# LSB INDUSTRIES, INC. INVESTOR OVERVIEW

March 2024

# 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.

# Stockholder Rights Plan in Place to Preserve Substantial NOL's

- Our Section 382 Stockholder Rights Plan (the "Rights Plan") is intended to protect our substantial net operating losses ("NOLs"), carryforwards and other tax attributes.
- We can generally use our NOLs and other tax attributes to reduce federal and state income tax that would be paid in the future.
- Our ability to use our NOLs could be substantially limited if we experience an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") and the Rights Plan has been designed to help prevent such an "ownership change."
- The Rights Plan provides that if any person becomes the beneficial owner (as defined in the Code) of 4.9% or more of our common stock, stockholders other than the triggering stockholder will be entitled to acquire shares of common stock at a 50% discount or LSB may exchange each right held by such holders for one share of common stock.
- Under the Rights Plan, any person which currently owns 4.9% or more of LSB's common stock may continue to own its shares of common stock but may not acquire any additional shares without triggering the Rights Plan.
- Our Board of Directors has the discretion to exempt any person or group from the provisions of the Rights Plan.
- On August 22, 2023, the Company entered into an Amended and Restated Section 382 Rights Agreement. As a result, the Rights Plan will continue in effect until August 22, 2026, unless terminated earlier in accordance with its terms. The Company plans to submit the Amended and Restated Section 382 Rights Agreement to a vote of the stockholders at its 2024 Annual Meeting of Stockholders.

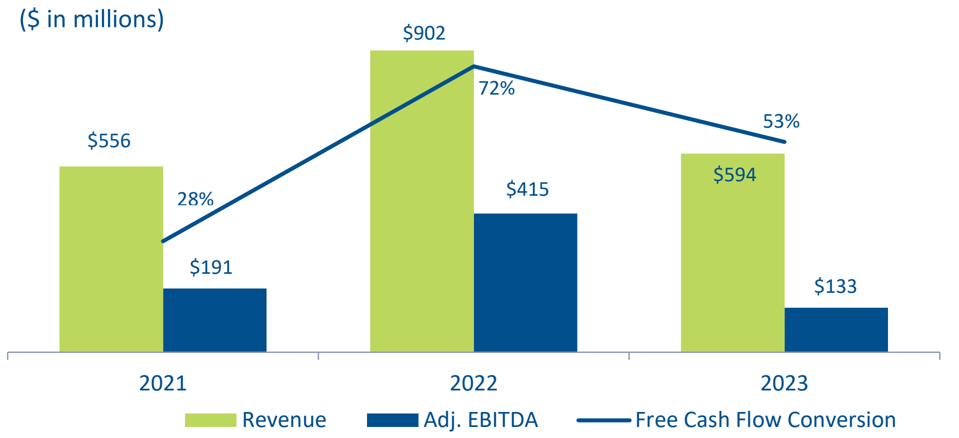
# LSB at a Glance

## Business Overview

- LSB Industries, headquartered in Oklahoma City, OK, manufactures and sells nitrogen-based products for the agricultural, industrial and mining markets
- The Company is the fifth largest producer of ammonia and the leading merchant marketer of nitric acid in the U.S.
- LSB owns and operates three production facilities strategically located near key areas of customer demand:
  - El Dorado, AR: Manufactures ammonia, ammonium nitrate, nitric acid, sulfuric acid and AN solution
  - Cherokee, AL: Manufactures UAN, ammonia, AN solution, nitric acid, and $CO_2$
  - Pryor, OK: Manufactures UAN, ammonia and $CO_2$
- LSB operates an additional nitric acid facility in Baytown, TX owned by Covestro
- With its strong balance sheet, the Company is well positioned to grow the development of low-carbon ammonia projects and capacity expansion, while returning value to shareholders

## Select Customers


## Revenue, Adj. EBITDA and FCF Yield Performance[1]




(1) Adjusted EBITDA and Free Cash Flow Conversion are non-GAAP measures; see reconciliations in appendix

# Diversified Nitrogen Chemicals Business with Differentiated End Market Positions

| | Key products | End markets |
|---|---|---|
| Agricultural | Urea ammonium nitrate solutions (UAN) | Liquid fertilizer for corn and other crops |
| Agricultural | Ammonium nitrate (AN) | High-efficacy fertilizer for corn, other crops, and pastures and key nitrogen components in nitrogen, phosphorus, and potassium (NPK) fertilizer blends |
| Agricultural | Ammonia | High nitrogen content fertilizer primarily used for corn |
| Industrial | Ammonia | Chemical feedstock, emissions abatement, water treatments, refrigerants |
| Industrial | Nitric Acid | Semiconductor, nylon and polyurethane intermediates, ammonium nitrate, metals processing |
| Industrial | Sulfuric Acid | Pulp and paper, aluminum, water treatment, metals (lithium), and vanadium processing |
| Industrial | $CO_2$ | Food refrigeration, dry ice, enhanced oil recovery |
| Mining | Ammonium nitrate | Explosives for mining, quarries, and other blasting activities |

