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CF Industries

Made in Louisiana, Priced in the Gulf: Initiating at Overweight

CF Industries rose 4.8% on 2 March, the first session after US and Israeli strikes on Iran, as tanker traffic through the Strait of Hormuz halted and QatarEnergy stopped LNG production. The market's shorthand is "buy fertiliser when the Gulf burns". We think it is right about the mechanism and wrong about the basket: what pays is nitrogen made from US gas and sold at a price set by stranded Gulf supply and European gas, and CF is the purest way to own it. The Middle East ships ~35% of the world's seaborne urea. On Monday, NOLA urea barges traded 11-17% higher and European gas (TTF) rose 39% while Henry Hub barely moved, widening the transatlantic gas spread from \$8.2 to \$12.4/MMBtu. On our numbers that lifts FY26E EPS to \$13.42, against a consensus of \$7.46 compiled before the strikes. We initiate at Overweight with a Dec-27 price target of \$120.

- **Initiating at Overweight, Dec-27 PT \$120.** Our PT blends three Dec-27 scenarios (Table 1). Base (50%): 6.5x FY28E Adj. EBITDA of \$2.7bn, a mid-cycle year slightly below FY25's \$2.9bn, less YE27E net debt of \$1.25bn, on 131M shares after buybacks funded by the 2026 windfall, or \$126/share. Bull (20%): the disruption runs through the spring and European gas resets higher; 7.0x on \$3.3bn, or \$173. Bear (30%): a ceasefire within weeks and new supply push prices below FY25 levels; 5.5x on \$2.1bn, or \$76. **We weight the bear case (-27%) above the bull case (+66%) and still see 15% upside.** The 8 brokers whose latest targets we can date average \$94 (1 Overweight, 6 Neutral, 1 Underweight; range \$83-113); we sit above the Street high.
- **The spread is the thesis.** On our estimates CF makes ammonia for ~\$143/t of cash cost on Henry Hub gas; at Monday's TTF a European plant needs ~\$551/t, against a \$615/t Tampa contract settled before the strikes. That gap is CF's margin, and on 2 March it widened by ~\$141/t (Figures 2 and 7). Each \$10/t on CF's realised price is worth ~\$153M of EBITDA; each \$1/MMBtu on US gas ~\$267M. **Our FY26E Adj. EBITDA of \$3.46bn is 46% above the ~\$2.4bn implied by pre-strike consensus,** and even our bear case has FY26E above FY25.
- **The trade, corrected.** Three claims hold: Gulf exports matter (~14-18Mt a year of urea transits Hormuz, ~30% of seaborne trade), US producers run on cheap domestic gas, and nitrogen is the nutrient at risk. Three do not: Hormuz carries ~8% of world urea output, not a third of the world's nitrogen; "fertiliser stocks" did not all rise (Mosaic fell 1.2% on 2 March; the Gulf also ships ~44% of seaborne sulphur, a phosphate input); and the war premium is not automatic: in June 2025 CF gave back a 9% gain within a week (Figure 5). What decides 2026 is how long Qatar's LNG stays offline.

Overweight

CF, CF US

Price (02 Mar 26): \$104.30

Price Target (Dec-27): \$120.00

Initiation of coverage

Agricultural Chemicals

K2 Capital Limited

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Quarterly Forecasts (FYE Dec)

Adj. EBITDA (\$ mn)	2025A	2026E	2027E
Q1	644	834	654
Q2	761	1,167	771
Q3	667	741	677
Q4	821	723	830
FY	2,893	3,465	2,932

Nitrogen Dashboard

Metric	2-Mar	27-Feb	Chg
NOLA urea (\$/st)	520-550	470	+11-17%
TTF gas (€/MWh)	44.5	32.0	+39%
Henry Hub (\$/MMBtu)	2.96	2.86	+3.5%
TTF less HH (\$)*	12.4	8.2	+51%
CF price (\$)	104.30	99.54	+4.8%
Mosaic price (\$)	27.51	27.84	-1.2%

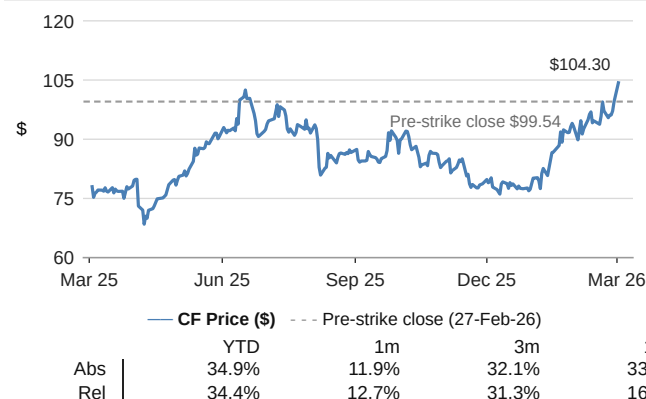
Tampa ammonia, March contract (set 27 Feb): \$615/t, down \$10 m/m. Brent rose +7.3% to \$77.74/bbl. *TTF converted to \$/MMBtu.

