



# Investor Presentation

November 2020

# Safe Harbor Statement

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This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identifiable by use of the words “may,” “believe,” “expect,” “intend,” “plan to,” “estimate,” “project” or similar expressions, and include but are not limited to: financial performance improvement; view on sales to mining customers; estimates of consolidated depreciation and amortization and future turnaround expenses; our expectation of production consistency and enhanced reliability at our Facilities; our projections of trends in the fertilizer market; improvement of our financial and operational performance; our planned capital additions; reduction of SG&A expenses; volume outlook and our ability to complete plant repairs as anticipated.

Investors are cautioned that such forward-looking statements are not guarantees of future performance and involve risk and uncertainties. Though we believe that expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectation will prove to be correct. Actual results may differ materially from the forward-looking statements as a result of various factors. These and other risk factors are discussed in the Company’s filings with the Securities and Exchange Commission (SEC), including those set forth under “Risk Factors” and “Special Note Regarding Forward-Looking Statements” in our Form 10-K for the year ended December 31, 2019 and, if applicable, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. All forward-looking statements included in this press release are expressly qualified in their entirety by such cautionary statements. We expressly disclaim any obligation to update, amend or clarify any forward-looking statement to reflect events, new information or circumstances occurring after the date of this press release except as required by applicable law.

Please see the EBITDA Reconciliation slide included in this presentation for other important information.

# Key Investment Highlights



Diversified Nitrogen Chemicals Business with differentiated end market positions

Business strength supported by stable Industrial and Mining Business with attractive margins

Favorable long-term dynamics in Agricultural Business creates significant upside in margins

Operational improvements benefiting from over \$1 billion of investment and enhancement of operating and maintenance programs

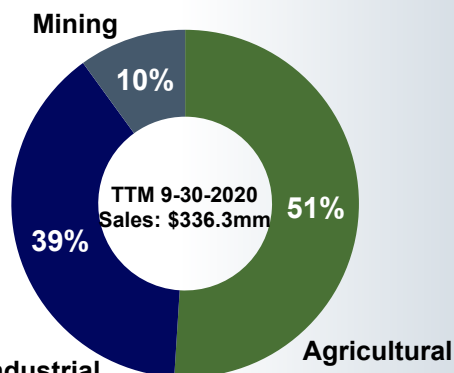
Margin improvement through increased production capacity integration and increased sales


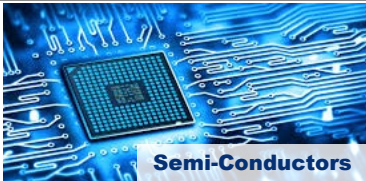



Margin enhancement projects underway with expected increase in EBITDA of ~ \$7 million annually when fully complete

Growth opportunities in both our agricultural and industrial businesses

Improved financial performance improving leverage metrics which will lead to lower cost refinancing

# Diversified Nitrogen Chemicals Business with Differentiated End Market Positions

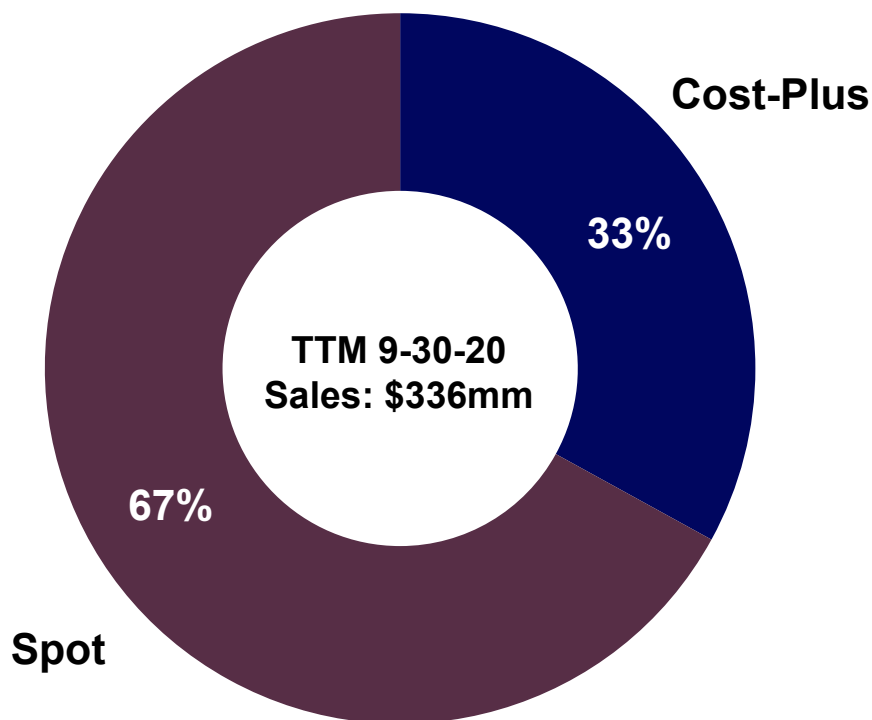


	Key Products	End Markets	Application
<b>Agricultural</b>	<ul style="list-style-type: none"> <li>Urea ammonium nitrate solutions (UAN)</li> <li>Ammonium nitrate (AN) – High density prills</li> <li>Ammonia</li> </ul>	<ul style="list-style-type: none"> <li>Fertilizer for corn and other crops</li> <li>Primary nitrogen component in nitrogen, phosphorus and potassium (NPK) fertilizer blends</li> <li>High nitrogen content fertilizer primarily used for corn</li> </ul>	 <p><b>Fertilizer</b></p>
<b>Industrial</b>	<ul style="list-style-type: none"> <li>Ammonia</li> <li>Nitric Acid</li> <li>Sulfuric Acid</li> <li>Diesel exhaust fuel (DEF)</li> <li>CO<sub>2</sub></li> </ul>	<ul style="list-style-type: none"> <li>Power plant emissions abatement, water treatments, refrigerants, metals processing</li> <li>Semi-conductor, nylon polyurethane intermediates, ammonium nitrate</li> <li>Pulp and paper, aluminum, water treatment, metals and vanadium processing</li> <li>Exhaust steam additive to reduce NO<sub>x</sub> emissions from diesel vehicles</li> <li>Food refrigeration / freezing, enhanced oil recovery</li> </ul>	 <p><b>Semi-Conductors</b></p>  <p><b>Power Plant Emissions</b></p>  <p><b>Water Treatment</b></p>
<b>Mining</b>	<ul style="list-style-type: none"> <li>Ammonium nitrate – low density prills and AN solutions</li> <li>Specialty E2 ammonium nitrate</li> </ul>	<ul style="list-style-type: none"> <li>Specialty emulsions for mining applications</li> <li>Surface mining, quarries, construction</li> </ul>	 <p><b>Mining</b></p>