## Application

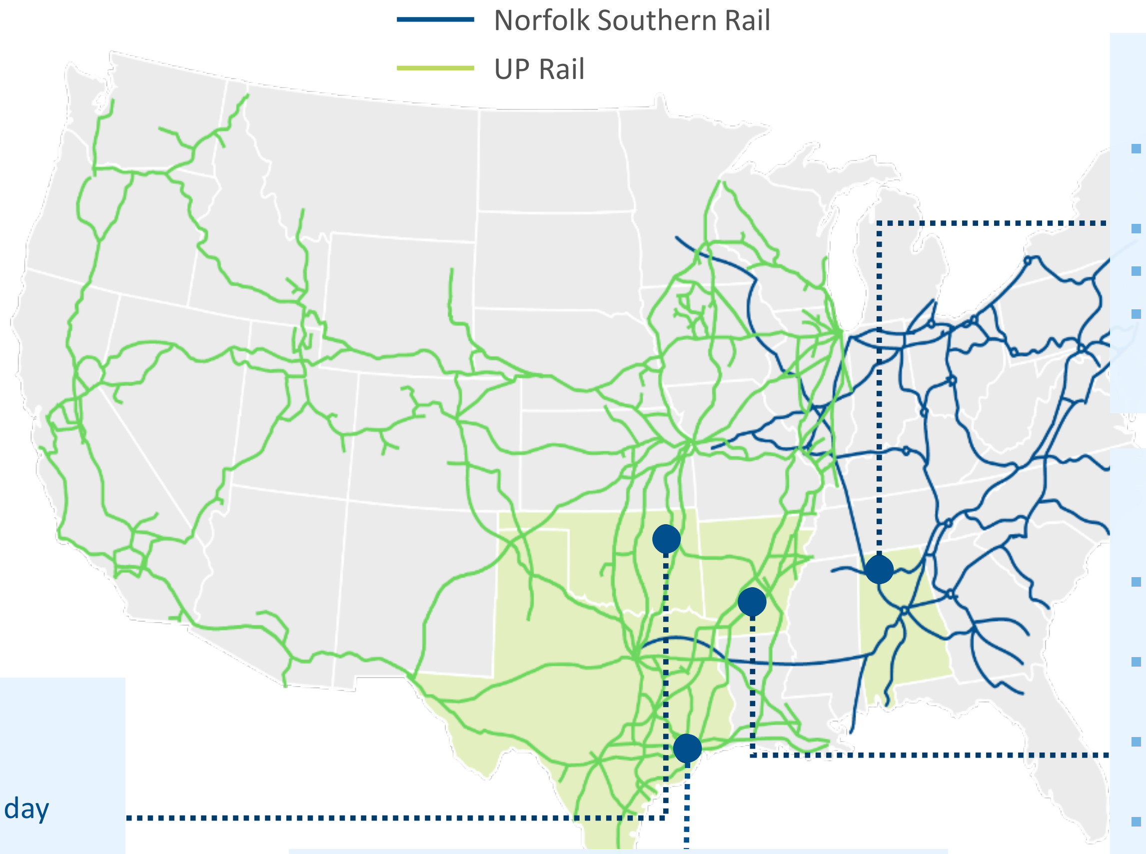




# Strategically Located Assets with Regional Competitive Advantages

## KEY COMPETITIVE ADVANTAGES

- Leveraged to globally competitive, low-cost US natural gas
- Multiple options to add new, or increase existing, plant production capacities
- Strategic proximity to key end user markets
- Integrated production and logistics network to drive security of supply




### Cherokee, AL

- Ammonia production capacity of 515 tons per day
- UAN, AN, and nitric acid
- UAN expansion pathway
- Strategically located to supply Eastern Corn Belt fertilizer markets

### El Dorado, AR

- Ammonia production capacity of 1,350 tons per day
- Nitric acid, ammonium nitrate (AN), mixed acids, sulfuric acid production
- Multiple options to add new or increase existing plant production capacities
- Strategically located to supply AN fertilizer and explosives markets
- Access to NuStar ammonia pipeline
- Uniquely placed to sequester carbon emissions and produce low carbon products

### Pryor, OK

- Ammonia production capacity of 675 tons per day
- UAN production
- UAN expansion pathway
- Strategically located to supply the Southern Plains with direct rail access to Corn Belt

### Baytown, TX

- Nitric acid production
- Co-located with Covestro under long-term operating agreement

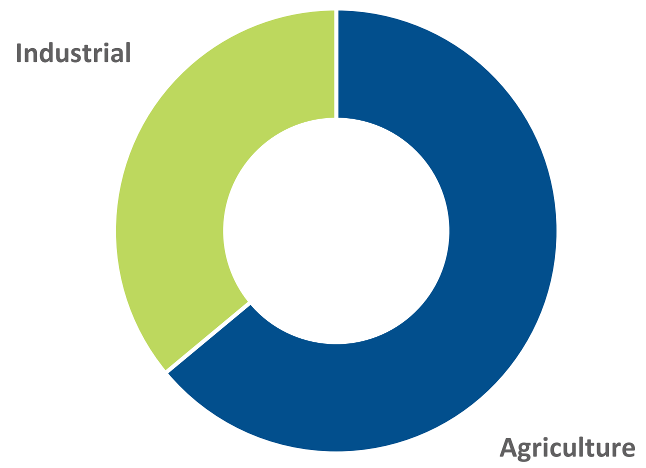
# Diversified Nitrogen Chemicals Business with Differentiated End Market Positions

