



LSB Industries, Inc. (LXU)

LSB Records Solid 1Q:20 Results Despite Ammonia Prices Down 30%-Plus; EBITDA Better Than Expected; Near-Term Outlook Remains Positive; Maintain \$9 Price Target

	2018	2019	2020E	2021E
	OLD	NEW	OLD	NEW
Mar.	(\$0.49)	(\$0.70)	(\$0.78)	(\$0.89)A
June	(0.73)	(0.05)	(0.24)	(0.33)
Sep.	(1.23)	(1.04)	(0.60)	(0.67)
Dec.	(0.67)	(0.97)	(0.32)	(0.39)
EPS	(\$3.12)	(\$2.77)	(\$1.94)	(\$2.29)
P/E				NM
FCF per share	(\$0.46)	(\$0.83)	\$1.17	\$0.89
P / FCF			1.9x	1.1x

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. EPS/losses per share exclude net nonrecurring income of \$0.62 in 2018. 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.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
Rev.(Mil.)	\$759.0	\$679.3	\$732.5	\$691.2	\$441.2	\$427.5	\$378.2	\$370.9	\$396.2	\$486.6
GAAP EPS	\$2.50	\$2.44	\$0.81	(\$1.67)	\$1.30	(\$2.18)	(\$3.73)	(\$3.31)	(\$2.40)	(\$1.33)

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.

- **Last night, LSB reported 1Q:20 adjusted EBITDA declined 12% to \$14.5 million, topping our estimate of \$13.1 million.**
- **Sales declined 11% to \$83 million, slightly missing our estimate of \$85 million.**
- **Better-than-expected EBITDA was realized despite 30%-plus average declines in ammonia and UAN chemicals prices, compared to 1Q:19.**
- **Improved operational on-stream rates continued in the quarter, proving that the extensive maintenance and upgrade work completed in the last several years is generating returns.**
- **Management stated all plants ran well, including the El Dorado plant, which operated at 99% capacity and generated record production.**
- **Management stated the near-term outlook is positive, as demand has ramped up during the spring planting season; but that the medium-term outlook is more uncertain due to the weak ethanol markets. This outlook mirrors peer CF Industries' (NYSE: CF, NC) comments made in its own 1Q:20 report last night.**
- **We fine-tune our 2020 EBITDA estimate to \$95 million (from \$96 million) and maintain our 2021 estimate of \$130 million. We estimate FCF of \$25 million and \$44 million, respectively.**
- **At the end of 1Q:20, LSB had cash of \$37 million, \$21 million of availability on its revolver, total debt of \$491 million and preferred stock of \$251 million. We think liquidity is manageable.**
- **Our unchanged \$9 price target is based on 6x our 2021 FCF per share estimate of \$1.52; this equates to 7.6x our 2021 EBITDA estimate of \$130 million. (Peer stocks currently trade at forward EV/EBITDA multiples of 5x-9x.)**

LSB reported solid 1Q:20 results despite the COVID-19 pandemic and a soft pricing environment. The company reported adjusted EBITDA declined 12% to \$14.5 million, topping our estimate of \$13.1 million; the \$14.5 million excludes about \$3 million of one-time legal expenses related to a lawsuit the company has taken on against a contractor that the company argues is partially responsible for cost overruns in its 2015 construction project at the El Dorado facility. Sales declined 11% to \$83 million, slightly missing our estimate of \$85

NR

Price Target: \$9

Price: \$1.73

Risk Rating: H

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Key Statistics

Analysts Covering	0
Market Cap (Mil)	\$50
Enterprise Value	\$748
52-Week Range (NYSE)	7-1
5-Year EPS CAGR	NM
Avg. Daily Trading Volume	190,000
Shares Out (Mil)	29.303
Float Shares (Mil)	25.107
Insider Ownership	29%
Institutional Holdings	65%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2021E)	\$1.52
FCF Yield (2021E)	87.9%
Net Cash Per Share (2021E)	(\$25.47)
Price to Book Value	0.2x
Return on Equity (2021E)	NM
Total Debt to Capital	50%
Interest Coverage Ratio	-1.8x
Short Interest %	5.4%
Short Interest Days To Cover	7.7
Russell 2000	1,263
Russell 2000 – Last 12 Months	-21.1%
LXU – Last 12 Months	-70.2%



million. In 1Q:20, average prices of LSB's main chemicals, ammonia and UAN, fell more than 30% year over year. The main reason for the limited decline in sales and profit despite the challenging pricing market was improved on-stream rates at the three major plants. In the press release, management stated all plants performed well, including El Dorado, which operated at a 99% on-stream rate and realized record production. In addition, natural gas, which is the main feed stock to LSB's chemicals was down on average 28% in the quarter. The COVID-19 pandemic did not greatly affect the company as its operations are deemed essential.

