

Mossberg's Investor Digest

Best Idea Profile:

Rentech Nitrogen Partners L.P. (NYSE:RNF)

DESCRIPTION:

Headquartered in Los Angeles, California; Rentech Nitrogen Partners LP is a pure-play nitrogen fertilizer company formed by Rentech, Inc. (NYSE: RTK) in November of 2011 as a publicly traded master limited partnership. The facility delivers over 490,000 tons of nitrogen fertilizer products per year. The Company can produce up to 830 tons of ammonia per day and has an expansion project underway to increase ammonia capacity to approximately 1,022 tons per day. Rentech Nitrogen's facility has the flexibility to vary its product mix significantly, which permits it to upgrade its ammonia production into varying amounts of urea ammonia nitrate solution (UAN), nitric acid and liquid and granular urea each season, depending on market demand, pricing and storage availability. Rentech Nitrogen Partners has a distribution agreement with Agrium Inc. that provides for the distribution and sale of its nitrogen fertilizer products.

KEY INVESTMENT CONSIDERATIONS:

Solid Fertilizer Franchise – The Company's fertilizer operations are located in the heart of the US farm belt and has a 45-year operating history. Rentech Nitrogen currently produces 490,000 tons per year of nitrogen fertilizer products that are primarily ammonia based.

Fertilizer Growth Trends – Increased grain demand is driving higher fertilizer prices. In the Company's core fertilizer market of Iowa, Illinois and Wisconsin Consumption exceeds production by ~4.0x for Ammonia and ~1.4x for Urea and Ammonium Nitrate. Ammonia and UAN consumption in IL, IA and WI have increased by 20% and 14%, respectively, since 2000.

Profitable Expansion of Facilities – Rentech is currently expanding its capacity to serve an increasingly strong demand for its fertilizer products. The Company has new expansion projects underway each of which have returns currently projected to be above 20%. These projects include expanding Urea production by 17,500 tons annually to meet growing demand for Diesel Exhaust Fluid (expected completion by end of 2012) and an Ammonia production capacity expansion of 70,000 tons annually with an additional onsite 20,000 ton ammonia storage capacity (expected completion by end of 2013).

Non-Fertilizer Revenue Sources – In addition to nitrogen fertilizer products, the Company's facility manufactures food-grade carbon dioxide as a by-product and sells it into the food and beverage market. Rentech Nitrogen Partners also produces nitric acid for use in the production of ammonium nitrate solution and for industrial purposes along with small quantities of nitric acid.

New Funding - On January 4, 2012 Rentech, Inc. Announced that it had provided Rentech Nitrogen Partners, L.P. with a commitment to make an unsecured loan of up to \$40 million, to fund the continuation of the ammonia and storage expansion project underway at Rentech Nitrogen. Under the terms of the loan, Rentech Nitrogen may draw on the loan facility periodically through May 31, 2012 at an interest rate of LIBOR plus 5.5%.

VALUATION:

The company expects to pay out \$2.34 per unit in distributions during 2012 (FY ended in September), which equates to an attractive 12% yield.

Rentech Nitrogen Partners L.P. (NYSE:RNF) Investment Data (as of 1/12/12)

Recent Price	\$20.37
52-Week Range	\$16.04 - \$20.65
Fiscal Year End	Sep
Dividend (2012 Projected)	2.34
Yield	11.7%
Shares Outstanding	38 MM
Average Trading Volume (3 mos)	541k
Market Capitalization	\$760MM
Cash	\$51MM
Long Term Debt	NA
Enterprise Value (EV)	\$710MM
Book Value	NA
TTM Revenue	\$180MM
P/ Revenue	4x
TTM EPS	NA
P/ EPS	NA
TTM EBITDA	\$80MM
EV/ EBITDA	10.4x