



LSB Industries, Inc. (LXU)

Raise Estimates On Strong 3Q:21 Pricing And Positive Outlook Due To Healthy Fertilizer Demand And Limited Supply; Maintain \$12 Price Target And Note Improved Financial Flexibility

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.89)	(\$0.82)A		\$0.14	\$0.32	\$0.11	\$0.10	
June	(0.34)	0.25A		0.24	0.29	0.21	0.25	
Sep.	(1.07)	(0.28)	(0.16)A	(0.04)	(0.13)	0.09	0.07	
Dec.	(1.03)	0.11	0.37	0.11	0.11	0.03	0.09	
EPS	(\$3.34)	(\$0.74)	(\$0.36)	\$0.46	\$0.59	\$0.44	\$0.51	
P/E					14.7x		17.0x	
EBITDA (mil)	\$61.5	\$125.6	\$153.9	\$154.7	\$173.9	\$150.9	\$159.3	
EV / EBITDA					7.1x		7.8x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. EPS/losses per share exclude net nonrecurring income and charges of \$0.20 in 2020 and 0.20 in 2021. Sum of quarterly EPS/losses per share may not equal full-year total due to rounding and/or changes in share count. LXU is in the Russell 2000 Index. NC=Not covered by Sidoti & Company, LLC. *EPS include amortization expense.

Year	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$732.5	\$691.2	\$441.2	\$427.5	\$378.2	\$365.1	\$351.3	\$546.1	\$539.2	\$503.7
GAAP EPS	\$0.81	(\$1.67)	\$1.30	(\$2.18)	(\$3.73)	(\$3.46)	(\$3.54)	(\$6.40)	\$0.59	\$0.51

Description: LSB Industries, Inc. (www.lsb-okc.com) produces various nitrogen-based chemicals for agriculture (chiefly UAN, HDAN and ammonia), industrial, and mining markets. Domestic sales make up 100% of revenue. Headquarters are in Oklahoma City, OK.

- We raise our 2021-2023 EBITDA projections to \$154 million, \$174 million and \$159 million (from \$126 million, \$155 million and \$151 million), respectively, following a positive outlook from management amid increasing ammonia and fertilizer pricing. (Note these estimates do not exclude turnaround costs.)
- EBITDA modestly exceeded our estimate in 3Q:21 on higher fertilizer pricing and exceeded year-ago results by more than 200% despite an extensive turnaround at Cherokee.
- Management offered a positive outlook given still increasing ammonia prices driven by healthy demand and limited supply, guiding for \$70 million in EBITDA in 4Q:21 compared to our previous estimate of \$38 million.
- Benchmark Tampa ammonia rose to \$825/ton for November shipments, up \$160 from October, and more than 200% above average 4Q:20 pricing of \$239.
- Higher natural gas prices are limiting global production while heavier turnaround activity and Hurricane Ida have pressured available supply, which should continue to be an issue into spring planting season.
- We narrow our 2021 loss per share estimate to \$0.36 (from \$0.74) and raise our 2022-2023 EPS estimates to \$0.59 and \$0.51 (from \$0.46 and \$0.44), respectively.
- LSB continues to seek more than \$100 million in damages from its former EPC contractor involved in the El Dorado expansion with a court date likely in 2022.
- The completion of the preferred exchange for common shares and debt refinancing completed during 3Q provide the company with greater financial flexibility to pursue growth opportunities including blue and green ammonia.
- We maintain our Moderately Risky rating as we expect net leverage to decline to 2.0x by year-end 2022 (from 4.5x currently).
- Our \$12 price target is based on 12x our raised 2022 free cash flow per share estimate of \$1.04 (previously \$0.97), which is in line with three-year average multiples for other nitrogen-based chemicals providers. The target implies an 8x multiple of our 2022 EBITDA estimate of \$174 million (plus \$16 million in turnaround costs), also in line with peers.

