



# Bob Robotti

Chief Investment Officer, Robotti & Company



# MOI Global

January 2024



Old Economy Value with New Economy Upside



DISCIPLINED VALUE INVESTING SINCE 1980



- A research-oriented investment firm managing private funds and separate accounts
- Over four decades of building an entrepreneurial culture that has attracted independent thinkers passionate about investing
- A business infrastructure modeled after Tweedy Browne and Gabelli
- Focused on a single philosophy dedicated to the investment principles that trace back to Benjamin Graham
- Focused mainly on small and mid-cap equities – where value can be found
- Independent and employee-owned





Tweedy, Browne

## 1975-1979

After graduating from Bucknell University, Bob Robotti became an audit specialist and was assigned to audit legendary value investment firm Tweedy, Browne. Bob spent many hours a day learning from Joe Reilly Sr., a retired partner of the firm, originally known as Tweedy, Browne & Reilly.

## 1992

Robotti & Company offer their investment strategy, which until now was only available through private partnership Ravenswood, in separately managed accounts (SMAs).

## 2017

Bob invited to be Trustee to Pace University, then to Chair Pace Investment and Pension committee in 2020.

GAMCO  
INVESTORS

## 1980-1983

Bob Robotti was CFO, VP and shareholder at Gabelli & Co, when he launched Ravenswood, our flagship fund at Robotti & Company.



## 2005

After moving to Asia, Isaac Schwartz launches Robotti's international investing initiative applying our time and battle tested strategy to opportunities outside of North America.

## TODAY

Robotti & Company managing close to \$1bn with 27 full-time employees.

Robotti

## 1983

Bob Robotti and Dan Eng launched Robotti & Eng, Inc. focused on uncovering undervalued opportunities in pink sheet equities. The Firm changes its name to Robotti & Company in 1995.



## 2016

Curtis Jensen, the former Co-CIO and small-cap equity portfolio manager at Martin Whitman's Third Avenue Management, joins Robotti & Company.

# Bob Robotti Board Memberships

CONSTRUCTIVE COMPANY RELATIONSHIPS, AT TIMES THROUGH BOARD MEMBERSHIP

## 2004 - 2020

Bob Robotti invited on the board of Panhandle Oil & Gas based in Oklahoma City, Oklahoma as the firm was the largest outside owner of PHX



## 2019 - 2023

Canadian asset manager Edgepoint, the largest shareholder of PrairieSky recommended Bob to the board. PrairieSky Royalty Ltd. is based in Calgary, Alberta



## 2007 - present

Bob becomes chairman of the board in 2013 for Pulse Seismic Inc. based in Calgary, Canada. The firm owns ~16% of the company



## 2016 - present

Bob joins the board of AMREP Corporation based in Rio Rancho, New Mexico. The firm owns ~10% of the company



## 2012 - 2015

Bob becomes board member of BMC – Building Materials and Construction Services after fellow shareholder Davidson Kempner’s recommendation. BMC merged with Builders Firstsource in 2021 where the firm still holds a significant position



## 2021 - present

Bob invited to be on the board of Tidewater based in Houston, Texas and named to the board’s ESG committee in 2022. The firm is TDW’s second largest shareholder

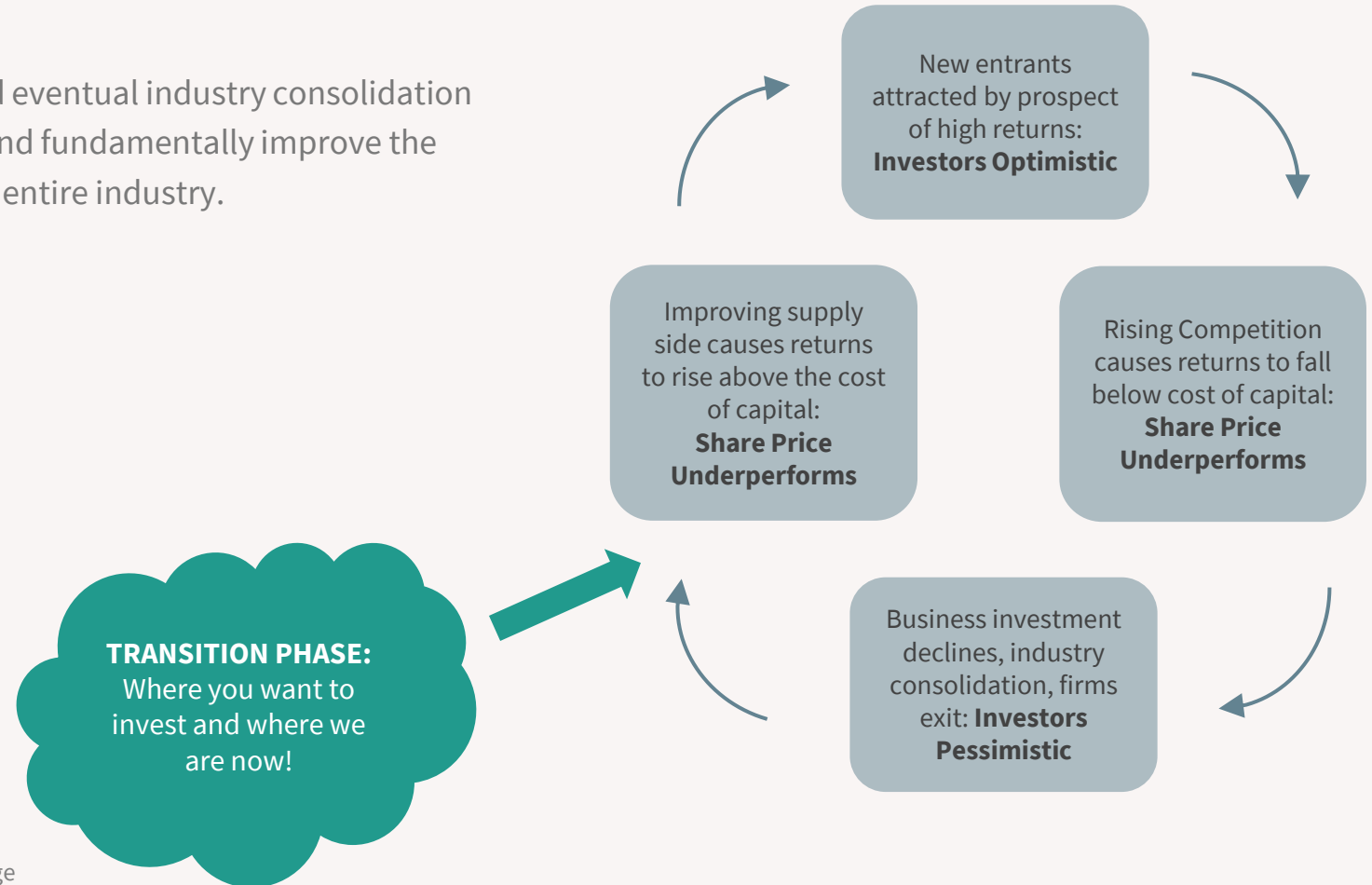


## Schumpeter's Process\*

Rising competition leads to weaker players exiting, and eventual industry consolidation where the companies with staying power can survive and fundamentally improve the underlying economics and reduce the cyclical nature of the entire industry.