Broad diversification provides offtake stability and ratability

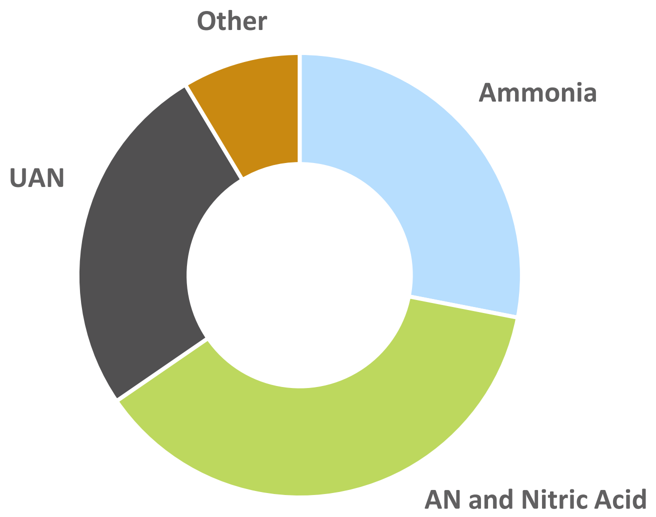
Operational and market flexibility to optimize mix and maximize earnings

Sales balance of spot and contract

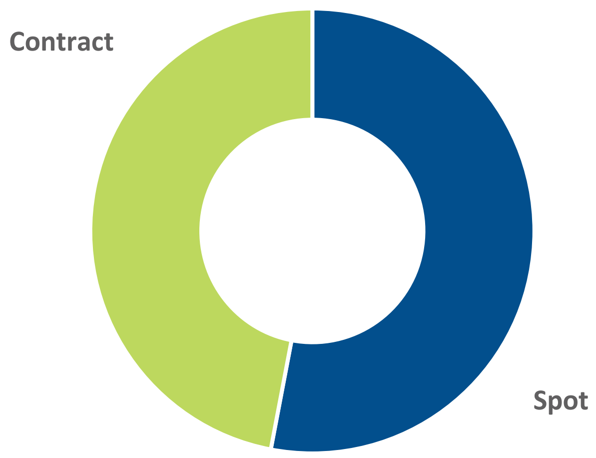
**Revenue by market** - 2023




**Revenue by Product** - 2023




**Volume by sales method** - 2023



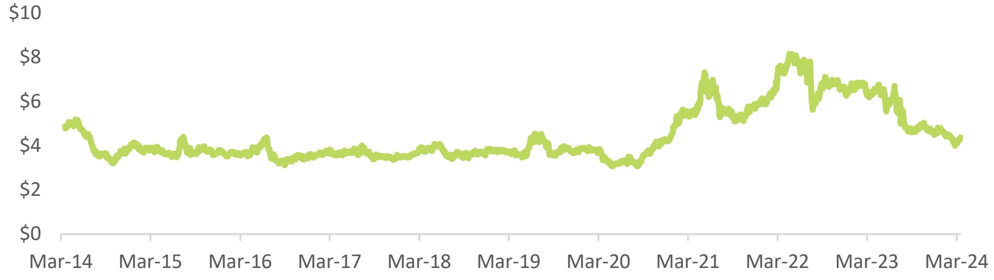
# Market Overview (1)

- **U.S. corn price remains near 10-year average level**
  - Corn supply expected to increase in the coming months
  - Corn prices remain resilient despite rising stock-to-use ratios

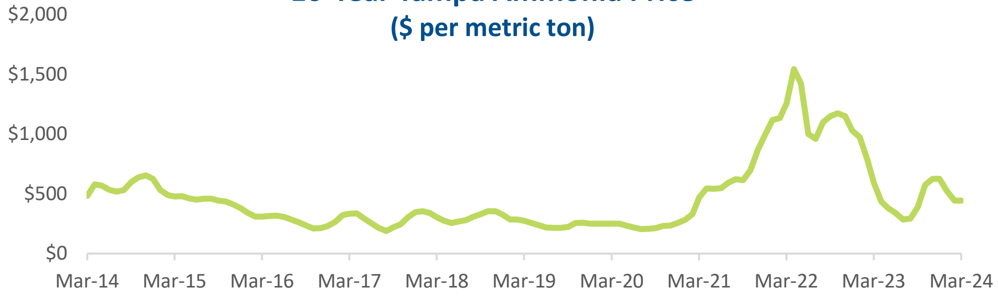
- **Nitrogen product price trends mixed**
  - Tampa ammonia price settled at $445/MT for March, unchanged from February
  - Urea and UAN prices rising recently due to favorable U.S. import/export balance and expectations for strong demand
  - Expect fertilizer prices to be at levels attractive to farmers for Spring planting season

- Demand remains stable for Industrial products supported by resilient U.S. economy
- Robust demand for Mining products due to attractive market fundamentals for quarrying and aggregate production and U.S. metals demand

**10-Year Corn Price**




**10-Year Tampa Ammonia Price**
**($ per metric ton)**




| Spot Prices | March 15, 2024 | March 15, 2023 |
|---|---|---|
| Tampa Ammonia | $445 / MT | $590 / MT |
| UAN (NOLA) | $275 / ST | $283 / ST |
| Natural Gas (NYMEX Spot Price) | $1.66/MMBtu | $2.44/MMBtu |

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

# Continued Profitability Through the Cycle

| | FY'23 | FY'22 | FY'21 |
|---|---|---|---|
| Net Sales | $594 M | $902 M | $556 M |
| Adjusted EBITDA[1] | $133 M | $415 M | $191 M |
| Adjusted EBITDA Margin[2] | 22% | 46% | 34% |

