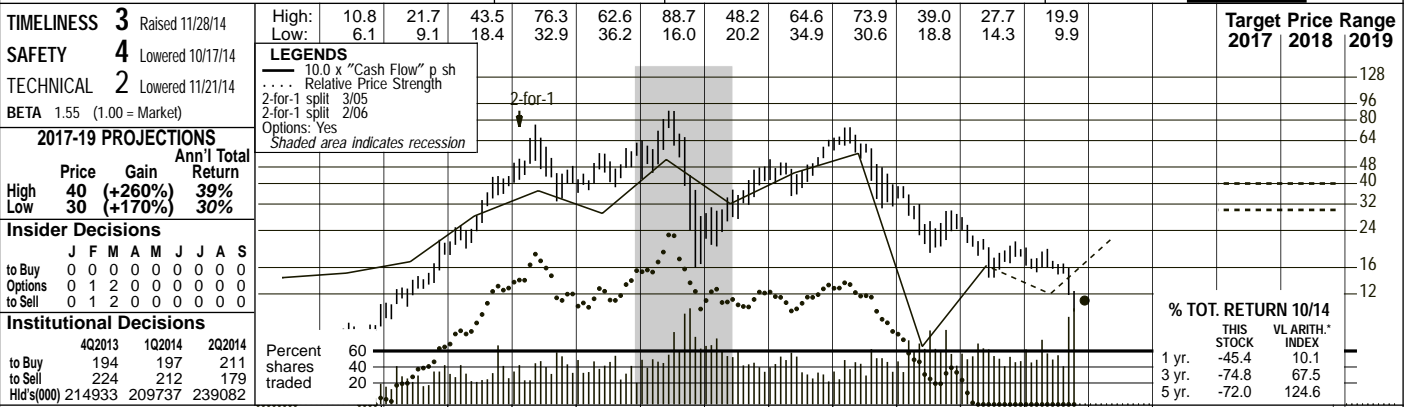


**PEABODY ENERGY NYSE-BTU**     **RECENT PRICE 11.16**     **P/E RATIO NMF (Trailing:NMF Median: 20.0)**     **RELATIVE P/E RATIO NMF**     **DIV'D YLD 3.0%**     **VALUE LINE**



The company's roots can be traced back to 1883, when Francis S. Peabody founded a coal company in Chicago. Peabody Coal Co. later merged with Sinclair Coal Co. in 1955, only to be bought out by Kennecott Copper Corp. in 1968. The company was eventually acquired by Lehman Merchant Banking Partners in May 1998. Renamed Peabody Energy Corp., it completed its IPO in 2001, underwritten by Lehman Brothers.

**CAPITAL STRUCTURE as of 9/30/14**  
 Tot. Debt \$5991.1 mill. Due in 5 Yrs \$2260.0 mill.  
 LT Debt \$5969.7 mill.    LT Interest \$420.0 mill. (62% of Cap'l)  
 Leases, Uncapitalized: Ann'l rentals \$207.4 mill.

**Pension Assets-12/13** \$851.4 mill. **Oblig.** \$947.3 mill.  
**Pfd Stock** None  
**Common Stock** 271.45 mill. shs.  
**MARKET CAP: \$3.0 billion (Mid Cap)**

CURRENT POSITION (\$MILL.)				2012	2013	9/30/14
Cash Assets				558.8	444.0	466.5
Receivables				737.8	557.9	490.0
Inventory (Avg Cst)				548.4	506.7	490.9
Other				831.0	484.1	484.0
Current Assets				2676.0	1992.7	1931.4
Accts Payable				1606.9	1737.7	1656.5
Debt Due				47.8	31.7	21.4
Other				19.4	61.0	22.4
Current Liab.				1674.1	1775.5	1700.3

ANNUAL RATES					
Cal-endar	QUARTERLY SALES (\$ mill.)	QUARTERLY SALES (\$ mill.)	QUARTERLY SALES (\$ mill.)	QUARTERLY SALES (\$ mill.)	Full Year
	Mar.31	Jun. 30	Sep. 30	Dec. 31	
2011	1743.1	1980.5	1997.2	2253.6	7974.4
2012	2003.6	1998.2	2058.8	2016.9	8077.5
2013	1748.0	1725.3	1797.6	1742.8	7013.7
2014	1626.8	1758.0	1722.9	1632.3	6740
2015	1725	1850	1725	1700	7000