Sources for: Nitrogen Dashboard: Argus Media (NOLA urea barges, urea swaps), QCI (Tampa), ICE and NYMEX front-month futures and NYSE closes via Yahoo Finance; K2 Capital calculations. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Shares O/S, 30-Jan-26 (mn)	153.7
52-week range, closing (\$)	104.30-68.47
Market cap (\$ mn)	16,028
Exchange rate	1.00
Senior notes principal, 31-Dec-25 (\$ mn)	3,250
Cash, 31-Dec-25 (\$ mn)	1,982
Net debt / FY25 Adj. EBITDA	0.44x
Volume, 2-Mar-26 (mn)	5.26
Quarterly dividend (\$)	0.50
Next results	6 May 2026 (1Q26)
Dated broker ratings (OW N UW)	1 6 1
Average of dated broker PTs (\$)	93.88

Key Metrics (FYE Dec)

\$ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Revenue	7,084	7,737	7,505
Adj. EBITDA (attributable)	2,893	3,465	2,932
Net earnings (attributable)	1,455	1,973	1,550
Diluted EPS (\$)	8.97	13.42	11.44
Cashflow from operations	2,752	3,324	2,854
FCF (company definition)	1,789	1,968	1,469
Margins and Growth			
Revenue Growth Y/Y (%)	19.3%	9.2%	(3.0%)
Adj. EBITDA margin	40.8%	44.8%	39.1%
Adj. EBITDA Growth Y/Y (%)	26.7%	19.8%	(15.4%)
EPS Growth Y/Y (%)	33.1%	49.6%	(14.8%)
Ratios			
Net debt / Adj. EBITDA	0.44x	0.36x	0.43x
Net debt / Equity	0.26x	0.25x	0.25x
Capex / Revenue (consolidated)	13%	17%	23%
Dividends + buybacks / FCF	95%	99%	100%
Valuation			
FCF yield	11.2%	12.3%	9.2%
EV/Revenue	2.4x	2.2x	2.3x
EV/Adj. EBITDA	6.0x	5.0x	5.9x
P/E	11.6x	7.8x	9.1x

Summary Investment Thesis and Valuation

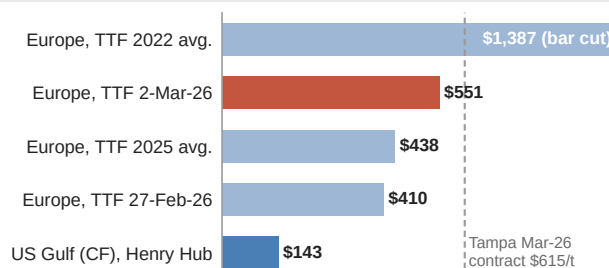
Investment Thesis

CF is North America's largest nitrogen producer: it turns Henry Hub gas into ammonia, urea, UAN and AN at plants led by Donaldsonville, Louisiana, and sells into a market priced off global trade. Its margin is the gap between that global price, set at the margin by Middle East exporters and gas-importing Europe, and US gas. The strikes on Iran moved both ends in CF's favour: ~30% of seaborne urea is stranded behind Hormuz as the Northern Hemisphere spring begins, and Qatar's LNG halt lifted European gas 39% in a day while US gas was flat. Unlike June 2025, when an Iran scare faded within a week, this shock reaches the cost curve. The Street, at a pre-strike \$7.46 of FY26 EPS, has not caught up; we are at \$13.42. We rate shares Overweight.

Valuation

Our \$120 Dec-27 PT is a probability-weighted blend of three scenarios. Base (50%): 6.5x FY28E Adj. EBITDA of \$2.7bn, a mid-cycle year and a modest premium to the 6.0x the shares trade on FY25 today, less YE27E net debt of \$1.25bn, on 131.1M diluted shares after \$2.8bn of buybacks in 2026-27, for \$126. Bull (20%): 7.0x on \$3.3bn for \$173. Bear (30%): 5.5x on \$2.1bn for \$76. We value the 2026 windfall as cash returned, not as a higher multiple; a DCF (8.5% WACC, 1.5% terminal growth) gives ~\$136 today. We rate shares Overweight.