- All-time record results in 2022 reflect the impact of Russia's invasion of Ukraine on product selling prices, partially offset by two turnarounds
- 2023 results reflect moderation of product selling prices due, in part, to lower cost of production for marginal producers in Europe and weaker industrial demand in Asia translating into increased global supply of nitrogen
- Impact of lower selling prices during 2023 was partially offset by stronger ammonia operating rates and production volumes compared to 2022

(1) Adjusted EBITDA is a non-GAAP measure; see reconciliation in appendix
(2) Adjusted EBITDA Margin is calculated as Adjusted EBITDA as a percentage of Net Sales

LSB

# Solid Balance Sheet and Cash Flow

| | 12/31/23 | 12/31/22 |
|---|---|---|
| Cash & ST Inv. | $306 M | $394 M |
| Total Debt | $582 | $712 |
| Net Debt[1]/ TTM Adj. EBITDA | 2.1X | 0.8X |
| TTM Op. Cash Flow | $138 M | $346 M |
| TTM CAPEX | $68 M | $46 M |
| Free Cash Flow Conversion[2] | 53% | 72% |

- Healthy cash balance and robust liquidity position supports balanced capital allocation strategy
- Net debt/TTM Adjusted EBITDA remains below target maximum level of 2.5X
- Continued solid free cash flow despite pricing environment
- Repurchased $125 million in principal amount of our Senior Secured Notes for approximately $114 million and bought back more than three million shares of our stock for approximately $29 million

(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) / Adjusted EBITDA

# LSB's Vision is to be a Leader in the Energy Transition

| YESTERDAY | TODAY | TOMORROW |
|---|---|---|
| Siloed and "good was good enough" | Professionalized | Energized workforce aligned with the Vision: energy transition leadership |
| Chemicals, HVAC, other disparate businesses | Chemicals-focused | Focused on low-carbon chemical and energy products |
| Hamstrung by capital structure | Healthy capital structure | Healthy capital structure, strategic partnerships, and improved access to growth capital |
| "Left for dead" by the equity market | Trading in line with peers; improved volumes | An equity story of growth and sustainability |
| Low onstream rates; inefficient operations | Improving onstream rates; proactively improving operations | Operational excellence with enviable onstream rates |
| No sustainability plan | Sustainability plan supported by clean energy retrofit projects | Sustainability as a growth engine |
| No cohesive plan for growth – too busy 'putting out fires' | Multiple avenues for growth within existing footprint | Expanding competencies, end markets, and footprint |
| Less than $40 million in EBITDA | Multiple of yesterday's EBITDA | Larger scale, lower earnings volatility |

*Well-positioned to be an early mover*

# 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

- Margin enhancement opportunities
- Capacity expansion of existing plants and additional upgrading plants
- New products

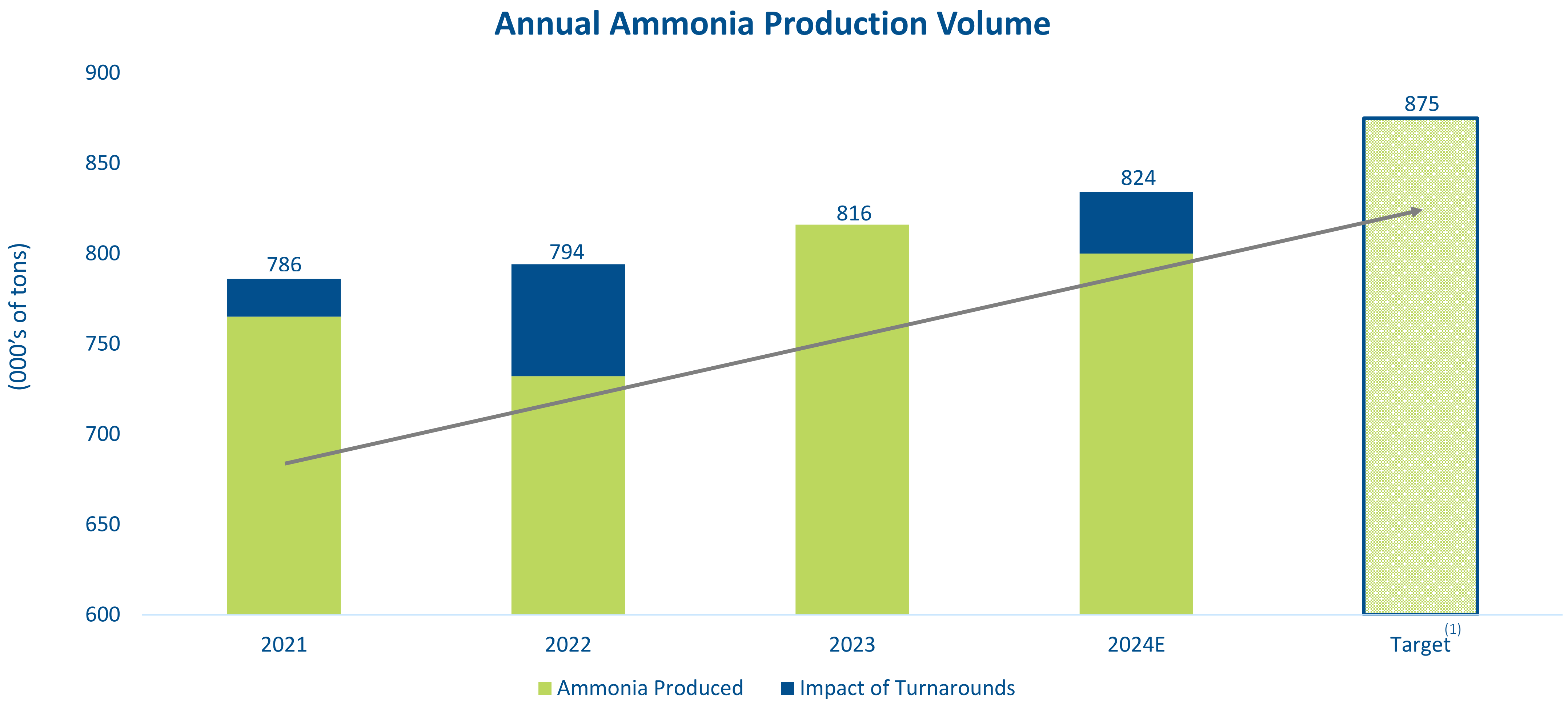
## Advancing low $CO_2$ & clean energy strategy