Consistent with previous commentary from management, the outlook remains positive for 2020. In the press release, CEO Mark Behrman stated he expects "a material year-over-year improvement in results for full year 2020." While the COVID-19 economic downturn is curbing demand for some industrial and mining chemicals, the near-term outlook (next three months) related to agriculture chemicals is positive. After a slow start to the year due to unfavorable weather, planting conditions have improved. Furthermore, we expect the sector will plant 3%-8% more acres of corn this year, which should drive higher demand. Commentary in the press release leads us to believe 2Q:20 has been trending well because of this dynamic. In its own 1Q:20 report last night, peer CF Industries cited the strongest demand for ammonia for fertilizer application in any April since 2015. In addition, 2020 is the first year in LSB's history that it will not perform a turnaround on any of its three plants; this should lead to higher production and productivity and lower maintenance expenses; in 2019, the company incurred turnaround costs of \$13 million, which LSB (unlike many peers) expenses rather than capitalizes. Finally, due to the major turnaround work performed in 2019, as well as all the upgrade work done in prior years, we expect on-stream rates will continue to improve year-over-year as was recognized in 1Q:20; this should also result in higher production and productivity.

The medium-term outlook is uncertain and too early to call. Due to the effects that the COVID-19 pandemic has had on the ethanol market, which consumes about 35%-40% of U.S. produced corn, there is a risk corn consumption could drop this year. Depending on how the harvest plays out later this year, there is a risk of an unfavorable demand/supply dynamic by the end of the year. However, there are still a lot of dynamics that are uncertain, such as how the harvest transpires in the fall and how the import market plays out. We intend to monitor the situation closely.

The biggest risk for investors remains the balance sheet, but we think it is manageable in the near-term. LSB holds \$435 million of senior secured notes at 9.625% and \$251 million of nonconvertible preferred equity at 14% on the balance sheet. The notes are callable at a premium of \$107 in May 2020 and \$104 in May 2021, while the preferred stock is redeemable at any time. We think ongoing improvement in operational reliability should give banks confidence to allow the company to refinance the notes, creating another catalyst for the stock in 2020-2021; the earliest the refinancing could occur is May 2020 when the notes are callable for the first time. At the end of 1Q:20, the company had accessible liquidity of \$58 million (\$37 million of cash and \$21 million of borrowing capacity on a working capital revolver).

Valuation	We maintain a \$9 price target. LXU shares trade at 7.6x our 2021 EBITDA estimate, compared with a peer average of 6.9x. Comparable EBITDA multiples for the chemical peers are: 8.4x for CF Industries (NYSE: CF, NC), 7.5x for Nutrien (Canada), 6.2x for the Mosaic Company (NYSE: MOS, NC) and 5.6x for Yara International (foreign). We note that LSB's plant turnaround costs are expensed, lowering EBITDA, while most competitors capitalize such outlays. LSB will not have further plant turnaround costs until 2021, as the plants are now set up to operate efficiently without requiring turnaround for two-three years. The \$9 price target is based on 6x our 2021 FCF per share estimate of \$1.52; this equates to 7.6x our 2021 EBITDA estimate of \$130 million.		
Key Risks	Fertilizer prices	Unplanned plant downtime	Balance sheet

Exhibit 1: LXU 1Q:20 Variance Analysis (\$ in thousands, except per share data)						
	1Q:20 Actual	1Q:20 Estimate	Variance (\$)	Variance (%)	1Q:19 Actual	% Change
Revenue	\$83,411	\$85,487	(\$2,076)	-2%	\$94,152	-11.4%
Gross profit	2,551	1,443	1,108	77%	7,318	-65.1%
<i>Gross margin</i>	<i>3.1%</i>	<i>1.7%</i>			<i>7.8%</i>	
Adjusted operating income	(3,457)	(4,541)	1,084	-24%	(229)	NM
<i>Operating margin</i>	<i>-4.1%</i>	<i>-5.3%</i>			<i>-0.2%</i>	
Adjusted EBITDA	14,542	13,124	1,418	11%	16,597	-12.4%
<i>EBITDA margin</i>	<i>17.4%</i>	<i>15.4%</i>			<i>17.6%</i>	
Net income	(\$24,868)	(\$21,671)	(\$3,198)	NM	(\$19,367)	NM
<i>Net profit margin</i>	<i>-29.8%</i>	<i>-25.3%</i>			<i>-20.6%</i>	
Diluted EPS	(\$0.89)	(\$0.78)	(\$0.11)	NM	(\$0.70)	NM

Source: Company reports and Sidoti & Company, LLC estimates

LSB INDUSTRIES, INC.