Ammonia Cash Cost by Gas Basis (\$/t)



Instrument / programme	Maturity	\$ mn
5.150% senior notes	Mar-2034	750
5.300% senior notes (Nov-25)	Nov-2035	1,000
4.950% senior notes	Jun-2043	750
5.375% senior notes	Mar-2044	750
Revolver (undrawn)	Sep-2030	750
Buyback remaining (\$2bn plan)	Dec-2029	~1,700

- **Capital Allocation and Capex Update. (1)** CF guides 2026 capex of ~\$1.3bn, including ~\$600M for the Blue Point low-carbon ammonia joint venture, 60% of which JERA and Mitsui fund; CF-funded capex is ~\$950M. **(2)** It bought back 16.6M shares for \$1.34bn in 2025, cutting the count by ~10%, and has ~\$1.7bn left on its \$2bn authorisation to December 2029; the dividend is \$0.50 a quarter. **(3)** In November it issued \$1bn of 5.300% notes due 2035 and in December prepaid the \$750M of 4.500% notes due 2026, so nothing matures before 2034 and the \$750M revolver (to September 2030) is undrawn; net debt was \$1.27bn at year-end, 0.44x FY25 Adj. EBITDA. **(4)** Yazoo City (570kt of gross ammonia capacity) has been idle since a November incident and is not expected back before 4Q26, so 2026 gross ammonia output is guided to ~9.5Mt against 10.1Mt in 2025. **(5)** Blue Point (~\$3.7bn excluding the air separation unit; CF 40%) begins construction this year for start-up in 2029. **All told, we estimate CF can return ~\$3.4bn over 2026-27, including \$2.8bn of buybacks, while holding ~\$2bn of cash and net debt at ~\$1.25bn.**
- **4Q25 Summary.** Net sales rose 23% y/y to \$1.87bn, gross margin was \$765M (41%) and Adj. EBITDA \$821M (+46% y/y). Net earnings of \$404M, or \$2.59 a diluted share, absorbed a \$76M asset impairment; on an adjusted basis EPS of \$2.99 beat the \$2.50 consensus (Zacks). FY25 Adj. EBITDA was \$2.89bn and FCF \$1.79bn. Realised prices rose y/y in every product: ammonia \$557/t (+21%), urea \$434/t (+25%) and UAN \$351/t (+52%), against gas of \$3.20/MMBtu (+32%). Management called the global balance constructive, citing ~20% of European ammonia capacity curtailed in December and reduced supply from Iran. 1Q26 results are due on 6 May. See Figure 1.

Table 1: CF Industries Dec-27 PT Methodology

\$ in millions, except per share

	Bull	Base	Bear
FY28E sales volume (k product tons)	19,100	19,100	19,100
FY28E avg. realised price (\$/t)	420	385	345
FY28E Henry Hub gas (\$/MMBtu)	3.70	3.70	3.70
FY28E Adj. EBITDA (NTM at Dec-27)	3,303	2,733	2,082
x EV / NTM Adj. EBITDA	7.0x	6.5x	5.5x
Implied Enterprise Value	23,118	17,765	11,451
Less: YE27E Net Debt (notes less cash)	(1,250)	(1,250)	(1,250)
Target Equity Value	21,868	16,515	10,201
Shares outstanding, 30-Jan-26 (M)	153.7	153.7	153.7
Less: Shares Retired 2026-27E (M)	(29.6)	(24.8)	(21.7)
Plus: Equity Awards and Dilution (M)	2.3	2.3	2.3
Total Diluted Shares (M)	126.4	131.1	134.2
Value per Share	\$173.00	\$125.95	\$76.00
Scenario Probability	20%	50%	30%
Dec-27 Price Target (probability-weighted)		\$120.00	
Return Potential		15%	

Source: Company reports, K2 Capital estimates. Adj. EBITDA is attributable to CF (it excludes noncontrolling interests' share), so NCI is not deducted again. Net debt is senior notes principal (\$3.25bn) less cash. Buybacks absorb FCF after dividends above a \$2.0bn cash balance, at assumed average prices of \$110/\$120 (base), \$135/\$160 (bull) and \$95/\$85 (bear) in 2026/27.

Figure 1: CF Industries Earnings Trends

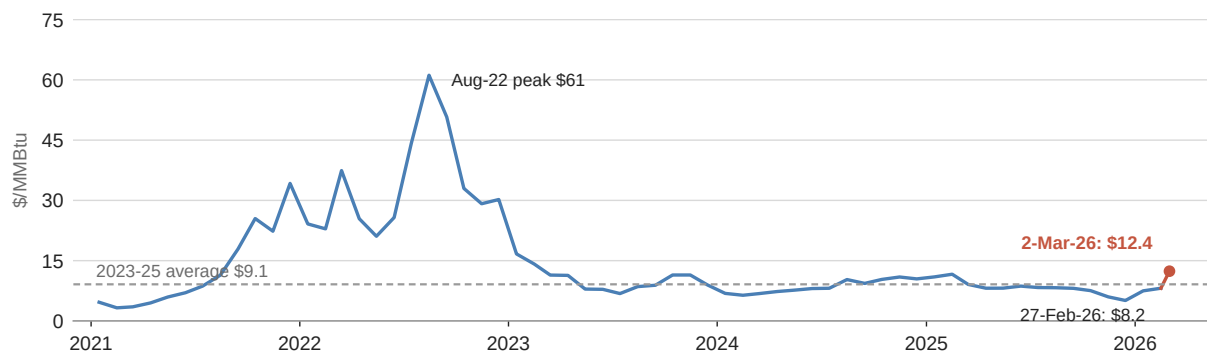
\$ in millions, except where stated; prices per product short ton