- Decades of experience provide us with ample evidence that being in the trough of an industry cycle can often be a cathartic process – where companies shed unprofitable assets, improve balance sheets, reduce costs.
- Survivors will often take advantage of industry consolidation to enjoy an extended runway of growth with even greater earnings power.
- Our success stems from our ability to identify the survivors best positioned to opportunistically and dramatically capitalize on a recovery.

\*Creative destruction is a concept introduced by economist Joseph Schumpeter that refers to the process of innovation and technological change that leads to the destruction of existing economic structures, such as industries, firms, and jobs



Source: Capital Returns: Investing Through the Capital Cycle, edited by Edward Chancellor



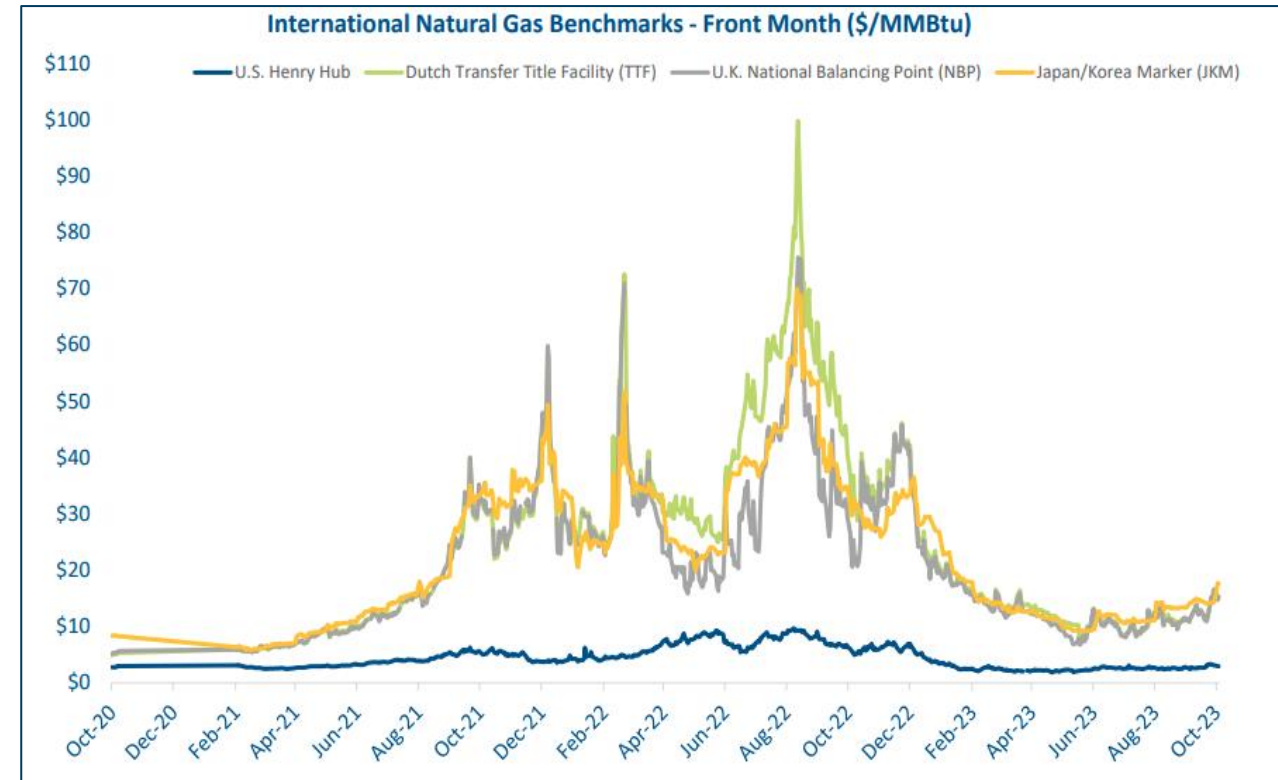
- Metamorphosis of several “old economy” industries have found themselves with significantly rationalized supply side dynamics
- Globalization 2.0 - China’s huge deflationary impact on the world is ending given their economic maturation leading to reshoring to Southeast Asia, Latin America, and North America
- The world is moving towards renewable energy sources, but this cannot meet global demand without the increased use of conventional energy sources for the next decade and beyond
- North American industrials will have a multi-decade strategic advantage as the globally low-cost producers given an abundance of local natural gas and low electricity costs



# The Industrial Renaissance

NORTH AMERICA — DRIVEN BY COMPETITIVE ADVANTAGE

- Durable competitive advantage driven by supply of cheap energy, mainly natural gas
- Globally low-cost production in many industries, especially energy intensive businesses
- Inflation Reduction Act supercharging the buildout of infrastructure and manufacturing capacity in the US
- Additional reshoring to Mexico and other neighboring countries
- Largely separated from major geopolitical issues and spillover effects