EARNINGS PER SHARE A					
Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2011	.70	1.10	1.02	.92	3.76
2012	.67	.51	.51	.36	2.05
2013	d.05	.39	.06	d1.52	d1.12
2014	d.19	d.28	d.59	d.34	d1.40
2015	d.20	d.17	d.13	d.05	d.55

QUARTERLY DIVIDENDS PAID B					
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.07	.07	.07	.085	.30
2011	.085	.085	.085	.085	.34
2012	.085	.085	.085	.085	.34
2013	.085	.085	.085	.085	.34
2014	.085	.085	.085	.085	.34

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
Sales per sh	14.01	17.64	19.92	16.88	24.66	22.37	25.35	29.69	30.10	25.97	24.85	25.75	Sales per sh	32.00
"Cash Flow" per sh	1.71	2.81	3.71	2.89	5.20	3.21	4.49	5.32	4.50	1.64	1.00	1.90	"Cash Flow" per sh	5.35
Earnings per sh A	.68	1.58	2.23	1.56	3.64	1.64	2.86	3.76	2.05	d1.12	d1.40	d.55	Earnings per sh A	2.15
Div'ds Decl'd per sh B	.13	.17	.24	.24	.24	.25	.30	.34	.34	.34	.34	.34	Div'ds Decl'd per sh B	.38
Cap'l Spending per sh	1.03	1.46	1.81	1.74	1.41	.97	2.07	2.00	3.67	1.90	1.00	1.00	Cap'l Spending per sh	2.20
Book Value per sh	6.66	8.27	8.86	9.30	10.86	13.95	17.33	20.36	18.40	14.47	13.25	13.80	Book Value per sh	26.90
Common Shs Outst'g C	259.14	263.36	263.85	271.01	267.36	268.76	270.56	270.30	268.39	270.10	271.50	272.00	Common Shs Outst'g C	275.00
Avg Ann'l P/E Ratio	20.2	18.9	21.5	30.3	14.7	20.5	16.8	14.2	13.3	--	Bold figures are Value Line estimates	--	Avg Ann'l P/E Ratio	16.0
Relative P/E Ratio	1.07	1.01	1.16	1.61	.88	1.35	1.03	.89	.84	--	--	--	Relative P/E Ratio	1.00
Avg Ann'l Div'd Yield	1.0%	6.0%	5.0%	5.0%	5.0%	7.0%	6.0%	6.0%	1.2%	1.6%	--	--	Avg Ann'l Div'd Yield	1.1%
Sales (\$mill)	3631.6	4644.5	5256.3	4574.7	6593.4	6012.4	6860.0	7974.4	8077.5	7013.7	6740	7000	Sales (\$mill)	8800
Operating Margin	14.3%	15.9%	17.6%	18.6%	26.9%	22.2%	25.8%	26.0%	21.8%	13.7%	10.0%	12.0%	Operating Margin	15.0%
Depreciation (\$mill)	270.2	316.1	377.2	361.6	406.2	405.2	440.9	482.2	663.4	740.3	650	660	Depreciation (\$mill)	880
Net Profit (\$mill)	172.2	422.7	600.7	421.3	984.8	457.9	774.0	957.7	238.7	d298.3	d380	d150	Net Profit (\$mill)	590
Income Tax Rate	--	.2%	--	--	15.8%	29.7%	27.7%	26.5%	NMF	NMF	NMF	NMF	Income Tax Rate	20.0%
Net Profit Margin	4.7%	9.1%	11.4%	9.2%	14.9%	7.6%	11.3%	11.9%	3.0%	--	NMF	NMF	Net Profit Margin	6.7%
Working Cap'l (\$mill)	280.5	301.7	d93.2	d259.7	115.1	876.6	1335.0	1406.5	1001.9	217.2	500	500	Working Cap'l (\$mill)	1150
Long-Term Debt (\$mill)	1406.0	1382.9	3168.1	3138.7	3139.2	2738.2	2706.8	6556.4	6205.1	5970.7	6000	6500	Long-Term Debt (\$mill)	7525
Shr. Equity (\$mill)	1724.6	2178.5	2338.5	2519.7	2903.8	3755.9	4689.3	5515.8	4938.8	3908.7	3600	3750	Shr. Equity (\$mill)	7400
Return on Total Cap'l	7.0%	13.3%	12.2%	9.5%	18.1%	8.6%	12.4%	8.8%	4.0%	--	NMF	NMF	Return on Total Cap'l	5.5%
Return on Shr. Equity	10.0%	19.4%	25.7%	16.7%	33.9%	12.2%	17.2%	17.4%	4.8%	--	NMF	NMF	Return on Shr. Equity	8.0%
Retained to Com Eq	8.1%	17.4%	23.0%	14.2%	31.7%	9.9%	15.8%	12.4%	9.3%	--	NMF	NMF	Retained to Com Eq	6.5%
All Div'ds to Net Prof	19%	11%	11%	15%	7%	15%	10%	9%	17%	--	NMF	NMF	All Div'ds to Net Prof	18%