# Sales Mix Provides Stability and Look-Through In Contract Pricing



Q3-2020 TTM Sales by Pricing Method



- Approximately 33% of sales are currently non-seasonal and priced pursuant to contract agreements
- Contributes to margin stability through pass-through of raw materials and other manufacturing costs
- Positioned to optimize between cash flow stability and upside opportunities in commodity driven markets
- Approximately 43% of sales contracts are tied to benchmark Ammonia pricing

# Differentiated Business Profile Focuses on Customers / End Markets Where LSB Is Advantaged



## Key Logistical Advantages

### El Dorado



- Truck freight rate advantage on customers west of the Mississippi River
- Direct routes to western U.S. via rail

### Cherokee



- Barge/rail/truck freight options
- ~\$8-10/ton freight advantage vs. UAN shipments originating from the Gulf

### Pryor



- Close proximity to the Southern and Northern Plains

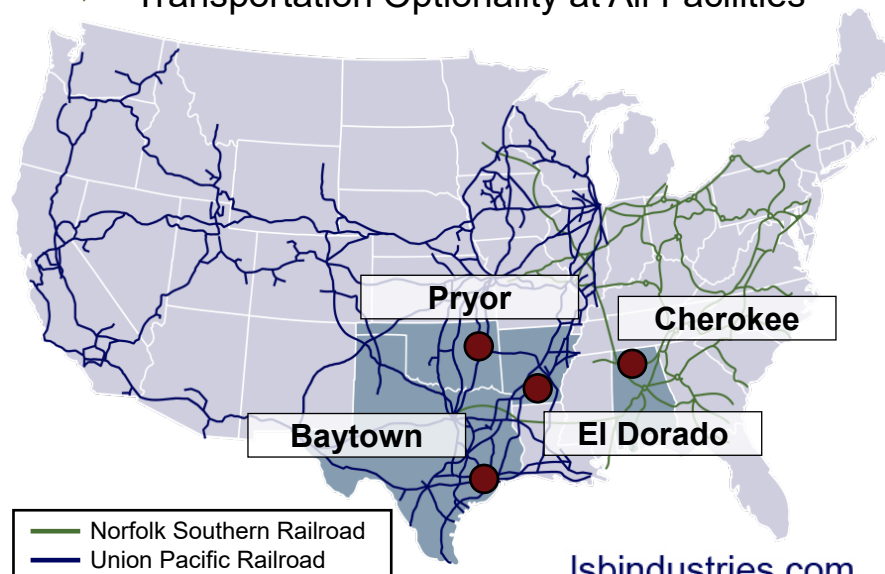
### Baytown



- Anhydrous ammonia feedstock is delivered via pipeline

## Centrally located assets with access to...

- ✓ Northern Plains
- ✓ Southeast Paper Country
- ✓ Western Mining
- ✓ Customers not Freight Logical to Competitors
- ✓ Low Cost Feedstocks
- ✓ Transportation Optionality at All Facilities



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# Significant Investment of Capital Will Drive Improved Financial Performance



## Total 2014-2020 Capex Spend

\$MM

Site	2014	2015	2016	2017	2018	2019	2020	Total
El Dorado, AR	\$204	\$449	\$144	\$15	\$12	\$19	\$16	\$859
Cherokee, AL	21	7	14	6	11	4	9	72
Pryor, OK	9	11	7	16	11	20	5	79
Other	-	3	-	-	-	-	-	3
<b>Total</b>	<b>\$234</b>	<b>\$470</b>	<b>\$165</b>	<b>\$35</b>	<b>\$34</b>	<b>\$43</b>	<b>\$30</b>	<b>\$1,011</b>

- **Completion of over \$1 billion in total capex spend, with lasting impact, made over the last 7 years**
  - Ammonia on-stream rates improve from 80% in 2016 to 91% in 2019
  - Expanded nitric acid production
  - Expanded sulfuric acid production with improved reliability
  - Expanded UAN production with improved reliability
- **Optional expansion capex requirements going forward; focus on reliability improvements**

# Health and Safety is Our Top Priority – Goal Zero

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- **We generated significant positive results with our enhanced operational safety procedures in 2020**
  - ~45% decrease in recordable safety incidents year-to-date September 2020 versus year-to-date September 2019
  - Year-to-date, we have experienced no recordable injuries associated with the manufacturing process
  - Pryor facility has operated over 1 year without a recordable safety incident
- **Intensified COVID-19 safety protocols at all our facilities including:**
  - Mandatory masks and social distancing as well as doubling down on our cleaning and safety measures, extra disinfecting and cleaning and plant personnel health monitoring
  - Special protocols for outside contractors, truck and delivery drivers

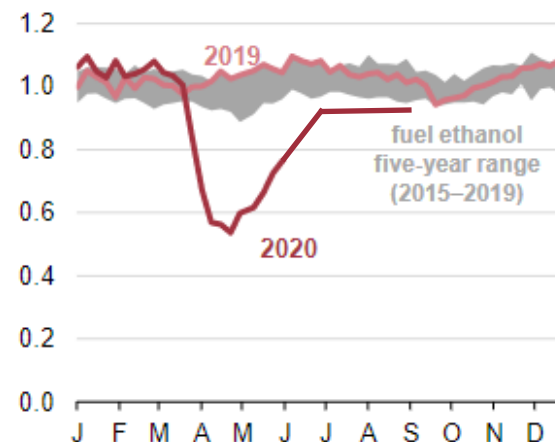


# Market Update

## Agricultural

- US Ethanol production has continued to rise since bottoming out in late April
- Estimates of approximately 91.5 million acres of corn to be planted in 2021 coupled with positive farmers sentiment and improving weather conditions indicative of increased fertilizer application rates for fall ammonia application window
- Global crop prices have rebounded from decade lows with Corn futures trading around \$4.00/ bushel
- Plant production curtailments increased in 3Q and U.S. ammonia import trade continued to decline leading to lower ammonia inventory in the U.S. distribution channel
- UAN market still long on supply and adjusting to EU anti-dumping duties imposed on Russian, Trinidad, and U.S. producers

US Ethanol Production (million barrels per day)