Source: LSB Industries Investor Presentation December 2023

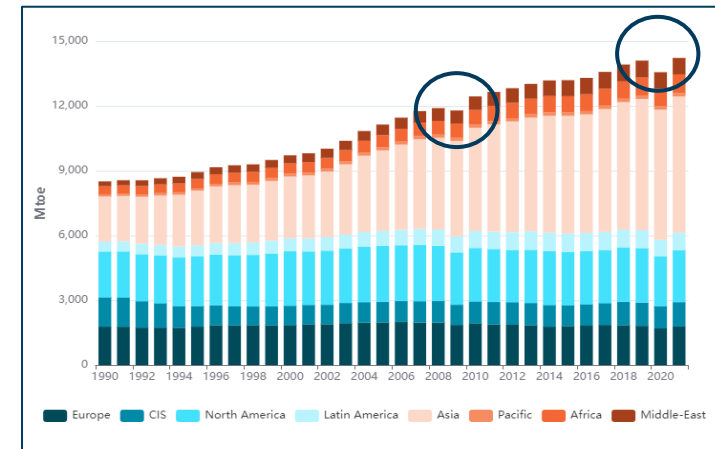


# Navigating the Energy Transition

AMIDST A GROWING DEMAND FOR ENERGY IN ALL FORMS

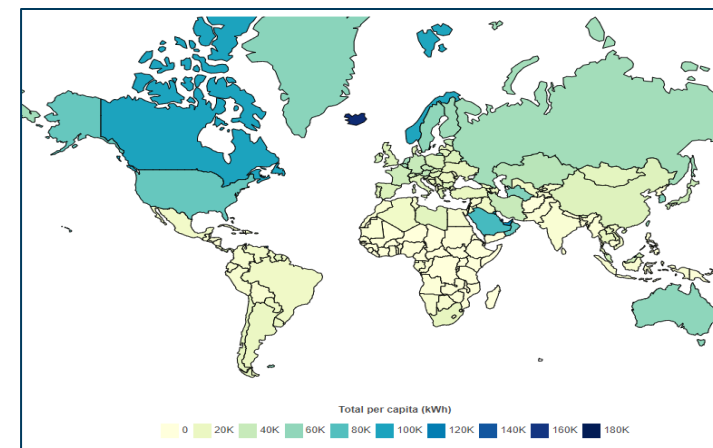
- Demand for conventional energy remains very strong (fossil fuels at ~80% of supply)
- Extreme pressure on demand for energy as developing economies, such as Brazil and India, continue to modernize
- Competition for resources
- Several “old economy” industries will be major players in the energy transition
- Ammonia is a prime example of a commodity that has a vital role in traditional use cases (fertilizer, explosives) and a strong likelihood of being a key player in the energy transition

Annual World Energy Consumption



Source: Enerdata

Per Capita Electricity Consumption by Country



Source: World Population Review

- U.S.-based producer of ammonia and nitrogen-based fertilizer and industrial products
- 4 plants located in Alabama, Arkansas, Oklahoma and Texas
- Annual production of ~900,000 metric tons of ammonia
- Sole, “independent” public ammonia pureplay
- Vastly consolidated market in North America
- Business undergoing a radical transformation

## Market Capitalization

(1)

Price	\$7.60
x DilShrs:	76.4
Market Cap	\$588.8
+LT Debt	\$582.7
-Cash	\$317.5

Enterprise Value	\$854.0
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Net Debt	\$265.2
Mid-Cycle EBITDA	\$200.0
Net Debt/EBITDA	1.3x

Valuation	LTM Sept 2023	FY23 E
EV/Sales	1.23x	1.45x
EV/EBITDA	4.27x	6.12x
EV/EBIT	6.51x	12.66x
P/E	5.94x	15.11x
P/B	1.06x	1.07x
52 Week High	\$14.71	
52 Week Low	\$7.50	



## OUR BUSINESS

### Strategically located assets with regional competitive advantages

#### KEY COMPETITIVE ADVANTAGES

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

#### Pryor, OK

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

#### Baytown, TX

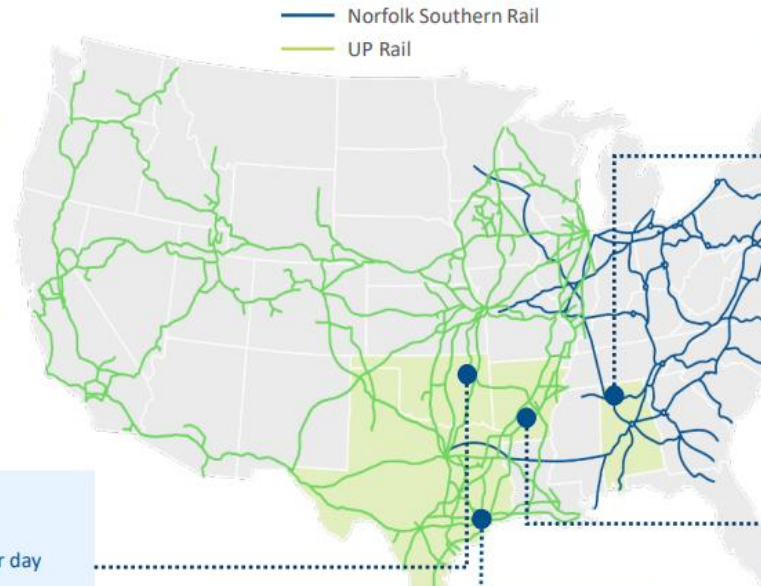
- Nitric acid production
- Co-located with Covestro under long-term operating agreement

#### Cherokee, AL

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

#### El Dorado, AR

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



Source: LSB Industries Investor Presentation December 2023



	Key products	End markets	Application
Agricultural	<ul style="list-style-type: none"> <li>Urea ammonium nitrate solutions (UAN)</li> </ul>	<ul style="list-style-type: none"> <li>Liquid fertilizer for corn and other crops</li> </ul>	<div>Fertilizer</div> 
	<ul style="list-style-type: none"> <li>Ammonium nitrate (AN)</li> </ul>	<ul style="list-style-type: none"> <li>High-efficacy fertilizer for corn, other crops, and pastures and key nitrogen components in nitrogen, phosphorus, and potassium (NPK) fertilizer blends</li> </ul>	
	<ul style="list-style-type: none"> <li>Ammonia</li> </ul>	<ul style="list-style-type: none"> <li>High nitrogen content fertilizer primarily used for corn</li> </ul>	
Industrial	<ul style="list-style-type: none"> <li>Ammonia</li> </ul>	<ul style="list-style-type: none"> <li>Chemical feedstock, emissions abatement, water treatments, refrigerants</li> </ul>	<div>Automotive</div>  <div>Home Building</div> 
	<ul style="list-style-type: none"> <li>Nitric Acid</li> </ul>	<ul style="list-style-type: none"> <li>Semiconductor, nylon and polyurethane intermediates, ammonium nitrate, metals processing</li> </ul>	
	<ul style="list-style-type: none"> <li>Sulfuric Acid</li> </ul>	<ul style="list-style-type: none"> <li>Pulp and paper, aluminum, water treatment, metals (lithium), and vanadium processing</li> </ul>	<div>Chemical Manufacturing</div> 
	<ul style="list-style-type: none"> <li>Diesel exhaust fuel</li> </ul>	<ul style="list-style-type: none"> <li>NO<sub>x</sub> abatement for diesel vehicles</li> </ul>	
	<ul style="list-style-type: none"> <li>CO<sub>2</sub></li> </ul>	<ul style="list-style-type: none"> <li>Food refrigeration, dry ice, enhanced oil recovery</li> </ul>	
Mining	<ul style="list-style-type: none"> <li>Ammonium nitrate</li> </ul>	<ul style="list-style-type: none"> <li>Explosives for mining, quarries, and other blasting activities</li> </ul>	<div>Mining</div> 

