

Chemtrade Announces Offer to Acquire Canexus

- Chemtrade to offer \$1.50 in cash per Canexus common share.
- Offer represents a significant 21% premium to the closing price of the Canexus common shares on September 13, 2016.
- Chemtrade to present Offer directly to shareholders after the Canexus board of directors repeatedly refuses to engage.

TORONTO, Oct. 3, 2016 /CNW/ - **Chemtrade Logistics Income Fund** (TSX: CHE.UN) ("Chemtrade" or "We" or "Us" or the "Fund") announced today that an indirect wholly-owned subsidiary of the Fund (the "Offeror") intends to commence an offer (the "Offer") on October 4, 2016 to acquire all of the issued and outstanding common shares (the "Common Shares") of **Canexus Corporation** (TSX:CUS) ("Canexus"). The Offer will remain open until 5:00 p.m. (Calgary time) on January 18, 2017 unless extended, accelerated or withdrawn by Chemtrade in accordance with the terms of the Offer.

Under the terms of the Offer, Chemtrade proposes to acquire all of the issued and outstanding Common Shares of Canexus for \$1.50 in cash per Common Share. This represents a 21% premium to the closing price of the Canexus Common Shares on the TSX on September 13, 2016 (the last trading day prior to the public announcement by Chemtrade of its initial proposal to the Canexus board of directors). The Offer values Canexus at an enterprise value of approximately \$884 million, which implies a multiple of 8.4x the mid-point of Canexus' 2016 Adjusted Cash Operating Profit ("ACOP") guidance range of \$100 to \$110 million.

In connection with the Offer, Chemtrade issued a letter to Canexus shareholders, the full text of which follows:

Monday, October 3, 2016

Dear Canexus shareholders,

Over the past few weeks Chemtrade has made several attempts to engage directly with the board of directors of Canexus (the "Canexus Board") to negotiate a value maximizing transaction. Despite Chemtrade's repeated and good faith efforts, the Canexus Board has refused to constructively engage with Chemtrade about a fully-funded all-cash transaction which provides shareholders the opportunity to receive fair value and liquidity for their Common Shares.

In the face of this intransigence, and after Canexus shareholders have also publicly called on the Canexus Board to engage with us, we have decided to bypass the Canexus Board and make the Offer directly to Canexus shareholders, the true owners of the company.

REASONS TO ACCEPT THE OFFER

We believe that our Offer is compelling, and represents a clearly superior alternative to continuing on the course set by the current Canexus Board and management, for the following reasons:

- **Premium to Market Price.** The Offer represents a significant premium of approximately 21% based on the closing price of \$1.24 per Common Share on the TSX on September 13, 2016 (the last trading day prior to Chemtrade's public announcement of its initial proposal to the Canexus Board to acquire Canexus). The Offer also represents a significant premium of 21% to the volume weighted average trading price of \$1.24 per Common Share on the TSX over the 20 trading days ended on September 13, 2016.
- **Fair Value for Canexus.** The Offer price of \$1.50 per Common Share represents a premium value that fairly reflects the composition and performance of Canexus' portfolio of assets. The Offer price represents an enterprise value of \$884 million, which implies a multiple of Canexus' 2016 ACOP of 8.4x based on the mid-point of Canexus' 2016 ACOP guidance range of \$100 - \$110 million. This multiple is in line with the 8.5x multiple in the failed arrangement transaction with Superior Plus Corp. ("Superior Plus"). That transaction underestimated the risks involved in closing as evidenced by the strong opposition to the transaction by the US Federal Trade Commission and its eventual termination by Superior Plus. The transaction with Superior Plus has so far been costly to Canexus shareholders, not just from a cash perspective but also due to the significant amount of management time which was diverted from operating its business.
- **100% Liquidity and Certainty of Value.** The Offer provides 100% cash consideration for the Common Shares, giving Canexus shareholders certainty of value and immediate liquidity in the face of volatile markets. The failed Superior Plus transaction provided for share based consideration and therefore was without certainty of value for Canexus shareholders.
- **Fully Financed Cash Offer.** The Offer is not subject to a financing condition. The Offeror intends to fund the Offer from cash resources available to Chemtrade and has secured, on a firm, committed basis, all of the financing required to fund the entire consideration payable for the Common Shares and to complete the transaction.
- **High Likelihood of Completion.** Chemtrade is a highly credible counterparty with a proven track record of closing material acquisitions, including the acquisitions of Marsulex Inc. and General Chemical Holding Company. Additionally, Chemtrade believes that the Offer has significantly less regulatory risk than the terminated transaction between Canexus and Superior Plus.
- **Low Likelihood of a Competing Offer.** Chemtrade believes that Canexus is unlikely to surface a competing offer at a premium to the price being offered by the Offeror. Canexus conducted a broad sale process for the company in 2015 that also included the solicitation of proposals for certain segments of the company. That sale process resulted in an arrangement agreement entered into between Canexus and Superior Plus that was terminated on June 30, 2016.
- **The Canexus Board and Management Team Have Driven a Significant Destruction of Shareholder Value.** There is considerable risk to shareholders if the Canexus Board and management team continue to pursue their standalone strategy. The Canexus Board and management have presided over a share price decline of approximately 75% over the two years prior to September 13, 2016, representing a loss of approximately \$680 million in equity value. Chemtrade believes this is a direct result of several poor strategic capital allocation decisions, including:
 - **The NATO Fiasco:** The decision to construct the North American Terminal trans-loading facility ("NATO") saddled Canexus with significant debt. The capital costs of the NATO build-out greatly exceeded initial estimates, eventually totalling over \$450 million. Moreover, the project was embarked upon without any substantial commercial agreements underpinning the investment. The NATO facility was sold in August 2015 for only \$75 million, with Canexus realizing a substantial loss.
 - **Inability to Increase Earnings:** Cash Operating Profit ("COP") declined from \$136 million in 2012 to \$105 million in 2015, representing a compound annual decline of approximately 8%. Over this same period, General & Administration expenses increased about 6% annually on average, demonstrating management's inability to control costs. The mid-point of Canexus' 2016 ACOP guidance of \$105 million is essentially the same as in 2015, despite management's claim of approximately \$15 million of profitability improvements through its Business Improvement Plan.
 - **Capital Structure Mismanagement:** The result of mismanagement and operational underperformance is a balance sheet that is burdened with nearly \$600 million of total debt, representing approximately 5.8x the mid-point of Canexus' 2016 ACOP guidance range of \$100 - \$110 million. This excessive financial leverage has limited Canexus' operational flexibility and increased its cost of capital. Canexus' stressed balance sheet has also been adversely affected by questionable capital structure decisions, including the recently announced value-reducing \$110 million senior unsecured note offering. This issuance was completed despite a Chemtrade offer to acquire all of the shares of Canexus at an enhanced purchase price if the offering had been suspended.

Due in part to the increasingly high leverage, Canexus' Board cut the dividend twice over a span of twelve months before suspending it altogether in Q2 2016. Given Canexus' focus on debt repayment over the next few years, there appears to be little prospect for dividend reinstatement for the foreseeable

future.

- **Potential for Downward Impact to Canexus Share Price if Offer Not Accepted.** The Offer represents a significant premium to the market price of the Common Shares prior to the public announcement by Chemtrade of its initial proposal to the Canexus Board to acquire Canexus. If the Offer is not successful, and no other offer is made for Canexus, it is likely the Canexus share price will decline to pre-Offer levels.

SHAREHOLDERS THE TIME FOR ACTION IS NOW

The Canexus Board and management of Canexus own less than 0.5% of the outstanding shares of Canexus, while receiving aggregate compensation of \$5.4 million in 2015 representing 5% of COP. We strongly believe that the Canexus Board and management of Canexus, as fiduciaries of the company, should have engaged with Chemtrade to pursue an attractive opportunity to surface shareholder value.

The Canexus Board's failure to engage with Chemtrade has forced us to bring the Offer directly to you, the shareholders and true owners of the company. However, unless the Canexus Board agrees to shorten the bid period, the Offer must remain open for at least 105 days. It is within the Canexus Board's power to shorten the minimum bid period to 35 days.

There is no practical reason to delay shareholders' ability to accept the Offer. Canexus ran a full process just a year ago, and there is no need for 105 days to find alternatives to the Offer.

I encourage you to contact members of the Canexus Board and management of Canexus to make your views known.

Shareholders who have additional questions about the Offer are encouraged to contact the information agent for the Offer, Evolution Proxy at **1-844-226-3222** (North American Toll Free Number) or **+1-416-855-0238** (outside North America), or by email at **info@evolutionproxy.com**.

Sincerely,

(signed)

Mark Davis

President and Chief Executive Officer
Chemtrade Logistics Income Fund

The Offer

The Offer will be made for all of the issued and outstanding Common Shares of Canexus. Full details of the Offer will be included in the formal offer and take-over bid circular to be mailed to Canexus shareholders. Chemtrade expects to formally commence the Offer on October 4, 2016 and mail the offer and circular to Canexus shareholders in the following days. The take-over bid circular will be filed on SEDAR at www.sedar.com.