Table 1. LSB Industries, Inc. Income Statement

(in thousands, except where noted)

	2018	Mar	Jun	Sep	Dec	2019	Mar	JunE	SepE	DecE	2020E	MarE	JunE	SepE	DecE	2021E
Net sales	\$ 378,160	\$ 94,152	\$ 121,527	\$ 75,495	\$ 73,896	\$ 365,070	\$ 83,411	\$ 96,973	\$ 95,822	\$ 120,007	\$ 396,213	\$ 119,917	\$ 137,463	\$ 101,957	\$ 127,231	\$ 486,568
Cost of goods sold	362,325	86,834	101,850	85,228	86,173	360,085	80,860	77,713	87,097	101,292	346,962	102,339	102,212	88,852	103,405	396,808
Gross profit	15,835	7,318	19,677	(9,733)	(12,277)	4,985	2,551	19,259	8,726	18,716	49,251	17,577	35,252	13,104	23,826	89,760
Selling, general and administrative expenses	40,811	7,224	8,366	9,115	9,467	34,172	10,006	5,818	7,474	7,200	30,499	8,394	8,248	7,953	7,634	32,228
Other expense		23	-		9,532	9,555	(468)									
Other income			34	383		417										
Operating profit	(23,025)	71	11,345	(19,231)	(31,276)	(39,091)	(6,987)	13,441	1,251	11,515	19,220	9,183	27,004	5,152	16,192	57,531
Operating profit (excluding one-time items)	(17,325)	(229)	11,345	(14,631)	(19,595)	(23,110)	(3,457)	13,441	1,251	11,515	22,750	9,183	27,004	5,152	16,192	57,531
EBITDA (excluding one-time items)	52,941	16,597	28,429	3,034	(1,596)	46,464	14,542	31,440	19,250	29,514	94,746	27,182	45,003	23,151	34,191	129,527
Interest expense	43,064	10,987	11,315	12,007	12,080	46,389	13,479	13,489	13,489	13,489	53,945	13,489	13,489	13,489	13,489	53,955
Loss on extinguishment of debt	5,951	-				-										
Non-operating other expense (income)	(1,554)	224	(868)	39	(534)	(1,139)	(675)									
Earnings before income taxes	(58,584)	(11,140)	898	(31,277)	(42,822)	(84,341)	(19,791)	(48)	(12,237)	(1,974)	(34,725)	(4,306)	13,515	(8,337)	2,704	3,576
Income taxes	1,740	400	(5,733)	(483)	(15,108)	(20,924)	(339)	(11)	(2,815)	(454)	(3,619)	(990)	3,108	(1,918)	622	822
Net income	\$ (60,324)	\$ (11,540)	\$ 6,631	\$ (30,794)	\$ (27,714)	\$ (63,417)	\$ (19,452)	\$ (37)	\$ (9,423)	\$ (1,520)	\$ (31,106)	\$ (3,315)	\$ 10,407	\$ (6,419)	\$ 2,082	\$ 2,754
Net income (excluding one-time items)	\$ (53,704)	\$ (11,540)	\$ 6,631	\$ (20,541)	\$ (20,154)	\$ (45,604)	\$ (15,982)	\$ (37)	\$ (9,423)	\$ (1,520)	\$ (26,962)	\$ (3,315)	\$ 10,407	\$ (6,419)	\$ 2,082	\$ 2,754
Net loss (income) from discontinued operations																
Net income attributable to common stock	\$ (60,324)	\$ (11,540)	\$ 6,631	\$ (30,794)	\$ (27,714)	\$ (63,417)	\$ (19,452)	\$ (37)	\$ (9,423)	\$ (1,520)	\$ (31,106)	\$ (3,315)	\$ 10,407	\$ (6,419)	\$ 2,082	\$ 2,754
Preferred stock dividends	26,840	7,256	7,589	7,764	8,120	30,729	8,307	8,499	8,695	8,896	34,397	9,102	9,312	9,527	9,747	37,687
Net income applicable to common stock	\$ (99,066)	\$ (18,796)	\$ (958)	\$ (38,558)	\$ (35,834)	\$ (94,146)	\$ (27,759)	\$ (8,536)	\$ (18,118)	\$ (10,416)	\$ (64,829)	\$ (12,417)	\$ 1,095	\$ (15,946)	\$ (7,665)	\$ (34,934)
Dividends on preferred stock assumed to be converted	300	75	75	75	75	300	75	75	75	75	300	75	75	75	75	300
Accretion of preferred stock	3,375	496	497	500	502	1,995	504	507	509	512	2,031	514	517	519	522	2,071
