



## LSB Industries, Inc. (LXU)

### Management Offers Positive Outlook At Our Conference, Highlights Potential Of Blue And Green Ammonia; Maintain \$12 Price Target And Note Improved Balance Sheet, High Ammonia Prices

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	(\$0.89)	(\$0.82)A		\$0.32		\$0.10		
June	(0.34)	0.25A		0.29		0.25		
Sep.	(1.07)	(0.16)A		(0.13)		0.07		
Dec.	(1.03)	0.37		0.11		0.09		
EPS	(\$3.34)	(\$0.36)		\$0.59		\$0.51		
P/E				15.4x		17.8x		
EBITDA (mil)	\$61.5	\$153.9		\$173.9		\$159.3		
EV / EBITDA				4.8x		5.3x		

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.

- With corn prices rallying back to near \$6 per bushel and benchmark Tampa ammonia rising to nearly \$1,000 per tonne for December, we expect continued improvement in LSB profitability.
- While speaking yesterday at Sidoti's Virtual Investor Conference, CEO Mark Behrman noted a heavy fall application season for fertilizer and suggested pricing could remain healthy well into 2023.
- During a fireside chat, Mr. Behrman also noted that the improved balance sheet could enable LSB to expand into blue ammonia by adding carbon capture equipment at its facilities or green ammonia by joining with partners in the nascent industry.
- The company is also looking at ways to further improve operating efficiencies within its facilities, which would have the potential to add \$25-35 million in EBITDA annually without additional cap-ex.
- The completion of the preferred exchange for common shares and debt refinancing in 3Q:21 provides the company with greater financial flexibility as net leverage declined to 4.5x at the end of 3Q from nearly 12x one year ago.
- 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 2022 free cash flow per share estimate of \$1.04, 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.

We expect rising ammonia prices will strong continued profitability growth for LSB in 2022. Benchmark Tampa ammonia rose to a multi-year high of \$990 per tonne in December (from \$825 in November) and an average \$239 in 4Q:20, driven by reduced production in Europe due to elevated natural gas prices, increased turnarounds (after COVID-induced deferrals in 2020) and weather-related outages. Demand remains healthy as corn prices have rallied back to near \$6 per bushel from around \$5 in mid October. Speaking yesterday at Sidoti's Virtual Investor Conference, LSB CEO Mark Behrman noted heavy fall applications

NR

Price Target: \$12

Price: \$9.10

Risk Rating: M

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#### Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$810
Enterprise Value	\$838
52-Week Range (NYSE)	11-2
5-Year EPS CAGR	NM
Avg. Daily Trading Volume	331,000
Shares Out (Mil)	88.825
Float Shares (Mil)	81.686
Insider Ownership	29%
Institutional Holdings	65%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)	\$1.24
FCF Yield (2023E)	13.6%
Net Cash Per Share (2023E)	(\$2.52)
Price to Book Value	2.0x
Return on Equity (2023E)	8.6%
Total Debt to Capital	54%
Interest Coverage Ratio	0.5x
Short Interest %	0.9%
Short Interest Days To Cover	2.4
Russell 2000	2,220
Russell 2000 – Last 12 Months	18.5%
LXU – Last 12 Months	350.7%



Source: FactSet Prices

and expects strong prices into spring planting season due to low inventories and solid crop prices. In fact, management still expects healthy prices well into 2023. The CEO also thinks the company can generate higher EBTIDA by decreasing bottlenecks within the plants. He estimates the potential to add \$25-35 million in annual EBITDA through improved throughput as LSB seeks ways to increase efficiencies. Management also highlighted LSB's mix of nitrogen-based chemicals to agricultural and industrial markets. Mr. Behrman noted that the industrial exposure reduces cyclical and seasonality in the business. Earlier this year, LSB commenced a 7-year contract to produce 70,000-100,000 tons of nitric acid annually.