The Offer will be subject to customary conditions including, without limitation, the deposit under the Offer of Common Shares representing at least 66 2/3% of outstanding Common Shares, receipt of all necessary regulatory approvals, no material adverse change in Canexus and Canexus' shareholder rights plan being waived, invalidated or cease-traded. The Offer will not be subject to the approval of Chemtrade's unitholders and is not subject to any financing or due diligence conditions.

Under applicable Canadian securities laws, the Offer will initially be open for acceptance for a minimum of 105 days from the date of commencement, subject to the ability of Chemtrade to shorten the deposit period in certain circumstances, provided that the minimum deposit period can never be less than 35 days from the date of the Offer. The Offer is subject to a non-waivable condition that more than 50% of the outstanding Common Shares, excluding those Common Shares beneficially owned, or over which control or direction is exercised, by the Offeror or by any person acting jointly or in concert with the Offeror, shall have been validly deposited and not withdrawn. The Offer will be extended for a period of not less than 10 days after the offeror first takes up shares under the Offer.

Background to the Offer

On September 6, 2016, Chemtrade made a proposal to the Canexus Board to acquire Canexus for \$1.45 per share in cash. The Canexus Board summarily rejected the proposal in a two sentence letter without having any discussions with Chemtrade.

On September 14, 2016, Canexus announced the planned issuance of \$75 million senior unsecured notes. The following day, Chemtrade publicly disclosed its September 6, 2016 proposal and said that if Canexus did not proceed with the note offering and chose to engage with Chemtrade and permit limited confirmatory due diligence, Chemtrade may be prepared to increase the amount offered to Canexus shareholders. The Canexus Board refused to engage.

On September 15, 2016, Chemtrade made a revised proposal of \$1.50 per share in cash and provided a draft arrangement agreement on effectively the same terms as the agreement Canexus entered into with Superior Plus, but with less regulatory risk to Canexus. Chemtrade was prepared to enter into this agreement before the scheduled closing of Canexus' note issuance on September 20, 2016. Chemtrade also indicated in its letter that it was willing to pay an additional \$0.10 per share (or \$1.60 per share) if the note offering was cancelled, since the notes contained significant costs, restrictions and prepayment penalties that decreased Canexus' value to Chemtrade.

It was not until September 20, 2016 that Chemtrade was advised by the Canexus CEO that the Canexus Board had unanimously rejected its proposal and that Canexus would continue to focus on executing its strategy. Earlier that day, Canexus announced that it had completed the expensive senior unsecured note offering after up-sizing it to \$110 million.

Since Chemtrade's initial proposal on September 14, 2016, Canexus shareholders have publicly urged the Canexus Board to engage with Chemtrade. One of these investors stated that its view was shared by shareholders representing over 25% of the outstanding Common Shares.

On September 21, 2016, a shareholder owning over 9% of the outstanding Common Shares requisitioned a special meeting of shareholders to replace the current members of the Canexus Board with five new individuals so that Canexus could enter discussions regarding a potential sale of the company.

On September 26, 2016, Chemtrade publicly disclosed the revised proposal it had made on September 15, 2016 and again urged the Canexus Board to engage in discussions with Chemtrade.

Between September 29 and October 1, 2016, representatives of BMO Capital Markets, Chemtrade's financial advisor, and CIBC, Canexus' financial advisor, discussed whether the Canexus Board would be willing to engage in discussions with Chemtrade. BMO Capital Markets indicated to CIBC that Chemtrade required a specific counterproposal in respect of both the price and terms of Chemtrade's previous proposal no later than October 2, 2016.

On October 2, 2016, Mr. Doug Wonnacott, Canexus' CEO, called Mr. Davis and told him that the counterproposal would not be forthcoming.

Fully Committed Financing to Fund the Offer

BMO Capital Markets has provided fully committed financing in connection with the Offer. The Offer and, if required, the refinancing of existing Chemtrade debt will be funded with aggregate commitments of US\$1.05 billion and \$400 million, consisting of:

- US\$325 million five year term loan;
- US\$725 million five year revolving credit facility, with an additional US\$200 million accordion feature; and

- \$400 million equity bridge loan.

The fully committed bridge financing is expected to be replaced with a potential equity offering.