Net income	\$ (102,741)	\$ (19,367)	\$ (1,530)	\$ (39,133)	\$ (36,411)	\$ (96,441)	\$ (28,338)	\$ (9,117)	\$ (18,702)	\$ (11,002)	\$ (67,160)	\$ (13,006)	\$ 503	\$ (16,540)	\$ (8,262)	\$ (37,305)
Net income (excluding one-time items)	\$ (84,219)	\$ (19,367)	\$ (1,530)	\$ (28,880)	\$ (28,851)	\$ (78,628)	\$ (24,868)	\$ (9,117)	\$ (18,702)	\$ (11,002)	\$ (63,690)	\$ (13,006)	\$ 503	\$ (16,540)	\$ (8,262)	\$ (37,305)
EPS from continuing operations																
GAAP diluted earnings per share	\$ (3.73)	\$ (0.70)	\$ (0.05)	\$ (1.39)	\$ (1.31)	\$ (3.46)	\$ (1.01)	\$ (0.33)	\$ (0.67)	\$ (0.39)	\$ (2.40)	\$ (0.46)	\$ 0.02	\$ (0.59)	\$ (0.29)	\$ (1.33)
Diluted earnings per share (excluding one-time items)	\$ (3.06)	\$ (0.70)	\$ (0.05)	\$ (1.04)	\$ (1.04)	\$ (2.84)	\$ (0.89)	\$ (0.33)	\$ (0.67)	\$ (0.39)	\$ (2.29)	\$ (0.46)	\$ 0.02	\$ (0.59)	\$ (0.29)	\$ (1.33)
Diluted shares outstanding	27,521	27,546	27,601	27,656	27,711	27,628	27,822	27,684	27,878	27,934	27,829	27,990	31,914	28,102	28,158	29,041
YOY Growth:																
Revenue	-11.5%	-6.3%	17.8%	-5.4%	-22.0%	-3.5%	-11.4%	-20.2%	26.9%	62.4%	8.5%	43.8%	41.8%	6.4%	6.0%	22.8%
Cost of goods sold	-14.1%	-3.9%	1.7%	-4.8%	4.7%	-0.6%	-6.9%	-23.7%	2.2%	17.5%	-3.6%	26.6%	31.5%	2.0%	2.1%	14.4%
Product development, selling, administrative and miscellaneous expenses	16.6%	-13.0%	-0.4%	0.4%	-37.0%	-16.3%	38.5%	-30.5%	-18.0%	-23.9%	-10.7%	-16.1%	41.8%	6.4%	6.0%	5.7%
Gross profit	189.7%	-27.5%	540.3%	NM	-198.9%	-68.5%	-65.1%	-2.1%	NM	-252.4%	888.0%	589.0%	83.0%	NM	27.3%	82.2%
Operating profit	NM	NM	-293.3%	NM	1159.6%	69.8%	NM	18.5%	NM	-136.8%	-149.2%	NM	100.9%	NM	40.6%	199.3%
Operating profit (excluding one-time items)	NM	NM	-293.3%	NM	-1178.4%	33.4%	NM	18.5%	NM	-158.8%	-198.4%	NM	100.9%	NM	40.6%	152.9%
Net income	NM	NM	NM	NM	112.4%	NM	NM	NM	NM	-94.5%	NM	NM	NM	NM	-237.0%	NM
Net income (excluding one-time items)	NM	NM	NM	NM	56.8%	NM	NM	NM	NM	-61.9%	NM	NM	NM	NM	-24.9%	NM
GAAP EPS	NM	NM	NM	NM	74.5%	NM	NM	NM	NM	-70.0%	NM	NM	NM	NM	-25.5%	NM
Diluted EPS	NM	NM	NM	NM	55.6%	NM	NM	NM	NM	-62.2%	NM	NM	NM	NM	-25.5%	NM
Margins:																
COGS/sales	95.8%	92.2%	83.8%	112.9%	116.6%	98.6%	96.9%	80.1%	90.9%	84.4%	87.6%	85.3%	74.4%	87.1%	81.3%	81.6%
SG&A/sales	10.8%	7.7%	6.9%	10.0%	7.5%	9.4%	7.0%	6.0%	7.8%	6.0%	7.7%	7.0%	6.0%	7.8%	6.0%	6.6%
Gross profit	4.2%	7.8%	16.2%	NM	-16.6%	1.4%	3.1%	19.9%	9.1%	15.6%	12.4%	14.7%	25.6%	12.9%	18.7%	18.4%
Operating profit	-6.1%	0.1%	9.3%	NM	-42.3%	-10.7%	-8.4%	13.9%	1.3%	9.6%	4.9%	7.7%	19.6%	5.1%	12.7%	11.8%
Operating profit (excluding one-time items)	-4.6%	-0.2%	9.3%	NM	-26.5%	-6.3%	-4.1%	13.9%	1.3%	9.6%	5.7%	7.7%	19.6%	5.1%	12.7%	11.8%
Net income	-16.0%	-12.3%	5.5%	NM	-37.5%	-17.4%	-23.3%	0.0%	-9.8%	-1.3%	-7.9%	-2.8%	7.6%	-6.3%	1.6%	0.6%
Net income (excluding one-time items)	-22.3%	-20.6%	-1.3%	NM	-39.0%	-21.5%	-29.8%	-9.4%	-19.5%	-9.2%	-16.1%	-10.8%	0.4%	-16.2%	-6.5%	-7.7%
Tax rate	-3.0%	-3.6%	NM	1.5%	35.3%	24.8%	1.7%	23.0%	23.0%	23.0%	10.4%	23.0%	23.0%	23.0%	23.0%	23.0%

