Q4 2022 Earnings Presentation

February 23, 2023

LSB INDUSTRIES

Forward-Looking Statements

- Statements in this presentation that are not historical are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance including the effects of the COVID-19 pandemic and anticipated performance based on our growth and other strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or actual achievements to differ materially from the results, level of activity, performance or anticipated achievements expressed or implied by the forward-looking statements. Significant risks and uncertainties may relate to, but are not limited to, business and market disruptions related to the COVID-19 pandemic, market conditions and price volatility for our products and feedstocks, as well as global and regional economic downturns, including as a result of the COVID-19 pandemic, that adversely affect the demand for our end-use products; disruptions in production at our manufacturing facilities; and other financial, economic, competitive, environmental, political, legal and regulatory factors. These and other risk factors are discussed in the Company's filings with the Securities and Exchange Commission (SEC).
- Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Unless otherwise required by applicable laws, we undertake no obligation to update or revise any forward-looking statements, whether because of new information or future developments.

Q4’22 Overview – Record Performance with Strong Outlook

	Q4’22	Q4’21
Net Sales	$234 M	$190 M
Adjusted EBITDA[1]	$105 M	$90 M
Adjusted EBITDA Margin[1]	45%	47%
Adjusted EPS[1]	$0.90	$0.72

- Net sales up 23% year over year driven by higher selling prices and continued strong plant operations
- Record Q4 Adjusted EBITDA of $105 M - an increase of 17% year over year
- Adjusted EBITDA Margin of 45% compared to 47% in the fourth quarter of 2021 due to lost production from the completion of the Pryor Turnaround early in the quarter and weather impact on Cherokee production
- Following Turnarounds at our Pryor and El Dorado facilities, expect improved performance in 2023

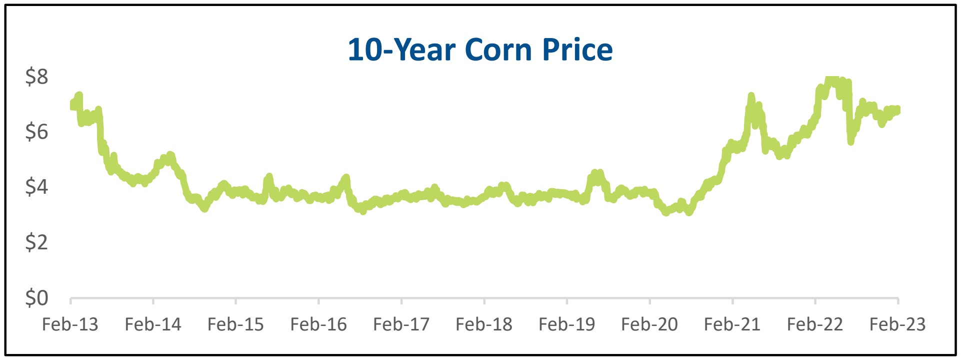
(1) Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS are non-GAAP measures; see reconciliations in appendix

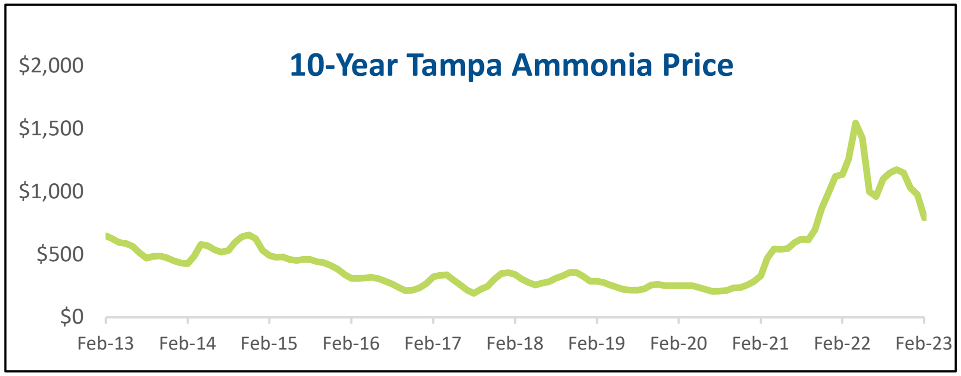
Market Overview (1)