NR

Price Target: \$12

Price: \$8.69

Risk Rating: M

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$770
Enterprise Value	\$1,235
52-Week Range (NYSE)	11-1
5-Year EPS CAGR	NM
Avg. Daily Trading Volume	292,000
Shares Out (Mil)	88.600
Float Shares (Mil)	31.291
Insider Ownership	29%
Institutional Holdings	65%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)	\$1.24
FCF Yield (2023E)	14.3%
Net Cash Per Share (2023E)	(\$2.52)
Price to Book Value	2.5x
Return on Equity (2023E)	8.6%
Total Debt to Capital	54%
Interest Coverage Ratio	0.5x
Short Interest %	2.6%
Short Interest Days To Cover	1.5
Russell 2000	2,362
Russell 2000 – Last 12 Months	50.6%
LXU – Last 12 Months	425.4%



Source: FactSet Prices

We lift our 2021-2023 EBITDA estimates on stronger pricing and a positive outlook from management. Benchmark Tampa ammonia rose \$160 to \$825/ton for November shipments, well ahead of average 4Q:20 pricing of \$239, benefiting from higher natural gas prices limiting production outside the U.S. and heavier turnaround activity and hurricane impacts within the U.S. We expected limited excess supply into spring planting season helping to drive prices through at least 1H:22. Higher crop prices have supported increased farmer income, driven in part by China corn imports as well as weather issues in South America. We expect another healthy planting season will also help fertilizer demand in 2022. During yesterday's 3Q earnings call, management guided for 4Q:21 EBITDA of \$70 million, well ahead of our previous 4Q estimate of \$38 million. As a result, we increase our 2021-2023 EBITDA estimates to \$154 million, \$174 million and \$159 million, respectively (from \$126 million, \$155 million and \$151 million), respectively. (Note we do not exclude turnaround costs from our EBITDA estimates.)

LSB modestly exceeds our EBITDA estimate in 3Q:21. Revenue expanded 72% year over year to \$127 million despite an extensive turnaround during the quarter at the Cherokee facility. Revenue was modestly below our projection on the length of the turnaround (We note LSB's strong recent safety and operating performance as it focuses on maintenance.) but EBITDA (excluding turnaround costs) of \$35 million topped our estimate by 3% on higher realized UAN and HDAN prices and modestly lower natural gas costs. Adjusted loss per share of \$0.16 (excluding costs related to the preferred exchange) narrowed from the year-earlier \$1.07 loss on stronger pricing given limited supplies and increasing demand, particularly driven by China corn imports. The company is also benefiting from long-term industrial agreements, which are generally priced based on benchmark Tampa ammonia and typically provide greater volume and cash flow certainty and reduce seasonality. Industrial and mining accounted for 60% of revenue in 3Q:21 compared to the year-ago 57% in part due to the long-term nitric acid contract that commenced in early 2021.

LSB increased its flexibility to pursue growth opportunities including blue and green ammonia. LSB redeemed its \$435 million in 9.625% notes and issued \$500 million of 6.25% notes due 2028 in 3Q:21. This follows the completion of the exchange of \$310 million in Series E and Series F preferred notes for common shares. We note that the company has invested in its plants to expand industrial exposure. Its 70,000-100,000 annual nitric acid supply contract, which launched at the beginning of 2021 and extends for seven years, is still ramping up while its CO₂ contract commences in 4Q. The company has also discussed potential investments in blue and green ammonia. Blue ammonia uses captured carbon dioxide while green ammonia is produced using renewable energy rather than natural gas. In addition, LSB is seeking more than \$100 million in damages from its former EPC contractor involved in the El Dorado plant expansion. The case, originally slated to begin last spring but pushed back due to COVID, is likely to reach court in 2022.

Our Moderately Risky rating reflects the improved capital structure and completed debt refinancing. The preferred exchange reduced net leverage (including preferreds) to 4.5x at the end of 3Q:21 (from more than 11x at the end of 1Q:21) and greatly enhanced the company's ability to pursue clean energy or other growth opportunities. We model net leverage declining to 2.0x by year-end 2022 on rising EBITDA. We expect LXU to use a portion of cash flow to pay down debt.

