# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ________ to**

**Commission file number 1-7677**

# LSB Industries, Inc.
**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **73-1015226** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **3503 NW 63rd Street, Suite 500, Oklahoma City, Oklahoma** | **73116** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(Registrant's telephone number, including area code) (405) 235-4546**

**Not applicable**

**(Former name, former address and former fiscal year, if changed since last report.)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, Par Value $.10** | LXU | **New York Stock Exchange** |
| **Preferred Stock Purchase Rights** | N/A | **New York Stock Exchange** |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).☒ Yes ☐ No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).☐ Yes ☒ No

The number of shares outstanding of the Registrant's common stock was 71,621,131 shares as of October 25, 2024.

FORM 10-Q OF LSB INDUSTRIES, INC.

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When we refer to "us", "we", "our", "Company" or "LSB" we are describing LSB Industries, Inc. and its subsidiaries.

## PART I
## FINANCIAL INFORMATION

**Item 1. Financial Statements**

### LSB INDUSTRIES, INC.
### CONDENSED CONSOLIDATED BALANCE SHEETS
### (Information at September 30, 2024 is unaudited)

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In Thousands) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ **42,283** | $ 98,500 |
| Restricted cash | **—** | 2,532 |
| Short-term investments | **157,060** | 207,434 |
| Accounts receivable | **44,601** | 40,749 |
| Allowance for doubtful accounts | **(326)** | (364) |
| Accounts receivable, net | **44,275** | 40,385 |
| Inventories: | | |
| Finished goods | **19,259** | 26,329 |
| Raw materials | **2,127** | 1,799 |
| Total inventories | **21,386** | 28,128 |
| Supplies, prepaid items and other: | | |
| Prepaid insurance | **2,014** | 14,846 |
| Precious metals | **11,675** | 12,094 |
| Supplies | **31,421** | 30,486 |
| Other | **4,123** | 2,337 |
| Total supplies, prepaid items and other | **49,233** | 59,763 |
| Total current assets | **314,237** | 436,742 |
| Property, plant and equipment, net | **842,863** | 835,298 |
| Other assets: | | |
| Operating lease assets | **24,377** | 24,852 |
| Intangible and other assets, net | **1,456** | 1,292 |
| Total other assets | **25,833** | 26,144 |
| Total assets | $ **1,182,933** | $ 1,298,184 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **75,734** | 68,323 |
| Short-term financing | **1,528** | 13,398 |
| Accrued and other liabilities | **36,107** | 30,961 |
| Current portion of long-term debt | **10,979** | 5,847 |
| Total current liabilities | **124,348** | 118,529 |
| Long-term debt, net | **475,991** | 575,874 |
| Noncurrent operating lease liabilities | **17,137** | 16,074 |
| Other noncurrent accrued and other liabilities | **523** | 523 |
| Deferred income taxes | **65,973** | 68,853 |
| Commitments and contingencies (Note 5) | | |
| Stockholders' equity: | | |
| Common stock, $.10 par value; 150 million shares authorized, 91.2 million shares issued | **9,117** | 9,117 |
| Capital in excess of par value | **502,972** | 501,026 |
| Retained earnings | **216,811** | 227,015 |
| | **728,900** | 737,158 |
| Less treasury stock, at cost: | | |
| Common stock, 19.5 million shares (18.1 million shares at December 31, 2023) | **229,939** | 218,827 |
| Total stockholders' equity | **498,961** | 518,331 |
| Total liabilities and stockholders' equity | $ **1,182,933** | $ 1,298,184 |

See accompanying notes to condensed consolidated financial statements.

**LSB INDUSTRIES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In Thousands, Except Per Share Amounts) | | | |
| Net sales | $109,217 | $114,287 | $387,494 | $461,096 |
| Cost of sales | 117,162 | 117,673 | 345,746 | 386,845 |
| Gross (loss) profit | (7,945) | (3,386) | 41,748 | 74,251 |
| | | | | |
| Selling, general and administrative expense | 10,042 | 8,512 | 31,883 | 27,815 |
| Other expense (income), net | 6,436 | (2,399) | 8,625 | (2,096) |
| Operating (loss) income | (24,423) | (9,499) | 1,240 | 48,532 |
| | | | | |
| Interest expense, net | 8,115 | 7,165 | 26,229 | 31,213 |
| Gain on extinguishment of debt | — | — | (3,013) | (8,644) |
| Non-operating other income, net | (2,674) | (3,689) | (9,143) | (10,929) |
| (Loss) income before provision for income taxes | (29,864) | (12,975) | (12,833) | 36,892 |
| (Benefit) provision for income taxes | (4,482) | (5,249) | (2,629) | 3,622 |
| Net (loss) income | $(25,382) | $(7,726) | $(10,204) | $33,270 |
| | | | | |
| (Loss) income per common share: | | | | |
| Basic: | | | | |
| Net (loss) income | $(0.35) | $(0.10) | $(0.14) | $0.44 |
| | | | | |
| Diluted: | | | | |
| Net (loss) income | $(0.35) | $(0.10) | $(0.14) | $0.44 |

See accompanying notes to condensed consolidated financial statements.

## LSB INDUSTRIES, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
## (Unaudited)

| | Common Stock Shares | Treasury Stock-Common Shares | Common Stock Par Value | Capital in Excess of Par Value | Retained Earnings | Treasury Stock-Common | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In Thousands) | | | |
| Balance at December 31, 2023 | 91,168 | (18,051) | $ 9,117 | $ 501,026 | $ 227,015 | $ (218,827) | $ 518,331 |
| Net income | | | | | 5,623 | | 5,623 |
| Stock-based compensation | | | | 1,394 | | | 1,394 |
| Purchase of common stock | | (690) | | | | (5,397) | (5,397) |
| Vesting of equity compensation | | 109 | | (1,323) | | 1,323 | — |
| Shares withheld upon vesting of equity compensation | | (231) | | | | (1,766) | (1,766) |
| Balance at March 31, 2024 | 91,168 | (18,863) | 9,117 | 501,097 | 232,638 | (224,667) | 518,185 |
| Net income | | | | | 9,555 | | 9,555 |
| Stock-based compensation | | | | 2,099 | | | 2,099 |
| Purchase of common stock | | (802) | | | | (6,734) | (6,734) |
| Shares issued restricted stock units and ESPP participants | | 37 | | (331) | | 429 | 98 |
| Vesting of equity compensation | | 123 | | (1,443) | | 1,443 | — |
| Shares withheld restricted stock units vesting | | (42) | | | | (410) | (410) |
| Balance at June 30, 2024 | 91,168 | (19,547) | 9,117 | 501,422 | 242,193 | (229,939) | 522,793 |
| Net loss | | | | | (25,382) | | (25,382) |
| Stock-based compensation | | | | 1,550 | | | 1,550 |
| Balance at September 30, 2024 | 91,168 | (19,547) | $ 9,117 | $ 502,972 | $ 216,811 | $ (229,939) | $ 498,961 |
| | | | | | | | |
| Balance at December 31, 2022 | 91,168 | (14,888) | $ 9,117 | $ 497,179 | $ 199,092 | $ (189,515) | $ 515,873 |
| Net income | | | | | 15,901 | | 15,901 |
| Stock-based compensation | | | | 719 | | | 719 |
| Vesting of equity compensation | | 53 | | (682) | | 682 | — |
| Shares withheld upon vesting of equity compensation | | (204) | | | | (2,541) | (2,541) |
| Balance at March 31, 2023 | 91,168 | (15,039) | 9,117 | 497,216 | 214,993 | (191,374) | 529,952 |
| Net income | | | | | 25,095 | | 25,095 |
| Stock-based compensation | | | | 1,927 | | | 1,927 |
| Purchase of common stock | | (1,795) | | | | (17,218) | (17,218) |
| Shares issued restricted stock units and ESPP participants | | 58 | | (626) | | 732 | 106 |
| Shares withheld restricted stock units vesting | | (7) | | | | (65) | (65) |
| Balance at June 30, 2023 | 91,168 | (16,783) | $ 9,117 | $ 498,517 | $ 240,088 | $ (207,925) | $ 539,797 |
| Net loss | | | | | (7,726) | | (7,726) |
| Stock-based compensation | | | | 1,318 | | | 1,318 |
| Purchase of common stock | | (60) | | | | (586) | (586) |
| Shares issued restricted stock units | | 25 | | (307) | | 307 | — |
| Shares withheld restricted stock units vesting | | (6) | | | | $ (59) | (59) |
| Balance at September 30, 2023 | 91,168 | (16,824) | $ 9,117 | $ 499,528 | $ 232,362 | $ (208,263) | $ 532,744 |

See accompanying notes to condensed consolidated financial statements.

**LSB INDUSTRIES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| | (In Thousands) | |
| **Cash flows from operating activities** | | |
| Net (loss) income | $ (10,204) | $ 33,270 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Deferred income taxes | (2,880) | 2,883 |
| Gain on extinguishment of debt | (3,013) | (8,644) |
| Depreciation and amortization of property, plant and equipment | 52,484 | 49,852 |
| Amortization of short term investments | 4,528 | (2,806) |
| Amortization of intangible and other assets | 141 | 403 |
| Stock-based compensation | 5,042 | 3,964 |
| Provision for impairment on property, plant and equipment | 6,785 | 207 |
| Other | 3,966 | 4,253 |
| Cash provided (used) by changes in assets and liabilities: | | |
| Accounts receivable | (3,890) | 28,365 |
| Inventories | 6,604 | 6,727 |
| Prepaid insurance | 12,832 | 15,566 |
| Supplies, prepaid items and other | (842) | 1,761 |
| Accounts payable | 6,995 | (12,672) |
| Accrued interest | 3,634 | 2,237 |
| Accrued payroll and benefits | (961) | (5,489) |
| Other assets and other liabilities | 1,379 | 645 |
| Net cash provided by operating activities | 82,600 | 120,522 |
| | | |
| **Cash flows from investing activities** | | |
| Expenditures for property, plant and equipment | (64,087) | (41,123) |
| Proceeds from short-term investments | 236,493 | 293,347 |
| Purchases of short-term investments | (190,646) | (230,690) |
| Other investing activities | (140) | (28) |
| Net cash (used) provided by investing activities | (18,380) | 21,506 |
| | | |
| **Cash flows from financing activities** | | |
| Repurchases of 6.25% Senior Secured Notes | (92,216) | (114,320) |
| Payments on other long-term debt | (3,986) | (8,155) |
| Payments on short-term financing | (11,870) | (16,134) |
| Acquisition of treasury stock, net | (14,208) | (20,364) |
| Payments of debt-related costs | (689) | — |
| Net cash used by financing activities | (122,969) | (158,973) |
| | | |
| Net decrease in cash and cash equivalents | (58,749) | (16,945) |
| | | |
| Cash, cash equivalents and restricted cash at beginning of period | 101,032 | 63,769 |
| Cash and cash equivalents at end of period | $ 42,283 | $ 46,824 |

See accompanying notes to condensed consolidated financial statements.

**LSB INDUSTRIES, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

**1. Summary of Significant Accounting Policies**

The accompanying unaudited interim financial statements and notes of LSB have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The accompanying unaudited interim financial statements and notes should be read in conjunction with the financial statements and notes included in the Company's Form 10-K for the year ended December 31, 2023 (our "2023 Form 10-K"), filed with the SEC on March 6, 2024. The accompanying unaudited interim financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's results of operations and cash flows for the three and nine months ended September 30, 2024 and 2023 and the Company's financial position as of September 30, 2024.

**Basis of Consolidation –** LSB and its subsidiaries are consolidated in the accompanying condensed consolidated financial statements. LSB is a holding company with no significant operations or assets other than cash, cash equivalents, short-term investments and investments in its subsidiaries. All intercompany accounts and transactions have been eliminated. Certain prior period amounts reported in our condensed consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

**Nature of Business –** We are engaged in the manufacture and sale of chemical products. The chemical products we primarily manufacture, market and sell are ammonia, fertilizer grade ammonium nitrate ("HDAN") and UAN for agricultural applications, high purity and commercial grade ammonia, high purity ammonium nitrate, sulfuric acids, concentrated, blended and regular nitric acid, mixed nitrating acids, carbon dioxide, and diesel exhaust fluid for industrial applications, and industrial grade ammonium nitrate ("LDAN") and ammonium nitrate ("AN") solutions for mining applications. We manufacture and distribute products in four facilities; three of which we own and are located in El Dorado, Arkansas (the "El Dorado Facility"); Cherokee, Alabama (the "Cherokee Facility"); and Pryor, Oklahoma (the "Pryor Facility"); and one of which we operate on behalf of Covestro LLC in Baytown, Texas (the "Baytown Facility").

Sales to customers include farmers, ranchers, fertilizer dealers and distributors primarily in the ranch land and grain production markets in the United States ("U.S."); industrial users of acids throughout the U.S. and parts of Canada; and explosive manufacturers in the U.S. and other parts of North America.

These interim results are not necessarily indicative of results for a full year due, in part, to the seasonality of our sales of agricultural products and the timing of performing our major plant maintenance activities. Our selling seasons for agricultural products are primarily during the spring and fall planting seasons, which typically extend from March through June and from September through November.