- Corn price remains well above 10-year average level
  - Drought conditions in South America and the Western U.S. impacted corn supply
  - US stock-to-usage of <10% well below 10-year average

- Nitrogen pricing is expected to remain above historic averages through 2023
  - High European natural gas prices caused reduced nitrogen production, reducing global supply
  - Tampa ammonia settled at $790/mt for February, down from recent months but still well above 10-year average
  - NOLA UAN benchmark pricing $265/ton

- Demand remains strong for Industrial products with domestic end-use applications stronger than those in Europe and Asia
- Mining products seeing strong demand and pricing from an increase in coal mining activity and metals mining and competition for supply with fertilizer demand





Spot Prices	February 17, 2023	February 17, 2022
Tampa Ammonia	$790 / MT	$1135 / MT
UAN (NOLA)	$265 / ST	$550 / ST
Natural Gas (NYMEX Spot Price)	$2.28/MMBtu	$4.49/MMBtu

(1) Sources: USDA, Green Markets® A Bloomberg Company , Macrotrends.net, Federal Reserve Economic Data, and Gelber & Associates

Solid Balance Sheet and Cash Flow

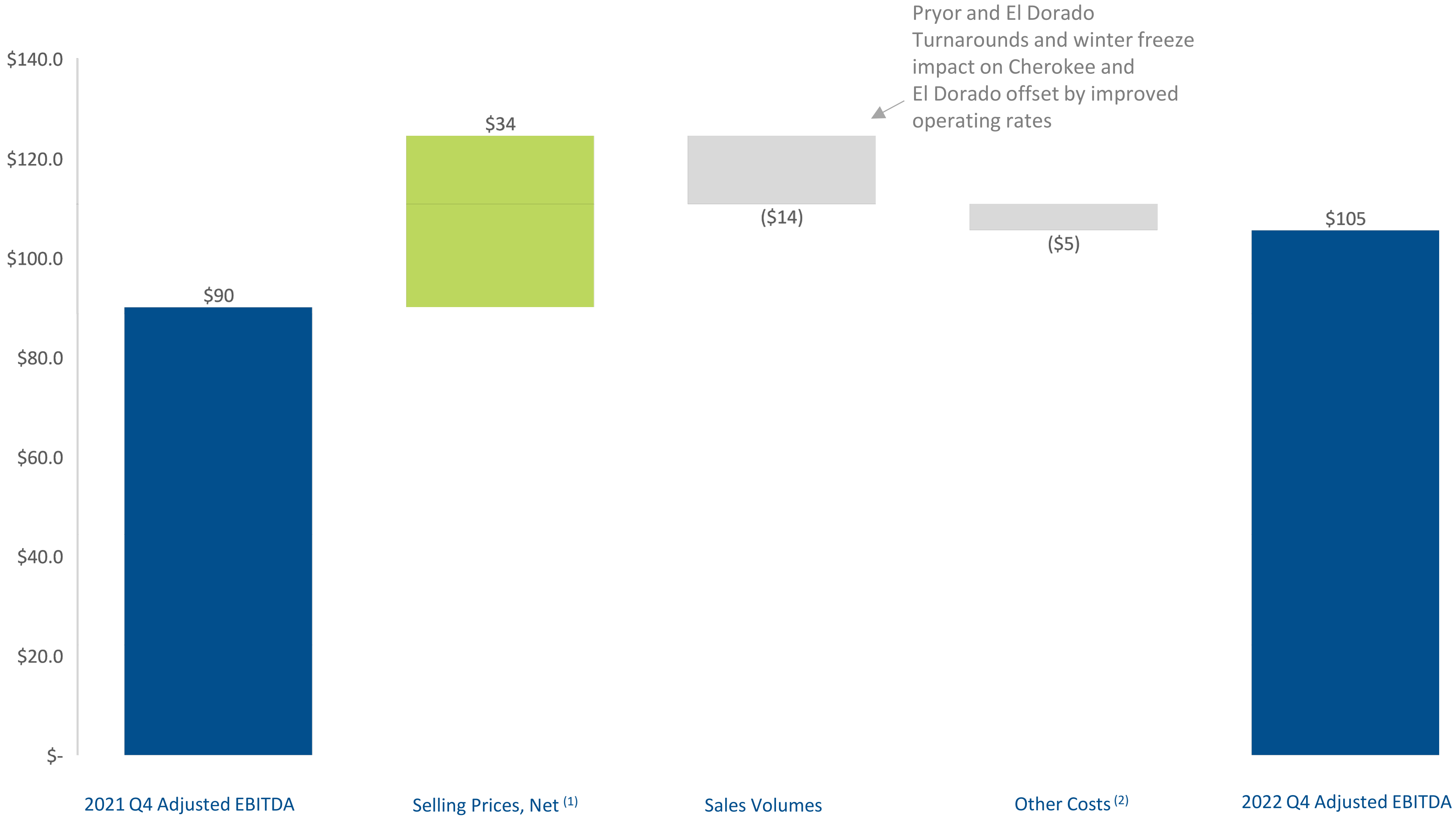
	12/31/22	12/31/21
Cash & ST Inv.	$394 M	$82 M
Total Liquidity	$458 M	$143 M
Net Debt[1]/ TTM Adj. EBITDA	0.8X	2.3X
Op. Cash Flow	$346 M	$88 M
CAPEX	$46 M	$35 M
Free Cash Flow Conversion[2]	79%	31%

