well, what I'll say, what we have seen in the marketplace is demand destruction primarily coming from office paper, which is what we've talked about. We've seen office paper demand drop 40% or so.

We have all been watching that and asking ourselves is this temporary, at what point is demand going to come back? And I still see, maybe I'm an optimist, but I still keep thinking, at some point when offices reopen and schools are full and back, that office paper is going to come back.

However, many of our customers--I say many--we have seen some of our customers go ahead and close their pulp mills. And so we have seen more than a half dozen of pulp mills close over the past 18 months. Now we've asked the question, could those mills reopen, and I suppose it's possible, but it seems it's beginning to look like those mills are more permanent closures. We're also seeing mills that have converted, that they stayed open, but they converted from bleached pulp into unbleached pulp, which goes into packaging. So as the market has declined--look, I won’t comment--I don't want to get into too many specifics about what we've seen in the marketplace. We'll just say that the market has been declined--the market has I'd say plenty of capacity. And I think that's something that will need to be looked at.

David Newman, Desjardins

Very good. Thanks, Scott. Thanks, Rohit.

Rohit Bhardwaj, Chief Financial Officer

Welcome.

Operator

Your next question is from Nelson Ng with RBC Capital Markets.

Nelson Ng, RBC Capital Markets

Great. Thanks and good morning, everyone. Just a quick follow up on David's question in terms of the chlorate side - so you mentioned that there is plenty of capacity on the chlorate side. Given that your branding facility is one of the largest and lowest cost facility, are you seeing some other facilities or chlorate facilities potentially shut down?

Rohit Bhardwaj, Chief Financial Officer

Well, the industry has done a good job in the past of rationalizing capacity. I don't think we'd want to speculate on which plant but if you look at the cost of you're right, Brandon is very far on one side of the cost curve, so that's clearly the last person there, but in terms of which plants should on the higher cost curve, I think we'd rather maybe not get into that.

Nelson Ng, RBC Capital Markets

Okay. And then this thing on the chlorate side, so your volumes in 2021, I think it was about 8% lower than 2019. Has industry demand declined by more or less than 8%? I'm just wondering whether you are taking market share or maintaining market share.

Scott Rook, President & Chief Executive Officer

No.

Nelson Ng, RBC Capital Markets

And then I--oh, sorry, why don’t you go ahead?

Scott Rook, President & Chief Executive Officer

Oh, yeah, I was just going to say our view is that the industry has declined roughly 8% to 10%. That that's our view. So, I would say--.

Nelson Ng, RBC Capital Markets

Okay, got it--okay. And then I think in the past, the chlorate side contributed about two-thirds of the EBITDA in the electrochemical division. Do you know roughly what the mix is in 2021 between sodium chlorate and chlor-alkali?

Rohit Bhardwaj, Chief Financial Officer

So, I won't get too precise, but '21 of chlorate--I mean, caustic was--or chloralkali was low because you know how low the market was, but I think I'd like to leave it at that, not go further than that.

Nelson Ng, RBC Capital Markets

Okay, got it. And then just one last question - like obviously, I think you touched on Ukraine earlier. I guess one other I guess indirect impact from Ukraine is higher oil and gas prices. Obviously, higher oil and gas drilling activity is a positive, but do you see any negatives from having high oil and gas prices? I think one potential I could think of is if driving--if miles driven reduces, then that obviously hurts refinery utilization, but what's--is there anything else to flag in terms of potentially high oil and gas prices for a longer period?

Scott Rook, President & Chief Executive Officer

No, you were just saying--that's exactly what I was going to say, that if high oil prices, if that starts to, let's say to encourage people to drive less, then that is an impact. Right now, that's not what we see, but this is going to play out I think over the next several months, and so we'll see.

Nelson Ng, RBC Capital Markets

Okay, thanks. Thanks, Scott. I'll leave it there.

Operator

The next question is from Joel Jackson with BMO Capital Markets.

Joel Jackson, BMO Capital Markets

Hi, good morning. A bit of feedback on the line. A couple of SPPC things going on in that business. You talked about the Copper Cliff. So first, can you talk about if that impacted on Q1? And you had the highest margins in that business in Q4 than you've had maybe in a long, long, long time, and we know that sulfur and sulfuric acid price have been extremely strong. And I imagine some of the stuff you reprice on annual context 2022 have some upper momentum. So, when you look at that business this year, should we see a significant earnings boost? Can you talk about that and maybe what margins would look like versus '21 and historical? Thanks.

Rohit Bhardwaj, Chief Financial Officer

Yeah, so we also have had the benefit of Regen being strong relative to 2020. So that's part of the story there. So, it's not just the acid and sulfur story. On the Vale, again, we have to be sensitive to not getting too deep into Vale’s business because they're a very key supplier for us. But, yes, the issues that they had were lingering, and so we have to see how they play out in Q1. But generally, we are able to offset that. And so, again, hopefully it will not be a big factor for us in terms of year-over-year. I don't expect us to see a higher margin. I think we've got a lot of that benefit because, again, the same thing happens in SPPC that I tried to mention in water is that when sulfur goes very high, we’re able to pass through the sulfur, absolute sulfur increase in our selling price, but the margins get declined, right? The margin percentage declines because it's a higher price at a higher cost. So, that’s a margin percentage decline. But I think we expect year over year, if you look where Scott tried to bridge the mid-point of our outlook with where '21 ended. And I think a lot of it is going to be the chlor-alkali story and not so much the SPPC story.