- Blue ammonia projects to sequester $CO_2$
  - El Dorado project with Lapis
  - Houston Ship Channel project with INPEX

## Pursue accretive acquisitions

- Geographic expansion
- Extend existing product line
- Leverage existing ammonia capacity

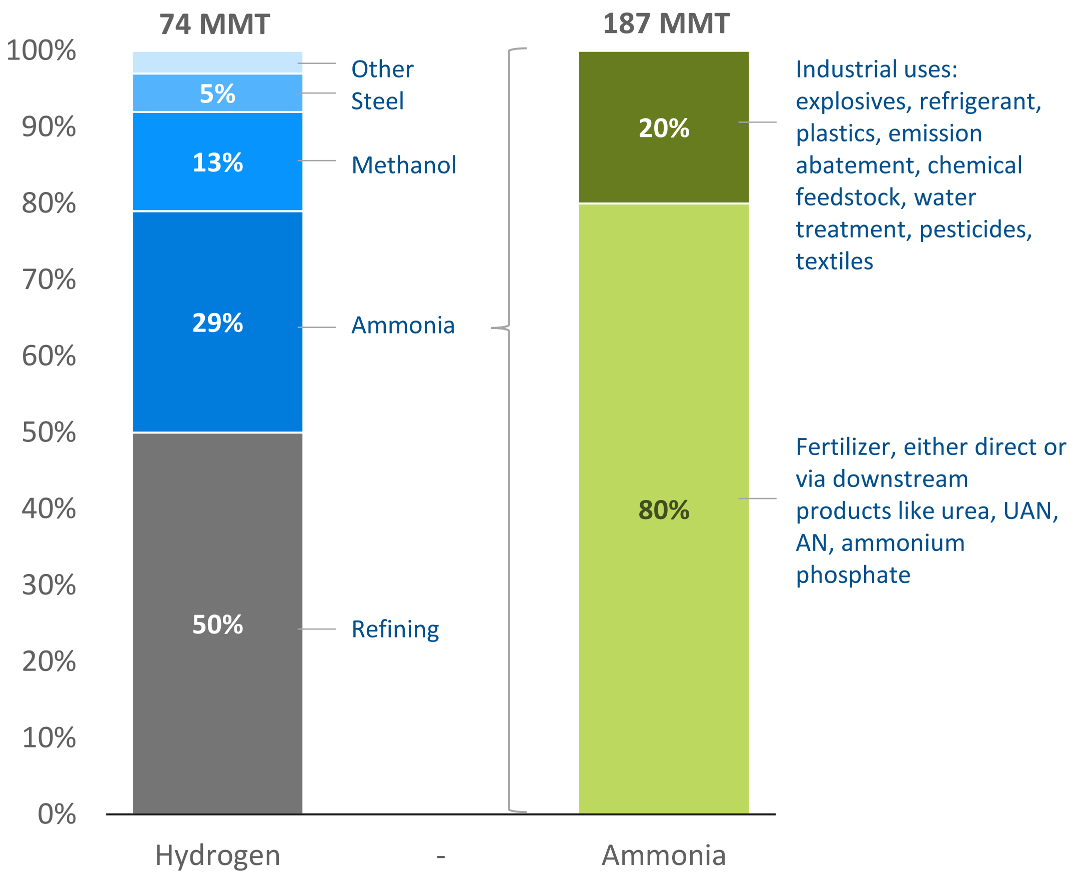
# Reliability Initiatives Driving Increased Ammonia Production