- Liquidity position has improved through consistent operating cash flow and strategic capital markets transactions
- Net debt/TTM Adjusted EBITDA of <1X; well below 2.5X target level
- Strong operating cash flow and free cash flow conversion
- Repurchased $175 million of stock in 2022 since initiating the program in May 2022 at an average price of ~$13 per share
- Total shares repurchased were ~13.2 million; Current outstanding shares are now ~76 million, down 15% from the end of 2021
- Returned nearly 60% of Free Cash Flow to shareholders through share repurchases

(1) Net debt calculated as total long-term debt including current minus cash and cash equivalents and short-term investments
(2) Free Cash Flow Conversion calculated as (Operating Cash Flow – Capital Expenditures) / EBITDA

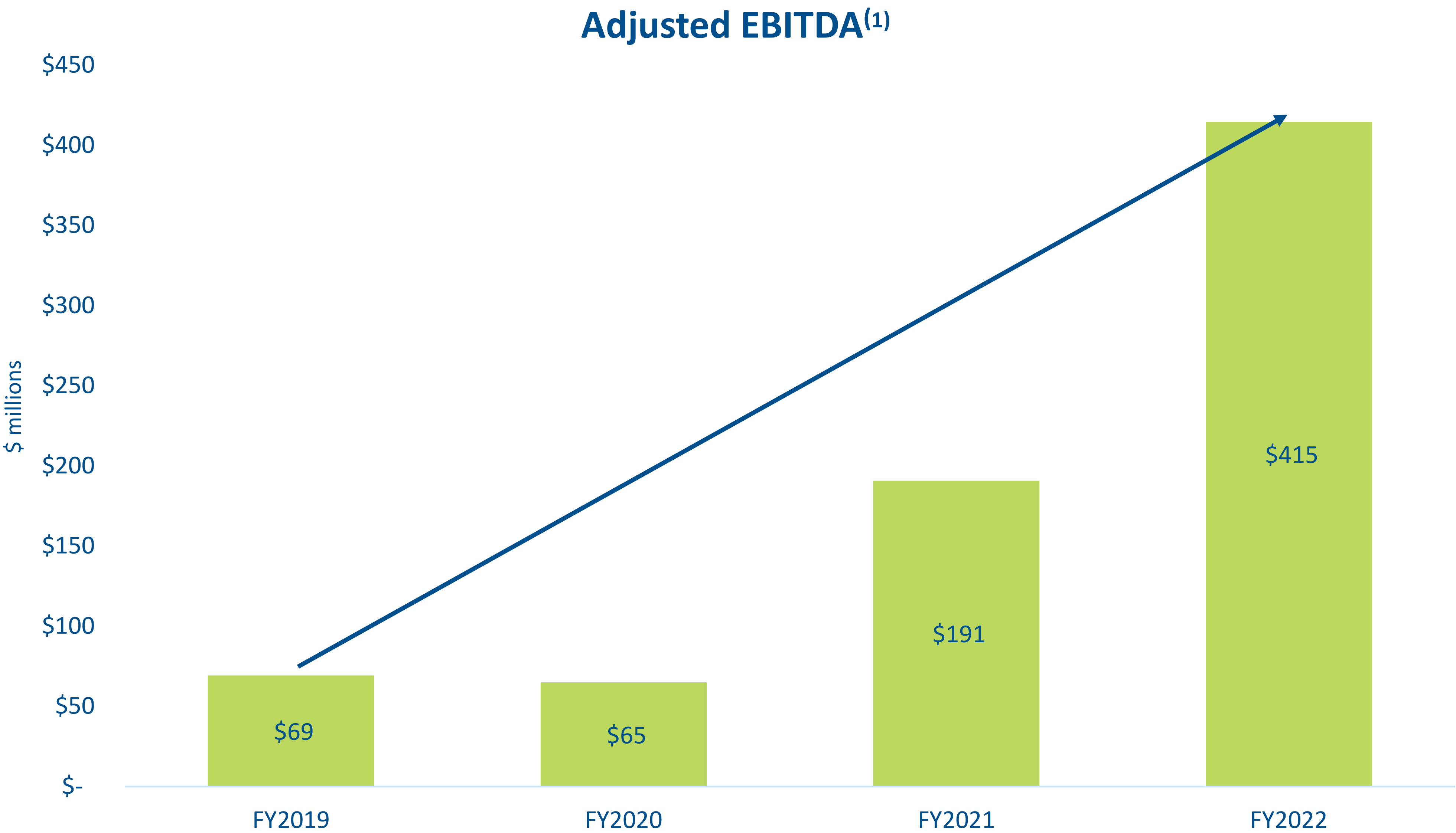
Fourth Quarter – 2022 vs. 2021

$ in millions



(1) Selling prices net of approximately $22 million impact of higher natural gas and sulfur raw material costs
(2) Primarily related to higher costs for supplies, materials, contractors, and talent combined with costs for several commercial and corporate initiatives

Strong Bottom Line Improvement



(1) This is a non-GAAP measure; refer to the Adjusted EBITDA TTM and Quarterly reconciliation pages in the appendix of this presentation

2023 Outlook

Operating:	2023	2022
Ammonia Production (tons):	830,000 - 850,000	732,000
Ammonia Turnarounds:		
El Dorado	-	27 Days
Cherokee	-	-
Pryor	-	38 Days
Capex:		
Reliability/EH&S/Maintenance	\$50 million - \$60 million	\$54 million(1)
Margin Enhancement	\$10 million - \$20 million	\$3 million

Sales Volume:	Full Year 2023 Sales (Budget tons)	Full Year 2022 Sales (tons)
AN & Nitric Acid	590,000 - 610,000	589,000
UAN	530,000 - 550,000	449,000
Ammonia	330,000 - 350,000	276,000