Exhibit 1: LSB Industries Quarterly Variance Table (\$ in thousands, except per share data)							
	3Q:21 Actual	3Q:21 Estimate	Variance (\$)	Variance (%)	3Q:20 Actual	Change	% Change
Revenue	\$127,199	\$131,860	(\$4,661)	-3.5%	\$73,969	\$53,230	72.0%
Adjusted EBITDA	27,133	26,548	585	2.2%	9,744	17,389	NM
EBITDA margin	21.3%	20.1%			13.2%		
Adjusted EBITDA excl. turnaround costs	35,109	34,048	1,061	3.1%	9,778	25,331	NM
Net income	(\$14,651)	(\$13,307)	(\$1,344)	10.1%	(\$29,874)	15,223	NM
Net profit margin	-11.5%	-10.1%			-40.4%		
Adjusted EPS	(\$0.16)	(\$0.28)	\$0.11	NM	(\$1.07)	\$0.90	NM

Source: Company reports and Sidoti & Company, LLC estimates

Valuation	Our \$12 price target is based on 12x our raised 2022 free cash flow per share estimate of \$1.04 (previously \$0.97). The multiple is in line with the three-year average forward for other nitrogen-based chemicals suppliers, including CF Industries (NYSE: CF, NC), Nutrien Ltd. (NYSE: NTR, NC) and Yara International (YAR-NO, NC). The target implies an 8x multiple to our 2022 EBITDA estimate of \$174 million (plus \$16 million in turnaround expenses), also in line with the peer group. Given the greater financial flexibility accorded LXU following the preferred exchange and refinancing, we expect it may be agile enough to build out its capabilities in faster growth markets.		
Key Risks	Fertilizer prices	Unplanned plant downtime	Balance sheet

LSB INDUSTRIES, INC.

Table 1. LSB Industries, Inc. Income Statement
(in thousands, except where noted)

