

Chemtrade Logistics Income Fund Reports Third Quarter 2016 Results

TORONTO, Nov. 10, 2016 /CNW/ - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three and nine months ended September 30, 2016. The third quarter financial statements and MD&A will be available on Chemtrade's website at www.chemtradelogistics.com and on SEDAR at www.sedar.com.

Revenue in the quarter was \$308.3 million compared to \$364.4 million in 2015. The primary reasons for the decrease were lower sales volume and pricing in the International segment and lower prices for sulphur and sulphuric acid in the Sulphur Products & Performance Chemicals ("SPPC") segment. Adjusted cash flows from operating activities for the period were \$27.5 million (2015: \$57.7 million).

During the quarter Chemtrade issued convertible unsecured subordinated debentures ("Debentures") for gross proceeds of \$143.8 million. The net proceeds were used to repay long-term debt. The repayment resulted in a realized foreign exchange loss of \$20.3 million. This loss is included in reported amounts for Adjusted EBITDA and Adjusted cash flows from operating activities.

Excluding the foreign exchange loss, aggregate Adjusted EBITDA was \$62.0 million, compared with \$68.5 million in the third quarter of 2015. Aggregate Adjusted EBITDA for the third quarter of 2016 was \$41.7 million.

Net loss for the third quarter of 2016 was \$15.0 million compared with net earnings of \$18.5 million in the same period in 2015, primarily due to higher net finance costs in 2016. The higher net finance costs were mainly due to fair value adjustments on the Debentures. Additionally, there were \$6.4 million of transaction costs recorded in the third quarter of 2016 related to the issuance of Debentures.

For the nine months ended September 30, 2016, excluding the foreign exchange loss, Adjusted EBITDA was \$175.4 million (2015: \$185.3 million), generated from revenue of \$948.5 million (2015: \$1,029.2 million). Adjusted EBITDA including the foreign exchange loss was \$155.1 million. Adjusted cash flow from operating activities was \$118.2 million (2015: \$150.1 million), and net loss for the first nine months of 2016 was \$3.8 million (2015: net earnings \$32.5 million).

Distributable cash after maintenance capital expenditures (excluding the foreign exchange loss) for the third quarter was \$36.2 million, or \$0.52 per unit (2015: \$45.1 million, or \$0.65 per unit) and for the nine months ended September 30, 2016 (excluding the foreign exchange loss) was \$113.4 million, or \$1.64 per unit (2015: \$125.6 million, or \$1.82 per unit).

Mark Davis, President and Chief Executive Officer of Chemtrade, said, "Our two major segments both generated stable EBITDA year-over-year. Demand for most of our products was steady, and while selling prices for some products are lower than the recent past, our business model, diversity of sources of earnings, and broad customer base help mitigate some of the adverse effects."

Sulphur Products & Performance Chemicals ("SPPC") generated revenue of \$146.4 million in the third quarter compared to \$172.4 million last year. The main reason for the decreased revenue was lower selling prices for sulphuric acid and sulphur. Due to Chemtrade's risk-shared contracts, lower selling prices did not have a significant impact on Adjusted EBITDA, which was \$39.7 million in the third quarter of 2016 compared with \$38.9 million in 2015.

Water Solutions & Specialty Chemicals ("WSSC") reported third quarter revenue of \$126.6 million compared with \$132.3 million in 2015. Adjusted EBITDA was \$33.5 million, essentially the same as the \$33.7 million generated in 2015.

The International segment reported revenue of \$35.2 million for the third quarter, compared with \$59.7 million in the third quarter of last year. EBITDA for the quarter was \$1.0 million, compared with \$3.2 million last year. The lower revenue and EBITDA were primarily due to lower volumes of sulphuric acid and lower selling prices of sulphuric acid and sulphur.

Corporate costs during the third quarter of 2016, excluding realized and unrealized foreign exchange gains and losses were \$12.5 million, compared with \$7.0 million in the third quarter of 2015. The difference was due primarily to Long-Term Incentive Plan costs that were \$2.0 million higher than the third quarter of 2015, and a litigation settlement gain of \$4.1 million that was recognized in the third quarter of 2015.

Mr. Davis said, "Looking forward, we see 2017 business conditions being quite similar to 2016. We operate our businesses to generate long-term sustainable earnings. We are not overly concerned with quarterly variations. We have generally not provided future financial guidance, but when we see something unusual on the horizon, we have proactively disclosed its potential financial effect. For example, last year when we released our third quarter results, we advised that the fourth quarter would be weaker than normal. Last year, for our North American business segments, the fourth quarter represented roughly 22% of annual Adjusted EBITDA. Similarly this year, we expect the fourth quarter for our North American business segments to be the weakest quarter of the year and to represent roughly 20% of annual Adjusted EBITDA. Historically, the fourth quarter generates the lowest distributable cash largely due to the capex we spend that quarter. This year that trend will be further exaggerated as we have five plants undergoing turnarounds in the quarter, four of the five being regen plants. Three of the regen turnarounds were intentional as we benefitted earlier in the year from strong regen demand. However, the fourth turnaround was unplanned as it became necessary to correct an ongoing operating issue. As a result, the lack of production, the increased capital spending, and the extra costs to supply our customers will adversely affect the fourth quarter's earnings and distributable cash. The work being performed is normal course. We expect all of these plants to resume full production at different times during the fourth quarter. We remain confident that our robust business model will continue to generate strong cash flows."

Distributions

Distributions declared in the third quarter totaled \$0.30 per unit, comprised of monthly distributions of \$0.10 per unit.

Canexus Offer

On October 4, 2016 Chemtrade commenced an offer to acquire all the issued and outstanding common shares of Canexus Corporation for \$1.50 cash per common share.

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: future business conditions; the performance of the North American business segments in the fourth quarter; the cost, timing, effect on earnings and distributable cash and ability to timely complete plant turnarounds; and the effectiveness of our business model. 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 third quarter 2016 results will be webcast live on www.chemtradelogistics.com and www.newswire.ca on Friday, November 11, 2016 at 10:00 a.m. ET.

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