Source: LSB Industries December 2023 Investor Presentation

LSB

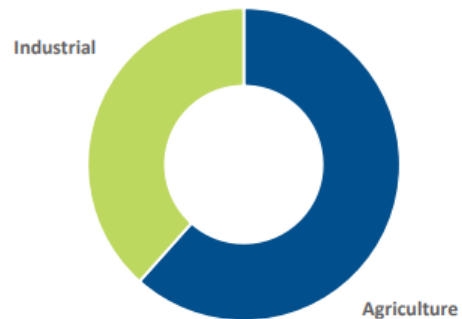
### Diversified Nitrogen Chemicals Business with Differentiated End Market Positions

Broad diversification provides offtake stability and ratatability

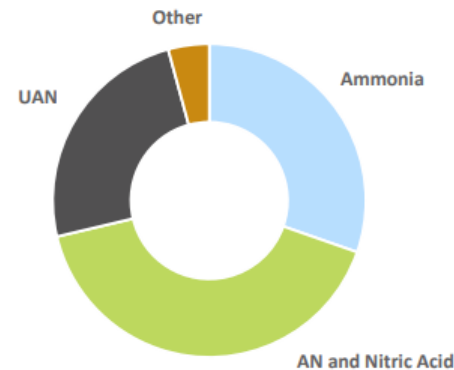
Operational and market flexibility to optimize mix and maximize earnings

Sales balance of spot and contract

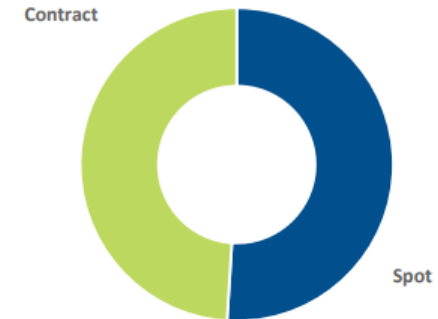
Revenue by market - 2022



Revenue by Product - 2022

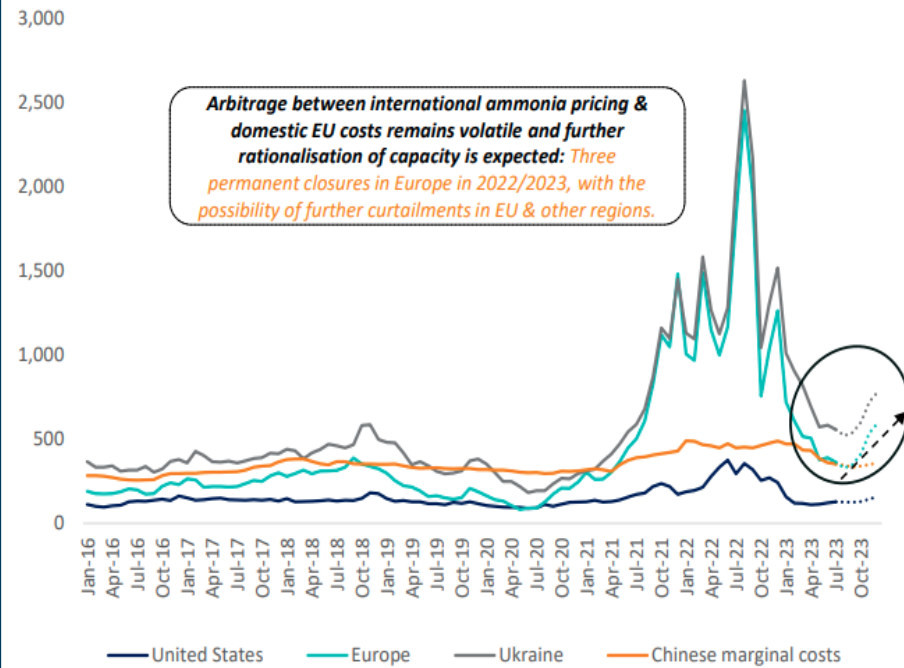


Volume by sales method - 2022



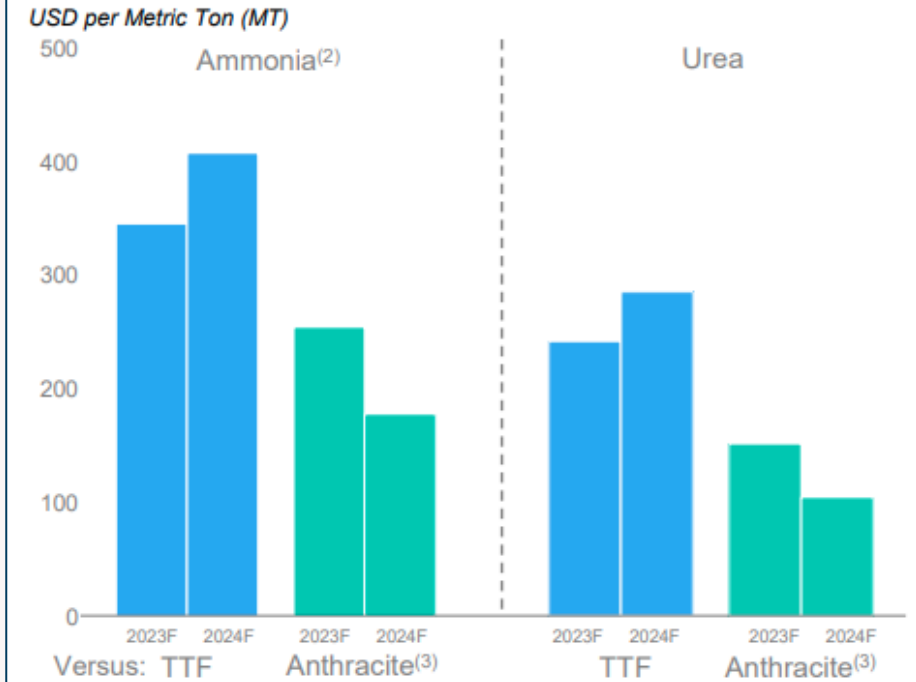
Source: LSB Industries December 2023 Investor Presentation