**Use of Estimates –** The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Repurchase Program –** In May 2023, our Board of Directors (our "Board") authorized a $150 million stock repurchase program. Total repurchase authority remaining under the repurchase program was approximately $109 million as of September 30, 2024. The repurchase program may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing securities, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. The repurchase program does not obligate us to purchase any particular number or type of securities. We did not repurchase any of our outstanding common stock during the three months ended September 30, 2024. During the nine months ended September 30, 2024, we repurchased approximately 1.5 million shares of common stock at an average cost of $8.13 per share for a total of approximately $12.1 million.

**Cash and Cash Equivalents –** Investments, which consist of highly liquid investments with original maturities of three months or less, are considered cash equivalents.

**Restricted Cash** – We classify cash that has been segregated or is otherwise limited in use as restricted. Our restricted cash as of December 31, 2023, related primarily to certain cash collateral held by Wells Fargo under our prior revolving credit facility, terminated in December 2023 and discussed in Note 4 – Long-Term Debt, for letters of credit outstanding as we transitioned these items to our current revolving credit facility (the "Revolving Credit Facility) pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent. All of our restricted cash is classified as a current asset and is separately presented on the face of our consolidated balance sheet. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheet to the total of the same such amounts shown in the condensed consolidated statement of cash flows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (in Thousands) | |
| Cash and cash equivalents | $ 42,283 | $ 98,500 |
| Restricted cash | — | 2,532 |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | $ 42,283 | $ 101,032 |

**Short-Term Investments** – Investments, which consist of U.S. treasury bills with an original maturity at the time of purchase between four months to 12 months, are considered short-term investments and are classified as Level 1. These investments are classified as held to maturity. U.S. treasury bills with an original maturity at the time of purchase of three month or less are included in cash and cash equivalents. Due to the nature of these investments as U.S. treasury securities, no impairment is anticipated.

**Accounts Receivable** – Our accounts receivable are presented at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any estimate of expected credit losses. Our estimate is based on historical experience and periodic assessment, particularly on accounts that are past due (based upon the terms of the sale). Our periodic assessment is based on our best estimate of amounts that are not recoverable which includes a present collectability review and forward looking assessment, where applicable.

**Impairment of Long – Lived Assets** – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. An asset's fair value must be determined when the carrying amount of an asset (asset group) exceeds the estimated undiscounted future cash flows expected to result from the use of the asset (asset group) and/or its eventual disposition. If assets to be held and used are considered to be impaired, the impairment to be recognized is the amount by which the carrying amounts of the assets exceed the fair values of the assets as measured by the present value of future net cash flows expected to be generated by the assets or their appraised value. In general, our assets are reviewed for impairment on a facility-by-facility basis (such as the Cherokee Facility, El Dorado Facility or Pryor Facility) unless it is determined that the asset being evaluated will generate cash flows that are independent from the rest of the facility.

For the three months ended September 30, 2024 and 2023, we recorded impairments on assets the Company has or intends to abandon in the amount of $5.4 million and $0.2 million, respectively. For the nine months ended September 30, 2024 and 2023, we recorded asset impairments of $6.8 million and $2.1 million, respectively. These impairment losses are included in Other expense (income), net on our condensed consolidated statements of operations.

**Short-Term Financing** – Our short-term financing represents the short-term note related to financing of our insurance premium, which is renewed annually each November.

**Contingencies** – Certain conditions may exist which may result in a loss, but which will only be resolved when future events occur. We and our legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. If the assessment of a contingency indicates that it is probable that a loss has been incurred, we would accrue for such contingent losses when such losses can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Estimates of potential legal fees and other directly related costs associated with contingencies are not accrued but rather are expensed as incurred. Loss contingency liabilities are included in current and noncurrent accrued and other liabilities and are based on current estimates that may be revised in the near term. In addition, we recognize contingent gains when such gains are realized or when the contingencies have been resolved (generally at the time a settlement has been reached).

**Derivatives, Hedges and Financial Instruments** – Periodically, we entered into certain forward natural gas contracts. Whenever we have such derivative contracts outstanding that are subject to derivative accounting, they are recognized in the balance sheet and measured at fair value. Changes in fair value of derivatives are recorded in results of operations unless the normal purchase or sale exceptions apply, or hedge accounting is elected.

The fair value amounts recognized for our derivative contracts executed with the same counterparty under a master netting arrangement may be offset. We have the choice to offset or not, but that choice must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for the derivative contracts outstanding with a single counterparty results in the net fair value of the transactions reported as an asset or a liability in the balance sheet. When applicable, we present the fair values of our derivative contracts under master netting agreements using a gross fair value presentation.

Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

**Level 1** - Valuations of contracts classified as Level 1 are based on quoted prices in active markets for identical contracts.

**Level 2** - Valuations of contracts classified as Level 2 are based on quoted prices for similar contracts and valuation inputs other than quoted prices that are observable for these contracts.

**Level 3** - Valuations of assets and liabilities classified as Level 3 are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**Leases** – We determine if an arrangement is a lease at inception or modification of a contract and classify each lease as either an operating or finance lease based on the terms of the contract. We reassess lease classification subsequent to commencement upon a change to the expected lease term or a modification to the contract. A contract contains a lease if the contract conveys the right to control the use of the identified property or equipment, explicitly or implicitly, for a period of time in exchange for consideration. Control of an underlying asset is conveyed if we obtain the rights to direct the use of and obtain substantially all of the economic benefit from the use of the underlying asset.

An operating lease asset represents our right to use the underlying asset as a lessee for the lease term and an operating lease liability represents our obligation to make lease payments arising from the lease. Currently, most of our leases are classified as operating leases and primarily relate to railcars, other equipment and office space. Our leases that are classified as finance leases primarily relate to railcars. Other leases under which we are the lessor are not material. Variable payments are excluded from the present value of lease payments and are recognized in the period in which the payment is made. Our current leases do not contain residual value guarantees. Most of our leases do not include options to extend or terminate the lease prior to the end of the term. Leases with a term of 12 months or less are not recognized in the balance sheet.

Since our leases generally do not provide an implicit rate, we use our incremental borrowing rate based on the lease term and other information available at the commencement date in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the applicable lease term.

From time to time when we have excess freight capacity, we may sublease a portion of our railcars fleet on a short term basis to other parties. The income for these subleases is recorded as a component of "Other (income) expense, net" in our condensed consolidated statement of operations. For the three and nine months ended September 30, 2024, sublease income was $0.1 million and $0.9 million, respectively. For the three and nine months ended September 30, 2023, sublease income was $2.8 million and $4.8 million, respectively.

As of September 30, 2024, we have executed operating leases for railcars with lease terms greater than one year with aggregate lease payments of approximately $8.1 million which have not yet commenced.

**Recently Issued Accounting Pronouncements**

**ASU 2023-07 -** In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures,* which improves reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments include a new requirement to disclose significant segment expenses regularly provided to the chief operating decision maker (“CODM”), extend certain annual disclosures to interim periods, clarify single reportable segment entities must apply Accounting Standard Codification (“ASC”) 280 in its entirety, permit more than one measure of segment profit or loss to be reported under certain conditions and require disclosure of the title and position of the CODM. This update is effective for public entities fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We currently expect the update to result in additional disclosures within our consolidated financial statements and related disclosures but do not expect it to impact our results of operations or financial position.

Changes to U.S. GAAP are established by the FASB in the form of ASUs to the FASB’s Accounting Standards Codification. We considered all ASUs issued and outstanding or that became effective since January 1, 2024 through the date of these financial statements and determined them not to be applicable or materially impact our financial statements other than those ASUs specifically addressed above.

## 2. Net (Loss) Income per Common Share

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In Thousands, Except Per Share Amounts) | | | |
| Numerator: | | | | |
| Net (loss) income | $ (25,382) | $ (7,726) | $ (10,204) | $ 33,270 |
| Numerator for basic and diluted net (loss) income per common share | $ (25,382) | $ (7,726) | $ (10,204) | $ 33,270 |
| Denominator: | | | | |
| Denominator for basic net (loss) income per common share - adjusted weighted-average shares (1) | 71,672 | 73,992 | 72,070 | 74,946 |
| Effect of dilutive securities: | | | | |
| Unvested restricted stock and stock units | — | — | — | 533 |
| Dilutive potential common shares | — | — | — | 533 |
| Denominator for diluted net (loss) income per common share - adjusted weighted-average shares | 71,672 | 73,992 | 72,070 | 75,479 |
| Basic net (loss) income per common share | $ (0.35) | $ (0.10) | $ (0.14) | $ 0.44 |
| Diluted net (loss) income per common share | $ (0.35) | $ (0.10) | $ (0.14) | $ 0.44 |

(1) All periods exclude the weighted-average shares of unvested restricted stock that are contingently issuable.

The following weighted-average shares of securities were not included in the computation of diluted net (loss) income per common share as their effect would have been antidilutive:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Restricted stock and stock units | 1,630,923 | 1,422,181 | 1,004,478 | 429,339 |
| Stock options | 13,000 | 13,000 | 13,000 | 13,000 |
| | 1,643,923 | 1,435,181 | 1,017,478 | 442,339 |

## 3. Accrued and Other Liabilities

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In Thousands) | |
| Accrued interest | $ 11,213 | $ 7,487 |
| Accrued payroll and benefits | 8,440 | 9,400 |
| Current portion of operating lease liabilities | 7,305 | 8,795 |
| Accrued taxes other than income | 3,525 | 2,198 |
| Customer deposits | 657 | 874 |
| Other | 5,490 | 2,730 |
| | 36,630 | 31,484 |
| Less noncurrent portion | 523 | 523 |
| Current portion of accrued and other liabilities | $ 36,107 | $ 30,961 |

**4. Long-Term Debt**

Our long-term debt consists of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In Thousands) | |
| Revolving Credit Facility (A) | $ — | $ — |
| Senior Secured Notes due 2028, with an interest rate of 6.25% (B) | 478,440 | 575,000 |
| Secured Financing due 2025, with an interest rate of 8.75% (C) | 10,441 | 14,133 |
| Finance Leases | 4,028 | 953 |
| Unamortized debt issuance costs [1] | (5,939) | (8,365) |
| | 486,970 | 581,721 |
| Less current portion of long-term debt | 10,979 | 5,847 |
| Long-term debt due after one year, net | $ 475,991 | $ 575,874 |

(1) Debt issuance costs as of September 30, 2024 and December 31, 2023 of approximately $0.8 million and $0.5 million, respectively, relating to our Revolving Credit Facility are not included in Unamortized debt issuance cost. They are included in our condensed consolidated balance sheet in Intangible and other assets, net.

**(A)** The Revolving Credit Facility provides for borrowings up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability is subject to a borrowing base and an availability block of $7.5 million, which is applied against the $75 million initially reducing the maximum (which can be removed by us at our sole discretion, subject to the satisfaction of certain conditions). The Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of September 30, 2024, our Revolving Credit Facility was undrawn and had approximately $34 million of availability, based on our eligible collateral. The maturity date of the Revolving Credit Facility is on the earlier of (i) the date that is 90 days prior to the earliest stated maturity date of the Senior Secured Notes, which is currently October 15, 2028, (unless refinanced or repaid) and (ii) December 21, 2028. The Revolving Credit Facility contains a financial covenant, which requires that, solely if we elect to remove the $7.5 million availability block, we must maintain a minimum fixed charge coverage ratio of not less than 1.00:1.00. The financial covenant, if triggered, is tested monthly. The financial covenant was not triggered as of September 30, 2024.

Interest accrues on outstanding borrowings under the Revolving Credit Facility at a rate per annum equal to, at the option of us, either (a) term Secured Overnight Financing Rate ("SOFR") for a period of one month (with a fallback to the prime rate if such rate is unavailable), plus 0.10%, plus an applicable margin of 1.625% or (b) term SOFR for a period of one, three or six months (at our election), plus 0.10%, plus an applicable margin of 1.625%, in each case with a floor of 0.00%.

**(B)** We previously issued at par an aggregate total of $700 million principal value of our Senior Secured Notes due 2028 ("Senior Secured Notes"). The Senior Secured Notes, which mature in October 2028, bear interest at a rate of 6.25% paid in arrears on May 15 and October 15. Please see Note 5 in our 2023 Form 10-K for further discussion of the Senior Secured Notes. From time to time, we have engaged in open market repurchases to extinguish a portion of the outstanding balance.

We did not repurchase any of our Senior Secured Notes during the three months ended September 30, 2024. During the nine months ended September 30, 2024, we repurchased $96.6 million in principal amount of our Senior Secured Notes for approximately $92.2 million which was accounted for as an extinguishment of debt. Including our write-off of the associated remaining portion of unamortized debt issuance costs, we recognized a gain on extinguishment of approximately $3.0 million.

**(C)** In August 2020, we entered into a $30 million secured financing arrangement with an affiliate of Eldridge Industries, L.L.C. ("Eldridge"). Beginning in September 2020, principal and interest is payable in 60 equal monthly installments with a final balloon payment of approximately $5 million due in August 2025. This financing arrangement is secured by an ammonia storage tank and is guaranteed by LSB.

**5. Commitments and Contingencies**

***Outstanding Natural Gas Purchase Commitments –*** Certain of our natural gas contracts qualify as normal purchases under GAAP and thus are not financial instruments for which we mark-to-market. At September 30, 2024, these contracts included volume purchase commitments with fixed prices of approximately 0.6 million MMBtus of natural gas that cover a period from October 2024 through December 2024. The weighted-average price of the natural gas covered by these contracts was $2.08 per MMBtu, for a total of $1.2 million. Based on strip prices, the weighted-average market price of the fixed contracts was $2.41 per MMBtu for a total of $1.4 million.