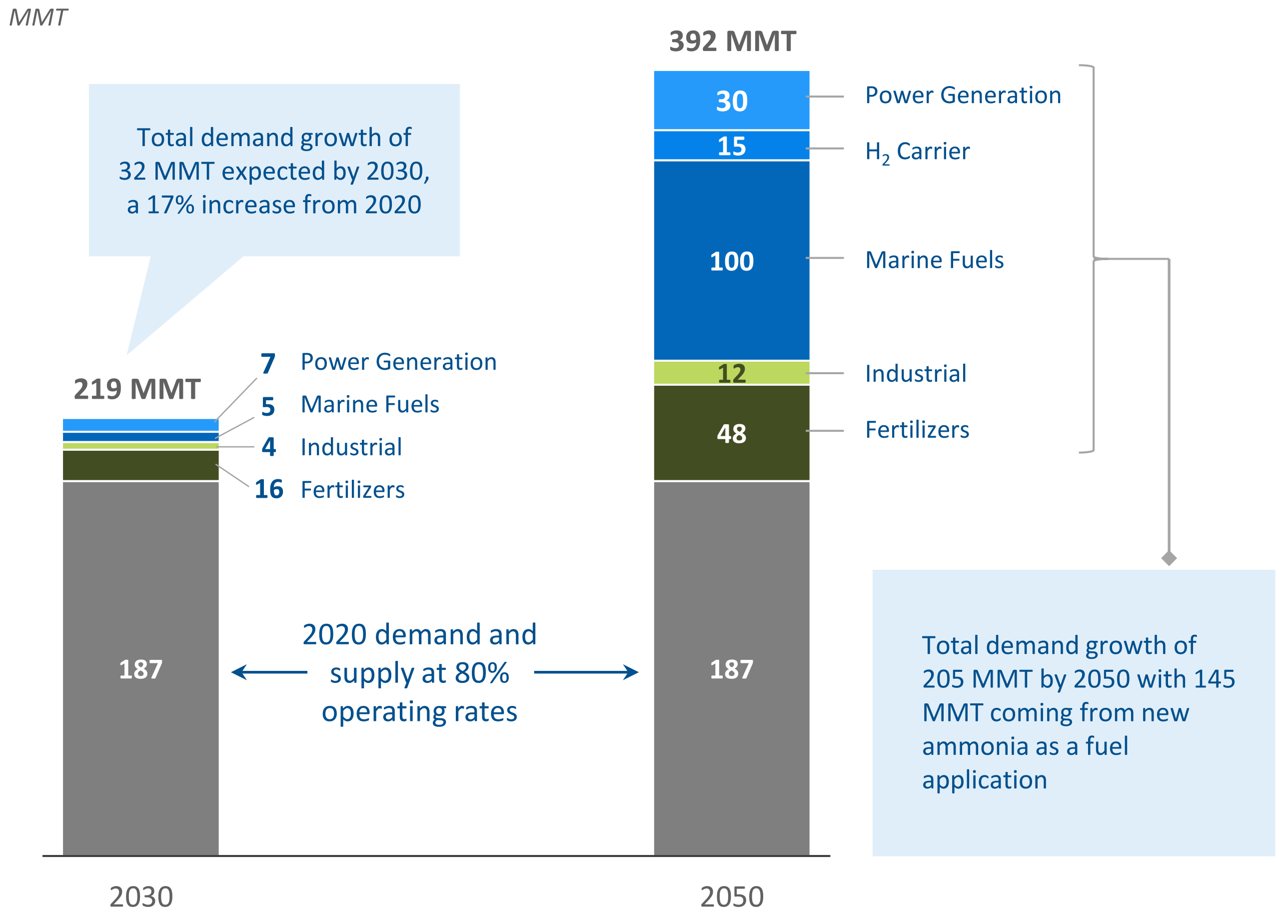

(1) Based on capacity utilization of 95%

# Low Carbon Ammonia – Why it Matters

## 2020 annual consumption of hydrogen and ammonia




## Global ammonia demand forecast




Source: International Energy Agency, Argus Consulting, CRU Nitrogen Research, IRENA (International Renewable Energy Agency)

# The Clean Energy Transition has Begun

## First Bunkering and Tests of Ammonia as Marine Fuel Completed in Singapore


Fortescue Green Pioneer successfully bunkered with ammonia and began engine tests (MPA)