### Cash Costs per ton of Ammonia 2017-2023F, \$/t



Source: OCI Q3 23 Presentation

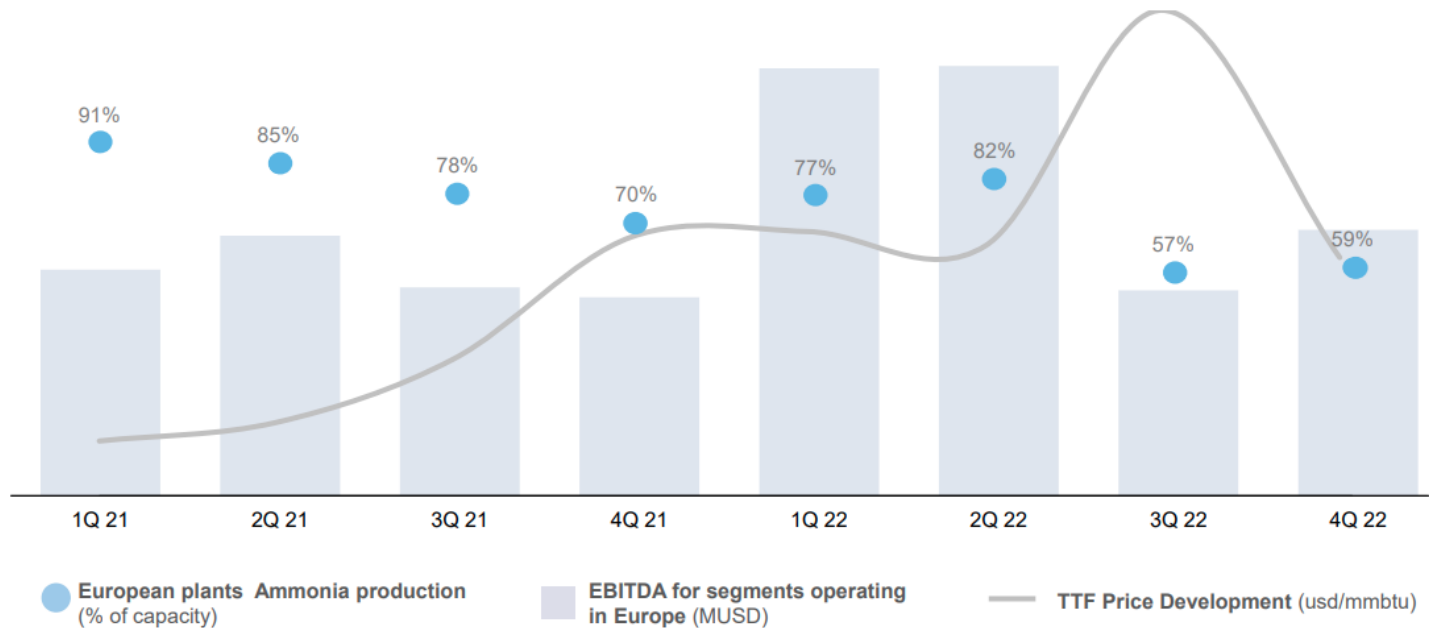
### North American Production Margin Advantage<sup>(1)</sup>



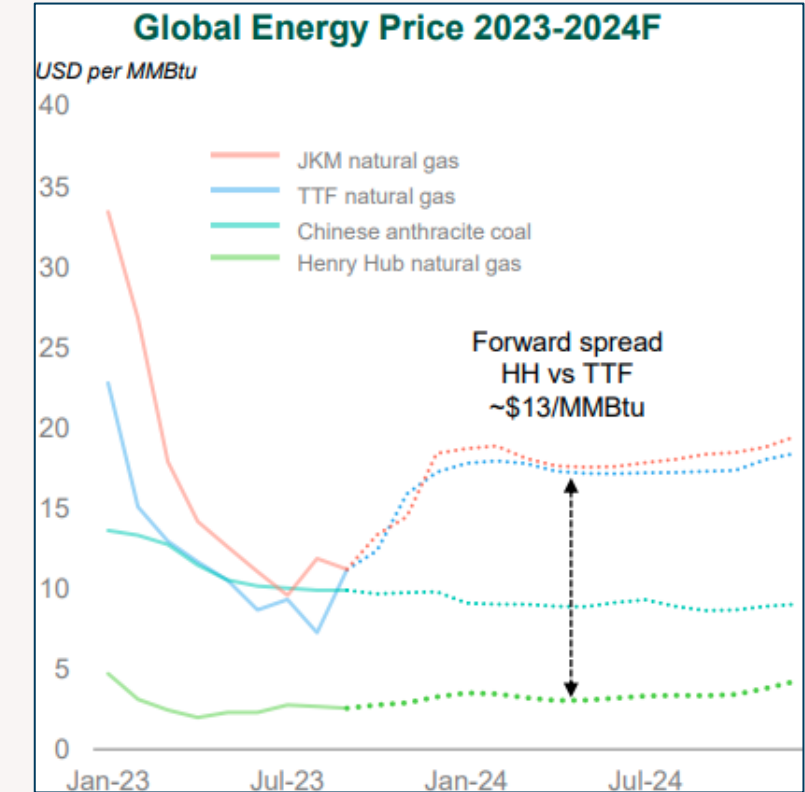
Source: CF Industries 2023 Roadshow Presentation



## In challenging market conditions, Yara prioritized resilience and cash flow over continuous improvement



Source: Yara International Capital Markets Day 2023



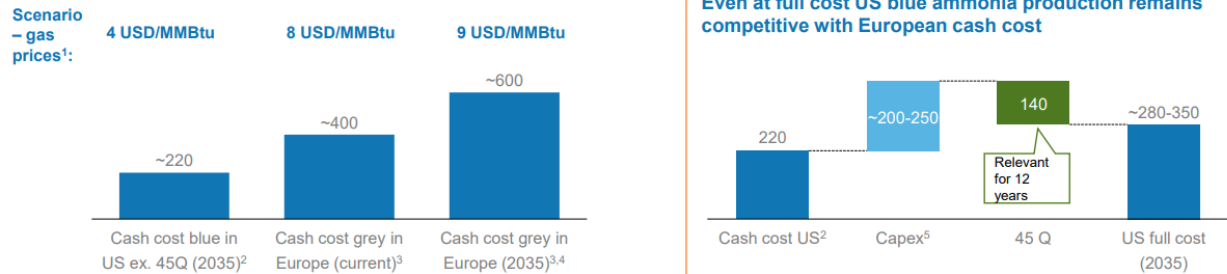
Source: CF Industries Q3 23 Presentation