**Legal Matters -** Following is a summary of certain legal matters involving the Company:

**A. Environmental Matters**

Our facilities and operations are subject to numerous federal, state and local environmental laws and to other laws regarding health and safety matters (collectively, the "Environmental and Health Laws"), many of which provide for certain performance obligations, substantial fines and criminal sanctions for violations. Certain Environmental and Health Laws impose strict liability as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken.

In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety effects of our operations.

There can be no assurance that we will not incur material costs or liabilities in complying with such laws or in paying fines or penalties for violation of such laws. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us. The Environmental and Health Laws and related enforcement policies have in the past resulted and could in the future result, in significant compliance expenses, cleanup costs (for our sites or third-party sites where our wastes were disposed of), penalties or other liabilities relating to the handling, manufacture, use, emission, discharge or disposal of hazardous or toxic materials at or from our facilities or the use or disposal of certain of its chemical products. Further, a number of our facilities are dependent on environmental permits to operate, the loss or modification of which could have a material adverse effect on their operations and our financial condition.

Historically, significant capital expenditures have been incurred by our subsidiaries in order to comply with the Environmental and Health Laws and significant capital expenditures are expected to be incurred in the future. We will also be obligated to manage certain discharge water outlets and monitor groundwater contaminants at our facilities should we discontinue the operations of a facility.

As of September 30, 2024, our accrued liabilities for environmental matters totaled approximately $0.6 million relating primarily to the matters discussed below. Estimates of the most likely costs for our environmental matters are generally based on preliminary or completed assessment studies, preliminary results of studies, or our experience with other similar matters. It is reasonably possible that a change in the estimate of our liability could occur in the near term.

**1. Discharge Water Matters**

Each of our manufacturing facilities generates process wastewater, which may include cooling tower and boiler water quality control streams, contact storm water and miscellaneous spills and leaks from process equipment. The process water discharge, storm-water runoff and miscellaneous spills and leaks are governed by various permits generally issued by the respective state environmental agencies as authorized and overseen by the U.S. Environmental Protection Agency. These permits limit the type and volume of effluents that can be discharged and control the method of such discharge.

In 2017, the Company filed a Permit Renewal Application for its Non-Hazardous Injection Well Permit at the Pryor Facility. Although the Injection Well Permit expired in 2018, we continue to operate the injection well in accordance with an executed November 2023 Consent Order with the Oklahoma Department of Environmental Quality ("ODEQ") that allows for the continued use of the injection well until a wastewater treatment process is designed, built and operational. The Company continues to work with the ODEQ under the terms of the Consent Order. We have identified and selected a wastewater treatment technology using biological processes that can and will treat the nitrogen-containing wastewater streams at our Pryor Facility. We are unable to estimate the costs related to the replacement of the disposal well at this time as we are in the early stages of design for the wastewater treatment process with a wastewater process design engineering firm. We have also commenced preliminary discussions with the ODEQ on permitting the treated wastewater discharges but have not received any confirmation from the ODEQ on their preliminary acceptance of our treated wastewater stream.

In 2006, the Company entered into a Consent Administrative Order ("CAO") that recognizes the presence of nitrate contamination in the shallow groundwater at our El Dorado Facility. The CAO required us to perform semi-annual groundwater monitoring, continue operation of a groundwater recovery system, submit a human health and ecological risk assessment and submit a remedial action plan. The risk assessment was submitted in 2007. In 2015, the Arkansas Department of Environmental Quality ("ADEQ") stated that the El Dorado Facility was meeting the requirements of the CAO and should continue semi-annual monitoring. A CAO was signed in 2018, which required an Evaluation Report of the data and effectiveness of the groundwater remedy for nitrate contamination. During 2019, the Evaluation Report was submitted to the ADEQ and the ADEQ approved the report. In August 2023, the Company received a Notice of Violation ("NOV") for wastewater discharges from our El Dorado Facility. We have been in discussions with the ADEQ about our response to the NOV and the potential for financial penalties associated with the NOV. As of the date of this report, the ADEQ has provided no written indication or details regarding the financial penalty. No liability has been established as of September 30, 2024, in connection with this ADEQ matter.

**2. Other Environmental Matters**

In 2002, certain of our subsidiaries sold substantially all of their operating assets relating to a Kansas chemical facility (the "Hallowell Facility") but retained ownership of the real property where the facility is located. Our subsidiary retained the obligation to be responsible for and perform the activities under, a previously executed consent order to investigate the surface and subsurface contamination at the real property, develop a corrective action strategy based on the investigation and implement such strategy. In addition, certain of our subsidiaries agreed to indemnify the buyer of such assets for these environmental matters.

As the successor to a prior owner of the Hallowell Facility, Chevron Environmental Management Company ("Chevron") has agreed in writing, within certain limitations, to pay and has been paying one-half of the costs of the investigation and interim measures relating to this matter as approved by the Kansas Department of Health and Environment (the "KDHE"), subject to reallocation.

During this process, our subsidiary and Chevron retained an environmental consultant that prepared and performed a corrective action study work plan as to the appropriate method to remediate the Hallowell Facility. During 2020, the KDHE selected a remedy of annual monitoring and the implementation of an Environmental Use Control ("EUC"). This remedy primarily relates to long-term surface and groundwater monitoring to track the natural decline in contamination and is subject to a 5-year re-evaluation with the KDHE.

The final remedy, including the EUC, the finalization of the cost estimates and any required financial assurances remains under discussion with the KDHE. Pending the results from our discussions regarding the final remedy, we continue to accrue our allocable portion of costs primarily for the additional testing, monitoring and risk assessments that could be reasonably estimated, which amount is included in our accrued liabilities for environmental matters discussed above. The estimated amount is not discounted to its present value. As more information becomes available, our estimated accrual will be refined, as necessary.

We received a NOV for ten findings identified from an inspection conducted by the U.S. Environmental Protection Agency ("EPA") Region IV at our Cherokee Facility in late 2022. We provided written responses to each finding in the inspection report issued in connection with such inspection and to the Notice of Potential Violations and held direct communications with the EPA related to the matter. A meeting was held with the EPA in January 2024 to discuss the NOV and our subsequent responsive actions. During the meeting, the EPA proposed two alternatives for the penalties related to the violations. We accepted one of the proposed alternatives, which included a cash fine and an investment in a community project, for which we accrued an estimate as of December 31, 2023.

**B. Other Pending, Threatened or Settled Litigation**

*Global Industrial Matter*

In 2015, we and EDA received written notice from Global Industrial, Inc. ("Global") of Global's intention to assert mechanic liens for labor, service, or materials furnished under certain subcontract agreements for the improvement of the ammonia plant ("Ammonia Plant") at our El Dorado Facility. Global was a subcontractor of Leidos Constructors, LLC ("Leidos"), the general contractor for EDA for the construction of the Ammonia Plant. Leidos terminated the services of Global with respect to their work performed at our El Dorado Facility.

LSB and EDA are pursuing the recovery of any damage or loss caused by Global's work performed through their contract with Leidos at our El Dorado Facility. In March 2016, EDC and LSB were served a summons in a case styled *Global Industrial, Inc. d/b/a Global Turnaround vs. Leidos Constructors, LLC et al.,* in the Circuit Court of Union County, Arkansas (the "Union County Trial Court"), wherein Global sought damages under breach of contract and other claims. At the time of the summons, our accounts payable included invoices totaling approximately $3.5 million related to work performed by Global that is the subject of the claims asserted by Global, but such invoices were not approved by Leidos for payment. We have requested indemnification from Leidos under the terms of our contracts, which they have denied. As a result, we are seeking reimbursement of legal expenses from Leidos under our contracts. We also seek damages from Leidos for their wrongdoing during the expansion, including breach of contract, fraud, professional negligence and gross negligence.

During 2018, the Union County Trial Court bifurcated the case into: (1) Global's claims against Leidos and LSB and (2) the cross-claims between Leidos and LSB. Part (1) of the case was tried in the Union County Trial Court. In March 2020, the Union County Trial Court rendered a judgment and then an amended final judgment in April 2020. The amended final judgment awarded Global (i) approximately $7.4 million (including the $3.5 million referred to above) for labor, service and materials furnished relating to the Ammonia Plant on the basis of what the Union County Trial Court called a claim for "nonpayment of invoices," (ii) approximately $1.3 million for prejudgment interest on the same claim, and (iii) a lien on certain property and foreclosure on the lien to satisfy the monetary obligations of the judgement. In addition, post-judgment interest will accrue at the annual rate of 4.25% until the judgment is paid. LSB appealed this judgment and on October 18, 2023, the Arkansas Court of Appeals reversed and remanded. The Arkansas Court of Appeal ruled that the lien was defective and therefore invalid, and that the claim for "nonpayment of invoices" was not a cause of action and reversed and remanded the judgment on that claim. In December 2023, the Arkansas Court of Appeal denied Global's request for rehearing and the Arkansas Supreme Court declined to hear Global's appeal. As a result, we do not expect to have any material continuing liability related to this matter and, in 2023, we reversed approximately $9.8 million of payables and accrued liabilities, which related to approximately $2.4 million in pre and post-judgement accrued interest and $7.4 million of gross plant, property and equipment. These adjustments also impacted our results of operations for the twelve months ending December 31, 2023, through the reversals of approximately $2.4 million of interest expense and of approximately $1.8 million in previously recognized depreciation expense (a component of cost of sales) on the related plant, property and equipment.

LSB retains all of its claims against Leidos and intends to vigorously prosecute those claims and vigorously contest the cross-claims in Part (2) of the matter referred to above. We expect the trial to be set for the second half of 2025.

No liability was established as of September 30, 2024, in connection with the cross-claims in Part (2) of the matter, except for certain invoices held in accounts payable.

*Section 382 Rights Plan Litigation*

A putative stockholder class action complaint, styled as *Witmer v. Golsen, et al*., C.A. No. 2024-035-PAF (the "Action") was filed on April 3, 2024 in the Delaware Court of Chancery (the "Court of Chancery"). The plaintiff claimed, among other things, that the Board breached its fiduciary duty by adopting an Internal Revenue Code ("IRC") Section 382 stockholder rights plan with antitakeover and entrenching measures designed to protect the Board's incumbency. Specifically, the plaintiff alleged that the Company's Section 382 rights plan (the "Amended NOL Rights Agreement") was not narrowly tailored as it carried a 4.9% trigger and an allegedly overbroad definition of "Beneficial Ownership" that aggregated shares subject to "agreements, arrangements or understandings" between stockholders related to voting or influencing the Company. The plaintiff further alleged that the Board also issued a false and misleading proxy statement when soliciting stockholder approval of the Amended NOL Rights Agreement. The Company disagreed with plaintiff's allegations, and asserts that terms of the Amended NOL Rights Agreement, including the definition of Beneficial Ownership, is a proportionate response to the threat of the occurrence of an "ownership change" under Section 382 of the IRC and the resulting risk of substantial impairment to its ability to benefit from its net operating loss carryforwards and its other tax attributes.

On May 14, 2024, the parties stipulated to dismissal of the Action after the Company voluntarily made limited technical amendments to the Amended NOL Rights Agreement and amendments to its proxy statement. The Company issued the amended proxy statement on May 3, 2024. The Court of Chancery dismissed the Action and retained jurisdiction solely for the purpose of deciding any application of the plaintiff's counsel for an award of attorneys' fees and expenses. On May 31, 2024, plaintiff's counsel filed their motion for an award of attorneys' fee and expenses in the amount of $2.4 million. The Company and the defendants in the Action opposed such relief. The parties fully briefed the motion and the Court held argument on October 4, 2024. On October 4, 2024, the Court awarded plaintiff $0.6 million in attorneys' fees and expenses in the aggregate. As of September 30, 2024, we have accrued the $0.6 million which is included in current accrued and other liabilities in our condensed consolidated balance sheet in connection with this matter.

We are also involved in various other claims and legal actions (including matters involving gain contingencies) in the ordinary course of our business. While it is possible that the actual claims results could differ from our estimates, after consultation with legal counsel, we believe that any such differences will not have a material effect on our business, financial condition, results of operations or cash flows.

### 6. Financial Instruments

#### Natural Gas Contracts

Periodically, we enter into certain forward natural gas contracts or volume purchase commitments, which are derivatives. We utilize these natural gas contracts as economic hedges for risk management purposes but are not designated as hedging instruments. At September 30, 2024 and December 31, 2023, we had no outstanding natural gas contracts accounted for as derivatives. When present, the valuations of the natural gas contracts are classified as Level 2.

#### Financial Instruments

At September 30, 2024 and December 31, 2023, we did not have any financial instruments with fair values materially different from their carrying amounts (which excludes issuance costs, if applicable) except for our Senior Secured Notes. Fair value of our Senior Secured Notes is classified as a Level 2 fair value measurement while the treasury securities that comprise our cash equivalents and short-term investments are a Level 1. The fair value of financial instruments is not indicative of the overall fair value of our assets and liabilities since financial instruments do not include all assets, including intangibles and all liabilities.

| | September 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| | (In Millions) | | | |
| Senior Secured Notes [1] | $ 478 | $ 464 | $ 575 | $ 543 |
| Short-Term Investments | $ 157 | $ 157 | $ 207 | $ 207 |

1. Based on a quoted price of 97.0 at September 30, 2024 and 94.5 at December 31, 2023. Also see discussion in Note 4 (B).