	2020	MarA	JunA	SepA	DecE	2021E	MarE	JunE	SepE	DecE	2022E	MarE	JunE	SepE	DecE	2023E
Net sales	\$351,316	\$98,116	\$140,696	\$127,199	\$180,100	\$546,111	\$169,336	\$157,589	\$75,060	\$137,250	\$539,235	\$130,447	\$142,654	\$113,250	\$117,395	\$503,746
Cost of goods sold	334,268	90,056	105,688	109,752	118,232	423,728	114,017	105,874	75,643	106,023	401,557	100,229	97,323	88,099	91,284	376,935
Gross profit	17,048	8,060	35,008	17,447	61,868	122,383	55,319	51,715	(583)	31,227	137,678	30,218	45,331	25,151	26,111	126,810
SG&A	32,084	8,793	8,545	11,600	9,545	38,483	8,975	9,455	5,630	10,294	34,353	10,827	8,131	9,740	9,392	38,089
Other expense		(263)	6	474												
Other income																
Operating profit	(15,036)	(470)	26,457	5,373	52,322	83,899	46,344	42,259	(6,212)	20,933	103,325	19,391	37,199	15,411	16,719	88,721
Operating profit (excluding one-time items)	(9,378)	(270)	26,457	5,373	52,322	83,882	46,344	42,259	(6,212)	20,933	103,325	19,391	37,199	15,411	16,719	88,721
EBITDA (excluding one-time items)	61,463	16,412	44,237	27,133	69,977	153,861	63,999	59,914	11,443	38,588	173,945	37,046	54,854	33,066	34,374	159,341
EBITDA (excluding one-time items and turnaround costs)	61,508	16,412	44,237	35,109	69,977	161,837	63,999	59,914	27,443	38,588	189,945	37,046	54,854	33,066	34,374	159,341
Interest expense	51,115	12,372	12,290	12,956	8,223	45,841	8,223	7,588	7,423	7,258	30,492	6,928	6,433	5,938	5,443	24,742
Loss on extinguishment of debt																
Non-operating other expense (income)		395	(9,255)	1,326												
Earnings before income taxes	(66,151)	(13,237)	23,422	(8,909)	44,099	38,058	38,121	34,671	(13,635)	13,675	72,832	12,463	30,766	9,473	11,276	63,978
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes	(4,749)	42	(248)	19	10,143	9,956	8,768	7,974	(3,136)	3,145	16,751	2,866	7,076	2,179	2,594	14,715
Net income attributable to common stock	(\$61,402)	(\$13,279)	\$23,670	(\$8,928)	\$33,956	\$28,102	\$29,353	\$26,697	(\$10,499)	\$10,530	\$56,081	\$9,597	\$23,690	\$7,294	\$8,683	\$49,263
Preferred stock dividends	35,182	9,511	10,436	10,190	750	30,887	750	750	750	750	3,000	750	750	750	750	3,000
Net income	(\$99,419)	(\$23,376)	\$12,646	\$(251,504)	\$33,206	(\$229,028)	\$28,603	\$25,947	(\$11,249)	\$9,780	\$53,081	\$8,847	\$22,940	\$6,544	\$7,933	\$46,263
Net income (excluding one-time items)	(\$93,518)	(\$23,175)	\$7,011	(14,651)	\$33,206	\$2,391	\$28,603	\$25,947	(\$11,249)	\$9,780	\$53,081	\$8,847	\$22,940	\$6,544	\$7,933	\$46,263
EPS from continuing operations																
GAAP diluted earnings per share	(\$3.54)	(\$0.82)	\$0.44	(\$6.39)	\$0.37	(\$6.40)	\$0.32	\$0.29	(\$0.13)	\$0.11	\$0.59	\$0.10	\$0.25	\$0.07	\$0.09	\$0.51
Diluted earnings per share (excluding one-time items)	(\$3.34)	(\$0.82)	\$0.25	(\$0.16)	\$0.37	(\$0.36)	\$0.32	\$0.29	(\$0.13)	\$0.11	\$0.59	\$0.10	\$0.25	\$0.07	\$0.09	\$0.51
Diluted shares outstanding	27,998	28,396	28,453	88,824	89,002	58,669	89,180	89,358	89,537	89,716	89,448	89,896	90,076	90,256	90,436	90,166
				39,351												
YOY Growth:																
Revenue	-3.8%	17.6%	34.0%	72.0%	102.6%	55.4%	72.6%	12.0%	-41.0%	-23.8%	-1.3%	-23.0%	-9.5%	50.9%	-14.5%	-6.6%
Gross profit	242.0%	216.0%	84.0%	NM	NM	617.9%	586.3%	47.7%	NM	-49.5%	12.5%	-45.4%	-12.3%	NM	-16.4%	-7.9%
Operating profit	-61.5%	NM	147.6%	NM	NM	-658.0%	NM	59.7%	NM	-60.0%	23.2%	NM	-12.0%	NM	-20.1%	-14.1%
Operating profit (excluding one-time items)	-59.4%	NM	147.6%	NM	NM	-994.5%	NM	59.7%	NM	-60.0%	23.2%	NM	-12.0%	NM	-20.1%	-14.1%
Net income	NM	NM	NM	NM	-256.5%	NM	NM	NM	NM	-69.0%	NM	NM	NM	NM	-17.5%	NM
Net income (excluding one-time items)	NM	NM	NM	NM	-214.0%	NM	NM	NM	NM	-70.5%	NM	NM	NM	NM	-18.9%	NM
GAAP EPS	NM	NM	NM	NM	-133.3%	NM	NM	NM	NM	-70.8%	NM	NM	NM	NM	-19.5%	NM
Diluted EPS	NM	NM	NM	NM	-136.1%	NM	NM	NM	NM	-70.8%	NM	NM	NM	NM	-19.5%	NM
Margins:																
COGS/sales	95.1%	91.8%	75.1%	86.3%	65.6%	77.6%	67.3%	67.2%	100.8%	77.2%	74.5%	76.8%	68.2%	77.8%	77.8%	74.8%
SG&A/sales	9.1%	9.0%	6.1%	9.1%	5.3%	7.0%	5.3%	6.0%	7.5%	7.5%	6.4%	8.3%	5.7%	8.6%	8.0%	7.6%
Gross profit	4.9%	8.2%	24.9%	13.7%	34.4%	22.4%	32.7%	32.8%	-0.8%	22.8%	25.5%	23.2%	31.8%	22.2%	22.2%	25.2%
Operating profit	-4.3%	-0.5%	18.8%	4.2%	29.1%	15.4%	27.4%	26.8%	-8.3%	15.3%	19.2%	14.9%	26.1%	13.6%	14.2%	17.6%
Operating profit (excluding one-time items)	-2.7%	-0.3%	18.8%	4.2%	29.1%	15.4%	27.4%	26.8%	-8.3%	15.3%	19.2%	14.9%	26.1%	13.6%	14.2%	17.6%
Net income	-17.5%	-13.5%	16.8%	-7.0%	18.9%	5.1%	17.3%	16.9%	-14.0%	7.7%	10.4%	7.4%	16.6%	6.4%	7.4%	9.8%
Net income (excluding one-time items)	-26.6%	-23.6%	5.0%	-11.5%	18.4%	0.4%	16.9%	16.5%	-15.0%	7.1%	9.8%	6.8%	16.1%	5.8%	6.8%	9.2%

Sources: Company reports and Sidoti & Company, LLC estimates

LSB INDUSTRIES, INC.