Source: EIA

## Industrial and Mining

U.S. Light Vehicle Sales Forecast

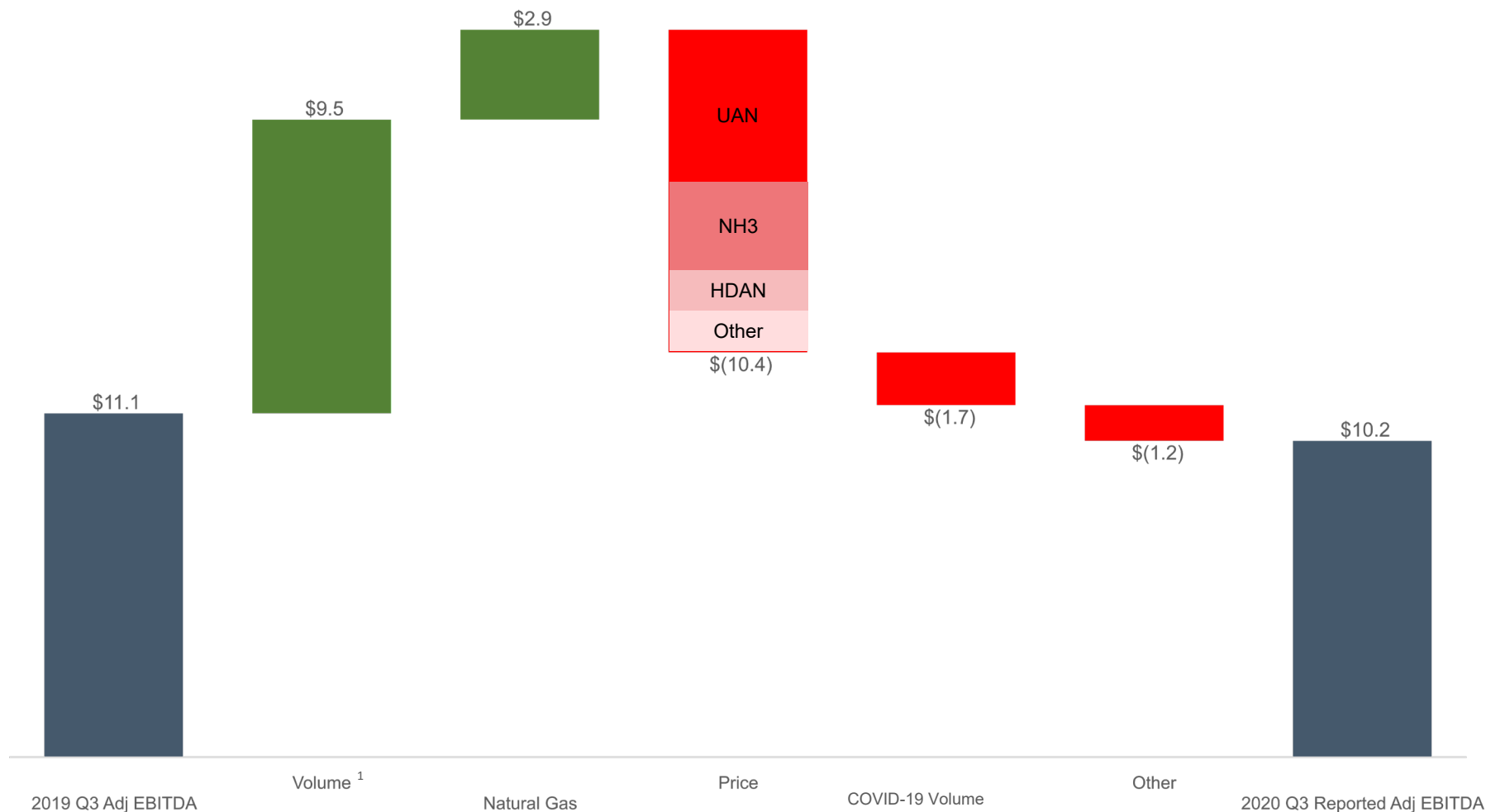


Source: Ward's Intelligence

- Automotive industry halted production mid-March but has since resumed production. Seasonally adjusted annual rate (SAAR) for light vehicle sales in July and August totaled 14.6 million and 15.2 million, respectively, which is a material increase over April at 8.7 million.
- According to the U.S. Department of Housing and Urban Development, new privately-owned housing unit starts totaled 1.415 million (SAAR) in September, representing a 1.9% increase over August 2020 and an 11.1% increase over September 2019. Additionally, applications for building permits increased 5.2% in September over August figures and 8.1% over September 2019. As an October 20, 2020 Reuters article stated, "...the housing market continued to be the star of the economic recovery."
- Mining industry showing signs of recovery; copper prices continue to rebound, reaching \$3.15 per pound on October 20<sup>th</sup>, the highest price since June of 2018; quarry and construction business coming back with recovery of economy

# Third Quarter – 2020 vs. 2019

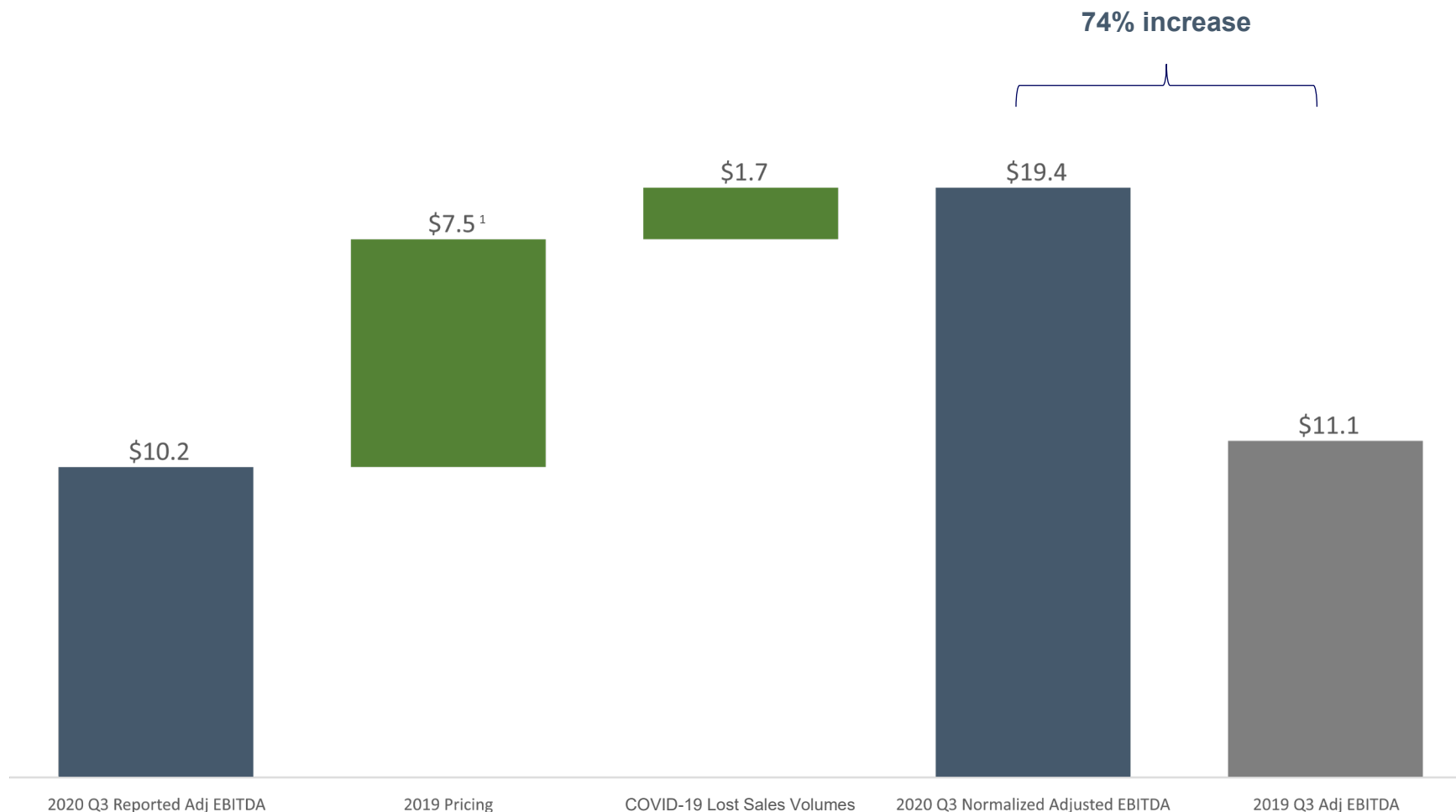
(\$ in millions)