### 7. Income Taxes

(Benefit) provision for income taxes is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In Thousands) | | | |
| **Current:** | | | | |
| Federal | $ — | $ — | $ — | $ — |
| State | 718 | (396) | 251 | 739 |
| Total Current | $ 718 | $ (396) | $ 251 | $ 739 |
| | | | | |
| **Deferred:** | | | | |
| Federal | $ (5,267) | $ (2,955) | $ (2,354) | $ 8,139 |
| State | 67 | (1,898) | (526) | (5,256) |
| Total Deferred | $ (5,200) | $ (4,853) | $ (2,880) | $ 2,883 |
| (Benefit) provision for income taxes | $ (4,482) | $ (5,249) | $ (2,629) | $ 3,622 |

The tax benefit for the nine months ended September 30, 2024, was $2.6 million (20.5% benefit on pre-tax loss). The tax provision for the nine months ended September 30, 2023, was $3.6 million (9.8% provision on pre-tax income). For 2024, the effective tax rate was lower than the statutory tax rate primarily due to change in valuation allowance and nondeductible compensation, partially offset by state tax law changes. For 2023, the effective tax rate is lower than the statutory tax rate primarily due to deferred benefits from state tax law changes, partially offset by state taxes.

We considered both positive and negative evidence in our determination of the need for valuation allowances for deferred tax assets. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as an evaluation of currently available information about future years. Valuation allowances are reflective of our quarterly analysis of the four sources of taxable income, including the calculation of the reversal of existing tax assets and liabilities, the impact of financing activities and our quarterly results. Based on our analysis, we have determined that it is more-likely-than-not that all of our federal deferred tax assets and a portion of our state deferred tax assets will be utilized. We estimate an approximately $0.8 million increase in the related valuation allowance associated with these state deferred tax assets will be recorded during the year as part of the estimated annual effective tax rate applied to ordinary income.

We will continue to evaluate both the positive and negative evidence on a quarterly basis in determining the need for a valuation allowance with respect to our deferred tax assets. Changes in positive and negative evidence, including differences between estimated and actual results, could result in changes in the valuation of our deferred tax assets that could have a material impact on our consolidated financial statements. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time.

LSB and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the 2020-2023 years remain open for all purposes of examination by the U.S. Internal Revenue Service ("IRS") and other major tax jurisdictions. Additionally, the 2013-2019 years remain subject to examination for determining the amount of net operating loss and other carryforwards.

**8. Net Sales**

***Disaggregated Net Sales***

We primarily derive our revenues from the sales of various chemical products. The Company's net sales disaggregation is consistent with other financial information utilized or provided outside of our condensed consolidated financial statements. With our continued focus on optimizing our commercial strategy and product mix going forward we will report revenue by product as opposed to the end market. Accordingly, this approach is reflected in disaggregated net sales, mirroring how the Company manages its net sales by product through contracts with customers.

The following table presents our net sales disaggregated by our principal product types:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In Thousands) | | | |
| Net sales: | | | | |
| AN & Nitric Acid | $ 47,981 | $ 46,026 | $ 154,858 | $ 173,859 |
| Urea ammonium nitrate (UAN) | 25,303 | 30,090 | 109,303 | 117,585 |
| Ammonia | 28,490 | 26,823 | 96,468 | 129,850 |
| Other | 7,443 | 11,348 | 26,865 | 39,802 |
| Total net sales | $ 109,217 | $ 114,287 | $ 387,494 | $ 461,096 |

***Other Information***

For our contracts with a duration greater than one year at contract inception, the average remaining expected duration was approximately 34 months at September 30, 2024.

Liabilities associated with contracts with customers (contract liabilities) primarily relate to deferred revenue and customer deposits associated with cash payments received in advance from customers for product shipments. We had approximately $0.7 million and $1.0 million of contract liabilities as of September 30, 2024 and December 31, 2023, respectively. For the three and nine months ended September 30, 2024, revenues of $0.1 million and $0.8 million, respectively, were recognized and included in the balances as of June 30, 2024 and December 31, 2023. For the three and nine months ended September 30, 2023, revenues of $0.3 million and $1.6 million, respectively, were recognized and were previously included in the balances as of June 30, 2023 and December 31, 2022. Our contract assets consist of unconditional rights to payment from our customers, which are reflected as accounts receivable in our condensed consolidated balance sheets.

For most of our contracts with customers, the transaction price from the inception of a contract is constrained to a short period of time (generally one month) as these contracts contain terms with variable consideration related to both price and quantity. At September 30, 2024, we have remaining performance obligations with certain customer contracts, excluding contracts with original durations of less than one year and for service contracts for which we have elected the practical expedient for consideration recognized in revenue as invoiced. The remaining performance obligations totals approximately $82.3 million, of which approximately 50% of this amount relates to 2024 through 2026, approximately 21% relates to 2027 through 2028, with the remainder thereafter.

**9. Related Party Transactions**

As of September 30, 2024, we had one outstanding financing arrangement with an affiliate of Eldridge as discussed in footnote (C) of Note 4. An affiliate of Eldridge holds $30 million of the Senior Secured Notes.

**10. Supplemental Cash Flow Information**

The following provides additional information relating to cash flow activities:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2024 | 2023 |
| | (In Thousands) | |
| Cash payments (refunds) for: | | |
| Interest on long-term debt and other, net of capitalized interest | $ 21,289 | $ 27,444 |
| Income taxes, net | $ 508 | $ 1,658 |
| Noncash investing and financing activities: | | |
| Property, plant and equipment acquired and not yet paid at end of period | $ 25,302 | $ 18,102 |
| Gain on extinguishment of debt | $ — | $ (8,644) |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with a review of the other Items included in this Form 10-Q and our September 30, 2024 condensed consolidated financial statements included elsewhere in this report. A reference to a "Note" relates to a note in the accompanying notes to the condensed consolidated financial statements. This MD&A reflects our operating results, unless otherwise noted. Certain statements contained in this MD&A may be deemed to be forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

### Overview

#### General

LSB is headquartered in Oklahoma City, Oklahoma and we manufacture and sell chemical products for the agricultural, industrial and mining markets. We own and operate three multi-plant facilities in Cherokee, Alabama, El Dorado, Arkansas and Pryor, Oklahoma and operate a facility on behalf of Covestro in Baytown, Texas. Our products are sold through distributors and directly to end customers primarily throughout the U.S. and other parts of North America.

#### Key Operating Initiatives for 2024

We expect our future results of operations and financial condition to benefit from the following key initiatives:

- *Investing to improve Environmental, Health & Safety and Reliability at our Facilities while Supplying our Customers with Products of the Highest Quality.*
    - We believe that our operational progress over the past several years represents proof that high safety standards not only enable us to protect what matters, which is the well-being of our employees, but also translates into improved plant performance. In 2023 our Total Recordable Injury Rate was 0.33, a significant improvement from previous years. In 2024, we remain focused on our efforts to further the progress we have made with our safety programs to move closer to attaining zero injuries. We have been investing and plan to continue to invest additional capital at all three of our facilities during 2024 to build upon the success we have had in implementing enhanced safety programs during the last several years.
    - We have multiple initiatives underway focused on continuing to improve the reliability of our plants as we advance towards our ammonia on-stream operating rate target and increase our production volumes of ammonia and other downstream products. Progress towards these targets would enable us to produce greater volumes of product for sale while lowering our unit cost of production thereby increasing our overall profitability. Additionally, our product quality program continues to focus on providing products to our customers that meet our quality standards.
- *Continue Optimization and Increase the Breadth of Distribution of our Product Mix.* We have initiatives underway to increase the distribution of our products within our industrial end markets, among other product mix optimization strategies. We believe that these initiatives and strategies, combined with continued expansion of our customer relationships, the robust market analysis capabilities we have developed, and the establishment of in-market tank storage and distribution terminals, will make us more effective in identifying and capitalizing on the most profitable distribution opportunities for our products, while making our financial results more stable and predictable. Additionally, we are advancing several capital improvement projects with the intention of increasing our sales volumes of higher value downstream products resulting in improvements in our overall profit margins.
- *Development of Low Carbon Ammonia and Clean Energy Projects.* The reduction of greenhouse gas emissions, particularly related to carbon dioxide, has been and we expect will increasingly become a global environmental priority. Ammonia has continued to emerge as one of the more viable alternatives to serve as a hydrogen-based energy source for a variety of applications due to its higher energy density and ease of storage relative to hydrogen gas. Low-carbon ammonia can be used as a coal and natural gas substitute in power generation, a zero-carbon fuel in the maritime sector, and as a carbon free fertilizer. If low-carbon ammonia were to be adopted for these and other energy needs globally, some studies have indicated that future demand could increase from current levels of global annual production of ammonia.

  As a result, we are currently continuing to evaluate and develop projects that could enable us to become a producer and marketer of low-carbon ammonia and other derivative products. These include a low-carbon ammonia project at our El Dorado facility in collaboration with Lapis Energy and a low-carbon ammonia project on the Houston Ship Channel in conjunction with INPEX Corporation ("INPEX"), Air Liquide Group ("Air Liquide") and Vopak Exolum Houston LLC (f/k/a Vopak Moda Houston LLC), a joint venture between Royal Vopak and Exolum ("Vopak Exolum"). Low-carbon ammonia is produced using natural gas and conventional processes but includes an additional stage where the carbon dioxide emissions are captured and permanently stored in deep underground rock formations. The resulting low carbon emission product, we believe, can be sold at a premium to power generation, marine, industrial, mining and agricultural customers seeking to reduce their carbon footprint and potentially capitalize on government incentives.

We believe we are well-positioned to capitalize on this opportunity and become a market leader given our potential to retrofit our existing plants, which we believe can reduce our time to market for low-carbon ammonia and also reduce the upfront capital expenditures necessary to enable us to produce this product. Additionally, we are collaborating with other energy-related companies to develop greenfield projects where we expect to mitigate risk through shared investment of capital as well as by negotiating potential offtake agreements from customers for the output of these plants.

- *Evaluate and Pursue Organic Capacity Expansion.* We have been evaluating opportunities across all our facilities to increase production capacity through the implementation of several potential debottlenecking projects, particularly at our El Dorado facility. Initial feasibility studies have pointed to potentially attractive returns for some of these projects. However, given the current high-cost environment and limited resources, coupled with our outlook for moderating selling prices, we have elected to put the El Dorado expansion projects on hold for the current year. We plan to reevaluate these projects in 2025 to determine our prospects of moving forward with one or more of them in the future.
- We have recently undertaken several smaller projects that we expect to enhance our profitability beginning in the fourth quarter of 2024. These projects include:
  - Construction of additional AN solution storage and new AN solution rail loading capability at our El Dorado facility to significantly increase the volume of AN solution sales and increase product optionality at the site;
  - Construction of 5,000 tons of additional nitric acid storage at our El Dorado facility to help us optimize our product sales mix; and
  - Expansion of our urea capacity at our Pryor facility, to enable to use a portion of the facility's ammonia output to upgrade to approximately 75,000 additional tons of UAN per year.
- *Evaluate Acquisitions of Strategic Assets or Companies.* We may evaluate opportunities to acquire strategic assets or companies where we believe those acquisitions will enhance the value of the Company and provide attractive returns. We may consider assets and companies that can provide us with geographic expansion, extend an existing product line, add one or more new product lines, leverage our existing ammonia production capabilities, or complement our existing business lines, among other accretive opportunities.

**Recent Business Developments**

<u>*Advanced Low-Carbon Ammonia Initiatives*</u>

In May 2024, we announced an agreement to supply up to 150,000 short tons per year of low carbon ammonium nitrate solution ("ANS") to Freeport Minerals Corporation ("Freeport"). LSB will supply the ANS from its El Dorado, Arkansas facility for 5 years commencing January 1, 2025, with a phasing in of the low carbon contracted volume. Freeport intends to use the low carbon ANS purchased from LSB for its United States copper mining operations.

In October 2023, we announced a collaboration with INPEX, Air Liquide and Vopak Exolum to conduct a pre-FEED for the development of a large-scale, low-carbon ammonia production and export project on the Houston Ship Channel. If the development proceeds, the project's first phase is targeted to produce more than 1.1 million metric tons per year of low-carbon ammonia by early 2029, with options for future production expansions.

The parties completed a feasibility study on the project during the first quarter of 2023 and the proposed facility's location on the Houston Ship Channel, the second largest petrochemical corridor in the world, leverages existing infrastructure assets. Vopak Exolum has invested in storage and handling infrastructure for bulk liquid products and currently operates an ammonia terminal that includes storage tanks and a newbuild dock with multiple deep-water berths. The project also has access to utilities and would be near multiple pipelines that could supply raw materials like natural gas and water.