	4Q24	1Q25	2Q25	3Q25	4Q25
Gross ammonia production (Mt)	2.6	2.6	2.6	2.4	2.5
Sales volume (k product tons)	4,747	5,004	5,021	4,500	4,528
Natural gas cost (\$/MMBtu)	2.43	3.68	3.36	2.96	3.20
Avg. price: ammonia (\$/t)	461	454	452	418	557
Avg. price: granular urea (\$/t)	347	390	460	450	434
Avg. price: UAN (\$/t)	231	251	321	331	351
Avg. price: all products (\$/t)	321	332	376	369	413
Net sales	1,524	1,663	1,890	1,659	1,872
Adj. EBITDA (attributable)	562	644	761	667	821
Adj. EBITDA margin	36.9%	38.7%	40.3%	40.2%	43.9%
Net earnings (attributable)	328	312	386	353	404
Diluted EPS (\$)	1.89	1.85	2.37	2.19	2.59
Cash from operations	420	586	563	1,064	539
Capital expenditure	(197)	(132)	(245)	(347)	(226)
Operating cash flow less capex	223	454	318	717	313

Source: Company reports (8-K earnings releases), Zacks, K2 Capital calculations. 4Q25 net earnings include a \$76M (\$58M after tax) asset impairment. Gross ammonia production rounded to 0.1Mt as reported.

Figure 2: The Spread That Pays CF: European Gas less US Gas

\$/MMBtu; monthly average of front-month TTF (converted at spot EUR/USD) less front-month Henry Hub, Jan-21 to Feb-26; 2-Mar-26 is the daily close



Source: ICE Index and NYMEX front-month futures and EUR/USD via Yahoo Finance, K2 Capital calculations. One MWh = 3.412 MMBtu.

Figure 3: Dec-27 Equity Value per Share: Multiple vs. FY28E Adj. EBITDA

Base-case YE27E net debt and diluted shares; red: below 75% of current price, amber: below current price

EV / NTM Adj. EBITDA	\$2.15bn	\$2.45bn	\$2.73bn	\$3.05bn	\$3.40bn
5.5x	\$81	\$93	\$105	\$118	\$133
6.0x	\$89	\$103	\$116	\$130	\$146
6.5x	\$97	\$112	\$126	\$142	\$159
7.0x	\$105	\$121	\$136	\$153	\$172
7.5x	\$113	\$131	\$147	\$165	\$185

Source: K2 Capital estimates. Each 0.5x turn of multiple moves equity value by ~\$10/share; each \$300M of FY28E Adj. EBITDA at 6.5x by ~\$15/share.

Then and Now: Which Shock Is This?

Fertiliser equities have rallied on Gulf and Black Sea shocks before, and the outcomes split on one variable. In June 2025, Israeli strikes idled Iran's urea plants and Egypt's output stopped when Israeli gas was cut; NOLA urea jumped from \$350 to \$425/st before easing to \$390, and CF rose 9% in three sessions, then gave the gain back once the 24 June ceasefire held and was 4% lower by the end of September. In 2022 the shock hit the cost curve instead: European gas averaged €133/MWh, Europe's cost of making ammonia rose far above America's, and CF rose 59% to its August peak before giving back half as gas normalised. **The question for 2026 is therefore less whether the Gulf can ship urea next month than whether European gas stays higher for longer.** On day one the shock has a foot in both camps: the Gulf's urea is stranded, and Qatar's LNG, 77Mt a year of capacity or ~19% of 2024 global LNG trade, is offline.