Joel Jackson, BMO Capital Markets

Okay. If I can talk a little bit more on the SPPC side, so if Copper Cliff issues end up being more than you would like, you're going to have to meet contracts, meet commitments by moving around, buying acid, moving around to logical places. And that's going to really impact your margins because pricing's moved up a lot. But if Vale is fine and your supply is fine, you should actually see a lot better margins. Does that make any sense?

Rohit Bhardwaj, Chief Financial Officer

We will yes, keeping in mind that we share price movements with Vale. So, yes, we will see improved margins, but they do get a large share of the benefit or the hurt gets passed onto Vale. But you're right, when acid is very tight, trying to replace acid with the different sources can be an expensive proposition. And then we have to look at whatever contractually we're allowed to do to kind of offset things and what contractual outs we have with customers, obviously trying to do our best to supply all our customers, but we have to look at all those things.

Joel Jackson, BMO Capital Markets

Okay. If I could--maybe I'm going to try to ask Steve's question a little bit differently from earlier. If in a world that never exists, but let's say it's a flattish world where commodity prices like acid and water prices are all kind of stable, what is the margin impact of the businesses you sold in WSSC. Like in a normal flattish world, would that mean your margin profile in WSSC drops a 100 basis points or 50 basis points? Could you try to just give us an idea, in a normal, non-existent normal world what the margin impact is on those businesses out of the mix?

Rohit Bhardwaj, Chief Financial Officer

So, what I can tell you is, again, we've never broken it out that precisely, but I'll try and triangulate some stuff for you that we've publicly said. So, we said that that business is roughly 20 million annual EBITDA business, and it's a specialty chem business. So, you can make your assumption as to what the margin on that should be. You would say 50% plus should be the margin on products like that. And so I think, armed with that information, you can probably figure out what the impact would be on the segment

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Joel Jackson, BMO Capital Markets

That is helpful. Thanks. And then finally for me, what should corporate costs be this year? Should they be a lot lower than last year or similar?

Rohit Bhardwaj, Chief Financial Officer

So, they should be -- again, we'll strip out the obvious benefit of that legal settlement, right? So, once you strip that out, they should be back to a normal range of $65 million to $70 million. That's what we expect.

Joel Jackson, BMO Capital Markets

I'm going to ask one more question. I lied, sorry. If I look at your Q1 earnings, should they be like EBITDA similar to Q4?

Rohit Bhardwaj, Chief Financial Officer

So, everything we talked about, we will exclude the $70 million firstly, right? So, and having said that, what I would like to say is we don't want to start getting into quarterly guidance, Joel, but what we can tell you is--and you made this observation at the last conference call, is where you said it's possible that--again, depending on where caustic unfolds, but your comments were most likely your Q1 could be the strongest quarter this year, given where caustic is. That's assuming that our caustic assumption holds. And so, I think I'd like to leave it at that and not get more precise into where Q1 will be. But I think I would like this opportunity though, just essentially for everyone on the phone, is to remind people that Q2, we have the big North Vancouver turnaround scheduled for Q2. So, when you're doing your models, I would encourage everyone to kind of take that into account.

Joel Jackson, BMO Capital Markets

Thanks, Rohit.

Rohit Bhardwaj, Chief Financial Officer

You’re welcome.

Operator

Your next question is from Endri Leno with National Bank.

Endri Leno, National Bank

Hi. Yeah. Good morning. Thanks for taking my questions. A couple for me - I'll start with the chlorate. We're seeing--there's some movements of return to office, at least in Toronto, perhaps in March and then into April. Assuming that happens and there is a relatively meaningful return, like how quickly could you see a recovery in the chlorate business?

Scott Rook, President & Chief Executive Officer

So, I think we could begin to see a pickup in demand probably within from our standpoint, probably within let's say 60 to 90 days from people returning to the office. That's what I would think. So, they'll get back in the office, start using printers, they'll start placing orders to fill up inventory, and that's what I would expect.

Endri Leno, National Bank

Okay. Great. Thank you for that, Scott. And one more for me--it's on the water products. I think the volumes were a bit lower. I think there was a comment in the MD&A that prices were higher, but volumes are lower. I was just wondering what droves those lower volumes, and how should they be trending into Q1? Thanks.

Rohit Bhardwaj, Chief Financial Officer

So, the volumes are generally affected by -- not reduced consumption. It depends on kind of water conditions, etc. So, it's hard for us to get very granular on volumes, but the volumes are not due to any loss of customers or anything--that would be more--it is somewhat weather dependent, too. So, we'll have to wait to see how Q1 and Q2 roll out with some of the weather conditions and--yeah. But there's nothing meaningful in terms of loss of customers or anything like that.

Endri Leno, National Bank

Okay. No, that’s great. Thanks for the color. That’s it for me. Thank you.

Operator

Once again, if you have a question, press star, one on your telephone keypad.

Your next question--I'm sorry--there are no further questions. Do you have any closing remarks?

Rohit Bhardwaj, Chief Financial Officer

I'd like to thank everyone's attention, and I know Scott wants to add something to that.

Scott Rook, President & Chief Executive Officer

No, I'll just say, yeah, thanks for the attention and the questions today, and have a good rest of the day.

Rohit Bhardwaj, Chief Financial Officer

Thank you.

Operator

That concludes today's call. You may now disconnect.