Sources: Company reports and Sidoti & Company, LLC estimates

LSB INDUSTRIES, INC.

Table 2. LSB Industries, Inc. Cash Flow Statement

(in thousands, except where noted)

	2018	Mar	JunE	SepE	Dec	2019	2020E	2021E
Cash Flows From Operating Activities:								
Net income	\$ (72,226)	\$ (11,540)	\$ 6,631	\$ (30,794)	\$ (27,714)	\$ (63,417)	\$ (67,160)	\$ (37,305)
Depreciation and amortization	70,266	16,826	17,084	17,665	17,999	69,574	71,996	71,996
Deferred income taxes	1,825						-	-
Changes in assets and liabilities	(3,987)	1,320	(4,086)	32,204	(22,881)	6,557	2,680	(5,471)
Other operating cash flow	21,744	455	(6,429)	1,636	(13,577)	(17,915)	44,253	47,583
Total cash flows used in (provided by) operating activities	17,622	7,061	13,200	20,711	(38,873)	2,099	51,770	76,803
Cash Flows From Investing Activities:								
Capital expenditures	(37,050)	(7,115)	(5,751)	(7,589)	(15,626)	(36,081)	(27,000)	(32,800)
Proceeds from sale of property, plant and equipment	6,660			61	-	61	-	-
Other	4,650	9	53	(26)	59	95	-	-
Total cash flows used in (provided by) investing activities	(25,740)	(7,106)	(5,698)	(7,554)	(15,567)	(35,925)	(27,000)	(32,800)
Cash Flows From Financing Activities:								
Principal payments on long-term debt	(395,042)	(1,610)	(23,473)	(1,982)	(12,836)	(39,901)	-	-
Proceeds from long-term debt	411,338	795	55,086	1,035	15,568	72,484	-	-
Dividends paid on preferred stock	-					-	-	-
Proceeds from issuance of preferred stock	-					-	-	-
Other financing cash flow	(15,749)	(3,483)	(2,849)	(3,398)	7,716	(2,014)	-	-
Total cash provided by (used in) financing activities	547	(4,298)	28,764	(4,345)	10,448	30,569	-	-
Cash flow from discontinued operations	-							
Net increase in cash and cash equivalents	(7,571)	(4,343)	36,266	8,812	(43,992)	(3,257)	24,770	44,003
Cash and cash equivalents at beginning of period	33,619	26,048	21,705	57,971	66,783	26,048	22,791	47,561
Cash and cash equivalents at end of period	\$ 26,048	\$ 21,705	\$ 57,971	\$ 66,783	\$ 22,791	\$ 22,791	\$ 47,561	\$ 91,564
Free cash flow	\$ (12,768)	\$ (54)	\$ 7,449	\$ 13,183	\$ (54,499)	\$ (33,921)	\$ 24,770	\$ 44,003
Free cash flow per share	\$ (0.46)	\$ (0.00)	\$ 0.27	\$ 0.48	\$ (1.97)	\$ (1.23)	\$ 0.89	\$ 1.52