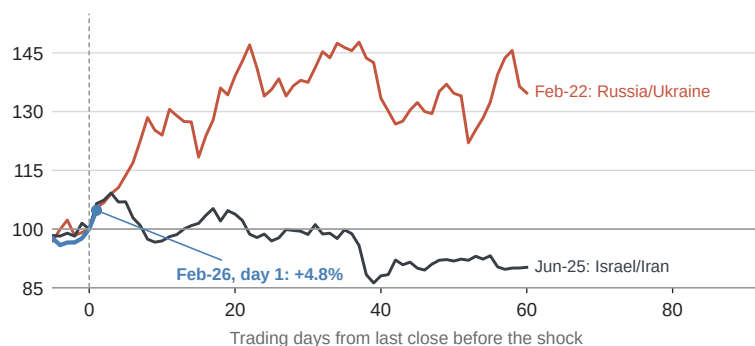
Figure 4: Three Shocks, Rhyme by Rhyme

	Jun-25: Israel/Iran 12-day war	Feb-22: Russia/Ukraine	Feb-26: Hormuz and Qatar (to 2 Mar)
Trigger	Israeli strikes on Iran, 13-24 June 2025	Russian invasion of Ukraine, 24 February 2022	US-Israeli strikes on Iran from 28 February 2026
Supply hit	Iran's seven urea units idled (capacity ~9Mt; exports ~4.5Mt); Egypt's urea output halted after Israeli gas was cut	Sanctions and shipping risk on Russian and Belarusian exports; Russian pipeline gas to Europe cut	Oil tanker traffic in the main Hormuz lanes halted on 1 March (Platts); Gulf producers withdrew offers; ~14-18Mt/yr of urea transits the Strait
Cost curve	TTF peaked 13% higher, then fell back below its pre-war level	TTF averaged €133/MWh in 2022 (€36 in 2025); spread peaked at \$61/MMBtu (Aug-22)	TTF +39% to €44.5/MWh after QatarEnergy halted LNG (77Mt/yr; ~19% of 2024 global LNG trade)
Nitrogen price	NOLA urea \$350 to \$425/st, back to \$390 within days	CF's net sales rose 71% to \$11.2bn in 2022, from \$6.5bn in 2021	NOLA urea \$470 to \$520-550/st; Middle East urea swaps from ~\$470/t to the low \$500s
CF share price	+9.2% at the 17 June peak; +0.9% at the 24 June ceasefire; -4.4% by end-September	+34% after three months; +59% at the August 2022 peak; then -49% to June 2023	+4.8% on day one; +34.9% YTD, of which +28.7% came before the strikes
Duration	Twelve days	European gas stayed high for most of 2022	The President projected "four to five weeks" on 2 March; QatarEnergy gave no restart date
Lesson	Supply scares fade with the ceasefire	Cost-curve shocks last as long as European gas stays high	Both channels are open; Qatar's LNG restart is the swing factor

Source: Argus Media, S&P Global Commodity Insights (Platts), Kpler, CZapp, Farm Policy News (University of Illinois), Al Jazeera, Euronews, QatarEnergy, IGU 2025 World LNG Report, company reports, NYSE closes and ICE futures via Yahoo Finance, K2 Capital calculations.

Figure 5: CF Share Price Around Three Shocks

Indexed to 100 at the last close before each shock; trading days



Source: NYSE closes via Yahoo Finance (not adjusted for dividends), K2 Capital calculations. Base dates: 23-Feb-22, 12-Jun-25 and 27-Feb-26.

Reading the scorecard correctly. The popular claim that CF is up 30%, Nutrien 10% and Mosaic 6% "since the Iran strikes" does not fit the tape on 2 March: from the 27 February close, CF rose 4.8%, Nutrien 0.9% and Mosaic fell 1.2%, while the S&P 500 was flat. CF is up 34.9% this year, but +28.7% of that came before the strikes, on tight nitrogen markets and a strong 4Q25. Nor did "America" act alone: the 28 February strikes were a joint US-Israeli operation. **The durable part of the trade is narrower than the headline:** nitrogen rather than fertiliser, made from US gas rather than Gulf or European gas, and dependent on how long Qatar's LNG stays offline.

The Spread: Why Louisiana Gas Is the Asset

The case for this trade says a third of the world's nitrogen depends on the Strait of Hormuz. The precise statement is narrower and, for CF, just as useful. The world made ~201Mt of urea in 2024, but only ~55Mt (27%) crossed an ocean; the Middle East shipped ~20Mt of that, and 14-18Mt a year moves through Hormuz (Oman loads outside it). That is ~30% of seaborne urea but ~8% of world output (Figure 6). Import-dependent buyers such as India, Brazil, Australia and the US, which took 28% of its 2025 urea imports from the Middle East, feel it at once; largely self-supplied China and Russia do not. **What makes the shock valuable to CF is where the replacement tonnes come from:** higher-cost plants in Europe, whose gas has just risen 39%. At Monday's prices we estimate CF makes ammonia for ~\$143/t of cash cost against ~\$551/t in Europe (Figure 7).