The project partners will bring complementary expertise to the production, operation, storage and export for the advancement of low-carbon ammonia production in the US:

- Air Liquide, a world leader in industrial gas production, and INPEX, Japan's largest energy exploration and production company, would collaborate on low-carbon hydrogen production. Air Liquide would supply its Autothermal Reforming ("ATR") technology, an ideal solution for large-scale hydrogen production projects, combined with its proprietary carbon capture technology. The combination of ATR technology with carbon capture aims to capture at least 95% of direct $CO_2$ emissions from hydrogen production with approximately 1.6 million metric tons per year of $CO_2$ captured and permanently sequestered from this project. Air Liquide would also be responsible for onsite nitrogen and oxygen production, using its proprietary Air Separation Unit technology.
- INPEX and LSB would collaborate on low-carbon ammonia production. LSB led the selection of KBR Inc. as the ammonia loop technology provider, and will lead the pre-FEED, engineering, procurement and construction of the facility. LSB would also be responsible for the day-to-day operation of the ammonia loop.

- INPEX and LSB would sell the low-carbon ammonia and finalize off-take agreements with the numerous parties that have expressed interest and could also further partner in the project. The ammonia from this facility is intended to be used as a clean fuel for power generation, a hydrogen carrier, an industrial chemical feedstock, and as a marine fuel in a variety of domestic and international markets. INPEX, with stakes in both hydrogen and ammonia production, will likely be the largest investor in the overall project across the entire value chain, from production to export.
- Vopak Exolum currently operates ammonia storage and handling infrastructure from its Very Large Gas Carriers-capable deepwater berth located in the deepest part of the Houston Ship Channel. Vopak Exolum will maintain its ownership of the existing infrastructure and plans to build additional storage capacity as required to handle the low-carbon ammonia production from the proposed new facility.

In May 2023, we entered into a non-binding memorandum of understanding (the "MOU") with Amogy Inc. (“Amogy”) aimed at developing the adoption of low-carbon ammonia as a marine fuel, initially for the U.S. inland waterways transportation sector. Through joint efforts, we and Amogy will focus on advancing the understanding, utilization, and advocacy of low-carbon ammonia as a sustainable fuel. Pursuant to the MOU, the companies will collaborate on the evaluation and development of a pilot program that integrates our low-carbon ammonia and Amogy’s ammonia-to-power solution. Upon successful completion of the evaluation and pilot program, the companies expect to further collaborate at a larger-scale, including exploration of opportunities for development of an end-to-end supply chain of low-carbon ammonia and deployment of Amogy technology across multiple applications, including maritime vessels. The evaluation and pilot program includes potential engagement with other parties across the ammonia value chain. We will also collaborate on various advocacy, education, and outreach efforts regarding the use of ammonia as a fuel.

In April 2022, we entered into an agreement with Lapis Energy to develop a project to capture and sequester $CO_2$ at our El Dorado, Arkansas facility. Lapis, backed by Cresta Fund Management, a Dallas-based middle-market infrastructure investment firm, will invest the majority of the capital required for project development. The project is expected to be completed and operational in 2026, subject to the approval of a Class VI permit, at which time $CO_2$ injections are expected to begin. Once operational, the project at the El Dorado site will initially capture and sequester approximately 400,000 to 500,000 metric tons of $CO_2$ per year in underground saline aquifers. The sequestered $CO_2$ generated from the facility’s ammonia production is expected to qualify for federal tax credits under Internal Revenue Code Section 45Q, which are $85 per metric ton of $CO_2$ captured and sequestered. Lapis, as the majority owner of the carbon capture and sequestration equipment, will earn the 45Q tax credits and will pay us a fee for each ton of $CO_2$ captured and sequestered beginning in 2026. Once in operation, the sequestered $CO_2$ is expected to reduce LSB’s overall scope 1 GHG emissions by approximately 25% from current levels. In addition, sequestering approximately 400,000 to 500,000 metric tons of $CO_2$ annually is expected to enable LSB to produce approximately 305,000 to 380,000 metric tons of low-carbon ammonia annually, a product that could potentially be sold at higher price levels than conventional ammonia. In February 2023, a key milestone was achieved in the advancement of our low-carbon ammonia project at El Dorado by filing a pre-construction Class VI permit application with the U.S. Environmental Protection Agency (the “EPA”). The EPA recognized the application as complete in March 2023 and is currently in the review process.

*Higher Ammonia Prices and Lower Natural Gas Input Costs Partially Offset by Impact of Planned Turnaround of Pryor Facility*

Third quarter results benefited from higher ammonia selling prices and lower natural gas feedstock costs relative to the third quarter of 2023. Sales volumes of our products decreased in the third quarter of 2024 as compared to the same quarter of 2023 due to lower sales volumes of UAN and ammonia as a result of the Turnaround performed at our Pryor facility during the period.

Ammonia prices have strengthened over the past several months supported by a combination of global factors, including: tight U.S. and West-of-Suez supply-demand dynamics driven by global supply disruptions; geopolitical concerns over conflict in the Middle East leading to higher natural gas feedstock costs for European ammonia producers; extended turnarounds, outages and limited spot availability across the Middle East, North Africa and Trinidad that have reduced global inventories; ongoing disruptions in the Suez Canal limiting ammonia imports into Europe from the Middle East; and the delayed startup of new production capacity in the U.S. Gulf and export terminal in Russia.

We expect ammonia pricing to moderate in the fourth quarter of 2024 and into 2025 for a variety of reasons, including: the anticipated start-up of new production capacity in both the U.S. and internationally; an increase in Russian exports; and continued muted demand for nitrogen products from the global industrial sector, particularly in Asia. Upside to our pricing expectations could be driven by a variety of factors, including: an increase in energy prices; a strengthening Chinese economy driving increased industrial market demand; further delays in new production capacity coming online; gas curtailments in regions exporting ammonia; a lower interest rate environment; and supportive weather dynamics.

Demand for our industrial products is stable despite persistent global economic challenges. Nitric acid demand has been steady, reflecting the strength of the U.S. economy and robust consumer spending levels. Demand for AN for use in mining applications has been bolstered by positive exposure to copper, gold and iron ore, as well as continued attractive market fundamentals for aggregate production relating to infrastructure construction. While some degree of economic uncertainty persists, we believe that we have a meaningful degree of downside protection in our industrial business given our diverse customer base, the nature of our contracts and our ability to shift our production mix to products where demand and pricing are strongest.

With respect to trends in our agricultural markets, corn prices have rebounded from earlier in 2024 reflecting recent revisions by the U.S. Department of Agriculture ("USDA") for smaller than previously estimated U.S. corn supplies and a modest decline in ending stocks; increases in U.S. corn exports and corn used for ethanol production; and production challenges in international growing regions. While currently above lows from earlier in 2024, corn prices sit below year-ago levels due largely to the impact on corn supply of the multi-year high U.S. corn harvest in 2023. Additionally, the USDA is currently estimating that U.S. farmers planted approximately 90.7 million acres of corn during the Spring 2024 planting season, down from 2023, but at a level that would increase corn supplies.

See a more detailed discussion below under "Key Industry Factors."

**Key Industry Factors**

***Supply and Demand***

**Fertilizer**

The price at which our agricultural products are ultimately sold depends on numerous factors, including the supply and demand for nitrogen fertilizers which, in turn, depends upon world grain demand and production levels, the cost and availability of transportation and storage, weather conditions, competitive pricing and the availability of imports. Additionally, expansions or upgrades of competitors' facilities and international and domestic political and economic developments continue to play an important role in the global nitrogen fertilizer industry economics. These factors can affect, in addition to selling prices, the level of inventories in the market which can cause price volatility and affect product margins.

From a farmer's perspective, the demand for fertilizer is affected by the aggregate crop planting decisions including farm economics, weather and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors such as their financial resources, soil conditions, weather patterns and the types of crops planted.

Additionally, changes in corn prices, as well as soybean, cotton and wheat prices, can affect the number of acres of corn planted in a given year and the number of acres planted will drive the level of nitrogen fertilizer consumption, likely affecting prices.

According to the World Agricultural Supply and Demand Estimates Report dated October 11, 2024 ("October Report"), farmers planted approximately 90.7 million acres of corn in 2024, down 4.1% compared to the 2023 planting season. In addition, the USDA estimates the U.S. ending stocks for the 2024 Harvest will be approximately 50.8 million metric tons, a 13.6% increase from the 2023 Harvest. The USDA's expected yield for the 2024 Harvest is 183.8, up approximately 3.7% from a year ago.

The following October 2024 estimates are associated with the corn market:

| | 2025 Crop (2024 Harvest) October Report (1) | 2024 Crop (2023 Harvest) October Report (1) | Percentage Change (2) | 2023 Crop (2022 Harvest) October Report (1) | Percentage Change (3) |
|---|---|---|---|---|---|
| U.S. Area Planted *(Million acres)* | 90.7 | 94.6 | (4.1%) | 88.2 | 2.8% |
| U.S. Yield per Acre *(Bushels)* | 183.8 | 177.3 | 3.7% | 173.4 | 6.0% |
| U.S. Production *(Million bushels)* | 15,203 | 15,341 | (0.9%) | 13,651 | 11.4% |
| U.S. Ending Stocks *(Million metric tons)* | 50.8 | 44.7 | 13.6% | 34.6 | 46.8% |
| World Ending Stocks *(Million metric tons)* | 306.5 | 312.7 | (2.0%) | 304.1 | 0.8% |

1. Information obtained from the October Report for the 2024/2025 ("2025 Crop"), 2023/2024 ("2024 Crop") and 2022/2023 ("2023 Crop") corn marketing years. The marketing year is the twelve-month period during which a crop normally is marketed. For example, the marketing year for the current corn crop is from September 1 of the current year to August 31 of the next year. The year begins at the harvest and continues until just before harvest of the following year.
2. Represents the percentage change between the 2025 Crop amounts compared to the 2024 Crop amounts.
3. Represents the percentage change between the 2025 Crop amounts compared to the 2023 Crop amounts.

The current USDA corn outlook for the U.S. calls for smaller supplies, larger exports, and reduced ending stocks. Corn production is forecast up on increased yield. Yield is increased to 183.8 bushels an acre, harvested area is unchanged and beginning stocks were lowered with total use raised slightly lowering ending stocks. From a demand perspective, corn prices have declined since early 2023 due largely to rising stocks-to-use ratios.

**Industrial Products**

Our industrial products sales volumes are dependent upon general economic conditions, primarily in the housing, automotive and paper industries. Demand for our industrial products is stable despite persistent global economic challenges. Nitric acid demand has been steady, reflecting the strength of the U.S. economy and robust consumer spending levels. Our sales prices generally vary with the market price of ammonia or natural gas, as applicable, in our pricing arrangements with customers.

Our LDAN and AN solution, which are primarily used as AN fuel oil and specialty emulsions for usage in the quarry and the construction industries, are used for metals mining and to a lesser extent, for coal. Demand for AN for use in mining applications has been bolstered by positive exposure to copper, gold and iron ore, as well as continued attractive market fundamentals for aggregate production relating to infrastructure construction. While some degree of economic uncertainty persists, we believe that we have a meaningful degree of downside protection in our industrial business given our diverse customer base, the nature of our contracts and our ability to shift our production mix to products where demand and pricing are strongest.

***Natural Gas Prices***

Natural gas is the primary feedstock used to produce nitrogen fertilizers at our manufacturing facilities. In recent years, U.S. natural gas reserves have increased significantly due to, among other factors, advances in extracting shale gas, which has reduced and stabilized natural gas prices, providing North America with a cost advantage over certain imports. As a result, our competitive position and that of other North American nitrogen fertilizer producers has been positively affected.

We historically have purchased natural gas either on the spot market, through forward purchase contracts, or a combination of both and we have used forward purchase contracts to lock in pricing for a portion of our natural gas requirements. These forward purchase contracts are generally either fixed-price or index-price, short-term in nature and for a fixed supply quantity. We are able to purchase natural gas at competitive prices due to our connections to large distribution systems and their proximity to interstate pipeline systems.

The following table shows the volume of natural gas purchased and the average cost per MMBtu:

| | Three Months Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| Natural gas volumes (MMBtu in millions) | 6.6 | 7.1 |
| Natural gas average cost per MMBtu | $ 2.17 | $ 3.61 |

***Transportation Costs***

Costs for transporting nitrogen-based products can be significant relative to their selling price. We continue to evaluate the recent rising costs of freight domestically. As a result of increases in demand for available rail, truck and barge options to transport product, primarily during the spring and fall planting seasons, higher transportation costs have and could continue to impact our margins if we are unable to fully pass through these costs to our customers. Additionally, continued truck driver shortages could impact our ability to fulfill customer demand. As a result, we continue to evaluate supply chain efficiencies to reduce or counter the impact of higher logistics costs.

**Key Operational Factors**

***Facility Reliability***

Consistent, reliable and safe operations at our chemical plants are critical to our financial performance and results of operations. The financial effects of planned downtime at our plants, including Turnarounds, are mitigated through a diligent planning process that considers the availability of resources to perform the needed maintenance and other factors. Unplanned downtime of our plants typically results in lost contribution margin from lost sales of our products, lost fixed cost absorption from lower production of our products and increased costs related to repairs and maintenance. All Turnarounds result in lost contribution margin, lost fixed cost absorption and increased repair and maintenance costs, which are expensed as incurred.

Our El Dorado Facility is currently on a three-year ammonia plant Turnaround cycle with the next ammonia plant Turnaround planned in the third quarter of 2025. However, we planned a short plant outage in July 2024 to perform a catalyst change to get back to maximum production rates.