**BUSINESS:** Peabody Energy Corporation is the largest private-sector coal company in the world, and owns majority interests in 34 active coal operations located throughout all U.S. coal producing regions and Australia. The company has roughly 10 billion tons of proven and probable coal reserves. Peabody Energy sold 251.7 million tons of coal in '13 (248.5 mill. in '12), and is expanding into

other energy-related businesses. Supplies fueled more than 10% of all electricity in the U.S. and 2% worldwide. Has about 8,300 employees. FMR LLC owns 11.2% of common stock; off/dir. own less than 1.0% (3/14 Proxy). Chairman and CEO: Gregory H. Boyce. Inc.: DE. Addr.: 701 Market Street, St. Louis, MO, 63101. Telephone: 314-342-3400. Internet: www.peabodyenergy.com.

**With global coal demand in a secular decline, Peabody Energy stock is trading near its lowest level in a decade. With few exceptions, equities that comprise the Value Line coal industry have been under considerable pressure since the end of the previous decade, with many trading near their respective all-time lows. Reduced imports into China (the world's largest consumer of coal), lower usage of the mineral by U.S. power plants as a result of stricter EPA guidelines, and still-sluggish industrial activity at home are the primary reasons for the dropoff.**

**We have revised our bottom-line estimates for 2014 and 2015.** Through the first three quarters of the year soon ending, volumes at Peabody Energy slipped nominally (less than 1%), but the rate of decline accelerated in the September period (-10%), which may be a harbinger of things to come. Revenues have also deteriorated, with that measure down in both the third quarter (-4.2%) and year to date (-3.1%). Margins narrowed from 14.6% in the year earlier, to 10.9%, due to modestly higher expenses and falling revenues. All told, the miner logged a deficit of

\$1.06 a share through September, versus a profit of \$0.40 in the comparable period of 2013. In addition, management lowered the top end of its production target for 2014 by five million tons, and now anticipates volumes between 245 million and 255 million tons. Our respective bottom-line calls for 2014 and 2015 now sit at deficits of \$1.40 and \$0.55 a share, compared with our prior loss estimates of \$1.20 and \$0.20.

**The domestic coal industry, as a whole, may be at a crossroads.** The sector is still saddled with a glut of capacity, persistently weak demand, both at home and abroad, and the emergence of natural gas as a competing source of energy. Of the U.S.-based coal miners, Peabody Energy is by far the largest, the most geographically diversified, and the best capitalized. Indeed, the company is maintaining the quarterly dividend at \$0.085 per share, clearly a nod to shareholders, in our view. This neutrally ranked stock holds wide price-recovery potential to the end of this decade, but is only suited to risk-tolerant investors with a long time horizon.

*Sharif Abdou*  
*December 5, 2014*

(A) Diluted eggs. Excludes gains/(losses) from nonrec. items and/or disc. ops: '07, (\$8c); '08, (12c); '09, 2c; '11, (24c); '12, (\$4.24); '13, (\$1.46). May not sum due to rounding and/or change in share count. Next eggs. report due in mid-January.  
 (B) Div'd historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvest. plan available.  
 (C) In millions, adjusted for splits.  
 Company's Financial Strength B  
 Stock's Price Stability 20  
 Price Growth Persistence 25  
 Earnings Predictability 10

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