Figure 6: Decomposing "One-Third"

Urea unless stated; *share of seaborne trade / of world output

Mt per year	Mt/yr	Share
World production, 2024	201	100%
Seaborne trade, 2024	~55	27% of output
Middle East exports	~20	35% of seaborne
o/w via the Strait of Hormuz	14-18	~30% / ~8%*
o/w Iran exports (sanctioned)	~4.5	~1/4 of ME
Qatar: QAFCO urea capacity	5.6	up to 14%
Ammonia: seaborne trade	~20	Gulf 25-30%
Sulphur: Gulf share, seaborne	-	~44%
US urea imports from ME, 2025	-	28%

Source: Statista (world production), CZapp (seaborne trade, 2024), Argus Media (Middle East share, US imports), Kpler (Hormuz flows of 1.2-1.5Mt a month of urea and 0.4-0.5Mt of ammonia; ~44% of sulphur, June 2025), StoneX via Farm Policy News (Iran), QAFCO, K2 Capital calculations.

Figure 7: Cash Cost by Gas Basis

Gas in \$/MMBtu; costs in \$ per metric tonne (K2 estimates)

Gas basis	Gas	Ammonia	Urea
US Gulf (CF), HH, 2-Mar	2.96	143	118
Europe, TTF, 27-Feb	11.06	410	303
Europe, TTF, 2-Mar	15.34	551	401
Europe, 2025 average	11.92	438	323
Europe, 2022 average	40.67	1,387	978
Memo: Tampa, Mar-26 contract		615	
Memo: NOLA urea, 2-Mar			573-606

Source: ICE/NYMEX futures via Yahoo Finance, QCI, Argus Media, K2 Capital estimates.
Ammonia: 33 MMBtu/t plus \$45/t of other cash costs. Urea: 0.57t of ammonia plus 4 MMBtu and \$25/t of conversion. NOLA converted from short tons.

Figure 8: Not All Fertiliser Is Nitrogen

	CF	Nutrien	Mosaic	Yara
Nutrient mix (FY25 Adj. EBITDA)	Nitrogen, ~100%	Potash 37%, N 36%, retail 29%	Phosphate, potash	Nitrogen, Europe-based
Gas basis	Henry Hub	Henry Hub/AECO; Trinidad shut	Buys ammonia and sulphur	TTF (LNG-linked)
Gulf channel	Price up, cost flat	N price up; potash not Gulf-sourced	DAP up; sulphur, ammonia up	Price up, gas cost up
FY25 Adj. EBITDA (\$bn)	2.89	6.05	2.42	-
Market cap, 2-Mar-26 (\$bn)	16.0	~37	8.7	-
27-Feb to 2-Mar	+4.8%	+0.9%	-1.2%	+1.2%
Year to date	+34.9%	+22.7%	+14.2%	+17.6%

Source: Company reports (Nutrien and Mosaic FY25 releases; Nutrien market cap uses ~486M diluted shares implied by FY25 EPS), NYSE and Oslo closes via Yahoo Finance, K2 Capital. Yara YTD from the 30-Dec-25 close.

Mosaic is the wrong fertiliser stock for this shock.

Saudi phosphate exports also pass through Hormuz, but Mosaic's inputs move against it: the Gulf ships ~44% of seaborne sulphur, Mosaic's 4Q25 sulphur cost was \$306/t against benchmarks above \$500/t late in the quarter, and it estimates each \$10/t costs ~\$10M of quarterly EBITDA. Nutrien owns nitrogen too, but potash and retail are ~2/3 of its EBITDA and its Trinidad plant is shutting. Yara gets the price without the cost advantage. **Only CF combines a pure nitrogen mix, US gas and no Gulf input exposure.** Each \$10/t on its realised price adds ~\$153M of FY26E EBITDA.

Investment Thesis, Valuation and Risks

CF Industries *(Overweight; Price Target: \$120.00)*

Investment Thesis

CF is North America's largest nitrogen producer, and its earnings are a spread: a global nitrogen price, set at the margin by Middle East exporters and gas-importing Europe, less the cost of Henry Hub gas. The strikes on Iran stranded ~30% of seaborne urea behind the Strait of Hormuz at the start of the spring application season, and Qatar's LNG halt lifted European gas 39% while US gas was flat. We estimate FY26E Adj. EBITDA of \$3.46bn and EPS of \$13.42, against a pre-strike consensus of \$7.46, and expect most of the windfall to be returned through buybacks. The risk is a June 2025-style fade if the Strait and Qatar's LNG reopen quickly; our bear case allows for it. We rate shares Overweight.

Valuation

Our \$120 Dec-27 PT is a probability-weighted blend of a base case (50%) at 6.5x FY28E Adj. EBITDA of \$2.7bn less YE27E net debt of \$1.25bn (\$126/share), a bull case (20%) at 7.0x on \$3.3bn (\$173) and a bear case (30%) at 5.5x on \$2.1bn (\$76). A DCF cross-check gives ~\$136 today. We rate shares Overweight.