PUBLISHED MAR 15, 2024 6:24 PM BY **THE MARITIME EXECUTIVE**

## JERA to conduct trial of co-firing ammonia at coal power plant from March to June

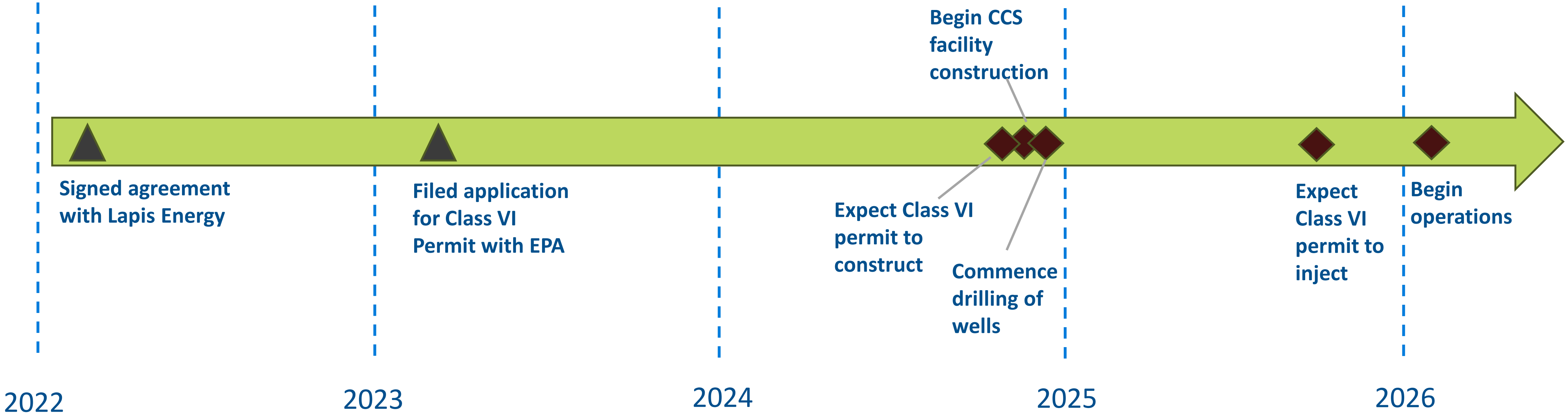
By **Yuka Obayashi**

March 13, 2024 7:25 AM CDT · Updated 5 days ago

Aa


A general view of Japan's biggest power generator JERA's thermal power station, as it prepares to start operation of a new 1.07 gigawatts (GW) coal-fired power plant to help alleviate the electricity crunch in the summer, in Taketoyo, Aichi Prefecture, July 14, 2022. Picture taken July 14, 2022. REUTERS/Yuka Obayashi/File Photo *Purchase Licensing Rights*

# El Dorado Low-Carbon Ammonia – High Returns with Minimal Capex




- Lapis Energy to develop and construct $CO_2$ capture and sequestration project at LSB's El Dorado facility
- Capital investment for LSB is minimal
- Lapis will capture and sequester >450,000 metric tons of $CO_2$ produced annually in the course of El Dorado's ammonia production
- Lapis to receive 45Q federal tax credit of $85 per metric ton of $CO_2$ sequestered and pay a fee to LSB for each ton
- The carbon sequestration will result in >375,000 tons of low-carbon ammonia that LSB can potentially sell at a premium
- Once in operation, the project is expected to reduce LSB's Scope 1 $CO_2$ emissions by ~25% and result in an estimated $15 - $20 million of incremental EBITDA for the company

# Houston Ship Channel Ammonia Project

## Project Highlights

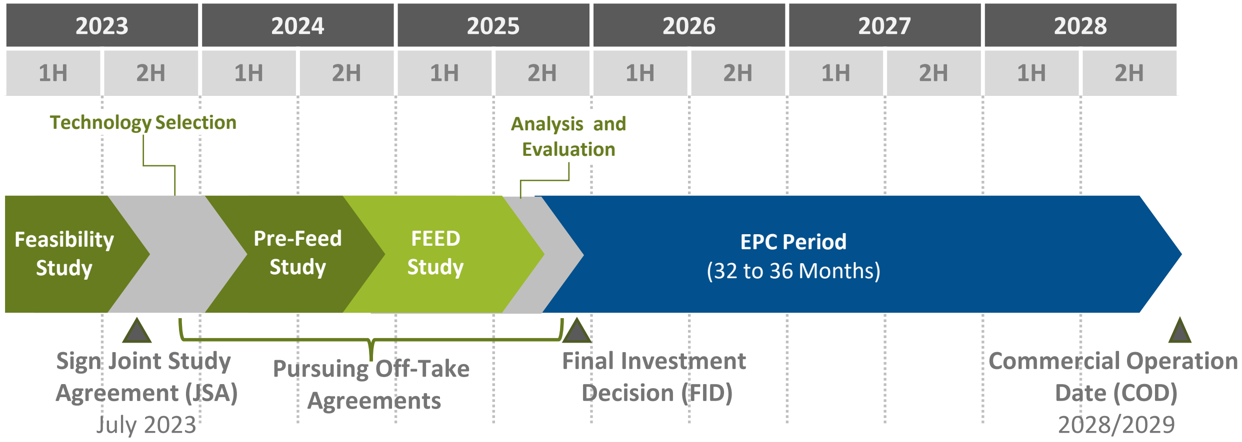
- New 1.1 million TPA ammonia plant at an attractive site in Deer Park, on the Houston Ship Channel – access to low-cost natural gas, key pipelines, and deepwater logistics
- Focused on the export market, particularly power generation demand from Japan and Korea – seizing government incentives at both production and consumption
- INPEX relationship with Japanese utilities provides strong potential to be highly-contracted with creditworthy counterparties, enabling predictable cash flows and non-recourse project financing

## Roles

| | | |
|---|---|---|
| Air Liquide | Hydrogen and nitrogen feedstock supplier | ▪ #2 supplier of industrial gases with $100 billion of EV<br>▪ To build and operate ASU and ATR for project |
| INPEX | Equity partner and developer delivering Asian offtakers | ▪ #1 E&P company in Japan with $25 billion of EV<br>▪ Equity partner to Air Liquide for ASU and ATR; equity partner to LSB for the ammonia loop |
| Vopak | Terminaling and logistics services | ▪ JV between major terminaling and storage firms<br>▪ To provide site and services to the project |
| LSB Industries | Ammonia loop equity partner and operator | ▪ #5 ammonia producer in North America<br>▪ To own (> 51%) and operate the ammonia loop |