## Ammonia market: US 45Q full cost significantly below European cash cost in most gas price scenarios

Blue production costs in the US significantly below European cash cost

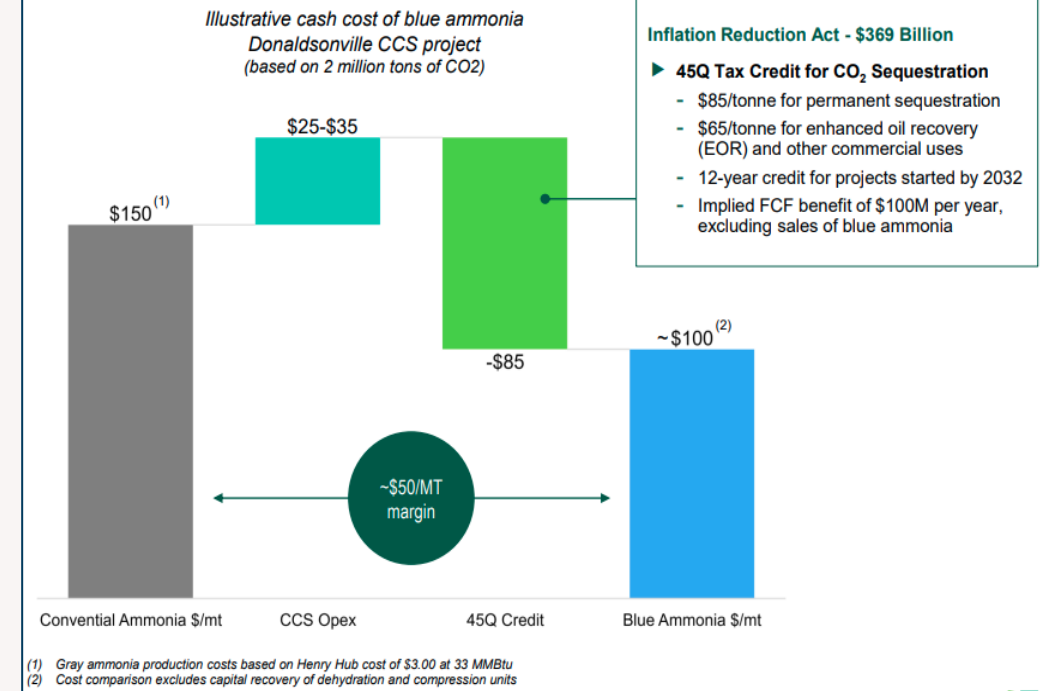
Scenario for ammonia cost, 2023 real terms, USD/ton

Gas price sensitivity:  
+ 1 USD/MMBtu = 34 USD/t ammonia



Source: Yara International Capital Markets Day 2023

## 45Q tax credit makes blue ammonia in US significantly lower cost than conventional ammonia



Source: CF Industries 2023 Roadshow Presentation



### El Dorado Blue Ammonia

- April 2022 agreement with Lapis Energy to develop a CO<sub>2</sub> capture and sequestration (CCS) project at El Dorado facility
- Lapis to capture and sequester >450,000 MT of CO<sub>2</sub> produced by LSB's El Dorado ammonia plant
- Submitted EPA Class VI permit application on February 17, 2023; approval expected in first half of 2025
- Expect operations to begin in second half of 2025, subject to EPA permitting
- Expect Lapis, the owner of the CCS equipment, to receive 45Q federal tax credits for sequestered CO<sub>2</sub> and pay LSB a fee for each ton of CO<sub>2</sub> captured
- Expected to reduce LSB's scope 1 CO<sub>2</sub> emissions by 25%
- Working to develop customer demand/offtake

### Pryor Green Ammonia

- May 2022 agreements with Bloom Energy and thyssenkrupp Uhde to develop a project to produce zero-carbon ammonia from green hydrogen produced using electrolyzers operating on renewable power at Pryor facility
- Feasibility study continuing with EPC firms to assess costs of installation of electrolyzers and other equipment
- Awaiting guidance on 45V tax credit from IRS
- Should we move forward with this project, expect production of ~30,000 MT of green ammonia per year while reducing Pryor's CO<sub>2</sub> emissions by ~36,000 MT per year
- Working to develop customer demand/offtake

### Marine Fuel MOU with Amogy to develop marine fuel supply chain

- May 2023 memorandum of understanding with Amogy Inc. to develop low-carbon ammonia demand as a marine fuel
- The companies are collaborating on the evaluation and development of a pilot program that integrates LSB's low carbon ammonia and Amogy's ammonia-to-power solution
- Also expect to collaborate on exploration of development of low carbon ammonia supply and deployment of Amogy technology across multiple applications, including maritime vessels