Risks to Rating and Price Target

Downside Risks: a quick ceasefire that reopens Hormuz and restarts Qatar's LNG within weeks, as in June 2025; demand destruction, with USDA already projecting 2026 corn plantings of 94M acres against 98.8M in 2025; new supply, including Woodside's 1.1Mt/yr Beaumont ammonia plant (first ammonia in December 2025), and higher Chinese urea exports; a rise in US gas (the 2027 Henry Hub strip is \$3.76); policy, after the President announced a task force on price fixing in the food supply chain, including fertiliser, on 6 December 2025 and a senior USDA official called Nutrien and Mosaic a "duopoly" in January; and operating risk at Yazoo City, Donaldsonville and Blue Point.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. NOLA urea trades back below the \$470/st pre-strike level before the end of April, i.e. the disruption premium is gone before peak application.
2. Front-month TTF holds below €35/MWh for four consecutive weeks, taking the gas spread back under its 2023-25 average of ~\$9/MMBtu.
3. CF's average realised price is below \$420/t in 2Q26 (our base: \$480/t; results on 5 August), or 1Q26 Adj. EBITDA is below \$700M (6 May; our base: \$834M).
4. The calendar-2027 Henry Hub strip rises above \$4.50/MMBtu (2 March: \$3.76), eroding CF's cost advantage.
5. Buybacks fall below ~\$300M a quarter while cash builds, or US policy caps domestic nitrogen prices or exports.

Signposts

Late March: April Tampa ammonia settlement. 31 March: USDA Prospective Plantings. Early April: end of the "four to five weeks" the President projected on 2 March. Ongoing: QatarEnergy restart statements and Hormuz transit counts. 6 May: CF 1Q26 results (call 7 May).

CF Industries: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E	FY28E	Income Statement - Quarterly	1Q26E	2Q26E	3Q26E	4Q26E	
Revenue	5,936	7,084	7,737	7,505	7,354	Sales volume (k tons)	4,750	4,800	4,200	4,250	
Cost of sales	(3,880)	(4,360)	(4,230)	(4,633)	(4,723)	Avg. realised price (\$/t)	410	480	410	415	
Gross margin	2,056	2,724	3,507	2,872	2,630	Gas cost (\$/MMBtu)	3.50	3.00	3.20	3.80	
SG&A	(320)	(364)	(380)	(392)	(404)	Revenue	1,948	2,304	1,722	1,764	
Other operating, net of equity income	10	(60)	12	12	12	Cost of sales	(1,108)	(1,074)	(992)	(1,056)	
Operating earnings	1,746	2,300	3,139	2,492	2,238	Gross margin	839	1,230	730	708	
D&A	925	898	880	900	920	SG&A, net of equity income	(92)	(92)	(92)	(92)	
Adj. EBITDA (attributable)	2,284	2,893	3,465	2,932	2,733	Operating earnings	747	1,138	638	616	
Net interest	2	(74)	(103)	(102)	(102)	Adj. EBITDA (attributable)	834	1,167	741	723	
Other non-operating	14	13	0	0	0	Net interest	(26)	(26)	(26)	(26)	
Pre-tax income	1,762	2,239	3,036	2,390	2,136	Pre-tax income	722	1,112	612	590	
Tax	(285)	(441)	(599)	(471)	(421)	Tax	(142)	(220)	(121)	(116)	
Net earnings	1,477	1,798	2,437	1,919	1,716	Net earnings	579	892	492	474	
Noncontrolling interests	(259)	(343)	(465)	(369)	(331)	Noncontrolling interests	(111)	(168)	(94)	(91)	
Net earnings (attributable)	1,218	1,455	1,973	1,550	1,384	Net earnings (attributable)	469	724	397	383	
Diluted EPS	6.74	8.97	13.42	11.44	10.87	Diluted EPS	3.08	4.88	2.75	2.72	
DPS	2.00	2.00	2.00	2.00	2.00	DPS	0.50	0.50	0.50	0.50	
Diluted shares (wtd, M)	180.7	162.2	147.0	135.6	127.3	Diluted shares (wtd, M)	152.1	148.4	144.6	140.9	
Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E	Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,614	1,982	2,000	2,000	2,000	Gross margin	34.6%	38.5%	45.3%	38.3%	35.8%
Accounts receivable	404	488	459	459	449	Adj. EBITDA margin	38.5%	40.8%	44.8%	39.1%	37.2%
Inventories	314	383	420	400	400	Net margin (attributable)	20.5%	20.5%	25.5%	20.7%	18.8%
Other current assets	188	132	132	132	132	ROE (attributable, avg. equity)	-	29.6%	40.5%	31.2%	27.3%
Current assets	2,520	2,985	3,011	2,991	2,981	ROA	-	13.1%	17.0%	12.9%	11.0%
PP&E (net)	6,735	6,715	7,169	8,003	8,717	Net debt / Adj. EBITDA	0.61x	0.44x	0.36x	0.43x	0.46x
Goodwill and intangibles	2,999	2,966	2,932	2,898	2,864	Net debt / Equity	0.28x	0.26x	0.25x	0.25x	0.24x
Other non-current assets	1,212	1,422	1,422	1,422	1,422	P/E (x)	15.5x	11.6x	7.8x	9.1x	9.6x
Total assets	13,466	14,088	14,534	15,314	15,984	EV/Revenue (x)	2.9x	2.4x	2.2x	2.3x	2.4x
Current liabilities	818	887	887	887	887	EV/Adj. EBITDA (x)	7.6x	6.0x	5.0x	5.9x	6.3x
Long-term debt	2,971	3,215	3,215	3,215	3,215	FCF yield	9.0%	11.2%	12.3%	9.2%	8.4%
Deferred income taxes	871	869	869	869	869	Dividend yield	1.9%	1.9%	1.9%	1.9%	1.9%
Leases, supply contract, other	1,214	1,342	1,312	1,282	1,252	Capex / Sales	8.7%	13.4%	16.8%	22.7%	21.8%
Total liabilities	5,874	6,313	6,283	6,253	6,223	Revenue y/y Growth	-	19.3%	9.2%	(3.0%)	(2.0%)
Stockholders' equity	4,985	4,838	4,905	5,032	5,119	Adj. EBITDA y/y Growth	-	26.7%	19.8%	(15.4%)	(6.8%)
Noncontrolling interests	2,607	2,937	3,346	4,029	4,642	EPS y/y Growth	-	33.1%	49.6%	(14.8%)	(4.9%)
Total liabilities & equity	13,466	14,088	14,534	15,314	15,984						
Net debt (notes principal less cash)	1,386	1,268	1,250	1,250	1,250						
Cash flow from operating activities	2,271	2,752	3,324	2,854	2,661						
o/w D&A	925	898	880	900	920						
Cash flow from investing activities	(469)	(933)	(1,300)	(1,700)	(1,600)						
o/w Capital expenditure	(518)	(950)	(1,300)	(1,700)	(1,600)						
as % of sales	9%	13%	17%	23%	22%						
Cash flow from financing activities	(2,205)	(1,484)	(2,006)	(1,154)	(1,061)						
o/w Dividends	(364)	(326)	(307)	(279)	(262)						
o/w Share repurchases	(1,509)	(1,365)	(1,643)	(1,189)	(1,080)						
o/w NCI contributions less distributions	(308)	(13)	(56)	315	281						
Net change in cash	(418)	368	18	0	0						
Free cash flow (company definition)	1,445	1,789	1,968	1,469	1,342						