Table 2. LSB Industries, Inc. Cash Flow Statement

(in thousands, except where noted)

	Mar	Jun	Sep	Dec	2020	MarA	JunA	SepA	DecE	2021E	2022E	2023E
Cash Flows From Operating Activities:												
Net income	\$ (19,452)	\$ (365)	\$ (20,402)	\$ (21,692)	\$ (61,911)	\$ (13,279)	\$ 23,670	\$ (8,928)	\$ 33,956	\$ 35,419	\$ 56,081	\$ 49,263
Depreciation and amortization	17,592	16,980	17,385	17,624	69,581	16,762	16,963	17,655	17,655	69,035	70,620	70,620
Amortization of intangibles and other assets	315	316	315	314	1,260	315	314	315		944		
Net loss (income) from discontinued operations					-					-	-	-
Deferred income taxes					-	327	(71)	138		394	-	-
Changes in working capital	(1,632)	4,091	7,370	(24,585)	(14,756)	9,644	(15,813)	19,947	(37,288)	(23,510)	2,299	24,493
Other operating cash flow	999	532	671	1,111	3,313	(1,058)	(7,193)	5,763	-	(2,488)	-	-
Total cash flows used in (provided by) operating activities	(2,178)	21,554	5,339	(27,228)	(2,513)	12,711	17,870	34,890	14,323	79,794	129,000	144,377
Cash Flows From Investing Activities:												
Capital expenditures	(10,737)	(7,216)	(4,277)	(8,241)	(30,471)	(6,133)	(8,716)	(11,252)	(9,000)	(35,101)	(36,000)	(32,800)
Proceeds from sale of property, plant and equipment					-					-	-	-
Other	179	120	1,712	34	2,045	198	102	82		382	-	-
Total cash flows used in (provided by) investing activities	(10,558)	(7,096)	(2,565)	(8,207)	(28,426)	(5,935)	(8,614)	(11,170)	(9,000)	(34,719)	(36,000)	(32,800)
Cash Flows From Financing Activities:												
Principal payments on long-term debt	(5,078)	(5,428)	(47,193)	(4,598)	(62,297)	(8,772)	(5,808)	(6,250)		(20,830)	(50,000)	(90,000)
Proceeds from long-term debt	32,570	10,000	30,000	14,589	87,159					-	-	-
Dividends paid on preferred stock					-					-	-	-
Proceeds from issuance of preferred stock					-					-	-	-
Other financing cash flow	(64)			(386)	(450)	(36)	(55)	(2,240)		(2,331)	-	-
Total cash provided by (used in) financing activities	27,428	4,572	(17,193)	9,605	24,412	(8,808)	(5,863)	(8,490)	-	(23,161)	(50,000)	(90,000)
Cash flow from discontinued operations												
Net increase in cash and cash equivalents	14,692	19,030	(14,419)	(25,830)	(6,527)	(2,032)	3,393	15,230	5,323	21,914	43,000	21,577
Cash and cash equivalents at beginning of period	22,791	37,483	56,513	42,094	22,791	16,264	14,232	17,625	32,855	16,264	38,178	81,178
Cash and cash equivalents at end of period	\$ 37,483	\$ 56,513	\$ 42,094	\$ 16,264	\$ 16,264	\$ 14,232	\$ 17,625	\$ 32,855	\$ 38,178	\$ 38,178	\$ 81,178	\$ 102,755
Free cash flow	\$ (12,915)	\$ 14,338	\$ 1,062	\$ (35,469)	\$ (32,984)	\$ 6,578	\$ 9,154	\$ 23,638	\$ 5,323	\$ 44,693	\$ 93,000	\$ 111,577
Free cash flow per share	\$ (0.46)	\$ 0.51	\$ 0.04	\$ (1.26)	\$ (1.18)	\$ 0.23	\$ 0.32	\$ 0.27	\$ 0.06	\$ 0.76	\$ 1.04	\$ 1.24

Sources: Company reports and Sidoti & Company, LLC estimates

LSB INDUSTRIES, INC.