1. Volume is net of higher railcar expenses and higher distribution fees related to higher sales volumes.

# Underlying Business Continues to Improve

(\$ in millions)

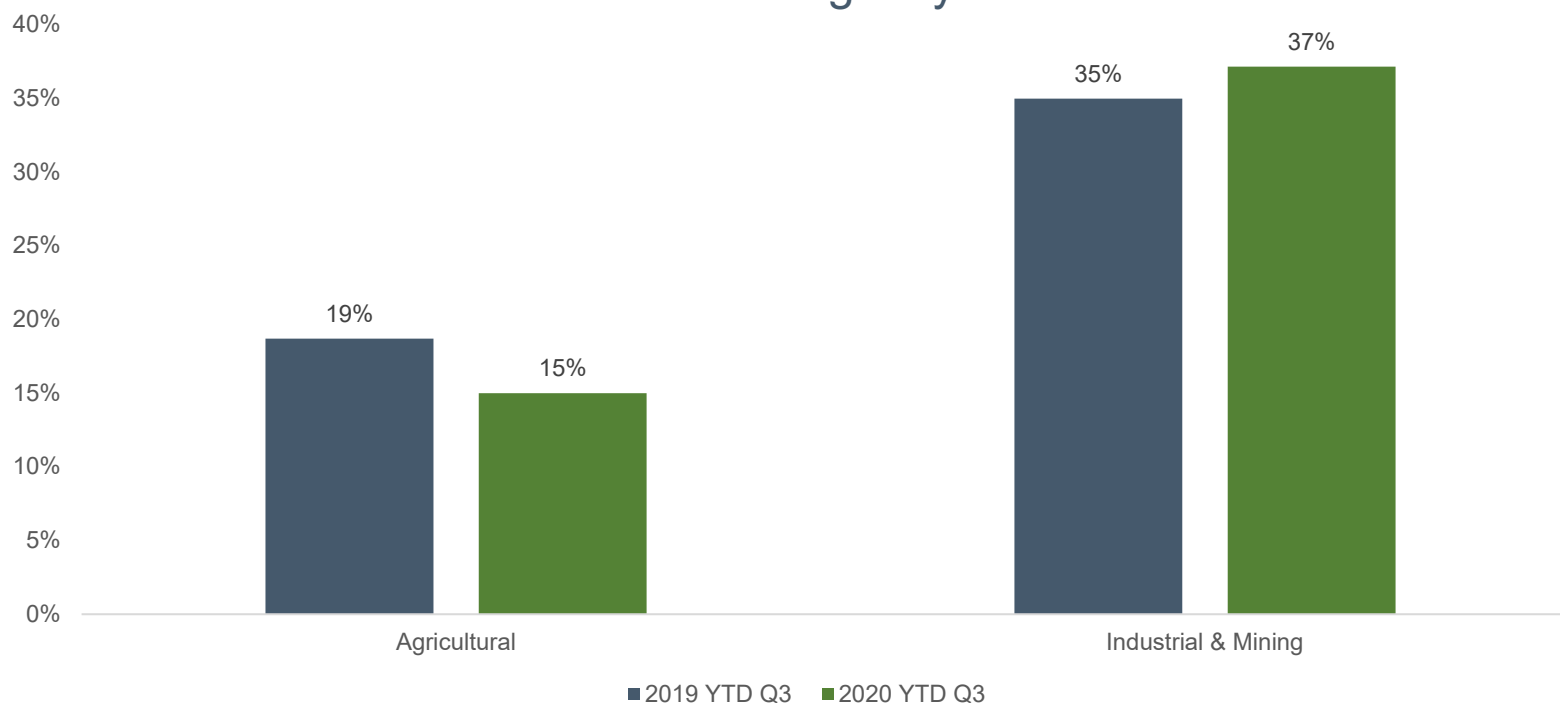


1. Represents \$10.4 million from lower selling prices net of \$2.9 million from lower natural gas.

# Consistent Industrial & Mining Margins While Agricultural Margins Tempered by Low Pricing



Gross Profit Margin by Market <sup>(1)</sup>



- *Agricultural margins impacted by lower selling prices, partially offset by higher sales volumes*
- *Industrial & Mining margins benefitted from higher sales volumes, partially offset by lower selling prices*

(1) Gross profit margin by market excludes vendor settlements, turnaround, depreciation, and amortization expenses. This is a non-GAAP measure. Refer to the Gross Profit Reconciliation page within this presentation for reconciliation of adjusted gross profit to reported gross profit.

# Remain Confident in Our Financial Position

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**Given the uncertainty around COVID-19 and the current low pricing environment, we continue to prudently manage our cash flow:**

- Total liquidity of ~ \$78.4 million as of September 30, 2020
- Refinanced existing equipment loan adding ~ \$18 million of cash
- Revolving credit facility repaid in full
- Heightened focus on working capital management and capital discipline
  - Overall working capital needs are lower in a lower natural gas cost environment
- Additional levers available to manage liquidity, if needed
- Actively seeing ways to improve our liquidity and capital structure