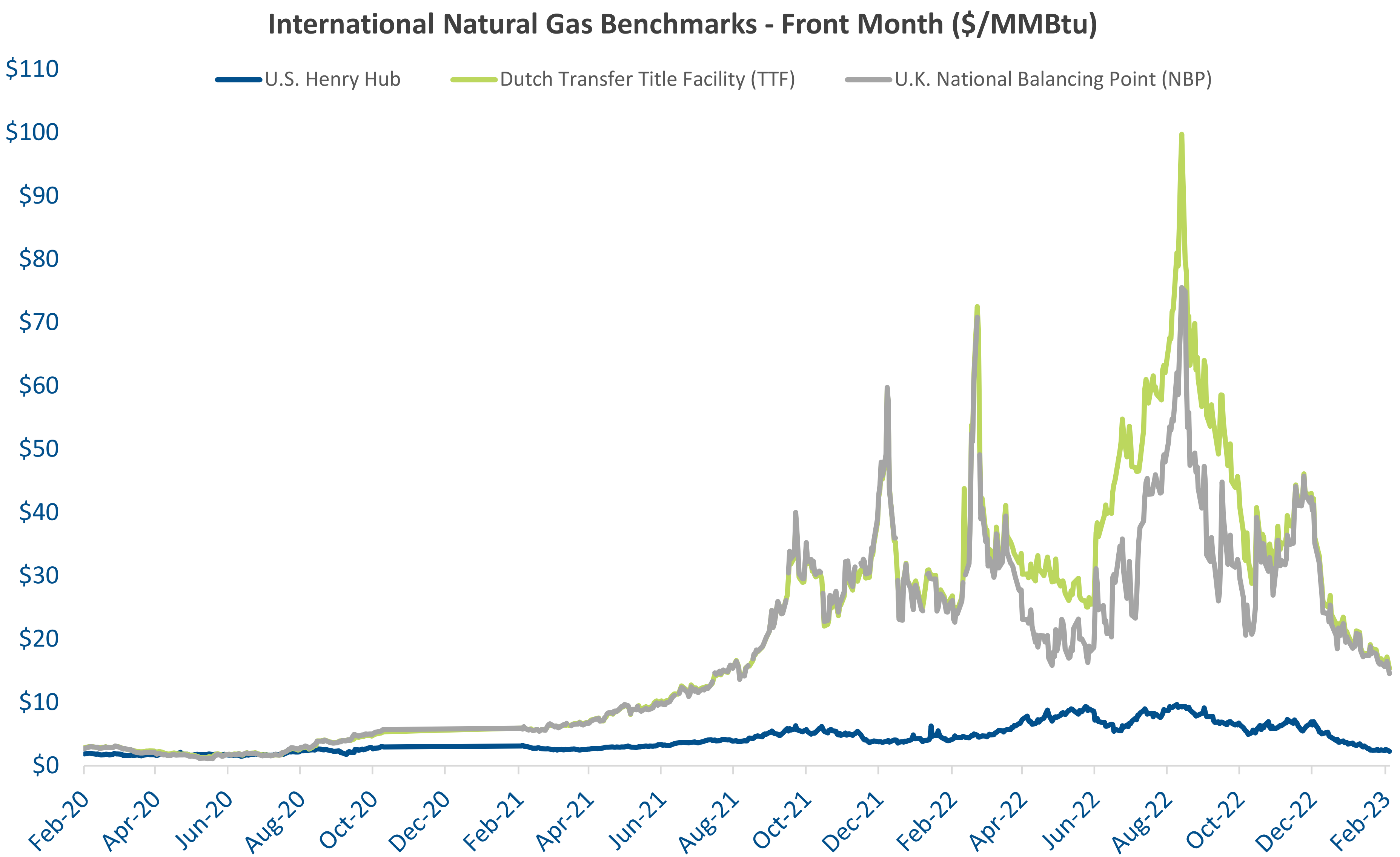
(1) Represents total capex incurred during 2022 of which \$46 million was paid during the period

2023 Outlook

Financial (Full Year):	
Variable Plant Expenses:	
Natural gas feedstock costs	~32 MMBtu/ton of ammonia
Electricity	3.0% – 5.0% of sales
Catalyst expense (burnoff)	1.0% – 3.0% of sales
Freight	5.0% – 7.0% of sales
Other purchased products (primarily Ag Centers)	3.0% – 5.0% of sales
Other expenses	1.0% – 3.0% of sales