## Location

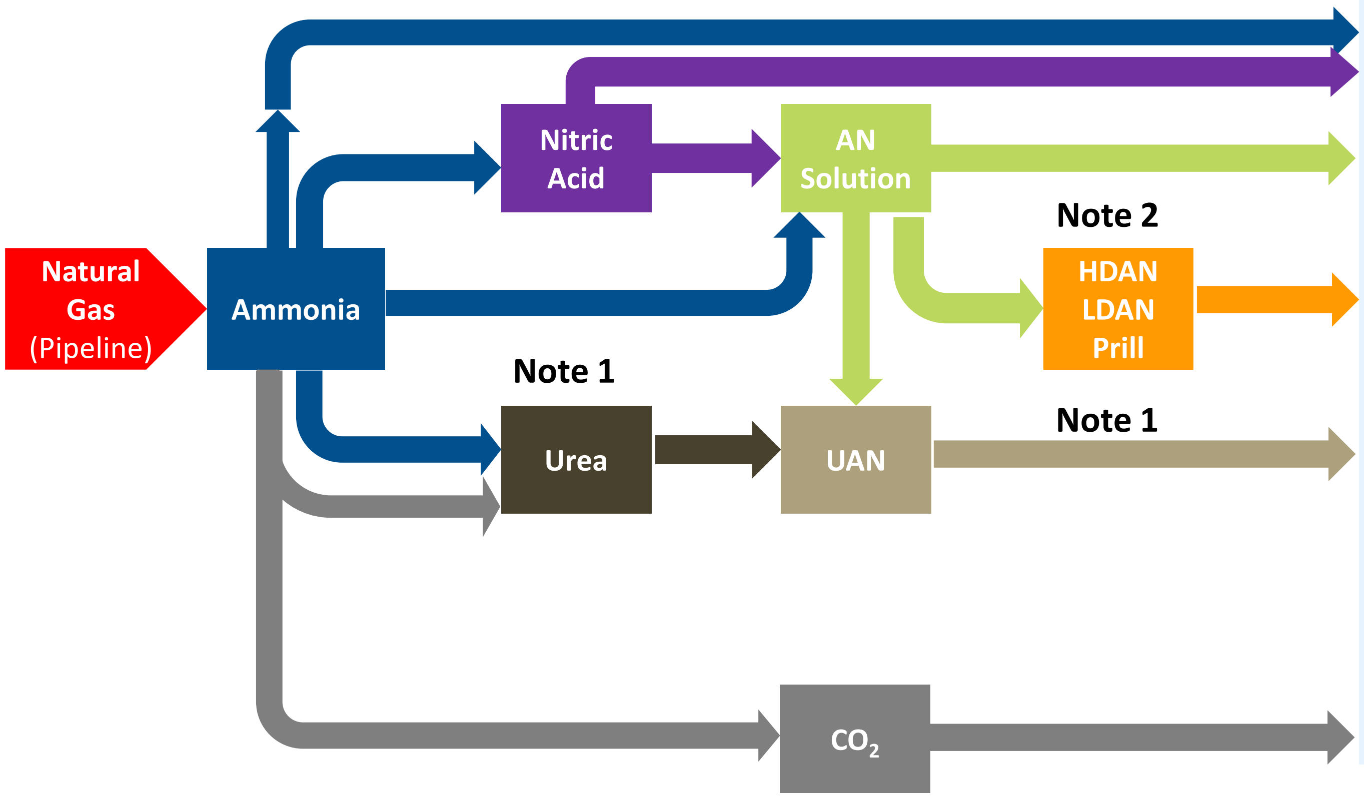

## Illustrative Timeline



Questions?

# Appendix

# The Core Manufacturing Process




- Truck
- Rail
- Ammonia Pipeline (El Dorado)
- Barge (Cherokee)

**Notes:**

1) Urea and UAN manufactured at Cherokee and Pryor
2) HDAN and LDAN prill products manufactured at El Dorado

Other product streams are manufactured at the 3 sites that are not depicted in this diagram

# Adjusted EBITDA Reconciliation

| LSB Consolidated ($ In Thousands) | Year Ended December 31, 2023 | 2022 | 2021 |
|---|---|---|---|
| **Net (loss) income** | **$ 27,923** | **$ 230,347** | **$ 43,545** |
| Plus: | | | |
| Interest expense and interest income, net | 26,500 | 41,407 | 49,378 |
| Net (gain) loss on extinguishment of debt | (8,644) | 113 | 10,259 |
| Depreciation and amortization | 68,922 | 68,019 | 69,943 |
| Provision (benefit) for income taxes | 5,973 | 39,174 | (4,556) |
| **EBITDA[1]** | **$ 120,674** | **$ 379,060** | **$ 168,569** |
| Stock-based compensation | 5,353 | 4,025 | 5,516 |
| Unrealized (gain) on commodity contracts | - | - | (1,205) |
| Legal fees (Leidos) | 594 | 1,114 | 1,894 |
| Loss on disposal and impairment of assets | 3,613 | 1,219 | 823 |
| Fair market value adjustment on preferred stock embedded derivatives | - | - | 2,258 |
| Change of control | - | - | 3,223 |
| Turnaround costs | 2,430 | 29,235 | 9,953 |
| **Adjusted EBITDA[2]** | **$ 132,664** | **$ 414,653** | **$ 191,031** |

(1) EBITDA is defined as net income (loss) plus interest expense and interest income net, plus loss (or less 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 (loss), operating income (loss), 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.

# Free Cash Flow Conversion Reconciliation

| ($ in millions) | 2023 | 2022 | 2021 |
|---|---|---|---|
| Adjusted EBITDA | 133 | 415 | 191 |
| Operating Cash Flow | 138 | 346 | 88 |
| Capital Expenditures | 68 | 46 | 35 |
| Free Cash Flow | 70 | 300 | 53 |
| *FCF Conversion*[1] | *53%* | *72%* | *28%* |

1) Free Cash Flow Conversion calculated as (Operating Cash Flow – Capital Expenditures) / Adjusted EBITDA