Table 3. LSB Industries, Inc. Balance Sheet

(in thousands, except where noted)

	Mar	Jun	Sep	2020	MarA	JunA	SepA	2021E	2022E	2023E
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$ 37,483	\$ 56,513	\$ 42,094	\$ 16,264	\$ 14,232	\$ 17,625	\$ 32,855	\$ 38,178	\$ 81,178	\$ 102,755
Receivables	51,060	42,569	39,553	42,551	60,125	67,054	65,705	93,652	82,350	56,350
Inventory	26,303	14,332	19,202	19,573	19,218	14,302	18,206	18,917	21,205	14,605
Supplies, prepaid items and other	42,389	39,361	37,180	51,192	45,389	44,118	46,189	46,189	46,189	46,189
Total current assets	157,235	152,775	138,029	129,580	138,964	143,099	162,955	196,936	230,922	219,899
OTHER ASSETS:										
Property, plant and equipment	928,393	913,441	899,613	891,198	882,816	871,780	869,497	860,842	826,222	788,402
Other assets	24,523	28,449	32,283	32,524	33,217	34,606	42,092	42,092	42,092	42,092
Total other assets	952,916	941,890	931,896	923,722	916,033	906,386	911,589	902,934	868,314	830,494
Total assets	\$ 1,110,151	\$ 1,094,665	\$ 1,069,925	\$ 1,053,302	\$ 1,054,997	\$ 1,049,485	\$ 1,074,544	\$ 1,099,870	\$ 1,099,236	\$ 1,050,393
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY										
CURRENT LIABILITIES:										
Accounts payable and accrued expenses	\$ 54,010	\$ 45,245	\$ 41,192	\$ 46,551	\$ 57,360	\$ 51,212	\$ 73,658	\$ 65,028	\$ 58,313	\$ 50,206
Short-term financing	6,893	3,834	751	13,576	8,157	4,516	1,083	1,083	1,083	1,083
Accrued and other liabilities	40,544	27,768	40,957	30,367	40,722	30,541	50,772	50,772	50,772	50,772
Current maturities of long-term debt	9,665	11,492	15,203	16,801	18,082	9,049	9,249	9,249	9,249	9,249
Total current liabilities	111,112	88,339	98,103	107,295	124,321	95,318	134,762	126,132	119,417	111,310
LONG-TERM LIABILITIES:										
Accrued and other liabilities	19,660	21,200	24,845	25,935	26,577	27,649	24,744	24,744	24,744	24,744
Deferred income taxes	35,343	34,056	32,663	30,939	31,266	31,195	31,333	31,195	31,195	31,195
Long-term debt, less current maturities	480,837	487,552	470,751	467,389	463,673	461,459	460,637	460,637	410,637	320,637
Total liabilities	646,952	631,147	626,362	631,558	645,837	615,621	651,476	642,708	585,993	487,886
COMMON SHAREHOLDERS' EQUITY:										
Redeemable preferred stock	243,704	252,898	262,295	272,101	282,123	292,849				
Total shareholders' equity	219,495	210,620	181,268	149,643	127,037	141,015	423,068	457,162	513,243	562,507
Total liabilities and common shareholders' equity	\$ 1,110,151	\$ 1,094,665	\$ 1,069,925	\$ 1,053,302	\$ 1,054,997	\$ 1,049,485	\$ 1,074,544	\$ 1,099,870	\$ 1,099,236	\$ 1,050,393
Key Ratios:										
Current ratio	1.4	1.7	1.4	1.2	1.1	1.5	1.2	1.6	1.9	2.0
Net debt per share	\$25.29	\$25.03	\$25.21	\$26.73	\$26.69	\$26.37	\$4.93	\$4.86	\$3.79	\$2.52
Net debt	703,616	699,263	706,906	753,603	757,803	750,248	438,114	432,791	339,791	228,214
Net debt plus preferreds/EBITDA (TTM)	13.2	13.3	11.9	12.0	11.7	9.3	4.5	2.7	2.0	1.4
Net debt/EBITDA(TTM)	10.2	10.1	9.0	7.6	7.3	5.7	4.5	2.7	2.0	1.4
Book value per share	\$ 7.89	\$ 7.54	\$ 6.46	\$ 5.34	\$ 4.47	\$ 4.96	\$ 4.76	\$ 7.79	\$ 5.74	\$ 6.24
Return on total assets	-8.9%	-3.4%	-10.9%	NM	-8.6%	2.6%	-5.5%	NM	4.8%	4.3%
Return on total capital	-13.6%	-5.2%	-17.0%	NM	-14.1%	4.2%	-7.5%	NM	5.7%	5.1%
Return on total equity	-36.7%	-14.5%	-51.4%	NM	-53.5%	16.0%	-19.4%	NM	10.9%	8.6%
Debt-to-equity	223.5%	236.9%	268.1%	323.6%	379.2%	333.7%	111.1%	102.8%	81.8%	58.6%
Total debt-to-total capital	69.1%	70.3%	72.8%	76.4%	79.1%	76.9%	52.6%	50.7%	45.0%	37.0%
Long-term debt-to-total capital	67.7%	68.7%	70.6%	73.7%	76.2%	75.5%	51.6%	49.7%	44.0%	35.9%