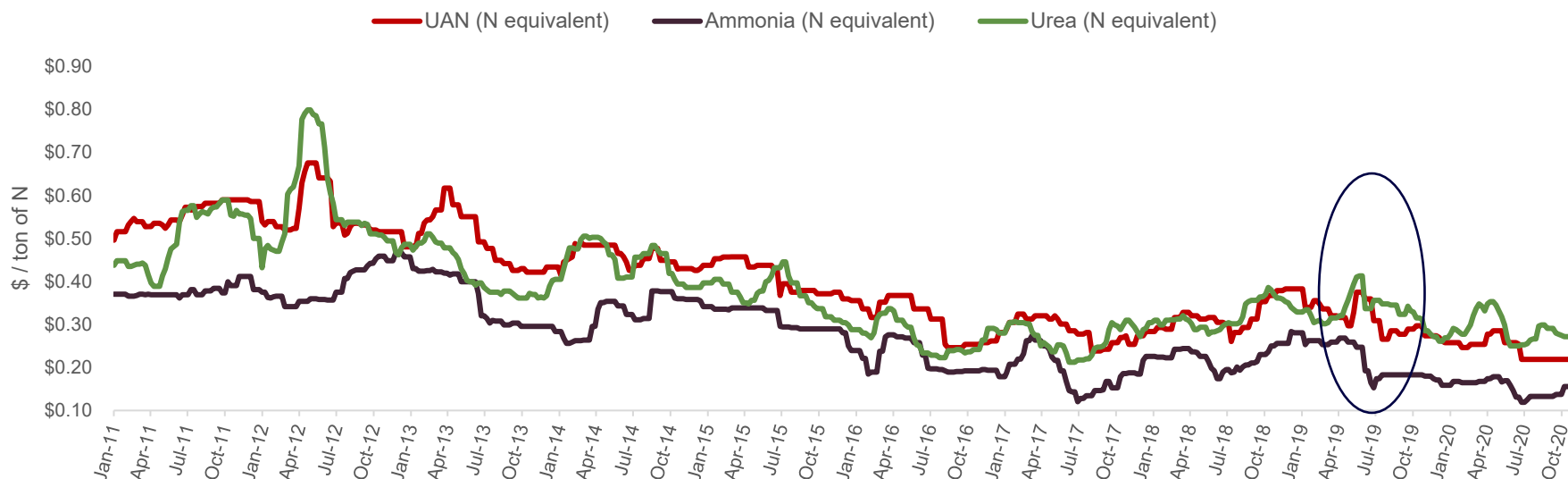
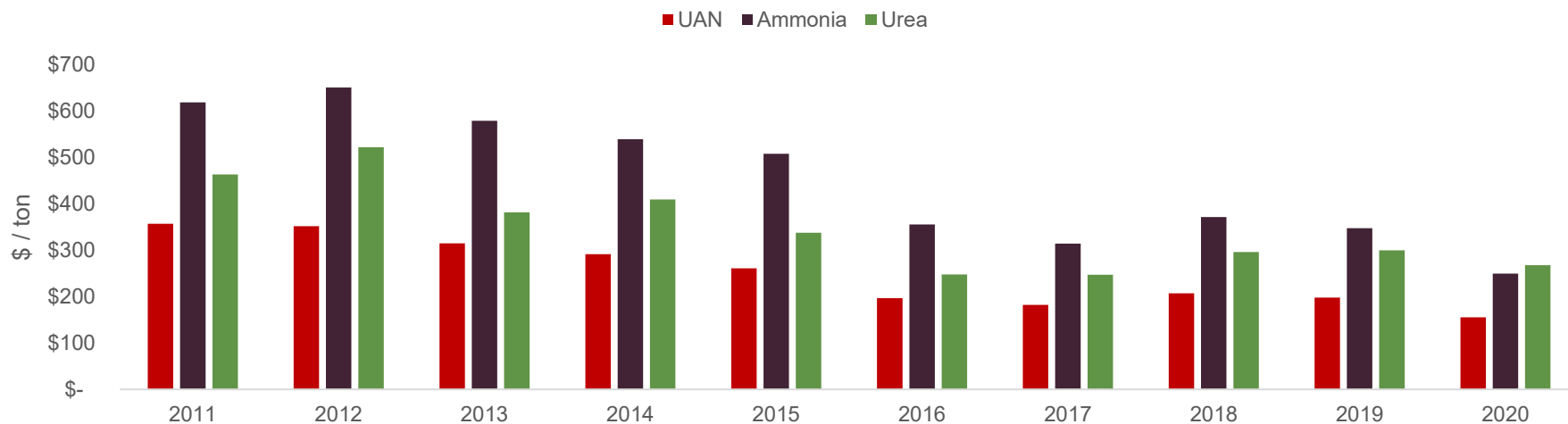
# Illustrative EBITDA Impact Associated with Changes in Product & Feedstock Pricing



(Based on 2020 Volumes)

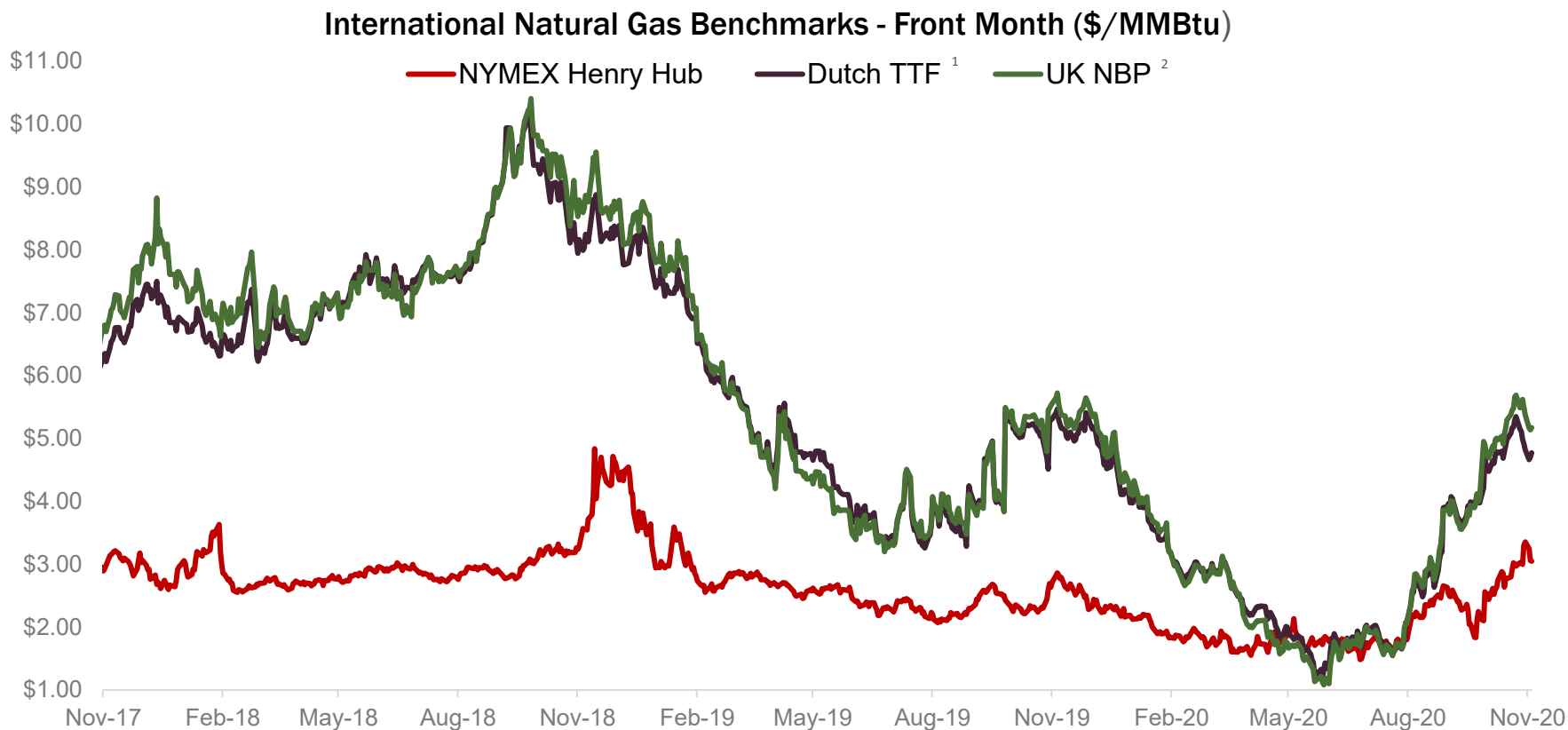
	Selling Price Comparison		Change in Selling Price Impact on EBITDA		
	Q4 2019 Actual Average Selling Prices	Q4 2020 Current/Expected Average Selling Prices	Change		Annual EBITDA Impact <sup>1</sup>
UAN	\$161 / ST	\$130 / ST	\$10.00	+/-	\$4.8mm
HDAN	\$201 / ST	\$165 / ST	\$10.00	+/-	\$3.0mm
Tampa Ammonia	\$255 / MT	\$230 / MT	\$10.00	+/-	\$4.0 mm
<b>Illustrative Impact from \$10/ton change</b>				+/-	<b>~\$11.8mm</b>
Natural Gas (\$/MMBtu)	\$2.47 / MMBtu	\$2.50 / MMBtu	\$0.10	+/-	\$3.1mm