Source: LSB Industries December 2023 Investor Presentation

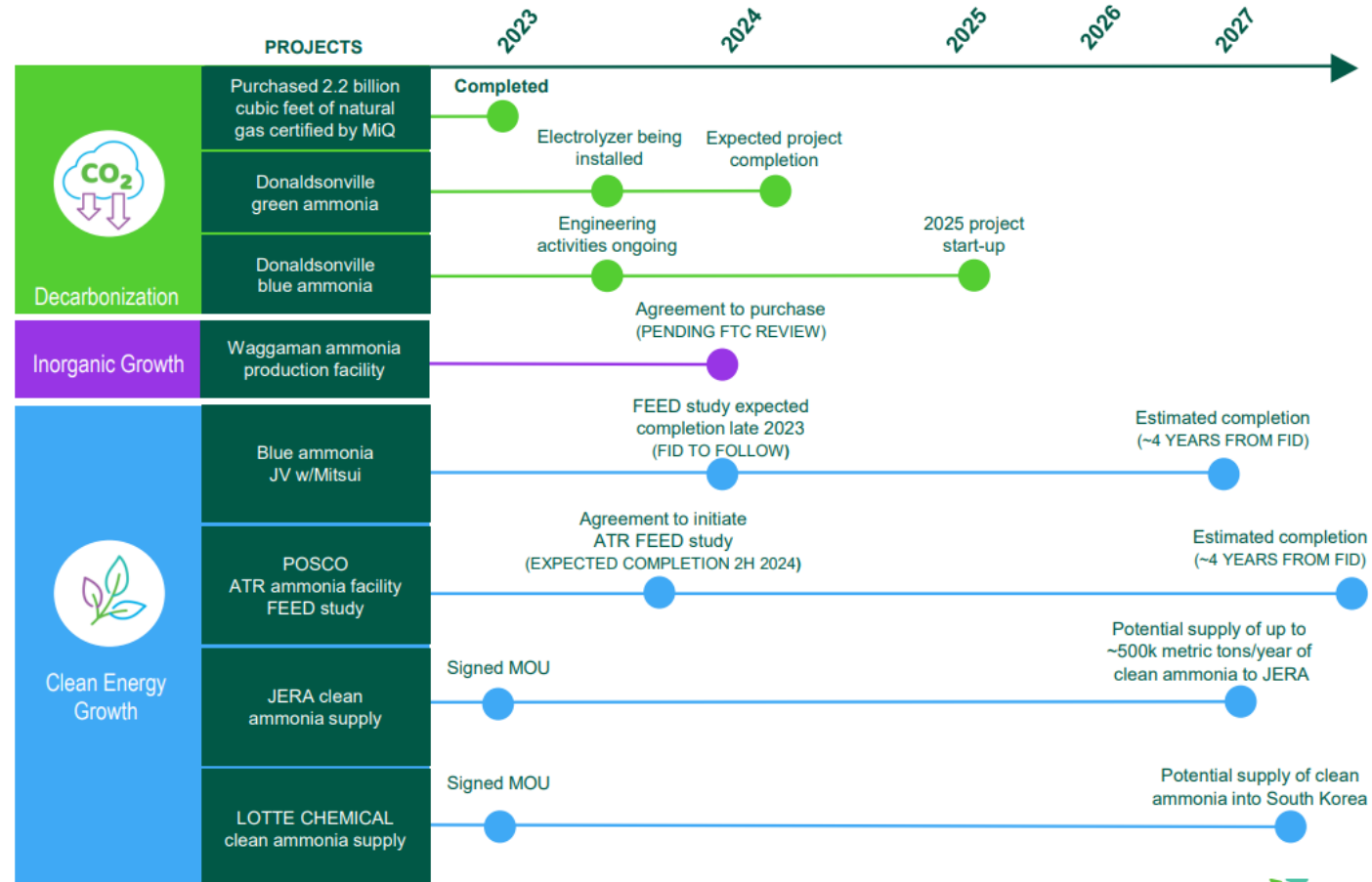


## Yara will prioritize strategic and value-creating investments in US clean ammonia

Type	Project	CO2 Capture	Yara volume <sup>1</sup>	Type	Yara capex <sup>3</sup>	Start of production
Blue ammonia	<b>Project YaREN<sup>2</sup></b> North America, Texas, Ingleside Partnership with Enbridge	~95%	1.2 – 1.4 mt	50% stake and full offtake	1.3 – 1.45 bn	2027 – 2028
	<b>New Blue Ammonia<sup>2</sup> Project</b> North America, TBD	~95%	0.8 – 1.0 mt	Majority stake	1.8 – 2.0 bn	2028 - 2029
	<b>Sluiskil CCS</b> Netherlands	~60%	~0.4 mt	100% owned	~0.2 bn	2025 - 2027

Source: Yara International Presentation at SEB Nordic Seminar 2024

## Significant initiatives underway to meet our targets



## Texas Blue Ammonia: On Track For Early 2025 and Ahead of Other Projects



### Milestones

- ❑ OCI's 1.1 mtpa blue ammonia plant
  - ✓ First greenfield blue ammonia facility of this scale to come onstream in the US and globally
- ❑ Well underway and in key construction phase:
  - ✓ Over 600,000 manhours completed
  - ✓ Civil is 60% complete
  - ✓ Erection of steel structures underway
  - ✓ All long-lead equipment ordered, first deliveries Q4 2023
  - ✓ OSBL (utilities, common facilities, etc.) sized for future expansion optionality
  - ✓ Storage tanks construction progressing with piling activities nearing completion

Source: OCI Global Q3 23 Presentation



## Maritime Shipping

- Emerging as a leading candidate for a reliable, renewable fuel source
- Relatively dense carbon-free molecule with ability to store and transport

## Power & Electricity Generation

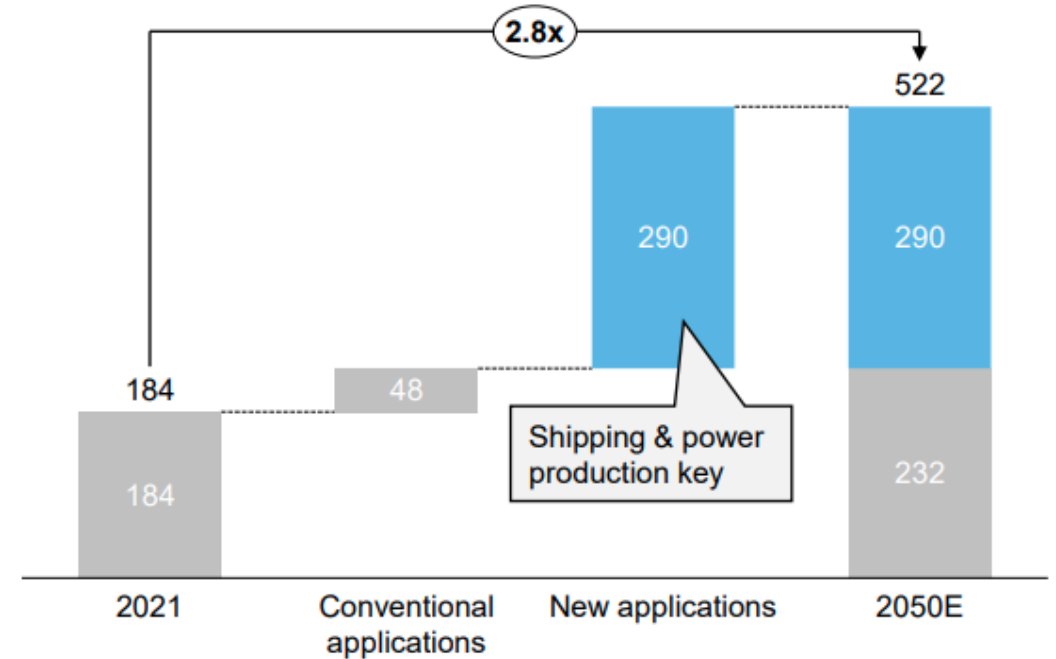
- Being blended with coal in Japan & South Korea to generate electricity
- Drastically reduces carbon footprint while minimizing subsequent drop in energy output