Sources: Company reports and Sidoti & Company, LLC estimates

LSB INDUSTRIES, INC.

Table 3. LSB Industries, Inc. Balance Sheet

(in thousands, except where noted)

	MarA	JunA	SepA	2018	Mar	Jun	Sep	2019	Mar	2020E	2021E
ASSETS											
CURRENT ASSETS:											
Cash and cash equivalents	\$ 28,667	\$ 47,216	\$ 42,746	\$ 26,048	\$ 21,705	\$ 57,971	\$ 66,783	\$ 22,791	\$ 37,483	\$ 47,561	\$ 91,564
Receivables	62,634	39,208	58,298	67,043	46,524	52,214	33,001	39,942	51,060	48,380	52,398
Inventory	20,894	14,879	17,935	29,209	32,540	19,586	20,635	23,311	26,303	22,406	23,860
Supplies, prepaid items and other	46,630	42,568	39,038	44,113	40,736	39,246	36,761	44,829	42,389	42,389	42,389
Total current assets	158,825	143,871	158,017	166,413	141,505	169,017	157,180	130,873	157,235	160,736	210,210
OTHER ASSETS:											
Property, plant and equipment	998,366	986,737	980,625	974,248	962,538	951,546	950,175	936,474	928,393	896,396	857,200
Other assets	10,958	9,728	8,952	7,672	22,426	20,711	22,426	21,142	24,523	24,523	24,523
Total other assets	1,009,324	996,465	989,577	981,920	984,964	972,257	972,601	957,616	952,916	920,919	881,723
Total assets	\$ 1,168,149	\$ 1,140,336	\$ 1,147,594	\$ 1,148,333	\$ 1,126,469	\$ 1,141,274	\$ 1,129,781	\$ 1,088,489	\$ 1,110,151	\$ 1,081,655	\$ 1,091,933
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY											
CURRENT LIABILITIES:											
Accounts payable and accrued expenses	\$ 49,047	\$ 51,278	\$ 55,647	\$ 62,589	\$ 49,898	\$ 43,849	\$ 54,088	\$ 58,477	\$ 54,010	\$ 66,250	\$ 66,250
Short-term financing	6,137	2,480	324	324	5,863	3,222	607	607	6,893	6,893	6,893
Accrued and other liabilities	30,590	21,387	53,796	42,129	37,671	29,786	39,309	25,484	40,544	40,544	40,544
Current maturities of long-term debt	9,065	12,899	12,698	12,518	12,275	8,672	9,090	9,410	9,665	9,665	9,665
Total current liabilities	94,839	88,044	122,465	117,560	105,707	85,529	103,094	93,978	111,112	123,352	123,352
LONG-TERM LIABILITIES:											
Accrued and other liabilities	11,173	10,656	11,247	8,861	18,044	16,194	18,442	17,618	19,660	19,660	19,660
Deferred income taxes	53,877	58,229	55,802	56,612	57,057	51,322	50,815	35,717	35,343	35,717	35,717
Long-term debt, less current maturities	399,416	403,464	402,975	412,681	412,913	448,164	447,663	449,634	480,837	480,837	480,837
Total liabilities	559,305	560,393	592,489	595,714	593,721	601,209	620,014	596,947	646,952	659,566	659,566
Redeemable preferred stock	182,896	187,421	194,584	202,169	209,921	218,007	226,271	234,893	243,704	271,321	311,080
Total shareholders' equity	425,948	392,522	360,521	342,197	322,827	322,058	283,496	247,327	219,495	150,767	121,288
Total liabilities and common shareholders' equity	\$ 1,168,149	\$ 1,140,336	\$ 1,147,594	\$ 1,140,080	\$ 1,126,469	\$ 1,141,274	\$ 1,129,781	\$ 1,079,167	\$ 1,110,151	\$ 1,081,655	\$ 1,091,933