Advisors

Chemtrade has retained BMO Capital Markets as its exclusive financial advisor, Osler, Hoskin & Harcourt LLP as its legal counsel, and Bayfield Strategy, Inc. as its strategic communications advisor.

Information Agent

Evolution Proxy, Inc. has been retained as information agent for the Offer. For additional information including assistance in depositing Canexus shares to the Offer, Canexus shareholders should contact Evolution Proxy, Inc. at 1-844-226-3222 (North American Toll Free Number) or +1-416-855-0238 (outside North America), by email at info@evolutionproxy.com.

Webcast

Chemtrade will hold a live audio webcast on October 4, 2016 at 8:30 a.m. EST to review the offer. To access the live audio webcast, including the slide presentation, visit www.newswire.ca.

The audio webcast will be archived for 150 days and can be found at www.newswire.ca.

About Chemtrade

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, liquid sulphur dioxide, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, sodium chlorate, potassium chloride, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

Important Notice

This news release does not constitute an offer to buy or the solicitation of an offer to sell any of the securities of Chemtrade or Canexus.

Non-IFRS and Non-U.S. GAAP Measures

This news release makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of operations from management's perspective. Accordingly, non-IFRS measures should never be considered in isolation nor as a substitute for analysis of financial information reported under IFRS. Specifically, this press release discloses Cash Operating Profit and Adjusted Cash Operating Profit, which are non-IFRS measures used by Canexus. Canexus defines Cash Operating Profit (Loss) as Operating Profit (Loss) before depreciation and amortization (which is included in cost of sales and general and administrative expense) and non-cash share-based compensation expense (recovery) (which is included in cost of sales, distribution, selling and marketing expense, and general and administrative expense). Cash Operating Profit (Loss) represents the cash contribution of product sales and service revenues after taking into consideration direct costs to produce products and deliver services, distribution, selling and marketing expense and general and administrative expense. Adjusted Cash Operating Profit is a non-IFRS measure used by Canexus and adjusts Cash Operating Profit (Loss) for certain items which have not been disclosed.

Caution Regarding Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking information within the meaning of certain securities laws, including the Securities Act (Ontario). Forward-looking information 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 information in this news release includes statements respecting the intention to commence the Offer, the benefits of the Offer, the results, effects and timing of the Offer and any subsequent transactions following completion of the Offer, the expected future financial position and results of operation resulting from a combination of Chemtrade and Canexus and any benefits therefrom and the availability of financing for the Offer, that there is a low likelihood of a competing offer, and that if the Offer is not successful it is likely that the Canexus share price will decline back to pre-Offer levels. Forward-looking statements in this news release describe the expectations of the Fund and its subsidiaries as of the date hereof. These statements are based on assumptions and 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 ultimate outcome of any possible transaction between Chemtrade and Canexus, including the possibility that Canexus will not accept a transaction with Chemtrade or enter into discussions regarding a possible transaction, that the conditions of the Offer may not be satisfied or waived by Chemtrade at the expiry of the Offer period, the ultimate outcome and results of integrating the operations of Chemtrade and Canexus if a transaction is consummated, the ability to obtain regulatory approvals and meet other closing conditions to any possible transaction, including any necessary shareholder approvals, potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the Offer transaction or any subsequent transaction, competitive responses to the announcement or completion of the Offer, costs and difficulties related to the integration of Canexus' businesses and operations with Chemtrade's businesses and operations, the inability to obtain, or delays in obtaining, cost savings and synergies from the proposed transaction, uncertainties as to the impact of the completion of the Offer or any alternative or subsequent transaction on Chemtrade's earnings or cash flows that it expects, unexpected costs, liabilities, charges or expenses resulting from the proposed transaction, litigation relating to the proposed transaction, the inability to retain key personnel, any changes in general economic and/or industry-specific conditions, as well as 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.

The Fund disclaims any intention or obligation to update any forward-looking information even if new information becomes available, as a result of future events or for any other reason, except as required by law. The forward-looking information 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.

SOURCE Chemtrade Logistics Income Fund

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For further information: Mark Davis, President and CEO, Tel: (416) 496-4176; Rohit Bhardwaj, Vice-President, Finance & CFO, Tel: (416) 496-4177; Shareholder Contact: Evolution Proxy, Inc., 1-844-226-3222 (North American Toll Free Number), +1-416-855-0238 (outside North America), info@evolutionproxy.com; Media Contact: Bayfield Strategy, Inc., Riyaz Lalani, +1-416-907-9365, rlalani@bayfieldstrategy.com

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