Financial (Full Year):	
Fixed Plant Expenses (Ex-Depreciation):	$120 million – $130 million
Logistics/ Rail Car Lease Expense:	$15 million – $20 million
SG&A:	$40 million – $45 million
Depreciation Expense:	$65 million – $70 million
Interest Expense:	$45 million – $50 million
Effective Tax Rate:	~25%

Global Energy Price Spreads (1)



(1) Source: Gelber & Associates

Key Growth Initiatives

Achieving a Culture of Excellence

Advancing our safety and environmental initiatives

Investing capital to promote safe, reliable operations and expand production volume

Pursue Organic Growth

Capacity expansion through debottlenecking of existing plants

Evaluate new capacity expansion

Other margin enhancement opportunities

Advancing Low CO_2 & Clean Energy Strategy

Blue Ammonia project to sequester CO_2

Green Ammonia project to produce ammonia using zero CO_2 feedstock and energy

Other Opportunities

Pursue Accretive Acquisitions

Geographic expansion

Extend existing product line

Leverage existing ammonia capacity

Low Carbon Ammonia Projects Update

Blue Ammonia Project

- April 2022 agreement with Lapis Energy to develop a CO_2 capture and sequestration (CCS) project at El Dorado facility
- Project will capture and sequester >450,000 MT of CO_2 and yield approximately >375,000 MT of blue ammonia annually
- Submitted EPA Class VI permit application on February 17, 2023
- Expect operations to start in early 2025, subject to EPA permitting
- The carbon captured and permanently sequestered is expected to qualify for up to $85 per metric ton in federal incentives under the Internal Revenue Code Section 45Q tax credits
- Expected to reduce LSB's CO_2 emissions by 25%

Green Ammonia Project

- May 2022 agreements with Bloom Energy and thyssenkrupp Uhde to develop a project to produce zero-carbon or "green" ammonia at Pryor facility
- Expected production of ~30,000 MT of green ammonia per year with reduction in Pryor's process CO_2 emissions by ~36,000 MT per year
- Electrolyzers will operate on renewable power from solar and wind facilities in Oklahoma
- Green ammonia could be upgraded into "carbon-neutral" products like urea and UAN
- Initial startup targeted for 2H'24
- The green hydrogen produced from the electrolyzers is expected to qualify for $3 per kilogram in federal incentives under IRS Code section 45V tax credits

Appendix

Adjusted EBITDA Reconciliation

LSB Consolidated ($ In Millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net income	**$66**	**$42**	**$230**	**$44**
Plus:				
Interest expense, net	10	12	42	49
Net loss on extinguishment of debt	-	20	-	10
Depreciation and amortization	17	18	68	70
Provision (benefit) for income taxes	7	(4)	39	(5)
EBITDA (1)	**$100**	**$88**	**$379**	**$168**
Stock-based compensation	1	1	4	6
Change of Control	-	-	-	3
Noncash (gain) on natural gas contracts	-	-	-	(1)
Legal fees (Leidos)	-	-	1	2
Loss on disposal of assets	-	-	2	1
Fair market value adjustment on preferred stock embedded derivatives	-	-	-	2
Turnaround costs	4	1	29	10
Adjusted EBITDA (2)	**$105**	**$90**	**$415**	**$191**
Adjusted EBITDA Margin	**45%**	**47%**	**46%**	**34%**

(1) EBITDA is defined as net income (loss) plus interest expense net, plus gain 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, non-cash stock-based compensation, loss (gain) on sale of a business and other property and equipment, one-time income or fees, and certain fair market value adjustments. 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.