## Storage & Transportation

- Transportation of hydrogen in the form of more stable ammonia





### Ammonia represents a significant growth opportunity

Global demand for ammonia per year<sup>1</sup>, million tons



Majority of supply growth expected to come from blue and green sources

## Nitrogen Markets Continued their Recovery in Q3 and are Tightening

Drivers Support Demand Driven Environment		Prior cycle (last 5-6 years)	Current cycle
	HIGH CROP PRICES and AFFORDABILITY SUPPORT NITROGEN DEMAND and PRICE RECOVERY	<b>30%</b> Corn stocks-to-use ratio <b>\$3.7/bushel</b> Average corn price 2015 - 2019	<b>26%</b> 2022 corn stocks-to-use ratio <b>\$5.2/bushel</b> corn futures 2023 - 2025 <sup>1</sup>
	GAS AND COAL PRICES RESET in 2023, remaining higher than historical levels	<b>\$5/MMBtu</b> TTF (Dutch natural gas hub)	<b>\$16/MMBtu</b> TTF to end of 2025 <sup>2</sup>
	TIGHTENING NITROGEN MARKET BALANCES	<b>23mt</b> new urea capacity vs. <b>17mt</b> demand growth 2015 - 2019	<b>7mt</b> new urea capacity vs. <b>13mt</b> demand growth 2024- 2027
	ENVIRONMENTAL FOCUS DRIVES SHIFT FROM GREY TO BLUE / GREEN	Wave of "grey" ammonia greenfield capacity additions in US, Europe, MENA	Limited new grey ammonia capacity to 2027 and <b>Significant new ammonia demand from power and shipping, accelerating post-2025</b>

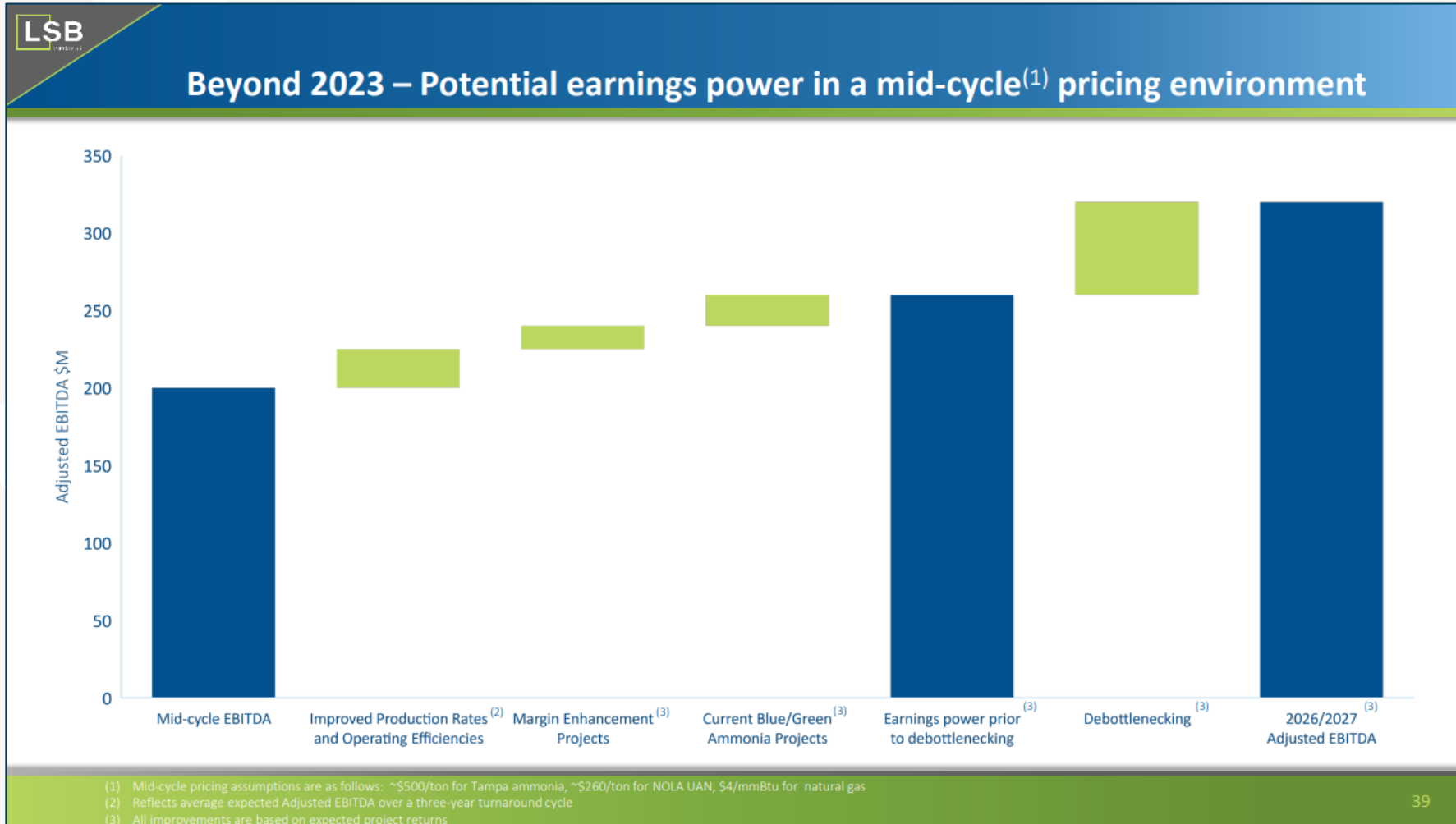
Source: OCI Q3 23 Presentation



<u>Buyer</u>	<u>Seller</u>	<u>Transaction Price</u>	<u>EBITDA*</u>	<u>Implied EV/EBITDA</u>
CF Industries Holdings, Inc.	Incitec Pivot Limited	\$1,675	\$250	6.70x
Koch Ag & Energy Solutions	OCI Global	\$3,600	\$425	8.47x
Average Multiple	7.59x			
LXU LTM EBITDA	\$198			
Implied EV	\$1,502			
Less: Debt	\$583			
Plus: Cash	\$318			
<b>Implied MC</b>	<b>\$1,237</b>			

\* EBITDA based on internal estimates and has not been disclosed in the transaction press releases





Source: LXU 2023 Investor Day

- Joint venture with Japanese energy firm INPEX Corporation
- Blue ammonia facility expected to produce over 1.1 million metric tons annually
- Agreements with Air Liquide for ATR technology and Vopak Moda for storage
- ~\$800mm estimated cost split between LSB and INPEX
- Transition to an off-take driven margin business



Houston Ship Channel

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<b><u>Disclosures</u></b>	<b>LSB Industries (NYSE:LXU)</b>
Robert Robotti and/or members of his household has a financial interest in the following securities	Yes
Robotti & Company or its affiliates beneficially own common equity of the following securities	Yes
Robotti & Company or its affiliates beneficially own 1% or more of any class of common equity of the following securities	Yes
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