# UAN Continues to Trade at a Discount to Urea on a Nitrogen Equivalent Basis



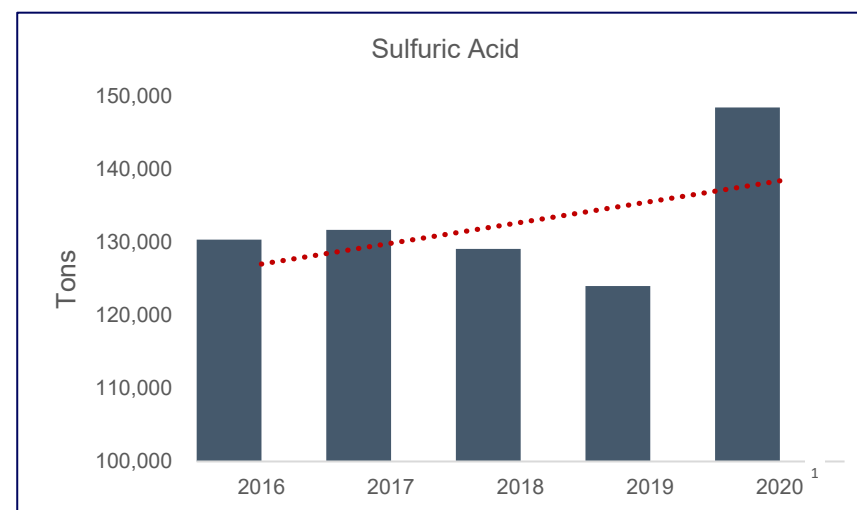
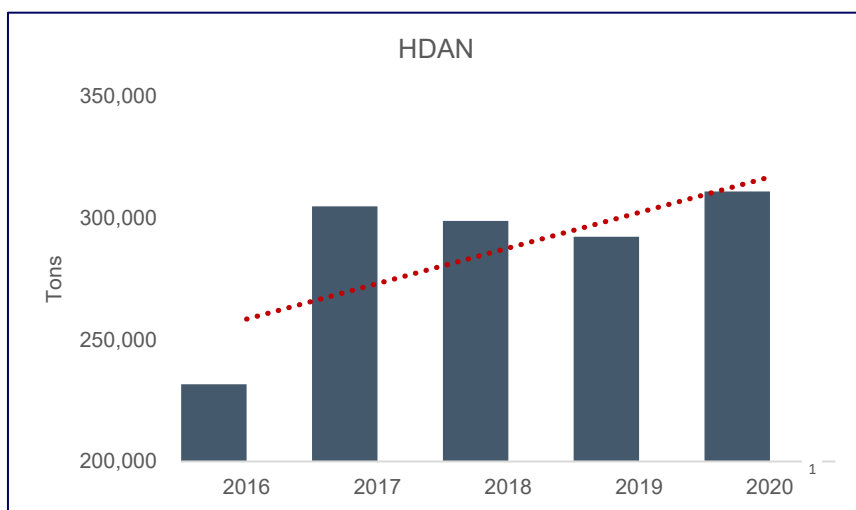
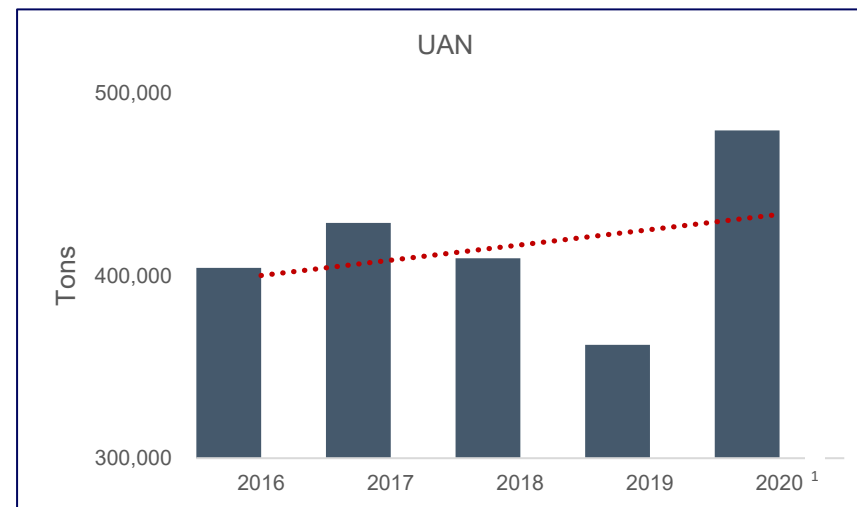
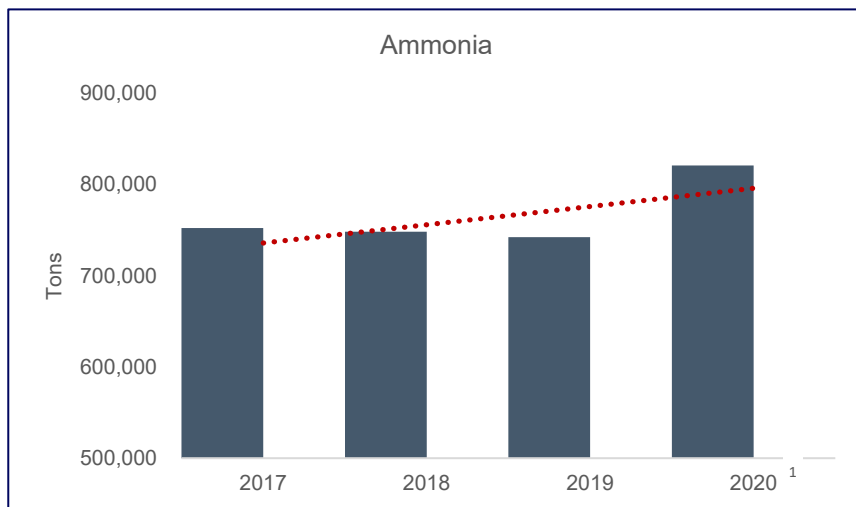


