Chemtrade Logistics Income Fund Reports 2016 Second Quarter Results

TORONTO, Aug. 11, 2016 /CNW/ - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three and six months ended June 30, 2016. The second quarter financial statements and MD&A will be available on Chemtrade's website at chemtradelogistics.com and on SEDAR at sedar.com.

Revenue in the second quarter of 2016 was $304.2 million compared with $338.8 million in the second quarter of 2015. The primary reasons for the decrease in revenue were lower prices for sulphur in both the Sulphur Products and Performance Chemicals (SPPC) and International segments and lower volumes of sulphuric acid in the International segment.

Distributable cash after maintenance capital expenditures for the second quarter was $39.7 million, or $0.57 per unit (2015: $38.8 million, or $0.56 per unit).

Adjusted cash flows from operating activities for the second quarter were $48.4 million (2015: $47.0 million). Aggregate Adjusted EBITDA for the second quarter of 2016 was $59.4 million compared with $58.7 million in the second quarter of 2015. Net loss for the second quarter of 2016 was $17.6 million compared with net earnings of $23.0 million during the second quarter of 2015. During the second quarter of 2016, Chemtrade recorded a loss of $58.8 million due to a write-down in the value of one of its U.S. acid plants and of related intangible assets, due to the announcement of this plant's major customer to wind-down its operations. The loss was partially offset by an income tax recovery of $27.1 million, which was primarily due to the reversal of deferred tax liabilities related to this plant.

For the six months ended June 30, 2016, Distributable cash after maintenance capital expenditures was $77.1 million (2015: $80.5 million), or $1.12 per unit (2015: $1.17 per unit) generated from revenue of $640.3 million (2015: $664.8 million). Adjusted EBITDA was $113.4 million (2015: $116.8 million). Adjusted cash flow from operating activities was $90.7 million (2015: $92.4 million).

Mark Davis, President and Chief Executive Officer of Chemtrade, said, "Most of Chemtrade's businesses reported steady performances in the second quarter. Our two major business segments generated higher EBITDA than the same period last year, and initiatives we have taken in our Water Solutions business to add new plants, expand our product range and stabilize our alum business had a positive effect on second quarter operating results."

The SPPC segment generated revenue of $144.6 million and EBITDA of $38.9 million compared with $158.4 million and $38.0 million, respectively, in 2015. The main reason for the decreased revenue, year over year, was lower selling prices for sulphur, partially offset by the positive impact of the stronger U.S. dollar. The increase in EBITDA was due to continued strength in regen products offset somewhat by lower margins for merchant sulphuric acid. There was also a small benefit from the stronger U.S. dollar.

The Water Solutions and Specialty Chemicals segment reported second quarter revenue of $117.5 million compared with $117.8 million in 2015. EBITDA was $31.5 million compared with $30.8 million in 2015.

The International segment reported revenue of $42.0 million for the second quarter, compared with $62.5 million in the second quarter of last year. The lower revenue was due to lower volumes of sulphuric acid and lower selling prices of sulphur. In general, international markets for sulphuric acid have been weak in 2016 relative to 2015. EBITDA for the quarter was $2.7 million, compared with $3.5 million last year.

Corporate costs during the second quarter of 2016 were $13.7 million, which was $0.1 million higher than the second quarter of 2015.

Mr. Davis said, "Chemtrade continues to pursue a strategy of diversifying our product portfolio and the industries we serve, while adhering to our risk-sharing business model. We are undertaking modest organic growth projects such as constructing a new adjuvants facility, and investing in our Water Solutions business, both of which are already delivering positive results. We have also announced today that we are expanding our potassium chloride facility by about 50% to serve our pharmaceutical and food customers. These are all initiatives that strengthen and incrementally grow Chemtrade. We remain confident that our portfolio of businesses, business model and strong balance sheet will enable us to sustain our distributions to unitholders and to continue investing in making our businesses stronger."

Distributions

Distributions declared in the second quarter totalled $0.30 per unit, comprised of monthly distributions of $0.10 per unit.

Caution Regarding Forward-Looking Statements

Certain statements contained in this news release 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. Specifically, forward-looking statements in this news release include statements respecting certain future expectations about the timing and effect on Chemtrade of the expected closure of a customer's facility; the expansion of Chemtrade's potassium chloride facility and its ability, together with the adjuvants facility and Water Solutions investments, to strengthen and grow Chemtrade; and the ability of our business model and balance sheet to maintain distributions and enable future business investment. Forward-looking statements in this news release describe the expectations of the Fund 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 the Fund's latest Annual Information Form and the "RISKS AND UNCERTAINTIES" section of the Fund's most recent Management's Discussion & Analysis.

Although the Fund 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. With respect to the forward-looking statements contained in this news release, the Fund has made assumptions regarding: there being no significant disruptions affecting the operations of the Fund and its subsidiaries, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of the Fund to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with the Fund's expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with the Fund's expectations; the ability of the Fund to successfully access tax losses and tax attributes; the ability of the Fund to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with the Fund's expectations; and global economic performance.

The Fund disclaims any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of 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 Logistics Income Fund with the securities regulatory authorities, available at www.sedar.com.

A conference call to review the second quarter 2016 results will be webcast live on chemtradelogistics.com and newswire.ca on Friday, August 12, 2016 at 10:00 a.m. ET.

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