**Management is bullish on blue and green ammonia and may also pursue opportunities to build scale.** In 3Q:21, LSB completed the exchange of \$310 million in preferred shares for common shares and after a credit upgrade, refinanced its debt, providing far greater financial flexibility to pursue growth opportunities. At our conference, management saw possibilities to invest in carbon capture equipment to enable the production of blue ammonia, which has been gaining traction as a possible replacement for bunker fuel and for other uses. LSB would also benefit from tax incentives. Mr. Behrman noted that green ammonia likely requires a greater investment (creating ammonia through renewable energy) and with the market still at a nascent phase, would mean the company probably seeks partners to share costs. Mr. Behrman noted he would not expect the company to convert an entire facility to green ammonia production but rather add equipment to use a portion of the facility. LSB may also pursue adding capacity through acquisitions to provide the company a stronger position in the market.

**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.

<b>Valuation</b>	<b>Our \$12 price target is based on 12x our 2022 free cash flow per share estimate of \$1.04.</b> 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.		
<b>Key Risks</b>	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
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												
<b>YOY Growth:</b>																
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
<b>Margins:</b>																
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
<b>Cash Flows From Operating Activities:</b>												
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)	-	-
<b>Total cash flows used in (provided by) operating activities</b>	<b>(2,178)</b>	<b>21,554</b>	<b>5,339</b>	<b>(27,228)</b>	<b>(2,513)</b>	<b>12,711</b>	<b>17,870</b>	<b>34,890</b>	<b>14,323</b>	<b>79,794</b>	<b>129,000</b>	<b>144,377</b>
<b>Cash Flows From Investing Activities:</b>												
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	-	-
<b>Total cash flows used in (provided by) investing activities</b>	<b>(10,558)</b>	<b>(7,096)</b>	<b>(2,565)</b>	<b>(8,207)</b>	<b>(28,426)</b>	<b>(5,935)</b>	<b>(8,614)</b>	<b>(11,170)</b>	<b>(9,000)</b>	<b>(34,719)</b>	<b>(36,000)</b>	<b>(32,800)</b>
<b>Cash Flows From Financing Activities:</b>												
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)	-	-
<b>Total cash provided by (used in) financing activities</b>	<b>27,428</b>	<b>4,572</b>	<b>(17,193)</b>	<b>9,605</b>	<b>24,412</b>	<b>(8,808)</b>	<b>(5,863)</b>	<b>(8,490)</b>	<b>-</b>	<b>(23,161)</b>	<b>(50,000)</b>	<b>(90,000)</b>
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
<b>Cash and cash equivalents at end of period</b>	<b>\$ 37,483</b>	<b>\$ 56,513</b>	<b>\$ 42,094</b>	<b>\$ 16,264</b>	<b>\$ 16,264</b>	<b>\$ 14,232</b>	<b>\$ 17,625</b>	<b>\$ 32,855</b>	<b>\$ 38,178</b>	<b>\$ 38,178</b>	<b>\$ 81,178</b>	<b>\$ 102,755</b>
<b>Free cash flow</b>	<b>\$ (12,915)</b>	<b>\$ 14,338</b>	<b>\$ 1,062</b>	<b>\$ (35,469)</b>	<b>\$ (32,984)</b>	<b>\$ 6,578</b>	<b>\$ 9,154</b>	<b>\$ 23,638</b>	<b>\$ 5,323</b>	<b>\$ 44,693</b>	<b>\$ 93,000</b>	<b>\$ 111,577</b>
<b>Free cash flow per share</b>	<b>\$ (0.46)</b>	<b>\$ 0.51</b>	<b>\$ 0.04</b>	<b>\$ (1.26)</b>	<b>\$ (1.18)</b>	<b>\$ 0.23</b>	<b>\$ 0.32</b>	<b>\$ 0.27</b>	<b>\$ 0.06</b>	<b>\$ 0.76</b>	<b>\$ 1.04</b>	<b>\$ 1.24</b>