# Increasing Global Energy Price Spreads



- (1) The Title Transfer Facility (TTF) is a virtual trading point located in the Netherlands that provides a facility for futures, physical, and exchange trades. TTF is Europe's largest trading hub and has become a benchmark for gas prices in Europe
- (2) The National Balancing Point (NBP) is the virtual trading location for the sale and purchase of natural gas in the UK and is the pricing and delivery point of ICE Futures Europe. Although it has a longer history, it is now the second most liquid trading hub in Europe behind TTF. However, it does have the advantage of being directly linked to the Zeebrugge Hub via the Interconnector pipeline under the North Sea.

# Strong Production Growth in 2020



# Positioned for Growth and Improved Financial Performance



## Realizing returns from completed maintenance and upgrades in 2019

- Record urea production at our Pryor facility in Q3 2020
- On pace to reach 10-year high on sulfuric acid production
- On track to reach record annual ammonia, UAN, HDAN, and DEF production
- Optimizing product mix to maximize margins

## Continued broadening of our distribution through aggressive sales and marketing programs and add storage capacity

- New 7-year contract signed for 70,000 – 100,000 tons of Nitric Acid to begin early in 2021
- New contract awards in LDAN and sulfuric acid
- Geographic expansion into markets outside the United States (Mexico and Canada)
- Added storage allows maximum capacity utilization and positioning of product

## Executing on key margin enhancement projects

- HDAN storage dome completed in April which allows us to maximize production and selling prices
- Engineering underway on several key projects that will provide the ability to sell additional products as well as improve margins



# Appendix

# EBITDA Reconciliation

## LSB Consolidated (\$ In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Net loss</b>	<b>(\$20,402)</b>	<b>(\$30,794)</b>	<b>(\$40,219)</b>	<b>(\$35,703)</b>
Plus:				
Interest expense	12,554	12,007	38,509	34,309
Depreciation and amortization	17,700	17,975	52,903	52,511
Benefit for income taxes	(1,370)	(483)	(3,008)	(5,816)
<b>EBITDA <sup>(1)</sup></b>	<b>\$8,482</b>	<b>(\$1,295)</b>	<b>\$48,185</b>	<b>\$45,301</b>
Stock-based compensation	447	502	1,627	1,800
Unrealized gain on commodity contracts	(669)	-	(538)	-
Legal fees (Leidos)	901	3,330	5,143	5,758
Loss on disposal of assets	887	425	610	653
Fair market value adjustment on preferred stock embedded derivatives	141	403	(616)	(121)
Consulting costs associated with reliability and purchasing initiatives	2	494	578	912
Turnaround costs	34	7,232	45	7,836
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>\$10,225</b>	<b>\$11,091</b>	<b>\$55,034</b>	<b>\$62,139</b>

(1) EBITDA is defined as net income (loss) plus interest expense, plus loss on extinguishment of debt, plus depreciation and amortization (D&A) (which includes D&A of property, plant and equipment and amortization of intangible and other assets), plus provision (or less benefit) for income taxes. We believe that certain investors consider EBITDA a useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance. EBITDA has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to a similarly titled measure of other companies. The above table provides a reconciliation of net income (loss) to EBITDA for the periods indicated.

(2) Adjusted EBITDA is reported to show the impact of one time/non-cash or non-operating items-such as, loss (gain) on sale of a business and other property and equipment, one-time income or fees, certain fair market value adjustments, non-cash stock-based compensation, and consulting costs associated with our reliability and purchasing initiatives. We historically have performed Turnaround activities on an annual basis, however we are moving towards extending Turnarounds to a two or three-year cycle. Rather than being capitalized and amortized over the period of benefit, our accounting policy is to recognize the costs as incurred. Given these Turnarounds are essentially investments that provide benefits over multiple years, they are not reflective of our operating performance in a given year. As a result, we believe it is more meaningful for investors to exclude them from our calculation of adjusted EBITDA used to assess our performance. We believe that the inclusion of supplementary adjustments to EBITDA is appropriate to provide additional information to investors about certain items. The above table provides reconciliations of EBITDA excluding the impact of the supplementary adjustments. Our policy is to adjust for non-cash, non-recurring, non-operating items that are greater than \$0.5 million quarterly or cumulatively.

# Gross Profit Reconciliation

<b><u>LSB Consolidated (\$ In Thousands)</u></b>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Net sales</b>				
Agricultural	\$31,986	\$35,494	\$138,441	\$154,790
Industrial and Mining	41,983	40,001	123,972	136,384
<b>Total net sales</b>	<b>\$73,969</b>	<b>\$75,495</b>	<b>\$262,413</b>	<b>\$291,174</b>
<b>Gross Profit</b>				
Agricultural <sup>(1)</sup>	2,919	3,158	20,750	28,934
Industrial and Mining <sup>(1)</sup>	13,418	11,990	46,043	47,693
<b>Adjusted gross profit by market <sup>(1)</sup></b>	<b>\$16,337</b>	<b>\$15,148</b>	<b>\$66,793</b>	<b>\$76,627</b>
Depreciation and amortization <sup>(2)</sup>	(17,362)	(17,649)	(51,899)	(51,529)
Turnaround expense	(34)	(7,232)	(45)	(7,836)
Vendor Settlements	0	0	5,664	0
<b>Total gross profit (loss)</b>	<b>(\$1,059)</b>	<b>(\$9,733)</b>	<b>\$20,513</b>	<b>\$17,262</b>
<b>Gross Profit Margin</b>				
Agricultural <sup>(3)</sup>	9%	9%	15%	19%
Industrial and Mining <sup>(3)</sup>	32%	30%	37%	35%
<b>Adjusted gross profit margin by market <sup>(3)</sup></b>	<b>22%</b>	<b>20%</b>	<b>25%</b>	<b>26%</b>
<b>Total gross profit margin <sup>(3)</sup></b>	<b>-1%</b>	<b>-13%</b>	<b>8%</b>	<b>6%</b>

(1) Represents a non-GAAP measure since the amount excludes depreciation, amortization, vendor settlements, and turnaround expenses.