Sources: Company reports and Sidoti & Company, LLC estimates

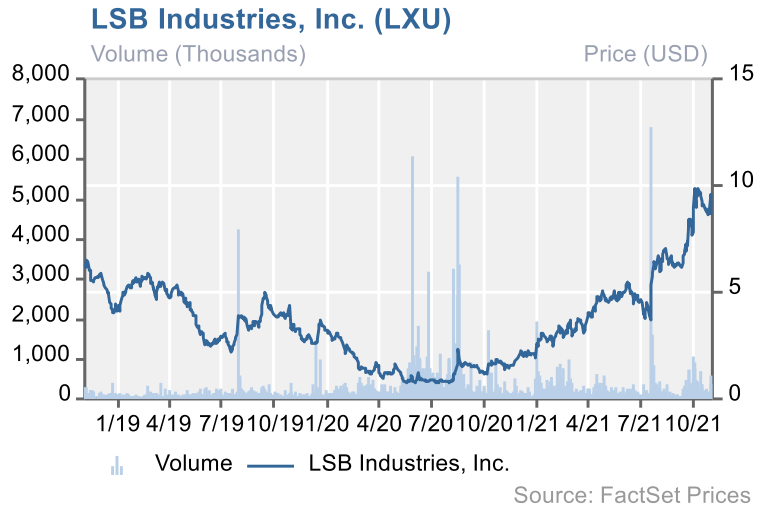
Appendix
Required Disclosures

Required Disclosures

LSB Industries, Inc. (LXU-\$8.69) NR Price Target: \$12 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
PT	4/29/19	6		9	
PT	6/19/19	3.7		7	
PT	7/30/19	4		9	
PT	7/17/20	1.2		5	
ACHG	11/6/20	1.9	NR	5	
PT	1/6/21	3.7		5	
PT	2/17/21	4.2		5	
PT	2/26/21	4.7		6	
PT	4/5/21	5.3		6	
PT	4/21/21	6.2		7	
PT	4/30/21	6.4		7	
PT	6/9/21	7.2		8	
PT	7/19/21	5.1		8	
Risk Rating	7/20/21	6.4			M
PT	7/20/21	6.4		8	
PT	7/30/21	8.3		9	
PT	9/1/21	8.2		9	
PT	9/23/21	9.4		10	
PT	10/4/21	11.7		12	
PT	10/25/21	8.9		12	



Valuation	Our \$12 price target is based on 12x our raised 2022 free cash flow per share estimate of \$1.04 (previously \$0.97). The multiple is in line with the three-year average forward for other nitrogen-based chemicals suppliers, including CF Industries (NYSE: CF, NC), Nutrien Ltd. (NYSE: NTR, NC) and Yara International (YAR-NO, NC). The target implies an 8x multiple to our 2022 EBITDA estimate of \$174 million (plus \$16 million in turnaround expenses), also in line with the peer group. Given the greater financial flexibility accorded LXU following the preferred exchange and refinancing, we expect it may be agile enough to build out its capabilities in faster growth markets.		
Key Risks	Fertilizer prices	Unplanned plant downtime	Balance sheet

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