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
<b>ASSETS</b>										
<b>CURRENT ASSETS:</b>										
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
<b>Total current assets</b>	<b>157,235</b>	<b>152,775</b>	<b>138,029</b>	<b>129,580</b>	<b>138,964</b>	<b>143,099</b>	<b>162,955</b>	<b>196,936</b>	<b>230,922</b>	<b>219,899</b>
<b>OTHER ASSETS:</b>										
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
<b>Total other assets</b>	<b>952,916</b>	<b>941,890</b>	<b>931,896</b>	<b>923,722</b>	<b>916,033</b>	<b>906,386</b>	<b>911,589</b>	<b>902,934</b>	<b>868,314</b>	<b>830,494</b>
<b>Total assets</b>	<b>\$ 1,110,151</b>	<b>\$ 1,094,665</b>	<b>\$ 1,069,925</b>	<b>\$ 1,053,302</b>	<b>\$ 1,054,997</b>	<b>\$ 1,049,485</b>	<b>\$ 1,074,544</b>	<b>\$ 1,099,870</b>	<b>\$ 1,099,236</b>	<b>\$ 1,050,393</b>
<b>LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>										
<b>CURRENT LIABILITIES:</b>										
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
<b>Total current liabilities</b>	<b>111,112</b>	<b>88,339</b>	<b>98,103</b>	<b>107,295</b>	<b>124,321</b>	<b>95,318</b>	<b>134,762</b>	<b>126,132</b>	<b>119,417</b>	<b>111,310</b>
<b>LONG-TERM LIABILITIES:</b>										
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
<b>Total liabilities</b>	<b>646,952</b>	<b>631,147</b>	<b>626,362</b>	<b>631,558</b>	<b>645,837</b>	<b>615,621</b>	<b>651,476</b>	<b>642,708</b>	<b>585,993</b>	<b>487,886</b>
<b>COMMON SHAREHOLDERS' EQUITY:</b>										
Redeemable preferred stock	243,704	252,898	262,295	272,101	282,123	292,849				
<b>Total shareholders' equity</b>	<b>219,495</b>	<b>210,620</b>	<b>181,268</b>	<b>149,643</b>	<b>127,037</b>	<b>141,015</b>	<b>423,068</b>	<b>457,162</b>	<b>513,243</b>	<b>562,507</b>
<b>Total liabilities and common shareholders' equity</b>	<b>\$ 1,110,151</b>	<b>\$ 1,094,665</b>	<b>\$ 1,069,925</b>	<b>\$ 1,053,302</b>	<b>\$ 1,054,997</b>	<b>\$ 1,049,485</b>	<b>\$ 1,074,544</b>	<b>\$ 1,099,870</b>	<b>\$ 1,099,236</b>	<b>\$ 1,050,393</b>
<b>Key Ratios:</b>										
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

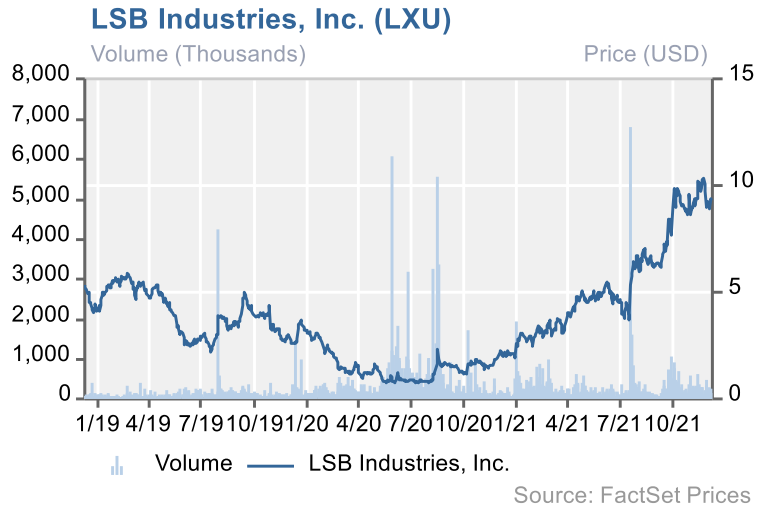
**Appendix**  
Required Disclosures

**Required Disclosures**

**LSB Industries, Inc. (LXU-\$9.10) 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	
PT	11/3/21	8.7		12	



<b>Valuation</b>	Our \$12 price target is based on 12x our 2022 free cash flow per share estimate of \$1.04. 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.		
<b>Key Risks</b>	Fertilizer prices	Unplanned plant downtime	Balance sheet

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