Source: Company reports (8-K earnings releases, FY25 10-K), K2 Capital estimates. Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which, FY24A-FY25A cash flow subtotals include FX and other items. Adj. EBITDA and FCF (operating cash flow less capex and NCI distributions, plus NCI contributions) as defined by the company. Projections hold debt flat and buy back stock above a \$2.0bn cash balance; EV uses the current market cap and FY25 net debt.

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the S&P 500. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (\$)	Price Target (\$)
02-Mar-26	OW (initiation)	104.30	120.00

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 2 March 2026 unless stated, and no information published after that close is used. Company data are from CF Industries' Forms 8-K (earnings releases for 4Q24 and 1Q25-4Q25), its Form 10-K for 2025, its November 2025 prospectus supplement for the 5.300% notes due 2035 and its January 2026 results calendar; Nutrien's and Mosaic's 4Q25 releases and Yara's 4Q25 release. Market data are NYSE, Oslo Bors, ICE Endex and NYMEX closes via Yahoo Finance. Other sources include Argus Media (NOLA urea and urea derivatives, 2 March 2026), QCI (Tampa ammonia, 27 February 2026), Kpler (Gulf fertiliser flows, June 2025), CZapp (June 2025), Farm Policy News, University of Illinois (June 2025), QAFCO, QatarEnergy (2 March 2026), the International Gas Union 2025 World LNG Report, USDA Agricultural Outlook Forum (February 2026), Zacks (consensus EPS, 18 February 2026), Benzinga (broker price targets to 24 February 2026), Enerdata (Woodside Beaumont), S&P Global Commodity Insights (Hormuz tanker traffic, 1 March 2026), Al Jazeera and Euronews (statements of 2 March 2026), the White House (food supply chain task force, 6 December 2025), Statista (urea production) and Stockanalysis.com (CF 2021-22 net sales). Cash costs, the gas spread, scenario values, the DCF and Hormuz shares are K2 calculations. Estimates are K2 Capital's and are subject to change without notice.

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