Our Pryor Facility has completed its scheduled full plant Turnaround which commenced during the third quarter of 2024. Our Cherokee Facility commenced its scheduled ammonia plant Turnaround during the fourth quarter. Following those Turnarounds, they are expected to be on a two-year and three-year ammonia plant Turnaround cycle, respectively

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### *Ammonia Production*

Ammonia is the basic product used to produce all of our upgraded products. The ammonia production rates of our plants affect the total cost per ton of each product produced and the overall sales of our products. For 2024, we are targeting total ammonia production of approximately 770,000 tons to 790,000 tons.

### *Forward Sales Contracts*

We use forward sales of our fertilizer products to optimize our asset utilization, planning process and production scheduling. These sales are made by offering customers the opportunity to purchase product on a forward basis at prices and delivery dates that are agreed upon, with dates typically occurring within 90 days. We use this program to varying degrees during the year depending on market conditions and our view of changing price environments. Fixing the selling prices of our products months in advance of their ultimate delivery to customers typically causes our reported selling prices and margins to differ from spot market prices and margins available at the time of shipment.

## Consolidated Results of the Third Quarter of 2024

Our consolidated net sales for the third quarter of 2024 were $109.2 million compared to $114.3 million for the same period in 2023. Our consolidated operating loss for the third quarter of 2024 was $24.4 million compared to operating loss of $9.5 million for the same period in 2023. The items impacting our operating results are discussed in more detail below and under “Results of Operations.”

## Items Affecting Comparability of Results of the Third Quarter

### *Selling Prices*

For the third quarter of 2024, average selling prices for our ammonia increased while other pricing remained flat compared to the third quarter of 2023. As discussed above under “Recent Business Developments,” prices have strengthened over the past several months supported by a combination of global factors, including: tight supply-demand dynamics driven by global supply disruptions; geopolitical concerns over conflict in the Middle East leading to higher natural gas feedstock costs; extended turnarounds, outages and limited spot availability reducing global inventories; ongoing disruptions in the Suez Canal limiting ammonia imports into Europe from the Middle East; and the delayed startup of new production capacity in the U.S. Gulf and export terminal in Russia.

### *Turnaround Activities (2024 only)*

As discussed above, we performed major Turnaround activities at our Pryor Facility in the third quarter of 2024. Additionally, we planned and executed a minor planned outage at our El Dorado Facility during July to change the catalyst in the ammonia plant to maximize production rates. When such activities are performed, overall results are negatively impacted. This impact includes lost contribution margin from lost sales, lost fixed cost absorption from lower production, and increased costs associated with repairs and maintenance. In addition, Turnaround related costs may be incurred in periods earlier than the actual outage of the plant for activities such as planning and procurement of materials.

### *Plant, Property and Equipment Impairments*

For the three months ended September 30, 2024 and 2023, we recorded impairments on assets the Company has or intends to abandon in the amount of $5.4 million and $0.2 million, respectively. For the nine months ended September 30, 2024 and 2023, we recorded asset impairments of $6.8 million and $2.1 million, respectively. These impairment losses are included in Other expense (income), net on our condensed consolidated statements of operations.

## Results of Operations

The following Results of Operations should be read in conjunction with our condensed consolidated financial statements for the three months ended September 30, 2024 and 2023 and accompanying notes and the discussions under “Overview” and “Liquidity and Capital Resources” included in this MD&A.

We present the following information about our results of operations. Net sales to unaffiliated customers are reported in the condensed consolidated financial statements and gross profit represents net sales less cost of sales. Net sales are reported on a gross basis with the cost of freight being recorded in cost of sales.

## Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

The following table contains certain financial information:

| | Three Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| | | (Dollars In Thousands) | | |
| Net sales: | | | | |
| AN & Nitric Acid | $ 47,981 | $ 46,026 | $ 1,955 | 4 % |
| Urea ammonium nitrate (UAN) | 25,303 | 30,090 | (4,787) | (16)% |
| Ammonia | 28,490 | 26,823 | 1,667 | 6 % |
| Other | 7,443 | 11,348 | (3,905) | (34)% |
| Total net sales | $ 109,217 | $ 114,287 | $ (5,070) | (4)% |
| Gross (loss) profit: | | | | |
| Adjusted gross profit (1) | $ 25,003 | $ 13,775 | $ 11,228 | 82 % |
| Depreciation and amortization (2) | (16,664) | (15,420) | (1,244) | 8 % |
| Turnaround expense | (16,284) | (1,741) | (14,543) | N/M |
| Total gross (loss) | (7,945) | (3,386) | (4,559) | 135 % |
| Selling, general and administrative expense | 10,042 | 8,512 | 1,530 | 18 % |
| Other expense (income), net | 6,436 | (2,399) | 8,835 | N/M |
| Operating (loss) | (24,423) | (9,499) | (14,924) | 157 % |
| Interest expense, net | 8,115 | 7,165 | 950 | 13 % |
| Non-operating other income, net | (2,674) | (3,689) | 1,015 | (28)% |
| Benefit for income taxes | (4,482) | (5,249) | 767 | (15)% |
| Net (loss) | $ (25,382) | $ (7,726) | $ (17,656) | N/M |
| Other information: | | | | |
| Gross loss percentage (3) | (7.3)% | (3.0)% | (4.3)% | |
| Adjusted gross profit percentage (3) | 22.9 % | 12.1 % | 10.8 % | |
| Property, plant and equipment expenditures | $ 31,040 | $ 8,860 | $ 22,180 | |

N/M-Not meaningful.

(1) Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.

(2) Represents amount classified as cost of sales.

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

The following tables provide key operating metrics for the fertilizer and major industrial products:

| Product (tons sold) | Three Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| AN & Nitric Acid | 127,139 | 119,468 | 7,671 | 6 % |
| Urea ammonium nitrate (UAN) | 95,468 | 118,135 | (22,667) | (19)% |
| Ammonia | 68,497 | 88,986 | (20,489) | (23)% |
| Total | 291,104 | 326,589 | (35,485) | (11)% |

| Gross Average Selling Prices (price per ton) | Three Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| AN & Nitric Acid | $ 377 | $ 385 | $ (8) | (2)% |
| Urea ammonium nitrate (UAN) | $ 265 | $ 255 | $ 10 | 4 % |
| Ammonia | $ 416 | $ 301 | $ 115 | 38 % |

| Average Benchmark Prices (price per ton) | Three Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| Tampa Ammonia Benchmark | $ 485 | $ 343 | $ 142 | 41 % |
| NOLA UAN | $ 204 | $ 228 | $ (24) | (11)% |

***Net Sales***

Net sales decreased during the third quarter of 2024 compared to the prior year period driven by the impact of lower volumes for UAN and ammonia, and to a lesser extent, lower selling prices for acids relative to the third quarter of 2023. Also impacting sales volumes was the planned Turnaround activity completed during the third quarter at our Pryor Facility. Partially offsetting this decrease was improved pricing for ammonia and increased acid sales volumes.

Demand for our industrial products is stable despite continued global economic challenges. In some cases, our contractual agreements with industrial customers specify minimum volumes and our product mix flexibility helps us mitigate the impact of a reduction in demand from certain end markets by shifting production to products with stronger demand.

***Gross (Loss)***

As noted in the table above, we recognized a gross loss of $7.9 million for the third quarter of 2024 compared to a gross loss of $3.4 million for the same period in 2023, or a $4.6 million increase. Overall, our gross loss percentage was (7.3)% compared to a gross loss percentage of (3.0)% for the same period in 2023. Our adjusted gross profit percentage increased to 22.9% for the third quarter of 2024 from 12.1% for the third quarter of 2023. Our overall gross loss for the third quarter of 2024 is primarily lower compared to the same period of 2023 due to lower sales prices and overall volume for our products, planned Turnaround expenses and higher depreciation partially offset by lower natural gas costs.

***Selling, General and Administrative***

Our SG&A expenses were $10.0 million for the third quarter of 2024, an increase of $1.5 million compared to the same period in 2023. The net increase was primarily driven by increases in professional fees and payroll related items partially offset by a reduction in insurance, depreciation and amortization and other miscellaneous expenses.

***Interest Expense***

Interest expense for the third quarter of 2024 was $8.1 million compared to $7.2 million for the same period in 2023. The increase primarily relates to the reversal of the previous judgment awarded to Global in the litigation discussed in Note 5 during the third quarter of 2023. The increase was partially offset by reduced interest expense during the third quarter of 2024 as a result of the lower outstanding balances on our 6.25% Senior Secured Notes (due to recent repurchases) and on our Secured Financing due 2025 (due to repayments).

***Other Expense (income), net***

Other expense (income), net during the third quarter of 2024 and 2023 primarily relates to impairment losses from disposal or abandonment of assets no longer being used in operations offset by short-term rental income from railcar subleases. The losses were higher and rental income was lower in the current quarter compared to the prior year quarter.

***Non-operating Other Income, net***

Non-operating other income, net for the third quarter of 2024 was $2.7 million compared to $3.7 million for the same period of 2023, primarily related to interest income earned during both periods from our short-term investments.

***Benefit provision for Income Taxes***

The benefit for income taxes for the third quarter of 2024 was $4.5 million and the benefit for income taxes for the same period of 2023 was $5.2 million. The resulting effective tax rate for the third quarter of 2024 was 15.0% compared to 40.5% for the same period of 2023. For the third quarter of 2024, the effective tax rate is lower than the statutory rate primarily due to change in valuation allowance and nondeductible compensation. For the third quarter of 2023, the effective tax rate is greater than the statutory rate primarily due to the impact of state taxes, valuation allowances, and other discrete items. See discussion in Note 7.

**Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023**

The following table contains certain financial information:

| | Nine Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| | | (Dollars In Thousands) | | |
| Net sales: | | | | |
| AN & Nitric Acid | $ 154,858 | $ 173,859 | $ (19,001) | (11)% |
| Urea ammonium nitrate (UAN) | 109,303 | 117,585 | (8,282) | (7)% |
| Ammonia | 96,468 | 129,850 | (33,382) | (26)% |
| Other | 26,865 | 39,802 | (12,937) | (33)% |
| Total net sales | $ 387,494 | $ 461,096 | $ (73,602) | (16)% |
| | | | | |
| Gross profit: | | | | |
| Adjusted gross profit (1) | $ 114,898 | $ 125,739 | $ (10,841) | (9)% |
| Depreciation and amortization (2) | (52,512) | (49,792) | (2,720) | 5 % |
| Turnaround expense | (20,638) | (1,696) | (18,942) | N/M |
| Total gross profit | 41,748 | 74,251 | (32,503) | (44)% |
| Selling, general and administrative expense | 31,883 | 27,815 | 4,068 | 15 % |
| Other expense (income), net | 8,625 | (2,096) | 10,721 | N/M |
| Operating income | 1,240 | 48,532 | (47,292) | N/M |
| Interest expense, net | 26,229 | 31,213 | (4,984) | (16)% |
| Gain on extinguishment of debt | (3,013) | (8,644) | 5,631 | (65)% |
| Non-operating other income, net | (9,143) | (10,929) | 1,786 | (16)% |
| (Benefit) provision for income taxes | (2,629) | 3,622 | (6,251) | (173)% |
| Net (loss) income | $ (10,204) | $ 33,270 | $ (43,474) | N/M |
| | | | | |
| Other information: | | | | |
| Gross profit percentage (3) | 10.8 % | 16.1 % | (5.3)% | |
| Adjusted gross profit percentage (3) | 29.7 % | 27.3 % | 2.4 % | |
| Property, plant and equipment expenditures | $ 64,087 | $ 41,123 | $ 22,964 | |

N/M-Not meaningful.

(1) Represents a non-GAAP measure since the amount excludes unallocated depreciation, amortization and Turnaround expenses.

(2) Represents amount classified as cost of sales.

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

The following tables provide key operating metrics for the fertilizer and major industrial products:

| Product (tons sold) | Nine Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| AN & Nitric Acid | 403,559 | 404,199 | (640) | 0 % |
| Urea ammonium nitrate (UAN) | 367,900 | 357,172 | 10,728 | 3 % |
| Ammonia | 235,622 | 280,031 | (44,409) | (16)% |
| Total | 1,007,081 | 1,041,402 | (34,321) | (3)% |

| Gross Average Selling Prices (price per ton) | Nine Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| AN & Nitric Acid | $ 384 | $ 430 | $ (46) | (11)% |
| Urea ammonium nitrate (UAN) | $ 297 | $ 325 | $ (28) | (9)% |
| Ammonia | $ 409 | $ 464 | $ (55) | (12)% |

| Average Benchmark Prices (price per ton) | Nine Months Ended September 30, 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| Tampa Ammonia Benchmark | $ 463 | $ 481 | $ (18) | (4)% |
| NOLA UAN | $ 234 | $ 266 | $ (32) | (12)% |

***Net Sales***

Net sales of our primary products decreased during the first nine months of 2024 compared to the prior year period driven by the impact of lower selling prices relative to the first nine months of 2023 for all of our products and lower sales volumes for ammonia. Partially offsetting weaker pricing was an increase in UAN sales volume driven by strong demand for fertilizers enhanced by our strategic commercial efforts.

***Gross Profit***

As noted in the table above, we recognized a gross profit of $41.7 million for the first nine months of 2024 compared to $74.3 million for the same period in 2023, or a $32.6 million reduction. Overall, our gross profit percentage was 10.8% compared to a gross profit percentage of 16.1% for the same period in 2023. Our adjusted gross profit percentage was 29.7% for the first nine months of 2024 and compared to 27.3% for the same period in 2023. Our overall gross profit for the first nine months of 2024 is lower compared to the same period of 2023 by overall lower sales prices for our products and higher planned Turnaround expenses partially offset by lower natural gas costs.