Adjusted EBITDA Reconciliation – Trailing Twelve Months

LSB Consolidated ($ In Millions)	Twelve Months Ended December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Net income (loss)	**$230**	**$44**	**($62)**	**($63)**
Plus:				
Interest expense net	42	49	51	46
Net loss on extinguishment of debt	-	10	-	-
Depreciation and amortization	68	70	71	70
Provision (benefit) for income taxes	39	(5)	(5)	(21)
EBITDA (1)	**$379**	**$168**	**$55**	**$32**
Stock-based compensation	4	6	2	2
Change of Control	-	3	-	-
Noncash loss (gain) on natural gas contracts	-	(1)	1	-
Severance costs	-	-	-	1
Legal fees (Leidos)	1	2	5	10
Loss on disposal of assets and other	2	1	1	11
Fair market value adjustment on preferred stock embedded derivatives	-	2	-	(1)
Consulting costs associated with reliability and purchasing initiatives	-	-	1	1
Turnaround costs	29	10	-	13
Adjusted EBITDA (2)	**$415**	**$191**	**$65**	**$69**

(1) EBITDA is defined as net income (loss) plus interest expense net, plus gain 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, non-cash stock-based compensation, loss on sale of a business and other property and equipment, one-time income or fees, certain fair market value adjustments, 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.

Adjusted EPS Reconciliation

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021
Numerator:				
Net income (loss) attributable to common stockholders	**$ 65,870**	**$ 42,009**	**$ 230,347**	**$ (220,002)**
Adjustments for Exchange Transaction:				
Dividend requirements on Series E Redeemable Preferred	-	-	-	29,914
Deemed dividend on Series E and Series F Redeemable Preferred	-	-	-	231,812
Accretion of Series E Redeemable Preferred	-	-	-	1,523
Adjusted net income attributable to common stockholders, excluding Exchange Transaction	**65,870**	**42,009**	**230,347**	**43,247**
Other Adjustments:				
Stock-based compensation	936	1,187	4,025	5,516
Change of control	-	-	-	3,223
Noncash gain on natural gas contracts	-	-	-	(1,205)
Legal fees (Leidos)	200	296	1,114	1,894
Loss on disposal of assets	391	133	1,219	823
FMV adjustment on preferred stock embedded derivative	-	-	-	2,258
Turnaround costs	4,171	1,130	29,235	9,953
Net loss on extinguishment of debt	-	20,259	113	10,259
Adjusted net income attributable to common stockholders, excluding Exchange Transaction and other adjustments	**$ 71,568**	**$ 65,014**	**$ 266,053**	**$ 75,968**
Denominator:				
Adjusted weighted-average shares for basic net income pers hare and for adjusted net income per share, excluding Exchange Transaction (1)	**78,224**	**86,507**	**84,753**	**49,963**
Adjustment:				
Unweighted shares, including unvested restricted stock subject to forfeiture	859	3,286	1,250	39,830
Outstanding shares, net of treasury, at period end for adjusted net income per share, excluding Exchange Transaction and other adjustments	**79,083**	**89,793**	**86,003**	**89,793**
Basic net income (loss) per common share	**$ 0.84**	**$ 0.49**	**$ 2.72**	**$ (4.40)**
Adjusted net income per common share, excluding Exchange Transaction	**$ 0.84**	**$ 0.49**	**$ 2.72**	**$ 0.87**
Adjusted net income per common share, excluding Exchange Transaction and other adjustments	**$ 0.90**	**$ 0.72**	**$ 3.09**	**$ 0.85**
Adjusted Net Income and Adjusted EPS(1)				
Adjusted net income attributable to common stockholders, excluding Exchange Transaction	$ 65,870	$ 42,009	$ 230,347	$ 43,247
Other adjustments	5,698	23,005	35,706	32,721
Adjusted net income	$ 71,568	$ 65,014	$ 266,053	$ 75,968
Adjusted net income per common share, excluding Exchange Transaction and other adjustments	$ 0.90	$ 0.72	$ 3.09	$ 0.85

(1) Excludes the weighted-average shares of unvested restricted stock that are subject to forfeiture

LSB INDUSTRIES