(2) Represents amount classified as cost of sales.

(3) As a percentage of the respective net sales.

# Annual Production Capacity by Products Available for Sale



(Tons in Thousands)

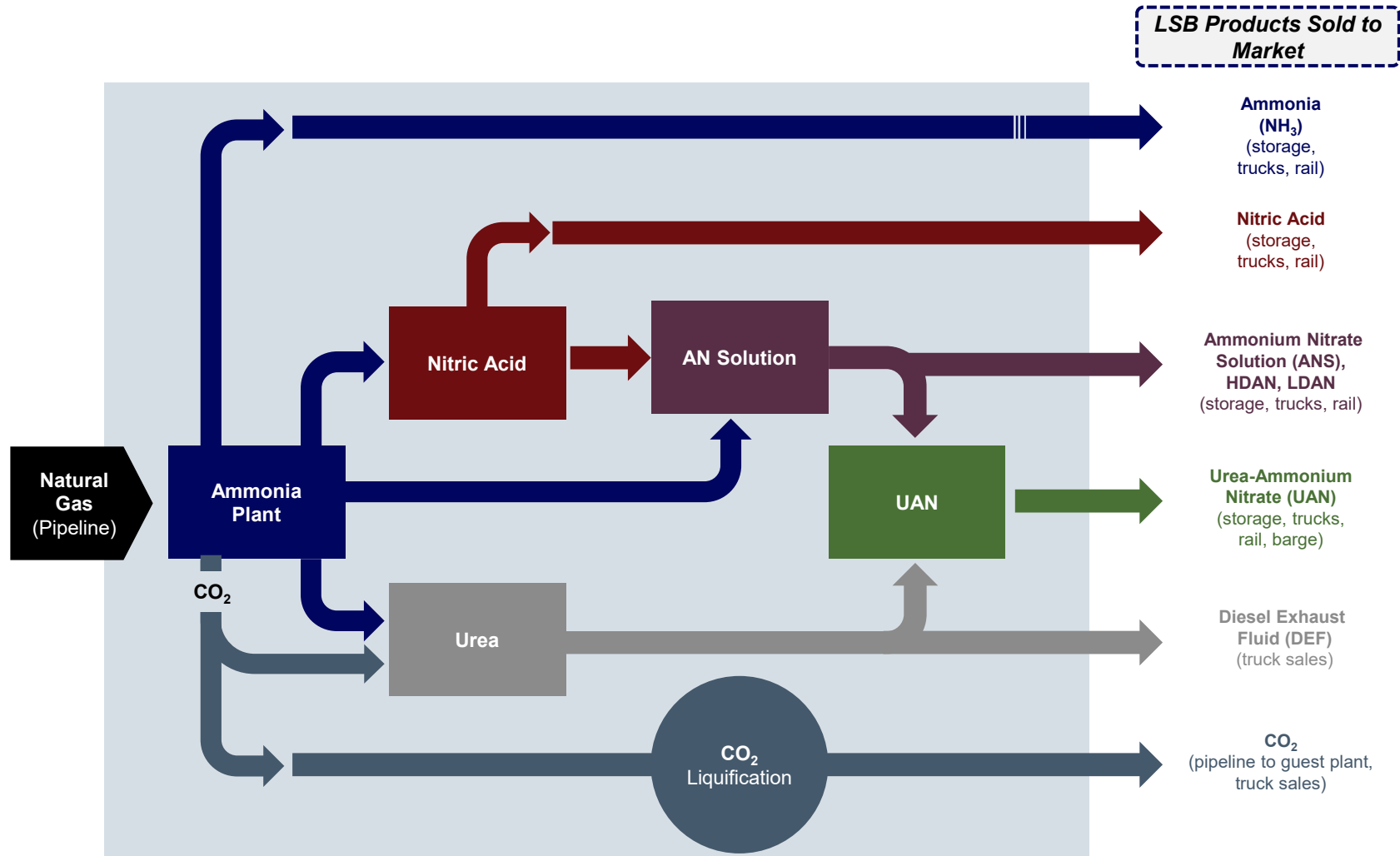
Facility:		El Dorado	Cherokee	Pryor	Baytown	Total
Feedstock		Natural gas	Natural gas	Natural gas	Ammonia	
Ammonia Production Capacity (non-turnaround)		475	180	245	–	900
Products Available for Sale						
Agricultural Products	UAN	–	210	365	–	575
	High Density AN <sup>1</sup>	330	–	–	–	330
	Ammonia	–	–	100	–	100
Industrial & Mining Products	Ammonia	240 <sup>2</sup>	45	–	–	285
	Nitric Acid	50	40	–	530	620
	Sulfuric Acid	160	–	–	–	160
	DEF	–	15	–	–	15
	Low Density AN <sup>1</sup>	155	–	–	–	155
	AN Solutions	–	55	–	–	55
	CO <sub>2</sub>	–	110	85	–	195

<sup>1</sup> Actual sales subject to market conditions and total AN production limited by AN solution production capacity.

<sup>2</sup> Ammonia capacity available for sale dependent on tons sold of other upgraded products.



# LSB Simplified Manufacturing Process Overview



*Products are marketable at nearly every stage of the process, allowing for optimization of product mix to capture value opportunities*

# Consolidated EBITDA

## Sensitivity Analysis (\$ In Millions)



### Significant Earnings Power at Optimal Operating Rates

		Average Natural Gas Price Per MMBTU For A Year					
		\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	\$4.50
Average Tampa Ammonia Price/MT For A Year	\$350	\$ 174	\$ 162	\$ 150	\$ 138	\$ 126	\$ 114
	\$300	\$ 142	\$ 130	\$ 118	\$ 106	\$ 94	\$ 82
	\$250	\$ 110	\$ 98	\$ 86	\$ 74	\$ 62	\$ 50
	\$200	\$ 78	\$ 66	\$ 54	\$ 42	\$ 30	\$ 17

**Note:** The model above is only intended to illustrate the relationship between variables. It is not an estimate of operating results for any future period.

**Key factors in model above:**

- Assumes no turnaround at any facility and related impact from lost production/sales and expenses. Note: Company is on a three-year turnaround cycle, which will include turnarounds in the current fiscal year.
- Tampa Ammonia price assumes average over the full year
- Average ammonia plant on-stream rate of 97%, 95% and 95% at El Dorado, Cherokee and Pryor, respectively (excluding turnaround)
- Assumes that a \$50/MT change in ammonia price is equivalent to a \$21 per short ton change in UAN price and a \$23 per short ton change in AN price
- Minimal growth of mining sales
- No incremental cost savings over previously announced savings

**Actual results may vary based on a number of factors, including many that are beyond the control of the Company. For illustration purpose only.** [lsbindustries.com](http://lsbindustries.com)