***Selling, General and Administrative***

Our SG&A expenses were $31.9 million for the first nine months of 2024, an increase of $4.1 million compared to the same period in 2023. The net increase was primarily driven by increases in professional fees and payroll related items partially offset by a reduction in expense relating to insurance, other miscellaneous expenses and depreciation and amortization expenses.

***Interest Expense***

Interest expense for the first nine months of 2024 was $26.3 million compared to $31.2 million for the same period in 2023. The decrease primarily relates to reduced interest expense as a result of the repurchase of our 6.25% Senior Secured Notes made beginning in the second quarter of 2023 and during 2024 along with a lower outstanding principal balance our Secured Financing due 2025.

***Gain on Extinguishment of Debt***

During the first nine months of 2024, we repurchased $96.6 million of our Senior Secured Notes through open market transactions for approximately $92.2 million. As a result, we recognized a gain on extinguishment of debt, net of issuance costs, of approximately $3.0 million. During the first half of 2023, we repurchased $125.0 million of our Senior Secured Notes through open market transactions for approximately $114.3 million. As a result, we recognized a gain on extinguishment of debt, net of issuance costs, of approximately $8.6 million.

***Other Expense (income), net***

Other expense, net during the first nine months of 2024 and 2023 consists primarily of impairment losses from disposal or abandonment of assets no longer being used in operations partially offset by short-term rental income from railcar subleases. The losses were higher and rental income was lower in the current year compared to the prior year.

***Non-operating Other Income, net***

Non-operating other income, net for the first nine months of 2024 was $9.1 million compared to $10.9 million for the same period of 2023, primarily related to interest income earned during both periods from our short-term investments.

***(Benefit) provision for Income Taxes***

The benefit for income taxes for the first nine months of 2024 was $2.6 million compared to the provision for income taxes of $3.6 million for the same period of 2023. The resulting effective tax rate for the first nine months of 2024 was 20.5% compared to 9.8% for the same period of 2023. For the first nine months of 2024, the effective tax rate is lower than the statutory rate primarily due to change in valuation allowance and nondeductible compensation, partially offset by state tax law changes. For the nine months of 2023, the effective tax rate is less than the statutory rate primarily due to deferred benefits from state tax law changes, partially offset by state taxes. See discussion in Note 7.

**LIQUIDITY AND CAPITAL RESOURCES**

The following table summarizes our cash flow activities for the nine months ended September 30:

| | 2024 | 2023 | Change |
|---|---|---|---|
| | | (In Thousands) | |
| Net cash flows from operating activities | $ 82,600 | $ 120,522 | $ (37,922) |
| Net cash flows from investing activities | $ (18,380) | $ 21,506 | $ (39,886) |
| Net cash flows from financing activities | $ (122,969) | $ (158,973) | $ 36,004 |

**Net Cash Flow from Operating Activities**

Net cash provided by operating activities was $82.6 million for the first nine months of 2024 compared to $120.5 million for the same period of 2023, a change of $37.9 million. The decrease was primarily a result of a reduction in net sales, partially offset by lower cost of sales and lower cash interest paid.

**Net Cash Flow from Investing Activities**

Net cash used by investing activities was $18.4 million for the first nine months of 2024 compared to net cash provided of $21.5 million for the same period of 2023, a change of $39.9 million.

For the first nine months of 2024, the net cash used primarily relates to purchases of short-term investments of $190.6 million and expenditures for PP&E of $64.1 million partially offset by proceeds from short-term investments of $236.5 million.

For the first nine months of 2023, the net cash provided primarily relates to proceeds from short-term investments of $293.3 million, partially offset by purchases of short-term investments of $230.7 million and expenditures for PP&E of $41.0 million.

**Net Cash Flow from Financing Activities**

Net cash used by financing activities was $123.0 million for the first nine months of 2024 compared to net cash used of $159.0 million for the same period of 2023, a change of $36.0 million.

For the first nine months of 2024, the net cash used primarily consists of repurchases of our 6.25% Senior Secured Notes of $92.2 million, payments on other long-term debt and short-term financing of $15.9 million and repurchases of $14.2 million of common stock.

For the first nine months of 2023, the net cash used primarily consists of repurchases of our 6.25% Senior Secured Notes of $114.3, payments on other long-term debt and short-term financing of $24.3 million and $20.4 million for the repurchases of common stock.

## Capitalization

The following is our total cash and cash equivalents, short-term investments, long-term debt and stockholders' equity as of September 30, 2024 and December 31, 2023, respectively:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In Millions) | |
| Cash and cash equivalents | $ 42.3 | $ 98.5 |
| Short-term investments | 157.1 | 207.4 |
| Total cash, cash equivalents and short-term investments | $ 199.4 | $ 305.9 |
| Long-term debt: | | |
| Revolving Credit Facility | $ — | $ — |
| Senior Secured Notes due 2028 (1) | 478.4 | 575.0 |
| Secured Financing due 2025 | 10.5 | 14.1 |
| Finance Leases | 4.0 | 1.0 |
| Unamortized debt issuance costs (2) | (5.9) | (8.4) |
| Total long-term debt, including current portion, net | 487.0 | $ 581.7 |
| Total stockholders' equity | 499.0 | $ 518.3 |

(1) See discussion contained in Note 4.

(2) Debt issuance costs as of September 30, 2024 and December 31, 2023 of approximately $0.8 million and $0.5 million, respectively, relating to our Revolving Credit Facility are not included in Unamortized debt issuance cost. They are included in our condensed consolidated balance sheet in Intangible and other assets, net.

We currently have a revolving credit facility pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent (the "Revolving Credit Facility"), with a borrowing base up to an initial maximum of $75 million, with an option to increase the maximum by an additional $25 million (which amount is uncommitted). Availability under the Revolving Credit Facility is subject to a borrowing base and an availability block of $7.5 million which is applied against the $75 million initially reducing the maximum (which can be removed by us at our sole discretion, subject to the satisfaction of certain conditions). The Revolving Credit Facility provides for a sub-facility for the issuance of letters of credit in an aggregate amount not to exceed $10 million, with the outstanding amount of any such letters of credit reducing availability for borrowings. As of September 30, 2024, our Revolving Credit Facility was undrawn and had approximately $34 million of availability. See Note 4 for further discussion on the facility.

For the full year of 2024, we expect capital expenditures to be approximately $65 million to $85 million. This capital spending is primarily planned for reliability and maintenance capital projects.

From time to time, when the Company exceeds the funding threshold in our natural gas purchase commitments the Company is required to fund cash collateral to our counterparty.

As of September 30, 2024, we had approximately $199.4 million of cash and short-term investments. From time to time, we may seek to deploy capital through common stock repurchases or the early redemption of outstanding debt. Such repurchases may be made in open market purchases, privately negotiated transactions or otherwise and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that the combination of our cash and cash equivalents, short-term investments, the availability on our Revolving Credit Facility and our cash flow from operations will be sufficient to fund our anticipated liquidity needs for the next twelve months.

**Compliance with Long - Term Debt Covenants**

As discussed in Note 4, the Revolving Credit Facility requires, among other things, that we meet a financial covenant. The Revolving Credit Facility does not include financial covenant requirements unless a defined covenant trigger event has occurred and is continuing. As of September 30, 2024, no trigger event had occurred.

## Loan Agreements

**Senior Secured Notes due 2028 –** LSB has $478.4 million aggregate principal amount of the 6.25% Senior Secured Notes outstanding as of September 30, 2024. Interest is to be paid semiannually in arrears on May 15th and October 15th, maturing October 15, 2028.

**Secured Financing due 2025 –** We are a party to a $30 million secured financing arrangement with an affiliate of Eldridge. Principal and interest are payable in 60 equal monthly installments with a final balloon payment of approximately $5 million due in August 2025.

**Revolving Credit Facility –** At September 30, 2024, our Revolving Credit Facility was undrawn and had approximately $34 million of availability, based on our eligible collateral, less outstanding letters of credit as of that date. Also see discussion above under “Compliance with Long-Term Debt Covenants.”

**Finance leases –** Our finance leases consist primarily of leases on railcars. Most of our railcar leases are classified as operating leases.

**Capital Expenditures – First Nine Months of 2024**

For the first nine months of 2024, capital expenditures relating to PP&E were $64.1 million. The capital expenditures were funded primarily from cash and working capital.

See discussion above under “Capitalization” for our expected capital expenditures.

**Equity and debt repurchases**

In May 2023, our Board authorized a $150 million stock repurchase program. The program is intended as a means to maximize shareholder value by returning capital to shareholders. Under the repurchase program, we are authorized to purchase shares from time to time through open market or privately negotiated transactions. Such purchases may be made pursuant to Rule 10b5-1 plans or other means as determined by our management and in accordance with the requirements of the SEC. The repurchase program does not obligate us to purchase any particular number or type of securities.

During the three months ended September 30, 2024, we did not repurchase any of our outstanding common stock. During the nine months ended September 30, 2024, we repurchased approximately 1.5 million shares of common stock at an average cost of $8.13 per share for a total of approximately $12.1 million. Total repurchase authority remaining under the repurchase program was approximately $109 million as of September 30, 2024. The repurchase program may be suspended, terminated or modified at any time for any reason.

During the three months ended September 30, 2024, we did not repurchase any of our Senior Secured Notes. During the nine months ended September 30, 2024, we repurchased $96.6 million in principal amount of our Senior Secured Notes for approximately $92.2 million.

**Expenses Associated with Environmental Regulatory Compliance**

We are subject to specific federal and state environmental compliance laws, regulations and guidelines. As a result, our expenses were $4.0 million for the first nine months ended September 30, 2024 in connection with environmental projects. For the remainder of 2024, we expect to incur expenses ranging from $0.8 million to $1.1 million in connection with additional environmental projects. However, it is possible that the actual costs could be significantly different than our estimates.

**Seasonality**

We believe fertilizer products sold to the agricultural industry are seasonal, while sales into the industrial sectors generally are less susceptible to seasonal fluctuations. The selling seasons for fertilizer products are primarily during the spring and fall planting seasons, which typically extend from March through June and from September through November in the geographical markets where we distribute the majority of our fertilizer products. As a result, we typically increase our inventory of fertilizer products prior to the beginning of each planting season in order to meet the demand for our products. In addition, the amount and timing of sales to the agricultural markets depend upon weather conditions and other circumstances beyond our control.

**Performance and Payment Bonds**

We are contingently liable to sureties in respect of insurance bonds issued by the sureties in connection with certain contracts entered into by subsidiaries in the normal course of business. These insurance bonds primarily represent guarantees of future performance of our subsidiaries. As of September 30, 2024, we have agreed to indemnify the sureties for payments, up to $9.7 million, made by them in respect of such bonds. All of these insurance bonds are expected to expire or be renewed in 2024.

**New Accounting Pronouncements**

Refer to Note 1 for recently issued accounting standards.

**Critical Accounting Policies and Estimates**

See “Critical Accounting Policies and Estimates,” Item 7 of our 2023 Form 10-K. In addition, the preparation of financial statements requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosures of contingencies and fair values, including, but not limited to, various environmental and legal matters, including matters discussed under footnote A of Note 5.

***Income Taxes*** - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. We establish valuation allowances if we believe it is more-likely-than-not that some or all of deferred tax assets will not be realized. Significant judgment is applied in evaluating the need for and the magnitude of appropriate valuation allowances against deferred tax assets.

It is also reasonably possible that the estimates and assumptions utilized as of September 30, 2024, could change in the near term. Actual results could differ materially from these estimates and judgments, as additional information becomes known.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

### General

Our results of operations and operating cash flows are impacted by changes in market prices of ammonia and natural gas and changes in market interest rates.

### Forward Sales Commitments Risk

Periodically, we enter into forward firm sales commitments for products to be delivered in future periods. As a result, we could be exposed to embedded losses should our product costs exceed the firm sales prices at the end of a reporting period. At September 30, 2024, we had no embedded losses associated with sales commitments with firm sales prices.

### Commodity Price Risk

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Since we are exposed to commodity price risk, we periodically enter into contracts to purchase natural gas for anticipated production needs to manage risk related to changes in prices of natural gas commodities. Generally, these contracts are considered normal purchases because they provide for the purchase of natural gas that will be delivered in quantities expected to be used over a reasonable period of time in the normal course of business, and as such, are exempt from derivative accounting requirements. At September 30, 2024, we had no outstanding natural gas contracts which are subject to derivative accounting requirements.

### Interest Rate Risk

We may be exposed to variable interest rate risk with respect to our Revolving Credit Facility when there are outstanding borrowings. As of September 30, 2024, we had no outstanding borrowings on this credit facility and no other variable rate borrowings. We currently do not hedge our interest rate risk associated with our variable interest loan.

## Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rule 13a-15 under the Exchange Act designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2024. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2024, at the reasonable assurance level. There were no changes to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained within this report may be deemed "Forward-Looking Statements." within the meaning of U.S. federal securities laws. All statements in this report other than statements of historical fact are Forward-Looking Statements that are subject to known and unknown risks, uncertainties and other factors, many of which are difficult to predict or outside of the Company's control, which could cause actual results and performance of the Company to differ materially from those expressed in, or implied or projected by, such statements. Any such Forward-Looking Statements are not guarantees of future performance. The words "believe," "expect," "anticipate," "intend," "plan," "may," "could," and similar expressions identify Forward-Looking Statements. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are difficult to predict and are generally outside the Company's control, that could cause actual results to differ materially from those expressed in, or implied of projected by, such forward-looking statements. Forward-Looking Statements contained herein, and the associated risks, uncertainties, assumptions and other important factors include, but are not limited to, the following:

- our ability to invest in projects that will generate the best returns for our stockholders;
- our future liquidity outlook;
- the outlook of our chemical products and related markets;
- our ability to successfully leverage our existing business platform and portfolio of assets to produce low carbon products and execute our strategy to become a leader in the energy transition in the chemical industry;
- the amount, timing and effect on the nitrogen market from current nitrogen expansion projects;
- the effect from the lack of non-seasonal volume;
- our belief that competition is based upon service, price, location of production and distribution sites, and product quality and performance;
- the outlook for the industrial end markets;
- the availability of raw materials;
- our ability to broaden the distribution of our products, including our ability to leverage our nitric acid production capacity at our El Dorado Facility;
- our ongoing initiatives to increase the distribution of our products within our industrial end markets;
- the execution and success of our advanced low-carbon ammonia initiatives;
- our expectations regarding future ammonia pricing;
- the result of our product and market diversification strategy;
- changes in domestic fertilizer production;
- the increasing output and capacity of our existing production facilities;
- production volumes at our production facilities;
- our ability to moderate risk inherent in agricultural markets;
- the sources to fund our cash needs and how this cash will be used;
- the ability to enter into the additional borrowings;
- the anticipated cost and timing of our capital projects;
- certain costs covered under warranty provisions;
- our ability to pass to our customers cost increases in the form of higher prices;
- our belief as to whether we have sufficient sources for materials and components;
- our beliefs regarding our estimates and contingencies with respect claims and legal actions in the ordinary course of our business and their effect on our business, financial condition, results of operations or cash flows;
- annual natural gas requirements;
- the development of the market and demand for low-carbon ammonia;
- compliance by our facilities with the terms of our permits;
- the costs of compliance with environmental laws, health laws, security regulations and transportation regulations;
- our belief as to when Turnarounds will be performed and completed;
- expenses in connection with environmental projects;
- the effect of litigation and other contingencies, including the potential financial penalties associated with the NOV from ADEQ regarding wastewater discharges from our El Dorado Facility;
- the increase in interest expense;
- our ability to comply with debt servicing and covenants;
- our ability to meet debt maturities or redemption obligations when due;
- the impact of our repurchase program on our stock price and cash reserves:
- the effects of the ongoing COVID-19 pandemic and related response; and
- our beliefs as to whether we can meet all required covenant tests for the next twelve months.

While we believe, the expectations reflected in such Forward-Looking Statements are reasonable, we can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this report, including, but not limited to, the following:

- changes in general economic conditions, both domestic and foreign;
- material reductions in revenues;
- material changes in interest rates;
- our ability to collect in a timely manner a material amount of receivables;
- increased competitive pressures;
- adverse effects of increases in prices of raw materials;
- changes in federal, state and local laws and regulations, or in the interpretation of such laws and regulations;
- changes in laws, regulations or other issues related to climate change;
- releases of pollutants into the environment exceeding our permitted limits;
- material increases in equipment, maintenance, operating or labor costs not presently anticipated by us;
- the requirement to use internally generated funds for purposes not presently anticipated;
- the inability to secure additional financing for planned capital expenditures or financing obligations due in the near future;
- our substantial existing indebtedness;
- material changes in the cost of natural gas and certain precious metals;
- limitations due to financial covenants;
- changes in competition;
- the loss of any significant customer;
- increases in cost to maintain internal controls over financial reporting;
- changes in operating strategy or development plans;
- an inability to fund the working capital and expansion of our businesses;
- changes in the production efficiency of our facilities;
- adverse results in our contingencies including pending litigation;
- unplanned downtime at one or more of our chemical facilities;
- changes in production rates at any of our chemical plants;
- an inability to obtain necessary raw materials and purchased components;
- material increases in cost of raw materials;
- material changes in our accounting estimates;
- significant problems within our production equipment;
- fire or natural disasters;
- an inability to obtain or retain our insurance coverage;
- difficulty obtaining necessary permits;
- difficulty obtaining third-party financing;
- risks associated with proxy contests initiated by dissident stockholders;
- changes in fertilizer production;
- reduction in acres planted for crops requiring fertilizer;
- decreases in duties for products we sell resulting in an increase in imported products into the U.S.;
- adverse effects from regulatory policies, including tariffs;
- geopolitical concerns;
- volatility of natural gas prices;
- price increases resulting from increased inflation;
- weather conditions, including the effects of climate change;
- increases in imported agricultural products;
- global supply chain disruptions;
- other factors described in the MD&A contained in this report; and
- other factors described in “Risk Factors” in our Form 10-K for the year ended December 31, 2023.

Given these uncertainties, all parties are cautioned not to place undue reliance on such Forward-Looking Statements. Except to the extent required by law, we disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the Forward-Looking Statements contained herein to reflect future events or developments.

The following is a list of terms used in this report.

| | |
|---|---|
| **ADEQ** | - The Arkansas Department of Environmental Quality. |
| **AN** | - Ammonium nitrate. |
| **ASUs** | - Accounting Standard Updates. |
| **ATR** | - AutoThermal Reforming. |
| **CAO** | - A consent administrative order. |
| **Cherokee Facility** | - Our chemical production facility located in Cherokee, Alabama. |
| **Chevron** | - Chevron Environmental Management Company. |
| **COVID-19** | - The novel coronavirus disease of 2019. |
| **EDA** | - El Dorado Ammonia L.L.C. (now merged into LSB Chemical, L.L.C. a subsidiary of LSB Industries, Inc.). |
| **EDC** | - El Dorado Chemical Company (now merged into LSB Chemical, L.L.C. a subsidiary of LSB Industries, Inc.). |
| **El Dorado Facility** | - Our chemical production facility located in El Dorado, Arkansas. |
| **Eldridge** | - Eldridge Industries, L.L.C. |
| **Environmental and Health Laws** | - Numerous federal, state and local environmental, health and safety laws. |
| **EUC** | - Environmental Use Control. |
| **FASB** | - Financial Accounting Standards Board. |
| **FEED** | - Front end engineering design. |
| **Global** | - Global Industrial, Inc., a subcontractor asserting mechanics liens for work rendered to the Company. |
| **Hallowell Facility** | - A chemical facility previously owned by two of our subsidiaries located in Kansas. |
| **HDAN** | - High density ammonium nitrate prills used in the agricultural industry. |
| **IRS** | - Internal Revenue Service. |
| **KDHE** | - The Kansas Department of Health and Environment. |
| **LDAN** | - Low density ammonium nitrate prills used in the mining industry. |
| **Leidos** | - Leidos Constructors L.L.C. |
| **LSB** | - LSB Industries, Inc. |
| **MD&A** | - Management's Discussion and Analysis of Financial Condition and Results of Operations. |
| **MMBtu** | - Million British thermal units. |
| **MOU** | - Memorandum of understanding. |
| **Note** | - A note in the accompanying notes to the condensed consolidated financial statements. |
| **October Report** | - The World Agricultural Supply and Demand Estimates Report dated October 11, 2024. |
| **ODEQ** | - The Oklahoma Department of Environmental Quality. |
| **PP&E** | - Plant, property and equipment. |
| **Pryor Facility** | - Our chemical production facility located in Pryor, Oklahoma. |
| **SEC** | - The U.S. Securities and Exchange Commission. |
| **Secured Financing due 2025** | - A secured financing arrangement between EDA and an affiliate of Eldridge which matures in August 2025. |
| **Senior Secured Notes** | - The senior secured notes issued on October 14, 2021 and the senior secured notes issued March 8, 2022, taken together both due on October 15, 2028 with a stated interest rates of 6.25% maturing in October 2028. |
| **SG&A** | - Selling, general and administrative expense. |
| **Ton** | - A unit of weight equal to 2,000 pounds. |
| **Turnaround** | - A planned major maintenance activity. |
| **UAN** | - Urea ammonium nitrate. |
| **U.S.** | - United States. |
| **U.S. GAAP** | - U.S. Generally Accepted Accounting Principles. |
| **USDA** | - United States Department of Agriculture. |

| | |
|---|---|
| **Revolving Credit Facility** | - Our secured revolving credit facility pursuant to that credit agreement, dated December 21, 2023, between us and the lenders identified on the signature pages thereof and JPMorgan Chase Bank, N.A, as administrative agent. |
| **2023 Crop** | - Corn crop marketing year (September 1 - August 31), which began in 2022 and ended in 2023 and primarily relates to corn planted and harvested in 2022. |
| **2024 Crop** | - Corn crop marketing year (September 1 - August 31), which began in 2023 and will end in 2024 and primarily relates to corn planted and harvested in 2023. |
| **2025 Crop** | - Corn crop marketing year (September 1 - August 31), which began in 2024 and will end in 2025 and primarily relates to corn planted and harvested in 2024. |

# PART II
# OTHER INFORMATION

## Item 1. Legal Proceedings

***Other Litigation***

We are from time to time subject to various legal proceedings and claims arising in the ordinary course of business, including, but not limited to, examinations by the Internal Revenue Service. For further discussion of our legal matters, see "Note 5. Commitments and Contingencies—Legal Matters" in the notes to the Condensed Consolidated Financial Statements in this Form 10-Q.

## Item 1A. Risk Factors

Reference is made to Item 1A of our Form 10-K for the year ended December 31, 2023, filed with the SEC on March 6, 2024. There are no material changes from the risk factors disclosed in our 2023 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

## Item 3. Defaults upon Senior Securities

Not applicable

## Item 4. Mine Safety Disclosures

Not applicable

## Item 5. Other Information

During the third quarter ended September 30, 2024, no director or officer (as defined in Exchange Act Rule 16a-1(f)) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" for the purchase or sale of securities of the Company, within the meaning of Item 408 of Regulation S-K.

## Item 6. Exhibits

See "Index to Exhibits" on page 37.

**Index to Exhibits Item 6.**

| Exhibit Number | Exhibit Title | Incorporated by Reference to the Following |
|---|---|---|
| 3(i).1 | Restated Certificate of Incorporation of LSB Industries, Inc., dated January 21, 1977, as amended August 27, 1987 | Exhibit 3(i).1 to the Company's Form 10-K filed on February 28, 2013 |
| 3(i).2 | Certificate of Amendment to the Restated Certificate of Incorporation of LSB Industries, dated September 23, 2021 | Exhibit 3(i).2 to the Company's Registration Statement on Form S-3 filed on November 16, 2021 |
| 3(ii) | Second Amended and Restated Bylaws of LSB Industries, Inc., dated July 19, 2021 | Exhibit 3.1 to the Company's Form 8-K filed July 20, 2021 |
| 31.1(a) | Certification of Mark T. Behrman, Chief Executive Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302 | |
| 31.2(a) | Certification of Cheryl A. Maguire, Chief Financial Officer, pursuant to Sarbanes-Oxley Act of 2002, Section 302 | |
| 32.1(a) | Certification of Mark T. Behrman, Chief Executive Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906 | |
| 32.2(a) | Certification of Cheryl A. Maguire, Chief Financial Officer, furnished pursuant to Sarbanes-Oxley Act of 2002, Section 906 | |
| 101.INS(a) | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | |
| 101.SCH(a) | Inline XBRL Taxonomy Extension Schema Document | |
| 101.CAL(a) | Inline XBRL Taxonomy Extension Calculation Linkbase Document | |
| 101.DEF(a) | Inline XBRL Taxonomy Extension Definition Linkbase Document | |
| 101.LAB(a) | Inline XBRL Taxonomy Extension Labels Linkbase Document | |
| 101.PRE(a) | Inline XBRL Taxonomy Extension Presentation Linkbase Document | |
| 104(a) | Cover Page Interactive Data File (embedded within the Inline XBRL document) | |

(a) Filed herewith or furnished herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has caused the undersigned, duly authorized, to sign this report on its behalf on this 30st day of October 2024.

LSB INDUSTRIES, INC.

/s/ Cheryl A. Maguire

Cheryl A. Maguire
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 31.1**

**CERTIFICATION**

I, Mark T. Behrman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LSB Industries, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in this case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ Mark T. Behrman

Mark T. Behrman
President, Chief Executive Officer
and Director

**Exhibit 31.2**

**CERTIFICATION**

I, Cheryl A. Maguire, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LSB Industries, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in this case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ Cheryl A. Maguire

Cheryl A. Maguire
Executive Vice President
and Chief Financial Officer

**Exhibit 32.1**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LSB Industries, Inc. (“LSB”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”). I, Mark T. Behrman, President and Chief Executive Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

/s/ Mark T. Behrman
Mark T. Behrman
President, Chief Executive Officer
(Principal Executive Officer) and
Director

October 30, 2024

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein, and not for any other purpose.

**Exhibit 32.2**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LSB Industries, Inc. (“LSB”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cheryl A. Maguire, Senior Vice President and Chief Financial Officer of LSB, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LSB.

/s/ Cheryl A. Maguire
Cheryl A. Maguire
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

October 30, 2024

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein and not for any other purpose.