Key Ratios:

Current ratio	1.7	1.6	1.3	1.4	1.3	2.0	1.5	1.4	1.4	1.3	1.7
Quick ratio	1.0	1.0	0.8	0.8	0.6	1.3	1.0	0.7	0.8	0.8	1.2
Receivables turnover	5.8	9.2	6.2	6.0	6.9	10.6	6.6	6.8	6.8	9.0	9.7
Average receivables collection period	63	40	59	61	53	34	55	53	53	41	38
Inventory turnover	17.2	24.9	17.9	14.2	13.0	23.6	17.7	13.7	11.0	15.2	17.2
Average inventory processing period	21	15	20	26	28	15	21	27	33	24	21
Payables turnover	7.1	8.0	6.8	6.1	7.0	8.6	6.2	5.9	6.2	5.6	6.0
Average payables payment period	52	46	53	60	52	43	59	61	59	66	61
Cash conversion cycle	16.0	26.1	17.3	14.1	12.9	25.7	18.1	14.6	11.6	18.6	20.8
Net debt per share	\$20.87	\$20.32	\$20.59	\$21.89	\$22.50	\$22.51	\$22.35	\$24.24	\$25.47	\$25.82	\$25.46
Net debt/EBITDA(TTM)	9.6	11.1	10.8	7.5	8.2	6.2	6.0	9.4	10.2	4.7	3.1
Book value per share	\$ 15.48	\$ 14.24	\$ 13.11	\$ 12.43	\$ 11.72	\$ 11.67	\$ 10.25	\$ 8.95	\$ 7.89	\$ 5.42	\$ 4.18
Return on total assets	NM	NM	NM	NM	NM	NM	NM	NM	-8.9%	NM	NM
Return on total capital	NM	NM	NM	NM	NM	NM	NM	NM	-13.6%	NM	NM
Return on total equity	NM	NM	NM	NM	NM	NM	NM	NM	-36.7%	NM	NM
Debt-to-equity	95.9%	106.1%	115.3%	124.3%	131.7%	141.8%	161.1%	185.6%	223.5%	325.3%	404.4%
Total debt-to-total capital	49.0%	51.5%	53.6%	55.4%	56.8%	58.7%	61.7%	65.0%	69.1%	76.5%	80.2%
Long-term debt-to-total capital	47.9%	49.9%	51.9%	53.8%	55.2%	57.5%	60.5%	63.7%	67.7%	75.0%	78.6%

Sources: Company reports and Sidoti & Company, LLC estimates

Appendix

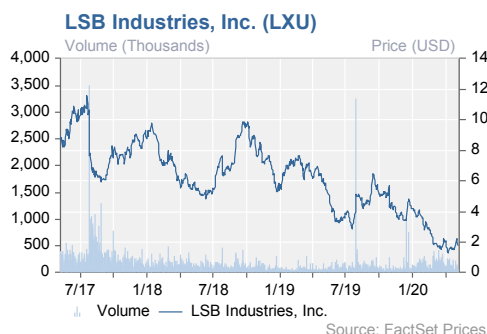
Required Disclosures

Required Disclosures

LSB Industries, Inc. (LXU-\$1.73) NR Price Target: \$9 Risk Rating: H

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Rating	2/22/18	0	Deleted	14	
Initiation	2/22/18	7.2	NR	14	H
PT	4/29/19	6		9	
PT	6/19/19	3.7		7	
PT	7/30/19	4		9	



Valuation	We maintain a \$9 price target. LXU shares trade at 7.6x our 2021 EBITDA estimate, compared with a peer average of 6.9x. Comparable EBITDA multiples for the chemical peers are: 8.4x for CF Industries (NYSE: CF, NC), 7.5x for Nutrien (Canada), 6.2x for the Mosaic Company (NYSE: MOS, NC) and 5.6x for Yara International (foreign). We note that LSB's plant turnaround costs are expensed, lowering EBITDA, while most competitors capitalize such outlays. LSB will not have further plant turnaround costs until 2021, as the plants are now set up to operate efficiently without requiring turnaround for two-three years. The \$9 price target is based on 6x our 2021 FCF per share estimate of \$1.52; this equates to 7.6x our 2021 EBITDA estimate of \$130 million.		
Key Risks	Fertilizer prices	Unplanned plant downtime	Balance sheet

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